

## SUMITOMO RUBBER GROUP

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National movement for global warming prevention  
September 2016 PR 267

 SUMITOMO RUBBER INDUSTRIES, LTD.

SUMITOMO RUBBER GROUP CSR Report 2016

SUMITOMO RUBBER GROUP

# CSR Report 2016

*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.

Sumitomo Rubber Group



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## Business of Sumitomo Rubber Group

### Tire Business

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

#### Production factories

Japan (Shirakawa, Nagoya, Izumiotsu, Miyazaki), China, Indonesia, Thailand, Brazil, South Africa, Turkey, United States.

#### Production companies

13 consolidated subsidiaries, 4 affiliates

#### Sales companies

29 consolidated subsidiaries, 2 affiliates

#### Tire test courses

Okayama, Nayoro, Asahikawa, United States

#### R&D facility

Tire Technical Center



### Sports Business

Dunlop Sports Co., Ltd. is our central group company in the manufacture and marketing of golf clubs and balls and tennis racquets and balls. We provide golf products worldwide under the SRIXON, XXIO, and Cleveland Golf brands, and our tennis products include the SRIXON and DUNLOP brands.

In 2014, we launched our wellness business, which is centered on fitness.

#### Production factories

Japan (Ichijima, Miyazaki), Indonesia, Thailand, U.S.A.

#### Production companies

4 consolidated subsidiaries, 1 affiliate

#### Sales companies

10 consolidated subsidiaries, 1 affiliates

#### R&D facility

Golf Science Center  
North America R&D Center



### Industrial and other products Business

The Hybrid Business Division of Sumitomo Rubber Industries manufactures and markets a wide range of products, including 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, waterproofing rubber, and medical rubber stoppers. In 2015, we acquired a Swiss medical rubber company, thus expanding our health care business.

#### Manufacturing factories

Japan (Kakogawa, Izumiotsu), Malaysia, China, Vietnam

#### Production companies

4 consolidated subsidiaries, 1 affiliate

#### Sales companies

4 consolidated subsidiaries



## Group Overview (as of the end of December 2015)

- Company name / Sumitomo Rubber Industries, Ltd.
- Head Office / 3-6-9 Wakinhama-cho, Chuo-ku, Kobe, Hyogo 651-0072, Japan
- Establishment / 1909
- Paid-in capital / ¥42.7 billion
- Consolidated net sales / ¥848.7 billion
- Number of employees (consolidated) / 33,185
- Consolidated subsidiaries / 77 (of which 28 are in Japan)
- Affiliates / 15 (of which 8 are in Japan)

### Breakdown of Net Sales by Business Segment

Industrial and other products business

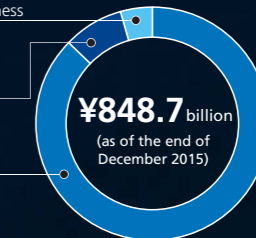
4.6%

Sports business

9.1%

Tire business

86.3%



## Europe, Middle East, Africa

**11** consolidated subsidiaries

## Asia, Oceania

**30** consolidated subsidiaries **6** affiliates

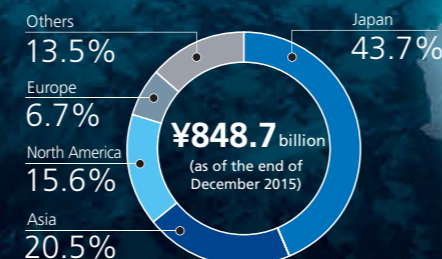
## Japan

**28** consolidated subsidiaries **8** affiliates

## North America, Latin America

**8** consolidated subsidiaries **1** affiliates

### Breakdown of Net Sales by Region



### By dissolving our alliance with Goodyear

In 2015, we dissolved our alliance agreement with The Goodyear Tire & Rubber Company, which was originally concluded in 1999. We are accelerating expansion of our brand globally, utilizing both our Dunlop brand with its global brand recognition, and the Falken brand, known particularly in the U.S. for its high performance. In North America, as well as letting us use the Dunlop brand as original equipment (OEM) tires on automobiles and motorcycles produced by Japanese automakers' U.S.-based manufacturers, this has allowed us the freedom to establish our own production and R&D bases. The dissolution of the alliance agreement let us acquire the North American factory (New York state), and we will fully leverage this production capacity to expand our North American operations. We will also be able to establish our own production and R&D bases in Europe.

# Accelerated Global Expansion

# Performance Highlights

## Main Financial Indicators

Net Sales (consolidated)

¥848.7 billion

Year on year 1.3% increase

Operating Income (consolidated)

¥77.1 billion

Year on year 10.6% decrease

Net Income (consolidated)

¥55.8 billion

Year on year 4.9% increase

Total Assets (consolidated)

¥936.2 billion

ROE

13.3%

Debt/equity ratio

0.6 Times

Stockholders' Equity (consolidated)

¥423.9 billion

ROA

8.1%

Number of employees (consolidated)

33,185

Year on year 2,961 increase

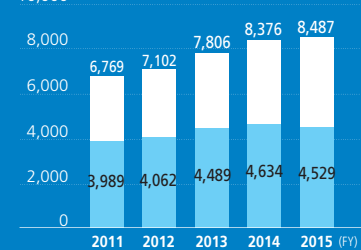
Overseas sales ratio

56.3%

### Net Sales

Consolidated Non-consolidated

(¥100 million)



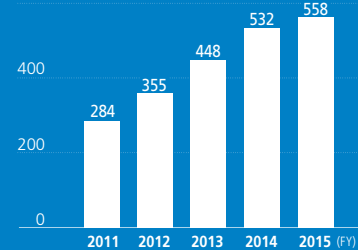
### Operating Income (consolidated)

(¥100 million)



### Net Income (consolidated)

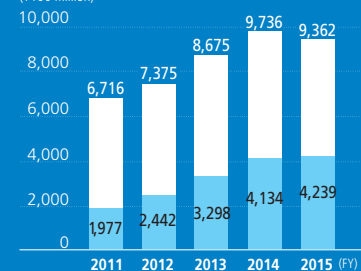
(¥100 million)



### Total Assets, Stockholders' Equity (consolidated)

Total Assets Stockholders' Equity

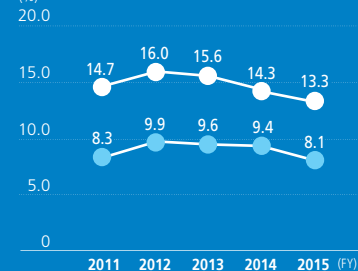
(¥100 million)



### ROE, ROA (based on operating income)

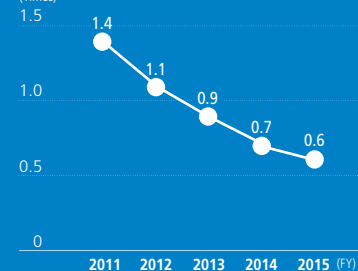
ROE ROA

(%)



### Debt/equity ratio

(Times)



## CSR-Related Indicators

Green Green Initiative

Cumulative Number of Trees Planted

1.57 million



Ecology Ecological Process

CO<sub>2</sub> Emissions from Production Activities (6 factories in Japan, year on year)

13,000 t reduction



Ecology Ecological Process

Employees at ISO 14001 Certified Sites as Percentage of All Employees

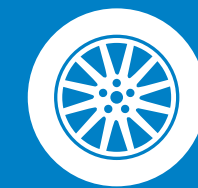
78.5%



Next Next-Generation Products Development

New Tire Technologies for Safer, More Environmentally-friendly Tires

Development of GYROBLADE & CORESEAL



Kindness Kindness to Employees

Early Return-to-Work Support System

Introduction of daycare support system



Integrity Integrity for Stakeholders

CSR Funds (total amount donated)

¥34.33 million



Green Green Initiative

Number of Trees Planted in One Million Trees for Local Forests Project

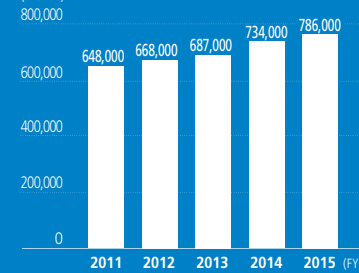
(10,000 trees)



Ecology Ecological Process

Global Environmental Data (CO<sub>2</sub> emissions)

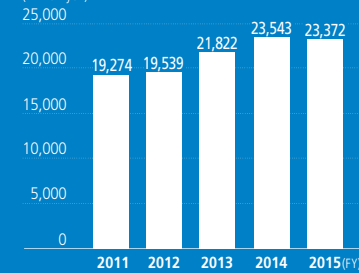
(t-CO<sub>2</sub>e)



Next Next-Generation Products Development

R&D Expenses

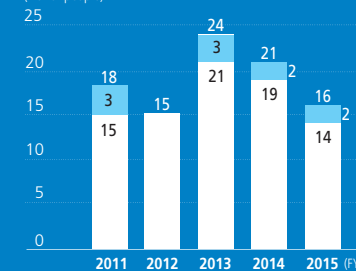
(Million yen)



Kindness Kindness to Employees

Number of Employees Using Childcare Leave System

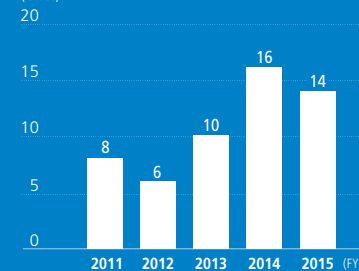
(No. of people)



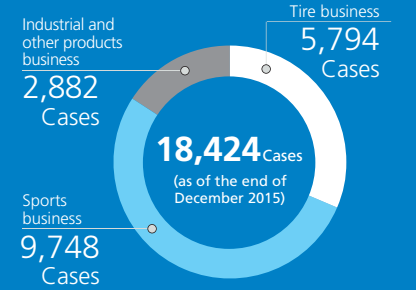
Integrity Integrity for Stakeholders

Number of Alerts or Counseling Cases to Compliance Counseling Room

(Cases)



Number of Counseling Cases for Customers by Business Segment





# Helping Realize a Sustainable Society

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. We believe that corporate social responsibility (CSR) is simply a matter of putting the Sumitomo Business Spirit into Action, and in doing so we continuously strive to provide world-class value that will help realize a sustainable society.

## Corporate Philosophy

In order to fulfill our social responsibilities as a corporate citizen, the Sumitomo Rubber Group will continuously strive to be a reliable and trusted global corporate group that enriches people's lives through the creation of new value while at the same time pursuing greater happiness for all of our group employees and contributing extensively to both our communities and to society as a whole.

1. We will respond to our customers' demands by striving to provide better products with a strong sense of responsibility and a solid grounding in the principle of "genchi-genbutsu" (seeing things with one's own eyes).
2. We will pioneer a new era by flexibly adapting to the times while maintaining a solid management foundation.
3. We will actively seek out and develop new market needs by enhancing our R&D capabilities and advanced proprietary technology.
4. We will engage in environmentally responsible business practices and pursue the development of environmentally friendly products and technologies.
5. We will create "attractive working conditions" and contribute to "more comfortable living."

## Values

## Action Principles

- |                                  |   |
|----------------------------------|---|
| <b>Integrity &amp; Soundness</b> | <ul style="list-style-type: none"> <li>• Customer first</li> <li>• Genchi-Genbutsu</li> <li>• Scientific approach</li> <li>• Continuous improvement</li> </ul>        |
| <b>Communication</b>             | <ul style="list-style-type: none"> <li>• Get to Know One Another</li> <li>• Face to face communication</li> <li>• Report, liaise and consult on all levels</li> </ul> |
| <b>Set the Bar Higher</b>        | <ul style="list-style-type: none"> <li>• Problem Awareness</li> <li>• Set Benchmarks</li> </ul>   |
| <b>Cultivate People</b>          | <ul style="list-style-type: none"> <li>• Teach / Learn by Doing (OJT)</li> <li>• Achieve Results through Teamwork</li> </ul>  |

## External Environment

- Climate change, frequent natural disasters
- Stricter environmental regulations
- Lower birthrates, aging society
- Diversification in consumption behavior
- The evolution of cars
- Rapid growth in emerging countries
- Price fluctuations for raw materials and crude oil

## Pursuit of Economic Value

### 2020 Financial Targets

Net Sales	¥1,200 billion
Operating Income	¥150 billion
Operating profit ratio	≥ 12 %
ROE	≥ 15 %
ROA	≥ 14 %
Debt/equity ratio	≤ 0.5

The SRI Way  
 "Integrity and Soundness"  
 "Communication"  
 "Set the Bar Higher"  
 "Cultivate People"

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

Growth Engines for Achieving Our Goals / New Challenges

The Challenges of New Markets

Insatiable Drive for Innovation

Entering New Business Fields

The World's Best Onsite Operational Skills, Research and Development Capabilities and Technical Skills

The Best Profitability in Our Industry

# VISION 2020

Long-Term Vision

Aim to be a company that provides the World's Best Value in all of our fields of business.

Long-Term Vision Action Slogan

## Go for NEXT

Become a true global player with both high profits and rapid growth. Pursue increased value for all stakeholders and greater happiness for all employees.

## Pursuit of Social Value

CSR Guideline



Basic Philosophy of CSR

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



# Creating Both Economic and Social Value



The pursuit of social value, like the pursuit of economic value, is absolutely essential for a company to achieve sustained growth. As a key element of Sumitomo's philosophy, this is an idea that has been passed down through the generations throughout Sumitomo's 400 years of history.

By continually providing "The World's Best Value" for all of our stakeholders, the Sumitomo Rubber Group aims to always be a corporate group that achieves sustained growth while at the same time contributing to the development of a sustainable society.

## Accelerating the Development of Our Business in Europe and North America toward the Accomplishment of Our Long-Term Vision—VISION 2020

VISION 2020 is the Sumitomo Rubber Group's Long-Term Vision, reflecting our corporate stance as we simultaneously pursue both economic and social value under our stated goals of "Becoming a True Global Player with High Profits and High Growth" and "Pursuing Enhanced Value for All Stakeholders and Greater Happiness for All Employees." Toward the accomplishment of these goals, we have chosen "Go for NEXT" as our rallying slogan for VISION 2020 with the aim of uniting all of our employees around a shared strong desire to contribute to society for future generations by actively taking on New Challenges. At the same time, we have also defined three key Growth Engines to serve as pillars supporting our overall efforts to take on various New Challenges: the "Challenges of New Markets," an "Insatiable Drive for Innovation" and "Entering New Business Fields."

In October of 2015, we dissolved our long-standing Global Alliance with the Goodyear Rubber & Tire Company. This resulted in the lifting of various restrictions that had been placed on our business activities in Europe and North America under the terms of the alliance, giving us the freedom to conduct R&D and manufacturing in these regions and thus allowing us the flexibility to develop our global business more proactively. Adding the subheading "Business Expansion in Europe and North America" to our "Challenges of New Markets" Growth Engine, we will continue working to further promote the global proliferation of envi-

ronmentally friendly fuel-efficient tires—one of our group's major strong suits. At the same time, we will also continue to expand our business in growth markets, especially those in developing countries—as originally envisioned when we conceived the "Challenges of New Markets" Growth Engine—where we will strive to maintain harmonious coexistence with local communities by contributing to their growth through extensive local hiring, striving to reduce our impact on local environments and so forth.

## Embracing the "Insatiable Drive for Innovation" That Brought Us "ADVANCED 4D NANO DESIGN"

Thanks to our efforts under our "Insatiable Drive for Innovation" Growth Engine, in 2015 we completed the development of ADVANCED 4D NANO DESIGN, a breakthrough new materials development technology that brings together the full capabilities of some of the most cutting-edge experimental facilities in all of Japan, including the world-class K computer. Not stopping there, we have continued actively working to develop outstanding products using ADVANCED 4D NANO DESIGN and our other proprietary technologies, such as our groundbreaking NEO-T01 next-generation tire production system.

Furthermore, we have also been moving forward with efforts to promote the greater utilization of sustainable natural resources as a means of reducing the usage of petroleum and other finite fossil resources. In particular, having made numerous advances in biomass technology while developing ENASAVE 100, the world's first\* 100% fossil resource-free tires made entirely from all-natural materials, we are now working to further enhance our proprietary biomass technology so as to develop new high-performance biomass materials. We are planning to begin releasing products that incorporate the first generation of high-performance biomass materials in 2016 and will continue working to provide new value in terms of safety, comfort and environmental performance through the development of unique and innovative rubber technologies in the future.

When it comes to "Entering New Business Fields," we are especially focusing our efforts on expanding our Healthcare Business. Having acquired and taken over the operations of a Swiss manufacturer of medical rubber parts in January of 2015, we are now taking advantage of the High Quality and High Performance that we have cultivated on the Japanese market to deliver safety and peace of mind to medical and caregiving facilities throughout the world.

\* Since the use of synthetic rubber became standard in the tire industry (based on our own in-house research).

## Contributing to the Creation of a Sustainable Society by Striving to Be a Truly Valuable Company with a Strong Sense of Purpose

In order for a company to continue to grow and develop, that company must continually earn and maintain the trust of society by not only fulfilling its social responsibilities as a corporate citizen, but also through active contributions to the development of a sustainable society. This is one of the reasons why we have established the SRI WAY, which defines the specific Values and Principles for Action that we wish for all of our employees to practice and exemplify as they go about their day-to-day work. It is also the reason why we strive to engender a corporate culture where all employees feel a strong sense of purpose and where they can encourage one another to do their best and set the bar higher together in a workplace that has a free and open atmosphere.

Further, guided by our Basic CSR Philosophy and our CSR Guidelines as encompassed in the acronym "GENKI," as well as our CSR Message—"For You, For the Earth"—we are not only working to fulfill our various social responsibilities in terms of compliance and environmental protection, but are also actively applying our advanced technical research and development capabilities toward solving society's problems and contributing to global progress with an eye toward the next generation. At the same time, we are also striving to develop products with an emphasis on customer safety and comfort while pursuing ever higher levels of product quality and economy as well as enhancing the soundness and transparency of our management so that we may maintain our integrity and continue to be a reliable corporate group for all of our stakeholders.

In order to continue being a corporate group that provides true value for people, for communities and for society now and in the future, the Sumitomo Rubber Group will continue to reinforce the foundation of our business and strengthen our group's horizontal and vertical connections in order to build a strong organization that can withstand the changes of the times as we continue to contribute widely to the creation of a sustainable society.

On behalf of the Sumitomo Rubber Group, I sincerely hope for and look forward to everyone's continued guidance and support. In addition, I wish to say that we would very much appreciate your candid thoughts and opinions with regard to this year's CSR Report.

A handwritten signature in black ink, appearing to read "I. Ikeda".

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



# Business Expansion

## Accelerate Business Development in Europe and North America Centered on the New Falken Brand

Dissolving our alliance with The Goodyear Tire & Rubber Company in 2015 has set the stage for a new expansion of business in Europe and North America. As well as strengthening the Falken brand, we are developing a more robust supply system using local production, and an R&D system that can quickly respond to local requirements.

By dissolving our alliance with Goodyear

### We have enabled production and development in Europe and North America

At the time we first concluded our alliance agreement with The Goodyear Tire & Rubber Company in 1999, this had the benefits of technology exchange, joint development, and enabling us to focus our efforts on our operations in Japan and newly emerging markets. However, in recent years these reasons are not as valid as they once were, resulting in us moving towards dissolving the agreement, and a reorganization of our operations. This means that as well as in Russia, Turkey, and other regions in which we are operating independently, we can look forward to an aggressive expansion of our operations in Europe and North America, which formerly had restrictions on us conducting production and development work.

In particular, in North America, the Dunlop trademark rights for all business in OEM tires for Japanese automakers and in motorcycle tires which had belonged to Goodyear were transferred to us, and this has resulted in a notable increase in freedom to expand our business. However, in Europe, Dunlop trademark rights will remain with Goodyear, but we will have our own production and R&D bases, with which we will be able to further strengthen the Falken brand, already popular in Europe.

The Falken brand is key to further accelerating our business expansion in Europe and North America.



In North America, we are working at sales and promotions of Dunlop brand motorcycle tires. We hope to establish a No. 1 brand status by expanding sales to Harley-Davidson, a longtime customer for OEM tires, and by expanding our activities into the popular motocross segment.

The Turkey factory started production in June 2015, and provides the European market with a major supply capacity for high-performance tires. This has set a daily production target of 30,000 tires by the end of 2019.



## In America

Dramatic increase in the freedom to expand our business activities in the North American market



2020 sales

**60%UP**  
(Over 2015)

\*Restricted to Japanese automobile manufacturers and motorcycle business.



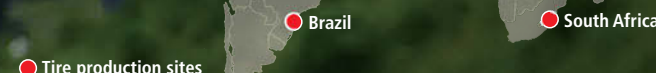
## In Europe

We own our own bases, and are strengthening our Falken brand business



2020 sales

**40%UP**  
(Over 2015)



### New Falken Global Expansion A Youthful and Energetic Brand

Especially in Europe, Falken has increasing recognition in motor sports and as a high-performance tire brand. This is gaining accolades, including having its tires evaluated as high-performance by Europe's largest automobile club ADAC (the General German Automobile Club).

We will continue to grow Falken into a youthful and energetic global brand, and targeting a global expansion of sales, in July

Announcement of the new global brand message "FALKEN ON THE PULSE," at the "New Falken Announcement"



2015 we held the "New Falken Announcement." This announced a common, worldwide brand image—FALKEN ON THE PULSE. This message communicates an energy, and based upon this, we are carrying out activities to increase value, including sponsorship and support for the German Bundesliga, as well as major league baseball and air races. We are working to broaden our product line-up worldwide, and this will improve our market share.



Vastly More Flexibility for North America

## Integrated Production and Development for Higher Responsiveness to Market Requirements

A system in which tires are developed and produced locally is essential if we are to expand our business to let us rapidly provide high-functionality and quality tires that meet market needs in Europe and North America. To this end, we have dissolved our alliance with Goodyear thus freeing up production and development in the North American market, and have also acquired a USA factory. Improving our supply system will let us newly develop the DUNLOP brand as original equipment (OEM) tires on automobiles produced by Japanese automakers' U.S.-based manufacturers, and on motorcycles.

The future will see us work to expand sales of high-value-added tires that include high-performance SUV tires as well as fuel-efficient tires, and we will look into strengthening our supply capabilities in the North American region correspondingly.

We are urgently moving forward with consolidation and expansion of local development systems, so that we can quickly accommodate the latest market needs through the timely supply of tires. We are considering the full-scale launch of technical centers in 2017, and hope to use these initiatives to increase sales volumes by 60% by 2020 (over 2015 levels).

## In USA Factory

A Production Base Providing Locally Produced Tires for the U.S., Canada, and Mexico



### Production of the first Falken tire in 2016



### USA Factory for Local Production and Consumption Strengthening Supply Systems for the North American Market

Newly acquiring this USA Factory means we are moving some manufacturing of Falken tires for the U.S. replacement market away from Thailand, and towards a local production and consumption model for the North American market.

The first Falken tire was manufactured there in 2016. In addition to the high-performance tires for which Falken is known, this factory will also produce high-added-value products including tires for passenger vehicles, trucks, buses, and motorcycles.



USA Factory  
yearly production capacity  
**4.6 million tires**

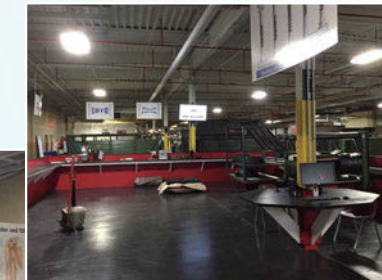


## Feature Go for NEXT Business Expansion



### Outline of USA Factory

Company name	Sumitomo Rubber USA, LLC
Location	Tonawanda (suburb of Buffalo), New York state, United States of America
Products	Automobile tires, tires for trucks and buses, motorcycle tires
Start of business	1923
Employees	1,198 (as of Dec. 2015)



## Ergonomics-based safety education

### Guaranteeing Safety of Employees, Essential to Stable Supply Ergonomics-Based Safety Education

One important aspect of a manufacturing base in order to ensure a stable supply of products to the market is preventing workplace accidents amongst employees. We aim to have a shared awareness of safety throughout the whole Group, and are carrying out safety training for manufacturing executives from the USA Factory, at factories in Japan and Indonesia. We are carrying out these activities in our own factories, focusing on not only the 5S methodology ("sort," "set in order," "shine," "standardize," and "sustain"), but also learning safety activities including safety chants as well as the point-and-call method.

The USA Factory is also focusing on ergonomically-based safety measures. We have ergonomics specialists permanently on staff, and provide a special training area called the "Body Shop." Training employees how to move sensibly and avoid undue strain prevents accidents and injuries, and this is directly related to creating a safe and stable production environment.

### Employee Voices



### Manufacturing Tires While Taking Care of Our Bodies

#### Joe Hinkle

Sumitomo Rubber USA, LLC  
Safety & Medical Department,  
Safety & Medical Manager

Here at the USA Factory, we carry out safety training based on ergonomics. Employees receive safety training when first hired, as well as periodically after that. This ensures that they know what actions are effective in preventing accidents and injury, and how to reduce the strain on their bodies.

We'd like a factory known for its safety, so we will keep implementing these activities to this end.



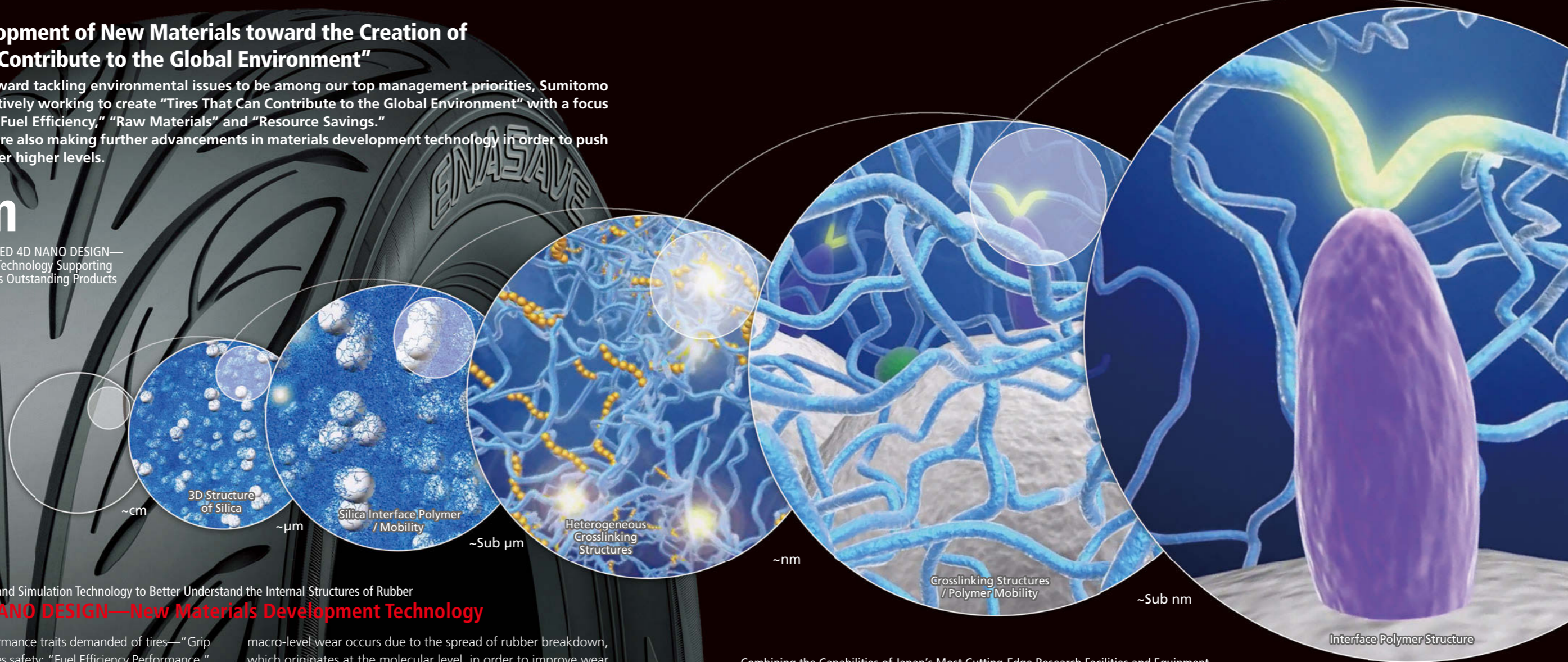
# Evolve Technology

## Technical Development of New Materials toward the Creation of "Tires That Can Contribute to the Global Environment"

Considering efforts toward tackling environmental issues to be among our top management priorities, Sumitomo Rubber Industries is actively working to create "Tires That Can Contribute to the Global Environment" with a focus on three key themes: "Fuel Efficiency," "Raw Materials" and "Resource Savings." At the same time, we are also making further advancements in materials development technology in order to push tire performance to ever higher levels.

## In Japan

The Development of ADVANCED 4D NANO DESIGN—the Cutting-Edge Simulation Technology Supporting the Sumitomo Rubber Group's Outstanding Products

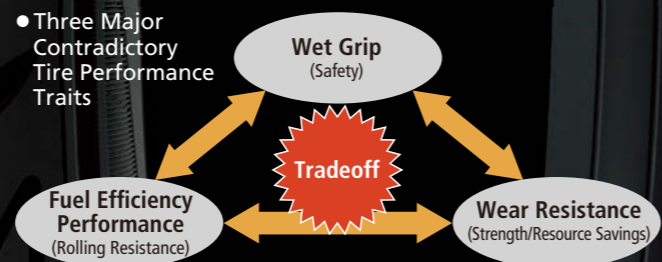


### Using Cutting-Edge Analysis and Simulation Technology to Better Understand the Internal Structures of Rubber **ADVANCED 4D NANO DESIGN—New Materials Development Technology**

There are three major performance traits demanded of tires—"Grip Performance," which ensures safety; "Fuel Efficiency Performance," which relies on reducing rolling resistance; and "Wear Resistance Performance," which involves increasing tire strength to contribute to resource savings. However, there is normally a tradeoff between these three performance traits—i.e. an improvement in grip performance will result in a drop in fuel efficiency performance and so on. In order for us to improve all three of these performance traits simultaneously, it is essential that we elucidate which mechanisms manifest themselves in each of these performance traits based upon a thorough understanding of the internal structures of rubber.

Thus, in 2011, our company established 4D NANO DESIGN, a new materials development technology that utilizes the large-scale synchrotron radiation facility "SPring-8" and the K computer to allow for detailed analysis of the structures and properties of molecules at the nanometer level. Thanks to 4D NANO DESIGN, we succeeded in achieving balanced high performance in terms of both grip performance and fuel efficiency, leaving wear resistance as the only remaining performance trait to be reconciled. Because

macro-level wear occurs due to the spread of rubber breakdown, which originates at the molecular level, in order to improve wear resistance performance, it is first necessary to understand how various phenomena occurring at the nano-level develop into rubber breakdown at the micro-level and beyond. In order to elucidate the complex mechanisms behind rubber breakdown and apply this understanding to the creation of new materials, we needed to bring about the next evolution of 4D NANO DESIGN technology. In 2015, we succeeded in bringing about this evolution with the establishment of ADVANCED 4D NANO DESIGN.



### Combining the Capabilities of Japan's Most Cutting-Edge Research Facilities and Equipment **For Analysis and Simulation of Material Structures and Behaviors Across Multiple Scales**

ADVANCED 4D NANO DESIGN is a groundbreaking new materials development technology that utilizes world-class research and development facilities, representing the culmination of state-of-the-art Japanese science and technology. Conventional analysis technologies have been unable to shed light on where breakdown occurs within rubber materials or how breakdown phenomena spread. However, ADVANCED 4D NANO DESIGN makes it possible to perform highly realistic simulations of the complex internal structures and behaviors of rubber materials across multiple scales of magnitude simultaneously thanks to the combined capabilities of "SPring-8," which is able to analyze the internal structures of rubber; the "J-PARC" Proton Accelerator and Experimental Facility, which can analyze the behavior of molecules; and the K computer, which is 1,000 times more powerful than typical supercomputers.

ADVANCED 4D NANO DESIGN allows for accurate predictions of the multifaceted properties of rubber materials, thereby opening up new possibilities for simultaneous improvements in all three of the major contradictory performance traits: Grip, Fuel Efficiency and Wear Resistance.

- Combining the Capabilities of Japan's Most Cutting-Edge Research Facilities



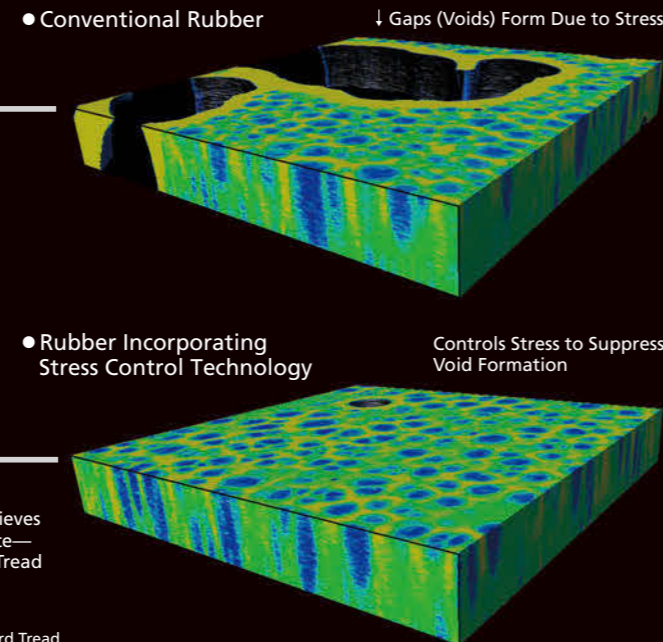


Controlling the Various Forms of Stress That Occur within Rubber at the Molecular Level  
**The Establishment of "Stress Control Technology"**

It has long been thought that polymer around the silica-polymer interface, i.e. the link between the polymer that constitutes the fabric of tire rubber and the silica that is used as a reinforcing agent, has a major impact on tire performance. However, previous analysis technologies lacked the ability to observe these interfaces in detail, leaving their specific structures and behaviors shrouded in mystery. Now, having applied ADVANCED 4D NANO DESIGN to the task of shedding light on these mysteries, we have succeeded in elucidating not only the structures and behaviors of the polymer around the silica-polymer interface, but also the mechanisms behind the transmission of various forms of stress, which is a major cause of wear within rubber. Furthermore, by utilizing advanced simulation technology to

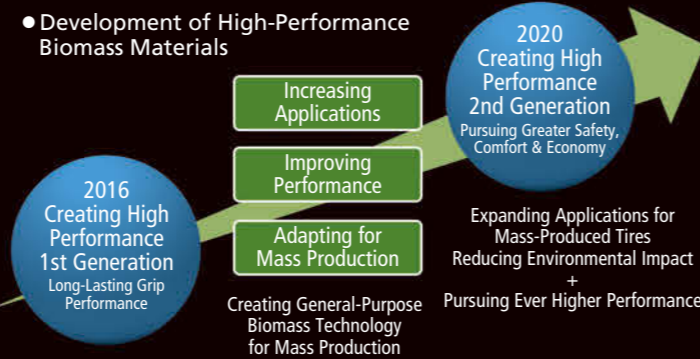
design new materials to reduce this stress, we have also succeeded in suppressing the formation of the internal gaps (voids) that form as a result of stress and lead to rubber wear. Thanks to this new "Stress Control Technology," we made a big splash at the "44th Tokyo Motor Show 2015" when we unveiled a concept tire\* featuring treads that achieved wear resistance performance of 200%\* compared to our standard tire tread rubber in 2011 (the year when we first unveiled our original 4D NANO DESIGN) while maintaining high fuel efficiency and wet grip performance. From 2016 onward, we will begin applying this breakthrough technology, which allows us to freely control the occurrence of stress within rubber, to products for market.

When a tire comes into contact with the road surface, its tread rubber deforms, creating stress within the rubber that ultimately leads to wear.



Concept Tire That Achieves 200%\* Wear-Resistance— "Wear-Resistant Max Tread Rubber Tire"

\*Compared to the Standard Tread Rubber Used in Our 2011 Tires  
 \*This is a concept tire and, as such, there are currently no plans to make it available for sale.



Exploring the Possibilities of Biomass Materials &  
**Developing Tires with Long-Lasting Grip Performance**

Our company has long been actively engaged in the development of both fossil resource-free materials and biomass materials, as evidenced by the 2013 launch of "ENASAVE 100," our groundbreaking 100% fossil resource-free tires made from all-natural resources. Since then, we have continued to evolve these efforts, applying the knowledge that we gained in developing "ENASAVE 100" toward our next step: the development of "High-Performance Biomass Materials," which will not only reduce the environmental impact of our tires, but also contribute to improving safety, comfort and economy for our customers.

For our first generation biomass technology, we focused our attention on the peculiar properties of biomass raw materials. Having performed original

molecular design and repeated experimentation in order to produce the desired properties in terms of bonding with the surrounding rubber and providing the same flexibility as oil, we have succeeded in developing an entirely new softening agent that gives tires "Long-Lasting Grip Performance."

In 2016, we plan to release new tires produced using rubber that incorporates this new softening agent to prevent the hardening that typically affects conventional tires as oil seeps away over time, thereby giving tires longer lasting grip performance in order to enhance customer safety.

With the aim of developing tires that achieve even higher performance in terms of safety, comfort and economy by the year 2020, we have already begun research and development for our second generation of biomass technology, with which we will continue to pursue biomass materials with ever higher levels of performance.

Employee Voices



**Evolved Simulation Technologies Contributing to the Development of High-Performance Tires**

**Masato Naito**  
 Research & Development HQ, Research Department I Manager (Ph. D, Engineering)

The establishment of ADVANCED 4D NANO DESIGN has let us take a more accurate and detailed look at the internal structure of rubber down to the molecular level, helping us more rapidly develop high performance tire materials. We will keep on researching innovative simulation technologies with the goal of attaining our long-term vision of VISION 2020.

Employee Voices



**Materials Innovation for Higher Tire Performance**

**Hiroyuki Kishimoto**  
 Research & Development HQ, Chemical Analysis Center, Manager (Ph. D, Science)

Our goal is better understanding the internal structure of rubber, down to the molecular level, and we are looking to establish analysis technologies utilizing the new SACLA X-ray free electron laser. SACLA generates an X-ray laser beam one billion times more intense than the laser generated by the Spring-8, which itself is 10 billion times the brightness of the sun. SACLA is a research facility that can shed light on the incredibly fast movement and deformations of matter. In the future, we hope to use SACLA in the innovation of materials that will achieve dramatic improvements in tire performance.

Employee Voices



**Even Higher Functionality from Biomass Materials**

**Kazuhisa Fushihara**  
 Material Research & Development HQ, Material Planning Department Manager

Over 10,000 types of raw materials can be used in creating biomass materials, but the key is selecting the right ones. We were a pioneer in investigating the possibilities of biomass materials, and having created a "Green Technology Team" with the main theme of developing biomass materials, and have a long-term plan to increase our knowledge in this field.

In the future, we will combine a range of technologies, and we are working together as a team in order to not only develop high-functionality biomass materials for second-generation products starting in 2020, but also to develop materials to satisfy customers.

Feature  
**Go for NEXT**  
**Evolve Technology**



## CSR Activity Report

Guided by our Basic CSR Philosophy and our CSR Guidelines as encompassed in the acronym "GENKI," we have formulated these CSR Guidelines. The Sumitomo Rubber Group is promoting and improving our CSR activities based around the GENKI guidelines which have become firmly ensconced amongst Group employees.

In social contribution activities, at our business sites within Japan and overseas we are interacting with local communities, with activities such as cooperating in tree-planting activities, volunteer work, and working with NPOs and NGOs. Underlying these activities is our Group Philosophy of "making significant contributions to local communities and society," and the idea of "contributing to society" as outlined in the Sumitomo Business Spirit.

Through our business we make a wide-ranging contribution to society by providing products, technologies, and services that are useful to society, and will in the future as a corporate member of society continue to implement initiatives to improve society as a whole.

### What are the GENKI CSR Guidelines?

Since 1988, the Sumitomo Rubber Group has had in place the "GENKI Activities" project (meaning activities that give everybody energy), in which employees take part in volunteer and environmental conservation activities one a way to contribute to society.

These are the essence of our CSR activities, and have become firmly entrenched throughout the Company and Group. In 2008 GENKI was set as a keyword in our CSR Guidelines. Employees play a key part in these activities, and therefore ensuring that they are all familiar with this keyword increases awareness of CSR and improves the activities themselves.

#### 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.



**Eco-First commitments** 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.

### CSR Guidelines

<b>G</b> Green Initiative <i>Green</i>	<ul style="list-style-type: none"> <li>① Helping to curb global warming by planting trees</li> <li>② Fostering better relationships with local communities through tree planting</li> <li>③ Protecting Biodiversity</li> </ul>
<b>E</b> Ecological Process <i>Ecology</i>	<ul style="list-style-type: none"> <li>④ Creating a Low-Carbon Society</li> <li>⑤ Building a Recycling-Oriented Society</li> <li>⑥ Managing Environmental Pollutants</li> <li>⑦ Implementing worldwide environmental management</li> </ul>
<b>N</b> Next-Generation Product Development <i>Next</i>	<ul style="list-style-type: none"> <li>⑧ Developing environmentally friendly products</li> <li>⑨ Pursuing safety and comfort, economy, and quality</li> </ul>
<b>K</b> Kindness to Employees <i>Kindness</i>	<ul style="list-style-type: none"> <li>⑩ Fostering human resource development and making jobs rewarding</li> <li>⑪ Creating a safe, employee-friendly workplace</li> <li>⑫ Achieving a work-life balance</li> <li>⑬ Promoting Diversity</li> <li>⑭ Respect for Human Rights</li> </ul>
<b>I</b> Integrity for Stakeholders <i>Integrity</i>	<ul style="list-style-type: none"> <li>⑮ Ensuring thorough corporate governance</li> <li>⑯ Promoting dialog with stakeholders</li> <li>⑰ Ensuring thorough compliance</li> <li>⑱ Keeping social contribution in constant motion</li> <li>⑲ Supply Chain Management</li> </ul>

# Sumitomo Rubber Group

# CSR Activities Report

## Green

### Promoting Green Initiatives Worldwide

The Sumitomo Rubber Group plants trees and flowers at factories and sales companies in Japan and overseas. In fiscal 2015, we planted a total of 90,829 trees throughout the whole Group.

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Mangrove planting on the coast at Chonburi, Thailand

### Protection and Cultivation of Endangered Species

The "Acorn Project" activities protect biodiversity, and through these, we are protecting and cultivating endangered species.

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Echinops planting in Yamada Elementary School, Miyazaki

## Ecology

### Also Improving Environmental Awareness Overseas

We are carrying out educational and promotional activities to increase environmental awareness and educational activities in Japan and overseas.

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Holding an energy-saving exhibition at the Changshu Factory (China)

### Promoting the Protection of Water Resources

We have set a target of recycling 100% of the wastewater at our factories around the world by 2050, and are already working towards this end.

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Turkey Factory wastewater treatment facility

## Next

### Further Improved Fuel Efficiency

We have developed tires with a 37% decrease in rolling resistance over previous models, giving improvements in fuel efficiency.

P.31

エナセーブ SP688 Acc

37% lower rolling resistance

\* Compared to standard Sumitomo model SP670



## Kindness

### Aiming for Zero Accidents

A total of 61,400 employees have participated in health and safety training. This enhances workplace safety.

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Accident safety simulation (Shirakawa Factory: simulation of being caught in a drive chain)

### Learning to Pass on Skills

With the aims of improving how we pass on skills, and of increasing motivation, we regularly hold the Skill Olympics. For the first time, fiscal 2015 saw South Africa participate as well.

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External inspection by young employees of the South African Factory

## Integrity

### Strengthened Compliance Education

We hold lectures for personnel in management positions, and provide explanations for Group companies, including those overseas.

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Compliance lectures



Legally-mandated basic knowledge in-house seminars



# Materiality Characteristics and Dialogue with Stakeholders

Taking into account international guidelines and stakeholders' views, determine the materiality of CSR-related activities (priority issues). For 2016, we have prioritized the 19 indicators of the CSR guidelines, and will further work towards these initiatives.

## Materiality Identification Process

To energize the CSR activities of the Sumitomo Rubber Group, and become a corporate group trusted by society, in fiscal 2008 the Group formulated its Basic Philosophy of CSR and its CSR Guidelines (five areas comprising 13 indicators) made up of the five areas of Green (green initiatives), Ecology (reducing the environmental impact of business activities), Next (development of next-generation technologies and products), Kindness (kindness to employees), and Integrity (integrity for stakeholders)

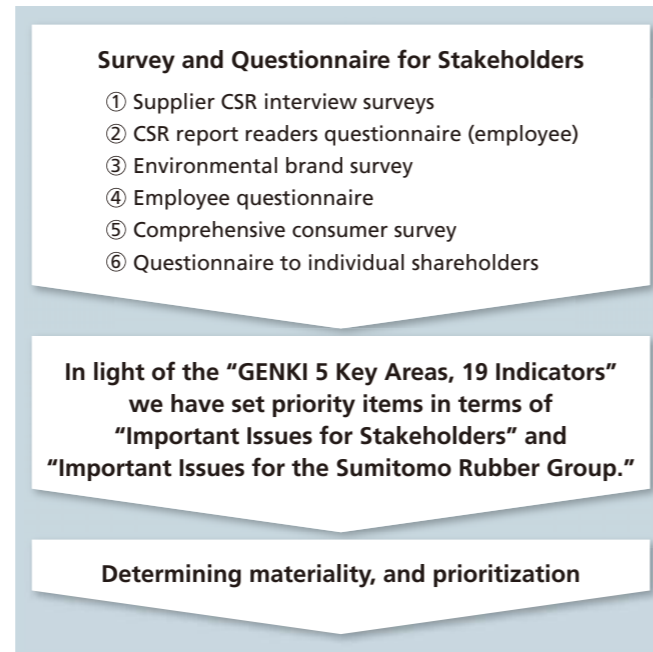
In fiscal 2011, we identified which of these 13 indicators in the CSR guidelines were the most important (their "materiality").

In fiscal 2014, taking into account the impact on stakeholders and society due to changes in the business environment, we set 19 key CSR indicators.

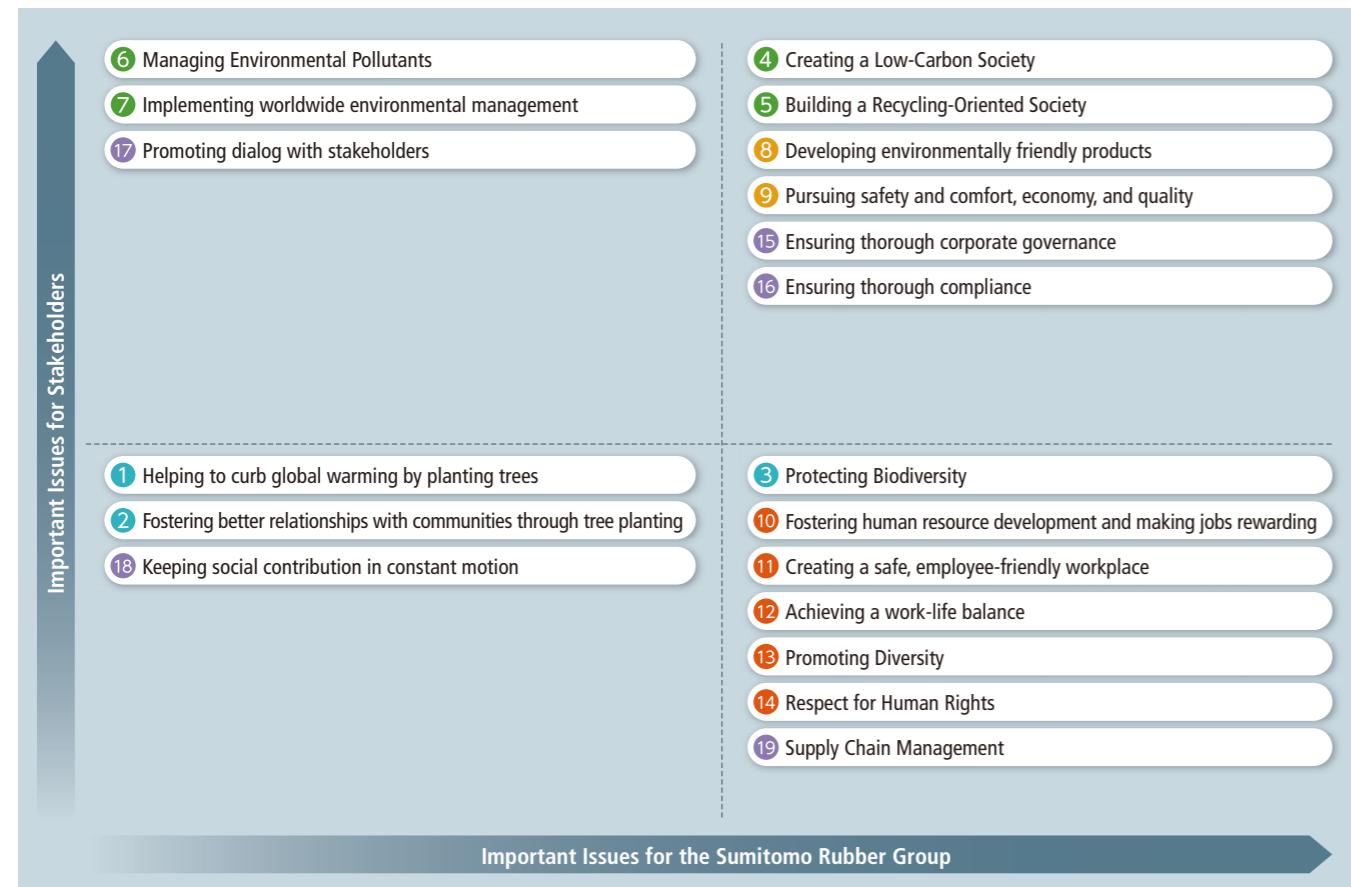
In fiscal 2015, we prioritized efforts for these 19 indicators, based upon required content in the "GRI Guidelines (G4)\*" and based upon a survey of all stakeholders.

These are proving useful in future CSR activities.

\* Global Reporting Initiative: An international organization that issues CSR reporting guidelines. Thus far, four editions have been published.



## 19 Indicators Included in "GENKI" CSR Guidelines, and Materiality (2016 onwards)



## Dialogue with Stakeholders

We periodically carry out surveys to learn about the various opinions and expectations of stakeholders, and while taking their views into account, we also place importance on dialogue with stakeholders in pursuing our daily business activities.


We are conscious of our responsibilities towards stakeholders, and are working to promote communications through a variety of means.

### How We Communicate with Stakeholders

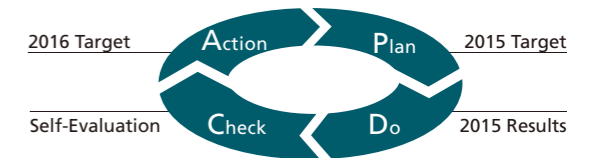
	Features	Main responsibilities	Communications method
<b>Customers</b>	Automobile manufacturers, manufacturing companies, sales companies, sports facilities, consumers, etc.	<ul style="list-style-type: none"> <li>Quality management</li> <li>Development of safer products</li> <li>Safe driving awareness</li> <li>Providing product information and services</li> </ul>	<ul style="list-style-type: none"> <li>Customer consultation and service contact</li> <li>Customer response through service and sales departments</li> <li>Providing information on websites, etc.</li> <li>Exhibitions and events etc.</li> </ul>
<b>Clients</b>	Rubber raw materials manufacturers, other materials manufacturers, trading companies, processing companies	<ul style="list-style-type: none"> <li>Fair and reasonable procurement</li> <li>CSR procurement</li> </ul>	<ul style="list-style-type: none"> <li>Dialog through day-to-day business</li> <li>Confirmation visits to procurement partners, and feedback</li> <li>Questionnaires to procurement partners</li> <li>Holding explanatory meetings etc.</li> </ul>
<b>Local Communities</b>	Residents, municipalities, local government, educational institutions, and other organizations near factories and offices	<ul style="list-style-type: none"> <li>Social contribution activities</li> <li>Green initiatives</li> <li>Protecting biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Participation in local events</li> <li>Cooperation with NGOs and NPOs in social contribution activities</li> <li>Participation in economic and industry organizations</li> <li>Dialog with local governments etc.</li> </ul>
<b>Shareholders and Investors</b>	Shareholders (individuals: 25,812, financial institutions: 971) Individual and institutional investors	<ul style="list-style-type: none"> <li>Return of profits to shareholders</li> <li>Enhancement of corporate value through dialogue with shareholders and investors</li> </ul>	<ul style="list-style-type: none"> <li>General meeting of shareholders</li> <li>Timely disclosure of news releases and publications</li> <li>Issuance of financial information including fact books, annual reports, and shareholder communications</li> <li>Providing information on websites, etc.</li> <li>Results briefings etc.</li> </ul>
<b>Employee Numbers</b>	Sumitomo Rubber Group: 33,185, Sumitomo Rubber Industries: 5,617 (Male: 5,204, female 413)	<ul style="list-style-type: none"> <li>Fostering human resources</li> <li>Occupational health and safety</li> <li>Health management</li> <li>Diversity in employment</li> <li>Consideration of work / life balance</li> <li>Consideration of human rights</li> <li>Dialog with employees</li> </ul>	<ul style="list-style-type: none"> <li>Providing information through internal newsletters, intranet, etc.</li> <li>Cooperation with labor-management councils and employee representatives</li> <li>Compliance consultation service</li> <li>Holding of round-table discussions with president to exchange views with management</li> <li>CSR Report survey etc.</li> </ul>



# Fiscal 2015 Targets and Results

Note: Items marked with a  are verified by third parties. See our website for details on Fiscal 2015 Activities and Fiscal 2016 Targets. (Scheduled to go online at end of July 2016.)

Based on our GENKI CSR Guidelines, we have verified the progress and successes of our fiscal 2015 Action Plan and have set targets for fiscal 2016. Let's look at the main targets.



CSR Guidelines		2015 Activities and 2016 (Excerpt from major items)				
		Plan 2015 Target	GRI Guidelines	Do 2015 Results	Check Self-Evaluation*	Action 2016 Target
<b>Green</b> Green initiative	1 Helping to curb global warming by planting trees	Proceed with the Million Trees for Local Forests project Expand from just weeding to include forest thinning and planting trees	G4-SO1	Million Trees for Local Forests project Fiscal 2015: 90,829 trees planted Cumulative total: 1,576,106 trees planted	100%	Proceed with Million Trees for Local Forests project Expand area of thinning
	2 Fostering better relationships with local communities through tree planting	Proceed with Acorn Project Expand exchange with communities, including giving away seedlings		Acorn planting and giving away seedlings Fiscal 2015: 15,167 Cumulative total: 154,769	100%	Proceed with Acorn project Expand exchange with communities, including giving away seedlings
	3 Protecting Biodiversity	Prepare the biotopes Continue to protect and raise endangered species	G4-EN13	Building of biotope at Ichijima Factory Continuing from 2014 with transplanting of boneset along riverbed in Kakogawa	100%	Build biotopes Protect and cultivate endangered species
<b>Ecology</b> Ecological process	4 Creating a Low-Carbon Society	(Six factories in Japan) Energy saving (crude oil equivalent per unit): ≥2.6% over previous fiscal year	G4-EN5	3.1% increase	94%	≥1.5% reduction over previous fiscal year
	5 Building a Recycling-Oriented Society	(Six factories in Japan) CO <sub>2</sub> emissions: ≥2.7% reduction over previous fiscal year	G4-EN18	2.8% increase	94%	≥1.5% reduction per unit over previous fiscal year
		(Six factories in Japan) Discharged waste (excepting valuable substances to be recycled): ≥2.6% reduction over previous fiscal year	G4-EN23	8.3% increase	89%	≥2.0% reduction over previous fiscal year
	6 Managing Environmental Pollutants	(Six factories in Japan) Discharged wastewater: ≥1.8% reduction over previous fiscal year	G4-EN22	7.1% increase	91%	Water usage: ≥1.4% reduction over previous fiscal year
	7 Implementing worldwide environmental management	(Six factories in Japan) NO <sub>x</sub> , SO <sub>x</sub> , and dust: ≥80% reduction over fiscal 2005 levels	G4-EN21	84% decrease	100%	≥80% reduction over fiscal 2005
		Maintain ISO 14001 Global Integrated Certification	—	Maintained and continue	100%	Maintain Global Integrated Certifications
	<b>Next</b> Next-generation product development	8 Developing environmentally friendly products	Create high-functionality biomass materials	G4-EN27	Develop high-performance softeners derived from plants, and announce details of functionality (lasting grip performance)	100%
9 Pursuing safety and comfort, economy, and quality		Improve safety by developing airless tires and sealant tire technologies		Announce "GYROBLADE" airless tire, and "CORESEAL" sealant tire technologies	100%	Productize of new technologies
<b>Kindness</b> Kindness to employees	10 Fostering human resource development and making jobs rewarding	Foster effective human resources to support global development Follow-up for further vitalization of the workplace	G4-LA10	Carried out level-based and selective training to improve skills and knowledge, as well as language training to improve language skills throughout the group as a whole Reduced overtime hours worked by promoting improvements in operational efficiency	100%	Ongoing, planned fostering of global human resources Follow-up to creating a rewarding workplace based on evidence from employee questionnaires
	11 Creating a safe, employee-friendly workplace	Throughout a health and safety PDCA cycle focused on risk assessments and mental health care, promote employees in being safety conscious, and sound in mind and body	G4-LA6	Increase in number of workplace accidents due to carelessness over previous fiscal year Also, an increase in the number of workdays lost to illness over previous fiscal year	80%	Compliance with laws and regulations, and enhanced health and safety activities Promote personnel and a workplace that abides by safety rules. Also introduce a health care support system, and set up a new mental health consultation service.
	12 Achieving a work-life balance	Get more male employees to take childcare leave Implement the daycare support system	G4-LA3	2 men used system for childcare leave for men Better awareness of systems that use the intranet	80%	Get more male employees to take childcare leave Promote use of systems
		Get more employees to use shortened working hours for childcare leave		58 women used shortened working hours for childcare leave	100%	Get more employees to use shortened working hours for childcare leave
	13 Promoting Diversity	Help employees achieve their own work style to tap individual employee strengths	G4-LA12	Total of 12 women in managerial positions (increase of 2), percentage of employees with disabilities 2.33%	80%	Ongoing employment of female employees and employees with disabilities Employed capable human resources without regard to gender or similar factors
14 Respect for Human Rights	Hold human rights-related training	G4-HR2	Human rights-related training held	80%	Human rights-related training held	
<b>Integrity</b> Integrity for stakeholders	15 Ensuring thorough corporate governance	Conduct ongoing efforts to strengthen the internal control system Comply with the Corporate Governance Code	G4-34	Disclose operational status of internal control systems Enact corporate governance guidelines	100%	Board of Directors' consultative body "Nomination and Compensation Committee" held Number of independent directors increased (current 2 → 3)
	16 Ensuring thorough compliance	Ensure thorough Group-wide abidance with Corporate Philosophy and Corporate Code of Conduct	G4-56	Consolidate compliance activities systems at overseas bases Provide training in bribery prevention, antitrust laws, and legal risks at overseas subsidiaries	100%	Promotion of the Group's compliance and risk management
	17 Promoting dialog with stakeholders	Promote dialogue with a range of stakeholders	G4-26	At the Malaysia Factory, carry out dialogue with local community associations, government, and schools, etc.	100%	Promote dialogue with a range of stakeholders
	18 Keeping social contribution in constant motion	Work together with NPOs (continue and expand activities)	G4-SO1	Carry out manufacturing workshops at 5 schools Carry out environmental workshops with 6 groups	100%	Work together with NPOs (continue and expand activities)
	19 Supply Chain Management	Promote CSR in the supply chain	G4-HR10 G4-EN33	Hold CSR explanatory meeting regarding CSR with suppliers	100%	Promote CSR in the supply chain

Note: Self-assessment calculation method: Use the baseline year (1 – reduction ratio) to calculate as follows.

$$\left(1 - \frac{\text{target value} - \text{actual value}}{\text{target value}}\right) \times 100\%$$

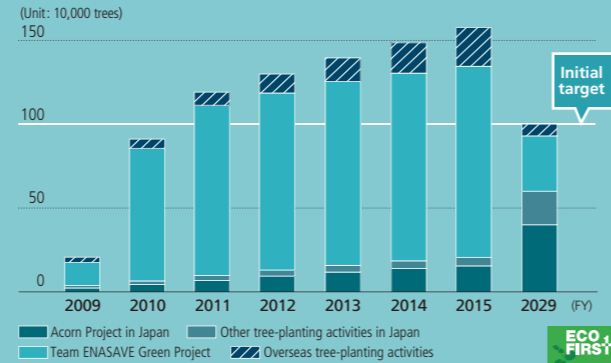


### Management Approach

Formerly, factories used to be constructed in farmland or in the mountains, with the trees in these areas being cut down, destroying the natural environment. In the spirit of Sumitomo's CSR activities, which started with tree planting activities on Besshidozan, one part of our green initiatives is continuing with tree planting activities on and around our bases within Japan and overseas.

In fiscal 2009, we launched the Million Trees for Local Forests project to plant trees and flowers on and around our bases around the world. We have kept well ahead of our initial 20-year target, reaching 1.57 million trees planted as of fiscal 2015. We will continue to plant trees and create new forests.

Progress of the One Million Trees for Local Forests Project (Cumulative Number of Trees Planted)



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

### Planting Trees in GENKI Forests in Japan

We plant trees and other vegetation at our 11 "Sumitomo Rubber GENKI Forests" (23 ha), as well as on and around our bases in Japan.

When planting trees, one has to be careful of invasive species that may have a negative effect on local varieties of vegetation. That is why we only plant seedlings grown using seeds gathered in the target area. This is our "Acorn Project." Our efforts in protecting biodiversity also include planting sasanqua, cherry, dogwood, maki, rhododendron indicum, and rhododendron, with these efforts aimed at increasing the amount

of greenery around us.

Care for forests after these have been planted is also important, and we clear weeds regularly for several years after trees and plants have become established. Trees that were planted in 2009, at the start of this project are now around 4 m in height, with foliage from adjoining trees interfering, and so we have started thinning work in these areas.



Thinning work in GENKI Forest in Tanba, Hyogo (Top photo: before thinning, bottom photo: after thinning)

### Greening Activities Overseas

We plant trees and flowers at our factories and sales bases around the world. In fiscal 2015, we planted 47,493 trees at our bases worldwide.

A portion of the sales proceeds from ENASAVE fuel-efficient tires goes to supporting TEAM ENASAVE Green Project mangrove planting activities. We planted 20,000 mangrove trees in fiscal 2015, bringing the total so far to 1,139,617 trees planted. Under our 1 Pair for 1 Love initiative, some profits from each pair of gloves sold go to tree planting activities in Borneo, Malaysia. In fiscal 2015, we planted 2,400 trees under this initiative.



Mangrove planting on the coast at Chonburi, Thailand



Planting cherry trees in the Miyazaki GENKI Forest



Low Tide Clean Offensive (Fukuoka, Fukuoka)

Creating lake habitat for aquatic life (Ichinoseki, Iwate)

### TEAM ENASAVE Future Project, Protecting Culture and Nature

With the goal of protecting Japan's vanishing cultural assets and natural environment, in fiscal 2013 we launched the TEAM ENASAVE Future Project in cooperation with the National Federation of UNESCO Associations in Japan (NFUAJ).

As a part of this project, in fiscal 2015 we held clean-up activities at 10 locations around Japan, with the help of employees, their families, and local

associations. Together with others, including volunteers from the public as well as radio personalities, these events have seen 810 people participate.



Cooperation with the NFUAJ

### Employee Voices



### Preserving this valuable, rich natural environment for generations to come

#### Toshiyuki Tsuchida

DUNLOP TYRE HOKURIKU Co. Ltd., Fukui Branch

I participated in the "Bringing Storks Back to Echizen!" (Echizen, Fukui) event as a part of TEAM ENASAVE Future Project. It was pouring down with rain, but a total of 40 of us battled with the mud to clear the area to create an environment more welcoming to storks. We also create a waterways for loaches and killifish for the birds to eat.

This area plays host to many rare species of animal—one which surprised me in particular was the scarlet dwarf dragonfly, little more than a centimeter long. We are working to preserve these important creatures and rich natural environment, to create flourishing semi-wild areas that will play host to storks into the future.

## Harmonious Coexistence with Nature, and Protecting Biodiversity

### Protection and Nurturing of Endangered Species

Sumitomo Rubber Group works to protect biodiversity through business activities that make sustainable use of the many elements that make up biodiversity.

The Acorn Project aims to preserve the biodiversity of DNA. The project preserves and fosters endangered species to protect the biodiversity of seeds. Our main species are the Katakuri family at the Shirakawa Factory, bone-set (asteraceae), (cyperaceae) and sanguisorba tenuifolia at the Kakogawa Factory, echinops (asteraceae) at the Miyazaki Factory, arimagumi (elaegnaceae) in the Kobe area, and sasakia charonda (Japanese emperor butterflies) at the Ichijima Factory.

Other environmental activities include the Miyazaki Factory having presented higotai seedlings to city elementary and junior high schools since 2009. In 2015, these were donated to, and planted by Yamada Elementary School in Miyakonojō, Miyazaki. We can now see these blooming at 13 out of the 19 schools at which these have been planted.



Echinops planting in Yamada Elementary School, Miyazaki

### Topics

#### Protection and Cultivation of Endangered Species at the Ichijima Factory Biotope

In October 2015, a biotope was completed at the Ichijima Factory. During excavations in its construction, precious water weeds (four types of which were endangered) were germinated, and again established within the biotope. From 2016, in cooperation with the "Tanba Stone Loach Preservation Society," "Tanba Forest Park," and the "Suma Aquatic Park," we have been protecting and nurturing the endangered lefua echigonia (stone loach), and in the future, the hope is to return this to its natural habitat. To this end, from September 2015. The Tanba Stone Loach Preservation Society has been participating in regular surveys and in maintenance of the biotope. Together with breeding the Japanese emperor butterfly, we are also breeding the stone loach.



In a biotope



Endangered stone loach



## Reducing the Environmental Impact of Our Business Activities

### Management Approach

As a global company responsible for the environment, Sumitomo Rubber Group will fulfill its social responsibility to realize sustainable development of society through our any activities.

In March 2009, Sumitomo Rubber Industries, Ltd. was certified as an Eco-First company by Japan's Minister of the Environment. We have set targets under our three eco-first commitments: create a low-carbon society, build a recycling-oriented society, and promote harmonious coexistence with nature.



### Sumitomo Rubber Industries Eco-First Commitments

Creating a Low-Carbon Society	Reduce CO <sub>2</sub> emissions basic unit to less than <b>55%</b> of 1990 levels	Fiscal 2015 <b>53.9%</b>	Achieved
	Release tire with <b>50%</b> lower rolling resistance.	On sale in fiscal 2014	Achieved
Building a Recycling-Oriented Society	Achieved <b>complete zero</b> emissions for waste to landfill at production bases in Japan and overseas.	Continue with complete zero	Achieved
	Release a <b>100%</b> fossil resource-free tire	On sale in fiscal 2013	Achieved
Promoting Harmonious Coexistence with Nature	The Acorn Project Plant over <b>20,000</b> trees/year	Average <b>21,660</b> trees/year (Average)	Achieved
	Take action to protect <b>biodiversity</b>	On schedule	Achieved

\*Details are on pages 25-26

## Creating a Low-Carbon Society

### CO<sub>2</sub> Reduction Activities in Production

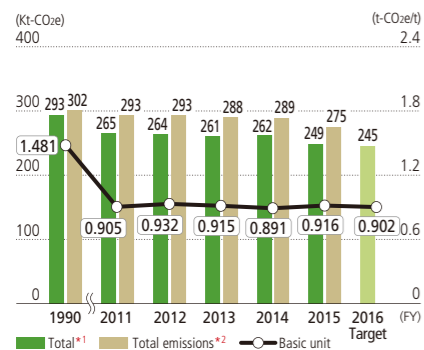
In fiscal 2015, we introduced various initiatives, including biomass and solar power generation so that we can reduce CO<sub>2</sub> emissions from production processes. These efforts have resulted in CO<sub>2</sub> emissions at our six factories in

Japan resulted in totaling 249,000 tons-CO<sub>2</sub>, down 13,000 tons-CO<sub>2</sub> from the previous year. CO<sub>2</sub> emissions quantities increased 2.8% over the previous year, and basic unit of energy usage (crude-oil equivalent) increased 3.1% against the previous year. This was because of the large impact of decreased production decrease.

Items marked with a "⊙" are verified by third parties. Verified data do not include "intensity" figures. Figures differ from verified ones because of a difference in coefficient.

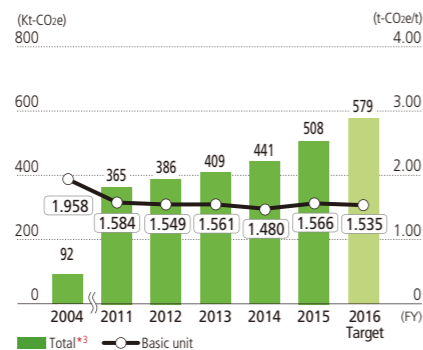
At overseas production bases, targets for CO<sub>2</sub> emissions quantities and basic units of energy usage (crude-oil equivalent) were not met, but our domestic affiliates achieved their goals.

### CO<sub>2</sub> Emissions (6 Factories in Japan) ⊙



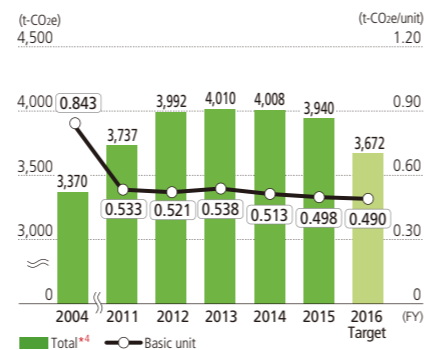
\*1 According to the Guide for Calculating Greenhouse Gas Emissions, published by the Japan Rubber Manufacturers Association (used to calculate per-unit figures). The electricity emission factor is the value announced by the electricity companies in 2004.  
\*2 Total emissions do not take into account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

### CO<sub>2</sub> Emissions (10 Overseas Factories) ⊙



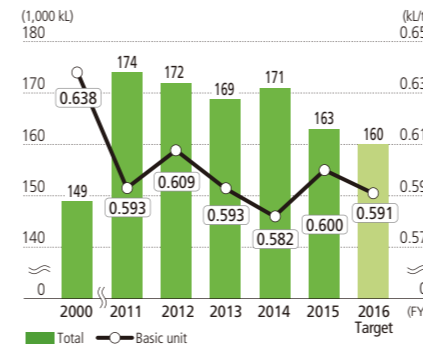
\*3 According to the Guide to Calculating Greenhouse Gas Emissions, published by the Japan Rubber Manufacturers Association. The electricity emission factor is as per the WR/WBCSD GHG Protocol Initiative Calculation Tool (2004).

### CO<sub>2</sub> Emissions (5 Factories Operated by Domestic Affiliates) ⊙

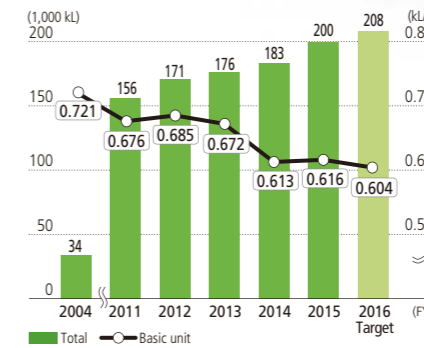


\*4 According to the Guide for Calculating Greenhouse Gas Emissions, published by the Japan Rubber Manufacturers Association. The electricity emission factor is the value announced by the electricity companies in 2004.

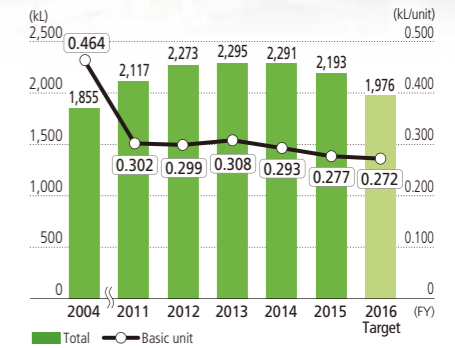
### Energy Usage (Crude Oil Equivalent) (6 Factories in Japan)



### Energy Usage (Crude Oil Equivalent) (10 Overseas Factories)



### Energy Usage (Crude Oil Equivalent) (5 Factories Operated by Domestic Affiliates)



### Topics

#### First Solar Generating System at Overseas Base, at Zhongshan Factory in China

In fiscal 2015, the Zhongshan Factory in China introduced solar power generation system at first our overseas bases. A total of 800 solar modules (maximum output: 200 kW) are installed on the roof of the plant—these are expected to generate 200,000 kWh per year. This power is used within the factory, and surplus power is sold to the grid.

The Zhongshan Factory was certified by China's Development and Reform Commission as a renewable energy power plant in November 2014, and installed solar power generation system at the end of June 2015. This started full-scale operation at the end of August that year.

Renewable solar power is becoming increasingly widespread around the world, and we contribute to spreading natural energy and reducing loads on the environment.



Installed solar power generation system

### CO<sub>2</sub> Reduction Activities in Distribution Processes

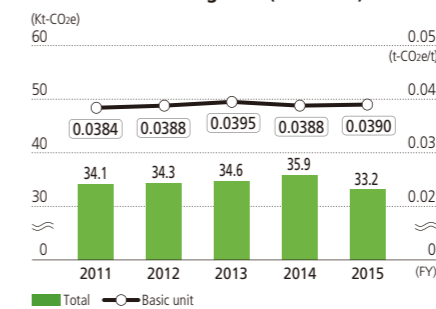
In fiscal 2015, we worked at moving to larger vehicles, and improving transportation efficiency. These initiatives resulted in a drop in CO<sub>2</sub> emissions from transporting tires to 33,200 tons-CO<sub>2</sub>, down 7.5% over the previous year. The influence of lowered production made basic unit increase by 0.6%.

The modal shift ratio to railroads and ferries is 16.7%, up 1.3 points over the previous year. By decrease of imported tires and increase usage of ultra-large vehicles (1.5 times that of large vehicles), our large-vehicle transport ratio was 20.8%, down 3.1 points

over the previous year.

In fiscal 2016, we will continue undertaking improvements, including optimization of production locations and improving transportation efficiency.

### CO<sub>2</sub> Emissions in Logistics (Domestic)



### Employee Voices



#### Working to Reduce Electricity Usage—98% of All Energy Used

#### Koji Kawaguchi

Dunlop Golf Club Corporation  
Production Technology Department, Engineering Group

Electricity occupies 98% of energy consumption at Dunlop Golf Club Corporation, and saving electricity is an important issue.

Since fiscal 2013, we have been transitioning over to LED lighting, and as of 2015, 90% has completed. We are shifting compressors to inverter type ones and introducing several energy saving devices.

We raise employee's awareness of energy savings through energy-saving committee. We cannot achieve our goals if they are not interested in energy saving even if we introduce new ones.

All of us is trying to reach targets by such as turning off unnecessary lighting or keeping temperature setting of air conditioner



## Building a Recycling-Oriented Society

Items marked with a "○" are verified by third parties. Verified data does not include "intensity" figures. Verification covers: Waste generated in fiscal 2011 and 2012, and waste discharged (excluding valuables) in fiscal 2013 and 2015.

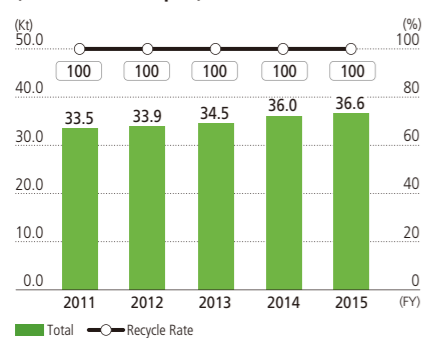
### Continue to Achieve Complete Zero Waste Disposal

Sumitomo Rubber Group is working to reduce, reuse and recycle wastes in order to build a recycling-oriented society.

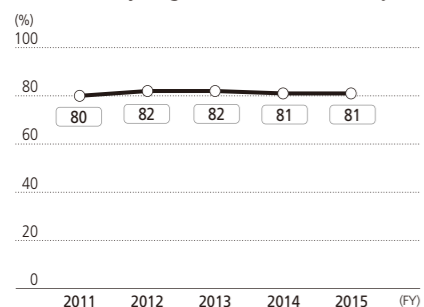
Complete zero waste disposal is defined as recycling in order to use all waste, with 100% recycling and no waste sent directly to landfills. We achieved complete zero waste disposal at our primary production sites in Japan and overseas in March 2010. Currently, we are aiming to systematically achieve this at new sites, and ensure this continues at existing sites.

Material recycling rate was 81% in fiscal 2015 against 85% (target), and it was largely unchanged from the previous year.

### Amount of Waste Generated and Recycle Rate (6 Factories in Japan)



### Material Recycling Rate (6 Factories in Japan)

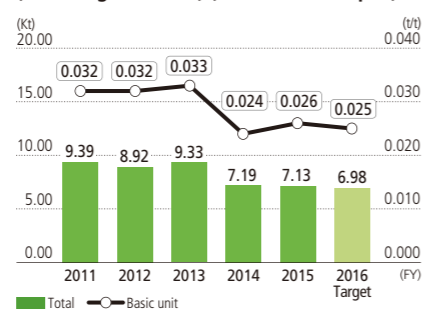


### Reducing Waste Discharged\*

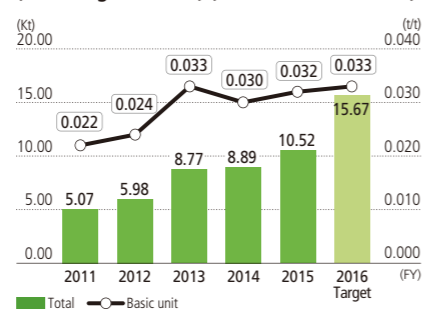
From fiscal 2013, though we have also been working to reduce amount of waste discharged as making metals covered with rubber valuables. In fiscal 2015, this increased 8.3 points at our six factories in Japan.

This was up 6.7 points at the 10

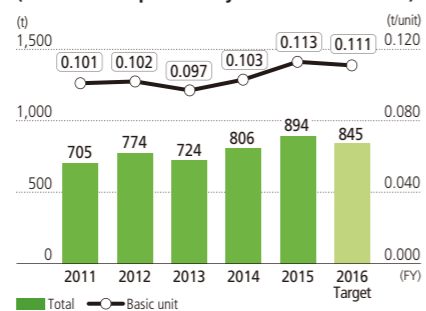
### Amount of Waste Discharged (Excluding Valuables) (6 Factories in Japan)



### Amount of Waste Discharged (Excluding Valuables) (10 Overseas Factories)



### Amount of Waste Discharged (Excluding Valuables) (5 Factories Operated by Domestic Affiliates)



factories overseas, and 9.7% at the five factories operated by affiliates in Japan.

\* Amount of waste discharged is calculated as waste discharged with the goal of recycling it (thermal/material recycling).

### Reductions in Water Usage

Against global water crisis, the Sumitomo Group has set recycling 100% of wastewater in production by 2050 as a target. In our medium-term plan, we have a target of 100% recycling of wastewater at two of our factories, and in 2016 we will start test operation in order to establish recycling technology at our Turkey Factory.

We also intend to reduce water usage through effective use of rainwater, measures that are already in place at our Zhongshan Factory in China. From 2016, we plan to use rainwater as processing water at the Indonesia Factory, in cooling equipment.



Wastewater treatment facilities, Turkey Factory



Rainwater tank (Indonesia Factory)

## Implementing Global Environmental Management

### ISO 14001 Global Integrated Certification

To implement global environmental management, in December 2010, the Sumitomo Rubber Group obtained ISO 14001 Global Integrated Certification for its 30 bases in Japan and overseas. This enables us to carry out unified environmental management at global production and development bases.

No new bases acquired certification in fiscal 2015, but this is planned for the Turkey Factory is going to in fiscal

2016. Additionally, we plan to transition to the new standards in the 2015 edition throughout the group as a whole.

### Employees at ISO 14001 Certified Sites as Percentage of All Employees



Note: Includes temporary employees (As of December 31 2015).

### Environmental Awareness Improvement Activities at Factories

Sumitomo Rubber Group implements specialized education about environment to let our employee get interested in or participate in environmental con-

servation activities.

They has held exhibitions and contests about environment as well as collected posters, slogans or suggestions and given awards at overseas bases.

One new initiative was that "energy saving declarations" employees made at the Nagoya Factory are displayed to increase their awareness.

We will keep these activities and create new ones.



Raising employee awareness at an exhibition about energy saving activities (Changshu Factory, China)

### Employee Voices



### Completed Installation of Rainwater Treatment Facilities Helping to Reduce Water Use

**Akmal M Kartajaya**  
Assistant Manager, Engineering Department  
P.T. Sumi Rubber Indonesia

At the Indonesia Factory, which frequently experiences rainy weather, we employ rainwater for industrial use. In an environment where predicting rainfalls is extremely difficult, we have put in place equipment for treating rainwater. The task was arduous, but now that it is complete, I look back on it with pride.

The system, which employs sand and carbon filters, is aimed at using rainwater as an alternative for other industrial water. Our goal is to reduce the use of industrial water at the Number 2 Golf Ball Factory by 10%. Thereafter, we plan to reduce the amount of water used to manufacture tires at our tire plant.

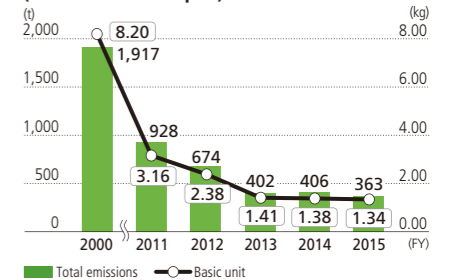
## Managing Environmental Loads

### Reducing Organic Solvents

Sumitomo Rubber Group is making voluntary efforts to reduce the emissions of VOC (volatile organic compounds) emissions, and fiscal 2015 improvements to production processes succeeded in an 11% drop over the previous year. This represents an 81% drop over fiscal 2000 levels.

Continuing into fiscal 2016, we will continue to optimize how to use VOC, and reduce quantities.

### VOC Emissions and Basic Unit (Six factories in Japan)



Note: VOC emissions using calculation methods from Japan Rubber Manufacturers Association.



## Next-Generation Product Development

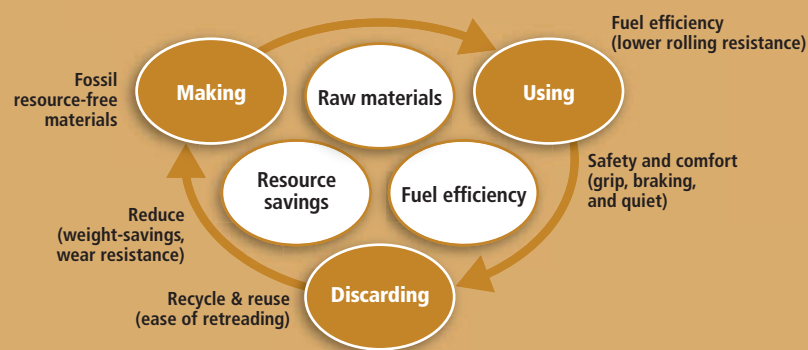
### Management Approach

Underpinning the activities of The Sumitomo Rubber Group is the theme “tires can contribute to the global environment.” To this end, it is developing eco-friendly products with a focus on three things—fuel efficiency, raw materials, and resource savings.

Sumitomo Rubber Industries’ Tire Division has established its own environmental standards. As well as improving tire performance, it is developing the usage of fossil resource-free materials, materials to improve fuel economy, and runflat tires that eliminate the requirement for cars to carry spare tires, creating products that protect the global environmental and conserve resources.

#### Environmentally Friendly Product Development Themes

##### Tires can Contribute to the Global Environment



## Developing Environmentally Friendly Products

### Developing Fuel Efficient Tires

Given that over 80% of CO<sub>2</sub> emissions throughout a tire’s life cycle is emitted during usage, we are working to develop environmentally-friendly products developed with fuel economy as a central tenet.

The ENERSAVE SP688 Ace all-season tire released in March 2016 uses the ultrapure natural rubber “UNPR,” developed using our own 4D NANO DESIGN materials development technology, together with our new carbon coupling agent that better bonds polymers and carbon. This features high wear resistance, and rolling resistance has been reduced by 37% over our standard model.

**Rolling resistance 37% decrease**  
\*Compared to standard Sumitomo model SP670



**DUNLOP**  
エナセーブ SP688 Ace

### Household-Use Natural Rubber Gloves “Gloves born from trees”

Dunlop Home Products Ltd. produces “Gloves born from trees”—household-use natural rubber gloves that release almost no toxic gases when burned, and that are made out of eco-friendly natural rubber. As well as the low-allergen “Rich-ne,” there is also the standard “Good-ne” and the “Pretty-ne” made to fit women’s hands, and the “Sarasarin” extra-comfortable gloves that feature a nylon weave on the rear. These were added to our line-up in March 2015.

The Pretty-ne gloves for women

combine style and functionality, and received a Good Design Award in fiscal 2015.



“Sarasarin—gloves born from trees”



“Pretty-ne” earning the Good Design Award

#### Topics

### Praise for ENASAVE 100, 100% Fossil Resource-Free Tire

The concept behind the ENASAVE 100 released in November 2013 has been highly commended, and this tire is still receiving awards two years later in 2015.

- 2014 Energy Conservation Prizes, awarded Agency for Natural Resources and Energy Director-General’s award
- 24th Global Environmental Awards, awarded Keidanren Chairman’s Prize
- 6th Monodzukuri Nippon Grand Awards, awarded Excellence Award
- Tire Technology Expo 2014, Environmental Achievement of the Year



**DUNLOP**  
エナセーブ 100



For its quality improvement efforts, the Indonesia Factory has since 2008 been continuously awarded at the Toyota Kaizen Festival

## In Pursuit of Safety and Comfort, Economy, and Quality

### Quality Management System

The Sumitomo Rubber Group’s quality management system is certified for ISO/TS 16949\*<sup>1</sup>, an international standard covering automotive parts and service parts.

We are actively putting together quality management systems overseas, with the Brazil Factory receiving accreditation in ISO/TS 16949 in February 2015, and the Turkey Factory receiving accreditation in ISO 9001 in October 2015.

\*<sup>1</sup> ISO/TS 16949: A quality management system based on ISO 9001, but tailored to the demands of the automotive industry.

### Development of Runflat Tires for Safer Driving

Sumitomo Rubber Industries is continuing to work to develop runflat tires that can still be used at a specified speed for a certain distance\*<sup>2</sup>, in order to improve safety even during a puncture while driving, and to make these tires more widespread.

In fiscal 2015, we started European sales of the new ZIEX ZE914 Ecorun Runflat and the EUROWINTER HS449 RUNFLAT.

\*<sup>2</sup> Requirement that a runflat tire can go a distance of 80 kilometers at a speed of 80 km/h.



#### Employee Voices



### Establishing Airless Tire Technology Starting from Zero Makoto Sugiya

Manager, Advanced Technology Development Department, Tire Technical HQ

When we started development of airless tires, not only was there no such thing as “airless tire technology,” the resin, tread structure, spoke, and metal wheel technologies required to make these tires didn’t exist either. Accordingly, instead of working just on our own, we reached out to other companies that might potentially have an interest, building relationships, and bringing together materials and design methods. These efforts eventually paid off by us bringing this technology to maturity, and announcing it at the 2015 Tokyo Motor Show.

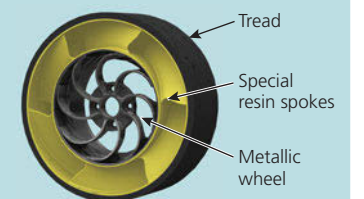
We are now setting our sights on commercialization, so that everyone can enjoy the benefits provided by this technology.

#### Topics

### Increased Safety, Lower Resource and Energy Usage New Technology Development

The GYROBLADE airless tire technology and the CORESEAL sealant technology both increase safety while driving, and by removing the need for a spare tire, help lighten the vehicle and save on resources.

GYROBLADE consists of a tire tread affixed to the circumference of a tire body that is composed of a metallic wheel surrounded by special resin spokes, meaning that the tire does not need to be filled with air. Tires using this technology are immune to flats and can be used without worrying about maintaining optimal air pressure.



A sealant with high adhesiveness and viscosity designed to be applied to the lining of a tire tread, CORESEAL prevents air leakage from a tire when the tread is punctured through its entire thickness.



Both GYROBLADE and CORESEAL technologies facilitate resource conservation, weight reduction and greater freedom in vehicle design by eliminating the need for spare tires, and we are working to bring these products to market.



# Kindness

Kindness to employees

CSR Activity Report

## Kindness to Employees

### Management Approach

Employees achieve satisfaction by working for the Sumitomo Rubber Group, which grows as a result of its employees' success. To continue building such a sound relationship, we believe that we have a responsibility to provide all employees with a fair and equal chance to grow through a range of benefit packages and training programs.

Women are taking on more active roles in Japanese society, and Sumitomo Rubber Industries is doing everything possible to make workplaces more conducive to women and maximize their talents.

Sumitomo Rubber Group's Basic Hiring Policy



## Fostering Human Resources and Making Work Rewarding

### Entrenching "The SRI Way"

We have formulated "The SRI Way" as the backbone for putting the Group philosophy into practice.

"The SRI Way" provides a framework for employee behaviors and decisions based on shared values and perspectives, as well as for ways of going about their work.

### Fostering Human Resources

The Sumitomo Rubber Group provides all employees with well-rounded personal training through the Human Resources Department, Production Training Department, and related divisions. Young employees get fundamental training in theory, and management level employees get practical training in how to maximize organizational strength and energize their organizations. Such training helps individuals by respecting their motivation to grow and helping them learn to notice and improve situations on their own.

At our overseas affiliates, we are developing human resources by conducting OJT and other training in the aims of boosting problem-solving skills, understanding Sumitomo Rubber management philosophy, and understanding an implementing the SRI Way.

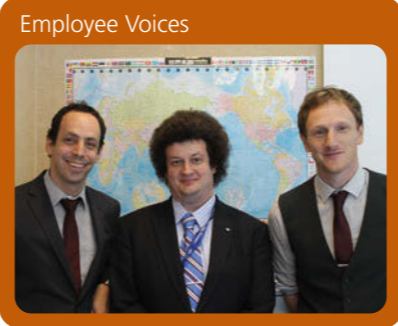
### Manufacturing Education

In the Production Training Department, we hold courses on themes such as passing down skills and the philosophy of manufacturing, and responding to business globalization. Our goal is to ensure that all worldwide employees get a consistent, standardized education on our company's manufacturing.

In fiscal 2015, we increased the number of opportunities to provide re-education on problem-solving techniques, centering on supervisors. The workplace heads for production processes and equipment maintenance at our factories also gathered to compare and discuss current conditions and set annual targets. This competitive approach toward training that addresses workplace problems made our education and training more realistic.

At our Shirakawa Training Center, a total of 1,869 employees underwent training in fiscal 2015.

In 1964, founding President Inoue introduced "technology inspections" to drill engineers and foster process improvements. In these inspections, team activities different from workers' usual businesses encouraged an understanding of the importance of the "actual place and the actual thing" and how to solve problems. These inspections had been held 339 times as of March 31, 2015, with 1,494 people attending. We are rolling out this activity overseas, as well, and connecting it with education for local leaders.



### Aiming to Be a Company Where People Work Confidently in English

**Jeremy Diamond** (left)  
**Jesse Gruber** (center)  
**James Lomas** (right)

Human Resource Development Department

The road to mastering a language is long and arduous. In order to give our employees a solid foundation to continue on that path, we offer an intensive six-month course called "English Special Education" twice a year.

The course is designed to give students a grounding in the basics for their future studies while also equipping them with the skills that they need to do their jobs in English. We also offer short-term courses in email and telephone English as well as regular English conversation classes in order to respond to the diverse needs of our employees.

We will continue to provide employees with fun and useful English education with the aim of creating a company in which everyone who needs to use English on the job can do so with confidence.

### Topics

#### South Africa Factory and U.S. Factory Participate in the Skill Olympics for the First Time

The Skill Olympics got its start in October 2009 as a way to pass on technical skills to young employees and boost their motivation. June 2016 marked the 14th time these Olympics have been held. Once every six months, young employees chosen from each of our factories in Japan and overseas compete to apply their technical skills in production processes. Gold, silver and bronze medals are awarded based on the number of points judges award them in such areas as safety, productivity, workmanship and knowledge.

The South Africa Factory participated for the first time in fiscal 2015, as did the U.S. Factory in June 2016. Following the awards ceremony, participants took part in a technical skills networking event. Through these activities, we aim to help works take home and pass on the technical skills they have learned at sites overseas.



Twelfth technical skills competition in the finish inspection category (Visual inspection by young employees at the South Africa Factory)



Awards ceremony for the 12th competition (June 2015)

### Conducting Employee Questionnaires

We conduct employee questionnaires once every two years. The fifth such questionnaire, in fiscal 2014, demonstrated high levels of satisfaction with the Company and its future promise, as in previous years.

As some questionnaire responses offered opinions about improvements that could be made to working styles, in fiscal 2015 we undertook companywide approaches in such areas as promoting increases in working efficiency in order to reduce overtime working hours and on efforts to accumulate and pass on knowledge.

We will conduct an employee questionnaire again in fiscal 2016, and aim to again connect such opportunities with initiatives for creating a friendlier working environment.

### Dialogue Between Managers and Employees

The Sumitomo Rubber Group provides periodic opportunities for frontline managers and employees to share concerns

and exchange opinions. At informal roundtable meetings with the President, between 10 and 20 young employees and female employees gather to focus on select themes as they freely discuss a range of topics off the record including work-related advice, the President's philosophy of life, family, and hobbies.

These dialogues were held nine times in fiscal 2015 and attended by 144 people. They led to a frank exchange of opinions on themes such as what is needed to promote an environment that makes work stimulating and enjoyable.

We plan to provide employees at all job levels and in all company divisions opportunities to exchange views with the President and among themselves.

Special employee discussion between the production and sales divisions



### Love Your Work Project

In fiscal 2017, we launched the "Love Your Work" project to provide numerous employees with opportunities to share things they had noticed, as well as their ideas and experiences.

Executives and Group employees participate in the special employee discussion, a project activity that encourages individual employees to reflect on their own work, reinforce teamwork, motivation and creativity, and helps to invigorate the entire Group.

This year will mark the 10th anniversary of the Love Your Work project. Leading up to these event, we will continue with groupwide activities themed on "kindness to others and turning dreams into reality."



Special employee discussions focused on knowing and passing on history and traditions



Workplace tour for viewing workplaces and making use of knowledge at work



### Creating a Safe, Employee-Friendly Workplace

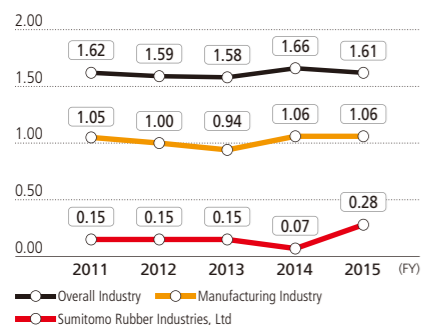
#### Striving to Eliminate All Disasters

With the aim of ridding the workplace of all dangers and accidents, the Sumitomo Rubber Group carries out safety activities that eliminate the causes of accidents and intrinsically raise the level of safety. We also practice direct confirmation exhaustive safety inspections and visual checks.

We worked to thoroughly instill the rule that disasters from the past may never be repeated and promote equipment safety measures. In addition, we conducted hands-on activities at all business sites to make everyone in the entire Group aware of three principles for fostering safety-aware employees: abide by rules, make the workplace safer, and have managers and supervisors fulfill their responsibilities. Despite these efforts, there were 66 accidents in fiscal 2015, 14 more than in the previous year. Accidents increased at both overseas and domestic factories, due to carelessness and a lack of sensitivity to danger, and one accident at an overseas company led to fatality.

Going forward, we will address points that commonly lead to accidents, such as momentary stops and ensuring safety during infrequent operations. We will also encourage individual employees in gaining self-knowledge and awareness of their behavioral characteristics related to safety. Through these efforts, we strive to create a workplace and culture that protects the safety of all people and aim for zero accidents.

Frequency of Occupational Accidents (disabling injury frequency rate\*)



\* accident frequency rate: the number of deaths or injuries per 1 million net working hours.  
No. of deaths and injuries due to accidents × 1,000,000 / Total work hours

#### Education and Awareness Activities Boost Occupational Safety and Health

Since the Sumitomo Rubber Group believes that fostering safety-aware human resources is the key to eliminating all workplace accidents, we hold periodic education and awareness-raising activities on occupational safety and health. These activities are given for each job description and are followed up in order to ensure that employees are effectively acquiring the skills and knowledge being taught.

In fiscal 2015, 61,400 employees participated in our regular occupational safety and health training. This training concentrates on encouraging people to follow safety rules in all circumstances and emphasizes promoting a workplace culture that protects employees. To heighten employee sensitivity to danger, we conducted experiential safety training to demonstrate just how frightening an accident at machinery being operated every day can be. A total of 54,500 people took part in this training during the year. This course is also open to local companies and schools, and we have welcomed 2,450 participants so far.

In fiscal 2016, we will continue striving to create a workplace environment and culture that protects the safety of all employees. We will help all employees understand the safety-related behavioral characteristics necessary to avoid accidents and enhance training in which employees take the initiative on safety by stating what sort of safety actions they must take in their jobs.



Accident simulation training (Shirakawa Factory: Accident simulation training on getting tangled in a drive chain)

#### Preventing Lifestyle-Related Diseases

Aiming for zero workplace illnesses, we consistently follow up on regular health checks, respond steadily on mental health and are introducing anti-smoking measures.

Through collaboration between Sumitomo Rubber Industries and a health insurance association, we are increasing our rate of specific health guidance: from 12.5% in fiscal 2013 to 22.3% in fiscal 2014 and an expected 25% in fiscal 2015. However, the number of people with metabolic health issues is rising. To raise awareness, we send materials on lifestyle improvements to people in their 30s in the preliminary stages of metabolic diseases. We have also introduced a mobile service to increase the percentage of workers' dependents who undergo specific health checks.

Because of the dangers of smoking, we have set a goal of making all company buildings no-smoking and reducing the employee smoking rate by half by 2020. In fiscal 2015, we sought to eliminate harmful passive smoke and make it more difficult for employees to smoke by moving designated areas to outdoor locations, and made three factories entirely no-smoking zones. On May 31, our companywide no-smoking day, we conduct activities to increase the ranks of non-smokers. These efforts include making smoking entirely off limits at all Sumitomo Rubber premises, holding no-smoking seminars, conduct symposia with people who have successfully given up smoking and introducing outpatient treatment for smoking cessation.



Outdoor smoking area (Kobe Head Office)

### Work-Life Balance

#### Helping Employees Balance Work and Family Life

Sumitomo Rubber Industries has introduced work systems and awareness activities that make it easier for employees to carry out childcare and nursing care; for example, we are reducing the amount of after-hours work employees do, and we are encouraging employees to take their paid leave. The result of these and other efforts has been that all employees who give birth take childcare leave. As well, we are doing everything possible to encourage male employees to take childcare leave, and in the past five years 10 male employees have done so. In fiscal 2009, we became the

first company in the tire industry to be certified for the Kurumin logo, presented by the Japanese government to companies that strive to help employees raise their children. We were once again certified in fiscal 2015.

In fiscal 2014, we introduced the JOB Return system aimed to get employees who have left the company to return to work. Under this system, employees who had to quit due to reasons

like marriage or their spouse's job transfer can return to work as full-time employees.



Kurumin certification as a company that supports child-rearing

### Promoting Diversity

#### Promoting More Active Roles for Women

To promote more active roles for women, the Company has set the target of doubling its number of women in management positions by 2020, compared with the 2014 level. To achieve this goal, we will need to maintain our hiring ratio of female employees and increase initiatives that raise the percentage of people who take paid leave so

they can return to work refreshed.

In fiscal 2015, we will introduce a daycare support system for financial assistance to parents who are leaving their child of younger than 2 years old at a daycare facility. The aim is to help these parents return to their job at a Sumitomo Rubber base as soon as possible after they take maternity leave or childcare leave. This will help women who are aiming for a career at Sumitomo Rubber.



Further Efforts to Create a Workplace Where Diverse Employees Can Be Successful

**Akiko Masuda**  
Manager, Legal Department

The Company has a variety of systems in place to support a balance between work and home life. In addition to women, I think these systems help support the success of employees from diverse backgrounds.

As globalization progresses, I think the important of ensuring diversity will grow. Rather than resting on our laurels, we need to make our workplaces even more employee-friendly places where individual employees can maximize their skills. I would like to see us make steady strides in this direction.

### Respect for Human Rights

#### Basic Perspective on Consideration for Human Rights

The Group's Corporate Code of Conduct states that that we "maintain a sound working environment free from discrimination on the basis of belief, creed, religion, race, skin color, nationality, language, social background, gender, age, physical handicap or other reason." Accordingly, we strive to ensure against the infringement of human rights of any employee.

In fiscal 2015, the Company's in-house counsel conducted training on

the prevention of power harassment for managers at locations in Japan and overseas. We also created a new handbook on human resources and occupational management that we distributed to all managers. We also held training sessions to ensure awareness of the handbook's content as part of our efforts to create a workplace free of human rights infringements and harassment, where employees can work enthusiastically.

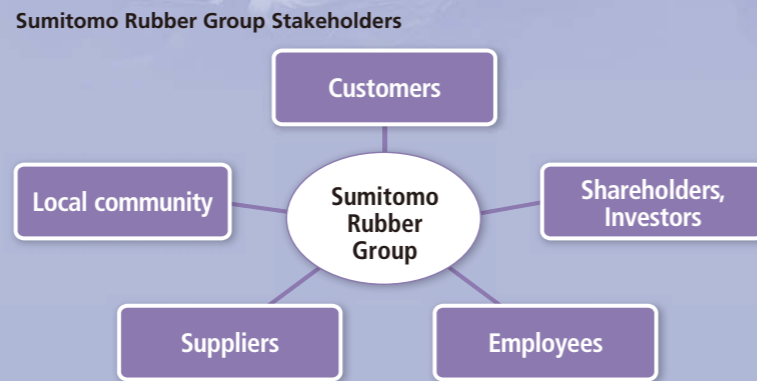
The total time spent on management training and sessions related to human rights was 1,680 hours (calculated as hours in training times the number of participants).



**Management Approach**

The Sumitomo Rubber Group must fulfill its responsibilities, understand what is expected of it, and reflect these in its business activities. To this end, regular communication with our stakeholders is indispensable.

As we globalize our business, we welcome a diverse range of new stakeholders around the world. We strive to demonstrate integrity in all our business activities so that we can earn the trust of all our stakeholders.



**Enhancing Thorough Corporate Governance**

**Corporate Governance Philosophy**

Based on The Sumitomo Business Spirit and the Corporate Philosophy, the Sumitomo Rubber Group makes it a basic company policy to continue to enhance its corporate value as a promising and reliable global company for the benefit of all stakeholders, continuously creating new value to ensure living that is comfortable and attractive. Based on this policy, thorough corporate governance is posi-

tioned as an important management issue. Thus, the Group aims to improve fairness and transparency, strengthen relationships of trust with society and ensure comprehensive management efficiency through initiatives aimed at addressing management issues.

Sumitomo Rubber Industries has adopted a corporate system with a Board of Auditors. In an effort to strengthen corporate governance, since 2015 we have operated a Nomination and Compensation Committee comprised of a

majority of external directors with an external director as the chairman, which operates as an advisory body to the Board of Directors in an attempt to improve objectivity and transparency in procedures related to the nomination of directors and other activities.

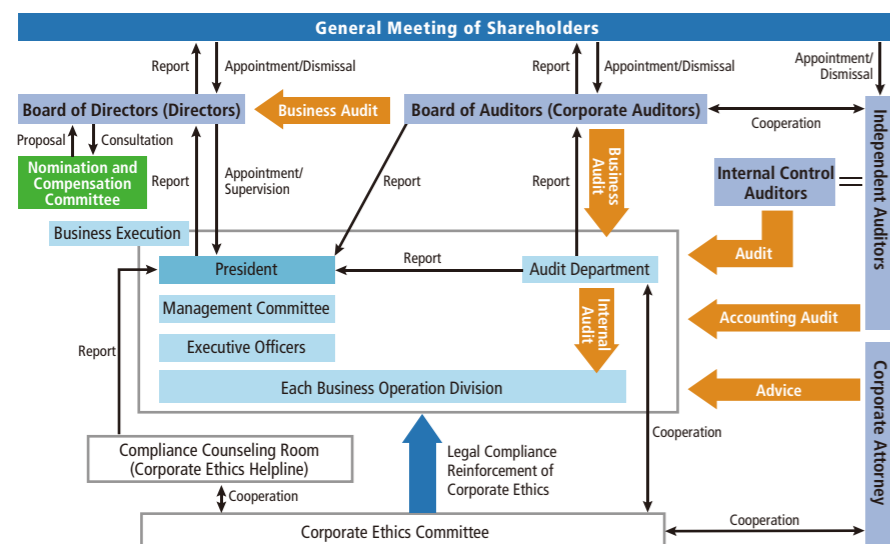
**Risk Management Philosophy**

The Sumitomo Rubber Group defines risk within risk management as a “factor that may interfere with or exert a negative effect on the smooth execution of business activities or the achievement of management objectives/strategies based on the Group’s management philosophy.”

We determine the relative importance of risks by taking into account not only financial impact but also whether we (1) ensure quality and safety, (2) maintain a good relationship with stakeholders, (3) comply with laws and regulations, and maintain corporate ethics, and (4) abide by the Sumitomo Business Spirit, Group Philosophy, and Group Code of Conduct.

In fiscal 2015, the latest critical risks were shared at the management level through a reanalysis of Groupwide risks, including those at overseas bases. In fiscal 2016, we will enhance activities and engage in Groupwide countermeasures to mitigate these shared critical risks.

**Corporate Governance Structure**



**Governance From an External Director’s Perspective  
 Verification and Advice on Management Decisions, Focusing on the “People” Who Support the Foundation of Corporate Governance**

Corporate governance addresses the people who operate systems rather than systems themselves. Moreover, it is critical for ensuring harmony and discipline are diffused throughout the entire organization. To this point, based on the Sumitomo Rubber Group’s long-term vision of pursuing greater happiness for all employees, in addition to the president and others on the operations side who maintain harmony, I feel intergenerational cooperation is going extremely well. During factory inspections, seeing employees working energetically onsite gives me the sense that harmony and

discipline permeate every corner of the organization.

External directors actually comprise a variety of members, and we are proud to have achieved perfect harmony among ourselves. Furthermore, in 2016 the Nominating and Compensation Committee was established and I was appointed chairman. I verify that human resources or compensation practices are sound from the shareholder’s perspective and make the most of my experience being involved with many companies and organizations as a lawyer to provide advice helpful for management decisions.



**Keizo Kosaka**  
 External Director

**Enhancing Thorough Compliance**

**Preventing Wrongful Conduct**

We drive home to our employees the importance of avoiding all wrongful conduct through our Corporate Code of Conduct, which includes rules to forbid private monopolies, unfair competition, and business dealings; forbid bribery; and insulate ourselves from anti-social forces, etc.

In fiscal 2015, we focused efforts on establishing a system enabling voluntary compliance activities at overseas bases through the establishment and operation of Compliance Committees at each base.

Moreover, to prevent compliance infractions, we compile examples of close calls pertaining to compliance that occurred during business operations in a “Compliance Close Call Case Studies Collection” distributed to managerial employees.



Compliance Close Call Case Studies Collection

Going forward, we will continue efforts aimed at improving compliance awareness.

**Compliance Education**

Compliance issues are part of everything from new employee orientation to training programs for all employee levels so that we can raise awareness of the importance of compliance among our employees.

In addition, in fiscal 2015 we held training for managers on a number of topics, including a lecture (approximately 150 participants) on power harassment and sexual harassment prevention, and briefings on legal issues such as contracts and Japan’s Subcontract Act. Briefings on a range of topics were also held at Sumitomo Group companies around the world.

Compliance education was also held for individual employee groups, such as newly hired university graduates, mid-career-hired employees, and Sumitomo Group company managers at overseas affiliates.



Compliance lecture

**Information Security**

The Sumitomo Rubber Group fully understands the importance of protecting and managing personal and confidential corporate information and makes an effort to appropriately handle both.

In fiscal 2015, as a measure to protect against information leaks due to cyber-attacks, a scenario was conducted whereby suspicious emails from outside the Company were sent to employees as a “targeted attack email” to inculcate knowledge through drills aimed at ensuring suspicious emails are not opened.

We will continue to enhance information security in both theory and practice.



## Promoting Dialogue with Stakeholders

### Satisfying Products and Services for Customers

#### Tire Business: Boosting Customer Service Skills

The National Customer Service Skills Contest held at Company stores to improve customer service was held for the tenth year in a row in fiscal 2015. This year's contest focused on the degree to which contestants were able to easily explain tires to customers using "Tire Concierge," an iPad customer service application



National Customer Service Skills Contest winners (Above: Kei Morita, below: Risa Kato)

incorporating images, video and simulations currently in its second year of usage. As a result, in an unusually close competition, Kei Morita of DUNLOP TYRE SHIKOKU Co., Ltd., Tire Select Imabari and Risa Kato of DUNLOP TYRE CHUO Co., Ltd., Tire Select Setagaya Yoga shared the first prize. Both contestants demonstrated solid "Tire Concierge" skills, using the iPad as if it were an extension of their bodies to provide excellent customer service on a daily basis.

#### Sports Business: Customer Support

In response to customer feedback, Dunlop Sports Co., Ltd., established the Customer Service Office and After Service Centers. Also, information received is rapidly deployed for use in product development and quality improvements aimed at customer satisfaction.

In fiscal 2015, XXIO 9, a new model of XXIO brand golf clubs, a core product sold since 2000, was launched in December. This resulted in a flood of inquiries before and after the sales launch, indicating a strong interest among many golfers.

#### Industrial and Other Products Business: Information Provision

Dunlop Home Products Ltd., a manufacturer of gloves and other daily prod-

ucts for end consumers, established a Customer Service Office that promptly conveys valuable opinions and complaints received from customers to relevant departments and reflects them in new product development and service improvements.

Dunlop Home Products Ltd., also focuses efforts on providing information online, updating its website and distributing product information on an ongoing basis using Twitter and Facebook among other efforts to improve customer satisfaction.

#### Dialogues with Shareholders and Investors

Sumitomo Rubber Industries places importance on communications (IR activities) with shareholders and investors, including information provided on the Investor Relations section of our corporate website, briefings for analysts and institutional investors and the timely and accurate disclosure of information.

Furthermore, we focus efforts on ongoing communications (SR activities) with institutional investors in Japan and overseas and attempt to achieve mutual understanding and increase trust through direct dialogues.

## Supply Chain Management

### Engaging in CSR Procurement Along with Suppliers

The Sumitomo Rubber Group aims to promote CSR procurement involving not only quality, cost and delivery, but also compliance, human rights and labor.

In fiscal 2014, we conducted CSR questionnaires two times at approxi-

mately 1,100 supplier companies, the results of which were announced at the 13th Annual CSR Briefing held in seven locations across Japan in fiscal 2015, where 166 supplier companies met and exchanged opinions. Those who participated at these briefings provided opinions and asked questions pertaining to social contribution activities, methods for pre-

venting harassment and other topics, enabling us to gain a deeper understanding of CSR along with suppliers.

In addition, we explained our CSR action guidelines to new suppliers and conducted a CSR questionnaire self-assessment.

## Ongoing Social Contribution

### CSR Fund

In fiscal 2009, Sumitomo Rubber Industries established a CSR fund for the financial support of groups working to solve social problems in the regions where we have business sites. With the fund, all donations from employees are matched by the company, and organizations receiving funding are selected by our business sites and an NPO intermediary support center.

In fiscal 2015, the fund donated a total of 6.94 million yen to 30 organizations in the six prefectures of Fukushima, Tokyo, Aichi, Osaka, Hyogo, and Miyazaki.

### CSR Commendations

Since fiscal 2009, the Sumitomo Rubber Group has presented CSR commendations to deepen employee understanding



Directors present CSR commendations to recipients

and concern for environmental and social contributions and expand related activities.

### Safe Driving Awareness

The Dunlop Tire Safety Project is aimed at preventing tire-related accidents, and since fiscal 2008, we have been conducting this project twice a year at highway rest stops and commercial facilities in all of Japan's 47 prefectures.



Tire inspection activities

### Activities Closely Connected with Local Communities

The Sumitomo Rubber Group promotes social contribution activities closely connected to local citizens living near our factories.

In March 2016, the Miyazaki Factory entered into an agreement with the city of Miyakonojo related to the use of facilities in the event of a disaster. Amid

### Topics

#### Supporting the "Ueyama Shuraku Community Mobility Project" in Mimasaka, Okayama Prefecture

The Ueyama Shuraku Community Mobility Project is an activity aimed at ensuring sustainable lifestyles and economic viability by constructing a diverse mobility system eradicating transportation difficulties that have arisen due to depopulation and aging in the Ueyama district (Mimasaki, Okayama Prefecture), a hilly and mountainous area with traditional terraced rice fields cultivated since the Nara Period. One aspect of this project involves the introduction of ultra-compact electric vehicles, thus we support these activities through the provision of our long-lasting, low fuel consumption ENASAVE EC203 tires realizing a long life with excellent low fuel consumption performance.



Ultra-compact mobility



Signing ceremony with Miyakonojo City (Left: Takahiro Ikeda, Mayor; right: Miyazaki Factory and Iwata Factory Foremen)

concerns about damage in Miyazaki Prefecture from a Nankai Trough megathrust earthquake, inland city Miyakonojo will play a central role in logistical support in the event of disaster. This agreement stipulates that, in the event of a disaster, the Miyazaki Factory will cooperate with the city by making its grounds and other factory facilities available and dispatching staff to engage in disaster emergency measures and support activities. This is the first agreement entered into by the city of Miyakonojo aimed at providing this level of logistical support.

Going forward, we will proactively engage in exchanges with nearby residents and collaborate with municipalities in the vicinity of this factory.

### Stakeholder Voices



#### Aiming for Further Cooperation Between Corporations and Citizen's Groups

##### Yoko Higuchi

Vice Chairman  
 Shirakawa Citizen Activity Support Center

Since the first time in fiscal 2010, I have assisted with recommendations on groups to receive Sumitomo Rubber CSR Fund subsidies. The fund is operated under a matching-gift program in which both Sumitomo Rubber and employees participate. Having an NPO provide the operator with intermediary support recommending subsidy recipients is very innovative. At first, we recommended groups whose activities were linked to the future and protected local residents and the environment. However, since the Great East Japan Earthquake, we have shifted the focus to groups engaged in activities aimed at reconstruction assistance activities and children. Going forward, we aim for further cooperation between corporations and citizen's groups and hope to engage in activities together.



# Malaysia Factory

## Promote Regional Contribution Activities that take into Account Local Culture and Customs

Sumirubber Malaysia (Malaysia Factory), which mainly manufactures rubber gloves, is situated in Malaysia's Kedah State, near the World Heritage Site of Penang. Since starting operations in 1981, the company has been working to build a strong relationship with local communities, paying heed to local cultures and customs. The Malaysia Factory is celebrating its 35th anniversary in 2016, and has held dialogues with local administrations, local governments and schools about making local contributions.

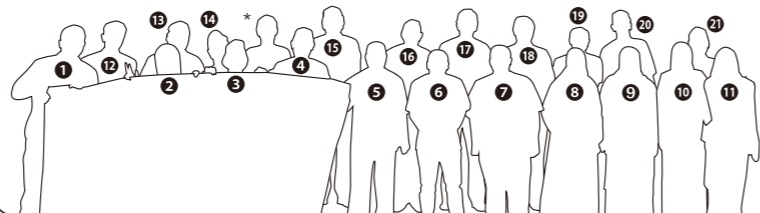
### Overview of the Malaysia Factory

Location Sungai Petani City, Kedah, Malaysia  
 Opened 1981  
 Employee numbers 602 (as of March 31 2016)  
 Main products Rubber gloves, tire puncture repair agents



### Dialogue Participants

- |   |  |  |
|---|--|--|
| <b>All stakeholders in the region</b>           |  | <b>Sumirubber Malaysia</b>                 |
| <b>Kedah Forestry Agency</b>                    | <b>Taman Sejahtera Kindergarten</b>        | ④ Yoshiaki Miyamoto, Company President     |
| ⑮ Rahman bin Jalil                              | ⑦ Shukri bin Shaari                        | ③ Sherine Lim, Sales Control               |
| ⑯ Tengku Yuzaimi Idham bin Tengku Zulkifli      | ⑧ Najwah binti Zainudin                    | ⑫ Kenta Ishii, Management Control          |
|   | ⑨ Sifah binti Zain                         | ⑭ Kensuke Kaitani, Production Control      |
| <b>Sungai Petani City Irrigation Department</b> | <b>Taman Sejahtera Regional Government</b> | ① Ruzaimi bin Ramli, QC Department         |
| ⑥ Shahriful Azhar bin Mohd Hassan               | ⑰ Umar bin Mohd Murad                      | ⑱ Mohd Yazid bin Mohd Sarif, HR Department |
| ⑪ Mohd Amin bin Ahmad                           | ⑤ Yuzir bin Zainal Abidin                  | ② Yasrah binti Rahman, HR Department       |
|   | ⑳ Sheikh Alaudin Sheikh Nordin             |  |
| <b>Bakar Arang High School</b>                  | <b>Special Children School</b>             | <b>Sumitomo Rubber Industries, Ltd.</b>    |
| ⑩ Rashidah binti Ismail                         | ⑯ Mejar Chandra Sekharan                   | ⑮ Toshiaki Hojo, CSR Promotion Office      |
| ⑪ Roshidar binti Abdullah                       |  | *Interpreter Shori Chika                   |



## Local Water Resources Conservation

### River Cleanups over the Past Four Years

At Sumirubber Malaysia (below: Malaysia Factory), since 2013 we have been carrying out river cleanup activities by throwing into the rivers mud balls that contain bacteria useful in improving water quality. We asked everyone's opinions and hopes regarding these activities.

#### Sungai Petani City Irrigation Department

##### Thoughts from Mohd Amin bin Ahmad

These river cleanup activities have proven very popular. Some schools and other organizations carry out similar activities, but so far, yours is the only company that has participated. I hope that if we can continue with these activities, we'll be allocated a section of the river, and I'd like to be put in charge of this.

#### Taman Sejahtera Kindergarten

##### Thoughts from Najwah binti Zainudin

We are here as representatives of schools and kindergartens for Rohingya refugees from Myanmar. If your company is going to take part in any other activities such as this mud ball event, our schools and kindergartens would definitely like to take part.

#### Special Needs School

##### Thoughts from Mejar Chandra Sekharan

While these are commendable activities, it is important to understand that local residents could maybe think "strangers have arrived and are throwing trash into the river." You first need to make sure lots of people are made aware of your activities, so I think that you should ensure that this information is out there.

Cleaning up the rivers is important, but ensuring that the general public knows what you're doing should be paramount.

#### Bakar Arang High School

##### Thoughts from Roshidar binti Abdullah

So the mud balls contain enzymes, right? These are allowed to mature for around two weeks, and when they are thrown into the river, they sink to the bottom, where these enzymes are dissolved into the water, correct?

Before the mud balls were thrown in, the river water quality was five, but now it is two or three—I think having more people take part in these activities would be a good thing. People would learn a lot from this.





# Malaysia Factory

## Preservation of the Local Environment

### Promote Forest Conservation at Factories and Environs

At the Malaysia Factory, in addition to greening activities within the premises, we are also expanding our planting activities to the surrounding area in order to help protect the local environment. We asked for opinions and hopes regarding these initiatives.

#### Kedah Forestry Agency

##### Thoughts from Rahman bin Jalil

Japanese companies that are planting trees around the forest agency areas in Kedah State are Sumitomo Rubber and one other. That company has undertaken to maintain management of the forest.

I also recognize that your company's efforts are very significant.

Planting trees and greening in general are important initiatives, but upkeep of trees that have already been planted is major work. We tend the trees until they become a certain size. My hope is that you will take the next step in continuing the activities that you have carried out so far.

In 2016, we will hold the "International Day of Mangrove" event for the cultivation and protection of mangrove forests, and we would like you to participate in this if at all possible.

#### Taman Sejahtera Regional Government

##### Thoughts from Umar bin Mohd Murad

My community is adjacent to the Sumitomo Rubber premises, but further downhill. This difference in height makes me concerned about landslides in heavy rain.

I've heard you have in place good drainage systems, but I'd feel reassured by flood control measures that can handle heavy monsoon rains.



Dialogue



Factory tour



Greening activities on-site



River cleanup using mud balls



Tree-planting activities in the surrounding area



Cleanup activities in the surrounding area



Donations to flood relief

## Contributing to Solving Local Social Problems

### Support Activities for Local Schools

The Malaysia Factory is providing assistance to help resolve local societal problems, including assistance for reconstruction after flooding from heavy monsoon rains, and making donations to local schools for children with disabilities. We asked for opinions and hopes regarding these social contribution activities.

#### Special Needs School

##### Thoughts from Mejar Chandra Sekharan

We hope for ongoing support, looking into the future, because at our school, for the most part parents are unable to pay for tuition.

We need to teach children who are slow learners, who have attention deficit problems, and those with various other issues how to cook, clean, do gardening, and other life skills.

We also receive assistance from your company which is of great help, and we look forward to your ongoing initiatives and support.

In this region, there are a great number of organizations providing humanitarian assistance. Every day we are inundated with letters from people wanting assistance—including help after natural disasters, to provide clothing to children of single mothers, and for medical support.

We hope that you can consider providing us with whatever support you can.



Lively dialogue, exchanging opinions

#### Taman Sejahtera Kindergarten

##### Thoughts from Najwah binti Zainudin

Making a large contribution at one time may well be difficult, however even small contributions, such as providing a little financial support for various activities or sports events would be of help.

This does not need to be limited to just junior high schools or high schools for children with disabilities, as an example. Even tiny contributions can make a big difference.

#### Special Needs School

##### Thoughts from Mejar Chandra Sekharan

What about erecting road signs? We are also involved in managing traffic accidents, which every day kill 18 people nationwide.

Since your company was established here, the roads have been maintained in good condition, but I would suggest that you erect some road signs to raise awareness of road safety.

We would hope for further initiatives and assistance in raising safety awareness.



Donation to special needs school



Visiting orphanage, providing meals

### Conclusion of Dialogue

#### From Sumirubber Malaysia President Miyamoto

Today's dialogue drove home to me the importance of two-way communication in achieving mutual understanding. We are carrying out various CSR activities, in accordance with the Sumitomo Rubber Group's "GENKI" guidelines, and we have found this a good opportunity to review our activities. In line with the opinions and hopes expressed here, our desire is that we can further develop our CSR activities through communication

with all our stakeholders.

One of our objectives is to be an outstanding company, held in esteem by all of our stakeholders, and we would like to grow together. Looking forward, it is my wish that through cooperation with everyone, we can together create a sustainable society, and in the future celebrate the 40th, 50th and the 100th anniversary of Sumirubber Malaysia!





# Site Report

This section introduces some of the CSR activities at the Sumitomo Rubber Group's six factories in Japan, 14 factories overseas and four affiliated companies in Japan. For initiative overviews and activity examples, please visit our corporate website (scheduled to be posted at the end of July 2016). <http://www.srigrp.co.jp/english/csr/>

(Number of employees as of December 31, 2015)

Factories in Japan Affiliates in Japan Factories Overseas

## Shirakawa Factory

Shirakawa City, Fukushima Prefecture

Number of Employees	1,700
Opened	1974
Main Products	Automobile tires



Kobushi magnolia cultivated at the Shirakawa factory was planted in the playground of a newly constructed kindergarten in Shirakawa City.

## Miyazaki Factory

Miyakonojo City, Miyazaki Prefecture

Number of Employees	1,437
Opened	1976
Main Products	Automobile tires



Held an acorn seeding party in conjunction with neighborhood nursery school children.

## Dunlop Retread Service Co., Ltd.

Ono City, Hyogo Prefecture

Number of Employees	58
Opened	1972
Business Outline	Manufacture/sale of retread tires



Cut grass after planting acorns at the Oda Meridian Forest in Ono City.

## Dunlop Golf Club Corp.

Miyakonojo City, Miyazaki Prefecture

Number of Employees	270
Opened	1989
Main Products	Golf clubs



Each month, we conduct cleanup activities at nearby roads.

## Nagoya Factory

Toyota City, Aichi Prefecture

Number of Employees	1,331
Opened	1961
Main Products	Automobile tires, motorcycle tires



Part of the farm located onsite at the Nagoya Factory was opened up as place for excursions by neighborhood children and kindergartners.

## Ichijima Factory

Tamba City, Hyogo Prefecture

Number of Employees	202
Opened	1996
Main Products	Golf balls



Free saplings are distributed twice each year at neighborhood roadside stations.

## SRI Engineering Ltd.

Kakogawa City, Hyogo Prefecture

Number of Employees	176
Opened	2003
Business Outline	Design/manufacture of metallic molds for tire production



Every year in the summer, employees pick up litter in the vicinity of the site.

## Indonesia Factory

Karawang Regency, Indonesia

Number of Employees	3,726
Opened	1997
Main Products	Automobile tires, golf balls



To prevent the outbreak of dengue fever, employees conducted a mosquito extermination.

## Izumiotstu Factory

Izumiotstu City, Osaka Prefecture

Number of Employees	396
Opened	1944
Main Products	Automobile tires, agricultural equipment and industrial vehicle tires, precision rubber parts for medical equipment



Cleaned the roadside along with local residents before the Senshu International City Marathon.

## Kakogawa Factory

Kakogawa City, Hyogo Prefecture

Number of Employees	497
Opened	1972
Main Products	Marine fenders, precision rubber parts for office machines, gas tubing, vibration control rubber dampers, Precision rubber parts for medical equipment



We planted 100 sawtooth oak saplings in the No.2 GENKI Forest.

## Nakata Engineering Co., Ltd.

Kobe City, Hyogo Prefecture

Number of Employees	131
Opened	1914
Business Outline	Design/manufacture/sale of machines and equipment for the manufacture of rubber products



Participated as volunteers in the construction of a cancer eradication venue for cancer patients.

## Changshu Factory (China)

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

Jiangsu, China

Number of Employees	2,300
Opened	2004
Main Products	Automobile tires



Acorn seedlings cultivated from seeds inside the Changshu factory were presented to local residents at the Changshu Civic Square.

## Hunan Factory (China)

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

Hunan, China

Number of Employees	850
Opened	2012
Main Products	Automobile tires



Conduct regular volunteer activities at local folk's homes each year.

## South Africa Factory

(Sumitomo Rubber South Africa (Pty) Limited)

KwaZulu-Natal Province, South Africa

Number of Employees	1,182
Opened	1973
Main Products	Automobile tires



Provided materials and supported training for industrial art production for people unable to find employment.

## Thailand Factory (Natural Rubber Processing)

(Sumirubber Thai Eastern Corporation Co., Ltd.)

Udonthani, Thailand

Number of Employees	291
Opened	2010
Main Products	Natural rubber products



Visited a nearby elementary school to join the students in conducting 4S activities

## Zhongshan Factory (China)

(Zhongshan Sumirubber Precision Rubber Ltd.)

Guangdong, China

Number of Employees	443
Opened	2001
Main Products	Precision rubber parts for office machines



Planted trees at the base of Zongshang Wugui Mountain. 1,270 saplings were planted.

## Thailand Factory

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

Rayong, Thailand

Number of Employees	6,501
Opened	2006
Main Products	Automobile tires, agricultural equipment and industrial vehicle tires



Engaged in mangrove sapling planting activities.

## Turkey Factory

(Sumitomo Rubber AKO Lastik Sanayi ve Ticaret A.S.)

Cankiri Province, Turkey

Number of Employees	818
Opened	2015
Main Products	Automobile tires



Screened motion picture "Kainan 1890" produced through a Japan-Turkey collaboration depicting the friendship between the two countries.

## Thailand Factory (Tennis Balls)

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

Prachinburi Province, Thailand

Number of Employees	362
Opened	2007
Main Products	Tennis balls



Planted 1,550 trees in neighboring Baan Ganyai village

## Vietnam Factory

(Sumirubber Vietnam, Ltd.)

Hai Phong City, Vietnam

Number of Employees	1,160
Opened	2007
Main Products	Precision rubber parts for office machines



Conducted events inviting employee families.

## Brazil Factory

(Sumitomo Rubber do Brasil Ltda.)

Paraná, Brazil

Number of Employees	1,271
Opened	2013
Main Products	Automobile tires



Conducted planting activities and cleanup activities along nearby river shores in collaboration with Paraná city.

## USA Factory

(Sumitomo Rubber USA, LLC)

New York, United States

Number of Employees	1,198
Opened	1923
Main Products	Automobile tires, motorcycle tires



Sold hot dogs at a charity event to help children with incurable diseases. All sales proceeds were donated.

## Malaysia Factory

(Sumirubber Malaysia Sdn. Bhd.)

Kedah, Malaysia

Number of Employees	609
Opened	1981
Main Products	Rubber gloves



Tree planting activities conducted together with students from a nearby high school.

## Switzerland Factory

(Lonstroff AG)

Switzerland, Canton of Aargau

Number of Employees	163
Opened	1908
Main Products	Medical rubber parts, industrial rubber parts



Volunteering for many years as a leader of a junior football team.



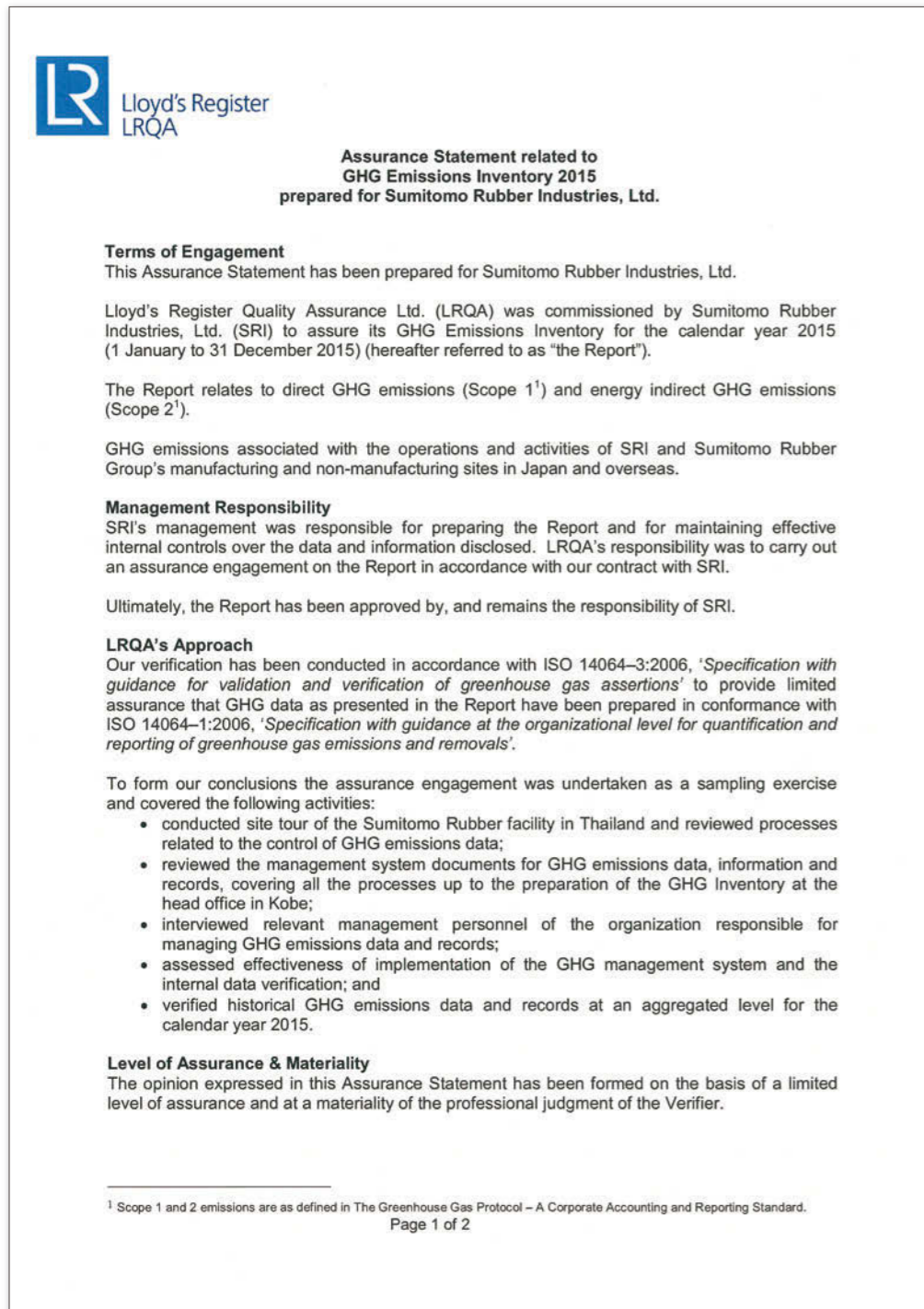
# Independent Verification Report

To enhance the reliability of this report and the environmental data disclosed on our website, we underwent verification by a third party.

Data marked with a  (pages 23, 27, 29) has been verified.

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

1. Total global CO<sub>2</sub> emissions and emissions per unit  
Criteria: ISO 14064-1
2. Amount of water used, wastewater, and waste discharged (excluding valuable substances for recycling)  
Criteria: LRQA's Report Verification (pursuant to ISAE3000, AA1000AS, and GRI)



**Assurance Statement related to GHG Emissions Inventory 2015 prepared for Sumitomo Rubber Industries, Ltd.**

**Terms of Engagement**  
This Assurance Statement has been prepared for Sumitomo Rubber Industries, Ltd.

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by Sumitomo Rubber Industries, Ltd. (SRI) to assure its GHG Emissions Inventory for the calendar year 2015 (1 January to 31 December 2015) (hereafter referred to as "the Report").

The Report relates to direct GHG emissions (Scope 1<sup>1</sup>) and energy indirect GHG emissions (Scope 2<sup>1</sup>).

GHG emissions associated with the operations and activities of SRI and Sumitomo Rubber Group's manufacturing and non-manufacturing sites in Japan and overseas.

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

Ultimately, the Report has been approved by, and remains the responsibility of SRI.

**LRQA's Approach**  
Our verification has been conducted in accordance with ISO 14064-3:2006, 'Specification with guidance for validation and verification of greenhouse gas assertions' to provide limited assurance that GHG data as presented in the Report have been prepared in conformance with ISO 14064-1:2006, 'Specification with guidance at the organizational level for quantification and reporting of greenhouse gas emissions and removals'.

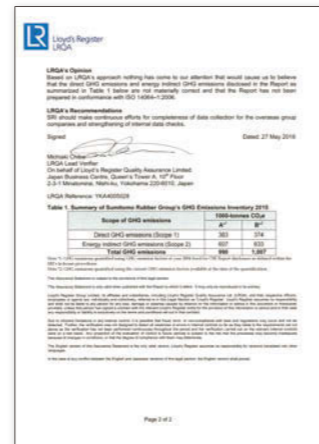
To form our conclusions the assurance engagement was undertaken as a sampling exercise and covered the following activities:

- conducted site tour of the Sumitomo Rubber facility in Thailand and reviewed processes related to the control of GHG emissions data;
- reviewed the management system documents for GHG emissions data, information and records, covering all the processes up to the preparation of the GHG Inventory at the head office in Kobe;
- interviewed relevant management personnel of the organization responsible for managing GHG emissions data and records;
- assessed effectiveness of implementation of the GHG management system and the internal data verification; and
- verified historical GHG emissions data and records at an aggregated level for the calendar year 2015.

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

<sup>1</sup> Scope 1 and 2 emissions are as defined in The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard.

Page 1 of 2



**LRQA Assurance Statement**  
Related to Sumitomo Rubber Group's GHG Emissions Inventory 2015

**LRQA's Approach**  
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Page 2 of 2



**LRQA Assurance Statement**  
Related to Sumitomo Rubber Group's GHG Emissions Inventory 2015

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# Third-Party 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. Appointed head of Graduate School of Business Administration at Kobe University.

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.).

## Creating KPIs for CSR

The Sumitomo Rubber Group's CSR activities are improving steadily each year. The report for this fiscal year has expanded the CSR indicators shown in its highlights of financial results, and also shows key performance indicators (KPIs) for these as well as for financial indicators. This effort to make CSR activities central to the Company is in line with global CSR trends. I applaud the Company for the appropriateness of the indicators it has selected and its achievement levels. I believe there is still some room for deliberation, and such discussion should lead to future developments. Going forward, I would like to see the Group engage in an active exchange of opinions with external stakeholders about these KPIs.

## Reviewing Materiality Identification

The Sumitomo Rubber Group has reviewed the materiality analysis conducted in 2011, expanding the number of indicators from 13 to 19. As materiality takes into account such factors as the corporate operating environment and stakeholder trends, regular reviews are needed. I give Sumitomo Rubber Group high marks for its stance toward CSR. At the same time, I believe that additional explanation of the feedback process on how past activities were summarized and how the new revisions were made would enhance communication.

## Stakeholder Dialogue at the Malaysia Factory

Each year, this report contains a stakeholder dialogue section. I thought this year's highlighting of the Malaysia Factory was an extremely important trial. Creating shared value (CSV) is an important CSR concept. Creating value effectively along with the local community does more than contributing to that community; it also emphasizes a company's ability to create value.

Changing a manufacturing plant to match economic conditions alone may generate temporary profits, but this approach does not create sustainable value. In this sense, holding a stakeholder dialogue in another Asian country is extremely meaningful for the Group's CSR activities.

## Action Plans and Benchmarks

Business activities can be divided up into those that involve the formulation of action plans and achievement of targets and those that require the setting of benchmarks to standard levels. Japanese companies generally prefer to take the action plan approach, but once activities reach a certain level, in many cases a transition to benchmark management better allows a company to focus on enhancing quality. Benchmark management tends to be more common in Europe and the United States. Taking another look at CSR activities from this perspective might prove a useful reference for future developments.

## Response to Third-Party Comments

I would like to once again thank Professor Kokubo for his gracious evaluation. The opinions he has provided us over the years have led us to establish KPIs for CSR and identify materiality (priority issues). We have endeavored to gain an understanding of stakeholder needs and provide easy-to-understand feedback using these quantitative indicators. In this year's report, we have made an effort to include frank comments from a variety of stakeholders. Considering the importance of being balanced rather than being one-sided, we have taken up the challenge of conducting our dialogue overseas. Going forward, we will engage in benchmark management to raise this awareness further as we endeavor to enhance the effectiveness and transparency of our activities.



**Toshihiko Komatsu**  
Executive Officer in charge of CSR and Human Resources



# Honors and Certifications from Outside Organizations

<p><b>Green</b></p> <p><i>Green initiative</i></p>	<ul style="list-style-type: none"> <li>Received the city of Kobe's Flower Clock Award for the Kobe Head Office's provision of acorn seedlings</li> </ul>
<p><b>Ecology</b></p> <p><i>Ecological process</i></p>	<ul style="list-style-type: none"> <li>Sumitomo Rubber (Changshu) Co., Ltd. and Sumitomo Rubber do Brasil Ltda. received ISO 50001 energy management system certification</li> <li>P.T. Sumi Rubber Indonesia received the Environmental Preservation Promotion Award from the Karawang Regency of Indonesia</li> </ul>
<p><b>Next</b></p> <p><i>Next-generation product development</i></p>	<ul style="list-style-type: none"> <li>Dunlop ENASAVE 100 won the Excellence Prize at the Sixth Monodzukuri Nippon Grand Awards</li> <li>Dunlop ENASAVE 100 earned the Hyogo Prefecture Science Award</li> <li>Dunlop ENASAVE 100 named Environmental Achievement of the Year at the Tire Technology Expo 2014</li> <li>Dunlop ENASAVE 100 received the Excellence Award in the 10th Eco-Products Awards</li> <li>Falken SINCERA SN832i won the Good Design Award</li> <li>Dunlop ENASAVE RV504 fuel-efficient tire received the Good Design Award</li> <li>Pretty-ne gloves, made from natural rubber, earned the Good Design Award</li> </ul>
<p><b>Kindness</b></p> <p><i>Kindness to employees</i></p>	<ul style="list-style-type: none"> <li>Again in 2015 received the Kurumin next-generation certification mark</li> <li>Sumitomo Rubber (Thailand) Co., Ltd., received the Company Prize for Excellent Welfare and Labour Relations at the Fiscal 2015 Excellent Company Awards, sponsored by the Thai Ministry of Labour</li> </ul>
<p><b>Integrity</b></p> <p><i>Integrity for stakeholders</i></p>	<ul style="list-style-type: none"> <li>Corporate advertisement earned First Prize in both the Automotive/Transportation and Environment divisions in the 64th Nikkei Advertising Awards</li> <li>Shirakawa Factory received a Special Prize in the first Fukushima Economy, Industry and Monodzukuri Awards</li> <li>Received four golds in the Davey Awards, an international advertising contest</li> <li>MIRAIE vibration control unit for housing received the 9th Kids Design Award</li> </ul>

# Editorial Policy

The Sumitomo Rubber Group has been conducting CSR activities in five key areas represented by the GENKI acronym (see pages 19–20) of its CSR Guidelines as stipulated in our Fundamental Policy on CSR Activities. This report summarizes the results of the CSR activities carried out by the Group in fiscal 2014.

Our CSR activities are related to "Go for NEXT," the slogan of VISION 2020, and the three facets of our engine for growth: the challenges of new markets, an insatiable drive for innovation and entering new business fields. Highlighting these activities are two feature articles, entitled "Business Expansion in Europe and North America" and "Evolve Development Technology."

Basic corporate CSR information and detailed data not covered in this report are available on the CSR Activities section of the Company's website (scheduled to go online at end of July 2016).

## 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.

## Referenced Guidelines

- Sustainability Reporting Guidelines Version 3.1 and Version 4, published by the Global Reporting Initiative (GRI)
- Environmental Reporting Guidelines (Fiscal 2007 edition), published by the Ministry of the Environment

## Period of the Report

Fiscal 2015 (January 1, 2015 to December 31, 2015), with some information from outside of this period

## Publishing Date

July 2016 (planned publishing date for the next edition: June 2017)

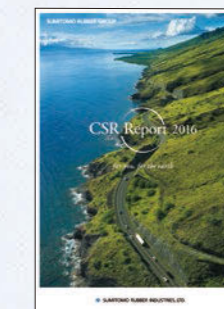
## Third Person's Comments

Comments from an expert are included in order to adopt an objective perspective on the report. (See Page 48.)

## Disclaimer

Besides facts on the past and present of the Sumitomo Rubber Group, this report contains projections based on forecasts and future management plans. These projections are based on assumptions and judgments from information available at the time this report was made. Actual future results may differ from these projections.

## Type of Reporting Media



Reporting centered around our GENKI CSR Guidelines



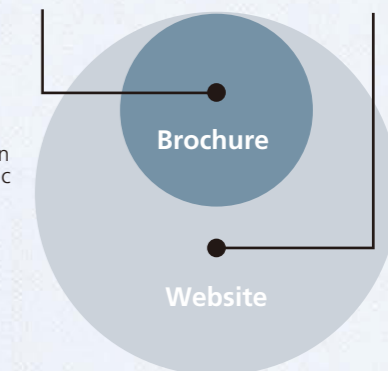
Reporting centered around our stakeholders and environment <http://www.srigroup.co.jp/csr/>

## Feature reports

Reports of activities undertaken in a specific year

## Detailed report

Updated frequently (Japan Only)



## Accessibility of Report

- We have further enhanced our main financial indicators and CSR-related indicators since last year's report. We report on some of our value creation through business activities. **Page 5-6**
- We once again explain GENKI, a keyword for CSR activities unique to the Sumitomo Rubber Group. We provide content aimed at deepening the reader's understanding of CSR at the Group. **Page 19-20**
- We introduce the materiality identification process and our prioritization of important issues. We report on stakeholder characteristics and methods of dialogue. **Page 21-22**
- We continue the process of reporting on stakeholder dialogues at factories in various regions, which we commenced in 2014. To promote the global rollout of our CSR activities, this report reports some overseas dialogue (Malaysia). **Page 41-44**