

SUMITOMO RUBBER GROUP

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◆ SUMITOMO RUBBER INDUSTRIES, LTD.

SUMITOMO RUBBER GROUP CSR Report 2017



◆ 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

Tire Business



Sports Business



Industrial and other products Business



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Accelerated Global Expansion

Europe, Middle East and Africa

11 consolidated subsidiaries

Asia, Pacific

27 consolidated subsidiaries **4** affiliates

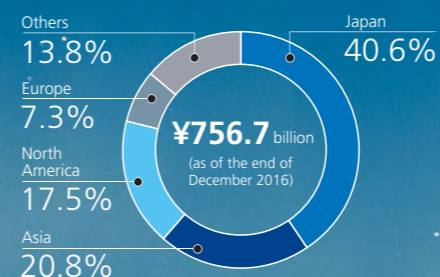
Japan

27 consolidated subsidiaries **7** affiliates

North America, Latin America

8 consolidated subsidiaries **1** affiliate

Breakdown of Sales Revenue by Region



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

25 consolidated subsidiaries, 1 affiliate

Tire test courses

Okayama, Nayoro, Asahikawa, United States

R&D facility

Tire Technical Center
USA Technical Center



Sports Business

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

Production factories

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

Production companies

4 consolidated subsidiaries, 1 affiliate

Sales companies R&D facility

11 consolidated subsidiaries
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 rubber parts for medical applications, precision rubber parts for office equipment, vibration control dampers, floor coating, marine fenders, rubber water seals, artificial turf for sporting facilities, rubber gloves, rubber gas tubes and portable wheelchair ramps.

Manufacturing factories

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

Production companies

4 consolidated subsidiaries, 1 affiliate

Sales companies

4 consolidated subsidiaries



Group Overview (as of the end of December 2016)

- Company name / Sumitomo Rubber Industries, Ltd.
- Head Office / 3-6-9 Wakinohama-cho, Chuo-ku, Kobe, Hyogo 651-0072, Japan
- Establishment / 1909
- Paid-in capital / ¥42.7 billion
- Consolidated sales revenue / ¥756.7 billion (IFRS)
- Number of employees (consolidated) / 33,792
- Consolidated subsidiaries / 73 (of which 27 are in Japan)
- Affiliates / 12 (of which 7 are in Japan)

Breakdown of Sales Revenue by Business Segment

Industrial and other products business

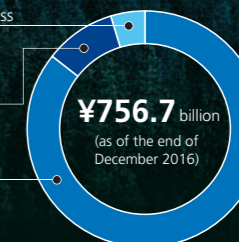
4.7%

Sports business

9.6%

Tire business

85.7%



Performance Highlights

Main Financial Indicators

Regarding consolidated performance, from the current consolidated fiscal year, the Company has switched from conventional Japanese standards to the application of international financial reporting standards (IFRS). To this end, consolidated figures from prior fiscal years and comparisons thereto are also presented on an IFRS basis.

Sales revenue

¥ **756.7** billion
5.2 % decrease

Business profit

¥ **74.9** billion
5.0 % decrease

Profit attributable to owners of parent

¥ **41.4** billion
42.5 % decrease

Total assets

¥ **897.6** billion

ROE

9.7 %

D/E ratio

0.5 times

Ratio of equity attributable to owners of parent

47.8 %

ROA

8.2 %

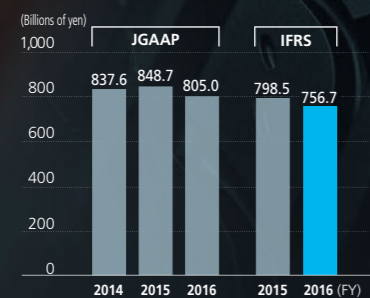
Number of employees (consolidated)

33,792
607 increase

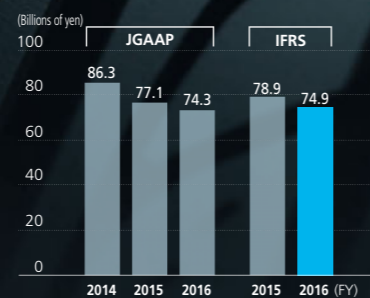
Overseas sales ratio

59.4 %

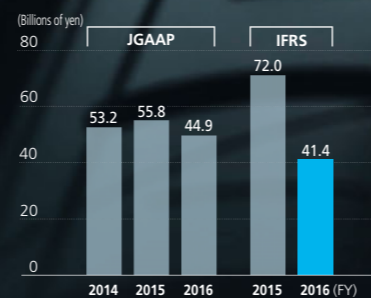
Net sales/Sales revenue



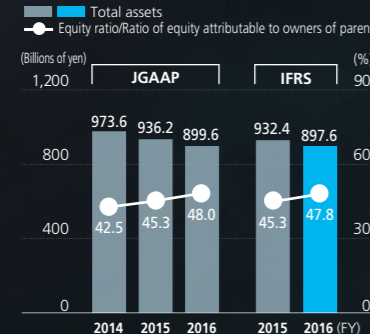
Operating income/Business profit



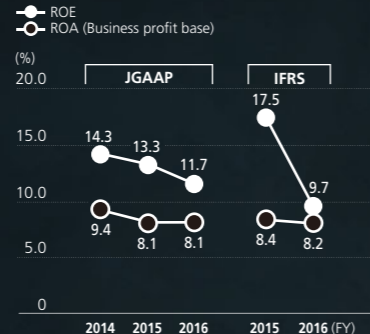
Net income attributable to owners of parent/Profit attributable to owners of parent



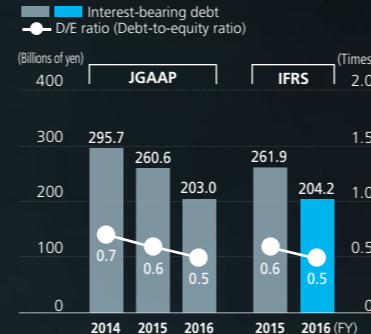
Total assets/
Equity ratio/Ratio of equity attributable to owners of parent



ROE/ROA



Interest-bearing debt/
D/E ratio



CSR-Related Indicators

Green Green Initiative

Cumulative number of trees planted

1.66 million



Ecology Ecology Ecological Process

CO2 emissions (six factories in Japan)

5,000 t-CO2 reduction



Ecology Ecology Ecological Process

Employees at ISO 14001 certified sites as percentage of all employees

89.4 %



Next Next Generation Products Development

New tire technologies for safer, more environmentally friendly tires

Development of super grip nano-fit rubber



Kindness Kindness to Employees

Global human resources development

Overseas trainee training trial



Integrity Integrity for Stakeholders

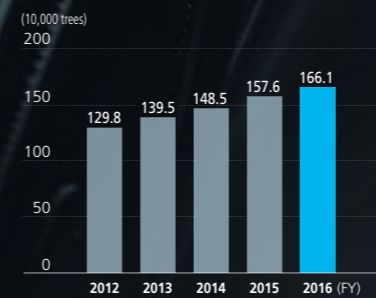
CSR funds (cumulative total)

¥ **41.29** million



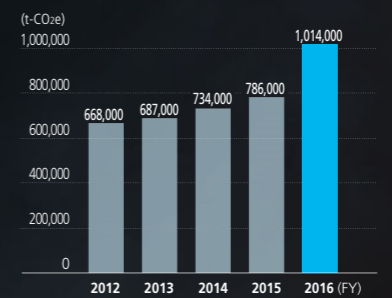
Green Green Initiative

Number of trees planted in the million trees for local forests project



Ecology Ecology Ecological Process

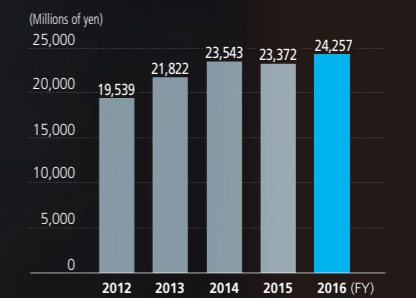
Global environmental data (CO2 emissions)



Note: Figures for fiscal 2016 increased substantially due to the addition of the aggregate of six overseas bases (Brazil, South Africa, United States, Turkey, Switzerland and Germany).

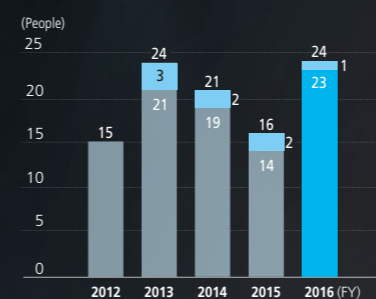
Next Next-Generation Products Development

Next-generation products development



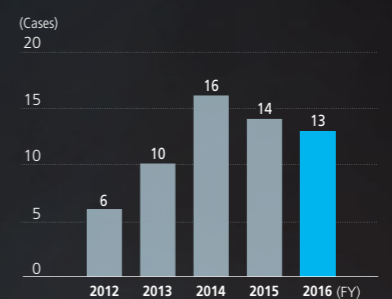
Kindness Kindness to Employees

Number of employees using childcare leave system

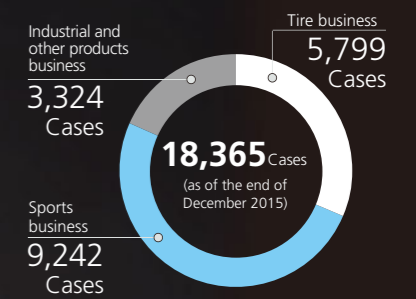


Integrity Integrity for Stakeholders

Number of alerts or counseling cases to compliance counseling room



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.

Group Philosophy

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

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

Values

Action Principles

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

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 (Japanese GAAP)

Net Sales **¥1,200** billion
 Operating Income **¥150** billion
 Operating profit ratio **12%** at least
 ROE **15%** at least
 ROA **14%** at least
 Debt/equity ratio **0.5** or less

The SRI Way

"Integrity and Soundness"
 "Communication"
 "Set the Bar Higher"
 "Cultivate People"

The Sumitomo Business Spirit

Integrity and Soundness
 Respect for People
 Value Technology
 Mutual Prosperity

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

Green *Green initiative* **Ecology** *Ecological process* **Next** *Next-generation product development*
Kindness *Kindness to employees* **Integrity** *Integrity for stakeholders*

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 Value for Both the Company and for Society



The pursuit of social value, like the pursuit of economic value, is absolutely essential for a company to achieve sustained growth. As a core element of Sumitomo's philosophy, this is an idea that has been passed down from one generation to the next throughout Sumitomo's 400-year 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.

Strengthening Our Global Management System 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 in the hope that it will unite all of our employees around a shared, strong desire to contribute to society for future generations by actively taking on New Challenges. In addition to this slogan, we have also defined three key Growth Engines to serve as the 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 April of 2016, the Sumitomo Rubber Group overhauled our global management structure, transitioning away from our previous system, which had revolved entirely around our headquarters in Japan, to a new "Trilateral System" based around three regional headquarters: our Asia/Pacific HQ, our Europe/Africa HQ and our Americas HQ. Moving forward, our Global Head Office in Japan will provide backing and support to our new regional headquarters as they operate with a greater degree of autonomy. We believe that this shift will enable us to strengthen our global management system by greatly enhancing the speed of our decision-making process, thus preparing the way for our group to take our next big step forward.

As part of our efforts to take on the "Challenges of New Markets," we are pushing forward with rapid business expansion in developing countries and other growth markets while also striving to promote harmonious coexistence with local communities through expanded local recruiting and job creation, reducing the environmental impact of our operations and so forth.

Embracing Our "Insatiable Drive for Innovation" to Provide New Value in Terms of Safety, Comfort and the Environment

In keeping with our "Insatiable Drive for Innovation," we have been actively engaged in research and development activities that aim to answer the question of "What can tires contribute to the global environment?" with a focus on three key areas of environmentally friendly product development—Fuel Efficiency, Raw Materials and Resource Savings. We will continue to provide products that respond to these diverse and complex needs with such advanced technologies as our "ADVANCED 4D NANO DESIGN," which combines some of the world's most cutting-edge research facilities and applies them to the task of developing innovative new materials, and our "High-Performance Biomass Materials Development," through which we are promoting the use of environmentally friendly, all-nature resources.

At the same time, we are also devoting considerable effort to researching and improving natural rubber itself. Thanks to these efforts, we have succeeded in shedding light on natural rubber's biosynthetic mechanism, a breakthrough discovery that may very well lead to the development of new technologies that will help ensure a more stable supply of natural rubber.

In this way, the Sumitomo Rubber Group will continue working to provide new value in terms of Safety, Comfort and Environmental performance through our ongoing efforts to develop unique and innovative rubber technologies.

When it comes to "Entering New Business Fields," we are focusing our efforts on expanding our Healthcare Business. In particular, having acquired 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.

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 develop-

ment 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 in which all employees feel a strong sense of purpose while creating workplaces with a free and open atmosphere, where employees can encourage one another to do their best and set the bar higher together.

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 preservation, 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 real 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 make extensive contributions 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.

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

Go for NEXT

Feature

Creating Value Corresponding to Area Characteristics with a Three-Region Global Management Structure

Global demand for tires is increasing at an average annual rate of 4%. This growth rate is driven by tire markets in emerging nations including China. To provide customized responses to needs that differ by area, it has become necessary to break away from our conventional centrally controlled system headquartered in Japan. The Sumitomo Rubber Group assigned executives to each of three global bases located in Asia and Oceania, Europe and Africa, and the Americas, creating a management structure for the promotion of policies aimed at integrating manufacture and sales in each area. We will attempt to accelerate decision-making and establish close collaborations between the Japan headquarters and each base to promptly reflect local needs corresponding to the characteristics of each area into our production and marketing while striving to create a variety of value.



in Europe/Africa

Preparing for higher demand in Africa while responding to advanced requirements in Europe

11 consolidated subsidiaries



in Asia/Pacific

Enhancing product quality and expanding sales network

27 consolidated subsidiaries
4 affiliate

in Americas

Enhancing production capacity in response to growing demand

8 consolidated subsidiaries
1 affiliate



Establishing an R&D Base in the United States and Expanding Light Truck Tire Production Capacity

The United States Technical Center, an R&D base located inside the USA Factory, commenced full-scale operations in January 2017. Our U.S. Tire Test Course added the evaluation of four-wheeled vehicle tires to its existing expertise in two-wheeled vehicle tires in March 2017. In the future, we will attempt to expand this structure to one able to design, evaluate and provide feedback locally on new products promptly incorporating U.S. customer needs.

At the USA Factory, we are promoting the creation of a system able to quickly deliver high-quality tires that meet customer needs in the Americas focused on SUV tires, which are increasingly in demand. We plan to expand passenger car and light truck tire production capacity from the current 5,000 tires per day (as of the end of 2016), to 10,000 tires per day by the end of 2019. Going forward, we will strengthen local production capacity to further shrink lead times and enhance our high added value tire supply capabilities.



Aiming for a Stable Supply Chain through Local Production of Truck and Bus Tires in Brazil

The market for truck and bus tires in Brazil is forecast to grow at an annual rate of around 2% going forward. We are promoting enhancements to our local production and marketing structures to ensure a stable supply chain able to respond to this increased demand.

We will establish a production facility for truck and bus tires at our Brazil Factory, which up to now has produced passenger car and light truck tires. Production will commence in March 2019 and is projected to produce 500 tires per day. We plan to expand our production of passenger car and light truck tires from the current 15,000 per day, to 18,000 per day (as of the end of 2019).



Increasing the Value of the FALKEN Brand

To increase value of the FALKEN brand, which has a strong reputation as a high performance tire, we maintained our sponsorship agreement with Major League Baseball in fiscal 2016 with the aim of further increasing brand recognition and penetration.





Germany ● Europe

Turkey

Africa

South Africa

New store opening

Tire production line (South Africa Factory)

South Africa Factory production target
14,500 tires per day
(as of the end of 2017)



Recep Tayyip Erdoğan, President of Turkey

Feature
Creating Value Corresponding to Area Characteristics with a Three-Region Global Management Structure

Turkey Factory production target
30,000 tires per day
(as of the end of 2019)

in Europe/Africa

Preparing for Higher Demand in Africa While Responding to Advanced Requirements in Europe

Enhancing the Development and Production Capacity for High-Performance Tires Enabling Sporty and Comfortable Driving

In Europe, we are promoting significant revisions to create a more functional development and sales network structure. We plan to commence full operation of our European Technical Center R&D base in August 2017 to ensure tires respond to high-level needs such as stable handling even on wet road surfaces and at high speeds. We will also expand production capacity at our Turkey Factory to 30,000 tires per day by the end of 2018. We will focus efforts on building a sales strategy structure for each country throughout Europe, including acquisitions of companies like Micheldever Group Ltd., a major British wholesale and retail company boasting a market scale second only to that of Germany in all of Europe.

Tire Performance Highly Rated by Popular German Automotive Magazine

The German automotive magazine AUTO BILD conducts proprietary tire comparison tests. Conducting overall evaluations of 52 different high performance tire brands based on metrics including handling on wet and dry road surfaces, braking, comfort and rolling resistance, the results have a major influence on average European user tire purchase intention. In 2016, our newly launched FALKEN AZENIS FK510 ranked second in this tire comparison test, scoring high overall in terms of handling, braking, and steering stability at high-speeds.



Promoting FALKEN Tire Performance

We are engaged in ongoing efforts to increase the value of the FALKEN brand. In addition to increasing exposure at the Nurburgring 24-Hour Race with the entry of two cars in fiscal 2017, we also maintained our sponsorship agreement with "FC Ingolstadt 04," a first-tier team in Germany's Bundesliga professional football league.

Building an Efficient Sales Network in Preparation for Increased Needs for High-Performance Tires Expected in Africa

In Africa, four-wheeled vehicle production grew 16.2% year on year, to 836,000 vehicles*1 in 2015, a rapid rate of growth. Focusing on the anticipated motorization of Africa in the near future, the Sumitomo Rubber Group is making an effort to expand sales networks and production capacity. At the South Africa Factory, which up to now produced passenger car and light truck tires, we are expanding production capacity mainly focused on high-performance tires. This includes the addition of a facility for the production of truck and bus tires that will commence operations in July 2018.

*1: According to the Japan Automobile Manufacturers Association



Sales in Australia

Expanding Stores that Handle FALKEN in Asia

We are opening FALKEN Pulse stores that handle the FALKEN Brand in Asia with the aim of further penetration of the sporty brand image and reasonable price.



China agent conference

Expanding Eco-Friendly Tire Lineup in Asia Where Environmental Regulations are Tightening

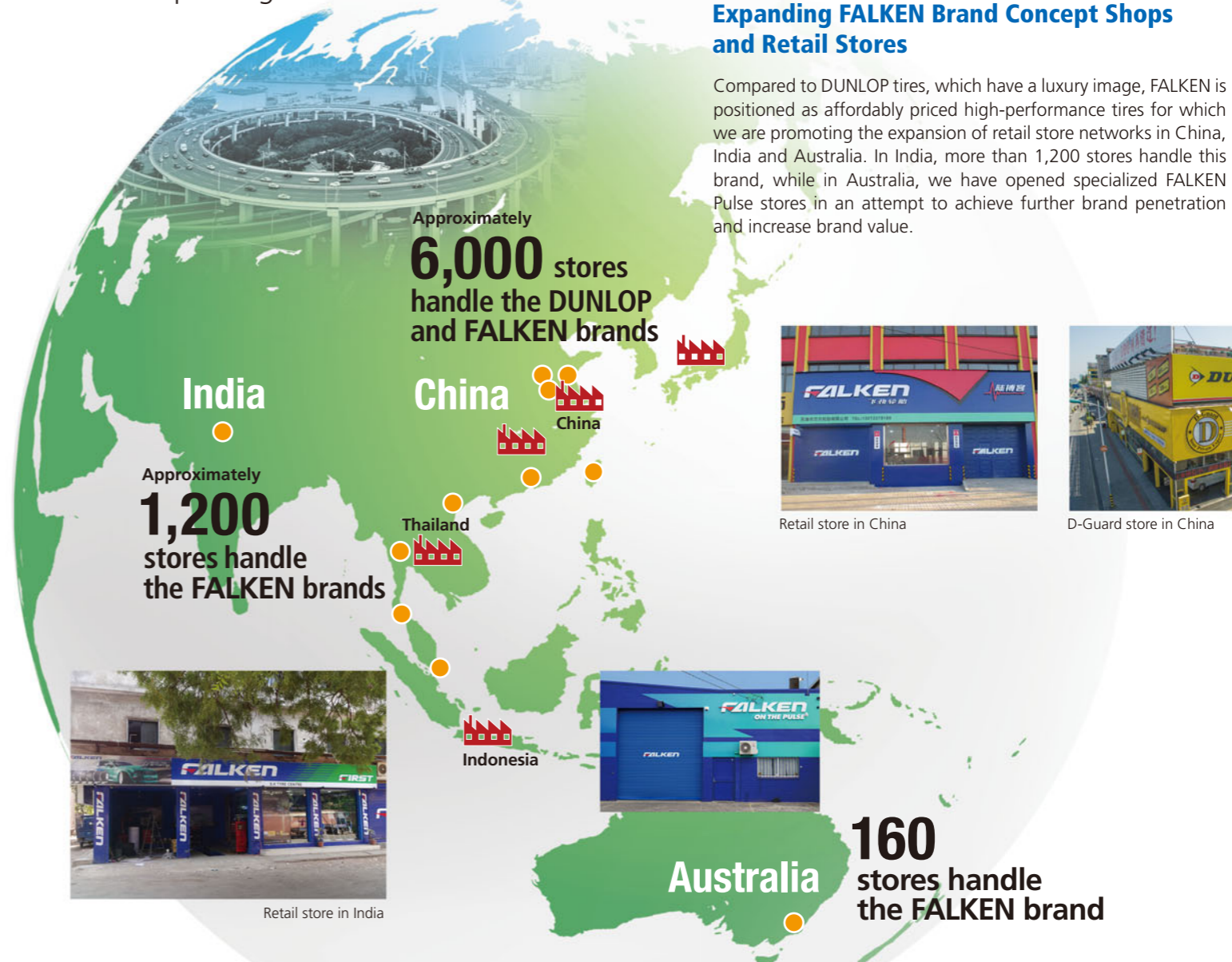
Amid heightening concerns over environmental issues throughout the world, there is an increasing demand for fuel-efficient tires. In addition to environmental performance labeling regulations introduced in Japan, the United State and Europe, eco-tire technology standards were formulated in China, and beginning in September 2016, a tire labeling system was launched as an industry voluntary standard. These standards are under consideration for compulsory implementation in the future. Environmental regulations are expected to tighten in Asian nations going forward. In response to demand and these laws and regulations, the Sumitomo Rubber Group will expand its lineup of eco-friendly tires and attempt to increase its presence in Asia.

Substantially Strengthening DUNLOP Brand Power and Supply Capabilities throughout China

We are focusing efforts on strengthening brand power and enhancing supply capabilities and sales networks in Asia. Specifically, we will launch new D-Guard retail stores with the aim of improving the DUNLOP brand image in China. D-Guard provides management expertise and staff training to ensure the same high level of management at all stores.

in Asia/Pacific

Enhancing High-Quality Products and Expanding Sales Network



Retail store in China



D-Guard store in China



Retail store in India



Australia **160** stores handle the FALKEN brand

Go for NEXT

Contributing to the Sustainable Development of Tires through Research into One of Their Main Raw Materials—Natural Rubber

The Sumitomo Rubber Group is actively engaged in research and development activities that aim to answer the question of “What can tires contribute to the global environment?” with a focus on three key concepts for environmentally friendly product development—Fuel Efficiency, Raw Materials and Resource Savings. As part of our basic research activities undertaken with an eye toward modifying existing materials and developing all new materials, we took on the immense challenge of elucidating the structures and biosynthetic mechanisms of natural rubber. Through these efforts, we have succeeded in shedding light on natural rubber’s structures and biosynthetic mechanisms in unprecedented detail, thus paving the way for further improvements in tire performance and opening up new avenues toward ensuring a stable supply of natural rubber in the future. In addition, this discovery has enormous potential for applications in other rubber-related fields, as well.

Recreating the Biosynthesis of Natural Rubber in a Test Tube

Prepared Solution Containing Small Natural Rubber Molecules



Natural Rubber Plantation

Tire Raw Material Composition Proportion of Natural Rubber:

29.6%

As a company that uses massive amounts of natural rubber, the Sumitomo Rubber Group has long been an industry leader in seeking ways to enhance the performance and functionality of natural rubber.

Advanced Technologies to Enhance the Performance of Natural Rubber & Balance the 3 Key Contradictory Performance Traits of Tires

- **Enhanced Natural Rubber (ENR)**
ENR is natural rubber that features superior rolling resistance. By rearranging part of the chemical composition of natural rubber, we are now able to give natural rubber the same high level of grip performance as synthetic rubber.
- **Ultra-Pure Natural Rubber (UPNR)**
By thoroughly removing all of the impurities typically found in natural rubber, we are able to increase the interaction between the rubber and carbon, thus improving both the fuel efficiency and wear resistance performance of tires.



Elucidating the Mechanisms Behind Natural Rubber Biosynthesis

The World’s First Successful Attempt to Synthesize Natural Rubber Artificially + The Discovery of the Enzymes That Are Essential to Natural Rubber Biosynthesis

Natural rubber makes up about 30% of the mass of a typical tire. Thus, elucidating the structures and synthesis processes of natural rubber is immensely important research that may very well lead to further improvements in tire fuel efficiency and wear resistance performance.

One of the results of our basic research has been our success in shedding light on the mechanisms behind the biosynthesis of natural rubber. Within rubber trees, natural rubber is formed when special enzymes link together anywhere from 1,500 to 5,000 small molecules (monomers) to create extremely long chain molecules (polymers). Although this much has long been known, previous research had been unable to identify the exact enzymes involved in this process.

Previous attempts to identify these enzymes and observe their behavior have relied on methods that involved observing the chemical reactions (polymerization) of reactants in a solution. However, with these

conventional methods, the reactions would cease after linking together chains of only 15 or 20 monomers, making it impossible to replicate the biosynthesis of natural rubber or analyze the functions of the enzymes. Because natural rubber does not dissolve in water, the reactions would always stop at the onset of the rubber formation process.

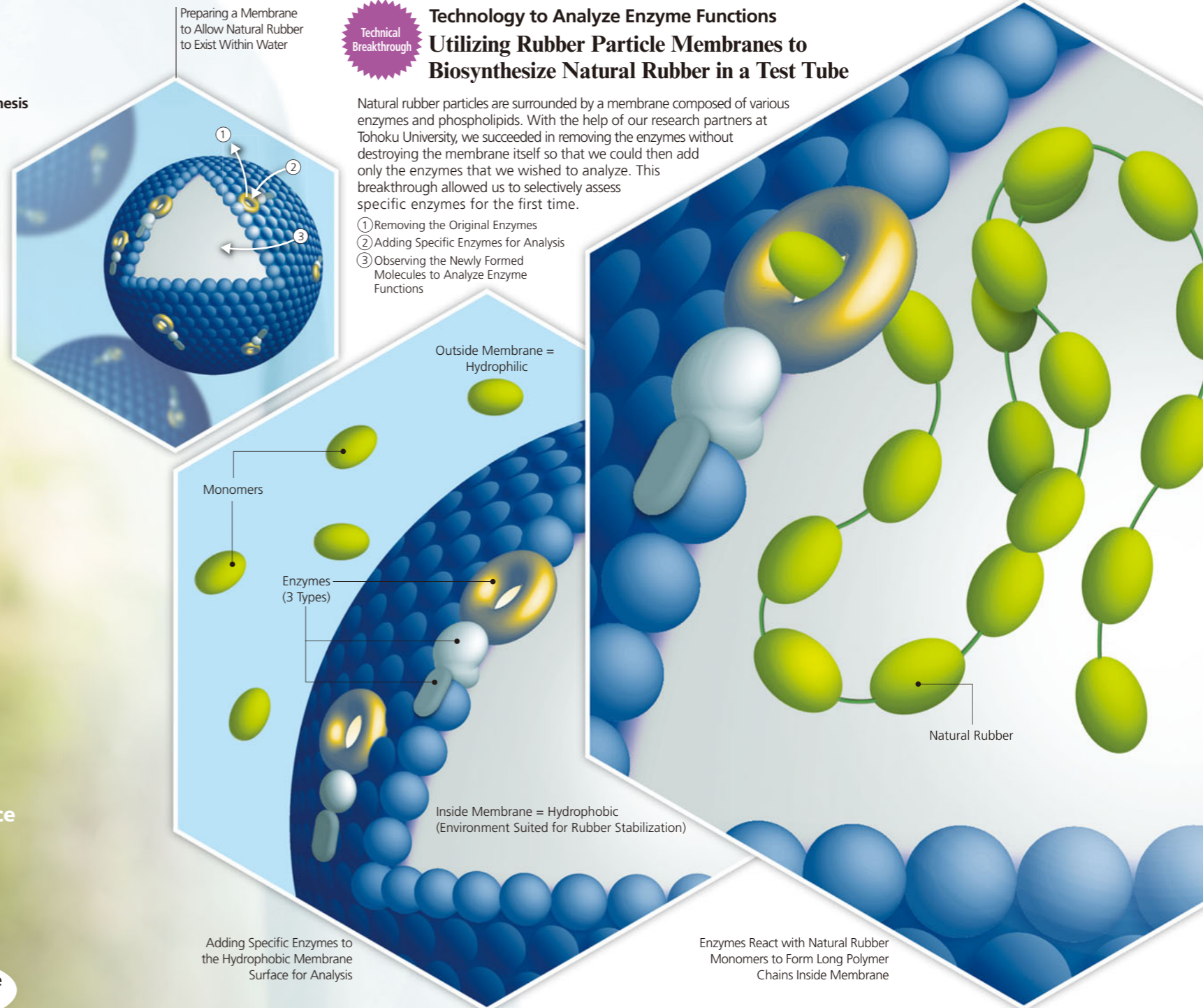
In order to overcome this obstacle, we came up with a novel method: preparing a molecular membrane for natural rubber molecules to form by allowing monomers to accumulate without exposing the growing polymer to water. Thanks to this innovative approach, we were able to discover that monomers link together to form polymer chains of 1,500 to 5,000 monomers (i.e. natural rubber biosynthesis occurs) only when three particular enzymes are present. In other words, our company has succeeded in artificially biosynthesizing natural rubber in a test tube for the first time in the long history of rubber science.

Technical Breakthrough

Technology to Analyze Enzyme Functions Utilizing Rubber Particle Membranes to Biosynthesize Natural Rubber in a Test Tube

Natural rubber particles are surrounded by a membrane composed of various enzymes and phospholipids. With the help of our research partners at Tohoku University, we succeeded in removing the enzymes without destroying the membrane itself so that we could then add only the enzymes that we wished to analyze. This breakthrough allowed us to selectively assess specific enzymes for the first time.

- ① Removing the Original Enzymes
- ② Adding Specific Enzymes for Analysis
- ③ Observing the Newly Formed Molecules to Analyze Enzyme Functions



Analyzing the Factors That Determine the Processability & Performance of Natural Rubber

The Ratio of 4 Types of End Groups Determine Natural Rubber's Processability & Performance

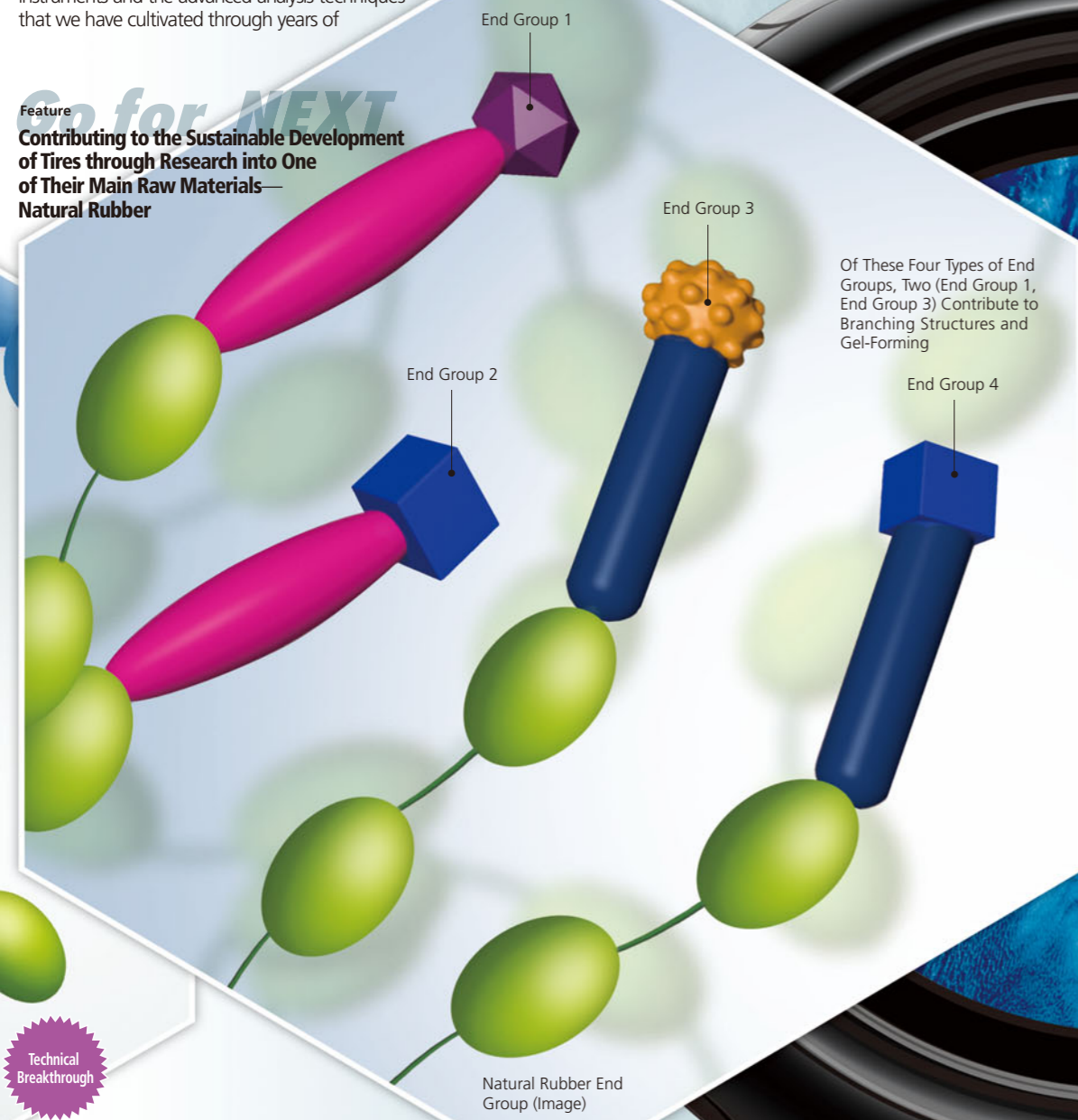
Another result of our basic research has been our success in shedding light on the structures of biosynthesized natural rubber. While natural rubber has long been thought to have a molecular structure that features multiple branches, the exact structure of its molecular end groups remained shrouded in mystery. Because the branching structure of natural rubber molecules almost certainly has a significant effect on rubber's performance, elucidating these structures is an immensely important step toward achieving the next evolution in rubber.

Thus, the Sumitomo Rubber Group is taking full advantage of our research facility in rubber-producing Thailand to obtain fresh samples for analysis. After undergoing chemical treatment, the samples are analyzed using high-performance instruments and the advanced analysis techniques that we have cultivated through years of

rubber research. As a result of our research, we have not only determined that one end of a natural rubber molecule is a dimethylallyl functional group, but we have also discovered that the other end group comes in four different varieties. We believe that the combinations and ratios of these end groups are among the major decisive factors that determine the properties of rubber.

We plan to continue working to further advance this research so that we may discover how each of these end groups functions and which combinations and ratios of these end groups would be best suited to the task of enhancing tire performance.

Feature
Contributing to the Sustainable Development of Tires through Research into One of Their Main Raw Materials—Natural Rubber



Technical Breakthrough

With On-Site Chemical Treatment of Natural Rubber at Its Source + World-Class Analysis Equipment & Techniques,

We Have Successfully Identified the Faint NMR Signals of Natural Rubber End Groups

At the Sumitomo Rubber Group's research facility in Thailand, natural rubber samples undergo chemical treatment to separate out the complex branching structures and remove impurities before the rubber begins to deteriorate. We then analyze these high-quality samples using world-class analysis equipment and techniques, thus allowing us to detect and identify the faint NMR signals of natural rubber molecular end groups for the very first time.



Chemical Treatment of Rubber Sap

Removing Impurities & Excising Complex Branching Structures for Ease of Analysis

High-Performance Analysis Equipment

Utilizing Osaka University's Cutting-Edge NMR Equipment to Detect the Faint NMR Signals of Natural Rubber End Groups

Advanced Analysis Techniques

Searching for the Exact Chemical Structures That Match NMR Signal Patterns Derived from Multiple Measurement Methods

Toward More Efficient Material Procurement with Lower Environmental Impact

Selecting Rubber Trees That Produce Highly Processable Rubber to Efficiently Increase Production Volume

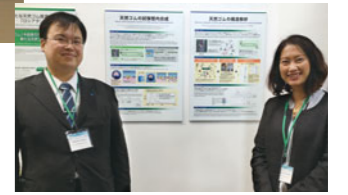
The products of our basic research have laid the groundwork for the potential discovery of new and more effective ways of producing natural rubber in the future, such as selectively breeding rubber trees that have high latex output or that produce highly processable rubber in order to increase rubber productivity, or even deriving natural rubber from plants other than rubber trees.

As global automobile production volume continues to increase year by year, there are now growing concerns about the environmental impact of the accompanying increase in tire demand and consequent expansion of rubber plantations, which may contribute to deforestation and the depletion of essential water resources. The Sumitomo Rubber Group will continue to further various research so that we may reduce our environmental impact while contributing to the development of a sustainable society.



Unveiling Our Research Results at the International Rubber Conference in Kitakyushu in October 2016 Before Assembled Rubber Experts from Around the World

Explanatory Meeting Held in December 2016 for Analysts & Members of the Press Entitled "Cutting-Edge Material Development Efforts"



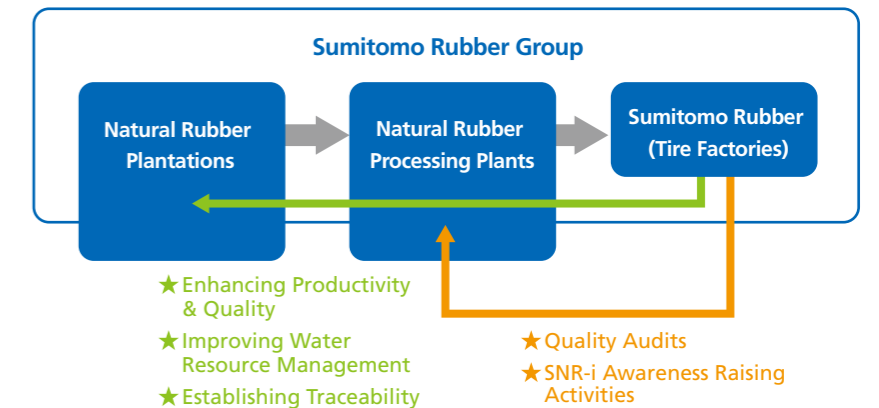
Sustainable Procurement of Natural Rubber Supporting an International Framework Toward Building a Supply Chain in Harmony with Society & the Environment

In order to ensure a lasting, stable supply of natural rubber for the future, it is vital that procurement activities take into account such factors as human rights and the environment. With this in mind, the Sumitomo Rubber Group has long incorporated environmental concerns, community contributions and respect for human rights in our Procurement Guidelines, which form the basis of our procurement activities when it comes to natural rubber and various other raw materials. We also demand the same of our suppliers, regularly visiting their processing plants to conduct quality audits to ensure that our guidelines are being followed.

In recent years, rising awareness has led to growing demands for more diversified and sophisticated considerations when it comes to human rights and the environment, thus requiring a higher level of responsiveness in these areas than ever before. In response to these trends, the Sumitomo Rubber Group announced in October of 2016 that we will participate in the "Sustainable Natural Rubber Initiatives (SNR-i)" advocated by the International Rubber Study Group (IRSG). We have already begun awareness raising activities, such as explaining the significance of SNR-i to our suppliers when we conduct quality audits at their processing plants and so on.

In addition, we are actively engaged in research that aims to improve productivity, quality and water resource management at the natural rubber plantations and processing plants affiliated with our group while also working to implement a traceability system at affiliated processing plants so that we can track raw materials to their point of origin.

Our Natural Rubber Procurement



Sustainable Natural Rubber Initiatives (SNR-i)

Created with the aim of ensuring the sustainable development of natural rubber, SNR-i is an industry framework that establishes guidelines covering five areas of supply chain management while also promoting independent activities and continuous improvement. As of December 2016, some 38 tire manufacturers, rubber suppliers and other related companies and organizations have joined this initiative.

1. Supporting Efforts to Enhance Productivity
2. Enhancing Natural Rubber Quality
3. Supporting Efforts to Sustain Forests
4. Water Resource Management
5. Consideration for Human Rights & Basic Labor Rights

Sumitomo Rubber Group CSR Activities 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. The new "pledge of Eco-First (renewal letter)" signed in March 2012 was achieved in March 2015, and a new pledge is expected to be signed in 2017.



Eco-First commitments Companies conducting "advanced, unique and industry-leading business activities in the environmental field" (environmentally advanced enterprises in an industry) make a commitment to the Minister of the Environment to engage in environmental preservation efforts including global warming countermeasures and waste and recycling measures.

Green

Green initiative

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

Promoting Green Initiatives Worldwide

The Sumitomo Rubber Group plants trees and flowers at factories and sales companies in Japan and overseas. In fiscal 2016, we planted a total of 84,607 trees throughout the whole Group.

➔ P.25

Planting mangrove in Malaysia



Preservation and Cultivation of Endangered

We promote activities for the preservation of genetic biodiversity and are preserving and cultivating endangered species.

➔ P.28

Boneset flower root division at the Kakogawa Factory



Ecology

Ecological process

- 4 Creating a Low-Carbon Society
- 5 Building a Recycling-Oriented Society
- 6 Managing Environmental Pollutants
- 7 Implementing worldwide environmental management

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.

➔ P.31

Wastewater recycling equipment (Thailand Factory)



Also Improving Environmental Awareness in Japan and Overseas

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

➔ P.32

Green Curtain Contest (SRI Engineering Ltd.)



Next

Next-generation product development

- 8 Developing environmentally friendly products
- 9 Pursuing safety and comfort, economy, and quality

Launch of First Product to Employ Newly Developed Technology "ADVANCED 4D NANO DESIGN"

Succeeded in improving wear resistance performance by 51% compared with conventional products while maintaining high levels of fuel efficiency and grip performance.

➔ P.33



ENASAVE NEXT II

Wear resistance performance

Up 51%

Note: Compared with our ENASAVE NEXT products



Highest grade wet grip performance:

AAA-a

Kindness

Kindness to employees

- 10 Fostering human resource development and making jobs rewarding
- 11 Creating a safe, employee-friendly workplace
- 12 Achieving a work-life balance
- 13 Promoting Diversity
- 14 Respect for Human Rights

Global Human Resource Development

We strengthened human resourced development and spread "The SRI Way" at overseas bases.

➔ P.37

Training at an overseas base



Preventing Lifestyle-Related Diseases

We provide a variety of health guidance for employees and their families, including specific health guidance and mobile health checks.

➔ P.39

Workshop by smoking cessation clinic physician on the subject of tobacco



Integrity

Integrity for stakeholders

- 15 Ensuring thorough corporate governance
- 16 Ensuring thorough compliance
- 17 Promoting dialog with stakeholders
- 18 Keeping social contribution in constant motion
- 19 Supply Chain Management

Strengthened Compliance Education

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

➔ P.42

Compliance seminar at overseas affiliate



CSR Commendations

Since FY2009, we have commended outstanding activities within the Group to promote efforts toward environmental and social contribution activities.

➔ P.44

Directors present CSR commendations to recipients



Materiality Characteristics and Dialogue with Stakeholders

Taking into account international guidelines and stakeholders' views, determine the materiality of CSR-related activities (priority issues).

We have prioritized the 19 indicators of the CSR guidelines, and will further work towards these initiatives.

Materiality Identification Process Dialogue with Stakeholders

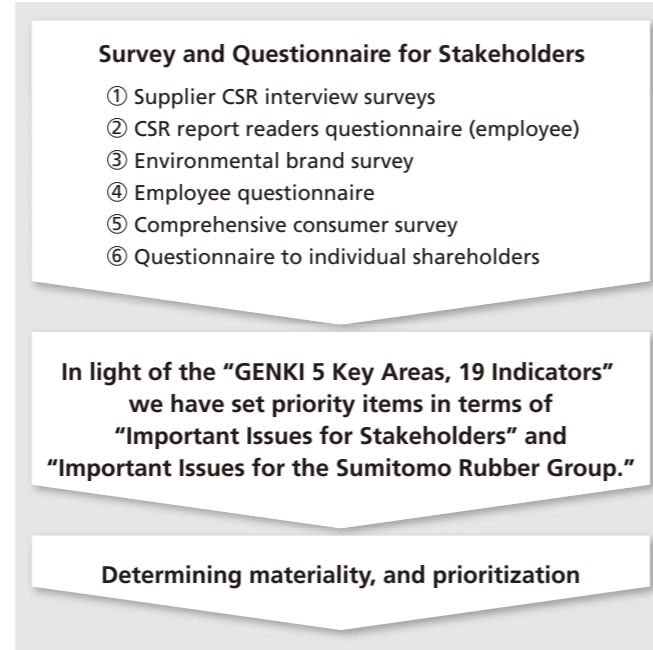
We periodically carry out surveys to learn about the various opinions and expectations of stakeholders, and while taking their views into account, we also place importance on dialogue with stakeholders in pursuing our daily business activities. To energize the CSR activities of the Sumitomo Rubber Group,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



Stakeholders

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.

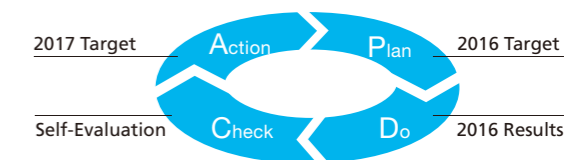
We are conscious of our responsibilities towards stakeholders, and are working to promote communications through a variety of means.

How We Communicate with Stakeholders

	Features	Main responsibilities	Communications method
Customers	Automobile manufacturers, manufacturing companies, sales companies, sports facilities, consumers, etc.	<ul style="list-style-type: none"> Quality management Development of safer products Safe driving awareness Providing product information and services 	<ul style="list-style-type: none"> Customer consultation and service contact Customer response through service and sales departments Providing information on websites, etc. Exhibitions and events etc.
Clients	Rubber raw materials manufacturers, other materials manufacturers, trading companies, processing companies	<ul style="list-style-type: none"> Fair and reasonable procurement CSR procurement 	<ul style="list-style-type: none"> Dialog through day-to-day business onfirmation visits to procurement partners, and feedback Questionnaires to procurement partners Holding explanatory meetings etc.
Local Communities	Residents, municipalities, local government, educational institutions, and other organizations near factories and offices	<ul style="list-style-type: none"> Social contribution activities Green initiatives Protecting biodiversity 	<ul style="list-style-type: none"> Participation in local events Cooperation with NGOs and NPOs in social contribution activities Participation in economic and industry organizations Dialog with local governments etc.
Shareholders and Investors	Shareholders (individuals: 20,374, financial institutions: 951) Individual and institutional investors	<ul style="list-style-type: none"> Return of profits to shareholders Enhancement of corporate value through dialogue with shareholders and investors 	<ul style="list-style-type: none"> General meeting of shareholders Timely disclosure of news releases and publications Issuance of financial information including fact books, annual reports, and shareholder communications Providing information on websites, etc. Results briefings etc.
Employee Numbers	Sumitomo Rubber Group: 33,792, Sumitomo Rubber Industries: 6,693 (Male: 6,100, female 593)	<ul style="list-style-type: none"> Fostering human resources Occupational health and safety Health management Diversity in employment Consideration of work/life balance Consideration of human rights Dialog with employees 	<ul style="list-style-type: none"> Providing information through internal newsletters, intranet, etc. Cooperation with labor-management councils and employee representatives Compliance consultation service Holding of round-table discussions with president to exchange views with management CSR Report survey etc.

Fiscal 2016 Targets and Results

Based on our GENKI CSR Guidelines, we have verified the progress and successes of our fiscal 2016 Action Plan and have set targets for fiscal 2017. Let's look at the main targets.



Note: Items marked with a are verified by third parties. See our website for details on Fiscal 2016 Activities and Fiscal 2017 Targets. (Scheduled to go online at end of June 2017.)

CSR Guidelines		2016 Activities and 2017 (Excerpt from major items)				
		Plan 2016 Target	GRI Guidelines	Do 2016 Results	Check Self-Evaluation*1	Action 2017 Target
<p>Green Green initiative</p>	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-S01	Million Trees for Local Forests project tree planting activities Fiscal 2016: 84,607 trees planted Cumulative total: 1,660,713 trees planted	100%	Proceed with Million Trees for Local Forests project Team ENASAVE & overseas factories promote mangrove planting
	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 2016: 8,588 Cumulative total: 163,357	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 2015 with transplanting of boneset along riverbed in Kakogawa	100%	Build biotopes Preserve and cultivate endangered species
<p>Ecology Ecological process</p>	4 Creating a Low-Carbon Society	(Six factories in Japan) Energy saving (crude oil equivalent per unit): ≥1.5% over previous fiscal year	G4-EN5	3.6% increase	95%	≥2.5% reduction over previous fiscal year
		(Six factories in Japan) CO ₂ emissions: ≥1.5% reduction over previous fiscal year	G4-EN18	3.6% increase	95%	≥2.3% reduction per unit over previous fiscal year
	5 Building a Recycling-Oriented Society	(Six factories in Japan) Discharged waste (excepting valuable substances to be recycled): ≥ 2.0% reduction over previous fiscal year	G4-EN23	8.1% increase	90%	≥4.2% reduction over previous fiscal year
		(Six factories in Japan) Water usage*2: ≥1.4% reduction over previous fiscal year	G4-EN22	6.6% increase	92%	Water usage*2: ≥1.4% reduction over previous fiscal year
	6 Managing Environmental Pollutants	(Six factories in Japan) NOx, SOx, and dust: ≥80% reduction over fiscal 2005 levels	G4-EN21	83% decrease	100%	≥80% reduction over fiscal 2005
	7 Implementing worldwide environmental management	Maintain ISO 14001 Global Integrated Certification	—	Maintained and continue	100%	Maintain Global Integrated Certifications
	<p>Next Next-generation product development</p>	8 Developing environmentally friendly products	Develop and release products employing high-functionality biomass materials	G4-EN27	Announce WINTER MAXX02 employing biomass material softener component	100%
9 Pursuing safety and comfort, economy, and quality		Commercialize new technologies		Develop "GYROBLADE" airless tire, and "CORESEAL" sealant tire technologies	100%	Productize of new technologies
<p>Kindness Kindness to employees</p>	10 Fostering human resource development and making jobs rewarding	Ongoing, systematic development of global human resources Follow up on creating a work environment with a sense of satisfaction through verification via employee questionnaires	G4-LA10	Introduce special English education including in-house English conversation classes that are convenient for employees to attend Confirm workstyle changes via employees questionnaires, launch creation of work environments that are employee-friendly	100%	Expand overseas culture and business practice content, promote development of human resources who are not only able to speak but also work successfully in English Promote workstyle reforms, improve operational efficiency, link to promotion of work/life balance
	11 Creating a safe, employee-friendly workplace	Strengthen various safety and health activities in addition to compliance with laws and regulations Promote the creation of workplaces and people able to observe safety rules Introduce health management support system, advance new measures for mental health consultation	G4-LA6	All types of accidents are increasing (disabling injuries: decreasing; non-disabling injuries: increasing) Promote the creation of helpful workplaces through Company-wide deployment of KK mapping Mental health-related time-off is decreasing, promote non-smoking and smoking areas	80%	Invigorate activities heightening health and safety awareness at each business site, develop and inculcate Sumitomo Rubber safety activity know-how Company-wide Promote mental health measures, health advances, follow-up on availability of health examination practitioners and promote smoking cessation
	12 Achieving a work-life balance	Get more male employees to take childcare leave Implement the daycare support system	G4-LA3	1 man 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		56 employees used shortened working hours for childcare leave	100%	Get more employees to use shortened working hours for childcare leave
	13 Promoting Diversity	Ongoing employment of female and disabled employees Ongoing utilization of talented human resources regardless of gender, etc.	G4-LA12	12 women in managerial positions Percentage of employees with disabilities: 2.25%	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	
<p>Integrity Integrity for stakeholders</p>	15 Ensuring thorough corporate governance	Establish a Nomination and Compensation Committee as an advisory body at the discretion of Board of Directors Increase number of independent external directors (from current two members → three members)	G4-34	Held Nomination and Compensation Committee meetings (three times) Conducted survey on efficacy of Board of Directors Increased independent external directors (added one person)	100%	Improve efficacy of Corporate Governance Code Formulate BCP at overseas business offices, conduct Company-wide risk analysis
	16 Ensuring thorough compliance	Promote Group compliance and risk management	G4-56	Consolidate compliance activities systems at overseas bases Conduct various briefings at Group companies in Japan and overseas, provide training in bribery prevention, antitrust laws and legal risks, particularly at overseas affiliates	100%	Promotion of the Group's compliance and risk management
	17 Promoting dialog with stakeholders	Promote dialogue with a range of stakeholders	G4-26	Conduct stakeholder dialogues at each business base	100%	Promote dialogue with a range of stakeholders
	18 Keeping social contribution in constant motion	Work together with NPOs (continue and expand activities)	G4-S01	Carry out manufacturing workshops at 6 schools Carry out environmental workshops with 7 groups	100%	Work together with NPOs (continue and expand activities)
	19 Supply Chain Management	Promote CSR in the supply chain	G4-HR10 G4-EN33	Prepare survey for suppliers regarding CSR procurement	100%	Conduct survey among suppliers regarding CSR procurement

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

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

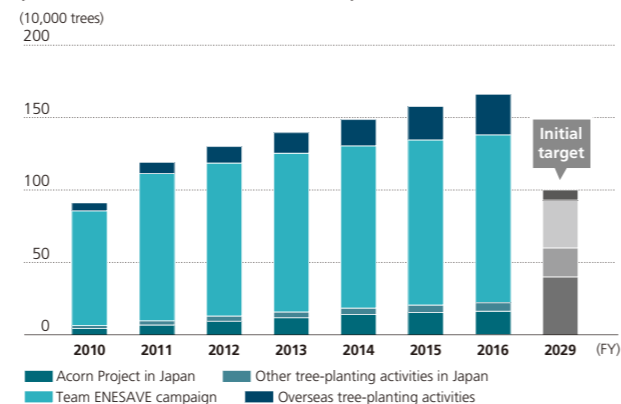
*2 : The denominator of the basic unit is the new rubber consumption amount (consumption of natural rubber + synthetic rubber).

Management Approach

Forests absorb CO₂, which is attributed to climate change, and are an important place for preserving biodiversity. We promote green initiatives as one part of Sumitomo Rubber Group CSR activity guidelines through ongoing 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 1.66 million trees planted as of fiscal 2016. 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. In addition to weed cutting, removal of hydrangea varieties, removal of unnecessary trees, pruning and thinning work is carried out.



Removal of hydrangea varieties (Sakai: GENKI Forest)

◆ Forest Creation Workshop Held in GENKI Forest

The objective of tree planting activities is to preserve biodiversity and communicate with local communities through cooperation with the holding of festivals and satoyama preservation activities, the prevention of global warming by absorption of CO₂ and landslide prevention.

To achieve tree planting throughout an entire region, we promote activities

in which employees, former employees, families, friends, local residents and regional organizations participate.

◆ Forest Creation Workshop Held in GENKI Forest

When holding a tree planting event, we conduct a tree planting workshop for participants led by experts and authorities.

At GENKI Forest in Uzugamori on Mt. Rokko, the relationship between current conditions and issues on Mt. Rokko and forest creation activities currently conducted was understood in terms of Rokko Mountain area landslide disasters and tree planting.

Stakeholder Voices



Children Learning About the Challenge of Cultivating Trees in the GENKI Forest

Takenoko Science NPO

I participated in Sumitomo Rubber GENKI Forest maintenance activities from outside the Company. To grow an acorn tree, I learned that there are many difficult tasks, not only planting, but also weed pulling and cutting down unnecessary trees.

Children were told how to carefully use hoes, sickles and other tools they usually cannot use because they are dangerous so that we could enjoy these activities safely.

Also, the tonjiru soup we had at lunch after the maintenance activities was delicious.

I am always deeply moved by the polite way we are guided from start to finish. I would like to participate again in the future.



Local elementary school learns about tree planting (Toyota: GENKI Forest)



Workshop on tree planting and landslide disasters (Mt. Rokko: GENKI Forest)

◆ Connecting to Regions within Green Activities

The Sumitomo Rubber Group engages with a variety of stakeholders through ongoing business activities.

We also deepen our connection with regions through the provision of opportunities to interact with local residents and nature within green initiative activities in a variety of places (parks, rivers, schools, residences, etc.) through the provision of seedlings suited to the area, the preservation of endangered species and tree planting.



"Sunflower foster parents" activity

◆ Greening Activities Overseas

We plant trees and flowers at our factories and sales bases around the world. In fiscal 2016, we planted 49,573 trees at these worldwide bases.

A portion of the sales proceeds from ENASAVE fuel-efficient tires goes to supporting TEAM ENASAVE campaign mangrove planting activities. We planted 20,000 mangrove trees in fiscal 2016, bringing the total so far to 1,159,617 trees planted. Under our 1 Pair for 1 Love initiative, for each pair of gloves sold 1 yen goes to tree planting activities in Borneo, Malaysia. We have planted 2,400 trees under this initiative in fiscal 2016.



Tree planting activities in Dubai



Tree planting activities in Singapore



Mangrove planting activities in Malaysia

チームエナセーブ 未来 プロジェクト

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 2016 we held clean-up activities at eight 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 470 people participate.

Mimasaka, Okayama Prefecture Let's link Aida Ueyama terraced rice fields to the future!

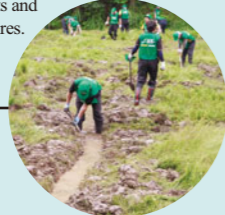
On June 11, 60 people participated in rice planting conducted by the NPO Aida Ueyama Terraced Rice Field Organization in Mimasaka, Okayama Prefecture, where 8,300 terraced rice fields were once located.

Echizen, Fukui Prefecture Let's bring the Oriental storks back to Echizen!

On July 9, 40 people participated in grass cutting and mud raising work conducted by Farmers and Citizens for the Protection of Waterfronts and Living Creatures.

Fukuoka City, Fukuoka Prefecture Let's protect nature at Wajirohigata!

On October 23, 50 people participated in nature observation and Wajirohigata cleanup activities conducted by The Save Wajiro Tidal Flat Association.



Shiraoi, Hokkaido Let's protect the Uyoro River basin environment!

On September 10, NPO Uyoro Environmental Trust and NPO Hokkaido Environmental Community Network participated in activities held in Shiraoi, Hokkaido, where 50 attendees experienced tree thinning in a natural Japanese larch forest and engaged in deer countermeasures.

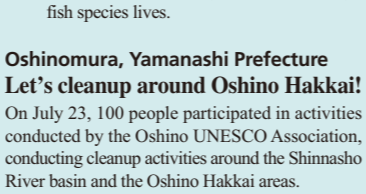
Ichinoseki, Iwate Prefecture Let's restore the Kubo River basin ecosystem!

On May 14, 50 people participated in nature reclamation work (spreading wood chips to make paths, planting wild grasses and flowers and creating artificial floating islands) conducted by Kubo River Ihatobu Nature Reclamation Council.



Kumagaya, Saitama Prefecture Let's protect the fish in the Motoara River!

On June 19, 60 people participated in activities conducted by the Kumagaya Musashitomiyo Protection Association, which involved cutting grass around the Motoara River where the endangered musashitomiyo fish species lives.



Oshinomura, Yamanashi Prefecture Let's cleanup around Oshino Hakkai!

On July 23, 100 people participated in activities conducted by the Oshino UNESCO Association, conducting cleanup activities around the Shinnasho River basin and the Oshino Hakkai areas.



Kainan, Wakayama Prefecture Let's Revitalize biodiversity in Mokofudodani!

On June 12, NPO Natural Recovery Attempt Group: Biotope Moko conducted rice planting in which 60 people participated.



Preserving Biodiversity

◆ The Birth of Regional Biotopes Created by Hand

The Sumitomo Rubber Group is promoting the creation of biotopes inside its business bases. In addition to the Shirakawa Factory "Shirawa no Izumi", the Nagoya Factory "Koromo no Izumi", the Kobe Head Office "Soso no Izumi" and the Miyazaki Factory "Kirishima no Izumi," in 2016 a new biotope was born inside the Dunlop Sports Ichijima Factory.

Biotopes in each region were created by employees on their day off. With the cooperation of local residents, we plan to return endemic plants and aquatic life to local areas.



Shirawa no Izumi (Shirakawa Factory)

◆ Preservation and Nurturing of Endangered Species

The 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 nurtures endangered species to protect the biodiversity of seeds. Our main species are the Katakuri

family at the Shirakawa Factory, boneset (asteraceae), (cyperaceae) and san-guisorba 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.

At the Kakogawa Factory, in February 2016, we collaborated with the Ministry of Land, Infrastructure, Transport and Tourism, other companies and volunteer organizations to cut grass in order to preserve boneset transplanted to the Kako River lagoon.



Boneset after grass cutting



Ichijima Factory biotope



Koromo no Izumi (Nagoya Factory)



Kirishima no Izumi (Miyazaki Factory)

TOPICS

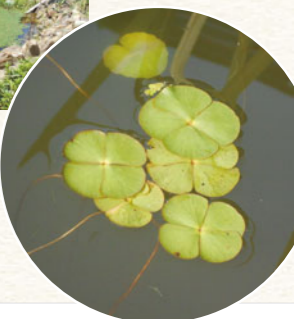
Preserving and Nurturing Endangered Species at the Kobe Head Office

At the Kobe Head Office, we are cultivating the Soso no Izumi, a biotope containing European waterclover, a Kobe City red rank A plant that floats on water, received from the City of Kobe Environment Bureau in 2011. In the summer of 2016, it flourished enough to cover the entire pond, so we took some of it from the Kobe City Environment Bureau and returned it to the local pond. European waterclover had disappeared from the local pond, enabling the Kobe Head Office biotope to fulfill its role as a refuge for valuable endangered species.



↑ European waterclover covers the entire pond surface

European waterclover →



Ecology

Ecological process

Reducing the Environmental Impact of Our Business Activities

Management Approach

As a global company responsible for the environment, the 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. In fiscal 2015, we fulfilled all our commitments and we plan to make new commitments in fiscal 2017.



Sumitomo Rubber Industries Eco-First Commitments

Creating a Low-Carbon Society	<ul style="list-style-type: none"> Reduce CO₂ emissions basic unit to less than 55% of 1990 levels → Fiscal 2015 53.9% Achieved Release tire with 50% lower rolling resistance → On sale in fiscal 2014 Achieved
	<ul style="list-style-type: none"> Achieved complete zero emissions for waste to landfill at production bases in Japan and overseas → Continue with complete zero Achieved Release a 100% fossil resource-free tire → On sale in fiscal 2013 Achieved
Building a Recycling-Oriented Society	<ul style="list-style-type: none"> The Acorn Project Plant over 20,000 → 21,660 trees/year (Average) Achieved Take action to protect biodiversity → On schedule Achieved
	<ul style="list-style-type: none"> Promoting Harmonious Coexistence with Nature

*Details are on pages 25-28

Creating a Low-Carbon Society

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.

◆ CO₂ Reduction Activities in Production

In fiscal 2016, we made efforts to reduce air leakage and lower power consumption to reduce CO₂ emissions from production processes. These efforts have resulted in reducing 5,000 tons-CO₂ from the previous year at the six factories in Japan. (total

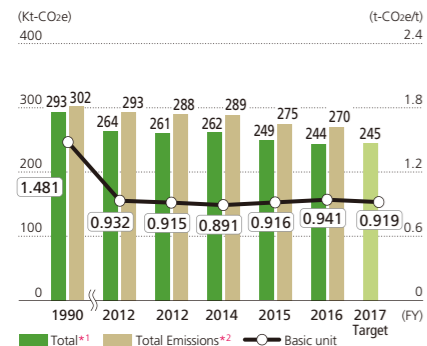
244,000 tons-CO₂) CO₂ emissions quantities increased 2.7% over the previous year. This was because of the large impact of decreased production decrease.

We will place a priority on measures to dissipate heat from equipment and shift to inverter type hydraulic machines in 2017.

◆ CO₂ Reduction Activities in Distribution Processes

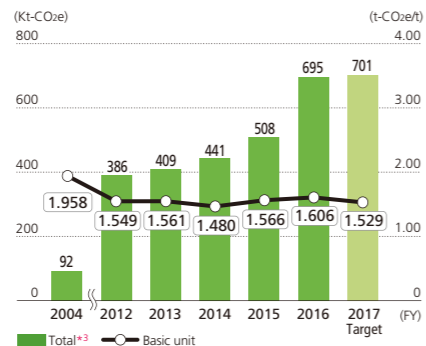
In fiscal 2016, we worked at using larger vehicles, and improving transportation efficiency. These initiatives resulted in a drop in CO₂ emissions from transporting tires to 30,700 tons-CO₂, down 7.4% over the previous year. The basic unit decreased 2.6%. Production areas and distribution

CO₂ Emissions (Factories in Japan) ⊙



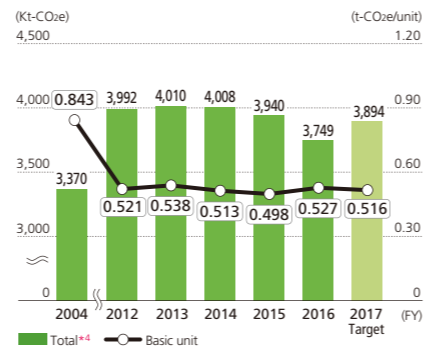
*1: According to the Guide for Calculating Greenhouse Gas Emissions, published by the Japan Rubber Manufacturers Association (used to calculate per-unit figures). The electricity emission factor is the value announced by the electricity companies in 2004.
*2: Total emissions do not take into account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

CO₂ Emissions (Overseas Factories) ⊙



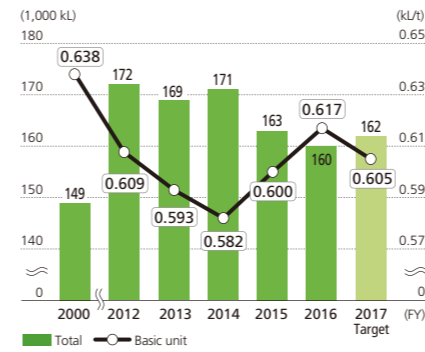
*3: According to the Guide to Calculating Greenhouse Gas Emissions, published by the Japan Rubber Manufacturers Association. The electricity emission factor is as per the WRI/WBCSD GHG Protocol Initiative Calculation Tool (2004).

CO₂ Emissions (Factories Operated by Domestic Affiliates) ⊙

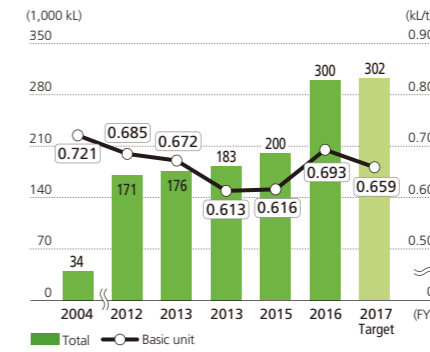


*4: According to the Guide for Calculating Greenhouse Gas Emissions, published by the Japan Rubber Manufacturers Association. The electricity emission factor is the value announced by the electricity companies in 2004.

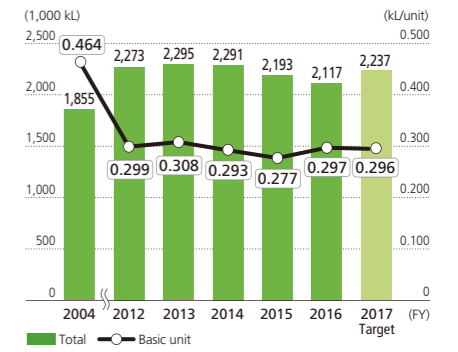
Energy Usage (Crude Oil Equivalent) (Factories in Japan)



Energy Usage (Crude Oil Equivalent) (Overseas Factories)



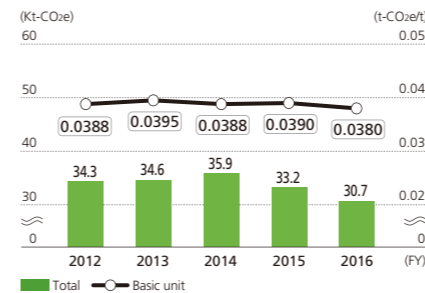
Energy Usage (Crude Oil Equivalent) (Factories Operated by Domestic Affiliates)



routes were revised according to local demand and transport distances by truck from factories to warehouses were shortened. We also made an effort to improve vehicle loading efficiency.

In FY2017, we will continue to make efforts to shorten the distance between factories and destinations. For example, we will produce tires for exporting purpose at the factory which is the closest to the port. Also, tires for car makers and ones for commercial will be produced at the factory which is the nearest to the warehouses in the demanding area. Expanding routes to enable transport by ferries and railroads is also considered to increase the modal shift rate.

CO₂ Emissions in Logistics (Domestic)



Employee Voices



Realizing Energy Savings by Reusing Residual Heat and Steam

ZiFei Qian

Team Manager, Engineering
Sumitomo Rubber (Hunan) Co., Ltd.

Since the Hunan Factory (China) commenced operations in July 2012, we have been focusing efforts on improving energy conservation. This is indicated by the "heavy oil basic unit (L/t)" or the "electricity basic unit (kWh/t)", which means how much heavy oil or electricity are required to mix one ton of rubber.

To improve the heavy oil basic unit, we captured and reused residual heat and attempted to reduce the amount of steam

used in the manufacturing process. In addition to reusing residual heat generated from raw water tanks of the boiler at tire building process, in fiscal 2016, we discontinued processes and machinery using steam and introduced steam compressors, enabling the reuse of steam generated during rubber processing as low-pressure steam.

We are also trying to optimize the operational efficiency of equipment to improve the electricity basic unit. By introducing inverter controls on equipment whose operational efficiency is not stable as well as automatic lighting, electricity consumption has been decreased.

In fiscal 2017, we plan to convert heating equipment by using captured steam for heating. Going forward, we will utilize broader reuse of captured residual heat and steam or renewable energy such as solar power generation with the aim of becoming the Sumitomo Rubber Group's No1 factory of energy conservation improvements in 2020.

◆ Green Logistics Guidelines

The Sumitomo Rubber Group is promoting environmental conservation activities through its supply chain based on Green Logistics Guidelines formulated in December 2007.

In fiscal 2016, we attempted to optimally organize production. In fiscal 2017, we will strengthen initiatives to shorten transportation distances and engage in activities to reduce CO₂ emissions during transportation.



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.

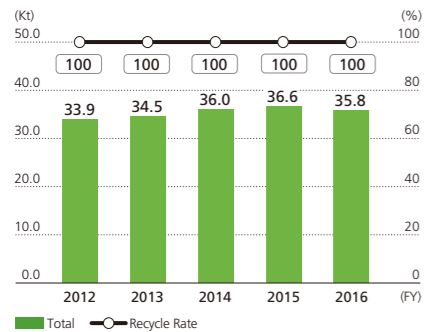
◆ Continue to Achieve Complete Zero Waste Disposal

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

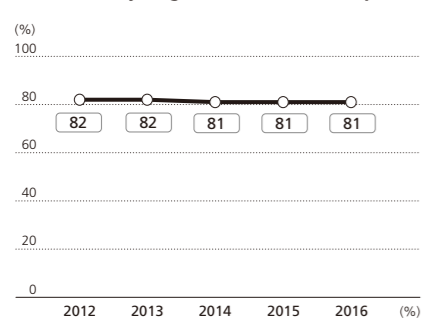
Complete zero waste disposal is defined as recycling in order to use all waste, with 100% recycling and no waste sent directly to landfills. We achieved complete zero waste disposal at our primary production sites in Japan and overseas in March 2010. Currently, we are aiming to systematically achieve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

Material recycling rate was 81% in fiscal 2016 against 85% (target), and it was largely unchanged from the previous year.

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



Material Recycling Rate (Factories in Japan)



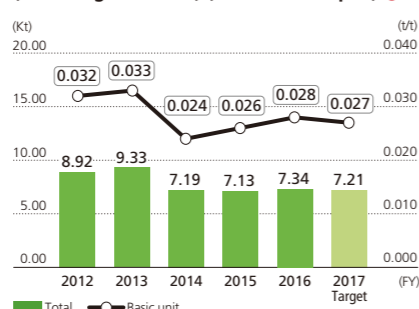
◆ Reducing Waste Discharged*

From fiscal 2013, though we have also been working to reduce amount of waste discharged as making metals dipped with rubber valuables. In fiscal 2016, this increased 7.7 points at our six factories in Japan.

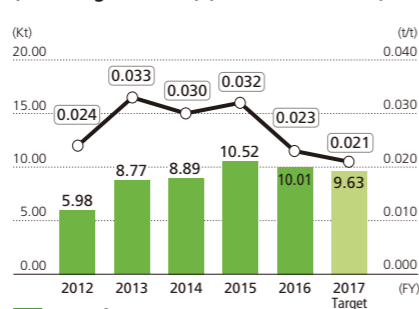
This was down 28.1% at the 10 factories overseas, and up 5.6% at the five factories operated by affiliates in Japan.

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

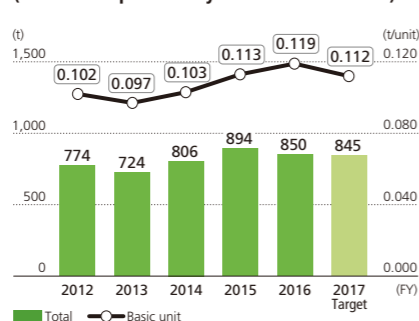
Amount of Waste Discharged (Excluding Valuables) (Factories in Japan) ⊙



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



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



◆ Water use Reduction

In strict response to water crises, the Sumitomo Rubber Group has established the target of recycling 100% of wastewater at factories by 2050. In 2016, the wastewater recycling system was introduced at the Factory 1 in Thailand, resulting the recycling of approximately 46% of wastewater. In our med-term plan, we aim to recycle the wastewater at two of our factories. We also plan to conduct trial operations in fiscal 2018 at Turkey Factory to establish recycling technologies.

Effective use of rainwater is also intended, and it has been launched for greening at Hunan Factory. Next, it is going to be reused for sprinklers (for cooling products in warehouses)

In fiscal 2017, we will optimize water use at all bases considering results of the WBCSD*1 Global Water Tool water risk assessment.

*1: World Business Council for Sustainable Development



Wastewater recycling equipment (Thailand Factory)



Wastewater recycling equipment (Turkey 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.

In fiscal 2016, Turkey Factory acquired ISO 14001:2004 certification and Sumitomo Rubber Group has completed the transition to ISO 14001:2015.

In fiscal 2017, four factories (South Africa, United States, Switzerland

and Turkey) are scheduled to join Global Integrated Certification of ISO 14001:2015.

Coverage rate of employees at ISO 14001 Certified Sites



Note: Temporary employees are included. (As of December, 2016)

◆ Environmental Awareness Improvement Activities

The Sumitomo Rubber Group conducts environmental education so that all employees increase the awareness and knowledge about environmental issues and proactively participate in environmental conservation activities.

In fiscal 2016, we continued to hold exhibitions and environmental knowledge contests, solicit posters, slogans and creative suggestions and present

awards, including at overseas bases. In terms of new initiatives, an outside lecturer was invited to conduct a workshop on energy saving equipment at Shirakawa Factory and the Green Curtain Contest was held at SRI Engineering Ltd.

These activities will be continued and create new approaches are completed.



Green Curtain Contest (SRI Engineering Ltd.)

Employee Voices



Further Promotion of Environmental Conservation Activities Starting with the Acquisition of ISO 14001 Certification

Yagiz Ozan Ozdemir

Staff, Health Safety and Environment Department
Sumitomo Rubber AKO Lastik Sanayi ve Ticaret A.S.

We identified environmental issues and conducted risk assessments. They enable us to use environmental management system efficiently, conducting internal audits, and we acquired ISO 14001 certification in November 2016, nine months after launching these initiatives.

Environmental conservation activities have just begun at Turkey Plant. In 2017, we will conduct a variety of measures to reduce wastes, CO₂ emissions and energy consumption, while expand environmental conservation activities including regional communities, employees and suppliers.

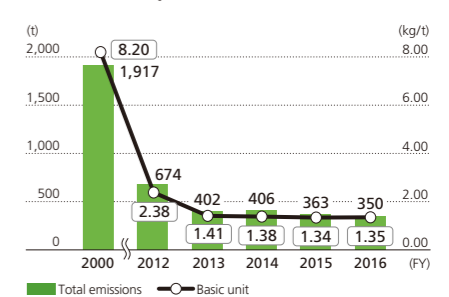
Managing Environmental Loads

◆ Reducing Volatile Organic Solvents

The Sumitomo Rubber Group has been making voluntary efforts to reduce emission of VOCs (volatile organic compounds) emissions, and fiscal 2016 improvements to production processes succeeded in a 3.6% drop over the previous year. This represents an 81% reduction over fiscal 2000 levels.

In fiscal 2017, we will continue to optimize how the use of VOC and reduce quantities used.

VOCs Emissions and Basic Units (Factories in Japan)



Note: VOCs emissions are calculated using methods from the Japan Rubber Manufacturers Association.

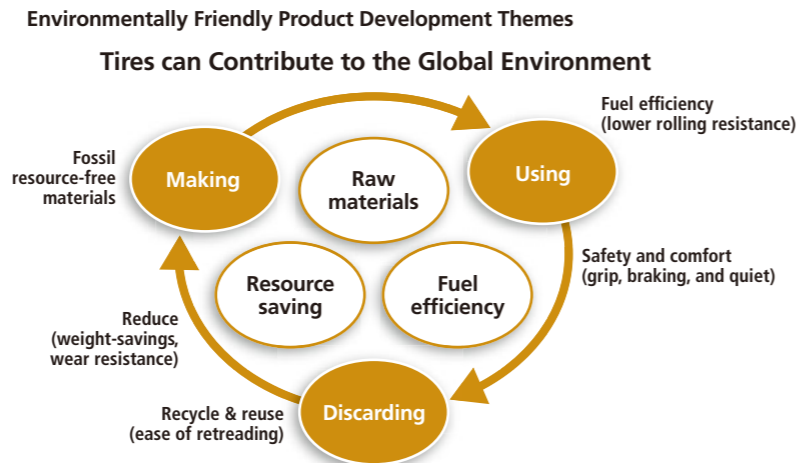
Next *Next-Generation Product Development*

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.



Developing Environmentally Friendly Products

◆ Developing Fuel Efficient Tires

Given that over 80% of CO₂ 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 ENASAVE NEXT II fuel efficient tires released in November 2016 are the first product to adopt the ADVANCED 4D NANO DESIGN new materials development technology. Employing a

molecular designed New Flexible Bonding Agent based on the results of wide-scale simulations of rubber physical characteristics, we attained “AAA-a” in the labeling system, the highest grade of rolling resistance and wet grip performance, while successfully improving wear resistance 51% compared to conventional ENASAVE NEXT products. This is the most fuel efficient tire in the DUNLOP brand.

In addition, the ENASAVE SPLT50

tires released in March 2017 for small trucks and buses meet customer demands for life performance and fuel efficiency, realizing high environmental and economic performance. Improving wear resistance through the utilization of new active carbon, life performance is increased more than 1.4 times compared to conventional products and rolling resistance has been reduced by 9% over our standard model.

**Wet grip performance
Highest grade
AAA-a**

**Wear resistance
up 51%**

Note: Compared to our ENASAVE NEXT products



ENASAVE NEXT II



ENASAVE SP LT 50

**Life performance
More than 1.4 times**

Note: Compared to ENASAVE SP LT38

**Rolling resistance
Decreased 9%**

Note: Compared to our standard SP LT33 model



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*1, an international standard covering automotive parts and service parts.

We are actively putting together quality management systems overseas, with the USA Factory receiving ISO 9001 certification in May 2016 and the Turkey Factory conforming to ISO/TS 16949 in December 2016.

*1: 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*1, in order to improve safety even during a puncture while driving, and to make these tires more widespread.

In addition to conventional runflat tires, we sell DUNLOP SP SPORT MAXX 050NEO in Japan, premium runflat tires realizing superior comfort, environmental performance*2 and stability, while also selling FALKEN AZENIS FK453RUNFLAT in Europe, which incorporate our proprietary next-generation new processing method NEO-T01 and 4D NANO DESIGN materials development technology.

*1: Requirement that a runflat tire can go a distance of 80 kilometers at a speed of 80 km/h.

*2: Specified by reduction of tire weight.



Employee Voices



“Letting the World Know About Our Groundbreaking ADVANCED 4D NANO DESIGN”

Dr. Masato Naito (PhD Engineering)
Manager, Research & Development HQ,
Research Department 1

Now that we have gained the ability to rapidly develop the kinds of materials that high-performance tires require, we have been developing and utilizing various new materials in one tire after another since we released our first products to take advantage of this new technology in 2016.

In order to let the world know just how advanced these tires that incorporate our new materials development technology are, we have been actively engaged in showing them off at technical conferences and trade shows in Europe, North America and elsewhere. In February of 2017, our ADVANCED 4D NANO DESIGN was honored with a Tire Technology of the Year Award as an outstanding example of tire development technology.

In the future, we will continue working to contribute to the development of products that will provide greater satisfaction to our customers throughout the world with advanced development technologies that represent the next step forward.

TOPICS

Our ADVANCED 4D NANO DESIGN New Materials Development Technology Receives Tire Technology of the Year Award

Our company’s proprietary ADVANCED 4D NANO DESIGN New Materials Development Technology received the prestigious Tire Technology of the Year Award at the Tire Technology Expo 2017, a tire industry technical conference and trade show that was held in February in Hanover, Germany. We believe this to be a clear sign of the widespread recognition that we have received for our innovative approach to new materials development and our outstanding technical capabilities.

Finalized in 2015, ADVANCED 4D NANO DESIGN is a groundbreaking technology that allows

us to analyze and simulate the complex internal structures and behaviors of rubber materials across a wide range of scales of magnitude. This technology enables us to accurately predict the intricate properties of rubber from multiple facets, thus making it possible to achieve simultaneous improvements in the three key contradictory performance traits of tires: Grip, Fuel Efficiency and Wear Resistance.

In order to achieve such advanced analysis and simulation, ADVANCED 4D NANO DESIGN takes full advantage of some of the world’s most cutting-edge research facilities, including the SPring-8 large-scale synchrotron radiation facility to analyze the internal structures of rubber, the J-PARC proton accelerator and experimental facility to analyze the mobility and behavior of molecules and the K computer, a super-computer boasting a processing speed that is 1,000 times faster than typical enterprise supercomputers.



Awards Ceremony

Kindness *Kindness to Employees*

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

◆ 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.

We conduct trial training for overseas trainees targeting young employees to foster global human resources. One of these employees was dispatched to Thailand for six months beginning in November. Going forward, we plan to expand the number of bases that

accept these trainees, establish a training program and officially introduce it throughout the Company.

◆ Manufacturing Education

At the Shirakawa Training Center managed by the Manufacturing Education Department, in fiscal 2016 we conducted integrated manufacturing education training in Japan and overseas targeting site foremen and young employees in production divisions in which 1,700 employees participated.

Training for site foremen emphasized applying what was learned in training to actual work going forward.

Furthermore, to raise the level of workplace management, we are conducting activities to unify concepts throughout the entire Company, such

as the role of managers and important administration and manufacturing management items, to inculcate them in Japan and at overseas factories.

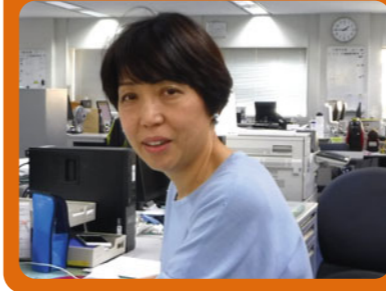
In terms of technical staff, QC education was provided at the Central Training Center in the city of Sanda (Hyogo Prefecture) involving training to ascertain site data at factories and apply QC methods.

We also held technology inspections to solve problems with team activities in line with factory improvement themes. Fiscal 2016 was the 53rd year of these activities, which were conducted at four factories in Japan and five factories overseas.

In fiscal 2016, a total of 238 employees participated in QC education, practical training at factories and technology inspections.



Employee Voices



Becoming Able to Work Confidently in English

Rieko Aizawa

Logistics Department

Since 2016, my job has involved interacting with overseas bases in English. I wanted to receive proper English instruction, so I participated in the English Special Education six-month intensive language course held twice each year. Starting with grammar, I learned English through easily understandable descriptions, logical statements and a variety of scenario-specific expressions through situations involving everyday conversation, business English and even living on an uninhabited island.

Conversing in English became quite natural even in my everyday work duties. I want to further improve my English abilities to be able to communicate more intimately with people around the world.

◆ Conducting Employee Questionnaires

We conduct employee questionnaires once every two years. The sixth such questionnaire, in fiscal 2016, demonstrated high levels of satisfaction with the Company and its future promise, as in previous years.

As previous 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, resulting in a substantial reduction in the amount to which employees felt a sense of burden.

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.

In fiscal 2017, we will enhance operational efficiency and conduct Company-wide activities to innovate workstyles so staff can take on more challenges to create a friendlier working environment.

◆ Dialogue Between Managers and Employees

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

cerns and exchange opinions. At informal roundtable meetings with the President, between 20–30 newly hired 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 three times in fiscal 2016 and attended by 76 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 with opportunities to exchange views with the President and among themselves.



◆ Love Your Work Project

In fiscal 2007, we launched the "Love Your Work" project as an opportunity for employees to perceive work in a positive light and share things they had noticed, as well as their ideas and experiences, with the rest of the Company.

A major component of these activities is having a place for special employee discussions that everyone from executives to Group employees can participate in, encouraging individual employees to reflect on their own work, reinforcing teamwork, motivation and creativity, and helping to invigorate the entire Group.

This year, as we promote workstyle revisions to create a challenging work-culture, we will leverage achievements over the past 10 years to develop activities appropriate for this new stage.



TOPICS

USA Factory Participates in the Skill Olympics for the First Time

The Skill Olympics, which began in October 2009, was held for the eighth time in fiscal 2016. In recent years, many previous participants have taken leadership positions as coaches, resulting in the transfer of skills and the development of human resources, which are objectives of the Skill Olympics.

In addition to participants from the USA factory in 2016, a new process category was added to the competitive category. Going forward, we plan to expand the number of factories and processes involved in the Skills Olympics.

To further promote the transfer of skills, after the awards ceremony, the skills of top performers are showcased by all participants and coaches and a discussion takes place to highlight positive aspects. A DVD of the event is distributed, which is useful for transferring skills at all bases.



15th Skill Olympics competition (making precise holes in a mold without breaking the drill)

SPECIAL TOPICS

Global Human Resource Development

We are enhancing human resource development overseas aimed at employee growth and providing rewarding work and realize products having the same level of quality regardless of which factory makes them at all Sumitomo Rubber Group bases throughout the world.

Specifically, in recent years, guidance and support from the Japan Head Office aims to strengthen human resource development in line with local business and needs.

The SRI Way: Sharing Workstyle Values Globally

The Sumitomo Rubber Group believes it essential to ensure that each employee can fully demonstrate their capabilities for corporate development, thus we are working harder than ever on human resource development. We have inculcated The SRI Way among all employees in Japan and overseas to establish a common starting point for how to proceed with work and shared values and ways of thinking that form the basis of employee behavior and decision-making.

The SRI Way indicates four values important to the Group: “Integrity and Soundness,” “Communication,” “Set the Bar Higher” and “Cultivate People.” 11 action principles based on these values clearly define how one is supposed to act. All of this is based on the Sumitomo Business Spirit continuously handed down over 400 years of Sumitomo history.

Specifically, since 2012, we have focused efforts on spreading



Lecture on The SRI Way (sales company in Germany)



Training activity (Thailand Factory)

The SRI Way at overseas factories. These efforts include adjusting action principles to local cultures and altering expressions based on the universal four values so that they are easily understood by local people, while adding unique principles in light of regional characteristics to advance more effective efforts.

Efforts to Educate Local Employees Enabling the Transfer of Skills Onsite

We are also focusing efforts on meticulous quality training based on The SRI Way to realize products having the same quality regardless of which factory makes them throughout the world.

One of these efforts involves the manufacturing master craftsman system launched in 2013. Skilled foremen are selected from each factory in Japan to visit overseas factories and first conduct factory diagnoses to verify factory conditions. They engage in support activities to correct weak points and problems in terms of improvement activities engaged in by local employees, which leads

to autonomous improvements. Learning how to look for and solve problems and making possible the autonomous implementation of the PDCA cycle has achieved the intended results.

Also, training Japanese employees assigned locally to provide support is also essential for promoting these measures. The Manufacturing Education Department leads efforts aimed at the development and education of overseas factory auditors, overseas supporters and overseas personnel, leading to the global transfer of skills.

Aiming to Improve Technology and Develop Human Resources Able to Manage and Direct

In addition to these activities, in fiscal 2017 we will continue to promote the adoption of a “foreman’s management manual” prepared for the purpose of standardizing labor management in each country, while developing and utilizing various tools including these manuals with the aim of creating a system of instruction that will be completed in the future by local employees.



Guidance based on genchi-genbutsu (seeing things with one’s own eyes) at the Brazil Factory



Training participants at the Changshu Factory (China)



Training participants at the Hunan Factory (China)



Newly appointed manager training (Indonesia Factory)

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.

As a result, in fiscal 2016, there were no major accidents requiring time off at factories in Japan and only 11 incidents throughout the entire Group (down 31%) an improvement over the previous fiscal year. However, small accidents such as injuries while walking and pinched fingers caused by carelessness increased to a total of 74 incidents (up 12%), worse than in the previous year.

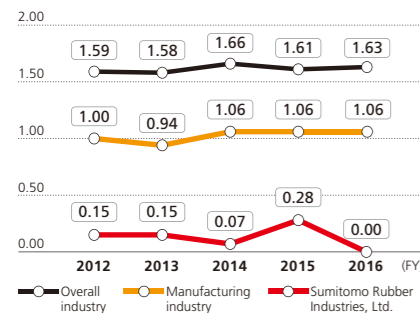
As in fiscal 2016, priority activities in fiscal 2017 will establish the creation of safe people and workplaces.

In addition to voluntary safety activities by individuals, we will communicate workplace safety activity know-how



Past accident education at morning meeting

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 x 1,000,000/Total work hours

throughout the entire Company and promote the creation of a workplace environment and culture that protects employee safety by engaging in voluntary optimized activities in each workplace.

◆ 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 2016, 67,941 employees participated in our regular occupational safety and health training. We conducted experiential safety training to demonstrate just how frightening an accident at machinery being operated every day can be. A total of 46,208 people took part in this training during the year. In response to requests from regional companies and schools, this training was also conducted for an additional 2,035 people.

In fiscal 2017, to avoid accidents, we will not limit the communication of workplace safety activity know-how to individuals, but incorporate it into small group activities throughout the entire Company to promote the creation of a workplace environment and culture that protects employee safety by engaging in voluntary optimized activities in each workplace.



Experiential training demonstrating the danger of getting fingers caught in machinery

◆ Promoting Health Management

We were certified under the 2017 Certified Health and Productivity Management Organization Recognition Program promoted by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi in February 2017. This certification was granted in recognition of our efforts toward thorough regular medical examinations, the promotion of specific health guidance, the prevention of lifestyle diseases and other disorders and expanded mental health care options.

Having established a Health Management Office in January 2017, we will continue our aim to realize health management.

◆ Preventing Lifestyle-Related Diseases

Through collaboration between Sumitomo Rubber Industries and a health insurance association, we are increasing our rate of specific health guidance for employees aged 40 years or older from 22.3% in fiscal 2014, to 20% in fiscal 2015 and an expected 30% in fiscal 2016. We sent materials on lifestyle improvements to people in their 30s in the preliminary stages of metabolic diseases again in fiscal 2016. Regarding dependents, we introduced mobile medical examinations, which caused rate of specific health checks to increase 2%. Cancer screening subsidies will also increase from ¥3,000 to ¥6,000 to encourage consultations.

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 2016, we sought to eliminate harmful passive smoke and make it more difficult for employees to smoke by moving designated smoking areas to outdoor locations. At present, four bases are entirely smoke free indoors. In addition to Company-wide no smoking day on May 31, we will increase the number of non-smokers by through outpatient treatment for smoking cessation, no-smoking seminars and other measures.



Workshop for thinking about tobacco by a smoking cessation clinic physician

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 95% of 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 eight 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. Employees can also choose not to be subject to a workplace transfer, giving them more flexibility in how they balance their jobs and home life.

We will continue to expand and implement systems that create a work environment that meets the specific lifestyle needs of employees.

Kurumin certification as a company that supports child-rearing



Employee Voices



Initiatives Enabling Further Participation by a Diverse Range of Employees

Akari Uesugi

Material Research & Development HQ,
Material Planning Department

Our Company maintains a variety of systems in place to support a balance between work and home life. I myself am currently raising a two-year old boy while working, so for 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.

Promoting Diversity

◆ Expanding Women's Occupational Range

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 this end, 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.

The daycare support system and other measures introduced in fiscal

2015 have gained a strong reputation, resulting in our recognized as a company that is proactively engaged in promoting women and improving the workplace

environment by the Hyogo Council for the Promotion of Active Participation by Women in March 2016.



Hyogo Women's Active Participation Award ceremony

Respect for Human Rights

◆ Basic Perspective on Consideration for Human Rights

The Sumitomo Rubber 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.

We distributed handbook on human resources and occupational management to all managers and held training sessions and lectures 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.

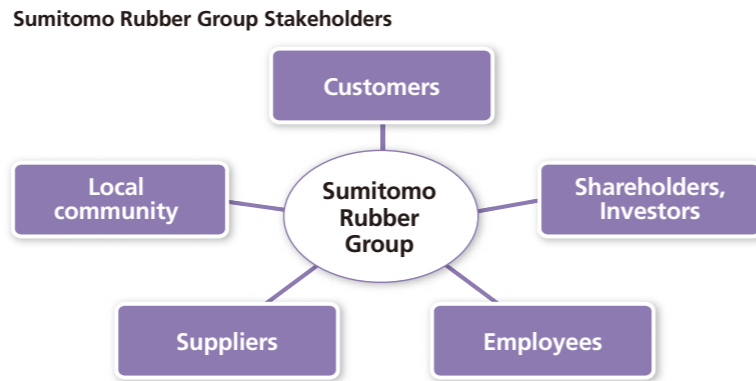
Integrity

Integrity for Stakeholders
Integrity for stakeholders

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 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

positioned 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

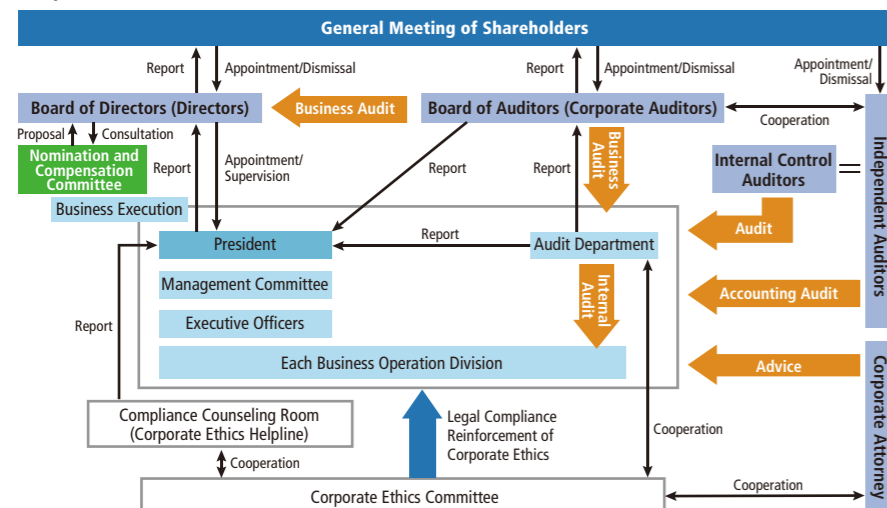
2015 we have operated a Nomination and Compensation Committee comprised of a majority of external directors with an external director as the chairman, which operates as an advisory body to the Board of Directors in an attempt to improve objectivity and transparency in procedures related to the nomination 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 2016, we confirmed the status of responses to critical risks throughout the Group, including at overseas bases, which were shared among management level employees. In fiscal 2017, we will enhance these activities, sharing critical risks among management level employees through a reassessment of Groupwide risks.

Corporate Governance Structure



Governance From an External Director's Perspective

Proactively Offering Advice and Raising Issues from the Perspective of "Global Manufacturing"

At Sumitomo Electric Industries, Ltd., up to now we have been engaged in the manufacture of auto parts and other products as well as the global expansion of production bases. Although Sumitomo Rubber is a company in the same field as automobile manufacturers, each of its businesses operate independently.

Among the diverse array of independent external directors, my role is to leverage my experience up to now to offer advice and raise issues from a technical position and perspective with regard to “global manufacturing.” In particular, I am also focused on Sumitomo Rubber’s environmentally friendly

product lines, such as the ENASAVE series, which have a strong reputation throughout the world. I ask for detailed explanations of new products and technologies, and offer advice from a technical perspective.

Since fiscal 2016, the Board of Directors receives briefings on division policies and measures directly from the general managers in each business division, facilitating a deeper understanding with regard to management and the creation of an environment enabling more precise management guidance and proposals, which I feel results in livelier Board of Director meetings.



Fumikiyo Uchioke
External Director

Ensuring 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.

Once again In fiscal 2016, 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.

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



Compliance seminar at overseas affiliate

◆ 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 2016 we held training for managers on a number of topics, including a lecture on compliance-related points to bear in mind and countermeasures within recent overseas transactions, 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 2016, we continued to inculcate knowledge through “targeted attack email” practical drills conducted in the previous fiscal year.

Furthermore, we formed SRIG-CSIRT, an information security countermeasures team, to conduct reviews of information security countermeasures and respond to accidents.

Promoting Dialogue with Stakeholders

◆ Enhancing Products and Services for Customers

Tire Business:

Improving Customer Service Skills

We held the 11th Annual National Customer Service Skills Contest at Company stores to improve customer service capabilities. The 10 contestants who passed the grueling nationwide preliminary round demonstrated their intimate knowledge of the "Tire Concierge" iPad app, in its third year of use since being released in fiscal 2016. As skill levels rise, so do expected judgements of further progress.

The key factor was the degree to which the contestants were able to provide customers with polite and



National Customer Service Skills Contest

easily understandable explanations. The contest was won by Daisuke Ikenoshima of DUNLOP TYRE CHUO Co., Ltd., Tire Select Shin-Yokohama, for his smooth response to customer needs, his ability to bring a smile to the customer's face and his extremely polite and pleasant nature. Going forward, we plan to deploy Tire Concierge in other types of industries.

Sports Business: Customer Support

With the aim of improving customer satisfaction and creating more Dunlop fans by obtaining feedback from a greater number of customers, Dunlop Sports Co., Ltd., established the Customer Service Office and After Service Centers as a direct link between the Company and customers. Also, information received is rapidly deployed for use in product development and quality improvements aimed at customer satisfaction.

In fiscal 2016, we established a new hotline specifically for tennis products in September to create a system able to incorporate more customer feedback.

We aim to go beyond golf-related products to further enhance the value of the DUNLOP brand overall.

Industrial and Other Products Business: Information Provision

Dunlop Home Products Ltd., a manufacturer of gloves and other daily products 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 ongoing distribution of product information on 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.

2017, we plan to conduct CSR questionnaires and hold CSR briefings for the third time.

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

In accordance with the spirit of Sustainable Natural Rubber Initiatives (SNR-i) proposed by the International Rubber Study Group, we will request cooperation from suppliers leading to improvements.

questionnaires two times at approximately 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. In fiscal

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

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 2016, the fund donated a total of 6.96 million yen to 32 organizations located in six Japanese prefectures: Fukushima, Tokyo, Aichi, Osaka, Hyogo, and Miyazaki, as well as one organization in Thailand, our first ever donation overseas.

◆ CSR Commendations



Directors present CSR commendations to recipients

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

◆ Activities Closely Connected with Local Communities

The Sumitomo Rubber Group promotes social contribution activities closely connected to local citizens living near our factories. Employees join together to engage in projects promoting exchanges with local residents to deepen relationships of trust and resolve issues by cultivating an environment enabling mutual understanding.

When an earthquake struck Kumamoto in April 2016, Company (Sumitomo Rubber and Dunlop Sports) and

Group employees donated ¥6,413,118 to the affected areas through the Japanese Red Cross Society. In terms of recovery support volunteer activities, between May 21 and July 31, a total of 63 employees from the Miyazaki Factory and Dunlop Golf Club Factory assisted with cleaning at evacuation centers and the distribution of cooked rice. Their efforts toward the disposal and transportation of waste and debris from damaged houses garnered words of appreciation from local residents, making the activity very meaningful for those who participated.

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

The Voice of Our Stakeholders



Connecting Victims and Volunteers with the Aim of Reconstructing Kumamoto

Naoko Nakashima

Community Welfare Manager
Social Welfare Service Corporation Mifune Social Welfare Council (Kumamoto Prefecture)

After the Kumamoto earthquake, Sumitomo Rubber Industries sent many disaster volunteers who assisted with debris removal and house cleaning. With support from across Japan, we are slowly but steadily rebuilding.

Even though they are called disaster volunteers, victim needs will change overtime. We will disseminate information on current challenges and demands to continue fulfilling our role of connecting victims and volunteers.

TOPICS

Miyazaki Factory Receives the Prime Minister's Commendation for Distinguished Activities Promoting Greening

The Miyazaki Factory received the Prime Minister's Commendation for Distinguished Activities Promoting Greening, which honors companies and other organizations for noteworthy achievements in promoting and spreading awareness of greening initiative activities.

The Miyazaki Factory conducts eco-friendly initiatives including (1) factory greening initiative activities (planting trees in nearby residential streets in consideration of the site environment and the handmade creation of a biotope by employees), (2) community collaboration activities (acorn cultivation and sapling donations, seed preservation activities through the cultivation of type II endangered species Echinops setifer that are planted in the community and at elementary schools) and (3) improvement of employee environmental awareness (in-house green curtain contests, participation in regional volunteer activities).

Going forward, we will continue to contribute to society and the environment through green initiatives and biodiversity preservation activities.



Award ceremony

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. <http://www.srgroup.co.jp/english/csr/>

(Number of employees as of December 31, 2016)

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



Donated cherry seedlings to the Tohoku Sakura Live Project.

Nagoya Factory	Toyota City, Aichi Prefecture
Number of Employees	1,363
Opened	1961
Main Products	Automobile tires, motorcycle tires



For approximately three weeks from the beginning of May, firefly viewing is conducted in the biotope located on the factory premises with neighboring residents to deepen interactions with the local community.

Izumiotu Factory	Izumiotu City, Osaka Prefecture
Number of Employees	391
Opened	1944
Main Products	Automobile tires, agricultural equipment and industrial vehicle tires, rubber parts for medical applications



Received a letter of appreciation from the Izumiotu City Board of Education and a nearby elementary school for ongoing neighborhood watch activities that look after children on their way home from school.

Hunan Factory (China)	Hunan, China
(Sumitomo Rubber (Hunan) Co., Ltd.)	
Number of Employees	857
Opened	2012
Main Products	Automobile tires



Regularly conducts safety activity briefings and education for nearby companies and schools.

Thailand Factory	Rayong, Thailand
(Sumitomo Rubber (Thailand) Co., Ltd.)	
Number of Employees	6,739
Opened	2006
Main Products	Automobile tires, motorcycle tires, agricultural equipment and industrial vehicle tires



Conducted tree planting activities with the aim of instilling environmental awareness among students and local citizens.

Brazil Factory	Paraná, Brazil
(Sumitomo Rubber do Brasil Ltda.)	
Number of Employees	1,272
Opened	2013
Main Products	Automobile tires



Included in a list of the top 35 companies to work for in the state of Paraná, part of the Great Place to Work® ranking of companies offering rewarding work announced by the Institute Brazil in 2016.

Miyazaki Factory	Miyakonojo City, Miyazaki Prefecture
Number of Employees	1,437
Opened	1976
Main Products	Automobile tires



Participated in voluntary accompaniment at RUN TOMO 2016, an event where people and family members with dementia run a marathon while tethered to a supporter.

Ichijima Factory	Tamba City, Hyogo Prefecture
Number of Employees	214
Opened	1996
Main Products	Golf balls



Conducted a careful investigation of biotope water quality and released an endangered species, the Japanese eight-barbel loach, into the biotope.

Kakogawa Factory	Kakogawa City, Hyogo Prefecture
Number of Employees	479
Opened	1972
Main Products	Rubber parts for medical applications, precision rubber parts for office equipment, vibration control dampers, marine fenders, rubber gas tubes



We planted 75 sawtooth oak, konara oak and Japanese blue oak saplings in the No. 2 GENKI Forest.

South Africa Factory	KwaZulu-Natal Province, South Africa
(Sumitomo Rubber South Africa (Pty) Limited)	
Number of Employees	1,347
Opened	1973
Main Products	Automobile tires



Employees conduct a free tutorship program for local students focused on mathematics and science, two important subjects in South Africa.

Turkey Factory	Cankiri Province, Turkey
(Sumitomo Rubber AKO Lastik Sanayi ve Ticaret A.S.)	
Number of Employees	1,111
Opened	2015
Main Products	Automobile tires



Conducted tree planting activities for the first time to reduce flying dust and increase the amount of foliage at the factory as one part of Green Initiative activities.

USA Factory	New York, United States
(Sumitomo Rubber USA, LLC)	
Number of Employees	1,233
Opened	1993
Main Products	Automobile tires, motorcycle tires



Continued to conduct charitable activities carried out for more than 10 years that aim to make the dreams of children with incurable diseases come true. In 2016, this factory was awarded the Group CSR Grand Prize.

Dunlop Retread Service Co., Ltd.	Ono City, Hyogo Prefecture
Number of Employees	55
Opened	1972
Business Outline	Manufacture/sale of retread tires



Employees participated in the 11th Self-Defense Fire Fighting competition of the Ono City Fire Brigade as part of efforts to raise fire prevention awareness in Ono City.

SRI Engineering Ltd.	Kakogawa City, Hyogo Prefecture
Number of Employees	173
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.

Nakata Engineering Co., Ltd.	Kobe City, Hyogo Prefecture
Number of Employees	137
Opened	1914
Business Outline	Design/manufacture/sale of machines and equipment for the manufacture of rubber products



Employees sorted 37,988 Bell Mark logos according to sponsoring company once each week for approximately one year.

Thailand Factory	Natural Rubber Processing, Udonthani, Thailand
(Sumirubber Thai Eastern Corporation Co., Ltd.)	
Number of Employees	287
Opened	2010
Main Products	Natural rubber products



Conducted tree planting activities with children at an elementary school.

Thailand Factory	Tennis Balls, Prachinburi Province, Thailand
(Srixon Sports Manufacturing (Thailand) Co., Ltd.)	
Number of Employees	357
Opened	2007
Main Products	Tennis balls



Planted 1,500 trees in nearby Wang Takhian Village alongside students, villagers and local authorities.

Malaysia Factory	Kedah, Malaysia
(Sumirubber Malaysia Sdn. Bhd.)	
Number of Employees	664
Opened	1981
Main Products	Rubber gloves, Flat tire repairing agent



Conducted mangrove planting activities for the first time.

Dunlop Golf Club Corp.	Miyakonojo City, Miyazaki Prefecture
Number of Employees	240
Opened	1989
Main Products	Golf clubs



Volunteers participated in support efforts after the Kumamoto Earthquake.

Indonesia Factory	Karawang Regency, Indonesia
(P.T. Sumi Rubber Indonesia)	
Number of Employees	3,664
Opened	1997
Main Products	Automobile tires, motorcycle tires, golf balls



Textbooks were donated to elementary schools near the factory.

Changshu Factory (China)	Jiangsu, China
(Sumitomo Rubber (Changshu) Co., Ltd.)	
Number of Employees	2,400
Opened	2004
Main Products	Automobile tires



A Faculty Encouragement and Student Scholarship Fund was established with the aim of supporting nearby elementary school teachers and students.

Zhongshan Factory (China)	Guangdong, China
(Zhongshan Sumirubber Precision Rubber Ltd.)	
Number of Employees	464
Opened	2001
Main Products	Precision rubber parts for office machines



Funds were collected in-house and donated as support to areas damaged in the Kumamoto Earthquake.

Vietnam Factory	Hai Phong City, Vietnam
(Sumirubber Vietnam, Ltd.)	
Number of Employees	1,070
Opened	2007
Main Products	Precision rubber parts for office equipment



Saplings cultivated onsite were donated to a nearby elementary school where they were planted.

Switzerland Factory	Switzerland, Canton of Aargau
(Lonstroof AG)	
Number of Employees	165
Opened	1908
Main Products	Rubber parts for medical applications, industrial rubber parts



Employee volunteers participated in a Red Cross blood drive to acquire first aid credentials.

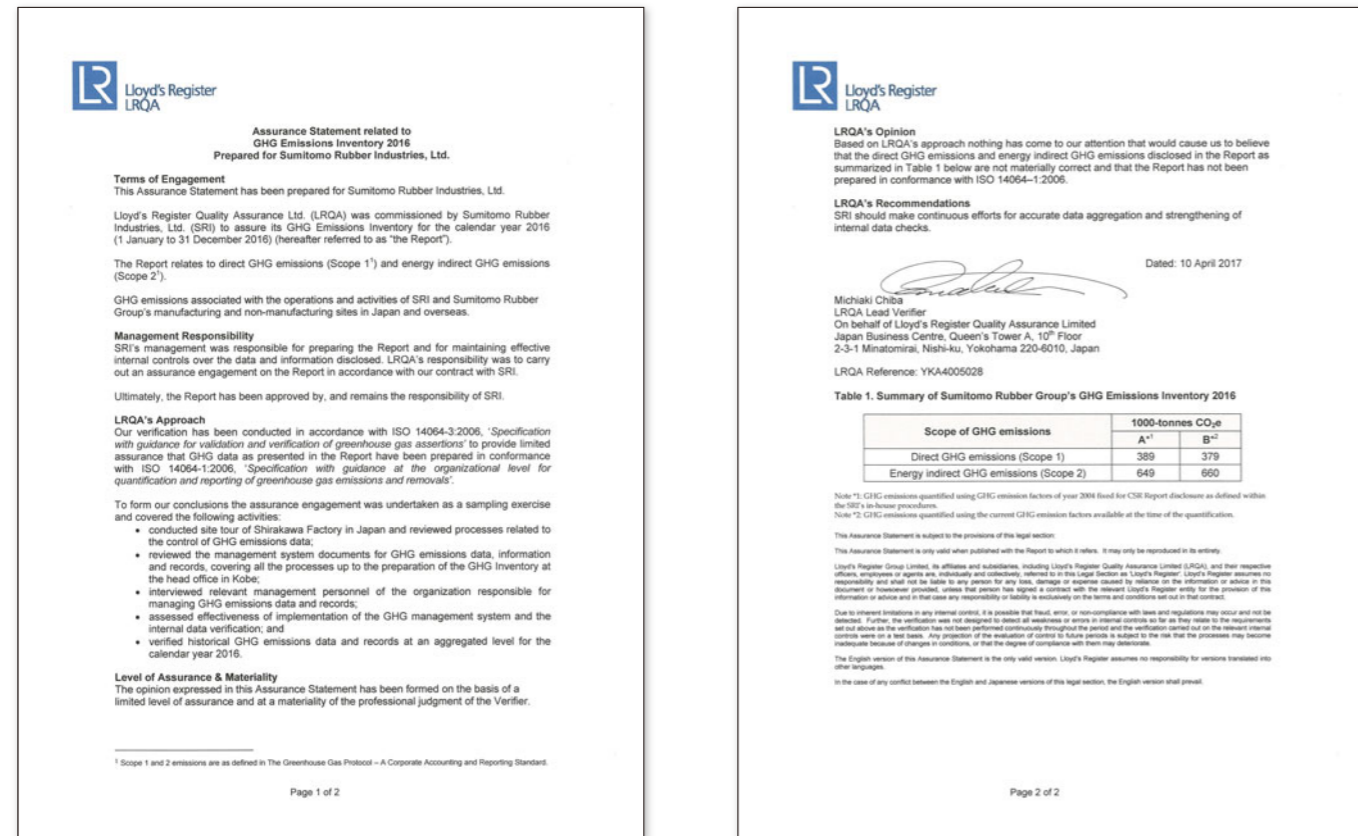
Independent Verification Report

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

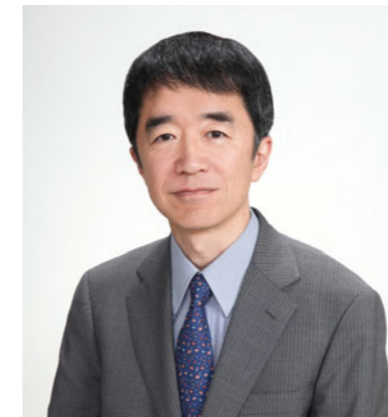
Data marked with a © (pages 23, 29, 31) has been verified.

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

1. Total global CO₂ emissions and emissions per unit
Criteria: ISO 14064-1
2. Amount of water used, wastewater, and waste discharged (excluding valuable substances for recycling)
Criteria: LRQA's Report Verification (pursuant to ISAE3000, AA1000AS, and GRI)



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.).

Economic Value and Social Value

Sumitomo Rubber's pursuit of both economic and social value is evident in President Ikeda's message and throughout this entire report. This is a very laudable goal, and I hope the Company achieves great results. To this end, it is important to increase social value, which will enable a virtuous cycle that also increases economic value. Above and beyond maintaining and appropriate profit ratio, the key to increasing social value and further increasing economic value overall is strategic CSR.

Internationalization and CSR

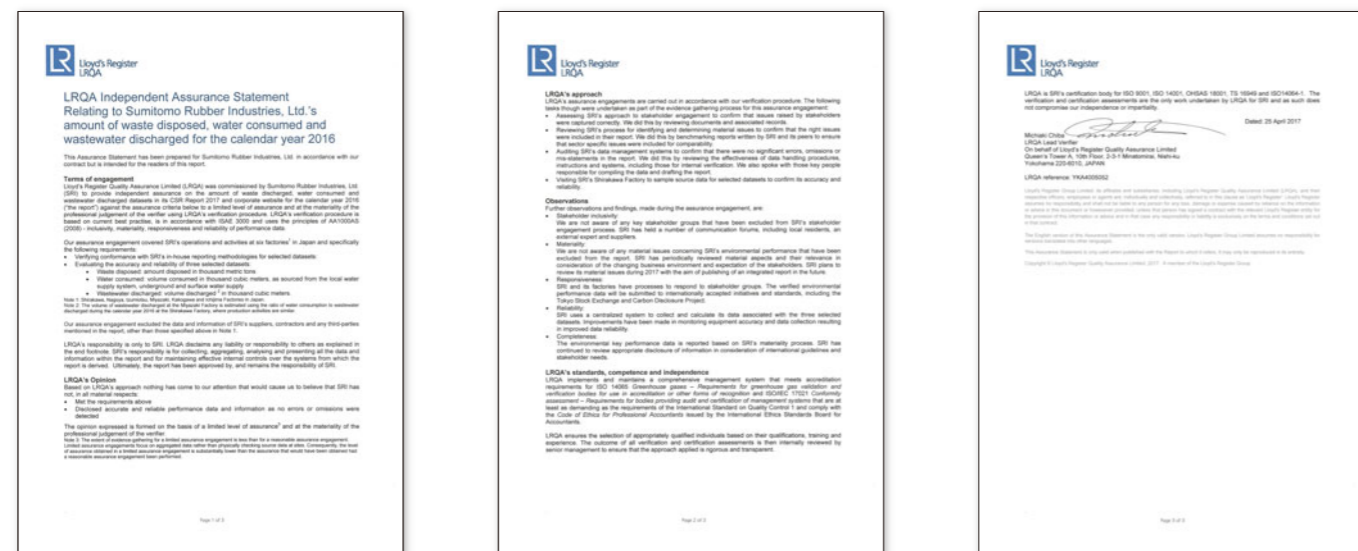
Sumitomo Rubber is adamant about creating value through a three-region global management structure in accordance with local characteristics. To contribute to regional development through the deployment of various activities, increase social value and connect both to the enhancement of economic value, initiatives must be long-term and strategic in focus. Different international regions have different social issues, thus Sumitomo Rubber must quickly create a mechanism for global CSR deployment. CSR management systems are not only for the promotion of activities, they are also a means of inculcating the Sumitomo Business Spirit as well as a way to cultivate a sense of unity among global business activities. I look forward to the Company's fulfillment of these important roles.

Importance of the Supply Chain

In recent years, the importance of CSR in the global supply chain has been on the rise. This pertains not only to the negative aspects of the supply chain, such as human rights issues and environmental destruction, but also to positive aspects including supply chain cooperation that increases environmental and social value. In terms of rubber procurement, Sumitomo Rubber makes an effort to create supply chains in harmony with the environment and society. I also applaud the Company for its efforts toward listening to the opinions of suppliers as critical stakeholders. I would like to see them further expand these activities.

Strengthening "Checks" and "Actions" Within the PDCA

The Plan-Do-Check-Act (PDCA) cycle applied to CSR activities by Sumitomo Rubber is quite robust compared to other companies. In particular, reviews conducted during the Plan phase, including materials analysis, are especially noteworthy. Going forward, I think the Company will be required to enhance the Check and Act phases, which constitute the feedback system within the PDCA cycle. Sumitomo Rubber is proficient at achieving objectives as a result of the Do phase, but I think they need to go a step further and incorporate a feedback function to ensure these results are truly achieving the intended objectives. So doing, they will rise even higher towards a near perfect level.



Response to Third-Party Comments

I would once again like to thank Professor Kokubo for always providing us with pertinent advice and generous evaluations. I agree we must maintain a constant awareness that CSR activities are the basis for enhancing social value, which in turn increases economic value, while maximizing this strategy to the fullest extent possible. The advice indicating that we should "create a mechanism for global CSR development that takes regional characteristics into consideration" and "promote CSR activities alongside suppliers" provides us with specific measures that help us think more deeply about these issues. Underpinning all this advice is understanding stakeholder needs, thus we will enhance the effective execution and transparency of our activities to provide a well-balanced response.



Toshihiko Komatsu
Executive Officer in charge of Human Resources

Honors and Certifications from Outside Organizations

Green *Green initiative*

- The Dunlop Sports Co., Ltd., Ichijima Factory was awarded the Ministry of Economy, Trade and Industry Minister's Prize for Factory Green Initiatives (photo)
- The Head Office received a letter of appreciation from the Osaka Prefectural Port Director for activities conducted in district No.7-3 of Sakai City
- The Miyazaki Factory received the Prime Minister's Commendation for Distinguished Activities Promoting Greening



Ecology *Ecological process*

- Turkey Factory acquired ISO 14001 and OHSAS 18001 certification
- Sumitomo Rubber Group transitioned to ISO 14001: 2015 edition
- Thailand Natural Rubber Processing Factory awarded "Thailand's Best Factory Award" for fiscal 2016 (photo)



Next *Next-generation product development*

- New materials development technology ADVANCED 4D NANO DESIGN received the 28th Society of Rubber Science and Technology Japan Award (photo)
- New materials development technology ADVANCED 4D NANO DESIGN received "Tire Technology of the Year" Award at "Tire Technology Expo 2017" in Europe



Kindness *Kindness to employees*

- Received the 2016 Kurumin next-generation certification mark
- Selected for the 2016 Hyogo Corporate Supporter of Women's Active Participation award
- Sumitomo Rubber certified as an Excellent Enterprise of Health and Productivity Management 2017 (photo)
- Miyazaki Factory awarded the Governor's Prize for Promoting Health and Longevity



Integrity *Integrity for stakeholders*

- Shirakawa Factory received a Special Prize in the first Fukushima Economy, Industry and Monodzukuri Awards (photo)
- Received Prize for Science and Technology in the "2017 The Commendation for Science and Technology by the Minister of Education, Culture, Sports, Science and Technology"
- Received a letter of appreciation from the city of Izumiotsu for GENKI activities in the Izumiotsu area
- Izumiotsu Factory recognized as an Organization that Successfully Protects Rivers by Osaka Prefecture



Editorial Policy

The Sumitomo Rubber Group has been conducting CSR activities in five key areas represented by the GENKI acronym (see pages 19) 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 2016.

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 "Creating Value with a Three-Region Global Structure" and "Exploring Natural Rubber."

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 June 2017).

■ Target Readers

Customers, employees, shareholders/investors, business partners, local communities, general consumers, NPOs/NGOs, administrative agencies

■ Companies Covered by the Report

Focused on the six factories operated by Sumitomo Rubber Industries, Ltd. and Dunlop Sports Co., Ltd., in Japan, including some information on bases and affiliates in Japan and overseas.

Referenced Guidelines

- Sustainability Reporting Guidelines Version 4, published by the Global Reporting Initiative (GRI)
- Environmental Reporting Guidelines (Fiscal 2012 edition), published by the Ministry of the Environment

■ Period of the Report

Fiscal 2016 (January 1, 2016 to December 31, 2016), with some information from outside of this period

■ Publishing Date

May 2017 (planned publishing date for the next edition: May 2018)

■ 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



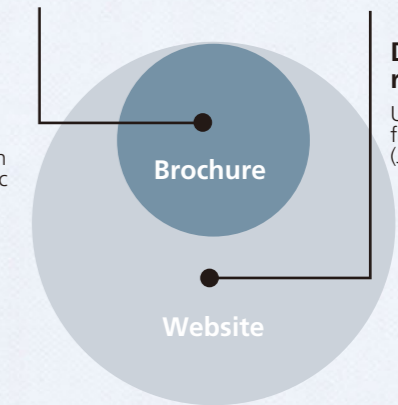
Reporting centered around our stakeholders and environment <http://www.srigrp.co.jp/english/csr/>

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. ➡Page5-6
- We introduce concrete examples of actions toward the practice of our long-term vision slogan "Go for NEXT" from the viewpoint of global management and technology development. ➡Page 11-18
- We introduce the materiality identification process and our prioritization of important issues in addition to reporting on stakeholder characteristics and methods of dialogue. ➡Page21-22
- On our CSR activities report pages, we make an effort to provide reporting that takes into consideration the concerns of our readers and society with detailed content related to global human resource development. ➡Page37-38