

Sumitomo Rubber Group Report 2018

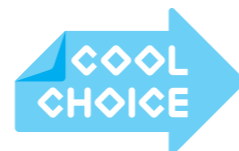


SUMITOMO RUBBER GROUP

SUMITOMO RUBBER INDUSTRIES, LTD.

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SUMITOMO RUBBER INDUSTRIES, LTD.

SUMITOMO RUBBER INDUSTRIES, LTD.



Tire Business

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



Sports Business

The Sumitomo Rubber Group is pulling together in efforts to fulfill all sorts of social responsibilities and at the same time contribute to creation of a sustainable society with our future-oriented high technical skills and research and development capabilities and continue to be truly valuable for people, society and communities.



Industrial and Other Products Business

Section 1

Overview of the Sumitomo Rubber Group

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Editorial Policy	The Sumitomo Rubber Group issues the "Sumitomo Rubber Group Reports," starting from this fiscal year with the 2018 version, in order to comprehensively present the Group's activities by integrating the "Annual Report" that has reported the management strategies and financial information and the "CSR Report" that has reported social contribution efforts through our business. Basic corporate information and detailed data not covered in this report are available on the Company's website.
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. (merged into Sumitomo Rubber Industries, Ltd. on January 1, 2018) in Japan, including some information on bases and affiliates in Japan and overseas.
Referenced Guidelines	<ul style="list-style-type: none"> • "Sustainability Reporting Standards" published by the Global Reporting Initiative (GRI) • "Environmental Reporting Guidelines (Fiscal Year 2012 Version)" published by the Ministry of the Environment
Period of the Report	Fiscal 2017 (January 1, 2017 to December 31, 2017), with some information from outside of this period
Publishing Date	May 2018 (planned publishing date for the next edition: May 2019)
Third-Party Comments	Comments from an expert are included in order to adopt an objective perspective on the report. (See page 64.)

Section 2

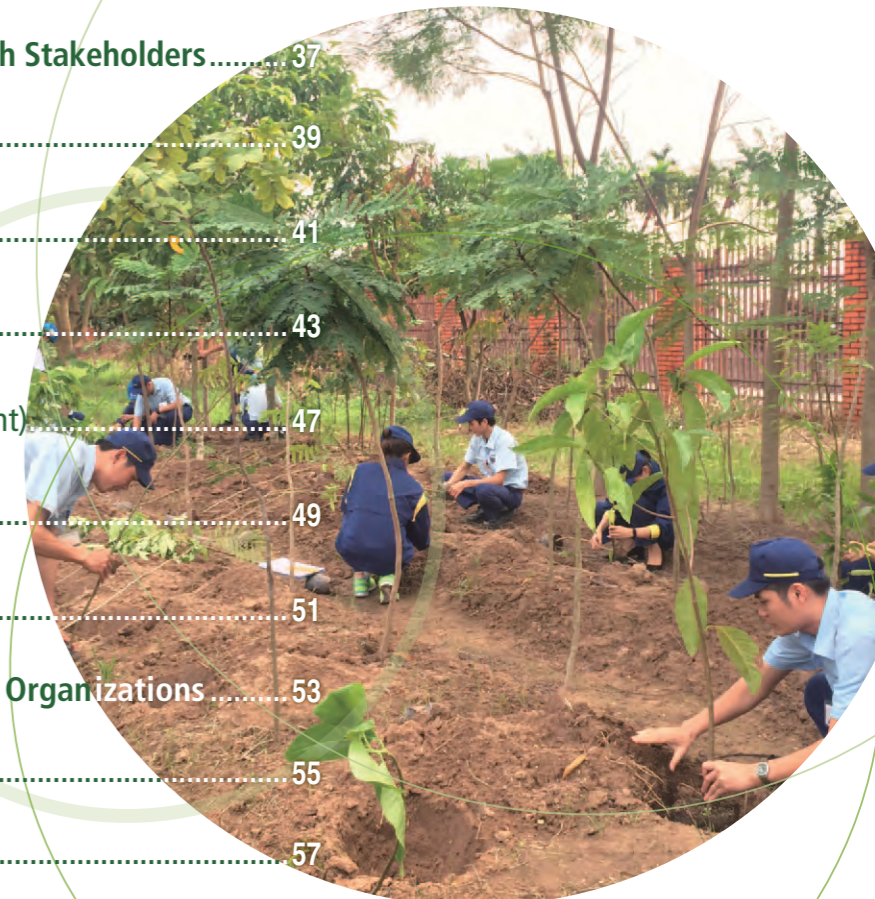
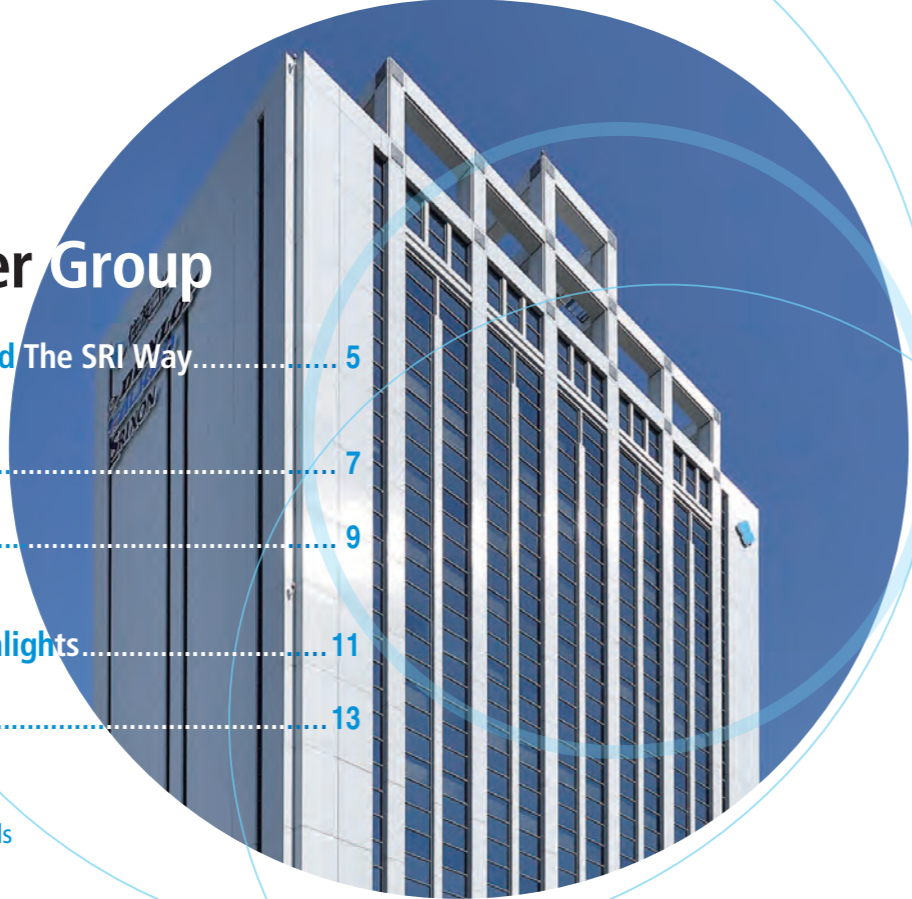
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As a promising and reliable global company that makes significant contributions to improving both communities and society

The Sumitomo Rubber Group upholds "The SRI Way" in order to implement the corporate philosophy. "The SRI Way" consists of "Values" and "Action Principles" for all of our employees to realize the "corporate philosophy" and the "management vision" in their day-to-day work, and the "Sumitomo Business Spirit." "Values" indicate four values, namely, "Integrity and Soundness," "Communication," "Set the Bar Higher" and "Cultivate People" in line with the Company's theme of "What do we consider important?" "Action Principles" based on these values clearly define "How should we act?" All of this is based on the "Sumitomo Business Spirit" continuously handed down over 400 years of Sumitomo history.

Origin of the Sumitomo Business Spirit

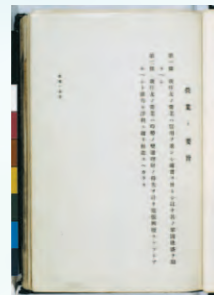
Masatomo Sumitomo, founding father of the Sumitomo family, left a letter titled "Monjuin Shiigaki" to explain the principles of doing business. His teachings have been passed down over 400 years as the business spirit of Sumitomo, passing through the latter-day "Business Principles," and have supported management of the Sumitomo Group. The "Sumitomo Business Spirit" reflects Sumitomo's strong sense of mission and commitment to improving society: "our business is not only for the benefit of Sumitomo, but for the benefit of the nation and society as well," and serves as the foundation for the Corporate Philosophy of the Sumitomo Rubber Group.

The Sumitomo Business Spirit

- Integrity and Soundness
- A Company Is Its People
- Esteem for Technology
- Mutual Prosperity



Monjuin Shiigaki* (around 1650)



Business Principles* (established in 1928)

*Archived at Sumitomo Historical Archives

The SRI Way

Sumitomo Rubber Group Corporate 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.

Values	Action Principles
Integrity and Soundness	● Customer first
	● Genchi-Genbutsu
	● Scientific approach
Communication	● Continuous improvement
	● Get to Know One Another
	● Face to face communication
Set the Bar Higher	● Report, liaise and consult across all levels
	● Problem Awareness
Cultivate People	● Set Benchmarks
	● Teach/Learn by Doing (OJT)
	● Achieve Results through Teamwork

CSR of the Sumitomo Rubber Group

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.

CSR Guidelines

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

History and Long-Term Vision of the Sumitomo Rubber Group

To be a corporate group that continues to provide the World's Best Value in all areas of our business

In 2012, the Sumitomo Rubber Group established a long-term vision, "VISION 2020," that lays out its corporate targets to "become a true global player with high profits and rapid growth" and "pursue increased value for all stakeholders and greater happiness for all employees" by 2020.

In 2017, it also formulated a five-year medium-term management plan that starts in fiscal 2018.

Under the theme of "aiming to become a true global player by expanding sales revenue and business profit in overseas markets," the Sumitomo Rubber Group will push forward with efforts to build a solid foundation for growth.

History of the Sumitomo Rubber Group

1909 Dunlop U.K. established Japan's first modern rubber factory and commenced its operation.



Japan's first automobile tire

1913 Started production of automotive tires. Produced Japan's first automotive tire.

1935 Started production of motorcycle tires.

1954 Developed Japan's first tubeless tire.

1960 The Sumitomo Group began capital participation.

1963 Sumitomo assumed management of the company. Changed name to Sumitomo Rubber Industries, Ltd.

1964 Started production of golf clubs.

1966 Started production of the "SP3," Japan's first radial tire.



SP3

1981 Commenced operation of the Malaysia Factory.

1982 Released "LE MANS 24," steel radial tires.



LE MANS 24

1983 Gained full management independence from Dunlop U.K. by acquiring the shares held by the firm. Announced a new brand "FALKEN."

1984 Acquired six plants in the U.K., Germany and France and the Dunlop Tyre

1986 Acquired Dunlop Tire Corporation in the U.S. Completed Okayama Tire Test Course.

1997 Commenced operation of the Indonesia Factory.

1998 Newly developed "Digi-Tyre" using the digital rolling simulation

1999 Formed global alliance in the tire business with The Goodyear Tire & Rubber Company in the U.S.

2000 Released first-generation "XXIO" golf clubs and

2001 Commenced operation of the Zhongshan

2003 Merged with The Ohtsu Tire & Rubber Co.,

2004 Commenced operation of the Changshu Factory in China.

2006 Commenced operation of the

2007 Acquired Cleveland Golf.

2009 Celebrated the the Tire Technical

2012 Commenced "MIRAIE,"

2013

2014

Released "ENASAVE NEXT," tire with 50% less rolling resistance.



ENASAVE 100

Commenced operation of the Brazil Factory and the South Africa Factory and released "ENASAVE 100," a 100% fossil resource-free tire.

operation of the Hunan Factory in China and released vibration control units for housing.

Company's 100th anniversary and completed Center.

Thailand Factory and the Vietnam Factory.

Ltd.

Factory in China.

golf balls.



First-generation XXIO

technology.

Technical Division in the U.K.



FALKEN (the brand's first tire)

2018 Integrated Sumitomo Rubber Group's sports business.

2017 Acquired the DUNLOP brand overseas business, commenced operation of the USA Technical Center and European Technical Center, and announced the "SMART TYRE CONCEPT," a new technology development concept.

2016 Released "ENASAVE NEXT II" that adopts the new materials development technology "ADVANCED 4D NANO DESIGN."

2015 Acquired "Lonstrott Holding AG," a Swiss manufacturer of rubber parts for pharmaceutical packages, dissolved the alliance agreement and joint ventures with The Goodyear Tire & Rubber Company in the U.S. in the tire business, and commenced operation of the Turkey Factory.

- VISION 2020 Action Slogan -

Go for NEXT

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

Growth Engines / New Challenges to Achieve Our Goals

Challenges of New Markets

Insatiable Drive for Innovation

Entering New Business Fields

The World's Best On-Site Operational Skills, Research and Development Capabilities and Technical Skills

No.1 Profitability in Our Industry

The SRI Way

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

Creating Both Economic Value & Societal Value

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

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

Announcing a Visionary New Technological Development Concept & Expanding Our Sports Business

In our Tire Business, the Sumitomo Rubber Group has long been actively engaged in developing and expanding sales of environmentally friendly tires. Then, in 2017, we unveiled our "SMART TYRE CONCEPT(*)," a new technology development concept that aims to develop truly groundbreaking tires that will achieve a whole new level of Environmental Performance and Safety Performance. Our Tire Business will continue working to bring our SMART TYRE CONCEPT to fruition as soon as possible so that we may further enhance our value to society, while at the same time developing new products with high added value for speedy delivery to market.

In other news, the Sumitomo Rubber Group acquired the trademark rights to the DUNLOP brand from Sports Direct International in 2017, alongside the company's sporting goods business and licensing business. Following this move, our Group integrated DUNLOP Sports into Sumitomo Rubber Industries at the beginning of 2018. Moving forward, we will take full advantage of the corporate resources of Sumitomo Rubber Industries (including our strong financials and cutting-edge materials development and R&D capabilities) and DUNLOP Sports (including talented staff who are well versed in the sporting goods industry) as we work to enhance the value of the DUNLOP brand while expanding our Sports Business. In addition, with the recent implementation of our Trilateral Global Management System, we will work to further strengthen our global organizational capabilities to facilitate the growth and development of the Sumitomo Rubber Group over the mid-to-long term.

(*) Please refer to Page 47 for further details of our SMART TYRE CONCEPT.

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 basic corporate stance as we simultaneously pursue both economic and societal value under our stated goals of "Becoming a True Global Player with High Profits and Rapid 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 with a strong, shared 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 as pillars to support our overall efforts to take on various New Challenges: the "Challenges of New Markets," an "Insatiable Drive for Innovation" and "Entering New Business Fields."

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 to create jobs and contribute to regional development, 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 & 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 key question: "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. In 2020, our Group plans to begin mass production of a new tire that incorporates Performance Sustaining Technology to maintain the

performance of a tire like brand new for longer. That same year, we also plan to unveil a concept tire that incorporates LCA (Life Cycle Assessment), adopting new materials designed to enhance environmental performance throughout the entire lifecycle of a tire—from raw materials and tire production to shipping, usage and even recycling. Then, in 2023, we plan to unveil a new concept tire that incorporates our proprietary Active Tread Technology, which allows a tire tread to adapt to road conditions for optimized performance in any environment. The Sumitomo Rubber Group will continue these and other research and development efforts towards accomplishing our goal of completing an all-new type of tire that incorporates all of our SMART TYRE CONCEPT technologies by the end of the next decade so that we may provide even more new value in terms of Safety, Comfort and the Environment.

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 in the Japanese market to deliver safety and peace of mind to medical and caregiving facilities throughout the world.

Striving to Be a Truly Valuable Company with a Strong Sense of Purpose

The Sumitomo Rubber Group will continue to harness these three Growth Engines to tackle the challenges of societal problems toward achieving sure and sustainable growth. With the aim of fully meeting the expectations of all of our Stakeholders, we established the SRI WAY in order to clearly define the specific Values and Action Principles that we hope all of our employees will practice and exemplify as they go about their day-to-day work. Toward this same aim, we also 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.

With the recent rise of ESG investment, which emphasizes the importance of non-financial factors (i.e. Environmental, Social, Governance), it is safe to say that the ideals of SDGs (Social Development Goals) are beginning to take root. 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"—the Sumitomo Rubber Group is not only working to fulfill our various social responsibilities in terms of compliance and environmental preservation, but are also actively applying our advanced technology and research and development capabilities toward solving societal problems and contributing to global progress with an eye toward future generations.

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

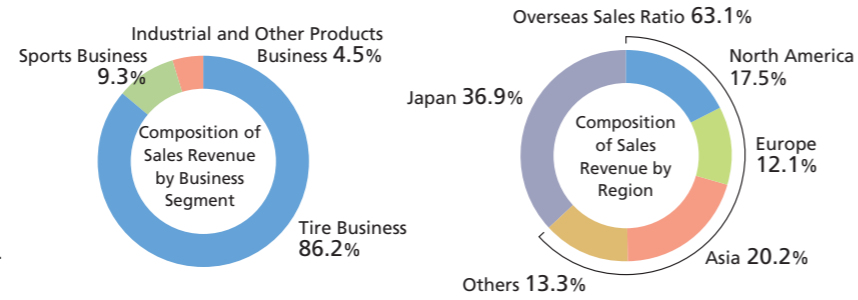
Sumitomo Rubber Industries, Ltd.
President and CEO,
Representative Director

J. Ikeda



Main Financial Indicators (Fiscal 2017)

Sales Revenue
¥877.9 billion
 16.0% increase y-o-y



Business Profit
¥67.0 billion 10.6% decrease y-o-y

Profit for the Period Attributable to Owners of Parent
¥47.0 billion 13.6% increase y-o-y

Total Assets
¥1,018.3 billion

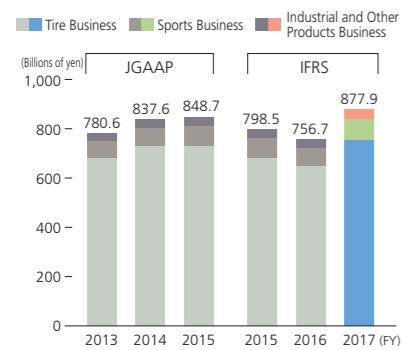
Ratio of Equity Attributable to Owners of Parent to Total Assets
45.2%

ROE
10.6%

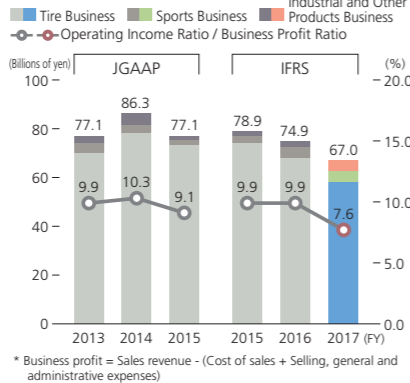
ROA
7.0%

D/E ratio
0.6 times

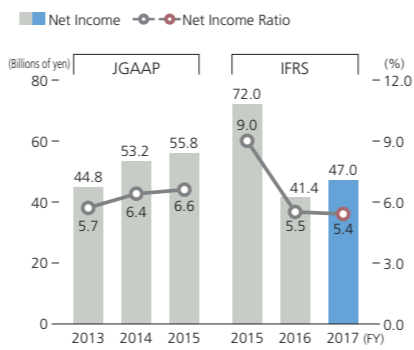
Net Sales / Sales Revenue



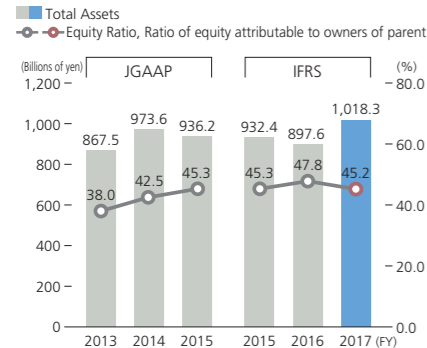
Operating Income (Ratio) / Business Profit* (Ratio)



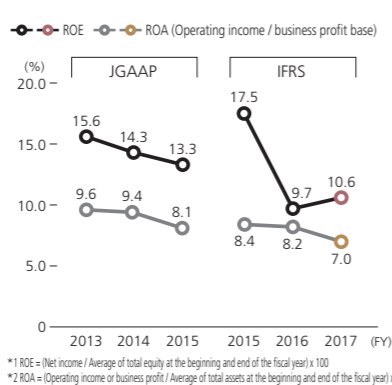
Net Income Attributable to Owners of Parent (Ratio) / Profit Attributable to Owners of Parent company (Ratio)



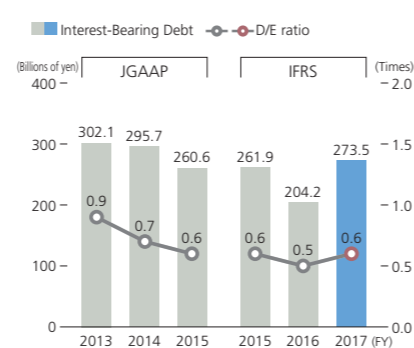
Total Assets/Equity Ratio / Ratio of equity attributable to owners of parent



ROE*1 and ROA*2 (Operating income / business profit base)



Interest-Bearing Debt / D/E ratio



Note: Regarding consolidated performance, from the fiscal 2016, the Company has switched from conventional Japanese standards to the application of international financial reporting standards (IFRS).

CSR-Related Indicators (Fiscal 2017)

Green
 Green initiatives
 Cumulative number of trees planted
1,717,000

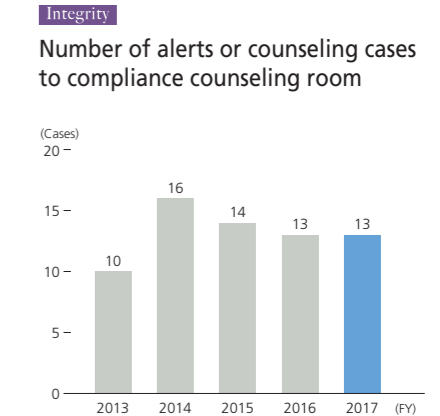
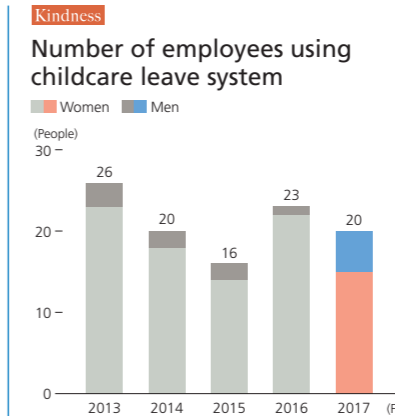
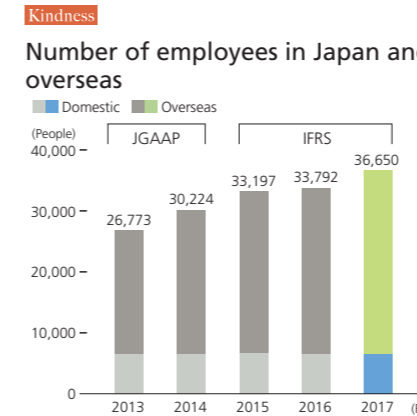
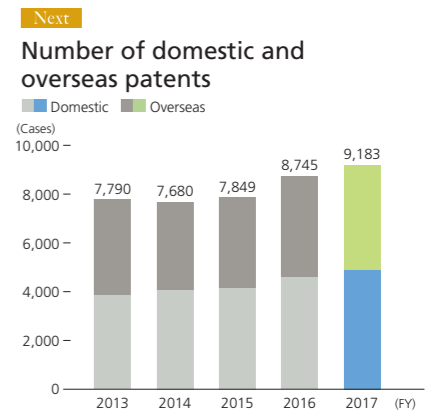
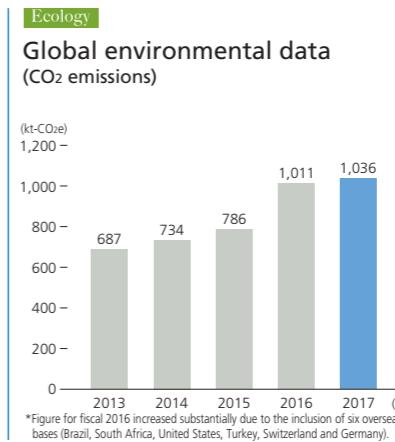
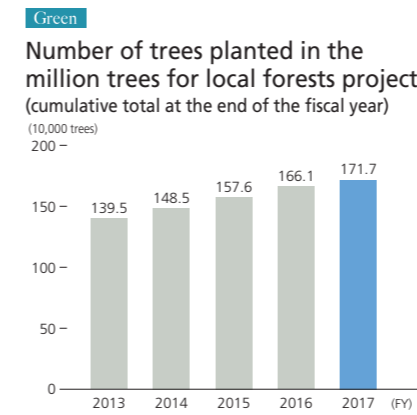
Ecology
 Reducing the environmental impact of business activities
 Water use reduction (six factories in Japan)
90,000 m³ reduction

Ecology
 Reducing the environmental impact of business activities
 Employees at ISO 14001 certified sites as percentage of all employees
84.1%

Next
 Pursuit of quality
 IATF 16949 (Automotive Quality Management System Standard)
 Certification **9** factories in Japan and overseas

Kindness
 Kindness to employees
 Ratio of newly hired female employees
28.0%

Integrity
 Integrity for stakeholders
 CSR funds (cumulative total)
¥49.14 million



Special Feature 1 Insatiable Drive for Innovation

Endless Drive for Innovation — Challenges of the Tire Business to Meet the Needs of Society

Demand for automobiles is increasing globally, and the environment surrounding the industry is now in the midst of tremendous change.

While new manufacturers have emerged and the competition has become even more intensified in the tire industry, one of our biggest challenges is how to deal with environmental issues.

The Sumitomo Rubber Group is pushing forward with the Insatiable Drive for Innovation under the three themes of "safety," "comfort" and the "environment" in tires that are said to have a significant impact on performance among the automotive parts.

■ Establishing New Technologies to Contribute to a Future Mobility Society

The automobile industry is now facing a centennial change with the emergence of new technologies such as automated driving and electric motorization. New, ever-higher technologies are demanded of tires, including quietness during driving, wear resistance performance that accommodates with vehicle weight that is increasing due to the effect from installation of electrical equipment and introduction of intelligent technologies including mounting of sensors to regularly provide drivers with aging deterioration information. With an eye on these changes in the environment, the Group is committed to achieving "even greater safety" and "even higher environmental performance" through the new technology development concept "SMART TYRE CONCEPT" and thereby contributes to a future mobility society.

■ Challenges of New Materials That Pave the Way for Future

The Group has promoted development of a technology that enables long-sustained performance of tires equivalent to brand-new ones. With "ENASAVE NEXT II," which was awarded the Grand Prize in 2017 Nikkei Global Environmental Technology Awards, the Group succeeded in developing whole new rubber by clearly and successively analyzing and simulating the inner structure of rubber, from the nano to micron levels, using the proprietary new material development technology "ADVANCED 4D NANO DESIGN" and utilizing alliance with cutting-edge large-scale research facilities at the world's highest levels. This tire boasts the highest level of fuel efficiency in the history of Dunlop wherein the "wear resistance performance" has been exponentially improved and the three key contradictory performance traits of tires are simultaneously enhanced at the high level.



エナセーブ
NEXT II
ENASAVE NEXT II

■ Development Addressing Needs of Each Region of the World

Performance requirements on which emphasis is placed for automobiles and tires may differ worldwide depending on road circumstances, laws and regulations, culture, etc. While fuel efficiency performance, driving comfort, quietness and other feels of comfort are deemed more important in the Japanese market, the European market places more importance on stability and safety during driving at high speeds. Furthermore, performance requirements differ in each region of the emerging regions such as Asia, Africa and South America. The Group will work to commercialize products that proactively incorporate requirements demanded by each region and launch new products that surpass the expectations of our customers.

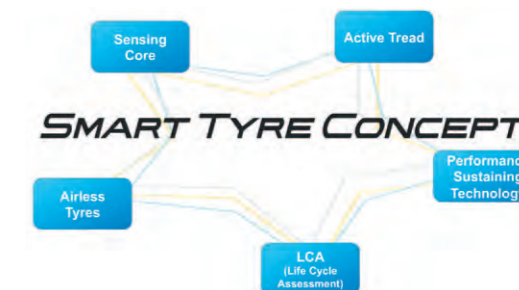


Introducing A New Technology Development Concept "SMART TYRE CONCEPT"

With an eye on changes in the external environment, Sumitomo Rubber Industries has created a new technology development concept "SMART TYRE CONCEPT" for the development of new tires which are set apart from the conventional ones and achieve "even greater safety" and "even higher environmental performance."

The Group pushes forward with technology development with the aim of releasing new products in a stepwise manner and completing a whole new tire that uses all technologies under the "SMART TYRE CONCEPT" in late 2020s.

Five Core Areas in the "SMART TYRE CONCEPT"



Frontier Spirit of Engineers Handed Down Over the Times

-Pursuing Comfort That People Can Directly Experience-

Start! Listen to Users' Voices and Needs

To start with, the development project team collected information by visiting the tire distributors throughout Japan and analyzed such information repeatedly. The results indicated that the vast majority of users seek "comfort and quietness and fuel efficiency" in tires. This led to the formulation of a new concept of "tires with significantly improved comfort and quietness, while sporty elements are maintained." Our development activities have started in pursuit of comfort that people can directly experience.



Step 1 Vibrations of Tires, the Greatest Enemy

I proposed use of a shape of new metallic molds that allows for absorbing and dampening of shocks from the road surface by rounding the shape of the cross section of tires so that tire vibrations are suppressed. I also developed a pattern wherein the shape of groove on tread surfaces is thoughtfully designed so that both flexibility in the vertical direction to follow the bumpiness of the road surface and rigidity in the horizontal direction to fully accommodate with turn of the steering wheel are achieved.

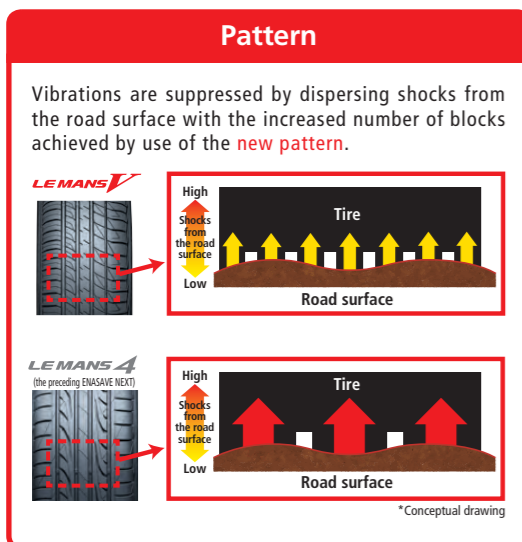
This new technology that suppresses tire vibrations occurred by shocks from the road surface was named the "SHINOBI TECHNOLOGY" and later introduced to the general users through a promotion video in which ninjas are appearing. In addition, I have made my commitment to the best in improving comfort by, for example, applying a fine protrusion finish in the groove, taking a hint from owl feather, as a technology to reduce noises from tires.



In charge of tire design
Technical Dept. I, Tyre Technical HQ.

Hiroshi Okagawa

*The department is where he worked in at the time of development.



Step 2 Manufacturing Getting the Factory Involved

When we were engaged in coordination with the factory members for mass-production of the product, they initially expressed reservations about getting this product on the production line, as this new tire had incorporated new ideas and technologies in many parts of it. For this reason, we asked the factory staff to accompany us to the test course as well and get a first-hand experience of the comfort of the new product. Consequently, we have obtained cooperation by the persons in charge at the factory.



Step 3 The Members All Pursued the Invariable Goal

In the final phase of the development activities, the development project members created some prototypes of the new product based on the different specifications so as to conduct a final check on the performance of "LE MANS V" and tested them by actually driving on the highways between Okayama and Hakata, back and forth, with five cars and 15 drivers. After the test, finally, the members judged which prototype should be chosen to go for production. The answers of all 15 members were identical. All the project members headed in the same direction and consistently pursued the goal. This made it possible for them to reach the same conclusion.



Goal! Placed on the Market in February 2017, Awarded the "Good Design Award" in October 2017

Four years after the project commenced, "LE MANS V" was placed on the market in February 2017. The high level of comfort gained popularity and the product soon became one of the big-selling products.

In the recognition of the sophisticated design that shows the high level of comfort and other elements, the product was awarded the "Good Design Award 2017" in October 2017. Sumitomo Rubber Industries has established an organizational strength where even a project team consisting mainly of young engineers can earn achievements.



DUNLOP Technology "SILENT CORE" SILENT CORE

"LE MANS V" not only uses the "SHINOBI TECHNOLOGY" but also is equipped with a special noise-absorbing sponge "SILENT CORE" that reduces noises caused by air vibrations inside the tire. This enables the product to significantly improve driving comfort and quietness and create comfortable interior space.



A special noise-absorbing sponge "SILENT CORE"

The sponge uses highly-durable low-density special ether polyurethane. It absorbs air vibrations inside the tire that cause noises inside of the vehicle.

Special Feature 2 The World's Best Onsite Operational Skills

For Attainment of "The World's Best Onsite Operational Skills," Aim to Become a Manufacturer Truly Trusted Throughout the World

The Sumitomo Rubber Group is working to reinforce its onsite behaviors setting "The World's Best Onsite Operational Skills" as our rallying slogan with the aim of increasing its competitiveness. The Group implements various initiatives to standardize operations and improve skills of factory staff, and at the same time proactively takes actions to penetrate the globally-common values, "The SRI Way," so as to become a truly trusted company that always offers the high level of quality.

Global Initiatives to Improve Onsite Operational Skills

The Group has placed a strong emphasis on education on manufacturing technology and craftsmanship in Japan and overseas. The Skill Olympics, which began in 2009, have contributed to improvement and transfer of skills among 12 factories around the world. Some engineers from overseas factories have won the championship in the Skill Olympics in recent years, and this initiative is contributing to heightening of skills and motivation on a global scale.

In addition, the "manufacturing master craftsman" system was launched in 2013 to ensure that all factories around the world can manufacture the products with the same level of quality. Six skilled foremen selected from among the factories in Japan are providing support to standardize operations of overseas factories.

Realizing Speedier Product Development with our Trilateral Global Management System

The Group transitioned from a centrally controlled system headquartered in Japan to a global management structure with headquarters in three major regions: "Asia/Pacific," "Europe/Africa," and "the Americas." The Group is working to realize speedier decision making based on the local characteristics of each area, under the collaboration of our manufacturing and sales functions. In Europe and the U.S. in particular, following the commencement of full-scale operations of the USA Technical Center in January 2017, the Europe Technical Center started operations in August 2017. We are strengthening the local development system capable of quickly delivering high-quality tires that meet customer needs into the markets in Europe and the U.S.

Actions to Penetrate the Globally-Common Values, "The SRI Way"

The Group is promoting actions to penetrate "The SRI Way" that summarizes the basic stance and approach to be taken in our business activities based on the belief that it is essential to share the globally-common values among our employees as their values are getting more diversified following an increase in the number of overseas bases. In order for the values to be applied more effectively, additional considerations are given for the overseas sites to change the expression and wording to suit the local characteristics and culture of each site and add action principles unique to them. The Group will continue with the actions to penetrate "The SRI Way" and promote manufacturing based on our important value, "Integrity and Soundness."

Preventing Wrongful Conduct at Overseas Bases

We are promoting efforts to establish a system enabling voluntary compliance activities at overseas bases through the establishment and operation of Compliance Committees at each base. In addition, the Head Office checks every month whether or not there have been any compliance violations at overseas manufacturing bases and sales companies and promotes awareness improvement. Compliance training sessions were held 10 times or more in Indonesia, Australia and other countries in 2017.



The Skill Olympics



The USA Factory where the USA Technical Center is located



The Europe Technical Center which commenced operations in August 2017



Lecture on "The SRI Way" by an officer in charge (Thailand Factory)



Regular compliance training promotes awareness improvement among employees





Special Feature 3 Improved Brand Value

Aim to Improve Value of the "DUNLOP" Brand and Profitability of the Entire Group



This year marked the 130th anniversary since the commercialization of the world's first pneumatic tire by J.B. Dunlop in 1888.

DUNLOP is the flagship brand of the Sumitomo Rubber Group that is highly recognized in the world of not only motor sports but also golf, tennis and other sports.

The Group is going to embark on the challenge to maximize the brand value through management integration for the tire business and the sports business in Japan and overseas.

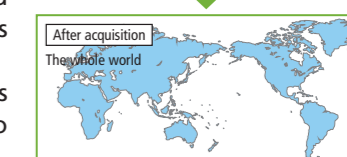
Utilize the DUNLOP Brand Whose Areas of Business Developments Have Expanded for the Business Growth of the Group

With regard to DUNLOP brand licenses, dissolution of the alliance with The Goodyear Tire & Rubber Company in the U.S. in 2015 and acquisition of overseas DUNLOP businesses from Sports Direct International plc in the U.K. in 2017 made it possible for the Group to take initiative to expand the areas for developing its business.

Delivery of DUNLOP brand products is now possible in a broad area excluding Europe, the U.S., India, Australia, etc. in the tire business and throughout the world in the sports business and the industrial and other products business, which has been creating new business opportunities for the Group.

Efforts towards improving DUNLOP's brand power undertaken in the sports business is expected to improve the brand power in the tire business as well, and so the Group is working to create the synergy at the earliest possible time.

Areas in which the Group is authorized to use DUNLOP trademark rights in the sports business



Tire Business		Sports Business		
<p>This is the brand of origin for Sumitomo Rubber Industries, which traces back to J.B. Dunlop, who succeeded in commercialization of pneumatic tires.</p>	<p>The top brand* in the world of golf born in 2000. It is popular among many golfers because of its great distance and fantastic feeling.</p>	<p>A wide variety of products are offered in the golf and tennis fields. In the golf field in particular, many top players demonstrating outstanding performance in pro tours around the world enjoy using the brand.</p>	<p>Golfers in the U.S., the country of origin, and other countries around the world highly recognize the brand with its innovative technologies, used for wedges and other products.</p>	<p>* No.1 in annual sales for 18 consecutive years in Japan according to a survey conducted by Yano Research Institute Ltd. of total sales of woods and irons by sub-brand, based on aggregate over-the-counter sales at major retailers throughout Japan (results from 2000 - 2017).</p>

FALKEN

The brand offers the product lineup of high-performance tires that are highly popular in Europe and the U.S.

Industrial and Other Products Business

Hibrid-Turf

The brand boasts the largest total floor area on which its long-pile artificial turf for sporting use is installed in Japan. A broad range of facilities use the turf in soccer, rugby, football, baseball and other fields.

MIRAIE

Vibration control dampers that absorb earthquake tremors as the proprietary rubber converts vibrational energy into thermal energy. This brand has made top-class achievements in terms of supply of vibration control dampers for wood housing, including MIRAIE.



Business Overview

Tire Business

Positioning DUNLOP and FALKEN as its main brands, we supply, in Japan and overseas, tires for passenger cars, trucks, buses and motorcycles that are developed by employing state-of-the-art technologies.



The DUNLOP brand has a product lineup which features “fuel efficient and long-lasting” tires with greater value for users and is sold mainly in markets in Japan and Asia.

Introduction of Flagship Products and New Products



This is a comfort tire in which fuel efficiency, wear resistance performance and comfort that people can directly experience are balanced at the high level thanks to improved performance in terms of driving comfort and quietness.

The product has been supported by a broad range of users since its release in February 2017.



ENASAVE EC204

This is a standard tire wherein “even more usable until the last of its life and long-lasting” features are achieved by improving resistance against uneven abrasion and wear resistance performance. It excels in economic performance thanks to its fuel efficiency and long life.



The Group is stepping up marketing mainly in Europe, the U.S. and Japan by leveraging its lineup of FALKEN brand tires with superior functionality and product quality.

Introduction of Flagship Products and New Products

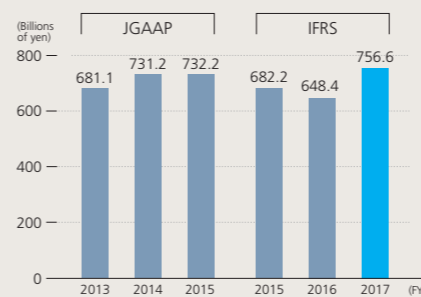


FALKEN’s “AZENIS FK510” initially released in Europe in 2016 was ranked second overall in the tire comparison test conducted by a German automobile professional journal. It was scored high overall in terms of handling, braking and steering stability at high-speeds.

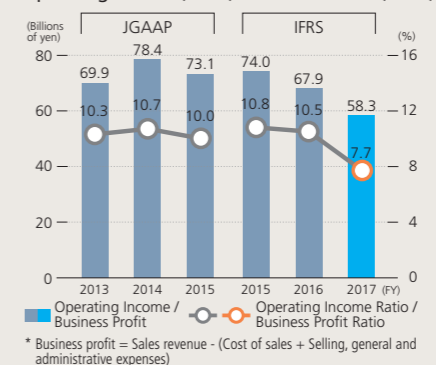


Results of Operations / Major Indicators

Net Sales / Sales Revenue



Operating Income (Ratio) / Business Profit* (Ratio)



Year-on-Year Increase/Decrease in Tire Sales Volume

	2016	2017
Domestic original equipment	-4%	10%
Overseas original equipment	5%	9%
Domestic replacement	1%	5%
Overseas replacement	4%	11%
Total	3%	10%
Total sales volume (millions of tires)	112.64	123.47

Analysis of the Current State

Strengths

- The DUNLOP brand boasts 130 years of history since the commercialization of the world’s first pneumatic tire and the public recognition throughout the world
- Extensive product lineup centered around the “ENASAVE” series that comply with the labeling regulations for fuel efficient tires
- Globally optimized production system
- The world’s highest level of simulation and analysis capabilities utilizing “K” computer

Management Issues

- Strengthened efforts towards opening up of overseas markets to be a truly global player
- Enhanced performance of eco-friendly products, including tires made of natural resources that contribute to creation of a sustainable society and fuel-efficient tires for which demand is expected to increase on a global scale on the back of tightened environmental regulations for automobiles through advancement of technological innovation

Revenue Opportunities

- Accelerated motorization due to population upsurge and economic growth in India, Africa, ASEAN, etc.
- Increased demand for tires made of natural resources and fuel-efficient tires due to tightened environmental regulations for automobiles and heightened awareness of the global environment
- Growing demand for next-generation tires for electric vehicles and autonomous vehicles
- Establishment of new business models that incorporate AI and IoT

Growth Strategy

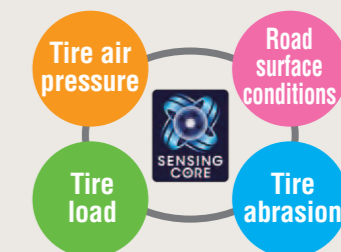
- Construct and extend factories in emerging markets where demand increases can be expected, and expand sales through establishment of sales companies
- Leverage the state-of-the-art Turkey Factory and the USA Factory to promote proactive business operations such as enhanced capabilities to supply high-performance tires in markets in Europe and North America and increased delivery to overseas leading automobile manufacturers
- Pursue the new technology development concept “SMART TYRE CONCEPT” which is set apart from the conventional concepts and allows for attainment of the higher level of safety and environment, in preparation for the advent of a new mobility society wherein cleaner and more convenient automobiles will increase

Major Topics in fiscal 2017

Introducing Next-Generation Safety Technology “SENSING CORE”

A tire sensing technology “SENSING CORE” was introduced in May 2017, which detects slipperiness of the road surface and load on each tire of the four wheels and other data in real time. This technology applies technology that detects a decrease in air pressure by analyzing wheel speed signals generated from the rotation of tires and is possible to make presumptions using software, without the need of any additional sensors. This technology will contribute to advancement of autonomous vehicles whose rapid evolution is expected going forward.

Analyzing subtle changes in the rotation speed and monitoring the road surface and tires





Business Overview

Sports Business

The Sports Business HQ of Sumitomo Rubber Industries, Ltd. is at the center of manufacture and marketing of golf clubs and balls and tennis rackets and balls and manages golf tournaments and fitness gyms.

Golf goods

The three brands, namely "XXIO," "SRIXON" and "Cleveland Golf" are offered on a global scale.

Our flagship product "XXIO" golf clubs have recorded the top share* in Japan for consecutive 18 years since its launch in 2000 and the 10th-generation "XXIO X" was released in December 2017.

*Annual sales in Japan according to a survey conducted by YANO Research Institute Ltd. of total sales of woods and irons by sub-brand, based on aggregate over-the-counter sales at major retailers throughout Japan (results from 2000 to 2017).



Tennis equipment

Tennis equipment is manufactured and marketed under the "SRIXON" and "DUNLOP" brands. In addition, a sales agency contract has been signed with the French company BABOLAT VS S.A. for marketing in Japan (excluding tennis wear).

The products include long-selling balls "DUNLOP FORT" used in a large number of major tournaments in Japan and "SRIXON" rackets that have succeeded a soft feel on ball impact.



Wellness business

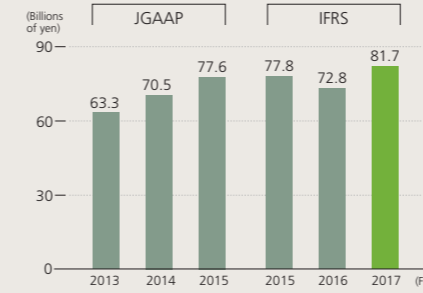
The business is now in the process of expansion with the aim of becoming the third pillar of our businesses, comprising a fitness club business and a golf and tennis school businesses.

The business aims to support health promotion in a broad range of fields in such ways as operation of compact gyms open 24 hours a day and contracted management of local government facilities, in addition to the existing school business and comprehensive fitness clubs.

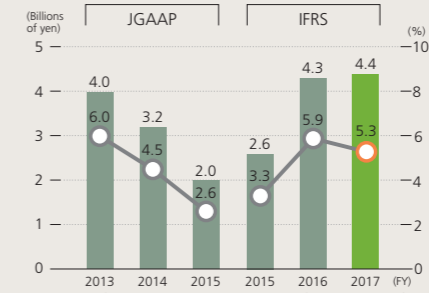


Results of Operations / Major Indicators

Net Sales / Sales Revenue



Operating Income (Ratio) / Business Profit* (Ratio)



* Business profit = Sales revenue - (Cost of sales + Selling, general and administrative expenses)

Sales Revenue Breakdown (Billions of yen)

Category	y-o-y comparison	
	2017 Amount	%
Golf goods	56.9	6%
Clubs	35.6	9%
Balls	14.6	4%
Shoes and accessories	6.7	-3%
Tennis goods	10.4	67%
Licensing revenue and other	14.5	12%
Total	81.7	12%

(Note) Figures are rounded to the nearest ¥0.1 billion. Percentage figures are rounded to the nearest whole number.

Analysis of the Current State

Strengths

- Provision of products and services that are supported and differentiated by superior technical skills
- Unique research and development capabilities making full use of state-of-the-art supercomputer
- In addition to the above, product research and development capabilities tapping into the field of human dynamics

Management Issues

- Strengthening efforts towards enhancement of brand value and creating synergy with the tire business
- Intensified competition for wining equipment sponsorship agreements with top players
- Global tendency of decreased number of young people interested in golf

Revenue Opportunities

- Pursuit of growth strategies that are differentiated from competitors, through integration with the tire business
- New marketing strategies following the acquisition of trademark rights of the "DUNLOP" brand for the whole world

Growth Strategy

- Implementation of the growth strategy in global new fields
- Creation of big-selling products leveraging the Group's technical skills
- Enhancement of brand value leveraging technical skills and planning capabilities

Major Topics in fiscal 2017

No.1 ranking in terms of value of domestic shipments in 2017

No.1 ranking in terms of value of domestic shipments in 2017* for:

- Golf clubs
- Tennis rackets
- Golf balls
- Tennis balls

* According to Yano Research Institute Ltd.

SRIXON Z-STAR Series Golf Balls Achieved a Cumulative Total of 500 Victories Around the World

The balls have been used in golf tours around the world since 2008.

The 500th triumph was won in 2017 after accumulating victories in tournaments held in 47 countries and regions around the world.

Professional Players Supported by Us Demonstrate Outstanding Performance around the World

A number of leading Japanese and overseas professional players have entered into equipment sponsorship agreements with us. These players include Hideki Matsuyama and Ernie Els in golf, Kevin Anderson in tennis and Yui Kamiji in wheelchair tennis, who all have earned brilliant scores using our products.





Business Overview
Industrial and Other Products Business

The Hybrid Business Division 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.



Rubber parts for medical applications

Exercising thorough quality control, Sumitomo Rubber Industries offers safe and high-quality medical rubber parts.



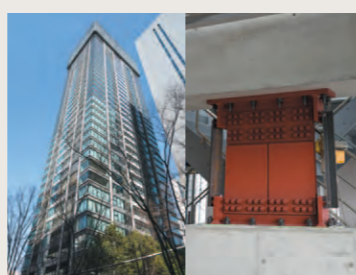
Precision rubber parts for office equipment

Precision rubber parts for office equipment require accuracy on a micrometer scale. With production bases in Japan, China and Vietnam, Sumitomo Rubber Industries meets the needs of a wide variety of customers.



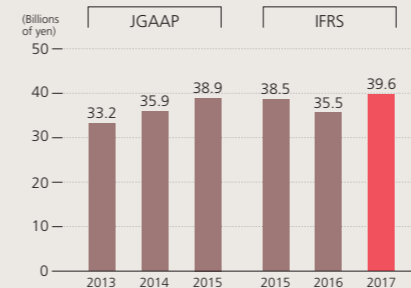
Vibration control dampers

Our vibration control dampers made using a special high damping rubber protect buildings and housing complexes from swaying due to high winds and earthquake tremors. We are accelerating our expansion into earthquake-prone Taiwan and South Korea with these products.

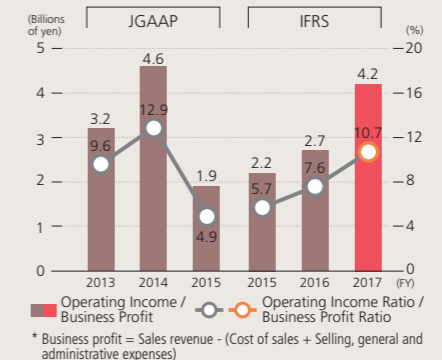


Results of Operations

Net Sales / Sales Revenue



Operating Income (Ratio) / Business Profit* (Ratio)



Analysis of the Current State

Strengths

- Owns a product development/sales system in diversified fields, ranging from daily life supplies and healthcare goods to medical rubber parts, vibration control dampers and industrial infrastructure, which is founded on the proprietary rubber technology accumulated in the tire business
- Has established a global business operation system in growth markets in recent years by acquiring a Switzerland-based medical rubber parts company

Management Issues

- Enhancing research and development systems for high-value-added products in terms of quality and functionality, based on the rubber technology
- Accelerating business developments into Europe and the U.S., shifting from the conventional business centered around Japan and other Asian countries

Revenue Opportunities

- Increased and sustained demand for medical rubber parts on the back of expansion of the global pharmaceutical market
- Increased demand for dampers for housing and building uses in the vibration control business, associated with growing needs for earthquake countermeasures

Growth Strategy

- Further business expansion in growth markets for medical rubber parts in such ways as adding Lonstroff AG, a Switzerland-based medical rubber parts company, into the Group and planning commencement of operations of a new factory for medical rubber parts in Slovenia in 2019
- Improved lineup and expanded sales of "MIRAIE," a vibration control unit for detached housing, in the vibration control business, utilizing the vibration control technology used in bridges and buildings

Major Topics in fiscal 2017

Won First Prize in the Parts and Materials for Detached Housing Vibration Control Category in "2017 Ranking of Construction Material and Equipment Manufacturers to Work With" of Nikkei Home Builder

The Company won first prize* in the parts and materials for detached housing vibration control category in "2017 Ranking of Construction Material and Equipment Manufacturers to Work With" of Nikkei Home Builder December 2017 Issue, published by Nikkei Business Publications, Inc.

"MIRAIE," a series of vibration control unit for detached housing, is highly effective for aftershocks as well, because it works well for repeated tremors as the proprietary high damping rubber absorbs earthquake tremors. MIRAIE demonstrated its features in the 2016 Kumamoto Earthquake struck in April 2016, proving the effectiveness with no reports on MIRAIE-equipped houses totally or partially collapsed.



"MIRAIE," a vibration control unit for detached housing

Stepping Up Our Medical Rubber Parts Business

Efforts are now under way to expand operations related to medical rubber parts in the European market, with Lonstroff AG—a Switzerland-based company that became a Group member in 2015—serving as a key player in this field.

With the aim of accelerating global developments, a new factory was established in Slovenia as a local subsidiary of Lonstroff AG. It is slated to commence operation in April 2019.

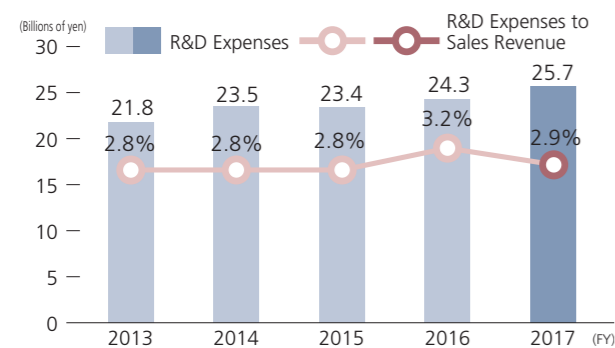
* [Survey overview] Survey method: online survey; survey period: August 29 - September 21, 2017
 Number of areas and companies covered by the survey: 49 product areas, a total of 783 companies (21 companies in the vibration control parts and materials for detached housing category)

R&D Activities and Intellectual Property Strategies

Constantly targeting new value creation, the Sumitomo Rubber Group engages proactively in research and development (R&D). In addition to these efforts, the Group preserves the fruits of its research as intellectual property and has established structures to fully capitalize on its intellectual property rights.

R&D Activities

R&D Expenses **¥25.7 billion** Year on Year **+ 6.0%**



* Figures for R&D expenses to sales revenue are stated in accordance with JGAAP until 2015, and IFRS after 2016.

With the Sumitomo Rubber Industries' R&D organization and facilities as its core, the Group promotes R&D activities in wide-ranging fields—the tire, sports, industrial and other products businesses—in close cooperation with its subsidiaries and affiliates around the world.

Total R&D expenses in 2017 amounted to ¥25.7 billion, equivalent to 2.9% of consolidated sales revenue.

Tire Business

“What tire technology can do for the global environment”—Guided by this underlying concept, the Group's R&D efforts to create environmentally friendly products focus on three areas: “innovative materials,” “fuel efficiency” and “resource conservation,” with the Tyre Technical Center, located near the Kobe Head Office, serving as the core facility and in collaboration with the European and United States Technical Centers which commenced full-scale operations in 2017.

Our accomplishments in tire development included the November 2016 release of the “ENASAVE NEXT II” long-lasting, fuel-efficient tire under the DUNLOP brand. The ENASAVE NEXT II is the first product that used “ADVANCED 4D NANO DESIGN” since the establishment of this new material development technology in 2015. This product won prize at “Nikkei Global Environmental Technology Awards” in October 2017 in recognition of the overall uniqueness, future prospect and feasibility in aspects such as technology development for achieving sustainability of the global

environment. In addition, “ADVANCED 4D NANO DESIGN” was granted the Tire Technology of the Year* title in February 2017 and was also chosen by the Minister of Education, Culture, Sports, Science and Technology to receive a “Prize for Science and Technology under the 2017 Commendation for Science and Technology” in April 2017. These recognitions attest to the solid reputation that our technology enjoys in Japan and overseas.



“ADVANCED 4D NANO DESIGN” is the Company's proprietary new material development technology utilizing alliance with cutting-edge large-scale research facilities at the world's highest levels, namely “SPRING-8” large-scale synchrotron radiation facility, the “J-PARC” which boasts high-intensity proton accelerator facilities and “K” computer.

Meanwhile, a tire sensing technology “SENSING CORE” was introduced in May 2017, which detects slipperiness of the road surface and load on each tire of the four wheels and other data in real time. This technology applies technology, the “Deflation Warning System (DWS),” that detects a decrease in air pressure by analyzing wheel speed signals generated from the rotation of tires and is possible to make presumptions using software, without the need of any additional sensors. This technology contributes to safer driving, and the Company believes that it would also contribute to advancement of autonomous vehicles which are going to make rapid evolution going forward. In October 2017, the Company also released a new technology development concept “SMART TYRE CONCEPT” to develop tires delivering performance required by the future mobility society. This concept is comprised of three technologies: technology that supports safety including “SENSING CORE;” technology that contributes to environment; and simulation and analysis technology that supports the foregoing technologies. The Company aims to push forward with product development incorporating these technologies.

R&D expenses in the Tire business totaled ¥22.4 billion.

* An award granted to outstanding technologies at the “Tire Technology Expo” held in Europe every year

Sports Business

R&D sections are put in place at both Dunlop Sports Co., Ltd. (merged with the Company by absorption on January 1, 2018) and Roger Cleveland Golf Company, Inc. in the U.S. and pursuing the development, evaluation and testing of new technologies and products, employing computer simulations and other technologies.

The “Golf Science Center” in Tamba, Hyogo comprehensively measures, analyzes and evaluates an extremely large volume of data, including profiles of golf clubs and balls and relationships between golf swing forms and clubs, collected by such means as tests using a swing machine and tests on various golfers ranging from top professional golfers to average golfers.

Utilizing these technologies, the 10th-generation “XXIO X” golf clubs were developed and released in December 2017.

As for golf balls, the NEW “SRIXON Z-STAR series” were released in February 2017.

R&D expenses in the Sports business totaled ¥1.5 billion.

Industrial and Other Products Business

We are actively developing new products aimed at accommodating consumer needs in such fields as vibration control units using high damping rubber, rubber parts for medical applications and precision rubber parts for office equipment.

In the field of vibration control units, the Company conducted in-house shake table experiments simulating real-life earthquake intensity in January 2017 and January 2018 to verify vibration control performance of “MIRAIE,” a vibration control unit for detached housing. As a result, the amplitude of the tremor was reduced by up to 95%*.

R&D expenses in the Industrial and Other Products business totaled ¥1.8 billion.

* The results are based on the in-house shake table experiments and the actual reduction rate will be dependent on the shape of buildings, layout plans and seismic waves.

Intellectual Property Strategies

Basic Policy

The Group proactively carries out intellectual property activities that support its businesses. The Group has set forth a basic policy with regard to such activities in accordance with “VISION 2020,” a long-term vision established in 2012.

Specifically, the Group undertakes intellectual property activities focusing on three pillars, namely: 1) “securing intellectual property rights” with regard to such industrial properties as patents, utility models, designs and trademarks; 2) “exercising such rights” against the infringement of Sumitomo Rubber Industries' intellectual properties; and 3) “eliminating risk” by developing a structure to protect its rights from violation by third parties.

Current Status of Basic Policy Implementation

Thanks to the success of intellectual property training for employees and the introduction of a structure that connects technological development to patent application, the Group has successfully accumulated an even greater number of patents with significant business potential.

The Group seeks to effectively utilize the intellectual

property rights that it has acquired, defending such rights against infringement worldwide. For example, in Europe the Group diligently files litigation against infringement while in Asia it is strengthening cooperation with national administrative bodies to ensure that products that infringe on the Group's rights, including imitations and copies, are seized by customs or, when possible, their production sites are identified and dealt with. To secure the competitive advantage of its products and earn greater trust, the Group will constantly reinforce the structure it has built to ensure the protection of its intellectual property rights against such infringement.

Responding to Globalization

In step with the rapid expansion of its overseas operations, the scope of the Group's intellectual property activities is growing worldwide, encompassing not only Japan but also the U.S., Europe and such Asian countries as China as well as Russia and countries in South America, the Middle East and Africa.

Efforts are now under way to nurture human resources and reinforce our structure to conduct intellectual property activities that go along with such globalization. In particular, the Group is providing training sessions not only for Intellectual Property Department members but also for employees at every operational base with the aim of raising awareness of intellectual property and upgrading the competencies of the entire workforce. Such action is facilitating the development of a structure that ensures intellectual property activities are carried out smoothly and seamlessly on a Group-wide basis.

On the other hand, to reinforce the structure, it is essential to cooperate with such external organizations as legal firms, patent offices, patent agents, research agencies, administrative bodies and judicial organs in Japan and overseas. With the aim of strengthening the connections between the Group and these organizations as well as across-the-board communication, the Group formulates and implements projects that involve internal and external collaborations.

Moreover, the Group renewed its in-house Intellectual Property Management System while reorganizing its relevant departments, with the aim of improving operational efficiencies and ensuring that information is shared globally. Through the renewal and reorganization, the Group established a network that connects all of its operational bases and agencies around the world. These actions also facilitated a switchover from paper-based to paperless operations that utilize a workflow system and database, significantly accelerating the Group's operations and enhancing the security.

Focusing on the abovementioned three pillars, the Group will promote the more efficient implementation of intellectual property activities encompassing all regions worldwide.

Corporate Governance

The Sumitomo Rubber Group's basic management policy is to enhance its corporate value as a promising and reliable global company for the benefit of all stakeholders, including shareholders. Under this policy, the Group considers the enhancement of corporate governance as a major management objective in its efforts to better fulfill its social responsibility and enhance its transparency. This policy will help to strengthen Group management and establish deep relationships of trust with society, while ensuring Group-wide business efficiency.

Corporate Governance Structure

Overview

Sumitomo Rubber Industries has adopted a corporate system with an Audit & Supervisory Board and maintains Directors, a general meeting of shareholders, Accounting Auditors and the following bodies.

The Company's Board of Directors deliberates and determines matters of managerial importance and supervises Directors' execution of operations. As of March 30, 2018, the Board of Directors was composed of 11 members, 3 of whom were Outside Directors.

Audit & Supervisory Board Members independently conduct audit of Directors' execution of operations. As of March 30, 2018, the Company adopted a structure of 5 Audit & Supervisory Board Members, 2 of whom were standing Audit & Supervisory Board Members. Standing Audit & Supervisory Board Members attend important internal meetings and confirm important documents for approval.

The Audit & Supervisory Board is composed of all of the Company's Audit & Supervisory Board Members. From the aspect of reinforcing the management auditing function, 3 of the 5 Audit & Supervisory Board Members serve as Outside Audit & Supervisory Board Members, securing a structure to conduct fair and objective audits.

In addition to the abovementioned organizations stipulated under Japan's Corporation Law, the Company established a Management Committee composed of internal Directors and executive officers appointed by the president. With the attendance of standing Audit & Supervisory Board Members, the Management Committee makes prompt managerial decisions based on discussions or the reporting of matters considered to be important to management.

Furthermore, the Company adopted an executive officer system in March 2003. This system was put in place with the aim of establishing a management structure that promotes the separation of management supervision and execution, clarifies the rights and responsibilities of each business and promptly responds to changes in the business environment. As of March 30, 2018, there were 31 executive officers, 23 of whom did not serve concurrently as Directors.

To realize even greater corporate value, in 2016 the Company established the "Nomination and Remuneration Committee" as a voluntary advisory body for the Board of Directors to ensure objective and transparent procedures for nominating officers and determining remuneration for officers. The Committee is chaired by an Independent Outside Director, and the majority of members are Independent Outside Officers.

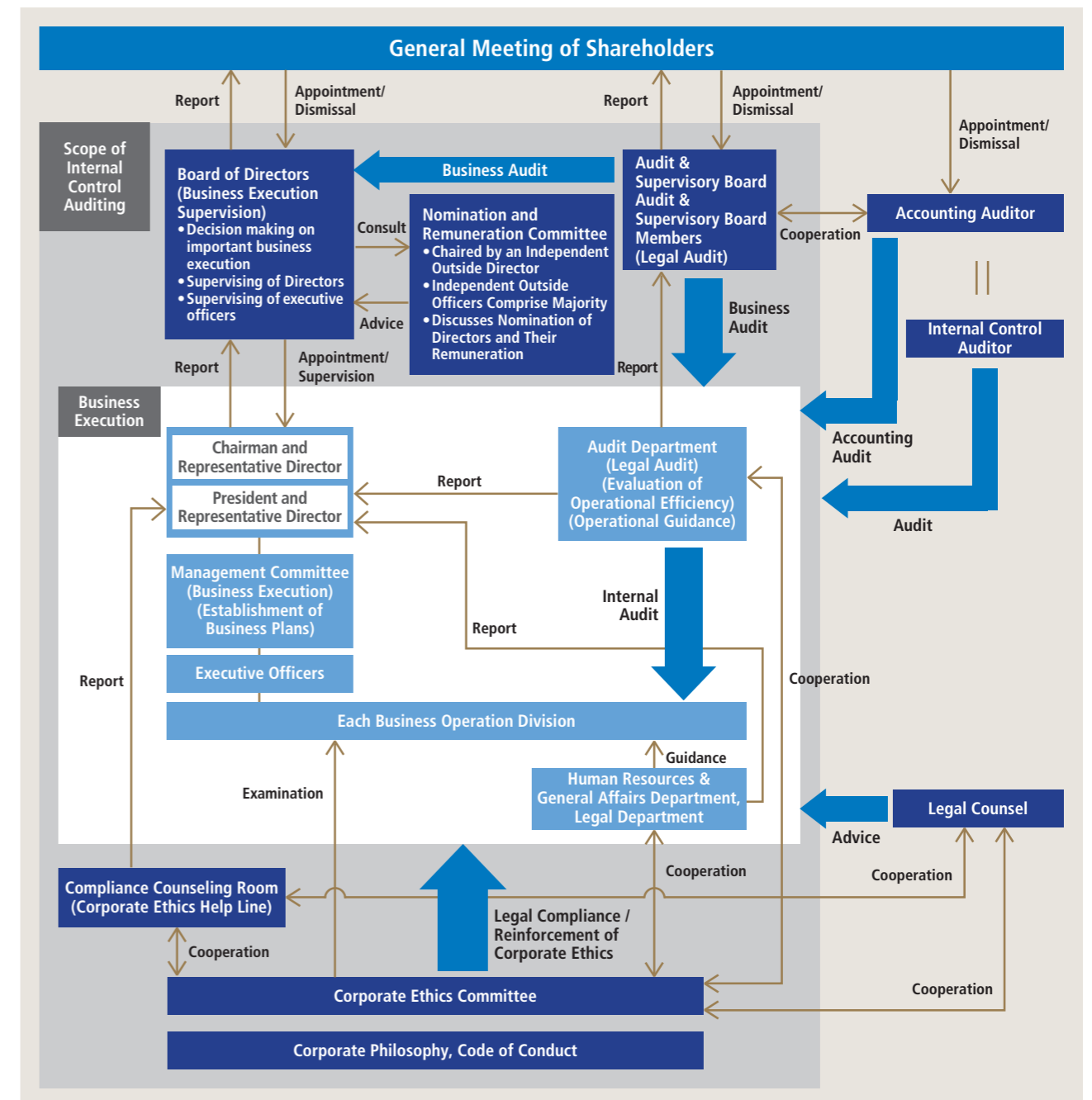
Reasons for Adopting the Aforementioned Structure

Guided by the "Sumitomo Business Spirit" as well as its "Corporate Philosophy," the Sumitomo Rubber Industries maintains a basic management policy of sustainably enhancing its corporate value as a promising and reliable global company acting for the benefit of all stakeholders, including shareholders. To that end, Sumitomo Rubber Industries continually strives to deliver attractive offerings, greater user comfort and other value for consumers. Under this policy, the Group considers the enhancement of corporate governance a major management objective, as it aims to ensure Groupwide business efficiency, establish deep relationships of trust with society and maintain fair and even more transparent operations. Accordingly, the Group currently believes that the aforementioned corporate governance structure is best suited to facilitating these pursuits.

Implementation and Status of the Internal Control System

Based on "compliance with social norms," which is stipulated in the Company's "Corporate Code of Conduct," Sumitomo Rubber Industries maintains the guideline that "corporate activities must adhere to laws and ordinances, social norms and standards of public decency. Moreover, the Company has established "systems to ensure that in the execution of their duties, Directors comply with laws and the Company's Articles of Incorporation and that Group operations undertaken by the Company and its subsidiaries are always appropriate," thereby securing strict legal compliance. In addition to complying with laws and its Articles of Incorporation, Sumitomo Rubber Industries aims to fulfill its corporate social responsibilities and, to this end, has established a strict code of corporate ethics while pursuing sound business operations. To that end, the Company formulated "Regulations on Corporate Ethics Activities" in February 2003. Simultaneously and in line with these regulations, the Company established the "Corporate Ethics Committee," which meets on a quarterly basis and is chaired by the president, with the aim of strengthening its Group-wide compliance system. Furthermore, Sumitomo Rubber Industries set up a "Compliance Counseling Room" directly controlled by the president as a corporate ethics helpline for employees. This enables the "Corporate Ethics Committee" to investigate any problems that arise within the Group and give sufficient attention to ensuring that those employees who come forward are not penalized. With a close eye on

Corporate Governance Structure (as of March 30, 2018)



legal issues, the Company also takes such measures as seeking advice from corporate attorneys as circumstances demand.

Implementation and Status of the Risk Management System

With regard to a variety of management risks that could exert a significant impact on Group operations, including issues with product quality, legal requirements, environmental concerns, credit, accidents and disasters, each division and department undertakes preemptive analyses of potential risks and formulates appropriate countermeasures, which are discussed at management meetings in accordance with the "Regulations Concerning Risk Control." When conducting risk analysis and formulating countermeasures, the Company requests on an as-needed basis advice and

instruction from specialists, such as corporate attorneys. For cross-departmental risks, each administration department works in close collaboration with related divisions and departments in their respective areas of operation to conduct Companywide countermeasures.

Furthermore, Sumitomo Rubber Industries established a "Risk Management Committee" based on its "Regulations Concerning Risk Control." Chaired by the president, the Risk Management Committee meets twice a year to control Group-wide risk management activities and investigates such activities to confirm the effectiveness of the risk management system.

If any material risk becomes clear or could be anticipated, the president shall establish a Risk Management Center pursuant to the "Regulations Concerning Risk Control."

Corporate Governance

Internal Audits and Audits by Audit & Supervisory Board Members

In accordance with audit plans and policies set out by the Audit & Supervisory Board, each Audit & Supervisory Board Member attends important meetings, including Board of Directors' meetings; hears reports on the status of job execution from Directors and internal audits; reviews important approval documents; and implements on-site audits at the Head Office, major business sites and subsidiaries while working closely with Accounting Auditors to ensure that audits are conducted in an appropriate manner.

Sumitomo Rubber Industries' internal audit function is the responsibility of the Audit Department. Under the direct control of the president, the Audit Department is composed of 12 staff and one full-time assistant to the Audit & Supervisory Board Members. The Audit Department conducts audits of the Group as a whole and evaluates the effectiveness of its internal control system over the Group's financial reporting. In accordance with audit policies and annual internal audit plans, the Audit Department implements onsite audits of the Head Office, major business sites and affiliates to evaluate the efficacy, efficiency and degree of compliance adequacy in connection with the execution of operations at each division and department and related Group company. On the completion of an internal audit, the results and any recommendations for improvement are reported to the president and the Audit & Supervisory Board in an effort to ensure reciprocal collaboration. The Audit Department and Accounting Auditors facilitate closer collaboration as needed to fulfill their duties.

For accounting audits, the Company has entered into an audit agreement with KPMG AZSA LLC in line with the Corporation and the Financial Instruments and Exchange Laws. In fiscal 2017, Mr. Kenichiro Kuroki, Mr. Hirofumi Tani and Mr. Takeru Yamada were primarily responsible for accounting audits as certified public accountants (CPAs), with 27 other CPAs serving as their assistants alongside 23 staff members at KPMG AZSA LLC.

Looking at the Company's Audit & Supervisory Board Members, Mr. Yasuyuki Sasaki, who has long served Sumitomo Rubber Industries as well as Sumitomo Electric Industries, Ltd. in the field of accounting and financial affairs, boasts extensive experience in the same field.

Mr. Morihiro Murata is a CPA and tax accountant and has considerable knowledge in the field of finance and accounting.

In addition, Mr. Tetsuji Akamatsu, who has served Osaka Gas Co., Ltd. in the field of accounting and financial affairs for many years, boasts extensive experience in the same field.

Outside Directors and Outside Audit & Supervisory Board Members

Sumitomo Rubber Industries has 3 Outside Directors and 3 Outside Audit & Supervisory Board Members.

Director Keizo Kosaka leverages his abundant knowledge as a lawyer who excels at corporate legal affairs to provide valuable comments and opinions from an objective perspective. Therefore, the Company anticipates that he will continue to help enhance its corporate governance.

Director Fumikiyo Uchioka leverages his experience as a serving member of the board at Sumitomo Electric Industries, Ltd. to provide valuable advice and opinions regarding the broad aspects of the corporate management. Therefore, the Company expects that he will make constant contributions to the enhancement of its corporate governance.

Director Kenji Murakami, who has served as the president and representative director of Daiwa House Industry Co., Ltd., leverages his experience in corporate management to provide valuable advice and opinions regarding the broad aspects of the Company's operations. Therefore, the Company expects that he will help the Company strengthen its corporate governance.

Audit & Supervisory Board Member Morihiro Murata, a CPA and tax accountant boasting considerable knowledge of finance and accounting, leverages his expertise as well as auditing experience as an external director who concurrently attends the Audit and Supervisory Committee at Kagome Co., Ltd. and as an Outside Audit & Supervisory Board Member at KOKUYO Co., Ltd. to provide opinions on Directors' execution of operations from an objective perspective. Therefore, the Company expects that he will help strengthen the Company's auditing system.

Audit & Supervisory Board Member Tetsuji Akamatsu, who served as the president of KINREI CORPORATION and as an Audit & Supervisory Board Member at Cogene Techno Service Co., Ltd. (currently, OGCTS Co., Ltd.), leverages his experience in corporate management to provide opinions on Directors' execution of operations from an objective perspective. Therefore, the Company expects that he will help strengthen the Company's auditing system.

Audit & Supervisory Board Member Asli M. Colpan has extensive knowledge in corporate management based on her advanced academic knowledge as a professor specializing in management strategy and corporate governance, as well as experience of involvement in corporate management as an Independent Director of Gourmet Kineya Co., Ltd. Therefore, the Company expects that she will help strengthen the Company's auditing system by providing suggestions and opinions as an Outside Audit & Supervisory Board Member based on her knowledge and experience.

In appointing Outside Directors and Outside Audit & Supervisory Board Members, Sumitomo Rubber Industries has acted in line with its in-house standards for assessing the independence of candidates for these personnel. The Company is thus confident that the interests of its Outside Directors and Outside Audit & Supervisory Board Members are not in conflict with the interests of general shareholders.

Message from Outside Director



Outside Director
Kenji Murakami

This is the third year since my appointment as an Outside Director in 2016. In my view, Sumitomo Rubber Industries is a company where many employees retain a positive attitude and diligently work on their duties in an open corporate culture, allowing them to feel worthwhileness of work. I also think that the corporate culture is a significant strength, as it makes the Company possible to take on various challenges, with faithful manufacturing as its pivot, in the middle of drastic changes in the environment surrounding the automobile industry.

For the Company aiming to become a truly global

player, the immediate task is to further enhance value of the DUNLOP brand and quickly expand the scope of business in the tires, sports and other businesses.

I believe that, under such circumstances, my experience in which I seriously worked as a corporate manager to spread the "Daiwa House" brand will be useful here, at some points during the course of the challenge.

At the Board of Directors meetings, I always bear in mind that I should state my opinions from a broad perspective based on the belief that "management maintaining a balance between offense and defense" and the "sense of unity across the company" should be held as important particularly when efforts towards sustained growth are well underway.

I think that the governance system of the Company is excellent as it has, among others, a system to encourage the vitalization of activities of the Board of Directors by, for example, providing Outside Directors, including me, with internal information in advance and opportunities to talk with officers in charge of each business in person.

I am committed to contributing to the development of the Company from this point forward as well by providing advice drawing on my long years of experience as a corporate manager.

Remuneration of Directors and Audit & Supervisory Board Members

Remuneration Amount and the Company's Policies for Determining Its Calculation Method

Sumitomo Rubber Industries' remuneration for Directors and Executive Officers consists of basic remuneration and bonuses. The basic remuneration is determined based comprehensively on each individual's position, duties and responsibilities as well as the Company's business results. Directors' remuneration is paid within the framework approved at the Company's general meeting of shareholders. The amount of each bonus is determined in accordance with an evaluation of the Company's business results as well as each Director's business execution. The amount of remuneration for Audit & Supervisory Board Members is determined in discussions among Audit & Supervisory Board Members and paid within the framework approved at the Company's general meeting of shareholders. Although stock-based incentives are not paid, the Company encourages the purchase of its stock through a stockholding association scheme for Directors and Executive Officers. When

determining the amount of bonuses, the Company also takes into account the contributions made by each individual to the progress of medium- and long-term business plans. In these ways, the Company is providing Directors and Executive Officers with incentives to achieve sustainable business growth. As for performance-based remuneration and stock options linked to medium- and long-term business results, the Company will engage in ongoing in-house discussions as well as dialogue with its shareholders to assess the optimal timing for the introduction and determine the form of remuneration. The Company determines the amount of remuneration for Directors and executive officers based on a resolution of the Board of Directors' after examining proposals submitted by the "Nomination and Remuneration Committee," which discusses the matter from objective and unbiased viewpoints, with independent Outside Directors comprising the majority of members.

A breakdown of fiscal 2017 remuneration by position, total amount of remuneration by type and the number of persons to be paid, is as follows

	Total amount of remuneration (Millions of yen)	Total amount of remuneration by type (Millions of yen)				Number of persons to be paid
		Basic remuneration	Stock options	Bonuses	Retirement benefits	
Directors (excluding Outside Directors)	438	339	—	99	—	8
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	49	49	—	—	—	2
Outside Directors and Outside Audit & Supervisory Board Members	53	53	—	—	—	6

Notes:

- The number of persons to be paid refers to the total number of remuneration recipients.
- As of December 31, 2017, Sumitomo Rubber Industries had 11 Directors and 5 Audit & Supervisory Board Members.
- In accordance with a resolution at the 123rd Ordinary General Meeting of Shareholders held on March 26, 2015, the maximum total amount of remuneration for Directors and Audit & Supervisory Board Members was set at ¥800 million per year (of which ¥70 million per year is for Outside directors) and ¥100 million per year, respectively. In fiscal 2017, the Company paid ¥466 million in total to 11 Directors and ¥74 million in total to five Audit & Supervisory Board Members.

Directors, Corporate Auditors and Executive Officers (As of March 29, 2018)

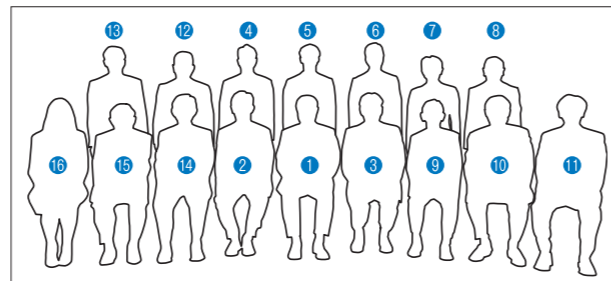


Directors and Corporate Auditors

1	President and CEO, Representative Director	Ikuji Ikeda	(President)
2	Representative Director	Minoru Nishi	(Executive Vice President)
3	Representative Director	Kazuo Kinameri	(Executive Vice President)
4	Director	Yasutaka Ii	(Managing Executive Officer)
5	Director	Hiroki Ishida	(Senior Executive Officer)
6	Director	Yutaka Kuroda	(Senior Executive Officer)
7	Director	Satoru Yamamoto	(Senior Executive Officer)
8	Director	Naofumi Harada	(Senior Executive Officer)
9	Director (External)*	Keizo Kosaka	
10	Director (External)*	Fumikiyo Uchioke	
11	Director (External)*	Kenji Murakami	
12	Corporate Auditor (Full-time)	Yasuyuki Sasaki	
13	Corporate Auditor (Full-time)	Hiroaki Tanaka	
14	Corporate Auditor (External)*	Morihiro Murata	
15	Corporate Auditor (External)*	Tetsuji Akamatsu	
16	Corporate Auditor (External)*	Asli M. Colpan	

Note: Positions that are listed within parentheses alongside director titles indicate the managerial positions of Executive Officers of the Company.

*Registered as independent directors and corporate auditors in accordance with regulations stipulated by the Tokyo Stock Exchange



Executive Officers

Senior Executive Officers	Naoki Yamada Takanori Aoi Hidekazu Nishiguchi Mitsuteru Tanigawa
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Executive Officers	Norifumi Fujimoto Masaharu Ono Tetsuhiko Yoshioka Takashi Kono Toshihiko Komatsu Tomohiko Masuta Kiyoshige Muraoka Masatsugu Nishino Eiichi Masuda Kenji Saito Hirotohi Murakami Richard Smallwood Hideaki Kawamatsu Akio Onishi Naofumi Yanetani Atsuhiko Tanaka Fumikazu Yamashita Yasuo Watanabe Riaz Haffejee
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CSR Activities of the Sumitomo Rubber Group

The Sumitomo Rubber Group proactively promotes CSR activities under the assumption that not only should efforts be made to raise economic value of the Group, but that it is essential to enhance its social value as well. These endeavors are undertaken in order to realize sustainable growth and the creation of value, as stated in the Group's VISION 2020 long-term vision.

CSR Guidelines

Green (Green Initiative)

Ecological (Ecological Process)

Next (Next-Generation Product Development)

Kindness (Kindness to Employees)

Integrity (Integrity for Stakeholders)

Since 1988, the 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 as 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.

Sumitomo Rubber Group's CSR Efforts

The Sumitomo Rubber Group proactively promotes CSR activities under the assumption that not only should efforts be made to raise economic value, but that it is essential to enhance social value as well. These endeavors are undertaken in order to realize sustainable growth and the creation of value, as stated in the Group's VISION 2020 long-term vision.



On September 25 - 27, 2015, the "United Nations Sustainable Development Summit" was held at the United Nations Headquarters in New York, which adopted "Transforming our world: the 2030 Agenda for Sustainable Development." This Agenda sets forth the declaration and goals and targets as a plan of action for people, planet and prosperity. These goals and targets, namely the "Sustainable Development Goals (SDGs)" which comprise 17 goals and 169 targets, are the successor to the Millennium Development Goals (MDGs).

The Group is also committed to contributing to initiatives aimed at attaining these various goals towards sustainable developments.



Details of the GENKI Activities	SDGs to Contribute to	Highlights	Activities in fiscal 2017 (Page no.)
<p>Green Green initiative</p> <ul style="list-style-type: none"> 1 Helping to curb global warming through tree planting 2 Fostering better relationships with local communities through tree planting 3 Preserving biodiversity 	<ul style="list-style-type: none"> 13 CLIMATE ACTION 14 LIFE BELOW WATER 15 LIFE ON LAND 	<p>Cumulative number of trees planted during nine years since 2009</p> <p>1,717,000</p>	<p>Collaborative Activities with Local Residents, etc. To achieve forest creation tailored to each region, we promote activities in which not only employees but also local residents, regional organizations and other related parties participate. P.41 Engaged in collaborative activities with local residents, etc. in "Sumitomo Rubber GENKI Forest," a green initiative in Japan</p>  <p>Protecting Culture and Nature With the goal of protecting Japan's vanishing cultural assets and natural environment, we are working on the "Team ENASAVE Future Project." P.42 Collected ulva beached on Wajiro Tidal Flat, Fukuoka</p> 
<p>Ecology Ecological process</p> <ul style="list-style-type: none"> 4 Creating a low-carbon society 5 Building a recycling-oriented society 6 Promoting environmental footprint management 7 Implementing global environmental management 	<ul style="list-style-type: none"> 6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION 	<p>Improvement rate of environmental impact indicator of waste disposal (excluding valuables) at factories in Japan over the previous fiscal year</p> <p>4.0%</p>	<p>Promoting the Protection of Water Resources We are carrying out promotional activities to achieve a wastewater recycling rate of 100% at every factory around the world by 2050. P.46 Expanded use of rainwater (equipment to use rainwater in the Indonesia Factory)</p>  <p>Improving Environmental Awareness in Japan and Overseas We are carrying out educational and promotional activities to increase environmental awareness in Japan and overseas. P.46 Exhibition of energy-saving equipment at the Turkey Factory</p> 
<p>Next Next-generation product development</p> <ul style="list-style-type: none"> 8 Developing environmentally friendly products 9 Pursuing "safety and comfort," "economy" and "quality" 	<ul style="list-style-type: none"> 7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	<p>Developing environmentally friendly products</p>	<p>Announcing New Technology Development Concept "SMART TYRE CONCEPT" with an Eye on the Upcoming Mobility Society The Group pushes forward with technology development with the aim of completing a revolutionary new tire by late 2020s. P.47</p>  
<p>Kindness Kindness to employees</p> <ul style="list-style-type: none"> 10 Fostering human resource development and making jobs rewarding 11 Creating a safe, employee-friendly workplace 12 Achieving a good work-life balance 13 Promoting diversity 14 Respect for human rights 	<ul style="list-style-type: none"> 3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES 	<p>Rate of female employees' returning to work after childcare leave</p> <p>94.4%</p>	<p>Fostering Human Resources The Company supports personal growth of its employees by providing training in respect for their motivation to grow. P.49 "Awareness training" that helps employees to "learn to notice and improve situations" on their own</p>  <p>Support for Female Employees to Play an Active Role in Their Duties The Company works to give due consideration to expansion of the occupational range and health aspects of female employees in order to support them in playing an active role in their duties. P.50 "Self-care seminar for female employees" to support health of female employees so they can continue working energetically</p> 
<p>Integrity Integrity for stakeholders</p> <ul style="list-style-type: none"> 15 Enhancing corporate governance 16 Ensuring thorough compliance 17 Promoting dialogue with stakeholders 18 Keeping social contribution in constant motion 19 Supply chain management 	<ul style="list-style-type: none"> 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	<p>Number of analyst meetings held</p> <p>130</p>	<p>Strengthened Compliance Education We hold lectures for personnel in management positions, and provide explanatory sessions for Group companies, including those overseas. P.51 Holding of compliance lectures</p>  <p>Promotion of CSR Procurement The Group aims to promote CSR procurement (socially responsible procurement) considering not only quality, cost and delivery time, but also regulatory compliance, human rights and labor ethics. P.52 An explanatory session on CSR procurement</p> 

Identifying Materiality and Dialogue with Stakeholders

Taking into account international guidelines and stakeholders' views, we determined 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

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 CSR Philosophy 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

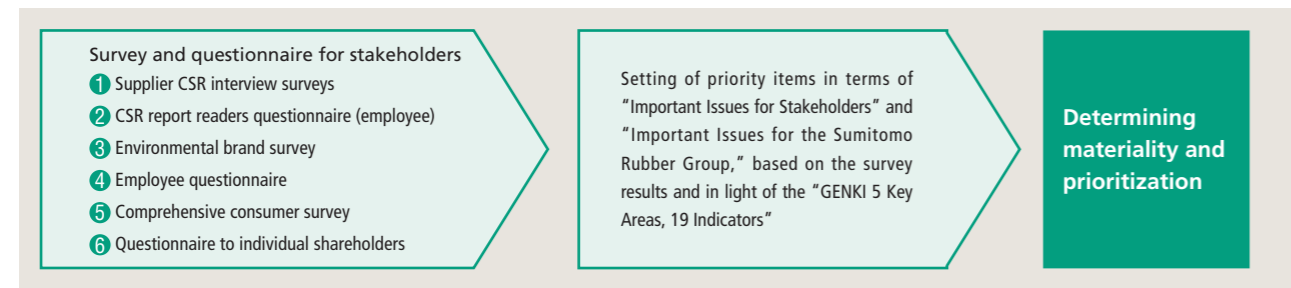
CSR Guidelines were the most important (their "materiality").

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, taking into account required content in the "GRI Guidelines (G4)*" and based on a survey of various stakeholders.

This report presents the results of such efforts aimed at attaining each CSR target.

* Global Reporting Initiative: An international organization that issues CSR reporting guidelines. Currently issues the GRI Standards.



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



Stakeholder Dialogues

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 daily dialogue with stakeholders in pursuing our 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

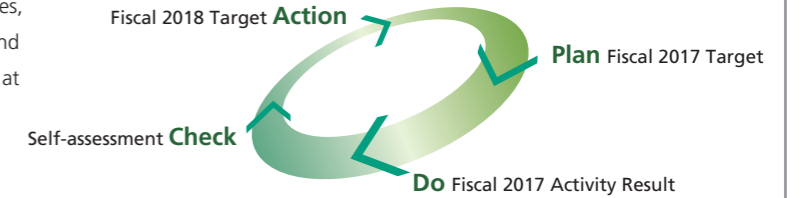
	Features	Main responsibilities	Communications method
Customers 	Automobile manufacturers, manufacturing companies, sales companies, sports facilities, etc.	<ul style="list-style-type: none"> Quality management Development of safer products Safe driving awareness Providing product information and services 	<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.
Business partners 	Rubber raw materials manufacturers, other materials manufacturers, trading companies, processing companies, etc.	<ul style="list-style-type: none"> Fair and reasonable procurement CSR procurement 	<ul style="list-style-type: none"> Dialogue through day-to-day business Confirmation visits to procurement partners, and feedback Questionnaires to procurement partners Explanatory meetings, etc.
Local community 	Residents, municipalities, local government, educational institutions, and other organizations near factories and offices	<ul style="list-style-type: none"> Social contribution activities Green initiatives Preserving 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 Dialogue with local governments, etc.
Shareholders and investors 	Shareholders (individuals : 18,305, financial institutions: 914), individual and institutional investors, etc.	<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.
Employees 	Sumitomo Rubber Group : 36,650, Sumitomo Rubber Industries : 6,581 (male employees: 5,979, female employees: 602)	<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 Dialogue with employees 	<ul style="list-style-type: none"> Providing information through internal newsletters, intranet, etc. Consultation with labor-management councils and employee representatives Compliance consultation service Round-table discussions with president to exchange views with management CSR Report questionnaire, etc.

Fiscal 2017 Targets and Results

The Sumitomo Rubber Group is striving to be a corporate group that is trusted by society through fulfilling its corporate social responsibility toward creation of better society.

The Group sets forth the CSR Guidelines as its action guidelines and is proactively pushing forward with the CSR Activities that are in line with the action guidelines GENKI Activities while categorizing them into "Green," "Ecology," "Next," "Kindness" and "Integrity."

Based on our "GENKI" CSR Guidelines, we have verified the achievements and set targets for fiscal 2018. Let's look at the main targets.



Items marked with "○" have been verified by third parties (excluding environmental impact indicator).

CSR Activity Guidelines	Plan: Fiscal 2017 Target	GRI Guidelines	Do: Fiscal 2017 Activity Result	Check: Self-assessment*	Action: Fiscal 2018 Target	
Green Green initiative	1 Helping to curb global warming through tree planting	●Promote the Million Trees for Local Forests Project Team ENASAVE promotes mangrove planting at overseas factories	304-3	●One Million Trees for Local Forests Project Fiscal 2017: 56,837 trees planted; cumulative total: 1,717,550 trees planted ●Plant mangrove in Thailand and Indonesia	100%	●Promote the Million Trees for Local Forests Project ●Promote creation and maintenance of GENKI Forests in Japan
	2 Fostering better relationships with local communities through tree planting	●Promote the Acorn Project ●Expand interaction with communities, including giving away seedlings	413-1	●Fiscal 2017: 9,983 acorn trees planted; cumulative total: 173,340 acorn trees planted ●13,291 seedlings given away to communities	100%	●Promote the Acorn Project ●Expand interaction with communities, including giving away seedlings
	3 Preserving biodiversity	●Prepare the biotopes ●Continue protection and raising of endangered species	304-3	●Commenced preservation and nurturing of Sasakia charonda at the Okayama Tire Proving Ground ●Commenced protection and raising of two species of rare plants at the Izumiotsu Factory	100%	●Prepare the biotopes ●Continue protection and raising of endangered species
Ecology Ecological process	4 Creating a low-carbon society	-	302-1,2,5	-	-	●Established the calculation method of reduced CO ₂ emissions per tire during its life cycle
		(Six factories in Japan) ●Environmental impact indicator of energy usage (crude oil equivalent)* ₂ : ≥2.5% reduction over the previous fiscal year	302-3	0.5% increase	97%	●≥0.9% reduction over previous fiscal year
		(Six factories in Japan) ○ ●Environmental impact indicator of CO ₂ emissions* ₂ : ≥2.3% reduction over the previous fiscal year	305-4	0.9% increase	97%	●≥1.0% reduction over previous fiscal year
	5 Building a recycling-oriented society	(Six factories in Japan) ●Environmental impact indicator of waste disposal (excluding valuables)* ₂ : ≥4.2% reduction over the previous fiscal year	306-2	4.0% decrease	100%	●≥1.1% reduction over previous fiscal year
		(Six factories in Japan) ○ ●Environmental impact indicator of water usage* ₂ : ≥1.4% reduction over the previous fiscal year	303-1	2.4% decrease	100%	●≥1.6% reduction over previous fiscal year
	6 Promoting environmental footprint management	(Six factories in Japan) ●NOx, SOx, and dust: ≥80% reduction over fiscal 2005 levels	305-7	86% decrease	100%	●≥80% reduction over fiscal 2005
	7 Implementing global environmental management	●Maintain ISO 14001 Global Multi-Site Certification	103-2	Maintained	100%	●Maintain Global Multi-Site Certification
Next Next-generation product development	8 Developing environmentally friendly products	●Develop and launch tires using "ADVANCED 4D NANO DESIGN"	302-5	●Launched DUNLOP "ENASAVE NEXT II" that uses "New Flexible Bonding Agents" molecular designed based on the "ADVANCED 4D NANO DESIGN" simulation ●Launched the "SP680" truck and bus tires whose life performance had been improved by no less than 20% as compared to the conventional products of the Company by using "S.A. Microparticle Carbon IV" which had been developed based on "ADVANCED 4D NANO DESIGN."	100%	●Develop environmentally friendly products
	9 Pursuing "safety and comfort," "economy" and "quality"	●Market and expand sales of new products	416-1	●The cumulative number of shipped products equipped with SILENT CORE* ₃ topped 10 million.	100%	●Commercialize new technologies
Kindness Kindness to employees	10 Fostering human resource development and making jobs rewarding	●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 ●Closely examine each department's operations altogether without being constrained by conventional norms, in an effort to improve operational efficiency on a Company-wide basis	404-2	●Conducted special English education including in-house English conversation classes that are convenient for employees to attend ●Worked to reduce total working hours by implementing activities to build awareness of no-overtime days and paid leave.	100% 50%	●Introduce in-house English conversation classes to factory departments as well in order to promote development of human resources who can play an active role on the global scene ●Continue promoting activities to reduce total working hours and work on activities to mitigate risks on operational quality fronts
	11 Creating a safe, employee-friendly workplace	●Invigorate activities for heightening health and safety awareness at each operating site and develop and inculcate Sumitomo Rubber Industries safety activity know-how Company-wide ●Promote health & productivity management	403-2	●The total number of occupational accidents decreased (serious accident: one; disabling injuries: increased). Promoted heightening of safety awareness by issuing a declaration of an emergency situation. ●The number of days of both mental and physical sick leaves decreased (approximately 30% decrease in total). The Company was recognized under the Certified Health & Productivity Management Outstanding Organizations Recognition Program for two consecutive years, in recognition of its efforts to advance health and productivity, including thorough follow-up on employees whose medical checkups revealed health problems.	80% 90%	●Promote safety activities commensurate with characteristics of each base in order to improve workplace safety ●Promote health & productivity management (maintenance and improvements in health through heightened awareness of health and thorough implementation of mental health measures)
	12 Achieving a good work-life balance	●Promote use of childcare leave by male employees ●Promote use of the daycare support system ●Promote use of shortened working hours for childcare by employees	401-3	●Number of male employees who used childcare leave: 5 ●Number of employees who used the daycare support system: 15 ●Number of employees who used shortened working hours for childcare: 56	100%	●Promote use of childcare leave by male employees ●Promote use of the daycare support system ●Promote use of shortened working hours for childcare by employees
	13 Promoting diversity	●Employ female employees and employees with disabilities in a sustained manner ●Utilize talented human resources on an ongoing basis, regardless of gender, etc.	405-1	●Number of female employees in managerial position: 14 ●Percentage of employees with disabilities: 2.22%	80%	●Employ female employees and employees with disabilities in a sustained manner ●Utilize talented human resources on an ongoing basis, regardless of gender, etc.
	14 Respect for human rights	●Hold training on human rights	412-2	●Hold training on human rights	80%	●Hold training on human rights
	15 Enhancing corporate governance	●Hold meetings of the "Nomination and Compensation Committee" as a voluntary advisory body to the Board of Directors ●Conduct BCP training on a regular basis ●Conduct reanalysis of risks on a Group-wide basis	102-18	●Hold "Nomination and Compensation Committee" meetings (three times) ●Updated Group-wide definition of material risks incorporating changes in the internal and external environment ●Implement scheduled reporting on risk management activities at overseas branches	100%	●Improve effectiveness of the Corporate Governance Code ●Conduct questionnaire on effectiveness of the Board of Directors ●Formulate BCPs at overseas offices and implement intragroup measures toward material risks including the sports business after management integration
Integrity Integrity for stakeholders	16 Ensuring thorough compliance	●Thoroughly implement the Corporate Philosophy and the Corporate Code of Conduct	102-16	●Created systems for compliance activities at Group companies in Japan and overseas ●Conducted various briefings at Group companies in Japan and overseas and provided training in bribery prevention, antitrust laws and legal risks, particularly at overseas affiliates	100%	●Promote the Group's compliance and risk management
	17 Promoting dialogue with stakeholders	●Promote dialogue with a range of stakeholders	102-44	●Conduct stakeholder dialogues at each operation base	100%	●Promote dialogue with a range of stakeholders
	18 Keeping social contribution in constant motion	●Promote joining the CSR Fund ●Work together with NPOs (continue and expand activities)	102-44	●Rate of joining the CSR Fund: 34.5% ●Number of manufacturing workshops carried out: five times at five schools ●Number of environmental workshops carried out: nine times for five groups	100%	●Work together with NPOs (continue and expand activities)
	19 Supply chain management	●Conduct questionnaire survey with and briefings to suppliers regarding CSR procurement	102-43	●Conduct questionnaire survey with and briefings to suppliers regarding CSR procurement	100%	●Conduct follow-up questionnaire survey with suppliers regarding CSR procurement

*1 Self-assessment uses comparison with baseline year (1 - reduction ratio) in the following formula to calculate achievement rate: $(1 - \frac{\text{target value} - \text{actual value}}{\text{target value}}) \times 100\%$

*2 The denominator for calculating environmental impact indicator is the new rubber consumption amount (consumption of natural rubber + synthetic rubber).
*3 SILENT CORE is our proprietary technology to attain a high level of quietness by absorbing noises caused by air vibrations inside the tire.

Green

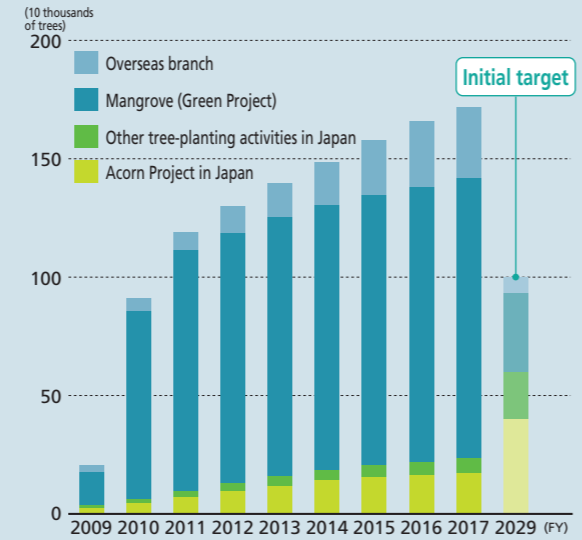
Green initiative

Management Approach

Forests absorb CO₂ which contributes to global warming, and are an important social infrastructure for preserving biodiversity. Based on the thought that preserving this infrastructure is one of our corporate social responsibilities, we promote "Green (Green Initiative)" as one part of Sumitomo Rubber Group CSR Activity Guidelines through ongoing tree planting activities in and around our operation bases within Japan and overseas.

In fiscal 2009, we launched the "One Million Trees for Local Forests Project" to plant one million trees on and around our facilities around the world in 20 years. We have kept well ahead of our initial 20-year target, reaching a total of 1.717 million trees planted as of fiscal 2017. We will continue to plant trees as well as putting effort in forest maintenance.

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



▶ Forestation Activities to Help Curb Global Warming and Connect with Local Communities

"Sumitomo Rubber GENKI Forest," a green initiative in Japan

In addition to the grounds of our facilities, we engage in forestation activities in the surrounding area and at the 11 locations (23 ha) in Japan designated as "Sumitomo Rubber GENKI Forest."

When planting trees, one has to be aware of the negative effect non-native species can have on local ecosystem. As such we only plant seedlings grown using acorn seeds gathered in the target area. Our continued efforts are aimed at increasing the amount of greenery around us while protecting biodiversity.

While the number of trees planted has been decreasing as the area available for planting is getting smaller, 1,511 acorn seedlings were planted in "Sumitomo Rubber GENKI Forest" in fiscal 2017.

Maintenance work after tree planting is also important for forestation. Weed cutting, removal of vines, removal of unnecessary trees, pruning and thinning work are carried out.

In addition, 8,472 acorn seedlings were given away to organizations and local residents who are engaged in the green initiative and so wish.



Pruning work in a "Sumitomo Rubber GENKI Forest" in Sasayama City, Hyogo Prefecture



Volunteer activities carried out with local residents in a "Sumitomo Rubber GENKI Forest" in Miyakononojo City, Miyazaki Prefecture

Collaborative activities with local residents and other parties in "Sumitomo Rubber GENKI Forest"

The objectives of forestation activities include prevention of global warming by absorption of CO₂, landslide prevention and biodiversity preservation, as well as to communicate with local communities through satoyama (border zone between unpopulated mountain foothills and populated flat land) conservation activities.

To achieve forest creation rooted in each community, we promote activities in which employees, former employees, families, friends, local residents and regional organizations participate.

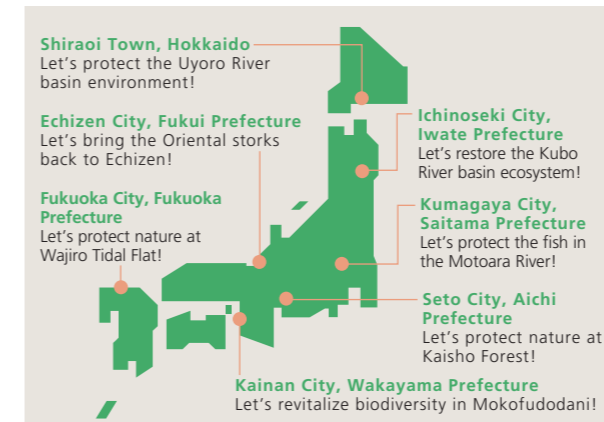
TEAM ENASAVE Future Project, Protecting Culture and Nature

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



TEAM ENASAVE Future project

As a part of this project, in fiscal 2017 we held activities at seven locations around Japan, with the help of employees, their families, and local associations. Together with volunteers from the public as well as radio listeners, these events have seen 430 people participate in total.



▶ Preserving Biodiversity

Creation of Regional Biotores by Hand

The Group is carrying out creation of biotores within its business bases so that a wide variety of organisms living in these areas may be able to build natural ecosystems unique to such areas. Five biotores are now established in total: the Shirakawa Factory "Shirakawa no Izumi," the Nagoya Factory "Koromo no Izumi," the Kobe Head Office "Soso no Izumi," the Miyazaki Factory "Kirishima no Izumi," and the Ichijima Factory biotope.

The biotores in those regions were created by the hands of employees on their days off. With the cooperation of local residents, we preserve, nurture and return endemic plants and aquatic life to local areas.



Preservation and Nurturing of Endangered Species

The Group has been engaged in preservation and nurturing of *Sasakia charonda* (the great purple emperor butterfly), one of the quasi-endangered species, at Ichijima Factory in Hyogo Prefecture as part of our activities to preserve and nurture endangered species. Meanwhile, there has been a sighting of *Sasakia charonda* flying in Okayama Tire Proving Ground. There are indigenous hackberries growing in the woods within the Tire Proving Ground (*Sasakia charonda* larvae feed on hackberry leaves) and sighting of larvae has also been confirmed.



Sasakia charonda found in the Okayama Tire Proving Ground

We are going to preserve and nurture *Sasakia charonda* in the Okayama Tire Proving Ground as well.

Topics

Greening Activities Overseas "Team ENASAVE Green Project"

The "Team ENASAVE Green Project" started in fiscal 2009 as part of the "One Million Trees for Local Forests Project," wherein mangrove seedlings are planted in Thailand and Indonesia using part of proceeds from sales of the fuel-efficient "ENASAVE" tire series.

Mangrove forests are located on seashores and bring a myriad of benefits for local people and their life by providing fertile fishing grounds. The number of trees planted by fiscal 2017 totaled no less than 1.17 million, and we are committed to continuing with our efforts going forward as well.



Mangroves planted in Thailand in 2009 have grown up

Ecology

Ecological process

Management Approach

As a global company responsible for the environment, the Sumitomo Rubber Group will fulfill its social responsibility through all areas of its activities in order to achieve sustainable development of society wherein human prosperity and the environment co-exist harmoniously.

Sumitomo Rubber Industries was certified in March 2009 as an "Eco-First company" under the "Eco-First Program" established by the Ministry of the Environment, and renewed "Eco-First Commitments" in October 2017.

Sumitomo Rubber Industries "Eco-First Commitments"

- 1 Creating a Low-Carbon Society**
 - Reduce LCCO₂ emissions per tire by the fiscal year 2022
Fiscal 2022: by 14% compared to 2005
 - ➔ Fiscal 2017: reduced by 12.7% (over fiscal 2005 levels; per tire)
- 2 Building a Recycling-Oriented Society**
 - Maintain our "Complete Zero" landfill waste policy at major production bases in Japan and overseas until 2020
 - ➔ Continued achievement for eight years since fiscal 2010
 - Establish a technology for 100% recycling of wastewater at a model factory by 2020
 - ➔ Under development
- 3 Promoting Harmonious Coexistence with Nature**
 - Acorn Project
Conducts the Acorn project activities at least 20 times a year
 - ➔ Tree planting activities were conducted 33 times in fiscal 2017
 - Take action to protect biodiversity
 - ➔ Conducted according to the plan in fiscal 2017

Creating a Low-Carbon Society

Items marked with "O" have been verified by third parties. The environmental impact indicator was not verified by third parties. The figures shown on the graphs differ from the verified figures as different coefficients were used.

CO₂ Emissions Reduction Activities in Production Bases

In fiscal 2017, the Group worked on waste heat recovery and other measures in order to reduce CO₂ emissions in production activities. However, CO₂ emissions in production activities of the Group's factories in Japan increased by 4,000

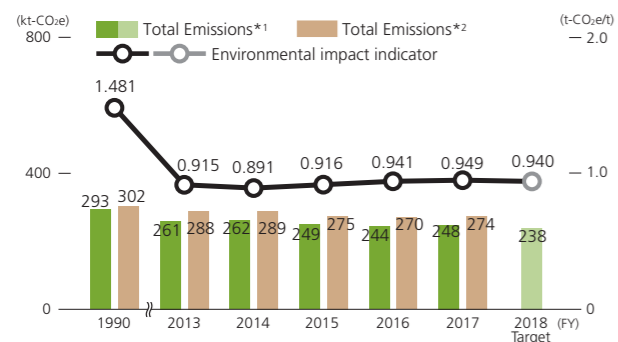
tons-CO₂ to 248,000 tons-CO₂ from the previous fiscal year. The environmental impact indicator of CO₂ emissions worsened 0.9% over the previous fiscal year. This was because of the impact of increased loads in the manufacturing process.

The Group will focus on reducing fixed energy consumption and promoting LED lights in fiscal 2018.



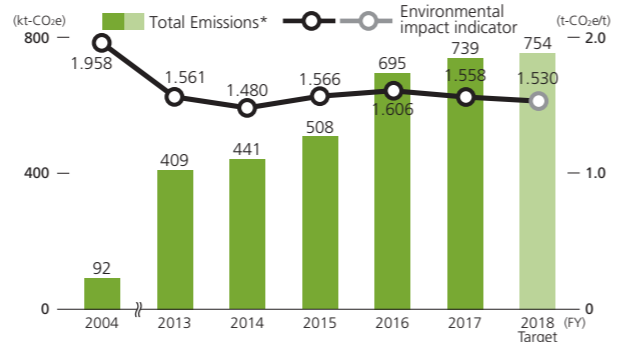
Solar panels installed in the Ono Factory of Dunlop Retread Service Co., Ltd.

CO₂ Emissions (Factories in Japan)



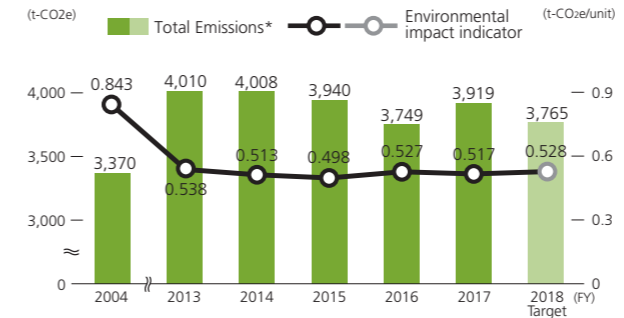
*1 Total emissions are calculated using the cogeneration credits based on the "Guide for Calculating Greenhouse Gas Emissions," published by the Japan Rubber Manufacturers Association (used to calculate the environmental impact indicator). CO₂ emission factors for electricity consumption, published by electricity companies in 2004, are applied.
*2 Total emissions without considering cogeneration credits.

CO₂ Emissions (Overseas Factories)



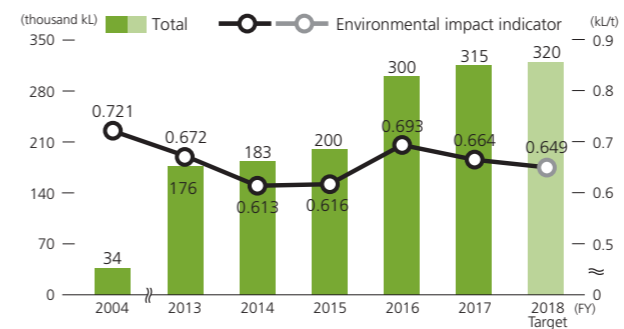
* CO₂ emission factors for electricity consumption are based on "WRI/WBCSD GHG Protocol Initiative Calculation Tool" (2004).

CO₂ Emissions (Factories Operated by Domestic Affiliates)

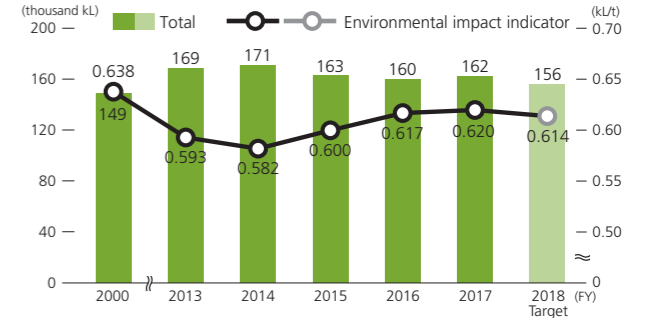


* Total emissions are calculated using the cogeneration credits based on the "Guide for Calculating Greenhouse Gas Emissions," published by the Japan Rubber Manufacturers Association. CO₂ emission factors for electricity consumption, published by electricity companies in 2004, are applied.

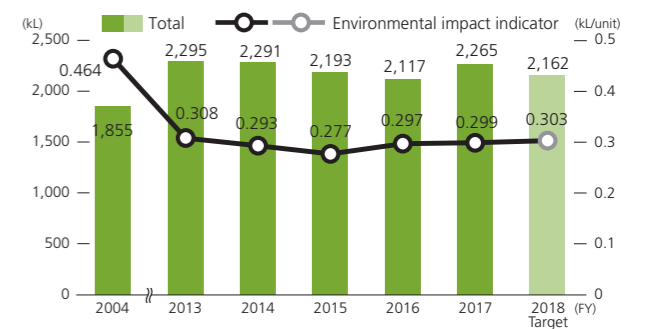
Energy Usage (Crude Oil Equivalent) (Overseas Factories)



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



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

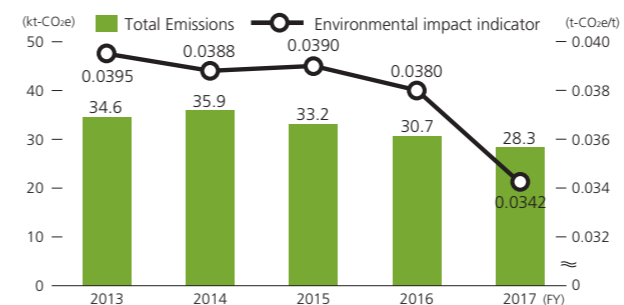


CO₂ Emissions Reduction in Logistics

In fiscal 2017, we worked on optimizing the location of our production sites (loading at the closest port and production at a factory near the warehouse of the destination). These initiatives resulted in a drop in CO₂ emissions from transporting tires to 28,300 tons-CO₂, down 7.7% compared to the previous fiscal year. The Group has achieved 10.1% reduction of the environmental impact indicator.

We continue to shorten transport distances and increase modal shift rate in fiscal 2018.

CO₂ Emissions in Logistics (Domestic)



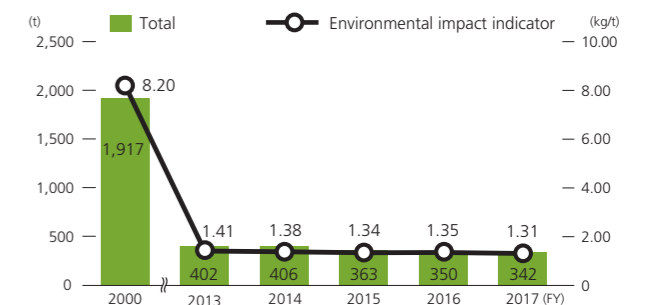
Promoting Environmental Footprint Management

Efforts to Reduce Organic Solvents Use

The Group has been making voluntary efforts to reduce usage of volatile organic compounds (VOCs), and fiscal 2017 improvements in production processes resulted in a 3.0% drop over the previous fiscal year. Organic solvent use has been reduced by 82% compared to fiscal 2000.

In fiscal 2018, we will continue to optimize usage conditions of VOCs and reduce quantities used.

Total Amount of VOCs (Factories in Japan)



Note: VOCs used are calculated using the method of the Japan Rubber Manufacturers Association.

Ecology

Ecological process

▶ Building a Recycling-Oriented Society

Continue to Achieve Complete Zero Landfill Waste

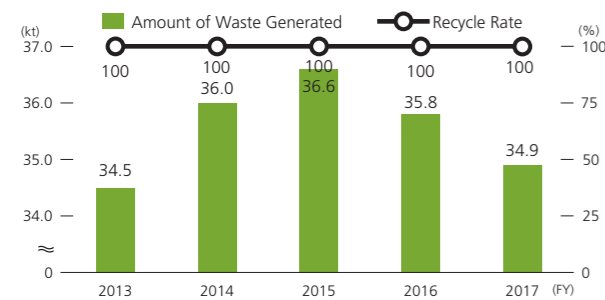
The Sumitomo Rubber Group is working to reduce, reuse and recycle wastes in order to build a recycling-oriented society.

Complete zero landfill waste is defined as complete diversion of landfill waste, with 100% recycling rate and no waste sent directly to landfills.

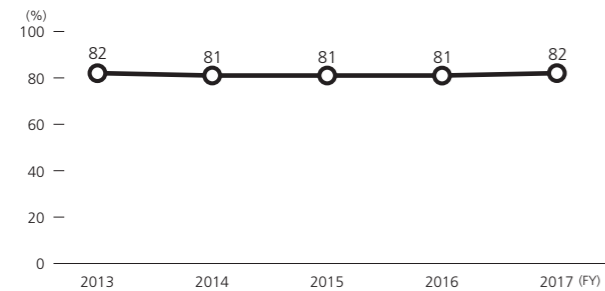
We achieved complete zero landfill waste at the Turkey Factory in fiscal 2017.

In fiscal 2018, we are aiming to ensure that this continues at existing sites.

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



Material Recycling Rate (Factories in Japan)



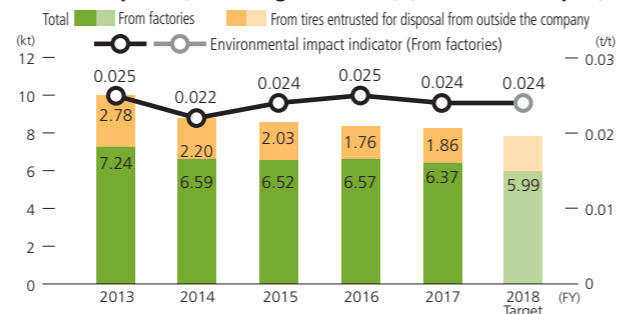
Reducing Waste Disposal*

We have conducted examinations and other initiatives on new suppliers with the aim of reducing waste disposal. In fiscal 2017, the environmental impact indicator at factories in Japan decreased by 4.0% as compared with the previous fiscal year.

The environmental impact indicator decreased by 13.6% at overseas factories, while decreasing by 17.7% at factories operated by domestic affiliates.

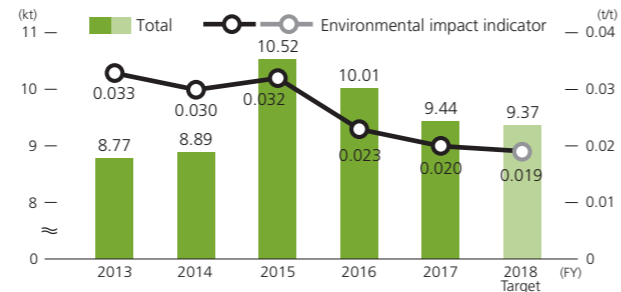
* Waste disposal refers to the amount of waste diverted for thermal/material recycling.

Waste Disposal (Excluding Valuables) (Factories in Japan)

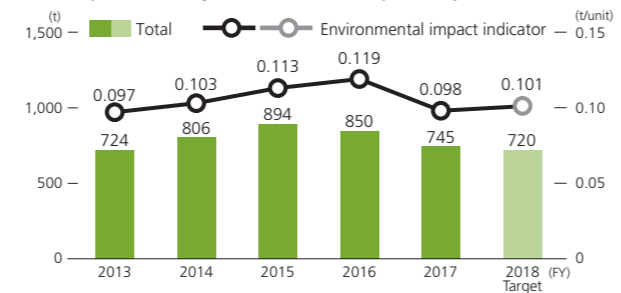


* Figures for the past fiscal years are retroactively restated as there was a mistake in data calculation.

Waste Disposal (Excluding Valuables) (Overseas Factories)



Waste Disposal (Excluding Valuables) (Factories Operated by Domestic Affiliates)



Water Usage Reduction

With the aim of dealing with the global water resource shortage, the Group aims to achieve a wastewater recycling rate of 100% at each factory around the world by 2050. The Thailand Factory is proactively pushing forward with wastewater recycling; it has installed wastewater recycling equipment in the Factory 1 in fiscal 2016 and is planning to implement the same equipment in the Factory 2 in fiscal 2018. The Kakogawa Factory is using recycling equipment for a portion of wastewater and reduced its environmental impact indicator by approximately 19% year on year in December 2017.

The medium-term management plan sets a target of achieving a 100% wastewater recycling rate at two factories by fiscal 2020. The Turkey Factory plans to implement commissioning for establishing recycling technologies in fiscal 2018.

In addition, the Group is pursuing reduction of water usage by effectively using rainwater, and in this context, rainwater usage was expanded at the Indonesia Factory in fiscal 2017.

The Group will push forward with water usage optimization in production processes at each base and measures that utilize results of the WBCSD*1 Global Water Tool and WRI*2 Aqueduct water risk assessments on an ongoing basis.

*1 WBCSD: World Business Council for Sustainable Development
*2 WRI: World Resources Institute



Rainwater utilization system (Indonesia Factory)

▶ Implementing Global Environmental Management

Enlightening Activities for Environment at Each Factory

The Group conducts environmental education so that all employees increase their awareness and knowledge about environmental issues and proactively participate in environmental preservation activities.

In fiscal 2017, we conducted activities for communicating information and knowledge on environment-related matters, including holding an "energy-saving assembly" for all employees at the Miyazaki Factory as a new initiative and airing of "environmental voices" public address program at the Zhongshan Factory in China.

These activities will be continued and complemented by other new approaches.

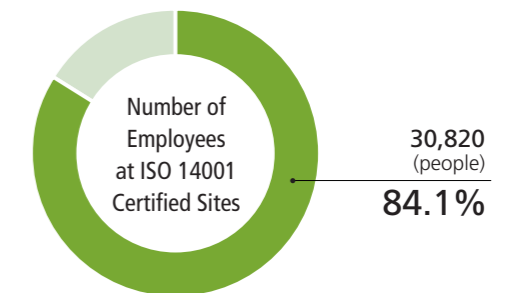
ISO 14001 Global Multi-Site Certification

To implement global management in all of its corporate activities including creation of a low-carbon society, in December 2010, the Group obtained ISO 14001 Global Multi-Site Certification for its 30 bases in Japan and overseas. This enabled us to carry out unified environmental management at major production and development bases in Japan and overseas.

In fiscal 2017, the Turkey Factory obtained the Global Multi-Site Certification and the number of certified factories increased to 32.

In fiscal 2018, the activities will be continued within two factories (South Africa and USA) that have already received individual certification to obtain the Global Multi-Site Certification.

Coverage Rate of ISO 14001 Certified Sites (Percentage of Employees)



Note: Including temporary employees (as of December 31, 2017).

Topics Received the Chairman's Award at "3Rs (Reduce, Reuse, and Recycle) Promotion Merit Awards"

Sumitomo Rubber (Hunan) Co., Ltd., a tire factory in China, received the 3Rs (Reduce, Reuse, and Recycle) Promotion Merit Awards Chairman's Award at the "FY2017 3Rs Promotion Merit Awards" in October 2017. This award is given to individuals and businesses that have made outstanding

achievements in initiatives towards reducing, reusing and recycling. The factory won the award in recognition of its achievement in promoting 3Rs activities and attaining complete zero landfill waste (no waste sent directly to landfills and 100% recycling rate).



Award ceremony

Voice

Reduction of Water Usage by Introduction of Wastewater Recycling Equipment

At the Thailand Factory, various initiatives for reducing water usage were implemented but the improvement was limited. Wastewater recycling equipment was introduced as the water utility charge increases drove up manufacturing costs. The water usage has been significantly reduced and water utility charges and costs for recycling waste water have also been saved, as we can recycle wastewater on site. In addition, water pollution risk by wastewater is mitigated, and we plan to introduce the same equipment in Factory 2 as well.

Going forward, we aim to be a factory that contributes to environmental preservation in the region by discharging no wastewater.



Manager, Safety Health and Environment Section, Sumitomo Rubber (Thailand) Co., Ltd.
Isarus Purpan

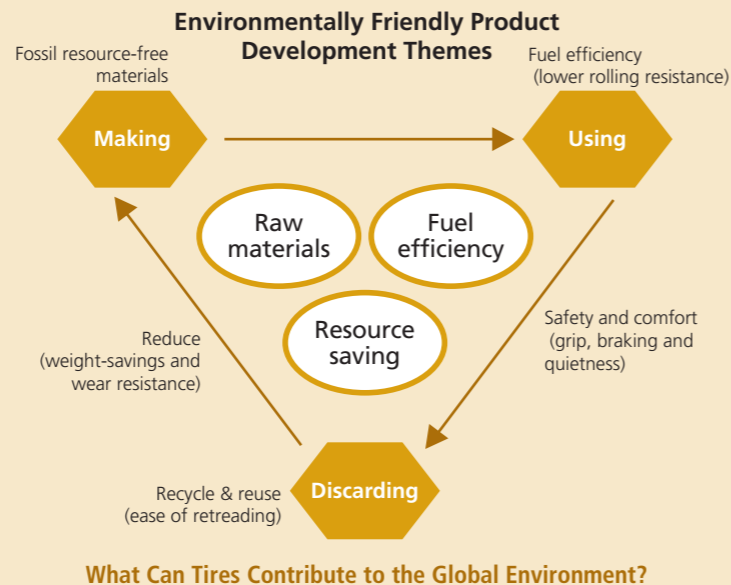
Next

Next-generation product development

Management Approach

Underpinning the activities of the Sumitomo Rubber Group is the question "What can tires contribute to the global environment?". To this end, it is developing environmentally friendly products with a focus on three areas—fuel efficiency, raw materials and resource saving.

While the environment surrounding the automobile industry is facing drastic changes, the Group is pushing forward with development of environmentally friendly products based on its "ENASAVE technology" that allows for "even higher environmental performance."



Developing Environmentally Friendly Products

Announcing New Technology Development Concept "SMART TYRE CONCEPT" with an Eye on the Upcoming Mobility Society

Sumitomo Rubber Industries announced, at the "45th Tokyo Motor Show 2017," a new technology development concept "SMART TYRE CONCEPT" to develop tires delivering safety performance and environmental performance simultaneously and at a higher level anticipated to be required in the mobility society of the future.

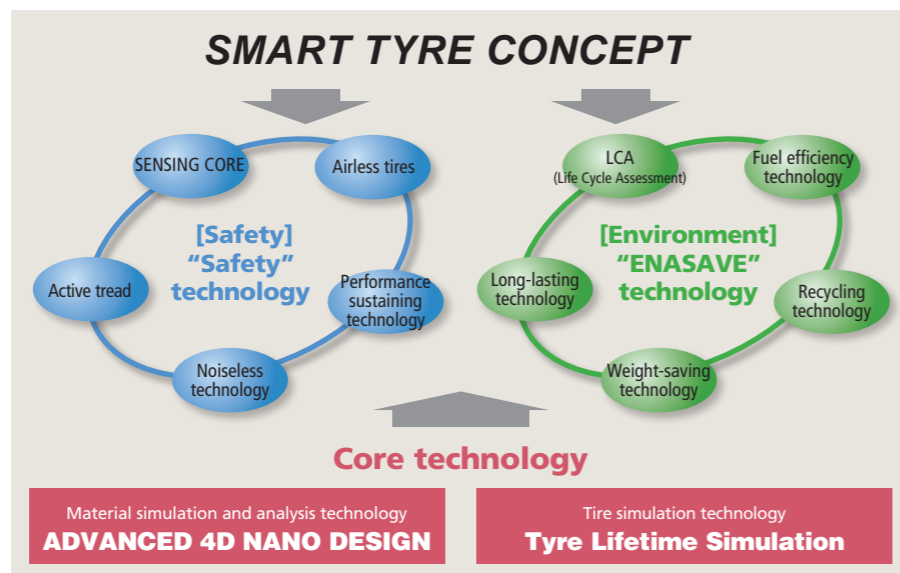
This technology concept comprises three technologies: the "safety technology" that supports safety, the "ENASAVE technology" that contributes to the environment and the "core technology" to support them.

In terms of safety performance, while car sharing is becoming increasingly common and progresses are made in autonomous car development, the Group aims to support automobile safety over the long period by suppressing performance degradation due to abrasion and deterioration, realizing a "performance sustaining technology" that enables long-sustained performance of tires equivalent to brand-new ones.

In terms of environmental

performance, the Group is working to develop products with aim to contribute to a recycling-oriented society by utilizing Life Cycle Assessment (LCA), an element composing the "ENASAVE technology," and thereby raising the level of environmental performance even higher not only in raw materials and as products in use but also during the entire product life cycle from manufacture and transportation to recycling.

A concept tire using this material is slated for release in 2020.



Pursuing Safety and Comfort, Economy and Quality

Quality Management System

The Group's quality management system is structured based on ISO 9001 and the IATF 16949* automobile industry quality management system standards.

The domestic tire factories have completed transition from ISO/TS 16949 to IATF 16949 and the overseas tire factories are sequentially implementing the transition with the overall completion planned in September 2018.

*IATF 16949: Automotive Quality Management System Standard which replaced ISO/TS 16949.

Creation of Airless Tires That Eliminate the Need for Flat Tire Repairs and Air Pressure Monitoring

The Company is currently working on development of the airless tire technology "GYROBLADE," a technology composing the "SMART TYRE CONCEPT."

The fact that no air is filled in "GYROBLADE" eliminates the need for flat tire repairs and tire pressure monitoring, while improving safety. In addition, the tire contributes to resource and energy savings as spare tires will no longer be necessary.

As the airless tire is more prone to heat buildup compared to pneumatic tires, it is equipped with rubber used in fuel efficient tires that provides highly controlled heat generation. In addition, the tire is produced using the next-generation processing method "NEO-T01" that has placed focus on "ultra-high accuracy" in tire manufacturing technology. As exemplified by such facts, the tire is a state-of-the-art technological marvel of the Company. Black sidewalls used in pneumatic tires are replaced with resins for the airless tire, allowing liberal use of colors.

The Company is committed to working on research and development aiming for earlier commercialization of "GYROBLADE" that overturns concepts of conventional tires.



Topics

DUNLOP "ENASAVE NEXT II" receives the Grand Prize in "2017 Nikkei Global Environmental Technology Awards"

DUNLOP "ENASAVE NEXT II," a flagship fuel efficient tire in the ENASAVE series, received the Grand Prize in "2017 Nikkei Global Environmental Technology Awards."

The tire uses the Company's proprietary new materials development technology "ADVANCED 4D NANO DESIGN," and

succeeded in receiving the highest grade "AAA-a" in the labeling system. The wear resistance performance has been significantly improved. The Company believes that the prize was in recognition of the Company's pioneering initiatives for developing new materials and its high technical skills. The Company will push forward with development of high-performance tires that provide safety and peace of mind while generating less environmental loads by utilizing this technology.



エナセーブ NEXT II
ENASAVE NEXT II

Voice

Aiming for Commercialization of Airless Tires

Following the announcement of our airless concept tires in the Tokyo Motor Show 2015, we displayed and tested airless tires for golf trolleys at the Dunlop Phoenix Tournament in 2016. In addition, automobile manufacturers used our airless tires in their concept cars in the Tokyo Motor Show 2017. As such, development of the airless tires aimed at commercialization is steadily making progress.

Although there are some issues to be addressed, we are working to commercialize the airless tires so that many of our customers can experience the benefits of these tires.



Hiroshi Ohigashi
General Manager, Advanced Technology Development Department

Kindness

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.

In addition, Sumitomo Rubber Industries established the "Health & Productivity Management Declaration" in February 2018. The Company will strategically implement activities for maintaining and promoting health of employees.

Sumitomo Rubber Group's Basic Hiring Policy



In order to pursue greater happiness for all of the employees who support our growing business, as well as their families, Sumitomo Rubber Industries and our Health Insurance Association are working together to raise awareness of one's personal responsibility to maintain one's own health while at the same time promoting disease prevention and healthier living.

Fostering Human Resource Development and Making Jobs Rewarding

Fostering Human Resources

The 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 as a member of society such as logical thinking, 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 with the aims of "boosting problem-solving skills," "understanding Sumitomo Rubber management philosophy," and "understanding and implementing The SRI Way."

We have adopted training for "overseas trainees" targeting young employees to foster global human resources. These initiatives for young employees will be continued in fiscal 2018 as well in accordance with the needs of each division.

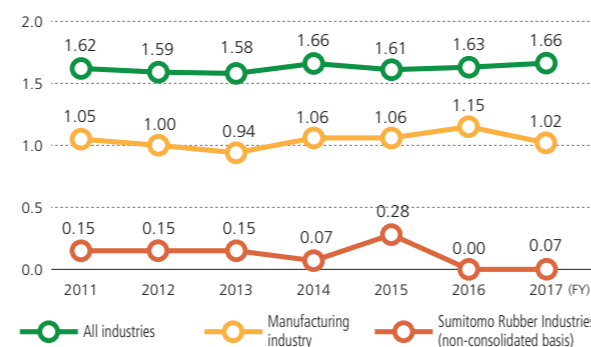
Creating a Safe, Employee-Friendly Workplace

Striving to Eliminate All Accidents

With the aim of eliminating all dangers and accidents in the workplace, the Group carries out safety activities that eliminate the causes of accidents and fundamentally raise the level of safety. The Group also proactively conducts physical safety audits and visual checks on site.

In fiscal 2017, one serious accident occurred and the number of serious injuries increased by one from the previous fiscal year; we regretfully failed to prevent serious accidents. Regarding accident prevention targets, the Group will not have any fatal accidents in fiscal 2018 and will not exceed 30 accidents (half the number in fiscal 2017). The Group is committed to taking on the challenge to achieve zero accident by identifying the priority issues in attaining the targets and creating a work environment and corporate culture wherein all employees come together as one to ensure safety.

Frequency of Occupational Accidents (Serious Injury Frequency Rate*)



*Accident frequency rate: The number of deaths or injuries per 1 million net working hours.
 Accident frequency rate = Number of deaths and injuries due to accidents / Total work hours x 1,000,000

Promoting Health & Productivity Management

The Company was certified under the "2018 Certified Health and Productivity Management Organization Recognition Program - White 500" jointly promoted by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi, in February 2018 and for two consecutive years. This certification was granted in recognition of our Company-wide efforts for

disease prevention and enhancement of mental health care, among others, by such means as thorough implementation of regular medical checkups and promotion of specific health guidance.



2018 Certified Health and Productivity Management Organization Recognition Program - White 500

Achieving a Good Work-Life Balance

Helping Employees Balance Work and Family Life

Sumitomo Rubber Industries has introduced various 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 100% of female employees who have given birth have taken childcare leave. In addition, 13 male employees have taken childcare leave in the past five years.

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, and we are continuing initiatives to this end.

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. Furthermore, we introduced the "system of leave for accompanying spouse's overseas assignment" in fiscal 2017 for employees who accompany their spouse who is transferred to work overseas to provide them with an opportunity to return and continue to work after coming back to Japan.

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



Promoting Diversity

Expanding Women's Occupational Range

To promote more active roles for women, we have set the target of doubling the 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.

In addition, the number of users of the "daycare support system" under which daycare subsidy is granted to employees who leave their child under two years of age to a daycare facility has been increasing since its institution in fiscal 2015 as a measure to support earlier returning to work from maternity leave and/or childcare leave. The system is contributing to career development of female employees.



In-house nursery of a Group company

Respect for Human Rights

Basic Perspective on Consideration for Human Rights

The Group's Corporate Code of Conduct states 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, sexual orientation, gender identity, age, physical handicap or other reason." Accordingly, we strive to prevent infringement of human rights of any employee.

We also 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 energetically.

Voice

Creating a Workplace Where Each One of Us Can Play an Active Role

In order for a female employee to continue working while going through a wide variety of life events, she herself has to have the will of doing so, but additionally, her family needs to understand and cooperate, and her employer needs to put systems in place, create corporate culture and have understanding in her doing so. The Company has instituted a variety of systems to support employees to maintain good balance between work and family life. I myself am working, leaving my son at a nursery school while

utilizing the Company's daycare support system and receiving support from everyone at my workplace.

It is becoming increasingly more important for the Company, in conjunction with further globalization, to care about not only female employees but also diversified human resources, values and work styles and create a workplace where everyone of us can work energetically. I hope that the Company will continue enhancing the support systems so that every employee can play an active role.



Yukino Miyagi
Material Planning Department

Integrity

Integrity for stakeholders

Management Approach

The Sumitomo Rubber Group must fulfill our responsibilities, understand what is expected of us, and reflect these in our 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

The Group is working to enhance corporate governance. For more details, please refer to “Corporate Governance” (pages 29 - 32).

▶ 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 “prohibit unfair competition and business dealings;” “prohibit bribery;” and “insulate ourselves from anti-social forces,” etc.

Once again in fiscal 2017, we focused efforts on establishing a system enabling voluntary compliance activities at overseas bases through such means as provision of various compliance-related training sessions.

Going forward, we will continue efforts aimed at improving compliance awareness on a Group-wide basis.

Compliance Education

Compliance education is implemented 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.

Compliance education sessions are held not only for newly hired graduates but also for individual employee groups such as mid-career-hired employees and Group company managers.



Compliance lectures

The Group promoted activities aimed at thorough implementation of compliance at overseas affiliates in particular, which included holding of workshops on important themes such as compliance with competition laws and prevention of bribery and wrongful conduct.

Information Security

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

In fiscal 2017, we continued to conduct “targeted attack email” practical drills following on from the previous fiscal year and provided information security education to all Group employees including overseas bases using e-learning and lecture formats.

In addition, the Group strengthened its security surveillance for the purposes of monitoring and blocking information leakage and computer virus intrusion through cyberattacks.

▶ Promoting Dialogue with Stakeholders

Communication with Shareholders and Investors

Sumitomo Rubber Industries discloses various types of data including business performance records on the Investor Relations section of our corporate website and holds briefings for analysts and institutional investors at such times as disclosure of earnings reports, as part of communications (IR activities) with shareholders and investors. In addition, the Company uses occasions such as individual meetings and interviews to provide explanations on corporate management and business activities.

Lately the Company has implemented constant

communication (shareholder relations (SR) activities) with institutional investors in Japan and overseas for deeper mutual understanding and trust. Through such direct dialogues, the Company aims to enhance its corporate value by providing information and conducting exchange of opinions on a broader scope.

The Company will continue making full use of input from our shareholders and investors in enhancing its management and corporate value.

▶ Supply Chain Management

Engaging in CSR Procurement Along with Suppliers

The Group aims to promote CSR procurement (socially responsible procurement) considering not only quality, cost and delivery time, but also regulatory compliance, human rights and labor ethics.

In fiscal 2017, we conducted CSR questionnaires three times at 260 supplier companies. Given the results, we held CSR briefings six times in the same year where we exchanged opinions with 21 supplier companies. The Company also provides new supplier companies with explanations on its CSR action guidelines and asks them to conduct self-assessment through a CSR questionnaire.

In addition, the Group supports the spirit of the Sustainable Natural Rubber Initiatives (SNR-i) proposed by the International Rubber Study Group and requests cooperation from suppliers in implementing the initiatives aimed for improvements.

▶ Keeping Social Contribution in Constant Motion

CSR Fund

In fiscal 2009, Sumitomo Rubber Industries established the “Sumitomo Rubber Industries CSR Fund” for the financial support of groups working on social issues such as environmental preservation and disaster recovery support in the regions where we have business sites. All donations from employees in support of the Fund are sorted by the Company under its “matching-gift” program and organizations receiving funds are selected based on recommendations made by our business sites and an NPO intermediary support center.

In fiscal 2017, the Fund donated a total of ¥7.85 million to 35 organizations located in seven regions: Fukushima, Tokyo, Aichi, Osaka, Hyogo, and Miyazaki Prefectures and Thailand.



CSR Fund presentation ceremony (Kobe Head Office)

Activities Closely Connected with Local Communities

The Group promotes social contribution activities closely connected to local residents living near our factories. Employees play a key part in engaging in projects promoting exchanges with local residents to deepen relationships of trust and resolve issues by cultivating an environment enabling mutual understanding. Our activities to contribute to local communities are also being conducted at overseas factories. In December 2017, eight employees at the Hunan Factory in China volunteered as traffic safety guards at an intersection in front of an elementary school near the factory, in cooperation with the local traffic police. This activity contributed to educate and raise awareness on traffic safety among children. As the traffic volume is high around the Hunan Factory and there is high risk in crossing roads, the factory will continue with this activity and promote other traffic safety activities in cooperation with the local communities.



Traffic Safety Guard at Hunan Factory in China

Voice

We Conduct Activities Aiming to Create a Society with No Inequalities Among People With/Without Disabilities

The “Miyoshi Soran Bombers” consisting mainly of members with disabilities has an activity policy of “participating in and contributing to society through physical expressions, considering disabilities as individual characteristics.” In support of this policy, I have been participating in various local events in each year, as a member to support dance performance of the group.

The group has held solo live performances (seven times in total) as the voluntary business, wherein the group called upon support of the turnouts for victims of disasters such as the Great East Japan Earthquake, the 2016 Kumamoto Earthquake in Japan and the 2018 Hualien Earthquake in Taiwan. The group has also been engaged in an activity to deliver donations to disaster-affected areas.

We will continue with these activities with a stance of enjoying events together with people with disabilities, instead of “helping” them.



Akio Ogasawara
Production Section III,
Nagoya Factory

Honors and Certifications from Outside Organizations

Some of honors and certifications related to CSR that the Sumitomo Rubber Group has received from outside organizations are listed below.

Green Green initiative

- April 2017: The Miyazaki Factory received the Prime Minister's Commendations for Contributors to the National Greening Campaign (photo)
- June 2017: The Miyazaki Factory received the "FY2017 Minister of the Environment Award Commending Contributions in Environmental Conservation (Beautification of Local Environment Category)"
- June 2017: The Ichijima Factory received the "Hyogo Green Business Award" (photo)
- November 2017: The Kakogawa Factory received the letter of appreciation for its activities to restore greenery in Mt. Takamikura from Director General of the Higashi-Harima District Administration Office, Hyogo Prefectural Government



Ecology Ecological process

- October 2017: The Hunan Factory in China received the 3Rs Promotion Council Chairman's Award at "3Rs (Reduce, Reuse, and Recycle) Promotion Merit Awards" (photo)
- November 2017: Rated "A rank (the highest)" in environmentally rated financing of Development Bank of Japan Inc.
- November 2017: The Turkey Factory passed the screening for transition to ISO 14001:2015 and included in the Group's Global Integrated Certification (photo)



Next

Next-generation product development

- February 2017: The new material development technology "ADVANCED 4D NANO DESIGN" received the "Tire Technology of the Year" title at the "Tire Technology Expo 2017" in Europe
- April 2017: The Company received Prize for Science and Technology in the "2017 Commendation for Science and Technology by the Minister of Education, Culture, Sports, Science and Technology" for its advanced tire development under collaboration among industry, academia, and the government (photo)
- October 2017: Associate Professor Seiji Takahashi at Tohoku University received "Bioindustry Research Award" for his achievements in the joint research on "Elucidation of molecular mechanisms of natural rubber biosynthesis and in vitro rubber synthesis by the reconstituted enzyme complexes"
- October 2017: DUNLOP "ENASAVE NEXT II" received the Grand Prize in "2017 Nikkei Global Environmental Technology Awards" (photo)



エナセーブ
NEXT II
ENASAVE NEXT II

Kindness

Kindness to employees

- July 2017: The Ichijima Factory received "Incentive Award Commended by Director General of Hyogo Labour Bureau" for its occupational health and safety
- February 2018: Sumitomo Rubber Industries was recognized under the "2018 Certified Health & Productivity Management Outstanding Organizations Recognition Program"



2018
健康経営優良法人
Health and productivity
ホワイト500

2018 Certified Health and Productivity Management Organization Recognition Program - White 500

Integrity

Integrity for stakeholders

- June 2017: The Company received a letter of appreciation from the city of Izumiotsu for GENKI activities in the Izumiotsu area
- October 2017: The Company received the Award of Excellence at "66th Nikkei Advertising Awards" for its corporate advertisement (photo)



住友ゴム発、世界技術。

Stakeholder Dialogue

CSR Activities in the Thailand Factory (SRT)

Sumitomo Rubber (Thailand) Co., Ltd. (the Thailand Factory; hereinafter referred to as SRT) manufactures tires for not only passenger cars but also motorcycles and agricultural equipment. SRT is located within the Amata City Industrial Estate in Rayong Province, eastern Thailand and has established positive relationships with local governments, hospitals, schools and other various stakeholders. The company had this occasion to exchange opinions with participating organizations with the objective of reviewing the activities undertaken so far and improving the future relationships even more.



Location
Rayong Province, Thailand
Site Area
720,000 m²
Opened
2006
Number of Employees
7,281 (as of December 31, 2017)
Main Products
Automobile tires, motorcycle tires, agricultural equipment and industrial vehicle tires

Organizations Participating in the Dialogue and Name of Representatives

Governments			Hospitals		
Pluak Daeng District Office	Mayor	Mr. Wuttisak Sinhadecho	Pluak Daeng Hospital	Deputy Director	Mrs. Jirawan Kanoowattana
Rayong Provincial Labor Office	Director	Mrs. Kerdhiri Sawakmalanon			
Local communities			Schools		
Mabyangporn Sub-district	Sub-district Director	Mr. Suchart Ngerthuam	Pluak Daeng High School (integrated junior and senior high school)	Principal	Mrs. Boonyarat Phankuaboot
Amata City Industrial Estate Office	Director	Mr. Thatchait Sodabunlu	Nonrakam Elementary School	Principal	Mrs. Plernphis Janterm
			Banpusai Elementary School	Teacher	Mr. Dunaden Moasamarn

Major Green Initiatives at SRT

SRT is continuously implementing green initiatives for environmental preservation at various locations.



Planting of trees and other vegetation within the factory site



Planting of trees and other vegetation in the industrial estate



Planting of trees and other vegetation in the school site

Summary of the Dialogue

Governments

Thank you as always for purchasing rice in Thailand. That is really wonderful for farmers. We hope that your company further improves the working environment of the factory and continues to provide a wide range of support for us.



Local communities

The green initiatives undertaken in the industrial estate are really a gift for us in the communities, and we are deeply grateful to your company. We hope that the initiatives be continued not only for ourselves but also for the environment. We also hope that your company considers donations, etc. for temples in the surrounding area.



Hospitals

We thank you for providing the tires for emergency vehicles. It is actually difficult to operate national hospitals only with the national budget. We hope that you could support maintenance and development of local medical services through donations, etc.



Schools

We appreciate your green initiatives carried out with our students at school. Now, we request that you consider utilizing tires to be scrapped. I think these tires can be used as play equipment for children at school.



Comments from SRT

Thank you for joining us today and sharing a number of valuable opinions.

We will continue working proactively on various CSR activities so that people in the local communities get to know about SRT, and at the same time improving the working environment in the factory. We are committed to making the company as one that many people think "I want to work at SRT!"



Masaharu Ono
President of SRT

Although the Sumitomo Rubber Group has been working on a wide range of CSR activities, we are going to broaden the scope of the activities even more based also on the opinions you shared with us today.

Furthermore, SRT has been preparing for instituting a student grant program since last year. The grant program under which school expenses of university students are subsidized will be commenced in 2018, and the number of schools eligible for the program will be increased.



Takahiko Shiomi
(Then) Director, Administration Department of SRT

Donated Money Collected at a Charity Golf Event to Pluak Daeng Hospital

SRT held a charity golf event with sponsoring companies in March 2018. Many of the participants made donations, and SRT donated the money collected to local Pluak Daeng Hospital. SRT extends deep appreciation for the cooperation of so many people.



Site Report

This section introduces some of the CSR activities at the Sumitomo Rubber Group's six factories in Japan, 13 factories overseas

and five affiliates in Japan and overseas.

Factories in Japan Affiliates in Japan and overseas Factories overseas

(Number of employees: as of December 31, 2017)

Shirakawa Factory	Number of Employees : 1,635 Opened : 1974 Main Products : Automobile tires
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We planted marigold seedlings along city roads as part of our "Flowerful Initiatives."

Nagoya Factory	Number of Employees : 1,346 Opened : 1961 Main Products : Automobile tires, motorcycle tires
-----------------------	--

We are expanding exchange with local residents through cleaning activities.

Izumiotu Factory	Number of Employees : 372 Opened : 1944 Main Products : Automobile tires, agricultural equipment and industrial vehicle tires, rubber parts for medical applications
-------------------------	--

We donated pre-paid cards for purchasing books to elementary schools again in fiscal 2017 using proceeds from aluminum can recycling activities.

Hunan Factory (China)	Number of Employees : 934 Opened : 2012 Main Products : Automobile tires
------------------------------	--

We conducted activities to support areas affected by damage from flooding due to torrential rains occurred in the rural area of Changsha City in cooperation with the public administrative authorities.

Thailand Factory	Number of Employees : 7,281 Opened : 2006 Main Products : Automobile tires, motorcycle tires, agricultural equipment and industrial vehicle tires
-------------------------	---

We donated laptop computers for use in school education to nearby elementary schools.

Brazil Factory	Number of Employees : 1,269 Opened : 2013 Main Products : Automobile tires
-----------------------	--

We collected groceries and daily necessities from our employees as part of charity activities and donated them to nearby service homes for the elderly as Christmas gift.

Miyazaki Factory	Number of Employees : 1,421 Opened : 1976 Main Products : Automobile tires
-------------------------	--

We received the "FY2017 Minister of the Environment Award Commending Contributions in Environmental Conservation (Beautification of Local Environment Category)" in recognition of our many years of cleaning activities around the factory and in the community.

Ichijima Factory	Number of Employees : 212 Opened : 1996 Main Products : Golf balls
-------------------------	--

We distribute seedlings from seeds or grafts to people who use the roadside station free of charge since 2015.

Kakogawa Factory	Number of Employees : 497 Opened : 1972 Main Products : Rubber parts for medical applications, precision rubber parts for office equipment, vibration control dampers, marine fenders, rubber gas tubes
-------------------------	---

We received a letter of appreciation in recognition of our volunteer planting and maintenance activities in Mt. Takamikura where forest fire broken out in 2011.

South Africa Factory	Number of Employees : 1,003 Opened : 1973 Main Products : Automobile tires
-----------------------------	--

We installed playground equipment made of waste tires in schools in disadvantaged areas in cooperation with an NPO.

Turkey Factory	Number of Employees : 1,430 Opened : 2015 Main Products : Automobile tires
-----------------------	--

We donated at least 500 books collected in two weeks through donations of employee-owned books and purchase of books using donated money, as we heard of the lack of books in the children's library.

USA Factory	Number of Employees : 1,300 Opened : 1923 Main Products : Automobile tires, motorcycle tires
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We donated proceeds from sales of hot dogs cooked and sold in the company to the NPO Make-A-Wish to help grant the wishes of children who suffer from critical illness.

Dunlop Retread Service Co., Ltd.	Number of Employees : 56 Opened : 1972 Business Outline : Manufacture/sale of retread tires
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We accepted elementary school students who visited us to see the tire recycling process as part of the "recycle tour" held by the Kita-Harima District Administration Office, Hyogo Prefectural Government.

SRI Engineering Ltd.	Number of Employees : 180 Opened : 2003 Business Outline : Design/manufacture of metallic molds for tire production
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We cleaned prefectural roads around the factory as part of the volunteer support program of the Ministry of Land, Infrastructure, Transport and Tourism.

Nakata Engineering Co., Ltd.	Number of Employees : 130 Opened : 1914 Business Outline : Design/manufacture/sale of machines and equipment for the manufacture of rubber products
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We participated in activities in support of the efforts tackling waste problems by not only implementing beautification activities but assessing the conditions of sea coasts and judging the effective remediation method.

Thailand Factory Natural Rubber Processing	Number of Employees : 261 Opened : 2010 Main Products : Natural rubber products
---	---

We visited an orphanage and donated proceeds from sales of T-shirts created by our employees, confectionery and other gifts.

Thailand Factory Tennis Balls	Number of Employees : 351 Opened : 2007 Main Products : Tennis balls
--------------------------------------	--

We donated six personal computers as well as six set of desks and chairs used in our cafeteria to a nearby junior high school.

Malaysia Factory	Number of Employees : 702 Opened : 1981 Main Products : Rubber gloves, flat tire repairing agent
-------------------------	--

We planted a total of 1,000 trees in our tree-planting activities in 2017.

Dunlop Golf Club Corp.	Number of Employees : 265 Opened : 1989 Main Products : Golf clubs
-------------------------------	--

We volunteered at a golf tournament, guiding spectators at the site so that they can safely watch games.

Indonesia Factory	Number of Employees : 3,576 Opened : 1997 Business Outline : Automobile tires, golf balls, motorcycle tires
--------------------------	---

We donated clothes, foods, etc. collected from employees to the deprived area near the factory.

Changshu Factory (China)	Number of Employees : 2,193 Opened : 2004 Main Products : Automobile tires
---------------------------------	--

Our employees and their families, a total of 120 people, conducted a garbage collecting activity in Yushan, a local tourist spot, on the day before the Environment Day on which an event was to be held.

Zhongshan Factory (China)	Number of Employees : 420 Opened : 2001 Main Products : Precision rubber parts for office equipment
----------------------------------	---

We planted 1,000 seedlings (among which 200 were grown in house) in neighboring landscaping sites.

Vietnam Factory	Number of Employees : 1,037 Opened : 2007 Main Products : Precision rubber parts for office equipment
------------------------	---

We donated groceries purchased using money donated by our employees to schools where disadvantaged children were enrolled.

Switzerland Factory	Number of Employees : 144 Opened : 1908 Main Products : Medical rubber parts, industrial rubber parts
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Our employees who received training on first aid and obtained qualifications participate in the Red Cross' volunteer activities.

Financial Section

11-Year Summary of Consolidated Financial/Non-financial Data

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

Millions of yen

Years ended December 31	Associated GENKI Activities	JGAAP									IFRS		
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2015	2016	2017
Earnings for the year:													
Net sales*1 / Sales revenue*2		567,307	604,974	524,535	604,549	676,904	710,247	780,609	837,647	848,663	798,483	756,696	877,866
Overseas sales ratio (%)		43	46	45	47	50	47	51	53	56	59	59	63
Cost of sales		368,783	412,824	334,249	387,678	445,426	450,226	486,704	511,616	523,217	528,393	499,650	611,185
Selling, general and administrative expenses		153,398	166,491	161,547	169,300	177,554	190,298	216,850	239,780	248,379	191,237	182,130	199,706
Operating income*1 / Business profit*2,3		45,126	25,659	28,739	47,571	53,924	69,723	77,055	86,251	77,067	78,853	74,916	66,975
Operating income ratio / Business profit ratio (%)		8.0	4.2	5.5	7.9	8.0	9.8	9.9	10.3	9.1	9.9	9.9	7.6
Operating profit*2		–	–	–	–	–	–	–	–	–	89,173	73,284	67,449
Operating profit ratio (%)		–	–	–	–	–	–	–	–	–	11.2	9.7	7.7
Net income attributable to owners of the parent*1,4 / Profit attributable to owners of the parent company*2,4		19,499	1,021	9,093	21,427	28,386	35,451	44,794	53,206	55,834	71,976	41,364	46,979
Net income attributable to owners of the parent to sales (%) / Profit attributable to owners of the parent company to sales (%)		3.4	0.2	1.7	3.5	4.2	5.0	5.7	6.4	6.6	9.0	5.5	5.4
Financial position at year-end:													
Total assets		671,117	639,941	613,230	622,243	671,611	737,528	867,464	973,587	936,154	932,432	897,634	1,018,266
Net assets*1 / Total equity*2		250,799	202,642	209,052	212,964	222,175	271,103	358,844	446,960	453,768	451,837	459,541	490,886
Total equity attributable to owners of parent		227,780	180,940	187,028	189,684	197,661	244,165	329,813	413,374	423,857	422,287	429,316	459,907
Interest-bearing debt		239,573	275,746	261,572	241,250	274,216	275,876	302,113	295,747	260,631	261,867	204,218	273,452
Cash flows for the year:													
Cash flows from operating activities		56,594	25,879	64,525	69,725	18,945	76,643	77,012	108,941	86,995	86,864	128,190	76,109
Cash flows from investing activities		(65,167)	(58,067)	(34,260)	(35,400)	(51,569)	(62,167)	(68,275)	(71,584)	(32,991)	(30,672)	(42,144)	(100,724)
Free cash flows		(8,573)	(32,188)	30,265	34,325	(32,624)	14,476	8,737	37,357	54,004	56,192	86,046	(24,615)
Cash flows from financing activities		8,692	34,088	(22,781)	(25,634)	28,009	(15,835)	(5,824)	(32,507)	(50,554)	(52,707)	(71,055)	21,706
Related information:													
Capital expenditures		53,205	49,601	32,484	32,055	48,515	56,889	57,270	62,814	58,911	58,911	49,606	62,494
Depreciation*1 / Depreciation and amortization*2		30,165	35,475	37,425	37,885	37,606	36,278	43,279	48,204	55,145	51,419	51,248	56,010
R&D expenses	Next	18,223	19,351	17,983	18,698	19,274	19,539	21,822	23,543	23,372	23,372	24,257	25,720
Management-related and financial data:													
Tire sales volume (millions of tires)		81.70	87.34	76.49	90.87	94.88	96.48	100.42	109.14	109.62	109.62	112.64	123.47
ROE (%)		9.1	0.5	4.9	11.4	14.7	16.0	15.6	14.3	13.3	17.5	9.7	10.6
ROA (%) (Operating income base*1 / Business profit base*2)		7.1	3.9	4.6	7.7	8.3	9.9	9.6	9.4	8.1	8.4	8.2	7.0
D/E ratio (times)		1.1	1.5	1.4	1.3	1.4	1.1	0.9	0.7	0.6	0.6	0.5	0.6
Equity ratio*1 / Ratio of equity attributable to owners of parent*2 (%)		33.9	28.3	30.5	30.5	29.4	33.1	38.0	42.5	45.3	45.3	47.8	45.2
CSR-related indicators:													
Number of trees planted (10 thousands of trees)	Green	–	–	21	70	28	11	10	9	9	9	8	6
Total CO2 Emissions (Global Environmental Data of Domestic/Overseas Factories) (kt-CO2e)	Ecology	519	559	501	597	648	668	687	734	786	786	1,011	1,036
Employees at ISO 14001 Certified Sites as a percentage of all employees (%)	Ecology	67.0	81.8	84.5	88.7	75.4	77.5	78.7	83.8	78.5	78.5	89.4	84.1
Number of Domestic and Overseas Patents (Number of patents held)	Next	4,644	4,703	4,969	5,577	6,417	6,971	7,790	7,680	7,849	7,849	8,745	9,183
Tire Production Capacity (Tons/month)	Next	37,300	40,700	42,650	44,450	46,550	49,750	52,150	54,400	60,600	60,600	61,500	63,200
Number of Employees in Japan and Overseas	Kindness	18,410	20,369	20,832	22,242	22,320	23,507	26,773	30,224	33,185	33,197	33,792	36,650
Number of Employees Using Childcare Leave System (Sumitomo Rubber Industries, Ltd. (Non-Consolidated Basis))	Kindness	16	12	9	17	18	13	26	20	16	16	23	20
Ratio of New Female Employees to the Total Number of New Employees (Sumitomo Rubber Industries, Ltd. (Non-Consolidated Basis)) (%)	Kindness	–	–	–	11	13	14	9	24	29	29	30	28
Ratio of Female Employees to the Total Number of Employees (Sumitomo Rubber Industries, Ltd. (Non-Consolidated Basis)) (%)	Kindness	6	6	6	6	7	7	7	7	7	7	8	8
Average Years of Service (Sumitomo Rubber Industries, Ltd. (Non-Consolidated Basis))	Men (Years)	12.7	12.7	12.8	13.5	13.8	14.0	14.0	14.3	14.3	14.6	15.2	15.7
	Women (Years)	11.8	11.1	11.2	11.1	11.0	11.5	11.8	11.9	11.9	11.8	12.0	12.2
Number of Alerts or Counseling Cases to Compliance Counseling Room (Sumitomo Rubber Industries, Ltd. (Non-Consolidated Basis)) (Number of cases)	Integrity	3	7	11	3	7	6	10	16	14	14	13	13
Total Amount of CSR Fund Subsidy (10 thousand yen)	Integrity	–	–	–	233	351	550	805	800	694	694	696	785

*1. Based on JGAAP

*2. Based on IFRS

*3. Defined by Sumitomo Rubber Industries, Ltd. as its primary management indicator, business profit is calculated using the following formula:
Sales revenue – (Cost of sales + Selling, general and administrative expenses)

*4. Profit attributable to owners of the parent company is as calculated under IFRS while net income represents net income attributable to owners of the parent calculated under JGAAP.

Financial Section

Consolidated Statement of Financial Position

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

(Millions of yen)

	Fiscal 2016 (As of December 31, 2016)	Fiscal 2017 (As of December 31, 2017)		Fiscal 2016 (As of December 31, 2016)	Fiscal 2017 (As of December 31, 2017)
Assets			Liabilities and equity		
Current assets			Liabilities		
Cash and cash equivalents	66,492	64,528	Current liabilities		
Trade and other receivables	182,855	209,308	Bonds and loans payable	77,056	116,477
Other financial assets	3,821	9,195	Trade and other payables	120,236	136,100
Inventories	138,993	159,010	Other financial liabilities	2,624	1,776
Other current assets	20,398	23,932	Income tax payable	9,960	5,602
Total current assets	412,559	465,973	Provisions	7,350	6,782
Non-current assets			Other current liabilities	34,777	36,562
Property, plant and equipment	363,293	379,747	Total current liabilities	252,003	303,299
Goodwill	15,351	35,202	Non-current liabilities		
Intangible assets	21,445	49,989	Bonds and loans payable	121,556	152,424
Investments accounted for using equity method	4,071	4,171	Other financial liabilities	4,577	3,644
Other financial assets	41,239	37,098	Net defined benefit liability	22,188	21,680
Net defined benefit asset	20,635	25,378	Provisions	1,197	1,199
Deferred tax assets	13,888	15,172	Deferred tax liabilities	12,154	22,382
Other non-current assets	5,153	5,536	Other non-current liabilities	24,418	22,752
Total non-current assets	485,075	552,293	Total non-current liabilities	186,090	224,081
			Total liabilities	438,093	527,380
			Equity		
			Capital stock	42,658	42,658
			Capital surplus	37,937	37,865
			Retained earnings	389,970	428,799
			Treasury stock	(570)	(17,631)
			Other components of equity	(40,679)	(31,784)
			Total equity attributable to owners of parent	429,316	459,907
			Non-controlling interests	30,225	30,979
			Total equity	459,541	490,886
Total assets	897,634	1,018,266	Total liabilities and equity	897,634	1,018,266

Consolidated Statement of Income

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

(Millions of yen)

	Fiscal 2016 (Jan.1 to Dec.31.2016)	Fiscal 2017 (Jan.1 to Dec.31.2017)
Sales revenue	756,696	877,866
Cost of sales	(499,650)	(611,185)
Gross profit	257,046	266,681
Selling, general and administrative expenses	(182,130)	(199,706)
Business profit	74,916	66,975
Other income	3,930	4,025
Other expenses	(5,562)	(3,551)
Operating profit	73,284	67,449
Financial income	3,168	2,928
Financial expenses	(6,416)	(4,748)
Share of profit of entities accounted for using equity method	57	104
Profit before tax	70,093	65,733
Income tax expenses	(27,822)	(16,189)
Profit for the year	42,271	49,544
Profit attributable to:		
Owners of the parent company	41,364	46,979
Non-controlling interests	907	2,565
Profit for the year	42,271	49,544
Earnings per share		
Basic earnings per share (Yen)	157.69	180.45

Consolidated Statement of Cash Flows

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

(Millions of yen)

	Fiscal 2016 (Jan.1 to Dec.31.2016)	Fiscal 2017 (Jan.1 to Dec.31.2017)
Cash flows from operating activities	128,190	76,109
Cash flows from investing activities	(42,144)	(100,724)
Cash flows from financing activities	(71,055)	21,706
Effect of exchange rate change on cash and cash equivalents	(2,055)	945
Net increase (decrease) in cash and cash equivalents	12,936	(1,964)
Cash and cash equivalents at the beginning of current period	53,556	66,492
Cash and cash equivalents at the end of current period	66,492	64,528

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 “○” (pages 43 and 44) has been verified.

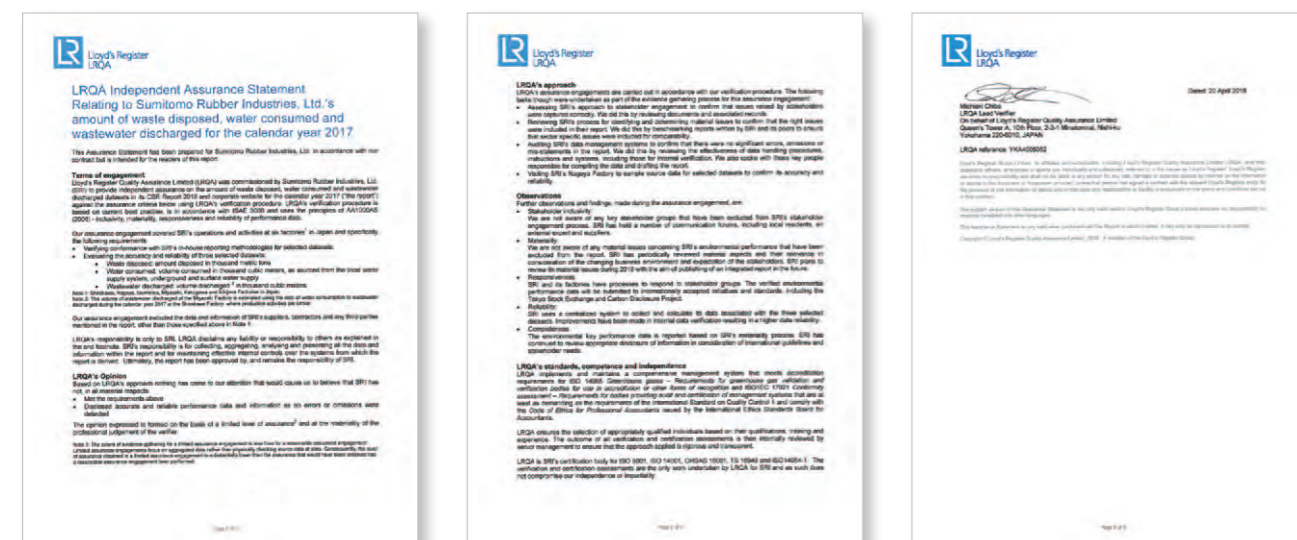
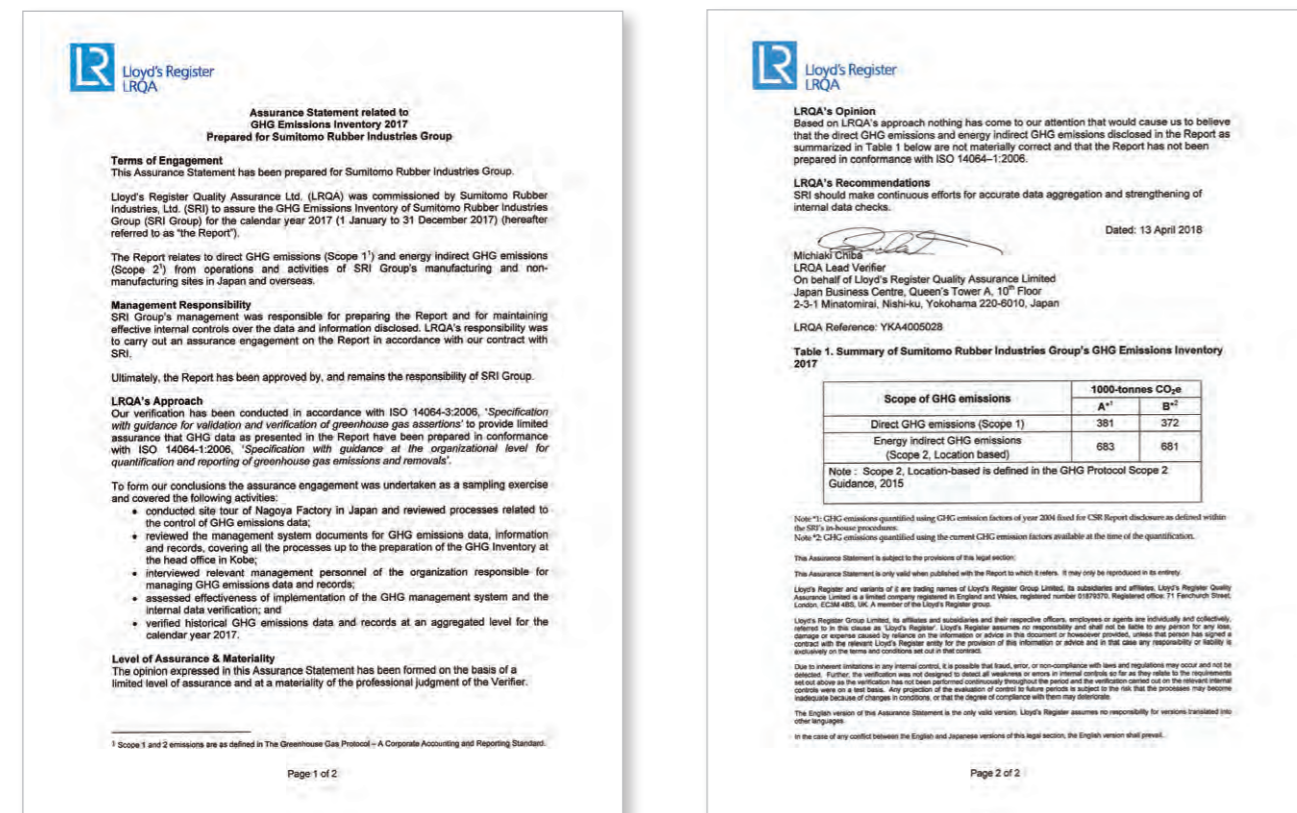
The target data for verification and the verification criteria used are as follows.

1. Total global CO₂ emissions

Criteria: ISO 14064-1

2. Water usage, wastewater, and waste disposal (excluding valuables) by factories in Japan

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. Head of Graduate School of Business Administration at Kobe University from 2014 to 2016. His recent publications include "From Accountability to Management Ethics" (Yuhikaku Publishing Co., Ltd.) and "CSR Basics" (Chuozei-sha, Inc.).

The Sumitomo Business Spirit and The SRI Way

The basis for corporate management lies in the management philosophy. As a member of the Sumitomo Group, Sumitomo Rubber Industries carries on the Sumitomo business spirit, and in addition, acts in line with "The SRI Way" that is formulated for the purpose of implementing the Corporate Philosophy. I understand that "The SRI Way" stipulates "values" and "action principles" to be followed by the employees in their day-to-day business (according to the Top Commitment). I think it is wonderful that the company has this policy in which it aims to attain the Corporate Philosophy through demonstration of originality and ingenuity by the employees. I believe that is making contributions to enhanced social value of Sumitomo Rubber products.

Relativity between CSR and the SDGs

The contents of Sumitomo Rubber Industries' CSR activities are, as I have recognized over the past years, comprehensively and systematically designed. In this year, the relativity with the SDGs is indicated additionally so as to allow clearer understanding of possibility of such activities in contribution to society. It would be necessary in the future to explain the relativity with the SDGs even more specifically and show the originality and ingenuity in making clear how the individual activities can make contributions in their respective fields. I would recommend that, instead of handling all fields evenly, it would be better to set priorities in implementing activities. I think that the relativity between next-generation technologies and SDGs would be particularly important.

Creating an Employee-Friendly Workplace

Sumitomo Rubber Industries is enthusiastically working to create an employee-friendly working environment in aspects such as human resource development, work-life balance and diversity. I am positive that the policy "To Create a Workplace Where Each One of Us Can Play an Active Role" is in steady progress. In the future, a wide variety of work styles will be demanded for activities not only within but also outside the company. Hiring of elderly persons is another important social issue in this society with low birthrates and aged populations. I hope that the company would take actions on these new issues early through a work style reform and thereby create social value as well as energizing the entire company even more.

Communicating with Stakeholders

CSR activities of Sumitomo Rubber Industries are conducted with reference to stakeholders at whom such activities are targeted and the methods of how to communicate with major stakeholders are systematically organized. So, I would suggest that the company could disclose the specific dialogues actually undertaken with the stakeholders. From now on, dialogues with employees who play a central role in CSR are of particular importance. I think one of the roles of this Sumitomo Rubber Group report is to convey the message of how employees think of and implement the Corporate Philosophy.

Response to Third-Party Comments

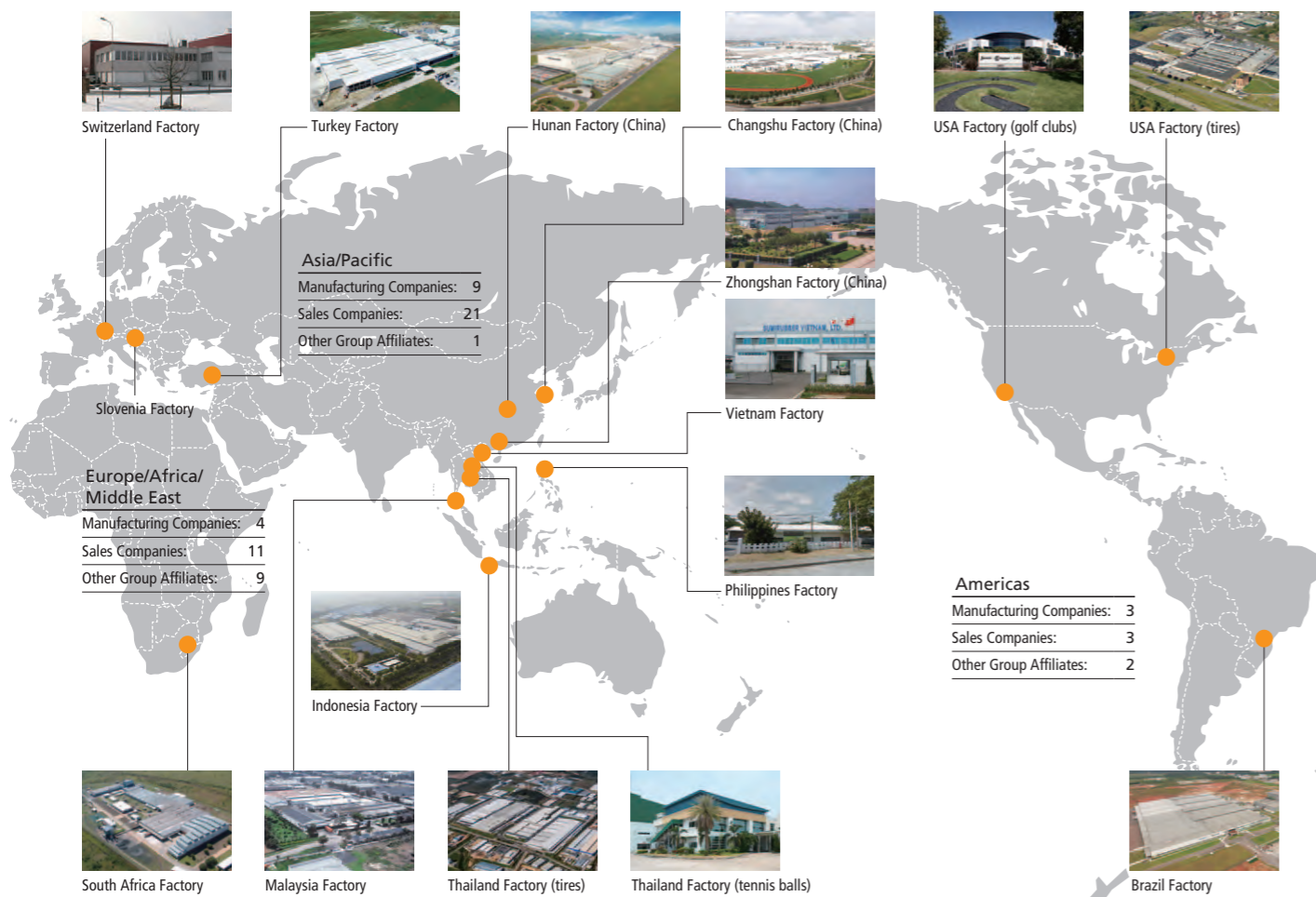
I would once again like to thank Professor Kokubu for always providing us with pertinent advice and generous evaluations. I agree we must maintain a constant awareness that CSR activities are the basis for enhancing social value, which in turn increases economic value, while maximizing this strategy to the fullest extent possible. We will move forward with examination of specific measures to utilize his advices such as "materializing the relativity with the SDGs," "accelerating creation of an employee-friendly working environment through a work style reform" and "invigorating dialogues with stakeholders." Underpinning all this advice is "understanding stakeholder needs," thus the Group employees will pull together in efforts to promote measures to meet such needs with a progressive perspective and enhance the effective execution and transparency of our activities.



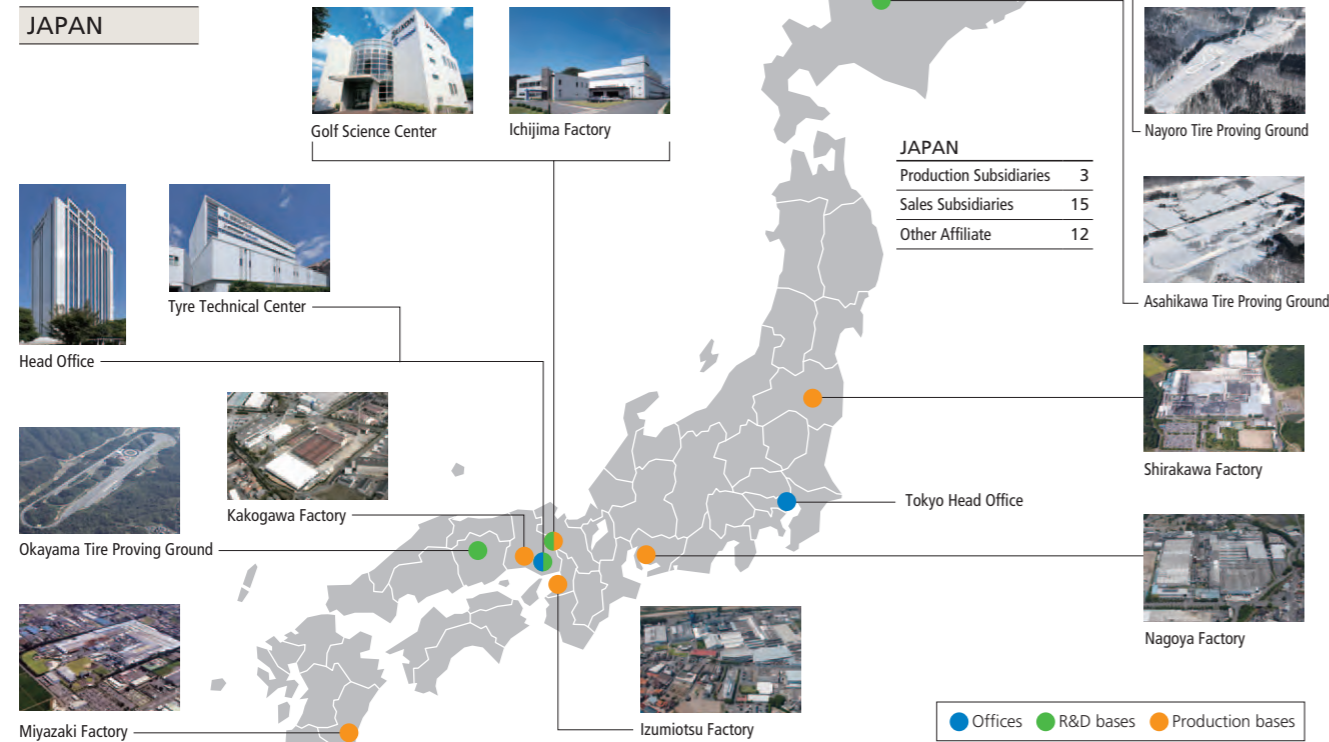
Executive Officer, General Manager and Department Head, Human Resources & General Affairs Dept.
Toshihiko Komatsu

Global Network (As of March 2018)

OVERSEAS



JAPAN



Investor Information (As of December 31, 2017)

Paid-in Capital ¥42,658,014 thousand

Number of Shares of Common Stock
 Authorized : 800,000,000
 Issued : 263,043,057

Number of Shareholders 19,219

Stock Exchange Listing Tokyo

Ticker Symbol 5110

Transfer Agent and Special Account Management Institution Sumitomo Mitsui Trust Bank, Limited
 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan

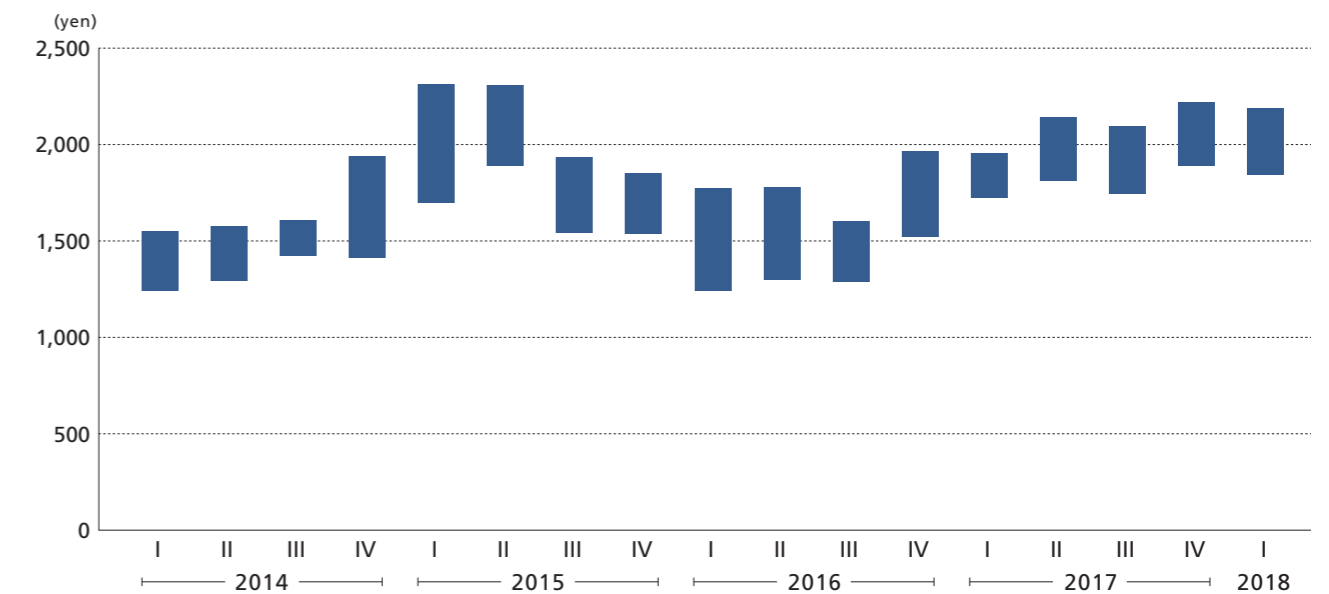
Independent Auditors KPMG AZSA LLC
 3-6-5, Kawaramachi, Chuo-ku, Osaka, Japan

Major Shareholders

Sumitomo Electric Industries, Ltd.	29.70%
JP MORGAN CHASE BANK 385632	5.85%
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.07%
Japan Trustee Services Bank, Ltd. (Trust Account)	2.14%
Sumitomo Mitsui Banking Corporation	2.05%
Sumitomo Corporation	1.89%
National Mutual Insurance Federation of Agricultural Cooperatives	1.87%
Ueda Yagi Tanshi Co., Ltd.	1.54%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.47%
THE BANK OF NEW YORK MELLON 140044	1.35%

Note: The percentage of shares in the above list was calculated using the total number of shares of common stock, excluding 9,029,444 shares of treasury stock.

Stock Price



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.