

# Sumitomo Rubber Group Report 2019

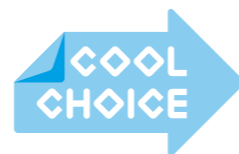
## SUMITOMO RUBBER GROUP



**SUMITOMO RUBBER INDUSTRIES, LTD.**

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Kobe, Hyogo 651-0072, Japan

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





## 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.

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



## Sports Business

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**Editorial Policy** The Sumitomo Rubber Group started to issue the Sumitomo Rubber Group Report, which combines the Annual Report and CSR Report, in 2018 to provide all stakeholders with both financial and non-financial information and strove to disclose even more information in 2019. Information on general efforts by the Company and more detailed information on activities not included in this report can be obtained from the Company's website.

**Companies Covered by the Report** This includes information primarily on Sumitomo Rubber Industries, Ltd. and its six factories in Japan but also on some bases and group companies in Japan and overseas.

**Referenced Guidelines**

- "Guidance for Collaborative Value Creation" published by the Ministry of Economy, Trade and Industry
- "Sustainability Reporting Standards" published by the Global Reporting Initiative (GRI)
- "Environmental Reporting Guidelines 2018" published by the Ministry of the Environment



**Period of the Report** Fiscal 2018 (January 1, 2018 to December 31, 2018), with some information from outside of this period

**Publishing Date** May 2019

**Third-Party Comments** Comments from an expert are included in order to adopt an objective perspective on the report. (See page 64.)

# 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.

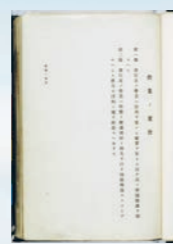
The "Sumitomo Business Spirit" reflects Sumitomo's strong sense of mission and commitment to improving society: "our business is not only for the benefit of Sumitomo, but for the benefit of the nation and society as well," and serves as the foundation for the Corporate Philosophy of the Sumitomo Rubber Group.

### The Sumitomo Business Spirit

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



Monjuin Shiigaki\* (around 1650)  
\*From Collection of Sumitomo Historical Archives



Business Principles\* (established in 1928)

## 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	<ul style="list-style-type: none"> <li>● Customer First</li> <li>● Scientific Approach</li> <li>● Genchi-Genbutsu</li> <li>● Continuous Improvement</li> </ul>
Communication	<ul style="list-style-type: none"> <li>● Get to Know One Another</li> <li>● Face to face communication</li> <li>● Report, liaise and consult across all levels</li> </ul>
Set the Bar Higher	<ul style="list-style-type: none"> <li>● Problem Awareness</li> <li>● Set Benchmarks</li> </ul>
Cultivate People	<ul style="list-style-type: none"> <li>● Teach/Learn by Doing (OJT)</li> <li>● Achieve Results through Teamwork</li> </ul>

## 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


# Contributing to the creation of a sustainable society by leveraging its proprietary rubber technology

## Business

**1888**  
▶ J.B. Dunlop commercialized the world's first pneumatic tire.



The world's first pneumatic tire




J.B. Dunlop


**1917**  
▶ Incorporated as a Japanese corporation and changed name to Dunlop Rubber Company (Far East) Ltd.

**1937**  
▶ Changed name to Japan Dunlop Rubber Co., Ltd.


**1960**  
▶ The Sumitomo Group took a stake in the company.



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




**1981**  
▶ Full business tie-up with The Ohtsu Tire & Rubber Co., Ltd.



**1983**  
▶ Acquired European tire business from Dunlop U.K.


**1984**  
▶ Acquired six plants in the U.K., Germany and France as well as Dunlop Tyre Technical Division in the U.K.

**1986**  
▶ Acquired Dunlop Tire Corporation in the USA.  
▶ Completed Okayama Tire Proving Ground.




**1991**  
▶ Completed Nayoro Tire Proving Ground.

**1994**  
▶ Completed Asahikawa Tire Proving Ground.  
▶ Completed Golf Science Center in Ichijima-cho, Hyogo Prefecture.

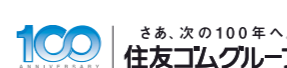


**1998**  
▶ Acquired "ISO14001" certification for all its Japanese factories, the first in the industry.

**1999**  
▶ Formed alliance in the tire business with The Goodyear Tire & Rubber Company in the USA.




**2003**  
▶ Merged with The Ohtsu Tire & Rubber Co., Ltd.  
▶ Spun off sports business.



さあ、次の100年へ。  
住友ゴムグループ

**2009**  
▶ Company's 100th anniversary  
▶ Completed the Tire Technical Center.




**2010**  
▶ Achieved complete zero waste disposal at major domestic and overseas production bases (received the Minister of Economy, Trade and Industry Award in the 3Rs (Reduce, Reuse, and Recycle) promotion merit awards sponsored by Japan's Ministry of Economy, Trade and Industry (METI)).  
▶ Obtained "ISO 14001" Global Multi-Site Certification at 30 of its bases in Japan and overseas, the first in the industry.

**2015**  
▶ Acquired "Lonstroff Holding AG," a Swiss manufacturer of medical rubber parts.  
▶ Dissolved the alliance agreement and joint ventures with The Goodyear Tire & Rubber Company in the USA in the tire business.

**2017**  
▶ Acquired the DUNLOP brand overseas business.  
▶ Commenced operation of the USA Tire Technical Center and Europe Tire Technical Center.  
▶ Acquired the UK-based tire sales company "Micheldever Group Ltd."

**2018**  
▶ Integrated Sumitomo Rubber Group's sports business.  
▶ Celebrated 130th anniversary since the commercialization of pneumatic tires.




**2012**  
▶ Announced "VISION 2020," a long-term vision.

**2014**  
▶ Acquired KITZ Wellness Co., Ltd. (currently, Dunlop Sports Wellness Co., Ltd.), which operates a fitness club business, and transformed it into a subsidiary.

**2007**  
▶ Acquired Cleveland Golf.

**1909**  
▶ Commenced operation of the Kobe Factory. [T]  
▶ Dunlop U.K. established Japan's first modern rubber factory and commenced its operation.



**1944**  
▶ Commenced operation of the Izumiotsu Factory. [T]

**1961**  
▶ Commenced operation of the Nagoya Factory. [T]

**1972**  
▶ Commenced operation of the Kakogawa Factory. [T]

**1974**  
▶ Commenced operation of the Shirakawa Factory. [T]

**1976**  
▶ Commenced operation of the Miyazaki Factory. [T]

**1981**  
▶ Commenced operation of the Malaysia Factory. [I]

**1995**  
▶ Closed Kobe Factory due to the Great Hanshin Awaji Earthquake.

**1996**  
▶ Commenced operation of the Ichijima Factory. [S]

**1997**  
▶ Commenced operation of the Indonesia Factory. [T]

**2001**  
▶ Commenced operation of the Zhongshan Factory in China. [I]

**2004**  
▶ Commenced operation of the Changshu Factory in China. [T]

**2006**  
▶ Commenced operation of the Thailand Factory. [T]  
▶ Commenced operation of the Vietnam Factory. [I]

**2012**  
▶ Commenced operation of the Hunan Factory in China. [T]  
▶ Commenced operation of the Brazil Factory. [T]  
▶ Acquired South Africa Factory. [T]

**2013**  
▶ Commenced operation of the Turkey Factory. [T]  
▶ Acquired USA Factory. [T]  
▶ Acquired Switzerland Factory. [I]

**2017**  
▶ Acquired Philippines Factory. [S]

[T]= Tires [S]= Sports [I]= Industrial and other products


## 1900s 1910s 1920s 1930s 1940s 1950s 1960s 1970s 1980s 1990s 2000s 2010s 2020

## Technology and Products

**1910**  
▶ Started production of bicycle tires and tubes and solid tires for rickshaws.


**1911**  
▶ Started production of rubber tubing, gloves, water pillows, and similar products.

**1913**  
▶ Started production of tires. Produced the first Japanese-made tire.



The first Japanese-made tire


**1930**  
▶ Started production of Japan's first golf and tennis balls.



DUNLOP65 (released in 1935)

**1935**  
▶ Started production of motorcycle tires.


**1954**  
▶ Developed Japan's first tubeless tire.



**1961**  
▶ Started production of "DUNLOP FORT" tennis balls.

**1964**  
▶ Started production of golf clubs.

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




SP3

**1967**  
▶ Started production of marine fenders.

**1976**  
▶ Developed Japan's first Formula-1 racing tire.


**1979**  
▶ Announced the "DENOV0 2" runflat tire.

**1982**  
▶ Released "LE MANS 24," steel radial tires.  
▶ Started production of the two-piece golf ball "Dunlop DDH."




LE MANS 24

**1983**  
▶ Announced a new brand "FALKEN."  
▶ Introduced "OmniCourt," Japan's first sand-filled artificial turf for tennis court.

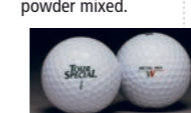


FALKEN (the brand's first tire)


**1994**  
▶ Produced and introduced Japan's first vibration-control equipment for bridge cables using high damping rubber.




**1998**  
▶ Released the world's first three-piece golf ball, the "Tour Special Metal Mix W" with metal powder mixed.



**1998**  
▶ Released the golf ball "MAXFLI HI-BRID," the world's first three-piece golf ball with urethane soft mid-layer.




**2000**  
▶ Released first-generation "XXIO" golf clubs and golf balls.




First-generation XXIO

**2006**  
▶ Released the "LE MANS LM703," the world's first tire with special noise-absorbing sponge mounted.  
▶ Released "ENASAVE ES801," a 70% fossil resource-free tire.




**2008**  
▶ Released "ENASAVE 97," a 97% fossil resource-free tire.

**2012**  
▶ Released "MIRAIE," vibration control system for wooden houses.



**2013**  
▶ Released "ENASAVE 100," a 100% fossil resource-free tire.



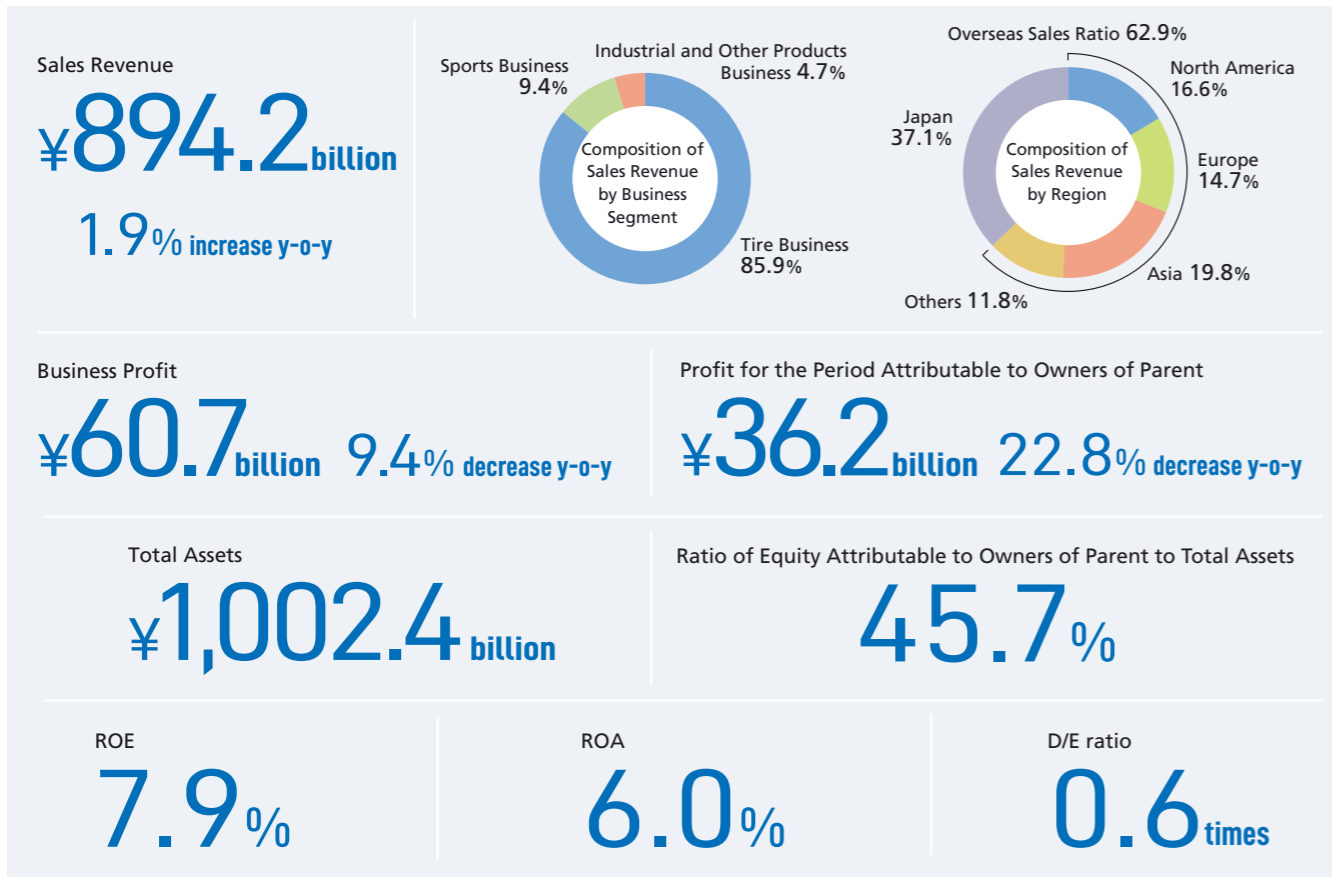
ENASAVE 100

**2014**  
▶ Released "ENASAVE NEXT," tire with 50% less rolling resistance.

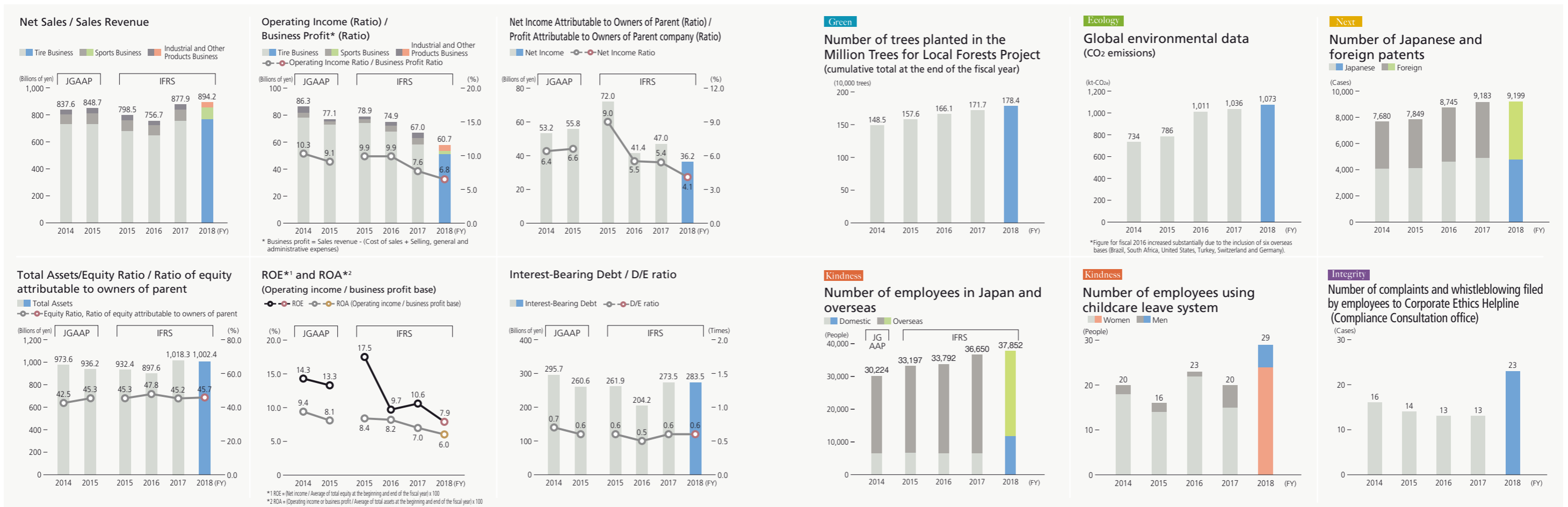
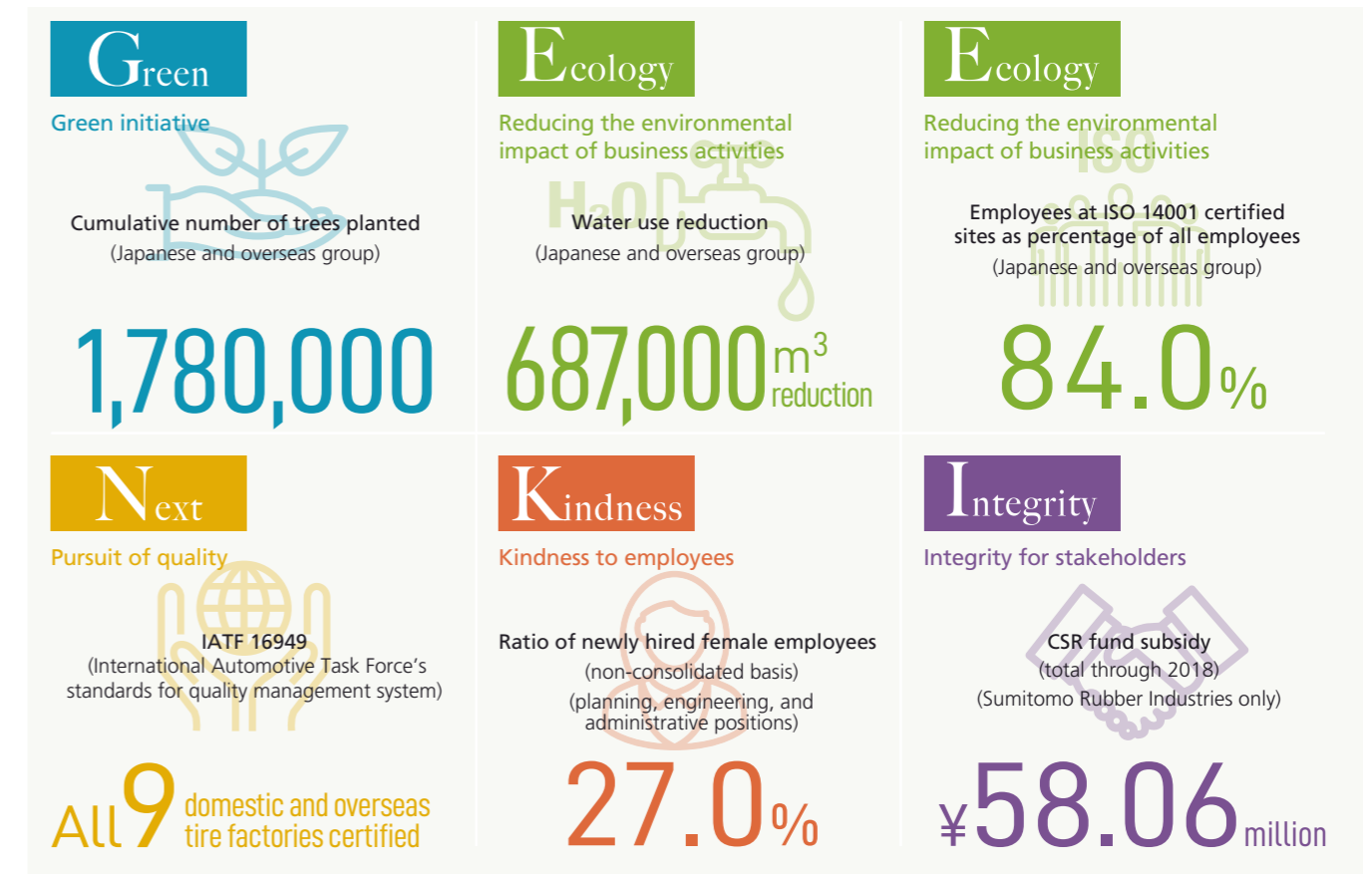
**2015**  
▶ Completed the material development promotion technology "ADVANCED 4D NANO DESIGN."

**2017**  
▶ Announced the "SMART TYRE CONCEPT," a tire technology development concept.

Main Financial Indicators (Fiscal 2018)



CSR-Related Indicators (Fiscal 2018)



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).

## 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.

This year, as we celebrate the 110th anniversary of the founding of Sumitomo Rubber Industries, the Sumitomo Rubber Group still aims to be a corporate group that achieves sustained growth by continually providing "The World's Best Value" for all of our Stakeholders while at the same time contributing to the development of a sustainable society.

### Toward Realizing a Visionary Tire Technology Development Concept & Expanding Our Sports Business

In our Tire Business, the Sumitomo Rubber Group has long been actively engaged in developing and promoting sales of environmentally friendly tires. In light of market changes brought about by technological advancements and the restructuring of industry in general, and with the automotive industry also in the midst of a "once-in-a-century" transformation, in 2017, we unveiled our SMART TYRE CONCEPT(\*), a new technology development concept that aims to develop truly groundbreaking tires unlike any the world has seen before—tires that achieve a whole new level of Environmental Performance and Safety Performance. We 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 rapidly developing new products that feature ever greater added value for speedy delivery to market.

In another recent development, the Sumitomo Rubber Group acquired the trademark rights to the DUNLOP brand from Sports Direct International, alongside the company's DUNLOP sporting goods business and licensing business, in 2017. Following this move, our Group completed the integration of Dunlop Sports into Sumitomo Rubber Industries at the beginning of 2018. Since then, we have been actively engaged in new initiatives to enhance the value of the DUNLOP brand through our involvement in tennis, including becoming the first Japanese company to sign an official sponsorship agreement to supply tournament balls for the Australian Open (one of the four storied Grand Slam tennis tournaments), which is a sure sign of the widespread recognition that we have received for the high quality of our tennis balls as well as our proven track record of supplying balls for major tournaments worldwide. At the same time, through our efforts to enhance the value of the DUNLOP brand, we have also been working to further popularize and revitalize the sport of tennis, such as by supporting the cultivation of the next generation of tennis players at one of the world's foremost tennis academies. Through these and various other activities, we will continue working toward achieving mid-to-long-term growth for our Sports Business and for the Sumitomo Rubber Group as a whole.

(\*) Please refer to Page 23 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 of simultaneously pursuing 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 have been working to increase production capacity at our factories in Brazil, Turkey, South Africa and other developing countries with growing markets in order to promote local production for local consumption, while also striving to promote harmonious coexistence with local communities through expanded local hiring to create jobs and contribute to regional development, striving to reduce 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 big question of "What can tires contribute to the global environment?"—with a focus on three key areas of environmentally friendly product development: Fuel Efficiency, Raw Materials and Resource Savings. In 2020, our Group plans to begin mass production of a new tire that incorporates our proprietary Performance Sustaining Technology to maintain the performance of a tire like brand-new for longer. That same year, we also plan on unveiling 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 R&D efforts towards achieving our long-term goal of completing an all-new 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 have been 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 moving to take advantage of the High Quality and High Performance that we have cultivated in the Japanese market to deliver greater 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 solving various societal problems toward achieving sure and sustainable growth. In order to better meet the expectations of all of our Stakeholders, we established the SRI WAY as a means of clearly defining the specific Values and Action Principles that we believe our employees should 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 that feature 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) in investment decisions, it is safe to say that the ideals of SDGs (Sustainable Development Goals) are beginning to take root. Guided by our Basic CSR Philosophy and CSR Guidelines as encompassed in the acronym "GENKI," the Sumitomo Rubber Group is not only working to fulfill our various social responsibilities in terms of compliance and environmental preservation, but also actively applying our advanced technology and R&D capabilities toward solving societal problems and contributing to the realization of a sustainable society for future generations.

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



Sumitomo Rubber Industries, Ltd.  
President & Representative Director



# Value Chain Supporting Sustainable Business Growth

The Sumitomo Rubber Group has created a value chain that takes into consideration the ESG (environment, social, and governance) at all stages, including product development, procurement, production, supply, sales, and after service.

The Group is working to leverage that value chain to achieve sustainable business growth and develop highly competitive new products.





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.



With a lineup of products that possesses cutting-edge environmental and safety technology, DUNLOP primarily conducts business 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.

It won the Good Design Award in 2017.



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 USA and Japan by leveraging its lineup of FALKEN brand tires with superior functionality and product quality.

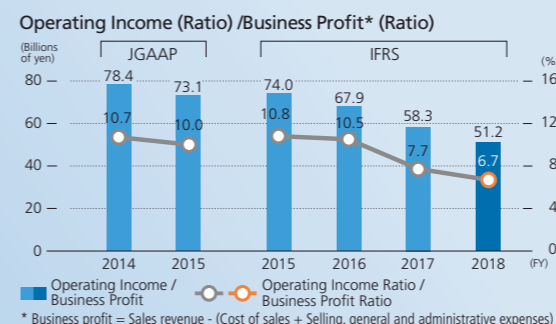
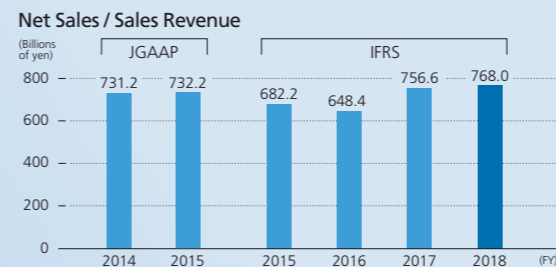
Introduction of Flagship Products and New Products



FALKEN's new generation flagship tire "AZENIS FK510" was ranked third overall in a tire test conducted by the German automobile professional journal AUTO BILD. It was recognized as having overall high performance in terms of handling, braking, driving comfort, fuel efficiency, and other aspects.



Results of Operations / Major Indicators



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

	2017	2018
Domestic original equipment	10%	3%
Overseas original equipment	9%	6%
Domestic replacement	5%	±0%
Overseas replacement	11%	-2%
Total	10%	±0%
Total sales volume (millions of tires)	123.47	123.61

Major Topics in fiscal 2018

FALKEN Tire Ranked No.1 Overall in ADAC Tire Test

FALKEN's "SINCERA SN832 ECORUN" captured the top position in a tire performance test conducted by ADAC (Allgemeiner Deutscher Automobil-Club), the largest automobile association in Europe.

The tires won high rating for both dry and wet surfaces, and its highest ranking as a summer tire that provides a good balance of various functions has served as a tail wind, leading to increase in sales as a replacement tire.



Analysis of the Current State

Strengths

- DUNLOP brand, which boasts 130 years of history since the commercialization of the world's first pneumatic tire and has won 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 infrastructure
- The world's highest level of simulation and analysis capabilities utilizing "K" computer

Management Issues

- Strengthening efforts towards opening up of overseas markets to be a true global player
- Enhancing performance of environmentally friendly products, including tires made of natural resources that contribute to the 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

Business Risks

- Political instability in emerging countries
- Jump in the price of raw materials and crude oil
- Emergence of manufacturers from emerging countries
- Natural disasters

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
- Develop products with the new technology development concept "SMART TYRE CONCEPT" which is set apart from conventional concepts and allows for attainment of a higher level of safety and environment, in preparation for the advent of a new mobility society wherein cleaner and more convenient automobiles will increase



# Business Overview Sports Business

The Sports Business HQ is at the center of the manufacturing and sale of golf clubs, golf balls, tennis rackets and tennis balls, and manages golf tournaments and fitness gyms.



Golf player Hideki Matsuyama

## 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 19 consecutive years since its launch in 2000 and the 10th-generation "XXIO X" was released in December 2017. In addition, total volume of units shipped by manufacturers for the series surpassed 20 million units as of the end of July 2018.



\* 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 2018).



## Tennis equipment

Having incorporated its cutting-edge proprietary technology to England's traditional "DUNLOP" brand, the Company is introducing the brand throughout the world as one for all athletes, ranging from top professionals to beginners. In addition to manufacturing long-selling balls used in many of the major tournaments in Japan, the Company became the first Japanese company to be the official ball supplier to the Australian Open in 2019.



## 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.

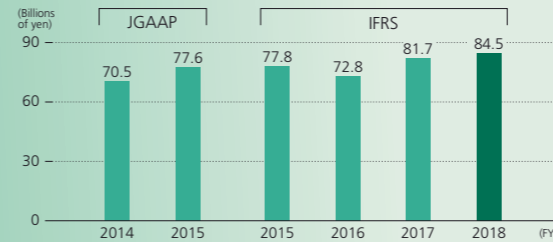


Wheelchair tennis player Yui Kamiji

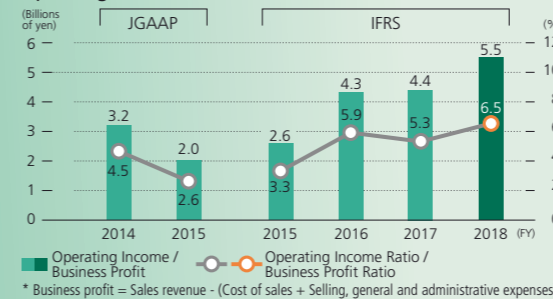


## Results of Operations / Major Indicators

### Net Sales / Sales Revenue



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



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

## Major Topics in fiscal 2018

### No.1 Ranking in terms of Value of Domestic Shipments in 2018

The Company was ranked No.1 in terms of value of domestic shipments in 2018\* for the following products.

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

\* Expected share for 2018 in Yano Research Institute Ltd. Sports Industry White Paper (2019)

### 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. In 2018, numerous players performed well, including the tennis player Kevin Anderson reaching the men's singles finals at Wimbledon and the golf player Nasa Hataoka winning two tournaments on the U.S. Ladies Professional Golf Association tour.



Golf player Nasa Hataoka

### Kyushu's First Dunlop Sports Club Opened

In April, we opened the Dunlop Sports Club Fukuoka Hakozaki, the first club in Kyushu, as the Group's fitness club. Doing so, we are supporting health promotion among local residents



## Analysis of the Current State

### Strengths

- Provision of products and services that are backed and differentiated by superior technical skills
- Unique research and development capabilities making full use of state-of-the-art supercomputer
- Product research and development capabilities tapping into the field of human dynamics

### Management Issues

- Maintaining top share for golf clubs, golf balls, tennis rackets and tennis balls in Japan
- Increasing share in overseas market for golf and tennis goods
- Strengthening efforts towards enhancement of "DUNLOP" brand value and generating synergies with the tire business

### Revenue Opportunities

- Expanding business opportunities following the acquisition of trademark rights of the "DUNLOP" brand throughout the world
- Raising awareness of health as society grays

### Business Risks

- Shrinking golf and tennis markets as the Japanese population contracts
- Global trend of fewer young people being interested in golf

### Growth Strategy

- Create hit products and services that bring together the Group's technical capabilities
- Enhance brand value leveraging the Company's proprietary technical skills and planning capabilities
- Increase profits within the Sports Business both overseas and other sports than golf and tennis

Business Overview  
**Industrial and Other Products Business**

The Hybrid Business Division manufactures and sells 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.

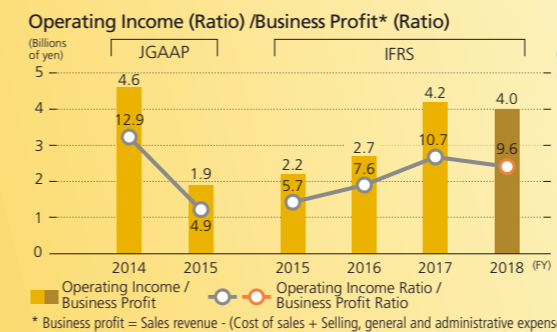
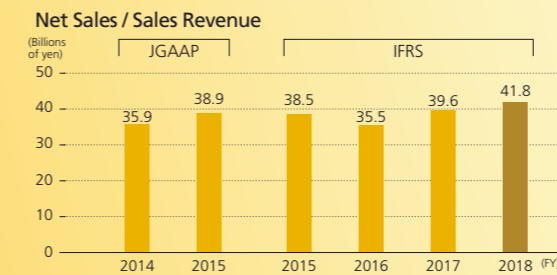


**Vibration control dampers**

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 business expansion into earthquake-prone Taiwan and South Korea with these products.



**Results of Operations / Major Indicators**



**Major Topics in fiscal 2018**

**Construction of a New Factory for Rubber Parts for Medical Application in Slovenia Started**

In 2015, we acquired Lonstroof AG, a Swiss manufacturer and distributor of rubber parts for medical applications, and have expanded its business. A decision was made to construct a new factory in Slovenia. The ground-breaking ceremony has held at the expected construction site in the city of Logatec, Slovenia, in May 2018.

The construction of the new Slovenia Factory will approximately triple the production capacity for rubber parts for medical applications in Europe compared to 2016, which will even further grow the business.

**Artificial Sports Turf "Hibrid-Turf XP-mono" Received Good Design Award**

The artificial sports turf Hibrid-Turf XP-mono received a 2018 Good Design Award. The product possesses not only the durability that the artificial turf market values but also the beauty of natural grass, which makes it perfect for facilities that stress playability and looks. It was selected for the all-weather practice field at the national soccer training center J-VILLAGE located in Fukushima Prefecture and started to be used in September 2018.



**Analysis of the Current State**

**Strengths**

- Owns a product development/sales system in diversified fields, ranging from daily life supplies and healthcare goods to rubber parts for medical applications, 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 Swiss manufacturer of rubber parts for medical application

**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 USA, shifting from the conventional business centered around Japan and other Asian countries

**Revenue Opportunities**

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

**Business Risks**

- Shift to low prices
- Jump in the price of raw materials
- Fiercer competition
- Decline in Japan's population
- Market contraction
- Exchange rate changes

**Growth Strategy**

- For rubber parts for medical applications, further expand business in growth markets by adding Lonstroof AG, a Swiss manufacturer of rubber parts for medical applications, to the Group, developing plans to launch operation at a new factory for medical rubber parts in Slovenia in 2019, and taking other steps
- In the vibration control business, expand lineup and increase sales of "MIRAIE", vibration control system for wooden houses, utilizing the vibration control technology used in bridges and buildings

# Expanding Overseas Sales Revenue and Business Profit Toward Becoming a True Global Player

The Sumitomo Rubber Group is pursuing group-wide initiatives to expand overseas sales revenue and business profit toward becoming a true global player.

## Road Map to Implementing the New Medium-Term Plan

The Group will not only reinforce its foundation for growth through the three key Growth Engines “challenges of new markets,” “insatiable drive for innovation,” and “entering new business fields,” but also enhance the corporate value in the medium and long term.

### Three Growth Engines

<b>NEXT Market Expansion</b> The Challenges of New Markets	<ol style="list-style-type: none"> <li>1 Entry into Emerging Markets</li> <li>2 Expansion in the Chinese Markets</li> <li>3 Expansion of Asian Agricultural Business</li> <li>4 <b>Expanding Our Business in Europe &amp; the Americas</b></li> </ol>
<b>NEXT Technology Evolution</b> Insatiable Drive for Innovation	<ol style="list-style-type: none"> <li>1 Developing Products to Support Our growth</li> <li>2 Establishing “Second-to-None” Technology</li> <li>3 Environmentally Friendly Products</li> <li>4 Breakthrough in Golf Club/Ball Flight Distance</li> <li>5 <b>Advancing Our SMART TYRE CONCEPT</b></li> </ol>
<b>NEXT Category Innovation</b> Entering New Business Fields	<ol style="list-style-type: none"> <li>1 Supplying to Overseas Automakers</li> <li>2 Vibration Control Technology</li> <li>3 Developing Our Health Care Business</li> <li>4 <b>Making Full Use of the DUNLOP Brand</b></li> </ol>



*Expanding Overseas Sales Revenue and Business Profit Toward Becoming a True Global Player*

### Growth Engine 1 - Priority Measure

## Expanding Our Business in Europe & the Americas

### Aiming to Expand Sales Centered on the FALKEN Brand to Increase Revenue

The most important issue for strengthening profitability overseas is expanding our business in Europe & the Americas.

Sumitomo Rubber Industries is moving forward with efforts to grow sales, centered on the FALKEN brand, in order to improve profitability in both Europe/Africa and Americas.

In addition, in the industrial and other products business, the Company is expanding our business in Europe and the Americas. In the field of rubber parts for medical applications, we acquired the Switzerland-based Lonstroff AG, which manufactures and sells rubber parts for medical applications, mainly to major European pharmaceutical companies, in 2015, and will expand the business.

### Ensuring Greater Presence and Brand Value for the FALKEN Brand

For our business in Europe and the Americas, we are actively moving forward with efforts to expand sales of FALKEN brand, our global brand. In addition to introducing products that meet market needs, we are implementing various measures, including conducting global promotions such as sponsoring a European soccer team, the Red Bull Air Race World Championship, and 24 Hours Nürburgring.

As a result, in the European and USA market, the presence and value of the FALKEN brand is steadily rising, and sales volume in 2018 grew at a double digit pace year on year in both markets.



# Main Efforts to Increase Sales in our Business in Europe & the Americas

## Production Infrastructure

### Increasing production capacity at the Turkey Factory, an important supply base for the European market

In terms of production, we are expanding production capacity at the Turkey Factory, which plays an important role as a supply base for the European market. By September 2018, it was possible to increase daily production to 16,000 units. We plan to further raise daily production capacity to 30,000 units by 2020.



### Investing in greater production at the USA Factory, which mainly produces SUV tires

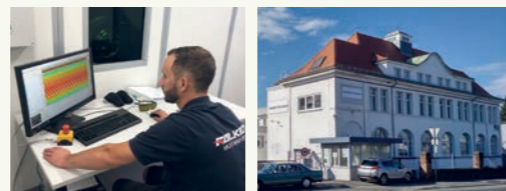
In terms of production, the Company is also making investments at its USA Factory to increase production of passenger car and light truck tires, mainly SUV tires, such as FALKEN WILDPEAK, which are extremely popular locally.



## Research and Development

### Europe Tire Technical Center

This has resulted in a stronger approach to European manufacturers, shorter development lead time, greater competitiveness in the market, stronger regional production infrastructure through collaboration with the Turkey Factory, and so forth. We will continue to strengthen our product development and supply system to meet local needs.



### USA Tire Technical Center / USA Tire Proving Ground

We are promoting the use of the USA Tire Technical Center for tire development in the Americas. As for the development of replacement tires, the transfer of operations such as the design of larger sizes is steadily moving forward, and the development of original equipment tires is expected to be launched in 2020.

Construction to enlarge the USA Tire Proving Ground was completed, and evaluations necessary to undertake local development of four wheel drive tires for the Americas market on new surfaces was launched in July 2018, and this is expected to contribute to new product development in the future.



## Sales

### Replacement tires

#### Expanding sales network

In 2017, we acquired the UK-based tire company Micheldever Group, a tire wholesaler to about 6,000 retailers and car garages. Micheldever also has a network of about 150 directly managed stores, including the tire retail chain Protyre. We will increase the percentage of the company's sales accounted by our products.



#### Capturing strong demand for SUVs, leading to robust sales

In the Americas, the Group has been holding the FALKEN Academy event since 2018 in order to deepen understanding of the brand and products among new dealers. Already 1,500 people have taken part in the event, and we will continue to hold it in order to capture strong SUV demand in the USA market, which will also lead to greater sales.



### Original equipment tires

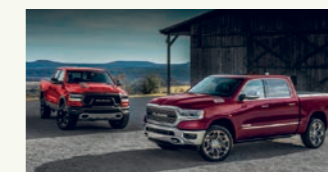
#### Supply of FALKEN brand tires began for premium German SUVs

~Porsche, Mercedes-Benz, Audi~  
Sales activities have been focused on getting our tires used as original equipment on premium cars because this would have a major impact on raising the brand value and expanding replacement tire sales.

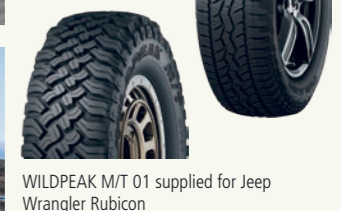
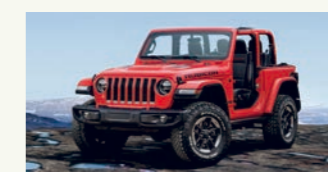
As a result, within the SUV segment, which is seeing market growth, supply of FALKEN tires for premium German SUVs, namely Porsche's the Macan, Mercedes-Benz's G-Class and Audi's Q3, began in 2018.



**FALKEN**  
2 types of tires supplied for the Mercedes-Benz luxury SUVs and new G-Class cars



WILDPEAK A/T 3 WA supplied for RAM 1500



#### Steady spread use of WILDPEAK series

In 2018, we started to supply WILDPEAK series tires for the RAM 1500 pickup truck and Jeep Wrangler Rubicon manufactured by FCA (Fiat Chrysler Automobiles) and sold primarily in North America. The replacement models have won high praise throughout the world, including the USA.

## Promotion

### Moving forward with global promotions

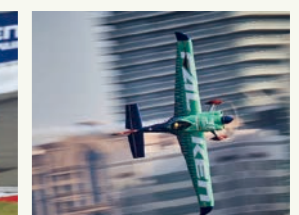
The Group is moving forward with various promotional activities, centered on the England Premier League's Liverpool FC, motor sports, and air races, and working to raise recognition.



Soccer



Motor sports



Air race

Growth Engine 2 - Priority Measure

# Advancing Our SMART TYRE CONCEPT

## Responding to the Needs of a Transforming Automotive Industry While Refining the Technologies Needed to Harness a Competitive Advantage

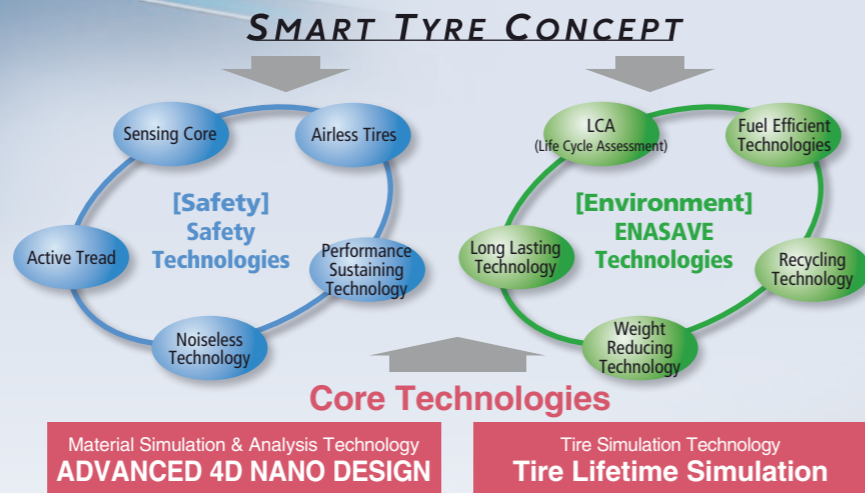
The business climate facing the automotive industry is currently undergoing sweeping changes—what with growing concerns over environmental issues, shifting demographics brought about by the increasing urbanization and aging of societies and the advent of revolutionary new technologies such as AI and IoT. At the same time, we are also witnessing the nascent emergence of a new mobility society as evidenced by the increasing prevalence of vehicles that are more convenient and friendlier to the environment.

And so, with an eye toward the future, Sumitomo Rubber Industries continues to advance forward with our SMART TYRE CONCEPT, a technology development concept that aims to meet the performance needs of the next-generation mobility society.



### SMART TYRE CONCEPT Overview

Our SMART TYRE CONCEPT is composed of three major technology categories: "Safety Technologies" to support greater safety, "ENASAVE Technologies" to make positive contributions to the environment and "Core Technologies" as a technical basis to support all of these R&D efforts.



### Key Technologies of SMART TYRE CONCEPT



# SMART TYRE CONCEPT

Growth Engine 3 - Priority Measure

# Making Full Use of the DUNLOP Brand

## Working to Enhance Brand Value and Maximize Business

We made the judgment that the whole Group must unite and use all its resources in order to make the greatest use of the DUNLOP brand and maximize business. In January 2018, we conducted a management integration with Dunlop Sports Co., Ltd. We are working to enhance the brand value, mainly within the tennis business, in order to promote synergies between the tire and sports businesses and make the most of the DUNLOP brand.

### Efforts to Make Use of the DUNLOP Brand

#### Tennis business: 4 efforts to enhance the value

#### 1 Formulate new DUNLOP brand message in racket sports

For the global expansion of the brand, we intend to spread the message "LOVE THE GAME," which conveys that the brand is for players who seek to not only just win but also enjoy and love the game.



#### 2 Launch DUNLOP CX series POWERED BY SRIXON

Until now, our tennis rackets have been mainly marketed under the SRIXON brand in Japan while marketed under the DUNLOP brand overseas, but starting with the CX series, which was launched in December 2018, these brands were united as the DUNLOP brand, and products will be introduced throughout the world as DUNLOP CX series POWERED BY SRIXON.



#### 3 The first Japanese company to conclude official sponsor agreement with Australian Open

In addition to concluding an official sponsor agreement with Australian Open, one of the four Grand Slam tennis tournaments, in 2019, we released the "DUNLOP Australian Open" tennis ball used in tournament.



#### 4 Start new initiatives with IMG Academy

We will also implement the IMG Academy DUNLOP Junior Program and support efforts to discover and train top junior talent. We have also established the Dunlop Innovation Center within the IMG Academy. We will use it as a base for future development in various ways, such as gathering information on site and testing products with athletes.



### Generating synergies between the tennis and tire businesses

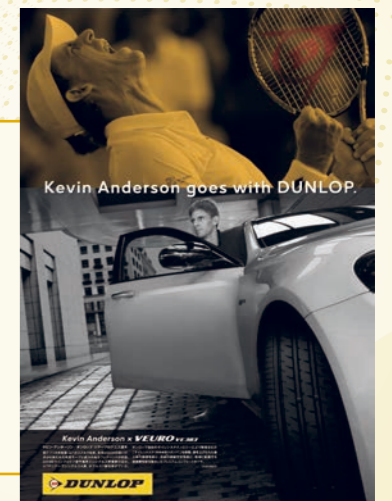


Tennis player Kevin Anderson

Since the acquisition of the DUNLOP brand business, we have been moving forward with investments in the tennis field to enhance the brand value.

In the future, we will use this to expand activities that increase the brand value for both businesses. Our first attempt at this was creating an ad for the premium comfort tire VEURO VE303 featuring our contracted player Kevin Anderson, who was a 2018 Wimbledon finalist. The ad ran in December 2018. We are promoting sales of DUNLOP tires through DUNLOP collaboration ads between tennis and tires.

We will increase the value of the brand by melding the two businesses.

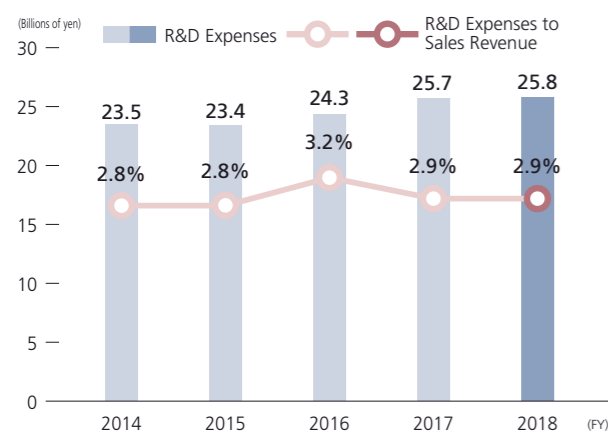


# R&D Activities and Intellectual Property Strategies

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 **¥25.8 billion** Year on Year **+0.2%**



\* 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 2018 amounted to ¥25.8 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 Tire Technical Center, located near the Kobe Head Office, serving as the core facility and in collaboration with the Europe and USA Tire Technical Centers.

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 the "Deflation Warning System (DWS)" technology that detects a decrease in air pressure by analyzing wheel speed signals generated from the rotation of tires and makes it possible to make presumptions using software, without the need of any additional sensors.

Our accomplishments in material 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," the material development promoting technology completed in 2015.



"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.

As for joint research with the Leibniz Institute for Polymer Research (Dresden, Germany)\*, we confirmed that "voids," micro-gaps within the rubber (the presumed origin of rubber failure), exist at the tips of actual rubber cracks as predicated based on performance analysis, and published the research results in January 2019. It is expected that this will lead to the development of a rubber that is more resistant to wear and less prone to failure. We will continue working to accelerate our efforts to establish the "Performance Sustaining Technology" for tire rubber toward fully realizing our SMART TYRE CONCEPT announced in October 2017.

R&D expenses in the tire business totaled ¥21.7 billion.

\* Founded in 1948 as a textile research laboratory attached to a spinning mill, this is one of the largest polymer research facilities in Germany.

### Sports Business

Having established R&D sections at both the Sports Business HQ and Roger Cleveland Golf Company, Inc. in the USA, we are developing, evaluating, and testing 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, we developed the NEW SRIXON Z series golf clubs, which were released in September 2018. Introduced under the copy "ZERO SRIXON," which updates the design principles of conventional SRIXON drivers, all aspects of the driver, including carry, ease, look, and sound when the ball is hit, were transformed, creating a driver appropriate for a wide range of golfers.

For golf balls, we developed and commercialized the NEW SRIXON Z-STAR series. This is the world's first golf ball in which the high-polymer material SeRM® was used to provide a good

balance of both carry and spin. As for tennis rackets, we developed the DUNLOP CX series, which was released in December 2018. Moving the sweet spot toward the tip of the racket not only makes it possible to hit various shots but also reduces the shock at the tip and thus lessens the burden on the player. In addition, using the high resistance urethane material Infinergy®, which is produced by the major German chemical manufacturer BASF, for the interior of the frame makes it possible to realize sufficient carry and a springy feel with a clearer hit. With the management integration in January 2018, we will meet the expectations of customers and actively take on challenges in new fields by fully making use of the research and engineering departments of Sumitomo Rubber Group and developed new, appealing products and services.

R&D expenses in the sports business totaled ¥2.2 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 damping control performance of "MIRAIE" ,vibration control system for wooden houses. As a result, the amplitude of the tremor was reduced by up to 95%\*. The vibration control dampers, which employ high damping rubber used in MIRAIE, were used for the seismic retrofitting work done on the Kumamoto Castle tower.

R&D expenses in the industrial and other products business totaled ¥1.9 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 defend against attacks by third parties.

### Current Status of Basic Policy Implementation

Thanks to the intellectual property education and training for

employees and the introduction of a structure that connects technological development to patent application, the Group has successfully increased the number of high quality patents held.

The Group seeks to effectively utilize its intellectual property rights and enforces 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 infringing products are seized by customs or their production sites are raided. 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 USA, 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 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 the department, 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

## Directors, Audit & Supervisory Board Members and Executive Officers

(As of March 26, 2019)

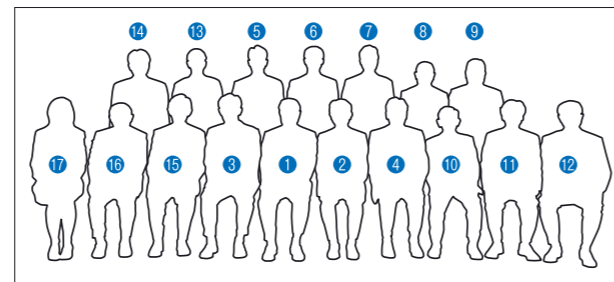


### Directors and Audit & Supervisory Board Members

1	Chairman of the Board, Representative Director	Ikuji Ikeda	
2	President and CEO, Representative Director	Satoru Yamamoto	(President)
3	Representative Director	Minoru Nishi	(Executive Vice President)
4	Representative Director	Kazuo Kinameri	(Executive Vice President)
5	Director	Yasutaka Ii	(Managing Executive Officer)
6	Director	Hiroki Ishida	(Senior Executive Officer)
7	Director	Yutaka Kuroda	(Senior Executive Officer)
8	Director	Naofumi Harada	(Senior Executive Officer)
9	Director	Mitsuteru Tanigawa	(Senior Executive Officer)
10	Outside Director*	Keizo Kosaka	
11	Outside Director*	Kenji Murakami	
12	Outside Director*	Makoto Tani	
13	Standing Audit & Supervisory Board Member	Hiroaki Tanaka	
14	Standing Audit & Supervisory Board Member	Takashi Kono	
15	Outside Audit & Supervisory Board Member*	Morihiro Murata	
16	Outside Audit & Supervisory Board Member*	Tetsuji Akamatsu	
17	Outside Audit & Supervisory Board Member*	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 officers in accordance with regulations stipulated by the Tokyo Stock Exchange



#### Executive Officers

#### Senior Executive Officers

Naoki Yamada  
Takanori Aoi

Hidekazu Nishiguchi

#### Executive Officers

Norifumi Fujimoto  
Masaharu Ono  
Tetsuhiko Yoshioka  
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

## Basic Perspective

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 key management objective in its efforts

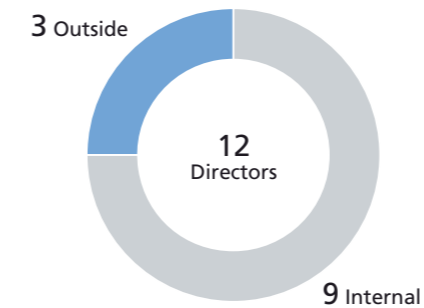
to better fulfill its social responsibility and enhance its transparency. This policy will help to strengthen Group management and establish deep relationships of trust with society, while ensuring Group-wide business efficiency.

## Corporate Governance System Overview (as of March 26, 2019)

Form of organization

Company with an Audit & Supervisory Board (established Nomination and Remuneration Committee, voluntary body)

### Board of Directors

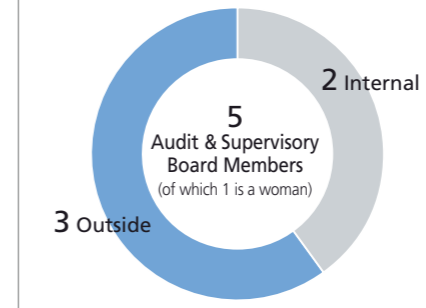


Number of members stipulated in the Articles of Incorporation ..... 15

Term of office ..... 1 year

Chair of the Board of Directors ..... Chairman of the Board

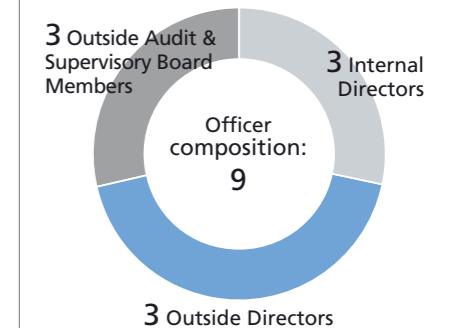
### Audit & Supervisory Board



Number of members stipulated in the Articles of Incorporation ..... 5

Term of office ..... 4 years

### Nomination and Remuneration Committee



Nomination and Remuneration Committee chair ..... Outside Director

Term of office ..... 1 year

## Evaluation of the Effectiveness of the Board of Directors

Sumitomo Rubber Industries conducts regular survey questionnaires for all Directors and Audit & Supervisory Board Members regarding various aspects of the Board of Directors, including its composition and operation, and then the Board of Directors conducts deliberations based on the results of the survey in order to increase the effectiveness of the Board of Directors.

In fiscal 2018, the survey was conducted between August and September, and discussions were held in November. The results confirmed the overall effectiveness of various aspects of the Board of Directors, including number of directors and member composition, operation of the board (frequency of meetings, discussion time, etc.), deliberations by the Board of Directors, monitoring of the business

execution, etc.

Furthermore, in regard to expanding strategic debates at the meetings and providing fuller information to officers in advance, which had been proposed in the past, it has been confirmed that various steps, including reviewing the Guidelines of Items for Resolution of the Board of Directors at the end of 2016 and accelerating the provision of materials for the Board of Directors meeting starting in fiscal 2017, have been effective, and things are steadily improving.

We will work on maintaining its environment and, as necessary, execute measures to enhance its effectiveness.

**1 Board of Directors and Directors**

14 meetings in fiscal 2018

The Board of Directors, composed of all of the Company's Directors and Audit & Supervisory Board Members, deliberates and determines matters of managerial importance and supervises Directors' execution of operations. Generally, the Board of Directors meets once a month, but it also holds extraordinary meetings when necessary, such as at the end of the fiscal year and when the books are closed at the end of the first half. In fiscal 2018, the board met 14 times, and attendance of Outside Directors was 98%.

Director candidates are nominated taking into consideration whether they can contribute to the sustainable enhancement of the corporate value of the Company, including factors such as their contribution to achieving effective corporate governance and ensuring the diversity of board members in terms of knowledge, experience, etc.

**2 Nomination and Remuneration Committee**

3 meetings in fiscal 2018

In an effort to further increase corporate value, the committee was established in 2016 as a voluntary advisory body to the Board of Directors to ensure objectivity and transparency in nomination of officers and decisions regarding remuneration. In fiscal 2018, the committee met 3 times and discussed various issues regarding nominations (training successors, officers, etc.) and remuneration (introduction of performance-based remuneration and stock options linked to medium- and long-term business results, director bonuses, etc.).

The committee consists of a total of 9 members, 6 of whom are outside officers, and an Outside Director serves as the committee chair. There was 100% attendance among members in fiscal 2018.

**3 Corporate Ethics Committee**

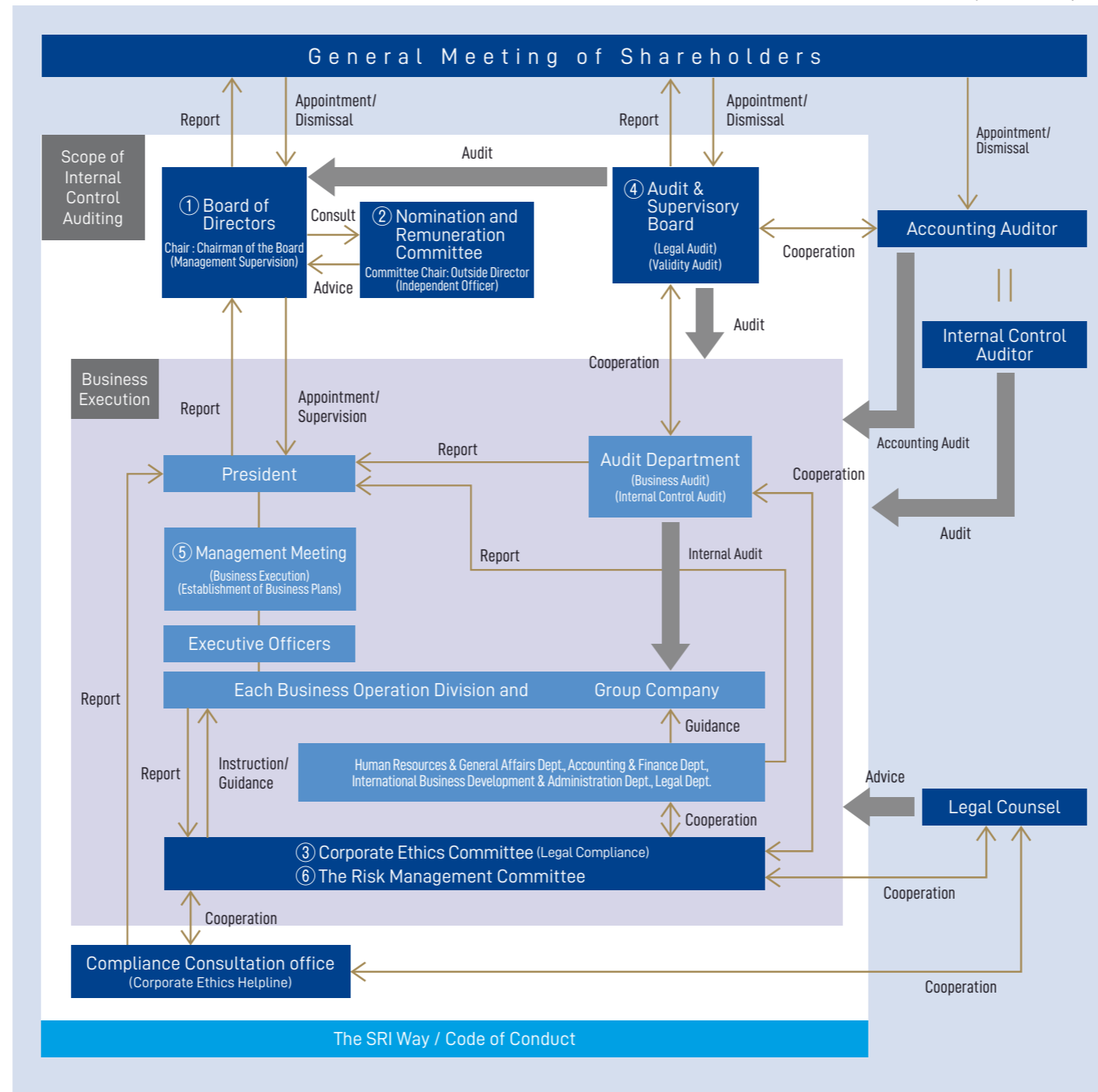
4 meetings in fiscal 2018

The committee identifies, analyzes, and evaluates compliance risks throughout the Group, plans and conducts training, ascertains the cause of violations, proposes preventive measures, and thoroughly disseminates information on that throughout the Group.

The committee is composed of the officer in charge of corporate ethics (officer in charge of general affairs), officer in charge of audits, officer in charge of legal affairs, Audit Department Manager, Human Resources & General Affairs Department Manager, and Legal Department Manager, with the President serving as the committee chair. In addition, 2 standing Audit & Supervisory Board Members participate as observers. In fiscal 2018, the committee not only met 4 times but also held a corporate ethics lecture meeting to raise awareness of corporate ethics throughout the Group.

**Corporate Governance Structure**

(as of March 26, 2019)



**4 Audit & Supervisory Board and Audit & Supervisory Board Members**

12 meetings in fiscal 2018

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 audit office; reviews important approval documents; and implements on-site audits at the Head Office, major business sites and subsidiaries while working closely with Accounting Auditor to ensure that audits are conducted in an appropriate manner.

The Audit & Supervisory Board consists of 5 members, of which 2 are selected as standing Audit & Supervisory Board Members. In addition to attending important in-house meetings, the board confirms important documents for approval. From the aspect of reinforcing the management auditing function, 3 of the 5 Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members, securing a structure to conduct fair and objective audits. The Audit & Supervisory Board meets once a month in general. In fiscal 2018, the board met 12 times, and Outside Audit & Supervisory Board Members attended 94% of Audit & Supervisory Board meetings.

**5 Management Meeting**

24 meetings in fiscal 2018

The Meeting makes prompt management decisions delegated to it by the Board of Directors through discussions or the reporting of matters considered to be important to management.

The meeting consists of internal Directors, standing Audit & Supervisory Board Members, and Executive Officers appointed by the President, and the officer in charge of corporate planning serves as the chair of the meeting. The Management Meeting was convened 24 times in fiscal 2018.

**6 Risk Management Committee**

2 meetings in fiscal 2018

The committee oversees the Group's risk management activities and appropriately examines and confirms whether business risks and other risks have been recognized and discussed and whether the risk management system is functioning effectively.

The committee consists of the officers responsible for management; research, design, and development; production; and sales and each business department, with the President serving as the committee chair. The 2 standing Audit & Supervisory Board Members attend as observers.

Officer	Name	Reason for selection	Attendance at Board of Directors meetings in fiscal 2018	
			Board of Directors	Audit & Supervisory Board
Outside Director	Keizo Kosaka	Keizo Kosaka was judged to be appropriate because he possesses abundant knowledge as an attorney who excels at corporate legal affairs, serving as an attorney and an outside audit & supervisory board member of Toyo Aluminium K.K., Sekisui Plastics Co., Ltd., and Techno Associe Co. Ltd.	14 of 14 times	
	Kenji Murakami	Kenji Murakami was judged to be appropriate because he possesses ample knowledge in corporate management, with substantial experience in corporate management as Representative Director, President and COO of Daiwa House Industry Co., Ltd.	13 of 14 times	
	Makoto Tani	Makoto Tani was judged to be appropriate because he possesses extensive experience and broad insights as a manager, with substantial experience in corporate management as Representative Director and Senior Managing Director of Sumitomo Electric Industries, Ltd.	Appointed in March 2019	

Officer	Name	Reason for selection	Attendance at meetings in fiscal 2018	
			Board of Directors	Audit & Supervisory Board
Outside Audit & Supervisory Board Member	Morihiro Murata	Morihiro Murata was judged to be appropriate because he possesses not only considerable knowledge in finance and accounting as a certified public accountant and tax accountant but also extensive knowledge as an outside director (audit & supervisory committee member) of Kagome Co., Ltd., as well as outside audit & supervisory board member of Kokuyo Co., Ltd.	13 of 14 times	12 of 12 times
	Tetsuji Akamatsu	Tetsuji Akamatsu was judged to be appropriate because he possesses extensive experience and ample knowledge, with experience in corporate management as a president of Kinrei Corporation and an audit & supervisory board member of Cogene Techno Service Co., Ltd. (currently, OGCTS Co., Ltd.).	13 of 14 times	11 of 12 times
	Asli M. Colpan	Asli M. Colpan was judged to be appropriate because she possesses extensive knowledge in corporate management based on her advanced academic knowledge as a university professor specializing in management strategy and corporate governance, as well as experience of involvement in corporate management as an outside director of Gourmet Kineya Co., Ltd. and Nissha Co., Ltd.	10 of 11 times*	9 of 10 times*

\* Attendance since taking up position in March 2018



## 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.

### Remuneration for Directors and Audit & Supervisory Board Members

Type	Number of persons paid	Amount paid
Director	13	¥474 million
Audit & Supervisory Board Member	7	¥76 million

Notes:

1. 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.

2. The number of persons paid above includes two Directors and two Audit & Supervisory Board Members who resigned as of March 29, 2018.

## Training the next-generation managers

The Group is focusing on training next-generation managers and overseas base managers.

A Management School was established so that candidates can acquire skills related to perspective (viewing things as a manager), knowledge (basic knowledge required of management),

and thinking (critical thinking). Starting in 2003, approximately 20 people have been selected each year, and classes are offered throughout the year. Management attends the last meeting, and reports on issues such as future business expansion are provided. This is the training of next-generation managers.

## 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 "Corporate Ethics Helpline (Compliance Consultation office)" 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 legal issues, the Company also takes such measures as seeking advice from corporate attorneys as circumstances demand.



# 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)
- Ecology** (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 activities have become extended and 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.

\*GENKI stands for the five basic categories of our CSR activities: "Green" (Green initiative), "Ecology" (Ecological process), "NEXT" (Next-generation product development), "Kindness" (Kindness to employees) and "Integrity" (Integrity for stakeholders). The word "genki" also means "energetic" in Japanese.

# Sumitomo Rubber Group's CSR Efforts






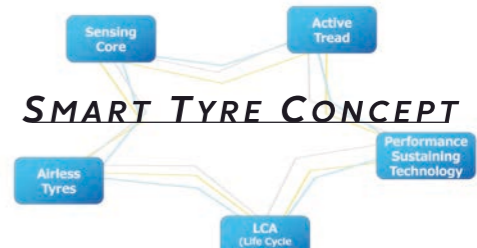




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## SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD

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	Relevant ESG			Activities in fiscal 2018 (Page no.)	
		E	S	G		
<b>Green</b> Green initiative <ul style="list-style-type: none"> <li>1 Helping to curb global warming through tree planting</li> <li>2 Fostering better relationships with local communities through tree planting</li> <li>3 Preserving biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>13 CLIMATE ACTION</li> <li>14 LIFE BELOW WATER</li> <li>15 LIFE ON LAND</li> </ul>	E			<b>Collaborative Activities with Local Residents, etc.</b> 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. <b>P.39</b> Engaged in collaborative activities with local residents, etc. in "Sumitomo Rubber GENKI Forest," a green initiative in Japan 	<b>Protecting Culture and Nature</b> With the goal of protecting Japan's vanishing cultural assets and natural environment, we are working on the "Team ENASAVE Future Project." <b>P.40</b> Participating in Wajiro Tidal Clean Campaign conducted by Fukuoka Prefecture Save Wajiro Tidal Flat Association 
<b>Ecology</b> Ecological process <ul style="list-style-type: none"> <li>4 Creating a low-carbon society</li> <li>5 Building a recycling-oriented society</li> <li>6 Promoting environmental footprint management</li> <li>7 Implementing global environmental management</li> </ul>	<ul style="list-style-type: none"> <li>6 CLEAN WATER AND SANITATION</li> <li>7 AFFORDABLE AND CLEAN ENERGY</li> <li>13 CLIMATE ACTION</li> </ul>	E (Environment)			<b>Implementing Global Environmental Management</b> While accelerating its globalization, the Group is focusing even greater energy on implementing global environmental management. <b>P.44</b> Global Environmental Management Central Committee (Kobe Head Office) 	<b>Improving Environmental Awareness in Japan and Overseas</b> We are carrying out educational and promotional activities to increase environmental awareness in Japan and overseas. <b>P.44</b> Energy Efficiency Exhibition (Changshu Factory, China) 
<b>Next</b> Next-generation product development <ul style="list-style-type: none"> <li>8 Developing environmentally friendly products</li> <li>9 Pursuing "safety and comfort," "economy" and "quality"</li> </ul>	<ul style="list-style-type: none"> <li>7 AFFORDABLE AND CLEAN ENERGY</li> <li>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</li> <li>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</li> </ul>				<b>Announcing New Technology Development Concept "SMART TYRE CONCEPT" with an Eye on the Upcoming Mobility Society</b> The Group pushes forward with technology development with the aim of completing a revolutionary new tire by late 2020s. <b>P.45</b>  	
<b>Kindness</b> Kindness to employees <ul style="list-style-type: none"> <li>10 Fostering human resource development and making jobs rewarding</li> <li>11 Creating a safe, employee-friendly workplace</li> <li>12 Achieving a good work-life balance</li> <li>13 Promoting diversity</li> <li>14 Respect for human rights</li> </ul>	<ul style="list-style-type: none"> <li>3 GOOD HEALTH AND WELL-BEING</li> <li>4 QUALITY EDUCATION</li> <li>5 GENDER EQUALITY</li> <li>8 DECENT WORK AND ECONOMIC GROWTH</li> <li>10 REDUCED INEQUALITIES</li> </ul>	S (Society)			<b>Fostering Human Resources</b> The Company supports personal growth of its employees by providing training in respect for their motivation to grow. <b>P.47</b> Group discussions at new employee orientation 	<b>Support for Female Employees to Play an Active Role in Their Duties</b> 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. <b>P.49</b> Discussions with sales manager regarding state of sales 
<b>Integrity</b> Integrity for stakeholders <ul style="list-style-type: none"> <li>15 Enhancing corporate governance</li> <li>16 Ensuring thorough compliance</li> <li>17 Promoting dialogue with stakeholders</li> <li>18 Promoting social contribution activities</li> <li>19 Supply chain management</li> </ul>	<ul style="list-style-type: none"> <li>11 SUSTAINABLE CITIES AND COMMUNITIES</li> <li>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</li> <li>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</li> </ul>		G (Governance)		<b>Strengthened Compliance Education</b> We hold lectures for personnel in management positions, and provide explanatory sessions for Group companies, including those overseas. <b>P.50</b> Holding compliance lectures 	<b>Promotion of CSR Procurement</b> 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. <b>P.52</b> An explanatory session on CSR procurement 

# 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.

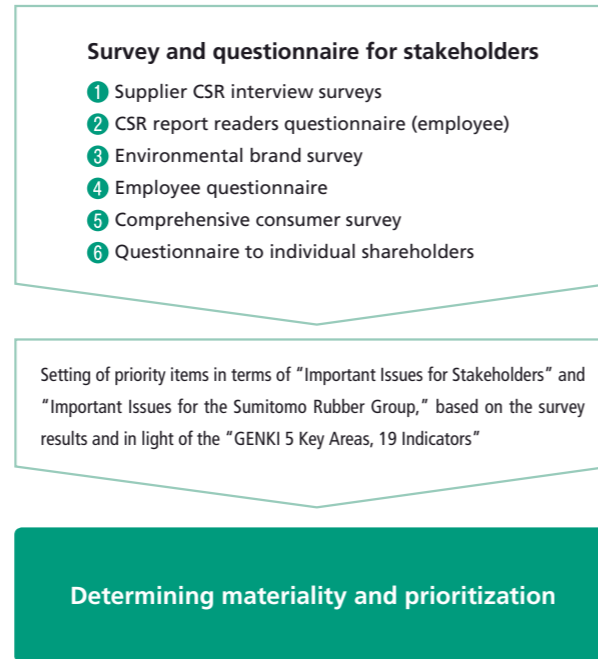
## Materiality Identification Process

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

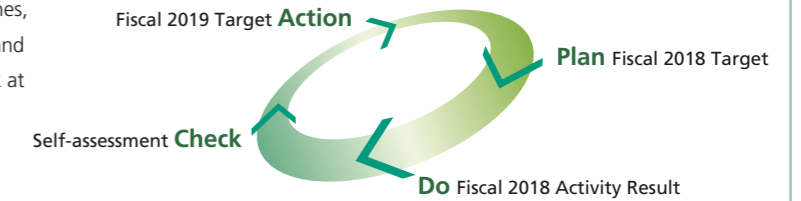
	Features	Main responsibilities	Communications method
<b>Customers</b> 	Automobile manufacturers, manufacturing companies, sales companies, sports facilities, etc.	<ul style="list-style-type: none"> <li>Quality management</li> <li>Development of safer products</li> <li>Safe driving awareness</li> <li>Providing product information and services</li> </ul>	<ul style="list-style-type: none"> <li>Customer consultation and service contact</li> <li>Customer response through service and sales departments</li> <li>Providing information via website and other media</li> <li>Exhibitions and events, etc.</li> </ul>
<b>Business partners</b> 	Rubber raw materials manufacturers, other materials manufacturers, trading companies, processing companies, etc.	<ul style="list-style-type: none"> <li>Fair and reasonable procurement</li> <li>CSR procurement</li> </ul>	<ul style="list-style-type: none"> <li>Dialogue through day-to-day business</li> <li>Confirmation visits to procurement partners, and feedback</li> <li>Questionnaires to procurement partners</li> <li>Explanatory meetings, etc.</li> </ul>
<b>Local community</b> 	Residents, municipalities, local government, educational institutions, and other organizations near factories and offices	<ul style="list-style-type: none"> <li>Social contribution activities</li> <li>Green initiatives</li> <li>Preserving biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Participation in local events</li> <li>Cooperation with NGOs and NPOs in social contribution activities</li> <li>Participation in economic and industry organizations</li> <li>Dialogue with local governments, etc.</li> </ul>
<b>Shareholders and investors</b> 	Number of shareholders: 36,188 (individual and institutional investors, etc.)  (as of December 31, 2018)	<ul style="list-style-type: none"> <li>Return of profits to shareholders</li> <li>Enhancement of corporate value through dialogue with shareholders and investors</li> </ul>	<ul style="list-style-type: none"> <li>General meeting of shareholders</li> <li>Timely disclosure of news releases and publications</li> <li>Issuance of financial information including fact books and shareholder communications</li> <li>Providing information via website and other media</li> <li>Results briefings, etc.</li> </ul>
<b>Employees</b> 	Sumitomo Rubber Group: 37,852; Sumitomo Rubber Industries: 7,175 (male employees: 6,370, female employees: 805)  (as of December 31, 2018)	<ul style="list-style-type: none"> <li>Fostering human resources</li> <li>Occupational health and safety</li> <li>Health management</li> <li>Diversity in employment</li> <li>Consideration of work-life balance</li> <li>Consideration of human rights</li> <li>Dialogue with employees</li> </ul>	<ul style="list-style-type: none"> <li>Providing information through internal newsletters, intranet, etc.</li> <li>Consultation with labor-management councils and employee representatives</li> <li>Compliance consultation service</li> <li>Round-table discussions with president to exchange views with management</li> <li>Group Report questionnaire, etc.</li> </ul>

# Fiscal 2018 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 the creation of a 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 2019. Let's look at the main targets.



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

CSR Activity Guidelines	Plan: Fiscal 2018 Target	GRI Guidelines	Do: Fiscal 2018 Activity Result	Self-assessment*1	Action: Fiscal 2019 Target	
<b>Green</b> Green initiative	<b>1</b> Helping to curb global warming through tree planting	● Promote the Million Trees for Local Forests Project ● Promote creation and maintenance of GENKI Forests in Japan	304-3	● Planted trees for the Million Trees for Local Forests Project (including mangrove planting) Fiscal 2018: 66,918 trees planted (including providing the trees)	100%	● Promote the Million Trees for Local Forests Project ● Promote creation and maintenance of GENKI Forests in Japan
	<b>2</b> Fostering better relationships with local communities through tree planting	● Promote the Acorn Project ● Expand interaction with communities, including giving away seedlings	413-1	● Planted acorn trees and provided seedlings; Fiscal 2018: 9,015 trees ● 8,245 acorn seedlings given away to communities	100%	● Promote the Acorn Project ● Expand interaction with communities, including giving away seedlings
	<b>3</b> Preserving biodiversity	● Prepare the biotopes ● Continue protection and raising of endangered species	304-3	● Implemented construction to improve the biotopes at Ichijima Factory (improve water quality) ● Conducted activities to protect and raise endangered species at its eight facilities in Japan	100%	● Continue to protect and raise endangered species. In particular, get the raising of the Sasakia charonda at the Okayama Tire Proving Ground on track
<b>Ecology</b> Ecological process	<b>4</b> Creating a low-carbon society	● Establish the calculation method of reduced CO <sub>2</sub> emissions per tire during its life cycle (Six factories in Japan)	302-1,2,5	12.6% decrease	100%	● ≥12.5% reduction over fiscal 2005
		● Environmental impact indicator of energy usage (crude oil equivalent)*2: ≥0.9% reduction over the previous fiscal year (Six factories in Japan) O	302-3	1.6% increase	97%	● ≥1.2% reduction over the previous fiscal year
	<b>5</b> Building a recycling-oriented society	● Environmental impact indicator of CO <sub>2</sub> emissions*2: ≥ 1.0% reduction over the previous fiscal year (Six factories in Japan) O	305-4	0.2% increase	99%	● ≥1.4% reduction over the previous fiscal year
		● Environmental impact indicator of waste disposal (excluding valuables)*2: ≥ 1.1% reduction over the previous fiscal year (Six factories in Japan) O	306-2	20.8% increase	78%	● ≥0.7% reduction over the previous fiscal year
	<b>6</b> Promoting environmental footprint management	(Six factories in Japan) ● NO <sub>x</sub> , SO <sub>x</sub> , and dust: ≥ 80% reduction over fiscal 2005 levels	303-1	3.7% increase	95%	● ≥1.9% reduction over the previous fiscal year
	<b>7</b> Implementing global environmental management	● Maintain ISO 14001 Global Multi-Site Certification	305-7	83% decrease	100%	● ≥80% reduction over fiscal 2005
	<b>8</b> Developing environmentally friendly products	● Develop and launch tires using "ADVANCED 4D NANO DESIGN"	103-2	Maintained	100%	● Maintain Global Multi-Site Certification
<b>Next</b> Next-generation product development	<b>9</b> Pursuing "safety and comfort," "economy" and "quality"	● Market and expand sales of new products	416-1	● Launched sales of the studless tire FALKEN ESPIA W-ACE	100%	● Commercialize new technologies
	<b>10</b> Fostering human resource development and making jobs rewarding	● Develop global human resources who can support the company, as a true global player	404-2	● As for language training, continue to provide special English education and training ● Conduct training related to critical thinking and problem-solving methods, which forms the basis of how we work, when employees are young	100%	● Plan global human resource training starting in the second half of 2019 in order to develop global human resources ● Cultivate a broad-range of management-related knowledge and skills, including understanding of one's own company, finance and accounting, marketing, management, cross-cultural understanding, and problem-solving methods
<b>Kindness</b> Kindness to employees	<b>11</b> Creating a safe, employee-friendly workplace	● 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	● Work to reduce total working hours by implementing activities to build awareness of no-overtime days and paid leave ● Promote efforts to hold COMPACT meetings, go PAPERless, introduce IT, and STANDARDize operations as COMPAIT ★ (star) activities	50%	● Enliven various activities as a work style reform promotion project Solve issues that each of the following subcommittees are involved in [1] Education & Mutual Understanding, [2] COMPAIT ★ activities, [3] Globalization, and [4] Human Resources System
		● Create an open workplace by invigorating activities for heightening health and safety awareness and develop and inculcate Sumitomo Rubber Industries safety activity know-how Company-wide	403-2	● The total number of occupational accidents increased (number of Non-lost-time accident rose 12) ● Declared a state of emergency and conducted edification related to thoroughly reconducting Company-wide safety activities	80%	● Use safety indicators that evaluate safety of each base (KPI) and promote activities to ascertain weaknesses and make improvements in order to increase workplace safety
	<b>12</b> Achieving a good work-life balance	● Promote health & productivity management (health promotion and mental health measures)	403-2	● The number of days of both mental and physical sick leave decreased a dramatic 30% in 2017 and an additional 4% in 2018. The Company was recognized under the Certified Health & Productivity Management Outstanding Organizations Recognition Program for three consecutive years, in recognition of its efforts to advance health and productivity, including thorough follow-up on employees whose medical checkups revealed health problems.	90%	● Promote activities to implement the health & productivity management declaration (maintenance and improvements in health through heightened awareness of health, disease prevention, and thorough implementation of mental health measures)
		● Promote use of childcare leave by male employees ● Promote use of shortened working hours for childcare by employees ● Operate a daycare support system	401-3	● Number of male employees who used childcare leave: 5 ● Number of employees who used shortened working hours for childcare: 18 ● Number of employees who used the daycare support system: 19	100%	● Promote use of childcare leave by male employees ● Promote use of shortened working hours for childcare by employees ● Promote the use of various systems
<b>13</b> Promoting diversity	● Continue to recruit female employees and employees with disabilities ● 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: 2.21%	80%	● Continue to recruit female employees and employees with disabilities ● Utilize talented human resources on an ongoing basis, regardless of gender, etc.	
<b>14</b> Respect for human rights	● Hold training on human rights	412-2	● Held training on human rights	80%	● Hold training on human rights	
<b>Integrity</b> Integrity for stakeholders	<b>15</b> Enhancing corporate governance	● Hold meetings of the "Nomination and Remuneration Committee" as a voluntary advisory body to the Board of Directors ● Expand scope of BCP and conduct BCP training on a regular basis ● Uncover risks throughout the Group and promote activities to mitigate risks	102-18	● Held "Nomination and Remuneration Committee" meetings (three times a year) ● Expanded scope of BCP (incorporated disaster training) and conducted BCP training ● Updated main Group risks, including the sports business after management integration ● Undertook activities to mitigate major risks throughout the Group	100%	● Increase the effectiveness of the Corporate Governance Code ● Expand scope of BCP and conduct BCP training on a regular basis ● Continue to promote activities to mitigate major risks
	<b>16</b> 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 on bribery prevention, compliance with competition laws, prevention of misconduct, and legal risks, particularly at overseas group companies	100%	● Promote the Group's compliance and risk management
	<b>17</b> Promoting dialogue with stakeholders	● Promote dialogue with a range of stakeholders	102-44	● Conducted stakeholder dialogues at each operation base	100%	● Promote dialogue with a range of stakeholders
	<b>18</b> Promoting social contribution activities	● Promote joining the CSR Fund ● Work together with NPOs (continue and expand activities)	102-44	● Rate of joining the CSR Fund: approximately 39% ● Number of manufacturing workshops carried out for elementary school students: eight times at six schools and one group ● Number of environmental workshops carried out: six times for three groups	100%	● Promote joining the CSR Fund ● Work together with NPOs (continue and expand activities)
	<b>19</b> Supply chain management	● Conduct follow-up questionnaire survey with suppliers regarding CSR procurement	102-43	● Conducted follow-up questionnaire survey with suppliers regarding CSR procurement	100%	● Issue the Purchasing Guidelines Ver. 6 and promote CSR in the supply chain

\*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).

# Green

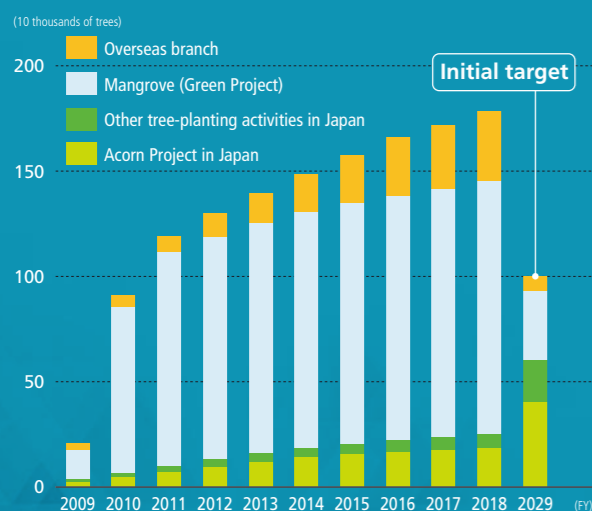
## Green initiative

### Management Approach

Forests absorb CO<sub>2</sub> 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 "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 1.78 million trees planted as of fiscal 2018. We will continue to plant trees as well as putting effort in forest maintenance.

### Progress of the 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 (23ha) 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 that employees and their families gather 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, 770 acorn seedlings were planted in "Sumitomo Rubber GENKI Forest" in fiscal 2018.

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, 8,245 acorn seedlings were given away to organizations and local residents who are engaged in the green initiative and so wish.



Weed cutting in a "Sumitomo Rubber GENKI Forest" in Tamba-Sasayama City, Hyogo Prefecture



Giving away acorn seedlings

### 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 CO<sub>2</sub>, 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.



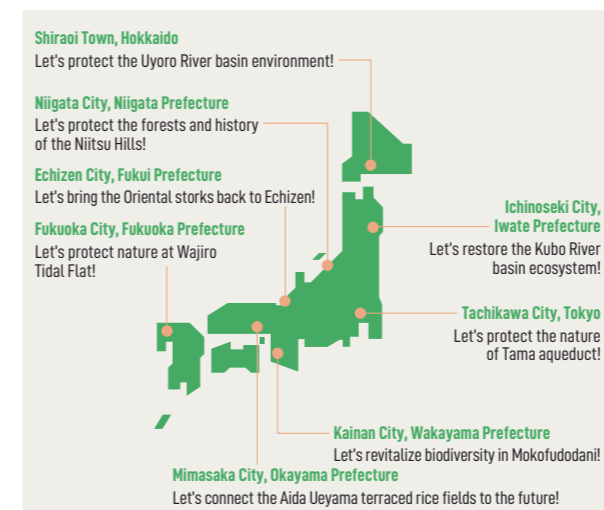
Sidewalk cleaning activities with local residents in Toyota City, Aichi Prefecture

### 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).

As a part of this project, in fiscal 2018, we held activities at eight 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 535 people participate in total.



### Greening Activities Overseas

We are promoting greening activities at overseas factories and sales companies. We planted a total of 27,792 trees in our tree-planting activities in fiscal 2018.

In addition, 22,000 trees were planted in Indonesia through the "Team ENASAVE Green Project," wherein mangrove seedlings are planted using some of the proceeds from sales of the fuel-efficient "ENASAVE" tire series. Furthermore 2,400 trees were planted through the "1 Pair for 1 Love activities," in which some of the proceeds from the sales of rubber gloves are allocated to the DUNLOP Home Products Forest on the island of Borneo, Malaysia, in order to protect the orangutan, an endangered species.



Collaborative planting of trees at neighborhood schools by the Dubai sales company



Donating seedlings to neighborhood elementary schools (Vietnam Factory)



"Team ENASAVE," planting mangroves

## Preserving Biodiversity

### Creation of Regional Biotopes by Hand

The Group is carrying out creation of biotopes 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 biotopes 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 biotopes 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.



Kobe Head Office "Soso no Izumi"

## TOPICS

### Preservation and Nurturing of Endangered Species

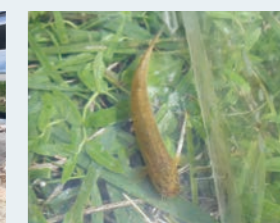
#### Working with Outside Parties to Protect and Promote the Breeding of Lefua echigonia

With the biotope in the Ichijima Factory, we are working to protect and breed the Lefua echigonia, an endangered species. The monthly examination involves a detailed examination of the water quality and individuals by members of the Tamba Lefua echigonia Preservation Society, the Tamba Forest Park, which serves as the secretariat, and the professional body Suma Aqualife Park Kobe. Since last year, students in the Biology Club at Hyogo Prefectural Kaibara Senior High School also took part, and the participation of the next generation is providing an opportunity to spread the appeal of the living of the Lefua echigonia.

In the future, we will move forward with accepting requests for environmental education that targets elementary school students in Tamba City and further promote activities to protect valuable local species.



Ichijima Factory biotope



Lefua echigonia

# 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.

### 1 Creating a Low-Carbon Society

● Reduce LCCO<sub>2</sub> emissions per tire by the fiscal year 2022

Fiscal 2022: by **14%** compared to 2005

Fiscal 2018

Reduced by **12.6%** (compared to 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

Since fiscal 2010  
Continued achievement for **9** years

● 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

Fiscal 2018  
Conducted tree planting activities **35** times

● Take action to protect biodiversity

Fiscal 2018  
Conducted according to the plan

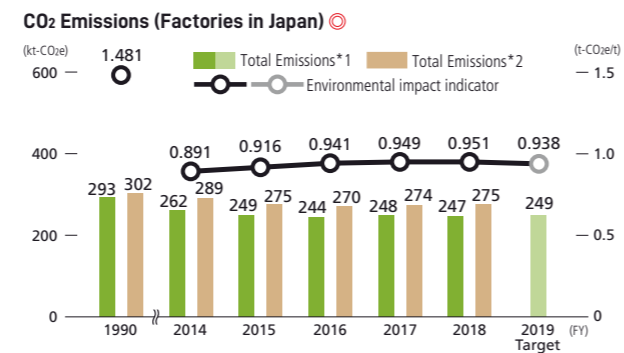
## Creating a Low-Carbon Society

Items marked with "○" 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.

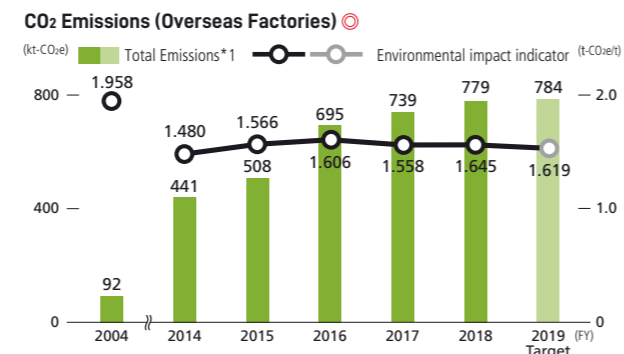
### CO<sub>2</sub> Emissions Reduction Activities in Production Bases

In fiscal 2018, the Group worked on various fronts, including installing drain pocket to capture condensation from steam. As a result, CO<sub>2</sub> emissions in production activities of the Group's factories in Japan decreased by 1 kt-CO<sub>2</sub> to 247 kt-CO<sub>2</sub> from the previous fiscal year; however, the environmental impact indicator of CO<sub>2</sub> emissions worsened 0.2% over the previous fiscal year. This was because of the impact of increased loads in the manufacturing process.

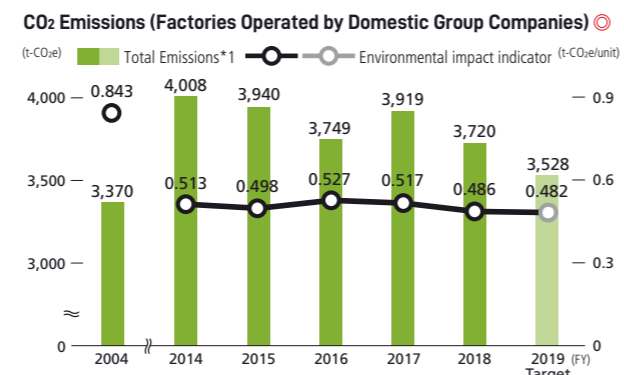
In fiscal 2019, the Group will work to reduce CO<sub>2</sub> emissions by sharing and spreading best practices at each base.



\*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). CO<sub>2</sub> emission factors for electricity consumption, published by electricity companies in 2004, are applied.  
\*2 Total emissions without considering cogeneration credits.



\* CO<sub>2</sub> emission factors for electricity consumption are based on "WRI/WBCSD GHG Protocol Initiative Calculation Tool" (2004).



\* Total emissions are calculated using the cogeneration credits based on the "Guide for Calculating Greenhouse Gas Emissions," published by the Japan Rubber Manufacturers Association. CO<sub>2</sub> emission factors for electricity consumption, published by electricity companies in 2004, are applied.



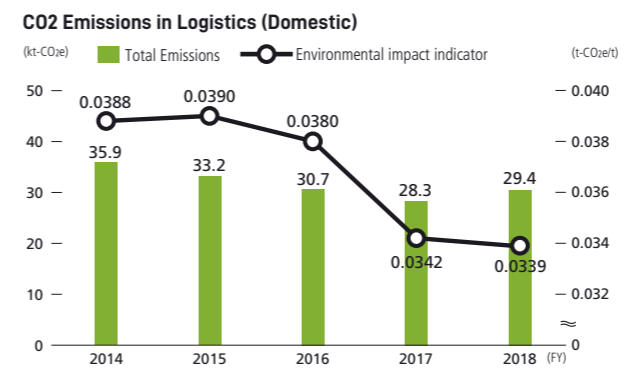
Steampipe drain pocket installed at Hunan Factory (China).

### CO<sub>2</sub> Emissions Reduction in Logistics

In fiscal 2018, we worked on optimizing the location of our production sites and loading at the closest port to the production factories.

Even though CO<sub>2</sub> emissions from transporting tires rose 3.6% compared to the previous fiscal year, to 29.4 kt-CO<sub>2</sub>, the environmental impact indicator fell 1.2%.

In fiscal 2019, we will work to increase the modal shift rate by raising the precision of demand forecasts and ensuring scheduled shipments for marine and train transportation.



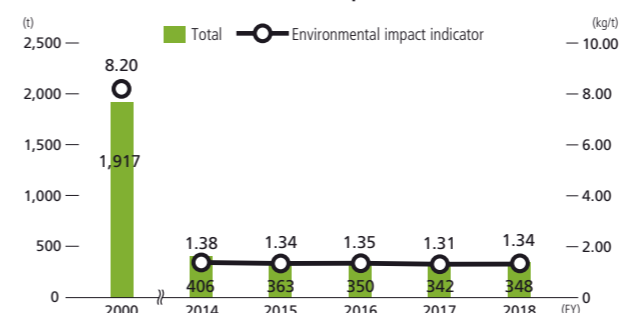
## Promoting Environmental Footprint Management

### Efforts to Reduce Organic Solvents Use

The Group has been making voluntary efforts to reduce VOC (volatile organic compounds) consumption. In fiscal 2018, however, it rose slightly from the previous fiscal year because of an increase in its usage in products other than tires, even though improvements were made to the production process.

In fiscal 2019, we will further optimize usage conditions of VOCs and reduce quantities used.

### Total Amount of VOCs (Factories in Japan)



## Building a Recycling-Oriented Society

Items marked with "○" 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.

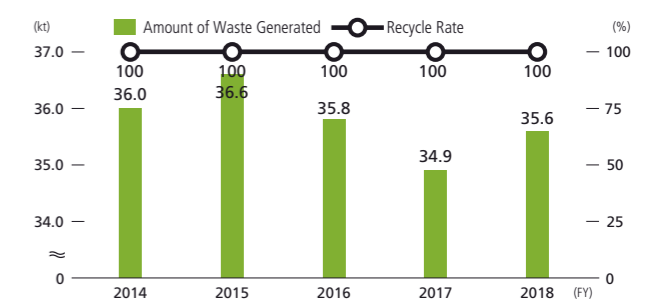
### Continue to Achieve Complete Zero Landfill Waste

The Sumitomo Rubber Group is promoting the 3Rs (reduce, reuse, and recycle) of waste in order to build a recycling-oriented society. In fiscal 2018, we achieved complete zero landfill waste for the ninth consecutive year.

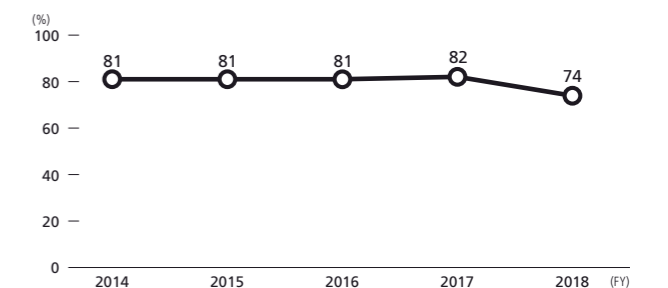
Complete zero landfill waste is defined as complete diversion of landfill waste, with 100% recycling rate and no waste sent directly to landfills.

In fiscal 2019, we are aiming to ensure that this continues at existing sites.

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



### Material Recycling Rate (Factories in Japan)



## TOPICS

### Philippine Factory Launched Environmental Preservation Activities as a Member of the Sumitomo Rubber Group

As a member of the Sumitomo Rubber Group, Dunlop International (Philippines) Inc., the Philippine Factory that produces Dunlop tennis balls used even in the Australian Open, launched environmental preservation activities.

In fiscal 2018, the factory conducted cleaning activities of the river that flows by the factory and made environmental contributions to the local communities. Starting in 2019, it will launch efforts to reduce its environmental burden (CO<sub>2</sub> emissions, waste disposal, organic solvent use, and water use). In fiscal 2019, the first year of efforts to reduce its environmental burden, the factory plans to reduce 1% for each item compared to the previous fiscal year.

The goal is to become a tennis ball factory that is beloved by tennis players throughout the world, while promoting greater product quality, environmental preservation, and work safety.



Cleaning activities

# Ecology

## Ecological process

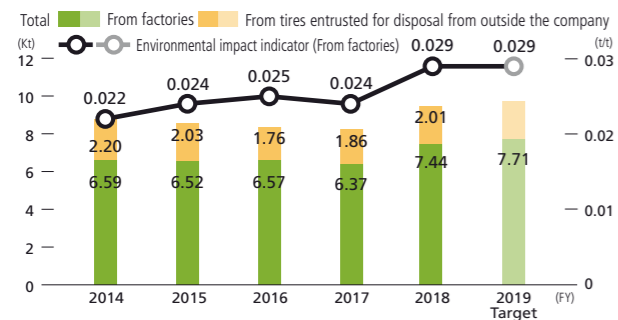
### Reducing Waste Disposal\*

In order to reduce waste disposal, various efforts have been undertaken, including finding a recycling company to sell steel scrap, but in fiscal 2018, the environmental impact indicator for factories in Japan deteriorated 21% as compared with the previous fiscal year.

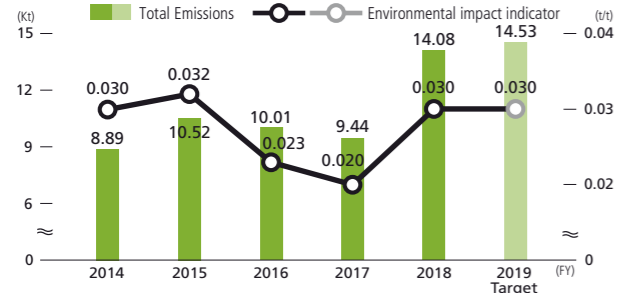
The environmental impact indicator worsened 48.5% at overseas factories, while decreasing by 15.5% at factories operated by domestic group companies.

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

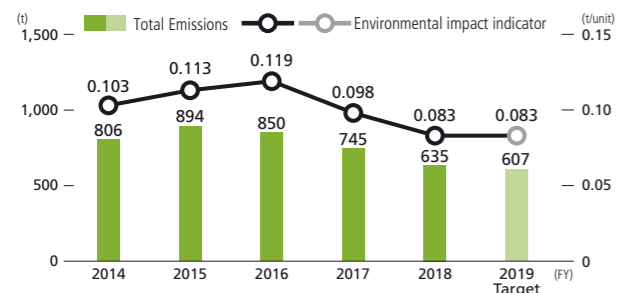
#### Waste Disposal (Excluding Valuables) (Factories in Japan)



#### Waste Disposal (Excluding Valuables) (Overseas Factories)



#### Waste Disposal (Excluding Valuables) (Factories Operated by Domestic Group Companies)



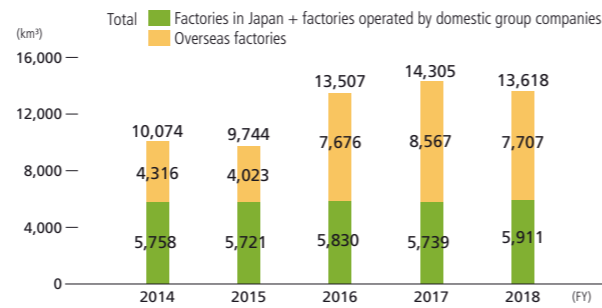
### Water Usage Reduction

With the aim of dealing with the global water resource shortage, as a measure to reduce water usage, the Group aims to achieve a wastewater recycling rate of 100% at each factory around the world by 2050. Starting in fiscal 2018, the Turkey Factory, a model factory, launched trial operation in order to establish recycling technology and was able to recycle 25% of factory wastewater at the end of the fiscal 2018. The medium-term management plan sets a target of achieving a 100% wastewater recycling rate at two factories including the Turkey Factory by fiscal 2020. In fiscal 2018, water usage at all factories of the Group declined approximately 5% year on year for various reasons, including recycling wastewater.

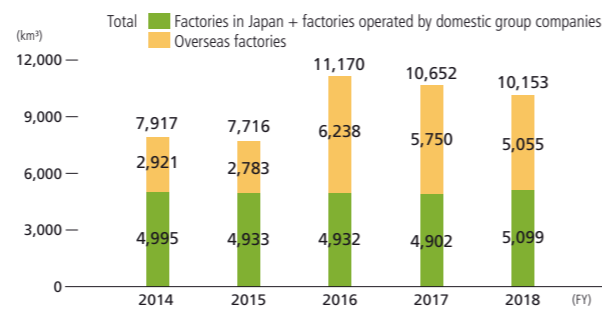
The Group will push forward with water usage optimization in production processes at each base and measures that utilize results of the WBCSD\*1 Global Water Tool and WRI\*2 Aqueduct water risk assessments on an ongoing basis.

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

#### Water Usage (Factories in Japan + Factories Operated by Domestic Group Companies) (Overseas Factories)



#### Wastewater (Factories in Japan + Factories Operated by Domestic Group Companies) (Overseas Factories)



Wastewater recycling facilities (Turkey Factory)

### Implementing Global Environmental Management

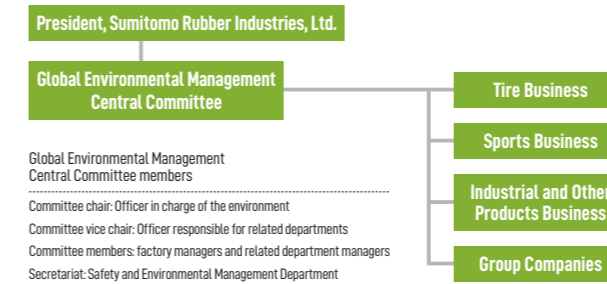
Environmental preservation is one of the most important responsibilities that companies must fulfill within global society. There are strong demands that global companies implement uniform environmental management throughout the world regardless of country or region.

While accelerating its global expansion, the Group is focusing even greater energy on promoting global environmental management.

#### Global Environmental Management System

In order to strengthen global environmental management, the Group established the Global Environmental Management Central Committee, which is mainly composed of responsible parties at bases in Japan and overseas and those responsible for issue-specific working groups.

#### Environmental Management System



The committee meets twice a year. In fiscal 2018, it met in February and July. At the meetings, there were reports by the Manufacturing Department on a wide range of activities, including actual results and improvements in various indicators such as CO2 emissions, energy savings, waste disposal, and water usage, as well as efforts to improve the environment (offensive odors, etc.) and social contribution activities. Furthermore, the USA Factory and Switzerland Factory reported their environmental activity for the first time in fiscal 2018. There were also reports on reducing CO2 emissions through fuel efficiency technology by the Technology Development Department, introducing environmentally friendly products and environmental preservation activities by the Sales Department, and other topics. The reports were followed by lively discussions.

In the future, the activities of the various bases will be enlivened by sharing information globally through the committee and hard work.



2018 Global Environmental Management Central Committee



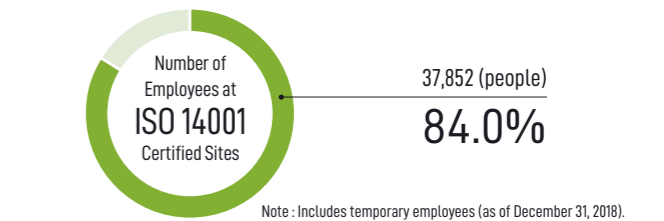
Switzerland Factory Report

### 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 2018, two factories (South Africa and the USA) that have already received individual certification, obtained the Global Multi-Site Certification, and the efforts were expanded to 34 bases. We will continue these activities in fiscal 2019, with the goal of obtaining Global Multi-Site Certification for both the Switzerland Factory and Philippines Factory.

#### Coverage Rate of ISO 14001 Certified Sites (Percentage of employees)



### VOICE

#### All Environmental Targets Achieved in Fiscal 2018

The tennis ball factory in Thailand achieved all environmental targets (energy savings, waste disposal, water, and organic solvents) in fiscal 2018. There is a particularly strong focus on energy savings, and activities to make improvements in the short and long term are undertaken, with the aim of contributing to the efficient use of energy. In fiscal 2018, the factory reduced the environmental impact indicator 3.8%, dramatically surpassing the target of 0.5%, even under reduced production because of various efforts, including reducing the diameter of the steam nozzle used in the tennis ball napping process and increasing insulation on steam pipes used in the pressing process.

For fiscal 2019, there are plans to introduce automatic combustion system for the boiler, which is recommended by and supported by governments.



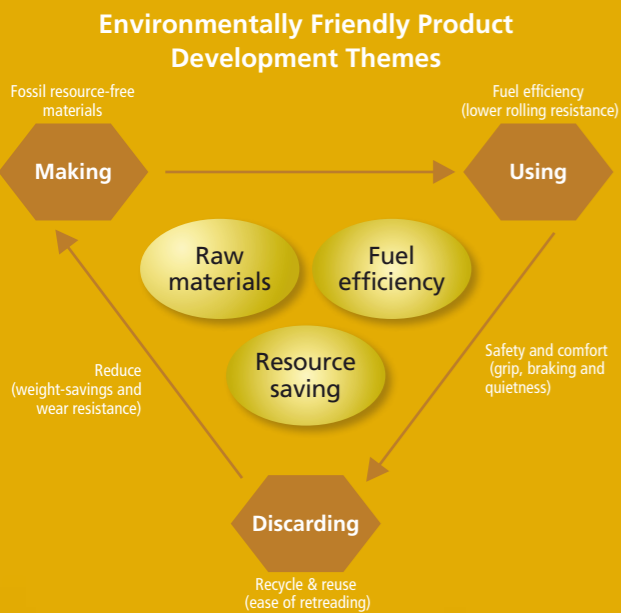
Tennis ball factory (Thailand)  
(Srixon Sports Manufacturing (Thailand) Co., Ltd.)  
Engineer, Engineering Section  
Supakit Suetrong

# 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."



What Can Tires Contribute to the Global Environment?

## Developing Environmentally Friendly Products

The Group is working to develop environmentally friendly products, and these efforts have included completing "ENASAVE 100" the industry's first 100% fossil resource-free tire that makes no use of fossil resources in 2013.\*

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.

(For more details, please refer to page 23 "Advancing Our SMART TYRE CONCEPT.")



\* Since synthetic rubber has become the main type (Company's research)

## Pursuing "Safety and Comfort," "Economy" and "Quality"

### Quality Management System

The Group's quality management system is structured based on ISO 9001 and IATF 16949\* automotive quality management system standards.

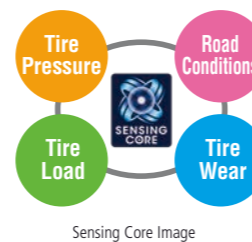
Both tire factories in Japan and overseas completed the transition from ISO/TS 16949 to IATF 16949 by August 2018.

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

### Improving the Software Technology for "SENSING CORE," the Next Generation Safety Technology

"SENSING CORE" is a technology that senses and avoids dangers due to road surface and tires in advance, by detecting road surface conditions including slipperiness, tire abrasion, load on each tire, air pressure, etc., and using that data to provide the vehicle with feedback. The algorithm has repeatedly been improved since it was introduced in May 2017, making it possible to detect slipperiness of the road surface in a broader range of driving conditions, contributing to greater driver safety and fewer unforeseen accidents.

With the aim of commercializing the technology by 2020, we will look to apply the technology, predict tire damage, etc., and recommend safe routes by analyzing information on slippery locations, and contribute to the development of a mobility society.



## 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 High-Precision Metal Core Type Manufacturing System "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.

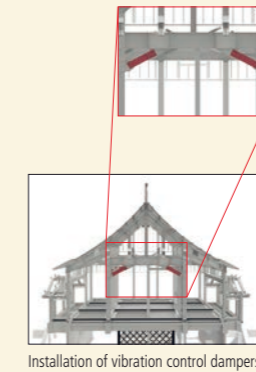


## TOPICS

### Vibration Control Dampers Using High Damping Rubber Were Adopted for the Kumamoto Castle Tower

Vibration control dampers made by the Company were adopted for seismic retrofitting work currently in progress on the Kumamoto Castle Tower.

The Company's vibration control dampers employ high damping rubber developed with cutting-edge technology acquired while creating car race tires. The viscoelastic dampers absorb tremors by instantaneously transforming the energy of earthquakes into heat. This high damping rubber is also used in "MIRAIE" vibration control system for wooden houses, and demonstrated its features in the 2016 Kumamoto Earthquake.



#### Distinguishing Features of the Company's Vibration Control Dampers

- **Resistant to earthquake tremors and swaying due to high wind**  
They are effective against major earthquakes, subsequent aftershocks, and wind-caused swaying in everyday life.
- **Can be installed in small spaces**  
Although they are compact, the dampers sufficiently control vibrations.
- **Resistant to repeated tremors**  
They are effective for repeat aftershocks because of the stability of the rubber.
- **No maintenance required**  
It is not necessary to conduct maintenance over the long term. Outstanding durability makes it perfect for earthquakes.

### Tire-sensing Technology "SENSING CORE" Received the "Tire Technology of the Year"

The tire-sensing technology "SENSING CORE" received the "Tire Technology of the Year," which is given to outstanding cutting-edge technology, at the "Tire Technology International Awards for Innovation and Excellence" held within the "Tire Technology Expo\* 2019" in Hanover, Germany.

This is the third time the Company received the award, having won it for the "4th Generation Run-Flat Tire Technology" in 2010 and the new material development technology "ADVANCED 4D NANO DESIGN" in 2017.

\* Held annually in Europe since 2001, the "Tire Technology Expo" is an expo for announcing and exhibiting technology related to tire manufacturing, etc. Tire manufacturers, material manufacturers, public research institutes, and other parties announce research results, and awards are granted to outstanding technologies.

This award shows that both the Company's pioneering initiatives, which are not limited to tire manufacturing, and the realization of that technology were highly rated, while the environment surrounding the automobile industry is facing drastic changes. The Company will continue to move forward with the development of technology and contribute to the development of a mobility society that is safe and places little burden on the environment.



Awards ceremony

## VOICE

### Aiming to Contribute to Safe and Reliable Mobility Society

Since announcing SENSING CORE as a more evolved "Deflation Warning System (DWS\*)" technology in 2017, we have examined its performance improvement and application of the technology, conducted the joint test with OE and given presentations at exhibitions both in Japan and overseas to spread information on the technology.

Technology to sense a car's surroundings is considered a necessary and indispensable technology for the next-generation mobility society, in which there will be

greater use of autonomous driving and sharing.

As a tire manufacturer, we are promoting the development of the technology with an eye toward commercialization so that we can contribute to the creation of safe and reliable mobility society by always ascertaining the state of tires and notifying cars and drivers.

\* Deflation Warning System

Yusuke Maeda, Planning Department, Automotive System Division





# 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 February 2018, Sumitomo Rubber Industries established the "Health & Productivity Management Declaration" and strategically implement activities to maintain or improve the 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 conducts human resource development through combination of three components: OffJT such as group training, etc., OJT at each division, and self-study.

In order for the Company to survive as a true global player in this volatile era, employees must be able to communicate regardless of differences in culture and language and to solve problems. Therefore, we have planned grade-specific training starting from when employees are young so that they can acquire critical thinking and problem solving skills.

In addition, we have created an environment in which all staff employees can take e-learning courses as much as they want in order to support the desire of employees to learn even outside of group training.

As one effort to make jobs more rewarding, we launched "COMPAIT ★\* Activities" and implemented company-wide in 2018, and are promoting efforts to raise operational efficiency.

\* COMPAIT ★ (COMPAIT STAR) refers to efforts to (1) make meetings short and fulfilling (COMpact), (2) go PAperless, (3) introduce IT, and (4) STAndardize operations.

### Manufacturing Education

The Group has placed a strong emphasis on education on manufacturing technology and craftsmanship in Japan and overseas. In fiscal 2018, workplace supervisors and young employees in Production Department were provided with training on manufacturing education. The same training was provided both in Japan and overseas, and a total of 1,642 employees took part in the training.

In addition, for workplace supervisor training, the focus was on content that could be put to subsequent practical use. In order to raise the level of managers, efforts are made to establish a company-wide consistent philosophy regarding roles of managers, operations, important management items for manufacturing, and other aspects, and to spread that throughout factories in not only Japan but also overseas.

Furthermore, 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.



Training in manufacturing education (Welding)

The Skill Olympics

## Creating a Safe, Employee-Friendly Workplace

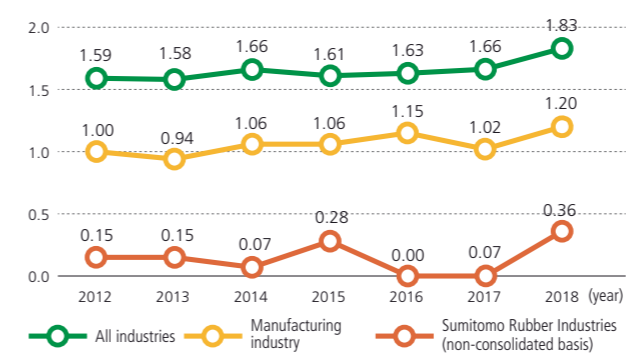
### Striving to Zero Accident

With the aim of Zero danger and accident 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.

As for safety, although the number of accidents during fiscal 2018 increased by 12 year on year, we successfully prevented serious accidents. Regarding accident prevention targets, the Group will not have Zero fatal accident in fiscal 2019 and will not exceed 35 accidents (half the number in fiscal 2018). We will use leading safety indicators (KPI) to ascertain the strengths and weaknesses of safety activities and will apply that information to those safety activities.

By doing so, we will move forward with efforts to create a work environment and culture in which all employees ensure safety and we will achieve zero accidents, which is a priority issue.

### Frequency of Occupational Accidents (Serious Injury Frequency Rate\*)



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

### New Efforts for All Members to Study Accident Prevention and Conduct Related Activities

As a result of fires at other companies and the Group, we have conducted accident prevention audits to determine and lessen the risk of fires at facilities since fiscal 2007.

In fiscal 2018, in addition to previous audit activities, we designated an accident prevention keyman to lead activities as a core member of the Accident Prevention Committee at each facility so that the best efforts can quickly be horizontally spread between facilities, and launched efforts to invigorate activities down to the workplace level.

In fiscal 2019, we will set KPI, evaluate activities using the radar chart, and move forward with improvements by finding weaknesses of each facility.

In addition, we will aim for zero small fires or fires by having all employees learn about accident prevention, raising awareness and knowledge, and eliminating the sources of risk.



Accident prevention keyman assignment ceremony, Turkey Factory

## Promoting Health & Productivity Management

In line with the "Health & Productivity Management Declaration" set in February 2018, the company promoted to realize health & productivity management through the participation of all employees in cooperation with the Health Insurance Association, centered on the Health Management Office. As for reducing the number of days of physical sick leave, an issue of particular importance, the results of various types of health activities newly undertaken were announced, and the number of such days fell 13% over the previous fiscal year.

These efforts were highly rated, and we were certified under the "2019 Certified Health and Productivity Management Organization Recognition Program - White 500," jointly promoted by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi, in February 2019 and for three consecutive years.



## Main efforts related to health & productivity management

### Promoting early detection and early treatment

In 2018, we newly introduced a 50-year-old complete medical checkup and women's cancer checkups with the regular medical checkups. We are moving forward with efforts to quickly detect illnesses by thoroughly adopting rechecks and precision checks and providing health guidance.

### Expanding health education and events and communicating health information

We have expanded our health education and services, including conducting trial yoga and stretching classes and health promotion seminars and offering healthy dishes and breakfast at the employee cafeteria. In addition, we are raising health awareness and moving forward with improving lifestyles by introducing a new health incentive system that employs information and communication technology (ICT)\*.



Yoga seminar at Kobe Head Office

\*Employees accumulate points by receiving medical checkups and taking part in health care activities, and the points can be exchanged for various healthcare-related products.

### Mental healthcare

Efforts are moving forward to improve a workplace environment that is even easier to work in, which involves various activities, including thoroughly introducing self-care, mainly stretches, and improving workplace communication using the results of group analysis.

### Eliminating smoking

We are promoting efforts to reduce the percentage of employees who smoke by covering the cost of outpatient smoking cessation services, introducing no-smoking time and halting cigarette sales, and to prevent second-hand smoke by eliminating smoking areas in buildings.

### Efforts to prevent overwork

We are moving forward with reducing total working hours and increasing the use of time off through workstyle reforms throughout the company and promoting greater operation efficiency and work-life balance. As for employees who work long hours, there are also consultations with industrial physicians to prevent health issues.

# Kindness

Kindness to employees

## Achieving a Good Work-Life Balance

### Expanding the Work System That Supports Diverse, Flexible Workstyles

In addition to promoting reductions in the amount of after-hours work employees do and increase in and greater use of paid leave, we are moving forward with the introduction of diverse workstyles taking into consideration childcare and nursing care in order to add variety to work and support efforts to balance work and family.

The result of these and other efforts has been that 100% of female employees who have given birth have taken childcare leave. In addition, five male employees have taken childcare leave in 2018.

In fiscal 2009, we became the first company in the tire industry to be certified for the "Kurumin" logo based on Act on Advancement of Measures to Support Raising Next-Generation Children. Since then, we have continued to work to support raising children and even expanded the support to nursing care, which has included various efforts such as launching a nursing care consultation desk in 2017.



Kurumin certification as a "company that supports child-rearing"

In addition, the number of people who tried telecommuting increased in 2018 since the requirements to try it were loosened on a trial basis. In 2019, therefore, we will verify the results and move forward with an examination of fully introducing the system. We will continue to expand and implement systems that create a work environment that meets the specific lifestyle needs of employees.

## Promoting Diversity

### Respecting Diversity

With the goal of becoming a company in which diverse employees can pleasantly work and fully demonstrate their skills, we are promoting more diversity in employment types and the creation of a pleasant work environment.

### Expanding Women's Occupational Range

To promote more active roles for women, the company has set the target of doubling the number of women in management positions by 2020, compared with the 2014 level. In order to achieve that goal, we are moving forward with efforts to expand the work-life balance systems so that employees who have experienced various life events can play active roles and to 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 introduction in 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.



Updating uniforms increased the number of women sizes and created an environment more conducive to work.

## 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.



Human Resources & General Affairs Dept.  
Michiko Umemura

# 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.

### Sumitomo Rubber Group Stakeholders



## Enhancing Corporate Governance

The Group is working to enhance corporate governance. For more details, please refer to "Corporate Governance" (pages 27 – 31).

## 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 2018, we focused efforts on establishing a system enabling voluntary compliance activities at both domestic and 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.

In fiscal 2018, we not only offered lectures tailored to management on a segment by segment basis on corporate scandals but also held various explanatory sessions at group companies, including those overseas.

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



Compliance lectures

### Information Security

In fiscal 2018, in addition to conducting practical training through targeted email attacks of all Group employees just like last year, we tightened security measures, including at overseas subsidiaries, in order to detect and interrupt information leaks and virus intrusion through cyberattacks.

We will continue to strengthen information security on both hardware and software sides.

## VOICE

### Making Use of Telecommuting Trial and Realizing a Work-Life Balance

Over past 21 months, I used telecommuting trials 18 times. In the past, I could use only flextime or paid leave for class observation days of elementary school and teacher's home visits, but using telecommuting on trial basis, I have reduced commute time. Combining this with paid leave in increments of hours and other systems has made it possible to fully fulfill my responsibilities as a parent

while minimizing the impact on my work. I really appreciate that.

While working from home is convenient, there were problems with communicating with both parties in and outside the company, managing attendance, and creating a work environment at home. Even so, I would like to help out by giving my opinion to create a fuller system.

# Integrity

Integrity for stakeholders

## 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.

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.

### Dialogue with Local Residents, etc.

The Group is working to expand dialogues with local residents and other parties. For more details, please refer to "Stakeholder Dialogue" (pages 55 - 56).

### Labor-Management Relations

For overall corporate activities, the Company actively shares information with employees and holds discussions to resolve issues through cooperation between labor and management.

The Sumitomo Rubber Labor Union has 5,406 general members, consisting of general employees but not officers or managers of the Company, as of December 31, 2018.

The Management Council is held twice each year, and the Central Labor-Management Council, three times. At these venue there is a common awareness between labor and management regarding issues, and discussions are held to solve problems.

We work to grow the Company through good labor-management relations.



March 2019 Management Council

## Promoting social contribution activities

### CSR Fund

In fiscal 2009, the Company 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 2018, the Fund donated a total of ¥8.93 million to 39 organizations located in seven regions: Fukushima, Tokyo, Aichi, Osaka, Hyogo, and Miyazaki Prefectures and Thailand.

In fiscal 2019, a total of ¥11.09 million will be donated to 47 organizations.



2019 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.

The Savignac L'enchanteur: The Magic of Parisian Posters exhibition was held at the Hyogo Prefectural Museum of Art on October 27 (Saturday) – December 24 (Monday/national holiday), 2018. At the exhibition, we collaborated with the museum to provide a photo booth that reproduced Dunlop Tires, one of the Savignac's top pieces of art.

In cooperation with an NPO, we held the DUNLOP Manufacturing Class to put together a simple art kit for 5th graders and up as an event affiliated with the same museum.



Photo Booth Installed at Hyogo Prefectural Museum of Art

Savignac's DUNLOP Poster (©Annie Charpentier 2018)



## Supply Chain Management

### Engaging in CSR Procurement Along with Suppliers

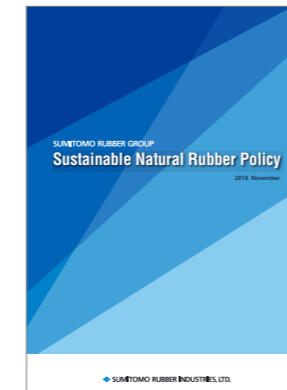
The Group has formulated a CSR Code of Conduct, which covers regulatory compliance, human rights and labor ethics, and includes it the Procurement Guidelines, which are distributed to all suppliers.

Furthermore, we regularly conduct CSR questionnaires at supplier companies and widely promote CSR within the supply chain through holding CSR briefings given the results. In fiscal 2017, we conducted CSR questionnaires at 260 supplier companies and held CSR briefings six times. There are plans to use a similar questionnaire and to hold briefings in 2020, too.

Furthermore, we provide explanations of our CSR Code of Conduct to new suppliers using the Procurement Guidelines and use the CSR questionnaire to conduct a self-evaluation.

### Establishing a "Sustainable Natural Rubber Policy"

The Company was pleased to announce our participation in the launch of the Global Platform for Sustainable Natural Rubber (GPSNR) as a founding member. As a participant in GPSNR, the Sumitomo Rubber Group has also established our own "Sustainable Natural Rubber Policy" with the aim of making natural rubber a sustainable resource for the future, and announced the policy on November 16, 2018. The establishment of this new platform, which aims to set global standards for sustainable natural rubber, was initiated by the CEOs of the World Business Council for Sustainable Development (WBCSD) Tire Industry Project (TIP) in November of 2017 and finalized with a launch event held in Singapore on October 25, 2018. In striving to



be a corporate group that contributes to the realization of a sustainable society, the Sumitomo Rubber Group has long been actively engaged in various efforts to improve the sustainability of our business activities.

One of the most important of these efforts is working toward achieving sustainable natural rubber, as natural rubber

is the primary raw material in our main product: tires.

With global demand for tires expected to grow alongside the development of the mobility societies of the future, there is growing concern about the problems that may arise from increased demand for natural rubber, such as environmental damage caused by deforestation in regions that produce natural rubber or human rights violations associated with poor working conditions.

Since joining the Sustainable Natural Rubber Initiative (SNR-i) established by the International Rubber Study Group (IRSG) in October 2016, our group has been actively pursuing independent sustainability efforts.

Now, with our participation in GPSNR, our group is committed not only to promoting more proactive, collaborative efforts that involve both supply chains and various other stakeholders, but also to redoubling our own efforts toward attaining natural rubber sustainability in accordance with our newly established "Sustainable Natural Rubber Policy."

### "Sustainable Natural Rubber Policy" Framework

1. Zero Deforestation and Environmental Considerations (Reducing the Group's Environmental Footprint)
  2. Respecting Human Rights
  3. Ensuring Thorough Compliance
  4. Enhancing Transparency and Traceability\*
  5. Improving Agricultural Yields (Supporting the Upstream Supply Chain of Natural Rubber)
  6. Promoting Health and Safety Measures
- Site posted on:  
[http://www.srigroup.co.jp/english/news/2018/sri/2018\\_090.html](http://www.srigroup.co.jp/english/news/2018/sri/2018_090.html)

\* The ability to clearly trace the natural rubber supply chain (place of origin, distribution channels, etc.).



Natural rubber plantation

## VOICE

### Focus Efforts on Increasing Interest of the Next Generation in Science

Touting education support as one of its core activities, Core-net approached Sumitomo Rubber Industries with the desire to do something about the tendency of children not to be interested in science. As one part of Sumitomo Rubber Industries' 100th anniversary, Core-net held the DUNLOP Manufacturing Class, which provided hands-on instruction in manufacturing. Since 2009, the class has been jointly offered with Sumitomo Rubber

Industries to 4,235 students at 55 elementary schools.

During the classes, students are pushed to think about why things occurs, and a scientific approach has been developed, including some children conducting independent research on why somethings are straight and others bend or why something is quick or slow and then submitting a report.

We will continue to make these efforts.



Leader of the Core-Net's Manufacturing Project  
Mr. Takahiro Matsumura

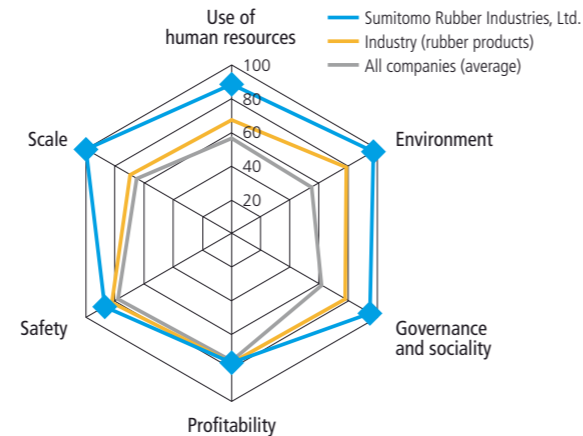
# Honors and Certifications from Outside Organizations

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

## 13th (2019) CSR Ranking

For the Toyo Keizai CSR Ranking, which uncovers companies that a wide-range of stakeholders consider reliable, utilization of human resources, environment, governance and sociality, profitability, safety, and scale are evaluated, and the companies are ranked in terms of both corporate social responsibility (CSR) and finance.

In addition to surpassing the average score for all companies and those in our industry (rubber products), we capture a balanced score in all items.



Source: TOYO KEIZAI INC. 13th (2019) CSR Ranking Report

## Ecology

### Ecological process

- March 2018 : Shirakawa Factory received the Chairman's Award of the Tohoku-nanaken-denryokukaktsuyosuishin-iinkai (Tohoku Seven Prefecture Power Use Promotion Committee) as a leading energy management company.
- October 2018 : Obtained highest ranking for DBJ environmental rating from Development Bank of Japan Inc.



Shirakawa Factory receiving the Chairman's Award

## Kindness

### Kindness to employees

- July 2018 : Nagoya Factory received a letter of appreciation as a blood donation promotion organization from the Minister of Health, Labour and Welfare
- September 2018: Dunlop Golf Club Corp. (DGCC) received the Miyazaki Prefecture Governor Award for its work promoting the employment of people with disabilities.
- February 2019 : Sumitomo Rubber Industries was recognized under the "2019 Certified Health & Productivity Management Outstanding Organizations Recognition Program"



Nagoya Factory receiving letter of appreciation



DGCC receiving Miyazaki Prefecture Governor Award

## Next

### Next-generation product development

- March 2018 : FALKEN TIRES was ranked No. 1 in Allgemeiner Deutscher Automobil-Club (ADAC) tire test
- May 2018 : Vibration control dampers employing high damping rubber were used for Kumamoto Castle tower
- October 2018 : Artificial turf for sporting facilities, Hibrid Turf XP-mono receives Good Design Award
- January 2019 : DUNLOP golf balls captured top share\* of the 2018 Japanese market in terms of both sales volume and amount in Japan for the fourth consecutive year.
  - \* Based on Yano Research Institute Ltd.'s survey, YPS Golf Data (January–December 2018), aggregate over-the-counter sales at major retailers throughout Japan
- January 2019 : "MIRAIE" ,vibration control system for wooden houses was well-received and rated No. 1 in three evaluation items.
  - \* 2018 Ranking of Construction Material and Equipment Manufacturers to Work With, parts and materials for detached housing vibration control category (Nikkei Home Builder and Nikkei Architecture)
  - \* Reader-selected Advertising Creative Eyes (Nikkei Home Builder)
- March 2019 : Tire sensing technology SENSING CORE received Tire Technology of the Year Award
- March 2019 : XXIO X driver, fairway woods, hybrid, and irons captured top share\* of the Japanese market in 2018 in terms of both sales volume and amount
  - \* Based on Yano Research Institute Ltd.'s survey, YPS Golf Data (January–December 2018), aggregate over-the-counter sales at major retailers throughout Japan



Receiving Tire Technology of the Year Award

## Integrity

### Integrity for stakeholders

- July 2018 : Izumiotsu Factory received a letter of appreciation from Izumiotsu City for book donations attributing to collecting aluminum cans
- October 2018 : SRI Engineering Ltd. received a letter of appreciation from the governor of Hyogo Prefecture for providing materials (excess materials) to the vocational training school.
- December 2018: Izumiotsu Factory received a letter of appreciation from Tanzania for book donations.
- February 2019 : Received a letter of appreciation from Japan High School Golf Association



Receiving a letter of appreciation from Japan High School Golf Association

# CSR Activities in the Indonesia Factory

PT Sumi Rubber Indonesia (SURINDO), which is located in Karawang Regency, Indonesia, adopted a policy of contributing to the environment and undertook various CSR activities to harmonize with the local community. This time, we invited stakeholders and had a dialogue in order to further expand SURINDO's activities.



Location	Karawang Regency, Indonesia
Site Area	267,000 m <sup>2</sup>
Opened	1997
Number of Employees	3,532
Main Products	Tires (passenger cars, motorcycles), golf balls

## SURINDO CSR Activities

At SURINDO, we are expanding our wide-ranging activities, such as environmental preservation and local community support.



Tree planting activities, including for mangroves



Donations to local governments and schools



Fund raising and fogging to prevent dengue fever



Tree planting activities at factories

### Cikampek District Chief Syueb Sulaiman



It is my opinion that the various CSR activities that SURINDO conducts are important to maintain good relations with the local community. I hope that under the concept of genchi-genbutsu, the Company continues to undertake activities that meet the expectations of society.

### Kalihurip Village Chief Jajang Herman



CSR activities are extremely beneficial for the local community. Regrettably, however, the activities do not extend to the village of Kalihurip, which is the closest to SURINDO. In the future, I hope that the activities are firmly rooted in the local area.

### Local resident representative (local reporter) Mr. Rudi



Poverty is a problem in the suburb of Karawang Regency. The donations of daily necessities are really appreciated. There are still many residents who require the activities of SURINDO, and I hope that donations continue to be made.

### Rawamas Estate Neighborhood Chief Warsid



As for dengue fever-related activities, the Rawamas Estate is large, so there are still areas where fogging has not been done. We request more support to eradicate dengue fever such as increasing the number of times of fogging to be conducted from once to twice a year.

### Cilamaya, Village Chief Bakri



Mangroves are necessary for marine creatures to breed, and this helps maintaining the ecosystem. One method is to plant a lot of trees at a single time, but it is important to maintain the work. We would like to request that 1,000–2,000 trees be planted each year.

### Kalihurip Elementary School (1), Tatang Rucita



Thank you for donating goods useful for learning, such as whiteboards. We hope that you will next help build a fence around the school. We request your cooperation because a fence would secure the safety of the children.

### Kalihurip Elementary School (2), Sendi Sukandi



The donation of school goods to the children was extremely helpful. We are currently struggling with the fact that although children are extremely interested in learning, there is no library. We request your cooperation with book donations in order to raise children's knowledge and ability to think.

### Indotaisei Industrial Estate, General Affairs Section Deputy Manager Bondan Susilo



SURINDO is the most cooperative among the industrial estate's volunteer clubs. In the second half of 2019, there are plans to conduct various activities related to health and education at 8 villages. We would like you to continue to actively participate in these activities.

## Comment from SURINDO

### SURINDO President Toshio Koyama



I would like to thank everyone for taking time out of your busy schedules to be here today. SURINDO has undertaken CSR activities to reinforce the relationship of trust we have built with all stakeholders, and these have been based on the Company's policies and idea until now. We have listened to everyone's opinions this time and would like to use those for future activities.

### SURINDO Plant Director Yoshikazu Tanaka



SURINDO contributes to society through its business—that is, providing society with safe tires. In addition, it is my opinion that factories should place importance on harmony between the environment and local communities. We would like to use the opinions obtained today to grow with all the local residents. Therefore, we hope for your continued support.

### After the dialogue

Following the dialogue with stakeholders, SURINDO once again had a dialogue with the Village Chief of Kalihurip. Fogging activities were undertaken at Kalihurip to prevent dengue fever.



# Site Report

This section introduces some of the CSR activities at the Sumitomo Rubber Group's six factories in Japan, 14 factories overseas and five group companies in Japan and overseas.

Factories in Japan

Group Companies in Japan and overseas

Factories overseas

(Number of employees: as of December 31, 2018)

**Shirakawa Factory**  
 Shirakawa City, Fukushima Prefecture  
 Number of Employees : 1,605  
 Opened : 1974  
 Main Products : Tires (passenger cars, trucks & buses)



In cooperation with the 18 sales offices of DUNLOP TYRE TOHOKU Co. Ltd., we donated 1,100 kg worth of eco-caps.

**Nagoya Factory**  
 Toyota City, Aichi Prefecture  
 Number of Employees : 1,324  
 Opened : 1961  
 Main Products : Tires (passenger cars, motorcycles)



In collaboration with the Ministry of Land, Infrastructure, Transport and Tourism, we cut grass in June in order to preserve and breed an endangered species Boneset, which was transplanted along riverbed in Kakogawa.

**Izumiotstu Factory**  
 Izumiotstu City, Osaka Prefecture  
 Number of Employees : 380  
 Opened : 1944  
 Main Products : Tires (passenger cars, motorcycles, agricultural and industrial vehicles), rubber parts for medical applications



We donated pre-paid cards for purchasing books to elementary schools again in fiscal 2018 using proceeds from aluminum can recycling activities.

**Miyazaki Factory**  
 Miyakonojo City, Miyazaki Prefecture  
 Number of Employees : 1,456  
 Opened : 1976  
 Main Products : Tires (passenger cars, trucks & buses)



We held a potato-digging event for local preschoolers in the factory green zone.

**Ichijima Factory**  
 Tamba City, Hyogo Prefecture  
 Number of Employees : 217  
 Opened : 1996  
 Main Products : Golf balls



This is the twelfth year that we have been raising Sasakia charonda, an endangered species, and we undertake various activities, including providing opportunities for local preschoolers to see the butterflies.

**Kakogawa Factory**  
 Kakogawa City, Hyogo Prefecture  
 Number of Employees : 501  
 Opened : 1972  
 Main Products : Rubber parts for medical applications, precision rubber parts for office equipment, vibration control dampers, marine fenders, rubber gas tubes



In collaboration with the Ministry of Land, Infrastructure, Transport and Tourism, we cut grass in June in order to preserve and breed the endangered species FUJIBAKAMA (Eupatorium japonicum), which was replanted in the bed of the Kakogawa river.

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



We achieved our long-held dream of winning the championship, the firefighting event of the 13th Ono City Independent Firefighting Competition.

**SRI Engineering Ltd.**  
 Kakogawa City, Hyogo Prefecture  
 Number of Employees : 185  
 Opened : 2003  
 Business Outline : Design/manufacture of metallic molds for tire production, develops related technologies, and supports engineering and inspections



We received a letter of appreciation from the governor of Hyogo Prefecture for providing excess materials free of charge to a vocational training school in this prefecture.

**Nakata Engineering Co., Ltd.**  
 Kobe City, Hyogo Prefecture  
 Number of Employees : 130  
 Opened : 1914  
 Business Outline : Design/manufacture/sale of machines and equipment for the manufacture of rubber products



We called on employees to donate foreign currencies and then donated the currencies from 40 countries to UNICEF.

**Dunlop Golf Club Corp.**  
 Miyakonojo City, Miyazaki Prefecture  
 Number of Employees : 243  
 Opened : 1989  
 Main Products : Golf clubs



We were awarded the Miyazaki Prefecture Governor Award at the 2018 Top Businesses Employing People with Disabilities, etc. Award Ceremony.

**Indonesia Factory**  
 Karawang Regency, Indonesia  
 Number of Employees : 3,532  
 Opened : 1997  
 Main Products : Tires (passenger cars, motorcycles), golf balls



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

**Changshu Factory (China)**  
 Jiangsu Province, China  
 Number of Employees : 2,163  
 Opened : 2004  
 Main Products : Tires (passenger cars, trucks & buses)



Employees volunteered to take part in blood drives in the Changshu Economic Development Zone, where the factory is located.

**Hunan Factory (China)**  
 Hunan Province, China  
 Number of Employees : 973  
 Opened : 2012  
 Main Products : Tires (passenger cars)



We offered traffic safety education to elementary students.

**Thailand Factory**  
 Rayong Province, Thailand  
 Number of Employees : 7,419  
 Opened : 2006  
 Main Products : Tires (passenger cars, motorcycles, agricultural vehicles, industrial vehicles)



We held the 1st SRT Charity Golf Competition and donated the proceeds to local hospitals.

**Brazil Factory**  
 Paraná State, Brazil  
 Number of Employees : 1,307  
 Opened : 2013  
 Main Products : Tires (passenger cars, trucks & buses)




A total of 35 employees and their families took part in planting 600 seedlings on the factory grounds.

**South Africa Factory**  
 KwaZulu-Natal Province, South Africa  
 Number of Employees : 1,197  
 Opened : 1973  
 Main Products : Tires (passenger cars, trucks & buses)



By using the agricultural land within the factory, we teach local residents how to grow agricultural products as a way to secure food and earn sustainable revenue.

**Turkey Factory**  
 Cankiri Province, Turkey  
 Number of Employees : 1,681  
 Opened : 1923  
 Main Products : Tires (passenger cars)



In collaboration with the city office, we placed small dog houses made from waste material in various locations so that stray dogs and cats could survive the winter season.

**USA Factory**  
 New York State, the United States  
 Number of Employees : 1,359  
 Opened : 1923  
 Main Products : Tires (passenger cars, trucks & buses, motorcycles)



To support student scholarships, volunteers ran 3.5 miles in the J.P. Morgan-organized "Corporate Challenge."

**Thailand Factory Natural Rubber Processing**  
 Udorn Thani Province, Thailand  
 Number of Employees : 258  
 Opened : 2010  
 Main Products : Natural rubber products



We provided sweets to children at local elementary schools and regional events on the Thai Children's Day.

**Thailand Factory Tennis Balls**  
 Prachinburi Province, Thailand  
 Number of Employees : 336  
 Opened : 2007  
 Main Products : Tennis balls



We conducted lectures on safety and the environment at local preschools and elementary schools.

**Philippines Factory**  
 Bataan Province, Philippines  
 Number of Employees : 508  
 Opened : 1977  
 Main Products : Tennis balls, squash balls



We undertake various activities, including conducting clean-up activities around the factory, planting trees, and donating used PCs.

**Malaysia Factory**  
 Kedah State, Malaysia  
 Number of Employees : 664  
 Opened : 1981  
 Main Products : Rubber gloves, tyre sealant



We made a donation to a special support school near the factory.

**Zhongshan Factory (China)**  
 Guangdong Province, China  
 Number of Employees : 403  
 Opened : 2001  
 Main Products : Precision rubber parts for office equipment



Once again in fiscal 2018, we planted 500 seedlings in local planting area.

**Vietnam Factory**  
 Hai Phong City, Vietnam  
 Number of Employees : 1,078  
 Opened : 2007  
 Main Products : Precision rubber parts for office equipment



We were involved in a Japanese speech contest for junior and high school students by sponsoring the grand prize and helping conduct the event.

**Switzerland Factory**  
 Canton of Aargau, Switzerland  
 Number of Employees : 156  
 Opened : 1908  
 Main Products : Rubber parts for medical use, rubber parts for industrial applications



Employees volunteer to serve as the officers for the Association for Women's Gymnastics in order to contribute to the advancement of sports activities.

## Financial Section

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

Millions of yen

Years ended December 31	Associated GENKI Activities	JGAAP								IFRS			
		2008	2009	2010	2011	2012	2013	2014	2015	2015	2016	2017	2018
<b>Earnings for the year:</b>													
Net sales*1 / Sales revenue*2		604,974	524,535	604,549	676,904	710,247	780,609	837,647	848,663	798,483	756,696	877,866	894,243
Overseas sales ratio (%)		46	45	47	50	47	51	53	56	59	59	63	63
Cost of sales		412,824	334,249	387,678	445,426	450,226	486,704	511,616	523,217	528,393	499,650	611,185	632,756
Selling, general and administrative expenses		166,491	161,547	169,300	177,554	190,298	216,850	239,780	248,379	191,237	182,130	199,706	200,806
Operating income*1 / Business profit*2,3		25,659	28,739	47,571	53,924	69,723	77,055	86,251	77,067	78,853	74,916	66,975	60,681
Operating income ratio / Business profit ratio (%)		4.2	5.5	7.9	8.0	9.8	9.9	10.3	9.1	9.9	9.9	7.6	6.8
Operating profit*2		–	–	–	–	–	–	–	–	89,173	73,284	67,449	57,155
Operating profit ratio (%)		–	–	–	–	–	–	–	–	11.2	9.7	7.7	6.4
Net income attributable to owners of the parent*1,4 / Profit attributable to owners of the parent company*2,4		1,021	9,093	21,427	28,386	35,451	44,794	53,206	55,834	71,976	41,364	46,979	36,246
Net income attributable to owners of the parent to sales (%) / Profit attributable to owners of the parent company to sales (%)		0.2	1.7	3.5	4.2	5.0	5.7	6.4	6.6	9.0	5.5	5.4	4.1
<b>Financial position at year-end:</b>													
Total assets		639,941	613,230	622,243	671,611	737,528	867,464	973,587	936,154	932,432	897,634	1,018,266	1,002,383
Net assets*1 / Total equity*2		202,642	209,052	212,964	222,175	271,103	358,844	446,960	453,768	451,837	459,541	490,886	472,807
Total equity attributable to owners of parent		180,940	187,028	189,684	197,661	244,165	329,813	413,374	423,857	422,287	429,316	459,907	457,927
Interest-bearing debt		275,746	261,572	241,250	274,216	275,876	302,113	295,747	260,631	261,867	204,218	273,452	283,482
<b>Cash flows for the year:</b>													
Cash flows from operating activities		25,879	64,525	69,725	18,945	76,643	77,012	108,941	86,995	86,864	128,190	76,109	82,820
Cash flows from investing activities		(58,067)	(34,260)	(35,400)	(51,569)	(62,167)	(68,275)	(71,584)	(32,991)	(30,672)	(42,144)	(100,724)	(65,494)
Free cash flows		(32,188)	30,265	34,325	(32,624)	14,476	8,737	37,357	54,004	56,192	86,046	(24,615)	17,326
Cash flows from financing activities		34,088	(22,781)	(25,634)	28,009	(15,835)	(5,824)	(32,507)	(50,554)	(52,707)	(71,055)	21,706	(2,122)
<b>Related information:</b>													
Capital expenditures		49,601	32,484	32,055	48,515	56,889	57,270	62,814	58,911	58,911	49,606	62,494	66,857
Depreciation*1 / Depreciation and amortization*2		35,475	37,425	37,885	37,606	36,278	43,279	48,204	55,145	51,419	51,248	56,010	57,365
R&D expenses	Next	19,351	17,983	18,698	19,274	19,539	21,822	23,543	23,372	23,372	24,257	25,720	25,780
<b>Management-related and financial data:</b>													
Tire sales volume (millions of tires)		8,734	7,649	9,087	9,488	9,648	10,042	10,914	10,962	10,962	11,264	12,347	12,361
ROE (%)		0.5	4.9	11.4	14.7	16.0	15.6	14.3	13.3	17.5	9.7	10.6	7.9
ROA (%) (Operating income base*1 / Business profit base*2)		3.9	4.6	7.7	8.3	9.9	9.6	9.4	8.1	8.4	8.2	7.0	6.0
D/E ratio (times)		1.5	1.4	1.3	1.4	1.1	0.9	0.7	0.6	0.6	0.5	0.6	0.6
Equity ratio*1 / Ratio of equity attributable to owners of parent*2 (%)		28.3	30.5	30.5	29.4	33.1	38.0	42.5	45.3	45.3	47.8	45.2	45.7
<b>CSR-related indicators:</b>													
Number of trees planted (10 thousands of trees)	Green	–	21	70	28	11	10	9	9	9	8	6	7
Total CO2 Emissions (Global Environmental Data of Domestic/Overseas Factories) (kt-CO2e)	Ecology	559	501	597	648	668	687	734	786	786	1,011	1,036	1,073
Employees at ISO 14001 Certified Sites as a percentage of all employees (%)	Ecology	81.8	84.5	88.7	75.4	77.5	78.7	83.8	78.5	78.5	89.4	84.1	84.0
Number of Japanese and Foreign Patents (Number of patents held)	Next	4,703	4,969	5,577	6,417	6,971	7,790	7,680	7,849	7,849	8,745	9,183	9,199
Tire Production Capacity (Tons/month)	Next	40,700	42,650	44,450	46,550	49,750	52,150	54,400	60,600	60,600	61,500	63,200	65,000
Number of Employees in Japan and Overseas	Kindness	20,369	20,832	22,242	22,320	23,507	26,773	30,224	33,185	33,197	33,792	36,650	37,852
Number of Employees Using Childcare Leave System (Sumitomo Rubber Industries, Ltd. (Non-Consolidated Basis))	Kindness	12	9	17	18	13	26	20	16	16	23	20	29
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	27
Ratio of Female Employees to the Total Number of Employees (Sumitomo Rubber Industries, Ltd. (Non-Consolidated Basis)) (%)	Kindness	6	6	6	7	7	7	7	7	7	8	8	9
Average Years of Service (Sumitomo Rubber Industries, Ltd. (Non-Consolidated Basis))	Kindness	12.7	12.8	13.5	13.8	14.0	14.0	14.3	14.3	14.6	15.2	15.7	15.6
	Kindness	11.1	11.2	11.1	11.0	11.5	11.8	11.9	11.9	11.8	12.0	12.2	11.9
Number of complaints and whistleblowing filed by employees to Corporate Ethics Helpline (Compliance Consultation office) (Non-Consolidated Basis)) (Number of cases)	Integrity	7	11	3	7	6	10	16	14	14	13	13	23
Total Amount of CSR Fund Subsidy (10 thousand yen)	Integrity	–	–	233	351	550	805	800	694	694	696	785	893

\*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

	(Millions of yen)	
	Fiscal 2017	Fiscal 2018
	(As of December 31, 2017)	(As of December 31, 2018)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	64,528	74,526
Trade and other receivables	209,308	202,638
Other financial assets	9,195	1,627
Inventories	159,010	174,747
Other current assets	23,932	23,352
<b>Total current assets</b>	<b>465,973</b>	<b>476,890</b>
Non-current assets		
Property, plant and equipment	379,747	371,557
Goodwill	35,202	32,142
Intangible assets	49,989	44,782
Investments accounted for using equity method	4,171	4,215
Other financial assets	37,098	32,637
Net defined benefit asset	25,378	20,801
Deferred tax assets	15,172	14,136
Other non-current assets	5,536	5,223
<b>Total non-current assets</b>	<b>552,293</b>	<b>525,493</b>
<b>Total assets</b>	<b>1,018,266</b>	<b>1,002,383</b>
<b>Liabilities and equity</b>		
Liabilities		
Current liabilities		
Bonds and loans payable	116,477	137,455
Trade and other payables	136,100	141,838
Other financial liabilities	1,776	1,677
Income tax payable	5,602	5,850
Provisions	6,782	776
Other current liabilities	36,562	36,530
<b>Total current liabilities</b>	<b>303,299</b>	<b>324,126</b>
Non-current liabilities		
Bonds and loans payable	152,424	142,183
Other financial liabilities	3,644	3,156
Net defined benefit liability	21,680	21,073
Provisions	1,199	1,230
Deferred tax liabilities	22,382	17,540
Other non-current liabilities	22,752	20,268
<b>Total non-current liabilities</b>	<b>224,081</b>	<b>205,450</b>
<b>Total liabilities</b>	<b>527,380</b>	<b>529,576</b>
Equity		
Capital stock	42,658	42,658
Capital surplus	37,865	39,487
Retained earnings	428,799	441,062
Treasury stock	(17,631)	(69)
Other components of equity	(31,784)	(65,211)
<b>Total equity attributable to owners of parent</b>	<b>459,907</b>	<b>457,927</b>
Non-controlling interests	30,979	14,880
<b>Total equity</b>	<b>490,886</b>	<b>472,807</b>
<b>Total liabilities and equity</b>	<b>1,018,266</b>	<b>1,002,383</b>

### Consolidated Statement of Income

	(Millions of yen)	
	Fiscal 2017	Fiscal 2018
	(Jan.1 to Dec.31.2017)	(Jan.1 to Dec.31.2018)
Sales revenue	877,866	894,243
Cost of sales	(611,185)	(632,756)
Gross profit	266,681	261,487
Selling, general and administrative expenses	(199,706)	(200,806)
Business profit	66,975	60,681
Other income	4,025	2,900
Other expenses	(3,551)	(6,426)
Operating profit	67,449	57,155
Financial income	2,928	2,786
Financial expenses	(4,748)	(9,640)
Share of profit of entities accounted for using equity method	104	48
Profit before tax	65,733	50,349
Income tax expenses	(16,189)	(13,163)
Profit for the year	49,544	37,186
<b>Profit attributable to:</b>		
Owners of the parent company	46,979	36,246
Non-controlling interests	2,565	940
Profit for the year	49,544	37,186
<b>Earnings per share</b>		
Basic earnings per share (Yen)	180.45	137.81

### Consolidated Statement of Cash Flows

	(Millions of yen)	
	Fiscal 2017	Fiscal 2018
	(Jan.1 to Dec.31.2017)	(Jan.1 to Dec.31.2018)
Cash flows from operating activities	76,109	82,820
Cash flows from investing activities	(100,724)	(65,494)
Cash flows from financing activities	21,706	(2,122)
Effect of exchange rate change on cash and cash equivalents	945	(5,206)
Net increase (decrease) in cash and cash equivalents	(1,964)	9,998
Cash and cash equivalents at the beginning of current period	66,492	64,528
Cash and cash equivalents at the end of current period	64,528	74,526



# 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 37, 38, 41 and 43) has been verified.

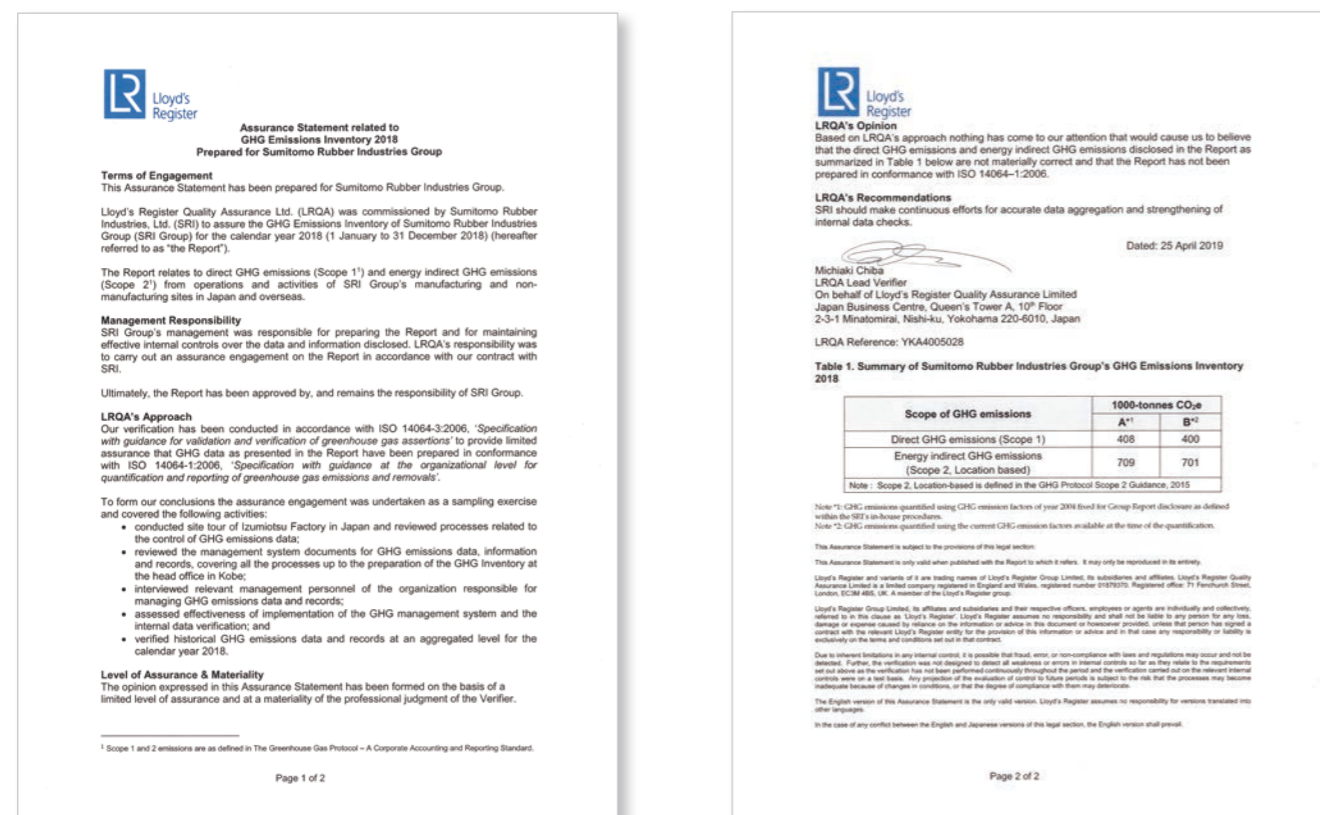
The target data for verification and the verification criteria used are as follows.

## 1. Total global CO<sub>2</sub> emissions

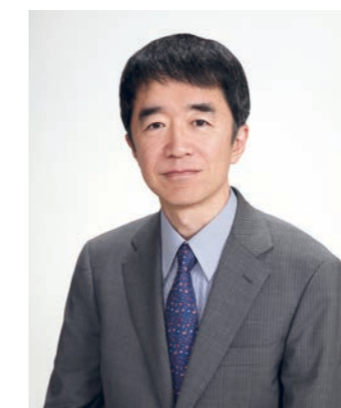
Criteria: ISO 14064-1

## 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. Also serves as Vice President of Kobe University since 2019. His recent publications include “From Accountability to Management Ethics” (Yuhikaku Publishing Co., Ltd.) and “CSR Basics” (Chuozei-sha, Inc.).

## Value Chain and ESG

The main topic of this year's Sumitomo Rubber Group Report is the integration of the value chain and ESG (environmental, social, governance). Creating value through the value chain is now the foundation of corporate management, but it is not easy to expand that to ESG.

Information on business activities can ultimately be summarized in numbers, such as profits, but that is not true for ESG activities. Since each process of ESG activities has a unique impact, it is extremely important to look throughout the whole value chain when managing ESG.

It is my opinion that Sumitomo Rubber Group integrating its value chain and ESG is a great step forward. I hope that in the future this structure will correspond to identification of materiality, targets, and actual results, to be utilized in their corporate management.

## Detailed Corporate Governance Information

As for how Japanese companies' CSR activities compare to those of other countries, it is said that although Japanese companies do better than European and American companies in terms of environmental issues and are on par with those companies in terms of social issues, they lag behind them in regard to governance. Sumitomo Rubber Group's report makes an effort to provide more information on governance, which I highly appreciate. Detailed information on the holding of committee meetings and remuneration for directors are disclosed, which reveals the extent of the governance system. In the future, it will probably be important to disclose information so that people understand the thoughts of directors and other officers on CSR. Governance is not limited to “governing” but also includes leading companies in a better direction. Therefore, the opinions individual members of the management have are important message for evaluating CSR.

## Relationship between Social Issues, including SDGs

The table of the Sumitomo Rubber Group's CSR Efforts shows how they connect to SDGs, but the connection for individual activities are not necessarily clearly explained. CSR activities are no longer perceived as compliance-like activities that companies are obliged to carry out. Companies are moving forward with actively resolving social issues and linking that to corporate value. The level of Sumitomo Rubber Group's activities is extremely high, and the question becomes how those are related to goals set by society, such as SDGs. Are there other fields that the Sumitomo Rubber Group can make contributions to? How can employees be motivated to find solutions to social problems? If the activities are expanded towards these directions, it may be possible to achieve even more meaningful results.

## Response to Third-Party Comments

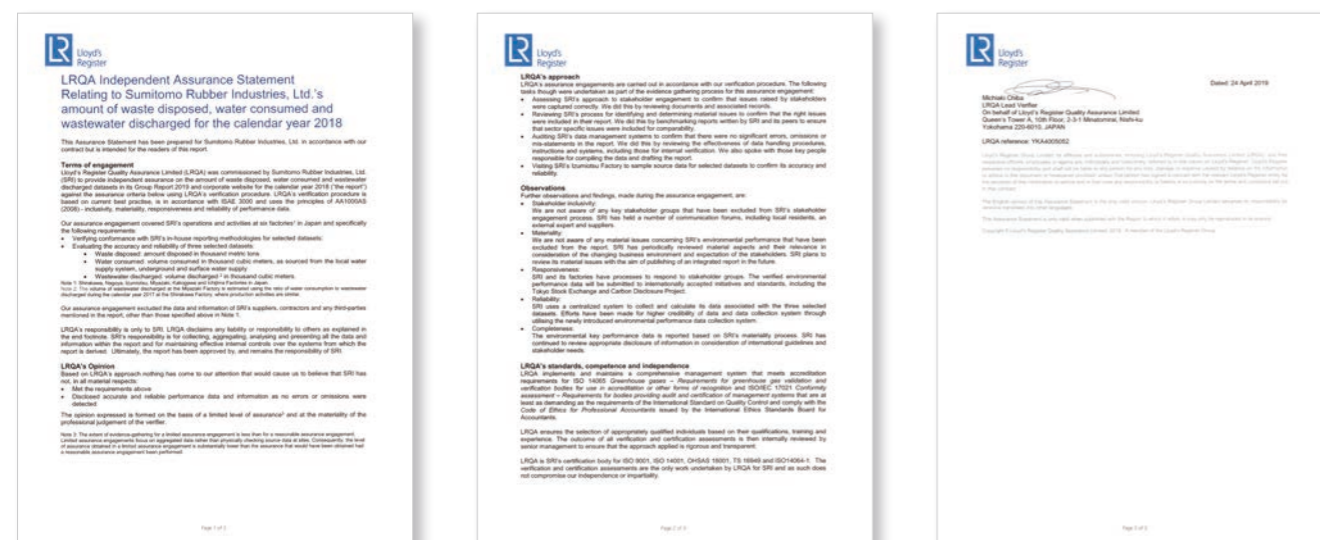
I would once again like to thank Professor Kokubu for always providing us with pertinent advice and generous evaluations. I agree we must maintain a constant awareness that CSR activities are the basis for enhancing social value, which in turn increases economic value, while maximizing this strategy to the fullest extent possible.

Several issues, including the following, were pointed out: let the matrix of value chain and ESG correspond to the identification of materiality, targets, and actual results, and using that in the management of the Company; disclosing the opinions on CSR by directors and other officers; the connection between the Company's activities and social goals, such as SDGs; whether there are other fields that contributions can be made in; and what incentives to motivate employees to solve social issues. We will move forward with a concrete examination of these.

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.

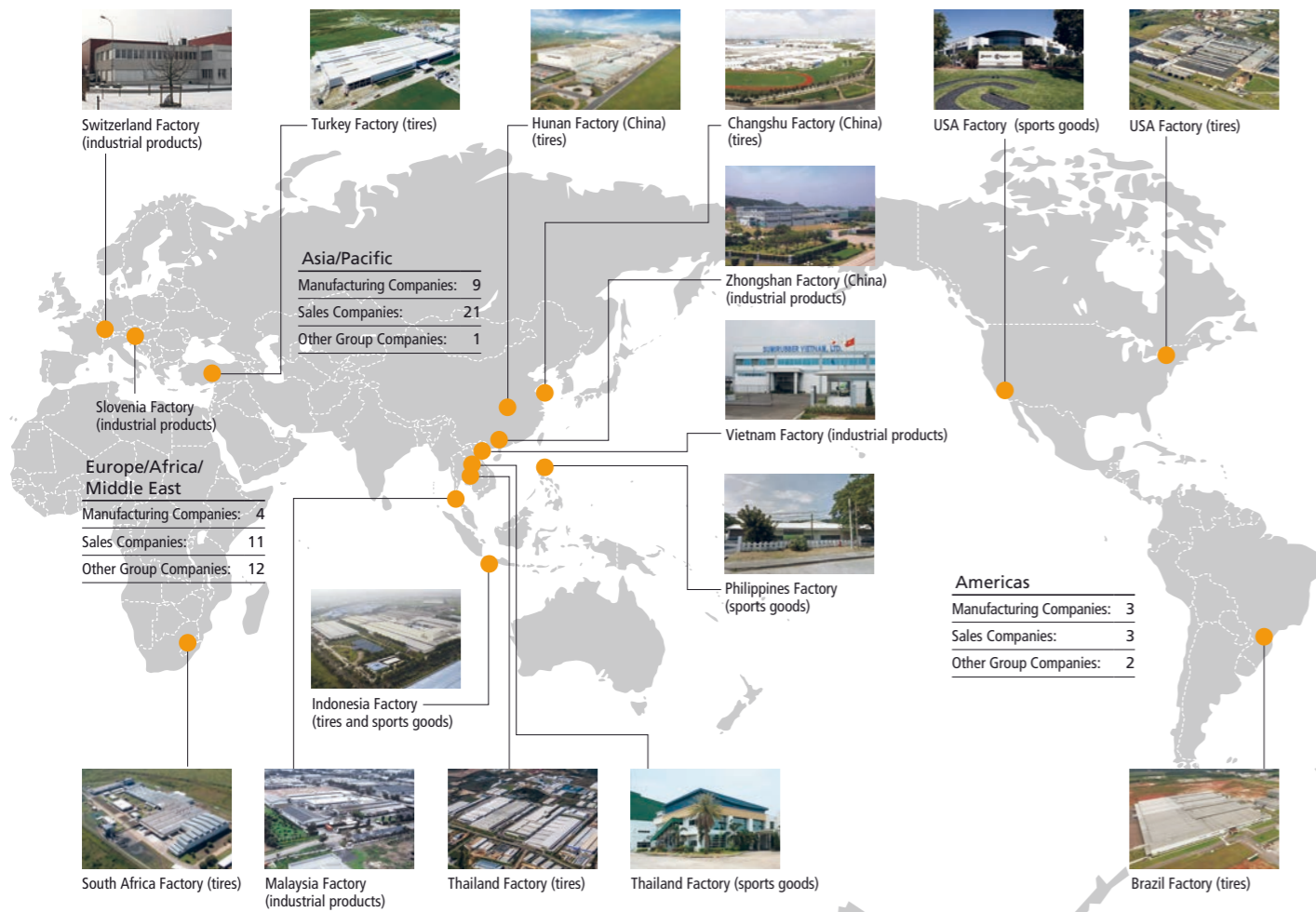


Executive Officer, General Manager and Department Head, Human Resources & General Affairs Dept.  
**Toshihiko Komatsu**

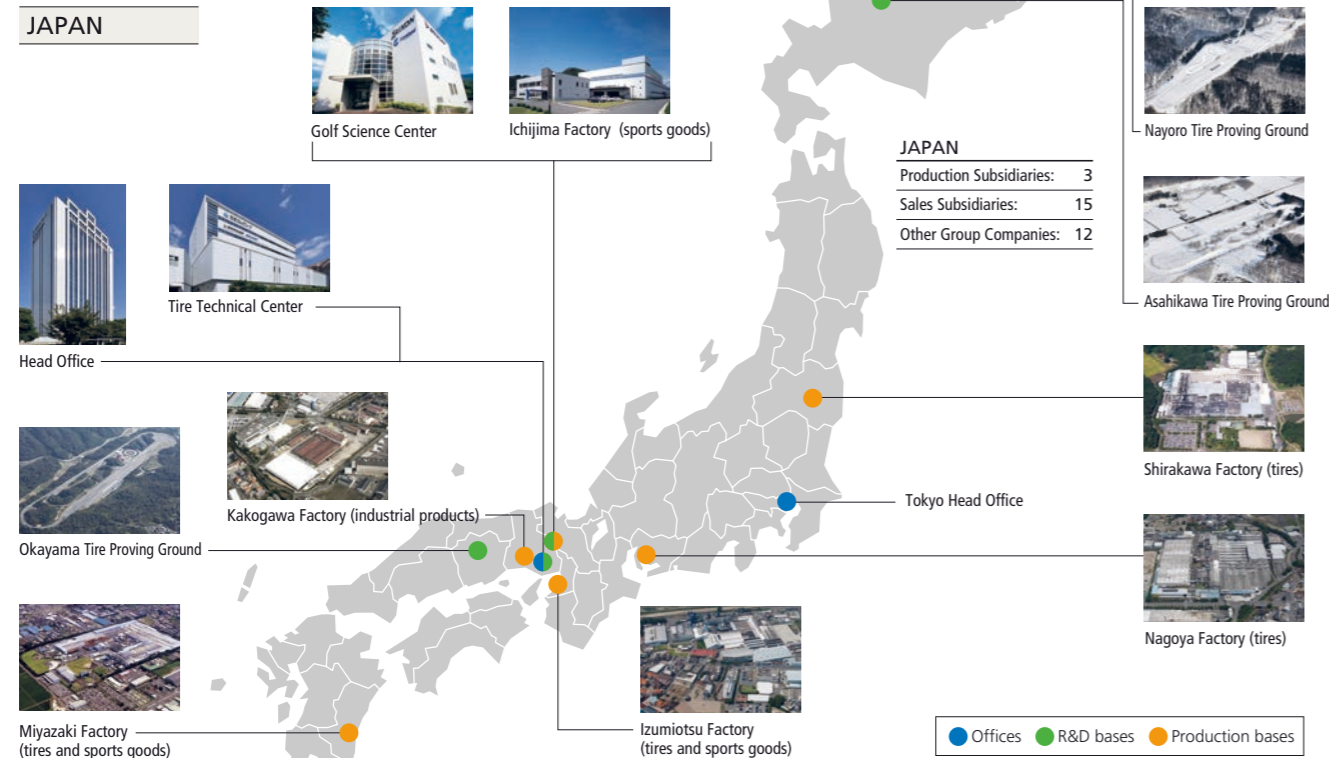


## Global Network (As of March 2019)

### OVERSEAS



### JAPAN



## Investor Information (As of December 31, 2018)

Paid-in Capital ¥42,658 million

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

Number of Shareholders 36,188

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

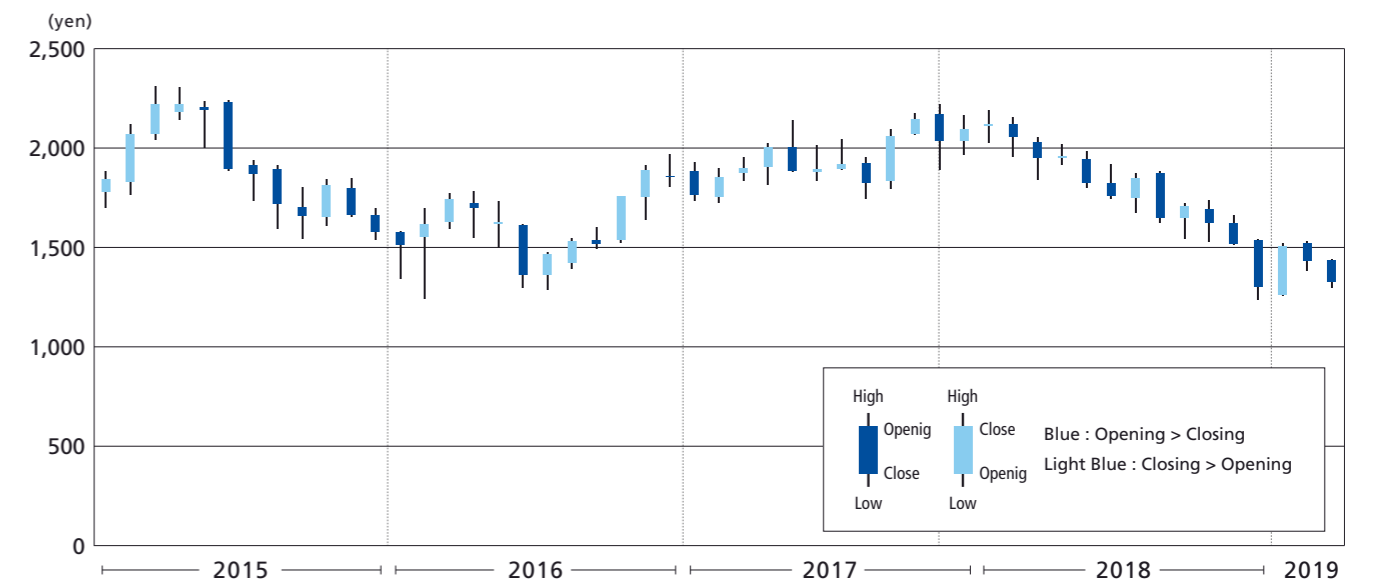
Independent Auditors KPMG AZSA LLC  
 3-6-5, Kawaramachi, Chuo-ku, Osaka, Japan

**Major Shareholders**

Sumitomo Electric Industries, Ltd.	28.85%
The Master Trust Bank of Japan, Ltd. (Trust Account)	4.09%
JP MORGAN CHASE BANK 385632	3.49%
Japan Trustee Services Bank, Ltd. (Trust Account)	2.87%
National Mutual Insurance Federation of Agricultural Cooperatives	2.79%
Sumitomo Mitsui Banking Corporation	1.98%
Sumitomo Corporation	1.83%
SMBC Nikko Securities Inc.	1.67%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.34%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1.22%

Note: The percentage of shares in the above list was calculated using the total number of shares of common stock, excluding 34,890 shares of treasury stock.

### Stock Price



### Environmental Consideration in Printing

#### Consideration for Paper



The paper used for this printed material comes from periodic forest thinning. This improves forest health and effectively uses the resulting timber.



This paper comes from adequately managed forests.

#### Consideration for Paper



The waterless printing method under which no hazardous waste water is discharged is used in the printing process.



Vegetable-oil Non-VOC ink that contains no VOCs is used to print this material.



### 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.