

Integrated Report 2020



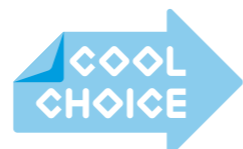
SUMITOMO RUBBER GROUP

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



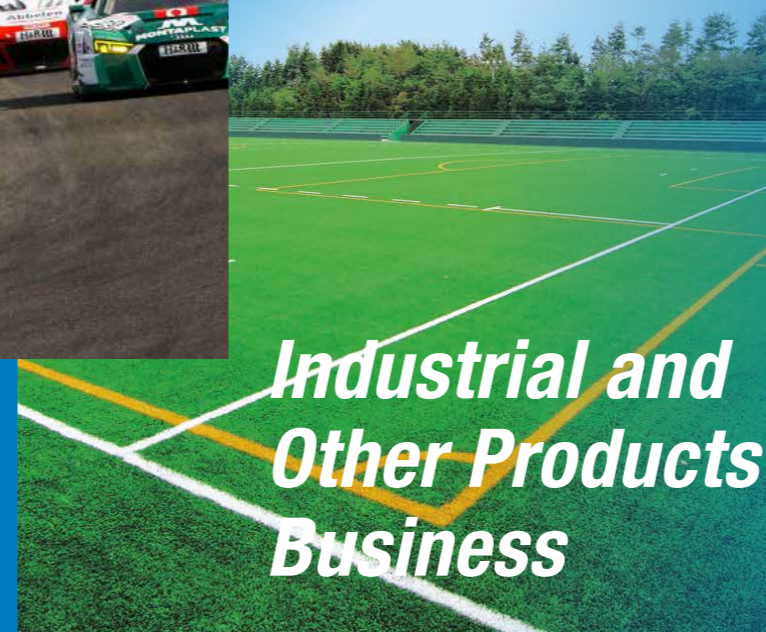
The Sumitomo Rubber Group is committed to achieving business growth and making contributions to society by offering true value in our areas of business: tires, sports and industrial products.



Sports Business



Tire Business



Industrial and Other Products Business

The Sumitomo Rubber Group is pulling together in efforts to fulfill all sorts of social responsibilities and at the same time contribute to the 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, communities and society.

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The purpose of this report is to generate new opportunities for dialogue with a wide range of stakeholders, by conveying the initiatives we are undertaking to accomplish sustainable growth for the Sumitomo Rubber Group.

Editorial Policy

In 2020, we worked to achieve even more extensive disclosure of information. 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
- The International <IR> Framework published by the International Integrated Reporting Council (IIRC)
- "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 2019 (January 1, 2019 to December 31, 2019), with some information from outside of this period

Publishing Date May 2020

Third-Party Comments Comments from an expert are included in order to adopt an objective perspective on the report. (See page 68.)

Contributing extensively to our communities and to society as a reliable and trusted global corporate group.

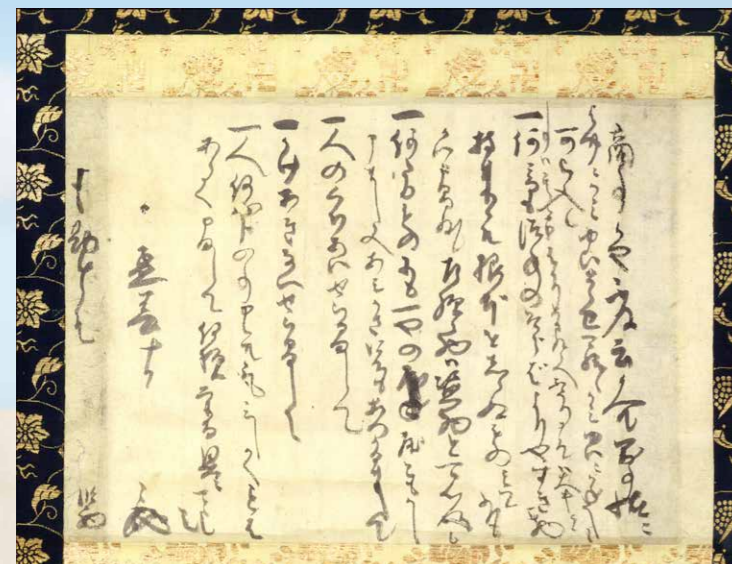
At the Sumitomo Rubber Group, the SRI WAY serves as the bedrock for our efforts to fulfill our Corporate Mission. Founded on the longstanding Sumitomo Business Spirit, the SRI WAY comprises key Values and Action Principles for employees to practice in their day-to-day work toward fulfilling our Corporate Mission and achieving our Corporate Vision. The four key Values enshrined in the SRI WAY—"Integrity & Soundness," "Communication," "Setting the Bar Higher" and "Cultivating People"—are intended to answer the fundamental question of "What is important to us?" Meanwhile, by clearly defining our basic attitudes in keeping with our key Values, the Action Principles set forth in the SRI WAY are intended to answer the essential question of "How should we act?" The SRI WAY is founded upon the Sumitomo Business Spirit, the key business principles that have been passed down through generations over the 400-year history of Sumitomo.

The Origins of the Sumitomo Business Spirit

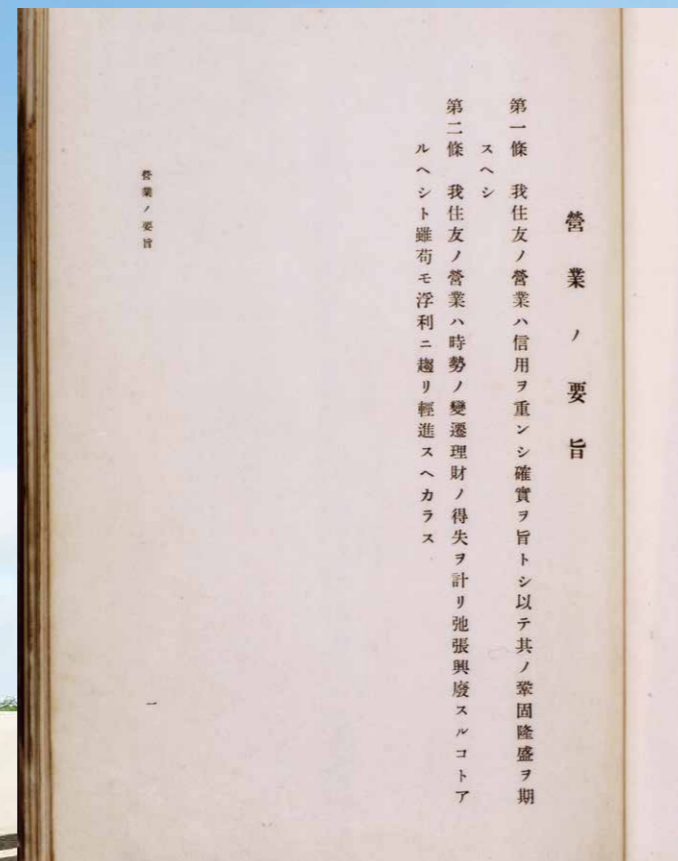
Masatomo Sumitomo, the founder of the Sumitomo Group, left behind writings known as "Monjuin Shiigaki" ("The Founder's Precepts"), which provide a set of principles and guidelines for merchants to abide by. His teachings have supported the business operations of the Sumitomo Group throughout its 400-year history, passed down from generation to generation in the form of the "Sumitomo Business Spirit," whose essence was more recently condensed into the modern "Business Principles" of the Sumitomo Group. Containing such principles as, "The business activities of Sumitomo must benefit not only Sumitomo, but must also be of benefit to the nation and to society as a whole," the Sumitomo Business Spirit reflects Sumitomo's strong sense of duty to society. To this day, the Sumitomo Business Spirit still forms the basis for the Sumitomo Rubber Group's own Corporate Mission.

The Sumitomo Business Spirit

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



Monjuin Shiigaki* (Circa 1650)
* Sumitomo Historical Archives



Business Principles* (Enacted 1928)

The SRI Way

The Corporate Mission of the Sumitomo Rubber Group

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

Key Values	Action Principles
Integrity & Soundness	· Customer First
	· Genchi-Genbutsu
Communication	· Scientific Approach
	· Continuous Improvement
	· Take an Interest in Others & Get to Know Each Other
Setting the Bar Higher	· Face-to-Face Communication
	· Report, Liaise & Consult at All Levels
Cultivating People	· Constant Problem Awareness
	· Set Benchmarks for Better Results
	· Teach/Learn by Doing
	· Achieve Results through Teamwork

Sumitomo Rubber Group CSR

CSR Activity Basic Philosophy

Through our GENKI Activities for the environment and for society, the Sumitomo Rubber Group aims to contribute to the realization of a sustainable society while remaining a corporate group that has earned and continues to maintain the trust of society at large.

CSR Guidelines

* 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.

Green Green initiative

Ecology Ecological process

Next Next-generation product development

Kindness Kindness to employees

Integrity Integrity for stakeholders

For more than 110 years since the founding of the Company, we have leveraged our proprietary rubber technology as a tire maker to expand our field of business into sports and industrial products, and helping to achieve a sustainable society.

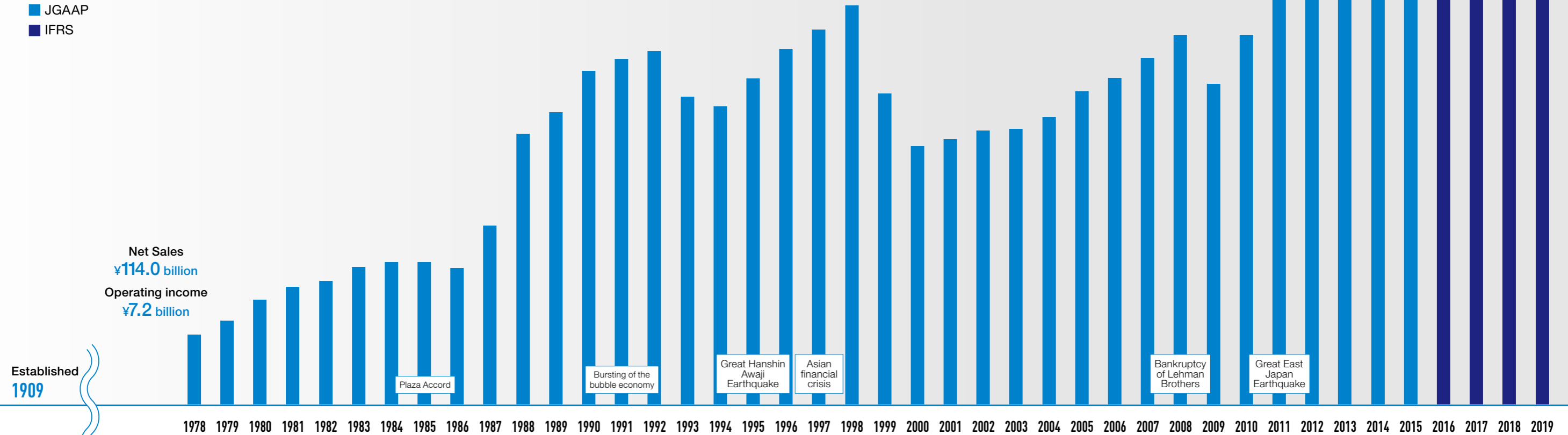
Fiscal 2019 Sales Revenue **¥893.3 billion**

Business Profit* **¥53.9 billion**

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

Sales Revenue / Net Sales

■ JGAAP
■ IFRS



1888

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



J.B. Dunlop

1881

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



The world's first pneumatic tire

1909

▶ Commenced operation of the Kobe Factory.

▶ British Dunlop Rubber Company established Japan's first modern rubber factory and commenced its operation.



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)

1954

▶ Developed Japan's first tubeless tire.

1963

▶ Sumitomo assumed management of the Company. Changed name to Sumitomo Rubber Industries, Ltd.

1981

▶ Acquired European tire business from the British Dunlop Rubber Company



1983

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

1984

▶ Acquired Dunlop Tire Corporation in the USA.



Signing ceremony with the British Dunlop Rubber Company

1986

▶ Acquired Dunlop Tire Corporation in the USA.

1998

▶ Newly developed "Digi-Tyre" using digital rolling simulation technology.

1999

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

2000

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



First-generation XXIO

2003

▶ Merged with The Ohtsu Tire & Rubber Co., Ltd.

▶ Spun off sports business.



2007

▶ Acquired Cleveland Golf.

2008

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

2009

▶ Company's 100th anniversary

▶ Completed the Tire Technical Center.



2012

▶ Released "MIRAIE" Vibration Control Units for Detached Housing.



2013

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



ENASAVE 100

2014

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

2015

▶ Dissolved alliance agreement with The Goodyear Tire & Rubber Company in the USA.

2015

▶ Completed the New Materials Development Technology "ADVANCED 4D NANO DESIGN"

2017

▶ Announced the "SMART TYRE CONCEPT" for tire technology development

2018

▶ Integrated Sumitomo Rubber Group's sports business.

▶ Celebrated 130th anniversary since the commercialization of pneumatic tires.



2019

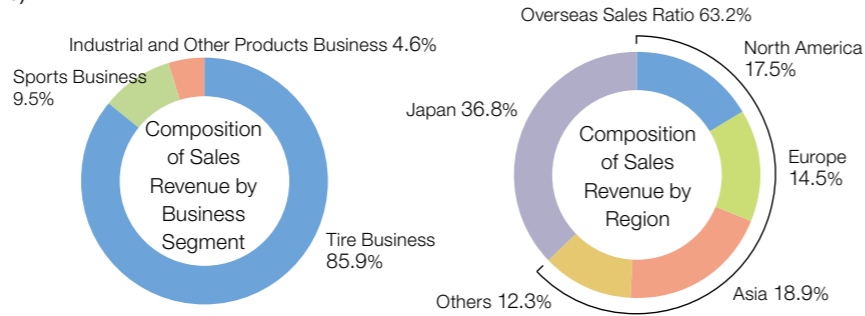
▶ Launch of new "ENASAVE NEXT III" fuel-efficient flagship tire using Performance Sustaining Technology from the SMART TYRE CONCEPT



ENASAVE NEXT III

Main Financial Indicators (Fiscal 2019)

Sales Revenue
¥ 893.3 billion
 0.1% decrease y-o-y



Business Profit
¥ 53.9 billion 11.2% decrease y-o-y

Profit for the Period Attributable to Owners of Parent
¥ 12.1 billion 66.7% decrease y-o-y

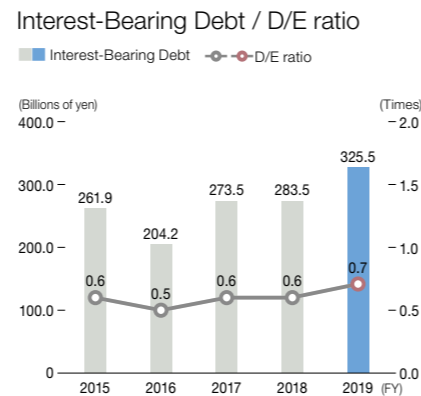
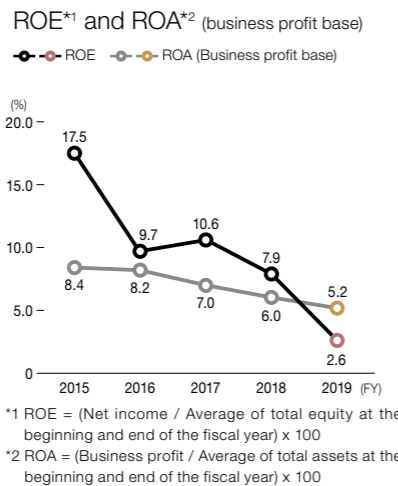
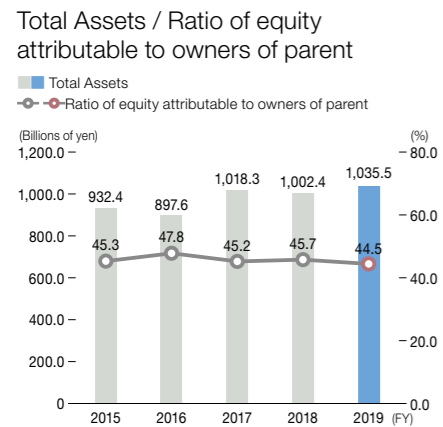
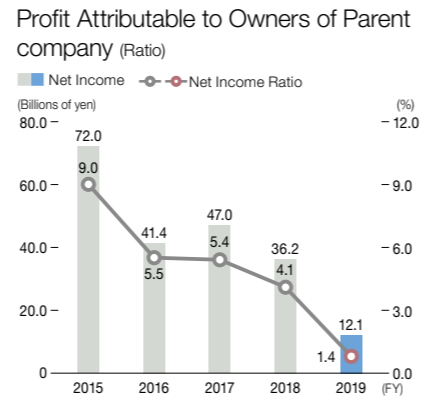
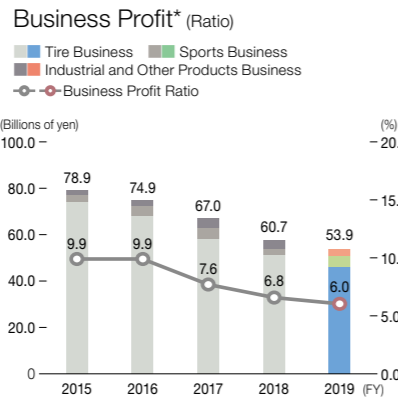
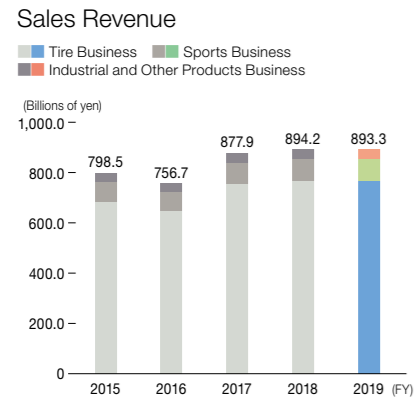
Total Assets
¥ 1,035.5 billion

Ratio of Equity Attributable to Owners of Parent to Total Assets
44.5%

ROE
2.6%

ROA
5.2%

D/E ratio
0.7 times



CSR-Related Indicators (Fiscal 2019)

Green
 Green initiative
 Cumulative number of trees planted (Japanese and overseas group)
1,750,000

* In addition to the above, 90,000 seedlings were provided (2013-2019)

Next
 Pursuit of quality
 IATF 16949 (Automotive Quality Management System Standard)
Japan and overseas All 12 domestic and overseas tire factories certified

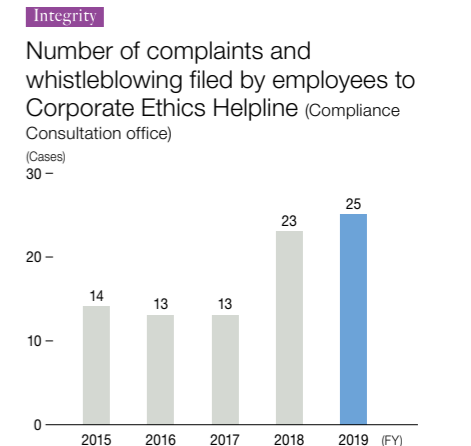
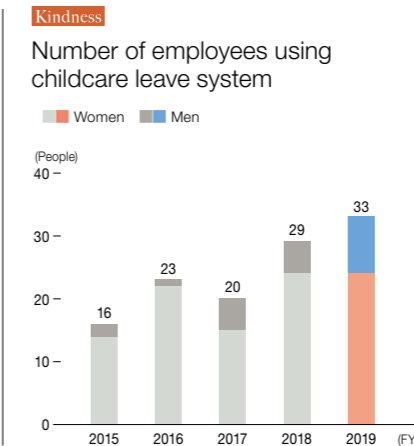
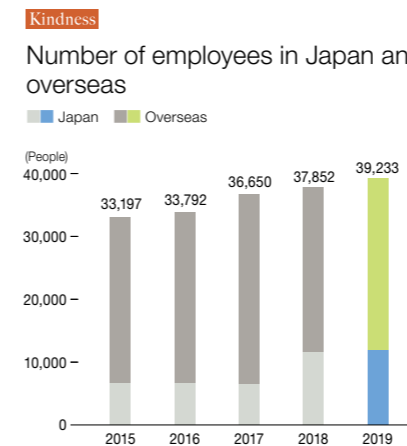
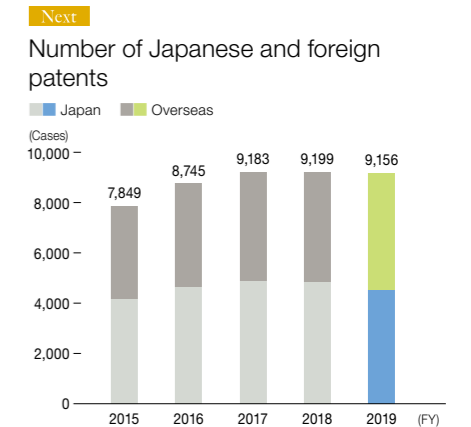
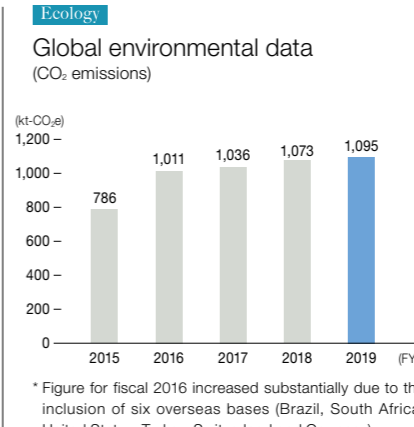
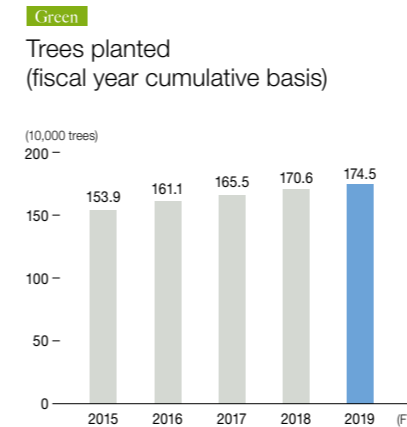
Ecology
 Ecological process
 Reductions in water use (y-o-y, Japanese and overseas group)
326,000 m³ reduction

Kindness
 Kindness to employees
 Employee turnover ratio (Non-Consolidated Basis)
3.2%

Ecology
 Ecological process
 Employees at ISO 14001 certified sites as percentage of all employees (Japanese and overseas group)
85.7%

Integrity
 Integrity for stakeholders
 Social contribution activity expenses
¥ 304 million

* All types of donations, CSR fund subsidies, social contribution activity expenses, personnel expenses associated with volunteer participation (estimated), expenses for access to facilities (estimated)



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). Figures shown for fiscal 2015 have been restated to comply with IFRS standards.



Sumitomo Rubber Industries, Ltd.
President & Representative Director

Satoru Yamamoto

Firstly, my heart goes out to all of those who have lost their lives to the novel coronavirus. I would like to take this opportunity to express my deepest condolences to all of the families who are now grieving as a result of this terrible disease. At the same time, I pray for the swift recovery of each and every person currently afflicted with COVID-19. I would also like to take this opportunity to express my heartfelt gratitude and admiration for all of those who are working tirelessly to care for the sick and prevent the further spread of COVID-19 on the front lines of medicine all over the world. The Sumitomo Rubber Group started out as the very first modern tire factory in Japan, founded in 1909 as the Far East manufacturing base of the British Dunlop Rubber Company. In the years that followed, as Japan rapidly industrialized and then achieved unprecedented economic growth in the post-war era, our group has also vastly expanded in terms of both the scale and scope of our business activities, bringing us to where we are today as a global corporate group. In our over 100 years of history, the Sumitomo Rubber Group has overcome various crises and adapted to respond to numerous changes in the business environment. Through all of this, however, we have never wavered in putting the health, safety and wellbeing of our customers, our business partners and our employees first and foremost in word and deed.

Moving forward, in order to continue to adapt and grow our business in the midst of a constantly changing business environment, we will not only work to continuously reinforce our corporate governance system, but will also strive to cultivate the next generation of talent, who will play an essential role in driving the future development of our business. At the same time, we will continue to make active contributions to local communities around the world so that we may enhance both the economic value and the societal value of our group.

1. Looking Back Over VISION 2020

~Building a Framework for Global Business~

Formulated in 2012, our VISION 2020 set forth a roadmap for expanding our business, with a focus on overseas markets in particular, toward achieving our stated goal of becoming a True Global Player. Our groupwide efforts to accomplish VISION 2020 were primarily driven by three key Growth Engines: "The Challenges of New Markets," "An Insatiable Drive for Innovation" and "Entering New Business Fields."

The Challenges of New Markets

Toward building a global network for manufacturing and sales, the Sumitomo Rubber Group spent the last decade establishing new operational bases all over the world. On the manufacturing side, we built new factories in Hunan (our second factory in China) and Brazil and acquired an existing factory in South Africa. On the sales side, we established new sales companies in India and Australia and acquired the rights to use the DUNLOP trademark throughout all of Africa. The year 2015 marked a major turning point for our group. The dissolution of our Global Alliance with the American Goodyear Tire & Rubber Company resulted in our acquisition of a factory in the United States and gave us much greater freedom to sell our tires in European and

North American markets, which in turn led to the rapid acceleration of our global business expansion. Meanwhile, we took full advantage of our new factory in Turkey (which began manufacturing operations in 2015) to increase sales in European markets. In addition, we also acquired a major tire retail chain in the United Kingdom: Micheldever Tyre & Auto Services. As a result of these developments, we have had great success in increasing the market share of our FALKEN brand in Europe.

Insatiable Drive for Innovation

Over the past decade, the Sumitomo Rubber Group has taken full advantage of proprietary technologies that expand the possibilities of rubber in order to bring to market various new products that better fulfill both economic and societal needs. In 2013, we developed and brought to market "ENASAVE 100," our groundbreaking 100% fossil resource-free tires made from all-natural renewable resources. In 2016, we followed this up with the release of "ENASAVE NEXT II," fuel-efficient tires developed using our "ADVANCED 4D NANO DESIGN" New Materials Development Technology. These and other environmentally friendly technologies have won us numerous

accolades, including the "Grand Prize for the Global Environment Award" and a "Nikkei Global Environmental Technology Award." In 2018, we unveiled "SMART TYRE CONCEPT," putting forward our bold new vision for the future of tires. The very next year, we released "ENASAVE NEXT III," tires that incorporate Performance Sustaining Technology developed in keeping with our visionary New Technology Development Concept.

Entering New Business Fields

With the aim of growing our overall business, we have been actively expanding into new markets and new fields of business. As part of these efforts, we have aggressively expanded our OE supply business to gain market share among overseas automakers, particularly in Europe and North America. As a result, our group's overall OE tire sales volume increased by 37% between 2012 and 2019. Meanwhile, in our Industrial and Other Products Business, our flagship "MIRAIE" Vibration Control Units for Detached Housing received widespread acclaim for their effectiveness in protecting buildings during earthquakes in Kumamoto and Hokkaido, which led to their subsequent adoption at Kumamoto Castle and Higashi Honganji Temple. Thanks in part to the growing trust placed in them, sales of

our vibration control units increased by 192% between 2012 and 2019. In addition, we have also greatly expanded our Rubber Parts for Medical Applications Business in major markets in Europe, acquiring the Swiss medical rubber products manufacturer Lonstroff AG in 2015 and launching a new factory in Slovenia in 2019.

Through the initiatives undertaken as part of VISION 2020, our group has succeeded in building the necessary framework to become a truly global business.

At the same time, however, there are still some issues to work out when it comes to our group's profitability. In particular, our newly built factories in Brazil and Turkey are still in the process of ramping up production, while our newly acquired factories in the United States and South Africa are still struggling with productivity issues, meaning that these factories have yet to fulfill their full potential. Although we did not achieve the performance targets set forth in VISION 2020, we did succeed in vastly expanding the scope of our business activities and building a global network for manufacturing and sales. Moving forward, we will endeavor to improve our overall business performance by maximizing the returns on our investments to date while moving forward with new initiatives with the aim of adapting to various ongoing changes in our business environment.

2. Our New Midterm Plan

~Further Enhancing Our Economic Value & Value to Society~

Our New Midterm Plan is a comprehensive business plan that aims to further enhance our corporate value between now and 2025 by pushing forward with new initiatives that, while firmly grounded in our efforts up until now, will also look ahead to a brighter future.

Our New Midterm Plan aims to build on our previous efforts by fully harnessing our "Insatiable Drive for Innovation" to advance our SMART TYRE CONCEPT to the next level while maximizing the results that we reap from the global business framework that we have built up through taking on the "Challenges of New Markets" and "Entering New Business Fields." In addition, in order to ensure the successful implementation of our New Midterm Plan, we have launched a new groupwide project to promote various initiatives that aim to reinforce the framework of our organization and generate greater profits. We call this project the "Be the Change" Project to Reinforce the Foundations of Our Business. Meanwhile, we will continue striving to enhance both our group's economic value and our value to society through ongoing efforts driven by three key Value Drivers: "Developing & Promoting Sales of Advanced Products," "Creating New Value" and "Promoting ESG Management."

"Be the Change" Project to Reinforce the Foundations of Our Business

In the initial stage, the "Be the Change" Project will focus on initiatives to reinforce our organizational framework as we build up the necessary momentum to break through barriers to further growth. Having thus equipped ourselves with the strength to get things done and see things through, we will then be ready to move on to the next stage of this project: initiatives to generate greater profits. We have already initiated talent management and global personnel development activities as part of our efforts to reinforce the framework of our business, as well as activities to improve cashflow and cost effectiveness as part of our efforts to generate profits.

3 Key Value Drivers

[Developing & Promoting Sales of Advanced Products]

Even as global economic development brings increases in worldwide demand, it also drives increasingly fierce competition in markets throughout the world. Nevertheless, the Sumitomo Rubber Group will continue working to enhance our corporate value by developing and promoting sales of advanced products that incorporate second-to-none technologies throughout our Tire Business, our Sports Business and our Industrial and Other Products Business. In our Tire Business, we will develop and promote sales of advanced tires with a focus on SUVs while also working to increase our share of OE fitment in the luxury vehicle market. In our Sports Business, we will work to increase sales in the world's largest market, North America, by bringing top-

notch products to market. In our Industrial and Other Products Business, we will expand manufacturing and sales of rubber parts for medical applications in Europe in order to meet growing demand for these products coinciding with the rapid growth of the overall healthcare industry.

[Creating New Value]

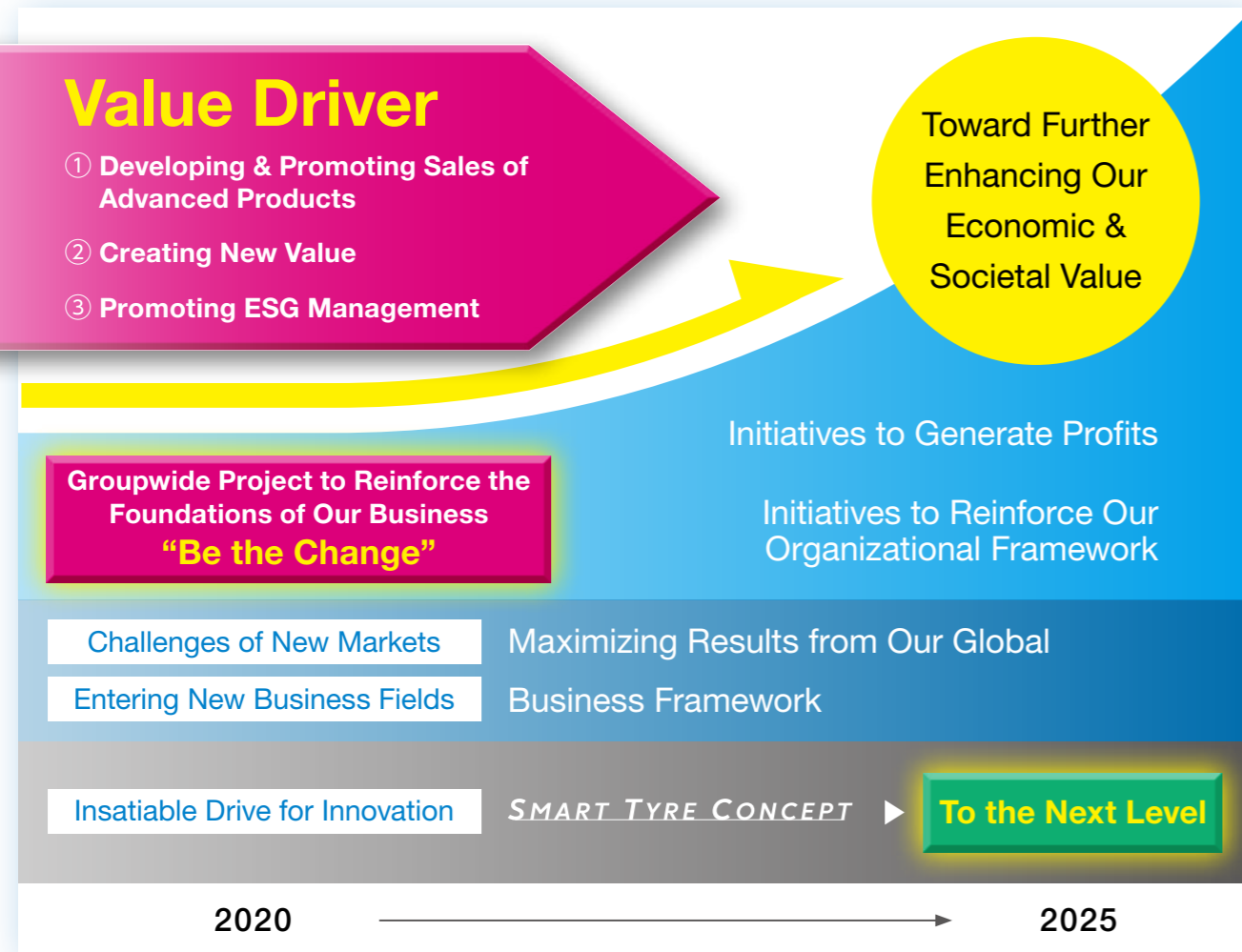
As the automotive industry is transformed by new innovations such as CASE and MaaS, the Sumitomo Rubber Group will continue to provide new value by further advancing our SMART TYRE CONCEPT to the next level and beyond in order to continue bringing advanced products and services to market. We believe that the Mobility Society of the Future will have a need for tires that provide new types of value, such as Maintenance-Free Tires, Trouble-Free Tires and Tires with Reduced Environmental Impact. In order to meet the needs of autonomous driving and make ride-sharing even more convenient, we are pushing forward with the development of basic technologies on various fronts, advancing R&D related to rubber properties, tire structures, tire management systems and so forth. At the same time, we are also aiming to create even greater value by strengthening cooperative relationships with our business partners and taking active part in collaboration that brings together industry, government and academia.

[Promoting ESG Management]

In recent years, Sustainable Development Goals (SDGs) have been receiving more and more attention. Meanwhile, our company has long been actively engaged in efforts that aim to find solutions to environmental and societal issues with an eye toward making our society more sustainable. For example, we have long been striving to make our business activities more environmentally friendly by offering a full lineup of fuel-efficient tires, not to mention "ENASAVE 100," our revolutionary tires made from 100% fossil resource-free, all-natural raw materials. At the same time, we have also been working to contribute to society outside of our business through activities involving tree planting, efforts to preserve biodiversity and other socially conscious volunteer activities.

Of course, all of these activities are fully in line with the Sumitomo Business Spirit, which has been passed down through generations over the 400-year history of Sumitomo. Moving forward, we will continue striving to create new value by engaging in business activities that emphasize both "Enhancing Our Economic Value" and "Enhancing Our Value to Society." In tandem with these activities, we will also continue to promote ESG Management while working to contribute to the achievement of SDGs toward realizing a sustainable society – a society where everyone can live and work in safety and with peace of mind.

Outline of Major Points of Our New Midterm Plan



Our New Midterm Plan aims to build on our previous efforts by fully harnessing our "Insatiable Drive for Innovation" to advance our SMART TYRE CONCEPT to the next level while maximizing the results that we reap from the global business framework that we have built up through taking on the "Challenges of New Markets" and "Entering New Business Fields."

At the same time, we will also be pushing forward with new groupwide initiatives to reinforce the foundations of our business as part of our "Be the Change" Project.

This project will first focus on initiatives to reinforce our organizational framework, laying the necessary groundwork for us to break through barriers to further growth while also increasingly shifting our focus toward initiatives to generate profits.

Meanwhile, we will continue striving to enhance both our

group's economic value and our value to society through ongoing efforts driven by three key Value Drivers: "Developing & Promoting Sales of Advanced Products," "Creating New Value" and "Promoting ESG Management."

Our New Midterm Plan also sets forth ambitious financial targets: to achieve Sales Revenues of at least 1 Trillion JPY, Business Profit of at least 100 Billion JPY, an ROE of at least 10% and a D/E Ratio below 0.5 by 2025.

The three key Value Drivers that will drive our efforts to achieve our New Midterm Plan are explained in detail in the following pages.

* The details listed herein were first announced in February of 2020. As such, the contents of these pages do not account for the impact of the novel coronavirus (COVID-19) pandemic.

"Be the Change" In order to ensure the successful implementation of our New Midterm Plan toward achieving our goals for the future, we have launched a new groupwide project to reinforce the foundations of our business. We call this project the "Be the Change" Project.

This project will first focus on initiatives to reinforce our organizational framework, thereby laying the necessary groundwork for us to break through barriers to further growth. Having done so, we will then be ready to move on to the next step: turning our focus toward initiatives to generate greater profits through efforts to enhance our profitability across organizational boundaries.

3 Key Value Drivers

Allow us to explain these key Value Drivers within the context of each our main lines of business.

Value Driver ①

Developing & Promoting Sales of Advanced Products

Tire Business

Sales

Promoting Global Sales of Top-Notch Products

- Increasing OE Fitment for Luxury Vehicles
- Striving for Industry-Beating Sales Growth in Major Markets of Europe, North America, Asia, Etc.



In our Tire Business, we will work to increase sales of advanced tires with a focus on meeting the growing demand for high-performance SUV tires, etc.

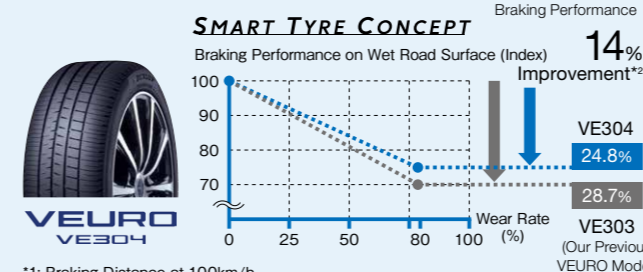
Product Development

Performance You Experience on the Road + Performance You Can See with Your Eyes

- In addition to safety, riding comfort and other performance traits that you can only experience on the road, we are also taking full advantage of second-to-none technology to provide a performance difference that you can clearly see with your own eyes.

In addition to achieving the highest rating for wet grip (i.e. "a") under Japan's tire labeling system, our latest tires also suppress performance degradation that normally occurs due to wear and tear.

(Reduces Braking Distance by 0.7 Vehicle Lengths*1)



*1: Braking Distance at 100km/h
 *2: (Test Conditions) ● Tire Size: 225/45R18 95W XL ● Tire Pressure (kPa) 250 ● Test Vehicle Displacement: 2,480cc ● ABS (Y/N): Y ● Test Velocity: 100km/h ● Road Surface: Asphalt Braking Road (Water Depth: Approx. 1.0mm) ● Drive System: FR ● Test Setup: The test tires were driven for 18,000km and then checked to ensure that their wear rate had not yet reached 80%, after which they were buffed around their main grooves to a uniform radius (i.e. groove depth) equivalent to 80% wear. We then performed wet brake testing on the tires prepared in this manner (i.e. 80% worn tires) alongside brand-new tires for comparison in order to determine the degree of performance decline at a wear rate of 80%. ● Test Method: Full-Stop Testing in Accordance with "Passenger Car Tire Brake Testing Methodology" (Published by JATMA)

Released in March 2020, our latest VEURO tires incorporate a world-first technical feat – Tire Performance You Can See.

Development

Advancing Our Second-to-None Technologies through New Materials Development & Structural Design to Achieve Superior Fuel-Efficiency and Wear Resistance Performance

- Developing New Products to Respond to Local Market Needs & Ever Higher Performance Demands



Further Advancing Our Second-to-None Technologies to Develop New Products for Market. We are revamping our Technical Centers in Japan, Europe and the USA while putting them to full use in the development of new products.

Manufacturing

Augmenting Our Capacity to Supply Advanced Tires

- Pushing Forward with Efforts to Stabilize Production Output & Meet the Supply Needs of Growing Sales of Advanced Tires



While working to achieve stable production output at our factories in the USA and South Africa, we are also working to meet the supply needs brought about by growing sales of advanced tires by augmenting supply capacity at our factories in the USA and Turkey as well as our factories in Japan and the rest of Asia.

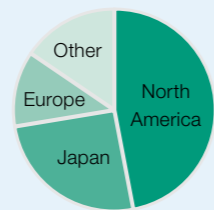
Sports Business

Expanding Our Sports Business Globally

- Increasing Sales of Golf Balls & Clubs in the World's Largest Golf Market: North America
- Taking Full Advantage of Our R&D Bases in Japan & USA
- Introducing Top-Notch Products Incorporating Proprietary Technologies



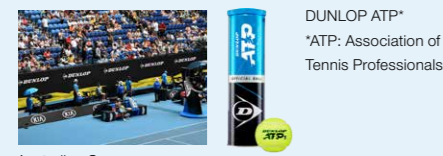
Golf Equipment (Balls, Clubs) Global Market Breakdown by Region (In-House Estimate)



Since absorbing the former Dunlop Sports Co. in 2018, we have been pushing forward with groupwide efforts to expand our Sports Business. In our core Golf Business, we will continue working to revamp our marketing capabilities to better promote sales in the world's largest golf market: North America.

Expanding Our Racket Sports Business (with a Focus on Tennis)

- Promoting Sales of Tennis Balls in Europe & North America
- Taking Advantage of Advanced Tennis Racket Technology to Develop Proprietary Products



DUNLOP ATP*
*ATP: Association of Tennis Professionals

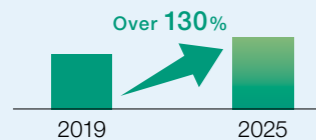
Australian Open

Accelerating Expansion into Squash & Badminton, Etc.



In our Tennis Business, our tennis balls were adopted as the official tournament balls of the Australian Open, where they were very well received. Bolstered by this recent success, we are now planning an aggressive push to promote sales in European and North American markets as well. At the same time, we will also be taking advantage of the proprietary technologies that we have developed over the years to expand our Racket Sports Business by branching out into squash, badminton and other racket sports.

Tennis Ball Sales Plan (Sales Value Basis)



Industrial and Other Products Business

Vibration Control Business

Japanese Domestic

- Promoting Sales of MIRAIE Vibration Control Units for Detached Housing



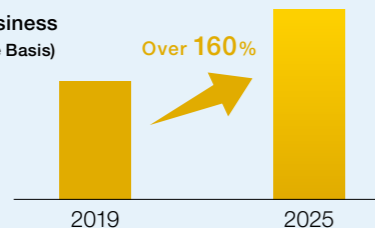
MIRAIE

Overseas

- Promoting Sales of Vibration Control Devices for Buildings with a Focus on Southeast Asia



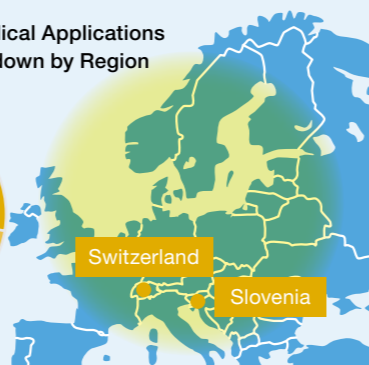
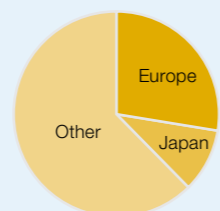
Vibration Control Business Sales Plan (Sales Value Basis)



Rubber Parts for Medical Applications Business

- Transferring Our Rubber Parts for Medical Applications Business HQ to the Key EU Market to Better Approach & Promote Sales to Major European Pharmaceutical Companies
- Promoting Sales of Advanced Products
- Taking Full Advantage of Our Factories in Switzerland & Slovenia

Rubber Parts for Medical Applications Global Market Breakdown by Region (In-House Estimate)



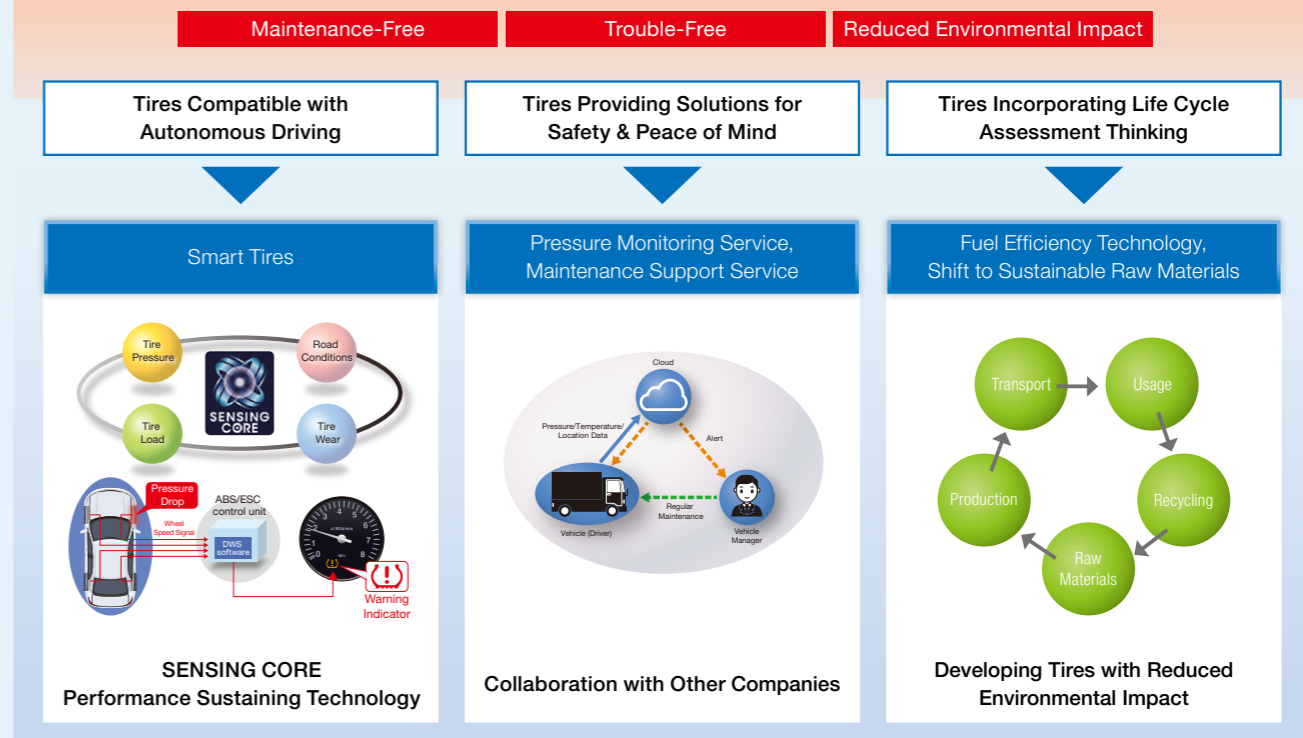
Value Driver ②

Creating New Value

We will continue striving to create the types of value sought in tires by the upcoming Mobility Society of the Future by advancing our concept for the development of tires and peripheral services – SMART TYRE CONCEPT – to the next level while adapting to the needs of CASE, MaaS and other new innovations that are transforming the automotive industry, providing new solutions services that fully utilize cutting-edge digital technology and more.



Types of Value Sought in Tires by New Mobility Society



We will continue to provide the new types of value sought in tires by the upcoming Mobility Society of the Future, including Maintenance-Free Tires, Trouble-Free Tires and Tires with Reduced Environmental Impact.

We will continue working to realize "Tires Compatible with Autonomous Driving" through the advancement of new technologies that allow tires to function as sensors, new materials that allow tires to maintain their original performance for longer and more.

When it comes to "Tires Providing Solutions for Safety & Peace of Mind," we will work to further advance our "Deflation Warning System" (which is already available on the market) while expanding this and other technologies to provide entirely new types of service.

When it comes to "Tires Incorporating Life Cycle Assessment," we will continue working to develop tires with a lower environmental impact throughout their life cycles, from production to usage and even disposal.

Value Driver ③

Promoting ESG Management

Passed down through generations over the 400-year history of Sumitomo, the Sumitomo Business Spirit still lives on throughout the business activities of the Sumitomo Rubber Group.

The Sumitomo Business Spirit includes the idea that “a company should appreciate the importance of not only economic value, but also societal value.”

In our Tire Business, the Sumitomo Rubber Group will continue working to provide tires that feature superior performance in terms of safety and fuel efficiency, manufactured using raw materials that feature reduced environmental impact, alongside peripheral services that bring together tires and various digital tools.

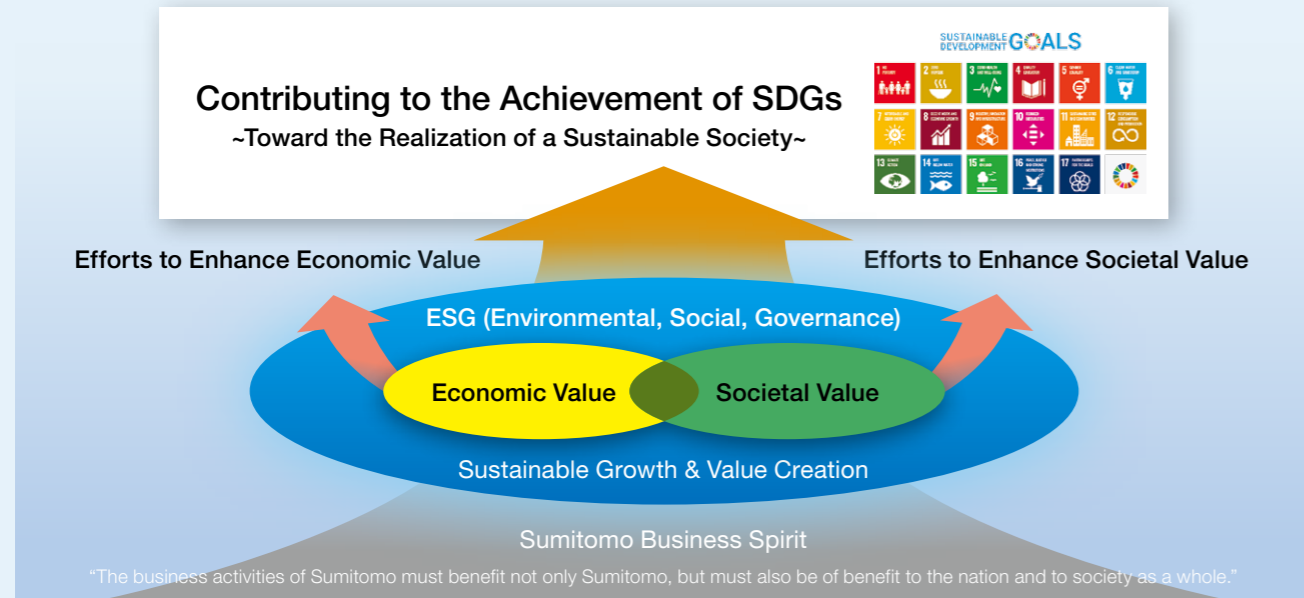
Through these efforts, we will also contribute to the achievement of SDGs by striving to ensure greater safety for all, to promote sustainable supply chains and to improve energy efficiency toward combating climate change and taking a step toward the

realization of a low-carbon society.

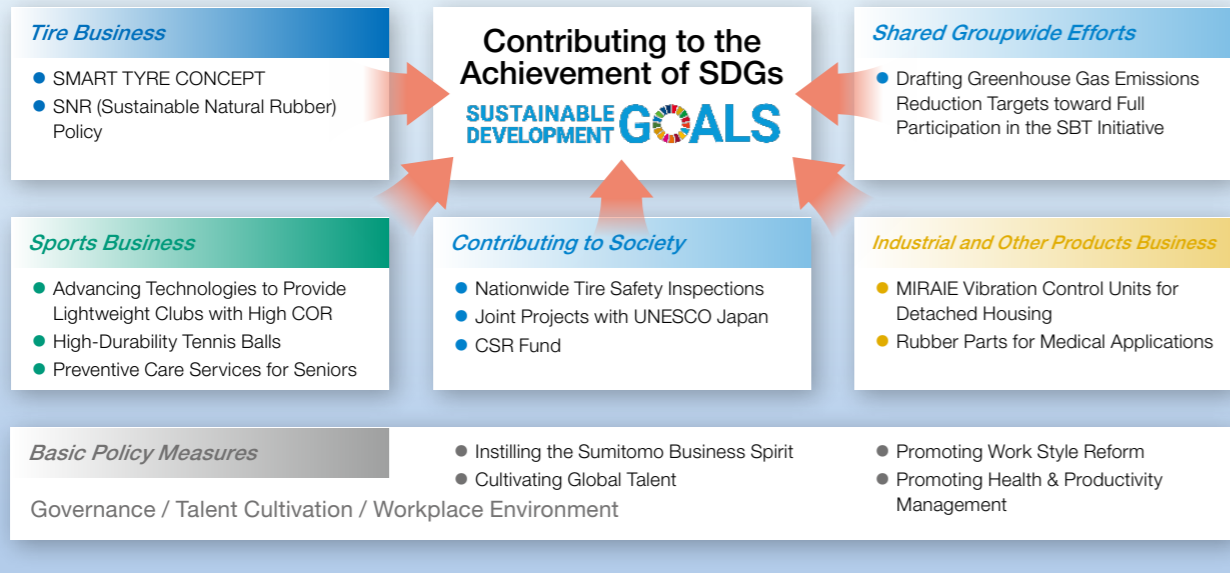
Toward these ends, we will engage in even more active efforts to advance our SMART TYRE CONCEPT and promote our “Sustainable Natural Rubber Policy,” which aims to achieve sustainable procurement of natural rubber (one of the most important raw materials in tires) for the sake of future generations.

In our Sports Business (Golf, Tennis, Fitness, etc.), we will contribute to the achievement of SDGs by working to promote greater physical and mental health for people of all ages.

In our Industrial and Other Products Business, we will contribute to the achievement of SDGs through such products as our rubber parts for medical applications and vibration control dampers, working to promote greater health for all by supporting the field of medicine while aiding in the creation of safer cities that are more resilient to natural disasters.



Promoting Efforts to Achieve SDGs through Our Business Activities



Tire Business



エナセーブ NEXT III
ENASAVE NEXT III

SMART TYRE CONCEPT

We are working to develop tires that fulfill the safety, environmental and other performance requirements of the Mobility Society of the Future by fully harnessing our 3 Core Technologies: technology that supports safety, technology that contributes to the environment, as well as the simulation and analysis technology that supports our overall R&D efforts.

At the same time, we will strive to create new Economic Value and Societal Value by adapting to the needs of CASE, MaaS and other new innovations that are transforming the automotive industry while providing new solutions services that fully utilize cutting-edge digital technology and more.

SNR (Sustainable Natural Rubber) Policy

With global demand for tires expected to grow alongside the development of the mobility societies of the future, there is now growing concern about the myriad problems that may arise from increased demand for natural rubber, such as environmental destruction caused by deforestation in producing regions or human rights violations associated with poor working conditions along the supply chain. In response to these concerns, the Sumitomo Rubber Group has established our own “Sustainable Natural Rubber Policy” with the aim of making natural rubber a sustainable resource for the future.

Developing Reduced Odor Natural Rubber & Improving Productivity

After identifying the factors that cause natural rubber to emit an odor, we have successfully developed “Reduced Odor Natural Rubber” at our group’s rubber plantation in Thailand. At the same time, we are also actively engaged in research to accelerate the growth of rubber trees and increase yields, taking full advantage of our in-house rubber plantation to promote productivity improvements on the supply side.

Sports Business



Advancing Technologies to Provide Lightweight Clubs with High COR

The Sumitomo Rubber Group hopes to enable more and more people to enjoy sports while maintaining good health for longer. And so, we have been pushing forward with the development of lighter golf clubs that feature a higher COR (coefficient of restitution) so that even golfers with declining physical strength can still swing the club and achieve carry distance with relative ease.

High-Durability Tennis Balls

Hard tennis balls can be considered consumable goods, as the air inside of tennis balls gradually leaks out during use, changing how the balls bounce over time. By developing and manufacturing tennis balls that suppress air leakage, we aim to reduce the environmental impact of our tennis balls by reducing the frequency with which they are disposed of and replaced.

Preventive Care through Functional Training Service

As part of our Wellness Business, we offer a range of preventive care programs for seniors, including exercises to prevent falls and the onset of dementia, through our “Wellness Park” day service, which provides exercise regimens with a focus on maintaining motor skills and other forms of functional training. Through these programs, we are contributing to improvements in QOL (quality of life) for senior citizens.

Industrial and Other Products Business



MIRAIE Vibration Control Units for Detached Housing

MIRAIE efficiently absorbs the vibration caused by earthquakes thanks to our proprietary High-Damping Rubber Technology, which uses a specialized rubber compound designed to rapidly convert seismic energy into heat energy.

Rubber Parts for Medical Applications

Bringing together rubber technology developed over our many years in the business and clean technology, the Sumitomo Rubber Group provides high-quality rubber parts for medical applications to support greater health and wellbeing for all.

Shared Groupwide Efforts

Drafting Greenhouse Gas Emissions Reduction Targets toward Full Participation in the SBT Initiative

As part of our efforts to combat global warming, we are now in the process of drafting new targets for reducing greenhouse emissions toward gaining recognition as a full participant in the Science Based Targets (SBT) Initiative. By working to achieve even more ambitious greenhouse gas emission reduction targets than the figures that we have promised to the Ministry of the Environment as a designated “Eco-First Company,” we will continue to contribute to the realization of a low-carbon society to stem the tide of climate change.

Basic Policy Measures

Governance / Talent Cultivation / Workplace Environment

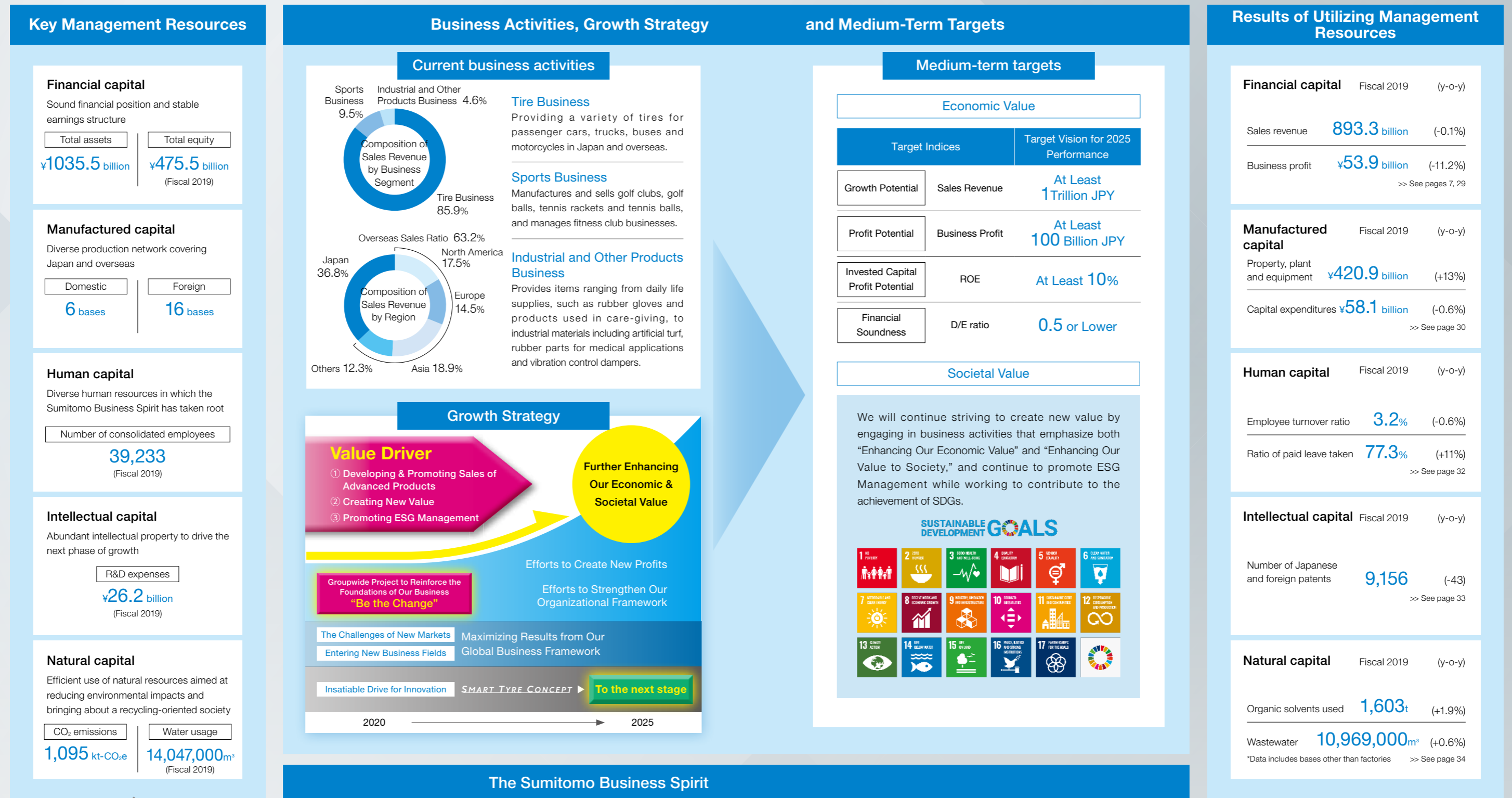
- Instilling the Sumitomo Business Spirit
- Promoting Work Style Reform
- Cultivating Global Talent
- Promoting Health & Productivity Management



*1 We were certified as one of the 40 companies in the “2020 Health & Productivity Stock Selection Program,” where companies that make strategic efforts to consider employee management from a managerial perspective are jointly selected and announced (in principle, one company from each industry) by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.
*2 We were certified in the “Certified Health and Productivity Management Organization Recognition Program 2020- White 500,” in recognition of the Company’s efforts to prevent lifestyle-related diseases and other illnesses and promote good health through regular health checkups and specific health guidance, jointly announced by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.
*3 We obtained the “L-boshi Certification (second level),” which is awarded by the Minister of Health, Labour and Welfare to employers with excellent performance in promoting women’s participation and career advancement.

The Sumitomo Rubber Group is committing a variety of management resources, both internal and external, to growing the business. Today, based on its newly formulated Midterm Plan, it is leading the way to further enhancements in economic and societal corporate value.

*The content that follows was announced in February 2020. As such, the contents of these pages do not account for the impact of COVID-19.



In addition to steadily linking medium- and long-term business opportunities to growth, so as to achieve sustainable growth, the Sumitomo Rubber Group works to distinguish and mitigate risk factors that could impair sustainable growth. In this section, we provide a brief discussion of the risks and opportunities in relation to changes in the business environment of the Sumitomo Rubber Group going forward, as well as the strengths we will leverage for the future development of the business.

	Management Issues	Business Opportunity	Risks	Strengths	Growth Opportunities
Tire Business	<ul style="list-style-type: none"> ● Maximizing results from our global infrastructure ● Developing products to respond to local market needs & ever higher performance demands ● Responding to the various issues present on the production floor by using digital technologies such as AI and IoT, and facilities automation to create smart factories 	<ul style="list-style-type: none"> ● Accelerated motorization due to population upsurge and economic growth in India, Africa, ASEAN, etc. ● Increased demand for tires made of sustainable raw materials 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 	<ul style="list-style-type: none"> ● Political instability in emerging countries ● Jump in the price of raw materials and crude oil ● Emergence of manufacturers from emerging countries ● Natural disasters, pandemics 	<ul style="list-style-type: none"> ● DUNLOP brand, which boasts over 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 complies with the labeling regulations for fuel-efficient tires ● Globally optimized production infrastructure ● World-leading simulation and analysis capabilities utilizing state-of-the-art supercomputers and so on 	<ul style="list-style-type: none"> ● Promoting sales expansion in advanced tires, such as those aimed at the growing SUV tire market ● Create new economic value and societal value by giving concrete form to the "SMART TYRE CONCEPT" for development of tires and peripheral services ● Provide tires that feature superior performance in terms of safety and fuel efficiency, manufactured using raw materials that feature reduced environmental impact, alongside peripheral services that bring together tires and various digital tools  <p>エナセーブ NEXT III ENASAVE NEXT III</p>
Sports Business	<ul style="list-style-type: none"> ● Maintaining top share in golf clubs, golf balls and tennis balls, and securing sales and profits in the Japanese market ● Enhancing global presence in golf and racket sports goods ● Strengthening efforts towards enhancement of "DUNLOP" brand value and expand the effect to the entire Sumitomo Rubber Group to generate synergies 	<ul style="list-style-type: none"> ● Expanding business opportunities following the acquisition of trademark rights of the "DUNLOP" brand throughout the world ● Raising awareness of health and sports among citizens, against the backdrop of an aging society 	<ul style="list-style-type: none"> ● Shrinking markets for golf and tennis as the players decrease ● Restrictions on leisure-related expenditure, driven by economic instability and uncertainty about the future ● Jump in the price of raw materials 	<ul style="list-style-type: none"> ● Providing products and services that are backed and differentiated by superior technical development capabilities, such as the utilization of state-of-the-art supercomputers ● Building brands and product appeal that have been refined at the highest levels of the Pro Tour stage ● Practicing marketing that is thoroughly based on user needs, and the global marketing capability to support that 	<ul style="list-style-type: none"> ● Developing & promoting sales of advanced products ● Expanding our Sports Business globally (Golf and Racket Sports Business) <ul style="list-style-type: none"> • In golf, enhancing our presence in North America, the largest market • In racket sports, leveraging the sales power we have cultivated in tennis balls, the brand power of Dunlop and our technical development capabilities, to grow sales ● Pursuing the diverse value and potential to be found in sports, so as to further enrich the customer's sporting life  <p>XXIO EXPERIENCE THE DIFFERENCE</p>
Industrial and Other Products Business	<ul style="list-style-type: none"> ● Enhancing research and development systems for high-value-added products in terms of quality and functionality, based on rubber technology ● Accelerating business developments into Europe and USA, shifting from the conventional business centered around Japan and other Asian countries 	<ul style="list-style-type: none"> ● Sustained growth in demand for rubber parts for medical applications on the back of the expansion of the global pharmaceutical market ● Rising demand for dampers for housing and building use in the vibration control business, associated with growing need for earthquake countermeasures 	<ul style="list-style-type: none"> ● Jump in the price of raw materials ● Fiercer competition ● Decline in Japan's population ● Market contraction ● Exchange rate changes 	<ul style="list-style-type: none"> ● 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 ● Move the headquarters for the Rubber Parts for Medical Applications Business to Europe in 2020 to build a global business operation in growth markets 	<ul style="list-style-type: none"> ● Expand the Rubber Parts for Medical Applications Business further in growth markets, using our acquisition of Swiss medical rubber products manufacturer Lonstroff AG, and by launching a new factory in Slovenia in 2019 for rubber parts for medical applications ● In the vibration control business, expand the lineup and increase sales of the "MIRAIE" Vibration Control Units for Detached Housing, utilizing the vibration control technology used in bridges and buildings  <p>「MIRAIE」 MIRAIE</p>

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.

T = Tires, S = Sports, I = Industrial and other products

Product development

Next-generation product development **T**

- Developing environmentally friendly products → P.55
- Advancing our SMART TYRE CONCEPT → P.14
- Developing natural rubber substitute material based on Russian dandelions

World's first noise-absorbing sponge "SILENT CORE" **T**

High-Precision Metal Core Type Manufacturing System used for tire production **T**

- "NEO-T01"

Intellectual capital **T** → P.33

- Ranked No.1 in rubber product industry in terms of patent assets
- Period covered: Apr. 2018–Mar. 2019, Patent Result research

Higher quality rubber **T** → P.33

- Natural rubber plantation and natural rubber processing

Establishing a trilateral global management system **T**

- Strengthening local development system → P.12



Golf club development that pursued carry and ease of hitting, combined with a pleasing sound when the ball is hit **S**

Procurement

Conducting procurement based on Procurement Guidelines **T S I**

- Confirming CSR Code of Conduct and safety of procured goods

Promotion of CSR procurement → P.60 **T S I**

- Business partner education program including CSR surveys and briefings

Promoting green purchasing **T S I**

- Reinforcing our environmental footprint management system, including reducing hazardous materials in raw materials

Conducting environmental risk audits at business partners **T S I**

- Making the response by business partners visible and providing leadership for improvements

Formulating sustainable natural rubber policy → P.60 **T I**

- Formulating policy to transform natural rubber into a sustainable resource



Production / supply

Reducing environmental impact of factories **T I** → P.53

- Reducing waste disposal
- Reducing water usage
- Reducing volume of NOx + SOx + dust

Green logistics **T I** → [website] Sumitomo (preventing global warming within logistics)

- Increasing modal shift rate

Maintain complete zero landfill waste **T I** → P.52

- Maintaining our "Complete Zero" landfill waste policy
- Establishing technology for 100% recycling of wastewater at factories

Pursuing same quality throughout the world **T**

- Holding Skill Olympics at 12 factories throughout the world

Improving logistics quality **T I**

- Reducing burden on drivers (reducing wait time, etc.)

Expanding sales of retread tires **T**

Reusing waste tires **T**

Recycling waste CFRP (carbon fiber reinforced plastic) **S**

→ [website] Sumitomo (recycling waste CFRP (carbon fiber reinforced plastic))

Recycling of golf balls for driving ranges **S**

→ [website] Sumitomo (recycling of golf balls for driving ranges)

Grommets* for tennis rackets using materials that use fossil-free resources **S**

→ [website] Sumitomo (developing environmentally friendly products)

*Grommet: a tubular resin part used in the holes in the frame through which the string (gut) passes

Sales / after service

Global sales network **T I**

Increasing brand value **T S I**

→ [website] Sumitomo (product/ business presentations)



Reinforcing overseas replacement tire expansion **T I**

- Expanding sales through UK-based Micheldever Group
- Starting up the European base **I** (Moving the headquarters for the Rubber Parts for Medical Applications Business to Europe from January 2020)



Obtaining customer opinions and making use of them to improve products and services **T I**

Pursuing improvements in customer-service skills

→ [website] Sumitomo (improving customer-service skills) **T**



IT-based customer management system (sharing information) **T I**

Expanding sales of fuel-efficient tires **T**

System for compensating customers for flat tires **T**

Provide customer experience using the "XXIO" brand **S**

→ [website] DSS ("XXIO" site within Golfing World)



Reinvigorating the golfing market through initiatives such as "+PLUS Golf" **S**

→ [website] DSS (G-ATTEND)

E

Environment

S

Social

Diverse human resources

- Ensuring diversity in employment

Fostering human resources and making work rewarding

- Global human resource training → P.32

Conducting procurement based on Procurement Guideline

- Confirming CSR Code of Conduct and safety of procured goods

Creating a safe, employee-friendly workplace

- Promoting health & productivity management → P.58

Achieving a Good Work-Life Balance → P.58

- Promoting use of childcare leave by male employees
- Daycare support system
- Shortened working hours for childcare

Respect for human rights → P.58

Promoting diversity

- Active participation of female employees throughout the world → P.58
- Continue to recruit employees with disabilities

G

Governance

Enhancing corporate governance → P.35

Bribery prohibition policy

Promoting efforts to improve quality of business partners

Ensuring thorough compliance → P.59

BCP measures

Information security → P.60

Promoting dialogue with stakeholders → P.60



Protecting whistleblowers Risk management → P.41

[website] Sumitomo (search keyword) → Sumitomo Rubber Industries website <https://www.srigroup.co.jp/>

[website] DSS (search word) → Dunlop Sports Style website <https://sports.dunlop.co.jp/>

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.

エナセーブ NEXT III

ENASAVE NEXT III

A fuel-efficient tire that features 50% less decline*¹ in wet grip performance over time, incorporates a hydrogenated polymer, and is also the world's first*² tire to use cellulose nanofiber high-performance biomass material to help achieve a low-carbon society.

*1: Compared to previous ENASAVE NEXT II product
*2: In-house research



VEURO VE304

Achieves the highest levels*³ of passenger cabin comfort through superior quietness and high-level steering stability. Furthermore, it incorporates Performance Sustaining Technology to prolong wet grip performance at the maximum level.

*3: Among our products



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.

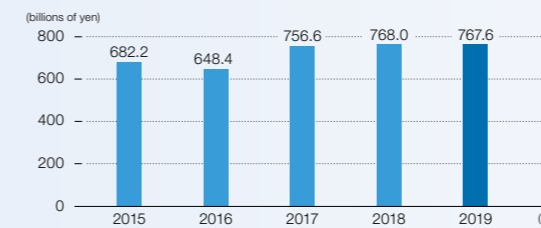
AZENIS FK510

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.

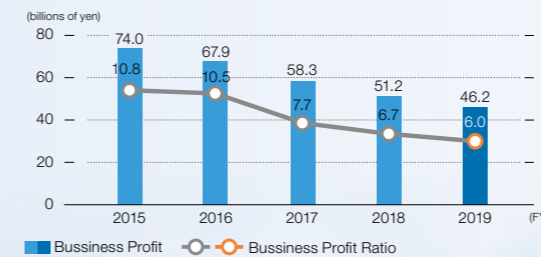


Results of Operations / Major Indicators

Sales Revenue



Business Profit* (Ratio)



* Business profit = Sales revenue - (Cost of sales + Selling, general and administrative expenses)
Figures shown for fiscal 2015 have been restated to comply with IFRS standards.

Year-on-Year Increase/Decrease in Tire Sales

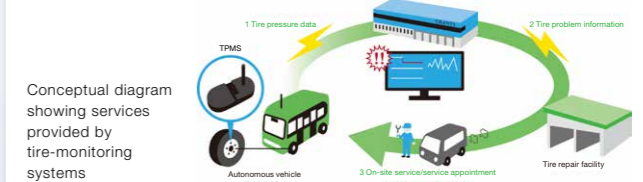
Volume	2018	2019
Domestic original equipment	3%	3%
Overseas original equipment	6%	7%
Domestic replacement	±0%	-7%
Overseas replacement	-2%	1%
Total	±0%	1%
Total sales volume (millions of tires)	12,361	12,436

Topics in fiscal 2019

Compatibility with autonomous vehicles Level 4

Joint development of tires and peripheral services with Gunma University

We began working together with the Center for Research on Adoption of NextGen Transportation Systems (CRANTS) of Gunma University on joint research into tires compatible with autonomous vehicles Level 4 (High Automation). We will utilize the outcome of this research to develop the intelligent tires required by Level 4, and to provide tire services using digital technology, thus contributing to the development of a safe and accident-free society that is suitable for next-generation mobility.



Joint development with Kansai University of technology to generate electricity within the tire using static electricity

In conjunction with Professor Hiroshi Tani of Kansai University, we have developed technology that uses electricity generation devices fitted to the inner surface of the tire to generate electricity through rotation, using static electricity. This applies a phenomenon known as the triboelectric effect, which is a kind of static electricity, so that when the tire rotates, the devices generate electricity with high efficiency. We expect this technology to be utilized in the power supplies a range of digital tools in future.

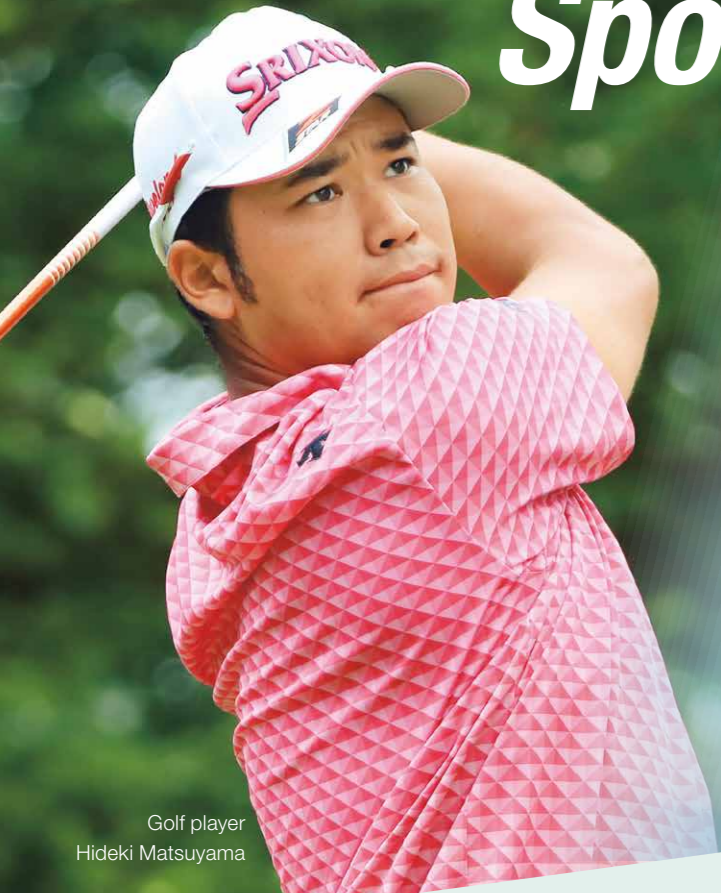
Moreover, in October 2018 this development theme was adopted under the Adaptable and Seamless Technology Transfer Program through Target-driven R&D (A-STEP)* of the Japan Science and Technology Agency, with support from which development is proceeding.

*A program to support joint research between industry and academia with the aim of building core technologies, consisting of investigating the potential and verifying the feasibility of technology seeds based on the research results of university and other research.



Electricity generation device fitted to the inner surface of a tire

Sports Business



Golf player
Hideki Matsuyama



Wheelchair
tennis player
Yui Kamiji

Golf Equipment

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

Since it was launched in 2000, our mainstay “XXIO” brand golf clubs have maintained the highest market share in Japan for 20 consecutive years*1, based on their carry, ease of hitting and the pleasing sound they produce when the ball is hit. The 11th generation models, “XXIO Eleven” and “XXIO X,” were launched in December 2019, and got off to a blazing start by taking the No.1*2 position in retail sales share for the month of the launch.



Source: Yano Research Institute Ltd., “YPS Golf Data”
*1 Annualized sales value basis for the total of woods and irons by sub-brand (2000-2019)
*2 Total value for products in same series, sales value basis (month of December 2019 only)

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 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.



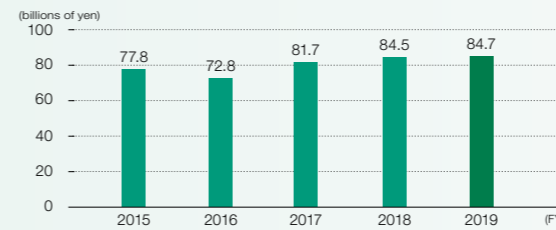
Tennis Equipment

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.

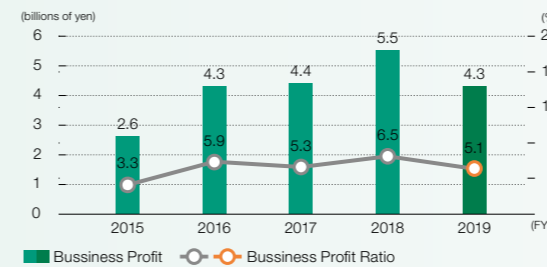


Results of Operations / Major Indicators

Sales Revenue



Business Profit* (Ratio)



* Business profit = Sales revenue - (Cost of sales + Selling, general and administrative expenses)
Figures shown for fiscal 2015 have been restated to comply with IFRS standards.

Topics in fiscal 2019

No.1 Ranking in terms of Domestic Retail Sales Value

In 2019, we maintained the No.1* ranking for domestic retail sales by manufacturer in the following categories.

- Golf clubs
- Tennis balls

*Source: Yano Research Institute Ltd., “YPS Data” actual retail sales trend survey (2019 share by value)

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 2019, Shane Lowry won his first major golf tournament in the



Shane Lowry

shape of the Open Championship, using a SRIXON Z585 driver and other clubs. In tennis, many other players took an active role, such as Jamie Murray winning the Mixed Doubles at the US Open.

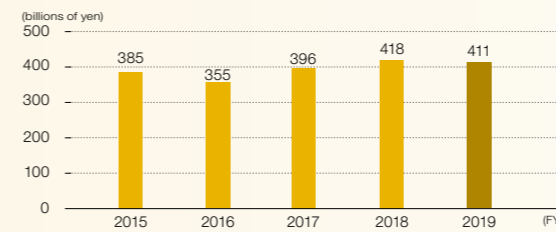
Dunlop Sports Club large store opened in Tsukuba City

“Dunlop Sports Club Tsukuba” opened its doors within Aeon Mall Tsukuba as the second outlet in Ibaraki Prefecture, and the 20th nationwide, as part of the Sumitomo Rubber Group’s chain of comprehensive fitness clubs. With three floors above ground, this facility is fully equipped with a pool, fitness machines, studios, a golf range and tennis courts. Going forward, we will do our best to support the health promotion among local residents.

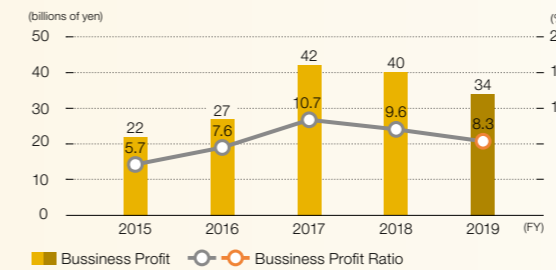
Industrial and Other Products Business

Results of Operations / Major Indicators

Sales Revenue



Business Profit* (Ratio)



* Business profit = Sales revenue - (Cost of sales + Selling, general and administrative expenses)
 Figures shown for fiscal 2015 have been restated to comply with IFRS standards.

Topics in fiscal 2019

Hardcourts for tennis “DecoTurf” selected for Ariake Tennis Park tennis courts

“DecoTurf,” a hardcourt for tennis, sold and installed by our subsidiary Sports Surface Co., Ltd, has been selected for the tennis courts in Ariake Tennis Park (Koto-ku, Tokyo), with installation on the Ariake Coliseum center court beginning in May 2019.

“DecoTurf” is a hardcourt that has been used for more than 40 years at the US Open, which is one of the world’s four major tennis championships, and has been adopted for the venues of many other international competitions. In Japan, DecoTurf has also been employed for venues such as those used by the National Athletic Meet, and it was the positive view taken of this track record that led to its adoption in Ariake.

We will continue to help maintain a comprehensive environment for tennis competition by selling tennis equipment, and operating schools and competitive sporting facilities under the Dunlop brand.



Image of the arena after the competition (as of January 2019)
 Source: Tokyo Metropolitan Government

Vibration control dampers used for historic building in the Philippines

Vibration control dampers utilizing our ultra-high damping technology were recently installed in the building of the former head office of Bank of China in Manila, the Philippines. The former head office of Bank of China is a historic structure that was built in 1924. This is the first deployment of our vibration control dampers in the Philippines.

The former head office of Bank of China has been equipped with vibration control dampers



Rubber parts for medical applications

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



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.



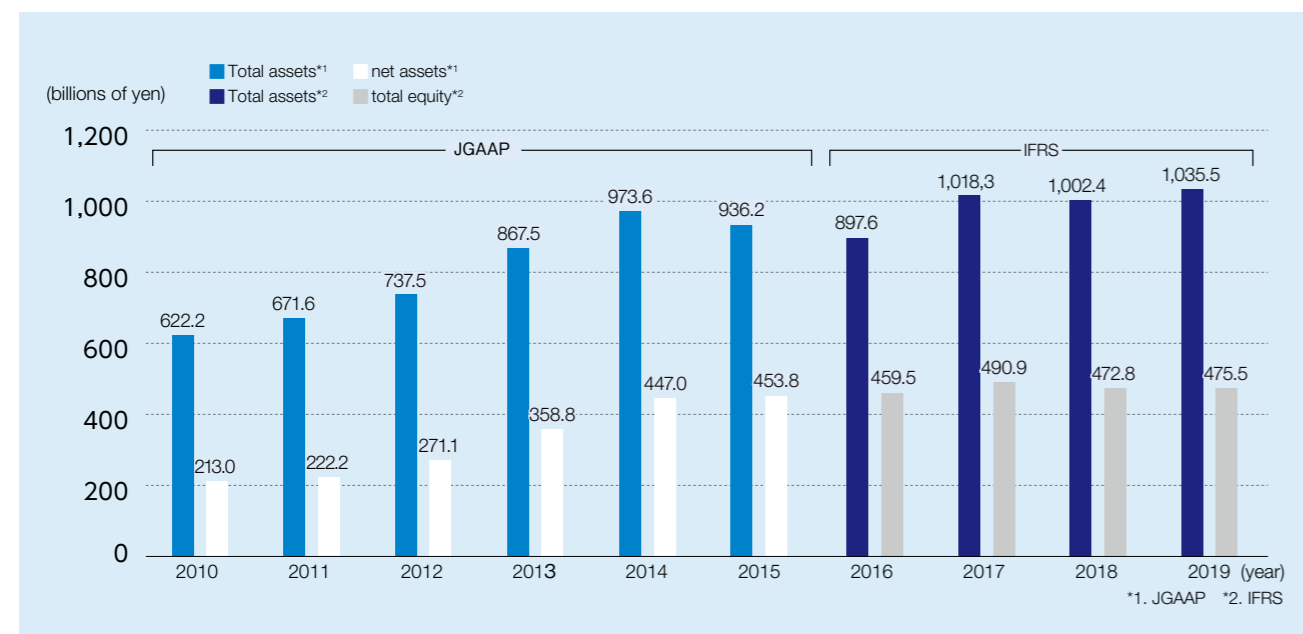
In addition to financial capital, the Sumitomo Rubber Group regards manufactured capital (such as factories and production facilities), diverse human capital, intellectual capital (including research & development capabilities and intellectual property), and natural capital (such as energy resources) as key management resources.

In this section, we provide a brief discussion of our approach to the different types of capital, and their current status.

Financial capital (financial position)

For the Group, sound financial capital is a key management resource that supports sustainable growth. Total assets at the end of fiscal 2019 were ¥1,035.5 billion, and total equity was ¥475.5 billion.

Total assets / net assets, total equity



Financial position

Total assets at the end of fiscal 2019 were ¥1,035.5 billion, an increase of ¥33.1 billion over the end of the previous fiscal year.

Current assets fell by ¥16.8 billion, due to declines in cash and cash equivalents, but an increase in right-of-use assets driven by the adoption of IFRS 16 caused an increase in property, plant and equipment, leading to a rise of ¥49.9 billion in non-current assets.

Total liabilities at the end of fiscal 2019 were ¥559.9 billion, an increase of ¥30.4 billion over the end of the previous fiscal year. Interest-bearing debt came to ¥325.5 billion, rising ¥42.0 billion over the end of the previous fiscal year.

Total equity at the end of fiscal 2019 was ¥475.5 billion, of which total equity attributable to owners of parent was ¥460.8 billion, for ratio of equity attributable to owners of parent of 44.5%. Equity attributable to owners of parent per share was ¥1,752.07.

Securing liquidity

Going forward, the Group's policy is to continue its program of capital expenditures for the purpose of increasing production capacity in order to support the expansion of sales, primarily overseas. However, while increasing sales volumes and improving profitability so as to expand cash flows from operating activities, we will also utilize the funding from financial markets and institutions, etc. as required, seeking a balance between growth on the one hand and securing liquidity and improving our financial position on the other hand.

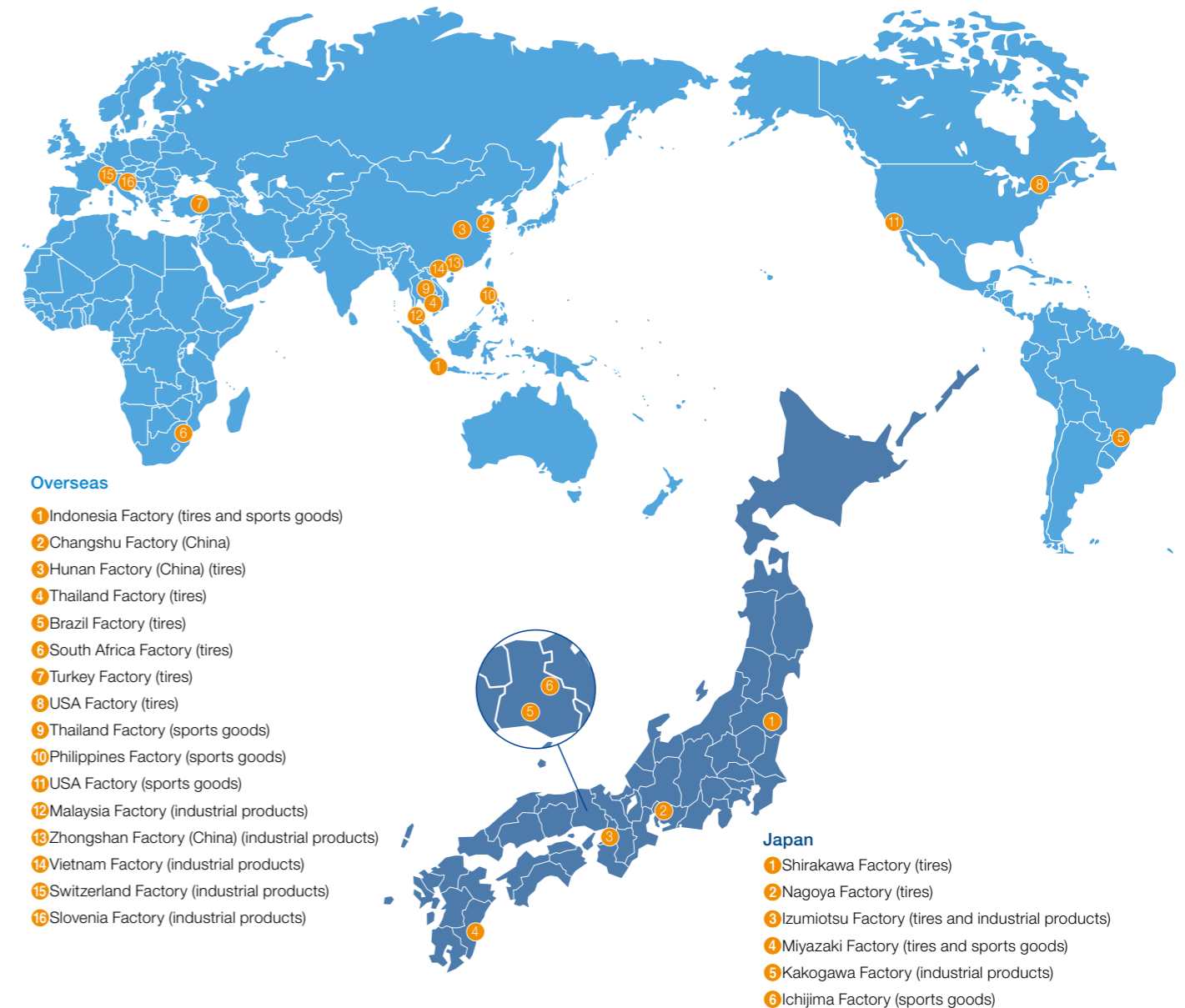
Shareholder returns

We recognize that returns to shareholders is the most important issue. Our basic policy is to provide stable rewards to shareholders over the long term, while taking into account such factors as the consolidated dividend payout ratio, the outlook for business performance, and the level of internal reserves.

The annual dividend per share for fiscal 2019 was ¥55.

Manufactured capital (production infrastructure, capital expenditures)

The Group, which is expanding its business globally, possesses six domestic bases and 16 overseas bases in its production network. In fiscal 2019, we implemented a total of ¥58.1 billion in capital expenditures.



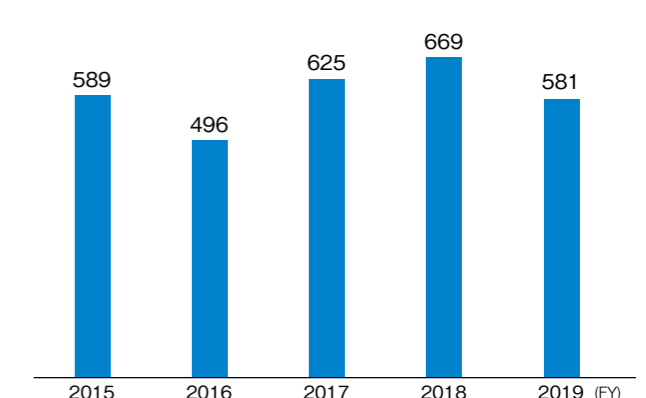
Capital expenditures

As a rule, the companies of the Group each take into account medium-term demand forecasts, production plans, and the ratio of investment to profit, and formulate capital expenditures accordingly. In the case of important plans, the Company takes the central role in coordinating the Group, primarily for the purpose of optimization.

In fiscal 2019, we implemented ¥58.1 billion in capital expenditures, centered on enhancing overseas production facilities of high value-added products in the Tire Business, mainly at the Turkey Factory, Thailand Factory, Chinese and other factories.

The funds for capital expenditures were allocated mainly from internal sources and from borrowings.

Capital expenditures (billions of yen)



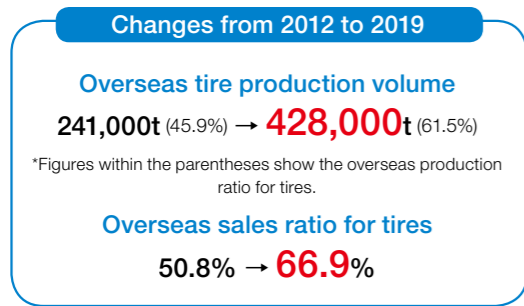
Production infrastructure

Tire Business

Establishing a globally optimized production infrastructure

The development of global production infrastructure in the Tire Business began in 1997 with the Indonesia Factory, and the number of production bases continued to expand steadily with the opening of the Changshu Factory in China in 2004, the Thailand Factory in 2006, and the Hunan Factory in China in 2012.

In order to further strengthen the supply infrastructure, we are currently moving forward with plans to extend the Thailand Factory into one of the largest of its kind in the world, in addition to which we moved steadily ahead with the expansion and enhancement of other production facilities, such as by beginning production at the Brazil Factory and South Africa Factory in 2013, and at the Turkey Factory in 2015, while in the United States we acquired a factory in New York state as the Group's U.S. base.



Overseas production of tires rose by 78% between 2012 and 2019, and the overseas sales ratio for tires increased from 50.8% to 66.9%.

Entry into Emerging Markets

Driven by the global expansion in demand for vehicles, centered on emerging countries, worldwide demand for tires is increasing steadily year by year. The Group has been working towards the target of raising the ratio of its sales derived from emerging countries (excluding China) from a total of approximately 10% in 2011, to 20% in 2020.

Specifically, we began operations at the Brazil Factory in October 2013 and at the Turkey Factory in June 2015, in addition to which we started operations at the South Africa Factory that we acquired from Apollo Tyres Ltd. South Africa for use by the Group in December

2013. We also established sales companies in Russia, India, and Australia, and have continued to steadily expand production capacity and sales networks.

Expanding Our Business in Europe & the Americas

With the dissolution in 2015 of the alliance agreement and joint ventures with The Goodyear Tire & Rubber Company, the businesses in Europe and North America were freed from various restrictions, and became able to take a more flexible and proactive approach to expansion.

Utilizing the USA Factory, which we acquired after the dissolution of the alliance in North America, and the Turkey Factory in Europe, we will bolster supply of high performance tires and take steps to reinforce the product lineup, with the Group exerting all its strength, and working as one, to expand the business in Europe & the Americas.

Sports Business

Proving ourselves worthy of the trust of users through superior production technology and the ingenuity of our employees

The Company began the domestic manufacture of golf balls and tennis balls in 1930. Golf balls, such as SRIXON and XXIO, which are the mainstay of the Sports Business, are currently manufactured at the Ichijima Factory (Tamba City, Hyogo Prefecture), and the Indonesia Factory. In addition to the manufacture of golf clubs, manufacturing subsidiary Dunlop Golf Club Corp. (Miyakonojo City, Miyazaki Prefecture) is involved in custom clubs to meet the needs of a wide variety of customers.

In tennis, we have tennis ball factories in the Philippines and Thailand, where we manufacture balls for the Australian Open and the major events on the ATP Tour.

Industrial and Other Products Business

Raising production capacity for the Rubber Parts for Medical Applications Business

In the growing the Rubber Parts for Medical Applications Business, since beginning production of rubber stoppers for medical use at the Izumiotsu Factory in 2000, we have developed a global production infrastructure by continuing the expansion to the Kakogawa Factory in 2010, the Swiss Factory in 2015, and the Slovenia Factory in 2017.

Human capital

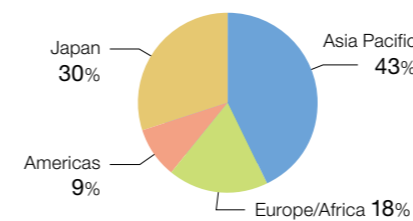
(number of employees, fostering human resources, promoting work style reform)

The basic aim of the Group is to respect the human rights of employees, to foster human resources while taking employee-friendly workplaces into consideration, and to enhance corporate value by effectively utilizing these human resources.

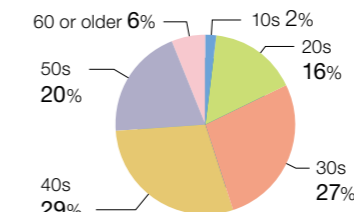
Employees

	2015	2016	2017	2018	2019
Number of consolidated employees	33,197	33,792	36,650	37,852	39,233
Japan	12,055	11,677	11,606	11,674	11,837
Overseas	21,142	22,115	25,044	26,178	27,396
Number of employees (Sumitomo Rubber Industries Ltd. (Non-Consolidated Basis))	6,753	6,693	6,666	7,175	7,325
Average years of service (Sumitomo Rubber Industries Ltd. (Non-Consolidated Basis))	16.6	16.5	16.2	15.9	15.7
Men (Years)	16.8	16.7	16.4	16.3	16.1
Women (Years)	13.3	13.3	13.0	12.6	12.2
Employee turnover ratio (Sumitomo Rubber Industries Ltd. (Non-Consolidated Basis))	3.2	3.5	3.9	3.8	3.2

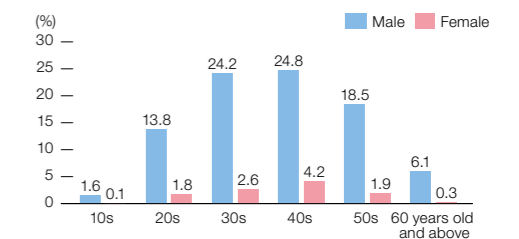
Composition by Region



Composition by Age (Sumitomo Rubber Industries Ltd. (Non-Consolidated Basis))



Composition by Sex (Sumitomo Rubber Industries Ltd. (Non-Consolidated Basis))



Basic perspective on human resources

The Group fosters human resources through a combination of three components: OffJT such as group training, etc., OJT at each division, and self-study. In order for the Group to survive as a truly global player, employees must be able to communicate regardless of differences in culture and language, and develop the ability to solve problems. We are planning grade-specific training that begins with younger employees, with the aim of helping them acquire critical thinking and problem solving skills.

With regard to the systematic operation of human resource development, in addition to OJT and self-study, we are promoting a variety of training programs to enable employees to improve their skills, centered on the efforts of the Human Resources Department and the Production Training Department.

As for the fostering of global human resources, we are strengthening the fostering of overseas human resources, with the goal of achieving identical product quality irrespective of the factory in which it was made, so that all employees are able to grow and to feel job satisfaction.

Manufacturing education puts the emphasis on manufacturing technology and craftsmanship in Japan and overseas.

In workplace supervisor training, the focus is on putting what has been learned to subsequent practical use. In order to raise the level of workplace management, we are conducting various activities to establish that a consistent, Group-wide philosophy across the Group.

Work style reform / promoting diversity

With regard to our approach to work style reform / promoting diversity, within the Company we have publicized the commitment made by top management to this goal, and promote related activities. In this context, our approach to promoting diversity and inclusion is supported by the two pillars of creating a lively corporate culture, in which people from diverse backgrounds respect each other, and using digitalization to create time and take up the challenge of higher value-added work. In this way, we hope to open the way to satisfaction for all employees and to enhancements in corporate value.

We are also working to energize our communications as an important measure for implementing work style reform / promoting diversity. In order to encourage understanding of people with diverse backgrounds and values, we are implementing discussion meetings, networking events, and training on unconscious bias. By deepening mutual understanding, we seek to move forward with the creation of a corporate culture that enables employees with diverse attributes, and who have experienced a variety of life events, to take an active role at work. In fiscal 2019 we implemented unconscious bias training for around 50 candidates for management, and in fiscal 2020 we plan to extend this to cover all management positions.

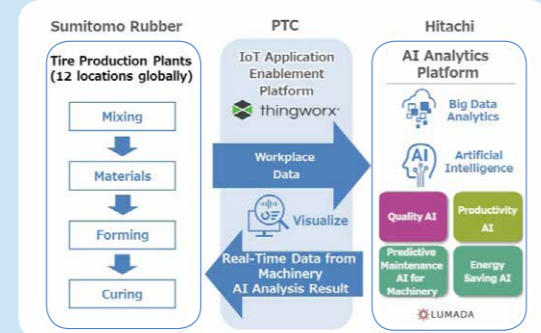


Diversity & inclusion workshop

Collaboration aimed at raising productivity for tires

In October 2019, the Company began full-scale collaboration with Hitachi, Ltd. and PTC Japan, in relation to building a global production system for tires that utilizes AI and IoT platforms to achieve high quality and high performance production.

In concrete terms, we will achieve high quality and high performance production by means of speedy decision-making, based on the visualization of data from within the production site, in conjunction with AI analysis. Going forward we plan to gradually move forward with the deployment of the system, so that the rollout to all 12 tire factories in Japan and overseas is completed by 2025.



Conceptual diagram of deployment of high quality and high performance production system utilizing AI and IoT platforms

Intellectual capital (research and development, intellectual property strategies, etc.)

The Sumitomo Rubber Group promotes a wide range of research and development in domains or fields related to tires, sports and industrial and other products businesses. The intellectual capital accumulated through such activities becomes the driving force that generates products with competitive advantages, as well as new growth.

The State of Our Intellectual Capital

	2015	2016	2017	2018	2019
R&D Expenses (millions of yen)	23,372	24,257	25,720	25,780	26,198
Ratio of R&D Expenses to Sales Revenue (%)	2.9	3.2	3.8	2.9	2.9
Number of Japanese and Foreign Patents (Number of patents held)	7,849	8,745	9,183	9,199	9,156

R&D Activities

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

Guided by the underlying concept of "What tire technology can do for the global environment," the Tire Business focuses its R&D efforts on developing environmentally friendly products by focusing on three areas: "innovative materials," "fuel efficiency" and "resource conservation." The Tire Technical Center, located near the Kobe Head Office, serves as the core facility for these initiatives, in collaboration with the Europe and USA Tire Technical Centers.

In the 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 by employing computer simulations and other technologies.

In the 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 parts for medical applications and precision rubber parts for office equipment.



Development of "Reduced Odor Natural Rubber," that significantly reduces the smell of natural rubber

In order to respond to the global rise in environmental awareness, the Company is working on research and development that includes initiatives to improve the quality of natural rubber, and to improve the performance of tires by utilizing high-performance biomass materials. In particular, natural rubber accounts for approximately 30%* of tire raw materials by weight, which is a significant percentage, so we have taken the initiative in resolving the issues associated with natural rubber.

The recently developed "Reduced Odor Natural Rubber" uses a proprietary technique applied during the raw material processing stage at our natural rubber processing plant in Thailand. This controls the phenomenon that causes the odor to be generated, and significantly reduces the smell. By establishing this technique, we expect to contribute to the resolution of the odor problem not only at the natural rubber processing factory, but also at sites like tire manufacturing facilities.

*Source: The Japan Automobile Tyre Manufacturers Association, Inc., "TYRE INDUSTRY OF JAPAN 2019"

Intellectual Property Strategies

The Group proactively carries out intellectual property activities that support its businesses.

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. 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.

Focusing on the above-mentioned three pillars, the Group will promote the more efficient implementation of intellectual property activities at a global level.

Natural capital (realization of a low-carbon, recycling-oriented society)

Bounties of the Earth, such as natural rubber, which are an element of natural capital, constitute a key management resource for the sustainable growth of the Group. Based on this awareness, the Group is working to conserve the environment and to use finite energy resources effectively.

Environment Indicators

Global Network of Production & Sales Bases	2015	2016	2017	2018	2019
CO ₂ emissions (business activities) (kt-CO ₂ e)	786	1,011	1,036	1,073	1,095
Waste disposal (kt)	17.9	17.4	16.6	22.2	32.3
Water usage (1,000 m ³)	9,852	13,774	14,523	14,373	14,047
Wastewater (1,000 m ³)	7,724	11,438	10,824	10,909	10,969
Organic solvents used (t)	1,100	1,045	1,055	1,573	1,603
Number of trees planted*	8	7	4	5	4

*Not including the provision of seedlings

Creating a Low-Carbon Society

In response to the problem of climate change, the Group is working to reduce CO₂ emissions over the whole life-cycle of its products, from raw material procurement to final disposal.

In addition to taking steps to reduce CO₂ emissions during the use of the tire, which accounts for approximately 85% of life-cycle CO₂, we began seeking to ascertain CO₂ emissions at raw material suppliers in 2018, and plan to link this to reduction efforts going forward. Also, in terms of reducing CO₂ emitted in the course of business activities (Scope 1 & 2), we are working on such initiatives as switching fuel types, installing cogeneration systems, and general energy-saving activities.

Building a Recycling-Oriented Society

In response to the problem of waste, we are taking steps to control the amount of waste generated, to convert it to something of value, and to promote recycling. As part of this, since 2010 we have been continuing our efforts to move to zero emissions at our major bases both in Japan and overseas, by reducing landfill waste to zero, and moving to 100% reuse of resources.

In response to conservation of water resources, we are making efforts to reduce water usage, and promoting recycling. In 2019, the Turkey Factory achieved 100% recycling of wastewater, and we plan to extend this further to other factories.

Greening Initiatives

We are promoting greening initiatives at our sites and the areas surrounding them, both in Japan and overseas. On the subject of promoting biodiversity, the Company is involved in programs such as the "Acorn Project," whose goal is to conserve genetic biodiversity, and in the creation of biotopes.

Promoting environmental footprint management

In order to reduce chemical substances, we are implementing measures to cut the release and transfer of chemicals subject to PRTRs, as well as conducting activities to reduce the amount of organic solvent waste.

Sustainable Natural Rubber Policy













The Company has announced "Sustainable Natural Rubber Policy" in accordance with the philosophy of the GPSNR*, which was founded on November 16, 2018, to promote natural rubber as a sustainable resource. In line with this policy, we seek to resolve issues in regions where natural rubber is produced, such as environmental problems caused by the destruction of forests, and human rights problems in the working environment.

*Global Platform for Sustainable Natural Rubber


Corporate Governance

Directors, Audit & Supervisory Board Members and Executive Officers (As of March 26, 2020)


Directors and Audit & Supervisory Board Members

	Chairman of the Board Ikuji Ikeda		Representative Director, President and CEO (President) Satoru Yamamoto
	Representative Director (Vice President) Minoru Nishi		Representative Director (Vice President) Kazuo Kinameri
	Director (Managing Executive Officer) Yasutaka Ii		Director (Senior Executive Officer) Hiroki Ishida
	Director (Senior Executive Officer) Yutaka Kuroda		Director (Senior Executive Officer) Naofumi Harada
	Director (Senior Executive Officer) Mitsuteru Tanigawa		Outside Director* Keizo Kosaka
	Outside Director* Kenji Murakami		Outside Director* Nobuyuki Kobayashi


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



Standing Audit & Supervisory Board Member
Hiroaki Tanaka




Standing Audit & Supervisory Board Member
Takashi Kono



Outside Audit & Supervisory Board Member*
Morihiko Murata



Outside Audit & Supervisory Board Member*
Asli M. Colpan



Outside Audit & Supervisory Board Member*
Hirofumi Yasuhara

Executive Officers

Senior Executive Officer

Naoki Yamada	Hidekazu Nishiguchi
Takanori Aoi	Kiyoshige Muraoka

Executive Officer

Toshihiko Komatsu	Akio Onishi
Tomohiko Masuta	Naofumi Yanetani
Masatsugu Nishino	Atsuhiko Tanaka
Eiichi Masuda	Fumikazu Yamashita
Kenji Saito	Yasuo Watanabe
Hirotohi Murakami	Riaz Haffejee
Richard Smallwood	Takuzo Iwata
Hideaki Kawamatsu	Naoki Okawa

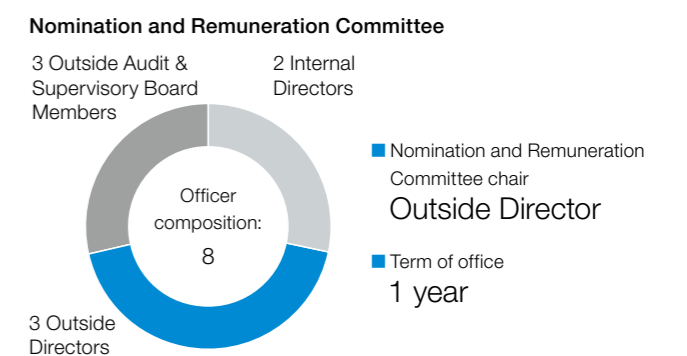
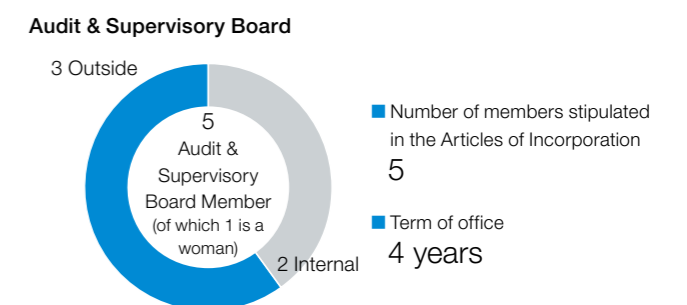
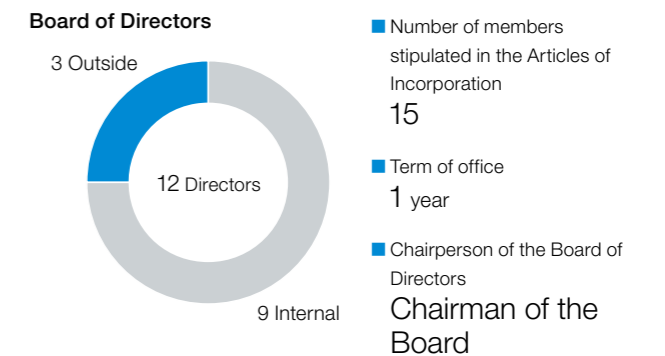
Basic Perspective

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, 2020)

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



① Board of Directors and Directors

14 meetings in fiscal 2019

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 2019, 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 2019

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 2019, 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 96% attendance among members in fiscal 2019.

③ Corporate Ethics Committee

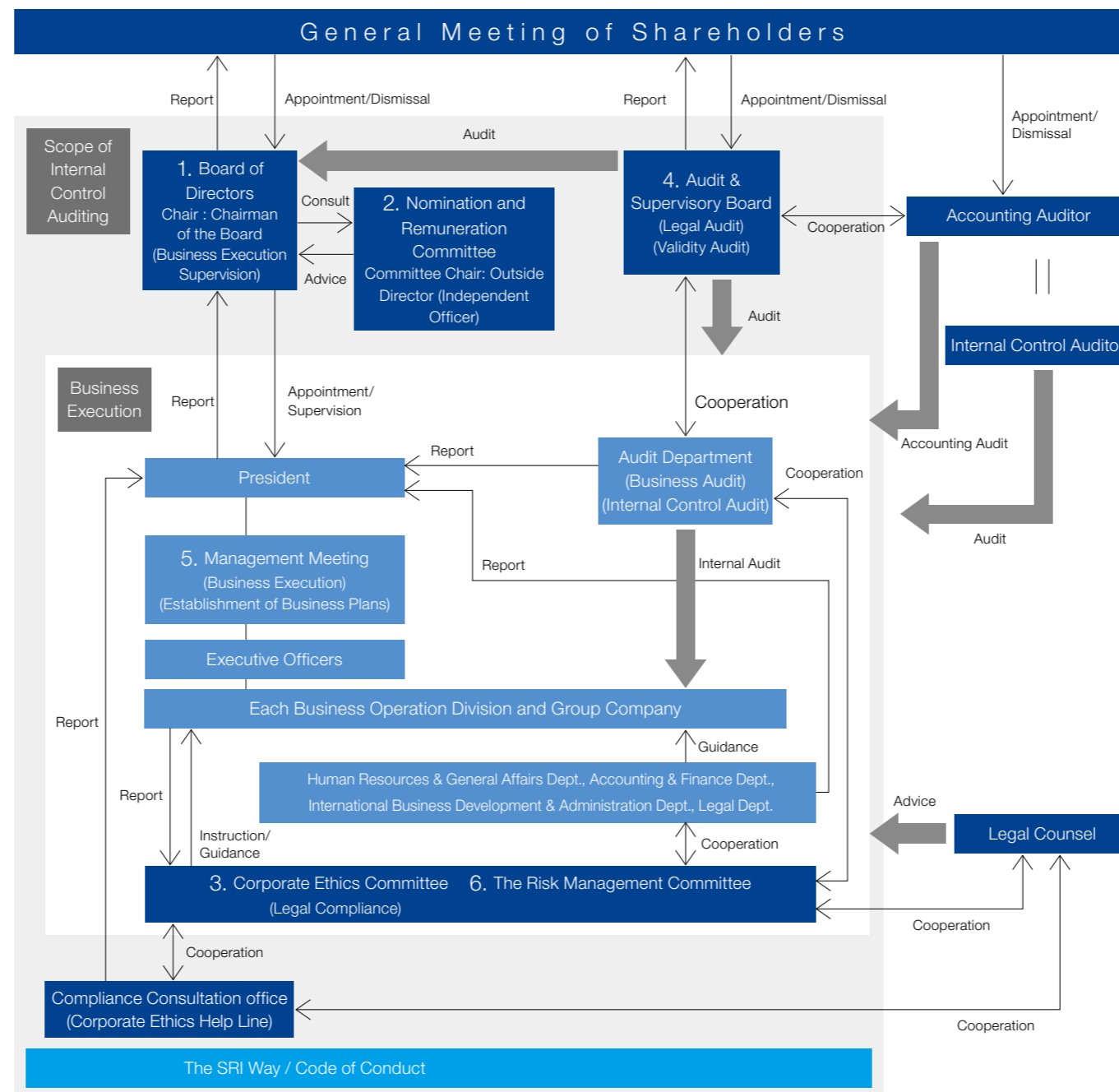
4 meetings in fiscal 2019

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 or 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 2019, 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, 2020)



④ Audit & Supervisory Board and Audit & Supervisory Board Members

12 meetings in fiscal 2019

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 2019, the board met 12 times, and Outside Audit & Supervisory Board Members attended 97% of Audit & Supervisory Board meetings.

⑤ Management Meeting

25 meetings in fiscal 2019

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 25 times in fiscal 2019.

⑥ Risk Management Committee

2 meetings in fiscal 2019

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. The Management Meeting was convened twice in fiscal 2019.

Officer	Name	Reason for selection	Fiscal 2019 Attendance at Board of Directors meetings
Outside Director	Keizo Kosaka	Mr. Keizo Kosaka provides valuable comments and opinions from an objective perspective, leveraging his abundant knowledge as an attorney who excels at corporate legal affairs and experience in corporate management as a Chairman of Irokawa Legal Professional Corporation, outside auditor of Toyo Aluminium K.K., Sekisui Plastics Co., Ltd., and Techno Associe Co., Ltd. The Company requests his appointment based on its judgment that he would contribute to the improvement of the Company's corporate governance.	14 of 14 times
	Kenji Murakami	Mr. Kenji Murakami has ample knowledge in corporate management, with substantial experience in corporate management as Representative Director, President and COO of Daiwa House Industry Co., Ltd. The Company requests his appointment based on its judgment that he would contribute to the improvement of the Company's corporate governance.	14 of 14 times
	Nobuyuki Kobayashi	Mr. Nobuyuki Kobayashi has been engaged mainly in the accounting and finance section at Sumitomo Electric Industries, Ltd. and gained extensive experience and broad insights as a manager, based on his experience as Managing Director of the said company. The Company requests his appointment based on its judgment that he would contribute to the improvement of the Company's corporate governance.	Appointed in March 2020

Officer	Name	Reason for selection	Attendance at meetings in fiscal 2019	
			Board of Directors	Audit & Supervisory Board
Outside Audit & Supervisory Board Member	Morihiro Murata	Mr. Morihiro Murata expresses opinions on the execution of business by directors from an objective viewpoint as an outside audit & supervisory board member, based on his considerable knowledge in finance and accounting as a certified public accountant and tax accountant and corporate management experience while serving as outside director, audit & supervisory committee member of Kagome Co., Ltd., as well as outside audit & supervisory board member of Kokuyo Co., Ltd. The Company requests his appointment based on its judgment that he would contribute to the reinforcement of the Company's audit system.	13 of 14 times	11 of 12 times
	Asli M. Colpan	Ms. Asli M. Colpan has extensive knowledge in corporate management based on her advanced academic knowledge as a professor specializing in management strategy and corporate governance, as well as experience of involvement in corporate management as an Outside Director of Gourmet Kineya Co., Ltd. and NISSHA Co., Ltd. The Company has appointed Ms. Colpan as an Outside Audit & Supervisory Board Member in expectation that her opinions and suggestions based on such knowledge will contribute to reinforcing the Company's audit system.	14 of 14 times	12 of 12 times
	Hirofumi Yasuhara	Mr. Yasuhara has ample knowledge of corporate management, with experience in corporate management as Representative Director, President of PanaHome Corporation (currently Panasonic Homes Co., Ltd.), as well as Senior Audit & Supervisory Board Member of Panasonic Corporation and Outside Auditor of Santen Pharmaceutical Co., Ltd. The Company requests his appointment based on its judgment that he would contribute to the reinforcement of the Company's audit system.	Appointed in March 2020	

Evaluation of the Effectiveness of the Board of Directors

Since 2016, Sumitomo Rubber Industries has conducted 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 2019, the survey was conducted between September and October, and discussions were held in December. 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.

With regard to providing fuller information to outside officers, which was proposed in the previous survey, we have strengthened the sharing of information related to the Management Committee, Corporate Ethics Committee, and Risk Management Committee since 2019, and have confirmed that this led to a reinvigoration of discussions at Board of Directors meetings.

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

Board of Directors Measures to enhance effectiveness

Fiscal year of questionnaire survey	Issues	Measures taken (implemented in the fiscal year following that in which the questionnaire survey was conducted)
Before 2017	<ul style="list-style-type: none"> Extend discussion times in relation to strategic matters More complete information to be provided to officers in advance 	<ul style="list-style-type: none"> Raising the monetary criteria for tabling an item at a Board of Directors meeting <ul style="list-style-type: none"> Monetary limit for tabling an item at a Board of Directors meeting was raised in order to discontinue the tabling of insignificant items, and enable that time to be used to discuss strategic and important issues. Earlier provision of materials <ul style="list-style-type: none"> Revised certain operating rules so as to enable materials provided in advance to be sent out earlier.
2018	<ul style="list-style-type: none"> Revitalization of discussions 	<ul style="list-style-type: none"> More complete information to be provided to outside officers in advance <ul style="list-style-type: none"> Hitherto, regular "Management Meeting Reports" and "Executive Officer Reports" had been presented to the Audit & Supervisory Board Members, in a different setting to that of the Board of Directors, and outside Directors were added to this arrangement. Regular new reports to the Board of Directors also began in relation to the status of the Corporate Ethics Committee and the Risk Management Committee.
2019	<ul style="list-style-type: none"> Further revitalization of discussions 	<ul style="list-style-type: none"> Further steps to provide more complete information to outside officers in advance <ul style="list-style-type: none"> Hitherto, explanations of the content of discussions at the Management Meeting related to agenda items at the Board of Directors had been sent in advance to outside officers, but we will work to ensure that sufficient time is allowed, and share more specific details. Improvements to the operation of reports on business of which executive officers are in charge <ul style="list-style-type: none"> Hitherto, executive officers had presented regular reports on business of which they are in charge at Board of Directors meetings, but we will revise the way this is operated to provide solid opportunities to exchange opinions, based on specific reporting themes.

Main topics of discussion at Board of Directors meetings in 2019 (agenda items)

- Progress report and issues related to the Midterm Plan for each business
- Response going forward in relation to the results of the questionnaire survey on the effectiveness of the Board of Directors
- Status of the Risk Management Committee and Corporate Ethics Committee
- Disposal of part of Cross-shareholdings



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	¥526 million
Audit & Supervisory Board Member	6	¥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 one Director and one Audit & Supervisory Board Member who resigned as of March 26, 2019.

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. With a close eye on legal issues, the Company also takes such measures as seeking advice from corporate attorneys as circumstances demand.

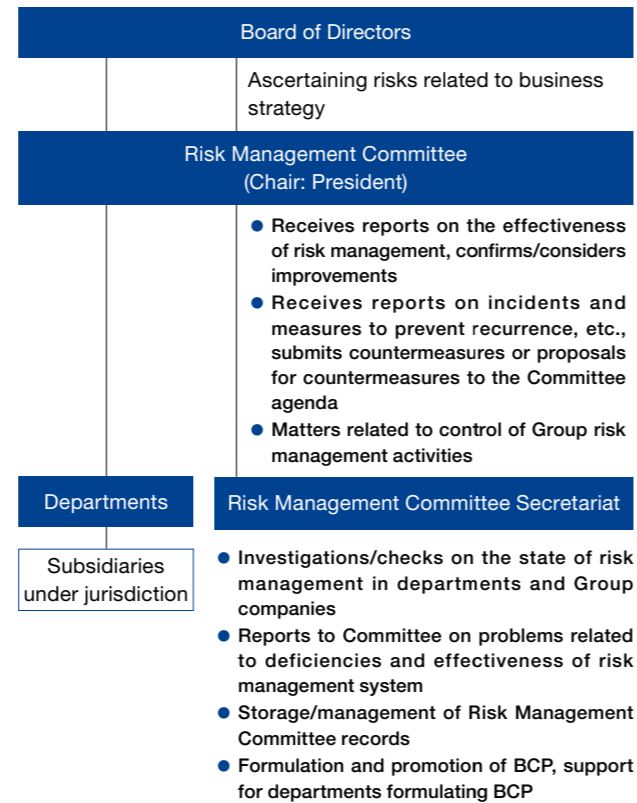
Risk Management

For the purposes of risk management, the Sumitomo Rubber Group defines risk as “factors that could impede, or have a detrimental effect upon, the harmonious conduct of business activity or the achievement of management objectives and strategies undertaken in accordance with the Group’s management philosophy.”

We determine the relative importance of risks by taking into account not only their financial impact but also the four issues of whether we can “ensure quality and safety,” “maintain good relationships with stakeholders,” “comply with laws and regulations and maintain corporate ethics,” and “abide by the Sumitomo Business Spirit, the “Group Management Philosophy, and the “Corporate Code of Conduct.”

In fiscal 2019, we continued to take measures to mitigate major Group-wide risks. In addition, we performed additional risk analysis that included overseas bases, in order to update major Group-wide risks. In fiscal 2020, we will enhance activities such as implementing measures in response to the updated list of major risks.

Organizational chart of Group-wide risk management system



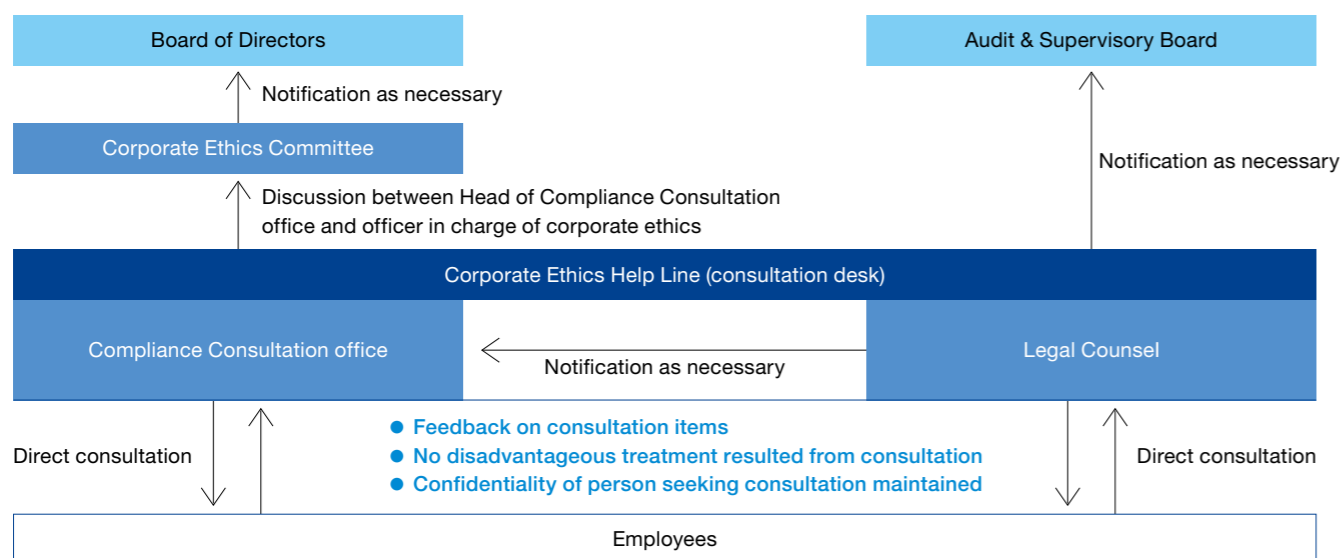
Compliance

In the Sumitomo Rubber Group, we believe that “legal compliance and the upholding of corporate ethics form the cornerstone of a company’s survival and are crucial to long-term corporate vitality and competitiveness,” and in February 2003 we formulated the “Regulations on Corporate Ethics Activities” and the “Sumitomo Rubber Group Code of Conduct,” as well as established a

Compliance Consultation office, a system that has continued to this day.

In April 2018 we issued an English version of the “Sumitomo Rubber Group Code of Conduct.” We will continue our efforts to improve compliance awareness on a Group-wide basis.

Structure of compliance initiatives



CSR

Activities of the Sumitomo Rubber Group

GENKI

CSR Guidelines

- Green initiative
- Ecological process
- Next-generation product development
- Kindness to employees
- 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

The Sumitomo Rubber Group contributes to initiatives undertaken to achieve the SDGs through activities informed by its "GENKI" CSR guidelines.



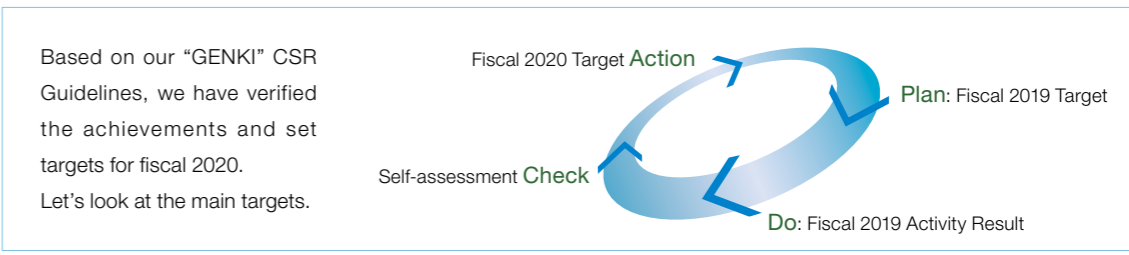
Details of the GENKI Activities		SDGs to contribute to	Activities in fiscal 2019 (Page no.)		
Green Green initiative	1 Helping to curb global warming through tree planting	3 6 11 13 14 15	Collaborative Activities with Local Residents, etc. To achieve forest creation tailored to each region, we promote activities in which not only employees but also local residents, regional organizations and other related parties participate. ▶ P.49 Engaged in collaborative activities with local residents, etc. in "Sumitomo Rubber GENKI Forest," a green initiative in Japan		
	2 Fostering better relationships with local communities through tree planting			Protecting Culture and Nature With the goal of protecting Japan's vanishing cultural assets and natural environment, we are working on the "Team ENASAVE Future Project." ▶ P.50 Participated in the activities of Fukui Prefecture's "Society of Farms and Citizens for the Protection of Water Margins and Creatures," and managed biotope	
	3 Preserving biodiversity				
E Environment Ecology Ecological process	4 Creating a low-carbon society	3 6 7	Implementing Global Environmental Management While accelerating its globalization, the Group is focusing even greater energy on implementing global environmental management. ▶ P.54 Global Environmental Management Central Committee (Kobe Head Office)		
	5 Building a recycling-oriented society	8 9 11			
	6 Promoting environmental footprint management	12 13			
	7 Implementing global environmental management				
Next Next-generation product development	8 Developing environmentally friendly products	3 7 8 9 11 12	Promoting New Technology Development "SMART TYRE CONCEPT" with an Eye on the Upcoming Mobility Society The Group pushes forward with technology development with the aim of completing a revolutionary new tire by the late 2020s. ▶ P.55 		
	9 Pursuing "safety and comfort," "economy" and "quality"	13			
S Social Kindness Kindness to employees	10 Fostering human resources and making work rewarding	3 4 5 8 10	Fostering Human Resources The Company supports personal growth of its employees by providing training in respect for their motivation to grow. ▶ P.57 CSR training for those promoted to full-time employee		
	11 Creating a safe, employee-friendly workplace				
	12 Achieving a good work-life balance				
	13 Promoting diversity				
14 Respect for human rights			Creating a Safe, Employee-Friendly Workplace In order to share the thoughts and vision of managers with employees, opportunities for dialogue have also been established at production sites. ▶ P.57 President Yamamoto giving a talk		
G Governance Integrity Integrity for stakeholders	15 Promoting social contribution activities	3 4 5 6 8 9 10 11 12 13 14 15 16	Promoting Social Contribution Activities We promote social contribution activities that are closely connected to local communities and residents near our factories. ▶ P.59 Employees from the Nagoya Factory participating in street patrols to encourage safe driving		
	16 Enhancing corporate governance				
	17 Ensuring thorough compliance				
	18 Promoting dialogue with stakeholders				
	19 Supply chain management				
	Promotion of CSR Procurement The Group aims to promote CSR procurement (socially responsible procurement) considering not only quality, cost and delivery time, but also regulatory compliance, human rights and labor ethics. ▶ P.60 Supplier meeting at Thailand Factory natural rubber processing				

* 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.

Fiscal 2019 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.”



Items marked with “○” have been verified by third parties. (excluding environmental impact indicators.) Details of “Fiscal 2019 Activities and Fiscal 2020 Targets” are available on our website. (scheduled to be released at the end of June 2020)

CSR Activity Guidelines	Plan: Fiscal 2019 Target	GRI Guidelines	Do: Fiscal 2019 Activity Result	Self-assessment ^{*1}	Action: Fiscal 2020 Target
Green Green initiative	1 Helping to curb global warming through tree planting	● Promote the Million Trees for Local Forests Project ● Creation and maintenance of GENKI Forests in Japan	304-3 ● Planted trees for the Million Trees for Local Forests Project (including mangrove planting) ^{**} Fiscal 2019: 38,552 trees planted Cumulative total: 1,744,851 trees planted ● Conducted tree planting/maintenance activities 33 times	100%	● Promote the Million Trees for Local Forests Project ● Promote the creation and maintenance of GENKI Forests in Japan
	2 Fostering better relationships with local communities through tree planting	● Promote the Acorn Project ● Expand interaction with communities, including giving away seedlings	413-1 ● Planted acorn trees and provided seedlings; Fiscal 2019: 9,631 Cumulative total: 191,986 trees ● 8,776 acorn seedlings given away to communities	100%	● Continuing our contributions to, and fostering better relationships with, local communities through tree planting, forest creation and provision of seedlings
	3 Preserving biodiversity	● Continue to protect and raise endangered species. In particular, getting the raising of the Sasakia charonda at the Okayama Tire Proving Ground on track	304-3 ● Conducted activities to protect 21 endangered species at eight sites in Japan ● Set up conservation cages for Sasakia charonda at the Okayama Tire Proving Ground	70%	● Continue protection of 21 endangered species, etc. ● Successful hatching of Sasakia charonda at the Okayama Tire Proving Ground
Ecology Ecological process	4 Creating a low-carbon society	● Reduce global life-cycle CO ₂ emissions per tire by at least 12.5% compared to 2005 levels (Six factories in Japan)	302-1,2,5 13.3% reduction	100%	● ≥15.0% reduction over fiscal 2005
		● Environmental impact indicator of energy usage (crude oil equivalent) ^{**3} : ≥1.2% reduction over the previous fiscal year	302-3 1.6% reduction	100%	● ≥1.0% reduction over the previous fiscal year
	5 Building a recycling-oriented society	● Environmental impact indicator of CO ₂ emissions ^{**1} : ≥ 1.4% reduction over the previous fiscal year (Six factories in Japan)○	305-4 3.2% reduction	100%	● ≥1.0% reduction over the previous fiscal year
		● Environmental impact indicator of waste disposal (excluding valuables) ^{**2} : ≥ 0.7% reduction over the previous fiscal year (Six factories in Japan)○	306-2 0.3% increase	99%	● ≥0.5% reduction over the previous fiscal year
	6 Promoting environmental footprint management	● Environmental impact indicator of water usage ^{**3} : ≥ 1.9% reduction over the previous fiscal year (Six factories in Japan)○	303-1 2.6% reduction	100%	● ≥1.0% reduction over the previous fiscal year
	7 Implementing global environmental management	● NOx, SOx, and dust: ≥ 80% reduction over fiscal 2005 levels (Six factories in Japan)	305-7 82.3% reduction	100%	● ≥80% reduction over fiscal 2005
	7 Implementing global environmental management	● Maintain ISO 14001 Global Multi-Site Certification	103-2 Maintained	100%	● Maintain Global Multi-Site Certification
Next Next-generation product development	8 Developing environmentally friendly products	● Develop and launch environmentally friendly products	302-5 ● Development and launch “ENASAVE NEXT III” using key technologies from the SMART TYRE CONCEPT	100%	● Develop and launch environmentally friendly products
	9 Pursuing “safety and comfort,” “economy” and “quality”	● Commercialize new technologies	416-1 ● Launched the “DUNLOP ALL SEASON MAXX AS1” all-season tire	100%	● Commercialize new technologies
Kindness Kindness to employees	10 Fostering human resources and making work rewarding	● 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	404-2 ● Did not begin global human resource training, but implemented training for cross-cultural understanding, with the aim of achieving mutual understanding, which is the foundation of communication, at each site	70%	● Implemented multifaceted evaluation and leadership training for managerial positions, including officers Take further steps to cultivate a culture of mutual feedback, and create workplaces that enable open-minded exchanges of opinion
		● 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] COMPACT ★ activities, [3] Globalization, and [4] Human Resources System	404-2 ● Publicize to employees the commitment top management has made to work style reform, and begin full-scale activities based on diversity & inclusion, and digitalization. First in the industry to obtain L-Star Mark (Level 2)	80%	● Implement course on unconscious bias for personnel in managerial positions and higher, including officers, and work to eliminate as far as possible the unconscious bias and prejudice that causes obstacles to diversity
	11 Creating a safe, employee-friendly workplace	● 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	403-2 ● Reduce work accidents by promoting safety indicators (KPI) activities, ascertaining the strengths and weaknesses of each base, and performing activities side by side	80%	● In order to improve workplace safety, continue to conduct evaluations based on safety indicators (KPI), formulate a plan for each base, and carry out activities to overcome weaknesses in safety activities
		● 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)	403-2 ● After the 30% reduction in days of mental and physical sick leave recorded from 2017 to 2018, the number increased by 4% in 2019. The Company was selected for the first time as a Health & Productivity Stock Selection for practices in line with its Health & Productivity Management Declaration, including thorough following-up of employees whose medical checkups revealed health problems	90%	● In addition to reducing days of mental and physical sick leave, practice initiatives under the Health & Productivity Management Declaration to improve lifestyle habits, based on the concept of “enjoying exercise to build a healthy body”
	12 Achieving a good work-life balance	● 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: 9 ● Number of employees who used shortened working hours for childcare: 20 ● Number of employees who used the daycare support system: 23	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
	13 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: 22 ● Percentage of employees with disabilities: 2.23%	80%	● Support work styles that leverage the diversity of individuals
14 Respect for human rights	● Hold training on human rights	412-2 ● Hold training on human rights	80%	● Hold training on human rights	
Integrity Integrity for stakeholders	15 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 43% ● Manufacturing workshops for elementary school students: held at six schools ● Environmental workshops: held seven times for four groups	100%	● Promote joining the CSR Fund ● Work together with NPOs (continue and expand activities)
	16 Enhancing corporate governance	● 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	102-18 ● Implement revisions to approval rules, confirm results and issues from the evaluation of the effectiveness of the Board of Directors, trim strategic shareholdings, etc. ● Implement more practical BCP training, promote formulation of BCP and BCP training by subsidiaries ● Continued to take measures to mitigate major Group-wide risks, performed additional risk analysis to update major Group-wide risks	100%	● Further increase the effectiveness of corporate governance ● Continued to set out and expand the content of BCP, and to implement training ● Implement measures to counter updated major risks
	17 Ensuring thorough compliance	● Promote the Group’s compliance and risk management	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%	● Enhanced legal audits for overseas group companies ● In terms of grade-specific compliance training, and specialization-specific training, conduct training on such subjects as the Corporate Code of Conduct, competition laws, the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, the Act against Unjustifiable Premiums and Misleading Representations, the Foreign Exchange and Foreign Trade Act, prevention of bribery, etc.
	18 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
	19 Supply Chain Management	● Issue the Purchasing Guidelines Ver. 6 and promote CSR in the supply chain	102-43 ● Issue the Purchasing Guidelines Ver. 6 and promote CSR in the supply chain	100%	● Implement CSR questionnaires and CSR briefings

* 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.

^{*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} In addition to plantings, 12,557 seedlings were provided in 2019 (cumulative total: 90,896)

^{**3} The denominator for calculating environmental impact indicator is the new rubber consumption amount (consumption of natural rubber + synthetic rubber). 2020 targets are by product weight.

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 initiative)," "Ecology (Ecological process)," "Next (Next-generation product development)," "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)








* 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.

Stakeholder Dialogues

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

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

How We Communicate with Stakeholders

	Features	Main responsibilities	Communications method
 Customers	Automobile manufacturers, manufacturing companies, sales companies, sports facilities, etc.	<ul style="list-style-type: none"> Quality management Development of safer products Safe driving awareness Providing product information and services 	<ul style="list-style-type: none"> Customer consultation and service contact Customer response through service and sales departments Providing information via website and other media Exhibitions and events, etc.
 Business partners	Rubber raw materials manufacturers, other materials manufacturers, trading companies, processing companies, etc.	<ul style="list-style-type: none"> Fair and reasonable procurement CSR procurement 	<ul style="list-style-type: none"> Dialogue through day-to-day business Confirmation visits to procurement partners, and feedback Questionnaires to procurement partners Explanatory meetings, etc.
 Local community	Residents, municipalities, local government, educational institutions, and other organizations near factories and offices	<ul style="list-style-type: none"> Social contribution activities Green initiatives Preserving biodiversity 	<ul style="list-style-type: none"> Participation in local events Cooperation with NGOs and NPOs in social contribution activities Participation in economic and industry organizations Dialogue with local governments, etc.
 Shareholders and investors	Number of shareholders: 36,845 (individual and institutional investors, etc.) (as of December 31, 2019)	<ul style="list-style-type: none"> Return of profits to shareholders Enhancement of corporate value through dialogue with shareholders and investors 	<ul style="list-style-type: none"> General meeting of shareholders Timely disclosure of news releases and publications Issuance of financial information including fact books and shareholder communications Providing information via website and other media Results briefings, etc.
 Employees	Sumitomo Rubber Group: 39,233; Sumitomo Rubber Industries: 7,325 (male employees: 6,519, female employees: 806) (as of December 31, 2019)	<ul style="list-style-type: none"> Fostering human resources Occupational health and safety Health management Diversity in employment Consideration of work-life balance Consideration of human rights Dialogue with employees 	<ul style="list-style-type: none"> Providing information through internal newsletters, intranet, etc. Consultation with labor-management councils and employee representatives Compliance consultation service Round-table discussions with president to exchange views with management Integrated Report questionnaire, etc. (as of December 31, 2019)



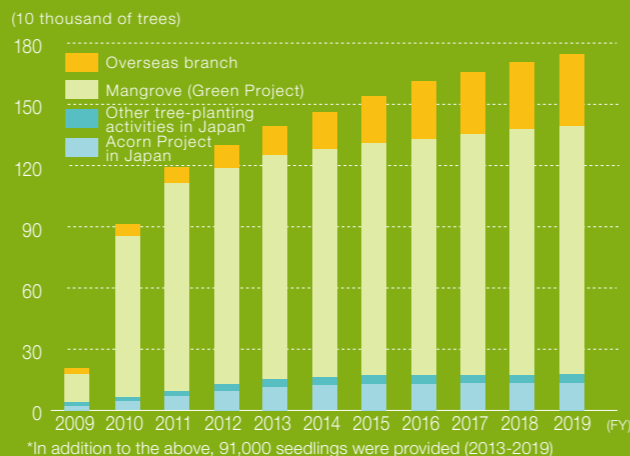
Green initiative Green

Management Approach

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

In fiscal 2009, we began tree-planting activities at our facilities in Japan and overseas. As of the end of 2019, we had planted a cumulative total of 1,745,000 trees. We will continue to plant trees as well as putting effort in forest maintenance.

Progress in greening initiatives (cumulative number of trees planted)



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

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

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

When planting trees, one has to be aware of the negative effect non-native species can have on local ecosystem. As such we only plant seedlings grown using acorn seeds 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, 855 acorn seedlings were planted in "Sumitomo Rubber GENKI Forest" in fiscal 2019.

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, 8,776 acorn seedlings were given away to organizations and local residents who are engaged in the green initiative and so wish for seedlings to plant.



Undergrowth cutting in "Rokko Uzugamori GENKI Forest," Kobe City, Hyogo Prefecture



Providing seedlings for use at rest stop (Ichijima Factory)

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

The objectives of forestation activities include prevention of global warming by absorption of CO₂, landslide prevention and biodiversity preservation, as well as to communicate with local communities through satoyama (forest with production functions that has been maintained and managed by humans) 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.

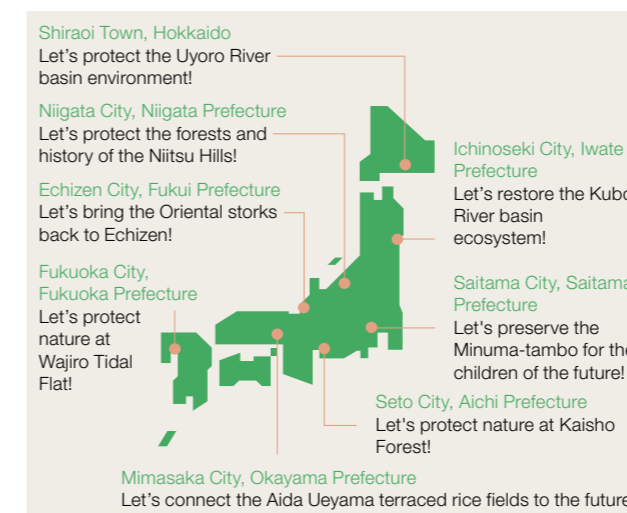


Tree-planting and satoyama maintenance activities conducted jointly with local residents in Toyota City, Aichi Prefecture

Protecting Culture and Nature Team ENASAVE Future Project

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 (NFUAJ).

As a part of this project, in fiscal 2019, we held activities at eight locations around Japan, with the help of employees, their families, and local associations. Together with volunteers from the public, these events have seen about 440 people participate in total.



Greening Initiatives Overseas

We are promoting greening initiatives at overseas factories and sales companies. We planted a total of 19,991 trees in our tree-planting activities in fiscal 2019.

In addition, 15,000 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.



Greening initiatives at a school in Dubai



Planting trees on the site of the Vietnam Factory

Initiatives to Preserve Biodiversity

The Group is involved in conservation activities in relation to endangered, near threatened, and rare species (five species of animal and 16 species of plant) at all eight of its sites in Japan, consisting of six factories, the Head Office and the Tire Proving Ground.

In terms of contributing to the immediate neighborhood, activities include transplanting "Fujibakama" (Eupatorium japonicum) cultivated in the grounds of our factory to river beds, and providing kindergarten children with the opportunity to observe Sasakia charonda.



Echinops setifer flowering at Hosta kiyosumiensis at the Miyazaki Factory



Sasakia charonda butterflies at the Ichijima Factory



Sasakia charonda butterflies at the Ichijima Factory

Arranging events in conjunction with NPOs and nearby companies to view the endangered "Fujibakama" in the Kakogawa Factory

As part of our activities to conserve endangered species, we arranged an event on October 2 at the Kakogawa Factory / Kakogawa riverside to view "Fujibakama," which we cultivated at the factory and divided to give to other nearby companies, and to transplant to the riverside area.

The viewing event was attended by persons with whom we had worked on these conservation activities, including representatives from the Ministry of Land, Infrastructure, Transport and Tourism, NPOs, and other local companies. Before the event, Professor Emeritus of the University of Hyogo, Tamotsu Hattori, who has kindly supported for the Company's activities over many years, gave a talk on "Fujibakama," which is also one of the traditional seven flowers of autumn in Japan. Professor Hattori explained that "Fujibakama" is also mentioned in the classics of Japanese literature, such as the Manyoshu, which was the source for the name of the current "Reiwa" era, and is a plant that has been familiar to the Japanese people since antiquity.

Going forward, we will continue to work together with local people on activities to protect "Fujibakama."



Tamotsu Hattori, Professor Emeritus at the University of Hyogo, giving a talk



Viewing of "Fujibakama" under conservation at the Kakogawa Factory



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 LCCO₂ emissions per tire by the fiscal year 2022 Fiscal 2022: **≥14% reduction** over fiscal 2005
 - Fiscal 2019: Reduced by **13.3%** (compared to fiscal 2005 levels; per tire)
- 2 Building a Recycling-Oriented Society**
 - Maintain our "Complete Zero landfill wastes" policy at major production bases in Japan and overseas until 2020
 - Continued achievement for **10 years**
 - Establish a technology for **100% recycling** of wastewater at a model factory by 2020
 - Establishing water-recycling technology at the Turkey Factory
- 3 Promoting Harmonious Coexistence with Nature**
 - Acorn Project: Conducts the Acorn project activities at least **20 times** a year
 - Fiscal 2019: Conducted tree planting activities **33 times**
 - Take action to protect biodiversity
 - Fiscal 2019: Conserving **21 species** (On schedule)

Creating a Low-Carbon Society

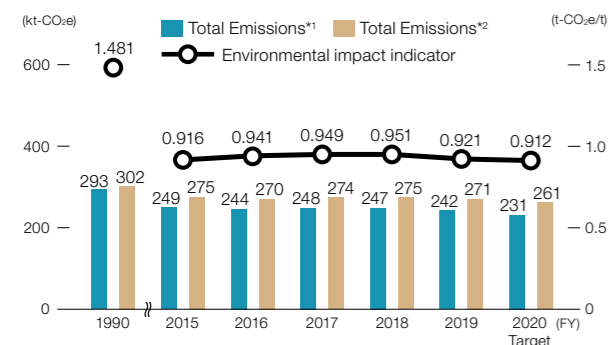
Items marked with "Ⓞ" have been verified by third parties. The environmental impact indicator was not verified by third parties. The figures shown on the graphs differ from the verified figures as different coefficients were used.

CO₂ Emissions Reduction Activities in Production Bases

In fiscal 2019, we worked to unearth energy-saving items, by utilizing the consultation. As a result, CO₂ emissions from production activities at the Group's factories in Japan decreased by 5 kt-CO₂ to 242 kt-CO₂ from the previous fiscal year, and the environmental impact indicator of CO₂ emissions improved by 3.2% over the previous fiscal year.

In fiscal 2020, the Company will work on predictive maintenance of facilities, and on reducing CO₂ through initiatives such as deploying AI and IoT platforms to search for, extract, and analyze factors that affect energy savings.

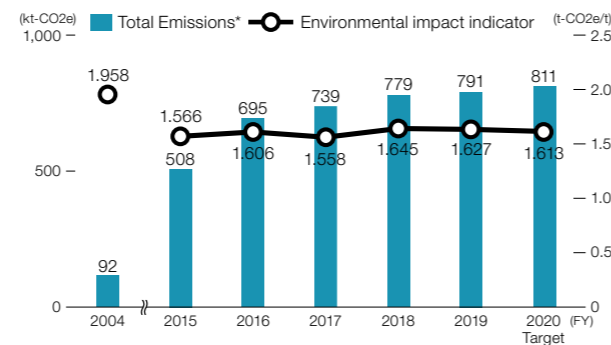
CO₂ Emissions (Factories in Japan) Ⓞ



*1 Total emissions are calculated using the cogeneration credits based on the "Guide for Calculating Greenhouse Gas Emissions," published by the Japan Rubber Manufacturers Association (used to calculate the environmental impact indicator). CO₂ emission factors for electricity consumption, published by electricity companies in 2004, are applied.

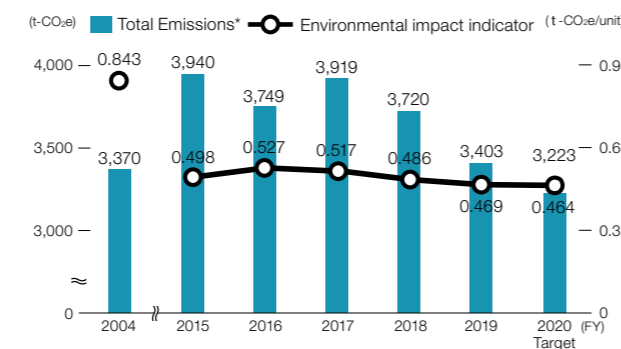
*2 Total emissions without considering cogeneration credits.

CO₂ Emissions (Overseas Factories) Ⓞ



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

CO₂ Emissions (Factories Operated by Domestic Group Companies) Ⓞ



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



Steam pipe header survey (Shirakawa Factory)

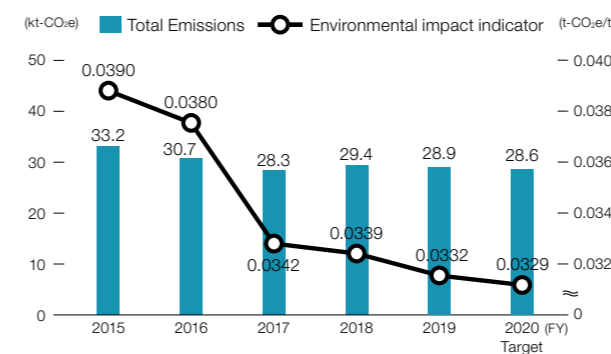
CO₂ Emissions Reduction in Logistics

In fiscal 2019, we continued to work on optimizing the location of our production sites and loading at the closest port to the factory.

CO₂ emissions from transporting tires fell 1.5% compared to the previous fiscal year, to 28.9 kt-CO₂, and the environmental impact indicator fell 2.1%.

In fiscal 2020, 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.

CO₂ Emissions in Logistics (Domestic)



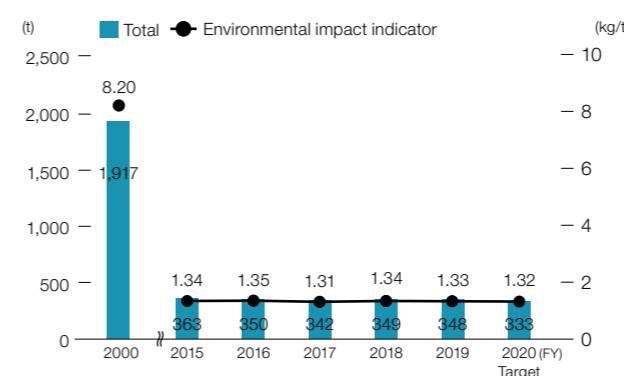
Promoting Environmental Footprint Management

Efforts to Reduce Organic Solvents Use

The Group has been making voluntary efforts to reduce VOC (volatile organic compounds) emission. In fiscal 2019 there was a slight improvement from the previous fiscal year despite an increase in their usage in products other than tires, due to enhancements to the production process.

In fiscal 2020, 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.

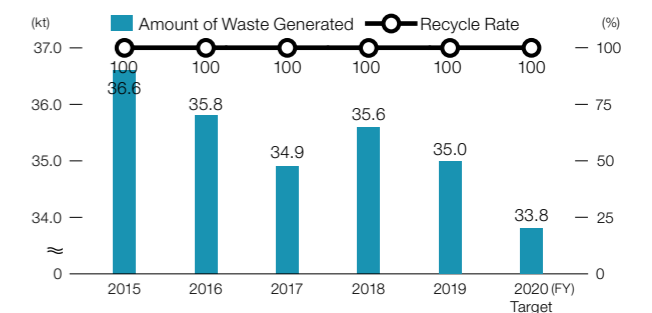
Continue to Achieve Complete Zero Landfill Waste

The Sumitomo Rubber Group is promoting the 3Rs (reduce, reuse, and recycle) of waste in order to build a recycling-oriented society. In fiscal 2019, we achieved complete zero landfill waste for the 10th consecutive year at our major production bases both in Japan and overseas.

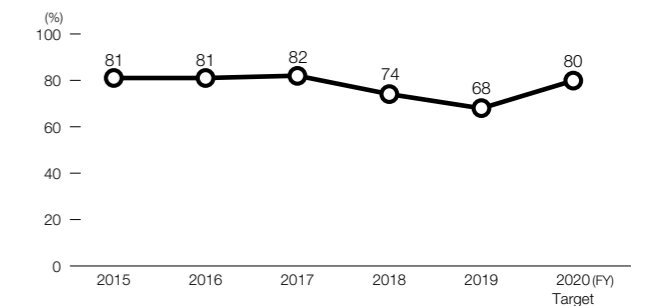
Complete zero landfill waste is defined as complete diversion of landfill waste, with 100% recycling rate and no waste sent directly to landfills.

In fiscal 2020, the aim of our efforts is to proceed with our mission to achieve zero emissions.

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



Material Recycling Rate (Factories in Japan)



Dunlop Retread Service Co., Ltd. Fuel switching of boilers

Dunlop Retread Service Co., Ltd., which is responsible for the retreading business in which used tires are refurbished into new tires, has been actively working to reduce CO₂ emissions at the Ono and Hokkaido Factories. In fiscal 2017 it began solar power generation at the Ono Factory, and in fiscal 2019, aiming to decrease CO₂ emissions further, it implemented fuel switching of boilers in production boilers in the Ono and Hokkaido Factories.

As a result of the Ono Factory switching from heavy oil A to LPG, the environmental impact indicator for October-December 2019 reduced approximately 30% from fiscal 2015 levels.

In fiscal 2020, the aim is to reduce it to half the levels of fiscal 2015, by increasing the solar power generation facilities, etc.



Ono Factory boiler and LPG tank

Reducing Waste Disposal*

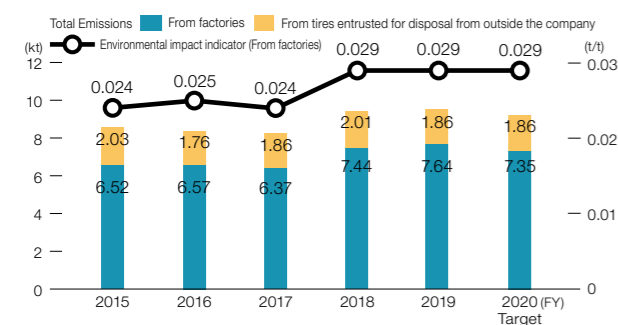
In fiscal 2019, the Group made efforts to sell metal scrap with the aim of reducing the amount of waste disposal.

The amount of waste emitted at factories in Japan and factories of domestic group companies in Japan was flat year on year, but overseas factories saw a deterioration caused by the ramping of new production lines, which resulted in an increase in waste.

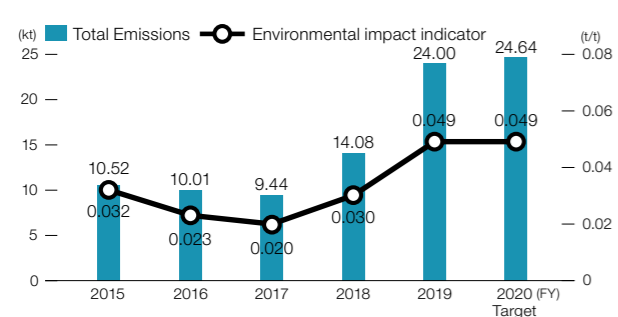
The environmental impact indicator worsened by 66.3% at overseas factories, and by 5.4% at the factories of group companies in Japan.

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

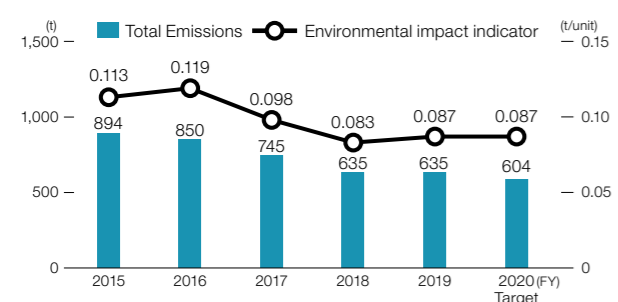
Waste Disposal (Excluding Valuables) (Factories in Japan) ①



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 shortage of water resources, as a measure to reduce water usage, the Group aims to achieve a wastewater recycling rate of 100% at all 26 factories around the world by fiscal 2050. The Turkey Factory is one of those within the Group with a higher level of water stress, and has been working on trial operations to establish water-recycling technology since 2018. In the summer of 2019, it achieved 100% recycling for factory wastewater by using concentrated water from the recycling facilities to water trees on the site of the factory, and other applications. In accordance with the Midterm Plan, the Group is aiming to establish water-recycling technology for 100% of the wastewater from a second factory in 2021, namely the Changshu Factory in China, which also has a high level of water stress. Partial recycling of wastewater has also been implemented at the Thailand Factory and the Kakogawa Factory, and the Indonesia Factory is moving ahead with the use of rainwater to reduce external water usage.

In 2019, total water usage at all of the Group's factories was reduced by about 2.5% year on year. We 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.

Wastewater recycling facilities (Turkey Factory)

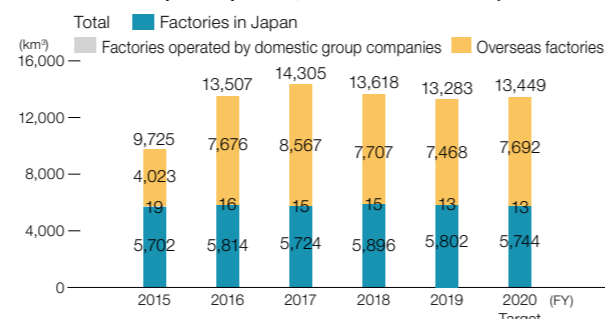


100% recycling of factory wastewater

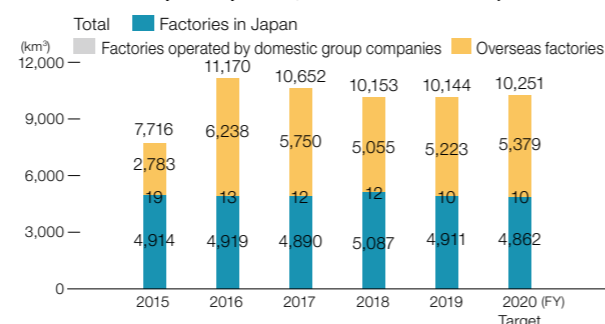
Thailand Factory Natural Rubber Processing Turkey Factory*3

*1 WBCSD: World Business Council for Sustainable Development
*2 WRI: World Resources Institute
*3 During the summer only

Water Usage (Factories in Japan ①, Factories Operated by Domestic Group Companies, Overseas Factories)



Wastewater (Factories in Japan ①, Factories Operated by Domestic Group Companies, Overseas Factories)



* For certain domestic group companies and overseas factories, figures include estimates based on water usage

Implementing Global Environmental Management

Environmental preservation is one of the most important responsibilities that companies must fulfill within a global society.

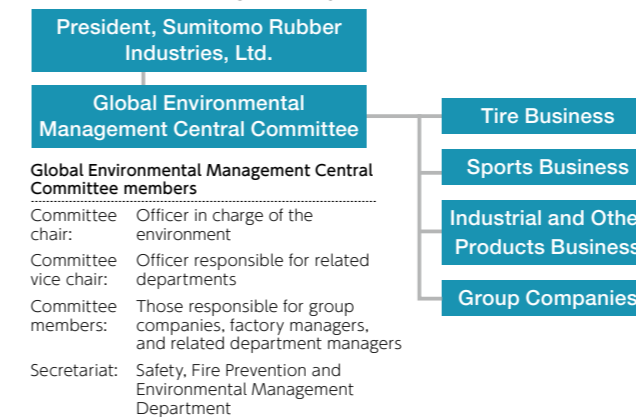
There are strong demands that global companies implement uniform environmental management throughout the world regardless of country or region.

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



In fiscal 2019, the Committee 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 contribution to society. Furthermore, in fiscal 2019, the new tennis ball factory in the Philippines submitted a report for the first time. With reports on such themes as reducing CO2 emissions through fuel efficiency technology from the Material Development Department, and Sustainable Natural Rubber initiatives from the Procurement Department, the meetings saw some lively discussion.

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



2019 Global Environmental Management Central Committee

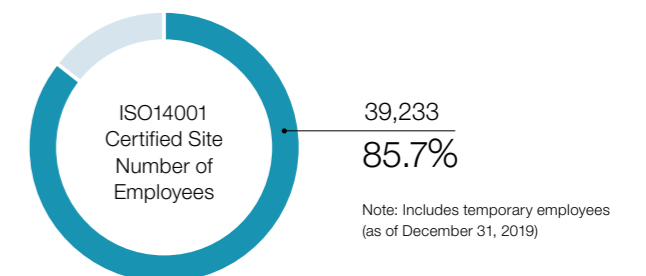
ISO 14001 Global Multi-Site Certification

To implement global management in all of its corporate activities including the 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.

At the end of 2019, the number of employees working at ISO 14001 Certified Sites as a percentage of total employees was 85.7%, and the ratio of Certified Sites was 92.1%.

In fiscal 2019, there were no sites added to Global Multi-Site Certification, but in fiscal 2020 we continue to work on activities aimed at adding the Switzerland Factory, which has already been certified on a stand-alone basis, to the Global Multi-Site Certification, and on new certification for the Philippines Factory.

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



VOICE

All Environmental Targets Achieved in Fiscal 2019

In 2019 the Indonesia Factory achieved all of its environmental indicator targets (energy saving, waste, water, and VOC).

In particular, exceptional results were achieved in reductions in VOC. The Indonesia Factory manufactures spare tires and tires for motorcycles, but because these manufacturing processes involve sticking materials together, large volumes of VOC are used. For that reason, the volume of VOC used was high compared to that of other factories. In 2018, we started a project built around the work technical team, working on improving production methods for materials to enable conversion to a VOC-free process. As a result, total usage of VOC at the factory had been reduced by 17% as of the end of 2019.

These activities continue with the aim of further reductions in VOC of 30% in 2020.



Indonesia Factory (PT Sumi Rubber Indonesia)
Safety Health and Environment Section
Chief staff
Zuhendri Mukhtar



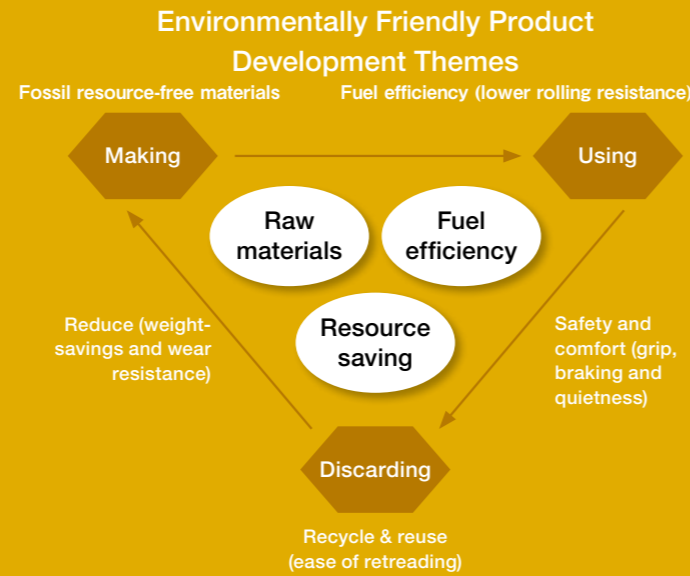
Next

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

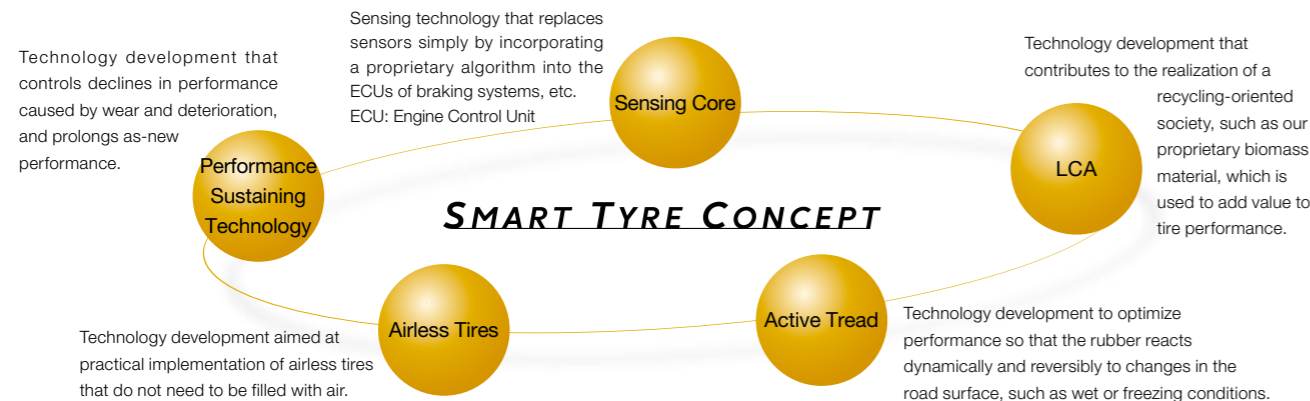
The Company is advocating the “SMART TYRE CONCEPT” for the development of tires and peripheral services, and has introduced, for example, Performance Sustaining Technology that controls tire wear and declines in performance as time goes by so as to maintain as-new levels of performance for a prolonged period, and Life Cycle Assessment (LCA) that contributes to environmental performance over the entire life-cycle of the product and so help bring about a recycling-oriented society. The DUNLOP “ENASAVE NEXT III,” features Performance Sustaining Technology that results in 50% less decline in wet grip performance than before. Furthermore, it is also the world's first tire rubber to utilize cellulose nanofiber, a high-performance biomass material that is being promoted as a priority industry for Japan, in addition to which it achieves the highest possible tire-labeling level of “AAA-a,” while from the LCA perspective it also contributes to reductions in environmental impact.



The DUNLOP “VEURO VE304” achieves the highest levels* of passenger cabin comfort through superior quietness and high-level steering stability, and moreover incorporates Performance Sustaining Technology to prolong wet grip performance at the maximum level.

Going forward, from the LCA perspective, we will continue to improve environmental performance over the entire product life-cycle, thus promoting the development of products that contribute to the realization of a recycling-oriented society.

*Among the Company's products



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 Standard.

Tire factories, both in Japan and overseas, completed the transition to IATF 16949 by April 2019.

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

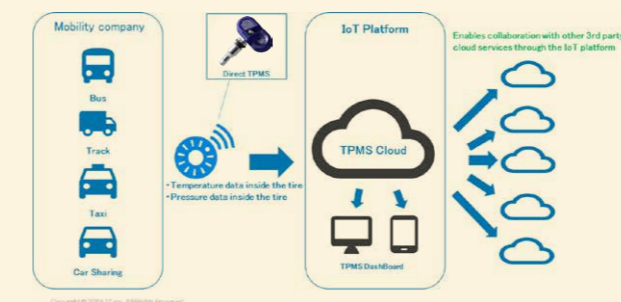
TOPICS

Expanding Tire Management Solutions through the Use of Digital Tools

Due to the development of Mobility as a Service (MaaS), the switch from car ownership to car sharing, and ridesharing, is proceeding. In addition, with dramatic developments in technologies such as autonomous driving and vehicle platooning are expected to result in driverless cars in the near future, tire management and vehicle management solutions such as automation of tire management, and provision of predictive maintenance services are likely to become increasingly important.

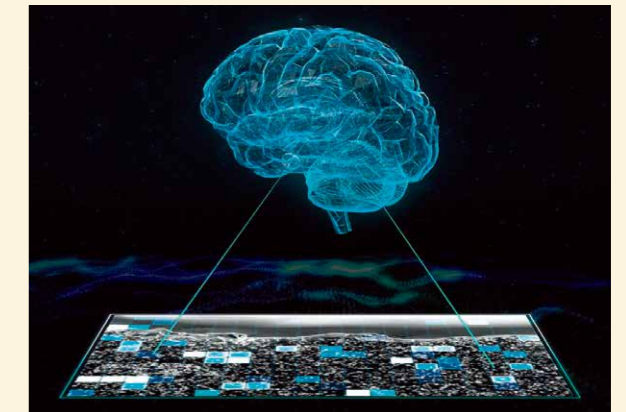
In addition to conventional tire sales, in order to build solution systems that use the various kinds of data that can be obtained from tires using tire pressure management solutions and other digital tools, in May 2019 the Company concluded basic business alliance agreements with two IoT development companies, TripodWorks CO., LTD and Sysgration Ltd. Going forward, with our eyes fixed on global expansion, we will move forward with the creation of new services in order to respond to the new needs of customers.

Creating New Value through Open Innovation



“Tyre Leap AI Analysis” Established

The rubber used in tires is made out of polymers such as natural rubber and synthetic rubber, reinforcing agents such as carbon and silica, and compounds made from cross-linking agents and additives, and performance is determined by a variety of factors, including the amount used and structure of each material. The internal structure is extraordinarily complex, and analysis by humans requires a great deal of time, in addition to which there are limits to the precision of such an approach.



It is against this background that we created the “Tyre Leap AI Analysis” technology, which is able to perform analysis of a precision that humans cannot match, and can deduce physical properties from images (structural information). In addition, because it can detect changes in the internal structure of the rubber before and after tire usage, we expect to be able to use it to infer the physical properties of the rubber after it has been used.

By utilizing this technology, we can accelerate the development of Performance Sustaining Technology that is part of the “SMART TYRE CONCEPT,” opening the way to the development of safe, secure, high-performance tires that will contribute to the realization of a sustainable mobility society.

VOICE

Aiming to Provide High Value-Added Services that Lead to the Resolution of Societal Problems

In recent years, the dramatic progress made in digital technology has enabled things that were previously deemed impossible, and making life increasingly convenient. On the other hand, issues such as the rising age of drivers and labor shortages, primarily in the transportation industry, are making it difficult to continue front-line operations with the work styles common up until now. We are developing a solutions business that utilizes digital technology to address such customer concerns, including driver safety, improving the efficiency of tire maintenance tasks, and drivers' burden. In this way, we are taking various initiatives aimed at enriching people's lives, and retaining its position as a company relied upon by many customers.



Automotive System Division Solutions Business Team Assistant Manager Takahiro Nishimoto



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.

With the President himself leading the way, the Company is working on work style reform and on activities to maintain or improve the health of employees, which it is putting into practice as a strategic priority.

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 Resources and Making Work Rewarding

Strengthening the Organizational Framework

At the end of 2019, we conducted a Group-wide organizational framework survey by submitting questionnaires to every Group employee. Based on the content of this survey, we are investigating measures to enhance the organizational framework along the themes of ① mechanisms and systems, ② culture and corporate culture, and the ③ fostering human resources. The measures we are planning will be introduced gradually from June 2020.

Human Resources

In order for the Company to become a truly global player, the human resources who support this effort must also be able to act as truly global players. This requires cross-cultural understanding, communication skills, the ability to discover and solve problems, and a willingness to take ownership. We develop human resources through such measures as grade-specific training, training on request, leadership training for managerial positions, and relocation of personnel.



New employee orientation

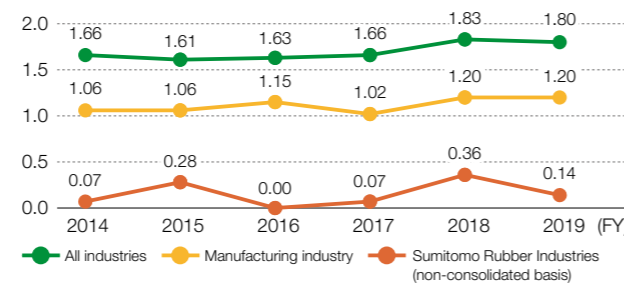
Creating a Safe, Employee-Friendly Workplace

Striving for Zero Accident

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

In fiscal 2019, the total number of accidents decreased by 25 year-on-year, and we successfully prevented any serious accidents. Based on these results, we have set fiscal 2020 targets of (1) zero serious accidents, and (2) no more than 23 other accidents (equivalent to half of the fiscal 2019 level). In terms of priority issues, we will promote safety activities to enhance the safety of the workplace, such as upgrading our leading safety indicators (KPI) by resolving their weaknesses, and take on the challenge of achieving zero accidents.

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

Promoting Health & Productivity Management

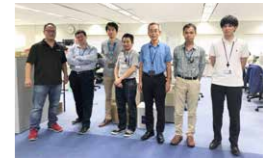
In line with the "Health & Productivity Management Declaration" established in February 2018, the Company has promoted health and productivity management measures, centered on the Health Management Office but with the participation of all employees, and in cooperation with the Health Insurance Association. As a result of establishing the Health Management Regulations, codifying the rules for various health checks and levels of risk, and steadily cycling through the PDCA system, in March 2020 the Company was selected for the first time as one of 40 companies under the "2020 Health & Productivity Stock Selection" organized by the Ministry of Economy, Trade and Industry in conjunction with the Tokyo Stock Exchange, which recognizes companies that take a strategic management approach to the health management of their employees. In 2020 the Company has also been certified as one of the "2020 Certified Health and Productivity Management Organization Recognition Program - White 500," for the fourth consecutive year.

* We were certified as one of the 40 companies in the "2020 Health & Productivity Stock Selection Program," where companies that make strategic efforts to consider employee management from a managerial perspective are jointly selected and announced (in principle, one company from each industry) by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.



2019, we launched a new project within the Human Resources & General Affairs Department and Human Resources Department. By nurturing a corporate culture in which people from diverse backgrounds can thrive, we will generate innovations that save time through advances in operational efficiency, linking this to the satisfaction of all employees and enhanced corporate value.

As an example of the initiatives we undertook in fiscal 2019, as part of our efforts to create a workplace culture that encourages free expression and independent thinking, as well as the individuality of employees, we eased dress restrictions in the office.



The easing of dress restrictions has lightened the mood of the workplace

Support for Female Employees to Play an Active Role in Their Duties

To promote more active roles for women, the Company has set a target of doubling the number of women in management positions by 2020, compared with the 2014 level, and looks likely to achieve this objective. In order to achieve the goal of respecting diversity, 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 to promote reforms for a well-balanced work style.

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

Usage of the "temporary leave to accompany spouse overseas system," whereby employees can take temporary leave to accompany their spouses when they are relocated overseas, is also progressing, and we are seeing a rising number of registrations in our "JOB Return System," which applies in cases where marriage or a change in the spouse's work location makes the resignation of an employee unavoidable.

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.

VOICE

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 performed by employees and greater use of paid leave, we are moving forward with the introduction of diverse workstyles that take 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, nine male employees took childcare leave in 2019, an increase of four people year on year.

In fiscal 2009 we become the first company in the tire industry to be certified for the "Kurumin," based on Act on Advancement of Measures to Support Raising Next-Generation Children, and have continued to support childcare since that time. In 2019, the Minister of Health, Labour and Welfare awarded the Company the "L-boshi (second level)", a certification that is given only to businesses that have superior arrangements for encouraging the active participation of women. We have also expanded support for nursing care, through various efforts such as launching a nursing care consultation desk.

Promoting Diversity

Respecting Diversity

In order to promote work style reform and diversity, in February

Cultivating an awareness of career development through initiatives to promote diversity

With diversity becoming increasingly accepted throughout society, the feature that I myself often use is the hourly leave system. Although I value work, this system makes it easier for me to attend events at my child's kindergarten. Meanwhile, I attended this year's career design seminar, which is attended by women from companies in other industries. There I had the opportunity to interact with people who have built a wide variety of careers. I think it would be good if such meetings led to an increase in opportunities for both men and women to consider their career. Going forward, I would like to make use of my own experience to think about various fulfilling working styles when we imagine developing individual careers, when my role in the family changes, or when I myself am transferred somewhere else.



Quality Control Section, Nagoya Factory
Aiko Okuma



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.



Promoting Social Contribution Activities

CSR Fund

In fiscal 2009, the Company established the "Sumitomo Rubber Industries CSR Fund" in order to provide financial support to those involved in a wide range of activities, such as solving environmental or societal problems, but primarily to NPOs in regions where we have a base. We appeal for donations from employees who agree with our proposals, and we employ a matching gift program and whereby the Company donates an equivalent amount to that collected.

In fiscal 2019, the Fund donated a total of ¥11.09 million to 47 organizations located in eight regions: Hokkaido, Fukushima, Tokyo, Aichi, Osaka, Hyogo, and Miyazaki Prefectures, and overseas (Thailand).

In fiscal 2020, a total of ¥13.14 million will be donated to 54 organizations.



CSR Fund presentation ceremony (Miyazaki Factory)

Enhancing Corporate Governance

The Group is working to enhance corporate governance. For more details, please refer to "Corporate Governance" (pages 35–41).

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 force," etc.

Once again in fiscal 2019, 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 grade-specific training so that we can raise awareness of the importance of compliance among our employees.

In fiscal 2019, in addition to implementing briefings in relation to themes such as the Act on the Protection of Personal Information, and the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, we also held a variety of briefings at group companies, including some of those overseas.

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



Compliance lectures (Philippines Factory)

Information Security

In fiscal 2019, in addition to conducting practical training through targeted email attacks of all Group employees, just like last year, we tightened security measures, including those 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.

Promoting Dialogue with Stakeholders

Communication with Shareholders and Investors

The Company 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 the disclosure of earnings reports, as part of our 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.

Sound Labor-Management Relations

The Company and the Sumitomo Rubber Labor Union (which had 5,599 general members as of December 31, 2019, excluding officers or managers) maintain good relations, based on the sharing of information by management, and an approach of prior consultation. We believe that the growth of the Company and the pursuit of happiness of employees are objectives shared by labor and management, and we have a history of discussions at the various labor-management committees. For example, we engage in activities where labor and management are united in pursuit of their objectives, such as when we organized a Labor-Management Wages Study Group from the union leadership and the Company's Human Resources Department, with the aim of reviewing the human resources system and working conditions, and have maintained it ever since.

In fiscal 2019, this study group was responsible for such initiatives as enhanced allowances for those working in shifts, the introduction of incentives targeted at specific qualifications, and expansion of the system that supports workers doing childcare or nursing care.

In fiscal 2020, we will continue our efforts to promote workstyle reforms, and move ahead with various activities, with labor and management continuing to work in cooperation with each other.



September 2019 Management Council

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.

Promoting Initiatives That Comply With the "Sustainable Natural Rubber Policy"

The 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 in November 2018. In line with this policy, we are committed to promoting more proactive, collaborative efforts that involve both supply chains and various other stakeholders, with the objective of achieving a society in which natural rubber is a sustainable resource.

TOPICS

Promoting Activities Aimed At Achieving a Society In Which Natural Rubber Is a Sustainable Resource

Sumitomo Rubber Singapore Pte. Ltd., a wholly owned subsidiary of the Company that handles procurement of natural rubber, conducts safety checks at factories of natural rubber processing by the Company, based on "Promoting Health and Safety Measures" that is one of the frameworks of the "Sustainable Natural Rubber Policy."

The aim of these activities is to give useful tips to the management of the processing factories, strengthen safety measures, and ultimately to ensure that the workplace is one in which employees can work safely and comfortably. Our representative asks questions from an itemized list of themes such as the state of safety and safety documentation, and then accompanies the person in charge of the processing factories to check the state of implementation. For areas that need improvement, we request that they refer to examples of good practice from other processing factories for future activities.

This program of safety status checks began in 2018, and has already been implemented at approximately 50% of the factories certified by Sumitomo Rubber from which it has purchased rubber, with the plan being for all to have been completed by 2021. After that, the Company will continue to provide guidance so that safety activities become rooted in the workplace.



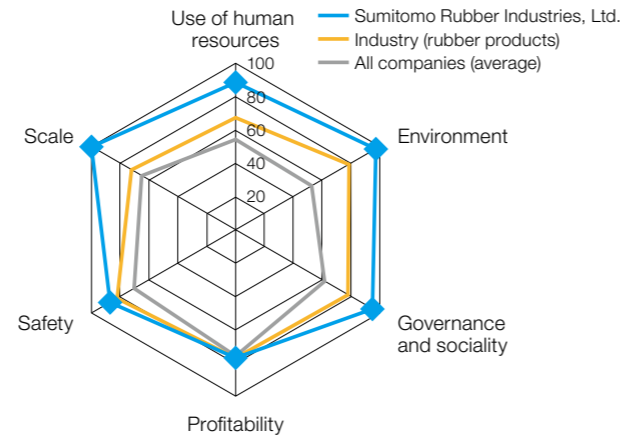
An inspector giving the "go" sign to a driver after performing a check of the pre-work inspection slip

Honors and Certifications from Outside Organizations

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

32nd Nikkei Corporate Image Survey

In the "Cares about the environment" section (evaluated by business people) of the 32nd Nikkei Corporate Image Survey, the Company was ranked 7th.



Source: TOYO KEIZAI INC. 14th (2020) CSR Ranking Report

14th (2020) 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.

MSCI ESG Leaders Indexes

The Company has been selected for inclusion in the MSCI ESG Leaders Indexes continuously since 2010.



THE INCLUSION OF Sumitomo Rubber Industries, Ltd. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Sumitomo Rubber Industries, Ltd. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

SNAM Sustainability Index

The Company has been selected for inclusion in the SNAM Sustainability Index continuously since 2012.



Ecology

December 2019 Updated ISO 14001:2015 Global Multi-Site Certification.

Kindness

December 2019 Sumitomo Rubber Industries received "L-boshi(second level)" the Minister of Health, Labour and Welfare, as a business with superior arrangements in conformance to the Act on Promotion of Women's Participation and Advancement in the Workplace.

* We obtained the "L-boshi Certification (second level)," which is awarded by the Minister of Health, Labour and Welfare to employers with excellent performance in promoting women's participation and career advancement.



February 2020 The Miyazaki factory achieved record high 5 million hours without accident, receiving "Type 1 Accident-Free Record Certificate" from the Ministry of Health, Labor and Welfare.



March 2020 Sumitomo Rubber Industries was selected as one of 40 companies under the "2020 Health & Productivity Stock Selection", which recognizes companies that take a strategic approach to managing the health of their employees. And the Company has also been selected as one of the "White 500" of organizations showing superior health management, under the "Certified Health & Productivity Management Outstanding Organizations Recognition Program," for the fourth consecutive year.



Next-generation product development

July 2019 Dunlop "ENASAVE RV505" won the "Tire Category Award" at the "32nd DAILY AUTOMOTIVE NEWS Car Parts Awards 2019".



July 2019 "DecoTurf" hardcourt selected for Ariake Tennis Park tennis courts.



September 2019 Vibration control dampers using high damping rubber adopted for the tower (small tower) of Kumamoto Castle.



October 2019 DUNLOP tennis balls adopted as official tournament balls for the "Davis Cup Finals by Rakuten".



October 2019 "MIRAIEΣ" (sigma), Vibration Control Units for Detached Housing, received Good Design Award 2019.



December 2019 Wins No.1 position in the "Ranking of Construction Material and Equipment Manufacturers to Work With," parts and materials for detached housing vibration control category.



Parts and materials for detached housing vibration control category
1st
Questionnaire to readers which construction material and equipment manufacturer's products they would like to use



Parts and materials for detached housing vibration control category
1st
Questionnaire survey that asks readers which construction material and equipment manufacturer's products they would like to use

March 2020 Vibration control dampers used for the former head office of Bank of China, a historic building in the Philippines.



Integrity for stakeholders

June 2019 The three-groups (SRI Logistics Ltd., shipping company, and warehouse) improvement activities for actual driver hours introduced by SRI Logistics Ltd. was recognized by the Miyazaki Industrial Association and received the "Superior Employee Special Award."



Certifications acquired

- ISO9001:2015 Quality Management System
- ISO14001:2015 Environmental Management Systems
- OHSAS18001:2007 Occupational Health and Safety Management Systems
- ISO45001:2018 Occupational Health and Safety Management System
- IATF16949:2016 Automotive Quality Management System Standard
- *In the process of becoming ISO standard ISO45001:2018

Financial Section

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

Millions of yen

Years ended December 31	Associated GENKI Activities	JGAAP							IFRS				
		2009	2010	2011	2012	2013	2014	2015	2015	2016	2017	2018	2019
Earnings for the year:													
Net sales*1 / Sales revenue*2		524,535	604,549	676,904	710,247	780,609	837,647	848,663	798,483	756,696	877,866	894,243	893,310
Overseas sales ratio (%)		45	47	50	47	51	53	56	59	59	63	63	63
Cost of sales		334,249	387,678	445,426	450,226	486,704	511,616	523,217	528,393	499,650	611,185	632,756	638,011
Selling, general and administrative expenses		161,547	169,300	177,554	190,298	216,850	239,780	248,379	191,237	182,130	199,706	200,806	201,421
Operating income*1 / Business profit*2,3		28,739	47,571	53,924	69,723	77,055	86,251	77,067	78,853	74,916	66,975	60,681	53,878
Operating income ratio / Business profit ratio (%)		5.5	7.9	8.0	9.8	9.9	10.3	9.1	9.9	9.9	7.6	6.8	6.0
Operating profit*2		—	—	—	—	—	—	—	89,173	73,284	67,449	57,155	33,065
Operating profit ratio (%)		—	—	—	—	—	—	—	11.2	9.7	7.7	6.4	3.7
Net income attributable to owners of the parent*1,4 / Profit attributable to owners of the parent company*2,4		9,093	21,427	28,386	35,451	44,794	53,206	55,834	71,976	41,364	46,979	36,246	12,072
Net income attributable to owners of the parent to sales (%) / Profit attributable to owners of the parent company to sales (%)		1.7	3.5	4.2	5.0	5.7	6.4	6.6	9.0	5.5	5.4	4.1	1.4
Financial position at year-end:													
Total assets		613,230	622,243	671,611	737,528	867,464	973,587	936,154	932,432	897,634	1,018,266	1,002,383	1,035,484
Net assets*1 / Total equity*2		209,052	212,964	222,175	271,103	358,844	446,960	453,768	451,837	459,541	490,886	472,807	475,537
Total equity attributable to owners of parent		187,028	189,684	197,661	244,165	329,813	413,374	423,857	422,287	429,316	459,907	457,927	460,800
Interest-Bearing Debt		261,572	241,250	274,216	275,876	302,113	295,747	260,631	261,867	204,218	273,452	283,482	325,490
Cash flows for the year:													
Cash flows from operating activities		64,525	69,725	18,945	76,643	77,012	108,941	86,995	86,864	128,190	76,109	82,820	91,458
Cash flows from investing activities		(34,260)	(35,400)	(51,569)	(62,167)	(68,275)	(71,584)	(32,991)	(30,672)	(42,144)	(100,724)	(65,494)	(63,417)
Free cash flows		30,265	34,325	(32,624)	14,476	8,737	37,357	54,004	56,192	86,046	(24,615)	17,326	28,041
Cash flows from financing activities		(22,781)	(25,634)	28,009	(15,835)	(5,824)	(32,507)	(50,554)	(52,707)	(71,055)	21,706	(2,122)	(40,979)
Related information:													
Capital expenditures		32,484	32,055	48,515	56,889	57,270	62,814	58,911	58,911	49,606	62,494	66,857	58,129
Depreciation*1 / Depreciation and amortization*2		37,425	37,885	37,606	36,278	43,279	48,204	55,145	51,419	51,248	56,010	57,365	67,941
R&D expenses	Next	17,983	18,698	19,274	19,539	21,822	23,543	23,372	23,372	24,257	25,720	25,780	26,198
Management-related and financial data:													
Tire sales volume (millions of tires)		7,649	9,087	9,488	9,648	10,042	10,914	10,962	10,962	11,264	12,347	12,361	12,436
ROE (%)		4.9	11.4	14.7	16.0	15.6	14.3	13.3	17.5	9.7	10.6	7.9	2.6
ROA (%) (Operating income base*1 / Business profit base*3)		4.6	7.7	8.3	9.9	9.6	9.4	8.1	8.4	8.2	7.0	6.0	5.2
D/E ratio (times)		1.4	1.3	1.4	1.1	0.9	0.7	0.6	0.6	0.5	0.6	0.6	0.7
Equity ratio*1 / Ratio of equity attributable to owners of parent*2 (%)		30.5	30.5	29.4	33.1	38.0	42.5	45.3	45.3	47.8	45.2	45.7	44.5
CSR-related indicators:													
Number of trees planted (10 thousands of trees)	Green	21	70	28	11	8	8	8	8	7	4	5	4
Total CO ₂ Emissions (Global Environmental Data of Domestic/Overseas Factories) (kt-CO ₂ e)	Ecology	501	597	648	668	687	734	786	786	1,011	1,036	1,073	1,095
Employees at ISO 14001 Certified Sites as a percentage of all employees (%)	Ecology	84.5	88.7	75.4	77.5	78.7	83.8	78.5	78.5	89.4	84.1	84.0	85.7
Number of Japanese and Foreign Patents (Number of patents held)	Next	4,969	5,577	6,417	6,971	7,790	7,680	7,849	7,849	8,745	9,183	9,199	9,156
Tire Production Capacity (Tons/month)	Next	42,650	44,450	46,550	49,750	52,150	54,400	60,600	60,600	61,500	63,200	65,000	66,850
Number of Employees in Japan and Overseas	Kindness	20,832	22,242	22,320	23,507	26,773	30,224	33,185	33,197	33,792	36,650	37,852	39,233
Number of Employees Using Childcare Leave System (Sumitomo Rubber Industries, Ltd. (Non-Consolidated Basis))	Kindness	9	17	18	13	26	20	16	16	23	20	29	33
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	26
Ratio of Female Employees to the Total Number of Employees (Sumitomo Rubber Industries, Ltd. (Non-Consolidated Basis)) (%)	Kindness	6	6	7	7	7	7	7	7	8	8	9	11
Average Years of Service (Sumitomo Rubber Industries, Ltd. (Non-Consolidated Basis))	Kindness	12.8	13.5	13.8	14.0	14.0	14.3	14.3	16.8	16.7	16.4	16.3	16.1
	Men (Years)												
	Women (Years)	11.2	11.1	11.0	11.5	11.8	11.9	11.9	13.3	13.3	13.0	12.6	12.2
Number of complaints and whistleblowing filed by employees to Corporate Ethics Helpline (Compliance Consultation office) (Sumitomo Rubber Industries, Ltd. (Non-Consolidated Basis)) (Number of cases)	Integrity	11	3	7	6	10	16	14	14	13	13	23	25
Total Amount of CSR Fund Subsidy (10 thousand yen)	Integrity	—	233	351	550	805	800	694	694	696	785	893	1,109

*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 2018 (As of December 31, 2018)	Fiscal 2019 (As of December 31, 2019)		Fiscal 2018 (As of December 31, 2018)	Fiscal 2019 (As of December 31, 2019)
Assets			Liabilities and equity		
Current assets			Current liabilities		
Cash and cash equivalents	74,526	60,631	Bonds and loans payable	137,455	106,644
Trade and other receivables	202,638	190,261	Trade and other payables	141,838	127,040
Other financial assets	1,627	1,314	Other financial liabilities	1,677	12,446
Inventories	174,747	182,769	Income tax payable	5,850	4,851
Other current assets	23,352	25,079	Provisions	776	835
Total current assets	476,890	460,054	Other current liabilities	36,530	37,031
Non-current assets			Total current liabilities	324,126	288,847
Property, plant and equipment	371,557	420,924	Non-current liabilities		
Goodwill	32,142	26,547	Bonds and loans payable	142,183	157,589
Intangible assets	44,782	43,445	Other financial liabilities	3,156	49,716
Investments accounted for using equity method	4,215	4,258	Net defined benefit liability	21,073	21,833
Other financial assets	32,637	33,440	Provisions	1,230	1,565
Net defined benefit asset	20,801	29,352	Deferred tax liabilities	17,540	17,570
Deferred tax assets	14,136	14,798	Other non-current liabilities	20,268	22,827
Other non-current assets	5,223	2,666	Total non-current liabilities	205,450	271,100
Total non-current assets	525,493	575,430	Total liabilities	529,576	559,947
Total assets			Equity		
	1,002,383	1,035,484	Capital stock	42,658	42,658
			Capital surplus	39,487	39,486
			Retained earnings	441,062	444,783
			Treasury stock	(69)	(75)
			Other components of equity	(65,211)	(66,052)
			Total equity attributable to owners of parent	457,927	460,800
			Non-controlling interests	14,880	14,737
			Total equity	472,807	475,537
			Total liabilities and equity	1,002,383	1,035,484

Consolidated Statement of Income

(Millions of yen)

	Fiscal 2018 (Jan.1 to Dec.31.2018)	Fiscal 2019 (Jan.1 to Dec.31.2019)
Sales revenue	894,243	893,310
Cost of sales	(632,756)	(638,011)
Gross profit	261,487	255,299
Selling, general and administrative expenses	(200,806)	(201,421)
Business profit	60,681	53,878
Other income	2,900	2,939
Other expenses	(6,426)	(23,752)
Operating profit	57,155	33,065
Financial income	2,786	2,173
Financial expenses	(9,640)	(7,988)
Share of profit of entities for using equity method	48	45
Profit before tax	50,349	27,295
Income tax expenses	(13,163)	(14,124)
Profit for the year	37,186	13,171
Profit attributable to:		
Owners of the parent company	36,246	12,072
Non-controlling interests	940	1,099
Profit for the year	37,186	13,171
Earnings per share		
Basic earnings per share (Yen)	137.81	45.90


Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal 2018 (Jan.1 to Dec.31.2018)	Fiscal 2019 (Jan.1 to Dec.31.2019)
Cash flows from operating activities	82,820	91,458
Cash flows from investing activities	(65,494)	(63,417)
Cash flows from financing activities	(2,122)	(40,979)
Effect of exchange rate change on cash and cash equivalents	(5,206)	(957)
Net increase (decrease) in cash and cash equivalents	9,998	(13,895)
Cash and cash equivalents at the beginning of current period	64,528	74,526
Cash and cash equivalents at the end of current period	74,526	60,631

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 45, 46, 51 and 53) has been verified.

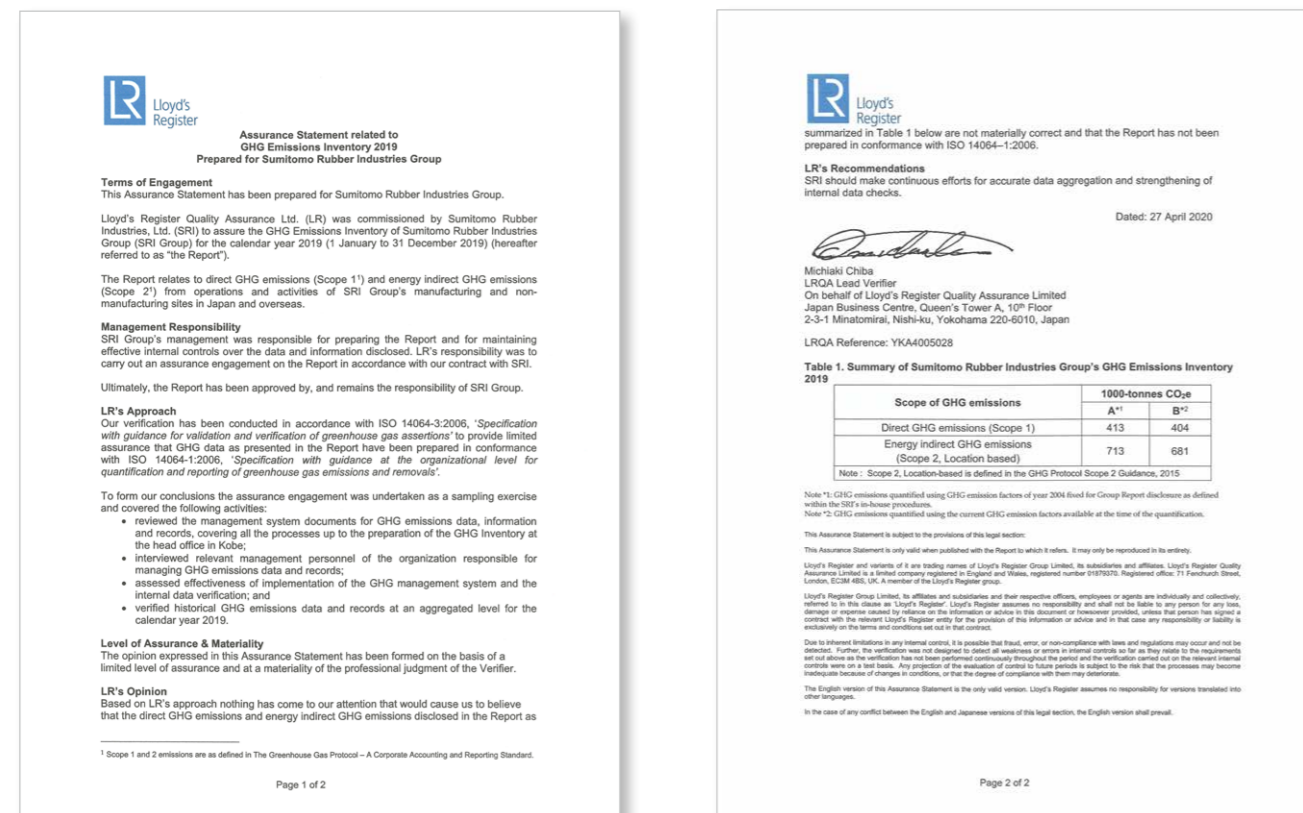
The target data for verification and the verification criteria used are as follows.

1. Total global CO₂ emissions

Criteria: ISO 14064-1

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

Criteria: LRQA's Report Verification (pursuant to ISAE3000, AA1000AS, and GRI)



Third-Party Comments



Professor at the Graduate School of Business Administration, Kobe University

Katsuhiko Kokubu

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 16. Has served concurrently as Vice President of Kobe University since 2019 and as Head of Kobe University V.School since 2020. His recent publications include "From Accountability to Management Ethics" (Yuhikaku Publishing Co., Ltd.) and "Emergent-Type Responsibility Management" (Nikkei Publishing Inc.).

Publishing of "Integrated Report"

This fiscal year, the report should be seen as one that commemorates its evolution from the "Sumitomo Rubber Group Report" to the "Integrated Report." Moreover, it is not only the name that has changed, as it is now a full-fledged document that is compliant with the framework published by the International Integrated Reporting Council (IIRC). Particularly significant is the structure of the report, at the center of which is a business model that generates value through the "5 capitals" of financial capital, manufactured capital, human capital, intellectual capital, and natural capital.

In addition, the announcement of Sumitomo Rubber's New Midterm Plan for 2020-2025, which designates ESG management as one of the value drivers and specifies the generation of economic and social value as targets, shows that this integrated thinking is consistent within the Company itself. In the future, I look forward to the addition of social and relationship capital, to develop it into a more comprehensive value-generation business model.

Close Coordination with SDGs

As for ESG management, the close coordination with SDGs is another notable feature of Sumitomo Rubber. The company earns high marks for seeking to promote the SDGs in every facet of its business activities. Going forward, in order to take their activities to the next level, I think the company should consider contributing to the SDGs by setting their own targets as Sumitomo Rubber for period up to 2030. Detailed targets have already been set for the GENKI Activities, but in terms of contributions to the SDGs, designating focus targets and projects on a time-limited basis would make the SDGs more concrete and familiar to employees.

Enhancing Corporate Governance Information

The issue of the appropriate disclosure of corporate governance information is one shared by many Japanese companies, but this year's report enhances in that respect, with corporate governance information spread over five pages, including a description of measures to strengthen the effectiveness of the Board of Directors. In the future, I would like to see the company consider the inclusion of information on how individual directors regard the issue of generating social value. In particular, I feel that the thoughts of the outside officers and their assessment of the current state of Sumitomo Rubber would send an important message.

Setting of Materiality According To the Business Model

Sumitomo Rubber disclosed the current prioritization of materiality in 2016. It may be that the publishing of the Integrated Report represents a good opportunity to review materiality in the near future. In my opinion, the next issue will be how to set the materiality according to the "5 capitals" business model. I look forward to future developments.



Response to Third-Party Comments

I would once again like to thank Professor Kokubu for always providing us with pertinent advice and generous assessments.

As you point out, corporate social responsibility is intimately related to social and relationship capital, which includes cooperative behavior such as norms, trust, and ties, for which reason we aim to add this element in the future to develop a more comprehensive value generation business model. We will also consider the setting of targets to contribute to the SDGs and measures to inculcate employees with these targets, while at the same time considering the resetting of materiality (important issues) so that it is linked to the business model at a time when social conditions under which the Company operates are changing dramatically.

In each case, the important issue is "understanding stakeholder needs," thus the Group employees will pull together in efforts to promote measures to meet such needs with a progressive perspective. In this way, we will contribute to the realization of a sustainable society by continuing to generate new value from both the economic and social perspectives.



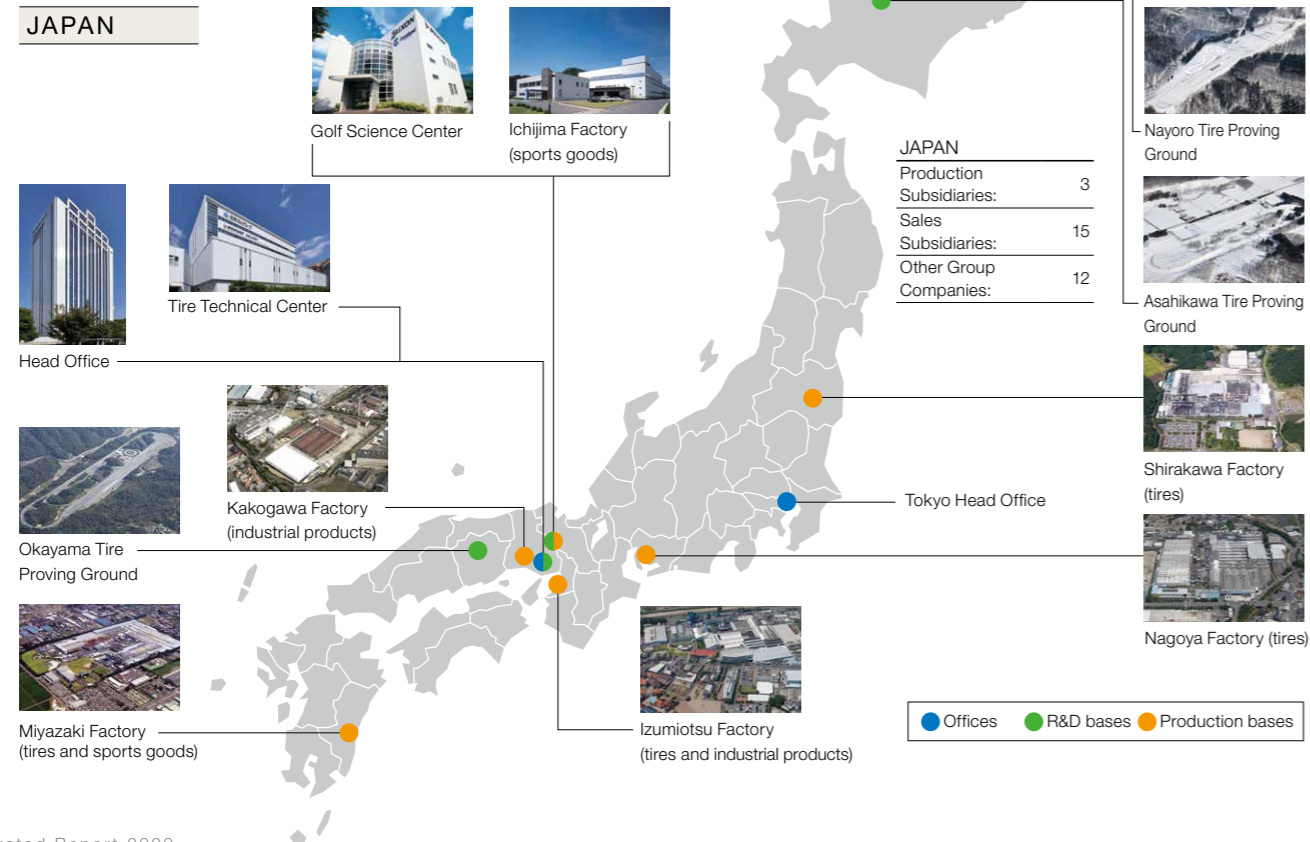
Executive Officer, General Manager and Department Head, Human Resources & General Affairs Dept.
Masatsugu Nishino

Global Network (As of March 2020)

OVERSEAS



JAPAN



Investor Information (As of December 31, 2019)

Paid-in Capital ¥42,658 million

Stock Exchange Listing Tokyo

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

Ticker Symbol 5110

Number of Shareholders 36,845

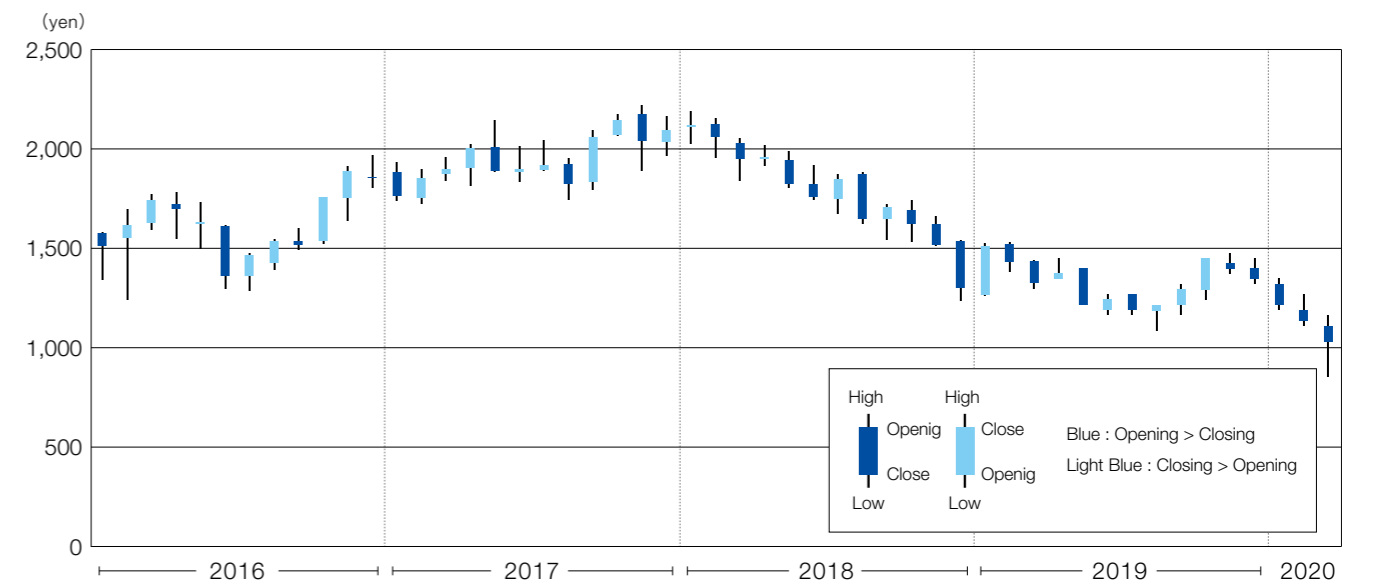
Transfer Agent and Special Account Management Institution Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan

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

Sumitomo Electric Industries, Ltd.	28.85%
The Master Trust Bank of Japan, Ltd. (Trust account)	4.61%
Japan Trustee Services Bank, Ltd. (Trust account)	3.68%
National Mutual Insurance Federation of Agricultural Cooperatives	2.79%
Sumitomo Mitsui Banking Corporation	1.98%
SMBC Nikko Securities Inc.	1.93%
Sumitomo Corporation	1.83%
Japan Trustee Services Bank, Ltd. (Trust account 9)	1.58%
SSBTC CLIENT OMNIBUS ACCOUNT	1.54%
Japan Trustee Services Bank, Ltd. (Trust account 5)	1.38%

Note: The percentage of shares in the above list was calculated using the total number of shares of common stock, excluding 39,499 shares of treasury stock.

Stock Price



Disclaimer

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