



**Under the VISION 2020 slogan “Go for NEXT,”
we will strive to meet society’s expectations by
delivering “genuine value.”**

A handwritten signature in black ink, reading "I. Ikeda".

Ikuji Ikeda
President and CEO, Representative Director



Marking Five Consecutive Years of Sales Growth and Six of Higher Profits

During the fiscal year ended December 31, 2014, the U.S. economy enjoyed steady growth, while the European economy was weakened by anxiety about the debt problems confronting some EU members. Moreover, the Chinese economy saw further growth deceleration, which had far-reaching spillover effects on the entire Asian region and elsewhere. Reflecting these factors, the global economy has been sluggish. In Japan, despite a gradual economic recovery in which corporate earnings improved and stock prices

continued to be high due to the ongoing depreciation of the yen, the April 2014 consumption tax hike and ensuing decline in private-sector consumption led to overall stagnation.

Against this backdrop, the Sumitomo Rubber Group pursued initiatives in line with its long-term VISION 2020 targets. Specifically, we worked to raise sales of high-value-added products, including fuel-efficient tires, while proactively entering new markets and business fields. To this end, we rallied our Groupwide

strengths to support initiatives aimed at driving business growth and improving profitability.

As a result, consolidated net sales increased 7.3% year on year to ¥837.6 billion, operating income rose 11.9% year on year to ¥86.3 billion, ordinary income rose 17.9% year on year to

¥88.0 billion and net income grew 18.8% to ¥53.2 billion. We thus recorded growth in both sales and profits, with all four figures building on our achievements in the previous fiscal year and setting new records.

VISION 2020 Numerical Targets and Results

(Unit: Billions of yen)

	2014 results	2020 targets
Net sales	837.6	1,200.0
Tire business	731.2	1,000.0
Sports business	70.5	120.0
Industrial and Other Products business and new businesses	35.9	80.0
Operating income	86.3	150.0
Operating income ratio	10.3%	12% or greater
ROE	14.3%	15% or greater
ROA (operating income base)	9.4%	14% or greater
Debt-to-equity ratio	0.7 times	0.5 times or lower

Note: The 2014 results are based on average exchange rates for the year of US\$1 = ¥106, 1 euro = ¥140, while the 2020 targets are based on assumed exchange rates of US\$1 = ¥80, 1 euro = ¥100

Progress under VISION 2020

The progress of our three growth engines towards the realization of VISION 2020 is as below.





Three Key Themes Aimed at Driving Growth

1. NEXT Market Expansion

—Taking on the Challenges of New Markets

First, we are pursuing NEXT Market Expansion by promoting the following three policies.

● Entering Emerging Markets

In anticipation of considerable demand growth in key emerging market regions, we are proactively expanding our network of overseas production and sales bases in Brazil, Turkey, India, African nations and Russia.

In Brazil, we are looking to raise the daily tire production capacity of our factory from 8,000 tires as of the end of 2014 to 15,000 tires by the end of 2015. This move is aimed at leveraging the advantage afforded by having this production base to capture greater market share in Latin America, which is expected to grow into the largest among the aforementioned five key market regions. In addition, we intend to establish 120 new dealerships selling passenger car tires as well as 20 truck tire centers, thereby bolstering our supply capacity in Brazil as well as Latin America as a whole. In Turkey, production kickoff of a new factory is scheduled for July 2015, reflecting our conviction that securing a supply base in that country is extremely crucial to better penetrating markets in the Middle East and North Africa as well as Russia and Europe. As for the new factory, production capacity will be 4,000 tires per day by the end of 2015, increasing thereafter to 30,000 per day by the end of 2019. In India, we will reinforce Falken Tyre India Private Limited's sales network, with the target of increasing the number of its sales agencies from 800 as of the end of 2014 to 1,000 by the end of 2015. In Africa, we will rapidly expand the production capacity of the South African factory that we secured through the acquisition of Apollo Tyres South Africa (Pty) Limited in December 2013. In anticipation of substantial advances in motorization across the continent, we are increasing production capacity to 12,000 tires per day during 2015 and will raise this figure to 14,500 by 2017, getting into position to capture future demand growth. We will also augment sales channels by expanding our range of products to encompass tires for SUVs as well as high-performance tires while developing new channels to serve markets in surrounding countries. Lastly, operations kicked off at Sumitomo Rubber Australia Pty. Ltd. in March 2015. We are looking to increase our share of the Australian replacement tire market to 5% by 2020.

● Pursuing Growth in the Chinese Market

In China, the combined tire production capacity of our Changshu and Hunan factories will total 57,000 tires per day by the end of 2015. To increase our foothold in replacement tire markets, we intend to raise the number of flagship stores from 850 as of the end of 2014 to 1,000 by the end of 2015 while securing a total of 4,500 outlets handling our products. Supporting this drive, along with the 2015 launch of Falken brand tires, we are expanding our sales network by establishing the new sales channel "D-Guard," which provides comprehensive car maintenance covering not only

tires but other automotive parts. Current plans call for securing 200 outlets handling this service by 2017. In addition, to boost OEM tire sales, we will proactively cultivate ties with manufacturers of luxury vehicles and SUVs in Europe and the United States.

● Expanding into Asia with Tires for Agricultural Machinery

In Thailand, we launched a new factory in 2014 with the aim of meeting burgeoning demand for tires for agricultural machinery. In addition to promoting OEM sales to Thai-based Japanese agricultural machinery makers—our primary target market—we intend to make a full-scale entry into the local replacement tire market, implementing proactive marketing to expand sales in both Thailand and surrounding countries.

2. NEXT Technology Evolution

—Maintaining an Insatiable Drive for Innovation

Second, we are pushing forward NEXT Technology Evolution through development efforts in the following three categories.

● New Products

As for fossil resource-free tires, we are promoting the development of highly functional biomass materials backed by the accumulated technology acquired through the creation of ENASAVE 100. We are now establishing technologies in preparation for the commercialization of the first generation of products made using these materials in 2016 and the second generation in 2020. In September 2014 we added a new product to our fuel-efficient tire lineup, ENASAVE NEXT, which has an "AAA-a" ranking—the highest possible—under Japan's tire labeling system—for superior fuel efficiency and wet grip performance that set it above other, already highly rated ENASAVE brand tires. In addition, we launched the ENASAVE RV504, a -fuel-efficient tire for minivans, in February 2015.

● New Development Technologies

In 2011, we completed the development of "4D NANO DESIGN" a new material development technology, and have since promoted various development projects aimed at creating new tire materials. In recent years, there has been constant and growing demand for greater tire performance and quality, placing tire manufacturers in the difficult position of meeting the technological challenges of simultaneously satisfying requirements for greater eco-friendliness, safety performance and resource savings. To satisfy these requirements, in 2015 we are upgrading our 4D NANO DESIGN technology to ADVANCED 4D NANO DESIGN and will begin applying it to the development of products that will be released in 2016 and beyond. Furthermore, we began formulating a basic framework for NEXT 4D NANO DESIGN, which will entail large-scale simulations encompassing a range of processes from material design to projections of actual tire performance. The completion of NEXT 4D NANO DESIGN is much anticipated as we expect that this technology will facilitate considerable improvements in tire performance.

● Innovative Production Methods

Since 2012, we have been applying NEO-T01, an innovative tire manufacturing system focused on achieving the ultimate in precision, to the development of superior next-generation tires. In 2014, we released two lines of premium runflat tires, introducing the SP SPORTMAXX 050 NEO in Japan and the AZENIS FK453 RUNFLAT in Europe, under the Dunlop and Falken brands, respectively. Looking ahead, we will strive to boost sales in the field of runflat tires by expanding the range of tire sizes available in these new product lines.

3. NEXT Category Innovation

—Entering New Business Fields

Lastly, we are promoting the third growth engine, NEXT Category Innovation.

● Strengthening Product Supply Targeting Overseas Automakers

We will increase the ratio of sales accounted for by overseas automakers to overall tire sales to 15% in 2015, and to 35% in 2020. In 2014, our tires were newly selected for such vehicles as Audi Q3 and Jeep Compass.

● Promoting Vibration-Control Technologies

In the Industrial and Other Products business segment, we have enjoyed steadily rising sales of MIRAIE brand vibration control units

for housing. Cumulatively, the number of houses incorporating these vibration control units totaled 7,500 as of the end of 2014. Going forward, we expect MIRAIE brand vibration control units to be used in more than 6,000 houses in 2015 alone. We are also stepping up the marketing of vibration control dampers for buildings, accelerating expansion in emerging nations where ever-taller buildings are being built, including earthquake-prone Turkey and Taiwan.



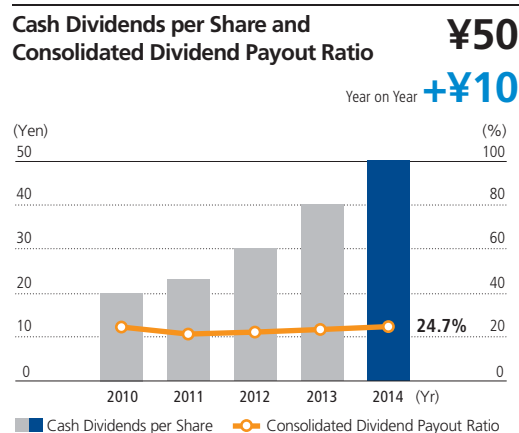
● Expanding the Health Care Business

Another promising field in the Industrial and Other Products business segment is the health care business. In anticipation of growing market demand for medical rubber parts, we have entered the promising market for highly specialized parts for medical appliances used in the biopharmaceuticals field. Aiming to accelerate our global expansion in this field, in January 2015 we acquired Lonstroof Holding AG, a Switzerland-based company specializing in medical rubber parts. Having secured this manufacturing and marketing base in Europe, we will work to establish a greater presence in overseas markets for medical rubber parts.

Fifth Consecutive Annual Increase in Dividends

Sumitomo Rubber Industries considers the return of profits to shareholders to be a high-priority issue. Accordingly, the Company has established a basic policy of ensuring long-term sustainable returns to shareholders while comprehensively reviewing the levels of dividend payout ratios on a consolidated basis, performance prospects and retained earnings.

For fiscal 2014, we increased the year-end dividend ¥10 per share from the initial forecast of ¥20 per share to ¥30 per share. Combined with an interim dividend of ¥20 per share, annual cash dividends for the fiscal year under review thus totaled ¥50 per share, a ¥10 increase per share compared with the previous fiscal year. Accordingly, the consolidated payout ratio stood at 24.7%.



To Remain a Corporate Group That Delivers “Genuine Value”

In fiscal 2014, ended December 31, 2014, we recorded a fifth straight year of increased sales and a sixth of increased profits. However, we expect a rapidly changing global market environment, leading to intensified competition among tire manufacturers. Despite these challenges, we will strive to achieve sustainable growth under the mottoes “Becoming a true global player by

achieving both high profitability and high growth” and “Pursuing increased value for all stakeholders and greater happiness for all employees.” At the same time, backed by an unswerving commitment to delivering genuine value, we will continue to rally our Groupwide strengths to meet society’s expectations.

We sincerely ask for your continued understanding and support.