

Corporate Governance

Sumitomo Rubber Industries' 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 Company considers the enhancement of corporate governance as a major management objective in its efforts to better fulfill its social responsibility and enhance its transparency. This policy will help to strengthen Group management and establish deep relationships of trust with society, while ensuring Group-wide business efficiency.

Corporate Governance Structure

Sumitomo Rubber Industries has adopted a corporate system with a Board of Auditors and maintains directors, a general meeting of shareholders, accounting auditors and the following bodies.

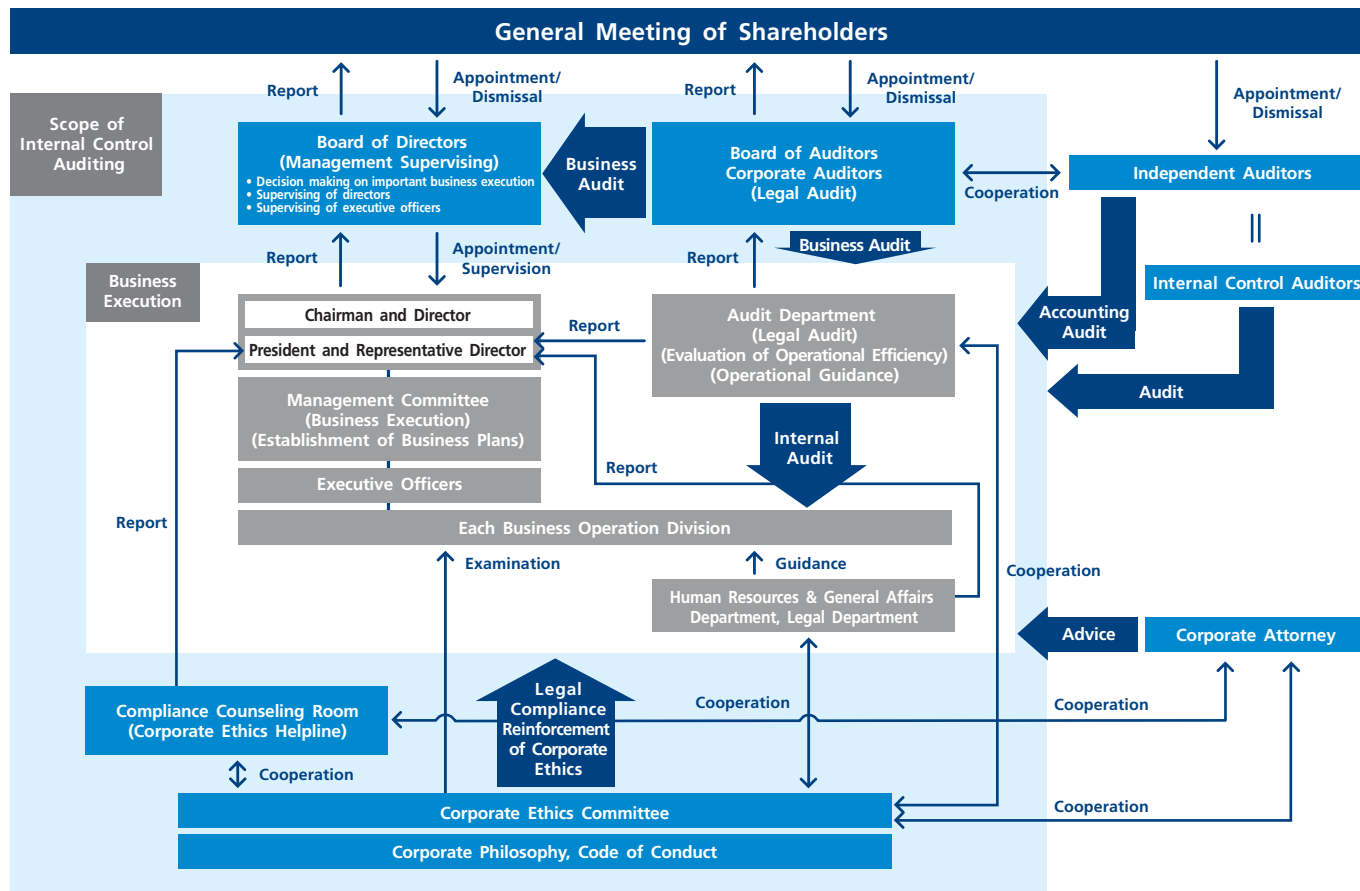
The Company's Board of Directors deliberates and determines matters of managerial importance and supervises directors' execution of operations. As of March 26, 2015, the Board of Directors was composed of 11 members, two of whom were external directors.

Corporate auditors independently audit directors' execution of operations. As of March 26, 2015, the Company maintained a structure of five corporate auditors, two of whom are full-time corporate

auditors. Full-time corporate auditors attend important internal meetings and confirm important documents for approval.

The Board of Auditors is composed of all of the Company's corporate auditors. To reinforce the management auditing function, three of the five corporate auditors serve as external auditors, securing a structure to conduct fair and objective audits.

In addition to the abovementioned organizations stipulated under Japan's Corporation Law, the Company established a Management Committee composed of internal directors and executive officers appointed by the president, who concurrently serves as a representative director. With the attendance of full-time corporate auditors, the Management Committee makes prompt managerial



decisions based on discussions or the reporting of matters considered to be important to management.

Furthermore, the Company adopted an executive officer system in March 2003. This system was put in place with the aim of establishing a management structure that promotes the separation of management supervision and execution, clarifies the rights and responsibilities of each business and promptly responds to changes in the business environment. As of March 26, 2015, there were 21 executive officers, 13 of whom did not serve concurrently as directors.

Audits by Corporate Auditors, Internal Audits and Accounting Audits

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

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

For accounting audits, the Company has entered into an audit agreement with KPMG AZSA LLC in line with the Corporation and the Financial Instruments and Exchange Laws.

External Directors and External Corporate Auditors

As of March 26, 2015, Sumitomo Rubber Industries had two external directors and three external corporate auditors.

Director Keizo Kosaka attended all of the 14 Board of Directors' meetings held during 2014. Leveraging his abundant knowledge as a lawyer who excels at corporate legal affairs, he provides valuable comments and opinions from an objective perspective and,

therefore, the Company anticipates that he will help enhance its corporate governance.

Director Fumikiyo Uchioke attended all of the 14 Board of Directors' meetings held during 2014. As a serving member of the board at Sumitomo Electric Industries, Ltd., he leverages his experience in corporate management to provide advice and opinions that are valuable in the broad aspects of the Company's operations. Accordingly, the Company expects that he will make constant contributions to the enhancement of its corporate governance.

Corporate auditor Tadao Kagono attended all of the 14 Board of Directors' meetings as well as the 13 Board of Auditors' meetings held in 2014. Leveraging his academic expertise and considerable knowledge as a university professor specializing in business administration, he provides opinions on directors' execution of operations from an objective perspective. Therefore, the Company anticipates that he will help reinforce its auditing system.

Corporate auditor Morihiro Murata attended all of the 14 Board of Directors' meetings as well as the 13 Board of Auditors' meetings held in 2014. Leveraging his considerable knowledge of finance and accounting as a certified public accountant and a tax accountant as well as auditing experience as a part-time corporate auditor at Kagome Co., Ltd., he provides opinions on directors' execution of operations from an objective perspective and is expected to help strengthen the Company's auditing system.

Corporate auditor Tetsuji Akamatsu, who was appointed at the General Meeting of Shareholders held on March 28, 2014, attended all of 11 Board of Directors' meetings as well as 10 Board of Auditors' meetings held subsequent to said General Meeting of Shareholders. He has served as the president of KINREI CORPORATION and as a corporate auditor at Cogene Techno Service Co., Ltd. (currently, Creative Techno Solution Co., Ltd.) and is expected to leverage his experience in corporate management and abundant knowledge in this area to help the Company reinforce its auditing system.

In accordance with regulations stipulated by the Tokyo Stock Exchange, Sumitomo Rubber Industries has designated and registered all of its external directors and corporate auditors as independent directors and corporate auditors whose interests are not considered to be in conflict with the interests of the general shareholders.

Remuneration of Directors and Corporate Auditors

Total Amount of Remuneration for Directors and Corporate Auditors in Fiscal 2014

	Total amount of remuneration (Millions of yen)	Total amount of remuneration by type (Millions of yen)				Number of persons to be paid
		Basic compensation	Stock options	Bonuses	Retirement benefits	
Directors (excluding external directors)	477	322	—	155	—	8
Corporate auditors (excluding external corporate auditors)	44	44	—	—	—	2
External directors and external corporate auditors	36	36	—	—	—	6

Notes:

1. The number of persons to be paid refers to the total number of remuneration recipients.
2. As of December 31, 2014, Sumitomo Rubber Industries had 10 directors and five corporate auditors. The difference between the actual number of directors and corporate auditors and the number of persons to be paid is due to one corporate auditor resigning during the fiscal year under review.
3. 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 corporate auditors was set at ¥800 million per year (of which ¥70 million per year is for external directors) and ¥100 million per year, respectively. In fiscal 2014, the Company paid ¥492 million in total to 10 directors and ¥65 million in total to six corporate auditors, including one who retired during the fiscal year under review.
4. The total amount of remuneration paid for each director or corporate auditor is not presented because there was no director or corporate auditor who received remuneration exceeding ¥100 million on a consolidated basis.

Remuneration Amount and Its Calculation Method

Sumitomo Rubber Industries' remuneration for directors consists of basic compensation and bonuses, and it is paid within the framework approved at its General Meeting of Shareholders. The basic compensation is determined based comprehensively on each director's position, duties, responsibilities and the Company's business results. 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 corporate auditors is determined in discussions among corporate auditors and paid within the framework approved at the Company's General Meeting of Shareholders.

For the determination of the amount of remuneration for directors and corporate auditors, the Company maintains objectivity by making use of a third party's survey of Japanese companies with a business scale equivalent to that of Sumitomo Rubber Industries.

Internal Control System

Implementation and Status of the Internal Control System

Sumitomo Rubber Industries resolved its basic policy regarding the development of its internal control system based on Japan's

Corporation Law at a Board of Directors' meeting and disclosed it to the public. In addition, the Company developed an internal control system based on the Financial Instruments and Exchange Law as well as evaluation, audit and practice standards as stipulated by the Financial Service Agency with the aim of reinforcing the Company's structure to ensure the appropriateness of both in-house and subsidiaries' financial reporting.

Compliance System

Based on compliance with social norms, which are stipulated in the Company's Code of Conduct, Sumitomo Rubber Industries maintains the guideline that corporate activities must adhere to laws and ordinances, social norms and public decency. In addition, the Company strives to increase awareness and ensure strict legal compliance. In order to fulfill its corporate social responsibility, Sumitomo Rubber Industries established the basic objective of complying with laws and its Articles of Incorporation while establishing a strict code of corporate ethics and ensuring sound business operations. To that end, the Company formulated its "Regulations on Corporate Ethics Activities" and established the Corporate Ethics Committee in February 2003. In addition, Sumitomo Rubber Industries set up a compliance counseling room directly controlled by the president as a corporate ethics helpline for employees. This enables the Corporate Ethics Committee to investigate any problems that arise and give sufficient attention to ensuring that those employees who come forward are not penalized. Furthermore, with a close eye on legal issues, the Company takes such measures as seeking advice from corporate attorneys as circumstances demand.

Risk Management System

With regard to a variety of management risks that could exert a significant impact on the Company's business operations, including issues with product quality, legal requirements, environmental concerns, credit, accidents and disasters, each division and department undertakes preemptive analyses of potential risks and formulates appropriate countermeasures, which are discussed at management meetings in accordance with the risk management rules. When conducting risk analysis and formulating countermeasures, the Company requests on an as-needed basis advice and instruction from specialists, such as corporate attorneys. For cross-departmental risks, each administration department works in close collaboration with related divisions and departments in their respective areas of operation to conduct Companywide countermeasures.

Furthermore, Sumitomo Rubber Industries established a Risk Management Committee based on its risk management rules. The Risk Management Committee controls Companywide risk management activities and investigates such activities to confirm the effectiveness of the risk management system. Should significant risks materialize, or be expected to materialize, the Company president will establish a risk control headquarters based on the risk management rules.