SUMITOMO RUBBER GROUP

Go for NEXT

Annual Report 2015

SUMITOMO RUBBER INDUSTRIES, LTD.

Long-Term Vision:

Aiming to become a corporate group that provides

The Sumitomo Rubber Group's operations cover three business segments: Tire, Sports and Industrial and Other Products. In line with "VISION 2020," a long-term vision that sets targets for fiscal 2020, the Group is pushing forward initiatives to achieve stable business growth.

In the Tire business, the Group boasts a high share of the domestic fuel-efficient tire market and is proactively expanding its market presence overseas, particularly in emerging countries, where demand is expected to grow over the long term, as well as in North America and Europe. In the Sports business, the Group develops premium golf goods and tennis equipment while engaging in the wellness promotion business, which includes fitness club operations. In the Industrial and Other Products business, the Group is striving to expand sales of vibration control dampers and medical rubber parts, which have great growth potential.

Composition of Net Sales by Business Segment

Tire business

86%

DUNLOP

FALKEN

Sports business

9%

Industrial and Other Products business

5%

Composition of Net Sales by Business Location

Japan	North America	Europe	Asia	Others
44%	16%	7%	20%	13%

History

1909
Dunlop U.K. established Japan's first modern rubber factory. Began production of bicycle tires and tubes, and solid rickshaw tires

1913
Produced Japan's first automobile tire

1954
Developed Japan's first tubeless tire

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

1966
Started mass-production of Japan's first radial tire "SP3"

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

1986
Acquired Dunlop Tire Corporation in the U.S.

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

2003
Merged with The Ohtsu Tire & Rubber Co., Ltd.

Contents

the world's best value in all of our fields of business

"VISION 2020" Long-Term Vision

Go for NEXT
VISION 2020

Becoming a true global player by achieving both high profitability and high growth
Pursuing increased value for all stakeholders and greater happiness for all employees

2020 Targets

Net Sales	¥1,200.0 billion
Operating Income	¥150.0 billion

2015 Results

Net Sales	¥848.7 billion
Operating Income	¥77.1 billion

Three Growth Engines of VISION 2020

1 ***NEXT Market Expansion***
Taking on the Challenges of New Markets

2 ***NEXT Technology Evolution***
An Insatiable Drive for Innovation

3 ***NEXT Category Innovation***
Entering New Business Fields

2006
Introduced the Sumitomo Rubber Group Long-Term Vision

2009
Celebrated the Company's 100th anniversary

2012
Announced "VISION 2020," our long-term vision

2013
Launched ENASAVE 100, the world's first* 100% fossil resource-free tire

* Since the use of synthetic rubber became the industry standard (based on Sumitomo Rubber Industries' own research).

2014
Launched ENASAVE NEXT, which has achieved the coveted "AAA-a" ranking—the highest possible—under Japan's tire labeling system

Introduced two lines of premium runflat tires produced using our NEO-T01 next-generation tire manufacturing system: the SP SPORT MAXX 050 NEO released in Japan under the Dunlop brand and the AZENIS FK453 RUNFLAT released in Europe under the Falken brand

2015
Dissolved the alliance agreement and joint ventures with The Goodyear Tire & Rubber Company

Completed the development of ADVANCED 4D NANO DESIGN technology for creating new materials

Operating Base

Financial Section

Cautionary Statements with Respect to Forward-Looking Statements
Statements made in this annual report with respect to Sumitomo Rubber Industries, Ltd.'s current plans, estimates, strategies and beliefs, and other statements that are not historical facts, are forward-looking statements about the future performance of the Sumitomo Rubber Group. These statements are based on the Company's and the Group's assumptions and beliefs in light of the information currently available to them. Sumitomo Rubber Industries cautions that a number of potential risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements and advises readers not to place undue reliance on them.

Initiatives Aimed at Achieving VISION 2020

In October 2015, the Sumitomo Rubber Group dissolved an alliance agreement regarding its Tire business and associated joint ventures with The Goodyear Tire & Rubber Company. The agreement had somewhat restricted the Group's European and U.S. operations, and with its dissolution the Group is now able to pursue even greater business opportunities in markets worldwide. Accordingly, we have initiated new strategies to achieve further business expansion in Europe and North America, pursuing greater success in these two regions in addition to promoting our ongoing initiatives under three growth engines aimed at achieving VISION 2020. Furthermore, to ensure the more efficient execution of these growth engine strategies, the Group transitioned from a conventional centrally controlled system headquartered in Japan to a flexible global management structure with officers in three major regions: Asia and Oceania, Europe and Africa, and the Americas. In this way, we will realize speedier decision making consistent with the operational needs of each region while strengthening our development and sales capabilities.

VISION 2020 Three Growth Engines

1 ***NEXT Market Expansion***

Taking on the Challenges of New Markets

- Entry into Emerging Markets
- Growth in the Chinese Market
- Expansion of Agricultural Tire Business in Asia
- **Business Expansion in Europe and North America**

Business Expansion in Europe and North America

North America (the United States, Canada, Mexico)

1. Fully leverage the production capacity (4.6-million-tires-a-year) of our New York State-based U.S. factory, which was acquired with the dissolution of the alliance
2. Strengthen our Falken brand business
   - Expand our product lineup
   - Obtain more orders from non-Japanese automakers for original equipment tires
   - Step up promotional activities
3. Reinforce the Dunlop brand
   - Obtain more orders from Japanese automakers for original equipment tires
   - Expand operations related to motorcycle tires
4. Consider the full-scale launch of a technical center in 2017

→ **Raise sales volume 60%* by 2020** *compared with 2015

2 *NEXT Technology Evolution*

An Insatiable Drive for Innovation

- Developing Products to Support Our Growth
- "Second-to-None" Technologies
- Environmentally Friendly Products
- Breakthroughs in Golf Clubs/Ball Fly Distance

3 *NEXT Category Innovation*

Entering New Business Fields

- Supplying to Overseas Car Makers
- Promoting Vibration Control Technologies
- Developing the Health Care Business

Europe

1. Augment our high-performance-tire supply capability in Europe, with the Turkish factory, launched in June 2015, serving as a key production base
2. Strengthen our Falken brand business
   - Expand our product lineup
   - Shift away from a conventional sales network structure centered on Germany to a marketing channel model, pursuing expansion by applying country-specific sales strategies across Europe
   - Step up promotional activities
3. Consider the full-scale launch of a technical center in 2017

Achieve 40%* growth in sales volume by 2020

*compared with 2015

Establishing a Flexible Global Management Structure

Transition to a 3-Pronged Organizational Structure

Realize Speedier Decision Making

- Allocate oversight officers for each major region
- Facilitate the global flow of information
- Swiftly assess business status in each region

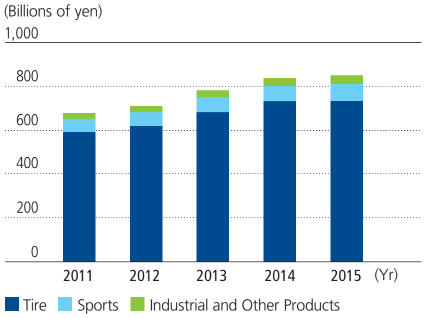
Europe and Africa | Asia and Oceania | The Americas

Strengthen Our Development and Sales Capabilities around the World

At a Glance

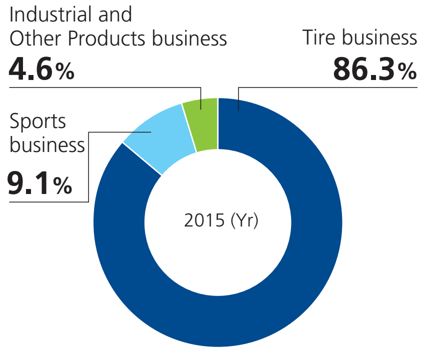
Net Sales

¥848.7 billion Year on Year **+1.3%**



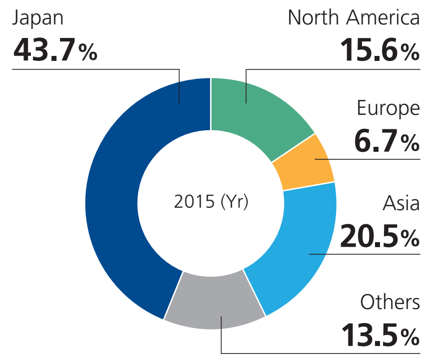
In addition to sales growth in our key Tire business, sales in the Sports business and the Industrial and Other Products business increased year on year, together contributing to net sales of ¥848.7 billion, up 1.3% compared with the previous fiscal year.

Composition of Net Sales by Business Segment



Regarding the composition of net sales in fiscal 2015, sales of the Tire business accounted for 86.3%, while those of the Sports business and the Industrial and Other Products business accounted for 9.1% and 4.6%, respectively.

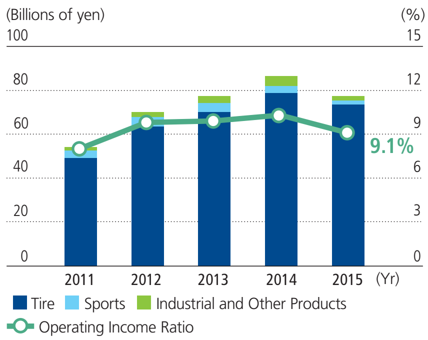
Composition of Net Sales by Region



The overseas sales ratio was 56.3%, up 3 percentage points year on year, due mainly to sales growth in North America.

Operating Income and Operating Income Ratio

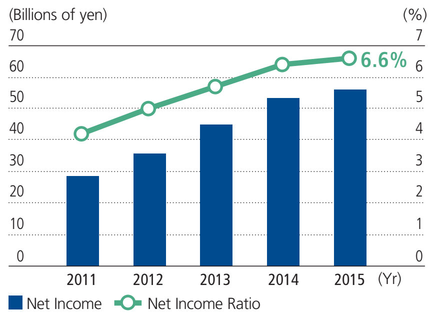
¥77.1 billion Year on Year **-10.6%**



Despite growth in sales, operating income decreased 10.6% year on year to ¥77.1 billion, reflecting such factors as fewer snowfalls, which led to stagnant revenues from higher margin tires, and a rise in costs associated with the establishment of new business bases.

Net Income and Net Income Ratio

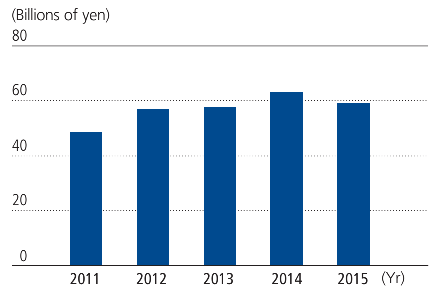
¥55.8 billion Year on Year **+4.9%**



Net income rose 4.9% year on year to ¥55.8 billion, setting a new record. This was mainly attributable to the change of equity interest regarding the joint ventures with The Goodyear Tire & Rubber Company and the recording of extraordinary income due to the receipt of cash in connection with these changes.

Capital Expenditures

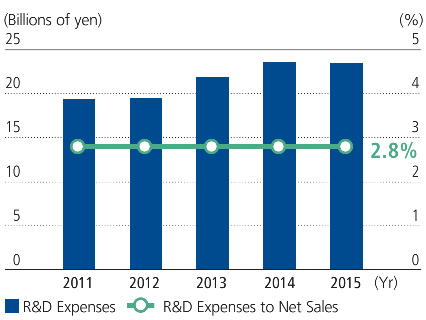
¥58.9 billion Year on Year **-¥3.9 billion**



Total capital expenditures decreased ¥3.9 billion year on year to ¥58.9 billion. Of this, major expenditures included funds spent in the Tire business for factory construction in Turkey and facility improvement in Japan.

R&D Expenses and R&D Expenses to Net Sales

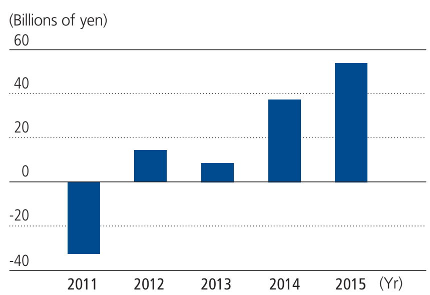
¥23.4 billion Year on Year **-¥0.1 billion**



R&D expenses in fiscal 2015 edged down ¥0.1 billion year on year to ¥23.4 billion. The primary use of funds was for new product development involving the Company's proprietary material development technology.

Free Cash Flow

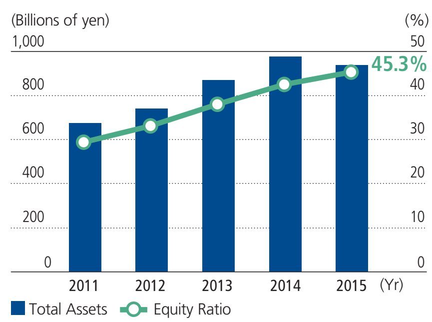
¥54.0 billion Year on Year **+¥16.6 billion**



Free cash flow for fiscal 2015 was a positive ¥54.0 billion due mainly to an influx of cash in connection with the dissolution of the alliance agreement and joint ventures with The Goodyear Tire & Rubber Company.

Total Assets and Equity Ratio

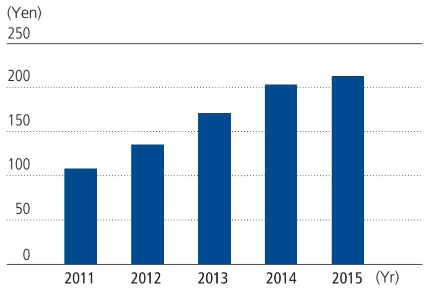
¥936.2 billion Year on Year **-¥37.4 billion**



Total assets as of the fiscal 2015 year-end were down ¥37.4 billion year on year to ¥936.2 billion. Although property, plant and equipment grew along with construction- and facility improvement-related capital expenditures, such factors as the sale of investment securities accompanying the dissolution of the alliance agreement and joint ventures with The Goodyear Tire & Rubber Company, led to a fall in total assets.

Net Income per Share

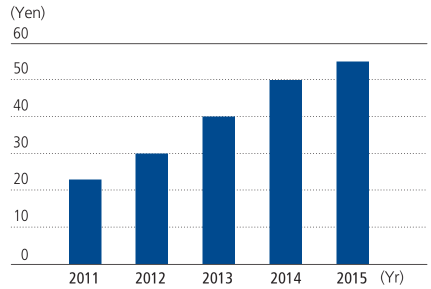
¥212.85 Year on Year +¥10.03



Net income per share for fiscal 2015 rose ¥10.03 year on year to ¥212.85, reflecting the increase in net income and other factors.

Cash Dividends per Share

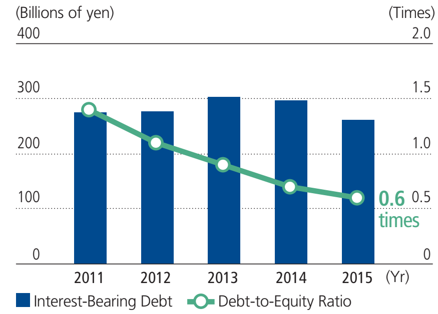
¥55.00 Year on Year +¥5.00



Annual cash dividends for fiscal 2015 totaled ¥55 per share, with an interim dividend of ¥25 per share, for an overall increase of ¥5 year on year.

Interest-Bearing Debt and Debt-to-Equity Ratio

¥260.6 billion Year on Year -¥35.1 billion

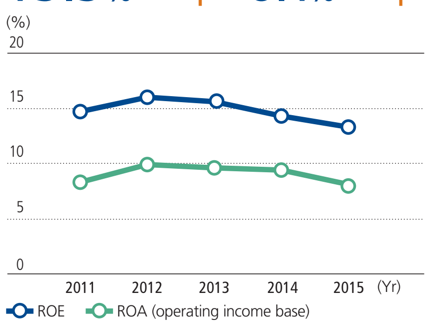


The debt-to-equity ratio improved 0.1 of a percentage point to 0.6 times due to a ¥35.1 billion decrease in interest-bearing debt and an increase in total equity.

ROE* and ROA**

ROE 13.3% Year on Year -1.0pt

ROA 8.1% Year on Year -1.3pt



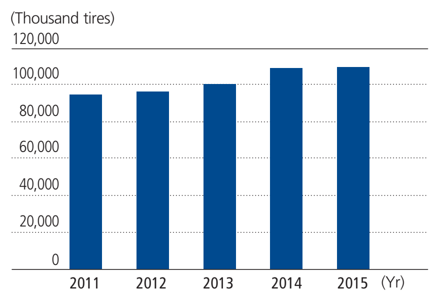
* ROE= (net income / the average of total equity at the beginning and end of the fiscal year) x 100

** ROA= (operating income / the average of total assets at the beginning and end of the fiscal year) x 100

ROE fell 1.0 of a percentage point year on year to 13.3% due to an increase in total equity. ROA declined 1.3 of percentage points to 8.1% due to decreases in operating income and total assets.

Tire Sales Volume

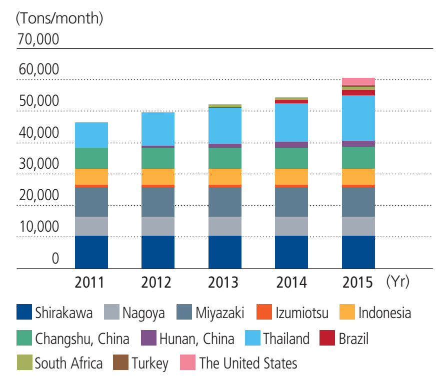
109,620 thousand tires Year on Year +480 thousand tires



Despite decreases in sales volume in domestic original equipment and replacement markets, the number of tires sold during fiscal 2015 rose 480 thousand year on year, thanks to growth in the overseas original equipment and replacement markets, particularly in North America.

Tire Production Capacity

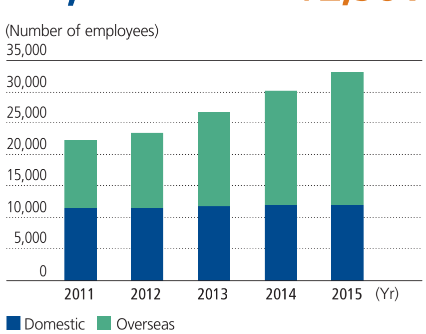
60,600 tons/month Year on Year +6,200 tons



Along with the kickoff of operations at our factory in Turkey, the acquisition of a factory in the United States contributed to an 11% rise in tire production capacity compared with the previous fiscal year. The overseas production ratio totaled 56%.

The Number of Employees in Japan and Overseas (consolidated basis)

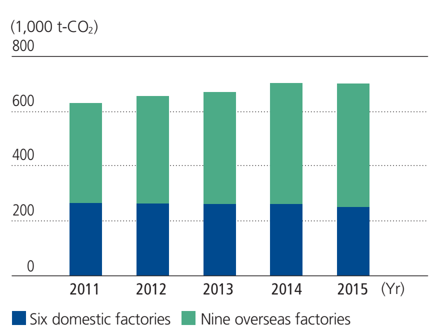
33,185 Year on Year +2,961



The total number of employees grew by 2,961 year on year, reflecting the acquisition of a U.S. factory in connection with the dissolution of the alliance agreement with The Goodyear Tire & Rubber Company and new hiring aimed at boosting the production capacity of overseas factories.

Total CO_2 Emissions (from six domestic and nine overseas factories)

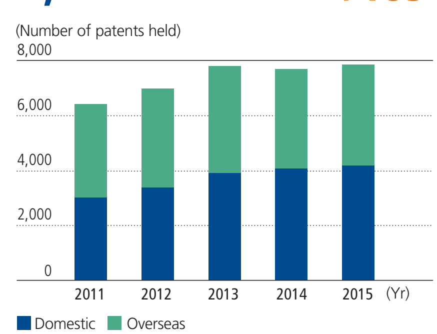
701 kt Year on Year -2 kt



CO_2 emissions from domestic factories declined, while emissions from overseas factories increased, with the total emissions during fiscal 2015 decreasing year on year.

Number of Domestic and Overseas Patents

7,849 Year on Year +169



The number of patents held by the Company increased both in Japan and overseas.

Ikuji Ikeda
President and CEO, Representative Director

A New Record for Net Sales and Income in Fiscal 2015

During fiscal 2015, the U.S. economy enjoyed steady growth while the European economy remained stagnant. Economies in emerging markets, primarily in Asia, were also sluggish overall due mainly to continued currency depreciation.

In Japan, despite an ongoing improvement in corporate earnings backed by a persistently weak yen, such factors as an export downturn due to declining demand from China and other Asian regions as well as sluggish private-sector consumption owing to an unseasonably warm winter have led to overall stagnation.

The business environment surrounding the Group was harsh, with competition intensifying as global tire demand fell despite such positive factors as consistently low natural rubber prices and a drastic fall in crude oil prices.

Against this backdrop, the Sumitomo Rubber Group 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. In our mainstay Tire business, we actively pursued overseas expansion initiatives, including beginning production in Turkey and setting up a sales subsidiary in Australia. To expand sales of the Falken brand globally, we carried out various sales promotions and continued to enhance our product lineup. In Japan, we focused our efforts on the sale of fuel-efficient tires, which continue to garner acclaim. Demand in emerging markets, however, was sluggish, and sales of winter tires in Japan were lower than forecast due to unseasonably warm winter weather.

As a result, consolidated net sales increased 1.3% year on year to ¥848.7 billion, operating income fell 10.6% year on year to ¥77.1 billion, ordinary income decreased 10.3% year on year to ¥78.9 billion and net income grew 4.9% to ¥55.8 billion. Thus, operating income and ordinary income were down despite the slight growth in sales, which was due in part to the depreciation of the yen. The rise in net income—a new record for the Company—was mainly attributable to the change of equity interest regarding joint ventures with The Goodyear Tire & Rubber Company and the recording of extraordinary income due to the receipt of cash in connection with these changes.

New Medium-Term Management Plan: Focused on Business Expansion in Europe and North America

The Group has been working toward the realization of VISION 2020, a long-term vision that sets targets for fiscal 2020, through various initiatives aimed at spurring growth and increasing earnings capability. Under VISION 2020, we will strive to achieve our targets 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." In addition, we are carrying out the following initiatives to drive growth: Taking on the Challenges of New Markets, an Insatiable Drive for Innovation and Entering New Business Fields.

In light of current conditions in the global economy and the automotive and tire industries in particular as well as the status of the Group's business reforms, beginning with the dissolution of the alliance agreement and joint ventures with The Goodyear Tire & Rubber Company, we launched a medium-term management plan in 2016, adding new strategies to existing initiatives aimed at achieving VISION 2020.

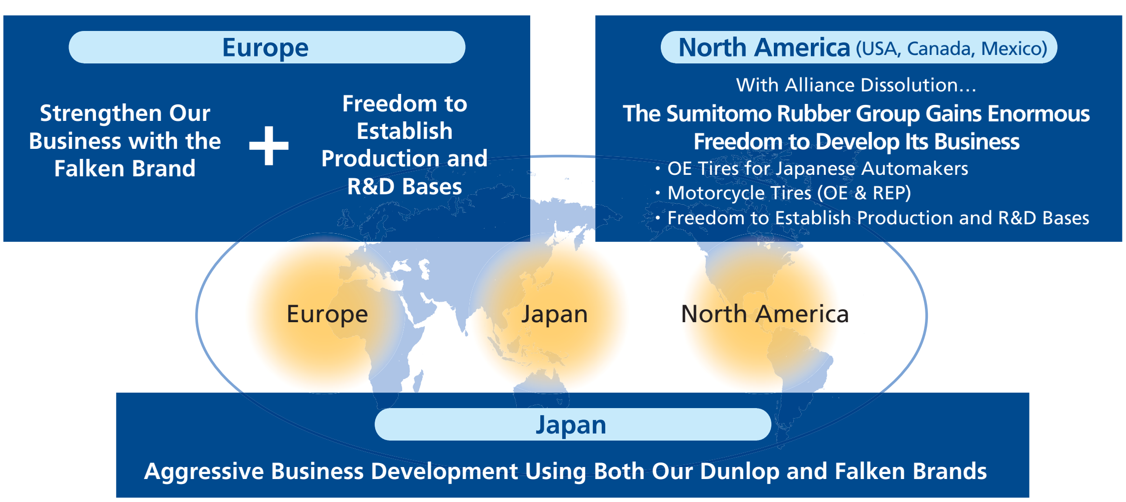
Under the plan, we have introduced a business expansion strategy for Europe and North America to the VISION 2020 initiative of Taking on the Challenges of New Markets. We will continue accelerating this strategy.

Of these two markets, we believe North America will change and develop the most. With the dissolution of the alliance agreement, we were able to acquire a factory in the state of New York with an annual production capacity of 4.6 million tires for passenger cars, trucks, buses and motorcycles. Going forward, we intend to fully leverage this production capacity to expand our North American operations. At the same time, we will grow the Dunlop brand while strengthening and developing the Falken brand by enhancing the latter brand's lineup of value-added products. This will be carried out simultaneously with promotional activities aimed at improving the Falken brand's value and reinforcing its youthful and energetic image.

In Europe, we are continuing to steadily enhance the production capacity of our Turkish factory, which began operations in 2015 as a supply base. We plan to raise its daily production from 4,000 tires at the end of the previous year to 30,000 tires by 2019. With regard to sales, we are shifting away from a conventional sales network structure centered on Germany to a marketing channel model, pursuing expansion by applying country-specific sales strategies across Europe.

Moreover, it is clear that we need to integrate development and production systems at the local level to ensure quick response to market needs and the supply of high-performance, high-quality tires. We are continuing to swiftly build and enhance local development systems in Europe and North America and will further consider the launch of full-scale technical center operations in 2017.

Business Expansion in Europe and North America



Factory in the United States

With an eye to successfully implementing the medium-term management plan and realizing VISION 2020, in April 2016 the Group transitioned from a conventional centrally controlled system headquartered in Japan to a flexible global management structure with officers in three major regions: Asia and Oceania, Europe and Africa, and the Americas. This structure will facilitate the global flow of information, swift assessment of business status in each region and speedier decision making. Through these efforts, we will continue to strengthen our development and sales capabilities around the world.

(Billions of yen)

VISION 2020 Numerical Targets and Results	2015 results	2020 targets
Net Sales	¥848.7	¥1,200
Operating Income	¥77.1 (9.1%)	¥150 (12% or greater)
ROE	13.3%	15% or greater
ROA (Operating Income)	8.1%	14% or greater
D/E Ratio	0.6	0.5 or lower

Outlook for the Fiscal Year Ending December 31, 2016

The results outlook for fiscal 2016 is as follows: sales of ¥860 billion, up 1.3% year on year; operating income of ¥80 billion, up 3.8%; ordinary income of ¥77 billion, down 2.4%; and profit attributable to owners of parent of ¥57 billion, up 2.1%.

As for results by business, we expect the Tire, Sports and Industrial and Other Products businesses to record increases, with overall returns rising 1.3% year-on-year. With regard to operating income, the Tire business is projected to see 3.3% year-on-year growth, the Sports business a 0.6% decrease, and the Industrial and Other Products business a 29.5% expansion, for an overall increase of 3.8%.

In addition, by the end of 2016 tire production capacity is expected to be up 1.5% year on year to 61,500 tons per month and annual production volume to rise 6.4% to 636,000 tons.

Introducing IFRS from the End of Fiscal 2016

Although the Company's consolidated financial statements have until now been calculated on a Japanese GAAP basis, we decided to voluntarily adopt international financial reporting standards (IFRS) from the fiscal year ending December 31, 2016. The adoption is expected to improve the international compatibility of our financial data with systems used on capital markets and enhance the quality of Group management of subsidiaries. Stepping up the disclosure of data on a global basis, we will pursue further business growth to achieve our VISION2020 goals while securing greater corporate value and global competitiveness.

The Company's fiscal 2016 financial results calculated implementing IFRS will be disclosed in line with the following schedule.

Consolidated Fiscal 2016 Results Forecast on an IFRS Basis

(Billions of yen)

	IFRS	JGAAP	Difference
Net Sales	¥810	¥860	Down ¥50
Operating Income	¥80	¥80	—
Operating Income Ratio	9.9%	9.3%	—
Net Income	¥54	¥57	Down ¥3

Schedule for Disclosure

Fiscal year		Disclosure materials	Accounting standards
Ended December 31, 2015	Year-end	Consolidated financial results	JGAAP
		Consolidated financial statements	
		Annual securities report	
Ending December 31, 2016	1Q to 3Q	Quarterly consolidated financial results	JGAAP
		Quarterly business report	
	Year-end	Consolidated financial results	IFRS
		Consolidated financial statements	
		Annual securities report	

Corporate Governance

As a good corporate citizen, the Sumitomo Rubber Group aims to contribute to social and economic development through its business activities. We therefore endeavor to ensure comprehensively sound corporate governance. Operating in line with the corporate governance code, we will continue to work to secure sustainable business growth and medium- to long-term corporate value. As a global company, we carefully listen to international voices and are actively taking on progressive initiatives.

Overview of CSR Policy and Initiatives

To invigorate its CSR activities and be a corporate group that earns the trust of society, the Sumitomo Rubber Group has formulated its CSR Philosophy and its CSR Guideline comprising five ideals: Green (green initiative), Ecology (ecological process), Next (next-generation product development), Kindness (kindness to employees), and Integrity (integrity for stakeholders). Every year, in line with the guideline, we set initiative goals while establishing high-priority indicators (materiality) and promoting PDCA cycles.

Sixth 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 2015, we increased the year-end dividend ¥5 per share from the initial forecast of ¥25 per share to ¥30 per share. Combined with an interim dividend of ¥25 per share, annual cash dividends for the fiscal year under review thus totaled ¥55 per share, a ¥5 increase per share compared with the previous fiscal year. Accordingly, the consolidated payout ratio stood at 25.8%.

The Sumitomo Rubber Group's Global Expansion

In line with VISION 2020, the Sumitomo Rubber Group has been striving to become a true global player by achieving both high profitability and high growth.

In October 2015, the Group dissolved its alliance agreement with The Goodyear Tire & Rubber Company and associated joint ventures. Thanks to this move, the Group is now free to own and operate production, research and development facilities in Europe and the United States without the restrictions imposed by the former agreement. Looking ahead, the Sumitomo Rubber Group is poised to accelerate Groupwide strategies aimed at expanding global operations by taking advantage of the greater business opportunities now available in these regions.

1 Business Expansion in Europe and North America

North America (the United States, Canada, Mexico)

Raise sales volume 60% by 2020 compared with 2015

In its Tire business, Sumitomo Rubber Group boasts both the Dunlop brand, which offers high-quality premium tires with worldwide recognition, and the Falken brand. We have positioned the strengthening of the Dunlop brand and the swift expansion of Falken brand-related operations as critical strategies in our efforts to augment our North American operations. Accordingly, we are striving to fully leverage the production capacity of the factory in New York State that we acquired in 2015. For example, we have relocated some production lines for Falken brand replacement tires from our factory in Thailand to this location, thereby ensuring that these products are manufactured at a site near their target market. In addition, we began planning the local production of Dunlop brand original equipment (OEM) tires for Japanese automakers' U.S.-based manufacturing operations.

On the sales front, we intend to constantly introduce new items in such categories as high-performance tires, especially flagship, high-performance Falken brand tires. Moreover, we will release new truck and bus tires, including those for light trucks, a product category that boasts a robust regional customer base. We will thus expand our lineup with highly competitive items created employing our *Dantotsu* (second-to-none) technologies.

In sales promotion activities, we have been striving to enhance the value of the Falken brand by, for example, signing an official sponsorship agreement with the U.S. Major League Baseball (MLB) organization in 2015. As for OEM tires, the dissolution of the alliance removed restrictions on our marketing of Dunlop tires targeting Japanese automakers operating locally. Meanwhile, we have already initiated the supply of Falken tires to non-Japanese automakers. Therefore, in the OEM tire market we are working to capture a greater share of the growing number of orders being placed by these customers. In addition, we are now able to sell Dunlop brand motorcycle tires on both the OEM and replacement markets. Therefore, we will step up business with Harley-Davidson, Inc., a longtime customer that uses our OEM tires in a number of products.

As we move forward, we will apply the above and similar methods as we continue to solidify our position as a tire manufacturer boasting world-leading brands.

WILDPEAK A/T WILDPEAK M/T

▶ **Falken Tires for light trucks**

▶ **Signed an official sponsorship agreement with the MLB**

▶ **We are stepping up our supply of motorcycle tires to Harley-Davidson.**

Europe

Achieve 40%* growth in sales volume by 2020

* compared with 2015

With the aim of strengthening our operations in Europe, we will leverage our factory in Turkey, which initiated production in June 2015. Plans call for expanding the daily production capacity of this factory from 4,000 tires at the end of 2015 to 30,000 tires by 2019. In addition, this factory incorporates the specialized Taiyo tire production system for the precision manufacture of high-performance tires. This unique production system is expected to significantly improve our capacity to supply high-performance tires to the European market.

The Falken brand has earned a superior reputation as a motor sports tire brand in Europe, with its replacement tires garnering favorable reviews from regional auto magazines that feature highly influential critics. We have begun supplying Falken tires as OEM tires to Volkswagen for a number of models, including the *Passat*, *Polo* and *up!*. Going forward, we will introduce products with a strong competitive edge by maximizing the potential of our factory in Turkey.

In sales promotion activities, we signed a premium sponsorship agreement with "FC Ingolstadt 04," a first-tier team in Germany's Bundesliga professional football league, and participated in the Nurburgring 24-Hour Race.

In the area of sales, we are shifting away from a conventional sales network structure centered on Germany to a marketing channel model, pursuing expansion by applying country-specific sales strategies across Europe.

▶ **Boost OEM tire sales**

▶ **Signed a sponsorship agreement with "FC Ingolstadt 04"**

▶ **Participated in Nurburgring 24-Hour Race (the above photo was taken at the 2015 event)**

Integrate Development and Production Systems

We believe that to achieve our aim of being able to quickly accommodate the latest market needs through the timely supply of high-performance, high-quality tires, our development and production sites must be integrated into a single facility. To that end, we are considering the full-scale launch of technical centers in both North America and Europe in 2017.

We know that the success of our initiatives in North America and Europe will be the most important determiner of the success of VISION 2020. We are therefore committed to expanding our operations in these regions by rallying the strengths of employees throughout the Group.

▶ **Factory in the United States**

▶ **Factory in Turkey**

▶ **Image of a technical center**

2 Initiatives to Develop New Markets

In emerging market areas with strong demand growth potential, the Sumitomo Rubber Group is steadily augmenting its production capacity and marketing networks by actively building production and sales bases.

Entry into Emerging Markets

Production

- October 2013: **Launched a factory in Brazil**
- December 2013: **Launched a factory in South Africa**
- June 2015: **Launched a factory in Turkey**

Sales

- April 2006: Launched sales subsidiary Dunlop Tire CIS LLC in **Russia**
- April 2013: Launched sales subsidiary Falken Tyre India Private Limited in **India**
- March 2015: Launched sales subsidiary Sumitomo Rubber Australia Pty. Ltd. in **Australia**

Growth in the Chinese Market

Production

- April 2004: Launched the **Changshu factory** in China
- July 2012: Launched the **Hunan factory** in China

Sales

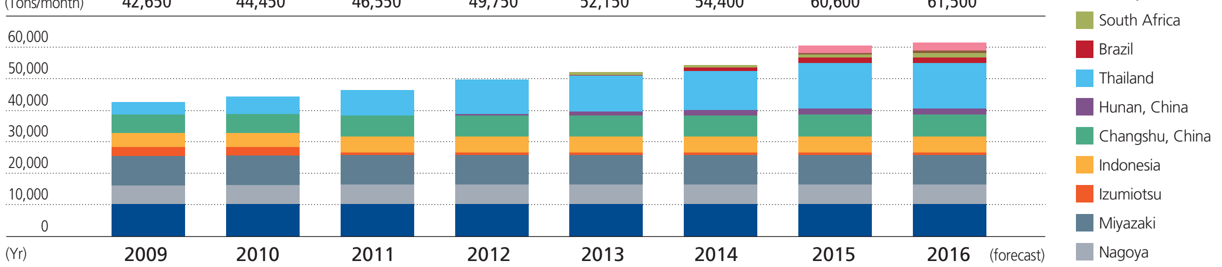
- **Began marketing the Falken brand in 2015** alongside the Dunlop brand
- Expanded new **D-Guard** sales channel, which provides comprehensive car maintenance service

Expansion of Agricultural Tire Business in Asia

- **Launched our third factory in Thailand** in April 2014 to produce tires for agricultural machinery
- Began promoting OEM sales mainly to Thai-based **Japanese agricultural machinery makers**
- **Began proactively marketing replacement tires to expand sales** in both Thailand and surrounding countries

Tire Production Capacity

(Yr)	2009	2010	2011	2012	2013	2014	2015	2016 (forecast)
% compared with the previous year's total	105%	104%	105%	107%	105%	104%	111%	101%
(Tons/month)	42,650	44,450	46,550	49,750	52,150	54,400	60,600	61,500
Overseas production ratio	34%	36%	43%	47%	49%	51%	56%	57%



What Tire Technology Can Do for the Global Environment

Giving due consideration to how its tire technologies can benefit the global environment, the Sumitomo Rubber Group's product development focuses on three things: innovative materials, fuel efficiency and resource conservation. Accordingly, the Group actively works to devise new materials, innovative production methods and technologies to ensure the more effective utilization of natural resources and enhance the functions of naturally derived ingredients.

Developing Eco-Friendly Tires

ADVANCED 4D NANO DESIGN New Material Development Technology

In 2015, the Sumitomo Rubber Group successfully completed the development of its ADVANCED 4D NANO DESIGN material development technology, an upgrade of its previous technology that realizes a significantly improved synthesis of simulation and analysis. Built on a foundation of cutting-edge computer simulation technologies and state-of-the-art testing facilities boasting world-leading capabilities, the Sumitomo Rubber Group's ADVANCED 4D NANO DESIGN enables the precise control and simultaneous enhancement of the three, often contradictory, tire performance requirements—fuel efficiency, wet grip performance and wear resistance—in the process of material design. We plan to use this technology in the development of products to be released in 2016 and beyond.

NEO-T01 Next-Generation Tire Manufacturing System

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. Our runflat tires manufactured using this system are attracting growing attention for their potential to contribute to driving safety as well as resource conservation and weight reduction as they eliminate need for spare tires.

Wear-resistant max-tread rubber*

* This is a concept tire and, as such, there are no current plans to make it available for sale. (Max: Refers to our company's highest grade of tread rubber.)

Runflat tires

SP SPORT MAXX 050 NEO
AZENIS FK453 RUNFLAT
DUNLOP
FALKEN

Promoting the Effective Utilization of Natural Resources

Developing Alternative Sources of Natural Rubber

Currently, Asian countries account for 90% of worldwide natural rubber production. The geographical distribution of these producers and potential impact of transportation and other operations on the environment pose a number of challenges the Group must address as it strives to expand its global tire production network. In response, we have turned our attention to the Russian dandelion, initiating joint research on this plant with Kultevat, a U.S. venture company boasting biomass technologies, as it can be cultivated in a range of regions throughout the world and is expected to help us secure a stable new source of tire material.

Realizing Greater Functionality by Utilizing Naturally Derived Materials

Creating Biomass Materials with Superior Functions

In 2015, the Group's R&D efforts centered on biomass material technologies led to the successful creation of a plant-based softener that enhances the resilience of rubber materials. When mixed with rubber, this softener forms molecular-level linkages with the rubber, resulting in a material that conforms to its initial performance parameters for a longer period of time. Efforts are now under way to release products incorporating this softener by the end of 2016.

Next-Generation Tire Technologies

Airless Tire Technology GYROBLADE

This technology produces a tire that meets basic performance requirements* but has no need to be filled with air. GYROBLADE consists of a tire tread affixed to the circumference of a tire body that is composed of a metallic wheel surrounded by special resin spokes. Tires using this technology are immune to flats and can be used without worrying about maintaining optimal air pressure. GYROBLADE thus greatly decreases the vehicle repair workload while reducing the environmental burden by eliminating the need for spare tires.

* (1) Supporting vehicle weight; (2) Transferring driving and braking power to the road; (3) Absorbing and dampening shock; and (4) Changing or maintaining vehicle direction

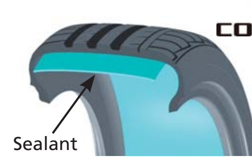
GYROBLADE

Sealant Tire Technology CORESEAL

A sealant with high adhesiveness and viscosity designed to be applied to the lining of a tire tread, CORESEAL prevents air leakage from a tire when the tread is punctured* through its entire thickness. This technology helps improve driving safety in circumstances where tires may otherwise go flat due to contact with stabbing objects while facilitating resource conservation, weight reduction and greater freedom in vehicle design by eliminating the need for spare tires.

* Prevents air leakage when a tire tread has been punctured by a nail or other foreign object of up to 5mm in diameter, regardless of whether the object remains lodged in the tread or has fallen out

CORESEAL



Tire Business

- The Sumitomo Rubber Group manufactures and sells tires, mainly the Dunlop and Falken brands.
- The Group has been active in expanding Dunlop's eco-friendly ENASAVE tire series lineup.
- The Falken brand lineup features highly functional, top-quality products that the Group is promoting in the Japanese, European and U.S. markets.

DUNLOP
ENASAVE RV504

Introducing a Concept Tire with Wear Resistant Max-Tread Rubber*

The Group unveiled a concept tire made using Wear-Resistant Max-Tread Rubber* that features a 100%** improvement in wear resistance while maintaining high fuel efficiency and wet-grip performance.

* This is a concept tire and, as such, there are no current plans to make it available for sale. (Max: Refers to our company's highest grade of tread rubber.)

** Compared with the tread rubber used in the Company's products in 2011.

ENASAVE 100 Receives Recognition

In 2015, Dunlop's 100% fossil resource-free tire ENASAVE 100 received the Japan Business Federation Chairman's Award at the 24th Global Environment Awards and the Excellence Prize at the Sixth Monodzukuri Nippon Grand Awards. In 2014 the same tire won the Agency for Natural Resources and Energy Director-General's Award at the Energy Conservation Grand Prize Awards in the product or business model category.

The commendation ceremony at the 24th Global Environment Awards.

DUNLOP
ENASAVE 100

Fiscal 2015 Results

Sales in the Tire business grew 0.1% year on year to ¥732,168 million in the fiscal year under review, while operating income decreased 6.8% to ¥73,114 million.

On the back of a decline in global tire demand that, in turn, triggered intensifying competition, the business environment surrounding the Tire business remained harsh despite such positive factors as an improvement in export conditions accompanying the depreciation of the yen, consistently low natural rubber prices and a drastic decline in crude oil prices. The Group pressed ahead with its efforts to further boost sales of such high-value-added products as fuel-efficient tires, expand into new markets and take measures aimed at driving growth and improving earnings capabilities across the entire Group. However, sales stagnated in emerging countries and domestic winter tire sales were below expectations due to unseasonably warm winter weather. Under these circumstances, the tire segment sales grew while profits declined.

Domestic Replacement Market

Among summer tires, sales of fuel-efficient tires outpaced those of the previous year due to increased sales of Dunlop brand's long-lasting fuel-efficient ENASAVE tire series as well as LE MANS 4 and VEURO VE303, which feature the special noise-absorbing Silent Core technology. In winter tires, although sales of WINTER MAXX tires increased year on year, overall sales were lower due mainly to an absence of snowfall during the peak demand period and higher temperatures nationwide. As a result, sales for the domestic replacement market decreased year on year.

Domestic Original Equipment Market

Despite efforts to increase the supply of high-value-added products, especially fuel-efficient tires, lower automobile production volume drove down sales volume and net sales.

Overseas Replacement Market

Reflecting ongoing political instability in the Middle East and market stagnation in Russia, Indonesia and other emerging countries, competition grew fierce. However, sales grew year on year thanks to an overall global expansion in sales volume, especially in the favorable U.S. market, and a boost from the positive effects of the depreciation of the yen.

Overseas Original Equipment Market

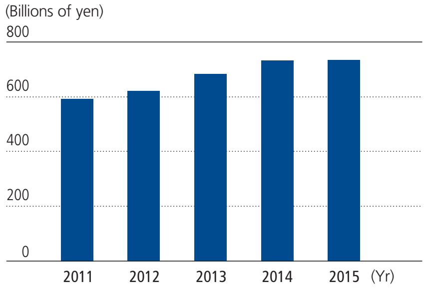
Sluggish market conditions in Indonesia and China led to a fall in sales volume, while in Thailand continued demand for car models for which the Group supplies a large share of OEM equipment kept sales firm. In the United States, the Group expanded sales to non-Japanese automakers, lifting overall sales. The yen depreciation also helped to buoy net sales.

Fiscal 2016 Outlook

In the domestic market, we will continue to introduce new products in our fuel-efficient tire lineup under both the Dunlop and Falken brands. Overseas, the Group will proactively work to grow sales in the European and U.S. markets while pursuing ongoing sales expansion in emerging markets. The Group is also striving toward increased sales at its Australia-based sales subsidiary, which commenced operations in March 2015. At the same time, the Group will continue to globally launch products that meet tightening environmental restrictions and are tailored to unique regional characteristics. Turning to development, the Group will keep applying its proprietary advanced technology to product development and strengthening its supply system while making strategic investments to bolster the production capabilities of its factories in South Africa, Turkey, the United States and elsewhere.

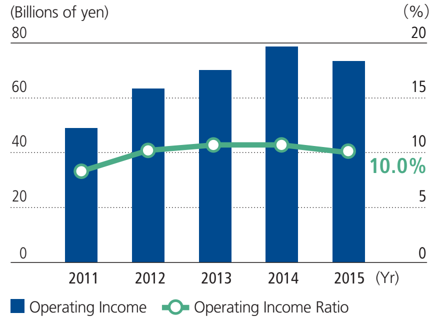
Net Sales

¥732.2 billion Year on Year **+0.1%**



Operating Income and Operating Income Ratio

¥73.1 billion Year on Year **-6.8%**



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

	2014	2015
Domestic original equipment	+3%	**-8%**
Overseas original equipment	+13%	**+1%**
Domestic replacement	+2%	**-7%**
Overseas replacement	+13%	**+6%**
Total	+9%	**±0%**
Total sales volume (thousand of tires)	109,140	**109,620**

Sports Business

- Dunlop Sports Co. Ltd., a company spun off from Sumitomo Rubber Industries in 2003, plays a central role in the manufacturing and marketing of such items as golf clubs and golf balls. In the area of tennis equipment, the company offers several products, including rackets and balls.
- In its mainstay golf product lineups, Dunlop Sports has introduced the XXIO, SRIXON and Cleveland Golf brands on a global scale.
- Tennis equipment is manufactured and marketed under the Dunlop and SRIXON brands. In addition, a sales agency contract has been signed with the French company BABOLAT VS S.A.
- Dunlop Sports launched a wellness promotion business, comprising a fitness club business and a golf and tennis school businesses, expanding it to create a third business pillar for the segment.
- Dunlop Sports is listed on the first section of the Tokyo Stock Exchange.

XXIO9

SRIXON Z545


CLEVELAND 588 RTX 2.0

SRIXON Z-STAR


DUNLOP SPORTS CLUB

DUNLOP SPORTS CLUB GYM STYLE 24

No.1 ranking in terms of value of domestic shipments in 2015 for

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

These 2015 market share estimates are based on data in the Sports Goods Industry 2016 report compiled by Yano Research Institute Ltd.

233 golfers worldwide

The number of leading professional golfers who have entered into equipment sponsorship agreements with Dunlop Sports in Japan and overseas, encompassing 28 countries. (As of March 1, 2016)


Professional golfer, Hideki Matsuyama

YOUR PRESTIGE PARTNER

Reliable and **professional quality**, capable of helping players advance their golf skills

XXIO

DEDICATED TO IMPROVING YOUR GAME

The culmination of a wealth of proprietary Dunlop technologies that benefits all golfers from beginners to professionals

SRIXON

WHERE SCORING MATTERS

Cleveland Golf's distinct short game strengths come to the fore for all players

Cleveland GOLF

SRIXON REVO CX 2.0

DUNLOP FORT / SRIXON

Fiscal 2015 Results

Sales in the Sports business increased 10.2% year on year to ¥77,631 million, while operating income fell 36.6% to ¥2,011 million.

Against a backdrop of firm demand for golf goods due to relatively fair weather conditions in Japan and the United States, Dunlop Sports' flagship XXIO8 golf clubs continued to enjoy steady domestic sales. Moreover, XXIO9 golf clubs have made a strong start since their introduction in December 2015. As a result, the company's golf clubs and balls captured top market share in terms of domestic storefront sales in 2015.* Overseas, Dunlop Sports promoted the mainstay XXIO, SRIXON and Cleveland Golf brands strategically, with an eye to securing greater market share worldwide.

In the domestic tennis equipment market, market conditions were favorable thanks in part to the popularity of tennis star Kei Nishikori. Sales of SRIXON and BABOLAT VS brand products expanded, capturing the No.1 share of the tennis racket market.

In addition, in its wellness promotion business—the segment's third business pillar next to golf and tennis equipment—the Group began rolling out Gym Style 24, a chain of 24-hour compact workout facilities. This new business contributed to the increase in sales.

Despite the rise in sales in the Sports business segment, operating income fell largely because of increased stocking costs due to the depreciation of the yen.

* Market share survey conducted by Yano Research Institute Ltd.

Fiscal 2016 Outlook

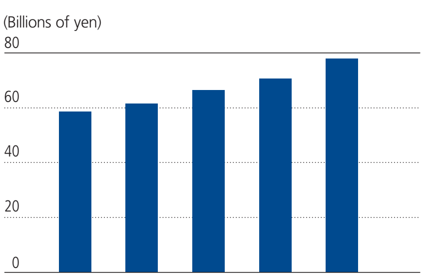
To remain the top in golf goods in terms of domestic market share, Dunlop Sports will strive to expand sales of its mainstay XXIO9 brand golf clubs as well as the SRIXON and Cleveland Golf brands. The company will also introduce new golf ball products, including XXIO UX-AERO premium golf balls. Just as it does in the domestic market, Dunlop Sports will continue to promote XXIO and SRIXON golf clubs overseas while steadily working to penetrate and capture a greater share of golf ball markets with the SRIXON brand.

Targeting the domestic tennis equipment market, the company will proactively introduce new tennis rackets under the SRIXON brand's REVO CV series while stepping up the marketing of tennis balls. In addition, Dunlop Sports will work to expand its chain of compact gyms.

Net Sales

¥77.6 billion

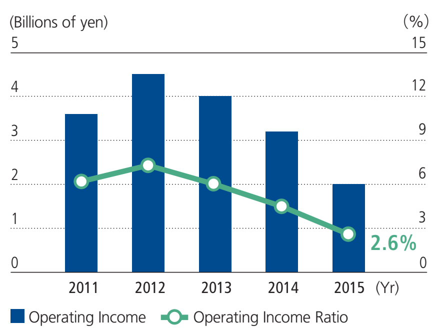
Year on Year **+10.2%**



Operating Income and Operating Income Ratio

¥2.0 billion

Year on Year **-36.6%**



Sales Breakdown

(Billions of yen)

	2014	2015	Year on Year
Clubs	34.5	**36.3**	**+5%**
Balls	14.5	**14.9**	**+3%**
Shoes and accessories	7.9	**7.7**	**-2%**
Golf goods	56.9	**58.9**	**+4%**
Tennis goods	6.3	**6.5**	**+3%**
Licensing revenue	0.4	**0.4**	**-2%**
Sports goods	63.7	**65.9**	**+3%**
Other	6.8	**11.7**	**+72%**
Total	70.9	**77.6**	**+10%**

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

Industrial and Other Products Business

- The Industrial and Other Products business offers a wide variety of products encompassing precision rubber parts for printers and photocopiers, vibration control dampers, artificial turf for sporting use, floor coating materials, portable ramps for wheelchair use, rubber gloves, rubber gas tubes, marine fenders, rubber valves and medical rubber parts. The Company covers diverse needs that range from daily life to industrial applications.

MIRAIE

The MIRAIE damper for conventional post and beam structures

No. 1 share of the domestic market for artificial turf for sporting use

Our long pile artificial turf "Hibrid Turf" is used in a number of sporting grounds, with a total of more than 4 million m^2 installed. Having set the domestic record in terms of the total area of installation, the product is the market leader.

Note: Survey conducted by Sumitomo Rubber Industries

MIRAIE Vibration Control Units for Housing

MIRAIE brand vibration control units for housing were developed using proprietary Sumitomo Rubber Industries technology in the area of high damping rubber. Capable of absorbing up to 70%* of the kinetic energy of an earthquake tremor, MIRAIE is also effective in buffering repeated aftershocks. Moreover, the product life of MIRAIE units is as much as 90 years.**

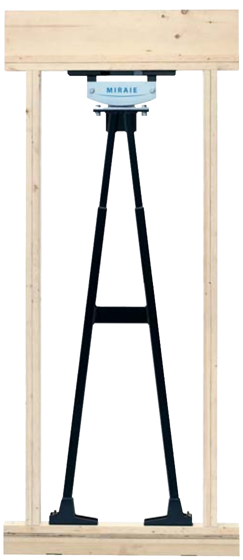
* Based on the results of in-house shake table experiments simulating real-life earthquake intensity
** Based on accelerated deterioration testing

Precision rubber parts for printers and photocopiers
Precision rubber parts for printers and photocopiers 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.

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

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

"Hibrid-Turf" artificial turf for sporting use
Realizing both superior safety and playability, Hibrid-Turf is installed in a wide variety of sports facilities from professional pitches to school facilities nationwide. This artificial turf has been used at Jingu Stadium since 2008.



The MIRAIE 2x4 vibration control unit

Fiscal 2015 Results

During fiscal 2015, sales in the Industrial and Other Products business increased 8.1% year on year to ¥38,864 million, while operating income declined 58.5% to ¥1,930 million.

In fiscal 2015, the Company continued to offer vibration control equipment that helps reduce structural vibration, with MIRAIE vibration control units for housing boasting steady sales growth. Since the brand's launch in 2012, MIRAIE units have been installed in more than 10,000 houses. In the area of medical rubber parts, the Company stepped up worldwide marketing by better utilizing new production facilities and the European sales channels of a Switzerland-based company that became a Group subsidiary through acquisition in January 2015.

Among the Company's lineup of artificial turf for sports facilities, Hibrid-Turf EX, a long pile turf boasting significantly improved durability, has garnered constantly favorable market reviews.

Precision rubber parts for printers and photocopiers also enjoyed steady sales growth, especially overseas, with the depreciation of the yen boosting revenues from these products further.

As a result, sales in the Industrial and Other Products business segment increased year on year. However, operating income declined as some new businesses were reclassified to the Tire business.

Fiscal 2016 Outlook

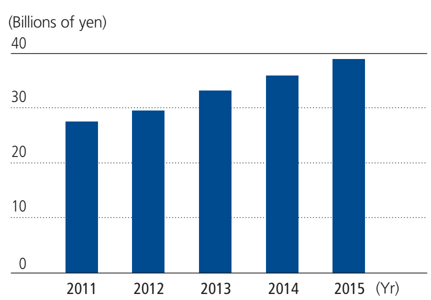
Around the world, the Company will work to develop new markets for precision rubber parts for printers and photocopiers as well as vibration control equipment. By doing so, the Company will achieve greater sales while enhancing market recognition of its capability to ensure superior product safety and quality. The Company will also promote the worldwide marketing of medical rubber parts, especially in Europe. Having released a new artificial turf for sporting use under the brand name "Hibrid-Turf EVO" in December 2015, the Company will strive to boost sales in this product category.

In these ways, the Company will develop and provide offerings with greater quality, functionality and product value in all of its lineups, thereby achieving further business growth.

Rubber gloves
The extensive lineup of Dunlop rubber gloves encompasses products for household and industrial use.

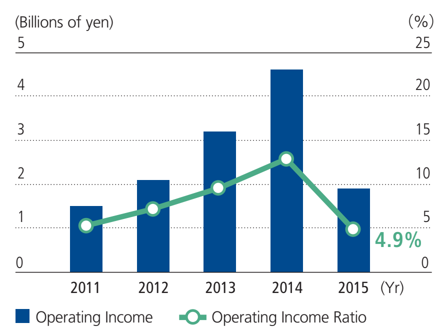
Net Sales

¥38.9 billion Year on Year **+8.1%**



Operating Income and Operating Income Ratio

¥1.9 billion Year on Year **-58.5%**



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

R&D Activities

With the Sumitomo Rubber Industries' R&D organization and facilities as its core, the Sumitomo Rubber Group promotes R&D activities in wide-ranging fields—the Tire, Sports, Industrial and Other Product businesses—in close cooperation with its subsidiaries and affiliates around the world.

Total R&D expenses in the fiscal year under review amounted to ¥23.4 billion, equivalent to 2.8% of consolidated net sales.

Tire Business

In fiscal 2015, the Company unveiled a concept tire created using its new ADVANCED 4D NANO DESIGN technology, which it aims to use in the development of products to be released in fiscal 2016 and beyond. We have also begun work on the basic framework for NEXT 4D NANO DESIGN, a technology capable of large-scale simulations covering all stages from raw material development to tire performance, with fiscal 2020 set as the target year.

In addition, we have developed the airless tire technology GYROBLADE, which renders a tire immune to flats, and the sealant tire technology CORESEAL, which prevents air from leaking when the tread is damaged. We are working to lower the environmental burden by making spare tires unnecessary.

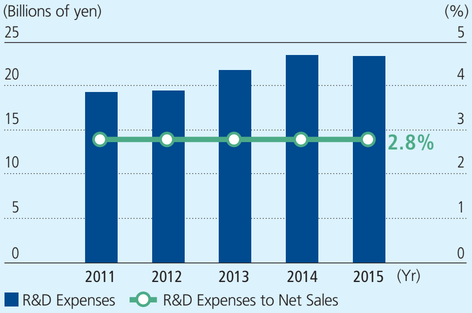
In material development, we have turned our attention to the Russian dandelion as a new source of natural rubber. We have begun joint research with the U.S. venture company Kultevat to conduct feasibility studies on commercialization.

In fiscal 2015, R&D expenses in the Tire business totaled ¥19.9 billion.

R&D Expenses and R&D Expenses to Net Sales

¥23.4 billion

Year on Year **-¥0.1** billion



Sports Business

With R&D sections placed at both Dunlop Sports and Cleveland Golf Company Inc., Dunlop Sports pursues the development, evaluation and verification of new technologies and products, employing cutting-edge computer simulations. Reflecting these activities, during fiscal 2015, Dunlop Sports developed such products as the XXIO9 golf club. R&D expenses in the Sports business amounted ¥1.6 billion.

Industrial and Other Products Business

Sumitomo Rubber Industries develops products that meet consumer needs in all its product fields. In the field of medical rubber parts, the Company acquired the Switzerland-based Lonstroff Holding AG, which specializes in medical rubber parts, in January 2015 in addition to

Tyre Technical Center
Equipped with state-of-the-art testing and measuring machines, the Tyre Technical Center is the Group's main tire R&D facility.

The K computer
To further the advancement of new material development technology aimed at creating high-performance and quality tires, the Company utilizes the K computer, one of the world's most powerful supercomputers.

Photo provided by RIKEN

promoting the development of highly functional products. R&D expenses in the Industrial and Other Products business were ¥1.9 billion.

Intellectual Property Strategies Basic Policy

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

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

Current Status of Basic Policy Implementation

The current status of the basic policy is as presented below.
Thanks to the success of intellectual property training for employees and the introduction of a structure that connects technological development to patent application, Sumitomo Rubber Industries has successfully accumulated an even greater number of patents with significant business potential.

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

Responding to Globalization

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

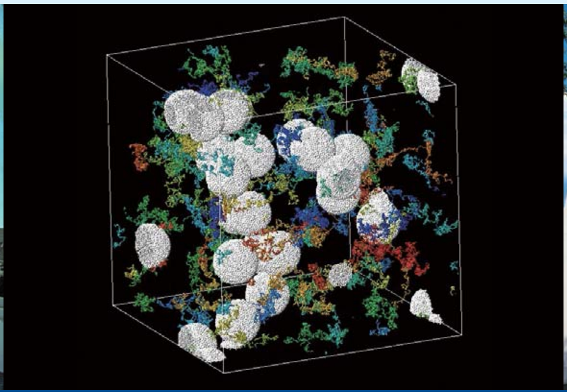
Reflecting this, efforts are now under way to nurture human resources and reinforce our structure for handling intellectual properties. In particular, the Group is providing training sessions not only for Intellectual Property department members but also for employees at every operational base with the aim of 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 Groupwide basis.

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

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

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

Inside-Drum Testing Machine
A machine that monitors the key performance metrics of tires when cornering on dry, wet or icy roads



A computer simulation showing a molecular-level view of the principal constituents of tires
(gray: silica particles*; color: partially rendered polymers)
* A filling material being compounded to enhance the strength of the rubber (particles approximately 10-20nm in diameter)

Golf Science Center (Japan)
With the ability to comprehensively measure, analyze and evaluate golf equipment, our Golf Science Centers boast a wealth of data covering wide-ranging subjects, including the relationships between the golf swing forms of various golfers and such equipment as clubs and balls.

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

FUNDAMENTAL PHILOSOPHY OF THE SUMITOMO RUBBER GROUP'S CSR ACTIVITIES

CSR PHILOSOPHY	The Sumitomo Rubber Group carries out its GENKI Activities, which proactively contribute to the environment and communities, in order to become a trusted corporate citizen and part of a sustainable society.		
CSR GUIDELINE	Green	GREEN INITIATIVE	1. Helping to curb global warming by planting trees 2. Fostering better relationships with local communities through tree planting 3. Protecting biodiversity
	Ecology	ECOLOGICAL PROCESS	4. Creating a low-carbon society 5. Building a recycling-oriented society 6. Managing environmental pollutants 7. Implementing worldwide environmental management
	Next	NEXT-GENERATION PRODUCT DEVELOPMENT	8. Developing environmentally friendly products 9. Pursuing safety and comfort, economy, and quality
	Kindness	KINDNESS TO EMPLOYEES	10. Fostering human resource development and making jobs rewarding 11. Creating a safe, employee-friendly workplace 12. Achieving a work-life balance 13. Promoting diversity 14. Respect for human rights
	Integrity	INTEGRITY FOR STAKEHOLDERS	15. Ensuring thorough corporate governance 16. Ensuring thorough compliance 17. Promoting dialog with stakeholders 18. Keeping social contribution in constant motion 19. Supply chain management

1,576,000

Trees have been planted since 2009

100%

of our domestic factories have switched from heavy oil to cleaner natural gas as boiler fuel

0%

of the Group's production facility waste is disposed of in landfills

For details on the Group's CSR activities, please read the *Sumitomo Rubber Group CSR Report*, which is also available on the Group website.

http://www.srigroup.co.jp/english/csr/index.html

CSR Topics

Green Initiatives

To commemorate its 100th anniversary in 2009, the Group commenced the "One Million Trees Project for Local Forests," aiming to plant one million trees over the next 20 years at its production bases and in their neighboring areas in Japan and overseas. Under this project, Group employees gather seeds, raise them into seedlings and plant them in nearby mountain areas with the aim of preserving biodiversity. Also, the Group is setting aside a portion of sales returns from specific tire products to fund the planting of mangrove trees. As part of the project, local residents are invited to interact and work hand in hand with employees in forest development activities. The One Million Trees Project for Local Forests thus encompasses a variety of initiatives, and employees from domestic and overseas business sites have proven enthusiastic participants. As of the end of 2015, the number of trees planted reached 1,576,000. Furthermore, in fiscal 2015 five domestic business sites participated in the Group's ongoing initiatives to nurture and protect endangered species.

Contributing to the Environment and Society

Sumitomo Rubber Industries is proactively involved in activities aimed at contributing to communities, society and the environment on a Groupwide basis. For example, we dispatch volunteers, donate funds and cosponsor charity events with the aim of supporting areas devastated by disasters. Moreover, the Group is engaged in cleanup activities around its business sites nationwide, participates in blood donation campaigns, supports education for children, conducts national tire safety inspection campaigns and strives to interact meaningfully with people in local communities. The range of such activities expands each year and encompasses our business sites overseas in addition to those in Japan. Also, the Sumitomo Rubber Group maintains an in-house CSR commendation system to recognize activities deemed to be of particular excellence. Every December, we bestow "Environmental Contribution" and "Social Contribution" awards to outstanding performers in the "Workplace Award" and "Individual Award" categories. In 2015, there were 39 candidates for such commendation.

CSR Fund Granted

In July 2009, Sumitomo Rubber Industries established the Sumitomo Rubber CSR Fund to support various activities aimed at addressing such socially important issues as the global environment. As part of such initiatives, Sumitomo Rubber Industries introduced a matching-gift program in which the Company deducts ¥200 each month from the salaries of participating employees as a donation to the fund, matching these contributions with an equivalent donation. The scope of activities that the fund helps subsidize includes: environmental preservation activities, including biodiversity promotion; disaster relief; traffic safety; and finding solutions to social issues besetting the communities around individual Group business sites. In the year under review, the Group expanded both the number and the geographical distribution of subsidy recipients. Specifically, in the sixth round of subsidies granted in April 2015, the number of recipients totaled 30 organizations in six locations in Fukushima Prefecture, Tokyo, Aichi Prefecture, Osaka Prefecture, Hyogo Prefecture and Miyazaki Prefecture.

CSR Procurement

In addition to the expansion of Green Procurement, there is a growing trend toward incorporating such themes as compliance assurance, human rights protection and sound labor practices in procurement activities. Reflecting this, the Sumitomo Rubber Group has compiled Procurement Guidelines encompassing the CSR Code of Conduct, wherein the Company calls for its suppliers to perform CSR activities or cooperate with it in its pursuit of these activities. In addition, the Company provides suppliers with CSR-themed training sessions that reflect issues brought to light by the questionnaires sent out to each supplier in order to assess their CSR efforts. Going forward, the Sumitomo Rubber Group will build on its harmonious and cooperative relationships with its suppliers to continuously expand the scope of its CSR activities along its entire supply chain. At the same time, the Group will work to further promote CSR initiatives on its own as its customers' trusted supplier.

The Sumitomo Rubber Group's basic management policy is to enhance its corporate value as a promising and reliable global company for the benefit of all stakeholders, including shareholders. Under this policy, the Group considers the enhancement of corporate governance as a major management objective in its efforts to better fulfill its social responsibility and enhance its transparency. This policy will help to strengthen Group management and establish deep relationships of trust with society, while ensuring Groupwide 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 30, 2016, the Board of Directors was composed of 11 members, three of whom were external directors.

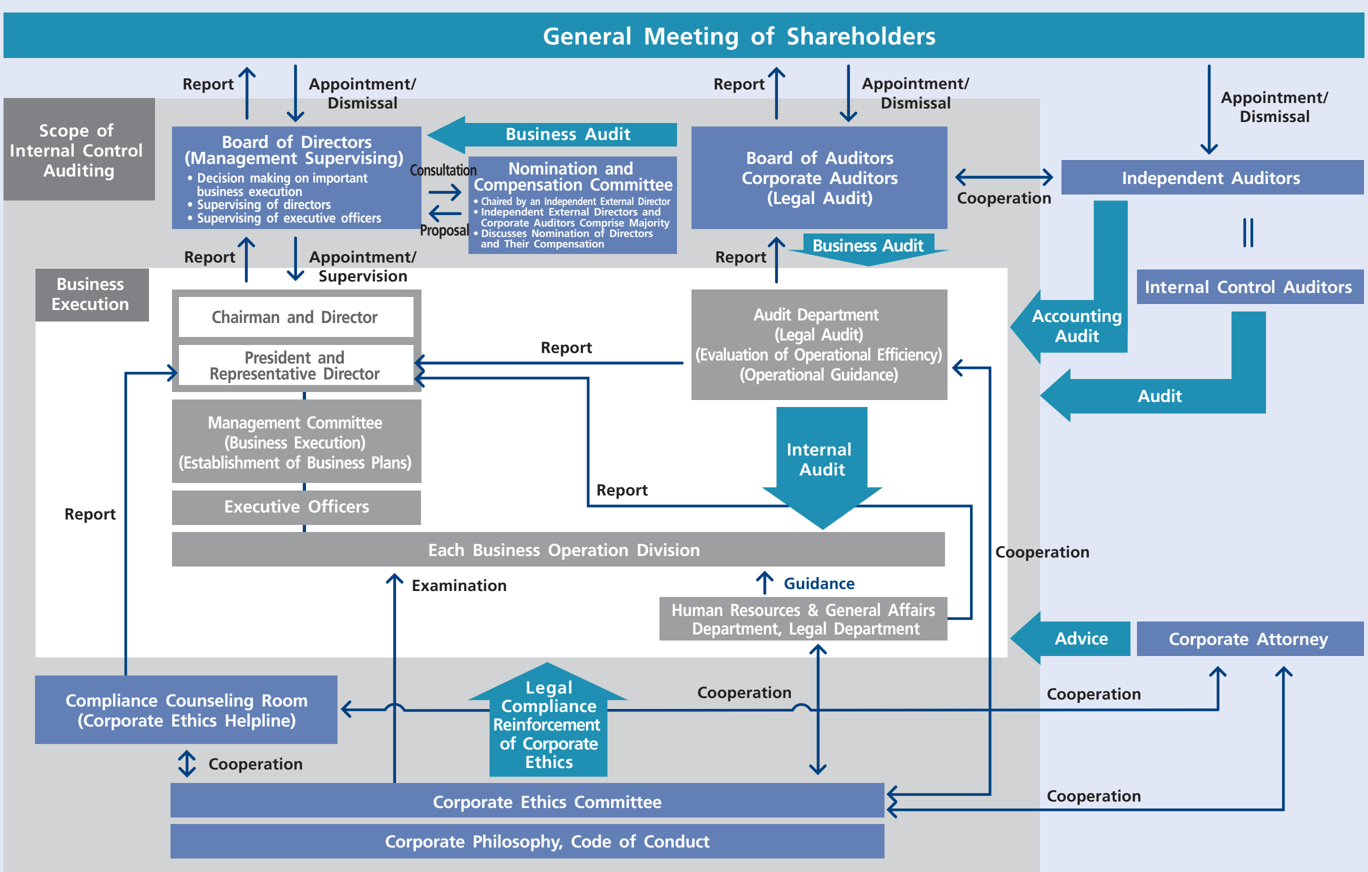
Corporate auditors independently audit directors' execution of operations. As of March 30, 2016, the Company maintained a structure of five corporate auditors, two of whom were full-time corporate auditors. Full-time corporate auditors attend important internal meetings and confirm important documents 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 30, 2016, there were 25 executive officers, 17 of whom did not serve concurrently as directors.

To realize even greater corporate value, in 2016 the Company



established the Nomination and Compensation Committee as a voluntary initiative to enhance objectivity and transparency in the nomination of directors and determination of their compensation. Chaired by an independent external director, this committee serves as an advisory body for the Board of Directors, with the majority of members consisting of independent external directors and independent external corporate auditors.

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 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.

Of the Company's corporate auditors, Messrs. Toshiyuki Noguchi and Yasuyuki Sasaki have served the Company in the field of accounting and financial affairs for many years. Mr. Morihiro Murata is a certified public accountant and tax accountant and contributes expert knowledge on finance and accounting to the Company.

External Directors and External Corporate Auditors

As of March 30, 2016, Sumitomo Rubber Industries had three external directors and three external corporate auditors.

Director Keizo Kosaka attended all of the 14 Board of Directors' meetings held during 2015. 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 12 of the 14 Board of Directors' meetings held during 2015. 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.

Director Kenji Murakami, who was appointed at the General Meeting of Shareholders held on March 30, 2016, has served as the president and representative director of Daiwa House Industry Co., Ltd. and is expected to leverage his experience in corporate management and abundant knowledge in this area to help the Company strengthen corporate governance.

Corporate auditor Tadao Kagono attended all of the 14 Board of Directors' meetings as well as the 12 Board of Auditors' meetings held in 2015. 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 12 Board of Auditors' meetings held in 2015. 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' auditing system.

Corporate auditor Tetsuji Akamatsu attended all of the 14 Board of Directors' meetings as well as the 12 Board of Auditors' meetings held in 2015. 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 appointing external directors and external corporate auditors, Sumitomo Rubber Industries has acted in line with its in-house standards for assessing the independence of candidates for these personnel. The Company is thus confident that the interests of its external directors and external corporate auditors are not 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 2015

	Total amount of remu-neration (Millions of yen)	Total amount of remuneration by type (Millions of yen)				Number of persons to be paid
		Basic com-pensation	Stock options	Bonuses	Retirement benefits	
Directors (excluding external directors)	505	382	—	123	—	9
Corporate auditors (excluding external corporate auditors)	48	48	—	—	—	2
External directors and external corporate auditors	41	41	—	—	—	5

Notes:
1. The number of persons to be paid refers to the total number of remuneration recipients.
2. As of December 31, 2015, Sumitomo Rubber Industries had 11 directors and five corporate auditors.
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 2015, the Company paid ¥522 million in total to 11 directors and ¥72 million in total to five corporate auditors.

Remuneration for Personnel Whose Remuneration Amount Totals ¥100 Million or Greater

Name	Position	Company	Total amount of remuneration by type (Millions of yen)				Total (Millions of yen)
			Basic compensation	Stock options	Bonuses	Retirement benefits	
Ikuji Ikeda	Director	Sumitomo Rubber Industries, Ltd.	72	—	31	—	103

Remuneration Amount and Its Calculation Method

Sumitomo Rubber Industries' remuneration for directors and executive officers consists of basic compensation and bonuses. The basic compensation is determined based comprehensively on each individual's position, duties and responsibilities as well as the Company's business results. Directors' compensation 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 corporate auditors is determined in discussions among corporate auditors 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 dialog 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 Compensation Committee, which discusses the matter from objective and unbiased viewpoints, with independent external directors comprising the majority of members.

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" in February 2003. At the same time, in line with said 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 compliance system. 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 meets twice a year to control 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.

Directors, Corporate Auditors and Executive Officers

(As of March 30, 2016)

Board of Directors

President and CEO, Representative Director
Ikuji Ikeda

Representative Director and Executive Vice President
Hiroaki Tanaka

Representative Director and Managing Executive Officer
Minoru Nishi

Director and Senior Executive Officer
Kenji Onga

Director and Senior Executive Officer
Yasutaka Ii

Director and Senior Executive Officer
Hiroki Ishida

Director and Senior Executive Officer
Yutaka Kuroda

Director and Senior Executive Officer
Satoru Yamamoto

Director (External)*
Keizo Kosaka

Director (External)*
Fumikiyo Uchioke

Director (External)*
Kenji Murakami

Corporate Auditors

Corporate Auditor (Full-time)
Toshiyuki Noguchi

Corporate Auditor (Full-time)
Yasuyuki Sasaki

Corporate Auditor (External)*
Tadao Kagono

Corporate Auditor (External)*
Morihiro Murata

Corporate Auditor (External)*
Tetsuji Akamatsu

Executive Officers

Senior Executive Officer
Kozaburo Nakaseko

Senior Executive Officer
Naofumi Harada

Executive Officer
Naoki Yamada

Executive Officer
Norifumi Fujimoto

Executive Officer
Masaharu Ono

Executive Officer
Tetsuhiko Yoshioka

Executive Officer
Takanori Aoi

Executive Officer
Hidekazu Nishiguchi

Executive Officer
Takashi Kono

Executive Officer
Toshihiko Komatsu

Executive Officer
Tomohiko Masuta

Executive Officer
Kiyoshige Muraoka

Executive Officer
Masatsugu Nishino

Executive Officer
Eiichi Masuda

Executive Officer
Kenji Saito

Executive Officer
Hirotoshi Murakami

Executive Officer
Richard Smallwood

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

Financial Section

11-Year Summary of Consolidated Financial Data

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

				Millions of yen
Years ended December 31	**2015**	2014	2013	2012
For the year:				
Net sales	**¥848,663**	¥837,647	¥780,609	¥710,247
Cost of sales	**523,217**	511,616	486,704	450,226
Selling, general and administrative expenses	**248,379**	239,780	216,850	190,298
Operating income	**77,067**	86,251	77,055	69,723
Net income	**55,834**	53,206	44,794	35,451
Depreciation and amortization	**55,145**	48,204	43,279	36,278
Capital expenditures	**58,911**	62,814	57,270	56,889
R&D expenses	**23,372**	23,543	21,822	19,539
Cash flows from operating activities	**86,995**	108,941	77,012	76,643
Cash flows from investing activities	**(32,991)**	(71,584)	(68,275)	(62,167)
Cash flows from financing activities	**(50,554)**	(32,507)	(5,824)	(15,835)
At year-end:				
Total assets	**¥936,154**	¥973,587	¥867,464	¥737,528
Net assets	**453,768**	446,960	358,844	271,103
Equity	**423,857**	413,374	329,813	244,165
Interest-bearing debt	**260,631**	295,747	302,113	275,876
				Yen
Per share amounts:				
Net income	**¥ 212.85**	¥ 202.82	¥ 170.76	¥ 135.13
Net income—diluted	**—**	—	—	—
Cash dividends paid	**55.00**	50.00	40.00	30.00
				Percent
Key ratios and metrics:				
Operating income ratio	**9.1%**	10.3%	9.9%	9.8%
ROE	**13.3**	14.3	15.6	16.0
ROA (operating income base)	**8.1**	9.4	9.6	9.9
Equity ratio	**45.3**	42.5	38.0	33.1
Tire sales volume (millions of tires)	**10,962**	109.14	100.42	96.48
Number of employees	**33,185**	30,224	26,773	23,507
Number of shares issued at year-end	**263,043,057**	263,043,057	263,043,057	263,043,057
Number of treasury stock at year-end	**724,513**	720,365	715,318	710,059

Notes: 1. U.S. dollar amounts are converted solely for convenience at the rate of ¥121 per US$1.00, the approximate exchange rate prevailing at December 31, 2015.
2. From 2006, Sumitomo Rubber Industries has applied the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5, issued on December 9, 2005) and the "Accounting Standard for Presentation of Net Assets in the Balance Sheet and its Implementation Guidance" (ASBJ Guidance No. 8, issued on December 9, 2005).
Equity figures for 2006 and beyond represent the sum of total shareholders' equity and total accumulated other comprehensive income in the consolidated balance sheets. For years prior to and including 2005, figures for the former shareholders' equity categorization are shown.
3. Depreciation and amortization include both tangible assets and intangible assets.

						Millions of yen	Thousands of U.S. dollars (Note 1)
2011	2010	2009	2008	2007	2006	2005	**2015**
¥676,904	¥604,549	¥524,535	¥604,974	¥567,307	¥534,086	¥512,838	**$7,013,744**
445,426	387,678	334,249	412,824	368,783	342,856	307,538	**4,324,107**
177,554	169,300	161,547	166,491	153,398	154,440	155,374	**2,052,719**
53,924	47,571	28,739	25,659	45,126	36,790	49,926	**636,918**
28,386	21,427	9,093	1,021	19,499	27,586	25,640	**461,438**
37,606	37,885	37,425	35,475	30,165	27,052	25,755	**455,744**
48,515	32,055	32,484	49,601	53,205	45,308	40,415	**486,868**
19,274	18,698	17,983	19,351	18,223	17,291	16,259	**193,153**
18,945	69,725	64,525	25,879	56,594	23,872	38,984	**718,967**
(51,569)	(35,400)	(34,260)	(58,067)	(65,167)	(33,923)	(42,878)	**(272,653)**
28,009	(25,634)	(22,781)	34,088	8,692	14,687	(3,376)	**(417,802)**
¥671,611	¥622,243	¥613,230	¥639,941	¥671,117	¥606,938	¥563,442	**$7,736,811**
222,175	212,964	209,052	202,642	250,799	223,852	—	**3,750,149**
197,661	189,684	187,028	180,940	227,780	202,003	174,267	**3,502,950**
274,216	241,250	261,572	275,746	239,573	219,372	205,751	**2,153,975**
						Yen	U.S. dollars (Note 1)
¥ 108.20	¥ 81.67	¥ 34.66	¥ 3.89	¥ 74.31	¥ 105.13	¥ 97.10	**$ 1.759**
—	—	—	—	—	—	—	**—**
23.00	20.00	18.00	18.00	20.00	20.00	20.00	**0.455**
8.0%	7.9%	5.5%	4.2%	8.0%	6.9%	9.7%	
14.7	11.4	4.9	0.5	9.1	14.7	16.0	
8.3	7.7	4.6	3.9	7.1	6.3	9.2	
29.4	30.5	30.5	28.3	33.9	33.3	30.9	
94.88	90.87	76.49	87.34	81.70	75.55	73.12	
22,320	22,242	20,832	20,369	18,410	16,031	17,433	
263,043,057	263,043,057	263,043,057	263,043,057	263,043,057	263,043,057	263,043,057	
707,026	704,248	699,745	696,200	688,541	658,071	634,805	

Scope of Consolidation

The Sumitomo Rubber Group's consolidated financial statements include those of Sumitomo Rubber Industries and its 77 consolidated subsidiaries as well as 5 equity-method affiliates (1 nonconsolidated subsidiary and 4 affiliated companies).

In fiscal 2015, ended December 31, 2015, four subsidiaries were newly included in the Company's scope of consolidation while two subsidiaries were excluded. Of the four newly included subsidiaries, one tire business subsidiary, which engages in production and sales in the United States, was included as it was acquired by the Company following the dissolution of an alliance agreement that included several joint ventures with The Goodyear Tire & Rubber Company. Another, a sports business subsidiary, was included due to its increased importance to the Group. The other two subsidiaries, a Switzerland-based stockholding company and its production and sales subsidiary, were included by acquiring the former and both now operate within the Company's Industrial and Other Products segment. Six companies were excluded from the scope of equity-method affiliation due to the dissolution of said alliance agreement and joint ventures.

Business Environment

During fiscal 2015, although the U.S. economy enjoyed modest but constant growth, a sense of uncertainty about the future began to emerge, reflecting such factors as a fall in crude oil prices and a rising U.S. dollar due to interest rate hikes. The European economy was stagnant, while the Chinese economy saw further growth deceleration, which had spillover effects throughout Asia and elsewhere and led to the depreciation of currencies used in emerging nations. Reflecting these factors, the overall global economy was unstable and less than robust.

In Japan, despite an ongoing improvement in corporate earnings backed by a persistently weak yen, such factors as an export downturn due to declining demand from China and other Asian regions as well as sluggish private-sector consumption due to an unseasonably warm winter, have led to overall stagnation.

The business environment surrounding the Group was harsh, with competition intensifying as global tire demand fell despite such positive factors as an improvement in export conditions accompanying the depreciation of the yen, consistently low natural rubber prices, and a drastic fall in crude oil prices.

Revenues and Earnings

In fiscal 2015, consolidated net sales grew 1.3% from the previous fiscal year to ¥848,663 million. Overseas sales climbed 8.1% to ¥477,404 million and the overseas sales ratio increased 3.6 percentage points to 56.3%.

The cost of sales increased 2.3% year on year to ¥523,217 million. The cost of sales ratio increased slightly, edging up 0.6 of a percentage point year on year to 61.7% due to intensifying sales competition linked to the decline in global tire demand despite a consistently low market price for natural rubber and a drastic fall in crude oil prices. Gross profit edged down 0.2% to ¥325,446 million.

Selling, general and administrative expenses grew 3.6% year on year to ¥248,379 million. This was mainly attributable to increases in personnel as well as transportation, storage, packaging and advertising costs and other expenses associated with sales expansion measures. The ratio of selling, general and administrative expenses to net sales edged up 0.7 of a percentage point year on year to 29.3%.

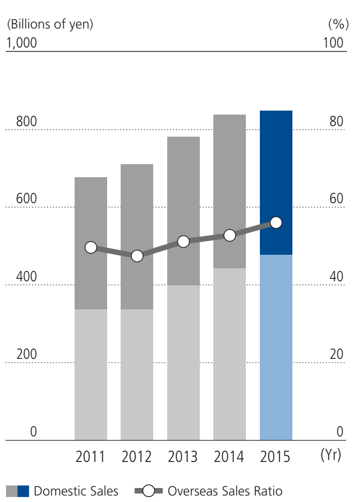
As a result, operating income for the fiscal year under review declined 10.6% to ¥77,067 million and the operating income ratio edged down 1.2 percentage points to 9.1%.

Net other income (expenses) deteriorated from a positive ¥1,160 million to a negative ¥3,138 million. Primary factors contributing to this turnaround included a temporary amortization of goodwill in connection with a consolidated subsidiary engaged in the Sports business.

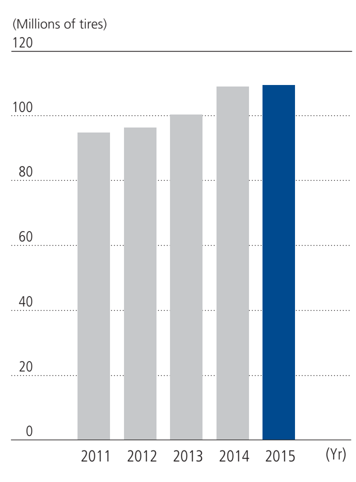
Reflecting these changes, income before income taxes and minority interests fell 15.4% year on year to ¥73,929 million. Income taxes decreased 40.8% to ¥17,801 million, representing an effective tax rate of 24.1%, a decrease of 10.3 percentage points. This was partially attributable to the alliance agreement and joint ventures with The Goodyear Tire & Rubber Company being dissolved, which enabled the application of an accounting treatment that reduced the Company's effective tax rate. After deducting minority interests in income, net income expanded 4.9% to ¥55,834 million.

Net income per share was ¥212.85, and ROE (on a net income basis) edged down 1.0 of a percentage point to 13.3%, reflecting an increase in total equity.

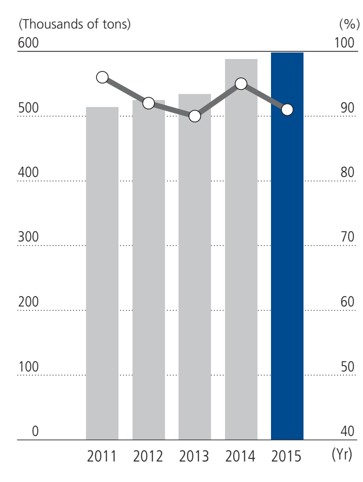
Domestic and Overseas Sales



Tire Sales Volume



Tire Production Volume and Utilization Rate



Results by Industry Segment

Tire Business

Sales in the Tire business increased 0.1% year on year to ¥732,168 million, while operating income fell 6.8% to ¥73,114 million.

In step with a fall in raw material prices, product prices declined and competition intensified, especially in the overseas replacement market. Nevertheless, the Group's worldwide marketing efforts, particularly in the robust U.S. market, led to an increase in sales volume, with such favorable factors as the depreciation of the yen boosting revenues. On the earnings front, however, a fall in sales prices contributed to a ¥26,700 million decrease in profit. Also, as the domestic sales of winter tires were sluggish due to warm weather, stagnant revenues from these and other profitable items offset the effect of overall growth in sales volume, leading to a ¥7,300 million decline in profit. Along with these factors, an increase in fixed costs that reflected capital expenditure aimed at expanding the Company's overseas production capacity and a rise in expenses due to the reinforcement of the marketing structure, together outpaced a ¥37,700 increase in profit buoyed by the decline in raw material prices, thus contributing to the overall decrease in earnings.

Sports Business

Sales in the Sports business grew 10.2% year on year to ¥77,631 million, while operating income fell 36.6% to ¥2,011 million.

Dunlop Sports' flagship XXIO8 series golf clubs enjoyed continuously firm domestic sales. Moreover, XXIO9 was released in December 2015, making a strong start. Dunlop has also promoted this series overseas.

Having initiated the wellness promotion business as the segment's third business pillar next to golf goods and tennis equipment, the Group opened Gym Style 24, a chain of fitness facilities operating around the clock, thereby boosting sales. However, segment profit declined year on year due to such factors as an increase in costs attributable to the depreciation of the yen.

Industrial and Other Products Business

Sales in the Industrial and Other Products business rose 8.1% year on year to ¥38,864 million, while operating income fell 58.5% to ¥1,930 million.

Sales of MIRAIE brand vibration control units for housing rose steadily. Cumulatively, the number of houses incorporating these units now exceeds 10,000. Also, revenues from medical rubber parts grew, as the Group stepped up its worldwide marketing by leveraging production facilities and sales channels owned by its Switzerland-based subsidiary. Artificial turf for sports facilities saw firm sales as well, with Hibrid-Turf EX garnering constantly favorable customer reviews, thereby contributing to growth in revenues. However, earnings declined as some new businesses were reclassified to the Tire business.

R&D Expenses

Research and development expenses decreased 0.7% year on year to ¥23,372 million. The ratio of such expenses to consolidated net sales remained unchanged year on year at 2.8%. The Tire business accounted for ¥19,865 million of these expenses, down 3.3% from the previous fiscal year, the Sports business ¥1,602 million, up 8.4%, and the Industrial and Other Products business ¥1,904 million, up 25.1%.

Dividends

Sumitomo Rubber Industries recognizes that the return of gains to shareholders is a priority issue. Backed by the comprehensive assessment of dividend payout ratios on a consolidated basis, performance prospects and the level of retained earnings, the Company maintains a basic policy of steadily rewarding shareholders over the long term. In addition, in accordance with a resolution the Company distributes retained earnings twice a year as dividends. The year-end dividend payment is decided on at the General Shareholders' meeting, while the interim dividend payment is determined at the Board of Directors' meeting.

The full-year dividend for fiscal 2015 increased ¥5 per share from the previous fiscal year to ¥55 per share and comprised a ¥25 interim dividend and a ¥30 year-end dividend. The dividend payout ratio on a consolidated basis was 25.8%.

Financial Position

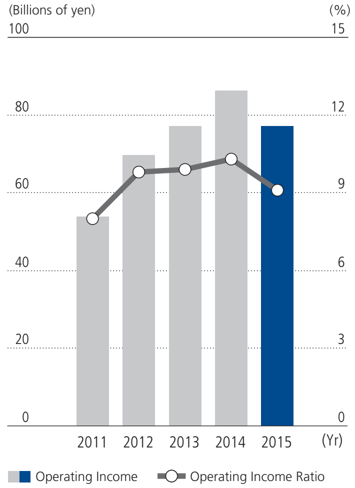
Total assets as of December 31, 2015, were down ¥37,433 million year on year to ¥936,154 million.

Total current assets decreased ¥6,888 million to ¥433,408 million. This was due mainly to a decrease in notes and accounts receivable—trade.

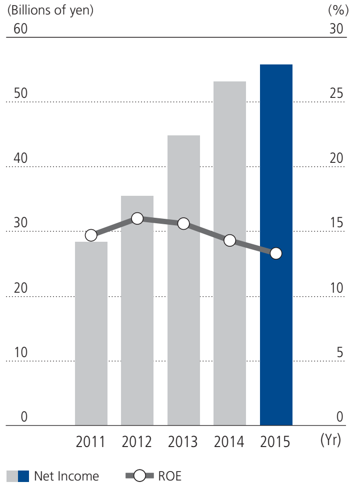
Total noncurrent assets decreased ¥30,545 million to ¥502,746 million, due mainly to a decrease in investment securities.

As of the end of the fiscal year under review, total liabilities were down ¥44,241 million year on year to ¥482,386 million. Interest-bearing debt as of the fiscal 2015 year-end decreased ¥35,116 million to

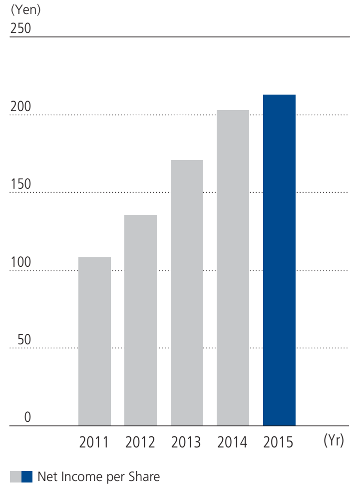
Operating Income and Operating Income Ratio



Net Income and ROE



Net Income per Share



¥260,631 million. As a result, the debt-to-equity ratio decreased from 0.7 times to 0.6 times, a 0.1 point improvement compared with the previous fiscal year-end.

Total net assets at the fiscal year-end were up ¥6,808 million to ¥453,768 million, and net assets per share were ¥1,615.81, up from ¥1,575.82 at the previous fiscal year-end.

Of the items comprising net assets, total equity, which is the sum of shareholders' equity and accumulated other comprehensive income, grew ¥10,483 million year on year to ¥423,857 million. The equity ratio was up 2.8 percentage points to 45.3%. Despite the decline in total assets, ROA (on an operating income basis) declined 1.3 percentage points to 8.1% in step with the decrease in operating income.

Capital Expenditures

During the fiscal year under review, the Group's capital expenditures amounted to ¥58,911 million (including leased tangible assets), a year-on-year decrease of 6.9%. The Tire business accounted for ¥55,862 million of the total, down 5.4% year on year. Funds were used mainly for domestic facility renovation aimed at streamlining production with an eye to improving labor efficiency as well as for the augmentation of production capacities of the Group's Thai and South African facilities and the construction of a factory in Turkey. The Sports business spent ¥1,823 million, 27.5% less than in the previous fiscal year. Funds were spent mainly for business sites overseas to help them develop a more robust marketing structure. To increase the Kakogawa Factory's production capacity for precision rubber parts for printers and photocopiers, the Industrial and Other Products business used ¥1,226 million, down 29.5% year on year. The necessary funds were furnished through a combination of cash on hand and borrowings.

Cash Flows

Net cash provided by operating activities totaled at ¥86,995 million. The main contributors to cash inflows were a ¥17,009 million decrease in notes and accounts receivable—trade and the posting of income before income taxes totaling ¥73,929 million. Cash outflows included a ¥9,399 million increase in inventories and a ¥11,018 million decrease in notes and accounts payable—trade.

Net cash used in investing activities totaled ¥32,991 million. The primary contributor to cash outflows was ¥57,474 million spent for the purchase of property, plant and equipment to reinforce production capacity. Cash inflows included cash received from The Goodyear Tire & Rubber Company in connection with the aforementioned dissolution of the alliance agreement and joint ventures.

Net cash used in financing activities included net repayments of short-term loans, corporate bonds and long-term debt totaling ¥34,513 million as well as the payment of cash dividends totaling ¥14,428 million. As a result, as of the end of the fiscal year under review, cash and cash equivalents after adjusting for the effect of exchange rate change totaled ¥53,521 million.

Over the years ahead, the Sumitomo Rubber Group plans to step up capital expenditure, mainly to meet expanding demand overseas, by reinforcing production capacity. Simultaneously, the Group aims to expand the inflow of cash from operating activities by increasing sales volumes and improving profitability. In other words, the Group will make every effort to not only ensure business growth but also to secure its liquidity and improve its financial standing.

Outlook

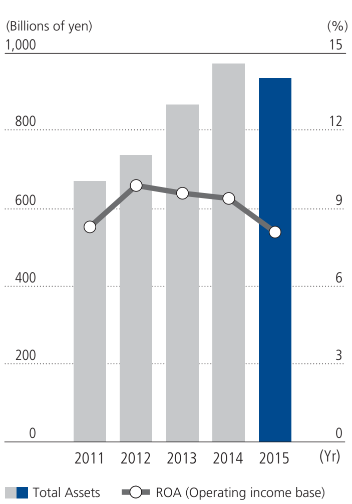
On the global level, the U.S. economy is likely to see continued gradual growth, while the European economy is anticipated to begin recovering despite lingering financial anxieties. Although emerging nations are expected to enjoy stable economic growth, there is a sense of uncertainty regarding the depreciation of currencies and economic stagnation in these nations due to a reversal in U.S. monetary policy. Furthermore, a fall in prices of crude oil and other resources and heightening geopolitical risks may trigger further economic uncertainty.

As for Japan's economic prospects, although continued gradual recovery is expected, consumer confidence is likely to be undermined by a sense of fiscal uncertainty.

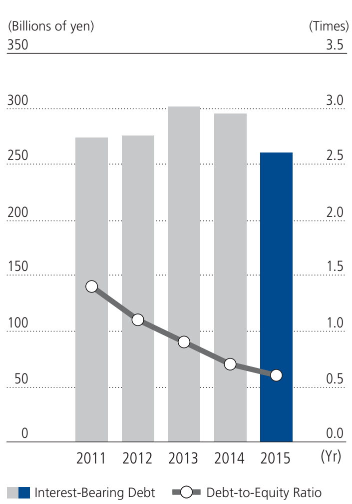
With the aim of addressing issues related to this severe business environment, the Group will take on various tasks while considering the risk factors mentioned in the following "Risk Information" section.

In the Tire business, Sumitomo Rubber Industries will maintain and enhance its presence in the domestic fuel-efficient tire market and, to this end, will leverage its unique and cutting-edge technology to introduce new items in this category. Overseas, the Company will aim for ongoing sales expansion in emerging nations. Simultaneously, the Company will aggressively work to penetrate the European market, as the dissolution of the alliance with Goodyear has improved its marketing flexibility in the region. In concert with these efforts aimed at expanding

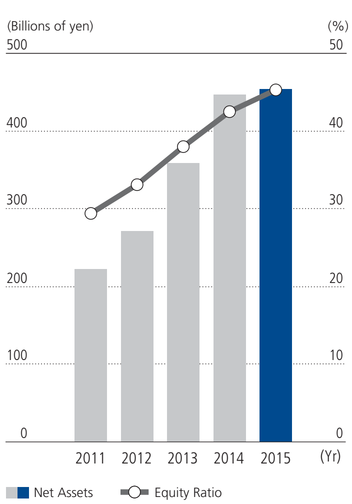
Total Assets and ROA



Interest-Bearing Debt and Debt-to-Equity Ratio



Net Assets and Equity Ratio



sales in markets worldwide, the Company will develop a supply structure that will support sustainable business growth.

In the Sports business, the Company will proactively introduce new golf goods and tennis equipment with the aim of securing greater market share in Japan and overseas. In the wellness promotion business, the Company will expand the network of its Gym Style 24 facilities to boost sales.

In the Industrial and Other Products business, the Company will engage in marketing activities centered on such growth fields as the vibration-control damper business as well as precision rubber parts for printers and photocopiers and medical rubber parts. In particular, the Company will strive to better leverage its newly acquired production and sales subsidiary to penetrate markets in Europe and elsewhere in the world. At the same time, the Company will pursue business expansion through the development and provision of such items as artificial turf for sporting use and rubber gloves.

Risk Information

The Sumitomo Rubber Group has identified the following key risk factors that may affect its business performance and financial position. Risk factors relating to future business results were determined based on information available to management as of the end of the fiscal year under review. The Group recognizes that such risks may occur, and it strives to address them accordingly.

Exchange Rate Fluctuations

Exchange rate fluctuations influence the value of the Group's exports, raw material procurement, foreign currency-denominated assets, liabilities and financial statements. The appreciation of the yen against foreign currencies such as the U.S. dollar may have an adverse effect on the Group's business performance and financial position. Since the Group has raised its consolidated overseas sales ratio from 25.2% in fiscal 2001 to 56.3% in fiscal 2015, the possibility exists that its results may be further affected by exchange rate fluctuations. The Sumitomo Rubber Group utilizes forward-exchange contracts and maintains a balance in its export and import activities on an individual currency basis with the aim of minimizing its exposure to exchange rate fluctuations. Such precautions, however, may not be sufficient to avoid all possible exchange rate fluctuation risks.

Change in Raw Material Prices

The Sumitomo Rubber Group's principal raw materials are natural rubber, petrochemicals and metals. The Group's operating results may thus be affected by price increases in natural rubber, crude oil, steel and other related materials.

Changes in Interest Rates

Promoting the reduction of interest-bearing debt to improve its financial standing, the Group also implements countermeasures to minimize the risk of changes in interest rates by using diversified financing methods and interest rate swaps. Despite these efforts, the Group's operating results and financial position may be affected in the event of rising fund procurement costs due to an increase in interest rates in the medium and long terms.

Product Quality

In accordance with prescribed quality standards, the Sumitomo Rubber Group undertakes full-scale measures to assure product quality. Yet it is difficult to reduce the number of defective products and customer complaints to zero. To offset the possibility of any claims for damages resulting from defective products, the Group retains appropriate indemnity insurance. Despite this initiative, there is the possibility that a claim may occur that cannot be compensated by insurance. Furthermore, costs associated with the resolution of claims as well as product recalls or exchanges may arise. Such incidents may affect the Group's operating results, financial position and social standing.

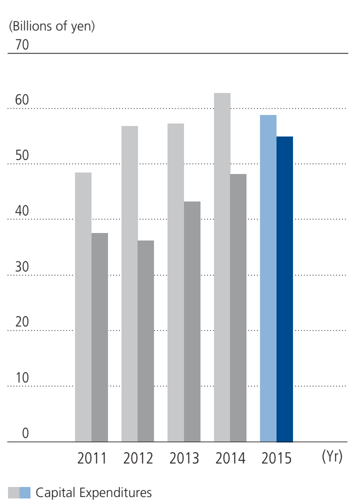
Alliance with Goodyear

As of October 1, 2015, Sumitomo Rubber Industries completed all procedures for the dissolution of an alliance agreement and associated joint ventures with The Goodyear Tire & Rubber Company. Accordingly, changes in the alliance or the operating results of said joint ventures no longer affect the Group's operating results.

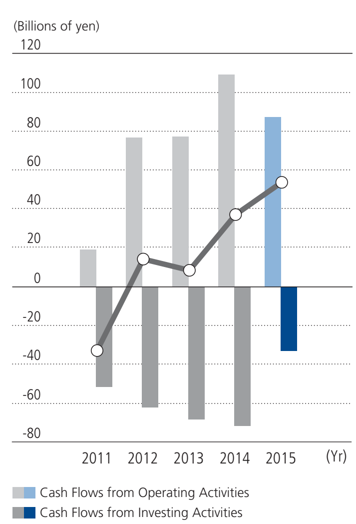
Disasters

Concentrating on Japan and other Asian countries, the Sumitomo Rubber Group develops its business on a global scale. The Group's operating results may be affected directly or indirectly by such events as natural disasters, disease, war and terrorism. Such events may have a negative impact on the Group's operating results.

Capital Expenditures/ Depreciation and Amortization



Cash Flows



Consolidated Balance Sheets

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

December 31	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 1) 2015
Assets			
Current assets:			
Cash and time deposits (Notes 4 and 5)	**¥ 53,569**	¥ 54,476	**$ 442,719**
Notes and accounts receivable (Note 5)—			
Trade	**189,701**	208,005	**1,567,778**
Unconsolidated subsidiaries and affiliates	**187**	2,022	**1,545**
Other	**22,806**	15,579	**188,479**
Allowance for doubtful accounts	**(2,070)**	(2,020)	**(17,107)**
Inventories (Note 6)	**147,180**	142,043	**1,216,364**
Short-term loans	**1,128**	1,380	**9,322**
Deferred tax assets (Note 13)	**10,122**	11,950	**83,653**
Other	**10,785**	6,861	**89,131**
Total current assets	**433,408**	440,296	**3,581,884**
Property, plant and equipment (Note 9)**:**			
Land	**37,479**	37,569	**309,744**
Buildings and structures	**224,506**	211,688	**1,855,421**
Machinery, vehicles and equipment	**649,658**	619,602	**5,369,074**
Leased assets	**10,376**	9,469	**85,752**
Construction in progress	**33,577**	44,276	**277,496**
Accumulated depreciation	**(587,666)**	(562,649)	**(4,856,743)**
Net property, plant and equipment	**367,930**	359,955	**3,040,744**
Investments and other assets:			
Investments in securities (Notes 5 and 7)	**31,928**	32,291	**263,868**
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 5)	**5,048**	49,139	**41,719**
Long-term loans	**8,063**	1,280	**66,636**
Deferred tax assets (Note 13)	**6,516**	6,686	**53,851**
Long-term prepaid expenses	**4,301**	4,234	**35,545**
Trademarks (Note 10)	**1,477**	1,538	**12,207**
Goodwill and other intangible assets	**38,140**	29,112	**315,207**
Net defined benefit assets (Note 14)	**24,167**	30,133	**199,727**
Other	**16,036**	19,848	**132,529**
Allowance for doubtful accounts	**(860)**	(925)	**(7,107)**
Total investments and other assets	**134,816**	173,336	**1,114,182**
Total assets	**¥936,154**	¥973,587	**$7,736,810**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings (Notes 5 and 11)	**¥ 76,586**	¥ 83,008	**$ 632,942**
Current portion of long-term debt (Notes 5 and 11)	**48,931**	30,456	**404,388**
Notes and accounts payable (Note 5)—			
Trade	**69,850**	70,801	**577,273**
Unconsolidated subsidiaries and affiliates	**3,834**	4,189	**31,686**
Construction	**8,191**	9,814	**67,694**
Other	**41,246**	48,318	**340,876**
Accrued expenses	**21,666**	22,065	**179,058**
Allowance for sales returns	**2,062**	2,106	**17,041**
Accrued income taxes (Note 13)	**3,517**	12,714	**29,066**
Other (Note 13)	**8,287**	8,834	**68,488**
Total current liabilities	**284,170**	292,305	**2,348,512**
Long-term liabilities:			
Long-term debt (Notes 5 and 11)	**135,115**	182,283	**1,116,653**
Deferred tax liabilities (Note 13)	**19,636**	21,981	**162,281**
Net defined benefit liabilities (Note 14)	**22,817**	17,018	**188,570**
Other	**20,648**	13,040	**170,645**
Total long-term liabilities	**198,216**	234,322	**1,638,149**
Contingent liabilities (Note 18)			
Net Assets (Note 24)			
Shareholders' equity:			
Common stock—			
Authorized: 800,000,000			
Issued: 263,043,057 shares in 2015 and 2014	**42,658**	42,658	**352,545**
Capital surplus	**38,661**	38,661	**319,512**
Retained earnings	**301,712**	265,997	**2,493,488**
Less treasury stock, at cost—			
2015—724,513 shares			
2014—720,365 shares	**(567)**	(559)	**(4,685)**
Total shareholders' equity	**382,464**	346,757	**3,160,860**
Accumulated other comprehensive income:			
Net unrealized gains and losses on available-for-sale securities	**14,664**	14,246	**121,190**
Deferred gains and losses on hedges	**(81)**	507	**(669)**
Currency translation adjustments	**22,422**	62,913	**185,306**
Remeasurements of defined benefit plans	**4,388**	(11,049)	**36,264**
Total accumulated other comprehensive income	**41,393**	66,617	**342,091**
Minority interests	**29,911**	33,586	**247,198**
Total net assets	**453,768**	446,960	**3,750,149**
Total liabilities and net assets	**¥936,154**	¥973,587	**$7,736,810**

Consolidated Statements of Income

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

Years ended December 31	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 1) 2015
Net sales	**¥848,663**	¥837,647	**$7,013,744**
Cost of sales	**523,217**	511,616	**4,324,108**
Gross profit	**325,446**	326,031	**2,689,636**
Selling, general and administrative expenses	**248,379**	239,780	**2,052,719**
Operating income	**77,067**	86,251	**636,917**
Other income (expenses):			
Interest and dividend income	**2,356**	2,086	**19,471**
Interest expense	**(3,778)**	(4,601)	**(31,223)**
Gain on sales of noncurrent assets	**—**	232	**—**
Loss on sales and retirement of noncurrent assets	**(875)**	(686)	**(7,231)**
Foreign exchange gains and losses	**(4,152)**	(5,881)	**(34,314)**
Equity in earnings and losses of unconsolidated subsidiaries and affiliates	**5,562**	4,674	**45,967**
Impairment loss (Note 20)	**(374)**	(103)	**(3,091)**
Gain on valuation of derivatives	**431**	3,953	**3,562**
Gains and losses on transfer of business, etc., in association with dissolution of joint ventures (Note 21)	**158**	—	**1,306**
Gain on sales of investment securities (Note 22)	**74**	—	**612**
Amortization of goodwill	**(3,948)**	—	**(32,628)**
Other, net	**1,408**	1,486	**11,635**
	(3,138)	1,160	**(25,934)**
Income before income taxes and minority interests	**73,929**	87,411	**610,983**
Income taxes (Note 13)**:**			
Current	**15,617**	28,211	**129,066**
Deferred	**2,184**	1,838	**18,049**
	17,801	30,049	**147,115**
Income before minority interests	**56,128**	57,362	**463,868**
Minority interests in income	**(294)**	(4,156)	**(2,430)**
Net income	**¥ 55,834**	¥ 53,206	**$ 461,438**

	Yen 2015	2014	U.S. dollars (Note 1) 2015
Per share amounts:			
Net income	**¥212.85**	¥202.82	**$1,759**
Cash dividends	**55.00**	50.00	**0.455**

Consolidated Statements of Comprehensive Income

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

Years ended December 31	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 1) 2015
Income before minority interests	**¥56,128**	¥57,362	**$463,868**
Other comprehensive income (Note 12)**:**			
Net unrealized gains and losses on available-for-sale securities	**423**	2,709	**3,496**
Deferred gains and losses on hedges	**(588)**	342	**(4,860)**
Currency translation adjustments	**(33,674)**	32,071	**(278,298)**
Remeasurements of defined benefit plans	**626**	(596)	**5,174**
Share of other comprehensive income of affiliates under the equity method	**6,756**	4,468	**55,835**
	(26,457)	38,994	**(218,653)**
Comprehensive income	**¥29,671**	¥96,356	**$245,215**
Comprehensive income attributed to:			
Owners of the Company	**¥30,610**	¥91,078	**$252,975**
Minority interests	**(939)**	5,278	**(7,760)**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains and losses on available-for-sale securities	Deferred gains and losses on hedges
Balance at beginning of fiscal 2015	¥42,658	¥38,661	¥265,997	¥(559)	¥346,757	¥14,246	¥507
Cumulative effects of changes in accounting policies			**(5,570)**		**(5,570)**		
Restarted balance	**42,658**	**38,661**	**260,427**	**(559)**	**341,187**	**14,246**	**507**
Dividends from surplus			**(14,428)**		**(14,428)**		
Net income			**55,834**		**55,834**		
Purchase of treasury stock				**(8)**	**(8)**		
Disposal of treasury stock		**0**		**0**	**0**		
Effect of change in reporting entities			**(121)**		**(121)**		
Other						**418**	**(588)**
Balance at end of fiscal 2015	**¥42,658**	**¥38,661**	**¥301,712**	**¥(567)**	**¥382,464**	**¥14,664**	**¥ (81)**

Millions of yen

	Currency translation adjustments	Adjustments for retirement obligation of foreign affiliates	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at beginning of fiscal 2015	¥62,913	¥—	¥(11,049)	¥66,617	¥33,586	¥446,960
Cumulative effects of changes in accounting policies					**(171)**	**(5,741)**
Restarted balance	**62,913**		**(11,049)**	**66,617**	**33,415**	**441,219**
Dividends from surplus						**(14,428)**
Net income						**55,834**
Purchase of treasury stock						**(8)**
Disposal of treasury stock						**0**
Effect of change in reporting entities						**(121)**
Other	**(40,491)**		**15,437**	**(25,224)**	**(3,504)**	**(28,728)**
Balance at end of fiscal 2015	**¥22,422**	**¥—**	**¥ 4,388**	**¥41,393**	**¥29,911**	**¥453,768**

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains and losses on available-for-sale securities	Deferred gains and losses on hedges
Balance at beginning of fiscal 2015	$352,545	$319,512	$2,198,322	$(4,619)	$2,865,760	$117,736	$4,190
Cumulative effects of changes in accounting policies			**(46,033)**		**(46,033)**		
Restarted balance	**352,545**	**319,512**	**2,152,289**	**(4,619)**	**2,819,727**	**117,736**	**4,190**
Dividends from surplus			**(119,240)**		**(119,240)**		
Net income			**461,438**		**461,438**		
Purchase of treasury stock				**(66)**	**(66)**		
Disposal of treasury stock		**0**		**0**	**0**		
Effect of change in reporting entities			**(999)**		**(999)**		
Other						**3,454**	**(4,859)**
Balance at end of fiscal 2015	**$352,545**	**$319,512**	**$2,493,488**	**$(4,685)**	**$3,160,860**	**$121,190**	**$ (669)**

Thousands of U.S. dollars (Note 1)

	Currency translation adjustments	Adjustments for retirement obligation of foreign affiliates	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at beginning of fiscal 2015	$519,942	$—	$(91,314)	$550,554	$277,570	$3,693,884
Cumulative effects of changes in accounting policies					**(1,413)**	**(47,446)**
Restarted balance	**519,942**		**(91,314)**	**550,554**	**276,157**	**3,646,438**
Dividends from surplus						**(119,240)**
Net income						**461,438**
Purchase of treasury stock						**(66)**
Disposal of treasury stock						**0**
Effect of change in reporting entities						**(999)**
Other	**(334,636)**		**127,578**	**(208,463)**	**(28,959)**	**(237,422)**
Balance at end of fiscal 2015	**$185,306**	**$—**	**$ 36,264**	**$342,091**	**$247,198**	**$3,750,149**

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains and losses on available-for-sale securities	Deferred gains and losses on hedges
Balance at beginning of fiscal 2014	¥42,658	¥38,661	¥224,681	¥(551)	¥305,449	¥11,521	¥164
Cumulative effects of changes in accounting policies							
Restarted balance	42,658	38,661	224,681	(551)	305,449	11,521	164
Dividends from surplus			(11,805)		(11,805)		
Net income			53,206		53,206		
Purchase of treasury stock				(8)	(8)		
Disposal of treasury stock		0		0	0		
Effect of change in reporting entities			(85)		(85)		
Other						2,725	343
Balance at end of fiscal 2014	¥42,658	¥38,661	¥265,997	¥(559)	¥346,757	¥14,246	¥507

Millions of yen

	Currency translation adjustments	Adjustments for retirement obligation of foreign affiliates	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at beginning of fiscal 2014	¥31,677	¥(18,998)	¥ —	¥24,364	¥29,031	¥358,844
Cumulative effects of changes in accounting policies						
Restarted balance	31,677	(18,998)		24,364	29,031	358,844
Dividends from surplus						(11,805)
Net income						53,206
Purchase of treasury stock						(8)
Disposal of treasury stock						0
Effect of change in reporting entities						(85)
Other	31,236	18,998	(11,049)	42,253	4,555	46,808
Balance at end of fiscal 2014	¥62,913	¥ —	¥(11,049)	¥66,617	¥33,586	¥446,960

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
Years ended December 31	**2015**	2014	**2015**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥73,929**	¥ 87,411	**$610,983**
Depreciation and amortization	**55,145**	48,204	**455,744**
Amortization of goodwill	**6,000**	1,366	**49,587**
Impairment loss	**374**	103	**3,091**
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	**(5,562)**	(4,674)	**(45,967)**
Interest and dividend income	**(2,356)**	(2,086)	**(19,471)**
Interest expense	**3,778**	4,601	**31,223**
Loss (gain) on sales and retirement of noncurrent assets	**875**	454	**7,231**
Loss (gain) on sales of shares of affiliates	**(4,530)**	—	**(37,438)**
Loss (gain) on step acquisitions	**4,423**	—	**36,554**
(Increase) decrease in notes and accounts receivable—trade	**17,009**	(8,025)	**140,570**
(Increase) decrease in inventories	**(9,399)**	(4,888)	**(77,678)**
Increase (decrease) in notes and accounts payable—trade	**(11,018)**	(3,676)	**(91,058)**
Increase (decrease) in accounts payable—other	**(2,065)**	10,361	**(17,066)**
(Increase) decrease in net defined benefit assets	**(704)**	(609)	**(5,818)**
Increase (decrease) in net defined benefit liabilities	**678**	644	**5,603**
Other, net	**(5,482)**	7,079	**(45,305)**
Subtotal	**121,095**	136,265	**1,000,785**
Interest and dividend income received	**2,358**	3,162	**19,488**
Interest expense paid	**(3,874)**	(4,702)	**(32,017)**
Income taxes paid	**(32,584)**	(25,784)	**(269,289)**
Net cash provided by (used in) operating activities	**86,995**	108,941	**718,967**
Cash flows from investing activities:			
Payments into time deposits	**(51)**	(1,992)	**(421)**
Proceeds from withdrawal from time deposits	**911**	1,626	**7,529**
Purchase of property, plant and equipment	**(57,474)**	(61,846)	**(474,992)**
Purchase of intangible assets	**(4,433)**	(4,663)	**(36,636)**
Proceeds from sales of noncurrent assets	**968**	459	**8,000**
Purchase of investment securities	**(152)**	(99)	**(1,256)**
Proceeds from sales of investment securities	**81**	34	**669**
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 4)	**(18,112)**	(4,871)	**(149,686)**
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation (Note 4)	**2,837**	—	**23,446**
Purchase of shares of subsidiaries and affiliates	**(1,714)**	—	**(14,165)**
Proceeds from sales of shares of subsidiaries and affiliates	**45,471**	—	**375,793**
Payments for transfer of business (Note 4)	**(1,910)**	—	**(15,785)**
Net (increase) decrease in short-term loans receivable	**768**	54	**6,347**
Payments of long-term loans receivable	**(94)**	(21)	**(777)**
Collection of long-term loans receivable	**42**	37	**347**
Other, net	**(129)**	(302)	**(1,066)**
Net cash provided by (used in) investing activities	**(32,991)**	(71,584)	**(272,653)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	**(6,179)**	(10,087)	**(51,066)**
Proceeds from long-term debt and newly issued bonds	**955**	50,182	**7,893**
Repayments of long-term debt and redemption of bonds	**(29,289)**	(57,404)	**(242,058)**
Proceeds from issuance of stock to minority shareholders	**3,717**	1,961	**30,719**
Cash dividends paid	**(14,428)**	(11,805)	**(119,240)**
Cash dividends paid to minority shareholders	**(3,385)**	(3,571)	**(27,975)**
Net (increase) decrease in treasury stock	**(8)**	(8)	**(66)**
Other, net	**(1,937)**	(1,775)	**(16,009)**
Net cash provided by (used in) financing activities	**(50,554)**	(32,507)	**(417,802)**
Effect of exchange rate change on cash and cash equivalents	**(3,581)**	4,269	**(29,595)**
Net increase (decrease) in cash and cash equivalents	**(131)**	9,119	**(1,083)**
Cash and cash equivalents at beginning of period	**53,584**	42,004	**442,843**
Increase (decrease) in cash and cash equivalents due to change in reporting entities	**68**	2,461	**562**
Cash and cash equivalents at end of period (Note 4)	**¥53,521**	¥ 53,584	**$442,322**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries
December 31, 2015 and 2014

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Sumitomo Rubber Industries, Ltd. ("the Company") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards ("IFRS").

The accounts of consolidated overseas subsidiaries have been prepared in accordance with either IFRS or U.S. generally accepted accounting principles, as required under "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No. 18) issued by the Accounting Standards Board of Japan ("ASBJ"). In this case, adjustments for the following five items are required in the consolidation process so that their impact on net income is accounted for in accordance with Japanese GAAP, unless the impact is not material: (a) Goodwill not subject to amortization; (b) actuarial gains and losses of defined-benefit retirement plans that have been directly recognized in other comprehensive income; (c) Capitalized expenditures for research and development activities; (d) Fair value measurement of investment properties and revaluation of property, plant and equipment and intangible assets; (e) Accounting for net income attributable to minority interests.

The accompanying consolidated financial statements have been restructured and translated into English with certain expanded disclosures from the statutory Japanese language consolidated financial statements. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The U.S. dollar amounts appearing in the consolidated financial statements are included solely for convenience of the readers outside Japan and presented at the rate of ¥121 to US$1.00, the approximate rate prevailing at December 31, 2015. The translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that rate.

2. Summary of Significant Accounting Policies

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of the Company and, with minor exceptions, those of its significant subsidiaries over which the Company exercises control over operations at the relevant balance sheet dates. All significant intercompany accounts, transactions and unrealized profit or loss have been eliminated in consolidation. Investments in unconsolidated subsidiaries and affiliates (companies in which the Company has a 20% to 50% ownership interest) are, with minor exceptions, accounted for using the equity method. Under the equity method, investments are stated at cost plus/minus the Company's equity in undistributed earnings or losses. The Company's equity in current earnings or losses of such companies is, after the elimination of unrealized intercompany profits, included in the consolidated statements of income.

In association with the dissolution of the alliance agreement and joint ventures with The Goodyear Tire & Rubber Company, the Company additionally acquired 75% of shares of Goodyear Dunlop Tires North America, Ltd., the Company's former affiliate accounted for using the equity method. Consequently, Goodyear Dunlop Tires North America, Ltd. was excluded from the scope of application of the equity method and included in the scope of consolidation. Moreover, Goodyear Japan Ltd., the Company's former consolidated subsidiary, was excluded from the scope of consolidation as the Company sold all its held shares.

Lonstroff Holding AG and its wholly owned subsidiary Lonstroff AG were included in the scope of consolidation following the acquisition of Lonstroff Holding AG.

Dunlop Sports Plaza Co., Ltd. was merged into Dunlop Sports Wellness Co., Ltd., and excluded from the scope of consolidation.

Srixon Sports (Thailand) Co., Ltd., the operations of which became significant, was included in the scope of consolidation.

In association with the dissolution of the alliance agreement and joint ventures with The Goodyear Tire & Rubber Company, Tohoku GY Co., Ltd. and GY Tires Kita Kanto Co., Ltd., formerly unconsolidated subsidiaries accounted for using the equity method, were excluded from the scope of application of the equity method.

Goodyear Dunlop Tires Europe B.V. was excluded from the scope of application of the equity method as the Company sold all of its shares. Goodyear-SRI Global Purchasing Company and Goodyear-SRI Global Technology LLC, formerly accounted for using the equity method, were excluded from the scope of application of the equity method due to the commencement of liquidation procedures.

Consolidated subsidiaries that have a fiscal year ending other than December 31 have prepared provisional financial statements to conform to the fiscal year of the Company for group consolidation purposes.

If there is a change in the reporting entity, the consolidated financial statements are not restated. The effect of the change is directly debited or credited to retained earnings during the period.

The positive differences between the cost of and the underlying net equity in investments in consolidated subsidiaries and affiliates accounted for on an equity basis are recognized as goodwill when those companies are initially included in consolidation or accounted for by the equity method. Generally, negative goodwill generated on or before March 31, 2010 and goodwill are amortized using the straight-line method over a period within 20 years. Minor goodwill and negative goodwill generated after March 31, 2010 are charged or credited to cost or income.

(2) Consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with original maturities of three months or less are considered to be cash and cash equivalents.

(3) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the rates of exchange prevailing at the balance sheet date, except for those hedged by forward exchange contracts, which are translated at the contract rates. Resulting the exchange gains and losses are included in the consolidated statements of income.

In preparing the accompanying consolidated financial statements, the asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at year-end exchange rates, and shareholders' equity is translated at historical exchange rates. Revenue and expense accounts for foreign subsidiaries and affiliates are translated at the average rates of exchange prevailing during the year. The resulting translation adjustments are shown as a component of net assets.

(4) Marketable securities and investments in securities

Securities classified as available-for-sale securities are stated at fair market value with unrealized gains and losses, net of applicable taxes, recorded as a component of net assets. Securities with no fair market value are stated at cost. If securities decline in value significantly and the decline is not considered recoverable, the value of the securities is reduced to net realizable value and charged to income. The cost of securities sold is determined based on the average cost of all the shares of securities held at the time of sale.

(5) Derivative financial instruments and hedging

The Company and its consolidated subsidiaries use derivative financial instruments, which include foreign exchange forward contracts, currency swap contracts and interest rate swap contracts, in order to offset risks associated with fluctuations in currency exchange rates and interest rates with respect to financial assets and liabilities in accordance with internal policies and procedures.

(a) Method of hedge accounting

The Company and its consolidated subsidiaries have adopted a method for hedging instruments that defers the recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized.

All derivatives are stated at fair value. However, when foreign exchange forward contracts meet certain conditions, accounts receivable and payable covered by these contracts are translated using the contract rates (designation method). In addition, when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged item. When interest rate and currency swap contracts which meet these conditions, hedged items in foreign currencies are translated using the contract rates, and the net amount to be paid or received under the contract is added or deducted from the interest on the hedged item.

Hedging instruments and hedged items are summarized as follows:

Hedging instruments	Hedged items
Foreign exchange forward contracts	Accounts receivable and payable in foreign currencies and forecasted transactions
Interest rate swap contracts	Long-term debt with variable interest rate
Interest rate and currency swap contracts	

(b) Hedging policy

The Company and its consolidated subsidiaries use financial instruments to hedge market and interest rate fluctuation risks in accordance with their internal policies and procedures.

(c) Method for assessing hedge effectiveness

The Company and its consolidated subsidiaries evaluate the effectiveness of their hedging activities by comparing the cumulative changes in fair value or the cumulative changes in cash flows on hedging instruments with those of the related hedged items from the commencement of the hedge until the time of evaluating its effectiveness.

(6) Inventories

Inventories are stated mainly at cost by the gross average method or net realizable value.

(7) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts principally at an amount determined based on the historical bad debt ratio during certain reference periods plus the estimated uncollectible amount determined by reference to specific doubtful receivables.

(8) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed using the straight-line method. The estimated useful life of assets from the major classes of depreciable assets ranges from 3 to 60 years for buildings and structures and from 1 to 20 years for machinery, vehicles and equipment.

(9) Accounting for leases

Finance leases which transfer ownership are depreciated in the same manner as owned noncurrent assets. Finance leases which do not transfer title are accounted for as purchase and sale transactions and are depreciated by the straight-line method, in which it is assumed that the useful life is the lease period and that the residual value of the relevant asset at the end of the lease period is zero. Finance lease transactions which were executed on or before December 31, 2008 and which do not involve a transfer of ownership are accounted for using the same method as that used for operating leases.

(10) Intangible assets

Intangible assets are stated at cost, less accumulated amortization. Amortization is computed using the straight-line method over the estimated useful life of the asset.

(11) Research and development expenses
Research and development expenses are charged to income when incurred.

(12) Allowance for sales returns
An allowance for sales returns is provided for losses incurred on the return of snow tires sold during the fiscal year but returned subsequent to the balance sheet date. The allowance is based on an estimate using the average rate of such returns in prior years.

(13) Accounting for retirement benefits
(a) Method of attributing the expected retirement benefits to periods
The estimated amount of all retirement benefits to be paid at future retirement dates is allocated under the plan's benefit formula basis.

(b) Method of amortization of actuarial differences and prior service costs
Prior service costs are amortized on a straight-line basis over a fixed number of years (mainly 15 years), which is within the average remaining service period of employees commencing with the fiscal year they are incurred. Actuarial differences are amortized on a straight-line basis over a fixed number of years (10 or 15 years), which is within the average remaining service period of employees when the differences occur commencing in the following year.

(c) Adoption of simplified method for small-sized companies, etc.
Some consolidated subsidiaries adopt the simplified method, under which the Company records the retirement benefit at 100% of the amount that would be required if all employees are voluntarily resigned as of each balance sheet date.

(14) Income taxes
Income taxes are accounted for by the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, operating loss carryforwards and foreign tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(15) Per share amounts
Net income per share is computed based on the average number of shares outstanding during each period. Diluted net income per share is not presented because there were no outstanding common stock equivalents as of December 31, 2015 or December 31, 2014.

(16) Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the accompanying consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates.

(17) Reclassifications and restatements
Certain prior year amounts have been reclassified and restated to conform to the current year's presentation. These reclassifications and restatements had no effect on previously reported results of operations or retained earnings.

(18) Unapplied accounting standards
- "Revised Accounting Standards for Business Combination" (ASBJ Statement No. 21, September 13, 2013)
- "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013)
- "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013)
- "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, September 13, 2013)
- "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013)
- "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, September 13, 2013)

(1) Summary
The above standards and guidance have been revised primarily to account for:

(a) How the changes of the shares in subsidiaries, over which the Company continues to control, should be treated by the Company when additional stock of a subsidiary is acquired.
(b) Treatment of acquisition related costs
(c) Presentation of current net income and the change of shareholder's equity from minority interests to non-controlling interests
(d) Provisional application of accounting treatments

(2) Effective date
Effective from the beginning of the fiscal year ending December 31, 2016.

Provisional application of the accounting standards is scheduled to begin for business combinations effective after the beginning of the fiscal year ending December 31, 2016.

(3) Effects of the application of the standards
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

3. Changes in Accounting Policies

The Company and its consolidated domestic subsidiaries adopted article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, "Guidance No. 25")) from the current fiscal year, and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its consolidated domestic subsidiaries have changed the method of attributing expected benefit to periods from straight-line basis to a benefit formula basis and determining the discount rates.

In accordance with article 37 of Statement No. 26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current fiscal year.

As a result of the application, net defined benefit liabilities increased by ¥1,110 million ($9,174 thousand), net defined benefit asset decreased by ¥7,777 million ($64,273 thousand) and retained earnings decreased by ¥5,570 million ($46,033 thousand) at the beginning of the current fiscal year. In addition, the effect on operating income and income before income taxes and minority interests were immaterial in the current fiscal year, respectively.

Net assets per share at the end of December 31, 2015 was decreased by ¥21.23 ($0.18) and the effects on the earnings per share was immaterial.

4. Cash Flow Information

Reconciliations of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Cash and time deposits	**¥53,569**	¥54,476	**$442,719**
Time deposits with a maturity of over three months	**(48)**	(892)	**(397)**
Cash and cash equivalents	**¥53,521**	¥53,584	**$442,322**

In fiscal year 2015, the Company obtained control of Lonstroff Holding AG and wholly owned subsidiary Lonstroff AG as a result of an acquisition of the shares. The assets and liabilities of the consolidated subsidiaries at the time of consolidation in connection with acquisition cost and net cash paid for the acquisition were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥1,799	$14,868
Noncurrent assets	3,664	30,281
Goodwill	4,812	39,768
Current liabilities	(2,047)	(16,917)
Noncurrent liabilities	(2,649)	(21,893)
Acquisition cost	¥5,579	$46,107
Cash and cash equivalents	(72)	(595)
Net cash paid for the acquisition	¥5,507	$45,512

In fiscal year 2015, the Company obtained control of Goodyear Dunlop Tires North America, Ltd. (The acquired company will change its trade name to Sumitomo Rubber USA, LLC in 2016) as a result of an acquisition of shares. The assets and liabilities of the consolidated subsidiary at the time of consolidation in connection with the acquisition cost and net cash paid for the acquisition were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥17,890	$147,851
Noncurrent assets	33,770	279,091
Goodwill	5,472	45,223
Current liabilities	(16,987)	(140,388)
Noncurrent liabilities	(13,467)	(111,298)
Amount under the equity method before acquisition	(11,699)	(96,686)
Acquisition cost	¥14,979	$123,793
Acquisition related cost	464	3,835
Cash and cash equivalents	(2,838)	(23,454)
Net cash paid for the acquisition	¥12,605	$104,174

In fiscal year 2015, the Company lost control of Goodyear Japan Ltd., as a result of a transfer of the shares. The assets and liabilities of the consolidated subsidiary at the time of the transfer in connection with transfer cost and net cash received for the transfer were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥11,803	$97,546
Noncurrent assets	1,201	9,926
Current liabilities	(7,867)	(65,017)
Noncurrent liabilities	(951)	(7,860)
Minority interest	(1,047)	(8,653)
Gain on sales of shares of affiliates	268	2,215
Sales price	¥ 3,407	$28,157
Cash and cash equivalents	(570)	(4,711)
Net cash received for the transfer	¥ 2,837	$23,446

In fiscal year 2015, Sumitomo Rubber Australia Pty. Ltd., a subsidiary of the Company, obtained assets and liabilities by means of a business acquisition. The assets and liabilities acquired by the business acquisition with acquisition cost were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥1,174	$ 9,703
Noncurrent assets	223	1,843
Goodwill	561	4,636
Current liabilities	(12)	(99)
Noncurrent liabilities	(36)	(298)
Net cash paid for the business acquisition	¥1,910	$15,785

In fiscal year 2014, a subsidiary of the Company obtained control of Dunlop Sports Wellness Co., Ltd. as a result of an acquisition of shares (On October 1, 2014, the acquired company changed its trade name from KITZ Wellness Co., Ltd.). The assets and liabilities of the consolidated subsidiary at the time of consolidation in connection with acquisition cost and net cash paid for the acquisition were as follows:

	Millions of yen
Current assets	¥ 515
Noncurrent assets	2,659
Goodwill	2,427
Current liabilities	(1,005)
Noncurrent liabilities	(331)
Acquisition cost	¥4,265
Cash and cash equivalents	(275)
Net cash paid for the acquisition	¥3,990

5. Financial Instruments

(1) Qualitative information on financial instruments

(a) Policies for using financial instruments

The Company and its consolidated subsidiaries raise capital for investment in equipment and for operating capital mainly through bank loans and bond issuances based on cash flow planning. Temporary excess cash is managed with low-risk financial assets. The Company and its consolidated subsidiaries utilize derivative transactions only to hedge risks of future changes in cash flows and fair values and not for speculative purposes.

(b) Financial instruments and exposure to risk

Trade notes and accounts receivable are exposed to the credit risks of customers. However, the Company and its consolidated subsidiaries seek to reduce the risks through the implementation of rules for credit controls. Operating receivables denominated in foreign currencies are exposed to foreign exchange fluctuation risk, but the risk is hedged using forward exchange contracts, etc., for the net position with foreign currency operating payables. The risk of fluctuation in fair value is also hedged using borrowings denominated in foreign currencies by balancing foreign currency operating receivables and foreign currency operating payables. Investment securities are mainly held to build and maintain long-term good relationships with business partners and exposed to the market risks. The Company and its consolidated subsidiaries periodically review the circumstances under which such securities are held and evaluate the fair value of the securities and /or the financial condition of the issuers (business partners).

Payment terms of operating payables such as the trade notes and accounts payable are less than one year. Some operating payables are denominated in foreign currencies arising from import of raw materials and are exposed to foreign exchange fluctuation risk. However these operating payables are almost covered by the same currency denominated accounts receivable.

The main purpose of holding debt and issuing bonds is to secure financing for equipment and operating capital. The derivative transactions entered into comprise forward exchange contracts to hedge exchange risks associated with foreign currency debt and credit; interest rate and currency swap contracts; and interest swap contracts to hedge fluctuation risks associated with interest rates for and fair values of debt. The Company and its consolidated subsidiaries manage and control these risks according to management's rules for derivative transactions.

(2) Fair value of financial instruments

The carrying amounts and fair values of the financial instruments on the consolidated balance sheet at December 31, 2015 and 2014 were as set forth in the table below. Financial instruments whose fair values were difficult to determine were not included in the table.

	Millions of yen			Thousands of U.S. dollars		
			2015			**2015**
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and time deposits	**¥ 53,569**	**¥ 53,569**	**¥ —**	**$ 442,719**	**$ 442,719**	**$ —**
Trade notes and accounts receivable	**189,888**	**189,888**	**—**	**1,569,323**	**1,569,323**	**—**
Investments in securities	**31,596**	**31,596**	**—**	**261,124**	**261,124**	**—**
Long-term loans	**8,063**	**8,071**	**8**	**66,636**	**66,702**	**66**
Total assets	**¥283,116**	**¥283,124**	**¥ 8**	**$2,339,802**	**$2,339,868**	**$ 66**
Trade notes and accounts payable	**¥ 73,684**	**¥ 73,684**	**¥ —**	**$ 608,959**	**$ 608,959**	**$ —**
Short-term borrowings	**76,586**	**76,586**	**—**	**632,942**	**632,942**	**—**
Accrued accounts payable	**49,437**	**49,437**	**—**	**408,570**	**408,570**	**—**
Bonds	**65,000**	**66,741**	**(1,741)**	**537,190**	**551,579**	**(14,389)**
Long-term debt	**112,820**	**113,079**	**(259)**	**932,397**	**934,537**	**(2,140)**
Total liabilities	**¥377,527**	**¥379,527**	**¥(2,000)**	**$3,120,058**	**$3,136,587**	**$(16,529)**
Derivative transactions						
Contracts for which hedge accounting was not adopted	**¥ 8,450**	**¥ 8,450**	**¥ —**	**$ 69,835**	**$ 69,835**	**$ —**
Contracts for which hedge accounting was adopted	**(121)**	**(121)**	**—**	**(1,000)**	**(1,000)**	**—**

	Millions of yen		
			2014
	Carrying amount	Fair value	Difference
Cash and time deposits	¥ 54,476	¥ 54,476	¥ —
Trade notes and accounts receivable	210,027	210,027	—
Investments in securities	31,980	31,980	—
Long-term loans	1,280	1,288	8
Total assets	¥297,763	¥297,771	¥ 8
Trade notes and accounts payable	¥ 74,990	¥ 74,990	¥ —
Short-term borrowings	83,008	83,008	—
Accrued accounts payable	57,132	57,132	—
Bonds	65,000	66,935	(1,935)
Long-term debt	141,996	142,212	(216)
Total liabilities	¥422,126	¥424,277	¥(2,151)
Derivative transactions			
Contracts for which hedge accounting was not adopted	¥ 8,673	¥ 8,673	¥ —
Contracts for which hedge accounting was adopted	670	670	—

(a) Valuation approach for the fair value of financial instruments

Trade notes and accounts receivable:

The carrying amount approximates fair value because of the short maturity.

Investments in securities:

The carrying amount is only for listed stock that has quoted market value and is stated at fair market value.

Long-term loans:

For items with floating rates, the fair value is based on the book value since the market interest rate is reflected in a short period. For long-term loans used in interest rate swaps in which the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the long-term loans, fair value is based on the present value of long-term loans and interest rate swaps with interest discounted based on the interest rate for similar instruments.

Trade notes and accounts payable:
The carrying amount approximates fair value because of the short maturity.

Short-term borrowings:
The carrying amount approximates fair value because of the short maturity.

Accrued accounts payable:
The carrying amount approximates fair value because of the short maturity.

Bonds and long-term debt:
For items with floating rates, the fair value is based on the book value since the market interest rate is reflected in a short period. For items with fixed rates, the fair value is based on the present value with interest discounted based on the interest rate for similar instruments. For long-term borrowings used in interest rate swaps in which the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the long-term borrowings, fair value is based on the present value of long-term borrowings and interest rate swaps with interest discounted based on the interest rate for similar instruments. For long-term borrowings used in interest rate and currency swaps in which foreign currencies are translated using the contract rated and the net amount to be paid or received under the contract is added to or deducted from the interest on long-term borrowings, fair value is based on the present value of unit of long-term borrowings and interest rate and currency swaps with interest discounted based on the interest rate for similar instruments.

Derivative transactions:
See Note 8. Derivative Financial Instruments.

(b) Financial instruments whose fair value is difficult to determine

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unlisted securities (available-for-sale securities)	**¥ 332**	¥ 311	**$ 2,744**
Unlisted investments in affiliates	**5,048**	49,139	**41,719**

The above financial instruments do not have quoted market values and their future cash flows cannot be estimated. Because the fair value is difficult to determine, these instruments are not included in "Investments in securities."

6. Inventories

Inventories as of December 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Finished goods	**¥ 91,689**	¥ 87,901	**$ 757,760**
Work-in-process	**6,938**	6,240	**57,339**
Raw materials	**37,987**	37,632	**313,942**
Supplies	**10,566**	10,270	**87,323**
Total	**¥147,180**	¥142,043	**$1,216,364**

7. Investments in Securities

As of December 31, 2015 and 2014, cost, book value and related unrealized gains and losses pertaining to marketable equity securities classified as available-for-sale securities with readily determinable fair values were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Available-for-sale securities:			
Cost	**¥ 9,970**	¥ 9,908	**$ 82,397**
Book value	**31,596**	31,980	**261,124**
Unrealized gains	**21,628**	22,074	**178,744**
Unrealized losses	**(2)**	(2)	**(17)**

8. Derivative Financial Instruments

Fair value information regarding derivative financial instruments as of December 31, 2015 and 2014 was as follows:

(1) Derivative transactions for which hedge accounting has not been applied

Currency related contracts

	Millions of yen						Thousands of U.S. dollars		
	2015			2014			**2015**		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts									
Buy	**¥16,419**	**¥ (130)**	**¥(130)**	¥ 5,902	¥ 13	¥ 13	**$135,694**	**$ (1,074)**	**$(1,074)**
Sell	**10,615**	**153**	**153**	8,708	(59)	(59)	**87,727**	**1,264**	**1,264**
Currency swap contracts	**32,643**	**8,427**	**522**	38,957	8,719	3,290	**269,777**	**69,645**	**4,314**
Total	**¥59,677**	**¥8,450**	**¥ 545**	¥53,567	¥8,673	¥3,244	**$493,198**	**$69,835**	**$ 4,504**

(2) Derivative transactions for which hedge accounting has been applied

(a) Currency related contracts

	Millions of yen				Thousands of U.S. dollars	
	2015		2014		**2015**	
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
Forward foreign exchange contracts						
Deferred hedges						
Buy	**¥22,353**	**¥(121)**	¥20,801	¥670	**$184,735**	**$(1,000)**
Sell	**—**	**—**	—	—	**—**	**—**
Designation method						
Buy	**982**	(Note)	950	(Note)	**8,116**	(Note)
Sell	**—**	**—**	236	(Note)	**—**	**—**
Total	**¥23,335**	**¥(121)**	¥21,987	¥670	**$192,851**	**$(1,000)**

(b) Interest rate related contracts

	Millions of yen				Thousands of U.S. dollars	
	2015		2014		**2015**	
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
Interest rate swap contracts						
Receive variable rate, give fixed rate	**¥22,571**	(Note)	¥30,811	(Note)	**$186,537**	(Note)
Interest rate and currency swap contracts						
Receive US dollar variable rate, pay yen fixed rate	**2,412**	(Note)	2,411	(Note)	**19,934**	(Note)
Total	**¥24,983**	(Note)	¥33,222	(Note)	**$206,471**	(Note)

Note: Fair value above is based on prices provided by financial institutions.
However, the fair value of some derivative financial instruments was included in the fair value of accounts receivable, short-term loans, accounts payable, accrued accounts payable and long-term debt and long-term loans as hedged items because those derivative financial instruments were used to hedge the risk of foreign currency or interest fluctuation and were booked with related accounts receivable, short-term loans, accounts payable, accrued accounts payable and long-term debt and long-term loans as a unit according to Japanese accounting regulations.

9. Property, Plant and Equipment

The depreciation expense for the years ended December 31, 2015 and 2014 was ¥47,478 million ($392,380 thousand) and ¥42,094 million, respectively.

10. Trademarks

For the years ended December 31, 2015 and 2014, the amortization expense for capitalized trademarks was ¥166 million ($1,372 thousand) and ¥266 million, respectively.

11. Short-Term Borrowings and Long-Term Debt

Short-term borrowings of ¥76,586 million ($632,942 thousand) and ¥83,008 million as of December 31, 2015 and 2014, respectively, bore interest at rates ranging from 0.029% to12.10% and from 0.01% to 27.60% per annum, respectively.

Long-term debt as of December 31, 2015 and 2014 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
0.58% unsecured bonds due 2016 payable in Japanese yen	**¥ 10,000**	¥ 10,000	**$ 82,645**
2.19% unsecured bonds due 2017 payable in Japanese yen	**5,000**	5,000	**41,322**
2.17% unsecured bonds due 2018 payable in Japanese yen	**10,000**	10,000	**82,645**
2.07% unsecured bonds due 2019 payable in Japanese yen	**10,000**	10,000	**82,645**
0.34% unsecured bonds due 2020 payable in Japanese yen	**10,000**	10,000	**82,645**
1.38% unsecured bonds due 2021 payable in Japanese yen	**10,000**	10,000	**82,645**
0.76% unsecured bonds due 2024 payable in Japanese yen	**10,000**	10,000	**82,645**
Loans payable to banks and other financial institutions due from 2016 to 2024 with interest rates of 0.18% to 7.95% for 2015 and 2014			
Unsecured	**112,820**	141,996	**932,397**
Finance lease obligations	**6,226**	5,743	**51,452**
Subtotal	**¥184,046**	¥212,739	**$1,521,041**
Less current portion of long-term debt:			
Bonds	**(10,000)**	—	**(82,645)**
Finance lease obligations	**(1,768)**	(1,644)	**(14,612)**
Long-term debt	**(37,163)**	(28,812)	**(307,131)**
Subtotal	**(48,931)**	(30,456)	**(404,388)**
Total	**¥135,115**	¥182,283	**$1,116,653**

The aggregate annual maturities of long-term debt as of December 31, 2015 were as follows:

Years ending December 31	Millions of yen	Thousands of U.S. dollars
2016	¥ 48,931	$ 404,388
2017	25,776	213,025
2018	25,937	214,355
2019	24,535	202,769
2020	14,403	119,033
2021 and thereafter	44,464	367,471
Total	¥184,046	$1,521,041

Substantially all loans from banks and other financial institutions are under agreements which provide that under certain conditions a borrower may be required to provide collateral (or additional collateral) or guarantors with respect to the loans and that collateral, whether furnished as security for short-term or long-term loans or otherwise, may be treated by the lender as collateral for all indebtedness to that bank or financial institutions. Default provisions in the agreements grant certain rights of possession to the banks and other financial institutions.

12. Consolidated Statements of Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net unrealized gains and losses on available-for-sale securities			
Increase (decrease) during the year	**¥ (323)**	¥ 4,206	**$ (2,669)**
Reclassification adjustments	**(74)**	(11)	**(612)**
Subtotal, before tax	**(397)**	4,195	**(3,281)**
Tax effects	**820**	(1,486)	**6,777**
Subtotal, net of tax	**423**	2,709	**3,496**

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deferred gains and losses on hedges			
Increase (decrease) during the year	**¥ (442)**	¥ 1,215	**$ (3,653)**
Reclassification adjustments	**—**	—	**—**
Adjustment for acquisition cost of hedged items	**(423)**	(630)	**(3,496)**
Subtotal, before tax	**(865)**	585	**(7,149)**
Tax effects	**277**	(243)	**2,289**
Subtotal, net of tax	**(588)**	342	**(4,860)**
Currency translation adjustments			
Increase (decrease) during the year	**¥(33,741)**	¥32,255	**$(278,851)**
Reclassification adjustments	**—**	—	**—**
Subtotal, before tax	**(33,741)**	32,255	**(278,851)**
Tax effects	**67**	(184)	**553**
Subtotal, net of tax	**(33,674)**	32,071	**(278,298)**
Remeasurements of defined benefit plans			
Increase (decrease) during the year	**¥ 579**	¥ (872)	**$ 4,785**
Reclassification adjustments	**(60)**	12	**(496)**
Subtotal, before tax	**519**	(860)	**4,289**
Tax effects	**107**	264	**885**
Subtotal, net of tax	**626**	(596)	**5,174**
Share of other comprehensive income of affiliates under the equity method			
Increase (decrease) during the year	**¥ (6,313)**	¥ 3,704	**$ (52,173)**
Reclassification adjustments	**13,069**	764	**108,008**
Subtotal, net of tax	**6,756**	4,468	**55,835**
Total other comprehensive income	**¥(26,457)**	¥38,994	**$(218,653)**

13. Income Taxes

The Company and its consolidated subsidiaries are subject to a number of different income taxes in Japan which, in the aggregate, indicate statutory tax rate of approximately 35.4% and 37.8% for the years ended December 31, 2015 and 2014, respectively. Significant differences between the normal cumulative statutory tax rate and the effective tax rate in the consolidated statements of income for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Statutory tax rate	**35.4%**	37.8%
Gain on sales of shares of affiliates	**4.5**	—
Unrealized gain	**3.5**	—
Amortization of goodwill	**2.9**	0.5
Undistributed benefits of consolidated subsidiaries	**1.4**	2.2
Effect arising from the change in tax rate	**0.6**	0.5
Expenses not deductible for tax purposes	**0.4**	1.3
Valuation allowance	**0.2**	1.4
Deduction of loss on impairment of shares of affiliates	**(16.7)**	—
Differences in statutory tax rates of foreign subsidiaries	**(4.6)**	(4.8)
Tax exemption of foreign subsidiaries	**(2.1)**	(1.0)
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	**(1.9)**	(2.0)
Tax credits for research and development costs	**(0.0)**	(0.9)
Other	**0.5**	(0.6)
Effective tax rate for consolidated statements of income	**24.1%**	34.4%

Deduction of loss on impairment of shares of affiliates was caused by the realization of the tax burden of the past fiscal year's impairment of a Europe joint venture in association with the dissolution of the alliance with the Goodyear Tire & Rubber Company.

Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

On March 31, 2015, amendments to the Japanese tax regulations, "Act for Partial Revision of the Income Tax Act etc.," (Act No. 9 of 2015) and "Act for Partial Revision of the Local Tax Ace etc." (Act No. 2 of 2015) were enacted into law. For years beginning on or after April 1, 2015, special corporate tax for reconstruction will not be imposed. As a result of this amendment, the statutory effective tax rate for the Company will be reduced from 35.4% to 33.0% for years beginning on or after January 1, 2016 and 35.4% to 32.2% for years beginning on or after January 1, 2017.

The effect of this change in statutory effective tax rate was to decrease net deferred tax assets by ¥500 million ($4,132 thousand) and to increase deferred income taxes by ¥429 million ($3,545 thousand), net unrealized gains and losses on available-for-sale securities by ¥678 ($5,603 thousand), deferred gains and losses on hedges by ¥3 million ($25 thousand) and remeasurements of defined benefit plans by ¥254 million ($2,099 thousand) for fiscal year 2015.

Significant components of deferred tax assets and liabilities as of December 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deferred tax assets:			
Tax loss carry forwards	**¥ 6,638**	¥ 4,218	**$ 54,860**
Net defined benefit liabilities	**5,013**	3,589	**41,430**
Unrealized profits	**2,148**	5,417	**17,752**
Loss on impairment of noncurrent assets	**1,923**	1,879	**15,893**
Incentive bonuses	**1,399**	1,359	**11,562**
Accrued bonuses	**983**	1,522	**8,124**
Advertising	**932**	793	**7,702**
Inventories	**737**	881	**6,091**
Allowance for sales returns	**664**	745	**5,488**
Allowance for doubtful accounts	**574**	774	**4,744**
Depreciation	**298**	429	**2,463**
Loss on impairment of golf club memberships	**179**	205	**1,479**
Loss on impairment of investment securities	**172**	355	**1,421**
Other	**7,139**	8,298	**58,999**
Total deferred tax assets	**¥ 28,799**	¥ 30,464	**$ 238,008**
Less valuation allowance	**(6,464)**	(6,371)	**(53,421)**
Net deferred tax assets	**¥ 22,335**	¥ 24,093	**$ 184,587**
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	**¥ (6,836)**	¥ (7,657)	**$ (56,496)**
Undistributed benefits of consolidated subsidiaries	**(5,760)**	(5,981)	**(47,603)**
Net defined benefit assets	**(3,663)**	(3,328)	**(30,273)**
Unrealized gain or loss of accounts receivable and payable in foreign currencies	**(1,637)**	—	**(13,529)**
Deferred gains on sales of property, plant and equipment	**(1,629)**	(1,828)	**(13,463)**
Unrealized gain on land of a consolidated subsidiary	**(1,038)**	(1,146)	**(8,579)**
Other	**(4,789)**	(7,513)	**(39,578)**
Total deferred tax liabilities	**¥(25,352)**	¥(27,453)	**$(209,521)**
Deferred tax assets, net	**¥ (3,017)**	¥ (3,360)	**$ (24,934)**

Deferred income taxes, net as of December 31, 2015 and 2014 were included in the following accounts:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Current assets—deferred tax assets	**¥10,122**	¥11,950	**$83,653**
Investments and other assets—deferred tax assets	**6,516**	6,686	**53,851**
Current liabilities—deferred tax liabilities (current liabilities—other)	**(19)**	(15)	**(157)**
Long-term liabilities—deferred tax liabilities	**(19,636)**	(21,981)	**(162,281)**

14. Accrued Retirement Benefits

Upon terminating employment, employees of the Company and the domestic consolidated subsidiaries are entitled, under most circumstances, to lump-sum indemnities or pension annuity payments. For an employee who voluntarily retires under normal circumstances, a minimum payment amount is calculated based on the rate of pay at the time of retirement, length of service and conditions under which the employee retires. In calculating the payment amount for an employee who retires involuntarily, including an employee who retires due to reaching the mandatory retirement age, the Company or the domestic consolidated subsidiaries may grant additional benefits.

Most of the foreign subsidiaries have defined benefit pension plans or defined contribution pension that cover substantially all of their employees and under which the cost of benefits is currently funded or accrued. Benefits awarded under these plans are based primarily on rates of pay at the time of retirement and length of service.

(1) Summary of defined benefit pension plans

(a) Movements in retirement benefit obligations, except plans applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Beginning balance	**¥53,606**	¥51,029	**$443,025**
Cumulative effects of changes in accounting policies	**8,894**	—	**73,504**
Subtotal	**62,500**	51,029	**516,529**
Service cost	**3,049**	2,411	**25,198**
Interest cost	**351**	953	**2,901**
Actuarial gains and losses	**239**	1,185	**1,975**
Prior service cost	**—**	696	**—**
Payment of benefit	**(2,956)**	(3,408)	**(24,430)**
Increase by business combination	**7,830**	—	**64,711**
Others	**(284)**	740	**(2,347)**
Ending balance	**¥70,729**	¥53,606	**$584,537**

(b) Movements in plan assets, except plans applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Beginning balance	**¥68,842**	¥66,647	**$568,942**
Expected return on plan assets	**1,077**	1,029	**8,901**
Actuarial gains and losses	**883**	1,593	**7,298**
Contributions paid by the employer	**1,869**	1,724	**15,446**
Payment of benefits	**(2,192)**	(2,578)	**(18,116)**
Increase by business combination	**3,737**	—	**30,884**
Others	**7**	427	**58**
Ending balance	**¥74,223**	¥68,842	**$613,413**

(c) Movements in net defined benefit liabilities for plans applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Beginning balance	**¥2,121**	¥1,900	**$17,529**
Retirement benefit cost	**312**	144	**2,579**
Payment of benefits	**(250)**	(182)	**(2,066)**
Others	**(39)**	259	**(323)**
Ending balance	**¥2,144**	¥2,121	**$17,719**

(d) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liabilities (assets) in the consolidated balance sheet, including the plans applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Funded retirement benefit obligations	**¥56,964**	¥ 40,173	**$470,777**
Plan assets	**(47,819)**	(43,966)	**(395,198)**
Retirement benefit trust	**(26,509)**	(24,876)	**(219,083)**
	(17,364)	(28,669)	**(143,504)**
Unfunded retirement benefit obligations	**16,014**	15,554	**132,347**
Net of liabilities and assets of consolidated balance sheet	**(1,350)**	(13,115)	**(11,157)**
Net defined benefit liabilities	**22,817**	17,018	**188,570**
Net defined benefit assets	**(24,167)**	(30,133)	**(199,727)**
Net of liabilities and assets of consolidated balance sheet	**¥ (1,350)**	¥(13,115)	**$ (11,157)**

(e) Breakdown of retirement benefit cost:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Service cost	**¥3,049**	¥2,411	**$25,198**
Interest cost	**351**	953	**2,901**
Expected return on plan assets	**(1,077)**	(1,029)	**(8,901)**
Amortization of actuarial gains and losses	**48**	55	**397**
Amortization of prior service cost	**(108)**	(97)	**(893)**
Severance and retirement benefit cost by simplified method	**312**	144	**2,579**
Total	**¥2,575**	¥2,437	**$21,281**

(f) Breakdown of remeasurements of defined benefit plans (before tax effect):

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Prior service cost	**¥(108)**	¥—	**$ (893)**
Actuarial gains and losses	**747**	—	**6,174**
Total	**¥ 639**	¥—	**$5,281**

(g) Breakdown of accumulated remeasurements of defined benefit plans (before tax effect):

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unrecognized prior service cost	**¥ (312)**	¥ (204)	**$ (2,578)**
Unrecognized actuarial gains and losses	**6,667**	5,920	**55,099**
Total	**¥6,355**	¥5,716	**$52,521**

(h) Allocation of plan assets as a percentage of total plan assets:

① Plan assets comprise

	2015	2014
Equity securities	**45.7%**	50.3%
Debt securities	**36.9**	34.2
General account	**14.6**	12.4
Cash and deposit	**0.1**	0.0
Others	**2.7**	3.1
Total	**100.0%**	100.0%

Note: 35.7% and 36.1% of total plan assets includes retirement benefit trust in 2015 and 2014, respectively.

② Long-term expected rate of return

In determining the long-term expected rate of return, the Company and its consolidated subsidiaries take into consideration present and expected asset allocation and present and expected long-term rate of return arising from various plan assets.

(i) Actuarial assumption:

The discount rate used by the Company and its consolidated subsidiaries was mainly 0.81% and 2.0% in 2015 and 2014, respectively, and the expected return on plan assets was mainly 2.5% and 2.5% in 2015 and 2014, respectively.

(2) Summary of defined contribution pension plans

For the years ended December 31, 2015 and 2014, the Company and its consolidated subsidiaries provided ¥739 million ($6,107 thousand) and ¥730 million for defined contribution plans, respectively.

15. Research and Development Expenses

Research and development expenses for the years ended December 31, 2015 and 2014 were ¥23,372 million ($193,157 thousand) and ¥23,543 million, respectively.

16. Segment Information

(1) Information by reportable segment

The Company's reportable segments are the units for which separate financial information is available and periodically reviewed by the Board of Directors for the purposes of deciding the allocation of management resources and evaluating business performance. The Company and its subsidiaries have three divisions based on operations in Tires, Sports and Industrial and Other Products. Each division formulates comprehensive strategies for both domestic and overseas markets and develops business activities. Therefore, the Company identifies "Tires," "Sports" and "Industrial and Other Products" as reportable segments.

Operations in the Tires segment involve the production and sale of a wide range of tires for a variety of vehicles such as passenger cars, trucks, buses and motorcycles and applications such as industrial applications. Operations in the Sports segment involve the production and sale of a variety of sporting goods, principally golf balls, golf clubs, other golf related goods and tennis related goods. Operations in the Industrial and Other Products segment involve the production and sale of a variety of rubber and rubber based products, including vibration control products, flooring for gymnasiums, all-weather tennis courts, track and field facilities, marine fenders, precision rubber parts for office machines and blankets for offset printing presses.

The accounting policies of each reportable segment are the same as those described in Note 2.

Figures for reportable segment profit or loss are based on operating income.

Intersegment sales and transfers are stated at wholesale prices based on current market values.

Reportable segment sales, profit or loss, assets and other material items

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	**2015**	2014	**2015**
Net sales:			
Tires—			
Sales to unaffiliated customers	**¥732,168**	¥731,245	**$6,050,975**
Intersegment sales and transfers	**10**	14	**83**
	732,178	731,259	**6,051,058**
Sports—			
Sales to unaffiliated customers	**77,631**	70,462	**641,579**
Intersegment sales and transfers	**314**	368	**2,595**
	77,945	70,830	**644,174**
Industrial and Other Products—			
Sales to unaffiliated customers	**38,864**	35,940	**321,190**
Intersegment sales and transfers	**35**	20	**289**
	38,899	35,960	**321,479**
Adjustments	**(359)**	(402)	**(2,967)**
	¥848,663	¥837,647	**$7,013,744**
Segment profit or loss:			
Tires	**¥ 73,114**	¥ 78,416	**$ 604,248**
Sports	**2,011**	3,170	**16,620**
Industrial and Other Products	**1,930**	4,648	**15,950**
	77,055	86,234	**636,818**
Adjustments	**12**	17	**99**
	¥ 77,067	¥ 86,251	**$ 636,917**
Segment assets:			
Tires	**¥781,890**	¥835,085	**$6,461,901**
Sports	**62,141**	68,246	**513,562**
Industrial and Other Products	**39,767**	31,307	**328,653**
	883,798	934,638	**7,304,116**
Adjustments	**52,356**	38,949	**432,694**
	¥936,154	¥973,587	**$7,736,810**
Increase in tangible and intangible fixed assets:			
Tires	**¥ 63,656**	¥ 64,650	**$ 526,083**
Sports	**2,181**	2,429	**18,025**
Industrial and Other Products	**2,003**	1,771	**16,553**
	67,840	68,850	**560,661**
Adjustments	**—**	—	**—**
	¥ 67,840	¥ 68,850	**$ 560,661**
Depreciation and amortization:			
Tires	**¥ 50,804**	¥ 45,323	**$ 419,868**
Sports	**2,628**	1,931	**21,719**
Industrial and Other Products	**1,713**	950	**14,157**
	55,145	48,204	**455,744**
Adjustments	**—**	—	**—**
	¥ 55,145	¥ 48,204	**$ 455,744**

Years ended December 31	2015 (Millions of yen)	2014 (Millions of yen)	2015 (Thousands of U.S. dollars)
Amortization of goodwill:			
Tires	**¥ 697**	¥ 707	**$ 5,760**
Sports	**4,752**	659	**39,273**
Industrial and Other Products	**551**	—	**4,554**
	6,000	1,366	**49,587**
Adjustments	**—**	—	**—**
	¥ 6,000	¥ 1,366	**$ 49,587**
Investments in equity method affiliates:			
Tires	**¥ 3,852**	¥ 47,623	**$ 31,835**
Sports	**108**	110	**892**
Industrial and Other Products	**—**	—	**—**
	3,960	47,733	**32,727**
Adjustments	**—**	—	**—**
	¥ 3,960	¥ 47,733	**$ 32,727**

(a) Segment profit included in "Adjustments" comprised elimination of intersegment transactions.
(b) Segment assets included in "Adjustments" comprised corporate assets of ¥52,646 million ($435,091 thousand) and ¥39,263 million at December 31, 2015 and 2014, respectively, which consisted mainly of cash and time deposits, investment securities owned by the Company and assets for administration divisions, as well as the elimination of intersegment transactions of ¥290 million ($2,397 thousand) and ¥314 million at December 31, 2015 and 2014, respectively.
(c) Segment profit corresponds to operating income.
(d) Depreciation and amortization included the amount of depreciation in long-term prepaid expenses.
(e) The increase in tangible and intangible noncurrent assets included the amount of an increase in long-term prepaid expenses.

(2) Related information

(a) Information about geographical areas

Years ended December 31	2015 (Millions of yen)	2014 (Millions of yen)	2015 (Thousands of U.S. dollars)
Net sales:			
Japan	**¥371,259**	¥396,143	**$3,068,256**
Asia	**173,691**	164,829	**1,435,463**
North America	**132,175**	91,534	**1,092,355**
Europe	**57,236**	67,294	**473,025**
Other areas	**114,302**	117,847	**944,645**
Total	**¥848,663**	¥837,647	**$7,013,744**
Net property, plant and equipment:			
Japan	**¥140,478**	¥141,654	**$1,160,975**
Asia	**152,369**	167,782	**1,259,248**
Other areas	**75,083**	50,519	**620,521**
Total	**¥367,930**	¥359,955	**$3,040,744**

(b) Information about impairment losses on fixed assets by reportable segment

Years ended December 31	2015 (Millions of yen)	2014 (Millions of yen)	2015 (Thousands of U.S. dollars)
Impairment losses on fixed assets:			
Tires	**¥345**	¥103	**$2,851**
Sports	**29**	—	**240**
Industrial and Other Products	**—**	—	**—**
Total	**¥374**	¥103	**$3,091**

(c) Information about goodwill by reportable segment

Years ended December 31	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Amortization:			
Tires	**¥ 697**	¥ 707	**$ 5,760**
Sports	**4,752**	659	**39,273**
Industrial and Other Products	**551**	—	**4,554**
Total	**¥ 6,000**	¥ 1,366	**$ 49,587**
Balance at end of year:			
Tires	**¥11,453**	¥ 2,984	**$ 94,653**
Sports	**2,730**	7,481	**22,562**
Industrial and Other Products	**4,068**	—	**33,620**
Total	**¥18,251**	¥10,465	**$150,835**

(3) Information about gain on negative goodwill

For the fiscal year ended December 31, 2015, the Company recognized gain on negative goodwill of ¥93 million ($769 thousand) in the Tires segment. This was due to the conversion of Dunlop Goodyear Tires, Ltd., the Company's consolidated subsidiary, into a wholly owned subsidiary of the Company through the additional acquisition of 25% of its shares in association with the dissolution of the alliance agreement and joint ventures with The Goodyear Tire & Rubber Company.

17. Related Party Information

Goodyear Dunlop Tires Europe B.V., a significant affiliate, was excluded from the scope of application of the equity method as the Company sold all of its shares in association with the dissolution of the alliance agreement and joint ventures for the year ended December 31, 2015. A summary of the statements of income of the condensed financial information of Goodyear Dunlop Tires Europe B.V., for the period from January 1, 2015 to September 30, 2015 and for the year ended December 31, 2014 is as follows:

	2015	2014
	Millions of U.S. dollars	
Current assets	**$ —**	$1,992
Noncurrent assets	**—**	2,220
Current liabilities	**—**	1,408
Noncurrent liabilities	**—**	1,398
Shareholders' equity	**—**	1,406
Net sales	**3,516**	5,555
Income before income taxes	**145**	162
Net income	**124**	132

18. Contingent Liabilities

As of December 31, 2015 and 2014, the Company and its consolidated subsidiaries were contingently liable for the following:

	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Trade notes discounted	**¥1,036**	¥1,073	**$8,562**
Guarantees and arrangements similar to guarantees of indebtedness of employees, unconsolidated subsidiaries and affiliates	**402**	430	**3,322**

19. Leases

The original costs of leased assets under finance lease transactions which do not transfer ownership of the leased assets to the lessee and the related accumulated depreciation and accumulated impairment losses, assuming they were calculated using the straight-line method over the term of the lease, as of December 31, 2015 and 2014 were as follows:

As of December 31, 2015	Millions of yen				Thousands of U.S. dollars			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net leased property	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net leased property
Machinery, vehicles and equipment	**¥2,261**	**¥1,561**	**¥355**	**¥345**	**$18,686**	**$12,901**	**$2,934**	**$2,851**
Other	**463**	**247**	**—**	**216**	**3,826**	**2,041**	**—**	**1,785**
Total	**¥2,724**	**¥1,808**	**¥355**	**¥561**	**$22,512**	**$14,942**	**$2,934**	**$4,636**

As of December 31, 2014				Millions of yen
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net leased property
Machinery, vehicles and equipment	¥4,835	¥3,809	¥355	¥671
Other	463	221	—	242
Total	¥5,298	¥4,030	¥355	¥913

Finance lease transactions executed on or before December 31, 2008 which did not involve a transfer of ownership are accounted for using the same method as that used for operating leases. Lease payments under finance lease transactions which did not transfer ownership of the leased assets to the lessee for the years ended December 31, 2015 and 2014 amounted to ¥413 million ($3,413 thousand) and ¥497 million, respectively.

The balances of future finance lease payments, including interest, as of December 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Due within one year	**¥250**	¥ 413	**$2,066**
Due later	**377**	627	**3,116**
Total	**¥627**	¥1,040	**$5,182**

The balances of future lease payments under non-cancelable operating leases, including interest, as of December 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Due within one year	**¥2,307**	¥1,813	**$19,066**
Due later	**11,357**	7,474	**93,860**
Total	**¥13,664**	¥9,287	**$112,926**

20. Impairment Loss

The Company and its consolidated subsidiaries recognized impairment loss for the following asset groups for the years ended December 31, 2015 and 2014.

2015			Millions of yen	Thousands of U.S. dollars
Group	Location	Assets	Impairment loss	
Rental properties	Aomori City	Land and buildings	**¥ 54**	**$ 446**
Idle assets	Chiba City and other	Land	**291**	**2,405**
—	Thailand	Goodwill	**29**	**240**

2014			Millions of yen
Group	Location	Assets	Impairment loss
Idle assets	Izumiotsu City, Osaka and other	Land, buildings and other	¥103

The Company and its consolidated subsidiaries grouped their assets at the lowest level for which cash flows were independently identifiable based on managerial accounting category. Rental properties, unused idle assets and significant assets to be disposed out of the assets the Board of Directors or Management meeting made decisions about disposal of assets or abandon of business were tested for recoverability on an individual basis. For certain asset groups whose book value considerably declined against fair value due to a drop of land prices and for certain asset groups whose fair value declined due to idle condition for fiscal year 2015, the Company reduced the book value of certain assets to the recoverable amount and recognized the decline as impairment loss. A breakdown of impairment loss for fiscal year 2015 was ¥322 million ($2,661 thousand) for land and ¥23 million ($190 thousand) for buildings. Additionally, the full amount of goodwill was impaired and recognized as impairment loss, as Srixon Sports (Thailand) Co., Ltd., the Company's consolidated subsidiary, could no longer expect to achieve the initially projected level of income. The recoverable amount of these asset groups other than goodwill was measured at their net realizable value or value in use. The net realizable value of land was estimated based on the publicly assessed fixed property tax value. And the value in use for land and buildings was estimated based on the present value of the expected cash flow using a discount rate of 8.2%.

21. Gains on Transfer of Business, etc., in Association with the Dissolution of Joint Ventures

The Company completed the entire procedure for the dissolution of the alliance and joint ventures with The Goodyear Tire & Rubber Company on October 1, 2015, and recognized gains on transfer of business, etc. in association with the dissolution of joint ventures as other expenses for the consolidated fiscal year under review, the details of which are as follows.

	Millions of yen	Thousands of U.S. dollars
Gain on sales of shares of subsidiaries and associates	**¥4,530**	**$37,438**
Loss on step acquisitions	**(4,423)**	**(36,554)**
Gain on negative goodwill	**93**	**769**
Other	**(42)**	**(347)**
Total	**¥ 158**	**$1,306**

22. Amortization of Goodwill

The Company recognized special amortization of goodwill for Roger Cleveland Golf Company, Inc., the Company's consolidated subsidiary, in accordance with the provisions of Article 32 of the "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (The Japanese Institute of Certified Public Accountants (JICPA) Accounting Practice Committee Report No. 7, last revised on November 28, 2014).

23. Business Combination

1. Business combination by means of acquisition by consolidated subsidiary

(Business combination of Lonstroff Holdings AG and its wholly owned subsidiary)

(1) Overview of business combination

(a) Name and business of acquired company

Name of acquired company: Lonstroff Holdings AG and its 100% owned subsidiary

Main business: Manufacturing and sale of medical packaging material, medical rubber material, industrial rubber and others.

(b) Purpose of business combination

Securing the Company's own regional bases for manufacturing and sale of medical rubber material in Europe and enhancing global operation mainly in Europe.

(c) Date of the business combination

January 30, 2015

(d) Legal form of business combination

Acquisition of shares in exchange for cash payment

(e) Name of acquired company after business combination

No change

(f) Ratio of voting rights acquired

Voting right ratio before acquisition: 0%

Voting right ratio after acquisition: 100%

(g) Main basis behind the determination of the acquiring company

The Company acquired 100% portion of voting rights by acquisition of shares in exchange of cash payment.

(2) Period for which the operating results of the acquired company are included in the Company's consolidated financial statements

From January 1, 2015 to December 31, 2015.

(3) Acquisition cost and its details

	Millions of yen	Thousands of U.S. dollars
Acquisition price	**¥5,394**	**$44,578**
Expenses related to the acquisition	**185**	**1,529**
Total	**¥5,579**	**$46,107**

(4) Amount of goodwill recognized, reason for recognition, amortization method and amortization period

(a) Amount of goodwill recognized

¥4,812 million ($39,768 thousand)

(b) Reason for recognition

Future business activities are expected to generate excess profitability.

(c) Amortization method and amortization period

Straight-line method over 9 years

(5) Amount and breakdown of the assets acquired and the liabilities assumed at the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥1,799**	**$14,868**
Noncurrent assets	**3,664**	**30,281**
Total assets	**¥5,463**	**$45,149**
Current liabilities	**¥2,047**	**$16,917**
Long-term liabilities	**2,649**	**21,893**
Total liabilities	**¥4,696**	**$38,810**

(Business combination of Goodyear Dunlop Tires North America, Ltd.)

(1) Overview of business combination

(a) Name of acquiring company/ Name and business of acquired company
Name of acquiring company: SRI America, Inc. (wholly owned consolidated subsidiary of the Company)
Name of acquired company: Goodyear Dunlop Tires North America, Ltd.
Main business: Manufacturing and sale of tires in North America

(b) Purpose of business combination
Enhancing competitiveness by promoting Dunlop-brand original equipment tires sales for vehicles and motorcycles manufactured by Japanese automakers in the North American region, and also by securing the Company's own regional bases for production, research and development and others.

(c) Date of the business combination
October 1, 2015

(d) Legal form of business combination
Acquisition of shares in exchange for cash payment

(e) Name of acquired company after business combination
Goodyear Dunlop Tires North America, Ltd.
(Company name is scheduled to be changed to Sumitomo Rubber USA, LLC during fiscal 2016)

(f) Ratio of voting rights acquired
Voting right ratio before acquisition: 30% (equity interest ratio: 25%)
Voting right ratio after acquisition: 100% (equity interest ratio: 100%)

(g) Main basis behind the determination of the acquiring company
The Company's group acquired 100% portion of voting rights, by acquisition of shares in exchange of cash payment.

(h) Other matters concerning the summary of transactions
SRI America, Inc. additionally acquired 75% of the shares of Goodyear Dunlop Tires North America, Ltd. The remaining 25% of its shares are held by SRI USA, Inc., the Company's consolidated subsidiary. Consequently, the Group's ratio of voting rights in Goodyear Dunlop Tires North America, Ltd. is 100%.

(2) Period for which the operating results of the acquired company are included in the Company's consolidated financial statements

From October 1, 2015 to December 31, 2015.

(3) Acquisition cost and its details

	Millions of yen	Thousands of U.S. dollars
Fair value of shares held before business combination	**¥11,699**	**$ 96,686**
Fair value of shares additionally acquired at business combination	**14,979**	**123,793**
Total	**¥26,678**	**$220,479**

(4) Difference between the acquisition cost of the acquired company and the total acquisition cost of individual transactions leading to the acquisition

Loss on step acquisitions: ¥4,423 million ($36,554 thousand)

(5) Amount of goodwill recognized, reason for recognition, amortization method and amortization period

(a) Amount of goodwill recognized
¥5,472 million ($45,223 thousand)

(b) Reason for recognition
Future business activities are expected to generate excess profitability.

(c) Amortization method and amortization period
Straight-line method over 7 years

(6) Amount and breakdown of the assets acquired and the liabilities assumed at the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥17,890**	**$147,851**
Noncurrent assets	**33,770**	**279,091**
Total assets	**¥51,660**	**$426,942**
Current liabilities	**¥16,987**	**$140,388**
Long-term liabilities	**13,467**	**111,298**
Total liabilities	**¥30,454**	**$251,686**

(7) Amount allocated to intangible assets other than goodwill and amortization period

In the purchase price allocation, those allocated to intangible assets other than goodwill and the amortization period classified by category.

	Millions of yen	Thousands of U.S. dollars
Customer related assets	**¥ 3,739**	**$ 30,901**

(Amortization period:15 years)

(8) Estimated impact on consolidated financial results if the business combination had been completed at the beginning of fiscal year 2015

Net Sales: ¥50 billion ($413 million)

Net income: ¥4 billion ($33 million)

(Method of Calculating the Estimated Amount)

Based on the assumption that the business combination had been completed at the beginning of fiscal year 2015, the difference between the amount of net sales and net income from October 1, 2015 to December 31, 2015, including equity in earnings or losses of affiliates from January 1, 2015 to September 30, 2015 and the amount of net sales and net income for the fiscal year 2015 of the acquired company, was deemed as the estimated amount of the impact. This note has not received an audit certification.

2. Transactions under common control

(1) Summary of transaction

(a) Name of concerned company/ Name and business of concerned company

Name of the concerned company: Dunlop Goodyear Tires Ltd.

Main business: Sales of original equipment tires in Japan

(b) Date of business combination

October 1, 2015

(c) Legal form of business combination

Acquisition of shares in exchange for cash payment

(d) Name of concerned company after business combination

Dunlop Goodyear Tires Ltd. (Scheduled to be merged by the Company by an absorption-type merger and to be dissolved as of January 1, 2016)

(e) Other matters concerning the summary of transactions

The Company additionally acquired 25% of the shares of Dunlop Goodyear Tires Ltd., which became a wholly owned consolidated subsidiary of the Company.

(2) Summary of the accounting treatment

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008), the Company plans to treat the transaction with minority interests under common control transactions.

(3) Additionally acquired shares of a subsidiary

(a) Acquisition cost and its details

	Millions of yen	Thousands of U.S. dollars
Acquisition price	**¥1,679**	**$13,876**
Expenses related to the acquisition	**35**	**289**
Total	**¥1,714**	**$14,165**

(b) The amount of gain on negative goodwill and the reason for its occurrence

① Amount of gain on negative goodwill: ¥93 million ($769 thousand)

② Reason for the occurrence of gain on negative goodwill:

Due to the difference between the acquisition cost of the additionally acquired shares of the subsidiary and the decreased amount in minority interests in connection with the additional acquisition.

24. Net Assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the board of directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital which is included in capital surplus.

In cases where dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal reserve must be set aside as additional paid-in capital or legal reserve. Legal reserve is included in retained earnings in the accompanying consolidated balance sheets.

Both appropriations of legal reserve and additional paid-in capital used to eliminate or reduce a deficit generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal reserve may not be distributed as dividends. However, all additional paid-in capital and legal reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The law also provides for companies to purchase treasury stock and cancel of such treasury stock by resolution of the board of directors.

At the General Meeting of Shareholders held on March 30, 2016, the distribution of cash dividends amounting to ¥7,870 million ($65,041 thousand) was resolved. Such appropriations have not been accrued in the consolidated financial statements as of December 31, 2015 since they are recognized in the period in which they are resolved at the board of directors' meeting.

25. Subsequent Events

In association with the dissolution of the alliance agreement and joint ventures with The Goodyear Tire & Company, the Company sold its shares of The Goodyear Tire & Company in fiscal year 2016 and recognizes gain on sales of investment securities of ¥6 billion ($50 million) in other income.

KPMG

Independent Auditor's Report

To the Board of Directors of Sumitomo Rubber Industries, Ltd.:

We have audited the accompanying consolidated financial statements of Sumitomo Rubber Industries, Ltd.and its consolidated subsidiaries, which comprise the consolidated balance sheets as at December 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Rubber Industries, Ltd. and its consolidated subsidiaries as at December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

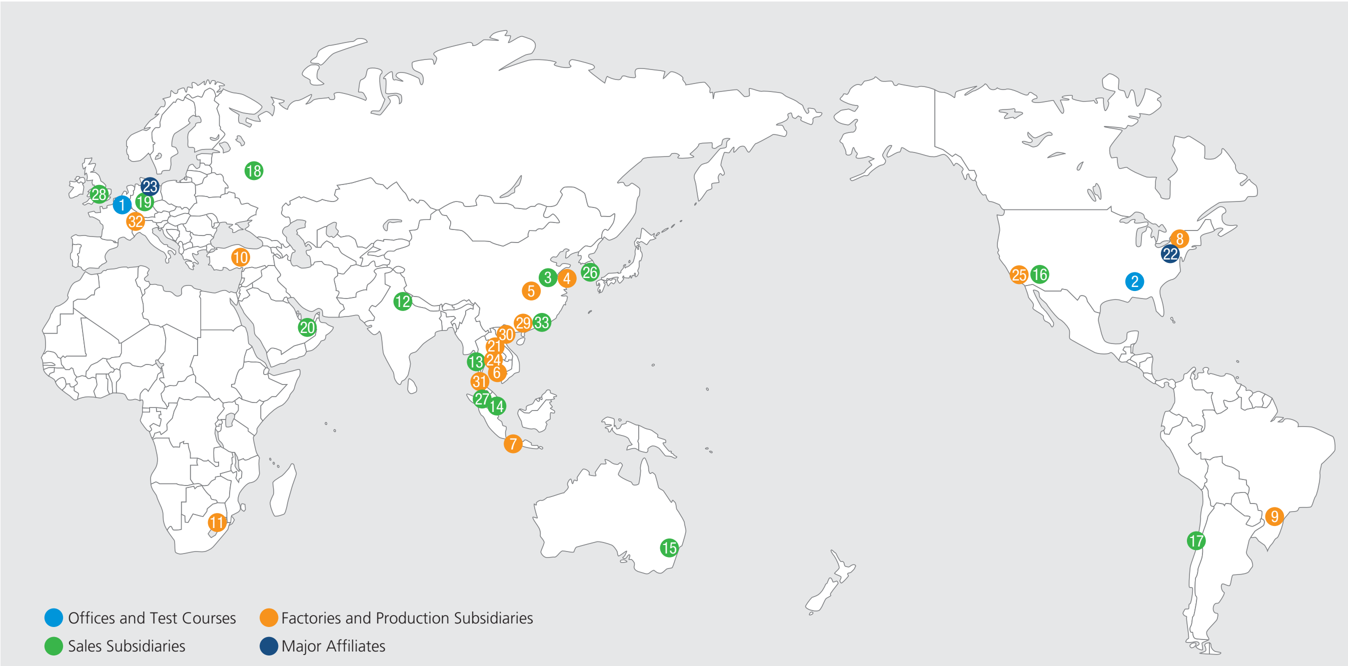
Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

May 11, 2016
Kobe, Japan

Global Network

(As of May 2016)



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Tokyo 135-6005, Japan
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Fax: (03) 5546-0140

OTHER FACTORIES AND TEST COURSES

Shirakawa Factory
Nagoya Factory
Izumiotsu Factory
Miyazaki Factory
Ichijima Factory
Kakogawa Factory
Okayama Tire Proving Ground
Nayoro Tire Proving Ground
Asahikawa Tire Proving Ground
Tyre Technical Center
Central Training Center
Shirakawa Manufacturing Training Center
Golf Science Center

MAJOR GROUP COMPANIES

Dunlop Retread Service Co., Ltd.
Ono, Hyogo

DUNLOP TYRE HOKKAIDO Co. Ltd.
Sapporo, Hokkaido

DUNLOP TYRE TOHOKU Co. Ltd.
Sendai, Miyagi

DUNLOP TYRE KANTO Co. Ltd.
Saitama, Saitama

DUNLOP TYRE CHUO Co. Ltd.
Minato-ku, Tokyo

DUNLOP TYRE CHUBU Co. Ltd.
Nagoya, Aichi

DUNLOP TYRE HOKURIKU Co. Ltd.
Kanazawa, Ishikawa

DUNLOP TYRE KINKI Co. Ltd.
Osaka, Osaka

DUNLOP TYRE CHUGOKU Co. Ltd.
Hiroshima, Hiroshima

DUNLOP TYRE SHIKOKU Co. Ltd.
Takamatsu, Kagawa

DUNLOP TYRE KYUSYU Co. Ltd.
Fukuoka, Fukuoka

DUNLOP MOTORCYCLE CORPORATION
Taito-ku, Tokyo

SRI Logistics Ltd.
Kobe, Hyogo

Nakata Engineering Co., Ltd.
Kobe, Hyogo

Dunlop Sports Co. Ltd.
Kobe, Hyogo

Dunlop Golf Club Corp.
Miyakonojyo, Miyazaki

Dunlop Sports Marketing Co. Ltd.
Minato-ku, Tokyo

Dunlop Sports Enterprises
Ashiya, Hyogo

Dunlop Sports Wellness Co. Ltd.
Chiba-shi, Chiba

Dunlop Golf School Co. Ltd.
Osaka, Osaka

Dunlop Tennis School Co. Ltd.
Minato-ku, Tokyo

Sumigomu Sangyou Ltd.
Osaka, Osaka

Dunlop Home Products, Ltd.
Osaka, Osaka

OVERSEAS

OFFICES AND TEST COURSES

1 **Brussels Office**
Diegem, Belgium

2 **U.S. Tire Test Course**
Alabama, U.S.A.

MAJOR GROUP COMPANIES

3 **Sumitomo Rubber (China) Co., Ltd.**
Jiangsu Province, China

4 **Sumitomo Rubber (Changshu) Co., Ltd.**
Jiangsu Province, China

5 **Sumitomo Rubber (Hunan) Co., Ltd.**
Hunan Province, China

6 **Sumitomo Rubber (Thailand) Co., Ltd.**
Rayong, Thailand

7 **P.T. Sumi Rubber Indonesia**
Jakarta, Indonesia

8 **Sumitomo Rubber USA, LLC**
New York, U.S.A.

9 **Sumitomo Rubber do Brasil Ltda.**
Parana State, Brazil

10 **Sumitomo Rubber AKO Lastik Sanayi ve Ticaret A.Ş.**
Cankiri Province, Turkey

11 **Sumitomo Rubber South Africa (Pty) Limited**
KwaZulu-Natal, South Africa

12 **Falken Tyre India Private Limited**
Haryana, India

13 **Dunlop Tire (Thailand) Co., Ltd.**
Bangkok, Thailand

14 **Sumitomo Rubber Asia (Tyre) PTE. Ltd.**
Singapore, Singapore

15 **Sumitomo Rubber Australia Pty. Ltd.**
Sydney, Australia

16 **Falken Tire Corporation**
California, U.S.A.

17 **Sumitomo Rubber Latin America Limitada**
Santiago, Chile

18 **Dunlop Tire CIS LLC**
Moscow, Russia

19 **Falken Tyre Europe GmbH**
Offenbach, Germany

20 **Sumitomo Rubber Middle East FZE**
Dubai, UAE

21 **Sumirubber Thai Eastern Corporation Co., Ltd.**
Udon Thani, Thailand

22 **SRI USA, Inc.**
Delaware, U.S.A.

23 **SRI Europe GmbH**
Hanau, Germany

24 **Srixon Sports Manufacturing (Thailand) Co., Ltd.**
Prachinburi, Thailand

25 **Roger Cleveland Golf Company, Inc.**
California, U.S.A.

26 **Dunlop Sports Korea Co., Ltd.**
Seoul, South Korea

27 **Srixon Sports Asia Sdn. Bhd.**
Selangor Darul Ehsan, Malaysia

28 **Srixon Sports Europe Ltd.**
Hampshire, UK

29 **Zhongshan Sumirubber Precision Rubber Ltd.**
Guangdong Province, China

30 **Sumirubber Vietnam, Ltd.**
Haiphong, Vietnam

31 **Sumirubber Malaysia Sdn. Bhd.**
Kedah, Malaysia

32 **Lonstroff AG**
Aargau, Switzerland

33 **Hong Kong Sumirubber, Ltd.**
Hong Kong, China

Investor Information

(As of December 31, 2015)

Paid-in Capital

¥42,658,014 thousand

Number of Shares of Common Stock

Authorized: 800,000,000

Issued: 263,043,057

Number of Shareholders

26,783

Major Shareholders

Sumitomo Electric Industries, Ltd.	28.76%
National Mutual Insurance Federation of Agricultural Cooperatives	3.00%
Japan Trustee Services Bank, Ltd. (Trust Account)	2.71%
The Master Trust Bank of Japan, Ltd. (Trust Account)	2.64%
JP MORGAN CHASE BANK 385632	2.54%
Sumitomo Mitsui Banking Corporation	1.99%
Sumitomo Corporation	1.83%
Japan Trustee Services Bank, Ltd. (Trust9)	1.29%
MELLON BANK, N. A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	1.20%
STATE STREET BANK AND TRUST COMPANY 505223	1.14%

Note: The percentage of shares in the above list was calculated using the total number of shares of common stock, excluding 724,513 shares of treasury stock.

Stock Exchange Listing

Tokyo

Ticker Symbol

5110

Transfer Agent and Special Account Management Institution

Sumitomo Mitsui Trust Bank, Limited
1-4-1, Marunouchi,
Chiyoda-ku, Tokyo, Japan

Independent Auditors

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

Stock Price