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.

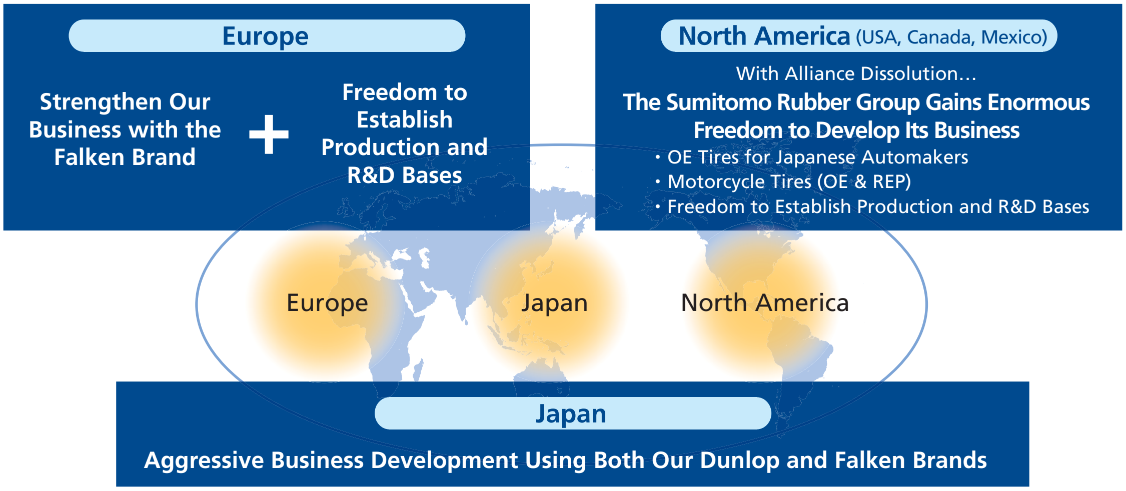
Under the plan, we have introduced a business expansion strategy for Europe and North America to the VISION 2020 initiative of Taking on the Challenges of New Markets. We will continue accelerating this strategy.

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%.