

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

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

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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

