

Realizing Speedier Decision Making with a Three-Region Structure

In April 2016, the Group transitioned from a conventional centrally controlled system headquartered in Japan to a structure with head offices in three major regions: Asia and Oceania, Europe and Africa, and the Americas. Under the new structure, Japan serves as the global head office and offers guidance and support to the three regions. The executives assigned to each head office have taken a central role in strengthening alliances between locations while also swiftly promoting measures aimed at integrating production and sales structures to respond to the unique characteristics of their respective domains. The increased speed in decision making will strengthen our flexible global management structure and lead to greater progress going forward.

We got off to a strong start. We worked to reinforce our network structure and upgrade our production system, focusing on Europe and the United States, where we have gained greater market flexibility since dissolving our alliance with The Goodyear Tire & Rubber Company.



Initiating the supply of Falken tires for the Jeep Compass



We are retaining our Major League Baseball sponsorship contract

| The Americas

In the Americas, our initial focus is on expanding production capacity. At our USA factory—which manufactures tires for light trucks and passenger cars, especially in-demand SUV tires—we are working to increase our production capacity from the current 5,000 tires per day to 10,000 tires per day by the end of 2019. This is in line with our goal of boosting sales of high-value-added tires in North America. In Brazil, with an eye on ensuring a stable supply chain and avoiding foreign exchange risks, we are gearing up to begin the local manufacture of truck and bus tires, demand for which is expected to increase. Production is slated to begin in March 2019 with a capacity of 500 tires per day. In addition, we plan to step up the production of tires for passenger cars and light trucks, raising the volume from the current 15,000 to 18,000 per day by the end of 2019, further enhancing our competitiveness in South America.

As for our development system, the United States Technical Center commenced full-scale operations in January 2017 while our U.S. Tire Test Course added the evaluation of four-wheeled vehicle tires to its existing expertise in two-wheeled vehicle tires in March 2017. By strengthening our development and evaluation capabilities, we have created a local development system able to quickly deliver high-quality tires that meet customer needs in the Americas.

On the sales front, we will begin providing OEM tires to Volkswagen for the *Golf Alltrack* and to Jeep for the *Compass* for the North American market, thus steadily increasing the number of cars equipped with Sumitomo Rubber tires. As for promotion activities, we aim to continue increasing the value of the Falken brand in part by retaining our Major League Baseball sponsorship contract.



USA factory

| Europe and Africa

On the production side of things, we are moving steadily ahead with plans at our Turkish factory to implement our proprietary Taiyo production system and thereby improve our high-performance tire supply capacity. We are striving to enhance production capacity at our South African factory as well, focusing on high-performance tires for passenger cars and SUVs, while working on plans to introduce production equipment for truck and bus tires. As a result, in this region as well, production capacity is steadily expanding.

As for our development system, in August 2017 in Hanau, Germany, the European Technical Center commenced full operations. With this new center, we have established a system for the delivery of high-quality tires that meet customer needs in Europe and Africa.

In the area of sales, we shifted away from a conventional sales network structure centered on Germany to a model that applies country-specific sales strategies across Europe with the aim of growing our customer base. In February 2017, we acquired U.K.-based Micheldever Group Ltd. (hereinafter "MD") with the aim of expanding the presence of the Falken brand in the U.K. market. The MD subsidiary Micheldever Tyre Services Ltd. is a major British tire wholesale and retail company. Across the U.K., it has over 6,000 outlets, including retail operations and auto repair shops that handle tire wholesale operations, while it directly manages about a hundred tire retail outlets under the "PROTYRE" name. It also sells around six million tires per year on the U.K. replacement market. This acquisition has significantly strengthened our business expansion in Europe.

Moreover, we will enter a Falken BMW in the Nurburgring 24-Hour Race in addition to the Falken Porsche, which began competing last year. And we will retain our sponsorship contract with "FC Ingolstadt 04," a first-tier team in Germany's Bundesliga professional football league. We will begin supplying OEM tires to SEAT, S.A.* for the new SUV Ateca and to ŠKODA AUTO a.s.* for the *Superb*. The number of companies adopting Sumitomo Rubber OEM tires is steadily growing.

*Part of the Volkswagen Group



We enhanced our competitiveness in the Nurburgring 24-Hour Race



We are retaining our sponsorship contract with "FC Ingolstadt 04"



Initiating the supply of Falken tires for the SEAT Ateca

| Asia and Oceania

In Asia and Oceania, we are actively promoting initiatives to enhance product quality and expand our retail network.

As for products, we are working to expand our lineup of eco-friendly tires in Asia, where more environmental regulation is expected. In China, voluntary regulations encouraging the use of fuel-efficient tires went into effect in September 2016. The Company was already ahead of the game, coming out with SP TOURING R1 and ENASAVE EC300+ tires, which conform to the new standards. We also fully promoted these two products in other Asian markets, heightening our presence in the eco-friendly tire market.

Also in China, we ramped up our expansion of the D-Guard chain, which provides general automotive maintenance services. The number of stores in the country carrying Falken brand tires is now around 600, bringing the total number of stores carrying Falken or Dunlop brand tires up to about 6,000. Meanwhile, in the burgeoning Indian market, the number of stores carrying Falken brand tires has grown to roughly 1,200. In addition, the number of Falken Pulse stores, which carry Falken brand tires in Australia, is up to 150.

Note: The number of stores is as of the end of 2016.



SP TOURING R1



ENASAVE EC300+



We are ramping up the expansion of the D-Guard chain in China