

Dissolution of the Alliance with Goodyear Tire & Rubber Company

2015.6.4

SUMITOMO RUBBER GROUP

Summary of Key Terms regarding the Dissolution

- 1** SRI to acquire GDTNA⁽¹⁾ (North American JV) and Dunlop Goodyear Tires (JV for Dunlop / Goodyear-branded OE tire business in Japan)
- 2** Goodyear to acquire GDTE⁽²⁾ (European JV) and Goodyear Japan (JV for Goodyear-branded replacement tire business in Japan)
- 3** Purchasing JV and Technology JV to be dissolved
- 4** Expanded usage of Dunlop trademark by SRI
- 5** SRI to receive consideration of USD 271MM (JPY 32.5Bn) from Goodyear⁽³⁾

(1) GDTNA = Goodyear Dunlop Tires North America, Ltd.

(2) GDTE = Goodyear Dunlop Tires Europe B.V.

(3) In addition, SRI will receive a pre-existing debt of approximately USD 55MM (JPY 6.6Bn) from Goodyear within 3 years from the effective date of the dissolution of the alliance agreement and joint ventures

Agenda

**Review of
the Alliance**

**Key Terms of
Agreement
regarding the
Dissolution**

**Post-Dissolution
Business
Strategy**

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Objectives of the Alliance

Formed the Alliance with Goodyear in 1999

Global	<u>Expanding</u> Dunlop brand in terms of <u>volume and quality</u>
North America	<u>Efficient operational expansion</u> by utilizing each party's production facilities and Goodyear's distribution channel
Europe	Establish a <u>strong position in the European market</u> under mutual cooperation
Japan	Sales expansion through <u>two major brands</u> – Dunlop and Goodyear
Emerging Markets	<u>Concentrate SRI management resources</u> on emerging markets with high growth potential

Overview of the Alliance

**Manufacturing /
sales JVs in
North America,
Europe and Japan**

**Joint Purchasing and
Technology JVs**

**Cross-shareholdings
of each company's
common stock**

Achieved Benefits of the Alliance

SRI benefited from the alliance especially in its early stage

- Improvement of balance sheet
- Business expansion in Japan and emerging markets

(JPY)

SRI Sales: 423.2Bn
Operating Income: 25.4Bn
Operating Margin: 6.0%
D/E Ratio: 2.3x

2000

- Joint technology development to avoid overlapping in investment
- Joint purchasing for cost reduction
- Allocating management resources to emerging markets

2014

(JPY)

SRI Sales: 837.6Bn
Operating Income: 86.3Bn
Operating Margin: 10.3%
D/E Ratio: 0.7x

Background of the Dissolution

The alliance had limited benefits on SRI's performance in recent years

North American and European JVs did not perform as initially expected

Decreasing technology exchange and joint development

Business expansion in emerging markets, out of the scope of the alliance

SRI and Goodyear agreed to dissolve the alliance in a constructive manner



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Changes in JVs Ownership following the Dissolution

	JV	Business Overview	Pre-Dissolution Ownership	Post-Dissolution Ownership
Operational	Goodyear Dunlop Tires North America, Ltd. ("GDTNA" or "North American JV")	Manufacturing and sales of tires in North America	SRI: 25% Goodyear: 75%	SRI: 100%
	Dunlop Goodyear Tires Ltd. ("DGT")	Sales of Dunlop / Goodyear branded OE tires in Japan	SRI: 75% Goodyear: 25%	SRI: 100%
	Goodyear Dunlop Tires Europe B.V. ("GDTE" or "European JV")	Manufacturing and sales of tires in Europe	SRI: 25% Goodyear: 75%	Goodyear: 100%
	Goodyear Japan Limited ("NGY")	Sales of Goodyear branded replacement tires in Japan	SRI: 75% Goodyear: 25%	Goodyear: 100%
Functional	Goodyear-SRI Global Purchasing	Managing the joint purchase of raw materials and equipment	SRI: 20% Goodyear: 80%	To be dissolved
	Goodyear-SRI Global Technology	Facilitating Technology Exchange	SRI: 49% Goodyear: 51%	To be dissolved

Cross-shareholdings will be terminated after a certain period of time

 Consolidated subsidiary of SRI Pre-Dissolution: Equity method affiliates / Post-Dissolution: No capital relationship

Key Terms of Agreement regarding Dunlop Trademark

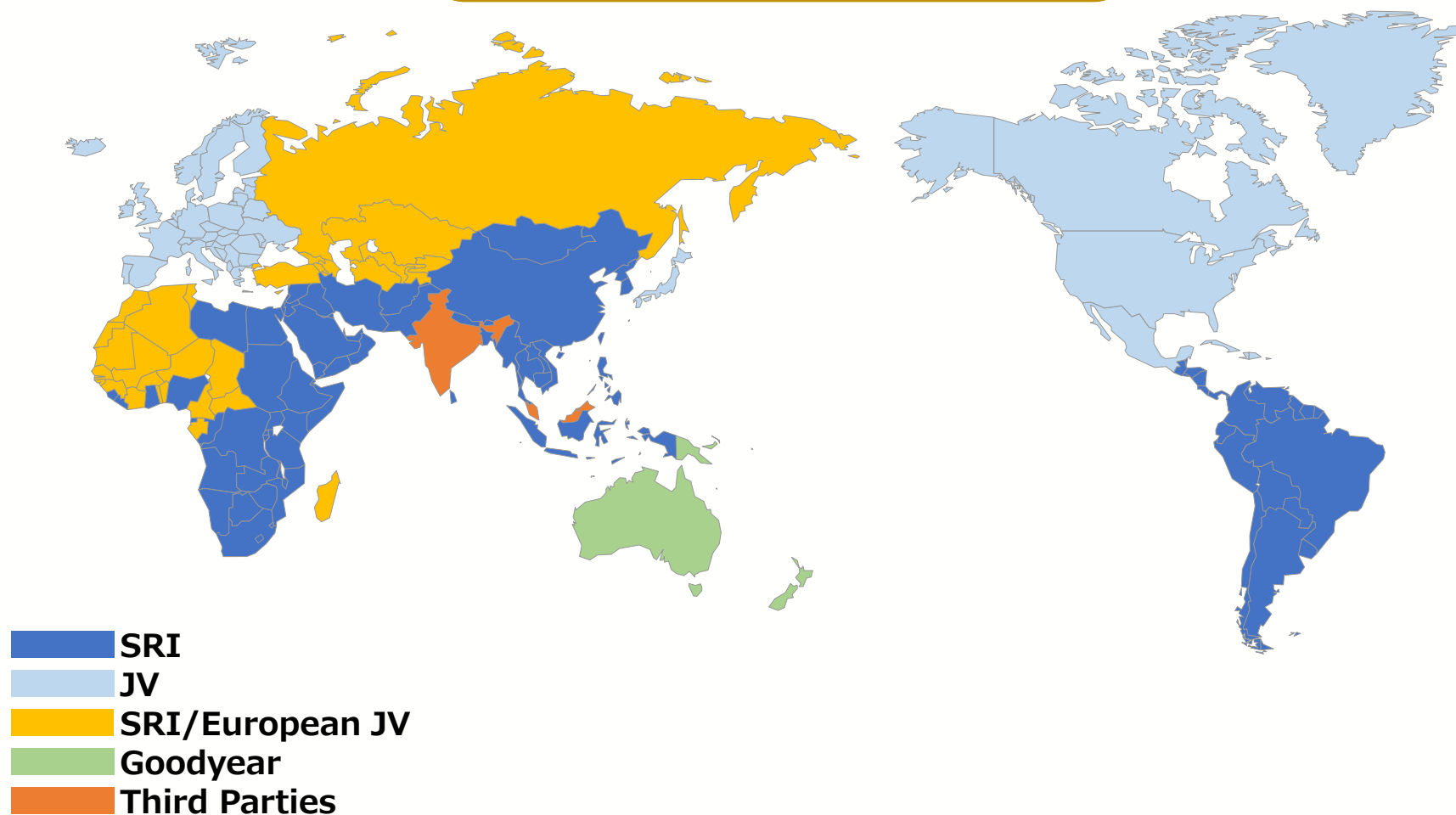
 **SUMITOMO RUBBER**

GOOD YEAR

North America	OE Tire	Japanese OE	Non-Japanese OE
	Replacement Tire		Replacement tires
	Motorcycle Tire	OE, Replacement tires	
Europe			OE, Replacement tires
Japan		OE, Replacement tires	
Other		33 countries where SRI and GDTE jointly held trademark right (e.g. Russia, Turkey etc.)	

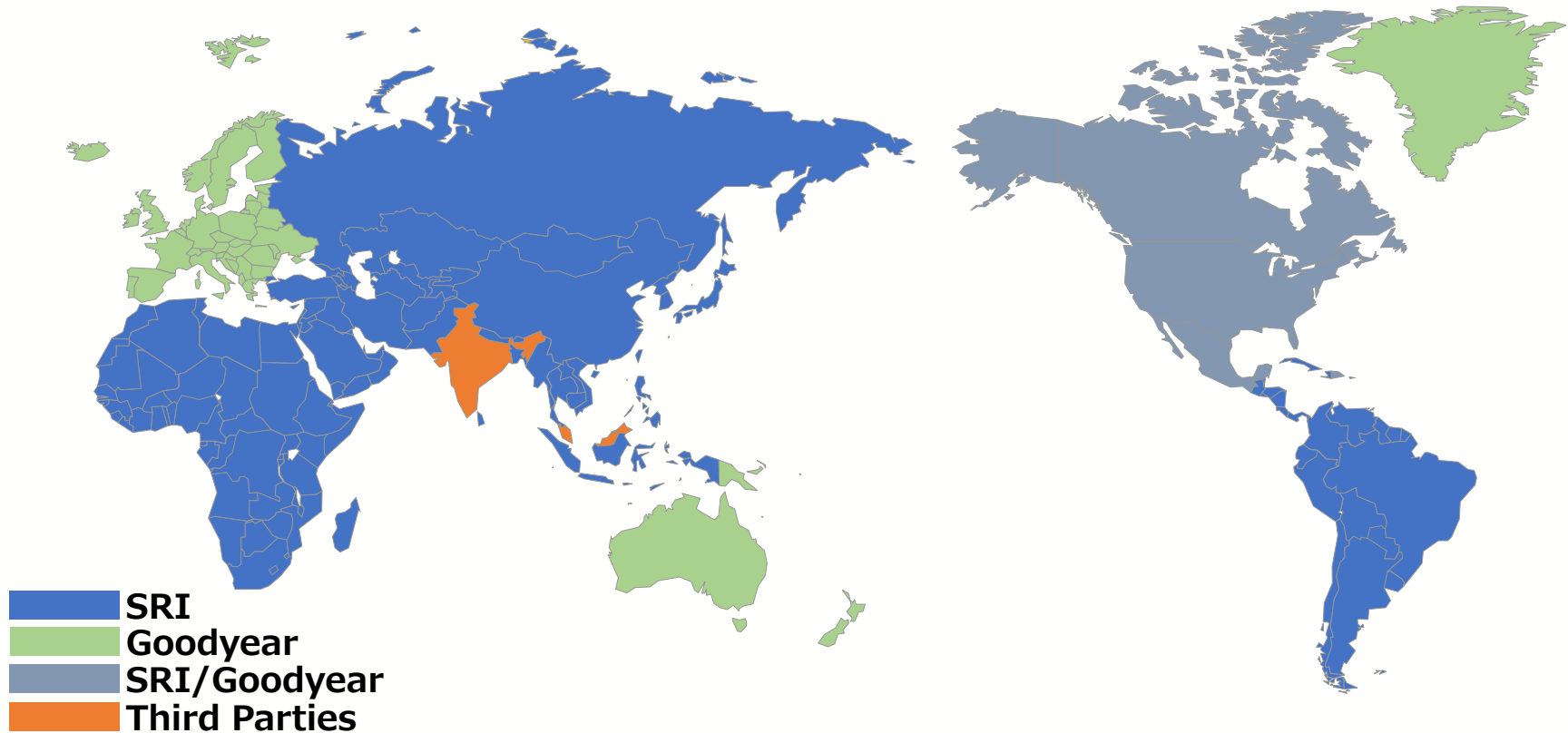
Change in the Usage of Dunlop Trademark

Pre-Dissolution



Change in the Usage of Dunlop Trademark

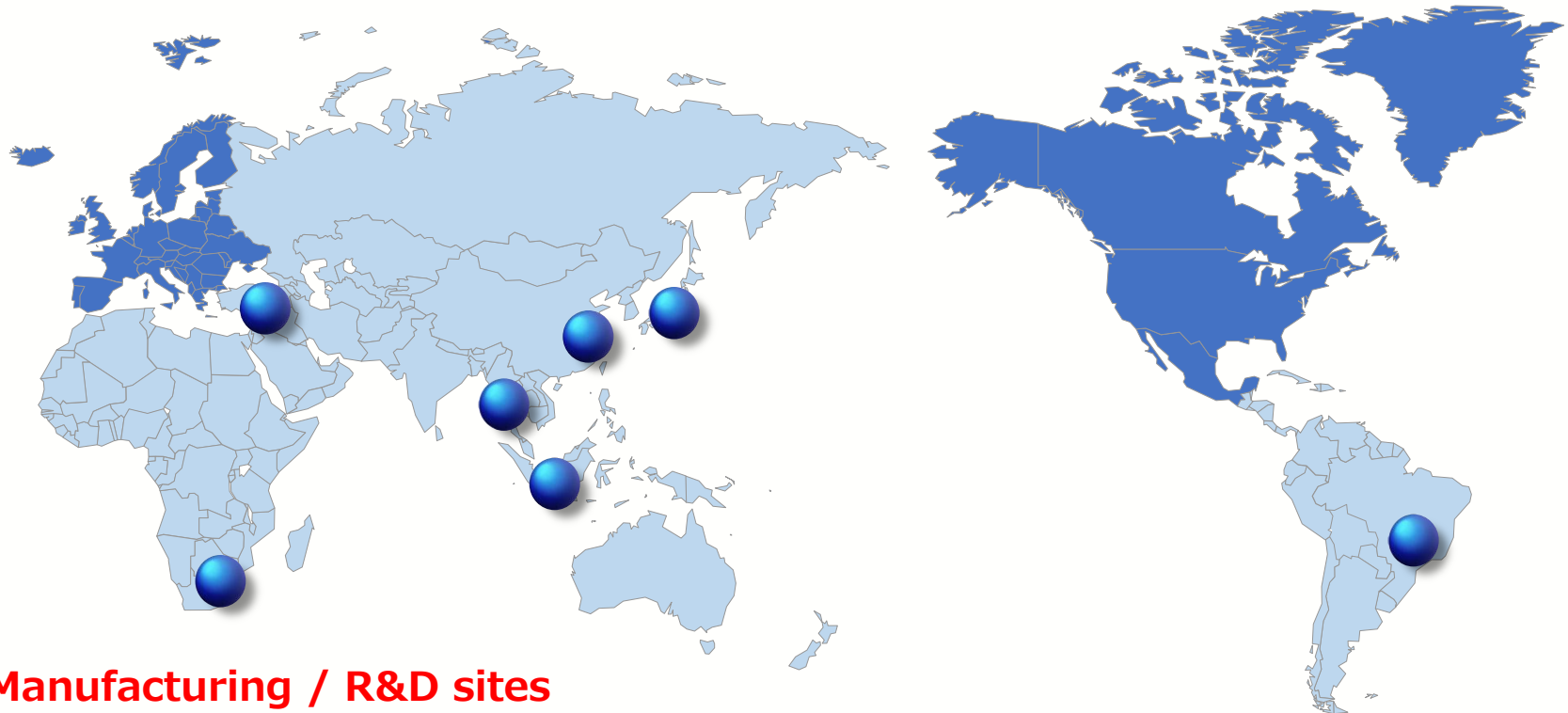
Post-Dissolution



SRI can expand its sales regions post-dissolution

Manufacturing and R&D Sites

Pre-Dissolution

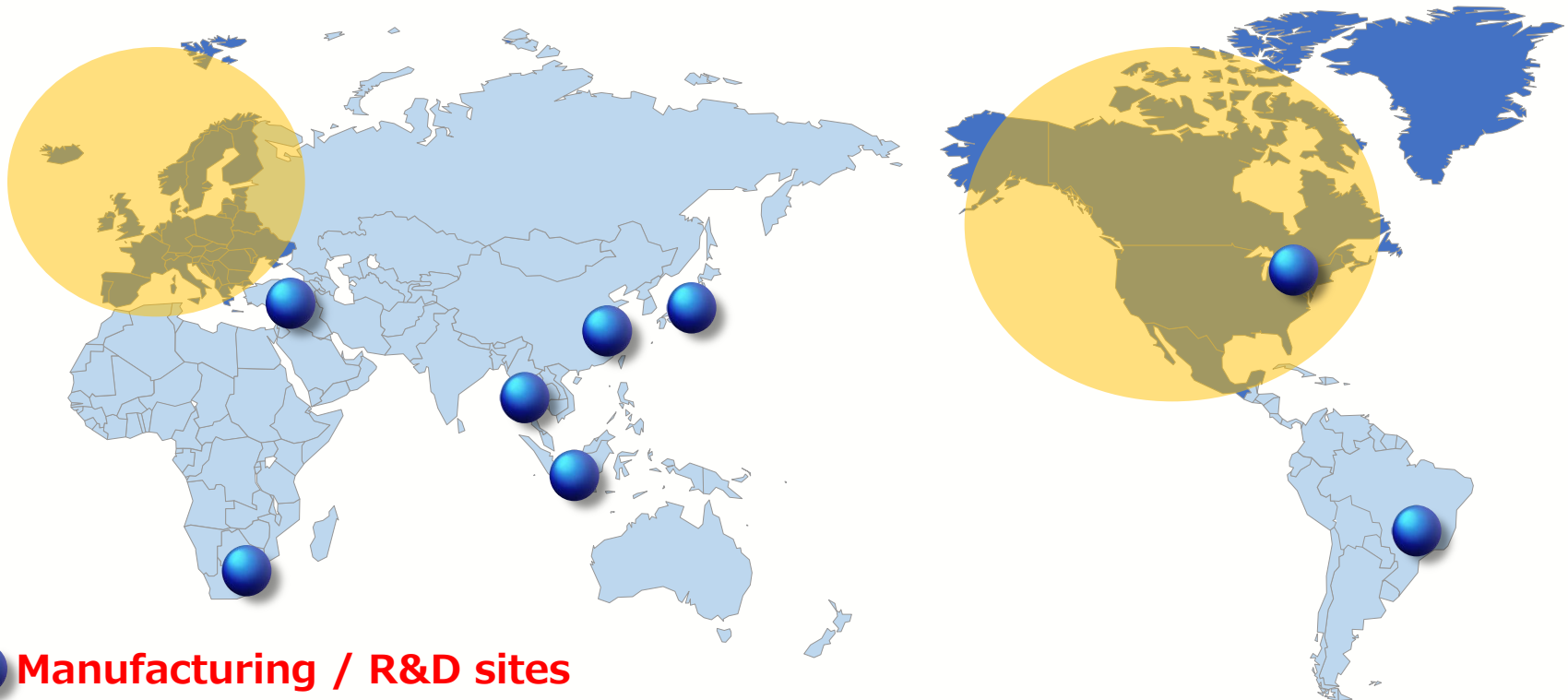


● Manufacturing / R&D sites

Focus on emerging markets
with high growth potential

Manufacturing and R&D Sites

Post-Dissolution



 **Manufacturing / R&D sites**

No restriction in developing manufacturing and R&D sites in North America and Europe

Manufacturing and R&D Sites

Acquisition of manufacturing site
in North America



Buffalo Plant

Location: 10 Sheridan Dr, Tonawanda,
New York, USA

Products: Tires for automobiles, light
trucks, buses and motorcycles

Production Capacity: 4,600,000 tires/year


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Brand Strategy

The Falken logo features a stylized red and white 'F' with a black arrow pointing right, set against a blue background. To the right of this icon, the word 'FALKEN' is written in a bold, white, italicized sans-serif font.

FALKEN

**Accelerate global operations by
addressing customers' various needs
using Dunlop and Falken brands**

Brand Strategy – Dunlop



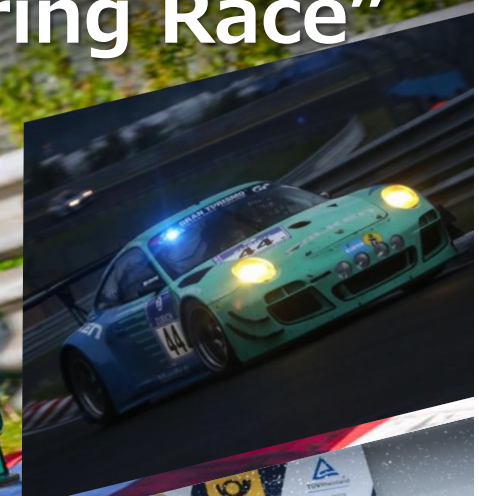
Premium tire with high quality and fuel efficiency

- ✓ Operate in Japanese and emerging markets as SRI's major brand
- ✓ Capture opportunity to expand North American business post-dissolution

- OE tire business for Japanese automakers
- Motorcycle tires (OE and replacement tires)

Brand Strategy – Falken

**FALKEN Motorsports Team's
“Porsche 911 GT3 R” Wins 3rd Place Overall
in the “2015 24 Hours Nurburgring Race”**



FALKEN

Brand Strategy – Falken



- ✓ Well-known in Europe as a brand active in motor sports
- ✓ Develop it as a youthful and energetic brand impression
- ✓ Expand business worldwide as SRI's global brand

North America (US, Canada, Mexico)

SRI's greater degree of autonomy in business following the dissolution of the alliance

- OE tire business for Japanese OE makers
- Motorcycle tire business (both OE and replacement tires)
- Enabling SRI to own manufacturing and R&D etc. sites in the region



**Addressing customers' various needs
using both Dunlop and Falken brands**

Europe

Reinforcing its operation through Falken brand
+
Enabling SRI to own manufacturing and R&D etc. sites



Japan

Maintaining the current business strategy by
actively operating via Dunlop and Falken brands

Impact on the Mid/Long-term Performance

(JPY)

Sales : 1,200Bn
Operating Income : 150Bn

VISION 2020

Final year of mid-term
management plan



SUMITOMO RUBBER GROUP