

## CORPORATE GOVERNANCE

Please note that the following is an unofficial English translation of the Japanese original text of the Corporate Governance Report of Sumitomo Rubber Industries, Ltd., which is reported to the Tokyo Stock Exchange. The Company provides this translation for reference and convenience purposes only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

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**An Overview of Corporate Governance at Sumitomo Rubber Industries, Ltd. (the “Company”) is Described Below.**

### **I Basic Policy Regarding Corporate Governance, and Capital Structure, Corporate Attributes and Other Basic Information**

#### **1. Basic Policy**

##### **1. Basic Views**

The Basic Management Policy of the Company is that we shall continuously strive to enhance both our economic value and our value to society while making ongoing, active contributions to the development of a sustainable society, with Our Philosophy serving as the basis for our every decision and as the impetus for our every action. In keeping with this policy, the Company considers the enhancement of overall corporate governance to be a key management objective.

Through initiatives toward the achievement of this management objective, the Company aims to establish deep relationships of trust with society and enhance its fairness and transparency, while ensuring Group-wide business efficiency. Accordingly, the Company has formulated its basic views as follows and strives to further enhance its corporate governance.

- a) We will develop an environment to secure shareholder rights and opportunities to exercise their rights.
- b) We will enhance our corporate value by appropriately cooperating with a wide range of stakeholders.
- c) We will disclose the Company’s financial and non-financial information in an accurate and appropriate manner.
- d) We have established a Management Committee to deliberate on the majority of issues relating to business execution so that the Board of Directors will fully discuss matters on the overall direction of the Company including the management policy and medium- to long-term plans. Furthermore, the fair operation of the Board of Directors will be ensured through strict audits by the standing audit & supervisory board members and independent outside audit & supervisory board members as well as through objective supervision by the independent outside directors.
- e) We will strive to continuously enhance our corporate value through dialogue with shareholders.

##### **(1) Reasons for Non-compliance with Principles of the Corporate Governance Code**

[Principle 4.2: Roles and Responsibilities of the Board of Directors (2)]

[Principle 4.2.1: Management Remuneration (linked to medium- to long-term results)]

Although the Company does not provide incentives in the form of stock compensation, it offers incentives that will lead to the sustainable growth of the Company, by way of encouraging the purchase of the Company’s stock through the Sumitomo Rubber Industries, Ltd. Officers’ Shareholding Association , awarding bonuses based on the achievement of the medium- to long-term plan, etc. With respect to

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remuneration and stock compensation that are linked to medium- to long-term results, the Company will continue to study the most suitable timing of adoption and the most appropriate form of such remuneration through dialogue with shareholders under the leadership of the Nomination and Remuneration Committee, the majority of whose members are independent outside officers.

### (2) Disclosure Based on Principles of the Corporate Governance Code

[Principle 1.4: Disclosure of the Policy on Cross-shareholdings and the Standards for the Exercise of Voting Rights as to Cross-shareholdings]

1) Policy on cross-shareholdings: The Company may hold shares of its business partners, etc., with an aim for the continuous enhancement of its corporate value over the medium to long term, stable corporate management, and reinforcement of relationships with its business partners; provided, however, that the Company has made it its policy to periodically examine the shares of each individual company from a medium- to long-term perspective. If the Company decided that it is unnecessary to continue holding the shares, the Company will consider selling them, taking the stock prices and market trends into consideration as well.

2) Close examination and verification of the adequacy of shareholdings: The Company has made it its policy to have the Board of Directors periodically judge the adequacy of shareholdings, taking into comprehensive consideration the significance of the shareholdings and economic rationality, such as growth potential, profitability, and reinforcement of business relationships. In November 2019, the Company examined the adequacy of shareholdings and sold some shares.

3) Standards for the exercise of voting rights: The Company exercises its voting rights as to the cross-shareholdings by comprehensively taking into account whether the Company as a shareholder will be able to contribute to the improvement of the investee's corporate value and whether such exercise will lead to the medium- to long-term improvement of the Company's corporate value, as well as through dialogue with the investee. When there is a possibility that the shareholders' value may be significantly damaged or that a serious concern about corporate governance may arise due to long-term underperformance or serious violation of compliance of the investee or for other reasons, the Company will gather sufficient information by various means including dialogue with the investee and make a comprehensive decision on the agenda.

[Principle 1.7: Establishment of Procedures for Related Party Transactions and Disclosure of Such Procedures]

The Company has established a system to ensure that the common interests of the Company and its shareholders are not harmed by periodically monitoring competitive transactions and conflict of interest transactions involving directors or audit & supervisory board members as well as related party transactions with parties including major shareholders as a matter for resolution by the Board of Directors, while at the same time externally disclosing such transactions pursuant to applicable laws and regulations including the Companies Act and the rules of the Tokyo Stock Exchange.

[Principle 2.6: Exercise of the Function as the Asset Owner of the Corporate Pension]

The management of the Company's corporate pension fund is examined and planned by the quarterly Assets Management Committee with respect to the management of pension assets based also on reports from management institutions, and is executed by the Sumitomo Rubber Combined Corporate Pension Fund.

The Assets Management Committee consists of persons from the Human Resources, Accounting, and Finance Departments who have appropriate qualifications on investment and executives of the labor union as the representative of beneficiaries, establishing a system that allows the management of pension resources to be checked soundly from the perspectives of specialties and beneficiary protection.

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### [Principle 3.1: Full Disclosure]

#### (i) Management philosophy, management strategies, and managerial plans

Based on our corporate philosophy structure (“Our Philosophy”), the Basic Management Policy of the Company is that we shall continuously strive to enhance both our economic value and our value to society while making ongoing, active contributions to the development of a sustainable society. Our Philosophy defines our reason for existing (“Our Purpose”) as follows: “Through innovation, we will create a future of joy and well-being for all.” With Our Purpose at its pinnacle, Our Philosophy goes on to define the underlying beliefs (“Our Story”), ideals (“Our Vision”) and key values (“The SRI WAY”) that constitute our overall corporate philosophy structure in line with Our Purpose. The Company shall continue to promote business activities that are guided by Our Philosophy, which is meant to serve as the basis for our every decision and as the impetus for our every action, while working to accomplish the Midterm Plan that we have formulated with the aim of bringing our business practices fully in line with Our Philosophy.

· For details of our “Corporate Philosophy” and “Midterm Management Plan,” please refer to our website.

· “Corporate Philosophy” <https://www.srigroup.co.jp/corporate/principles.html>

· “Midterm Management Plan” <https://www.srigroup.co.jp/corporate/vision.html>

#### (ii) Basic views and policy on corporate governance

Please refer to “1. Basic Views” of “Basic Policy.”

#### (iii) Policy and procedures for determining the remuneration of senior management and directors

1) The remuneration of directors and executive officers consists of basic compensation and bonuses. The basic compensation is determined based on the comprehensive consideration of the director’s position, duties, responsibilities and the Company’s business results. The remuneration of directors is paid within the maximum amount approved at the general meeting of shareholders.

2) The amount of the bonuses is determined in accordance with an evaluation of the Company’s business results as well as each director’s execution of duties.

3) The remuneration of directors and executive officers is determined based on objective and fair consideration by the Nomination and Remuneration Committee, the majority of whose members are independent outside officers, and upon a recommendation of the Board of Directors.

#### (iv) Policy, etc. for the appointment, dismissal, and nomination of director and audit & supervisory board member candidates

1) Director candidates are nominated based on consideration of whether they can contribute to the continuous enhancement of the corporate value of the Company, including factors such as their contribution to achieving effective corporate governance and the diversity of the members of the Board of Directors in terms of knowledge and experience.

2) Audit & supervisory board member candidates are nominated based on consideration of whether they can perform their duties fairly, such as audits of the execution of directors’ duties, for the sake of all stakeholders including shareholders from an independent and objective standpoint, in order to contribute to the Company’s sustainable growth.

3) The nomination of director and audit & supervisory board member candidates is determined based on objective and fair consideration by the Nomination and Remuneration Committee, the majority of whose members are independent outside officers and upon a recommendation of the Board of Directors.

4) When a reason arises that is confirmed to make it difficult for directors or audit & supervisory board members to appropriately execute their functions, such as serious violation of laws, ordinances, or articles of the incorporation, the Board of Directors consults the Nomination and Remuneration Committee and after obtaining its report, holds an examination and makes a decision on dismissal from the position of the person in question, other penalties, or submission of a dismissal proposal to the general meeting of shareholders.

#### (v) Explanations with respect to the individual appointments and nominations of director and audit & supervisory board member candidates

The reasoning behind the nomination of nominees for the Board of Directors and Audit & supervisory board shall be included in the reference materials provided with each “Notice of Convocation” of General Shareholders Meetings.

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[Principle 4.1.1: Disclosure of the Scope of Matters Delegated by the Board of Directors to the Management]

The Company has developed a system that facilitates the delegation of authority from the Board of Directors and prompt and resolute decision-making by the management by establishing various rules regarding the approval authority, including the Board of Directors Rules and the Management Committee Rules, and by clearly defining the matters to be approved by each body.

[Principle 4.9: Disclosure of Independence Standards for Independent Outside Directors]

The Company judges the independence of outside directors based on whether they can contribute to the stable growth of the Company over the medium to long term, assuming that they fulfill the independence criteria set by the Tokyo Stock Exchange.

Additionally, a candidate to whom any of the following conditions apply is subject to even stricter scrutiny than the other candidates on whether falling under any of the following items damages his or her independence. The Company will also disclose to the possible extent the relationship with the said candidate and reasons that he or she is judged to be independent.

1) A person who executed business at the Company or its subsidiary in the past; 2) A person who executed business or was a non-executive director at the parent company of the Company in the past; 3) A person who executed business at a fellow subsidiary of the Company in the past; 4) A person who executed business at an entity for which the Company is a major business partner in the past; 5) A person who executed business at a major business partner of the Company in the past; 6) A person who belonged to a consultant, an accounting professional, or a legal professional entity (limited to a corporation or an organization such as an association) receiving a large amount of money or other financial assets from the Company other than officer remuneration in the past; 7) A major shareholder of the Company (if said major shareholder is a corporation, a person who executes or executed its business); 8) A close relative of the person described in 1) through 7); 9) A business partner of the Company or a person who belonged to the said business partner; 10) A person who belonged to an entity, between which and the Company's outside officers are mutually appointed; and 11) An entity to which the Company contributes donations or a person who belonged to the said entity.

[Principle 4.11.1: Balance between Knowledge, Experience and Skills of the Board of Directors, and Views on Diversity and Board Size]

The Company's Board of Directors, which includes several outside independent directors, is of an appropriate size comprising a well-balanced group of experts from various fields capable of fulfilling the functions of the Board, including accounting, formulation of global strategies, corporate management, sales, legal affairs, etc. Going forward, the Company intends to select director candidates who are capable of contributing to the enhancement of the Company's corporate value, based on deliberation by the Nomination and Remuneration Committee.

[Principle 4.11.2: Disclosure of Concurrent Positions of Directors and Audit & Supervisory Board Members]

Please refer to the "Business Report" of the Notice of Convocation of the Ordinary General Meeting of Shareholders posted on the Company's website.

(<http://www.srigroup.co.jp/english/ir/shareholder/generalmeeting.html>)

[Principle 4.11.3: Analysis and Evaluation of the Effectiveness of the Board of Directors and Disclosure of a Summary of Results]

In analyzing and assessing the effectiveness of the Board of Directors, said Board prepared a survey questionnaire for all Members of the Board of Directors and Members of the Audit & Supervisory Board with regard to the composition of the Board of Directors and its management situation, among other matters. Having conducted this survey between September and October of 2019, the Board of Directors in December 2019 held discussions in order to deliberate on the results obtained therefrom.

As a result of these deliberations, the Board of Directors was able to verify that said Board has, by and large, attained effectiveness in terms of its number of members and member composition, frequency of meetings, time spent deliberating and other management matters, as well as its deliberations, oversight of the business and affairs of the Company and all other aspects of its conduct.

As for the previous suggestions, namely, expanding information provision to outside officers, the Company confirmed that information-sharing regarding the Management Meeting, the Corporate Ethics Committee,

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and the Risk Management Committee was strengthened from 2019 and has led to invigorating discussion at the Board of Directors.

The Company will work on maintaining its environment and, as necessary, execute measures to enhance its effectiveness.

[Principle 4.14.2: Disclosure of Training Policy for Directors and Audit & Supervisory Board Members]

The Company's internal directors and executive officers participate in external executive training programs at the Company's expense. Through participation in those training programs, the directors and executive officers acquire the knowledge necessary to play a role as part of the major governing body of a listed company. Newly appointed outside officers are briefed on the information necessary to provide advice as officers to the Company for the enhancement of its corporate value, including the Company's latest business conditions, results and issues that need to be addressed.

[Principle 5.1: Disclosure of Policy Concerning the Development of a System and Measures to Promote Constructive Dialogue with Shareholders]

The Company will conduct dialogue with shareholders with an aim to enhance its corporate value based on the following policy:

- a) The Company strives to realize dialogue in line with the interests of various stakeholders by appointing the officer in charge of finance for investor relations (IR) and the officer in charge of general affairs for shareholder relations (SR).
- b) In preparing materials and gathering information for the IR and SR activities mentioned above, the Company's Corporate Planning, General Affairs, Accounting & Finance and Legal Affairs Departments engage in organic, cross-sectional coordination in order to support constructive dialogue with stakeholders, including shareholders and institutional investors.
- c) The Company, in addition to full information disclosure at the general meeting of shareholders and through the convocation notice, provides timely information such as dissemination of information on CSR activities in the Editorial Policy of our Integrated Report, which combine annual reports and CSR reports, and disclosure of business status in its shareholder newsletters.
- d) The Company considers the opinions learned through dialogue with shareholders and investors as valuable to further enhance its corporate value. While sharing such information with the senior management, the Company studies the necessity and methods for materializing such opinions as needed.
- e) When engaging in dialogue with shareholders and investors, the Company checks the explanation and disclosure materials for the dialogue with external consultants and other professionals beforehand for the purpose of preventing the risk of insider trading.

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## 2. Capital Structure

Ratio of shares held by foreigners	less than 30% more than 20%
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## [Major Shareholders]

Name or designation	Number of shares held (Shares)	Shareholding ratio (%)
Sumitomo Electric Industries, Ltd.	75,878,645	28.85
The Master Trust Bank of Japan, Ltd. (Trust account)	13,263,200	5.04
Japan Trustee Services Bank, Ltd. (Trust account)	9,866,000	3.75
National Mutual Insurance Federation of Agricultural Cooperatives	7,331,200	2.79
SMBC Nikko Securities Inc.	5,502,800	2.09
Sumitomo Mitsui Banking Corporation	5,214,700	1.98
Sumitomo Corporation	4,804,600	1.83
Japan Trustee Services Bank, Ltd. (Trust account 9)	4,300,800	1.64
Japan Trustee Services Bank, Ltd. (Trust account 5)	3,699,300	1.41
JP MORGAN CHASE BANK 385632	3,420,050	1.30

Controlling shareholder (excluding parent company)	_____
Parent company	None

## Supplementary Explanation

The above status of major shareholders is as of June 30, 2020. Shareholding ratio is calculated by excluding the number of treasury stock (40,581 shares) from the total number of shares issued and outstanding.

## 3. Corporate Attributes

Stock exchange listings and market classification	First Section, Tokyo Stock Exchange;
Fiscal year-end	December
Industry	Rubber products
Number of employees as of December 31, 2013 (consolidated)	1,000 or more
Net sales as of December 31, 2013 (consolidated)	¥100 billion or more and less than ¥1 trillion
Number of consolidated subsidiaries as of December 31, 2013	50 or more and less than 100

## 4. Guideline on Protection of Minority Shareholders in Conducting Transactions with Controlling Shareholders

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## 5. Other Exceptional Circumstances that Might Have a Material Impact on Corporate Governance

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## II Overview of Business Management Organization and Other Corporate Governance Systems related to Managerial Decision-Making, Business Execution, and Management Supervision

### 1. Items relating to Organization Structure and Operations, etc.

Form of organization	Company with an Audit & Supervisory Board
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#### [Directors]

Number of directors stipulated in the Articles of Incorporation	15
Term of office of directors stipulated in the Articles of Incorporation	One year
Chairperson of the Board of Directors	Chairman of the Board
Number of directors	12
Election of outside directors	Elected
Number of outside directors	3
Number of outside directors designated as independent officers	3

Relationship with the Company (1)
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Name	Attributes	Relationship with the Company *1								
		a	b	c	d	e	f	g	h	i
Keizo Kosaka	Attorney									
Kenji Murakami	Coming from another company									
Nobuyuki Kobayashi	Coming from another company							○	○	

\* Categories for relationship with the Company

\*○ when the said individual presently falls or has recently fallen under each of the following categories; “△” when the said individual fell under each of the following categories in the past.

\*● when a close relative of the said individual presently falls or has recently fallen under each of the following categories; “▲” when a close relative of the said individual fell under each of the following categories in the past.

- Executive of a listed company or its subsidiary
- Executive or non-executive director of the parent company of a listed company
- Executive of a fellow subsidiary company of a listed company
- The party who's principal client or supplier is a listed company or executive thereof
- Principal client or supplier of a listed company or executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from a listed company besides compensation as an executive
- Principal shareholder of a listed company (executive of the said corporate shareholder if the principal shareholder is a legal entity)
- Executive of a client or supplier company of a listed company (which does not correspond to any of d, e, or f, above) (the said individual only)
- Executive of a company, between which and OMRON outside directors are mutually appointed (the said individual only)
- Executive of a company or organization that receives a donation from a listed company (the said individual only)
- Other

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Relationship with the Company (2)			
Name	Independent officer	Supplementary explanation relating to these items	Reason for election as outside director (including the reason for designation as independent officer, if applicable)
Keizo Kosaka	X	Outside director Keizo Kosaka is an attorney. There are no significant transactional relationships between Irokawa Legal Professional Corporation, where Mr. Kosaka serves as Chairman, as well as Toyo Aluminium K.K., Sekisui Plastics Co., Ltd., and Techno Associe Co., Ltd., where he serves as outside auditor, and the Company.	Mr. Kosaka provides valuable comments and opinions from an objective perspective, leveraging his abundant knowledge as an attorney who excels at corporate legal affairs and experience in corporate management as a Chairman of Irokawa Legal Professional Corporation, outside auditor of Toyo Aluminium K.K., Sekisui Plastics Co., Ltd., and Techno Associe Co., Ltd.. The Company requests his appointment based on its judgment that he would contribute to the improvement of the Company's corporate governance.
Kenji Murakami	X	Outside director Kenji Murakami had served as Representative Director and Vice Chairman of Daiwa House Industry Co., Ltd. until March 2012. There is no significant transactional relationship between the said company and the Company.	Mr. Kenji Murakami has ample knowledge in corporate management, with substantial experience in corporate management as Representative Director, President and COO of Daiwa House Industry Co., Ltd. The Company requests his appointment based on its judgment that he would contribute to the improvement of the Company's corporate governance.
Nobuyuki Kobayashi	X	Outside director Nobuyuki Kobayashi is Managing Director of Sumitomo Electric Industries, Ltd. (SEI). Although SEI is a major shareholder of the Company (shareholding ratio: 28.85%), there is no special interest between Mr. Kobayashi as an individual and the Company. SEI has a transactional relationship with the Company in raw materials for tires, etc., with an annual transaction amount of approx. 7.8 billion yen (result in 2019). But as of December 31, 2019, such transaction amount accounts for 0.9% or less than either company's total consolidated annual revenues. Considering that the Company's	Mr. Nobuyuki Kobayashi has been engaged mainly in the accounting and finance section at Sumitomo Electric Industries, Ltd. and gained extensive experience and broad insights as a manager, based on his experience as Managing Director of the said company. The Company requests his appointment based on its judgment that he would contribute to the improvement of the Company's corporate governance.



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		dependence on SEI is low and it is not overly affected by the said company, the Company judges that there is no risk of a conflict of interest with general shareholders.	
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Any voluntary committee equivalent to the Nomination Committee or Remuneration Committee	Yes
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**Establishment of optional advisory committees, committee composition, and attributes of the chairperson**

	Optional committee equivalent to Nomination Committee	Optional committee equivalent to Remuneration Committee
Committee	The Nomination and Remuneration Committee	The Nomination and Remuneration Committee
Committee members	8	8
Full-time members	—	—
Internal directors	2	2
Outside directors	3	3
Outside experts	—	—
Others	3	3
Chairperson	Outside director	Outside director

**Supplementary Explanation**

Furthermore, the Company resolved at the Meeting of the Board of Directors to establish a Nomination and Remuneration Committee as a voluntary advisory body for the Board of Directors.

The members of the Committee included into “Others” are Outside audit & supervisory board members.

**[Audit & Supervisory Board Members]**

Establishment of the Audit & Supervisory Board	Yes
Number of audit & supervisory board members stipulated in the Articles of Incorporation	5
Number of audit & supervisory board members	5

**Cooperation among Audit & Supervisory Board Members, Accounting Auditor and Internal Audit Office**

In accordance with audit plans and policies set out by the Audit & Supervisory Board, each audit & supervisory board member attends important meetings, including Board of Directors’ meetings; hears reports on the status of job execution from directors and the internal audit office; reviews important approval documents; and implements on-site audits at the Head Office, major business sites and subsidiaries. In addition, audit & supervisory board members review each other’s reports on auditing status while working closely with accounting auditor to ensure that audits are conducted in an appropriate manner.

As the internal audit office, the Company has established the Audit Department under the direct control of the president and have full-time assistant to the audit & supervisory board members. 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 on-site 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

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the president and the Audit & Supervisory Board in an effort to ensure reciprocal collaboration. The Audit Department and accounting auditor 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.

Election of outside audit & supervisory board members	Elected
Number of outside audit & supervisory board members	3
Number of outside audit & supervisory board members designated as independent officers	3

Relationship with the Company (1)										
Name	Attributes	Relationship with the Company <sup>*1</sup>								
		a	b	c	d	e	f	g	h	i
Morihiro Murata	Certified public accountant									
Asli M. Colpan	Professor									
Hirofumi Yasuhara	Coming from another company									

\* Categories for relationship with the Company

\* ○ ” when the said individual presently falls or has recently fallen under each of the following categories; “△” when the said individual fell under each of the following categories in the past.

\* ● ” when a close relative of the said individual presently falls or has recently fallen under each of the following categories; “▲” when a close relative of the said individual fell under each of the following categories in the past.

- Executive of a listed company or its subsidiary
- Non-executive directors or accounting advisors of the listed company or its subsidiaries
- Executive or non-executive director of the parent company of a listed company
- Parent company of auditors of listed company
- Executive of a fellow subsidiary company of a listed company
- The party who's principal client or supplier is a listed company or executive thereof
- Principal client or supplier of a listed company or executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from a listed company besides compensation as an executive
- Principal shareholder of a listed company (executive of the said corporate shareholder if the principal shareholder is a legal entity)
- Executive of a client or supplier company of a listed company (which does not correspond to any of f, g, or h, above) (the said individual only)
- Executive of a company, between which and OMRON outside directors are mutually appointed (the said individual only)
- Executive of a company or organization that receives a donation from a listed company (the said individual only)
- Other

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Relationship with the Company (2)			
Name	Independent officer	Supplementary explanation relating to these items	Reason for election as outside audit & supervisory board member (including the reason for designation as independent officer, if applicable)
Morihiro Murata	X	Outside audit & supervisory board member Morihiro Murata is certified public accountant and tax accountant. There is no significant transactional relationship between Murata Morihiro Accounting Firm, which Mr. Murata represents, and the Company.	Mr. Murata expresses opinions on the execution of business by directors from an objective viewpoint as an outside audit & supervisory board member, based on his considerable knowledge in finance and accounting as a certified public accountant and tax accountant and corporate management experience while serving as outside director, audit & supervisory committee member of Kagome Co., Ltd., as well as outside audit & supervisory board member of Kokuyo Co., Ltd. The Company requests his appointment based on its judgment that he would contribute to the reinforcement of the Company's audit system.
Asli M. Colpan	X	Outside audit & supervisory board member Asli M. Colpan is Professor at Graduate School of Economics, Kyoto University, and Professor at Graduate School of Management, Kyoto University. There is no significant transactional relationship between NISSHA Co., Ltd. where Ms. Colpan serves as an Outside Director and the Company.	Ms. Asli M. Colpan has extensive knowledge in corporate management based on her advanced academic knowledge as a professor specializing in management strategy and corporate governance, as well as experience of involvement in corporate management as an Outside Director of Gourmet Kineya Co., Ltd. and NISSHA Co., Ltd. The Company has appointed Ms. Colpan as an Outside Audit & Supervisory Board Member in expectation that her opinions and suggestions based on such knowledge will contribute to reinforcing the Company's audit system.
Hirofumi Yasuhara	X	Outside audit & supervisory board member Hirofumi Yasuhara is Outside Auditor of Santen Pharmaceutical Co., Ltd and Hitachi Zosen Corporation. There is no significant transactional	Mr. Yasuhara has ample knowledge of corporate management, with experience in corporate management as Representative Director, President of PanaHome Corporation (currently

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Name	Independent officer	Supplementary explanation relating to these items	Reason for election as outside audit & supervisory board member (including the reason for designation as independent officer, if applicable)
		relationship between Santen Pharmaceutical Co., Ltd. where Hirofumi Yasuhara serves as an Outside Auditor, as well as Hitachi Zosen Corporation, where he serves as outside auditor and the Company.	Panasonic Homes Co., Ltd.), as well as Senior Audit & Supervisory Board Member of Panasonic Corporation and Outside Auditor of Santen Pharmaceutical Co., Ltd. The Company requests his appointment based on its judgment that he would contribute to the reinforcement of the Company's audit system.

[Independent Officers]

Number of independent officers	6
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Other Information on Independent Officers

The Company has designated directors Keizo Kosaka, Kenji Murakami and Nobuyuki Kobayashi and Audit & Supervisory Board Members Morihiro Murata, Asli M. Colpan and Hirofumi Yasuhara as Independent Officers, outside corporate officers who have no potential conflicts of interest with general shareholders according to the criteria stipulated by Tokyo Stock Exchange, and has duly submitted to Tokyo Stock Exchange notification to such effect.

[Incentives]

Status of implementation of measures to grant incentives to Directors	A performance-based bonus system is adopted.
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Supplementary Explanation relating to This Item

The Company's structure for the remuneration of directors consists of basic salary and bonus, and the remuneration is paid within the framework of the maximum amount of remuneration for directors, which was approved by a general meeting of shareholders.

The basic salary is determined by comprehensively taking into account diverse factors such as the position and the content of duties for which the director is in charge, the degree of authority and the Company's business performance, whereas the allocated amount of the bonus is determined based on the Company's business performance and the performance evaluation of each director for his/her job performance.

Grantees of stock options	
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Supplementary Explanation relating to This Item

[Directors' Remuneration]

Disclosure status (of individual directors' remuneration)	Individual directors' remuneration is not disclosed.
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Supplementary Explanation relating to This Item

<Directors' Remuneration from January 1, 2019 to December 31, 2019>  
JPY 526 million / 13 directors in total

Policy for deciding the amounts or calculation method of remuneration	Yes
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### Disclosed Policy for Deciding the Amounts or Calculation Method of Remuneration

- 1) The remuneration of directors and executive officers consists of basic compensation and bonuses. The basic compensation is determined based on the comprehensive consideration of the director's position, duties, responsibilities and the Company's business results. The remuneration of directors is paid within the maximum amount approved at the general meeting of shareholders.
- 2) The amount of the bonuses is determined in accordance with an evaluation of the Company's business results as well as each director's execution of duties.
- 3) Although the Company does not provide incentives in the form of stock compensation, it offers incentives that will lead to the sustainable growth of the Company, by way of encouraging the purchase of the Company's stock through the Sumitomo Rubber Industries, Ltd. Officers' Shareholding Association, awarding bonuses based on the achievement of the medium- to long-term plan, etc. With respect to remuneration and stock compensation that are linked to medium- to long-term results, the Company will continue to study the most suitable timing of adoption and the most appropriate form of such remuneration through dialogue with shareholders.
- 4) The remuneration of directors and executive officers is determined based on objective and fair consideration by the Nomination and Remuneration Committee, the majority of whose members are independent outside officers, and upon a recommendation of the Board of Directors.

### [Support System for Outside Directors (Outside Audit & Supervisory Board Members)]

Outside directors and outside audit & supervisory board members receive explanations in advance about the content of matters that have been submitted for deliberation by the Board of Directors so that they can sufficiently check and review such matters submitted.

Outside audit & supervisory board members receive explanations on the content of important in-house meetings at the Audit & Supervisory Board, and conduct their audits after receiving reports and explanations from the internal audit office, an internal control department, the executive officers in charge of business execution and the accounting auditor, which are done in a timely manner. The results of the above audits and opinions and proposals given by each outside audit & supervisory board member are appropriately reflected on the internal audit, the audit & supervisory board members' audit and the accounting audit to enhance the effectiveness of these audits.

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**[Status of Persons Who Have Retired from Positions Such as Representative Director and President]**

Name, etc. of Advisor/Corporate Advisor, etc. who have formerly served as Representative Director and President, etc.

Name	Title/Position	Details of Duties	Form and Conditions of Employment (Full-time/Part-time, Paid or Unpaid, etc.)	Date of Retirement as President, etc.	Term of Office
Tetsuji Mino	Corporate Advisor	Provision of advice concerning the execution of external activities and social contribution activities, etc. by the Company.	Part-time/Paid	March 30, 2011	Determined as per internal regulations

Total number of Advisor/Corporate Advisor who have formerly served as Representative Director and President, etc.	One
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**Other matters**

Decisions to appoint persons who have formerly served as Representative Director and President, etc. as Advisor are made through deliberation by the Board of Directors. Such persons are not involved in any management decision-making.

**2. Items relating to Functions of Business Execution, Audit and Supervision, Nomination, and Decision on Remuneration, etc.**

The Company has adopted a corporate system with an Audit & Supervisory Board and maintains directors, a general meeting of shareholders, accounting auditor 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 the filing date of this report, the Board of Directors was composed of 12 members, 3 of whom were outside directors.

Audit & supervisory board members independently conduct auditing of directors' execution of operations.

As of the filing date of this report, the Company adopted a structure of 5 audit & supervisory board members, 2 of whom were standing audit & supervisory board members. Standing audit & supervisory board members attend important internal meetings and confirm important documents for approval.

The Audit & Supervisory Board is composed of all of the Company's audit & supervisory board members.

From the aspect of reinforcing the management auditing function, 3 of the 5 audit & supervisory board members serve as outside audit & supervisory board members, 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 Meeting composed of internal directors and executive officers appointed by the president. With the attendance of standing audit & supervisory board members, the Management Meeting 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 the filing date of this report, there were 28 executive officers, 20 of whom did not serve concurrently as directors.



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Furthermore, the Company resolved at the Meeting of the Board of Directors held in December 2015 to establish a Nomination and Remuneration Committee as a voluntary advisory body for the Board of Directors to ensure objective and transparent procedures for nominating officers and determining remuneration for officers. The Committee is chaired by an independent outside director, and the majority of members are independent outside officers.

### **3. Reason for Adopting the Current Governance System**

The Basic Management Policy of the Company is that we shall continuously strive to enhance both our economic value and our value to society while making ongoing, active contributions to the development of a sustainable society, with Our Philosophy serving as the basis for our every decision and as the impetus for our every action. In keeping with this policy, the Company considers the enhancement of overall corporate governance to be a key management objective. The reason for adopting the current system is to strengthen Group management and establish deep relationships of trust with society, while ensuring Groupwide business efficiency.

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**III Status of Implementation of Measures related to Shareholders and Other Stakeholders**

**1. Measures toward Revitalization of the General Meeting of Shareholders and Facilitation of Exercise of Voting Rights**

	Supplementary explanation
Prompt delivery of convocation notice of general meeting of shareholders	We send the Notice of Convocation of the Ordinary General Meeting of Shareholders before the legal deadline (to be dispatched 2 weeks prior to the day the ordinary general meeting of shareholders is to be held). Materials are also made available on the Company's website prior to the dispatch date since the general meeting of shareholders held in March 2016.
Exercise of voting rights by electromagnetic means	Effective from the general meeting of shareholders held in March 2007, the Company has adopted the exercise of voting rights by shareholders via electromagnetic means.
Efforts to encourage participation in the electronic voting platform and enhance other environments for the exercise of voting rights by institutional investors	Effective from the general meeting of shareholders held in March 2011, the Company has participated in the electronic voting platform for executing voting rights.
Provision of a summarized convocation notice of the general meeting of shareholders in English	The Notice of Convocation of the Ordinary General Meeting of Shareholders in the English version is posted on the Company's Web site.

**2. Investor Relations Activities**

	Supplementary explanation	Explanation by representative
Holding regular briefings for analysts and institutional investors	After each quarterly financial summary announcement, a results briefing is held to explain the summary of financial statements, management policies, the progress of the midterm managerial plan, etc., to institutional investors and financial analysts, with the Company providing individual meetings and venues for interviews in Japan in a timely manner. The Company thus endeavors to raise the understanding thereof among the parties concerned through these activities.	YES
Posting investor relations materials on the Company Web site	The Company endeavors as much as possible to minimize any differences in the provision of information to investors by preparing dedicated pages relative to IR information on the Web site regarding IR materials described below not only in Japanese but also in English. 1. Financial highlights 2. Flash report (year-end, interim, quarterly) 3. Editorial Policy of our Integrated Report 4. Securities report, semiannual report 5. Factbook 6. Business report (interim, year-end) 7. Stock/Ratings/Corporate bond information 8. Notice of convocation of the ordinary general meeting of shareholders 9. IR calendar	

**CORPORATE GOVERNANCE**

Establishment of investor relations department (liaison)	The Public Relations Department and the Accounting & Finance Department are in charge of IR-related operations.	
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**3. Measures to Respect the Position of Stakeholders**

	Supplementary explanation
Provisions of internal regulations to respect the position of stakeholders	In order to fulfill its corporate social responsibility to stakeholders, based on compliance with social norms, which are stipulated in the Company's Code of Conduct, the Company strives to increase awareness and ensure strict legal compliance.
Promotion of environmental protection, corporate social responsibility (CSR), and other activities	The Company promotes and leads activities that are involved in environmental preservation and the CSR of the Sumitomo Rubber Group. The Company summarizes the results of relevant activities in the Editorial Policy of our Integrated Report and discloses the report on its Web site. Furthermore, based on the assumption that it is essential to clarify the rules of conduct for each group company's participation in the Group's overall CSR activities and accentuate corporate management's pursuit of social value, the Company formulated the "Fundamental Philosophy of the Sumitomo Rubber Group's CSR Activities" in February 2008. Under this philosophy, all the group companies are striving to expand group-wide CSR activities.
Establishment of policy concerning disclosure of information to stakeholders	The Editorial Policy of our Integrated Report states that the purport of this report is to create new opportunities for dialog by communicating the various efforts that the Sumitomo Rubber Group is undertaking with the aim of ensuring the sustainable growth of our group.

## **IV Basic Policy and Status of Implementation of the Internal Control System**

### **1. Basic Policy and Status of Implementation of the Internal Control System**

The Company's Board of Directors has resolved as follows to establish a system (the "Internal Control System") necessary to ensure the Proper execution of business as a *kabushiki kaisha*:

- (1) A system to preserve and manage information concerning the execution of business by the directors  
Information concerning the execution of business by directors, such as documents on proposals or decisions, shall be recorded and managed appropriately in accordance with the Regulations Concerning Preservation of Documents. The directors and audit & supervisory board members shall be permitted to view these records at all times.
- (2) Rules concerning the risk management of loss and other systems  
Management risks involving quality, law, environment, credit, accidents, disasters, etc., that may materially adversely affect our business activities shall be addressed by the relevant division in advance, by analyzing those risks and planning countermeasures in accordance with the Regulations Concerning Risk Control, and then referred to the management meeting for discussion.  
If necessary, advice and guidance may be sought from professionals including as legal counsel, in analyzing and planning countermeasures for such risks.  
Any risk comprehensively involving the Group shall be addressed by each business division for its respective business operation in coordination with other relevant divisions.  
The Risk Management Committee shall oversee group-wide risk management activities and investigate as appropriate and confirm that the risk management system is functioning effectively.  
If any material risk becomes clear or could be anticipated, the president shall establish a Risk Management Center pursuant to the Regulations Concerning Risk Control.
- (3) A system to ensure the efficient execution of business by directors  
In order to ensure that the directors and managerial personnel may execute their business properly and efficiently, the duties, authority, and relevant operations shall be specifically allocated through the Regulations Concerning Allocation of Responsibility and Duties.  
Furthermore, an Executive Officer System and Corporate Decentralizing System shall be introduced, whereby each company shall, led by its president, perform its business flexibly in response to the changing environment and customer needs.  
A Midterm Management Plan, etc. shall be formulated with respect to the performance and efficiency of each Business Division and each Subsidiary, with specific targets set forth at regular Budget Meetings (and revised as necessary on an ad hoc basis). Progress and achievement levels with respect to these plans and targets shall be reported on a monthly basis at Group Performance Meetings in the interests of promoting shared understanding and analysis.  
The Group shall promote the active utilization of IT and digital technology throughout our business operations with the aim of enhancing the overall efficiency of the execution of our business.
- (4) A system to ensure the execution of business by directors and employees is in compliance with law/regulations and the Articles of Incorporation  
With Our Philosophy intended to serve as the basis for our every decision and as the impetus for our every action, the Sumitomo Rubber Group shall widely distribute and strive to instill our Corporate Code of Conduct and various Compliance Manuals throughout our Group and in line with Our Philosophy. At the same time, Top Management shall clearly indicate its guiding principles based on a common understanding that maintaining high standards of compliance and corporate ethics is the bedrock on which the management of our Group is founded.  
The Corporate Ethics Committee, chaired by the president, shall identify, analyze, and evaluate those compliance risks comprehensively involving the entire Group, plan and conduct training, ascertain the cause of any violation, propose measures to prevent their recurrence, and ensure thorough familiarization of the foregoing throughout the Group.  
A Corporate Ethics Help Line shall be established to allow employees, et al., to directly report and consult on any actions that are questionable of corporate ethics. Information received by the Corporate Ethics Help Line shall be reported to the Corporate Ethics Committee, which shall assess the situation and adopt the necessary measures.

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- (5) A system to ensure the proper execution of business by the Group comprising the Company, its parent company, and subsidiaries

The Sumitomo Rubber Group's Code of Conduct shall be widely distributed throughout the Group, and the Group shall strive to share those matters that need to be observed under legislation and in the operation of its business.

A system shall be established whereby the relevant division shall periodically receive reports from each subsidiary on its performance targets and achievements, and receive reports from the subsidiary on certain matters such as those that need to be reported to and discussed at the Company's management meetings and Board of Directors, risk management, and compliance matters. The foregoing shall then be discussed with the Company, if necessary, pursuant to the Regulations Concerning Management of Subsidiaries.

- (6) A system to ensure adequate financial reporting

The Group shall strive to maintain the Internal Control System in accordance with the Financial Instruments and Exchange Law and assessment/audit standards and implementation standards prescribed by the Financial Services Agency, and to enhance systems to ensure adequate financial reporting by the Company and its subsidiaries.

- (7) Establishment of a post to assist the duties of audit & supervisory board members at the request of the audit & supervisory board members

An employee shall be selected to work as an audit & supervisory board member's assistant to assist the duties of the audit & supervisory board members.

- (8) Audit & supervisory board member's assistant shall remain independent from directors

The opinion of the Audit & Supervisory Board shall be sought in advance in the event of carrying out personnel changes and evaluating the performance of an audit & supervisory board member's assistant

- (9) Systems to allow directors and employees to report to audit & supervisory board members and to allow other reports to be made to audit & supervisory board members

Standing audit & supervisory board members shall participate in management meetings and other important meetings.

Important matters such as those involving risk management shall be reported directly by directors or heads of divisions to audit & supervisory board members, as necessary. Matters reported to the Corporate Ethics Help Line (excluding minor problems) shall be reported to the Audit & Supervisory Board.

- (10) Other systems to ensure effective audit coverage by audit & supervisory board members

Audit & supervisory board members shall be given opportunities to receive explanations from directors and heads of divisions, as necessary.

## 2. Basic Policy and Status of Implementation of Efforts towards Exclusion of Antisocial Forces

1. The Company shall never have contacts or relations with any antisocial forces or organizations that might pose a threat to the order and safety of civil society and shall systematically deal with improper demands extorted thereby in a resolute attitude in collaboration with lawyers, the police and other relevant organizations.
2. In case any improper demands are extorted by antisocial forces, the contact shall be the staff responsible for preventing improper demands of the Human Resources & General Affairs Department as the handling and controlling business unit. The responsible staff shall receive appropriate guidance from the aforementioned external bodies at an early stage through collaboration therewith. The relevant responses are stipulated in the Code of Conduct of the Company.
3. The staff responsible for preventing improper demands shall have close contact with external bodies and collect information about antisocial forces on a routine basis. Meanwhile, the Human Resources & General Affairs Department shall internally disseminate necessary information, as required.

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V Others

**1. Presence or Absence of Introduction of Takeover Defense**

Introduction of Takeover Defense	No
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Supplementary Explanation relating to This Item
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**2. Other Items relating to Corporate Governance System, etc.**

The schematic diagram depicting the corporate governance structure of the Company, including a summary of the Internal Control System thereof, is as shown in the reference material.

The Company is fully aware that the appropriate disclosure of corporate information at the proper timing to investors is a fundamental requisite of healthy securities markets. At the same time, the Company addresses the appropriate provision of corporate information at the proper timing to investors by improving its internal system, which is described in the attached document, so that swift, precise and fair disclosure of corporate information can be appropriately ensured at all times from the investors' viewpoint.

The current status of the internal system regarding the appropriate disclosure of corporate information at the proper timing of the Company is as described below.

Specifically, an information communications system is established for the respective "information on determined matters," "information on the occurrence of facts" and "information on financial results" cases. The Company also makes sincere efforts for the swift, precise and fair, and therefore appropriate, provision of corporate information at the proper timing to investors from the investors' viewpoint via the complete dissemination of required measures to facilitate an appropriate disclosure of corporate information at the proper timing.

1. Basic principles on the disclosure of corporate information at the proper timing

The Company regards compliance with the rules on the disclosure of corporate information at the proper timing as an obligation of a listed corporation from the viewpoint of overall compliance. The Company, therefore, is confident that the appropriate provision of information on investment decisions at the proper timing should result in fair stock prices and, by extension, raise the reliability of investors in the Company. At the disclosure at the proper timing, the Company makes efforts for the swift, precise and fair disclosure thereof.

2. Person responsible for handling information and the department in charge of the disclosure at the proper timing

The officer in charge of the Public Relations Department assumes a responsibility for handling information.

The Public Relations Department is in charge of the disclosure at the proper timing of the Company. The department is the contact for other respective business divisions and subsidiaries (the "Each Division/Department") and assists the person responsible for handling information.

The Accounting & Finance Department is actually in charge of preparing and disclosing the disclosure information based on information provided by the Public Relations Department.

3. Procedures for public announcement and information communications system

(1) The head of Each Division/Department shall contact every officer in charge and communicate with The Public Relations Department, the business unit responsible for handling information, if reportable insider information or significant corporate information, which is provided for by the stock exchange, is deemed to be possibly produced with regard to his/her own division/department (including any similar divisions or departments, as well as subsidiaries under his/her jurisdiction).

(2) The Public Relations Department shall review and determine the need for an announcement, the timing for such announcement, the content to be announced, the announcement method and so forth



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through consultations with related divisions and departments including the division/department concerned, the Accounting & Finance Department, the Human Resources & General Affairs Department and the Legal Department.

- (3) Pursuant to the above determinations, the Public Relations Department shall follow the necessary disclosure procedures as soon as possible for the “information on determined matters” after a relevant meeting of the Board of Directors and without delay for the “information on the occurrence of facts” and the “information on financial results.”

“Significant information regarding subsidiaries” shall be similarly handled as described above.

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