

The following is an English translation of the Notice of Convocation of the 128th Ordinary General Meeting of Shareholders of Sumitomo Rubber Industries, Ltd. (the “Company”) to be held on March 26, 2020. The Company provides this translation solely for reference and convenience of the shareholders and not for any other purposes. The Company makes no warranty, express or implied, as to the accuracy or completeness of the translation. Furthermore, the provision of this translation by the website shall neither constitute an offer to purchase or sell any securities or a solicitation of such offer nor be deemed a recommendation for investment.

(Translation)

(Securities Code: 5110)

March 4, 2020

To Our Shareholders

Sumitomo Rubber Industries, Ltd.
6-9, Wakinohama-cho 3-chome
Chuo-ku, Kobe-shi
Ikuji Ikeda
Representative Director, Chairman of the Board

THE NOTICE OF CONVOCAION OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS

Please be advised that the 128th Ordinary General Meeting of Shareholders of the Company will be held as below. Your attendance at the meeting is cordially requested.

If you are unable to attend the meeting, you may exercise your voting rights in writing or on the internet, and we would appreciate your reviewing the attached referential documents and your exercising the voting rights by 5:00 p.m., March 25, 2020(Wednesday) in accordance with the "Method to Exercise the Voting Rights" described in the pages 3 and 4.

Sincerely yours

PARTICULARS OF MEETING

1. Date and Time: March 26, 2020(Thursday) at 10:00 a.m.

2. Place: 13th floor Hall of the Company's Head Office

6-9, Wakinohama-cho 3-chome

Chuo-ku, Kobe-shi

* In the event that 13th floor Hall becomes full, we may guide you to a different hall.

We ask for your kind understanding and patience.

3. Purpose of Meeting:

Items to be Reported:

(1) Business Report, Consolidated Financial Statements for the 128th business term (from January 1, 2019 to December 31, 2019) and Audit Reports on the Consolidated Financial Statements from the Accounting Auditor and the Audit & Supervisory Board

(2) Financial Statements for the 128th business term (from January 1, 2019 to December 31, 2019)

Items on the Agenda:

Item No. 1 on the Agenda: Approval of the proposed disposal of surplus

Item No. 2 on the Agenda: Election of twelve (12) Directors

Item No. 3 on the Agenda: Election of two (2) Audit & Supervisory Board Members

4. Disclosure through the internet:

The following matters are posted on our website (<http://www.srigroup.co.jp/>) and not stated on the attachment to this Notice of Convocation for your viewing pursuant to the related regulations and Article 15 of the Articles of Incorporation.

(1) “Details of Resolution on Establishing Systems Necessary for Ensuring Appropriate Business Operations and Summary of Operational Status Thereof” in the Business Report

(2) “Consolidated Statement of Changes in Total Equity” in the Consolidated Financial Statements

(3) “Notes to the Consolidated Financial Statements” in the Consolidated Financial Statements

(4) “Non-consolidated Statement of Change in Total Equity” in the Financial Statements

(5) “Notes to the Financial Statements” in the Financial Statements

Further, “Details of Resolution on Establishing Systems Necessary for Ensuring Appropriate Business Operations and Summary of Operational Status Thereof” were reviewed together with, and as part of, the Company’s Business Report at the time of the Audit & Supervisory Board Members’ preparation of the Audit Report.

“Consolidated Statement of Changes in Total Equity”, “Notes to the Consolidated Financial Statements”, “Non-consolidated Statement of Change in Total Equity” and “Notes to the

Financial Statements” were audited by the Audit & Supervisory Board Members of the Company and the Accounting Auditor as part of the Consolidated Financial Statements and the Financial Statements, respectively, when they prepared their respective Audit Reports.

END

* Please note that if any revisions are made to the contents of the Referential Documents Regarding the Exercise of Voting Rights, Business Report, Consolidated Financial Statements and Financial Statements and that are attached to this Notice of Convocation, the revised contents will be posted on our website. (<http://www.srigroup.co.jp/>).

[Method to Exercise the Voting Rights]

1. Method to Exercise the Voting Rights:

(1) Those Planning to Attend the General Shareholders’ Meeting

Please submit the enclosed Voting Form to the reception desk at the meeting venue on the day of the General Shareholders’ Meeting.

Further, we ask that you please bring this Brochure with you to the meeting as it contains reference materials pertaining to the Agenda.

< Date and Time of General Shareholders’ Meeting >

10:00 AM on Thursday, March 26, 2020

(2) Those Unable to Attend the General Shareholders’ Meeting

(i) Exercising Voting Rights in Writing:

Having indicated your vote with regard to each Resolution on the Agenda, please return the enclosed Voting Form to our company’s Shareholder Registry Administrator so that it arrives no later than the Voting Deadline listed below.

< Voting Deadline >

5:00 PM on Wednesday, March 25, 2020

(ii) Exercising Voting Rights Online:

Using the “Voting Code” and “Password” printed on the enclosed Voting Form, please register your vote with regard to each Resolution on the Agenda by following the onscreen instructions provided.

< Voting Deadline >

5:00 PM on Wednesday, March 25, 2020

Please refer to the following page for further details.

Use of the electronic voting platform for exercising voting rights (For institutional shareholders):

Institutional shareholders shall be able to exercise their voting rights through electromagnetic form via the “Electronic Voting Platform” operated by ICJ Inc. in the Company’s Ordinary General Meeting of Shareholders.

2. Procedures for exercising voting rights on the internet:

- (1) You may exercise your voting rights on the internet through the Company's below designated site for exercising voting rights. You may also exercise your voting rights through your mobile phone.

[URL of the site for exercising voting rights] <https://www.web54.net>

- * You may access to the voting site by reading the "QR Code®" on the right with a mobile phone that could read barcodes. Please refer to your mobile phone manual for details on how to read barcodes.
("QR Code" is a registered trademark of DENSO WAVE INCOPORATED.)



- (2) If you exercise your voting rights several times on the internet (including exercise through both internet and mobile phone), the last vote shall be deemed to be the effective vote.
- (3) If you exercise your voting rights both in writing and on the internet, the vote exercised on the internet shall be deemed as the effective vote.
- (4) The shareholders are requested to bear the fees for connecting with the provider and telecommunication costs for accessing to the site for exercising voting rights.
- (5) If you have any questions concerning exercising voting rights on the internet, please inquire the following:
Stock Transfer Agency Online Support Desk
Sumitomo Mitsui Trust Bank, Limited
(Toll free) 0120-652-031 (9:00 AM – 9:00 PM)
For other inquiries, please contact the following:
(i) If you have an account with a securities firm, please contact it.
(ii) If you do not have an account with a securities firm (if you have a special account), please contact:
Securities Business Center
Sumitomo Mitsui Trust Bank, Limited
(Toll free) 0120-782-031 (open Mon – Fri 9:00 AM – 5:00 PM)

REFERENTIAL DOCUMENTS REGARDING THE EXERCISE OF VOTING RIGHTS

Item No. 1 on the Agenda: Approval of the proposed disposal of surplus

The Company regards that the most important issue is providing return to shareholders and makes it a basic policy to pay stable dividend in the long term by making comprehensive determinations of consolidated dividend payout ratio, business outlook and the level of retained earnings, etc.

In addition, we intend to use retained earnings for prior investments such as capital investment and research and development, to expand future revenue base.

We propose to pay the year-end dividend for this period as follows, based on the above-mentioned policy.

Consequently, the dividend for this period shall be JPY 55.00 per share, including the interim dividend of JPY 25.00 per share that had already been paid.

- (1) Assets subject to dividend:
Cash

- (2) Allotment of dividend to the shareholders and its total amount:
JPY 30.00 per 1 common share of the Company
Total amount of dividend: JPY 7,890,106,740

- (3) Date of which the distribution of the surplus will be effective:
March 27, 2020

Item No. 2 on the Agenda: Election of twelve (12) Directors

The terms of office of all twelve (12) Directors will expire at the close of this General Meeting of Shareholders. Thus, an election is requested to elect twelve (12) Directors.

The following candidates have been nominated for the positions.

The number and the candidates of directors are decided at the Board of Directors based on a recommendation of “Nomination and Compensation Committee” which is an advisory body of the Board of Directors.

Nominee Number	Name (Date of Birth)	Reappointment
1	Ikuji Ikeda (November 7, 1956)	Number of Shares of the Company Held
		45,400
Brief Personal History and Position at the Company		Years as a Member of the Board
4/1979	Joined the Company	13 Years
1/2000	General Manager of Tyre Works Technical Dept.	Number of Meetings of the Board of Directors Attended (Percentage)
3/2003	Executive Officer of the Company	
3/2007	Director (Senior Executive Officer) of the Company	14 out of 14 (100%)
3/2010	Director (Managing Executive Officer) of the Company	
3/2011	Representative Director, President and CEO (President) of the Company	
3/2019 to present	Representative Director, Chairman of the Board of the Company	
Reasons for nomination as a candidate for Director		
Since joining the Company, Mr. Ikuji Ikeda has been engaged mainly in the production sections and has gained extensive experience and broad insights as a manager based on his experience as Executive Officer in Charge of Overseas Operations and further as Representative Director, President. Mr. Ikeda has properly supervised the Group’s overall operations as Chairman of the Board. Accordingly, the Company requests Mr. Ikeda’s reappointment as a Director.		

Nominee Number	Name (Date of Birth)	Reappointment
2	Satoru Yamamoto (June 14, 1958)	Number of Shares of the Company Held 17,130
Brief Personal History and Position at the Company		Years as a Member of the Board
4/1982	Joined the Company	5 Years
1/2001	General Sales Manager of Tyre Sales & Marketing Division of the Company	Number of Meetings of the Board of Directors Attended (Percentage) 14 out of 14 (100%)
3/2010	Executive Officer of the Company	
	Deputy General Manager of Dunlop Tyres Sales HQ of the Company	
3/2011	General Manager of Dunlop Tyres Sales HQ of the Company	
3/2013	Senior Executive Officer of the Company	
3/2015	Director (Senior Executive Officer) of the Company	
3/2019 to present	Representative Director, President and CEO (President) of the Company	
Reason for nomination as a candidate for Director		
<p>Since joining the Company, Mr. Satoru Yamamoto has been engaged mainly in the replacement tire sales sections and has gained extensive experience and broad insights as a manager based on his experience as Executive Officer in Charge of Sales of Replacement Tires and Officer Responsible for Supervision of Asia & Pacific Business, etc. In addition, Mr. Yamamoto has exercised leadership and worked out a clear management policy as CEO. Accordingly, the Company requests Mr. Yamamoto's reappointment as a Director.</p>		

Nominee Number	Name (Date of Birth)	Reappointment
3	Minoru Nishi (May 10, 1955)	Number of Shares of the Company Held
		21,886
Brief Personal History and Position at the Company		Years as a Member of the Board
4/1980	Joined the Company	9 Years
1/2002	General Manager of Technical Dept. 3, Tyre Technical HQS of the Company	Number of Meetings of the Board of Directors Attended (Percentage)
9/2005	Director of Goodyear Dunlop Tires Europe B.V.	
3/2007	Executive Officer of the Company	14 out of 14 (100%)
3/2011	Director (Senior Executive Officer) of the Company	
3/2014	Representative Director (Managing Executive Officer) of the Company	
3/2018 to present	Representative Director (Vice President) of the Company	
<Duty> Supervision of Technical and Production Division In Charge of Motor Sports and Oversea Tyre Technical Service.		
Reason for nomination as a candidate for Director		
Since joining the Company, Mr. Minoru Nishi has been engaged mainly in the tire technical sections and has gained extensive experience and broad insights as a manager based on his experience as Executive Officer Overseeing the Technical and Production Divisions. Mr. Nishi has supervised the overall technical and production operations from the viewpoint of a specialist in the technical field. Accordingly, the Company requests Mr. Nishi’s reappointment as a Director.		

Nominee Number	Name (Date of Birth)	Reappointment
4	Kazuo Kinameri (August 15, 1956)	Number of Shares of the Company Held
		24,794
Brief Personal History and Position at the Company		Years as a Member of the Board
4/1979	Joined the Company	2 years
1/2001	General Manager of Sports Management Dept. of the Company	Number of Meetings of the Board of Directors Attended (Percentage) 14 out of 14(100%)
7/2003	Director of SRI Sports Limited <changed its name to Dunlop Sports Co., Ltd. in 2012>	
3/2007	Director (Senior Executive Officer) of SRI Sports Limited	
3/2011	Representative Director (Managing Executive Officer) of SRI Sports Limited	
3/2015	President and Representative Director of Dunlop Sports Co., Ltd.	
1/2018	Managing Executive Officer of the Company	
3/2018	Representative Director	
to present	(Vice President) of the Company	
<Duties> Supervision of Administration Division and Domestic Business In Charge of Sports Business and Public Relations		
Reason for nomination as a candidate for Director		
Since joining the Company, Mr. Kazuo Kinameri has been engaged mainly in the sports business and has gained extensive experience and broad insights as a manager based on his experience as the President and Representative Director of Dunlop Sports Co., Ltd. Mr. Kinameri has worked to strengthen corporate governance and supervised the overall management section. Accordingly, the Company requests Mr. Kinameri’s reappointment as a Director.		

Nominee Number	Name (Date of Birth)	Reappointment
5	Yasutaka Ii (January 25,1959)	Number of Shares of the Company Held
		24,574
Brief Personal History and Position at the Company		Years as a Member of the Board
4/1981	Joined the Company	9 Years
1/2002	General Manager of Corporate Planning Dept. of the Company	Number of Meetings of the Board of Directors Attended (Percentage)
3/2005	President of SRI Tire Trading Ltd.	
3/2007	Executive Officer of the Company	14 out of 14 (100%)
3/2011	Director (Senior Executive Officer) of the Company	
3/2018 to present	Director (Managing Executive Officer) of the Company	
<Duty> Supervision of America Business		
Reason for nomination as a candidate for Director		
Since joining the Company, Mr. Yasutaka Ii has been engaged mainly in the corporate planning sections and has gained extensive experience and broad insights as a manger based on his experience as Executive Officer in Charge of International Business, etc. Mr. Ii has led global management mainly in the Americas at Meetings of the Board of Directors. Accordingly, the Company requests Mr. Ii’s reappointment as a Director.		

Nominee Number	Name (Date of Birth)	Reappointment
6	Hiroki Ishida (July 11, 1958)	Number of Shares of the Company Held
		36,300
Brief Personal History and Position at the Company		Years as a Member of the Board
4/1981	Joined Sumitomo Electric Industries, Ltd.	9 Years
1/2005	General Manager, Corporate Planning Dept. of the above company	Number of Meetings of the Board of Directors Attended (Percentage)
6/2007	General Manager, Strategic Planning Div., Automotives Business Unit of the above company	
2/2010	Joined the Company	14 out of 14 (100%)
3/2010	Executive Officer of the Company	
3/2011 to present	Director (Senior Executive Officer) of the Company	
<Duty> Supervision of International Business Development & Administration and Finance In Charge of Legal Affairs and Brand Management		
Reason for nomination as a candidate for Director		
Since joining Sumitomo Electric Industries, Ltd., Mr. Hiroki Ishida has held important positions and has gained extensive experience and broad insights as a manger based on his experience as Executive Officer in Charge of Finance of the Company, etc. Mr. Ishida has supervised the overall corporate finance. Accordingly, the Company requests Mr. Ishida’s reappointment as a Director.		

Nominee Number	Name (Date of Birth)	Reappointment
7	Yutaka Kuroda (July 22, 1959)	Number of Shares of the Company Held
		23,900
Brief Personal History and Position at the Company		Years as a Member of the Board
4/1983	Joined the Company	8 Years
7/2005	President of Sumitomo Rubber (Thailand) Co., Ltd.	Number of Meetings of the Board of Directors Attended (Percentage)
3/2009	Executive Officer of the Company	
3/2012 to present	Director (Senior Executive Officer) of the Company	14 out of 14 (100%)
<Duty> Supervision of Europe & Africa Business		
Reason for nomination as a candidate for Director		
Since joining the Company, Mr. Yutaka Kuroda has been engaged mainly in the production sections and has gained extensive experience and broad insights as a manager based on his experience as the President of the Group’s overseas subsidiary and Executive Officer in charge of the Production Sections. He has led global management mainly in Europe and Africa at Meetings of the Board of Directors. Accordingly, the Company proposes his reappointment as Director.		

Nominee Number	Name (Date of Birth)	Reappointment
8	Naofumi Harada (June 4, 1957)	Number of Shares of the Company Held
		17,900
Brief Personal History		Years as a Member of the Board
4/1981	Joined the Company	2 Years
1/2006	General Manager of Purchasing Dept.	Number of Meetings of the Board of Directors Attended (Percentage)
3/2012	Executive Officer of the Company	
	Deputy General Manager of Hybrid Rubber Products HQ	14 out of 14 (100%)
3/2013	General Manager of Hybrid Rubber Products HQ	
1/2016	Senior Executive Officer of the Company	
3/2018 to present	Director (Senior Executive Officer) of the Company	
<Duty>		
In Charge of Hybrid business and Purchasing		
Reason for nomination as a candidate for Director		
Since joining the Company, Mr. Naofumi Harada has been engaged mainly in procurement and has gained extensive experience and broad insights as a manager based on his experience as Executive Officer Supervising the Hybrid Business Division. He has supervised purchase, procurement and the overall hybrid business. Accordingly, the Company requests Mr. Harada’s reappointment as a Director.		

Nominee Number	Name (Date of Birth)	Reappointment
9	Mitsuteru Tanigawa (November 11, 1956)	Number of Shares of the Company Held
		13,914
Brief Personal History and Position at the Company		Years as a Member of the Board
4/1980	Joined the Company	1 Year
3/2008	President & Representative Director of Goodyear Japan Ltd.	Number of Meetings of the Board of Directors Attended (Percentage) 11 out of 11 (100%)
3/2011	Executive Officer of the Company	
3/2013	Director (Senior Executive Officer) of Dunlop Sports Co., Ltd.	
3/2017	Director (Managing Executive Officer) of the above company	
1/2018	Senior Executive Officer of the Company	
2019/3 to present	Director (Senior Executive Officer) of the Company	
<Duty> Supervision of Asia & Pacific Business		
Reason for nomination as a candidate for Director		
Since joining the Company, Mr. Mitsuteru Tanigawa has been engaged in management of the Company’s subsidiaries mainly in the Asian region and gained extensive experience and broad insights as a manager based on his experience as Director(Managing Executive Officer) of Dunlop Sports Co., Ltd. The Company requests Mr. Tanigawa’s reappointment as a Director as he is leading global management mainly in the Asia/Pacific region.		

Nominee Number	Name (Date of Birth)	Reappointment	Outside/Independent Director
10	Keizo Kosaka (December 11,1945)	Number of Shares of the Company Held	
		0	
Brief Personal History		Years as a Member of the Board	
4/1970	Admitted to the bar and Joined Irokawa Law Office	11 Years	
4/1995	Vice President of Osaka Bar Association	Number of Meetings of the Board of Directors Attended (Percentage)	
1/2001	Irokawa Law Office Representative Partner		
6/2006 to present	Outside Audit & Supervisory Board Member of Toyo Aluminum K.K.	14 out of 14 (100%)	
3/2009 to present	Outside Director of the Company		
6/2012 to present	Outside Audit & Supervisory Board Member of Sekisui Plastics Co., Ltd.		
6/2016 to present	Outside Audit & Supervisory Board Member of Techno Associe Co. Ltd.		
1/2020 to present	Chairman of Irokawa Legal Professional Corporation		
Important Concurrent Post			
Attorney Chairman of Irokawa Legal Professional Corporation Outside Audit & Supervisory Board Member of Toyo Aluminum K.K. Outside Audit & Supervisory Board Member of Sekisui Plastics Co., Ltd. Outside Audit & Supervisory Board Member of Techno Associe Co. Ltd.			
Reason for nomination as a candidate for Outside Director			
Mr. Keizo Kosaka, making full use of his abundant knowledge as a lawyer with expertise in corporate legal affairs, has provided the Company with invaluable opinions and suggestions from an objective point of view. The Company requests Mr. Kosaka’s reappointment in expectation that his continued provision of opinions and suggestions as an Outside Director will result in improving the Company’s corporate governance.			

Nominee Number	Name (Date of Birth)	Reappointment	Outside/Independent Director
11	Kenji Murakami (August 17,1947)	Number of Shares of the Company Held	
		8,400	
Brief Personal History		Years as a Member of the Board	
4/1970	Joined Daiwa House Industry Co., Ltd	4 Years	
6/2000	Managing Director of Daiwa House Industry Co., Ltd	Number of Meetings of the Board of Directors Attended (Percentage)	
6/2001	Executive Managing Director of Daiwa House Industry Co., Ltd	14 out of 14 (100%)	
4/2004	Representative Director, President and COO of Daiwa House Industry Co., Ltd		
4/2011	Representative Director, Vice Chairman of Daiwa House Industry Co., Ltd		
4/2012	Director of Daiwa House Industry Co., Ltd		
3/2016 to present	Outside Director of the Company		
Reason for nomination as a candidate for Outside Director			
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 Mr. Murakami’s reappointment in expectation that his provision of opinions and suggestions as an Outside Director will result in improving the Company’s corporate governance.			

Nominee Number	Name (Date of Birth)	New appointment	Outside/Independent Director
12	Nobuyuki Kobayashi (May 31, 1961)	Number of Shares of the Company Held	
		0	
Brief Personal History and Position at the Company			
4/1985	Joined Sumitomo Electric Industries, Ltd.		
6/2016	Executive Officer of the above Company		
6/2019 to present	Managing Director of the above company		
Important Concurrent Post			
Managing Director of Sumitomo Electric Industries, Ltd.			
Reason for nomination as a candidate for Director			
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 company. The Company requests Mr. Kobayashi’s appointment in expectation that his assumption of office as an Outside Director will contribute to improving the corporate governance of the Company.			

Special Remarks Regarding Director Candidates
(Notes)

1. In the brief personal history of each candidate above, the position put in brackets means the position as the executive officer of the Company.
2. Mr. Satoru Yamamoto is directly responsible for auditing and tire quality assurance.
3. At the 127th Ordinary General Meeting of Shareholders held on March 26, 2019, Mr. Mitsuteru Tanigawa was newly elected and appointed as a Director. After the 127th Ordinary General Meeting of Shareholders, Meetings of the Board of Directors were held a total of 11 times during this period.
4. Mr. Nobuyuki Kobayashi is a Managing Director of Sumitomo Electric Industries, Ltd., which owns 28.85% of the total number of the Company's shares issued and outstanding (excluding treasury stock) and has a trading relationship with the Company regarding raw materials for tires, etc. This business relationship accounts for less than 0.9% of either company's total consolidated annual revenues.
5. Mr. Keizo Kosaka, Mr. Kenji Murakami and Mr. Nobuyuki Kobayashi are candidates for appointment as Outside Directors. Further, if appointed as Directors, the three would become Independent Officers, outside corporate officers who have no potential conflicts of interest with general shareholders according to the criteria stipulated by Tokyo Stock Exchange.
6. The Company has concluded with each of Mr. Keizo Kosaka and Mr. Kenji Murakami an agreement to limit his liability as a director, as provided for in Article 423, Paragraph 1 of the Companies Act, to an amount not exceeding the total amount provided in each of the items in Article 425, Paragraph 1 of the Companies Act. These agreements would remain in effect in the event that Mr. Keizo Kosaka, and Mr. Kenji Murakami are appointed as a Director of the Company.
7. If Mr. Nobuyuki Kobayashi, a candidate for appointment as an Outside Director, is appointed, the Company will conclude a Liability Limitation Agreement with him.

Item No. 3 on the Agenda: Election of two (2) Audit & Supervisory Board Members

The term of office of Audit & Supervisory Board Member, Mr. Morihiro Murata, will expire and Audit & Supervisory Board Member, Mr. Tetsuji Akamatsu, will retire at the close of this General Meeting of Shareholders. Thus, an election is requested to elect two (2) Audit & Supervisory Board Members.

The following candidates have been nominated for the positions. The candidates for Audit & Supervisory Board Members are decided by the Board of Directors based on a recommendation of the “Nomination and Compensation Committee,” which is an advisory body of the Board of Directors, and the consent of the Audit & Supervisory Board.

Nominee Number	Name (Date of Birth)	Reappointment	Outside/Independent Auditor
1	Morihiro Murata (July 20,1946)	Number of Shares of the Company Held	
		4,700	
Brief Personal History		Years as a Member of the Board	
12/1970	Joined Arthur Young Tokyo Office	8Years	
11/1974 to present	Registered as a certified public accountant	Number of Meetings of the Board of Directors Attended (Percentage)	
7/2002	Representative of Asahi KPMG Tax Corporation		
1/2004	Representative Partner of KPMG Tax Corporation	13 out of 14 (93%)	
4/2006 to present	Representative of Morihiro Murata Accounting Office	Number of Meetings of the Audit & Supervisory Board Attended (Percentage)	
6/2011	Outside Audit & Supervisory Board Member of Kagome Co., Ltd.	11 out of 12 (92%)	
3/2012 to present	Outside Audit & Supervisory Board Member of the Company		
3/2016 to present	Outside Director (Audit and Supervisory Committee Member) of Kagome Co., Ltd. *Expected to retire from office on March 27, 2020		
3/2016 to present	Outside Audit & Supervisory Board Member of KOKUYO Co., Ltd. *Expected to retire from office on March 27, 2020		
Important Concurrent Post			
Certified public accountant, certified tax accountant, Representative of Morihiro Murata Accounting Office, Outside Director (Audit and Supervisory Committee Member) of Kagome Co., Ltd., Outside Audit & Supervisory Committee Member of KOKUYO Co., Ltd.			
Reason for nomination as a candidate for Outside Auditor			
Mr. Morihiro Murata, making full use of his abundant knowledge as a certified public accountant and public tax accountant with expertise in corporate accounting practices, has provided the Company with opinions on the performance of duties by the Directors from an objective point of view as an Outside Audit & Supervisory Board Member. The Company requests Mr. Murata’s reappointment in expectation that his continued provision of opinions and suggestions as an Outside Audit & Supervisory Board Member will contribute to reinforcing the Company’s audit system.			

Nominee Number	Name (Date of Birth)	New appointment	Outside/Independent Auditor
2	Hirofumi Yasuhara (August 28, 1956)	Number of Shares of the Company Held	
		0	
Brief Personal History			
4/1979	Joined Matsushita Electric Industrial Co., Ltd. <Currently Panasonic Corporation>		
6/2008	Director of PanaHome Corporation <Currently Panasonic Homes Co., Ltd.>		
6/2012	Representative Director of the above company		
6/2015	Senior Audit & Supervisory Board Member of Panasonic Corporation		
6/2019 to present	Outside Corporate Auditor of Santen Pharmaceutical Co., Ltd.		
Important Concurrent Post			
Outside Corporate Auditor of Santen Pharmaceutical Co., Ltd.			
Reason for nomination as a candidate for Outside Auditor			
Mr. Hirofumi Yasuhara has ample knowledge in corporate management, with experience in corporate management as Representative Director of PanaHome Corporation (currently Panasonic Homes Co., Ltd.), as well as Senior Audit & Supervisory Board Member of Panasonic Corporation and Outside Corporate Auditor of Santen Pharmaceutical Co., Ltd. The Company requests Mr. Yasuhara’s appointment in expectation that his provision of opinions and suggestions as an Outside Audit & Supervisory Board Member based on insights gained through such experience will contribute to reinforcing the Company’s audit system.			

Special Remarks Regarding Audit & Supervisory Board Member Candidates
(Notes)

1. There are no special interests between the Company and each candidate.
2. Mr. Morihiro Murata and Mr. Hirofumi Yasuhara are candidates for appointment as Outside Audit & Supervisory Board Members. Further, if appointed as Outside Audit & Supervisory Board Members, the two would become Independent Officers, outside corporate officers who have no potential conflicts of interest with general shareholders according to the criteria stipulated by Tokyo Stock Exchange.
3. The Company has concluded with Mr. Morihiro Murata an agreement to limit his liability as an Outside Audit & Supervisory Board Member, as provided for in Article 423, Paragraph 1 of the Companies Act, to an amount not exceeding the total amount provided in each of the items in Article 425, Paragraph 1 of the Companies Act (hereinafter referred to as the "Liability Limitation Agreement"). These agreements would remain in effect in the event that Mr. Morihiro Murata is appointed as an Outside Audit & Supervisory Board Member of the Company.
4. If Mr. Hirofumi Yasuhara, a candidate for appointment as an Outside Audit & Supervisory Board Member, is appointed, the Company will conclude the Liability Limitation Agreement with him.

BUSINESS REPORT

(January 1, 2019 – December 31, 2019)

1. Matters concerning the Current Status of the Group

(1) Development and Results of Business Operations

During the fiscal year ended December 31, 2019, the U.S. economy continued to expand steadily, and the European economy remained on a gradual recovery trend. However, uncertainty about the outlook for the global economy has remained due to factors such as an economic slowdown in China and an increase in potential downside risk to the economy due to situation with the U.S.–China trade issue.

The Japanese economy recovered only modestly, despite the steady improvement in the employment environment and pickup in personal consumption, due to weak capital investments and exports owing to uncertainty about trends of overseas economies.

The business environment surrounding the Sumitomo Rubber Group (the “Group”) remained tough due to the appreciation of the Japanese yen against the euro and emerging country currencies in addition to intensified competition with our competitors in the market, although the prices of natural rubber and petroleum-based raw materials remained stable.

Under these circumstances, the Group pursued various group-wide initiatives aimed at driving business growth and improving profitability. Specifically, we endeavored to achieve greater sales of high-value-added products, including fuel-efficient tires and high-performance tires, enhance our sales force in Europe and the U.S. and improve the value of the DUNLOP brand, while proactively entering new markets and business fields.

As a result, the Group’s consolidated financial results for fiscal 2019 were as follows: sales revenue declined to JPY 893,310 million (a year-on-year decrease of 0.1%) and business profit* was JPY 53,878 million (a year-on-year decrease of 11.2%), resulting in decreases in both revenue and profit. In addition, due to the delay in productivity improvement in the U.S. factory and the South African factory in the Tire Business and the delay in sales plans in the Switzerland factory in the Industrial and Other Products Business, the Group reviewed each business plan and recorded an impairment loss on goodwill and non-current assets. Consequently, the Group recorded a sharp decrease in profit, with operating profit declining to JPY 33,065 million (a year-on-year decrease of 42.1%) and profit attributable to owners of parent, which is net income after taking tax expenses into account, dropping to JPY 12,072 million (a year-on-year decrease of 66.7%).

(*) “Business profit” is “Sales revenue” less “Cost of sales” and “Selling, general and administrative expenses” and is approximately equivalent to “Operating profit” under the Japanese GAAP. The Company discloses business profit as well as reporting figures in the consolidated financial statements. The Company also believes that the indicator provides useful information for users of the consolidated financial statements to assess operating results.

[Outline of Each Business]

Tire Business

Sales revenue in the entire tire business decreased 0.1% from the previous fiscal year to JPY 767,551 million, and business profit decreased 9.8% to JPY 46,183 million.

(Domestic Replacement Market)

In addition to expanding sales of high-value-added products, particularly fuel-efficient tires under the DUNLOP brand, we captured a rush of demand before the consumption tax hike. However, sales of winter tires declined from the previous fiscal year due to the effects of a warm winter. As a result, sales revenue fell from the level of the previous fiscal year.

(Domestic Original Equipment Market)

Sales volume increased by improving the share through the expansion of car models for which the Group supplies tires and boosting sales of high-value-added products, particularly fuel-efficient tires. As a result, sales revenue exceeded the level of the previous fiscal year.

(Overseas Replacement Market)

Sales in the Asia/Pacific region were affected by the slowdown of the Chinese economy. In the Europe/Africa region, we steadily expanded sales of FALKEN brand products mainly in Europe. In the Americas region, sales of FALKEN brand products increased in North America on the strength of strong sales of WILDPEAK series tires for 4WD vehicles and SUVs. As a result, sales revenue in the overseas replacement market increased from the level of the previous fiscal year.

(Overseas Original Equipment Market)

We expanded supply of tires to Europe, North America, as well as emerging nations. As a result, sales revenue exceeded the level of the previous fiscal year.

As a result, sales revenue in the tire business decreased from the level of the previous fiscal year, and business profit decreased, due mainly to an increase in fixed costs and expenses in addition to the effects of unfavorable changes in exchange rates.

Sports Business

Sales revenue in the sports business increased 0.3% from the previous fiscal year to JPY 84,705 million, but business profit decreased 22.0% to JPY 4,282 million.

In the golf equipment market in Japan, the XXIO series was rebranded. In addition, XXIO ELEVEN and XXIO X-eks- golf clubs, which are equipped with new XXIO technology to “hit a golf ball straight, further, steadily,” were launched in December 2019 for a wider range of golfers and made a successful start. As a result, sales revenue exceeded the level of the previous fiscal year.

In overseas golf equipment markets, sales revenue fell below the level of the previous fiscal year due to a slowdown in the sales of high-value-added products in South Korea, the second-largest market in Asia, although sales of products such as NEW SRIXON Z-STAR SERIES golf balls and new Cleveland CBX2 Wedge golf clubs were strong in North America.

In the tennis equipment markets, DUNLOP Australian Open, the official ball of the Australian Open, was launched in Japan and various overseas regions. In addition, DUNLOP CX SERIES tennis rackets were launched in December 2018 in Japan and January 2019 in North America and Europe. However, sales revenue fell below the level of the previous fiscal year as the domestic market conditions were particularly weak.

In the wellness business, due to solid growth in membership of the existing gyms that continued from the previous fiscal year, as well as opening of compact gyms GYM STYLE, sales revenue exceeded the level of the previous fiscal year.

As a result, sales revenue in the sports business exceeded the level of the previous fiscal year, but business profit decreased, mainly affected by negative factors, such as higher cost of products and unfavorable changes in exchange rates in addition to a decrease in sales in South Korea.

Industrial and Other Products Business

Sales revenue in the industrial and other products business decreased 1.7% from the previous fiscal year to JPY 41,054 million, and business profit decreased 15.4% to JPY 3,397 million.

Businesses of precision rubber parts for medical use and vibration control dampers showed solid growth. However, sales decreased, reflecting a decrease in production of printers and photocopiers by major office manufacturers in the business of precision rubber parts for office machines, as well as a decrease in orders received relating to sports facilities in the business of infrastructure-based products.

As a result, sales revenue and business profit in the industrial and other products business fell below the level of the previous fiscal year.

【Consolidated Sales for Each Business】

Business	Revenue	Composition	Comparison with Previous Period
Tire Business	JPY 767,551million	85.9%	99.9%
Sports Business	JPY 84,705 million	9.5%	100.3%
Industrial and Other Products Business	JPY 41,054 million	4.6%	98.3%
Total	JPY 893,310 million	100.0%	99.9%

(2) Capital Investments

The Group invested a total of JPY 58,129 million yen in equipment and facilities during this period. Major investments were made to enhance the production capacity mainly for high-value-added products at our overseas factory, such as the Turkish factory, Thai factory, and Chinese factory for the tire business.

(3) Fund-Raising Activities

Our investments in equipment and facilities for this period were provided mainly by cash on hand and borrowings.

(4) Issues to be Addressed

With regard to the outlook for the global economy, economic uncertainty is expected to further increase amid concerns about the global effects of the situation regarding the U.S.–China trade issue, a slowdown in

the Chinese economic growth rate and the U.K.'s exit from the EU, and the manifestation of geopolitical risks in the Middle East region. Regarding Japan's economic prospects, although the economy is on a recovery trend, there is uncertainty about the economic impact of the scheduled increase in the consumption tax rate, as well as about moves of wage increases and removing concerns about fiscal conditions that lead to an improvement in consumer confidence. As a result, the economic outlook is expected to remain in the balance.

To respond to such business environment, aiming to achieve Our New Midterm Plan for 2025 released in February 2020, at the Group we will not only continue efforts in "Insatiable Drive for Innovation" and maximize results from our global infrastructure established through taking on the "Challenges of New Markets" and "Entering New Business Fields," but also carry out efforts to create new profits and strengthen the organizational framework to build a solid management foundation. Further, the Group will implement the following initiatives with the focus on "Developing and Promoting Sales of Advanced Products," "Creating New Value" and "Promoting ESG (Environmental, Social, Governance) Management" as value drivers, with the aim of enhancing its economic and societal value.

Tire Business

In the domestic market, we will introduce new products in order to enhance our presence in the fuel-efficient tire field. Under the DUNLOP brand, we will spread the new brand message, "Dedicated to Road Safety and Accident-Free Driving," and expand sales of high-value-added products, particularly VEURO VE304 equipped with performance maintenance technology for longer lasting safety.

In the tennis equipment business, we will make efforts to expand the use of the DUNLOP brand and enhance its value to bring out the maximum synergy effects with the tire business.

In overseas markets, we will continue our efforts to expand sales of FALKEN brand products, for which we are working to improve brand value, in Europe and the U.S., while seeking sales expansion in emerging nations. In addition, we will enhance brand awareness by increasing the supply of tires in the original equipment market by leveraging local technical centers, and expand sales globally through the supply of advanced tires, such as tires for SUVs which are enjoying growing demand, to premium car models.

In terms of development, amid the profound transformation that occurs only once every 100 years, we will deploy our SMART TYRE CONCEPT, a concept of developing tires and related services required by a future mobility society, for the development of next-generation tires and carry out monozukuri (manufacturing) that provides new added value. For instance, we will accelerate the speed of technological development, such as "Sensing Core," a technology that analyzes wheel speed signals (generated by tire rotation) to detect information on road conditions and tire load; "performance maintenance technology" that reduces performance degradation from various aspects; and "airless tire" technology that prevents flat tires from occurring, with an eye to creating the value for tires required by a new mobility society toward achieving a further evolution.

In terms of production, we will begin by working to stabilize production in the U.S. factory and South Africa factory and continue to increase our production capacity for advanced tires to meet growing sales in the global market. In addition, we will promote the use of digital technologies, such as artificial intelligence (AI) and the Internet of Things (IoT), where all things are connected to the Internet, and automation of equipment to respond to various issues presented on the production floor; push forward with a new production system concept toward achieving smart factories; and establish a supply system

that supports sustainable growth.

Sports Business

Regarding golf equipment, we will continue to promote sales of our flagship XXIO series products, as well as various products under our SRIXON and Cleveland Golf brands, with the aim of maintaining top share(*) and further expanding sales in the domestic market for golf clubs and golf balls.

In overseas markets, we will seek sales expansion by enhancing the marketing system, particularly in North America, the world's biggest market. We will also develop and launch products with top-notch performance by incorporating proprietary technologies, such as simulation technology and material development.

Regarding tennis equipment, we beefed up measures for global marketing. As a result, DUNLOP tennis balls were named the No.1 tennis ball on the ATP Tour in 2019 in terms of usage rate and chosen as the Official Ball of the Australian Open. We will continue with efforts to improve the value of DUNLOP brand and expand sales further.

In the wellness business, we will open new DUNLOP SPORTS CLUB and compact gyms GYM STYLE and attract new members.

* Volume-based share based on data from Yano Research Institute Ltd.

Industrial and Other Products Business

Regarding medical rubber parts, we will pursue further global business development centered on the European market with growth prospects, while proceeding with the establishment of a mass production system in the new production site in Slovenia.

Regarding vibration control units for housing, we will pursue sales expansion, focusing on the MIRAIE brand vibration control units for detached housing, and provide safe and high-quality products. We will continue to develop and supply high-value-added items in terms of quality and functions for all products to seek further business growth.

In addition, the Group will promote the following ESG activities in accordance with its Basic CSR Philosophy.

· Environment

The Group will endeavor to reduce CO₂ emissions per tire during its lifecycle, continue to attain complete zero emissions at its major factories in Japan and overseas, establish a technology for 100% recycling of wastewater from factories, and develop tires delivering safety performance and environmental performance simultaneously based on a new technology development concept "SMART TYRE CONCEPT."

· Social

The Group will introduce and utilize a multifaceted personnel evaluation system, in addition to the existing system of personnel evaluation by supervisors, with a respect for diverse people, values and ways of work and to create a corporate culture that can bring out the best of each employee. The Group will also improve the operational efficiency by adopting digital technologies, such as AI, the IoT and RPA (robotic process automation; automation of computer-based routine tasks) in order to create more time for employees to perform high-value-added tasks and take on new challenges.

Regarding the promotion of health management, the Group, in accordance with the Health Management Declaration that advocates “protecting one’s health by oneself,” will work to enhance employees’ health awareness by such means as implementing regular medical checkups and stress checks, as well as the thorough follow-up thereof and a solid health education program, and work for disease prevention and health promotion for employees.

· Governance

In light of the Group’s global business expansion and growing social requirements, the Group will endeavor to enhance corporate governance of the entire Group by means such as implementing measures to improve the effectiveness of the Board of Directors through evaluation, regular audits on subsidiaries, and activities to instill the Sumitomo Business Spirit and the SRI WAY.

The Sumitomo Rubber Group is proactively conducting activities toward achieving SDGs (Sustainable Development Goals) based on its CSR Guidelines as encompassed in the acronym “GENKI” that stands for the following five categories: Green (Green initiative), Ecology (Ecological process), Next (Next-generation product development), Kindness (Kindness to people), and Integrity (Integrity for stakeholders).

We would like to humbly request our shareholders to continue providing support and encouragement for the Sumitomo Rubber Group.

(5) Trend of Profit/Loss and Asset (IFRS)

(Unit: JPY million except “Basic profit per share” figure)

Division	125th December, 2016	126th December, 2017	127th December, 2018	128th December, 2019
Revenue	756,696	877,866	894,243	893,310
Business profit	74,916	66,975	60,681	53,878
Operating profit	73,284	67,449	57,155	33,065
Profit attributable to owners of parent	41,364	46,979	36,246	12,072
Basic profit per share	157.69	180.45	137.81	45.90
Total assets	897,634	1,018,266	1,002,383	1,035,484
Total equity	459,541	490,886	472,807	475,537

(Notes)

1. The Group has adopted the International Financial Reporting Standards (IFRS) in place of the Japanese GAAP from the 125th Term for presenting consolidated financial results. For reference purposes, the consolidated financial results for the 124th Term have been restated in accordance with the IFRS.
2. “Business profit” is “Revenue” less “Cost of sales” and “Selling, general and administrative expenses,” and is approximately equivalent to “Operating income” under the Japanese GAAP. The company discloses “Business profit” as well as reporting figures in the consolidated financial statements. The company also believes that the indicator provides useful information for users of the consolidated financial statements to assess operating results.
3. “Basic profit per share” is calculated based on the average of the total number of shares issued and outstanding for the relevant period (calculations exclude treasury stocks).
4. In the 124th Term, profit attributable to owners of parent increased significantly due to the recording of extraordinary income associated with the dissolution of business alliance with The Goodyear Tire & Rubber Company in the United States.

5. In the 125th Term, sales volume exceeded the level of the previous fiscal year in the mainstay tire business due to sales expansion in overseas markets and strong sales of winter tires in the domestic replacement market, but revenue, business profit, and operating profit decreased from the previous fiscal year, due mainly to the effects of exchange rate fluctuations and soaring raw material prices.
6. In the 127th Term, revenue increased from the previous fiscal year. However, business profit and operating profit declined from the previous fiscal year, due mainly to deterioration of sales mix in the mainstay tire business and increases in fixed costs and expenses. Profit attributable to owners of parent decreased significantly from the previous fiscal year, due primarily to the recording of impairment loss on goodwill in relation to a manufacturing and sales subsidiary in South Africa mainly because of a deterioration in the sales environment.
7. Information regarding the 128th Term (the year under review) is included above in “(1) Development and Results of Business Operations.”

(6) Major Lines of Business (As of December 31, 2019)

Business	Principal Products
Tire Business	Tires/Tubes (Automobile, Construction vehicles, Industrial vehicles, Race/Rally, Motorcycles, etc.), Automotive System (Instant Mobility System, Deflation Warning System)
Sports Business	Sports equipment (Golf clubs, Golf balls, other Golf items, Tennis items, etc.), Golf tournament operation, Golf and tennis school operation, Fitness club operation, etc.
Industrial and Other Products Business	High-performance rubber business (Vibration-control damper, Precision rubber parts for printers and photocopiers, Medical rubber products, etc.), Household items business (Rubber gloves for household use, Portable wheelchair ramps, etc.), Infrastructure business (Dock fenders, a variety of Floor materials for factories and sports facilities, etc.).

(7) Major Establishments and Principal Subsidiaries (As of December 31, 2019)

(i) The Company

Company Name	Category	Location
Sumitomo Rubber Industries, Ltd.	Head Office	Kobe-shi, Hyogo Pref,
	Tokyo Head Office	Koto-ku, Tokyo
	Factories	<Nagoya Factory> Toyota-shi, Aichi Pref., <Shirakawa Factory> Shirakawa-shi, Fukushima Pref., <Izumitsu Factory> Izumitsu-shi, Osaka Pref., <Miyazaki Factory> Miyakonojo-shi, Miyazaki Pref., <Kakogawa Factory> Kakogawa-shi, Hyogo Pref. <Ichijima Factory> Tamba-shi, Hyogo Pref.

(ii) The Subsidiaries

Company Name	Capital	Ownership	Main Business	Location
PT Sumi Rubber Indonesia	US\$ 100 million	72.5%	Manufacture and sale of tires, golf balls, etc.	Indonesia
Sumitomo Rubber (China) Co., Ltd.	CNY 3,394 million	100.0%	Supervision of tire business in China	China

Company Name	Capital	Ownership	Main Business	Location
Sumitomo Rubber (Changshu) Co., Ltd.	CNY 2,503 million	Indirect ownership 100.0%	Manufacture and sale of tires	China
Sumitomo Rubber (Hunan) Co., Ltd.	CNY 1,781 million	Indirect ownership 100.0%	Manufacture and sale of tires	China
Sumitomo Rubber (Thailand) Co., Ltd.	THB 14,000 million	100.0%	Manufacture and sale of tires	Thailand
Sumirubber Thai Eastern Corporation Co., Ltd.	THB 200 million	70.0%	Manufacture and sale of natural rubber	Thailand
Sumitomo Rubber USA, LLC	US\$ 89 million	Indirect ownership 100.0%	Sale of tires	U.S.A.
Sumitomo Rubber do Brasil Ltda.	BRL 1,599 million	100.0%	Manufacture and sale of tires	Brasil
Sumitomo Rubber AKO Lastik Sanayi ve Ticaret A.Ş.	TRY 1,057 million	80.0%	Manufacture and sale of tires	Turkey
Sumitomo Rubber South Africa (Pty) Limited	ZAR 410	100.0%	Manufacture and sale of tires	South Africa
Dunlop Golf Club Corporation	JPY 100 million	100.0%	Manufacture of golf clubs	Miyakonojo- shi, Miyazaki Pref.
Srixon Sports Manufacturing (Thailand) Co., Ltd.	THB 400 million	100.0%	Manufacture of hard tennis balls	Thailand
Dunlop International (Philippines), Inc.	PHP 90 million	Indirect ownership 100.0%	Manufacture of hard tennis balls and squash balls	Philippines
Roger Cleveland Golf Company, Inc.	US\$ 31 million	100.0%	Manufacture of hard tennis balls and squash balls	U.S.A.
Sumirubber Malaysia Sdn. Bhd.	MYR 28 million	100.0%	Manufacture and sale of rubber gloves; manufacture and sale of flat tire sealant	Malaysia
Zhongshan Sumirubber Precision Rubber Ltd.	US\$ 6 million	100.0%	Manufacture and sale of precision rubber parts for office machines	China

Company Name	Capital	Ownership	Main Business	Location
Sumirubber Vietnam, Ltd.	US\$ 5 million	100.0%	Manufacture and sale of precision rubber parts for office machines	Vietnam
Lonstroff AG	CHF 12 million	100.0%	Manufacture and sale of medical packaging material, precision rubber parts for medical use and industrial rubber parts	Switzerland

(8) Employees (As of December 31, 2019)

Business	Number of Employees	Increase (decrease)
Tire Business	32,392	+1,283
Sports Business	3,094	+58
Industrial and Other Products Business	3,181	+103
All Companies (common)	566	-63
Total	39,233	+1,381

(Note) The above are the number of full-time employees and exclude 5,131 temporary employees.

(9) Major Borrowings (As of December 31, 2019)

Name of Lender	Amount of Loan (JPY million)
Sumitomo Mitsui Banking Corporation	45,149
MUFG Bank, Ltd.	38,460
Development Bank of Japan Inc.	23,000
Mizuho Bank, Ltd.	21,735
The Norinchukin Bank	18,101
Sumitomo Mitsui Trust Bank, Ltd.	15,262

2. Shares of the Company (As of December 31, 2019)

(1) **Total Number of Shares Issuable** 800,000,000 Shares

(2) **Total Number of Shares Issued** 263,043,057 Shares

(3) **Number of Shareholders** 36,845

(4) **Major Shareholders (Top 10)**

Name of Shareholder	Number of Shares held (Thousand shares)	Ratio of Shareholding (%)
Sumitomo Electric Industries, Ltd.	75,879	28.85
The Master Trust Bank of Japan, Ltd.(Trust account)	12,115	4.61
Japan Trustee Services Bank, Ltd. (Trust account)	9,673	3.68
National Mutual Insurance Federation of Agricultural Cooperatives	7,331	2.79
Sumitomo Mitsui Banking Corporation	5,215	1.98
SMBC Nikko Securities Inc.	5,074	1.93
Sumitomo Corporation	4,805	1.83
Japan Trustee Services Bank, Ltd. (Trust account 9)	4,156	1.58
SSBTC CLIENT OMNIBUS ACCOUNT	4,040	1.54
Japan Trustee Services Bank, Ltd. (Trust account 5)	3,642	1.38

(Note) Ratio of Shareholding is calculated by deducting the treasury stocks (39,499shares) from the total number of shares issued.

3. Directors and Audit & Supervisory Board Members

(1) Directors and Audit & Supervisory Board Members (As of December 31, 2019)

Position	Name	Duties and Important Concurrent Posts
Representative Director, Chairman of the Board	Ikuji Ikeda	
Representative Director, President and CEO (President)	Satoru Yamamoto	
Representative Director (Vice President)	Minoru Nishi	Supervision of Technical Division In Charge of Motor Sports and Oversea Tyre Technical Service, General Manager of Tyre Technology HQ.
Representative Director (Vice President)	Kazuo Kinameri	Supervision of Administration Division and Domestic Business In Charge of Sports Business and Public Relations
Director (Managing Executive Officer)	Yasutaka Ii	Supervision of America Business, General Manager of America HQ.
Director (Senior Executive Officer)	Hiroki Ishida	Supervision of International Business Development & Administration, Finance, In Charge of Legal Affairs and Brand Management
Director (Senior Executive Officer)	Yutaka Kuroda	Supervision of Europe & Africa Business, General Manager of Europe & Africa HQ.
Director (Senior Executive Officer)	Naofumi Harada	In Charge of Hybrid business and Purchasing
Director (Senior Executive Officer)	Mitsuteru Tanigawa	Supervision of Asia & Pacific Business, General Manager of Asia & Pacific HQ.
Director	Keizo Kosaka	Attorney Toyo Aluminum K.K. Outside Audit & Supervisory Board Member Sekisui Plastics Co., Ltd. Outside Audit & Supervisory Board Member Techno Associe Co. Ltd. Outside Audit & Supervisory Board Member
Director	Kenji Murakami	
Director	Makoto Tani	Representative Director and Executive Vice President, Sumitomo Densetsu Co., Ltd.
Standing Audit & Supervisory Board Member	Hiroaki Tanaka	
Standing Audit & Supervisory Board Member	Takashi Kono	
Audit & Supervisory Board Member	Morihiro Murata	Certified Public Accountant and Tax Accountant Murata Morihiro Accounting Firm Representative Kagome Co., Ltd. Outside Director, Audit & Supervisory Committee Member KOKUYO Co., Ltd. Outside Audit & Supervisory Board Member

Position	Name	Duties and Important Concurrent Posts
Audit & Supervisory Board Member	Tetsuji Akamatsu	
Audit & Supervisory Board Member	Asli M. Colpan	Professor, Graduate School of Economics, Kyoto University Professor, Graduate School of Management, Kyoto University Outside Director of NISSHA Co., Ltd

(Notes)

- Positions that are listed within parentheses alongside official titles indicate the managerial positions of Executive Officers of the Company.
- At the 127th Ordinary General Meeting of Shareholders held on March 26, 2019, Mr. Mitsuteru Tanigawa and Mr. Makoto Tani were newly elected and appointed as Directors, and Mr. Takashi Kono was newly elected and appointed as an Audit & Supervisory Board Member.
- Representative Director, President and CEO Satoru Yamamoto is directly responsible for auditing and tire quality assurance.
- Directors Keizo Kosaka, Kenji Murakami and Makoto Tani are Outside Directors.
- Audit & Supervisory Board Members Morihiro Murata, Tetsuji Akamatsu, and Asli M. Colpan are outside Audit & Supervisory Board Members.
- The Company has designated Directors Keizo Kosaka, Kenji Murakami, Makoto Tani and Audit & Supervisory Board Members Morihiro Murata, Tetsuji Akamatsu and Asli M. Colpan 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 a notification to such effect.
- Standing Audit & Supervisory Board Member Hiroaki Tanaka has supervised the management section and engaged in management of subsidiaries for a considerable period of time at the Company and possesses extensive experience and broad insights as a manager.
- Standing Audit & Supervisory Board Member Takashi Kono oversaw accounting and finance for a considerable period of time at the Company and possesses a considerable degree of knowledge in finance and accounting.
- As a certified public accountant and a tax accountant, Audit & Supervisory Board Member Morihiro Murata is well acquainted with corporate accounting and possesses a considerable degree of knowledge with regard to both finance and accounting.
- Having been responsible for finance and accounting at Osaka Gas Co., Ltd., Audit & Supervisory Board Member Tetsuji Akamatsu possess a considerable degree of knowledge with regard to finance and accounting.
- As a person of learning and experience in the field of management, Audit & Supervisory Board Member Asli M. Colpan possesses a considerable degree of knowledge with regard to finance and accounting.

The following Directors and Audit & Supervisory Board Members retired during this period:

Name	Position at the Time of Retirement	Date of Retirement <Reason for Retirement>
Fumikiyo Uchioke	Director	March 26, 2019 <Due to expiration of his term>
Yasuyuki Sasaki	Standing Audit & Supervisory Board Member	March 26, 2019 <Due to expiration of his term>

(Notes)

- Mr. Fumikiyo Uchioke was Outside Director at the time of his retirement from office.

(2) Summary of Agreement Concerning Limitation of Liability

The Company has concluded an agreement with each Outside Directors and each Audit & Supervisory Board Members to limit their liabilities as Director and Audit & Supervisory Board Member. As specified in Article 423, Paragraph 1 of the Companies Act, their liability shall be limited to the aggregate of the amount specified in each item of Article 425, Paragraph 1 of the said law.

(3) Remuneration of Directors and Audit & Supervisory Board Members

	Number of Persons to be Paid	Amount Payable
Directors	13	JPY 526 million
Audit & Supervisory Board Members	6	JPY 76 million

(Notes)

1. The maximum amount of remuneration for directors and Audit & Supervisory Board Members was resolved not to exceed JPY 800 million per year (including JPY 70 million for Outside Directors) and JPY 100 million per year, respectively, at the 123rd Ordinary General Meeting of Shareholders held on March 26, 2015.
2. The above number of persons to be paid includes 1 Director and 1 Audit & Supervisory Board Member who retired as of March 26, 2019.

(4) Executive Officers (As of January 1, 2020)

Executive officers who do not concurrently serve as directors are as follows:

Position	Name	Duties and Important Concurrent Posts
Senior Executive Officer	Naoki Yamada	Sumitomo Rubber (China) Co., Ltd. Chairman and Chief Executive Officer Sumitomo Rubber (Changshu) Co., Ltd. Chairman and Chief Executive Officer Sumitomo Rubber (Hunan) Co., Ltd. Chairman
Senior Executive Officer	Takanori Aoi	In Charge of Safety & Environment Management, General Manager of Tyre Supply Chain Management HQ. and Tyre Manufacturing HQ.
Senior Executive Officer	Hidekazu Nishiguchi	In Charge of License Business, IT Planning, Overseas Tyre Sales and Motorcycle Tyre Sales, General Manager of Corporate Management Planning & Administration Dept.
Executive Officer	Masaharu Ono	Sumitomo Rubber (Thailand) Co., Ltd. President, Sumirubber Thai Eastern Corporation Co., Ltd. President
Executive Officer	Tetsuhiko Yoshioka	In Charge of Intellectual Property Dept., General Manager of Research & Development HQ. and Automotive System Division
Executive Officer	Toshihiko Komatsu	In Charge of Human Resource Development and CSR Promotion General Manager of Human Resources and General Affairs Dept.
Executive Officer	Tomohiko Masuta	In Charge of Industrial Tyre Business, General Manager of Original Equipment Tyre Business HQ.
Executive Officer	Kiyoshige Muraoka	General Manager of Material Research & Development HQ.
Executive Officer	Masatsugu Nishino	Sumitomo Rubber AKO Lastik Sanayi ve Ticaret A.Ş. President and CEO
Executive Officer	Eiichi Masuda	General Manager of Dunlop Tyres Sales HQ.
Executive Officer	Kenji Saito	Sumitomo Rubber USA, LLC President & CEO
Executive Officer	Hirotohi Murakami	General Manager of Hybrid Rubber Products Division Zhongshan Sumirubber Precision Rubber Ltd. President

Position	Name	Duties and Important Concurrent Posts
Executive Officer	Richard Smallwood	Sumitomo Rubber North America, Inc. President & CEO
Executive Officer	Hideaki Kawamatsu	General Manager of Sports Business HQ.
Executive Officer	Akio Onishi	Vice General Manager of Sports Business HQ. and General Manager of Product Development Dept.
Executive Officer	Naofumi Yanetani	General Manager of Oversea Tire Sales HQ.
Executive Officer	Atsuhiko Tanaka	Vice General Manager of Supply Chain Management HQ. and General Manager of Production Planning Dept. SRI Logistics Ltd. President
Executive Officer	Fumikazu Yamashita	Vice General Manager of Tyre Technical HQ. and General Manager of Technology Audit Dept., and General Manager of Advanced Technology Dept.
Executive Officer	Yasuo Watanabe	General Manager of International Business Development & Administration Dept.
Executive Officer	Riaz Haffjee	Sumitomo Rubber South Africa (Pty) Limited CEO Sumitomo Rubber Middle East FZE Chairman
Executive Officer	Takuzo Iwata	Vice General Manager of Tyre Manufacturing HQ. and General Manager of Manufacturing Planning Dept.
Executive Officer	Naoki Okawa	General Manager of Accounting & Finance Dept.

(5) Outside Directors / Audit & Supervisory Board Members

The details of Outside Directors/ Audit & Supervisory Board Members are as follows:

- (i) Status of Important Concurrently Held Outside Directors/ Audit & Supervisory Board Member (As of December 31, 2019)

Position	Name	Important Concurrent Post
Director	Keizo Kosaka	Attorney Toyo Aluminum K.K. Outside Audit & Supervisory Board Member Sekisui Plastics Co., Ltd. Outside Audit & Supervisory Board Member Techno Associe Co. Ltd. Outside Audit & Supervisory Board Member
Director	Makoto Tani	Representative Director and Executive Vice President of Sumitomo Densetsu Co., Ltd.
Audit & Supervisory Board Member	Morihiro Murata	Certified Public Accountant and Tax Accountant Murata Morihiro Accounting Firm Representative Kagome Co., Ltd. Outside Director, Audit & Supervisory Committee Member KOKUYO Co., Ltd. Outside Audit & Supervisory Board Member
Audit & Supervisory Board Member	Asli M. Colpan	Professor, Graduate School of Economics, Kyoto University Professor, Graduate School of Management, Kyoto University Outside Director of NISSHA Co., Ltd

(Notes)

- Sumitomo Densetsu Co., Ltd. provides engineering services, etc. for the Company's factories. This business relationship accounts for less than 0.1% of either company's total consolidated annual revenues.
- There are no special relationships between the Company and other companies in which the outside Directors/ Audit & Supervisory Board members hold important concurrently serving posts.

(ii) Major Activities Engaged by Outside Directors/ Audit & Supervisory Board Members

Position at the Company	Name	Attendance	Activities Engaged
Director	Keizo Kosaka	Meeting of the Board of Directors: 14 / 14	Provides opinions and suggestions based on his abundant knowledge and experience primarily as a lawyer.
Director	Kenji Murakami	Meeting of the Board of Directors: 14 / 14	Provides opinions and suggestions based on his abundant knowledge and experience primarily in the fields of business management.
Director	Makoto Tani	Meeting of the Board of Directors: 10 / 11	Provides opinions and suggestions based on his abundant knowledge and experience primarily in the fields of management.
Audit & Supervisory Board Member	Morihiro Murata	Meeting of the Board of Directors: 13 / 14 Audit & Supervisory Board: 11 / 12	Provides opinions and suggestions based on his abundant knowledge and experience primarily as a certified public accountant and a licensed tax accountant.
Audit & Supervisory Board Member	Tetsuji Akamatsu	Meeting of the Board of Directors: 14 / 14 Audit & Supervisory Board: 12 / 12	Provides opinions and suggestions based on his abundant knowledge and experience primarily in the fields of finance and business management.
Audit & Supervisory Board Member	Asli M. Colpan	Meeting of the Board of Directors: 14 / 14 Audit & Supervisory Board: 12 / 12	Provides opinions and suggestions based on her abundant knowledge and experience primarily in the fields of business management.

(Note)

At the 127th Ordinary General Meeting of Shareholders held on March 26, 2019, Mr. Makoto Tani was newly elected and appointed as a Director. After the 127th Ordinary General Meeting of Shareholders, Meetings of the Board of Directors were held a total of 11 times.

(iii) Remuneration of Outside Directors/ Audit & Supervisory Board Members

Number of Persons to be Paid	Amount Paid from the Company	Amount Paid from the Company's Subsidiary
7	JPY 53 million	—

(Notes)

1. The Company does not have a parent company.
2. The above number of persons to be paid includes 1 Director who retired as of March 26, 2019.

4. Accounting Auditor

(1) Name of Accounting Auditor

KPMG AZSA LLC

(2) Amount of Remuneration Payable to Each Accounting Auditor

Total amount of remuneration payable by the Company to the Accounting Auditor:

JPY 168 million

Total amount of remuneration payable by the Company and its subsidiaries to the Accounting Auditor:

JPY 173 million

(Notes)

1. The Company's Audit & Supervisory Board reviewed the content of the Accounting Auditor's audit plan, the status of execution of its accounting audit duties and the grounds for calculation of the estimated remuneration for the Accounting Auditor, based on the reports and necessary documents obtained from Directors, related divisions and departments and the Accounting Auditor, and as a result consented to the amount of remuneration, etc., for the Accounting Auditor under Article 399, Paragraph 1, of the Companies Act.
2. The audit agreement executed between the Company and the Accounting Auditor does not distinguish (nor is it practical to make such distinction) the auditor's fee receivable under the Companies Act and the auditor's fee receivable under the Financial Instruments and Exchange Law and the above amounts therefore represent the total of these fees payable by the Company.
3. Among our major establishments and principal subsidiaries, P.T. Sumi Rubber Indonesia, Sumitomo Rubber (China) Co., Ltd., Sumitomo Rubber (Changshu) Co., Ltd., Sumitomo Rubber (Hunan) Co., Ltd., Sumitomo Rubber (Thailand) Co., Ltd., Sumirubber Thai Eastern Corporation Co., Ltd., Sumitomo Rubber do Brasil Ltda., Sumitomo Rubber AKO Lastik Sanayi ve Ticaret A.S., Sumitomo Rubber South Africa (Pty) Limited, Srixon Sports Manufacturing (Thailand) Co., Ltd., Dunlop International (Philippines), Inc., Sumirubber Malaysia Sdn. Bhd., Zhongshan Sumirubber Precision Rubber Ltd., Sumirubber Vietnam, Ltd. and Lonstroff AG have undergone a statutory audit by certified public accountants or audit corporations (including those who have equivalent qualifications in foreign countries) besides the Company's Accounting Auditor.

(3) Contents of Non-Auditing Services

The Company has entrusted to the Accounting Auditor principally investigation and evaluation regarding the Company's finances and taxation as services falling outside the purview of Article 2, Paragraph 1 of the Certified Public Accountant Law (non-auditing services).

(4) The Company's Policy of Termination/Non-reappointment of an Accounting Auditor

If the Company's Audit & Supervisory Board decides that the Company should immediately terminate the Accounting Auditor pursuant to the provisions of Article 340 of the Companies Act, then the Accounting Auditor shall be dismissed by unanimous vote of all the Audit & Supervisory Board Members of the Company. If the Company's Audit & Supervisory Board evaluates the reappointment/non-reappointment of such Accounting Auditor pursuant to Article 344 of the Companies Act and decides that the Accounting Auditor would be unable to continue to properly perform its duties, the Audit & Supervisory Board shall determine the content of a proposal to be submitted to the shareholders meeting concerning the termination/non-reappointment of such Accounting Auditor.

(Note) In this Business Reports, all figures are rounded to the nearest notational unit.

Consolidated Statement of Financial Position

(As of December 31, 2019)

(Unit: JPY Million)

<u>ASSETS</u>	<u>AMOUNT</u>
CURRENT ASSETS:	460,054
Cash and cash equivalents	60,631
Trade and other receivables	190,261
Other financial assets	1,314
Inventories	182,769
Other current assets	25,079
NON-CURRENT ASSETS:	575,430
Property, plant and equipment	420,924
Goodwill	26,547
Intangible assets	43,445
Investments accounted for using equity method	4,258
Other financial assets	33,440
Net defined benefit asset	29,352
Deferred tax assets	14,798
Other non-current assets	2,666
<u>TOTAL ASSETS</u>	1,035,484

(Unit: JPY Million)

<u>LIABILITIES</u>	<u>AMOUNT</u>
CURRENT LIABILITIES:	288,847
Bonds and loans payable	106,644
Trade and other payables	127,040
Other financial liabilities	12,446
Income tax payable	4,851
Provisions	835
Other current liabilities	37,031
NON-CURRENT LIABILITIES:	271,100
Bonds and loans payable	157,589
Other financial liabilities	49,716
Net defined benefit liability	21,833
Provisions	1,565
Deferred tax liabilities	17,570
Other non-current liabilities	22,827
<u>TOTAL LIABILITIES</u>	559,947
<u>EQUITY</u>	<u>AMOUNT</u>
Equity attributable to owners of parent	460,800
Capital stock	42,658
Capital surplus	39,486
Retained earnings	444,783
Treasury stock	(75)
Other components of equity	(66,052)
Non-controlling interest	14,737
<u>TOTAL EQUITY</u>	475,537
<u>TOTAL LIABILITIES AND EQUITY</u>	1,035,484

CONSOLIDATED STATEMENT OF INCOME

(From January 1, 2019 to December 31, 2019)

(Unit: JPY Million)

<u>ITEM</u>	<u>AMOUNT</u>
Revenue	893,310
Cost of sales	(638,011)
Gross profit	255,299
Selling, general and administrative expenses	(201,421)
Business profit	53,878
Other income	2,939
Other expenses	(23,752)
Operating profit	33,065
Financial income	2,173
Financial expenses	(7,988)
Equity in earnings of affiliates	45
Profit before tax	27,295
Income tax expenses	(14,124)
Profit	13,171
Profit attributable to:	
Owners of parent	12,072
Non-controlling interests	1,099
Profit	13,171

NON-CONSOLIDATED BALANCE SHEET

(As of December 31, 2019)

(Unit: JPY Million)

<u>ASSETS</u>	<u>AMOUNT</u>
CURRENT ASSETS:	289,218
Cash and deposits	1,008
Notes receivable-trade	8,681
Accounts receivable-trade	169,031
Merchandise and finished goods	27,631
Work in process	3,018
Raw materials and supplies	18,769
Accounts receivable-other	20,817
Short-term loans receivable	45,920
Other	3,725
Allowance for doubtful accounts	(9,382)
NON-CURRENT ASSETS:	494,173
PROPERTY, PLANT AND EQUIPMENT:	109,291
Buildings	29,972
Structures	3,049
Machinery and equipment	35,371
Vehicles	499
Tools, furniture and fixtures	12,422
Land	20,001
Leased assets	1,562
Construction in progress	6,451
INTANGIBLE ASSETS:	23,270
Trademark right	13,737
Software	8,938
Leased assets	361
Other	234
INVESTMENTS AND OTHER ASSETS:	361,612
Investment securities	20,373
Stocks of subsidiaries and associates	315,546
Long-term loans receivable	3,677
Long-term prepaid expenses	1,103
Guarantee deposits	2,667
Prepaid pension cost	18,456
Allowance for doubtful accounts	(210)
<u>TOTAL ASSETS</u>	783,391

(Unit: JPY Million)

<u>LIABILITIES</u>	<u>AMOUNT</u>
CURRENT LIABILITIES:	281,148
Notes payable-trade	1,964
Accounts payable-trade	63,448
Current portion of bonds	10,000
Short-term loans payable	67,875
Current portion of long-term loans payable	19,853
Lease obligations	729
Accounts payable-other	41,870
Accrued expenses	5,175
Income tax payable	1,212
Deposits received	65,781
Provision for bonuses	2,072
Provision for directors' bonuses	84
Provision for sales rebates	377
Provision for loss on voluntary recall of products	310
Other	398
NON-CURRENT LIABILITIES:	161,998
Bonds payable	30,000
Long-term loans payable	118,788
Lease obligations	1,130
Deferred tax liabilities	2,259
Provision for retirement benefits	5,729
Asset retirement obligations	528
Provision for loss on voluntary recall of products	204
Other	3,360
<u>TOTAL LIABILITIES</u>	443,146
<u>NET ASSETS</u>	<u>AMOUNT</u>
TOTAL EQUITY:	330,537
Capital stock	42,658
Capital surplus:	38,702
Legal capital surplus	38,702
Other capital surplus	0
Retained earnings:	249,252
Legal retained earnings	4,536
Other retained earnings:	244,716
Reserve for advanced depreciation of non-current assets	2,515
Reserve for special depreciation	150
General reserve	74,842
Retained earnings brought forward	167,209
Treasury stock	(75)
VALUATION AND TRANSLATION ADJUSTMENTS:	9,708
Valuation difference on available-for-sale securities	9,708
<u>TOTAL NET ASSETS</u>	340,245
<u>TOTAL LIABILITIES AND NET ASSETS</u>	783,391

NON-CONSOLIDATED STATEMENT OF INCOME

(From January 1, 2019 to December 31, 2019)

(Unit: JPY Million)

<u>ITEM</u>	<u>AMOUNT</u>	
Net sales		512,349
Cost of sales		(395,171)
Gross profit		117,178
Selling, general and administrative expenses		(103,875)
Operating income		13,303
Non-operating income:		
Interest and dividend income	33,015	
Gain on valuation of derivatives	227	
Other	771	34,013
Non-operating expenses:		
Interest expenses	(1,831)	
Loss on sales of notes payable	(565)	
Foreign exchange losses	(232)	
Other	(1,646)	(4,274)
Ordinary income		43,042
Extraordinary income:		
Gain on extinguishment of tie-in shares	132	
Gain on sales of non-current assets	16	148
Extraordinary losses:		
Provision of allowance for doubtful accounts for subsidiaries and associates	(9,332)	
Loss on valuation of stocks of subsidiaries and affiliates	(8,129)	
Loss on retirement of non-current assets	(694)	
Loss on voluntary recall of products	(487)	
Loss on sales of non-current assets	(69)	(18,711)
Income before income taxes		24,479
Income taxes-current	(4,756)	
Income taxes-deferred	(310)	(5,066)
Profit		19,413

INDEPENDENT AUDITORS AUDIT REPORT

February 26, 2020

To: The Board of Directors of Sumitomo Rubber Industries, Ltd.

KPMG AZSA LLC

Designated Limited Liability Member & Executive Member

Kenichiro Kuroki

Certified Public Accountant

Designated Limited Liability Member & Executive Member

Hiroshi Tani

Certified Public Accountant

Designated Limited Liability Member & Executive Member

Takeru Yamada

Certified Public Accountant

Pursuant to Article 444, Paragraph 4 of “The Companies Act,” we have audited the accompanying consolidated financial statements, which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Income, the Consolidated Statement of Changes in Equity, and the Notes on the Consolidated Financial Statements of Sumitomo Rubber Industries, Ltd. (the “Company”) applicable to the 128th fiscal year from January 1, 2019 through December 31, 2019.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the latter part of first paragraph, Article 120 of the Ordinance of Companies Accounting, which prescribes some omissions of disclosure items required by International Financial Reporting Standards, and for designing and operating such internal controls as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditors. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on the auditors’ judgment, based on

the assessment of the risks of material misstatements in the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and method of application thereof, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above, prepared with the omission of some disclosure items required by International Financial Reporting Standards in accordance with the latter part of first paragraph, Article 120 of the Ordinance of Companies Accounting, present fairly, in all material respects, the financial position and results of operations of the Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended December 31, 2016.

Emphasis of Matter

As described in Notes on Changes in Accounting Policies, the Company has applied IFRS 16 "Leases" from the fiscal year under review. The said matter does not affect the opinion of the Accounting Auditor.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

INDEPENDENT AUDITORS AUDIT REPORT

February 26, 2020

To: The Board of Directors of Sumitomo Rubber Industries, Ltd.

KPMG AZSA LLC

Designated Limited Liability Member & Executive Member

Kenichiro Kuroki

Certified Public Accountant

Designated Limited Liability Member & Executive Member

Hiroshi Tani

Certified Public Accountant

Designated Limited Liability Member & Executive Member

Takeru Yamada

Certified Public Accountant

Pursuant to Article 436, Paragraph 2, Item 1 of “The Companies Act,” we have audited the accompanying non-consolidated financial statements, which comprise the Non-Consolidated Balance Sheet, the Non-Consolidated Statement of Income, the Non-Consolidated Statement of Changes in Total equity, the Notes on the Non-Consolidated Financial Statements, and the supplemental schedules of Sumitomo Rubber Industries, Ltd. (the “Company”) applicable to the 128th fiscal year from January 1, 2019 through December 31, 2019.

Management’s Responsibility for the Non-Consolidated Financial Statements, etc.

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the supplemental schedules in accordance with accounting standards generally accepted and recognized as fair and appropriate in Japan, and for designing and operating such internal controls as management determines are necessary to enable the preparation and fair presentation of non-consolidated financial statements and supplemental schedules that are free from material misstatements, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on the non-consolidated financial statements and the supplemental schedules based on our audit as independent auditors. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the supplemental schedules are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the supplemental schedules. The procedures selected and applied depend on the auditors’ judgment, based on an assessment of the risks of material misstatements in the non-consolidated

financial statements and the supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the supplemental schedules, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and method of application thereof, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements and the supplemental schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Company, applicable to the fiscal year ended December 31, 2016, in accordance with accounting standards generally accepted and recognized as fair and appropriate in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

AUDIT REPORT

Having reviewed the audit reports compiled by each Audit & Supervisory Board Member in regard to the performance of duties by the Directors of Sumitomo Rubber Industries, Ltd. (the “Company”) for the 128th business year (beginning on January 1, 2019 and ending on December 31, 2019), we, the Audit & Supervisory Board (the “Board”) of the Company, prepared this Audit Report and shall report as follows:

1. Method and Contents of Audit Performed by the Audit & Supervisory Board Members and the Board

- (1) We decided on the policies of audit and plans for conducting audit, received report from each Audit & Supervisory Board Member on the status of conducting audit and results of audit, received reports from Directors, etc. and from the Accounting Auditor on the status of performance of their duties, and requested explanation as necessary.
- (2) Each Audit & Supervisory Board Member, in observance of the auditing standards determined by the Board and in accordance with the auditing policy and auditing plans, communicated with the Directors, internal audit office and other employees, collected information and organized the environment for conducting an audit, participated in the meetings of the Board of Directors and other important meetings, received reports from the Directors and employees on the status of performance of their duties, requested explanation as necessary, read important approval documents, and conducted an investigation on the state of operations and conditions of assets at the head office and other main offices of the Company.
- (3) We checked and reviewed the resolution of the Board of Directors concerning the establishment of a system to assure that the performance of duties by the Directors is in compliance with laws and regulations and the Company’s Articles of Incorporation and other systems to assure that the Company’s business will be conducted properly, as well as the status of operation of the internal control system established in accordance with said resolution. As regards to affiliates, we communicated and exchanged information with the Directors and employees, etc. of the affiliates and received reports on business from the affiliates as appropriate.
- (4) We monitored and reviewed whether the Accounting Auditors remained independent and performed their audits appropriately, received reports from them on the status of performance of their duties, and requested explanation as necessary. We also received notice from the Accounting Auditors that the “system to assure proper performance of duties” (the matters provided in each item of Article 131 of the Corporate Accounting Regulations) is being established in accordance with the “Standards for Quality Control of Audits” (Business Accounting Council, October 28, 2005) and requested explanation as necessary.

Based on the above method, we reviewed the Business Report and the consolidated financial statements (Consolidated Statement of Financial Position, Consolidated Statement of Income, Consolidated Statement of Changes in Equity, and List of Notes to the Consolidated Financial Statements) in accordance with the International Financial Reporting Standards (IFRS) and the financial statements (Balance Sheet, Statement of Income, Statement of Changes in Net Assets, and List of Notes to the Financial Statements) and the supplemental schedules, for the current business year.

2. Results of Audit

(1) Result of Audit of the Business Report, etc.

We are of the view:

- (i) that the Business Report and the supplemental schedules fairly present the conditions of the Company as required by laws and regulations and the Articles of Incorporation of the Company;
- (ii) that in connection with the performance of duties by the Directors, we did not find any improper act or any material fact which constitutes a violation of laws and regulations or the Articles of Incorporation of the Company; and
- (iii) that the resolution of the Board of Directors concerning the internal control system is appropriate, and that there are no matters to be indicated concerning the execution of duties by the Directors concerning this internal control system, inclusive of that over financial reporting.

(2) Results of Audit of the Consolidated Financial Statements, the Financial Statements, and the Supplemental Schedules

We find that the method and results of audit conducted by the Accounting Auditor, KPMG AZSA LLC, are fair and appropriate.

February 27, 2020

Sumitomo Rubber Industries, Ltd.

Audit & Supervisory Board

Hiroaki Tanaka (seal)

Standing Audit & Supervisory Board Member

Takashi Kono (seal)

Standing Audit & Supervisory Board Member

Morihiro Murata (seal)

Audit & Supervisory Board Member

Tetsuji Akamatsu (seal)

Audit & Supervisory Board Member

Asli M. Colpan(seal)

Audit & Supervisory Board Member

(Note)

Audit & Supervisory Board Members Morihiro Murata, Tetsuji Akamatsu, and Asli M. Colpan are Outside Audit & Supervisory Board Members.