

The following is an English translation of the Notice of Convocation of the 125th Ordinary General Meeting of Shareholders of Sumitomo Rubber Industries, Ltd. (the “Company”) to be held on March 29, 2017. 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 7, 2017

To Our Shareholders

Sumitomo Rubber Industries, Ltd.
6-9, Wakinohama-cho 3-chome
Chuo-ku, Kobe-shi
Ikuji Ikeda
Representative Director, President and CEO

THE NOTICE OF CONVOCAION OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS

Please be advised that the 125th 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 5:45 p.m., March 28, 2017 (Tuesday) 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 29, 2017 (Wednesday) at 10:00 a.m.

2. Place: 13th floor Hall of the Company's Head Office
6-9, Wakinoama-cho 3-chome
Chuo-ku, Kobe-shi

3. Purpose of Meeting:

Items to be Reported:

- (1) Business Report, Consolidated Financial Statements for the 125th business term (from January 1, 2016 to December 31, 2016) and Audit Reports on the Consolidated Financial Statements from the Accounting Auditor and the Audit & Supervisory Board
- (2) Financial Statements for the 125th business term (from January 1, 2016 to December 31, 2016)

Items on the Agenda:

Item No. 1 on the Agenda: Approval of the proposed disposal of surplus
Item No. 2 on the Agenda: Partial amendments to the Articles of Incorporation
Item No. 3 on the Agenda: Election of eleven (11) Directors

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
“Notes to the Consolidated Financial Statements” in the consolidated financial statements
- (2) “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.

The “Notes to the Consolidated Financial Statements” and the “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 Wednesday, March 29, 2017

(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>

5:45 PM on Tuesday, March 28, 2017

(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>

5:45 PM on Tuesday, March 28, 2017

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] <http://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) The below environment is required to access to our site for exercising voting rights.
- (i) An environment where you can access to the internet.
 - (ii) If you are to use a personal computer, your computer should accommodate the internet viewing software Microsoft® Internet Explorer 6.0 or later. (Microsoft is a registered trademark of Microsoft Corporation in U.S.A. and in other countries.)
 - (iii) If you are to use a mobile phone, your phone should be such type that allows 128bit SSL communication (encrypted communication).
- (6) 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 a.m. – 9:00 p.m.)
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 a.m. – 5:00 p.m.)

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 30.00 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 25.00 per 1 common share of the Company
Total amount of dividend: JPY 6,557,922,225

- (3) Date of which the distribution of the surplus will be effective:
March 30, 2017

Item No. 2 on the Agenda: Partial amendments to the Articles of Incorporation

1. Reason for Amendment

- (1) In order to ensure more flexible operation of the General Meeting of Shareholders, the Company proposes making partial changes to the requirements for election of the Chairman of the General Meeting of Shareholders provided for in Article 14 of the current Articles of Incorporation.
- (2) Following the expansion of the scope of officers eligible for a liability limitation agreement due to the revised Companies Act, the Company proposes making a change to the scope of officers eligible for a liability limitation agreement provided for in Article 26 and Article 33 of the current Articles of Incorporation in order to enable non-executive Directors and Audit & Supervisory Board Members to fulfill their expected roles adequately and to continuously secure competent human resources.

Further, The Director Board has got approval from each member of Audit & Supervisory Board about amendment of Article 26.

2. Details of Amendments

The details of amendments are as follows.

(Amended part is underlined.)

Current articles	Proposed amendments
<p style="text-align: center;">CHAPTER III</p> <p style="text-align: center;">GENERAL MEETING OF SHAREHOLDERS</p> <p>(Chairman) Article 14 (1) The Director and Chairman of the Board shall preside as the Chairman of the General Meeting of Shareholders. (2) If the Director and Chairman of the Board is unable to act due to an accident, one of the other Directors shall take his/her place in the order predetermined by a resolution of the Board of Directors.</p>	<p style="text-align: center;">CHAPTER III</p> <p style="text-align: center;">GENERAL MEETING OF SHAREHOLDERS</p> <p>(Chairman) Article 14 (1) (The same as current provisions) (2) If the Director and Chairman of the Board is unable to act due to an accident or if there is a vacancy in the office of the Director and Chairman of the Board, one of the other Directors shall take his/her place in the order predetermined by a resolution of the Board of Directors.</p>

(Amended part is underlined.)

Current articles	Proposed amendments
<p style="text-align: center;">CHAPTER IV</p> <p>DIRECTORS AND THE BOARD OF DIRECTORS</p> <p>(Liability Limitation of <u>Outside Directors</u>) Article 26 In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with <u>Outside Directors</u> to limit their liability as provided for in Article 423, Paragraph 1 of said Act; provided, however, that the amount of the liability limitation under said agreement is limited to the sum of the amounts provided for in each item of Article 425, Paragraph 1 of the Companies Act.</p> <p style="text-align: center;">CHAPTER V</p> <p>AUDIT AND SUPERVISORY BOARD MEMBERS AND THE AUDIT AND SUPERVISORY BOARD</p> <p>(Liability Limitation of <u>Outside Audit & Supervisory Board Members</u>) Article 33 In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with <u>Outside Audit & Supervisory Board Members</u> to limit their liability as provided for in Article 423, Paragraph 1 of said Act; provided, however, that the amount of the liability limitation under said agreement is limited to the sum of the amounts provided for in each item of Article 425, Paragraph 1 of the Companies Act.</p>	<p style="text-align: center;">CHAPTER IV</p> <p>DIRECTORS AND THE BOARD OF DIRECTORS</p> <p>(Liability Limitation of <u>Directors</u>) In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with <u>Directors (excluding executive directors, etc.)</u> to limit their liability as provided for in Article 423, Paragraph 1 of said Act; provided, however, that the amount of the liability limitation under said agreement is limited to the sum of the amounts provided for in each item of Article 425, Paragraph 1 of the Companies Act.</p> <p style="text-align: center;">CHAPTER V</p> <p>AUDIT AND SUPERVISORY BOARD MEMBERS AND THE AUDIT AND SUPERVISORY BOARD</p> <p>(Liability Limitation of <u>Audit & Supervisory Board Members</u>) Article 33 In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with Audit & Supervisory Board Members to limit their liability as provided for in Article 423, Paragraph 1 of said Act; provided, however, that the amount of the liability limitation under said agreement is limited to the sum of the amounts provided for in each item of Article 425, Paragraph 1 of the Companies Act.</p>

Item No. 3 on the Agenda: Election of eleven (11) directors

The terms of office of all eleven (11) directors will expire at the close of this General Meeting of Shareholders. Thus, an election is requested to elect eleven (11) new 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 34,400
Brief Personal History and Position at the Company		Years as a Member of the Board
4/1979	Joined the Company	Ten (10) Years
1/2000	General Manager of Tire 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 to present	Representative Director, President and CEO (President) 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, etc. Mr. Ikeda has exercised leadership and worked out a clear management policy as CEO at Meetings of the Board of Directors. Accordingly, the Company requests Mr. Ikeda’s reappointment as a Director.		

Nominee Number	Name (Date of Birth)	Reappointment
2	Hiroaki Tanaka (September 14, 1953)	Number of Shares of the Company Held 34,502
Brief Personal History and Position at the Company		Years as a Member of the Board
4/1976	Joined the Company	Ten (10) Years
1/2002	General Manager of Industrial Products Division	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%)
3/2011	Representative Director, (Managing Executive Officer) of the Company	
3/2014 to present	Representative Director, (Vice President) of the Company	
<Duty> Supervision of Administration Division and Domestic Business. In charge of Public Relations		
Reason for nomination as a candidate for Director		
Since joining the Company, Mr. Hiroaki Tanaka has been engaged mainly in the human resources sections and has gained extensive experience and broad insights as a manager based on his experience as General Manager of the Industrial Products Division and Executive Officer Supervising the Administration Division, etc. Mr. Tanaka has promoted governance, etc. at Meetings of the Board of Directors. Accordingly, the Company requests Mr. Tanaka's reappointment as a Director.		

Nominee Number	Name (Date of Birth)	Reappointment
3	Minoru Nishi (May 10, 1955)	Number of Shares of the Company Held 14,486
Brief Personal History and Position at the Company		Years as a Member of the Board
4/1980	Joined the Company	Six (6) 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 to present	Representative Director, (Managing Executive Officer) of the Company	
<Duty> Supervision of Technical Division In Charge of Motor Sports and Oversea Tire Technical Service, General Manager of Tire Technology HQ.		
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 at Meetings of the Board of Directors. Accordingly, the Company requests Mr. Nishi's reappointment as a Director.		

Nominee Number	Name (Date of Birth)	Reappointment
4	Kenji Onga (September 22, 1954)	Number of Shares of the Company Held 18,619
Brief Personal History and Position at the Company		Years as a Member of the Board
4/1977	Joined the Company	Six (6) Years
1/2000	General Manager of Human Resources Dept. of the Company	Number of Meetings of the Board of Directors Attended (Percentage)
1/2003	President of P.T. Sumi Rubber Indonesia	
3/2005	Executive Officer of the Company	14 out of 14 (100%)
3/2009	Senior Executive Officer of the Company	
3/2011 to present	Director (Senior Executive Officer) of the Company	
<Duty> In charge of North America Business		
Important Concurrent Post		
Sumitomo Rubber USA, LLC Chairman & CEO, Sumitomo Rubber North America, Inc. Chairman		
Reason for nomination as a candidate for Director		
<p>Since joining the Company, Mr. Kenji Onga has been engaged mainly in the human resources 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 Sales of Domestic Original Equipment Tires, etc. Mr. Onga has led global management mainly in North America at Meetings of the Board of Directors. Accordingly, the Company requests Mr. Onga's reappointment as a Director.</p>		

Nominee Number	Name (Date of Birth)	Reappointment
5	Yasutaka Ii (January 25, 1959)	Number of Shares of the Company Held 15,774
Brief Personal History and Position at the Company		Years as a Member of the Board
4/1981	Joined the Company	Six (6) 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 to present	Director (Senior Executive Officer) of the Company	
<Duty> Supervision of America Business, General Manager of America HQ.		
Reason for nomination as a candidate for Director		
<p>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 manager 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.</p>		

Nominee Number	Name (Date of Birth)	Reappointment
6	Hiroki Ishida (July 11, 1958)	Number of Shares of the Company Held
		25,400
Brief Personal History and Position at the Company		Years as a Member of the Board
4/1981	Joined Sumitomo Electric Industries, Ltd.	Six (6) 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	Secretary to Mr. Yasuyuki Sasaki, Managing Executive Officer of the Company	14 out of 14 (100%)
3/2010	Executive Officer of the Company	
3/2011	Director (Senior Executive Officer) of the Company	
to present		
<Duty> Supervision of International Business Development & Administration, In charge of Finance, Legal Affairs, Brand Management		
Reason for nomination as a candidate for Director		
<p>Since joining Sumitomo Electric Industries, Ltd., Mr. Hiroki Ishida has held important positions and has gained extensive experience and broad insights as a manager based on his experience as Executive Officer in Charge of Finance of the Company, etc. Mr. Ishida has supervised the overall corporate finance at Meetings of the Board of Directors. Accordingly, the Company requests Mr. Ishida's reappointment as a Director.</p>		

Nominee Number	Name (Date of Birth)	Reappointment
7	Yutaka Kuroda (July 22, 1959)	Number of Shares of the Company Held
		14,800
Brief Personal History and Position at the Company		Years as a Member of the Board
4/1983	Joined the Company	Five (5) Years
7/2005	Administrator at 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, General Manager of Europe & Africa HQ		
Reason for nomination as a candidate for Director		
<p>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.</p>		

Nominee Number	Name (Date of Birth)	Reappointment
		Number of Shares of the Company Held
8	Satoru Yamamoto (June 14, 1958)	8,430
Brief Personal History and Position at the Company		Years as a Member of the Board
4/1982	Joined the Company	Two (2) Year
1/2001	General Sales Manager of Tire Sales & Marketing Division of the Company	Number of Meetings of the Board of Directors Attended (Percentage)
1/2007	President of Dunlop Falken Kyushu K.K. (Currently Dunlop Tire Kyushu K.K.)	
3/2010	Deputy General Manager of Dunlop Tyres Sales HQ of the Company	14 out of 14 (100%)
	Executive Officer 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 to present	Director (Senior Executive Officer) of the Company	
<Duty> Supervision of Asia & Pacific Business, General Manager of Asia & Pacific HQ		
Reason for nomination as a candidate for Director		
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 the President of the Group's sales subsidiary and Executive Officer in Charge of Sales of Replacement Tires. He has led global management mainly in Asia at Meetings of the Board of Directors. Accordingly, the Company requests Mr. Yamamoto's reappointment as a Director.		

Nominee Number	Name (Date of Birth)	Reappointment	Outside / Independent Director
9	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 To present	Admitted to the bar and Joined Irokawa Law Office	Eight (8) 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%)	
6/2008	Outside Audit & Supervisory Board Member of Keyence Corporation		
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.		
Important Concurrent Post			
Attorney 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 appointment 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
10	Fumikiyo Uchioke (October 29,1948)		
		Number of Shares of the Company Held	
		0	
Brief Personal History and Position at the Company		Years as a Member of the Board	
4/1971	Joined Sumitomo Electric Industries, Ltd.	Four (4) Years	
6/2003	Executive Officer of Sumitomo Electric Industries, Ltd.	Number of Meetings of the Board of Directors Attended (Percentage)	
6/2004	Managing Executive Officer of Sumitomo Electric Industries, Ltd.		
6/2005	Managing Director of Sumitomo Electric Industries, Ltd.	14 out of 14 (100%)	
6/2006	Director and Executive Vice President of Sumitomo Wiring Systems, Ltd.		
6/2007	Representative Director, President and Chief Executive Officer of Sumitomo Wiring Systems, Ltd.		
6/2012	Chairman of the Board of Directors of Sumitomo Wiring Systems, Ltd.		
6/2012 to present	Representative Director and Executive Vice President of Sumitomo Electric Industries, Ltd.		
3/2013 to present	Outside Director of the Company		
Important Concurrent Post			
Representative Director and Executive Vice President of Sumitomo Electric Industries, Ltd.			
Reason for nomination as a candidate for Outside Director			
Mr. Fumikiyo Uchioke, making full use of his experience as a Director of Sumitomo Electric Industries, Ltd., has provided the Company with invaluable opinions and suggestions with regard to various aspects of corporate management. The Company requests Mr. Uchioke's appointment 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	
		2,700	
Brief Personal History		Years as a Member of the Board	
4/1970	Entered Daiwa House Industry Co., Ltd	One (1)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		
4/2004	Representative Director, President and COO of Daiwa House Industry Co., Ltd	11 out of 11 (100%)	
4/2011	Representative Director, Vice Chairman of Daiwa House Industry Co., Ltd		
4/2012	Director of Daiwa House Industry Co., Ltd		
3/2016	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 appointment in expectation that his provision of opinions and suggestions as an Outside Director will result in improving the Company's corporate governance.			

Special Remarks Regarding Director Candidates

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. Ikeda is directly responsible for auditing and tire quality assurance.
3. Mr. Fumikiyo Uchioke is an Representative Director and Executive Vice President of Sumitomo Electric Industries, Ltd., which owns 28.76% of the total number of the Company's shares issued and outstanding (excluding treasury shares) and has a trading relationship with the Company in raw materials for tires, etc. This business relationship accounts for less than 1.0% of either company's total consolidated annual revenues.
4. Mr. Keizo Kosaka, Mr. Fumikiyo Uchioke and Mr. Kenji Murakami are candidates for appointment as an Outside Director. Further, if appointed as a Director, Mr. Keizo Kosaka, Mr. Fumikiyo Uchioke and Mr. Kenji Murakami would become Independent Officer, outside corporate officer who have no potential conflicts of interest with general shareholders according to the criteria stipulated by Tokyo Stock Exchange.
5. Special Remarks Regarding Mr. Fumikiyo Uchioke as a Director Candidate
The following incidences have occurred during Director Fumikiyo Uchioke's tenure as a Member of the Board of Directors of Sumitomo Electric Industries, Ltd.
In 2013, the European Commission imposed a fine against Sumitomo Electric Industries, Ltd. after determining that the company had violated European competition laws in its business dealings involving automotive parts. In 2014, the National Development and Reform Commission of the People's Republic of China imposed a fine against Sumitomo Electric Industries, Ltd. for violating the Anti-Monopoly Law of China with regard to its business dealings involving automotive parts. In 2013, the Japanese Fair Trade

Commission imposed a cease and desist order and a fine against Sumitomo Electric Industries, Ltd. for violating the Antimonopoly Act in its business dealings involving the construction of overhead transmission lines. In 2014, the European Commission imposed a fine against Sumitomo Electric Industries, Ltd. after determining that the company had violated European competition laws in its business dealings involving high-voltage electric cables.

6. At the 124th Ordinary General Meeting of Shareholders held on March 30, 2016, Mr. Kenji Murakami was newly elected and appointed as a Director. After the 124rd Ordinary General Meeting of Shareholders, Meetings of the Board of Directors were held a total of 11 times during this period.
7. The Company has concluded with Mr. Keizo Kosaka, Mr. Fumikiyo Uchioko 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. This agreement would remain in effect in the event that Mr. Keizo Kosaka, Mr. Fumikiyo Uchioko and Mr. Kenji Murakami are appointed as a Director of the Company.

BUSINESS REPORT

(January 1, 2016 – December 31, 2016)

The Company adopted the International Financial Reporting Standards (“IFRS”), in place of the previously applied Japanese standards, beginning from the current period. Accordingly, figures and comparison figures for the previous period have been restated in accordance with IFRS.

1. Matters concerning the Current Status of the Group

(1) Development and Results of Business Operations

During fiscal 2016 ended December 31, 2016, the U.S. economy continued its expansion and the economies of Europe recovered at a moderate pace, albeit by varying degrees of strength depending on the country. The economic growth slowed in China but remained at a high level, while it remained robust in India. On the other hand, the economic growth in Russia and Brazil remained sluggish. In addition, geopolitical risks increased further globally, and the economic uncertainty in Europe was heightened following Britain’s decision to leave the EU, and the result of the U.S. presidential election led to growing concerns about the U.S. government’s future course of actions. As a result, the global economy as a whole remained largely in a sluggish state.

The Japanese economy remained weak, reflecting sluggish capital investment and personal consumption caused by factors such as uncertainty over the outlook for corporate earnings due to an appreciation of the yen during the period.

Looking at the business environment surrounding the Sumitomo Rubber Group (the “Group”), natural rubber prices and oil prices began to increase at a moderate pace and remained relatively at low levels throughout fiscal 2016, although prices rose sharply toward the end of the period. On the other hand, the Group’s yen amount of sales was affected substantially due to the effect of the yen’s appreciation against major currencies, except for those of some emerging nations, during the period.

Under these circumstances, to realize its long-term vision, VISION 2020, with 2020 as the target year, the Group expanded sales of high-value-added products such as fuel-efficient tires, aggressively explored new markets and fields, and engaged in Group-wide initiatives to achieve business growth and enhance profitability.

Consequently, the Group’s consolidated financial results saw decreases in both revenues and profits

from the previous fiscal year, due mainly to the effect of the strong yen. Sales revenue was JPY 756,696 million (a year-on-year decrease of 5.2%), business profit was JPY 74,916 million (a year-on-year decrease of 5.0%), operating profit was JPY 73,284 million (a year-on-year decrease of 17.8%) and profit before tax was JPY 70,093 million (a year-on-year decrease of 21.2%). Profit attributable to owners of parent, which is net income after taking tax expenses into account, was JPY 41,364 million (a year-on-year decrease of 42.5%). Profit declined substantially from the level of the previous fiscal year, when extraordinary income was recorded resulting from the accounting treatment of dissolution of the alliance with The Goodyear Tire & Rubber Company in the U.S.

[Outline of Each Business]

Tire Business

Sales revenue for the entire tire business was JPY 648,445 million (a year-on-year decrease of 5.0%), and business profit was JPY 67,924 million (a year-on-year decrease of 8.2%).

(Domestic Replacement Market)

As for summer tires, the Group expanded sales mainly of the long-lasting and fuel-efficient “ENASAVE” series under the Dunlop brand and “LE MANS 4,” which are long-lasting and fuel-efficient tires that are comfortable and equipped with “SILENT CORE,” a special noise-absorbing sponge. Under the Falken brand, the Group aimed to enhance brand awareness and expanded sales of high-performance tires including our premium product “AZENIS FK453.” With respect to winter tires, shipments showed solid growth due to the nationwide early launch of “WINTER MAXX 02” studless tires, which maintain a high degree of both “long-lasting effectiveness” and “long-life performance,” and snowfall at the end of 2016r. As a result, sales revenue exceeded the level of the previous fiscal year.

(Domestic Original Equipment Market)

In the domestic original equipment market, sales revenue fell below the level of the previous fiscal year, as automobile production volume fell below the level of the previous fiscal year, despite our continued efforts to expand the volume delivered of high-value-added tires, mainly focusing on fuel-efficient tires.

(Overseas Replacement Market)

In the overseas replacement market, the Group established a business foundation toward the future in North America, where the Group had obtained a greater degree of management flexibility as a result of dissolving the alliance with The Goodyear Tire & Rubber Company. In Europe, the Group significantly expanded sales volume, mainly in Germany and the U.K. In China, the market saw slow consumption, but the Group’s sales volume exceeded the level of the previous fiscal year reflecting strong sales of new products. The Group’s sales volume grew also in new markets, including Africa and Central and South America, and the Middle East, but sales revenue fell below the level of the previous year due to the effect of the yen’s appreciation.

(Overseas Original Equipment Market)

In the overseas original equipment market, sales increased in Brazil, where we started to deliver our products in 2016, in addition to Thailand and South Africa. Furthermore, in North America and Europe, deliveries continued to expand mainly for overseas automakers, and therefore sales volume exceeded the level of the previous fiscal year. However, sales revenue fell below the level of the previous fiscal year due to the effect of the yen’s appreciation.

Sports Business

Sales revenue in the sports business was JPY 72,772 million (a year-on-year decrease of 6.4%), and business profit was JPY 4,303 million (a year-on-year increase of 63.3%) due mainly to a decrease in purchasing costs resulting from the yen's appreciation.

In the golf goods market in Japan, our flagship "XXIO 9" golf clubs steadily increased their sales, even though the number of golf course visitors declined from the level of the previous fiscal year, and we won the top share* again in the current period in terms of sales of golf clubs and golf balls. However, sales revenue fell below the level of the previous fiscal year in the golf goods market in Japan as a whole, partly because the golf apparel business saw decreased revenue due to switching to a licensing business with DESCENTE LTD. in the current fiscal year.

In overseas golf goods markets, we made aggressive efforts to globally expand sales of our brands "SRIXON," "XXIO," and "Cleveland Golf." However, due to the effect of the yen's appreciation, sales revenue fell below the level of the previous fiscal year.

In the tennis goods market in Japan, we earned the top share* in terms of sales of tennis rackets. However, sales revenue fell below the level of the previous fiscal year due to sluggish growth of the tennis goods market.

* Market share in amount according to a survey by Yano Research Institute Ltd.

Industrial and Other Products Business

Sales revenue in the industrial and other products business was JPY 35,479 million (a year-on-year decrease of 7.8%), and business profit was JPY 2,673 million (a year-on-year increase of 26.7%) mainly due to a reduction of costs.

Sales of "MIRAIE" brand vibration control units for housing grew steadily and the sales volume reached our annual target of 6,000 units. None of the houses equipped with the MIRAIE unit collapsed during the Kumamoto earthquakes, which led to us receiving a high reputation from our customers. As for medical rubber parts, we expanded global development mainly in Europe with Swiss-based Lonstroof AG as the core production base. Meanwhile, precision rubber parts for printers and photocopiers saw decreased revenue due to the effect of the yen's appreciation in addition to a production cutback due to deteriorating market conditions of printers and photocopiers. Sales of infrastructure-based products and materials such as sports facilities and civil works and marine facilities were weak mainly due to a delay in completion of facilities.

【Consolidated Sales for Each Business】

Business	Sales Revenue	Composition	Comparison with Previous Period
Tire Business	JPY 648,445million	85.7%	95.0%
Sports Business	JPY 72,772million	9.6%	93.6%
Industrial and Other Products Business	JPY 35,479million	4.7%	92.2%
Total	JPY 756,696million	100.0%	94.8%

(2) Capital Investments

The Group invested a total of JPY 49,606 million in equipment and facilities for this period. Major investments were made to enhance production capacity at our Thai factory, Turkish factory and South African factory for the tire business.

(3) Fund-Raising Activities

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

(4) Issues to be Addressed

With regard to the outlook for the global economy, there was a growing sense of uncertainty about the future due to factors including the effects of Britain's decision to leave the EU on Britain and the EU as well as the global effects of the protectionist policies by the new U.S. administration. The economic uncertainty is expected to further increase amid concerns about rising prices of crude oil and natural rubber, foreign exchange movements, and the manifestation of geopolitical risks.

As for Japan's economic prospects, consumer confidence is likely to be undercut by the effects of anxiety about financial issues and global economic uncertainty.

To respond to such business environment, the Group will carry out the incentives as detailed below.

Tire Business

In the domestic market, we will continuously introduce new products to further increase our presence in the fuel-efficient tire field. Under the Dunlop brand, in February 2017, we launched the "LE MANS V" in 61 size equipped with our new technology, "SHINOBI TECHNOLOGY" and "SILENT CORE," which brings a feel of comfort with dramatically improved ride and quietness. In March 2017, we also released "ENASAVE SP LT50," fuel-efficient tires for small trucks and buses whose life performance has been improved by 1.4 times compared to existing products.

In overseas markets, we will continue to seek sales expansion in emerging nations, while making efforts to increase the presence of the Falken brand in the U.K. market by leveraging Micheldever Group Ltd., * a British tire sales company the Group acquired in February 2017. Meanwhile, we will proactively promote sales expansion in Europe and the U.S., where we have a greater degree of management flexibility than before. In addition, we will work to offer products produced according to regional requirements in the global markets, such as by launching products that meet tighter environmental regulations.

In terms of development, we launched "ENASAVE NEXT II," our flagship fuel-efficient tire of the ENASAVE series, in November 2016. This new product has achieved the best grade "AAA-a" in the labeling system and significantly improved wear resistance by employing our "ADVANCED 4D NANO DESIGN" new materials development technology for the first time. Further, we will promote the practical application of "GYROBLADE" airless tire technology that prevents flat tires from occurring and "CORESEAL" tire sealant technology that prevents air leakage. Through these efforts, we will continue to release attractive products using our original advanced technologies.

In terms of production, we will increase our production capacity to meet growing sales in the global market. Furthermore, we will make investments to increase the capacity of the plant in the U.S., which we acquired in October 2015, the South African factory and the Brazilian factory, in addition to the Turkish factory as an important location for supplying tires to the European, Russian, Middle Eastern

and African markets, and will continue to ensure optimum supply-demand conditions for sustainable growth.

* The Company, as of January 5, 2017, executed a share transfer agreement with Graphite Capital Management LLP. and others to acquire all shares of Micheldever Group Ltd., a company engaged in wholesaling and retailing tires for motor vehicles and motorcycles, etc. The Company acquired all the shares for a consideration of GBP 215 million (about JPY 31,200 million; at an exchange rate of GBP 1= JPY 145) on February 10, 2017.

Sports Business

For golf equipment, we will continue to promote sales of our flagship “XXIO 9” golf clubs, as well as golf clubs under our “SRIXON” and “Cleveland Golf” brands, with the aim of maintaining the top share in the domestic market. For golf balls, we will introduce new products including “SRIXON” brand golf balls in addition to the premium “XXIO” brand golf balls. In overseas markets, we will carry on seeking steady sales expansion of “SRIXON,” “XXIO,” and “Cleveland Golf” brand golf clubs, as we will do in the domestic market, and continue efforts to increase the share of “SRIXON” golf balls.

For tennis equipment, we will strive to increase sales by launching new models of the “SRIXON” brand rackets and rolling out sales promotion campaigns for tennis balls.

In the wellness business, we will continue to open new compact gyms.

Industrial and Other Products Business

In the business fields of precision rubber parts for printers and photocopiers, we will cultivate new markets and new customers. In the vibration control business, we will make efforts to further develop a line of products focusing on the “MIRAIE” brand and provide safe and high-quality products. For the medical rubber parts, we will pursue further global business development centered on the European market. For the infrastructure-based business, we will deal with port improvement facilities that we have already received orders for in association with demand stemming from the Tokyo Olympics as well as facilities which will materialize hereafter in order to expand sales. We will continue to develop and supply high-value-added items in terms of quality and function for all products to seek further business growth.

Furthermore, we will strive to further enhance the value of the Dunlop brand in all our businesses by leveraging the trademark rights of the Dunlop brand overseas, for which we reached a purchase agreement with Sports Direct International plc in the U.K. at the end of 2016.

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

(i) Japanese GAAP

(Unit: JPY million except “Net income per share” figure)

Division	122st December, 2013	123rd December, 2014	124th December, 2015	(Reference) 125 th December, 2016
Sales	780,609	837,647	848,663	804,964
Operating income	77,055	86,251	77,067	74,325
Ordinary income	74,582	87,968	78,894	70,994
Net income	44,794	53,206	55,834	49,937
Net income per share	170.76	202.82	212.85	190.37
Total assets	867,464	973,587	936,154	899,646
Shareholders' equity	358,844	446,960	453,768	461,688

(Notes)

1. The net income per share is calculated based on the average of the total number of shares issued and outstanding for the relevant period (calculations were made excluding treasury stocks).
2. In the 123rd Term, our Group achieved increases in both revenues and profits compared with the 122nd Term as a result of further expanded sales of fuel-efficient tires and other high value-added products, though our Group faced intensified competition in tire business due to sluggish global market conditions.
3. In the 124th Term, although our overall sales revenues increases compared with the previous period due to the effects of the depreciation of the Japanese yen and other factors, both our operating profit and ordinary profit declines in our main Tire Business as a result of stagnating sales in emerging markets in addition to unexpectedly poor sales of winter tires in the Japanese domestic market due to an unusually warm winter. However, our Net income for the 124th Term increased to an all-time high as a result of the elimination of tax liability for appraisal losses involving joint venture companies in Europe, which had been included in our financial accounting for previous terms, as well as other factors resulting from the dissolution of our Global Alliance with the Goodyear Tire and Rubber Company (a corporation in the United States of America).
4. In the 125th Term, the Consolidated Financial Results are as a reference because the Results have not been audited by Independent Auditors.

(ii) IFRS

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

Division	124th December, 2015	125th December, 2016
Sales Revenue	798,483	756,696
Business profit	78,853	74,916
Operating income	89,173	73,284
Profit attributable to owners of parent	71,976	41,364
Basic profit per share	274.38	157.69
Total assets	932,432	897,634
Shareholders' equity	451,837	459,541

(Notes)

1. Revenue represents net sales under Japanese GAAP, after adjusting for deductions, etc. of sales incentives.
2. “Business profit” is “Sales revenue” subtracted by “Cost of sales” and “Selling, general and administrative expenses.” The company discloses business profit as well as reporting figures in the consolidated financial statements. The company also believes that the indicator is useful information for users of the consolidated financial statements to assess the operating results.
3. The difference between profit and net income under Japanese GAAP was caused mainly by the difference in accounting treatment of temporary profit or loss associated with the dissolution of the business alliance with The Goodyear Tire & Rubber Company in the United States, which occurred in 2015 and 2016.
4. The net income per share is calculated based on the average of the total number of shares issued and outstanding for the relevant period (calculations were made excluding treasury stocks).
5. Information regarding the 125th 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, 2016)

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.
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 Offices and Factories (As of December 31, 2016)

Company Name	Category	Location
Sumitomo Rubber Industries, Ltd.	Head Office	Kobe-shi, Hyogo
	Tokyo Head Office	Koto-ku, Tokyo
	Factories	<Nagoya Factory> Toyota-shi, Aichi Pref., <Shirakawa Factory> Shirakawa-shi, Fukushima Pref., <Izumiohtsu Factory> Izumiotsu-shi, Osaka Pref., <Miyazaki Factory> Miyakonojo-shi, Miyazaki Pref., <Kakogawa Factory> Kakogawa-shi, Hyogo Pref.
P.T. Sumi Rubber Indonesia	Head Office	Jakarta, West Java, Indonesia
	Factory	Cikampek, West Java, Indonesia
Sumitomo Rubber (China) Co., Ltd.	Head Office	Changshu, Jiangsu, China
Sumitomo Rubber (Changshu) Co., Ltd.	Head Office and Factory	Changshu, Jiangsu, China
Sumitomo Rubber (Hunan) Co., Ltd.	Head Office and Factory	Changsha, Hunan, China
Sumitomo Rubber (Thailand) Co., Ltd.	Head Office and Factory	Rayong, Thailand
Sumitomo Rubber USA, LLC	Head Office and Factory	Tonawanda, NY, U.S.A.
SUMITOMO RUBBER DO BRASIL LTDA.	Head Office and Factory	Fazenda Rio Grande, Paraná, Brazil
SUMITOMO RUBBER AKO LASTİK SANAYİ VE TİCARET A.Ş.	Head Office and Factory	Cankiri, Turkey
SUMITOMO RUBBER SOUTH AFRICA (PTY) LTD	Head Office	Durban, KwaZulu-Natal Province, South Africa
	Factory	Ladysmith, KwaZulu-Natal Province, South Africa
DUNLOP SPORTS CO. LTD.	Head Office	Kobe-shi
	Factory	Ichijima Factory (Tamba-shi, Hyogo Pref.)
Dunlop Golf Club Corporation	Head Office and Factory	Miyakonojo-shi, Miyazaki Pref.
Srixon Sports Manufacturing (Thailand) Co., Ltd.	Head Office and Factory	Kabinburi, Prachinburi, Thailand
Roger Cleveland Golf Company, Inc.	Head Office and Factory	Huntington Beach, California, U.S.A.
Sumirubber Malaysia Sdn. Bhd.	Head Office and Factory	Sungai Petani, Kedah, Malaysia
Zhongshan Sumirubber Precision Rubber Ltd.	Head Office and Factory	Zhongshan, Guangdong, China
Sumirubber Vietnam, Ltd.	Head Office and Factory	Hai Phong, Vietnam
Lonstroff AG	Head Office and Factory	Aargau, Switzerland

(Notes)

1. The Company bought all shares of GOODYEAR DUNLOP TIRES NORTH AMERICA, Ltd. held by Goodyear Tire & Rubber Company as a result of dissolving its business alliance with Goodyear Tire & Rubber Company on October 1st, 2015. GOODYEAR DUNLOP TIRES NORTH AMERICA, Ltd. changed its name to Sumitomo Rubber USA, LLC on April 1st, 2016.

(8) Principal Subsidiaries (As of December 31, 2016)

Name	Capital	Ownership	Main Business
DUNLOP SPORTS CO. LTD.	JPY 9,208 million	60.4%	Manufacture and sale of golf, tennis and other sports equipment
P.T. Sumi Rubber Indonesia (Indonesia)	US\$ 100 million	72.5%	Manufacture and sale of tires, golf balls, etc.
Sumitomo Rubber (China) Co., Ltd. (China)	CNY 3,394 million	100.0%	Supervision of tire business in China
Sumitomo Rubber (Changshu) Co., Ltd. (China)	CNY 2,503 million	Indirect ownership 100.0%	Manufacture and sale of tires
Sumitomo Rubber (Hunan) Co., Ltd. (China)	CNY 1,781 million	Indirect ownership 100.0%	Manufacture and sale of tires
Sumitomo Rubber (Thailand) Co., Ltd. (Thailand)	THB 14,000 million	100.0%	Manufacture and sale of tires
Sumitomo Rubber USA, LLC	US\$ 89 million	100.0%	Sale of tires
Sumitomo Rubber North America, Inc.	US\$ 25 million	Indirect ownership 100.0%	Manufacture and sale of tires
SUMITOMO RUBBER DO BRASIL LTDA.(Brazil)	BRL 1,220 million	100.0%	Manufacture and sale of tires
SUMITOMO RUBBER AKO LASTİK SANAYİ VE TİCARET A.Ş. (Turkey)	TRY 971 million	80.0%	Manufacture and sale of tires
SUMITOMO RUBBER SOUTH AFRICA (PTY) LTD (South Africa)	ZAR 370	100.0%	Manufacture and sale of tires

(Notes)

1. The Company's ratio of capital contribution in DUNLOP SPORTS CO. LTD. was calculated excluding treasury stock.
2. Falken Tire Corporation changed its name to Sumitomo Rubber North America, Inc. on January 1st, 2016 as a result of dissolving its business alliance with Goodyear Tire & Rubber Company on October 1st, 2015..
3. The Company bought all shares of GOODYEAR DUNLOP TIRES NORTH AMERICA, Ltd. held by Goodyear Tire & Rubber Company as a result of dissolving its business alliance with Goodyear Tire & Rubber Company on October 1st, 2015. GOODYEAR DUNLOP TIRES NORTH AMERICA, Ltd. changed its name to Sumitomo Rubber USA, LLC on April 1st, 2016.
4. During 2016, SUMITOMO RUBBER AKO LASTİK SANAYİ VE TİCARET A.Ş. increased its capital by Turkish Lira 331 million.
5. During 2016, SUMITOMO RUBBER SOUTH AFRICA (PTY) LTD increased its capital surplus by South Africa Rand 200 million.

(9) Employees (As of December 31, 2016)

Business	Number of Employees	Increase (decrease)
Tire Business	27,484	+ 501
Sports Business	2,313	+ 92
Industrial and Other Products Business	3,352	-120
All Companies (common)	643	+ 134
Total	33,792	+ 607

(Note) The above are the number of full-time employees and exclude 3,818 temporary employees.

(10) Major Borrowings (As of December 31, 2016)

Name of Lender	Amount of Loan (JPY million)
Sumitomo Mitsui Banking Corporation	38,669
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	26,792
Sumitomo Mitsui Trust Bank, Ltd.	18,761
Mizuho Bank, Ltd.	11,368
Development Bank of Japan Inc.	10,216
The Norinchukin Bank	6,349
Nippon Life Insurance Company	4,623

2. Shares of the Company (As of December 31, 2016)

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

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

(3) **Number of Shareholders** 21,325

(4) Major Shareholders (Top 10)

Name of Shareholder	Number of Shares held (Thousand shares)	Ratio of Shareholding (%)
Sumitomo Electric Industries, Ltd.	75,445	28.76
JP MORGAN CHASE BANK 385632	9,859	3.76
Japan Trustee Services Bank, Ltd. (Trust account)	7,482	2.85
The Master Trust Bank of Japan, Ltd.(Trust account)	7,149	2.73
Sumitomo Mitsui Banking Corporation	5,215	1.99
Sumitomo Corporation	4,805	1.83
National Mutual Insurance Federation of Agricultural Cooperatives	4,054	1.55
THE BANK OF NEW YORK MELLON 140044	3,798	1.45
CBNY-ORBIS SICAV	3,583	1.37
Japan Trustee Services Bank, Ltd. (Trust account 9)	3,315	1.26

(Note) Ratio of Shareholding is calculated by deducting the treasury stocks (726,168shares) 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, 2016)

Position	Name	Duty and Important Concurrent Post
Representative Director, President and CEO (President)	Ikuji Ikeda	
Representative Director (Vice President)	Hiroaki Tanaka	Supervision of Administration Division and Domestic Business. In charge of Public Relations
Representative Director (Managing Executive Officer)	Minoru Nishi	Supervision of Technical Division In Charge of Motor Sports and Oversea Tire Technical Service, General Manager of Tire Technology HQ.
Director (Senior Executive Officer)	Kenji Onga	In charge of North America Business Sumitomo Rubber USA, LLC Chairman & CEO, Sumitomo Rubber North America, Inc. Chairman
Director (Senior 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, In charge of Finance, Legal Affairs, Brand Management
Director (Senior Executive Officer)	Yutaka Kuroda	Supervision of Europe & Africa Business, General Manager of Europe & Africa HQ
Director (Senior Executive Officer)	Satoru Yamamoto	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	Fumikiyo Uchioke	Sumitomo Electric Industries, Ltd. Representative Director and Executive Vice President
Director	Kenji Murakami	
Standing Audit & Supervisory Board Member	Toshiyuki Noguchi	
Standing Audit & Supervisory Board Member	Yasuyuki Sasaki	DUNLOP SPORTS CO. LTD. Audit & Supervisory Board Member
Audit & Supervisory Board Member	Tadao Kagano	Konan University Special Visiting Professor NTN Corporation Outside Audit & Supervisory Board Member
Audit & Supervisory Board Member	Morihiro Murata	Certified Public Accountant and Tax Accountant Representative of Murata Morihiro Accounting Firm KOKUYO Co.,Ltd. Outside Audit & Supervisory Board Member KAGOME CO., LTD. Outside Director, Audit & Supervisory Committee Member

Position	Name	Duty and Important Concurrent Post
Audit & Supervisory Board Member	Tetsuji Akamatsu	

(Notes)

- Positions that are listed within parentheses alongside official titles indicate the managerial positions of Executive Officers of the Company.
- At the 124th Ordinary General Meeting of Shareholders held on March 30, 2016, Mr. Kenji Murakami was newly elected and appointed as a Director.
- Representative Director, President and CEO Ikuji Ikeda is directly responsible for Audit and Tyre Quality Assurance.
- Directors Keizo Kosaka, Fumikiyo Uchioke and Kenji Murakami are outside directors.
- Audit & Supervisory Board Members Tadao Kagano, Morihiko Murata and Tetsuji Akamatsu are outside Audit & Supervisory Board Members.
- The Company has designated Directors Keizo Kosaka, Fumikiyo Uchioke and Kenji Murakami and Audit & Supervisory Board Members Tadao Kagano, Morihiko Murata and Tetsuji Akamatsu 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.
- Standing Audit & Supervisory Board Member Toshiyuki Noguchi oversaw accounting and finance for a considerable period of time at the Company and possesses a considerable degree of knowledge with regard to finance and accounting.
- Standing Audit & Supervisory Board Member Yasuyuki Sasaki oversaw accounting and finance for a considerable period of time at the Company and Sumitomo Electric Industries, Ltd. and possesses a considerable degree of knowledge with regard to in finance and accounting.
- As a person of learning and experience in the field of management, Audit & Supervisory Board Member Tadao Kagano is well acquainted with business administration and possesses a considerable degree of knowledge with regard to finance and accounting.
- As a certified public accountant and a tax accountant, Audit & Supervisory Board Member Morihiko 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.

The following directors retired during this period:

Name	Position at the Time of Retirement	Date of Retirement
Tetsuji Mino	Director and Chairman of the Board	March 30, 2016 (Due to expiration of his term)

Changes of Duties and Important Concurrent Posts of Directors since January 1, 2017

Name	New	Old	Date of Transfer
Minoru Nishi	Supervision of Technical Division, In Charge of Motor Sports and Oversea Tire Technical Service, General Manager of Tire Technology HQ.	Supervision of Technical Division	January 1, 2017

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

	Number of Persons to be Paid	Amount Payable
Directors	12	JPY 492 million
Audit & Supervisory Board Members	5	JPY 74 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 1Director who retired as of March 30, 2016.

(3) Executive Officers (As of January 1, 2017)

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

Position	Name	Duty and Important Concurrent Post
Senior Executive Officer	Kozaburo Nakaseko	In charge of Research & Development, Automotive System Division and Intellectual Property
Senior Executive Officer	Naofumi Harada	In Charge of Hybrid Rubber Products HQS and Purchasing
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 Tire Supply Chain Management HQ. and Tire Manufacturing HQ.
Senior Executive Officer	Hidekazu Nishiguchi	In Charge of Overseas Tire Sales and Motorcycle Tire Sales, General Manager of Corporate Management Planning & Administration Department
Executive Officer	Norifumi Fujimoto	SUMITOMO RUBBER AKO LASTİK SANAYİ VE TİCARET A.Ş. Director and President
Executive Officer	Masaharu Ono	Sumitomo Rubber (Thailand) Co.,Ltd. President, Sumirubber Thai Eastern Corporation Co.,Ltd. President
Executive Officer	Tetsuhiko Yoshioka	General Manager of Research & Development HQ. and Automotive System Division
Executive Officer	Takashi Kono	In Charge of IT Planning General Manager of Finance Department
Executive Officer	Toshihiko Komatsu	In Charge of CSR Promotion and Human Resource Development General Manager of Human Resources and General Affairs Department
Executive Officer	Tomohiko Masuta	In Charge of Industrial Tyre General Manager of Original Equipment Tyre Business HQ.
Executive Officer	Kiyoshige Muraoka	General Manager of Material Research & Development HQ.
Executive Officer	Masatsugu Nishino	Falken Tyre Europe GmbH president SUMITOMO RUBBER AKO LASTİK SANAYİ VE TİCARET A.Ş. Director
Executive Officer	Eiichi Masuda	General Manager of Dunlop Tyres Sales HQ
Executive Officer	Kenji Saito	Vice General Manager of Tire Manufacturing HQ.and General Manager of Shirakawa Factory
Executive Officer	Hirotohi Murakami	General Manager of Hybrid Rubber Products Division Zhongshan Sumirubber Precision Rubber Ltd. President

Position	Name	Duty and Important Concurrent Post
Executive Officer	Richard Smallwood	Sumitomo Rubber North America, Inc. CEO & President
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 Department., and President of SRI Logistics Ltd.
Executive Officer	Fumikazu Yamashita	Senior Vice President of Sumitomo Rubber USA, LLC as a member of Tire Technical HQ.

(4) 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, 2016)

Position	Name	Important Concurrent Post
Director	Keizo Kosaka	Attorney Irokawa Law Office representative partner 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	Fumikiyo Uchioke	Sumitomo Electric Industries, Ltd. Representative Director and Executive Vice President
Audit & Supervisory Board Member	Tadao Kagono	Konan University Special Visiting Professor NTN Corporation Outside Audit & Supervisory Board Member
Audit & Supervisory Board Member	Morihiro Murata	Certified Public Accountant and Tax Accountant Representative of Murata Morihiro Accounting Firm KOKUYO Co.,Ltd. Outside Audit & Supervisory Board Member KAGOME CO., LTD. Outside Director, Audit & Supervisory Committee Member

(Notes)

1. Sumitomo Electric Industries, Ltd. holds 28.76% of the Company's issued and outstanding shares (excluding treasury shares). The Company trades with Sumitomo Electric Industries, Ltd. for raw materials for tires. This business relationship accounts for less than 1.0% of either company's total consolidated annual revenues.
2. There are no special relationships between the Company and other companies in which the outside directors/ Audit & Supervisory Board membes 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: Attended 14 meetings	Provides opinions and suggestions based on his abundant knowledge and experience primarily as a lawyer.
Director	Fumikiyo Uchioke	Meeting of the Board of Directors: Attended 14 meetings	Provides opinions and suggestions based on his abundant knowledge and experience primarily in the fields of management.
Director	Kenji Murakami	Meeting of the Board of Directors: Attended 11 meetings	Provides opinions and suggestions based on his abundant knowledge and experience primarily in the fields of business management.
Audit & Supervisory Board Member	Tadao Kagono	Meeting of the Board of Directors: Attended 14 meetings Audit & Supervisory Board: Attended 12 meetings	Provides opinions and suggestions based on his abundant scholastic knowledge and experience primarily.
Audit & Supervisory Board Member	Morihiro Murata	Meeting of the Board of Directors: Attended 13 meetings Audit & Supervisory Board: Attended 12 meetings	Provides opinions and suggestions based on his abundant knowledge and experience primarily as a certified public accountant and a licensed tax accountant.

Position at the Company	Name	Attendance	Activities Engaged
Audit & Supervisory Board Member	Tetsuji Akamatsu	Meeting of the Board of Directors: Attended 14 meetings Audit & Supervisory Board: Attended 12 meetings	Provides opinions and suggestions based on his abundant knowledge and experience primarily in the fields of finance and business management.

(Notes)

1. During the year under review, Meetings of the Board of Directors were held a total of 14 times and Meetings of the Audit & Supervisory Boards were held a total of 12 times.
2. At the 124th Ordinary General Meeting of Shareholders held on March 30, 2016, Mr. Kenji Murakami was newly elected and appointed as a Director. After the 124rd Ordinary General Meeting of Shareholders, Meetings of the Board of Directors were held a total of 11 times during this period.
- 3.

(iii) Summary of Agreement Concerning Limitation of Liability

The Company has concluded an agreement with each Outside Directors and 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.

(iv) 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
6	JPY 51 million	-

(Notes)

The Company does not have a parent company.

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 172 million

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

JPY 515 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.
2. Among our 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., Sumitomo Rubber USA, LLC, Sumitomo Rubber North America, Inc., SUMITOMO RUBBER DO BRASIL LTDA. and SUMITOMO RUBBER SOUTH AFRICA (PTY) LTD were statutory audited 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 the following services falling outside the purview of Article 2, Paragraph 1 of the Certified Public Accountant Law (non-auditing services).

- Investigation and evaluation regarding the Company's finances and taxation.

(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, 2016)

(Unit: JPY Million)

<u>ASSETS</u>	<u>AMOUNT</u>
CURRENT ASSETS:	412,559
Cash and cash equivalents	66,492
Trade and other receivables	182,855
Other financial assets	3,821
Inventories	138,993
Other current assets	20,398
NONCURRENT ASSETS:	485,075
Property, plant and equipment	363,293
Goodwill	15,351
Intangible assets	21,445
Investments accounted for using equity method	4,071
Other financial assets	41,239
Net defined benefit asset	20,635
Deferred tax assets	13,888
Other non-current assets	5,153
<u>TOTAL ASSETS</u>	897,634

(Unit: JPY Million)

<u>LIABILITIES</u>	<u>AMOUNT</u>
CURRENT LIABILITIES:	252,003
Bonds and loans payable	77,056
Trade and other payables	120,236
Other financial liabilities	2,624
Income tax payable	9,960
Provisions	7,350
Other current liabilities	34,777
NONCURRENT LIABILITIES:	186,090
Bonds and loans payable	121,556
Other financial liabilities	4,577
Net defined benefit liability	22,188
Provisions	1,197
Deferred tax liabilities	12,154
Other non-current liabilities	24,418
<u>TOTAL LIABILITIES</u>	438,093
<u>EQUITY</u>	
Equity attributable to owners of parent	429,316
Capital stock	42,658
Capital surplus	37,937
Retained earnings	389,970
Treasury stock	(570)
Other components of equity	(40,679)
Noncontrolling interest	30,225
<u>TOTAL EQUITY</u>	459,541
<u>TOTAL LIABILITIES AND EQUITY</u>	897,634

CONSOLIDATED STATEMENT OF INCOME

(From January 1, 2016 to December 31, 2016)

(Unit: JPY Million)

<u>ITEM</u>	
Sales revenue	756,696
Cost of sales	(499,650)
Gross profit	257,046
Selling, general and administrative expenses	(182,130)
Other income	3,930
Other expense	(5,562)
Operating profit	73,284
Financial income	3,168
Financial expense	(6,416)
Equity in earnings of affiliates	57
Profit before tax	70,093
Income tax expenses	(27,822)
Profit	42,271
Profit attributable to:	
Owners of parent	41,364
Non-controlling interests	97
Profit	42,271

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(From January 1, 2016 to December 31, 2016)

(Unit: JPY Million)

	Equity attributable to owners of parent				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Other components of equity
					Currency translation differences of foreign operations
Balance as of January 1, 2016	42,658	37,916	360,143	(567)	(32,266)
Profit Other comprehensive income			41,364		(17,391)
Total comprehensive income	-	-	41,364	-	(17,391)
Purchase of treasury stock				(3)	
Disposal of treasury stock		0		0	
Dividends			(15,739)		
Change in ownership interests in subsidiaries that do not result in loss of control		21			
Change in scope of consolidation					
Transfer to retained earnings			4,202		
Other increase and decrease					
Total transactions with owners	—	21	(11,537)	(3)	-
Balance as of December 31, 2016	42,658	37,937	389,970	(570)	(49,657)

(Unit: JPY Million)

	Equity attributable to owners of parent					Non-controlling interests	Total
	Other components of equity				Total		
	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plan	Total			
Balance as of January 1, 2016	(578)	14,981	-	(17,863)	422,287	29,550	451,837
Profit				-	41,364	907	42,271
Other comprehensive income	312	(83)	(1,533)	(18,695)	(18,695)	(1,764)	(20,459)
Total comprehensive income	312	(83)	(1,533)	(18,695)	22,669	(857)	21,812
Purchase of treasury stock				-	(3)		(3)
Disposal of treasury stock				-	0		0
Dividends				-	(15,739)	(1,314)	(17,053)
Change in ownership interests in subsidiaries that do not result in loss of control				-	21	2,574	2,595
Change in scope of consolidation				-	-	272	272
Transfer to retained earnings		(5,735)	1,533	(4,202)	-		-
Other increase and decrease	81			81	81		81
Total transactions with owners	81	(5,735)	1,533	(4,121)	(15,640)	1,532	(14,108)
Balance as of December 31, 2016	(185)	9,163	-	(40,679)	429,316	30,225	459,541

NON-CONSOLIDATED BALANCE SHEET

(As of December 31, 2016)

(Unit: JPY Million)

<u>ASSETS</u>	<u>AMOUNT</u>
CURRENT ASSETS:	243,617
Cash and deposits	8,429
Notes receivable-trade	7,937
Accounts receivable-trade	140,842
Merchandise and finished goods	18,392
Work in process	2,281
Raw materials and supplies	16,368
Deferred tax assets	3,081
Accounts receivable-other	14,869
Short-term loans receivable	25,234
Other	6,434
Allowance for doubtful accounts	(250)
NONCURRENT ASSETS:	421,519
PROPERTY, PLANT AND EQUIPMENT:	107,358
Buildings	31,730
Structures	2,760
Machinery and equipment	34,633
Vehicles	397
Tools, furniture and fixtures	10,450
Land	18,748
Leased assets	2,761
Construction in progress	5,879
INTANGIBLE ASSETS:	12,070
Trademark right	846
Software	10,203
Leased assets	858
Other	163
INVESTMENTS AND OTHER ASSETS:	302,091
Investment securities	18,514
Stocks of subsidiaries and associates	263,071
Long-term loans receivable	33
Long-term prepaid expenses	1,740
Guarantee deposits	2,443
Prepaid pension cost	15,433
Other	1,652
Allowance for doubtful accounts	(240)
Provision for loss on investments of subsidiaries and associates	(555)
<u>TOTAL ASSETS</u>	665,136

(Unit: JPY Million)

<u>LIABILITIES</u>	<u>AMOUNT</u>
CURRENT LIABILITIES:	210,515
Notes payable-trade	2,862
Accounts payable-trade	57,251
Current portion of bonds	5,000
Short-term loans payable	39,245
Current portion of long-term loans payable	10,155
Lease obligations	1,261
Accounts payable-other	34,856
Accrued expenses	4,688
Income tax payable	8,732
Deposits received	43,138
Provision for bonuses	1,817
Provision for directors' bonuses	115
Provision for sales rebates	117
Provision for loss on voluntary recall of products	370
Other	908
NONCURRENT LIABILITIES:	145,613
Bonds payable	50,000
Long-term loans payable	78,125
Lease obligations	2,518
Deferred tax liabilities	5,577
Provision for retirement benefits	4,572
Asset retirement obligations	453
Other	4,368
<u>TOTAL LIABILITIES</u>	356,128
<u>NET ASSETS</u>	
SHAREHOLDERS' EQUITY:	300,288
Capital stock	42,658
Capital surplus:	38,661
Legal capital surplus	37,411
Other capital surplus	1,250
Retained earnings:	219,539
Legal retained earnings	4,536
Other retained earnings:	215,003
Reserve for advanced depreciation of non-current assets	2,720
Reserve for special depreciation	442
General reserve	74,842
Retained earnings brought forward	136,999
Treasury shares	(570)
VALUATION AND TRANSLATION ADJUSTMENTS:	8,720
Valuation difference on available-for-sale securities	8,420
Deferred gains or losses on hedges	300
<u>TOTAL NET ASSETS</u>	309,008
<u>TOTAL LIABILITIES AND NET ASSETS</u>	665,136

NON-CONSOLIDATED STATEMENT OF INCOME

(From January 1, 2016 to December 31, 2016)

(Unit: JPY Million)

<u>ITEM</u>	<u>AMOUNT</u>	
Net sales		431,200
Cost of sales		(300,729)
Gross profit		130,471
Selling, general and administrative expenses		(94,688)
Operating income		35,783
Non-operating income:		
Interest and dividend income	21,325	
Foreign exchange gains	1,737	
Other	858	23,920
Non-operating expenses:		
Interest expenses	(2,247)	
Loss on valuation of derivatives	(2,325)	
Other	(1,938)	(6,510)
Ordinary income		53,193
Extraordinary income:		
Gain on sales of investment securities	8,066	
Gain on extinguishment of tie-in shares	6,662	
Gain on sales of non-current assets	29	14,757
Extraordinary losses:		
Loss on voluntary recall of products	(710)	
Loss on retirement of non-current assets	(431)	
Loss on sales of non-current assets	(110)	
Loss on liquidation of subsidiaries and associates	(91)	
Impairment loss	(87)	(1,429)
Income before income taxes		66,521
Income taxes-current	(12,338)	
Income taxes-deferred	(1,005)	(13,343)
Profit		53,178

NON-CONSOLIDATED STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

(From January 1, 2016 to December 31, 2016)

(Unit: JPY million)

	Shareholders' Equity			
	Capital Stock	Capital Surplus		
		Legal Capital Surplus	Other Capital Surplus	Total Capital Surplus
Balance at beginning of current period	42,658	37,411	1,250	38,661
Change of items during the period:				
Dividends of surplus				
Net income				
Increase of reserve for special depreciation due to change in tax rate				
Reversal of reserve for special depreciation				
Increase of reserve for advanced depreciation of non-current assets due to change in tax rate				
Reversal of reserve for advanced depreciation of non-current assets				
Purchase of treasury stock				
Disposal of treasury stock			0	0
Net changes of items other than Shareholders' Equity				
Total change of items during the period	—	—	0	0
Balance at end of current period	42,658	37,411	1,250	38,661

(Unit: JPY million)

	Shareholders' Equity							
	Retained Earnings						Treasury Stock	Total Shareholders' Equity
	Legal Earned Earnings	Other Retained Earnings				Total Retained Earnings		
		Reserve for Advanced Depreciation of Non-current Assets	Reserve for special depreciation	General Reserve	Retained earnings brought forward			
Balance at the beginning of current period	4,536	2,766	528	74,842	99,428	182,100	(567)	262,852
Change of items during the period:								
Dividends of surplus					(15,739)	(15,739)		(15,739)
Net income					53,178	53,178		53,178
Increase of reserve for special depreciation due to change in tax rate			10		(10)	—		—
Reversal of reserve for special depreciation			(96)		96	—		—
Increase of reserve for advanced depreciation of non-current assets due to change in tax rate		63			(63)	—		—
Reversal of reserve for advanced depreciation of non-current assets		(109)			109	—		—
Purchase of treasury stock							(3)	(3)
Disposal of treasury stock							0	0

Net changes of items other than Shareholders' Equity								
Total change during the period	—	(46)	(86)	—	37,571	37,439	(3)	37,436
Balance at the end of current period	4,536	2,720	442	74,842	136,999	219,539	(570)	300,288

(Unit: JPY million)

	Valuation and Translation Adjustments			Total Net Assets
	Valuation Difference on Available-For-Sale Securities	Deferred Gains or Losses on Hedges	Total Valuation and Translation Adjustments	
Balance at the beginning of current period	14,327	(11)	14,316	277,168
Change of items during the period:				
Dividends of surplus				(15,739)
Net income				53,178
Increase of reserve for special depreciation due to change in tax rate				—
Reversal of reserve for special depreciation				—
Increase of reserve for advanced depreciation of non-current assets due to change in tax rate				—
Reversal of reserve for advanced depreciation of non-current assets				—
Purchase of treasury stock				(3)
Disposal of treasury stock				0
Net changes of items other than Shareholders' Equity	(5,907)	311	(5,596)	(5,596)
Total change during the period	(5,907)	311	(5,596)	31,840
Balance at the end of current period	8,420	300	8,720	309,008

INDEPENDENT AUDITORS AUDIT REPORT

February 24, 2017

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

Takaaki Mitsui

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 125th fiscal year from January 1, 2016 through December 31, 2016.

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 significant subsequent events of Notes on the Consolidated Financial Statements, the Company, as of February 10, 2017, acquired all shares of Micheldever Group Ltd. These matters do not affect the independent auditors' opinion.

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 24, 2017

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

Takaaki Mitsui

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 Shareholders’ Equity, the Notes on the Non-Consolidated Financial Statements, and the supplemental schedules of Sumitomo Rubber Industries, Ltd. (the “Company”) applicable to the 125th fiscal year from January 1, 2016 through December 31, 2016.

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.

Emphasis of Matter

As described in notes on significant subsequent events of Notes on the Consolidated Financial Statements, the Company, as of February 10, 2017, acquired all shares of Micheldever Group Ltd. These matters do not affect the independent auditors' opinion.

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 125th business year (beginning on January 1, 2016 and ending on December 31, 2016), 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, 2017

Sumitomo Rubber Industries, Ltd.

Audit & Supervisory Board

Toshiyuki Noguchi (seal)

Standing Audit & Supervisory Board Member

Yasuyuki Sasaki (seal)

Standing Audit & Supervisory Board Member

Tadao Kagono (seal)

Audit & Supervisory Board Member

Morihiro Murata (seal)

Audit & Supervisory Board Member

Tetsuji Akamatsu (seal)

Audit & Supervisory Board Member

(Note)

Audit & Supervisory Board Members Tadao Kagono, Morihiro Murata and Tetsuji Akamatsu are Outside Audit & Supervisory Board Members.