

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

(Translation)

# The Notice of Convocation of the 132nd Annual General Meeting of Shareholders (Matters not stated in the delivery document)

## Business Report

Details of Resolution on Establishing Systems Necessary for Ensuring  
Appropriate Business Operations and Summary of Operational Status Thereof..... 1

## Consolidated Financial Statements

Consolidated Statement of Changes in Total Equity ..... 8  
Notes on Consolidated Financial Statements..... 10

## Non-consolidated Financial Statements

Non-consolidated Statement of Changes in Total Equity ..... 31  
Notes on Non-consolidated Financial Statements ..... 34

# Sumitomo Rubber Industries, Ltd.

The above matters are not included in the document (document stating the matters provided in electronic format) to be delivered to shareholders who have requested delivery of the document pursuant to applicable laws and regulations and Article 15 of the Articles of Incorporation of the Company.

Details of Resolution on Establishing Systems Necessary for Ensuring Appropriate Business Operations  
and Summary of Operational Status Thereof

	<b>(1) Overview of the contents of the resolution on the establishment of a system, etc. to ensure the appropriateness of business activities</b>	<b>(2) Overview of the status of operation of the system to ensure the appropriateness of business activities</b>
General remarks	To establish a system necessary to ensure the proper execution of business of the Sumitomo Rubber Group, which comprises the Company and its subsidiaries as set forth in Article 2, Item 3, of the Companies Act, the Company resolved matters at the Board of Directors meeting. The details and operational status of the system are outlined below.	In the fiscal year under review, the Company properly implemented a system to ensure the appropriateness of business activities in all items. An overview of the individual operational status is as follows.
A. System to Store and Manage Information Concerning the Execution of Business by Directors	Information concerning the execution of business by Directors, such as documents on proposals or decisions, shall be recorded and managed appropriately in accordance with the Regulations Concerning Storage of Documents of the Company. Directors and Audit & Supervisory Board Members of the Company shall be permitted to view these records at all times.	Minutes were prepared for each important meeting including the Board of Directors' meetings and managed appropriately in accordance with the Regulations Concerning Storage of Documents. Directors and Audit & Supervisory Board Members of the Company are permitted to view these records at all times.

	<b>(1) Overview of the contents of the resolution on the establishment of a system, etc. to ensure the appropriateness of business activities</b>	<b>(2) Overview of the status of operation of the system to ensure the appropriateness of business activities</b>
B. Rules concerning the Risk Management of Loss and Other Systems	<p>Management risks involving quality, laws, environment, credit, accidents, disasters, etc., that may materially adversely affect the business activities of the Group shall be addressed by the relevant divisions and subsidiaries in advance, by analyzing those risks and planning countermeasures in accordance with the Regulations Concerning Risk Control that stipulate the risk management rules of the entire Group, and then deliberated in the management meeting of the Company. If necessary, advice and guidance may be sought from professionals, including legal counsel, in analyzing and planning countermeasures for such risks. Any risk comprehensively involving the Group shall be addressed by each business division for its respective business operation in coordination with other relevant divisions and subsidiaries. The Risk Management Committee shall oversee group-wide risk management activities and investigate as appropriate and confirm that the risk management system is functioning effectively. If any material risk becomes clear or could be anticipated within the Group, the President of the Company shall establish a Risk Management Center pursuant to the Regulations Concerning Risk Control.</p>	<p>The Risk Management Committee meeting was held twice in accordance with the Regulations Concerning Risk Control of the Company to oversee cross-group risk management activities and confirm that group-wide risk management system is functioning effectively</p> <p>With regards to geopolitical risks overseas, the Company shared information across relevant departments, in cooperation with divisions and functional departments, to promote the advance consideration of the safety of employees and their families, as well as implement countermeasures against the impact on the supply chain, in order to minimize the impact on the overall business operations and performance of the Group.</p> <p>In addition, the Company has also formulated a Business Continuity Plan (BCP) to prepare for major disasters such as earthquakes, and is operating it to minimize the impact on the business operations and performance of the entire Group, while placing the highest priority on ensuring the safety of employees and their families. We also conduct periodic BCP drills that simulate actual disasters to ensure cooperation among divisions and functional departments.</p>

	<b>(1) Overview of the contents of the resolution on the establishment of a system, etc. to ensure the appropriateness of business activities</b>	<b>(2) Overview of the status of operation of the system to ensure the appropriateness of business activities</b>
C. System to Ensure the Efficient Execution of Business by Directors	<p>In order to ensure that Directors and managerial and other personnel may execute their business properly and efficiently, duties, authority, and relevant operations shall be specifically allocated in the Company through the Regulations Concerning Allocation of Responsibility and Duties. Each subsidiary shall also establish a similar organizational system in compliance with the Company's regulations.</p> <p>Furthermore, the Company shall introduce an Executive Officer System to perform its business flexibly in response to the changing environment and customer needs. With respect to the performance and efficiency of each division and subsidiary, plans such as a mid-term management plan shall be drawn up, targets shall be set at budget meetings (to be reviewed as necessary), and the status of achievements of those targets shall be reported and reviewed on a monthly basis at the Group's performance meetings.</p> <p>All business operations shall actively promote IT and digital technology to enhance efficiency in the execution of business.</p>	<p>The Company has a system to ensure efficient execution of duties. As part of such a system, the Board of Directors held 12 ordinary meetings and three extraordinary meetings to check the status of progress of a mid-term management plan and other operations that were determined to be executed. It also held off-site meetings to deepen understanding on topics that required further discussion, among other initiatives.</p> <p>The Company also introduced an Executive Officer System and held 26 management meetings, handling a broad scope of duties delegated from the Board of Directors, thereby performing its business flexibly.</p> <p>The Company is facilitating quick decision-making and efficient execution of business mainly by developing an IT system that collects and disseminates important management information accurately and quickly, as well as promoting the use of RPA to improve operational efficiency.</p>

	<b>(1) Overview of the contents of the resolution on the establishment of a system, etc. to ensure the appropriateness of business activities</b>	<b>(2) Overview of the status of operation of the system to ensure the appropriateness of business activities</b>
<p>D. System to Ensure the Execution of Business by Directors and Employees is in Compliance with Laws and Regulations, and the Articles of Incorporation</p>	<p>The Company ensures that the corporate philosophy of the Sumitomo Rubber Group, “Our Philosophy,” is the foundation for all decision-making and the starting point for all actions. Our corporate Code of Conduct, and various compliance manuals shall be widely distributed, top management shall clarify its principles, and it shall be made thoroughly clear that compliance with laws and corporate ethics create the basic foundation of management.</p> <p>The Corporate Ethics Committee, chaired by the President of the Company, shall identify, analyze, and evaluate those compliance risks comprehensively involving the entire Group, plan and conduct training, ascertain the cause of any violation, propose measures to prevent their recurrence, and ensure thorough familiarization of the foregoing throughout the Group.</p> <p>A Corporate Ethics Help Line shall be established to allow employees and others of the Group to directly report and consult on any questionable actions in terms of corporate ethics. Information received by the Corporate Ethics Help Line shall be reported to the Corporate Ethics Committee, which shall assess the situation and adopt the necessary measures. The Sumitomo Rubber Group’s corporate Code of Conduct shall stipulate that any relationship with such antisocial forces must be forbidden to</p>	<p>In addition to supervision of the Board of Directors’ meetings, the Company held 12 Audit &amp; Supervisory Board meetings, thereby ensuring that the execution of business by Directors was compliant with laws, regulations and the Articles of Incorporation. Moreover, the Company held four meetings of the Corporate Ethics Committee to share compliance incidents that occurred throughout the Group, discuss issues, and deliberate on measures to further foster compliance awareness. The Board of Directors also reported on the status of Committee’s implementation and shared issues regarding compliance risks across the Group, including with top management.</p>

	<b>(1) Overview of the contents of the resolution on the establishment of a system, etc. to ensure the appropriateness of business activities</b>	<b>(2) Overview of the status of operation of the system to ensure the appropriateness of business activities</b>
	reject any and all exigent demands from antisocial forces.	
E. System to Report to the Company Matters related to the Execution of Business by Directors and Other Personnel of Subsidiaries	The relevant division of the Company shall periodically receive reports from the Directors and other personnel of each subsidiary on its performance targets and achievements, and, as necessary, receive reports on certain matters such as those that need to be reported to and discussed at the Company's management meetings and the meetings of the Board of Directors, risk management, and compliance matters. The foregoing shall then be discussed with the Company, if necessary, pursuant to the Regulations Concerning Management of Affiliated Companies.	In addition to strengthening communication between the departments under the Company's jurisdiction and its domestic and overseas associates, the Company is promoting the awareness of Bad News First/Fast and the creation of a system that enables the Head Office and subsidiaries to deal with various issues in an integrated manner.  With regard to various issues that arise in the course of business execution, information is shared at various meetings as necessary and appropriate, and appropriate execution of duties is carried out throughout the entire Group.
F. System to Ensure Adequate Financial Reporting	The Group shall strive to maintain internal control systems in accordance with the Financial Instruments and Exchange Law and assessment/audit standards and implementation standards prescribed by the Financial Services Agency, and to enhance systems to ensure adequate financial reporting by the Group.	The Company has consistently been striving to strengthen a system to ensure the adequate financial reporting by the Group. As part of such efforts, the Company is further improving the internal control systems of the Company in line with laws and regulations by utilizing audits by Accounting Auditors.

	<b>(1) Overview of the contents of the resolution on the establishment of a system, etc. to ensure the appropriateness of business activities</b>	<b>(2) Overview of the status of operation of the system to ensure the appropriateness of business activities</b>
G. Establishment of a Post to Assist the Duties of Audit & Supervisory Board Members at the Request of Audit & Supervisory Board Members	<p>An employee shall be selected to work as a dedicated assistant to assist the duties of Audit &amp; Supervisory Board Members exclusively under their direction.</p> <p>The opinion of the Audit &amp; Supervisory Board shall be sought in advance in the event of carrying out personnel changes and evaluating the performance of the aforementioned assistant of Audit &amp; Supervisory Board Members.</p>	The Company assigned a dedicated assistant to assist the duties of Audit & Supervisory Board Members, with careful consideration as to the independence of this position.
H. Systems to Allow Directors and Employees to Report to Audit & Supervisory Board Members of the Company and to Allow Other Reports to be Made to Audit & Supervisory Board Members	<p>Standing Audit &amp; Supervisory Board Members of the Company shall participate in management meetings and other important meetings of the Company to appropriately understand the circumstances of the Group. Important matters such as those involving risk management shall be reported directly by Directors or heads of divisions of the Group to Audit &amp; Supervisory Board Members of the Company, as necessary.</p> <p>Matters reported to the Corporate Ethics Help Line (excluding minor problems) shall be reported to the Audit &amp; Supervisory Board of the Company. With regard to Regulations Concerning the System to Address Corporate Ethics for all the Group companies, the Group shall establish a system which prevents informants being treated unfairly as a result of reporting to Audit &amp; Supervisory Board Members of the Company by stipulating provisions such as the duty of confidentiality of personal</p>	<p>Standing Audit &amp; Supervisory Board Members of the Company participate in important meetings such as management meetings, the Corporate Ethics Committee meetings, the Risk Management Committee meetings and the Sustainability Promotion Committee meetings, and receive the information necessary for effective audits as needed. By exchanging such information with Outside Audit &amp; Supervisory Board Members at the Audit &amp; Supervisory Board meetings, objective, fair and effective audits were conducted.</p>

	<b>(1) Overview of the contents of the resolution on the establishment of a system, etc. to ensure the appropriateness of business activities</b>	<b>(2) Overview of the status of operation of the system to ensure the appropriateness of business activities</b>
	information relating to informants and the prohibition of unfair treatment of informants who have contacted the Corporate Ethics Help Line.	
I. Other Systems to Ensure Effective Audit Coverage by Audit & Supervisory Board Members	<p>Audit &amp; Supervisory Board Members of the Company shall be given opportunities to receive explanations from Directors or heads of divisions of the Group, as necessary.</p> <p>Audit &amp; Supervisory Board Members of the Company may request the Company to reimburse any expenses including ad-hoc expenditures incurred with respect to the execution of their duties within a reasonable scope.</p>	<p>At the Audit &amp; Supervisory Board meetings of the Company, Audit &amp; Supervisory Board Members conducted a total of nine interviews with Directors or heads of divisions of the Group with regard to the business duties for which they are responsible and the status of the progress of the Company's mid-term management plan on a regular basis.</p> <p>Also, the results of onsite or remote investigations by Audit &amp; Supervisory Board Members were shared among all Audit &amp; Supervisory Board Members, thereby implementing effective audits.</p> <p>In addition, expenses deemed necessary for the execution of their duties by Audit &amp; Supervisory Board Members were budgeted in advance based on the audit plan, while ad-hoc expenditures were also borne by the Company.</p>



**CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY**

(From January 1, 2023 to December 31, 2023)

(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	Cash flow hedges
Balance as of January 1, 2023	42,658	39,705	478,379	(61)	(25,144)	27
Profit			37,048			
Other comprehensive income					33,445	(31)
Total comprehensive income	–	–	37,048	–	33,445	(31)
Purchase of treasury stock				(3)		
Disposal of treasury stock		(0)		0		
Dividends			(5,260)			
Share-based payment transactions		(7)		21		
Transfer to retained earnings			12,428			
Transfer to capital surplus		7	(7)			
Transfer to other components of equity related to the disposal group classified as held for sale					1,900	
Other		(3)	128			
Total transactions with owners	–	(3)	7,289	18	1,900	–
Balance as of December 31, 2023	42,658	39,702	522,716	(43)	10,201	(4)

(Unit: JPY Million)

	Equity attributable to owners of parent					Non-controlling interests	Total
	Other components of equity				Total		
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plan	Other components of equity related to the disposal group classified as held for sale	Total			
Balance as of January 1, 2023	10,636	–	–	(14,481)	546,200	17,663	563,863
Profit				–	37,048	1,458	38,506
Other comprehensive income	3,942	8,634		45,990	45,990	1,069	47,059
Total comprehensive income	3,942	8,634	–	45,990	83,038	2,527	85,565
Purchase of treasury stock				–	(3)		(3)
Disposal of treasury stock				–	0		0
Dividends				–	(5,260)	(2,870)	(8,130)
Share-based payment transactions				–	14		14
Transfer to retained earnings	(3,794)	(8,634)		(12,428)	–		–
Transfer to capital surplus				–	–		–
Transfer to other components of equity related to the disposal group classified as held for sale			(1,900)	–	–		–
Other				–	125	(4)	121
Total transactions with owners	(3,794)	(8,634)	(1,900)	(12,428)	(5,124)	(2,874)	(7,998)
Balance as of December 31, 2023	10,784	–	(1,900)	19,081	624,114	17,316	641,430

## Notes on Consolidated Financial Statements

(Notes on Significant Matters Forming the Basis of Preparation of the Consolidated Financial Statements)

### 1. Basis for the preparation of the consolidated financial statements

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as “IFRS”) pursuant to the provisions of Article 120, Paragraph 1 of the Regulation on Accounting of Companies. Pursuant to the provisions of the latter clause of the same paragraph, some disclosure items required under IFRS are omitted.

### 2. Matters regarding the scope of consolidation

#### (1) Number of consolidated subsidiaries: 97 companies

Names of major consolidated subsidiaries

Dunlop Tire Hokkaido Ltd. (Note)	Dunlop Sports Marketing Co. Ltd.
PT Sumi Rubber Indonesia	Sumitomo Rubber (Changshu) Co., Ltd.
Sumitomo Rubber (Hunan) Co., Ltd.	Sumitomo Rubber (China) Co., Ltd.
Sumitomo Rubber (Thailand) Co., Ltd.	Sumitomo Rubber do Brasil Ltda.
Sumitomo Rubber South Africa (Pty) Limited	
Sumitomo Rubber AKO Lastik Sanayi ve Ticaret A.Ş.	
SRI USA, Inc.	Sumitomo Rubber USA, LLC
Micheldever Group Ltd.	Roger Cleveland Golf Company, Inc.

(Note) Effective January 1, 2024, Dunlop Tire Hokkaido Ltd. and 10 other domestic tire sales subsidiaries and a part of the Dunlop Tyres Sales HQ of Sumitomo Rubber Industries, Ltd. were integrated into DUNLOP TYRE JAPAN, LTD. through reorganization.

One company was newly included within the scope of consolidation due to stock acquisition.

Three companies were excluded from the scope of consolidation due to the completion of liquidation.

#### (2) Matters regarding fiscal years, etc. of consolidated subsidiaries

For consolidated subsidiaries having a fiscal closing date that differs from the consolidated fiscal closing date, trial financial statements are created at the consolidated fiscal closing date and accounts are incorporated into the consolidated financial statements of the Company to improve the appropriateness of consolidated financial information disclosed.

### 3. Matters regarding application of equity method

Number of affiliates accounted for using equity method: 3 companies

Major companies:

Sumitomo Electric Tochigi Co., Ltd.	Naigai Rubber Industry Co., Ltd.
-------------------------------------	----------------------------------

#### 4. Matters Regarding Accounting Policies

##### (1) Basis and method for valuation of significant assets

###### A. Non-derivative financial assets

###### (i) Classification

The Group classifies non-derivative financial assets into financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.

###### (Financial assets measured at amortized cost)

Financial assets are classified as financial assets measured at amortized cost if the following conditions are met:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding.

###### (Financial assets measured at fair value through other comprehensive income)

###### (a) Debt instruments measured at fair value through other comprehensive income

Financial assets are classified as debt instruments measured at fair value through other comprehensive income if the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding.

###### (b) Equity instruments measured at fair value through other comprehensive income

Of the financial assets other than financial assets measured at amortized cost or debt instruments measured at fair value through other comprehensive income, the Group made an irrevocable election at initial recognition to present in other comprehensive income any subsequent changes in the fair values of investments in equity instruments which are not held for sale.

###### (Financial assets measured at fair value through profit or loss)

Financial assets other than financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss. The Group does not designate investments in any debt instruments as measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch.

(ii) Initial recognition and measurement

The Group initially recognizes trade and other receivables when they are incurred. Other financial assets are initially recognized on the transaction date when the Group becomes a party to the contractual provisions of the financial assets. All financial assets, excluding trade and other receivables that include a significant financing component, are initially measured at fair value plus transaction costs, except when they are classified into financial assets measured at fair value through profit or loss.

(iii) Subsequent measurement

After initial recognition, financial assets are measured according to the classifications described below.

(Financial assets measured at amortized cost)

Financial assets measured at amortized cost are measured using the effective interest method.

(Financial assets measured at fair value through other comprehensive income)

(a) Debt instruments measured at fair value through other comprehensive income

Except for impairment gains and losses and foreign exchange gains and losses, changes in fair values of debt instruments measured at fair value through other comprehensive income are recognized in other comprehensive income until they are derecognized. If such debt instruments are derecognized, other comprehensive income recognized in the past is transferred to profit or loss.

(b) Equity instruments measured at fair value through other comprehensive income

Changes in fair values of equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income. If such equity instruments are derecognized or fair value decreases significantly, other comprehensive income recognized in the past is directly transferred to retained earnings. Dividends from such equity instruments are recognized in profit or loss.

(Financial assets measured at fair value through profit or loss)

Financial assets measured at fair value through profit or loss are measured at fair value after initial recognition, and the changes are recognized in profit or loss.

(iv) Impairment of financial assets

The Group recognizes an allowance for doubtful accounts for expected credit losses on financial assets measured at amortized cost.

(Determining significant increases in credit risk)

At the end of each reporting period, the Group compares the risk of a default occurring on a financial asset as of the end of the reporting period with the risk of a default occurring at the date of initial recognition and assesses whether the credit risk on the financial asset has increased significantly after the initial recognition.

The Group determines whether the credit risk on the financial asset has increased significantly based on the changes in the risk of a default after the initial recognition. In assessing whether there is any change in the risk of default, the Group takes into account the following matters.

- Significant change in a credit risk rating of the financial asset by external rating agencies
- Downgrading of an internal credit risk rating
- Deterioration of the borrower's operating results
- Past-due information

(Measurement of expected credit loss)

Expected credit loss is the present value of the difference between contractual cash flows the Group has a right to receive pursuant to a contract and the cash flows expected to be received by the Group. If the credit risk on a financial asset increases significantly after initial recognition, the Group measures the allowance for doubtful accounts for the financial asset at an amount equal to the lifetime expected credit loss. If the credit loss does not increase significantly, the Group measures the allowance for doubtful accounts for that financial asset at an amount equal to a 12-month expected credit loss.

Notwithstanding the above, the Group measures the allowance for doubtful accounts at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant finance component.

The provision for the allowance for doubtful accounts for financial assets is recognized in profit or loss. If any event that reduces the allowance for doubtful accounts arises, the reversal of the allowance for doubtful accounts is recognized in profit or loss.

(v) Derecognition of financial assets

Financial assets are derecognized if the contractual rights to cash flows expire or are transferred, and substantially all risks and rewards of ownership are transferred.

If the Group has no reasonable expectations of recovering all or part of the value of a financial asset, the Group directly reduces the gross carrying amount of the financial asset.

## B. Non-derivative financial liabilities

(i) Classification

The Group classifies non-derivative financial liabilities as financial liabilities measured at amortized cost.

(ii) Initial recognition and measurement

The Group initially recognizes debt securities on their issue date. All other financial liabilities are initially recognized on the transaction date when the Group becomes a party to the contractual provisions of the financial liabilities. All financial liabilities are initially measured at fair value minus transaction costs.

(iii) Subsequent measurement

Financial liabilities are subsequently measured at amortized cost using the effective interest method.

(iv) Derecognition of financial liabilities

Financial liabilities are derecognized when they are extinguished, i.e., when the contractual obligations are discharged, cancelled or expired.

C. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off against each other and the net amount is presented in the Consolidated Statement of Financial Position only if there is a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously.

D. Derivatives and hedge accounting

The Group uses derivatives, including forward exchange contracts and interest rate swap contracts, to hedge foreign exchange risk and interest rate risk, respectively. These derivatives are initially measured at fair value at the time of concluding the contract, to be also measured at fair value later for subsequent measurement.

Accounting of changes in the fair value of derivatives is determined by the hedging purpose and hedging designation if designated as qualifying hedging instruments, while changes in the fair value of derivatives are recognized in profit or loss if not designated as qualifying hedging instruments.

(i) Qualifying criteria for hedge accounting

The Group evaluates whether hedging relationships fulfill the qualifying criteria of hedge accounting by documenting the relation of hedging instruments and hedged items, as well as risk management purpose and strategy of the hedging activity from the commencement of the hedge. Whether the effectiveness of the hedge is fulfilled is evaluated and documented from the commencement of the hedge as well, for offsetting derivatives used in hedge activities with the fair values of hedged items or changes in cash flow. The Group performs the ongoing assessment of hedge effectiveness at the end of each fiscal year, or upon a significant change in the circumstances affecting the hedge effectiveness requirements, if such event occurs earlier.

(ii) Accounting treatment for qualifying hedging relationship

Hedging relationships that meet qualifying criteria for hedge accounting are accounted for as follows.

(Fair value hedges)

Changes in the fair value of hedging instruments are recognized in profit or loss. Changes in the fair value of hedged items are recognized in profit or loss, while adjusting the carrying amounts of the hedged items.

(Cash flow hedges)

For changes in the fair value of hedging instruments, the effective portion of the cash flow hedge reserve is recognized in other comprehensive income, and any reserve other than the effective portion of the hedge is recognized in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the Group directly transfers the cash flow hedge reserve to the initial cost or other carrying amount of the asset or liability.

Cash flow hedge reserve on cash flow hedges other than those stated above is reclassified to profit or loss in the same period during which hedged expected future cash flows affect profit or loss.

However, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in future periods, the Group immediately reclassifies the amount that is not expected to be recovered into profit or loss.

When the Group discontinues hedge accounting, if the hedged future cash flows are still expected to occur, cash flow hedge reserve remains in the reserve until the future cash flows occur; if the hedged future cash flows are no longer expected to occur, the cash flow hedge reserve is immediately reclassified into profit or loss.

E. Fair value of financial instruments

The fair value of financial instruments traded on active markets as of the reporting date is determined by referring to quoted market prices. The fair value of financial instruments for which an active market does not exist is determined using an appropriate evaluation technique.

F. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined principally with the gross average method and comprises all costs of purchase, costs of conversion, and other costs incurred in bringing inventories to their present location and condition. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and related variable selling costs.

(2) Valuation basis and method and depreciation or amortization method for property, plant and equipment, intangible assets and leases

A. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. Cost includes any costs directly attributable to the acquisition of assets, their dismantlement, removal or restoration of land, and borrowing costs directly attributable to the acquisition or construction of qualified assets or production.

Expenditures after acquisition are included in the carrying amount of the asset or recognized as a separate asset where appropriate, if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced portion is derecognized. All other costs relating to repairs and maintenance are recognized in profit or loss when they are incurred.

Property, plant and equipment other than land and construction in progress are depreciated using the straight-line method over the estimated useful lives of individual assets.

The estimated useful lives of major property, plant and equipment are as follows:

- Buildings and structures: 2 to 60 years
- Machinery, equipment and vehicles: 2 to 20 years
- Tools, furniture and fixtures: 1 to 20 years



The depreciation methods, residual values, and estimated useful lives of property, plant and equipment are reviewed at the end of each reporting period. If any changes are made, such changes are applied prospectively as changes in accounting estimates.

## B. Intangible assets

### (i) Goodwill

Goodwill arising on the acquisition of subsidiaries is included in intangible assets.

Goodwill is measured at cost less accumulated impairment loss.

The Company does not amortize goodwill, but tests for impairment. Impairment of goodwill is described in “(4) Other important matters for the preparation of the consolidated financial statements, B. Impairment of non-financial assets.”

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at fair value at the acquisition date, and are amortized using the straight-line method over their estimated useful lives, except for those intangible assets with indefinite useful lives.

### (ii) Other intangible assets

Other intangible assets with definite useful lives acquired individually are stated at cost, net of accumulated amortization and accumulated impairment loss, and amortized using the straight-line method over their estimated useful lives. Intangible assets with indefinite useful lives are stated at cost, net of accumulated impairment loss.

The estimated useful lives of major intangible assets are as follows:

- Customer-related intangible assets: 5 to 20 years
- Software: 3 to 5 years

The amortization methods, residual values, and estimated useful lives of intangible assets are reviewed at the end of each reporting period. If any changes are made, such changes are applied prospectively as changes in accounting estimates.

## C. Leases

The Group determines whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. For all leases other than leases that have a lease term of 12 months or less and leases for which the underlying asset is of low value, right-of-use assets that represent a right to use an underlying asset and lease liabilities that represent the obligation for lease payments are recognized.

At the commencement date of a lease, right-of-use assets are recognized at the discounted present value of total lease payments adjusted for any initial direct costs, etc. and lease liabilities are recognized at the discounted present value of total lease payments. The Group generally uses the incremental borrowing rate as the discount rate. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease payments, less interest expense, are treated as a reduction in lease liabilities. Finance costs are presented separately from the depreciation charge for the right-of-use assets in the consolidated statement of income.

Lease payments for leases that have a lease term of 12 months or less and leases for which the underlying asset is of low value are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

(3) Recognition criteria for significant provisions

Provisions are recognized when the Group has present legal and constructive obligations as a result of past events, it is probable that outflows of economic resources will be required to settle such obligations, and the amounts of such obligations can be estimated reasonably.

If the time value of money is material, the amount of a provision is measured at the present value of the expenditures expected to be required to settle the obligations. In calculating present value, the Group uses the pretax discount rate reflecting the current market assessment of the time value of money and the risks specific to the liability. The increase in the provisions due to the passage of time is recognized in financial expenses.

Provision for loss on voluntary recall of products	To allow for direct recalling expenses and related expenses for voluntarily recalling products, an amount reasonably estimated to be incurred during or after the following fiscal year is recorded.
Asset retirement obligations	Asset retirement obligations are recognized for the estimated restoration costs for leased offices and buildings. These expenses are primarily expected to be paid after one year or more, subject to changes due to future business plans, etc.

(4) Other important matters for the preparation of the consolidated financial statements

A. Foreign currency translation

(i) Foreign currency transactions

The financial statements of each company of the Group are prepared using a functional currency, which is the currency of the primary economic environment in which the company operates.

A foreign currency transaction is translated into the functional currency of each company of the Group using the exchange rate prevailing at the dates of the transactions, or the rate that approximates such exchange rate.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated into the functional currency at the exchange rate prevailing at the end of the reporting period and translation differences are recognized as profit or loss; provided, however, that translation differences arising from financial assets measured through other comprehensive income and cash flow hedges are recognized as other comprehensive income.

(ii) Foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the end of the reporting period. Income and expenses are translated into Japanese yen at the average exchange rate for the fiscal year unless exchange rates during the fiscal year significantly fluctuated, or when the currency is that of a country in a hyperinflationary economy. Translation adjustments arising from the translation of financial statements of foreign operations are recognized in other comprehensive income. Such adjustments are included in other components of equity as “Currency translation differences of foreign operations.”

Currency translation differences of foreign operations are recognized in profit or loss in the period in which the foreign operations are disposed of.

The performance and transactions of subsidiaries in a hyperinflationary economy are translated into Japanese yen using the exchange rate at the end of the fiscal year in accordance with the application of hyperinflationary accounting.

#### B. Impairment of non-financial assets

Property, plant and equipment and intangible assets are tested for impairment when there is an indication that the carrying amount of the asset may not be recovered due to an event or a change in circumstances. If the carrying amount of the asset exceeds the recoverable amount, an impairment loss is recognized. The recoverable amount of an asset is the higher of value in use or fair value less disposal costs.

In calculating the recoverable amount, significant assumptions are set for future cash flows based on business plans, etc. approved by the management, weighted average cost of capital, etc.

While these assumptions are determined based on the best estimates and judgement of the management, they may be affected by the results of changes in uncertain future economic conditions among others; if there is a need for revision, it may have a significant impact on the consolidated financial statements.

To test assets for impairment, assets are grouped into the smallest group of assets (cash-generating unit) generating cash inflows that are independently identifiable.

An intangible asset that has an indefinite useful life or is not yet available for use is not amortized. Its recoverable amount is estimated and compared to its carrying amount on a yearly basis for impairment testing.

Goodwill is also tested for impairment on a yearly basis. The carrying amount of goodwill is cost less accumulated impairment loss. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the business combination.

For property, plant and equipment and intangible assets other than goodwill for which an impairment loss has been recognized, the possibility of whether the impairment loss may be reversed is assessed at the end of each reporting period.

#### C. Employee benefits

##### (i) Short-term employee benefits

Short-term employee benefits are recognized on an undiscounted basis and are expensed when the related service is rendered. For bonuses and paid absences, if the Group owes legal and constructive payment obligations and the amounts of payment obligations can be reliably estimated, the estimated amounts to be paid in accordance with relevant regulations are recognized as a liability.

(ii) Post-employment benefits

(a) Defined benefit plan

The Company and some subsidiaries have adopted defined benefit plans.

An asset or liability recognized related to a defined benefit plan is classified by plan and recognized at the amount of the present value of defined benefit obligations at the end of the reporting period less the fair value of plan assets. Defined benefit obligations are calculated by independent pension actuaries on a yearly basis using the projected unit credit method. Regarding the discount rate, a discount period is determined based on the period until the expected date of future benefit payment in each fiscal year, and the discount rate is determined by reference to market yields on high quality corporate bonds at the fiscal year-end corresponding to the discount period.

Actuarial gains and losses that result from changes in experience adjustments and actuarial assumptions are recognized in other comprehensive income and immediately transferred to retained earnings in the period in which they arise.

Prior service costs are recognized in profit or loss in the period in which they arise.

(b) Defined contribution plan

The Company and some subsidiaries have adopted defined contribution plans. As the plans do not create any additional obligation as long as contributions are made, payments to defined contribution plans are recognized as employee benefits expenses at the payment due date.

(iii) Other long-term employee benefits

Obligations with respect to long-term employee benefits other than post-retirement benefits are calculated by estimating the future amount of benefits that employees will have earned as considerations for their services in the current and prior fiscal years and discounting such amount to the present value.

D. Revenue recognition

The Sumitomo Rubber Group recognizes revenue by applying the following five-step approach, except for revenue including interest and dividends income, etc. under IFRS 9 “Financial Instruments.”

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligation in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligation in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group’s main business is the manufacture and sale of each of its products of the tire business, the sports business, and the industrial and other products business, and the respective revenue recognition criteria are as follows. Furthermore, since the Group receives payment within one year after delivery to the customer or provision of services, the amount of promised consideration does not include a material financial component.

(Tire Business)

The Group provides a variety of tires and related accessories for passenger cars, trucks and buses, and motorcycles under the main brands of “DUNLOP” and “FALKEN” to customers in Japan and overseas. The performance obligation is judged to have been satisfied when the merchandise is delivered to the customer, and revenue is recognized at that time.

(Sports Business)

The Company provides both domestic and international customers with sporting goods sales, as well as the management of golf tournaments, golf and tennis schools, fitness clubs, and other services.

In the sale of sporting goods, the performance obligation is judged to have been satisfied when the merchandise is delivered to the customer, and revenue is recognized at that time.

In the management of golf tournaments, the Company is obligated to provide tournament management services to the organizer based on the term of the contract. The performance obligation is satisfied when the service is rendered, and revenue is recognized at that time.

In golf and tennis schools, the Company is obligated to provide lesson services to members over the contract period. The performance obligation is satisfied when the service is rendered, and revenue is recognized at that time. In fitness clubs, the Company is obligated to provide facility use services to its members over the contract period. The performance obligation is satisfied when the service is rendered, and revenue is recognized at that time.

(Industrial and Other Products Business)

The Company provides high-performance rubber products, daily life supplies, and infrastructure-related commercial products to customers in Japan and overseas. The performance obligation is judged to have been satisfied when the merchandise is delivered to the customer, and revenue is recognized at that time.

E. Application of group tax sharing system

The Company has applied the group tax sharing system.

(Notes on Change in Accounting Policies)

The Company has adopted the amendments to IAS 12, “Income Taxes” (Deferred Tax related to Assets and Liabilities arising from a Single Transaction), effective from the fiscal year under review.

The adoption of this Standard did not have a material impact on the Company’s consolidated financial statements.

(Notes on Revenue Recognition)

1. Breakdown of revenues

In terms of the Group's revenue arising from contracts with customers, the following is a breakdown of revenue in the main geographic markets for the fiscal year under review and its relationship to the reportable segments.

(Unit: JPY Million)

	Reportable segments			
	Tire	Sports	Industrial and Other Products	Total
Japan	275,837	43,354	28,203	347,394
North America	228,157	35,189	117	263,463
Europe	178,925	18,556	7,461	204,942
Asia	168,689	24,045	7,816	200,550
Other	154,773	5,503	774	161,050
Total	1,006,381	126,647	44,371	1,177,399

(Note) Sales revenue is based on the location of customers and is presented net of intersegment transactions

2. Information serving as a basis for understanding revenues

Information serving as a basis for understanding revenue is described in the notes on consolidated financial statements "D. Revenue recognition" in "(4) Other important matters for the preparation of the consolidated financial statements" in "4. Matters Regarding Accounting Policies."

3. Information to understand the amount of revenue for the fiscal year under review and subsequent fiscal years under review

(1) Contract balances

The Group's contract balances consist primarily of receivables arising from contracts with customers (notes receivable-trade, electronically recorded monetary claims, and accounts receivable-trade), and amounted to JPY 205,414 million at the beginning of the fiscal year under review and JPY 211,556 million at the end of the fiscal year under review. The contractual liability balances at the beginning and end of the fiscal year under review were not material.

The amount of revenue recognized during the fiscal year under review that was included in the contract liability balance at the beginning of the current period was also not material. There was also no amount of revenue recognized in the fiscal year under review from performance obligations that were satisfied (or partially satisfied) in prior fiscal years.

(2) Transaction prices allocated to remaining performance obligations

The Group has no significant transactions with individual contract terms exceeding one year.

There are also no material amounts of consideration arising from contracts with customers that are not included in transaction prices.

The Group furthermore applies the practical expedient of IFRS 15 paragraph 121, and does not disclose information regarding remaining performance obligations with an initial projected remaining period of one year or less.

(3) Assets recognized from the cost of acquiring or performing a contract with customers

For the Group, there are no incremental costs to acquire or fulfill contracts that must be recognized as assets.

(Notes on Significant Accounting Estimates)

Accounting estimates are based on information available at the time of preparing the consolidated financial statements, to calculate reasonable amounts. Of the amounts recorded in the consolidated financial statements for the fiscal year under review based on accounting estimates, the following items have a risk of exerting a material impact on the consolidated financial statements for the following fiscal year.

1. Impairment of non-financial assets

(1) Amounts recorded in the consolidated financial statements for the fiscal year under review

In the consolidated statement of financial position at the end of fiscal year under review, the amounts recorded for “Goodwill” and “Intangible assets with indefinite useful lives” are JPY 29,704 million and JPY 18,622 million, respectively. Of these amounts, amounts related to Micheldever Group Ltd. were JPY 22,875 million and JPY 3,451 million, respectively.

(2) Other information that contributes to the understanding of the users of consolidated financial statements regarding the content of accounting estimates

The content is the same as that stated in the notes on consolidated financial statements “B. Impairment of non-financial assets” in “(4) Other important matters for the preparation of the consolidated financial statements” in “4. Matters Regarding Accounting Policies.”

(Notes on Consolidated Statement of Financial Position)

1. Allowance for doubtful accounts directly deducted from assets	
Trade and other receivables	JPY 3,486 million
Other financial assets (non-current assets)	JPY 1,037 million
2. Accumulated depreciation and accumulated impairment loss of property, plant and equipment	JPY 992,386 million

(Notes on Consolidated Statement of Income)

1. Impairment loss

In the fiscal year under review, an impairment loss of JPY 11,399 million was recorded in other expenses in the consolidated statement of income. The main details of the assets for which impairment loss was recognized are as follows.

(Unit: JPY Million)

Cash-generating unit	Type	Amount
Lonstroff AG and Lonstroff Medical Elastomers d.o.o	Property, plant and equipment	8,124
	Other	3,179

As part of its business restructuring, the Company resolved at a meeting of its Board of Directors held on December 20, 2023 to enter into a share transfer agreement to transfer all shares of Lonstroff AG (hereinafter “LAG”), a subsidiary of the Company, to NCM Investments VII B.V., and has completed the share transfer as of January 31, 2024. NCM Investments VII B.V. is a subsidiary of Nimbus Investment Fund V Coöperatief U.A., a private equity fund managed by Nimbus, an investment fund company based in the Netherlands. As a result of this share transfer, Lonstroff Medical Elastomers d.o.o. (hereinafter “LSI”), a wholly-owned subsidiary of LAG which engages in the manufacture of rubber parts for medical applications in Slovenia, will also cease being a subsidiary of the Company.

As a result, the carrying amounts of manufacturing equipment and other assets of LAG and LSI were reduced to the recoverable amounts based on assessed sales values, and an impairment loss of JPY 11,303 million was recorded under “Other expenses.”

(Notes on Consolidated Statement of Changes in Equity)

1. Class and total number of issued shares at the end of the fiscal year under review

Common stock 263,043,057 shares

2. Matters regarding the number of shares of treasury stock

(Unit: Shares)

Class of shares	At the beginning of the fiscal year under review	Increase during the fiscal year under review	Decrease during the fiscal year under review	At the end of the fiscal year under review
Common stock	34,841	2,468	12,044	25,265

Notes: 1. The increase in the number of shares of common stock in treasury stock is due to the purchase of fractional shares.

2. The decrease in the number of shares of common stock in treasury stock is due to the disposal of treasury stock as restricted stock compensation and the sale of fractional shares.



### 3. Matters Regarding Dividends

#### (1) Dividends paid

Dividends paid based on the resolution of the 131st Annual General Meeting of Shareholders held on March 28, 2023

Class of shares	Common stock
Source of dividends	Retained earnings
Total amount of dividends	JPY 3,945 million
Dividends per share	15 yen
Record date	December 31, 2022
Effective date	March 29, 2023

Dividends paid based on the resolution of the Board of Directors meeting held on August 7, 2023

Class of shares	Common stock
Source of dividends	Retained earnings
Total amount of dividends	JPY 1,315 million
Dividends per share	5 yen
Record date	June 30, 2023
Effective date	September 5, 2023

#### (2) Dividends for which the record date falls in the fiscal year under review, but the effective date falls in the following fiscal year

Dividends for which the resolution is scheduled to be proposed at the 132nd Annual General Meeting of Shareholders to be held on March 28, 2024

Class of shares	Common stock
Source of dividends	Retained earnings
Total amount of dividends	JPY 13,940 million
Dividends per share	53 yen
Record date	December 31, 2023
Effective date	March 29, 2024

(Notes on Financial Instruments)

1. Matters regarding the status of financial instruments

The Group's business activities are affected by the business environment in which it operates and the financial market environment. Because of that, financial instruments held or undertaken by the Group in the course of its business activities are exposed to specific risks including the following: (1) credit risk, (2) liquidity risk, and (3) market risk (foreign exchange risk, share price fluctuation risk, and interest rate risk).

(1) Credit risk

The Group is exposed to the risk of being unable to recover financial assets held by the Group due to a counterparty to those financial assets defaulting on debt obligations (hereinafter "credit risk"). To mitigate credit risk, the Company has a system in place whereby the sales divisions of each business segment regularly monitor the status of major customers with respect to trade receivables and manage due dates and outstanding balances of each counterparty in accordance with credit management regulations and to promptly detect whether the financial position of each counterparty deteriorates.

Derivative financial instruments provided by financial institutions, etc. are utilized to mitigate operational risk. As the Group executes financial instrument transactions only through highly rated financial institutions, the Group considers the credit risk associated with such transactions to be insignificant as of the end of the fiscal year under review.

Trade receivables are attributable to a large number of customers across vast regions. The Group identified no specific customer that accounted for significant credit risk exposure, which means excessive credit risk does not exist.

(2) Liquidity risk

The Group makes short-term loans payable principally to finance working capital, and undertakes long-term loans payable and bonds payable principally to finance capital investment. These, combined with obligations such as notes and accounts payable-trade, expose the Group to the liquidity risk of being unable to perform these obligations. The Group manages liquidity risks by preparing and updating an appropriate fund plan based on the forecasted plan of cash flows required for settlement and by maintaining cash on hand.

(3) Market risk

A. Foreign exchange risk

The Group operates businesses globally, and sells products, etc., manufactured by the Company and each subsidiary, overseas. As a result, the Group is exposed to foreign currency fluctuation risk (hereinafter referred to as "foreign currency risk") arising from translating foreign-currency-denominated trade receivables, etc. from transactions conducted by the Company and each subsidiary in currencies other than the functional currency into the functional currency using the exchange rate prevailing at the end of the reporting period.

In addition, the Group is exposed to foreign currency risk associated with foreign-currency-denominated trade payables from imports of some raw materials and other foreign-currency-denominated payables. However, the total amount of such payables is constantly within the range of the balance of trade receivables, etc.

denominated in the same currencies; therefore, such foreign currency risk can be offset with foreign exchange risk arising from foreign-currency-denominated trade receivables, etc.

The foreign currency risk of the Group mainly arises from fluctuations of the exchange rates of the US dollar and the euro against the yen. The Company and some of its subsidiaries monitor the monthly balance of foreign-currency-denominated trade receivables and payables by currency and, as a general rule, hedge foreign exchange risk by entering into forward-exchange contracts for the net amount of foreign-currency-denominated trade receivables and payables. In case the status of exchange rate requires, the Group also enter into forward-exchange contracts for the net amount of foreign-currency-denominated trade receivables and payables that are expected to arise definitely from forecast transactions on exports and import activities. In addition, the Group generally conduct currency swap transactions, etc. to reduce the risk of foreign exchange fluctuations regarding foreign-currency-denominated receivables and payables other than trade receivables and payables.

The Group uses derivative transactions solely for the purpose of hedging risks and does not engage in speculative transactions.

#### B. Share price risk

The Group owns shares in companies that have business relations with the Group for the purpose of securing and strengthening financial and finance transactions, expanding business, mutually, and enhancing transactional relationships. This exposes the Group to stock price fluctuation risk. With the aim of raising asset efficiency and optimizing these holdings, the Group regularly assesses their fair value as well as the financial position of issuers, reviewing the pros and cons of holding the assets.

#### C. Interest rate risk

The risk of fluctuations in the fair values of financial instruments or future cash flows from financial instruments arising from fluctuations in market interest rates is defined as interest rate risk. The Group is exposed to interest rate risk, mainly arising from liabilities including loans payable and bonds payable and claims including interest-bearing deposits. The amounts of interest are subject to the effects of fluctuations in market interest rates; therefore, the Group is exposed to interest rate risk from the fluctuations of future cash flows of interest.

The Group procures funds by issuing bonds payable at fixed rates with the main purpose of controlling the increase in interest payments caused by higher interest rates. When the Group procures long-term loans payable under floating rate terms, the Group in principle enters into interest rate swap contracts with financial institutions under which the Group receives interest at floating rates while paying interest at fixed rates, thereby substantially fixing the financing interest rate and stabilizing cash flows.

## 2. Matters regarding fair values of financial instruments

The fair values of financial assets and financial liabilities and their carrying amounts recorded on the consolidated statement of financial position as of December 31, 2023 are as follows.

In the consolidated statement of financial position, financial instruments measured at fair value and financial instruments whose carrying amount approximates their fair value are not included in the following table.

(Unit: JPY Million)

	Carrying amount	Fair value
Financial liabilities		
Financial liabilities measured at amortized cost		
Bonds payable and loans payable	245,375	239,385

### (Note) Fair value calculation method

The fair values of bonds payable and long-term loans payable are calculated based on the present value by discounting total amounts of principal and interest at the interest rate of a new similar borrowing.

## 3. Matters concerning the breakdown of the fair value of financial instruments by level

An analysis of the recurring fair value measurements for financial assets and liabilities recognized in the consolidated statement of financial position is presented below. These fair value measurements are classified into three levels of the fair value hierarchy based on the inputs to the valuation techniques used. Each level is defined as follows.

Level 1: Market prices for identical assets or liabilities in active markets

Level 2: Inputs other than market prices included in Level 1 that are directly or indirectly observable for an asset or liability

Level 3: Inputs related to assets or liabilities not based on observable market data

The breakdown of financial instruments measured at fair value is as follows.

(Unit: JPY Million)

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Derivatives	–	445	–	445
Loans	–	1,041	–	1,041
Other financial assets	–	–	142	142
(Financial assets measured at fair value through other comprehensive income)				
Equity instruments	20,985	–	2,253	23,238
Financial assets designated as hedging instruments				
Derivatives	–	–	–	–
Total assets	20,985	1,486	2,395	24,866
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivatives	–	3,105	–	3,105
Financial liabilities designated as hedging instruments				
Derivatives	–	13	–	13
Total liabilities	–	3,118	–	3,118

(Note) Fair value measurement method

(Derivatives)

The fair values of derivatives are determined based on the prices presented by counterparty financial institutions and classified as Level 2 of the fair value hierarchy.

(Other financial assets)

Of other financial assets, the fair values of marketable securities are determined by their market prices and classified as Level 1 of the fair value hierarchy. In addition, the fair values of unlisted shares are determined mainly using the book value per share method and classified as Level 3 of the fair value hierarchy.

The fair values of other financial instruments are determined using other valuation techniques, such as the discounted cash flow analysis and classified as Level 2 of the fair value hierarchy.

(Note on the disposal group classified as held for sale)

As stated in the Notes on Consolidated Statement of Income, as part of its business restructuring, the Company resolved at a meeting of its Board of Directors held on December 20, 2023 to enter into a share transfer agreement to transfer all shares of LAG, a consolidated subsidiary of the Company, to NCM Investments VII B.V., and has completed the share transfer as of January 31, 2024. NCM Investments VII B.V. is a subsidiary of Nimbus Investment Fund V Coöperatief U.A., a private equity fund managed by Nimbus, an investment fund company based in the Netherlands. As a result of this share transfer, LSI, a wholly-owned subsidiary of LAG which engages in the manufacture of rubber parts for medical applications in Slovenia, will also cease being a consolidated subsidiary of the Company.

As a result, assets and liabilities of LAG and LSI were classified as a disposal group classified as held for sale at the end of the fiscal year under review, due to the loss of control of LAG and LSI in the following fiscal year.

The breakdown of the disposal group classified as held for sale is as follows.

(Unit: JPY Million)

	Fiscal year under review (December 31, 2023)
Assets related to the disposal group classified as held for sale	
Cash and cash equivalents	933
Trade and other receivables	171
Inventories	589
Other	85
Total assets	1,778
Liabilities related to the disposal group classified as held for sale	
Trade and other payables	633
Deferred tax liabilities	243
Net defined benefit liability	138
Other	524
Total liabilities	1,538

The disposal group classified as held for sale is measured at fair value less costs to sell because the fair value less costs to sell is less than the carrying amount. The fair value was determined based on the estimated sale price in this share transfer agreement.

As a result, the entire carrying amount of JPY 11,303 million of manufacturing equipment and other assets owned by LAG and LSI was recorded as an impairment loss in “Other expenses” in the consolidated statement of income in the fiscal year under review.

(Notes on Per Share Information)

Equity attributable to owners of parent per share:	JPY 2,372.90
Basic earnings per share:	JPY 140.86

(Notes on Contingent Liabilities)

Inappropriate inspection of fenders

It was found in the 130th fiscal year that in the product inspection for some products of the rubber fender (energy-absorbing material that absorbs and mitigates the impact on vessels berthing to prevent damage to the vessels and wharfs of harbors) manufactured by the Company, testing methods were different from the guidelines and data were changed. An Emergency Committee for this case was established to confirm the safety of products already shipped and to provide explanations to customers. In addition, an internal investigation was conducted by a Special Investigation Committee, which included external lawyers. A report on the investigation of the cause of this incident and the development of measures to prevent its recurrence was received on November 5, 2021 and released on November 9 of the same year. Currently, we are working on safety verification of the case and negotiating compensation methods with customers and other relevant parties. The estimated amount of compensation costs for some cases that meet the requirements of the provisions are included in the provisions (provision for loss on voluntary recall of products), but depending on the progress of this case, there may be additional losses, including expenses of compensation to customers and other relevant parties, which will have an impact on the future financial position and operating results.

(Notes on Significant Subsequent Events)

Not applicable.

**NON-CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY**

(From January 1, 2023 to December 31, 2023)

(Unit: JPY Million)

	Total Equity			
	Capital Stock	Capital Surplus		
		Legal Capital Surplus	Other Capital Surplus	Total Capital Surplus
Balance at the beginning of current period	42,658	38,702	–	38,702
Change of items during the period:				
Dividends of surplus				
Net income				
Reversal of reserve for special depreciation				
Reversal of reserve for advanced depreciation of non-current assets				
Purchase of treasury stock				
Disposal of treasury stock			(0)	(0)
Share-based payment transactions			(7)	(7)
Transfer of negative balance on other capital surplus			7	7
Net changes of items other than total equity				
Total change during the period	–	–	–	–
Balance at the end of current period	42,658	38,702	–	38,702



(Unit: JPY Million)

	Total Equity							
	Retained Earnings						Treasury Stock	Total Equity
	Legal Retained 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	2,339	–	74,842	207,902	289,619	(60)	370,919
Change of items during the period:								
Dividends of surplus					(5,260)	(5,260)		(5,260)
Net income					62,263	62,263		62,263
Reversal of reserve for special depreciation								
Reversal of reserve for advanced depreciation of non-current assets		(629)			629	–		
Purchase of treasury stock							(4)	(4)
Disposal of treasury stock							0	0
Share-based payment transactions							21	14
Transfer of negative balance on other capital surplus					(7)	(7)		
Net changes of items other than total equity								
Total change during the period	–	(629)	–	–	57,625	56,996	17	57,013
Balance at the end of current period	4,536	1,710	–	74,842	265,527	346,615	(43)	427,932

(Unit: JPY Million)

	Valuation and Translation Adjustments		Total Net Assets
	Valuation Difference on Available-For-Sale Securities	Total Valuation and Translation Adjustments	
Balance at the beginning of current period	9,814	9,814	380,733
Change of items during the period:			
Dividends of surplus			(5,260)
Net income			62,263
Reversal of reserve for special depreciation			—
Reversal of reserve for advanced depreciation of non-current assets			—
Purchase of treasury stock			(4)
Disposal of treasury stock			0
Share-based payment transactions			14
Transfer of negative balance on other capital surplus			—
Net changes of items other than total equity	(187)	(187)	(187)
Total change during the period	(187)	(187)	56,826
Balance at the end of current period	9,627	9,627	437,559

## Notes on Non-consolidated Financial Statements

(Notes on Significant Accounting Policies for Preparing the Non-consolidated Financial Statements)

### 1. Basis and method for valuation of assets

Shares of subsidiaries and associates	Stated at cost using the gross average method
Other securities	
Securities other than shares that do not have a market value	Stated at fair market value, based on market price etc., as of the balance sheet data date (with the entire amount of valuation differences inserted directly into net assets, and the cost of securities sold determined using the gross average method)
Shares that do not have a market value	Stated at cost using the gross average method
Derivatives	Stated at fair market value
Merchandise and finished goods	Stated at cost using the gross average method (with amount shown on the balance sheet written down as profitability declines)
Work in progress	Stated at cost using the gross average method (with amount shown on the balance sheet written down as profitability declines)
Raw materials and supplies	Mainly stated at cost using the gross average method (with amount shown on the balance sheet written down as profitability declines)

### 2. Depreciation method for non-current assets

Property, plant and equipment (excluding leased assets)	Straight-line method Major useful lives are as follows: Buildings: 3 to 50 years Structures: 4 to 60 years Machinery and equipment: 3 to 17 years Tools, furniture and fixtures: 2 to 20 years
Intangible assets (excluding leased assets)	Straight-line method For software for internal-use, the straight-line method is applied based on the anticipated useful term (five years).
Leased assets	With respect to leased assets related to finance lease transactions with the right of ownership transferred, the depreciation method is the same as that used for owned non-current assets. With respect to leased assets related to finance lease transactions with the right of ownership not transferred, the straight-line method is applied using the lease term as service life and a residual value of zero.

### 3. Recognition criteria for provisions

Allowance for doubtful accounts	To allow for losses from bad debts, the historical default rate is used for general receivables, actual default rates on an individual claim basis are used for receivables designated as potentially irrecoverable, and an allowance is made for the amount deemed irrecoverable.
Provision for bonuses	To allow for regular payments of bonuses to employees, the estimated amount payable for the fiscal year under review is recorded.
Provision for directors' bonuses	To allow for the payment of bonuses to officers, the estimated amount payable for the fiscal year under review is recorded.
Provision for retirement benefits	To allow for the retirement benefits of employees, the amount is recorded based on the amount of estimated retirement benefit obligations and pension assets as of the end of the fiscal year under review.  Method of attributing estimated retirement benefits of service period of an employee's service To calculate retirement benefit obligations, the method for attributing expected benefit payments for the period to the fiscal year under review is as per the benefit formula basis. Method of amortization of actuarial gains or losses and prior service costs Prior service costs are recorded as expenses using the straight-line method over a fixed number of years (15 years) that is within the average number of years of remaining service for employees at the time the expense is incurred. The actuarial gains or losses are treated as expenses in the fiscal year following the fiscal year in which they arise using the straight-line method over a fixed number of years (15 years) that is within the average number of years of remaining service of employees at the time the differences emerge.
Provision for loss on voluntary recall of products	To allow for direct recalling expenses and related expenses for voluntarily recalling products, an amount reasonably estimated to be incurred during and after the following fiscal year is recorded.

#### 4. Accounting policy for revenue and expenses

The Company recognizes revenue by applying the following five-step approach.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligation in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligation in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company's main business is the manufacture and sale of each of its products of the tire business, the sports business, and the industrial and other products business, and the respective revenue recognition criteria are as follows. Furthermore, since the Company receives payment within one year after delivery to the customer or provision of services, the amount of promised consideration does not include a material financial component.

##### (Tire Business)

The Group provides a variety of tires and related accessories for passenger cars, trucks and buses, and motorcycles under the main brands of "DUNLOP" and "FALKEN" to customers in Japan and overseas. The performance obligation is judged to have been satisfied when the merchandise is delivered to the customer, and revenue is recognized at that time.

##### (Sports Business)

The Company provides sporting goods sales to domestic and international customers. The performance obligation is judged to have been satisfied when the merchandise is delivered to the customer, and revenue is recognized at that time.

##### (Industrial and Other Products Business)

The Company provides high-performance rubber products, daily life supplies, and infrastructure-related commercial products to customers in Japan and overseas. The performance obligation is judged to have been satisfied when the merchandise is delivered to the customer, and revenue is recognized at that time.

#### 5. Other important matters for preparing the non-consolidated financial statements

##### (1) Treatment of deferred assets

Bond issuance cost	All expenses are charged to expenses when incurred.
--------------------	---

##### (2) Hedge accounting

Method of hedge accounting	Deferred hedge accounting is applied. Deferral hedge accounting is used for forward exchange contracts that meet the requirements for deferral hedge accounting, and special treatment is used for interest rate swaps that meet the requirements for special treatment. Integrated accounting (special treatment and deferral hedge accounting) is used for interest rate and currency swaps that meet the requirements for integrated accounting.
----------------------------	--

Hedging instruments and hedged items	<p>Hedging instruments: Forward-exchange contracts, Interest rate swap contracts, Interest rate and currency swap contracts</p> <p>Hedged items: Transactions to be contracted in a foreign currency, Short-term loans payable and long-term loans payable with variable interest rates</p>
Hedging policy	In accordance with the internal rules of the Company, hedging instruments are used to hedge against foreign exchange fluctuation risk and interest rate fluctuation risk.
Method for evaluating the hedge effectiveness	Hedge effectiveness is evaluated by comparing cumulative market fluctuations or cash flow fluctuations of hedged items and hedging instruments, and is determined based on their fluctuation amounts, etc. for the period from the start of hedging until the evaluation of effectiveness.

(3) Accounting treatment of retirement benefits

The accounting treatment used for unrecognized actuarial gains or losses related to retirement benefits and unrecognized prior service costs differ from those used in the non-consolidated financial statements.

(4) Application of group tax sharing system

The Company has adopted the group tax sharing system from the fiscal year under review.

(Notes on Revenue Recognition)

Information serving as a basis for understanding revenues is presented in the notes to the non-consolidated financial statements (Notes on Significant Accounting Policies for Preparing the Non-consolidated Financial Statements) in 4. Accounting policy for revenue and expenses.

(Notes on Significant Accounting Estimates)

Accounting estimates are based on information available at the time of preparing the non-consolidated financial statements, to calculate reasonable amounts. Of the amounts recorded in the non-consolidated financial statements for the fiscal year under review based on accounting estimates, the following items have a risk of exerting a material impact on the non-consolidated financial statements for the following fiscal year.

1. Valuation of shares of subsidiaries and associates

(1) Amounts recorded in the non-consolidated financial statements for the fiscal year under review

In the non-consolidated balance sheet at the end of the fiscal year under review, the amount recorded for “Shares of subsidiaries and associates” is JPY 325,736 million. The amount includes JPY 23,146 million for the shares of Micheldever Group Ltd.

(2) Other information that contributes to the understanding of the users of the non-consolidated financial statements regarding the content of accounting estimates

In the valuation of shares of subsidiaries and associates that have no market price, if the actual value significantly declines due to deterioration in the financial condition of the company issuing the shares, a reasonable reduction shall be made to record an impairment loss, unless the possibility of recovery is supported by sufficient evidence. In determining the possibility of recovery, the Company reasonably estimates the future actual value based on business plans, etc. of subsidiaries and associates and examines whether the actual value will recover to the acquisition value within approximately five years. These estimates may be affected by future changes in uncertain economic conditions and may have a material impact on the non-consolidated financial statements of the following fiscal year.

For the shares of Micheldever Group Ltd., the Company compares the actual value, which reflects the expected excess earnings power at the time of acquisition, with the carrying amount to determine whether there has been a significant decline in the actual value. Since there was no significant decline in the real value of such shares, no loss on valuation of shares of subsidiaries and associates was recognized in the fiscal year under review.

The examination of whether excess earnings power is impaired is conducted based on estimates from business plans and others approved by management, as is the case with the impairment testing for goodwill and intangible assets with indefinite useful lives in preparing the consolidated financial statements. These estimates may be affected by future changes in uncertain economic conditions and may have a material impact on the non-consolidated financial statements of the following fiscal year.

(Notes – Balance Sheet)

1. Total accumulated depreciation of property, plant and equipment	JPY 444,827	million
2. Notes receivable-trade discounted	JPY 94	million
3. Guarantee obligations	JPY 46,005	million
Letter of guarantee	JPY 45,935	million
Sumitomo Rubber AKO Lastik Sanayi ve Ticaret A.Ş.	JPY 34,284	million
Sumitomo Rubber North America, Inc.	JPY 8,283	million
Seven other companies	JPY 3,368	million
Letter of comfort	JPY 70	million

Note: For foreign currency-denominated guarantee obligations, the amount converted into yen is shown at the exchange rate on the balance sheet date.

4. Monetary balance with subsidiaries and associates		
Short-term accounts receivables	JPY 281,848	million
Long-term accounts receivables	JPY 4,110	million
Short-term accounts payables	JPY 152,774	million
Long-term accounts payables	JPY 2,943	million
5. Method of treating notes receivable that mature at the end of the period		
The following notes, etc. are settled on the actual date of exchange of notes or the date of settlement.		
Notes receivable-trade	JPY 21	million
Electronically recorded monetary claims	JPY 368	million
Notes payable-trade, etc.	JPY 7,797	million
Electronically recorded obligations	JPY 332	million

(Notes on the Statement of Income)

1. Transactions with subsidiaries and associates		
Operating transactions		
Net Sales	JPY 453,547	million
Purchases, etc.	JPY 231,509	million
Non-operating transactions	JPY 57,523	million

2. Provision of allowance for doubtful accounts for subsidiaries and associates

The provision of allowance for doubtful accounts for subsidiaries and associates is for receivables from LAG, a consolidated subsidiary of the Company.



(Notes on the Statement of Changes in Equity)

Matters regarding the number of treasury stock

(Unit: Shares)

Class of shares	At the beginning of the fiscal year under review	Increase during the fiscal year under review	Decrease during the fiscal year under review	At the end of the fiscal year under review
Common stock	34,841	2,468	12,044	25,265

Notes: 1. The increase in the number of shares of common stock in treasury stock is due to the purchase of fractional shares.

2. The decrease in the number of shares of common stock in treasury stock is due to the disposal of treasury stock as restricted stock compensation and the sale of fractional shares.

(Notes on Tax Effect Accounting)

1. The breakdown of the major items that give rise to deferred tax assets and deferred tax liabilities are as follows.

		(Unit: JPY Million)
Deferred tax assets	Shares of subsidiaries and associates	18,264
	Allowance for doubtful accounts	3,888
	Research and development expenses	2,598
	Advertising expenses	1,167
	Sales incentive	1,048
	Impairment loss on non-current assets	876
	Accrued enterprise tax	774
	Provision for bonuses	689
	Foreign tax credit carried forward	353
	Loss on valuation of inventories	313
	Excess depreciation	246
	Asset retirement obligations	123
	Social security contributions related to provision for bonuses	111
	Investment securities	108
	Loss carried forward	35
	Others	1,553
		<hr/>
	Subtotal of deferred tax assets	32,146
	Valuation allowance	(13,608)
	<hr/>	
	Total deferred tax assets	18,538
Deferred tax liabilities	Valuation difference on available-for-sale securities	(4,173)
	Provision for retirement benefits	(3,388)
	Reserve for advanced depreciation of non-current assets	(837)
	Valuation difference on foreign currency denominated receivables and payables	(68)
	Others	(312)
		<hr/>
	Total deferred tax liabilities	(8,778)
	<hr/>	
	Deferred tax assets, net	9,760

2. Accounting treatment for corporate tax and local corporate tax, and tax effect accounting treatment related to these taxes

Effective from the current fiscal year, the Company has adopted the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate and local corporate taxes and tax effect accounting in the case where the group tax sharing system is applied.

## (Notes on Transactions With Related Parties)

(Unit: JPY Million)

Attribution	Name of company, etc.	Ratio of voting rights, etc. held by the Company (indirect ownership ratio)	Relationship with the related party	Description of transactions	Amount of transaction	Account classification	Balance at the end of the period
Subsidiaries	Domestic sales subsidiaries * Please refer to (1) below for details	* Please refer to (1) below for details	Sales of automobile tires, provision of services, concurrent positions of officers	Sales of tires, etc. (Note 1)	136,323	Accounts receivable-trade	58,185
				Deposit of funds (Note 4)	5,735	Deposits received	52,147
	Sumitomo Rubber North America, Inc.	100.0% indirectly held	Sales of automobile tires, provision of services, concurrent positions of officers	Sales of tires, etc. (Note 3)	103,252	Accounts receivable-trade	44,877
	SRI USA, Inc.	100.0% directly held	Provision of services, concurrent positions of officers	Financing (Note 4)	8,781	Short-term loans receivable	30,918
	Falken Tyre Europe GmbH	100.0% directly held	Sales of automobile tires, provision of services, concurrent positions of officers	Sales of tires, etc. (Note 3)	65,507	Accounts receivable-trade	26,343
	Sumitomo Rubber Middle East FZE	100.0% directly held	Sales of automobile tires, provision of services, concurrent positions of officers	Sales of tires, etc. (Note 3)	33,438	Accounts receivable-trade	12,801
	Sumitomo Rubber (Thailand) Co., Ltd.	100.0% directly held	Purchase of automobile tires, provision of services, concurrent positions of officers	Purchase of tires, etc. (Note 2)	102,499	Accounts payable-trade	14,233
	Micheldever Group Ltd.	100.0% directly held	Provision of services, concurrent positions of officers	Financing (Note 4)	1,987	Short-term loans receivable	17,829
	Sumitomo Rubber (China) Co., Ltd	100.0% directly held	Sales of automobile tires, provision of services, concurrent positions of officers	Loans payable (Note 6)	7,666	Short-term loans payable	21,923
	Sumitomo Rubber AKO Lastik Sanayi ve Ticaret A.Ş.	80.0% directly held	Purchase of automobile tires, provision of services, concurrent positions of officers	Guarantee obligations (Note 5)	34,284	-	-
	Dunlop Sports Marketing Co. Ltd.	100.0% directly held	Sales of sports equipment, provision of services, concurrent positions of officers	Sales of golf clubs, etc. (Note 1)	22,518	Accounts receivable-trade	9,318
Lonstroff AG	100.0% directly held	Provision of services	Financing (Note 4) (Note 7)	3,105	Short-term loans receivable	15,241	

\*(1) Names of companies included as domestic sales subsidiaries and ratio of voting rights held by the Company are as follows:

Name of company, etc.	Ratio of voting rights held by the Company
Dunlop Tire Hokkaido Ltd.	100.0% directly held
Dunlop Tire Tohoku Ltd.	98.8% directly held
Dunlop Tire Kanto Ltd.	98.7% directly held
Dunlop Tire Chuo Ltd.	99.3% directly held
Dunlop Tire Chubu Ltd.	100.0% directly held
Dunlop Tire Hokuriku Ltd.	58.7% directly held
Dunlop Tire Kinki Ltd.	100.0% directly held
Dunlop Tire Chugoku Ltd.	98.9% directly held
Dunlop Tires Shikoku Ltd.	100.0% directly held
Dunlop Tires Kyushu Ltd.	100.0% directly held
Dunlop Motorcycle Corporation	100.0% directly held

Of the amounts stated above, the “amount of transaction” does not include consumption taxes and “balance at the end of the period” includes consumption taxes.

Effective January 1, 2024, Dunlop Tire Hokkaido Ltd. and 10 other domestic tire sales subsidiaries and a part of the Dunlop Tyres Sales HQ of Sumitomo Rubber Industries, Ltd. were integrated into DUNLOP TYRE JAPAN, LTD. through reorganization.

Terms of transaction and the method of deciding the terms of transaction:

- (Note 1) Transaction price is determined through price negotiations conducted regularly based on the Company’s desired price determined after taking into account market price and gross cost.
- (Note 2) Transaction price is determined by adding a certain margin to the estimated cost.
- (Note 3) Transaction price is determined using a calculation based on market prices of the Company’s products.
- (Note 4) Financing, deposits and collection of funds pertain to the cash management system (CMS) and the rate of interest is reasonably determined by considering the market interest rate. The amount of transactions is the net increase (or decrease).
- (Note 5) Loans payable from banks (USD 75,940 thousand, EUR 149,650 thousand) of subsidiaries were guaranteed, and the amount of transaction is the balance at the end of December 2023.
- (Note 6) Regarding loans payable, the rate of interest is reasonably determined by considering the market interest rate. The amount of transactions is the net increase (or decrease).
- (Note 7) An allowance for doubtful accounts of JPY 12,517 million was recorded for short-term loans receivable to this subsidiary. In addition, a provision of allowance for doubtful accounts of JPY 12,280 million was recorded in the fiscal year under review.

(Notes on Per Share Information)

Net assets per share	JPY 1,663.61
Net income per share	JPY 236.73

(Notes on Contingent Liabilities)

Inappropriate inspection of fenders

It was found in the 130th fiscal year that in the product inspection for some products of the rubber fender (energy-absorbing material that absorbs and mitigates the impact on vessels berthing to prevent damage to the vessels and wharfs of harbors) manufactured by the Company, testing methods were different from the guidelines and data were changed. An Emergency Committee for this case was established to confirm the safety of products already shipped and to provide explanations to customers. In addition, an internal investigation was conducted by a Special Investigation Committee, which included external lawyers. A report on the investigation of the cause of this incident and the development of measures to prevent its recurrence was received on November 5, 2021 and released on November 9 of the same year. Currently, we are working on safety verification of the case and negotiating compensation methods with customers and other relevant parties. The estimated amount for compensation costs for some cases that meet the requirements of the provisions are included in the provision for loss on voluntary recall of products, but depending on the progress of this case, there may be additional losses, including expenses of compensation to customers and other relevant parties, which will have an impact on the future financial position and operating results.

(Notes on Significant Subsequent Events)

Not applicable.