SUMITOMO RUBBER GROUP

2021
Integrated Report

Certified by the Minister of the Environment
Sumitomo Rubber Industries, Ltd.
has been certified as an Eco-First company by the Minister of the Environment of Japan.

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The Sumitomo Rubber Group’s Approach to Value Creation

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The Sumitomo Rubber Group is pulling together to fulfill its various social responsibilities while contributing to the creation of a sustainable society by applying its future-oriented high-tech skills and research and development capabilities, efforts that will ensure it continues to be truly valuable for people, communities and society.

Through innovation we will create a future of joy and well-being for all.
Our Philosophy—A Cornerstone for Sumitomo Rubber Group Operations

For us to achieve further business growth in a time of uncertainty and volatility like the current moment, we must refresh our understanding of our reason for being and clearly define it in a way that establishes unwavering guidelines for Group employees and resonates with all of our stakeholders.

Based on this recognition, we have established Our Philosophy, a new corporate philosophy structure.

Our revamped corporate philosophy structure upholds the fundamental ideas of “fulfilling our responsibilities to society as a good corporate citizen,” “pursuing greater happiness for all Group employees,” and “living up to the expectations of our customers.” These ideas are firmly grounded in the Sumitomo Business Spirit, which has long been passed down by Sumitomo Group entities.

The Origins of the Sumitomo Business Spirit

Masatomo Sumitomo, the founder of the Sumitomo Group, left behind writings known as “Monjuin Shiigaki” (“The Founder’s Precepts”), which provide a set of principles and guidelines for merchants to abide by.

His teachings have supported the business operations of the Sumitomo Group throughout its 400-year history, passed down from generation to generation in the form of the “Sumitomo Business Spirit,” whose essence was more recently condensed into the modern “Business Principles” of the Sumitomo Group.

Containing such principles as “The business activities of Sumitomo must benefit not only Sumitomo, but must also be of benefit to the nation and to society as a whole,” the Sumitomo Business Spirit reflects Sumitomo’s strong sense of duty to society. To this day, the Sumitomo Business Spirit still forms the basis for the Sumitomo Rubber Group’s own Corporate Mission.

The Sumitomo Business Philosophy provides the basis of Our Philosophy and is the heritage of wisdom accumulated since its foundation 400 years ago.

Our Philosophy

**Purpose** Our Reason for Being

Through innovation we will create a future of joy and well-being for all.

**Story** Our Beliefs

A unique belief in the material possibilities of rubber.

A track record of multiple world-firsts through industry-leading rubber technology and, beyond that, relentless dedication to the innovation and development of new technologies.

A singular focus on creating value that exceeds expectations in response to the trust our customers and society place in us.

Supporting individuals, society and the future; creating a future of joy and well-being for all through innovation.

We are Sumitomo Rubber Industries, and this is what we are for.

**Vision** The State to Which We Aspire

Uniting our diverse strengths, growing together, driving and thriving on change.

**The SRI Way** The Values We Hold

Being reliable and worthy of trust

Facing forward with honesty and integrity, responding to the trust our customers, our colleagues and our society place in us.

Being unafraid; having the courage to persist in the face of failure.

Understanding and respecting each other’s individuality and perspectives.

**Slogan**

Rubber and Beyond, Driving Our Future

For us to achieve further business growth in a time of uncertainty and volatility like the current moment, we must refresh our understanding of our reason for being and clearly define it in a way that establishes unwavering guidelines for Group employees and resonates with all of our stakeholders.

Integrated Report 2021

*4* Integrated Report 2021
Further Enhancing Our Economic Value & Our Value to Society

Satoru Yamamoto
President & Representative Director, President and CEO
Sumitomo Rubber Industries, Ltd.

TOP COMMITMENT

In February, we established a Crisis Management HQ in order to share information throughout our global group in a timely manner while also sending a strong message to our employees around the world, reassuring them that we would surely overcome these times of hardship together.

The first half of last year was marked by a drastic deterioration in overall market conditions, which meant that, in addition to implementing extensive measures to protect our employees from infection, we were left with no choice but to take such emergency operational measures as halting production at several of our factories. At the same time, however, we were proceeding with steady preparations in anticipation of a strong market recovery once the situation improved. And so, as market conditions began to improve from the second half of the year first in China and North America, our group was able to respond swiftly to the consequent uptick in demand. As a result, we not only succeeded in increasing our sales, but even achieved an increase in profits for the second half of the 2020 compared to second half of 2019.

Even in the midst of the pandemic, we nevertheless continued to push ahead with efforts to tackle the challenges defined in our Midterm Plan while adding to and revising our action plans as necessary according to the changing situation. For example, by accelerating various efforts with the aim of “Developing & Promoting Sales of Advanced Products,” we have been able to maintain steady sales of SUV tires in spite of the recent market downturn. This has given us a renewed appreciation for the market strength of products backed by advanced technology. Meanwhile, working to cope with the “New Normal” of life with COVID-19 has brought to light a whole new set of challenges and so we have responded to these new challenges through Group-wide efforts to fully utilize digital technology in order to bring about changes in terms of how we interact with customers and in tandem with the rise of telework, even in terms of how we work.

Thanks to tireless hard work on the part of employees throughout the Sumitomo Rubber Group, we not only were able to respond flexibly to the pandemic while minimizing its negative impact on our business performance, but also made sure and steady progress in tackling the challenges embodied in the Three Key Value Drivers set forth in our Midterm Plan. In light of this, we have decided not to change our performance targets for 2025. Rather, we will continue working toward the achievement of our Midterm Plan goals while adding to and revising our action plans as necessary.

Project to Reinforce the Foundations of Our Business (Be the Change Project)

In 2020, the COVID-19 Pandemic brought massive changes to the lives and daily routines of people around the world. Meanwhile, the automotive industry was and is still in the midst of a “once in a century” transformation, while advances in digital technology have led to significant changes in consumer behavior across all industries. In other words, even before the pandemic, the business environment was already changing in various ways and the pace of this change is only increasing. I believe that, if we are to respond flexibly to these changes and achieve the goals of our Midterm Plan, it will be essential that we harness the full capabilities of our entire workforce. Since becoming the president of Sumitomo Rubber Industries, I have actively taken advantage of numerous opportunities to visit our group companies throughout the world and to talk with as many employees as possible about the work being done on the front lines of our business as well as about what they are thinking. My interactions with our colleagues in various positions left me with a strong desire to turn the Sumitomo Rubber Group into a corporate group that can bring together and realize the strength of all of our employees while amplifying and focusing this strength on a common vector in order to propel our business forward.

This desire would become the impetus behind the formation of our “The Change Project” (BTP) Project, an initiative that we launched last year with the aim of “Reinforcing the Foundations of Our Business.” Specifically, this project aims to “Reinforce Our Foundation for Profitability” and “Improve Our Organizational Framework” by overcoming organizational barriers and promoting the free and open exchange of ideas and opinions in order to strengthen vertical and horizontal connections among our employees so that these connections may serve as the basis for tackling various challenges together. I fully believe that these activities will enable us to strengthen our corporate culture and establish a sturdy profit structure, one that is competitive, adaptive to change and resilient in the face of adversity, thereby endowing us with a strong corporate framework that will remain unchanged by whatever environmental changes we may face in the future. It is my hope that this project will prove effective not only in terms of changing how our employees carry out their day-to-day work, but also on the level of changing the mindset of our employees. Through this process, we will also be creating a corporate culture in which all members of our diverse workforce can truly spread their wings and fly. Toward this end, corporate executives must first change themselves and then lead by example. We need to think less in terms of optimizing our own departments and more in terms of customer perspectives as well as the big picture of our entire group (which also means breaking down organizational barriers). We need to work together as a team with a strong emphasis on cooperation between departments. We need to share information openly and engage in active debate while respecting the diversity of ideas and people. We need to have the courage to take that first step forward when faced with a challenge. We need to boldly tackle the challenges of major and complex issues. These are the kinds of messages that we are now sending to our employees on a daily basis in the interests of spurring change.

As part of these initiatives, we are also actively promoting Work Style Reform. Based on the belief that stronger vertical and horizontal connections give rise to greater results, we have been forging ahead with reforms on two fronts: promoting Diversity & Inclusion (D&I) and promoting Digital Transformation (DX). With more than 38,000 employees worldwide, the Sumitomo Rubber Group will be working harder than ever to create a corporate culture in which diverse employees can respect one another, work freely and openly and truly shine while doing worthwhile work. Meanwhile, advances in DX will free up more time for our workers, giving them the necessary freedom to take on the challenges of performing work that produces even more added value. In this way, I hope to see each of our employees find genuine job satisfaction by harnessing his/ her own strengths and talents to their fullest. At the same time, communication is absolutely essential to promoting these new kinds of work styles. I firmly believe that our employees can accomplish great things by forging strong vertical and horizontal connections among themselves. The activities of the BTC Project form the cornerstone of our full-fledged efforts to bring about real Work Style Reform.

Since kicking off in earnest in April 2020, the BTC Project has pushed forward with various activities not only to change the mindset and the behavior of each and every employee for the better, but also to create new value, reduce costs, generate cash flow and so forth. Already, these activities have produced added profit of ¥4 billion, which are collectively worth some ¥30 billion in added cash flow and ¥10 billion in added profit. Through these activities, the capabilities of each and every employee and by extension the combined capabilities of our entire organization, are already steadily improving, thus leaving our organization better able to produce results. While this cross-organizational project started out as a series of top-down directives from the Project Headquarters, it has now expanded to span a growing number of offshoot projects intended to enhance our overall value and these are now primarily driven by ideas percolating upward from departments throughout our group. This is a sure sign that our employees, not content to sit around and wait for somebody else to bring about change, are now beginning to act with the courage to take that first step forward and bring about change on their own.

Moving forward, I would like for us to continue to expand this project and forge ahead with efforts to reinforce the foundations of our global business so that we can make the Sumitomo Rubber Group into an even more appealing corporate group, all the while maintaining a reasonable
TOP COMMITMENT

Progress on Our Midterm Plan

The Midterm Plan that we announced in February of last year aims to enhance our group’s economic value as well as our value to society by maximizing results from the global business framework that we built up in the years leading up to 2020, by advancing our vision for bringing new value to tires and the Sumitomo Rubber Group is now actively engaged in efforts to advance this concept to the next level.

When it comes to “Tires Providing Solutions for Safety & Peace of Mind,” we are actively engaged in the development of new systems that will take fuller advantage of our existing “Deflation Warning System” (which is already available on the market) and SENSING CORE Technology (which transforms tires into sensors to detect road conditions) by sharing various types of information gleaned from tires through the cloud so that this information can be put to use for the benefit of all. The Sumitomo Rubber Group will continue to advance our SMART TYRE CONCEPT technology, taking it to the next level so that we can create the tires and services of the future, by which we mean tires and services that provide longer lasting safety and even actively avoid hazards.

When it comes to “Tires Incorporating Life Cycle Assessment,” we will continue working to develop tires that have less environmental impact throughout their entire life cycles, from production and sales through usage and ultimate disposal. Toward this end, we have already developed and released tires that incorporate biomass materials and are now working to develop tires that feature even higher levels of biomass content as part of our ongoing efforts to contribute to the creation of a sustainable society.

Three Key Value Drivers

Our Midterm Plan defines Three Key Value Drivers for propelling our ongoing efforts to enhance both our group’s economic value and our value to society: “Developing & Promoting Sales of Advanced Products,” “Creating New Value” and “Promoting ESG Management.”

When it comes to “Developing & Promoting Sales of Advanced Products,” our “ENASAVE NEXT II” has received widespread acclaim not only for incorporating our proprietary Performance Sustaining Technology, but also as the world’s first tire to adopt Cellulose Nanofiber, an advanced biomass material being promoted by the Japanese government as a priority industry. At the same time, thanks to our robust “Retailer R&D Network” (with bases in Japan, the United States and Europe), we have been working together with automobile manufacturers in each region to advance the development of tires for electric vehicles (EVs) in order to meet the market demand for EVs in the major markets throughout the world.

The Sumitomo Rubber Group will continue to take full advantage of our proprietary materials and design technologies to develop tires that can bring out the full performance potential of EVs.

When it comes to “Creating New Value,” we will offer a growing lineup of solutions services to ensure customer safety and peace of mind while also improving operational efficiency for reduced costs. This includes Tire Pressure Management Services that take full advantage of our proprietary SENSING CORE Technology, which transforms tires themselves into sensors, thus allowing for the detection of information on road conditions (such as slipperiness), tire conditions (tire load, etc.) and so forth without requiring the installation of sensors or other additional hardware. As this technology advances further, it will become possible for vehicles to detect and emit warnings related to tire or road conditions by taking advantage of comprehensive data gleaned from tires and then compiled and shared at the city or even society level through the cloud.

Through ongoing cooperation with external partners, the Sumitomo Rubber Group will continue working to provide total solutions to respond to the needs arising from CASE and MaaS, thereby creating new value that goes beyond tires.

The Spirit Behind Our New Corporate Philosophy Framework – Our Philosophy

In order for the Sumitomo Rubber Group to achieve further growth while adeptly responding to a business environment that is increasingly uncertain and fraught with drastic change, we felt that the time had come for us to redefine the purpose of our existence in a way that would provide steadfast guiding business for all of our employees and fully resonate with all of our stakeholders.

Thus, in December 2020, we promulgated “Our Philosophy,” a new corporate philosophy framework that clearly defines the Purpose of the Sumitomo Rubber Group not merely in terms of the simple pursuit of profit, but with a particular emphasis on carrying out sustainable business activities in harmony with society and with the environment. It is our hope that Our Philosophy will align all of us on the same vector by serving as the basic behind our decisions and the impetus behind our actions, thereby creating a powerful driving force to propel our group ever forward toward the accomplishment of our strategic goals.

From the beginning, the “Sumitomo Business Spirit” has served as the basis for decisions within the Sumitomo Group throughout its nearly 400 years of history. The Sumitomo Rubber Group has been no exception, turning to it regularly as we engaged in various business activities over the years and even weaving it into our own corporate philosophy, which was first promulgated in 1983. Since then, although we have reviewed the contents of our corporate philosophy in keeping with changing times and changes to our business, we have nevertheless continuously upheld the basic ideals enshrined in the Sumitomo Business Spirit, such as “fulfilling our responsibilities to society as a good corporate citizen,” “pursuing greater happiness for all of our employees” and “living up to the expectations of our customers.” While still maintaining these basic ideals, we have now overhauled our corporate philosophy framework in the form of “Our Philosophy.” At the pinnacle of Our Philosophy is Our Purpose, which states the very reason for our existence: “Through innovation we will create a future of joy and well-being for all.”

In addition, we have also devised a new corporate slogan, a simple statement reflecting the worldview espoused by Our Philosophy: “Rubber and Beyond, Driving Our Future.” The phrase “Rubber and Beyond” has two meanings: it refers to both cutting-edge rubber technology and “expanding the possibilities of rubber to develop new technologies and provide new value.” Meanwhile, the phrase “Driving Our Future” reflects our desire to bring joy to the hearts of all who come into contact with our products and services, driven by the boundaries flexibility and endless possibilities of rubber materials. I believe that what the world now needs from the Sumitomo Rubber Group is for each and every one of us to continue tackling the challenges of creating and providing greater “joy and well-being” to uplift people, society, the environment and the future. We hope that our newly defined Purpose will serve as the basis for all of our decisions and as the impetus for all of our actions in both our work and our management so that we may contribute to the development and continuing prosperity of a more sustainable society as envisioned by the international community.

With the aim of fully bringing up the ideals enshrined in Our Philosophy, the Sumitomo Rubber Group is already actively tackling various challenges in order to develop products with less environmental impact and to create the tires and services of the future for greater safety and peace of mind.

Social Contribution Activities Based on the Sumitomo Business Spirit

In keeping with the Sumitomo Business Spirit, which has been passed down through generations over nearly 400 years of Sumitomo history, the Sumitomo Rubber Group actively promotes and engages in various social contribution activities, including the provision of free-of-charge tire safety inspections, collecting employee donations through our “Sumitomo Rubber CSR Fund” and the “Team ENASAVE Mini Project,” which is a joint project undertaken in cooperation with the National Federation of UNESCO Associations in Japan with the aim of promoting activities to preserve both the environment and traditional culture. One of the highlights of our social contribution efforts is our ongoing “GENKI Activities,” employee volunteer activities that first started out as “activities to invigorate everyone” (“genki” means “healthy” in Japanese) and that have now continued for over thirty years. As part of these activities, employees at eleven of our facilities throughout Japan have created “GENKI Forests” by collecting acorns, cultivating them into saplings and then planting them to combat deforestation.

GENKI Activities also include activities to protect endangered species and other biodiversity conservation efforts, as well as various other volunteer activities that altogether involve some 16,000 employees and their family members each year. Moving forward, the Sumitomo Rubber Group will continue to actively promote and engage in activities that aim to invigorate local communities and the earth.

By working to create new value in terms of both our economic value and our value to society, we at the Sumitomo Rubber Group continue strive to contribute to the creation of more sustainable societies in which people can live and work safely and with peace of mind. In the future, we will continue working to produce even greater economic and social value throughout all of our business activities as only the Sumitomo Rubber Group can.
Progress Report on Our Midterm Plan

Shortly after we unveiled our Midterm Plan in February 2020, our business was impacted by the onset of the COVID-19 Pandemic. Nevertheless, we have continued to run our business surely and steadily in accordance with the framework set forth in our Midterm Plan while adding to and revising our various action plans as necessary according to changes in market conditions and work styles. Moving forward, we will continue working to further enhance both our economic value and our value to society with an emphasis on improving the quality of our earnings and ensuring the sustainability of our business, with all of these efforts driven by our Three Key Value Drivers.

Anticipating Recovery in the Tire Industry

Due to the impact of the COVID-19 Pandemic, global demand for tires plummeted in 2020, with annual gross demand falling to approximately 1.6 billion tires, which is just 86% of the previous year’s demand level. Further, global demand is not expected to recover to pre-pandemic (i.e. 2019) levels until around 2022 (Graph 1).

Graph 2 illustrates global tire demand in 2020 and 2021 (projected), as well as our group’s sales plan for that same period, compared to 2019 figures, which are used as a baseline (set at 100). Our group’s sales in 2020 (at 88) fared somewhat better than overall global demand that year (at 86). In 2021, we are planning for our sales to recover to 97, which once again exceeds the anticipated recovery in global demand (to 95) and represents an 11% increase over 2020.

We are also planning to improve sales mix in addition to volume. In particular, we are planning to increase sales of Advanced Tires (a market segment in which we excel) to 113 in 2021 (a 22% increase over 2020).

In order to ensure the accomplishment of our Midterm Plan, in 2020, we launched the “Be the Change Project” to “Reinforce Our Foundation for Profitability” and “Improve Our Organizational Framework.” Since then, we have engaged in various cross-organizational activities that aim to generate cash flow and raise the bar in terms of cost competitiveness while working to bring to light major issues affecting multiple areas of our organization so that we can then move forward with improvements and so forth.

Involving many employees throughout our group, our efforts to enhance our cash flow generation capabilities have brought together both top management and frontline workers in actively working to design and carry out activities to promote and instill proper cash-flow management practices.

Meanwhile, project teams formed mainly of members from our Manufacturing Division and Procurement Division have been leading efforts to enhance our cost-improving capabilities by working to improve the overall efficiency of our procurement of raw materials and equipment. To date, these activities have already generated over 4,000 ideas and have thus far brought ¥20 billion in added cash flow and ¥10 billion in added profit. Moving forward, we will steadily put these ideas into action one after another so that we can be sure to reap these benefits.

In order to transition toward work styles that encourage the proactive tackling of challenges, we have expanded our internal job posting system and established a new system that allows employees to experience working in different departments for a fixed period of time. In addition, we have also set about reforming our personnel system, beginning with a shift to a job-based personnel system for managers from April 2021 as the first step. At the same time, our entire group is actively pushing ahead with Work Style Reform as well as efforts to promote Diversity & Inclusion.

“Be the Change” — A Group-wide Project to Reinforce the Foundations of Our Business

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Value Drivers

- Developing & Promoting Sales of Advanced Products
- Creating New Value
- Promoting ESG Management

Efforts to Generate Profits

- Enhancing Our Group’s Economic & Societal Value
- Maximizing Results from Our Global Framework
- SMART TYRE CONCEPT

Efforts to Reinforce Our Organizational Framework

- Reinforcing Our Foundation for Profitability
- Enhancing Our Cash Generating Capabilities
- Implementing New Systems to Encourage Challenges
- Improving Our Organizational Framework
- Implementing New Job-Based Personnel System

Area of Activities to Reinforce the Foundations of Our Business

Outcomes of Activities

- Enhancing Our Cash Generating Capabilities
- Enhancing Our Cost Improving Capabilities
- Implementing New Systems to Encourage Challenges
- Improving Our Organizational Framework
- Implementing New Job-Based Personnel System
The Sumitomo Rubber Group’s Approach to Value Creation

A Global Framework for Enhancing Our Competitiveness

One of the Key Challenges set forth in our Midterm Plan is “Maximizing Results from Our Global Business Framework,” and we are now tackling this challenge on three fronts: “Global Manufacturing & Sales Network,” “Trilateral R&D Network (Japan/USA/EU)” and “Global Supply Network.”

With manufacturing and sales bases in major markets throughout the world, the Sumitomo Rubber Group has already established the necessary framework to directly supply products and services that meet the diverse needs of our customers throughout the world. At the same time, we have built a Trilateral R&D Network with bases in each major region so that we can develop products that better meet the localized needs of each market.

Meanwhile, on the supply side, in addition to harnessing the full production capacity of our factories around the world in order to promote local production for local consumption, the Sumitomo Rubber Group has established a flexible supply system that allows us to supplement local capacity by shipping tires from our flagship factory in Thailand (one of the largest tire factories on earth and the centerpiece of our global supply network) directly to markets all over the world. Through the measures discussed above, we will leverage this enhanced responsiveness in order to reinforce the foundations of our business by building stronger, trust-based relationships with automobile manufacturers with an eye toward expanding OE fitment so that we can then take advantage of a ripple effect to increase replacement tire sales.

The current state of our global manufacturing and sales network by region is as follows: First, in Japan and the rest of Asia, we have already established a robust network of cost-efficient manufacturing bases, where we are now in the process of updating equipment to increase production capacity for SUV tires in order to keep pace with evolving market needs. Moving forward, we will continue working to maintain steady sales in Japan and China as the main driver of profits in the region.

Next, in Europe and Africa, our factory in Turkey (our main supply base for markets in Europe) has made steady progress in augmenting production capacity and is now working to maximize the advantages of economies of scale with an eye toward simultaneously expanding our supply of tires to European automobile manufacturers and increasing replacement tire sales in the region. Meanwhile, our factory in South Africa is pushing ahead with ongoing efforts to improve productivity while transitioning to the production of high value-added products.

Lastly, in the Americas, in addition to our steadily increasing overall sales in North America, our factory in the United States has also made great strides in improving productivity, thereby bringing our overall North American business closer and closer to achieving profitability. Meanwhile, our factory in Brazil has increased production capacity to promote local production for local consumption while building up a robust local sales network, which has enabled our South American business to make significant improvements in terms of both pricing and sales mix. Thanks to these improvements, we are now well on our way to establishing a solid foundation for stable profitability in the region.

In order to more adeptly respond to the distinct needs of each market, we have established a Trilateral R&D Network that includes development bases in three major regions: Asia (which includes Japan and China), Europe and North America. This robust framework enables us to better respond to the increasingly stringent performance demands of automobile manufacturers worldwide while accelerating the development of advanced tires for electric vehicles in preparation for their rapid proliferation in the near future.

Our Tire Technical Center in Japan serves as our main development headquarters, where we engage in advanced materials research and advance the development of cutting-edge technologies while developing high-performance tires and other strategic products for global markets as well as tires designed for local markets in Asia (including Japan and China). In China, our development and sales teams are working hand-in-hand to expand our supply business with Chinese automobile manufacturers in response to rising market share, focusing in particular on efforts to increase OE fitment on electric vehicles. In 2020, we also established the necessary infrastructure for performing live vehicle testing in China.

In both Europe and North America, our local technical teams are able to respond swiftly to the needs of automobile manufacturers by developing tires that are well-suited to local conditions in each market. In the future, we are planning to expand the scope of their responsibilities to cover development for Africa and South and Central America as well.

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Manufacturing & Sales Bases Established in Major Markets Worldwide

Integration Report 2021
Our Business in North America

Expanding Sales Volume & Market Share in the North American Market

Boistered by strong sales of our FALKEN brand tires, our overall sales in North America increased in 2020 even as market demand plummeted as a result of the pandemic. All signs currently indicate that this sales momentum will likely continue through 2021 and beyond. Thanks to steadily increasing sales volume and market share in the North American market over the past several years, in 2020, FALKEN became the fifth most popular brand of passenger car tires by market share in the region. In keeping with its expanded market share, FALKEN’s price position has also steadily improved, thereby making a solid contribution to the further expansion of our overall business in North America.

Expanding Our Supply Capacity for the North American Market

In light of strong sales in the North American market and the reassuring pace of improvement at our factory in the United States, we recently made the decision to invest in increasing production capacity at our USA Factory as well as at our major export bases in Japan and Thailand. With these investments, we will greatly enhance our ability to respond to market demand (and especially demand for SUV tires) in North America by expanding our overall supply capacity with a combination of locally produced and imported tires.

With an investment of ¥10.1 billion, we will introduce the latest labor-saving production equipment at our USA Factory, thereby increasing the factory’s annual supply capacity by 1.8 million tires (for passenger cars and light trucks).

Meanwhile, having determined that the provisional anti-dumping tariff rate proposed for tires imported to the United States from Thailand (if ultimately imposed) would have only a minor impact on our business in the region, we have also decided to invest a combined total of ¥10.8 billion to increase production capacity at our factories in Japan and Thailand. Taken together, these investments in our factories in the United States, Japan and Thailand will increase our group’s supply capacity for the North American market to the tune of 3.8 million tires per year.

In addition to the abovementioned investment in increasing supply capacity for passenger car and light truck tires, we are also planning to invest in increasing production capacity for truck and bus tires at our factory in the United States, thus bringing our total planned investment in our USA Factory to ¥12.8 billion.

Responding to Increased Sales in the North American Market by Expanding Supply Capacity at Our Production Bases in the United States, Japan & Thailand by 3.8M Tires (for SUVs, etc.) per Year

<table>
<thead>
<tr>
<th>Location</th>
<th>Production Capacity Increase</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thailand</td>
<td>1.8M Tires/Year</td>
<td>2022</td>
</tr>
<tr>
<td>Miyazaki (Japan)</td>
<td>1.6M Tires/Year</td>
<td>2022</td>
</tr>
<tr>
<td>USA</td>
<td>5.5M Tires/Day</td>
<td>2022</td>
</tr>
<tr>
<td></td>
<td>1.8M Tires/Year</td>
<td>2023</td>
</tr>
</tbody>
</table>
One of our leading Advanced Products, "ENASAVE NEXT III" has received numerous awards, including the prestigious Energy Conservation Grand Prize "Agency for Natural Resources and Energy Director-General’s Award." In addition to enhanced overall tire performance, ENASAVE NEXT III also achieves both longer lasting performance and improved fuel efficiency thanks to the adoption of a revolutionary new "Hydrogenated Polymer" material. Further, ENASAVE NEXT III is also the world’s first tire to incorporate "Callosose Nanofiber," an advanced biomass material promoted by the Japanese government as a priority industry initiative. Thanks to these advances, ENASAVE NEXT III has received widespread acclaim as a product that deftly apprehends and responds to evolving market needs.

At the same time, we have also been accelerating the development of tires designed for electric vehicles. In 2020, we developed tires that not only reduce rolling resistance in order to achieve improved fuel efficiency, but also provide superior grip and wear resistance performance thanks to our proprietary compounding technology. These tires were recently adopted by Toyota Motor Corporation as factory-standard tires for their MIRAI line of fuel cell vehicles.

Our proprietary SENSING CORE Technology is a software-based technology that analyzes wheel speed signals (which are transmitted as a tire rotates) in order to detect various conditions pertaining to tire status, such as a decrease in tire pressure. What sets SENSING CORE apart is the fact that it uses tires themselves as sensors, meaning that it requires no additional sensors or other hardware and is completely maintenance-free. Our SENSING CORE tire pressure sensor technology has already been adopted in over forty million vehicles to date.

We have also recently made further advancements in our SENSING CORE Technology, establishing a new technology that can detect tire wear status. With this advancement, SENSING CORE is now able to detect tire wear in addition to tire pressure, tire load and road conditions. With these and other proprietary technologies, we aim to contribute to the advancement of the Mobility Society of the Future by responding to the new needs that will arise from the rapid rise of CASE and MaaS.

Our Scope 2 initiatives involve the installation of additional solar panels as well as plans for expanded procurement of green energy. Our main Scope 3 initiatives will involve working to develop products that include more biomass materials throughout all of our lines of business. In 2013, the Sumitomo Rubber Group released our groundbreaking "ENASAVE 100," the world’s first 100% fossil resource-free tires made from all-natural materials. Taking advantage of the technologies that we refined in the development of "ENASAVE 100, we have since released multiple products that incorporate various advanced biomass materials, such as "Liquid Farnesene Rubber" and "Callosose Nanofiber." Moving forward, we will continue working toward achieving carbon neutrality for the future through the development of products that feature ever greater proportions of biomass materials.

Creating New Value

Our proprietary SENSING CORE Technology is a software-based technology that analyzes wheel speed signals (which are transmitted as a tire rotates) in order to detect various conditions pertaining to tire status, such as a decrease in tire pressure. What sets SENSING CORE apart is the fact that it uses tires themselves as sensors, meaning that it requires no additional sensors or other hardware and is completely maintenance-free. Our SENSING CORE tire pressure sensor technology has already been adopted in over forty million vehicles to date.
A Message from the Chief Financial Officer

Review of Financial Results

Due to the global fallout from the novel coronavirus (COVID-19) pandemic, the business environment surrounding our group has been extremely severe, with market conditions deteriorating significantly in the first six months—and particularly in the second quarter—of the fiscal year ended December 31, 2020 (fiscal 2020). Although market conditions began to recover in the second half, albeit in varying degree from region to region, our overall performance remained sluggish throughout the fiscal year.

Consolidated Performance Summary for Fiscal 2020

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<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>% of Change</th>
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<tbody>
<tr>
<td>Sales Revenue</td>
<td>¥689.3 billion</td>
<td>¥796.6 billion</td>
<td>99%</td>
</tr>
<tr>
<td>Business Profit (Rate)</td>
<td>56.4% (4.5%)</td>
<td>49.4% (3.0%)</td>
<td>14%</td>
</tr>
<tr>
<td>Operating Profit (Rate)</td>
<td>39.1 (3.7%)</td>
<td>38.7 (3.0%)</td>
<td>1%</td>
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<tr>
<td>Profit Attributable to Owners of the Parent Company*3</td>
<td>¥32.1 billion</td>
<td>¥38.7 billion</td>
<td>19%</td>
</tr>
<tr>
<td>ROA*4</td>
<td>0.7%</td>
<td>0.6%</td>
<td>-15%</td>
</tr>
<tr>
<td>ROE</td>
<td>18.7%</td>
<td>21.2%</td>
<td>14%</td>
</tr>
<tr>
<td>D/E Ratio*5</td>
<td>0.7X</td>
<td>0.6X</td>
<td>-15%</td>
</tr>
</tbody>
</table>

Note: *1 Business Profit = Sales Revenue – (Cost of Sales + Selling + General and Administrative Expenses); in line with changes in our accounting policies, business profit for fiscal 2019 and the first quarter of fiscal 2020 has been retrospectively restated.  
*2 Gain (Loss) on foreign exchange and derivatives: Jan. to Dec. 2020: Negative ¥7.1 Billion; Jan. to Dec. 2019: Negative ¥0.5 Billion  
*3 Profit attributable to owners of the parent company as calculated according to IFRS.  
*4 ROA: Return on Assets  
*5 D/E: Debt to equity ratio

Despite various difficulties in the first half of the year, we strove to seize opportunities arising from recovery in demand in the second half, relying on the combined strength of our entire group to expand sales and increase profit. Consequently, while sales revenue and business profit posted ¥796.6 billion and ¥38.7 billion, respectively, year-on-year, operating profit stood at ¥38.7 billion, up 17% compared with the previous fiscal year.

Sales revenue declined considerably due to a significant deterioration in the overall sales environment, reflecting the impact of the COVID-19 pandemic, and business profit similarly decreased. On the other hand, operating profit and profit attributable to the owners of the parent company grew year-on-year thanks to such factors as a substantial decrease in the amount of impairment losses on goodwill and noncurrent assets compared with the previous fiscal year.

Financial results by business segment are as described below.

The Business: Sales revenue totaled ¥796.6 billion, down 11% year-on-year, while business profit amounted to ¥38.7 billion, down 25% year-on-year. Due to the fallout from the COVID-19 pandemic, demand was extremely sluggish in the first half of the year. However, we strove to seize opportunities arising from the recovery in market conditions that began from the second half, rallying the combined strength of our entire group to expand sales. As a result, we succeeded in improving sales revenue in the second half to a level equivalent to 97% of our revenue figures from the same period of the previous fiscal year, largely regaining ground lost since the onset of the pandemic. Moreover, our business profit in the second half was 123% of our profit figures from the same period of the previous fiscal year, representing a year-on-year increase of ¥7.9 billion.

Industrial and Other Products Business: Sales revenue amounted to ¥440.7 billion, a figure that is virtually unchanged from the previous fiscal year. Business profit was ¥33.2 billion, down 7% year-on-year. Sales of rubber parts for medical applications and vibration control dampers remained steady. Moreover, due to the COVID-19 pandemic, we saw strong demand for rubber gloves and other positive factors that bolstered sales growth. On the other hand, sales were also negatively affected by a decrease in sales of precision rubber parts for office equipment as manufacturers of printers and copiers reduced production volume as a result of the pandemic. Meanwhile, the business profit in the second half was 123% of our profit figures from the same period of the previous fiscal year, a year-on-year increase of ¥10.1 billion.

We consider the return of gains to shareholders to be a matter of the utmost priority. Accordingly, our basic policy is to ensure a long-term, stable stream of shareholder returns based on comprehensive consideration of dividend payout ratios, performance, group earnings levels and other such indicators on a consolidated basis. We also fully intend to utilize our retained earnings as a means of securing funds for capital expenditures, R&D and other forward-looking investments with the aim of expanding our group’s earnings base well into the future. As for the year-end dividend for fiscal 2020, we decided to pay ¥56 per share, up ¥10 per share from our initial dividend forecast of ¥46 per share, which we had announced alongside our financial results for the first nine months of the year. Our current plan for fiscal 2021 calls for paying annual dividends of ¥50 per share, comprising an interim dividend of ¥20 per share and a year-end dividend of ¥30 per share.

Looking ahead, we will strive to ensure stable shareholder returns throughout our business management and operations.

Hiroshi Ishida  
Director and Senior Executive Officer

Our Financial Strategy for Achieving Our Midterm Plan Objectives

Please tell us about your policy on capital expenditures.

Currently, our principal aim with respect to investment is to boost production capacity for Advanced Times in line with our efforts to expand sales in markets worldwide. In the fiscal 2020, our capital expenditure totaled ¥151.9 billion, which represents a decrease ¥57.2 billion year-on-year and reflects a more restrained investment policy implemented in response to the impact of the COVID-19 pandemic. By contrast, we plan to invest a total of ¥210.9 billion in fiscal 2021. Refinancing our previous policy of reinvesting in our overseas factories, we will now undertake various capital expenditures with the aim of increasing our group’s overall production capacity. At the same time, we will also be working to upgrade existing manufacturing lines at our domestic factories to allow for increased production of Advanced Products. Meanwhile, the Sumitomo Rubber Group’s factory management techniques are now being embraced by those working at our USA Factory as a decrease in overall capital expenditures. As a result, free cash flow grew from positive ¥38.6 billion in fiscal 2019 to positive ¥77.9 billion in fiscal 2020. Shifting to push ahead with these and other capital-generating activities, we will work to introduce various new measures to generate cash while also striving to lock in solid results from our existing cash-generating measures. We will thus aim to expand our cash flows in order to improve our overall financial position with the ultimate aim of achieving sustainable growth and the further enhancement of our corporate value.

Trends in Capital Expenditures and Depreciation

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Expenditures</th>
<th>Depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>¥55.0 billion</td>
<td>¥49.0 billion</td>
</tr>
<tr>
<td>2018</td>
<td>¥49.0 billion</td>
<td>¥43.0 billion</td>
</tr>
<tr>
<td>2019</td>
<td>¥41.0 billion</td>
<td>¥38.0 billion</td>
</tr>
<tr>
<td>2020</td>
<td>¥35.0 billion</td>
<td>¥30.0 billion</td>
</tr>
</tbody>
</table>

Note: The dividend payout ratio for fiscal 2019 would amount to 48%. In fiscal 2020, impairment losses recorded in the fiscal year were excluded.

Hiroshi Ishida  
Director and Senior Executive Officer

Cash Flow Trends

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Inflow</th>
<th>Cash Outflow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>¥25.0 billion</td>
<td>¥12.8 billion</td>
</tr>
<tr>
<td>2017</td>
<td>¥30.0 billion</td>
<td>¥20.6 billion</td>
</tr>
<tr>
<td>2018</td>
<td>¥33.3 billion</td>
<td>¥23.0 billion</td>
</tr>
<tr>
<td>2019</td>
<td>¥41.0 billion</td>
<td>¥24.0 billion</td>
</tr>
<tr>
<td>2020</td>
<td>¥50.0 billion</td>
<td>¥30.0 billion</td>
</tr>
</tbody>
</table>

Please tell us about the progress being made in your efforts to improve cash-generating capabilities as part of the “Be the Change” project.

We are currently striving to ascertain the specific measures needed to yield positive cash-generating effects via improvements in working capital and the efficiency of capital expenditures. Our fiscal 2020 cash flow figure included a ¥32.0 billion increase in cash flows from operating activities compared with the previous fiscal year, thanks mainly to a decrease in inventory levels. Cash flows from investing activities similarly improved, with a ¥17.8 billion increase in cash inflows due to such factors as a decrease in overall capital expenditures. As a result, free cash flow grew from positive ¥22.6 billion in fiscal 2019 to positive ¥77.9 billion in fiscal 2020. Shifting to push ahead with these and other capital-generating activities, we will work to introduce various new measures to generate cash while also striving to lock in solid results from our existing cash-generating measures. We will thus aim to expand our cash flows in order to improve our overall financial position with the ultimate aim of achieving sustainable growth and the further enhancement of our corporate value.

Integrated Report 2021
Reinforcing Our Business Foundations

Taking on the Challenge of Simultaneously Enhancing Our Organizational Framework and Profit Base to Reinforce Our Business Foundations

Currently underway, the aim of the “Be the Change” (BTC) Project is to reinforce our business foundations by improving our organizational framework and enhancing our profit base, and more than 600 employees have come forth to take part in the planning of relevant measures beyond departmental boundaries. To improve our organizational framework, we have been reviewing our personnel systems while implementing new training programs. To enhance our profit base, we have been engaging in a variety of initiatives aimed at reducing costs, systematically generating cash and otherwise securing profit in a sustainable manner. Over the course of a year under the BTC Project, we have witnessed tangible changes in employee behavior, with a great number of individuals becoming adept at utilizing their ties with interdepartmental peers as well as their skills at executing their duties. In addition, we have seen steady progress in the development of measures aimed at generating greater cash and profit thanks to a total of more than 4,000 employee proposals. In 2021, our plans call for expanding the scope of the BTC Project to include improving and strengthening the business strategy planning process as well as formulating measures to generate growth opportunities via the use of a selection and concentration approach. By doing so, we will push ahead further with reinforcing our business foundations.

Launching 360-Degree Feedback Sessions for All Individuals in Managerial Positions, Including the President

The BTC Project is intended to create a corporate culture that empowers diverse human resources to earn success via organizational transformation. As part of efforts to create such a culture, in 2020 Sumitomo Rubber Industries introduced a system in which all individuals in managerial or higher positions, including the President, take part in mandatory 360-degree feedback sessions. With the aim of continuously upgrading their approaches, mindsets and skills for better leadership, these individuals are presented with anonymous feedback from their team members, colleagues and leaders that they are asked to study in depth. In addition, e-learning and other skill-enhancement programs are available to individuals who voluntarily apply for supplementary training to address skills-related issues identified via feedback sessions. Moreover, we maintain boost programs that take a cross-hierarchy approach. These programs are designed to address essential matters requiring unified understanding among all employees throughout the organization, such as how to put “Our Philosophy” — our new corporate philosophy structure — into practice, while helping to improve their problem-solving capabilities.

Ensuring That Our Vision Is Embraced by All and Enhancing Employee Understanding of Diversity

We have defined our Vision—the state to which we aspire and a component of Our Philosophy—as “living our diverse strengths, growing together, driving and thinking on change.” To realize this Vision, efforts are currently underway to promote diversity & inclusion (D&I). Specifically, we aim to foster a corporate culture that empowers people with diverse backgrounds, such as women, foreign nationals, people with disabilities and members of the LGBTQ community, to earn success. To this end, we are striving to enhance the understanding of diversity among all employees. Thus far, initiatives in this area include the distribution of messages from the President addressing D&I topics and Work Style Reform with the intention of conveying a policy of simultaneously promoting the creation of a culture that respects diversity and the digitalization of operations. We have also hosted mandatory lectures for all managers to help raise their awareness of unconscious bias, which could constitute a barrier to D&I. In addition, in an effort to help all employees, regardless of rank, properly understand these matters, we have provided seminars with similar coverage. We are also aware that the removal of barriers inhibiting women’s success is a matter of particular importance among diversity issues. Accordingly, we have raised the ratio of female managers from 1.3% in 2010 to 3.5% in 2020 and, although the ratio surpasses the rubber industry’s average, we are engaged in initiatives to double this ratio to 7% by 2025, knowing that the representation of women in our workforce must be improved further. In fiscal 2021, we formulated an advisory team consisting of female employees from various departments. This team is striving to identify relevant workplace issues and develop new proposals in a way that heads the voices of women serving as active components of our workforce. In addition, preparations are underway to introduce a mentoring system to foster a corporate culture that commends those who succeed.

Main Initiatives to Promote Women’s Success

- Distributed “D&I 101” educational materials featuring a mascot character named “Chabo”
- Developed a “JOB Return System” and “temporary leave to accompany spouse overseas system”
- Developed various programs allowing employees to flexibly lead the workplace temporarily without the risk of wage deduction, including hour-unit leave, child-nursing leave, flextime and remote working (currently under trial)
- Provided interaction with companies in different sectors to jointly effect career development training programs
- Provided an even broader scope of employees with training aimed at addressing unconscious bias

Promoted interaction with companies in different sectors to jointly effect career development training programs
- More than 4,000 measures proposed
- More than 600 employees are working together to promote the project, taking a cross-regional, cross-departmental approach
- Plans call for launching additional TFs in 2021 to update our business portfolio strategies
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- Reinforce our business foundations by simultaneously improving our organizational structure and profit base
- We began to see tangible changes in employee behavior while making progress in the formulation of measures aimed at generating greater cash and profit.

ObjeCtive: Simultaneously improve the Group’s organizational framework and profit base to definitively achieve the goals of the Midterm Plan.

- Launched seven task forces (TFs) in 2020 to address issues related to the organizational framework and profit base
- More than 600 employees are working together to promote the project, taking a cross-regional, cross-departmental approach
- Plans call for launching additional TFs in 2021 to update our business portfolio strategies
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We have created a value chain that takes into consideration ESG (environment, social, and governance) at all stages, including product development, procurement, production, supply, sales, and after service. Through these endeavors, the Group is working to achieve sustainable business growth and develop highly competitive new products.
The Sumitomo Rubber Group's Approach to Value Creation

The Growth Track

Over the more than 110 years since our founding, we have leveraged our proprietary rubber technology as a tire maker to expand our field of business into sports and industrial products, thereby helping to achieve a sustainable society.

Sales Revenue / Net Sales

Established 1909

In the 100th year of our establishment, we are continuing to develop technologies and products that help create a sustainable society.

Major Management Accomplishments

- 1888 J. B. Dunlop commercialized the world’s first pneumatic tire
- 1909 Established the Kobe Factory
- 1909 U.K.-based Dunlop Rubber Company established and began operating Japan’s first modern rubber factory

Major Technological Accomplishments and Products Released

- 1913 Started tire manufacturing, producing the first Japanese-made tire
- 1930 Started production of Japan’s first golf and tennis balls
- 1954 Developed Japan’s first tubeless tire
- 1966 Sumitomo assumed management of the Company. Changed name to Sumitomo Rubber Industries, Ltd.

Business Profit

Fiscal 2020 Sales Revenue ¥790.8 billion

Business Profit* ¥43.4 billion

* Business profit = Sales revenue - (Cost of sales + Selling, general and administrative expenses)

Fiscal 2020 Business Profit

(Billions of Yen)

0 150.0 300.0 450.0 600.0 750.0 900.0

COVID-19 crisis

Great Recession

Asian crisis

Bankruptcy of Lehman Brothers

Hanshin-Awaji Earthquake

Great Hanshin Earthquake

1980s

1990s

2000s

2010s

2020s

Years

JGAAP

IFRS

Fiscal 2020 Sales Revenue (Billions of Yen)

1978 Net Sales ¥114.0 billion

Operating income ¥7.2 billion

IFRS

JGAAP

1969

1985

1996

2007

2018

2020

1982

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The Sumitomo Rubber Group’s Approach to Value Creation

Value Creation Model

A unique belief in the material possibilities of rubber. A track record of multiple world firsts through industry-leading rubber technology and beyond that, relentless dedication to the innovation and development of new technologies. A singular focus on creating value that exceeds expectations in response to the trust our customers and society place in us. Supporting individuals, society, and the future; creating a future of joy and well-being for all through innovation. We are Sumitomo Rubber Industries, and this is what we are for.

Our Beliefs

The Sumitomo Rubber Group is committing a variety of management resources, both internal and external, to growing the business. Today, based on its newly formulated Midterm Plan, it is leading the way to further enhancements in economic and societal corporate value, with the aim of contributing to the sustainable development of society.

Key Management Resources (fiscal 2020)

- **Financial Capital**
  - Total assets: ¥974.8 billion
  - Total equity: ¥467.1 billion

- **Manufactured Capital**
  - Domestic: 6 bases
  - Foreign: 16 bases

- **Human Capital**
  - Number of consolidated employees: 39,298

- **Intellectual Capital**
  - R&D expenses: ¥24.2 billion

- **Social Capital**
  - The number of tires sold: 108.83 million
  - The number of countries in which we engage in tire sales: 159

- **Natural Capital**
  - CO₂ emissions: 1,018 kt-CO₂e
  - Water usage: 13,068,000 m³

Business Activities and Growth Strategy

Current Business Activities

- **Tire Business**
  - Provides a variety of tires for passenger cars, trucks, buses and motorcycles in Japan and overseas.

- **Sports Business**
  - Manufactures and sells golf clubs, golf balls, tennis rackets and tennis balls, and manages fitness club businesses.

- **Industrial and Other Products Business**
  - Provides items ranging from daily life supplies, such as rubber gloves and products used in care-giving, to industrial materials, including artificial turf, rubber parts for medical applications, and vibration control dampers.

Value Driver

- Developing & Promoting Sales of Advanced Products
- Creating New Value
- Promoting ESG Management

Current Status and Medium-Term Targets

- **Economic Value**
  - **Target Indices**
    - Target Vision for 2025
    - Fiscal 2020
    - ROE
    - D/E ratio
    - Future Value
  - **Target**
    - ¥1 trillion
  - **Performance**
    - ¥790.8 billion
    - 4.9% ROE
    - 0.6 times D/E ratio

- **Societal Value**
  - Contribution to the United Nations Sustainable Development Goals (SDGs)
  - Realizing a sustainable society

- **ESG (Environmental, social and governance issues)**
  - Enhance our economic value
  - Enhance our societal value

Our Philosophy

The Sumitomo Business Spirit

Creating solutions that offer safety, comfort, and high performance

Help curb environmental burden through our business operations and participation in community activities

Promote diversity & inclusion

Deliver improved value to stakeholders
The Sumitomo Rubber Group’s Approach to Value Creation

**Risks and Opportunities**

### Management Issues
- Maximizing the results that we reap from the global business framework
- Developing products to respond to local market needs and ever higher performance demands
- Responding to the various issues present on the production floor by using digital technologies such as AI and IoT and automatic creation to smart factories

### Business Opportunities
- Accelerated motorization due to population upsurges and economic growth in India, Africa, ASEAN, etc.
- Increased demand for tires made of sustainable raw materials and fuel-efficient tires due to tightened environmental regulations for automobiles and heightened awareness of the global environment
- Growing demand for next-generation tires on the back of the widespread technological shift toward CASE and MaaS
- Popularization of such tire-related services as those enabling tire pressure management and abrasion monitoring via the use of AI and IoT
- Expanding business opportunities following the acquisition of trademark rights to the “DUNLOP” brand worldwide
- Raising awareness of health and sports among citizens, against the backdrop of an aging society
- Growing demand for digital-driven services and products

### Business Opportunities
- Sustained growth in demand for rubber parts for medical applications on the back of expansion in the global pharmaceutical market
- Growing needs for earthquake countermeasures reflecting ever stronger public awareness of natural disaster risks
- The emergence of new needs due to the growing trend toward sustainability along with the increasing importance of non-financial aspects of corporate activities
- Growing public hygiene awareness in the wake of the global COVID-19 pandemic

### Risks
- Political instability in emerging countries
- Jump in the price of raw materials and crude oil
- Emergence of manufacturers from emerging countries
- Natural disasters, pandemics
- Fluctuations in demand for winter tires due to rising global temperatures and diminishing snowfall volumes

### Strengths
- DUNLOP brand, which boasts over 130 years of history since the commercialization of the world’s first pneumatic tire and has won public recognition throughout the world
- Extensive product lineup centered around the “ENASAVE” series that complies with the labeling regulations for fuel-efficient tires
- Globally optimized production infrastructure
- World-leading simulation and analysis capabilities utilizing state-of-the-art supercomputers and so on
- Tire pressure sensing technologies installed in a cumulative total of 40 million vehicles
- Biomass technologies nurtured in the course of developing fossil resource-free tires

### Growth Opportunities
- Developing sales expansion in advanced tires, such as those aimed at the growing SUV tire market
- Creating new economic and societal value by giving concrete form to the “SMART TYRE CONCEPT” for the development of tires and peripheral services
- Developing tires using biomass raw materials that feature reduced environmental impact
- Providing tire-related solution businesses designed to help improve driving safety and reduce environmental burden via the use of AI and IoT
- Contributing to carbon neutrality through the development of products incorporating a greater proportion of biomass materials

### Opportunities Related to Changes in the Business Environment Going Forward as Well as the Strengths We Will Leverage for the Future Development of the Business
- To ensure sustainable growth, we steadily link medium- and long-term business opportunities to growth while working to identify and mitigate risk factors that could impair such growth. In this section, we provide a brief discussion of risks and opportunities related to changes in the business environment going forward as well as the strengths we will leverage for the future development of the business.

### Tire Business

**Opportunities**
- Expanding our Sports Business globally (Golf and Racket Sports Business)
- In golf, enhancing our presence in North America, the largest market
- In racket sports, leveraging the sales power we have cultivated in tennis balls, the brand power of Dunlop and our technical development capabilities, to grow sales
- Pursuing the diverse value and potential to be found in sports, so as to further enrich the customer’s sporting life
- Expanding sales expansion in advanced tires, such as those aimed at the growing SUV tire market
- Creating new economic and societal value by giving concrete form to the “SMART TYRE CONCEPT” for the development of tires and peripheral services
- Developing tires using biomass raw materials that feature reduced environmental impact
- Providing tire-related solution businesses designed to help improve driving safety and reduce environmental burden via the use of AI and IoT
- Contributing to carbon neutrality through the development of products incorporating a greater proportion of biomass materials

### Sports Business

**Opportunities**
- Expanding our Sports Business globally (Golf and Racket Sports Business)
- In golf, enhancing our presence in North America, the largest market
- In racket sports, leveraging the sales power we have cultivated in tennis balls, the brand power of Dunlop and our technical development capabilities, to grow sales
- Pursuing the diverse value and potential to be found in sports, so as to further enrich the customer’s sporting life
- Expanding sales expansion in advanced tires, such as those aimed at the growing SUV tire market
- Creating new economic and societal value by giving concrete form to the “SMART TYRE CONCEPT” for the development of tires and peripheral services
- Developing tires using biomass raw materials that feature reduced environmental impact
- Providing tire-related solution businesses designed to help improve driving safety and reduce environmental burden via the use of AI and IoT
- Contributing to carbon neutrality through the development of products incorporating a greater proportion of biomass materials

### Industrial and Other Products Business

**Opportunities**
- Expanding our Sports Business globally (Golf and Racket Sports Business)
- In golf, enhancing our presence in North America, the largest market
- In racket sports, leveraging the sales power we have cultivated in tennis balls, the brand power of Dunlop and our technical development capabilities, to grow sales
- Pursuing the diverse value and potential to be found in sports, so as to further enrich the customer’s sporting life
- Expanding sales expansion in advanced tires, such as those aimed at the growing SUV tire market
- Creating new economic and societal value by giving concrete form to the “SMART TYRE CONCEPT” for the development of tires and peripheral services
- Developing tires using biomass raw materials that feature reduced environmental impact
- Providing tire-related solution businesses designed to help improve driving safety and reduce environmental burden via the use of AI and IoT
- Contributing to carbon neutrality through the development of products incorporating a greater proportion of biomass materials

### Risks and Opportunities

<table>
<thead>
<tr>
<th>Management Issues</th>
<th>Business Opportunities</th>
<th>Risks</th>
<th>Strengths</th>
<th>Growth Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximize the results that we reap from the global business framework</td>
<td>Expanding business opportunities</td>
<td>Political instability in emerging countries</td>
<td>DUNLOP brand, which boasts over 130 years of history since the commercialization of the world’s first pneumatic tire and has won public recognition throughout the world</td>
<td>Developing sales expansion in advanced tires, such as those aimed at the growing SUV tire market</td>
</tr>
<tr>
<td>Develop products to respond to local market needs and ever higher performance demands</td>
<td>Accelerated motorization due to population upsurges and economic growth in India, Africa, ASEAN, etc.</td>
<td>Jump in the price of raw materials and crude oil</td>
<td>Extensive product lineup centered around the “ENASAVE” series that complies with the labeling regulations for fuel-efficient tires</td>
<td>Creating new economic and societal value by giving concrete form to the “SMART TYRE CONCEPT” for the development of tires and peripheral services</td>
</tr>
<tr>
<td>Strengthening efforts towards enhancement of “DUNLOP” brand value and expand the effect to the entire Sumitomo Rubber Group to generate synergies</td>
<td>Increased demand for tires made of sustainable raw materials and fuel-efficient tires due to tightened environmental regulations for automobiles and heightened awareness of the global environment</td>
<td>Emergence of manufacturers from emerging countries</td>
<td>Globally optimized production infrastructure</td>
<td>Developing tires using biomass raw materials that feature reduced environmental impact</td>
</tr>
<tr>
<td></td>
<td>Growing demand for next-generation tires on the back of the widespread technological shift toward CASE and MaaS</td>
<td>Natural disasters, pandemics</td>
<td>World-leading simulation and analysis capabilities utilizing state-of-the-art supercomputers and so on</td>
<td>Providing tire-related solution businesses designed to help improve driving safety and reduce environmental burden via the use of AI and IoT</td>
</tr>
<tr>
<td></td>
<td>Popularization of such tire-related services as those enabling tire pressure management and abrasion monitoring via the use of AI and IoT</td>
<td>Fluctuations in demand for winter tires due to rising global temperatures and diminishing snowfall volumes</td>
<td>Tire pressure sensing technologies installed in a cumulative total of 40 million vehicles</td>
<td>Contributing to carbon neutrality through the development of products incorporating a greater proportion of biomass materials</td>
</tr>
</tbody>
</table>

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**Note:** The above table is a summary of the key aspects discussed in the document. For a comprehensive understanding, please refer to the full text provided in the document.
Identifying Priority Issues and Promoting Dialogue with Stakeholders

Priority Issue Identification Process

Our organized efforts to energize sustainability activities and become a corporate group deserving of society’s trust date back more than a decade. In fiscal 2008, we formulated our Activity Basic Philosophy along with Activity Guidelines that specified five areas, namely, “Green (Green initiative), “Ecology (Ecological process),” “Next (Next-generation product development),” “Kindness (Kindness to employees)” and “Integrity (Integrity for stakeholders),” comprising 13 indicators.

In fiscal 2011, we identified the priority issues among these 13 indicators in light of their materiality. In fiscal 2014, we worked to update these priority issues, taking into account changes in the business environment and resulting impacts on stakeholders and society.

In fiscal 2015, we further refined the priority of the issues to be addressed with reference to the requirements of the “GRI Guidelines (G4)” and based on a survey of various stakeholders.

Emarking on fiscal 2021, we merged together “Achieving a good work-life balance” and “Promoting diversity” into “Promoting diversity & inclusion.” This current total of 18 indicators has again been updated according to priority.

This report presents the results of efforts aimed at attaining our targets for each indicator:

1 Global Reporting Initiative: An international organization that issues CSR reporting guidelines. Currently issues the GRI Standards.

18 Indicators Included in “GENKI” Activity Guidelines and Priority Issues

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating a low-carbon society,</td>
<td>Building a recycling-oriented society</td>
</tr>
<tr>
<td>Promoting environmental footprint management</td>
<td>Developing environmentally friendly products</td>
</tr>
<tr>
<td>Implementing global environmental management</td>
<td>Pursuing “safety and comfort,” “economy” and “quality”</td>
</tr>
<tr>
<td>Promoting dialogue with stakeholders</td>
<td>Promoting diversity &amp; inclusion</td>
</tr>
<tr>
<td>Enhancing corporate governance</td>
<td>Ensuring thorough compliance</td>
</tr>
<tr>
<td>Preserving biodiversity</td>
<td>Fostering human resource development and making work rewarding</td>
</tr>
<tr>
<td>Fostering better relationships with local communities through tree planting</td>
<td>Creating a safe, employee-friendly workplace</td>
</tr>
<tr>
<td>Promoting social contribution activities</td>
<td>Respect for human rights</td>
</tr>
<tr>
<td>Supply chain management</td>
<td></td>
</tr>
</tbody>
</table>

Stakeholder Dialogue

We periodically carry out surveys to learn about the various opinions and expectations of stakeholders, and, while taking their views into account, we also place importance on daily dialogue with stakeholders in pursuing our business activities.

We are conscious of our responsibilities towards stakeholders, and are working to promote communications through a variety of means.

How We Communicate with Stakeholders

- Feature: Customers
  - Automobile manufacturers, manufacturing companies, sale companies, sports facilities, etc.
  - Quality management: Development of safer products
  - Safe driving awareness: Providing product information and services
  - Customer consultation and service contact
  - Customer response through service and sales departments
  - Providing information via website and other media
  - Exhibitions and events, etc.

- Feature: Business partners
  - Rubber raw materials manufacturers, other materials manufacturers, trading companies, processing companies, etc.
  - Fair and reasonable procurement: CSR procurement
  - Dialogue through day-to-day business
  - Confirmation visits to procurement partners, and feedback
  - Questionnaires to procurement partners
  - Explanatory meetings, etc.

- Feature: Local community
  - Residents, municipalities, local government, educational institutions, and other organizations near factories and offices
  - Social contribution activities: Green initiatives: Preserving biodiversity
  - Participation in local events
  - Cooperation with NGOs and NPOs in social contribution activities
  - Participation in economic and industry organizations
  - Dialogue with local governments, etc.

- Feature: Shareholders and investors
  - Number of shareholders: 41,177 (individual and institutional investors, etc.) (as of December 31, 2020)
  - Return of profits to shareholders: Enhancement of corporate value through dialogue with shareholders and investors
  - General meeting of shareholders: Timely disclosure of news releases and publications
  - Issuance of financial information including fact books and shareholder communications
  - Providing information via website and other media
  - Results briefings, etc.

- Feature: Employees
  - Sumitomo Rubber Group: 39,298; Sumitomo Rubber Industries: 7,371 (male employees: 6,530, female employees: 841) (as of December 31, 2020)
  - Fostering human resources: Occupational health and safety
  - Health management: Diversity in employment
  - Consideration of work-life balance: Consideration of human rights
  - Dialogue with employees: Providing information through internal newsletters, intranet, etc.
  - Consultation with labor-management councils and employee representatives
  - Compliance consultation service
  - Round-table discussions with president to exchange views with management
  - Integrated Report questionnaires, etc.
## The Sumitomo Rubber Group’s Approach to Value Creation

The Sumitomo Rubber Group aims to create value through the innovative technologies of its SMART TYRE CONCEPT. By providing tires that not only ensure safer, more comfortable mobility for all but also contribute to the creation of an automotive society that provides greater joy and well-being for all, the Group is working to develop tires that feature superior performance in terms of both safety and environmental friendliness, with the ultimate goal of realizing a low-carbon society. To this end, the Group has been working hard to develop tires that incorporate cutting-edge technology, not only to optimize costs but also as a means of promoting greater mutual understanding with our customers and building more solid common ground between us.

### Agile Reflexes

Our group is equipped with agile reflexes to adjust course in response to changes in the business environment without losing momentum. Toward this end, we have been working hard to develop tires that feature superior performance in terms of both safety and environmental friendliness, with the ultimate goal of realizing a low-carbon society. To this end, the Group has been working hard to develop tires that incorporate cutting-edge technology, not only to optimize costs but also as a means of promoting greater mutual understanding with our customers and building more solid common ground between us.

### The New Normal

With a lineup of products that possesses cutting-edge environmental and safety technology, DUNLOP conducts business primarily in Japan and Asia.

### Business Overview

The Group is stepping up marketing mainly in Europe, the United States and Japan by leveraging its lineup of FALKEN brand tires with superior functionality and product quality.

#### Results of Operations / Major Indicators

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Revenue (Billions of Yen)</th>
<th>Business Profit (Billions of Yen)</th>
<th>Year-on-Year Increase/Decrease in the Sales Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>756.6</td>
<td>80.0</td>
<td>NA</td>
</tr>
<tr>
<td>2017</td>
<td>80.0</td>
<td>87.9</td>
<td>11%</td>
</tr>
<tr>
<td>2018</td>
<td>94.9</td>
<td>131.1</td>
<td>44%</td>
</tr>
<tr>
<td>2019</td>
<td>679.9</td>
<td>75.6</td>
<td>15%</td>
</tr>
<tr>
<td>2020</td>
<td>679.9</td>
<td>67.9</td>
<td>10%</td>
</tr>
</tbody>
</table>

#### Topics

- **Launch of the verification testing of a tire pressure management solution service**
  
  We have launched the verification testing of a solution service that remotely monitors and manages tire pressure and temperature.

- **The development of a remote tire pressure monitoring system for Level 4 autonomous vehicles; verification testing conducted in Guiu City using public roads**
  
  Targeting Level 4 autonomous vehicles, we have developed a system for collecting tire pressure data and supporting timely response to abnormalities indicating the need for tire maintenance. In November 2020, this system underwent verification testing using public roads in Guiu City, Guiu Prefecture. The system was also the subject of a joint research that was launched in 2019 and involves Gifu University’s Center for Research on Advanced Transportation Systems (CRANTS), with the aim of making it possible to remotely monitor the tire pressure of unmanned vehicles operating autonomously.

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*Business profit = Sales revenue – Cost of sales – Selling, general and administrative expenses*
We offer three brands, namely “1000,” “SRIXION” and “Cleveland Golf,” on a global scale.

Since their launch in 2000, our mainstay “1000” brand golf clubs have enjoyed favorable user reviews based on their carry, ease of hitting and the pleasing sound they produce when the ball is hit. The 11th generation models, “1000 Eleven” and “1000 X-4ks,” were launched in December 2019, and their sales are currently growing at home and abroad.

In 2020, we released the “SRIXION 2X series” for serious golfers as well as the “Cleveland RTX ZIPCORE Wedge” designed specifically for players who seek to improve their approach shots to a level equivalent to that of professional golfers. We also support the performance of top- notch players with these and other golfing gear in line with equipment sponsorship agreements.

Tennis Equipment

Having incorporated its cutting-edge proprietary technology into England’s traditional “DUNLOP” brand, the Company is introducing the brand throughout the world as one for all athletes, ranging from top professionals to beginners.

Not only does the Company manufacture the long-selling balls used in many of the major tournaments in Japan, it was chosen to be the official ball supplier to the Australian Open in 2019, becoming the first Japanese company to supply balls to one of the Grand Slam tournaments.

Wellness Business

Now in the process of expansion with the aim of becoming a third pillar of business, the wellness business comprises a fitness club business and golf and tennis school businesses.

In addition to the existing school business and comprehensive fitness clubs, the business supports health promotion in a broad range of fields through such operations as compact gyms open 24 hours a day and the contracted management of local government sports facilities.

Golf Equipment

Hideki Matsuyama

Hideki Matsuyama, who signed a golf equipment sponsorship agreement with Sumitomo Rubber Industries, marked a historic victory in April 2021 at the PGA Tour’s Masters Tournament, becoming the first Japanese and Asian man to win a major championship.

Matsuyama turned professional in April 2013 and signed an agreement with Sumitomo Rubber Industries in July 2013. Since then, we have provided golf clubs, golf balls, gloves and other gear in support of his goal of winning a major championship.

Going forward, we will continue to strive side by side with Hideki Matsuyama and other players for their victories.

The 60th anniversary of our long-selling “FORT”

In 2021 we will celebrate the 60th anniversary of the release of “FORT,” a series of long-selling tennis balls that have been used in a number of major domestic tournaments since its release in 1961. With outstanding sphericality and uniform quality, “FORT” has long been a tennis ball brand trusted by players. It is valued for the consistently mild feel of the hit, an unchanging feature of the series, while boasting superior durability.

Dunlop Sports Club opens a large facility in Kasukabe

The Sumitomo Rubber Group maintains a comprehensive fitness club business and has recently opened Dunlop Sports Club Kasukabe, the 21st facility in its nationwide sports club network, in a location slightly north of Tokyo adjacent to AEDON Mall Kasukabe. Taking advantage of its large two-story building, this sports club boasts a swimming pool, machine gym and fitness studio along with a golf practice range and a tennis court. With this new facility, we will strive to serve people of local communities and contribute to their health improvement efforts.

Hideki Matsuyama becomes the first Japanese player to win the Masters Tournament

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Business Overview

Sustainability Activities Undertaken by the Sumitomo Rubber Group

Sports Business

Messages from Corporate Leadership

Right now, the COVID-19 Pandemic continues with no end in sight. In light of these circumstances, how does the Sumitomo Rubber Group plan to harness your strengths toward accomplishing the Midterm Plan under the New Normal while looking ahead to the coming Post-COVID World?

While the sporting goods industry has been severely impacted by the pandemic, I also feel that it has given many people a renewed sense of the importance of sports as a pathway to a fuller and healthier life. As a sport that is played outdoors and has no problems accommodating social distancing, golf, in particular, is enjoying a resurgence in popularity, which has brought many young golfers and families to the sport.

Moving forward, while remaining keenly in tune with these and other market changes, we will work to establish a new business style that is well adapted to the New Normal, which will involve enhancing our e-commerce capabilities and so forth. Our major strengths include our “materials and material simulation technology,” “precision measuring technology” and “solutions development capabilities,” and we will be working to further augment these strengths in order to enhance our responsiveness to the needs of our customers while continuing to provide second-to-none products with ever greater speed.

How do you hope to go about realizing your group’s new Corporate Philosophy Framework: “Our Philosophy”?

As a key tenet of “Our Philosophy,” our group has set forth the reason for our existence (i.e., our “Purpose”) thusly: “Through innovation we will make a future of joy and well-being for all.” For our Sports Business, creating “well-being” means providing products and services that are thoroughly safe in order to engender peace of mind while at the same time earning the trust of our customers, all backed by the strength of our technical capabilities and our unremitting commitment to quality.

And, when it comes to “joy” through our products and services, our Sports Business will continue striving to give more and more people the thrill and satisfaction that come from playing an excellent game, as well as the sense of fulfillment that is an intrinsic benefit of sports in general.

Business HQ

Executive Officer, Kawamatsu Hideaki

Results of Operations / Major Indicators

Business Profit* (Ratio)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Revenue (Billions of Yen)</th>
<th>Business Profit (Billions of Yen)</th>
<th>Business Profit Ratio (% of Net (Billions of Yen))</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>72.8</td>
<td>4.3</td>
<td>5.9</td>
</tr>
<tr>
<td>2017</td>
<td>81.7</td>
<td>4.4</td>
<td>5.4</td>
</tr>
<tr>
<td>2018</td>
<td>84.5</td>
<td>5.6</td>
<td>6.5</td>
</tr>
<tr>
<td>2019</td>
<td>84.7</td>
<td>5.5</td>
<td>6.5</td>
</tr>
<tr>
<td>2020</td>
<td>70.3</td>
<td>3.1</td>
<td>4.4</td>
</tr>
</tbody>
</table>

* Business profit = Sales revenue – (Cost of sales + Selling, general and administrative expenses)
Rubber Gloves

We offer an extensive lineup of gloves encompassing widely diverse applications, which range from household to institutional use, while focusing on enhancing their environmental friendliness.

Precision Rubber Parts for Office Equipment

Precision rubber parts for office equipment require accuracy on a micrometer scale. With production bases in Japan, China and Vietnam, Sumitomo Rubber Industries meets the needs of a wide variety of customers.

Vibration Control Dampers

Our vibration control dampers made using a special high damping rubber protect such structures as detached housing, office buildings and housing complexes from swaying due to high winds and earthquake tremors. We are accelerating our business expansion into earthquake-prone Taiwan and South Korea with these products.

Raising our monthly production capacity for thin nitrile rubber gloves to 2 million pairs in response to a government request

In response to a government request, we have decided to raise our monthly production capacity for thin nitrile rubber gloves to 2 million pairs and, to this end, expanded our facilities at the Malaysia Factory. With the expanded facilities brought on line in May 2021, we will supply these gloves to such customers as domestic healthcare institutions and food-processing facilities.

The Group’s glove business is serving markets at home and abroad via the Malaysia Factory, which has just undergone facility augmentation, as well as partner factories in Thailand and elsewhere. Thin nitrile rubber gloves are used for a variety of applications, including healthcare and food processing. In addition, we have donated 97,500 pairs of such gloves to the Japanese government in April 2020 to support healthcare institutions.

Moreover, we have secured robust funds for the aforementioned facility expansion in the form of subsidies granted by the Japanese government under a scheme to promote the diversification of overseas supply chains.

To accommodate future demand, we will continuously strive to secure an even more stable supply structure.

Outline of the Malaysia Factory

<table>
<thead>
<tr>
<th>Location</th>
<th>Sungai Petani, Kedah, Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production sites</td>
<td>Rubber gloves (production and institutional use) and instant mobility systems</td>
</tr>
<tr>
<td>Launch of operations</td>
<td>1991</td>
</tr>
<tr>
<td>Total capital expenditure</td>
<td>¥170 million</td>
</tr>
</tbody>
</table>

Enhancing our lineup of advanced products supporting a comfortable life

With the aim of helping realize a living environment that is friendly to all, we have released “Dun-Slope Air 2,” a portable ramp for wheelchair use. This product offers enhanced user convenience due to its higher durability, superior shock-absorption, and compact size. At the same time, it is lightweight with a mass of over 2 kg and is stable enough to support a rider of up to 100 kg. Moreover, we have expanded our lineup of “NatuAssist for WOMEN” by introducing LL to 3L size (200 mm), black, above-knee length versions. As such, we strive to deliver products capable of meeting an even wider range of customer needs.

Rubber Parts for Medical Applications

Exercising thorough quality control, Sumitomo Rubber Industries offers safe, high-quality rubber parts for medical applications.

The Group’s glove business is serving markets at home and abroad via the Malaysia Factory, which has just undergone facility augmentation, as well as partner factories in Thailand and elsewhere. Thin nitrile rubber gloves are used for a variety of applications, including healthcare and food processing. In addition, we have donated 97,500 pairs of such gloves to the Japanese government in April 2020 to support healthcare institutions.

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Messages from Corporate Leadership

Right now, the COVID-19 Pandemic continues with no end in sight. In light of these circumstances, how does the Sumitomo Rubber Group plan to harness your strengths toward accomplishing the Midterm Plan under the New Normal while looking ahead to the coming Post-COVID World?

Offering various types of products under the core concept of “contributing to the creation of safer and more comfortable cities for all,” our Industrial Products Business provides value to diverse markets around the world in the form of improved infrastructure, reduced disaster risk and so forth. Meanwhile, during the recent pandemic, our business has continually responded to society’s urgent call for revamped supply chains to support frontline healthcare workers and protect public health. Our contribution in these times of need is not only a source of great pride for us but has also given us a renewed appreciation of what our products mean to society. We will continue working to achieve our Midterm Plan while adapting to the New Normal in a way that makes the very diversification of our business into our greatest strength.

How do you do to go about realizing your group’s new Corporate Philosophy Framework: “Our Philosophy”?

Our Industrial Products Business connects the Sumitomo Rubber Group to a wide and diverse array of industries and markets, covering everything from industrial infrastructure to medicine and healthcare and even daily necessities. As such, our business division has a particular duty to pursue “joy and well-being for all” in especially broad terms while continuously working to make these ideals into something tangible.

Our group is now actively promoting DX (Digital Transformation) and other innovations to provide all of our employees with a work environment that is more conducive to their work so that they can realize their full potential. Through these efforts, our Industrial Products Division will harness the collective strength of our over 5,000 employees in six different countries throughout the world as we push ahead with purpose-driven business operations that are firmly grounded in “Our Philosophy.”
Key Management Resources

In addition to financial capital, we regard manufactured capital (such as factories and production facilities), diverse human capital, intellectual capital (including research & development capabilities and intellectual property), social capital (e.g., global brand capability) and natural capital (such as energy resources) as key management resources.

In this section, we provide a brief discussion of our approach to the different types of capital, and their current status.

Financial Capital (financial position)

For the Group, sound financial capital is a key management resource that supports sustainable growth.

Total assets at the end of fiscal 2020 were ¥974.8 billion and total equity was ¥467.1 billion.

The Group, which is expanding its business globally, possesses six domestic bases and 16 overseas bases in its production network. In fiscal 2020, we implemented a total of ¥41.9 billion in capital expenditures.

Capital Expenditures

As a rule, the companies of the Group each take into account medium-term demand forecasts, production plans and the ratio of investment to profit, formulating their capital expenditures accordingly. In the case of important plans, the Company takes the central role in coordinating the Group, primarily for the purpose of optimization.

In fiscal 2020, the Group restrained capital investment due to the novel coronavirus (COVID-19) pandemic. Capital expenditure thus amounted to ¥41.9 billion, a decrease of ¥16.2 billion year on year. Depreciation was ¥49.3 billion, a ¥2.5 billion increase from the previous fiscal year. The Group restrained capital investment due to the novel coronavirus (COVID-19) pandemic. Capital expenditure thus amounted to ¥41.9 billion, a decrease of ¥16.2 billion year on year. Depreciation was ¥49.3 billion, a ¥2.5 billion increase from the previous fiscal year.

For fiscal 2021, plans call for capital expenditure totaling ¥59.0 billion. We will expand investment in overseas factories to boost their production output, reversing the restrained policy exercised in fiscal 2020. At the same time, we will invest in domestic factories to promote a shift to advanced product manufacturing lines. (For more details, please refer to page 18.)

Securing Liquidity

Going forward, the Group’s policy is to continue its program of capital expenditures for the purpose of increasing production capacity in order to support the expansion of sales, primarily overseas. While increasing sales volumes and improving profitability so as to expand cash flows from operating activities, we will also utilize funding from financial markets and institutions, etc., as required, seeking a balance between growth on the one hand and securing liquidity and improving our financial position on the other. Through these endeavors, we will strive to achieve a D/E Ratio below 0.5 times in line with our Mid-term Plan, which was announced on February 13, 2020.

Financial Position

Total assets at the end of fiscal 2020 were ¥974.8 billion, a decrease of ¥60.7 billion from the end of the previous fiscal year. Current assets fell ¥23.4 billion due to declines in inventories, while restraints on investment and a decrease in property, plant and equipment reflecting foreign exchange effects led to a decrease of ¥52.2 billion from the end of the previous fiscal year. Total liabilities at the end of fiscal 2020 were ¥507.7 billion, a decrease of ¥37.3 billion in non-current assets.

Total assets at the end of fiscal 2020 were ¥974.8 billion and total equity was ¥467.1 billion.
Production Infrastructure

Tire Business

Establishing a globally optimized production infrastructure

The development of the Tire Business’s global production infra-
structure began in 1997 with the Indonesia Factory, and the
number of production bases continued to expand steadily with
the opening of the Chanthaburi Factory in China in 2004, the Thailand
Factory in 2005 and the Honda Factory in China in 2012. To fur-
ther strengthen the supply infrastructure, we are currently moving
forward with plans to extend the Thailand Factory into one of
the largest of its kind in the world. In addition, we are moving steadily
ahead with the expansion and enhancement of other production
facilities and have launched, for example, production at the Brazil
Factory and South Africa Factory in 2013 as well as at the Turkey
Factory in 2015 and have acquired a factory in New York state to
serve as the Group’s U.S. base.

Increasing competitiveness via a global production infrastructure

Taking full advantage of the capacities afforded by our facto-
ries around the globe, we will push ahead to a shift to a structure
in which products are manufactured near their target markets.
Simultaneously, we will supplement product supply by charging
our Thailand Factory, the world’s largest facility of its kind and a
source of strength for the Group—to ensure that any underserved
demand across the world can be met.

Status of Our Global Production and Sales Bases

Making progress in maximizing the effect of our network of manufacturing and sales bases encompassing key markets around the globe

Sports Business

Proving ourselves worthy of the trust of users through superi-
or production technology and the ingenuity of our employees

The Company began the domestic manufacture of golf balls and
tennis balls in 1300. Golf balls, such as SRIXON and XQ00, which
are the mainstream of the Sports Business, are currently manufac-
tured at the Tohoku Factory (Sanna City, Hyogo Prefecture) and
the Indonesia Factory. In addition to the manufacture of golf clubs,
manufacturing subsidiary Duniclub Golf Club Corp. (Miyakonojo City,
Miyazaki Prefecture) is involved in providing custom clubs to meet
the needs of a wide variety of customers.

In tennis, our tennis ball factories in the Philippines and Thailand man-
ufacture balls for the Australian Open and major events on the ATP Tour.

Through these efforts, we will establish relationship of trust with
automakers. This will, in turn, help us raise the number of original
equipment tires we supply and secure robust sales in the replace-
ment market. In these ways, we solidify our business foundation.

Geographically, our production infrastructure already boasts low-
cost manufacturing bases in Japan and elsewhere in Asia. And, in
line with changing market needs, we have begun replacing facilities
in order to increase our capacity and the production capacity. Looking ahead, we will continuously strive to maintain stable sales in Japan and China and secure robust sources of profit.

Looking at Europe and Africa, our Turkey Factory, a supply base
for the former, is steadily ramping up production. Via this factory,
we will further leverage scale merits to stably increase the volume of
products delivered to European automakers while expanding sales
of replacement tires. With regard to the South Africa Factory, we
will promote productivity improvement as well as a shift to high-
value-added products.

In the Americas, we have seen stable sales growth in North America. Recently, we decided to invest in the USA Factory as well
as in the Japan and Thailand factories—our export bases—in an
effort to raise these facilities’ production output. This investment
will boost our regional supply capacity for SUV and other tires, with
tooth U.S.A.-made and imported products supporting our lineup. In
Brazil, we have made progress in securing sufficient local produc-
tion for local consumption by raising our production capacity in the
region. As such, we are striving to develop a stable profit base.

Industrial and Other Products Business

Raising production capacity for the Rubber Parts for Medical Applications Business

In the growing Rubber Parts for Medical Applications Business, since
first commencing the production of rubber parts for medical applications at the Bumihosu Factory in 2000, we have pursued
global production infrastructure development through the ongoing
expansion of these operations via the launch of the Kogakawa
Factory in 2010, the Swiss Factory in 2015 and the Slovenian

Our manufacturing education emphasizes manufacturing tech-
nology and craftsmanship in Japan and overseas.

In workplace focus is on putting what has been learned to practical use. To raise the level of workplace man-
agement, we are conducting various activities aimed at establishing
a consistent, Group-wide philosophy embraced by all employees
across the Group.

Human Capital (number of employees, fostering human resources, promoting Work Style Reform)

The basic aim of the Group is to respect the human rights of employees, fostering a workplace environment in which every-
one feels safe, respected and free to engage in the open exchange of ideas and is encouraged to take on challenging tasks.

In line with this, we are striving to create a corporate culture that supports employee efforts to achieve personal growth in
step with the Group’s business growth.

Employees

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of consolidated employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>33,792</td>
</tr>
<tr>
<td>2019</td>
<td>36,650</td>
</tr>
<tr>
<td>2018</td>
<td>37,852</td>
</tr>
<tr>
<td>2017</td>
<td>39,233</td>
</tr>
<tr>
<td>2016</td>
<td>40,238</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>Men (years)</th>
<th>Women (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>16.7</td>
<td>13.3</td>
</tr>
<tr>
<td>Overseas</td>
<td>16.8</td>
<td>12.6</td>
</tr>
</tbody>
</table>

Composition by Age (Sumitomo Rubber Industries Ltd. (Non-Consolidated Basis))

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Composition by Sex</th>
</tr>
</thead>
<tbody>
<tr>
<td>10s</td>
<td>Male: 75% Female: 25%</td>
</tr>
<tr>
<td>20s</td>
<td>Male: 70% Female: 30%</td>
</tr>
<tr>
<td>30s</td>
<td>Male: 65% Female: 35%</td>
</tr>
<tr>
<td>40s</td>
<td>Male: 60% Female: 40%</td>
</tr>
<tr>
<td>50s</td>
<td>Male: 55% Female: 45%</td>
</tr>
<tr>
<td>60s or older</td>
<td>Male: 50% Female: 50%</td>
</tr>
</tbody>
</table>

Composition by Region (Sumitomo Rubber Industries Ltd. (Consolidated))

<table>
<thead>
<tr>
<th>Region</th>
<th>Composition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>50%</td>
</tr>
<tr>
<td>Europe</td>
<td>20%</td>
</tr>
<tr>
<td>Americas</td>
<td>10%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>10%</td>
</tr>
<tr>
<td>Other Countries</td>
<td>10%</td>
</tr>
</tbody>
</table>

Composition by Sex (Sumitomo Rubber Industries Ltd. (Consolidated Basis))

<table>
<thead>
<tr>
<th>Region</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>Overseas</td>
<td>60%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Respect for Human Rights

Basic Perspective on Consideration for Human Rights

Our Corporate Code of Conduct states that we “maintain a sound working environment free from discrimination on the basis of
beliefs, creed, religion, race, skin color, nationality, language, social
background, gender, sexual orientation, gender identity, age, phys-
ical handicap or other reasons.” Accordingly, we strive to prevent
infringement of human rights of any employee.

Furthermore, a handbook on human resource and labor manage-
ment has been distributed to all those in managerial positions. We
also help raise awareness of relevant topics via training and
lecture sessions. In these ways, we are striving to create a working
environment that tolerates no human resource violations or harass-
ment and empowers every employee to work energetically.
Winning an HPCI® Excellent Achievement Award in recognition of large scale molecular dynamics simulations of rubber for tires

The Company was chosen to receive an HPCI® Excellent Achievement Award in recognition of its effort employing the K computer to perform large scale molecular dynamics simulations of rubber for tires.

Through this research, we have discovered the mechanism by which the form of cohesion between silicone and coupling agents, both acting as rubber additives, affect the strength of the resulting rubber material. These findings, in turn, helped us yield positive results in terms of improvement in abrasion resistance. Looking ahead, we will take advantage of these simulation results in the development of new rubber materials and products.

In addition, we aim to push forward with efforts to create tires capable of walking both in a superior safety performance and a lower environmental footprint, which we will also employ Fugaku, a supercomputer designed as the successor to the K computer and made available for shared use since 2021, to advance simulation-based tire development.

Joint research involving industry-academia collaboration

The Sumitomo Rubber Group is engaged in the development of new technologies via participation in industry-academia collaboration involving universities boasting cutting-edge technologies.

Key research partnership

- Development of a system for measuring the pressure of Level 4 autonomous vehicles
- Performance verification test of technologies enabling power-generation in tires
- Development of a material for indoor dust collection

Research University

- Keio University
- Kyushu University
- Aichi University of Technology

Researcher participation

- Graduate student
- Staff

Professional Goal

- Creation of a material for use in sensorless Type A electric vehicles
- Development of a system that remotely monitors the pressure of Level 4 autonomous vehicles
- Development of technologies enabling power-generation in tires

Researcher participation

- Keio University
- Kyushu University
- Aichi University of Technology

Intellectual Property Strategies

The Group proactively carries out intellectual property activities that support its businesses.

Specifically, the Group undertakes intellectual property activities focusing on three pillars, namely: 1) securing intellectual property rights with regard to such industrial properties as patents, utility models, designs and trademarks; 2) exercising such rights against the infringement of Sumitomo Rubber Industries’ industrial properties; and 3) “eliminating risk” by developing a structure that ensures intellectual property rights by assigning IP representatives to Europe.

In line with the aim of raising awareness of intellectual property and upgrading the capabilities of employees, the Group is also conducting training sessions not only for Intellectual Property Department members but also for employees at every operational base with the aim of having employees conduct intellectual property activities that go beyond the Intellectual Property Department itself.

Environmental and Safety

In June 2020, the Sumitomo Factory concluded a temporary evacuation agreement with Kumamoto City to provide disaster shelters in the event of a disaster. Specifically, the factory will open its gymnasium, parking lot, and other facilities to evacuees. An agreement of this kind is the result of the community working on a needs assessment. In September 2020, the factory carried out evacuation drills in the presence of Kumamoto Prefectural Governor Hiroyuki Yamashita and, in November, executed drills for the installation of temporary shelters for workers with city officials and members of neighboring communities. Also, during the period from February 2020 to March 2021, the factory donated disinfectants to the city, which, in turn, distributed them to local elementary and middle school students.

Going forward, we will work hand in hand with members of neighboring communities to ensure that robust countermeasures are in place in preparation for disasters.

Enhancing Our Brand Capabilities

Our brand capabilities constitute one of essential elements supporting growth in corporate value. For us to take full advantage of the Dunlop brand and maximize business outcomes, we need to make collective efforts that rely all kinds of Group resources. With this in mind, in April 2017 we acquired rights to the global use of the Dunlop brand. Furthermore, in January 2018, we executed a business integration with Dunlop Sports Co. Ltd. Going forward, we will strive to create synergies through relevant efforts in both the Tire Business and Sports Business, thereby enhancing the value of the Dunlop brand.
NATURAL CAPITAL (Realization of a low-carbon, recycling-oriented society)

Bounties of the Earth, such as natural rubber, which are an element of natural capital, constitute key management resources for sustainable growth. Based on this awareness, the Group is working to conserve the environment and to use finite energy resources effectively while contributing to the realization of a low-carbon, recycling-oriented society.

Environmental Indicators

Creating a Low-Carbon Society

In response to the problem of climate change, the Group is working to reduce its products’ CO₂ emissions over their entire life cycles, from raw material procurement to final disposal.

In addition to taking steps to reduce CO₂ emissions during the use of a tire, which accounts for approximately 85% of its life-cycle CO₂ emissions, in 2018 we began working with raw material suppliers to ascertain and reduce their CO₂ emissions. Also, in terms of reducing CO₂, emitted in the course of business activities (Scopes 1 & 2), we are working on initiatives involving switching fuel types, installing cogeneration systems, promoting general energy-saving activities, and utilizing renewable energy from solar power and other green energy sources.

Building a Recycling-Oriented Society

In response to the problem of waste, we are taking steps to control the amount of waste generated, to convert it to something of value, and to promote recycling. As part of these efforts, since 2010 we have been striving to achieve zero emissions at our major bases both in Japan and overseas. On the subject of promoting biodiversity, the Company is involved in such programs as the “Acorn Project,” the goal of which is to conserve genetic biodiversity, and in the creation of biotopes.

Greening Initiatives

We are promoting greening initiatives at our sites and the areas surrounding them, both in Japan and overseas. On the subject of promoting biodiversity, the Company is involved in such programs as the “Acorn Project,” the goal of which is to conserve genetic biodiversity, and in the creation of biotopes.

Promoting Environmental Footprint Management

In order to reduce emissions of chemical substances, we are implementing measures to cut the release and transfer of chemicals subject to PRTRs, as well as conducting activities to reduce the amount of organic solvent waste produced.

Sustainable Natural Rubber Policy

On November 16, 2018, we announced our “Sustainable Natural Rubber Policy” with the aim of making natural rubber a sustainable resource. In line with this policy, we seek to resolve issues in regions where natural rubber is produced, such as environmental problems caused by the destruction of forests, and human rights problems in the working environment.

In September 2020, we participated in the second General Assembly of the GPSNR* as one of 64 member corporations and organizations. Looking ahead, we will update our Sustainable Natural Rubber Policy to reflect a policy framework approved by this General Assembly.

*Sustainable Natural Rubber Policy
**Fiscal 2020 Targets and Results**

In line with our Activity Guidelines, which categorize our endeavors into "Green," "Ecology," "Next," "Kindness," and "Integrity," we are proactively promoting sustainability under the banner of "GENKI Activities."

Items marked with "*1" have been verified by third parties (excluding environmental impact indicators). Details of "Fiscal 2020 Activities and Fiscal 2021 Targets" are available on our website (scheduled to be released at the end of July 2021).

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**Reference to SDGs**

**Activity Guidelines**

**Plan: Fiscal 2020 Target**

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Green</strong></td>
<td><strong>Activity Guidelines</strong></td>
<td><strong>Plan: Fiscal 2020 Target</strong></td>
<td><strong>Do: Fiscal 2020 Activity Result</strong></td>
<td><strong>Check: Self-assessment¹</strong></td>
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<tr>
<td>1</td>
<td>46</td>
<td>304-3</td>
<td>60%</td>
<td>100%</td>
</tr>
<tr>
<td>2</td>
<td>46</td>
<td>405-3</td>
<td>86%</td>
<td>80%</td>
</tr>
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<td>3</td>
<td>46</td>
<td>504-3</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>4</td>
<td>46</td>
<td>606-3</td>
<td>≥12.9% reduction</td>
<td>≥10% reduction from the previous fiscal year</td>
</tr>
<tr>
<td>5</td>
<td>46</td>
<td>705-3</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>6</td>
<td>46</td>
<td>805-3</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>7</td>
<td>46</td>
<td>905-3</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>8</td>
<td>46</td>
<td>1005-3</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>9</td>
<td>46</td>
<td>1105-3</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>10</td>
<td>46</td>
<td>1205-3</td>
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</tr>
<tr>
<td>11</td>
<td>46</td>
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<tr>
<td>14</td>
<td>46</td>
<td>1605-3</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>15</td>
<td>46</td>
<td>1705-3</td>
<td>9%</td>
<td>9%</td>
</tr>
</tbody>
</table>

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*1 Self-assessment uses comparison with baseline year (1 – reduction ratio) in the following formula to calculate the achievement rate:

- 1 = baseline year reduction ratio

*2 The denominator for calculating the environmental impact indicator is the new rubber consumption amount (consumption of natural rubber + synthetic rubber).
Environmental: Our Environmental Initiatives

Initiatives to Preserve Biodiversity

The objectives of forestation activities include the prevention of global warming by absorption of CO₂, landslide prevention, and biodiversity preservation. We also consider communicating with local communities through satoyama (working forests that are maintained and managed by humans) conservation activities, another important objective.

Collaborative Activities with Local Communities in "Sumitomo Rubber GENKI Forest"

The objectives of forestation activities include the prevention of global warming by absorption of CO₂, landslide prevention, and biodiversity preservation. We also consider communicating with local communities through satoyama (working forests that are maintained and managed by humans) conservation activities, another important objective.

Connecting with Local Communities via Forestation Activities

Forestation Activities to Help Curb Global Warming

"Sumitomo Rubber GENKI Forest," a Green Initiative in Japan

In addition to the grounds of our facilities, we engage in forestation activities in the surrounding area and at the 11 locations (23 ha) in Japan designated as "Sumitomo Rubber GENKI Forest." When planting trees, one has to be aware of the negative effect non-native species can have on local ecosystem. As such, we plant only seedlings grown from acorn seeds that employees and their families gather in the target area. Our continued efforts are aimed at increasing the amount of greenery around us while protecting biodiversity. Although our activities in fiscal 2020 were somewhat restricted due to the need to prevent COVID-19 infection, these Group entities faced restrictions on their activities as did our Japanese bases. However, a total of 902 trees were planted and 2,105 seedlings provided.

In addition, 15,000 trees were planted in Indonesia through the “Team ENASAVE Green Project,” where mangrove seedlings are planted using some of the proceeds from sales of the fuel-efficient "ENASAVE" tire series. Furthermore, 2,400 trees were planted through the “1 Pair for 1 Love activities,” in which some of the proceeds from the sales of rubber gloves are allocated to the DUNLOP "ENASAVE" tire series. In 2020, 2,400 trees were planted at the DUNLOP Home Products Forest on the island of Borneo, Malaysia, in order to protect the orangutan, an endangered species.

Forests absorb CO₂, which contributes to global warming, and are an important component of the social infrastructures that preserves biodiversity. Based on the concept that preserving this infrastructure is one of our corporate social responsibilities, we promote "Green (Green Initiative)" through ongoing tree planting activities in and around our operation bases within Japan and overseas.

In fiscal 2009, we began tree-planting activities at our facilities in Japan and overseas. As of the end of 2020, we had planted a cumulative total of 1,760,000 trees. We will continue to plant trees while participating in boost maintenance.

Green Initiatives Overseas

We are promoting greening initiatives at overseas factories and sales companies. In fiscal 2020, due to the need to prevent COVID-19 infection, these Group entities faced restrictions on their activities as did our Japanese bases. However, a total of 902 trees were planted and 2,105 seedlings provided.

In addition, 15,000 trees were planted in Indonesia through the “Team ENASAVE Green Project,” where mangrove seedlings are planted using some of the proceeds from sales of the fuel-efficient "ENASAVE" tire series. Furthermore, 2,400 trees were planted through the “1 Pair for 1 Love activities,” in which some of the proceeds from the sales of rubber gloves are allocated to the DUNLOP "ENASAVE" tire series. In 2020, 2,400 trees were planted at the DUNLOP Home Products Forest on the island of Borneo, Malaysia, in order to protect the orangutan, an endangered species.

Volunteers who worked to maintain "GENKI Forest" in the Kamikita mountain area near the Miyazaki Factory

Connecting with Local Communities—Team ENASAVE Future Project

In September 2013, the Sumitomo Rubber Group launched the Team ENASAVE Future Project in cooperation with the National Federation of UNESCO Associations in Japan (NFUAJ). This project aims to ensure that Japan’s beautiful cultural and natural heritages are passed down to future generations for the next 100 years. As part of this project, we engage in environmental protection activities in tandem with people from communities across the nation. Having started with one location in 2013, we have expanded the number of locations to 10 in 2019. The locations are scattered throughout Japan and take place with the help of employees, their families, and local associations as well as volunteers from the public. In 2020, however, our activities were canceled due to the COVID-19 pandemic.

Protecting Culture and Nature—Team ENASAVE Future Project

In September 2013, the Sumitomo Rubber Group launched the Team ENASAVE Future Project in cooperation with the National Federation of UNESCO Associations in Japan (NFUAJ). This project aims to ensure that Japan’s beautiful cultural and natural heritages are passed down to future generations for the next 100 years. As part of this project, we engage in environmental protection activities in tandem with people from communities across the nation. Having started with one location in 2013, we have expanded the number of locations to 10 in 2019. The locations are scattered throughout Japan and take place with the help of employees, their families, and local associations as well as volunteers from the public. In 2020, however, our activities were canceled due to the COVID-19 pandemic.

Participating in a biodiversity symposium—helping rediscover the natural beauty of the Okaya mountain range environment

Participants in the symposium—helping rediscover the natural beauty of the Okaya mountain range environment

On the premises of the Okaya Tire Proving Ground, a local plant species designated by Okayama Prefecture as a species requiring particular interest and managed by humans conservation activities, another important objective.

Collaborative Activities with Local Residents in "Sumitomo Rubber GENKI Forest"

The objectives of forestation activities include the prevention of global warming by absorption of CO₂, landslide prevention, and biodiversity preservation. We also consider communicating with local communities through satoyama (working forests that are maintained and managed by humans) conservation activities, another important objective.

To align our forestation activities with the circumstances unique to each local community, we promote activities in which employees, former employees, families, friends, local residents and regional organizations participate. In 2020, we provided a total of 5,031 seedlings to green initiative organizations and the people of neighboring communities.

Initiatives to Preserve Biodiversity

The Group is involved in conservation activities in relation to endangered, near threatened, and rare species (five species of animal and 16 species of plant) at all eight of its sites in Japan, consisting of six factories, the Head Office and the Tire Proving Ground.

In terms of contributing to the immediate neighborhood, activities include transplanting "Fukabaka" (Eupatorium japonicum) cultivated in the grounds of our factory to river beds, as well as providing this plant to neighboring cities. We also provide kindergarten children with the opportunity to observe Sasakia diamond, which is designated as a national butterfly. In 2020, this butterfly successfully emerged on the premises of the Okayama Tire Proving Ground. Also in 2020, we began working on the preservation of Lilium japonicum.
Environmental preservation is one of the most important responsibilities that companies must fulfill within a global society. There are strong demands that global companies implement uniform environmental management throughout the world regardless of country or region. As it accelerates its global expansion, the Sumitomo Rubber Group is focusing even more on energy-related matters and promoting global environmental management.

Our Basic Policy on Environmental Preservation (fundamental philosophy)

The Sumitomo Rubber Group established its Environmental Policy in July 2007 and revised said policy in April 2019, putting it into practice via environmental initiatives.

Global Environmental Management System

Environmental Management System

In order to strengthen global environmental management, the Global Environmental Management Central Committee, which is composed primarily of responsible parties at bases in Japan and overseas and individuals responsible for issue-specific working groups, meets twice a year.

In 2020, the committee met in February and July. At these meetings, there were reports by representatives from domestic and overseas manufacturing factories on a wide range of activities, including actual results and improvements in various indicators such as CO₂ emissions, energy savings, waste disposal and water usage, as well as efforts to improve the environment (jodan, etc.) and contribution to society. Also, the Hybrid Rubber Products Division reported on its environmental initiatives, while CSR-related departments reported on their efforts to contribute to the United Nations Sustainable Development Goals (SDGs) via the promotion of ESG-oriented management. Thus, attendees at both meetings engaged in active discussion on these matters.

In 2021, the committee was renamed the Sustainability Promotion Committee, which was established to strengthen the committee’s role and the promotion of ESG-oriented management. The committee will engage in the follow-up monitoring of initiatives aimed at addressing priority issues associated with contributions to SDGs. The committee will also facilitate the in-house sharing of relevant information while submitting reports and recommendations to the Board of Directors.

ISO 14001 Global Multi-Site Certification

To implement global management in all of its corporate activities including the creation of a low-carbon society, in December 2010, the Group obtained ISO 14001 Global Multi-Site Certification for its 30 bases in Japan and overseas. This enabled us to carry out unified environmental management at major production and development bases in Japan and overseas.

At the end of 2020, the number of employees working at ISO 14001 Certificated Sites as a percentage of total employees was 79.9%, and the ratio of Certificated Sites was 94.7%. In fiscal 2020, the Slovenia Factory obtained ISO 14001 certification on a stand-alone basis. Looking ahead, we will continue to work on activities aimed at adding the Switzerland Factory, which has already been certified on a stand-alone basis, and the above Slovenia Factory, to the Global Multi-Site Certification, and on new certification for the Philippines Factory.

Coverage Rate of ISO 14001 Certificated Sites (Percentage of employees)

Intiatives to Address Climate Change

We recognize that addressing risks and opportunities arising from climate change is a management issue. In line with this recognition, we aim to appropriately implement mitigation and adaptation measures and, to this end, have established the Sustainability Promotion Division in addition to launching the Sustainability Promotion Committee chaired by the President and tasked with comprehensively overseeing relevant initiatives carried out by all departments. As part of these efforts, we are now under way to publicly announce our support of the TCFD recommendations and clarify our commitment to STE.42

CO₂ Emissions Reduction Activities in Production Bases

In fiscal 2020, we had to temporarily suspend operations at some factories due to the COVID-19 pandemic. Although we were thus unable to sufficiently implement energy-saving activities, we strove to launch new energy-saving measures by putting into practice initiatives aimed at addressing priority issues associated with contributions to SDGs. The committee will also facilitate the in-house sharing of relevant information while submitting reports and recommendations to the Board of Directors.

However, the environmental impact indicator of CO₂ emissions showed an 18.9% increase from the previous fiscal year. In fiscal 2021, the Company will work on the predictive maintenance of facilities and on reducing CO₂ through such initiatives as deploying AI and IoT platforms to search for, extract, and analyze factors that affect energy savings.
Efforts to Reduce Organic Solvents Use

The Group has been making voluntary efforts to reduce emissions of VOCs (volatile organic compounds). In fiscal 2020, there was a decrease in the total amount of VOCs emitted due to a significant cut in production volume. On the other hand, the environmental impact indicator deteriorated substantially. In fiscal 2021, we will strive to achieve further reduction in the quantities of VOCs used while implementing measures to curb the evaporation of these substances.

Total Amount of VOCs Emitted (Factories in Japan)

<table>
<thead>
<tr>
<th>Year (FY)</th>
<th>Total Emissions (t)</th>
<th>Environmental impact indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>822</td>
<td>0.082</td>
</tr>
<tr>
<td>2017</td>
<td>685</td>
<td>0.072</td>
</tr>
<tr>
<td>2016</td>
<td>565</td>
<td>0.066</td>
</tr>
<tr>
<td>2019</td>
<td>386</td>
<td>0.070</td>
</tr>
<tr>
<td>2020</td>
<td>360</td>
<td>0.069</td>
</tr>
<tr>
<td>2021</td>
<td>358</td>
<td>0.068</td>
</tr>
<tr>
<td>2021 Target</td>
<td>358</td>
<td>0.068</td>
</tr>
</tbody>
</table>

Material Recycling Rate (Factories in Japan)

<table>
<thead>
<tr>
<th>Year (FY)</th>
<th>Material Recycling Rate (%)</th>
<th>Environmental impact indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>35.8</td>
<td>0.082</td>
</tr>
<tr>
<td>2017</td>
<td>34.9</td>
<td>0.072</td>
</tr>
<tr>
<td>2018</td>
<td>35.6</td>
<td>0.066</td>
</tr>
<tr>
<td>2019</td>
<td>36.0</td>
<td>0.070</td>
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<td>35.8</td>
<td>0.069</td>
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<tr>
<td>2021</td>
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<td>0.068</td>
</tr>
<tr>
<td>2021 Target</td>
<td>35.8</td>
<td>0.068</td>
</tr>
</tbody>
</table>

Water Usage Reduction

With the aim of dealing with the global shortage of water resources, as a measure to reduce water usage, the Group aims to achieve a wastewater recycling rate of 100% at all 26 factories around the world by fiscal 2030. The Turkey Factory is one of those within the Group with a higher level of water stress, and has been working on trial operations to establish water-recycling technology since 2018. In the summer of 2019, it achieved 100% recycling for factory wastewater by using concentrated water from the recycling facilities to water trees on the site of the factory and to flush toilets. In accordance with the Midterm Plan, the Group is aiming to establish water-recycling technology for 100% of the wastewater from a second factory in 2021, namely the Changsha Factory in China, which also has a high level of water stress. Partial recycling of wastewater has also been implemented at the Thailand Factory and the Kogakawa Factory, while the Brazil Factory and the South Africa Factory initiated the recycling of factory wastewater. Furthermore, the Indonesia Factory is moving ahead with the use of rainwater to reduce external water usage.

In 2020, total water usage at all of the Sumitomo Rubber Group’s factories was reduced by about 8.5% year on year. We will push forward with water usage optimization in production processes at each base and measures that utilize the results of assessments based on the WRI Aqueduct Water Risk Atlas on an ongoing basis.

In fiscal 2020, the Group made efforts to curb waste disposal, for example by reducing metal scrap. However, the environmental impact indicator deteriorated, reflecting the cut in production volume. Waste disposal refers to the amount of waste diverted for the thermal/material cycle.
Next-generation product development

Management Approach

Underpinning the activities of the Sumitomo Rubber Group is the question “How can tires contribute to the global environment?” To this end, the Group is developing environmentally friendly products with a focus on three areas—fuel efficiency, raw materials and resource saving. While the environment surrounding the automobile industry faces drastic changes, the Group is pushing forward with the development of environmentally friendly products based on its “ENASAVE technology,” which delivers “even higher environmental performance.”

Environmental Initiatives

Sustainability Activities Undertaken by the Sumitomo Rubber Group

SMART TYRE CONCEPT

Reflecting the ongoing advance of the Mobility as a Service (MaaS) industrial trend, tire manufacturers are confronting changes in tire performance requirements as the shift from car ownership to car sharing and pooling progresses. In response, Sumitomo Rubber Industries is striving to advance its SMART TYRE CONCEPT, which guides its efforts to create tires with ever better safety performance and environmental friendliness, as well as to develop peripheral services with an eye to meeting the needs of future generations.

/ Image

Developing Environmentally Friendly Products

Based on the SMART TYRE CONCEPT, our Performance Sustaining Technology has been incorporated into the “VEURO VE304” premium comfort tires. This concept also led to the release of the flagship “ENASAVE NEXT II” fuel-efficient tires. The release of these tires helped us step up our sales expansion efforts.

Both of these tires also incorporate a hydrogenated polymer that helps prevent a decline in wet grip performance while contributing to superior wear resistance.

The release of the “VEURO VE304” was achieved via the establishment of a technology that makes it possible to incorporate this polymer into products designed for large volume sales. We therefore consider the “VEURO VE304” a testament to our remarkable technological advancements.

The “ENASAVE NEXT III,” on the other hand, incorporates cellulose nanofiber, thereby achieving driving comfort and steering stability. This product is the first in the world to incorporate cellulose nanofiber, a biomass material boasting environmental friendliness. From the viewpoint of sustainability, we believe that our success in utilizing biomass as a tire material is a matter of great significance.

We have received robust customer reviews for these products. In addition, the “VEURO VE304” was named a Grand Prix winner under the DAILY AUTOMOTIVE NEWS Car Parts Awards 2022 program, while the “ENASAVE NEXT III” was chosen to receive multiple awards under the Eco-Pro Award program, the Super Parts Manufacturer Award program, and the Energy Conservation Grand Prize program. As such, our products are similarly lauded by external organizations.

This technology is distinctivey unique as it allows the tire itself to serve as a sensor and thereby eliminates the need for the additional installation of other sensing devices as well as eliminating a great deal of maintenance.

As a testament to our SENSING CORE-based offerings, this tire pressure sensing technology has been installed in a cumulative total of 40 million vehicles, garnering a solid reputation.

Recently, we advanced SENSING CORE by establishing a technology for detecting the extent of tire abrasion. In addition to existing technologies for detecting tire pressure, tire load and road conditions, we will leverage this new technology for detecting tire abrasion, with the aim of making further contribution to CASE, MaaS and other technological trends supporting the future advancement of a mobility society.

SENSING CORE

One of our proprietary technologies, SENSING CORE is used for detecting tire pressure, tire load, and road conditions via the use of sensors installed in tires. While this technology helps drivers assess tire conditions on a real-time basis, it can also be used to improve vehicle control and other aspects of automobile operations.

Value Offered

Environmental preservation
- Reduce CO2 emissions by improving driving and route selection methods, etc.

Business streamlining
- Reduce logistics
- Improve the efficiency of vehicle-operations and repair service

Cost reductions
- Reduce tire and maintenance expenses
- Accurately assess the optimal timing of maintenance, etc.

Safe and secure vehicle operations
- Detection and prevention of vehicle failures
- Improve maintenance efficiency, etc.

/ Image

/ Image
In the wake of the COVID-19 outbreak, which impacted regions around the world, we put the utmost priority on ensuring the safety of our employees and their families. In addition to ensuring this priority, we focused on maintaining operations and, to this end, took every possible measure to minimize the pandemic’s effect on our operating results.

In February 2020, we established a risk control headquarters and promoted active online working, facilitating information sharing on a global basis. In the context of our business operations, we have not only strived to ensure employee safety but also to raise our annual production capacity for nitrile rubber gloves to 2 million pairs in response to a government request we have decided to expand our production capacity on a global basis.

In February 2020, we established a risk control headquarters and promoted active online working, facilitating information sharing on a global basis. In the context of our business operations, we have not only strived to ensure employee safety but also to raise our annual production capacity for nitrile rubber gloves to 2 million pairs in response to a government request.

In May 2021, we brought the expanded facilities on line. In Japan, we have maintained a policy of encouraging remote working, keeping it up even after the lifting of a state of emergency declaration and thereby curbing the number of employees at work in our offices. Through these and other measures, we are continuously implementing countermeasures against COVID-19 infection in light of country-specific circumstances. Currently, our mode of operations is changing significantly in step with the aforementioned shift to remote working. Leveraging this shift as an opportunity, we will verify the effectiveness of remote working as part of our pursuit of optimal work styles that enable us to improve productivity in a way that ensures employee health and is employee-friendly.

**Promoting Health and Productivity Management**

In line with the “Health and Productivity Management Declaration” established in February 2018, the Company has worked in cooperation with the Health Insurance Association to promote health and productivity management measures that are centered on the Health Management Office. In February 2020, the first line management of the senior vice president in charge of operations and the heads of the Human Resources General Office have engaged in the participation of all employees. As a result of establishing Health Management Regulations codifying the rules for various health checks and levels of risk and its efforts to adopt a flex-cyclic work style through the DCDA system, in March 2020 for the first time in the Company’s history, 100% of the Company’s employees participated in the health management of their employees. In 2021, the Company has also been certified under the “2021 Certified Health and Productivity Management Organization Recognition Program – White 500” for the fifth consecutive year, the third consecutive year of the participation of all employees.

We were one of the 40 companies in the “2020 Health and Productivity Stock Selection” organized by the Ministry of Economy, Trade and Industry in conjunction with the Tokyo Stock Exchange, which recognizes companies that take a strategic management approach to the health management of their employees. In 2021, the Company has also been certified under the “2021 Certified Health and Productivity Management Organization Recognition Program – White 500” for the fifth consecutive year, the third consecutive year of the participation of all employees.

**Supporting Female Employees Striving to Play an Active Role in Their Duties**

In the course of promoting more active roles for women, the Company has set a target of raising the ratio of female employees to 20% by fiscal year 2030, an increase of 10% from the fiscal year 2020 ratio. To achieve this target, we are seeing a rising number of registrations in our “JOB Return System,” whereby employees can take temporary leave to accompany their return to work from maternity leave and/or childcare leave. The system is contributing to female employees’ career development.

The number of users of the “daycare support system” under the “cares” support system is contributing to female employees’ career development.
Engaging in CSR Procurement along with Suppliers

In light of the growing importance of CSR procurement, every three years we distribute CSR questionnaires that target suppliers and an ever-expanding range of business partners.

In addition, we hold lectures for employees that focus on ESG issues and United Nations Sustainable Development Goals (SDGs), with the aim of helping raise employee awareness regarding compliance, human rights, labor, environmental and other issues.

Ensuring Thorough Compliance

We drive home to our employees the importance of avoiding all wrongful conduct through our “Corporate Code of Conduct,” which includes rules that prohibit them from engaging in monopolistic practices, unfair competition or business dealings; or bribery. Employees are also required to sever any relations with anti-social forces.

Going forward, we will continue efforts aimed at improving compliance awareness on a Group-wide basis.

Promoting Dialogue with Stakeholders

Communication with Shareholders and Investors

The Company discloses various types of data, including business performance records, in the Investor Relations section of our corporate website and holds briefings for analysts and institutional investors at such times as the disclosure of earnings reports, as part of our communications (IR activities) with shareholders and investors. The Company engages in constant communication (shareholder relations (SR) activities) with institutional investors for deeper mutual understanding and trust. In 2020, we held a total of nine SR sessions, a number of which were held remotely. Through such direct dialogue, the Company aims to enhance its corporate value by providing information and participating in an exchange of opinions with a broader scope.

The Company will continue making full use of input from our shareholders and investors in enhancing its management and corporate value.

Sound Labor-Management Relations

The Company and the Sumitomo Rubber Labor Union (which had 5,532 general members as of December 31, 2020, excluding officers or managers) maintain good relations based on the sharing of information by management and an approach of prior consultation. We believe that the growth of the Company and the pursuit of employee happiness are objectives shared by labor and management, and we have a history of proactive discussions at the various labor-management committees. For example, we engage in activities in which labor and management are united in the pursuit of their objectives, such as when we organized a Labor-Management Wages Study Group comprising personnel from the union leadership and the Company’s Human Resources Department, with the aim of reviewing the human resources system and working conditions and have maintained it ever since.

In fiscal 2020, this study group was responsible for such initiatives as the upward revision of the overtime premium rate applied to those workers during consecutive holidays that have otherwise been designated as non-business days for the general workforce in addition to the relaxation of conditions regarding applications for a paid leave. The study group has continued to promote its work to protect the interests of all stakeholders.

Building Relationships with Customers

With the aim of raising driver awareness regarding the need of periodic tire checks, for 13 years since 2008 we have sponsored the DUNLOP Nationwide Tire Safety Inspections. The latest round of this campaign was conducted in October 2020 at the Company’s directly managed stores (Tire Select and Tire Land stores) in regions across Japan. As a result of our extensive efforts, each year we undertake inspections of vehicle tires that have undergone inspections to find issues attributable to insufficient tire maintenance, such as shallow tire grooves, a typical cause of slipping on a wet road. These inspections are thus helping to prevent accidents induced by bad tires. As we strive to meet customer expectations, we will continue to call public attention to the importance of tire inspections, thereby contributing to the creation of a safer mobility society.

Integrated Report 2021
Basic Perspective

The Sumitomo Rubber Group’s basic management policy is to enhance not only its economic value but also its societal value and to contribute to the development of a sustainable society by ensuring that “Our Philosophy” is the foundation for all decision-making and the starting point for all actions. Under this policy, the Company considers the enhancement of corporate governance to be one of its major management objectives. We are thus engaged in initiatives aimed at realizing this objective and, to this end, endeavoring to secure overall management efficiency, strengthen the relationship of trust between us and society and improve the Company’s operations in terms of fairness and transparency. Based on the above convictions, we have established the following five basic approaches in terms of the further enhancement of corporate governance.

1. Develop an environment that protects rights of shareholders and helps them exercise such rights
2. Strive to improve corporate value via sound collaboration with a broad range of stakeholders
3. Disclose the Company’s financial and non-financial information in an accurate and timely manner
4. Work to enhance the content of discussions undertaken by the Board of Directors regarding management policies, medium- to long-term business planning and other matters related to the general direction of the Company by establishing the Management Meeting, which is tasked with deliberating a large proportion of business execution matters. In addition, strive to secure fairness in the Board of Directors’ operations via rigorous audits by standing and outside Audit & Supervisory Board members as well as the objective supervision offered by independent outside directors
5. Endeavor to achieve the sustainable improvement of corporate value via engagement in shareholder dialogue

Form of organization Company with an Audit & Supervisory Board (established Nomination and Remuneration Committee, voluntary body)

Corporate Governance System Overview (as of March 26, 2021)

<table>
<thead>
<tr>
<th>Directors</th>
<th>Audit &amp; Supervisory Board Members</th>
<th>Nomination and Remuneration Committee Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 Directors</td>
<td>5 Audit &amp; Supervisory Board Members</td>
<td>Member composition: 9</td>
</tr>
<tr>
<td>9 Internal</td>
<td>4 Outside</td>
<td>3 Outside &amp; Supervisory Board Members</td>
</tr>
<tr>
<td>8 Internal</td>
<td>2 Internal</td>
<td>2 Internal</td>
</tr>
<tr>
<td>3 Outside</td>
<td>1 Outside</td>
<td></td>
</tr>
</tbody>
</table>

Skill Matrix of Directors and Audit & Supervisory Board Members

<table>
<thead>
<tr>
<th>Executive Officers</th>
<th>Senior Executive Officers</th>
<th>Executive Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takanori Aoi</td>
<td>Masatsugu Nishino</td>
<td>Toshiki Komatsu</td>
</tr>
<tr>
<td>Kiyoshiro Murakami</td>
<td>Naoki Okawa</td>
<td>Eichi Masuda</td>
</tr>
<tr>
<td>Tomohiko Masuda</td>
<td></td>
<td>Kenji Saito</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hiroshi Murakami</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Richard Smallwood</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hitoshi Kawamatsu</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Akio Onishi</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Naofumi Yanetani</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hiroshi Hamada</td>
</tr>
</tbody>
</table>

Note: The position is parenthesized in the position held as an Executive Officer of the Company.

* Registered as independent officers in accordance with regulations stipulated by the Tokyo Stock Exchange
The Sumitomo Rubber Group is endeavoring to secure overall management efficiency while strengthening the relationship of trust between the Group and society and improving its operations in terms of fairness and transparency. To this end, we consider the audit functions the Audit & Supervisory Board and its members currently provide to be a matter of critical importance. Accordingly, the Group adopted a Company with an Audit & Supervisory Board system.

As part of its efforts to enhance corporate governance, since 2016 the Group has voluntarily maintained the Nomination and Remuneration Enhancement Committee, an advisory body to the Board of Directors. The majority of committee membership is appointed by independent officers, with an independent Outside Director acting as the committee chair. This committee is tasked with improving the objectivity and transparency of officer candidate selection and other key procedures. Moreover, the Company has appointed four Independent Outside Directors and issues questionnaires targeting Directors and Audit & Supervisory Board Members. In these and other ways, we implement necessary measures to develop an even more robust discussion platform for the Board of Directors and enhance the effectiveness of its operations.

Reasons for Adopting the Current Corporate Governance Structure

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Governance

Sustainability Activities Underaken by the Sumitomo Rubber Group

1. Board of Directors

The Board of Directors is comprised of a total of 17 members, including 12 Directors and five Audit & Supervisory Board Members, and deliberates and determines matters of managerial importance while supervising Directors’ execution of operations. Generally, the Board of Directors meets once a month, but it also holds extraordinary meetings when necessary, such as at the end of the fiscal year and when this booklet is released a year after the end of the fiscal year. In fiscal 2020, the Board met 14 times, and attendance of Outside Directors was 100%. In addition, two Standing Audit & Supervisory Board Members attend as observers.

2. Nomination and Remuneration Committee

In an effort to further increase corporate value, the committee was established in 2016 as a voluntary advisory body to the Board of Directors to ensure objectivity and transparency in the nomination of officers and decisions regarding remuneration. In fiscal 2020, the committee met three times and discussed various issues regarding nominations (training successors, nomination of officers, etc.) and remuneration (introduction of performance-based remuneration and stock-based remuneration linked to medium- and long-term business results, director bonuses, etc.).

Currently, the committee consists of a total of nine members, seven of whom are independent directors, and an Independent Outside Director serves as the committee chair. There was 100% attendance among members in fiscal 2020.

3. Corporate Ethics Committee

The committee identifies, analyzes and evaluates risks throughout the Sumitomo Rubber Group, plans and conducts training, and authorizes the cause of violations, proposals preventive measures and thoroughly disseminates information on that throughout the Group. The committee is comprised of the chair of outside directors, the chair of the Human Resources & General Affairs Department, the chair of the Audit & Supervisory Board, the General Manager of the Human Resources & General Affairs Department, the General Manager of the Audit & Supervisory Board, and the chair of the meeting. In addition, two Standing Audit & Supervisory Board Members participate as observers. In fiscal 2020, the committee met only once, but also held a corporate ethics lecture meeting to raise awareness of corporate ethics throughout the Group.

4. Audit & Supervisory Board

In accordance with audit plans and policies set out by the Audit & Supervisory Board, each Audit & Supervisory Board Member attends important meetings, including Board of Directors’ meetings; hears reports on the status of job execution from Directors and internal audit officers; reviews important approval documents; and implements on-site audits at the Head Office, major business sites, and subsidiaries while closely working with the Accounting Auditor to ensure that audits are conducted in an appropriate manner. The Audit & Supervisory Board consists of five members, of which two are selected as Standing Audit & Supervisory Board Members. In addition to attending important in-house meetings, the board confirms important documents for approval. From the aspect of reinforcing the management auditing function, three of the Five Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members, securing a structure to conduct fair and objective audits. The Audit & Supervisory Board meets once a month in general. In fiscal 2020, the board met 12 times, and Outside Audit & Supervisory Board Members attended 100% of the Audit & Supervisory Board meetings.

5. Management Meeting

The Meeting makes prompt management decisions through discussions or the reporting of matters considered to be important to management. The meeting consists of internal Directors and Audit & Supervisory Board Members and Executive Officers appointed by the President and other officers in charge of corporate planning services as the chair of the meeting. The Management Meeting was convened 27 times in fiscal 2020.

6. Risk Management Committee

The committee oversees the Group’s risk management activities and appropriately examines and confirms whether business risks and other risks have been recognized and discussed and whether the risk management system is functioning effectively.

7. Sustainability Promotion Committee

The Sustainability Promotion HO, which was established in January 2021 to push ahead with the Company's sustainability activities, is tasked with the planning and implementation of relevant matters from a long-term perspective. With staff at this division acting as key members, the Sustainability Promotion Committee is engaged in deliberations aimed at formulating a framework to address ESG issues and contribute to the realization of the United Nations Sustainable Development Goals (SDGs).

Reasons for the Selection of Independent Outside Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Reason for selection</th>
<th>General Industry Sector of Affiliation</th>
<th>Education/Background, Experience</th>
<th>Appointed in March 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nobuhiro Murata</td>
<td>Mr. Nobuhiro Murata holds extensive experience in corporate management and related fields and has extensive knowledge and experience in corporate governance.</td>
<td>Business Management</td>
<td>Former President and CEO of Pfizer Inc., former President and CEO of Sumitomo Electric Industries, Ltd.</td>
<td>Appointed in March 2021</td>
</tr>
<tr>
<td>Kiyohide Yamashita</td>
<td>Mr. Kiyohide Yamashita has extensive experience in corporate management and related fields and has extensive knowledge and experience in corporate governance.</td>
<td>Business Management</td>
<td>Former President and CEO of Panasonic Corporation, former President and CEO of Sumitomo Electric Industries, Ltd.</td>
<td>Appointed in March 2021</td>
</tr>
<tr>
<td>Masaya Ito</td>
<td>Mr. Masaya Ito has extensive experience in corporate management and related fields and has extensive knowledge and experience in corporate governance.</td>
<td>Business Management</td>
<td>Former President and CEO of Mitsubishi Electric Corporation, former President and CEO of Sumitomo Electric Industries, Ltd.</td>
<td>Appointed in March 2021</td>
</tr>
<tr>
<td>Noriharu Kohata</td>
<td>Mr. Noriharu Kohata has extensive experience in corporate management and related fields and has extensive knowledge and experience in corporate governance.</td>
<td>Business Management</td>
<td>Former CEO of KDDI Corporation, former CEO of Sumitomo Electric Industries, Ltd.</td>
<td>Appointed in March 2021</td>
</tr>
<tr>
<td>Makoto Shirai</td>
<td>Mr. Makoto Shirai has extensive experience in corporate management and related fields and has extensive knowledge and experience in corporate governance.</td>
<td>Business Management</td>
<td>Former President and CEO of Sumitomo Electric Industries, Ltd.</td>
<td>Appointed in March 2021</td>
</tr>
<tr>
<td>Naoko Kiyosawa</td>
<td>Mr. Naoko Kiyosawa has extensive experience in corporate management and related fields and has extensive knowledge and experience in corporate governance.</td>
<td>Business Management</td>
<td>Former President and CEO of SEIKO Holdings, Inc., former President and CEO of Sumitomo Electric Industries, Ltd.</td>
<td>Appointed in March 2021</td>
</tr>
</tbody>
</table>

Reasons for the Selection of Independent Outside Audit & Supervisory Board Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Reason for selection</th>
<th>General Industry Sector of Affiliation</th>
<th>Education/Background, Experience</th>
<th>Appointed in March 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masumi Murata</td>
<td>Mr. Masumi Murata has extensive experience in corporate management and related fields and has extensive knowledge and experience in corporate governance.</td>
<td>Business Management</td>
<td>Former President and CEO of Sumitomo Electric Industries, Ltd.</td>
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<tr>
<td>Naoko Kiyosawa</td>
<td>Mr. Naoko Kiyosawa has extensive experience in corporate management and related fields and has extensive knowledge and experience in corporate governance.</td>
<td>Business Management</td>
<td>Former President and CEO of SEIKO Holdings, Inc., former President and CEO of Sumitomo Electric Industries, Ltd.</td>
<td>Appointed in March 2021</td>
</tr>
<tr>
<td>Koichi Shinoda</td>
<td>Mr. Koichi Shinoda has extensive experience in corporate management and related fields and has extensive knowledge and experience in corporate governance.</td>
<td>Business Management</td>
<td>Former President and CEO of Sumitomo Electric Industries, Ltd.</td>
<td>Appointed in March 2021</td>
</tr>
<tr>
<td>Ryosuke Ishikawa</td>
<td>Mr. Ryosuke Ishikawa has extensive experience in corporate management and related fields and has extensive knowledge and experience in corporate governance.</td>
<td>Business Management</td>
<td>Former President and CEO of Sumitomo Electric Industries, Ltd.</td>
<td>Appointed in March 2021</td>
</tr>
<tr>
<td>Masayoshi Ota</td>
<td>Mr. Masayoshi Ota has extensive experience in corporate management and related fields and has extensive knowledge and experience in corporate governance.</td>
<td>Business Management</td>
<td>Former President and CEO of Sumitomo Electric Industries, Ltd.</td>
<td>Appointed in March 2021</td>
</tr>
<tr>
<td>Hiroshi Takenaka</td>
<td>Mr. Hiroshi Takenaka has extensive experience in corporate management and related fields and has extensive knowledge and experience in corporate governance.</td>
<td>Business Management</td>
<td>Former President and CEO of Sumitomo Electric Industries, Ltd.</td>
<td>Appointed in March 2021</td>
</tr>
</tbody>
</table>
The Board of Directors’ Operations

To ensure that agenda items submitted to the Board of Directors are fully examined and discussed, we provide Outside Directors and Outside Audit & Supervisory Board Members with materials describing these items and presentations prior to each meeting. With regard to decision making on management matters of particular importance, Executive Officers in charge of such matters occasionally provide prior briefings to these individuals.

Main topics of discussion at Board of Directors meetings (in 2020 agenda items)

- Progress report and issues related to the Medium-Term Plan for each business
- Responses going forward in relation to the results of the questionnaire survey on the effectiveness of the Board of Directors
- Status of the Risk Management Committee and Corporate Ethics Committee
- Approval of a portion of cross-shareholdings

Training for Directors and Audit & Supervisory Board Members

The company helps internal Directors and Executive Officers participate in external executive training at its own expense. By doing so, we ensure that these individuals are fully equipped with the knowledge necessary to serve as members of a key decision-making body of a listed company. Furthermore, we provide individuals who are newly appointed as Outside Directors with briefings that cover such topics as the Sumitomo Rubber Group’s latest business outline, its most recent operating results, challenges it is currently facing and other essential matters they need to know in light of their directorial duty to present advice on enhancing the company’s standing.

Conducting Questionnaires to Evaluate the Board’s Effectiveness

Since 2016, Sumitomo Rubber Industries has conducted regular survey questionnaires for all Directors and Audit & Supervisory Board Members regarding various aspects of the Board of Directors, including its composition and operation. Based on the results of the survey, the Board of Directors then conducts deliberations aimed at increasing its effectiveness. In fiscal 2020, the survey was conducted between September and October, and discussions were held in January 2021. The results confirmed the overall effectiveness of various aspects of the Board of Directors, including the number of Directors and member composition, operation of the board (frequency of meetings, discussion time, etc.), manner of deliberation, and monitoring of business execution, etc.

In addition, it was confirmed that our initiatives aimed at providing fuller information to Outside Directors and Outside Audit & Supervisory Board Members helped invigorate discussion at Board of Directors’ meetings. We will work on maintaining the Board of Directors’ environment and, as necessary, execute measures to enhance its effectiveness.

Remuneration of Directors and Audit & Supervisory Board Members

1. Matters Related to Remuneration and the Company’s Policies for Determining Its Calculation Method

With regard to the remuneration of Directors and Audit & Supervisory Board Members, the Company’s basic policy is to adopt a remuneration system that is linked to the interests of shareholders so that it effectively functions as an incentive package rewarding members for their efforts to sustainably enhance corporate value. The Company also ensures that the remuneration policy in place is set at an appropriate level in light of its respective responsibilities.

Details of the methods for determining remuneration are as described below.

- Except for Outside Directors, remuneration for Directors and Executive Officers consists of a basic salary constituting a fixed portion and bonuses constituting a performance-based portion.
- Basic salary is a fixed amount paid monthly and is determined based on each recipient’s position, responsibilities and years in office and in accordance with basic salary tables determined after comprehensively taking into consideration the level of remuneration at peer companies, the business performance of the Company, the salary levels for employees and other factors.
- To enhance recipients’ awareness of their duty to improve business performance each business year, performance-based remuneration is paid in cash in a way that reflects performance indicators. An amount corresponding to the degree to which performance indicators have been met is paid at a predetermined time each year.
- Remuneration for Directors and Executive Officers is discussed based on objective and fair perspectives by the Nomination and Remuneration Committee, which is attended by independent officers, who make up a majority of the committee membership, and chaired by an independent Outside Director. Remuneration is thus determined in a way that takes into consideration recommendations from and conclusions reached by the committee.
- In addition, the level of remuneration is objectively adjusted by applying findings from third-party surveys on remuneration paid at other companies.

Indicators Used for Determining Performance-Based Remuneration

When determining the amount of performance-based remuneration, the Company selects business profit, profit attributable to owners of the parent company and other performance indicators considered particularly important in light of the strategy of its corporate strategy. The target values for these indicators are determined when midterm plans are formulated in a way that is consistent with said plans and revised as necessary in accordance with changes in the environment, taking into consideration any recommendations from the Nomination and Remuneration Committees.

When determining the allocation of remuneration to each individual, the individual’s position, operational duties, level of responsibility, level of achievement of key targets, and executive officers’ position or supervisory position, level of contribution to business performance and other factors are taken into account from a medium- to long-term perspective. Depending on the performance of Directors (except Outside Directors) by Type

The composition of each type of remuneration is engineered to ensure that the weighting of performance-based remuneration is higher for individuals in higher positions than it is for those in lower positions. This determination is benchmarked against the remuneration levels of companies of a similar business scale to the Company or in a related industry or with a similar business format. This composition is also discussed by the Nomination and Remuneration Committee.

The Representative Director and President, to whom the Board of Directors has delegated authority over the matter, determines the details of remuneration for individual recipients in a manner that honors recommendations from the Nomination and Remuneration Committee and within the scope of the proportionality set forth in such recommendations for each type of remuneration.

Furthermore, as a general rule regarding the proportional composition of each type of remuneration, the ratio of fixed remuneration (basic salary) to performance-based remuneration (bonuses) is 7:3 for Directors, excluding Outside Directors and 6:4 for Executive Officers, provided that the level of achievement of performance indicators is 100%.

Although the Company has not yet introduced stock-based remuneration designed to offer medium- to long-term incentives, the Company encourages officers to acquire shares of its stock through the officers’ stockholding association while giving due consideration to the status of achievements under its medium- to long-term management plans in the course of determining performance-based remuneration. As such, the Company strives to incentivize recipients to pursue sustainable growth for the Sumitomo Rubber Group.

With regard to stock-based remuneration, the Company will continue to engage in in-house discussions to assess the optimal timing for the introduction and determine the form and amount of such remuneration.

2. Total Amount of Remuneration by Officer Category, Total Amount of Remuneration by Remuneration Type and the Number of Recipients

### Officer category

<table>
<thead>
<tr>
<th>Remuneration item</th>
<th>Total remuneration (¥ million)</th>
<th>Number of recipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors (excluding Outside Directors)</td>
<td>438</td>
<td>9</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Members (excluding Outside Members)</td>
<td>50</td>
<td>2</td>
</tr>
<tr>
<td>Outside Members</td>
<td>53</td>
<td>8</td>
</tr>
</tbody>
</table>

- The resolution passed at the General Meeting of Shareholders regarding remuneration
- The total amount of remuneration for Directors and Audit & Supervisory Board Members has been set based on a resolution by the First Ordinary General Meeting of Shareholders held on March 26, 2015, as detailed below: Directors: up to ¥80 million per year of office, with changes in the environment, taking into consideration any recommendations from the Nomination and Remuneration Committees.

- The limits on the total amount of remuneration for Directors and Audit & Supervisory Board Members regarding various aspects of the Board of Directors, including its composition and operation. Based on the results of the survey, the Board of Directors then conducts deliberations aimed at increasing its effectiveness. In fiscal 2020, the survey was conducted between September and October, and discussions were held in January 2021. The results confirmed the overall effectiveness of various aspects of the Board of Directors, including the number of Directors and member composition, operation of the board (frequency of meetings, discussion time, etc.), manner of deliberation, and monitoring of business execution, etc.

- In addition, it was confirmed that our initiatives aimed at providing fuller information to Outside Directors and Outside Audit & Supervisory Board Members helped invigorate discussion at Board of Directors’ meetings. We will work on maintaining the Board of Directors’ environment and, as necessary, execute measures to enhance its effectiveness.

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Integrated Report 2021

Goverance

Sustainability Activities Undertaken by the Sumitomo Rubber Group

Measures to Promote Constructive Dialogue with Shareholders

The Company will conduct dialogue with shareholders with the aim of enhancing its corporate value based on the following policies:

1. The Company strives to realize dialogue in line with the interests of various stakeholders by appointing the officer in charge of finance for investor relations (IR) and the officer in charge of general affairs for shareholder relations (SR).
2. In preparing materials and gathering information for the IR and SR activities mentioned above, the Company’s Corporate Planning, General Affairs, Finance, Legal Affairs and other related departments engage in organic, cross-sectional coordination in order to support constructive dialogue with shareholders, including shareholders and institutional investors.
3. As part of IR activities, the IR section of the Company’s corporate website features various data, including the latest business performance trends. The Company also hosts IR briefings for analysts and institutional investors in conjunction with, for example, business results announcements. In terms of SR activities, the Company offers a broad range of information and facilitates the robust exchange of opinions via direct engagement with institutional investors. In these ways, the Company strives to improve its corporate value.
4. In addition to maintaining sufficient information disclosures at the General Meeting of Shareholders and through the conviction notice and newsletters, the Company provides various types of timely information by issuing integrated reports describing the status of its business operations and ESG-based management and sustainability activities. In addition, the Company holds results briefings and endeavors to promote communication with shareholders and investors.
5. The Company considers the opinions gleaned through dialogue with shareholders and investors as valuable in terms of further enhancing its corporate value. While sharing such information with the senior management, the Company discusses the necessity of and studies methods for materializing such opinions as needed.
6. When engaging in dialogue with shareholders and investors, the Company chooses the explanation and disclosure materials to be used in such dialogue in tandem with external consultants and other professionals beforehand, with the objective of preventing the risk of insider trading.

Basic Policy on the Internal Control System

The Company established the Internal Control System, a system that performs the necessary function of ensuring the propriety of business undertaken by the Sumitomo Rubber Group (Sumitomo Rubber Industries and its subsidiaries as defined by the Article 2, Paragraph 3 of the Companies Act). As it aims to continue to enhance its Internal Control System, the Company has made it a rule to submit any proposal for the revision of the following matters to the Board of Directors.

1. A system to preserve and manage information concerning the execution of business by the directors
   Information concerning the execution of business by directors, such as documents on proposals or decisions, shall be recorded and managed appropriately in accordance with the Regulations Concerning Preservation of Documents. The directors and Audit & Supervisory Board Members shall be permitted to view these records at all times.
2. Rules concerning the risk management of loss and other systems
   Management risks involving product quality, law, the environment, credit, accidents, disasters, etc., that may materialize and adversely affect our business activities, shall be addressed by the relevant division and/or subsidiary in advance, via the analysis of those risks and the planning of countermeasures in accordance with the Regulations Concerning Risk Control, which define risk management methods for the entire Sumitomo Rubber Group. These risks shall be then referred to the Management Meeting and other bodies for discussion. If necessary, advice and guidance may be sought from professionals including legal counsel, in analyzing and planning countermeasures for such risks. Any risk affecting the Group as a whole shall be addressed by individual departments under the administrative divisions overseeing their business operations in coordination with other relevant departments and subsidiaries. The Risk Management Committee shall oversee Group-wide risk management activities and, on an as necessary basis, investigate and confirm whether the risk management system is functioning effectively. If any material risk affecting the Sumitomo Rubber Group as a whole emerges or is expected to emerge, the President shall establish a risk control headquarters pursuant to the Regulations Concerning Risk Control.
3. A system to ensure the efficient execution of business by directors
   In order to ensure that the directors and managerial personnel may execute their business property and efficiently, their duties, authority and relevant departments to be placed under their supervision, along with operations conducted by these departments, shall be specifically determined in accordance with the Regulations Concerning the Allocation of Responsibility and Duties. Each subsidiary shall develop a similar organizational structure and reporting lines. Furthermore, an Executive Officer System shall remain in place to ensure flexible business execution in response to the changing environment and customer needs. With respect to the performance and efficiency of each division and subsidiary, a midterm management plan shall be drawn up, targets shall be set at budget meetings (and reviewed as necessary), and the status of achievements of those targets shall be reported, reviewed and analyzed on a monthly basis at the Group’s performance meetings. For all business operations undertaken by the Sumitomo Rubber Group, we shall actively utilize IT and digital technology to enhance efficiency in the execution of business.
4. A system to ensure the execution of business by directors and employees in compliance with law/regulations and the Articles of Incorporation
   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, as well as various compliance manuals, shall be widely distributed, with top management clarifying its principles. Moreover, it shall be made thoroughly clear to all Sumitomo Rubber Group members that compliance with laws and corporate ethics constitutes the basic foundation of management. The Corporate Ethics Committees, chaired by the President, shall identify, analyze, and evaluate those compliance risks affecting the Group as a whole in addition to planning and conducting necessary training. The Committee shall also work to ascertain the cause of any violation, propose measures to prevent their recurrence, and ensure thorough familiarization of these matters throughout the Group. A Corporate Ethics Help Line shall be established to allow employees to voice various problems, etc., to directly report and consult on any actions that are questionable in light of corporate ethics. Information received by the Corporate Ethics Help Line shall be reported to the Corporate Ethics Committee, which, in turn, shall assess the situation and adopt the necessary measures. The Sumitomo Rubber Group’s Corporate Code of Conduct stipulates that any ties with antisocial forces must be severed, with the aim of securing a structure that refuses any requests from such forces.
5. A system regarding reporting on the execution of business by directors at subsidiaries to the Company
   Each business division shall periodically receive reports from directors of each subsidiary under its supervision with regard to its performance targets and the achievement of such targets. Pursuant to the Regulations Concerning Management of Subsidiaries, such division shall also receive reports from each subsidiary on an as necessary basis regarding risk management, compliance, and other specific matters that need to be reported to and discussed at the Company’s Management Meeting and its Board of Directors so that directors at such subsidiaries may directly deliberate these matters with directors at the Company.
6. A system to ensure adequate financial reporting
   The Company shall strive to maintain the Internal Control System in accordance with the Financial Instruments and Exchange Law and assessment/audit standards and implementation standards prescribed by the Financial Services Agency, and to enhance systems to ensure adequate financial reporting by the Sumitomo Rubber Group.
7. Establishment of a position to assist the duties of Audit & Supervisory Board Members at the request of such members
   An employee shall be selected to work as an Audit & Supervisory Board Members’ dedicated assistant to support them in the execution of their duties. This individual shall operate solely based on instructions by Audit & Supervisory Board Members. The opinion of the Audit & Supervisory Board shall be sought in advance to carry out personnel changes and evaluate the performance of this individual.
8. Systems to allow directors and employees to report to Audit & Supervisory Board Members and to allow other reports to be made to such members
   Standing Audit & Supervisory Board Members shall participate in Management Meetings and other important meetings to accurately assess the status of the Sumitomo Rubber Group. Important matters involving risk management shall be reported directly by directors or heads of divisions to Audit & Supervisory Board Members as necessary. Matters reported to the Corporate Ethics Help Line (excluding minor problems) shall be reported to the Audit & Supervisory Board. In accordance with “Regulations on Corporate Ethics Activities,” which apply to all Group companies, the Company shall establish a structure that prohibits anyone from disadvantageously treating persons who report to the Corporate Ethics Help Line or Audit & Supervisory Board Members on the grounds of such reporting and protects the confidentiality of their identities.
9. Other systems to ensure effective audit coverage by Audit & Supervisory Board Members
   Audit & Supervisory Board Members shall be given opportunities to receive explanations from the Sumitomo Rubber Group’s directors and division heads as necessary. The Company shall reimburse expenses, including incidental expenses, incurred by Audit & Supervisory Board Members in the course of the execution of their duties to a reasonable extent.
Risk Management

Management risks involving product quality, law, the environment, credit, accidents, disasters, etc., that may materially and adversely affect our business activities, shall be addressed by the relevant division and/or subsidiary in advance, via the analysis of those risks and the planning of countermeasures in accordance with the Regulations Concerning Risk Control, which define risk management methods for the entire Sumitomo Rubber Group. These risks shall be then referred to the Management Meeting and other bodies for discussion.

If necessary, advice and guidance may be sought from professionals, including legal counsel, in analyzing and planning countermeasures for such risks. Any risk affecting the Group as a whole shall be addressed by individual departments under the administrative divisions overseeing their business operations in coordination with other relevant departments and subsidiaries. The Risk Management Committee shall oversee Group-wide risk management activities and, on an as necessary basis, investigate and confirm whether the risk management system is functioning effectively.

If any material risk affecting the Sumitomo Rubber Group as a whole emerges or is expected to emerge, the President shall establish a risk control headquarters pursuant to the Regulations Concerning Risk Control.

Group-wide Risk Management System

<table>
<thead>
<tr>
<th>Board of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Management Committee</td>
</tr>
<tr>
<td>Chair: President</td>
</tr>
<tr>
<td>Members: Officers in charge of three regional block headquarters, human resources &amp; general affairs, legal affairs, finance, corporate planning, international business, digital planning, logistics, production planning, production, R&amp;D, R&amp;D locational development, R&amp;D equipment, tyre sales, replacement tyre sales, replacement tyre sales, replacement tyre sales, hybrid rubber products business, and sports business</td>
</tr>
</tbody>
</table>

- Receives reports on the effectiveness of risk management, confirms/considers improvements
- Receives reports on incidents and measures to prevent recurrence, etc., submits countermeasures or proposals for countermeasures to the Committee agenda
- Matters related to control of Group risk management activities

<table>
<thead>
<tr>
<th>Risk Management Committee Secretariat</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit, Human Resources &amp; General Affairs, Legal, Accounting &amp; Finance, Purchasing, Corporate Management Planning &amp; Administration, International Business Development &amp; Administration, Digital &amp; Information Technology, and Production Planning departments</td>
</tr>
</tbody>
</table>

- Investigations/checks on the state of risk management in departments and Group companies
- Reports to Committee on problems related to effectiveness and effectiveness of risk management system
- Storage/management of Risk Management Committee records
- Formulation and promotion of SCP, support for departments formulating SCP

Main Initiatives in Fiscal 2020

Based on the Company’s Regulations Concerning Risk Control, the Risk Management Committee met twice to supervise risk management activities via a six risks affecting the Sumitomo Rubber Group as a whole. The committee also confirmed that the risk management system for the entire Group is functioning effectively.

In response to the global COVID-19 pandemic, the Company established a risk control headquarters led by the President, thereby implementing measures to minimize the pandemic’s overall impact on the Group's facility operations and its business results. Specifically, the Company placed the utmost priority on ensuring the safety of employees and their families while introducing countermeasures to prevent COVID-19 infection and updating procedures for response to the emergence of infection cases. Moreover, the Company strove to collect information from supply chains to assess their status and helped them introduce robust measures to prevent infection. These endeavors were carried out under the leadership of the risk control headquarters via collaboration involving each business division and administrative departments with specific functions.

Compliance

In the Sumitomo Rubber Group, we believe that “legal compliance and the upholding of corporate ethics form the cornerstone of a company’s survival and are crucial to long-term corporate vitality and competitiveness,” and we developed our compliance structure by formulating the “Regulations on Corporate Ethics Activities” and the “Sumitomo Rubber Group Corporate Code of Conduct” in February 2003 in addition to establishing a Compliance Consultation office, a system that has continued to this day.

Structure of Compliance Initiatives

Main Initiatives in Fiscal 2020

In addition to meetings of the Board of Directors, which exercises supervision over compliance matters, the Audit & Supervisory Board met 12 times and confirmed that the execution of business by directors was in conformity with laws, regulations and the Company’s Articles of Incorporation.

Also, the Corporate Ethics Committee, tasked with deliberating compliance issues for the Sumitomo Rubber Group, met four times to implement countermeasures against compliance and risk management issues affecting the Group as a whole. The committee also strove to ensure that each case reported via the Corporate Ethics Help Line was properly handled.

In addition, each business division endeavored to raise corporate ethics awareness among its employees by, for example, striving to help improve their understanding of the Group’s Corporate Code of Conduct and the Sumitomo Business Spirit while hosting various corporate ethics lecture sessions.
Honors and Certifications from Outside Organizations

Some honors and certifications related to sustainability that the Sumitomo Rubber Group has received from outside organizations are listed below.

The First Nikkei BP ESG Brand Survey

The Company was ranked 10th in the ESG Brand Survey (social category) sponsored by Nikkei-BP for the question “we have a system that can balance work with child rearing, nursing care and fighting diseases.”

Corporate Message Survey 2020

Our brand message, “create a future that is free of automobile accidents,” used in Dunlop’s TV commercials, was ranked first in the Corporate Message Survey 2020 undertaken by Nikkei BP Consulting, Inc., the highest rating it has earned—number one in consumer favorability.

Sustainability Award 2021

We were chosen by CSR Communication Association (CCA) to receive a Silver Award under the Sustainability Website Award 2021 program in which the CCA rates the content of sustainability-related information disclosed via corporate websites.

SNAM Sustainability Index

Since 2012, the Company has been continuously included in the SNAM Sustainability Index, an asset management product index compiled by Sompo Japan Nipponkoa Asset Management Co., Ltd. (SNAM) for pension fund managers and institutional investors.

The 15th (2021) CSR Ranking

The Toyo Keizai CSR Company Ranking, which identifies companies recognized by a wide range of stakeholders as reliable, evaluates the utilization of human resources, environment, governance and social activities, profitability, safety and scale and provides rankings for both corporate social responsibility (CSR) and finance. The ranking program’s scoring is comprehensive and our scores surpass the average score for all companies and those in our industry (rubber products). We also boast a balanced score across all items.

SNAM Probability Index

Since this survey’s inception in 2008, the company has ranked first, second and third. The 2021 Index is the first ranking to use “sustainability” as an evaluation index.

2020

February

Our corporate advertising was chosen to receive a Silver Award under the Nikkei BP Marketing Awards 2020 program.

March

Sumitomo Rubber Industries was selected as one of 40 companies included in the “2020 Health & Productivity Stock Selection,” which recognizes companies that take a strategic approach to managing the health of their employees. Moreover, the Company has been selected as a “White 500” organization exercising superior health management, under the “Certified Health & Productivity Management Outstanding Organizations Recognition Program,” for the fourth consecutive year.

March

The Miyazaki Factory was granted Hinata no Kiwami employee-friendly workplace certification thanks to its efforts to create a working environment that promotes a harmonious balance between work and private life.

May

Thanks to its efforts to help realize the United Nations Sustainable Development Goals (SDGs), the Company became the first in the rubber product industry to sign a Positive Impact Finance Loan Agreement with Sumitomo Mitsui Trust Bank, Limited.

2021

January

The Shinkawa Factory was chosen by Fukushima Prefecture to receive the Fukushima Work-Life Balance Grand Award in recognition of its proactive efforts to allow employees to choose from diverse work styles in light of their private circumstances related to childrearing and nursing care.

February

DUNLOP ENASAVE NEXT III was chosen to receive the Agency for Natural Resources and Energy Director-General’s Award under the Energy Conservation Grand Prix program.

Certifications Acquired

- ISO9001: 2015 Quality Management System
- ISO14001: 2015 Environmental Management Systems
- OHSAS18001: 2007 Occupational Health and Safety Management Systems

*In the process of becoming ISO standard ISO45001:2018
### Consolidated Financial/Non-financial Data

**Main Financial Indicators** *(Fiscal 2020)*

<table>
<thead>
<tr>
<th>Years ended December 31</th>
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**Sustainability-Related Indicators** *(Fiscal 2020)*

- **Trees Planted** *(fiscal year cumulative basis)*
- **Global Environmental Data** *(total CO2 emissions)*
- **Number of Japanese and Foreign Patents**
- **Number of Complaints and Whistleblowing Incidents Filed by Employees with the Corporate Ethics Helpline** *(Compliance Consultation Office)*

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<td>¥1,002,383</td>
<td>¥1,002,383</td>
<td>¥1,002,383</td>
<td>¥1,002,383</td>
</tr>
<tr>
<td><strong>Business Profit</strong></td>
<td>¥120,682</td>
<td>¥120,682</td>
<td>¥120,682</td>
<td>¥120,682</td>
<td>¥120,682</td>
<td>¥120,682</td>
</tr>
<tr>
<td><strong>Profit Attributable to Owners of Parent</strong></td>
<td>¥72,048</td>
<td>¥72,048</td>
<td>¥72,048</td>
<td>¥72,048</td>
<td>¥72,048</td>
<td>¥72,048</td>
</tr>
</tbody>
</table>

**Sustainability-Related Indicators** *(Fiscal 2020)*

- **Trees Planted** *(fiscal year cumulative basis)*
- **Global Environmental Data** *(total CO2 emissions)*
- **Number of Japanese and Foreign Patents**
- **Number of Complaints and Whistleblowing Incidents Filed by Employees with the Corporate Ethics Helpline** *(Compliance Consultation Office)*
## Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>60,631</td>
<td>74,203</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>60,631</td>
<td>74,203</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>190,261</td>
<td>179,635</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>1,314</td>
<td>1,399</td>
</tr>
<tr>
<td>Inventories</td>
<td>182,769</td>
<td>151,253</td>
</tr>
<tr>
<td>Other current assets</td>
<td>25,079</td>
<td>30,162</td>
</tr>
<tr>
<td>Total current assets</td>
<td>460,054</td>
<td>436,652</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-current assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>420,924</td>
<td>389,184</td>
</tr>
<tr>
<td>Goodwill</td>
<td>26,547</td>
<td>23,378</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>43,445</td>
<td>41,402</td>
</tr>
<tr>
<td>Investments accounted for using equity method</td>
<td>4,258</td>
<td>4,323</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>33,440</td>
<td>33,159</td>
</tr>
<tr>
<td>Net defined benefit asset</td>
<td>20,352</td>
<td>32,451</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>14,798</td>
<td>13,449</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>2,686</td>
<td>857</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>575,430</td>
<td>538,153</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,035,484</td>
<td>974,805</td>
</tr>
</tbody>
</table>

## Consolidated Statement of Income

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>(637,658)</td>
<td>(558,638)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>255,662</td>
<td>232,179</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>(201,261)</td>
<td>(188,791)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>54,391</td>
<td>43,388</td>
</tr>
<tr>
<td>Operating profit</td>
<td>54,391</td>
<td>43,388</td>
</tr>
<tr>
<td>Financial income</td>
<td>2,427</td>
<td>3,818</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>(23,753)</td>
<td>(8,505)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>19,614</td>
<td>34,872</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>27,205</td>
<td>29,771</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>(14,124)</td>
<td>(8,761)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>13,081</td>
<td>23,010</td>
</tr>
<tr>
<td>Profit attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of parent</td>
<td>12,072</td>
<td>22,596</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>1,099</td>
<td>414</td>
</tr>
<tr>
<td>Total</td>
<td>13,171</td>
<td>23,010</td>
</tr>
</tbody>
</table>

## Consolidated Statement of Cash Flows

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>Fiscal 2019 (Jan. 1 to Dec. 31, 2019)</th>
<th>Fiscal 2020 (Jan. 1 to Dec. 31, 2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from investing activities</td>
<td>91,458</td>
<td>123,504</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>(13,070)</td>
<td>(8,947)</td>
</tr>
</tbody>
</table>
Independent Verification Report

In order to enhance the reliability of this report and the environmental data disclosed on our website, we underwent verification by a third party.

Data marked with "G" (pages 45, 46, 50, and 52) has been verified.

The target data for verification and the verification criteria employed are as follows.

1. Total Global CO2 Emissions
   - Criteria: LRQA’s Report Verification (Pursuant to ISAE3000, AA1000AS, and GRI)
   - Katsuhiko Kokubu and “The 1st Step to Management Ethics” (Yuhikaku Publishing Co., 2020). His recent publications include works of Kobe University V. School (since 2019 to 2021) and as Head of the Graduate School of Business Administration at Kobe University from 2014 to 2016. Has served concurrently as an assistant professor at Osaka City University and Kobe University, he assumed his current position in 2001.

Global Trend toward ESG Management

Over the last few years, we have seen a growing global trend toward ESG management. Previously, there had been quite a few companies publicizing ambitious statements regarding sustainability, but they have often failed to live up to these lofty goals in reality. However, today’s businesses are becoming ever more serious about practicing ESG management and taking concrete action. Although Sumitomo Rubber Industries has been exemplary in terms of sustainability, I believe that the time has come for the Company to review its management approach to ESG issues on an across-the-board basis.

My Impression of the “Our Philosophy” Corporate Philosophy Framework

Viewed in this light, the establishment of “Our Philosophy” in fiscal 2020 is of great significance. With the Group’s Purpose serving as its principal concept and defined as “Throughout innovation we will create a future of joy and well-being for all,” this Philosophy consists of a Story, a Vision, and the SRI Way. Moreover, the “Governance” section of this report clarifies that “Our Philosophy” is intended to serve as the basis for all decision-making and as the impetus for all actions throughout the Group. Thus, the Group’s commitment to living up to this Philosophy is sure to be clearly understood by readers. Going forward, I would very much like to see the Group provide follow-up reports regarding charges in employee behavior driven by “Our Philosophy” from the next edition of its Integrated Report onward.

Improving Organizational Framework and Enhancing Human Capital

For a business that is actively pursuing sustainability, among its various responsibilities to stakeholders, its responsibilities with respect to its employees are of particular importance. Amid the COVID-19 pandemic, corporations’ treatment of their employees is becoming a subject of general public concern. In this report, Sumitomo Rubber Industries presents a policy of promoting Work Style Reform as part of efforts aiming to improve its overall organizational framework. Looking ahead, I expect the Group to report further on the details of these endeavors in the section dedicated to human capital. When it comes to developing human capital, ensuring robust investment and resource allocation with respect to employees is a matter of the utmost importance. Today, a growing number of businesses worldwide share a common understanding that employees deserve a robust allocation of resources, such as investment in their education, because helping employees to enhance their skills and living standards is considered a part of a company’s corporate social responsibilities. In line with the Sumitomo Rubber Group’s corporate philosophy, I hope that a concept of this kind will serve as the cornerstone of the Group’s ESG management. This will, I believe, encourage all employees to substantially raise their awareness of ESG management and ultimately lead to the strengthening of the Group’s overall organizational capabilities.

Initiatives toward Carbon Neutrality

Sumitomo Rubber Industries has declared that it will strive to achieve carbon neutrality and is thus aiming to reduce net CO2 emissions from its factories to zero by 2050. Although its GHG reduction efforts with an eye toward 2050 are worthy of praise, I am somewhat concerned about the level of detail when it comes to breaking this target down into specific steps and milestones, as 2050 is still a long way off. I believe that the Company should pay particular attention to the perception of this issue among younger employees. As these individuals are highly likely to still be Sumitomo Rubber Group employees in 2050, their perceptions will be a key factor affecting the success of the aforementioned declaration.

Response to Third-Party Remarks

I would once again like to thank Professor Kokubu for providing us with his pertinent advice and generous assessments. In this with the Midterm Plan that we announced in February 2020, our group has defined three key Value Drivers to propel our ongoing efforts to enhance both our economic value and our value to society, namely Developing & Promoting Sales of Advanced Products,” “Creating New Value,” and “Promoting ESG Management.” In the interests of further promoting ESG Management, we newly established a Sustainability Promotion HQ in January 2021.

With a new corporate philosophy structure, “Our Philosophy,” now serving as the basis for all of our decisions and as the impetus behind all of our actions, we are committed to fostering organic changes in employees behavior (which is something that Professor Kokubu mentioned while promoting Work Style Reform while simultaneously implement- ing various measures to achieve carbon neutrality and otherwise ensure that our business operations are as environmentally friendly as possible. Toward this end, all Group employees will come together in a united effort to push ahead with these ongoing endeavors. In this way, the Sumitomo Rubber Group will rally our combined strength in working to contribute to the creation of a safe and sustainable society in which everyone can work and live with consistent peace of mind.

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**Global Network  (As of March 2021)**

**OVERSEAS**

**Asia/Pacific**
- Malaysia Factory (industrial products)
- Vietnam Factory (sports goods)
- Thailand Factory (tires)
- Philippines Factory (tires and sports goods)
- Indonesia Factory (tires and sports goods)
- Malaysia Factory (tires)
- Turkey Factory (tires)
- South Africa Factory (tires)

**Europe/Africa/Middle East**
- Switzerland Factory (industrial products)
- Slovenia Factory (industrial products)
- Vietnam Factory (tires)
- Turkey Factory (tires)
- South Africa Factory (tires)

**Americas**
- Human Factory (China, tires)
- Changsha Factory (China, industrial products)
- Shanghai Factory (China, industrial products)
- USA Factory (sports goods)

**JAPAN**
- Japan Tire Proving Ground
- Austria Factory (tires)
- Okinawa Factory (sports goods)

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**Stock Price**

- **High**: Closing > Opening
- **Low**: Opening > Closing
- **Light Blue**: Closing > Opening
- **Blue**: Opening > Closing

**Investor Information**  (As of December 31, 2020)

<table>
<thead>
<tr>
<th>Stock Exchange Listing</th>
<th>Tokyo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Shares of Common Stock</td>
<td></td>
</tr>
<tr>
<td>Authorized: 800,000,000</td>
<td></td>
</tr>
<tr>
<td>Issued: 263,043,067</td>
<td></td>
</tr>
<tr>
<td>Number of Shareholders: 41,177</td>
<td></td>
</tr>
<tr>
<td>Independent Auditors: KPMG AZSA LLC 3-6-5, Kawaramachi, Chuo-ku, Osaka, Japan</td>
<td></td>
</tr>
<tr>
<td>Major Shareholders</td>
<td></td>
</tr>
<tr>
<td>Sumitomo Electric Industries, Ltd. 28.85%</td>
<td></td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust account) 5.65%</td>
<td></td>
</tr>
<tr>
<td>Custody Bank of Japan, Ltd. (Trust account) 3.22%</td>
<td></td>
</tr>
<tr>
<td>National Mutual Insurance Federation of Agricultural Cooperatives 2.79%</td>
<td></td>
</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation 1.98%</td>
<td></td>
</tr>
<tr>
<td>Sumitomo Corporation 1.83%</td>
<td></td>
</tr>
<tr>
<td>STATE STREET BANK AND TRUST COMPANY 505103 1.63%</td>
<td></td>
</tr>
<tr>
<td>SMBC Nikko Securities Inc. 1.55%</td>
<td></td>
</tr>
<tr>
<td>JPM&amp;B LE BARCLAYS CAPITAL SECURITIES LIMITED DOLL EQUITY 1.28%</td>
<td></td>
</tr>
<tr>
<td>JP MORGAN CHASE BANK 385635 1.12%</td>
<td></td>
</tr>
</tbody>
</table>

Note: The percentage of shares in the above list was calculated using the total number of shares of common stock, excluding 41,905 shares of treasury stock.

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**Disclaimer**

In addition to facts on the past and present of the Sumitomo Rubber Group, this report contains projections based on forecasts and future management plans. Said projections reflect assumptions and judgments based on information available at the time this report was made. Actual future results may differ from these projections.