

## TOP COMMITMENT

## Further Enhancing Our Economic Value & Our Value to Society

### Satoru Yamamoto

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



Firstly, my heart goes out to all of those who have lost their lives to the novel coronavirus (COVID-19). I would like to take this opportunity to offer my deepest condolences to all of the families who are now grieving as a result of COVID-19 and to pray for the swift recovery of each and every person currently afflicted with this terrible disease. At the same time, I would also like to take this opportunity to express my heartfelt gratitude and admiration to all of those who continue working tirelessly to provide medical care and prevent the further spread of infections on the front lines of medicine all over the world, all while facing ongoing concerns about the possibility of new outbreaks and lingering uncertainty about what the future holds in store.

In February 2020, the Sumitomo Rubber Group unveiled our new Midterm Plan, which aims to achieve sales revenues of ¥1 trillion and business profit of ¥100 billion by the year 2025. However, not long after we made this announcement, COVID-19 began to spread throughout the world. In light of the pandemic, we made the health and safety of our employees and their families our top priority. Once assured that their health and safety were sufficiently secure, we next turned our attention to the matter of how best to keep our business up and running under the circumstances, focusing our efforts on various measures intended to keep the impact of the pandemic on our business performance to a minimum.

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 the combined 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 "Be the Change Project" (BTC 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 unshaken 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 39,000 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 leeway needed 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 intended 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 more than 4,000 new ideas, 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 spawn 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

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sense of anxiety about the crises that we currently face as well as hope for a brighter future, with both in equal measure.

### 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—as embodied in our “SMART TYRE CONCEPT”—to the next level and by building a strong corporate structure that can withstand any and all changes in the business environment through activities to “Reinforce the Foundations of Our Business.” All of these efforts will be driven by Three Key Value Drivers: “Developing & Promoting Sales of Advanced Products,” “Creating New Value” and “Promoting ESG Management.”

### Maximizing Results from Our Global Business Framework

Thanks to various investments that we have made to date, the Sumitomo Rubber Group now possesses a network of production factories and sales companies situated near major demand centers throughout the world (including, of course, Japan). Among all of the major tire manufacturers in the world, only a small handful of our competitors have thus far been able to build a comparable global network for both manufacturing and sales. What this means is that our customers now have all the more reason to have very high expectations of us. While our factories in North America and South Africa still have some issues to work out, they are nevertheless pushing ahead with sure and steady improvements. We will be sure to get both of these key production bases on the right track so that we can finalize a supply network that is not only truly global, but that is also capable of providing a uniform level of quality and service anywhere in the world. In particular, supplying our tires to global automobile manufacturers worldwide will drive us to further enhance our technical capabilities while simultaneously serving to enhance our position as a trusted manufacturer in the consumer market for replacement tires. Moving forward, we hope to fully harness the potential of our global framework in order to better respond to the needs of our customers around the world.



### Advancing SMART TYRE CONCEPT to the Next Level

Our SMART TYRE CONCEPT embodies 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 working 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 III” 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 “Trilateral 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 rising demand for EVs in 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 even avoid upcoming hazards 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 principles 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 basis behind our decisions and the impetus behind our actions, thereby creating a powerful driving force to propel our group ever faster 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 1963. Since then, although we have revised 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 boundless 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 living up to 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 Mirai Project,” which is a joint program 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 “lively” 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 continually 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 throughout all of our business activities as only the Sumitomo Rubber Group can.