

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.



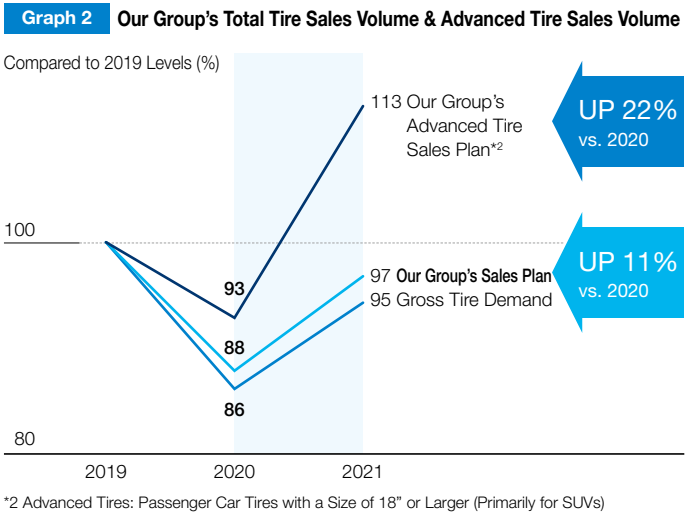
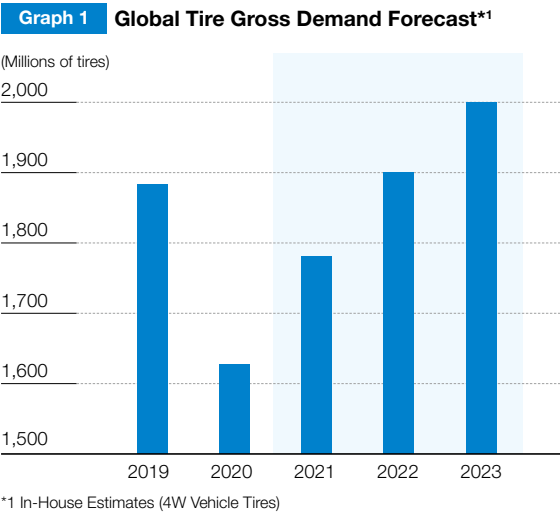
Anticipating Recovery in the Tire Industry

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).



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

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.

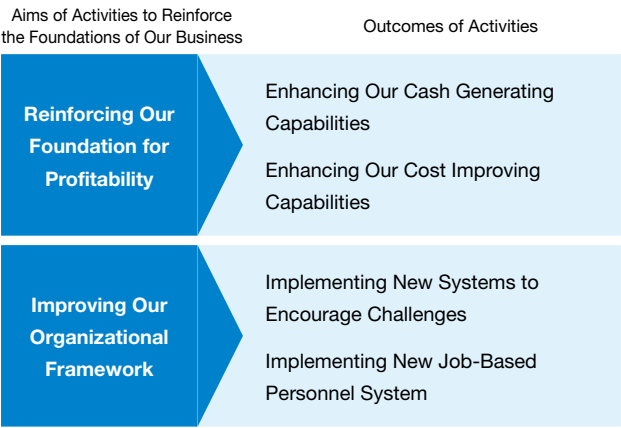
Involving many employees throughout our group, our efforts to enhance our cash flow generation capabilities have brought together both top management and frontline workers in actively working to design and carry out activities to promote and instill proper cash-flow management practices.

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.

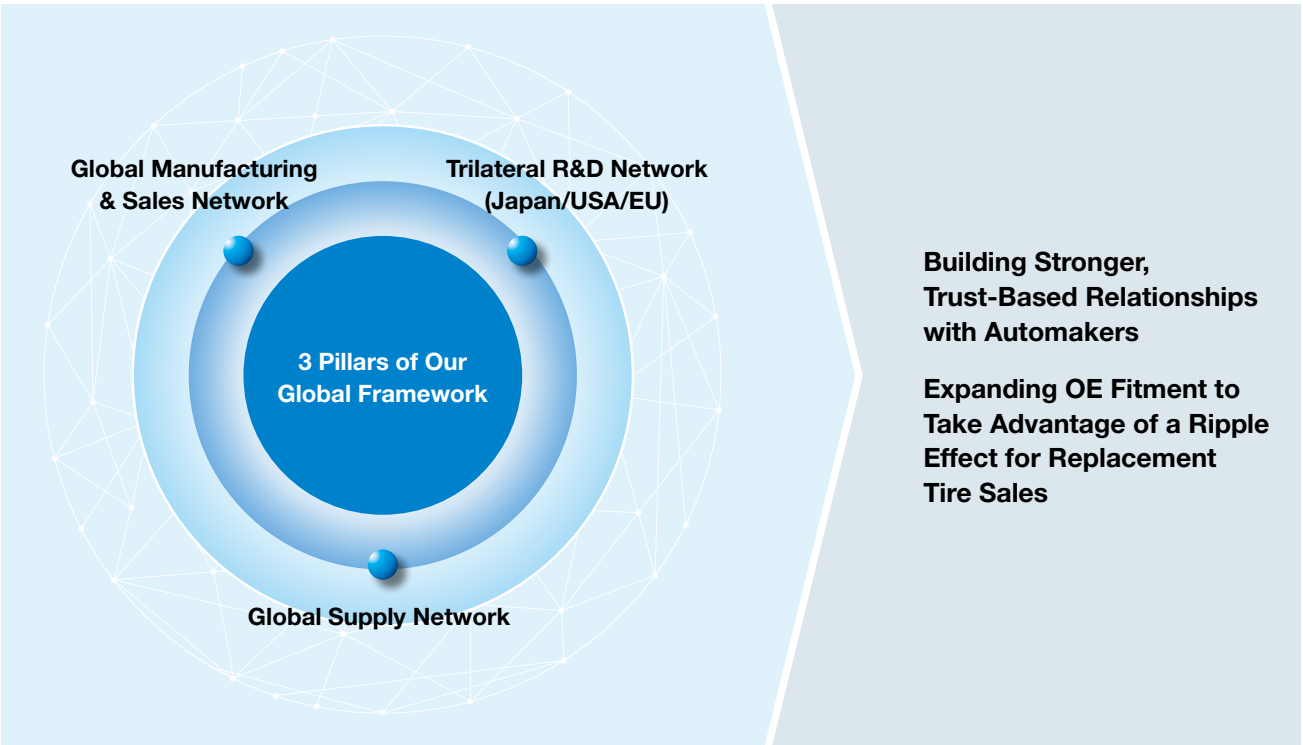
To date, these activities have already generated over 4,000 ideas for improvement measures, which are collectively worth some ¥30 billion in added cash flow and ¥10 billion in added profit. Moving forward, we will steadily put these ideas into action one after another so that we can be sure to reap these benefits.

When it comes to "Improving Our Organizational Framework," we have been pushing forward with Group-wide activities to shed light on organizational issues (such as the organizational barriers that

have arisen as a natural consequence of our rapid growth and expansion) so that we can then move forward with improvements. 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.



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/Europe)” 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.

Current State of Our Global Manufacturing & Sales Network

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.

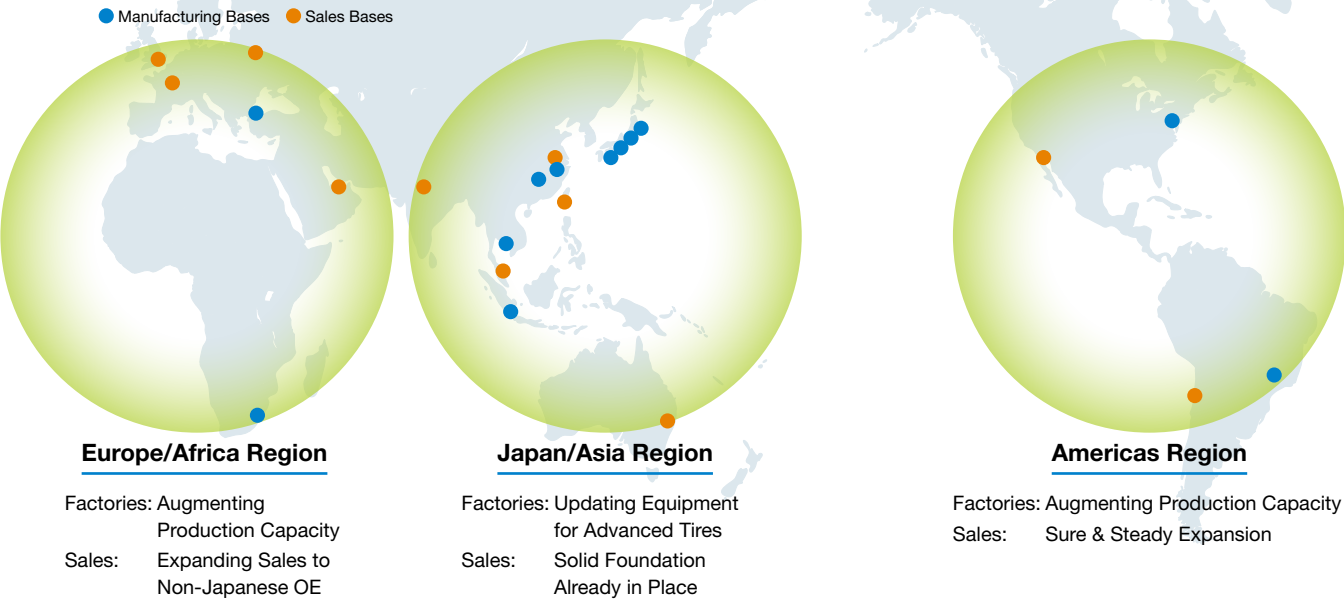
Next, in Europe and Africa, our factory in Turkey (our main supply base for markets in Europe) has made steady progress in augmenting production capacity and is now working to maximize the advantages of economies of scale with an eye toward simultaneously expanding our supply of tires to European automobile manufacturers and increasing replacement tire sales in the region. Meanwhile,

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.

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.

Manufacturing & Sales Bases Established in Major Markets Worldwide



R&D Network to Respond to the Evolving Needs of Each Market

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.

Trilateral R&D Network



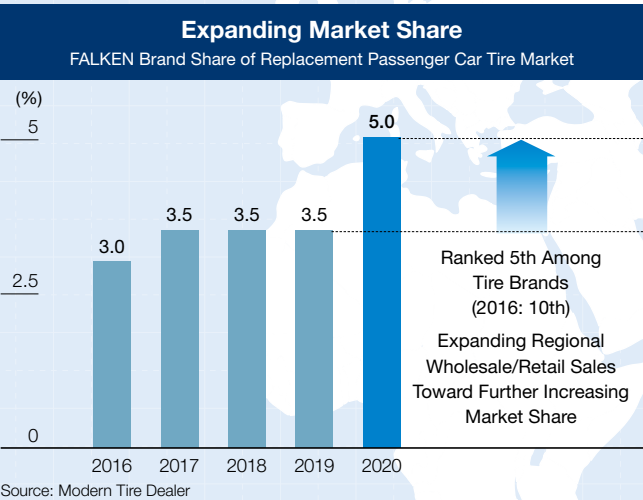
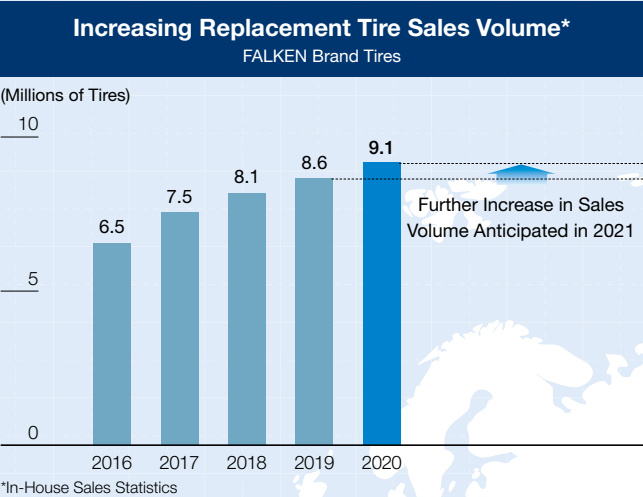
Our Business in North America

Expanding Sales Volume & Market Share in the North American Market

Bolstered 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.



Steady Improvement in FALKEN's Price Position

Strategic Product for the North American Market

Strong Sales of Our Popular WILDPEAK Series Contribute to Increased Market Share

WILDPEAK A/T3W

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



Increased Supply from Investments in Capacity Increase & Equipment Updates Starting in 2022 & 2023

Progress on Value Drivers to Accomplish Our Midterm Plan

Developing & Promoting Sales of Advanced Products

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 “Cellulose 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.



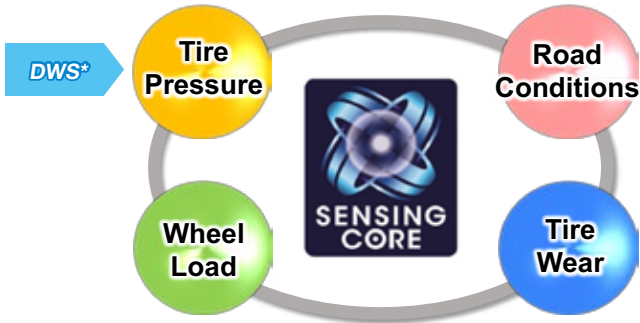
- EcoPro Awards – Eco Material Award
- Super Monozukuri Parts Awards – Japan Brand Prize
- Energy Conservation Grand Prize – Agency for Natural Resources and Energy Director-General’s Award



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 sensing 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.



“Creating Joy & Wellbeing for All”

CASE: An acronym for “Connected, Autonomous, Shared & Services, Electric,” CASE is used as a keyword to reflect the growing importance of mobility services that involve multiple industry sectors as a consequence of the rise of electric vehicles and IoT, etc.

MaaS: Short for “Mobility as a Service,” MaaS refers to integrated mobility services that provide greater convenience to users by bringing together all manner of transportation modes (taxies, buses, trains, airplanes, etc.) on a single, unified platform so that users can efficiently select, reserve and pay for transportation all in one place.

Promoting ESG Management

The Sumitomo Rubber Group is now engaged in initiatives that aim to achieve carbon neutrality (i.e. reduce net CO₂ emissions by 100%) at all of our factories by the year 2050.

Our Scope 1 initiatives have involved proactive energy conservation efforts, including the introduction of cogeneration systems and the active utilization of IT to reduce various types of energy loss. Moving forward, we are planning not only to augment these efforts, but also to transition away from the use of fossil fuels entirely by replacing the fossil fuels that we currently use with hydrogen, biomass fuel and other renewable energy sources that are being hailed as the future of energy. For example, we are already in the process of exploring the possibility of using hydrogen energy to power our major tire factories in Japan.

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 “Cellulose 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.

Initiatives to Achieve Carbon Neutrality

- Goal for 2050: Reducing Factory CO₂ Emissions by 100% (Scope 1 & 2 Initiatives)
- Developing Products Incorporating Biomass Materials (Scope 3 Initiatives)

Scope 1
Targeting Direct Emissions of Greenhouse Gases from Our Business Activities

- Introducing Renewable Energy Sources (Hydrogen, Biomass, etc.)
- Augmenting Energy Saving Activities

Scope 2
Targeting Indirect Emissions from Usage of Electric Power from External Sources

- Expanding Solar Power Facilities at Factories
- Actively Purchasing Green Energy (from Natural, Renewable Sources)

Scope 3
Other Indirect Emissions (Not Covered in Scope 1 or 2)

- Promoting the Development of Products Incorporating More Biomass Materials (Tires, Golf/Tennis Balls, Artificial Turf)



*1 Since the use of synthetic rubber became standard in tires. (According to In-House Research)

*2 According to In-House Research