

# Governance

## Directors, Audit & Supervisory Board Members and Executive Officers (as of March 26, 2021)

### Directors and Audit & Supervisory Board Members



**Ikuji Ikeda**  
Chairman of the Board



**Naofumi Harada**  
Director (Senior Executive Officer)



**Satoru Yamamoto**  
Representative Director, President and CEO (President)



**Hidekazu Nishiguchi**  
Director (Senior Executive Officer)



**Kazuo Kinameri**  
Representative Director (Vice President)



**Keizo Kosaka**  
Outside Director\*



**Yasutaka Ii**  
Director (Managing Executive Officer)



**Kenji Murakami**  
Outside Director\*



**Hiroki Ishida**  
Director (Senior Executive Officer)



**Nobuyuki Kobayashi**  
Outside Director\*



**Yutaka Kuroda**  
Director (Senior Executive Officer)



**Mari Sonoda**  
Outside Director\*



**Hiroaki Tanaka**  
Standing Audit & Supervisory Board Member



**Takashi Kono**  
Standing Audit & Supervisory Board Member



**Morihiro Murata**  
Outside Audit & Supervisory Board Member\*



**Asli M. Colpan**  
Outside Audit & Supervisory Board Member\*



**Hirofumi Yasuhara**  
Outside Audit & Supervisory Board Member\*

### Executive Officers

#### Senior Executive Officers

Takanori Aoi Masatsugu Nishino  
Kiyoshige Muraoka Naoki Okawa  
Tomohiko Masuta

#### Executive Officers

Toshihiko Komatsu Atsuhiko Tanaka  
Eiichi Masuda Fumikazu Yamashita  
Kenji Saito Yasuo Watanabe  
Hirotohi Murakami Takuzo Iwata  
Richard Smallwood Hiroshi Matsui  
Hideaki Kawamatsu Yasuaki Kuniyasu  
Akio Onishi Jiro Kawase  
Naofumi Yanetani Hiroshi Hamada

## 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

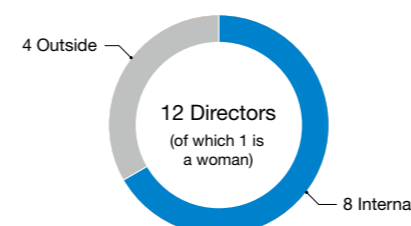
④ Work to enhance the content of discussions undertaken by the Board of Directors regarding management policies, medium- to long-term business planning and other matters related to the general direction of the Company by establishing the Management Meeting, which is tasked with deliberating a large proportion 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

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

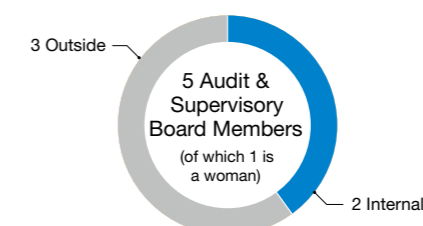
Form of organization Company with an Audit & Supervisory Board (established Nomination and Remuneration Committee, voluntary body)

### Directors



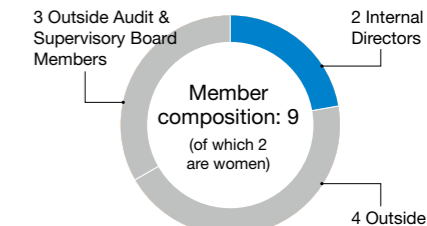
- Number of members stipulated in the Articles of Incorporation: 15
- Term of office: 1 year
- Chairperson of the Board of Directors: Chairman of the Board

### Audit & Supervisory Board Members



- Number of members stipulated in the Articles of Incorporation: 5
- Term of office: 4 years

### Nomination and Remuneration Committee Members



- Nomination and Remuneration Committee chair: Outside Director
- Term of office: 1 year

## Skill Matrix of Directors and Audit & Supervisory Board Members

Name	Current position at the Company*	Primary business experience, specialty, etc.							
		Manufacturing and Technology	Sales and marketing	Finance and accounting	Legal affairs	International business	IT and digital	Corporate management	Expertise in other business sectors
Ikuji Ikeda	Chairman of the Board	●				●		●	
Satoru Yamamoto	Representative Director, President and CEO (President)		●			●		●	
Kazuo Kinameri	Representative Director (Vice President)		●			●		●	
Yasutaka Ii	Director (Managing Executive Officer)		●			●		●	
Hiroki Ishida	Director (Senior Executive Officer)			●		●		●	
Yutaka Kuroda	Director (Senior Executive Officer)	●				●		●	
Naofumi Harada	Director (Senior Executive Officer)	●				●		●	
Hidekazu Nishiguchi	Director (Senior Executive Officer)		●			●	●	●	
Keizo Kosaka	Outside Director				●			●	●
Kenji Murakami	Outside Director		●					●	●
Nobuyuki Kobayashi	Outside Director			●				●	●
Mari Sonoda	Outside Director			●	●				●
Hiroaki Tanaka	Standing Audit & Supervisory Board Member	●	●	●				●	
Takashi Kono	Standing Audit & Supervisory Board Member			●			●	●	
Morihiro Murata	Outside Audit & Supervisory Board Member			●	●			●	●
Asli M. Colpan	Outside Audit & Supervisory Board Member			●		●		●	●
Hirofumi Yasuhara	Outside Audit & Supervisory Board Member			●		●		●	●

Note: Up to four skill categories are presented per individual in line with the Company's expectations regarding their contributions in their respective areas of specialty. The above matrix does not fully describe the business experience and expertise possessed by each individual. The position in parentheses is the position held as an Executive Officer of the Company.

Note: The position in parentheses is the position held as an Executive Officer of the Company.  
\* Registered as independent officers in accordance with regulations stipulated by the Tokyo Stock Exchange

## Reasons for Adopting the Current Corporate Governance Structure

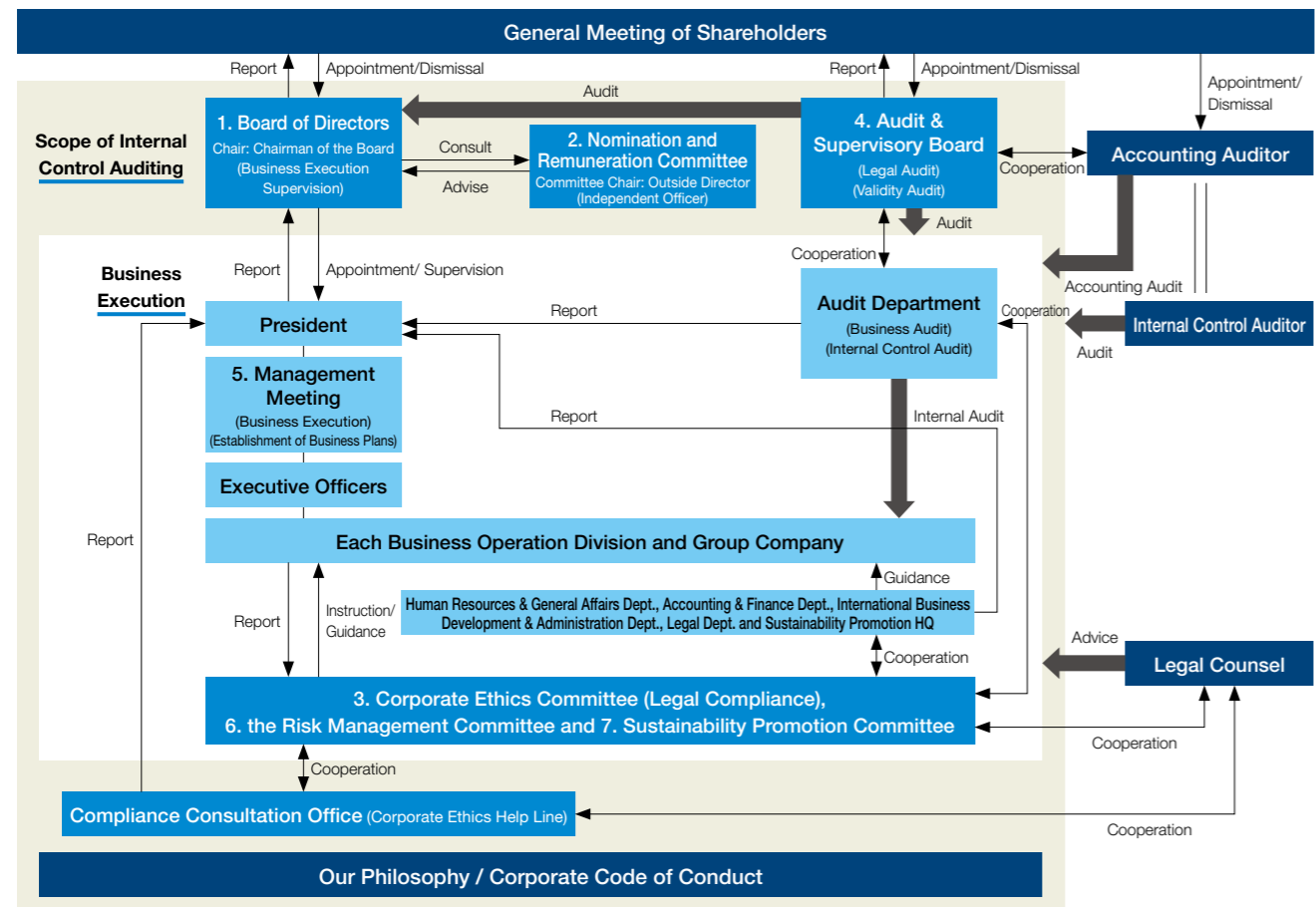
The Sumitomo Rubber Group is endeavoring to secure overall management efficiency while strengthening the relationship of trust between the Group and society and improving its operations in terms of fairness and transparency. To this end, we consider the audit functions the Audit & Supervisory Board and 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 Committee, an advisory body to the Board of Directors. The majority of

committee membership is accounted for 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.

### Corporate Governance Structure

(As of March 26, 2021)



### 1. Board of Directors 14 meetings in fiscal 2020

The Board of Directors is composed 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 the books are closed at the end of the first half. In fiscal 2020, the board met 14 times, and attendance of Outside Directors was 100%. In addition, we have established the Management Meeting and delegated to it authority regarding deliberation on a large proportion of business execution matters. By doing so, we work to enhance the content of discussion by the Board of Directors with regard to management policies, medium- to long-term business planning and other matters related to the general direction of the Company.

Director candidates are nominated taking into consideration whether they can contribute to the sustainable enhancement of the corporate

value of the Company, including such factors as their contribution to achieving effective corporate governance and ensuring the diversity of board members in terms of knowledge, experience, etc.

### 2. Nomination and Remuneration Committee 3 meetings in fiscal 2020

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 outside officers, and an Independent Outside Director serves as the committee chair. There was 100% attendance among members in fiscal 2020.

### 3. Corporate Ethics Committee 4 meetings in fiscal 2020

The committee identifies, analyzes and evaluates compliance risks throughout the Sumitomo Rubber Group, plans and conducts training, ascertains the cause of violations, proposes preventive measures and thoroughly disseminates information on that throughout the Group.

The committee is composed of the officer in charge of corporate ethics (officer in charge of human resources and general affairs), officer in charge of audits, officer in charge of legal affairs, Audit Department Manager, Human Resources & General Affairs Department Manager and Legal Department Manager, with the President serving as the committee chair. In addition, two Standing Audit & Supervisory Board Members participate as observers. In fiscal 2020, the committee not only met four times but also held a corporate ethics lecture meeting to raise awareness of corporate ethics throughout the Group.

### 4. Audit & Supervisory Board 12 meetings in fiscal 2020

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 the internal audit office; reviews important approval documents; and implements on-site audits at the Head Office, major business sites and subsidiaries while working closely 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

#### Reasons for the Selection of Independent Outside Directors

Name	Reason for selection	Fiscal 2020 Status of Attendance	
		Board of Directors meetings	Audit & Supervisory Board meetings
Keizo Kosaka	Mr. Keizo Kosaka provides valuable comments and opinions from an objective perspective, leveraging his abundant knowledge as an attorney who excels at corporate legal affairs and experience in corporate management as a Chairman of Irokawa Legal Professional Corporation and outside auditor of Toyo Aluminium K.K., Sekisui Plastics Co., Ltd., Techno Assoc Co., Ltd. and SEIREN CO., LTD. The Company requests his appointment based on its judgment that he would contribute to the improvement of the Company's corporate governance.	14 of 14 times	—
Kenji Murakami	Mr. Kenji Murakami provides valuable comments and opinions regarding general management matters, leveraging his substantial experience in corporate management as Representative Director, President and COO of Daiwa House Industry Co., Ltd. The Company requests his appointment based on its judgment that he would contribute to the improvement of the Company's corporate governance.	14 of 14 times	—
Nobuyuki Kobayashi	Mr. Nobuyuki Kobayashi has been engaged mainly in duties associated with accounting and finance at Sumitomo Electric Industries, Ltd. and gained extensive experience and broad insights as a manager through his experience as Managing Director of the said company. As he provides valuable comments and opinions regarding general management matters based on his experience described above, the Company requests his appointment based on its judgment that he would contribute to the improvement of the Company's corporate governance.	11 of 11 times	—
Mari Sonoda	Ms. Mari Sonoda has fulfilled a number of important positions in the Ministry of Finance and other government agencies and been involved in the development of systems for protecting information privacy, such as "My Number," thereby gaining specialist knowledge with regard to monetary and financial matters as well as abundant experience and extensive expertise in this field. Accordingly, the Company requests her appointment based on its judgment that she would contribute to the improvement of the Company's corporate governance.	Appointed in March 2021	

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

Name	Reason for selection	Fiscal 2020 Status of Attendance	
		Board of Directors meetings	Audit & Supervisory Board meetings
Morihiro Murata	Mr. Morihiro Murata expresses opinions on the execution of business by Directors from an objective viewpoint as an Outside Audit & Supervisory Board Member, based on his considerable knowledge in finance and accounting as a certified public accountant and tax accountant and corporate management experience while serving as outside director, Audit & Supervisory Committee member of Kagome Co., Ltd., as well as outside Audit & Supervisory Board member of Kokuyo Co., Ltd. The Company requests his appointment based on its judgment that he would contribute to the reinforcement of its audit system.	14 of 14 times	12 of 12 times
Asli M. Colpan	Ms. Asli M. Colpan has extensive knowledge in corporate management based on her advanced academic knowledge as a professor specializing in management strategy and corporate governance, as well as experience of involvement in corporate management as an Outside Director of Gourmet Kineya Co., Ltd. and NISSHA Co., Ltd. As she expresses her opinions as an Outside Audit & Supervisory Board Member on the execution of business by Directors from an objective viewpoint reflecting her experience as described above, the Company requests her appointment based on its judgment that she would contribute to the reinforcement of its audit system.	14 of 14 times	12 of 12 times
Hirofumi Yasuhara	Mr. Yasuhara has ample knowledge of corporate management, with experience in corporate management as Representative Director, President of PanaHome Corporation (currently Panasonic Homes Co., Ltd.), as well as Senior Audit & Supervisory Board Member of Panasonic Corporation and Outside Auditor of Santen Pharmaceutical Co., Ltd and Hitachi Zosen Corporation. As he expresses his opinions as an Outside Audit & Supervisory Board Member on the execution of business by Directors from an objective viewpoint reflecting his experience as described above, the Company requests his appointment based on its judgment that he would contribute to the reinforcement of its audit system.	11 of 11 times	10 of 10 times

Notes:

1. Mr. Nobuyuki Kobayashi was appointed as a Director at the 128th Ordinary General Meeting of Shareholders held on March 26, 2020. Following that date, the Board of Directors met 11 times in fiscal 2020.  
2. Mr. Hirofumi Yasuhara was appointed as a Director at the 128th Ordinary General Meeting of Shareholders held on March 26, 2020. Following that date, the Board of Directors and the Audit & Supervisory Board met 11 and 10 times, respectively, in fiscal 2020.

board met 12 times, and Outside Audit & Supervisory Board Members attended 100% of the Audit & Supervisory Board meetings.

### 5. Management Meeting 27 meetings in fiscal 2020

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, Standing Audit & Supervisory Board Members and Executive Officers appointed by the President, and the officer in charge of corporate planning serves as the chair of the meeting. The Management Meeting was convened 27 times in fiscal 2020.

### 6. Risk Management Committee 2 meetings in fiscal 2020

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.

The committee consists of the officers responsible for administration; research, design, and development; production; and sales and each business department, with the President serving as the committee chair. The two Standing Audit & Supervisory Board Members attend as observers. The Risk Management Committee was convened twice in fiscal 2020.

### 7. Sustainability Promotion Committee

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



## Initiatives to Enhance the Effectiveness of the Board of Directors' Operations

### 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 Midterm Plan for each business
- Response 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
- Disposal 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.

### Board of Directors' Measures to enhance effectiveness

Fiscal year of questionnaire survey	Issues	Measures taken (implemented in the fiscal year following that in which the questionnaire survey was conducted)
Before 2016	<ul style="list-style-type: none"> <li>● Extend time allotted for discussion addressing strategic issues</li> <li>● More complete information to be provided to officers in advance</li> </ul>	<p>Raising the monetary criteria for tabling an item at a Board of Directors meeting</p> <ul style="list-style-type: none"> <li>● Monetary limit for tabling an item at a Board of Directors meeting was raised in order to discontinue the tabling of insignificant items, thereby freeing that time to be used to discuss more strategic and important issues.</li> </ul> <p>Earlier provision of materials</p> <ul style="list-style-type: none"> <li>● Revised certain operating rules so as to enable materials provided in advance to be sent out earlier.</li> </ul>
2018		<p>More complete information to be provided to outside officers in advance</p> <ul style="list-style-type: none"> <li>● Hitherto, regular "Management Meeting Reports" and "Executive Officer Reports" had been presented to the Audit &amp; Supervisory Board Members, in a different setting to that of the Board of Directors, and Outside Directors were added to this arrangement.</li> <li>● Regular new reports to the Board of Directors also began in relation to the status of the Corporate Ethics Committee and the Risk Management Committee.</li> </ul>
2019	<ul style="list-style-type: none"> <li>● Revitalization of discussions</li> </ul>	<p>Further steps to provide more complete information to outside officers in advance</p> <ul style="list-style-type: none"> <li>● Hitherto, explanations of the content of discussions at the Management Meeting related to agenda items at the Board of Directors had been sent in advance to outside officers, but we worked further to ensure that sufficient time is allowed and that more specific details are shared.</li> </ul> <p>Improvements to the manner of reporting on business of which Executive Officers are in charge</p> <ul style="list-style-type: none"> <li>● Hitherto, Executive Officers had presented regular reports on the business that they are in charge of at Board of Directors meetings, but we have revised the way reporting takes place, basing it on specific reporting themes in order to provide solid opportunities to exchange opinions.</li> </ul>
2020		<p>Prior acceptance of questions with regard to agenda items and provision of answers</p> <ul style="list-style-type: none"> <li>● The secretariat reaches out to individuals intending to attend an upcoming Board of Directors meeting and asks them whether they have questions and/or issues that need to be confirmed beforehand, with Executive Officers in charge of relevant operations providing them with necessary explanations at such opportunities as the Board of Directors meeting or prior briefings on agenda items.</li> </ul>

## Remuneration of Directors and Audit & Supervisory Board Members

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

#### 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 of individual recipients is set at an appropriate level in light of their respective responsibilities.

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

- ① 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.
- ② 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, salary levels for employees and other factors.
- ③ 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.
- ④ 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 the majority of 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, Reasons for Adopting Such Indicators and Methods of Calculating Said 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 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 Committee.

When determining the allocation of remuneration to each individual, the individual's position, operational duties, level of responsibility, level of achievement of key targets within departments under his or her supervision, level of contribution to business performance and other factors are taken into account from a medium- to long-term perspective.

#### Proportional Composition of Remuneration for 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 proportional composition 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 8:2 for Executive Officers, provided that the level of achievement of performance indicators is 100%.

Position	Fixed remuneration (basic salary)	Performance-based remuneration (bonus)
Directors (excluding outside directors)	70%	30%
Executive Officers	80%	20%

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 discussion 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	Total amount of remuneration (millions of yen)	Number of recipients
Directors (excluding Outside Directors)	438	9
Audit & Supervisory Board Members (excluding Outside Members)	50	2
Outside Members	53	8

- ① The resolution passed at the General Meeting of Shareholders regarding remuneration

The limits on the total amount of remuneration for Directors and Audit & Supervisory Board Members have been set based on a resolution by the 123rd Ordinary General Meeting of Shareholders held on March 26, 2015, as detailed below: Directors: up to ¥800 million per year (of

this amount, remuneration for Outside Directors: up to ¥70 million per year; Audit & Supervisory Board Members: up to ¥100 million per year.

- ② Activities undertaken by the Nomination and Remuneration Committee and the Board of Directors in the process of determining remuneration to be paid for the most recent fiscal year

The Nomination and Remuneration Committee met on July 30, 2020, November 27, 2020 and January 29, 2021, to discuss the Company's remuneration system, the level of remuneration paid under said system, and the amount of basic salaries and bonuses, with the aim of assessing the appropriateness of these matters and policies for determining them. Based on recommendations formulated by the committee, the Board of Directors convened an extraordinary meeting on February 9, 2021 to discuss policies for determining remuneration. Furthermore, the Board of Directors met on March 1, 2021 to discuss the amounts to be awarded as bonuses, thereby determining the full details of remuneration.

## 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 stakeholders, including shareholders and institutional investors.

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.

- ③ In addition to maintaining sufficient information disclosure at the General Meeting of Shareholders and through the convocation 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.
- ④ 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.
- ⑤ When engaging in dialogue with shareholders and investors, the Company checks 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 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.

### 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 properly 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 is 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 Committee, 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, et al., 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 shall stipulate 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 prior to carrying out personnel changes and evaluating 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

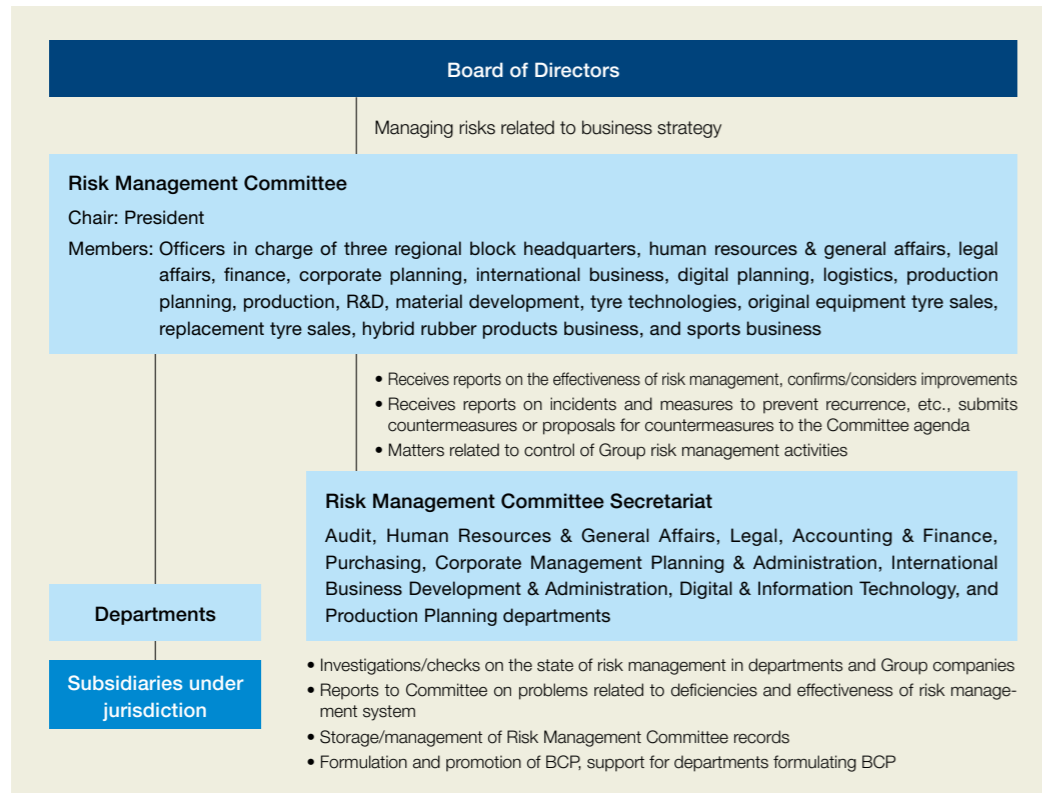
Management risks involving product quality, law, the environment, credit, accidents, disasters, etc., that may materially and adversely affect our business activities, shall be addressed by the relevant division and/or subsidiary in advance, via the analysis of those risks and the planning of countermeasures 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



#### 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 vis-à-vis 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.

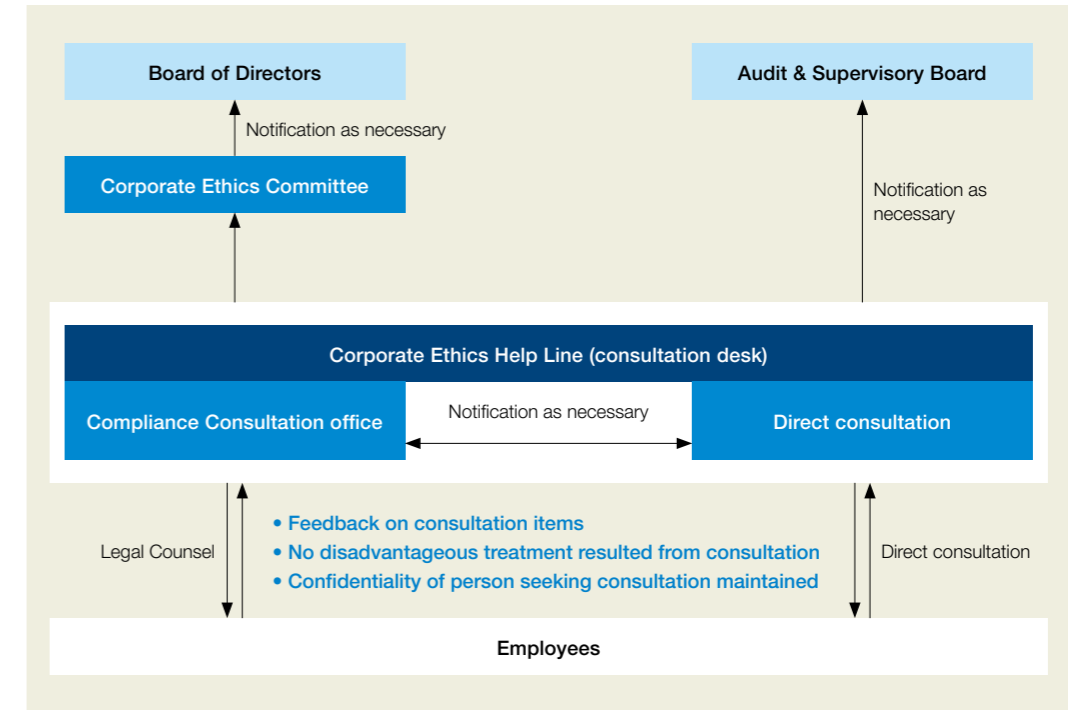
In response to the global COVID-19 pandemic, the Company established a risk control headquarters led by the President, thereby implementing measures to minimize the pandemic's overall impact on the Group's facility operations and its business results. Specifically, the Company placed the utmost priority 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.