Rubber and Beyond, Driving Our Future

With a unique belief in the material possibilities of rubber, we have built a multifaceted track record of multiple world firsts.

Our technology—which traces its origins back to the world’s first pneumatic tire commercialized by John Boyd Dunlop—currently supports not only the manufacture of tires but also the development of golf, tennis and other sports equipment as well as industrial products, including vibration control dampers and rubber parts for medical applications. Today, we continue to advance our efforts to realize innovation to blaze a new path in these fields.

We aspire to deliver innovative products and services that will, in turn, support every facet of society and bring joy to the hearts of people. To this end, we will ceaselessly take on new challenges.
“Our Philosophy” — a Corporate Philosophy Structure Guiding Sumitomo Rubber Group Operations

The business environment surrounding us has been radically evolving at an ever-faster pace. In December 2020, we established “Our Philosophy” to provide unwavering and universal guidelines for all Sumitomo Rubber Group members to ensure our ability to stay flexible and adapt amid times of uncertainty and volatility like the present moment and secure further growth. A revamp of our former, conventional corporate philosophy, “Our Philosophy” also draws on the “Sumitomo Business Philosophy,” which comprises the heritage of wisdom we have accumulated over the course of four centuries of operations and provides a basis on which the diverse capabilities of individual employees can be aligned and consolidated on the same vector.

Creating Value throughout the Sumitomo Rubber Group

Purpose

Sumitomo Rubber Industries’ reason for being, a cornerstone of our activities in society, providing a guide for all facets of our decisions and actions

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

Story

The beliefs behind our Purpose

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

Our future vision regarding what we should look like as an organization

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

The SRI Way

The values each member of Sumitomo Rubber Industries holds in order to realize our Vision and embody our Purpose

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.

Seeking out challenge

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

Valuing one another

Understanding and respecting each other’s individuality and perspectives.

Slogan

A simple expression of all the aspects of “Our Philosophy”

Rubber and Beyond, Driving Our Future

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Rubber and Beyond, Driving Our Future

The Sumitomo Business Philosophy

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

Integrity and sound management

To “value trust above all else” and to “always earn the trust of others”.

Enterprising spirit

Responding to the changing times and being proactive in staying one step ahead.

People are our most important asset

It is human resources that protect, promote and nurture a company. We must always strive maintain a sense of “gratitude to society” and conduct our affairs in harmony with the public interest.

Benefit for self and others, private and public interests are one and the same.

The Origins of the “Sumitomo Business Philosophy”

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 Philosophy,” whose essence was more recently condensed into the modern “Sumitomo Business Philosophy” 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 Philosophy” reflects Sumitomo’s strong sense of duty to society. To this day, the “Sumitomo Business Philosophy” still forms the basis for the Sumitomo Rubber Group’s “Our Philosophy.”
“Our Philosophy”—a Corporate Philosophy Structure Guiding Sumitomo Rubber Group Operations

Purpose

Sumitomo Rubber Industries’ reason for being, a cornerstone of our activities in society, providing a guide for all facets of our decisions and actions

Our Purpose reflects our strengths and passions while being strongly conscious of needs of our customers and society as a whole.

Here, we provide a detailed explanation of our Purpose.

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

The commercialization of the world’s first pneumatic tire resulted in the rapid and worldwide popularization of automobiles, bringing the era of motorization into reality. As shown in this instance, “world firsts” have the potential to completely alter the course of our daily lives. The above component of our Purpose represents our aspirations to remain an originator of “world firsts” and to blaze a new era.

We intend to contribute to well-being for people via the provision of safety and security, two qualities making our products stand out.

Safety is supported by our assiduous efforts to meet stringent standards for product safety. Security, on the other hand, includes a sense of security felt by customers. We strive to ensure that our customers can rest assured about the reliability and quality of Sumitomo Rubber products and services. To this end, we aim for even higher technological capabilities while endeavoring to create greater value that goes beyond customer expectations. The above component of our Purpose expresses our determination to earn and maintain customer trust in this way.

We aspire to deliver joy to our customers through a broad range of operations and in the diverse ways each of our businesses is capable of.

For example, our Tire Business strives to enable customers to experience the joy of driving—in which they may be accompanied by their loved ones—with a sense of security. In the provision of tennis, golf and other sports goods, we aim to help athletes feel a sense of fulfillment and excitement arising from success in achieving their best performance and winning the game. In the industrial product field, we endeavor to help people feel a sense of satisfaction about a comfortable lifestyle supported by a variety of products in areas related to medical care, infrastructure and other applications.

Joy, a component of our Purpose, thus represents the breadth of fields in which we aspire to bring to bear our capabilities and demonstrate our commitment to contributing to the creation of a joyful, sound, and affluent society by rallying the strength of all of our businesses.
A Roadmap for Sustainability Management

With “Our Philosophy” as the basis for all of our decisions, we pursue our Purpose—“Through innovation we will create a future of joy and well-being for all”—which provides the impetus for all of our actions in the course of corporate activities. Focused on fulfilling our Purpose, we will strive to practice our “GENKI” Sustainability Activity Guidelines, which together constitute our framework for addressing priority issues, in line with the Sustainability Activity Fundamental Philosophy. In these ways, we will contribute to the continuing prosperity of a sustainable society as envisioned by the international community.

Sustainability Activity Fundamental Philosophy

The Sumitomo Rubber Group will strive to help realize a sustainable society by contributing to the preservation of the global environment and the vitalization of communities so that we remain a corporate group deserving of society’s trust.

“GENKI” Sustainability Activity Guidelines


Note: To upgrade our group’s approach to ESG management, in 2022, “G” as a component of “GENKI” was redefined from “Green (Green initiatives)” to “Governance (Corporate Governance).” In step with this redefinition, we also modified other items, reorganizing the content of the themes and priority issues.

The Sumitomo Rubber Group will strive to help realize a sustainable society by contributing to the preservation of the global environment and the vitalization of communities so that we remain a corporate group deserving of society’s trust.

Sustainable Social Development

The Sumitomo Rubber Group will strive to help realize a sustainable society by contributing to the preservation of the global environment and the vitalization of communities so that we remain a corporate group deserving of society’s trust.

“Driving Our Future Challenge 2050”

Environment
Protecting the Global Environment & Safety

Social
Harmonious Coexistence with Society

Governance
Reinforcing the Foundations of Our Business

Target Indices
Target Vision for 2025

Growth Potential
Sales Revenue
At Least ¥1 Trillion

Profitability
Business Profit
At Least ¥100 Billion

Profitability of Invested Capital
ROE
At Least 10%

Fiscal Health
D/E Ratio
Within 0.5 x

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

Value Drivers

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

“Be the Change”—A Groupwide Project to Reinforce the Foundations of Our Business

Taking Full Advantage of Our Global Business Framework

SMART TYRE CONCEPT

Tire Business
We produce tires for diverse applications, including for passenger cars, industrial vehicles, trucks, buses and motorcycles. With Dunlop and Falken as mainstay brands, we take advantage of industry-leading technologies in tire production while engaging in domestic and overseas marketing.

Sports Business
We deliver golf clubs, tennis rackets and other sports equipment that are user-friendly and boast superior functions and also operate golf schools, tennis schools and fitness clubs. Through these operations, we support our customers’ daily pursuit of mental and physical health.

Industrial Products Business
We manufacture a variety of products ranging from daily life supplies, such as rubber gloves and products used in care-giving, to industrial materials, including artificial turf for sporting facilities, rubber parts for medical applications and vibration control dampers.
A Purpose Made All the More Important by the Prevalence of Unforeseen Changes

With so many unforeseen changes occurring without warning and impacting our business in unexpected ways, we now find ourselves in the midst of a business environment full of diverse risks that can materialize at any moment and on a global scale. If we are to keep pace with this rapidly shifting business environment, it is essential that our employees be able to make decisions on their own while responding to these changes and risks with greater speed and flexibility than ever before. The Sumitomo Rubber Group now has some 40,000 employees working all over the world. So that all of our diverse employees can move forward as a united team, we believe that our Purpose (the statement that defines our group’s very reason for existence) will become ever more important as a unifying force that brings us all together.

“Our Philosophy,” the corporate philosophy framework that the Sumitomo Rubber Group unveiled to the world in December 2020, was the culmination of nearly two years of working to devise an unshakeable foundation for our group, one that expands on the “Sumitomo Business Philosophy” in a way that resonates with our stakeholders around the world. It is quite fortunate that we were able to introduce “Our Philosophy” just as the world was undergoing a series of bewildering changes brought on by the COVID-19 pandemic.

When we first launched “Our Philosophy” throughout the Sumitomo Rubber Group, I was particularly pleased to receive messages of support from local members of staff at our overseas subsidiaries. One email that I received on the day of the launch read, “I fully agree with this new philosophy. I will be working to spread it throughout my company as well.” Although we are still in the process of disseminating “Our Philosophy,” I am nevertheless already getting a strong sense that it is beginning to sink in.

Accelerating Our Sales Comeback against a Backdrop of Economic Recovery Following the Worst of the Pandemic

For the Sumitomo Rubber Group, 2021 was a year marked by enormous changes in the business environment. As the economy began to recover from the darkest days of the pandemic, we succeeded in increasing sales of Advanced Products in particular. At the same time, however, skyrocketing prices for raw materials and container shipping placed a significant strain on our profits. Thanks to the sure and steady preparations that we had made during the early stages of the pandemic to ready ourselves for the eventual recovery, we were able to ride the wave of rising demand to accelerate a strong comeback in sales performance.

Drawing on the strengths of our “Global Manufacturing, Sales & Service Network,” our “Global Supply Network” and our “Triateral R&D Network (Japan/USA/Europe),” our Tire Business was able to get the most out of our global business framework by rapidly deploying a robust lineup of Advanced Products tailored to the needs of each market just as the recovery was picking up speed. For example, in the United States, we have built up trusting relationships with local tire dealers over the years thanks to the efforts of a specialized team whose purpose is to provide direct sales support to retailers. These efforts have paid off with the breakthrough success of our FALKEN WILDPEAK Series of 4x4/SUV tires, which have garnered widespread popularity by consistently aligning with the needs of users. FALKEN’s brand value is also on the rise in Europe, where our high-performance tires were ranked No. 1 overall in performance testing carried out in 2021 by one of the most influential automobile federations on the continent: ADAC (Allgemeiner Deutscher Automobil-Club), Europe’s largest motoring association. FALKEN tires also ranked first and third in terms of wear resistance in ADAC tire testing carried out in 2022, just as the onset of the EV Era brought renewed attention to tire performance. Speaking of EVs (electric vehicles), we launched our first-ever replacement tires for EVs, featuring the highest level of energy efficiency in our group’s history, on the Chinese market in 2022 and are planning to follow this up with the launch of new replacement tires for EVs on the European market in 2023.

Although it took us many years to build up a network capable of delivering such Advanced Products to our customers throughout...
the world, this network is now finally beginning to bear fruit. During my many years with the Sumitomo Rubber Group, I have spent quite a bit of time directly involved in replacement tire product development, marketing and sales. Based on my experience to date, I can say with confidence that our sales network and service network are now steadily equipping themselves with remarkable strength.

At the same time, however, the pace of long-needed improvements in terms of productivity and profitability at our factories in the United States and South Africa has been slower than we had expected, as the pandemic put the brakes on production activities while also making it difficult to send support teams from Japan. Nevertheless, these improvements have been moving forward surely and steadily. Indeed, we made the decision to invest in increasing production capacity at our U.S. factory after verifying the progress that they have made so far on their improvement plans. We also decided to invest in increasing production capacity at our factory in Brazil, which is already developing into a facility that can contribute to the overall profits and productivity of the Sumitomo Rubber Group as a whole.

Moreover, as social distancing brought renewed interest in golf as a leisure activity that can be enjoyed safely, our Sports Business rode a wave of surging demand to achieve remarkable sales growth across all of our major golf brands, further bolstered by Hideki Matsuyama’s historic win at The Masters Tournament using our golf clubs.

In tandem with the above activities, we have also spent the last two years working tirelessly to “Reinforce Our Foundation for Generating Profits” as part of our BTC Project.

Our next major step in these efforts will be business selection and concentration, which means analyzing our business portfolio based on the concept of ROIC management in order to clearly identify the lines of business to focus on for expansion, lines of business to focus on to improve profitability and so forth so that we can more flexibly adjust the allocation of our business resources while adding, restructuring and eliminating lines of business as needed.

So that we may further accelerate these efforts moving forward, we are now hard at work on a comprehensive revision of our Midterm Plan. In light of the positive results that we have seen thus far from the BTC Project when it comes to generating cash, we are also planning to launch a new Groupwide project to generate the additional cash that we will need to achieve further growth down the line, with the launch of this project set to coincide with the revision of our Midterm Plan.

TOP COMMITMENT

Correcting the Inefficiencies Holding Back the Buildup of Our Global Framework

Given our recent sales performance, we now anticipate achieving one of the key targets set forth in our 2020 Midterm Plan as early as 2022, namely, sales revenue of at least ¥1 trillion by 2025. This achievement is the result of our tireless efforts to respond to the needs of customers in each market when it comes to product quality, price, delivery and aftermarket service. At the same time, these sales revenue also represent the sum total of all the trust that customers place in the Sumitomo Rubber Group.

Moving forward, we will continue working to increase sales by striving to earn an even higher level of trust from our customers.

One of the major challenges that our group now faces is the fact that we have multiple product categories, many of our general-purpose products are in smaller sizes, which tend to have lower profit margins. These unprofitable tire sizes reduce our overall efficiency when it comes to production, the procurement of raw materials and research and development. As such, there is now a pressing need to raise the bar for profits by paring down and optimizing our lineup of tire sizes.

Next, fixed costs are increasing at a higher rate than sales, and our administrative expenses are also starting to rise over the long term. While many of these size reductions are resulting in a commensurate increase in profits. From the beginning, our Midterm Plan business profit target of at least ¥100 billion represented a much higher hurdle than our sales revenue target of at least ¥1 trillion. And so, in order to raise the bar for profits and offset the impact of the economic downturn brought about by the pandemic, we have been working tirelessly to “Reinforce Our Foundation for Profitability” and “Improve Our Organizational Framework” as part of our “Be the Change” (BTC) Project to reinforce the foundations of our business. As a result of these activities, we have now brought to light several lingering inefficiencies that have hindered our efforts to establish and build up our global business framework.

First of all, while we enjoy strong sales of Advanced Products, many of our general-purpose products are in smaller sizes, which tend to have lower profit margins. These unprofitable tire sizes reduce our overall efficiency when it comes to production, the procurement of raw materials and research and development. As such, there is now a pressing need to raise the bar for profits by paring down and optimizing our lineup of tire sizes.

Next, fixed costs are increasing at a higher rate than sales, while per-employee sales and profits are also falling short of targets. So that we may bring to light various underlying inefficiencies, we are pushing ahead with DX (Digital Transformation) at full speed with the goal of completing this transformation in 2025. The resulting “visualization of management” will enable us to focus our human resources on key areas of business and optimize overall personnel placement so that we can increase output from these key areas while reducing overall fixed costs.

In tandem with the above activities, we have also spent the last two years working tirelessly to “Reinforce Our Foundation for Generating Profits” as part of our BTC Project.

Our next major step in these efforts will be business selection and concentration, which means analyzing our business portfolio based on the concept of ROIC management in order to clearly identify the lines of business to focus on for expansion, lines of business to focus on to improve profitability and so forth so that we can more flexibly adjust the allocation of our business resources while adding, restructuring and eliminating lines of business as needed.

Changing Employee Behavior to Strengthen Our Organizational Framework

Our BTC Project takes its name from a quote by none other than India’s “Father of the Nation,” Mahatma Gandhi, who famously said, “You must be the change you want to see in the world.” We chose this quote because it reflects our hope that each and every employee will play a leading role in bringing about change, exercising their personal initiative to change our group for the better rather than simply waiting for somebody else to make change happen.

Since kicking off in 2020, the BTC Project has launched multiple task forces that are now actively engaged in various activities to tackle specific challenges in a wide range of fields. For example, the task forces tasked with creating new value and generating cash and profits have so far come up with over 6,000 ideas for measures to achieve these aims. In the coming years, we will be working to put each of these ideas into action surely and steadily.

These activities are already producing positive effects, including employees undertaking all sorts of new challenges throughout our group and dynamic cooperation across organizations that are producing solid results. At the same time, these activities are equipping our organization with the skills and know-how that we will need to tackle Groupwide challenges through cooperation between organizations, in turn adding to our store of strength to keep moving forward no matter what challenges we may face in the future. The Sumitomo Rubber Group will continue to make the most of the positive effects of the BTC Project in terms of closer cooperation between organizations as well as a stronger overall organizational framework. The BTC Project is currently in the process of expanding these activities to our overseas bases of operation, where they are already producing success stories. Thanks to these activities, communication between our Head Office in Japan and our global group companies is more active than ever before, with employees all over the world sharing results and know-how while pushing each other to raise the bar all around.

Promoting D&I to Realize Workplaces Where Everyone Can Truly Shine

Launched in February 2019, our “Diversity & Inclusion Project” (D&I Project) aims to create a corporate culture that enables each of our diverse employees to truly shine. Since its inception, this project has gradually expanded its activities while actively seeking out and incorporating the opinions of employees and managers in the interests of crafting better workplaces that are more inclusive across policy measures. In particular, our D&I Project aims to transition away from the outmoded organizational management styles of the past and move toward building organizations that generate innovation through teamwork that is based on mutual respect among diverse teammates, as well as workplaces that produce new ideas through active discussion in a safe and open environment.

In the interests of furthering these D&I activities, we recently provided training on unconscious bias to all of our executives and managers. I myself became aware of many new things during my conversations with the instructor, the main points of which I have shared with employees throughout our group in the form of a special message from the president. In fact, through our group, it is now becoming more and more common to stop for a moment and ask ourselves, “Am I making this decision based on some unconscious bias?”

Measures to empower women in the workplace are a key area of focus for our D&I Activities. Accordingly, as part of these activities, a team led by women has been working to come up with various policy measures to bridge the gender gap, such as preparing a manual for supporting employees who are balancing the demands of work and childcare, establishing a system for following up on employees who have had to put their careers on hold due to childbirth and childcare and implementing a mentor system. In 2021, while gradually expanding these activities, we also began conducting questionnaire surveys of all female employees in 2021 in order to gain a better understanding of and monitor the status of women in our group.

In 2021, we also provided training on LGBT issues to all of our executives and managers and established an external liaison office that LGBT employees can contact for consultations. These activities and other activities earned us a Silver Certificate from the civil rights organization “Work with Pride” in their “PRIDE Index 2021,” which rates companies on the basis of corporate efforts to support the LGBT community. In 2022, we also established a rule to recognize same-sex partnerships, enabling LGBT employees and their partners to take advantage of many of the same benefits as spouses for the first time.

In 2022, we established a new D&I Group within our Human Resources Department with the aim of further accelerating these efforts. Our D&I Group is already working to expand these activities around such keywords as “men’s participation in childcare” while ensuring that our group remains up to date with the latest revisions to the Child Care and Family Care Leave Act.
In order to ensure that the Sumitomo Rubber Group would be able to live up to the ideals of “Our Philosophy” while ensuring the sustainable growth and development of both our group and society as a whole, we saw a clear need for an ambitious new policy, one based on long-term perspectives that look to the world of 2050 and beyond. Thus, in August 2021, we set forth a new Long-Term Sustainability Policy: “Driving Our Future Challenge 2050.”

Since its founding, the Sumitomo Rubber Group has produced numerous, first-in-the-world products, including Japan’s first domestic automobile tire, Japan’s first radial tire and even the world’s first 100% fossil resource-free tire made from all-natural materials. In the process, we developed new technologies that enabled us to manufacture tires without relying on petroleum, with a particular focus on biomass materials as the key to making 100% fossil resource-free tires a reality. Since then, we have continued to advance biomass technology as well as technologies to increase the amount of recycled raw materials in our tires. With the ultimate aim of contributing to the realization of carbon neutrality, we have set targets to increase the sustainable raw material content of our tires to 40% by the year 2030 and to 100% by the year 2050. Our Sports Business and Industrial and Other Products Business are also working to raise the sustainable raw material content of their products to 100% by the year 2050.

When it comes to creating sustainable tires that are safe for both people and the environment, the Sumitomo Rubber Group is currently working to complete the development of SMART TYRE CONCEPT by the year 2029, when we plan to have all of our innovative Safety Technologies (for greater peace of mind) and ENASAVE Technologies (for a healthier environment) fully ready. Then, we plan to incorporate at least one SMART TYRE CONCEPT technology in every new tire that we bring to market from 2030 onward.

“Driving Our Future Challenge 2050” encompasses a range of efforts to achieve carbon neutrality (with a focus on Scopes 1 and 2). For example, in August 2021, we initiated a proof of concept involving the use of hydrogen to power certain manufacturing processes at our Shinkawa Factory in Japan. Utilizing both solar power and hydrogen energy, the Shinkawa Factory plans to complete the transition to clean energy for all processes on the NEO-T01 production line (which produces high-performance tires) in 2023, thus making CO2 emission-free tire manufacturing a reality. Moving forward, Shinkawa Factory will gradually transition all of its manufacturing processes to hydrogen energy, and we are looking to expand the use of hydrogen energy to our other factories in Japan and around the world in the near future. Meanwhile, when it comes to the Social and Governance aspects of ESG, we are working to reinforce our foundations to support ambitious new Groupwide challenges, with efforts focusing on health and safety, improving our organizational culture and climate, promoting harmony and respect for diversity, upholding human rights, supply chain management, augmenting corporate governance and ensuring full compliance.

Creating Greater Joy and Well-Being for All Stakeholders

I believe that what is now required of us is that each and every employee of the Sumitomo Rubber Group works to create and provide the world with greater joy and well-being for the environment, for people, for society and for the future. Enhancing both our economic value and our value to society in keeping with our Midterm Plan will require taking on new challenges to create new innovation with each passing day as well as living up to the trust that is placed in us by our customers and society while continuously creating value that exceeds all expectations. Living up to our Purpose means revamping our business to bring about greater satisfaction for our customers and our employees alike. What matters most in this process is that our Purpose resonates with all of our stakeholders, and so
Long-Term Sustainability Policy: “Driving Our Future Challenge 2050”

When we announced the Sumitomo Rubber Group’s Midterm Plan in February 2020, we identified “Promoting ESG Management” as one of the key Value Drivers for achieving our goals. Accordingly, we have pledged to redouble our efforts to work toward the solution of various environmental and social issues throughout our business activities so that we may contribute to the realization of a sustainable society. At the same time, in light of the rapid push to achieve carbon neutrality in response to the accelerating impacts of climate change and other recent environmental changes, we came to the conclusion that a new policy, one based on long-term perspectives that look to the world of 2050 and beyond, would be essential to our efforts live up to the ideals of “Our Philosophy” while ensuring the sustained growth and development of both our group and society as a whole. We thus set about formulating the new Long-Term Sustainability Policy: “Driving Our Future Challenge 2050,” which we announced to the public in August 2021. “Driving Our Future Challenge” is not only a policy for fulfilling our purpose as set forth in “Our Philosophy,” it also serves as a set of policies for “Promoting ESG Management” in accordance with our Midterm Plan.

Challenge Targets Set Forth under “Driving Our Future Challenge 2050”

Environment: Protecting the Global Environment & Safety

As part of our environmental efforts, the Sumitomo Rubber Group is working to “Reduce CO₂ Emissions,” “Increase the Use of Biomass & Recycled Raw Materials,” and “Develop Sustainable Products” throughout our Tire Business, our Sports Business and our Industrial Products Business as well as throughout our supply chains from procurement to transport, development to manufacturing and sales to usage. At the same time, we are in the process of establishing our own unique environmentally conscious business model with an eye toward the world of 2030 and the future of 2050. With our proprietary SENSING CORE Tire Sensing Technology at the forefront of these efforts, we are working to create new solutions services that will reduce the environmental impact of mobility while providing greater safety and peace of mind that we may make positive contributions to the advancement of CASE, MaaS and other innovations that will bring forth the Mobility Society of the Future.

Toward Establishing a Circular Business Model

Harnessing Hydrogen Energy to Power Manufacturing Processes

In August 2021, our Shinkawa Factory (Fukushima Prefecture) initiated a proof of concept to harness hydrogen energy for our NEO-T01 Manufacturing System, which produces high-performance tires. By using a combination of hydrogen and solar power generation for electricity to power steam production, Shinkawa Factory aims to complete the transition to clean energy for all processes on the NEO-T01 production line in 2023, thus making CO₂-emission-free tire manufacturing a reality.

Moving forward, Shinkawa Factory will gradually transition all of its manufacturing processes to clean energy, and we are looking to expand the use of hydrogen energy to our other factories in Japan and around the world in the near future.
Creating Internal Standards for Sustainable Products

The Sumitomo Rubber Group has established our own Internal Standards for Sustainable Products, accounting for CO₂ emissions as well as the biomass content and recycled content of product raw materials and so forth. We are currently in the process of rolling out these standards throughout our Tire Business, Sports Business and Industrial Products Business. By increasing sales of products that fulfill these internal standards, we hope to contribute to the realization of a circular economy.

Promoting Sustainable Raw Materials

In 2013, the Sumitomo Rubber Group released ENASAVE 100, the world’s first 100% fossil resource-free tire made from all-natural materials. Since then, we have continued to advance and expand the technologies that we created for the development of ENASAVE 100 with the aim of increasing the sustainable content (Biomass + Recycled Raw Materials) of our products toward ultimately achieving carbon neutrality. Toward this end, we have set targets to increase the sustainable raw material content of our tires to 40% by the year 2030 and to 100% by the year 2050. By increasing the amount of biomass and recycled raw materials in our tires, we hope to make 100% sustainable tires a reality in the near future.

Our Sports Business is also actively engaged in efforts to make carbon neutral golf balls and tennis balls a reality. Our Golf Business has set targets to raise the sustainable raw material content of all practice golf balls sold to 30% by 2030 and to complete the transition to 100% sustainable raw materials in all golf balls sold by 2030. Our Tennis Business has also set targets to release its first tennis balls made from 100% sustainable raw materials by 2030 and to complete the transition to 100% sustainable raw materials in all tennis balls sold by 2050.

Our Industrial and Other Products Business is also working to achieve carbon neutrality through efforts to increase sustainable raw material content across all of its diverse products, with the specific targets of achieving 40% sustainable raw material content by 2030 and 100% sustainable raw material content by 2050.

SMART TYRE CONCEPT Development Plan

The Sumitomo Rubber Group aims to complete the development of all SMART TYRE CONCEPT technologies by 2029, at which point we will put forth concept tires featuring all of our ENASAVE Standards for Sustainable Products, Safety Technologies and CORE Technologies in various configurations, each optimized to the specific performance requirements of the tire’s intended use. From 2030 onward, we plan to incorporate at least one SMART TYRE CONCEPT technology in every new tire that we bring to market.

Efforts to Reduce Plastic Usage

As plastic waste has become an increasingly serious social issue in recent years, the Sumitomo Rubber Group is now working to reduce our usage of plastic.

Today, many of our products use plastic. However, as part of our overall efforts to reduce CO₂ emissions, we are currently in the process of gradually reducing the amount of petroleum-based plastic that we use for tire labels, packaging and so forth with a target of reducing our total global plastic usage by 40% compared with 2019 levels by the year 2030.

Social: Harmonious Coexistence with Society

We have set several Challenge Target Themes for efforts to make positive contributions to society, covering “Safety & Health,” “Organizational Culture,” “Respect & Harmony in Diversity,” “Human Rights” and “Supply Chain Management.” Among these activities, one area of particular focus for our efforts is “Promoting the Empowerment of Women.” Thanks to our continued industry-leading efforts to recruit and retain women as full-time staff, the percentage of management positions held by women rose from 1.3% in 2010 to 3.5% in 2020. In 2009, we became the first rubber manufacturer to receive a “Kurumin” Certificate for supporting employees with childcare needs. We also received a 3-Star “Eruboshi” Certificate for promoting the advancement of women in the workplace in 2019. In November 2020, this was upgraded to a 3-Star “Eruboshi” Certificate after the percentage of management positions held by women rose above the industry average of 2.7%, which brought our score up to the next level across all five evaluation criteria. Further, our group has now set a target to raise the percentage of management positions held by women to 12% by 2030.

Goverance: Reinforcing the Foundations of Our Business

With “Our Philosophy” serving as the basis for our every decision and as the impetus behind our every action, the Sumitomo Rubber Group is now committed to working to enhance our value to society in addition to our economic value while actively contributing to the realization of a sustainable society as a matter of basic management policy. Under this policy, we consider efforts to enhance our corporate governance framework to be a key management priority.

The Sumitomo Rubber Group has installed an Audit & Supervisory Board to build a more robust infrastructure for ensuring thoroughgoing compliance. We have set several Challenge Target Themes for efforts to make positive contributions to society, covering “Safety & Health,” “Organizational Culture,” “Respect & Harmony in Diversity,” “Human Rights” and “Supply Chain Management.” Among these activities, one area of particular focus for our efforts is “Promoting the Empowerment of Women.” Thanks to our continued industry-leading efforts to recruit and retain women as full-time staff, the percentage of management positions held by women rose from 1.3% in 2010 to 3.5% in 2020. In 2009, we became the first rubber manufacturer to receive a “Kurumin” Certificate for supporting employees with childcare needs. We also received a 3-Star “Eruboshi” Certificate for promoting the advancement of women in the workplace in 2019. In November 2020, this was upgraded to a 3-Star “Eruboshi” Certificate after the percentage of management positions held by women rose above the industry average of 2.7%, which brought our score up to the next level across all five evaluation criteria. Further, our group has now set a target to raise the percentage of management positions held by women to 12% by 2030.

Meanwhile, only 3% of the technicians working on our production lines are women, and so we recognize that we still have many challenges to overcome when it comes to providing environments that make it easier for women to work and more.

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Midterm Plan Overview & Progress Report

The Sumitomo Rubber Group has been pursuing business according to the roadmap set forth in the 2020 Midterm Plan. Our current Midterm Plan aims to expand on the Growth Engines of our previous Midterm Plan, drawing on our “Innspirable Drive for Innovation” to advance our SMART TYRE CONCEPT to the next level while taking full advantage of the global business framework that we have built through years of taking on the “Challenges of New Markets” and “Entering New Business Fields.” At the same time, we have also been working since 2020 to “Reinforce Our Foundation for Profitability” and “Improve Our Organizational Framework” as part of an ongoing Groupwide project to “Reinforce the Foundations of Our Business.”

These efforts have set the groundwork for our current efforts to pursue greater all-around value, which are now being driven by three Key Value Drivers: “Developing & Promoting Sales of Advanced Products,” “Creating New Value” and “Promoting ESG Management.”

While the COVID-19 pandemic and other recent events have brought enormous changes to the business environment, we nevertheless continue striving to further enhance our group’s economic and social value while responding to these changes and strengthening the foundations of our business in the process, all backed by these Key Value Drivers.

Midterm Plan Overview: Target Vision for 2025 Performance

Our current Midterm Plan aims to expand on the Growth Engines of our previous Midterm Plan, drawing on our “Innspirable Drive for Innovation” to advance our SMART TYRE CONCEPT to the next level while taking full advantage of the global business framework that we have built through years of taking on the “Challenges of New Markets” and “Entering New Business Fields.”

Midterm Plan Overview: Target Vision for 2025 Performance

Progress Report on Our Midterm Plan: 2021 Consolidated Performance Overview

<table>
<thead>
<tr>
<th>Sales Revenue (Billions of yen)</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022 Forecast</th>
<th>2023 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥894.2 Billion</td>
<td></td>
<td></td>
<td>936.0 Billion</td>
<td>1,140.0 Billion</td>
<td>(Fy)</td>
<td>(Fy)</td>
</tr>
</tbody>
</table>

Sales Revenue Breakdown by Business Segment

- Sports Business: 31.5%
- Industrial and Other Products Business: 4.5%
- Japan: 37.0%
- North America: 21.3%
- Asia: 16.4%
- Europe: 12.5%
- Others: 10.6%

Sales Revenue Breakdown by Region

- Japan: ¥329.5 Billion (32.6%)
- North America: ¥239.0 Billion (23.8%)
- Asia: ¥213.5 Billion (21.4%)
- Europe: ¥160.0 Billion (16.0%)
- Others: ¥70.0 Billion (7.0%)

Midterm Plan Overview & Progress Report

Image of Sustainable Growth through 2025

Three Pillars of Our Global Business Framework

- Global Manufacturing, Sales & Service Network
- R&D Network (Japan/USA/Europe)
- Trilateral R&D Network (Japan/USA/Europe)

Enhancing Our Competitiveness Backed by a Global Business Framework

Fiscal Health

- Within 0.5x

Target Vision for 2025 Performance

- Growth Potential: At Least ¥1 Trillion
- Profitability: At Least ¥100 Billion
- Profitability of Invested Capital: At Least 10%

Fiscal Health

- Ratio of Equity: 30.4%
- ROA: 5.0%
- ROE: 6.2%
- D/E Ratio: 0.6x

Total Assets

- ¥1,086.2 Billion (46.2%)

Thanks to steady growth in sales volume and increased sales prices as well as positive FOREX trends, we now anticipate that we will achieve our Midterm Plan sales revenue target of ¥1 trillion in 2022. At the same time, however, various external factors have led to the formation of a gap between our business profit target and our current profit levels. In order to correct course, we are currently in the process of revising our Midterm Plan and will unveil our new plan as soon as it is complete.

Sales Revenue

- Sports Business: ¥101.4 Billion (Up 44.4% YoY)
- Industrial and Other Products Business: ¥39.6 Billion (Down 2.6% YoY)

Sales Revenue Breakdown by Business Segment

- Sports Business: 29.5%
- Industrial and Other Products Business: 17.6%
- Others: 21.3%

Sales Revenue Breakdown by Region

- Japan: ¥33.6 Billion (33.0%)
- North America: ¥23.9 Billion (23.9%)
- Asia: ¥19.8 Billion (19.8%)
- Europe: ¥16.4 Billion (16.4%)
- Others: ¥7.1 Billion (7.1%)

Efforts to “Taking Full Advantage of Our Global Framework” serve as a sound basis for reinforcing the foundations of our business.
Taking Full Advantage of Our Global Business Framework

Global Demand for Tires is Expected to Approach Two-Billion Units in 2022. While the markets of Europe, North America, China and Japan are already quite large, current growth trends suggest that the major markets of the future will include ASEAN, Latin America and other regions as well. Accordingly, while continuing to further strengthen our foothold in markets where we already possess solid business foundations (Japan, China, ASEAN), we are now working to expand our presence in the rapidly growing markets of Latin America. At the same time, we are working to strengthen our global supply network that allows us to supply tires from our factories in Asia to wherever they are needed. The Sumitomo Rubber Group is now in the process of reinforcing the foundations of our business in each market, supported by these three key pillars of our Global Business Framework.

Building a Strong Manufacturing & Sales Framework through Local Production for Local Consumption

We have already built a strong framework for manufacturing and sales by promoting local production for local consumption in China, where demand for tires continues to grow. Our plans for the Chinese OE tire market involve expanding beyond our current customer base of Japanese and German automobile manufacturers with operations in China. In particular, we aim to establish a firm foothold to supply rapidly growing Chinese electric vehicle (EV) manufacturers, with plans to expand our overall OE supply business from tires for four EV models in 2022 to at least 15 EV models in 2025. Meanwhile, we have been steadily raising the bar for replacement tire sales through various sales promotion activities that take full advantage of the stable sales base provided by our regional distributor system as well as the in-house ecommerce site that we developed to complement this system. In 2021, sales through our ecommerce site represented nearly 40% of our sales through dealer channels.

When it comes to products, we released our GRANDTREK PTS tires for SUVs in 2021. These tires have been well-received on the Chinese market thanks to the inclusion of an innovative technology that our group pioneered: SILENT CORE. Installed in some 14 million tires sold to date, SILENT CORE equips tires with specialized noise-absorbing sponges to provide a quieter drive. In 2022, we followed this up with the launch of our group’s first replacement tires designed specifically for EVs, e.SPORT MAXX. With this new product for EC, we will try to enhance the brand presence of Durapro Tires throughout the China Market.

Global Tire Demand & Our Focal Markets

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Reinforcing Our Global Business Framework

One of the main strengths of our Tire Business is the solid foundations that we have built for our business in Japan, China and the rest of Asia, where we have developed close relationships of trust with automobile manufacturers to expand sales of OE tires, which, in turn, produces a strong pull effect to ensure steady sales of replacement tires as well. The Sumitomo Rubber Group is now in the process of taking this model for success and expanding it on a global scale.

Our group already possesses manufacturing, sales and service bases that are positioned to serve major markets worldwide, while our “Bilateral R&D Network” (with bases in Japan, North America and Europe) enables us to develop products that are tailored to the characteristics of each market. At the same time, while pushing ahead with the transition to local production for local consumption, we have established a flexible global supply network that allows us to supply tires from our factories in Asia to wherever they are needed. The Sumitomo Rubber Group is now in the process of reinforcing the foundations of our business in each market, supported by these three key pillars of our Global Business Framework.

Meanwhile, with an eye toward future sales, we are now in the process of increasing production capacity and updating equipment at our factories in the United States, Brazil, Thailand, Japan and Turkey with a particular focus on larger tire sizes and other Advanced Tires.

Creating Demand for All-Season Tires: Tenfold Increase in Sales Volume in First 4 Years on Market

Within the Japanese market for replacement tires, we have been working to create new demand for all-season tires, which can handle snowy roads in addition to wet and dry roads. After launching ALL SEASON MAXX AS1, all-season tire for passenger cars in October 2019, we next released ALL SEASON MAXX VA1 for commercial vehicles in March 2021 and then ALL SEASON MAXX AS1 for TAXI in September 2021. In this way, we have boosted our competitors to the punch when it comes to rolling out a robust lineup of all-season tires.

Customers who live in cities and other areas with only occasional snowfall are taking note of the many benefits of all-season tires, which include eliminating the need for seasonal tire replacement and storage as well as having the flexibility to cope with sudden snowfalls. We will continue to promote all-season tires as “a safe and convenient choice for handling all types of weather range and coping with sudden weather changes” over a wide demographic range as part of our plan to increase the overall all-season tire sales volume by a factor of ten (approximately) in their first four years on the market.

Asian Market: Maintaining Steady Sales to Drive Solid Profits

Japan

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China

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Preparing Sales Structures/Channels to Increase Sales of FALKEN Tires Backed by Product Appeal & Specialized Retailer Support Teams

Our FALKEN Brand is doing quite well in North America, the world’s largest tire market. Our WILDPEAK Series has been a huge hit, driving our annual replacement tire sales in the region above ten million units in 2021 while bringing our share of the North American market for replacement passenger car tires to 5.1%.

The Sumitomo Rubber Group has built strong relationships with major wholesalers and retailers in North America, where FALKEN’s own original F.A.S.T. retailer support teams have provided direct sales support for some 10,000 retailers since their launch in 2018. Taking advantage of proprietary programs and tools to promote retail sales, these teams have achieved numerous successes to date. Moving forward, we will continue to expand these F.A.S.T. activities so that we may continue to increase our overall sales in North America.

Establishing a Strong Foothold in the German Market, with FALKEN Now Ranked 4th in Replacement Tire Market Share

Thanks to our active efforts to promote sales while enhancing the value of our FALKEN Brand, we have made steady progress in establishing a strong foothold in the German market. In fact, our share of the German market for replacement tires has steadily grown to the point that FALKEN is now ranked fourth.

Our high-performance AZENIS FK510 tires were ranked No. 1 overall in performance testing carried out in 2021 by ADAC (Allgemeiner Deutscher Automobil-Club), the largest automobile federation on the continent. AZENIS FK510 also ranked No. 1 in tire wear resistance testing conducted by ADAC in 2022. These accolades from a leading institution have served to further bolster our overall market share in the German replacement tire market.

Expanding Michelin Sales Network

In 2017, the Sumitomo Rubber Group acquired Michelinaur, an established tire wholesaler and retailer in the United Kingdom. Since then, Michelinaur has steadily expanded its retail network and increased overall sales thanks to aggressive M&A.

The company has now built a sales network covering some 20% of the UK tire market, with 167 directly owned retail locations and over 6,000 wholesale customers (as of the end of 2021). Taking advantage of their unique data-driven know-how on retail operations and sales promotion, the company has driven up overall sales through a community-oriented approach while using this same know-how to get recently acquired retail locations up and running on a solid footing. Michelinaur already possesses retail locations serving most of Central and South England and currently plans to expand in the North as well.

Brazil

Establishing a Strong Brand Presence for DUNLOP Tires in Just 10 Years on the Market

The Sumitomo Rubber Group has been focusing efforts on the future growth markets of Latin America and particularly Brazil, where we have established a strong brand presence for DUNLOP Tires in the ten years since we entered the market. Backed by local production for local consumption, we have been steadily expanding our OE supply business, while our regional distributor system has provided a solid sales base for steadily increasing our replacement tire sales volume and market share.

Our share of the Brazilian market for passenger car replacement tires has grown to over 10% in just these ten years. We are currently in the process of increasing production capacity at our Brazil Factory with an eye toward increasing sales in this market even further while taking advantage of our augmented supply capacity to expand our exports to markets throughout Latin America.

Meanwhile, our manufacturing and sales subsidiary in Brazil has grown into a company that is firmly rooted in and beloved by the local community, even receiving a commendation from the City of Fazenda Rio Grande, the city our Brazil Factory calls home, in 2021.

Increasing Sales Brought About by F.A.S.T. (Initiated in 2018)

<table>
<thead>
<tr>
<th>Sales Volume</th>
<th>No. of Retailers Served</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>WILDPEAK</td>
<td>1,782</td>
<td>2,977</td>
<td>3,010</td>
<td>3,048</td>
<td>3,089</td>
<td>3,127</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>9,032</td>
<td>9,040</td>
<td>9,040</td>
<td>9,040</td>
<td>9,040</td>
<td>9,040</td>
<td></td>
</tr>
</tbody>
</table>

*Share of Brazilian Market for Passenger Car Replacement Tires as of 2021 (In-House-Edition)
Even as global demand for tires continues to grow, competition among tire manufacturers also grows more and more intense with each passing day.

In the midst of this competitive environment, the Sumitomo Rubber Group is pushing ahead with efforts to enhance our corporate value by developing and promoting sales of Advanced Products incorporating technologies that are second to none.

**SUV Tires Featuring SILENT CORE Specialized Noise Absorbing Sponges**

Growing demand for electric vehicles (EVs) has also led to increasing demands for quieter tires. Our SILENT CORE Technology achieves quiet drive performance by installing sponges on the inside of tires to absorb air vibration that occurs within tires during driving. The Sumitomo Rubber Group was the first in the world to develop this groundbreaking technology, which has already been installed in over 14 million tires sold to date.

Featuring our proprietary SILENT CORE Technology, our GRANDTREK P5 tires were well received upon their release in 2021 in China, where the market is steadily shifting toward EVs.

**Ranking No. 1 Overall in Tire Testing Conducted by Europe’s Largest Automobile Federation: ADAC**

In 2021, our AZENIS FK510 was ranked No. 1 in European tire testing conducted by ADAC (Allgemeiner Deutscher Automobil-Club), performing well in testing on both wet roads (evaluating hydroplaning, wet grip, etc.) and dry roads (evaluating handling, braking, etc.) to earn the highest score of any tire tested that summer. Thanks to its exemplary performance on both wet and dry road surfaces, FALKEN AZENIS FK510 has won accolades as an excellent all-around summer tire.

In addition, AZENIS FK81 also ranked No. 1 in tire wear test conducted by ADAC in 2022, while our ZIEX ZE310 ECORUN was ranked No. 3.

**Launching Replacement Tires for EVs on the Markets of China & Europe**

In the near future, the Sumitomo Rubber Group will be releasing our first-ever replacement tires designed specifically for EVs, featuring the highest level of energy efficiency in our group’s history, for the markets of China and Europe, which are rapidly transitioning toward EVs.

In 2022, we launched our first EV tire in China: e. SPORT MAXX, which not only provides balanced high performance in terms of wet grip and steering stability, but also features SILENT CORE Technology in order to achieve the quiet drive performance that one would expect from an EV.

We also have silent tires, which apply a special sealant to the inside of the tire to reduce in-fill in halons and prevent air from leaking in the event of a puncture. Indeed, one of our greatest strengths is the fact that we have so many different technologies in our toolbox.

**What are your thoughts on the future direction of RAD and the challenges ahead?**

Speaking of the tire industry, I believe that RAD will take two directions. The first direction will involve developing tires that provide new added value to keep pace with the transformation of mobility. In addition to EVs, we are also actively engaged in RAD in support of future advances in autonomous vehicles, including the development of technologies to prolong tire performance and technologies to detect road conditions. The second direction will involve contributing to the realization of a sustainable society, and so we are also working on the development of technologies to reduce, reuse, and recycle tire materials.

Speaking of materials, biomass (a catchall term for renewable organic resources derived from plants and animals) is now receiving a lot of attention from environmentally friendly alternatives to fossil resources, and so many companies have been racing to develop the next generation of biomass materials. Meanwhile, whereas companies have developed their own proprietary rubber materials up until now, the ongoing shift toward biomass materials will make it more and more difficult for companies to satisfy themselves apart from the basis of material properties.

As a result, I think that future development will center on efforts to reduce the costs involved in biomass materials. In the future, I believe that it will become necessary for companies to make a clearcut decision on the design side (such as designing lightweight tires that use fewer raw materials) as well as the manufacturing side (such as improving mixing and other processes involved in material processing), etc.

At the same time, the use of biomass materials will not be limited to tire manufacturers. Indeed, manufacturers across all industries are currently looking into the possibilities of various biomass materials. However, it goes without saying that not enough biomass materials are being produced to fully replace the vast quantities of petroleum currently being used. In the interests of securing sustainable quantities of raw materials, we will need to make use of recycled materials as well. Japan has systems in place for recycling tires, but most of the materials are simply incinerated to produce heat energy. We need to think about how to turn tires back into raw materials so that we can put these to use as well. I think that our entire industry should come together to tackle this challenge through the establishment of new systems for recycling tires.

**In what ways will RAD contribute to the realization of “Our Philosophy”?**

I really like the idea of “innovation for a brighter future.” Perhaps this is a universal theme shared by all manufacturers. However, the major difference lies in how innovation for a brighter future is created.

I would say that now is the time to make the change from a top-down approach to innovation and move toward a more self-driven approach. When young researchers and technicians can attain fulfillment by working on things that they are passionate about, this in turn serves as a springboard to innovation and move toward a more self-driven approach.

I hope not only to uphold these two ideals for as long as I live, but also far into the future. I believe that this is the world envisioned in our purpose.

I think that our entire industry should come together to tackle this challenge through the establishment of new systems for recycling tires.

**“A Brighter Future” Means Innovation for the Next Generation**

I really like the idea of “innovation for a brighter future.” The less comfort and convenience that we lead today are made possible by the many innovations that came before. We live in an age when many things can be produced cheaply and in large quantities as production becomes increasingly automated. While this is surely also the result of innovation, at the same time, the earth is facing an existential crisis when it comes to finite resources and environmental issues. Can we really say that we are creating a brighter future? I believe that “innovation for a brighter future” must be innovation for future generations, for our children and grandchildren.

There is perhaps no greater symbol of the “Sumitomo Business Philosophy” than Mt. Besshi Copper Mine. After years of mining pollution had caused extensive damage to the surrounding forest and local community, the Director General of the Sumitomo Group expanded an enormous amount of time and money to restore Mt. Besshi to how it had been before. Today, the forest there is truly beautiful. Perhaps we are all facing a similar situation at Mt. Besshi. With this in mind, I feel that we must become comfortable with the idea of recycling and reusing things, as well as creating a brighter future for future generations.
Creating New Value: Expanding Our SENSING CORE Business

Driven by our SMART TYRE CONCEPT, the Sumitomo Rubber Group is not only actively engaged in the development and manufacture of tires but is also working to expand our SENSING CORE Solutions Business as well. The centerpiece of this business is our proprietary SENSING CORE Technology, which is able to detect road conditions in addition to tire pressure, wear progression and more.

Through this new line of business, we hope to contribute to the development of the Mobility Society of the Future by helping to make traffic accidents a thing of the past and fully autonomous vehicles a reality.

What is SENSING CORE Technology?

SENSING CORE is software that is able to detect Tire Pressure, Tire Load, Tire Wear, Road Conditions and so forth. It represents the culmination of various proprietary technologies that the Sumitomo Rubber Group has refined over more than 25 years as part of the development of DWS (Deflation Warning System), which we first launched in 1997.

Once installed in a vehicle’s onboard computer, the software uses machine learning to familiarize itself with the characteristics of the tires mounted on the vehicle automatically, and in addition, it is therefore not only compatible with all types of vehicles and tires, but its functionality can be expanded through software updates.

While SENSING CORE is currently capable of detecting “Tire Pressure,” “Tire Load,” “Tire Wear” and “Road Conditions,” we have been making steady progress on the development of a fifth sensor function to detect “Warning Signs of Wheel Detachment.” At the same time, we are always actively examining various possibilities for further functional expansion down the line.

Linking to Sustainable Value Ring

SENSING CORE eliminates the need for repeated manual tire inspections, thereby reducing the time and effort involved in tire inspections while preventing low tire pressure, which can inhibit tire fuel efficiency performance and shorten tire life.

Through a proprietary data analysis algorithm, this system is even able to detect slow air leaks, which are extremely difficult to detect in manual inspections.

Step 2 is the start of a proof of concept for the new system that we have planned for 2024. From there, we will link our SENSING CORE Business to a “Sustainable Value Ring” that links to the entire value chain of a tire from development through recycling.

Value Provided by SENSING CORE

By detecting Tire Pressure, Tire Load, Tire Wear and Road Conditions, SENSING CORE can provide extensive value when it comes to automating tire inspections, managing maintenance cycles more efficiently, preventing tire trouble and more.

With the development of a new function to detect “Warning Signs of Wheel Detachment” already well under way, we will continue working to further expand SENSING CORE functionality in order to better respond to the needs of sports cars and other high-performance vehicles as well as the rapidly shifting needs brought about by advancements in CASE. For example, we are now looking into ways of using SENSING CORE to detect damage in tires with lower aspect ratios, which is a particular concern for heavier electric vehicles.

In addition to providing feedback to vehicles and drivers who use it directly, the data that SENSING CORE gathers can also be utilized for road management and other forms of social infrastructure maintenance.

Future applications of SENSING CORE will involve sharing data across multiple vehicles through the cloud and utilizing proprietary algorithms to analyze this data so that it may be put to use in ensuring safety and reducing maintenance costs for mobility services and transport companies and so on.

Global Expansion of Our SENSING CORE Business

Still under development, our Solutions Business has so far largely focused on the Japanese market. However, as our solutions are highly compatible with such advances as autonomous vehicles and electric vehicles (EVs), in January 2022, we established a new organization dedicated to furthering our SENSING CORE Business in China so that we may better respond to the needs of customers in this market, which is at the forefront of these advances.

The Sumitomo Rubber Group is currently in the process of working out the details of a new business model to provide comprehensive tire support for EV manufacturers in particular, with services covering not only what happens during driving but also what needs to be done before and after driving.

Moving forward, we will expand the business model that we have developed in Japan and China to ASEAN, with plans to bring it to Europe, the Americas and the Middle East further down the line.

Value Provided by SENSING CORE

SENSING CORE provides extensive value by detecting Tire Pressure, Tire Load, Tire Wear and Road Conditions. In order to further expand the value that SENSING CORE provides, we are now working on the development of a fifth sensor function to detect Warning Signs of Wheel Detachment.

Comprehensive Support for Chinese EV Manufacturers, Covering Before, During & After Driving

Expanding Our New Solutions Business from Japan to China, Followed by ASEAN, Europe, the Americas & the Middle East

Creating Value throughout the Sumitomo Rubber Group

Integrated Report 2022
Promoting ESG Management

Passed down through generations over some 400 years of Sumitomo history, the “Sumitomo Business Philosophy” lives on throughout the business activities of the Sumitomo Rubber Group. The “Sumitomo Business Philosophy” espouses the idea that “a company should cherish not only economic value, but value to society as well.”

Today, the Sumitomo Rubber Group promotes ESG Management as part of our overall efforts to create greater “joy and well-being” for all of our stakeholders while living up to the ideals of “Our Philosophy,” which is itself rooted in the ideals of the “Sumitomo Business Philosophy.”

Supporting the Task Force on Climate-Related Disclosures (TCFD)

Having announced our support for TCFD in June 2021, the Sumitomo Rubber Group now strives to actively disclose information concerning both the risks and the opportunities that climate change presents with respect to four key areas of our business: Governance, Strategy, Risk Management and Metrics/Targets.

Signing on to UN Global Compact

In the interests of furthering our activities to create greater “joy and well-being for all,” the Sumitomo Rubber Group signed on to the UN Global Compact in May 2022. Moving forward, we will continue working to promote and advance ESG Management while upholding the ten principles set forth by this global initiative in the areas of human rights, labor, the environment and combatting corruption.

Managing Risks Related to Climate Change

Chaired by the President of Sumitomo Rubber Industries, Ltd., our Risk Management Committee holds biannual meetings in order to oversee and supervise risk management activities and check on the overall effectiveness of our Risk Management System. The Sumitomo Rubber Group has established internal risk management rules for analyzing various business risks that coincide with climate change risks and assessing measures to address these risks. The results of risk analysis and countermeasure proposals are reported to the Risk Management Committee and the Board of Directors for discussion and deliberation. We also conduct annual assessments of climate change risks in order to account for external changes, such as updates to targets established under the Paris Agreement and the results of new scientific research.

Meanwhile, the Sustainability Promotion Committee is responsible for promoting environmental efforts and overseeing our Environmental Management System. The committee’s policy decisions are reported to the Board of Directors and concerned business divisions, after which the committee manages and follows up on targets, etc.

Implementing ICP

As there is now an urgent need to create a framework for moving forward with internal efforts to achieve our carbon neutrality targets, the Sumitomo Rubber Group introduced ICP (Internal Carbon Pricing) in April 2022. While it is initially being used for reference purposes, we are planning to fully implement ICP from January 2023.

ICP: 8,000 JPY (70 US$) per Ton of CO2

Metrics & Targets

In February 2021, the Sumitomo Rubber Group committed to achieving carbon neutrality by the year 2050. That August, we unveiled our “Driving Our Future Challenge 2050” Long-Term Sustainability Policy, which sets forth various long-term targets with respect to carbon neutrality and beyond. These targets include reducing total CO2 emissions from all of our global factories by 50% compared with 2017 levels by the year 2030 before achieving full carbon neutrality by the year 2050.

In order to achieve these targets, we are not only working to reduce energy consumption while expanding cogeneration and the use of other renewable energy sources but also addressing climate risks and assessing measures to address these risks. We will continue to monitor and assess the financial and other impacts of climate change on our business while working to mitigate and adapt to these impacts.

Creating Value throughout the Sumitomo Rubber Group

Among the myriad issues that society currently faces, we believe that climate change stands out as one of the most important and pressing issues in the world today. Thus, while fully abiding by the Act on the Rational Use, etc. of Energy (Energy Saving Law), the Act on Promotion of Global Warming Countermeasures (Global Warming Law) and other environmental laws and regulations, the Sumitomo Rubber Group is also committed to fulfilling our corporate social responsibilities in other ways, including harnessing the advanced technical capabilities that we have amassed since our founding in order to tackle the challenges of reducing greenhouse gas emissions and so forth.

Climate Change Strategy

The potential impacts of climate change on the business activities of the Sumitomo Rubber Group are numerous. For example, the adoption of more stringent regulations or systems to combat climate change in countries around the world may require our production bases to transform or may even result in lower yields of natural rubber, which could decrease our production facilities or otherwise cause numerous knock-on effects to the rubber and tire industries. Our Group aims to reduce our greenhouse gas emissions by 50% of the 2017 level by 2030 and to achieve full carbon neutrality by 2050.

We aim to reduce our CO2 emissions by 50% by 2030 and to achieve full carbon neutrality by 2050.

<table>
<thead>
<tr>
<th>Fix Business</th>
<th>2017</th>
<th>2030</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>Golf Balls</td>
<td>100%</td>
<td>50%</td>
<td>0%</td>
</tr>
</tbody>
</table>

All Products Consisting of 100% Sustainable Raw Materials by 2050

Sustainable Raw Material Content

<table>
<thead>
<tr>
<th>Fix Business</th>
<th>Products (Content by Weight)</th>
<th>2017</th>
<th>2030</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tennis Balls</td>
<td>100% of All Tennis Balls</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Golf Balls</td>
<td>20% of All Practice Golf Balls Sold</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

We will continue to strive for full carbon neutrality, while working to mitigate and adapt to these impacts.
A Message from the Executive Director in Charge of Finance

Naoki Okawa
Director and Senior Executive Officer

Midterm Plan Progress & Remaining Issues

The Midterm Plan that we announced in February 2020 set forth ambitious targets for the next five years: sales revenue of ¥1 trillion, business profit of ¥100 billion, an ROE of 10% and a D/E ratio within 0.5 times. Since then, we have made outstanding progress when it comes to sales revenue, which is now expected to surpass ¥1 trillion in the fiscal year ending in December 2022. Nevertheless, the onset of the COVID-19 pandemic shortly after the announcement of our Midterm Plan has brought enormous changes to the business environment, causing our profitability to fall short of our targets.

This is particularly the case with business profit. While we have made good progress according to our plans in many areas, the COVID-19 pandemic has led to massive fluctuations in demand while causing prices for raw materials and freight shipping to skyrocket, resulting in a significant gap between the business structure that we had envisioned in our initial plans and our present situation. For example, while we have succeeded in increasing sales of larger-sized passenger tires, SUV and other tires with greater added value according to our plans, delays in making the transition to local production for local consumption and various other factors have driven up costs beyond what we had anticipated.

Prior to the pandemic, our group built up a global supply network with the acquisition of factories in South Africa and the United States while actively augmenting production capacity at factories in Turkey, Brazil and elsewhere. This not only enabled us to prepare a robust lineup of products to have a diverse array of customer needs but also equipped us with the supply capacity needed to fulfill those needs. However, the pandemic has upset the balance of our product mix, creating discrepancies that have had a pronounced impact on our overall profitability. The increase in delivery times between our production sites and sales regions has led to higher transport costs while delaying our efforts to recycle production with an eye toward products with higher profit margins. All of this has had the effect of driving up our total cost burden, especially when factoring in depreciation.

In response to these shifts, we are currently moving ahead with various improvements to restore balance to our product mix.

Toward Achieving Our Midterm Plan Target: D/E Ratio < 0.5 times

As our first priority is to revamp our earning capabilities, we are now being more selective with capital expenditures while simultaneously working to improve our return on each investment. At the same time, we are also actively promoting the Dix (Dividends/Outlays) transformation as a means of enhancing productivity on a per-employee basis so that we can maximize earning capability on a per-employee level. This, in turn, will allow us to optimize personnel placement and allocate existing personnel to new lines of business.

The key to improving our D/E ratio lies not only in our ongoing efforts to improve our overall profitability in terms of our statement of profit and loss, but also in efforts to improve our capital structure in terms of our statement of financial position. The idea here is to improve our overall capital efficiency, which will have the effect of compressing our gross assets and, ultimately, improving our D/E ratio.

Judging from our results as of the end of March 2022, this task force is making solid progress toward achieving the above target, and all team members are working extremely hard, driven by strong motivation to reach this target by the end of 2022. Meanwhile, as the person in charge of financial strategy for our entire group, I am now looking beyond improving working capital and setting my sights on improving profits for the year, which will also directly contribute to the improvement of our ROIC. Toward this end, one area that we are working on in particular is the optimization of our global tax strategy. For example, one way of optimizing our tax strategy to increase our post-tax profits would involve taking fuller advantage of tax incentives offered in Japan. Our Tax Team is exploring various possibilities in this area, while our Financing Team is also exploring various possibilities for optimizing financing and reducing FOREX risks.

As profit for the year is a major component of ROIC, our Tax Team and Financing Team will be working with all due speed to come up with and implement global tax strategies and financing strategies that will serve to maximize it.

Meanwhile, the Decision-Making & Investment Decisions Task Force is currently looking into introducing new decision-making criteria for capital expenditures to complement our current payback period approach, IRR (Internal Rate of Return), the approach most compatible with ROIC. The task force is now working out such details as what hurdle rates to adopt, how to trace post-investment results and how best to visualize problems so that the lessons learned from past investments can be put to use in subsequent investments.

This task force is less concerned with generating profits than with building stronger foundations for our overall business management. Toward this end, the team also proposed ICP (Internal capital generation) as a means of generating profits to achieve carbon neutrality. Their proposal has now been approved, and so we are currently in the process of preparing for the Groupwide implementation of ICP.

Policy on Returns to Shareholders

The Sumitomo Rubber Group has always considered shareholder returns to be one of the highest priorities of our overall management policy.

Basing our dividend payout ratios on our consolidated profits, our basic approach to shareholder returns revolves around the central premise that we will carefully assess our consolidated performance forecast for the current fiscal year while comprehensively reviewing our situation with respect to retained earnings, etc. so that we may continue to provide sure and steady dividends over the long run.

Although this is not necessarily a commitment set in stone, we do tell investors at our regular financial announcements that we are aiming for dividend payout ratios of at least 40%. Our group has always endeavored to uphold these high standards when it comes to paying out steady dividends over the long term, and we have no intention of changing our thinking on investor returns in the future.

Right now, the global business environment is changing at a faster pace than we could ever have anticipated. These days, simply keeping up with the pace of change is not enough; we have to get out ahead of our competitors if we are to set ourselves apart.

While it may take some time for our efforts to produce results, we of the Sumitomo Rubber Group will continue to do our utmost to rise to the expectations of all of our stakeholders.

Overseeing 2 Task Forces Launched as Part of Our “Be the Change” Project

Since kicking off in 2020, our “Be the Change” Project has launched over ten task forces to tackle the challenges of “Reinforcing Our Foundation for Profitability.” These task forces are all hard at work in various areas to support our efforts to achieve the above targets. There are two of the task forces: the Working Capital Task Force and the Decision-Making & Investment Decisions Task Force.

The Working Capital Task Force has set a target of generating ¥30 billion in new positive cash flows by the end of 2022. Our specific efforts to achieve this goal revolve around measures to “Celebrate Inventories,” “Competitive Trade Receivables” and “Optimize Trade Payables,” with a dedicated sub-task force assigned to each of these themes. Meanwhile, in addition to our Tire Business, we have formed dedicated teams to tackle the challenges of improving working capital in our Sports Business, our Industrial Products Business and Overseas Group companies.
The Sumitomo Rubber Group is currently working on the “Be the Change” (BTC) Project as a Groupwide initiative to overcome various issues that transcend departmental barriers with the aim of improving our overall organizational framework and reinforcing our foundation for profitability. BTC takes its name from the words of Mahatma Gandhi, who famously said, “You must be the change you want to see in the world.” We chose this name in the hope that each and every employee would take a personal interest in change and then take the initiative in bringing about such change.

The BTC Project grew out of the conversations that President Yamamoto had with many diverse employees while visiting our bases of operations around the world after assuming office in March 2019. During these conversations, he noticed that enthusiasm levels varied between bases of operations. This prompted him to conduct an Organizational Health Index (OHI) three months mining the OHI results for issues, looking closely at the free comment section of the survey and other data to analyze low-scoring areas and delve into the underlying causes.

As a result of our analysis, we next initiated Groupwide efforts to tackle four key organizational issues: “Environmental Stifles Challenges,” “Barriers to Communication,” “Old-Fashioned Leadership Styles,” and “Low Productivity Due to a Lack of Awareness of Overall Corporate Strategy.” In July 2020, President Yamamoto shared these results throughout our organization and culture so that we can then move ahead with various targeted improvements.

Launched in 2020, the “Be the Change” (BTC) Project is a Groupwide initiative that falls under the direct jurisdiction of the President of Sumitomo Rubber Industries. It is being undertaken with the aim of transforming our group into an organization that can align our vectors to push ahead with confidence while adaptively responding to these uncertain times of drastic changes.

How Have You Gone About Entrenching BTC?

At first, we planned to travel to each base of operations to explain the project and provide training to change employee awareness, etc. Holding these kinds of events at each base would have required a great many people to put in an enormous amount of work covering everything from securing venues to scheduling and arranging for instructors to handling various other administrative tasks. However, everything changed in the blink of an eye with the onset of the COVID-19 pandemic.

Due to the pandemic, we soon found ourselves with no other option but to rethink our plans for face-to-face workshops. However, we stayed positive in spite of the four circumstances and began looking into holding the seminars online instead. As a result, we were not only able to hold seminars on a much larger scale than we could have done in person, but also greatly simplified and reduced the workload involved in making venue arrangements and preparations. The online format also made groups of departments, disciplines, and other activities more efficient, which made it possible to conduct more effective workshops all around compared to what we had originally planned.

Beyond these BTC workshops, we would later adopt this same online format for workshops to disseminate “Our Philosophy” and so on, and this has had the effect of greatly improving employee engagement. Looking back, I think perhaps that BTC would not have taken off as quickly as it did if the pandemic had never happened.

As a first step toward more substantial reform involving systems and organizations, the first activities that we selected for bringing positive change to our organizational framework revolved around more casual themes in order to make it easier for employees to participate. Designed to create opportunities for employees to experience change, these early activities included “dropping formal titles in favor of the universal -san,” “1-on-1 meetings,” and “team-building exercises.” At first, some people questioned what these activities had to do with improving our organizational framework. However, once these activities got under way, people started to change their tunes, saying things like, “My workplace is not as bad as I thought it was,” “My workplace is better than I thought it was.”

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In July 2020, President Yamamoto shared these results throughout our organization and culture so that we can then move ahead with various targeted improvements.
In 2019, the Sumitomo Rubber Group set forth a Top Commitment on D&I and Work Style Reform. However, in light of the formulation of “Our Philosophy,” the 2022 establishment of a dedicated organization for the promotion of D&I and other recent changes, we made the decision to put forth a new Top Commitment in order to clarify our thinking and reaffirm our formulation of “Our Philosophy,” the 2022 establishment of a dedicated organization for the promotion of D&I and other recent changes.

Now that each and every employee has a stronger sense of ownership, we have a perfect opportunity to follow through with change.

Kiyoshi Ikawa
Executive Officer
Head of the Human Resources & General Affairs HQ

My story picks up again in 2021, when we formulated “Our Philosophy” in a move that was entirely spurred by rapid and accelerating global expansion. Today, Sumitomo Rubber Industries has around 8,000 employees, while the Sumitomo Rubber Group has around 40,000 in total, which means that overseas employees now make up the vast majority of our workforce. As we think about our diverse group of employees, D&I is inextricably linked to the personal management strategies we put into practice while tackling various management challenges, it will have the effect of raising the overall quality of our management. “Our Philosophy” and D&I are inevitably linked, as we believe that our diversity is all the more reason why “Our Philosophy” is necessary to get everyone on the same page and moving forward in the right direction.

Mariana Sonoda
Outside Director

This project is not just about talking big and exciting challenges, but also includes many activities to bring about steady changes on a day-to-day level. We are currently carrying out several efforts to encourage employees to actively participate in supporting minority employees, including women, members of the LGBT community and others, and this has led us to diversify the kind of incremental approach often proves to be the most effective. I am sure that shining a spotlight on the kinds of efforts that would normally rise to the attention of top management will lead to the revitalization of your entire organization.

We have been talking about how “Our Philosophy” came about, and I would also like to ask about what was going on in 2019, when you first started these D&I initiatives.

Empowering women in the workplace is a central tenet of D&I, and we must ensure that opportunities to learn and grow are open to all employees regardless of gender. However, we have also faced significant challenges in the quest to retain women after hiring, and so we started by working on ways of providing support for employees who were going through major life events. As we began digging deeper into these activities in 2019, what we found was that, although support systems and mechanisms existed, they were not being utilized by women or workplaces. So, we began by setting out to change workplace mindsets in tandem with other ongoing improvements. Thanks to information sharing with managers, various types of training and other efforts, we began making progress not only in terms of awareness and understanding, but also in terms of workplaces actively encouraging employees to take advantage of these support systems.

“Our Philosophy” includes phrases such as “Strength in Diversity” and “Mutual Respect” while also making it clear how these terms fit into your overall philosophical framework. I imagine that the idea that each and every employee has a stronger sense of ownership and urgency, we are presented with a perfect opportunity to follow through with various changes for the better.

The Sumitomo Rubber Group is actively engaged in various efforts to support minority employees, including women, members of the LGBT community, working parents and those working at work and family centers, as well as those working in the workplace to be a key challenge, we have prepared a manual for supervisors who are balancing the needs of work and childcare and established systems for following up on employees who have had to put their careers on hold. In addition, we established a mentoring system in 2021 with the aim of cultivating the next generation of female leaders. First, we are bringing in mentors from outside the company to provide mentoring and skill training for future mentors within the company, who will then provide mentoring to mentees within the company. Overall, we hope to get this cycle of providing support expanded greatly for both mentors and mentees.

When it comes to supporting this LGBT community, we have been working to increase the number of employees who understand what it means to be an LGBT Ally, issuing Ally Stickers to those who have completed training with the aim of creating a more supportive work environment where LGBT employees feel comfortable working.

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

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Integrated Report 2022
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.

Founding Period

1888 John Boyd Dunlop ● commercialized the world’s first pneumatic tire ●
1909 Commenced operation of the Kobe Factory ●
U.K.-based Dunlop Rubber Company established and began operating Japan’s first modern rubber factory ●

1913 Started tire manufacturing, producing the first Japanese-made tires ●
1930 Developed Japan’s first tubeless tire ●
1943 Established 1909

1954 Released first-generation “XXIO” golf clubs and golf balls ●
1964 Released “ENASAVE NEXT III,” the Company’s flagship fuel-efficient tires made using Performance Sustaining Technology ●

1964 Started mass-production of Japan’s first radial tire “SP3” ●
1995 Developed Japan’s first tubeless tire ●
1999–2015 Completed the New Materials Development Technology

1978 Net Sales ¥140.0 Billion
Operating Income ¥7.2 Billion
Established 1909

1993, the Company acquired European tire business from U.K.-based Dunlop Rubber Company and, in 1994, acquired six plants in the U.K., Germany and France as well as Dunlop Tire Technical Division in the U.K. ●
In 1988, the Company entered into a full business tie-up with The Ohtsu Tire & Rubber Co., Ltd., a precursor of the FALKEN brand. (The Company merged with The Ohtsu Tire & Rubber Co., Ltd. in 2003. ●)
In 1983, the Company acquired European tire business from U.K.-based Dunlop Rubber Company and began operating Ohtsu Tire & Rubber Co., Ltd. in 2003 ●
In 1981, the Company entered into a full business tie-up with The Ohtsu Tire & Rubber Co., Ltd.

Major Technological Accomplishments and Products Released

1968 Started mass-production of Japan’s first radial tire “SP3” ●
1991 Released “ENASAVE 100,” the world’s first* 100% fossil resource-free tire ●
2000 Released first-generation “XXIO” golf clubs and golf balls ●
2012 Released “MIRAIE” Vibration Control Units for Detached Housing ●

1966 Released “ENASAVE NEXT” tires boasting 50% less rolling resistance and the coveted “AAA-a” ranking—the highest possible—under Japan’s tire labeling system ●
2013 Released “ENASAVE 100,” the world’s first* 100% fossil resource-free tire ●
2014 Released “ENASAVE NEXT” tires boasting 50% less rolling resistance and the coveted “AAA-a” ranking—the highest possible—under Japan’s tire labeling system ●

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2017–Present

In 2017, the Company acquired trademark rights to the Dunlop brand in countries overseas as well as Dunlop brand sports equipment and licensing businesses from Sports Direct International plc in the U.K. In 2018, the Company consolidated the Sumitomo Rubber Group’s Sports Business-related operations.

In the Tire Business, in 2017, the Company acquired MichelinGroup, a major tire sales company in the U.K., stepping up the marketing of FALKEN brand tires.

Following the celebration of the 100th anniversary of its founding in 2019. To reach the new growth phase, the Company established “Our Philosophy,” a new corporate philosophy structure, in 2020.

In 2018, the Company consolidated the Sumitomo Rubber Group’s Sports Business-related operations.

In 2017, the Company dissolved the Tire Business-related alliance agreement and joint ventures with The Ohtsu Tire & Rubber Company in the U.S.A.

In 2015, the Company dissolved the Tire Business-related alliance agreement and joint ventures with The Ohtsu Tire & Rubber Company in the U.S.A.

In 1999, the Company formed an alliance in the Tire Business with The Goodyear Tire & Rubber Company in the U.S.A. This alliance led to the creation of a joint venture structure under which the manufacture and sale of Dunlop brand tires was assumed by the Company in Japan and Asia and by Goodyear in North America and Europe.

In 2003, the Company spun off the Sports Business. In 2007, the Company acquired Cleveland Golf and, in 2014, acquired fitness company H2 Wellness Co., Ltd. (current Dunlop Sports Wellness Co., Ltd.). In 2015, the Company acquired the Switzerland-based Linstroff AG, which manufactures rubber parts for medical applications, thereby expanding the Industrial and Other Products Business.

Meanwhile, in 2009 the Company celebrated its 100th anniversary and completed the Tire Technical Center.

In 2015, the Company dissolved the Tire Business-related alliance agreement and joint ventures with The Ohtsu Tire & Rubber Company in the U.S.A.

In 2003, the Company assumed management of the Company and changed its name to Sumitomo Rubber Industries, Ltd. In 1981, the Company entered into a full business tie-up with The Ohtsu Tire & Rubber Co., Ltd., a precursor of the FALKEN brand. (The Company merged with The Ohtsu Tire & Rubber Co., Ltd. in 2003. ●)

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In 2007, the Company acquired Cleveland Golf and, in 2014, acquired fitness company H2 Wellness Co., Ltd. (current Dunlop Sports Wellness Co., Ltd.). In 2015, the Company acquired the Switzerland-based Linstroff AG, which manufactures rubber parts for medical applications, thereby expanding the Industrial and Other Products Business.

Meanwhile, in 2009 the Company celebrated its 100th anniversary and completed the Tire Technical Center.

In 2015, the Company dissolved the Tire Business-related alliance agreement and joint ventures with The Ohtsu Tire & Rubber Company in the U.S.A.

In 1964, started production of golf clubs ●
1988 John Boyd Dunlop ● commercialized the world’s first pneumatic tire ●
1991 Released “ENASAVE NEXT” tires boasting 50% less rolling resistance and the coveted “AAA-a” ranking—the highest possible—under Japan’s tire labeling system ●
2000 Released first-generation “XXIO” golf clubs and golf balls ●
2012 Released “MIRAIE” Vibration Control Units for Detached Housing ●

2013 Released “ENASAVE 100,” the world’s first* 100% fossil resource-free tire ●
“Since the use of synthetic rubber became the industry standard based on Sumitomo Rubber Industries’ own research” ●
2014 Released “ENASAVE NEXT” tires boasting 50% less rolling resistance and the coveted “AAA-a” ranking—the highest possible—under Japan’s tire labeling system ●

1999–2015

2015 Completed the New Materials Development Technology
ADVANCED 4D NANO DESIGN* ●
2017 Announced the “SMART TYRE CONCEPT” for tire technology development ●
2018 Signed an official sponsorship agreement with the Australian Open, one of the four major tennis tournaments ●
2019 Released “ENASAVE NEXT II,” the Company’s flagship fuel-efficient tires made using Performance Sustaining Technology based on SMART TYRE CONCEPT ●
2020 Released “VEURO VEJSA,” premium tires boasting the highest levels of passenger cabin comfort thanks to superior quietness as well as long-lasting wet grip performance ●

2012 Released “MIRAIE” Vibration Control Units for Detached Housing ●

Sales Revenue / Net Sales ● JGAAP ● IFRS ●

1978 Net Sales ¥140.0 Billion
Operating Income ¥7.2 Billion
Established 1909

1913 Started tire manufacturing, producing the first Japanese-made tires ●
1929 Started production of Japan’s first golf and tennis balls ●
1954 Developed Japan’s first tubeless tire
1964 Started production of golf clubs ●

2004 Released “ENASAVE NEXT III,” the Company’s flagship fuel-efficient tires made using Performance Sustaining Technology ●
2008 Released “ENASAVE NEXT II,” the Company’s flagship fuel-efficient tires made using Performance Sustaining Technology based on SMART TYRE CONCEPT ●
2012 Released “ENASAVE NEXT II,” the Company’s flagship fuel-efficient tires made using Performance Sustaining Technology based on SMART TYRE CONCEPT ●
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Integrated Report 2022

Integrated Report 2022
Creating Value throughout the Sumitomo Rubber Group

**Value Creation Model**

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**

- **Sound financial position and stable earnings structure**
  - Total assets: ¥1,086.2 Billion
  - Total equity: ¥513.5 Billion

- **Diverse production network covering Japan and overseas**
  - Domestic: 6 Bases
  - Foreign: 16 Bases

- **Diverse human resources in which the “Sumitomo Business Philosophy” has taken root**
  - Number of consolidated employees: 40,055

- **Abundant intellectual property to drive the next phase of growth**
  - R&D expenses: ¥25.4 Billion

- **Steadily building favorable relationships with stakeholders in various regions**
  - Number of consolidated subsidiaries and equity-method affiliates: 101 (28 in Japan, 73 in countries abroad)

- **Efficient use of environmental resources to reduce environmental impact and realize a recycling-based society**
  - Total energy consumption: 554,000 kl (crude oil equivalent)
  - Water usage: 12,860,000 m³

**Purpose**

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

**Business Model**

- **Tire Business**
- **Sports Business**
- **Industrial and Other Products Business**
- **Promoting ESG Management**
- **Creating New Value**

**Output**

- **Long-Term Sustainability Policy**
  - **“Driving Our Future Challenge 2050”**
    - Environment:
      - Product Innovation
      - Carbon Neutrality
      - Resource Recirculation
      - Water Resources
      - Sustainable Raw Materials
    - Social:
      - Safety & Health
      - Organizational Climate/Culture
      - Respect & Harmony in Diversity
      - Human Rights
      - Supply Chain Management
    - Governance:
      - Stronger Corporate Governance
      - Thoroughgoing Compliance

**Midterm Plan**

- **Target Indices**
  - Sales Revenue: At Least ¥1 Trillion
  - Business Profit: At Least ¥100 Billion
  - ROE: At Least 10%
  - D/E Ratio: Within 0.5

**Our Philosophy**

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

For more than 110 years, the Sumitomo Rubber Group has been accumulating various forms of capital. This capital, in turn, constitutes an integral part of the foundations supporting our pursuit of the realization of “Rubber and Beyond, Driving Our Future,” the worldview defined under “Our Philosophy.” In addition to 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.

Financial Capital

<table>
<thead>
<tr>
<th>Ratio of equity attributable to owners of parent:</th>
<th>46.2%</th>
</tr>
</thead>
<tbody>
<tr>
<td>D/E ratio:</td>
<td>0.6 Times</td>
</tr>
</tbody>
</table>

Sound financial capital is a key management resource that supports sustainable growth. The ratio of equity attributable to owners of parent, which represents the shareholders’ equity ratio, was 46.2% at the end of fiscal 2021. The ratio provided by Japan Credit Rating Agency, Ltd. was “A+” as of January 18, 2022.

Looking ahead, we intend to continuously execute capital expenditure to increase our production capacity and thus grow overseas sales. In addition, we aim to simultaneously secure corporate growth, a sufficient level of liquidity and a more robust financial position. With this in mind, we have set a financial target of reducing the D/E ratio to 0.5 times or less by the end of fiscal 2025 under the Midterm Plan announced on February 13, 2020.

Manufactured Capital

<table>
<thead>
<tr>
<th>Number of production bases in Japan and overseas:</th>
<th>22</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Total of Tire, Sports and Industrial Products Businesses)</td>
<td></td>
</tr>
<tr>
<td>Capital expenditures:</td>
<td>¥49.5 Billion</td>
</tr>
</tbody>
</table>

In fiscal 2021, the Sumitomo Rubber Group supplied 116.03 million tires to markets around the world. To support the global marketing of tires, we have secured four production bases in Japan and eight production bases in countries abroad, thereby developing an optimal production system encompassing a broad swath of regions. Today, the ratio of overseas production volume amounts to 63%. Although the utilization ratio of these production bases dropped significantly from 92% in fiscal 2019 to 76% in fiscal 2020 due to the COVID-19 pandemic, this ratio recovered to 88% in fiscal 2021. For fiscal 2022, we expect the utilization rate of our bases to increase to 95%.

Our initial budget for capital expenditure in fiscal 2021 was ¥19.0 billion. However, in the face of stagnation in automobile production due to shortages of semiconductors and automotive parts, we revised this budget to ¥49.5 billion (of this, ¥28.4 billion was allocated to overseas facilities). For fiscal 2022, our plans call for capital expenditure amounting to ¥70.0 billion, including ¥48.6 billion for overseas facilities.

Human Capital

<table>
<thead>
<tr>
<th>Number of consolidated employees:</th>
<th>40,055</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of employees at overseas bases:</td>
<td>70%</td>
</tr>
</tbody>
</table>

The Sumitomo Rubber Group’s consolidated headcount totals 40,055, with 28,047 employees at overseas bases accounting for 70% of the overall number. Looking at the proportional composition of this workforce by region, operations in Asia and Oceania (excluding Japan) account for 43%, while operations in Europe and Africa and those in the Americas account for 17% and 10%, respectively.

The basic aim of the Group is to respect the human rights of employees, fostering a workplace environment in which everyone 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. For the fostering of global human resources, we are strengthening efforts overseas, aiming to ensure identical product quality irrespective of the factory in which manufacturing takes place, so that all employees are able to grow and to feel job satisfaction.

Integrated Report 2022
Creating Value throughout the Sumitomo Rubber Group

Business Operations

In 1888, the world’s first pneumatic tire was successfully commercialized by veterinary physician John Boyd Dunlop. The beneficiary of his unique creativity, the Sumitomo Rubber Group has developed Tire, Sports and Industrial Products businesses. The Group’s efforts have yielded multiple “world firsts” as well as a number of “Japan firsts” that have contributed to improved living standards, advances in the industrial sector and the sound development of society. Under the slogan “Rubber and Beyond, Driving Our Future,” we constantly do our best to ensure a sense of security for all customers and to better live up to their trust in us as we aim to help create a joyful, sound and affluent society.

Tire Business

With Dunlop and Falken as mainstay brands, we have taken up the challenge of creating superior quality tires that meet diverse application needs, including tires for passenger cars, trucks, buses and industrial vehicles, in addition to being friendly to people and the environment.

Sports Business

To help customers enjoy an expansive sports life, we deliver golf clubs, tennis rackets and other high-performance products while operating sports schools and fitness clubs.

Industrial Products Business

Taking full advantage of the distinctive strengths in rubber technology we have cultivated over the years, we deliver products designed to protect human life, contribute to health improvement and support mobility in an effort to underpin society’s infrastructure and support people’s daily lives. These operations encompass a breadth of fields ranging from industrial infrastructure to medical and living essentials and healthcare goods.
Creating Value throughout the Sumitomo Rubber Group

Risks, Opportunities and the Value Chain

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 future business development along with the current status of our value chain and our initiatives to address issues the value chain is now confronting.

Tire Business

- Maximizing the results that we reap from the global business framework
- Developing products to respond to local market needs and ever higher performance demands while expanding sales of advanced products
- Developing businesses compatible with CASE and MaaS
- Promoting ESG management

Management Issues

- The DUNLOP brand, which boasts over 130 years of history since commercializing the world’s first pneumatic tire and has won public recognition throughout the world
- Technologies supporting the development of fuel-efficient tires and an extensive lineup of such tires
- A global business framework supported by three pillars (a global network of manufacturing, sales and service bases, a global R&D network (Japan/USA/Europe) and a global supply network)
- 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

Strengths

- Natural rubber is a primary tire raw material. And, approximately 70% of the natural rubber produced worldwide is used for tires. The Para rubber tree, an abundant producer of best-quality latex in the form of the tree sap, originates from the South American Amazon river basin. The tree’s current habitat stretches from the 15th parallel north to the 15th parallel south, forming the aptly nicknamed “rubber band,” a tropical belt centered on the equator and particularly vulnerable to the effects of climate change. Today, about 80% of global rubber production volume is concentrated in Southeast Asia.
- The social issues that must be addressed in connection with natural rubber procurement range from the effects of climate change and the industry’s impact on forests and other natural ecosystems as well as biodiversity to the protection of human rights and labor rights.
- As it strives to realize a sustainable society, the tire industry is enveloped by increasingly intense global competition to develop products made with renewable resources that will enable it to break away from fossil resources and otherwise reduce the environmental footprint of tires. For example, the use of recycled materials.
- With CASE (an acronym for “Connected, Autonomous, Shared & Services, Electric”), it is expected to become a key concept determining what the next generation mobility society will look like, tires equipped with more advanced functions will be sought after. These functions will include the Tire Pressure Monitoring System (TPMS) as well as those supporting value-added maintenance services designed to ensure safe and secure driving.
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Opportunities

- A shift in demand for winter tires reflecting rises in global temperatures and decreases in snowfalls
- Political instability and other geopolitical risks
- Jump in the price of raw materials and crude oil
- Economic stagnation due to pandemics and natural disasters
- Intensifying market competition reflecting the rise of manufacturers from emerging countries

Initiatives Undertaken by the Sumitomo Rubber Group

- Expanding sales of advanced tires, including those for SUVs, in response to growth in demand
- Realizing SMART TYRE CONCEPT, which informs the development of innovative tires and peripheral services
- Developing tires with a low environmental footprint
- Promoting tire-related solutions businesses
- Contributing to decarbonization through the provision of EV tires and fuel-efficient tires

Product Development

- Developing next-generation technologies and products through the application of the core SMART TYRE CONCEPT
- Raising the ratio of sustainable raw materials (biomass and recycled raw materials)
- Promoting solution businesses employing sensing technologies
- Further strengthening our global development network
- Developing tires incorporating noise-absorbing sponge material
- Utilizing a Sustainable Natural Rubber Policy
- Promoting CSR procurement based on the Procurement Guidelines
- Promoting green purchasing
- Conducting surveys on the status of supplier initiatives to address environmental risks

Procurement

- Since the breakout of the COVID-19 pandemic, tire manufacturers have seen their facility utilization ratios become increasingly unstable due to the need to adjust their production in the face of a downturn in automobile production resulting from semiconductor shortages as well as due to stagnation in tire markets reflecting a growing public trend of restraint regarding outings.
- Going forward, however, expanding our overseas production will remain essential to securing sustainable growth. Accordingly, it is important to develop human resources by, for example, instilling skills and passing down the know-how of experienced operators.
Risks, Opportunities and the Value Chain

Sports Business

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
- Strengthening efforts towards enhancement of "DUNLOP" brand value and expanding the effect to the entire Sumitomo Rubber Group to generate synergies

Strengths
- Providing products and services that are backed and differentiated by superior technical development capabilities, such as the utilization of state-of-the-art supercomputers
- Building brands and product appeal that have been refined at the most elite professional tour tournaments
- Practicing marketing that is thoroughly based on user needs and the global market capabilities to support that
- Expanding business opportunities following the acquisition of trademark rights to the "DUNLOP" brand throughout the world

Risks
- A cautious consumer sentiment regarding spending for recreational activities due to a lingering sense of future anxiety amid economic instability induced by the COVID-19 pandemic
- Jump in the price of raw materials
- Deterioration in the outdoor sporting environment due to higher temperatures and other negative consequences resulting from climate change

Initiatives Undertaken by the Sumitomo Rubber Group
- Developing & promoting sales of advanced products
- Expanding our Sports Business globally (Golf and Racket Sports Business)
- Developing products with even smaller environmental footprints by, for example, reducing the volume of plastics used in packaging and other materials
- Strengthening efforts towards the enhancement of "DUNLOP" brand value and expanding the effect to the entire Sumitomo Rubber Group to generate synergies
- Meeting growing demand for digital-driven services and products

Industrial Products Business

Management Issues
- Enhancing research and development systems for high-value added products in terms of quality and functionality
- Accelerating efforts to seize growth opportunities in European and U.S. markets, in addition to maintaining conventional businesses centered in Japan and other Asian countries
- Constantly optimizing our business portfolio in line with changes in society

Strengths
- Maintaining a broad range of market contact points, particularly in business fields like infrastructure, disaster risk countermeasures, and healthcare that have strong affinity with our policy of contributing to society
- Expanding the headquarters for the Rubber Parts for Medical Applications Business to Europe in 2020, building a global business framework to serve growth markets

Risks
- Enhancing research and development systems based on rubber technology for the creation of high-value added products in terms of quality and functionality
- Constantly optimizing our business portfolio in line with changes in society
- Exploring new business fields that will better position us to meet future needs by fully taking advantage of the diverse resources afforded us by the Sumitomo Rubber Group’s wide-ranging operations
- Developing environmentally friendly products that, for example, use alternatives for organic solvents and incorporate biologically derived raw materials

Initiatives Undertaken by the Sumitomo Rubber Group
- Raising awareness of health and fitness among citizens as the health-conscious millennial generation gains greater purchasing power
- 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 diversity of value and potential to be found in sports so as to further enrich the customer’s sporting life
- Broadening the scope of operations to include AI- and IoT-based services aimed at assisting sporting activities

Current Status of and Initiatives Undertaken by Our Value Chain

Recognition of the Current Environment
- In step with such trends as growing public awareness regarding sustainability, contributing to social sustainability through business activities is more important than ever. This includes the implementation of countermeasures against the pandemic. Given these circumstances, we deem it essential to accurately identify business fields and product development themes deserving our focus.

Product Development
- Developing high-performance products sensitively designed to appeal to and help users feel a greater sense of joy in sports
- Developing products with even smaller environmental footprints, to this end enhancing product durability, developing biomass materials and incorporating recycled and other sustainable raw materials
- Procurement/Production/Supply
- Reducing the volume of plastics used by abolishing plastic lids for a portion of tennis ball packaging tubes
- Promoting energy-saving initiatives at factories and wellness business bases

Sales/Services
- Accelerating initiatives to enhance the value of the "DUNLOP" brand in the golf business
- Ensuring the safe operation of sports gyms and the stable provision of wellness services designed to help senior citizens avoid the need for nursing care, with COVID-19 infection countermeasures thoroughly in place for these operations

Initiatives Undertaken by the Sumitomo Rubber Group
- We have positioned rubber parts for medical applications and vibration control dampers as priority operations requiring our constant focus as the former helps accommodate medical needs, while the latter contributes to countermeasures against earthquake, typhoons and other natural disasters. We will strive to expand these operations on a global basis.
- In the infrastructure business, we are currently engaged in testing to curb the dispersion of microplastics* from artificial turf for sporting facilities. This testing is a pioneering project of its kind in the industry and is being conducted at public facilities in collaboration with the Ministry of the Environment and local governments.

*Small plastic pieces less than five millimeters in length
More Drive, More Joy

The Sumitomo Rubber Group manufactures and sells tires for use in various scenes of daily life throughout society, including tires for passenger cars, industrial vehicles, trucks, buses, motorcycles and more.

A Three-Pronged Approach to Pioneering a New Era of Mobility

With an eye toward the rise of CASE and MaaS, the Sumitomo Rubber Group is ramping up its efforts to harness our unique strengths to respond to the dawn of a New Era of Mobility through a three-pronged approach.

Our first approach is our ongoing efforts to develop tires that provide second-to-none performance for electric vehicles (EVs). In 2022, we became the first in our industry to release replacement tires designed specifically for EVs with the launch of a SPORT MAXX in China. Available in 17 sizes at launch, e. SPORT MAXX not only provides balanced high performance in terms of wet grip and steering stability, but also features our proprietary SILENT CORE, which equips tires with specialized noise-absorbing sponges to provide the quiet drive that EV users demand. The Sumitomo Rubber Group was the first tire manufacturer in the world to pioneer this innovative technology, which has been installed in some 14 million tires sold to date. Since it was first announced in February 2022, e. SPORT MAXX has received a great deal of interest from up-and-coming Chinese EV manufacturers, and we are looking to leverage our growing foothold in the replacement EV tire market to accelerate the expansion of our market share among Chinese OE as well.

We are also planning to release our first replacement EV tires for the European market with the 2023 launch of FALKEN e. ZIEX. In the leadup to its launch, we unveiled e. ZIEX for the first time at a major event. At the same time, we will continue to expand our product lineup, entering the replacement EV tire market to accelerate the expansion of our business profit in the replacement EV tire market to accelerate the expansion of our business profit in the replacement EV tire market to accelerate the expansion of our business profit in the replacement EV tire market.
Sports Business

Enriching the Sporting Lives

Drawing upon the full range of our advanced technical capabilities, the Sumitomo Rubber Group continually strives to enrich customers’ sporting lives. In addition to providing high-performance golf clubs, tennis rackets and other sporting gear designed for ease of use by athletes of all stripes, we also operate a chain of fitness clubs as well as golf clubs and tennis schools. Backed by the know-how that we have accumulated through our Fitness Business, we have recently expanded our business to include nursing facilities and preventive care facilities as well.

In this way, our Sports Business is actively engaged in various business activities that support both physical and mental health for our many customers on a day-to-day basis.

In addition, we also host golf tournaments and operate golf courses.

Raising the Bar for Global Brand Strength toward Greater Growth

Booming Business in North America: The Culmination of Our Efforts to Date

All of our efforts to date paid off in a big way in 2021, when our Sports Business achieved a V-shaped recovery as markets recovered from the worst effects of the pandemic. Market growth was particularly strong in the United States, where social distancing created renewed interest in golf as a sport that could be enjoyed safely, which further bolstered the nascent recovery that drove our sales revenue up by 79% compared with 2020.

In our Golf Business, we have spent the last several years thoroughly revamping our product development infrastructure in Japan and the United States. We have been shifting the creative side of product development to our bases in the United States with an eye toward developing products that feature designs and brand stories optimized for the U.S. market. In 2021, these efforts paid off for us in a big way with the launch of our SRIXON ZX Series and our Cleveland RTX ZIPCORE Wedges, both of which were a smash hit in the United States.

In our Tennis Business, the recovery that drove our sales revenue up by 70% compared with 2020. Our Tennis Business has also been hard at work on securing sales of tennis rackets and balls.

Four separate factors came together to make these products smash hits. The first factor was the product development infrastructure that we have put in place. With our ZX Series, after we poured everything that we knew about into making our products, we were able to make higher initial ball speed a reality.

The second factor was our sales promotion strategy, which placed pro players with whom we have sponsorship deals front and center in order to enhance our brand image among customers and retailers alike. Hideki Matsuyama’s historic win in the 2021 Masters Tournament went a long way toward creating buzz, as did the fact that Brooks Koepka had been using our clubs of his choice for years before signing a sponsorship deal.

The third factor was our distribution strategy. We have two main distribution channels for golf gear: on-course (i.e., sales at golf courses) and off-course (i.e., sales at normal retailers). In the U.S. market, on-course sales make up a relatively large portion of overall sales compared with other markets. To date, we have taken numerous steps to capture the on-course market segment in the United States. Bolstered further by our outstanding products and a string of victories by sponsored pro golfers, these efforts have led to an enormous increase in on-course sales.

The fourth factor was our supply chain structure as well as the work of a dedicated team that is active across multiple organizations. As the market began to rapidly recover after contracting at the outset of the pandemic, the entire golf industry found itself faced with shortages of grips and other key parts. I believe that our increased market share is the result of our success in responding to these shortages in a timely manner, which involved not only securing parts but also finding alternate parts to make up for shortages of certain parts that we could not secure.

Expanding Our Racket Business Backed by a Steady Supply of Quality Tennis Balls

Our Tennis Business has also been hard at work on securing sales expansion, with our specialty tennis balls leading the way. In terms of tennis ball sales, our net sales grew 1.3 times, 1.0 times and 1.4 times, respectively, in Japan, the United States and Europe.

Sponsorship deals with pro tennis players have a major impact when it comes to promoting sales of tennis rackets. Accordingly, we have put much time and effort into sealing deals with major tennis pros. Meanwhile, we are making positive steps toward finding and cultivating bright young stars who have the potential to become the top pros of tomorrow. In 2018, we entered into an agreement with IMI Tennis Academy, which has produced many of the top tennis players in the world today. In 2019, we followed this up with the signing of an agreement with Mouratoglou Tennis Academy, which is one of the largest tennis academies in Europe.

A Japanese Golf & Tennis Gear Maker with a Global Reach

The Sumitomo Rubber Group started out in 1909 as the Far East factory of a British tire manufacturer named DUNLOP. In spite of our roots, for many years, we lacked the rights to sell sporting goods under the DUNLOP Brand outside of Japan. Takeon and South Korea. This all changed when we acquired the global trademark rights in 2017, which allowed our Sports Business to use the DUNLOP Brand worldwide. This provides us with a unique opportunity that has been over a century in the making, and we fully intend to make the most of this chance to expand our global Sports Business.

Supporting Top-Tier Wheelchair Tennis Players around the World

The Sumitomo Rubber Group maintains tennis equipment sponsorship agreements with top-tier wheelchair tennis players around the world, helping to further increase the popularity of tennis as a competitive sport. Through these agreements, we have supported Yui Kamiji, a champion female wheelchair tennis player who represents Japan, as well as Koji Sugeno, a leading quad category player. Overseas, we support Ariane Van Koot and Tom Egberink, both from the Netherlands, among other players who compete in Grand Slam and other world-class elite tournaments.

Enriching the Sporting Lives

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Expanding Our Racket Business Backed by a Steady Supply of Quality Tennis Balls

Our Tennis Business has also been hard at work on securing sales expansion, with our specialty tennis balls leading the way. In terms of tennis ball sales, our net sales grew 1.3 times, 1.0 times and 1.4 times, respectively, in Japan, the United States and Europe.

Sponsorship deals with pro tennis players have a major impact when it comes to promoting sales of tennis rackets. Accordingly, we have put much time and effort into sealing deals with major tennis pros. Meanwhile, we are making positive steps toward finding and cultivating bright young stars who have the potential to become the top pros of tomorrow. In 2018, we entered into an agreement with IMI Tennis Academy, which has produced many of the top tennis players in the world today. In 2019, we followed this up with the signing of an agreement with Mouratoglou Tennis Academy, which is one of the largest tennis academies in Europe.

A Japanese Golf & Tennis Gear Maker with a Global Reach

The Sumitomo Rubber Group started out in 1909 as the Far East factory of a British tire manufacturer named DUNLOP. In spite of our roots, for many years, we lacked the rights to sell sporting goods under the DUNLOP Brand outside of Japan. Takeon and South Korea. This all changed when we acquired the global trademark rights in 2017, which allowed our Sports Business to use the DUNLOP Brand worldwide. This provides us with a unique opportunity that has been over a century in the making, and we fully intend to make the most of this chance to expand our global Sports Business.

Supporting Top-Tier Wheelchair Tennis Players around the World

The Sumitomo Rubber Group maintains tennis equipment sponsorship agreements with top-tier wheelchair tennis players around the world, helping to further increase the popularity of tennis as a competitive sport. Through these agreements, we have supported Yui Kamiji, a champion female wheelchair tennis player who represents Japan, as well as Koji Sugeno, a leading quad category player. Overseas, we support Ariane Van Koot and Tom Egberink, both from the Netherlands, among other players who compete in Grand Slam and other world-class elite tournaments.
Creating Value throughout the Sumitomo Rubber Group

Business Overview

Industries

Products & Services

Business

Contributing to Safety, Peace of Mind & Comfort for Communities

The Sumitomo Rubber Group manufactures a wide range of industrial products that take full advantage of the numerous advanced rubber technologies that we have accumulated throughout our history. Having continuously expanded our business into various new fields in response to the growing needs of society, we now produce everything from industrial infrastructure to medical supplies, healthcare goods and daily necessities. Now more than ever before, the world is taking a keen interest in the myriad possibilities of our advanced technologies.

Our Industrial Products Business falls under the jurisdiction of our Hybrid Rubber Products HQ.

Products & Services to Achieve Sustainable Growth while Protecting Both Industry & Daily Life

Masahiro Tsuzuki
Head of the Hybrid Rubber Products HQ

Remarks on Assumption Post as Head of HQ

I was appointed to head the Hybrid Rubber Products HQ in January 2022. One of my favorite phrases has always been “Win-Win-Win,” and so I feel that it is my mission to build mutually beneficial relationships with all of our stakeholders, including customers, employees, suppliers, shareholders and society at large.

I have been with the Sumitomo Rubber Group for over 20 years now and have spent much of my career to date in the Tire Business. As a member of the Corporate Management Planning & Administrative Department, I spent the last two years working as a leader on the "Rike the Change" Project. In addition to providing the assistance that could contribute to community development as well as everyday life, the Hybrid Rubber Products HQ also boasts numerous products that are No. 1 in their respective fields. One thing that these products have in common is that they all serve to "Protect." Our business protects everything from general health to life and limb as well as mobility, industrial infrastructure, daily life and even culture. Being a part of all of this not only makes my work all the more worthwhile but also gives me a strong sense of pride in what we do.

Harnessing the Expertise of Each Business Team to Take on the Challenges of Creating New Value

For infrastructure products with new needs, the Hybrid Rubber Products HQ provides numerous products and services useful to society at large, and we also need to develop new strategies for each individual product and service while taking into account their diverse characteristics and life cycles. The key here is to develop the best possible products and services. Accordingly, we have adopted a business team system with a dedicated business team providing every aspect of business for each product line. These business teams are tasked with precisely assessing customer needs in a timely manner and then creating products and services that fully meet those needs. Central to these efforts are opportunities to come up with new ideas while drawing upon the strength of our diversity.

Whether ending in success or failure, every case study from our past adds to our store of know-how. Thus, we are currently working to create mechanisms to promote reciprocal information sharing and mutual support among business teams so that this invaluable know-how will not remain confined to a few individuals. The Hybrid Rubber Products HQ is also working to create an environment where our business team system provides us with the best possible products and services. Here, I introduce a few examples of what our business teams are doing.

Here, I introduce a few examples of what our business teams are doing.

I hope to forge stronger connections across business teams while promoting reciprocal information sharing and mutual support among our store of know-how. Thus, we are currently working to create mechanisms to promote reciprocal information sharing and mutual support among our store of know-how. Thus, we are currently working to create mechanisms to promote reciprocal information sharing and mutual support among business teams.

In tandem with the whole Sumitomo Rubber Group, the Hybrid Rubber Products HQ is also working to contribute to building an efficient business environment through active efforts to achieve carbon neutrality while manufacturing and handling products.

*Small pieces of plastic that have a diameter of no more than 5mm.

- Rubber parts for medical applications
- Rubber gloves

Rubber parts for medical applications

Rubber gloves

Vibration control dampers

Rubber parts for office equipment

Results of Operations / Major Indicators

<table>
<thead>
<tr>
<th>Sales Revenue</th>
<th>Business Profit* (Ratio)</th>
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</thead>
<tbody>
<tr>
<td>Billion</td>
<td>Billion</td>
</tr>
<tr>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>39.6</td>
<td>Down 2.8% YOY</td>
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<tr>
<td>39.6</td>
<td>41.1</td>
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<tr>
<td>39.6</td>
<td>40.7</td>
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<tr>
<td>39.6</td>
<td>41.0</td>
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<tr>
<td>39.6</td>
<td>39.6</td>
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<tr>
<td>2021</td>
<td>Forecast</td>
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<tr>
<td>41.1</td>
<td>41.1</td>
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<td>41.1</td>
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</tbody>
</table>

*Business profit = Sales revenue – (Cost of sales + Selling, general and administrative expenses)
Note: Operating results include the Other Business.

Sales Trends

Celebrating the 50th Anniversary of the Kagokawa Factory, the Industrial Products Business’s Mother Factory

Recently, we celebrated the 50th anniversary of the commencement of operations at the Kagokawa Factory, the Industrial Products Business’s mother factory. We would like to acknowledge the numerous stakeholders who have contributed to the operation of this basis since its launch in 1972 and hereby express our deepest gratitude for their understanding and support. Having started out as a small factory manufacturing the factory has striven to aim in step with changes in the market environment and customers, thereby contributing to the development of our Industrial Products Business. With an eye to the next 50 years, the Kagokawa Factory will continue to take on new challenges in pursuit of further growth.

The production of this item has terminated.

Topics

Creating Value throughout the Sumitomo Rubber Group

Integrated Report 2022

Integrated Report 2022
Identifying Priority Issues to Be Addressed under “GENKI” Sustainability Activity Guidelines

The Sumitomo Rubber Group has identified priority issues that must be addressed in the interests of both our various stakeholders and ourselves. We address such issues based on a framework defined under our unique “GENKI” Sustainability Activity Guidelines.

Our “GENKI” activities date back to 1988, when employee volunteers first launched community contribution projects to help realize a society in which everyone can thrive. Such activities continue into the present day.

The “GENKI” Sustainability Activity Guidelines originated from the CSR Guidelines we established in 2008. Since then, we have continuously upgraded these guidelines so that we can keep on helping to energize society through our corporate activities.

Methodologies Used to Identify Priority Issues

- We identified issues with reference to the requirements of the “GRI Guidelines (G4)”* and based on a survey of various stakeholders.
- Selecting and determining priority items in terms of “Important Issues for Stakeholders” and “Important Issues for the Sumitomo Rubber Group” based on the survey results and in light of the “GENKI 5 Key Areas.”

Important Issues for the Sumitomo Rubber Group

18 Indicators for Priority Issues Included in the “GENKI” Sustainability Activity Guidelines

<table>
<thead>
<tr>
<th>Source</th>
<th>Priority Issues</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>G</td>
<td>Enhancing corporate governance</td>
<td>• Ensuring thorough compliance&lt;br&gt; • Promoting dialogue with stakeholders&lt;br&gt; • Supply chain management</td>
</tr>
<tr>
<td>E</td>
<td>Creating a low-carbon society</td>
<td>• Building a recycling-oriented society&lt;br&gt; • Promoting environmental footprint management&lt;br&gt; • Implementing global environmental management&lt;br&gt; • Helping to curb global warming through tree planting&lt;br&gt; • Preserving biodiversity</td>
</tr>
<tr>
<td>N</td>
<td>Developing environmentally friendly products</td>
<td>• Pursing “safety and comfort,” “economy” and “quality”&lt;br&gt; • Promoting diversity &amp; inclusion</td>
</tr>
<tr>
<td>K</td>
<td>Fostering human resource development and making work rewarding</td>
<td>• Creating a safe, employee-friendly workplace&lt;br&gt; • Promoting diversity &amp; inclusion&lt;br&gt; • Respect for human rights</td>
</tr>
<tr>
<td>S</td>
<td>Promoting social contribution activities</td>
<td>• Fostering better relationships with local communities through tree planting&lt;br&gt; • Promoting “GENKI” volunteer activities undertaken by employees</td>
</tr>
</tbody>
</table>

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

“GENKI” Sustainability Activity Guidelines


Priority issues have thus been identified and incorporated into our framework for “GENKI” sustainability activities to promote initiatives that address each item. We present an overview and the outcomes of these activities on subsequent pages.
Management Approach

The Sumitomo Rubber Group considers the enhancement of corporate governance to be one of its major management objectives. Accordingly, we are pursuing a variety of initiatives to strengthen the relationship of trust between us and society and improve our operations in terms of fairness and transparency. In addition, we maintain robust communications with stakeholders to ensure that we stay keenly aware of the responsibilities we are called on to fulfill and other stakeholder expectations. The input gleaned from these communications is reflected in our business activities as we aim to remain a company deserving of the trust of all stakeholders.

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. 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 the rights of shareholders and other stakeholders and ensures fair and objective decision-making.
2. Strengthen the relationship of trust between us and society and promote the disclosure of accurate and timely information.
3. 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.
4. Endeavor to achieve the sustainable improvement of corporate value via engagement in shareholder dialogue.
5. Strive to improve corporate value via sound collaboration with a broad range of stakeholders.

Corporate Governance Structure

The above-mentioned corporate governance includes the following five basic perspectives:

1. “Our Philosophy” / Corporate Code of Conduct
2. Board of Directors
3. Nomination and Remuneration Committee
4. Corporate Ethics Committee
5. Sustainability Promotion Committee

Reasons for Adopting the Current Corporate Governance Structure

We adopted a Company with an Audit & Supervisory Board governance system and consider the audit functions the Audit & Supervisory Board Members and, executive directors and determines matters of managerial importance while supervising the Board of 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 2021, the Board met 14 times, and the attendance record of the Outside Directors was 100%. In addition, we have established the Management Meeting and delegated to it authority regarding structuring 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.

The nomination of Director candidates takes into consideration their ability to contribute to the sustainable enhancement of the Company’s corporate value, and includes such factors as how their inclusion would help ensure effective corporate governance and the diversity of board members in terms of knowledge, experience and other competencies based on the skill matrix.

In fiscal 2021, the committee met three times and discussed various issues regarding nominations (training success, nomination of officers, etc.) and remuneration (introduction of incentives and stock-based remuneration linked to medium- to 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 2021.

The Sustainability Promotion Committee meets twice a year to ensure that members share a common recognition of priority issues to be tackled around the globe through sustainability activities, including environmental, social and governance (ESG) matters and to align the Group’s activities with those of its stakeholders. With the officer in charge of ESG (Executive Vice President) serving as the committee chair, the committee includes officers responsible for relevant departments and is also attended by the President.

The President serves as the committee chair, the committee consists of the officers in charge of supervising business functions and departments responsible for administration, design, and development; production; and sales. The two Standing Audit & Supervisory Board Members attend as observers.
Integrated Report 2022

Reasons for the Selection of Independent Outside Directors

Name

Keiyo Kosaka

Naoki Okawa

Keiko Kosaka

Kenji Murakami

Morihito Murata

Asli M. Colpan

Hirofumi Yasuhara

Reasons for selection

Keiyo Kosaka

Mr. Keiyo Kosaka, making full use of the abundant knowledge as a lawyer with expertise in corporate legal affairs, has provided the Company with invaluable opinions on legal matters in situations from an objective point of view as one of our Outside Directors. The Company concluded that Mr. Kosaka is not at risk of conflict of interest with general shareholders and thus appointed him based on his judgment that his continued provision of opinions and suggestions as an Outside Director will help improve the Company's corporate governance.

Naoki Okawa

Mr. Naoki Okawa, having extensive experience in financial affairs and having been the President of the Ministry of Finance, has provided the Company with invaluable opinions in situations from an objective point of view as an Outside Director. The Company concluded that Mr. Okawa is not at risk of having a conflict of interest with general shareholders and thus appointed him based on his judgment that his continued provision of opinions and suggestions as an Outside Director will help improve the Company's corporate governance.

Keiko Kosaka

Mr. Keiko Kosaka has served as Director and General Manager of the Information Protection Commission (the Ministry of Internal Affairs and Communications), where he gained extensive experience and treated the issue of personal information protection. Furthermore, he has a broad range of expertise on personal information protection, which he has acquired as a Director and General Manager of the Information Protection Commission. Therefore, the Company concluded that Mr. Kosaka is not at risk of having a conflict of interest with general shareholders and thus appointed him based on his judgment that his continued provision of opinions and suggestions as an Outside Director will help improve the Company's corporate governance.

Kenji Murakami

Mr. Kenji Murakami has served as a Director at the Ministry of Economy, Trade and Industry, where he has extensive experience dealing with major issues such as those relating to energy and the environment, and thus appointed him based on his judgment that his continued provision of opinions and suggestions as an Outside Director will help improve the Company's corporate governance.

Morihito Murata

Mr. Morihito Murata has held important positions at the Ministry of Finance and has also been a governor of the Bank of Japan, as well as having extensive experience in political and policy-making and public relations in the Ministry of Finance.

Asli M. Colpan

Ms. Asli M. Colpan has extensive knowledge in corporate management based on her academic professional knowledge and practical experience in strategic management and corporate governance as well as practical experience of corporate management as a Director of GUEMUT KAGAKU CO., LTD. and Nitto Denko Corp. She is currently serving as a director of our Company. Therefore, the Company concluded that Ms. Colpan is not at risk of having a conflict of interest with general shareholders and that her continued provision of opinions and suggestions as an Outside Director would contribute to the reinforcement of its audit system.

Hirofumi Yasuhara

Mr. Hirofumi Yasuhara has ample knowledge of corporate management, with experience in corporate management as a Director, Representative Director, President of Panasonic Corporation (incorporated Panasonics Hikoki Co., Ltd.) as well as executive vice president of our Company. Therefore, the Company concluded that Mr. Yasuhara is not at risk of having a conflict of interest with general shareholders and that her continued provision of opinions and suggestions as an Outside Director would contribute to the reinforcement of its audit system.
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 Company's Board of Directors includes two women and one foreign national, who together make its composition diverse. Moreover, the Board of Directors boasts an overall membership with a well-balanced skill set.

**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. We also hold guidance briefings for newly appointed internal Directors, with external specialists serving as lecturers, to help these individuals acquire essential knowledge as Directors. Furthermore, we provide individual briefings with brief topics such as the Sumitomo Rubber Group’s latest business outlook, 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.

**Board of Directors’ Measures to Enhance Effectiveness**

**Fiscal 2016 to 2020**

- **Evaluation methods**
  - Questionnaires were prepared by an external assessment firm (an independent third party), which sent out questionnaires targeting all 12 Directors and all five Audit & Supervisory Board Board Members. Based on the questionnaire results, interviews were conducted with each individual. Feedback gleaned through the questionnaires and interviews was assessed and examined by the above assessment firm, which compiled a report that was submitted to and discussed at a Board of Directors meeting held in December 2021.

- **Evaluation results**
  - The Company’s Board of Directors is equipped with strengths listed below, and it was confirmed that the overall effectiveness of its operations is robust.

- **Board of Directors’ strengths**
  - Enhanced information sharing involving outside directors
    - In addition to holding Board of Directors meetings, the Board sets aside a time for information sharing to ensure that members are updated on decisions made by the Board and the status of discussions at the Management Meetings. These practices create valuable opportunities for outside officers to obtain all the information needed to engage in effective decision making at Board of Directors meetings.

- **Securing diversity**
  - The Company’s Board of Directors includes two women and one foreign national, who together make its composition diverse. Moreover, the Board of Directors boasts an overall membership with a well-balanced skill set.

- **Future initiatives**
  - While leveraging the above strengths, the Board of Directors will take a more selective approach to tabling agenda items in order to concentrate on discussions of important matters related to corporate management. Moreover, with regard to agenda items that require in-depth discussion, the Board will secure opportunities for free exchanges of opinion outside formal Board of Directors meetings. In these ways, the Board of Directors will enhance the effectiveness of its operations and thereby contribute to further improvement in corporate value.

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### 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 based on their questions about said items. Also, the content of discussions at the Management Meeting is shared with the above individuals. With regard to decision making on management matters of particular importance and requiring discussion at the Board of Directors, Executive Officers in charge of such matters occasionally provide prior briefings on the outline of agenda items. These are but a few examples of our initiatives to enhance the content of discussions undertaken by the Board of Directors.

**Main topics of discussion at Board of Directors meetings in 2021 (agenda items)**

- Tangible issues confronting each executive department and the status of responses
- Response going forward in light of the results of the questionnaire on the effectiveness of the Board of Directors
- Status of the Risk Management Committees, Corporate Ethics Committees and Sustainability Committee
- Disposal of a portion of cross-shareholdings

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### Board of Directors’ Measures to Enhance Effectiveness

**Fiscal 2021**

- **Evaluation methods**
  - Questionnaire items were prepared by an external assessment firm (an independent third party), which sent out questionnaires targeting all 12 Directors and all five Audit & Supervisory Board Board Members. Based on the questionnaire results, interviews were conducted with each individual. Feedback gleaned through the questionnaires and interviews was assessed and examined by the above assessment firm, which compiled a report that was submitted to and discussed at a Board of Directors meeting held in December 2021.

- **Evaluation results**
  - The Company’s Board of Directors is equipped with strengths listed below, and it was confirmed that the overall effectiveness of its operations is robust.

- **Board of Directors’ strengths**
  - Enhanced information sharing involving outside directors
    - In addition to holding Board of Directors meetings, the Board sets aside a time for information sharing to ensure that members are updated on decisions made by the Board and the status of discussions at the Management Meetings. These practices create valuable opportunities for outside officers to obtain all the information needed to engage in effective decision making at Board of Directors meetings.

- **Securing diversity**
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- **Future initiatives**
  - While leveraging the above strengths, the Board of Directors will take a more selective approach to tabling agenda items in order to concentrate on discussions of important matters related to corporate management. Moreover, with regard to agenda items that require in-depth discussion, the Board will secure opportunities for free exchanges of opinion outside formal Board of Directors meetings. In these ways, the Board of Directors will enhance the effectiveness of its operations and thereby contribute to further improvement in corporate value.

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Current position at the Company</th>
<th>Manufacturing and technology</th>
<th>International business</th>
<th>Sales and marketing</th>
<th>Legal affairs and governance</th>
<th>Strategic planning and accounting</th>
<th>Board of Directors</th>
<th>Audit &amp; Supervisory Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ikki Ikeda</td>
<td>Chairman of the Board</td>
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<tr>
<td>Seiko Yamashe</td>
<td>Representative Director President</td>
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<tr>
<td>Kazu Kinoshita</td>
<td>Director (Managing Executive Officer)</td>
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<td>Hitotsubashi Futaguchi</td>
<td>Director (Managing Executive Officer)</td>
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<tr>
<td>Kiyohito Murata</td>
<td>Director (Senior Executive Officer)</td>
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<tr>
<td>Masayoshi Nishimura</td>
<td>Director (Senior Executive Officer)</td>
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<tr>
<td>Koichi Oikawa</td>
<td>Director (Senior Executive Officer)</td>
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<tr>
<td>Kaoru Koseki</td>
<td>Outside Director</td>
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<tr>
<td>Hidetaka Murooka</td>
<td>Outside Director</td>
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<td>Hiroshi Iba</td>
<td>Outside Director</td>
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<td>Mototaka Murata</td>
<td>Outside Director</td>
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<tr>
<td>Atsuhisa Luco</td>
<td>Outside Director</td>
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<tr>
<td>Yoshihisa Yahiiso</td>
<td>Supervisory Board Member</td>
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<tr>
<td>Akira Sato</td>
<td>Supervisory Board Member</td>
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</tbody>
</table>

**Note:** The above matrix does not fully describe the business experience and expertise possessed by each individual.

### Reasons for Adopting Skill Matrix Items

<table>
<thead>
<tr>
<th>Item</th>
<th>Reason for Adoption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate management and strategy</td>
<td>To deliver joy and well-being to customers, the Company’s Board of Directors must be supported by members equipped with a wealth of expertise in the cutting-edge technologies the Sumitomo Rubber Group has accumulated via an unflagging pursuit of technological innovation. The Board members are also expected to have skills and expertise related to the development of products that are in line with the times and trends and are meant to not only match the needs of the times but also to enhance the company’s standing.</td>
</tr>
<tr>
<td>Manufacturing and strategy</td>
<td>For the purpose of making products that are friendly to people and the environment to realize a sustainable society.</td>
</tr>
<tr>
<td>International business</td>
<td>To ensure the smooth operation of the Group with the skills and expertise that match the needs of the times and trends and are meant to not only match the needs of the times but also to enhance the company’s standing.</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>To create sales and production in line with the needs of the times and trends and are meant to not only match the needs of the times but also to enhance the company’s standing.</td>
</tr>
<tr>
<td>Legal affairs and governance</td>
<td>To ensure that Board members are equipped with the knowledge necessary to serve as members of a key decision-making body of a listed company.</td>
</tr>
<tr>
<td>Financial strategy and accounting</td>
<td>To ensure that Board members are equipped with the knowledge necessary to serve as members of a key decision-making body of a listed company.</td>
</tr>
</tbody>
</table>
Remuneration of Directors and Audit & Supervisory Board Members

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

Basic policy
With regard to the remuneration of officers (Directors and Executive Officers), the Company’s basic policy is to adapt a remuneration system that is linked to the interests of stakeholders (employees, shareholders, and society as a whole). The Company believes such a system can contribute to the achievement of the Company’s medium- to long-term business goals.

Specifically, remuneration for Directors (excluding Outside Directors) and Executive Officers is determined based on the company’s group’s financial performance and business results. Remuneration is composed of a basic salary, bonus, and stock-based remuneration.

Directors (excluding Outside Directors) and Executive Officers receive bonuses and stock-based remuneration in proportion to their positions. The amount of basic salary is determined in accordance with the principles set forth below.

Policy for the determination of composition of remuneration for individual recipients
With regard to the proportional composition of remuneration for Directors (excluding Outside Directors) and Executive Officers, the Company has concluded that the amount of basic salary is determined based on the recipient’s position, while the bonus and stock-based remuneration are determined based on the company’s overall business performance.

Directors (excluding Outside Directors) and Executive Officers’s positions are divided into three categories: Directors (excluding Outside Directors), Executive Officers, and Audit & Supervisory Board Members. Each category receives its remuneration in proportion to its position.

Policy for the determination of the amount and calculation methods for short-term performance-based remuneration
The Company selects business profit, profit attributable to owners of the parent company, and key targets within departments under his or her supervision, level of contribution to the formulation and implementation of said plans and revised as necessary in accordance with changes in the environment.

Basic salary is a fixed amount paid monthly and is determined based on each recipient’s position. The amount of basic salary is determined in accordance with the principles set forth below.

Details of remuneration for individual recipients in a manner that honors recipient’s contributions to the Company’s business and is in accordance with performance evaluation results.

Position Fixed remuneration (basic salary) Short-term performance-based remuneration (bonus) Medium- to long-term incentives (stock-based remuneration)
Directors (excluding Outside Directors) 10-90% 0-10% 0-15% 0-15%
Executive Officers 80-100% 0-20% 0-15% 0-15%
Audit & Supervisory Board Members 60-80% 0-20% 0-15% 0-15%

Matters related to the delegation of authority over the determination of remuneration
The resolution passed at the General Meeting of Shareholders on March 26, 2021.

3. Remuneration of Directors and Audit & Supervisory Board Members

(a) 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 members and their subsidiaries as defined by the Article 2, Paragraph 3 of the Companies Act.

As a guideline to continue to enhance its Internal Control System, the Company has determined to make an effort to make reform based on any proposal for the revision of the following matters by the Board of Directors:

(1) A system to preserve and manage information concerning the executive business of directors, such as documents on proposals or decisions, shall be recorded and managed appropriately in accordance with appropriate information technology functions and procedures.

The directors and Audit & Supervisory Board Members shall be permitted to view these records at all times.

(2) Rules concerning the risk management and other systems

Management and audit standards and implementation standards prescribed by the Financial Services Agency as well as to enhance systems to ensure adequate financial reporting by the Sumitomo Rubber Group.

(3) Establishment of a position to assist the duties of Audit & Supervisory Board Members

Audit & Supervisory Board Members shall be given opportunities to receive training and information programs conducted by the Company’s Audit & Supervisory Board.

(4) Systems 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 audit standards and implementation standards prescribed by the Financial Services Agency as well as to enhance systems to ensure adequate financial reporting by the Sumitomo Rubber Group.

(5) Other systems to ensure adequate financial reporting

Audit & Supervisory Board Members and to allow other reports to be made to such members"
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 Groupwide 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.

Main Initiatives in Fiscal 2021

In 2021, improvements in quality management were discovered at the Company’s Kakogawa Factory and its subsidiary in South Africa regarding inspections of rubber marine tenders produced by the former and tire production at the latter. In that fiscal year, we established a response committee to discuss how to address issues found at both sites while setting up a special investigation committee that includes external specialists to confirm the details of incidents. Having released the initial report on February 2020, to reinforce the foundations of our business to improve our organizational culture and the upholding of corporate ethics form the cornerstone of a business strategy and the insufficient practice of our quality management system. To address these issues, we have striven to determine the root causes and formulated countermeasures for such risks.

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 is in conformity with the Company’s Articles of Incorporation. Also, the internal audit committee, tasked with deliberating compliance issues, met 10 times. In addition to monitoring risk management systems, the committee performs ongoing reviews of internal control measures against compliance and risk management issues affecting the Group and ensures that the system is functioning effectively. In addition, we confirmed the President’s reporting that each case reported to the Corporate Ethics Hotline was properly handled.

In addition, each business division endeavored to raise corporate ethics awareness among its employees, by, for example, helping to improve understanding of the Group’s Corporate Code of Conduct and the “Sumitomo Business Philosophy” while hosting various corporate ethics lecture sessions.

Improperities in Quality Management and Measures to Prevent Recurrences

In 2021, improperities in quality management were discovered at the Company’s Kakogawa Factory and its subsidiary in South Africa regarding inspections of rubber marine tenders produced by the former and tire production at the latter. In response, we have striven to determine the root causes and formulated countermeasures for such risks.

Looking ahead, we will develop a more robust structure capable of keeping our BCPs up-to-date from the perspectives of ensuring the safety of employees and securing customer trust in our products.
The Company will conduct dialogue with shareholders with the aim of integrity in all our business activities so that we can earn the new stakeholders around the world. We strive to demonstrate regular communication with our stakeholders is indispensable and reflect such expectations in our business activities. To this end, Sustainability Management

As part of IR activities, the Company considers the opinions gleaned through dialogue with shareholders and prepares integrated reports to provide updates on the status of its business operations, ESG-based management and other relevant bodies engage in organic, cross-sectional coordination in order to support constructive dialogue with shareholders, including representatives and institutional investors.

As part of IR activities, the IR section of the Company’s Corporate Planning, General Affairs, Finance and Legal Affairs departments as well as the Sustainability Promotion Headquarters and other relevant bodies engage in organic, cross-sectional coordination in order to support constructive dialogue with shareholders, including representatives and institutional investors. In preparing materials and gathering information for the IR and procurement activities, the Company established the IR Office to promote strategic IR initiatives.

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).

In preparing materials and gathering information for the IR and procurement activities, the Company carries out surveys of the actual owners of its shares to determine the details of its shareholder composition and promote effective shareholder communications.

Sound Land-Management Relations

The Company and the Sumitomo Rubber Labor Union (which had 5,927 general members as of December 31, 2021, 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 productive 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 Wage 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 2021, this study group was responsible for such initiatives as the upward revision of on-call premiums and the relaxation of conditions for granting bereavement leave, special leave on the occasion of an employee’s spouse giving birth and special leave to those transferred to distant locations as well as the introduction of work-at-home allowances.

In fiscal 2022, we will continue our efforts to promote workstyle reforms, and move ahead with various activities, with labor and management continuing to work in cooperation.

Building Relationships with Customers

To prevent the occurrence of traffic accidents attributable to poor tire condition, for the 14 years since 2008 we have sponsored DUNLOP Nationwide Tire Safety Inspections. By the end of 2021, the cumulative total number of cars inspected surpassed 110,000.

In 2022, this inspection campaign, held throughout Japan at Tire Select stores, which are Dunlop tire outlets, started on April 8, designated as the “Tire Day” by the Japan Automobile Tyre Manufacturers Association, and lasted for 17 days. In this round of the campaign, we utilized an AI-based tire inspection tool employing smartphones. Specifically, using pictures taken by shop staff, this tool determines tire tread depth and areas of uneven wear on the tire surface, diagnosing tire condition on a three-grading scoring system. The customer can confirm the results online by scanning a QR code printed on the diagnosis card provided following the inspection. Looking ahead, we will continue to provide tire inspections so that our customers can enjoy safe and secure driving.

Contributing to Regional Communities

In January 2021, the Sumitomo Rubber Group updated the Procurement Guidelines as part of efforts to realize a sustainable society and has since distributed the updated guidelines to its all suppliers.

The updated version of the guidelines incorporates our Corporate Code of Conduct, which encompasses such matters as corporate, human rights, labor practices, occupational safety and hygiene, community contribution and environmental conservation. As we aim to build robust mutual partnerships with our suppliers, we also work with them to ensure that our guidelines are fully understood and tangibly practiced by their own suppliers.
Initiatives to Address Climate Change

We recognize that addressing risks and opportunities arising from climate change is an important management issue. In line with this recognition, we aim to implement appropriate counter-measures and, to this end, maintain the Sustainability Promotion Committee. Chaired by the President, this committee is taking a cross-departmental approach to the planning, implementation, and management of such countermeasures.

As part of these efforts, we publicly announced our support of the TCFD*1 recommendations in June 2021 (see page 29 for details). We have also clarified our commitment to the SBTI.*2

Implementing Global Environmental Management

Environmental preservation is one of the most important responsibilities that companies must fulfill within a global society. Demand for global companies to implement uniform environmental management throughout the world regardless of country or region is strong. As its accelerates its global expansion, the Sumitomo Rubber Group is focusing more than ever on promoting global environmental management.

ISO 14001 Global Multi-Site Certification

To further reduce the volume of purchased energy, plans call for introducing solar power generators at the aforementioned factories in the second half of fiscal 2022.

Launching Verification Testing Regarding the Utilization of Hydrogen

Tire manufacturing requires two types of energy: electric power and heat. Unlike electric power, for which renewable alternatives have become increasingly accessible, it is particularly difficult to obtain the heat used in tire manufacturing from a renewable energy source. Because of this, finding low-carbon methods to generate heat constitutes a major challenge that must be overcome to achieve carbon neutrality.

To address this challenge, in August 2021, we launched verification testing using hydrogen, which is expected to become a next-generation energy source free of CO2 emissions, as a project subsidized by the New Energy and Industrial Technology Development Organization (NEDO).

Specifically, we installed hydrogen-fired boilers at the Shikikawa Factory, Fukushima Prefecture, whose local government has taken proactive stances toward the utilization of hydrogen. Through the around-the-clock operation of these boilers, we aim to identify and develop solutions to such issues as controlling the volume of NOx emissions. In this way, we will evaluate the effectiveness of shifting boiler fuel to hydrogen.

In addition to these boilers, we will install solar panels at the factory, aiming to realize tires whose manufacturing process involves no CO2 emissions.

Shifting to Renewable Energy in Terms of Purchased Energy Used by Our Tire Factories in China

In January 2022, our Changshu factory and Hunan factory in China shifted all purchased energy to energy procured from renewable energy sources, with an eye to contributing to a carbon-neutral society. To this end, the volume of CO2 emissions from tire factories remains a focus. In fiscal 2022, we expect to decrease by approximately 70% compared to the fiscal 2021 level.
In fiscal 2021, we worked on optimizing the location of our production sites and reducing the number of products transported between warehouses. CO₂ emissions from transporting tires increased 12.4% from the previous fiscal year to 27.1 kt-CO₂, reflecting growth in overall cargo weight and greater transportation distances. The environmental impact indicator rose 3.9%.

In fiscal 2022, we will work to promote the loading of products at ports nearest to production sites as well as to improve the precision of demand forecasts.

Building a Recycling-Oriented Society

As a company certified under the “Eco-First Program” established by the Ministry of the Environment, we identified the three target items in March 2009. Currently, we are promoting initiatives to achieve renewed targets established in October 2017.

Creating a Low-Carbon Society

Due to fallout from the COVID-19 pandemic, the sales mix of our items in March 2009. Currently, we are promoting initiatives to achieve renewed targets established in October 2017.

CO₂ Emissions Reduction Activities at Production Bases

In fiscal 2021, CO₂ emissions from production activities at the Group’s factories in Japan increased by 42 kt-CO₂ to 278 kt-CO₂ from the previous fiscal year. This was largely attributable to growth in production volume and a failure of in-house generation. In addition, the environmental impact indicator of CO₂ emissions showed a 2.2% increase from the previous fiscal year.

In fiscal 2022, the Company will work to reduce CO₂ emissions by strengthening energy-saving activities and introducing renewable energy.

Note: Although no fiscal 2022 target for the environmental impact indicator of CO₂ emissions has been set, the reduction target for total emissions is set at 6%.

Reducing Waste Disposal*

As for the volume of waste disposal, in fiscal 2021 we saw improvement at our factories overseas but deterioration at our factories in Japan. The latter was primarily attributable to the unexpected suspension of our mainstay Shirakawa Factory’s operations in the wake of an earthquake in February 2021 off the coast of Fukushima Prefecture and the resulting generation of disaster debris.

*Waste disposal refers to the amount of waste diverted for the thermal/material cycle.
Sustainability Management

Environment  Social  Governance

**Water Usage Reduction**

In light of the global shortage of water resources, we work to reduce our water usage volume.

In 2021, total water usage at all Sumitomo Rubber Group factories increased 3.5% year on year, while the volume of wastewater grew 2.3% year on year. We will continue our ongoing efforts to counter these trends, pushing forward with water usage optimization in production processes at each base as well as measures that utilize the results of assessments based on the WRF Aqueduct Water Risk Atlas.

An exchange gathering attended by local residents

³) In Ehime Prefecture, striving to bring its natural environment back to life, Sumitomo Group companies have been engaged in tree planting efforts, in turn, helped by the Sumitomo Rubber Group.

**Initiatives to Preserve Biodiversity**

The Group is involved in conservation activities focused on endangered, near threatened and rare species (five species of animal and 15 species of plant), at all of its sites in Japan, consisting of six factories, the Head Office and the Tire Proving Ground. The Kako Ogawa Factory is engaged in transplanting "Fuchikama" (Eupatorium japonicum) cultivated in its grounds to Kakogawa River beds as well as providing this plant to neighboring corporations and cities. Meanwhile, the Ichijima Factory strives to preserve the great purple emperor (Sasakia charonda), a designated national butterfly, and the tiny Isach fish Luties echigonia (Cobitidae family). In 2020, the above butterfly was also found to be emerging successfully on the premises of the Okayama Tire Proving Ground. However, we did not see any new adults in 2021, and efforts are now underway to nurture the larvae and pupae until we see them emerging once again. In "Kobe Mount Rokko GENKI Forest," we began to take on the preservation and breeding of the bamboo By (Alam japonicum). Having successfully collected bulbs from native grown flowers, we intend to nurture seedlings in 2022.

**Promoting Environmental Footprint Management**

**Efforts to Reduce Organic Solvent Use**

We strive to reduce emissions of VOCs (volatile organic compounds). In fiscal 2021, there was an increase in the total amount of VOCs emitted due to growth in production volume. On the other hand, the environmental impact indicator improved. In fiscal 2022, we will promote a switch to VOC-free products to reduce the emissions of VOCs.

**Initiatives to Address Odor-Related Problems**

We are proactively taking on initiatives to improve odor-related problems. Specifically, our two factories in China (Changzhou and Hunan) are driving to develop novel deodorizing technologies while introducing Regenerative Thermal Oxidizer (RTO), with the aim of cutting odors arising from the rubber kneading and curing processes. These factories are also actively interacting with local residents, with all employees working to create a factory liked by fellow community members.

**Forestation Activities to Help Curb Global Warming**

**The Ichijima Factory Wins the “Prime Minister’s Award as a Contributor to Greening Promotion”**

The Ichijima Factory has proactively worked to develop a mixed forest comprising both coniferous trees and broadleaf trees from the perspective of protecting biodiversity. To this end, the factory has been working to preserve this native forest that exists on its premises. At the same time, the factory has been active in protecting rare species living on its premises. For example, in efforts to protect the great purple emperor (Sasakia charonda), butterflies data back to 2007, when staff began to cultivate Chinese handkerchief (Cotinus sinensis) trees to feed the butterfly’s larvae. In 2011, staff then manufactured a cage to protect the pupae until emergence. Once the butterflies began breeding, the factory started to invite children from neighboring kindergartens to observe them every year. In addition, the factory’s premises have been approved by the local government as a habitat area for species such as "Fujibakama" (Kakogawa Factory is engaged in transplanting "Fuchikama" (Eupatorium japonicum) cultivated in its grounds to Kakogawa River beds as well as providing this plant to neighboring corporations and cities. Meanwhile, the Ichijima Factory strives to preserve the great purple emperor (Sasakia charonda), a designated national butterfly, and the tiny Isach fish Luties echigonia (Cobitidae family). In 2020, the above butterfly was also found to be emerging successfully on the premises of the Okayama Tire Proving Ground. However, we did not see any new adults in 2021, and efforts are now underway to nurture the larvae and pupae until we see them emerging once again. In “Kobe Mount Rokko GENKI Forest,” we began to take on the preservation and breeding of the bamboo By (Alam japonicum). Having successfully collected bulbs from native grown flowers, we intend to nurture seedlings in 2022.

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**A Plan for Developing Satoyama around the Okayama Tire Proving Ground**

The Okayama Tire Proving Ground participates in the Forest Development Project in Tandem with Business Corporations led by Okayama Prefecture. As part of this project, since 2009 we have been engaged in the development of “Ohashi Kogen GENKI Forest” in Miminaka City, having developed a thriving forest that fulfills the project’s initial objectives, we concluded the above activities in 2020, shifting our focus to developing untouched forest within the premises of the proving ground. In 2021, we removed unnecessary trees that had been found to make forest excessively dense, and thus secured paths in the forest. Targeting 2030, we aim to transform this forest, which has been dark and overly cluttered with a dense population of trees and choking undergrowth, into a sunny and refreshing forest populated with a variety of vegetation and booming biodiversity. Moreover, the Okayama Tire Proving Ground is taking on the reduction of waste emissions, energy-saving activities, a shift to eco-friendly fuel, the introduction of cogeneration and the promotion of the 3Rs (reduce, reuse and recycle). Along with these endeavors, we will continue to pursue the reduction of CO2 emissions through forest development.

**Initiatives in Greening Activities Overseas**

In 2021, we planted a total of 3,179 trees and provided 7,440 seedlings. In addition, 15,000 trees were planted in Indonesia through the “Team ENASAVE Green Project,” wherein mangrove seedlings are also distributed to various regional organizations participate.

**Greening Initiatives Overseas**

In order to protect biodiversity, we plant only seedlings grown from seeds gathered in the target area. Although our 2021 activities were somewhat restricted due to the need to prevent the risk of COVID-19 infection, we planted a total of 708 trees. Our forestation activities also include cutting back weeds, removing unnecessary trees and other tasks for ongoing forest maintenance.

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 collaborative activities in which employees, families, friends, local residents and regional organizations participate.

**Greening Initiatives in Malaysia**

We are taking on the reduction of waste emissions, energy-saving activities, a shift to eco-friendly fuel, the introduction of cogeneration and the promotion of the 3Rs (reduce, reuse and recycle). Along with these endeavors, we will continue to pursue the reduction of CO2 emissions through forest development.

**Initiatives to Address Odor-Related Problems**

We are proactively taking on initiatives to improve odor-related problems. Specifically, our two factories in China (Changzhou and Hunan) are driving to develop novel deodorizing technologies while introducing Regenerative Thermal Oxidizer (RTO), with the aim of cutting odors arising from the rubber kneading and curing processes. These factories are also actively interacting with local residents, with all employees working to create a factory liked by fellow community members.
Next-Generation Products & Solutions

Management Approach

With the Sumitomo Rubber Industries’ R&D organization and facilities at the core of our efforts, we promote R&D activities in a wide range of fields related to the Tire, Sports, Industrial and Other Products businesses in close cooperation with subsidiaries and affiliates around the world. The intellectual capital accumulated through such activities becomes the driving force that generates products with competitive advantages as well as new growth.

Joint Research Involving Industry-Academia Collaboration

The Sumitomo Rubber Groups is engaged in the development of new technologies via participation in industry-academia collaboration involving universities boasting cutting-edge technologies. Some of our research results have garnered external academic recognition and been featured in globally prominent science magazines and databases.

Pursuing “Safety and Comfort,” “Economy” and “Quality”

SMART TYRE CONCEPT

We aspire to realize a society free of traffic accidents and, to this end, strive to create tires capable of changing the future. Guided by these aspirations, we developed the SMART TYRE CONCEPT. Amid the ongoing shift from car ownership to car sharing and pooling, we are developing tires with ever better safety performance and environmental friendliness while enhancing the content of personal services.

Developing Environmentally Friendly Products

Sumitomo Rubber Industries aims to simultaneously realize the sustainable development of society and corporate growth for itself. In line with this aim, we promote the development of products friendly to the Earth’s environment. After commencing the development of tires completely free of fossil resources in 2001, we completed “ENSAAVE 100” in 2013, achieving the creation of a 100% fossil-resource-free tire. In line with “Driving Our Future Challenge 2000,” our Long-Term Sustainability Policy established in 2001, we have also positioned the development of environmentally friendly products as an important initiative. Accordingly, our efforts to develop these products encompass all of our Tires, Sports and Industrial Products businesses, with an eye to achieving our targets for 2030 and 2050.

“Omni Court XPT,” Artificial Turf Incorporating Sand for Use on Tennis Courts

The artificial turf for sports facilities is now considered a possible source of microplastic dispersion into rivers and the sea over time, due to the breakage of turf fiber and the leakage of rubber chips incorporated as fibers. Aware of this possibility, Sumitomo Rubber Industries is engaged in surveys and the planning of countermeasures.

The “Omni Court XPT,” artificial turf incorporating sand for use on the tennis courts, uses a superior yarn that is 1.4 times as durable as its predecessor model (“Omni Court X”). This dura- bility is considered a major factor in reducing the dispersion of microplastics. The development of this model has been registered with the “Plastic Smart” database developed by the Ministry of the Environment.

Results of Joint Research on AI Technology That Accelerates the Development of New Technologies to Extend the Longevity of Tire Performance, Published in Nature Index

A sponsored article introducing the results of our joint research with Hokkaido University involving the utilization of AI has been published as part of a special feature on materials science on the website of Nature Index, which is one of the world’s leading databases of research results.

The use of AI allows researchers to achieve a level of precision that is far beyond what is possible by other means. This has made it possible to develop an AI technology that harnesses the rotation of tires to generate electricity. Thanks to this technology, it is now possible to carry out monitoring and predictive maintenance of tires, which will allow for new advancements in the development of technologies to ensure a safe and reliable supply of natural rubber.

Elucidating the Structure of Tomato Enzymes (Similar to Natural Rubber Synthases)

Through joint research undertaken with Tohoku University, Kanazawa University and RIKEN, we have elucidated the structure and succeeded in the functional modification of an enzyme (NDPS1) that is found in tomatoes and that has a similar structure to the enzymes involved in the biosynthesis of natural rubber. It is our hope that the above findings regarding the structure of NDPS1 will make it possible to shed further light on the mechanisms behind the biosynthesis of natural rubber, which, in turn, will allow for new advancements in the development of technologies to ensure a safe and reliable supply of natural rubber.

With the Sumitomo Rubber Industries’ R&D organization and facilities at the core of our efforts, we promote the development of safety technologies and ENASAVE technologies to pursue both safety and environmental friendliness. We will strive to deliver joy and well-being for all even as we give due consideration to environmental concerns.

Six Key Elements of the SMART TYRE CONCEPT

1. SENSING CORE, making the tire itself a sensor
2. Active Tire enabling the real-time adjustment of rubber functions
3. Performance Sustaining Technology
4. Tire Life Cycle Assessment (LCA) improving environmental friendliness
5. Proposal of optimal tire maintenance
6. Sensor-driven monitoring of tire pressure and temperature during driving and the utilization of data gained from sensors

Safety technologies

Fuel efficiency
Lightweight
LCA
Tyre Leap AI Analysis Tyre Lifetime Simulation Tyre development + Manufacturing tangible goods Other issues supporting safe & comfortable driving

Tire development + Manufacturing tangible goods

SENSING CORE

Active Tread

Airless Tires

Tyre technology

Tyre Leap AI Analysis Tyre Lifetime Simulation Tyre development + Manufacturing tangible goods Other issues supporting safe & comfortable driving

Environment Social Governance

Sustainability Management

Environment

Integrated Report 2022

Integrated Report 2022
In fiscal 2021, we continued to place the utmost priority on preventing the spread of COVID-19 infection within and outside the Sumitomo Rubber Group. We implemented D&I measures to improve the health and psychological well-being of our employees and stakeholders. For example, we have thoroughly practiced such basic countermeasures as washing hands, wearing masks and initiating partitions at working spaces, meeting rooms and canteena. At the same time, we implemented workplace vaccination programs while introducing a special paid leave system to make it easier to be vaccinated. In various ways, we strive to ensure that every employee who hopes to obtain vaccination can do so. We have encouraged employees to proactively utilize work-from-home, staggered working hours, flex-time, and other programs to mitigate the risk of infection as well as to promote Work Style Reform. We also pushed ahead with a shift to online platforms for both internal and external meetings while going paperless, with the aim of reducing waste and contributing to a greener environment that can smoothly operate. We have renewed our physical office spaces, which are now fewer number of employees than before, into a location-free workspace to improve employees’ work-life balance, and tied this to the implementation of activities that transcend job grades and departmental boundaries. As such, we will continue to improve productivity.

Looking ahead, we will continue to develop a working environment that is safe and comfortable for all employees while ensuring they can find their job rewarding.

Creating a Safe, Employee-Friendly Workplace

Response to the COVID-19 Pandemic and Work Style Reform

Diversification of Work Styles

In step with the recent shift in the social environment, we have introduced various programs and systems to accommodate diverse work styles. Going forward, we will explore even better work styles while hearing voices from employees.

Location-free workspace

A portion of Head Office departments and subsidiaries and domestic business units introduced location-free workspaces. In 2021, we rolled out location-free service systems, and introduced a location-free workspace system to create a more employee-friendly environment.

Work-from-home allowances

Since working from home has become a plausible option among diverse work styles, we began to provide allowances for employees working at home to appropriately subsidize expenses incurred by these individuals.

Provision of paid leave for care-giving in hourly units

We have granted paid leave to employees who engage in care-giving for a sick child. In conjunction with the relevant labor laws, we have made it possible for such employees to take paid leave in hourly units.

Subsidies for childcare facilities

We provide up to ¥50,000 per month to subsidize expenses incurred by employees who place their children at childcare facilities after taking childbirth leave and childcare leave for a certain period of time.

Encouraging male employees to take childcare leave

In addition to ensuring a work environment that supports employees’ pursuit of a good balance between child rearing and work, the department in charge of human resources undertook a survey to understand the situation of male caregivers. We prepared mail to employees’ spouses to give birth to the child as well as to their supervisors to encourage the use of the childcare leave system.

Human Resource Development and Work Style Innovation

Enhancing Our Organizational Culture

As part of employee satisfaction surveys, since 2008, we have conducted surveys that ask employees to rate how well their job is aligned with the three corporate principles. In 2021, we turned to a new focus on the issues arising as a result of employees working from home and on the enhancement of our organizational culture, which we are putting into practice as a strategic priority.

Promoting Diversity & Inclusion

We have positioned “through innovation we will create a future of joy and well-being for all” as our Purpose, and are pursuing our Vision of “shifting from diversity to inclusion and innovation” as a way of building a culture in which individuals are empowered to bring their full selves to work, to create a workplace environment in which they feel psychologically safe. This is the exact objective of our Vision. To this end, in 2019, we launched the D&I project within the Human Resources Management Department. This project is taking a cross-departmental approach while heading the voices of employees to implement D&I measures affecting a growing scope of the organization.

Support for Female Employees Striving to Play an Active Role in Their Duties

Women’s empowerment is considered a particular priority among issues associated with D&I promotion. We conduct questionnaires targeting all employees to identify matters inhibiting women’s advancement in addition to helping them raise career awareness, assisting them in their efforts to achieve leadership, and providing support to female leaders. We have also prepared a manual regarding measures to be implemented to support a work-life balance for every employee engaged in child-rearing or nursing care.

Preventing hazing or raising children from disrupting women’s careers, our manual maintains the promise to treat each female employee who is expecting or has recently given birth with a total of five rounds of interviews attended by her supervisor, and, occasionally, a manager in charge of human resources. In addition to helping raise career awareness, in 2021 we introduced a mentoring system to nurture female leaders. We have also prepared a manual regarding measures to be implemented to support a work-life balance for every employee engaged in child-rearing or nursing care.

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Promoting Health & Productivity Management

We promote health & productivity management in a way that invites every- one to play their part, with the Company, employees, employees’ families, and the Health Insurance Association acting in collaboration. We have codified our rules on health management and our criteria for risk levels through the establishment of Health Management Regulations. Addressing issues associated with mental health, we are also strengthening employees’ guidance on self-care, educating our managers and supervisors to properly handle these issues and extending support for the reinstatement of those affected by such issues. In these and other ways, we are taking an organizational approach to tackling various issues even as we steadily operate a PDCA cycle. As a result of these efforts, in March 2021, we were chosen as one of 50 companies selected for inclusion in the “2022 Health & Productivity Stock Selection,” program organized by the Ministry of Economy, Trade and Industry in conjunction with the Tokyo Stock Exchange. This program recognizes companies that take a strategic management approach to the health management of their employees. In 2022, we were selected for inclusion for the second time. We have also been certificated under the Health & Productivity Management Organization Recognition Program—Whis 500,” a program designed to commend excellent companies in terms of the practice of health & productivity management, for the sixth consecutive year.

To further step up our health & productivity management, in July 2022 we announced an action plan that strengthens our Health & Productivity Management Declaration that is built on our previous declaration while incorporating new elements from “Our Philosophy.”

We have also identified “strengthening the industrial hygiene structure” and “fostering a health-oriented corporate culture” as long-term management strategies. In line with these targets, we have set seven short-to-medium-term targets for health & productivity management.

Enhancing Our Organizational Culture

As part of employee satisfaction surveys, since 2008, we have conducted surveys that ask employees to rate how well their job is aligned with the three corporate principles. In 2021, we turned to a new focus on the issues arising as a result of employees working from home and on the enhancement of our organizational culture, which we are putting into practice as a strategic priority.

Management Approach

Employees achieve satisfaction by working for the Sumitomo Rubber Group, which grows as a result of its employees’ success. To continue building such a sound relationship, we believe that we have a responsibility to provide all employees with a fair and equal chance to grow through a range of benefits and training programs.

With the President himself leading the way, we are working on activities to maintain or improve the health of employees and on the enhancement of our organizational culture, which we are putting into practice as a strategic priority.

Creating a Safe, Employee-Friendly Workplace

Diversification of Work Styles

In step with the recent shift in the social environment, we have introduced various programs and systems to accommodate diverse work styles. Going forward, we will explore even better work styles while hearing voices from employees.

Location-free workspace

A portion of Head Office departments and subsidiaries and domestic business units introduced location-free workspaces. In 2021, we rolled out location-free service systems, and introduced a location-free workspace system to create a more employee-friendly environment.

Work-from-home allowances

Since working from home has become a plausible option among diverse work styles, we began to provide allowances for employees working at home to appropriately subsidize expenses incurred by these individuals.

Provision of paid leave for care-giving in hourly units

We have granted paid leave to employees who engage in care-giving for a sick child. In conjunction with the relevant labor laws, we have made it possible for such employees to take paid leave in hourly units.

Subsidies for childcare facilities

We provide up to ¥50,000 per month to subsidize expenses incurred by employees who place their children at childcare facilities after taking childbirth leave and childcare leave for a certain period of time.

Encouraging male employees to take childcare leave

In addition to ensuring a work environment that supports employees’ pursuit of a good balance between child rearing and work, the department in charge of human resources undertook a survey to understand the situation of male caregivers. We prepared mail to employees’ spouses to give birth to the child as well as to their supervisors to encourage the use of the childcare leave system.

Human Resource Development and Work Style Innovation

Enhancing Our Organizational Culture

As part of employee satisfaction surveys, since 2008, we have conducted surveys that ask employees to rate how well their job is aligned with the three corporate principles. In 2021, we turned to a new focus on the issues arising as a result of employees working from home and on the enhancement of our organizational culture, which we are putting into practice as a strategic priority.
Fostering Better Relationships with Local Communities through Tree Planting

Receiving a Letter of Gratitude from Neighboring Residents for Our Forestation Track Record
Since 2010, the Nagoya Factory has been continuously engaged in forest development, including periodic weeding and tree planting in “GENKI Forest” in Mount Oshura. In recognition of these activities, the factory was granted a letter of gratitude from residents of Higashi-ku, where Mount Oshura is located. In 2021, the letter was written from wood derived from thinning. The factory takes a locally rooted approach to ongoing forest development activities, and also engages in frequent collaboration with a local nature association subsidized by the Sumitomo Rubber Industries CSR Fund.

Tree Planting Activities in Mount Akazura
Since 2014, the Shikawaka Factory has been a participant in tree planting activities in Mount Akazura, a former ski site that has been left desolate after a ski site operator closed its business. Although these activities have been promoted under the initiative of a local volunteer organization, their scale was subsequently expanded in 2020 as Fukushima Prefecture became the sponsor. Beginning with tree planting undertaken by a small number of staff, the factory stepped up its involvement over time and, in 2019, began planting seedlings of Alnus firma and nurturing them for two years. By 2021, the seeds entrusted to the factory had grown into seedlings reaching heights of around 30 centimeters. With the goal of restoring greener, a total of 130 seedlings were then replanted by factory staff working hand in hand with fellow participants.

Promoting Social Contribution Activities

Sumitomo Rubber Industries CSR Fund
The Sumitomo Rubber Industries CSR Fund was established to provide financial support to NPOs engaged in activities in regions where we have bases to solve global environmental and social problems. Following its establishment in 2009, the Fund began providing donations to 2010 in eight organizations, including environment-related activities, disaster aid groups and others striving to resolve region-specific social issues. In fiscal 2021, a total of ¥14.10 million was donated to 57 organizations.

Examples of Recipients Subsidized by the Fund
Recipients include an organization engaged in the protection of the river environment, an NPO aiming at protecting rare species and a mobile catering team striving to watch over local senior citizens and provide them with shopping assistance as well as a group dedicated to offering children opportunities to take part in science experiments and to capturing their interest in topics related to the environment. As such, the Fund supports a broad range of activities.

Providing Educational Assistance
Since 2009, we have been a co-sponsor of the Dunlop Monzukuri Classes, which offers hands-on manufacturing programs for fourth to sixth graders, as part of our efforts to assist school education. At these events, children are given a simple set of parts to assemble a gadget called the “Scroller II.” These programs are thus intended to help children feel a sense of excitement and fulfillment arising from manufacturing even as they strive to build good teamwork. By 2021, some 67 rounds of Monzukuri Classes have been held, with the total number of attendees reaching approximately 5,000. In 2021, we cooperated workplace experience programs hosted by Saitama City, Osaka, for local middle school students. In these and other ways, we support career education for young people who will become next-generation leaders.

Donations / Co-Sponsorship
As we aim to give back to society, we proactively make donations to co-sponsor local events in regions in which we have bases. In Japan, we made donations to those affected by heavy rains that struck in July and August 2021. To help address the issue of “period poverty,” we donated menstrual hygiene products to Shikawaka City. Furthermore, we act as a co-sponsor of the “STOP! DRUNK DRIVING PROJECT” and maintained our status as a special co-sponsor for the DUNLOP KOBE OPEN, a wheelchair tennis tournament, since 1994. Overseas, we donated tires for special vehicles charged with supporting the supply of vaccines in Switzerland. In South Africa, we donated individual wash toilet sets and books to a high school in Ladysmith. In Turkey, we distributed masks free of charge to support countermeasures against the COVID-19 pandemic, which has had a serious impact on the country. In Russia, we donated tennis equipment to a tennis club for children with disabilities. As explained above, we strive to contribute to society through donations and co-sponsorship in regions across the globe.

Sustainability Commendation Awards
In December 8, 2021, we held the “Sustainability Commendation Awards” ceremony, a Groupwide event designed to encourage the further promotion of sustainability activities. Building on our conventional CSR commendation system, which was launched in 2009, our “Sustainability Commendation Awards” were created by upgrading some of the methods used in the former system. Although a number of sustainability activities were cancelled across the board or otherwise impacted by restrictions due to the spread of the COVID-19 pandemic in 2021, we nevertheless received a total of 61 entries from employees around the world. On the day of the ceremony, Top Excellent Awards and Excellent Awards were granted to three participants and seven participants, respectively. At the same time, we granted awards to winners of Sustainability Challenge; a program organized to solicit best practices and slogans regarding tangible actions to be taken by each employee to reduce CO2 emissions, with the aim of raising sustainability awareness among our entire workforce.

Winners of Top Excellent Awards
- Ecology Category
- Implementation of odor countermeasures (Engineering Works Department, Sumitomo Rubber (Changshu) Co., Ltd.)
- Kindness Category
- Acquisition of the “Kurumiri” mark (Dunlop Golf Club Corp.)
- Integrity Category (individual award)

Providing free food and other aid supplies to those impoverished by Durban riots
Going forward, we will continue to promote initiatives named above to contribute to the realization of a safe, secure, and sustainable society in which everyone can work and live with confidence.
# Fiscal 2022 Targets and Results

We are striving to be a corporate group deserving society’s trust by fulfilling our corporate social responsibility to help create a better society. Toward this end, we are proactively promoting sustainability in line with our "GENKI!" Sustainability Activity Guidelines, which categorize our endeavors into "Governance," "Ecology," "Next," "Kindness," and "Integrity."

## Relationship between our Sustainability Activity Guidelines and SDGs

<table>
<thead>
<tr>
<th>Governance</th>
<th>Plan: Fiscal 2022 Target</th>
<th>Do: Fiscal 2021 Activity Results</th>
<th>Check: Self-Assessment</th>
<th>Action: Fiscal 2022 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extracting corporate governance</td>
<td>102-10</td>
<td>Continue to implement measures to enhance the effectiveness of the Board of Directors</td>
<td>100%</td>
<td>Continue to implement measures to enhance the effectiveness of the Board of Directors</td>
</tr>
<tr>
<td></td>
<td>102-10</td>
<td>Foster transparency in the governance process</td>
<td>100%</td>
<td>Continue to improve the transparency of decisive processes</td>
</tr>
<tr>
<td></td>
<td>102-10</td>
<td>Develop internal compliance culture</td>
<td>100%</td>
<td>Continue to implement measures to enhance the effectiveness of the Board of Directors</td>
</tr>
<tr>
<td></td>
<td>102-10</td>
<td>Provide for the disclosure of management audit-related information</td>
<td>100%</td>
<td>Continue to implement measures to enhance the effectiveness of the Board of Directors</td>
</tr>
<tr>
<td>Creating through compliance</td>
<td>102-16</td>
<td>Create a system to promote the spread of COVID-19 vaccinations and ensure compliance with health and safety guidelines</td>
<td>100%</td>
<td>Provide for the disclosure of management audit-related information</td>
</tr>
<tr>
<td></td>
<td>102-16</td>
<td>Establish a system to prevent the spread of COVID-19 infections (excluding employees)</td>
<td>100%</td>
<td>Provide for the disclosure of management audit-related information</td>
</tr>
<tr>
<td></td>
<td>102-16</td>
<td>Provide for the disclosure of management audit-related information</td>
<td>100%</td>
<td>Provide for the disclosure of management audit-related information</td>
</tr>
<tr>
<td>Promoting dialogue with stakeholders</td>
<td>102-46</td>
<td>Sekisui House will separately report on the 2021 fiscal year’s activities related to stakeholder dialogue</td>
<td>100%</td>
<td>Continue to implement measures to enhance the effectiveness of the Board of Directors</td>
</tr>
<tr>
<td></td>
<td>102-46</td>
<td>Continue to proactively support stakeholder dialogue</td>
<td>100%</td>
<td>Continue to implement measures to enhance the effectiveness of the Board of Directors</td>
</tr>
<tr>
<td>Supply chain management</td>
<td>102-46</td>
<td>Sekisui House will separately report on the 2021 fiscal year’s activities related to stakeholder dialogue</td>
<td>100%</td>
<td>Continue to implement measures to enhance the effectiveness of the Board of Directors</td>
</tr>
</tbody>
</table>

## Eco: Environmental Management

| Ecological Environment | 301-1, 3-5 | Reduce CO2 emissions by 18% compared to 2008 levels | 100% | Reduce CO2 emissions by 18% compared to 2008 levels |
| --- | 301-3 | Improve energy efficiency | 100% | Improve energy efficiency |
| --- | 301-3 | Reduce environmental impact indicator of energy usage (g carbon dioxide equivalent) | 100% | Reduce environmental impact indicator of energy usage (g carbon dioxide equivalent) |
| --- | 301-6 | Reduce reduction | 100% | Reduce reduction |
| Building a recycling-oriented society | 306-2 | Reduce disposal (excluding valuables) | 100% | Reduce disposal (excluding valuables) |
| --- | 306-2 | Reduce disposal (excluding valuables) | 100% | Reduce disposal (excluding valuables) |
| --- | 306-6 | Reduce disposal | 100% | Reduce disposal |
| Pollution management | 306-1 | Reduce disposal (excluding valuables) | 100% | Reduce disposal (excluding valuables) |
| --- | 306-1 | Reduce disposal (excluding valuables) | 100% | Reduce disposal (excluding valuables) |
| --- | 306-6 | Reduce disposal | 100% | Reduce disposal |
| --- | 306-6 | Reduce disposal | 100% | Reduce disposal |
| --- | 306-6 | Reduce disposal | 100% | Reduce disposal |

## Next: Next Generation Products & Solutions

| Next Generation Product & Solutions | 304-3 | Continue to create and market environmentally friendly products | 100% | Continue to create and market environmentally friendly products |
| --- | 304-3 | Continue to create and market environmentally friendly products | 100% | Continue to create and market environmentally friendly products |
| --- | 304-3 | Continue to create and market environmentally friendly products | 100% | Continue to create and market environmentally friendly products |
| --- | 304-3 | Continue to create and market environmentally friendly products | 100% | Continue to create and market environmentally friendly products |

## Kindness: Creating Better Relationships with Local Communities

| Kindness | 304-3 | Continue to create and market environmentally friendly products | 100% | Continue to create and market environmentally friendly products |
| --- | 304-3 | Continue to create and market environmentally friendly products | 100% | Continue to create and market environmentally friendly products |
| --- | 304-3 | Continue to create and market environmentally friendly products | 100% | Continue to create and market environmentally friendly products |
| --- | 304-3 | Continue to create and market environmentally friendly products | 100% | Continue to create and market environmentally friendly products |

## Integrity: Integrity Toward Society

| Integrity | 306-2 | Reduce disposal (excluding valuables) | 100% | Reduce disposal (excluding valuables) |
| --- | 306-2 | Reduce disposal (excluding valuables) | 100% | Reduce disposal (excluding valuables) |
| --- | 306-6 | Reduce disposal | 100% | Reduce disposal |
| --- | 306-6 | Reduce disposal | 100% | Reduce disposal |

## Integrated Report 2022

1. Self-assessment uses comparison with baseline (y-1) or the reduction ratio in the following formula to calculate the achievement ratio:

$$\text{achievement ratio} = \frac{\text{actual value}}{\text{target value}} \times 100\%$$

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

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**Sustainability Management**

Integrated Report 2022
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.

**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.

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

**The 16th (2022) 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. Especially, we were ranked 10th among all companies in the Environment Category.

**FALKEN AZENIS FK510 was ranked in first place in the comprehensive tire performance ranking sponsored by ADAC (Allgemeiner Deutscher Automobil-Club e.V.), or All German Automobile Club.**

**The Shirakawa Factory was chosen to receive the “Award for Excellent Company in Terms of Supporting Future Generations and the Revitalization of Japan,” thanks to its unique workplace improvement initiatives led by female employees.**

**The Company acquired “Silver” rating under the PRIDE Index 2021 rating program designed to assess the level of initiatives undertaken by businesses to protect rights of sexual minorities.**

**The Company acquired highest rating provided under the Development Bank of Japan (DBJ) Environmental Ratings program.**

**Sustainability Index, an asset management product index compiled by SOMPO Asset Management Co., Ltd., for pension fund managers and institutional investors.**

**The Sumitomo Rubber Group’s Brazil Factory became the first business corporation to receive the “Honor Award” from the Fazenda Rio Grande City Council.**

**October**
The Company’s web-based in-house newsletter WEIR PLUS was chosen to receive the Gold Award under “In-House Newsletter Award 2021” sponsored by Wls Works, Inc. Also, a cartoon character “Chabo,” created to communicate information related to diversity & inclusion, was chosen to receive the Most Excellent Award under Internal Communication (IC) Character Grand Prix, a special sub-program organized to celebrate the program’s 20th anniversary.

**November**
The Company acquired “Silver” rating under the PRIDE Index 2021 rating program designed to assess the level of initiatives undertaken by businesses to protect rights of sexual minorities.

**December**
The Company acquired highest rating provided under the Development Bank of Japan (DBJ) Environmental Ratings program.

Certifications Acquired
- ISO 9001: 2015 Quality Management System
- ISO 14001: 2015 Environmental Management Systems
- IATF 16949: 2016 Automotive Quality Management System Standard

*An association formed by 17 prefectural governors committed to taking action to revitalize regional communities and, to this end, facilitating a flow of people to rural areas in order to change Japan’s current social structure in which population and businesses are overly concentrated in Tokyo. In this way, the association strives to act as a pioneer in terms of countering the problem arising from a declining population in the country.*
## Financial and Non-Financial Data

### Consolidated Financial/Non-financial Data

<table>
<thead>
<tr>
<th>Years ended December 31</th>
<th>FY21</th>
<th>FY20</th>
<th>FY19</th>
<th>FY18</th>
<th>FY17</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Earnings for the year:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales revenue</td>
<td>7,164,433</td>
<td>7,369,654</td>
<td>7,189,881</td>
<td>7,120,443</td>
<td>7,107,130</td>
<td>7,108,817</td>
</tr>
<tr>
<td>Operating profit</td>
<td>8,791,447</td>
<td>8,798,711</td>
<td>8,887,207</td>
<td>7,773,056</td>
<td>7,714,610</td>
<td>7,094,389</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>2,306,039</td>
<td>2,314,002</td>
<td>2,312,568</td>
<td>2,324,574</td>
<td>2,314,610</td>
<td>2,311,817</td>
</tr>
</tbody>
</table>

| **Operating profit** | | | | | | |
| Sales revenue | 7,164,433 | 7,369,654 | 7,189,881 | 7,120,443 | 7,107,130 | 7,108,817 |
| Cost of sales | 5,807,835 | 5,812,677 | 5,739,594 | 5,715,141 | 5,659,999 | 5,680,099 |
| Operating profit | 8,791,447 | 8,798,711 | 8,887,207 | 7,773,056 | 7,714,610 | 7,094,389 |

| **Profit attributable to owners of parent** | | | | | | |
| Sales revenue | 7,164,433 | 7,369,654 | 7,189,881 | 7,120,443 | 7,107,130 | 7,108,817 |
| Cost of sales | 5,807,835 | 5,812,677 | 5,739,594 | 5,715,141 | 5,659,999 | 5,680,099 |
| Operating profit | 8,791,447 | 8,798,711 | 8,887,207 | 7,773,056 | 7,714,610 | 7,094,389 |

| **Main Financial Indicators** [Fiscal 2021] | | | | | | |
| Sales Revenue | 7,164,433 | 7,369,654 | 7,189,881 | 7,120,443 | 7,107,130 | 7,108,817 |
| Business Profit (Ratio)* | 2,306,039 | 2,314,002 | 2,312,568 | 2,324,574 | 2,314,610 | 2,311,817 |

| **Profit attributable to owners of the parent (Ratio)** | | | | | | |
| Sales revenue | 7,164,433 | 7,369,654 | 7,189,881 | 7,120,443 | 7,107,130 | 7,108,817 |
| Operating profit | 8,791,447 | 8,798,711 | 8,887,207 | 7,773,056 | 7,714,610 | 7,094,389 |
| Profit attributable to owners of the parent | 2,306,039 | 2,314,002 | 2,312,568 | 2,324,574 | 2,314,610 | 2,311,817 |

| **Sales Revenue** | | | | | | |
| Business | 7,164,433 | 7,369,654 | 7,189,881 | 7,120,443 | 7,107,130 | 7,108,817 |
| Tire Business | 7,164,433 | 7,369,654 | 7,189,881 | 7,120,443 | 7,107,130 | 7,108,817 |

| **Business Profit (Ratio)*** | | | | | | |
| Business | 2,306,039 | 2,314,002 | 2,312,568 | 2,324,574 | 2,314,610 | 2,311,817 |
| Tire Business | 2,306,039 | 2,314,002 | 2,312,568 | 2,324,574 | 2,314,610 | 2,311,817 |

| **Total Assets** | | | | | | |
| Total assets | 7,932,432 | 7,897,634 | 8,187,266 | 8,102,383 | 8,354,484 | 8,740,817 |

| **Total Equity** | | | | | | |
| Total equity | 2,913,843 | 2,907,634 | 3,087,266 | 3,002,383 | 3,254,484 | 3,640,817 |

| **Number of Employees in Japan and Overseas** | | | | | | |
| Number of employees in Japan and overseas | 33,197 | 33,792 | 36,650 | 37,852 | 39,233 | 39,298 |

| **Global Environmental Data** (total CO2 emissions) | | | | | | |
| Total CO2 emissions | 5,609 | 5,520 | 5,431 | 5,342 | 5,253 | 5,154 |

| **Number of Japanese and Foreign Patents** | | | | | | |
| Number of patents | 2,606 | 2,006 | 2,006 | 2,006 | 2,006 | 2,006 |

| **Trees Planted** (fiscal year cumulative basis) | | | | | | |
| Number of trees planted (thousands of trees) | 72,197 | 72,197 | 72,197 | 72,197 | 72,197 | 72,197 |

| **Sustainability-Related Indicators** [Fiscal 2021] | | | | | | |
| Overseas | 72,197 | 72,197 | 72,197 | 72,197 | 72,197 | 72,197 |
| Japan | 72,197 | 72,197 | 72,197 | 72,197 | 72,197 | 72,197 |

| **Interest-Bearing Debt / D/E Ratio** | | | | | | |
| Interest-bearing debt | 2,006 | 2,006 | 2,006 | 2,006 | 2,006 | 2,006 |

| **Research and Development Costs** | | | | | | |
| Research and development costs | 1,720 | 1,720 | 1,720 | 1,720 | 1,720 | 1,720 |

| **Interest-Bearing Debt / D/E Ratio** | | | | | | |
| Interest-bearing debt / D/E Ratio | 0.6 | 0.5 | 0.5 | 0.7 | 0.6 | 0.5 |

**Note:** Values are expressed in billions of yen unless otherwise noted.
### Consolidated Statement of Financial Position

#### Fiscal 2020

<table>
<thead>
<tr>
<th>Liabilities and equity</th>
<th>Fiscal 2020</th>
<th>Fiscal 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds and loans payable</td>
<td>62,256</td>
<td>68,143</td>
</tr>
<tr>
<td>Trade and other paysables</td>
<td>123,261</td>
<td>160,902</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>12,816</td>
<td>12,100</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>7,700</td>
<td>6,301</td>
</tr>
<tr>
<td>Provisions</td>
<td>1,170</td>
<td>1,604</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>38,835</td>
<td>47,535</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>246,128</strong></td>
<td><strong>296,585</strong></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds and loans payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td><strong>261,580</strong></td>
<td><strong>276,041</strong></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>507,708</strong></td>
<td><strong>572,626</strong></td>
</tr>
</tbody>
</table>

#### Fiscal 2021

<table>
<thead>
<tr>
<th>Liabilities and equity</th>
<th>Fiscal 2021</th>
<th>Fiscal 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
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<tr>
<td>Bonds and loans payable</td>
<td>68,143</td>
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<td>Trade and other paysables</td>
<td>160,902</td>
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<td>Other financial liabilities</td>
<td>12,100</td>
<td>12,100</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>6,301</td>
<td>6,301</td>
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<td>Provisions</td>
<td>1,604</td>
<td>1,604</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>47,535</td>
<td>47,535</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>296,585</strong></td>
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</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds and loans payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td><strong>276,041</strong></td>
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</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>572,626</strong></td>
<td><strong>572,626</strong></td>
</tr>
</tbody>
</table>

#### Assets

<table>
<thead>
<tr>
<th>Current assets</th>
<th>Fiscal 2020</th>
<th>Fiscal 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>74,203</td>
<td>75,093</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>179,635</td>
<td>197,320</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>1,399</td>
<td>2,096</td>
</tr>
<tr>
<td>Inventories</td>
<td>151,253</td>
<td>218,019</td>
</tr>
<tr>
<td>Other current assets</td>
<td>30,162</td>
<td>40,553</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>436,652</strong></td>
<td><strong>533,081</strong></td>
</tr>
</tbody>
</table>

### Consolidated Statement of Cash Flows

#### Fiscal 2020

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>Fiscal 2020</th>
<th>Fiscal 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>123,054</td>
<td>63,090</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>(45,594)</td>
<td>(54,023)</td>
</tr>
<tr>
<td>Effect of exchange rate change on cash and cash equivalents</td>
<td>(2,457)</td>
<td>5,155</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>13,572</td>
<td>890</td>
</tr>
</tbody>
</table>

#### Fiscal 2021

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>Fiscal 2021</th>
<th>Fiscal 2021</th>
</tr>
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<tbody>
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<td>890</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 "*" (pages 71 to 73) has been verified by third-parties.

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

1. Total Global CO2 Emissions
2. Total Global Energy and Water Usage, Wastewater and Waste Disposal (Excluding Valuables) by Factories in Japan

Verification procedures: EA530000-based procedure

LRQA Independent Assurance Statement

LRQA Limited (LRQA) was commissioned by Sumitomo Rubber Industries, Ltd. (the Organisation) to provide independent assurance of the organisational processes and greenhouse gas (GHG) emissions inventory, amount of energy consumed, waste disposed, water conserved and wastewater discharged for the calendar year 2021. This Assurance Statement has been prepared for Sumitomo Rubber Industries, Ltd. in accordance with our Terms of Engagement and Terms of Reference. LRQA is not responsible for the development of the assurance criteria and assurance is limited to the scope of work conducted by LRQA. The systems and controls used in the assurance work are those used by the Organisation.

LRQA’s Independent Assurance Statement

LRQA’s responsibility is only to the Organisation. LRQA advisory services or any information generated at the request of the £

Table 1. Summary of Sumitomo Rubber Industries Group’s GHG Emissions Inventory for the calendar year 2021

<table>
<thead>
<tr>
<th>Category</th>
<th>GHG Emissions Inventory for the calendar year 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste disposed</td>
<td>488,340 kg CO2eq</td>
</tr>
<tr>
<td>Energy consumed</td>
<td>2,148,878 GJ</td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>260.14 kg CO2eq/GJ</td>
</tr>
</tbody>
</table>

Table 2. Summary of Sumitomo Rubber Industries Group's Key Environmental Data for the calendar year 2021

<table>
<thead>
<tr>
<th>Category</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy consumed</td>
<td>2,148,878 GJ</td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>260.14 kg CO2eq/GJ</td>
</tr>
</tbody>
</table>

Katsuhiko Kokubu

Professor at the Graduate School of Business Administration, Kobe University

Completed a doctoral program in business administration at Osaka City University Graduate School. After serving as an assistant professor at Osaka City University and Kobe University, he assumed his current position in 2001. Head of the Graduate School of Business Administration at Kobe City University from 2014 to 2016 and from 2021 to the present. Has served concurrently as Vice President of Kobe University from 2019 to 2021 and as Head of Kobe University V. School since 2008. His recent publications include “From Accountability to Management Ethics” (Yuhikou Publishing Co., Ltd.), “Emergent-type Responsibility: A New Understanding of Management” (Nikkei Publishing Inc.), “The 1st Step to Management Accounting” (Sakakihana Inc.) and “Education for Value Creation: Challenges Tackled by Kobe University V. School” (Kobe University Publishing Associates).

Fumikazu Yamashita

Executive Officer, General Manager, Sustainability Promotion HQ

Response to Third-Party Comments

I would once again like to thank Professor Kokubu for providing us with his pertinent advice and generous assessments. In December 2020, we established “Our Philosophy,” a new corporate philosophy structure designed to provide unchanging guidelines for our pursuit of further growth in the face of an increasingly uncertain and radically evolving environment. Since then, we have been aware that conditions surrounding our society have become more complex than ever before due to such factors as the COVID-19 pandemic and political instability.

In this context, we have also been aware that conditions surrounding our society have become more complex than ever before due to such factors as the COVID-19 pandemic and political instability. Given these circumstances, we decided to feature enriched explanations on “Our Philosophy” in the 2022 edition of the Integrated Report. We have also been aware that conditions surrounding our society have become more complex than ever before due to such factors as the COVID-19 pandemic and political instability.

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