

Business Overview

Tire Business

More Drive, More Joy

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

Taking full advantage of many cutting-edge technologies, we manufacture and sell tires all over the world under our two major brands. Our pioneering DUNLOP Brand has always pursued greater safety and environmental performance, while our global FALKEN Brand caters to those who simply enjoy the thrill of the drive.

Driving the Mobility Society of the Future

Hidekazu Nishiguchi
Director and Managing Executive Officer



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 revamping our efforts to harness our unique strengths to respond to the dawning 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 e. 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, it 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 hoping 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 European tire trade show in May 2022. In an encouraging sign of the potential of this untapped market, e. ZIEX generated the same level of enthusiasm as e. SPORT MAXX had in China. At the same time, we are also of course working on the development of OE tires for EVs.

Looking ahead to CASE and the New Mobility Society that it will bring about, one might say that EV is a stepping stone along the way to autonomous vehicles. When we envision a world where autonomous vehicles have become the norm, we also need to consider the many new breakthroughs that will be essential in bringing forth this new world, including “EV Tires & Beyond.”

For example, one of the tools at our disposal is our IMS (Instant Mobility System) Tire Puncture Emergency Repair Kits, which already

boast the top share of the global market for tire repair kits. Improving the energy efficiency of EVs will require further reductions in vehicle weight, and so we believe that EVs will increasingly forgo carrying spare tires in the future. With this in mind, our second approach will involve increasing sales to EV manufacturers by offering EV tires and IMS together as a package set. Introduced in 1996, IMS has since built up a solid track record, and so we believe that offering it alongside EV tires will go a long way in setting us apart from the competition. In addition, we have recently developed a version of IMS that is compatible with tires equipped with SILENT CORE.

Our third approach will revolve around the expansion of our SENSING CORE Business, which we first unveiled in April 2022. We believe that our proprietary SENSING CORE Tire Sensing Technology will prove to be one of our greatest strengths moving forward. Without using any sensor hardware, this innovative technology gathers and analyzes tire rotation signals during driving in order to determine tire pressure, tire load, wear progression, road conditions and more. By integrating SENSING CORE into vehicle control systems, we hope to contribute to safer all-around mobility. With plans to bring SENSING CORE to market in 2024, we recently initiated a proof of concept, which has already demonstrated how its data can be used in coordination with social infrastructure in addition to serving the individual needs of drivers and vehicles.

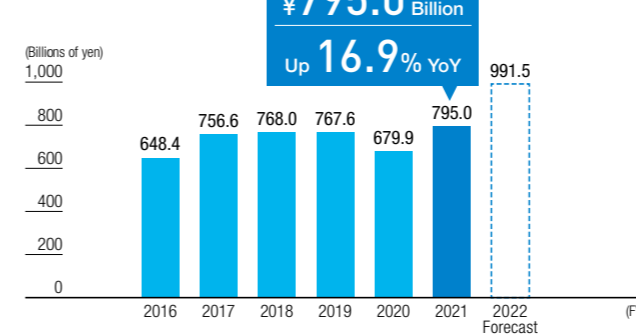
“Through innovation we will create a future of joy and well-being for all.” This is the Purpose of the Sumitomo Rubber Group. In order to fulfill our Purpose, we will continue to take on the challenges of being a corporate group that consistently contributes to society with an eye toward the future world of autonomous vehicles.



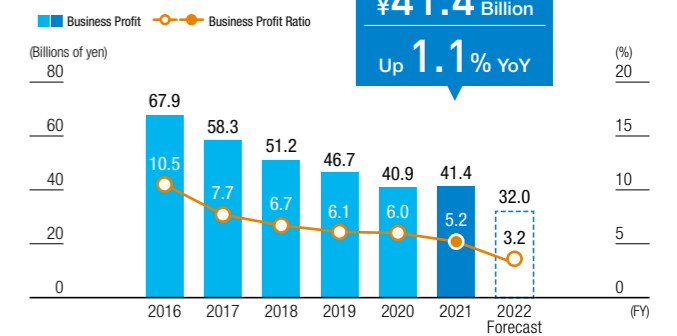
IMS Tire Puncture Emergency Repair Kit
Available for Sale to the General Public from May 2022

Results of Operations / Major Indicators

Sales Revenue



Business Profit* (Ratio)



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

Sales Trends

Year-on-Year Increase/Decrease in Tire Sales Volume

		YoY	2019	2020	2021	
Domestic	Original equipment		103	83	96	
	Replacement		93	91	102	
Overseas	Original equipment		107	74	109	
	Replacement		101	91	110	
	Regional breakdown of replacement tire sales	North America		101	95	101
		Europe		101	86	118
		Asia		101	94	111
Other		102	91	112		
Total			101	88	107	
Total sales volume (millions of tires)			124.36	108.83	116.03	

- Japan** **Original equipment tires** As automakers cut production volume due to such factors as global semiconductor shortages, the volume of orders received is being negatively affected, with sales of these tires falling short of sales in the previous fiscal year. **Replacement tires** For summer tires, sales of advanced products grew. Winter tires similarly sold robustly due to snowy weather. As a result, sales of these tires surpassed sales in the previous fiscal year.
- Overseas** **Original equipment tires** Despite the negative impact of a decline in automobile production on the back of semiconductor shortages, the volume of orders received has recovered from a significant downturn accompanying the fallout from the COVID-19 pandemic in the previous fiscal year. As a result, sales of these tires rose year on year. **Replacement tires** In Asia and Oceania, sales grew thanks to the release of new products in China. We were able to similarly expand sales in Indonesia. In Europe, our promotional activities had a positive effect amid recovery in tire demand, enabling us to increase the number of tires sold. In the Americas, our WILDPEAK series SUV tires continued to enjoy robust demand in North America and we recorded sales growth. In South America, we were able to expand sales, accommodating strong demand by taking full advantage of the local production capacity we have developed for local consumption.



Topics

Introducing an AI-Based Tire Inspection Tool for DUNLOP Nationwide Tire Safety Inspections—AI Image Diagnosis Determines the Wear Status of Tires

We introduced an innovative tool for use in DUNLOP Nationwide Tire Safety Inspections conducted at Tire Select stores, which are directly managed by Sumitomo Rubber Industries. In addition to providing hands-on inspections by professional mechanics, the latest round of this inspection campaign offered an AI-based tire inspection employing smartphones. Specifically, store staff take pictures of tires using smartphone cameras and the AI-based tool uses the images to determine tire tread depth and areas of uneven wear on the tire surface, diagnosing tire condition on a three-grade scoring system. Inspection results along with images backing the diagnosis are immediately delivered to and confirmed by the customer. Moreover, the customer can confirm the results online by scanning the QR code printed on the diagnosis card provided following the inspection.

The AI-based assessment presents tire wear status as either green, yellow or red—just like traffic lights—while store staff conduct visual checks for scars and cracks. Combining the AI and human assessments, this tool diagnoses tire condition as “no problem,” “rotation recommended” or “replacement needed.”

