

Business Overview

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 schools 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 better 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

Hideaki Kawamatsu

Senior Executive Officer, Head of the Sports Business HQ



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 70% 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 while also drawing upon our full technical prowess as well as the commercialization and mass production capabilities that we have accumulated over the years in Japan. 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 addition to their success in the world's largest market, these new golf clubs have contributed to an all-around increase in our global sales as well.

Four Factors Converge to Make Sales Expansion a Reality

Four separate factors came together to make these products smash hits. The first factor was the product development infrastructure that I have just described. With our ZX Series, after we poured everything that we had into the pursuit of more powerful impact, our efforts culminated in a design that made higher initial ball speed a reality.

The second factor was our sales promotion strategy, which placed pro golfers 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 own accord 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 onset 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 shortfalls 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, 1.8 times and 1.4 times, respectively, in Japan, the United States and Europe.

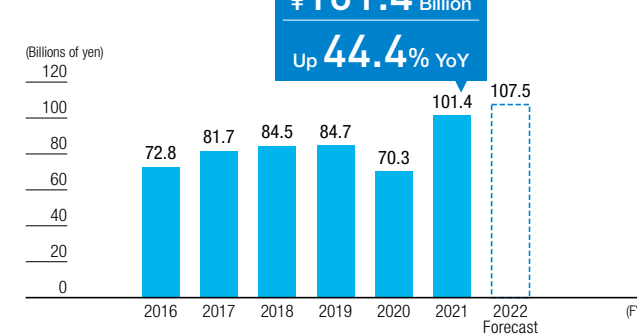
Sponsorship deals with pro tennis players have a major impact when it comes to promoting sales of tennis rackets. Accordingly, we have put much time and effort into sealing deals with major tennis pros. Meanwhile, we are making positive steps toward finding and cultivating bright young stars who have the potential to become the top pros of tomorrow. In 2018, we entered into an agreement with IMG 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

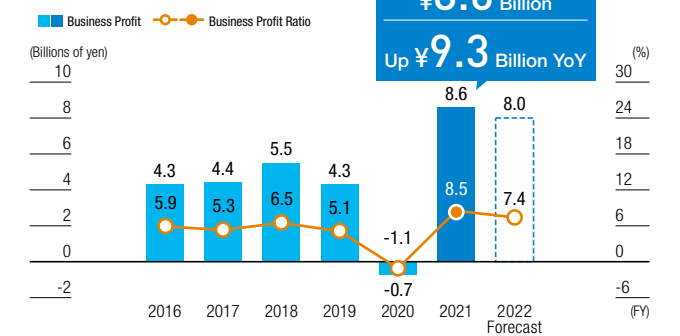
The Sumitomo Rubber Group started out in 1909 as the Far East factory of a British tire manufacturer named DUNLOP. In spite of our roots, for many years, we lacked the rights to sell sporting goods under the DUNLOP Brand outside of Japan, Taiwan and South Korea. This all changed when we acquired the 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.

Results of Operations / Major Indicators

Sales Revenue

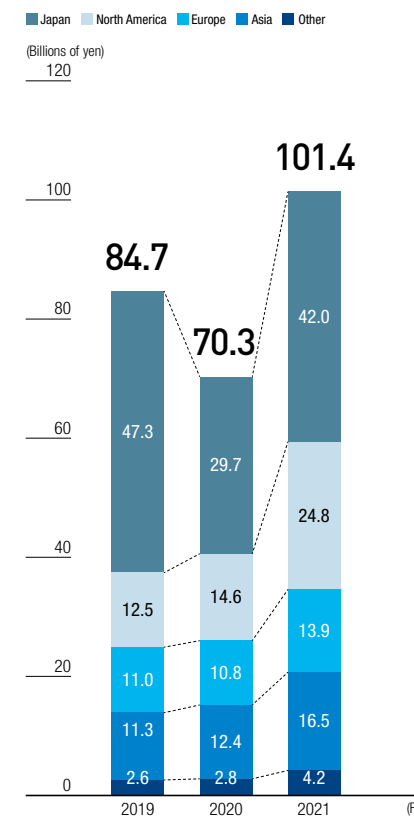


Business Profit* (Ratio)

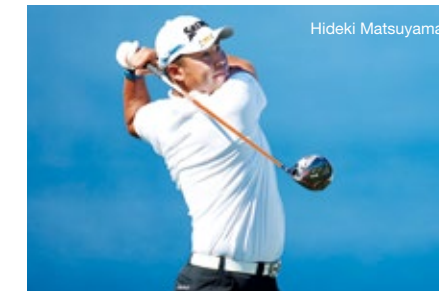


*Business profit = Sales revenue - (Cost of sales + Selling, general and administrative expenses)

Sales Trends



Japan Hideki Matsuyama's victory in the Masters Tournament in April 2021 had a positive effect on the marketing of our "SRIXON" brand golf clubs and balls, supporting continued strong sales. Also, the 12th generation of "XXIO" brand golf clubs, released in December 2021, have made a robust start on the market. Moreover, we enjoyed a year-on-year increase in sales of tennis equipment and in the wellness business.



North America With golf attracting fresh attention as a sport compatible with the post COVID-19 pandemic new normal, market demand for golf equipment has grown larger. Furthermore, marketing measures we have implemented to date began to take full effect, enabling us to enjoy robust sales of golf clubs and balls.

Europe Sales of tennis equipment grew, backed by online sales. Sales also remained firm for equipment for padel, which has gained public recognition as a safe sport amid the COVID-19 pandemic.

Asia In golf, sales grew considerably in South Korea, with both golf clubs and balls selling robustly.

Golf Equipment



Tennis Equipment



Wellness Business



Topics

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 Aniek Van Koot and Tom Egberink, both from the Netherlands, among other players who compete in Grand Slam and other world-class elite tournaments.

