

Governance

Corporate Governance

Basic Perspective

The Sumitomo Rubber Group's basic management policy is to enhance not only its economic value but also its societal value and to contribute to the development of a sustainable society by ensuring that "Our Philosophy" is the foundation for all decision-making and the starting point for all actions. Under this policy, the Company considers the enhancement of corporate governance to be one of its major management objectives.

We are thus engaged in initiatives aimed at realizing this objective and, to this end, endeavoring to secure overall management efficiency, strengthen the relationship of trust between us and society and improve the Company's operations in terms of fairness and transparency. Based on the above convictions, we have established the following five basic approaches in terms of the further enhancement of corporate governance.

① Develop an environment that protects the rights of shareholders and helps them exercise such rights

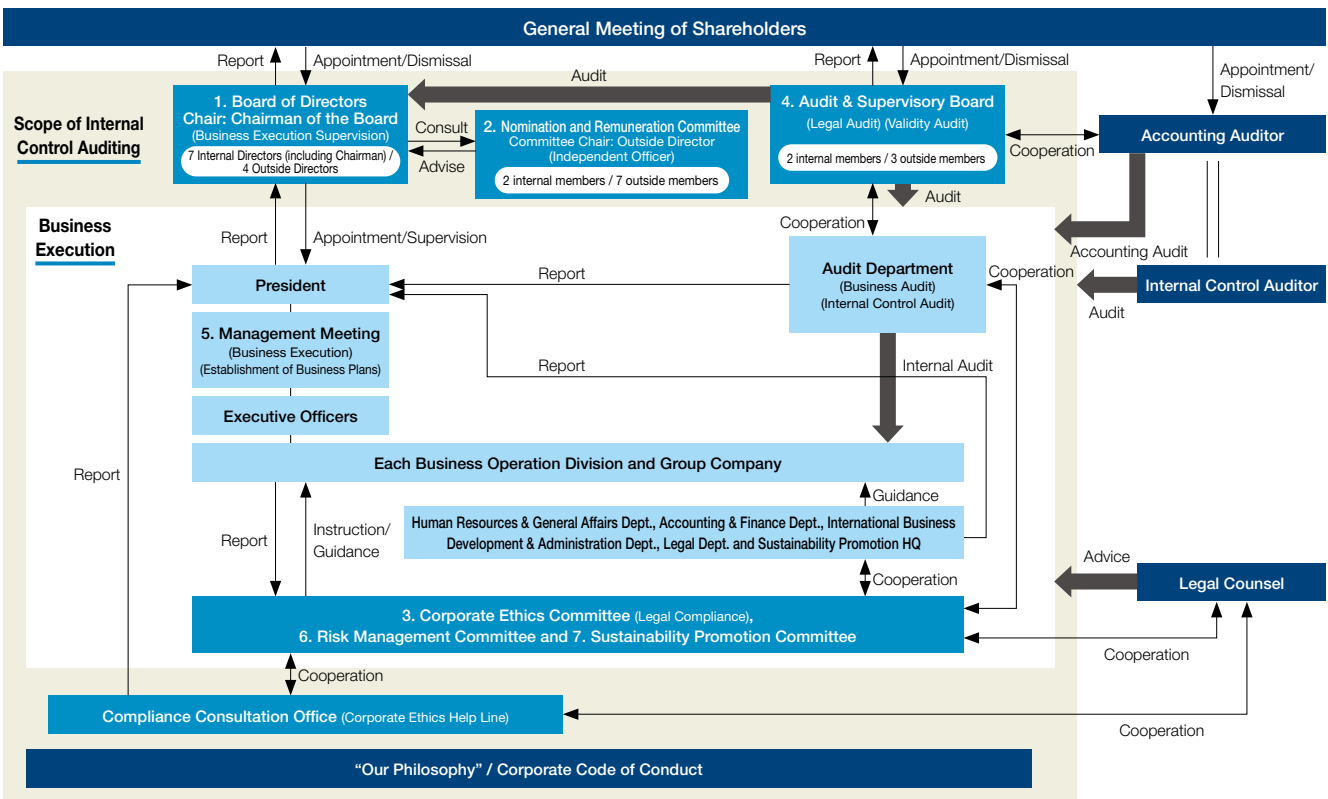
Management Approach

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.

- ② Strive to improve corporate value via sound collaboration with a broad range of stakeholders
- ③ Disclose the Company's financial and non-financial information in an accurate and timely manner
- ④ Work to enhance the content of discussions undertaken by the Board of Directors regarding management policies, medium- to long-term business planning and other matters related to the general direction of the Company by establishing the Management Meeting, which is tasked with deliberating a large proportion of business execution matters. In addition, strive to secure fairness in the Board of Directors' operations via rigorous audits by standing and outside Audit & Supervisory Board members as well as the objective supervision offered by independent outside directors
- ⑤ Endeavor to achieve the sustainable improvement of corporate value via engagement in shareholder dialogue

Corporate Governance Structure



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 and its members currently provide to be a matter of critical importance to the development of an integrated management framework encompassing the entire Sumitomo Rubber Group. These functions are also essential to strengthening our relationship of trust with society and enhancing the transparency of the Group's overall governance and business operations.

As part of its efforts to enhance corporate governance, since 2016 the Group has voluntarily maintained the Nomination and Remuneration Committee, an advisory body to the Board of Directors. The majority of committee membership is accounted for by independent officers, with an Independent Outside Director acting as the committee chair. This committee is tasked with improving the objectivity and transparency of officer candidate selection and other key procedures. Moreover, we have appointed four Independent Outside Directors and distribute questionnaires targeting Directors and Audit & Supervisory Board Members to identify issues to be addressed going forward. The implementation of these and other measures ensures that the Board of Directors' effectiveness is continually enhanced.

1 Board of Directors

14 meetings in fiscal 2021

The Board of Directors is composed of a total of 16 members, including 11 Directors and five Audit & Supervisory Board Members, and deliberates and determines matters of managerial importance while supervising Directors' execution of operations. Generally, the Board of Directors meets once a month, but it also holds extraordinary meetings when necessary, such as at the end of the fiscal year and when the books are closed at the end of the first half. In fiscal 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 deliberation on a large proportion of business execution matters. By doing so, we work to enhance the content of discussion by the Board of Directors with regard to management policies, medium- to long-term business planning and other matters related to the general direction of the Company.

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.

2 Nomination and Remuneration Committee

3 meetings in fiscal 2021

In an effort to further increase corporate value, the committee was established in 2016 as a voluntary advisory body to the Board of Directors to ensure objectivity and transparency in the nomination of officers and decisions regarding remuneration. In fiscal 2021, the committee met three times and discussed various issues regarding nominations (training successors, nomination of officers, etc.) and remuneration (introduction of incentives and stock-based remuneration linked to medium- and long-term business results, director bonuses, etc.).

Currently, the committee consists of a total of nine members, seven of whom are independent outside officers, and an Independent Outside Director serves as the committee chair. There was 100% attendance among members in fiscal 2021.

3 Corporate Ethics Committee

4 meetings in fiscal 2021

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

The committee is composed of the officer in charge of corporate ethics (officer in charge of human resources and general affairs), officer in charge of audits, officer in charge of legal affairs, Audit Department Manager, Human Resources & General Affairs Department Manager, Legal Department Manager and International Business Development & Administration Department Manager, with the President serving as the committee chair. In addition, two Standing Audit & Supervisory Board

Members participate as observers. In fiscal 2021, the committee not only met four times but also held a corporate ethics lecture meeting to raise awareness of corporate ethics throughout the Group.

4 Audit & Supervisory Board

12 meetings in fiscal 2021

In accordance with audit plans and policies set out by the Audit & Supervisory Board, each Audit & Supervisory Board Member attends important meetings, including Board of Directors' meetings; hears reports on the status of job execution from Directors and the internal audit office; reviews important approval documents; and implements on-site audits at the Head Office, major business sites and subsidiaries while working closely with the Accounting Auditor to ensure that audits are conducted in an appropriate manner.

The Audit & Supervisory Board consists of five members, of which two are selected as Standing Audit & Supervisory Board Members. In addition to attending important in-house meetings, the board confirms important documents for approval. From the aspect of reinforcing the management auditing function, three of the five Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members, securing a structure to conduct fair and objective audits. The Audit & Supervisory Board meets once a month in general. Outside Audit & Supervisory Board Members attended 100% of the Audit & Supervisory Board meetings.

5 Management Meeting

27 meetings in fiscal 2021

The Meeting makes prompt management decisions through discussions or the reporting of matters considered to be important to management.

The meeting consists of internal Directors, Standing Audit & Supervisory Board Members and Executive Officers appointed by the President.

6 Risk Management Committee

2 meetings in fiscal 2021

The committee oversees the Group's risk management activities and appropriately examines and confirms whether business risks and other risks have been recognized and discussed and whether the risk management system is functioning effectively.

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


7 Sustainability Promotion Committee

2 meetings 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 management, and to confirm the progress of such activities. 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.

Directors, Audit & Supervisory Board Members and Executive Officers (as of March 24, 2022)


Directors



Ikuji Ikeda
Chairman of the Board

Born November 7, 1956
Number of Shares of the Company Held 55,700


Career Summary and Position at the Company
April 1979 Joined the Company
March 2020 Chairman of the Board of the Company (incumbent)



Satoru Yamamoto
Representative Director,
President and CEO (President)

Born June 14, 1958
Number of Shares of the Company Held 27,430


Career Summary and Position at the Company
April 1982 Joined the Company
March 2019 Representative Director, President and CEO (President) of the Company (incumbent)



Kazuo Kinameri
Representative Director
(Vice President)

Born August 15, 1956
Number of Shares of the Company Held 35,094


Career Summary, Position at the Company and Duties
April 1979 Joined the Company
March 2018 Representative Director (Vice President) of the Company (incumbent)
[Duties] Supervision of Human Resources and General Affairs, ESG and Legal Affairs



Hidekazu Nishiguchi
Director
(Managing Executive Officer)

Born December 8, 1960
Number of Shares of the Company Held 17,600


Career Summary, Position at the Company and Duties
April 1983 Joined the Company
March 2022 Director (Managing Executive Officer) (incumbent)
[Duties] Supervision of Corporate Management Planning & Administration and Tire Business, Automotive System Business and Digital Transformation (DX)



Kiyoshige Muraoka
Director
(Senior Executive Officer)

Born February 21, 1961
Number of Shares of the Company Held 4,300


Career Summary, Position at the Company and Duties
April 1985 Joined the Company
March 2022 Director (Senior Executive Officer) of the Company (incumbent)
[Duties] Supervision of Technology and Production, Research & Development and Intellectual Properties



Masatsugu Nishino
Director
(Senior Executive Officer)

Born February 8, 1962
Number of Shares of the Company Held 12,600


Career Summary, Position at the Company and Duties
April 1984 Joined the Company
March 2022 Director (Senior Executive Officer) of the Company (incumbent)
[Duties] Supervision of Sports Business, Hybrid Rubber Products Business and Purchasing



Naoki Okawa
Director
(Senior Executive Officer)

Born July 9, 1961
Number of Shares of the Company Held 4,200


Career Summary, Position at the Company and Duties
March 2019 Joined the Company
March 2022 Director (Senior Executive Officer) of the Company (incumbent)
[Duties] Supervision of Financial Strategies and Accounting



Keizo Kosaka
Outside Director

Born December 11, 1945
Number of Shares of the Company Held 0


Career Summary and the Status of Significant Concurrent Positions
April 1970 Admitted to the bar and joined Irokawa Law Office
April 1995 Vice President of Osaka Bar Association
January 2001 Irokawa Law Office Representative Partner
June 2006 Outside Audit & Supervisory Board Member of Toyo Aluminum K. K. (incumbent)
March 2009 Outside Director of the Company (incumbent)
June 2012 Outside Audit & Supervisory Board Member of Sekisui Plastics Co., Ltd. (incumbent)
June 2016 Outside Audit & Supervisory Board Member of Techno Associe Co., Ltd. (incumbent)
January 2020 Chairman of Irokawa Legal Professional Corporation (incumbent)
June 2020 Outside Audit & Supervisory Board Member of SEIREN CO., LTD. (incumbent)



Kenji Murakami
Outside Director

Born August 17, 1947
Number of Shares of the Company Held 13,900


Career Summary and Positions
April 1970 Joined Daiwa House Industry Co., Ltd.
April 2004 Representative Director, President and CEO of Daiwa House Industry Co., Ltd.
April 2011 Representative Director, Vice Chairman of Daiwa House Industry Co., Ltd.
March 2016 Outside Director of the Company (incumbent)



Nobuyuki Kobayashi
Outside Director

Born May 31, 1961
Number of Shares of the Company Held 0

Career Summary and the Status of Significant Concurrent Positions
April 1985 Joined Sumitomo Electric Industries, Ltd.
June 2016 Executive Officer of the above company
June 2019 Managing Director of the above company (incumbent)
March 2020 Outside Director of the Company (incumbent)



Mari Sonoda
Outside Director

Born July 24, 1959
Number of Shares of the Company Held 0

Career Summary and Positions
April 1982 Joined the Ministry of Finance
July 2010 Director of the Non-Administrative Asset Utilization and Disposition Policy Division, Financial Bureau, Ministry of Finance
July 2012 Director General of General Affairs Division, Federation of National Public Service Personnel Mutual Aid Associations
January 2014 Secretary-General of Secretariat, Specific Personal Information Protection Commission
January 2016 Secretary-General of Secretariat, Personal Information Protection Commission
March 2021 Outside Director of the Company (incumbent)

Audit & Supervisory Board Members



Takashi Kono
Standing Audit &
Supervisory Board Member

Born January 17, 1957
Number of Shares of the Company Held 16,200


Career Summary and Position at the Company
April 1980 Joined the Company
March 2014 Executive Officer of the Company
March 2019 Standing Audit & Supervisory Board Member of the Company (incumbent)



Hiroki Ishida
Standing Audit &
Supervisory Board Member

Born July 11, 1958
Number of Shares of the Company Held 46,700

Career Summary, Position at the Company
February 2010 Joined the Company
March 2011 Director (Senior Executive Officer) of the Company
March 2022 Standing Audit & Supervisory Board Member of the Company (incumbent)



Morihiro Murata
Outside Audit &
Supervisory Board Member

Born July 20, 1946
Number of Shares of the Company Held 6,800

Career Summary and the Status of Significant Concurrent Positions
December 1970 Joined Arthur Young Tokyo Office
November 1974 Registered as a certified public accountant (incumbent)
July 2002 Representative of Asahi KPMG Tax Accountant Corporation
January 2004 Representative Partner of KPMG Tax Accountant Corporation
April 2006 Representative of Morihiro Murata Accounting Office (incumbent)
June 2011 Outside Audit & Supervisory Committee member of Kagome Co., Ltd.
March 2012 Outside Director of the Company (incumbent)
March 2016 Outside Director (Audit & Supervisory Committee member) of Kagome Co., Ltd., Outside Audit & Supervisory Board member of Kokuyo Co., Ltd.

Reasons for the Selection of Independent Outside Directors


Name	Reasons for selection
Keizo Kosaka	Mr. Keizo Kosaka, making full use of his abundant knowledge as a lawyer with expertise in corporate legal affairs, has provided the Company with invaluable opinions and suggestions from an objective point of view as an Outside Director. 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 its 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 Representative Director, President and CEO of Daiwa House Industry Co., Ltd., where he gained extensive experience and broad insights into corporate management. Making full use of his wealth of expertise, Mr. Murakami has provided the Company with invaluable opinions and suggestions from an objective point of view as an Outside Director. The Company concluded that Mr. Murakami is not at risk of having a conflict of interest with general shareholders and thus appointed him based on its judgment that his continued provision of opinions and suggestions as an Outside Director will help improve the Company's corporate governance.
Nobuyuki Kobayashi	Mr. Nobuyuki Kobayashi has been engaged mainly in accounting and finance at Sumitomo Electric Industries, Ltd. and has gained extensive experience and broad insights as a Managing Director of said company. The Company concluded that Mr. Kobayashi is not at risk of having a conflict of interest with general shareholders and thus appointed him based on its judgment that his continued provision of opinions and suggestions as an Outside Director will help improve the Company's corporate governance.
Mari Sonoda	Ms. Mari Sonoda has held important positions at the Ministry of Finance and elsewhere and has gained expertise in finance, fiscal affairs and policy-making as well as extensive experience in developing personal information protection systems, including My Number, the national identification number. The Company concluded that Ms. Sonoda is not at risk of having a conflict of interest with general shareholders and thus appointed her based on its judgment that her continued provision of opinions and suggestions as an Outside Director will help improve the Company's corporate governance.



Asli M. Colpan
Outside Audit &
Supervisory Board Member

Born October 25, 1977
Number of Shares of the Company Held 0

Career Summary and the Status of Significant Concurrent Positions
April 2008 Program-Specific Associate Professor at Kyoto Center for Japanese Studies, Columbia University
October 2012 Visiting Scholar at Reischauer Institute of Japanese Studies, Harvard University
Visiting Associate Professor at Massachusetts Institute of Technology (MIT) Department of Political Science and Sloan School of Management
July 2015 Outside Director of GOURMET KINEYA CO., LTD.
March 2018 Outside Audit & Supervisory Board Member of the Company (incumbent)
April 2018 Professor at Graduate School of Economics, Kyoto University (incumbent), Professor at Graduate School of Management, Kyoto University (incumbent)
March 2019 Outside Director of NISSHA Co., Ltd. (incumbent)



Hirofumi Yasuhara
Outside Audit &
Supervisory Board Member

Born August 28, 1956
Number of Shares of the Company Held 0

Career Summary and the Status of Significant Concurrent Positions
April 1979 Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation)
June 2008 Director of PanaHome Corporation (currently Panasonic Homes Co., Ltd.)
June 2012 Representative Director, President of the above company
June 2015 Senior Audit & Supervisory Board member of Panasonic Corporation
June 2019 Outside Auditor of Santen Pharmaceutical Co., Ltd. (incumbent)
March 2020 Outside Audit & Supervisory Board Member of the Company (incumbent)
June 2020 Outside Auditor of Hitachi Zosen Corporation (incumbent)

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

Name	Reasons for selection
Morihiro Murata	Mr. Morihiro Murata expresses opinions on the execution of business by Directors from an objective viewpoint as an Outside Audit & Supervisory Board Member, drawing on his considerable knowledge of finance and accounting gained as a certified public accountant and tax accountant as well as auditing experience gained as Outside Director (Audit & Supervisory Committee member) of Kagome Co., Ltd., and Outside Audit & Supervisory Board member of Kokuyo Co., Ltd. The Company concluded that Mr. Murata is not at risk of having a conflict of interest with general shareholders and thus appointed him based on its judgment that his continued provision of opinions and suggestions as an Outside Audit & Supervisory Board Member would contribute to the reinforcement of its audit system.
Asli M. Colpan	Ms. Asli M. Colpan has extensive knowledge in corporate management based on her advanced academic knowledge as a professor specializing in management strategy and corporate governance as well as practical experience of corporate management as an Outside Director of GOURMET KINEYA CO., LTD. and NISSHA Co., Ltd. She expresses her opinions as an Outside Audit & Supervisory Board Member on the execution of business by Directors from an objective viewpoint reflecting her experience. The Company concluded that Ms. Colpan is not at risk of having a conflict of interest with general shareholders and thus appointed her based on its judgment that her continued provision of opinions and suggestions as an Outside Audit & Supervisory Board Member 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 Representative Director, President of PanaHome Corporation (currently Panasonic Homes Co., Ltd.) as well as Senior Audit & Supervisory Board Member of Panasonic Corporation and Outside Auditor of both Santen Pharmaceutical Co., Ltd. and Hitachi Zosen Corporation. He expresses his opinions as an Outside Audit & Supervisory Board Member on the execution of business by Directors from an objective viewpoint reflecting his experience. The Company concluded that Mr. Yasuhara is not at risk of having a conflict of interest with general shareholders and thus appointed him based on its judgment that his continued provision of opinions and suggestions as an Outside Audit & Supervisory Board Member would contribute to the reinforcement of its audit system.

Executive Officers

Senior Executive Officers	
Takanori Aoi	Hideaki Kawamatsu
Tomohiko Masuta	Yasuo Watanabe
Eiichi Masuda	Yasuaki Kuniyasu
Executive Officers	
Toshihiko Komatsu	Hiroshi Matsui
Kenji Saito	Jiro Kawase
Atsuhiko Tanaka	Hiroshi Hamada
Fumikazu Yamashita	Yoichi Mizuno
Takuzo Iwata	Kiyoshi Ikawa

Skill Matrix of Directors and Audit & Supervisory Board Members

Name	Current position at the Company*	Corporate management and business strategy	Manufacturing and technology	International business	Sales and marketing	Legal affairs and governance	Financial strategy and accounting	DX/IT	Fiscal 2021 Status of Attendance	
									Board of Directors meetings	Audit & Supervisory Board meetings
Ikuji Ikeda	Chairman of the Board	●	●	●					14/14	—
Satoru Yamamoto	Representative Director, President and CEO (President)	●		●	●				14/14	—
Kazuo Kinameri	Representative Director (Vice President)	●		●	●	●			14/14	—
Hidekazu Nishiguchi	Director (Managing Executive Officer)	●		●	●			●	11/11	—
Kiyoshige Muraoka	Director (Senior Executive Officer)		●					●	—	—
Masatsugu Nishino	Director (Senior Executive Officer)	●		●	●	●			—	—
Naoki Okawa	Director (Senior Executive Officer)			●			●		—	—
Keizo Kosaka	Outside Director	●				●			14/14	—
Kenji Murakami	Outside Director	●		●	●				14/14	—
Nobuyuki Kobayashi	Outside Director			●			●	●	14/14	—
Mari Sonoda	Outside Director					●	●	●	11/11	—
Takashi Kono	Standing Audit & Supervisory Board Member			●			●	●	14/14	12/12
Hiroki Ishida	Standing Audit & Supervisory Board Member	●		●		●	●		14/14	—
Morihiro Murata	Outside Audit & Supervisory Board Member	●				●	●		14/14	12/12
Asli M. Colpan	Outside Audit & Supervisory Board Member	●		●		●			14/14	12/12
Hirofumi Yasuhara	Outside Audit & Supervisory Board Member	●		●			●		14/14	12/12

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

Reasons for Adopting Skill Matrix Items

Skill Items	Reasons for Adoption
Corporate management and business strategy	For the Company to create joy and well-being for all, securing members of Board of Directors equipped with the skills needed to formulate sustainable growth strategies is essential. Such individuals must be seasoned corporate managers with robust track records. In order to achieve further improvement in economic and societal value, the Company also considers it important to create new value. To this end, the Company strives to secure Board members capable of quickly detecting changes in the business environment and pursuing new possibilities that transcend the scope of Tire, Sports and Industrial Products businesses, backed by robust skills and expertise related to the formulation of business portfolio strategies.
Manufacturing and technology	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 manufacture of products that are friendly to people and the environment to realize a sustainable society.
International business	For the Company to take full advantage of our global business framework, the Board of Directors must include members who have expatriate experience as representatives of overseas subsidiaries or other similar positions and are equipped with skills and expertise related to overseas business management.
Sales and marketing	On a global basis, the Company aims to market advanced products created via the use of proprietary cutting-edge technologies while constantly delivering a stream of high-value-added products aligned with the rapid shift to electric vehicles (EVs). By doing so, the Company will create value that goes beyond the expectations of customers and society. To this end, the Company's Board of Directors must include members equipped with skills and expertise related to market trend analysis and the formulation of marketing strategies.
Legal affairs and governance	The Company considers a proper governance system to be a foundational business platform supporting the continued pursuit of global expansion. The Company also strives to improve the effectiveness of management supervision over the entire Group. Therefore, the Company needs to secure Board members equipped with knowledge of legal affairs as well as skills and expertise related to corporate governance and risk management.
Financial strategy and accounting	For the Company to maximize corporate value through efficient capital management, securing Board members equipped with skills and expertise related to the formulation of optimal financial and capital strategies is essential as these strategies will, in turn, support accurate financial reporting, solidify the Company's financial base and promote growth investment (including M&A) aimed at securing sustainable growth in corporate value along with enhancing shareholder returns.
DX/IT	For the Company to realize innovation as defined under our Purpose, establishing a data-driven corporate culture supportive of the active utilization of AI and IoT is a matter of great importance. Therefore, the Company's Board of Directors must include members who have multifaceted track records in spearheading innovation and are equipped with skills and expertise related to the digital technology field.

Initiatives to Enhance the Effectiveness of the Board of Directors’ Operations

The Board of Directors’ Operations

To ensure that agenda items submitted to the Board of Directors are fully examined and discussed, we provide Outside Directors and Outside Audit & Supervisory Board Members with materials describing these items and presentations prior to each meeting 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 execution department and the status of response
- Response going forward in light of the results of the questionnaire on the effectiveness of the Board of Directors
- Status of the Risk Management Committee, Corporate Ethics Committee and Sustainability Promotion Committee
- Disposal of a portion of cross-shareholdings

Training for Directors and Audit & Supervisory Board Members

The Company helps internal Directors and Executive Officers participate in external executive training at its own expense. By doing so, we ensure that these individuals are fully equipped with the knowledge necessary to serve as members of a key decision-making body of a listed company. 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 individuals who are newly appointed as Outside Directors with briefings that cover such topics as the Sumitomo Rubber Group's latest business outline, its most recent operating results, challenges it is currently facing and other essential matters they need to know in light of their directorial duty to present advice on enhancing the Company's standing.

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 Members. Based on the questionnaire results, follow-up 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	
① Enhanced information sharing involving outside officers	In addition to holding Board of Directors meetings, the Board sets aside a time for information sharing to ensure that members are updated about decisions made by 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.
② 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.
Fiscal 2016 to 2020	
● Evaluation methods	Questionnaires targeting the Board members were sent out by the secretariat. The completed questionnaires were analyzed for quantitative data, while comments from respondents regarding qualitative matters were similarly consolidated. Based on the results, we identified issues and implemented countermeasures.
● Main issues	● More complete information needs to be provided to officers in advance ● Discussions at the Board of Directors need revitalization
● Main initiatives	● Raising the monetary criteria for tabling an item at a Board of Directors meeting ● Earlier provision of materials ● More complete information to be provided to outside officers in advance ● Improvements to the manner of reporting on business of which Executive Officers are in charge ● Prior acceptance of questions with regard to agenda items and provision of answers, etc.

Remuneration of Directors and Audit & Supervisory Board Members

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

① **Basic policy**
With regard to the remuneration of officers (Directors and Executive Officers), the Company's basic policy is to adopt a remuneration system that is linked to the interests of shareholders, so that it effectively functions as an incentive package rewarding members for their efforts to sustainably enhance corporate value. The Company also ensures that the remuneration of individual recipients is set at an appropriate level in light of their respective responsibilities.

Specifically, remuneration for Directors (excluding Outside Directors) and Executive Officers consists of a basic salary constituting a fixed portion and bonuses constituting a performance-based portion. Except for Outside Directors, Directors are also granted stock-based remuneration as medium- to long-term incentives. For Outside Directors who assume management supervisory functions, the Company furnishes only a basic salary with a view to ensuring their professional independence.

② **Policy for the determination of the amount of basic salary for each recipient**
Basic salary is a fixed amount paid monthly and is determined based on each recipient's position, responsibilities and years in office and in accordance with basic salary tables determined after comprehensively taking into consideration the level of remuneration at peer companies, the business performance of the Company, salary levels for employees and other factors.

③ **Policy for the determination of the content, amount of and calculation methods for short-term performance-based remuneration**
To enhance recipients' awareness of their duty to improve business performance each business year, short-term performance-based remuneration is paid in cash in a way that reflects performance indicators. An amount corresponding to the degree to which performance indicators have been met is paid at a predetermined time each year.

When determining the amount of performance-based remuneration, the Company selects business profit, profit attributable to owners of the parent company and other performance indicators considered particularly important in light of its corporate strategy. The target values for these indicators are determined when midterm plans are formulated in a way that is consistent with said plans and revised as necessary in accordance with changes in the environment, taking into consideration any recommendations from the Nomination and Remuneration Committee.

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

④ **Policy for the determination of the content and amount of medium- to long-term incentives**
Medium- to long-term incentives are designed to motivate recipients to strive for the sustainable improvement of the Company's corporate value. At the same time, these incentives are intended to promote the sharing of value between Directors and shareholders. Accordingly, recipients are granted the Company's shares with transfer restrictions with the restrictions enforced until said recipients step down from the post of Director due to reasons deemed just and approved by the Board of Directors. The determination of the number of shares granted is based on the position held by the recipient with reference to a stock-based remuneration table formulated with comprehensive consideration of the level of remuneration at peer companies, employee salaries and other factors.

⑤ **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 by type, the composition of each type of remuneration is engineered to ensure that the weighting of performance-based incentives is higher for individuals in higher positions than it is for those in lower positions. This determination is benchmarked against the remuneration levels of companies of a similar business scale to the Company or in a related industry or with a similar business format. This composition is also discussed by the Nomination and Remuneration Committee.

The Representative Director and President, to whom the Board of Directors has delegated authority over the matter stipulated in ④ below, determines the details of remuneration for individual recipients in a manner that honors recommendations from the Nomination and Remuneration Committee and within the scope of the proportional composition set forth in such recommendations for each type of remuneration.

Furthermore, as a general rule regarding the proportional composition of each type of remuneration, fixed remuneration (basic salary), short-term performance-based remuneration (bonus) and medium- to long-term incentives (stock-based remuneration) account for 75%, 20% and 5%, respectively, of total remuneration for Directors except for Outside Directors. As for remuneration for Executive Officers, fixed remuneration and short-term performance-based remuneration account for 80% and 20%, respectively. (The above proportions are premised on the full achievement of performance indicators.)

Notwithstanding the foregoing, the amount of performance-based remuneration may fluctuate due to such factors as consolidated business profit. Accordingly, proportional composition can fluctuate within the range presented below.

Position	Fixed remuneration (Basic salary)	Short-term performance-based remuneration (Bonus)	Medium- to long-term incentives (Stock-based remuneration)
Directors	72-95%	0-20%	5-8%
Officers other than Directors	80-100%	0-20%	—

⑥ **Matters related to the delegation of authority over the determination of details of remuneration for individual recipients**
With regard to the determination of remuneration for individual recipients, via a resolution, the Board of Directors delegates authority over the details of such remuneration to the Representative Director and President. Based on this authority, the Representative Director and President determines the amount of basic salary for officers and allocates bonuses to each based on his evaluations of operating results achieved by businesses under the recipient's supervision.

The Board of Directors strives to ensure that the above authority is properly exercised by the Representative Director and President and, to this end, consults with the Nomination and Remuneration Committee to obtain its recommendations, including a draft outlining remuneration packages. The Representative Director and President, to whom authority is delegated as explained above, is requested to determine the matter in accordance with said recommendations from the committee.

2. Total Amount of Remuneration by Officer Category, Total Amount of Remuneration by Remuneration Type and the Number of Recipients

Officer category	Total amount of remuneration (millions of yen)	Number of recipients
Directors (excluding Outside Directors)	464	10
Audit & Supervisory Board Members (excluding Outside Members)	50	2
Outside Members	62	7

Note: The above number of recipients includes two Directors who stepped down from the position on March 26, 2021.

① **The resolution passed at the General Meeting of Shareholders regarding remuneration**
The limits on the total amount of remuneration for Directors and Audit & Supervisory Board Members have been set based on a resolution by the 123rd Ordinary General Meeting of Shareholders held on March 26, 2015, as detailed below: Directors: up to ¥800 million per year (of this amount, remuneration for Outside Directors: up to ¥70 million per year); Audit & Supervisory Board Members: up to ¥100 million per year. In addition, at the time of the above resolution, the Board of Directors consisted of 11 Directors (including two Outside Directors), while the Audit & Supervisory Board consisted of five Members (including three Outside Audit & Supervisory Board Members). Subsequently, the limit on the total amount of stock-based remuneration to be

granted to Directors (excluding Outside Directors) separately from the above-mentioned remuneration, has been set based on a resolution by the 130th Ordinary General Meeting of Shareholders held on March 24, 2022, to furnish incentives to the recipients in the form of the Company's shares with transfer restrictions. Based on this resolution, the limits on such remuneration have been set at ¥40 million and 20,000 shares, respectively, in terms of the value and number of shares that can be granted annually.

② **Activities undertaken by the Nomination and Remuneration Committee and the Board of Directors in the process of determining remuneration to be paid for the most recent fiscal year**
The Nomination and Remuneration Committee met on July 29, 2021, November 30, 2021 and February 1, 2022, to discuss the Company's remuneration system, the level of remuneration paid under said system as well as the amount of basic salaries and bonuses and the appropriateness of these matters. The committee also deliberated on the introduction of a stock-based remuneration system designed to offer medium- to long-term incentives through the provision of the Company's shares with transfer restrictions in addition to discussing the revision of policies for the determination of remuneration. Based on recommendations formulated by the committee, the Board of Directors convened an extraordinary meeting on February 9, 2022 to discuss the introduction of the above-mentioned stock-based remuneration system and the revision of policies for determining remuneration. Furthermore, the Board of Directors met on March 4, 2022 to discuss the amounts to be awarded as bonuses, thereby determining the full details of remuneration.

Basic Policy on the Internal Control System

(Translation of original full text)

The Company established the Internal Control System, a system that performs the necessary function of ensuring the propriety of business undertaken by the Sumitomo Rubber Group (Sumitomo Rubber Industries and its subsidiaries as defined by the Article 2, Paragraph 3 of the Companies Act).

As it aims to continue to enhance its Internal Control System, the Company has made it a rule to submit any proposal for the revision of the following matters to the Board of Directors.

(1) A system to preserve and manage information concerning the execution of business by the directors

Information concerning the execution of business by directors, such as documents on proposals or decisions, shall be recorded and managed appropriately in accordance with the Regulations Concerning Preservation of Documents. The directors and Audit & Supervisory Board Members shall be permitted to view these records at all times.

(2) Rules concerning the risk management of loss and other systems

Management risks involving product quality, law, the environment, credit, accidents, disasters, etc., that may materially and adversely affect our business activities, shall be addressed by the relevant division and/or subsidiary in advance, via the analysis of those risks and the planning of countermeasures in accordance with the Regulations Concerning Risk Control, which define risk management methods for the entire Sumitomo Rubber Group. These risks shall be then referred to the Management Meeting and other bodies for discussion. If necessary, advice and guidance may be sought from professionals, including legal counsel, in analyzing and planning countermeasures for such risks.

Any risk affecting the Group as a whole shall be addressed by individual departments under the administrative divisions overseeing their business operations in coordination with other relevant departments and subsidiaries.

The Risk Management Committee shall oversee 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.

(3) A system to ensure the efficient execution of business by directors

In order to ensure that the directors and managerial personnel may execute their business properly and efficiently, their duties, authority and relevant departments to be placed under their supervision, along with operations conducted by these departments, shall be specifically determined in accordance with the Regulations Concerning the Allocation of Responsibility and Duties. Each subsidiary shall develop a similar organizational structure and reporting lines.

Furthermore, an Executive Officer System shall remain in place to ensure flexible business execution in response to the changing environment and customer needs.

With respect to the performance and efficiency of each division and subsidiary, a midterm management plan shall be drawn up, targets shall be set at budget meetings (and reviewed as necessary), and the status of achievement regarding those targets shall be reported, reviewed and analyzed on a monthly basis at the Group's performance meetings.

For all business operations undertaken by the Sumitomo Rubber Group, we shall actively utilize IT and digital technology to enhance efficiency in the execution of business.

(4) A system to ensure the execution of business by directors and employees is in compliance with law/regulations and the Articles of Incorporation

The Company ensures that the corporate philosophy of the Sumitomo Rubber Group, "Our Philosophy," is the foundation for all decision-making and the starting point for all actions. Our corporate Code of Conduct, as well as various compliance manuals, shall be widely distributed, with top management clarifying its principles. Moreover, it shall be made thoroughly clear to all Sumitomo Rubber Group members that compliance with laws and corporate ethics constitutes the basic foundation of management.

The Corporate Ethics Committee, chaired by the President, shall identify, analyze, and evaluate those compliance risks affecting the Group as a whole in

addition to planning and conducting necessary training. The Committee shall also work to ascertain the cause of any violation, propose measures to prevent their recurrence, and ensure thorough familiarization of these matters throughout the Group.

A Corporate Ethics Help Line shall be established to allow employees, et al., to directly report and consult on any actions that are questionable in light of corporate ethics. Information received by the Corporate Ethics Help Line shall be reported to the Corporate Ethics Committee, which, in turn, shall assess the situation and adopt the necessary measures.

The Sumitomo Rubber Group's Corporate Code of Conduct shall stipulate that any ties with antisocial forces must be severed, with the aim of securing a structure that refuses any requests from such forces.

(5) A system regarding reporting on the execution of business by directors at subsidiaries to the Company

Each business division shall periodically receive reports from the directors of each subsidiary under its supervision with regard to their performance targets and the achievement of such targets. Pursuant to the Regulations Concerning Management of Subsidiaries, such division shall also receive reports from each subsidiary on an as necessary basis regarding risk management, compliance, and other specific matters that need to be reported to and discussed at the Company's Management Meeting and its Board of Directors so that directors at such subsidiaries may directly deliberate these matters with Directors at the Company.

(6) A system to ensure adequate financial reporting

The Company shall strive to maintain the Internal Control System in accordance with the Financial Instruments and Exchange Law and assessment/audit standards and implementation standards prescribed by the Financial Services Agency as well as to enhance systems to ensure adequate financial reporting by the Sumitomo Rubber Group.

(7) Establishment of a position to assist the duties of Audit & Supervisory Board Members at the request of such members

An employee shall be selected to work as an Audit & Supervisory Board Members' dedicated assistant to support them in the execution of their duties. This individual shall operate solely based on instructions by Audit & Supervisory Board Members.

The opinion of the Audit & Supervisory Board shall be sought in advance prior to carrying out personnel changes and evaluating the performance of this individual.

(8) Systems to allow directors and employees to report to Audit & Supervisory Board Members and to allow other reports to be made to such members

Standing Audit & Supervisory Board Members shall participate in Management Meetings and other important meetings to accurately assess the status of the Sumitomo Rubber Group.

Important matters involving risk management shall be reported directly by directors or heads of divisions to Audit & Supervisory Board Members as necessary.

Matters reported to the Corporate Ethics Help Line (excluding minor problems) shall be reported to the Audit & Supervisory Board. In accordance with "Regulations on Corporate Ethics Activities," which apply to all Group companies, the Company shall establish a structure that prohibits anyone from disadvantageously treating persons who report to the Corporate Ethics Help Line or Audit & Supervisory Board Members on the grounds of such reporting and protects the confidentiality of their identities.

(9) Other systems to ensure effective audit coverage by Audit & Supervisory Board Members

Audit & Supervisory Board Members shall be given opportunities to receive explanations from the Sumitomo Rubber Group's directors and division heads as necessary.

The Company shall reimburse expenses, including incidental expenses, incurred by Audit & Supervisory Board Members in the course of the execution of their duties to a reasonable extent.

Risk Management

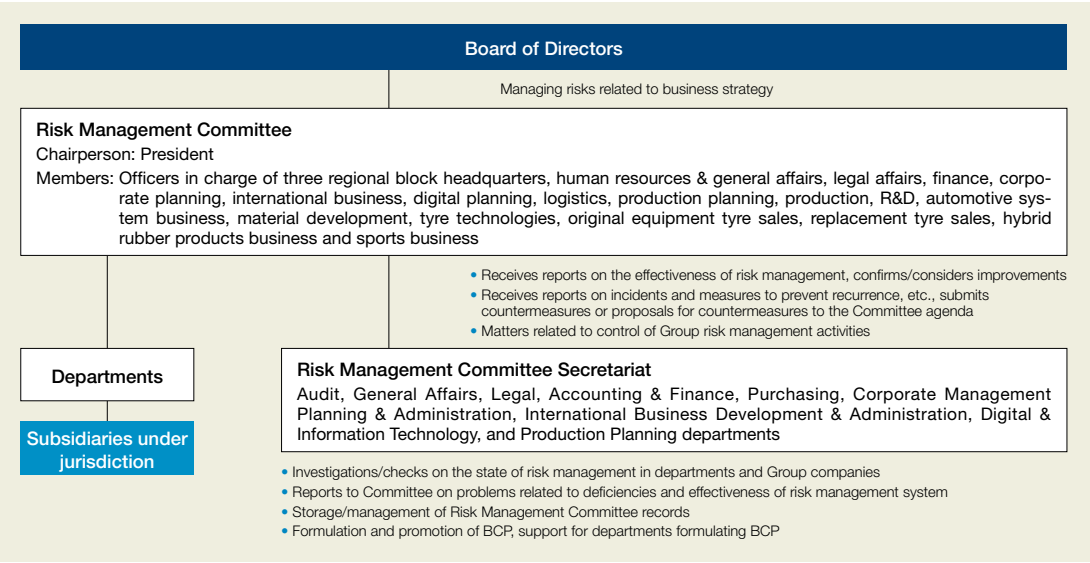
Management risks involving product quality, law, the environment, credit, accidents, disasters, etc., that may materially and adversely affect our business activities, shall be addressed by the relevant division and/or subsidiary in advance, via the analysis of those risks and the planning of countermeasures in accordance with the Regulations Concerning Risk Control, which define risk management methods for the entire Sumitomo Rubber Group. These risks shall be then referred to the Management Meeting and other bodies for discussion.

If necessary, advice and guidance may be sought from professionals, including legal counsel, in analyzing and planning countermeasures for such risks.

Any risk affecting the Group as a whole shall be addressed by individual departments under the administrative divisions overseeing their business operations in coordination with other relevant departments and subsidiaries. The Risk Management Committee shall oversee 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.

Groupwide Risk Management System



Main Initiatives in Fiscal 2021

Based on the Company's Regulations Concerning Risk Control, the Risk Management Committee met twice to supervise risk management activities vis-à-vis risks affecting the Sumitomo Rubber Group as a whole. The committee also confirmed that the risk management system for the entire Group is functioning effectively.

Furthermore, the committee conducted an overall review and reevaluation of Groupwide risks in accordance with the biennial schedule for such procedures. Based on reevaluation results, the committee identified priority risk items in terms of countermeasures the Sumitomo Rubber Group as a whole has to implement and otherwise promoted risk mitigation activities across the board.

In the face of the global COVID-19 pandemic, the risk control headquarters led by the President provided all Group members with periodic informational updates in an effort to minimize the pandemic's overall impact on the Group's facility operations and its business results.

Specifically, the Company placed the utmost priority on ensuring the safety of employees and their families while introducing countermeasures to prevent COVID-19 infections and updating procedures for response to the emergence of cases of infection. Moreover, the Company strove to collect information from supply chains to assess their status and helped them introduce robust measures to prevent infection. These endeavors were carried out under the leadership of the risk control headquarters via collaboration involving each business division and administrative departments with specific functions.

Business Continuity Plans (BCPs)

Having directly experienced fallout from the Great Hanshin-Awaji Earthquake and the Great East Japan Earthquake, the Sumitomo Rubber Group has developed BCPs by drawing on takeaways from these two major earthquakes.

Specifically, we completed the formulation of well-thought-out BCPs encompassing our Head Office, overseas and Japan-based factories, and domestic subsidiaries to protect human life as well as to facilitate the early resumption of product deliveries to customers at times of emergency. We also conduct periodic drills to enhance the effectiveness of these BCPs.

Also, aware of the growing magnitude of the threats of typhoons, heavy rains and other natural disasters that have been striking the country in recent years, we have upgraded the content of BCPs by incorporating lessons learned in the course of disaster responses. For example, in fiscal 2019 we newly established standards for exempting employees from attendance at or allowing them to leave early from their workplaces when public transportation is disrupted by an earthquake or when evacuation is instructed by government agencies due to heavy rains or flooding. We have also provided employees with a renewed version of the Basics of *What to Do When a Disaster Strikes* handbook, which incorporates the above standards to ensure robust employee understanding of these matters.

In fiscal 2020, we established a risk control headquarters led by the President in response to the global COVID-19 pandemic, thereby implementing a measure that helps ensure the safety of Sumitomo Rubber Group employees at home and abroad and their families while promoting countermeasures to prevent infection with the virus. Drawing on this experience, we incorporated pandemic countermeasures into the BCPs for a number of our domestic bases, further upgrading the content of these plans.

In fiscal 2021, we similarly upgraded the BCPs for other key bases, including affiliates at home and abroad, through the incorporation of pandemic countermeasures.

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 business continuity.

Compliance

In the Sumitomo Rubber Group, we believe that "legal compliance and the upholding of corporate ethics form the cornerstone of a company's survival and are crucial to long-term corporate vitality and competitiveness," and we developed our compliance structure by formulating the "Regulations on Corporate Ethics Activities" and the "Sumitomo Rubber Group Corporate Code of Conduct" in February 2003 in addition to establishing a Compliance Consultation office, a system that has continued to this day.

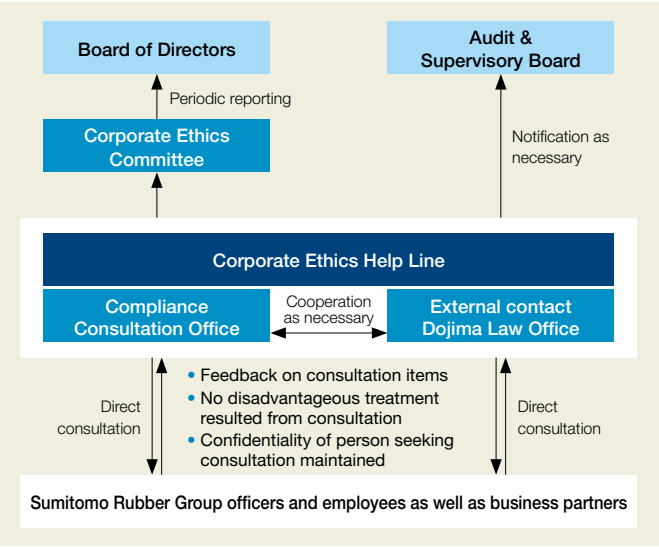
Main Initiatives in Fiscal 2021

In addition to meetings of the Board of Directors, which exercises supervision over compliance matters, the Audit & Supervisory Board met 12 times and confirmed that the execution of business by directors was in conformity with laws, regulations and the Company's Articles of Incorporation.

Also, the Corporate Ethics Committee, tasked with deliberating compliance issues for the Sumitomo Rubber Group, met four times to implement countermeasures against compliance and risk management issues affecting the Group as a whole. The committee also strove to ensure that each case reported via the Corporate Ethics Help Line was properly handled.

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

Structure of Compliance Initiatives



Improprieties in Quality Management and Measures to Prevent Recurrences

In 2021, improprieties in quality management were discovered at the Company's Kakogawa Factory and its subsidiary in South Africa regarding inspections of rubber marine fenders* produced by the former and tire production at the latter. In response, we established emergency response committees to discuss how to address issues found at both sites while setting up a special investigation committee that includes external specialists to confirm details of incidents. Having released the first round of incident reports in July 2021, in November 2021 we went on to publicize initiatives to be undertaken by the Company going forward along with an investigation report compiled by the special investigation committee.

We once again extend our deepest apologies to our customers, business partners and other stakeholders for any anxiety these incidents may have caused. As we are determined to once and for all eliminate improprieties of this kind, we will endeavor to ensure that "Integrity and Soundness," as enshrined in "Our Philosophy," is thoroughly practiced by all employees. Moreover, we will work to reform our corporate culture, strengthen our quality assurance systems and otherwise do our best to restore customer trust in our products.

*Shock-absorbing rubber barrier equipment designed to protect vessels and piers from damage due to collisions when a ship is berthed. With the Company's Kakogawa Factory in charge of manufacturing, these materials are delivered to customers in both the public and private sectors through trading companies and construction firms.

Overview of the Incidents

1. It was revealed that the product testing methods used to confirm the compressive performance of rubber marine fenders manufactured at the Kakogawa Factory had deviated from the guidelines established by the World Association for Waterborne Transport Infrastructure. Also, relevant testing data was found to have been improperly modified.
2. It was revealed that the product specifications of a portion of original equipment tires manufactured by a tire production subsidiary in South Africa and shipped to customers had deviated from specification requirements agreed upon by said customers.

For incident details and investigation results, please see the following news releases and other materials published in accordance with timely disclosure rules.

- News release dated July 30, 2021 "Notice Concerning Improprieties in Quality Management and Apologies" https://www.srigroup.co.jp/newsrelease/2021/sri/2021_059.html (Japanese only)
- News release dated November 9, 2021 "Results of Investigations Undertaken by the Investigation Committee Regarding Improprieties in Quality Management and Initiatives to Be Undertaken Going Forward" https://www.srigroup.co.jp/newsrelease/2021/sri/dvq/4p000005vpkp-att/2021_tekiji1109.pdf (Japanese only)

Confirmation of Product Safety and the Formulation of Countermeasures to Prevent Recurrences

Immediately upon learning of the aforementioned incidents, in June 2021 we established separate emergency response committees tasked with handling them, with Satoru Yamamoto, Representative Director and President, serving as the chair of both committees. First of all, we confirmed the safety of similar already shipped products. In addition, a special investigation committee with a membership that includes external lawyers carried out in-house investigations of the two incidents. In these ways, we have striven to determine the root causes and formulate measures to prevent recurrences.

Investigation results suggest the presence of issues in our quality management systems, an insufficient employee understanding of the corporate philosophy and a lack of robust communications between bases and departments along with problems regarding corporate culture. To achieve improvement in these factors, we have formulated and are currently implementing the measures listed below.

Main Measures

1. Newly established the Quality Assurance Headquarters directly supervised the President to enhance the quality assurance system for the entire Group (December 2021)
 - Both of the incidents in question have been ascribed to a lack of a customer-centric perspective and the insufficient practice of our quality management system (QMS). To strengthen quality management functions and raise quality awareness among employees across the board, we have consolidated the functions of quality assurance departments that had been separately in place for the Tire Business, the Automotive Business, the Sports Business and the Industrial Products Business. This move is intended to 1) enable independent judgment on quality management, 2) delegate greater authority to employees in charge of quality planning, 3) promote the across-the-board practice of QMS and 4) reinforce our audit functions.
2. Implemented the following corporate culture reform initiatives
 - Promote the practice of "Our Philosophy," rallying support among the entire Group workforce with the aim of wholeheartedly pursuing business activities based on the principles of "Integrity and Soundness" enshrined in this corporate philosophy.
 - Continue implementing the "Be the Change" Groupwide project, launched in 2020, to reinforce the foundations of our business to improve our organizational culture and enhance in-house communications.

Stakeholder Engagement



Aware of the social responsibilities incumbent on the Sumitomo Rubber Group, we always work to assess what is expected of us and reflect such expectations in our business activities. To this end, regular communication with our stakeholders is indispensable.

As we globalize our business, we welcome a diverse range of new stakeholders around the world. We strive to demonstrate integrity in all our business activities so that we can earn the trust of all our stakeholders.

Measures to Promote Constructive Dialogue with Shareholders

- The Company will conduct dialogue with shareholders with the aim of enhancing its corporate value based on the following policies:
- ① The Company strives to realize dialogue in line with the interests of various stakeholders by appointing the officer in charge of finance for investor relations (IR) and the officer in charge of general affairs for shareholder relations (SR).
 - ② In preparing materials and gathering information for the IR and SR activities mentioned above, the Company's Corporate Planning, General Affairs, Finance 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 stakeholders, including shareholders and institutional investors.
 - As part of IR activities, the IR section of the Company's corporate website features various data, including the latest business performance trends. Moreover, in May 2022 the Company established the IR Office to promote strategic IR activities. The Company also hosts IR briefings for analysts and institutional investors in conjunction with, for example, business results announcements. In terms of SR activities, the Company periodically issues various publications for shareholders and prepares integrated reports to provide updates on the status of its business operations, ESG-based management and sustainability activities while maintaining direct engagement with institutional investors. In these ways, the Company offers a broad range of information and facilitates the robust exchange of opinions to improve its corporate value.
 - ③ The Company considers the opinions gleaned through dialogue with shareholders and investors valuable to the further enhancement of its corporate value. Accordingly, these opinions are periodically reported to the senior management and the Board of Directors. This enables the Board to deliberate on the necessity of acting on said opinions and study measures for doing so.
 - ④ Taking a proactive approach to IR 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 Labor-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 Wages 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.

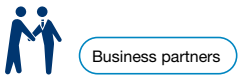
In 2022, this inspection campaign, held throughout Japan at Tire Select stores, which are Dunlop tire outlets, started on April 8, designated as the "Tire Day" by the Japan Automobile Tyre Manufacturers Association, and lasted for 17 days. In this round of the campaign, we utilized an AI-based tire inspection 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-grade 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

▶ p. 79

Supply Chain Management



Enhancing Our Supplier Evaluation System, Facilitating a Shift to Intraregional Procurement and Promoting Sustainable Procurement

In line with our Long-Term Sustainability Policy, we are working out the details of our procurement activity plan with an eye to 2050. With regard to supplier evaluations, we decided to update our conventional evaluation system focused on assessing the product quality, cost and delivery (QCD) aspects of suppliers into a new system designed to take into account their earnings status, business policies and business plans as well as their initiatives to contribute to a sustainable society. Based on the new system, we intend to develop separate procurement strategies for each item.

We will work together with our suppliers to realize a carbon-neutral society, implement environmental conservation measures, protect human rights, enhance corporate governance and otherwise strive for a sustainable society in the joint pursuit of stable, ongoing business operations.

Realizing Sustainable Procurement through Third-Party Assessments Provided by EcoVadis

To better fulfill our corporate social responsibility and realize sustainable procurement, we have decided to monitor and evaluate the human rights, governance, and environmental performance of our supply chain and utilize this information in our future procurement activities.

In order to efficiently implement this initiative, we have appointed EcoVadis, an international third-party rating organization, to conduct an assessment of our suppliers' various initiatives from January 2022, and the results will be reflected in our procurement plans and medium- to long-term procurement policies.

We also expect that the use of EcoVadis will unify the assessment criteria, and that the results and improvement actions will contribute to the promotion of efficient sustainability activities by our suppliers.



Procurement Guidelines

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 compliance, 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.

Key Base for Sustainable Natural Rubber (SNR) Activities Natural Rubber Procurement Subsidiary in Singapore

SUMITOMO RUBBER SINGAPORE PTE. LTD., established in Singapore—home of the world's largest natural rubber market—initiated operations in April 2020. This subsidiary strives to ensure the sustainable procurement of high-quality natural rubber while serving as a key base for promoting the Sumitomo Rubber Group's Sustainable Natural Rubber (SNR) activities.

The sustainable procurement of natural rubber constitutes a pillar of our Long-Term Sustainability Policy. Accordingly, we continuously push ahead with these activities, taking a proactive approach to tackling human rights-related and environmental issues in tandem with supply chain constituents and other stakeholders.

Updating the Sumitomo Rubber Group Sustainable Natural Rubber (SNR) Policy

Aiming to become a company capable of contributing to the realization of a sustainable society, in October 2016, Sumitomo Rubber Industries joined the SNR-i*¹ advocated by the IRSG.*² In September 2018, we also became a participant in the GPSNR.*³ As such, we proactively engage in SNR activities on various fronts.

In August 2021, we updated our SNR Policy to reflect a policy framework approved by the GPSNR, with the aim of gearing up efforts to resolve issues in regions where natural rubber is produced, such as environmental problems caused by the destruction of forests and human rights problems in the working environment.

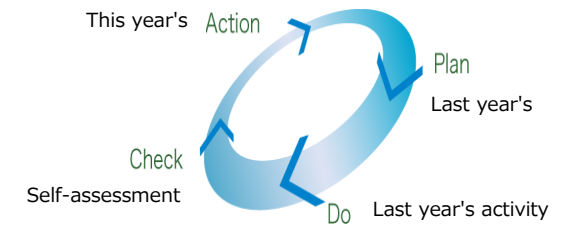
In line with our updated SNR Policy, we will proactively promote collaborative initiatives with companies in our supply chain and other stakeholders to realize a society in which natural rubber is procured in a sustainable manner.

*1 Sustainable Natural Rubber Initiative
*2 International Rubber Study Group
*3 Global Platform for Sustainable Natural Rubber



Targets and Results

We verify results and set targets for the following year, based on the Group's activity guidelines "GENKI."
Here are the goals and results we set for each item.



Plan Fiscal 2021 Target	GRI Guidelines	Do Fiscal 2021 Activity Result	Check Self- Assessment ^{*)}	Action Fiscal 2022 Target	Medium-to-long-term (2025) Targets
①Enhancing corporate governance					
●Continue to implement measures to enhance the effectiveness of the Board of Directors	102-18	●Revised approval authority rules, implemented measures to enhance the effectiveness of the Board of Directors (e.g., providing drafts of meeting materials in advance) and obtained third-party assessment of the Board of Directors' effectiveness	100%	●Continue to implement measures to enhance the effectiveness of the Board of Directors	●Continue to implement initiatives that contribute to further improving the effectiveness of the Board of Directors (e.g., verification of the appropriateness of agenda items, evaluation of effectiveness, and expansion of information provision) with the aim of enhancing corporate value over the medium to long term.
●Continue to set out and expand the content of BCPs, and to implement training	102-18	●Formulated BCPs based on a pandemic and covering Group companies in Japan and overseas; implemented BCP drills at the Kobe Head Office, factories and other business bases	100%	●Continue to set out and expand the content of BCPs, and to implement training	●Continue to set out and expand the content of BCPs, and to implement training ●Enhanced ability to respond to complex risks
●Reanalyze risks to update the profile of major Groupwide risks	102-18	●Implemented Groupwide risk assessments and surveys to update the profile of major Groupwide risks; finalized the updated risk profile at a Risk Management Committee meeting held in December to determine the risk response priorities for all departments	100%	●Conduct follow-up assessments of progress in risk response plans for the entire Company and promote risk management activities (first and second half)	●Continue company-wide risk analysis surveys, risk countermeasure plans, and progress follow-up
②Ensuring thorough compliance					
●Promote the Group's compliance and risk management	—	—	—	●Promote the Group's compliance and risk management	●Promote the Group's compliance and risk management
●Audit: Focus particularly on carrying out legal audits at overseas subsidiaries	102-16	●Due to the need to prevent the spread of COVID-19, audits at two overseas subsidiaries were postponed even though the initial audit plans formulated at the beginning of the fiscal year called for implementing legal audits at eight overseas subsidiaries	75%	●Audit: Focus particularly on carrying out legal audits at overseas subsidiaries	●Continue to set out and expand the content of BCPs, and to implement training ●Enhanced ability to respond to complex risks

<ul style="list-style-type: none"> ●Training: In terms of grade-specific compliance training and specialization-specific training, conduct training on such subjects as the Corporate Code of Conduct, competition laws, the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, the Act against Unjustifiable Premiums and Misleading Representations, the Foreign Exchange and Foreign Trade Act and the 	102-16	<ul style="list-style-type: none"> ●Due mainly to the need to prevent the spread of COVID-19, training sessions planned for seven overseas subsidiaries to discuss topics on competition laws and the prevention of bribery could not be conducted, even though such sessions were originally planned for eight overseas subsidiaries; Similar sessions for subsidiaries in Japan were mostly conducted in line with the initial plans formulated at the beginning of the fiscal year 	81%	<ul style="list-style-type: none"> ●Training: In terms of grade-specific compliance training and specialization-specific training, conduct training on such subjects as the Corporate Code of Conduct, competition laws, the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, the Act against Unjustifiable Premiums and Misleading Representations, the Foreign Exchange and Foreign Trade Act and the prevention of bribery 	<ul style="list-style-type: none"> ●Continue company-wide risk analysis surveys, risk countermeasure plans, and progress follow-up
③Promoting dialogue with stakeholders					
<ul style="list-style-type: none"> ●Promote dialogue with a range of stakeholders 	102-44	—	—	—	—
<ul style="list-style-type: none"> ●Maintain ongoing dialogue with shareholders to enhance corporate value 	—	<ul style="list-style-type: none"> ●Shareholder communications issued: Two editions 	100%	(Dialogue with institutional investors) <ul style="list-style-type: none"> ●Maintain ongoing dialogue to secure sustainable growth and enhance corporate value (Dialogue with individual investors) <ul style="list-style-type: none"> ●Continue to update investors about the status of our activities via the biannual issuance of shareholder communications 	(Dialogue with institutional investors) <ul style="list-style-type: none"> ●Continue dialogue aimed at sustainable growth and enhancement of corporate value (Dialogue with individual investors) <ul style="list-style-type: none"> ●Continue to disseminate information on activities through notices of convocation, shareholder newsletters, etc.
—	—	<ul style="list-style-type: none"> ●Enhanced the content of results briefing materials and improved their layouts 	—	<ul style="list-style-type: none"> ●Clarify employees responsible for IR affairs by establishing the IR Office ●Increase opportunities to provide explanations to stakeholders and enhance the content of such explanations by, for example, improving results briefing materials 	<ul style="list-style-type: none"> ●Enhancement of opportunities and content of stakeholder briefings, including presentation material for the financial results
④Supply chain management					
<ul style="list-style-type: none"> ●Hold briefings (provide feedback gleaned from CSR questionnaires) 	102-43	<ul style="list-style-type: none"> ●Sent out questionnaires to 254 suppliers in fiscal 2020 ●Met individually with representatives from nine of the above suppliers in fiscal 2021 to provide feedback gleaned from questionnaires and offer guidance 	100%	<ul style="list-style-type: none"> ●Commission a third-party assessment firm to conduct the monitoring of sustainability initiatives undertaken by suppliers 	<ul style="list-style-type: none"> ●In terms of Tire raw materials, aim at receiving 95% auditee rate by Third-Party Assessments(Ecovadis) on a purchase value basis (2030)

*1 Self-assessment uses comparison with baseline year (1 – reduction ratio) in the following formula to calculate the achievement rate:

$$\left(1 - \left| \frac{\text{Baseline Value} - \text{Actual Value}}{\text{Baseline Value}} \right| \right) \times 100\%$$