

Key Management Resources

For more than 110 years, the Sumitomo Rubber Group has been accumulating various forms of capital. This capital, in turn, constitutes an integral part of the foundations supporting our pursuit of the realization of “Rubber and Beyond, Driving Our Future,” the worldview defined under “Our Philosophy.” In addition to financial capital, we regard manufactured capital (such as factories and production facilities), diverse human capital, intellectual capital (including research & development capabilities and intellectual property), social capital (e.g., global brand capability) and natural capital (such as energy resources) as key management resources.



Financial Capital

Ratio of equity attributable to owners of parent:

44.6%

D/E ratio: **0.7** times

Sound financial capital is a key management resource that supports sustainable growth. The ratio of equity attributable to owners of parent, which represents the shareholders’ equity ratio, was 44.6% at the end of fiscal 2022. The rating provided by Japan Credit Rating Agency, Ltd. was “A+” as of March 23, 2023.

Looking ahead, we intend to continuously execute capital expenditure to facilitate our shift in focus toward the production of advanced products in the Tire Business. In addition, we aim to simultaneously secure corporate growth, a sufficient level of liquidity and a more robust financial position. With this in mind, we have set a financial target of reducing the D/E ratio to 0.6 times or less by the end of fiscal 2027 under the Midterm Plan announced on February 14, 2023.



Manufactured Capital

Number of production bases in Japan and overseas:

22 (Total of Tire, Sports and Industrial Products Businesses)

Capital expenditures: **¥68.0** Billion

In fiscal 2022, the Sumitomo Rubber Group supplied 111.46 million tires to markets around the world. To support the global marketing of tires, we have secured four production bases in Japan and eight production bases in countries abroad, thereby developing an optimal production system encompassing a broad swath of regions. Today, the ratio of overseas production volume amounts to 63%. Although the utilization ratio of these production bases dropped significantly from 92% in fiscal 2019 to 76% in fiscal 2020 due to the COVID-19 pandemic, this ratio recovered to 88% in fiscal 2021. And, despite edging down to 84% in fiscal 2022, we expect that in fiscal 2023, the utilization ratio of our bases will increase to 90%.

In fiscal 2022, our capital expenditure totaled ¥68,012 million. Of this, we allocated ¥63,756 million to the Tire Business to promote the shift toward the production of advanced products via facility upgrades as well as to expand the production capacities of overseas factories and achieve carbon neutrality. Also, we allocated ¥2,622 million and ¥1,634 million to the Sports Business and the Industrial and Other Products Business, respectively, mainly for the development of sales structures in place at the former’s overseas bases and to enhance the latter’s overseas factories.

For fiscal 2023, our plans call for capital expenditure amounting to approximately ¥65,900 million, which comprises ¥62,900 million for the Tire Business, ¥1,800 million for the Sports Business and ¥1,200 million for the Industrial and Other Products Business.



Human Capital

Number of consolidated employees:

40,365

Ratio of employees at overseas bases: **70%**

The Sumitomo Rubber Group’s consolidated headcount totals 40,365, with 28,280 employees at overseas bases accounting for 70% of the overall number. Looking at the proportional composition of this workforce by region, operations in Asia and Oceania (excluding Japan) account for 42%, while operations in Europe and Africa and those in the Americas account for 18% and 10%, respectively.

The basic aim of the Group is to respect the human rights of employees, fostering a workplace environment in which everyone feels safe, respected and free to engage in the open exchange of ideas and is encouraged to take on challenging tasks. In line with this, we are striving to create a corporate culture that supports employee efforts to achieve personal growth in step with the Group’s business growth. As for the fostering of global human resources, we are strengthening efforts overseas, aiming to ensure identical product quality irrespective of the factory in which manufacturing takes place, so that all employees are able to grow and to feel job satisfaction.



Intellectual Capital

Number of Japanese and foreign patents:

10,290

R&D expenses: **¥27.3** Billion

Guided by our unique belief in the material possibilities of rubber, we have taken on the challenge of developing industry-leading rubber technology and thus created “world firsts” on multiple fronts. Building on this track record, the Sumitomo Rubber Group promotes a wide range of research and development in fields related to Tire, Sports and Industrial Products businesses, thereby securing the driving force that generates products with competitive advantages as well as new growth. In fiscal 2022, R&D spending on such activities and innovation totaled ¥27.3 billion, which accounts for 2.5% of consolidated sales revenue.

We are also nurturing partnerships with and engaged in joint development involving external corporations, universities and research institutions. In 2022, we developed an AI-based program that reproduces judgments exercised by veteran design engineers in the course of tire development through a joint project with NEC Corporation. Moreover, acting in collaboration with Professor Yoshitaka Ishii of Tokyo Institute of Technology and Mr. Muneki Ouchi, a visiting researcher at RIKEN, we have shed new light on the mysteries surrounding the curing process of rubber, which involves chemical reactions between raw rubber and sulfur under intense heat and pressure. As such, our research initiatives have yielded robust outcomes. In addition, Sumitomo Rubber Industries is ranked in the first place in terms of the size of patent assets in the rubber product industry according to a survey undertaken by Patent Result Co., Ltd. in November 2022 to comprehensively assess patent assets held by businesses from both qualitative and quantitative aspects.



Social Capital

Relationship with neighboring regional societies: Supporting a cumulative total of **513 organizations and NPOs**

Number of commendations granted by local governments and other neighboring entities in 2022: **10**

Building favorable relationships with customers, suppliers, local communities, shareholders, investors, employees and all other stakeholders is essential to enhancing our corporate value. Employing a variety of communication methods, the Sumitomo Rubber Group gleans and takes heed of feedback from these stakeholders. In this way, we strive to live up to what they expect of us and accommodate their needs, thereby fulfilling our social responsibilities.

- Sumitomo Rubber Group companies (contact points with customers): 102 companies in total (28 in Japan and 74 overseas)
- Relationship with shareholders: Conducted dialogue with a cumulative total of 12 institutional investors in 2022
- Relationship with neighboring communities: Launched the Sumitomo Rubber Industries CSR Fund in 2010 to support neighboring regional societies and pursue harmonious coexistence; as of the end of fiscal 2023, a total of approximately ¥120 million has been extended in donations to support activities undertaken by a cumulative total of 513 groups
- External recognitions and certifications: Chosen to receive the “Prime Minister’s commendation for Contributors to Greening Promotion” and other awards and certifications on a total of 10 occasions under programs sponsored by administrative agencies and local governments in 2022 (see page 93 for details)



Natural Capital

Total energy consumption volume in crude oil equivalent: (global environmental data of domestic and overseas factories)

525,000 kl

Total consumption volume of energy procured from renewable energy sources:

321,541 MWh

In line with “Our Philosophy,” a corporate philosophy structure, 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. To put this policy into practice, we promote environmental management informed by our “GENKI” Sustainability Activity Guidelines.

We are acutely aware that natural rubber and other natural resources constitute key management resources for sustainable growth. Based on this awareness, the Group is working to conserve the environment and to use finite energy resources effectively while contributing to the realization of a low-carbon, circular economy.

Each production base has undertaken the preparation of carbon neutrality scenarios that target their Scope 1 and 2 emissions and include the installation of energy-saving facilities, the expansion of cogeneration systems, the introduction of solar power generators, a shift to green energy procured from renewable energy sources and the adoption of hydrogen as an alternative fuel.