

2021

Integrated Report



SUMITOMO RUBBER GROUP

SUMITOMO RUBBER INDUSTRIES
3-6-9, Wakinohama-cho, Chuo-ku, Kobe,
Hyogo 651-0072, Japan

Sustainability Promotion Headquarters
sustainability@srigroup.co.jp

<https://www.srigroup.co.jp/english/>



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

The Sumitomo Rubber Group is pulling together to fulfill its various social responsibilities while contributing to the creation of a sustainable society by applying its future-oriented high-tech skills and research and development capabilities, efforts that will ensure it continues to be truly valuable for people, communities and society.



Tire Business



Sports Business



Industrial and Other Products Business

The Sumitomo Rubber Group's Approach to Value Creation

- Our Philosophy—A Cornerstone for Sumitomo Rubber Group Operations3
- Our Philosophy4
- Top Commitment5
- Progress Report on Our the Midterm Plan.....9
- A Message from the Chief Financial Officer17
- A Message from the Officer in Charge of Human Resources...19
- The Sumitomo Rubber Group Value Chain21
- The Growth Track23
- Value Creation Model25
- Risks and Opportunities27
- Identifying Priority Issues and Promoting Dialogue with Stakeholders...29
- Business Overview.....31
- Key Management Resources37

Sustainability Activities Undertaken by the Sumitomo Rubber Group

- Fiscal 2020 Targets and Results.....45
- Environmental: Our Environmental Initiatives.....47
- Social: Our Social Initiatives.....55
- Governance59
- Honors and Certifications from Outside Organizations.....69

Corporate Data

- Financial Section71
- Independent Verification Report/Third-Party Remarks75
- Global Network77
- Investor Information78

Editorial Policy

The purpose of this report is to generate new opportunities for dialogue with a wide range of stakeholders by communicating the initiatives we are undertaking to accomplish sustainable growth for the Sumitomo Rubber Group. In 2021, we worked to make our disclosure of ESG-related information even more extensive. Information on the Company's general efforts and more detailed information on activities not included in this report can be obtained on our website. The content of this publication is based on information disclosed as of February 2021.

Scope of this Report

With coverage focused primarily on Sumitomo Rubber Industries, Ltd. and its six factories in Japan, this report includes information on some bases and group companies in Japan and overseas.

Referenced Guidelines

- "Guidance for Collaborative Value Creation" published by the Ministry of Economy, Trade and Industry
- The International <IR> Framework created by the International Integrated Reporting Council (IIRC)
- "Sustainability Reporting Standards" published by the Global Reporting Initiative (GRI)
- "Environmental Reporting Guidelines 2018" published by the Ministry of the Environment (MOE)

Period of the Report Fiscal 2020 (January 1, 2020 to December 31, 2020), with some information from outside of this period

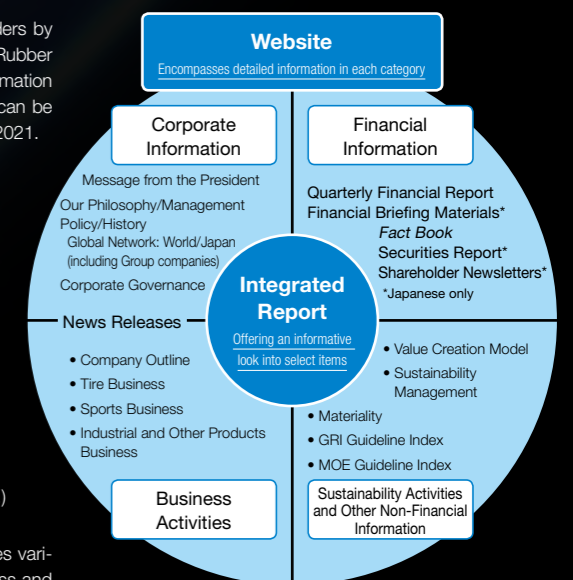
Publishing Date June 2021

Third-Party Comments

Comments from an expert are included to present an objective perspective on this report. (See page 76.)

Information Disclosure Structure

To facilitate stakeholders' understanding of the Sumitomo Rubber Group, our corporate website features various sections encompassing corporate information, financial information, and descriptions of our business and sustainability activities. The content of this report is selected to cover essential information in each category.



Our Philosophy—A Cornerstone for Sumitomo Rubber Group Operations

For us to achieve further business growth in a time of uncertainty and volatility like the current moment, we must refresh our understanding of our reason for being and clearly define it in a way that establishes unwavering guidelines for Group employees and resonates with all of our stakeholders.

Based on this recognition, we have established Our Philosophy, a new corporate philosophy structure.

Our revamped corporate philosophy structure upholds the fundamental ideas of “fulfilling our responsibilities to society as a good corporate citizen,” “pursuing greater happiness for all Group employees,” and “living up to the expectations of our customers.” These ideas are firmly grounded in the Sumitomo Business Spirit, which has long been passed down by Sumitomo Group entities.

The Origins of the Sumitomo Business Spirit

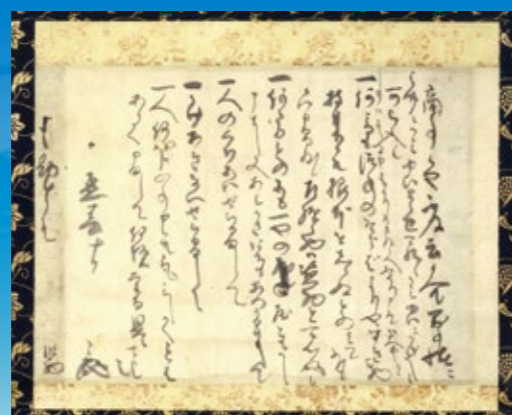
Masatomo Sumitomo, the founder of the Sumitomo Group, left behind writings known as “Monjuin Shiigaki” (“The Founder’s Precepts”), which provide a set of principles and guidelines for merchants to abide by.

His teachings have supported the business operations of the Sumitomo Group throughout its 400-year history, passed down from generation to generation in the form of the “Sumitomo Business Spirit,” whose essence was more recently condensed into the modern “Business Principles” of the Sumitomo Group.

Containing such principles as “The business activities of Sumitomo must benefit not only Sumitomo, but must also be of benefit to the nation and to society as a whole,” the Sumitomo Business Spirit reflects Sumitomo’s strong sense of duty to society. To this day, the Sumitomo Business Spirit still forms the basis for the Sumitomo Rubber Group’s own Corporate Mission.



A wooden statue of Masatomo Sumitomo
(Photo provided by Sumitomo Historical Archives)



Monjuin Shiigaki (Circa 1650)
(Photo provided by Sumitomo Historical Archives)

The Sumitomo Business Spirit

- Integrity and Soundness
- A Company Is Its People
- Esteem for Technology
- Mutual Prosperity

Our Philosophy

Purpose Our Reason for Being

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

Story Our Beliefs

A unique belief in the material possibilities of rubber.

A track record of multiple world firsts through industry-leading rubber technology and, beyond that, relentless dedication to the innovation and development of new technologies.

A singular focus on creating value that exceeds expectations in response to the trust our customers and society place in us.

Supporting individuals, society and the future; creating a future of joy and well-being for all through innovation.

We are Sumitomo Rubber Industries, and this is what we are for.

Vision The State to Which We Aspire

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

The SRI Way The Values We Hold

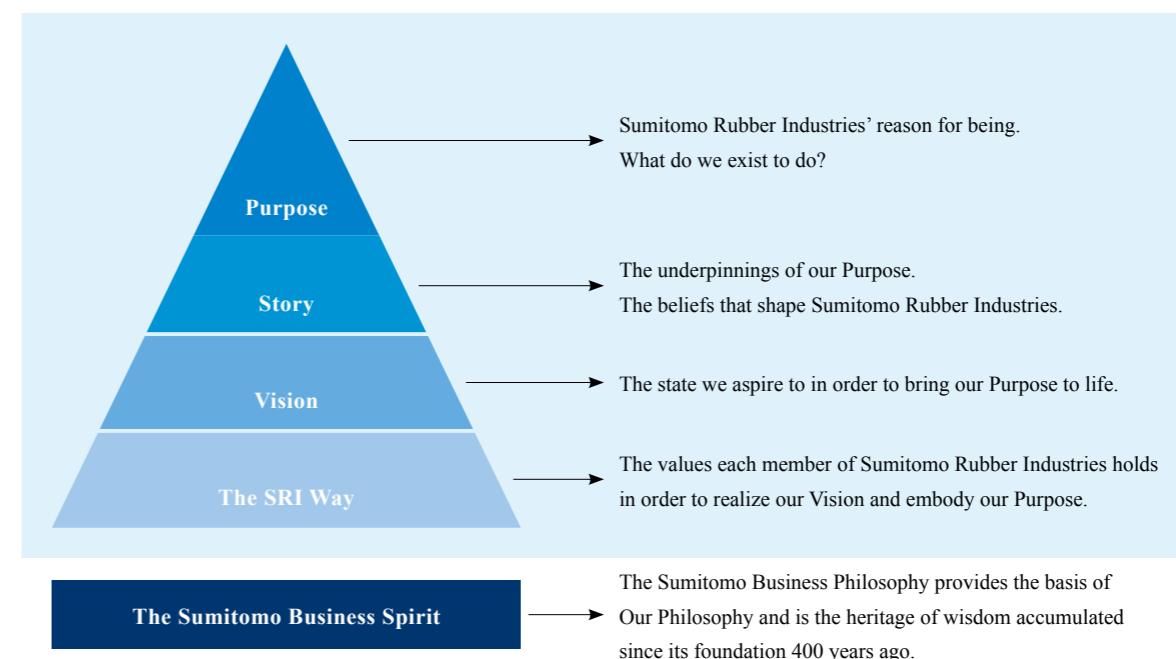
Being reliable and worthy of trust Facing forward with honesty and integrity, responding to the trust our customers, our colleagues and our society place in us.

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

Valuing one another Understanding and respecting each other’s individuality and perspectives.

Slogan

Rubber and Beyond, Driving Our Future



Our Philosophy is a layered structure comprising three components—Purpose, Vision, and The SRI Way—with the Sumitomo Business Spirit, long a guiding principle for all Sumitomo Group members, serving as its bedrock.

Purpose, the uppermost concept in this structure, is coupled with Story, which represents the beliefs informing this Purpose.

Directly below these components is Vision, which represents the state to which we aspire as a company in order to embody Purpose.

The SRI Way is the third component and represents the values every member of Sumitomo Rubber Industries embraces in order to realize our Vision and embody our Purpose.

TOP COMMITMENT

Further Enhancing Our Economic Value & Our Value to Society

Satoru Yamamoto

President & Representative Director,
President and CEO
Sumitomo Rubber Industries, Ltd.



Firstly, my heart goes out to all of those who have lost their lives to the novel coronavirus (COVID-19). I would like to take this opportunity to offer my deepest condolences to all of the families who are now grieving as a result of COVID-19 and to pray for the swift recovery of each and every person currently afflicted with this terrible disease. At the same time, I would also like to take this opportunity to express my heartfelt gratitude and admiration to all of those who continue working tirelessly to provide medical care and prevent the further spread of infections on the front lines of medicine all over the world, all while facing ongoing concerns about the possibility of new outbreaks and lingering uncertainty about what the future holds in store.

In February 2020, the Sumitomo Rubber Group unveiled our new Midterm Plan, which aims to achieve sales revenues of ¥1 trillion and business profit of ¥100 billion by the year 2025. However, not long after we made this announcement, COVID-19 began to spread throughout the world. In light of the pandemic, we made the health and safety of our employees and their families our top priority. Once assured that their health and safety were sufficiently secure, we next turned our attention to the matter of how best to keep our business up and running under the circumstances, focusing our efforts on various measures intended to keep the impact of the pandemic on our business performance to a minimum.

In February, we established a Crisis Management HQ in order to share information throughout our global group in a timely manner while also sending a strong message to our employees around the world, reassuring them that we would surely overcome these times of hardship together.

The first half of last year was marked by a drastic deterioration in overall market conditions, which meant that, in addition to implementing extensive measures to protect our employees from infection, we were left with no choice but to take such emergency operational measures as halting production at several of our factories. At the same time, however, we were proceeding with steady preparations in anticipation of a strong market recovery once the situation improved. And so, as market conditions began to improve from the second half of the year (first in China and North America), our group was able to respond swiftly to the consequent uptick in demand. As a result, we not only succeeded in increasing our sales, but even achieved an increase in profits for the second half of the 2020 compared to second half of 2019.

Even in the midst of the pandemic, we nevertheless continued to push ahead with efforts to tackle the challenges defined in our Midterm Plan while adding to and revising our action plans as necessary according to the changing situation. For example, by accelerating various efforts with the aim of "Developing & Promoting Sales of Advanced Products," we

have been able to maintain steady sales of SUV tires in spite of the recent market downturn. This has given us a renewed appreciation for the market strength of products backed by advanced technology. Meanwhile, working to cope with the "New Normal" of life with COVID-19 has brought to light a whole new set of challenges and so we have responded to these new challenges through Group-wide efforts to fully utilize digital technology in order to bring about changes in terms of how we interact with customers and, in tandem with the rise of telework, even in terms of how we work.

Thanks to tireless hard work on the part of employees throughout the Sumitomo Rubber Group, we not only were able to respond flexibly to the pandemic while minimizing its negative impact on our business performance, but also made sure and steady progress in tackling the challenges embodied in the Three Key Value Drivers set forth in our Midterm Plan. In light of this, we have decided not to change our performance targets for 2025. Rather, we will continue working toward the achievement of our Midterm Plan goals while adding to and revising our action plans as necessary.

Project to Reinforce the Foundations of Our Business (Be the Change Project)

In 2020, the COVID-19 Pandemic brought massive changes to the lives and daily routines of people around the world. Meanwhile, the automotive industry was and is still in the midst of a "once in a century" transformation, while advances in digital technology have led to significant changes in consumer behavior across all industries. In other words, even before the pandemic, the business environment was already changing in various ways and the pace of this change is only increasing. I believe that, if we are to respond flexibly to these changes and achieve the goals of our Midterm Plan, it will be essential that we harness the full capabilities of our entire workforce. Since becoming the president of Sumitomo Rubber Industries, I have actively taken advantage of numerous opportunities to visit our group companies throughout the world and to talk with as many employees as possible about the work being done on the front lines of our business as well as about what they are thinking. My interactions with our colleagues in various positions left me with a strong desire to turn the Sumitomo Rubber Group into a corporate group that can bring together the combined strength of all of our employees while amplifying and focusing this strength on a common vector in order to propel our business forward.

This desire would become the impetus behind the formation of our "Be the Change Project" (BTC Project), an initiative that we launched last year with the aim of "Reinforcing the Foundations of Our Business." Specifically, this project aims to "Reinforce Our Foundation for Profitability" and "Improve Our Organizational Framework" by overcoming organizational barriers and promoting the free and open exchange of ideas and opinions in order to strengthen vertical and horizontal connections among our employees so that these connections may serve as the basis for tackling various challenges together.

I fully believe that these activities will enable us to strengthen our corporate culture and establish a sturdy profit structure, one that is competitive, adaptive to change and resilient in the face of adversity, thereby endowing us with a strong corporate framework that will remain unshaken by whatever environmental changes we may face in the future. It is my hope that this project will prove effective not only in terms of changing

how our employees carry out their day-to-day work, but also on the level of changing the mindset of our employees. Through this process, we will also be creating a corporate culture in which all members of our diverse workforce can truly spread their wings and fly. Toward this end, corporate executives must first change themselves and then lead by example. We need to think less in terms of optimizing our own departments and more in terms of customer perspectives as well as the big picture of our entire group (which also means breaking down organizational barriers). We need to work together as a team with a strong emphasis on cooperation between departments. We need to share information openly and engage in active debate while respecting the diversity of ideas and people. We need to have the courage to take that first step forward when faced with a challenge. We need to boldly tackle the challenges of major and complex issues. These are the kinds of messages that we are now sending to our employees on a daily basis in the interests of spurring change.

As part of these initiatives, we are also actively promoting Work Style Reform. Based on the belief that stronger vertical and horizontal connections give rise to greater results, we have been forging ahead with reforms on two fronts: promoting Diversity & Inclusion (D&I) and promoting Digital Transformation (DX). With more than 39,000 employees worldwide, the Sumitomo Rubber Group will be working harder than ever to create a corporate culture in which diverse employees can respect one another, work freely and openly and truly shine while doing worthwhile work. Meanwhile, advances in DX will free up more time for our workers, giving them the leeway needed to take on the challenges of performing work that produces even more added value. In this way, I hope to see each of our employees find genuine job satisfaction by harnessing his/her own strengths and talents to their fullest. At the same time, communication is absolutely essential to promoting these new kinds of work styles. I firmly believe that our employees can accomplish great things by forging strong vertical and horizontal connections among themselves. The activities of the BTC Project form the cornerstone of our full-fledged efforts to bring about real Work Style Reform.

Since kicking off in earnest in April 2020, the BTC Project has pushed forward with various activities intended not only to change the mindset and the behavior of each and every employee for the better, but also to create new value, reduce costs, generate cash flow and so forth. Already, these activities have produced more than 4,000 new ideas, which are collectively worth some ¥30 billion in added cash flow and ¥10 billion in added profit. Through these activities, the capabilities of each and every employee and by extension the combined capabilities of our entire organization, are already steadily improving, thus leaving our organization better able to produce results. While this cross-organizational project started out as a series of top-down directives from the Project Headquarters, it has now expanded to spawn a growing number of offshoot projects intended to enhance our overall value and these are now primarily driven by ideas percolating upward from departments throughout our group. This is a sure sign that our employees, not content to sit around and wait for somebody else to bring about change, are now beginning to act with the courage to take that first step forward and bring about change on their own.

Moving forward, I would like for us to continue to expand this project and forge ahead with efforts to reinforce the foundations of our global business so that we can make the Sumitomo Rubber Group into an even more appealing corporate group, all the while maintaining a reasonable

TOP COMMITMENT

sense of anxiety about the crises that we currently face as well as hope for a brighter future, with both in equal measure.

Progress on Our Midterm Plan

The Midterm Plan that we announced in February of last year aims to enhance our group's economic value as well as our value to society by maximizing results from the global business framework that we built up in the years leading up to 2020, by advancing our vision for bringing new value to tires—as embodied in our “SMART TYRE CONCEPT”—to the next level and by building a strong corporate structure that can withstand any and all changes in the business environment through activities to “Reinforce the Foundations of Our Business.” All of these efforts will be driven by Three Key Value Drivers: “Developing & Promoting Sales of Advanced Products,” “Creating New Value” and “Promoting ESG Management.”

Maximizing Results from Our Global Business Framework

Thanks to various investments that we have made to date, the Sumitomo Rubber Group now possesses a network of production factories and sales companies situated near major demand centers throughout the world (including, of course, Japan). Among all of the major tire manufacturers in the world, only a small handful of our competitors have thus far been able to build a comparable global network for both manufacturing and sales. What this means is that our customers now have all the more reason to have very high expectations of us. While our factories in North America and South Africa still have some issues to work out, they are nevertheless pushing ahead with sure and steady improvements. We will be sure to get both of these key production bases on the right track so that we can finalize a supply network that is not only truly global, but that is also capable of providing a uniform level of quality and service anywhere in the world. In particular, supplying our tires to global automobile manufacturers worldwide will drive us to further enhance our technical capabilities while simultaneously serving to enhance our position as a trusted manufacturer in the consumer market for replacement tires. Moving forward, we hope to fully harness the potential of our global framework in order to better respond to the needs of our customers around the world.



Advancing SMART TYRE CONCEPT to the Next Level

Our SMART TYRE CONCEPT embodies our vision for bringing new value to tires and the Sumitomo Rubber Group is now actively engaged in efforts to advance this concept to the next level.

When it comes to “Tires Providing Solutions for Safety & Peace of Mind,” we are actively engaged in the development of new systems that will take fuller advantage of our existing “Deflation Warning System” (which is already available on the market) and SENSING CORE Technology (which transforms tires into sensors to detect road conditions) by sharing various types of information gleaned from tires through the cloud so that this information can be put to use for the benefit of all. The Sumitomo Rubber Group will continue working to advance our SMART TYRE CONCEPT technology, taking it to the next level so that we can create the tires and services of the future, by which we mean tires and services that provide longer lasting safety and even actively avoid hazards.

When it comes to “Tires Incorporating Life Cycle Assessment,” we will continue working to develop tires that have less environmental impact throughout their entire life cycles, from production and sales through usage and ultimate disposal. Toward this end, we have already developed and released tires that incorporate biomass materials and are now working to develop tires that feature even higher levels of biomass content as part of our ongoing efforts to contribute to the creation of a sustainable society.

Three Key Value Drivers

Our Midterm Plan defines Three Key Value Drivers for propelling our ongoing efforts to enhance both our group's economic value and our value to society: “Developing & Promoting Sales of Advanced Products,” “Creating New Value” and “Promoting ESG Management.”

When it comes to “Developing & Promoting Sales of Advanced Products,” our “ENASAVE NEXT III” has received widespread acclaim not only for incorporating our proprietary Performance Sustaining Technology, but also as the world's first tire to adopt Cellulose Nanofiber, an advanced biomass material being promoted by the Japanese government as a priority industry. At the same time, thanks to our robust “Trilateral R&D Network” (with bases in Japan, the United States and Europe), we have been working together with automobile manufacturers in each region to advance the development of tires for electric vehicles (EVs) in order to meet rising demand for EVs in major markets throughout the world. The Sumitomo Rubber Group will continue to take full advantage of our proprietary materials and design technologies to develop tires that can bring out the full performance potential of EVs.

When it comes to “Creating New Value,” we will offer a growing lineup of solutions services to ensure customer safety and peace of mind while also improving operational efficiency for reduced costs. This includes Tire Pressure Management Services that take full advantage of our proprietary SENSING CORE Technology, which transforms tires themselves into sensors, thus allowing for the detection of information on road conditions (such as slipperiness), tire conditions (tire load, etc.) and so forth without requiring the installation of sensors or other additional hardware. As this technology advances further, it will become possible for vehicles to detect and even avoid upcoming hazards related to tire or road conditions by taking advantage of comprehensive data gleaned from tires and then compiled and shared at the city or even society level through the cloud.

Through ongoing cooperation with external partners, the Sumitomo Rubber Group will continue working to provide total solutions to respond to the needs arising from CASE and MaaS, thereby creating new value that goes beyond tires.

The Spirit Behind Our New Corporate Philosophy Framework – Our Philosophy

In order for the Sumitomo Rubber Group to achieve further growth while adeptly responding to a business environment that is increasingly uncertain and fraught with drastic change, we felt that the time had come for us to redefine the purpose of our existence in a way that would provide steadfast guiding principles for all of our employees and fully resonate with all of our stakeholders.

Thus, in December 2020, we promulgated “Our Philosophy,” a new corporate philosophy framework that clearly defines the Purpose of the Sumitomo Rubber Group not merely in terms of the simple pursuit of profit, but with a particular emphasis on carrying out sustainable business activities in harmony with society and with the environment. It is our hope that Our Philosophy will align all of us on the same vector by serving as the basis behind our decisions and the impetus behind our actions, thereby creating a powerful driving force to propel our group ever faster toward the accomplishment of our strategic goals.

From the beginning, the “Sumitomo Business Spirit” has served as the basis for decisions within the Sumitomo Group throughout its nearly 400 years of history. The Sumitomo Rubber Group has been no exception, turning to it regularly as we engaged in various business activities over the years and even weaving it into our own corporate philosophy, which was first promulgated in 1963. Since then, although we have revised the contents of our corporate philosophy in keeping with changing times and changes to our business, we have nevertheless continuously upheld the basic ideals enshrined in the Sumitomo Business Spirit, such as “fulfilling our responsibilities to society as a good corporate citizen,” “pursuing greater happiness for all of our employees” and “living up to the expectations of our customers.” While still maintaining these basic ideals, we have now overhauled our corporate philosophy framework in the form of “Our Philosophy.” At the pinnacle of Our Philosophy is our Purpose, which states the very reason for our existence: “Through innovation we will create a future of joy and well-being for all.”

In addition, we have also devised a new corporate slogan, a simple statement reflecting the worldview espoused by Our Philosophy: “Rubber and Beyond, Driving Our Future.” The phrase “Rubber and Beyond” has two meanings: it refers to both “cutting-edge rubber technology” and “expanding the possibilities of rubber to develop new technologies and provide new value.” Meanwhile, the phrase “Driving Our Future” reflects our desire to bring joy to the hearts of all who come into contact with our products and services, driven by the boundless flexibility and endless possibilities of rubber materials. I believe that what the world now needs from the Sumitomo Rubber Group is for each and every one of us to continue tackling the challenges of creating and providing greater “joy and well-being” to uplift people, society, the environment and the future. We hope that our newly defined Purpose will serve as the basis for all of our decisions and as the impetus for all of our actions in both our work and our management so that we may contribute to the development and



continuing prosperity of a more sustainable society as envisioned by the international community.

With the aim of fully living up to the ideals enshrined in Our Philosophy, the Sumitomo Rubber Group is already actively tackling various challenges in order to develop products with less environmental impact and to create the tires and services of the future for greater safety and peace of mind.

Social Contribution Activities Based on the Sumitomo Business Spirit

In keeping with the Sumitomo Business Spirit, which has been passed down through generations over nearly 400 years of Sumitomo history, the Sumitomo Rubber Group actively promotes and engages in various social contribution activities, including the provision of free-of-charge tire safety inspections, collecting employee donations through our “Sumitomo Rubber CSR Fund” and the “Team ENASAVE Mirai Project,” which is a joint program undertaken in cooperation with the National Federation of UNESCO Associations in Japan with the aim of promoting activities to preserve both the environment and traditional culture. One of the highlights of our social contribution efforts is our ongoing “GENKI Activities,” employee volunteer activities that first started out as “activities to invigorate everyone” (“*genki*” means “lively” in Japanese) and that have now continued for over thirty years. As part of these activities, employees at eleven of our facilities throughout Japan have created “GENKI Forests” by collecting acorns, cultivating them into saplings and then planting them to combat deforestation. GENKI Activities also include activities to protect endangered species and other biodiversity conservation efforts, as well as various other volunteer activities that altogether involve some 16,000 employees and their family members each year. Moving forward, the Sumitomo Rubber Group will continue to actively promote and engage in activities that aim to invigorate local communities and the earth.

By working to create new value in terms of both our economic value and our value to society, we at the Sumitomo Rubber Group continually strive to contribute to the creation of more sustainable societies in which people can live and work safely and with peace of mind. In the future, we will continue working to produce even greater economic and social throughout all of our business activities as only the Sumitomo Rubber Group can.

Progress Report on Our Midterm Plan

Shortly after we unveiled our Midterm Plan in February 2020, our business was impacted by the onset of the COVID-19 Pandemic. Nevertheless, we have continued to run our business surely and steadily in accordance with the framework set forth in our Midterm Plan while adding to and revising our various action plans as necessary according to changes in market conditions and work styles.

Moving forward, we will continue working to further enhance both our economic value and our value to society with an emphasis on improving the quality of our earnings and ensuring the sustainability of our business, with all of these efforts driven by our Three Key Value Drivers.



Anticipating Recovery in the Tire Industry

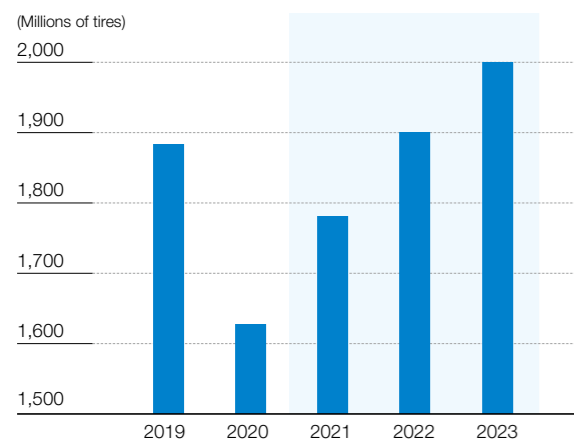
Due to the impact of the COVID-19 Pandemic, global demand for tires plummeted in 2020, with annual gross demand falling to approximately 1.6 billion tires, which is just 86% of the previous year's demand level. Further, global demand is not expected to recover to pre-pandemic (i.e. 2019) levels until around 2022 (Graph 1).

Graph 2 illustrates global tire demand in 2020 and 2021 (projected), as well as our group's sales plan for that same period, compared to 2019 figures, which are used as a baseline (set at 100). Our group's

sales in 2020 (at 88) fared somewhat better than overall global demand that year (at 86). In 2021, we are planning for our sales to recover to 97, which once again exceeds the anticipated recovery in global demand (to 95) and represents an 11% increase over 2020.

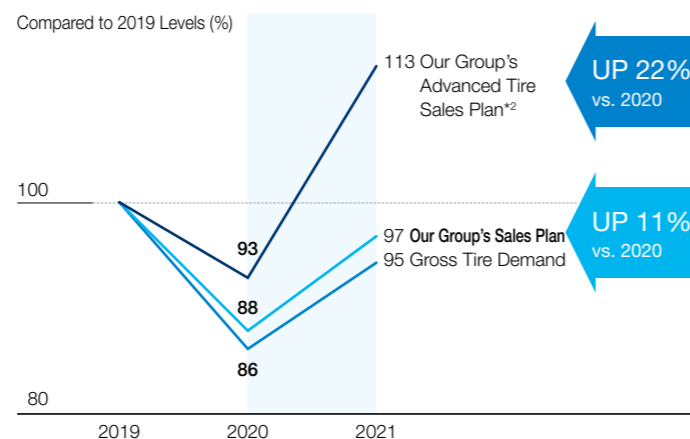
We are also planning to improve sales mix in addition to volume. In particular, we are planning to increase sales of Advanced Tires (a market segment in which we excel) to 113 in 2021 (a 22% increase over 2020).

Graph 1 Global Tire Gross Demand Forecast*1



*1 In-House Estimates (4W Vehicle Tires)

Graph 2 Our Group's Total Tire Sales Volume & Advanced Tire Sales Volume



*2 Advanced Tires: Passenger Car Tires with a Size of 18" or Larger (Primarily for SUVs)

"Be the Change" — A Group-wide Project to Reinforce the Foundations of Our Business

In order to ensure the accomplishment of our Midterm Plan, in 2020, we launched the "Be the Change Project" to "Reinforce Our Foundation for Profitability" and "Improve Our Organizational Framework." Since then, we have engaged in various cross-organizational activities that aim to generate cash flow and raise the bar in terms of cost competitiveness while working to bring to light major issues affecting multiple areas of our organization so that we can then move forward with improvements and so forth.

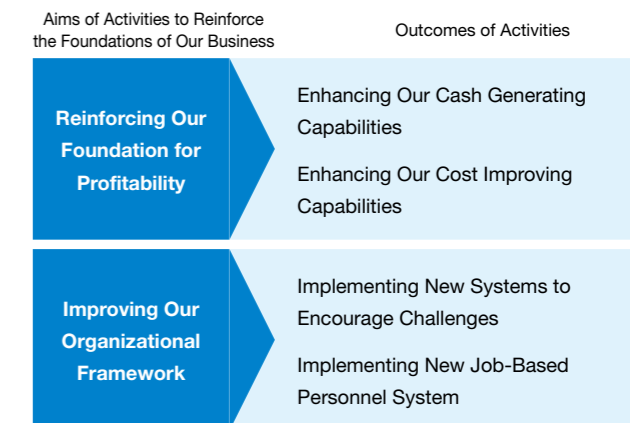
Involving many employees throughout our group, our efforts to enhance our cash flow generation capabilities have brought together both top management and frontline workers in actively working to design and carry out activities to promote and instill proper cash-flow management practices.

Meanwhile, project teams formed mainly of members from our Manufacturing Division and Procurement Division have been leading efforts to enhance our cost improving capabilities by working to improve the overall efficiency of our procurement of raw materials and equipment.

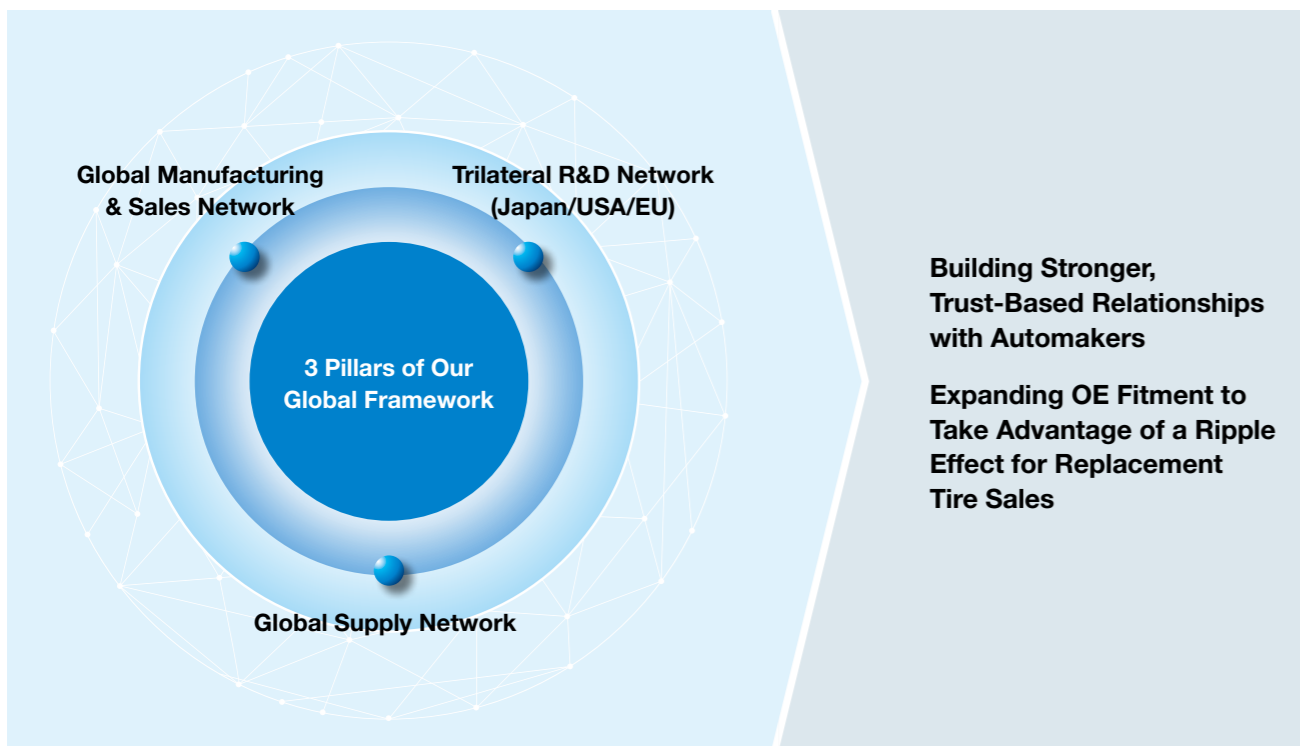
To date, these activities have already generated over 4,000 ideas for improvement measures, which are collectively worth some ¥30 billion in added cash flow and ¥10 billion in added profit. Moving forward, we will steadily put these ideas into action one after another so that we can be sure to reap these benefits.

When it comes to "Improving Our Organizational Framework," we have been pushing forward with Group-wide activities to shed light on organizational issues (such as the organizational barriers that

have arisen as a natural consequence of our rapid growth and expansion) so that we can then move forward with improvements. In order to transition toward work styles that encourage the proactive tackling of challenges, we have expanded our internal job posting system and established a new system that allows employees to experience working in different departments for a fixed period of time. In addition, we have also set about reforming our personnel system, beginning with a shift to a job-based personnel system for managers from April 2021 as the first step. At the same time, our entire group is actively pushing ahead with Work Style Reform as well as efforts to promote Diversity & Inclusion.



A Global Framework for Enhancing Our Competitiveness



One of the Key Challenges set forth in our Midterm Plan is "Maximizing Results from Our Global Business Framework," and we are now tackling this challenge on three fronts: "Global Manufacturing & Sales Network," "Trilateral R&D Network (Japan/USA/Europe)" and "Global Supply Network."

With manufacturing and sales bases in major markets throughout the world, the Sumitomo Rubber Group has already established the necessary framework to directly supply products and services that meet the diverse needs of our customers throughout the world. At the same time, we have built a Trilateral R&D Network with bases in each major region so that we can develop products that better meet the localized needs of each market.

Meanwhile, on the supply side, in addition to harnessing the full production capacity of our factories around the world in order to promote local production for local consumption, the Sumitomo Rubber Group has established a flexible supply system that allows us to supplement local capacity by shipping tires from our flagship factory in Thailand (one of the largest tire factories on earth and the centerpiece of our global supply network) directly to markets all over the world. Through the measures discussed above, we will leverage this enhanced responsiveness in order to reinforce the foundations of our business by building stronger, trust-based relationships with automobile manufacturers with an eye toward expanding OE fitment so that we can then take advantage of a ripple effect to increase replacement tire sales.

Current State of Our Global Manufacturing & Sales Network

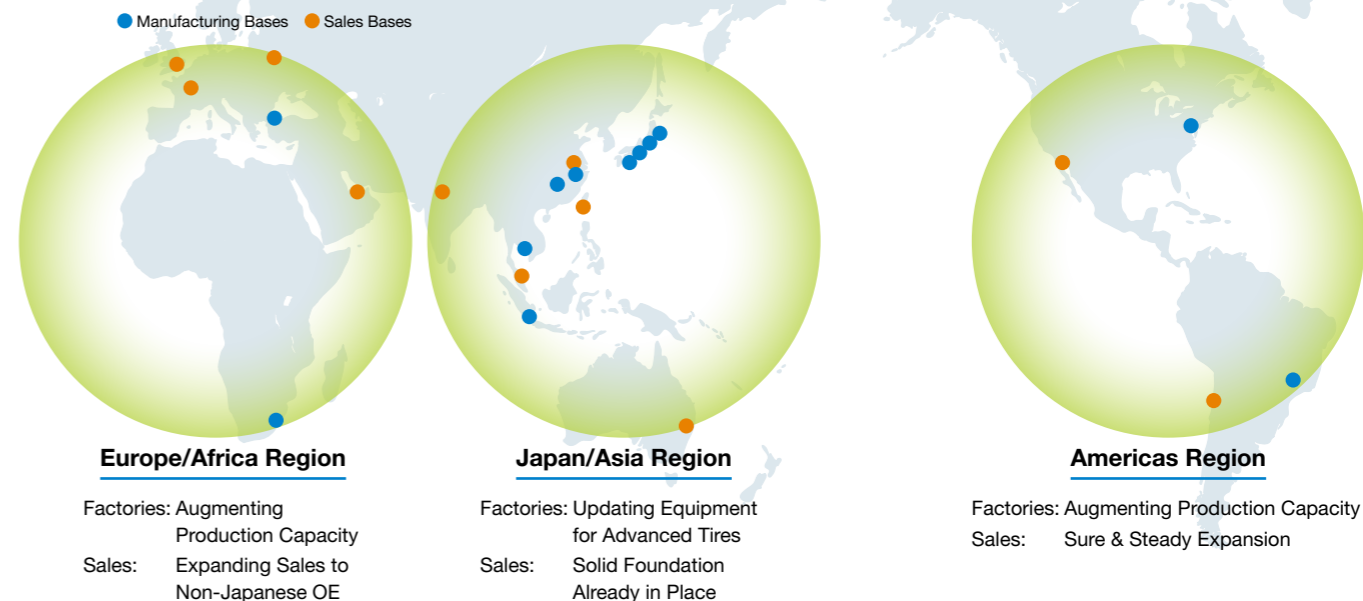
The current state of our global manufacturing and sales network by region is as follows: First, in Japan and the rest of Asia, we have already established a robust network of cost-efficient manufacturing bases, where we are now in the process of updating equipment to increase production capacity for SUV tires in order to keep pace with evolving market needs. Moving forward, we will continue working to maintain steady sales in Japan and China as the main driver of profits in the region.

Next, in Europe and Africa, our factory in Turkey (our main supply base for markets in Europe) has made steady progress in augmenting production capacity and is now working to maximize the advantages of economies of scale with an eye toward simultaneously expanding our supply of tires to European automobile manufacturers and increasing replacement tire sales in the region. Meanwhile,

our factory in South Africa is pushing ahead with ongoing efforts to improve productivity while transitioning to the production of high value-added products.

Lastly, in the Americas, in addition to our steadily increasing overall sales in North America, our factory in the United States has also made great strides in improving productivity, thereby bringing our overall North American Business closer and closer to achieving profitability. Meanwhile, our factory in Brazil has increased production capacity to promote local production for local consumption while building up a robust local sales network, which has enabled our South American business to make significant improvements in terms of both pricing and sales mix. Thanks to these improvements, we are now well on our way to establishing a solid foundation for stable profitability in the region.

Manufacturing & Sales Bases Established in Major Markets Worldwide



R&D Network to Respond to the Evolving Needs of Each Market

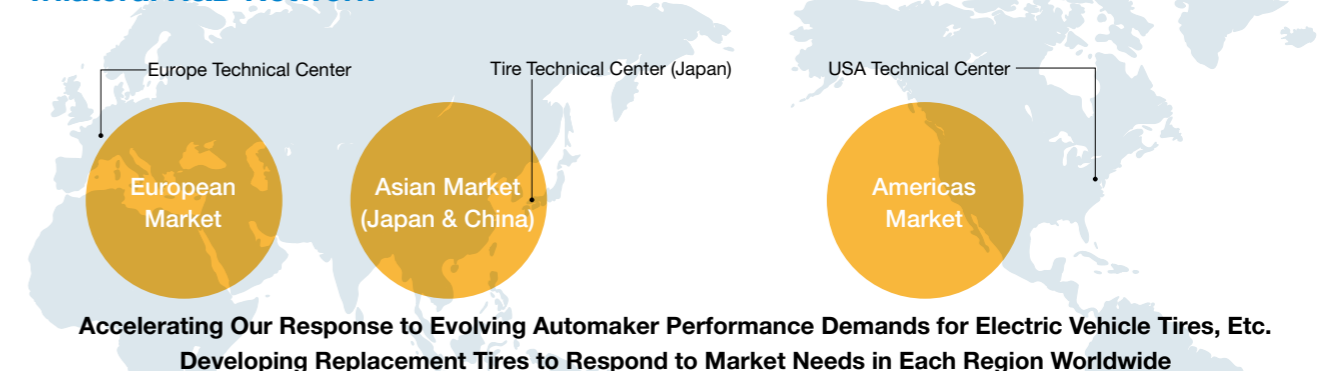
In order to more adeptly respond to the distinct needs of each market, we have established a Trilateral R&D Network that includes development bases in three major regions: Asia (which includes Japan and China), Europe and North America. This robust framework enables us to better respond to the increasingly stringent performance demands of automobile manufacturers worldwide while accelerating the development of advanced tires for electric vehicles in preparation for their rapid proliferation in the near future.

Our Tire Technical Center in Japan serves as our main development headquarters, where we engage in advanced materials research and advance the development of cutting-edge technologies while developing high-performance tires and other strategic products for global markets as well as tires designed for local

markets in Asia (including Japan and China). In China, our development and sales teams are working hand-in-hand to expand our supply business with Chinese automobile manufacturers in response to rising market share, focusing in particular on efforts to increase OE fitment on electric vehicles. In 2020, we also established the necessary infrastructure for performing live vehicle testing in China.

In both Europe and North America, our local technical teams are able to respond swiftly to the needs of automobile manufacturers by developing tires that are well-suited to local conditions in each market. In the future, we are planning to expand the scope of their responsibilities to cover development for Africa and South and Central America as well.

Trilateral R&D Network



Our Business in North America

Expanding Sales Volume & Market Share in the North American Market

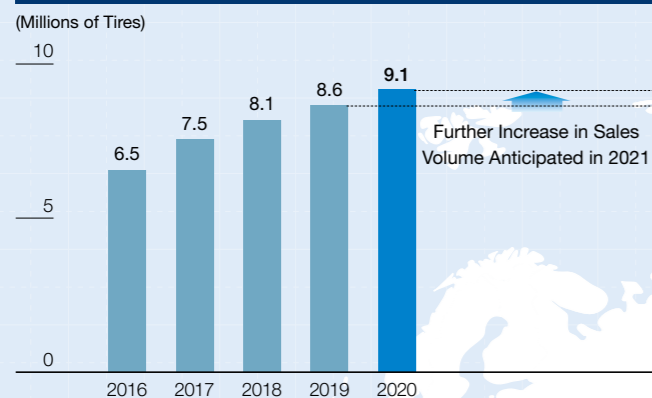
Bolstered by strong sales of our FALKEN brand tires, our overall sales in North America increased in 2020 even as market demand plummeted as a result of the pandemic. All signs currently indicate that this sales momentum will likely continue through 2021 and beyond.

Thanks to steadily increasing sales volume and market share

in the North American market over the past several years, in 2020, FALKEN became the fifth most popular brand of passenger car tires by market share in the region. In keeping with its expanded market share, FALKEN's price position has also steadily improved, thereby making a solid contribution to the further expansion of our overall business in North America.

Increasing Replacement Tire Sales Volume*

FALKEN Brand Tires



*In-House Sales Statistics

Expanding Market Share

FALKEN Brand Share of Replacement Passenger Car Tire Market



Source: Modern Tire Dealer

Steady Improvement in FALKEN's Price Position

Strategic Product for the North American Market

Strong Sales of Our Popular WILDPEAK Series Contribute to Increased Market Share

**WILDPEAK
AT3W**



Expanding Our Supply Capacity for the North American Market

In light of strong sales in the North American market and the reassuring pace of improvement at our factory in the United States, we recently made the decision to invest in increasing production capacity at our USA Factory as well as at our major export bases in Japan and Thailand. With these investments, we will greatly enhance our ability to respond to market demand (and especially demand for SUV tires) in North America by expanding our overall supply capacity with a combination of locally produced and imported tires.

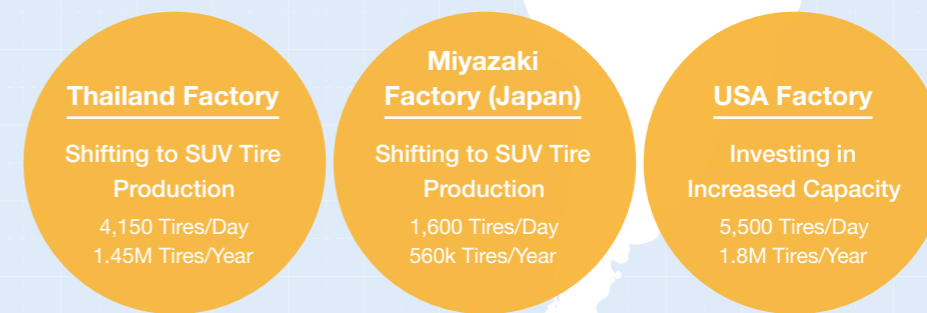
With an investment of ¥10.1 billion, we will introduce the latest labor-saving production equipment at our USA Factory, thereby increasing the factory's annual supply capacity by 1.8 million tires (for passenger cars and light trucks).

Meanwhile, having determined that the provisional anti-dumping

tariff rate proposed for tires imported to the United States from Thailand (if ultimately imposed) would have only a minor impact on our business in the region, we have also decided to invest a combined total of ¥10.8 billion to increase production capacity at our factories in Japan and Thailand. Taken together, these investments in our factories in the United States, Japan and Thailand will increase our group's supply capacity for the North American market to the tune of 3.8 million tires per year.

In addition to the abovementioned investment in increasing supply capacity for passenger car and light truck tires, we are also planning to invest in increasing production capacity for truck and bus tires at our factory in the United States, thus bringing our total planned investment in our USA Factory to ¥12.8 billion.

Responding to Increased Sales in the North American Market by Expanding Supply Capacity at Our Production Bases in the United States, Japan & Thailand by 3.8M Tires (for SUVs, etc.) per Year



Increased Supply from Investments in Capacity Increase & Equipment Updates Starting in 2022 & 2023

Progress on Value Drivers to Accomplish Our Midterm Plan

Developing & Promoting Sales of Advanced Products

One of our leading Advanced Products, "ENASAVE NEXT III" has received numerous awards, including the prestigious Energy Conservation Grand Prize "Agency for Natural Resources and Energy Director-General's Award." In addition to enhanced overall tire performance, ENASAVE NEXT III also achieves both longer lasting performance and improved fuel efficiency thanks to the adoption of a revolutionary new "Hydrogenated Polymer" material. Further, ENASAVE NEXT III is also the world's first tire to incorporate "Cellulose Nanofiber," an advanced biomass material promoted by the Japanese government as a priority industry initiative. Thanks to these advances, ENASAVE NEXT III has received widespread acclaim as a product that deftly apprehends and responds to evolving market needs.

At the same time, we have also been accelerating the development of tires designed for electric vehicles. In 2020, we developed tires that not only reduce rolling resistance in order to achieve improved fuel efficiency, but also provide superior grip and wear resistance

performance thanks to our proprietary compounding technology. These tires were recently adopted by Toyota Motor Corporation as factory standard tires for their MIRAI line of fuel cell vehicles.



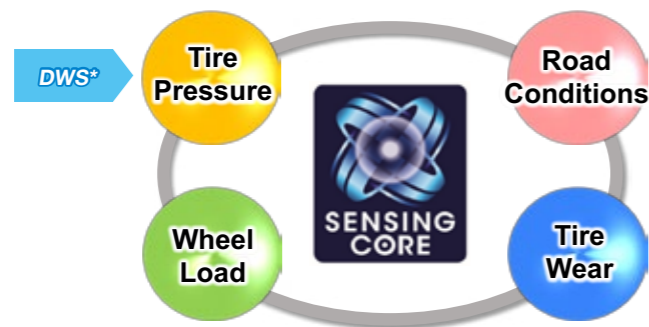
- EcoPro Awards – Eco Material Award
- Super Monozukuri Parts Awards – Japan Brand Prize
- Energy Conservation Grand Prize – Agency for Natural Resources and Energy Director-General's Award



Creating New Value

Our proprietary SENSING CORE Technology is a software-based technology that analyzes wheel speed signals (which are transmitted as a tire rotates) in order to detect various conditions pertaining to tire status, such as a decrease in tire pressure. What sets SENSING CORE apart is the fact that it uses tires themselves as sensors, meaning that it requires no additional sensors or other hardware and is completely maintenance-free. Our SENSING CORE tire pressure sensing technology has already been adopted in over forty million vehicles to date.

We have also recently made further advancements in our SENSING CORE Technology, establishing a new technology that can detect tire wear status. With this advancement, SENSING CORE is now able to detect tire wear in addition to tire pressure, tire load and road conditions. With these and other proprietary technologies, we aim to contribute to the advancement of the Mobility Society of the Future by responding to the new needs that will arise from the rapid rise of CASE and MaaS.



"Creating Joy & Wellbeing for All"

*DWS: Deflation Warning System

CASE: An acronym for "Connected, Autonomous, Shared & Services, Electric," CASE is used as a keyword to reflect the growing importance of mobility services that involve multiple industry sectors as a consequence of the rise of electric vehicles and IoT, etc.

MaaS: Short for "Mobility as a Service," MaaS refers to integrated mobility services that provide greater convenience to users by bringing together all manner of transportation modes (taxies, buses, trains, airplanes, etc.) on a single, unified platform so that users can efficiently select, reserve and pay for transportation all in one place.

Promoting ESG Management

The Sumitomo Rubber Group is now engaged in initiatives that aim to achieve carbon neutrality (i.e. reduce net CO₂ emissions by 100%) at all of our factories by the year 2050.

Our Scope 1 initiatives have involved proactive energy conservation efforts, including the introduction of cogeneration systems and the active utilization of IT to reduce various types of energy loss. Moving forward, we are planning not only to augment these efforts, but also to transition away from the use of fossil fuels entirely by replacing the fossil fuels that we currently use with hydrogen, biomass fuel and other renewable energy sources that are being hailed as the future of energy. For example, we are already in the process of exploring the possibility of using hydrogen energy to power our major tire factories in Japan.

Our Scope 2 initiatives involve the installation of additional solar panels as well as plans for expanded procurement of Green Energy.

Our main Scope 3 initiatives will involve working to develop products that include more biomass materials throughout all of our lines of business. In 2013, the Sumitomo Rubber Group released our groundbreaking "ENASAVE 100," the world's first 100% fossil resource-free tires made from all-natural materials. Taking advantage of the technologies that we refined in the development of "ENASAVE 100," we have since released multiple products that incorporate various advanced biomass materials, such as "Liquid Farnesene Rubber" and "Cellulose Nanofiber." Moving forward, we will continue working toward achieving carbon neutrality for the future through the development of products that feature ever greater proportions of biomass materials.

Initiatives to Achieve Carbon Neutrality

- Goal for 2050: Reducing Factory CO₂ Emissions by 100% (Scope 1 & 2 Initiatives)
- Developing Products Incorporating Biomass Materials (Scope 3 Initiatives)

Scope 1
Targeting Direct Emissions of Greenhouse Gases from Our Business Activities

- Introducing Renewable Energy Sources (Hydrogen, Biomass, etc.)
- Augmenting Energy Saving Activities

Scope 2
Targeting Indirect Emissions from Usage of Electric Power from External Sources

- Expanding Solar Power Facilities at Factories
- Actively Purchasing Green Energy (from Natural, Renewable Sources)

Scope 3
Other Indirect Emissions (Not Covered in Scope 1 or 2)

- Promoting the Development of Products Incorporating More Biomass Materials (Tires, Golf/Tennis Balls, Artificial Turf)



*1 Since the use of synthetic rubber became standard in tires. (According to In-House Research)

*2 According to In-House Research

A Message from the Chief Financial Officer

Review of Financial Results

Due to the global fallout from the novel coronavirus (COVID-19) pandemic, the business environment surrounding our group has been extremely severe, with market conditions deteriorating significantly in the first six months—and particularly in the second quarter—of the fiscal year ended December 31, 2020 (fiscal 2020). Although market conditions began to recover in the second half, albeit in varying degree from region to region, our overall performance remained sluggish throughout the fiscal year.

Consolidated Performance Summary for Fiscal 2020

	2019	2020	Y-o-Y Change
Sales Revenue	893.3	790.8	89%
Business Profit* ¹ (Rate)	54.4 (6.1%)	43.4 (5.5%)	80%
Operating Profit (Rate)	33.1 (3.7%)	38.7 (4.9%)	117%
Profit Attributable to Owners of the Parent Company* ³	12.1	22.6	187%
ROE	2.6%	4.9%	
ROA* ⁴	5.2%	4.3%	
D/E Ratio* ⁵	0.7X	0.6X	

*1 Business Profit = Sales Revenue - (Cost of Sales + Selling, General and Administrative Expenses): In line with changes in our accounting policies, business profit for fiscal 2019 and the first quarter of fiscal 2020 has been retrospectively restated.

*2 Gain (Loss) on foreign exchange and derivatives: Jan. to Dec. 2020: Negative ¥7.1 Billion; Jan. to Dec. 2019: Negative ¥2.5 Billion

*3 Profit attributable to owners of the parent company as calculated according to IFRS.

*4 ROA: Business Profit / Total Assets

*5 D/E Ratio: Figures for 2019 and thereafter reflect the adoption of IFRS 16 (Leases).

Breakdown of Fiscal 2020 Financial Results

Despite various difficulties in the first half of the year, we strove to seize opportunities arising from recovery in demand in the second half, rallying the combined strength of our entire group to expand sales and increase profit. Consequently, while sales revenue and business profit totaled ¥790.8 billion and ¥43.4 billion, down 11% and 20% year-on-year, respectively, operating profit stood at ¥38.7 billion, up 17%. Moreover, profit attributable to owners of the parent company came to ¥22.6 billion, up 87% compared with the previous fiscal year.

Sales revenue declined considerably due to a significant deterioration in the overall sales environment, reflecting the impact of the COVID-19 pandemic, and business profit similarly decreased. On the other hand, operating profit and profit attributable to the owners of the parent company grew year-on-year thanks to such factors as a substantial decrease in the amount of impairment losses on goodwill and noncurrent assets compared with the previous fiscal year.

Financial results by business segment are as described below.

Tire Business: Sales revenue totaled ¥679.9 billion, down 11% year-on-year, while business profit amounted to ¥40.9 billion, down 12% year-on-year. Due to the fallout from the COVID-19 pandemic, demand was extremely sluggish in the first half of the year. However, we strove to seize opportunities arising from the recovery in market conditions that began from the second half, rallying the combined strength of our entire group to expand sales. As a result, we succeeded in improving sales revenue in the second half to a level equivalent to 97% of our revenue figures from the same period of the previous fiscal year, largely regaining ground lost since the onset of the pandemic. Moreover, our business profit in the second half was 123% of our profit figures from the same period of the previous fiscal year, representing a year-on-year increase of ¥7.9 billion.

Nevertheless, the decline in our first-half performance was such that these upturns in the second half were insufficient to fully offset our poor showing in the first half. Thus, our annual sales revenue and business profit were both down in year-on-year terms.

Sports Business: Sales revenue totaled ¥70.3 billion, down 17% compared with the previous fiscal year, while overall business losses totaled ¥0.7 billion. Fallout from the COVID-19 pandemic caused demand for golf goods and tennis equipment to plummet in the first half of the year, leading to a significant decrease in sales of these products. As such, annual sales revenue was down significantly in year-on-year terms. As a result, our Sports Business ultimately posted a loss in fiscal 2020. Looking at our second-half results, however, we saw a steady recovery in overseas sales, with business profit in the second half growing compared with the same period of the previous fiscal year.

Industrial and Other Products Business: Sales revenue amounted to ¥40.7 billion, a figure that is virtually unchanged from the previous fiscal year. Business profit was ¥3.2 billion, down 7% year-on-year. Sales of rubber parts for medical applications and vibration control dampers remained steady. Moreover, due to the COVID-19 pandemic, we saw growing demand for rubber gloves and other positive factors that bolstered sales growth. On the other hand, our business was also negatively affected by a decrease in sales of precision rubber parts for office equipment as manufacturers of printers and photocopiers reduced production volume as well as various other negative factors arising out of the pandemic.

Taking all of the above factors into account, our annual consolidated business profit was ¥43.4 billion, down 20%, or ¥11.0 billion, year-on-year.

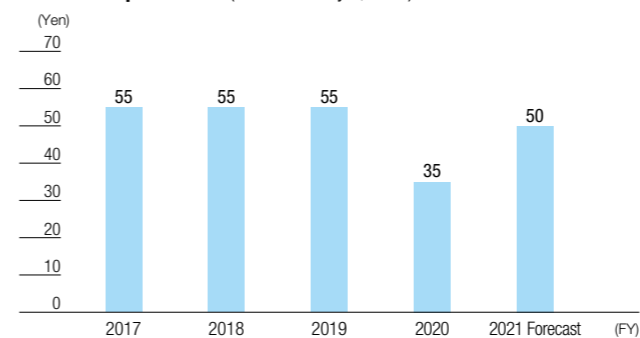
Our Stance on Shareholder Returns

We consider the return of gains to shareholders to be a matter deserving of the utmost priority. Accordingly, our basic policy is to ensure a long-term, stable stream of shareholder returns based on comprehensive consideration of dividend payout ratios, performance prospects, retained earnings levels and other such indicators on a consolidated basis. We also fully intend to utilize our retained earnings as a means of securing funds for capital expenditures, R&D and other forward-looking investments with the aim of expanding our group's earnings base well into the future.

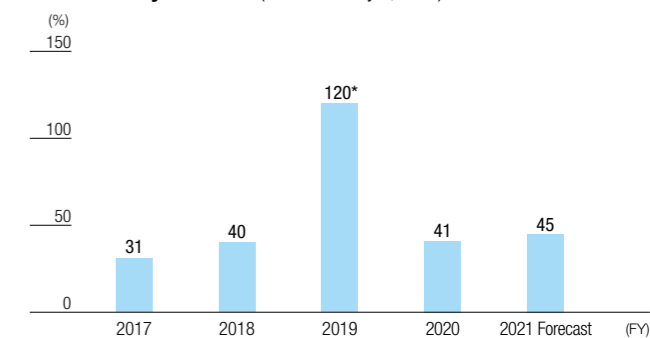
As for the year-end dividend for fiscal 2020, we decided to pay ¥35 per share, up ¥10 per share from our initial dividend forecast of ¥25 per share, which we had announced alongside our financial results for the first nine months of the year. Our current plan for fiscal 2021 calls for paying annual dividends of ¥50 per share, comprising an interim dividend of ¥20 per share and a year-end dividend of ¥30 per share.

Looking ahead, we will strive to ensure stable shareholder returns throughout our business management and operations.

Dividends per Share (as of February 9, 2021)



Dividend Payout Ratio (as of February 9, 2021)



Note: The dividend payout ratio for fiscal 2019 would amount to 48% if impairment losses recorded in said fiscal year were excluded.

Our Financial Strategy for Achieving Our Midterm Plan Objectives

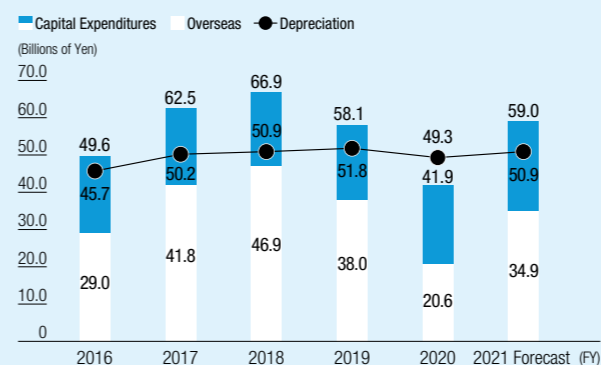
Hiroki Ishida
Director and Senior Executive Officer



Please tell us about your policy on capital expenditures.

Currently, our principal aim with respect to investment is to boost production capacity for Advanced Tires in line with our efforts to expand sales in markets throughout the world. In fiscal 2020, our capital expenditures totaled ¥41.9 billion, which represents a decrease of ¥16.2 billion year-on-year and reflects a more restrained investment policy implemented in response to the impact of the COVID-19 pandemic. By contrast, we plan to invest a total of ¥59.0 billion in fiscal 2021. Reversing our previous policy of reining in investment in our overseas factories, we will now undertake various capital expenditures with the aim of increasing our group's overall production capacity. At the same time, we will also be working to update existing manufacturing lines at our domestic factories to allow for increased production of Advanced Products. Meanwhile, the Sumitomo Rubber Group's factory management techniques are now being embraced by those working at our USA Factory just as strong sales of our FALKEN brand tires are propelling the growth of our business in North America. Thus, our ongoing efforts to improve productivity and quality since acquiring this factory are now beginning to yield sure and steady results. Thanks to these factors, we felt confident enough to greenlight major capital expenditures to increase the factory's production capacity in a manner that will put us ahead of the competition when it comes to capitalizing on recovering demand coinciding with the resumption of economic activities in the United States. This investment is expected to total US \$122 million (approximately ¥12.8 billion).

Trends in Capital Expenditures and Depreciation



*Figures for 2019 and thereafter do not reflect the adoption of IFRS 16 (Leases).

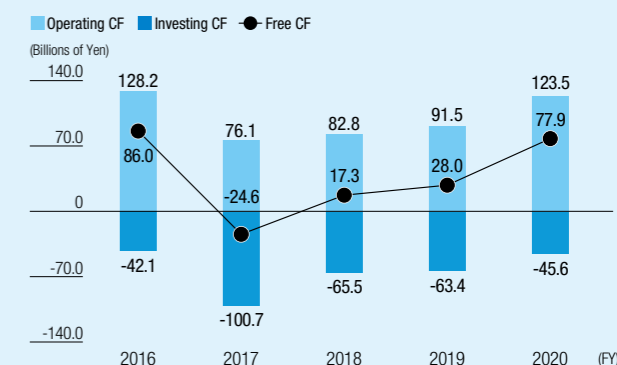
Going forward, over the medium term, we will continuously strive to make improvements in terms of cost factors while also working to dilute fixed costs attributable to capital expenditures that we have undertaken with the aim of increasing production capacity.

Please tell us about the progress being made in your efforts to improve cash-generating capabilities as part of the "Be the Change" project.

We are currently striving to ascertain the specific measures needed to yield positive cash-generating effects via improvements in working capital and the efficiency of capital expenditures. Our fiscal 2020 cash flow figures included a ¥32.0 billion increase in cash flows from operating activities compared with the previous fiscal year, thanks mainly to a decrease in inventory levels. Cash flows from investing activities similarly improved, with a ¥17.8 billion increase in cash inflows due to such factors as a decrease in overall capital expenditures. As a result, free cash flow grew from positive ¥28.0 billion in fiscal 2019 to positive ¥77.9 billion in fiscal 2020.

Striving to push ahead with these and other cash-generation activities, we will work to introduce various new measures to generate cash while also striving to lock in solid results from our existing cash-generating measures. We will thus aim to expand our cash flows in order to improve our overall financial position with the ultimate aim of achieving sustainable growth and the further enhancement of our corporate value.

Cash Flow Trends



A Message from the Officer in Charge of Human Resources

Reinforcing Our Business Foundations

Masatsugu Nishino

Senior Executive Officer,
General Manager,
the Human Resources &
General Affairs Department



Taking on the Challenge of Simultaneously Enhancing Our Organizational Framework and Profit Base to Reinforce Our Business Foundations

Currently underway, the aim of the "Be the Change" (BTC) Project is to reinforce our business foundations by improving our organizational framework and enhancing our profit base, and more than 600 employees have come forth to take part in the planning of relevant measures beyond departmental boundaries. To improve our organizational framework, we have been reviewing our personnel systems while implementing new training programs. To enhance our profit base, we have been engaging in a variety of initiatives aimed at reducing costs, systematically generating cash and otherwise securing profit in a sustainable manner.

Over the course of a year under the BTC Project, we have witnessed

tangible changes in employee behavior, with a great number of individuals becoming adept at utilizing their ties with interdepartmental peers as well as swifter at executing their duties. In addition, we have seen steady progress in the development of measures aimed at generating greater cash and profit thanks to a total of more than 4,000 employee proposals.

In 2021, our plans call for expanding the scope of the BTC Project to include improving and strengthening the business strategy planning process as well as formulating measures to generate growth opportunities via the use of a selection and concentration approach. By doing so, we will push ahead further with reinforcing our business foundations.

Launching 360-Degree Feedback Sessions for All Individuals in Managerial Positions, Including the President

The BTC Project is intended to create a corporate culture that empowers diverse human resources to earn success via organizational transformation.

As part of efforts to create such a culture, in 2020 Sumitomo Rubber Industries introduced a system in which all individuals in managerial or higher positions, including the President, take part in mandatory 360-degree feedback sessions. With the aim of continuously upgrading their approaches, mindsets and skills for better leadership, these individuals are presented with anonymous feedback from their team members, colleagues and leaders that they are asked to study in depth.

In addition, e-learning and other skill-enhancement programs are available to individuals who voluntarily apply for supplementary training to address skills-related issues identified via the feedback sessions.

Moreover, we maintain boost programs that take a cross-hierarchy approach. These programs are designed to address essential matters requiring unified understanding among all employees throughout the organization, such as how to put "Our Philosophy"—our new corporate philosophy structure—into practice, while helping to improve their problem-solving capabilities.

Ensuring That Our Vision Is Embraced by All and Enhancing Employee Understanding of Diversity

We have defined our Vision—the state to which we aspire and a component of Our Philosophy—as "Uniting our diverse strengths, growing together, driving and thriving on change." To realize this Vision, efforts are currently under way to promote diversity & inclusion (D&I). Specifically, we aim to foster a corporate culture that empowers people with diverse backgrounds, such as women, foreign nationals, people with disabilities and members of the LGBTQ community, to earn success. To this end, we are striving to enhance the understanding of diversity among all employees.

Thus far, initiatives in this area include the distribution of messages from the President addressing D&I topics and Work Style Reform with the intention of conveying a policy of simultaneously promoting the creation of a culture that respects diversity and the digitalization of operations. We have also hosted mandatory lectures for all managers to help raise their awareness of unconscious bias, which could constitute a barrier to D&I. In addition, in an effort to help all employees, regardless of rank, properly understand these matters, we have provided seminars with similar coverage. We are also aware that the removal of barriers inhibiting women's success is a matter of particular importance among diversity issues. Accordingly, we have raised the ratio of female managers

from 1.3% in 2010 to 3.5% in 2020 and, although this ratio surpasses the rubber industry average, we are engaged in initiatives to double this ratio to 7% by in 2025, knowing that the representation of women in our workforce must be improved further.

In fiscal 2021, we formulated an advisory team consisting of female employees from various departments. This team is striving to identify relevant workplace issues and develop new proposals in a way that hears the voices of women serving as active components of our workforce. In addition, preparations are under way to introduce a mentoring system that provides female employees with career development assistance via dialogue with their more experienced peers within the Company.

Thanks to these and other initiatives, in fiscal 2009 we became the first company in the tire industry to be certified for the "Kurumin" mark based on the Act on Advancement of Measures to Support Raising Next-Generation Children. Since then, in 2019 we were granted "L-boshi (second level)" certification, which is given by the Minister of Health, Labour and Welfare only to businesses that have superior arrangements for encouraging the active participation of women. Moreover, we were granted the upgraded "L-boshi" (third level) certification in November 2020.

Main Initiatives to Promote Women's Success

- Distributed "D&I 101" educational materials featuring a mascot character named "Chabo"
- Developed a "JOB Return System" and "temporary leave to accompany spouse overseas system"
- Developed various programs allowing employees to flexibly leave the workplace temporarily without the risk of wage deduction, including hour-unit leave, child-nursing leave, flextime and remote working (currently under trial)

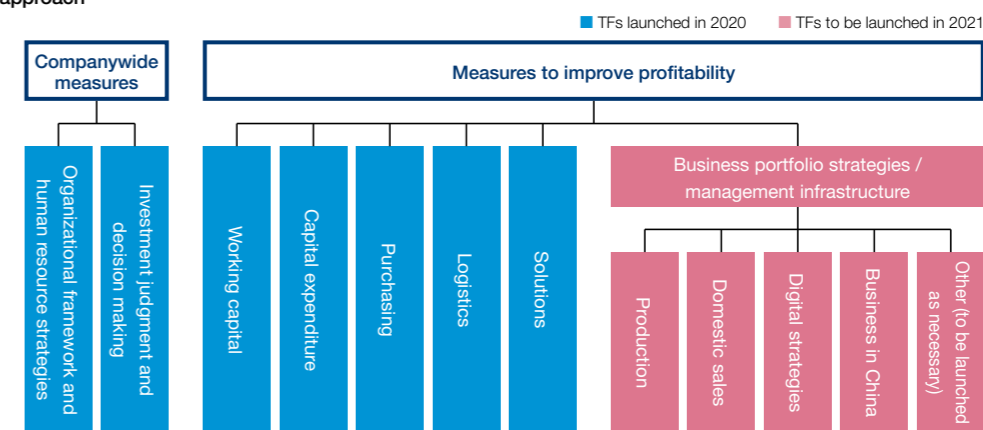
- Promoted interaction with companies in different sectors to jointly effect career development training and exchange information
- Facilitated mutual understanding among employees via round-table events
- Provided an even broader scope of employees with training aimed at addressing unconscious bias

The Sumitomo Rubber Group is determined to achieve the goals of the Midterm Plan despite the COVID-19 pandemic and, to this end, is engaged in the BTC Project, which aims to reinforce its business foundations.

Be the Change (BTC) Project

Objective: Simultaneously improve the Group's organizational framework and profit base to definitively achieve the goals of the Midterm Plan.

- Launched seven task forces (TFs) in 2020 to address issues related to the organizational framework and profit base
- Plans call for launching additional TFs in 2021 to update our business portfolio strategies
- More than 600 employees are working together to promote the project, taking a cross-regional, cross-departmental approach



Note: The project name is based on a famous quote from Mahatma Gandhi: "You must be the change you want to see in the world."

- Reinforce our business foundations by simultaneously improving our organizational structure and profit base.
- We began to see tangible changes in employee behavior while making progress in the formulation of measures aimed at generating greater cash and profit.



Mechanisms for accelerating related initiatives

- Direct management-employee interactions via online sessions (involving more than 2,000 individuals)
- Periodic round-table events attended by President and employees
- Revision of personnel and organizational systems and the implementation of new training regimes
- Development of measures aimed at transforming employee modes of communication

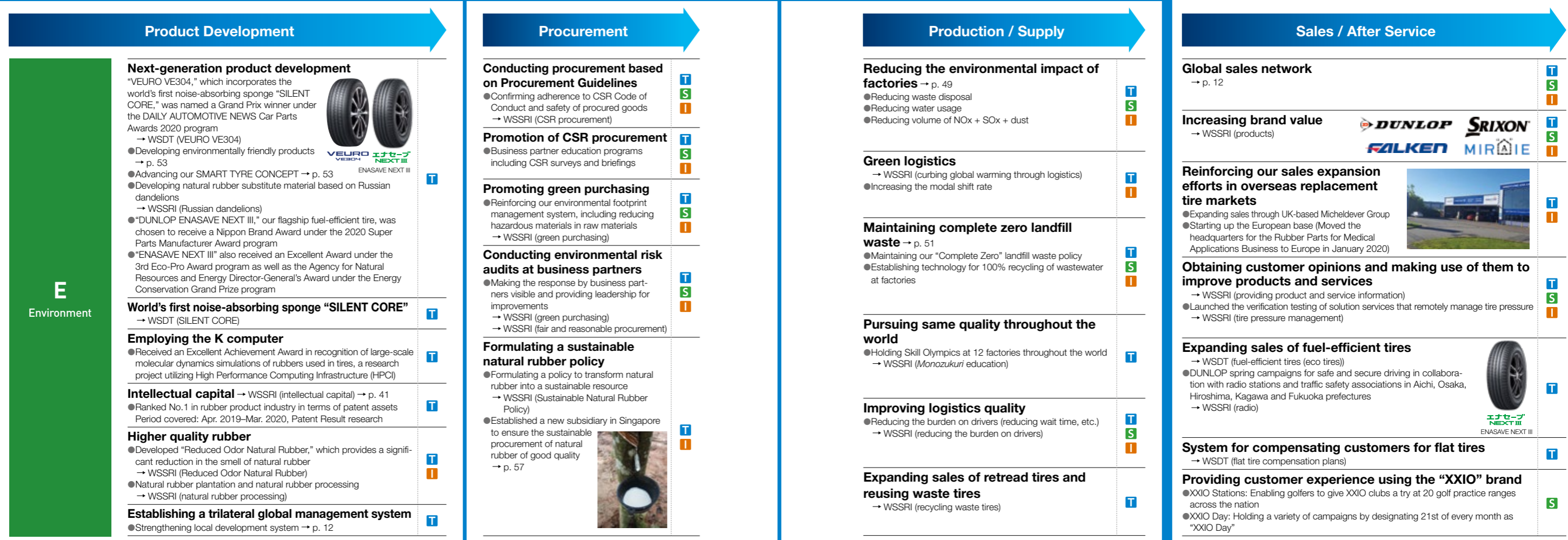
More than 4,000 measures proposed

Launch a variety of measures encompassing areas of production, technology, marketing, and administrative operations to create new value, contain every cost element, and otherwise generate cash (Expected to yield ¥30.0 billion in cash and ¥10.0 billion in profit)

Sumitomo Rubber Group Value Chain

T Tires,
S Sports,
I Industrial and
other products

We have created a value chain that takes into consideration ESG (environment, social, and governance) at all stages, including product development, procurement, production, supply, sales, and after service. Through these endeavors, the Group is working to achieve sustainable business growth and develop highly competitive new products.



S Social

Fostering human resources and making work rewarding

- Global human resource training → p. 56

Conducting procurement based on Procurement Guidelines

- Confirming adherence to CSR Code of Conduct and safety of procured goods → WSSRI (CSR procurement)

Creating a safe, employee-friendly workplace

- Promoting health & productivity management → WSSRI (health management)
- The Miyazaki factory achieved a record-high 7.5 million hours without accidents involving lost work days, receiving a "Type 2 Accident-Free Record Certificate" from the Ministry of Health, Labor and Welfare

Achieving a good work-life balance

- The Miyazaki Factory was granted *Hinata no Kiyami* employee-friendly workplace certification ①
- The Shirakawa Factory was certified by Fukushima Prefecture as an excellent business operator striving to support the upbringing of future generations thanks to its efforts to promote a harmonious balance between work and private life
- The Shirakawa Factory was chosen by Fukushima Prefecture to receive the Fukushima Work-Life Balance Grand Award ②
- Promoting use of childcare leave by male employees
- Daycare support system
- Shortened working hours for childcare



Initiatives to prevent the spread of COVID-19 infection → p. 55

- Launched a risk control headquarters
- Promoted remote working and online marketing activities in response to a government request
- Donated rubber gloves to support healthcare institutions combating the spread of COVID-19
- Expanded our monthly thin nitrile rubber glove production capacity to 2 million pairs
- Donated 3,200 face shields manufactured by the Thailand Factory's sports equipment production staff and otherwise contributed to community efforts to combat the COVID-19 pandemic at home and abroad
- Carried out Nationwide Tire Safety Inspections to support safe and secure driving in a manner that took great care to guard against the risk of COVID-19 infection

Preservation of historical architectural heritage via the use of our vibration control damper technology

- Our vibration control dampers were chosen to be used for the restoration of Kumamoto Castle

Respect for human rights → WSSRI (respect for human rights)

Promoting diversity

- Promoting women's career success and stepping up human resource development to this end
- Received "L-boshi" (third level) certification as an excellent corporation promoting women's career success based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace
- Continuing to recruit employees with disabilities → WSSRI (diversity & inclusion)
- Released "Dun-Slope AiR 2," a portable ramp for wheelchair use that absorbs shocks when crossed by a wheelchair → p. 36

Social contribution activities

- The Izumiotsu Factory concluded a temporary evacuation center agreement with Izumiotsu City to provide its premises as shelters in the event of a disaster ③
- Implementing the Team ENASAVE Future Project in cooperation with the National Federation of UNESCO Associations in Japan (NFUAJ) as well as the Team ENASAVE Green Project ④
- Hosting the Dunlop Manozukuri Class and the Dunlop Environmental Class



G Governance

Enhancing corporate governance → p. 59

Bribery prohibition policy

- WSSRI (preventing wrongful conduct)

Promoting efforts to improve quality of business partners

- WSSRI (compliance)WSSRI (Sustainable Natural Rubber Policy)

Ensuring thorough compliance

- WSSRI (compliance)WSSRI (compliance)

BCP measures → WSSRI (risk management) ⑤

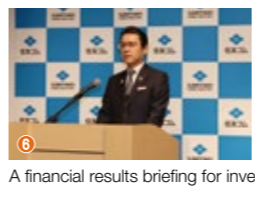
Information security → WSSRI (information security)



Promoting dialogue with stakeholders → p. 57 ⑥

Protecting whistleblowers → WSSRI (compliance)

Risk management → WSSRI (risk management)



WSSRI (search keyword) → Sumitomo Rubber Industries website <https://www.srigroup.co.jp/english/>
 WSDT (search word) → Dunlop Tires website <https://tyre.dunlop.co.jp/> (Japanese only)
 WSDSS (search word) → Dunlop Sports Style website <https://sports.dunlop.co.jp/en/>

The Growth Track

Over the more than 110 years since our founding, we have leveraged our proprietary rubber technology as a tire maker to expand our field of business into sports and industrial products, thereby helping to achieve a sustainable society.

Sales Revenue / Net Sales

■ JGAAP
■ IFRS

1978
Net Sales ¥114.0 billion
Operating income ¥7.2 billion

Established 1909

1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996

1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020

□ JGAAP

■ IFRS

Fiscal 2020 Sales Revenue ¥790.8 billion

Business Profit* ¥43.4 billion

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

900.0

750.0

600.0

450.0

300.0

150.0

0

COVID-19 crisis

Great East Japan Earthquake

Bankruptcy of Lehman Brothers

Asian currency crisis

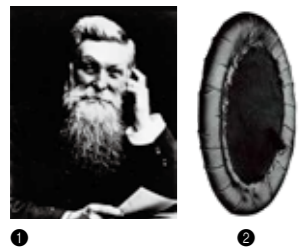
Great Hanshin-Awaji Earthquake

Bubble economy collapses

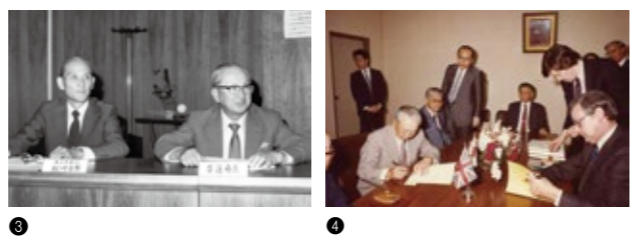
Plaza Accord

Major Management Accomplishments

- 1888 J. B. Dunlop ❶ commercialized the world's first pneumatic tire ❷
- 1909 Commenced operation of the Kobe Factory
U.K.-based Dunlop Rubber Company established and began operating Japan's first modern rubber factory



- 1963 Sumitomo assumed management of the Company. Changed name to Sumitomo Rubber Industries, Ltd.
- 1981 Entered into a full business tie-up with The Ohtsu Tire & Rubber Co., Ltd. ❸
- 1983 Acquired European tire business from U.K.-based Dunlop Rubber Company
- 1984 Acquired six plants in the U.K., Germany and France as well as Dunlop Tyre Technical Division in the U.K. ❹



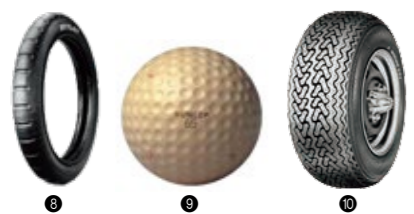
- 1986 Acquired Dunlop Tire Corporation in the U.S.A.
- 1999 Formed alliance in the tire business with The Goodyear Tire & Rubber Company in the U.S.A.
- 2003 Merged with The Ohtsu Tire & Rubber Co., Ltd. ❺
Spun off sports business
- 2007 Acquired Cleveland Golf



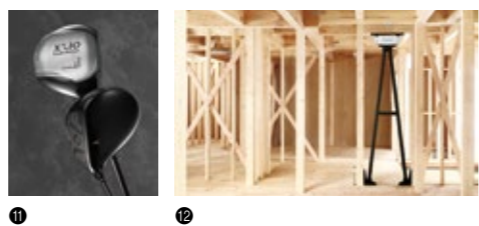
- 2009 Company's 100th anniversary
Completed the Tire Technical Center ❻
- 2014 Acquired fitness company Kitz Wellness Co., Ltd. (current Dunlop Sports Wellness Co., Ltd.), making it a subsidiary
- 2015 Acquired Lonstroff AG, which manufactures rubber parts for medical applications, in Switzerland
Dissolved the Tire Business-related alliance agreement and joint ventures with The Goodyear Tire & Rubber Company in the U.S.A.
- 2017 Acquired the DUNLOP brand overseas operations
Acquired the U.K.-based tire sales company Micheldever Group
Launched the European and U.S.A. Tire Technical Centers
- 2018 Consolidated the Sumitomo Rubber Group's Sports Business-related operations
The 130th anniversary of the commercialization of the pneumatic tire ❼
- 2020 Established "Our Philosophy," a new corporate philosophy structure

Major Technological Accomplishments and Products Released

- 1913 Started tire manufacturing, producing the first Japanese-made tire ❸
- 1930 Started production of Japan's first golf and tennis balls ❹
- 1954 Developed Japan's first tubeless tire
- 1964 Started production of golf clubs



- 1966 Started mass-production of Japan's first radial tire "SP3" ❽
- 2000 Released first-generation "XXIO" golf clubs and golf balls ❾
- 2012 Released "MIRAIE" Vibration Control Units for Detached Housing ❿



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



- 2015 Completed the New Materials Development Technology "ADVANCED 4D NANO DESIGN"
- 2017 Announced the "SMART TYRE CONCEPT" for tire technology development
- 2018 Signed an official sponsorship agreement with the Australian Open, one of the four major tennis tournaments
- 2019 Released "ENASAVE NEXT III," the Company's flagship fuel-efficient tires made using Performance Sustaining Technology based on SMART TYRE CONCEPT
- 2020 Released "VEURO VE304," premium tires boasting the highest levels of passenger cabin comfort thanks to superior quietness as well as long-lasting wet grip performance ❿

Value Creation Model

Our Beliefs

A unique belief in the material possibilities of rubber. A track record of multiple world firsts through industry-leading rubber technology and beyond that, relentless dedication to the innovation and development of new technologies. A singular focus on creating value that exceeds expectations in response to the trust our customers and society place in us. Supporting individuals, society, and the future; creating a future of joy and well-being for all through innovation. We are Sumitomo Rubber Industries, and this is what we are for.

The Sumitomo Rubber Group is committing a variety of management resources, both internal and external, to growing the business. Today, based on its newly formulated Midterm Plan, it is leading the way to further enhancements in economic and societal corporate value, with the aim of contributing to the sustainable development of society.

Key Management Resources (fiscal 2020)

Financial Capital
Sound financial position and stable earnings structure

Total assets	Total equity
¥974.8 billion	¥467.1 billion

Manufactured Capital
Diverse production network covering Japan and overseas

Domestic	Foreign
6 bases	16 bases

Human Capital
Diverse human resources in which the Sumitomo Business Spirit has taken root

Number of consolidated employees **39,298**

Intellectual Capital
Abundant intellectual property to drive the next phase of growth

R&D expenses **¥24.2 billion**

Social Capital
Steadily building favorable relationships with all stakeholders

The number of tires sold	The number of countries in which we engage in tire sales
108.83 million	159

Natural Capital
Efficient use of environmental resources to reduce environmental impact and realize a recycling-based society

CO₂ emissions	Water usage
1,018 kt-CO ₂ e	13,068,000 m ³

Business Activities and Growth Strategy

Current Business Activities

Composition of Sales Revenue by Business Segment

Sports Business	8.9%
Tire Business	86.0%
Industrial and Other Products Business	5.1%

Overseas Sales Ratio 63.8%

Composition of Sales Revenue by Region

Japan	36.2%
North America	19.8%
Europe	14.6%
Asia	18.2%
Others	11.2%

Tire Business (p.31)
Provides a variety of tires for passenger cars, trucks, buses and motorcycles in Japan and overseas.

Sports Business (p.33)
Manufactures and sells golf clubs, golf balls, tennis rackets and tennis balls, and manages fitness club businesses.

Industrial and Other Products Business (p.35)
Provides items ranging from daily life supplies, such as rubber gloves and products used in care-giving, to industrial materials, including artificial turf, rubber parts for medical applications, and vibration control dampers.

Value Driver

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

Current Status and Medium-Term Targets

Economic Value

Target Indices	Fiscal 2020	Target Vision for 2025 Performance
Growth Potential Sales Revenue	¥790.8 billion	At Least ¥1 Trillion
Profit Potential Business Profit	¥43.4 billion	At Least ¥100 Billion
Invested Capital Profit Potential ROE	4.9%	At Least 10%
Financial Soundness D/E ratio	0.6 times	0.5 times or Lower

Societal Value

Contribution to the United Nations Sustainable Development Goals (SDGs)
Realizing a sustainable society

Enhance our economic value → ESG (Environmental, social and governance issues) → Enhance our societal value

Economic value + **Societal value** = **Sustainable growth and value creation**

Our Philosophy | **The Sumitomo Business Spirit**

Societal value being created

Create solutions that offer safety, comfort, and high performance

Contribute to the next-generation mobility society via the development of new technologies and products




Help curb environmental burden through our business operations and participation in community activities

Promote diversity & inclusion

Deliver improved value to stakeholders

Risks and Opportunities

To ensure sustainable growth, we steadily link medium- and long-term business opportunities to growth while working to identify and mitigate risk factors that could impair such growth. In this section, we provide a brief discussion of risks and opportunities related to changes in the business environment going forward as well as the strengths we will leverage for the future development of the business.

	Management Issues	Business Opportunities	Risks	Strengths	Growth Opportunities
Tire Business	<ul style="list-style-type: none"> ● Maximizing the results that we reap from the global business framework ● Developing products to respond to local market needs and ever higher performance demands ● Responding to the various issues present on the production floor by using digital technologies such as AI and IoT and automation to create smart factories 	<ul style="list-style-type: none"> ● Accelerated motorization due to population upsurges and economic growth in India, Africa, ASEAN, etc. ● Increased demand for tires made of sustainable raw materials and fuel-efficient tires due to tightened environmental regulations for automobiles and heightened awareness of the global environment ● Growing demand for next-generation tires on the back of the widespread technological shift toward CASE and MaaS ● Popularization of such tire-related services as those enabling tire pressure management and abrasion monitoring via the use of AI and IoT 	<ul style="list-style-type: none"> ● Political instability in emerging countries ● Jump in the price of raw materials and crude oil ● Emergence of manufacturers from emerging countries ● Natural disasters, pandemics ● Fluctuations in demand for winter tires due to rising global temperatures and diminishing snowfall volumes 	<ul style="list-style-type: none"> ● DUNLOP brand, which boasts over 130 years of history since the commercialization of the world's first pneumatic tire and has won public recognition throughout the world ● Extensive product lineup centered around the "ENASAVE" series that complies with the labeling regulations for fuel-efficient tires ● Globally optimized production infrastructure ● World-leading simulation and analysis capabilities utilizing state-of-the-art supercomputers and so on ● Tire pressure sensing technologies installed in a cumulative total of 40 million vehicles ● Biomass technologies nurtured in the course of developing fossil resource-free tires 	<ul style="list-style-type: none"> ● Promoting sales expansion in advanced tires, such as those aimed at the growing SUV tire market ● Creating new economic and societal value by giving concrete form to the "SMART TYRE CONCEPT" for the development of tires and peripheral services ● Developing tires using biomass raw materials that feature reduced environmental impact ● Providing tire-related solution businesses designed to help improve driving safety and reduce environmental burden via the use of AI and IoT ● Contributing to carbon neutrality through the development of products incorporating a greater proportion of biomass materials 
Sports Business	<ul style="list-style-type: none"> ● Maximizing the results that we reap from the global business framework ● Developing products to respond to local market needs and ever higher performance demands ● Strengthening efforts towards enhancement of "DUNLOP" brand value and expand the effect to the entire Sumitomo Rubber Group to generate synergies 	<ul style="list-style-type: none"> ● Expanding business opportunities following the acquisition of trademark rights to the "DUNLOP" brand throughout the world ● Raising awareness of health and sports among citizens, against the backdrop of an aging society ● Growing demand for digital-driven services and products 	<ul style="list-style-type: none"> ● A cautious consumer sentiment regarding spending for recreational activities due to a lingering sense of future anxiety amid economic instability induced by the COVID-19 pandemic ● Jump in the price of raw materials ● Deterioration in the outdoor sporting environment due to higher temperatures and other negative consequences resulting from climate change 	<ul style="list-style-type: none"> ● Providing products and services that are backed and differentiated by superior technical development capabilities, such as the utilization of state-of-the-art supercomputers ● Building brands and product appeal that have been refined at the most elite professional tour tournaments ● Practicing marketing that is thoroughly based on user needs and the global marketing capability to support that 	<ul style="list-style-type: none"> ● Developing & promoting sales of advanced products ● Expanding our Sports Business globally (Golf and Racket Sports Business) ● In golf, enhancing our presence in North America, the largest market ● In racket sports, leveraging the sales power we have cultivated in tennis balls, the brand power of Dunlop and our technical development capabilities, to grow sales ● Pursuing the diverse value and potential to be found in sports, so as to further enrich the customer's sporting life ● Broadening the scope of operations to include AI- and IoT-based services aimed at assisting sporting activities ● Developing products with even lower environmental footprints by, for example, reducing the volume of plastics used in packaging and other materials 
Industrial and Other Products Business	<ul style="list-style-type: none"> ● Enhancing research and development systems for high-value-added products in terms of quality and functionality, based on rubber technology ● Accelerating business developments into Europe and the United States, shifting from conventional businesses centered in Japan and other Asian countries ● Constantly optimizing our business portfolio in line with changes in society 	<ul style="list-style-type: none"> ● Sustained growth in demand for rubber parts for medical applications on the back of expansion in the global pharmaceutical market ● Growing needs for earthquake countermeasures reflecting ever stronger public awareness of natural disaster risks ● The emergence of new needs due to the growing global trend toward sustainability along with the increasing importance of non-financial aspects of corporate activities ● Growing public hygiene awareness in the wake of the global COVID-19 pandemic 	<ul style="list-style-type: none"> ● Jump in the price of raw materials ● Pandemic-induced changes in government policies in addition to restrained investment policies adopted by the majority of private corporations 	<ul style="list-style-type: none"> ● Maintain a portfolio of varied proprietary technologies backed by our rubber technology nurtured in the course of operating the Tire Business ● Maintain a broad range of market contact points, particularly in business fields like infrastructure, disaster risk countermeasures, and healthcare that have strong affinity with our policy of contributing to society ● Moved the headquarters for the Rubber Parts for Medical Applications Business to Europe in 2020 to build a global business operation in growth markets 	<ul style="list-style-type: none"> ● In rubber parts for medical applications, aim for further business expansion in growth markets by boosting our production capacity via, for example, the launch of a new factory run by subsidiary Lonstroff AG in Slovenia and the augmentation of facilities at the Kakogawa Factory ● In the vibration control business, expand the lineup and increase sales of the "MIRAIE" Vibration Control Units for Detached Housing, utilizing the vibration control technology used in bridges and buildings ● In the rubber glove business, initiate the production of thin nitrile rubber gloves for medical applications via the establishment of new manufacturing lines ● Explore new business fields that will better position us to meet future needs in a way that fully takes advantage of the diverse resources afforded us by the wide-ranging operations the Group is handling ● Develop environmentally friendly products via, for example, the use of alternatives for organic solvents and the incorporation of biologically derived raw materials 

Identifying Priority Issues and Promoting Dialogue with Stakeholders

Taking into account international guidelines and stakeholders' views, we determined priority issues to be tackled through our activities.

Having determined priorities in the indicators of the Activity Guidelines, we will push ahead further with these initiatives.

Priority Issue Identification Process

Our organized efforts to energize sustainability activities and become a corporate group deserving of society's trust date back more than a decade. In fiscal 2008, we formulated our Activity Basic Philosophy along with Activity Guidelines that specified five areas, namely, "Green (Green initiative)," "Ecology (Ecological process)," "Next (Next-generation product development)," "Kindness (Kindness to employees)" and "Integrity (Integrity for stakeholders)," comprising 13 indicators.

In fiscal 2011, we identified the priority issues among these 13 indicators in light of their materiality.

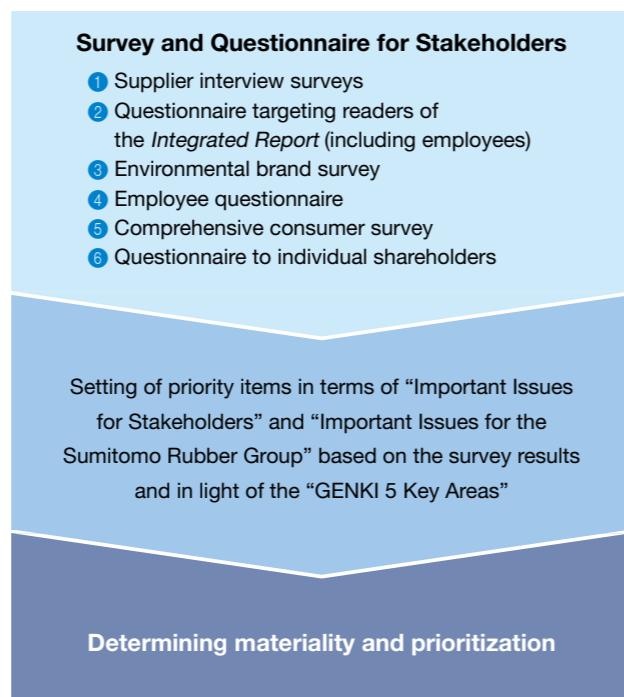
In fiscal 2014, we worked to update these priority issues, taking into account changes in the business environment and resulting impacts on stakeholders and society.

In fiscal 2015, we further refined the priority of the issues to be addressed with reference to the requirements of the "GRI Guidelines (G4)" and based on a survey of various stakeholders.

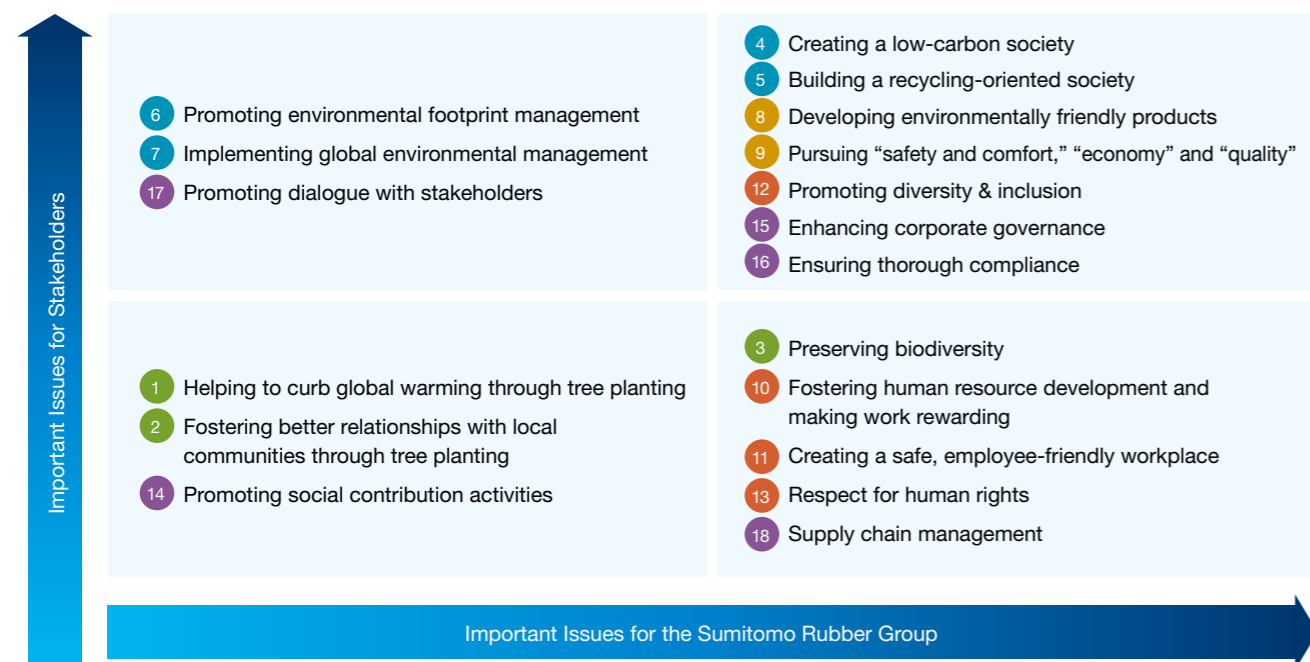
Embarking on fiscal 2021, we merged together "Achieving a good work-life balance" and "Promoting diversity" into "Promoting diversity & inclusion." This current total of 18 indicators has again been updated according to priority.

This report presents the results of efforts aimed at attaining our targets for each indicator.

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



18 Indicators Included in "GENKI" Activity Guidelines and Priority Issues



Stakeholder Dialogue

We periodically carry out surveys to learn about the various opinions and expectations of stakeholders, and, while taking their views into account, we also place importance on daily dialogue with stakeholders in pursuing our business activities.

We are conscious of our responsibilities towards stakeholders, and are working to promote communications through a variety of means.

How We Communicate with Stakeholders

	Features	Main responsibilities	Communications method
Customers 	Automobile manufacturers, manufacturing companies, sales companies, sports facilities, etc.	<ul style="list-style-type: none"> Quality management Development of safer products Safe driving awareness Providing product information and services 	<ul style="list-style-type: none"> Customer consultation and service contact Customer response through service and sales departments Providing information via website and other media Exhibitions and events, etc.
Business partners 	Rubber raw materials manufacturers, other materials manufacturers, trading companies, processing companies, etc.	<ul style="list-style-type: none"> Fair and reasonable procurement CSR procurement 	<ul style="list-style-type: none"> Dialogue through day-to-day business Confirmation visits to procurement partners, and feedback Questionnaires to procurement partners Explanatory meetings, etc.
Local community 	Residents, municipalities, local government, educational institutions, and other organizations near factories and offices	<ul style="list-style-type: none"> Social contribution activities Green initiatives Preserving biodiversity 	<ul style="list-style-type: none"> Participation in local events Cooperation with NGOs and NPOs in social contribution activities Participation in economic and industry organizations Dialogue with local governments, etc.
Shareholders and investors 	Number of shareholders: 41,177 (individual and institutional investors, etc.) (as of December 31, 2020)	<ul style="list-style-type: none"> Return of profits to shareholders Enhancement of corporate value through dialogue with shareholders and investors 	<ul style="list-style-type: none"> General meeting of shareholders Timely disclosure of news releases and publications Issuance of financial information including fact books and shareholder communications Providing information via website and other media Results briefings, etc.
Employees 	Sumitomo Rubber Group: 39,298; Sumitomo Rubber Industries: 7,371 (male employees: 6,530, female employees: 841) (as of December 31, 2020)	<ul style="list-style-type: none"> Fostering human resources Occupational health and safety Health management Diversity in employment Consideration of work-life balance Consideration of human rights Dialogue with employees 	<ul style="list-style-type: none"> Providing information through internal newsletters, intranet, etc. Consultation with labor-management councils and employee representatives Compliance consultation service Round-table discussions with president to exchange views with management Integrated Report questionnaire, etc.

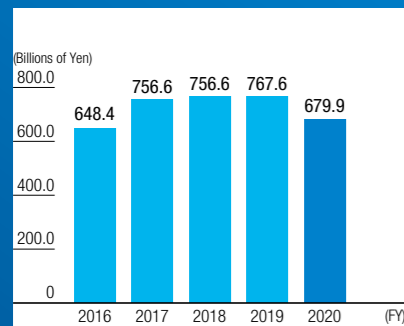
Business Overview

Tire Business

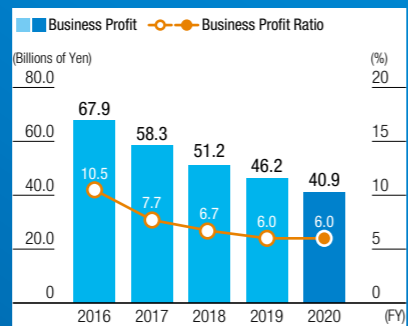


Results of Operations / Major Indicators

Sales Revenue



Business Profit* (Ratio)



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

	2018	2019	2020
Domestic original equipment	3%	3%	-17%
Overseas original equipment	6%	7%	-26%
Domestic replacement	±0%	-7%	-9%
Overseas replacement	-2%	1%	-9%
Total	±0%	1%	-12%
Total sales volume (millions of tires)	123.61	124.36	108.83

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

Messages from Corporate Leadership

Right now, the COVID-19 Pandemic continues with no end in sight. In light of these circumstances, how does the Sumitomo Rubber Group plan to harness your strengths toward accomplishing the Midterm Plan under the New Normal while looking ahead to the coming Post-COVID World?

Our group is equipped with agile reflexes to adjust course in response to changes in the business environment without losing momentum, and I believe that this ability to take swift action is one of our greatest strengths. Under the New Normal, business practices are undergoing some major changes, as are the links that connect us with our customers. In response to these changes, our group is now rapidly pushing ahead with various initiatives to take full advantage of DX (Digital Transformation), not only to optimize costs, but also as a means of promoting greater mutual understanding with our customers and building more solid common ground between us.

How do you hope to go about realizing your group's new Corporate Philosophy Framework: "Our Philosophy?"

As expressed in our DUNLOP Brand Message: "In the Hope of Making Every Day Accident Free," our Tire Business aims to provide "joy and well-being for all" by manufacturing and selling tires that contribute to the creation of an automotive society that provides greater all-around safety and peace of mind.

Toward this end, we have been working hard to develop tires that feature superior performance in terms of both safety and environmental friendliness, tires that provide longer lasting safety performance and even tires that can actively avoid hazards—all backed by the innovative technologies of our SMART TYRE CONCEPT. By providing tires that not only ensure safer, more comfortable mobility for all drivers, but that are also more environmentally friendly, we hope to contribute to the realization of the Mobility Society of the Future.



Jiro Kawase
Executive Officer,
Head of the Domestic
Replace Tire Sales HQ



With a lineup of products that possesses cutting-edge environmental and safety technology, DUNLOP conducts business primarily in Japan and Asia.



ENASAVE NEXT III

A fuel-efficient tire that features 50% less decline*1 in wet grip performance over time, incorporates a hydrogenated polymer, and is also the world's first*2 tire to use cellulose nanofiber high-performance biomass material to help achieve a low-carbon society.

Chosen to receive an Excellent Award under the 3rd Eco-Pro Award program, a Nippon Brand Award under the 17th Super Parts Manufacturer Award program, and a Director-General of Agency for Natural Resources and Energy Award under the Energy Conservation Grand Prize 2020 program.

*1 Compared with previous ENASAVE NEXT II product
*2 In-house research



VEURO VE304

Achieves the highest levels*3 of passenger cabin comfort through superior quietness and high-level steering stability. Furthermore, it incorporates Performance Sustaining Technology to prolong wet grip performance at the maximum level.

Named a Grand Prix winner under the DAILY AUTOMOTIVE NEWS Car Parts Awards 2020 program

*3 Among our products



WINTER MAXX 03

A studless tire that provides the best on-ice performance*4 in Dunlop history thanks to the use of "nano dimpling rubber," a new technology. WINTER MAXX 03 also incorporates Liquid Farnesene Rubber,*5 which contributes to the durability of tire performance. The tire thus boasts superiority over conventional products*6 in terms of long-lasting effectiveness.

*4 Among our products
*5 A material developed by Kuraray Co., Ltd. for WINTER MAXX series
*6 WINTER MAXX 02



The Group is stepping up marketing mainly in Europe, the United States and Japan by leveraging its lineup of FALKEN brand tires with superior functionality and product quality.



AZENIS FK510

In first place in the comprehensive tire performance ranking sponsored by ADAC, or All German Automobile Club, the largest automobile association in Europe. Through tests conducted by ADAC, this product earned high evaluations thanks to its robust performance supporting stable steering and braking in dry road conditions as well as superior hydroplaning and wet grip performance in wet road conditions.

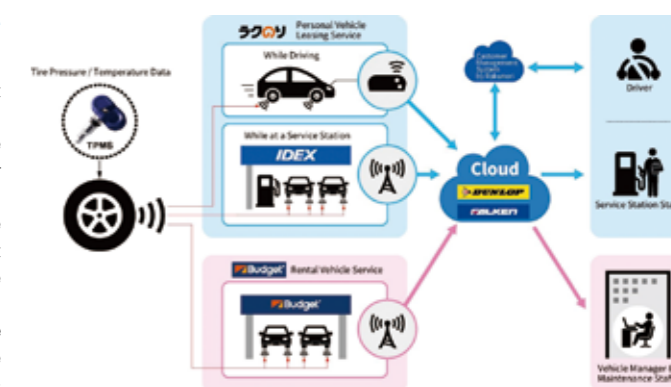


Topics

Launch of the verification testing of a tire pressure management solution service

We have launched the verification testing of a solution service that remotely monitors and manages tire pressure and temperature.

The aim of this testing is to verify the feasibility of such service using 30 leased vehicles and 500 rental cars offered by partner companies. Specifically, the Tire Pressure Monitoring System (TPMS) is attached to the tires of these vehicles while they operate in Fukuoka, Miyazaki and Kagoshima prefectures in order to collect and transfer data on their tire pressure and tire temperature to the cloud database. This service thus enables the remote confirmation of tire conditions and is expected to mitigate the maintenance workload in addition to helping operators maintain appropriate tire pressure—a key factor for sustaining fuel efficiency—thereby contributing to safe and secure driving.



The development of a remote tire pressure monitoring system for Level 4 autonomous vehicles; verification testing conducted in Gifu City using public roads

Targeting Level 4 autonomous vehicles, we have developed a system for collecting tire pressure data and supporting timely response to abnormalities indicating the need for tire maintenance. In November 2020, this system underwent verification testing using public roads in Gifu City, Gifu Prefecture. The system was developed via joint research that was launched in 2019 and involves Gunma University's Center for Research on Adoption of NextGen Transportation Systems (CRANTS), with the aim of making it possible to remotely monitor the tire pressure of unmanned vehicles operating autonomously. Assuming various types of incidents, including a flat tire while under way, this system is expected to help prevent the occurrence of tire-related issues via predictive maintenance and otherwise support earlier troubleshooting.

Business Overview

Sports Business



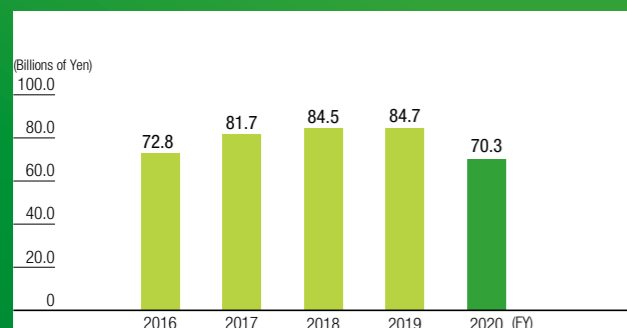
Professional golfer
Hideki Matsuyama



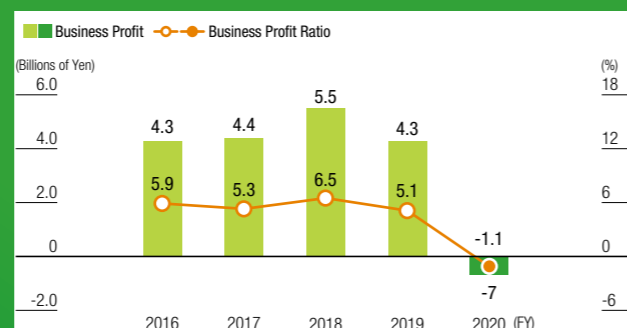
Professional wheelchair
tennis player
Yui Kamiji

Results of Operations / Major Indicators

Sales Revenue



Business Profit* (Ratio)



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

Messages from Corporate Leadership

Right now, the COVID-19 Pandemic continues with no end in sight. In light of these circumstances, how does the Sumitomo Rubber Group plan to harness your strengths toward accomplishing the Midterm Plan under the New Normal while looking ahead to the coming Post-COVID World?

While the sporting goods industry has been severely impacted by the pandemic, I also feel that it has given many people a renewed sense of the importance of sports as a pathway to living a fuller and healthier life. As a sport that is played outdoors and has no problems accommodating social distancing, golf, in particular, is enjoying a resurgence in popularity, which has brought many young golfers and families to the sport.

Moving forward, while remaining keenly in tune with these and other market changes, we will work to establish a new business style that is well adapted to the New Normal, which will involve enhancing our e-commerce capabilities and so forth. Our major strengths include our "materials and material simulation technology," "precision measuring technology" and "solutions development capabilities," and we will be working to further augment these strengths in order to enhance our responsiveness to the needs of our customers while continuing to provide second-to-none products with ever greater speed.

How do you hope to go about realizing your group's new Corporate Philosophy Framework: "Our Philosophy?"

As a key tenet of "Our Philosophy," our group has set forth the reason for our existence (i.e., our "Purpose") thusly: "Through innovation we will create a future of joy and well-being for all." For our Sports Business, creating "well-being" means providing products and services that are thoroughly safe in order to engender peace of mind while at the same time earning the trust of our customers, all backed by the strength of our technical capabilities and our unwavering commitment to quality.

And, when it comes to "joy," through our products and services, our Sports Business will continue striving to give more and more people the thrill and satisfaction that come from playing an excellent game, as well as the sense of fulfillment that is an intrinsic benefit of sports in general.



Hideaki Kawamatsu
Executive Officer,
Head of the Sports
Business HQ

Golf Equipment

We offer three brands, namely "XXIO," "SRIXON" and "Cleveland Golf," on a global scale.

Since their launch in 2000, our mainstay "XXIO" brand golf clubs have enjoyed favorable user reviews based on their carry, ease of hitting and the pleasing sound they produce when the ball is hit. The 11th generation models, "XXIO Eleven" and "XXIO X-eks-," were launched in December 2019, and their sales are currently growing at home and abroad.

In 2020, we released the "SRIXON ZX series" for serious golfers as well as the "Cleveland RTX ZIPCORE Wedge" designed specifically for players who seek to improve their approach shots to a level equivalent to that of professional golfers. We also support the performance of top-notch players with these and other golfing gear in line with equipment sponsorship agreements.



Tennis Equipment

Having incorporated its cutting-edge proprietary technology into England's traditional "DUNLOP" brand, the Company is introducing the brand throughout the world as one for all athletes, ranging from top professionals to beginners.

Not only does the Company manufacture the long-selling balls used in many of the major tournaments in Japan, it was chosen to be the official ball supplier to the Australian Open in 2019, becoming the first Japanese company to supply balls to one of the Grand Slam tournaments.



Wellness Business

Now in the process of expansion with the aim of becoming a third pillar of business, the wellness business comprises a fitness club business and golf and tennis school businesses.

In addition to the existing school business and comprehensive fitness clubs, the business supports health promotion in a broad range of fields through such operations as compact gyms open 24 hours a day and the contracted management of local government sports facilities.



Topics

Hideki Matsuyama becomes the first Japanese player to win the Masters Tournament

Hideki Matsuyama, who signed a golf equipment sponsorship agreement with Sumitomo Rubber Industries, marked a historic victory in April 2021 at the PGA Tour's Masters Tournament, becoming the first Japanese and Asian man to win a major championship.

Matsuyama turned professional in April 2013 and signed an agreement with Sumitomo Rubber Industries in July 2013. Since then, we have provided golf clubs, golf balls, gloves and other gear in support of his goal of winning a major championship.

Going forward, we will continue to strive side by side with Hideki Matsuyama and other players for their victories.



Hideki Matsuyama



Golfing gear used by
Hideki Matsuyama (the club is a prototype)

The 60th anniversary of our long-selling "FORT"

In 2021 we will celebrate the 60th anniversary of the release of "FORT," a series of long-selling tennis balls that have been used in a number of major domestic tournaments since its release in 1961. With outstanding sphericity and uniform quality, "FORT" has long been a tennis ball brand trusted by players. It is valued for the consistently mild feel of the hit, an unchanging feature of the series, while boasting superior durability.

Dunlop Sports Club opens a large facility in Kasukabe

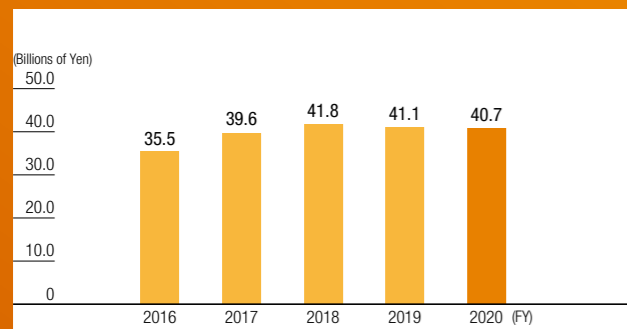
The Sumitomo Rubber Group maintains a comprehensive fitness club business and has recently opened Dunlop Sports Club Kasukabe, the 21st facility in its nationwide sports club network, in a location slightly north of Tokyo adjacent to AEON Mall Kasukabe. Taking advantage of its large two-story building, this sports club boasts a swimming pool, machine gym and fitness studio along with a golf practice range and a tennis court. With this new facility, we will strive to serve people of local communities and contribute to their health improvement efforts.

Business Overview

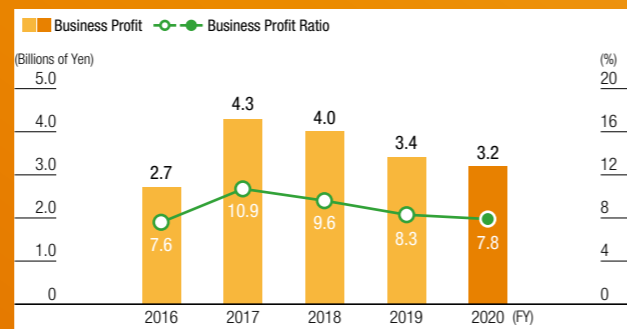
Industrial and Other Products Business

Results of Operations / Major Indicators

Sales Revenue



Business Profit* (Ratio)



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

Messages from Corporate Leadership

Right now, the COVID-19 Pandemic continues with no end in sight. In light of these circumstances, how does the Sumitomo Rubber Group plan to harness your strengths toward accomplishing the Midterm Plan under the New Normal while looking ahead to the coming Post-COVID World?

Offering various types of products under the core concept of "contributing to the creation of safer and more comfortable cities for greater all-around peace of mind," our Industrial Products Business provides value to diverse markets around the world in the form of improved infrastructure, reduced disaster risk and so forth. Meanwhile, during the recent pandemic, our business has continually responded to society's urgent call for revamped supply chains to support frontline healthcare workers and protect public health. Our contribution in these times of need is not only a source of great pride for us but has also given us a renewed appreciation of what our products mean to society. We will continue working to achieve our Midterm Plan while adapting to the New Normal in a way that makes the very diversification of our business into our greatest strength.

How do you hope to go about realizing your group's new Corporate Philosophy Framework: "Our Philosophy?"

Our Industrial Products Business connects the Sumitomo Rubber Group to a wide and diverse array of industries and markets, covering everything from industrial infrastructure to medicine and healthcare and even daily necessities. As such, our business division has a particular duty to pursue "joy and well-being for all" in especially broad terms while continuously working to make these ideals into something tangible.

Our group is now actively promoting DX (Digital Transformation) and other innovations to provide all of our employees with a workplace environment that is more conducive to their work so that they can realize their full potential. Through these efforts, our Industrial Products Division will harness the collective strength of our over 3,000 employees in six different countries throughout the world as we push ahead with purpose-driven business operations that are firmly grounded in "Our Philosophy."



Hirotoishi Murakami
Executive Officer,
Head of the Hybrid
Rubber Products HQ

Rubber Parts for Medical Applications

Exercising thorough quality control, Sumitomo Rubber Industries offers safe, high-quality rubber parts for medical applications.



Rubber Gloves

We offer an extensive lineup of gloves encompassing widely diverse applications, which range from household to institutional use, while focusing on enhancing their environmental friendliness.



Precision Rubber Parts for Office Equipment

Precision rubber parts for office equipment require accuracy on a micrometer scale. With production bases in Japan, China and Vietnam, Sumitomo Rubber Industries meets the needs of a wide variety of customers

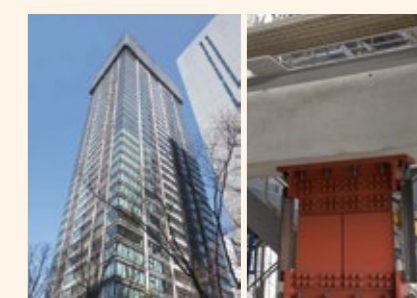


Vibration Control Dampers

Our vibration control dampers made using a special high damping rubber protect such structures as detached housing, office buildings and housing complexes from swaying due to high winds and earthquake tremors. We are accelerating our business expansion into earthquake-prone Taiwan and South Korea with these products.



MIRAIEΣ Vibration Control Units for Detached Housing



Vibration control dampers for buildings

Topics

Raising our monthly production capacity for thin nitrile rubber gloves to 2 million pairs in response to a government request

In response to a government request, we have decided to raise our monthly production capacity for thin nitrile rubber gloves to 2 million pairs and, to this end, expanded our facilities at the Malaysia Factory. With the expanded facilities brought on line in May 2021, we will supply these gloves to such customers as domestic healthcare institutions and food processing facilities.

The Group's glove business is serving markets at home and abroad via the Malaysia Factory, which has just undergone facility augmentation, as well as partner factories in Thailand and elsewhere. Thin nitrile rubber gloves are used for a variety of applications, including healthcare and food processing. In addition, we have donated 97,500 pairs of such gloves to the Japanese government in April 2020 to support healthcare institutions.

Moreover, we have secured robust funds for the aforementioned facility expansion in the form of subsidies granted by the Japanese government under a scheme to promote the diversification of overseas supply chains.

To accommodate future demand, we will continuously strive to secure an even more stable supply structure.

Outline of the Malaysia Factory

Location	: Sungai Petani, Kedah, Malaysia
Production items	: Rubber gloves (household and institutional use) and instant mobility systems
Launch of operations	: 1981
Total capital expenditure	: ¥150 million



Enhancing our lineup of advanced products supporting a comfortable life

With the aim of helping realize a living environment that is friendly to all, we have released "Dun-Slope AiR 2," a portable ramp for wheelchair use. This product offers enhanced user convenience due to its higher durability, superior shock-absorption, and compact size. At the same time, it is lightweight with a mass on par with that of previous models, making it an industry leader.

We also released "NatuAssist for MEN" compression exercise shorts with a built-in pelvic belt designed to support the wearer's trunk. Moreover, we enhanced our lineup of "NatuAssist for WOMEN" by introducing LL to 3L size black, above-knee length versions. As such, we strove to deliver products capable of meeting an even wider range of customer needs.



Dun-Slope AiR 2



NatuAssist

Key Management Resources

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.

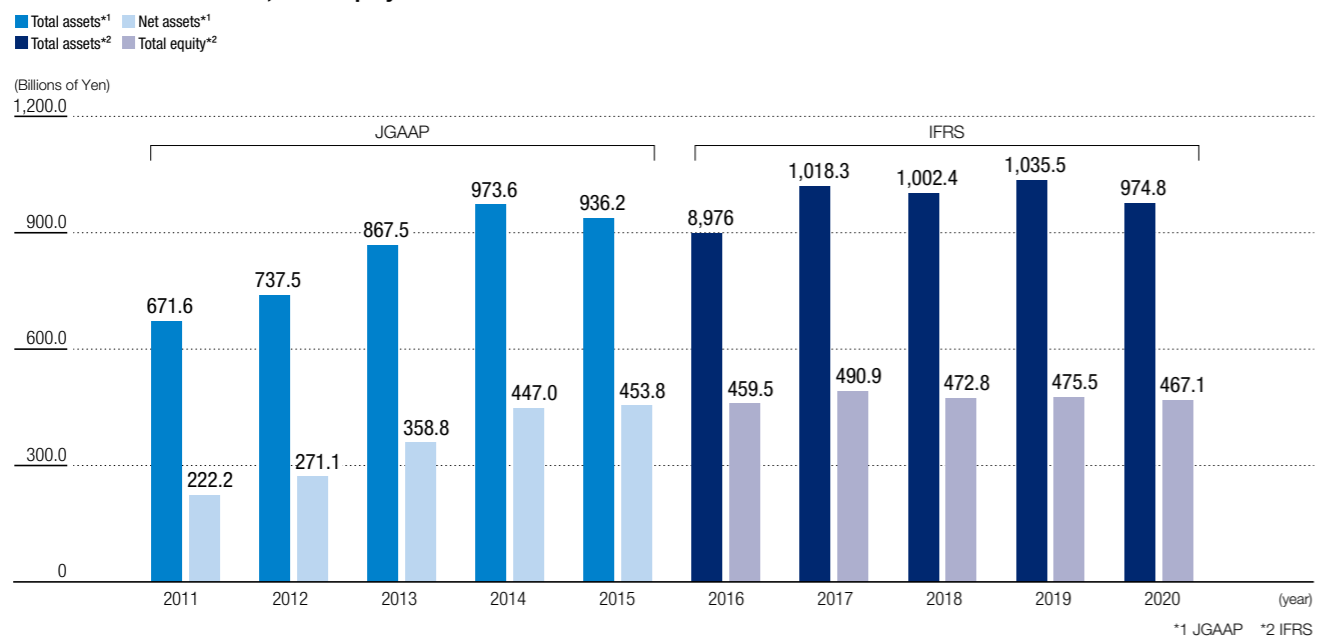
In this section, we provide a brief discussion of our approach to the different types of capital, and their current status.

Financial Capital (financial position)

For the Group, sound financial capital is a key management resource that supports sustainable growth.

Total assets at the end of fiscal 2020 were ¥974.8 billion and total equity was ¥467.1 billion.

Total Assets / Net Assets, Total Equity



Financial Position

Total assets at the end of fiscal 2020 were ¥974.8 billion, a decrease of ¥60.7 billion from the end of the previous fiscal year.

Current assets fell ¥23.4 billion due to declines in inventories, while restraints on investment and a decrease in property, plant and equipment reflecting foreign exchange effects led to a decrease of ¥37.3 billion in non-current assets.

Total liabilities at the end of fiscal 2020 were ¥507.7 billion, a decrease of ¥52.2 billion from the end of the previous fiscal year. Interest-bearing debt came to ¥276.7 billion, falling ¥48.8 billion from the end of the previous fiscal year.

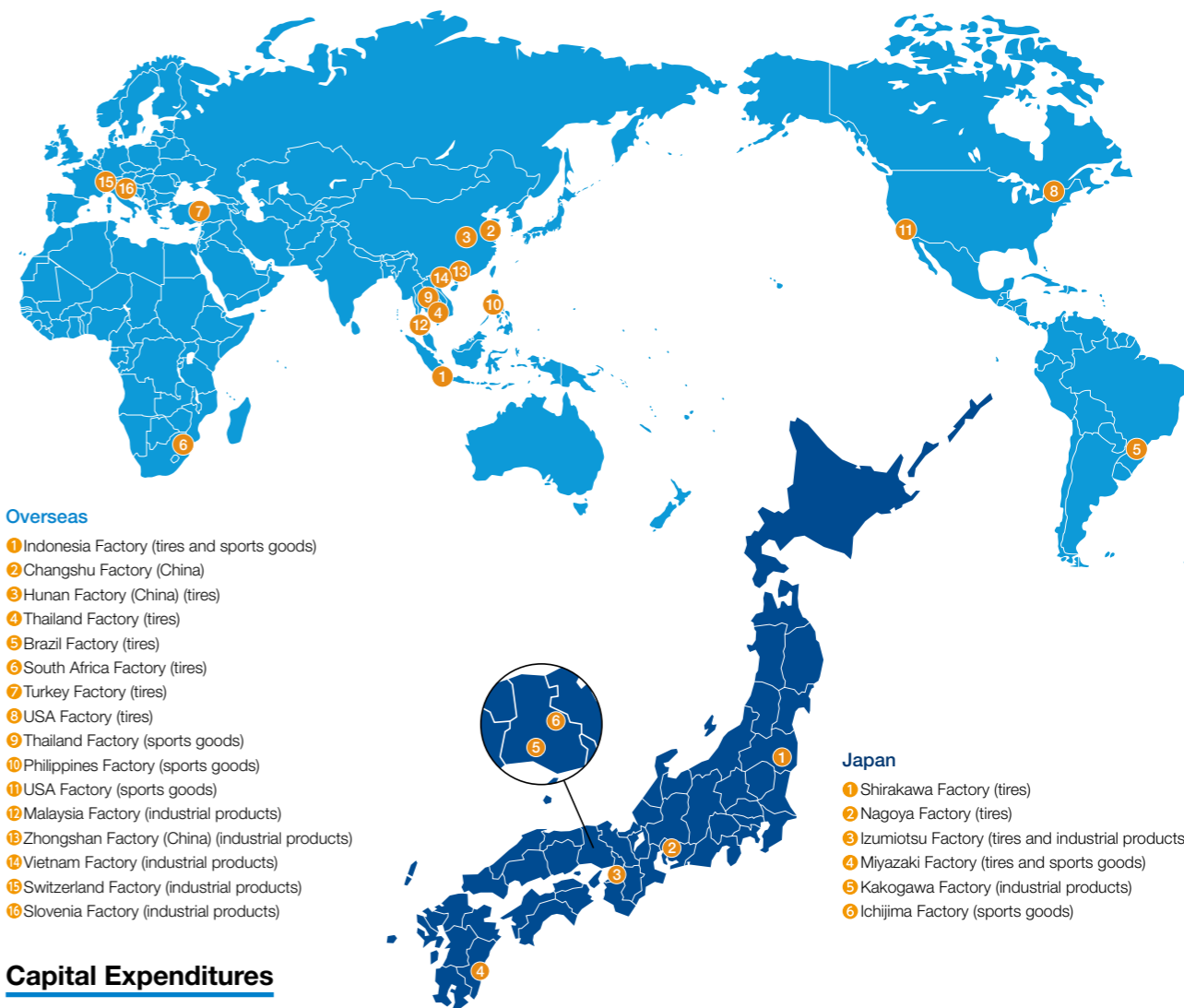
Total equity at the end of fiscal 2020 was ¥467.1 billion, of which total equity attributable to owners of parent was ¥454.7 billion, for a ratio of equity attributable to owners of parent of 46.6%. Equity attributable to owners of parent per share was ¥1,729.05.

Securing Liquidity

Going forward, the Group's policy is to continue its program of capital expenditures for the purpose of increasing production capacity in order to support the expansion of sales, primarily overseas. While increasing sales volumes and improving profitability so as to expand cash flows from operating activities, we will also utilize funding from financial markets and institutions, etc., as required, seeking a balance between growth on the one hand and securing liquidity and improving our financial position on the other. Through these endeavors, we will strive to achieve a D/E Ratio below 0.5 times in line with our Midterm Plan, which was announced on February 13, 2020.

Manufactured Capital (production infrastructure, capital expenditures)

The Group, which is expanding its business globally, possesses six domestic bases and 16 overseas bases in its production network. In fiscal 2020, we implemented a total of ¥41.9 billion in capital expenditures.



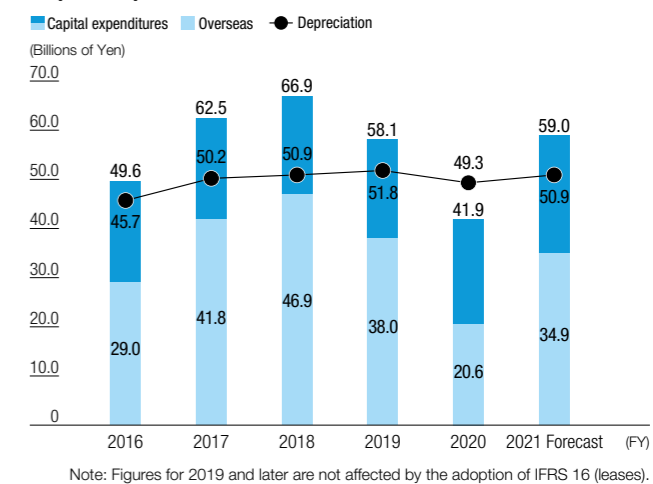
Capital Expenditures

As a rule, the companies of the Group each take into account medium-term demand forecasts, production plans and the ratio of investment to profit, formulating their capital expenditures accordingly. In the case of important plans, the Company takes the central role in coordinating the Group, primarily for the purpose of optimization.

In fiscal 2020, the Group restrained capital investment due to the novel coronavirus (COVID-19) pandemic. Capital expenditure thus amounted to ¥41.9 billion, a decrease of ¥16.2 billion year on year. Depreciation was ¥49.3 billion, a ¥2.5 billion decrease from the previous fiscal year.

For fiscal 2021, plans call for capital expenditure totaling ¥59.0 billion. We will expand investment in overseas factories to boost their production output, reversing the restrained policy exercised in fiscal 2020. At the same time, we will invest in domestic factories to promote a shift to advanced product manufacturing lines. (For more details, please refer to page 18.)

Capital Expenditures



Key Management Resources

Production Infrastructure

Tire Business

Establishing a globally optimized production infrastructure

The development of the Tire Business's global production infrastructure began in 1997 with the Indonesia Factory, and the number of production bases continued to expand steadily with the opening of the Changshu Factory in China in 2004, the Thailand Factory in 2006 and the Hunan Factory in China in 2012. To further strengthen the supply infrastructure, we are currently moving forward with plans to extend the Thailand Factory into one of the largest of its kind in the world. In addition, we are moving steadily ahead with the expansion and enhancement of other production facilities and have launched, for example, production at the Brazil Factory and South Africa Factory in 2013 as well as at the Turkey Factory in 2015 and have acquired a factory in New York state to serve as the Group's U.S. base.

Increasing competitiveness via a global production infrastructure

Taking full advantage of the capacities afforded by our factories around the globe, we will push ahead a shift to a structure in which products are manufactured near their target markets. Simultaneously, we will supplement product supply by charging our Thailand Factory—the world's largest facility of its kind and a source of strength for the Group—to ensure that any underserved demand across the world can be met.

Through these efforts, we will establish relationship of trust with automakers. This will, in turn, help us raise the number of original equipment tires we supply and secure robust sales in the replacement market. In these ways, we solidify our business foundation.

Geographically, our production infrastructure already boasts low-cost manufacturing bases in Japan and elsewhere in Asia. And, in line with changing market needs, we have begun replacing facilities to raise our SUV tire production capacity. Looking ahead, we will continuously strive to maintain stable sales in Japan and China and secure robust sources of profit.

Looking at Europe and Africa, our Turkey Factory, a supply base for the former, is steadily ramping up production. Via this factory, we will fully leverage scale merits to stably increase the volume of products delivered to European automakers while expanding sales of replacement tires. With regard to the South Africa Factory, we will promote productivity improvement as well as a shift to high-value-added products.

In the Americas, we have seen stable sales growth in North America. Recently, we decided to invest in the USA Factory as well as in the Japan and Thailand factories—our export bases—in an effort to raise these facilities' production output. This investment will boost our regional supply capacity for SUV and other tires, with both U.S.A-made and imported products supporting our lineup. In Brazil, we have made progress in securing sufficient local production for local consumption by raising our production capacity in the region. As such, we are striving to develop a stable profit base.

Status of Our Global Production and Sales Bases

● Production bases
● Sales bases

Making progress in maximizing the effect of our network of manufacturing and sales bases encompassing key markets around the globe



Europe and Africa

Factories: Currently increasing production capacities
Sales: Currently increasing the number of original equipment tires supplied to non-Japanese automakers

Japan and elsewhere in Asia

Factories: Promoting the replacement of facilities with those for advanced tires
Sales: A stable business foundation already in place

North America

Factories: Increasing production capacity
Sales: Stably expanding sales

Sports Business

Proving ourselves worthy of the trust of users through superior production technology and the ingenuity of our employees

The Company began the domestic manufacture of golf balls and tennis balls in 1930. Golf balls, such as SRIXON and XXIO, which are the mainstay of the Sports Business, are currently manufactured at the Ichijima Factory (Tamba City, Hyogo Prefecture) and the Indonesia Factory. In addition to the manufacture of golf clubs, manufacturing subsidiary Dunlop Golf Club Corp. (Miyakonojo City, Miyazaki Prefecture) is involved in producing custom clubs to meet the needs of a wide variety of customers.

In tennis, our tennis ball factories in the Philippines and Thailand manufacture balls for the Australian Open and major events on the ATP Tour.

Industrial and Other Products Business

Raising production capacity for the Rubber Parts for Medical Applications Business

In the growing Rubber Parts for Medical Applications Business, since first commencing the production of rubber parts for medical applications at the Izumiotsu Factory in 2000, we have pursued global production infrastructure development through the ongoing expansion of these operations via the launch of the Kakogawa Factory in 2010, the Swiss Factory in 2015 and the Slovenia Factory in 2017.

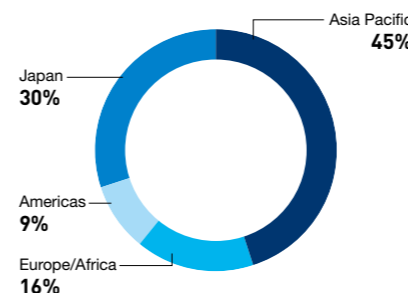
Human Capital (number of employees, fostering human resources, promoting Work Style Reform)

The basic aim of the Group is to respect the human rights of employees, fostering a workplace environment in which every one 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.

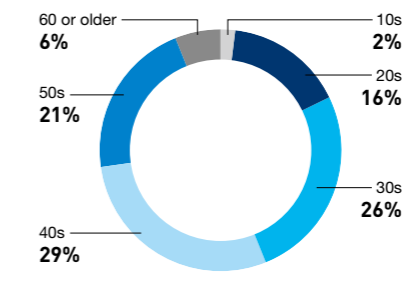
Employees

	2016	2017	2018	2019	2020
Number of consolidated employees	33,792	36,650	37,852	39,233	39,298
Japan	11,677	11,606	11,674	11,837	11,856
Overseas	22,115	25,044	26,178	27,396	27,442
Number of employees (Sumitomo Rubber Industries Ltd. (Non-Consolidated Basis))	6,693	6,666	7,175	7,325	7,371
Average years of service (Sumitomo Rubber Industries Ltd. (Non-Consolidated Basis))	16.5	16.2	15.9	15.7	15.9
Men (years)	16.7	16.4	16.3	16.1	16.2
Women (years)	13.3	13.0	12.6	12.2	12.5
Employee turnover ratio (Sumitomo Rubber Industries Ltd. (Non-Consolidated Basis))	3.5	3.9	3.8	3.2	3.4

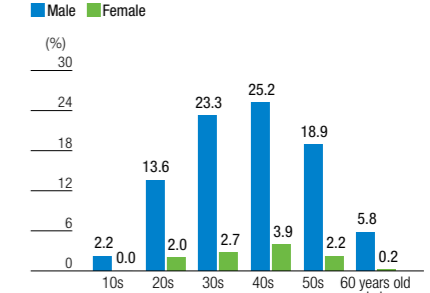
Composition by Region



Composition by Age (Sumitomo Rubber Industries Ltd. (Non-Consolidated Basis))



Composition by Sex (Sumitomo Rubber Industries Ltd. (Non-Consolidated Basis))



Basic Perspective on Human Resource Development

The Group fosters human resources through a combination of three components: OffJT such as group training, etc., OJT at each division, and self-study. We believe that to develop robust human resources, we must start with helping employees be aware of what they need to learn. In particular, we provide young employees with grade-specific career vision training designed to help them envision their desired future and thereby identify the types of skills they need to acquire. This training also involves supplementary programs for those who voluntarily take on further learning. Although the majority of the above training programs were undertaken in the form of online seminars in 2020, we will continue to enhance our training systems in a way that takes full advantage of the features of online, in-person and e-learning.

Regarding the systematic execution of human resource development, we are promoting a variety of training programs to enable employees to improve their skills, with the Human Resources Development Department and the Manufacturing Education Department playing a central role.

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.

Our manufacturing education emphasizes manufacturing technology and craftsmanship in Japan and overseas.

In workplace supervisor training, the focus is on putting what has been learned to practical use. To raise the level of workplace management, we are conducting various activities aimed at establishing a consistent, Group-wide philosophy embraced by all employees across the Group.

Respect for Human Rights

Basic Perspective on Consideration for Human Rights

Our Corporate Code of Conduct states that we "maintain a sound working environment free from discrimination on the basis of belief, creed, religion, race, skin color, nationality, language, social background, gender, sexual orientation, gender identity, age, physical handicap or other reason." Accordingly, we strive to prevent infringement of human rights of any employee.

Furthermore, a handbook on human resource and labor management has been distributed to all those in managerial positions. We also help raise their awareness of relevant topics via training and lecture sessions. In these ways, we are striving to create a working environment that tolerates no human resource violations or harassment and empowers every employee to work energetically.

Key Management Resources

Intellectual Capital (research and development, intellectual property strategies, etc.)

We promote a wide range of research and development in domains or fields related to tires, sports and industrial and other products businesses. The intellectual capital accumulated through such activities becomes the driving force that generates products with competitive advantages, as well as new growth.

The State of Our Intellectual Capital

	2016	2017	2018	2019	2020
R&D Expenses (millions of yen)	24,257	25,720	25,780	26,198	24,215
Ratio of R&D Expenses to Sales Revenue (%)	3.2	3.8	2.9	2.9	3.1
Number of Japanese and Foreign Patents (Number of patents held)	8,761	9,183	9,199	9,156	10,063

R&D Activities

With the Sumitomo Rubber Industries' R&D organization and facilities at the core of our efforts, we promote R&D activities in a wide range of fields related to the tire, sports, industrial and other products businesses in close cooperation with subsidiaries and affiliates around the world.

Guided by the underlying concept of "What tire technology can do for the global environment," the Tire Business focuses its R&D efforts on developing environmentally friendly products by focusing on three areas: "innovative materials," "fuel efficiency," and "resource conservation." The Tire Technical Center, located near the Kobe Head Office, serves as the core facility for these initiatives, which it pursues in collaboration with the Europe and USA Tire Technical Centers.

In line with our particular focus on developing tires boasting superior safety performance as well as capabilities that help reduce

environmental burden, we have been engaged in cutting-edge research initiatives, including an R&D project that has been under way since 2012 in which we perform large-scale simulations using the K computer to create innovative rubber materials.

In the Sports Business, having established R&D sections at both the Sports Business HQ and Roger Cleveland Golf Company, Inc. in the USA, we are developing, evaluating, and testing new technologies and products by employing computer simulations and other technologies.

In the Industrial and Other Products Business, we are actively developing new products aimed at accommodating consumer needs in such fields as vibration control units using high-damping rubber parts for medical applications and precision rubber parts for office equipment.



Topics

Winning an HPCI* Excellent Achievement Award in recognition of large scale molecular dynamics simulations of rubbers for tires

*High Performance Computing Infrastructure

The Company was chosen to receive an HPCI Excellent Achievement Award in recognition of its research effort employing the K computer to perform large scale molecular dynamics simulations of rubbers for tires.

Through this research, we have discovered the mechanism by which the form of cohesion between silica and coupling agents, both acting as rubber additives, affects the strength of the resulting rubber material. These findings, in turn, helped us yield positive results in terms of improvement in abrasion resistance. Looking ahead, we will take advantage of these simulation results in the development of new rubber materials and products.

In addition, as we aim to push ahead with efforts to create tires capable of realizing both a superior safety performance and a lower environmental footprint, we will also employ Fugaku, a supercomputer designed as the successor to the K computer and made available for shared use since 2021, to advance simulation-based tire development.

Joint research involving industry-academia collaboration

The Sumitomo Rubber Groups is engaged in the development of new technologies via participation in industry-academia collaboration involving universities boasting cutting-edge technologies.

Research partners	Key themes of recent research projects
Ibaraki University	Establishment of a method for selectively observing specific materials contained in tire rubber
Gunma University	Development of a system that remotely monitors tire pressure of Level 4 autonomous vehicles
Kansai University	Success in the verification testing of technologies enabling power generation in tires
Tohoku University	Acceleration of X-ray-based CT imaging of tire material (approximately 1,000 times faster than the conventional method) to assess damage status

Intellectual Property Strategies

The Group proactively carries out intellectual property activities that support its businesses.

Specifically, the Group undertakes intellectual property activities focusing on three pillars, namely: 1) "securing intellectual property rights" with regard to such industrial properties as patents, utility models, designs and trademarks; 2) "exercising such rights" against the infringement of Sumitomo Rubber Industries' intellectual properties; and 3) "eliminating risk" by developing a structure to defend against attacks by third parties. In step with the rapid expansion of its overseas operations, the scope of the Group's intellectual property activities is growing worldwide, encompassing not only Japan but also the United States, Europe and such Asian countries as China, as well as Russia and countries in South

America, the Middle East and Africa.

Efforts are now under way to nurture human resources and reinforce our structure to conduct intellectual property activities that go along with such globalization. In particular, the Group is providing training sessions not only for Intellectual Property Department members but also for employees at every operational base with the aim of raising awareness of intellectual property and upgrading the competencies of the entire workforce. Such action is facilitating the development of a structure that ensures intellectual property activities are carried out smoothly and seamlessly on a Group-wide basis. In particular, we are focusing on acquiring more effective rights by assigning IP representatives to Europe.

Focusing on the above-mentioned three pillars, the Group will promote the more efficient implementation of intellectual property activities at a global level.

Social Capital

Building favorable relationships with customers, suppliers, local communities, shareholders, investors, employees and all other stakeholders is essential to enhancing our corporate value. Taking heed of their voices, we will strive to live up to what they expect of us and accommodate their needs, thereby fulfilling our social responsibilities.

The State of Our Social Capital (efforts to promote dialogue with key stakeholders)

	Communication methods	Fiscal 2020 achievements
Customers	<ul style="list-style-type: none"> Customer consultation and service contact Customer response through service and sales departments Providing information via our website and various media channels Exhibitions and events, etc. 	Number of customer consultations (cases) <ul style="list-style-type: none"> Tire Business: 4,644 (inquiries: 4,252; complaints: 392) Sports Business: 7,790 (inquiries: 7,292; complaints: 498) Industrial and Other Products Business: 3,600 (inquiries: 2,466; complaints: 1,134)
Business partners	<ul style="list-style-type: none"> Dialogue through day-to-day business Confirmation visits to procurement partners, and feedback Questionnaires targeting procurement partners Explanatory meetings, etc. 	Number of CSR procurement briefings (held once every three years) :0 Note: In fiscal 2020, CSR procurement briefings had not been held to prevent the risk of COVID-19 infection.
Local communities	<ul style="list-style-type: none"> Participation in local events Cooperation with NGOs and NPOs in social contribution activities Participation in economic and industry organizations Dialogue with local governments, etc. 	Total amount of CSR Fund subsidy: ¥13.14 million Number of participants in the Dunlop Monozukuri Class: 231
Shareholders and investors	<ul style="list-style-type: none"> General meeting of shareholders Timely disclosure of news releases and publications Issuance of financial information, including fact books and shareholder communications Providing information via website and other media Results briefings, etc. 	Number of shareholders: 41,177 (as of December 31, 2020) Number of institutional investors we engaged in dialogue: 9
Employees	<ul style="list-style-type: none"> Providing information through internal newsletters, intranet, etc. Consultation with labor-management councils and employee representatives Compliance consultation service Round-table discussions with president to exchange views with management Integrated Report questionnaire, etc. 	Number of employees (as of December 31, 2020) Sumitomo Rubber Group: 39,298; Sumitomo Rubber Industries: 7,371 (male employees: 6,530, female employees: 841)

Topics

In June 2020, the Izumiotsu Factory concluded a temporary evacuation agreement with Izumiotsu City to provide its premises as shelters in the event of a disaster. Specifically, the factory will open its gymnasium, parking lot and bathing and other facilities to evacuees. An agreement of this kind is at the vanguard of community contribution on a nationwide basis. In September 2020, the factory carried out evacuation drills in the presence of Osaka Prefectural Governor Hirofumi Yoshimura and, in November, executed drills for the installation of a temporary shelter in tandem with city officials and residents of neighboring communities. Also, during the period from May 2020 to March 2021, the factory donated disinfectants to the city which, in turn, distributed them to local elementary and middle schools.

Going forward, we will work hand in hand with members of neighboring communities to ensure that robust countermeasures are in place in preparation for disasters.



Enhancing Our Brand Capabilities

Our brand capabilities constitute one of essential elements supporting growth in corporate value. For us to take full advantage of the Dunlop brand and maximize business outcomes, we need to make collective efforts that rally all kinds of Group resources. With

this in mind, in April 2017 we acquired rights to the global use of trademarks of Dunlop brand sports goods. Furthermore, in January 2018, we executed a business integration with Dunlop Sports Co. Ltd. Going forward, we will strive to create synergies through relevant operations in both the Tire Business and Sports Business, thereby enhancing the value of the Dunlop brand.

Tire Business	Sports Business	Industrial and Other Products Business
<p>A pioneering brand focused on achieving both superior safety and environmental friendliness</p> <p>Since the 1888 commercialization of the world's first pneumatic tire produced by J. B. Dunlop, the Dunlop brand has served as an important component of the history of automobiles and evolved in step with advances in tire technologies. As a pioneering brand, Dunlop is always focused on creating products that are friendly to the global environment and, to this end, employed state-of-the-art simulation technologies in an effort to realize superior driving safety, environmental friendliness and fuel efficiency.</p> <p>A global brand for all those who love driving</p> <p>Founded in 1983, the Falken brand has been producing replacement tires via the application of technologies that it has long nurtured in the course of supporting major motor sports. Guided by an uncompromising commitment to quality, Falken continues to create products designed to deliver a fun of driving. In line with its brand statement "ON THE PULSE," Falken is currently serving an increasingly broad range of market regions, starting from Europe—an area well known for delivering harsh judgments on quality—and extending to the United States, India, China and Australia, thereby securing greater presence as a global brand originated from Japan.</p>	<p>In the Sports Business, the "DUNLOP" brand was the first in Japan to produce golf and tennis balls and has also released innovative products supporting the history of golf and tennis. With "DUNLOP" as a starting point, we have developed the "XXIO," "SRIXON," "Cleveland Golf" and other unique brands, acting as a supplier of sporting gear for a number of top-notch players who compete in major events around the globe. Other aspects of the Sports Business include the wellness business, which includes sports club operations; the sports school business, which oversees golf and tennis schools; and the management of golf courses and tournaments. In these ways, we take an aggressive, multifaceted approach to our operations aimed at supporting sports activities.</p>	<p>Based on our rubber technology, we create a variety of products for industrial use and other applications. Our target markets currently range from industrial infrastructure, medical, and living essential to healthcare fields in line with our efforts meet the ever more diverse needs of society. The potential of our offerings backed by cutting-edge technologies is attracting attention from customers worldwide.</p> <p>Vibration control dampers</p> <p>Flooring materials</p> <p>Athletic facilities</p>

Natural Capital (realization of a low-carbon, recycling-oriented society)

Bounties of the Earth, such as natural rubber, which are an element of natural capital, 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, recycling-oriented society.

Environmental Indicators

Global Network of Production & Sales Bases	2016	2017	2018	2019	2020
CO ₂ emissions (business activities) (kt-CO ₂ e)	1,011	1,036	1,073	1,095	1,018
Waste disposal (kt)	17.4	16.6	22.2	32.3	30.7
Water usage (1,000 m ³)	13,774	14,523	14,373	14,047	13,068
Wastewater (1,000 m ³)	11,438	10,824	10,909	10,969	10,934
Organic solvents used (t)	1,045	1,055	1,573	1,603	1,328
Number of trees planted* (1,000 trees)	71.8	43.5	51.4	38.7	19.2

*Not including the provision of seedlings

Creating a Low-Carbon Society

In response to the problem of climate change, the Group is working to reduce its products' CO₂ emissions over their entire life cycles, from raw material procurement to final disposal.

In addition to taking steps to reduce CO₂ emissions during the use of a tire, which accounts for approximately 85% of its life-cycle CO₂ emissions, in 2018 we began working with raw material suppliers to ascertain and reduce their CO₂ emissions. Also, in terms of reducing CO₂ emitted in the course of business activities (Scopes 1 & 2), we are working on initiatives involving switching fuel types, installing cogeneration systems, promoting general energy-saving activities, and utilizing renewable energy from solar power and other green energy sources.

Building a Recycling-Oriented Society

In response to the problem of waste, we are taking steps to control the amount of waste generated, to convert it to something of value, and to promote recycling. As part of these efforts, since 2010 we have been striving to achieve zero emissions at our major bases both in Japan and overseas by reducing landfill waste to zero and moving to 100% reuse of resources.

To conserve water resources, we are making efforts to reduce water usage and promoting recycling. In 2019, the Turkey Factory achieved a wastewater recycling rate of 100%. Our natural rubber processing factory in Thailand also recycles 100% of its wastewater. Our plans call for extending wastewater recycling to other factories, including those in China.

Greening Initiatives

We are promoting greening initiatives at our sites and the areas surrounding them, both in Japan and overseas. On the subject of promoting biodiversity, the Company is involved in such programs as the "Acorn Project," the goal of which is to conserve genetic biodiversity, and in the creation of biotopes.

Promoting Environmental Footprint Management

In order to reduce emissions of chemical substances, we are implementing measures to cut the release and transfer of chemicals subject to PRTRs, as well as conducting activities to reduce the amount of organic solvent waste produced.

Sustainable Natural Rubber Policy

On November 16, 2018, we announced our "Sustainable Natural Rubber Policy" with the aim of making natural rubber a sustainable resource. In line with this policy, we seek 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 September 2020, we participated in the second General Assembly of the GPSNR* as one of 64 member corporations and organizations. Looking ahead, we will update our Sustainable Natural Rubber Policy to reflect a policy framework approved by this General Assembly.

*Global Platform for Sustainable Natural Rubber

Sustainability Activities Undertaken by the Sumitomo Rubber Group

Our Activity Guidelines (GENKI)

- Green initiative
- Ecological process
- Next-generation product development
- Kindness to employees
- Integrity for stakeholders

Since 1988, the Group has had in place the "GENKI Activities" project (meaning activities that give everybody energy), in which employees take part in volunteer activities as a way to contribute to society.

These activities have become extended and firmly entrenched throughout the Company and the Group. In 2008, GENKI, an acronym for our five categories of activities, was adopted as the guidelines' keyword.

Fiscal 2020 Targets and Results

We are striving to be a corporate group that is trusted by society by fulfilling our corporate social responsibility to help create a better society.

In line with our Activity Guidelines, which categorize our endeavors into “Green,” “Ecology,” “Next,” “Kindness” and “Integrity,” we are proactively promoting sustainability under the banner of “GENKI Activities.”

Items marked with “○” have been verified by third parties (excluding environmental impact indicators.) Details of “Fiscal 2020 Activities and Fiscal 2021 Targets” are available on our website (scheduled to be released at the end of July 2021).

Relevance to SDGs	Activity Guidelines	Plan: Fiscal 2020 Target	GRI Guidelines	Do: Fiscal 2020 Activity Result	Check: Self-assessment*	Action: Fiscal 2021 Target
Green Green initiative 3 6 11 13 14 15	1 Helping to curb global warming through tree planting	<ul style="list-style-type: none"> Promote the Million Trees for Local Forests Project Creation and maintenance of GENKI Forests in Japan 	304-3	<ul style="list-style-type: none"> Planted trees for the Million Trees for Local Forests Project (including mangrove planting) Fiscal 2020: 19,240 trees planted Cumulative total: 1,764,091 trees planted Conducted tree planting/maintenance activities 18 times 	60%	<ul style="list-style-type: none"> Promote the Million Trees for Local Forests Project Promote the creation and maintenance of GENKI Forests in Japan
	2 Fostering better relationships with local communities through tree planting	<ul style="list-style-type: none"> Continue our contributions to, and foster better relationships with, local communities through tree planting, forest creation and the provision of seedlings 	413-1	<ul style="list-style-type: none"> Planted acorn trees and provided seedlings: Fiscal 2020: 4,070 3,966 acorn seedlings given away to communities 	50%	<ul style="list-style-type: none"> Continue our contributions to, and foster better relationships with, local communities through tree planting, forest creation and the provision of seedlings
	3 Preserving biodiversity	<ul style="list-style-type: none"> Continue our protection of 21 endangered species, etc. Successful hatching of <i>Sasakia charonda</i> at the Okayama Tire Proving Ground 	304-3	<ul style="list-style-type: none"> Conducted activities to protect 21 endangered species at eight sites in Japan Initiated forest development at the Okayama Tire Proving Ground Observed the first successful hatching of <i>Sasakia charonda</i> at the Okayama Tire Proving Ground 	100%	<ul style="list-style-type: none"> Continue to protect and raise endangered species Continue with forest development at the Okayama Tire Proving Ground Get the raising of the <i>Sasakia charonda</i> at the Okayama Tire Proving Ground on track
Ecology Ecological process 3 6 7 8 9 11 12 13	4 Creating a low-carbon society	<ul style="list-style-type: none"> Reduce global life-cycle CO₂ emissions per tire by at least 15.0% compared to 2005 levels (Six factories in Japan) ○ Environmental impact indicator of energy usage (crude oil equivalent)*2: ≥ 1.0% reduction from the previous fiscal year 	302-1, 2, 5	12.9% reduction	98%	≥ 16.0% reduction from fiscal 2005
	5 Building a recycling-oriented society	<ul style="list-style-type: none"> (Six factories in Japan) ○ Environmental impact indicator of CO₂ emissions*2: ≥ 1.0% reduction from the previous fiscal year 	302-3	8.3% increase	91%	2.9% reduction from the previous fiscal year
	6 Promoting environmental footprint management	<ul style="list-style-type: none"> (Six factories in Japan) ○ Environmental impact indicator of waste disposal (excluding valueables)*2: ≥ 0.5% reduction from the previous fiscal year 	305-4	18.9% increase	80%	0.4% reduction from the previous fiscal year
	7 Implementing global environmental management	<ul style="list-style-type: none"> (Six factories in Japan) ○ Environmental impact indicator of water usage*3: ≥ 1.0% reduction from the previous fiscal year 	306-2	17.2% increase	82%	8.2% reduction from the previous fiscal year
	8 Developing environmentally friendly products	<ul style="list-style-type: none"> Develop and launch environmentally friendly products 	303-1	11.5% increase	87%	4.8% reduction from the previous fiscal year
	9 Pursuing “safety and comfort,” “economy” and “quality”	<ul style="list-style-type: none"> (Six factories in Japan) NOx, SOx, and dust: ≥ 80% reduction from fiscal 2005 levels 	305-7	86.1% reduction	100%	≥ 80% reduction from fiscal 2005
	10 Fostering human resources and making work rewarding	<ul style="list-style-type: none"> Maintain ISO 14001 Global Multi-Site Certification 	103-2	Maintained	100%	Maintain Global Multi-Site Certification
Next Next-generation product development 3 7 8 9 11 12 13	8 Developing environmentally friendly products	<ul style="list-style-type: none"> Develop and launch environmentally friendly products 	302-5	<ul style="list-style-type: none"> Released “VEURO VE304” tires incorporating Performance Sustaining Technology that helps prolong wet grip performance at the maximum level 	100%	<ul style="list-style-type: none"> Develop and launch environmentally friendly products
	9 Pursuing “safety and comfort,” “economy” and “quality”	<ul style="list-style-type: none"> Commercialize new technologies 	416-1	<ul style="list-style-type: none"> Released “WINTER MAXX 03” tires incorporating Liquid Farnesene Rubber, which helps maintain the elasticity of rubber for a long period of time 	100%	<ul style="list-style-type: none"> Commercialize new technologies
	10 Fostering human resources and making work rewarding	<ul style="list-style-type: none"> Implement multifaceted evaluation and leadership training for all those in managerial or higher positions, including officers; take further steps to cultivate a culture encouraging mutual feedback and create workplaces that enable open-minded exchanges of opinion 	404-2	<ul style="list-style-type: none"> Implemented 360-degree feedback sessions for all those in managerial or higher positions, including the President and other officers, in addition to providing online seminars focused on helping them study in depth the essential qualities of leaders in order to enhance their leadership skills 	100%	<ul style="list-style-type: none"> Expand the scope of individuals undergoing 360-degree feedback sessions to include deputy managers while enhancing the content of leadership seminars via the incorporation of communication skills enhancement programs
	11 Creating a safe, employee-friendly workplace	<ul style="list-style-type: none"> Implement course on unconscious bias for personnel in managerial and higher positions, including officers, and work to eliminate as far as possible the unconscious bias and prejudice that causes obstacles to diversity 	404-2	<ul style="list-style-type: none"> All members of the workforce, from the President to frontline staff, have undergone online seminars on unconscious bias as part of collective efforts to foster a corporate culture that accepts diverse value systems 	100%	<ul style="list-style-type: none"> Periodically host online seminars like those provided in fiscal 2020 while proactively pushing ahead with initiatives to help women and senior employees earn success and to raise employee awareness of the members of LGBTQ+ community
	12 Promoting diversity & inclusion	<ul style="list-style-type: none"> In order to improve workplace safety, continue to conduct evaluations based on safety indicators (KPI), formulate a plan for each base and carry out activities to overcome weaknesses in safety activities 	403-2	<ul style="list-style-type: none"> Identified 12 KPIs and continued to implement priority activities in fiscal 2020 under specific targets; although certain progress has been made in terms of improvement in the area of weakness, targets have yet to be fully met 	80%	<ul style="list-style-type: none"> Continue to pursue KPIs as part of priority activities in fiscal 2021, making ongoing efforts to iron out disparities between bases, departments, and workplaces
Kindness Kindness to employees 3 4 5 8 10	12 Promoting diversity & inclusion	<ul style="list-style-type: none"> In addition to reducing days of mental health and physical sick leave, practice initiatives under the Health & Productivity Management Declaration to improve lifestyle habits, based on the concept of “enjoying exercise to build a healthy body” 	403-2	<ul style="list-style-type: none"> Achieved a 10% reduction in days of mental health and physical sick leave from the fiscal 2019 level; hosted a greater number of walking rally events and otherwise encouraged employees to step up their daily exercise habits on the back of the COVID-19 pandemic and the resulting introduction of remote working; selected as a “White 500” organization exercising superior health management for the fifth consecutive year 	90%	<ul style="list-style-type: none"> Host events aimed at helping employees improve their life style habits, including those associated with exercise, diets, sleeping and alcohol consumption, along with expanding the content of health-related education for women and elderly employees to raise the health awareness of each individual and thereby assist them in their health improvement efforts
	13 Respect for human rights	<ul style="list-style-type: none"> Promote use of childcare leave by male employees Promote use of shortened working hours for childcare by employees Encourage the use of a daycare support system 	401-3	<ul style="list-style-type: none"> Became the first in the rubber industry to be granted the “L-boshi” (third level) certification in recognition of our efforts to help women earn success Ratio of eligible male employees who took childcare leave: 5.4%; ratio of eligible female employees who took childcare leave: 100% Number of employees who use the daycare support system: 22 	100%	<ul style="list-style-type: none"> Facilitate employee understanding of and encourage the use of various support systems via the distribution of guidebooks describing measures in place to help strike a work-life balance and the announcement from supervisors
	14 Promoting social contribution activities	<ul style="list-style-type: none"> Support work styles that leverage the diversity of individuals 	405-1	<ul style="list-style-type: none"> Worked to foster a corporate culture that empowers individuals with diverse backgrounds, such as women, foreign nationals, and people with disabilities, through the D&I project 	100%	<ul style="list-style-type: none"> Carry out various measures aligned with attributes of underrepresented employee groups to create a desired corporate culture; in particular, push ahead with initiatives to help women earn success and otherwise assist in their career development efforts via, for example, the introduction of a mentoring system, in addition to offering programs designed to help them balance between childrearing and work
Integrity Integrity for stakeholders 3 4 5 6 8 9 10 11 12 13 14 15 16	15 Enhancing corporate governance	<ul style="list-style-type: none"> Hold training on human rights 	412-2	<ul style="list-style-type: none"> Held training on human rights 	100%	<ul style="list-style-type: none"> Hold training on human rights
	16 Ensuring thorough compliance	<ul style="list-style-type: none"> Promote joining the CSR Fund Work together with NPOs (continue and expand activities) 	102-44	<ul style="list-style-type: none"> Rate of joining the CSR Fund: approximately 47% Number of CSR Fund beneficiaries: 54, with a total of ¥13.14 million donated Monozukuri Class for elementary school students: Held four times in four locations, with the number of attendees totaling 231 Environmental Class: Held four times in three locations, with the number of attendees totaling 63 	80%	<ul style="list-style-type: none"> Promote joining the CSR Fund Work together with NPOs (continue and expand activities)
	17 Promoting dialogue with stakeholders	<ul style="list-style-type: none"> Further increase the effectiveness of corporate governance Continue to set out and expand the content of BCPs, and to implement training Implement measures to counter updated major risks 	102-18	<ul style="list-style-type: none"> Revised approval authority rules, implemented measures to enhance the effectiveness of the Board of Directors, continued to distribute questionnaires aimed at evaluating its effectiveness and reduced strategic shareholdings, etc. Upgraded the content of BCPs in light of our response to the COVID-19 pandemic Continued to take measures to mitigate major Group-wide risks 	100%	<ul style="list-style-type: none"> Continue to implement measures to enhance the effectiveness of the Board of Directors Continue to set out and expand the content of BCPs and to implement training Reanalyze risks to update the profile of major Group-wide risks
	18 Supply Chain Management	<ul style="list-style-type: none"> Enhance legal audits for overseas group companies 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, etc. 	102-16	<ul style="list-style-type: none"> Implemented compliance activities at Group companies, including those operating overseas Hosted various training sessions at Group companies, including those operating overseas, with particular focus on the prevention of bribery, compliance with competition-related laws, the prohibition of wrongful conduct and avoidance of legal risks 	56%	<ul style="list-style-type: none"> Promote the Group’s compliance and risk management Audit: Focus particularly on carrying out legal audits at overseas subsidiaries 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
	19 Promoting dialogue with stakeholders	<ul style="list-style-type: none"> Promote dialogue with a range of stakeholders 	102-44	<ul style="list-style-type: none"> Conducted stakeholder dialogues at each operation base 	100%	<ul style="list-style-type: none"> Promote dialogue with a range of stakeholders

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

$$\left(1 - \frac{\text{target value}}{\text{actual value/target value}} \times 100\%\right)$$

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

Environmental: Our Environmental Initiatives



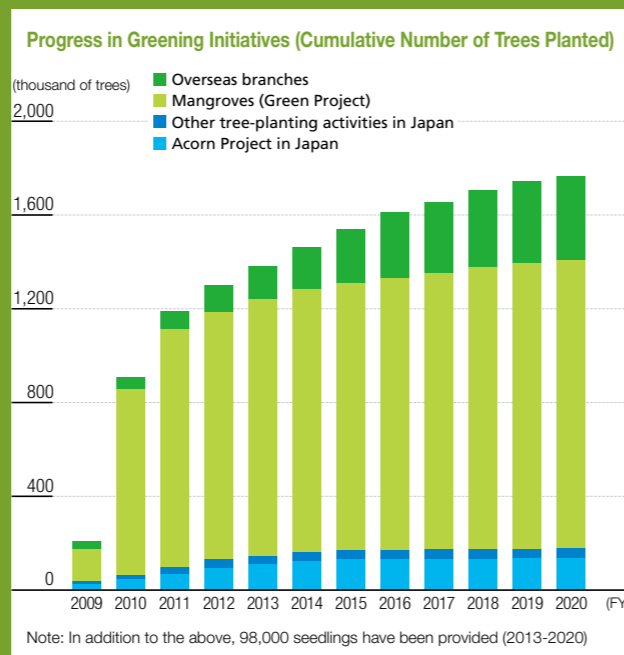
Green

Green initiative

Management Approach

Forests absorb CO₂, which contributes to global warming, and are an important component of the social infrastructure that preserves biodiversity. Based on the concept that preserving this infrastructure is one of our corporate social responsibilities, we promote "Green (Green initiative)" through ongoing tree planting activities in and around our operation bases within Japan and overseas.

In fiscal 2009, we began tree-planting activities at our facilities in Japan and overseas. As of the end of 2020, we had planted a cumulative total of 1,760,000 trees. We will continue to plant trees while participating in forest maintenance.



Forestation Activities to Help Curb Global Warming

"Sumitomo Rubber GENKI Forest," a Green Initiative in Japan

In addition to the grounds of our facilities, we engage in forestation activities in the surrounding area and at the 11 locations (23 ha) in Japan designated as "Sumitomo Rubber GENKI Forest."

When planting trees, one has to be aware of the negative effect non-native species can have on local ecosystem. As such, we plant only seedlings grown from acorn seeds that employees and their families gather in the target area. Our continued efforts are aimed at increasing the amount of greenery around us while protecting biodiversity.

Although our activities in fiscal 2020 were somewhat restricted due to the need to prevent the risk of COVID-19 infection, 938 trees were planted in "Sumitomo Rubber GENKI Forest" in said fiscal year.

Maintenance work after tree planting is also important for forestation. Accordingly, we constantly carry out such tasks as cutting back weeds, removing vines, removing unnecessary trees, pruning and thinning.



Volunteers who worked to maintain "GENKI Forest" in the Kanemidake mountain near the Miyazaki Factory

Greening Initiatives Overseas

We are promoting greening initiatives at overseas factories and sales companies. In fiscal 2020, due to the need to prevent COVID-19 infection, these Group entities faced restrictions on their activities as did our Japanese bases. However, a total of 902 trees have been planted and 2,105 seedlings provided.

In addition, 15,000 trees were planted in Indonesia through the "Team ENASAVE Green Project," wherein mangrove seedlings are planted using some of the proceeds from sales of the fuel-efficient "ENASAVE" tire series. Furthermore, 2,400 trees were planted through the "1 Pair for 1 Love activities," in which some of the proceeds from the sales of rubber gloves are allocated to the DUNLOP Home Products Forest on the island of Borneo, Malaysia, in order to protect the orangutan, an endangered species.



DUNLOP Home Products Forest

Connecting with Local Communities via Forestation Activities

Collaborative Activities with Local Residents in "Sumitomo Rubber GENKI Forest"

The objectives of forestation activities include the prevention of global warming by absorption of CO₂, landslide prevention, and biodiversity preservation. We also consider communicating with local communities through satoyama (working forests that are maintained and managed by humans) conservation activities, another important objective.

To align our forestation activities with the circumstances unique to each local community, we promote activities in which employees, former employees, families, friends, local residents and regional organizations participate. In 2020, we provided a total of 5,031 seedlings to green initiative organizations and the people of neighboring communities.



A Shirakawa Factory employee giving a seedling to a community resident

Protecting Culture and Nature—Team ENASAVE Future Project

In September 2013, the Sumitomo Rubber Group launched the Team ENASAVE Future Project in cooperation with the National Federation of UNESCO Associations in Japan (NFUAJ). This project aims to ensure that Japan's beautiful cultural and natural heritages are passed down to future generations for the next 100 years. As part of this project, we engage in environmental protection activities in tandem with people from communities across the nation.

Having started with one location in 2013, we have expanded the number of locations where these annual activities are held from eight in 2014 to 10 in 2019. The locations are scattered throughout Japan and take place with the help of employees, their families, and local associations as well as volunteers from the public. In 2020, however, our activities were canceled due to the COVID-19 pandemic.

Initiatives to Preserve Biodiversity

The Group is involved in conservation activities in relation to endangered, near threatened, and rare species (five species of animal and 16 species of plant) at all eight of its sites in Japan, consisting of six factories, the Head Office and the Tire Proving Ground.

In terms of contributing to the immediate neighborhood, activities include transplanting "Fujibakama" (*Eupatorium japonicum*) cultivated in the grounds of our factory to river beds, as well as providing this plant to neighboring cities. We also provide kindergarten children with the opportunity to observe *Sasakia charonda*, which is designated as a national butterfly. In 2020, this butterfly successfully emerged on the premises of the Okayama Tire Proving Ground. Also in 2020, we began working on the preservation of *Lilium japonicum*.



On the premises of the Okayama Tire Proving Ground, a *Sasakia charonda* (Nymphalidae family) butterfly, which is designated by Okayama Prefecture as a species requiring particular interest, emerges successfully for the first time



Echinops setifer (Asteraceae family), an endangered species designated by Miyazaki Prefecture cultivated on the premises of the Miyazaki Factory
Chionographis japonica (Melanthiaceae family) cultivated on the premises of the Nagoya Factory is a rare species
Lefua echigonia (Cobitidae family), a class I endangered species designated by Hyogo Prefecture, lives on the premises of the Ichijima Factory

Topics

Participating in a biodiversity symposium—helping rediscover the natural beauty of the Rokko mountain range environment

Celebrating the 80th anniversary of the commencement of its construction, in 2021 Kobe Municipal Arboretum hosted a symposium in tandem with Kobe City, with the aim of communicating the natural beauty of the environment of Mount Rokko. The symposium was held from January 29 to March 31, 2021, and due to the COVID-19 pandemic, it was made accessible to the public only via the internet.

Having participated in the event in the category of biodiversity-related presentations focused on Mount Rokko, we exhibited materials showcasing green initiatives undertaken by the Sumitomo Rubber Group. This event provided us with a good opportunity to let a broad range of the general public know about our locally-rooted green initiatives that exemplify the variety of activities that can contribute to a sustainable society, energize neighboring communities, and protect the global environment.





Ecology

Ecological process

Management Approach

As a global company responsible for the environment, we will fulfill our social responsibility through all areas of our activities in order to achieve sustainable development of society wherein human prosperity and the environment co-exist harmoniously.

Sumitomo Rubber Industries was certified in March 2009 as an "Eco-First company" under the "Eco-First Program" established by the Ministry of the Environment and renewed its "Eco-First Commitments" in October 2017.

<p>1 Creating a Low-Carbon Society</p> <ul style="list-style-type: none"> Reduce LCCO₂* emissions per tire by the fiscal year 2022 <p>Fiscal 2022: ≥14% reduction over fiscal 2005</p>	<p>Fiscal 2020</p> <p>Reduced by 12.9% (compared to fiscal 2005 levels; per tire) <small>*Life-cycle CO₂</small></p>
<p>2 Building a Recycling-Oriented Society</p> <ul style="list-style-type: none"> Maintain our "Complete Zero landfill waste" policy at major production bases in Japan and overseas until 2020 Establish a technology for 100% recycling of wastewater at a model factory by 2020 	<p>Since fiscal 2010 Continued achievement for 11 years</p> <p>Fiscal 2019 Establishing water-recycling technology at the Turkey Factory</p>
<p>3 Promoting Harmonious Coexistence with Nature</p> <ul style="list-style-type: none"> Acorn Project Conducts activities at least 20 times a year Take action to protect biodiversity 	<p>Fiscal 2020 Conducted tree planting activities 18 times</p> <p>Fiscal 2020 Conserving 21 species</p>

Implementing Global Environmental Management

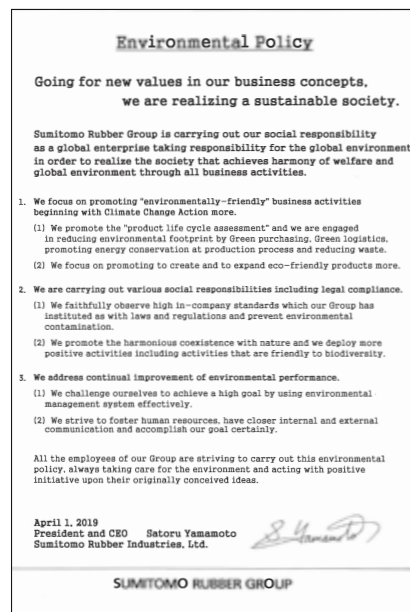
Environmental preservation is one of the most important responsibilities that companies must fulfill within a global society.

There are strong demands that global companies implement uniform environmental management throughout the world regardless of country or region.

As it accelerates its global expansion, the Sumitomo Rubber Group is focusing ever more energy on promoting global environmental management.

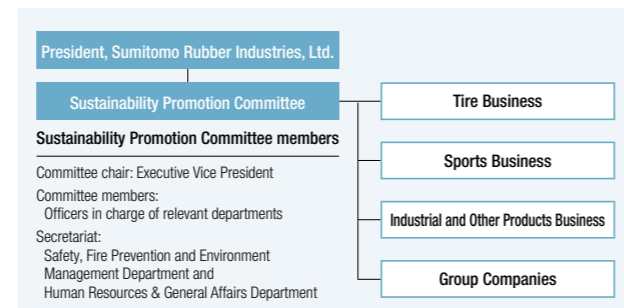
Our Basic Policy on Environmental Preservation (fundamental philosophy)

The Sumitomo Rubber Group established its Environmental Policy in July 2007 and revised said policy in April 2019, putting it into practice via environmental initiatives.



Global Environmental Management System

Environmental Management System



In order to strengthen global environmental management, the Global Environmental Management Central Committee, which is composed primarily of responsible parties at bases in Japan and overseas and individuals responsible for issue-specific working groups, meets twice a year.

In 2020, the committee met in February and July. At these meetings, there were reports by representatives from domestic and overseas manufacturing factories on a wide range of activities, including actual results and improvements in various indicators such as CO₂ emissions, energy savings, waste disposal and water usage, as well as efforts to improve the environment (odors, etc.) and contribution to society. Also, the Hybrid Rubber Products Division reported on its environmental initiatives, while CSR-related departments reported on their efforts to contribute to the United Nations Sustainable Development Goals (SDGs) via the promotion of ESG-oriented management. Thus, attendees at both meetings engaged in active discussion on these matters.

In 2021, the committee was renamed the Sustainability Promotion Committee to indicate a shift to stronger focus on ESG-oriented management. The committee will engage in the follow-up monitoring of initiatives aimed at addressing priority issues associated with contributions to SDGs. The committee will also facilitate the in-house sharing of relevant information while submitting reports and recommendations to the Board of Directors.



The Global Environmental Management Central Committee meeting held in 2020

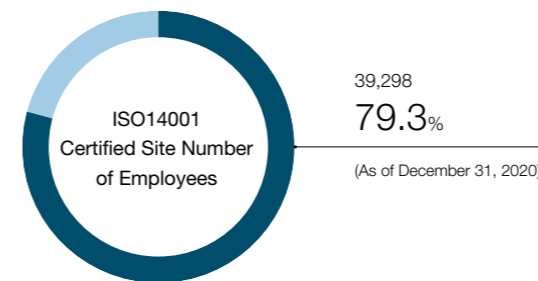
ISO 14001 Global Multi-Site Certification

To implement global management in all of its corporate activities including the creation of a low-carbon society, in December 2010, the Group obtained ISO 14001 Global Multi-Site Certification for its 30 bases in Japan and overseas. This enabled us to carry out unified environmental management at major production and development bases in Japan and overseas.

At the end of 2020, the number of employees working at ISO 14001 Certified Sites as a percentage of total employees was 79.3%, and the ratio of Certified Sites was 94.7%.

In fiscal 2020, the Slovenia Factory obtained ISO 14001 certification on a stand-alone basis. Looking ahead, we will continue to work on activities aimed at adding the Switzerland Factory, which has already been certified on a stand-alone basis, and the above Slovenia Factory, to the Global Multi-Site Certification, and on new certification for the Philippines Factory.

Coverage Rate of ISO 14001 Certified Sites (Percentage of employees)



Initiatives to Address Climate Change

We recognize that addressing risks and opportunities arising from climate change is an important management issue. In line with this recognition, we aim to appropriately implement mitigation and adaptation measures and, to this end, have established the Sustainability Promotion Division in addition to launching the Sustainability Promotion Committee chaired by the President and tasked with comprehensively overseeing relevant initiatives carried out by all departments. As part of these efforts, preparations are now under way to publicly announce our support of the TCFD*1 recommendations and clarify our commitment to STB.*2

*1 Task Force on Climate-related Financial Disclosures

*2 Science Based Targets

Creating a Low-Carbon Society

Items marked with "⊙" have been verified by third parties. The environmental impact indicator was not verified by third parties. The figures shown in the graphs differ from the verified figures as different coefficients were used.

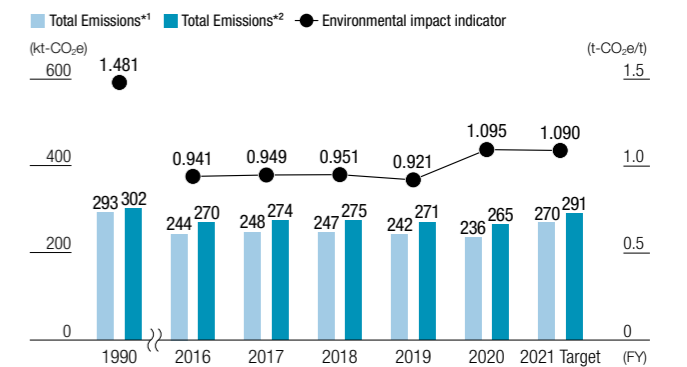
CO₂ Emissions Reduction Activities in Production Bases

In fiscal 2020, we had to temporarily suspend operations at some factories due to the COVID-19 pandemic. Although we were thus unable to sufficiently implement energy-saving activities, we strove to launch new energy-saving measures by putting into practice insights offered by consultants in fiscal 2019. As a result, CO₂ emissions from production activities at the Group's factories in Japan decreased by 6 kt-CO₂ to 265 kt-CO₂ from the previous fiscal year.

However, the environmental impact indicator of CO₂ emissions showed an 18.9% increase from the previous fiscal year.

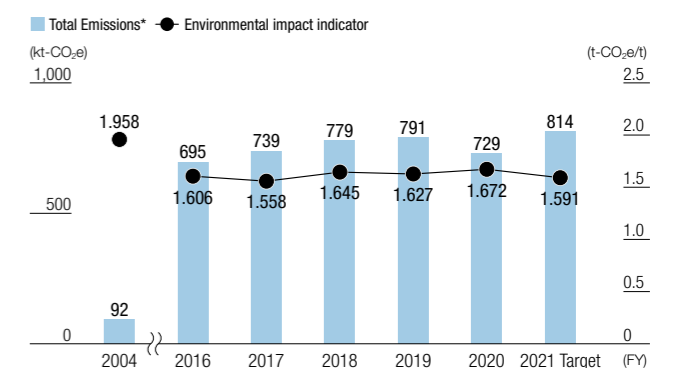
In fiscal 2021, the Company will work on the predictive maintenance of facilities and on reducing CO₂ through such initiatives as deploying AI and IoT platforms to search for, extract, and analyze factors that affect energy savings.

CO₂ Emissions (Factories in Japan) ⊙



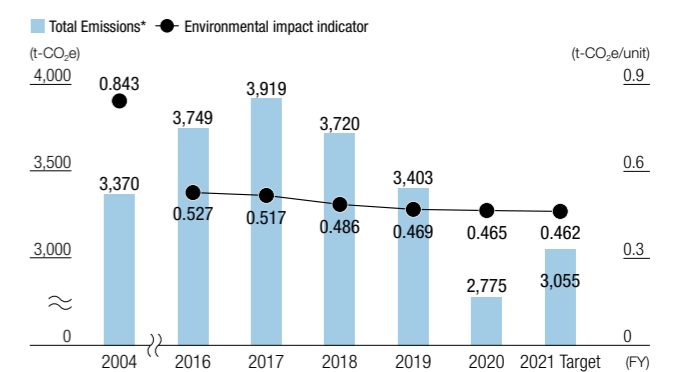
*1 Total emissions are calculated using the cogeneration credits based on the "Guide for Calculating Greenhouse Gas Emissions," published by the Japan Rubber Manufacturers Association (used to calculate the environmental impact indicator). CO₂ emission factors for electricity consumption, published by electricity companies in 2004, are applied.
*2 Total emissions without considering cogeneration credits.

CO₂ Emissions (Overseas Factories) ⊙



* CO₂ emission factors for electricity consumption are based on a WRI/WBCSD GHG Protocol Initiative Calculation Tool (2004).

CO₂ Emissions (Factories Operated by Domestic Group Companies) ⊙



* Total emissions are calculated using cogeneration credits based on the "Guide for Calculating Greenhouse Gas Emissions," published by the Japan Rubber Manufacturers Association. CO₂ emission factors for electricity consumption, published by electricity companies in 2004, are applied.

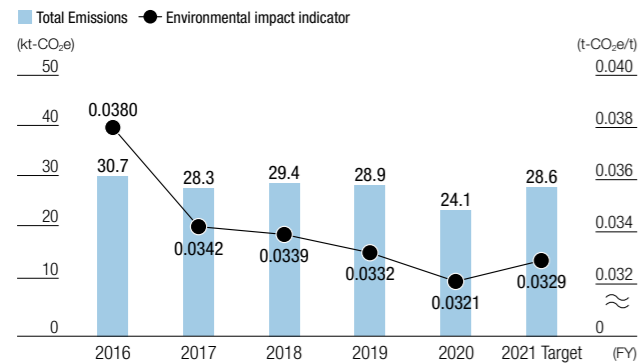
CO₂ Emissions Reduction in Logistics

In fiscal 2020, we worked to increase the modal shift rate by raising the precision of demand forecasts and ensuring scheduled shipments for marine and train transportation.

CO₂ emissions from transporting tires fell 16.6% compared to the previous fiscal year, to 24.1 kt-CO₂, and the environmental impact indicator fell 3.3%.

In fiscal 2021, we will work on optimizing the location of our production sites and reducing the number of products transported from one warehouse to another.

CO₂ Emissions in Logistics (Domestic)



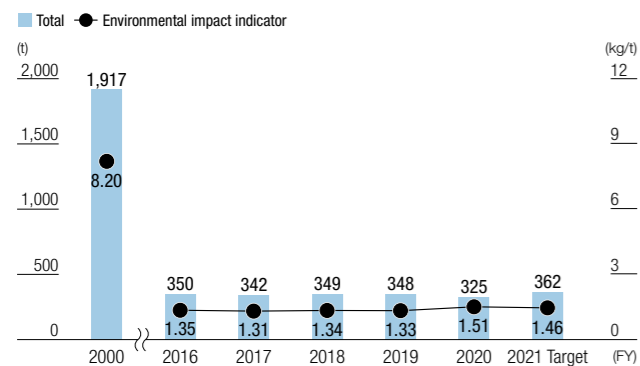
Promoting Environmental Footprint Management

Efforts to Reduce Organic Solvents Use

The Group has been making voluntary efforts to reduce emissions of VOCs (volatile organic compounds). In fiscal 2020, there was a decrease in the total amount of VOCs emitted due to a significant cut in production volume. On the other hand, the environmental impact indicator deteriorated substantially.

In fiscal 2021, we will strive to achieve further reduction in the quantities of VOCs used while implementing measures to curb the evaporation of these substances.

Total Amount of VOCs Emitted (Factories in Japan)



Building a Recycling-Oriented Society

Items marked with "⊙" have been verified by third parties. The environmental impact indicator was not verified by third parties. The figures shown in the graphs differ from the verified figures as different coefficients were used.

Continue to Achieve Complete Zero Landfill Waste

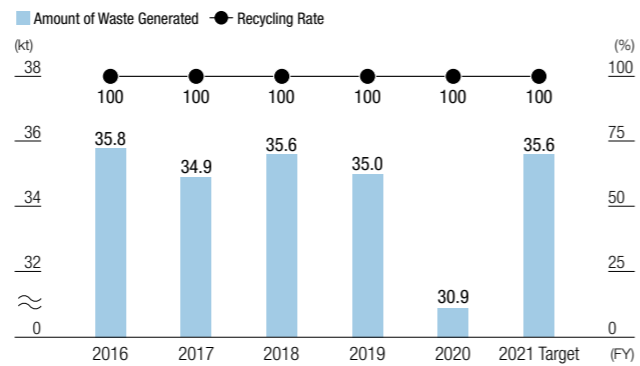
The Sumitomo Rubber Group is promoting the 3Rs (reduce, reuse, and recycle) of waste management in order to build a recycling-oriented society.

In fiscal 2020, we achieved complete zero landfill waste for the 11th consecutive year at our major production bases both in Japan and overseas.

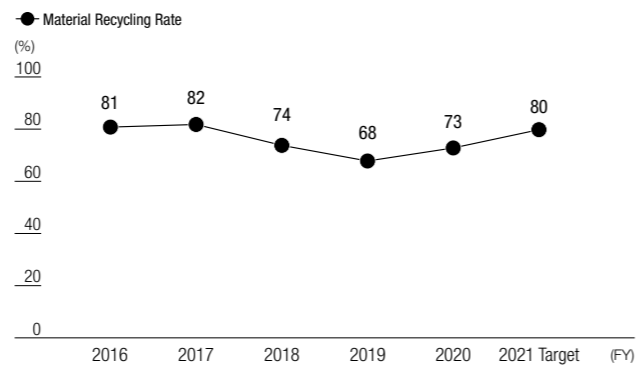
Complete zero landfill waste is defined as the complete diversion of landfill waste, meaning a 100% recycling rate and no waste sent directly to landfills.

In fiscal 2021, the aim of our efforts is to proceed with our mission to achieve zero emissions.

Amount of Waste Generated and Recycling Rate (Factories in Japan)



Material Recycling Rate (Factories in Japan)

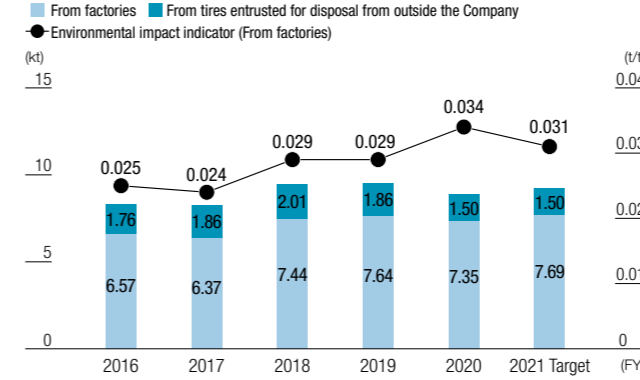


Reducing Waste Disposal*

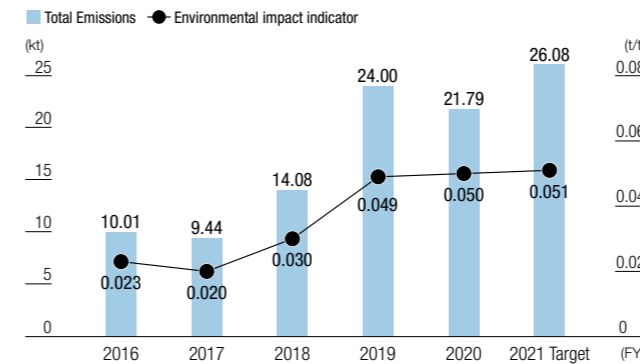
In fiscal 2020, the Group made efforts to curb waste disposal, for example by reducing metal scrap. However, the environmental impact indicator deteriorated, reflecting the cut in production volume.

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

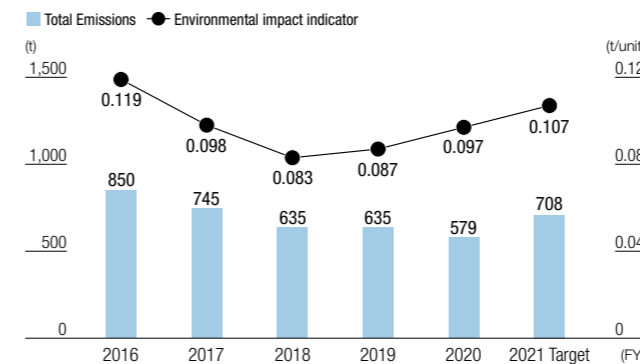
Waste Disposal (Excluding Valuables) (Factories in Japan) ⊙



Waste Disposal (Excluding Valuables) (Overseas Factories)



Waste Disposal (Excluding Valuables) (Factories Operated by Domestic Group Companies)



Water Usage Reduction

With the aim of dealing with the global shortage of water resources, as a measure to reduce water usage, the Group aims to achieve a wastewater recycling rate of 100% at all 26 factories around the world by fiscal 2050. The Turkey Factory is one of those within the Group with a higher level of water stress, and has been working on trial operations to establish water-recycling technology since 2018. In the summer of 2019, it achieved 100% recycling for factory wastewater by using concentrated water from the recycling facilities to water trees on the site of the factory and to flush toilets. In accordance with the Midterm Plan, the Group is aiming to establish water-recycling technology for 100% of the wastewater from a second factory in 2021, namely the Changshu Factory in China, which also has a high level of water stress. Partial

recycling of wastewater has also been implemented at the Thailand Factory and the Kakogawa Factory, while the Brazil Factory and the South Africa Factory initiated the recycling of factory wastewater. Furthermore, the Indonesia Factory is moving ahead with the use of rainwater to reduce external water usage.

In 2020, total water usage at all of the Sumitomo Rubber Group's factories was reduced by about 8.5% year on year. We will push forward with water usage optimization in production processes at each base and measures that utilize the results of assessments based on the WRI* Aqueduct Water Risk Atlas on an ongoing basis.



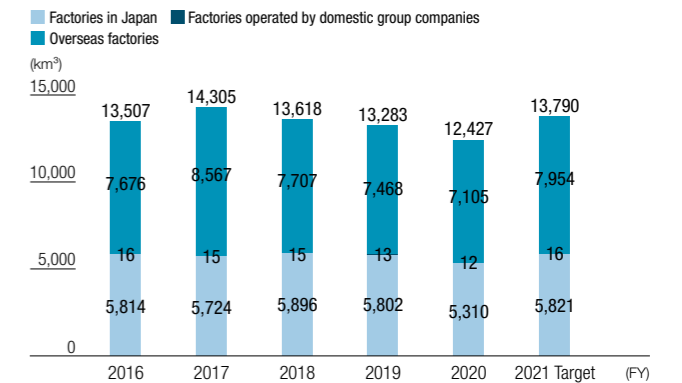
Wastewater recycling facilities (Brazil Factory)

100% recycling of factory wastewater

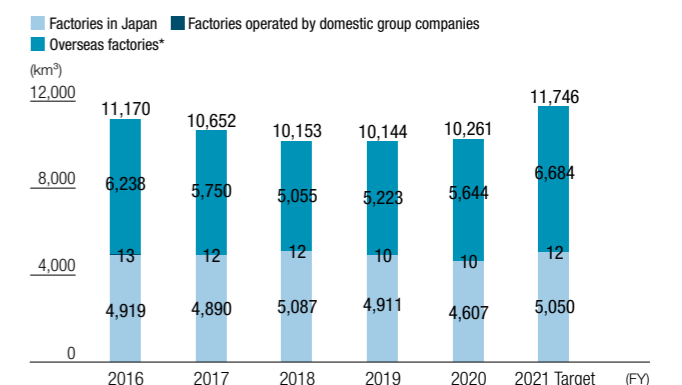
- Thailand Factory Natural Rubber Processing
- Turkey Factory

* World Resources Institute

Water Usage (Factories in Japan ⊙, Factories Operated by Domestic Group Companies, Overseas Factories)



Wastewater (Factories in Japan ⊙, Factories Operated by Domestic Group Companies, Overseas Factories)



* Figures include estimates based on water usage at some factories



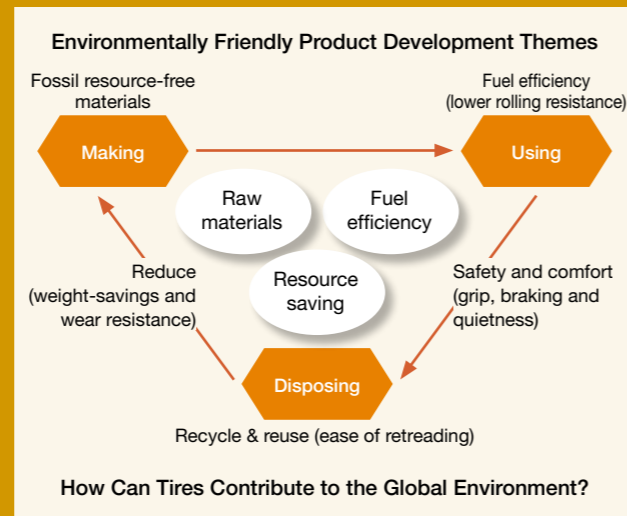
Next

Next-generation product development

Management Approach

Underpinning the activities of the Sumitomo Rubber Group is the question “How can tires contribute to the global environment?” To this end, the Group is developing environmentally friendly products with a focus on three areas—fuel efficiency, raw materials and resource saving.

While the environment surrounding the automobile industry faces drastic changes, the Group is pushing forward with the development of environmentally friendly products based on its “ENASAVE technology,” which delivers “even higher environmental performance.”



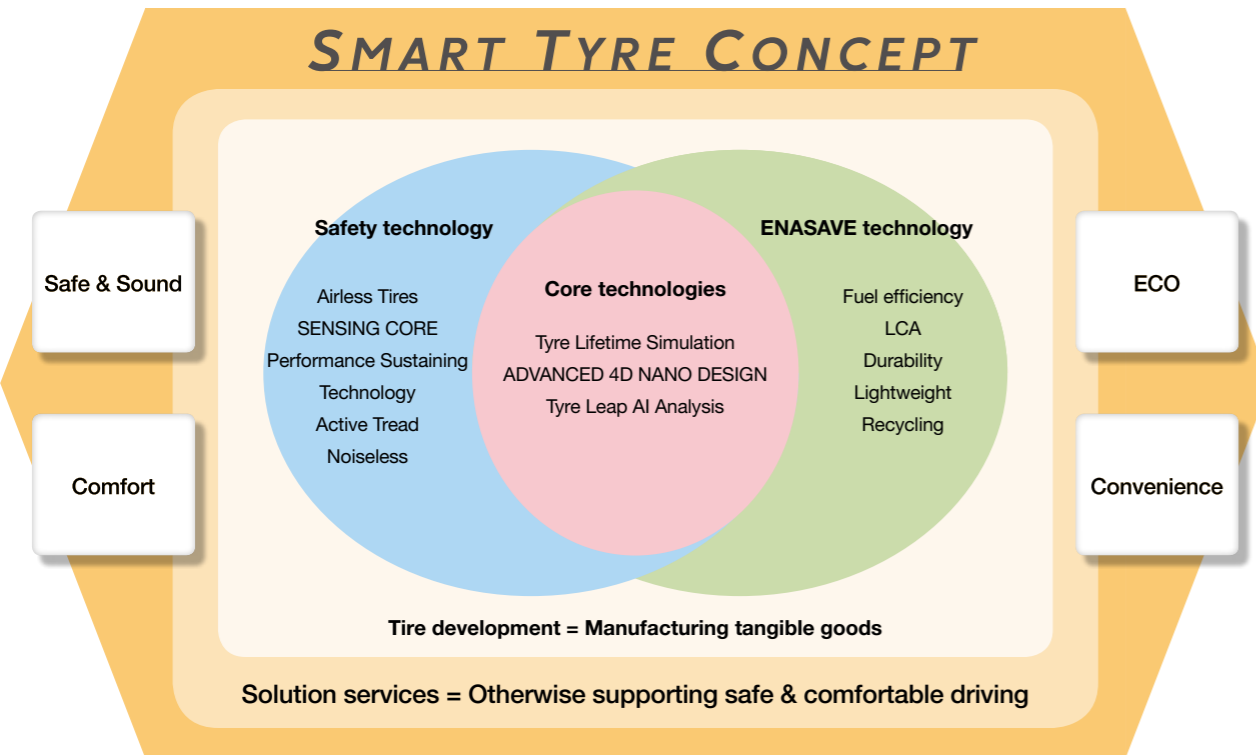
Pursuing “Safety and Comfort,” “Economy” and “Quality”

SMART TYRE CONCEPT

Reflecting the ongoing advance of the Mobility as a Service (MaaS) industrial trend, tire manufacturers are confronting changes in tire performance requirements as the shift from car ownership to car sharing and pooling progresses. In response, Sumitomo Rubber

Industries is striving to advance its SMART TYRE CONCEPT, which guides its efforts to create tires with ever better safety performance and environmental friendliness, as well as to develop peripheral services with an eye to meeting the needs of future generations.

SMART TYRE CONCEPT



Developing Environmentally Friendly Products

Based on the SMART TYRE CONCEPT, our Performance Sustaining Technology has been incorporated into the “VEURO VE304” premium comfort tire. This concept also led to the release of the flagship “ENASAVE NEXT III” fuel-efficient tire. The release of these tires helped us step up our sales expansion efforts.

Both of these tires also incorporate a hydrogenated polymer that helps prevent a decline in wet grip performance while contributing to superior wear resistance.

The release of the “VEURO VE304” was achieved via the establishment of a technology that makes it possible to incorporate this polymer into products designed for large volume sales. We therefore consider the “VEURO VE304” a testament to our remarkable technological advancements.

The “ENASAVE NEXT III,” on the other hand, incorporates

cellulose nanofiber, thereby achieving driving comfort and steering stability. This product is the first in the world to incorporate cellulose nanofiber, a biomass material boasting environmental friendliness. From the viewpoint of sustainability, we believe that our success in utilizing biomass as a tire material is a matter of great significance.

We have received robust customer reviews for these products.

In addition, the “VEURO VE304” was named a Grand Prix winner under the DAILY AUTOMOTIVE NEWS Car Parts Awards 2020 program, while the “ENASAVE NEXT III” was chosen to receive multiple awards under the Eco-Pro Award program, the Super Parts Manufacturer Award program, and the Energy Conservation Grand Prize program. As such, our products are similarly lauded by external organizations.

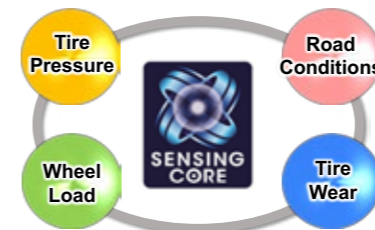
Incorporating a hydrogenated polymer

- Prevent a decline in wet grip performance over time
- Boast superior wear resistance

The first in the world to incorporate cellulose nanofiber (“ENASAVE NEXT III”)

- Simultaneously realize driving comfort and steering stability

SENSING CORE

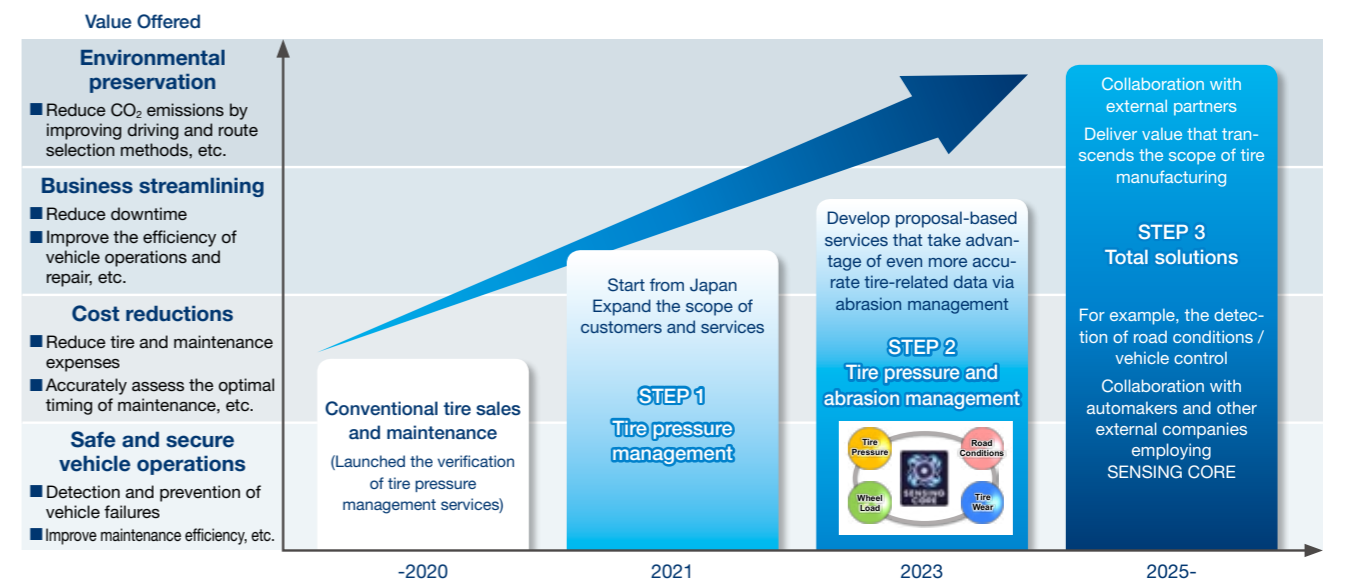


This technology is distinctively unique as it allows the tire itself to serve as a sensor and thereby eliminates the need for the additional installation of other sensing devices as well as eliminating a great deal of maintenance.

As a testament to our SENSING CORE-based offerings, this tire pressure sensing technology has been installed in a cumulative total of 40 million vehicles, garnering a solid reputation.

Recently, we advanced SENSING CORE by establishing a technology for detecting the extent of tire abrasion. In addition to existing technologies for detecting tire pressure, tire load and road conditions, we will leverage this new technology for detecting tire abrasion, with the aim of making further contribution to CASE, MaaS and other technological trends supporting the future advancement of a mobility society.

One of our proprietary technologies, SENSING CORE is used for detecting tire pressure, tire load, and road conditions via the use of sensors installed in tires. While this technology helps drivers assess tire conditions on a real-time basis, it can also be used to improve vehicle control and other aspects of automobile operations.



Social: Our Social Initiatives



Kindness

Kindness to employees

Management Approach

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

With the President himself leading the way, the Company is working on Work Style Reform and on activities to maintain or improve the health of employees, which it is putting into practice as a strategic priority.



Initiatives to Prevent the Spread of COVID-19

In the wake of the COVID-19 outbreak, which impacted regions around the world, we put the utmost priority on ensuring the safety of Group employees and their families. In addition to ensuring this priority, we focused on maintaining operations and, to this end, took every possible measure to minimize the pandemic's effect on our operating results.

In February 2020, we established a risk control headquarters and promoted the above endeavors while facilitating information sharing on a global basis.

In the course of our business operations, we have not only striven to ensure employee safety but also done our utmost to secure customer safety. Along with promoting remote working, we have thus shifted to online and other alternative sales activities to prevent COVID-19 infection. Also, in April 2020 we donated 97,500 pairs of nitrile rubber gloves, one of our products, to the Japanese government to support healthcare institutions. Moreover, in July 2020, in response to a government request we have decided to raise our annual production capacity for nitrile rubber gloves to 2 million pairs and, to this end, expanded our facilities at the Malaysia Factory. In

February 2020	We launched our risk control headquarters, which is spearheading discussion on our response to the pandemic while gathering information on a global basis. From mid-February onward, we cancelled various events set to be held thereafter.
March 2020	We began recommending employees at domestic business sites to work at home to mitigate the risk of COVID-19 infection. For those working at overseas business sites, we issued similar recommendations in response to requests from local governments.
April 2020	Due to the enforcement of a state of emergency declaration in Japan, as general rule, all domestic employees were asked to work at home. We also donated nitrile rubber gloves to the Japanese government to support healthcare institutions. As part of health-oriented management, we launched web-based healthcare sessions in which industrial physicians, health nurses and counselors could engage with employees.
May 2020	Even after the lifting of a state of emergency declaration, we kept our focus on ensuring employee health and maintaining an employee-friendly working environment and, to this end continued to encourage remote working to curb the number of employees commuting to our offices. We have similarly encouraged those operating in overseas business sites to work at home in a manner consistent with region-specific conditions.

May 2021, we brought the expanded facilities on line.

In Japan, we have maintained a policy of encouraging remote working, keeping it up even after the lifting of a state of emergency declaration and thereby curbing the number of employees at work in our offices. Through these and other measures, we are continuously implementing countermeasures against COVID-19 infection in light of country-specific circumstances.

Currently, our mode of operations is changing significantly in step with the aforementioned shift to remote working. Leveraging this shift as an opportunity, we will verify the effectiveness of remote working as part of our pursuit of optimal work styles that enable us to improve productivity in a way that ensures employee health and is employee friendly.

Promoting Health & Productivity Management

In line with the "Health & Productivity Management Declaration" established in February 2018, the Company has worked in cooperation with the Health Insurance Association to promote health and productivity management measures that are centered on the Health Management Office but that include the participation of all employees. As a result of establishing Health Management Regulations codifying the rules for various health checks and levels of risk and its efforts to steadily cycle through the PDCA system, in March 2020 for the first time the Company was one of 40 companies selected for inclusion in the "2020 Health & Productivity Stock Selection" organized by the Ministry of Economy, Trade and Industry in conjunction with the Tokyo Stock Exchange, which recognizes companies that take a strategic management approach to the health management of their employees. In 2021 the Company has also been certified under the "2021 Certified Health and Productivity Management Organization Recognition Program—White 500" for the fifth consecutive year.

* We were certified as one of the 40 companies in the "2020 Health & Productivity Stock Selection Program," in which companies that make strategic efforts to consider employee management from a managerial perspective are jointly selected and announced (in principle, one company is selected from each industry) by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.



Work Style-Related Certifications and Awards Granted under Municipal Programs

Two of our factories were chosen by prefectural governments under their programs and named, respectively, as an employee-friendly workplace and an excellent organization in terms of helping employees achieve an optimal work-life balance.

Miyazaki Factory	Hinata no Kiwami employee-friendly workplace certification granted by Miyazaki Prefecture
Shirakawa Factory	Fukushima Work-Life Balance Grand Award granted by Fukushima Prefecture

Fostering Human Resources and Making Work Rewarding

Strengthening the Organizational Framework

At the end of 2019, we conducted a Group-wide organizational framework survey by submitting questionnaires to every Group employee. Based on survey results, in 2020 we conducted activities to enhance our organizational framework. Specifically, we implemented the following four policies: "An environment that encourages employees to take on challenges," "An open-minded workplace without boundaries between departments or ranks," "An environment that empowers everyone to exercise leadership," and "Highly productive operations connected to Companywide strategies." While confirming the outcomes of these activities via simple questionnaires on a quarterly basis, we are continuously engaged in efforts to achieve organizational transformation.

Human Resources Development

In order for the Company to become a truly global player, the human resources who support this effort must also be able to act as truly global players. To this end, human resource development initiatives being undertaken since 2020 to strengthen employee leadership include executive coaching programs for the President and other members of top management and 360-degree feedback sessions for those in managerial or higher positions. Furthermore, to support those who spearhead transformation, we have launched boost programs that take a cross-hierarchy approach and encompass a range of employees from managers to frontline workers, with the aim of establishing a unified understanding of how to process tasks and other operational issues.

Expanding the Work System That Supports Diverse, Flexible Workstyles

In addition to promoting reductions in the amount of after-hours work performed by employees and greater use of paid leave, we are moving forward with the introduction of diverse workstyles that take into consideration childcare and nursing care in order to add variety to work and support efforts to balance work and family.

The result of these and other efforts has been that 100% of female employees who have given birth have taken childcare leave. In addition, 14 male employees took childcare leave in 2020, an increase of five people year on year.

In fiscal 2009 we became the first company in the tire industry to be certified for the "Kurumin" mark based on the Act on Advancement of Measures to Support Raising Next-Generation Children and have since continued to support childcare. In 2019, the Minister of Health, Labour and Welfare awarded the Company "L-boshi (second level)" certification, which is given only to businesses that have superior arrangements for encouraging the active participation of women. Moreover, we were granted "L-boshi" (third level) certification in November 2020. We have also expanded support for nursing care through efforts ranging from launching an external nursing care consultation desk to periodically hosting nursing care seminars addressing a variety of timely topics.

Promoting Diversity

Promoting Work Style Reform and Diversity

We communicate our approach to promoting work style reform and diversity to people within and outside the Group via messages from top management. As part of our pursuit of diversity & inclusion, we will strive to foster a corporate culture in which diverse individuals are empowered to work energetically in an atmosphere of mutual respect. Through digital transformation, we also help employees discover the spare time they need to take on tasks aimed at delivering higher added value. With these two key initiatives, we will pursue happiness for all Group employees while improving our corporate value.

Also, since 2019 we made helping raise employee awareness of unconscious bias, which could constitute a barrier against diversity & inclusion, a priority. In line with this, in 2020 we held mandatory corporate ethics lectures for all managers that encouraged them to reflect on their own unconscious biases, join grade-specific discussion sessions to share their takeaways with peers, and acquire deeper insights into this subject. Furthermore, we have distributed a transcript of a dialogue between President Yamamoto and a lecturer specializing in unconscious bias. By letting employees know that the man at the top is also committed to addressing his own biases, we have drawn their attention to the importance of this issue.

In addition, we have been holding grade-specific seminars on this subject and, for 2021, we will continuously strive to help all employees, regardless of their ranks, properly understand the matter.

Respecting Diversity

In order to promote Work Style Reform and diversity, in February 2019, we launched a new project within the Human Resources & General Affairs Department and Human Resources Development Department. By nurturing a corporate culture in which people from diverse backgrounds can thrive, we will generate innovations that save time through advances in operational efficiency, linking this to the satisfaction of all employees and enhanced corporate value.

For example, we eased dress restrictions in offices as part of our ongoing initiatives since 2019 to create a workplace culture that encourages free expression and independent thinking as well as the individuality of employees. We also incorporated a location-free workplace platform to vitalize employee communication.

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

In the course of promoting more active roles for women, the Company has set a target of raising the ratio of women in management positions to 7% by the end of 2025, redefining its conventional diversity target in 2021. In order to achieve the goal of respecting diversity, we are moving forward with efforts to expand the work-life balance systems so that employees who have experienced various life events can play active roles and to raise the percentage of people who take paid leave to promote reforms for a well-balanced work style.

The number of users of the "daycare support system" under which a daycare subsidy is granted to employees who leave a child under two years of age at a daycare facility, has been increasing since its introduction in 2015 as a measure to support an earlier return to work from maternity leave and/or childcare leave. The system is contributing to female employees' career development.

Usage of the "temporary leave to accompany spouse overseas system," whereby employees can take temporary leave to accompany their spouses when they are relocated overseas, is also progressing, and we are seeing a rising number of registrations in our "JOB Return System," which applies in cases where marriage or a change in the spouse's work location makes the resignation of an employee unavoidable.

For fiscal 2021, our plans call for establishing a working group that takes a cross-departmental approach to determining how to promote women's career success and incorporating the insights the group offers to improve various human resource management measures.



Integrity

Integrity for stakeholders

Management Approach

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.



providing information and participating in an exchange of opinions with a broader scope.

The Company will continue making full use of input from our shareholders and investors in enhancing its management and corporate value.

Sound Labor-Management Relations

The Company and the Sumitomo Rubber Labor Union (which had 5,532 general members as of December 31, 2020, 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 2020, this study group was responsible for such initiatives as the upward revision of the overtime premium rate applied to those who work during consecutive holidays that have otherwise been designated as non-business days for the general workforce in addition to the relaxation of conditions regarding applications for a paid-leave rights preservation system designed to support employee livelihood.

In fiscal 2021, we will continue our efforts to promote workstyle reforms, and move ahead with various activities, with labor and management continuing to work in cooperation with each other.



A central labor-management meeting held in December 2020

Building Relationships with Customers

With the aim of raising driver awareness regarding the need of periodic tire checkups, for 13 years since 2018 we have sponsored DUNLOP Nationwide Tire Safety Inspections. The latest round of this campaign was conducted in October 2020 at the Company's directly managed stores (Tire Select and Tire Land stores) in regions across Japan.

As a result, one out of every four vehicles that had undergone inspections was found to have issues attributable to insufficient tire maintenance, such as shallower tire grooves, a typical cause of slipping on a wet road. These inspections are thus helping to prevent accidents induced by bad tires.

As we strive to meet customer expectations, we will continue to call public attention to the importance of tire inspections, thereby contributing to the creation of a safer mobility society.



Becoming the First in the Rubber Product Industry to Sign a Positive Impact Finance Loan Agreement Thanks to Our Efforts to Contribute to SDGs

In May 2020, we signed a Positive Impact Finance Loan Agreement with Sumitomo Mitsui Trust Bank, Limited, becoming the first business in the rubber product industry to be entitled to financing of this kind. This is testament to the solid reputation we have earned regarding our efforts to contribute to the realization of SDGs.

The Positive Impact Finance scheme involves the comprehensive analysis and assessment of environmental, social, and economic impacts, both positive and negative, attributable to business activities undertaken by applicants. Loans are thus furnished to provide ongoing assistance, without specifying usage of funds, to those whose activities are positively evaluated.

With the signing of this agreement as a springboard, the Sumitomo Rubber Group will place even stronger emphasis on efforts aimed at contributing to SDGs in line with its ongoing policy of achieving medium- to long-term improvement in corporate value.

Contributing to Regional Communities

In 2020, the latest rounds of the Dunlop *Monozukuri* Class and the Dunlop Environmental Class were held in Hyogo Prefecture. We have regularly held both events since launching the former in 2009 in conjunction with the centennial of the Company's founding, and the latter in the subsequent year. Acting in collaboration with an NPO, we are thus offering programs designed to help children experience the fun of manufacturing and familiarize them with environmental problems.

Striving to fulfill our corporate social responsibilities, we will contribute to the communities in which we operate as well as society as a whole. In these ways, we create new value that fosters the sustainable development of society, thereby becoming a company deserving the solid trust of community members and worthy of their support.



Children attending a Dunlop Environmental Class

Promoting Social Contribution Activities: CSR Fund

In fiscal 2009, the Company established the "Sumitomo Rubber Industries CSR Fund" to provide financial support for various activities aimed at solving global environmental and social problems, activities primarily being carried out by NPOs in regions where we have bases. This is supported by a matching gift program in which we appeal for donations from among likeminded employees and donate an amount equivalent to that collected.

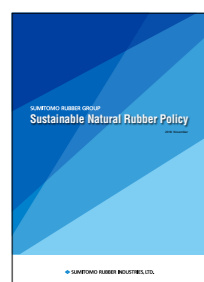
In fiscal 2020, the Fund donated a total of ¥13.14 million to 54 organizations consisting of 18 environmental advocates, three disaster aid groups, and 33 community builders. Recently, the number of employees coming forth to support this initiative has been increasing as their social contribution awareness grows stronger. Reflecting this, this Fund achieved record highs for the third consecutive year since 2018 in terms of the number of recipients and total donation amount.

In fiscal 2021, a total of ¥14.10 million will be donated to 57 organizations.

Supply Chain Management

Promoting Initiatives That Comply with the "Sustainable Natural Rubber Policy"

The Group has established its own "Sustainable Natural Rubber Policy" with the aim of making natural rubber a sustainable resource for the future that it announced in November 2018. In line with this policy, we are committed to promoting more proactive, collaborative efforts that involve both supply chains and various other stakeholders, with the objective of achieving a society in which natural rubber is a sustainable resource.



Establishing a Natural Rubber Procurement Subsidiary in Singapore

Aiming to ensure the sustainable procurement of high-quality natural rubber, we established SUMITOMO RUBBER SINGAPORE PTE. LTD. in Singapore, which boasts the world's largest market for natural rubber, and initiated its operations in April 2020. Today, businesses engaged in the procurement of natural rubber are increasingly being called upon to give due consideration to human rights and environmental concerns. In response to this call, Sumitomo Rubber Industries is also serving as a proactive participant in GPSNR,* an international platform founded in October 2018.

* Global Platform for Sustainable Natural Rubber consisting mainly of tire makers, natural rubber suppliers, automakers and NGOs.

Engaging in CSR Procurement along with Suppliers

In light of the growing importance of CSR procurement, every three years we distribute CSR questionnaires that target suppliers and an ever expanding range of business partners.

In addition, we hold lectures for employees that focus on ESG issues and United Nations Sustainable Development Goals (SDGs), with the aim of helping raise employee awareness regarding compliance, human rights, labor, environmental and other issues.

Ensuring Thorough Compliance

We drive home to our employees the importance of avoiding all wrongful conduct through our "Corporate Code of Conduct," which includes rules that prohibit them from engaging in monopolistic practices; unfair competition or business dealings; or bribery. Employees are also required to sever any relations with anti-social forces.

Going forward, we will continue efforts aimed at improving compliance awareness on a Group-wide basis.

Promoting Dialogue with Stakeholders

Communication with Shareholders and Investors

The Company discloses various types of data, including business performance records, in the Investor Relations section of our corporate website and holds briefings for analysts and institutional investors at such times as the disclosure of earnings reports, as part of our communications (IR activities) with shareholders and investors.

The Company engages in constant communication (shareholder relations (SR) activities) with institutional investors for deeper mutual understanding and trust. In 2020, we held a total of nine SR sessions, a number of which were held remotely. Through such direct dialogue, the Company aims to enhance its corporate value by

Governance

Directors, Audit & Supervisory Board Members and Executive Officers (as of March 26, 2021)

Directors and Audit & Supervisory Board Members



Ikuji Ikeda
Chairman of the Board



Naofumi Harada
Director (Senior Executive Officer)



Satoru Yamamoto
Representative Director, President and CEO (President)



Hidekazu Nishiguchi
Director (Senior Executive Officer)



Kazuo Kinameri
Representative Director (Vice President)



Keizo Kosaka
Outside Director*



Yasutaka Ii
Director (Managing Executive Officer)



Kenji Murakami
Outside Director*



Hiroki Ishida
Director (Senior Executive Officer)



Nobuyuki Kobayashi
Outside Director*



Yutaka Kuroda
Director (Senior Executive Officer)



Mari Sonoda
Outside Director*



Hiroaki Tanaka
Standing Audit & Supervisory Board Member



Takashi Kono
Standing Audit & Supervisory Board Member



Morihiro Murata
Outside Audit & Supervisory Board Member*



Asli M. Colpan
Outside Audit & Supervisory Board Member*



Hirofumi Yasuhara
Outside Audit & Supervisory Board Member*

Executive Officers

Senior Executive Officers

Takanori Aoi Masatsugu Nishino
Kiyoshige Muraoka Naoki Okawa
Tomohiko Masuta

Executive Officers

Toshihiko Komatsu Atsuhiko Tanaka
Eiichi Masuda Fumikazu Yamashita
Kenji Saito Yasuo Watanabe
Hirotohi Murakami Takuzo Iwata
Richard Smallwood Hiroshi Matsui
Hideaki Kawamatsu Yasuaki Kuniyasu
Akio Onishi Jiro Kawase
Naofumi Yanetani Hiroshi Hamada

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 rights of shareholders and helps them exercise such rights

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

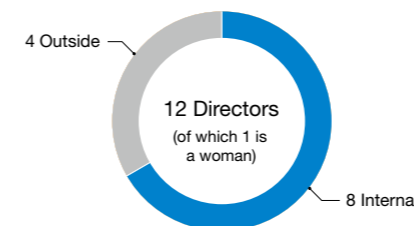
④ Work to enhance the content of discussions undertaken by the Board of Directors regarding management policies, medium- to long-term business planning and other matters related to the general direction of the Company by establishing the Management Meeting, which is tasked with deliberating a large proportion 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 System Overview (as of March 26, 2021)

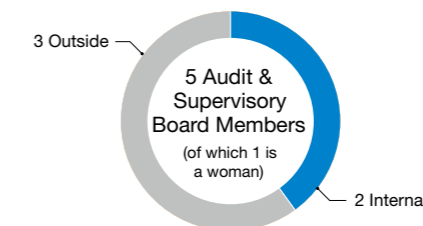
Form of organization Company with an Audit & Supervisory Board (established Nomination and Remuneration Committee, voluntary body)

Directors



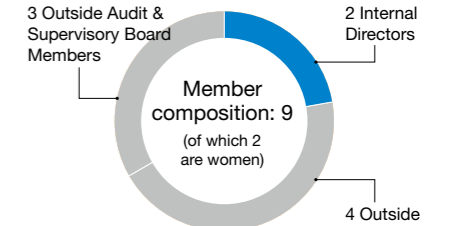
- Number of members stipulated in the Articles of Incorporation: 15
- Term of office: 1 year
- Chairperson of the Board of Directors: Chairman of the Board

Audit & Supervisory Board Members



- Number of members stipulated in the Articles of Incorporation: 5
- Term of office: 4 years

Nomination and Remuneration Committee Members



- Nomination and Remuneration Committee chair: Outside Director
- Term of office: 1 year

Skill Matrix of Directors and Audit & Supervisory Board Members

Name	Current position at the Company*	Primary business experience, specialty, etc.							
		Manufacturing and Technology	Sales and marketing	Finance and accounting	Legal affairs	International business	IT and digital	Corporate management	Expertise in other business sectors
Ikuji Ikeda	Chairman of the Board	●				●		●	
Satoru Yamamoto	Representative Director, President and CEO (President)		●			●		●	
Kazuo Kinameri	Representative Director (Vice President)		●			●		●	
Yasutaka Ii	Director (Managing Executive Officer)		●			●		●	
Hiroki Ishida	Director (Senior Executive Officer)			●		●		●	
Yutaka Kuroda	Director (Senior Executive Officer)	●				●		●	
Naofumi Harada	Director (Senior Executive Officer)	●				●		●	
Hidekazu Nishiguchi	Director (Senior Executive Officer)		●			●	●	●	
Keizo Kosaka	Outside Director				●			●	●
Kenji Murakami	Outside Director		●					●	●
Nobuyuki Kobayashi	Outside Director			●				●	●
Mari Sonoda	Outside Director			●	●				●
Hiroaki Tanaka	Standing Audit & Supervisory Board Member	●	●	●				●	
Takashi Kono	Standing Audit & Supervisory Board Member			●			●	●	
Morihiro Murata	Outside Audit & Supervisory Board Member			●	●			●	●
Asli M. Colpan	Outside Audit & Supervisory Board Member			●		●		●	●
Hirofumi Yasuhara	Outside Audit & Supervisory Board Member			●		●		●	●

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.

Note: The position in parentheses is the position held as an Executive Officer of the Company.
* Registered as independent officers in accordance with regulations stipulated by the Tokyo Stock Exchange



Reasons for Adopting the Current Corporate Governance Structure

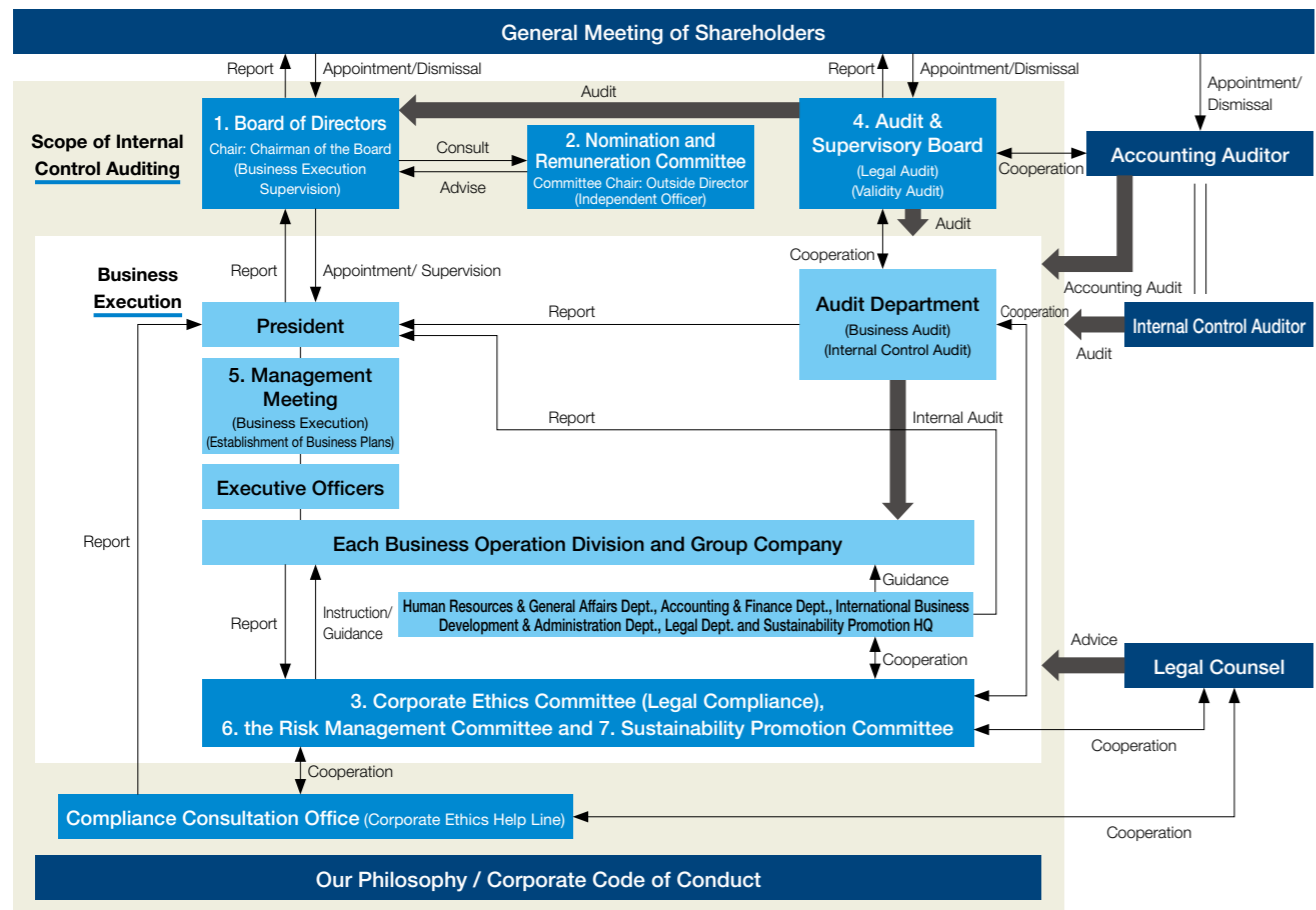
The Sumitomo Rubber Group is endeavoring to secure overall management efficiency while strengthening the relationship of trust between the Group and society and improving its operations in terms of fairness and transparency. To this end, we consider the audit functions the Audit & Supervisory Board and its members currently provide to be a matter of critical importance. Accordingly, the Group adopted a Company with an Audit & Supervisory Board system.

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, the Company has appointed four Independent Outside Directors and issues questionnaires targeting Directors and Audit & Supervisory Board Members. In these and other ways, we implement necessary measures to develop an even more robust discussion platform for the Board of Directors and enhance the effectiveness of its operations.

Corporate Governance Structure

(As of March 26, 2021)



1. Board of Directors 14 meetings in fiscal 2020

The Board of Directors is composed of a total of 17 members, including 12 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 2020, the board met 14 times, and attendance of 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.

Director candidates are nominated taking into consideration whether they can contribute to the sustainable enhancement of the corporate

value of the Company, including such factors as their contribution to achieving effective corporate governance and ensuring the diversity of board members in terms of knowledge, experience, etc.

2. Nomination and Remuneration Committee 3 meetings in fiscal 2020

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 2020, the committee met three times and discussed various issues regarding nominations (training successors, nomination of officers, etc.) and remuneration (introduction of performance-based remuneration 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 2020.

3. Corporate Ethics Committee 4 meetings in fiscal 2020

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 and Legal Department Manager, with the President serving as the committee chair. In addition, two Standing Audit & Supervisory Board Members participate as observers. In fiscal 2020, 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 2020

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. In fiscal 2020, the

board met 12 times, and Outside Audit & Supervisory Board Members attended 100% of the Audit & Supervisory Board meetings.

5. Management Meeting 27 meetings in fiscal 2020

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, and the officer in charge of corporate planning serves as the chair of the meeting. The Management Meeting was convened 27 times in fiscal 2020.

6. Risk Management Committee 2 meetings in fiscal 2020

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.

The committee consists of the officers responsible for administration; research, design, and development; production; and sales and each business department, with the President serving as the committee chair. The two Standing Audit & Supervisory Board Members attend as observers. The Risk Management Committee was convened twice in fiscal 2020.

7. Sustainability Promotion Committee

The Sustainability Promotion HQ, which was established in January 2021 to push ahead with the Company's sustainability activities, is tasked with the planning and implementation of relevant measures from a long-term perspective. With staff at this division acting as key members, the Sustainability Promotion Committee is engaged in deliberations aimed at facilitating Companywide initiatives to address ESG issues and contribute to realization of the United Nations Sustainable Development Goals (SDGs).

Reasons for the Selection of Independent Outside Directors

Name	Reason for selection	Fiscal 2020 Status of Attendance	
		Board of Directors meetings	Audit & Supervisory Board meetings
Keizo Kosaka	Mr. Keizo Kosaka provides valuable comments and opinions from an objective perspective, leveraging his abundant knowledge as an attorney who excels at corporate legal affairs and experience in corporate management as a Chairman of Irokawa Legal Professional Corporation and outside auditor of Toyo Aluminium K.K., Sekisui Plastics Co., Ltd., Techno Assoc Co., Ltd. and SEIREN CO., LTD. The Company requests his appointment based on its judgment that he would contribute to the improvement of the Company's corporate governance.	14 of 14 times	—
Kenji Murakami	Mr. Kenji Murakami provides valuable comments and opinions regarding general management matters, leveraging his substantial experience in corporate management as Representative Director, President and COO of Daiwa House Industry Co., Ltd. The Company requests his appointment based on its judgment that he would contribute to the improvement of the Company's corporate governance.	14 of 14 times	—
Nobuyuki Kobayashi	Mr. Nobuyuki Kobayashi has been engaged mainly in duties associated with accounting and finance at Sumitomo Electric Industries, Ltd. and gained extensive experience and broad insights as a manager through his experience as Managing Director of the said company. As he provides valuable comments and opinions regarding general management matters based on his experience described above, the Company requests his appointment based on its judgment that he would contribute to the improvement of the Company's corporate governance.	11 of 11 times	—
Mari Sonoda	Ms. Mari Sonoda has fulfilled a number of important positions in the Ministry of Finance and other government agencies and been involved in the development of systems for protecting information privacy, such as "My Number," thereby gaining specialist knowledge with regard to monetary and financial matters as well as abundant experience and extensive expertise in this field. Accordingly, the Company requests her appointment based on its judgment that she would contribute to the improvement of the Company's corporate governance.	Appointed in March 2021	

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

Name	Reason for selection	Fiscal 2020 Status of Attendance	
		Board of Directors meetings	Audit & Supervisory Board meetings
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, based on his considerable knowledge in finance and accounting as a certified public accountant and tax accountant and corporate management experience while serving as outside director, Audit & Supervisory Committee member of Kagome Co., Ltd., as well as outside Audit & Supervisory Board member of Kokuyo Co., Ltd. The Company requests his appointment based on its judgment that he would contribute to the reinforcement of its audit system.	14 of 14 times	12 of 12 times
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 experience of involvement in corporate management as an Outside Director of Gourmet Kineya Co., Ltd. and NISSHA Co., Ltd. As 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 as described above, the Company requests her appointment based on its judgment that she would contribute to the reinforcement of its audit system.	14 of 14 times	12 of 12 times
Hirofumi Yasuhara	Mr. 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 Santen Pharmaceutical Co., Ltd and Hitachi Zosen Corporation. As 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 as described above, the Company requests his appointment based on its judgment that he would contribute to the reinforcement of its audit system.	11 of 11 times	10 of 10 times

Notes:

1. Mr. Nobuyuki Kobayashi was appointed as a Director at the 128th Ordinary General Meeting of Shareholders held on March 26, 2020. Following that date, the Board of Directors met 11 times in fiscal 2020.
2. Mr. Hirofumi Yasuhara was appointed as a Director at the 128th Ordinary General Meeting of Shareholders held on March 26, 2020. Following that date, the Board of Directors and the Audit & Supervisory Board met 11 and 10 times, respectively, in fiscal 2020.

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. With regard to decision making on management matters of particular importance, Executive Officers in charge of such matters occasionally provide prior briefings to these individuals.

Main topics of discussion at Board of Directors meetings in 2020 (agenda items)

- Progress report and issues related to the Midterm Plan for each business
- Response going forward in relation to the results of the questionnaire survey on the effectiveness of the Board of Directors
- Status of the Risk Management Committee and Corporate Ethics 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. 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.

Conducting Questionnaires to Evaluate the Board's Effectiveness

Since 2016, Sumitomo Rubber Industries has conducted regular survey questionnaires for all Directors and Audit & Supervisory Board Members regarding various aspects of the Board of Directors, including its composition and operation. Based on the results of the survey, the Board of Directors then conducts deliberations aimed at increasing its effectiveness.

In fiscal 2020, the survey was conducted between September and October, and discussions were held in January 2021. The results confirmed the overall effectiveness of various aspects of the Board of Directors, including the number of Directors and member composition, operation of the board (frequency of meetings, discussion time, etc.), manner of deliberation, and monitoring of business execution, etc.

In addition, it was confirmed that our initiatives aimed at providing fuller information to Outside Directors and Outside Audit & Supervisory Board Members helped invigorate discussion at Board of Directors' meetings.

We will work on maintaining the Board of Directors' environment and, as necessary, execute measures to enhance its effectiveness.

Board of Directors' Measures to enhance effectiveness

Fiscal year of questionnaire survey	Issues	Measures taken (implemented in the fiscal year following that in which the questionnaire survey was conducted)
Before 2016	<ul style="list-style-type: none"> ● Extend time allotted for discussion addressing strategic issues ● More complete information to be provided to officers in advance 	<p>Raising the monetary criteria for tabling an item at a Board of Directors meeting</p> <ul style="list-style-type: none"> ● Monetary limit for tabling an item at a Board of Directors meeting was raised in order to discontinue the tabling of insignificant items, thereby freeing that time to be used to discuss more strategic and important issues. <p>Earlier provision of materials</p> <ul style="list-style-type: none"> ● Revised certain operating rules so as to enable materials provided in advance to be sent out earlier.
2018		<p>More complete information to be provided to outside officers in advance</p> <ul style="list-style-type: none"> ● Hitherto, regular "Management Meeting Reports" and "Executive Officer Reports" had been presented to the Audit & Supervisory Board Members, in a different setting to that of the Board of Directors, and Outside Directors were added to this arrangement. ● Regular new reports to the Board of Directors also began in relation to the status of the Corporate Ethics Committee and the Risk Management Committee.
2019	<ul style="list-style-type: none"> ● Revitalization of discussions 	<p>Further steps to provide more complete information to outside officers in advance</p> <ul style="list-style-type: none"> ● Hitherto, explanations of the content of discussions at the Management Meeting related to agenda items at the Board of Directors had been sent in advance to outside officers, but we worked further to ensure that sufficient time is allowed and that more specific details are shared. <p>Improvements to the manner of reporting on business of which Executive Officers are in charge</p> <ul style="list-style-type: none"> ● Hitherto, Executive Officers had presented regular reports on the business that they are in charge of at Board of Directors meetings, but we have revised the way reporting takes place, basing it on specific reporting themes in order to provide solid opportunities to exchange opinions.
2020		<p>Prior acceptance of questions with regard to agenda items and provision of answers</p> <ul style="list-style-type: none"> ● The secretariat reaches out to individuals intending to attend an upcoming Board of Directors meeting and asks them whether they have questions and/or issues that need to be confirmed beforehand, with Executive Officers in charge of relevant operations providing them with necessary explanations at such opportunities as the Board of Directors meeting or prior briefings on agenda items.

Remuneration of Directors and Audit & Supervisory Board Members

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

Remuneration and the Company's Policies for Determining Its Calculation Method

With regard to the remuneration of Directors and Audit & Supervisory Board Members, 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.

Details of the methods for determining remuneration are as described below.

- ① Except for Outside Directors, remuneration for Directors and Executive Officers consists of a basic salary constituting a fixed portion and bonuses constituting a performance-based portion.
- ② 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 To enhance recipients' awareness of their duty to improve business performance each business year, 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.
- ④ Remuneration for Directors and Executive Officers is discussed based on objective and fair perspectives by the Nomination and Remuneration Committee, which is attended by independent officers, who make up the majority of committee membership, and chaired by an Independent Outside Director. Remuneration is thus determined in a way that takes into consideration recommendations from and conclusions reached by the committee.

In addition, the level of remuneration is objectively adjusted by applying findings from third-party surveys on remuneration paid at other companies.

Indicators Used for Determining Performance-Based Remuneration, Reasons for Adopting Such Indicators and Methods of Calculating Said Remuneration

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.

Proportional Composition of Remuneration for Directors (Except Outside Directors) by Type

The composition of each type of remuneration is engineered to ensure that the weighting of performance-based remuneration 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, 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, the ratio of fixed remuneration (basic salary) to performance-based remuneration (bonuses) is 7:3 for Directors, excluding Outside Directors, and 8:2 for Executive Officers, provided that the level of achievement of performance indicators is 100%.

Position	Fixed remuneration (basic salary)	Performance-based remuneration (bonus)
Directors (excluding outside directors)	70%	30%
Executive Officers	80%	20%

Although the Company has not yet introduced stock-based remuneration designed to offer medium- to long-term incentives, the Company encourages officers to acquire shares of its stock through the officers' stockholding association while giving due consideration to the status of achievements under its medium- to long-term management plans in the course of determining performance-based remuneration. As such, the Company strives to incentivize recipients to pursue sustainable growth for the Sumitomo Rubber Group.

With regard to stock-based remuneration, the Company will continue to engage in in-house discussion to assess the optimal timing for the introduction and determine the form and amount of such remuneration.

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)	438	9
Audit & Supervisory Board Members (excluding Outside Members)	50	2
Outside Members	53	8

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.

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 30, 2020, November 27, 2020 and January 29, 2021, to discuss the Company's remuneration system, the level of remuneration paid under said system, and the amount of basic salaries and bonuses, with the aim of assessing the appropriateness of these matters and policies for determining them. Based on recommendations formulated by the committee, the Board of Directors convened an extraordinary meeting on February 9, 2021 to discuss policies for determining remuneration. Furthermore, the Board of Directors met on March 1, 2021 to discuss the amounts to be awarded as bonuses, thereby determining the full details of remuneration.

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, Legal Affairs and other related departments 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. 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 offers a broad range of information and facilitates the robust exchange of opinions via direct engagement with institutional investors. In these ways, the Company strives to

improve its corporate value.

- ③ In addition to maintaining sufficient information disclosure at the General Meeting of Shareholders and through the convocation notice and newsletters, the Company provides various types of timely information by issuing integrated reports describing the status of its business operations and ESG-based management and sustainability activities. In addition, the Company holds results briefings and endeavors to promote communication with shareholders and investors.
- ④ The Company considers the opinions gleaned through dialogue with shareholders and investors as valuable in terms of further enhancing its corporate value. While sharing such information with the senior management, the Company discusses the necessity of and studies methods for materializing such opinions as needed.
- ⑤ When engaging in dialogue with shareholders and investors, the Company checks the explanation and disclosure materials to be used in such dialogue in tandem with external consultants and other professionals beforehand, with the objective of preventing the risk of insider trading.

Basic Policy on the Internal Control System

The Company established the Internal Control System, a system that performs the necessary function of ensuring the propriety of business undertaken by the Sumitomo Rubber Group (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 Group-wide 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 achievements of 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 directors of each subsidiary under its supervision with regard to its 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, and 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

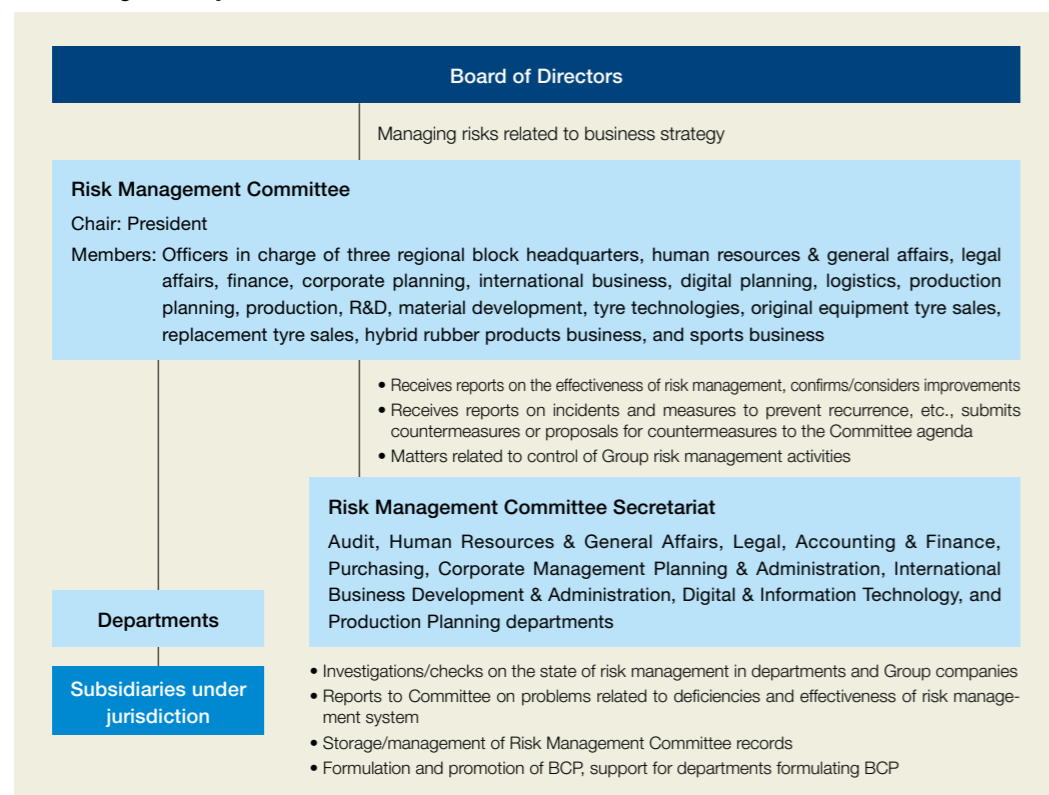
Management risks involving product quality, law, the environment, credit, accidents, disasters, etc., that may materially and adversely affect our business activities, shall be addressed by the relevant division and/or subsidiary in advance, via the analysis of those risks and the planning of countermeasures 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 Group-wide 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.

Group-wide Risk Management System



Main Initiatives in Fiscal 2020

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.

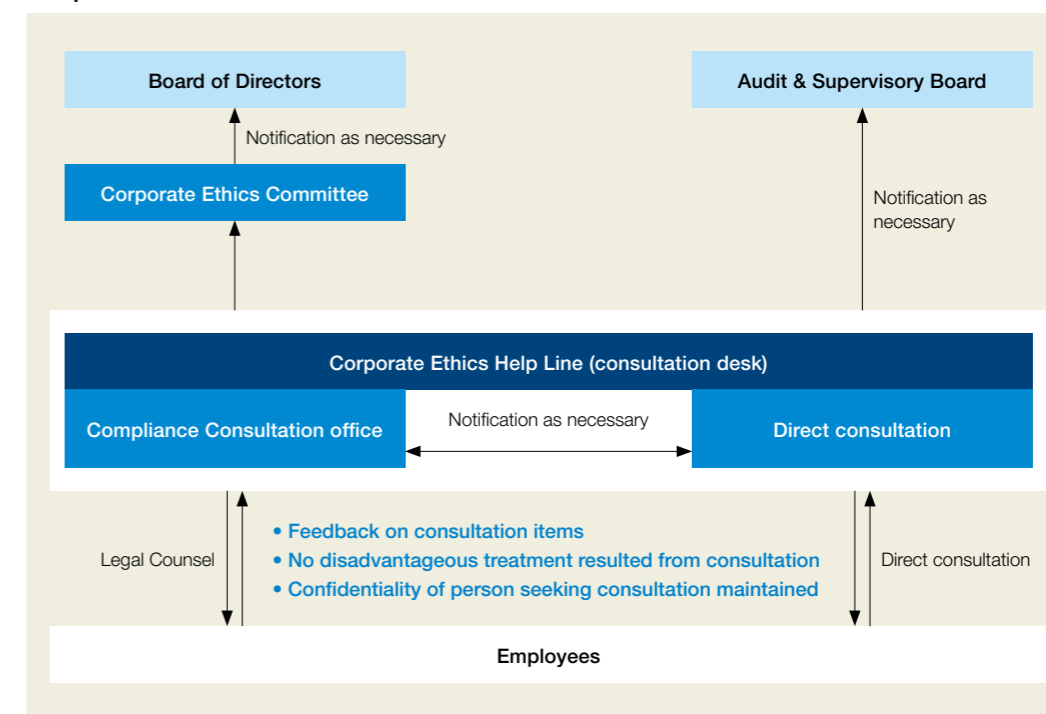
In response to the global COVID-19 pandemic, the Company established a risk control headquarters led by the President, thereby implementing measures to minimize the pandemic's overall impact on the Group's facility operations and its business results. Specifically, the Company placed the utmost priority on ensuring the safety of employees and their families while introducing countermeasures to prevent COVID-19 infection and updating procedures for response to the emergence of infection cases. 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.

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.

Structure of Compliance Initiatives



Main Initiatives in Fiscal 2020

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 Spirit while hosting various corporate ethics lecture sessions.

Honors and Certifications from Outside Organizations

Some honors and certifications related to sustainability that the Sumitomo Rubber Group has received from outside organizations are listed below.

The First Nikkei BP ESG Brand Survey

The Company was ranked 10th in the ESG Brand Survey (social category) sponsored by *Nikkei- BP* for the question “we have a system that can balance work with child rearing, nursing care and fighting diseases.”

Source: *Nikkei ESG* December 2020 edition

Corporate Message Survey 2020

Our brand message, “create a future that is free of automobile accidents,” used in Dunlop’s TV commercials, was ranked first in the Corporate Message Survey 2020 undertaken by Nikkei BP Consulting, Inc., the highest rating it has earned—number one in consumer favorability.

Sustainability Award 2021

We were chosen by CSR Communication Association (CCA) to receive a Silver Award under the Sustainability Website Award 2021 program in which the CCA rates the content of sustainability-related information disclosed via corporate websites.

SNAM Sustainability Index

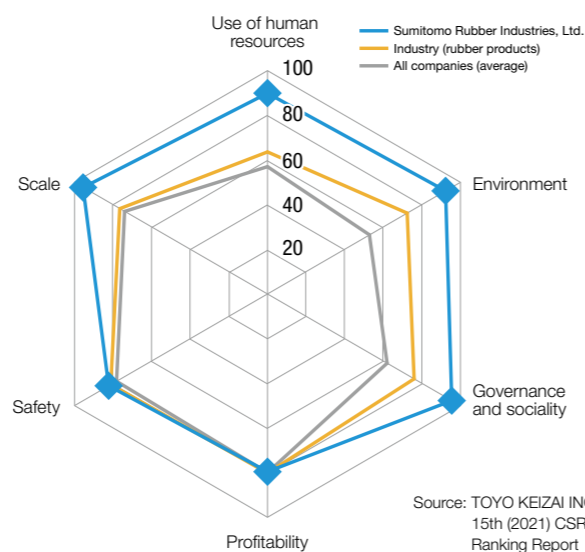
Since 2012, the Company has been continuously included in the SNAM Sustainability Index, an asset management product index compiled by Sompo Japan Nipponkoa Asset Management Co., Ltd. (SNAM) for pension fund managers and institutional investors.



The 15th (2021) CSR Ranking

The Toyo Keizai CSR Company Ranking, which identifies companies recognized by a wide range of stakeholders as reliable, evaluates the utilization of human resources, environment, governance and social activities, profitability, safety and scale and provides rankings for both corporate social responsibility (CSR) and finance.

The ranking program’s scoring is comprehensive and our scores surpass the average score for all companies and those in our industry (rubber products). We also boast a balanced score across all items.



Source: TOYO KEIZAI INC. 15th (2021) CSR Ranking Report

2020		
February	Our corporate advertising was chosen to receive a Silver Award under the Nikkei BP Marketing Awards 2020 program.	
March	Sumitomo Rubber Industries was selected as one of 40 companies included in the “2020 Health & Productivity Stock Selection,” which recognizes companies that take a strategic approach to managing the health of their employees. Moreover, the Company has been selected as a “White 500” organization exercising superior health management, under the “Certified Health & Productivity Management Outstanding Organizations Recognition Program,” for the fourth consecutive year.	
March	The Miyazaki Factory was granted <i>Hinata no Kiwami</i> employee-friendly workplace certification thanks to its efforts to create a working environment that promotes a harmonious balance between work and private life.	
May	Thanks to its efforts to help realize the United Nations Sustainable Development Goals (SDGs), the Company became the first in the rubber product industry to sign a Positive Impact Finance Loan Agreement with Sumitomo Mitsui Trust Bank, Limited.	

June	The Izumiotsu Factory signed an agreement with Izumiotsu City, with the aim of making its premises available to citizens as a temporary shelter at times of emergency.	
July	DUNLOP VEURO VE304 was named a Grand Prix winner under the DAILY AUTOMOTIVE NEWS Car Parts Awards 2020 program.	
September	ENASAVE NEXT III, a flagship product in our fuel-efficient tires, was chosen to receive an Excellent Award under the 3rd Eco-Pro Award program.	
September	Following its employment of the K computer to perform large scale molecular dynamics simulations of rubbers used in tires, the Company was recognized for its research efforts utilizing High Performance Computing Infrastructure (HPCI), receiving an Excellent Achievement Award.	
November	The Miyazaki Factory was chosen by Miyazaki Prefecture to receive a Governor’s Award under the 2020 Miyazaki Green Initiative Contributor Award program.	
November	The Company received “L-boshi” (third level) certification as an excellent corporation promoting women’s career success based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace.	
December	The Miyazaki factory achieved a record high 7.5 million hours without accidents involving lost work days, receiving a “Type 2 Accident-Free Record Certificate” from the Ministry of Health, Labor and Welfare.	
December	We were ranked first for the third consecutive year in the “2020 Ranking of Construction Material and Equipment Manufacturers to Work With,” parts and materials for detached housing vibration control category, sponsored by Nikkei Architecture. In the same category, we were ranked second by <i>Nikkei Home Builder</i> .	<p>Vibration Control Units for Detached Housing “MIRAIE”</p> <p>Parts and materials for detached housing vibration control category 1st</p> <p>Parts and materials for detached housing vibration control category 2nd</p> <p>Questionnaire that asks readers which construction material and equipment manufacturer’s products they prefer</p>
December	The DUNLOP ENASAVE NEXT III fuel-efficient tire was chosen to receive a Nippon Brand Award under the 2020 Super Parts Manufacturer Award program.	
December	A letter of gratitude was issued by the Minister of Economy, Trade and Industry after we donated rubber gloves to support healthcare institutions combating the COVID-19 pandemic.	

2021		
January	The Shirakawa Factory was chosen by Fukushima Prefecture to receive the Fukushima Work-Life Balance Grand Award in recognition of its proactive efforts to allow employees to choose from diverse work styles in light of their private circumstances related to childrearing and nursing care.	
February	DUNLOP ENASAVE NEXT III was chosen to receive the Agency for Natural Resources and Energy Director-General’s Award under the Energy Conservation Grand Prize program.	

Certifications Acquired	<ul style="list-style-type: none"> ● ISO9001: 2015 Quality Management System ● ISO14001: 2015 Environmental Management Systems ● OHSAS18001: 2007 Occupational Health and Safety Management Systems* 	<ul style="list-style-type: none"> ● ISO45001: 2018 Occupational Health and Safety Management System ● IATF16949: 2016 Automotive Quality Management System Standard
	*In the process of becoming ISO standard ISO45001: 2018	

Financial Section

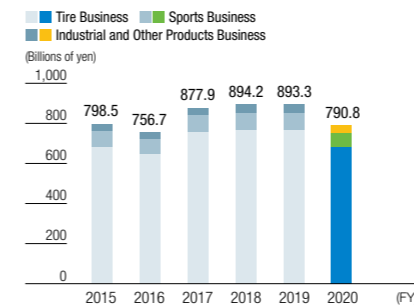
Consolidated Financial/Non-financial Data

Years ended December 31	Millions of yen						
	IFRS						
	2015	2016	2017	2018	2019	2020	
Earnings for the year:							
Sales revenue	798,483	756,696	877,866	894,243	893,310	790,817	
Overseas sales ratio (%)	59	59	63	63	63	64	
Cost of sales	528,393	499,650	611,185	632,756	637,658	558,638	
Selling, general and administrative expenses	191,237	182,130	199,706	200,806	201,261	188,791	
Business profit**	78,853	74,916	66,975	60,681	54,391	43,388	
Business profit ratio (%)	9.9	9.9	7.6	6.8	6.1	5.5	
Operating profit	89,173	73,284	67,449	57,155	33,065	38,701	
Operating profit ratio (%)	11.2	9.7	7.7	6.4	3.7	4.9	
Profit attributable to owners of the parent**	71,976	41,364	46,979	36,246	12,072	22,596	
Profit attributable to owners of the parent to sales (%)	9.0	5.5	5.4	4.1	1.4	2.9	
Financial position at year-end:							
Total assets	932,432	897,634	1,018,266	1,002,383	1,035,484	974,805	
Total equity	451,837	459,541	490,886	472,807	475,537	467,097	
Total equity attributable to owners of parent	422,287	429,316	459,907	457,927	460,800	454,743	
Interest-Bearing Debt	261,867	204,218	273,452	283,482	325,490	276,739	
Cash flows for the year:							
Cash flows from operating activities	86,864	128,190	76,109	82,820	91,458	123,504	
Cash flows from investing activities	(30,672)	(42,144)	(100,724)	(65,494)	(63,417)	(45,594)	
Free cash flows	56,192	86,046	(24,615)	17,326	28,041	77,910	
Cash flows from financing activities	(52,707)	(71,055)	21,706	(2,122)	(40,979)	(61,881)	
Related information:							
Capital expenditures	58,911	49,606	62,494	66,857	58,129	41,923	
Depreciation and amortization	51,419	51,248	56,010	57,365	67,941	67,665	
R&D expenses	23,372	24,257	25,720	25,780	26,198	24,215	
Management-related and financial data:							
Tire sales volume (millions of tires)	109.62	112.64	123.47	123.61	124.36	108.83	
ROE (%)	17.5	9.7	10.6	7.9	2.6	4.9	
ROA (%) (business profit base)	8.4	8.2	7.0	6.0	5.2	4.3	
D/E ratio (times)	0.6	0.5	0.6	0.6	0.7	0.6	
Ratio of equity attributable to owners of parent (%)	45.3	47.8	45.2	45.7	44.5	46.6	
Sustainability-related indicators:							
Number of trees planted (thousands of trees)	77	72	44	51	39	19	
Total CO ₂ Emissions (global environmental data of domestic and overseas factories) (kt-CO ₂ e)	786	1,011	1,036	1,073	1,095	1,018	
Employees at ISO 14001 certified sites as a percentage of all employees (%)	79	89	84	84	86	79	
Number of Japanese and foreign patents (number of patents held)	7,849	8,745	9,183	9,199	9,156	10,063	
Tire production capacity (tons/month)	60,600	61,500	63,200	65,000	66,850	68,500	
Number of employees in Japan and overseas	33,197	33,792	36,650	37,852	39,233	39,298	
Number of employees using childcare leave system (Sumitomo Rubber Industries, Ltd. (non-consolidated basis))	16	23	20	29	33	30	
Ratio of new female employees to the total number of new employees (Sumitomo Rubber Industries, Ltd. (non-consolidated basis)) (%)	29	30	28	27	26	26	
Ratio of female employees to the total number of employees (Sumitomo Rubber Industries, Ltd. (non-consolidated basis)) (%)	7	8	8	9	11	11	
Ratio of female managers to the total number of managers	2.2	2.1	2.6	2.7	3.1	3.3	
Average years of service (Sumitomo Rubber Industries, Ltd. (non-consolidated basis))	Men (years)	16.8	16.7	16.4	16.3	16.1	16.2
Women (years)	13.3	13.3	13.0	12.6	12.2	12.5	
Number of complaints and whistleblowing incidents filed by employees with the Corporate Ethics Helpline (Compliance Consultation office) (Sumitomo Rubber Industries, Ltd. (non-consolidated basis)) (cases)	14	13	13	23	25	29	
Total amount of CSR Fund subsidy (thousand yen)	6,940	6,960	7,850	8,930	11,090	13,140	

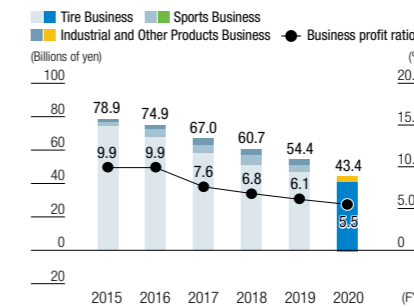
*1 Defined by Sumitomo Rubber Industries, Ltd. as its primary management indicator, business profit is calculated using the following formula: Sales revenue - (Cost of sales + Selling, general and administrative expenses)
 *2 Profit attributable to owners of the parent as calculated under IFRS

Main Financial Indicators (Fiscal 2020)

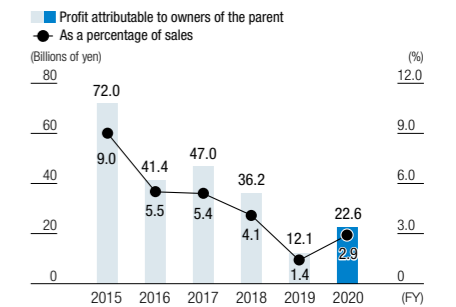
Sales Revenue



Business Profit (Ratio)*

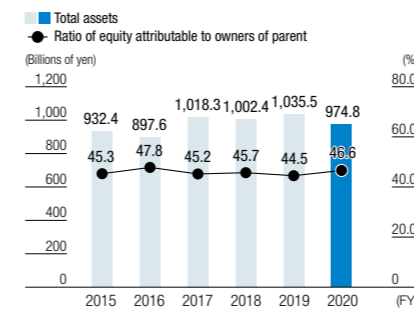


Profit Attributable to Owners of the Parent (Ratio)

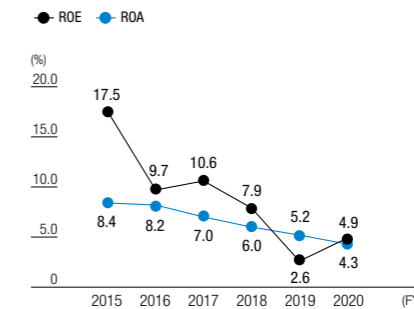


*Business profit = Sales revenue - (Cost of sales + Selling, general and administrative expenses)

Total Assets / Ratio of Equity Attributable to Owners of Parent

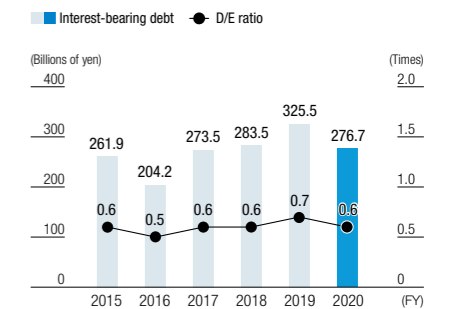


ROE*1 and ROA*2 (business profit base)



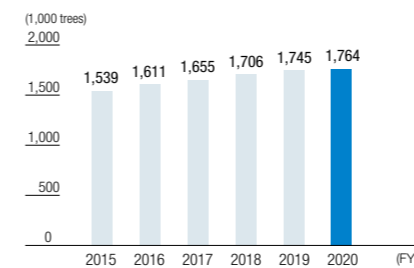
*1 ROE = (Net income / Average of total equity at the beginning and end of the fiscal year) x 100
 *2 ROA = (Business profit / Average of total assets at the beginning and end of the fiscal year) x 100

Interest-Bearing Debt / D/E Ratio

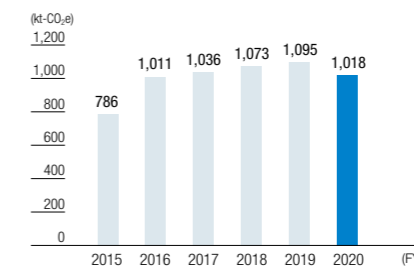


Sustainability-Related Indicators (Fiscal 2020)

Trees Planted (fiscal year cumulative basis)

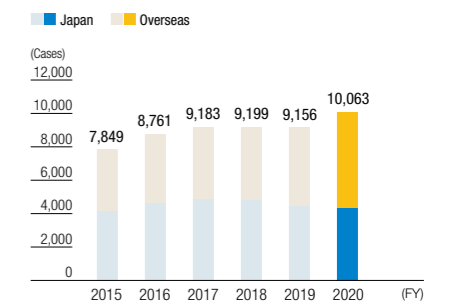


Global Environmental Data (total CO₂ emissions)

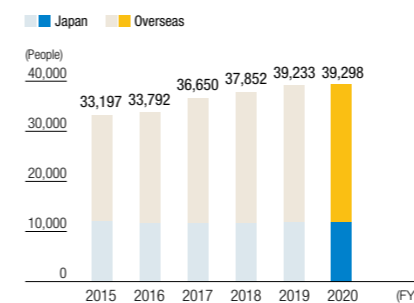


Note: Figure for fiscal 2016 increased substantially due to the inclusion of six overseas bases (Brazil, South Africa, United States, Turkey, Switzerland, and Germany).

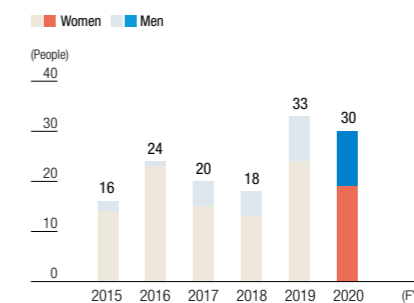
Number of Japanese and Foreign Patents



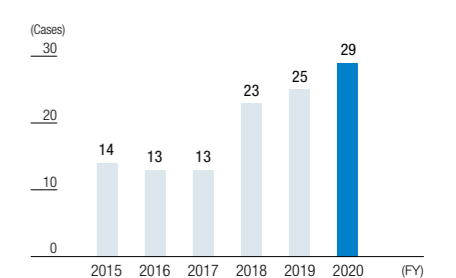
Number of Employees in Japan and Overseas



Number of Employees Using Childcare Leave System



Number of Complaints and Whistleblowing Incidents Filed by Employees with the Corporate Ethics Helpline (Compliance Consultation office)



Consolidated Statement of Financial Position

	Millions of yen	
	Fiscal 2019 (As of December 31, 2019)	Fiscal 2020 (As of December 31, 2020)
Assets		
Current assets		
Cash and cash equivalents	60,631	74,203
Trade and other receivables	190,261	179,635
Other financial assets	1,314	1,399
Inventories	182,769	151,253
Other current assets	25,079	30,162
Total current assets	460,054	436,652
Non-current assets		
Property, plant and equipment	420,924	389,184
Goodwill	26,547	23,378
Intangible assets	43,445	41,402
Investments accounted for using equity method	4,258	4,323
Other financial assets	33,440	33,159
Net defined benefit asset	29,352	32,451
Deferred tax assets	14,798	13,449
Other non-current assets	2,666	807
Total non-current assets	575,430	538,153
Total assets	1,035,484	974,805
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and loans payable	106,644	62,256
Trade and other payables	127,040	123,261
Other financial liabilities	12,446	12,816
Income tax payable	4,851	7,790
Provisions	835	1,170
Other current liabilities	37,031	38,835
Total current liabilities	288,847	246,128
Non-current liabilities		
Bonds and loans payable	157,589	155,177
Other financial liabilities	49,716	48,164
Net defined benefit liability	21,833	22,202
Provisions	1,565	2,189
Deferred tax liabilities	17,570	11,282
Other non-current liabilities	22,827	22,566
Total non-current liabilities	271,100	261,580
Total liabilities	559,947	507,708
Equity		
Capital stock	42,658	42,658
Capital surplus	39,486	39,486
Retained earnings	444,783	461,720
Treasury stock	(75)	(77)
Other components of equity	(66,052)	(89,044)
Total equity attributable to owners of parent	460,800	454,743
Non-controlling interests	14,737	12,354
Total equity	475,537	467,097
Total liabilities and equity	1,035,484	974,805

Consolidated Statement of Income

	Millions of yen	
	Fiscal 2019 (Jan. 1 to Dec. 31, 2019)	Fiscal 2020 (Jan. 1 to Dec. 31, 2020)
Sales revenue	893,310	790,817
Cost of sales	(637,658)	(558,638)
Gross profit	255,652	232,179
Selling, general and administrative expenses	(201,261)	(188,791)
Business profit	54,391	43,388
Other income	2,427	3,818
Other expenses	(23,753)	(8,505)
Operating profit	33,065	38,701
Financial income	2,173	1,735
Financial expenses	(7,988)	(10,733)
Equity in earnings of affiliates	45	68
Profit before tax	27,295	29,771
Income tax expenses	(14,124)	(6,761)
Profit for the year	13,171	23,010
Profit attributable to:		
Owners of parent	12,072	22,596
Non-controlling interests	1,099	414
Profit for the year	13,171	23,010
Earnings per share		
Basic earnings per share (yen)	45.90	85.92

Consolidated Statement of Cash Flows

	Millions of yen	
	Fiscal 2019 (Jan. 1 to Dec. 31, 2019)	Fiscal 2020 (Jan. 1 to Dec. 31, 2020)
Cash flows from operating activities	91,458	123,504
Cash flows from investing activities	(63,417)	(45,594)
Cash flows from financing activities	(40,979)	(61,881)
Effect of exchange rate change on cash and cash equivalents	(957)	(2,457)
Net increase (decrease) in cash and cash equivalents	(13,895)	13,572
Cash and cash equivalents at the beginning of current period	74,526	60,631
Cash and cash equivalents at the end of current period	60,631	74,203

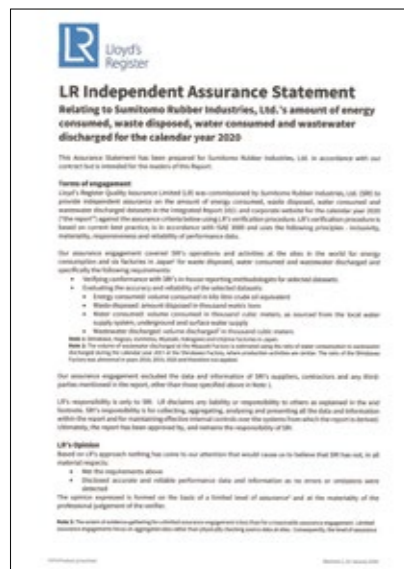
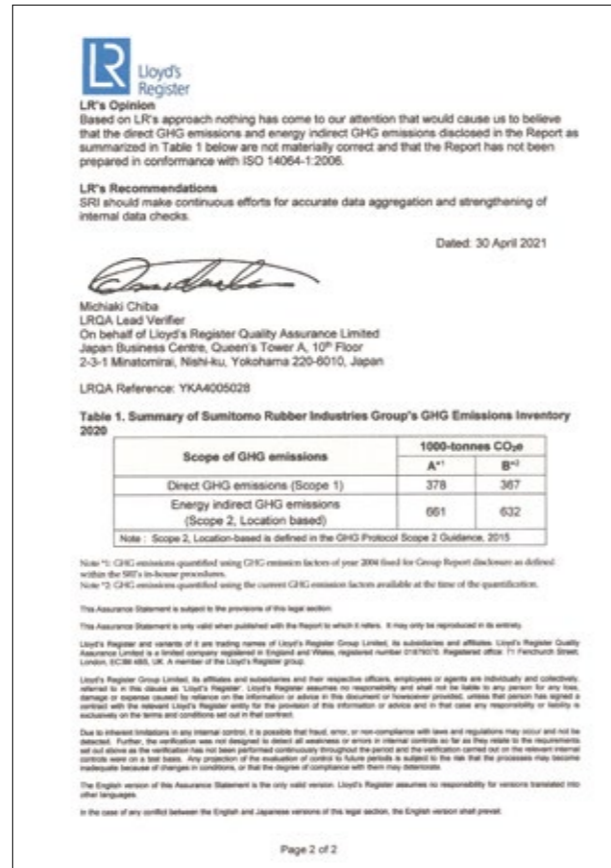
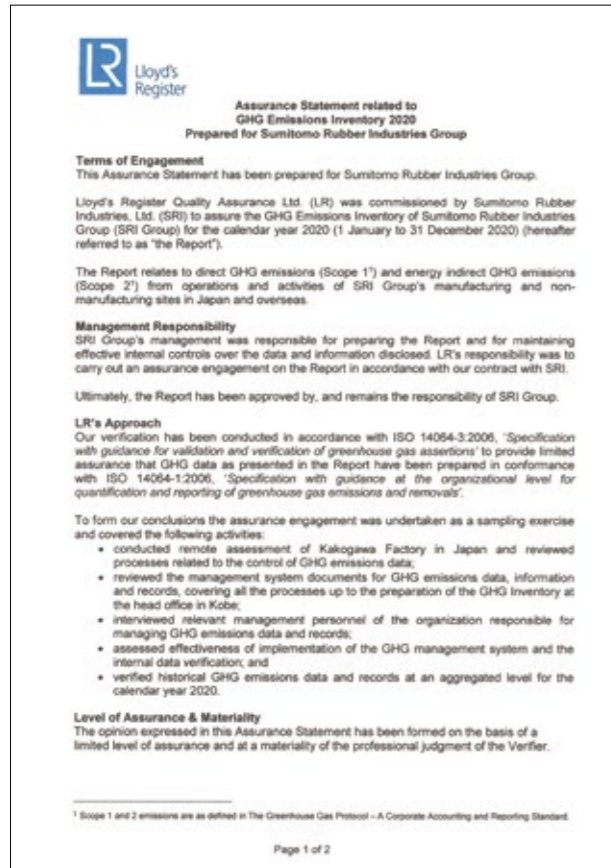
Independent Verification Report

In order to enhance the reliability of this report and the environmental data disclosed on our website, we underwent verification by a third party.

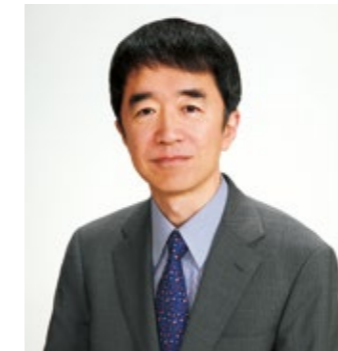
Data marked with “◎” (pages 45, 46, 50, and 52) has been verified.

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

1. Total Global CO₂ Emissions
Criteria: ISO 14064-1
2. Total Global Energy and Water Usage, Wastewater and Waste Disposal (Excluding Valuables) by Factories in Japan
Criteria: LRQA's Report Verification (Pursuant to ISAE3000, AA1000AS and GRI)



Third-Party Remarks



Katsuhiko Kokubu
Professor at the Graduate School of Business Administration, Kobe University

Completed a doctoral program in business administration at Osaka City University Graduate School. After serving as an assistant professor at Osaka City University and Kobe University, he assumed his current position in 2001. Head of the Graduate School of Business Administration at Kobe University from 2014 to 2016. Has served concurrently as Vice President of Kobe University (from 2019 to 2021) and as Head of Kobe University V. School (since 2020). His recent publications include "From Accountability to Management Ethics" (Yuhikaku Publishing Co., Ltd.), "Emergent-Type Responsibility Management" (Nikkei Publishing Inc.) and "The 1st Step to Management Accounting" (Sekigakusha Inc.).

Global Trend toward ESG Management

Over the last few years, we have seen a growing global trend toward ESG management. Previously, there had been quite a few companies publicizing ambitious statements regarding sustainability, but they have often failed to live up to these lofty goals in reality. However, today's businesses are becoming ever more serious about practicing ESG management and taking concrete action. Although Sumitomo Rubber Industries has been exemplary in terms of sustainability, I believe that the time has come for the Company to review its management approach to ESG issues on an across-the-board basis.

My Impression of the "Our Philosophy" Corporate Philosophy Framework

Viewed in this light, the establishment of "Our Philosophy" in fiscal 2020 is of great significance. With the Group's Purpose serving as its pinnacle concept and defined as "Through innovation we will create a future of joy and well-being for all," this Philosophy consists of a Story, a Vision and the SRI Way. Moreover, the "Governance" section of this report clarifies that "Our Philosophy" is intended to serve as the basis for all decision-making and as the impetus for all actions throughout the Group. Thus, the Group's commitment to living up to this Philosophy is sure to be clearly understood by readers. Going forward, I would very much like to see the Group provide follow-up reports regarding changes in employee behavior driven by "Our Philosophy" from the next edition of its *Integrated Report* onward.

Improving Organizational Framework and Enhancing Human Capital

For a business that is actively pursuing sustainability, among its various responsibilities to stakeholders, its responsibilities with respect to its employees are of particular importance. Amid the COVID-19 pandemic, corporations' treatment of their employees is becoming a subject of general public concern. In this report, Sumitomo Rubber Industries presents a policy of promoting Work Style Reform as part of efforts aiming to improve its overall organizational framework. Looking ahead, I expect the Group to report further on the details of these endeavors in the section dedicated to human capital. When it comes to developing human capital, ensuring robust investment and resource allocation with respect to employees is a matter of the utmost importance. Today, a growing number of businesses worldwide share a common understanding that employees deserve a robust allocation of resources, such as investment in their education, because helping employees to enhance their skills and living standards is considered a part of a company's corporate social responsibilities. In line with the Sumitomo Rubber Group's corporate philosophy, I hope that a concept of this kind will serve as the cornerstone of the Group's ESG management. This will, I believe, encourage all employees to substantially raise their awareness of ESG management and ultimately lead to the strengthening of the Group's overall organizational capabilities.

Initiatives toward Carbon Neutrality

Sumitomo Rubber Industries has declared that it will strive to achieve carbon neutrality and is thus aiming to reduce net CO₂ emissions from its factories to zero by 2050. Although its GHG reduction efforts with an eye toward 2050 are worthy of praise, I am somewhat concerned about the level of detail when it comes to breaking this target down into specific steps and milestones, as 2050 is still a long way off. I believe that the Company should pay particular attention to the perception of this issue among younger employees. As these individuals are highly likely to still be Sumitomo Rubber Group employees in 2050, their perceptions will be a key factor affecting the success of the aforementioned declaration.

Response to Third-Party Comments

I would once again like to thank Professor Kokubu for providing us with his pertinent advice and generous assessments. In line with the Midterm Plan that we announced in February 2020, our group has defined three key Value Drivers to propel our ongoing efforts to enhance both our economic value and our value to society, namely: "Developing & Promoting Sales of Advanced Products," "Creating New Value," and "Promoting ESG Management." In the interests of further promoting ESG Management, we newly established a Sustainability Promotion HQ in January 2021. With a new corporate philosophy structure, "Our Philosophy," now serving as the basis for all of our decisions and as the impetus behind all of our actions, we are committed to fostering organic changes in employee behavior (which is something that Professor Kokubu mentioned) and promoting Work Style Reform while simultaneously implementing various measures to achieve carbon neutrality and otherwise ensure that our business operations are as environmentally friendly as possible. Toward this end, all Group employees will come together in a united effort to push ahead with these ongoing endeavors. In this way, the Sumitomo Rubber Group will rally our combined strength in working to contribute to the creation of a safe and sustainable society in which everyone can work and live with consistent peace of mind.



Fumikazu Yamashita
Executive Officer, General Manager, Sustainability Promotion HQ

Global Network (As of March 2021)

OVERSEAS



Europe/Africa/Middle East

Manufacturing Companies: 4
Sales Companies: 11
Other Group Companies: 12



Asia/Pacific

Manufacturing Companies: 9
Sales Companies: 22
Other Group Companies: 2

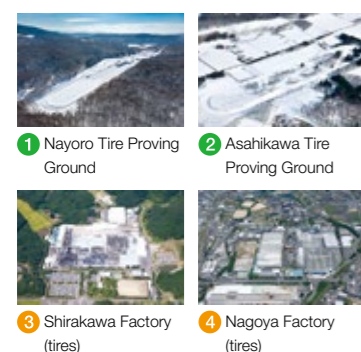


Americas

Manufacturing Companies: 3
Sales Companies: 4
Other Group Companies: 2

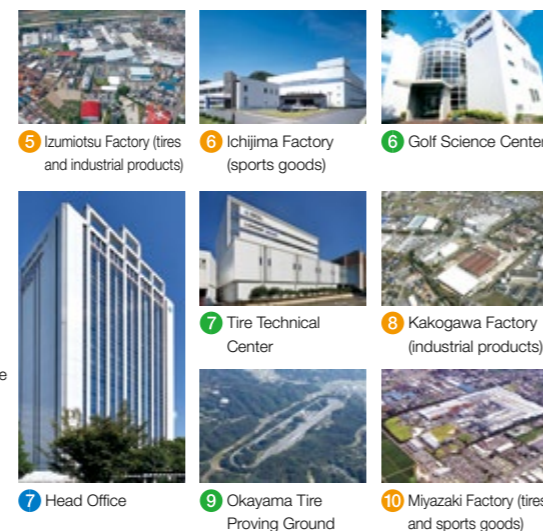


JAPAN



JAPAN

Production Subsidiaries: 3
Sales Subsidiaries: 15
Other Group Companies: 12



- Offices
- R&D bases
- Production bases

Investor Information (As of December 31, 2020)

Paid-in Capital	¥42,658 million	Stock Exchange Listing	Tokyo
Number of Shares of Common Stock	Authorized: 800,000,000 Issued: 263,043,057	Ticker Symbol	5110
Number of Shareholders	41,177	Transfer Agent and Special Account Management Institution	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
Major Shareholders	Sumitomo Electric Industries, Ltd. 28.85% The Master Trust Bank of Japan, Ltd. (Trust account) 5.65% Custody Bank of Japan, Ltd. (Trust account) 3.22% National Mutual Insurance Federation of Agricultural Cooperatives 2.79% Sumitomo Mitsui Banking Corporation..... 1.98% Sumitomo Corporation 1.83% STATE STREET BANK AND TRUST COMPANY 505103 1.69% SMBC Nikko Securities Inc. 1.55% JPMBL RE BARCLAYS CAPITAL SECURITIES LIMITED COLL EQUITY..... 1.28% JP MORGAN CHASE BANK 385635..... 1.12%		
Independent Auditors	KPMG AZSA LLC 3-6-5, Kawaramachi, Chuo-ku, Osaka, Japan		

Note: The percentage of shares in the above list was calculated using the total number of shares of common stock, excluding 41,905 shares of treasury stock.

Stock Price



Disclaimer

In addition to facts on the past and present of the Sumitomo Rubber Group, this report contains projections based on forecasts and future management plans. Said projections reflect assumptions and judgments based on information available at the time this report was made. Actual future results may differ from these projections.