

# 2022

Integrated Report



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Certified by the Minister  
of the Environment  
Sumitomo Rubber Industries, Ltd.  
has been certified as an Eco-First  
company by the Minister of the  
Environment of Japan.



# Rubber and Beyond, Driving Our Future

With a unique belief in the material possibilities of rubber, we have built a multifaceted track record of multiple world firsts.

Our technology—which traces its origins back to the world’s first pneumatic tire commercialized by John Boyd Dunlop—currently supports not only the manufacture of tires but also the development of golf, tennis and other sports equipment as well as industrial products, including vibration control dampers and rubber parts for medical applications. Today, we continue to advance our efforts to realize innovation to blaze a new path in these fields.

We aspire to deliver innovative products and services that will, in turn, support every facet of society and bring joy to the hearts of people. To this end, we will ceaselessly take on new challenges.

## Creating Value throughout the Sumitomo Rubber Group

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## 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 2022, 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.

## 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
- “Integrated Reporting Framework” published by the Value Reporting Foundation (VRF)
- “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 2021 (January 1, 2021 to December 31, 2021), with some information from outside of this period

## Publishing Date

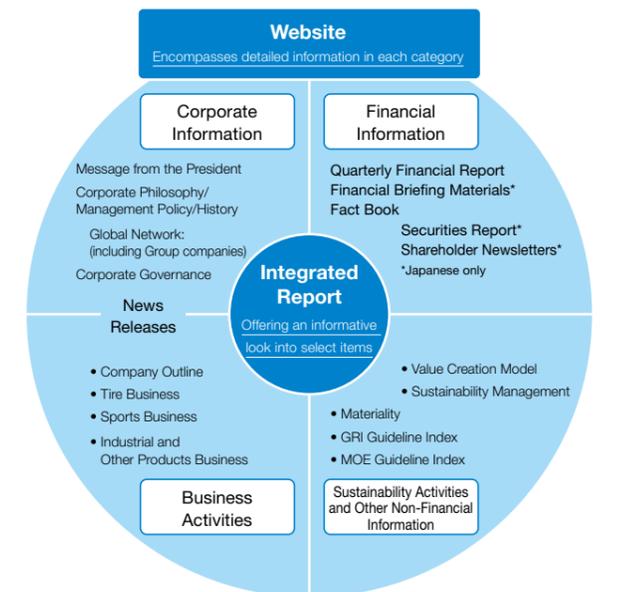
July 2022

## Third-Party Comments

Comments from an expert are included to present an objective perspective on this report. [▶ p. 90](#)

## 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.

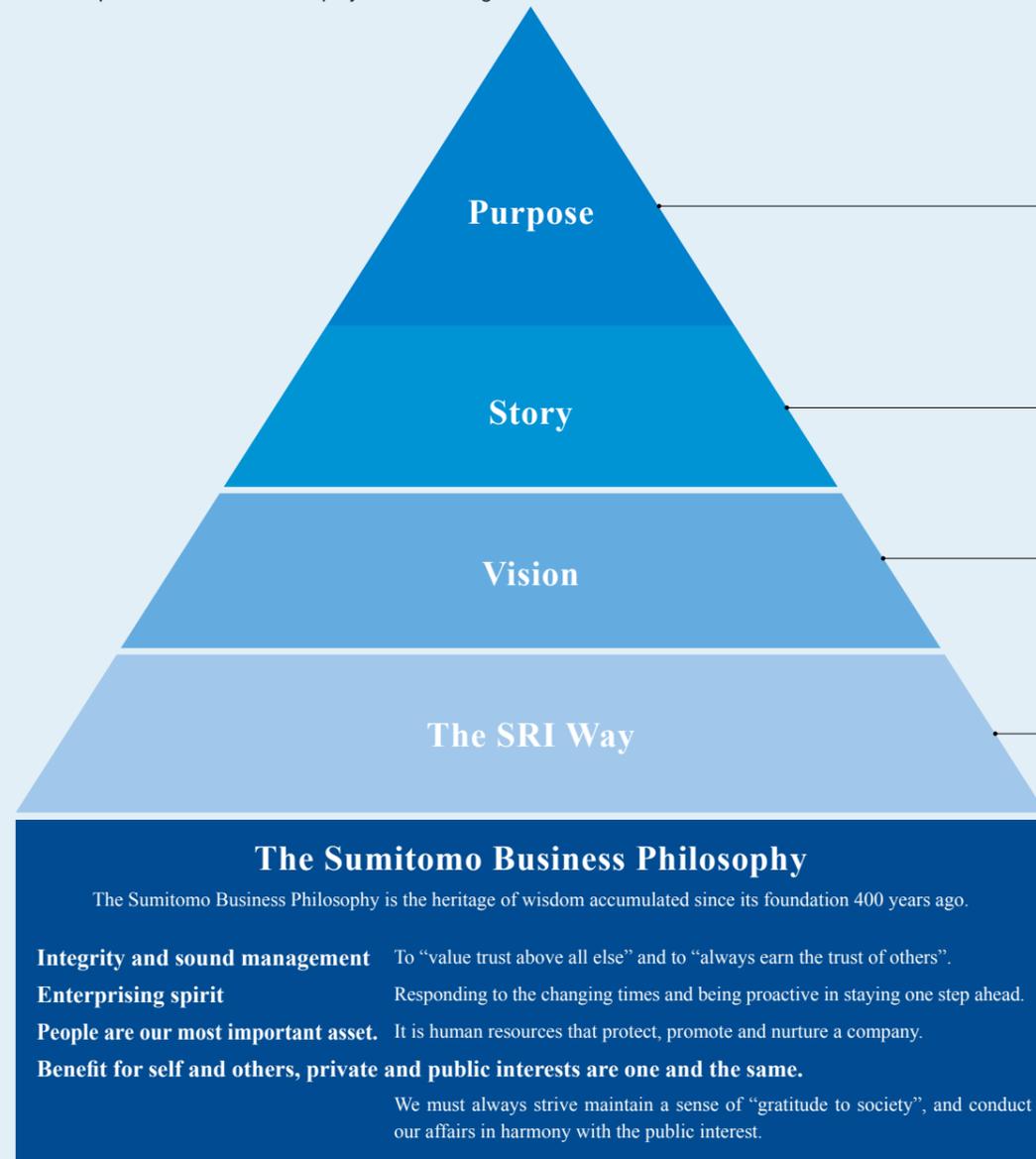


## “Our Philosophy” – a Corporate Philosophy Structure Guiding Sumitomo Rubber Group Operations

The business environment surrounding us has been radically evolving at an ever-faster pace.

In December 2020, we established “Our Philosophy” to provide unwavering and universal guidelines for all Sumitomo Rubber Group members to ensure our ability to stay flexible and adapt amid times of uncertainty and volatility like the present moment and secure further growth.

A revamp of our former, conventional corporate philosophy, “Our Philosophy” also draws on the “Sumitomo Business Philosophy,” which comprises the heritage of wisdom we have accumulated over the course of four centuries of operations and provides a basis on which the diverse capabilities of individual employees can be aligned and consolidated on the same vector.



### The Origins of the “Sumitomo Business Philosophy”

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 Philosophy,” 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 Philosophy” reflects Sumitomo’s strong sense of duty to society. To this day, the “Sumitomo Business Philosophy” still forms the basis for the Sumitomo Rubber Group’s “Our Philosophy.”



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



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

**Purpose** Sumitomo Rubber Industries’ reason for being, a cornerstone of our activities in society, providing a guide for all facets of our decisions and actions

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

[Details ▶ p. 5](#)

**Story** The beliefs behind our Purpose

**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.**

Our fundamental beliefs consist of respect for rubber materials and unshakable trust in their potential. Once introduced to Japan, the world’s first pneumatic tire commercialized by John Boyd Dunlop served as a precursor of modern rubber technology in the country and thus became a driving force behind the industrial advancement of the time. Taking full advantage of cutting-edge technologies, Sumitomo Rubber Industries developed other, non-rubber materials, guided by the progressive spirit that is an integral component of the “Sumitomo Business Philosophy” to enter new business fields. Looking ahead, we will remain attentive to and strive to best accommodate the needs of each customer while employing a long-term perspective to contribute to society.

**Vision** Our future vision regarding what we should look like as an organization

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

[Diversity & Inclusion ▶ p. 35](#)

Our Vision represents the state to which the Sumitomo Rubber Group aspires in order to embody our Purpose. We will leverage strengths afforded by diversity and spirited teamwork to grow into a resilient and flexible organization able to prevail amid radically changing times even as we aim for the constant creation of great value.

**The SRI Way** The values each member of Sumitomo Rubber Industries holds in order to realize our Vision and embody our Purpose

**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** A simple expression of all the aspects of “Our Philosophy”

## Rubber and Beyond, Driving Our Future

Purpose

Sumitomo Rubber Industries’ reason for being, a cornerstone of our activities in society, providing a guide for all facets of our decisions and actions

Our Purpose reflects our strengths and passions while being strongly conscious of needs of our customers and society as a whole.

Here, we provide a detailed explanation of our Purpose.



Professional golfer Hideki Matsuyama

The commercialization of the world’s first pneumatic tire resulted in the rapid and worldwide popularization of automobiles, bringing the era of motorization into reality. As shown in this instance, “world firsts” have the potential to completely alter the course of our daily lives. The above component of our Purpose represents our aspirations to remain an originator of “world firsts” and to blaze a new era.

We intend to contribute to well-being for people via the provision of safety and security, two qualities making our products stand out.

Safety is supported by our assiduous efforts to meet stringent standards for product safety. Security, on the other hand, includes a sense of security felt by customers. We strive to ensure that our customers can rest assured about the reliability and quality of Sumitomo Rubber products and services. To this end, we aim for even higher technological capabilities while endeavoring to create greater value that goes beyond customer expectations. The above component of our Purpose expresses our determination to earn and maintain customer trust in this way.

Purpose | Our Reason for Being

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

The word *innovation* encompasses two meanings: innovation deriving from new ideas and innovation achieved through the application of technological capabilities. These innovations have served as dual driving forces behind technological advancement undertaken by Sumitomo Rubber Industries. We are proud of being progressive in terms of realizing both types of innovation.

We aspire to deliver joy to our customers through a broad range of operations and in the diverse ways each of our businesses is capable of.

For example, our Tire Business strives to enable customers to experience the joy of driving—in which they may be accompanied by their loved ones—with a sense of security. In the provision of tennis, golf and other sports goods, we aim to help athletes feel a sense of fulfillment and excitement arising from success in achieving their best performance and winning the game. In the industrial product field, we endeavor to help people feel a sense of satisfaction about a comfortable lifestyle supported by a variety of products in areas related to medical care, infrastructure and other applications.

Joy, a component of our Purpose, thus represents the breadth of fields in which we aspire to bring to bear our capabilities and demonstrate our commitment to contributing to the creation of a joyful, sound, and affluent society by rallying the strength of all of our businesses.



Professional wheelchair tennis player Yui Kamiji



## A Roadmap for Sustainability Management

With “Our Philosophy” as the basis for all of our decisions, we pursue our Purpose—“Through innovation we will create a future of joy and well-being for all”—which provides the impetus for all of our actions in the course of corporate activities.

Focused on fulfilling our Purpose, we will strive to practice our “GENKI” Sustainability Activity Guidelines, which together constitute our framework for addressing priority issues, in line with the Sustainability Activity Fundamental Philosophy. In these ways, we will contribute to the continuing prosperity of a sustainable society as envisioned by the international community.

### Sustainability Activity Fundamental Philosophy

The Sumitomo Rubber Group will strive to help realize a sustainable society by contributing to the preservation of the global environment and the vitalization of communities so that we remain a corporate group deserving of society’s trust.

### “GENKI” Sustainability Activity Guidelines ▶ p. 55

The “GENKI” Sustainability Activity Guidelines consist of “G: Governance (Corporate Governance),” “E: Ecology (Ecological Process),” “N: Next (Next-Generation Products & Solutions),” “K: Kindness (A Kind Culture Where Everyone Can Prosper)” and “I: Integrity (Integrity for Society).”

Note: To upgrade our group’s approach to ESG management, in 2022, “G” as a component of “GENKI” was redefined from “Green (Green initiatives)” to “Governance (Corporate Governance).” In step with this redefinition, we also modified other items, reorganizing the content of the themes and priority issues.



### Long-Term Sustainability Policy ▶ p. 15

#### “Driving Our Future Challenge 2050”

**Environment**  
 Protecting the Global Environment & Safety

**Social**  
 Harmonious Coexistence with Society

**Governance**  
 Reinforcing the Foundations of Our Business

### Sustainable Social Development

### Midterm Plan ▶ p. 19

Target Indices		Target Vision for 2025 Performance	Value Drivers
Growth Potential	Sales Revenue	At Least ¥1 Trillion	Developing & Promoting Sales of Advanced Products
Profitability	Business Profit*	At Least ¥100 Billion	Creating New Value
Profitability of Invested Capital	ROE	At Least 10%	Promoting ESG Management
Fiscal Health	D/E Ratio	Within 0.5 x	

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

### “Be the Change” – A Groupwide Project to Reinforce the Foundations of Our Business ▶ p. 33

### Taking Full Advantage of Our Global Business Framework ▶ p. 21

### SMART TYRE CONCEPT ▶ p. 27 ▶ p. 76

**Tire Business**  
▶ p. 49

We produce tires for diverse applications, including for passenger cars, industrial vehicles, trucks, buses and motorcycles. With Dunlop and Falken as mainstay brands, we take advantage of industry-leading technologies in tire production while engaging in domestic and overseas marketing.

**Sports Business**  
▶ p. 51

We deliver golf clubs, tennis rackets and other sports equipment that are user-friendly and boast superior functions and also operate golf schools, tennis schools and fitness clubs. Through these operations, we support our customers’ daily pursuit of mental and physical health.

**Industrial Products Business**  
▶ p. 53

We manufacture a variety of products ranging from daily life supplies, such as rubber gloves and products used in care-giving, to industrial materials, including artificial turf for sporting facilities, rubber parts for medical applications and vibration control dampers.

## TOP COMMITMENT



### Satoru Yamamoto

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

# Creating Greater Joy & Well-Being for All Stakeholders with Our Hearts United under “Our Philosophy”

## A Purpose Made All the More Important by the Prevalence of Unforeseen Changes

With so many unforeseen changes occurring without warning and impacting our business in unexpected ways, we now find ourselves in the midst of a business environment full of diverse risks that can materialize at any moment and on a global scale.

If we are to keep pace with this rapidly shifting business environment, it is essential that our employees be able to make decisions on their own while responding to these changes and risks with greater speed and flexibility than ever before. The Sumitomo Rubber Group now has some 40,000 employees working all over the world. So that all of our diverse employees can move forward as a united team, we believe that our Purpose (the statement that defines our group’s very reason for existence) will become ever more important as a unifying force that brings us all together.

“Our Philosophy,” the corporate philosophy framework that the Sumitomo Rubber Group unveiled to the world in December

2020, was the culmination of nearly two years of working to devise an unshakeable foundation for our group, one that expands on the “Sumitomo Business Philosophy” in a way that resonates with our stakeholders around the world. It is quite fortunate that we were able to introduce “Our Philosophy” when we did, just as the world was undergoing a series of bewildering changes brought on by the COVID-19 pandemic.

When we first launched “Our Philosophy” throughout the Sumitomo Rubber Group, I was particularly pleased to receive messages of support from local members of staff at our overseas subsidiaries. One email that I received on the day of the launch read, “I fully agree with this new philosophy. I will be working to spread it throughout my company as well.” Although we are still in the process of disseminating “Our Philosophy,” I am nevertheless already getting a strong sense that it is beginning to sink in.

## Accelerating Our Sales Comeback against a Backdrop of Economic Recovery Following the Worst of the Pandemic

▶ p. 19

For the Sumitomo Rubber Group, 2021 was a year marked by enormous changes in the business environment. As the economy began to recover from the darkest days of the pandemic, we succeeded in increasing sales of Advanced Products in particular. At the same time, however, skyrocketing prices for raw materials and container shipping placed a significant strain on our profits. Thanks to the sure and steady preparations that we had made during the early stages of the pandemic to ready ourselves for the eventual recovery, we were able to ride the wave of rising demand to accelerate a strong comeback in sales performance.

Drawing on the strengths of our “Global Manufacturing, Sales & Service Network,” our “Global Supply Network” and our “Trilateral R&D Network (Japan/USA/Europe),” our Tire Business was able to get the most out of our global business framework by rapidly deploying a robust lineup of Advanced Products tailored to the needs of each market just as the recovery was picking up speed. For example, in the United States, we have built up trusting relationships with local tire dealers over the years thanks to the efforts of a specialized team whose purpose is to

provide direct sales support to retailers. These efforts have paid off with the breakout success of our FALKEN WILDPEAK Series of 4x4/SUV tires, which have garnered widespread popularity by consistently aligning with the needs of users. FALKEN’s brand value is also on the rise in Europe, where our high-performance tires were ranked No. 1 overall in performance testing carried out in 2021 by one of the most influential automobile federations on the continent: ADAC (*Allgemeiner Deutscher Automobil-Club*), Europe’s largest motoring association. FALKEN tires also ranked first and third in terms of wear resistance in ADAC tire testing carried out in 2022, just as the onset of the EV Era brought renewed attention to tire performance. Speaking of EVs (electric vehicles), we launched our first-ever replacement tires for EVs, featuring the highest level of energy efficiency in our group’s history, on the Chinese market in 2022 and are planning to follow this up with the launch of new replacement tires for EVs on the European market in 2023.

Although it took us many years to build up a network capable of delivering such Advanced Products to our customers throughout

TOP COMMITMENT

the world, this network is now finally beginning to bear fruit. During my many years with the Sumitomo Rubber Group, I have spent quite a bit of time directly involved in replacement tire product development, marketing and sales. Based on my experience to date, I can say with confidence that our sales network and service network are now steadily equipping themselves with remarkable strength.

At the same time, however, the pace of long-needed improvements in terms of productivity and profitability at our factories in the United States and South Africa has been slower than we had expected, as the pandemic put the brakes on production activities while also making it difficult to send support teams from Japan. Nevertheless, these improvements have been moving

forward surely and steadily. Indeed, we made the decision to invest in increasing production capacity at our U.S. factory after verifying the progress that they have made so far on their improvement plans. We also decided to invest in increasing production capacity at our factory in Brazil, which is already developing into a facility that can contribute to the overall profits and productivity of the Sumitomo Rubber Group as a whole.

Meanwhile, as social distancing brought renewed interest in golf as a leisure activity that can be enjoyed safely, our Sports Business rode a wave of surging demand to achieve remarkable sales growth across all of our major golf brands, further bolstered by Hideki Matsuyama's historic win at The Masters Tournament using our golf clubs.

**Correcting the Inefficiencies Holding Back the Buildup of Our Global Framework** ▶ p. 21

Given our recent sales performance, we now anticipate achieving one of the key targets set forth in our 2020 Midterm Plan as early as 2022, namely, sales revenue of at least ¥1 trillion by 2025. This achievement is the result of our tireless efforts to respond to the needs of customers in each market when it comes to product appeal, quality, price, delivery and aftermarket service. At the same time, these sales revenue also represent the sum total of all of the trust that customers place in the Sumitomo Rubber Group. Moving forward, we will continue working to increase sales by striving to earn an even higher level of trust from our customers.

One of the major challenges that our group now faces is the fact that we have not yet managed to translate strong sales into a commensurate increase in profits. From the beginning, our Midterm Plan business profit target of at least ¥100 billion represented a much higher hurdle than our sales revenue target of at least ¥1 trillion. And so, in order to raise the bar for profits and offset the impact of the economic downturn brought about by the pandemic, we have been working tirelessly to "Reinforce Our Foundation for Profitability" and "Improve Our Organizational Framework" as part of our "Be the Change" (BTC) Project to

reinforce the foundations of our business. As a result of these activities, we have now brought to light several lingering inefficiencies that have hindered our efforts to establish and build up our global business framework.

First of all, while we enjoy strong sales of Advanced Products, many of our general-purpose products are tires in smaller sizes, which tend to have lower profit margins. These unprofitable tire sizes reduce our overall efficiency when it comes to production, the procurement of raw materials and research and development. As such, there is now a pressing need to raise the bar for profits by paring down and optimizing our lineup of tire sizes.

Next, fixed costs are increasing at a higher rate than sales, while per-employee sales and profits are also falling short of targets. So that we may bring to light various underlying inefficiencies, we are pushing ahead with DX (Digital Transformation) at full speed with the goal of completing this transformation in 2025. The resulting "visualization of management" will enable us to focus our human resources on key areas of business and optimize overall personnel placement so that we can increase output from these key areas while reducing overall fixed costs.

In tandem with the above activities, we have also spent the last two years working tirelessly to "Reinforce Our Foundation for Generating Profits" as part of our BTC Project.

Our next major step in these efforts will be business selection and concentration, which means analyzing our business portfolio based on the concept of ROIC management in order to clearly identify the lines of business to focus on for expansion, lines of business to focus on to improve profitability and so forth so that we can more flexibly adjust the allocation of our business resources while

adding, restructuring and eliminating lines of business as needed.

So that we may further accelerate these efforts moving forward, we are now hard at work on a comprehensive revision of our Midterm Plan. In light of the positive results that we have seen thus far from the BTC Project when it comes to generating cash, we are also planning to launch a new Groupwide project to generate the additional cash that we will need to achieve further growth down the line, with the launch of this project set to coincide with the revision of our Midterm Plan.

**Changing Employee Behavior to Strengthen Our Organizational Framework** ▶ p. 33

Our BTC Project takes its name from a quote by none other than India's "Father of the Nation," Mahatma Gandhi, who famously said, "You must be the change you want to see in the world." We chose this quote because it reflects our hope that each and every employee will play a leading role in bringing about change, exercising their personal initiative to change our group for the better rather than simply waiting for somebody else to make change happen.

Since kicking off in 2020, the BTC Project has launched multiple task forces that are now actively engaged in various activities to tackle specific challenges in a wide range of fields. For example, the task forces tasked with creating new value and generating cash and profits have so far come up with over 6,000 ideas for measures to achieve these aims. In the coming years, we will be working to put each of these ideas into action surely and steadily.

These activities are already producing positive effects, including employees undertaking all sorts of new challenges throughout

our group and dynamic cooperation across organizations that are producing solid results. At the same time, these activities are equipping our organization with the skills and know-how that we will need to tackle Groupwide challenges through cooperation between organizations, in turn adding to our store of strength to keep moving forward no matter what challenges we may face in the future. The Sumitomo Rubber Group will continue to make the most of the positive effects of the BTC Project in terms of closer cooperation between organizations as well as a stronger overall organizational framework.

The BTC Project is currently in the process of expanding these activities to our overseas bases of operation, where they are already producing success stories. Thanks to these activities, communication between our Head Office in Japan and our global group companies is more active than ever before, with employees all over the world sharing results and know-how while pushing each other to raise the bar all around.

**Promoting D&I to Realize Workplaces Where Everyone Can Truly Shine** ▶ p. 35

Launched in February 2019, our "Diversity & Inclusion Project" (D&I Project) aims to create a corporate culture that enables each of our diverse employees to truly shine. Since its inception, this project has gradually expanded its activities while actively seeking out and incorporating the opinions of employees throughout our group in the interests of crafting better all-around policy measures. In particular, our D&I Project aims to transition away from the outmoded organizational management styles of the past and move toward building organizations that generate innovation through teamwork that is based on mutual respect among diverse teammates, as well as workplaces that produce new ideas through active discussion in a safe and open environment.

In the interests of furthering these D&I Activities, we recently provided training on unconscious bias to all of our executives and managers. I myself became aware of many new things during my conversations with the instructor, the main points of which I have shared with employees throughout our group in the form of a special message from the president. In fact, throughout our group, it is now becoming more and more common to stop for a moment and ask ourselves, "Am I making this decision based on some unconscious bias?"

Measures to empower women in the workplace are a key area of focus for our D&I Activities. Accordingly, as part of these activities, a team led by women has been working to come up with

various policy measures to bridge the gender gap, such as preparing a manual for supporting employees who are balancing the demands of work and childcare, establishing a system for following up on employees who have had to put their careers on hold due to childbirth and childcare and implementing a mentor system in 2021. While gradually expanding these activities, we also began conducting questionnaire surveys of all female employees in 2021 in order to gain a better understanding of and monitor the status of women in our group.

In 2021, we also provided training on LGBT issues to all of our executives and managers and established an external liaison office that LGBT employees can contact for consultations. These and other activities earned us a Silver Certificate from the civil rights organization "Work with Pride" in their "PRIDE Index 2021," which rates companies on the basis of corporate efforts to support the LGBT community. In 2022, we also established rules recognizing same-sex partnerships, enabling LGBT employees and their partners to take advantage of many of the same benefits as spouses for the first time.

In 2022, we established a new D&I Group within our Human Resources Department with the aim of further accelerating these efforts. Our D&I Group is already working to expand these activities around such keywords as "men's participation in childcare" while ensuring that our group remains up to date with the latest revisions to the Child Care and Family Care Leave Act.



TOP COMMITMENT

**A Long-Term Sustainability Policy with an Eye Toward 2050 & Beyond**

▶ p. 15

In order to ensure that the Sumitomo Rubber Group would be able to live up to the ideals of “Our Philosophy” while ensuring the sustainable growth and development of both our group and society as a whole, we saw a clear need for an ambitious new policy, one based on long-term perspectives that look to the world of 2050 and beyond. Thus, in August 2021, we set forth a new Long-Term Sustainability Policy: “Driving Our Future Challenge 2050.”

Since its founding, the Sumitomo Rubber Group has produced numerous Japan-first and world-first products, including Japan’s first domestic automobile tire, Japan’s first radial tire and even the world’s first 100% fossil resource-free tire made from all-natural materials.

In the process, we developed new technologies that enabled us to manufacture tires without relying on petroleum, with a particular focus on biomass materials as the key to making 100% fossil resource-free tires a reality. Since then, we have continued to advance biomass technology as well as technologies to increase the amount of recycled raw materials in our tires. With the ultimate aim of contributing to the realization of carbon neutrality, we have set targets to increase the sustainable raw material content of our tires to 40% by the year 2030 and to 100% by the year 2050. Our Sports Business and Industrial and Other Products Business are also working to raise the sustainable raw material content of their products to 100% by the year 2050.

When it comes to creating sustainable tires that are safe for both people and the environment, the Sumitomo Rubber Group

is currently working to complete the development of SMART TYRE CONCEPT by the year 2029, when we plan to have all of our innovative Safety Technologies (for greater peace of mind) and ENASAVE Technologies (for a healthier environment) fully ready. Then, we plan to incorporate at least one SMART TYRE CONCEPT technology in every new tire that we bring to market from 2030 onward.

“Driving Our Future Challenge 2050” encompasses a range of efforts to achieve carbon neutrality (with a focus on Scopes 1 and 2). For example, in August 2021, we initiated a proof of concept involving the use of hydrogen to power certain manufacturing processes at our Shirakawa Factory in Japan. Utilizing both solar power and hydrogen energy, the Shirakawa Factory plans to complete the transition to clean energy for all processes on the NEO-T01 production line (which produces high-performance tires) in 2023, thus making CO<sub>2</sub> emission-free tire manufacturing a reality. Moving forward, Shirakawa Factory will gradually transition all of its manufacturing processes to hydrogen energy, and we are looking to expand the use of hydrogen energy to our other factories in Japan and around the world in the near future.

Meanwhile, when it comes to the Social and Governance aspects of ESG, we are working to reinforce our foundations to support ambitious new Groupwide challenges, with efforts focusing on health and safety, improving our organizational culture and climate, promoting harmony and respect for diversity, upholding human rights, supply chain management, augmenting corporate governance and ensuring full compliance.

**Aligning Our Vectors Around “Our Philosophy” to Accelerate Our Approach to Our Ideal State**

▶ p. 27

The “Sumitomo Business Philosophy” has been passed down through the generations over the 400-year history of the Sumitomo Group. The Sumitomo Rubber Group also carries on the ideals of the “Sumitomo Business Philosophy,” which has long served as the basis for decision-making throughout all of our wide-ranging business activities. In 1963, we incorporated the “Sumitomo Business Philosophy” into our very first Corporate Philosophy, which has since undergone several revisions in keeping with the changing times and reflecting various changes within our group. Nevertheless, the core ideals of “fulfilling our corporate social responsibilities,” “pursuing greater happiness for all group employees” and “rising to the expectations of our customers” remain unchanged.

Now, with the promulgation of “Our Philosophy,” we have expanded on these ideals by defining the Purpose of the Sumitomo Rubber Group’s existence thusly: “Through innovation we will create a future of joy and well-being for all.” At the same time, we have also distilled the underlying worldview behind our Purpose into a simple corporate slogan: “Rubber and Beyond, Driving Our Future.” With our Purpose as a guiding light for all of our employees to follow, serving as the basis for every decision and the impetus for every action, we believe that each and every one of our employees worldwide will be able to make surefooted decisions while driving our group forward in the right direction

toward accomplishing our goals.

The slogan “Rubber and Beyond, Driving Our Future” refers not only to the function of rubber in tires but also to the value that we hope to provide beyond functionality, namely, a brighter, happier future for everyone who comes into contact with our products and services. One way in which we are working to bring this ideal to fruition is through the ongoing advancement of our SMART TYRE CONCEPT for the development of next-generation tires and peripheral services. For example, the SMART TYRE CONCEPT is already giving rise to new solutions services that take full advantage of digital technology to adeptly respond to the rise of CASE, MaaS and other new innovations that are already transforming the automotive industry. In this way, we look forward to contributing to the Mobility Society of the Future by creating the kinds of value that future tires will require.

At the heart of our solutions services is our proprietary SENSING CORE Technology, which is able to detect road conditions, tire pressure, wear, load and even early signs of wheel detachment without using any kind of hardware-based sensors. What sets SENSING CORE apart is the fact that it uses tires themselves as sensors, which means that it does not require the installation of any additional hardware and is completely maintenance-free. At the same time, SENSING CORE can also create new value by sharing the data that it collects over the



cloud in order to provide greater safety for autonomous vehicles while reducing maintenance costs, etc.

With electric vehicles (EVs) paving the way for the rise of a New Mobility Society, the Sumitomo Rubber Group recently introduced its very-first replacement tires designed specifically for EVs in China, where the automobile market is rapidly shifting away from fossil fuels. We are planning to follow this up with a foray into the market for EV tires in Europe in the near future. In addition to boasting the highest level of energy efficiency in our group’s history, these tires feature an innovative technology that our group pioneered: SILENT CORE. Installed in some 14 million tires sold to date, SILENT CORE equips tires with specialized noise-absorbing sponges to provide the quiet drive that EV users demand while contributing to a more pleasant mobility environment for all.

In spite of these advances, however, we also discovered quality control improprieties at Group factories in July 2021. It still brings me much regret and dismay to think of the great deal of trouble that these unfortunate incidents caused for our customers. The issues at our factory in South Africa came to light thanks to employees who had the courage to speak up about them. This discovery prompted us to perform a general inspection

throughout our group, which led to the further discovery of issues with our marine fenders. We were ultimately able to respond to and correct these issues because of the employees who had the courage to speak up and share the truth. In response to these incidents, we have now established a new Quality Assurance HQ under my direct jurisdiction as president and are currently working to implement surefire and permanent measures to prevent such issues from arising in the future.

I believe that aligning our vectors around “Our Philosophy” will prove central to our efforts to ensure that nothing like this will ever happen again. To this end, it is essential that Group executives (myself included) take the initiative in instilling “Our Philosophy” throughout the Sumitomo Rubber Group to ensure all of our employees have the right mindset and to provide a firm basis for making decisions in the course of our day-to-day work. I am sure that if all employees take the time to ask themselves and their colleagues whether they are providing greater joy and well-being or whether they are living up to the ideals of honesty and integrity on a regular basis, these ideals will come to shape the mindset of our organization as a whole, which, in turn, will serve to align our entire group in the right direction.

**Creating Greater Joy and Well-Being for All Stakeholders**

I believe that what is now required of us is that each and every employee of the Sumitomo Rubber Group works to create and provide the world with greater joy and well-being for the environment, for people, for society and for the future.

Enhancing both our economic value and our value to society in keeping with our Midterm Plan will require taking on new challenges to create new innovation with each passing day as well as living up to the trust that is placed in us by our customers and by society while continuously creating value that exceeds all expectations. Living up to our Purpose means revamping our business to bring about greater satisfaction for our customers and our employees alike. What matters most in this process is that our Purpose resonates with all of our stakeholders, and so

getting the message out will be a focal point of our efforts. As part of the ongoing process of revising our Midterm Plan, we are also now planning to redefine our ideal state of what our business should be.

Moving forward, the Sumitomo Rubber Group will continue striving to enhance our corporate value so that we may create greater joy and well-being for all of our stakeholders while at the same time pursuing greater happiness for all of our employees by promoting diversity and a corporate culture that enables each of our diverse employees to truly shine and taking full advantage of DX and other tools to improve the efficiency of our work, all while creating ever-greater innovation.

## Long-Term Sustainability Policy: “Driving Our Future Challenge 2050”

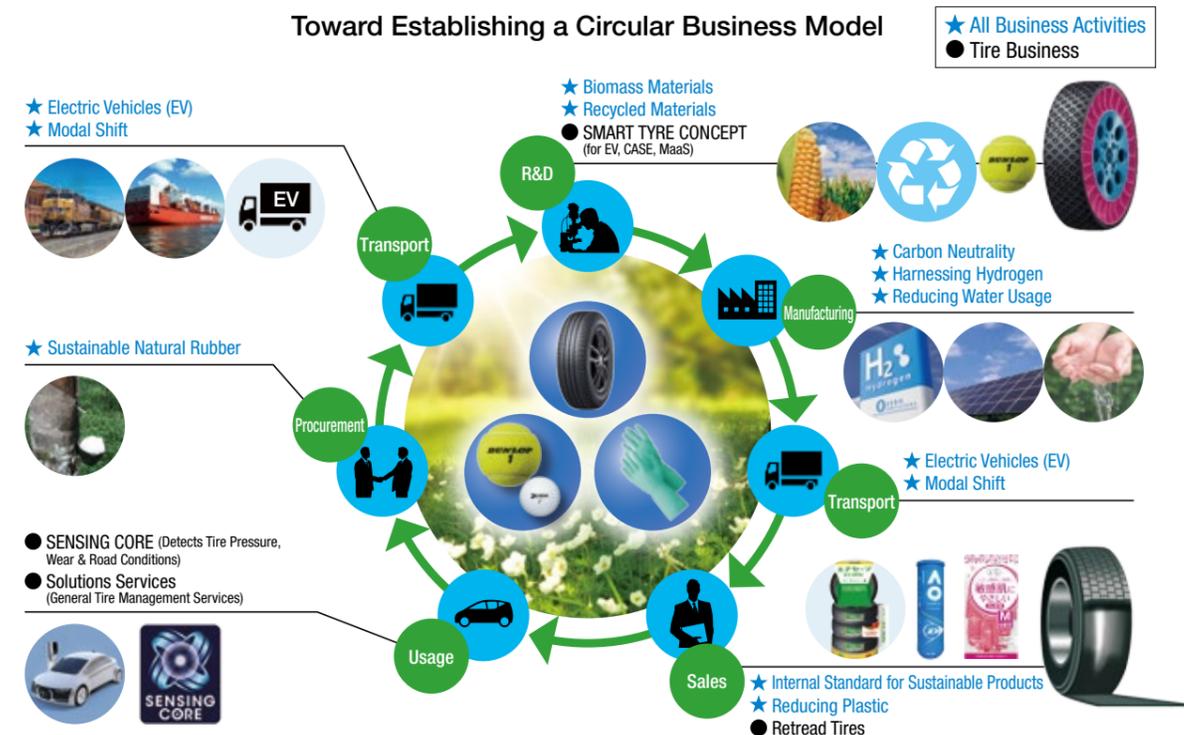
When we announced the Sumitomo Rubber Group’s Midterm Plan in February 2020, we identified “Promoting ESG Management” as one of the key Value Drivers for achieving our goals. Accordingly, we have pledged to redouble our efforts to work toward the solution of various environmental and social issues throughout our business activities so that we may contribute to the realization of a sustainable society. At the same time, in light of the rapid push to achieve carbon neutrality in response to the accelerating impacts of climate change and other recent environmental changes, we came to the conclusion that a new policy, one based on long-term perspectives that look to the world of 2050 and beyond, would be essential to our efforts live up to the ideals of “Our Philosophy” while ensuring the sustained growth and development of both our group and society as a whole. We thus set about formulating the new Long-Term Sustainability Policy: “Driving Our Future Challenge 2050,” which we announced to the public in August 2021. “Driving Our Future Challenge” is not only a policy for fulfilling our Purpose as set forth in “Our Philosophy,” it also serves as a set of policies for “Promoting ESG Management” in accordance with our Midterm Plan.

### Challenge Targets Set Forth under “Driving Our Future Challenge 2050”

Driving Our Future Challenge 2050			
	2050 Challenge Target Themes	Action Plans	Target (Year)
<b>Environment</b> Protecting the Global Environment & Safety	<ul style="list-style-type: none"> <li>Product Innovation</li> </ul>	<ul style="list-style-type: none"> <li>Realizing SMART TYRE CONCEPT</li> <li>Creating an Internal Standard for Sustainable Products</li> </ul>	<ul style="list-style-type: none"> <li>Concept Tire Completion (2029), Equip all new tires with smart tire concept (2030)</li> <li>Setting Targets for Internal Standards (2022)</li> </ul>
	<ul style="list-style-type: none"> <li>Carbon Neutrality</li> </ul>	<ul style="list-style-type: none"> <li>Carbon Neutrality (Scope 1, Scope 2)</li> <li>Carbon Neutrality (Scope 3)</li> <li>Harnessing the Potential of Hydrogen</li> </ul>	<ul style="list-style-type: none"> <li>50% Reduction in Emissions Compared to 2017 Levels (2030), Full Carbon Neutrality (2050)</li> <li>Setting Targets for the Reduction of Scope 3 Emissions (2022)</li> <li>Stable Operation of Production Line Utilizing Hydrogen Boilers (2023)</li> </ul>
	<ul style="list-style-type: none"> <li>Resource Recirculation</li> <li>Sustainable Raw Materials</li> </ul>	<ul style="list-style-type: none"> <li>Increasing Usage Rate of the Sustainable Raw Material</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable Raw Material Content Targets by Product Line                             <ul style="list-style-type: none"> <li>Tires: 40% (2030), 100% (2050)</li> <li>Sports: 20% of All Practice Golf Balls Sold (2030), 100% of All Golf Balls Sold (2050)</li> <li>Launch of 100% Sustainable Tennis Balls (2030), 100% of All Tennis Balls Sold (2050)</li> <li>Industrial Products (by Weight): 40% (2030), 100% (2050)</li> </ul> </li> <li>Reducing Plastic Usage</li> </ul>
	<ul style="list-style-type: none"> <li>Water Resources</li> </ul>	<ul style="list-style-type: none"> <li>Reducing Water Usage</li> </ul>	<ul style="list-style-type: none"> <li>40% Reduction in Plastic Used in Tire Labels, Packing Materials, Sales Promotion Tools, etc. Compared with 2019 Levels (2030)</li> <li>100% Recycled Water Usage at Bases of Operations in Areas with High Water Security Risk (2050)</li> </ul>
	<ul style="list-style-type: none"> <li>Supply Chain Management for the Environment</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable Natural Rubber (SNR) Policy</li> </ul>	<ul style="list-style-type: none"> <li>Raw Material Procurement in Line with SNR Policy</li> <li>Applied to Major Suppliers (2030), Applied to All Suppliers (2050)</li> </ul>
<b>Social</b> Harmonious Coexistence with Society	<ul style="list-style-type: none"> <li>Safety &amp; Health</li> </ul>	<ul style="list-style-type: none"> <li>Thoroughgoing Occupational Safety &amp; Health</li> <li>Promoting Healthy Management</li> </ul>	<ul style="list-style-type: none"> <li>Zero Serious Accidents</li> <li>Revamping Industrial Health Framework &amp; Cultivating Culture of Health</li> </ul>
	<ul style="list-style-type: none"> <li>Organizational Culture</li> </ul>	<ul style="list-style-type: none"> <li>Developing Leadership</li> </ul>	<ul style="list-style-type: none"> <li>Global Introduction of 360° Feedback (2030), Ongoing Executive Coaching (2030), 80% Positive Responses on Organizational Health Survey (2030)</li> </ul>
	<ul style="list-style-type: none"> <li>Respect &amp; Harmony in Diversity</li> </ul>	<ul style="list-style-type: none"> <li>Promoting Diversity &amp; Inclusion</li> <li>Promoting Women’s Empowerment</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of Unconscious Bias Training to All Levels (2030)</li> <li>Ongoing Career Development Program for Women, Percentage of Management Positions Held by Women: 7% (2025), 12% (2030)</li> </ul>
	<ul style="list-style-type: none"> <li>Human Rights</li> </ul>	<ul style="list-style-type: none"> <li>Establishing a Human Rights Management System</li> </ul>	<ul style="list-style-type: none"> <li>Creation of Human Rights Due Diligence Process, Formulation of Global Human Rights Policy &amp; Establishment of Management Framework (2024), Establishment of Human Rights Management System (2030)</li> </ul>
<b>Governance</b> Reinforcing the Foundations of Our Business	<ul style="list-style-type: none"> <li>Supply Chain Management</li> </ul>	<ul style="list-style-type: none"> <li>Actively Seeking Third-Party Assessments (Transparency)</li> </ul>	<ul style="list-style-type: none"> <li>Auditing Performed for 95% of Tire Raw Materials on Purchase Value Basis (2030)</li> </ul>
	<ul style="list-style-type: none"> <li>Stronger Corporate Governance</li> </ul>	<ul style="list-style-type: none"> <li>Increasing Diversity of Board Members</li> <li>Improving Effectiveness of Governance</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of a Framework for Improving the Effectiveness of the Board of Directors with an Eye Toward External Changes &amp; Our Shifting Business Situation</li> <li>Analyzing the Results of Third-Party Assessments to Enact Measures to Enhance Effectiveness</li> </ul>
	<ul style="list-style-type: none"> <li>Thoroughgoing Compliance</li> </ul>	<ul style="list-style-type: none"> <li>Transparency with Respect to Taxes</li> <li>Instilling “Our Philosophy”</li> </ul>	<ul style="list-style-type: none"> <li>Formulation of Tax Policy</li> <li>Enactment of Global Tax Strategy (2025)</li> <li>80% Supportive Response on “Our Philosophy” Entrenchment Survey (2030)</li> </ul>

## Environment: Protecting the Global Environment & Safety

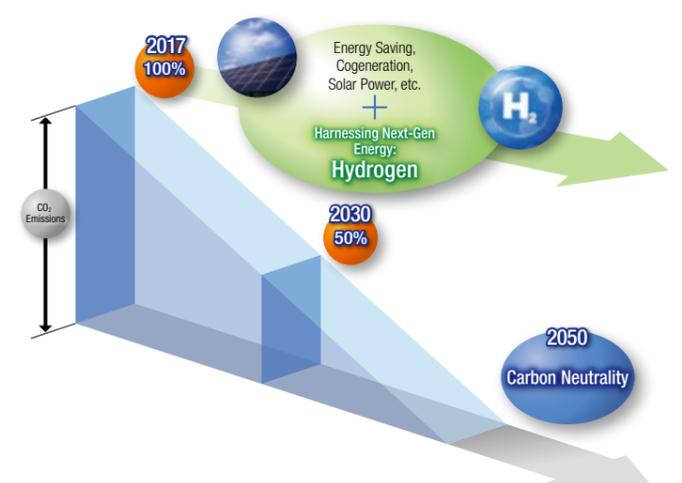
As part of our environmental efforts, the Sumitomo Rubber Group is working to “Reduce CO<sub>2</sub> Emissions,” “Increase the Use of Biomass & Recycled Raw Materials” and “Develop Sustainable Products” throughout our Tire Business, our Sports Business and our Industrial Products Business as well as throughout our supply chains from procurement to transport, development to manufacturing and sales to usage. At the same time, we are in the process of establishing our own unique environmentally conscious business model with an eye toward the world of 2030 and the future of 2050. With our proprietary SENSING CORE Tire Sensing Technology at the forefront of these efforts, we are working to create new solutions services that will reduce the environmental impact of mobility while providing greater safety and peace of mind so that we may make positive contributions to the advancement of CASE, MaaS and other innovations that will bring forth the Mobility Society of the Future.



## Harnessing Hydrogen Energy to Power Manufacturing Processes

In August 2021, our Shirakawa Factory (Fukushima Prefecture) initiated a proof of concept to harness hydrogen energy for our NEO-T01 Manufacturing System, which produces high-performance tires. By using a combination of hydrogen and solar power generation for electricity to power steam production, Shirakawa Factory aims to complete the transition to clean energy for all processes on the NEO-T01 production line in 2023, thus making CO<sub>2</sub> emission-free tire manufacturing a reality.

Moving forward, Shirakawa Factory will gradually transition all of its manufacturing processes to clean energy, and we are looking to expand the use of hydrogen energy to our other factories in Japan and around the world in the near future.



Long-Term Sustainability Policy: "Driving Our Future Challenge 2050"

Environment: Protecting the Global Environment & Safety

Creating Internal Standards for Sustainable Products

The Sumitomo Rubber Group has established our own "Internal Standards for Sustainable Products," accounting for CO<sub>2</sub> emissions as well as the biomass content and recycled content of product raw materials and so forth. We are currently in the process of rolling out these standards throughout our Tire Business, Sports Business and Industrial Products Business. By increasing sales of products that fulfill these internal standards, we hope to contribute to the realization of a circular economy.



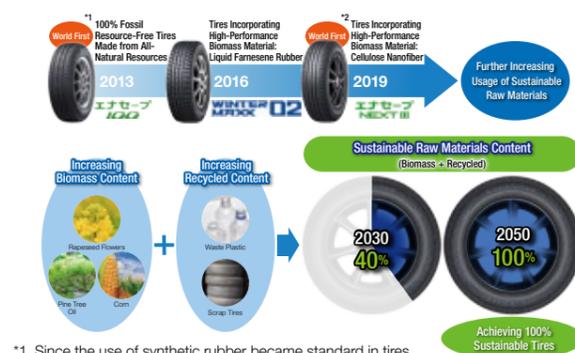
SMART TYRE CONCEPT Development Plan

The Sumitomo Rubber Group aims to complete the development of all SMART TYRE CONCEPT technologies by 2029, at which point we will put forth concept tires featuring all of our ENASAVE Technologies, Safety Technologies and CORE Technologies in various configurations, each optimized to the specific performance requirements of the tire's intended use. From 2030 onward, we plan to incorporate at least one SMART TYRE CONCEPT technology in every new tire that we bring to market.



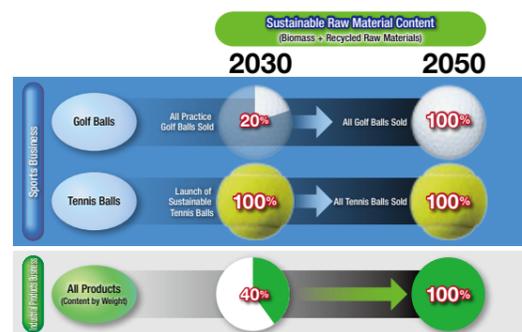
Promoting Sustainable Raw Materials

In 2013, the Sumitomo Rubber Group released ENASAVE 100, the world's first 100% fossil resource-free tire made from all-natural materials. Since then, we have continued to advance and expand the technologies that we created for the development of ENASAVE 100 with the aim of increasing the sustainable content (Biomass + Recycled Raw Materials) of our products toward ultimately achieving carbon neutrality. Toward this end, we have set targets to increase the sustainable raw material content of our tires to 40% by the year 2030 and to 100% by the year 2050. By increasing the amount of biomass and recycled raw materials in our tires, we hope to make 100% sustainable tires a reality in the near future.



\*1 Since the use of synthetic rubber became standard in tires (In-House Research)  
\*2 In-House Research

100% Sustainable Raw Material Content by 2050



Our Sports Business is also actively engaged in efforts to make carbon neutral golf balls and tennis balls a reality.

Our Golf Business has set targets to raise the sustainable raw material content of all practice golf balls sold to 20% by 2030 and to complete the transition to 100% sustainable raw materials in all golf balls sold by 2050.

Our Tennis Business has also set targets to release its first tennis balls made from 100% sustainable raw materials by 2030 and to complete the transition to 100% sustainable raw materials in all tennis balls sold by 2050.

Our Industrial and Other Products Business is also working to achieve carbon neutrality through efforts to increase sustainable raw material content across all of its diverse products, with the specific targets of achieving 40% sustainable raw material content by 2030 and 100% sustainable raw material content by 2050.

Efforts to Reduce Plastic Usage

As plastic waste has become an increasingly serious social issue in recent years, the Sumitomo Rubber Group is now working to reduce our usage of plastic.

Today, many of our products use plastic. However, as part of our overall efforts to reduce CO<sub>2</sub> emissions, we are currently in the process of gradually reducing the amount of petroleum-based plastic that we use for tire labels, packaging and so forth with a target of reducing our total global plastic usage by 40% compared with 2019 levels by the year 2030.



Social: Harmonious Coexistence with Society

We have set several Challenge Target Themes for efforts to make positive contributions to society, covering "Safety & Health," "Organizational Culture," "Respect & Harmony in Diversity," "Human Rights" and "Supply Chain Management."

Among these activities, one area of particular focus for our efforts is "Promoting the Empowerment of Women." Thanks to our continued industry-leading efforts to recruit and retain women as full-time staff, the percentage of management positions held by women rose from 1.3% in 2010 to 3.5% in 2020. In 2009, we became the first rubber manufacturer to receive a "Kurumin" Certificate for supporting employees with childcare needs. We also received a 2-Star "Eruboshi" Certificate for promoting the advancement of women in the workplace in 2019. In November 2020, this was upgraded to a 3-Star "Eruboshi" Certificate after the percentage of management positions held by women rose above the rubber industry average of 2.7%, which brought our score up to the next level across all five evaluation criteria. Further, our group has now set a target to raise the percentage of management positions held by women to 12% by 2030.



Meanwhile, only 3% of the technicians working on our production lines are women, and so we recognize that we still have many challenges to overcome when it comes to providing environments that make it easier for women to work and more.

Governance: Reinforcing the Foundations of Our Business

With "Our Philosophy" serving as the basis for our every decision and as the impetus behind our every action, the Sumitomo Rubber Group is now committed to working to enhance our value to society in addition to our economic value while actively contributing to the realization of a sustainable society as a matter of basic management policy. Under this policy, we consider efforts to enhance our corporate governance framework to be a key management priority.

The Sumitomo Rubber Group has installed an Audit & Supervisory Board in the belief that such a board provides an ideal framework for the continuous enhancement of overall corporate governance. We consider the oversight function provided by individual Auditors as well as the Audit & Supervisory Board to be indispensable to our ongoing efforts to implement a unified Groupwide management framework, build stronger trusting relationships with communities across society, enhance Groupwide governance and improve the transparency of our business activities.

Further, in the interests of ensuring objectivity and transparency in the nomination of officers and decisions concerning remuneration, the Sumitomo Rubber Group has also installed a Nomination & Remuneration Committee as a voluntary advisory body that is chaired by an Outside Director. In addition, regular reporting by the Corporate Ethics Committee, the Risk Management Committee, the Sustainability Promotion Committee and other deliberative bodies to the Board of Directors not only serves to augment the Board's supervisory function but also contributes to the further enhancement of our overall corporate value.

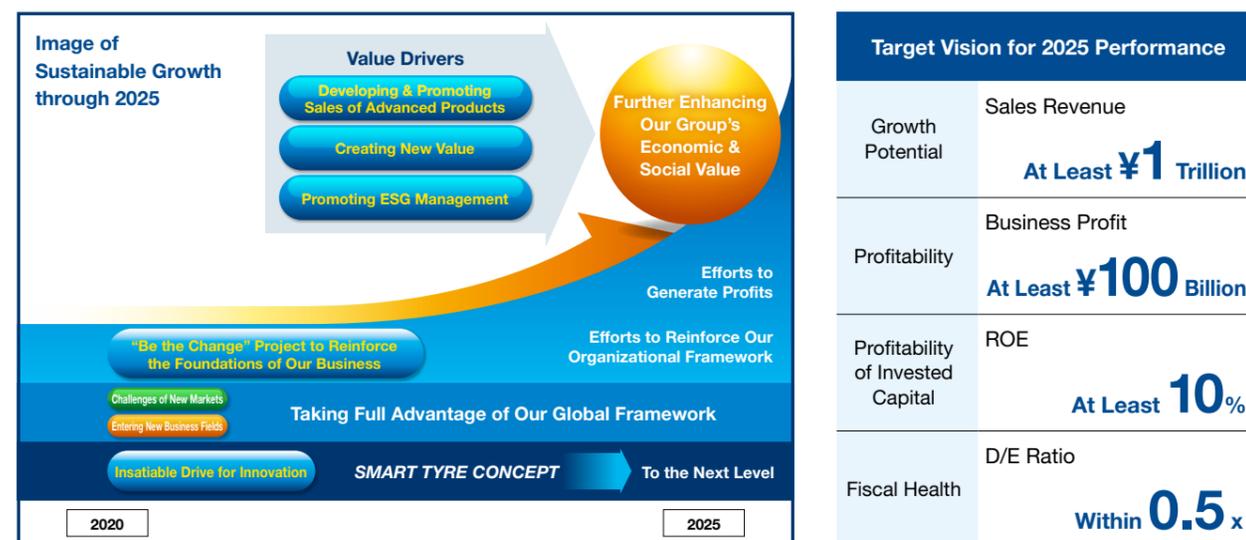
The Sumitomo Rubber Group believes that maintaining full and consistent compliance with all applicable laws, regulations and standards of corporate ethics is not only the basis for our continued existence but is also essential to ensuring that our group remains dynamic and competitive in the long run. As such, we established a "Compliance Consultation Office" and enacted "Rules Concerning Systems & Organizations for the Promotion of Corporate Ethics" and the "Sumitomo Rubber Group Corporate Code of Conduct" in February 2003. We have been working continuously since then to build a more robust infrastructure for ensuring thoroughgoing compliance.

## Midterm Plan Overview & Progress Report

The Sumitomo Rubber Group has been pursuing business according to the roadmap set forth in the 2020 Midterm Plan. Our current Midterm Plan aims to expand on the Growth Engines of our previous Midterm Plan, drawing on our “Insatiable Drive for Innovation” to advance our SMART TYRE CONCEPT to the next level while taking full advantage of the global business framework that we have built through years of taking on the “Challenges of New Markets” and “Entering New Business Fields.” At the same time, we have also been working since 2020 to “Reinforce Our Foundation for Profitability” and “Improve Our Organizational Framework” as part of an ongoing Groupwide project to “Reinforce the Foundations of Our Business.” These efforts have set the groundwork for our current efforts to pursue greater all-around value, which are now being driven by three Key Value Drivers: “Developing & Promoting Sales of Advanced Products,” “Creating New Value” and “Promoting ESG Management.”

While the COVID-19 pandemic and other recent events have brought enormous changes to the business environment, we nevertheless continue striving to further enhance our group’s economic and social value while responding to these changes and strengthening the foundations of our business in the process, all backed by these Key Value Drivers.

### Midterm Plan Overview: Target Vision for 2025 Performance



### Progress Report on Our Midterm Plan: 2021 Consolidated Performance Overview



Thanks to steady growth in sales volume and increased sales prices as well as positive FOREX trends, we now anticipate that we will achieve our Midterm Plan sales revenue target of ¥1 trillion in 2022. At the same time, however, various external factors have led to the formation of a gap between our business profit target and our current profit levels. In order to correct course, we are currently in the process of revising our Midterm Plan and will unveil our new plan as soon as it is complete.



## Taking Full Advantage of Our Global Business Framework

### Reinforcing Our Global Business Framework

One of the main strengths of our Tire Business is the solid foundations that we have built for our business in Japan, China and the rest of Asia, where we have developed close relationships of trust with automobile manufacturers to expand sales of OE tires, which, in turn, produces a strong pull effect to ensure steady sales of replacement tires as well. The Sumitomo Rubber Group is now in the process of taking this model for success and expanding it on a global scale.

Our group already possesses manufacturing, sales and service bases that are positioned to serve major markets worldwide, while our "Trilateral R&D Network" (with bases in Japan, North America and Europe) enables us to develop products that are tailored to the characteristics of each market. At the same time, while pushing ahead with the transition to local production for local consumption, we have established a flexible global supply network that allows us to supply tires from our factories in Asia to wherever they are needed. The Sumitomo Rubber Group is now in the process of reinforcing the foundations of our business in each market, supported by these three key pillars of our Global Business Framework. Meanwhile, with an eye toward future sales, we are now in the process of increasing production capacity and updating equipment at our factories in the United States, Brazil, Thailand, Japan and Turkey with a particular focus on larger tire sizes and other Advanced Tires.

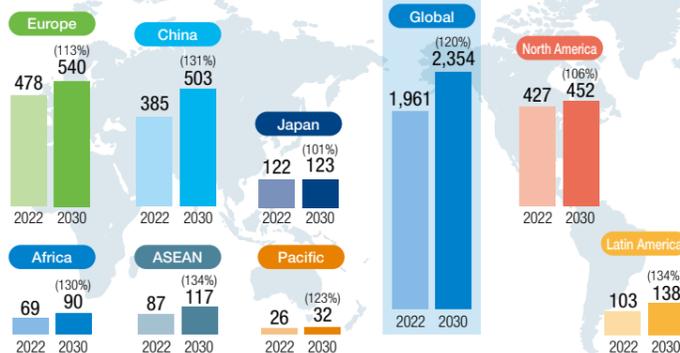


### Global Tire Demand & Our Focal Markets

Global demand for tires is expected to approach two-billion units in 2022. While the markets of Europe, North America, China and Japan are already quite large, current growth trends suggest that the major markets of the future will include ASEAN, Latin America and other regions as well. Accordingly, while continuing to further strengthen our foothold in markets where we already possess solid business foundations (Japan, China, ASEAN), we are now working to expand our presence in the rapidly growing markets of Latin America. At the same time, we are working to expand the brand footprint of FALKEN Tires in the markets of Europe and North America.

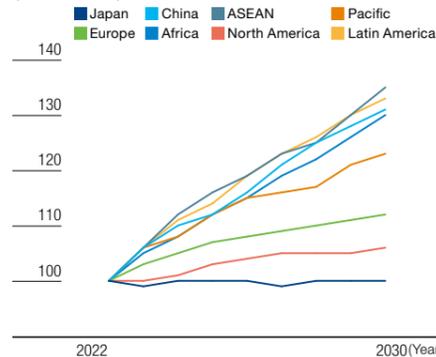
#### Global Tire Demand (Estimate)

(Millions of Tires / Percentage Proportional to 2022 in Parentheses)



#### Global Growth in Tire Demand (Tires for 4W Vehicles)

(2022 Index: 100)



Source: LMC Tyre & Rubber Ltd.

Asian Market  
(Japan & China)

### Asian Market: Maintaining Steady Sales to Drive Solid Profits

#### Japan

#### Creating Demand for All-Season Tires: Tenfold Increase in Sales Volume in First 4 Years on Market

Within the Japanese market for replacement tires, we have been working to create new demand for all-season tires, which can handle snowy roads in addition to wet and dry roads.

After launching ALL SEASON MAXX AS1, all-season tire for passenger cars in October 2019, we next released ALL SEASON MAXX VA1 for commercial vehicles in March 2021 and then ALL SEASON MAXX AS1 for TAXI in September 2021. In this way, we have beaten our competitors to the punch when it comes to rolling out a robust lineup of all-season tires.

Customers who live in cities and other areas with only occasional snowfall are taking note of the many benefits of all-season tires, which include eliminating the need for seasonal tire replacement and storage as well as having the flexibility to cope with sudden snowfalls. We will continue to promote all-season tires as "a safe and convenient choice for handling all types of weather range and coping with sudden weather changes" over a wide demographic range as part of our plan to increase the overall all-season tire sales volume by a factor of ten (approximately) in their first four years on the market.

#### Now with a Robust Lineup: ALL SEASON MAXX Series



#### China

#### Building a Strong Manufacturing & Sales Framework through Local Production for Local Consumption

We have already built a strong framework for manufacturing and sales by promoting local production for local consumption in China, where demand for tires continues to grow.

Our plans for the Chinese OE tire market involve expanding beyond our current customer base of Japanese and German automobile manufacturers with operations in China. In particular, we aim to establish a firm foothold to supply rapidly growing Chinese electric vehicle (EV) manufacturers, with plans to expand our overall OE supply business from tires for four EV models in 2022 to at least 15 EV models in 2025.

Meanwhile, we have been steadily raising the bar for replacement tire sales through tenacious sales promotion activities that take full advantage of the stable sales base provided by our regional distributor system as well as the in-house ecommerce site that we developed to complement this system. In 2021, sales through our ecommerce site represented nearly 80% of our sales through dealer channels.

When it comes to products, we released our GRANDTREK PT5 tires for SUVs in 2021. These tires have been well-received on the Chinese market thanks to the inclusion of an innovative technology that our group pioneered: SILENT CORE. Installed in some 14-million tires sold to date, SILENT CORE equips tires with specialized noise-absorbing sponges to provide a quieter drive. In 2022, we followed this up with the launch of our group's first replacement tires designed specifically for EVs, e. SPORT MAXX. With this new product for EC, we will try to enhance the brand presence of Dunlop Tires throughout the China Market.

#### Strong Sales of Our GRANDTREK PT5 SUV Tires Featuring SILENT CORE (Special Noise-Absorbing Sponges)



#### Our First Replacement Tires for EVs: e. SPORT MAXX



#### Expanding OE Supply in Response to Increasing EV Sales Establishing a Firm Foothold to Supply Growing Chinese EV Manufacturers

Expanding Beyond Japanese & German Automakers with Plans to Increase Our Supply to Rapidly Growing New Chinese EV Manufacturers

Supply for 4 Models (5 Sizes)  
2022

Supply for 15 Models  
By 2025

#### Stable Sales Base based on Regional Distributor System Taking Advantage of Our In-House Ecommerce Site to Raise the Bar for Overall Sales

Sales via Ecommerce Site as a Proportion of Dealer Channel Sales





## Americas Market: Focusing Our Efforts on the World's Largest Market (North America) & Brazil (Latin America)

### North America

#### Preparing Sales Structures/Channels to Increase Sales of FALKEN Tires Backed by Product Appeal & Specialized Retailer Support Teams

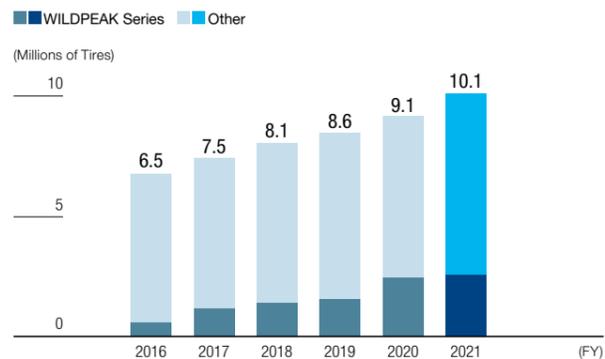
Our FALKEN Brand is doing quite well in North America, the world's largest tire market. Our WILDPEAK Series has been a huge hit, driving our annual replacement tire sales in the region above ten-million units in 2021 while bringing our share of the North American market for replacement passenger car tires to 5%.\*

The Sumitomo Rubber Group has built strong relationships with major wholesalers and retailers in North America, where FALKEN's own original F.A.S.T. retailer support teams have provided direct sales support for some 10,000 retailers since their launch in 2018. Taking advantage of proprietary programs and tools to promote retail sales, these teams have achieved numerous successes to date. Moving forward, we will continue to expand these F.A.S.T. activities so that we may continue to increase our overall sales in North America.

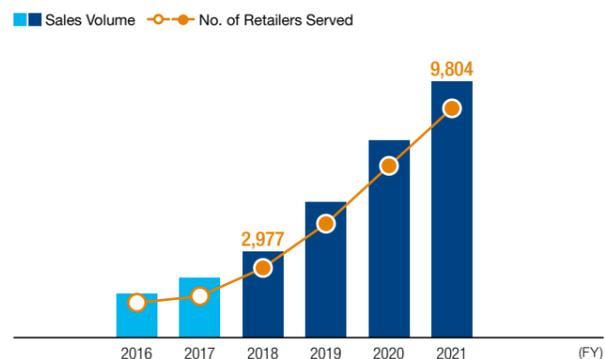
\*FALKEN Brand Share of North American Market for Passenger Car Replacement Tires 2021 (Source: Modern Tire Dealer)



Increasing Replacement Tire Sales Volume (FALKEN Brand Sales Performance)



Sales Increase Brought About by F.A.S.T. (Initiated in 2018)



### Brazil

#### Establishing a Strong Brand Presence for DUNLOP Tires in Just 10 Years on the Market

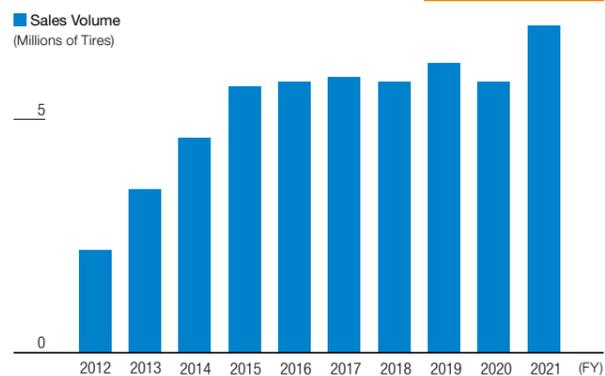
The Sumitomo Rubber Group has been focusing efforts on the future growth markets of Latin America and particularly Brazil, where we have established a strong brand presence for DUNLOP Tires in the ten years since we entered the market. Backed by local production for local consumption, we have been steadily expanding our OE supply business, while our regional distributor system has provided a solid sales base for steadily increasing our replacement tire sales volume and market share.

Our share of the Brazilian market for passenger car replacement tires has grown to over 10%\* in just these ten years. We are currently in the process of increasing production capacity at our Brazil Factory with an eye toward increasing sales in this market even further while taking advantage of our augmented supply capacity to expand our exports to markets throughout Latin America.

Meanwhile, our manufacturing and sales subsidiary in Brazil has grown into a company that is firmly rooted in and beloved by the local community, even receiving a commendation from the City of Fazenda Rio Grande, the city our Brazil Factory calls home, in 2021.

\*Share of Brazilian Market for Passenger Car Replacement Tires in 2021 (In-House Estimate)

Increasing Replacement Tire Sales Volume in Latin America



Growing Share of Market for Passenger Car Replacement Tires in Brazil, Now Above 10%

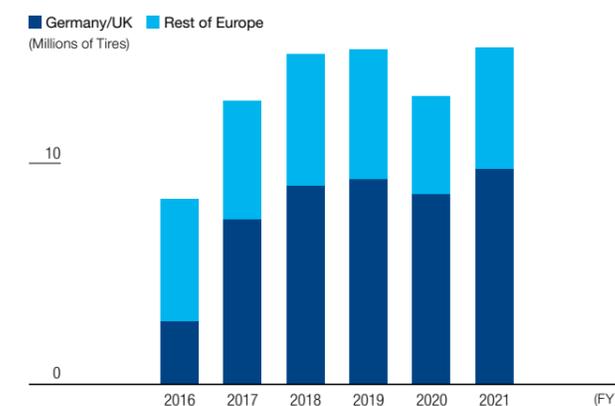
## European Market: Increasing Sales throughout Europe with a Focus on the Major Markets of Germany & the UK

The major markets of Germany and the United Kingdom are key areas of focus for our overall efforts in Europe.

Our efforts to expand our OE supply business in Europe, including supplying tires to Mercedes-Benz for their G-Class vehicles and beyond, have produced a pull effect resulting in increased sales of replacement tires as well.

The Sumitomo Rubber Group will continue working to expand OE tire sales in the European market with a focus on supplying tires for premium vehicles, including increasing orders for new vehicles from existing OE customers. Toward this end, our main supply factory for the European market in Turkey is in the process of updating its production equipment to support the transition to manufacturing tires in larger sizes.

Increasing Replacement Tire Sales Volume in Europe



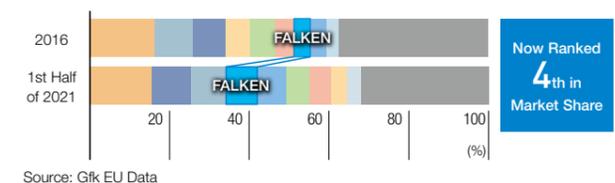
### Germany

#### Establishing a Strong Foothold in the German Market, with FALKEN Now Ranked 4th in Replacement Tire Market Share

Thanks to our active efforts to promote sales while enhancing the value of our FALKEN Brand, we have made steady progress in establishing a strong foothold in the German market. In fact, our share of the German market for replacement tires has steadily grown to the point that FALKEN is now ranked fourth.

Our high-performance AZENIS FK510 tires were ranked No. 1 overall in performance testing carried out in 2021 by ADAC (*Allgemeiner Deutscher Automobil-Club*), the largest automobile federation on the continent. AZENIS FK510 also ranked No. 1 in tire wear resistance testing conducted by ADAC in 2022. These accolades from a leading institution have served to further bolster our sales in the region.

FALKEN Brand Share of the German Market



Source: GfK EU Data



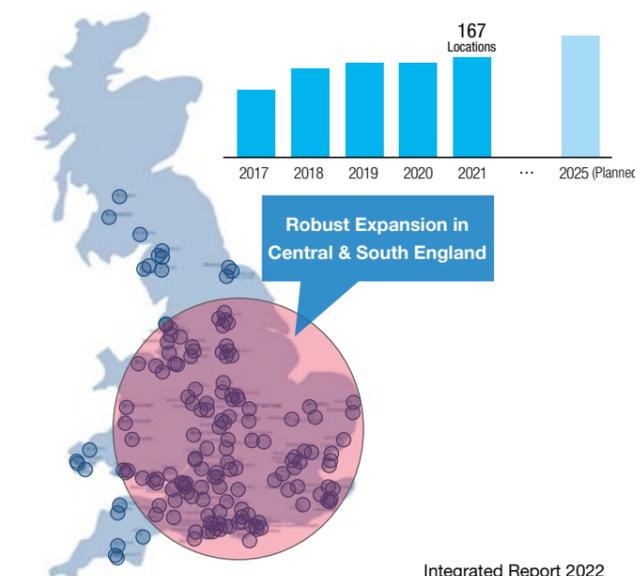
### United Kingdom

#### Expanding Micheldever Sales Network

In 2017, the Sumitomo Rubber Group acquired Micheldever, an established tire wholesaler and retailer in the United Kingdom. Since then, Micheldever has steadily expanded its retail network and increased overall sales thanks to aggressive M&A. The company has now built a sales network covering some 20% of the UK tire market, with 167 directly owned retail locations and over 6,000 wholesale customers (as of the end of 2021).

Taking advantage of their unique data-driven know-how on retail operations and sales promotion, the company has driven up overall sales through a community-oriented approach while using this same know-how to get recently acquired retail locations up and running on a solid footing. Micheldever already possesses retail locations serving most of Central and South England and currently has plans to expand in the North as well.

Expanding No. of Retail Locations



Robust Expansion in Central & South England

Midterm Plan Overview & Progress Report

Value Driver No. 1

## Developing & Promoting Sales of Advanced Products

Even as global demand for tires continues to grow, competition among tire manufacturers also grows more and more intense with each passing day.

In the midst of this competitive environment, the Sumitomo Rubber Group is pushing ahead with efforts to enhance our corporate value by developing and promoting sales of Advanced Products incorporating technologies that are second to none.

### SUV Tires Featuring SILENT CORE Specialized Noise Absorbing Sponges GRANDTREK PT5

Growing demand for electric vehicles (EVs) has also led to increasing demands for quieter tires. Our SILENT CORE Technology achieves quiet drive performance by installing sponges on the inside of tires to absorb air vibration that occurs within tires during driving. The Sumitomo Rubber Group was the first in the world to develop this groundbreaking technology, which has already been installed in over 14 million tires sold to date.

Featuring our proprietary SILENT CORE Technology, our GRANDTREK PT5 tires were well received upon their release in 2021 in China, where the market is steadily shifting toward EVs.



### Ranked No. 1 Overall in Tire Testing Conducted by Europe's Largest Automobile Federation: ADAC AZENIS FK510

As one would expect from the flagship tire of our FALKEN Brand, AZENIS FK510 provides outstanding performance when it comes to handling, braking and steering stability at high speeds, all thanks to the adoption of a unique asymmetrical pattern design as well as specialized rubber compounds.

In 2021, our AZENIS FK510 was ranked No. 1 overall in tire evaluations conducted by ADAC (*Allgemeiner Deutscher Automobil-Club*), performing well in testing on both wet roads (evaluating hydroplaning, wet grip, etc.) and dry roads (evaluating handling, braking, etc.) to earn the highest score of any tire tested that summer. Thanks to its exemplary performance on both wet and dry road surfaces, FALKEN AZENIS FK510 has won accolades as an excellent all-around summer tire.

In addition, AZENIS FK510 also ranked No. 1 in tire wear test conducted by ADAC in 2022, while our ZIEX ZE310 ECORUN was ranked No. 3.



### Launching Replacement Tires for EVs on the Markets of China & Europe

In the near future, the Sumitomo Rubber Group will be releasing our first-ever replacement tires designed specifically for EVs, featuring the highest level of energy efficiency in our group's history, for the markets of China and Europe, which are rapidly transitioning toward EVs.

In 2022, we launched our first EV tire in China: e. SPORT MAXX,\* which not only provides balanced high performance in terms of wet grip and steering stability, but also features SILENT CORE Technology in order to achieve the quiet drive performance that one would expect from an EV. We plan to follow this up with the launch of e. ZIEX tires for EVs on the European market in 2023.

\*e. SPORT MAXX Details [Next p. 76](#)



The Sumitomo Rubber Group is currently focusing efforts on increasing global sales of Advanced Tires. In 2021, sales of Advanced Tires were up 12% (by volume) compared with 2020. Advanced Tires also accounted for 34% of our total tire sales in 2021, representing an increase of 2% over 2020.

	Proportion	2020 Actual	2021 Actual	2022 Forecast
Advanced Tires*	OE Tires	40%	44%	47%
	Replacement Tires	29%	31%	33%
	Total	32%	34%	37%

\*Advanced Tires: Tires for SUVs (Primarily) & Passenger Car Tires in Sizes of 18" or Larger

Dialogue between the Officers in Charge of R&D

## "A Brighter Future" Means Innovation for the Next Generation

### What are the Sumitomo Rubber Group's main strengths when it comes to R&D?

**Muraoka** Our "Spirit of Innovation" is always a step ahead, even if we sometimes do not realize it at the time. In the past, we have developed many technologies that went unnoticed at the time of their development, but later went on to form the basis for some of our current mainstays.

**Kuniyasu** For example, our proprietary SILENT CORE Technology is now receiving a lot of attention thanks to the silent engines in electric vehicles (EV), which make noise from the road and tires all the more noticeable. This technology uses specialized sponges to absorb air vibration within tires in order to provide a remarkably quiet drive.

In fact, this technology was developed by a team of researchers who had discovered the cause of tire noise: air resonance occurring within the cavernous interiors of tires during driving. They then surmised that stuffing crumpled up newspaper into a tire might serve to eliminate this noise, and the rest is history.

**Muraoka** Their work led to SILENT CORE, but neither our group nor our competitors paid much attention to this technology at first. After a while, our competitors began to notice the advantages of this technology and started working on versions of their own. I believe that we owe our survival in this highly competitive market to our ongoing pursuit of these kinds of technical innovations.

**Kuniyasu** Another example of a technology that did not receive much attention at first was our IMS (Instant Mobility System) Tire Puncture Emergency Repair Kits. IMS is also now in the spotlight thanks to electric vehicles, which often forgo spare tires in order to make room for batteries.

And IMS is not our only technology when it comes to forgoing spare tires. We have run-flat tires, which can continue running for a fair distance after being punctured. We also have sealant tires, which apply a special sealant to the inside of the tire tread in order to fill in holes and prevent air from leaking in the event of a puncture. Indeed, one of our greatest strengths is the fact that we have so many different technologies in our toolbox.

**Muraoka** I often tell our young researchers to "create the trends of the times." This means approaching our customers with new ideas and solutions before our competitors get a chance, and this is something that has been a key strength of the Sumitomo Rubber Group ever since we produced Japan's very first domestic tire, which was just the first of many Japan-first and even world-first products and services that we have brought into the world.

### What are your thoughts on the future direction of R&D and the challenges ahead?

**Kuniyasu** When it comes to tires, I believe that R&D will take two directions. The first direction will involve developing tires that provide new added value to keep pace with the transformation of mobility. In addition to EV, we are also actively engaged in R&D to support future advances in autonomous vehicles, including the development of technologies to prolong tire performance and technologies to detect road conditions. The second direction will involve contributing to the realization of a sustainable society, and so we are also working on the development of technologies to reduce, reuse and recycle tire materials.

**Muraoka** Speaking of materials, biomass (a catchall term for renewable organic resources derived from plants and animals) is now receiving a lot of attention as an environmentally friendly alternative to fossil resources, and so many companies have been racing to develop the next generation of biomass materials. Meanwhile, whereas companies have developed their own proprietary rubber materials up until now, the ongoing shift toward biomass materials will make it more and more difficult for



**Kiyoshige Muraoka**  
Director and Senior Executive Officer  
Head of the Research & Development HQ

companies to set themselves apart on the basis of material properties. As a result, I think that future development will center on efforts to reduce the costs involved in biomass materials. In the future, I believe that it will become necessary to differentiate ourselves from our competitors on the design side (such as designing lightweight tires that use fewer raw materials) as well as the manufacturing side (such as improving mixing and other processes involved in material processing), etc.

At the same time, the use of biomass materials will not be limited to tire manufacturers. Indeed, manufacturers across all industries are currently looking into the possibilities of various biomass materials. However, it goes without saying that not enough biomass materials are being produced to fully replace the vast quantities of petroleum currently being used. In the interests of securing sustainable quantities of raw materials, we will need to make use of recycled materials as well. Japan has systems in place for recycling tires, but most of the materials are simply incinerated to produce heat energy. We need to think about how to turn tires back into raw materials so that we can put these to use again. I think that our entire industry should come together to tackle this challenge through the establishment of new systems for recycling tires.

### In what ways will R&D contribute to the realization of "Our Philosophy"?

**Kuniyasu** "Our Philosophy" calls upon us to "create a brighter future." Perhaps this is a universal theme shared by all manufacturers. However, the major difference lies in how innovation for a brighter future is created. I would say that now is the time to make the change from a top-down approach to innovation and move toward a more self-driven approach. When young researchers and technicians can attain fulfillment by working on things that they are passionate about, this in turn serves as a springboard that motivates them to contribute to society, which leads to greater fulfillment. I think that it is great to be able to get such a virtuous cycle going. This passion may not go far in the hands of a single person, but if a hundred people all come together and say, "Let's do it," then they are sure to get things done.

After all, making friends is also part of "Our Philosophy."

**Muraoka** I really like the idea of "innovation for a brighter future." The lives of comfort and convenience that we lead today are made possible by the many innovations that came before. We live in an age when many things can be produced cheaply and in large quantities as production becomes increasingly automated. While this is surely also the result of innovation, at the same time, the earth is facing an existential crisis when it comes to finite resources and environmental issues. Can we really say that we are creating a brighter future? I believe that "innovation for a brighter future" must mean innovation for future generations, for our children and grandchildren.

There is perhaps no greater symbol of the "Sumitomo Business Philosophy" than Mt. Besshi Copper Mine. After years of mining pollution had caused extensive damage to the surrounding forest and local community, the Director General of the Sumitomo Group expended an enormous amount of time and money to restore Mt. Besshi to how it had been before. Today, the forest there is truly beautiful. Perhaps what we are all facing right now is similar to Mt. Besshi. With the way that things are going, the earth may very well turn into a bald mountain as well. And so, we must restore our planet into a world where people can continue to live far into the future. I believe that this is the world envisioned in our Purpose.

I hope not only to uphold these two ideals for as long as I live, but also to pass them on to future generations.



**Yasuaki Kuniyasu**  
Senior Executive Officer  
Head of the Tire Technical HQ

Value Driver No. 2

## Creating New Value: Expanding Our SENSING CORE Business

Driven by our SMART TYRE CONCEPT, the Sumitomo Rubber Group is not only actively engaged in the development and manufacture of tires but is also working to expand our SENSING CORE Solutions Business as well. The centerpiece of this business is our proprietary SENSING CORE Technology, which is able to detect road conditions in addition to tire pressure, wear progression and more.

Through this new line of business, we hope to contribute to the development of the Mobility Society of the Future by helping to make traffic accidents a thing of the past and fully autonomous vehicles a reality.

### SENSING CORE Business Expansion Roadmap

The Sumitomo Rubber Group has drawn up a three-step roadmap for the expansion of our SENSING CORE Business. Step 1, the commercial rollout of our "Tire Pressure & Temperature Management Service," was commenced in 2021. This service utilizes data on tire pressure and temperature gathered by the onboard TPMS (Tire Pressure Monitoring System) to reduce both the time and effort involved in tire inspections while preventing low tire pressure, which can inhibit tire fuel efficiency performance and shorten tire life. Thanks to a proprietary data analysis algorithm, this system is even able to detect slow air leaks, which are extremely difficult to detect in manual inspections.

Step 2 is the start of a proof of concept for SENSING CORE being undertaken from 2022. Step 3 will be the commercial rollout of SENSING CORE, which we have planned for 2024. From there, we will link our SENSING CORE Business to a "Sustainable Value Ring" that links to the entire value chain of a tire from development through recycling.

#### SENSING CORE Business Roadmap

Our Tire Pressure & Temperature Management Service has already demonstrated the value that we can provide through data. We will now move forward with the proof of concept that we initiated for SENSING CORE in 2022 toward rolling out this innovative technology in 2024.

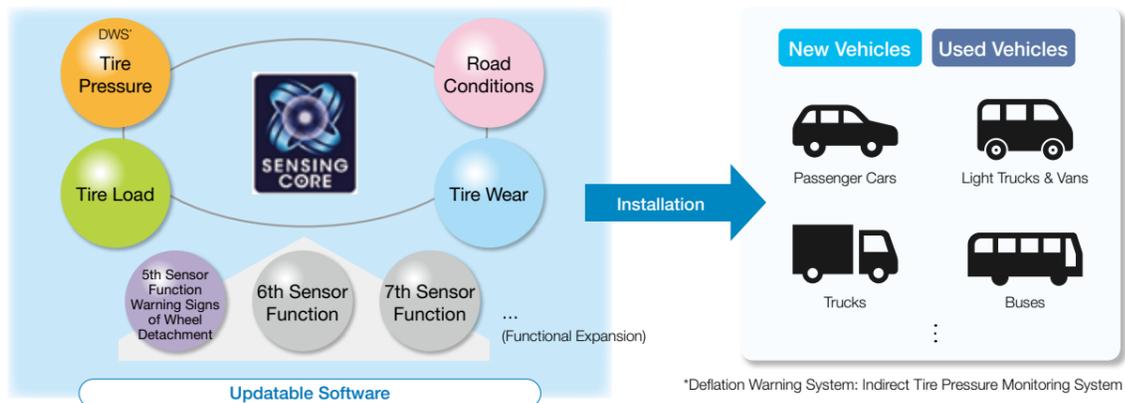


### What is SENSING CORE Technology?

SENSING CORE is software that is able to detect Tire Pressure, Tire Load, Tire Wear, Road Conditions and so forth. It represents the culmination of various proprietary technologies that the Sumitomo Rubber Group has refined over more than 25 years as part of the development of DWS (Deflation Warning System), which we first launched in 1997.

Once installed in a vehicle's onboard computer, the software uses machine learning to familiarize itself with the characteristics of the tires mounted on the vehicle automatically. In addition, the software is not only compatible with all types of vehicles and tires, but its functionality can also be expanded through software updates.

While SENSING CORE is currently capable of detecting "Tire Pressure," "Tire Load," "Tire Wear" and "Road Conditions," we have been making steady progress on the development a fifth sensor function to detect "Warning Signs of Wheel Detachment." At the same time, we are always actively examining various possibilities for further functional expansion down the line.



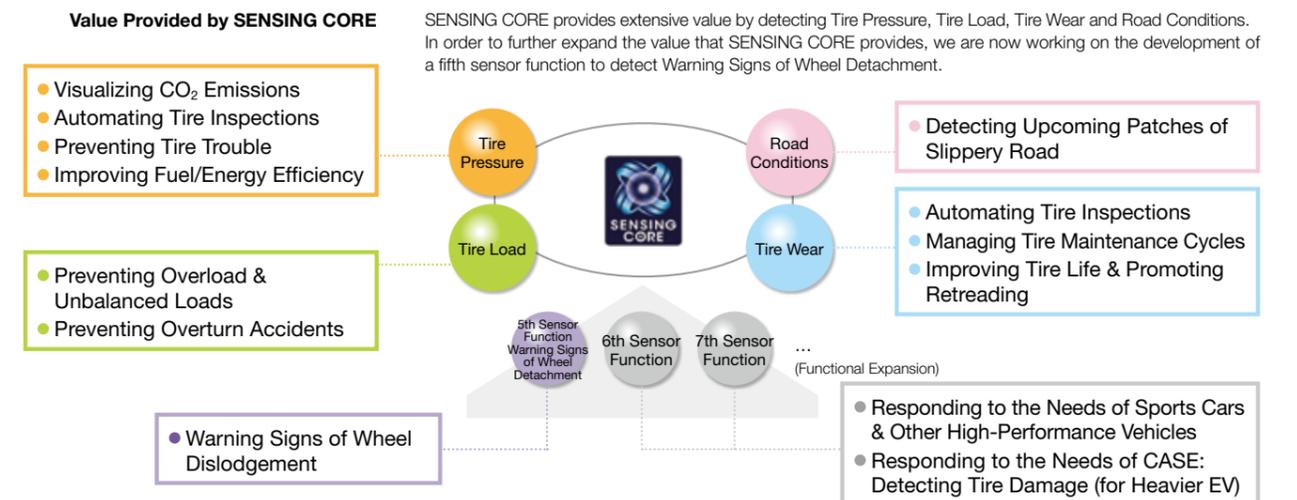
### Value Provided by SENSING CORE

By detecting Tire Pressure, Tire Load, Tire Wear and Road Conditions, SENSING CORE can provide extensive value when it comes to automating tire inspections, managing maintenance cycles more efficiently, preventing tire trouble and more.

With the development of a new function to detect "Warning Signs of Wheel Detachment" already well under way, we will continue working to further expand SENSING CORE functionality in order to better respond to the needs of sports cars and other high-performance vehicles as well as the rapidly shifting needs brought about by advancements in CASE. For example, we are now looking into ways of using SENSING CORE to detect damage in tires with lower aspect ratios, which is a particular concern for heavier electric vehicles.

In addition to providing feedback to vehicles and drivers who use it directly, the data that SENSING CORE gathers can also be utilized for road management and other forms of social infrastructure maintenance.

Future applications of SENSING CORE will involve sharing data across multiple vehicles through the cloud and utilizing proprietary algorithms to analyze this data so that it may be put to use in ensuring safety and reducing maintenance costs for mobility services and transport companies and so on.



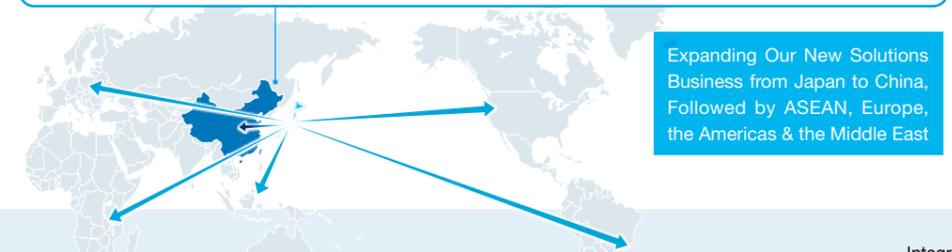
### Global Expansion of Our SENSING CORE Business

Still under development, our Solutions Business has so far largely focused on the Japanese market. However, as our solutions are highly compatible with such advances as autonomous vehicles and electric vehicles (EV), in January 2022, we established a new organization dedicated to furthering our SENSING CORE Business in China so that we may better respond to the needs of customers in this market, which is at the forefront of these advances.

The Sumitomo Rubber Group is currently in the process of working out the details of a new business model to provide comprehensive tire support for EV manufacturers in particular, with services covering not only what happens during driving but also what needs to be done before and after driving.

Moving forward, we will expand the business model that we have developed in Japan and China to ASEAN, with plans to bring it to Europe, the Americas and the Middle East further down the line.

#### Comprehensive Support for Chinese EV Manufacturers, Covering Before, During & After Driving



Value Driver No. 3

## Promoting ESG Management

Passed down through generations over some 400 years of Sumitomo history, the “Sumitomo Business Philosophy” lives on throughout the business activities of the Sumitomo Rubber Group. The “Sumitomo Business Philosophy” espouses the idea that “a company should cherish not only economic value, but value to society as well.”

Today, the Sumitomo Rubber Group promotes ESG Management as part of our overall efforts to create greater “joy and well-being” for all of our stakeholders while living up to the ideals of “Our Philosophy,” which is itself rooted in the ideals of the “Sumitomo Business Philosophy.”

### Supporting the Task Force on Climate-Related Disclosures (TCFD)

Having announced our support for TCFD in June 2021, the Sumitomo Rubber Group now strives to actively disclose information concerning both the risks and the opportunities that climate change presents with respect to four key areas of our business: Governance, Strategy, Risk Management and Metrics/Targets.



**Upholding Our TCFD Commitments**  
[https://www.srigrp.co.jp/sustainability/genki/ecology/04\\_5.html](https://www.srigrp.co.jp/sustainability/genki/ecology/04_5.html)  
 (Japanese only)

### Signing on to UN Global Compact

In the interests of furthering our activities to create greater “joy and well-being for all,” the Sumitomo Rubber Group signed on to the UN Global Compact in May 2022. Moving forward, we will continue working to promote and advance ESG Management while upholding the ten principles set forth by this global initiative in the areas of human rights, labor, the environment and combatting corruption.



### Toward Achieving Sustainable Procurement ▶ p. 68

In August 2021, we updated and revised our “Sustainable Natural Rubber Policy.” Further, from January 2022, we began employing the services of an independent sustainability rating organization to assess our progress.

### Responding to Climate Change

Among the myriad issues that society currently faces, we believe that climate change stands out as one of the most important and pressing issues in the world today. Thus, while fully abiding by the Act on the Rational Use, etc. of Energy (Energy Saving Law), the Act on Promotion of Global Warming Countermeasures (Global Warming Law) and other environmental laws and regulations, the Sumitomo Rubber Group is also committed to fulfilling our corporate social responsibilities in other ways, including harnessing the advanced technical capabilities that we have amassed since our founding in order to tackle the challenges of reducing greenhouse gas emissions and so forth.

#### Climate Change Governance Framework

The President of Sumitomo Rubber Industries, Ltd. is responsible for all matters pertaining to the issue of climate change within the Sumitomo Rubber Group. As such, the president actively participates in discussions and deliberations concerning climate change at meetings of our Sustainability Promotion Committee, which sets policy for our entire group. Meanwhile, the Vice President of Sumitomo Rubber Industries, who also serves as the Chairperson of the Sustainability Promotion Committee, oversees the promotion of efforts to combat climate change.

The Sustainability Promotion Committee holds biannual meetings, which provide opportunities for following up on and sharing information about activities related to climate change and other environmental issues as well as other sustainability efforts. At these meetings, the committee also discusses obstacles to the achievement of our long-term policies and deliberates on measures to overcome these. So that the Board of Directors may oversee and supervise sustainability activities, information concerning climate change, etc. is also included in reporting at Board Meetings.

#### Framework for Responding to Climate Change



#### Managing Risks Related to Climate Change

Chaired by the President of Sumitomo Rubber Industries, Ltd., our Risk Management Committee holds biannual meetings in order to oversee and supervise risk management activities and check on the overall effectiveness of our Risk Management System. The Sumitomo Rubber Group has established internal risk management rules for analyzing various business risks that coincide with climate change risks and assessing measures to address these risks. The results of risk analysis and countermeasure proposals are reported to the Risk Management Committee and the Board of Directors for discussion and deliberation. We also conduct annual assessments of climate change risks in order to account for external changes, such as updates to targets established under the Paris Agreement and the results of new scientific research.

Meanwhile, the Sustainability Promotion Committee is responsible for promoting environmental efforts and overseeing our Environmental Management System. The committee’s policy decisions are reported to the Board of Directors and concerned business divisions, after which the committee manages and follows up on targets, etc.

#### Implementing ICP

As there is now an urgent need to create a framework for moving forward with internal efforts to achieve our carbon neutrality targets, the Sumitomo Rubber Group introduced ICP (Internal Carbon Pricing) in April 2022. While it is initially being used for reference purposes, we are planning to fully implement ICP from January 2023.

- ICP: 8,000 JPY (70 USD) per Ton of CO<sub>2</sub>

#### Climate Change Strategy

The potential impacts of climate change on the business activities of the Sumitomo Rubber Group are numerous. For example, the adoption of more stringent regulations or systems to combat climate change in countries around the world may require our production bases to transition to new types of energy or make other changes that would have the effect of increasing expenses, which, in turn, may have a negative impact on our financial situation and overall business performance. Rising temperatures may lead to more frequent and more intense typhoons, flooding or other natural disasters, which could damage our production facilities or otherwise cause any number of disruptions to our operations. Climate change may also lead to lower yields of natural rubber, resulting in skyrocketing prices for this key raw material while making procurement activities in general more difficult. Decreasing snowfall may result in decreased demand for winter tires. And these are just a few of the many risks that we face from climate change.

In order to contribute to the fight against climate change, the Sumitomo Rubber Group is aiming to achieve full carbon neutrality at all of our factories by the year 2050. In addition, we are committed to working harder than ever before to push ahead with various Groupwide efforts to mitigate the effects of climate change, including developing and promoting the use of environmentally friendly products (such as fuel-efficient tires) and services (such as sensor technology to prevent driving with underinflated tires) as well as reducing the lifecycle environmental impact of our products through green procurement, green logistics and improving the energy efficiency of manufacturing processes. At the same time, we are proceeding with preparations to respond to the shifts in demand that may accompany climate change, including increased demand for next-generation tires coinciding with the rise of CASE and MaaS as well as increasing demand for fuel-efficient tires and other tires that serve to reduce the environmental impact of mobility. Having done so, we will continue to monitor and assess the financial and other impacts of climate change on our business while working to mitigate and adapt to these impacts.

#### Metrics & Targets

In February 2021, the Sumitomo Rubber Group committed to achieving carbon neutrality by the year 2050. That August, we unveiled our “Driving Our Future Challenge 2050” Long-Term Sustainability Policy, which sets forth various long-term targets with respect to carbon neutrality and beyond. These targets include reducing total CO<sub>2</sub> emissions from all of our global factories by 50% compared with 2017 levels by the year 2030 before achieving full carbon neutrality by the year 2050.

In order to achieve these targets, we are not only working to reduce energy consumption while expanding cogeneration and the use of solar power but have also initiated a proof of concept toward utilizing hydrogen, which is already being hailed as a next-generation energy source of the future. ▶ p. 69 At the same time, we are also advancing and expanding the technologies that we developed to create fossil resource-free tires so that we may increase the biomass and recycled content of our products as another means of contributing to the realization of carbon neutrality. ▶ p. 17

#### Long-Term Sustainability Policy Carbon Neutrality Targets (Scopes 1 & 2)

**We aim to reduce our CO<sub>2</sub> emissions by 50% by 2030 and to achieve full carbon neutrality by 2050.**



#### All Products Consisting of 100% Sustainable Raw Materials by 2050

Sustainable Raw Material Content		2030	2050
Tire Business	Tires	40%	100%
Sports Business	Golf Balls	20% of All Practice Golf Balls Sold	100% of All Golf Balls Sold
	Tennis Balls	Launch of 100% Sustainable Tennis Balls	100% of All Tennis Balls Sold
Industrial Products Business	All Products (Content by Weight)	40%	100%

## A Message from the Executive Director in Charge of Finance



### Toward Providing Appealing Products at Best Cost

**Naoki Okawa**  
Director and Senior Executive Officer

### Midterm Plan Progress & Remaining Issues

The Midterm Plan that we announced in February 2020 set forth ambitious targets for the next five years: sales revenue of ¥1 trillion, business profit of ¥100 billion, an ROE of 10% and a D/E ratio within 0.5 times. Since then, we have made outstanding progress when it comes to sales revenue, which is now expected to surpass ¥1 trillion in the fiscal year ending in December 2022. Nevertheless, the onset of the COVID-19 pandemic shortly after the announcement of our Midterm Plan has brought enormous changes to the business environment, causing our profitability to fall short of our targets.

This is particularly the case with business profit. While we have made good progress according to our plans in many areas, the COVID-19 pandemic has led to massive fluctuations in demand while causing prices for raw materials and freight shipping to skyrocket, resulting in a significant gap between the business structure that we had envisioned in our initial plans and our present situation. For example, while we have succeeded in increasing sales of larger-sized passenger car tires, SUV and other tires with greater added value according to our plans, delays in making the transition to local

production for local consumption and various other factors have driven up costs beyond what we had anticipated.

Prior to the pandemic, our group built up a global supply network with the acquisition of factories in South Africa and the United States while actively augmenting production capacity at our factories in Turkey, Brazil and elsewhere. This not only enabled us to prepare a robust lineup of products to cover a diverse array of customer needs but also equipped us with the supply capacity needed to fulfill those needs. However, the pandemic has upset the balance of our product mix, creating discrepancies that have had a pronounced impact on our overall profitability. The increase in delivery times between our production sites and sales regions has led to higher transport costs while delaying our efforts to recalibrate production with an eye toward products with higher profit margins. All of this has had the effect of driving up our total cost burden, especially when factoring in depreciation.

In response to these shifts, we are currently moving ahead with various improvements to restore balance to our product mix.

### Toward Achieving Our Midterm Plan Target: D/E Ratio < 0.5 times

As our first priority is to revamp our earning capabilities, we are now being more selective with capital expenditures while simultaneously working to improve our return on each investment. At the same time, we are actively promoting DX (Digital Transformation) as a means of enhancing productivity on a per-employee basis so that we can maximize output without increasing personnel levels. This, in turn, will allow us to optimize personnel placement and allocate existing personnel to new lines of business.

The key to improving our D/E ratio lies not only in our ongoing efforts to improve our overall profitability in terms of our statement of income, but also in additional efforts to improve our working capital situation in terms of our statement of financial position. The idea here is to improve our overall capital efficiency, which will have the effect of compressing our gross assets and, ultimately, improving our D/E ratio.

Our previous policy called for improving our D/E ratio by means of increasing sales in order to generate more income. Moving forward, however, we will be focusing not only on quantity as a means of generating more income overall, but also on the quality of income. Therefore, we will be transitioning to a management style that places greater emphasis on statements of financial position and cash flows in addition to profit and loss so that we may consistently provide appealing products at best cost.

While we have not yet made a final decision on the new internal metrics that we will use for this transition, I personally would like to entrench ROIC Management throughout our group. While carefully monitoring Return on Invested Capital (ROIC) in each line of business, we will be making prudent decisions on the allocation of business resources (Personnel, Material, Capital) with an eye toward balancing growth potential and profit potential.

### Overseeing 2 Task Forces Launched as Part of Our “Be the Change” Project

Since kicking off in 2020, our “Be the Change” Project has launched over ten task forces to tackle the challenges of “Reinforcing Our Foundation for Profitability.” These task forces are all hard at work in various areas to support our efforts to accomplish our Midterm Plan goals. I personally oversee two of the task forces: the Working Capital Task Force and the Decision-Making & Investment Decisions Task Force.

The Working Capital Task Force has set a target of generating

¥30 billion in new positive cash flows by the end of 2022. Our specific efforts to achieve this goal revolve around measures to “Curtail Inventories,” “Compress Trade Receivables” and “Optimize Trade Payables,” with a dedicated sub-task force assigned to each of these themes. Meanwhile, in addition to our Tire Business, we have formed dedicated teams to tackle the challenges of improving working capital in our Sports Business, our Industrial Products Business and Overseas Group companies.

Judging from our results as of the end of March 2022, this task force is making solid progress toward achieving the above target, and all team members are working extremely hard, driven by strong motivation to reach this target by the end of 2022.

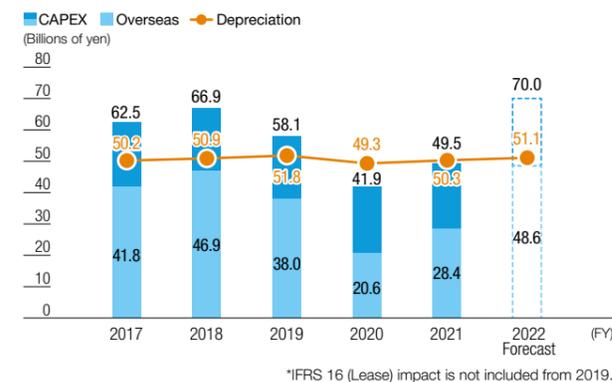
Meanwhile, as the person in charge of financial strategy for our entire group, I am now looking beyond improving working capital and setting my sights on improving profits for the year, which will also directly contribute to the improvement of our ROIC. Toward this end, one area that we are working on in particular is the optimization of our global tax strategy. For example, one way of optimizing our tax strategy to increase our post-tax profits would involve taking fuller advantage of tax incentives offered in Japan. Our Tax Team is exploring various possibilities in this area, while our Financing Team is also exploring various possibilities for optimizing financing and reducing FOREX risks. As profit for the year is a major component of ROIC, our Tax Team and Financing Team will be working with all due speed to

come up with and implement global tax strategies and financing strategies that will serve to maximize it.

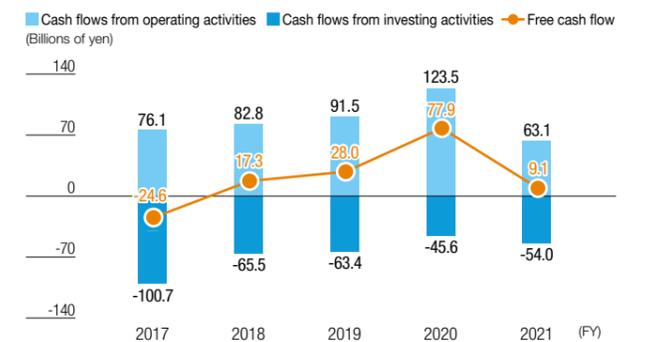
Meanwhile, the Decision-Making & Investment Decisions Task Force is currently looking into introducing new decision-making criteria for capital expenditures to complement our current payback period approach, IRR (Internal Rate of Return), the approach most compatible with ROIC. The task force is now working out such details as what hurdle rates to adopt, how to trace post-investment results and how best to visualize problems so that the lessons learned from past investments can be put to use in subsequent investments.

This task force is less concerned with generating profits than with building stronger foundations for our overall business management. Toward this end, the team also proposed ICP (internal carbon pricing) as a means of contributing to Groupwide efforts to achieve carbon neutrality. Their proposal has now been approved, and so we are currently in the process of preparing for the Groupwide implementation of ICP.

#### CAPEX and Depreciation Trends



#### Cash Flow Trends



### Policy on Returns to Shareholders

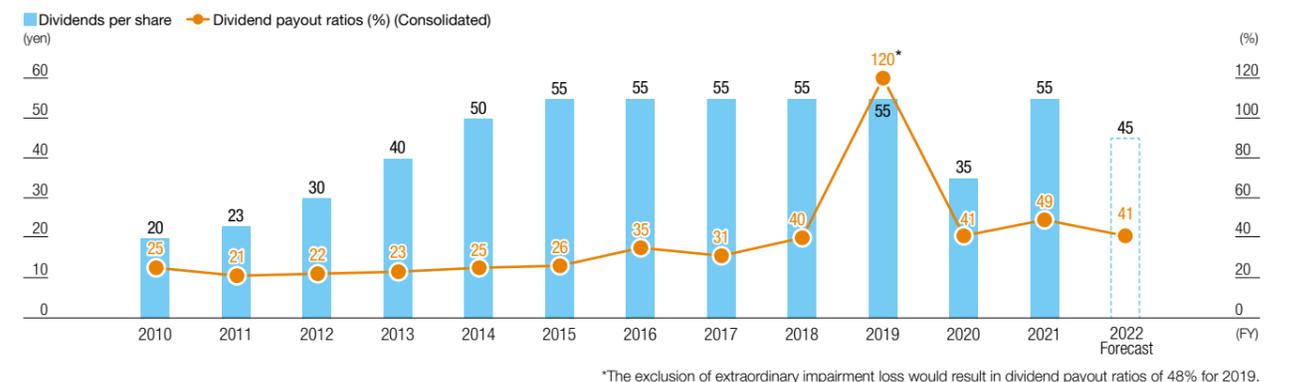
The Sumitomo Rubber Group has always considered shareholder returns to be one of the highest priorities of our overall management policy.

Basing our dividend payout ratios on our consolidated profits, our basic approach to shareholder returns revolves around the central premise that we will carefully assess our consolidated performance forecast for the current fiscal year while comprehensively reviewing our situation with respect to retained earnings, etc. so that we may continue to provide sure and steady dividends over the long run. Although this is not necessarily a commitment set in stone, we do tell investors at our regular financial announcements that we are aiming

for dividend payout ratios of at least 40%. Our group has always endeavored to uphold these high standards when it comes to paying out steady dividends over the long term, and we have no intention of changing our thinking on investor returns in the future.

Right now, the global business environment is changing at a faster pace than we could ever before have anticipated. These days, simply keeping up with the pace of change is not enough; we have to get out ahead of our competitors if we are to set ourselves apart. While it may take some time for our efforts to produce results, we of the Sumitomo Rubber Group will continue to do our utmost to rise to the expectations of all of our stakeholders.

#### Dividends per Share (as of 2022)



## “Be the Change” Project Progress Report: Efforts to Revamp Our Organizational Framework



A Message from the Executive Officer in Charge of Human Resources

### The Changes & Challenges Must Go On

Kiyoshi Ikawa

Executive Officer, Head of the Human Resources & General Affairs HQ

### What Made You Decide to Work on the “Be the Change” (BTC) Project?

The Sumitomo Rubber Group is currently working on the “Be the Change” (BTC) Project as a Groupwide initiative to overcome various issues that transcend departmental barriers with the aim of improving our overall organizational framework and reinforcing our foundation for profitability. BTC takes its name from the words of Mahatma Gandhi, who famously said, “You must be the change you want to see in the world.” We chose this name in the hope that each and every employee would take a personal interest in change and then take the initiative in bringing about such change.

The BTC Project grew out of the conversations that President Yamamoto had with many diverse employees while visiting our bases of operations around the world after assuming office in March 2019. During these conversations, he noticed that enthusiasm levels varied between bases of operations. This prompted him to conduct an Organizational Health Index (OHI) throughout our group in order to quantify and diagnose these enthusiasm gaps.

While our overseas bases scored relatively high on the OHI, we found a

litany of issues at our bases in Japan. The BTC Project was launched in response to these results in January 2020.

First of all, in order to pinpoint weaknesses in our organizational framework and identify their causes, we selected members from various departments to participate in BTC from the onset. Working together with a team from our Human Resources Division, this group spent some three months mining the OHI results for issues, looking closely at the free comment section of the survey and other data to analyze low-scoring areas and delve into the underlying causes.

As a result of our analysis, we next initiated Groupwide efforts to tackle four key organizational issues: “Environment That Stifles Challenges,” “Barriers to Communication,” “Old-Fashioned Leadership Styles” and “Low Productivity Due to a Lack of Awareness of Overall Corporate Strategy.”

In July 2020, President Yamamoto shared these results throughout our group, declaring that our group would now come together to tackle and overcome the issues that had come to light.

### How Have You Gone About Entrenching BTC?

At first, we planned to travel to each base of operations to explain the project and provide training to change employee awareness, etc. Holding these kinds of events at each base would have required a great many people to put in an enormous amount of work covering everything from securing venues to scheduling and arranging for instructors to handling various other administrative tasks. However, everything changed in the blink of an eye with the onset of the COVID-19 pandemic.

Due to the pandemic, we soon found ourselves with no other option but to rethink our plans for face-to-face workshops. However, we stayed positive in spite of the dour circumstances and began looking into holding the seminars online instead. As a result, we were not only able to hold seminars on a much larger scale than we could have done in person, but also greatly simplified and reduced the workload involved in making venue arrangements and preparations. The online format also made group discussions and other activities more efficient, which made for more effective workshops all around compared to what we had originally planned.

Beyond these BTC workshops, we would later adopt this same online format for workshops to disseminate “Our Philosophy” and so on, and this

has had the effect of greatly improving employee engagement. Looking back, I think perhaps that BTC would not have taken off as quickly as it did if the pandemic had never happened.

As a first step toward more substantial reform involving systems and organizations, the first activities that we selected for bringing positive change to our organizational framework revolved around more casual themes in order to make it easier for employees to participate. Designed to create opportunities for employees to experience change, these early activities included “dropping formal titles in favor of the universal -san,” “1-on-1 meetings” and “team-building exercises.” At first, some people questioned what these activities had to do with improving our organizational framework. However, once these activities got under way, people started to change their tunes, saying things like, “My workplace is not as stuffy as it was before,” “Sharing things with the other members of my team lowers the psychological hurdles to getting things done,” and, “I now feel free to openly discuss my vision for my career.” With an eye toward accelerating the spread of this positive mood, we made sure to include plenty of articles about these activities in our in-house magazine and on our intranet as part of our efforts to normalize and entrench these activities.

### BTC is Forever

To further accelerate BTC, we then expanded responsibility for these activities from the initial team members to include members from all departments, appointing Task Force Ambassadors (TFAs) to spearhead efforts to tackle issues in each organization. As a result, project teams began receiving much more information, their efforts began producing real results and BTC got up and running in full swing.

For example, after each department came up with an exhaustive list of the issues that they were facing, some departments planned meetings in which employees formed small groups to engage in unfettered chat among themselves and with the executive in charge of their organization, while other departments created and issued their own PR materials as a way of sharing information. At the same time, more and more people were volunteering to take part in teams tasked with coming up with Groupwide policy measures. Then, in 2021, we launched a new “Career Support System” with the input and cooperation of the TFAs. Under this system, more and more employees are now thinking seriously about their careers and how they can enhance

their own value, which has led many employees to take on challenges in new fields. This is all thanks to employees who have the courage to take that first step forward, as well as bosses who have the leadership capabilities to respond to this courage with understanding and encouragement.

To assess the effectiveness of these activities, we are conducting regular surveys to measure our organizational health. We conducted quarterly surveys in 2021 and biannual surveys in 2022, asking employees around 20 questions relating to the four key organizational issues mentioned above. Our target is to receive a positive response rate of at least 80% on all of the questions in these surveys, and so we will continue working to improve our organizational framework toward achieving this goal.

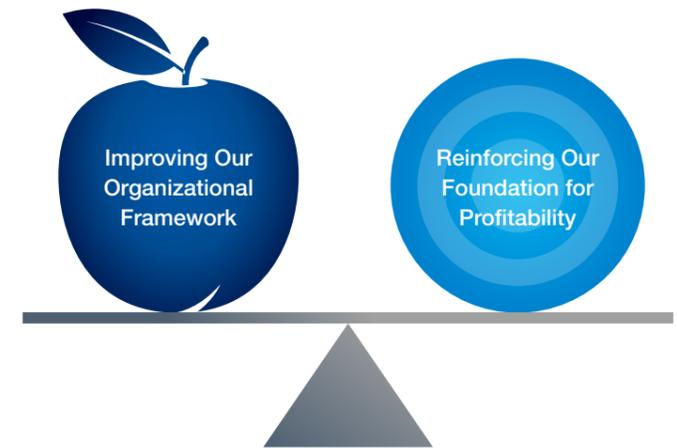
Right now, we are in the process of taking our BTC activities even further. Moving forward, the BTC Project will continue to serve as a driving force behind various activities that aim not only to accomplish the goals of our Midterm Plan, but also to live up to the ideals of “Our Philosophy” at the Groupwide level.

Be the Change

## “Be the Change” Project: Efforts to Reinforce the Foundations of Our Business Toward Ensuring the Accomplishment of Our Midterm Plan

Launched in 2020, the “Be the Change” (BTC) Project is a Groupwide initiative that falls under the direct jurisdiction of the President of Sumitomo Rubber Industries. It is being undertaken with the aim of transforming our group into an organization that can align our vectors to push ahead with confidence while adeptly responding to these uncertain times of drastic changes.

Under the banner of the BTC Project, the Sumitomo Rubber Group is pushing forward with efforts to “Reinforce the Foundations of Our Business” on two fronts: “Reinforcing Our Foundation for Profitability” in order to equip our group with the capabilities that we will need to continuously generate profits and cash as well as “Improving Our Organizational Framework,” which involves identifying issues with the current state of our organization and culture so that we can then move ahead with various targeted improvements.



### Major Areas of Activity



#### Improving Our Organizational Framework

Evolving Individual Leadership

#### 360° Feedback

This system provides opportunities for leaders to examine and reflect upon their own leadership styles from an objective viewpoint through receiving and studying the results of feedback from superiors, colleagues, subordinates and even employees from other departments.

360° Feedback was first introduced for managers and executives (including the President and Board of Directors) in 2020. In 2021, it was expanded to include assistant managers as well as eligible expatriates at certain overseas bases of operations. This system is already producing results in terms of improved individual leadership as well as more active communication among team members.

#### Reinforcing Our Foundation for Profitability

Generating ¥30 Billion in Additional Cash by the End of 2022

#### Working Capital Task Force

Both in Japan and overseas, our Tire Business, Sports Business and Industrial Products Business are all working to reduce inventory levels while streamlining debts and credits as part of our efforts to improve our overall working capital situation. These activities are moving forward smoothly and according to plan thanks to the active participation of hundreds of members all over the world.

Encouraging Employee Challenges

#### Career Support System

Before launching the BTC Project, we conducted an Organizational Health Index (OHI), which brought to light several major issues with our organization. One of these was an “Environment That Stifles Challenges,” and so we implemented three measures to overcome this specific issue.

The first measure is a “Career Matching System,” which empowers employees to put forth their own career vision and identify new and challenging types of work that they hope to carry out in the future. The second measure is an “Employee Exchange Program,” which enables employees to work for a fixed period of time in another department that has close ties to their own. The third measure is “Open Calls for Project Participants,” which provides employees with opportunities to take part in new initiatives that interest them. Through these measures, we are working to support career development and the active tackling of various challenges.

Controlling the Allocation of Business Resources

#### Management Infrastructure Task Force

This task force is actively engaged in efforts to equip our group with the infrastructure needed to effectively control the allocation of various business resources that are essential to the management of our business operations.

These efforts include promoting “Business Portfolio Management,” which involves determining the strategic direction of each line of business based on an assessment of its current status, as well as “Financial Framework Management,” which focuses on the strategic allocation of investments with an eye toward investment capacity based on the potential of each line of business when it comes to generating cash. Through these and various other efforts, we are working to create systems that bring together all employees and managers for unified business management.

## Diversity & Inclusion

In 2019, the Sumitomo Rubber Group set forth a Top Commitment on D&I and Work Style Reform. However, in light of the formulation of “Our Philosophy,” the 2022 establishment of a dedicated organization for the promotion of D&I and other recent changes, we made the decision to put forth a new Top Commitment in order to clarify our thinking and reaffirm our strong commitment to promoting Diversity & Inclusion.

We now have a dedicated organization that is setting targets, developing specific action plans and spearheading various ongoing activities toward fulfilling our Top Commitment.

### A Dialogue of Our Human Resources Strategy

## Now that everyone has a stronger sense of ownership, we have a perfect opportunity to follow through with change.

**Ikawa** Before the formulation of “Our Philosophy,” the SRI Way served as a set of guiding principles for the entire Sumitomo Rubber Group. The SRI Way was formulated in 2009 to mark the 100th anniversary of our founding, and I myself was involved in its drafting as a member of the secretariat.

Looking back at those days, it was a very hectic time for human resources. In Japan, our hiring of new college graduates had been extremely limited for several years after the Great Kobe-Awaji Earthquake of 1995, which had put a serious dent in our business performance. At the same time, however, our strategy of shifting management resources to Southeast Asia turned out to be a great success, and so we were pushing ahead with the launch and expansion of manufacturing and sales bases in Indonesia, China, Thailand and elsewhere. This presented us with a new challenge as it became increasingly clear that it would not be easy to instill our attitudes and work styles at all of these bases under a single unified philosophy. Of course, this was not just an issue for our overseas bases. Even in Japan, it was becoming more and more difficult for us to marshal all of our organizations in a way that would ensure everyone was working toward the same objectives. This was due in no small part to a generation gap. After several austere years of limited hiring, we rapidly stepped up our recruiting activities as our performance improved, resulting in many workplaces with a lot of midcareer staff in their 30s working alongside new recruits fresh out of college, with nothing in between.

In light of this situation, we began drawing up the SRI Way to coincide with our 100th anniversary. By distilling our values into a set of simple guidelines written in plain language, we hoped to pass down to future generations the longstanding ideals of our group as well as important lessons from our past. At first, we began by looking through messages from top management in search of common themes. Simultaneously, we held repeated hearings with departments heads and midcareer staff for input on what they considered to be the best ways of working. These efforts gave shape to a template for our ideal work style, consisting of 4 Key Values and 11 Action Principles.

Our story picks up again in 2021, when we formulated “Our Philosophy” in a move that was likewise spurred by rapid and accelerating global expansion. Today, Sumitomo Rubber Industries has around 8,000 employees, while the Sumitomo Rubber Group has around 40,000 in total, which means that overseas employees now make up the vast majority of our workforce. If we are to bring all of our diverse group employees together and get everyone moving in the right direction under a shared set of core ideals, we need Diversity & Inclusion as well as our Purpose more than ever before. Here in Japan, millennials and Generation Zers increasingly place great importance on the idea of

Purpose. And, this is not just the case in Japan, it is in fact a common trend among younger generations worldwide.

For the Sumitomo Rubber Group, the essence of D&I lies not in a diversity of outward attributes, such as gender, but in a diversity of ways of thinking. We believe that, if teams composed of members with many different ways of thinking put management strategies into practice while tackling various management challenges, it will have the effect of raising the overall quality of our management. “Our Philosophy” and D&I are inextricably linked, as we believe that our diversity is all the more reason why “Our Philosophy” is necessary to get everyone on the same page and moving forward in the right direction.

**Sonoda** I have now gained a good sense of the historical background that led from the SRI Way to “Our Philosophy” as well as the thought processes that gave rise to these ideals. I hope that not only employees but also investors will come to understand and appreciate the business vector of the Sumitomo Rubber Group, which also includes the path that has brought the Group to where it is today. Toward this end, I think that it is a good idea to communicate “Our Philosophy” widely and through various means.

The Slogan of “Our Philosophy” is “Rubber and Beyond, Driving Our Future,” which conjures up images of taking on new challenges, unburdened by the past. The question is, How will this idea be incorporated into actual strategies so that it does not end up producing only images? The next essential step will be to visualize what outcomes specific actions bring about and what impacts those outcomes have at the organizational level. I believe that visualizing results in this way will serve to increase motivation at the individual level, which in turn will have the effect of further accelerating these efforts. What are your thoughts on this?

**Ikawa** Right now, we are still in the dissemination stage, working to get the word out about “Our Philosophy.” Looking to find a silver lining at the onset of the pandemic, we began holding online seminars and events for all of our employees in Japan, and we are now expanding these activities overseas. I would say that we are now at step three of ten in terms of the overall level of entrenchment throughout our group.

When it comes to entrenching “Our Philosophy,” Vision and SRI Way, the point is not simply to run through perfunctory explanations, but to have each employee look back over his or her own career in search of experiences that bear similarities to these ideals, as everyone is bound to have had such experiences at some point. I believe that linking one’s own experiences to “Our Philosophy” in this way makes it easier for everyone to understand “Our Philosophy” as something that is directly connected to each of us. On the organizational level, we also create opportunities to discuss case studies illustrating how we have lived up to the ideals of “Our Philosophy” and the SRI Way in the past with a focus on how actual events have raised the level of organizations and so forth.

In addition, we recently updated our personnel evaluation system to assess how closely employees hew to our ideal work style, rating their actions in terms of “Integrity & Soundness,” “Challenge” and “Mutual Trust” in order to reward those who consistently put our ideals into practice. I believe that we can bring about positive change throughout the Sumitomo Rubber Group by singling out exemplary employees based on both their performance and their behavior with an eye toward the leadership that they can bring to various workplaces.

**Sonoda** I believe that the “Be the Change” Project has great potential to produce enormous results. Spearheaded by President Yamamoto himself,



**Kiyoshi Ikawa**  
Executive Officer  
Head of the Human Resources &  
General Affairs HQ

## D&I Top Commitment

In order to live up to the ideals of “Our Philosophy,” the Sumitomo Rubber Group is actively working to promote mutual greater respect among all of the diverse employees who make up our group.

The Sumitomo Rubber Group considers “uniting our diverse strengths and growing together” to be a key management challenge. With this in mind, we hereby declare the following.

**Satoru Yamamoto**  
President & Representative Director  
Sumitomo Rubber Industries, Ltd.

### Declaration on the Promotion of D&I

The Sumitomo Rubber Group respects and values the diverse attributes and ways of thinking of all of our employees and so shall strive to create workplaces that enable all individuals to harness their full potential.

- Gender, Sexual Orientation, Gender Identity, Age, Disability, etc.
- Employment Status, Situation of Hiring, etc.
- Place of Birth, Nationality, Race, Ethnicity, Culture, Religion, etc.



**Mari Sonoda**  
Outside Director

this project is not just about taking on big and exciting challenges, but also includes many activities to bring about steady change on a day-to-day level. It is this aspect that I find particularly encouraging, as this kind of incremental approach often proves to be the most effective. I am sure that shining a spotlight on the kinds of efforts that would not normally rise to the attention of top management will lead to the revitalization of your entire organization.

We have been talking about how “Our Philosophy” came about, but I would also like to ask about what was going on in 2019, when you first started these D&I initiatives.

**Ikawa** Empowering women in the workplace is a central tenet of D&I, and we have put a lot of effort into recruiting more women over the years. However, we have also faced significant challenges when it came to retaining women after hiring, and so we started out by working on ways of providing occupational support for employees who were going through major life events. As we began digging deeper into these activities in 2019, what we found was that, although support systems and mechanisms existed, they were not being utilized by women or workplaces. So, we began by setting out to change workplace mindsets in tandem with other ongoing improvements. Thanks to information sharing with managers, various types of training and other efforts, we began making progress not only in terms of awareness and understanding, but also in terms of workplaces actively encouraging employees to take advantage of these support systems.

**Sonoda** “Our Philosophy” includes phrases such as “Strength in Diversity” and “Mutual Respect” while also making it clear how these terms fit into your overall philosophical framework. I imagine that this has made it easier to establish corresponding rules and to promote awareness and understanding among employees.

**Ikawa** Indeed, it has. In particular, linking personnel evaluations with how well employees practice the SRI Way was an indispensable part of this process and one that we put a lot of time and energy into.

**Sonoda** Momentum comes naturally once everyone has gained a better understanding of organizational health. Improving organizational health makes it easier to attract the best and brightest talent, which, in turn, augments the core strength of the organization. Toward this end, it is first essential that systems are in tune with employee awareness.

The automotive industry as a whole is now in the midst of a period of major transformation, and the nature of the game is changing day by day. I believe that these unprecedented changes provide an opportunity to realize D&I based on “Our Philosophy” and the “Sumitomo Business Philosophy.”

**Ikawa** Here in Japan, our midcareer hiring currently far exceeds our hiring of new graduates. I believe that our group is now in the midst of a major transition, one that will see us bring together diverse talent with various backgrounds and know-how in combination with the strengths and knowledge that we have accumulated over the years so that we can then step up our efforts to create new value. A more diverse talent pool also means more people with many different values, a situation that also makes management all the more complex from the perspective of D&I. Nevertheless, with an eye toward cultivating and developing talent, we are working on building systems that encourage employees to actively seek out and accumulate all sorts of experience.

Now that each and every employee has a stronger sense of ownership and urgency, we are presented with a perfect opportunity to follow through with various changes for the better.



## Future Action

The Sumitomo Rubber Group is actively engaged in various efforts to support minority employees, including women, members of the LGBT community and foreign nationals. As we consider the empowerment of women in the workplace to be a key challenge, we have prepared a manual for supporting employees who are balancing the needs of work and childcare and established systems for following up on employees who have had to put their careers on hold. In addition, we established a mentoring system in 2021 with the aim of cultivating the next generation of female leaders. First, we are bringing in mentors from outside the company

to provide mentoring and skill training for future mentors within the company, who will then provide mentoring to mentees within the company. Once we get this cycle up and running, we plan to gradually expand eligibility for both mentors and mentees.

When it comes to supporting the LGBT community, we have been working to increase the number of employees who understand what it means to be an LGBT Ally, issuing Ally Stickers to those who have completed training with the aim of creating a more supportive work environment where LGBT employees feel comfortable working.

Percentage of Management Positions Held by Women	Hiring Rate of Women	Percentage of Employees with LGBT Ally Sticker	No. of Mentor System Users	Foreign Employee Questionnaire Score
2025 Target: <b>7%</b>	Annual Target: <b>20%</b>	2023 Target: <b>10%</b>	2025 Target: <b>150</b>	2030 Target: <b>Improvement Across All Categories</b>

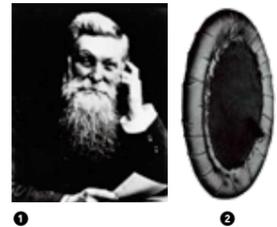
\*Business profit = Sales revenue - (Cost of sales + Selling, general and administrative expenses)

# 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.

## Founding Period

- 1888** John Boyd 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



## 1963–1986

In 1963, Sumitomo assumed management of the Company and changed its name to Sumitomo Rubber Industries, Ltd. In 1981, the Company entered into a full business tie-up with The Ohtsu Tire & Rubber Co., Ltd. ❸, a precursor of the FALKEN brand. (The Company merged with The Ohtsu Tire & Rubber Co., Ltd. in 2003 ❺.) In 1983, the Company acquired European tire business from U.K.-based Dunlop Rubber Company and, in 1984, acquired six plants in the U.K., Germany and France as well as Dunlop Tire Technical Division in the U.K. ❹ In 1986, the Company acquired Dunlop Tire Corporation in the U.S.A., becoming the global owner of the Dunlop brand.



## 1999–2015

In 1999, the Company formed an alliance in the Tire Business with The Goodyear Tire & Rubber Company in the U.S.A. This alliance led to the creation of a joint venture structure under which the manufacture and sale of Dunlop brand tires was assumed by the Company in Japan and Asia and by Goodyear in North America and Europe.

In 2003, the Company spun off the Sports Business. In 2007, the Company acquired Cleveland Golf and, in 2014, acquired fitness company Kitz Wellness Co., Ltd. (current Dunlop Sports Wellness Co., Ltd.). In 2015, the Company acquired the Switzerland-based Lonstroff AG, which manufactures rubber parts for medical applications, thereby expanding the Industrial and Other Products Business.

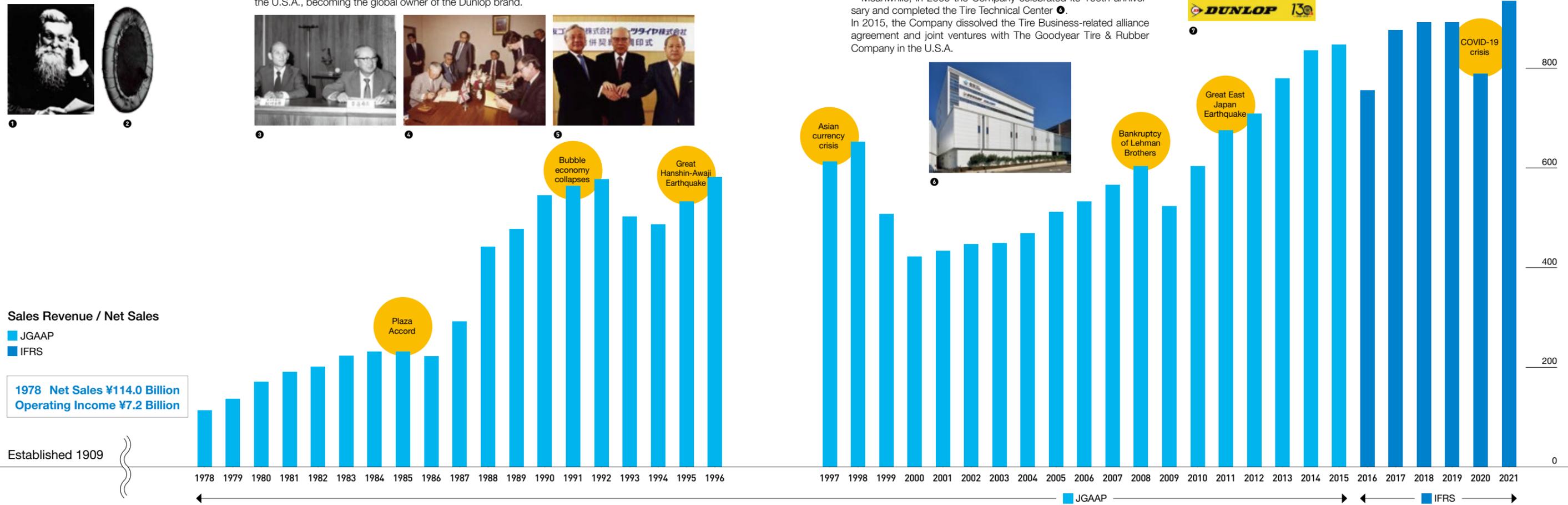
Meanwhile, in 2009 the Company celebrated its 100th anniversary and completed the Tire Technical Center ❹. In 2015, the Company dissolved the Tire Business-related alliance agreement and joint ventures with The Goodyear Tire & Rubber Company in the U.S.A.



## 2017–Present

In 2017, the Company acquired trademark rights to the Dunlop brand in countries overseas as well as Dunlop brand sports equipment and licensing businesses from Sports Direct International plc in the U.K. In 2018, the Company consolidated the Sumitomo Rubber Group's Sports Business-related operations.

In the Tire Business, in 2017, the Company acquired Micheldever Group, a major tire sales company in the U.K., stepping up the marketing of FALKEN brand tires. Following the celebration of the 130th anniversary of the commercialization of the pneumatic tire ❷ in 2018, the Company celebrated the 110th anniversary of its founding in 2019. To reach the new growth phase, the Company established "Our Philosophy," a new corporate philosophy structure, in 2020.



### Sales Revenue / Net Sales

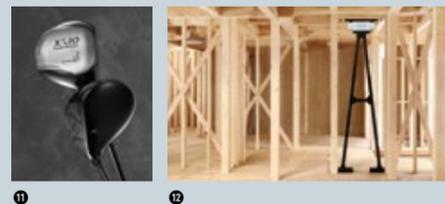
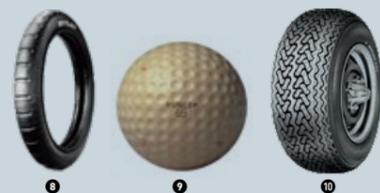
- JGAAP
- IFRS

1978 Net Sales ¥114.0 Billion  
 Operating Income ¥7.2 Billion

Established 1909

### 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" ❺
- 2000** Released first-generation "XXIO" golf clubs and golf balls ❻
- 2012** Released "MIRAIE" Vibration Control Units for Detached Housing ❼



- 2013** Released "ENASAVE 100," the world's first\* 100% fossil resource-free tire ❽
- 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 ❿
- 2019** Released "ENASAVE NEXT III," the Company's flagship fuel-efficient tires made using Performance Sustaining Technology based on SMART TYRE CONCEPT ⓫
- 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 ⓬

## Value Creation Model

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.

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

<b>Megatrends</b>	Growing impact of climate change	Growing public call for resource recycling	Changes in demographics
Growing public call for health- and safety-oriented products	Respect for human rights and diversity	Innovation in the mobility society	Digital transformation

Key Management Resources (fiscal 2021)	
<b>Financial Capital</b>	
Sound financial position and stable earnings structure	
<b>Total assets</b>	<b>Total equity</b>
¥1,086.2 Billion	¥513.5 Billion
<b>Manufactured Capital</b>	
Diverse production network covering Japan and overseas	
<b>Domestic</b>	<b>Foreign</b>
6 Bases	16 Bases
<b>Human Capital</b>	
Diverse human resources in which the "Sumitomo Business Philosophy" has taken root	
<b>Number of consolidated employees</b>	<b>40,055</b>
<b>Intellectual Capital</b>	
Abundant intellectual property to drive the next phase of growth	
<b>R&amp;D expenses</b>	<b>¥25.4 Billion</b>
<b>Social Capital</b>	
Steadily building favorable relationships with stakeholders in various regions	
<b>Number of consolidated subsidiaries and equity-method affiliates</b>	
<b>101</b> (28 in Japan, 73 in countries abroad)	
<b>Natural Capital</b>	
Efficient use of environmental resources to reduce environmental impact and realize a recycling-based society	
<b>Total energy consumption</b>	<b>Water usage</b>
554,000 kl (crude oil equivalent)	12,860,000 m <sup>3</sup>



OUTPUT											
<b>Long-Term Sustainability Policy</b>											
<b>"Driving Our Future Challenge 2050"</b>											
<b>Environment</b>	<ul style="list-style-type: none"> <li>Product Innovation</li> <li>Resource Recirculation</li> <li>Sustainable Raw Materials</li> <li>Carbon Neutrality</li> <li>Water Resources</li> </ul>										
<b>Social</b>	<ul style="list-style-type: none"> <li>Safety &amp; Health</li> <li>Respect &amp; Harmony in Diversity</li> <li>Human Rights</li> <li>Organizational Climate/Culture</li> <li>Supply Chain Management</li> </ul>										
<b>Governance</b>	<ul style="list-style-type: none"> <li>Stronger Corporate Governance</li> <li>Thoroughgoing Compliance</li> </ul>										
<b>Midterm Plan</b>											
<b>Growth Potential</b>	<table border="1"> <tr> <th>Target Indices</th> <th>Target Vision for 2025 Performance</th> </tr> <tr> <td>Sales Revenue</td> <td>At Least <b>¥1</b> Trillion</td> </tr> <tr> <td>Business Profit</td> <td>At Least <b>¥100</b> Billion</td> </tr> <tr> <td>ROE</td> <td>At Least <b>10%</b></td> </tr> <tr> <td>D/E Ratio</td> <td>Within <b>0.5</b> x</td> </tr> </table>	Target Indices	Target Vision for 2025 Performance	Sales Revenue	At Least <b>¥1</b> Trillion	Business Profit	At Least <b>¥100</b> Billion	ROE	At Least <b>10%</b>	D/E Ratio	Within <b>0.5</b> x
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D/E Ratio	Within <b>0.5</b> x										
<b>Profitability</b>											
<b>Profitability of Invested Capital</b>											
<b>Fiscal Health</b>											

OUTCOME
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

**Our Philosophy**

## Key Management Resources

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



### Financial Capital

**Ratio of equity attributable to owners of parent:** **46.2%** **D/E ratio:** **0.6 Times**

Sound financial capital is a key management resource that supports sustainable growth. The ratio of equity attributable to owners of parent, which represents the shareholders' equity ratio, was 46.2% at the end of fiscal 2021. The rating provided by Japan Credit Rating Agency, Ltd. was “A+” as of January 18, 2022.

Looking ahead, we intend to continuously execute capital expenditure to increase our production capacity and thus grow overseas sales. In addition, we aim to simultaneously secure corporate growth, a sufficient level of liquidity and a more robust financial position. With this in mind, we have set a financial target of reducing the D/E ratio to 0.5 times or less by the end of fiscal 2025 under the Midterm Plan announced on February 13, 2020.



### Manufactured Capital

**Number of production bases in Japan and overseas:** **22** (Total of Tire, Sports and Industrial Products Businesses) **Capital expenditures:** **¥49.5 Billion**

In fiscal 2021, the Sumitomo Rubber Group supplied 116.03 million tires to markets around the world. To support the global marketing of tires, we have secured four production bases in Japan and eight production bases in countries abroad, thereby developing an optimal production system encompassing a broad swath of regions. Today, the ratio of overseas production volume amounts to 63%. Although the utilization ratio of these production bases dropped significantly from 92% in fiscal 2019 to 76% in fiscal 2020 due to the COVID-19 pandemic, this ratio recovered to 88% in fiscal 2021. For fiscal 2022, we expect the utilization ratio of our bases to increase to 95%.

Our initial budget for capital expenditure in fiscal 2021 was ¥59.0 billion. However, in the face of stagnation in automobile production due to shortages of semiconductors and automotive parts, we resized this budget to ¥49.5 billion (of this, ¥28.4 billion was allocated to overseas facilities). For fiscal 2022, our plans call for capital expenditure amounting to ¥70.0 billion, including ¥48.6 billion for overseas facilities.



### Human Capital

**Number of consolidated employees:** **40,055** **Ratio of employees at overseas bases:** **70%**

The Sumitomo Rubber Group's consolidated headcount totals 40,055, with 28,047 employees at overseas bases accounting for 70% of the overall number. Looking at the proportional composition of this workforce by region, operations in Asia and Oceania (excluding Japan) account for 43%, while operations in Europe and Africa and those in the Americas account for 17% and 10%, respectively.

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



### Intellectual Capital

**R&D expenses:** **¥25.4 Billion** **Number of Japanese and foreign patents:** **9,983**

Guided by our unique belief in the material possibilities of rubber, we have taken on the challenge of developing industry-leading rubber technology and thus created “world firsts” on multiple fronts. Building on this track record, the Sumitomo Rubber Group promotes a wide range of research and development in fields related to Tire, Sports and Industrial and Other Products businesses, thereby securing the driving force that generates products with competitive advantages as well as new growth. In fiscal 2021, R&D spending on such activities and innovation totaled ¥25.4 billion, which accounts for 2.7% of consolidated sales revenue.

The Sumitomo Rubber Group has taken a pioneering approach in terms of the utilization of supercomputers in the development of new materials. In 2012, we began utilizing the “K” supercomputer and, in 2021, we start employing “Fugaku,” a successor of the “K,” to carry out material simulations.



### Social Capital

#### Number of customer consultation cases

**Tire Business:** **5,385 Cases** **Sports Business:** **8,554 Cases** **Industrial Products Business:** **2,306 Cases**

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

When it comes to promoting Sumitomo Rubber Group operations, our brand capabilities constitute an element equally as essential to supporting growth in corporate value. Having acquired rights to the global use of the trademarks for Dunlop brand sports goods in 2017, we have since striven to enhance the brand value of Dunlop, particularly in the racket sports business. Going forward, we will also step up the utilization of the Dunlop brand in the golf business in a phased manner, targeting countries and regions outside Japan, Taiwan and South Korea. We will thus raise the presence of the Dunlop brand in the sports goods field while increasing its brand value in a way that transcends the scope of our Sports Business to encompass our Tire Business and Industrial and Other Products Business.



### Natural Capital

**Rating provided under the Development Bank of Japan (DBJ) Environmental Ratings program:** **Highest rating** **Number of trees planted:** **1.78 Million (cumulative total)**

Note: The number of trees planted during fiscal 2021 totaled 18,900. Both numbers exclude the provision of seedlings.

In line with “Our Philosophy,” a corporate philosophy structure, the Sumitomo Rubber Group's basic management policy is to enhance not only its economic value but also its societal value and to contribute to the development of a sustainable society. To put this policy into practice, we promote environmental management informed by our “GENKI” Sustainability Activity Guidelines.

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.

In recognition of the above efforts, Sumitomo Rubber Industries was granted the highest rating by Development Bank of Japan, Inc. under the DBJ Environmental Ratings, a program created to evaluate and rate the level of a corporation's environmental management.

In addition, we have engaged in tree planting activities at home and abroad since 2009. As of the end of fiscal 2021, the cumulative total number of trees planted amounted to 1.78 million.

## Business Operations

In 1888, the world's first pneumatic tire was successfully commercialized by veterinary physician John Boyd Dunlop. The beneficiary of his unique creativity, the Sumitomo Rubber Group has developed Tire, Sports and Industrial Products businesses. The Group's efforts have yielded multiple "world firsts" as well as a number of "Japan firsts" that have contributed to improved living standards, advances in the industrial sector and the sound development of society.

Under the slogan "Rubber and Beyond, Driving Our Future," we constantly do our best to ensure a sense of security for all customers and to better live up to their trust in us as we aim to help create a joyful, sound and affluent society.

### Tire Business

▶ p. 49



With Dunlop and Falken as mainstay brands, we have taken on the challenge of creating superior quality tires that meet diverse application needs, including tires for passenger cars, trucks, buses and industrial vehicles, in addition to being friendly to people and the environment.



### Sports Business

▶ p. 51

To help customers enjoy an expansive sports life, we deliver golf clubs, tennis rackets and other high-performance products while operating sports schools and fitness clubs.



### Industrial Products Business

▶ p. 53

Taking full advantage of the distinctive strengths in rubber technology we have cultivated over the years, we deliver products designed to protect human life, contribute to health improvement and support mobility in an effort to underpin society's infrastructure and support people's daily lives. These operations encompass a breadth of fields ranging from industrial infrastructure to medical and living essentials and healthcare goods.



## Risks, Opportunities and the Value Chain

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 future business development along with the current status of our value chain and our initiatives to address issues the value chain is now confronting.

### Tire Business

<b>Management Issues</b>	<ul style="list-style-type: none"> <li>• Maximizing the results that we reap from the global business framework</li> <li>• Developing products to respond to local market needs and ever higher performance demands while expanding sales of advanced products</li> <li>• Developing businesses compatible with CASE and MaaS</li> <li>• Promoting ESG management</li> </ul>
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Strengths	Growth Opportunities	Risks	Initiatives Undertaken by the Sumitomo Rubber Group
<ul style="list-style-type: none"> <li>• The DUNLOP brand, which boasts over 130 years of history since commercializing the world's first pneumatic tire and has won public recognition throughout the world</li> <li>• Technologies supporting the development of fuel-efficient tires and an extensive lineup of such tires</li> <li>• A global business framework supported by three pillars (a global network of manufacturing, sales and service bases, a trilateral R&amp;D network (Japan/USA/Europe) and a global supply network)</li> <li>• World-leading simulation and analysis capabilities utilizing state-of-the-art supercomputers and so on</li> <li>• Tire pressure sensing technologies installed in a cumulative total of 40 million vehicles</li> <li>• Biomass technologies nurtured in the course of developing fossil resource-free tires</li> </ul>	<ul style="list-style-type: none"> <li>• Robust demand for large-diameter tires for SUVs and light trucks in developed countries</li> <li>• Growth in worldwide demand for tires, especially for EV tires</li> <li>• Growing demand for tires made with non-fossil natural resources and fuel-efficient tires due to the strengthening of environmental regulations applied to automobiles and ever-stronger public awareness regarding the need for environmental conservation on a global level</li> </ul>	<ul style="list-style-type: none"> <li>• Increasingly intense global competition associated with the development of tires using a greater proportion of sustainable raw materials, tires with lower rolling resistance and other products</li> <li>• Economic stagnation due to pandemics and natural disasters</li> <li>• Intensifying market competition reflecting the rise of manufacturers from emerging countries</li> <li>• Jump in the price of raw materials and crude oil</li> <li>• Political instability and other geopolitical risks</li> <li>• A shift in demand for winter tires reflecting rises in global temperatures and decreases in snowfalls</li> </ul>	<ul style="list-style-type: none"> <li>• Expanding sales of advanced tires, including those for SUVs, in response to growth in demand</li> <li>• Realizing SMART TYRE CONCEPT, which informs the development of innovative tires and peripheral services</li> <li>• Developing tires with a low environmental footprint</li> <li>• Promoting tire-related solutions businesses</li> <li>• Contributing to decarbonization through the provision of EV tires and fuel-efficient tires</li> </ul>



	Product Development	Procurement	Production/Supply	Sales/After Services
<b>Recognition of the Current Environment</b>	<ul style="list-style-type: none"> <li>• As it strives to realize a sustainable society, the tire industry is engulfed by increasingly intense global competition to develop products made with renewable resources that will enable it to break away from fossil resources and otherwise reduce the environmental footprint of tires through, for example, the use of recycled materials.</li> <li>• With CASE (an acronym for "Connected, Autonomous, Shared &amp; Services, Electric") expected to become a key concept determining what the next generation mobility society will look like, tires equipped with more advanced functions will be sought after. These functions will include the Tire Pressure Monitoring System (TPMS) as well as those supporting value-added maintenance services designed to ensure safe and secure driving.</li> </ul>	<ul style="list-style-type: none"> <li>• Natural rubber is a primary tire raw material. And, approximately 70% of the natural rubber produced worldwide is used for tires. The Para rubber tree, an abundant producer of best-quality latex in the form of the tree sap, originates from the South American Amazon river basin. The tree's current habitat stretches from the 15th parallel north to the 15th parallel south, forming the aptly nicknamed "rubber band," a tropical belt centered on the equator and particularly vulnerable to the effects of climate change. Today, about 80% of global rubber production volume is concentrated in Southeast Asia.</li> <li>• The social issues that must be addressed in connection with natural rubber procurement range from the effects of climate change and the industry's impact on forests and other natural ecosystems as well as biodiversity to the protection of human rights and labor rights.</li> </ul>	<ul style="list-style-type: none"> <li>• Since the breakout of the COVID-19 pandemic, tire manufacturers have seen their facility utilization ratios become increasingly unstable due to the need to adjust their production in the face of a downturn in automobile production resulting from semiconductor shortages as well as due to stagnation in tire markets reflecting a growing public trend of restraint regarding outings.</li> <li>• Going forward, however, expanding our overseas production will remain essential to securing sustainable growth. Accordingly, it is important to develop human resources by, for example, instilling skills and passing down the know-how of experienced operators.</li> <li>• Looking ahead, we will also promote proactive initiatives to achieve carbon neutrality in tire manufacturing.</li> </ul>	<ul style="list-style-type: none"> <li>• In tire marketing, the maintenance of an after-sales service structure is a matter of importance as is the development of a sales network. The Sumitomo Rubber Group has secured robust sales and service networks at home and abroad. The enhancement of these networks helps us raise our brand value while boosting our product capabilities and supporting our promotional activities.</li> </ul>
<b>Initiatives Undertaken by the Sumitomo Rubber Group</b>	<ul style="list-style-type: none"> <li>• Developing next-generation technologies and products through the application of the core SMART TYRE CONCEPT <a href="#">▶p. 76</a></li> <li>• Raising the ratio of sustainable raw materials (biomass and recycled raw materials)★</li> <li>• Promoting solution businesses employing sensing technologies</li> <li>• Further strengthening our global development network <a href="#">▶p. 21</a></li> <li>• Developing tires incorporating noise-absorbing sponge "SILENT CORE" <a href="#">▶p. 25</a></li> <li>• Employing the "Fugaku" supercomputer to carry out rubber material simulations</li> <li>• Maintaining the No. 1 position in terms of the patent asset ranking for the rubber industry</li> <li>• Improving rubber quality</li> </ul>	<ul style="list-style-type: none"> <li>• Upholding a Sustainable Natural Rubber Policy <a href="#">▶p. 68</a> ★</li> <li>• Promoting CSR procurement based on the Procurement Guidelines <a href="#">▶p. 68</a> ★</li> <li>• Promoting green purchasing ★</li> <li>• Conducting surveys on the status of supplier initiatives to address environmental risks ★</li> </ul>	<ul style="list-style-type: none"> <li>• Reducing the environmental impact of factories <a href="#">▶p. 69</a> ★</li> <li>• Green logistics ★</li> <li>• Maintaining complete zero landfill waste <a href="#">▶p. 72</a> ★</li> <li>• Pursuing same quality throughout the world</li> <li>• Expanding sales of retread tires and reusing waste tires</li> </ul>	<ul style="list-style-type: none"> <li>• Developing and enhancing our global sales and service networks★</li> <li>• Increasing brand value★</li> <li>• Releasing commercial EV tires</li> <li>• Gathering customer feedback and making use of it to improve products and services★</li> <li>• Expanding sales of fuel-efficient tires <a href="#">▶p. 30</a></li> </ul>

Note: Items that are also relevant to our Sports and Industrial and Other Products businesses are marked with ★

Risks, Opportunities and the Value Chain

## Sports Business

<b>Management Issues</b>	<ul style="list-style-type: none"> <li>Maximizing the results that we reap from the global business framework</li> <li>Developing products to respond to local market needs and ever higher performance demands</li> <li>Strengthening efforts towards enhancement of “DUNLOP” brand value and expanding the effect to the entire Sumitomo Rubber Group to generate synergies</li> </ul>
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Strengths	Growth Opportunities
<ul style="list-style-type: none"> <li>Providing products and services that are backed and differentiated by superior technical development capabilities, such as the utilization of state-of-the-art supercomputers</li> <li>Building brands and product appeal that have been refined at the most elite professional tour tournaments</li> <li>Practicing marketing that is thoroughly based on user needs and the global marketing capability to support that</li> <li>Expanding business opportunities following the acquisition of trademark rights to the “DUNLOP” brand throughout the world</li> </ul>	<ul style="list-style-type: none"> <li>Raising awareness of health and fitness among citizens as the health-conscious millennial generation gains greater purchasing capabilities</li> <li>In golf, enhancing our presence in North America, the largest market</li> <li>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</li> <li>Pursuing the diversity of value and potential to be found in sports so as to further enrich the customer’s sporting life</li> <li>Broadening the scope of operations to include AI- and IoT-based services aimed at assisting sporting activities</li> </ul>

Risks	Initiatives Undertaken by the Sumitomo Rubber Group
<ul style="list-style-type: none"> <li>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</li> <li>Jump in the price of raw materials</li> <li>Deterioration in the outdoor sporting environment due to higher temperatures and other negative consequences resulting from climate change</li> </ul>	<ul style="list-style-type: none"> <li>Developing &amp; promoting sales of advanced products</li> <li>Expanding our Sports Business globally (Golf and Racket Sports Business)</li> <li>Developing products with even smaller environmental footprints by, for example, reducing the volume of plastics used in packaging and other materials</li> <li>Strengthening efforts towards the enhancement of “DUNLOP” brand value and expanding the effect to the entire Sumitomo Rubber Group to generate synergies</li> <li>Meeting growing demand for digital-driven services and products</li> </ul>



### Current Status of and Initiatives Undertaken by Our Value Chain

Recognition of the Current Environment	Initiatives Undertaken by the Sumitomo Rubber Group
<ul style="list-style-type: none"> <li>Among the widespread effects of the COVID-19 pandemic, various sports events have been cancelled or postponed. At the same time, the general public’s health awareness has grown alongside a refreshed recognition of the role and importance of sports. Against this background, golf is attracting particular attention as sport that is played outdoors and that poses no problems concerning social distancing. This, in turn, has brought an increasing number of newcomers to the sport, causing demand for golf equipment to grow worldwide. However, the wellness business, including fitness club operations, is still being negatively affected by the COVID-19 pandemic due to the nature of fitness facilities in which users engage in indoor exercises. Accordingly, demand has yet to recover.</li> <li>We believe that, to help realize a sustainable society, we are being called upon not only to contribute to the resolution of environmental concerns but also to support mental and physical health for people in all ages. Through our Sports Business, we must thus strive to help people enjoy affluent lives as part of our corporate social responsibilities.</li> </ul>	<p><b>Product Development</b></p> <ul style="list-style-type: none"> <li>Developing high-performance products sensitively designed to appeal to and help users feel a greater sense of joy in sports</li> <li>Developing products with even smaller environmental footprints, to this end enhancing product durability, developing biomass materials and incorporating recycled and other sustainable raw materials</li> </ul> <p><b>Procurement/Production/Supply</b></p> <ul style="list-style-type: none"> <li>Reducing the volume of plastics used by abolishing plastic lids for a portion of tennis ball packaging tubes</li> <li>Promoting energy-saving initiatives at factories and wellness business bases</li> </ul> <p><b>Sales/Services</b></p> <ul style="list-style-type: none"> <li>Accelerating initiatives to enhance the value of the “DUNLOP” brand in the golf business</li> <li>Ensuring the safe operation of sports gyms and the stable provision of wellness services designed to help senior citizens avoid the need for nursing care, with COVID-19 infection countermeasures thoroughly in place for these operations</li> </ul>

## Industrial Products Business

<b>Management Issues</b>	<ul style="list-style-type: none"> <li>Enhancing research and development systems for high-value added products in terms of quality and functionality, based on rubber technology</li> <li>Accelerating efforts to seize growth opportunities in European and U.S. markets, in addition to maintaining conventional businesses centered in Japan and other Asian countries</li> <li>Constantly optimizing our business portfolio in line with changes in society</li> </ul>
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Strengths	Growth Opportunities
<ul style="list-style-type: none"> <li>Maintain a portfolio with a variety of proprietary technologies backed by our rubber technology nurtured in the course of operating the Tire Business</li> <li>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</li> <li>Moved the headquarters for the Rubber Parts for Medical Applications Business to Europe in 2020, building a global business framework to serve growth markets</li> </ul>	<ul style="list-style-type: none"> <li>Sustained growth in demand for rubber parts for medical applications on the back of expansion in the global pharmaceutical market</li> <li>Growing needs for earthquake countermeasures reflecting ever stronger public awareness of natural disaster risks</li> <li>The emergence of new needs associated with the growing global trend toward sustainability along with the increasing importance of non-financial aspects of corporate activities</li> <li>Growing public hygiene awareness in the wake of the global COVID-19 pandemic</li> </ul>

Risks	Initiatives Undertaken by the Sumitomo Rubber Group
<ul style="list-style-type: none"> <li>Jump in the price of raw materials</li> <li>Pandemic-induced fluctuations in demand and the impact on supply chains</li> <li>Changes in government policies in addition to restrained investment policies adopted by the majority of private corporations</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing research and development systems based on rubber technology for the creation of high-value added products in terms of quality and functionality</li> <li>Constantly optimizing our business portfolio in line with changes in society</li> <li>Exploring new business fields that will better position us to meet future needs by fully taking advantage of the diverse resources afforded us by the Sumitomo Rubber Group’s wide-ranging operations</li> <li>Developing environmentally friendly products that, for example, use alternatives for organic solvents and incorporate biologically derived raw materials</li> </ul>



### Current Status of and Initiatives Undertaken by Our Value Chain

Recognition of the Current Environment	Initiatives Undertaken by the Sumitomo Rubber Group
<ul style="list-style-type: none"> <li>In step with such trends as growing public awareness regarding sustainability, contributing to social sustainability through business activities is more important than ever. This includes the implementation of countermeasures against the pandemic. Given these circumstances, we deem it essential to accurately identify business fields and product development themes deserving our focus.</li> </ul>	<ul style="list-style-type: none"> <li>We have positioned rubber parts for medical applications and vibration control dampers as priority operations requiring our constant focus as the former helps accommodate medical needs, while the latter contributes to countermeasures against earthquakes, typhoons and other natural disasters. We will strive to expand these operations on a global basis.</li> <li>In the infrastructure business, we are currently engaged in verification testing to curb the dispersion of microplastics* from artificial turf for sporting facilities. This testing is a pioneering project of its kind in the industry and is being conducted at public facilities in collaboration with the Ministry of the Environment and local governments.</li> </ul> <p><small>*Small plastic pieces less than five millimeters in length</small></p>

Business Overview

# Tire Business

## More Drive, More Joy

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

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

## Driving the Mobility Society of the Future

**Hidekazu Nishiguchi**  
Director and Managing Executive Officer



### A Three-Pronged Approach to Pioneering a New Era of Mobility

With an eye toward the rise of CASE and MaaS, the Sumitomo Rubber Group is revamping our efforts to harness our unique strengths to respond to the dawning of a New Era of Mobility through a three-pronged approach.

Our first approach is our ongoing efforts to develop tires that provide second-to-none performance for electric vehicles (EVs). In 2022, we became the first in our industry to release replacement tires designed specifically for EVs with the launch of e. SPORT MAXX in China. Available in 17 sizes at launch, e. SPORT MAXX not only provides balanced high performance in terms of wet grip and steering stability, it features our proprietary SILENT CORE, which equips tires with specialized noise-absorbing sponges to provide the quiet drive that EV users demand. The Sumitomo Rubber Group was the first tire manufacturer in the world to pioneer this innovative technology, which has been installed in some 14 million tires sold to date.

Since it was first announced in February 2022, e. SPORT MAXX has received a great deal of interest from up-and-coming Chinese EV manufacturers, and we are hoping to leverage our growing foothold in the replacement EV tire market to accelerate the expansion of our market share among Chinese OE as well.

We are also planning to release our first replacement EV tires for the European market with the 2023 launch of FALKEN e. ZIEX. In the leadup to its launch, we unveiled e. ZIEX for the first time at a major European tire trade show in May 2022. In an encouraging sign of the potential of this untapped market, e. ZIEX generated the same level of enthusiasm as e. SPORT MAXX had in China. At the same time, we are also of course working on the development of OE tires for EVs.

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

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

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

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

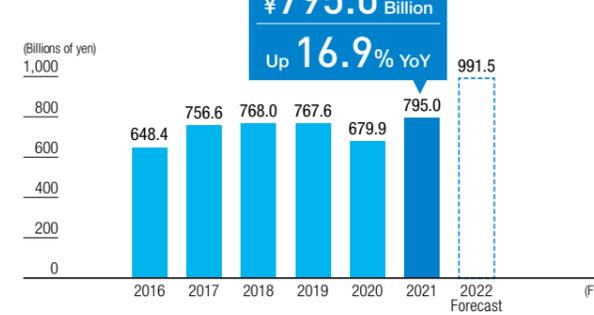
“Through innovation we will create a future of joy and well-being for all.” This is the Purpose of the Sumitomo Rubber Group. In order to fulfill our Purpose, we will continue to take on the challenges of being a corporate group that consistently contributes to society with an eye toward the future world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



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

## Results of Operations / Major Indicators

### Sales Revenue



### Business Profit\* (Ratio)



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

## Sales Trends

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

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

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

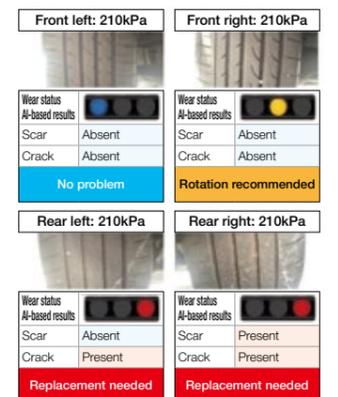


## Topics

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

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

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



Business Overview

# Sports Business

## Enriching the Sporting Lives

Drawing upon the full range of our advanced technical capabilities, the Sumitomo Rubber Group continually strives to enrich customers' sporting lives. In addition to providing high-performance golf clubs, tennis rackets and other sporting gear designed for ease of use by athletes of all stripes, we also operate a chain of fitness clubs as well as golf schools and tennis schools. Backed by the know-how that we have accumulated through our Fitness Business, we have recently expanded our business to include nursing facilities and preventive care facilities as well.

In this way, our Sports Business is actively engaged in various business activities that support better physical and mental health for our many customers on a day-to-day basis.

In addition, we also host golf tournaments and operate golf courses.

## Raising the Bar for Global Brand Strength toward Greater Growth

**Hideaki Kawamatsu**

Senior Executive Officer, Head of the Sports Business HQ



### Booming Business in North America: The Culmination of Our Efforts to Date

All of our efforts to date paid off in a big way in 2021, when our Sports Business achieved a V-shaped recovery as markets recovered from the worst effects of the pandemic. Market growth was particularly strong in the United States, where social distancing created renewed interest in golf as a sport that could be enjoyed safely, which further bolstered the nascent recovery that drove our sales revenue up by 70% compared with 2020.

In our Golf Business, we have spent the last several years thoroughly revamping our product development infrastructure in Japan and the United States. We have been shifting the creative side of product development to our bases in the United States with an eye toward developing products that feature designs and brand stories optimized for the U.S. market while also drawing upon our full technical prowess as well as the commercialization and mass production capabilities that we have accumulated over the years in Japan. In 2021, these efforts paid off for us in a big way with the launch of our SRIXON ZX Series and our Cleveland RTX ZIPCORE Wedges, both of which were a smash hit in the United States. In addition to their success in the world's largest market, these new golf clubs have contributed to an all-around increase in our global sales as well.

### Four Factors Converge to Make Sales Expansion a Reality

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

The second factor was our sales promotion strategy, which placed pro golfers with whom we have sponsorship deals front and center in order to enhance our brand image among customers and retailers alike. Hideki Matsuyama's historic win in the 2021 Masters Tournament went a long way toward creating buzz, as did the fact that Brooks Koepka had been using our clubs of his own accord for years before signing a sponsorship deal.

The third factor was our distribution strategy. We have two main distribution channels for golf gear: on-course (i.e., sales at golf courses) and off-course (i.e., sales at normal retailers). In the U.S. market, on-course sales make up a relatively large portion of overall sales compared with other markets. To date, we have taken numerous steps to capture the on-course market segment in the United States. Bolstered further by our

outstanding products and a string of victories by sponsored pro golfers, these efforts have led to an enormous increase in on-course sales.

The fourth factor was our supply chain structure as well as the work of a dedicated team that is active across multiple organizations. As the market began to rapidly recover after contracting at the onset of the pandemic, the entire golf industry found itself faced with shortages of grips and other key parts. I believe that our increased market share is the result of our success in responding to these shortages in a timely manner, which involved not only securing parts but also finding alternate parts to make up for shortfalls of certain parts that we could not secure.

### Expanding Our Racket Business Backed by a Steady Supply of Quality Tennis Balls

Our Tennis Business has also been hard at work on securing sales expansion, with our specialty tennis balls leading the way. In terms of tennis ball sales, our net sales grew 1.3 times, 1.8 times and 1.4 times, respectively, in Japan, the United States and Europe.

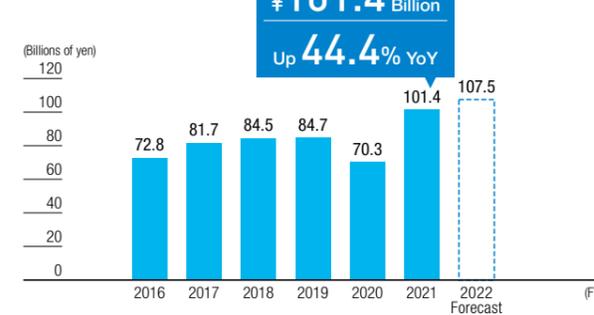
Sponsorship deals with pro tennis players have a major impact when it comes to promoting sales of tennis rackets. Accordingly, we have put much time and effort into sealing deals with major tennis pros. Meanwhile, we are making positive steps toward finding and cultivating bright young stars who have the potential to become the top pros of tomorrow. In 2018, we entered into an agreement with IMG Tennis Academy, which has produced many of the top tennis players in the world today. In 2019, we followed this up with the signing of an agreement with Mouratoglou Tennis Academy, which is one of the largest tennis academies in Europe.

### A Japanese Golf & Tennis Gear Maker with a Global Reach

The Sumitomo Rubber Group started out in 1909 as the Far East factory of a British tire manufacturer named DUNLOP. In spite of our roots, for many years, we lacked the rights to sell sporting goods under the DUNLOP Brand outside of Japan, Taiwan and South Korea. This all changed when we acquired the global trademark rights in 2017, which allowed our Sports Business to use the DUNLOP Brand worldwide. This provides us with a unique opportunity that has been over a century in the making, and we fully intend to make the most of this chance to expand our global Sports Business.

## Results of Operations / Major Indicators

### Sales Revenue

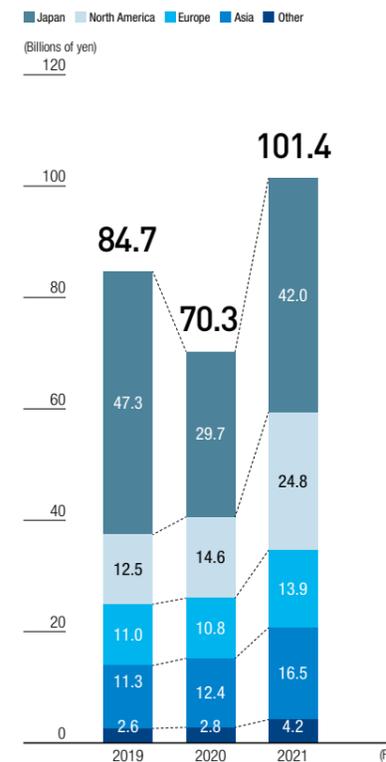


### Business Profit\* (Ratio)

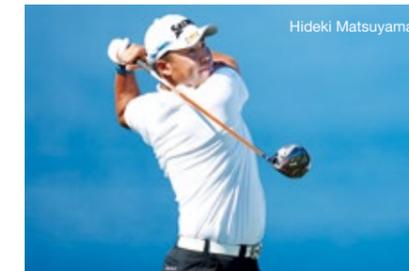


\*Business profit = Sales revenue - (Cost of sales + Selling, general and administrative expenses)

## Sales Trends



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



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

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

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

### Golf Equipment



### Tennis Equipment



### Wellness Business



## Topics

### Supporting Top-Tier Wheelchair Tennis Players around the World

The Sumitomo Rubber Group maintains tennis equipment sponsorship agreements with top-tier wheelchair tennis players around the world, helping to further increase the popularity of tennis as a competitive sport. Through these agreements, we have supported Yui Kamiji, a champion female wheelchair tennis player who represents Japan, as well as Koji Sugeno, a leading quad category player. Overseas, we support Aniek Van Koot and Tom Egberink, both from the Netherlands, among other players who compete in Grand Slam and other world-class elite tournaments.



Business Overview

# Industrial Products Business

## Contributing to Safety, Peace of Mind & Comfort for Communities

The Sumitomo Rubber Group manufactures a wide range of industrial products that take full advantage of the numerous advanced rubber technologies that we have accumulated throughout our history. Having continuously expanded our business into various new fields in response to the growing needs of society, we now produce everything from industrial infrastructure to medical supplies, healthcare goods and daily necessities. Now more than ever before, the world is taking a keen interest in the myriad possibilities of our advanced technologies.

Our Industrial Products Business falls under the jurisdiction of our Hybrid Rubber Products HQ.

### Products & Services to Achieve Sustainable Growth while Protecting Both Industry & Daily Life

**Masahiro Tsuzaki**  
Head of the Hybrid Rubber Products HQ



#### Remarks on Assuming Post as Head of HQ

I was appointed to head the Hybrid Rubber Products HQ in January 2022. One of my favorite phrases has always been "Win-Win-Win," and so I feel that it is my mission and my duty to build mutually beneficially relationships with all of our stakeholders, including customers, employees, suppliers, shareholders and society at large.

I have been with the Sumitomo Rubber Group for over 20 years now and have spent much of my career to date in the Tire Business. As a member of the Corporate Management Planning & Administration Department, I spent the last two years working as a leader on the "Be the Change" Project. In addition to providing many products that contribute to community development as well as everyday life, the Hybrid Rubber Products HQ also boasts numerous products that are No. 1 in their respective fields. One thing that these products have in common is that they all serve to "Protect." Our business protects everything from general health to life and limb as well as mobility, industrial infrastructure, daily life and even culture. Being a part of all of this not only makes my work all the more worthwhile but also gives me a strong sense of pride in what we do.

#### Harnessing the Expertise of Each Business Team to Take on the Challenges of Creating New Value

From infrastructure products to medical supplies to daily necessities, the Hybrid Rubber Products HQ provides numerous products and services useful to society at large. At the same time, however, we also need to develop winning strategies for each individual product and service while taking into account their diverse characteristics and life cycles. The key here is to develop the best possible products and services. Accordingly, we have adopted a business team system with a dedicated business team presiding over every aspect of business for each product line. These business teams are tasked with precisely ascertaining customer needs in a timely manner and then creating products and services that fully surpass those needs. Central to these efforts are opportunities to come up with new ideas while drawing upon the strength of our diversity.

Whether ending in success or failure, every case study from our past adds to our store of know-how. Thus, we are currently working to create mechanisms to promote reciprocal information sharing and mutual support among business teams so that this invaluable know-how will not remain confined to any one team. Each team is an elite corps dedicated to its product line, handling every part of the business in their field from development to manufacturing to sales. I hope to forge stronger connections across business teams while maintaining the many advantages that our business team system provides. Here, I introduce a few examples of what our business teams are doing.

We are now working to further expand our business when it comes to our No. 1 product in the field of infrastructure to mitigate disaster risks: MIRAIE

vibration control dampers designed for wooden housing. Here, our efforts revolve around expanding our lineup of products under the MIRAIE Brand even as we push ahead with the development of the next generation of vibration control dampers to surpass our current offerings. At the same time, we are working to expand sales of vibration control systems for buildings and bridges both in Japan and around the world.

Meanwhile, when it comes to rubber parts for medical applications, we have long commanded a large share of the Japanese domestic market for rubber stoppers for glassware (i.e., vials) used to store influenza vaccines, etc. However, in spite of our proven track record in Japan, there is still much room for us to grow this line of business in overseas markets. Toward attaining a solid foothold in new markets, we have been focusing our efforts on developing products that feature high added value while providing service that exceeds customer expectations with the aim of becoming a major player in the global market for rubber stoppers for vials and prefilled syringes, etc.

#### Contributing to ESG Management with Shared Values & Approaches to Work

Our efforts are not simply a matter of transcending the boundaries of compartmentalized organizations, but also sharing values and approaches to work throughout the Hybrid Rubber Products HQ. Therefore we strive to foster the values of "CFP" (Cheerful, Fun, Positive), which means maintaining a positive attitude as we work to overcome various difficulties, as well as "RSD" (Respect, Support, Discussion), which means respecting one another, actively working to help one another and engaging in constructive dialogue.

The many strengths of the Hybrid Rubber Products HQ include an emphasis on personal discretion, a culture of taking on the challenges of creating something from nothing and in-depth knowledge that has produced numerous No. 1 products in a wide range of fields to date. I believe that our opportunities for growth will continue to expand as long as we build on these strengths while combining them with new strengths borrowed from other business divisions of the Sumitomo Rubber Group.

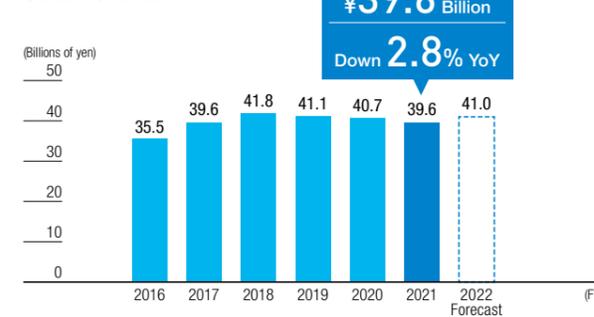
When it comes to protecting the environment as part of ESG Management, our efforts include working to resolve the societal issues caused by microplastic\* runoff from artificial turf for sporting facilities. Toward this end, in cooperation with the Ministry of the Environment and local governments, we have already launched an industry-first proof of concept project that aims to address this issue at public facilities.

In tandem with the whole Sumitomo Rubber Group, the Hybrid Rubber Products HQ is also working to contribute to better all-around ESG Management through active efforts to achieve carbon neutrality while manufacturing more environmentally friendly products.

\*Small pieces of plastic that have a diameter of no more than 5mm.

## Results of Operations / Major Indicators

### Sales Revenue



Note: Operating results include the Other Business.

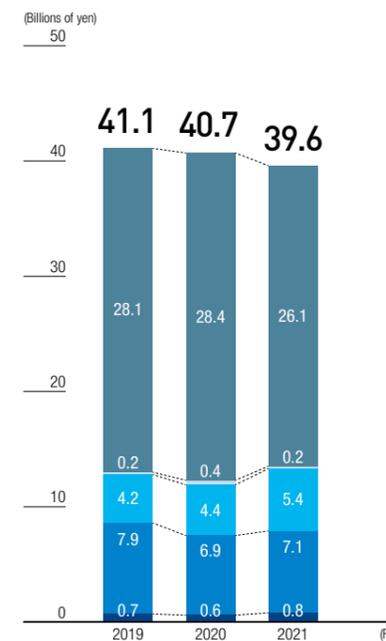
### Business Profit\* (Ratio)



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

## Sales Trends

■ Japan ■ North America ■ Europe ■ Asia ■ Other

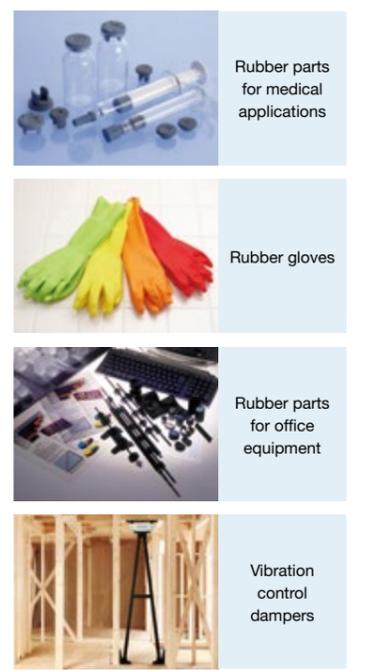


**Japan** Reacting to uncertainty regarding the economic outlook due to the COVID-19 pandemic, businesses have taken a restrictive approach to capital expenditure. This trend has particularly affected the business environment surrounding our infrastructure business. Overall sales have thus remained below levels seen in recent fiscal years. In the rubber glove business, there have been radical fluctuations in the volumes of both demand and supply across the entire market, causing ongoing volatility in the business environment and making it difficult to determine our operations' future direction. On the other hand, we have seen constant and robust growth in market demand for rubber parts for medical applications. Taking these factors into account, we will strive to optimize our portfolio, paying close attention to medium- to long-term market trends associated with each product item.

**Europe** On the back of ongoing growth in market demand for rubber parts for medical applications, sales revenue has steadily expanded. Looking ahead, we will pursue the further strengthening of our earnings power in step with growth in sales.

**Asia** Overall sales of rubber parts for office equipment decreased from fiscal 2019, reflecting the ongoing fallout from instability in factory operations and the disruption of supply chains, both of which have emerged in the wake of the COVID-19 pandemic. On the other hand, sales were up in the vibration control damper business compared with the fiscal 2019 level. As marketing activities amid an environment influenced by the COVID-19 pandemic require creativity, we will continue doing our best to expand sales.

**Other Business** We deem it comparatively important to maintain competitive advantages backed by product functions that set ourselves apart from others. At the same time, we also strive to accurately assess market needs by paying attention to geographical factors, with the aim of optimizing our global marketing and other operations.



## Topics

### Celebrating the 50th Anniversary of the Kakogawa Factory, the Industrial Products Business's Mother Factory

Recently, we celebrated the 50th anniversary of the commencement of operations at the Kakogawa Factory, the Industrial Products Business's mother factory. We would like to acknowledge the numerous stakeholders who have contributed to the operation of this base since its launch in 1972 and hereby express our deepest gratitude for their understanding and support. Having started out as a bowling ball\* manufacturing facility, the factory has striven to align and improve its production lineup and manufacturing quality in step with changes in the market environment and customer needs, thereby contributing to the development of our Industrial Products Business. With an eye to the next 50 years, the Kakogawa Factory will continue to take on new challenges in pursuit of further growth.



#### Basic Information

History	1972	Launched operations (January)
	1973	Started the production of gas hoses and solid tires
	1981	Started the production of marine fenders
	1984	Started the production of rubber parts for office equipment
	1989	Expanded facilities (launched the second factory)
	2004	Started the production of vibration control dampers
Land Area	36,000m <sup>2</sup>	
	Number of employees	
		458 (as of December 31, 2021)

\*The production of this item has been terminated.

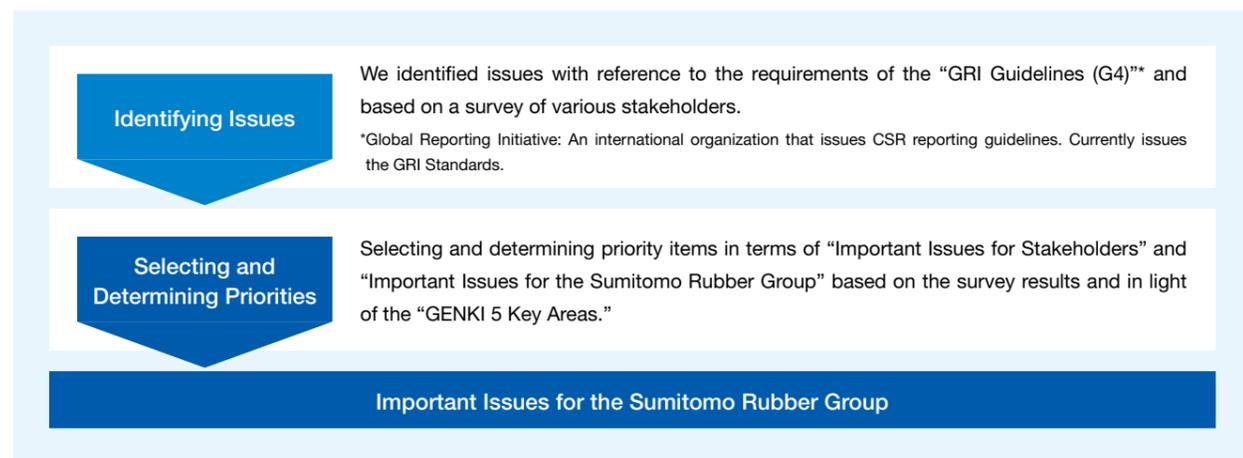
## Identifying Priority Issues to Be Addressed under “GENKI” Sustainability Activity Guidelines

The Sumitomo Rubber Group has identified priority issues that must be addressed in the interests of both our various stakeholders and ourselves. We address such issues based on a framework defined under our unique “GENKI” Sustainability Activity Guidelines.

Our “GENKI” activities date back to 1988, when employee volunteers first launched community contribution projects to help realize a society in which everyone can thrive. Such activities continue into the present day.

The “GENKI” Sustainability Activity Guidelines originated from the CSR Guidelines we established in 2008. Since then, we have continuously upgraded these guidelines so that we can keep on helping to energize society through our corporate activities.

### Methodologies Used to Identify Priority Issues



### 18 Indicators for Priority Issues Included in the “GENKI” Sustainability Activity Guidelines



## “GENKI” Sustainability Activity Guidelines

The “GENKI” Sustainability Activity Guidelines consist of “G: Governance (Corporate Governance),” “E: Ecology (Ecological Process),” “N: Next (Next-Generation Products & Solutions),” “K: Kindness (A Kind Culture Where Everyone Can Prosper)” and “I: Integrity (Integrity for Society).”

Priority issues have thus been identified and incorporated into our framework for “GENKI” sustainability activities to promote initiatives that address each item. We present an overview and the outcomes of these activities on subsequent pages.

\*To upgrade our group’s approach to ESG management, in 2022, “G” as a component of “GENKI” was redefined from “Green (Green initiatives)” to “Governance (Corporate Governance).” In step with this redefinition, we also modified other items, reorganizing the content of the themes and priority issues.

ESG	Relationship between the “GENKI” Sustainability Activity Guidelines and the United Nations Sustainable Development Goals (SDGs)	Relevant Action Plans under “Driving Our Future Challenge 2050”
<b>G</b>	<p><b>Governance</b> Corporate Governance</p> <p>10 16</p>	<ul style="list-style-type: none"> <li>1 Enhancing corporate governance</li> <li>2 Ensuring thorough compliance</li> <li>3 Promoting dialogue with stakeholders</li> <li>4 Supply chain management</li> </ul> <ul style="list-style-type: none"> <li>Increasing the Diversity of Board Members</li> <li>Improving the Effectiveness of Governance</li> <li>Transparency with Respect to Taxes</li> <li>Actively Seeking Third-Party Assessments (Transparency)</li> <li>Instilling “Our Philosophy”</li> </ul>
<b>E</b>	<p><b>Ecology</b> Ecological Process</p> <p>3 6 7 9 11 12 13 14 15</p>	<ul style="list-style-type: none"> <li>5 Creating a low-carbon society</li> <li>6 Building a recycling-oriented society</li> <li>7 Promoting environmental footprint management</li> <li>8 Implementing global environmental management</li> <li>9 Helping to curb global warming through tree planting</li> <li>10 Preserving biodiversity</li> </ul> <ul style="list-style-type: none"> <li>Carbon Neutrality (Scope 1, Scope 2)</li> <li>Harnessing the Potential of Hydrogen</li> <li>Increasing Usage Rate of Biomass &amp; Recycled Materials</li> </ul>
<b>S</b>	<p><b>Next</b> Next-Generation Products &amp; Solutions</p> <p>3 7 9 11 12 13</p>	<ul style="list-style-type: none"> <li>11 Developing environmentally friendly products</li> <li>12 Pursuing “safety and comfort,” “economy” and “quality”</li> </ul> <ul style="list-style-type: none"> <li>Realizing SMART TYRE CONCEPT</li> <li>Creating an Internal Standard for Sustainable Products</li> </ul>
<b>S</b>	<p><b>Kindness</b> A Kind Culture Where Everyone Can Prosper</p> <p>3 4 5 8 10</p>	<ul style="list-style-type: none"> <li>13 Fostering human resource development and making work rewarding</li> <li>14 Creating a safe, employee-friendly workplace</li> <li>15 Promoting diversity &amp; inclusion</li> <li>16 Respect for human rights</li> </ul> <ul style="list-style-type: none"> <li>Thoroughgoing Occupational Safety &amp; Health</li> <li>Promoting Healthy Management</li> <li>Developing Leadership</li> <li>Promoting Diversity &amp; Inclusion</li> <li>Promoting Women’s Empowerment</li> <li>Establishing a Human Rights Management System</li> </ul>
<b>S</b>	<p><b>Integrity</b> Integrity for Society</p> <p>3 4 5 6 10 11 12 13 14 15 16</p>	<ul style="list-style-type: none"> <li>17 Promoting social contribution activities</li> <li>18 Fostering better relationships with local communities through tree planting</li> </ul> <ul style="list-style-type: none"> <li>Promoting “GENKI” volunteer activities undertaken by employees</li> </ul>

# Governance

Corporate Governance

## Basic Perspective

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

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

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

## Management Approach

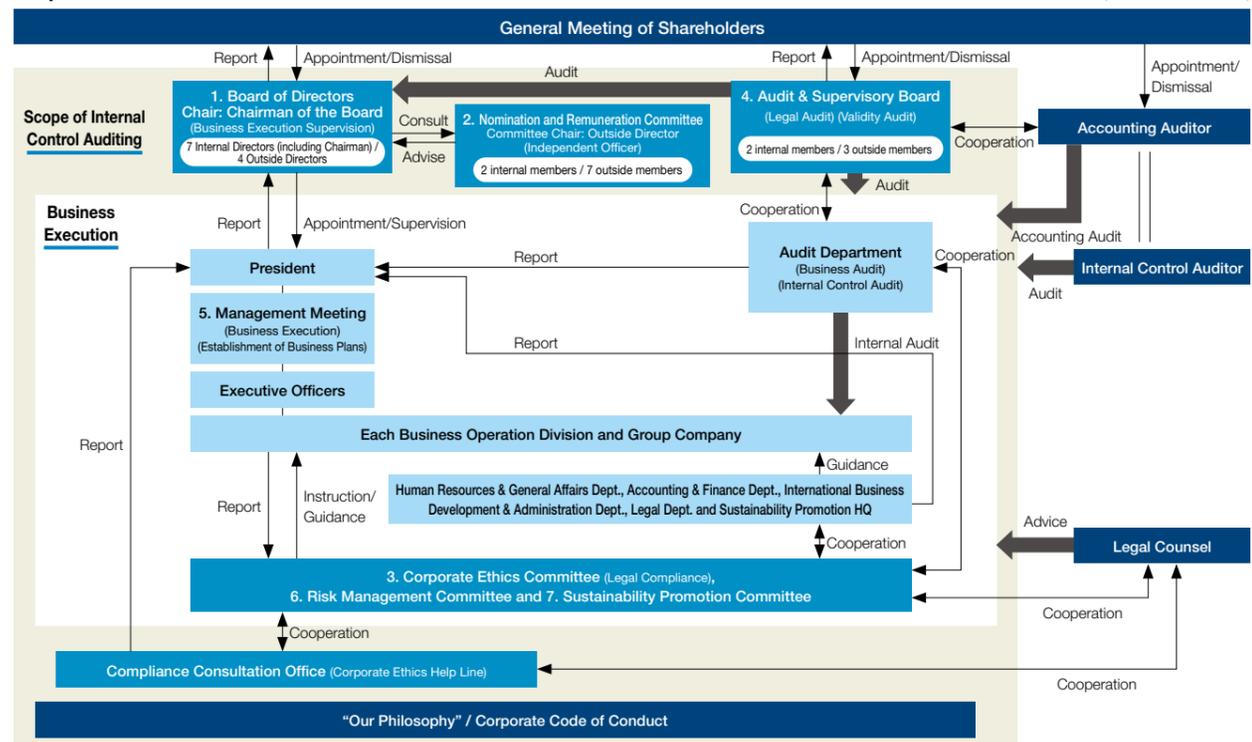
The Sumitomo Rubber Group considers the enhancement of corporate governance to be one of its major management objectives. Accordingly, we are pursuing a variety of initiatives to strengthen the relationship of trust between us and society and improve our operations in terms of fairness and transparency.

In addition, we maintain robust communications with stakeholders to ensure that we stay keenly aware of the responsibilities we are called on to fulfill and other stakeholder expectations. The input gleaned from these communications is reflected in our business activities as we aim to remain a company deserving of the trust of all stakeholders.

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

## Corporate Governance Structure

(As of March 24, 2022)



## Reasons for Adopting the Current Corporate Governance Structure

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

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

### 1 Board of Directors 14 meetings in fiscal 2021

The Board of Directors is composed of a total of 16 members, including 11 Directors and five Audit & Supervisory Board Members, and deliberates and determines matters of managerial importance while supervising Directors' execution of operations. Generally, the Board of Directors meets once a month, but it also holds extraordinary meetings when necessary, such as at the end of the fiscal year and when the books are closed at the end of the first half. In fiscal 2021, the board met 14 times, and the attendance record of the Outside Directors was 100%. In addition, we have established the Management Meeting and delegated to it authority regarding deliberation on a large proportion of business execution matters. By doing so, we work to enhance the content of discussion by the Board of Directors with regard to management policies, medium- to long-term business planning and other matters related to the general direction of the Company.

The nomination of Director candidates takes into consideration their ability to contribute to the sustainable enhancement of the Company's corporate value, and includes such factors as how their inclusion would help ensure effective corporate governance and the diversity of board members in terms of knowledge, experience and other competencies based on the skill matrix.

### 2 Nomination and Remuneration Committee 3 meetings in fiscal 2021

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

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

### 3 Corporate Ethics Committee 4 meetings in fiscal 2021

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

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

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

### 4 Audit & Supervisory Board 12 meetings in fiscal 2021

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

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

### 5 Management Meeting 27 meetings in fiscal 2021

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

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

### 6 Risk Management Committee 2 meetings in fiscal 2021

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

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

### 7 Sustainability Promotion Committee 2 meetings in fiscal 2021

The Sustainability Promotion Committee meets twice a year to ensure that members share a common recognition of priority issues to be tackled around the globe through sustainability activities, including environmental management, and to confirm the progress of such activities. With the officer in charge of ESG (Executive Vice President) serving as the committee chair, the committee includes officers responsible for relevant departments and is also attended by the President.

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

### Directors



**Ikuji Ikeda**  
Chairman of the Board  
Born November 7, 1956  
Number of Shares of the Company Held 55,700

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



**Satoru Yamamoto**  
Representative Director, President and CEO (President)  
Born June 14, 1958  
Number of Shares of the Company Held 27,430

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



**Kazuo Kinameri**  
Representative Director (Vice President)  
Born August 15, 1956  
Number of Shares of the Company Held 35,094

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



**Hidekazu Nishiguchi**  
Director (Managing Executive Officer)  
Born December 8, 1960  
Number of Shares of the Company Held 17,600

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



**Kiyoshige Muraoka**  
Director (Senior Executive Officer)  
Born February 21, 1961  
Number of Shares of the Company Held 4,300

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



**Masatsugu Nishino**  
Director (Senior Executive Officer)  
Born February 8, 1962  
Number of Shares of the Company Held 12,600

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



**Naoki Okawa**  
Director (Senior Executive Officer)  
Born July 9, 1961  
Number of Shares of the Company Held 4,200

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



**Keizo Kosaka**  
Outside Director  
Born December 11, 1945  
Number of Shares of the Company Held 0

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



**Kenji Murakami**  
Outside Director  
Born August 17, 1947  
Number of Shares of the Company Held 13,900

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



**Nobuyuki Kobayashi**  
Outside Director  
Born May 31, 1961  
Number of Shares of the Company Held 0

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



**Mari Sonoda**  
Outside Director  
Born July 24, 1959  
Number of Shares of the Company Held 0

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

### Audit & Supervisory Board Members



**Takashi Kono**  
Standing Audit & Supervisory Board Member  
Born January 17, 1957  
Number of Shares of the Company Held 16,200

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



**Hiroki Ishida**  
Standing Audit & Supervisory Board Member  
Born July 11, 1958  
Number of Shares of the Company Held 46,700

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



**Morihiro Murata**  
Outside Audit & Supervisory Board Member  
Born July 20, 1946  
Number of Shares of the Company Held 6,800

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



**Asli M. Colpan**  
Outside Audit & Supervisory Board Member  
Born October 25, 1977  
Number of Shares of the Company Held 0

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



**Hirofumi Yasuhara**  
Outside Audit & Supervisory Board Member  
Born August 28, 1956  
Number of Shares of the Company Held 0

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

### Executive Officers

#### Senior Executive Officers

Takanori Aoi	Hideaki Kawamatsu
Tomohiko Masuta	Yasuo Watanabe
Eiichi Masuda	Yasuaki Kuniyasu

#### Executive Officers

Toshihiko Komatsu	Hiroshi Matsui
Kenji Saito	Jiro Kawase
Atsuhiko Tanaka	Hiroshi Hamada
Fumikazu Yamashita	Yoichi Mizuno
Takuzo Iwata	Kiyoshi Ikawa

### Reasons for the Selection of Independent Outside Directors

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

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

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

Skill Matrix of Directors and Audit & Supervisory Board Members

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

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

\*The position in parentheses is the position held as an Executive Officer of the Company.

Reasons for Adopting Skill Matrix Items

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

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

The Board of Directors' Operations

To ensure that agenda items submitted to the Board of Directors are fully examined and discussed, we provide Outside Directors and Outside Audit & Supervisory Board Members with materials describing these items and presentations prior to each meeting based on their questions about said items. Also, the content of discussions at the Management Meeting is shared with the above individuals. With regard to decision making on management matters of particular importance and requiring discussion at the Board of Directors, Executive Officers in charge of such matters occasionally provide prior briefings on the outline of agenda items. These are but a few examples of our initiatives to enhance the content of discussions undertaken by the Board of Directors.

Main topics of discussion at Board of Directors meetings in 2021 (agenda items)

- Tangible issues confronting each execution department and the status of response
- Response going forward in light of the results of the questionnaire on the effectiveness of the Board of Directors
- Status of the Risk Management Committee, Corporate Ethics Committee and Sustainability Promotion Committee
- Disposal of a portion of cross-shareholdings

Training for Directors and Audit & Supervisory Board Members

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

Board of Directors' Measures to Enhance Effectiveness

	Fiscal 2021
<p><b>Evaluation methods</b></p> <p>Questionnaire items were prepared by an external assessment firm (an independent third party), which sent out questionnaires targeting all 12 Directors and all five Audit &amp; Supervisory Board Members. Based on the questionnaire results, follow-up interviews were conducted with each individual. Feedback gleaned through the questionnaires and interviews was assessed and examined by the above assessment firm, which compiled a report that was submitted to and discussed at a Board of Directors meeting held in December 2021.</p>	<p><b>Evaluation methods</b></p> <p>Questionnaire items were prepared by an external assessment firm (an independent third party), which sent out questionnaires targeting all 12 Directors and all five Audit &amp; Supervisory Board Members. Based on the questionnaire results, follow-up interviews were conducted with each individual. Feedback gleaned through the questionnaires and interviews was assessed and examined by the above assessment firm, which compiled a report that was submitted to and discussed at a Board of Directors meeting held in December 2021.</p>
<p><b>Evaluation results</b></p> <p>The Company's Board of Directors is equipped with strengths listed below, and it was confirmed that the overall effectiveness of its operations is robust.</p> <p><b>Board of Directors' strengths</b></p> <p>① <b>Enhanced information sharing involving outside officers</b></p> <p>In addition to holding Board of Directors meetings, the Board sets aside a time for information sharing to ensure that members are updated about decisions made by and the status of discussions at the Management Meetings. These practices create valuable opportunities for outside officers to obtain all the information needed to engage in effective decision making at Board of Directors meetings.</p> <p>② <b>Securing diversity</b></p> <p>The Company's Board of Directors includes two women and one foreign national, who together make its composition diverse. Moreover, the Board of Directors boasts an overall membership with a well-balanced skill set.</p>	<p><b>Evaluation results</b></p> <p>The Company's Board of Directors is equipped with strengths listed below, and it was confirmed that the overall effectiveness of its operations is robust.</p> <p><b>Board of Directors' strengths</b></p> <p>① <b>Enhanced information sharing involving outside officers</b></p> <p>In addition to holding Board of Directors meetings, the Board sets aside a time for information sharing to ensure that members are updated about decisions made by and the status of discussions at the Management Meetings. These practices create valuable opportunities for outside officers to obtain all the information needed to engage in effective decision making at Board of Directors meetings.</p> <p>② <b>Securing diversity</b></p> <p>The Company's Board of Directors includes two women and one foreign national, who together make its composition diverse. Moreover, the Board of Directors boasts an overall membership with a well-balanced skill set.</p>
<p><b>Main issues</b></p> <ul style="list-style-type: none"> <li>● More complete information needs to be provided to officers in advance</li> <li>● Discussions at the Board of Directors need revitalization</li> </ul>	<p><b>Main issues</b></p> <ul style="list-style-type: none"> <li>● More complete information needs to be provided to officers in advance</li> <li>● Discussions at the Board of Directors need revitalization</li> </ul>
<p><b>Main initiatives</b></p> <ul style="list-style-type: none"> <li>● Raising the monetary criteria for tabling an item at a Board of Directors meeting</li> <li>● Earlier provision of materials</li> <li>● More complete information to be provided to outside officers in advance</li> <li>● Improvements to the manner of reporting on business of which Executive Officers are in charge</li> <li>● Prior acceptance of questions with regard to agenda items and provision of answers, etc.</li> </ul>	<p><b>Main initiatives</b></p> <ul style="list-style-type: none"> <li>● Raising the monetary criteria for tabling an item at a Board of Directors meeting</li> <li>● Earlier provision of materials</li> <li>● More complete information to be provided to outside officers in advance</li> <li>● Improvements to the manner of reporting on business of which Executive Officers are in charge</li> <li>● Prior acceptance of questions with regard to agenda items and provision of answers, etc.</li> </ul>
<p><b>Future initiatives</b></p> <p>While leveraging the above strengths, the Board of Directors will take a more selective approach to tabling agenda items in order to concentrate on discussions of important matters related to corporate management. Moreover, with regard to agenda items that require in-depth discussion, the Board will secure opportunities for free exchanges of opinion outside formal Board of Directors meetings. In these ways, the Board of Directors will enhance the effectiveness of its operations and thereby contribute to further improvement in corporate value.</p>	<p><b>Future initiatives</b></p> <p>While leveraging the above strengths, the Board of Directors will take a more selective approach to tabling agenda items in order to concentrate on discussions of important matters related to corporate management. Moreover, with regard to agenda items that require in-depth discussion, the Board will secure opportunities for free exchanges of opinion outside formal Board of Directors meetings. In these ways, the Board of Directors will enhance the effectiveness of its operations and thereby contribute to further improvement in corporate value.</p>

## Remuneration of Directors and Audit & Supervisory Board Members

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

#### ① Basic policy

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

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

#### ② Policy for the determination of the amount of basic salary for each recipient

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

#### ③ Policy for the determination of the content, amount of and calculation methods for short-term performance-based remuneration

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

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

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

#### ④ Policy for the determination of the content and amount of medium- to long-term incentives

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

#### ⑤ Policy for the determination of composition of remuneration for individual recipients

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

The Representative Director and President, to whom the Board of Directors has delegated authority over the matter stipulated in ② below, determines the details of remuneration for individual recipients in a manner that honors recommendations from the Nomination and Remuneration Committee and within the scope of the proportional composition set forth in such recommendations for each type of remuneration.

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

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

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

#### ⑥ Matters related to the delegation of authority over the determination of details of remuneration for individual recipients

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

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

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

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

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

#### ① The resolution passed at the General Meeting of Shareholders regarding remuneration

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

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

#### ② Activities undertaken by the Nomination and Remuneration Committee and the Board of Directors in the process of determining remuneration to be paid for the most recent fiscal year

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

## Basic Policy on the Internal Control System

(Translation of original full text)

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

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

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

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

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

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

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

The Risk Management Committee shall oversee Groupwide risk management activities and, on an as necessary basis, investigate and confirm whether the risk management system is functioning effectively.

If any material risk affecting the Sumitomo Rubber Group as a whole emerges or is expected to emerge, the President shall establish a risk control headquarters pursuant to the Regulations Concerning Risk Control.

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

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

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

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

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

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

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

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

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

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

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

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

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

#### (6) A system to ensure adequate financial reporting

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

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

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

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

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

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

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

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

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

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

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

### Risk Management

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

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

Any risk affecting the Group as a whole shall be addressed by individual departments under the administrative divisions overseeing their business operations in coordination with other relevant departments and subsidiaries. The Risk Management Committee shall oversee Groupwide risk management activities and, on an as necessary basis, investigate and confirm whether the risk management system is functioning effectively.

If any material risk affecting the Sumitomo Rubber Group as a whole emerges or is expected to emerge, the President shall establish a risk control headquarters pursuant to the Regulations Concerning Risk Control.

#### Groupwide Risk Management System



#### Main Initiatives in Fiscal 2021

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

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

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

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

#### Business Continuity Plans (BCPs)

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

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

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

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

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

Looking ahead, we will develop a more robust structure capable of keeping our BCPs up-to-date from the perspectives of ensuring the safety of employees and securing business continuity.

### Compliance

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

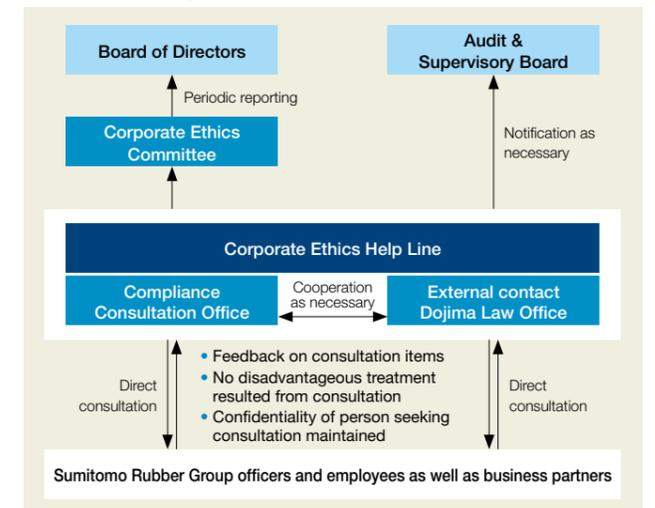
#### Main Initiatives in Fiscal 2021

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

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

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

#### Structure of Compliance Initiatives



### Improprieties in Quality Management and Measures to Prevent Recurrences

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

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

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

#### Overview of the Incidents

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

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

- News release dated July 30, 2021 "Notice Concerning Improprieties in Quality Management and Apologies" [https://www.srigrp.co.jp/newsrelease/2021/sri/2021\\_059.html](https://www.srigrp.co.jp/newsrelease/2021/sri/2021_059.html) (Japanese only)
- News release dated November 9, 2021 "Results of Investigations Undertaken by the Investigation Committee Regarding Improprieties in Quality Management and Initiatives to Be Undertaken Going Forward" [https://www.srigrp.co.jp/newsrelease/2021/sri/dvq4p000005vpkp-att/2021\\_tekij1109.pdf](https://www.srigrp.co.jp/newsrelease/2021/sri/dvq4p000005vpkp-att/2021_tekij1109.pdf) (Japanese only)

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

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

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

#### Main Measures

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

## Stakeholder Engagement



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

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

### Measures to Promote Constructive Dialogue with Shareholders

The Company will conduct dialogue with shareholders with the aim of enhancing its corporate value based on the following policies:

- ① The Company strives to realize dialogue in line with the interests of various stakeholders by appointing the officer in charge of finance for investor relations (IR) and the officer in charge of general affairs for shareholder relations (SR).
- ② In preparing materials and gathering information for the IR and SR activities mentioned above, the Company's Corporate Planning, General Affairs, Finance and Legal Affairs departments as well as the Sustainability Promotion Headquarters and other relevant bodies engage in organic, cross-sectional coordination in order to support constructive dialogue with stakeholders, including shareholders and institutional investors. As part of IR activities, the IR section of the Company's corporate website features various data, including the latest business performance trends. Moreover, in May 2022 the Company established the IR Office to promote strategic IR activities. The Company also hosts IR briefings for analysts and institutional investors in conjunction with, for example, business results announcements. In terms of SR activities, the Company periodically issues various publications for shareholders and prepares integrated reports to provide updates on the status of its business operations, ESG-based management and sustainability activities while maintaining direct engagement with institutional investors. In these ways, the Company offers a broad range of information and facilitates the robust exchange of opinions to improve its corporate value.
- ③ The Company considers the opinions gleaned through dialogue with shareholders and investors valuable to the further enhancement of its corporate value. Accordingly, these opinions are periodically reported to the senior management and the Board of Directors. This enables the Board to deliberate on the necessity of acting on said opinions and study measures for doing so.
- ④ Taking a proactive approach to IR activities, the Company carries out surveys of the actual owners of its shares to determine the details of its shareholder composition and promote effective shareholder communications.

### Sound Labor-Management Relations

The Company and the Sumitomo Rubber Labor Union (which had 5,927 general members as of December 31, 2021, excluding officers or managers) maintain good relations based on the sharing of information by management and an approach of prior consultation. We believe that the growth of the Company and the pursuit of employee happiness are objectives shared by labor and management, and we have a history of productive discussions at the various labor-management committees. For example, we engage in activities in which labor and management are united in the pursuit of their objectives, such as when we organized a Labor-Management Wages Study Group comprising personnel from the union leadership and the Company's Human Resources Department, with the aim of reviewing the human resources system and working conditions and have maintained it ever since.

In fiscal 2021, this study group was responsible for such initiatives as the upward revision of on-call premiums and the relaxation of conditions for granting bereavement leave, special leave on the occasion of an employee's spouse giving birth and special leave to those transferred to distant locations as well as the introduction of work-at-home allowances.

In fiscal 2022, we will continue our efforts to promote workstyle reforms, and move ahead with various activities, with labor and management continuing to work in cooperation.



### Building Relationships with Customers

To prevent the occurrence of traffic accidents attributable to poor tire condition, for the 14 years since 2008 we have sponsored DUNLOP Nationwide Tire Safety Inspections. By the end of 2021, the cumulative total number of cars inspected surpassed 110,000.

In 2022, this inspection campaign, held throughout Japan at Tire Select stores, which are Dunlop tire outlets, started on April 8, designated as the "Tire Day" by the Japan Automobile Tyre Manufacturers Association, and lasted for 17 days. In this round of the campaign, we utilized an AI-based tire inspection tool employing smartphones. Specifically, using pictures taken by shop staff, this tool determines tire tread depth and areas of uneven wear on the tire surface, diagnosing tire condition on a three-grade scoring system. The customer can confirm the results online by scanning a QR code printed on the diagnosis card provided following the inspection. Looking ahead, we will continue to provide tire inspections so that our customers can enjoy safe and secure driving.



### Contributing to Regional Communities

▶ p. 79

## Supply Chain Management



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

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

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

### Realizing Sustainable Procurement through Third-Party Assessments Provided by EcoVadis

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

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

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



### Procurement Guidelines

In January 2021, the Sumitomo Rubber Group updated the Procurement Guidelines as part of efforts to realize a sustainable society and has since distributed the updated guidelines to its all suppliers.

The updated version of the guidelines incorporates our Corporate Code of Conduct, which encompasses such matters as compliance, human rights, labor practices, occupational safety and hygiene, community contribution and environmental conservation.

As we aim to build robust mutual partnerships with our suppliers, we also work with them to ensure that our guidelines are fully understood and tangibly practiced by their own suppliers.

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

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

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

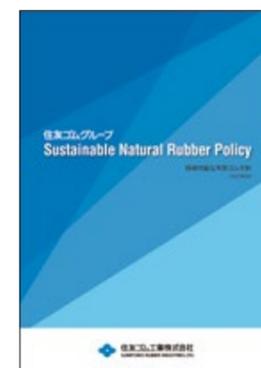
### Updating the Sumitomo Rubber Group Sustainable Natural Rubber (SNR) Policy

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

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

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

<sup>\*1</sup> Sustainable Natural Rubber Initiative  
<sup>\*2</sup> International Rubber Study Group  
<sup>\*3</sup> Global Platform for Sustainable Natural Rubber



# E

## cology

### Ecological Process

### Management Approach

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

In February 2021, Sumitomo Rubber Industries released its Carbon Neutrality Declaration, thereafter launching initiatives to halve CO<sub>2</sub> emissions from factory operations by 2030 and reduce such emissions to net zero by 2050.

### Initiatives to Achieve Carbon Neutrality

#### ■ Preparing a Scenario for Achieving Carbon Neutrality

To promote carbon neutrality with regard to Scope 1 and 2 emissions, we have engaged in discussions to determine the feasibility of and priorities in our options for individual initiatives, including the installation of energy-saving facilities, cogeneration systems and solar power generators, a shift to energy procured from renewable energy sources, the replacement of fuel-fired energy with non-fuel energy and the incorporation of hydrogen as an alternative fuel. We have also recognized that achieving carbon neutrality with regard to fuel used to generate steam is an issue requiring particular attention. In line with this recognition, we prepared a plan for utilizing hydrogen.

Based on an assessment of actual status of energy use at each base, we promoted deliberations with base representatives while distributing videos featuring carbon neutrality topics to raise employee awareness. Currently, the preparation of carbon neutrality scenarios is under way at each base.

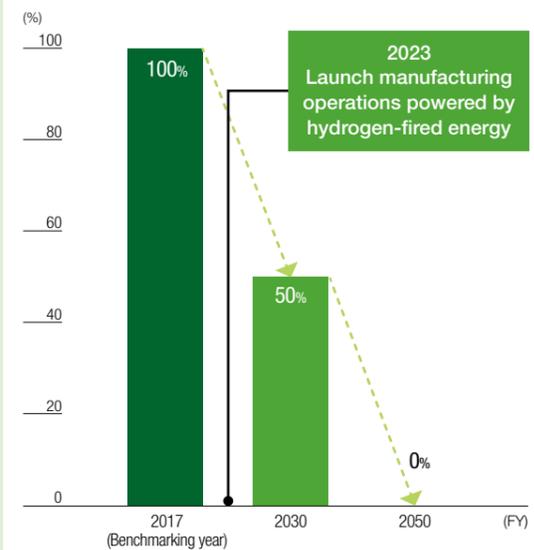
#### ■ Shifting to Renewable Energy in Terms of Purchased Energy Used by Our Tire Factories in China

In January 2022, our Changshu factory and Hunan factory in China shifted all purchased energy to energy procured from renewable energy sources, with an eye to contributing to a carbon-neutral society. Thanks to this move, the volume of CO<sub>2</sub> emissions from tire manufacturing at these two factories in fiscal 2022 is expected to decrease by approximately 70% compared with the fiscal 2021 level.



### Initiatives to Achieve Carbon Neutrality

Volume of CO<sub>2</sub> Emissions from the Sumitomo Rubber Group



To further reduce the volume of purchased energy, plans call for introducing solar power generators at the aforementioned factories in the second half of fiscal 2022.

#### ■ Launching Verification Testing Regarding the Utilization of Hydrogen

Tire manufacturing requires two types of energy: electric power and heat. Unlike electric power, for which renewable alternatives have become increasingly accessible, it is particularly difficult to obtain the heat used in tire manufacturing from a renewable energy source. Because of this, finding low-carbon methods to generate heat constitutes a major challenge that must be overcome to achieve carbon neutrality.

To address this challenge, in August 2021, we launched verification testing using hydrogen, which is expected to become a next-generation energy source free of CO<sub>2</sub> emissions, as a project subsidized by the New Energy and Industrial Technology Development Organization (NEDO).

Specifically, we installed hydrogen-fired boilers at the Shirakawa Factory, Fukushima Prefecture, whose local government has taken a proactive stance toward the utilization of hydrogen. Through the around-the-clock operation of these boilers, we aim to identify and develop solutions to such issues as controlling the volume of NO<sub>x</sub> emissions. In this way, we will evaluate the effectiveness of shifting boiler fuel to hydrogen.

In addition to these boilers, we will install solar panels at the factory, aiming to realize tires whose manufacturing process involves no CO<sub>2</sub> emissions.



### 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 implement appropriate countermeasures and, to this end, maintain the Sustainability Promotion Committee. Chaired by the President, this committee is taking a cross-departmental approach to the planning, implementation and management of such countermeasures.

As part of these efforts, we publicly announced our support of the TCFD<sup>\*1</sup> recommendations in June 2021 (see page 29 for details). We have also clarified our commitment to the SBTi.<sup>\*2</sup>

<sup>\*1</sup> Task Force on Climate-related Financial Disclosures  
<sup>\*2</sup> Science Based Targets initiative

#### ■ Implementing Global Environmental Management

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

Demand for global companies to implement uniform environmental management throughout the world regardless of country or region is strong.

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

#### ■ 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 2021, the number of sites maintaining ISO 14001 certification totaled 36 (of these, 34 bases are covered by the multi-site certification). As such, the ratio of ISO 14001 certified sites amounted to 94.7%. Moreover, the number of employees working at these sites as a percentage of total employees was 74.7%.

In fiscal 2021, no sites were newly certified.

Looking ahead, we will continue to work to add the Slovenia and Switzerland factories, both of which have already been certified on a stand-alone basis, to the Global Multi-Site Certification.

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



(As of December 31, 2021)

### Global Environmental Management System

#### Environmental Management System



We have identified “Promoting ESG Management” as a Value Driver under the Midterm Plan. In line with this Value Driver, we work to align our business operations from the perspective of not only enhancing our economic value but also our societal value so that we can constantly create new value. In these ways, we will help realize a sustainable society and remain a company deserving stakeholder trust.

The Sustainability Promotion Committee meets twice a year to ensure that members share their recognition of priority issues to be tackled through sustainability activities undertaken around the globe, including environmental management, and to confirm progress in such activities. With the officer in charge of ESG (Executive Vice President) serving as the committee chair, the committee includes officers responsible for relevant departments. In 2021, this committee convened in February and July.

In meetings held during 2021, the committee examined reports regarding the Groupwide status of ESG management; the content and formulation of the Long-Term Sustainability Policy; volumes of CO<sub>2</sub> emissions, energy consumption, waste emissions and water usage and improvements made thus far in these factors; measures undertaken to improve the status of diversity & inclusion throughout the organization; and activities undertaken by nine sustainability departments in Japan and overseas. Following these meetings, conclusions reached by the committee were communicated to all employees.



A Sustainability Promotion Committee meeting

#### ■ 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.



### Eco-First Commitments

#### 1 Creating a Low-Carbon Society

Reduce LCCO<sub>2</sub>\* emissions per tire by fiscal 2022

Fiscal 2022: **≥ 14%** reduction from fiscal 2005

Fiscal 2021

Reduced by **12.3%**

(compared to fiscal 2005 levels; per tire)  
\*Life-cycle CO<sub>2</sub>

#### 2 Building a Recycling-Oriented Society

Maintain our **“Complete Zero”** landfill waste policy at major production bases in Japan and overseas until 2021

Since fiscal 2010

Continued achievement for **12 years**

Establish a technology for **100%** recycling of wastewater at a model factory by 2020

Fiscal 2019

**Establishing water-recycling technology** at the Turkey Factory

#### 3 Promoting Harmonious Coexistence with Nature

**Acorn Project**

Conducts activities at least **20 times** a year

Fiscal 2021

Conducted tree planting activities **18 times**

Note: The target has not been met due mainly to the cancellation of events on the back of concerns over the COVID-19 pandemic

Take action to protect **biodiversity**

Fiscal 2021

Conserving **20 species**

As a company certified under the “Eco-First Program” established by the Ministry of the Environment, we identified the three target items in March 2009. Currently, we are promoting initiatives to achieve renewed targets established in October 2017.

## Creating a Low-Carbon Society

Data marked with “⊙” has 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.

### Reducing Life Cycle CO<sub>2</sub> Emissions of Our Tires

Due to fallout from the COVID-19 pandemic, the sales mix of our tires changed, with fuel-efficient tires accounting for a smaller proportion than previously. Reflecting this, we have not been able to improve the reduction ratio of LCCO<sub>2</sub> emissions associated with our tires from the 2020 level (12.9%). However, we will push ahead with initiatives to achieve the target and expect this ratio to improve in 2022, the target year.

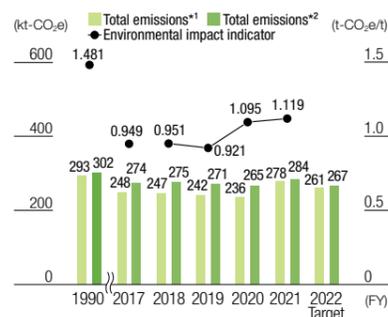
### CO<sub>2</sub> Emissions Reduction Activities at Production Bases

In fiscal 2021, CO<sub>2</sub> emissions from production activities at the Group’s factories in Japan increased by 42 kt-CO<sub>2</sub> to 278 kt-CO<sub>2</sub> from the previous fiscal year. This was largely attributable to growth in production volume and a failure of in-house generators. In addition, the environmental impact indicator of CO<sub>2</sub> emissions showed a 2.2% increase from the previous fiscal year.

In fiscal 2022, the Company will work to reduce CO<sub>2</sub> emissions by strengthening energy-saving activities and introducing renewable energy.

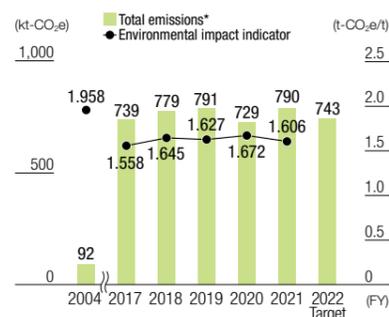
Note: Although no fiscal 2022 target for the environmental impact indicator of CO<sub>2</sub> emissions has been set, the reduction target for total emissions is set at 6%.

#### CO<sub>2</sub> Emissions (Factories in Japan) ⊙



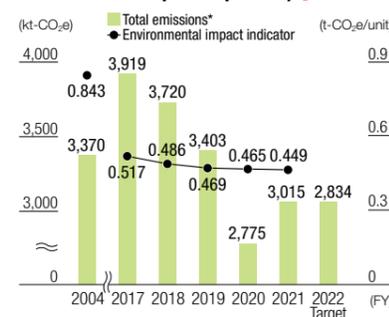
\*1 Total emissions are calculated using cogeneration credits based on the “Guide for Calculating Greenhouse Gas Emissions,” published by the Japan Rubber Manufacturers Association, used to calculate the environmental impact indicators. CO<sub>2</sub> emission factors for electricity consumption, published by electricity companies in 2004, are applied.  
\*2 Total emissions without considering cogeneration credits.

#### CO<sub>2</sub> Emissions (Overseas Factories) ⊙



\*CO<sub>2</sub> emission factors for electricity consumption are based on a WRI/WBCSD GHG Protocol Initiative Calculation Tool (2004).

#### CO<sub>2</sub> 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. CO<sub>2</sub> emission factors for electricity consumption, published by electricity companies in 2004, are applied.

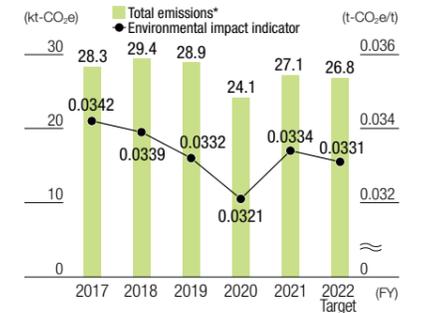
## CO<sub>2</sub> Emissions Reduction in Logistics

In fiscal 2021, we worked on optimizing the location of our production sites and reducing the number of products transported between warehouses.

CO<sub>2</sub> emissions from transporting tires increased 12.4% from the previous fiscal year to 27.1 kt-CO<sub>2</sub>, reflecting growth in overall cargo weight and greater transportation distance. The environmental impact indicator rose 3.9%.

In fiscal 2022, we will work to promote the loading of products at ports nearest to production sites as well as to improve the precision of demand forecasts.

### CO<sub>2</sub> Emissions in Logistics (Domestic)



Data marked with “⊙” has 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.

## Building a Recycling-Oriented Society

### 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 2021, we achieved complete zero landfill waste for the 12th consecutive year at our major production bases both in Japan and overseas.

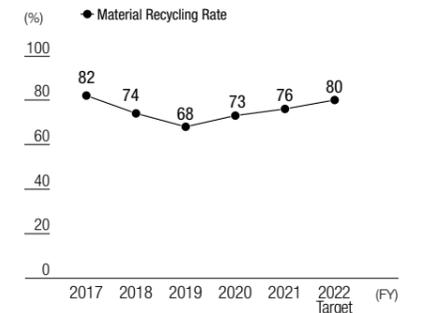
Complete zero landfill waste is defined as the complete diversion of landfill waste, meaning a 100% recycling rate and no waste sent directly to landfills.

In fiscal 2022, 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)



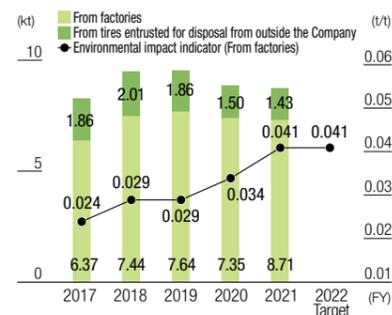
### Reducing Waste Disposal\*

As for the volume of waste disposal, in fiscal 2021 we saw improvement at our factories overseas but deterioration at our factories in Japan. The latter was primarily attributable to the unexpected suspension of our mainstay Shirakawa Factory’s

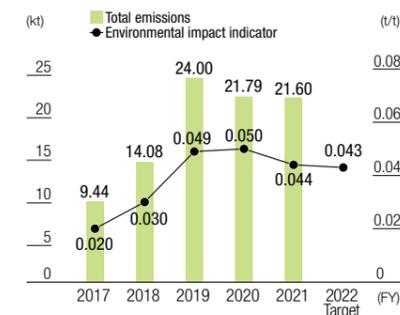
operations in the wake of an earthquake in February 2021 off the coast of Fukushima Prefecture and the resulting generation of disaster debris.

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

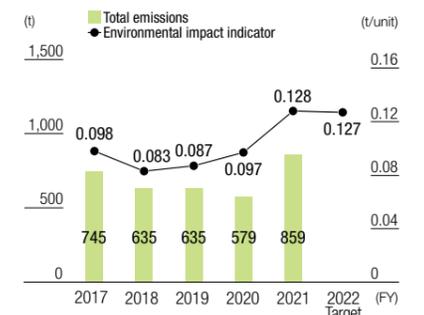
#### Waste Disposal (Excluding Valuables) (Factories in Japan) ⊙



#### Waste Disposal (Excluding Valuables) (Overseas Factories)



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



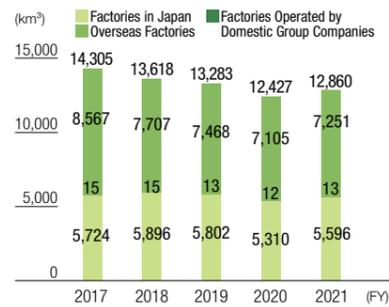
### Water Usage Reduction

In light of the global shortage of water resources, we work to reduce our water usage volume.

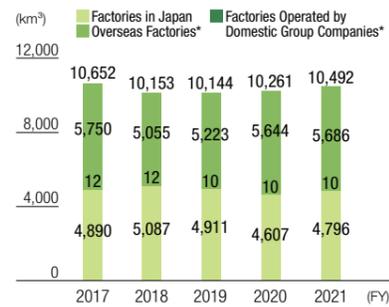
In 2021, total water usage at all Sumitomo Rubber Group factories increased 3.5% year on year, while the volume of wastewater grew 2.3% year on year. We will continue our ongoing efforts to counter these trends, pushing forward with water usage optimization in production processes at each base as well as measures that utilize the results of assessments based on the WRI\* Aqueduct Water Risk Atlas.

\*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

### Forestation Activities to Help Curb Global Warming

#### The Ichijima Factory Wins the “Prime Minister’s Award as a Contributor to Greening Promotion”

The Ichijima Factory has proactively worked to develop a mixed forest comprising both coniferous trees and broadleaf trees from the perspective of protecting biodiversity, to this end carefully conserving a native forest that exists on its premises. At the same time, the factory has been active in protecting rare species living on its premises. For example, its efforts to nurture great purple emperor (*Sasakia charonda*) butterflies date back to 2007, when staff began to cultivate Chinese hackberry (*Celtis sinensis*) trees to feed the butterfly’s larvae. In 2011, staff then manufactured a cage to protect the pupae until emergence. Once the butterflies began breeding successfully, the factory started to invite children from neighboring kindergartens to observe them every year. In addition, the factory’s premises have been approved by the local government as a habitat area for *Lefua echigonia* (Cobitidae family), a class I endangered species of loach fish, for risk dispersion. Based on this approval, the factory is engaged in the protection and nurturing of this species, employing a biotope developed within its premises.

In autumn, the factory makes its premises open to kindergarteners so that they can enjoy acorn gathering. As such, the factory has also been active in facilitating interaction with fellow community members and promoting environmental education via the use of greenery. These efforts, in turn, helped the Ichijima Factory garner outstanding recognition and be chosen for the above award.



Factory representatives photographed with the Prime Minister

#### Progress in Greening Initiatives

##### Environmental Initiatives and Greening Initiatives Undertaken by the Sumitomo Rubber Group

Guided by the “Sumitomo Business Philosophy,” since the Meiji period, Sumitomo Group companies have been engaged in tree planting at Mount Besshi—the desolated site of a former copper mine site—in Ehime Prefecture, striving to bring its natural environment back to the original state. This spirit has been passed down to Sumitomo Rubber Industries, serving as a cornerstone for its endeavors.

#### “Sumitomo Rubber GENKI Forest,” a Green Initiative in Japan

The primary objectives of our forest development efforts include protecting biodiversity and preventing landslides and other disasters, along with curbing global warming through the absorption of CO<sub>2</sub>. In Japan, we develop forest around our business bases, engaging in greening activities in 11 locations (covering 32ha) across the country. We name these locations “Sumitomo Rubber GENKI Forest.”

In order to protect biodiversity, we plant only seedlings grown from seeds gathered in the target area. Although our 2021 activities were somewhat restricted due to the need to prevent the risk of COVID-19 infection, we planted a total of 708 trees. Our forestation activities also include cutting back weeds, removing unnecessary trees and other tasks for ongoing forest maintenance.

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 collaborative activities in which employees, families, friends, local residents and regional organizations participate.



Participants in tree planting in Takasago GENKI Forest, near the Kakogawa Factory

#### Greening Initiatives Overseas

In 2021, we planted a total of 3,179 trees and provided 7,440 seedlings. 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. This brought the cumulative total number of trees planted under the project to 1,246,787. Furthermore, 2,400 trees were planted through the “1 Pair for 1 Love activities,” in which some of the proceeds from the sale 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 in Malaysia

### A Plan for Developing Satoyama around the Okayama Tire Proving Ground

The Okayama Tire Proving Ground participates in the Forest Development Project in Tandem with Business Corporations led by Okayama Prefecture. As part of this project, since 2009 we have been engaged in the development of “Ohashi Kogen GENKI Forest” in Mimasaka City. Having developed a thriving forest that fulfills the project’s initial objectives, we concluded the above activities in 2020, shifting our focus to developing untouched forest within the premises of the proving ground. In 2021, we removed unnecessary trees that had been found to make forest excessively dense, and thus secured paths in the forest. Targeting 2030, we aim to transform this forest, which has been dark and overly cluttered with a dense population of trees and choking undergrowth, into a sunny and refreshing forest populated with a variety of vegetation and

boasting biodiversity. Moreover, the Okayama Tire Proving Ground is taking on the reduction of waste emissions, energy-saving activities, a shift to eco-friendly fuel, the introduction of cogeneration and the promotion of the 3Rs (reduce, reuse and recycle). Along with these endeavors, we will continue to pursue the reduction of CO<sub>2</sub> emissions through forest development.



A site undergoing the forest development process



A certificate granted to “Ohashi Kogen GENKI Forest”

### Initiatives to Preserve Biodiversity

The Group is involved in conservation activities focused on endangered, near threatened and rare species (five species of animal and 15 species of plant) at all eight of its sites in Japan, consisting of six factories, the Head Office and the Tire Proving Ground. The Kakogawa Factory is engaged in transplanting “Fujibakama” (*Eupatorium japonicum*) cultivated in its grounds to Kakogawa River beds as well as providing this plant to neighboring corporations and cities. Meanwhile, the Ichijima Factory strives to preserve the great purple emperor (*Sasakia charonda*), a designated national butterfly, and the tiny loach fish *Lefua echigonia* (Cobitidae family). In 2020, the above butterfly was also found to be emerging successfully on the premises of the Okayama Tire Proving Ground. However, we did not see any new adults in 2021, and efforts are now under way to nurture the larvae and pupae until we see them emerging once

again. In “Kobe Mount Rokko GENKI Forest,” we began to take on the preservation and breeding of the bamboo lily (*Lilium japonicum*). Having successfully collected bulbs from native grown flowers, we intend to nurture seedlings in 2022.



Kobe Mount Rokko GENKI Forest Native grown bamboo lily



Ichijima Factory Great purple emperor butterfly

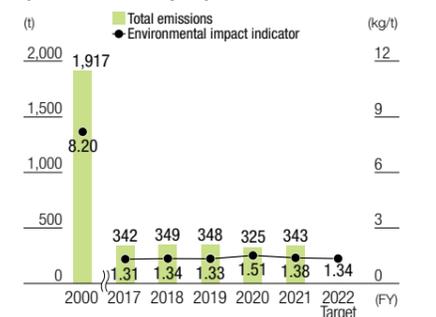
### Promoting Environmental Footprint Management

#### Efforts to Reduce Organic Solvent Use

We strive to reduce emissions of VOCs (volatile organic compounds). In fiscal 2021, there was an increase in the total amount of VOCs emitted due to growth in production volume. On the other hand, the environmental impact indicator improved.

In fiscal 2022, we will promote a switchover to VOC-free products to reduce the emissions of VOCs.

Total Amount of VOCs Emitted (Factories in Japan)



#### Initiatives to Address Odor-Related Problems

We are proactively taking on initiatives to improve odor-related problems. Specifically, our two factories in China (Changshu and Hunan) are striving to develop novel deodorizing technologies while introducing Regenerative Thermal Oxidizer (RTO), with the aim of curbing odors arising from the rubber kneading and curing processes.

These factories are also actively interacting with local residents, with all employees endeavoring to create a factory loved by fellow community members.



RTO equipment



An exchange gathering attended by local residents

# N ext

## Next-Generation Products & Solutions

### Management Approach

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.

The intellectual capital accumulated through such activities becomes the driving force that generates products with competitive advantages as well as new growth.

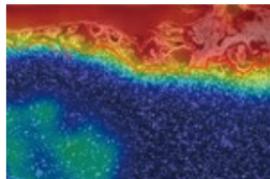
## Joint Research Involving Industry-Academia Collaboration

The Sumitomo Rubber Groups is engaged in the development of new technologies via participation in industry-academia collaboration involving universities boasting cutting-edge technologies. Some of our research results have garnered external academic recognition and been featured in globally prominent science magazines and databases.

### Results of Joint Research on AI Technology That Accelerates the Development of New Technologies to Extend the Longevity of Tire Performance, Published in Nature Index

A sponsored article introducing the results of our joint research with Hokkaido University involving the utilization of AI has been published as part of a special feature on materials science on the website of Nature Index, which is one of the world's leading databases of research results.

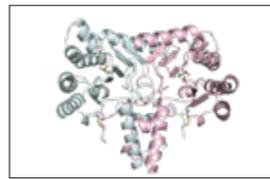
The use of AI allows for analysis at a level of precision that is well beyond human capabilities, making it possible to extrapolate rubber properties from electron microscope imagery. Currently, this technology is being applied to the development of Performance Sustaining Technology, one of the SMART TYRE CONCEPT technology elements.



### Elucidating the Structure of Tomato Enzymes (Similar to Natural Rubber Synthases)

Through joint research undertaken with Tohoku University, Kanazawa University and RIKEN, we have elucidated the structure and succeeded in the functional modification of an enzyme (NDPS1) that is found in tomatoes and that has a similar structure to the enzymes involved in the biosynthesis of natural rubber. It is our hope that the above findings regarding the structure of NDPS1 will make it possible to shed further light on the mechanisms behind the biosynthesis of natural rubber, which, in turn, will allow for new advancements in the development of technologies to ensure a stable and reliable supply of natural rubber.

The results of this research were published in *The FEBS Journal*, which is a leading international journal in the field of life sciences.

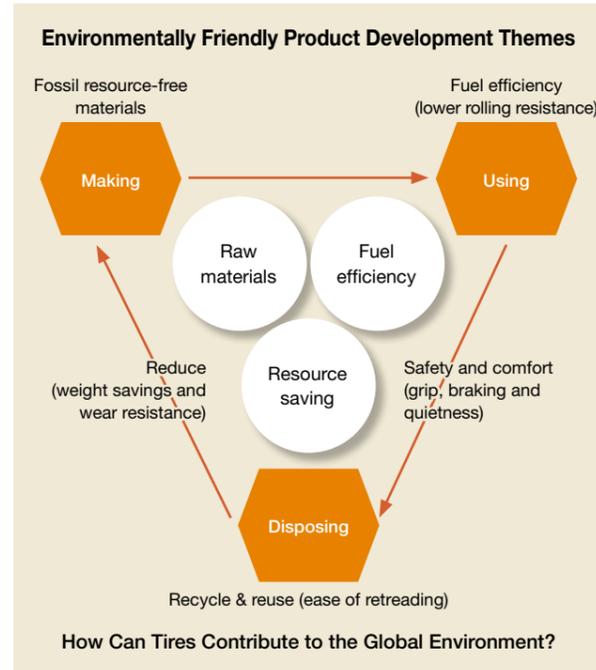


### Developing New Technology to Estimate Tire Wear Utilizing Tire Internal Power Generation Technology

We have been working with Kansai University on the joint development of an innovative technology that harnesses the rotation of tires to generate electricity. The technology employs a static-based power generation device installed inside tires.

Specifically, our verification testing revealed that sensors installed around tires can be sufficiently powered by such a device without batteries. The output and performance of the device is enhanced via the optimization of frictional electrification structures and materials along with the incorporation of charging functions. Furthermore, we developed a method for estimating tire wear levels and calculating tire contact footprint through the analysis of a voltage waveform arising from the power generation device. In addition to opening up the door to various applications for tire solutions services, these new technologies are sure to provide a wealth of know-how that can be put to use in future tire development.

In addition, in recognition of these research efforts, we were chosen by the Disaster Mitigation Sustainable Technology Association to receive the Disaster Prevention and Mitigation Sustainable Grand Prize, Disaster Prevention, Disaster Mitigation and SDGs Prize and Japan Prize in the Academy & Junior Academy Category.



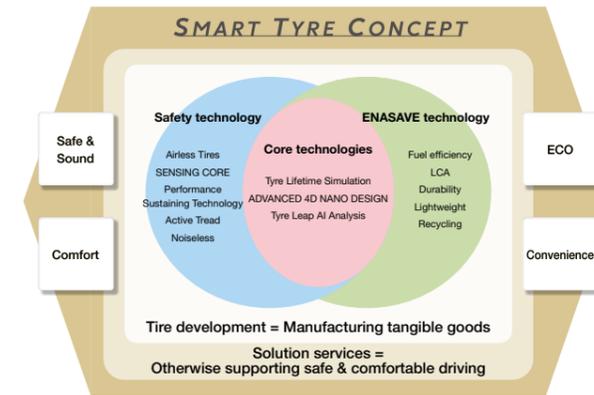
## Pursuing "Safety and Comfort," "Economy" and "Quality"

### SMART TYRE CONCEPT

We aspire to realize a society free of traffic accidents and, to this end, strive to create tires capable of changing the future. Guided by these aspirations, we developed the SMART TYRE CONCEPT. Amid the ongoing shift from car ownership to car

sharing and pooling, we are developing tires with ever better safety performance and environmental friendliness while enhancing the content of peripheral services.

#### SMART TYRE CONCEPT



With core technologies backed by simulations and AI-based analysis serving as a central component of the concept, we have created solution businesses in the course of advancing our tire development efforts employing safety technologies and ENASAVE technologies to pursue both driving safety and environmental friendliness. We will strive to deliver joy and well-being for all even as we give due consideration to environmental concerns.

#### Six Key Elements of the SMART TYRE CONCEPT

- Safety technologies**
  - 1 SENSING CORE, making the tire itself a sensor**  
A groundbreaking sensing technology leveraging a unique algorithm that makes the tire a sensor
  - 2 Active Tread enabling the real-time adjustment of rubber functions**  
A technology capable of actively adjusting rubber functions in response to changes in road conditions
  - 3 Performance Sustaining Technology**  
A technology that restrains the alteration of and repairs rubber's inner structure to prevent performance deterioration due to degradation over time
  - 4 Airless Tires free of the risk of going flat**  
Development of GYROBLADE, a tire that has no need to be filled with air
- ENASAVE technologies**
  - 5 Tire Life Cycle Assessment (LCA) improving environmental friendliness**  
Enhancement of environmental performance throughout the entire product life cycle to realize a recycling-oriented society
  - 6 Proposal of optimal tire maintenance** [▶ p. 27](#)  
Sensor-driven monitoring of tire pressure and temperature during driving and the utilization of data gleaned from sensors
- Solution services**

## Developing Environmentally Friendly Products

Sumitomo Rubber Industries aims to simultaneously realize the sustainable development of society and corporate growth for itself. In line with this aim, we promote the development of products friendly to the Earth's environment. After commencing the development of tires completely free of fossil resources in 2001, we completed "ENASAVE 100" in 2013, achieving the creation of a 100% fossil resource-free tire. In line with "Driving Our

Future Challenge 2050," our Long-Term Sustainability Policy established in 2021, we have also positioned the development of environmentally friendly products as an important initiative. Accordingly, our efforts to develop these products encompass all of our Tire, Sports and Industrial Products businesses, with an eye to achieving our targets for 2030 and 2050.

### DUNLOP "e. SPORT MAXX," the First Replacement Tires Released by Sumitomo Rubber Industries for EVs

For an EV to increase the driving distance achievable with one round of charging, it is necessary to reduce rolling resistance and curb energy consumption. Our "e. SPORT MAXX" has been made using our proprietary material development technologies, which have enabled the unique composition of the tire's rubber. Thanks to these technologies, this product achieved the highest level of fuel (energy) efficiency among our products while also realizing greatly improved wet grip performance and steering stability. Furthermore, we successfully decreased the weight of the tire itself, with the aim of saving resources used and contributing to the reduction of environmental burden. Not only that, the "e. SPORT MAXX" features on its side walls a logomark printed using "Nano Black," a proprietary black pigment application technology, as we pursued a design that makes it stand out.



### "XXIO GGC-X141," the First Standing Golf Bag Released by Sumitomo Rubber Industries Incorporating Recycled Polyester, Was Developed with Due Consideration Given to Environmental Friendliness

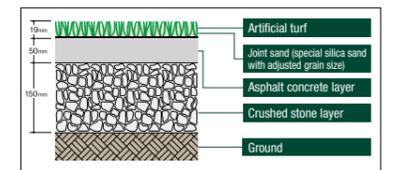
Polyester boasts superior strength while being lightweight. Due to these features, polyester is the best material for types of sports goods that are subject to rough usage. Although these features are unchanged for recycled polyester, the recycled material can often be contaminated by traces of foreign substances that could not be removed through the recycling process and result in uneven coloring of the finished product. Treating this unevenness in coloring as a positive, we have developed a unique design for "XXIO GGC-X141," with 95% of its outer materials composed of recycled polyester. The incorporation of recycled polyester into materials for caddie bags has made us a pioneer among golf gear makers that manufacture golf balls and clubs.



Waste materials set to be processed into recycled polyester

### "Omni Court XPH," Artificial Turf Incorporating Sand for Use on Tennis Courts

The artificial turf for sporting facilities is now considered a possible source of microplastic dispersion into rivers and the sea over time, due to the breakage of turf fiber and the leakage of rubber chips incorporated as fillers. Aware of this possibility, Sumitomo Rubber Industries is engaged in surveys and the planning of countermeasures. The "Omni Court XPH," artificial turf incorporating sand for use on the tennis court, uses a superior yarn that is 1.4 times as durable as its predecessor model (Omni Court XP). This durability helps curb the dispersion of microplastics. The development of this model has been registered with the "Plastic Smart" database developed by the Ministry of the Environment.



# Kindness

A Kind Culture Where Everyone Can Prosper

## 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, we are working on activities to maintain or improve the health of employees and on the enhancement of our organizational culture, which we are putting into practice as a strategic priority.

## Promoting Diversity & Inclusion

We have positioned "Through innovation we will create a future of joy and well-being for all" as our Purpose, and are pursuing our Vision of "Uniting our diverse strengths, growing together, driving and thriving on change" as the means of achieving the above purpose. To realize this Vision, we think that promoting diversity & inclusion (D&I) is a matter of particular importance. New ideas are more likely to emerge from an organization supportive of diversity and capable of realizing the full potential of each worker, because people tend to become more open to sharing their opinions in an environment in which they feel psychologically safe. This is exactly the objective of D&I promotion and our Vision.

To this end, in 2019, we launched the D&I project within the Human Resources & General Affairs Department. This project is taking a cross-departmental approach while heeding the voices of employees to implement D&I measures affecting a growing scope of the organization. In particular, since 2019 we have focused on creating a corporate culture that values each individual's personal uniqueness and needs. Based on this focus, we strove to raise employee awareness of the issues arising from unconscious bias. We have provided in-house training on these matters, starting with managers and steadily extending the scope of training to non-managerial employees.

We recognize that women's empowerment is a matter of particular importance among diversity issues, and have promoted various initiatives to this end (a mentoring system [▶ p. 36](#)). To raise awareness about the LGBT community, in 2021 we began providing training programs to employees charged with handling human resources and general affairs as well as all managers and officers while establishing external helplines. In recognition of these and other efforts, we were chosen to receive a "Silver" rating under the PRIDE Index rating program. Furthermore, in April 2022, we instituted an in-house rule regarding the registration of same-sex partners, starting to offer equal treatment to individuals with same-sex partners when they applied for the portion of employee benefit programs that have previously been available only to married employees.

For foreign national employees, we began providing Japanese language education while making English versions of in-house materials available to them. We implemented these and other measures based on questionnaires undertaken in 2019, and we intend to continuously address issues foreign national employees are confronting by heeding their voices via periodic questionnaires.

### Sumitomo Rubber Group's Basic Hiring Policy



### Health & Productivity Management Declaration

The Sumitomo Rubber Group considers each employee the most important asset underpinning corporate growth and business expansion.

We believe that supporting the mental and physical health of all Sumitomo Rubber Group employees and their families is essential to ensuring happiness for each as well the Company's sustainable growth and development.

Accordingly, we endeavor to foster a health-oriented corporate culture that encourages every employee to spontaneously strive to improve their health while caring about one another so that they can continue to work vibrantly. We believe that a corporate culture of this kind will serve as the foundation supporting our ability to deliver joy and well-being for all.

To practice health & productive management guided by "Our Philosophy," we will continue to take on these challenges, with the Company, the labor union and the Health Insurance Association acting in collaboration with everyone working at the Sumitomo Rubber Group and their families.

Also, in order to step up our D&I initiatives, in April 2022 we established a dedicated organization tasked with handling D&I measures within the Human Resources Department. This organization is expected to spearhead D&I promotion by taking a cross-departmental approach.

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

Women's empowerment is considered a particular priority among issues associated with D&I promotion. We conduct questionnaires targeting all employees to identify matters inhibiting women's advancement in addition to helping them raise career awareness, assisting them in their efforts to strike a work-life balance, fostering a culture supportive of women's success and encouraging mutual understanding among the entire workforce. In addition to helping raise career awareness, in 2021 we instituted a mentoring system to nurture female leaders. We have also prepared a manual regarding measures to be implemented to support a work-life balance for employees engaged in child rearing or nursing care.

To prevent having or raising children from disrupting women's careers, this manual makes it a rule to provide each female employee who is expecting or has recently given birth with a total of five rounds of interviews attended by her supervisor, and, occasionally, a manager in charge of human resource management. In addition, we have started to distribute a leaflet designed to facilitate the utilization of childcare leave and other relevant programs, targeting both eligible male and female employees and their supervisors. We also strive to raise employee awareness regarding unconscious bias to facilitate the development of an inclusive workplace environment that enables every employee, no matter their eligibility for the above programs, to work with confidence.

### External Certifications and Evaluations

- October 2020: "L-boshi" (third level) certification
- March 2021: "Kurumin" mark (Dunlop Golf Club Corp.)
- October 2021: "Silver" rating under the PRIDE Index 2021 rating program designed to assess the level of initiatives undertaken by businesses to protect rights of sexual minorities



## Response to the COVID-19 Pandemic and Work Style Reform

In fiscal 2021, we continued to place the utmost priority on preventing the spread of COVID-19 infection within and outside the Sumitomo Rubber Group and ensuring the safety of our employees and stakeholders. For example, we have thoroughly practiced such basic countermeasures as washing hands, gargling, wearing masks and installing partitions at working spaces, meeting rooms and cafeteria. At the same time, we implemented workplace vaccinations while introducing a special paid leave system to make it easier to be vaccinated. In these ways, we strove to ensure that every employee who hopes to obtain vaccination can do so.

In conjunction with the above measures, we have encouraged employees to proactively utilize work-from-home, staggered working hour, flex-time and other programs to mitigate the risk of infection as well as to

promote Work Style Reform. We also pushed ahead with a shift to online platforms for both internal and external meetings while going paperless, with the aim of developing an environment in which those working at home can smoothly operate. Meanwhile, we have renovated our physical office spaces, which are now used by fewer number employees than before, into a location-free workspace to invigorate and encourage workplace communications that transcend job grades and departmental boundaries. As such, we are implementing various measures to improve productivity.

Looking ahead, we will continue to develop a working environment that is safe and friendly to all employees while striving to ensure they can find their job rewarding.

## Creating a Safe, Employee-Friendly Workplace

### Diversification of Work Styles

In step with the recent shift in the social environment, we have introduced various systems and programs designed to accommodate diverse work styles. Going forward, we will explore even better work styles while heeding voices from employees.

**Location-free workspace** A portion of Head Office departments and factories abolished conventional workplace arrangements based on fixed seats and introduced a location-free workspace system to create a more employee-friendly environment.

**Work-from-home allowances** Since working from home has become a plausible option among diverse work styles, we began to provide allowances to employees working at home to appropriately subsidize expenses incurred by these individuals.

**Provision of paid leave for care-giving in hourly units** We have granted paid leave to employees who engage in care-giving for a sick child. In conjunction with the revision of relevant laws, we have made it possible for such employees to take paid leave in hourly units.

**Subsidies for childcare facility users** We provide up to ¥50,000 per month to subsidize expenses incurred by employees who place their child (younger than two years old) in childcare facilities after taking child-birth and childcare leave for a certain period of time.

**Encouraging male employees to take childcare leave** In addition to issuing a manual designed to assist employees' pursuit of a good balance between child rearing and work, the department in charge of human resource management sends e-mails to employees whose spouses give birth to the child as well as to their supervisors to encourage the use of the childcare leave system.

### Promoting Health & Productivity Management

We promote health & productivity management in a way that invites everyone to play their part, with the Company, employees, the labor union and the Health Insurance Association acting in collaboration. We have codified our rules on health management and our criteria for risk levels through the establishment of Health Management Regulations. Addressing issues associated with mental health, we are also strengthening employee education on self-care, educating our managers and supervisors to properly handle these issues and extending support for the reinstatement of those affected by such issues. In these and other ways, we are taking an organizational approach to tackling various issues even as we steadily operate a PDCA cycle.

As a result of these efforts, in March 2022, we were chosen as one of 50 companies selected for inclusion in the "2022 Health & Productivity Stock Selection" program organized by the Ministry of Economy, Trade and Industry in tandem with the Tokyo Stock Exchange. This program recognizes companies that take a strategic management approach to the health management of their employees, and Sumitomo Rubber Industries was selected for inclusion for the second time. We have also been certified under the "2022 Certified Health and Productivity Management Organization Recognition Program—White 500," a program designed to commend excellent companies in terms of the practice of health & productivity management, for the sixth consecutive year.

To further step up our health & productivity management, in July 2022 we announced an updated version of the "Health & Productivity Management Declaration" that is built on our previous declaration while incorporating new elements from "Our Philosophy."

We have also identified "strengthening the industrial hygiene structure" and "fostering a health-oriented corporate culture" as long-term priority targets. In line with these targets, we have set seven short- to medium-term targets for health & productivity management.



## Human Resource Development and Work Style Innovation

### Enhancing Our Organizational Culture

As part of employee satisfaction surveys, since 2008, we have conducted biennial questionnaires on the organizational culture. From 2020 onward, we accelerated the cycle of these questionnaires while disclosing their results to all employees. Currently, we implement four essential policies, namely, "developing an environment supportive of those who take on challenges," "creating an open-minded workplace free of boundaries between departments and grades," "enabling each individual to exercise leadership" and "pursuing highly productive operations aligned with Groupwide strategies." We will continuously work to transform our corporate culture to achieve these policies.

### Human Resource Development

For us to become a company capable of thriving on changes, every employee is called upon to continuously take on challenges instead of shrinking away due to the fear of making mistakes. With this in mind, we have developed training systems designed to help employees acquire leadership skills, problem-solving capabilities and other foundational competencies supporting their pursuit of challenges. These systems provide a range of options so that employees can freely choose programs to obtain necessary skills irrespective of their job grades. For those in deputy manager positions or higher, including Directors and Executive Officers, we introduced a 360-degree feedback system to annually provide them with opportunities to objectively examine their own leadership styles. For those in Executive Officer positions or higher, we offer executive coaching programs in order to develop an environment that supports their pursuit of constant personal growth.

# I

## ntegrity

### Integrity for Society

#### Management Approach

Since the 1980s, we have been engaged in the “GENKI” activities, taking an approach unique to Sumitomo Rubber Industries in terms of social contribution. Today, nurturing ties with local communities through these activities has become essential to securing our continued business operations. We will strive to pursue integrity and remain a company loved by communities, to this end promoting social contribution activities on various fronts.

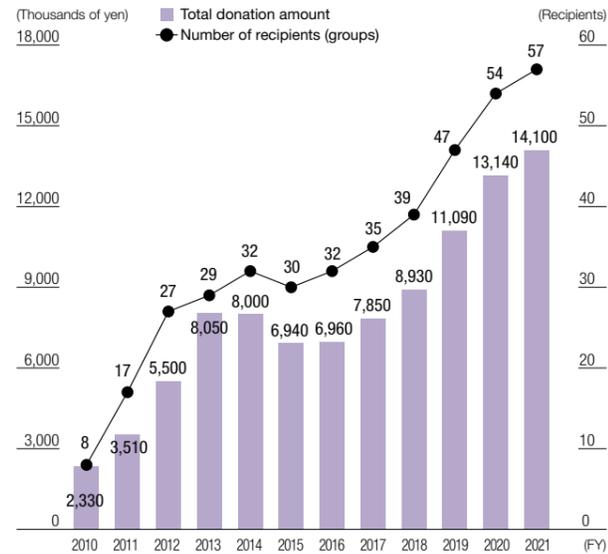
#### Fostering Better Relationships with Local Communities through Tree Planting

##### Planting Rice Seedlings with Children from Neighboring Elementary Schools, Supporting Tree Planting and Making the Proving Ground's Premises Open to Visitors Who Come to Observe Butterflies

The Ichijima Factory, which produces golf balls, has been acting in collaboration with a local greening NPO to support annual tree planting events to help fourth graders commemorate the joy of becoming pre-teens. This collaboration also involves sponsoring workshops in which children can experience the planting and harvesting of wild rice varieties. Furthermore, the factory invites children from neighboring preschool facilities to observe the *Sasakia charonda* butterfly and to gather acorns within its premises. Through fun activities like these, we offer opportunities for children to become interested in topics related to biodiversity and the environment. The factory's greening team is well-versed in how to maintain lawn grass, which is essential to golfing, so its members can also cultivate *Celtis sinensis*, whose leaves are preferred by *Sasakia charonda* larvae. Taking advantage of their know-how on these matters, this team is also striving to assist its counterparts at other factories in their greening efforts. Moreover, when preschool children are invited into its premises, the factory opens its proving ground to them so that they can play on well-cared-for lawns. As such, we are actively engaged in greening activities in a way that upholds interaction with local communities even as we strengthen ties between factories through greening.



#### Number of Recipients of Donations Offered by “Sumitomo Rubber Industries CSR Fund” and Total Donation Amount



##### Receiving a Letter of Gratitude from Neighboring Residents for Our Forestation Track Record

Since 2010, the Nagoya Factory has been continuously engaged in forest development, including periodic weeding and tree planting in “GENKI Forest” in Mount Osuhara. In recognition of these activities, the factory was granted a letter of gratitude from residents of Higashi Hagihira-cho, where Mount Osuhara is located, in 2021. The letter was made from wood derived from thinning. The factory takes a locally rooted approach to pursuing ongoing forest development activities, and also engages in frequent collaboration with a local nature association subsidized by the Sumitomo Rubber Industries CSR Fund.



##### Tree Planting Activities in Mount Akazura

Since 2014, the Shirakawa Factory has been a participant in tree planting activities in Mount Akazura, a former ski site that has been left desolate after a ski site operator closed its business. Although these activities have been promoted under the initiative of a local volunteer organization, their scale was subsequently expanded in 2020 as Fukushima Prefecture became the sponsor. Beginning with tree planting undertaken by a small number of staff, the factory stepped up its involvement over time and, in 2019, began planting seeds of *Alnus firma* and nurturing them for two years. By 2021, the seeds entrusted to the factory had grown into seedlings reaching heights of around 30 centimeters. With the goal of restoring greenery, a total of 130 seedlings were then replanted by factory staff working hand in hand with fellow participants.



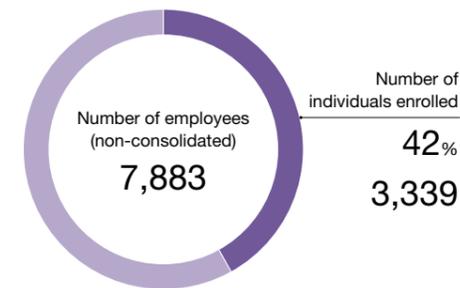
#### Promoting Social Contribution Activities

##### Sumitomo Rubber Industries CSR Fund

The Sumitomo Rubber Industries CSR Fund was established to provide financial support to NPOs engaged in activities in regions where we have bases to solve global environmental and social problems.

Following its establishment in 2009, the Fund began providing donations in 2010 to eight organizations, including environmental advocates, traffic safety groups, disaster aid groups and others striving to resolve region-specific social issues. In fiscal 2021, a total of ¥14.10 million was donated to 57 organizations.

##### Ratio of Enrollment in the CSR Fund (December 2021)



##### Examples of Recipients Subsidized by the Fund

Recipients include an organization engaged in the protection of the river environment, an NPO aimed at protecting rare species and a mobile catering team striving to watch over local senior citizens and provide them with shopping assistance as well as a group dedicated to offering children opportunities to take part in science experiments and to capturing their interest in topics related to the environment. As such, the Fund supports a broad range of activities.



##### Providing Educational Assistance

Since 2009, we have been a co-sponsor of the Dunlop Monozukuri Classes, which offer hands-on manufacturing programs for fourth to six graders, as part of our efforts to assist school education. At these events, children are given a simple set of parts to assemble a gadget called the “Scroller II.” These programs are thus intended to help children feel a sense of excitement and fulfillment arising from manufacturing even as they strive to build good teamwork. By 2021, some 67 rounds of *Monozukuri* Classes have been held, with the total number of attendees reaching approximately 5,000.

In 2021, we cooperated workplace experience programs hosted by Settsu City, Osaka, for local middle school students. In these and other ways, we support career education for young people who will become next-generation leaders.

##### Donations / Co-Sponsorship

As we aim to give back to society, we proactively make donations to and co-sponsor local events in regions in which we have bases. In Japan, we made donations to those affected by heavy rains that struck in July and August 2021. To help address the

issue of “period poverty,” we donated menstrual hygiene products to Shirakawa City. Furthermore, we act as a co-sponsor of the “STOP! DRUNK DRIVING PROJECT” and maintained our status as a special co-sponsor for the DUNLOP KOBE OPEN, a wheelchair tennis tournament, since 1994. Overseas, we donated tires for special vehicles charged with supporting the supply of vaccines in Switzerland. In South Africa, we donated individual flush toilets, enclosed by walls and doors, to a high school in Ladysmith. In Turkey, we distributed masks free of charge to support countermeasures against the COVID-19 pandemic, which has had a serious impact on the country. In July 2021, we also provided aid supplies in response to a forest fire that emerged in the country. In Russia, we donated tennis equipment to a tennis club for children with disabilities. As exemplified above, we strive to contribute to society through donations and co-sponsorship in regions across the globe.



##### Sustainability Commendation Awards

In December 8, 2021, we held the “Sustainability Commendation Awards” ceremony, a Groupwide event designed to encourage the further promotion of sustainability activities. Building on our conventional CSR commendation system, which was launched in 2009, our “Sustainability Commendation Awards” were created by upgrading some of the methods used in the former system. Although a number of sustainability activities were cancelled across the board or otherwise impacted by restrictions due to the spread of the COVID-19 pandemic in 2021, we nevertheless received a total of 61 entries from employees around the world. On the day of the ceremony, Top Excellent Awards and Excellent Awards were granted to three participants and seven participants, respectively. At the same time, we granted awards to winners of Sustainability Challenge, a program organized to solicit best practices and slogans regarding tangible actions to be taken by each employee to reduce CO<sub>2</sub> emissions, with the aim of raising sustainability awareness among our entire workforce.

##### Winners of Top Excellent Awards

- Ecology Category
  - Implementation of odor countermeasures (Engineering Works Department, Sumitomo Rubber (Changshu) Co., Ltd.)
- Kindness Category
  - Acquisition of the “Kurumin” mark (Dunlop Golf Club Corp.)
- Integrity Category (individual award)
  - Provision of food and other aid supplies to those impoverished by Durban riots

Going forward, we will continue to promote initiatives named above to contribute to the realization of a safe, secure and sustainable society in which everyone can work and live with confidence.



# Fiscal 2021 Targets and Results

We are striving to be a corporate group deserving society's trust by fulfilling our corporate social responsibility to help create a better society.

Toward this end, we are proactively promoting sustainability in line with our "GENKI" Sustainability Activity Guidelines, which categorize our endeavors into "Governance," "Ecology," "Next," "Kindness" and "Integrity."



Relationship between our Sustainability Activity Guidelines and SDGs		Plan: Fiscal 2021 Target	GRI Guidelines	Do: Fiscal 2021 Activity Results	Check: Self-Assessment*	Action: Fiscal 2022 Target	
<b>Governance</b> Corporate Governance 10 16	<b>1</b> Enhancing corporate governance	<ul style="list-style-type: none"> <li>Continue to implement measures to enhance the effectiveness of the Board of Directors</li> <li>Continue to set out and expand the content of BCPs, and to implement training</li> <li>Reanalyze risks to update the profile of major Groupwide risks</li> </ul>	102-18	<ul style="list-style-type: none"> <li>Revised approval authority rules, implemented measures to enhance the effectiveness of the Board of Directors (e.g., providing drafts of meeting materials in advance) and obtained third-party assessment of the Board of Directors' effectiveness</li> <li>Formulated BCPs based on a pandemic and covering Group companies in Japan and overseas; implemented BCP drills at the Kobe Head Office, factories and other business bases</li> <li>Implemented Groupwide risk assessments and surveys to update the profile of major Groupwide risks; finalized the updated risk profile at a Risk Management Committee meeting held in December to determine the risk response priorities for all departments</li> </ul>	100%	<ul style="list-style-type: none"> <li>Continue to implement measures to enhance the effectiveness of the Board of Directors</li> <li>Continue to set out and expand the content of BCPs, and to implement training</li> <li>Conduct follow-up assessments of progress in risk response plans for the entire Company and promote risk management activities (first and second half)</li> <li>Promote the Group's compliance and risk management</li> </ul>	
	<b>2</b> Ensuring thorough compliance	<ul style="list-style-type: none"> <li>Promote the Group's compliance and risk management</li> <li>Audit: Focus particularly on carrying out legal audits at overseas subsidiaries</li> <li>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</li> </ul>	102-16	<ul style="list-style-type: none"> <li>Due to the need to prevent the spread of COVID-19, audits at two overseas subsidiaries were postponed even though the initial audit plans formulated at the beginning of the fiscal year called for implementing legal audits at eight overseas subsidiaries</li> <li>Due mainly to the need to prevent the spread of COVID-19, training sessions planned for seven overseas subsidiaries to discuss topics on competition laws and the prevention of bribery could not be conducted, even though such sessions were originally planned for eight overseas subsidiaries; Similar sessions for subsidiaries in Japan were mostly conducted in line with the initial plans formulated at the beginning of the fiscal year</li> </ul>	75%	<ul style="list-style-type: none"> <li>Audit: Focus particularly on carrying out legal audits at overseas subsidiaries</li> <li>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</li> </ul>	
	<b>3</b> Promoting dialogue with stakeholders	<ul style="list-style-type: none"> <li>Promote dialogue with a range of stakeholders</li> <li>Maintain ongoing dialogue with shareholders to enhance corporate value</li> </ul>	102-44	<ul style="list-style-type: none"> <li>Shareholder communications issued: Two editions</li> <li>Enhanced the content of results briefing materials and improved their layouts</li> </ul>	100%	<ul style="list-style-type: none"> <li>(Dialogue with institutional investors)</li> <li>Maintain ongoing dialogue to secure sustainable growth and enhance corporate value</li> <li>Continue to update investors about the status of our activities via the biannual issuance of shareholder communications</li> <li>Clarify employees responsible for IR affairs by establishing the IR Office</li> <li>Increase opportunities to provide explanations to stakeholders and enhance the content of such explanations by, for example, improving results briefing materials</li> </ul>	
	<b>4</b> Supply chain management	<ul style="list-style-type: none"> <li>Hold briefings (provide feedback gleaned from CSR questionnaires)</li> </ul>	102-43	<ul style="list-style-type: none"> <li>Sent out questionnaires to 254 suppliers in fiscal 2020</li> <li>Met individually with representatives from nine of the above suppliers in fiscal 2021 to provide feedback gleaned from questionnaires and offer guidance</li> </ul>	100%	<ul style="list-style-type: none"> <li>Commission a third-party assessment firm to conduct the monitoring of sustainability initiatives undertaken by suppliers</li> </ul>	
<b>Ecology</b> Ecological Process 3 6 7 9 11 12 13 14 15	<b>5</b> Creating a low-carbon society	<ul style="list-style-type: none"> <li>Reduce global life-cycle CO<sub>2</sub> emissions per tire by at least 16.0% compared to 2005 levels</li> <li>(Six factories in Japan) Environmental impact indicator of energy usage (crude oil equivalent)**: ≥2.9% reduction from the previous fiscal year</li> <li>(Six factories in Japan) Environmental impact indicator of CO<sub>2</sub> emissions**: ≥0.4% reduction from the previous fiscal year</li> </ul>	302-1, 2, 5	<ul style="list-style-type: none"> <li>12.3% reduction</li> <li>2.3% reduction</li> <li>1.9% increase</li> </ul>	98%	<ul style="list-style-type: none"> <li>≥16.0% reduction from fiscal 2005</li> <li>3.0% reduction in the environmental impact indicator from the previous fiscal year</li> <li>6.0% reduction in total emissions from the previous fiscal year</li> </ul>	
	<b>6</b> Building a recycling-oriented society	<ul style="list-style-type: none"> <li>(Six factories in Japan) Environmental impact indicator of waste disposal (excluding valuables)**: ≥ 8.2% reduction from the previous fiscal year</li> <li>(Six factories in Japan) Environmental impact indicator of water usage**: ≥ 4.8% reduction from the previous fiscal year</li> </ul>	306-2	<ul style="list-style-type: none"> <li>20.6% increase</li> <li>8.6% reduction</li> </ul>	69%	<ul style="list-style-type: none"> <li>1.0% reduction in the environmental impact indicator from the previous fiscal year</li> </ul>	
	<b>7</b> Promoting environmental footprint management	<ul style="list-style-type: none"> <li>(Six factories in Japan) NOx, SOx, and dust: ≥ 80% reduction from fiscal 2005 levels</li> </ul>	305-7	<ul style="list-style-type: none"> <li>86.6% reduction</li> </ul>	100%	<ul style="list-style-type: none"> <li>≥80.0% reduction from fiscal 2005</li> </ul>	
	<b>8</b> Implementing global environmental management	<ul style="list-style-type: none"> <li>Maintain ISO 14001 Global Multi-Site Certification</li> </ul>	103-2	<ul style="list-style-type: none"> <li>Maintained</li> </ul>	100%	<ul style="list-style-type: none"> <li>Maintain Global Multi-Site Certification</li> </ul>	
	<b>9</b> Helping to curb global warming through tree planting	<ul style="list-style-type: none"> <li>Promote the Local Forest Project</li> <li>Creation and maintenance of GENKI Forests in Japan</li> <li>Continue to protect and raise endangered species</li> </ul>	304-3	<ul style="list-style-type: none"> <li>Planted trees under the Local Forests Project (including mangrove planting)</li> <li>Fiscal 2021: 18,887 trees planted Cumulative total: 1,782,978 trees planted</li> <li>Conducted tree planting/maintenance activities 18 times</li> </ul>	100%	<ul style="list-style-type: none"> <li>Promote forest development, tree planting and forest maintenance activities</li> <li>Creation and maintenance of GENKI Forests in Japan</li> <li>Continue to protect and raise endangered species</li> </ul>	
	<b>10</b> Preserving biodiversity	<ul style="list-style-type: none"> <li>Continue with forest development at the Okayama Tire Proving Ground</li> <li>Get the raising of the <i>Sasakia charonda</i> at the Okayama Tire Proving Ground on track</li> </ul>	304-3	<ul style="list-style-type: none"> <li>Promoted forest development at the Okayama Tire Proving Ground</li> <li>The <i>Sasakia charonda</i> larvae have not been hatching successfully at the Okayama Tire Proving Ground this year</li> </ul>	70%	<ul style="list-style-type: none"> <li>Continue with forest development at the Okayama Tire Proving Ground</li> <li>Ensure the successful hatching of <i>Sasakia charonda</i> at the Okayama Tire Proving Ground</li> </ul>	
	<b>11</b> Developing environmentally friendly products	<ul style="list-style-type: none"> <li>Develop and market environmentally friendly products</li> </ul>	302-5	<ul style="list-style-type: none"> <li>Released FALKEN "EUROALL SEASON AS210," the first tires to incorporate "CORESEAL," a technology that prevents air leakage, targeting the German market</li> </ul>	100%	<ul style="list-style-type: none"> <li>Develop and market environmentally friendly products</li> </ul>	
	<b>12</b> Pursuing "safety and comfort," "economy" and "quality"	<ul style="list-style-type: none"> <li>Commercialize new technologies</li> </ul>	416-1	<ul style="list-style-type: none"> <li>Released "DUNLOP WINTER MAXX SJ8+" studless SUV tires incorporating "nano dimpling rubber" and Liquid Farnesene Rubber, which together dramatically improve performance on icy roads</li> </ul>	100%	<ul style="list-style-type: none"> <li>Commercialize new technologies</li> </ul>	
	<b>Kindness</b> A Kind Culture Where Everyone Can Prosper 3 4 5 8 10	<b>13</b> Fostering human resource development and making work rewarding	<ul style="list-style-type: none"> <li>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</li> <li>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</li> </ul>	404-2	<ul style="list-style-type: none"> <li>Implemented 360-degree feedback sessions targeting a broader range of managers, encompassing the President and other senior management members through to deputy managers, in line with initial plans. Also conducted leadership seminars targeting not only the President and other managers, but also other employees to help them embrace a mindset as a leader even while serving in non-managerial positions</li> <li>In addition to hosting online seminars, we launched tangible discussions regarding how we help women and senior employees earn success. To support the LGBT community, we held lectures for those in manager or higher positions while distributing educational videos to raise employee awareness</li> </ul>	100%	<ul style="list-style-type: none"> <li>Further expand the scope of workplaces covered by the above measures, following the 2021 implementation of such measures that aimed to include an even broader range of overseas bases and Group companies in Japan</li> <li>Implement tangible measures to help women and senior employees earn success</li> </ul>
		<b>14</b> Creating a safe, employee-friendly workplace	<ul style="list-style-type: none"> <li>Continue to pursue improvement in safety indicators (KPIs) as part of our priority activities, making ongoing efforts to iron out disparities between bases, departments, and workplaces</li> <li>Host events aimed at helping employees improve their lifestyle 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</li> </ul>	403-2	<ul style="list-style-type: none"> <li>Identified 11 KPIs and continued to implement priority activities under ambitious targets; although some progress has been made in terms of improving weak areas, targets have yet to be fully met</li> <li>Held online and on-demand seminars on four occasions to discuss topics on exercise, sleeping and alcohol consumption as part of measures to help employees improve their lifestyle habits</li> <li>Prepared educational materials designed to raise employee awareness regarding the importance of daily dietary habits while notifying employees of the presence of such materials via e-mails and bulletin boards</li> <li>Began hosting on-demand exercise seminars for senior employees (mainly those aged 50 or older) as a new initiative</li> </ul>	85%	<ul style="list-style-type: none"> <li>Continue to pursue KPIs as part of our priority activities, making ongoing efforts to iron out disparities between bases, departments, and workplaces</li> <li>Focus on implementing measures to address issues associated with smoking, dietary habits, sleeping and alcohol consumption as we have positioned helping employees improve their lifestyle habits as a priority issue. To address the issue of smoking in particular, the Smoking Cessation Committee will be launched to promote efforts to prevent second-hand smoking and to curb the ratio of smokers among employees</li> </ul>
<b>15</b> Promoting diversity & inclusion		<ul style="list-style-type: none"> <li>Facilitate employee understanding of and encourage the use of various support systems via the distribution of guidebooks, which describe measures in place to help strike a work-life balance, and through announcements to eligible employees and their supervisors</li> <li>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 child-rearing and work</li> </ul>	401-3	<ul style="list-style-type: none"> <li>Issued a manual on how to help female employees strike a good work-life balance even as they take on childcare or nursing care while making it a rule for each employee who is expecting or has given birth to be interviewed by her supervisor, at least five times, with staff in charge of human resource management occasionally attending</li> <li>When a spouse gives birth, began sending e-mail notifications to employees and their supervisors to encourage the use of a childcare leave system</li> </ul>	100%	<ul style="list-style-type: none"> <li>Strive to ensure the content of the manual is understood by all</li> <li>Implement additional measures to encourage male employees to assume a greater role in child rearing</li> </ul>	
<b>16</b> Respect for human rights		<ul style="list-style-type: none"> <li>Hold training on human rights</li> <li>Promote joining the CSR Fund</li> </ul>	412-2	<ul style="list-style-type: none"> <li>Hosted lectures targeting all officers and managers to facilitate their understanding of the LGBT community</li> </ul>	100%	<ul style="list-style-type: none"> <li>Establish a Human Rights Management System</li> </ul>	
<b>17</b> Promoting social contribution activities		<ul style="list-style-type: none"> <li>Work together with NPOs (continue and expand activities)</li> </ul>	102-44	<ul style="list-style-type: none"> <li>Rate of joining the CSR Fund: approximately 42%</li> <li>Number of CSR Fund beneficiaries: 57, with a total of ¥14.10 million donated</li> <li>Monozukuri Class for elementary school students: Held four times in four locations, with the number of attendees totaling 245</li> <li>Environmental Class: Held five times in five locations for two groups of children, with the number of attendees totaling 90</li> </ul>	80%	<ul style="list-style-type: none"> <li>Work together with NPOs (continue and expand activities)</li> </ul>	
<b>18</b> Fostering better relationships with local communities through tree planting	<ul style="list-style-type: none"> <li>Continue our contributions to, and foster better relationships with, local communities through tree planting, forest creation and the provision of seedlings</li> </ul>	413-1	<ul style="list-style-type: none"> <li>Planted trees and provided seedlings: 5,593 (of these, the number of seedlings provided to communities totaled 4,885)</li> </ul>	100%	<ul style="list-style-type: none"> <li>Continue our contributions to, and foster better relationships with, local communities through tree planting, forest creation and the provision of seedlings</li> </ul>		

\*1 Self-assessment uses comparison with baseline year (1 – reduction ratio) in the following formula to calculate the achievement rate:  $(1 - \frac{\text{target value}}{\text{actual value/target value}} \times 100\%)$

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

## 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.

### 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.

### SOMPO Sustainability Index

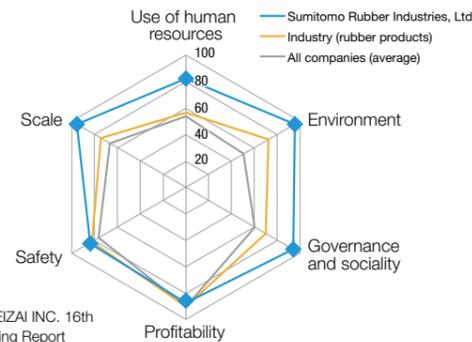
Since 2012, the Company has been continuously included in the SOMPO Sustainability Index, an asset management product index compiled by Sompo Asset Management Co., Ltd. for pension fund managers and institutional investors.



### The 16th (2022) 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. Especially, we were ranked 10th among all 1,362 companies in the Environment Category.



Source: TOYO KEIZAI INC. 16th (2022) CSR Ranking Report

2021	
<b>March</b>	FALKEN AZENIS FK510 was ranked in first place in the comprehensive tire performance ranking sponsored by ADAC (Allgemeiner Deutscher Automobil-Club e.V.), or All German Automobile Club. 
<b>March</b>	Dunlop Golf Club Corp., a subsidiary of Sumitomo Rubber Industries, was certified by the Minister of Health, Labour and Welfare for the "Kurumin" mark in recognition of its track record in supporting employees engaged in child rearing. 
<b>April</b>	The Shirakawa Factory was chosen to receive the "Award for Excellent Company in Terms of Supporting Future Generations" from the "Governor Association for the Support of Future Generations and the Revitalization of Japan,"** thanks to its unique workplace improvement initiatives led by female employees. 
<b>June</b>	The Sumitomo Rubber Group's Brazil Factory became the first business corporation to receive the "Honor Award" from the Fazenda Rio Grande City Council. 

\*An association formed by 17 prefectural governors committed to taking action to revitalize regional communities and, to this end, facilitating a flow of people to rural areas in order to change Japan's current social structure in which population and businesses are overly concentrated in Tokyo. In this way, the association strives to act as a pioneer in terms of countering the problem arising from a declining population in this country.

<b>July</b>	The Company was chosen for inclusion into the FTSE4Good Index Series and FTSE Blossom Japan Index, two prominent indices for ESG investment.  
<b>October</b>	The Company's web-based in-house newsletter <i>WEB PLUS</i> was chosen to receive the Gold Award under "In-House Newsletter Award 2021" sponsored by Wis Works, Inc. Also, a cartoon character "Chabo," created to communicate information related to diversity & inclusion, was chosen to receive the Most Excellent Award under Internal Communication (IC) Character Grand Prix, a special sub-program organized to celebrate the program's 20th anniversary.  
<b>November</b>	The Company acquired "Silver" rating under the PRIDE Index 2021 rating program designed to assess the level of initiatives undertaken by businesses to protect rights of sexual minorities. 
<b>December</b>	The Company acquired highest rating provided under the Development Bank of Japan (DBJ) Environmental Ratings program. 

2022	
<b>January</b>	FALKEN "AZENIS FK510" and "ZIEX ZE310 ECORUN" were ranked first and third place, respectively, in the tire wear test conducted by ADAC, the largest automobile federation in Europe. 
<b>March</b>	Sumitomo Rubber Industries was chosen as one of 50 companies selected for inclusion in the "2022 Health & Productivity Stock Selection," a program designed to recognize companies that take a strategic management approach to the health management of their employees. Also, the Company was certified under the "2022 Certified Health and Productivity Management Organization Recognition Program—White 500," a program designed to commend excellent companies in terms of the practice of health & productivity management, for the sixth consecutive year. 
<b>March</b>	In recognition of the development of a technology that makes it possible to presume the degree of tire wear via the use of a power generation device installed in tires, the Company was chosen by the Disaster Mitigation Sustainable Technology Association to receive the Disaster Prevention and Mitigation Sustainable Grand Prize, Disaster Prevention, Disaster Mitigation and SDGs Prize and Japan Prize in the Academy & Junior Academy Category. 
<b>March</b>	The Company was chosen for the inclusion into the FTSE Blossom Japan Sector Relative Index, a new ESG investment index. 

#### Certifications Acquired

- ISO 9001: 2015 Quality Management System
- ISO 45001: 2018 Occupational Health and Safety Management System
- ISO 14001: 2015 Environmental Management Systems
- IATF 16949: 2016 Automotive Quality Management System Standard

# Financial and Non-Financial Data

## Consolidated Financial/Non-financial Data

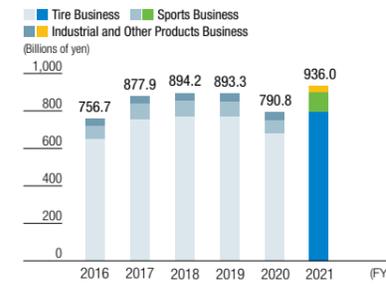
Millions of yen

Years ended December 31	IFRS*1							
	2015	2016	2017	2018	2019	2020	2021	
<b>Earnings for the year:</b>								
Sales revenue	798,483	756,696	877,866	894,243	893,310	790,817	936,039	
Overseas sales ratio (%)	59	59	63	63	63	64	68	
Cost of sales	528,393	499,650	611,185	632,756	637,658	558,638	676,341	
Selling, general and administrative expenses	191,237	182,130	199,706	200,806	201,261	188,791	207,723	
Business profit**2	78,853	74,916	66,975	60,681	54,391	43,388	51,975	
Business profit ratio (%)	9.9	9.9	7.6	6.8	6.1	5.5	5.6	
Operating profit	89,173	73,284	67,449	57,155	33,065	38,701	49,169	
Operating profit ratio (%)	11.2	9.7	7.7	6.4	3.7	4.9	5.3	
Profit attributable to owners of the parent*3	71,976	41,364	46,979	36,246	12,072	22,596	29,470	
Profit to equity attributable to owners of parent ratio (%)	9.0	5.5	5.4	4.1	1.4	2.9	3.1	
<b>Financial position at year-end:</b>								
Total assets	932,432	897,634	1,018,266	1,002,383	1,035,484	974,805	1,086,169	
Total equity	451,837	459,541	490,886	472,807	475,537	467,097	513,543	
Total equity attributable to owners of parent	422,287	429,316	459,907	457,927	460,800	454,743	501,540	
Interest-bearing debt	261,867	204,218	273,452	283,482	325,490	276,739	296,784	
<b>Cash flows for the year:</b>								
Cash flows from operating activities	86,864	128,190	76,109	82,820	91,458	123,504	63,090	
Cash flows from investing activities	(30,672)	(42,144)	(100,724)	(65,494)	(63,417)	(45,594)	(54,023)	
Free cash flows	56,192	86,046	(24,615)	17,326	28,041	77,910	9,067	
Cash flows from financing activities	(52,707)	(71,055)	21,706	(2,122)	(40,979)	(61,881)	(13,332)	
<b>Related information:</b>								
Capital expenditures	58,911	49,606	62,494	66,857	58,129	41,923	49,548	
Depreciation and amortization	51,419	51,248	56,010	57,365	67,941	67,665	67,724	
Research and development costs	23,372	24,257	25,720	25,780	26,198	24,215	25,447	
<b>Management-related and financial data:</b>								
Tire sales volume (millions of tires)	109.62	112.64	123.47	123.61	124.36	108.83	116.03	
ROE (%)	17.5	9.7	10.6	7.9	2.6	4.9	6.2	
ROA (%) (business profit base)	8.4	8.2	7.0	6.0	5.2	4.3	5.0	
D/E ratio (times)	0.6	0.5	0.6	0.6	0.7	0.6	0.6	
Ratio of equity attributable to owners of parent (%)	45.3	47.8	45.2	45.7	44.5	46.6	46.2	
<b>Sustainability-related indicators:</b>								
Number of trees planted (thousands of trees) (excluding the provision of seedlings)	77.2	71.8	43.5	51.4	38.7	19.2	18.9	
Total CO <sub>2</sub> emissions (global environmental data of domestic and overseas factories) (kt-CO <sub>2</sub> e)	786	1,011	1,036	1,073	1,095	1,018	1,145	
Employees at ISO 14001 certified sites as a percentage of all employees (%)	79	89	84	84	86	79	75	
Number of Japanese and foreign patents (number of patents held)	7,849	8,761	9,183	9,199	9,156	10,063	9,983	
Tire production capacity (tons/month)	60,600	61,500	63,200	65,000	66,850	68,500	68,800	
Number of employees in Japan and overseas	33,197	33,792	36,650	37,852	39,233	39,298	40,055	
Number of employees using childcare leave system (Sumitomo Rubber Industries, Ltd. (non-consolidated basis))	16	23	20	29	33	30	48	
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	22	
Ratio of female employees to the total number of employees (Sumitomo Rubber Industries, Ltd. (non-consolidated basis)) (%)	7	8	8	9	11	11	12	
Ratio of female managers to the total number of managers	2.2	2.1	2.6	2.7	3.1	3.3	3.8	
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	15.7
Women (years)	13.3	13.3	13.0	12.6	12.2	12.5	11.8	
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	24	
Total amount of CSR Fund subsidy (thousand yen)	6,940	6,960	7,850	8,930	11,090	13,140	14,100	

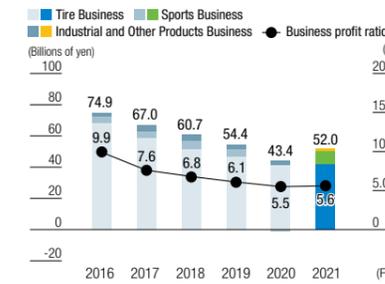
\*1 From the fiscal year ended December 31, 2016, we apply IFRS instead of JGAAP. Figures for the fiscal year ended December 31, 2015 are disclosed based on IFRS.  
 \*2 Defined by Sumitomo Rubber Industries, Ltd. as its primary management indicator, business profit is calculated using the following formula: Sales revenue - (Cost of sales + Selling, general and administrative expenses)  
 \*3 Profit attributable to owners of the parent as calculated under IFRS

## Main Financial Indicators (Fiscal 2021)

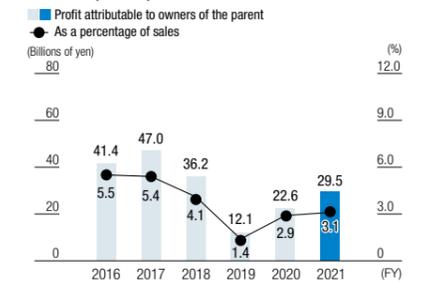
### Sales Revenue



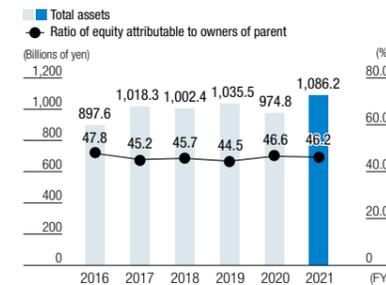
### Business Profit (Ratio)\*



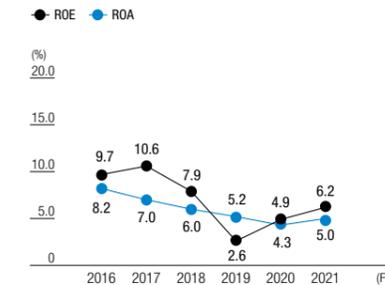
### Profit Attributable to Owners of the Parent (Ratio)



### Total Assets / Ratio of Equity Attributable to Owners of Parent



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



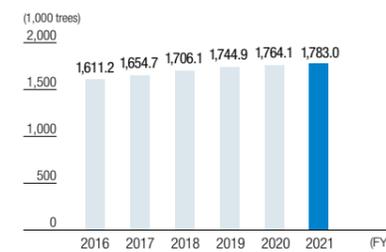
### Interest-Bearing Debt / D/E Ratio



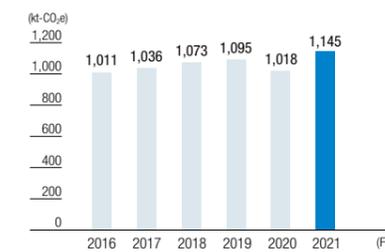
\*1 ROE = (Net income / Average of total equity at the beginning and end of the fiscal year) x 100  
 \*2 ROA = (Business profit / Average of total assets at the beginning and end of the fiscal year) x 100

## Sustainability-Related Indicators (Fiscal 2021)

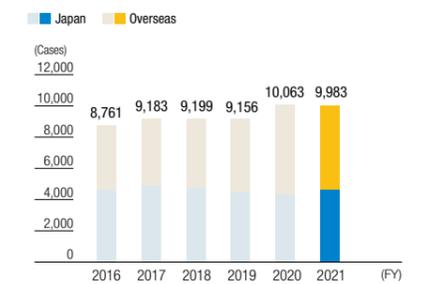
### Trees Planted (fiscal year cumulative basis)



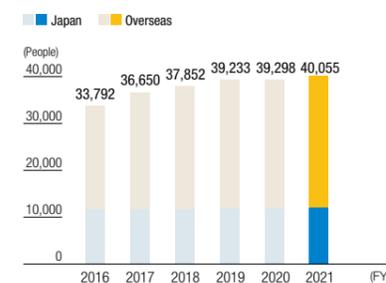
### Global Environmental Data (total CO<sub>2</sub> emissions)



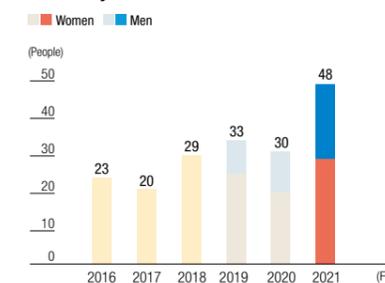
### Number of Japanese and Foreign Patents



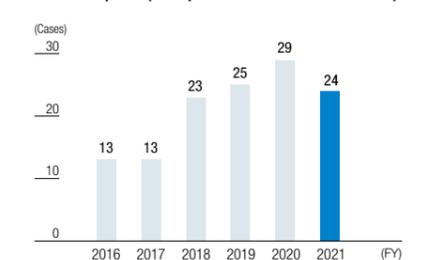
### Number of Employees in Japan and Overseas



### Number of Employees Using Childcare Leave System



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



## Financial and Non-Financial Data

## Consolidated Statement of Financial Position

	Millions of yen	
	Fiscal 2020 (As of December 31, 2020)	Fiscal 2021 (As of December 31, 2021)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	74,203	75,093
Trade and other receivables	179,635	197,320
Other financial assets	1,399	2,096
Inventories	151,253	218,019
Other current assets	30,162	40,553
<b>Total current assets</b>	<b>436,652</b>	<b>533,081</b>
Non-current assets		
Tangible assets	389,184	389,795
Goodwill	23,378	26,287
Intangible assets	41,402	42,794
Investments accounted for using equity method	4,323	4,430
Other financial assets	33,159	36,889
Net defined benefit asset	32,451	41,458
Deferred tax assets	13,449	10,641
Other non-current assets	807	794
<b>Total non-current assets</b>	<b>538,153</b>	<b>553,088</b>
<b>Total assets</b>	<b>974,805</b>	<b>1,086,169</b>
<b>Liabilities and equity</b>		
Liabilities		
Current liabilities		
Bonds and loans payable	62,256	68,143
Trade and other payables	123,261	160,902
Other financial liabilities	12,816	12,100
Income tax payable	7,790	6,301
Provisions	1,170	1,604
Other current liabilities	38,835	47,535
<b>Total current liabilities</b>	<b>246,128</b>	<b>296,585</b>
Non-current liabilities		
Bonds and loans payable	155,177	170,502
Other financial liabilities	48,164	46,919
Net defined benefit liability	22,202	23,417
Provisions	2,189	1,818
Deferred tax liabilities	11,282	12,093
Other non-current liabilities	22,566	21,292
<b>Total non-current liabilities</b>	<b>261,580</b>	<b>276,041</b>
<b>Total liabilities</b>	<b>507,708</b>	<b>572,626</b>
Equity		
Capital stock	42,658	42,658
Capital surplus	39,486	39,715
Retained earnings	461,720	481,455
Treasury stock	(77)	(85)
Other components of equity	(89,044)	(62,203)
<b>Total equity attributable to owners of parent</b>	<b>454,743</b>	<b>501,540</b>
Non-controlling interests	12,354	12,003
<b>Total equity</b>	<b>467,097</b>	<b>513,543</b>
<b>Total liabilities and equity</b>	<b>974,805</b>	<b>1,086,169</b>

## Consolidated Statement of Income

	Millions of yen	
	Fiscal 2020 (Jan. 1 to Dec. 31, 2020)	Fiscal 2021 (Jan. 1 to Dec. 31, 2021)
Sales revenue	790,817	936,039
Cost of sales	(558,638)	(676,341)
Gross profit	232,179	259,698
Selling, general and administrative expenses	(188,791)	(207,723)
Business profit	43,388	51,975
Other income	3,818	2,668
Other expenses	(8,505)	(5,474)
Operating profit	38,701	49,169
Financial income	1,735	1,797
Financial expenses	(10,733)	(6,289)
Share of profit of entities accounted for using equity method	68	88
Profit before tax	29,771	44,765
Income tax expenses	(6,761)	(14,779)
Profit	23,010	29,986
<b>Profit attributable to:</b>		
Owners of parent	22,596	29,470
Non-controlling interests	414	516
Profit	23,010	29,986
<b>Profit per share</b>		
Basic profit per share (yen)	85.92	112.05

## Consolidated Statement of Cash Flows

	Millions of yen	
	Fiscal 2020 (Jan. 1 to Dec. 31, 2020)	Fiscal 2021 (Jan. 1 to Dec. 31, 2021)
Cash flows from operating activities	123,504	63,090
Cash flows from investing activities	(45,594)	(54,023)
Cash flows from financing activities	(61,881)	(13,332)
Effect of exchange rate change on cash and cash equivalents	(2,457)	5,155
Net increase (decrease) in cash and cash equivalents	13,572	890
Cash and cash equivalents at the beginning of current period	60,631	74,203
Cash and cash equivalents at the end of current period	74,203	75,093

# 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 71 to 73) has been verified by third parties.

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

1. Total Global CO<sub>2</sub> Emissions  
Verification procedures: ISAE3000-based procedures and ISO14064-3
2. Total Global Energy and Water Usage, Wastewater and Waste Disposal (Excluding Valuables) by Factories in Japan  
Verification procedures: ISAE3000-based procedures



### LRQA Independent Assurance Statement

Relating to Sumitomo Rubber Industries Group's greenhouse gas emissions inventory, amount of energy consumed, waste disposed, waster consumed and wastewater discharged for the calendar year 2021

This Assurance Statement has been prepared for Sumitomo Rubber Industries, Ltd. in accordance with our contract.

**Terms of Engagement**  
LRQA Limited (LRQA) was commissioned by Sumitomo Rubber Industries, Ltd. (the Organisation) to provide independent assurance of its greenhouse gas (GHG) emissions inventory, on the amount of energy consumed, waste disposed, water consumed and wastewater discharged (“the Report”) for the calendar year 2021 (from 01/01/2021 to 31/12/2021) against the assurance criteria below to a limited level of assurance and materiality of the professional judgement of the verifier using LRQA's verification procedure. LRQA's verification procedure refers to ISO 14064-3 for greenhouse gas emissions, is based on current best practice and is in accordance with ISAE 3000 (Revised).

Our assurance engagement covered the operations and activities at the manufacturing and non-manufacturing sites of Sumitomo Rubber Industries Group's 79 companies in the world for GHG emissions and energy consumption, and six factories<sup>1</sup> in Japan for waste disposed, water consumed and wastewater discharged and specifically the following requirements:

- Verifying conformance with the Organisation's in-house reporting methodologies for the selected datasets. The Organisation's calculation procedures of GHG emissions refers to ISO 14064-1;
- Evaluating the accuracy and reliability of the selected datasets:
  - Direct (Scope 1) and Energy Indirect (Scope 2) GHG emissions<sup>2</sup>;
  - Energy consumed: volume consumed in kilo-litre crude oil equivalent
  - Waste disposed: amount disposed in metric tons
  - Water consumed: volume consumed in thousand cubic meters, as sourced from the local water supply system, underground and surface water supply
  - Wastewater discharged: volume discharged in thousand cubic meters

Our assurance engagement excluded the data and information of the Organisation's suppliers, contractors and any third-parties mentioned in the report.

LRQA's responsibility is only to the Organisation. LRQA disclaims any liability or responsibility to others as explained in the end footnote. The Organisation's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the Report and for maintaining effective internal controls over the systems from which the Report is derived. Ultimately, the Report has been approved by, and remains the responsibility of the Organisation.

**LRQA's Opinion**  
Based on LRQA's approach nothing has come to our attention that would cause us to believe that the Organisation has not, in all material respects:

- Met the requirements of the criteria listed above; and
- Disclosed accurate and reliable performance data and information on GHG emissions and key environmental data as summarized in Table 1 and 2 below.

The opinion expressed is formed on the basis of a limited level of assurance<sup>3</sup> and at the materiality of the professional judgement of the verifier.

<sup>1</sup> Shirakawa, Nagoya, Izumiotsu, Miyazaki, Kakigawa and Ichijima Factories in Japan.  
<sup>2</sup> GHG quantification is subject to inherent uncertainty.

Page 1 of 3

# 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 and from 2021 to the present. 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.), “The 1st Step to Management Accounting” (Sekigakusha Inc.) and “Education for Value Creation: Challenges Tackled by Kobe University V. School” (Kobe University Publishing Association).

## Integrated Thinking Centered on “Our Philosophy”

Having read the 2022 edition of the Sumitomo Rubber Group's *Integrated Report*, I can clearly see that the scope of the Group's undertakings embodying “Our Philosophy” has been expanded since its announcement in 2021. Also, the overall composition of this report seems to be centered on communicating how “Our Philosophy” translates into the Group's tangible activities. I believe, therefore, “Our Philosophy” is steadily being embraced by the Group to underpin “integrated thinking,” which integrates all of its management endeavors. Looking at each article, I was also impressed by the comprehensiveness of explanations provided to readers to ensure their understanding of what the Group has been doing to enhance financial value as well as societal value. These descriptions are pretty well organized to earn stakeholder attention. Going forward, I hope that the Group will, in the course of practicing its Purpose—the uppermost concept in “Our Philosophy”—strive to empower individual employees instead of relying on a top-down approach so that each can pursue Purpose in the context of his/her personal visions and ambitions.

## Detailed Explanations Provided by Top Management

I also noticed that explanations provided by top management are notably enriched in this edition. For example, a message from President Yamamoto spans six pages, including pictures. In this message, he uses his own words in a quite persuasive manner to update readers on such subjects as “Long-Term Sustainability Policy with an Eye to 2050.” Messages from other officers similarly include in-depth discussions on the status of activities undertaken in each field subject to their supervision. Thanks to these messages, readers of this report will be able to develop a well-informed perception regarding what each executive at the Company is really thinking and doing. Looking ahead, I expect future editions of this report to incorporate a greater volume of input from employees and external stakeholders to help readers understand how policies determined by top management impact its own employees as well as its external stakeholders. This will make the *Integrated Report* even better.

## Switching “G” of “GENKI” into “Governance”

“GENKI” is an abbreviation that often appears in this report to collectively represent Sumitomo Rubber Industries' management approach to sustainability activities. In fiscal 2021, the Group switched “G” from “Green” to “Governance.” It is clear that the Group's intent is not merely to make a minor change in the aspect of formality. Rather, this switchover can be deemed to have declared management's commitment to giving “Governance” the uppermost position in sustainability management and transforming the framework for sustainability activities in line with this positioning. In fact, the content of governance-related information disclosed in this report is remarkably articulate and detailed. However, I would like the Group to be aware that information of this kind is prone to be formalized over time. Accordingly, I think that it will be important for the Group to disclose real-life examples of its governance initiatives, such as what stance each Outside Director is taking to support solid governance, through the upcoming editions of the report.

## To Tangibly Practice ESG Management

Sumitomo Rubber Industries has formulated the Long-Term Sustainability Policy “Driving Our Future Challenge 2050” to promote its initiatives to achieve carbon neutrality. The Company also publicly announced its support of the TCFD recommendations and is, accordingly, striving to update the content of information disclosure. For Sumitomo Rubber Industries, decarbonization will be a matter of particular importance in light of its business environment. On the other hand, following the eruption of the Russia-Ukraine conflict, the outlook for the external environment has become increasingly uncertain in terms of evolving developments in international discussions regarding climate change and growing volatility in the supply-demand status of energy. In moments like this, businesses need to respond to these circumstances in a tangible and prudent manner rather than envisioning flashy ideals. I would therefore like the Group to give due consideration to the above factors' impact on its business management in the course of its engagement in sustainability activities.

## 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 December 2020, we established “Our Philosophy,” a new corporate philosophy structure designed to provide unchanging guidelines for our pursuit of further growth in the face of an increasingly uncertain and radically evolving environment. Since then, we have been aware that conditions surrounding our society have become more complex than ever before due to such factors as the COVID-19 pandemic and political instability. Given these circumstances, we decided to feature enriched explanations on “Our Philosophy” in the 2022 edition of the *Integrated Report*. We have also striven to align the entire content of the report with our particular intention of helping our readers understand what we are doing to embody Purpose, as defined under “Our Philosophy,” through business management. Furthermore, compared with preceding editions, this 2022 edition features a greater volume of messages from and interviews with members of top management. These articles consist of real-life accounts of executives and are designed to convey what Sumitomo Rubber Industries truly looks like now and what vision the Company is pursuing for the future. Currently, efforts are under way at Sumitomo Rubber Industries to promote tangible measures to achieve our targets under the Long-Term Sustainability Policy “Driving Our Future Challenge 2050,” which was announced in August 2021. At the same time, in April 2022, we issued an announcement regarding a new business employing the “SENSING CORE” technology. At the cusp of a new era, all Group employees will come together in a united effort to step up our sustainability initiatives while striving to improve their effectiveness and transparency.



**Fumikazu Yamashita**  
Executive Officer, General Manager, Sustainability Promotion HQ



### Table 1. Summary of Sumitomo Rubber Industries Group's GHG Emissions Inventory for calendar year 2021

Scope of GHG emissions	kilo-tonnes CO <sub>2</sub> e	
	A <sup>1</sup>	B <sup>2</sup>
Direct GHG emissions (Scope 1)	409	398
Energy indirect GHG emissions (Scope 2, Location based)	743	710

Note: Scope 2, Location-based is defined in the WRI/WBCSD GHG Protocol Scope 2 Guidance, 2015.

### Table 2. Summary of Sumitomo Rubber Industries Group's Key Environmental Data for calendar year 2021

Environmental data	Amount
Energy consumed	553,759 kilo-litre crude oil equivalent
Waste disposed	10,139 ton
Water consumed	5,596 x 1,000 m <sup>3</sup>
Wastewater discharged	4,796 x 1,000 m <sup>3</sup>

**LRQA's Approach**  
LRQA's assurance engagements are carried out in accordance with our verification procedure. The following tasks were undertaken as part of the evidence gathering process for this assurance engagement:

- conducting a remote assessment to Miyazaki Factory and reviewing processes related to the control of data and records;
- interviewing relevant employees of the organization responsible for managing data and records; and
- assessing the Organisation's data management systems to confirm they are designed to prevent significant errors, omissions or mis-statements in the Report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal quality control.
- verifying historical data and records at an aggregated level for the calendar 2021.

**Observations**  
Further observations and findings, made during the assurance engagement, is:

- For GHG emissions of the overseas sites, the Organisation should continue to study ways to collect data and emission factors to further improve accuracy of the calculations.

**LRQA's Standards, Competence and Independence**  
LRQA implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition and ISO/IEC 17021 Conformity assessment – Requirements for bodies providing audit and certification of management systems that are at

<sup>1</sup> The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.  
<sup>2</sup> GHG emissions quantified using GHG emission factors of year 2004 fixed for Group Report disclosure as defined within the Organisation's in-house procedures.  
<sup>3</sup> GHG emissions quantified using the current GHG emission factors available at the time of the quantification.

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least as demanding as the requirements of the International Standard on Quality Control and comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

LRQA ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

LRQA is the Organisation's certification body for ISO 9001, ISO 14001, ISO 45001 and IATF16949. The verification and certification assessments are the only work undertaken by LRQA for the Organisation and as such does not compromise our independence or impartiality.

Signed:   
Michiaki Chiba  
LRQA Lead Verifier  
On behalf of LRQA Limited  
Queen's Tower A, 10th Floor, 2-3-1 Minatomirai, Nishi-ku  
Yokohama 220-6010, Japan

LRQA reference: YKA4005028

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Dated: 10 May 2022

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**Global Network** (As of December 31, 2021)

**OVERSEAS**



**Europe/Africa/Middle East**

Manufacturing Companies: 4  
Sales Companies: 19  
Other Group Companies: 9



**Asia/Pacific**

Manufacturing Companies: 9  
Sales Companies: 21  
Other Group Companies: 2



**Americas**

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



**JAPAN**



**JAPAN**

Manufacturing Companies: 3  
Sales Companies: 15  
Other Group Companies: 10



- Offices
- R&D bases
- Production bases

**Investor Information** (As of December 31, 2021)

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	44,872	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) ..... 9.26% National Mutual Insurance Federation of Agricultural Cooperatives..... 2.79% Custody Bank of Japan, Ltd. (Trust account) ..... 2.56% NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST ..... 2.32% Sumitomo Mitsui Banking Corporation ..... 1.98% Sumitomo Corporation ..... 1.83% NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS..... 1.64% SMBC Nikko Securities Inc. .... 1.58% STATE STREET BANK AND TRUST COMPANY 505103..... 1.44%		
Independent Auditors	KPMG AZSA LLC 7-1-1 Kumoi-street, Chuo-ku, Kobe, Japan		

Note: The percentage of shares in the above list was calculated using the total number of shares of common stock, excluding 47,604 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.