

## 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

**Image of Sustainable Growth through 2025**

**Value Drivers**

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

Further Enhancing Our Group’s Economic & Social Value

Efforts to Generate Profits

Efforts to Reinforce Our Organizational Framework

“Be the Change” Project to Reinforce the Foundations of Our Business

Challenges of New Markets  
Entering New Business Fields

Taking Full Advantage of Our Global Framework

Insatiable Drive for Innovation SMART TYRE CONCEPT To the Next Level

2020 → 2025

**Target Vision for 2025 Performance**

Growth Potential	Sales Revenue <b>At Least ¥1 Trillion</b>
Profitability	Business Profit <b>At Least ¥100 Billion</b>
Profitability of Invested Capital	ROE <b>At Least 10%</b>
Fiscal Health	D/E Ratio <b>Within 0.5x</b>

**Enhancing Our Competitiveness Backed by a Global Business Framework** ▶ p. 21

**Building Strong Relationships of Trust with Automakers**

**Expanding OE Sales for a Pull Effect on Replacement Tire Sales**

Our efforts to “Taking Full Advantage of Our Global Business Framework” revolve around three key pillars: our “Global Manufacturing, Sales & Service Network,” our “Trilateral R&D Network (Japan/USA/Europe)” and our “Global Supply Network.”

Now that this global business framework is in place, we can leverage it to build stronger trusting relationships with automobile manufacturers so that we may expand sales of OE tires, which, in turn, produces a strong pull effect to boost replacement tire sales as well. In this way, our global business framework serves as a sound basis for reinforcing the foundations of our business.

**Groupwide Project to “Reinforce the Foundations of Our Business”**

**“Be the Change” Project**

Pushing Ahead with Efforts to “Reinforce the Foundations of Our Business” on Two Fronts: “Improving Our Organizational Framework” & “Reinforcing Our Foundation for Profitability”

▶ p. 33

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**3 Key Value Drivers**

**Developing & Promoting Sales of Advanced Products**

Developing & Promoting Sales of Advanced Tires with a Focus on SUVs

▶ p. 25

**Creating New Value**

Expanding Our Solutions Business

▶ p. 27

**Promoting ESG Management**

Responding to Climate Change

▶ p. 29

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

**Sales Revenue**

(Billions of yen)

FY	2018	2019	2020	2021	2022 Forecast
Revenue (Billion Yen)	894.2	893.3	790.8	936.0	1,140.0

2021  
**¥936.0 Billion**  
YoY **18.4%** ↑

**Sales Revenue Breakdown by Business Segment**

Tire Business: 84.9%  
Sports Business: 10.8%  
Industrial and Other Products Business: 4.3%

**Sales Revenue Breakdown by Region**

Japan: 32.0%  
North America: 21.3%  
Europe: 16.4%  
Asia: 17.8%  
Other: 12.5%

**Business Profit**

(Billions of yen)

FY	2018	2019	2020	2021	2022 Forecast
Profit (Billion Yen)	60.7	54.4	43.4	52.0	42.0

2021  
**¥52.0 Billion**  
YoY **19.8%** ↑

**Profit Attributable to Owners of the Parent**

(Billions of yen)

FY	2018	2019	2020	2021	2022 Forecast
Profit (Billion Yen)	36.2	12.1	22.6	29.5	29.0

2021  
**¥29.5 Billion**  
YoY **30.4%** ↑

**Total Assets**

**Ratio of Equity Attributable to Owners of Parent**

**ROE**

**ROA**

**D/E Ratio**

**¥1,086.2 Billion**

**46.2%**

**6.2%**

**5.0%**

**0.6x**

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.

Tire Business	Sports Business	Industrial and Other Products Business
<p><b>Sales Revenue</b></p> <p><b>¥795.0 Billion</b> (Up 16.9% YoY)</p> <p><b>Business Profit</b></p> <p><b>¥41.4 Billion</b> (Up 1.1% YoY)</p> <p>While the market for OE tires continues to face persistent headwinds in the form of an ongoing global shortage of semiconductors, our Tire Business nevertheless achieved a year-on-year increase in overall sales thanks to a steady recovery in demand for both OE tires and replacement tires compared to the height of the pandemic.</p>	<p><b>Sales Revenue</b></p> <p><b>¥101.4 Billion</b> (Up 44.4% YoY)</p> <p><b>Business Profit</b></p> <p><b>¥8.6 Billion</b> (Up ¥9.3 Billion YoY)</p> <p>As the market for golf gear began to rebound after contracting during the height of the pandemic, our Golf Business saw increases in both market share and overall sales overseas, particularly in North America and South Korea. Likewise, our Tennis Business also achieved an increase in overall sales.</p>	<p><b>Sales Revenue</b></p> <p><b>¥39.6 Billion</b> (Down 2.8% YoY)</p> <p><b>Business Profit</b></p> <p><b>¥1.9 Billion</b> (Down 39.0% YoY)</p> <p>Our Industrial Products Business saw year-on-year decreases in sales revenue and business profit as a result of declining market demand for infrastructure products and rubber gloves, etc.</p>

## 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.

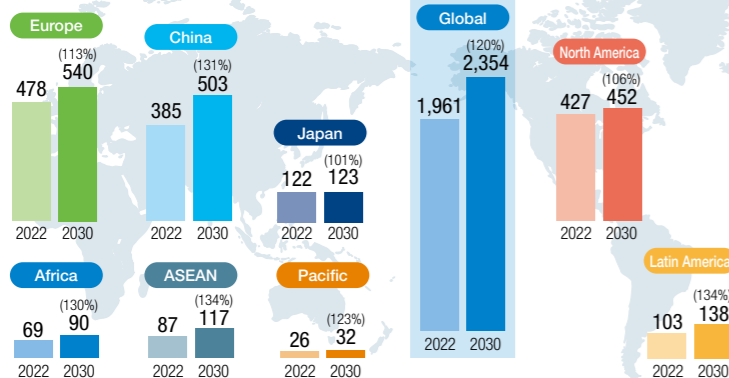


### Global Tire Demand & Our Focal Markets

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.

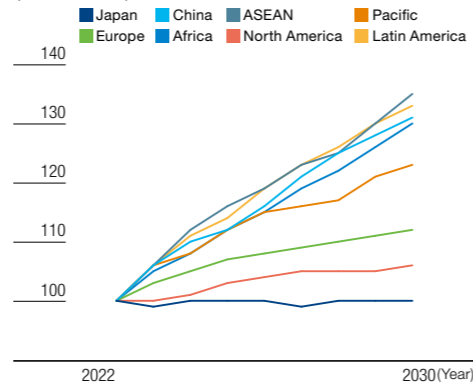
#### Global Tire Demand (Estimate)

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



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

(2022 Index: 100)



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)

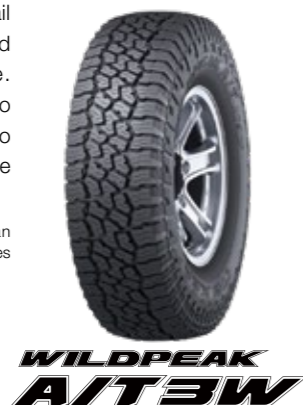
### North America

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

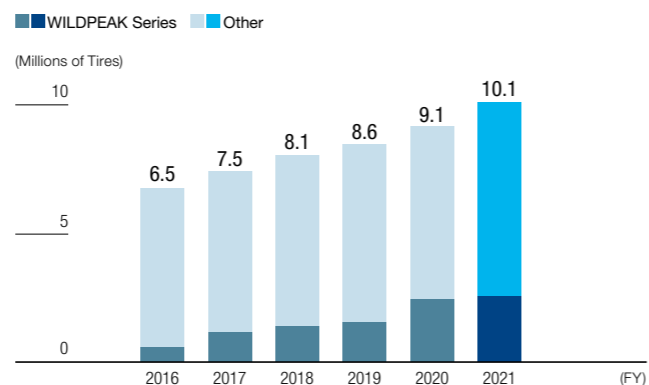
Our FALKEN Brand is doing quite well in North America, the world's largest tire market. Our WILDPEAK Series has been a huge hit, driving our annual replacement tire sales in the region above ten-million units in 2021 while bringing our share of the North American market for replacement passenger car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

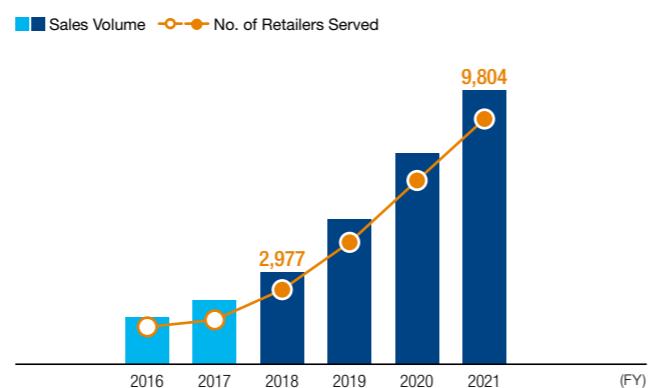
\*FALKEN Brand Share of North American Market for Passenger Car Replacement Tires 2021 (Source: Modern Tire Dealer)



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

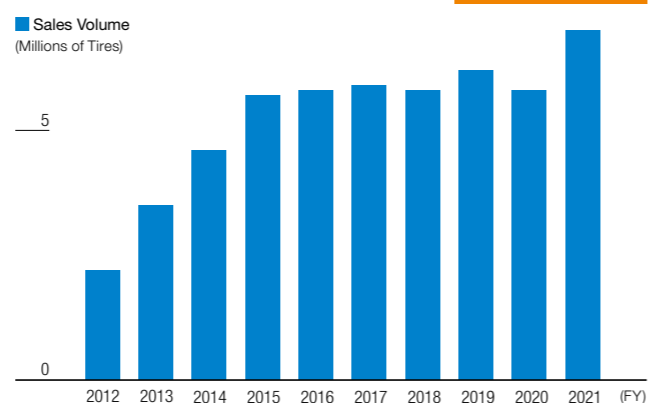
The Sumitomo Rubber Group has been focusing efforts on the future growth markets of Latin America and particularly Brazil, where we have established a strong brand presence for DUNLOP Tires in the ten years since we entered the market. Backed by local production for local consumption, we have been steadily 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%

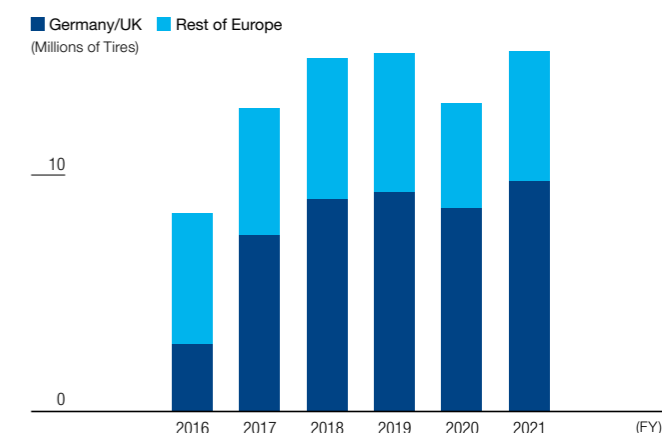
## European Market: Increasing Sales throughout Europe with a Focus on the Major Markets of Germany & the UK

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



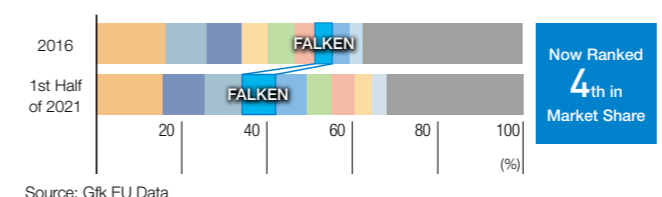
### Germany

#### 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



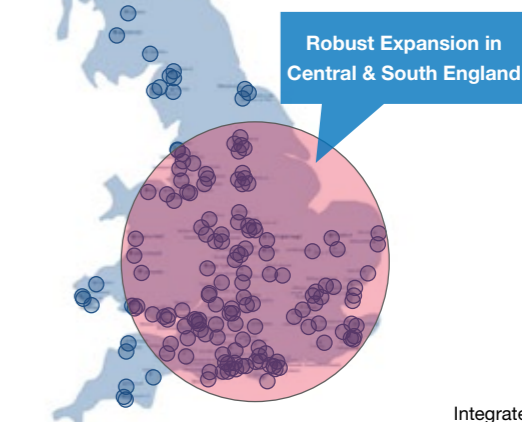
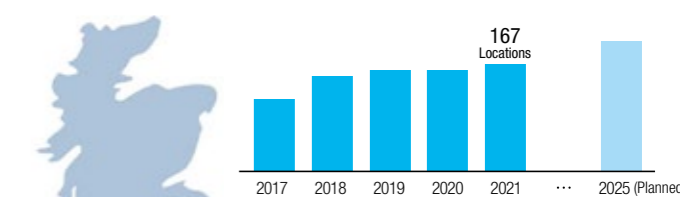
### United Kingdom

#### 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



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.

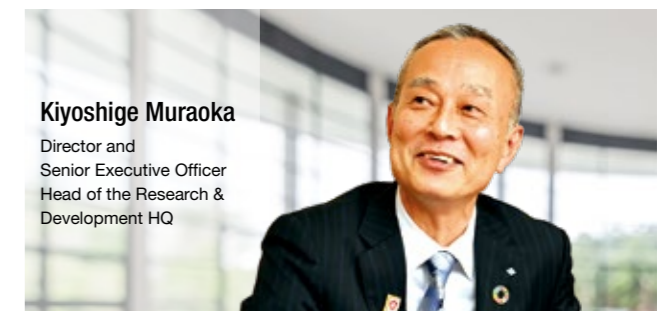
And IMS is not our only technology when it comes to forgoing spare tires. We have run-flat tires, which can continue running for a fair distance after being punctured. We also have sealant tires, which apply a special sealant to the inside of the tire tread in order to fill in holes and prevent air from 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.

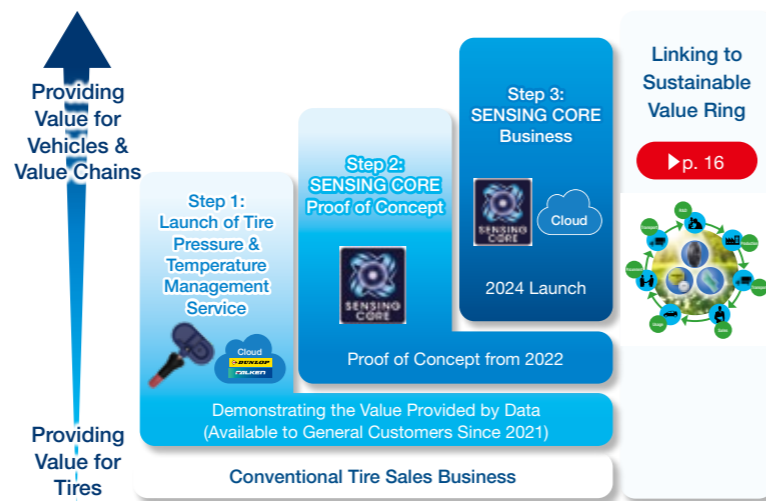
### SENSING CORE Business Expansion Roadmap

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.

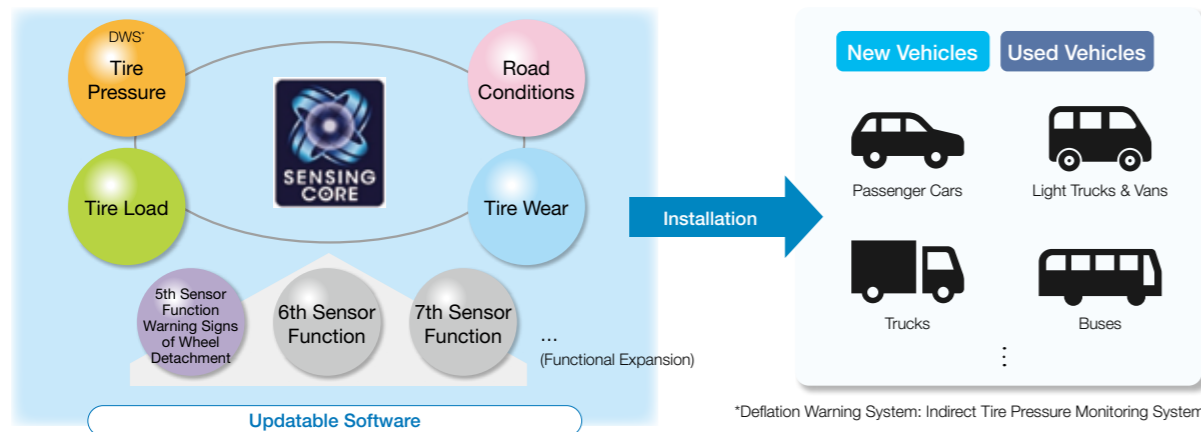


### What is SENSING CORE Technology?

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.



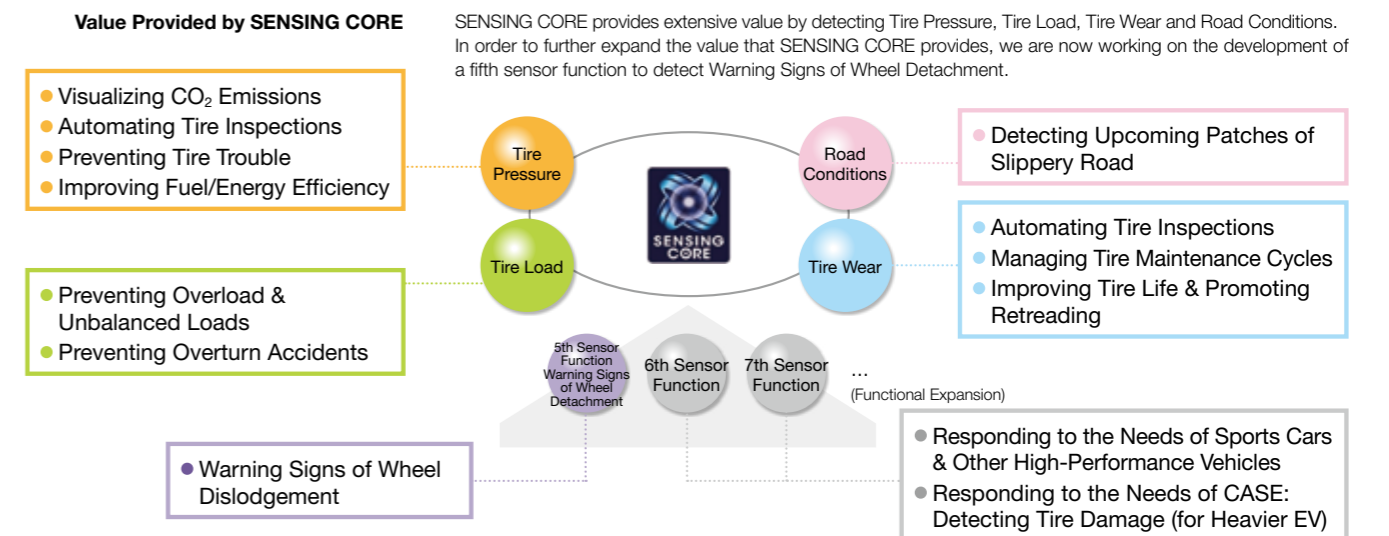
### Value Provided by SENSING CORE

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.



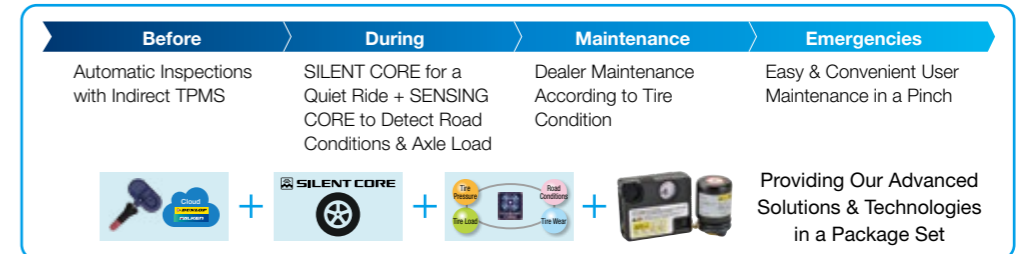
### Global Expansion of Our SENSING CORE Business

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.

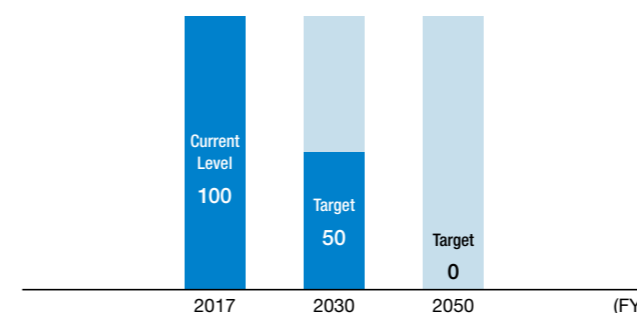
#### Metrics & Targets

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%