

# Integrated Report 2023



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The report uses an easy-to-read  
universal design font with clearly  
distinguishable letters.



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.

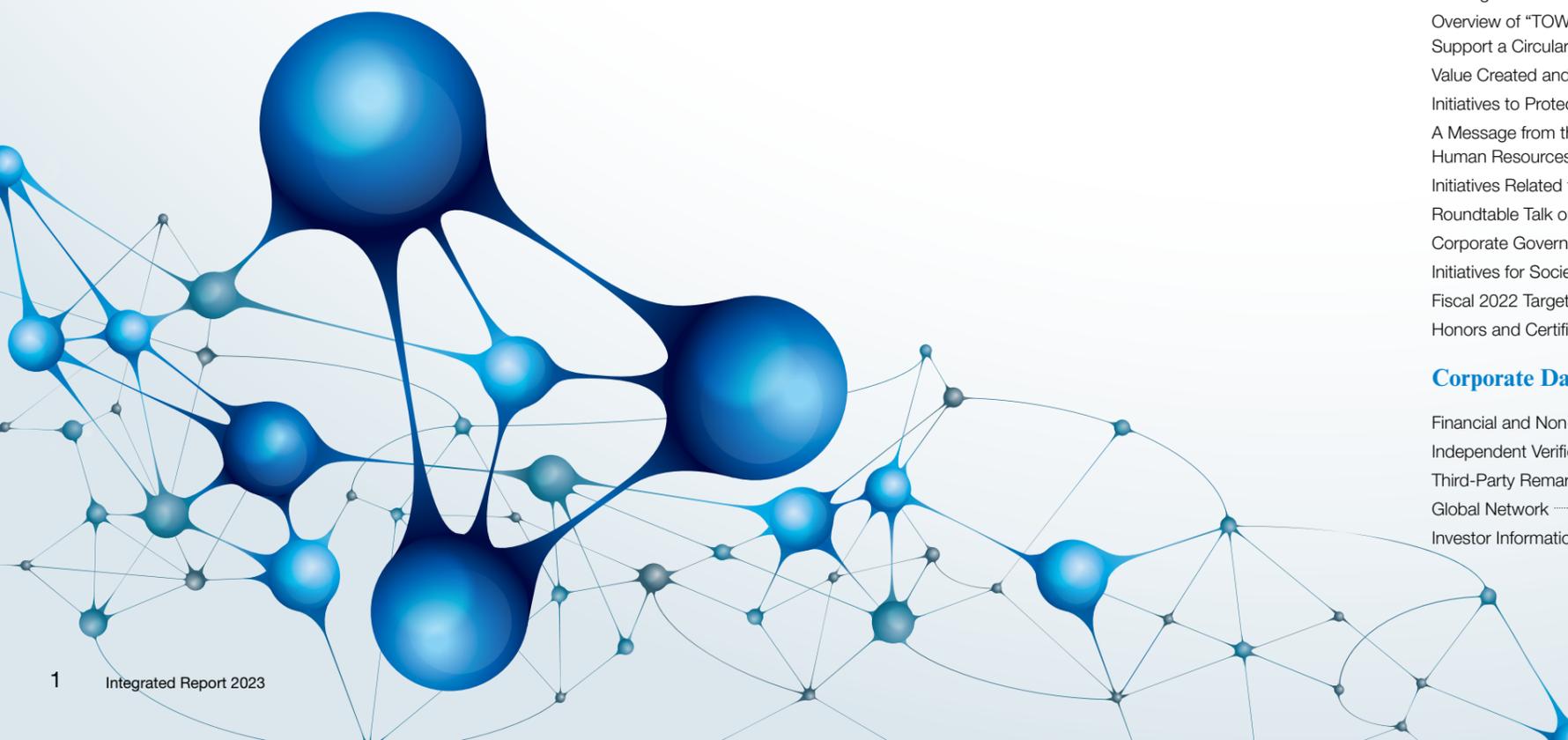


# Rubber and Beyond, Driving Our Future

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.



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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 2023, 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 2.0” published by the Ministry of Economy, Trade and Industry
- “Integrated Reporting Framework” published by the Value Reporting Foundation (IFRS Foundation)
- “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 2022 (January 1, 2022 to December 31, 2022), with some information from outside of this period

## Publishing Date

July 2023

## Third-Party Comments

Comments from an expert are included to present an objective perspective on this report. [▶ P.100](#)

## 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.



## Business Operations

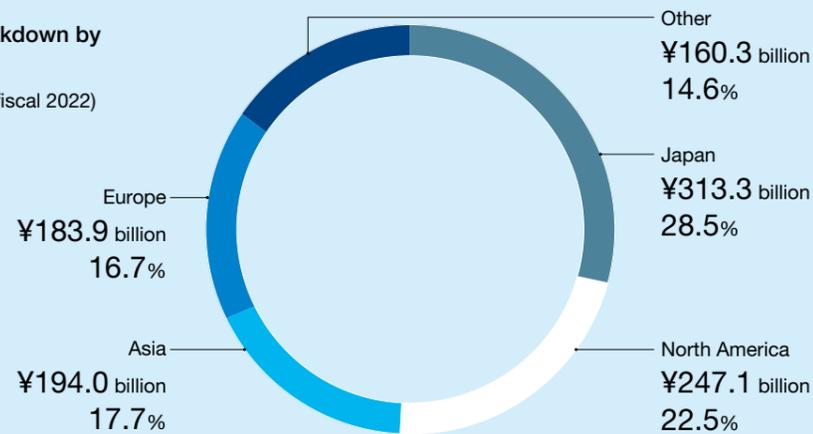
In 1888, the world's first pneumatic tire was successfully commercialized by veterinary physician John Boyd Dunlop. The beneficiary of his unique creativity, the Sumitomo Rubber Group has developed Tire, Sports and Industrial Products businesses. The Group's efforts have yielded multiple "world firsts" 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.

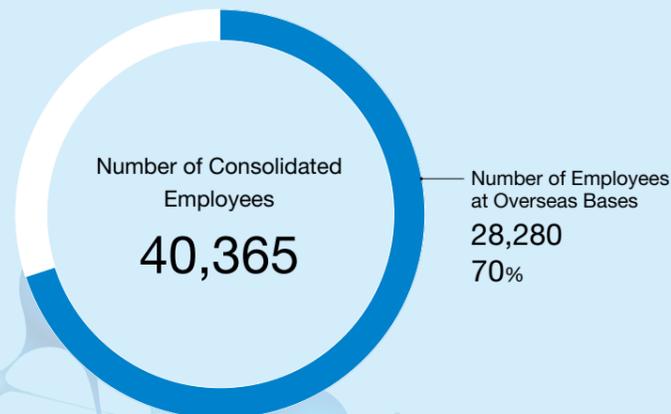
Sales Revenue Breakdown by Business Segment  
(Consolidated basis in fiscal 2022)



Sales Revenue Breakdown by Region  
(Consolidated basis in fiscal 2022)



Number of Consolidated Employees/  
Ratio of Employees at  
Overseas Bases  
(As of December 31, 2022)



## Tire Business

▶ P.35

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.41

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.45

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.



# “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 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 the “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 Group’s 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.7](#)

### 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 Group 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.

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.

[Diversity & Inclusion ▶ P.73-P.76](#)

### SRI Way

The values each member of Sumitomo Rubber Group 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

## Activities to Disseminate the Purpose and “Our Philosophy”

### Purpose

Sumitomo Rubber Group’s 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.

# 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.

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 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 with a sense of security. In the provision of 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.

Note: The series of photos across the bottom of the page feature employees presenting their personal definitions of joy felt in the course of duties.

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.

## Overview of Activities to Disseminate “Our Philosophy” and Their Progress

Having established “Our Philosophy” in 2020, we have since engaged in across-the-board efforts to disseminate it among employees.

To this end, we have defined four phases of entrenchment of “Our Philosophy”: “Recognition,” “Understanding,” “Empathy” and “Practice.” In line with this definition, we are currently implementing various measures designed to accommodate differing circumstances at administrative divisions, factory-based technical divisions, overseas bases, domestic affiliates and other worksites.

### Workshops to Develop a Sense of Ownership

Since fiscal 2021, we have hosted annual online seminars for employees ranging from staff members and managers at administrative and development divisions to factory employees (foremen or higher positions) in order to facilitate their understanding based on the phases they are in. We have also held small-group workshops focused on encouraging participants to think for themselves about how relevant “Our Philosophy” is to their daily conduct.

For other divisions and bases, we have implemented the following measures.

- 2021-: Held workshops for senior managers at overseas bases. Also, provided follow-up training so that each base can autonomously disseminate “Our Philosophy” among local employees
- 2022-: Held seminars and workshops for technicians at all domestic factories on a face-to-face basis. Also, held workshops for employees at domestic affiliates in a phased manner.

### Transition to the “Empathy” phase is under way (as of May to June 2022)

Once a year, we conduct an Our Philosophy Entrenchment Survey to gauge the degree of Our Philosophy’s entrenchment among the workforce.

In 2022, this survey was conducted over the period from May to June, collecting responses from approximately 7,700 domestic employees.

The survey revealed that in 2022 the transition to the “Empathy” phase was under way, taking over from “Understanding,” the previous phase confirmed in 2021.

### Disseminating “Our Philosophy” via Web-Based In-House Newsletters (since November 2020)

We also utilize web-based in-house newsletters. These newsletters feature interviews with officers and plant managers while showcasing “Our Philosophy” dissemination activities undertaken by each department. Furthermore, we internally disclose the results of the entrenchment survey to raise awareness among employees.

Target:

Ratio of Employees in Entrenchment Phase 3 “Empathy”

— 2030 —  
**80%**

Note: Degree of entrenchment is measured using the Our Philosophy Entrenchment Survey targeting employees

### Fiscal 2021-

Learn about “Our Philosophy”

Sharing an overview of “Our Philosophy,” the background of its introduction and points of its formulation

### 2020

Establishment of “Our Philosophy”

Phase 1 Recognition

Phase 2 Understanding

Phase 3 Empathy

Phase 4 Practice

Target phase of entrenchment

### Fiscal 2022-

Develop a sense of ownership regarding “Our Philosophy”

Thinking about the safety, joy and innovation to be achieved by employees themselves and their business units, issues that must be tackled to consolidate diverse capabilities, and how to practice the SRI Way.

### Fiscal 2023-

Diverse initiatives to embody “Our Philosophy”

Studying universal themes deemed essential to empowering individuals, the organization and the Company to grow and embody “Our Philosophy.” In fiscal 2023, we conducted studies focused on D&I.



Being recognized by others around me



Reaching my goals through tireless efforts



Ensuring a happy, smiling family



Keeping in good spirits and smiling every day



Having an environment where I can take on challenges



Pursuing personal growth for myself and colleagues



Achieving growth by taking on new challenges

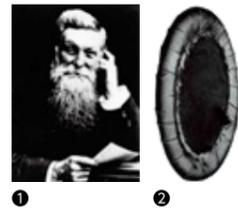


# The Growth Track

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 1963–1986

- 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



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 ❹.) In 1983, the Company acquired a 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. ❺ In 1986, the Company acquired Dunlop Tire Corporation in the U.S.A., becoming the global owner of the Dunlop brand.



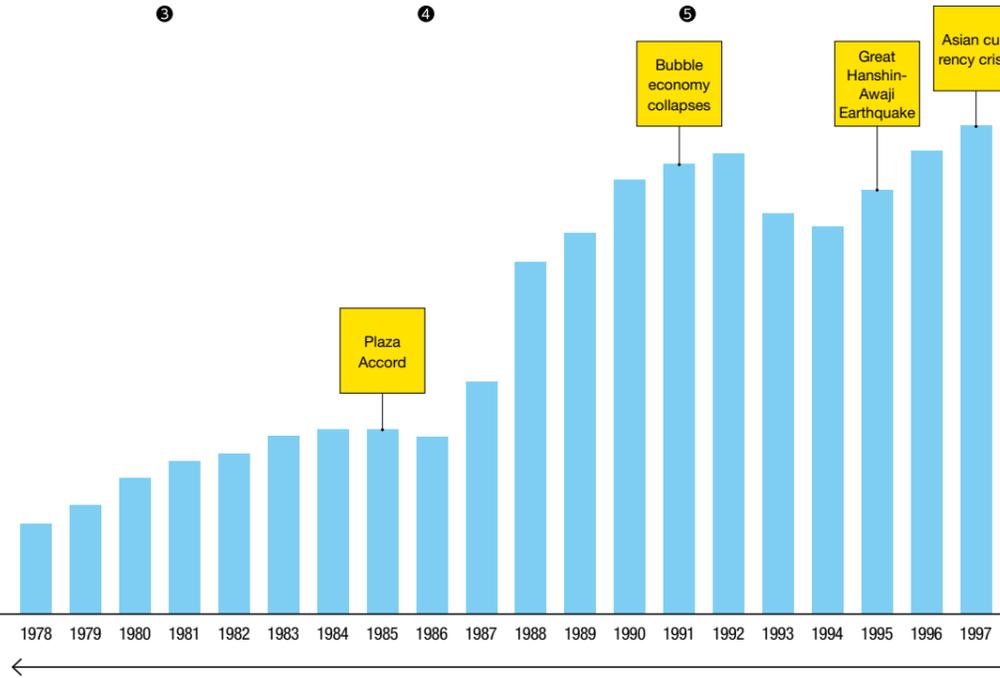
### Sales Revenue / Net Sales

1978

Net Sales  
¥114.0 Billion

Operating Income  
¥7.2 Billion

Established 1909



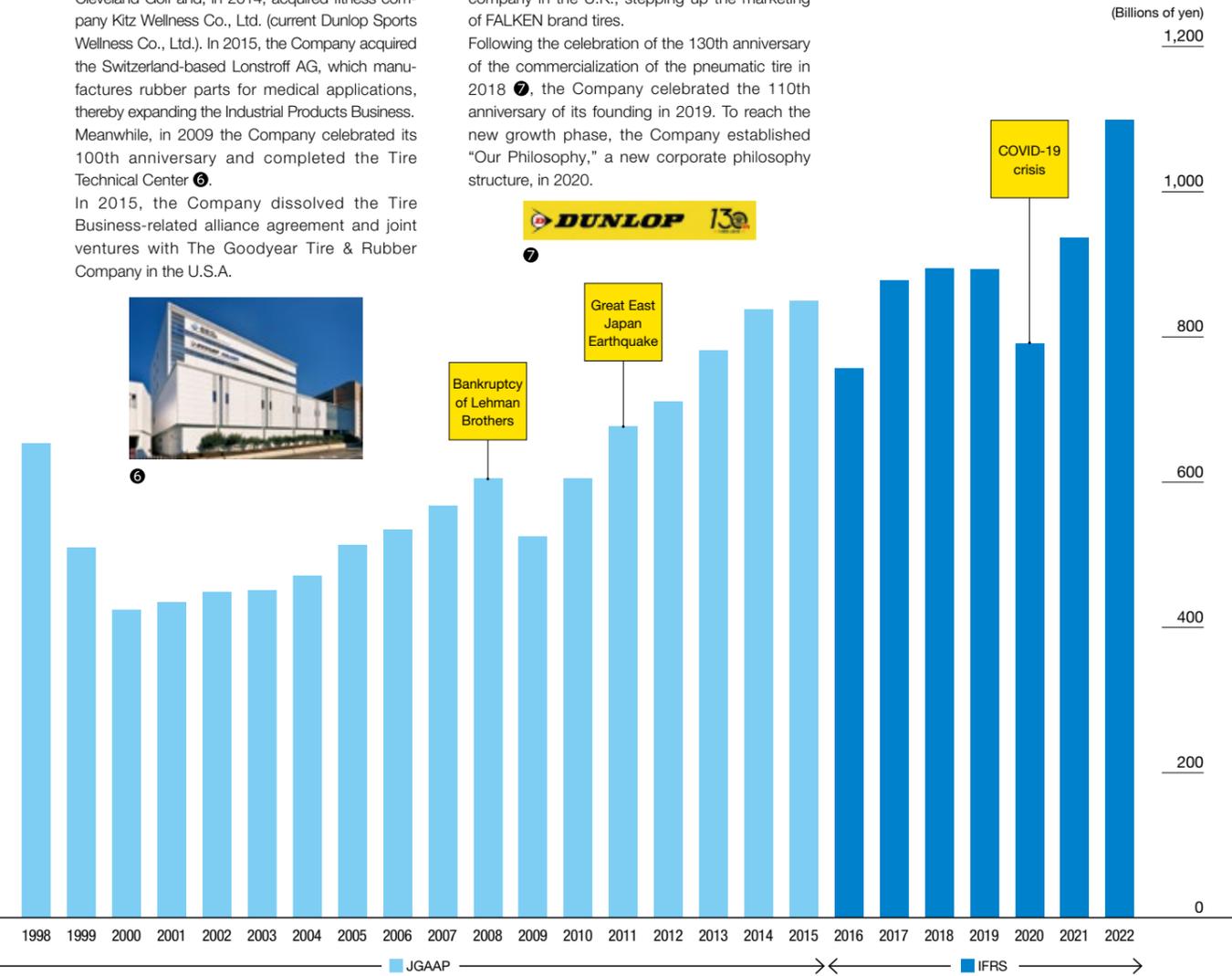
## 1999–2015

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 Products Business. Meanwhile, in 2009 the Company celebrated its 100th anniversary and completed the Tire Technical Center ❸. 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 in 2018 ❷, 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.



Fiscal 2022

Sales Revenue  
¥1,098.7 Billion

Business Profit\*  
¥22.0 Billion

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

### 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 ❻
- 2019 Released "ENASAVE NEXT III," the Company's flagship fuel-efficient tires made using Performance Sustaining Technology based on SMART TYRE CONCEPT ❽
- 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 ❽
- 2022 Released "e. SPORT MAXX," Sumitomo Rubber Industries' first replacement EV tires, in China, where the automobile market is rapidly shifting toward EVs. This product boasts the highest level of energy efficiency in the Company's history.

# Value Creation Model

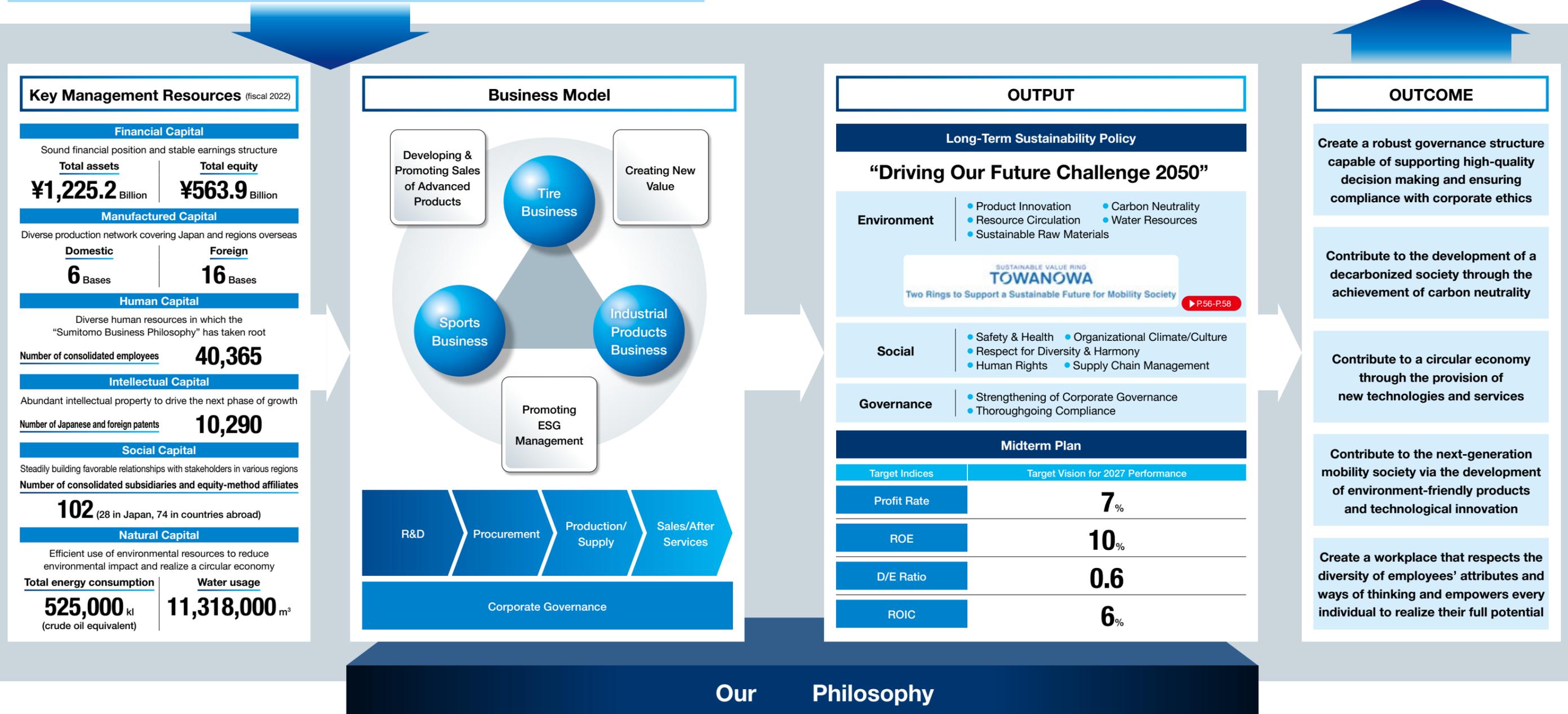
The Sumitomo Rubber Group is committing a variety of management resources, both internal and external, to growing the business. Today, based on its newly formulated Midterm Plan, it is leading the way to further enhancements in economic and societal corporate value, with the aim of contributing to the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

Megatrends	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
Priority issues	Pursuing the creation of a decarbonized society	Building a circular economy	
Pursuit of superior product and service quality supporting safety, security and comfort as well as environmental friendliness	Promoting diversity & inclusion	Strengthening of corporate governance and compliance	



## Purpose

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



## Key Management Resources

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



### Financial Capital

**Ratio of equity attributable to owners of parent:** **44.6%** **D/E ratio:** **0.7 times**

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

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



### Manufactured Capital

**Number of production bases in Japan and overseas:** **22** (Total of Tire, Sports and Industrial Products Businesses) **Capital expenditures:** **¥68.0 Billion**

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

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

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



### Human Capital

**Number of consolidated employees:** **40,365** **Ratio of employees at overseas bases:** **70%**

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

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



### Intellectual Capital

**Number of Japanese and foreign patents:** **10,290** **R&D expenses:** **¥27.3 Billion**

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

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



### Social Capital

**Relationship with neighboring regional societies:** **Supporting a cumulative total of 513 organizations and NPOs** **Number of commendations granted by local governments and other neighboring entities in 2022:** **10**

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

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



### Natural Capital

**Total energy consumption volume in crude oil equivalent:** (global environmental data of domestic and overseas factories) **525,000 kl** **Total consumption volume of energy procured from renewable energy sources:** **321,541 MWh**

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

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

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

## Priority Issues (Materiality)

The Sumitomo Rubber Group has identified priority issues that must be addressed in the interests of both our various stakeholders and ourselves, with the aim of embodying our Purpose, “Through innovation we will create a future of joy and well-being for all.” as defined by “Our Philosophy,” our corporate philosophy structure.

We have also established strategies and targets for each priority issue in line with our Long-Term Sustainability Policy: “Driving Our Future Challenge 2050” to guide our activities. Moreover, our initiatives encompass other issues recognized in the course of identifying priority issues and deemed to carry relatively greater significance.

Priority Issues	Vision of What We Aim to Achieve	KPIs to Be Achieved by 2050 in Connection with Priority Issues	No. of Pages Describing Details
Enhancing corporate governance and compliance <b>5 8 10 16 17</b>	Secure an even stronger compliance structure enabling us to maintain robust corporate governance systems as well as thorough compliance with laws, regulations and corporate ethics	<ul style="list-style-type: none"> <li>Increasing the Diversity of Board Members ⇒ 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>Improving the Effectiveness of Governance ⇒ Analyzing the Results of Third-Party Assessments to Enact Measures to Enhance Effectiveness</li> <li>Ensuring Transparency with Respect to Taxes ⇒ Formulation of Tax Policy ⇒ Enactment of Global Tax Strategy (2025)</li> <li>Instilling “Our Philosophy” ⇒ 80% Supportive Response on “Our Philosophy” Entrenchment Survey (2030)</li> </ul>	P.8 P.77-P.88
Pursuing the creation of a decarbonized society <b>7 9 11 13 17</b>	Contribute to decarbonization across society by achieving carbon neutrality through business activities focused on reducing CO <sub>2</sub> emissions	<ul style="list-style-type: none"> <li>Securing a 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>Achieving the Stable Operation of a Production Line Utilizing Hydrogen Boilers (2023)</li> </ul>	P.59-P.60
Building a circular economy <b>7 9 11 12 13</b>	Help create a circular economy by improving the efficiency of the value chain via the development of sustainable raw materials, products and services and the utilization of data	<ul style="list-style-type: none"> <li>Establishment of “TOWANOWA,” a Business Concept Supporting a Circular Economy through Our Tire Business</li> <li>Sustainable Raw Material Content Targets by Product Line ⇒ Tires: 40% (2030), 100% (2050) ⇒ Sports: 20% of All Practice Golf Balls Sold (2030), 100% of All Golf Balls Sold (2050) 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> <li>Reducing Plastic Usage ⇒ 40% Reduction in Plastic Used in Tire Labels, Packing Materials, Sales Promotion Tools, etc. Compared with 2019 Levels (2030)</li> </ul>	P.56-P.58 P.62
Pursuit of eco-friendly products and services that boast high quality in terms of safety, security and comfort <b>3 7 9 11 12 13</b>	Develop and deliver products and services of high quality in terms of safety, security and comfort as well as environmental friendliness	<ul style="list-style-type: none"> <li>Realizing SMART TYRE CONCEPT ⇒ Concept Tire Completion (2029), Equip all new tires with smart tire concept (2030)</li> <li>Establishing a Sustainable Product Certification System ⇒ Setting Targets for Internal Standards (2022)</li> <li>Expanding Data Business and Solution Business</li> </ul>	P.40 P.49-P.52 P.61
Promoting of diversity & inclusion <b>5 8</b>	Realize a workplace that ensures respect for diverse attributes and ways of thinking and empowers all individuals to live up to their full potential	<ul style="list-style-type: none"> <li>Promoting Diversity &amp; Inclusion ⇒ Expansion of Unconscious Bias Training to All Levels (2030)</li> <li>Promoting Women’s Empowerment ⇒ Ongoing Career Development Program for Women ⇒ Percentage of Management Positions Held by Women: 7% (2025), 12% (2030)</li> </ul>	P.69-P.70 P.73-P.76

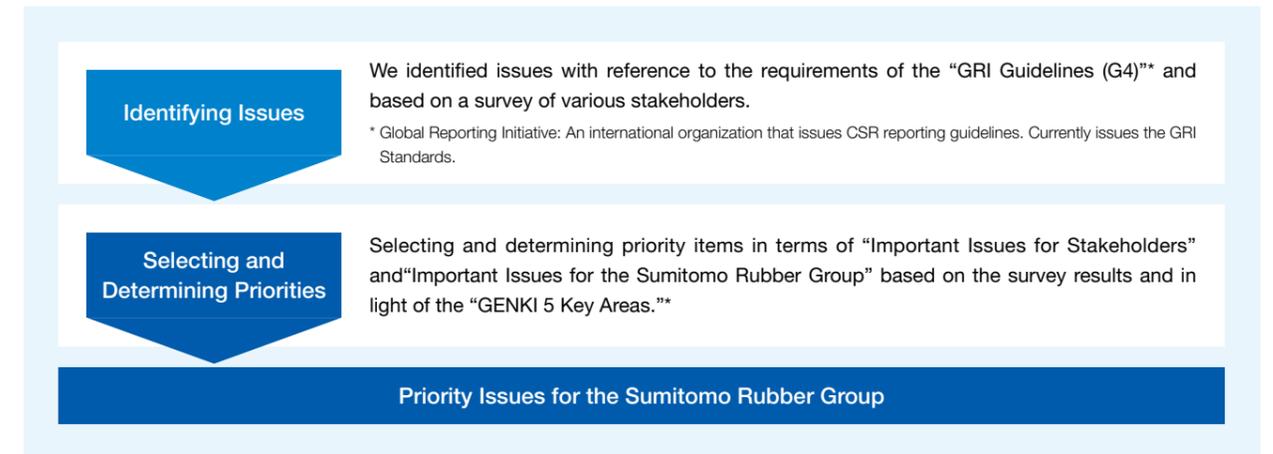
In addition to addressing priority issues, we recognize the following items as issues requiring countermeasures.

Issues	Vision of What We Aim to Achieve	Measures to Address Issues and KPIs	No. of Pages Describing Details
Strengthening of Our Environmental Management System <b>11 12 13 14 15</b>	Strengthen our environmental management system on a global basis by robustly managing environmental load substances and acquiring ISO certification	<ul style="list-style-type: none"> <li>Establishment of the “Sustainability Promotion Committee” under the Direct Supervision of the Board of Directors to Ensure a Shared Recognition of Global Issues Associated with Climate Change and Confirm Progress in Initiatives to Address Such Issues</li> <li>Climate Change-Related Risk Management</li> <li>Support of Various International Initiatives</li> <li>Water Resources: Reducing Water Usage ⇒ 100% Recycled Water Usage at Bases of Operations in Areas with High Water Security Risk (2050)</li> </ul>	P.63 P.65
Preservation of Biodiversity <b>13 15</b>	Promote measures to preserve biodiversity through business activities in addition to continuously striving to develop thriving forest and protect endangered species, etc.	<ul style="list-style-type: none"> <li>Conservation Activities Focused on a Total of 20 Endangered, Near Threatened and Rare Species at Eight Bases in Japan</li> <li>Planting Trees and Providing Seedlings (3,326 trees planted and 9,385 seedlings provided in 2022)</li> <li>Developing Forest within the Premises of the Okayama Tire Proving Ground</li> </ul>	P.66
Creation of a Supply Chain That Gives Due Consideration to the Environment and Society <b>1 13 15</b>	Develop solid partnerships with suppliers through procurement initiatives that give due consideration to environmental and social concerns	<ul style="list-style-type: none"> <li>Supply Chain Management for the Environment: Sustainable Natural Rubber (SNR) Policy ⇒ Raw Material Procurement in Line with SNR Policy • Applied to Major Suppliers (2030), Applied to All Suppliers (2050)</li> <li>Supply Chain Management: Actively Seeking Third-Party Assessments (EcoVadis) ⇒ Procurement of 95% (purchase value basis) of Tire Raw Materials from Suppliers Who Earned Standard (45 points) or Higher Scores (2030) (plans call for rolling out this procurement approach to businesses other than the Tire Business)*</li> </ul>	P.64
Respect for Human Rights <b>1</b>	Ensure respect for the human rights of Sumitomo Rubber Group employees and workers at supply chain constituents	<ul style="list-style-type: none"> <li>Establishing a Human Rights Management System ⇒ Formulation of a Global Human Rights Policy (2023), Creation of Human Rights Management System and Due Diligence Process (2024), Practice of Human Rights Due Diligence (2025)</li> </ul>	P.70
Development of Human Resources <b>8</b>	Promote the development of human resources and help employees raise their competencies	<ul style="list-style-type: none"> <li>Organizational Culture: Developing Leadership ⇒ Global Introduction of 360° Feedback (2030), Ongoing Executive Coaching (2030), 80% Positive Responses on Organizational Health Survey (2030)</li> </ul>	P.71-P.72
Promotion of Well-Being Management <b>3</b>	Promote initiatives to ensure that employees stay physically, emotionally and socially safe and healthy	<ul style="list-style-type: none"> <li>Thoroughgoing Occupational Safety &amp; Health ⇒ Zero Serious Accidents</li> <li>Promoting Healthy Management ⇒ Revamping Industrial Health Framework &amp; Cultivating a Culture of Health</li> </ul>	P.70
Improving Stakeholder Engagement	Develop and strengthen relationships with diverse stakeholders, including customers, shareholders, investors, employees, suppliers and regional communities	<ul style="list-style-type: none"> <li>Engage in Dialogue with Institutional Investors to Improve Corporate Value</li> </ul>	P.89
Harmonious Coexistence and Mutual Prosperity with Local Communities via Our Engagement in Social Contribution Activities	Strive to develop local relationships with regional communities through social contribution activities	<ul style="list-style-type: none"> <li>Promote joining the Sumitomo Rubber Industries CSR Fund</li> <li>Work together with NPOs</li> </ul>	P.90

Items marked with “\*” are measures specified under the Long-Term Sustainability Policy: “Driving Our Future Challenge 2050”

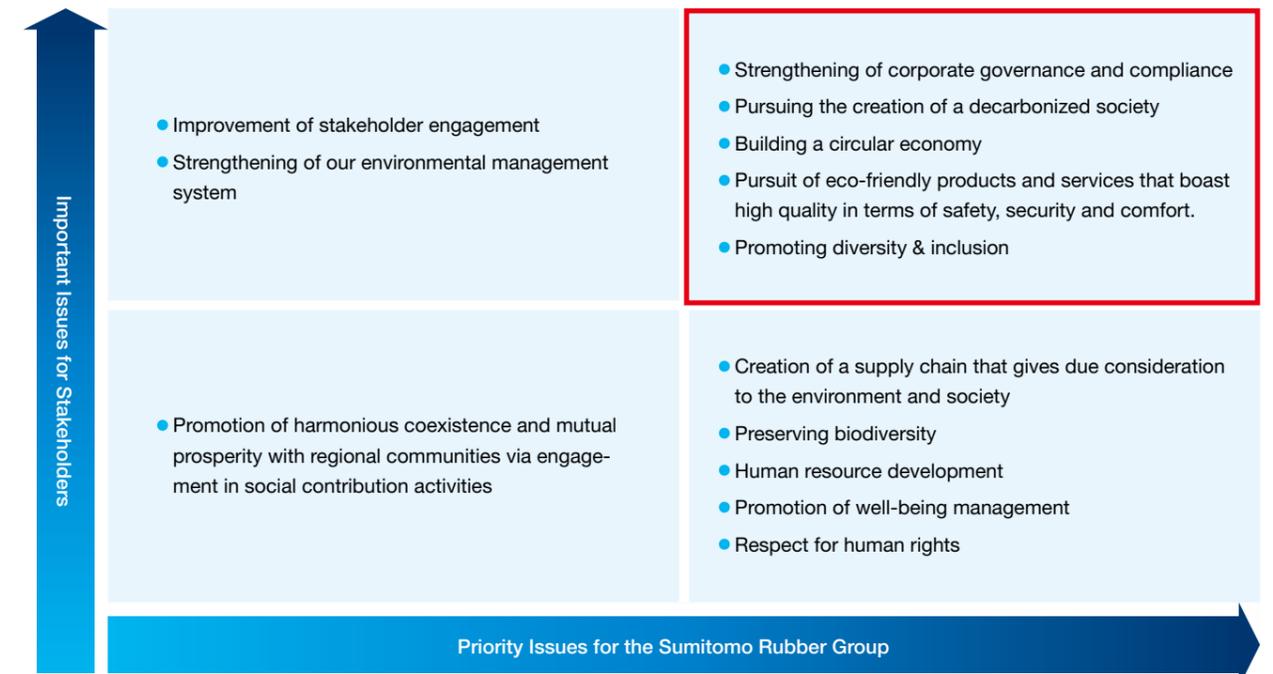
## Methodologies Used to Identify Priority Issues

We have identified priority issues by employing the following scheme.



\*\* “GENKI” is a concept defined under the Sumitomo Rubber Group’s Sustainability Vision. For details, please refer to pages 17 and 54.

## Issues Identified / Priority Issues for the Sumitomo Rubber Group (Red Rectangle)



## Review of Priority Issues

In 2022, we redefined the list of priority issues that should be addressed to embody “Our Philosophy,” consolidating 18 conventional priority issues into 13 to make them easier to understand and more consistent with our awareness of the Purpose. We have also reworded some priority issues to align them with the actual status of relevant activities currently under way.

In conjunction with this redefinition, we have prepared additional descriptions of our visions vis-à-vis each of the 13 priority issues to secure a robust understanding of what we aim to achieve by addressing them. We believe that, by presenting the priority issues alongside our vision, objectives of our activities will be more deeply understood by employees and other stakeholders.

# A Roadmap for ESG Management

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

Recently, we have established a Sustainability Vision to connect our Purpose, which is designed to convey abstract concepts, and various tangible measures specified under the Long-Term Sustainability Policy: “Driving Our Future Challenge 2050.” In line with this Sustainability Vision, we will increase the momentum of our efforts to embody our Purpose and thereby contribute to the continuing prosperity of a sustainable society as envisioned by the international community.

## Sustainability Vision

Uniting our diverse strengths, we will make our future sustainable and “GENKI” (vibrant) by delivering products and services that are friendly to the environment and society.

Note: Our “GENKI” concepts date back to 1988, when employee volunteers first launched community contribution projects to help realize a society in which everyone can thrive. With each letter of “GENKI” representing one aspect of our ideals for what the Sumitomo Rubber Group should look like in the future, we utilize these concepts in the course of identifying priority issues.

GENKI (literally, “vibrant”) stands for the following five concepts:  
**G**: Governance **E**: Ecology **N**: Next **K**: Kindness **I**: Integrity

	Priority Issues and Other Issues	Vision
<b>G</b> Effective Governance Framework	<b>Strengthening of corporate governance and compliance</b>	Secure an even stronger compliance structure enabling us to maintain robust corporate governance systems as well as thorough compliance with laws, regulations and corporate ethics
	Improvement of stakeholder engagement	Develop and strengthen relationships with diverse stakeholders, including customers, shareholders, investors, employees, suppliers and regional communities
	Creation of a supply chain that gives due consideration to the environment and society	Develop solid partnerships with suppliers through procurement initiatives that give due consideration to environmental and social concerns
<b>E</b> Ecological Sustainability	Preservation of biodiversity	Promote measures to preserve biodiversity through business activities in addition to continuously striving to develop thriving forest and protect endangered species, etc.
	<b>Pursuing the creation of a decarbonized society</b>	Contribute to decarbonization across society by achieving carbon neutrality through business activities focused on reducing CO <sub>2</sub> emissions
	<b>Building a circular economy</b>	Help create a circular economy by improving the efficiency of the value chain via the development of sustainable raw materials, products and services and the utilization of data
	Strengthening of our environmental management system	Strengthen our environmental management system on a global basis by robustly managing environmental load substances and acquiring ISO certification
<b>N</b> Next-Generation Products & Solutions	<b>Pursuit of eco-friendly products and services that boast high quality in terms of safety, security and comfort</b>	Develop and deliver eco-friendly products and services that boast high quality in terms of safety, security and comfort
	Human resource development	Promote the development of human resources and help employees raise their competencies
<b>K</b> A Kind Culture Where Everyone Can Prosper	Promotion of well-being management	Promote initiatives to ensure that employees stay physically, emotionally and socially safe and healthy
	<b>Promoting diversity &amp; inclusion</b>	Realize a workplace that ensures respect for diverse attributes and ways of thinking and empowers all individuals to live up to their full potential
	Respect for human rights	Ensure respect for the human rights of Sumitomo Rubber Group employees and workers at supply chain constituents
<b>I</b> Integrity for Society	<b>Ensure harmonious coexistence and mutual prosperity with regional communities via engagement in social contribution activities</b>	Strive to develop relationships with regional communities through social contribution activities

Note: Items presented in bold font are priority issues

## Our Philosophy

### Purpose

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



## Long-Term Sustainability Policy

▶ P.55

### “Driving Our Future Challenge 2050”

Environment	Social	Governance
Protecting the Global Environment & Safety <b>SUSTAINABLE VALUE RING TOWANOWA</b> ▶ P.56-P.58	Harmonious Coexistence with Society	Reinforcing the Foundations of Our Business

## New Midterm Plan

▶ P.31

	Fiscal 2027 Target
Profit rate	7%
ROE	10%
D/E ratio	0.6
ROIC	6%

### Until 2025

- Continuously promote the improvement of our organizational culture through activities to reinforce our business foundations
- Update backbone systems to shift to DX-driven management
- Focus on executing the selection and concentration of existing businesses and laying the groundwork for growth lines of business

### From 2026 onward

- Optimize our business portfolio
- Achieve fresh growth by expanding growth lines of business

## “Be the Change”—A Groupwide Project to Reinforce the Foundations of Our Business

### Tire Business

▶ P.35-P.40

We manufacture tires used for a variety of purposes, such as 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.41-P.44

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.45-P.48

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

# 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 while improving profit in North America</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 50 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>• Major fluctuations in raw material and crude oil prices as well as maritime transportation fees</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>• Transitioning to a structure capable of securing earnings in North America</li> <li>• Realizing the 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>• Helping establish a circular economy</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
Recognition of the Current Environment	<ul style="list-style-type: none"> <li>• As it strives to realize a sustainable society, the tire industry is being 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>• We had to reduce production volume in light of such factors as auto-makers deciding to curb production on the back of semiconductor shortages as well as stagnation in demand in some regions due to deteriorating market conditions.</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>
Initiatives Undertaken by the Sumitomo Rubber Group	<ul style="list-style-type: none"> <li>• Developing next-generation technologies and products through the application of the core SMART TYRE CONCEPT</li> <li>• Developing tires equipped with Active Tread technologies</li> <li>• Promoting solutions businesses employing sensing technologies based on the TOWANOWA concept</li> <li>• Increasing the content of sustainable raw materials (biomass and recycled raw materials) used in our products★</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 domestic rubber industry★</li> <li>• Improving rubber quality</li> <li>• Further strengthening our global development structure</li> </ul>	<ul style="list-style-type: none"> <li>• Upholding a Sustainable Natural Rubber Policy★</li> <li>• Promoting CSR procurement based on the Procurement Guidelines★</li> <li>• Conducting surveys on the status of supplier initiatives to address environmental risks</li> </ul>	<ul style="list-style-type: none"> <li>• Improving the profitability of our factories by reducing fixed costs and reorganizing Stock Keeping Units (SKUs)</li> <li>• Reducing the environmental impact of factories★</li> <li>• Green logistics★</li> <li>• Maintaining complete zero landfill waste★</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>• Pursuing the possibilities of data utilization and the sustainable business model based on the TOWANOWA concept</li> <li>• Promoting the DX-driven streamlining of inventories★</li> <li>• Gathering customer feedback and making use of it to improve products and services★</li> <li>• Expanding sales of fuel-efficient tires</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 in response to local market needs and ever higher performance demands</li> <li>Strengthening efforts toward the 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>Taking full advantage of expertise accumulated via tire development and thereby 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 needed to facilitate it</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>Golf: Abundant opportunities for business growth in North America, the world’s largest market</li> <li>Tennis and other racket sports: Sales power we have cultivated in tennis balls, the brand power of Dunlop and our technical development capabilities</li> <li>Rising public awareness of health and fitness among citizens as the health-conscious millennial generation gains greater purchasing capabilities</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 on the back of growing geopolitical risks and resulting economic instability</li> <li>Jumps in the prices of raw materials</li> <li>Deterioration in the outdoor sporting environment due to higher temperatures and other negative consequences resulting from climate change</li> <li>Intensification of price competitiveness, with the production capacities of manufacturers around the globe exceeding demand</li> <li>Shrinkage of our market share due to the growing presence of foreign brands in the domestic market</li> </ul>	<ul style="list-style-type: none"> <li>Golf: Developing and expanding sales of advanced products under “XXIO,” “SRIXON” and “Cleveland Golf” brands, to this end upgrading their unique features to the fullest possible extent</li> <li>Tennis: Enhancing the brand value of “DUNLOP” by taking advantage of know-how regarding brand building in the field of golf equipment as well as our strong business foundations, which have enabled us to secure third place among tennis ball manufacturers worldwide</li> <li>Differentiating ourselves from other companies by developing products with lower environmental footprints</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>Due to fallout from the COVID-19 pandemic, the general public’s health awareness has grown alongside a refreshed recognition of the role and importance of sports. Against this background, golf has attracted 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. Currently, however, market demand has plateaued. Meanwhile, the wellness business, including fitness club operations, have begun to see gradual recovery from previous stagnation due to the COVID-19 pandemic.</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 the mental and physical health of people of 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 made of PET while switching from shrink wrap-type plastic labels to paper labels</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 through business expansion centered on the Japanese and other Asian markets</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>A robust R&amp;D structure 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> </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 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>Fluctuations in demand due to the global situation and the pandemic as well as 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>Expanding production capacities for rubber parts for medical applications in response to growing demand</li> <li>Contributing to earthquake countermeasures via the introduction of vibration control dampers</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 use, for example, 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. The public call for sustainability is also growing stronger in the face of the evolving global situation and concerns over 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. <small>*Small plastic pieces less than five millimeters in length</small></li> <li>In the rubber glove business, we are focused on marketing natural rubber gloves that are environmentally friendly while planning to introduce product package labeling that indicates their carbon footprint.</li> </ul>

## TOP COMMITMENT



# Achieving a Quick Performance Turnaround through “Selection and Concentration” to Provide “Greater Joy and Well-Being” for All of Our Stakeholders

## Satoru Yamamoto

President & Representative Director  
Sumitomo Rubber Industries, Ltd.

### A New Midterm Plan for a Fresh Start Toward Improving Our Profitability

▶ P.31

2022 was a year full of headwinds and hardships for the Sumitomo Rubber Group.

Many restrictions remained in place due to the COVID-19 Pandemic, while prices for maritime freight shipping skyrocketed, automakers scaled back production output in the face of protracted global semiconductor shortages and a new round of lockdowns in China brought markets to a standstill. These unfavorable market conditions were further compounded by the sudden outbreak of war in Ukraine, which sent raw materials prices soaring even as the world was still reeling from rapid inflationary trends. All of this had a decidedly negative impact on our business performance, pushing our annual business profit downward compared to 2021.

Meanwhile, in spite of an extremely inhospitable business environment, the Sumitomo Rubber Group reached a major milestone as our annual sales revenues surpassed 1 trillion yen for the first time in its history. Thus, in 2022 we were able to achieve one of the key targets set forth in our previous Midterm Plan, several years ahead of schedule. This achievement is made all the more significant because of our unwavering belief that sales revenues represent the sum total of all of the trust that is placed

in our group by all of our many customers all over the world.

Recognizing that our greatest challenges for the future will involve building up strong business foundations to allow for an agile response to a rapidly changing business environment while turning our fortunes around to get our profits back on track, we have decided to make a fresh start with a new Midterm Plan from this year.

Under our new Midterm Plan, between now and 2025, we will be focusing our efforts on structural reforms with a focus on the “selection and concentration” of our existing lines of business. At the same time, we will be laying the groundwork for our growing lines of business while sowing the seeds for a brighter future all around. We will then be poised to enter a new stage of growth from 2026 onward, driven by the practice of DX-driven management, the optimization of our business portfolio and the further expansion of our growing lines of business. Thus, through our new Midterm Plan, we will take active steps toward fully living up to Our Philosophy.

As the President of Sumitomo Rubber Industries, I am fully committed to following through on structural reforms over the next three years so that we will be fully prepared to take our next big step forward.

### From Uniform Concentration across the Board to Selection and Concentration

The Sumitomo Rubber Group has spent many years expanding its global business, initially focusing on China as well as markets in developing countries worldwide. Since the dissolution of our global alliance and joint ventures with The Goodyear Tire & Rubber Company in 2015, we have stepped up our efforts to expand our business in Europe and North America as part of an aggressive push to establish a truly global business framework. Thanks to these efforts, we have made great strides when it comes to increasing our overall sales revenues, especially in overseas markets.

At the same time, however, we have not managed to reap commensurate returns on our investments in expanding our global manufacturing and sales infrastructure. As a result, our profitability has been trending downward for several years, and recent major changes in the external business environment have only accelerated this decline in our fortunes.

In the course of building up a formidable global business framework, we have developed and launched a vast array of products to meet the needs of as many markets and customers as possible.

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However, in order to support this increasingly extensive lineup of products, we have also had to expand our infrastructure for development, manufacturing, logistics, sales, aftermarket service and so forth. All of this infrastructure increases our fixed costs while also creating various inefficiencies throughout our business, which, in turn, puts a great deal of strain on our profitability. We believe that this series of events is what is ultimately behind our worsening break-even point (BEP) as of late.

In response to this state of affairs, we launched “Be the Change (BTC),” a Groupwide project to reinforce the foundations of our business in January 2020. In the three years since then, we have been actively working to enhance our organizational framework and reinforce our foundation for profitability, and these efforts are already beginning to produce tangible results. Indeed, our efforts to enhance our organizational framework have revitalized cooperation across departmental boundaries and fostered a spirit of challenge throughout our group. Meanwhile, the 180 departments participating in our efforts to reinforce our foundation for profitability have so far generated over 7,000 improvement measures, which are now being surely and steadily implemented throughout our group.

At the same time, we expect to finish the overhaul of our core systems by 2025, thereby laying the groundwork for the practice of DX-driven management, which is another key step toward a brighter future for our group.

Under our new Midterm Plan, we will be building on this momentum in order to complete the transition from our past stance of uniform concentration across the board for the sake of building a global business framework toward selection and concentration in the interests of optimizing our overall business portfolio.

As a first step toward optimizing our business portfolio, we have carefully analyzed our existing lines of business in terms of market growth potential as well as ROIC (Return on Invested Capital) in order to classify each business unit into one of two categories: businesses in need of profit improvement and structural reforms and businesses with high growth potential and profitability. Moving forward, we will be reining in investments in the former category while enacting thoroughgoing measures to improve their profitability. At the same time, we will also be making proactive investments toward further increasing the profitability of the latter.

As this represents a major policy shift for our group, we have been holding events at each of our bases of operations so that we may explain these new initiatives to all of our employees in the hope that they will come to fully understand and appreciate our new Midterm Plan. This, in turn, will not only accelerate the plan’s implementation, it will also increase the surety of its success while raising awareness of ROIC as a key indicator for overall business performance. And when it comes to selection and concentration, we are also engaging in active dialogue with all concerned business units as we work toward consensus on the future direction of each current and upcoming project.

Carrying out our new Midterm Plan will mean facing various lingering issues from our past without any further delay. Our corporate executives will play a leading role in our efforts to tackle these issues head-on as we all forge ahead to overcome them together. We will also be considering possibly shuttering or selling off individual business units. All options are on the table, and we will be sure to make timely announcements to the public as we make these kinds of decisions moving forward.

## Working to Improve the Profitability of Our Tire Business

▶ P.33-P.34

▶ P.37

The Sumitomo Rubber Group views our Tire Business in North America as both our greatest challenge and our top priority. In this

light, I would now like to explain how we plan to approach this key market on two fronts: exporting tires from our production



bases in Japan and the rest of Asia to supply the North American markets and local production for local consumption at our factory in the United States.

First, when it comes to tire exports, skyrocketing prices for maritime freight shipping have put a major damper on our profitability in the region over the past few years. However, freight shipping prices are now coming down, so our profitability is already beginning to improve.

Our plans for North America call for us to set ourselves apart from the competition by introducing high-value added products, especially focusing on tires for SUVs.

Our share of the U.S. market for passenger car and light truck tires has been steadily growing, and we intend to continue introducing products designed to appeal to North American consumers in order to enhance the brand presence of FALKEN Tires and thus make this the No. 1 brand in the Tier 2 segment of this key market.

Meanwhile, our efforts to improve productivity at our USA Factory ran into significant hurdles with the onset of the COVID-19 Pandemic, which prevented us from sending support teams from Japan. However, with the pandemic now in the rearview mirror for much of the world, we have been able to step up our

## New Midterm Plan Focal Points for Our Sports Business & Industrial Products Business

Sports Business ▶ P.41-P.44

Industrial Products Business ▶ P.45-P.48

Our Sports Business was hit hard by the COVID-19 Pandemic in 2020 and saw its fortunes decline for a time. However, its performance has since made a remarkable recovery, driven by a steady recovery in major golf markets as well as general rise in health awareness.

The Sumitomo Rubber Group views the Sports Business as a line of business that can provide the joy and thrill of sports to people of all stripes all over the world, so we are striving to do just that through the business activities of our Sports Business.

Driven by our growing presence in North America, the largest golf market in the world, our Golf Business aims to increase our share of the global market for golf clubs and golf balls to 15% in the coming years, which will make us the world’s third largest manufacturer of golf equipment. As the North American golf market is so large that it has ripple effects around the globe, we will be focusing our efforts on supporting sponsored pro golfers and leveraging their accomplishments on the pro golf tour to generate buzz and promote sales while at the same time revamping our sales and service network in the region and continuing to launch new and appealing products, all with the aim of doubling our sales in North America in the coming years.

Meanwhile, our Tennis Business will be working to increase both sales and profits through continued efforts to increase our brand value, backed by our proven track record as the No. 1

support. Right now, support teams from Japan are currently working with local factory staff to move forward with ongoing efforts to improve productivity. At the same time, we are working to improve the profitability of our USA Factory and considering various options with an eye toward completing drastic reforms over the next couple of years with the aim of getting the factory in the black by the year 2025. In addition, we have begun considering the possibility of constructing a new production base in North America from 2026 in order to increase the rate of local production for local consumption with an eye toward mitigating future risks. For the time being, we will be focusing our efforts on shoring up our overall investment capacity so that we will be in position to make these kinds of major investments down the line.

Looking beyond North America, we will also be undertaking management and organizational reforms throughout our global Tire Business with an eye to enhancing the overall efficiency of our business and improving our bottom line. In the interests of augmenting the earnings power of our Tire Business, we will be introducing flatter organizations and trimming our tire lineup while taking full advantage of advanced digital infrastructure to optimize material costs, logistics, production and so forth.

supplier of tennis balls used in the ATP Tour for four years running as well as our reputation as the official supplier of tournament balls for the Australian Open.

The Sumitomo Rubber Group views the Industrial Products Business as a line of business that can support safer, more comfortable societies while contributing to greater overall well-being in daily life for all. With this in mind, we will be focusing in particular on vibration control dampers and rubber parts for medical applications in the interests of better living up to Our Philosophy.

Our MIRAIE Series already boasts the No. 1 share of the Japanese domestic market for vibration control dampers for new wooden housing. Moving forward, we will continue working to advance the proprietary rubber technology behind MIRAIE in order to protect buildings, bridges and warehouses in addition to detached housing while also aggressively expanding in overseas markets. MIRAIE has also been installed in Kumamoto Castle and various other historic buildings throughout Japan. In this way, our Industrial Products Business is contributing to the preservation of Japanese cultural heritage.

Meanwhile, we will continue to leverage our proprietary high-value-added rubber technology in order to expand our foothold in the global market for rubber parts for medical applications, thereby contributing to the creation of societies with greater safety, comfort and well-being for all.

## Accelerating Our Efforts to Live Up to Our Philosophy

▶ P.38-P.40

▶ P.49-P.52

Our Philosophy defines Our Purpose thusly: “Through innovation we will create a future of joy and well-being for all.” Toward fulfilling Our Purpose, we will be focusing on bringing about the next evolution in tires through our SMART TYRE CONCEPT with

particular emphasis on building up and expanding new and growing lines of business, such as our SENSING CORE Business.

Our Tire Business will be focusing on Advanced Tires and tires for electric vehicles (EVs) in particular. The performance demands

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of EVs include energy efficiency, quiet running, being lightweight, high load-bearing capacity and more, and so we will be working to establish the technologies needed to create tires that fulfill all of these demands. We already possess technologies that can respond to many of the demands of EV. For instance, our DWS (Deflation Warning System) has been installed in over 50 million vehicles worldwide to date. We developed the world's first tires to feature specialized noise-absorbing sponges. We also pioneered emergency tire puncture repair kits with the development of our IMS (Instant Mobility System). By combining these proprietary technologies, we will be able to provide one-stop solutions to meet EV performance needs. In this same way, we will continue working to set ourselves apart from the competition, bringing together our various unique products and technologies in order to comprehensively respond to the needs of EV.

Another advanced technology that we have developed as part of our SMART TYRE CONCEPT is Active Tread technology, which adjusts the properties of rubber itself in response to temperature and road conditions in order to provide optimal performance on wet roads as well as dry roads, snowy roads and even icy roads. Moving forward, we will make further contributions to the Mobility Society of the Future by incorporating this innovative technology in all-season tires, with plans to launch next-generation all-season tires featuring Active Tread in 2024. And this is just the beginning.

With the establishment of our new SENSING CORE Business, we will be able to turn the various data that SENSING CORE

gleans from tires into something of value by utilizing this data to provide greater safety and peace of mind for all drivers. SENSING CORE is proprietary software that monitors wheel rotation speeds in order to extrapolate information and detect changes in tire status, road conditions and beyond. SENSING CORE grew out of a desire to monitor and detect tire and road conditions without having to install hardware-based sensors. Our SENSING CORE Business is already up and running, with several automobile manufacturers now licensing the software to provide added functionality in new vehicles. SENSING CORE is already capable of detecting tire pressure, wear, load and road conditions (such as slipperiness). More recently, we have been working to expand its functionality by analyzing slight irregularities in wheel rotation speeds with extremely high precision in order to detect the warning signs of wheel detachment. This new function is receiving a great deal of attention from throughout the automotive world, and the functionality of SENSING CORE will only continue to grow with future developments.

SENSING CORE technology presents limitless possibilities for future applications as part of our growing Solutions Service Business, especially once linked up with the various assets that our current and future business partners will bring to the table. We will continue working to proliferate our advanced technology and build up our Solutions Service Business with the aim of turning this into a line of business that generates some 10 billion yen in annual business profit by the year 2030.

**Progress of Our Long-Term Sustainability Policy:  
“Driving Our Future Challenge 2050”**

▶ P.53-

The Sumitomo Rubber Group has been making sure and steady progress on each of the action points set forth in the Long-Term Sustainability Policy that we announced to the world back in 2021: “Driving Our Future Challenge 2050.”

When it comes to our endeavors related to the environment, we have been working diligently to reduce our CO<sub>2</sub> emissions toward accomplishing our goal of achieving carbon neutrality (Scopes 1 and 2) by the year 2050. As part of these efforts, our Shirakawa Factory (Location: Fukushima Prefecture) is now working to utilize hydrogen as a next-generation energy source in order to make carbon neutral tire manufacturing a reality.

The manufacture of tires typically relies on two different energy sources, electric power and natural gas, the latter of which is used to heat boilers in order to produce steam for the tire curing process. Thanks to solar panels, it is already possible to introduce carbon neutral electric power. However, finding a carbon neutral fuel to heat boilers for steam has long posed a major challenge. Tackling the problem, Shirakawa Factory initiated a proof of concept involving the use of hydrogen as a heat source for boilers in 2021. By using hydrogen boilers in tandem with solar panels, Shirakawa Factory recently succeeded in achieving the carbon neutral (Scopes 1 and 2) mass production of tires for the first time in Japan. Since January 2023, Shirakawa Factory has been manufacturing FALKEN AZENIS FK520 tires primarily bound for the European market using only energy generated by hydrogen boilers and natural clean energy generated by solar panels. While Shirakawa Factory has only introduced carbon neutral

manufacturing to one production line so far, we are planning to expand this initiative to all of the production lines at Shirakawa Factory and then to all of our factories in Japan in the coming years.

In addition to hydrogen energy, we are also pushing forward with active efforts to promote the use of renewable energy at all of our facilities worldwide. We installed large-scale solar power generation equipment at our factories in China in 2022 and at those in Thailand in 2023.

As our next step, we unveiled our “TOWANOWA” business concept in March 2023, setting forth a vision to guide our efforts to create our own unique Circular Economy Business Model for society and for the environment. We will also be creating new solutions services backed by our proprietary SENSING CORE technology with an eye toward creating a circular economy business for the world of 2030, 2050 and beyond as only the Sumitomo Rubber Group can accomplish. ▶ P.56-P.58

When it comes to our endeavors for society, we are pushing ahead with wholehearted efforts to achieve the milestone targets of our Long-Term Sustainability Policy for the year 2030, including promoting health & productivity management, revamping our efforts to enhance our organizational framework as part of our BTC project activities, actively promoting Diversity & Inclusion (D&I), augmenting our supply chain management and more. These efforts are already producing many tangible results that are bringing us ever closer to the accomplishment of our targets.

We are hard at work on overhauling our internal policies and systems in order to foster a corporate climate that is conducive to



D&I. These proactive efforts are already beginning to garner attention from society at large while earning us various accolades. In 2021, we received an “Eruboshi” (L-Star) certificate for our efforts to promote female participation and advancement in the workplace. In 2022, we received a “Gold Certificate” in that year’s PRIDE Index, which highlights companies that work to support the LGBTQ+ community and other sexual and gender minorities. That same year, we also received a “Hyogo WLB (Work-Life Balance) Certificate” from Hyogo Prefecture. More recently, we received a “Hyogo-Kobe Mimosa Certificate,” which is given out jointly by Hyogo Prefecture and the City of Kobe in recognition of local companies that are making strides toward promoting the participation and advancement of women in the workplace.

Throughout our group, there is now a palpable sense that our corporate climate is shifting toward greater receptiveness to D&I and its promotion. Having initiated D&I activities as part of a special project launched in February 2019, we next established a dedicated organization for the promotion of D&I in April 2022. Over the past few years, we have pushed ahead with the enactment of various policies and measures at a brisk pace, including issuing a Top Commitment on D&I, providing employees with education on unconscious biases, establishing a mentoring program to support women in their career development, implementing various support systems to allow employees to balance the needs of work and childcare or nursing care and more. All of these efforts are already bringing about real change throughout our group. For instance, more and more men in our workforce are now taking paternity leave, and we just promoted four women to the rank of General Manager in January 2023.

At the same time, however, I am also well aware of the fact that we still have many more challenges to overcome. For example, one of the major benchmarks for the empowerment of women in the workplace is the ratio of management positions that are held by women, and our group still falls short in terms of this metric. In order to transform ourselves into a corporate group that empowers

all of our diverse employees to thrive, we will need to acknowledge and overcome our unconscious biases with respect to gender roles and attributes and various other systemic issues in terms of our ways of thinking and organizational culture. At the same time, we will also need to overhaul systems and work environments that have a tendency to lead to overwork. Accordingly, we will be working to reform our corporate climate and create systems and work environments that promote highly productive and efficient work while also continuing to promote D&I on all fronts. ▶ P.73-P.76

When it comes to our efforts to augment our Corporate Governance, we revised our Agenda Criteria for Meetings of the Board of Directors in 2022 with an eye toward ensuring that the Board will have ample time to carefully discuss important matters with long-term perspectives. At the same time, we have also been working to expand the sharing of information with Outside Directors as part of our efforts to enhance the overall effectiveness of our Board of Directors. When we were formulating our New Midterm Plan, we made sure to engage in an active exchange of ideas and opinions with Outside Directors and Auditors at meetings of the Board of Directors and other deliberative bodies. ▶ P.77-P.85

I believe that the chief aim of our New Midterm Plan can only be to bring us closer to living up to Our Philosophy. The Sumitomo Rubber Group is, above all else, a manufacturer, and so we see it as our mission to manufacture and provide products and services that “create joy and well-being for all through innovation.”

We will be working to create working environments that enable us to harness the myriad strengths of our diverse talent pool while building and expanding on our collective strength through teamwork and marshalling this strength to overcome whatever changes or challenges we may face.

I look forward to working together with all of the employees of the Sumitomo Rubber Group as we move ever closer to fully living up to Our Philosophy so that we may enhance our corporate value and so contribute to greater “joy and well-being” for all of our stakeholders.

# Review of Past Operating Results

## Review of the Previous Midterm Plan

In 2020, the Sumitomo Rubber Group announced a Midterm Plan with the target year set at 2025. To achieve the goals of this plan, we have assiduously promoted a Companywide project to reinforce the foundations of our business. At the same time, we have striven to enhance our competitiveness via the development of our global business framework. This endeavor has included maximizing the effectiveness of production and marketing bases we have established in key market regions around the world by developing and expanding sales of advanced products finely tuned to meet customer needs.

As a result, in fiscal 2022 we found ourselves well ahead of schedule in meeting our sales revenue target of ¥1 trillion, which was set for 2025 under the Midterm Plan announced in 2020. On the other hand, although we had also aimed for business profit of ¥100.0 billion, an ROE of 10% and a D/E ratio of 0.5 times, these three targets are not likely to be met until 2026 or later due to radical fluctuations in the external environment.

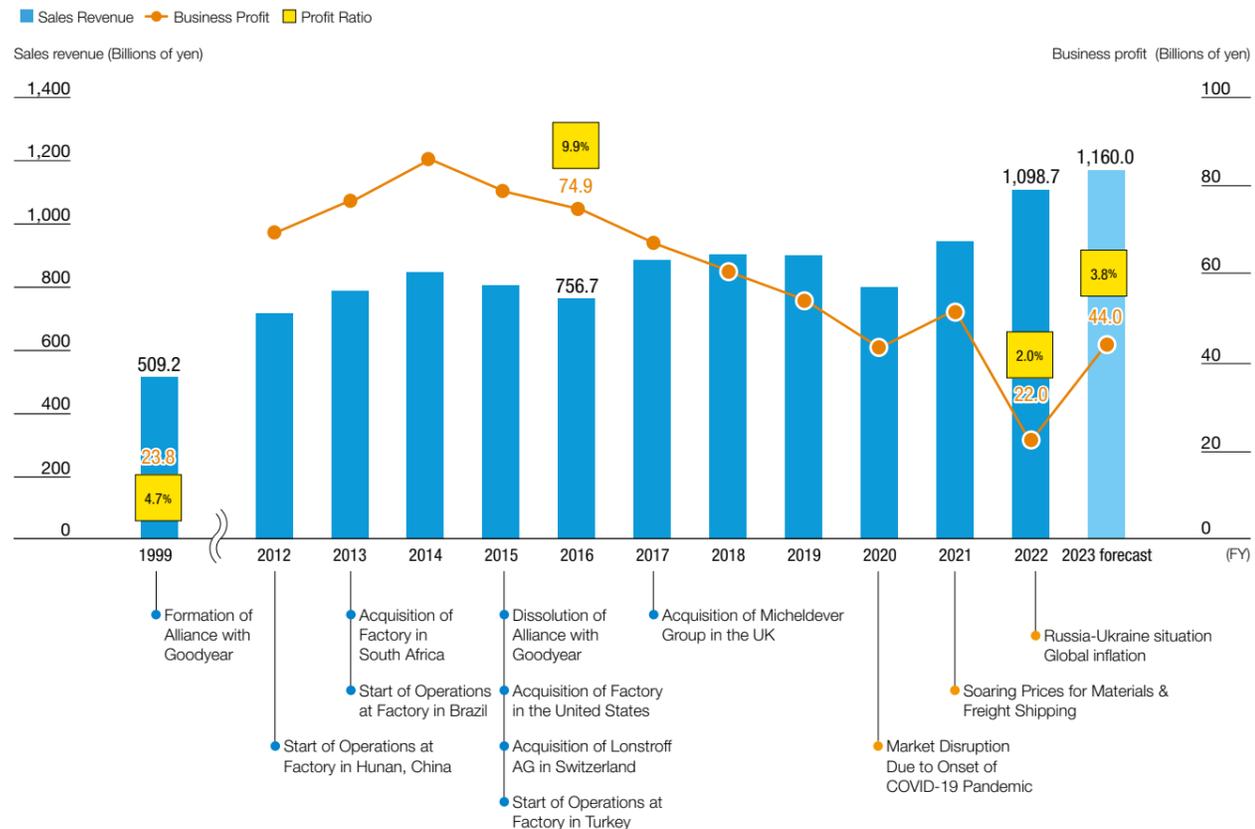
Thus, while we have achieved our target for sales revenue ahead of schedule, when it comes to profit and other indicators there are differences between meeting targets and getting results. To adapt to changes in the business environment, we have reorganized the current Midterm Plan, resetting the target year to 2027.

## How Our Operating Results Have Evolved

After forming the alliance with U.S.-based The Goodyear Tire & Rubber Company in 1999, the Sumitomo Rubber Group promoted the expansion of overseas operations, targeting China and other emerging nations. This alliance was dissolved in 2015 and, since 2016, we have been focused on expanding our operations in Europe and the United States to establish an independent global business framework.

Although these efforts resulted in an increase in sales revenue, especially that from overseas operations, our investment in production and marketing structures has yet to come to fruition in the form of earnings growth. Moreover, profitability has declined due to radical changes in the external environment.

### Trends in Sales Revenue and Business Profit



Note: -2014: Japanese Accounting Standards; 2015-: IFRS

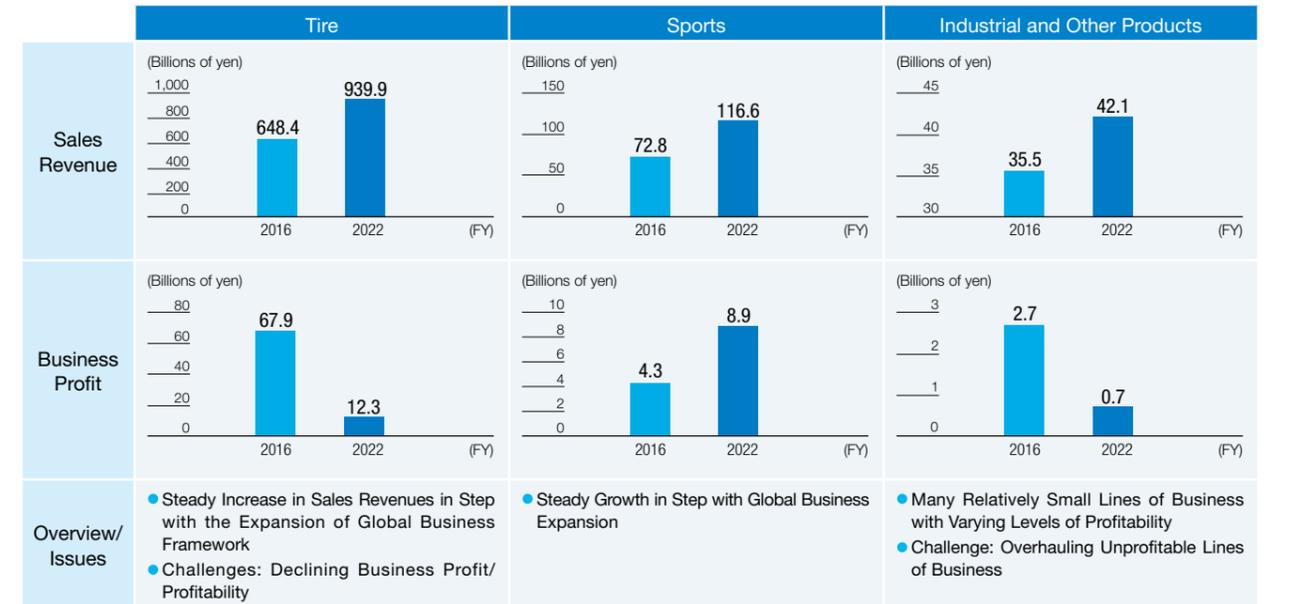
## Improving Profit from the Tire Business Is Key

Looking at operating results by segment, the Tire Business has enjoyed steady growth in sales revenue in step with the development of the global business framework, but in more recent years has seen a decline in business profit. Accordingly, we consider improving profitability to be a major issue for the Tire Business. On the other hand, the Sports Business has been performing steadily thanks to the expansion of overseas businesses, despite temporarily stagnating in 2020, when the impact of the COVID-19 pandemic was profound.

The Industrial and Other Products Business maintains a large number of relatively small-scale operations whose profitability varies widely by business. Among these, operations with low profitability need to be revamped.

In summary, we have positioned **improving the profitability of our mainstay Tire Business as key** to the success of the new Midterm Plan.

### Past Operating Results by Segment

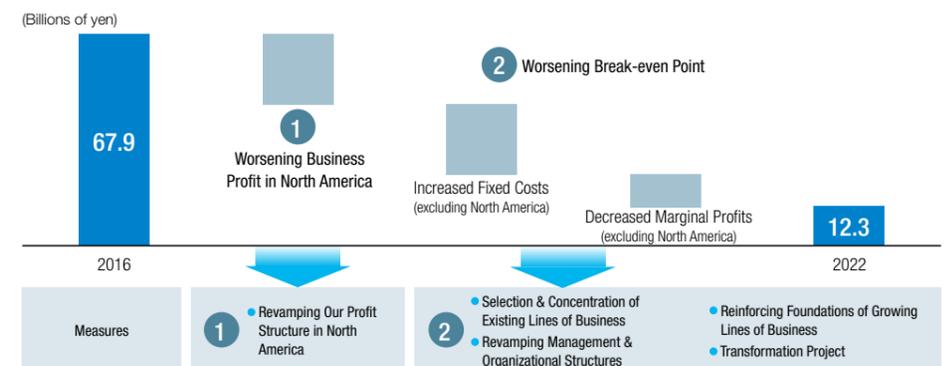


## In the Tire Business, as we aim to shift to a structure focused on securing earnings in North America, improving the break-even point through the robust control of growth in fixed and variable costs is key

To date, in the course of developing the global business framework we have striven to accommodate needs in all market regions, to this end delivering a great number and variety of products. We have backed these endeavors with enhanced production, development, logistics, sales and service structures. These efforts have had the effect of raising fixed costs while rendering various aspects of our operations inefficient. Profitability has thus declined and the break-even point has deteriorated.

Looking at this from a historical perspective, our business profit has declined ¥55.6 billion from ¥67.9 billion in 2016 to ¥12.3 billion in 2022. This is generally attributable to the following two factors: (1) the decline in business profit from our operations in North America, which accounts for 40% of the decline; and (2) deterioration in the break-even point on the back of growth in fixed and variable costs, which accounts for the remaining 60%. The latter consists of growth in fixed costs and the lower marginal profit ratio on higher variable costs, with these two factors accounting for 40% and 20%, respectively.

### Tire Business: Breakdown of Decline in Profits



To counter the circumstances described above, we will execute the selection and concentration of existing lines of business to improve the break-even point while pushing ahead with rebuilding our business management and organizational structure and strengthening the foundations of growing businesses. At the same time, we will promote the Transformation Project. We will thus focus on pursuing these endeavors until 2025, with the aim of securing a path toward achieving fresh growth from 2026 onward.

## Outline of the New Midterm Plan (2023–2027)

To date, the Sumitomo Rubber Group has striven to develop a global business framework, allocating resources accordingly to its various businesses in the many regions in which it operates. However, we now recognize that, on a number of fronts, operational efficiency has deteriorated over the course of this development, leading to a decline in profit.

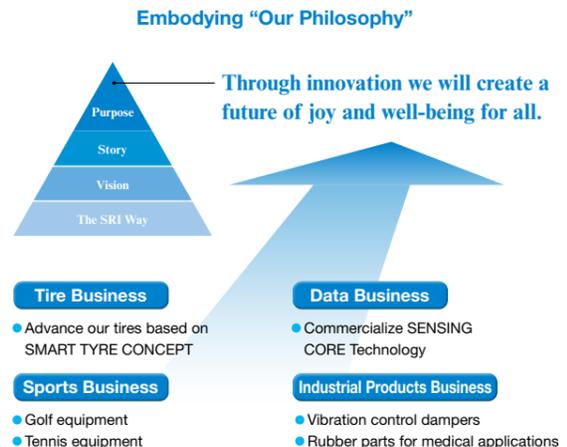
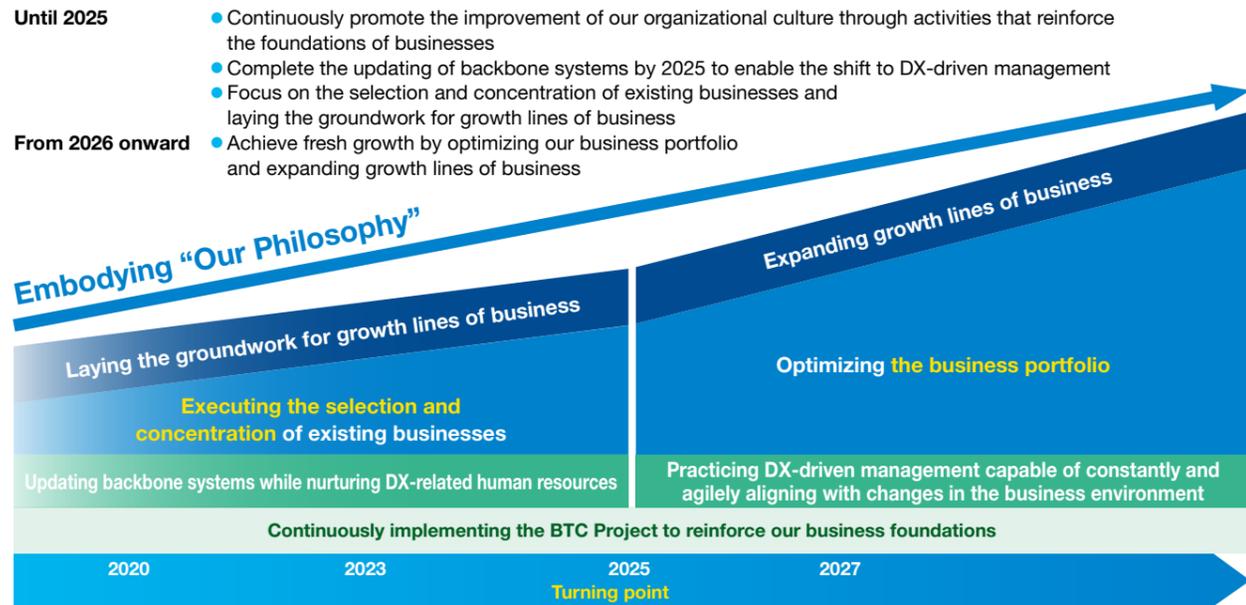
To address our current situation, we will focus on the selection and concentration of existing businesses, with 2025 defined as a turning point under the new Midterm Plan.

At the same time, we will continue to implement “Be the Change” (BTC), a project initiated under the previous Midterm Plan to reinforce the foundations of our business through measures designed to improve our organizational culture and secure even stronger business foundations. Furthermore, we will update our backbone systems in preparation for a shift to DX-driven management.

Throughout the execution of these initiatives, we will maintain a focus on the selection and concentration of existing businesses as well as structural reforms with an eye to achieving the plan’s goals by 2025. In addition, we will lay the groundwork for growth lines of business and sow the seeds of future businesses.

From 2026 onward, we will switch our focus to the full-fledged practice of DX-driven management to optimize our business portfolio and expand growth lines of business. In this way, we will achieve fresh growth and secure greater ability to embody “Our Philosophy.”

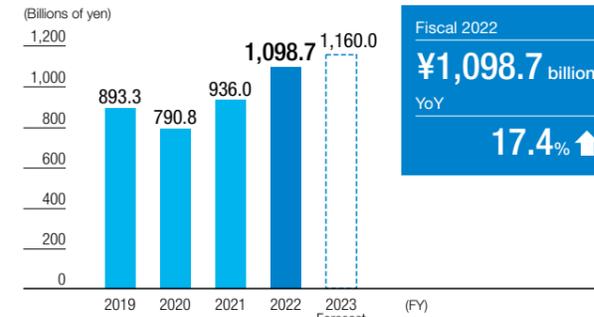
**Optimize our business portfolio via selection and concentration, with the aim of securing a solid profit base**  
**Aim to achieve growth from 2026 onward, with 2025 as a turning point**



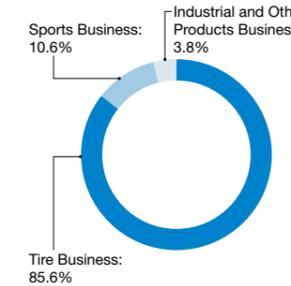
Promote measures specified under the Long-Term Sustainability Policy: “Driving Our Future Challenge 2050”

## 2022 Consolidated Performance Overview

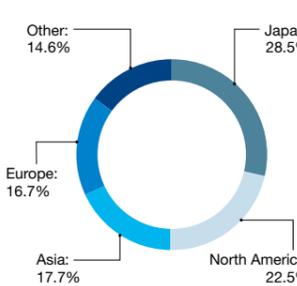
### Sales Revenue



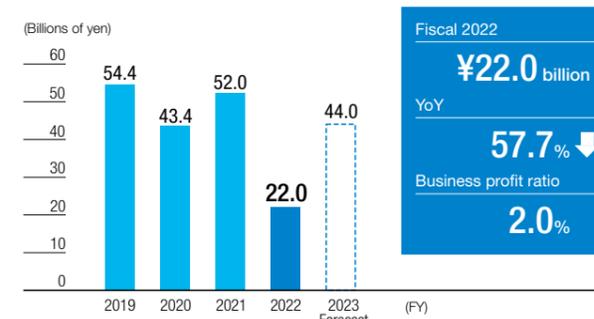
### Sales Revenue Breakdown by Business Segment



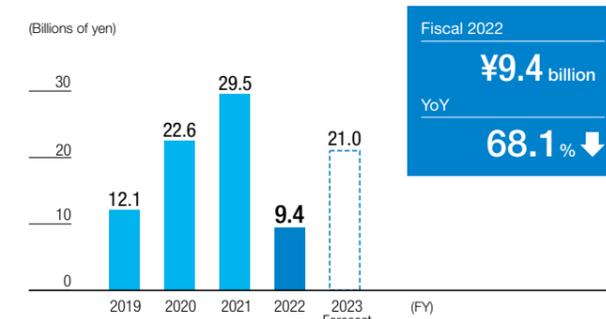
### Sales Revenue Breakdown by Region



### Business Profit



### Profit Attributable to Owners of Parent



Total Assets	<b>¥1,225.2 billion</b>	Ratio of Equity Attributable to Owners of Parent	<b>44.6%</b>	ROE	<b>1.8%</b>
ROA	<b>1.9%</b>	D/E Ratio	<b>0.7 time</b>	ROIC	<b>1.7%</b>

Business Segment	Sales Revenue	Business Profit
<b>Tire Business</b>	<b>¥939.9 billion</b> (Up 18.2% YoY ↑)	<b>¥12.3 billion</b> (Down 70.3% YoY ↓)
<b>Sports Business</b>	<b>¥116.6 billion</b> (Up 15.0% YoY ↑)	<b>¥8.9 billion</b> (Up 3.9% YoY ↑)
<b>Industrial and Other Products Business</b>	<b>¥42.1 billion</b> (Up 6.5% YoY ↑)	<b>¥0.7 billion</b> (Down 65.0% YoY ↓)

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



### Optimizing Our Business Portfolio via Selection and Concentration to Return to a Growth Track

**Naoki Okawa**  
Director and Senior Executive Officer

#### Starting from Lessons Learned in the Course of Past Midterm Plans

The formulation of our latest Midterm Plan started with reflecting on lessons learned over the course of the two preceding midterm plans, which saw many targets remaining unmet. Although the aim of both of these plans was to secure stable profit growth, actual operating results included year-on-year declines of 30% to 40% in profit due in part to fallout from the COVID-19 pandemic.

The root cause of these shortfalls was the handling of our businesses following the dissolution of our alliance with Goodyear Tire & Rubber Company (Goodyear) in October 2015. Specifically, because of the state of the business environment at the time of the dissolution of this alliance and relevant joint ventures, the Sumitomo Rubber Group has still not been able to expand into the global market in the mainstay Tire Business. After entering into the alliance agreement with Goodyear in 1999, we went on to pursue growth in China, emerging countries and elsewhere overseas with an eye to developing a solid earnings framework. To this end, we endeavored to develop a network of overseas production bases, in 2013 acquiring a factory in South Africa and launching our Brazil Factory and in 2015 opening our Turkey Factory.

Amid these endeavors, we acquired rights to use the Dunlop brand as a result of the dissolution of the abovementioned alliance. The acquired rights encompassed 33 countries and enabled us to sell products under this brand to Japanese automakers in North America, as well as customers in Japan, Russia, the Middle East and Africa. Drawing on these rights, we have striven to further expand our production capacity. We have also maintained and stepped up a business approach centered on pursuing cost reductions via higher

utilization rates at production facilities and raising sales revenue to secure profit. However, instead of focusing on our fields of strength, we began overemphasizing keeping factory utilization rates high to meet rising orders. This had a negative effect on profitability. Then, the COVID-19 pandemic struck.

Our sales have stagnated ever since in China, which had otherwise been an important source of revenue, due to the enforcement of the “zero-COVID” policy. Moreover, maritime transportation fees associated with exports from Japan, Thailand and Indonesia to North America surged and have remained high, at seven to eight times the pre-pandemic levels, for some time. This has put us in the odd situation of the more we export the higher the losses we record. Taking this into account, we can now clearly conclude that a business approach overly reliant on maximizing production capacity is demonstrably problematic.

Under the new Midterm Plan, we shifted our focus away from prioritizing sales and toward other means of achieving profitability. In line with this shift, we are pursuing the timely and optimal allocation of human resources, materials and funds to enhance our earnings power. In this way, we will transform Sumitomo Rubber Industries so that we will once again reclaim our standing as a company known for innovation and profitability. For example, we have set a target of improving the product mix by reducing the number of tire models in production by approximately 30%. So far, we have decreased this number by around 17%. We will allocate the surplus cash arising from these efforts to businesses with high growth potential.

#### Maintaining a Priority on North America in the Tire Business while Reconsidering the Positioning of the U.S. Factory from the Ground Up

Maintaining our market foothold in North America involves both managing local businesses and running local factories.

Of course, we consider our tire business in North America an important operation and our priorities for this business are unflagging. On the other hand, our North American product supply involves two supply channels: (1) exports from Japan, Thailand and Indonesia and (2) production at local factories.

Declines in business profit from the North American tire business can be attributed primarily to the surging maritime transportation fees mentioned earlier. Prior to the COVID-19 pandemic, we had been able to secure sufficient profitability in the United States by marketing tires exported from Japan, Thailand and Indonesia. However, that situation has changed radically. Although maritime transportation fees have begun to stabilize somewhat and thus allowed us to secure profit from exports, we now have no choice but to expand local production volumes if we are to circumvent the risk

of once more being confronted by such circumstances.

Second, due to travel restrictions enforced upon the breakout of the COVID-19 pandemic, we have become unable to dispatch staff reinforcements to the USA Factory. This hindered us from implementing planned productivity enhancements.

Our strategy had been to offset losses recorded by the USA Factory with earnings from exports to keep our North American operations on a profitable track. While doing so, we had aimed to thoroughly upgrade production lines in place at this factory. However, this strategy did not progress as expected. To rectify this situation, we recently began dispatching specialists from international business- and manufacturing-related divisions in Japan to the USA Factory, as the COVID-19 pandemic has largely been subdued. These individuals are currently undertaking a fresh review of production issues at this factory to help it minimize losses.

In addition, although we may eventually establish a new factory in

North America to increase the local production volume, our sole focus at the moment is improving the profitability of local operations by 2025. We will then review the positioning of our existing USA

Factory based on prevailing conditions and will for the present refrain from ruling out any options so as to make the best decision.

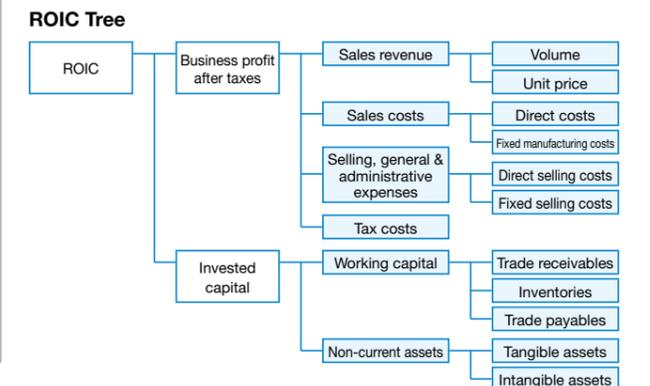
### Promoting ROIC Management as We Shift Our Resources to Businesses with High Growth Potential and Profitability

Looking ahead, we will work to optimize our business portfolio via selection and concentration while raising cash from businesses undergoing structural reforms, with the aim of shifting investment and human resources to businesses with high growth potential and profitability. To measure the success of these endeavors, we have identified Return on Invested Capital (ROIC) as an indicator.

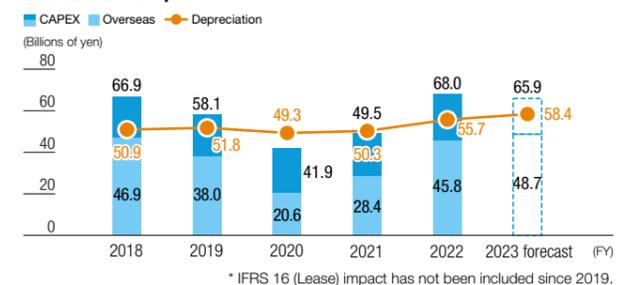
Invested capital, the denominator of the ROIC formula, is significantly affected by changes in capital expenditure and working capital. Our Working Capital Task Force was launched as part of the “Be the Change” Project, which aims to reinforce the foundations of our business, and has succeeded in achieving its target of raising cash flows amounting to ¥30.0 billion by December 31, 2022, via the reduction of working capital. These ongoing efforts will be taken over and promoted by the Finance Department, which was newly established in January 2023.

As for internal infrastructure, preparatory measures are now under way to incorporate ROIC data into our in-house developed Enterprise Resources Planning (ERP) system. We plan to design an ROIC management framework that will connect this indicator to

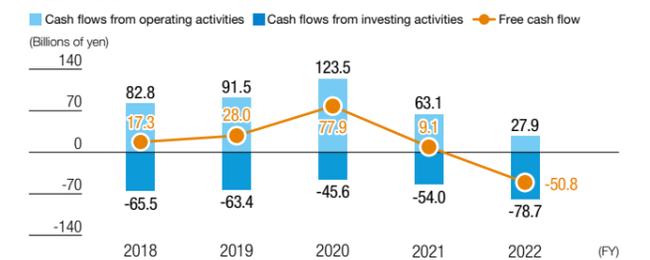
individual target management. We will strive to disseminate ROIC management by helping employees thoroughly understand the significance working capital control in terms of improving ROIC and by sharing outcomes of ROIC management with them.



#### CAPEX and Depreciation



#### Cash Flows



#### Policy on Returns to Shareholders

The Sumitomo Rubber Group aims to constantly improve its business and thereby maximize the volume of positive cash flows from operations in order to raise its stock price. We believe that such improvement is the most important form of returns to shareholders.

To this end, we allocate cash inflows from these endeavors to capital expenditures and R&D. Also, we intend to maintain a robust and stable stream of cash dividends over the long term while comprehensively reviewing our situation with respect to retained earnings,

etc. At present, we have no plan to repurchase treasury stock for the purpose of shareholder returns.

In addition, although this is not necessarily a commitment set in stone, we do tell investors at our regular financial announcements that we are aiming for a dividend payout ratio of at least 40%. Our group has always endeavored to uphold 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.

#### Dividends per Share



#### Final Words

Under the current Midterm Plan, I will join all Sumitomo Rubber Group employees in assiduously working toward enabling our group to reclaim a sound financial base and secure growth. Furthermore, I will decisively execute measures designed to blaze a pathway

toward overall optimization. With regard to progress under the Midterm Plan, we will provide biannual opportunities for our stakeholders to receive status updates, with President Yamamoto serving as a presenter.

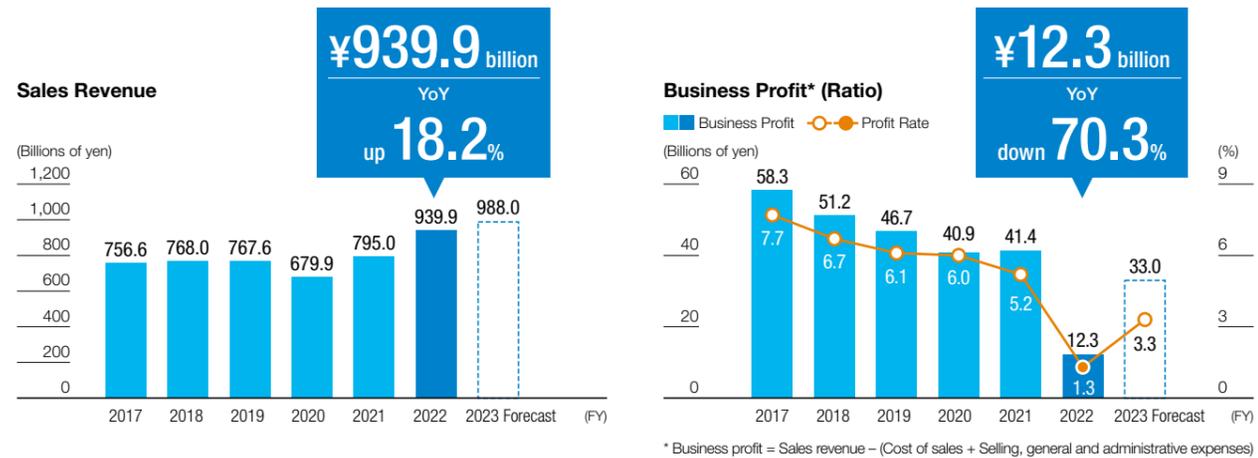
# Tire Business

## 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, trucks, buses, motorcycles and more.

Taking full advantage of many cutting-edge technologies, we manufacture and sell tires all over the world under two major brands: our pioneering DUNLOP Brand, which has always pursued greater safety and environmental performance, and our global FALKEN Brand, which caters to those who simply enjoy the thrill of the drive. Both brands have inherited the originality of John Boyd Dunlop, the veterinary physician who succeeded in commercializing the world's first pneumatic tire in 1888.

## Results of Operations / Major Indicators



## Sales Trends

### Year-on-Year Comparison of Tire Sales Volume

YoY		2020	2021	2022	
Domestic	Original equipment	83	96	98	
	Replacement	91	102	101	
Overseas	Original equipment	74	109	110	
	Replacement	91	110	90	
	Regional breakdown of replacement tire sales	North America	95	101	82
		Europe	86	118	95
		Asia	94	111	87
		Other	91	112	99
Total		88	107	96	
Total sales volume (millions of tires)		108.83	116.03	111.46	



## Results Overview

### Japan

#### Original equipment tires

Sales remained subdued as a result of automakers' ongoing production volume cuts due to such factors as global semiconductor shortages.

Annual sales fell short of those in the previous fiscal year, despite the present sales situation showing a minor recovery trend, slightly surpassing the previous fiscal year.

#### Replacement tires

Sales were almost on par with the previous fiscal year. As market awareness steadily grew, sales of all-season tires, which have been well received as products that provide safety and security no matter the season, surged. Winter tire sales for the year were almost on par with the previous year.

### Overseas

#### Original equipment tires

Despite the negative impact of a decline in automobile production on the back of semiconductor shortages, sales recovered from a significant downturn accompanying the fallout from the COVID-19 pandemic in the previous fiscal year.

#### Replacement tires

In the Asia and Oceania region, sales were lower than in the previous year due to weak sales in China, partly affected by the country's Zero-COVID policy.

In Europe, sales were lower than in the previous year due to a slowdown in demand for tires, partly affected by ongoing inflation.

In the Americas, the product mix improved despite a decline in sales volume due to aggressive price increases and reduced sales of low-margin products in North America.

### Topics

#### FALKEN "e. ZIEX," Our Most Fuel-Efficient Commercial EV Tire Ever, Launched in the European Market, Where Replacement EVs Are Rapidly Becoming the Norm (March 2023)

FALKEN "e. ZIEX" commercial EV tires have now been released in Europe, one of the world's largest electric vehicle (EV) markets alongside China, where DUNLOP "e. SPORT MAXX" tires were first launched in 2022.

There are three specific requirements for EV tires: lower rolling resistance, greater load capacity and quietness.

To create "e. ZIEX," we utilized our proprietary material development process to develop a rubber compound that enhances grip strength and fuel (energy) efficiency. Also, to achieve exceptional quietness, the tire incorporates our unique SILENT CORE (comprising specialized noise-absorbing sponges), while the tires' shape profile has been tuned to improve the uniformity of contact pressure for greater load capacity. Furthermore, we tailor our products to region-specific customer needs, for example, the tire offers improved driving performance on wet road surfaces, which is more in demand in the European market.



In order to respond to the future development of CASE and a sustainable society, we have specified in our new Midterm Plan that we will focus on a variety of products, including EV tires. By 2027, we aim to unveil the next generation of EV tires with a rolling resistance reduction of 30% and a 20% reduction in weight (compared with 2019).

By engaging in such activities, we are helping to create a sustainable society.

Tire Business

## Accomplishing Reforms Based on Selection and Concentration to Return to a Growth Track

**Hidekazu Nishiguchi**

Representative Director and Managing Executive Officer  
In Charge of the Tire Business and Automotive System Business



### The Global Expansion of the Tire Business

In the 1980s, the Sumitomo Rubber Group began venturing into regions overseas, especially Asia, following in the footsteps of Japanese automakers pursuing global expansion. In 1999, we signed an alliance agreement with the U.S.-based Goodyear Tire & Rubber Company (Goodyear) and from that point were engaged in the sale of Dunlop brand tires in Japan and Asia, while Goodyear handled the sale of these tires in Europe and the United States. Over the ensuing years, Sumitomo Rubber Industries drew on this area-based sales structure, focusing on establishing production and sales bases in Asia and emerging nations outside Europe and the United States to pursue overseas business development. As a result, our overseas sales ratio grew from 25% in 2001 to 59% in 2015.

Then, in 2015, the alliance with Goodyear was dissolved. We have since shifted our focus to expanding our tire business in Europe and the United States through the marketing of Falken brand tires. This, along with the development and upgrading of local sales and service structures and the release of attractive products, has resulted in the steady enhancement of our market presence both in Europe and the United States.

Thanks to these and other initiatives, we achieved consolidated sales revenue of ¥1 trillion for the first time in fiscal 2022. Moreover, tire sales in North America have grown to account for around 20% of the overall figure, virtually on par with the proportion accounted for by domestic tire sales, while tire sales in Europe have expanded to account for about 15%. These accomplishments are, we believe, attributable to the success of our efforts to foster robust brand recognition and appreciation among customers and thereby win loyal users of Falken brand tires.

On the other hand, profit from the Tire Business has not grown in step with the stable expansion of sales and resulting growth in sales revenue. This is a major challenge confronting our Tire Business. The

root cause of this phenomenon is the age of the facilities in place at our USA Factory, which has a century-old history. We assumed ownership of this factory in 2015 in conjunction with the dissolution of the aforementioned alliance. We have since striven to upgrade its facilities and, to this end, have equipped it with unique Sumitomo Rubber Group technologies and raised its production capacities through facility updates and capital expenditures. Unfortunately, progress in effecting improvements in productivity stagnated due to a shift to a multiple small-lot production style and fallout from the COVID-pandemic, which temporarily made it impossible to dispatch staff reinforcements from Japan to enhance productivity. Right now, however, we are seeing the pace of productivity improvements gathering even more momentum than before thanks to the resumption of assistance from Japan.

Meanwhile, despite restoring the USA Factory to an improvement track, only a small proportion of its output is for local consumption. To address this situation, we began considering introducing a greater degree of factory automation in order to save on labor, which will reduce costs while raising the proportion of production for local consumption and strengthening our business in North America in a way that mitigates risks.

That being said, we intend to maintain an extremely tight grip on investment until 2025, which we are looking to as a turning point. Based on lessons learned over the course of past decade, we now believe that we can reclaim our place on the growth track only by lowering the break-even point, improving profitability, securing a robust volume of cash and setting aside surplus funds for investment. Accordingly, we will apply the principles of selection and concentration to lay the groundwork for growth lines of business until 2025. We will then go on to invest in measures to secure fresh growth for the Sumitomo Rubber Group as a whole.

### Turning Point Set at 2025 under the New Midterm Plan

One feature of our new Midterm Plan is the identification of 2025 as a turning point. In other words, we are solidly committed to steadily developing the foundations needed for future growth from 2025 and are not postponing necessary measures to tackle issues. Although this time frame provides us with almost three years for preparation, we believe that it is crucial that we accomplish as much as possible

within the first two years of this period.

We are therefore tackling issues stipulated under the Midterm Plan at a blistering pace so that, once we reach that turning point in 2025, we will be able to reap the rewards of our current robust efforts to move the Sumitomo Rubber Group forward toward a phase of regrowth.

### Enhancing the Presence of Falken Tires in Europe and the United States

With regard to tire sales in Europe and the United States, both of which constitute market regions of our focus, the presence of the Falken brand has strengthened and it is now seen by a growing number of users as a cool brand.

In Germany, the largest market in Europe, Falken is one of the official sponsors of 24h Nürburgring, the world's largest touring car race. This sponsorship boosts the brand's public recognition, with Porsche racing cars, painted in the iconic Falken colors, pitted against rivals in high-speed racing. Reflecting the success of marketing efforts like these, Falken has secured a position among the top Tier 2 brands in Europe. Furthermore, Falken tires are being chosen as original equipment for a growing number of new vehicles, including Porsche's Macan.

Meanwhile, in the United States, the world's largest tire market, we have seen robust growth in sales of the FALKEN WILDPEAK Series of 4x4/SUV tires. Falken tires are now one of most competitive candidates vying for top Tier 2 brand status in the North American market.

The Falken brand has thus secured a place among or near the top Tier 2 brands in both Europe and the United States. However, if it were to aim for Tier 1 ranking, augmenting our supply capacity would be essential, but initiatives like these take time.

Accordingly, we need to begin by updating the earnings structure of the Tire Business, including our operations in Europe and United States, to ensure our ability to steadily secure profit. To this end, we will strengthen our profit base by rallying our comprehensive capabilities for manufacturing, technologies, distribution and sales.



The FALKEN Motor Sports team entered the 24h Nürburgring race held in May 2023, with a Porsche 911 GT3R (992) No. 44, making it through to the finish line and placing 10th in the comprehensive rankings

### Our Ideals regarding What We Should Look Like in the Future as a Tire Maker

The Sumitomo Rubber Group plans to enhance its responsiveness to the trend toward CASE (an acronym for "Connected, Autonomous, Shared & Services, Electric") and the growing public call for social sustainability. This will require further developing proprietary technologies, leveraging the SMART TYRE CONCEPT to advance tire performance and commercializing SENSING CORE Technology.

The SMART TYRE CONCEPT is a collective term that refers to various concepts underpinning Sumitomo Rubber Group tire technologies. By advancing these technologies, we will set ourselves apart from other companies in the fields of all-season tires, EV tires and SENSING CORE solutions, etc.

### Next-Generation All-Season Tires Equipped with Active Tread

Our next-generation all-season tires equipped with Active Tread, one of the SMART TYRE CONCEPT technologies, are expected to become market-leading products.

We aim to expand the market for all-season tires by incorporating proprietary technologies. Active Tread will be key to the success of this endeavor.

The other day, I traveled to the Nayoro Tire Proving Ground (Hokkaido), with the aim of driving a car myself to confirm the on-ice performance of tires we are now developing. Summer tires are too hard for on-ice driving. On the other hand, studless tires are soft enough to drive on ice. I was able to confirm that our all-season tires can stably drive on ice.

I am just a layman, not a professional test driver. However, when I was on the ice track driving a car with next-generation all-season tires equipped with Active Tread technology, which ensures the natural softness of rubber is retained, I could feel a noticeable difference.

As we expect demand for all-season tires to grow, we plan to commercialize next-generation tires equipped with Active Tread in 2024 and thereby expand sales.



Tire Business

The use of conventional all-season tires is often associated with noise issues. Such tires are structured with tread grooves to claw for purchase on the slippery surface of snowy roads, with the extra treads making them much bulkier than summer tires. In contrast, Active Tread technology provides an advantage for on-ice driving performance as it curbs the tendency of rubber to harden, even in a

low-temperature environment. Thus, our all-season tires can achieve sufficient performance with fewer tire treads and less bulk, and this, in turn, means less noise. Accordingly, we consider our all-season Active Tread-equipped tires to be an optimal candidate for EV tires, which require products that support quiet driving.

**Next-Generation All-Season Tires**

Commercialize next-generation tires equipped with Active Tread technology in 2024



**Setting Ourselves Apart via a Combination of Next-Generation EV Tires and Other Proprietary Technologies**

Leveraging a combination of next-generation EV tires and other proprietary technologies, we will contribute to a future mobility society. Even as we steadily proceed with the commercialization of our EV tires, we will continue advancing technologies in this area. For example, we are working to enhance the energy efficiency and braking performance of these tires via the incorporation of Active Tread. In this category, we have identified reduction targets for rolling resistance and weight and are aiming for a 30% reduction in the former and a 20% reduction in the latter by 2027 compared with the 2019 levels. We intend to release next-generation EV tires equipped with these and other new technologies in 2027. We not only aim to advance tire performance but also aspire to contribute to a future mobility society on diverse fronts via the combination

of our SENSING CORE technology, which represents one of our unique areas of strength, SILENT CORE technology, which significantly improves quietness, and our Instant Mobility System (IMS) Tire Puncture Emergency Repair Kits, which accommodate tires equipped with SILENT CORE. We have overcome technological difficulties in securing compatibility between special noise-absorbing sponges—essential SILENT CORE technology components supporting the quietness of EV tires—and IMS Tire Puncture Emergency Repair Kits and are proceeding with the commercialization of combined products. We will continue to strive to set our EV tires apart by bringing to bear a combination of our strengths in various product areas and technologies, including SENSING CORE technology.

**Advancement of EV Tire Technologies**

- DUNLOP e-SPORT MAXX**: Lower energy consumption and higher braking performance thanks to the incorporation of Active Tread
- FALKEN e-ZIEX**: Advancement of performance sustaining technology
- FALKEN e-ZIEX**: Improvement in performance relative to Tire Life Cycle Assessment (LCA)
- FALKEN e-ZIEX**: Maintenance-free (SENSING CORE solutions)

**The Release of Next-Generation EV Tires Scheduled for 2027**

Targets for 2027 (compared with the 2019 levels)  
**30% reduction in rolling resistance**    **20% reduction in tire weight**

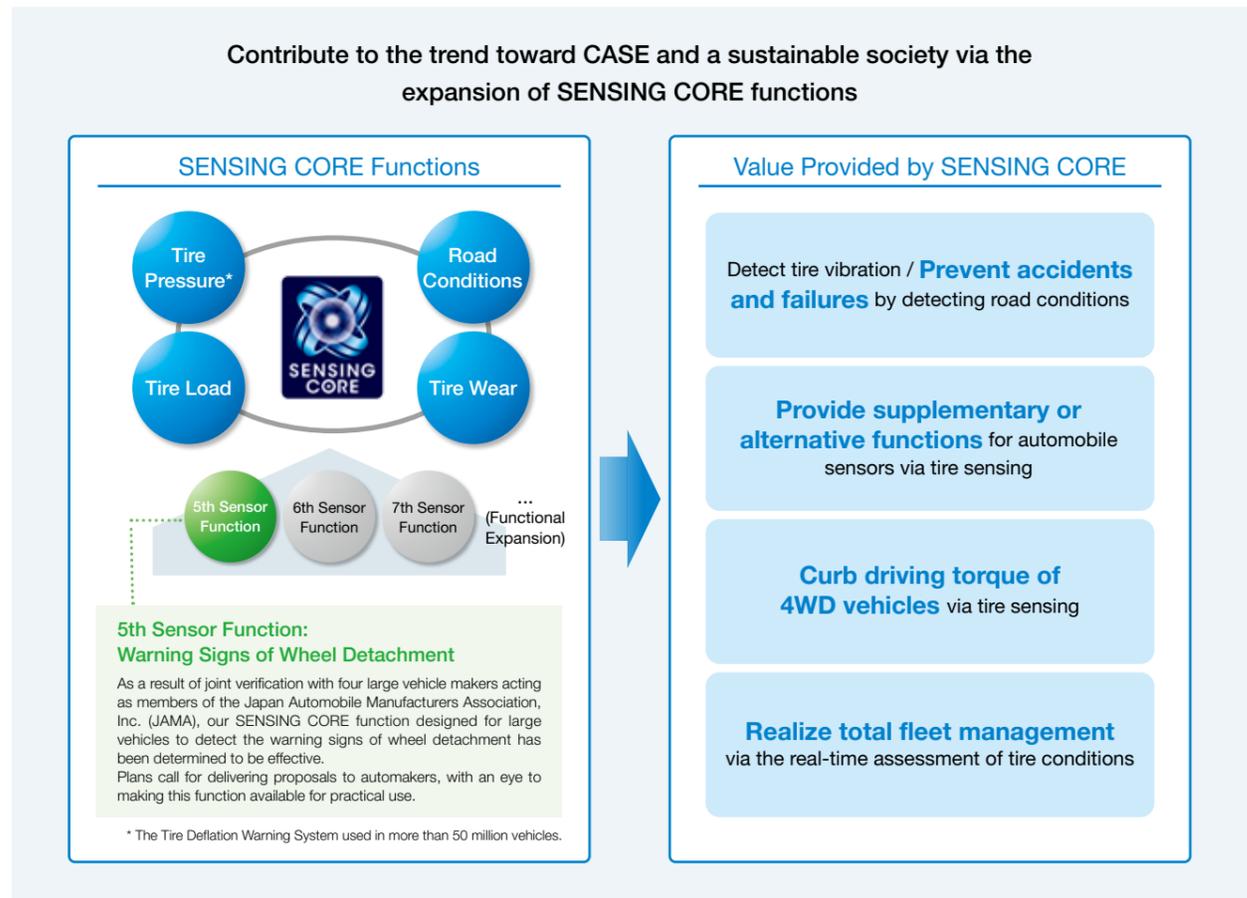
SILENT CORE\*1  
IMS\*2 compatible with SILENT CORE tires

\*1 Special noise-absorbing sponges  
\*2 Tire Puncture Emergency Repair Kits

**Becoming a Forerunner by Releasing Tires Capable of Notifying Drivers of Their Condition**

Our proprietary SENSING CORE technology boasts four major functions backed by established technologies. These include a tire pressure detection function, which is currently being used in more than 50 million vehicles. In addition, we are striving to expand such new functions as those designed to detect the warning signs of wheel detachment. We believe that doing so will enable us to better contribute, in diverse ways, to the shift toward CASE and a sustainable society in the coming era. With this in mind, we are endeavoring to rapidly commercialize such new functions. With the abovementioned business foundations almost complete, we now think that our future success largely hinges on being able to allocate sufficient resources.

For example, our SENSING CORE function that detects the warning signs of wheel detachment has been determined to be effective in the course of joint development initiatives undertaken with large vehicle makers. This function detects any slight abnormality in tire rotation, which could occur when, for example, a nut securing the wheel loosens by a margin of as little as 1 millimeter, and issues an alert. Looking ahead, we will step up our initiatives to make this function available for practical use. Going forward, we will secure our business foundations in Europe and the United States to enable the commercialization of our sensing solutions. By doing so, we aim to ensure that these solutions are installed in not only new vehicles but existing vehicles by 2030.



As far as I know, only a handful of companies in the world are capable of providing tire sensing functions backed by software analysis, with Sumitomo Rubber Industries included among their ranks. Once our software is installed in a car, the driver can utilize any additional functions simply by updating it, making it extremely convenient. We provide tires that are essential to the act of driving an automobile. Not only that, by equipping them with the capability to acquire

various data and keep drivers apprised of their condition, we are able to deliver diverse value. This will, we believe, better position us to contribute to the trend toward CASE and a sustainable society. Accordingly, we aim to act as a forerunner in this area and are striving to accelerate the commercialization of our sensing solutions to develop them into the fourth business pillar of the Sumitomo Rubber Group.

# Sports Business

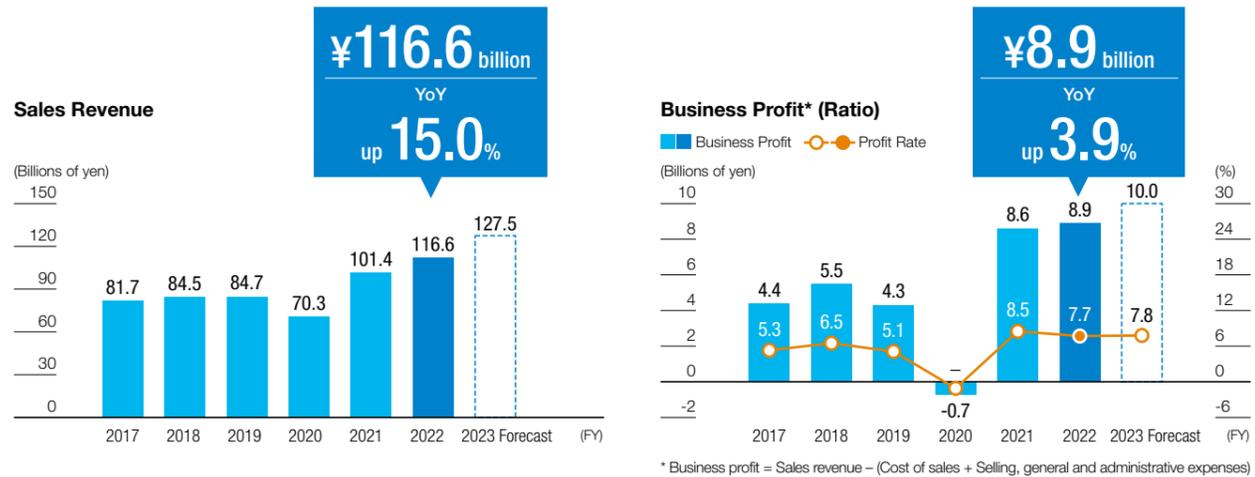
## Enriching Sporting Life

Drawing on the full range of its advanced technical capabilities, the Sumitomo Rubber Group continually strives to enrich sporting life for customers. 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 operate a chain of fitness clubs as well as golf and tennis schools. And, backed by know-how accumulated through our Fitness Business, we have recently expanded our business to include nursing facilities and preventive care facilities as well.

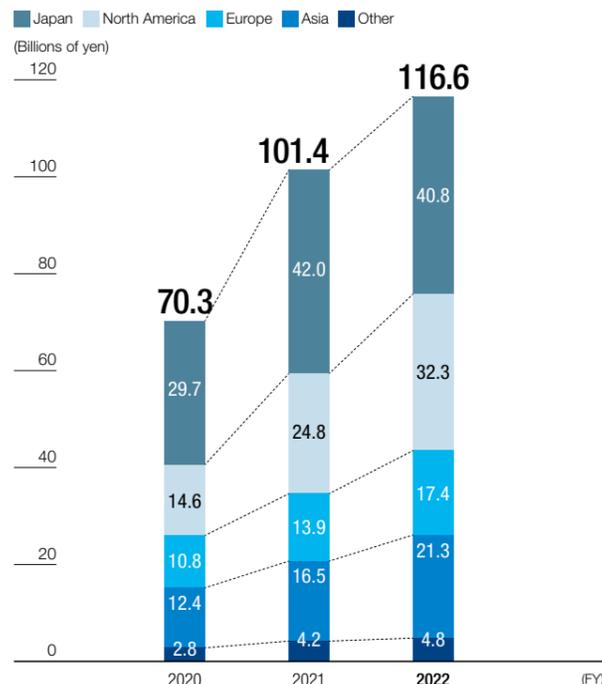
In this way, our Sports Business is actively engaged in various business activities that support better physical and mental health for our many customers on a day-to-day basis.

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

## Results of Operations / Major Indicators



## Sales Trends



## Results Overview/Status of Sales

### Overview

Sales in the golf, tennis and wellness businesses all increased year on year. Although both the golf and tennis businesses reported lower domestic revenues, overseas revenues increased on a local currency basis. Foreign exchange rates had a substantial impact on sales. Although business profit was significantly affected by soaring distribution and raw material costs and the weak yen resulted in a growing volume of funds spent on foreign currency-denominated purchases, business profit grew significantly overseas, mainly in North America and South Korea, resulting in an increase in profit.

### Domestic

Sales decreased from the previous year. In golf goods, sales of 12th generation XXIO clubs remained steady, but struggled in the second half of the year due to a slowdown in market conditions and restrictions on purchases by some customers, resulting in a year-on-year decline in sales. Tennis equipment sales remained at the same level as the previous year. The wellness business posted an increase in revenue as membership, which had declined due to the impact of the COVID-19 pandemic, recovered to a certain extent.

### North America

Sales significantly increased from the prior year, partly as a result of the effects of foreign exchange rates.

Despite a slowdown in market growth, golf clubs and balls fared well, and market share rose as a result of effective sales strategies that have been put in place thus far. For tennis, sales increased due to higher sales of balls.

### Europe

Sales increased from the previous year. Golf sales were strong for both clubs and balls. Tennis sales increased due to higher ball sales and other factors.

### Asia

Sales increased from the previous year. Golf equipment sales also increased on a local currency basis due to strong sales of 12th generation XXIO clubs in South Korea.

## Topics

### Sustainability Activities in the Sports Business—Plastic Reduction Initiatives

Under the Long-Term Sustainability Policy: "Driving Our Future Challenge 2050," the Sports Business is moving forward with a 50% reduction in the amount of plastic used for product packaging and other materials by 2030 compared to the 2019 level.

For golf balls released in the fall of 2021 and thereafter, window film on packaging is being phased out. In addition, from 2023, the plastic lids of PET packaging tubes for DUNLOP AUSTRALIAN OPEN and DUNLOP FORT tennis balls sold domestically will be replaced with paper ones. Plastic lids for the St. JAMES brand training balls and other products were eliminated and the labels were replaced with paper ones that slip inside the containers.

These initiatives are expected to reduce domestic plastic usage by approximately 20 tons per year. After 2024, we plan to take similar measures in other countries and regions.



### Release of e-Sports Exclusive Arm Supporter

The Sports Business has newly made a foray into the e-sports market, which is attracting attention for its growth. The Dunlop Gaming Muscle Arm Supporter, launched in October 2022, was developed based on our insights into the phenomena that occur at the point of contact between objects, such as where a tire meets the road surface or a golf club impacts a golf ball, areas of scientific study our group has engaged in for years. The supporter eases concerns about injury caused by contact and friction between the forearm and mouse pad during long bouts of gaming in addition to helping improve playing performance.

Sales got off to a great start, thanks in part to collaboration with popular internet streamers during promotion. The future expansion of our product line is something we're actively considering.



## Sports Business

## Aiming to Become a Truly Global Player by Creating a Future of Joy and Well-Being for All

Hideaki Kawamatsu

Senior Executive Officer, Head of the Sports Business HQ



### Robust Business Results Overseas Leading to Increases in Sales and Profit in 2022

In fiscal 2022, the Sports Business saw year-on-year increases in sales and profit, an overall robust performance. While this was to some extent attributable to foreign exchange fluctuations, we were also able to considerably expand overseas businesses.

Under the previous Midterm Plan introduced in 2019, we worked to become a truly global player. At that time, more than 80% of the profit we were recording in the Sports Business was accounted for by domestic operations, with overseas profit accounting for less than 15%. In contrast, more than two thirds of the Sports Business's fiscal 2022 profit can be attributed to overseas operations, albeit somewhat reflecting the influence of foreign exchange fluctuations. Thus, we have not only expanded sales but also succeeded in transforming the Sports Business into a business capable of winning in the global arena over the course of past year.

That being said, we have been negatively affected by surges in raw material costs and transportation expenses, which, in turn, left us no choice but to upwardly revise sales prices. However, we have countered this adversity by implementing sales promotional measures finely tuned to differing market circumstances so that our customers are fully confident about their purchasing choices. Through these and other efforts, we strove to flexibly and swiftly adapt our approach.

Amid the COVID-19 pandemic, golf attracted renewed attention as a sport that poses no problems concerning social distancing. As a result, in the first half of the fiscal year we struggled to deliver a sufficient volume of supply to meet growing demand due to parts supply

shortages. We rallied the strengths of all employees at home and abroad to address the problem and this experience strengthened our organizational capability.

Looking at the golf market in Japan, following a temporary shrinkage due to the outbreak of the COVID-19 pandemic, growth in the number of newcomers brought significant market expansion. Although this market expansion has already peaked, the market has stabilized at a size well in excess of the level recorded in 2019 prior to the pandemic. To summarize, we struggled with product supply shortages and the resulting loss of opportunities in the first half of 2022, inconveniencing both business partners and customers, however, in the second half we regained our ability to deliver stable supplies and satisfied their expectations.

Meanwhile, the presence of overseas brands in the domestic market is growing year by year. For domestic manufacturers, these successive waves of imported goods pose an existential threat that they must rally their strengths to counter. We have positioned addressing this situation as a pillar of the new Midterm Plan.

With regard to the sales revenue breakdown by region, sales in North America surpassed domestic sales for the first time. Thus, in order of size of sales revenue, our largest operations are now those in North America, with Japan and South Korea coming in at second and third, respectively. In addition, overall sales in Europe are on par with sales in South Korea. Taking these factors into account, we consider South Korea an important market.

### Leveraging Our Growing Presence in North America to Capture a Top Three Position in Terms of Global Share of the Golf Equipment Market

Thoroughly focused on delivering a lineup of products designed to help customers feel a sense of excitement, our Sports Business is promoting smooth communication.

Sumitomo Rubber Industries boasts three golf brands: XXIO, SRIXON and Cleveland Golf. SRIXON brand golf clubs are supported by professionals and other players strongly focused on winning through aggressive golfing. Meanwhile, XXIO brand golf clubs are known for the pleasing sound they produce when the ball is hit and ease of hitting. These clubs help secure stable carry even if the player misses the ball's sweet spot. Cleveland Golf's flagship wedge clubs help minimize short-game errors. As such, we strive to set our products apart from others by leveraging the clearly distinctive features of each brand.

While we have been thoroughly executing our brand strategies as described above, Hideaki Matsuyama won a championship in the Masters Tournament in 2021 using our clubs and Brooks Koepka, an upcoming player in the United States, began using SRIXON brand golf clubs in the same year. These developments greatly enhanced players' trust in the SRIXON brand in 2022. In addition,

we released updated models and strengthened our sales structure. These measures have proven successful, helping us attract a rapidly growing number of new customers. This is, I believe, the hard-earned result of our efforts to win customer trust in our brands.



Professional golfer Hideaki Matsuyama

Our current aim under the new Midterm Plan is to double sales in North America by 2027. I am convinced that this target is achievable if we thoroughly implement such essential measures as developing even better products through the full use of the Sumitomo Rubber Group's technological assets and further strengthening our sales structure to secure as many contact points as possible with customers. Through these measures, we will build our presence in North America, our main market, and secure a place—a 15% global market share—among the top three suppliers of golf clubs and balls.

In the United States, a growing number of baby boomers are retiring, leading to the expansion of the golf market as many enjoy golfing as part of post-retirement life. For this generation of players, equipment like XXIO brand golf clubs is suitable due to its ease of handling. Originally designed with Japanese and other Asian players in mind, XXIO clubs are designed for individuals who have a smaller stature and difficulties in gaining club head speed.

Although our competitors are similarly vying to capture this market, the XXIO brand is our Sports Business's flagship, long-selling product brand, has undergone constant updating and is now in its 12th

generation. In this light, I believe our 20-year track record puts us at an advantage. In particular, the Sumitomo Rubber Group's strength lies in its in-house produced lightweight shaft, responsibility for which is entrusted to our Miyazaki Factory. In summary, our products are underpinned by the robust accumulation of Sumitomo Rubber Group manufacturing technologies. This provides us with advantages over other golf equipment manufacturers.

Looking at markets other than the United States, that of South Korea is currently booming in a way that is transcending our expectations, with high-end XXIO golf clubs selling very well. Also, there are many people who enjoy golfing at indoor golfing facilities only. Moreover, tournaments of simulated golfing are being held. The golf market is thus developing in a very unique way.

In Europe, Germany, France and other high-profile market regions are seeing robust sales of high-end products. On the other hand, there are market regions where affordably priced products are preferred. We are expanding sales by implementing product strategies aligned with the characteristics of each market.

### Progress in Developing Foundations Supporting the Sustainable Growth of the Racket Business

In April 2017, we acquired trademark rights to the Dunlop brand in countries overseas as well as Dunlop brand sports equipment and licensing businesses. Since then, we have drastically accelerated the pace of expansion in the tennis business, the pillar of our racket business.

In the course of this expansion, we have focused on securing customer trust in our tennis balls by ensuring stable high quality, building on our track record of sincerity in manufacturing to prevail over the competition. At the same time, we have been enhancing our distribution network and sales capabilities. Also, in 2018, we signed an official partnership agreement with the Australian Open, one of the Grand Slam tournaments, and our tennis balls have been the event's official tennis balls since 2019. Dunlop brand tennis balls also boast the top share in terms of use in ATP<sup>\*1</sup> tours since 2019. We will continuously strive to secure greater trust in the entire Dunlop brand based on the reputation of Dunlop brand tennis balls. In this way, we will expand sales of tennis rackets and sports equipment for other racket sports.

With regard to tennis rackets, we are also aware that many customers have a strong tendency to purchase brands used by top-tier professionals. Accordingly, we are focused on discovering promising junior players and nurturing them. Among such players using Dunlop brand tennis rackets is Bruno Kuzuhara, who is ranked among the top 10 players in terms of the ITF<sup>\*2</sup> male junior player ranking, and two other players who similarly use Dunlop rackets. As for female tennis players, in March 2023, we signed a tennis equipment sponsorship agreement with Sayaka Ishii, who turned professional at age 17. We expect that the success of these players will, in turn, empower the Dunlop brand to achieve further growth in the near future.

As described above, our basic strategy is to expand sales of tennis rackets by building on players' trust in, and sales channels developed for, our tennis balls. Taking a similar approach, we also aim to expand sales of equipment for padel and other racket sports.



We renewed our official partnership agreement with Australian Open in January 2023. From 2024 onward, we will continue to act as the official tennis ball supplier for a total of five years.

Left: Satoru Yamamoto, President of Sumitomo Rubber Industries;  
Right: Craig Tiley, CEO of Tennis Australia and the Director of the Australian Open.

A mix of tennis and squash, padel is a racket sport that originated in Spain. It is casually played as a doubles game, with a pair of players on either side of a net. In Europe and elsewhere, padel is rapidly gaining popularity.

In addition, we are strengthening our development team to explore new technologies leading to innovation in tennis rackets.

<sup>\*1</sup> Association of Tennis Professionals  
<sup>\*2</sup> International Tennis Federation

Initiatives outside the tennis business to enhance the comprehensive capabilities of the Dunlop brand include an entry into the e-sports equipment market, a new business initiative for the Sports Business. We began this initiative by releasing an arm supporter designed to help players improve their performance. Specifically, this product reduces friction between the player's forearm and the mouse pad, helping to smooth the operation of the mouse. Going forward, we will pay close attention to the future potential of e-sports and deliver products capable of contributing to its sound development.

### Creating a Future of Joy and Well-Being for All through Sports

Our wellness business, the third pillar of the Sports Business, has just begun modestly recovering from stagnation due to fallout from the COVID-19 pandemic. However, this business has yet to see operating results return to the levels recorded in 2019. Although there is considerable room for improvement in operating results, we are currently promoting various measures to bring this business to full recovery at a pace faster than the industry average. To this end, we are taking a locally rooted approach, making our facilities available to members from surrounding communities and delivering the best possible services. In doing so,

we are helping users improve their emotional and physical health while creating Dunlop brand fans by building familiarity with our products.

Going forward, we will strive to communicate to wider society an understanding of the feeling of refreshment and positive health benefits that participating in sports activities provides and to share the thrill of watching the amazing performances of professional players. In these ways, we will strive to enrich the sporting lives of our customers, thereby living up to our reason for being, namely, creating "a future of joy and well-being."

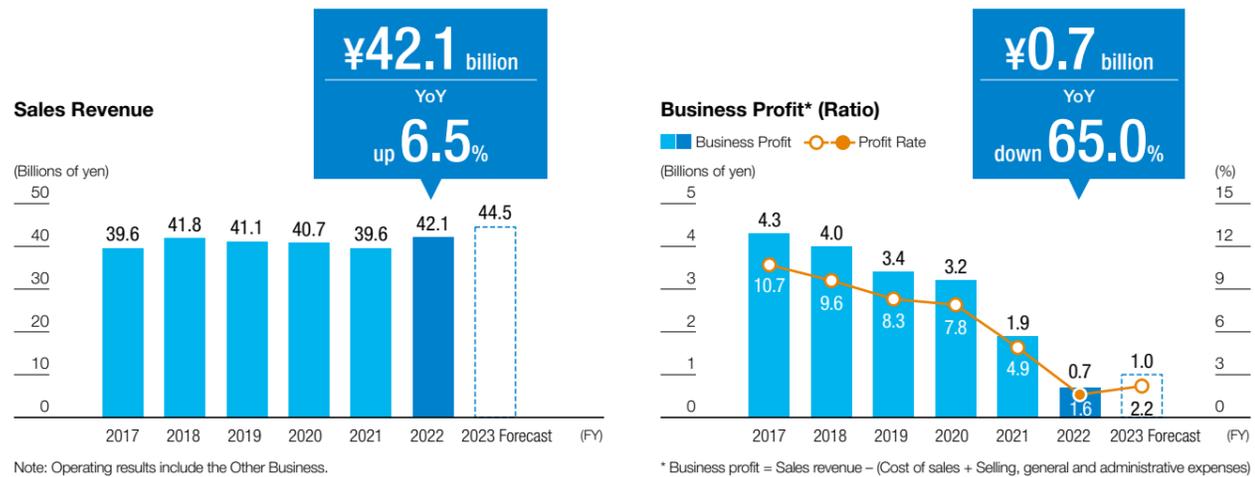
# Industrial Products Business

## Taking a Step Toward Relief, Safety, and Comfort—Products That Contribute to People’s Lives

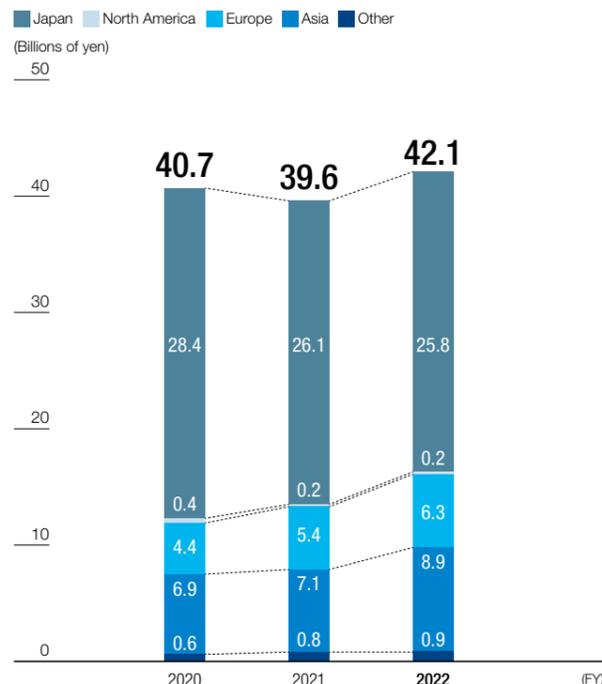
The Sumitomo Rubber Group manufactures a wide range of industrial products that take full advantage of the numerous advanced rubber technologies that we have accumulated throughout our history. Having continuously expanded our business into various new fields in response to the growing needs of society,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

## Results of Operations / Major Indicators



## Sales Trends



**Rubber parts for medical applications**

**Rubber gloves**

**Rubber parts for office equipment**

**Vibration control dampers**

## Overview of Main Businesses

### Rubber Parts for Medical Applications Business

Against a backdrop of ongoing market expansion, sales revenue from rubber parts for medical applications is growing consistently and continually in Japan, Asia, and Europe. While the business environment was harsh in Europe due to the significant impact of external conditions, we expanded our operations in the biopharmaceutical markets in Japan and Asia and steadily raised profits. Going forward, our products are expected to be used in COVID-19 vaccinations. We will further boost our profitability in step with market growth via the development of high-value added products and the expansion of supply capacities.

### Vibration Control Dampers Business

Sales of vibration control dampers increased compared with 2021. In addition to homes, buildings, and bridges, in the domestic market we have been able to install our vibration control dampers in automated distribution warehouses, which have played a crucial role in the expanding distribution sector, since 2022. In addition, the recent

major earthquake in Turkey has led to increased concerns about earthquakes globally. With this in mind, we will remain focused on sales expansion, particularly in the Asian market.

### Other Business

Sales of rubber parts for office equipment climbed year on year as a result of the introduction of new products and the impact of foreign exchange fluctuations, despite the ongoing effects of supply chain disruptions like the global semiconductor shortage. We will continue to create products that precisely satisfy consumer needs.

Meanwhile, sales in the infrastructure-related business rose from 2021 thanks to a robust volume of new orders for artificial turf for sporting facilities. Sales of rubber gloves dropped from 2021 levels due to a challenging business climate, with demand recoiling from the strong growth conditions seen following the outbreak of the COVID-19 pandemic. In hopes of driving up sales on a global scale, we will concentrate on strengthening competitive businesses capable of differentiating themselves from others in terms of product functionality.

## Topics

### Launch of Ki kara Umareta Gloves: Simple Color Edition—Available in Two Colors That Suit Everyday Lifestyles: Monotone White and Monotone Black

Ki kara Umareta Gloves (literally, “made from trees”): Simple Color Edition are available in two colors, Monotone White and Monotone Black, to easily complement today’s attractive kitchens and water features. The Ki kara Umareta series of gloves are composed of natural rubber, which is gentle on the skin and environmentally friendly as it can be broken down by soil microorganisms and thus returned to nature. The inner surface of the gloves has a cotton flocked lining for comfort. In addition, because of their antibacterial treatment, they adhere to the Food Sanitation Act,\* meaning they are hygienic and can be used to safely prepare both meat and fish.

The gloves’ packaging features pictograms (graphic symbols) indicating their functions and features in a simple manner easily understood at a glance. We bring safety, security, and comfort into customers’ lives with our eco-friendly natural rubber gloves that are available in stylish colors, kind to the Earth’s environment and made of soft natural skin-friendly rubber that is comfortable to users’ hands.

\* Specifications and Standards for Food, Food Additives, etc. (Ministry of Health and Welfare Notification no.370, 1959).



### Historic Building Preservation Project—Vibration Dampers Installed in Hokkedo Hall of Shoshazan Engyoji Temple for Vibration Control Damper MIRAIE’s 10th Anniversary

The Sumitomo Rubber Group installed vibration control dampers in December 2022 in the Hokkedo Hall of Shoshazan Engyoji Temple, which boasts more than 1,000 years of history, in Himeji City, Hyogo Prefecture.

The dampers used are made of high damping rubber and symbolize the apex of our unique vibration control technology. To date, they have been utilized in the seismic retrofitting of Higashi Honganji Temple, one of the largest wooden structures in the world, as well as the castle tower at Kumamoto Castle. The dampers were installed in the Hokkedo Hall of Shoshazan Engyoji Temple as the first step of the Historic Building Preservation Project, which commemorates the 10th anniversary of the launch of MIRAIE Vibration Control Units for Detached Housing, which use the same high-damping rubber.

From this installation on, we will continue to promote measures to safeguard both new and existing structures from earthquakes.



Industrial and Other Products Business

## Transforming into a Dynamic Organization in Which Virtuous Cycle Begets Another



Masahiro Tsuzaki

Executive Officer, Head of the Hybrid Rubber Products HQ

### Launching an Offensive in 2023 to Achieve a Turnaround

Throughout 2022, we struggled against an extremely harsh external environment. In addition to the profound negative impact of the COVID-19 pandemic, we have confronted a number of challenges, including surges in raw material costs, looming geopolitical tension arising from the Russia-Ukraine situation and hikes in maritime transportation fees.

The Hybrid Rubber Products HQ boasts connections with a diverse range of industries. These connections provide us with unique strength, empowering the creation of synergetic effects through the use of a multilateral business approach while enabling our various businesses to supplement one another. Nevertheless, we have failed to sufficiently adapt to the rapidly changing external environment.

In light of these circumstances, I formulated three policies for 2023 in my position as the head of the Hybrid Rubber Products HQ, with "launching an offensive to achieve a turnaround" as our slogan.

First, we must strengthen our business. Second, we must pursue growth both of human resources and at the organizational level. Lastly, we must improve our organizational culture. We will uphold these three policies in the course of business management.

As for the first policy of strengthening our business, we will thoroughly implement such essential measures as developing and continually enhancing the foundations of our business with respect to safety, quality and compliance. At the same time, we will strive to deliver greater value to customers while reducing total costs.

We will also take a product development approach centered on on-site assessment and problem-solving in order to secure our ability to quickly and accurately understand issues confronting customers. In doing so, we will focus on both incorporating sustainability perspectives and utilizing digital transformation (DX). Through these and other initiatives, we will develop high-value-added products that the Sumitomo Rubber Group is uniquely capable of creating.

In terms of strengthening our business, we have held various employee dialogue sessions in the course of formulating the new Midterm Plan to determine the general direction for this pursuit. To decisively execute our Midterm Plan, we have also launched a total of seven projects related to both businesses with high growth potential and those requiring structural reforms. Thus, transformative initiatives are now under way under my direct supervision.

With regard to pursuing growth both of human resources and at the organizational level, I believe that the Hybrid Rubber Products HQ is equipped with a culture conducive to the development of senior manager candidates. Specifically, because our employees tasked with development, manufacturing and sales operations work together as a single business team, each individual is well-positioned to gain diverse experience and acquire an extensive range of insights into development, manufacturing and sales at an early stage of career development. Based on our culture, which is highly supportive of human resource development, we will step up our initiatives to nurture human resources by, for example, introducing a unique training menu and conducting personnel transfers that take individual employee's career visions into account.

As for the improvement of our organizational culture, we will undertake to steadily implement efforts to facilitate a culture that values consolidating individual strengths into a single team that achieves targets collectively even as we leverage the diversity of our human resources. We are also conducting one-on-one meetings, teambuilding activities and sessions for sharing personal impressions while striving to identify operations that should be terminated, cut back or modified, and so on. Furthermore, under the slogan of "Bad News First/Fast," we strive to maintain an open-minded and sound organizational culture that allows every employee to frankly communicate and discuss any topic, whether it is good or bad news.

As a result, our efforts to improve communications at various meeting bodies have progressed, with a growing number of employees now engaging in discussions in a way that transcends boundaries between departments or ranks. We have also seen tangible progress in the entrenchment of a culture of commending peers and encouraging those taking on new challenges. I expect these aspects of organizational culture to become new assets for the HQ.

Over the past year, my passion for the hybrid rubber products business has grown even stronger. Our business is characterized by its delivery of high added value that is closely connected with social contribution. I am convinced that our new Midterm Plan targets are achievable if we draw on these characteristics and steadily leverage the outcomes of reforms and improvements under the three policies discussed above.

### Initiatives Centered on Two Growth Businesses (vibration control dampers and rubber parts for medical applications)

Our vibration control dampers and rubber parts for medical applications represent high-value-added businesses with profound social significance.

In the vibration control damper business, "MIRAIE" Vibration Control Units for Detached Housing have been on the market for

more than 10 years. We intend to make fresh efforts to secure business growth for these products.

The Sumitomo Rubber Group directly experienced the effects of the Great Hanshin-Awaji Earthquake and the Great East Japan Earthquake. Due to this experience, we are keenly aware of the

social significance of the vibration control damper business and, accordingly, are determined to expand this business with regard to the three aspects of sales channels, products and brand.

Regarding the aspect of sales channels, our customer base originally consisted mainly of major housing manufacturers and regional homebuilding contractors. However, our vibration control dampers are now being adopted by a growing number of house builders engaged in cross-regional operations. We not only deliver our products for use in housing but also provide them to support buildings, bridges and historical structures. Going forward, we will expand the scope of operations to offer products for shrines and temples as well as automated warehouses. Furthermore, we expect that growing public awareness of the need to promote SDGs will result in a trend toward choosing wood materials in building construction. With this in mind, we will develop products aligned with emerging market needs to expand our sales channels.

As for overseas expansion, we will focus on approaching the Asian market. In addition to Taiwan, in which we have already built a track record in supplying our products, we will accelerate expansion into Indonesia, Philippines and other earthquake-prone countries.

With regard to the product/brand aspect, we will step up the development of products and services designed to empower customers seeking to raise their business value, with "MIRAIE" positioned as our mainstay offering. "MIRAIE" Vibration Control Units are the No. 1 vibration control dampers in terms of use in the domestic new wooden house building industry. When the Kumamoto Earthquake struck in 2016, properties equipped with "MIRAIE" Vibration Control Units did not suffer full or partial collapses. We are

currently developing a successor product to "MIRAIE" with the intention of further enhancing our product, service and brand capabilities.

Based on the initiatives discussed above, we plan to increase the sales revenue of the vibration control damper business by 60% from the 2022 level over the course of five years.

Meanwhile, sales of rubber parts for medical applications have been growing in Japan and elsewhere in Asia. Aware of the social significance of this business in terms of promoting public health, we will further expand it going forward. Specifically, we will focus on enhancing the added value of this business as well as augmenting product capacities.

To enhance our ability to deliver higher added value, we will strive to raise the ratio of sales of rubber products compatible with biopharmaceuticals and new drugs, to this end tackling challenging development themes.

Currently, the domestic production of rubber parts for medical applications is undertaken at our Kakogawa, Izumiotsu and Ichijima factories. We will continuously expand the production capacities of these bases.

We will also consolidate the strengths of development, manufacturing and sales departments to upgrade the rubber parts for office equipment business and the life & industry business (rubber gloves and artificial turf for sporting facilities, etc.). By doing so, we will strengthen product development and service capabilities while promoting a shift of production to overseas bases as well as the local procurement of materials to reduce total costs and increase profitability. In this way, we will strive to deliver stable value to our customers.

### Evolving into a Dynamic Organization in Which One Virtuous Cycle Begets Another

The vision driving the hybrid rubber products business is to make people's daily lives safer as well as more secure and comfortable and thereby deliver a future of joy in a way that leverages our rubber technologies outside the fields of Tire and Sports businesses.

In particular, the hybrid rubber products business is capable of delivering diverse value to customers in such settings as schools, factories, hospitals, housing and sports grounds, all of which are closely associated with people's daily lives. This business also serves medical, disaster prevention and other essential fields. These unique features underpin the attractiveness of the hybrid rubber products business.

Looking ahead, we will pursue value afforded only by this business

even as we remain unflagging in our focus on contributing to people's lives. In line with this focus, we will promote the appropriate selection and concentration of products and businesses with the aim of increasing the total value to be delivered to our customers. And, in the course of these pursuits, we will endeavor to do a greater number of jobs that can be appreciated by customers and business partners while enabling employees to feel a sense of job fulfillment. To this end, we will push further ahead with the structural reforms we have executed thus far at an even faster pace. By doing so, we will transform into a dynamic organization in which one virtuous cycle of growth begets another. This is how we aim to create a Hybrid Rubber Products HQ that makes its employees and all other stakeholders proud.

#### Vibration control dampers

Contributing to disaster countermeasures by leveraging our core technologies accumulated in the course of developing "MIRAIE," No. 1\* vibration control dampers for use in domestic new wooden houses



- Expand customer value via the development of a new version of MIRAIE
- Expand the scope of operations to include the fields of buildings, bridges and automated warehouses
- Establish footholds in an even broader scope of markets overseas, particularly those in Asia
- Contribute to the enhancement of the earthquake resistance of historic buildings

#### Rubber parts for medical applications

Leverage proprietary technologies and high product quality to contribute to the medical field, which directly connects to the quality of people's daily lives and well-being.



- Develop unique, high-value-added rubber products to expand our operations in the biopharmaceutical market
- Enhance our state-of-the-art production lines to augment production capabilities

\* Source: An external survey conducted by Shopper's Eye

## Roundtable Talk among Officers in Charge of Technological Development



**Hiroshi Matsui**  
Senior Executive Officer

**Kiyoshige Muraoka**  
Director, Senior Executive Officer

**Yoichi Mizuno**  
Executive Officer

## What Is the Goal of Our Technological Development in Terms of Supporting Genuine Joy and Well-Being for All?

### Transformative Initiatives Now Being Undertaken by Technological Development Divisions to Achieve the Goals of the New Midterm Plan

**Muraoka** Under the Transformation Project stipulated by the new Midterm Plan, our technological research divisions are focused on three objectives: (1) pursuing optimization via close collaboration among manufacturing, sales and technological departments; (2) developing next-generation tires; and (3) expanding the scope of the operations through which we take on new business fields as well as pursuits in our fields of focus by scaling up the business applications of our SENSING CORE Technology. The Transformation Project strives to transcend organizational boundaries via the use of a top-down approach, with officers playing a central role. Thanks to these features, the project has proven highly effective in promoting measures to achieve the above objectives.

First of all, in pursuing optimization via close collaboration among manufacturing, sales and technological departments, we are addressing the major problem of the downward trend in profit despite sales revenue in excess of ¥1 trillion.

Sales departments naturally lean toward securing orders whenever they expect a certain amount of sales and profit. This puts pressure on technological departments, which then look to increase development resources and undertake capital expenditure to meet delivery schedules. They may also have to augment staffing while enhancing efficiency. Although we typically encounter a variety of issues like the above in the course of business, we consider pursuing overall optimization key to successfully resolving such problems.

Our standard for optimization is determined by asking what factors we need to prioritize to genuinely improve the profit margin. When making judgments, we sometimes prioritize requests from sales departments and at other times those from technological departments. At the Sumitomo Rubber Group, however, we also deem it essential to take the Purpose into account as an axis for judgment.

Secondly, with regard to developing next-generation tires, we are well aware of the growing social trend toward EVs. Accordingly, it is essential

to take full advantage of our unique technologies to stay at the vanguard of this trend and create products boasting unparalleled features.

Thirdly, we will accelerate efforts to scale up our SENSING CORE Technology with the aim of expanding the scope of the operations through which we take on new business fields as well as pursuits in our fields of focus. SENSING CORE is built on Deflation Warning System (DWS) technologies that were commercialized by the Sumitomo Rubber Group in 1997, and no other companies were developing similar technologies at that time. This Technology is capable of analyzing tire rotation signals, assessing the status of tire load, tire wear and other factors as well as road conditions, such as slipperiness, and providing vehicles and drivers with such data.

If data collected via SENSING CORE were utilized not only by tire manufacturers but also drivers, vehicles themselves and automakers, the benefits arising from this Technology would grow even larger. Given the recent social trend away from the simple sale of goods and toward the provision of value-added services, we are confident that SENSING CORE is a truly pioneering technology.

By combining SENSING CORE with our next-generation EV tires, we will contribute to a next-generation mobility society in which autonomous vehicles are mainstream. Furthermore, we will strive to realize “TOWANOWA”—a unique business model concept that connects big data utilization with manufacturing to support a circular economy. This is how we endeavor to serve as forerunner in initiatives to realize a sustainable society.

As discussed above, the Transformation Project targets a diverse range of issues, including those that must be addressed by our group at this point in time and those that must be addressed in the future, as well as social issues calling for collective efforts to create solutions.

**Matsui** As part of the pursuit of optimization via close collaboration among manufacturing, sales and technological departments, we will also strive to reduce the size of our Stock Keeping Units (SKUs).

We will review our current definition of the SKU for each product to make it more efficient.

For example, we can update SKUs by verifying our process for globally distributing products developed using new technologies after initiating the manufacture of such products at our mother factory. Specifically, we will examine the volume of necessary capital expenditure, distribution costs and other expenses by, for example, assessing various options for production

### Value Provided by SENSING CORE

SENSING CORE provides extensive value by detecting Tire Pressure, Tire Load, Tire Wear and Road Conditions. In order to further expand the value that SENSING CORE provides, we are now working on the development of a fifth sensor function to detect Warning Signs of Wheel Detachment



locations where we can intensively manufacture such products in an efficient manner, with all Executive Officers in charge of manufacturing, sales and technology taking part in this assessment.

In terms of developing next-generation tires, SILENT CORE Technology, which employs specialized noise-absorbing sponges installed inside the tire, lends us a distinctive strength. The adoption of SILENT CORE is particularly beneficial to EVs as an effective noise countermeasure because, since they generate no engine sound, the noise generated by the tires moving on the road is all the more noticeable. As a forerunner in this area, the Sumitomo Rubber Group has developed patents for this Technology, which it licenses to other companies.

We also consider our IMS (Instant Mobility System) Tire Puncture Emergency Repair Kits to be a source of strength in light of the increasing popularity of EVs. The IMS eliminates the need to carry spare tires. We will further strive to ensure that both SILENT CORE and the IMS are adopted by a growing range of vehicles.

With the aim of expanding the scope of the operations through which we take on new business fields as well as pursuits in our fields of focus, we are scaling up the business applications of our SENSING CORE Technology. In this area, we expect that functions for detecting early signs of truck wheel detachment will be the first to be commercialized. In Japan, annual statistics on traffic accidents include more than a hundred such incidents involving wheel detachment. Previously, it was assumed that incidents of this kind would be preceded by such signs as vibrations that could be felt by the driver. However, our research revealed that detecting early signs of wheel detachment is extremely difficult for the average drivers. This finding prompted us to develop a technology that would allow the vehicle itself to detect the early warning signs of these incidents.

This technology thus came to fruition as a 5th sensor function, with our proposal targeting truck makers garnering favorable reviews and resulting in its ongoing development. We forecast that vehicles equipped with this function could be released in several years. In addition, our development team has become ever more spirited as their efforts thus far are expected to result in the commercialization of a groundbreaking technology that will, in turn, resolve a social issue.

Going forward, we also intend to develop 6th and 7th sensor functions while expanding the scope of customers who will benefit from them. Through these endeavors, we aim to secure business profit of around ¥10.0 billion from SENSING CORE-related operations in 2030.

### What Is “TOWANOWA”—the Sumitomo Rubber Group’s Unique Business Concept Supporting a Circular Economy

**Muraoka** The transition to a circular economy has become a pressing issue requiring the response of not only the tire industry but all other



industrial sectors.

The Sumitomo Rubber Group has taken a progressive approach to the utilization of sustainable raw materials ahead of other companies. For example, in 2013 our group released the world’s first 100% fossil resource-free tire made from all-natural materials and, in 2019, became the first in the world to release tires incorporating Cellulose Nanofiber, a biomass material. However, we had not forecast that the shift toward a circular economy would gain momentum as rapidly as we are seeing today. We feel that the pace of transition has drastically accelerated.

Basically, initiatives undertaken by manufacturers to support a circular economy seem to be largely similar, because they share a somewhat similar perspective as manufacturers. You will see them naturally gravitate to questions about such issues as what materials they should use, how to procure energy for manufacturing and how to treat manufactured products. Against this backdrop, it is a major struggle to set ourselves apart from others in this area.

On the other hand, as the trend toward a circular economy is now becoming mainstream in society, moving our group in another direction would be untenable, even if we wish to differentiate ourselves.

These thoughts led us to identify the utilization of big data as a technological concept for better leveraging the Sumitomo Rubber Group’s strengths. Specifically, we have decided to develop a built-in mechanism supporting our value creation initiatives based on the full use of our strengths in sensing and AI-based technologies and the mutual coordination of various data, which has previously been utilized in a piecemeal manner. The data gleaned from tires could possibly offer a variety of insights that, in turn, could help us deliver benefits to a broad range of customers if this data were effectively connected with other types of data across society. This big picture will, I believe, set our business concept—

## Roundtable Talk among Officers in Charge of Technological Development

we call it "TOWANOWA"—apart from those of other companies.

Although we expect other companies to announce similar concepts going forward, we would like to definitely maintain our position as a forerunner. In this light, securing connections with diverse range of external corporations as well as service users will be key to success. Our strength in this field will therefore hinge on how far and fast we can expand the scope of external data connections.

**Matsui** The creation of the TOWANOWA concept started with an across-the-board assessment of the status of circular economy-related business endeavors now under way that enabled us to distinguish areas of co-creation from areas of competition. This, in turn, helped us define the new business model.

For example, the recycling and reuse of tires already involves collaboration with other companies. We cannot roll out such an undertaking on a global basis with the power of the Sumitomo Rubber Group alone. Accordingly, these are considered areas of co-creation.

On the other hand, the development of data connections will be an area of competition. Fortunately, no other tire manufacturer is in possession of a technology like our SENSING CORE. However, if this technology becomes widespread in society, our endeavors in this area will naturally shift toward co-creation.

If this happens, we will then be called upon to tackle the issue of what services we can deliver through the utilization of data gleaned via SENSING CORE and how to create value that has never been before via connections with business fields that had never before been in the Sumitomo Rubber Group's radar.

**Mizuno** We expect that, once realized, TOWANOWA will enable us to significantly increase the speed of our development efforts to better accommodate customer needs.

Currently, we are striving to survey the market to verify the severity of damage incurred by the rubber of a tire in the course of regular use, to this end recovering tires used in various conditions and collecting samples from them to assess and analyze resulting changes in the rubber's physical properties. Although these tasks are extremely time-consuming, we leverage collected data to provide feedback that informs our development activities via the use of simulations and other analytic methods.

However, if the above data could be automatically collected and utilized to generate feedback on driving conditions, development departments would greatly benefit from the fresh data input and be empowered to achieve their development targets in significantly shorter periods of time.

**Matsui** We anticipate that our approach to joint technological development involving automakers will evolve going forward along with the updating of our approach to in-house development. Traditionally, we have engaged with automakers' chassis development divisions and jointly developed tires with them. In contrast, development projects associated with SENSING CORE will position us to engage with vehicle and business planning divisions and others tasked with upstream design processes. In short, joint projects of this kind will enable us to take part in the creation of new vehicles and new businesses from the early stages of concept building, instead of limiting our role to merely a producer of a

component for a single vehicle type. We are therefore confident about SENSING CORE Technology's potential to lend us a profound strength in the context of how to navigate our Tire Business into the future.

To secure our abilities to fulfill our expanded roles in these development endeavors, we intend to nurture teams of technicians equipped with expertise in DX and other leading-edge fields and capable of providing automakers with proposals related to the utilization of the Sumitomo Rubber Group's technological solutions. These teams will be developed at our bases around the globe.

As part of specific initiatives to this end, we have launched a new Technical Response Task Force while establishing the Advanced Technology Development Department. Aiming to commercialize the SMART TYRE CONCEPT, the latter will act as a business unit independent from other departments and specialize in promoting advanced development projects with an eye to achieving tangible results by 2030. To this end, engineers from business units charged with creating truck, bus and light truck tires as well as passenger car tires will join the ranks of development staff.

**Muraoka** Today, development divisions are being called upon to meet radically evolving needs at an ever-faster pace. Because of this, we need to undertake the drastic reform of conventional development processes. Ultimately, it is desirable to have an overarching framework that connects various processes ranging from the planning to manufacturing stages through a database or ensures data coordination among such stages.

Furthermore, automakers do not request the preparation and verification of prototype tires at every stage. They put our tires on their vehicle models to verify if they fit. If our tires are good, they will tell us to deliver the same tires a week later. This means that we must be ready to launch mass-production only a week after proposal and verification. As such, we are called upon to develop tires at an extremely swift pace. Accordingly, we need to allocate more resources, including human resources, via the use of a forward-looking approach that takes the required pace of development into account.

We have identified SENSING CORE, Active Tread, Performance Sustaining Technology, Airless Tires and Tire Life Cycle Assessment (LCA) as five key elements of the SMART TYRE CONCEPT—our technological development concept announced in 2017. All of these are technologies unmatched by any other company, and four of the above five are at the commercialization stage.

We will place particular focus on developing SENSING CORE into an even larger business. On the other hand, we have always known that the SMART TYRE CONCEPT would one day cease to be a pioneering concept. It is time to consider developing the next technological concept.

Recently, we shifted many of our employees at technological research divisions to forward-looking development projects. Although the remaining members tasked with the development of existing products are facing extremely harsh conditions due to this transfer, we intend to promote DX and enhance operational efficiency with the aim of better motivating the entire workforce through a shift to a more creative mode of manufacturing.

To that end, we need to create an exciting work environment for engineers. We will therefore strive to provide a place for young engineers to acquire robust technological insights at the early stages of their careers and help them discover a sense of excitement in taking on the challenge of manufacturing that leverages diverse ideas. We expect our engineers to achieve personal growth through these pursuits.

**Mizuno** Under my supervision, the Material Research & Development HQ is doing its best to promote operational streamlining.

Previously, our recipes for rubber compositions had been prepared at experimental facilities through trial-basis compositing and kneading while confirming the various aspects of the resulting rubber's physical properties. It had thus taken several weeks to complete each recipe. Several years ago, however, we introduced software capable of immediately calculating predicted values of physical properties once the data on the proposed rubber composition was entered into a personal computer. This software relieved us from kneading every composition, enabling us to reduce the associated workload at experimental facilities by approximately 30%. Currently, we are striving to further improve this software. In these and other ways, we are working to thoroughly streamline our operations so that greater resources can be allocated to teams tasked with forward-looking development.

## Futuristic Tires That Optimize Their Performance Based on Road Conditions and Temperature

**Mizuno** We are assiduously developing Active Tread as part of the SMART TYRE CONCEPT. In anticipation of the popularization of autonomous vehicles, we believe that for us to ensure driving safety, it will be essential to ensure identical tire performance irrespective of external conditions. In this regard, Active Tread is currently drawing immense attention. We are confident that Active Tread, along with Performance Sustaining Technology, will be an optimal and essential tire technology supporting autonomous driving and car sharing.

Rubber's physical properties change in response to changes in the external environment, including air temperature and road conditions. Based on the composition of a tire's rubber, Active Tread proactively adapts these physical properties to support driving safety.

For example, when the vehicle transitions from a dry to a wet road, Active Tread reacts to the presence of the water and adapts the physical properties of the tires' rubber to exert greater wet grip performance. In this way, Active Tread ensures identical grip performance on both dry and wet roads. In this way, we are endeavoring to realize futuristic tires that boast an unprecedented feature.

**Matsui** It will also be possible to create all-season tires that provide greater grip performance in low-temperature settings, such as when driving on snow or ice, via the use of Active Tread.

In low-temperature environments, the energy efficiency of EVs decreases due to deterioration in battery performance, while tires' rolling resistance increases. However, if we can control the stiffness of rubber at lower temperatures via the use of Active Tread, we will be able to create EV tires capable of curbing deterioration in energy efficiency in low-temperature environments.

**Mizuno** We plan to disclose concept tires equipped with technologies to ensure identical performance on both wet and dry roads in 2023, and to release these tires on the market from 2027 onward. Moreover, in 2024, we aim to release tires employing similar technological concepts to achieve improved performance for driving on ice in extreme low-temperature conditions. These tires will be the first successor series of the "ALL SEASON MAXX AS1." In 2027, all-season tires could be standard for EVs.

**Muraoka** Active Tread will bring direct benefits to drivers. We are aiming for the ultimate form of tires that drivers can use with confidence driving the way they would on a dry road even when it's raining or snowing. Although this may result in lower sales of winter tires, we believe that the provision of tires of that kind is a matter of greater significance, both to the Sumitomo Rubber Group and society, considering our long-held conviction that we should efficiently use the Earth's limited resources and, therefore, our tires should be used over the long term.

## Transitioning from Dependence on Human Techniques to AI-Based Development Blazes a Pathway toward a New Future of Joy and Well-Being for All

**Muraoka** In the course of developing motorcycle tires, test riders try out the prototype tires and provide comments on driving comfort, response, stiffness and other factors, a process also known as sensory assessments. Design engineers then improve prototypes in response to these comments. However, such comments often include highly individual vague, often onomatopoeic, expressions describing the sensations of stiffness, softness or other tire properties. Engineers trying to identify areas requiring improvement and then update tire designs based on their interpretations, had to rely on their accumulated experience, know-how and human intuition.

To accomplish development targets, engineers thus repeat a cycle of identifying issues based on sensory assessments, discovering the root causes of such issues, developing hypotheses, creating improvement



measures and verifying them in actual driving tests. The more engineers gain experience, the fewer rounds of this cycle they need to undergo to finish projects. In sum, the development of tires has long been dependent on human perception.

Today, we are facing the pressing need to pass down the techniques, experience and know-how of seasoned design engineers to the next generation. AI now plays an essential role in providing functions previously fulfilled only by veteran engineers with years of experience in interpreting results of sensory assessments.

In general, it is thought that machine learning and the ability to analyze enormous amounts of data enables an AI to generate correct answers. However, if a technological theory is absent, we cannot tell whether AI chose a specific answer based on correct reasoning or it did so by chance. Accordingly, we have striven to visualize a veteran design engineers' thinking process.

We have categorized and organized the items used in sensory assessments as well as the improvement measures created based on such assessments. Through these and other efforts, we have endeavored to improve the AI's learning data. As a result, our AI has become able to link sensory assessment results with design parameters. This is, we believe, a remarkable technological advancement.

To become able to interpret the comments provided via sensory assessments, engineers had to undergo on-the-job (OJT) training furnished by veterans capable of passing down necessary techniques. It usually takes five to 10 years to nurture professionals in this area. Although we do believe that our conventional ways of passing down techniques from veterans to younger engineers are worthy of preservation, we also consider enabling the latter to acquire these techniques at even earlier stages an integral part of our mission.

As part of the above-mentioned steps for visualizing the thinking processes of veteran design engineers, we have also developed mechanisms for predicting their choice of solutions from among multiple options for addressing the root causes of issues discovered in prototype tires and what improvements to make so that young engineers can learn from studying the paths taken by their predecessors and quickly realize their shortfalls or failures. This has made it possible to equip young design engineers with proficiency at earlier stages of their careers, achieve higher development efficiency and concentrate on more sophisticated technological development.

The utilization of data regarding the results of sensory assessments undertaken by actual humans is not only instrumental to tire development but also beneficial to other business operations conducted by our group. In particular, the analysis and utilization of data regarding people's widely differing modes of behavior and sensory responses could be of great help in our Sports business and nursing care services.

Acquiring technologies like those described above will help us secure a profound strength going forward while empowering us to create "a future of joy and well-being for all" in line with our group's Purpose. Therefore, let all of us pull together to do our best in these development endeavors.



## A Message from the Director in Charge of ESG



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

**Masatsugu Nishino**  
Director, Senior Executive Officer in Charge of ESG

#### Awareness of “Driving Our Future Challenge 2050” Is Being Steadily Entrenched among Our Workforce

It has been two years since we announced our Long-Term Sustainability Policy in conjunction with the financial results disclosure in August 2021. Following this announcement, we took a top-down approach to disseminating the policy that entailed reporting sessions for employees as well as one-on-one meetings between top management and the heads of each department. This was paired with a bottom-up approach wherein employees who had been tasked with formulating the policy were empowered to advocate for it at their respective Group companies or departments. As these efforts have helped raise sustainability literacy among employees, I feel that awareness of our Long-Term Sustainability Policy is steadily being entrenched in the workforce.

Moreover, indicators associated with ESG management have been incorporated into performance targets for officers, while the Shirakawa Factory initiated the utilization of hydrogen in tire manufacturing. As these and other tangible developments came into play after the announcement of our Long-Term Sustainability Policy, I am now acutely aware of the importance of setting long-term targets like this. In line with this policy, we are currently focused on the three initiatives named below to fully leverage our unique strengths.

First, we are promoting the utilization of hydrogen. This involves the switching over of fuel used in manufacturing processes from

natural gas to hydrogen, with the aim of achieving carbon neutrality. Second, we are working to increase the sustainable raw material content of our products. Such content is defined as biomass raw materials that are of biological origin and recycled raw materials. As of fiscal 2022, our products' sustainable raw material content ratio was 33%. We plan to raise this to 40% by 2030. To this end, we are considering introducing carbon recycling and employing an even more diverse range of recycled raw materials. Technically, we will be able to achieve the target ratio ahead of schedule via current measures. However, there are some issues that must be addressed, including how to translate the resulting rise in costs into sales prices and whether increased costs could be offset by weight reductions.

Third, we are abiding by the certification system we established for sustainable products based on internal standards. Specifically, we have defined the assessment standards applied to all offerings in our Tire, Sports, Industrial Products businesses. These standards cover the ratio of sustainable raw materials used and the amount and type of energy consumed in the course of manufacturing. Under a two-grade system, we determine products deemed worthy of “Standard” or “Gold” certification based on the degree of their achievement relative to the above standards. Our current aim is to ensure that all products are certified “Standard” by 2030.

#### Realizing Japan's First Carbon-Neutral (Scopes 1 and 2) Manufacturing Process for Mass-Production Tires

Among the three initiatives I discussed above, our greatest accomplishment has been in hydrogen utilization at factory lines.

The energy used in tire manufacturing comes from two sources: electric power and natural gas. With regard to electric power, we have reduced CO<sub>2</sub> emissions arising from its use, with our measures to this end centered on the installation of energy-saving facilities, the expansion of cogeneration systems, the introduction of solar power generators and a shift to green energy procured from renewable energy sources. However, it is technically difficult to replace the steam used in the curing process, which forms tires by applying heat and pressure, with electricity. Thus, the energy transition of this process has long been an issue.

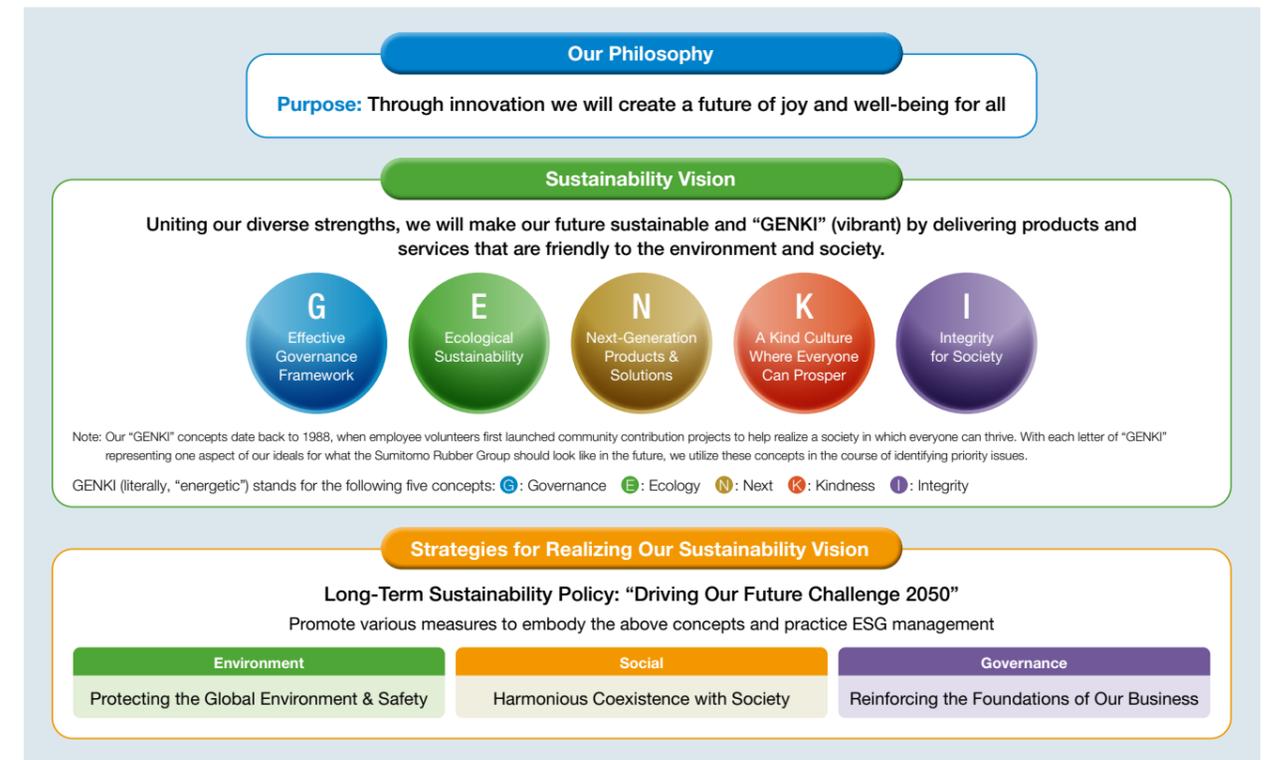
To resolve this issue, verification testing has been under way at our Shirakawa Factory in Shirakawa City, Fukushima Prefecture, as part of a project subsidized by the New Energy and Industrial Technology Development Organization (NEDO). This project aims to switch the fuel used to produce steam for curing from natural gas to hydrogen. In January 2023, this factory began supplying steam produced by hydrogen-fired boilers to the curing process of our leading-edge NEO-T01 Manufacturing System, which employs a high-precision metal core and enables the production of tires boasting extremely high performance with a compact, streamlined process.

Furthermore, the installation of solar panels has made it possible to obtain a robust output in excess of the volume of electricity used in NEO-T01 processes. As a result, our Shirakawa Factory has realized Japan's first mass-production tires manufactured via a carbon neutral process as defined in terms of eliminating Scope 1 and 2 emissions.

Going forward, we will conduct verification testing to determine how to best control the NO<sub>x</sub> emission volume, a typical issue with hydrogen-fired boilers, as well as to identify and resolve various issues associated with the around-the-clock operation. In this way, we will assess the effectiveness of the switchover to hydrogen fuel.

In general, the switchover to hydrogen fuel entails only the replacement of boilers or turbines and does not require changes in other manufacturing facilities. This is one of the great advantages of hydrogen utilization. Our Shirakawa Factory currently aims to expand the scope of hydrogen utilization to encompass all of its manufacturing lines. Once the use of hydrogen is widespread among our domestic factories, we will strive to roll it out at our overseas factories.

Also, we are considering the procurement of carbon-free, green hydrogen. Moreover, in line with our aim to develop a manufacturing model featuring the local consumption of locally produced hydrogen, we use hydrogen supplied by a corporation based in Fukushima Prefecture.



#### Formulating the Sumitomo Rubber Group's Unique Business Concept Supporting a Circular Economy

The Sumitomo Rubber Group has announced “TOWANOWA,” a unique business concept designed to support the circular economy through our Tire business. Today, the realization of a circular economy is a matter of urgency. In response, this business concept aims to help develop a circular economy in a way that takes full advantage of the Sumitomo Rubber Group's unique capabilities. Specifically, “TOWANOWA” connects the “Sustainable Ring,” which is the efficient circulation of goods and the recycling of resources within five key processes of our Tire business, and the “Data Ring,” which is the consolidation and sharing via the cloud of data gleaned from the above five processes using our SENSING CORE Technology.

In Japan's tire industry, circular economy-related initiatives have mainly focused on thermal recycling, which utilizes waste tires as fuel to obtain heat. As a result, thermal recycling accounts for around 70% of tire reuse while recycling by retreading accounts for only about 6%.

In contrast, “TOWANOWA” employs an unconventional approach linking tire data gleaned from vehicles as they are being driven via the use of our unique sensing technologies with production data to create a combined source of data that informs each of the five Tire Business processes while providing end users with feedback based on such data. These are the distinctive features that set this business concept apart.

#### Challenges That Must Be Overcome to Further Promote ESG Management

Tasked with spearheading ESG management, the Sustainability Promotion Committee holds meetings twice a year attended by the Group President and all officers. These meetings focus on conducting a global management review and sharing information among bases. Meanwhile, meetings of personnel in charge of promoting sustainability are also convened to discuss specific measures to be implemented. Among the 48 participants who currently attend these meetings are the project members who led the formulation of our Long-Term Sustainability Policy. In 2023, we increased the frequency of these meetings from a quarterly basis to six times per year. Going forward, we intend to expand the number of meeting attendees and invigorate discussions.

As explained above, the Sumitomo Rubber Group places great emphasis on ensuring that all of those in top management have an in-depth understanding of ESG management and take the lead in promoting it. This emphasis is also appreciated by external specialists as a positive factor that makes it easier for our group to promote ESG.

As an executive in charge of ESG, I have formulated a policy of making the Sustainability Promotion HQ attractive to employees over the long term. The Sumitomo Rubber Group is currently promoting in-house postings to sustainability-related projects, which can involve environmental management, diversity & inclusion and other relevant operations. Employees who participate in these projects are steadily raising their abilities to apply a sustainability perspective when undertaking their principal duties. I personally expect that

individuals who have gained such experience will take the lead in practicing ESG management at each department.

In order to expand the scope of sustainability initiatives, we need to encourage as many employees as possible to develop a sense of ownership regarding the implementation of relevant measures. The process of developing a sense of ownership is believed to consist of four stages: (1) Recognition, (2) Understanding, (3) Application and (4) Contribution. However, some employees may face challenges that inhibit them from developing a sufficiently tangible sense of ownership and reaching the fourth stage of contributing to sustainability through their own operations. With this in mind, we will initiate this process by disseminating information on initiatives undertaken by the Sumitomo Rubber Group among a broad range of employees. We also intend to develop a framework for supporting ongoing communication with them.

Sustainability initiatives will yield tangible effects only when they are implemented over the long term. Although some of our initiatives are likely to result in cost increases, we will carefully judge whether they can be sustainably implemented even as we give due consideration to their impact on operating results. This is another challenge that must be overcome. To address this challenge, we aim to secure an even more robust structure capable of enabling both business divisions and top management to engage in thorough discussions to reach the best decision for the corporation.

## 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.

In light of radically evolving conditions associated with social issues, including the growing repercussions of climate change, 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 to ensure the sustained growth and development of both our group and society as a whole. The Long-Term Sustainability Policy: “Driving Our Future Challenge 2050” was thus formulated and announced in August 2021.

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

	2050 Challenge Target Themes	Action Plans	Targets (Target Year)
Environment Protecting the Global Environment & Safety	Product Innovation	Realizing the SMART TYRE CONCEPT	Concept Tire Completion (2029), Equip all new tires with SMART TYRE CONCEPT technology (2030)
		Establishing a Sustainable Product Certification System	Setting Targets for Internal Standards (2022)
	Carbon Neutrality	Carbon Neutrality (Scope 1, Scope 2)	50% Reduction in Emissions Compared to 2017 Levels (2030), Full Carbon Neutrality (2050)
		Carbon Neutrality (Scope 3)	Setting Targets for the Reduction of Scope 3 Emissions (2022)
		The Utilization of Hydrogen	Stable Operation of Production Line Utilizing Hydrogen Boilers (2023)
	Resource Circulation Sustainable Raw Materials	Increasing the Usage Rate of Sustainable Raw Materials	Sustainable Raw Material Content Targets by Product Line Tires: 40% (2030), 100% (2050) Sports: 20% of All Practice Golf Balls Sold (2030), 100% of All Golf Balls Sold (2050) Launch of 100% Sustainable Tennis Balls (2030), 100% of All Tennis Balls Sold (2050) Industrial Products (by Weight): 40% (2030), 100% (2050)
Reducing Plastic Usage		40% Reduction in Plastic Used in Tire Labels, Packing Materials, Sales Promotion Tools, etc., Compared with 2019 Levels (2030)	
Water Resources	Reducing Water Usage	100% Recycled Water Usage at Bases of Operations in Areas with High Water Security Risk (2050)	
Supply Chain Management for the Environment	Sustainable Natural Rubber (SNR) Policy	Raw Material Procurement in Line with SNR Policy Applied to Major Suppliers (2030), Applied to All Suppliers (2050)	
Social Harmonious Coexistence with Society	Safety & Health	Thoroughgoing Occupational Safety & Health	Zero Serious Accidents
		Promoting Healthy Management	Strengthening Industrial Health Framework & Cultivating Culture of Health
	Organizational Culture	Developing Leadership	Global Introduction of 360° Feedback (2030), Ongoing Executive Coaching (2030), 80% Positive Responses on Organizational Health Survey (2030)
	Respect for Diversity & Harmony	Promoting Diversity & Inclusion	Expansion of Unconscious Bias Training to All Levels (2030)
		Promoting Women’s Empowerment	Ongoing Career Development Program for Women, Percentage of Management Positions Held by Women: 7% (2025), 12% (2030)
Respect for Human Rights	Establishing a Human Rights Management System	Formulation of a Global Human Rights Policy (2023), Creation of a Human Rights Management System and Due Diligence Process (2024), Establishment and Implementation of Human Rights Due Diligence (2025)	
Supply Chain Management	Actively Seeking Third-Party Assessments (EcoVadis)	Procurement of 95% (purchase value basis) of Tire Raw Materials from Suppliers Who Earned Standard (45 points) or Higher Scores (2030) (planning the phased rollout of this procurement approach to businesses other than the Tire Business)*	
Governance Reinforcing the Foundations of Our Business	Enhancing Corporate Governance	Increasing the Diversity of Board Members	Establishment of a Framework for Improving the Effectiveness of the Board of Directors with an Eye Toward External Changes & Our Shifting Business Situation
		Improving the Effectiveness of Governance	Analyzing the Results of Third-Party Assessments to Enact Measures to Enhance Effectiveness
	Thoroughgoing Compliance	Transparency with Respect to Taxes	Formulation of Tax Policy • Enactment of a Global Tax Strategy (2025)
		Instilling “Our Philosophy”	80% Supportive Response on “Our Philosophy” Entrenchment Survey (2030)

Note: With regard to supply chain management, we have revised our target from Auditing Performed for 95% of Tire Raw Materials on Purchase Value Basis (2030) to Procurement of 95% (Purchase Value Basis) of Tire Raw Materials from Suppliers Who Earned a Standard (45 Points) or Higher Score (2030), setting our sights even higher.

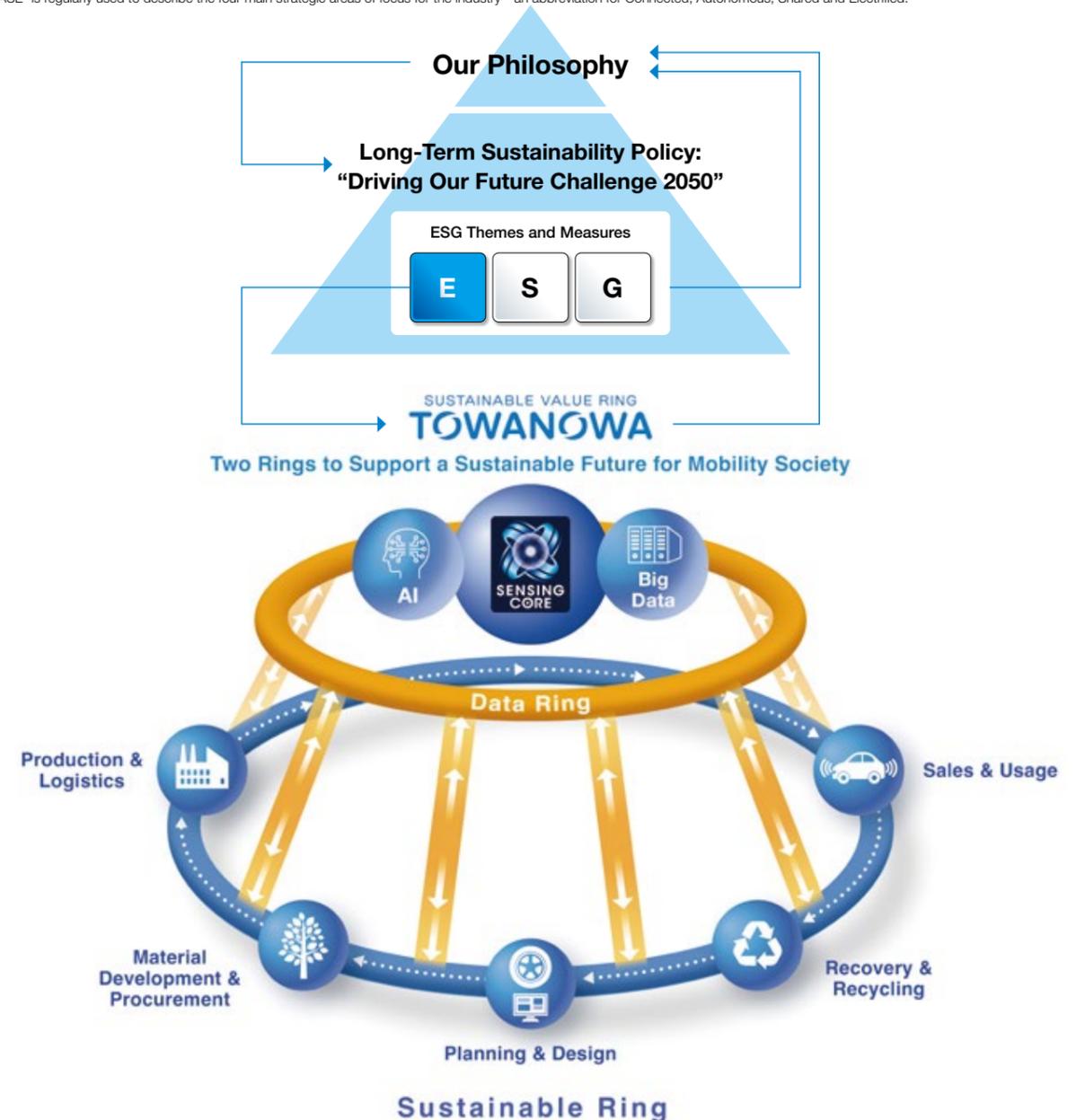
## Overview of “TOWANOWA,”

### a Business Model Designed to Support a Circular Economy through the Tire Business

Encapsulating our hope to support the long-lasting development of a sustainable mobility society in the future, the word *TOWANOWA* brings together the two Japanese terms TOWA, meaning “Everlasting,” and WA, meaning “Ring.”

In line with the TOWANOWA concept, we aim to facilitate the circulation and effective utilization of limited resources while promoting the use of big data, comprising data gleaned by such technologies as SENSING CORE, an asset unique to the Sumitomo Rubber Group. Through these efforts, we will deliver new value to customers, contribute to the creation of the next-generation mobility society and otherwise help realize a sustainable future in which all people can enjoy safety, security and comfort. We will thus promote the TOWANOWA concept to realize a long-lasting tire business cycle as part of efforts to embody “Our Philosophy.” In the course of doing so, we will address issues associated with CASE\* megatrends, help realize a sustainable world and contribute to the creation of a future of joy and well-being for all.

\* “CASE” is regularly used to describe the four main strategic areas of focus for the industry—an abbreviation for Connected, Autonomous, Shared and Electrified.



# Value Created and Delivered by TOWANOWA

A unique approach, the TOWANOWA concept is best illustrated as a structure in which a “data ring” (here depicted in orange) coordinates and leverages data obtained in each value chain process, while the “sustainable ring” (in blue) facilitates the circulation of goods and materials throughout the value chain processes, eliminates redundant resource consumption and helps realize a circular economy. TOWANOWA is thus our Concept for a circular economy business model, which, by bringing together this sustainable ring and this data ring, continuously creates new value.



# Initiatives to Protect the Environment

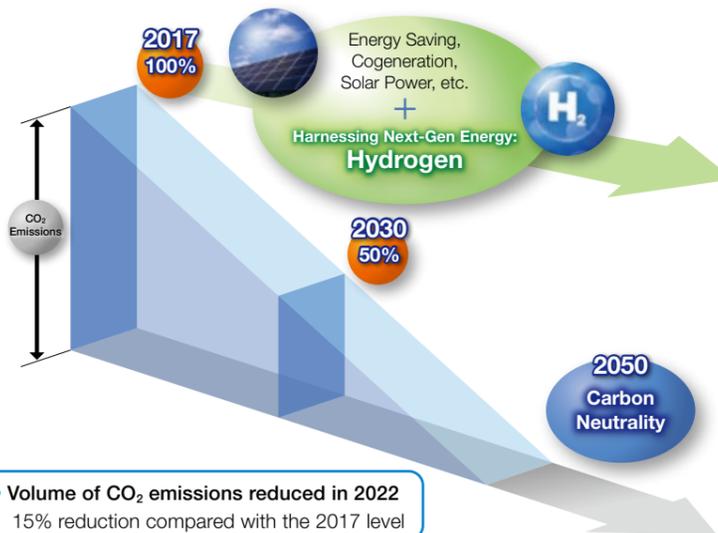
## Initiatives to Achieve Carbon Neutrality

### Initiatives to Reduce Scope 1 and 2 Emissions

The Sumitomo Rubber Group has identified a target of halving its Scope 1 and 2 CO<sub>2</sub> emissions by 2030 (compared with the 2017 level) and achieving carbon neutrality by 2050. To this end, each base has undertaken the preparation of carbon neutrality scenarios that include the installation of energy-saving facilities, the expansion of cogeneration systems, the introduction of solar power generators, a shift to the procurement of green energy and the adoption of hydrogen as an alternative fuel. If the reduction of CO<sub>2</sub> emissions

progresses in line with these scenarios, we will be able to halve our CO<sub>2</sub> emissions in 2029, a year ahead of schedule.

To raise awareness among employees, we also launched an intranet website that disseminates informational videos on carbon neutrality. Furthermore, as part of efforts to nurture a keen awareness of the need to protect the Earth's environment into the future among younger employees, we host roundtable talk events in which new recruits are invited to discuss carbon neutrality.



Note: Figures are calculated using CO<sub>2</sub> emission factors in 2017 as a fixed coefficient



An intranet website created by employee suggestions as part of feedback gleaned via questionnaires targeting new recruits

### Utilizing Hydrogen in Tire Manufacturing

As part of initiatives to achieve carbon neutrality, a project is now under way to switch from natural gas to hydrogen as the fuel used to produce steam for curing, an essential part of tire manufacturing process.

This project is subsidized by the New Energy and Industrial Technology Development Organization (NEDO), with verification testing under way since August 2021 at our Shirakawa Factory in Shirakawa City, Fukushima Prefecture.

The specific aim of this project is to supply steam for the curing process that is produced by hydrogen-fired boilers to our leading-edge NEO-T01 Manufacturing System, which employs a high-precision metal core and enables the production of tires boasting extremely high

performance with a compact, streamlined process. We have also introduced a set of solar power generators with a large enough capacity to supply the electricity needed to run the entire NEO-T01 production line. Employing these energy sources, in January 2023 we launched Japan's first mass-production tires manufactured via a carbon neutral process as defined in terms of eliminating Scope 1 and 2 emissions.

Going forward, we will conduct verification testing to identify and resolve various issues associated with the around-the-clock operation of this production line, including how to control the volume of NOx emissions. In this way, we will assess the effectiveness of hydrogen utilization.



Hydrogen-fired boilers



Solar power generators



(From left) Mr. Eiji Ohira from NEDO, President Satoru Yamamoto from Sumitomo Rubber Industries and Mr. Hirohide Furutani from the National Institute of Advanced Industrial Science and Technology

### Shifting to Energy Procured from Renewable Energy Sources, Introducing Solar Power Generators and Expanding Cogeneration Systems

In January 2022, our two factories in China (Changshu and Hunan) shifted all their energy purchasing to energy procured from renewable energy sources. A similar shift was then executed in the same year at another of our factories in China (Zhongshan), some affiliates in Japan and our factory in Turkey.

In 2023, our Brazil Factory, Tokyo Head Office (office facilities only) and Thailand Factory plan to also shift their energy purchasing to renewable energy. In addition, the Thailand Factory plans to install cogeneration systems as well as rooftop solar power generators, the latter of which will be the world's largest in scale.



Artists' rendering of solar panels to be installed at the Thailand Factory

### Toward the Reduction of Scope 3 Emissions

The Sumitomo Rubber Group not only strives to achieve carbon neutrality in terms of Scope 1 and 2 emissions but also endeavors to reduce the volume of greenhouse gas (GHG) emissions from the entire supply chain, including Scope 3 emissions. It should be noted that the Group's overall Scope 3 emissions are approximately 40 times as much as the sum of its Scope 1 and 2 emissions. Also, as the reduction of Scope 3 emissions is now deemed an integral part of mitigation measures, which have become more significant than ever in countering the impact of climate change, the Sumitomo Rubber Group considers curbing these emissions an important issue to be addressed by both itself and society as a whole.

With this in mind, in 2022 we strove to enhance the accuracy of our calculation of Scope 3 emissions. We have thus measured the volume of these emissions across all emission categories related to business activities undertaken throughout the Group. In addition, we have undergone the third-party verification of Category 1 emissions (Purchased

Goods and Services), Category 11 emissions (Use of Sold Products) and Category 12 emissions (End-of-Life Treatment of Sold Products) as our emissions in these three categories are particularly voluminous. In this way, we have secured the reliability of our emission data. [▶ P99](#)

The sum of emissions from the abovementioned three categories and Category 4 emissions (Upstream Transportation and Distribution) accounts for around 99% of our Scope 3 emissions. Accordingly, we are now formulating reduction targets and planning reduction measures to address emissions in these four categories.

In November 2022, Sumitomo Rubber Industries submitted a commitment letter to the Science Based Targets Initiative (SBTI). Currently, we are striving to acquire SBT certification by formulating targets consistent with the Paris Agreement and clarifying measures to be undertaken to achieve such targets by the end of the fiscal year ending December 31, 2023. We plan to feature the details of these endeavors in the next edition of the Integrated Report.

### Breakdown of Scope 3 Emissions

Category	Fiscal 2022 emission volume (thousand t-CO <sub>2</sub> e)	Proportion of each Category in Scope 3 emissions
Category 1 Purchased Goods and Services	5,073	12.86%
Category 2 Capital Goods	46	0.12%
Category 3 Fuel- and Energy-Related Activities not Included in Scopes 1 and 2	154	0.39%
Category 4 (Upstream) Transportation and Distribution	349	0.88%
Category 5 Waste Generated in Operations	19	0.05%
Category 6 Business Travel	5	0.01%
Category 7 Employee Commuting	17	0.04%
Category 9 (Downstream) Transportation and Distribution	5	0.01%
Category 11 Use of Sold Products	32,870	83.35%
Category 12 End-of-Life Treatment of Sold Products	897	2.27%
Category 13 (Downstream) Leased Assets	3	0.01%
<b>Total</b>	<b>39,437</b>	<b>100%</b>

Note: Emissions in categories 8, 10, 14 and 15 are excluded from calculation.

### Implementing ICP

To create a framework for promoting internal activities in order to achieve our carbon neutrality targets, we introduced Internal Carbon Pricing (ICP), setting ¥8,000 (USD70)/t-CO<sub>2</sub> as the reference price on a trial basis in 2022. We then officially adopted the ICP approach in 2023. Although we had previously applied ICP to investment in energy-saving measures, we now implement ICP to examine all investment projects that could possibly affect the volume of CO<sub>2</sub> emissions. Current ICP: ¥10,000 (USD70)/t-CO<sub>2</sub>

### "Sustainability Challenge," an In-house Campaign

Since 2021, we have conducted the "Sustainability Challenge," an in-house campaign, with the aim of encouraging every employee to

think about sustainability and fostering a sense of unity regarding the promotion of ESG management.

This campaign involves the periodic inspection of tire pressure to prevent the deterioration of fuel efficiency\* due to insufficient tire pressure. Other activities include encouraging employees to use their own shopping bags and water bottles instead of purchasing them at stores. In this way, the campaign has begun by facilitating small actions that we can take in our daily lives.

In 2022, all Sumitomo Rubber Group employees were called upon to participate in this campaign. As a result, a cumulative total of 14,285 employees have now taken part and thus achieved a 509-ton reduction in CO<sub>2</sub> emissions.

\* Fuel efficiency deteriorates by 4.3% with a 50kpa decrease in tire pressure; based on a survey of the Japan Automobile Tyre Manufacturers Association, Inc.

Initiatives to Protect the Environment

Initiatives to Support a Circular Economy

A Certification System for Sustainable Products (Internal Standards)

In 2023, the Sumitomo Rubber Group introduced a certification system for sustainable products based on internal standards as part of measures specified in its Long-Term Sustainability Policy “Driving Our Future Challenge 2050.”

We thus apply our own assessment standards to the selection and certification of sustainable products from among all offerings of our Tire, Sports, Industrial Products and other businesses. Assessment items are set for each product group and include the ratio of sustainable raw materials used, the type of energy consumed in manufacturing processes and the product’s recyclability after use. Products that meet bare minimum requirements are designated

“Standard,” while “Gold” certification is granted only to products boasting outstanding features in terms of sustainability. Our current aim is to ensure that all products are certified “Standard” by 2030 and, to this end, are striving to update their features.

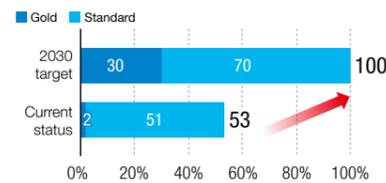
Looking ahead, we will continue to develop an internal certification framework to identify products capable of contributing to global warming countermeasures and environmental load reductions throughout their life cycles. By doing so, we will align our product development approach with a progressive shift to a business model in favor of circular economies.

The Current Ratio of Internally Certified Products and Our Target for 2030 Regarding This Ratio

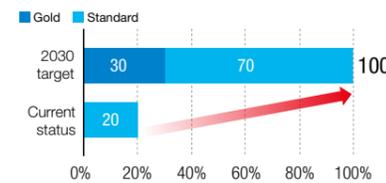
Ratio of Certified Tires (based on units of tires)



Ratio of Certified Sports Business Offerings (based on sales)



Ratio of Certified Industrial Products Business Offerings (based on the number of sites)



We aim to ensure that all products acquire “Standard” certification or above by 2030.

Examples of Assessment Standards

Phase	Assessment items	Examples of initiatives deemed worthy of certification
Planning and design	Lightweight	Promote weight saving for tire products to curb CO <sub>2</sub> emissions in the course of use Save resources by reducing packaging material use, curb CO <sub>2</sub> emissions in the course of transportation, cut back on the volume of waste plastics, etc.
Material development and procurement	Materials	Increase the ratio of sustainable raw materials used (adoption of biomass or recycled raw materials)
Production and distribution	Energy	Increase the ratio of renewable energy used in the course of manufacturing Reduce the overall volume of energy used in the course of manufacturing, etc.
Sale and use	Fuel efficiency	Decrease tires’ rolling resistance to reduce environmental burden
	Product life	Improve tires’ wear resistance to reduce environmental burden
Recovery and recycling	Specifications	Enhance the ease of retreading Adopt product labeling designed to indicate environmental friendliness and raise public environmental awareness Adopt resource-saving installation methods for industrial products

Based on internal standards, including items listed above, we grant certification based on a two-grade system, with each eligible product bearing “Standard” or “Gold” certification in line with cumulative total points earned.

Our Scheme for Certifying Sustainable Products

The following diagram shows the flow of our certification scheme. First, separate product development committees are convened to examine Tire, Sports and Industrial Products business offerings to determine candidate products. Directors then screen these products at the annual meeting of the Sustainable Products Certification

Committee to finalize those worthy of certification. Through this scheme, we will promote the development of an internal structure for incorporating sustainability elements into product development.

Certification Scheme



Promoting the Use of Sustainable Raw Materials

In line with our Long-Term Sustainability Policy “Driving Our Future Challenge 2050,” we aim to pursue the creation of “a future of joy and well-being for all” through the practice of ESG management. Moreover, as part of our environmental initiatives, we have formulated “TOWANOWA,” a unique business concept that supports the circular economy. Based on this concept, we aim to reduce the volume of CO<sub>2</sub> emissions and realize sustainability along our entire value chain, including material development and the procurement process. To this end, we have set targets for increasing the sustainable raw material content of our tires at 40% by 2030 and 100% by 2050.

In March 2023, we developed new tires for racing use. These tires are manufactured using biomass and recycled raw materials, which together account for 38% of raw materials used, and are sold under the Dunlop brand in the motor sports field—the front line of tire development. To create these tires, we utilized natural rubber and naturally derived raw materials as well as materials recovered from recycled steel. The resulting tires have a sustainable raw material content much greater than that found in conventional racing tires. Looking ahead, we will update and finely tune these tires to enhance their performance as we aim to make them available for actual racing use by the end of 2024.

In addition, from 2024 onward we will release replacement tires with high sustainable raw material content for commercial use.



Honda NSX-GT, which belongs to the Modulo Nakajima Racing team, uses our racing tires with high sustainable raw material content



The tire bears a uniquely designed logo sticker on its side

Initiatives to Reduce the Use of Plastics

The Sumitomo Rubber Group aims to reduce the volume of plastics it uses on a global basis by 40% by the year 2030 compared with the 2019 level and promotes initiatives to this end.

In the Sports Business, our initiatives include updating tennis ball

packaging by abolishing the use of plastic lids and switching to paper-based labeling. As for golf ball packaging, we are phasing out window films. (Please refer to page 42 for details.)

Initiatives to Counter the Microplastics Problem

Artificial turf used in sporting facilities is now considered a possible source of microplastic\*1 dispersion into rivers and the sea as, with use over time, turf fibers break and the rubber chips used as fillers may leak, spreading into the environment. Aware of this possibility, since 2020 Sumitomo Rubber Industries has been engaged in surveys aimed at determining the degree of dispersion with the collaboration of local governments and other bodies in charge of the management of the sports facilities in question. Moreover, we are developing materials and products designed to robustly curb microplastic dispersion while conducting the verification testing of such materials and products.

Products we have developed thus far include barrier materials used in the outer perimeter fences of artificial turf and filtering materials to be installed in drainage conduits. For some of these products, their use as a microplastics countermeasure has been designated by the Ministry of the Environment as a good practice\*2 or featured in Guidelines Regarding the Curbing of Microplastic Dispersion from Artificial Turf Facilities\*3 issued by Osaka Prefecture in March 2023. Moreover, since June 2022, the planning of countermeasures to curb the dispersion of microplastics from municipal tennis courts with artificial turf incorporating sand\*4 has been under way in collaboration with Tama City, Tokyo.



Installation of a system for curbing microplastic dispersion



Barrier materials for use in the outer perimeter fences of artificial turf

\*1 Small pieces of plastic that have a diameter of no more than 5mm.

\*2 [https://www.env.go.jp/water/post\\_113\\_00005.html](https://www.env.go.jp/water/post_113_00005.html) (Japanese only)

\*3 <https://www.pref.osaka.lg.jp/hodo/index.php?site=fumin&pageId=47315> (Japanese only)

\*4 <https://www.city.tama.lg.jp/map/sports/tennis/1003856.html> (Japanese only)

Initiatives to Protect the Environment

Environmental Management

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. 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.

Environmental policy  
[https://www.srigroup.co.jp/sustainability/genki/environment/pdf/ep\\_sri.pdf](https://www.srigroup.co.jp/sustainability/genki/environment/pdf/ep_sri.pdf)

Global Environmental Management

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Environmental Management System



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 Director in charge of ESG serving as the committee chair, the committee includes officers responsible for relevant departments.

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 of Energy and the Shift, etc., to Non-Fossil 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.

To counter the climate change problem, the Sustainability Promotion Committee is also engaged in the follow-up monitoring of progress in countermeasures while ensuring information sharing within the Company and delivering timely reporting to the Board of Directors.

In addition, the Risk Management Committee, which is chaired by the President, analyzes various business risks that coincide with climate change risks based on internal risk management rules. Results of this analysis are reported to and discussed by the Board of Directors after being deliberated on by the committee itself. 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.

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.

The number of sites maintaining ISO 14001 certification has since risen, reaching a total of 36 at the end of 2022 (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 74.3%.

In fiscal 2022, no sites were newly certified. However, we subjected uncertified sites to corporate audits conducted in a manner similar to those conducted at certified sites in order to strengthen our environmental management structure.

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



Initiatives to Reduce TRWP

The generation of TRWP<sup>\*1</sup> is an unavoidable side effect of generating the level of friction necessary to ensure driving safety, the most important tire function. On the other hand, it is a fact that TRWP is emitted into the environment. The Sumitomo Rubber Group considers TRWP emissions a profound issue that must be addressed by the tire industry as a whole.

Sumitomo Rubber Industries is one of the founding members of the WBCSD's<sup>\*2</sup> TIP,<sup>\*3</sup> an industry association consisting of 10 global tire manufacturers. We have been involved in such activities as research and studies focused on TRWP and dialogue with stakeholders.

In addition to tackling the issue of TRWP, TIP currently strives to address such universal ESG concerns of the tire industry as the management of waste tires, the handling of raw materials and their chemical substance content and environmental KPIs.

Sumitomo Rubber Industries is also a member of the JATMA,<sup>\*4</sup> which similarly endeavors to tackle the TRWP problem.

<sup>\*1</sup> Tire and Road Wear Particles  
<sup>\*2</sup> World Business Council for Sustainable Development  
<sup>\*3</sup> Tire Industry Project  
<sup>\*4</sup> The Japan Automobile Tyre Manufacturers Association, Inc.

Environmental Data

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Honors and Certifications from Outside Organizations

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Supply Chain Management

In step with advances in the mobility industry around the world, tire demand is expected to grow. Accordingly, demand for natural rubber, the primary tire raw material, is likely to grow even stronger. This prospect has prompted looming concerns about deforestation and the emergence of human rights issues in regions where natural

rubber is produced. As a tire manufacturer, the Sumitomo Rubber Group aims to curb these problems, and to this end has implemented a variety of initiatives to help the entire natural rubber supply chain improve and update itself into a more sustainable industry.

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

- **Raw Material Procurement in Line with the Sustainable Natural Rubber (SNR) Policy**  
**By 2030:** The SNR Policy applies to key suppliers  
**By 2050:** The SNR Policy applies to all suppliers
- **Realizing Sustainable Procurement through Third-Party Assessments Provided by EcoVadis**  
 Aim to procure 95% of tire raw materials on a purchase value basis from suppliers who earn scores of 45 or higher (2030)  
 Note: Plans call for expanding the scope of third-party assessments to include businesses other than the Tire Business

Issues to Be Addressed in the Course of Natural Rubber Procurement

- **Securing Traceability**  
 The natural rubber supply chain includes stakeholders around the globe, including approximately 6 million smallholders as well as plantations, dealers and natural rubber processors. This complexity makes it hard to clarify distribution routes. Securing traceability is thus a major issue confronting the industry.
- **Supporting Smallholders**  
 Smallholders account for around 85% of natural rubber producers. These farmers constitute the uppermost tributary of the supply chain and tend to be the most exposed to risks of poverty and human rights violations. This is why we deem it essential to support them via, for example, the development of a framework that enables them to continue as sustainable producers.

Initiatives to Resolve Issues

Sumitomo Rubber Group Sustainable Natural Rubber (SNR) Policy (since 2016)

In October 2016, Sumitomo Rubber Industries joined the SNR-<sup>\*1</sup> advocated by the IRSG.<sup>\*2</sup> In September 2018, we also became a participant in the GPSNR.<sup>\*3</sup> 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 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

Establishing a Natural Rubber Procurement Subsidiary in Singapore (2020)

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. Currently, it is proactively tackling human rights-related and environmental issues.

Monitoring Activity Undertaken by France-based EcoVadis (since January 2021)

To improve our procurement activities, we have commissioned EcoVadis, an external assessment firm specializing in monitoring and rating supplier performance with regard to human rights, governance and the environment. We expect that third-party assessments offered by this firm will help us unify our standards for supplier evaluations while enabling us to efficiently promote sustainability activities among suppliers.



Initiatives to Improve Traceability and Support Smallholders

- **Resuming the Pilot Project in Indonesia (since September 2022)**  
 SUMITOMO RUBBER SINGAPORE has been undertaking the Pilot Project in Jambi Province, Indonesia. Although the project had been temporarily suspended in the face of the COVID-19 pandemic, the subsidiary has now resumed it, once again launching such activities as surveys to assess the status of natural rubber farms and their raw material distribution routes, the provision of training to farmers and the free-of-charge provision of fertilizers. Acting in collaboration with Halcyon Agri, a natural rubber supplier in Singapore, the subsidiary thus strives to support smallholders in a way that takes heed of their real-life circumstances and needs while assessing the status of natural rubber distribution routes as well as risks associated with natural rubber supply. In this way, we push ahead with improving the traceability and transparency of our natural rubber procurement.

- **Initiating Procurement through the Agridence Rubber Platform (since November 2022)**  
 We initiated natural rubber procurement employing the Agridence Rubber Platform provided by Singapore-based Agridence Rubber to trace natural rubber distribution routes, which are often complex. This platform not only keeps us well-informed about the status of natural rubber processors, it also enables us to trace upstream processes that take place in locations where natural rubber is produced.

- **Funding Financial Assistance to the Capacity Building Project in Thailand**  
 We are providing financial assistance to the Capacity Building Project undertaken by the GPSNR in Thailand to support smallholders. The objectives of this project include helping farmers achieve higher incomes and promoting Good Agricultural Practices (GAP).

- **Providing Training to Neighboring Farmers in Thailand**  
 We support farmers operating in the neighborhood of Sumirubber Thai Eastern Corporation Co., Ltd., one of the Sumitomo Rubber Group's natural rubber processing bases. Specifically, we offer seedlings to them while sharing our knowledge of fertilization and other farming practices, with the ultimate goal of improving their standards of living.

Initiatives to Protect the Environment

Initiatives to Address Water Security Risks

Business activities undertaken by the Sumitomo Rubber Group involve the use of water in the course of producing raw materials and manufacturing products. Accordingly, we have positioned appropriate water resource management as an important business issue that must be addressed as part of our Long-Term Sustainability Policy.

Water Security Risk Assessment and Evaluation

The Sumitomo Rubber Group has been conducting assessments based on the Aqueduct Water Risk Atlas, a tool provided by the WRI.\* In addition, we employ our own standards regarding legal compliance, limitations on water intake and other items to conduct risk assessments for our bases.

In these ways, we will continue to perform risk assessments for our major production bases to determine which bases may be at high risk and thereupon implement concrete countermeasures.

\* World Resources Institute

Reducing Water Intake Volumes and Recycling Wastewater

The Sumitomo Rubber Group is striving to reduce its volume of water intake and recycle wastewater, with the overall aim of addressing the depletion of water resources worldwide. In summer 2020, our Turkey Factory became the first Sumitomo Rubber Group base to achieve a 100% factory wastewater recycling rate.

External Collaboration

Partnerships with Suppliers

In line with the Sustainable Natural Rubber (SNR) Policy, which is integral to its Procurement Guidelines, the Sumitomo Rubber Group strives to confirm the status of water resource preservation and other sustainability initiatives undertaken by suppliers through the utilization of third-party assessment firms.

Participating in the Water Project Sponsored by the Ministry of the Environment

In conjunction with the enforcement of the Basic Law on the Water Cycle in 2014, the Water Project was launched by the Ministry of the Environment in order to maintain and restore the soundness of the water cycle through industry-academia-government collaboration.

Sumitomo Rubber Industries has been a participant in this project since 2014.

Waste Reduction

Achieving Complete Zero Landfill Waste

The Sumitomo Rubber Group is promoting the 3Rs (reduce, reuse and recycle) of waste management.

In fiscal 2022, we achieved complete zero landfill waste at 23 production bases, including affiliates, 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 2023, the aim of our efforts is to maintain the status of complete zero emissions at these bases.

Achievement Status of Zero Emissions at Production Bases (23/26)

Name of production base	Timing of achievement	Name of production base	Timing of achievement
Shirakawa Factory	2004	Malaysia Factory	2010
Nagoya Factory	2004	Zhongshan Factory, China	2008
Izumitsu Factory	2005	Vietnam Factory	2009
Miyazaki Factory	2004	Switzerland Factory	2008
Kakogawa Factory	2005	Thailand Factory (tennis balls)	2011
Ichijima Factory	2005	Thailand Factory (natural rubber processing)	2013
Indonesia Factory	2008	Dunlop Retread Service, Ltd.	2010
Changshu Factory, China	2006	Dunlop Retread Service Ltd. Hokkaido Factory	2010
Hunan Factory, China	2016	SRI Engineering, Ltd.	2008
USA Factory	2007	Nakata Engineering, Ltd.	2008
Thailand Factory	2009	Dunlop Golf Club, Ltd.	2006
Turkey Factory	2017		

Forestation Activities to Help Curb Global Warming

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—in Ehime Prefecture, striving to bring its natural environment back to the original state. This spirit has been passed down to Sumitomo Rubber Group, 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 the forests around our business bases, engaging in greening activities in 11 locations (covering 32ha) across the country. We collectively call these locations the "Sumitomo Rubber GENKI Forest."

In order to protect biodiversity, we plant only seedlings grown from seeds gathered in the target area. Although our 2022 activities were

somewhat restricted due to the need to prevent the risk of COVID-19 infection, we planted a total of 3,219 trees and provided 4,495 seedlings. Our forestation activities also include cutting back weeds, removing unnecessary trees and other ongoing forest maintenance tasks.

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.

Greening Initiatives Overseas

In 2022, we planted a total of 3,326 trees and provided 9,385 seedlings. 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.



Kouno Yama GENKI Forest managed by Izumiotsu Factory (Osaka)



A tree planting activity undertaken at DUNLOP Home Products Forest in Malaysia

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. For example, the Kakogawa Factory (Hyogo Prefecture) is engaged in transplanting "Fujibakama" (*Eupatorium japonicum*) cultivated on its grounds to Kakogawa River beds as well as providing this plant to neighboring corporations and cities. Meanwhile, the Ichijima Factory (Hyogo Prefecture) strives to preserve the great purple emperor (*Sasakia*

*charonda*), a designated national butterfly, and the tiny loach fish *Lefua echigonia* (Cobitidae family). The above butterfly was also found to be emerging successfully on the premises of the Okayama Tire Proving Ground. In "Kobe Mount Rokko GENKI Forest," we are currently striving for the preservation and breeding of the Japanese bellflower, a rare species. Having collected seeds from native grown flowers, we have nurtured seedlings and transplanted them to areas where we engage in conservation activities.



Kobe Mount Rokko GENKI Forest Native grown Japanese bellflower



Okayama Tire Proving Ground Great purple emperor butterfly

## A Message from the Executive Officer in Charge of Human Resources



### Building a Sound Corporate Culture Is Key to Realizing “Our Philosophy”

**Kiyoshi Ikawa**

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

#### Everything Starts with the Quality of Our Senior Management

The strengthening of human capital is an integral component of our medium- to long-term human resource strategies. We believe that, to this end, it is important to enhance the quality of our senior management.

The example of (1) senior managers carrying out their duties to a high standard of quality will (2) motivate and empower employees to demonstrate higher capabilities, in turn leading to (3) increased employee engagement and (4) the overall improvement of job quality. This will enhance public appreciation of the Sumitomo Rubber Group for the robust quality of its products and services as well as roles it fulfills in society even as it (5) better positions us to satisfy the expectations of customers and society as a whole. Higher customer and stakeholder satisfaction will result in stronger operating results, enabling us to increase the volume of cash dividends and thus (6) improve shareholder satisfaction. I consider these six steps to constitute one virtuous cycle.

Knowing that to set the above cycle into motion, we had to start with enhancing the quality of senior managers, in 2020 we introduced a 360-degree feedback system to assess officer and manager performance. Individuals subject to this assessment system include President Yamamoto and other executives as well as all domestic employees assigned to manager or higher positions. Furthermore, each officer is assigned an executive coach to enable them to constantly reflect on their management styles in the course of presiding over the businesses, organizations and workplaces under their supervision.

#### Fostering a Sense of Unity with the Manufacturing Front Lines

Our new Midterm Plan was announced in February 2023. Following this announcement, President and other executives began visiting individual bases to host dialogue sessions and directly brief employees on the content of this plan.

The Sumitomo Rubber Group is a manufacturer. Because of this, we hope to make our group an even more vibrant organization in which those on the manufacturing front lines feel a close sense of unity with all other business units. To that end, we would like our frontline manufacturing operators who work in shifts to run their lines on an around-the-clock basis to facilitate the sharing of their insights. This, in turn, will inform our measures to develop into a more vibrant organization.

A visit from the President offering some words of encouragement

#### Developing a Framework for Systematically Nurturing Next-Generation Management Candidates

Another factor contributing to senior management quality is the systematic development of human resources equipped with broad perspectives backed by diverse business experience and the capability

As part of these efforts, the executive coaches also compile and mail out weekly magazines to all officers. These e-publications deliver articles on timely topics relevant to prevailing circumstances, with the aim of engaging executive in unfettered discussions regarding the management challenges they confront while ensuring they share the same vector. This, I believe, is a unique feature of our executive coaching system.

To speed up the pace and enhance the quality of decision making, we also made it a rule that the four internal directors convene regular meetings in 2023. Gathering all the internal Directors in one room facilitates open exchanges of frank opinions, and Executive Officers, who are charged with supervising various fields, are welcome to freely visit that room to share updates on the status of operations and consult with the Directors.

Due to these and other initiatives, we have seen the steady development of a sense of unity among senior managers. Currently, we are striving to familiarize the larger body of employees with what is now going on among senior managers regarding this growing sense of unity. Specifically, we host online discussion sessions attended by officers, including President, to let employees frankly share their thoughts on business challenges and their approach to work. The video recordings of these sessions are made available to all employees via streaming, garnering positive reviews from them.

Taking these circumstances into account, we are convinced that the abovementioned cycle will get on a steady track by 2025, the turning point of the new Midterm Plan.

and notifying them about the new business plan is hardly enough to spark the development of a sense of unity among employees. Instead of taking a simplistic approach like this, we start by sincerely listening to the voices of those working on the manufacturing front lines to get a better picture of what they really think about in the course of their day-to-day duties and their ideals regarding what our group should look like.

In this regard, I expect President Yamamoto to engage in robust dialogues and wholeheartedly communicate his expectations regarding his colleagues on the front lines to help them to see how the viability of the Sumitomo Rubber Group hinges on their dedication. I believe that a sense of unity will gradually develop if he and other executives succeed in winning employee support through such dialogue.

to identify paths toward business growth. In other words, we need to facilitate the systematic acquisition of robust experience to support the personal growth of our next-generation leader candidates. To

promote initiatives to this end, we must have a clear picture of, or visualization of, the status of our human resources. Accordingly, we will strive to identify promising candidates present at each division and assess their competencies to forecast when their potential is fully realized based on time frames of three, five and 10 years. Currently, we have identified around 100 candidates based on recommendations from more than 80 divisions. These individuals are expected to become optimal candidates for general manager posts in the next three years. If we cast our net a further ten years into the future, the overall number of candidates increases around threefold.

With regard to the visualization of the status of our candidates, we will take a multilateral approach to determine their areas of strength, for example, logical thinking and personal relationship capabilities based on results of various assessments and 360-degree feedback

#### Tirelessly Improving Our Organizational Culture

Since September 2020, the Sumitomo Rubber Group has conducted in-house questionnaire-based surveys regarding the status of its organizational culture. These questionnaires consist of approximately 20 questions with a six-grade rating system, and a score of four or higher is deemed a positive answer. Based on this rating system, we are targeting raising the ratio of employees who see our organizational culture in a positive light to 80% or more. We also publish the results of surveys undertaken in each division so that all employees can view them.

These surveys were initiated by our keen awareness of the issues associated with our group's organizational culture, including an environment unsupportive of those taking on challenges, boundaries inhibiting communications, outdated leadership styles and stagnant profitability due to an insufficient employee understanding of business strategies. We have thus aimed to create a quantitative visualization of the status of these issues and a means of scientifically verifying the degree of improvement through these surveys.

In March 2020, we launched a task force charged with spearheading the improvement of our organizational culture based on survey results. Specifically, Task Force Ambassadors were appointed from each division to tackle organizational issues confronting that division. As a result, 50 ambassadors have been at work and their activities have started with discussions of why we must improve our organizational culture and how such an improvement connects to operating results. Over the course of approximately six months, they have deliberated on these and other matters to develop employee motivation and to ensure we all share the same vector. The time and resources spent on these discussions have now yielded results, enabling the task force to steadily get on track.

As a result of these initiatives, the ratio of positive answers to questions like “is your workplace environment is supportive of those taking on challenges” surpassed 80%. Taking these and other outcomes into account, we feel that our corporate culture has changed and now has an atmosphere that commends those taking on challenges

#### Toward the Realization of “Our Philosophy”

Lastly, I believe that the realization of “Our Philosophy” is largely dependent on the creation of a sound corporate culture.

As expressed in Peter Drucker's famous quote, “Culture Eats Strategy,” a good corporate culture is essential to realizing a good strategy.

Then, what makes a corporate culture good? I believe that a sound sense of discipline and purposefulness makes a good corporate culture. I think that the strongest organization is one composed of individuals who strive day in and day out to make improvements and take on challenges even as they thoroughly review their own conduct to identify how to make tomorrow better than today. Accordingly, we must develop an environment in which employees who maintain and act on such a sound sense of discipline and purposefulness are properly rewarded. If the corporate culture encourages everyone to

sessions. We will also provide training and other programs to help them enhance their competencies in areas of weakness. Furthermore, we will conduct personnel transfers in a way that supports their personal growth and helps them enhance practical skills in the course of engaging in new roles and positions. We believe that, in these ways, our candidates will grow into leaders capable of achieving robust results even in operations outside their areas of specialty.

As such, we deem it extremely important to develop a talent management framework for systematically nurturing core human resources and have devised a combination of lectures and hands-on experience. Also, we have not put the actual execution of this framework simply in the hands of business divisions. The status of the framework will be deliberated by the Human Resources Committee with input from Directors and other individuals in top management positions.

regardless of success or failure, instead of reprimanding or awarding demerit marks to those who have taken on challenges but failed.

That being said, there is room for improvement in terms of addressing issues arising from low productivity. Also, the organizational culture can change rapidly depending on the external environment, the status of human resources or a combination of both. Therefore, we believe that our efforts to improve must not end.

The improvement of an organizational culture can also lead to the creation of a sustainable workplace, which, in turn, will attract a great number of high-quality human resources and help maintain business continuity. With this in mind, we will continuously engage in dialogue and implement other initiatives to ensure that our vision is robustly communicated to those working on the front lines and ensure we all share the same vector.

Building on the outcomes of our initiatives thus far to improve organizational culture, we launched the Corporate Transformation (CX) Project Office. Although executional capabilities are essential to accomplishing the Midterm Plan, we consider such capabilities to be a result of a combination of techniques, skills and motivations. In sum, we believe that these elements together support employees' drive to accomplish the plan. With this in mind, the CX Project Office is addressing the foremost issue of how to inspire employees to develop their drives.

We also deem it important to maintain organizational discipline. To foster a sound sense of discipline, we will update a diverse range of conventional human resources systems. For example, we will transition to an evaluation system that properly awards higher ratings to high performers and pays them accordingly. Furthermore, we will take on DX-driven operational reforms to develop mechanisms designed to enhance productivity.

We will thus strive to transform ourselves into a more innovative organization through the drastic reform of our conventional business and organizational management models.

develop a sense of discipline and autonomously do their best to effect improvements, those employees will be naturally motivated to take on challenges.

We also know that our initiatives to realize a corporate culture of this kind need to be updated as circumstances evolve. We have positioned the results of the aforementioned questionnaires as a barometer for measuring the effectiveness of these initiatives. Utilizing quantitative scores as KPIs, we will periodically monitor the status of our initiatives and make necessary corrections or adjustments.

I believe that, if we assiduously implement the initiatives discussed above to achieve reforms and improvement even as we move forward toward the realization of “Our Philosophy,” our group will naturally flourish in terms of financial results.

# Initiatives Related to Human Capital

## Basic Perspective on Human Capital

The Sumitomo Rubber Group is engaged in ongoing investment in human capital in line with a medium- to long-term human resources strategy designed to embody our Purpose, “Through innovation we will create a future of joy and well-being for all,” the foremost component of “Our Philosophy.” Furthermore, based on our Vision of “Uniting our diverse strengths, growing together, driving and thriving on change,” we aim to create an organization in which every employee with diverse attributes can feel a robust sense of psychological safety, work vibrantly and achieve success. To this end, we implement a variety of measures, including promoting diversity & inclusion, enhancing leadership skills of executives and other managerial employees and shifting to human resources systems that enable employees to choose from a diverse range of workstyle options. In addition, we also focus on nurturing human resources

who can spearhead digital transformation (DX) and thereby support our ability to align with the radically evolving corporate environment.



## Diversity & Inclusion (D&I)

Our Vision of “Uniting our diverse strengths, growing together, driving and thriving on change,” another component of “Our Philosophy,” defines our ideals regarding what the Sumitomo Rubber Group should look like and informs various measures related to human capital. We will strive to embody “Our Philosophy” by respecting the unique personalities of employees, including invisible differences among them, and ensuring that they inspire one another to enhance their good traits.

We also place particular emphasis on promoting women’s empowerment, believing that doing so should be the starting point for the creation of an organization that enables all employees with diverse backgrounds to realize their full potential. Accordingly, we have positioned women’s empowerment as a priority issue, to this end tackling both the updating of employee awareness and culture as well as the development of the working environment and programs.

### 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.

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

### Declaration on the Promotion of D&I

The Sumitomo Rubber Group respects and values the diverse attributes and ways of thinking of all employees and so shall strive to create workplaces that enable each individual 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.

## Results and Plan

As we did in the previous fiscal year, in fiscal 2022 we implemented a mentoring system to assist women in their career development efforts. From the perspective of promoting women’s empowerment, we focused on the two aspects of providing career education and helping them strike an optimal work-life balance. We also focused on encouraging male employees who are fathers to play greater roles in child rearing to facilitate a workplace culture that empowers diverse individuals to pursue success. Furthermore, we carried out activities to help employees gain a robust understanding of and otherwise educate them on sexual minorities, including members of the LGBTQ+ community. Other initiatives included ERG activities\* undertaken by foreign national employees. In these ways, we conducted various measures to further promote diversity.

In fiscal 2023, we will continue implementing the activities described above even as we strive further to promote D&I. To this end, we will provide officers, from the President on down, with D&I education to help them raise their awareness while establishing a system that nurtures female senior managers. Through these and other efforts, we will solidify top management’s commitment to promoting D&I while cultivating female leaders who may one day become part of senior management.

### Specific Examples of Initiatives

- Hosted study sessions attended by officers, from the President on down, to help them understand the importance of women’s empowerment
- Implemented employee education on paternity leave and other activities to encourage managers to be supportive of staff engaged in child rearing as part of promoting diversity management
- Communicated a policy of correcting a work culture that expects employees to work excessive hours, replacing it with a working environment that is friendly to diverse people
- Implemented a mentoring system through which female employees assist younger peers in their career development efforts
- Issued a handbook designed to promote understanding of the LGBTQ+ community while providing training to personnel in charge of job interviews and staff at human resources and general affairs
- Introduced a job-based wage-rank system for senior employees

\* Employee Resource Groups: Voluntary, employee-led groups run by individuals who share characteristics or values

	Percentage of Management Positions Held by Women	Hiring Rate of Women	Percentage of Employees with LGBTQ+ Ally Sticker*	No. of Mentor System Users	Foreign National Employee Questionnaire Score	Percentage of Male Employees Who Took Childcare Leave
Targets	2025 7%	Annually 20%	2025 20%	2025 150 persons (cumulative total)	2030: Improvement Across All Questionnaire Items	2023 100%
2022 results, etc.	3.8%	36%	Prepared and began distributing the stickers	49 persons (cumulative total)	Examples of questionnaire items • Whether you feel that your workplace is inclusive • Whether robust educational support is available	19.9% Note: 68.8% when male employees who used other relevant programs are included

\* A sticker to declare that its bearer is an ally to the LGBTQ+ community

## Medium- to Long-Term Vision

The ratio of female managers to the total number of managers, a benchmark for women’s empowerment, amounted to 3.8% at the end of fiscal 2022, falling significantly short of the 7% target we have set for 2025. This situation is negatively affecting the gender wage gap, which, at a ratio of 71:100, shows that the average wage paid to full-time female employees is disproportionately low compared with that paid to their male peers (based on total wages, including allowances). The wage discrepancy can also be attributed to differences in

total working hours (including overtime hours) among men and women as well as job category-linked compensation and the aforementioned difference in the ratio of managers. There are no simple fixes, a number of obstacles to the promotion of diversity remain. To overcome these obstacles, we will not only strive to update employee awareness and culture but also thoroughly review our human resources systems and implement other medium- to long-term measures going forward.

## Initiatives Related to Human Rights

The Sumitomo Rubber Group has established a Corporate Code of Conduct to protect the human rights of all stakeholders, including employees. In addition, we clearly communicate to all employees our policy of not tolerating any human rights violations, including discrimination and harassment, irrespective of circumstances.

Among the social issues associated with natural rubber procurement,

violations of workers’ human rights have often been a concern. To assess the status of human rights assurance and prevent related issues and risks from materializing, we plan to establish a human rights management (human rights due diligence) structure by the end of 2024. In 2023, prior to establishing this structure, we will clarify our stance by publishing the Sumitomo Rubber Group Human Rights Policy.

## Promoting Health & Productivity Management

Having announced the “Health & Productivity Management Declaration” to internal and external stakeholders, we have promoted health & productivity management by rallying all business units across the board, while the Company, employees, the labor union and the Health Insurance Association act in collaboration to the same end. Furthermore, we aim to gear up our efforts to promote health & productivity management by identifying seven priority targets that comprise two long-term priority targets of “strengthening the industrial hygiene structure” and “fostering a health-oriented corporate culture” as well as five short- to medium-term priority targets, including “preventing serious symptoms,” “improving lifestyle habits,” “tackling mental health-related issues” and “improving labor productivity.”

As part of measures related to “improving lifestyle habits,” we encourage smoking cessation. From January 2024 onward, smoking on business premises will be prohibited at all Sumitomo Rubber Industries bases. Meanwhile, in addition to continuously subsidizing outpatient smoking cessation treatment, we provide subsidies for an even broader range of anti-smoking medication, including nicotine patches, as well as implement such support measures as smoking cessation guidance furnished by specialist industrial hygiene staff. Moreover, we will hold events and campaigns to encourage smoking cessation at each business base. As such, we are developing an environment supportive of those striving to quit smoking, with all business units across the board working in unison to this end.

In 2023, we were chosen for the seventh consecutive year by the Ministry of the Economy, Trade and Industry as well as Nippon Kenko Kaigi (Japan Health Council), for certification as an excellent company under the “2023 Certified Health and Productivity Management Organization Recognition Program—White 500.”

We were also certified by the Japan Sports Agency for the first time as a “Sports Yell Company” under the agency’s 2023 selection program in recognition of our corporate initiatives to support and popularize sports activities among employees to help them improve their health.



Initiatives Related to Human Capital

Human Resource Development

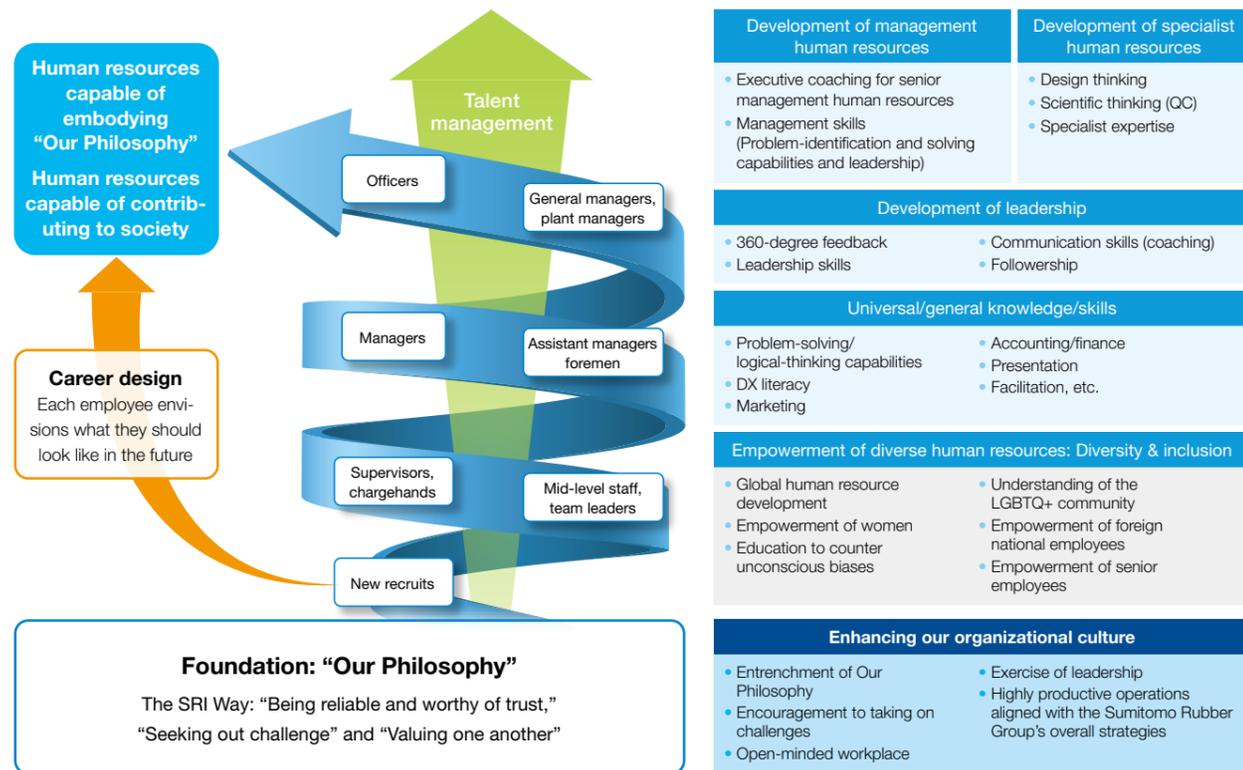
Encouraging Each Employee to Develop Their Competencies and Take on Challenges to Embody “Our Philosophy”

The Sumitomo Rubber Group aims to realize a working environment and organizational culture that encourages diverse human resources to spontaneously develop their careers and competencies and empowers them to earn success. To this end, we are implementing a variety of measures.

As part of measures stipulated under the new Midterm Plan, we are stepping up talent management that better informs the strategic

development and allocation of human resources while providing all employees with IT literacy education to promote digital transformation (DX).

In these ways, we will nurture human resources capable of exercising forward-looking judgement ahead of changes in the environment, earning success on the global stage, contributing to society and thereby embodying “Our Philosophy.”



Human Resource Development

The Sumitomo Rubber Group has positioned talent management as a priority measure in terms of the strategic and organizational development of human resources. Accordingly, we have expanded the scope of talent management to include a wider range of human resources.

We have clarified the requirements for human resources in each position and help establish skill enhancement goals for individual employees. In line with these goals, we implement necessary measures, including training programs, personnel transfer and personnel relocation in addition to assigning employees to particular projects and otherwise providing them with opportunities to broaden their range of job experience. By doing so, we promote the development of human resources over the medium to long term.

At the same time, we have incorporated career design education into grade-specific training programs to help each employee envision their future careers. Career design education and talent management thus constitute the two key components of our human resource development initiatives.

To help employees realize their skill enhancement goals and future career visions, we provide them with abundant opportunities for spontaneous learning, for example, optional skill enhancement training, e-learning and correspondence courses.

Moreover, we have expanded the range of employees eligible to receive leadership development education to include those in non-managerial positions. This contributes to improving our organizational culture.

With regard to leadership development education for managerial employees, each year we provide 360-degree feedback sessions and seminars to all employees in assistant manager positions or above, including officers, to help them objectively reflect on their leadership styles. Furthermore, every officer is given executive coaching to enhance their ability to exercise leadership as senior executives.

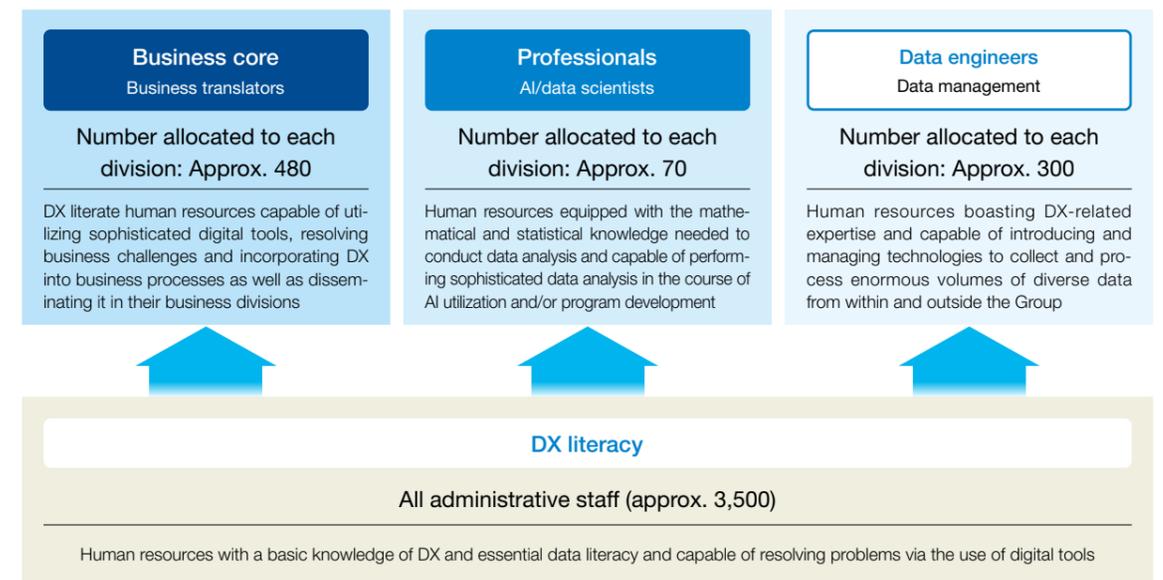
In these ways, we develop an environment that allows all employees to attain ongoing personal growth.

Developing DX-Related Human Resources

We consider nurturing DX-related human resources a priority issue in terms of “Laying Groundwork for Growing Lines of Business,” and “Expanding Growing Lines of Business,” both of which constitute pillars of the new Midterm Plan. Accordingly, we aim to ensure that all employees are equipped with the universal skills and mindset needed to realize a transition to a DX-driven business management approach and to this end, initiated DX-related human resource training programs in October 2022, targeting all 3,500 administrative staff as part of resource reallocations. This will, in turn, help us achieve fresh growth.

In the below diagram we illustrate how we define three types of DX-related human resources. Building on the DX literacy education

provided to all employees, we nurture “business core” human resources capable of promoting DX in ways that align with the types of business they handle; “professionals” capable of developing AI and conducting sophisticated data analysis; and “data engineers” capable of promoting measures to efficiently collect and utilize necessary data. As we aim to crystallize various DX measures by 2025, we will strive to complete the development of these human resources by that year to establish foundations that will facilitate the transition of the entire Sumitomo Rubber Group to data-driven decision making and action.



Systems and Programs Designed to Realize Diverse Work Styles

At Sumitomo Rubber Industries, the work-from-home system was officially instituted in December 2022, following the trial-basis introduction of this system during the COVID-19 pandemic. By allowing employees to occasionally work from home, we will help them raise their productivity and better balance their work and private lives, thereby improving employee satisfaction.

In April 2023, we reviewed internal regulations on the shortening of working hours. This resulted in the revision of the regulations to enable employees to flexibly switch from working full-time to working shorter hours, or vice versa. Under the former regulations, employees

who had worked shorter hours and then chose to return to full-time could not be once again apply for shorter working hours. However, the above revision has made it possible for employees to shift their workstyles more flexibly based on differing needs arising from their life stages.

In addition, we have expanded the scope of employees eligible to take non-mandatory paid leave to include term-contract and other non-full-time employees while promoting the use of the flextime system. In these and other ways, we are striving to develop various systems that can be casually used by diverse employees.

Enhancing Our Organizational Culture

Since 2019, we have striven to enhance our organizational culture by promoting a project that implements 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 also strive to periodically assess the status of our entire organization by, for example, conducting questionnaires on organizational culture. In these ways, we implement various measures to transform our organizational culture.

## Roundtable Talk on Diversity & Inclusion (D&I)



**Mari Sonoda**  
Outside Director

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

**Asli M. Colpan**  
Outside Audit &  
Supervisory Board Member

## Human Capabilities Remain a Requisite Irrespective of Changes of the Time

The Sumitomo Rubber Group has positioned “Our Philosophy,” a corporate philosophy structure established in 2020, as a cornerstone for collective endeavors that consolidate the diverse capabilities of its employees and set them on the same vector. Through these endeavors, we aim to embody our Purpose, “Through innovation we will create a future of joy and well-being for all.” Even before establishing this philosophy, we had launched the “Be the Change (BTC)” Project in January 2020 to promote corporate culture reforms.

Here, we present the summary of a roundtable talk in which Kiyoshi Ikawa, an Executive Officer who has spearheaded the BTC Project, Outside Director Mari Sonoda and Outside Audit & Supervisory Board Member Asli M. Colpan together address progress under the corporate culture reforms and ideals regarding what human capital in place at the Sumitomo Rubber Group should look like. (The event was held on March 27, 2023)

### Features of Sumitomo Rubber Group Employees and Issues They Face

**Sonoda** If there is a defining personality trait among Sumitomo Rubber Group employees, it is sincerity. Also, individuals tasked with technological development and other endeavors display steadfast determination to achieve robust outcomes. I believe that they could be more active in communicating their accomplishments to others. Also, I sometimes feel that if the composition of their teams were a bit more diverse, they could achieve even better results as they take on variety of challenges.

Being diverse means, of course, securing diversity in gender, as well as incorporating foreign nationals. Also, important is diversity among Japanese male employees. This employee group similarly needs to be diverse in terms of ways of thinking and character.

**Colpan** As Ms. Sonoda has pointed out, I, too, consider securing diversity a matter of extreme importance. The Sumitomo Rubber Group now engages in operations on a fairly global scale. Accordingly, I think overseas and domestic employees should work together more often.

From the perspective of an outside officer, it is sometimes hard to see whether foreign national managers operating overseas and the Head Office in Japan are actually engaging in effective collaboration.

**Ikawa** With regard to the personal characteristics of employees, most are quite diligent. They meet an extremely high standard in terms of accomplishing the missions assigned to them. On the other hand, there are only a handful who display independent-minded “wandering samurai” traits or demonstrate the capability to judge whether a given task is really

necessary and discerning what is truly essential.

Also, many employees seem to believe that they must adhere to precedent and make incremental improvements by building on the present status. Such an approach is what has led to the prevailing culture of working excessive overtime hours.

To rectify this situation, employees should be able to determine priorities and decisively abolish non-essential tasks. We need to take a drastic approach and break away from workstyles premised on overtime. I consider these workstyles to constitute a barrier that must be removed as the Group strives for women’s empowerment in the context of promoting D&I.

In this regard, human skills are key to successful transition. These skills include communication skills enabling frank exchanges of thoughts with peers. The Sumitomo Rubber Group has an urgent need to secure individuals with human skills that transcend the scope of business skills. However, our group has thus far been excessively focused on nurturing “left-brain” type skills. For example, our training programs have largely emphasized problem-solving and logical thinking.

Although the matters I have just touched on are not necessarily relevant to the question, I think that the Sumitomo Rubber Group should clearly announce its priorities when it comes to developing human skills and nurturing individuals who can judge what is truly essential. This, I believe, is the way our group should accelerate efforts to enhance the overall capabilities of its human resources.

In terms of globalization, the Sumitomo Rubber Group has rapidly enhanced its network of bases and expanded the size of its operations over the past several years. Currently, our group is facing a shortage of the kind of human resources who can handle these expanded operations.

Also, the Sumitomo Rubber Group has periodically conducted in-house questionnaires on organizational culture since 2020. Although the Group had conducted quarterly questionnaires at the beginning of the process of reform in order to assess in detail the status of changes in corporate culture, the frequency of these questionnaires has now decreased to twice a year, based on a judgment that this frequency is appropriate in light of the burden placed on respondents who fill out questionnaires. Thus far, we have seen overall improvement in the scores given by employees. On the other hand, we have also identified divisions that are contending with unique issues and entire job grades whose members tend to give lower scores. Based on these and other insights, we need to not only continue implementing improvement measures to address the overall workforce but also incorporate more in-detail measures to address individual employees. We also need to reflect these insights in personnel transfer and otherwise take more specific action to transform our organizational culture.

### Outcomes of the BTC Project and Issues to Be Addressed

**Ikawa** The “SRI Way,” a component of “Our Philosophy,” clearly defines the three tenets of “Being reliable and worthy of trust,” “Seeking out challenge” and “Valuing one another.” Sumitomo Rubber Group employees are expected to remain conscious of these tenets in the course of daily operations.

Of these, “Being reliable and worthy of trust” is a traditional corporate mindset inherited from the former Sumitomo Group. Therefore, I am not worried about the entrenchment of this tenet. Also, to realize the tenet of “Valuing one another,” we not only implement such basic initiatives as preventing harassment and advocating for respect for human rights but also utilize 360-degree feedback sessions focused on nurturing human skills. In particular, senior managers, ranging from President to Executive Officers, are provided executive coaching to enhance their management capabilities.

On the other hand, how to embody “Seeking out challenge” constitutes the foremost issue. Efforts to foster a culture of seeking out challenges have thus far been unsuccessful. There are two factors behind this situation. First, employees’ sense of psychological safety is less than robust. Many employees are anxious about saying what they really think or afraid of failing in the course of duty. To address this situation, we have held anti-bias seminars to address unconscious biases and otherwise implemented initiatives on multiple occasions to raise employee awareness regarding the need to secure psychological safety in the workplace. In this regard, I feel that these initiatives have begun to yield tangible effects.

However, we are also confronted by another deeply rooted issue arising from employees’ tendency toward maintaining status quo and staying in their comfort zone. Many employees seem to be content with maintaining the status quo because doing so involves no penalty. I think that this situation hinders them from seeking out challenges.

Of course, it is essential to provide employees with a sense of security regarding employment and wages in exchange for their fulfillment of certain performance criteria. However, going forward, the Sumitomo Rubber Group needs to clarify a policy of granting greater rewards to employees who demonstrate strong drives to attain personal growth and contribute to improvement in corporate value. By doing so, our group should genuinely become a workplace of choice for all employees. There must be mutual relationship in which our group chooses and is chosen by employees.

The aforementioned questionnaires also revealed that the issue that frustrates employees most is the vagueness of performance evaluations. Although managers are expected to deliver clear-cut feedback to each staff member regarding their performance, we need to provide managers lacking capabilities to do so with training to help enhance their skills or, if necessary, consider replacing them with other human resources who are robustly equipped for managerial positions.

**Sonoda** Needless to say, the commitment of top management is extremely important to enable a company to move forward and achieve transformation. President Yamamoto is currently communicating strong messages to employees and otherwise launching various measures. For the Sumitomo Rubber Group to accomplish reforms, the tireless endeavors of officers and employees are essential. The Group also needs to update performance evaluation and other human resources systems by incorporating specific mechanisms designed to support such endeavors. Moreover, it needs to clearly communicate signals to motivate the entire workforce by, for example, identifying KPIs and setting challenging targets relative to such KPIs.

**Colpan** To supplement matters being discussed by Ms. Sonoda, human capital is now becoming the subject of growing attention among business communities. In step with this, the role of those heading up human resources departments has become extremely important. In order to facilitate the initiatives described above, the Sumitomo Rubber Group needs to develop a variety of human resources systems, for example, a framework for reducing overtime in exchange for requiring higher productivity. At the same time, it needs to pursue flexible workstyles via the use of flextime and other means. If the Group succeeds in these endeavors, it would be able to create an environment that is more friendly to women and other people with diverse attributes.

In addition, I believe that human capital management measures would be more fruitful if the Sumitomo Rubber Group takes a cross-regional approach to the management and allocation of all Group employees, including those operating in countries abroad. In this light, I would like to know about the status of progress in human resources exchanges between domestic and overseas bases.

**Ikawa** Let me explain. Roughly speaking, overseas bases consist of production bases and sales subsidiaries.

At overseas production bases, the execution of Head Office policies and plans is initiated by Japanese expatriates. Local employees then implement specific measures in line with said policies and plans. Sales subsidiaries, on the other hand, include both bases overseen by Japanese expatriates and bases run solely by local employees. Therefore, compared with production bases, sales subsidiaries are more likely to confront difficulties in disseminating such important messages as those related to Head Office policies or to be otherwise affected by communication problems. These are issues we need to tackle.

To date, the greater part of our focus has been on developing our organization in Japan rather than development in countries overseas. The rationale contributing to this focus is attributable to results of the first round of questionnaires on organizational culture. Specifically, we have found that domestic employees scored the company much lower, while those at overseas bases gave pretty much high score. While the results gleaned via this round of questionnaires prompted us to launch the BTC Project, we have thus decided to prioritize the improvement of organizational culture in place at domestic bases.

As suggested earlier, we also need to strive further to foster a sense of unity among domestic and overseas bases. Currently, President Yamamoto and I are touring domestic bases to brief employees on the new Midterm Plan and facilitate a robust understanding of said plan among them. Going forward, we will also engage with those at overseas bases via the use of remote meetings to secure similarly robust communications.

Looking at the outcomes of the BTC Project, I personally feel that its greatest success has been in helping senior managers develop a keen awareness of the need to enhance the quality of their execution of duties. Sources of dividends to be paid to shareholders derive from the creation of good products and services. The success of these undertakings hinges on employees. Accordingly, I believe, senior managers’ role is to empower employees to work vibrantly and enable them to achieve high performance. Over past two years, we have been implementing initiatives to enhance the quality of our senior management. As a result, commitment among senior managers to their missions is more solid than ever before. Enhancing the quality of senior management leads to more robust corporate leadership. This, in turn, helps improve the accuracy of overall policies to be executed throughout our group, including management plans.

### Entrenchment of D&I among the Workforce

**Ikawa** Similarly, strong leadership is important to the entrenchment of D&I, as success ultimately depends on managers’ ability to accommodate the individual circumstances of their staff.

As part of D&I-related initiatives, we have striven to ensure that our Vision of “Uniting our diverse strengths, growing together, driving and thriving on change,” which is a component of “Our Philosophy,” is shared throughout the workforce. This represents the distinctive uniqueness of initiatives undertaken by our group.

These initiatives include a mentoring system in which seasoned employees serve as mentors for younger female employees to assist them in the resolution of issues associated with career development and other concerns to help them achieve personal growth. We are expanding the scope of these and other activities focused on supporting those working on the front lines. I also feel that the pace of initiatives to develop an inclusive environment in which women can work with confidence has

Roundtable Talk on Diversity & Inclusion (D&I)

been accelerating. For example, operational methods at factory worksites are currently being improved to enable female employees to work comfortably, while female-specific welfare facilities are being developed. These are the most visible changes in this area. I consider our group to have made significant progress as these and other tangible activities continue to steadily move forward.

**Colpan** Topics Mr. Ikawa has just addressed pertain to inclusion in the context of securing a working environment that is friendly to women. In this regard, although simply increasing the representation of women in the workforce is a viable means to promote diversity, it is also important to develop an environment that empowers women to work as successfully as men do.

The Sumitomo Rubber Group has identified a target of raising the ratio of female managers to 7% by 2025. However, I hope to see the Group aim for a higher target.

In addition to raising the ratio of female managers, the Group needs to formulate specific targets regarding the number of female general managers and officers and develop a framework for systematically nurturing female manager candidates so that they can one day become executives. Although the mentoring system is steadily taking root, there is still much to do. I know that President Yamamoto and other top management leaders are quite passionate about promoting D&I, so I also expect them to be strongly focused on achieving tangible results in this area.

In 2023, I launched an executive leader training program at Kyoto University. Looking ahead, I would like to strive even harder for the empowerment of women in Japan.



**Sonoda** I personally found that awareness among officers has changed quite a bit over past several years. Going forward, we should then work to create an environment in which employees can feel that "our company has changed." To this end, each division needs to identify KPIs and otherwise formulate specific measures to ensure that the frameworks and systems developed thus far can be utilized effectively.

There are numerous rationales for promoting D&I. Among these, the need to counter labor shortages is becoming the major pressing issue of this era. If we fail to take a forward-looking approach to promoting D&I, the Group could one day be confronted by the depletion of human resources. In sum, the future viability of the Sumitomo Rubber Group depends on the success of D&I.

**Colpan** I have seen a number of instances in which women are inhibited by a "glass ceiling," an invisible barrier blocking them from pursuing career advancement. The presence of such a "glass ceiling" is the most profound issue that must be addressed to promote D&I. Having also discussed this problem with male businesspeople in a diverse range of corporations, I have been quite surprised by their responses as the majority of them simply consider this problem to be women's issue. However, when I engage with female businesspeople, most of them share their frustration about a typical situation in which they are not allowed to pursue career advancement despite their willingness to do so. This suggests, I believe, that the absence of viable career options available to women inhibits them from pursuing career advancement. It's not a result of women's choice of career options.

As a mother of a child, I, too, have experienced diverse challenges in the course of my career. I can conclude that female workers will be better motivated if a company provides them with an inclusive environment and systems that allow them to continue to work with confidence even as they take on various life events and child rearing. Certain research has revealed that changes in male employees' ways of thinking and the resulting shift in workplace atmosphere and systems will lead to higher representation of female executives and, ultimately, contribute to corporate innovation and better corporate performance. Accordingly, I expect the Sumitomo Rubber Group to promote D&I by setting its sights on achieving outcomes like these over the medium to long term.

**Sonoda** Our group's target of raising the ratio of female managers to 7% is somewhat higher than similar targets set by competitors. However, I, too, would like to see our group to set its sights higher.

Beneficiaries of workstyle reforms are not limited to women. As mentioned by Mr. Ikawa, these reforms should aim for the creation of a working environment that is friendly to all employees since both fathers and mothers have roles to play in child rearing. Furthermore, it is very important to provide an environment supportive of individuals who suffer from medical conditions or those requiring special consideration due to their post-recovery health conditions irrespective of their gender. In addition, there could be employees who face restrictions regarding working hours due to their provision of nursing care to parents or partners. We need to be highly considerate of such individuals, who are often reticent regarding their difficult circumstances.

I believe that encouraging male employees to take childcare leave will serve as a great catalyst in the promotion of D&I. Once male employees gain actual experience in child rearing, they become keenly aware of how hard it can be. This will, I believe, help them update their perception of their female colleagues and prompt male managers to shift their styles of team management. A paternity leave system is already in place at the Sumitomo Rubber Group, so it is important to cultivate a culture in which taking paternity leave is commonplace among male employees.

Workstyle reforms can not be accomplished without abolishing non-essential operations. These reforms should go in tandem with operational streamlining and rationalization. I believe that the success of these reforms will naturally result in higher productivity which, in turn, will enable the Sumitomo Rubber Group to achieve more robust financial results.

**Ikawa** As stated by Ms. Colpan, D&I-related initiatives are pointless unless we seriously aim for the creation of workforce in which women's presence is commonplace in every job grade, including senior management.

Looking at the age-based composition of employees, women aged 35 or younger account for a significant proportion in our overall female workers. Therefore, we must first develop a framework to improve the retention of these female workers and empower them to gain diverse experiences so that they acquire robust capabilities. They are also in immediate need of role models. Accordingly, I would like to be part of realizing the first female executive at our group in the near future. The appointment of a female executive will be symbolic to other female workers and help convince them about their potential to assume similar leading positions. I would like them to be confident that women can pursue careers at the Sumitomo Rubber Group just as men are usually doing. Moreover, such an appointment will send a profound message of encouragement to not only female workers but also young male workers and job-seeking students.

**The Sumitomo Rubber Group's Succession Plan**

**Ikawa** To nurture next-generation management human resources, we have already launched a talent management framework. This framework systematically nurtures candidates for future senior managers who will oversee specific functions, for example, the Human Resources & General Affairs HQ. In short, to identify skill sets for each department with specific functions we strive to make the status of human resources visible in line with the two axes of human skills and problem-identification and solving capabilities. In this way, we aim to discover optimal candidates while formulating training menus targeting areas in which our human resources need to enhance their competencies.

In August 2022, we launched a similar framework for nurturing top management leader candidates. With target candidates being selected



from among the heads of each department with specific functions or those in similar positions, this framework not only provides them with lectures and other training programs but also allows them to gain diverse experience and assigns them challenging missions. Our talent management approach is focused on identifying candidates from among both management and specialist human resources. For specialist human resources, we endeavor to enable the systematic acquisition of experience in differing fields in line with our aim of discovering outstanding candidates. This will help us secure individuals equipped with strengths in multiple areas of specialty, which, in turn, empowers them to leverage a broader perspective independent of conventional wisdom in one specific field.

**Colpan** Senior managers who oversee specific functions (e.g., the head of Production HQ, Executive Officer in charge of Technology and general managers or Executive Officers in charge of finance) are equipped with outstanding expertise in their fields of specialty. However, once appointed as Directors, they will be asked to supervise the operations of the entire Group and thus need to understand governance, finance and other matters. Therefore, we need to nurture human resources capable of handling a certain amount of overall business management.

**Ikawa** This means we need to secure Directors whose skill matrices indicate their strengths in multiple fields, doesn't it?

**Colpan** Exactly. Instead of appointing Directors with single area of strength, we need to secure internal directors whose areas of strength encompass the majority of items listed in the skill matrix. I believe that, otherwise, the Board of Directors could fail to be fully functional.

**Ikawa** The other day, the Governance Team of the General Affairs Department completed the list of requirements for Director candidates. We are now gearing up our efforts to operate a full-fledged framework for nurturing top management leaders by targeting those in their 40s or late 30s as candidates.

**Sonoda** The business environment will continue to change radically going forward. Accordingly, it is imperative to identify candidates from among individuals now in their 30s or 40s, a pool of several hundred employees, as we aim to nurture future leaders capable of navigating our group through the prevailing circumstances of the time. In this light, I think that enabling candidates to gain diverse experience is essential to securing individuals who can leverage a broad perspective and exercise flexible judgments.

**Colpan** Some leadership requirements are universally applicable irrespective of the changing times. Also, there are certain individuals who are naturally endowed with leadership qualities and those who are not. On the other hand, leadership requirements can evolve over time. We need to comprehensively consider such questions. I believe that it will be beneficial to develop a diverse range of succession plans incorporating the types of experience our candidates are expected to gain and knowledge that should be passed down to future generations of leaders upon the clarification of the talent development measures that can be initiated immediately.

**Ikawa** When it comes to succession planning, we have incorporated a scientific approach, for example, narrowing down candidates via character analysis that employs a database regarding traits of successful corporate managers around the world.

Currently, 32,000 out of our 40,000 Group employees, including those

working at affiliates, are foreign nationals. From the perspective of how to navigate the Sumitomo Rubber Group's global operations, individuals equipped with global experience and capable of demonstrating strength in international operations are optimal to our group's management successors.

**Leadership Traits Are Unchanging Regardless of the Times**

**Ikawa** Looking at the time frame leading up to 2050, I believe that some leadership traits are universally applicable and will remain relevant in the future. These timeless traits are problem-identification capabilities, problem-solving capabilities and the ability to persuade and lead others. As for the relationships between these three traits and top management leaders, managers and frontline employees, problem identification is the skill most required of top management leaders. On the other hand, concept building capabilities for problem-solving are what managers most need when introducing the use of DX or other measures. Frontline employees are expected to stably implement such measures to resolve problems. Also, human skills are of importance for employees in all ranks. With regard to these skills, individuals in manager positions or higher must be capable of better motivating their staff. The human communication skills required of frontline employees include the ability to empower and collaborate with others.

**Sonoda** It is expected that by 2050, unprecedented changes will have taken place at a breathtaking speed. With the widespread use of AI, menial labor will be taken over by AI. Thus, the focus for human workers will be more on decision making and navigating the future direction of business. Accordingly, human resources with flexible and agile judgment capabilities will be sought after.

Therefore, in the coming era, the genuine value of top management leaders will be dependent on their organizational management and human resource development skills.

Nurturing human resources requires a balance between providing them with input and entrusting them with certain tasks. Providing input refers to giving general direction or suggestions based on the assessment of their skills and expertise. Leaders should then entrust them with specific tasks and let them think for themselves. As the environment can change radically over time, leaders' experience of success might not be applicable to all problems. Therefore, leaders should turn to their staff and ask, "This task went like this in my experience, but what do you think?" and entrust them with carrying out the task. A balance between input and entrustment is, I believe, a timeless trait of good leaders.

**Ikawa** In reality, all leaders have their areas of strength and weakness. Therefore, empowering each individual to fully realize their competencies should be at the core of human resource management backed by diversity. In other words, diversity management must aim to empower each employee to thrive.

**Colpan** I would like Sumitomo Rubber Group to become, in 2050, a company with an atmosphere that allows any employee equipped with skills and leadership to come forward as a candidate for President regardless of their gender or nationality. Although we still have sufficient time until 2050, we must begin to develop a framework to that end at this point in time.





Corporate Governance

Directors, Audit & Supervisory Board Members and Executive Officers (as of March 28, 2023)

Directors



**Satoru Yamamoto**  
Representative Director,  
President and CEO (President)

Born June 14, 1958  
Number of Shares of the Company Held 37,530

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



**Hidekazu Nishiguchi**  
Representative Director  
(Managing Executive Officer)

Born December 8, 1960  
Number of Shares of the Company Held 22,700

**Career Summary, Position at the Company and Duties**  
April 1983 Joined the Company  
March 2023 Representative Director (Managing Executive Officer) of the Company (incumbent)  
[Duties] Supervision of Tire Business and Automotive System Business



**Kiyoshige Muraoka**  
Director  
(Senior Executive Officer)

Born February 21, 1961  
Number of Shares of the Company Held 7,300

**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, Intellectual Properties, and Research & Development



**Masatsugu Nishino**  
Director  
(Senior Executive Officer)

Born February 8, 1962  
Number of Shares of the Company Held 15,600

**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, Human Resources and General Affairs, ESG, Legal Affairs and Purchasing



**Naoki Okawa**  
Director  
(Senior Executive Officer)

Born July 9, 1961  
Number of Shares of the Company Held 10,300

**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



**Yasuaki Kuniyasu**  
Director  
(Senior Executive Officer)

Born September 4, 1969  
Number of Shares of the Company Held 1,000

**Career Summary, Position at the Company and Duties**  
April 1992 Joined the Company  
March 2023 Director (Senior Executive Officer) of the Company (incumbent)  
[Duties] Supervision of Corporate Strategy and Digital Transformation (DX) and General Manager of Corporate Planning Department



**Ikuji Ikeda**  
Director

Born November 7, 1956  
Number of Shares of the Company Held 63,800

**Career Summary and Position at the Company**  
April 1979 Joined the Company  
March 2019 Representative Director and Chairman of the Board of the Company  
March 2020 Chairman of the Board of the Company  
March 2023 Director of the Company (incumbent)



**Keizo Kosaka**  
Outside Director

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

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



**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)



**Takashi Tanisho**  
Outside Director

Born February 26, 1949  
Number of Shares of the Company Held 0

**Career Summary and the Status of Significant Concurrent Positions**  
April 1973 Joined Hitachi Zosen Corporation  
April 2013 Representative Director, President & Chief Operating Officer of Hitachi Zosen Corporation  
April 2016 Representative Director, President & Chief Executive Officer of Hitachi Zosen Corporation  
April 2017 Representative Director, Chairman of the Board & President of Hitachi Zosen Corporation  
April 2020 Representative Director, Chairman of the Board & Chief Executive Officer of Hitachi Zosen Corporation  
April 2022 Representative Director, Chairman of the Board of Hitachi Zosen Corporation  
March 2023 Outside Director of the Company (incumbent)  
April 2023 Director and Senior Corporate Advisor of Hitachi Zosen Corporation  
June 2023 Senior Corporate Advisor of Hitachi Zosen Corporation (incumbent)



**Misao Fudaba**  
Outside Director

Born February 23, 1956  
Number of Shares of the Company Held 0

**Career Summary and the Status of Significant Concurrent Positions**  
April 1979 Joined Daicel Corporation  
June 2006 Executive Officer, Deputy Head of Corporate Support Center of Daicel Corporation  
June 2008 Head of Raw Material Purchasing Center of Daicel Corporation  
June 2010 Representative Director, President and CEO of Daicel Corporation  
June 2019 Chairman of the Board of Directors of Daicel Corporation  
June 2022 Advisor of Daicel Corporation (incumbent)  
March 2023 Outside Director of the Company (incumbent)

Audit & Supervisory Board Members



**Kazuo Kinameri**  
Standing Audit &  
Supervisory Board Member

Born August 15, 1956  
Number of Shares of the Company Held 40,294

**Career Summary, Position at the Company and Duties**  
April 1979 Joined the Company  
March 2015 Representative Director and President of Dunlop Sports Co. Ltd.  
March 2018 Representative Director (Vice President) of the Company  
March 2023 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 51,800

**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 7,800

**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 Holdings Corporation)  
June 2008 Director of PanaHome Corporation (currently Panasonic Homes Co., Ltd.)  
June 2012 Representative Director, President of the above company  
June 2015 Senior Audit & Supervisory Board member of Panasonic Corporation (currently Panasonic Holdings Corporation)  
June 2019 Outside Auditor of Santen Pharmaceutical Co., Ltd.  
March 2020 Outside Audit & Supervisory Board Member of the Company (incumbent)  
June 2020 Outside Auditor of Hitachi Zosen Corporation (incumbent)  
June 2023 Outside Director of Sumitomo Densetsu Co., Ltd. (incumbent)

Executive Officers

Senior Executive Officers

Takanori Aoi	Hideaki Kawamatsu
Tomohiko Masuta	Yasuo Watanabe
Eiichi Masuda	Hiroshi Matsui

Executive Officers

Toshihiko Komatsu	Yoichi Mizuno
Kenji Saito	Kiyoshi Ikawa
Takuzo Iwata	Shingo Sakashita
Jiro Kawase	Susumu Tanaka
Hiroshi Hamada	Masahiro Tsuzaki

Reasons for the Selection of Independent Outside Directors

Name	Reasons for selection
Keizo Kosaka	Mr. Keizo Kosaka, a representative of Irokawa Law Office, boasts expertise in corporate legal affairs along with experience in corporate management gained as an outside member of audit & supervisory boards of TOYO ALUMINIUM K.K., Sekisui Kasei Co., Ltd., TECHNO ASSOCIE Co., Ltd. and SEIREN CO., LTD. As he makes full use of his knowledge and experience to provide the Company with invaluable opinions and suggestions from an objective point of view, he is well-suited to serve as Director and conforms with the Company's policy on the selection of Directors and Audit & Supervisory Board Members. The Company thus appointed him based on its judgement that his presence on the Board of Directors will help improve its corporate governance.
Mari Sonoda	Ms. Mari Sonoda has held important positions at the Ministry of Finance and elsewhere and has gained wide-ranging 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 well-suited to serve as a Director and conforms with the Company's policy on the selection of Directors and Audit & Supervisory Board Members. The Company thus appointed her based on its judgement that her presence on the Board of Directors will help improve its corporate governance.
Takashi Tanisho	Mr. Takashi Tanisho has experience as the Representative Director, President, and Chairman of Hitachi Zosen Corporation, which operates globally in the environmental field, including in areas involving energy, water and decarbonization, and has gained extensive experience and broad insights as a manager. In particular, he boasts abundant business experience with regard to manufacturing technology and management strategy. Mr. Tanisho is well-suited to serve as a Director and conforms with the Company's policy on the selection of Directors and Audit & Supervisory Board Members. The Company thus appointed him based on its judgement that his presence on the Board of Directors will help improve its corporate governance.
Misao Fudaba	Mr. Misao Fudaba, having served as President and Chairman of Daicel Corporation—a global operator involved in the manufacture and sale of chemical products and high-performance materials—possesses extensive experience and management insight. In particular, he boasts abundant business experience in the fields of business and financial strategies. Mr. Fudaba is well-suited to serve as a Director and conforms with the Company's policy on the selection of Directors and Audit & Supervisory Board Members. The Company thus appointed him based on its judgement that his presence on the Board of Directors will help improve its corporate governance.

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

Name	Reasons for selection
Morihiro Murata	As a certified public accountant and tax accountant, Mr. Morihiro Murata boasts considerable knowledge of finance and accounting and has gained experience in auditing and corporate management as an Outside Director (Audit & Supervisory Committee member) of Kagome Co., Ltd., and as an Outside Audit & Supervisory Board member of Kokuyo Co., Ltd. As an Outside Audit & Supervisory Board Member of the Company, he draws on his knowledge and experience to express opinions on the execution of business by Directors from an objective viewpoint while providing suggestions related to the enhancement of the Company's corporate governance and the formulation of the new Midterm Plan. Mr. Murata is well-suited to serve as a member of the Company's Audit & Supervisory Board and conforms with its policy for the selection of Directors and Audit & Supervisory Board Members. Accordingly, the Company appointed him based on its judgement that his presence will 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 university professor specializing in management strategy and corporate governance as well as practical experience of corporate management as an Outside Director of both 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 in addition to providing suggestions related to the enhancement of the Company's corporate governance and the formulation of the new Midterm Plan. Ms. Colpan is well-suited to serve as a member of the Company's Audit & Supervisory Board and conforms with its policy for the selection of Directors and Audit & Supervisory Board Members. Accordingly, the Company appointed her based on its judgement that her presence will contribute to the reinforcement of its audit system.
Hirofumi Yasuhara	Mr. Hirofumi Yasuhara has gained experience in corporate finance and business management as the Representative Director, President of PanaHome Corporation (currently Panasonic Homes Co., Ltd.); as a Senior Audit & Supervisory Board Member of Panasonic Holdings Corporation; and as an Outside Auditor of both Santen Pharmaceutical Co., Ltd. and Hitachi Zosen Corporation. Leveraging his extensive experience, he expresses his opinions as an Outside Audit & Supervisory Board Member on the execution of business by Directors from an objective viewpoint in addition to providing suggestions related to the enhancement of the Company's corporate governance and the formulation of the new Midterm Plan. Mr. Yasuhara is well-suited to serve as a member of the Company's Audit & Supervisory Board and conforms with its policy for the selection of Directors and Audit & Supervisory Board Members. Accordingly, the Company appointed him based on its judgement that his presence will contribute to the reinforcement of its audit system.

Corporate Governance

Concepts regarding the Balanced Distribution of Specialist Strengths among Members of the Board of Directors and Its Compositional Diversity, etc.

At Sumitomo Rubber Industries, the competencies required of Directors and Audit & Supervisory Board Members in their areas of specialty have been mapped out in the form of a skill matrix. Our intention in adopting the skill matrix is to enable the Board of Directors to properly engage in decision making and fulfill its management supervisory functions and thereby realize “Our Philosophy”—our corporate philosophy structure—address medium- to long-term priority issues (materiality) via the promotion of ESG management and execute the new Midterm Plan announced in February 2023. Each skill matrix item has been determined by the Board of Directors

after being deliberated by the Nomination and Remuneration Committee, with due consideration given to the business environment, the Company’s management plan and characteristics of its business. Through this process, we have identified up to four items per individual to determine strengths required of each Director and Audit & Supervisory Board Member in his/her area of specialty. The selection of candidates for Directors and Audit & Supervisory Board Members is thus informed by the skill matrix to form an optimally sized, well-functioning Board of Directors with a balanced portfolio of specialists in diverse fields.

Skill Matrix for Directors and Audit & Supervisory Board Members

Name	Position <sup>*1</sup>	Years in Office	Corporate Management and Business Strategy	Production and Technology	International Business	Sales and Marketing	Legal and Governance	Financial Strategy and Accounting	DX and IT	Fiscal 2022 Status of Attendance	
										Board of Directors meetings	Audit & Supervisory Board meetings
Satoru Yamamoto	Representative Director, President and CEO (President)	8 years	●		●	●				14/14	—
Hidekazu Nishiguchi	Representative Director (Managing Executive Officer)	2 years	●		●	●			●	14/14	—
Kiyoshige Muraoka	Director (Senior Executive Officer)	1 year		●					●	11/11	—
Masatsugu Nishino	Director (Senior Executive Officer)	1 year	●		●	●	●			11/11	—
Naoki Okawa	Director (Senior Executive Officer)	1 year			●			●		11/11	—
Yasuaki Kuniyasu	Director (Senior Executive Officer)	Newly appointed		●						—	—
Ikuji Ikeda	Director	16 years	●	●	●					14/14	—
Keizo Kosaka	Outside Director <sup>*2</sup>	14 years	●				●			14/14	—
Mari Sonoda	Outside Director	2 years					●	●	●	14/14	—
Takashi Tanisho	Outside Director	Newly appointed	●	●		●			●	—	—
Misao Fudaba	Outside Director	Newly appointed	●				●	●		—	—
Kazuo Kinameri	Standing Audit & Supervisory Board Member <sup>*3</sup>	Newly appointed	●		●	●	●			14/14	—
Hiroki Ishida	Standing Audit & Supervisory Board Member	1 year	●		●		●	●		14/14	12/12
Morihiro Murata	Outside Audit & Supervisory Board Member	11 years	●				●	●		14/14	12/12
Asli M. Colpan	Outside Audit & Supervisory Board Member	5 years	●		●		●			14/14	12/12
Hirofumi Yasuhara	Outside Audit & Supervisory Board Member	3 years	●		●			●		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.  
<sup>\*1</sup> The position in parentheses is the position held as an Executive Officer of the Company.  
<sup>\*2</sup> Chairman of the Board, Chair of the Nomination and Remuneration Committee  
<sup>\*3</sup> Chair of Audit & Supervisory Board

Reasons for Adopting Skill Matrix Items

Skill Item	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, including those supported by ESG management, 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 its existing businesses, backed by robust skills and expertise related to the formulation of business portfolio strategies and the execution of organizational reforms.
Production and Technology	To deliver joy and well-being to customers, the Company’s Board of Directors must be supported by members equipped with a wealth of expertise in the cutting-edge technologies the Sumitomo Rubber Group has accumulated via an unflagging pursuit of technological innovation. The Board members are also expected to have skills and expertise related to the manufacture of products that are friendly to people and the environment to realize a sustainable, recycling-oriented 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 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 and 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.

Policy of Election and Dismissal Standards for Directors and Audit & Supervisory Board Members

Sumitomo Rubber Industries, Ltd. (the “Company”) shall follow the policy and standards set forth below in selecting and dismissing Directors and Audit & Supervisory Board Members (“Officers”). Proposals for selecting and dismissing Directors are deliberated and determined by the Board of Directors based on the rigorous deliberations and reports of the Nomination and Remuneration Committee. Proposals for the selection or dismissal of Audit & Supervisory Board Members shall be decided by the Board of Directors with the consent of the Audit & Supervisory Board. Thereafter, a proposal for each candidate will be submitted to the General Meeting of Shareholders.

(1) Basic Policy

Officer candidates shall have the ability, motivation, and experience to effectively fulfill their roles and responsibilities on the Board of Directors and be capable of contributing to the improvement of the Company’s corporate governance and solution of social issues through the Company’s business.

(2) Election Standards

- The Company’s officers must meet the following conditions.
- 1) Possess a deep understanding of the Company’s corporate philosophy, “Our Philosophy,” and embody it in their duties
  - 2) Demonstrate the ability to view the overall Group objectively and to analyze and judge the Group in light of changes in the surrounding environment

- 3) Make every effort to improve the Company’s corporate value over the medium to long term in accordance with the Company’s management policy
- 4) Collectively possess expertise in the fields of corporate management and business strategy, production and technology, international business, sales and marketing, legal and governance, financial strategy and accounting, DX and IT, which are the items specified in the skill matrix of the Company’s Board of Directors. They must have a sufficient track record in such fields of expertise, and their election must ensure a balanced and diverse skills matrix on the Company’s Board of Directors
- 5) Outside officers must be persons suitable to act as management executives of the Company from the perspective of promoting the sustainable growth of the Company and enhancing its corporate value over the medium to long term.

(3) Dismissal Standards

The Company shall review the dismissal of any Company officer when said officer fails to properly fulfill the roles and responsibilities required of them. (This includes any of the grounds for disqualification as stipulated by law, when an officer commits an act that offends public order and morals, when an officer is unable to continue to perform their duties due to health reasons or for any other reason, etc.)

Corporate Governance

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 outlining agenda items. These are but a few examples of our initiatives to enhance the content of discussions undertaken by the Board of Directors.

Training for Directors and Audit & Supervisory Board Members

The Company encourages Directors, Audit & Supervisory Board Members and Executive Officers to 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, inviting external specialists to deliver lectures to help said individuals acquire an in-depth understanding of their roles and responsibilities as Directors. Furthermore, we provide individuals who are newly appointed as outside officers with opportunities to be briefed on such topics as the Sumitomo Rubber Group's business outline, its operating results and challenges it is currently facing, thereby enhancing their ability to present well-informed advice on improving the Company's standing.

Main topics of discussion at Board of Directors meetings in 2022 (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
- Introduction of stock-based remuneration (granting of restricted shares)
- Divestment of assets
- System investment toward the realization of business management powered by digital innovation
- Formulation of a sustainability vision
- Formulation of the new Midterm Plan

Conducting Questionnaires regarding the Board of Directors' Effectiveness

Fiscal 2016 to 2020	Fiscal 2021	Fiscal 2022
<p><b>• Evaluation methods</b> Questionnaires targeting the Board members were sent out by the secretariat. The completed questionnaires were analyzed for quantitative data, while comments from respondents regarding qualitative matters were similarly consolidated. Based on the results, we identified issues and implemented countermeasures.</p> <p><b>• Main initiatives</b> • Raising the monetary criteria for tabling an item at a Board of Directors meeting • Earlier provision of materials • Prior acceptance of questions with regard to agenda items and provision of answers, etc.</p>	<p><b>• Evaluation methods</b> Questionnaires targeting and interviews with members of the Board of Directors were conducted by an external assessment firm (an independent third party). The Board of Directors received and deliberated on a report from said assessment firm at its meeting held in December 2022.</p> <p><b>• Evaluation results</b> The Company's Board of Directors is equipped with strengths in (1) enhanced information sharing involving outside officers and (2) securing diversity, and it was confirmed that the overall effectiveness of its operations is robust.</p> <p><b>• Main initiatives</b> • Further review of criteria for tabling an item at a Board of Directors meeting • Enhancement of opportunities for information sharing involving outside directors</p>	<p><b>• Evaluation methods</b> The secretariat conducted questionnaires targeting members of the Board of Directors and analyzed their quantitative assessments as well as qualitative comments to identify issues to be addressed.</p> <p><b>• Evaluation results</b> Improvement was confirmed in both of the following items, which were identified as issues in the course of the fiscal 2021 evaluation. • More time for discussions at the Board room must be secured • More complete information needs to be provided to outside officers in advance</p> <p><b>• Main issues</b> • Enhancement of opportunities for discussions regarding important themes • Enhancement of opportunities for information sharing related to IR/SR activities</p>

The Board of Directors' activity policy for fiscal 2023

The Board of Directors will properly engage in decision making and fulfill management supervisory functions while pursuing improvement in corporate value by realizing "Our Philosophy," the Group's corporate philosophy structure, addressing medium- to long-term priority issues (materiality) via the promotion of ESG management and executing the new Midterm Plan. Specifically, in fiscal 2023, the Board of Directors intends to focus on deliberating the "Selection & Concentration of Existing Lines of Business" and "Laying Groundwork for Growing Lines of Business," key initiatives under the new Midterm Plan.

Topics

Holding in-depth discussions with the participation of all outside officers Intensively deliberating on management issues at offsite meetings

Sumitomo Rubber Industries is proactively promoting measures to enhance the effectiveness of its Board of Directors with the objective of achieving medium- to long-term improvement in corporate value. As part of these efforts, the Board of Directors held offsite meetings in June 2022. These meetings were intended to facilitate in-depth discussion regarding the Midterm Plan and other key management issues by allowing participants to engage in the free exchange of opinions in alternative settings with atmospheres that differ from that of the regular venue used for Board of Directors meetings.

Based on conclusions reached via regular Board of Directors meetings, participants in offsite meetings were able to launch fresh discussions with a new perspective. This, in turn, enabled all officers to gain a solid understanding of the topics related to increasing corporate value.

Going forward, we will hold offsite meetings and otherwise implement necessary measures to strengthen Group governance undertaken by the Board of Directors and other bodies. In this way, we will strive to achieve medium- to long-term improvement in corporate value.

Remuneration of Directors and Audit & Supervisory Board Members

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.

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%	-

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 ⑤ 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.

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.

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)	441	11
Audit & Supervisory Board Members (excluding Outside Members)	54	3
Outside Members	73	7

Note: The above number of recipients includes four Directors and one Audit & Supervisory Board Member who stepped down from their positions on March 24, 2022.

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. At the time of said resolution, the Board of Directors consisted of seven Directors (excluding Outside Directors).

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 28, 2022, November 30, 2022 and January 30, 2023 with the attendance of all members, including the committee chair 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. Based on recommendations formulated by the committee, the Board of Directors met on February 28, 2023 to discuss the amounts to be awarded as bonuses, thereby determining the full details of remuneration.

Corporate Governance

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 with 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 2022

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, in order to counter the emergence of geopolitical risks overseas, the Company established the risk control headquarters led by the President and implemented other initiatives to minimize said risks' impact on the Group's overall business management and operating results. These initiatives included securing the safety of employees and their families, supporting their livelihoods, assessing the impact on supply chain and implementing risk countermeasures, with each business division and administrative departments with specific functions acting in collaboration with said headquarters.

We have also launched discussions regarding the possible impact of conflict in Taiwan

and our response to it.

In addition, in the face of the global COVID-19 pandemic, we have continually striven to minimize the pandemic's overall impact on the Group's facility operations and its business results, with the risk control headquarters led by the President playing a central role. 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 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.

Since fiscal 2020, we have striven to counter fallout from the global COVID-19 pandemic. With the establishment of a risk control headquarters led by the President, we have implemented initiatives to help 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 our key bases, including domestic bases as well as affiliates at home and abroad, further upgrading the content of these plans.

In fiscal 2022, we also upgraded the BCPs to be executed in the case of war in light of growing geopolitical risks overseas. This upgrade was informed by fresh discussions regarding how to secure the safety of expatriates and local employees at times of emergency and how to continue sales, logistics, raw material procurement and other essential activities, drawing on takeaways from our response to past incidents.

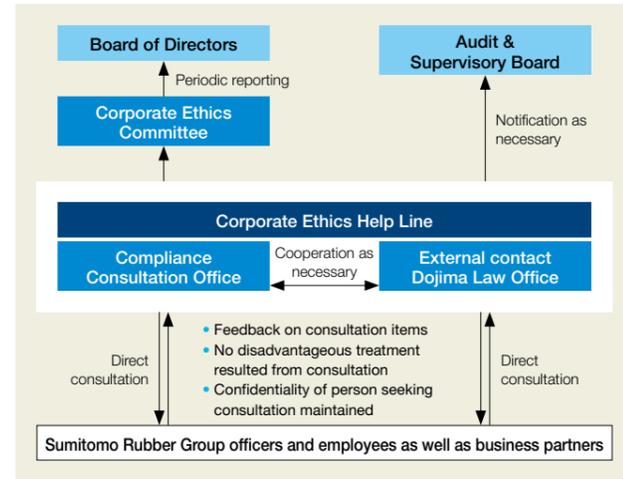
Looking ahead, we will develop a more robust structure capable of keeping our BCPs up-to-date from the perspectives of ensuring the safety of employees and securing business continuity.

Corporate Governance

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.” To ensure that this belief is embraced by all, we formulated the “Regulations on Corporate Ethics Activities” and the “Sumitomo Rubber Group Code of Conduct” in February 2003. These principles are continually enforced, informing our efforts to develop a compliance structure for the entire Group and foster compliance awareness among employees. In addition, in 2004 we established a Compliance Consultation Office offering an in-house point of contact and have commissioned an external lawyer to serve as an external contact. Furthermore, we provide all employees with a compliance card featuring a message designed to instill compliance awareness as well as the abovementioned office’s contact information to facilitate reporting. In this way, we ensure that every employee knows about the compliance reporting line, which operates outside the regular reporting lines within the job hierarchy. We have thus developed a structure capable of ensuring the early detection of misconduct.

Structure of Compliance Initiatives

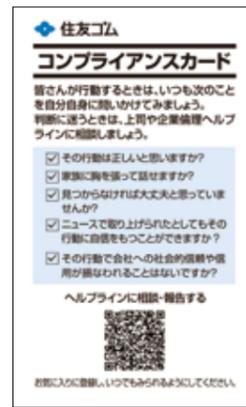


Our Code of Conduct provides all Sumitomo Rubber Group officers and employees with specific, easy-to-understand guidelines regarding the basic stance they should take and the mindset they should adopt in the course of their business activities from the aspect of legal and regulatory compliance.

Moreover, our business partners in transactional relationships with the Group are expected to act in accordance with this Code of Conduct.

The Code of Conduct is translated into the eight languages listed below. All versions can be accessed on the Company’s corporate website.

- Japanese
- English
- Chinese
- Thai
- Indonesian
- Vietnamese
- Turkish
- Spanish



Compliance card Provided to all employees

Main Initiatives in Fiscal 2022

While the Board of Directors met 14 times to exercise supervision over compliance matters, the Audit & Supervisory Board met 12 times to conduct audits to confirm 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. This committee also strove to ensure that each case reported via the Corporate Ethics Help Line was properly handled.

In addition, in fiscal 2022 we updated our Code of Conduct for the first time in five years to prevent the recurrence of the improprieties that emerged in 2021. The updated version now includes case studies featuring a variety of business settings and expanded explanations of quality management. Also included in the Code of Conduct booklet is a page informing employees about the Compliance Consultation Office and how to contact it. To increase the page’s visibility, its placement in the booklet was changed and we began newly incorporating articles selected with the principle of dealing with the bad news first in mind. Moreover, a QR code printed on the Code of Conduct booklet enables employees to access the Code of Conduct via their smartphones. As stated above, the Code of Conduct is translated into the local languages of regions in which the Company operates bases and is disseminated by heads of each base in order to secure the understanding of employees around the globe. Every October, which is designated as a Corporate Ethics Awareness Month, we hold annual lecture sessions focused on corporate ethics. In fiscal 2022, these sessions addressed topics related to the revised Act on Childcare Leave, Caregiver Leave and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, in particular encouraging male employees to play a greater role in child rearing. In addition to the activities described above, each business division continued working to raise corporate ethics awareness among employees by, for example, striving to help improve their understanding of “Our Philosophy,” our corporate philosophy, and the “Sumitomo Business Philosophy.”

Transparency with Respect to Taxes

In 2022, the Company disclosed its “Tax Policy” on its corporate website. Also, we are promoting global strategies for tax affairs, with the target year set at 2025.

Tax Policy

As a global enterprise that is dedicated to observing and respecting all applicable laws and regulations, engaging in fair and transparent business activities, contributing extensively to local communities and society and earning the trust and respect of our stakeholders, the Sumitomo Rubber Group (hereinafter, “our Group”) has made it its basic management policy to continue producing new value that will make customers’ lifestyles more pleasant and attractive while pursuing the ongoing enhancement of corporate value for stakeholders.

One aspect of this basic management policy is our Group’s dedication to fulfilling our tax obligations in an appropriate and ethical manner so that we may contribute to the development of the local and regional communities in which we operate.

Our Management of Tax Risks

By a resolution of our Board of Directors, our Group has established and fully implemented the necessary framework to ensure the proper execution of business of our Group. Management risks that may adversely and materially affect the business activities of the Group shall be addressed by the relevant division and/or subsidiary in advance through the analysis of said risks and the planning of countermeasures in accordance with corporate regulations concerning risk control, which stipulate risk management rules for the entire Group. Furthermore, we have also established and implemented a system of checks to ensure that our business activities are fair and honest while striving to minimize our Group’s tax risks. If necessary, advice and guidance may be sought from professionals, including our tax advisors, in analyzing and planning countermeasures against such risks.

Our Approach to Tax Planning

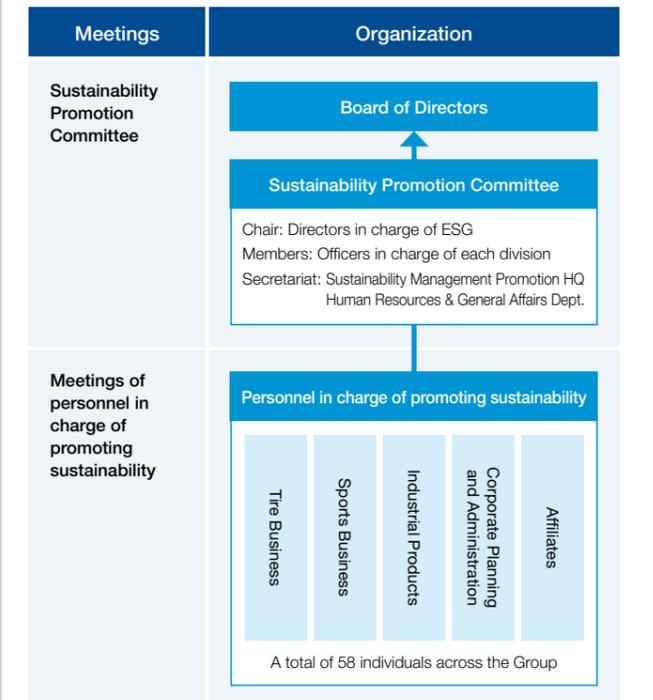
Our Group engages in tax planning activities that appropriately reflect economic entities and are in full accordance with OECD Guidelines as well as the relevant laws and regulations of the various countries in which we operate. Furthermore, our Group has pledged that we will neither exploit tax havens as a means of avoiding taxation nor engage in business dealings whose primary aim is the reduction of our tax burden.

Our Relationship with Tax Authorities

Our Group considers daily communication with every stakeholder to be an essential aspect of staying on top of the responsibilities of our Group. Our Group hopes to maintain trust-based relationships with Tax authorities through the appropriate disclosure of all pertinent information in a timely manner and fully intends to enhance the transparency of our operations. We will also file tax returns and pay taxes on time in accordance with all relevant laws and regulations while working with Tax authorities to cooperate with official requests by promptly providing all requested information.

ESG-Based Business Management Structure

In August 2021, we announced “Driving Our Future Challenge 2050,” our Long-Term Sustainability Policy outlining initiatives to be undertaken by 2050. Under this policy, 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.



To promote ESG management, we employ a two-layer structure consisting of the Sustainability Promotion Committee and meetings of personnel in charge of promoting sustainability.

The Sustainability Promotion Committee meets twice a year to strengthen governance over ESG management by conducting a management review. With the Director in charge of sustainability serving as the committee chair, officers in charge of each division are appointed as committee members.

In 2022, the committee was convened in February and July. Through these meetings, the committee examined reports on the status of ESG management being promoted across the Company, initiatives under our Long-Term Sustainability Policy (e.g., carbon neutrality, diversity & inclusion, governance) and sustainability-related activities being undertaken by 10 divisions in Japan and overseas. Upon the close of each meeting, conclusions reached by the committee were reported to the Board of Directors, while all employees were updated about the topics related to ESG.

Meetings of personnel in charge of promoting sustainability were launched in 2022 and have since been convened three times to ensure the robust sharing of sustainability-related information among all Group members and to promote ESG management.

Corporate Governance

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, with the officer in charge of accounting and finance and the officer in charge of general affairs playing central roles in investor relations (IR) and shareholder relations (SR), respectively.
- ② The Company's relevant departments engage in organic, cross-sectional coordination in order to support constructive dialogue with shareholders, institutional investors and other stakeholders. As part of IR activities, we disclose various data via the IR section of the Company's corporate website while, in 2022, establishing the IR Office. The Company also hosts IR briefings for analysts and institutional investors. In terms of SR activities, the Company issues various publications for shareholders and prepares integrated reports to provide updates on

the status of its business operations, ESG management and other matters while maintaining direct engagement with institutional investors. In these ways, the Company strives 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 The Company carries out surveys of the actual owners of its shares to determine the details of its shareholder composition. Results of these surveys enable us to take a more proactive approach to IR and SR activities and promote effective shareholder communications.

Results of 2022 Activities

	Targets	Methods	Examples of themes
IR	Institutional investors and analysts Note: Financial results briefings, including small-group meetings, were held on 126 occasions. These included 46 meetings held for overseas investors and analysts.	<ul style="list-style-type: none"> <li>Results briefings</li> <li>Small-group meetings</li> <li>Individual interviews (held mainly online)</li> </ul>	<ul style="list-style-type: none"> <li>Details of quarterly operating results and dividends</li> <li>Future outlook on operating results</li> <li>Content of and progress under the Midterm Plan, etc.</li> </ul>
SR	12 institutional investors (10 domestic institutions and two foreign institutions)	Individual online interviews	<ul style="list-style-type: none"> <li>Initiatives to achieve our reduction targets for CO<sub>2</sub> emissions</li> <li>Initiatives to achieve KPIs regarding the ratio of female managers</li> <li>Independence of outside officers, etc.</li> </ul>

Sound Labor-Management Relations

The Company and the Sumitomo Rubber Trade Union (which had 5,799 general members as of December 31, 2022, 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 2022, this study group was responsible for such initiatives as the upward revision of premiums to be paid to employees who have been transferred away from their primary areas of residence and are living unaccompanied by family along with the relaxation of conditions applied to employees eligible to receive such premiums as well as the relaxation of conditions for the granting of special leave due to the accumulation of expired leave in order to help meet employee's daily living needs. The study group also launched discussions regarding what the Company's human resources system should look like.

In fiscal 2023, 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 15 years since 2008 we have sponsored DUNLOP Nationwide Tire Safety Inspections. As of the end of 2022, the total number of cars inspected amounted to 113,000.

In 2023, 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 16 days. Through this annual campaign, we conduct various tire inspections, including measuring tire pressure and checking remaining tread depth as well as for any other damage to the tire. In addition to providing customers with professional inspections, we have utilized the aforementioned campaign period to raise driver awareness of the importance of tire inspections by distributing leaflets at storefronts. Furthermore, we endeavored to facilitate the wide-spread recognition of the need for periodic tire inspections and maintenance via the official X (previously Twitter) account of the Company's directly managed stores, websites run by each store and other social networking service (SNS) outlets. Looking ahead, we will continue to provide tire inspections so that our customers can enjoy safe and secure driving.



Initiatives for Society

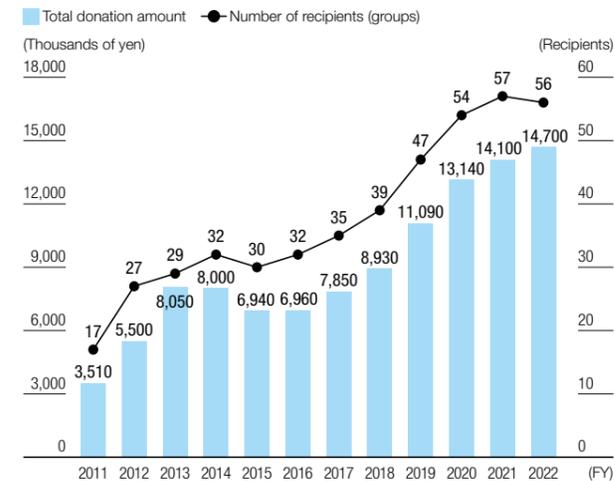
Promoting Mutual Prosperity with Regional Communities through Social Contribution Activities

Sumitomo Rubber Industries CSR Fund

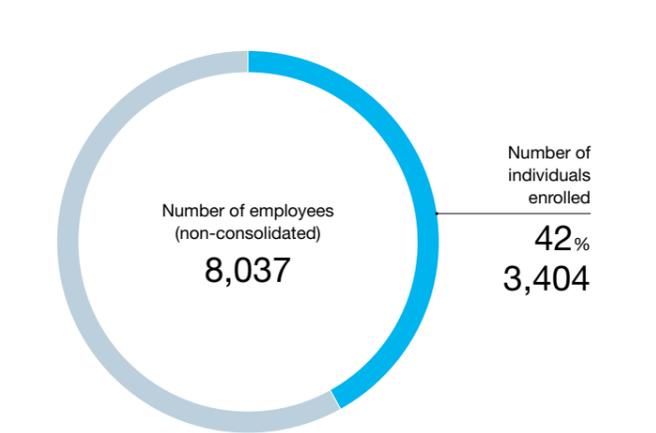
The Sumitomo Rubber Industries CSR Fund was established to provide financial support to NPOs engaged in activities in regions where we have bases in order to solve global environmental and social problems. Following its establishment in 2009, the Fund began providing

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 2022, a total of ¥14.70 million was donated to 56 organizations.

Number of Recipients of Donations Offered by "Sumitomo Rubber Industries CSR Fund" and Total Donation Amount



Ratio of Enrollment in the CSR Fund (December 2022)



The Shirakawa Factory Receives the 11th Green Society Contributor Award – Continuously Engaging in Greenery Activities and Contributing to Regional Societies for about 50 Years since Its Launch

The Shirakawa Factory was chosen by the Organization for Landscape and Urban Green Infrastructure to receive the 11th Green Society Contributor Award in recognition of its engagement in excellent greenery management and other endeavors. Under a program sponsored by this organization, a Green Society Contributor Award is given to corporations who are outstanding in terms of their contributions to regional societies and the improvement of the environments surrounding their operations through the development of greenery. Over the 50 years since its launch, the factory has engaged in greenery promotion activities via the development of a "GENKI Forest" under slogans of "harmony with nature," "no environmental pollution" and "deep roots in communities." Moreover, the factory has maintained biotopes within its premises to preserve biodiversity. Also, the factory allows employees to participate in volunteer activities while making donations and otherwise contributing to the well-being of regional societies and striving for carbon neutrality. The giving of this award suggests that the factory's ongoing engagement in the initiatives described above is highly appreciated.



GENKI Forest

Tree planting activity undertaken on Mount Akazura (sponsored by Fukushima Prefecture)

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 are a co-sponsor of the "STOP! DRUNK DRIVING PROJECT" and have maintained our status as a special co-sponsor for the DUNLOP KOBE OPEN, a wheelchair tennis tournament, since 1994. Overseas, we donated uniforms to sports facilities for people with disabilities in Turkey while, in the Philippines, making donations to homes for elderly people. In China, we donated funds to support beautification projects. As exemplified above, we strive to contribute to society through donations and co-sponsorship in regions across the globe.



# Fiscal 2022 Targets and Results

To date, the Sumitomo Rubber Group has focused on achieving improvements in both societal and economic value in the course of corporate activities. Moreover, through the announcement of the Long-Term Sustainability Policy: “Driving Our Future Challenge 2050” in 2021, we have declared our intention to help resolve environmental and social issues through our business and to further enhance our initiatives to realize a sustainable society.

We also believe that the achievement of the Long-Term Sustainability Policy: “Driving Our Future Challenge 2050” will result in the embodiment of our Purpose, “Through innovation we will create a future of joy and well-being for all,” as defined under “Our Philosophy.”

Here, we deliver a report on how we have contributed to the resolution of social issues through the pursuit of the Long-Term Sustainability Policy.

Targets under the Long-Term Sustainability Policy		PLAN: Fiscal 2022 Target	DO: Fiscal 2022 Activity Results	CHECK: Self-Assessment	ACTION: Fiscal 2023 Target	Relevant SDGs and the Positive Impacts of Our Initiatives	
Product Innovation	<ul style="list-style-type: none"> <li>Realizing the SMART TYRE CONCEPT</li> <li>Establishing a Sustainable Product Certification System</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>	<p>Promote the development of Active Tread</p> <p>Create an internal standard for a sustainable product certification system</p>	<p>Promoted technological development related to Active Tread</p> <p>Unveiled a plan to release next-generation tires equipped with Active Tread technologies in 2024 as part of the Midterm Plan</p> <p>Established internal standard for a sustainable product certification system as well as targets for 2030</p>	<p>100%</p> <p>100%</p>	<p>Undertake development with an eye to commercializing next-generation tires equipped with Active Tread technologies in 2024</p> <p>Initiate product planning aligned with the sustainable product certification system and develop an internal structure to this end</p>	<p>3-6 Reduce the risk of traffic accidents by creating tires with advanced functions</p> <p>9-5 Develop eco-friendly products equipped with next-generation technologies</p> <p>11-2 Contribute to safer methods of mobility</p> <p>7-2 Utilize renewable energy in product manufacturing</p> <p>9-4 Promote resource savings from the manufacturing stage</p> <p>13-2 Help reduce CO<sub>2</sub> emissions via the improvement of fuel efficiency and the use of recycled raw materials</p>
	<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>	<p>6% reduction in CO<sub>2</sub> emissions compared to 2017 levels</p> <p>Formulate Scope 3 reduction targets</p> <p>Introduce hydrogen boilers at the Shirakawa Factory (Fukushima Prefecture)</p>	<p>15% reduction compared to 2017 levels</p> <p>Assessed emission volumes to identify reduction targets for Scope 3 emissions</p> <p>Completed the installation of hydrogen boilers at the Shirakawa Factory (Fukushima Prefecture)</p>	<p>100% or more</p> <p>75%</p> <p>100%</p>	<p>6% reduction compared to 2022 levels</p> <p>Establish targets by the end of 2023</p> <p>Initiate the mass-production of tires manufactured via a carbon neutral process in terms of CO<sub>2</sub> emissions</p> <p>Confirm issues associated with the around-the-clock operation of hydrogen boilers</p>	<p>7-2 Utilize renewable energy in product manufacturing</p> <p>7-3 Promote energy-saving activities</p> <p>9-5 Pursue technological development to utilize hydrogen, a next-generation energy</p> <p>11-3 Take on the challenge of commercializing sustainable, hydrogen-fired energy</p> <p>9-5 Develop eco-friendly products equipped with next-generation technologies</p> <p>12-4 Reduce CO<sub>2</sub> emissions arising from product disposal via the use of sustainable raw materials</p> <p>7-2 Utilize energy generated by solar panels in product manufacturing</p> <p>9-5 Pursue technological development to utilize hydrogen, a next-generation energy</p> <p>11-3 Take on the challenge of commercializing sustainable, hydrogen-fired energy</p>
Resource Circulation Sustainable Raw Materials	<ul style="list-style-type: none"> <li>Increasing Usage Rate of the Sustainable Raw Material</li> <li>Reducing Plastic Usage</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable Raw Material Content Targets by Product Line</li> <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> <li>40% Reduction in Plastic Used in Tire Labels, Packing Materials, Sales Promotion Tools, etc., Compared with 2019 Levels (2030)</li> </ul>	<p>Discuss measures to raise the recycling ratio</p> <p>Discuss candidates for alternative raw materials</p> <p>Discuss facility upgrades</p> <p>4.5% reduction in plastic usage compared to 2021 levels</p>	<p>Discussed measures to raise the recycling ratio</p> <p>Discussed candidates for alternative raw materials</p> <p>Discussed facility upgrades</p> <p>Abolished plastic lids for tennis ball packaging</p> <p>Implemented initiatives to reduce plastic usage in promotional materials used in Tire, Sports and Industrial Products businesses</p>	<p>100%</p> <p>85%</p>	<p>Continue discussions to raise the recycling rate</p> <p>Continue discussions to identify candidates for alternative raw materials</p> <p>Discuss facility upgrades while planning measures to introduce novel types of raw materials</p> <p>Continue striving to reduce plastic usage in packaging materials, etc.</p>	<p>9-5 Develop highly functional raw materials with low environmental footprints</p> <p>12-4 Reduce CO<sub>2</sub> emissions arising from product disposal via the use of sustainable raw materials</p> <p>13-2 Reduce CO<sub>2</sub> emissions throughout product life cycles</p> <p>8-4 Strive for the minimization of environmental impact arising from corporate activities</p> <p>9-4 Improve the efficiency of resource use</p> <p>11-6 Reduce waste</p>
	<ul style="list-style-type: none"> <li>Reducing Water Usage</li> </ul>	<ul style="list-style-type: none"> <li>100% Recycled Water Usage at Bases of Operations in Areas with High Water Security Risk (2050)</li> </ul>	<p>Maintain 100% water recycling rate at the Turkey Factory</p>	<p>Maintained the 100% water recycling rate at the Turkey Factory</p> <p>Discussed methods for assessing water risks</p>	<p>100%</p>	<p>Specify bases with high water security risks and formulate plans to address such risks</p>	<p>6-1,4 Contribute to the mitigation of water risks</p> <p>8-4 Develop technologies enabling the efficient use of water resources</p>
Supply Chain Management for the Environment	<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 the SNR Policy</li> <li>By 2030: The SNR Policy applies to key suppliers</li> <li>By 2050: The SNR Policy applies to all suppliers</li> </ul>	<p>Participate in the Global Platform for Sustainable Natural Rubber (GPSNR) and establish a framework and structure that enables us to remain attuned with industrial trends</p>	<p>Attended an ordinary meeting of GPSNR members, took part in a working group and otherwise contributed to GPSNR</p> <p>Submitted a report in conformity with reporting requirements defined by GPSNR</p> <p>Contributed funds to support GPSNR's Capacity Building Project</p>	<p>100%</p>	<p>Continue acting as a member of GPSNR and maintain a structure that enables us to remain attuned with trends in the industry and among other companies</p> <p>Achieve KPI targets defined by GPSNR, in addition to identifying activity items to secure conformity with the EU Deforestation Regulation (EUDR) and taking action accordingly</p>	<p>8-7 Eradicate child labor and forced labor</p> <p>15-1 Procure natural rubber produced via methods that avoid deforestation</p>
	<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>Strengthening Industrial Health Framework &amp; Cultivating Culture of Health</li> </ul>	<p>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</p> <p>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</p>	<p>Completed activities to iron out disparities between bases in line with schedule</p> <p>Recorded a total of two accidents resulting in fatality at an overseas Group company and a partner company</p> <p>Completed initiatives as planned by, for example, introducing a complete smoking ban within the Head Office</p>	<p>100% (KPI)</p> <p>100%</p>	<p>Implement safety assurance activities as part of the BTC activities that have taken root throughout the Company</p> <p>Strengthen industrial health framework by enhancing skills of health specialists</p> <p>Cultivate a culture of health (enhance the recognition of the revised version of Health &amp; Productivity Management Declaration, which was announced in 2022, among employees)</p>	<p>3-9 Prevent health issues caused by the exposure to hazardous substances</p> <p>8-8 Develop a safe environment in which all employees can work with confidence</p> <p>8-3 Enable employees to pursue personal growth and discover a greater sense of job fulfillment</p> <p>8-5,8 Enhance the vitality of our workforce by improving the corporate culture</p>
Organizational Climate/Culture	<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>	<p>Further expand the scope of workplaces covered by 360° feedback, following the 2021 implementation of such measures that aimed to include an even broader range of overseas bases and Group companies in Japan</p>	<p>Expanded the scope of employees subject to 360° feedback to include those working at overseas bases and domestic affiliates</p> <p>Overseas: PT Sumi Rubber Indonesia, Sumitomo Rubber (Thailand) Co., Ltd., Sumitomo Rubber (China) Co., Ltd., Sumitomo Rubber (Changshu) Co., Ltd., Sumitomo Rubber (Hunan) Co., Ltd., Sumitomo Rubber USA, LLC, Sumitomo Rubber do Brazil Ltda., Sumitomo Rubber AKO Lastik Sanayi ve Ticaret A.S Domestic: Sri Business Associates Co., Ltd., Sri With Ltd., Domestic Tire Sales Companies, Dunlop Sports Marketing Co., Ltd.</p> <p>Positive responses on organizational health survey (2022) 77.5%</p>	<p>100%</p>	<p>Further expand the scope of employees subject to 360° feedback to include locally hired managerial employees at overseas factories and employees at domestic affiliates</p> <p>Enhance the leadership and management skills of managerial employees</p> <p>Organizational health survey</p> <p>Raise the ratio of positive responses to 78.5%</p>	<p>8-3 Enable employees to pursue personal growth and discover a greater sense of job fulfillment</p> <p>8-5,8 Enhance the vitality of our workforce by improving the corporate culture</p> <p>16-7 Foster a culture of dialogue by implementing 360° feedback</p>
	<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>	<p>Continue implementing measures to ensure a robust understanding of unconscious biases, targeting a growing scope of employees</p> <p>Implement measures targeting a growing scope of employees to facilitate understanding of the LGBTQ+ community</p> <p>Improve the working environment for female engineers</p>	<p>Implemented anti-unconscious bias training targeting non-managerial employees</p> <p>Included a clear statement regarding our response to unconscious biases into the Corporate Code of Conduct</p> <p>Expanded efforts to foster an understanding of the LGBTQ+ community within our organization, we have undertaken following initiatives: Prepared a comprehensive handbook, implemented e-learning, discussed the scope of welfare programs to accommodate individuals with same-sex partners, designed an ally stoker program, attained a "Gold" rating on the PRIDE Index, continuously provided training to enhance employee awareness and understanding.</p>	<p>100%</p> <p>100%</p>	<p>Start rolling out anti-unconscious bias training to factories</p> <p>Endeavor to secure a robust understanding of the LGBTQ+ community and distribute ally stickers to a growing scope of employees</p> <p>Expand measures to create a women-friendly frontline worksite</p>	<p>5-1 Enhance organizational vitality via the promotion of women's empowerment</p> <p>5-4 Support employees engaging in child rearing by, for example, promoting the use of paternity leave</p> <p>5-1,5 Enhance organizational vitality via the promotion of women's empowerment</p> <p>5-4 Support employees engaging in child rearing by, for example, promoting the use of paternity leave</p>
Respect for Human Rights	<ul style="list-style-type: none"> <li>Establishing a Human Rights Management System</li> </ul>	<ul style="list-style-type: none"> <li>Formulation of a Global Human Rights Policy (2023), Creation of Human Rights Management System and Due Diligence Process (2024), Establishment and Implementation of Human Rights Due Diligence (2025)</li> </ul>	<p>Formulate plans to create a Human Rights Management System</p>	<p>Formulated a plan to create a Human Rights Management System</p>	<p>100%</p>	<p>Formulate and issue a Global Human Rights Policy</p>	<p>8-7 Eradicate child labor and forced labor</p>
Supply Chain Management	<ul style="list-style-type: none"> <li>Actively Seeking Third-Party Assessments (EcoVadis)</li> </ul>	<ul style="list-style-type: none"> <li>Aim to procure 95% of tire raw materials on a purchase value basis from suppliers who earn scores of 45 or higher (2030)*</li> <li>Note: Plans call for expanding the scope of third-party assessments to include businesses other than the Tire Business</li> </ul>	<p>—</p>	<p>Procured 82% of raw materials (purchase value basis) from suppliers who earned standard scores (45 points or more)</p>	<p>100%</p>	<p>—</p>	<p>8-7 Eradicate child labor and forced labor</p> <p>15-1 Procure natural rubber produced via methods that avoid deforestation</p>
	<ul style="list-style-type: none"> <li>Enhancing Corporate 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>Improving the Effectiveness of Governance</li> </ul>	<p>Update the skill matrix based on the Midterm Plan while promoting discussions to identify Director and Audit &amp; Supervisory Board Member candidates from the perspective of securing diversity</p> <p>Implement various measures to enhance the Board of Directors' effectiveness based on results of questionnaires and confirm outcomes of such measures</p>	<p>Discussed our definitions of a well-balanced Director composition vis-à-vis the skill matrix and incorporated diversity requirements into the Policy of Election and Dismissal Standards for Directors and Audit &amp; Supervisory Board Members to enhance the Board of Directors' diversity</p> <p>Implemented such measures as reviewing standards for agenda items requiring a Board of Directors' resolution while conducting questionnaires regarding the Board's effectiveness. Confirmed that issues specified in the course of the third-party assessment conducted in 2021 were addressed and improved</p>	<p>100%</p> <p>100%</p>	<p>Continue discussions regarding the selection of candidates for Directors and Audit &amp; Supervisory Board Members from the perspective of securing diversity, with the aim of establishing a management team capable of improving corporate value</p> <p>Continue implementing questionnaires regarding the Board of Directors' effectiveness and push ahead with efforts to address issues and enhance its effectiveness so that the Board can gain greater governance capabilities</p>	<p>5-5 Enhance the quality of the Board of Directors' decision making by improving the diversity of its composition</p> <p>10-3 Enhance the quality of the Board of Directors' discussions by improving the diversity of its composition in terms of gender and nationality</p> <p>5-5 Enhance the quality of the Board of Directors' decision making by improving the diversity of its composition</p> <p>10-3 Enhance the quality of the Board of Directors' discussions by improving the diversity of its composition in terms of gender and nationality</p>
Thoroughgoing Compliance	<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>	<p>Discuss the content of tax-related information to be disclosed</p> <p>Execute the global tax strategy</p>	<p>Assessed the status of taxes paid in each country</p> <p>Discussed the profitability of overseas Group companies as part of the global tax strategy</p>	<p>100%</p> <p>100%</p>	<p>Continue collecting information regarding taxation systems in each country</p> <p>Discuss the global tax strategy (assessment of the profitability of overseas Group companies, tax planning, etc.)</p> <p>Phase 3 "Empathy" → Phase 4 "Practice": Practice various initiatives to embody Our Philosophy</p> <p>Promote activities to facilitate the entrenchment among factory technicians</p>	<p>10-5,6 Help improve the soundness of the financial system by enhancing the transparency of tax affairs</p> <p>8-5 Empower employees to discover a greater sense of job fulfillment and realize their competencies to the fullest</p> <p>8-8 Develop a safe environment in which all employees can work with confidence</p>

\* With regard to the procurement of tire raw materials, more than 90% of suppliers (purchase value basis) have undergone third-party assessments, with the ratio of suppliers who earned standard or higher scores exceeding 80%. We have therefore set a new target for 2030, now aiming to procure 95% of the tire raw materials from suppliers who earned standard or higher scores.

# 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.

## FTSE ESG Index Series

The Company was selected for inclusion in the FTSE4 Good Index Series and FTSE Blossom Japan Index, both of which are representative ESG indices, for the second consecutive year.

Moreover, the Company was included in the FTSE Blossom Japan Sector Relative Index, which was newly launched in fiscal 2022.



## SOMPO Sustainability Index

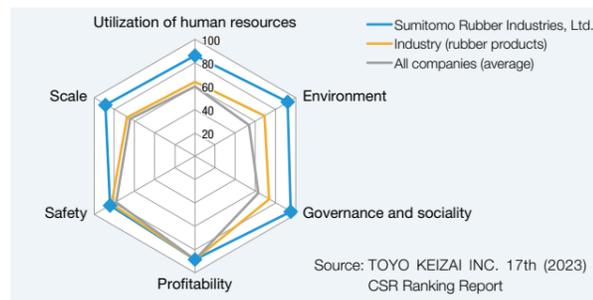
Since 2012, the Company has been continuously selected for inclusion in the SOMPO Sustainability Index, an asset management product index compiled by Sampo Asset Management Co., Ltd. for pension fund managers and institutional investors.



## The 17th (2023) 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. Of note, we were ranked among the top 50 companies among all 1,702 companies in the Environment and Governance categories.



2022		
April	The Ichijima Factory was chosen to receive the "Prime Minister's Commendations for Contributors to Greening Promotion" under the fiscal 2022 round of a government-sponsored program intended to commend organizations, etc., that made outstanding contributions to the promotion of greening activities or otherwise advocated for widespread public awareness of the need for such activities.	
May	The Company's Performance Sustaining Technology, which incorporates a hydrogenated polymer, was named the "Tire Technology of the Year" under "Tire Technology International Awards for Innovation and Excellence," a program undertaken as part of "Tire Technology Expo 2022" held in Hanover, Germany, to commend excellent, leading-edge technologies.	
May	The Company became a signatory to the "United Nations Global Compact" advocated by the United Nations and was registered as a participant corporation.	
June	The Company was named by the Center for Tire Research (CenTIRE), a U.S.-based tire technology consortium, as "the mentor of the year 2022," an award for mentors deemed to have made particularly significant contributions in terms of providing guidance and assistance to academic researchers.	
July	DUNLOP SP SPORT MAXX 060+, a global flagship tire released in March 2022 targeting premium vehicles, was chosen to receive a Tire Category Award under the "DAILY AUTOMOTIVE NEWS Car Parts Awards 2022" program.	
November	The Company acquired a "Gold" rating under the PRIDE Index 2022 rating program designed to assess the level of initiatives undertaken by businesses and other organizations to protect the rights of sexual minorities, including members of the LGBTQ+ community.	

November	The Company was chosen to receive a "Hyogo Work-Life Balance Company Award" under the fiscal 2022 round of a prefectural program in recognition of its initiatives to promote diversity & inclusion (D&I) and work style reforms.	
November	The Company acquired renewed certification under the "Eco-First Program" based on the submission of its updated "Eco-First Commitments," which summarize fresh targets for environmental preservation initiatives, to the Minister of the Environment.	
December	The Company was granted a four-star rating under "2022 Nikkei SDGs Management Survey" conducted by Nikkei Inc.	
December	The Company announced its support of "RE100," an international environmental initiative consisting of corporations striving to achieve a 100% switchover to renewable energy.	

2023		
January	The Company became a member of the Global Data Service Organization for Tyres and Automotive Components (GDSO), an international organization that aims to establish standards for tire data and define solutions for data access.	
February	The Company was granted a "Silver" rating based on a survey conducted by EcoVadis, an international rating agency specializing in the assessment of sustainability activities undertaken by businesses.	
March	The Company acquired an "A" rating under an ESG rating program sponsored by MSCI, a representative rating agency in the field of ESG investment.	
March	The Shirakawa Factory was chosen to receive the "11th Green Society Contributor Award" under a program sponsored by the Organization for Landscape and Urban Green Infrastructure to commend corporations who are outstanding in terms of their contributions to regional societies and the improvement of the environments surrounding their operations through the development of greenery.	
March	In Miyakonojo City, Miyazaki Prefecture, Dunlop Golf Club Corp. became the first to be certified as an excellent business operator under the "Monisu" certification system, which aims to certify SMEs with outstanding track records in the employment of people with disabilities.	
March	The Company was certified by the Japan Sports Agency for the first time as a "Sports Yell Company" under the agency's 2023 selection program in recognition of its corporate initiatives to support and popularize employee participation in sports activities aimed at helping them improve their health.	
March	The Company was recognized by the Ministry of the Economy, Trade and Industry as well as Nippon Kenko Kaigi (Japan Health Council), receiving certification as an excellent company under the "2023 Certified Health and Productivity Management Organization Recognition Program—White 500." The Company was thus named one of "White 500" for the seventh consecutive year since 2017.	
March	The Company was certified as a "Hyogo Kobe Women's Empowerment Business (Mimoza Company)" in recognition of its progressive stance toward the promotion of D&I and the creation of a workplace in which diverse human resources can achieve success.	
March	The Company was chosen to receive "Materials Innovation of the Year" and "R&D Breakthrough of the Year" awards under the "Tire Technology International Awards for Innovation and Excellence" program, which was undertaken as part of "Tire Technology Expo 2023" held in Hanover, Germany. While the former was granted for the Company's accomplishments in cutting-edge material research in the field of biopolymer synthesis, the latter was due to a breakthrough achieved via the invention of enzyme evaluation methods.	
March	In Jiangsu Province, China, the Company was chosen to receive the "Award for Changshu Economic & Technological Development Zone Outstanding Corporate Contributor (1992 - 2022)," which aims to commend, in conjunction with the 30th anniversary of the opening of the eponymous economic zone, corporations that have significantly contributed to its development over the course of its three decades of operation.	

### Certifications Acquired

- ISO 9001: 2015 Quality Management System
- ISO 14001: 2015 Environmental Management Systems
- ISO 45001: 2018 Occupational Health and Safety Management System
- IATF 16949: 2016 Automotive Quality Management System Standard

# Financial and Non-Financial Data

## Consolidated Financial Data

Years ended December 31	Unit	IFRS*1								
		2015	2016	2017	2018	2019	2020	2021	2022	
<b>Earnings for the year:</b>										
Sales revenue	Millions of yen	798,483	756,696	877,866	894,243	893,310	790,817	936,039	1,098,664	
Overseas sales ratio	%	59	59	63	63	63	64	68	71	
Cost of sales	Millions of yen	528,393	499,650	611,185	632,756	637,658	558,638	676,341	845,442	
Selling, general and administrative expenses	Millions of yen	191,237	182,130	199,706	200,806	201,261	188,791	207,723	231,259	
Business profit*2	Millions of yen	78,853	74,916	66,975	60,681	54,391	43,388	51,975	21,963	
Profit rate	%	9.9	9.9	7.6	6.8	6.1	5.5	5.6	2.0	
Operating profit	Millions of yen	89,173	73,284	67,449	57,155	33,065	38,701	49,169	14,988	
Operating profit ratio	%	11.2	9.7	7.7	6.4	3.7	4.9	5.3	1.4	
Profit attributable to owners of parent*3	Millions of yen	71,976	41,364	46,979	36,246	12,072	22,596	29,470	9,415	
Profit to equity attributable to owners of parent ratio	%	9.0	5.5	5.4	4.1	1.4	2.9	3.1	0.9	
<b>Financial position at year-end:</b>										
Total assets	Millions of yen	932,432	897,634	1,018,266	1,002,383	1,035,484	974,805	1,086,169	1,225,202	
Total equity	Millions of yen	451,837	459,541	490,886	472,807	475,537	467,097	513,543	563,863	
Total equity attributable to owners of parent	Millions of yen	422,287	429,316	459,907	457,927	460,800	454,743	501,540	546,200	
Interest-bearing debt	Millions of yen	261,867	204,218	273,452	283,482	325,490	276,739	296,784	372,760	
<b>Cash flows for the year:</b>										
Cash flows from operating activities	Millions of yen	86,864	128,190	76,109	82,820	91,458	123,504	63,090	27,869	
Cash flows from investing activities	Millions of yen	(30,672)	(42,144)	(100,724)	(65,494)	(63,417)	(45,594)	(54,023)	(78,697)	
Free cash flows	Millions of yen	56,192	86,046	(24,615)	17,326	28,041	77,910	9,067	(50,828)	
Cash flows from financing activities	Millions of yen	(52,707)	(71,055)	21,706	(2,122)	(40,979)	(61,881)	(13,332)	41,556	
<b>Related information:</b>										
Capital expenditures	Millions of yen	58,911	49,606	62,494	66,857	58,129	41,923	49,548	68,012	
Depreciation and amortization	Millions of yen	51,419	51,248	56,010	57,365	67,941	67,665	67,724	75,348	
Research and development costs	Millions of yen	23,372	24,257	25,720	25,780	26,198	24,215	25,447	27,259	
<b>Management-related and financial data:</b>										
Tire sales volume	Millions of tires	10,962	11,264	12,347	12,361	12,436	10,883	11,603	11,146	
ROE	%	17.5	9.7	10.6	7.9	2.6	4.9	6.2	1.8	
ROA (business profit base)	%	8.4	8.2	7.0	6.0	5.2	4.3	5.0	1.9	
D/E ratio	(times)	0.6	0.5	0.6	0.6	0.7	0.6	0.6	0.7	
ROIC	%	—	—	—	—	—	—	—	1.7	
Ratio of equity attributable to owners of parent	%	45.3	47.8	45.2	45.7	44.5	46.6	46.2	44.6	

\*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 parent as calculated under IFRS

## Main Financial Indicators (Fiscal 2022)

### Business Profit (Ratio)\*

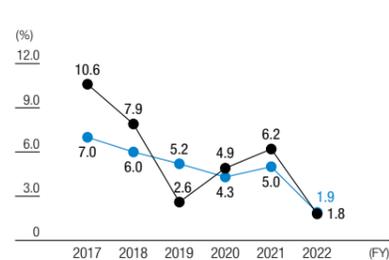
■ Tire Business ■ Sports Business ● Profit Rate  
■ Industrial and Other Products Business



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

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

● ROE ● ROA



\*1 ROE = (Net income / Average of total equity at the beginning and end of the fiscal year) x 100

\*2 ROA = (Business profit / Average of total assets at the beginning and end of the fiscal year) x 100

### Interest-Bearing Debt / D/E Ratio

■ Interest-bearing debt ● D/E ratio



## Consolidated Non-Financial Data

Data marked with \* has been verified by third parties.

Years ended December 31	Unit	2015	2016	2017	2018	2019	2020	2021	2022
		Total CO <sub>2</sub> emissions (global environmental data of domestic and overseas factories) (Total of Scopes 1 and 2)*1	Location Market (kt-CO <sub>2</sub> e)	1,007	1,039	1,053	1,101	1,085	999
Total CO <sub>2</sub> emissions (global environmental data of domestic and overseas factories) (Total of Scope 3)*2, 3	(kt-CO <sub>2</sub> e)	—	—	7,039	21,297	21,710	19,310	19,885	39,437
Category 1	(kt-CO <sub>2</sub> e)	—	—	652	1,831	1,325	1,671	1,369	5,073
Category 2	(kt-CO <sub>2</sub> e)	—	—	199	213	185	134	158	46
Category 3	(kt-CO <sub>2</sub> e)	—	—	54	54	54	48	51	154
Category 4	(kt-CO <sub>2</sub> e)	—	—	77	182	193	167	173	349
Category 5	(kt-CO <sub>2</sub> e)	—	—	1	1	2	1	1	19
Category 6	(kt-CO <sub>2</sub> e)	—	—	3	4	3	1	1	5
Category 7	(kt-CO <sub>2</sub> e)	—	—	1	1	1	1	1	17
Category 9	(kt-CO <sub>2</sub> e)	—	—	49	128	135	117	122	5
Category 11	(kt-CO <sub>2</sub> e)	—	—	5,881	18,779	19,708	17,079	17,908	32,870
Category 12	(kt-CO <sub>2</sub> e)	—	—	22	96	96	84	94	897
Category 13	(kt-CO <sub>2</sub> e)	—	—	0	1	1	1	2	3
Category 15	(kt-CO <sub>2</sub> e)	—	—	100	7	7	7	7	—
Volume of raw materials used (six domestic factories)	1,000 tons	803	741	765	758	601	483	569	518
Volume of waste emissions (global environmental data of domestic and overseas factories)	t	17,649	19,944	19,440	24,720	32,350	28,964	32,265	30,931
Total energy consumption volume in crude oil equivalent (global environmental data of domestic and overseas factories)	1,000 kl	474	481	501	529	533	497	554	525
Total consumption volume of energy procured from renewable energy sources*4	MWH	5,034	5,403	5,725	5,849	5,320	5,733	8,030	321,541
Water consumption volume (global environmental data of domestic and overseas factories)	1,000 m <sup>3</sup>	9,618	13,239	13,958	13,603	13,269	12,432	12,875	11,318
Water discharge volume (global environmental data of domestic and overseas factories)	1,000 m <sup>3</sup>	7,492	11,231	10,594	10,142	10,195	10,286	10,512	9,834
Employees at ISO 14001 certified sites as a percentage of all employees (%)	%	79	89	84	84	86	79	75	74
Number of trees planted (excluding the provision of seedlings)	thousands of trees	77	72	44	51	39	19	19	7
Consolidated number of employees	Persons	33,197	33,792	36,650	37,852	39,233	39,298	40,055	40,365
Number of overseas employees	Persons	—	—	—	—	—	27,442	28,047	28,280
Ratio of female employees to the total number of employees (Sumitomo Rubber Industries, Ltd. (non-consolidated basis))	%	7	8	8	9	11	11	12	12
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	36
Ratio of female managers to the total number of managers (Sumitomo Rubber Industries, Ltd. (non-consolidated basis))	%	—	—	—	—	—	3.4	3.3	3.8
Average years of service (Sumitomo Rubber Industries, Ltd. (non-consolidated basis))	Men	16.8	16.7	16.4	16.3	16.1	16.2	15.7	14.4
	Women	13.3	13.3	13.0	12.6	12.2	12.5	11.8	11.3
Gaps between average wages paid to men and women (average wages paid to men = 100) (Sumitomo Rubber Industries, Ltd. (non-consolidated basis))	Full-time employees	—	—	—	—	—	—	—	70.5
	All direct employees	—	—	—	—	—	—	—	74.3
Average age of employees (Sumitomo Rubber Industries, Ltd. (non-consolidated basis))	Men	—	—	—	—	—	37.8	39.8	39.7
	Women	—	—	—	—	—	37.9	40.3	40.4
Ratio of foreign national employees to the total number of employees (excluding technical trainees) (Sumitomo Rubber Industries, Ltd. (non-consolidated basis))	%	—	—	—	—	—	—	0.5	0.5
Ratio of women to the total number of career-track employees (Sumitomo Rubber Industries, Ltd. (non-consolidated basis))	%	—	—	—	—	—	11	12	13
Ratio of women to the total number of non-career-track employees (Sumitomo Rubber Industries, Ltd. (non-consolidated basis))	%	—	—	—	—	—	76	77	77
Ratio of employees using childcare leave system to the total number of eligible employees (Sumitomo Rubber Industries, Ltd. (non-consolidated basis))	Men	0.8	0.4	2.1	2.3	3.8	5.4	15.0	19.9
	Women	100	100	100	100	100	100	100	100
Number of mid-career hires (Sumitomo Rubber Industries, Ltd. (non-consolidated basis))	Persons	—	—	—	—	—	45	70	106
Ratio of employees with disabilities to the total number of employees (including those hired by a special-purpose subsidiary)	%	—	—	—	—	2.2	2.3	2.3	2.4
Per-capita amount of funds invested in human resource development measures for full-time employees (Sumitomo Rubber Industries, Ltd. (non-consolidated basis))	Yen/individual	—	—	—	—	—	—	—	33,936
Number of patents (Japan and overseas)	cases	7,849	8,761	9,183	9,199	9,156	10,063	9,983	10,290
Tire production capacity	t/month	60,660	61,500	63,200	65,000	66,850	68,500	68,800	69,000
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	48
Total amount of Sumitomo Rubber Industries CSR Fund subsidy	thousand yen	6,940	6,960	7,850	8,930	11,090	13,140	14,100	14,700

\*1 Restated from previously announced figures due to the switchover from calculation using the previous fixed coefficient for CO<sub>2</sub> emission factors to location-based and market-based calculation

\*2 Categories 8, 10, 14 and 15 emissions are excluded from calculations (Category 15 emissions are included in figures for fiscal 2022 and later)

\*3 Figures for fiscal 2021 or earlier: Calculation methods were determined in reference to The Japan Automobile Tyre Manufacturers Association (JATMA) Guideline Ver. 2.0. CO<sub>2</sub> emission factors used were chosen from among those presented in the "Database of Environmental Impact Indicators for the Calculation of Greenhouse Gas (GHG) Emissions, etc.", from Organizations through Their Supply Chains" issued by the Ministry of the Environment; Figures for fiscal 2022: Calculated in reference to the "Basic Guideline on the Calculation of GHG Emissions from Supply Chains Ver. 2.5" issued by the Ministry of the Environment. CO<sub>2</sub> emission factors used were chosen from among those presented in "IDEA Ver. 2.3" issued by National Institute of Advanced Industrial Science and Technology, the "Database of Environmental Impact Indicators for the Calculation of Greenhouse Gas (GHG) Emissions, etc.", from Organizations through Their Supply Chains Ver. 3.3" issued by the Ministry of the Environment, the "Calculation Guideline for Tire's Life Cycle CO<sub>2</sub> Emissions Ver. 3.0.1" issued by JATMA, and other materials.

\*4 Excluding excess output generated by in-house solar power generators and sold to external energy consumers

## Financial and Non-Financial Data

## Consolidated Statement of Financial Position

	Millions of yen	
	Fiscal 2021 (As of December 31, 2021)	Fiscal 2022 (As of December 31, 2022)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	75,093	73,846
Trade and other receivables	197,320	209,009
Other financial assets	2,096	6,950
Inventories	218,019	283,501
Other current assets	40,553	50,593
<b>Total current assets</b>	<b>533,081</b>	<b>623,899</b>
Non-current assets		
Tangible assets	389,795	436,307
Goodwill	26,287	26,412
Intangible assets	42,794	45,919
Investments accounted for using equity method	4,430	4,462
Other financial assets	36,889	34,303
Net defined benefit asset	41,458	38,899
Deferred tax assets	10,641	12,953
Other non-current assets	794	2,048
<b>Total non-current assets</b>	<b>553,088</b>	<b>601,303</b>
<b>Total assets</b>	<b>1,086,169</b>	<b>1,225,202</b>
<b>Liabilities and equity</b>		
Liabilities		
Current liabilities		
Bonds and loans payable	68,143	100,895
Trade and other payables	160,902	176,151
Other financial liabilities	12,100	14,431
Income tax payable	6,301	7,980
Provisions	1,604	1,299
Other current liabilities	47,535	52,152
<b>Total current liabilities</b>	<b>296,585</b>	<b>352,908</b>
Non-current liabilities		
Bonds and loans payable	170,502	210,907
Other financial liabilities	46,919	48,191
Net defined benefit liability	23,417	21,333
Provisions	1,818	1,654
Deferred tax liabilities	12,093	4,690
Other non-current liabilities	21,292	21,656
<b>Total non-current liabilities</b>	<b>276,041</b>	<b>308,431</b>
<b>Total liabilities</b>	<b>572,626</b>	<b>661,339</b>
Equity		
Capital stock	42,658	42,658
Capital surplus	39,715	39,705
Retained earnings	481,455	478,379
Treasury stock	(85)	(61)
Other components of equity	(62,203)	(14,481)
<b>Total equity attributable to owners of parent</b>	<b>501,540</b>	<b>546,200</b>
Non-controlling interests	12,003	17,663
<b>Total equity</b>	<b>513,543</b>	<b>563,863</b>
<b>Total liabilities and equity</b>	<b>1,086,169</b>	<b>1,225,202</b>

## Consolidated Statement of Income

	Millions of yen	
	Fiscal 2021 (Jan. 1 to Dec. 31, 2021)	Fiscal 2022 (Jan. 1 to Dec. 31, 2022)
Sales revenue	936,039	1,098,664
Cost of sales	(676,341)	(845,442)
Gross profit	259,698	253,222
Selling, general and administrative expenses	(207,723)	(231,259)
Business profit	51,975	21,963
Other income	2,668	3,093
Other expenses	(5,474)	(10,068)
Operating profit	49,169	14,988
Financial income	1,797	11,519
Financial expenses	(6,289)	(4,041)
Share of profit of entities accounted for using equity method	88	73
Profit before tax	44,765	22,539
Income tax expenses	(14,779)	(10,083)
Profit	29,986	12,456
<b>Profit attributable to:</b>		
Owners of parent	29,470	9,415
Non-controlling interests	516	3,041
Profit	29,986	12,456
<b>Profit per share</b>		
Basic profit per share (yen)	112.05	35.80

## Consolidated Statement of Cash Flows

	Millions of yen	
	Fiscal 2021 (Jan. 1 to Dec. 31, 2021)	Fiscal 2022 (Jan. 1 to Dec. 31, 2022)
Cash flows from operating activities	63,090	27,869
Cash flows from investing activities	(54,023)	(78,697)
Cash flows from financing activities	(13,332)	41,556
Effect of exchange rate change on cash and cash equivalents	5,155	8,025
Net increase (decrease) in cash and cash equivalents	890	(1,247)
Cash and cash equivalents at the beginning of current period	74,203	75,093
Cash and cash equivalents at the end of current period	75,093	73,846

# 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 "○" (page 96) has been verified by third parties.

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

## 1. Total Global Greenhouse Gas (GHG) Emissions (Scopes 1, 2 and 3)

Verification procedures: Procedures based on the revised version of ISAE3000 and ISO14064-3

## 2. Total Global Energy and Water Usage, Wastewater and Waste Disposal by Factories in Japan

Verification procedures: Procedures based on the revised version of ISAE3000



### LRQA独立保証証明書

住友ゴム工業グループの2022年温室効果ガス排出量インベントリ、エネルギー消費量、廃棄物排出量、水使用量および排水量データに関する保証

この保証証明書は、契約に基づいて住友ゴム工業株式会社に対して作成されたものである。

**保証業務の条件**

LRQA リミテッド (LRQA) は、住友ゴム工業株式会社 (以下、組織という) からの委嘱に基づき、2022年(2022年1月1日～2022年12月31日)の温室効果ガス(以下、GHGという)排出量インベントリ、エネルギー消費量、廃棄物排出量、水使用量、および排水量のデータ(以下、報告書という)について、下記の基準に対して、LRQAの検証手順を用いて限定的保証レベルと検証人の専門的判断による重要性によって保証業務を実施した。LRQAの検証手順は、GHG排出量データについてはISO14064-3を参照しており、現在のベストプラクティスに基づいてISAE3000(改訂版)に準拠している。

LRQAの保証業務は、GHG排出量とエネルギー消費量については住友ゴム工業グループの日本国内外76社の製造拠点と非製造拠点、廃棄物排出量、水使用量、および排水量のデータについては日本国内6工場の拠点と事業活動、および以下の要求事項を対象とする。

- 選択されたデータが組織の定める報告方法に従っていることを確認すること。
- 下記の選択された指標のデータと情報と信頼性の評価を評価すること。

- スコープ1 GHG排出量、スコープ2 GHG排出量(ロケーション基準、マーケット基準)、及びスコープ3 GHG排出量(カテゴリー1, 11, 12)<sup>1</sup>
- エネルギー消費量(単位: 原油換算キロワット)
- 廃棄物排出量: 廃棄された量(単位: トン)
- 水使用量: 使用した体積(単位: 千立方メートル)であり、水道水、地下水及び工業用水を水源とするもの
- 排水量: 排出された体積(単位: 千立方メートル)

保証業務の範囲は、報告書に言及されている組織のサプライヤー、業務委託先、その他第三者のデータおよび情報を除く。

LRQAの責任は、組織に対してのみ負うものとする。脚注で説明されている通り、LRQAは組織以外へのいかなる義務または責任を放棄する。組織は、報告書内の全てのデータおよび情報の収集、集計、分析および公表、および報告書の基となるシステムの効果的な内部統制の維持に対して責任を有するものとする。報告書は組織によって承認されており、その責任は組織にある。

**LRQAの意見**

LRQAの保証手続において、組織が全ての重要な点において、

- 上記の要求事項を満たしていない
- 下の表1及び2に要約されたGHG排出量と主な環境データについて正確かつ信頼性のあるデータと情報を開示していない

ことを示す事実は認められなかった。表明された意見は、限定的保証水準及び検証人の専門的判断による重要性に基づいて形成された。

<sup>1</sup> 日本国内の、白河、名古屋、泉大津、沼崎、加古川及び市島の各工場

<sup>2</sup> GHGの定量化には固有の不確かさが発生する。

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# 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 the head of the Graduate School of Business Administration at Kobe University (from 2019 to 2021) and as Head of Kobe University Value 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).

## Entrenchment of Our Philosophy

In the Sumitomo Rubber Group's *Integrated Report 2023*, Our Philosophy is not only mentioned in a special feature describing activities by which it is being disseminated but also discussed in many other parts of the report. This is the most noticeable feature of this edition, suggesting that Our Philosophy is steadily being disseminated among the Group's workforce. Although ensuring the entrenchment of a corporate philosophy is no simple task for any company, I can clearly see that the Sumitomo Rubber Group is taking a serious approach to doing so.

Furthermore, the Group has identified "Through innovation we will create a future of joy and well-being for all" as its Purpose (Our Purpose) and is now in a phase of winning empathy among employees. However, I believe that putting it into practice is a matter of the utmost importance. Once Our Purpose is truly put into practice, synergistic effects will lead to a growing number of employees supporting the concept. I therefore expect that the upcoming edition of the *Integrated Report* will showcase some instances of tangible initiatives undertaken by individual employees to create a "future of joy and well-being for all."

## Establishment of a Sustainability Vision

The Sumitomo Rubber Group has also established a Sustainability Vision designed to connect Our Philosophy with the Long-Term Sustainability Policy. This vision is also linked with priority issues identified via materiality analysis. In addition, the Group has narrowed down the number of issues it considers priorities from 18 to 13 while summarizing its visions regarding each issue in succinct, easy-to-understand descriptions. Of course, the Group has also identified KPIs for each activity, but it is extremely important to describe in words what you aim to achieve because focusing solely on achieving KPIs often leads people to neglect the qualitative aspects of their activities. I expect the aforementioned descriptions of the Group's visions will help it to constantly review the appropriateness of KPIs and verify its activities and targets to achieve ongoing improvement.

## Enhancement of Human Capital-Related Information Disclosure

The Group has also enriched, to a considerable extent, the content of human capital-related information disclosed via this publication. This is yet another major feature of this *Integrated Report*. In this area, too, Our Philosophy is being touched on as a fundamental concept supporting the implementation of various human resource development measures, while the Executive Officer in charge of human resources contributes a two-page message on this subject. I appreciate these articles as they clearly reflect the Group's commitment to enhancing human capital. Moreover, the Group engages in a diverse range of activities and is taking a comprehensive approach in this area, suggesting that it is strongly determined to achieve its goal for human resource development. On the other hand, I received the impression that the Group is mindful of more than merely achieving the internal effect of human resource development. Although achieving corporate growth is one of major objectives of human resource development, a company must also aim to contribute to sound social development through this endeavor. Accordingly, employees should be empowered to strive not only toward corporate performance goals but also their personal goals. This, in turn, is expected to have the beneficial effect on the company as their individual pursuits merge into a driving force for achieving corporate goals. Establishing a mechanism to achieve this end should be an integral part of human resource development from a social contribution perspective. Looking ahead, I hope that the Group will upgrade its human capital-related activities to realize this kind of mechanism.

## 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 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. In 2021, we also formulated the Long-Term Sustainability Policy: "Driving Our Future Challenge 2050" to enforce our ESG management. Meanwhile, the business environment has become more complex than ever before due to growing geopolitical risks and other factors.

Taking these circumstances into account, we have formulated the Sustainability Vision, which connects "Our Philosophy" and "Driving Our Future Challenge 2050." This has made it easier to see that the Purpose defined under "Our Philosophy," the priority issues and "Driving Our Future Challenge 2050" together indicate a general direction the Sumitomo Rubber Group should take going forward.

The *Integrated Report 2023* features a roadmap describing relationships among the above concepts. Also, descriptions of measures being taken to achieve "Driving Our Future Challenge 2050" and the status of their progress are concentrated in the latter half of the publication and presented under the ESG framework. By adopting this layout, we were able to make this publication easier to understand than it was in the previous edition.

As recommended by Professor Kokubu, we intend to regularly review not only KPIs but also priority issues themselves going forward, with the aim of making ongoing improvements.

To thrive in an era of profound transition, we will rally the strength of all Group employees to step up our initiatives while striving to enhance the effectiveness and transparency of our activities.



**So Ishino**  
General Manager, Sustainability Management Promotion HQ



### 表1.住友ゴム工業グループの2022年のGHG排出量の要約

GHG 排出量のスコープ	千トンCO <sub>2</sub> e	
	A <sup>a</sup>	B <sup>b</sup>
スコープ1 GHG 排出量	386	377
スコープ2 GHG 排出量 (ロケーション基準)	757	668
スコープ2 GHG 排出量 (マーケット基準)	530	471

GHG 排出量のスコープ	千トンCO <sub>2</sub> e	
スコープ3 GHG 排出量		
カテゴリー1	5,073	
カテゴリー11	32,870	
カテゴリー12	897	

### 表2.住友ゴム工業グループの2022年の主な環境データの要約

環境データ	数値
エネルギー消費量	524,730 原油換算キロワット
廃棄物排出量	9,537 トン
水使用量	5,316 千 m <sup>3</sup>
排水量	4,583 千 m <sup>3</sup>

**LRQAの保証手続**

LRQAの保証業務は、LRQAの検証手順に従って実施された。結論を得るために、保証業務は証拠収集の一環として次の事項を含んで実施された。

- 宮崎工場への訪問審査とデータと記録の管理に係るプロセスのレビューを実施した。
- データと記録の管理を担当する主要な要員のインタビューを実施した。
- 報告書の重要な限り、脱漏および記載の誤りを予防するように構築された組織のデータ管理システムを審査した。我々は、内部の品質管理を含めたデータ管理の手順、指針およびシステムの効果的な実施をレビューすることでこれを実施した。
- 集計された2022年実績データおよび記録の検証を実施した。

<sup>a</sup> 限定的保証業務の証拠収集は、合理的保証業務に比べて少ない範囲で行われ、各拠点を訪問して元データを確認するより集計されたデータに重点を置いている。従って、限定的保証業務で得られる保証水準は合理的保証業務が行われた場合に得られる保証に比べて実質的に低くなる。

<sup>b</sup> グループ報告書開示のための組織の自給基準で定義され、2004年で設定された温室効果ガス排出原単位に基づき算出。

<sup>c</sup> 定量化の時点で入手可能な発行の温室効果ガス排出原単位による値

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**保証手続**

保証業務を通じて更なる観感および発見事項は以下である。

- データ収集・集計の過程で多くの手作業(排出係数の付与など)がなされているため、誤りの原因となる可能性がある。データの完全性・正確性を確保するために、データチェックシステムを含めたデータ管理体制の改善が期待される。

**LRQAの基準、力量及び独立性**

LRQAは、少なくともISO 14065「温室効果ガス-認定又は他の承認形式で使用するための温室効果ガスに関する妥当性確認及び検証を行う機関に対する要求事項」およびISO/IEC 17021「適合性評価-マネジメントシステムの審査及び認証を行う機関に対する要求事項-第1部: 要求事項」の品質管理に関する国際規格の要求事項を満たし、また、国際会計士倫理基準理事会より発行されている職業会計士のための倫理規定に従った包括的なマネジメントシステムを運用し、維持している。

LRQAは、その資格、トレーニング及び経験に基づき、適切な資格を有する個人を選任することを保証する。全ての検証および保証業務の結果は、上級管理者によって内部でレビューされ、適用された手続が正確であり、透明であることを保証する。

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日付: 2023年4月24日

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**Global Network** (As of December 31, 2022)

**OVERSEAS**



**JAPAN**

- Offices
- R&D bases
- Production bases



**Investor Information** (As of December 31, 2022)

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	44,620	Transfer Agent and Special Account Management Institution	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
		Independent Auditors	KPMG AZSA LLC 7-1-1 Kumoi-street, Chuo-ku, Kobe, Japan
Major Shareholders	Sumitomo Electric Industries, Ltd. .... 28.85% The Master Trust Bank of Japan, Ltd. (Trust account) ..... 8.99% NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST ..... 6.42% NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS ..... 3.14% Custody Bank of Japan, Ltd. (Trust account) ..... 2.84% National Mutual Insurance Federation of Agricultural Cooperatives ..... 2.79% NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY ..... 2.16% Sumitomo Mitsui Banking Corporation ..... 1.98% Sumitomo Corporation ..... 1.55% NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT ..... 1.50%		

Note: The percentage of shares in the above list was calculated using the total number of shares of common stock, excluding 34,841 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.