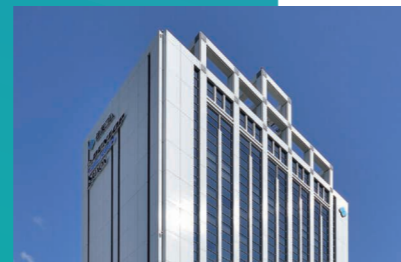


# Creating Value throughout the Sumitomo Rubber Group

This section discusses how Our Philosophy is embodied and the Group's approach to value creation, with a focus on TOP COMMITMENT and the Value Creation Model.

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## TOP COMMITMENT



**As we make steady progress on structural reforms, we will accelerate efforts to live up to Our Philosophy and build a business foundation that facilitates further growth.**

### Satoru Yamamoto

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

### Our Message as a Company that has Twice Experienced Great Earthquakes

I would like to extend our deepest sympathies to everyone who has been affected by the 2024 Noto Peninsula Earthquake. We sincerely hope your lives will get back to normal as quickly as possible.

Sumitomo Rubber Industries was established in 1909 as Dunlop Rubber (Far East) Co., Ltd. and since then, we have grown our business through the manufacture and sale of products that leverage rubber materials and technologies. In 1995, when the Great Hanshin-Awaji Earthquake struck, our Kobe Factory and Technical Development Center were catastrophically damaged and the impact on our employees and their families, as well as our business partners, was devastating. Thinking back on that time, it was a real threat to the very existence of the Company.

Then, in 2011, the Great East Japan Earthquake damaged our Shirakawa Factory in Fukushima Prefecture, one of our core tire production facilities, causing a temporary halt to production. During both disasters, all our employees came together to work toward a recovery as a united organization. We also received robust support from our business partners and customers, and as a result, we were able to overcome these crises.

As a company that has experienced what it is like to recover from a disaster, this time, we will be supporting the recovery of affected areas. Also, knowing that disasters will strike again in the future, I have a strong desire to contribute to building resilient towns and cities through our business activities, particularly our Vibration Control Dampers Business.

### Transaction Share is the Cumulation of Our Customers' Trust

As a member of the Sumitomo Group, our corporate philosophy is built upon the Sumitomo Business Philosophy. In this way, we have inherited a spirit that dates back to the establishment of the Group's founding company around 400 years ago. It includes principles such 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," reflecting Sumitomo's strong sense of duty to society. Another principle of the Sumitomo Business Philosophy is "placing prime importance on integrity and sound management." We have incorporated this principle into the SRI Way, an important part of the Sumitomo Rubber Group's corporate philosophy "Our Philosophy," which sets out the values that each individual should take to heart.

Over my many years with the Company, which has included working in marketing and sales for the Tire Business, as well as time in the international business, I have found that building trust is the most essential part of business. It is my firm belief that to build a stable,

long-lasting business, we must always live up to the trust our customer places in us and work with them to strengthen our mutual relationship. My experience has taught me that the share of transactions we receive from customers is the cumulation of the trust we have built with them. While products and services are important, long-lasting relationships with customers are built on a track record of delivering results, both as individuals and as a company, and through our behavior. Since becoming president, I have met with many of our customers, both in Japan and overseas. The impression I have received from these meetings is that the reason so many customers give us a large share of their business is that they expect great things from us and that we have built up strong relationships of trust through a track record of delivering results. Even now, when customers show their appreciation for the way we have handled their business and the sincerity of our employees, I see this as a reflection of integrity and sound management in our daily business activities, which is pleasing.

## TOP COMMITMENT

### Ideas Incorporated into Our Philosophy, Formulated after Becoming President

Our Philosophy, the Sumitomo Rubber Group's corporate philosophy structure, was formulated in 2020 after I was appointed president. After visiting many of our business locations, including overseas, I was made aware of the rich diversity of our 40,000 or so employees. I thought we needed a shared foundation to enable such a wide array of colleagues to advance together as one.

If we can share information and expertise between our locations in Japan and overseas and deepen cooperation, we will certainly be able to grow the Group's comprehensive capabilities and enhance profitability. Also, it is important for us to continue to deliver joy, well-being, and excitement to all of our stakeholders.

Therefore, we restructured our corporate philosophy, centering it around Dunlop's long-held values of taking on challenges, integrity, and devotion,

and the Sumitomo Business Philosophy, to establish Our Philosophy. Beginning with the Purpose of "Through innovation we will create a future of joy and well-being for all," it outlines our beliefs, vision, values, and slogan. I am confident that having this foundation for decision making and behavior will bring all Group employees onto a shared vector, thereby raising our ability to carry out plans and bringing us closer to our Vision.

In addition to this, I am always advocating within the Group that business should be based upon safety, quality, and compliance. I think this is fundamental to our survival and development as a manufacturing company and will be ensured by practicing Our Philosophy. Therefore, as president, I will strive to lead the Company in the practice of Our Philosophy and to promote it to employees so that we can carry out our business activities honestly and fairly.

### Progress on the New Mid-term Plan

#### Fiscal 2027 Targets Are a Commitment to Stakeholders

The COVID-19 pandemic that broke out in 2020 and the steep increases in raw material prices and maritime transportation fees that followed it have combined to create a headwind in the external environment. As a result, our business results reached record lows in fiscal 2022. Taking these difficulties into account, in fiscal 2023 we started our new mid-term plan covering the period to fiscal 2027, which has been formulated based on my desire to turn this crisis into an opportunity.

When creating the plan, we reviewed the current status of the Company and its activities over the past decades. As a result, we became aware that despite efforts to reinforce the global framework of the Tire Business, various aspects of our operations are inefficient, which is lowering profitability. Therefore, we decided to introduce an ROIC perspective and for the period up to a turning point set at fiscal 2025, we have set a course of carrying out the selection and concentration of existing businesses. At the same time, we established policies of laying the groundwork for growth lines of business and advancing digital transformation (DX).



In fiscal 2023, the first year of the new mid-term plan, we steadily implemented the plan while also focusing on improving business results in the short term.

Specifically, the raw material prices and maritime transportation fees that had been surging for several years began to come down again, so we worked to take maximum advantage of this boost from the external environment. At the same time, we strove to raise our unit price through measures such as increasing product prices, as we have promoted in each market, shrinking our less profitable businesses while maintaining the understanding of customers, and growing sales of high-value-added products. Additionally, we focused on curbing business expenses and

other costs on a company-wide basis, which led to a considerable improvement in profitability. In fiscal 2023, we achieved a record high business profit in the Sports Business and the business profit of the entire Company also reached a record high in the second half of the year.

We also expanded the scope of the BTC activities\* we have been promoting since fiscal 2020 to cover 65 Group companies both in Japan and overseas. More than 7,000 activities now have been implemented under this initiative. We think that making cooperation between different organizations within the Group more dynamic, and launching initiatives for taking on new challenges one after another, will create a strong momentum that can drive the implementation of our mid-term plan forward.

As a result of the initiatives outlined above, the fiscal year ended December 31, 2023 has been a big success in terms of finances. Looking at cashflow creation, in addition to increasing profits, our BTC activities have included efforts by the Working Capital Task Force to improve the cash conversion cycle (CCC). Considerable improvements have been made, including the shrinking of company-wide inventories, shortening of debt collection conditions, and controls on investment. One of the achievements of our BTC activities is that free cash flow has surpassed ¥100 billion for the first time.

Looking at the outlook for the rest of the plan, which covers up to 2027, we have positioned the period up to the turning point in 2025 as a period in which we will steadily advance structural reforms and strengthen our business foundation in preparation for taking the next leap forward. The idea is that these structural reforms will be like crouching to build up power in our legs before we take a huge jump toward growth from 2026 onward. To achieve this, we will prepare and make the necessary investments in businesses that show potential for growth.

We recognize that our fiscal 2027 targets are a commitment to our stakeholders. My job now is to further accelerate the considerable improvement in management indicators we saw in fiscal 2023 by firmly seeing structural reforms through to completion in a way that will facilitate the achievement of our fiscal 2027 financial targets ahead of schedule. I have resolved to take the lead in reclaiming Sumitomo Rubber Industries' reputation for profitability by advancing our mid-term plan, engaging various issues head-on and resolving them, and ensuring we take sure steps forward toward even higher targets.

\* "Be the Change" Project: A transformative project led directly by the president that was launched in 2020. It aims to enhance organizational culture and strengthen foundations for profitability.

### Steadily Implementing Structural Reforms Toward a Turning Point in 2025

In regard to structural changes, we are carrying out the selection and concentration of existing businesses with the aim of optimizing our

business portfolio. We have clearly positioned our businesses based on market growth potential and ROIC, enabling us to select about 10

businesses and products. Within these, there are six businesses and products that we have selected as focuses for the 2023 to 2024 period. We will carry out thorough discussions on these while establishing outlooks for them based on data and with an emphasis on speed.

In fiscal 2023, we made decisions to withdraw from the domestic residential gas hoses business and sell Lonstroff AG, a fully-owned subsidiary that manufactures and sells rubber parts for medical applications in Europe. The resources that were being expended on these businesses, including personnel, technological development resources, and investment, will be shifted to businesses that are expected to grow, raising overall profitability.

In our U.S. Tire Business, which I have positioned as the first priority of structural reforms, in fiscal 2023 we made greater progress than initially planned and as a result, the North American business as a whole became profitable. In regard to import sales from factories in Japan and Thailand into the U.S. market, we made timely changes to allocations to increase the supply of high-value-added products, and also increased the number of export products from Thailand, which are more competitive in terms of production costs, which led to an increase in profit.

Also, on the sales front, in addition to focusing on unrolling price increases and implementing timely changes in allocation, we also maintained the strong performance of the Falken brand, one of our mainstay brands. Furthermore, sales of WILDPEAK Series, a high-value-added tires for SUVs that are being well received in the North American market, grew by more than 120% year on year. We have made progress on strengthening our sales base, including sales programs and training for sales personnel, which I think has been a driving force that leads us to become profitable.

Looking to the future, in January 2024 we released a new product in the WILDPEAK Series with the aim of increasing profits further. The new product not only offers improved performance, but also has been developed in accordance with the design preferences of U.S. consumers, and sales have been even better than forecast.

Efforts to enhance the U.S. Factory are also underway. We have made progress on improving its profitability by increasing production and raising productivity through support from Japan, but there is still work to be done before it is fully rejuvenated. We are considering various options based on

### Laying the Groundwork for Growth Lines of Business

#### Technological Innovation through Rubber that Adapts to Road Conditions

In order to be able to swiftly respond to social needs and expectations that will arise in the near future, such as CASE fields and sustainability, we are working to commercialize our proprietary ACTIVE TREAD technology and establish a new SENSING CORE Business. In addition to this, we are advancing new initiatives in the Sports and Industrial Products Businesses.

The point we want to communicate the most is that ACTIVE TREAD and SENSING CORE, which are key elements of our growth strategies, will be commercialized within fiscal 2024 and will start realizing revenues for our business.

Tires can be used safely in good weather, but when it rains, rainwater accumulates on road surfaces, making them slippery. Also, in low-temperature environments during the winter season, roads can become frozen or covered in snow, which makes them even more slippery. Therefore, we have developed ACTIVE TREAD, a rubber that becomes softer in weather such as rain or cold temperature. This technology enables tire to increase its grip performance under such situations, making vehicles less likely to slip. This function is a completely unprecedented characteristic for a tire, as the tire rubber itself changes in accordance with road conditions. ACTIVE TREAD is a unique technology we developed featuring rubber that changes in response to the driving environment to enhance grip. In fall 2024, we plan to launch a new all-season tire product that incorporates the concept behind this

factors such as the current status of improvements and future outlook in terms of ROIC, and we aim to set a course for reform.

Additionally, as part of our structural reforms, in January 2024 we established the Tire Business HQ to oversee operations and organizations related to the Tire Business. Its goal is to integrate manufacturing, sales, and technological development operations to increase efficiency across the board, thereby raising profitability.

I spent many years overseeing tire sales in Japan and our tire businesses in Asia and Oceania, during which I have dealt with the issues faced on the frontlines. Although we were optimizing operations in each business domain, I had to question whether this was leading to optimization on a company-wide basis and whether issues were being dealt quickly through intra-organizational cooperation.

Therefore, we have established the new Tire Business HQ to eliminate organizational barriers and initiatives that only optimize certain areas so that we can consciously optimize the entire business in a way that unifies manufacturing, sales, and technological development operations, raising overall efficiency. We expect that this change will improve our ability to execute the mid-term plan and create additional profits.

Going forward, the advancement of DX will also be essential to further accelerating structural reforms. We are pursuing a management style that swiftly and continuously responds to changes in the business environment by incorporating data generated through our business operations directly into management in order to establish a competitive edge and by firmly connecting internal and external networks through digitalization. We call this DX-driven management.

In our efforts to transform management through the advancement of DX, we expect to complete a renewal of core systems that will provide a foundation by 2025. In addition to this, we are currently advancing DX initiatives in the supply chain management, procurement, technology and production, and human resources domains. We are also putting energy into cultivating personnel who can lead DX. We have been providing DX literacy education since 2022, and the cumulative number of employees who have received this training by the end of 2023 is 2,220. We aim to raise the number to 3,500 by the end of 2024. Furthermore, by establishing a new organization to raise productivity through DX-based operational transformation, we will reinforce structural reforms through DX.

technology.

In January 2024, I got to drive a vehicle fitted with these tires at our test course in Hokkaido and I can confirm the completeness of their performance over ice and snow. I also had a test ride in the previous winter, and over the year that followed, the technology has been perfected. It surpasses our previous all-season tire products in many areas, including grip performance over ice and snow, particularly lateral grip on curves, and the stability of braking force when applying the brake. In addition to this, it performs in a way that feels remarkably like a studless tire\*. I am confident that even regular drivers will be able to feel this evolution in performance and I am very excited for what will be a game-changing tire.

Furthermore, we plan to announce the next generation of electric vehicle (EV) tires equipped with ACTIVE TREAD technology in 2027. Specifically, we are taking on the challenge of decreasing rolling resistance and reducing weight to achieve tires that meet the needs of EVs. We will use ACTIVE TREAD to meet the autonomous driving and sustainability needs of the society in the near future. We aim to contribute to the realization of a sustainable society by reducing resource consumption through tires that do not need to be changed as often.

\* WINTER MAXX 02, our mainstay studless tire product, offers only slightly better performance in terms of braking on ice.

## TOP COMMITMENT

### Contributing to Safe and Secure Driving Control through SENSING CORE

Next, I would like to tell you about SENSING CORE. SENSING CORE is a proprietary sensor-free sensing technology which combines the expertise in the dynamic behavior of tires that we have cultivated over years of tire development with technology that analyses wheel speed signals generated by tires rotation to monitor the air pressure, load, and wear and tear of tires and even road conditions. It is based on proprietary technology that we have cultivated while developing our Deflation Warning System (DWS), which has been used on a total of 53 million vehicles over more than 25 years.

One of its biggest features is that it is software, so it does not have any additional devices such as sensors or batteries that require changing and other maintenance. It can be installed on onboard computers and caters to all types of vehicles and tires. Furthermore, its sensing functions can be expanded through software updates.

The commercialization of SENSING CORE technology starts in 2024 and we aim to achieve a business profit of more than ¥10 billion by 2030. This year, the technology will be initially installed on some passenger vehicles of overseas automakers. For trucks and buses, we are now at the stage where we are advancing proposals for detecting warning signs of wheel detachment.

In the future, we plan to add a big data analysis function that incorporates municipal and social information through the cloud. This data will be fed into the vehicle, which we think will enable the advance prediction and avoidance of hazards caused by tires and road surfaces.

In January 2024, we exhibited for the first time at the CES, the world's largest technology trade show held in Las Vegas. I visited the event personally and gave presentations to attendees visiting our booth. It was

an opportunity to present our new SENSING CORE Business to the world and directly communicate our passion for the technology and our desire to work with partners who can help us to achieve our dream. We plan to exhibit at CES again next year so that we can showcase our initiatives to the world.

At CES, we also announced that we have invested in Viaduct Inc., a US-based company that has a track record of products for predicting failures of vehicle parts. Since 2023, we have been carrying out proof-of-concept trials with Viaduct that combine its AI-powered vehicle failure prediction solutions with the ability to detect tire conditions provided by SENSING CORE. Viaduct possesses world-leading expertise in the vehicle failure prediction field, but tire sensing is still a black box for the company. By strengthening our strategic partnership with Viaduct through this investment, we will accelerate the deployment of failure prediction solution services for the entire vehicle.

Actually, we have also started a proof-of-concept trial of applications for SENSING CORE in Suzhou, China, which is being developed as a smart city. I visited the city in November 2023 to observe this trial. Data sent from autonomous driving buses equipped with SENSING CORE is analyzed in order to provide the operator with information such as road conditions, thereby supporting safe and secure transportation management.

As shown above, ACTIVE TREAD and SENSING CORE are two core technologies in our growth strategy, and commercialization is finally beginning in 2024. They are already attracting a great deal of interest, evidenced by the sheer volume of questions received during networking meetings with customers. We hope you will continue to follow future developments.

### The Sports and Industrial Products Businesses Are Approaching a New Growth Stage

Our Sports Business has made a V-shaped recovery since posting losses due to the impact of the 2020 COVID-19 pandemic. In fiscal 2023, the profit rate rose to about 10%, resulting in a record high profit for the business.

Sales growth in North America, the world's largest golf market, was particularly big and we are making steady progress toward becoming one of the global top three companies in the golf world. Golf club and ball sales in North America have been strong due to proactive sales measures and the performance of contracted players on the PGA Tour. Also, since December 2023, we have been launching the 13th generation of XXIO golf clubs, first in Japan and then globally, and sales have gotten off to a good start. We intend to further strengthen sales of new products that incorporate proprietary technologies.

In the Industrial Products Business, we have been focusing on vibration control dampers. These are products that dampen repeated shaking during earthquakes. We have leveraged our proprietary rubber technologies to develop a rubber that has a high capacity for absorbing vibration energy. This can be used in vibration control dampers of various specifications in line with customer needs and purposes, thereby providing safety and peace of mind in everyday life.

As I mentioned at the start of this message, as a company we were impacted by the Great Hanshin-Awaji Earthquake and Great East Japan Earthquake, so we understand the importance of earthquake preparation. We will continue to strengthen activities for promoting vibration control dampers, including implementing specific measures and providing expertise. In particular, full-scale tests have confirmed that our MIRAIE dampers for new-build housing have the ability to withstand tremors of

magnitude 7 on the Japanese scale 14 times<sup>\*1</sup>. We have positioned vibration control dampers as products that contribute to customers' safety and peace of mind, and going forward, we will continue to expand sales and promote usage of these products.

Our vibration control dampers, including MIRAIE, have been installed in approximately 4,500 buildings in Ishikawa Prefecture and about 300 of these were in areas that experienced tremors of magnitude 6-weak or above on the Japanese scale during the 2024 Noto Peninsula Earthquake. While delivering aid supplies to the region, our employees also visited houses where our vibration control dampers were installed and confirmed that none of these properties had been fully or even half damaged<sup>\*2</sup>. We also received feedback from customers who had MIRAIE dampers installed, including comments like "Thank goodness we already had them installed," and "They protected our house and property." This feedback made it feel like we have contributed to the safety and peace of mind of our customers and reminded us of how our products can benefit society.

In addition to residential housing, our vibration control dampers are also being used in other types of buildings, including historic buildings like Kumamoto Castle, office buildings, and distribution warehouses. We have a strong desire to contribute to the development of regions that are resilient to earthquakes by using our proprietary rubber material technologies to achieve even greater performance, encouraging usage by an even larger number of customers.

<sup>\*1</sup> Based on the results of full-scale tests using the MIRAIE framework by the Disaster Prevention Research Institute, Kyoto University, in February 2018.

<sup>\*2</sup> Based on information available to the Company as of June 4, 2024.

#### Long-term Business Outlook

### My Duty to Enforce Structural Reforms and Address Issues Promptly, Not Defer Them to the Future

In addition to the policies outlined in our mid-term plan, I also want to do whatever we can now to benefit the Company 10 years or even 20 years

down the line. Therefore, I consider it my duty to first of all enforce structural reforms, and then address issues promptly, not defer them to the future.

Going forward, I think there are two main areas we need to engage in order to embody Our Philosophy. The first involves people and organizations, while the second is realizing technological development capabilities and innovation that are ahead of our competitors.

Regarding the former, Our Philosophy includes our Vision, which states "Uniting our diverse strengths, growing together, driving and thriving on change." To achieve this, it is important to have a corporate culture which facilitates mutual respect between diverse employees, fosters workplace environments that enable individuals to demonstrate their full potential, and brings together the Group's capabilities to tackle issues with a sense of unity. Since I was appointed president, I have pursued this through initiatives such as BTC activities and going forward, I will take the lead in cultivating workplaces grounded in discipline, ensuring employees to feel psychologically safe.

In fiscal 2023, I held 26 town hall meetings with employees at 13

locations in Japan and a total of 4,241 employees participated. At these meetings, I received opinions and questions directly from employees and I was able to share my thoughts firsthand. This year, I will expand this initiative to include locations overseas as well as in Japan so that I can share perspectives with employees and ensure that we are on the same vector.

The second area, realizing technological development capabilities and innovation that are ahead of our competitors, is addressed in our slogan, "Rubber and Beyond, Driving Our Future." This includes the most advanced rubber technologies, as well as development of new technologies and provision of value that will expand from there. I am certain that we can develop as a company by revolutionizing technology and generating innovation based on the willingness to take on challenges and pioneer spirit we have inherited through our Dunlop DNA. We will continue to focus on sowing the seeds of future development and creating environments that will facilitate their growth.

#### Promoting Sustainability Management

### Commitment to Tackling Environment, Social, and Governance Issues

We have positioned the sincere handling of various sustainability management issues as a priority management issue. We advance initiatives to address important environmental and social themes on a company-wide basis by establishing related sectional meetings under the Sustainability Promotion Committee, which is under the direct supervision of the Board of Directors.

In regard to the environment, in order to realize carbon neutrality, we have set a reduction target for Scope 3 greenhouse gas emissions by 2030. We have also raised our reduction targets for Scope 1 and 2 emissions in line with that. We plan to continue our efforts to utilize hydrogen in our tire manufacturing process, which we have been trialing at our Shirakawa Factory in Fukushima Prefecture.

In addition, since we have operated our business using natural capital, namely natural rubber, we will proactively promote initiatives that take biodiversity into consideration. In November 2023, we adopted the disclosure framework recommended by the Taskforce on Nature-related Financial Disclosures (TNFD) and in December, we registered as an "Early Adopter." We have already made initial disclosures based on the TNFD recommendations in our tire business. Going forward, we will work to protect biodiversity and contribute to the sustainable procurement of natural rubber through our business activities.

In regard to social issues, we are practicing human capital management by cultivating human resources who can support sustainable growth, including management personnel, DX personnel, and personnel who can drive innovation. The foundation of these efforts is the Vision in our corporate philosophy, which states "Uniting our diverse strengths." To embody this vision, we are advancing DE&I initiatives, including empowering women, senior employees, and employees with disabilities to contribute fully. Furthermore, in November 2023 we took steps to

address respect for human rights by formulating the Sumitomo Rubber Group Human Rights Policy and we are working to fulfill our commitments both inside and outside the Company and practicing due diligence.

Regarding corporate governance, various measures we implemented to enhance the effectiveness of the Board of Directors are beginning to show results. For example, since March 2023 an Outside Director has served as chair of the Board of Directors. We recognize that having questions raised and agendas managed from a fresh perspective has made discussion more dynamic and improved effectiveness. In addition to this, we are holding offsite meetings that encourage lively discussion on various management issues.

One of our original sustainability management initiatives that has a forward-looking perspective is "TOWANOWA," which aims to create a circular economy business model for the Tire Business. This encourages the reuse of limited resources and applies the Company's own big data in order to create new value for customers. Through this initiative, we aim to embody Our Philosophy. It will connect "Sustainable Ring," which aims to realize the efficient circulation of goods and recycling of resources within the Tire Business, with "Data Ring," which comprises big data collected from each process in the value chain, with the goals of not only ensuring effective resource usage and CO<sub>2</sub> emission reductions, but also providing customer with new value, including the development of even safer, higher performance tires and a wider range of solutions services.



#### Toward the Realization of Our Philosophy

### Tackling All Challenges with Speed and Sincerity

We have engaged in rubber-based manufacturing for over a century and have provided society with many Japan-first, and even world-first, products. Going forward, we will continue to pursue the possibilities of rubber materials with the aim of achieving sustainable growth. Rubber is a mystifying material and many of its constituents and functions are yet to be fully understood. That is why it possesses huge potential.

Going forward, we have many challenges to tackle. These include steadily implementing our mid-term plan, achieving our financial targets ahead of schedule by improving business results, and sowing the seeds of new growth, as well as contributing to CASE and the realization of a sustainable society, advancing sustainability initiatives, and empowering our diverse workforce. In order to remain as a company with a strong

reputation that meets stakeholder expectations 10 years or even 20 years into the future, we will assign an order of priority to these challenges and then address them with speed and sincerity.

I also want us to be a company that stakeholders watch with a sense of anticipation to see what value we can create next. Furthermore, I want us to exceed everyone's expectations in the value we deliver to society. Going forward, we will honestly communicate our progress on addressing these issues, including both the good and the bad.

We will continue to take on many challenges as we advance boldly forward, guided by Our Philosophy. I hope you will continue to expect great things from us. I look forward to your continued support.

# Value Creation Model

The Sumitomo Rubber Group is committing a variety of management resources, both internal and external, to developing the business.  
 Today, based on our Mid-Term Plan, we are leading the way to further enhancements in economic and societal corporate value, with the aim of contributing to the sustainable development of society.

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



## 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 embodiment 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., trust and cooperation with various stakeholders), and natural capital (such as energy resources) as key management resources.

### Financial Capital



Ratio of equity attributable to owners of parent:

**49.3%**

D/E ratio:

**0.5** 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 49.3% at the end of fiscal 2023. The rating provided by Japan Credit Rating Agency, Ltd. was “A+” as of December 12, 2023.

Looking ahead, we intend to continuously execute capital expenditure to increase production capacity for 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 achieved the D/E ratio of 0.5 times in 2023, well ahead of the target of 0.6 times or less set in our Mid-Term Plan (2023–2027).

### Manufactured Capital



Number of production bases in Japan and overseas:

**20**

(Total of Tire, Sports and Industrial Products Businesses)  
(As of February 2024)

Capital expenditures:

**¥62.9** Billion

In fiscal 2023, the Group supplied 108.36 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, with the ratio of overseas production volume amounts to 64%. The utilization ratio in 2023 was 83% and expected to be 84% in 2024.

In fiscal 2023, our capital expenditure totaled ¥62,920 million. We allocated ¥60,117 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 ¥1,693 million and ¥1,110 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 2024, our plans call for capital expenditure amounting to approximately ¥75,800 million, which comprises ¥71,600 million for the Tire Business, ¥2,300 million for the Sports Business, and ¥1,900 million for the Industrial and Other Products Business.

### Human Capital



Number of consolidated employees:

**39,975**

Ratio of employees at overseas bases:

**70%**

The Group's consolidated headcount totals 39,975, with 27,949 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 41%, while operations in Europe and Africa and those in the Americas account for 18% and 11%, 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 aim to ensure identical product quality irrespective of the factory in which manufacturing takes place, so that all employees are able to grow and to feel job satisfaction.

### Intellectual Capital



R&D expenses:

**¥27.3** Billion

Number of Japanese and foreign patents:

**8,948**

The 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. Research and development and intellectual property resulting from it are the source of our competitiveness. To maximize corporate value, R&D spending totaled ¥27.3 billion, which accounts for 2.3% of consolidated sales revenue.

As a direct link to the competitiveness of our products, we have already published 29 patent applications related to ACTIVE TREAD technologies, which we announced in 2023. (As of September 27, 2023)

As a result of these activities, we are 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 2023 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

**567**

organizations and NPOs

Number of commendations, certifications, etc. granted by local governments and other neighboring entities in 2023:

**9**

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 Group strives to live up to what stakeholders expect of us and accommodate their needs, thereby fulfilling our social responsibilities.

- Relationship with customers: To prevent the occurrence of traffic accidents attributable to poor tire condition, for 16 years since 2008, we have sponsored DUNLOP Nationwide Tire Safety Inspections. As of the end of 2023, the total number of cars inspected amounted to 116,000.
- Relationship with neighboring communities: We launched the Sumitomo Rubber Industries CSR Fund in 2010 to support neighboring regional societies and pursue harmonious coexistence through employee fundraising; as of the end of fiscal 2024, a total of approximately ¥130 million has been extended in donations to support activities undertaken by a cumulative total of 567 groups.
- Relationship with employees: We engaged in activities in which labor and management are united in the pursuit of corporate development and employee happiness, 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 2023, we eased the paid leave system and also eased the number and conditions for obtaining shorter working hours for childcare and nursing care.

- Promotion of constructive dialogue with shareholders: The officer in charge of accounting and finance and the officer in charge of general affairs play central roles in investor relations (IR) and shareholder relations (SR), respectively. We consider the opinions we receive from the dialogue as valuable hints for improving corporate value and review whether and how to implement measures as needed.

	Targets	Methods, frequency, etc.	Examples of themes
IR	Institutional investors and analysts	A total of 171 financial results briefings and small-group meetings were held (71 of these were held for overseas audiences).	<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 the Mid-Term Plan and its progress, etc.</li> </ul>
SR	Institutional investors	A total of 11 companies (10 domestic and 1 overseas) were interviewed individually online.	<ul style="list-style-type: none"> <li>● Initiatives to achieve our reduction targets for CO<sub>2</sub> emissions</li> <li>● Progress of the Mid-Term Plan</li> <li>● Independence of outside officers, etc.</li> </ul>

- Commendations and certifications: We received commendations and certifications from administrative agencies and local governments (see pages 89 and 90).

### Natural Capital



Total energy consumption volume in crude oil equivalent:

**469,000** kl

(global environmental data of domestic and overseas factories)

Total consumption volume of energy procured from renewable energy sources:

**626,009** MWH

In line with “Our Philosophy,” a corporate philosophy structure, the 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. 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 global environment and to use finite energy resources effectively while contributing to the realization of a decarbonized, circular economy.

Each production base aims to be carbon neutral in Scope 1 and 2 emissions, incorporating initiatives such as promoting energy conservation, expanding cogeneration systems, introducing solar power generators, shifting to green energy procured from renewable energy sources, and adopting hydrogen as an alternative fuel.

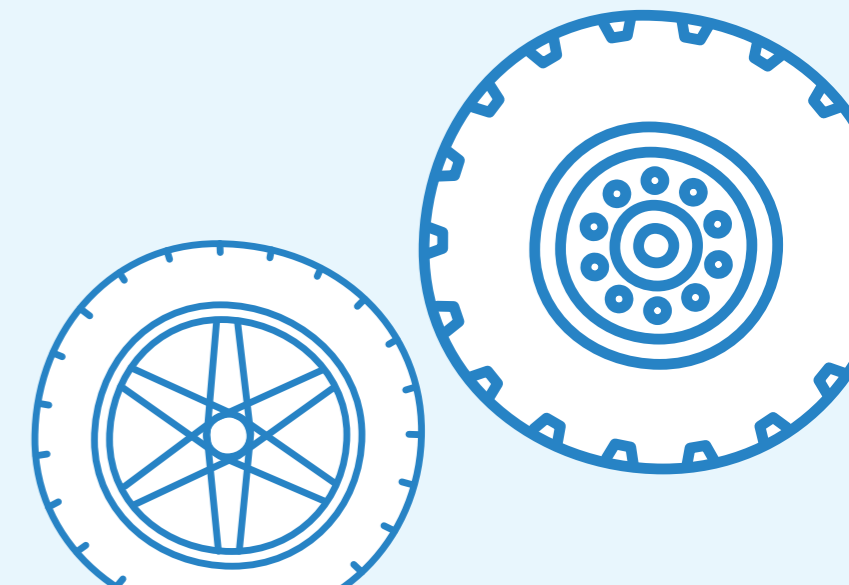
# Challenges, Risks, and Opportunities for Each Business

## Recognition of the Current Status of and Initiatives Undertaken by Our 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

- Management Issues**
- Maximizing the results that we reap from the global business framework while improving profit in North America
  - Developing products to respond to local market needs and ever higher performance demands while expanding sales of advanced products
  - Developing businesses compatible with CASE and MaaS
  - Promoting sustainability management



Strengths	Growth Opportunities		Risks	Initiatives Undertaken by the Sumitomo Rubber Group
<ul style="list-style-type: none"> <li>● Technologies supporting the development of fuel-efficient tires and an extensive lineup of such tires</li> <li>● Biomass material development technologies nurtured in the course of developing fossil resource-free tires</li> <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>● A global business framework supported by three pillars (a global network of manufacturing, sales and service bases, a 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> </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 with higher use of sustainable raw materials 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> <li>● Expanding all-season tire market due to global warming</li> <li>● Advances in AI, IoT and other DX technologies</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 tyres</li> </ul>
<p><b>SENSING CORE Business</b></p> <ul style="list-style-type: none"> <li>● Deflation Warning System (DWS) technology developed over 20 years</li> <li>● Possessing sensor-free technology ahead of other companies</li> </ul>	<p><b>SENSING CORE Business</b></p> <ul style="list-style-type: none"> <li>● Increased momentum for the conclusion of business negotiations due to the promotion of legislation in Japan and overseas</li> <li>● Accelerated automated driving technology to help solve the driver shortage problem in the transport industry</li> <li>● Growing demand for maintenance-free technology</li> </ul>		<p><b>SENSING CORE Business</b></p> <ul style="list-style-type: none"> <li>● Increased competition for technological development by multiple players with peripheral technologies</li> <li>● Business opportunities lost due to delays in the search for co-creation business partners</li> </ul>	<p><b>SENSING CORE Business</b></p> <ul style="list-style-type: none"> <li>● Promoting business negotiations with OEMs in Japan and overseas (warning signs of wheel detachment, tire pressure, etc.)</li> <li>● Promoting FMS business negotiations to the transport industry (failure prediction, etc.)</li> </ul>

\* Items that are also relevant to the SENSING CORE business are marked with ★.

	Recognition of the Current Status of and		Initiatives Undertaken by Our Value Chain	
	Product Development	Procurement	Production	Logistics, Sales, and Services
Recognition of the Current Status	<ul style="list-style-type: none"> <li>● Intensified product development aimed at reducing environmental impact</li> <li>● Demand for CASE + sustainability-oriented technology development, new business building, etc.</li> </ul> <p><b>SENSING CORE Business</b></p> <ul style="list-style-type: none"> <li>● Widespread use of EV vehicles</li> <li>● Accelerated adoption of safety-related software technology due to the increasing sophistication of automated driving support technology</li> <li>● Possessing sensor-free technology ahead of other companies</li> <li>● Added value based on sensing technology with a proven track record of over 20 years</li> </ul>	<ul style="list-style-type: none"> <li>● Raw material supply insecurity and price volatility, ecological impacts, human rights risks</li> <li>● Making EUDR* mandatory</li> <li>● * EU Deforestation Regulation: rules prohibiting the import into the EU market of products that lead to deforestation and forest degradation</li> <li>● Geopolitical risks in raw material procurement</li> </ul>	<ul style="list-style-type: none"> <li>● Impact of demand increases and decreases on production costs</li> <li>● Demand for carbon neutrality</li> <li>● Impact of labor shortages on stable operations</li> </ul>	<ul style="list-style-type: none"> <li>● Slowing growth in the global economy</li> <li>● Profit impact of changes in ocean freight rates, raw material prices, exchange rate fluctuations, etc.</li> <li>● Increased regulation stemming from the US-China conflict</li> <li>● Introducing tariff barriers and anti-dumping duties</li> </ul> <p><b>SENSING CORE Business</b></p> <ul style="list-style-type: none"> <li>● Increased momentum for the conclusion of business negotiations due to the promotion of legislation in Japan and overseas</li> <li>● Accelerated automated driving technology to help solve the driver shortage problem in the transport industry</li> <li>● Growing demand for maintenance-free technology</li> </ul>
Initiatives Undertaken by the Sumitomo Rubber Group	<ul style="list-style-type: none"> <li>● Increasing the content of sustainable raw materials (biomass and recycled raw materials) used in our products</li> <li>● Developing all-season tires equipped with ACTIVE TREAD technology</li> <li>● Promoting solutions businesses employing sensing technologies based on the TOWANOWA concept</li> <li>● Using tire aerodynamics simulation to contribute to improving the fuel/energy efficiency of EVs</li> <li>● Promoting the TOWANOWA concept</li> </ul> <p><b>SENSING CORE Business</b></p> <ul style="list-style-type: none"> <li>● Expanding new sensor-free functions and promoting differentiation</li> <li>● Product development for automakers in Japan and overseas and for used vehicles</li> <li>● New developments for FMS businesses</li> <li>● Promoting new product/service development with co-creation partners such as Viaduct Inc.</li> </ul>	<ul style="list-style-type: none"> <li>● Compliance with the Sumitomo Rubber Group Sustainable Natural Rubber (SNR) Policy</li> <li>● Introducing a natural rubber-specific risk assessment tool for sustainable procurement of natural rubber</li> <li>● Conducting surveys on the status of supplier initiatives to address environmental risks</li> <li>● Procuring EUDR-compliant natural rubber</li> <li>● More diversified procurement sources and less reliance on specific regions</li> </ul>	<ul style="list-style-type: none"> <li>● Improving factory costs and productivity by reducing fixed costs and organizing the number of product sizes</li> <li>● Maintaining complete zero landfill waste</li> <li>● Expanding sales of retread tires and reusing waste tires</li> <li>● Using hydrogen in production processes and introducing green energy</li> <li>● Promoting replacement with automated, manpower-saving equipment</li> </ul>	<ul style="list-style-type: none"> <li>● Increasing proportion of high value-added products</li> <li>● Promoting stock efficiency by organizing DX and the number of product sizes</li> <li>● Optimizing global production allocation taking into account logistics costs, tariffs, etc.</li> </ul> <p><b>SENSING CORE Business</b></p> <ul style="list-style-type: none"> <li>● Promoting business negotiations with automakers in Japan and overseas (warning signs of wheel detachment, tire pressure, etc.)</li> <li>● Promoting FMS business negotiations to the transport industry (failure prediction, etc.)</li> </ul>

**Challenges, Risks, and Opportunities for Each Business**  
**Recognition of the Current Status of and Initiatives Undertaken**  
**by Our 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</li> <li>● Building brands and product appeal that have been refined at professional tour tournaments</li> <li>● Global marketing capabilities based on user needs</li> <li>● Promoting sustainability management</li> </ul>	<ul style="list-style-type: none"> <li>● Expanding business opportunities following the acquisition of trademark rights to the "DUNLOP" brand throughout the world</li> <li>● Golf: Further business expansion 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> </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>● Decline in golf and tennis population due to low birthrate and aging population 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>

Recognition of the Current Status of and Initiatives Undertaken by Our Value Chain		
	Recognition of the Current Status	Initiatives
<b>Product Development</b>	<ul style="list-style-type: none"> <li>● Diversifying user preferences and needs, demanding functional and well-designed products</li> <li>● Need for ethical consumption due to increased attention to corporate sustainability initiatives, such as the use of recycled materials and fair trade, and a growing awareness of environmental protection and respect for human rights</li> </ul>	<ul style="list-style-type: none"> <li>● Developing 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>● Developing high-performance products sensitively designed to appeal to and help users feel a greater sense of joy in sports</li> <li>● Establishing development and marketing centers in Japan, Europe, and the US and building a system to catch market trends and commercialize them</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>
<b>Procurement</b>	<ul style="list-style-type: none"> <li>● Raw material supply insecurity and price fluctuations</li> </ul>	<ul style="list-style-type: none"> <li>● More diversified procurement sources and less reliance on specific regions</li> </ul>
<b>Production/Supply</b>	<ul style="list-style-type: none"> <li>● Increasing demand for less environmentally hazardous production and services with regard to natural rubber, plastics, and chemicals</li> </ul>	<ul style="list-style-type: none"> <li>● Accelerating initiatives to reduce CO<sub>2</sub> emissions and other environmental impacts at factories and wellness business bases</li> <li>● Developing production sites and logistics systems capable of supplying high-quality products worldwide in a stable and efficient manner</li> </ul>
<b>Logistics, Sales, and Services</b>	<ul style="list-style-type: none"> <li>● Growing interest in sports and fitness due to increasing health consciousness</li> <li>● Growing consumer interest in environmental responsiveness</li> </ul>	<ul style="list-style-type: none"> <li>● Reducing the use of plastic in packaging materials</li> <li>● Expanding the development of digital-driven services and products</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> <li>● Promoting sustainability management</li> </ul>
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Strengths	Growth Opportunities
<ul style="list-style-type: none"> <li>● Wide-ranging operations</li> <li>● Ability to develop technology using the Group's resources</li> <li>● Product line-up for solving social issues</li> </ul>	<ul style="list-style-type: none"> <li>● Expanding global pharmaceutical markets</li> <li>● Increased awareness of disaster preparedness against typhoons and earthquakes</li> <li>● Expanding market for environmentally friendly products and technologies due to increasing sustainability orientation</li> </ul>
Risks	Initiatives Undertaken by the Sumitomo Rubber Group
<ul style="list-style-type: none"> <li>● Difficulties in resource allocation and efficient operation due to a large number of diversified commercial products</li> <li>● Sharp rises in energy and raw material prices</li> <li>● Sudden exchange rate volatility</li> <li>● Supply chain fragmentation due to heightened geopolitical risks</li> <li>● Shortage of labor</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 by expanding the use 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>

Recognition of the Current Status of and Initiatives Undertaken by Our Value Chain		
	Recognition of the Current Status	Initiatives
<b>Product Development</b>	<ul style="list-style-type: none"> <li>● Developing products that are safe and durable as well as environmentally friendly due to the growing interest in sustainability</li> <li>● Increasing need for a comfortable living environment and countermeasures against natural disasters such as earthquakes and typhoons</li> </ul>	<ul style="list-style-type: none"> <li>● Engaging in verification testing in collaboration with the Ministry of the Environment and local governments to curb the dispersion of microplastics from artificial turf for sporting facilities</li> <li>● Displaying the carbon footprint on the packaging of natural rubber gloves to promote their lower environmental impact compared to synthetic resin gloves</li> <li>● Increasing the content of sustainable raw materials (biomass and recycled raw materials) used in our products</li> </ul>
<b>Procurement</b>	<ul style="list-style-type: none"> <li>● For more information on procurement, see Tire Business (P.21).</li> </ul>	
<b>Production/Supply</b>	<ul style="list-style-type: none"> <li>● Soaring energy prices</li> <li>● Demand for carbon neutrality</li> <li>● Rising labor costs and labor shortages</li> </ul>	<ul style="list-style-type: none"> <li>● Accelerating initiatives to reduce CO<sub>2</sub> emissions and other environmental impacts at factories</li> <li>● Ongoing initiatives to reduce total costs and improve productivity, including through automation and manpower saving.</li> <li>● Expanding production capacity for rubber parts for medical applications</li> </ul>
<b>Logistics, Sales, and Services</b>	<ul style="list-style-type: none"> <li>● Increased demand due to the global expansion of pharmaceutical markets</li> </ul>	<ul style="list-style-type: none"> <li>● Optimizing selling prices</li> <li>● Constantly optimizing our business portfolio in line with changes in society</li> <li>● Improving logistics efficiency</li> </ul>

# Material Issues (Materiality)

The Sumitomo Rubber Group has identified material 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.

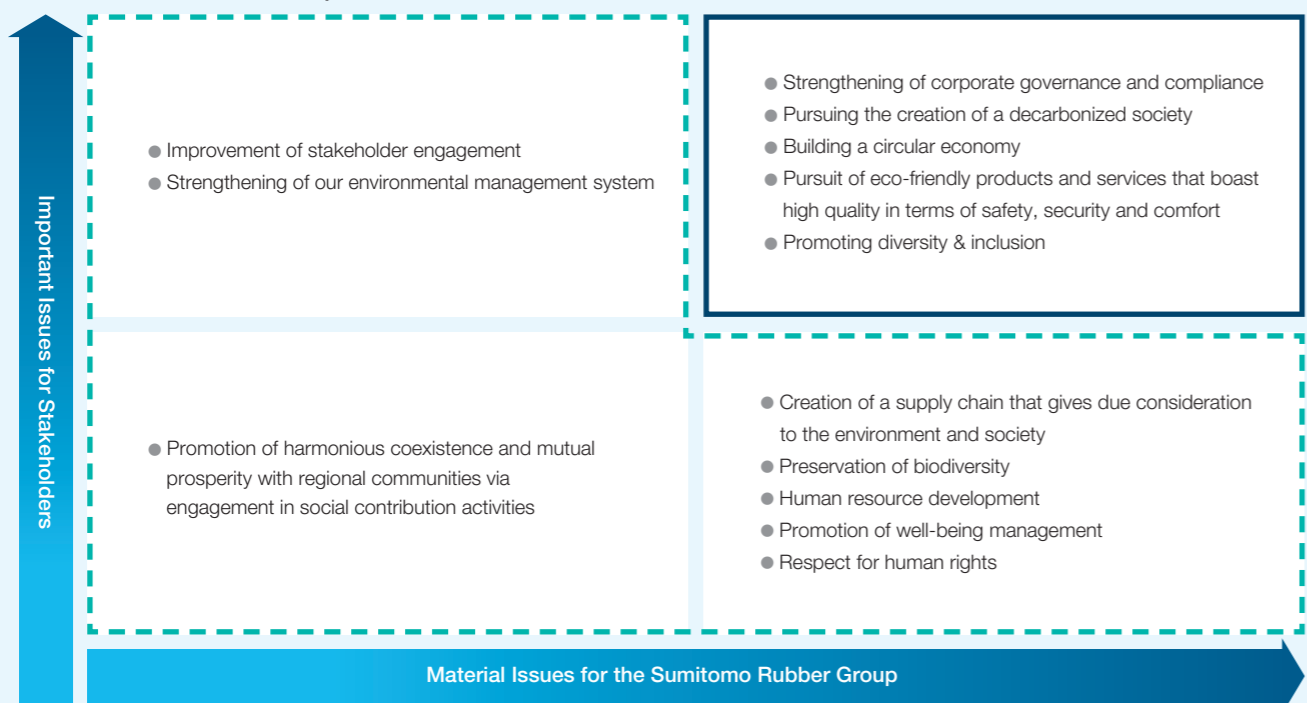
We are working on material issues in line with the targets set out in our Long-Term Sustainability Policy: "Driving Our Future Challenge 2050." Moreover, we have also set targets for other issues recognized in the course of identifying material issues in line with their importance and are working towards their resolution.

## Methodologies Used to Identify Material Issues

We have identified material issues by employing the following scheme.



## Issues Identified / Material Issues for the Sumitomo Rubber Group



\* 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. Each letter of "GENKI" represents the following themes: G: Governance (Effective Governance Framework), E: Ecology (Ecological Sustainability), N: Next (Next-Generation Products & Solutions), K: Kindness (A Kind Culture Where Everyone Can Prosper), and I: Integrity (Integrity for Society). We utilize these concepts to identify material issues as one aspect of our ideals for what the Sumitomo Rubber Group should look like in the future.

## Material Issues (Materiality), Vision, and KPIs

Material Issues	Vision of What We Aim to Achieve	KPIs to Be Achieved by 2050 in Connection with Material Issues to Address	No. of Pages Describing Details
Enhancing corporate governance and compliance 5 8 10 16 17	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.5 P.73-84
Pursuing the creation of a decarbonized society 7 9 11 13 17	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 55% Reduction in Scope 1 and 2 Emissions Compared to 2017 Levels (2030), Full Carbon Neutrality (2050)</li> <li>Securing a 25% Reduction in Scope 3 Category 1 Emissions Compared to 2021 Levels and a 10% Reduction in Scope 3 Category 4 Emissions (2030)</li> <li>Introducing Hydrogen Production Equipment for Use in Hydrogen Boilers (2025)</li> </ul>	P.50-51
Building a circular economy 7 9 11 12 13	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 Tennis Balls with 100% Sustainable Raw Material (2030) 100% of All Tennis Balls Sold (2050) ⇒ 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.52-54
Pursuit of eco-friendly products and services that boast high quality in terms of safety, security and comfort 3 7 9 11 12 13	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 the SMART TYRE CONCEPT ⇒ Concept Tire Completion (2029), Equip all new tires with SMART TYRE CONCEPT (2030)</li> <li>Establishing a Sustainable Product Certification System ⇒ Securing a Standard Certification Rate of 100%, including a Gold Certification Rate of 30% (2030)</li> <li>Expanding Data Business and Solution Business</li> </ul>	P.9-10 P.43-46 P.54
Promoting diversity & inclusion 5 8	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 ⇒ Ratio of Female Managers: 7% (2025), 12% (2030) (non-consolidated basis)</li> </ul>	P.67-68 P.70-72

## Issues to Address, Vision, and KPIs

Issues	Vision of What We Aim to Achieve	KPIs to Be Achieved by 2050 in Connection with Issues	No. of Pages Describing Details
Strengthening of our environmental management system 11 12 13 14 15	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> </ul>	P.59
Preservation of biodiversity 13 15	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 (17,945 trees planted and 7,368 seedlings provided in 2023)</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.55-56
Creation of a supply chain that gives due consideration to the environment and society 1 8 13 15 16	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 the 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) (planning the phased rollout of this procurement approach to businesses other than the Tire Business)*</li> </ul>	P.57-58
Respect for Human Rights 1 8 16	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 ⇒ Creation of Human Rights Management System and Due Diligence Process (2024), Establishment and Implementation of Human Rights Due Diligence (2025)</li> </ul>	P.69
Development of human resource 8	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.65-66
Promotion of well-being management 3 8	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 Health and Productivity Management ⇒ Strengthening the Occupational Health System &amp; Cultivating Culture of Health</li> </ul>	P.66
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.20
Harmonious coexistence and mutual prosperity with local communities via our engagement in social contribution activities	Strive to develop 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.20

\* Items marked with "\*" are measures specified under the Long-Term Sustainability Policy: "Driving Our Future Challenge 2050".  
\* The SDGs associated with each material issue and issue to address are indicated by number.

See the Sustainability website for initiatives not covered in this report.



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

When we announced the Sumitomo Rubber Group’s Mid-Term 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. We formulated the Long-Term Sustainability Policy: “Driving Our Future Challenge 2050” in August 2021 and are working towards the targets.

## Our Philosophy

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

## 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.  
\* For more information on GENKI, see the bottom of P.25.

## Strategies for Realizing Our Sustainability Vision

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

Promote various measures to embody the above concepts and practice sustainability management

#### Environment

Protecting the Global Environment & Safety

#### Social

Harmonious Coexistence with Society

#### Governance

Reinforcing the Foundations of Our Business

	2050 Challenge Target Themes	Action Plans	Targets (Target Year)	Relationship with Material Issues (Materiality) and Issues to Address
<b>Environment</b> 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)	<b>Materiality</b> Pursuit of Eco-Friendly Products and Services That Boast High Quality in Terms of Safety, Security and Comfort
		Establishing a Sustainable Product Certification System	● Securing a Standard Certification Rate of 100%, including a Gold Certification Rate of 30% (2030)	
	Carbon Neutrality	Carbon Neutrality (Scope 1 and 2)	● 55% Reduction in Emissions Compared to 2017 Levels (2030), Full Carbon Neutrality (2050)	<b>Materiality</b> Pursuing the Creation of a Decarbonized Society
		Carbon Neutrality (Scope 3)	● 25% Reduction in Category 1 Emissions Compared to 2021 Levels and a 10% Reduction in Category 4 Emissions (2030)	
		The Utilization of Hydrogen	● Introducing Hydrogen Production Equipment for Use in Hydrogen Boilers (2025)	
	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 Tennis Balls with 100% Sustainable Raw Material (2030), 100% of All Tennis Balls Sold (2050) • Industrial Products (by Weight): 40% (2030), 100% (2050)	<b>Materiality</b> Building a Circular Economy
		Reducing Plastic Usage	● 40% Reduction in Plastic Used in Tyre 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)	Strengthening of Our Environmental Management System	
Supply Chain Management for the Environment	Sustainable Natural Rubber (SNR) Policy	● Raw Material Procurement in Line with the SNR Policy • Applied to Major Suppliers (2050), Applied to All Suppliers (2050)	Creation of a Supply Chain That Gives Due Consideration to the Environment and Society	
<b>Social</b> Harmonious Coexistence with Society 	Safety & Health	Thoroughgoing Occupational Safety & Health	● Zero Serious Accidents	Promoting Well-Being Management
		Promoting Health and Productivity Management	● Strengthening the Occupational Health System & 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)	Human Resource Development
		Promoting Diversity & Inclusion	● Expansion of Unconscious Bias Training to All Levels (2030) (non-consolidated basis)	
	Respect for Diversity & Harmony	Promoting Women’s Empowerment	● Ongoing Career Development Program for Women ● Ratio of Female Managers: 7% (2025), 12% (2030) (non-consolidated basis)	<b>Materiality</b> Promoting Diversity & Inclusion
Respect for Human Rights	Establishing a Human Rights Management System	● Creation of Human Rights Management System and Due Diligence Process (2024), Establishment and Implementation of Human Rights Due Diligence (2025)	Respect for Human Rights	
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.	Creation of a Supply Chain That Gives Due Consideration to the Environment and Society	
<b>Governance</b> 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	<b>Materiality</b> Strengthening of Corporate Governance and Compliance
		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 Global Tax Strategy (2025)	<b>Materiality</b> Strengthening of Corporate Governance and Compliance
Instilling “Our Philosophy”		● 80% Supportive Response on “Our Philosophy” Entrenchment Survey (2030)		

See the Sustainability website for more information on the targets and results of the Long-Term Sustainability Policy for fiscal 2023.