

Chapter 5

Sustainability

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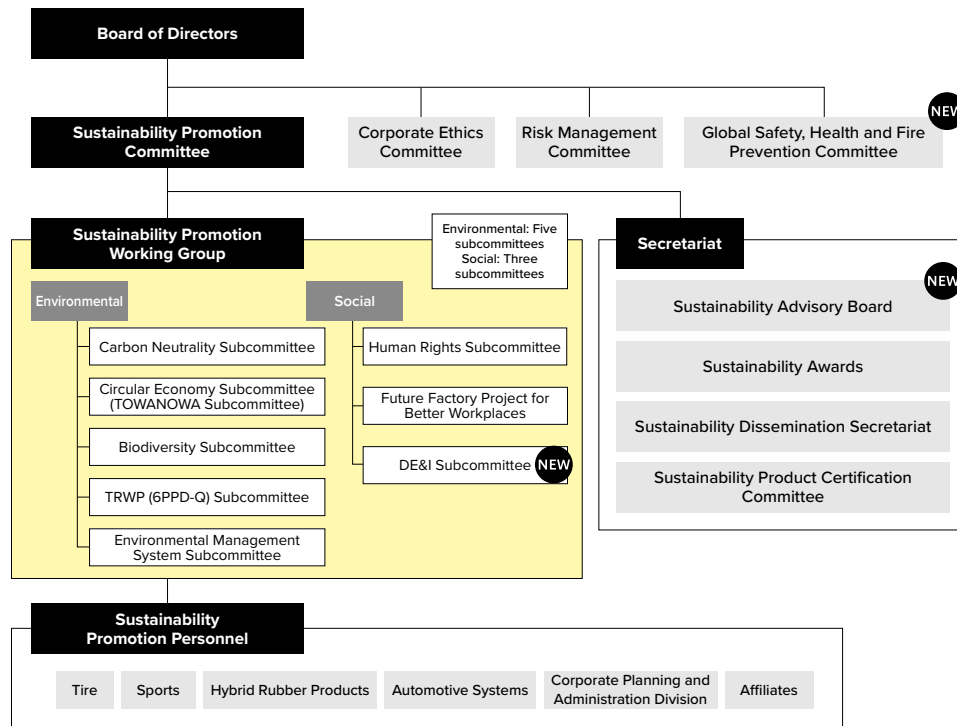
Sustainability Management Structure

Sustainability Management Structure

To strengthen sustainability management aimed at realizing “Our Philosophy,” our corporate philosophy framework, the Group has established a company-wide, cross-functional structure. We are promoting the development of mechanisms that integrate business and sustainability to help resolve social issues and translate such efforts into enhanced corporate value. Under the supervision of the Board of Directors, each division works in coordination to ensure highly effective operations.

Sustainability Promotion Committee

To oversee sustainability initiatives, we hold the Sustainability Promotion Committee twice a year, chaired by the officer in charge of sustainability and comprising all executive officers as members. The Committee deliberates on and makes decisions regarding sustainability-related policies and strategies, and reports its decisions to the Board of Directors. As necessary, it also provides opportunities for dialogue on themes with significant impacts on society and the business, and discusses cross-functional responses. In 2025, the themes selected for dialogue were tire and road wear particles (TRWP) and human rights.



Major Initiatives in Fiscal 2025

Sustainability Advisory Board

The Sustainability Advisory Board was established in January 2025 as a forum for regular dialogue between external stakeholders and management. External experts are invited to exchange views on the Company’s sustainability strategy. The Company’s outside directors, officers in charge of each business unit and the officer in charge of sustainability all attend the forum.



	Date	Theme	Speaker
1st Meeting	January 31	Enhancing Corporate Value through Sustainability Management	Resona Asset Management Co., Ltd. Managing Executive Officer Minoru Matsubara
2nd Meeting	May 30	Understanding the Value Provided by the Business through “Social Value (Non-Financial Value)”	— (Internal Discussion)
3rd Meeting	November 28	Human Capital Management for Enhancing Corporate Value	Murata Manufacturing Co., Ltd. Senior Vice President Takanori Toi

DE&I Subcommittee

In 2025, we established the DE&I Subcommittee to build a company-wide, cross-functional structure for addressing DE&I-related issues and to enhance the effectiveness of related measures. By promoting inclusion, we are working to improve employee engagement, foster an organizational culture that enables the realization of our business strategy, and secure human capital over the long term.

TRWP Subcommittee

As a tire manufacturer, this subcommittee addresses issues related to tire and road wear particles (TRWP), which affect biodiversity, in order to reduce environmental impact and fulfill our social responsibilities. In 2025, as a member of the Japan Automobile Tire Manufacturers Association, Inc. and the Japan Rubber Manufacturers Association, we worked on the development of ISO standards for the evaluation of TRWP.

Sustainability Awards

To promote sustainability and deepen employee understanding across the Group, we hold the Sustainability Awards for all Group employees. Award categories are established based on our material issues, recognizing initiatives that contribute to both social value and corporate value, while also sharing the processes and outcomes of those initiatives internally to generate a chain of new challenges.

In 2025, out of 74 entries from across the Group, we presented four Grand Awards and 18 Excellence Awards.

Long-Term Sustainability Targets: “Driving Our Future Initiatives”

Long-Term Sustainability Targets “Driving Our Future Initiatives” are long-term goals established to accelerate the Group’s sustainability initiatives, based on seven material issues identified from risks and opportunities across the entire value chain. In December 2025, under the material issue “Innovation for Solving Social Issues,” the Group has redefined the social value it can provide as a manufacturing company from a sustainability perspective and set targets for each business. The remaining six material issues have been defined in light of the responsibilities the Group is expected to fulfill as a global corporation. Initiatives toward achieving these targets are promoted through cross-organizational structures across business divisions and sustainability-related committees and are overseen by the Sustainability Promotion Committee.

Material Issues	“Driving Our Future Initiatives”	Related SDGs
Innovation for Solving Social Issues	<ul style="list-style-type: none"> ● Realize a safe mobility society through the expansion of high-performance products utilizing advanced technologies, including ACTIVE TREAD technology ● Realize a safe mobility society by providing experiential value through AI technology, in addition to SENSING CORE technology ● Promote player health and growth by enhancing the appeal of sports through gear that fuses advanced technology with human sensibility ● Promote lifelong sports participation and extending healthy life expectancy by providing experiential opportunities for all age groups ● Realize safe, secure, and comfortable living and community development by providing high-quality, competitive products that address diverse societal needs ● Create new value by launching businesses centered on rubber analysis, evaluation, design, and visualization technologies, starting from societal issues and prospective customer needs ● Build an innovation foundation by expanding our base of challenge-oriented talent, reinforce the organizational systems that facilitate challenge-driven initiatives, and advance co-creation with diverse partners 	
Climate Change	<ul style="list-style-type: none"> ● Scope 1 and 2: 55% reduction in emissions compared to 2017 levels by 2030 (SBT) and carbon neutrality by 2050 ● Scope 3: 25% reduction in Cat 1 (SBT) and 10% reduction in Cat 4 compared to 2021 levels ● Accelerating the adoption of next-generation energy sources, including hydrogen 	
Circular Economy	<ul style="list-style-type: none"> ● 40% sustainable material ratio by 2030 and 100% by 2050 ● 100% Standard certification rate and 30% Gold certification rate under the Sustainable Product Certification Program by 2030. ● Increase retread tire sales volume to 190% of 2021 levels by 2030 	
Biodiversity	<ul style="list-style-type: none"> ● 100% sustainable natural rubber procurement by 2050 ● 100% water recycling rate at water risk sites by 2050 ● Research and mitigation efforts regarding the environmental impact of tire and road wear particles ● Research on the environmental impact of microplastics derived from artificial turf and initiatives to reduce their release 	
Human Rights	<ul style="list-style-type: none"> ● Continue to achieve zero serious accidents ● Establish and review a UN-aligned grievance mechanism ● Ongoing human rights due diligence: identify, address, assess, and disclose risks 	
Diverse Talents	<ul style="list-style-type: none"> ● 80% employee empathy score for "Our Philosophy" by 2030 (KPI) (group) ● 58% employee engagement score by 2030, 65% by 2035 (KPI) (standalone) ● 12% female managers by 2030 (KPI) (standalone) 	
Governance	<ul style="list-style-type: none"> ● Board of Directors composed of members with diverse skills and attributes ● Conduct external board effectiveness evaluations and engage with institutional investors ● Promote tax compliance aligned with international rules and utilize Advance Pricing Agreements based on tax risk 	

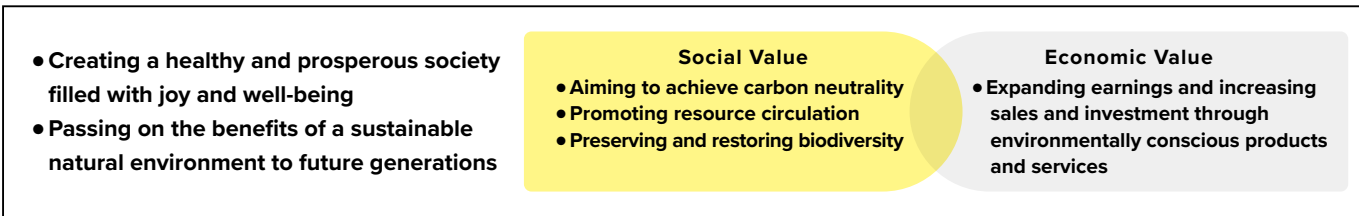
Contribution to a Sustainable Global Environment

Our business activities involve environmental risks, including the acceleration of climate change through GHG emissions and impacts on ecosystems resulting from the use of natural resources and chemical substances. Recognizing that climate change, a circular economy, and biodiversity are closely interrelated, we aim to achieve harmony with the global environment by taking an integrated approach.

Related Material Issues ▶ Page 16

Climate Change Circular Economy Biodiversity

▶ Value Creation ▶ Page 15



Related Initiatives

- Addressing Climate Change ▶ Page 39
- Toward Realizing a Circular Economy ▶ Page 40
- Toward Reducing the Environmental Impact on Nature ▶ Page 40

Our Group declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in June 2021. In January 2024, we also committed to disclosing information based on the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) and registered as a TNFD Adopter. In 2025, in accordance with the TCFD and TNFD recommendations, we analyzed climate- and nature-related dependencies and impacts in our business activities and disclosed risks and opportunities in an integrated manner.

Information disclosure aligned with the TCFD and TNFD recommendations

▶ Key Risks, Opportunities, and Countermeasures

Risks		Key Opportunities	Key Countermeasures
Key Transition Risks	Key Physical Risks		
<p>Policy and Legal</p> <ul style="list-style-type: none"> ● Expansion of demands for CO₂ emissions reductions ● Introduction and tightening of regulations on existing products and services <p>Market</p> <ul style="list-style-type: none"> ● Increase in energy costs at manufacturing sites ● Increase in raw material prices ● Changes in consumer behavior <p>Technology</p> <ul style="list-style-type: none"> ● Development and spread of low-environmental-impact technologies, and transition away from existing products <p>Reputation</p> <ul style="list-style-type: none"> ● Negative stakeholder reactions driven by growing interest in decarbonization and nature-positive initiatives <p>Litigation</p> <ul style="list-style-type: none"> ● Potential liability due to developments in regulations and case law 	<p>Acute</p> <ul style="list-style-type: none"> ● More frequent and severe natural disasters <p>Chronic</p> <ul style="list-style-type: none"> ● Weather instability and rising temperatures due to climate change 	<p>Market</p> <ul style="list-style-type: none"> ● Entry into climate- and nature-related businesses <p>Resource Efficiency</p> <ul style="list-style-type: none"> ● Expansion of efficiency solutions <p>Energy Source</p> <ul style="list-style-type: none"> ● Use of low-emission energy sources <p>Products and Services</p> <ul style="list-style-type: none"> ● Differentiation through the creation of products and services that contribute to the protection, management and restoration of nature, as well as decarbonization <p>Reputation</p> <ul style="list-style-type: none"> ● Recognition from consumers and society ● Recognition from investors 	<p>[Contribution to a Sustainable Global Environment] ▶ Page 39</p> <ul style="list-style-type: none"> ● Realization of carbon-neutral tires in manufacturing ● Expansion of initiatives to utilize hydrogen energy and the shift to electricity derived from renewable energy sources ● Shortening transportation distances through optimized production allocation and the use of ports nearest to export production plants for shipments ● Upgrading ventilation and air-conditioning systems, adjusting working hours to account for high temperatures, and promoting automation ● Continuous development of fuel-efficient tires ● Reduction in raw material use through lighter-weight tire products ● Advancing "TOWANOWA," the circular business concept for the Tire Business ● Expanding sales of retread tires to reduce resource use ● Setting quantitative targets for the use of sustainable raw materials and promoting R&D ● Development and wider adoption of technologies to prevent the release of microplastics from artificial turf ● Setting a target of 100% wastewater recycling at factories with high water risk by FY2050 ● Biodiversity conservation activities at each site <p>[Building Strong Relationships with Stakeholders] ▶ Page 42</p> <ul style="list-style-type: none"> ● Initiatives to ensure the traceability of natural rubber ● Support activities for natural rubber farmers in collaboration with natural rubber suppliers ● Formulation of BCPs for headquarters functions, domestic and overseas manufacturing sites, and domestic subsidiaries



Response to Climate Change

Initiatives to Reduce Scope 1 and 2*1 Emissions

Fuel used to generate steam in the tire manufacturing process accounts for the majority of our Scope 1 emissions, and we recognize decarbonizing this fuel as a critical issue. In collaboration with industry, academia, and government, we are working to establish and deploy technologies for the use of new energy sources such as hydrogen. While closely monitoring developments in infrastructure and technological innovation beyond 2030, we will advance the practical application of decarbonization technologies, including fuel switching.

To reduce Scope 2 emissions, we are also promoting improvements in energy efficiency through energy conservation and expanding the use of electricity derived from renewable energy sources.



Item	2030 Target (SBT certified)
Scope 1 and 2	55% reduction in total emissions (vs. 2017)
Scope 3 (Category 1)	25% reduction in total emissions (vs. 2021)

*1 Scope 1: Direct greenhouse gas emissions generated by fuel combustion, manufacturing processes, and other sources in business activities owned or controlled by the Company.
 *2 Scope 2: Indirect greenhouse gas emissions generated in the production of energy such as electricity, heat, and steam purchased and used by the Company.

Use of Hydrogen Energy in Tire Manufacturing

In 2021, following selection by NEDO, we began using a hydrogen boiler at the Shirakawa Factory in Fukushima Prefecture, one of our tire manufacturing sites. In 2024, we concluded a basic agreement with Yamanashi Prefecture on the use of hydrogen, and in April 2025, we introduced and began operating the Yamanashi Model P2G System, a hydrogen production system based on water electrolysis developed by Yamanashi Prefecture and others, at the same factory. We also participate in Fukushima Prefecture's initiative to promote the local production and local consumption of hydrogen, advancing decarbonization in the tire manufacturing process.

The Yamanashi Model P2G System operates 24 hours a day and can produce up to approximately 100 tons of hydrogen annually, replacing much of the hydrogen used in the hydrogen boiler with green hydrogen. As a result, it is expected to reduce CO₂ emissions by approximately 1,000 tons annually across the entire supply chain, including transportation.

To replace part of the energy used at the Shirakawa Factory with hydrogen, we will work with government bodies and infrastructure-related companies to advance studies toward the practical application of hydrogen and hydrogen-derived fuels.



Hydrogen production unit (Shirakawa Factory)



Hydrogen production unit and hydrogen boiler system (Shirakawa Factory)

Basic agreement with Aichi Prefecture on the implementation of a hydrogen-based society (Site only in Japanese)

Introduction of a hydrogen production unit (Yamanashi Model P2G System) at the Shirakawa Factory

Initiatives to Reduce Scope 3*2 Emissions

	Key Initiatives	Next Steps
Category 1 (Purchased goods/ services)	<ul style="list-style-type: none"> Briefing sessions were held for suppliers of tire raw materials. Background information on the Paris Agreement and examples of our own reduction initiatives were shared, and suppliers were asked to provide primary data.*3 Individual meetings were conducted with certain suppliers to confirm the status of their initiatives and advance CO₂ reduction collaboratively. 	The shift to primary data and engagement activities will be further advanced.
Category 4 (Upstream transportation and distribution)	<ul style="list-style-type: none"> Transportation methods with lower CO₂ emissions were examined, and a Category 4 reduction policy through 2030 was formulated. The Group-wide reduction policy was explained to our overseas sites, and reduction scenarios were developed by each site. The use of primary data was studied to improve the accuracy of CO₂ emissions calculations. 	Work will continue with logistics providers to establish efficient data collection methods and examine future reduction measures.

*2 CO₂ emissions generated across the value chain, including procurement, logistics, and sales.
 *3 Actual CO₂ emissions data calculated by suppliers. Unlike industry averages or estimated values, these data make it possible to capture emissions based on actual conditions and implement effective reduction measures.

Column Exhibition of the actual “Seeds for the Future” at the Sumitomo Pavilion of Expo 2025 Osaka, Kansai, Japan

—Development of rubber products using CO₂-recycled artificial limestone in collaboration with Sumitomo Osaka Cement (an outcome of a NEDO GI Fund project)—

We developed a rubber roller for office automation equipment using CO₂-recycled artificial limestone. It replaces conventional filler materials while maintaining equivalent performance and mineralizes CO₂ during the manufacturing process. The CO₂-recycled artificial limestone used in this product mineralizes approximately 420 g of CO₂ per kilogram, and if applied to all rubber rollers for office automation equipment produced by the Company, it is expected to reduce CO₂ emissions by approximately 36 tons per year. In addition, the reuse of waste also helps extend the life of landfill sites. This product was exhibited in the display area of the Sumitomo Pavilion at Expo 2025 Osaka, Kansai, Japan. We will continue development toward mass production.



Rubber Rollers for Office Equipment Using Artificial Limestone Derived from CO₂ Recycling

Developed rubber products using CO₂-recycled artificial limestone in collaboration with Sumitomo Osaka Cement (Site only in Japanese)

Implementation of Internal Carbon Pricing

To accelerate investment that contributes to reducing CO₂ emissions, we introduced internal carbon pricing (ICP) into investment decision-making in 2022 and began full-scale operation in 2023. Taking changes in the external environment into account, we revised the ICP price in 2025. Previously, ICP applied only to energy-saving investments, but we expanded its scope to cover all investment projects that affect CO₂ emissions.

2 Updated ICP for FY2025: EUR 75.00/t-CO₂

Information disclosure aligned with the TCFD and TNFD recommendations

Toward Realizing a Circular Economy



“TOWANOWA,” the circular business concept for the Tire Business

TOWANOWA aims to provide new value through resource circulation and the use of big data. It contributes to the realization of a sustainable, safe, secure, and comfortable society, including next-generation mobility.

At present, most end-of-life tires are used as fuel, but in the future we envision expanding into material and chemical recycling.

As a first step toward promoting the chipping of off-spec tires,*4 we began installation work for a tire shredder at the Miyazaki Factory in 2025, and operations started in January 2026.



Tire shredder (Miyazaki Factory)

installation work for a tire shredder at the Miyazaki Factory in 2025, and operations started in January 2026.

*4 Tires that do not meet shipping quality standards.



Use of Sustainable Raw Materials

We have set a target of 40% for the ratio of sustainable raw materials by 2030. In response to changes in the business environment surrounding us, we redefined sustainable raw materials from the conventional definition of “biomass raw materials and recycled raw materials” to one aligned with our material issues. Under the new definition, we define sustainable raw materials as those that meet multiple criteria, including contributions to climate change, the circular economy, and biodiversity, as well as consideration for human rights. Based on this new definition, we will advance the selection and use of sustainable raw materials.

2030 Target	2025 Results
40%	27%

Promotion of Retread Tires

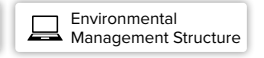
Retread tires are tires in which new rubber is applied to the tread of worn tires while the base tire is reused. Through the promotion of retread tires, we contribute to reducing resource consumption.

We aim to increase domestic retread tire sales volume to 190% of the 2021 level by 2030. In addition to SENSING CORE, we will use tire information and usage history through TPMS (Tire Pressure Monitoring System) and RFID (Radio Frequency Identification) to improve the recovery rate of base tires and increase the number of retreading cycles.

- Feature2 Laying the Groundwork for Growth Areas
- Sports Business
- Initiatives for Recycling-Oriented CB*5
- Initiatives for Recycling-Oriented Reinforcing Carbon (Site only in Japanese)
- Truck, Bus and Commercial Vehicle Retread Tires Catalog (Site only in Japanese)

*5 Carbon black

Toward Reducing Environmental Impact



Tire and Road Wear Particles (TRWP)

TRWP is dust generated by friction between tires and road surfaces and is a mixture composed of tire tread components and road pavement materials. We recognize that clarifying the characteristics of TRWP and its environmental impact, and reducing that impact, is an issue the Company must address.

We have long worked to reduce TRWP generation by enhancing tire wear resistance. In recent years, as a further approach, we have focused on the three stages of TRWP: (1) generation, (2) dispersion, and (3) accumulation.

In “(1) generation,” we are working to clarify the mechanism of TRWP generation and develop suppression technologies. In “(2) dispersion,” we are developing a TRWP recovery device that utilizes the airflow generated around the tire while driving. TRWP is sometimes classified as a type of microplastic, but there are major differences in its properties and behavior in the environment. Accordingly, in “(3) accumulation,” we are developing quantitative analysis methods that distinguish between the two and advancing our understanding of the presence of each in the environment. The results of these efforts at each stage have been presented at academic conferences in Japan and overseas.

We participate in TIP (The Tire Industry Project, an industry organization made up of 10 global tire manufacturers) and are advancing research on TRWP, the establishment of evaluation methods, and dialogue with stakeholders.

In Japan, we are also active as a member of JATMA (The Japan Automobile Tyre Manufacturers Association, Inc.) and JRMA (The Japan Rubber Manufacturers Association), and are working on the development of ISO standards related to the evaluation of TRWP.

We will continue to expand the scope of our research and advance these initiatives on an ongoing basis in collaboration with external research institutions and companies.

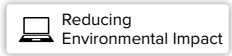
- Presentation of the results of our initiatives on tire and road wear particles at academic conferences in Japan and overseas
- Presentation of six research findings on tire and road wear particles at Tire Technology Expo 2026



Major Survey and Research Findings on TRWP

TRWP Phase	Collaborative Research Partner	Survey / Research
(1) Generation	NICHIREKI Group Co., Ltd.	Study of the Mechanism of TRWP Generation through Approaches from Both Tire and Road Surface Perspectives
	Queen Mary University of London (UK) Professor James Busfield	Clarification of the Effects of Tire Additives on TRWP Formation
	VMI (equipment manufacturer in the Netherlands)	Establishment of a New Laboratory Test Method for TRWP Recovery and Detection Technologies
(2) Dispersion	Dresden University of Technology (Germany) Professor Dr. Gert Heinrich	Clarification of Wear Mechanisms and Proposal of Related Suppression Technologies
	Ostfalia University of Applied Sciences (Germany) Professor Dr. Falk Klinge	<ul style="list-style-type: none"> Design of a TRWP Recovery Device Utilizing Aerodynamics Measurement Research to Capture Three-Dimensional Airflow around Tires
(3) Accumulation	Graduate School of Global Environmental Studies, Kyoto University Associate Professor Dr. Shuhei Tanaka	Research on methods for the separation and quantitative analysis of TRWP and microplastics

Response to 6PPD (an anti-aging agent used in tires)



6PPD (N-(1,3-dimethylbutyl)-N'-phenyl-para-phenylenediamine) is a widely used anti-aging agent in the tire industry. In recent years, following the publication of a paper suggesting that 6PPD-quinone, which is generated when 6PPD reacts with oxygen and ozone in the environment, may be harmful to certain aquatic organisms, regulatory procedures have been advancing in the United States.

Meanwhile, 6PPD itself plays an important role in preventing cracks on the tire surface caused by reactions between rubber and oxygen or ozone in the environment and in slowing deterioration. For this reason, 6PPD is an indispensable material for ensuring that tires fully deliver their performance and can be used safely over a long period of time. The tire industry as a whole is currently examining the potential of alternative technologies and developing and evaluating substitutes, and we are advancing our own efforts as part of that industry-wide work.

Initiatives Related to the Environmental Impact of Microplastics Derived from Artificial Turf



Reducing wind-blown dispersion by installing permeable artificial turf as a filter material over rainwater gutters and surrounding the perimeter with blocks

For artificial turf used in sports facilities, it has been pointed out that broken turf fibers and infill rubber chips may flow into rivers and the ocean over time and become microplastics.*6 Since 2020, we have been working to confirm the status of such leakage and to develop materials and products with a high leakage suppression effect. We have proposed artificial-turf perimeter layouts and the installation of filter materials in drainage ditches, whose suppression effects have been confirmed, to parties involved in artificial turf facilities, and the number of cases in which leakage suppression measures are being gradually implemented is increasing.

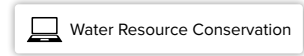
We will continue to develop and improve leakage suppression technologies while promoting the wider

adoption of these measures. Our efforts have also been featured in an article by the Ministry of the Environment*7 and introduced in guidelines issued by local governments on microplastic measures for artificial turf.*8 *9

*6 Tiny plastic particles smaller than 5 mm in size.

- *7 "For the reduction of microplastics | Plastic Smart."(Site only in Japanese)
- *8 Guidelines on suppressing microplastic leakage from artificial turf facilities in Osaka Prefecture, Ver. 1.0. (Site only in Japanese)
- *9 Measures to prevent microplastic leakage from artificial turf tennis courts

Water Resource Conservation



We conduct water risk assessments across our production sites globally and manage them according to regional characteristics.

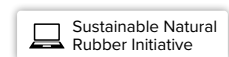
At the seven factories assessed as having high water risk, we have set a target of 100% recycling of factory wastewater by 2050 and formulated site-specific plans that include capital investment.

At one of these sites, our Thailand factory, we achieved a 100% factory wastewater recycling rate in 2024 and have maintained it, while continuing efforts at our other factories to achieve the same goal.

These and other efforts were recognized in the 2025 CDP assessment, in which we received an A rating for water security.

2050 Target	2025 Results
100% water recycling rate at sites with high water risk	14% (one site)

Response to the EU Deforestation Regulation (EUDR)



Across our Group, from management to frontline departments, we are advancing measures such as industry-wide collaboration and the development of EUDR response systems to ensure that our commitment to the sustainability of natural rubber is understood and that we can comply fully with the EUDR.

Participation in GPSNR

In 2018, we joined GPSNR and strengthened our response to deforestation and human rights issues. We also formulated our Sustainable Natural Rubber Policy and are promoting sustainable procurement in collaboration with our supply chain.

Strengthening Due Diligence for the EUDR through a Partnership with Singapore-based IT Company SystemEarth

We began using "SystemEarth," a tool that supports compliance with the EUDR. For products subject to the EUDR, we will strengthen verification of EUDR compliance in the upstream natural rubber supply chain and improve the effectiveness of due diligence on deforestation-free sourcing and legality.

Column Development of Alternative Natural Rubber Resources

—Development of Natural Rubber from Russian Dandelion—

Natural rubber is produced mainly from para rubber trees, many of which are cultivated in tropical rainforest regions rich in biodiversity. For this reason, the maintenance and management of plantations require consideration for the natural environment. We are conducting joint research with U.S.-based Kulvevat and unveiled a concept tire at Japan Mobility Show 2025 using natural rubber derived from Russian dandelion, which can be cultivated in temperate regions.



Concept tire containing rubber derived from Russian dandelion

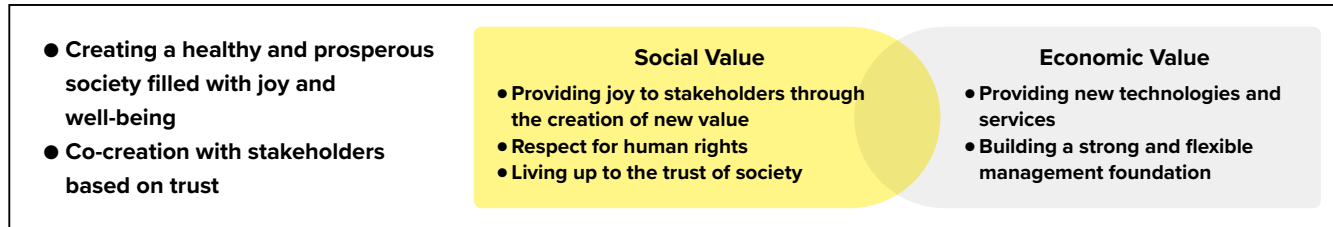
Building Strong Relationships with Stakeholders

The Group's business is connected to the lives of many people, including customers, suppliers, local communities, and the ecosystems surrounding its sites. We work with all those involved in our business to address issues facing the supply chain and to promote ecosystem conservation and respect for human rights. Through these efforts, we will continue to provide peace of mind and joy to our diverse stakeholders.

Related Material Issues Page 16

Human Rights Biodiversity

Value Creation Page 15



Related Initiatives

- Sustainable Natural Rubber Procurement Page 42
- Sustainable Supply Chain Management Page 43
- Respect for Human Rights Page 44
- Thorough Occupational Safety and Health Page 44
- Building Relationships with Local Communities Page 45

Toward Sustainable Natural Rubber Procurement

Sustainable Natural Rubber Initiative

Natural rubber is a key raw material used in tires, one of the Group's main products, and is derived from the natural environment. To ensure the long-term, sustainable procurement of natural rubber, it is essential to address not only environmental issues but also human rights issues affecting those working on natural rubber plantations and at processing facilities. Based on its Sustainable Natural Rubber Policy, revised in 2021, the Group is working to respect the human rights of all people involved across the supply chain and to reduce its environmental impact.

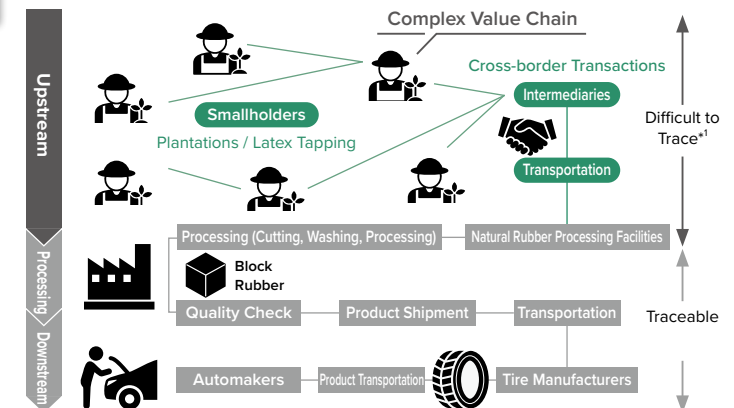
Risks in the Natural Rubber Supply Chain Importance of Ensuring Traceability in Risk Assessment

The natural rubber supply chain is highly complex, consisting of approximately six million smallholders, plantations, dealers, processors, and other parties around the world. In addition, because transactions take place across regions and national borders, it is difficult to clearly identify distribution routes from farmers to natural rubber processors and ensure traceability.

To avoid and mitigate risks in the supply chain, the Group is working to improve traceability. To this end, we collaborate with stakeholders and industry organizations and use supply chain mapping and other tools to identify areas with high risks of environmental destruction and human rights violations, while also assessing impacts on stakeholders.


We believe that identifying risks in the natural rubber supply chain is essential for sustainable procurement. Accordingly, since July 2023, we have been using RubberWay^{®*2}, an environmental and social risk assessment tool specifically designed for natural rubber.

*2 An application developed by Michelin, Continental, and software developer SMAG.



*1 Traceability refers to tracking processes such as production, processing, and distribution for the inspection of agricultural products and manufactured goods.

The Company has introduced a natural rubber-specific risk assessment tool to support the sustainable procurement of natural rubber.

 Sustainable Natural Rubber Initiative

Site Visits to Natural Rubber Plantations and Natural Rubber Processors

Approximately 85% of natural rubber producers are smallholders. Smallholders, who are positioned at the very beginning of the natural rubber supply chain, face a wide range of issues, including improving working conditions, respecting human rights, addressing the impacts of climate change, and coexisting with the natural environment surrounding plantations. Following our visit to Thailand in 2024, we visited natural rubber plantations and natural rubber processors in Indonesia in 2025 and exchanged views with local stakeholders in one of the world's major natural rubber-producing countries.



Dialogue with Workers on Natural Rubber Plantations

Through these visits, we confirmed the multifaceted issues faced by farmers and workers engaged in natural rubber production, including income structures, working conditions, and a lack of successors. We recognize issues related to natural rubber as significant social and environmental risks to the continuity of our business, and we will address them in collaboration with partner companies and local communities.

 Human Rights Report 2026

Capacity Building Project to Support Good Agricultural Practices for Smallholders




Providing agricultural technical guidance to natural rubber producers

In 2025, in Jambi Province, Indonesia, we implemented a support project in collaboration with Halcyon Agri, a producer and distributor of natural rubber, and its natural rubber processing subsidiary, PT. Hok Tong, to promote traceability in natural rubber and improve the standard of living of farmers. The project included surveys of the current situation of natural rubber farmers and raw material distribution routes, as well as support measures such as farmer training and the free provision of fertilizer. During the implementation period from 2022 to 2025, fertilizer was provided to more than 1,000 farmers in total, and guidance on appropriate production techniques was provided through GAP (Good Agricultural Practice).

Through this project, we confirmed that natural rubber yields at supported farms increased by as much as 19%, while farmers' income increased by approximately 25%.

Based on these results, we plan to launch multiple new projects in 2026, including support projects covering expanded regions.

 DUNLOP Conducts Smallholder Support Program Toward Sustainable Natural Rubber Procurement: Contributing to Improving Farmers' Profitability

Name of Project Implemented in 2025	Region	Period (Years)	Details of Support
Collaboration Project with Halcyon (Phase 1)	Indonesia South Sumatra	2022–2025	<ul style="list-style-type: none"> • Providing training on efficient working methods and appropriate fertilization • Supporting the adoption of technical practices through the distribution of fertilizer and coagulants and on-site fertilization guidance • Providing ongoing support for improvement through farmer data collection, monitoring, and effectiveness verification
GPSNR Capacity Building	Northern and Northeastern Thailand	2023–2026	<ul style="list-style-type: none"> • Improving productivity and quality through advice on disease management and appropriate cultivation methods • Improving traceability through visualization of farmland information • Improving farmers' livelihoods and ensuring stable natural rubber procurement

Toward Sustainable Supply Chain Management

 Supply Chain Management

To strengthen the resilience of the entire supply chain, the Group has established a framework to systematically identify and properly manage a wide range of risks, including human rights, governance, and environmental risks. Through practical measures such as third-party assessments, enhanced BCP^{*3}, and reducing burdens at logistics sites, we are working to ensure stable procurement.

^{*3} BCP (Business Continuity Plan): a plan that sets out the activities to be carried out in normal operations and the methods for continuing or restoring business quickly in the event of an emergency.

Assessment by EcoVadis, an International Third-party Assessment Organization for Human Rights, Governance, and Environmental Performance

We use EcoVadis to efficiently monitor and assess performance related to human rights, governance, and the environment in the supply chain. When selecting new suppliers, we conduct due diligence, and if they do not meet our evaluation criteria, we engage with them to support improvement. By applying standardized evaluation criteria, we are promoting the development of a sustainable and reliable supply chain.

Strengthening BCP and Related Initiatives

To ensure a stable supply of products, the Group is continuously working to strengthen and expand its BCP. At the same time, we regard our suppliers as important business partners and promote sustainable procurement and the building of new partnerships by deepening mutual understanding and collaboration.

Measures to Reduce Burdens at Domestic Logistics Sites

To build a stable logistics framework, we are implementing measures to reduce truck drivers' working hours, lessen the burden of cargo handling at warehouses, and shorten unloading waiting times.

In particular, we regard improving efficiency through DX as a key priority and are advancing initiatives such as centralized management of logistics data, AI- and IoT-based optimization of vehicle dispatching and inventory, visualization of truck waiting times, and automation using WMS^{*4}, AGVs^{*5}, and robots.

We have already introduced systems and equipment at some warehouses, including gate appointment systems, cargo-handling robots, and fan-equipped vests.

We are also implementing measures to continuously reduce burdens at logistics sites by increasing the number of support personnel working in warehouses.

By incorporating measures to build a stable logistics framework into our medium- to long-term plans and monitoring them regularly, we will realize a sustainable and efficient logistics framework.

^{*4} WMS (Warehouse Management System): a system for efficiently managing inventory and operations within warehouses
^{*5} AGV (Automatic Guided Vehicle): an automated transport vehicle capable of operating without human driving input

▶ Respect for Human Rights

The Group strongly recognizes its responsibility to respect the human rights of all people involved in its business activities, including employees, customers, suppliers, and local communities surrounding its sites. To fulfill this important responsibility, we have clarified our policy on respect for human rights and established the necessary framework. We will continue to fulfill our responsibility to respect human rights through our business activities.

The Group's Human Rights Due Diligence

- With advice from external experts, we identified the key human rights issues that the Group should prioritize.
- To understand the actual state of human rights risks, we conducted human rights due diligence through visits to natural rubber plantations, raw material processing facilities, and sites in Japan and overseas, as well as through dialogue with stakeholders.
- In 2025, we also focused on risks related to migrant workers. We will continue to advance initiatives across the entire value chain.

 Initiatives to Respect Human Rights

▶ Holding the Human Rights Global Summit

Group companies with overseas manufacturing sites gather at Headquarters for the Human Rights Global Summit to discuss key issues and share information.

In 2025, we held a workshop on the human rights of migrant workers at Kobe Headquarters, led by the International Organization for Migration (IOM). Through group work and case studies presented by Group companies, participants learned about the risks faced by migrant workers and how companies should respond.



Human Rights Global Summit



It would be good if the HRDD initiatives supported by top management in our company, for example, setting designated teams to handle HRDD issues. (I felt it would be beneficial for our company as well to further advance management-supported human rights due diligence initiatives, for example by establishing a dedicated team.)


S.W. / Human Resources Representative, Indonesia Factory

▶ Publication of the Human Rights Report



In 2025, the Group published its first Human Rights Report. The publication of the report also provided opportunities to speak at events hosted by the Principles for Responsible Investment (PRI) Japan Advisory Committee and the United Nations Development Programme (UNDP), giving us valuable opportunities to exchange views with many stakeholders.

 Human Rights Report 2026

 Annual Dialogue on Business and Human Rights: "The Business Case for Human Rights: Building a New Trade Era through Policy, Due Diligence, and Disclosure"


▶ Toward Thorough Occupational Safety and Health

The Group places top priority on creating workplaces where all employees can work safely and in good health, and promotes occupational safety and health activities based on two pillars: safe equipment and safe people. Through the development of a comfortable working environment and the fostering of a safety culture with the participation of all employees, we will continue to pursue improvement while responding to changes in the operating environment.

Key Measures	Details
1) Strengthening Governance	Through the Global Safety, Health and Fire Prevention Committee, we will strengthen dialogue with management and enhance the management review function.
2) Strengthening Coordination Among Occupational Safety and Health Managers	We will develop safety leaders at global sites and establish a support framework that makes use of this network.
3) Creating Workplaces Through Two-Way Dialogue	Management will engage in ongoing dialogue with frontline workplaces and promote the creation of safe workplaces that reflect employees' voices.


▶ Strengthening Governance through the Global Safety, Health and Fire Prevention Committee

From 2025, we launched the Global Safety, Health and Fire Prevention Committee and strengthened our governance framework. With directors participating, the Committee deliberates on and makes decisions regarding policies on safety, health, and fire prevention.

 Sustainability Management Structure



▶ Education and Awareness Activities

 Occupational Safety & Health

With the goal of achieving zero serious accidents, we are promoting the development of safe equipment and safe work practices.

We are focusing on inherently safe design and on improving risk assessment capabilities, while regularly strengthening skills and knowledge through special training and hazard simulation training.



Roller entanglement simulation



Hazard simulation using VR

Column

Connecting with People and Society

We place importance on collaboration with a wide range of stakeholders and implement social contribution initiatives that place particular value on relationships of trust with the communities around each site. By carrying out flexible social contribution activities tailored to local characteristics, we believe we can not only fulfill our corporate social responsibility, but also help create an environment in which employees can work with peace of mind and engage in their work more easily, thereby contributing to higher employee satisfaction.

Together with the Next Generation: Educational Support for Nearby Elementary Schools and Nursery Schools



Ichijima Factory / Great purple emperor butterflies and nursery school children at an observation event

At the Ichijima Factory in Hyogo Prefecture, we invite children from nearby nursery schools to events such as a great purple emperor butterfly viewing session and acorn gathering, providing opportunities for them to enjoy learning about the protection of rare animals and plants and to take an interest in the environment. We also maintain the lawn at the test field used for golf ball test shots, and when nursery school children visit, we open the lawn so they can play on it.

Since 2009, we have sponsored the “DUNLOP Manufacturing Workshop” organized by the nonprofit organization CoreNet. For fourth- to sixth-grade elementary school students, we held hands-on sessions assembling craft kits. Through this experience, we provide opportunities for children to discover the fun of manufacturing, feel a sense of achievement upon completion, and gain experience working together.



Scenes from the DUNLOP Manufacturing Workshop

Support for Para Sports

To help promote para sports, we sponsor various sporting events. In particular, we participate as volunteers at wheelchair tennis tournaments held in Aichi and Hyogo prefectures, and since fiscal 2009 have served as the title sponsor of the International Wheelchair Tennis Tournament DUNLOP KOBE OPEN.



DUNLOP KOBE OPEN

Holding the Family Event “Family Day”

We held “Family Day” at Kobe Headquarters, offering workplace tours and science workshops for employees’ family members. Participants commented that the event helped their families better understand their work at the Company and gave their children a chance to see a different side of them through the workplace tours. It also provided an opportunity for families to feel closer to both the Company and the DUNLOP brand.



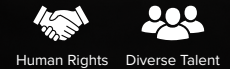
“Family Day” (Company Family Open Day)

- Holding “Family Day” (Site only in Japanese)
- Social Contribution Activities
- Initiatives for the Conservation of Endangered Animals and Plants
- Environmental Conservation through Greening Activities

An Organization That Can Boldly Take on Challenges by Uniting Diverse Strengths

We recognize that every individual has the right to be respected and to fully leverage their unique strengths. By fostering a fair and equitable workplace environment where colleagues acknowledge and elevate one another, we aim to enhance overall team capabilities and, ultimately, increase our corporate value.

Related Material Issues Page 16



Value Creation Page 15

- Creating a healthy and prosperous society filled with joy and well-being
- Co-creation with stakeholders built on trust

Social value

- Our contribution as a company addressing social issues

Economic Value

- Providing products and services that leverage diverse perspectives
- Enhancing corporate value through collective strength of teams

Related Action Plans

- Human Capital Management Page 46
- Human Resources Development to Support Sustainable Growth Page 47
- Enhancing Individual Performance Page 47
- Promoting DE&I Initiatives Page 48

Risks and Opportunities

Opportunities	Risks
<ul style="list-style-type: none"> ● Recruitment and retention of high-quality talent and enhancement of corporate value through the promotion of DE&I ● Enhancement of employee engagement and productivity through the provision of a safe, secure, fair, and equitable working environment ● Stable factory operations and product supply through talent acquisition 	<ul style="list-style-type: none"> ● Increase in turnover rate ● Decline in employee engagement and productivity ● Increased compensation costs and deterioration of corporate reputation due to workplace accidents

Human Capital Management

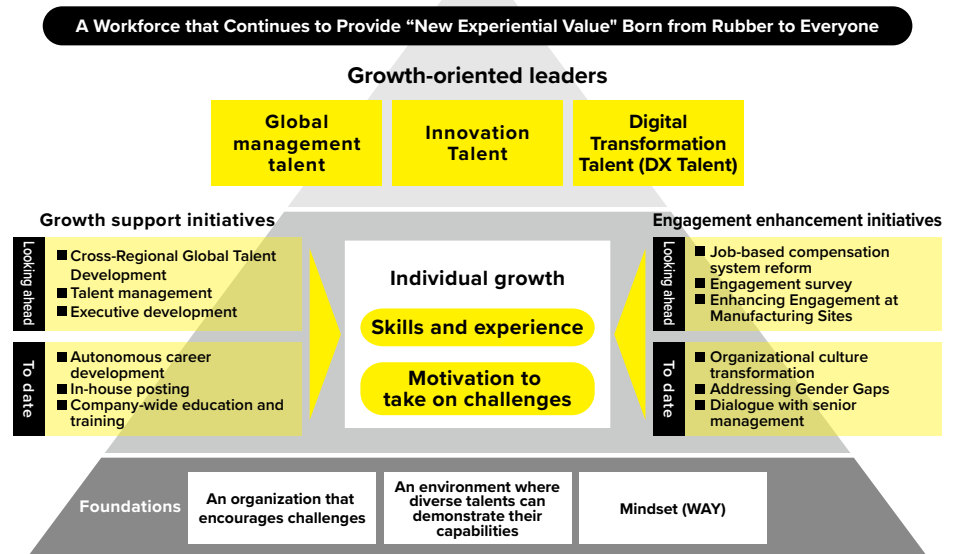
DUNLOP is advancing human capital management to realize its organizational "Vision": "Uniting our diverse strengths, growing together, driving and thriving on change."

We recognize global management talent, innovation talent, and digital transformation talent (DX talent) as sources of competitive advantage. The Company positions them as talent profiles that will drive business expansion in growth areas and support sustained development. As part of establishing a foundation where individuals can thrive, we are fostering a corporate climate that respects the unique attributes and values of each person and ensures a sense of purpose in their work.

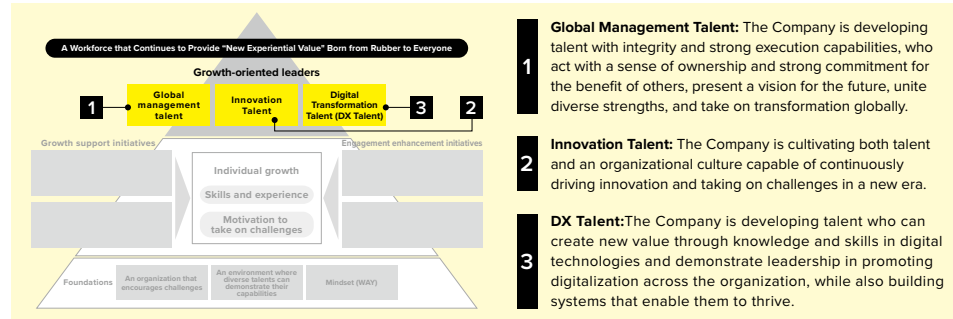
We believe that we can provide joy and well-being for our stakeholders through innovation by mobilizing the collective efforts of our diverse talent to create value.



To execute our long-term corporate strategy, we are promoting initiatives that enhance performance, skills, and motivation, aiming to build a workforce and organization capable of taking on bold challenges with strong commitment.



Human Resources Development to Support Sustainable Growth



DX Strategy

2025 Initiatives

Global Management Talent

Based on the definition of "Global Management Talent" established through discussions among executive officers, we have selected candidates from each division and launched training programs aimed at developing next-generation management. Executive officers also participate in the training and monitor the development process of participants, thereby promoting the development of next-generation management leaders across the organization.

Going forward, we will link this talent definition to various HR initiatives, including recruitment, training, and evaluation, to establish consistent talent management. In addition, we plan to further advance the development of global senior management human resources across the Group through initiatives such as overseas trainee programs for younger employees and cross-regional assignments of national staff overseas.

Implementing Measures to Enhance the Performance of Human Resources

Innovation Talent Development Program "Innovation Academy"

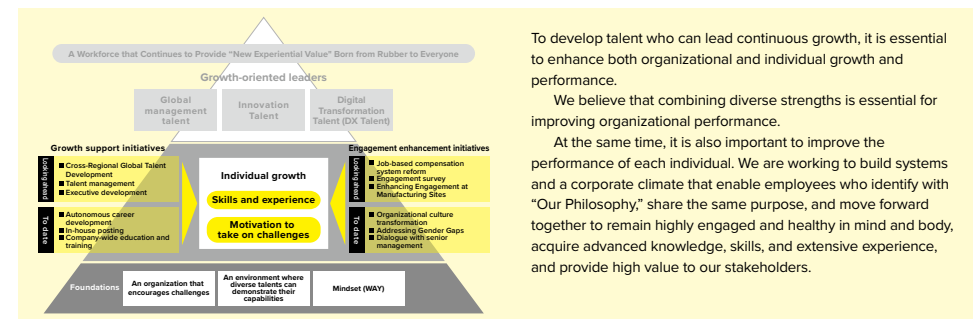


Innovation Academy

Since 2023, we have operated the "Innovation Academy" as an Innovation Talent Development Program. In 2025, in addition to fostering a transformation mindset, we further enhanced the program by expanding content related to new business creation, including idea generation methods, business model design, and commercialization. Under the slogan "Strong commitment and bold challenges—driving the future forward," we will continue to expand this program as a company-wide initiative aimed at developing innovative human resources and creating new lines of business.

Developing Human Resources to Support Consistent Growth

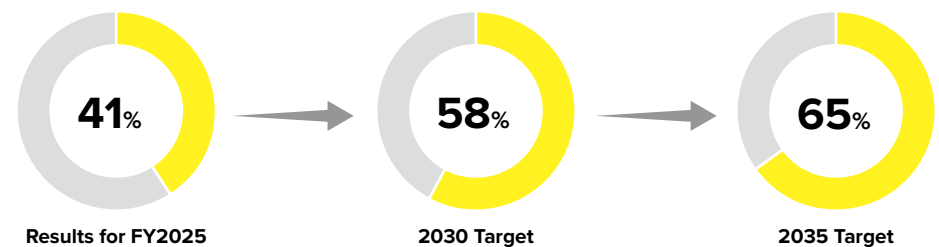
Enhancing Individual Performance



Employee Engagement Survey

We reviewed our conventional organizational climate survey and transitioned to an employee engagement survey starting in 2025. We position engagement as a leading indicator that affects organizational performance, including employee turnover and productivity, and are working to identify issues and implement improvements as a key KPI for achieving our growth strategy. In the first year, our standalone engagement score was 41%, falling below external benchmarks (Japan average: 61%; Japan manufacturing industry average: 58%), with particularly lower levels observed at manufacturing sites compared with head office departments.

DUNLOP Standalone Engagement Score Targets



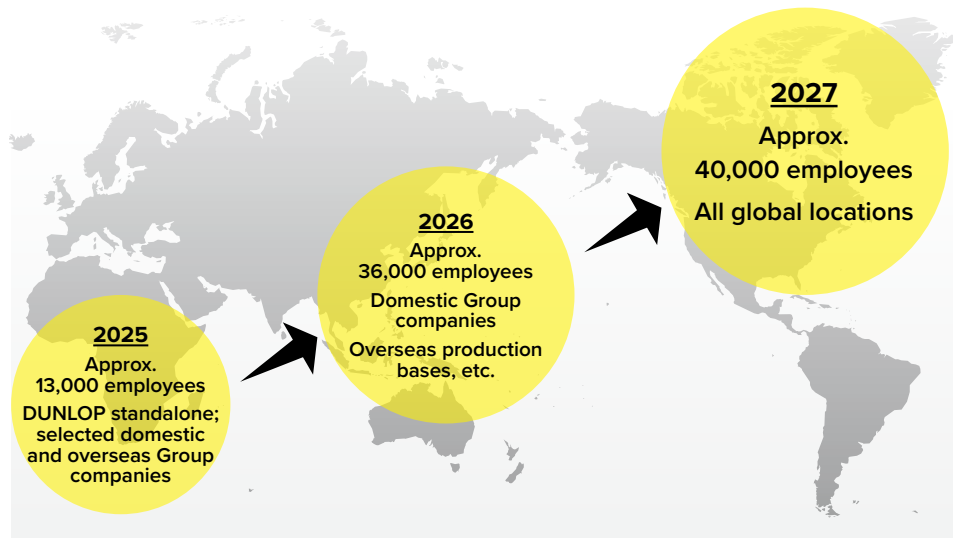
The analysis identified key issues in head office departments, including career visibility, understanding and internalization of strategy, and support for adapting to organizational changes. At manufacturing sites, growth opportunities and alignment with "Our Philosophy" were also identified as key issues, in addition to these factors.

For the standalone Company, we have set engagement score targets of 58% for 2030 and 65% for 2035, and are promoting improvements by incorporating these targets into the evaluation indicators for executive officers and general managers.

Going forward, we will progressively expand the survey to domestic and overseas Group companies, covering overseas locations by 2027 and support the realization of R.I.S.E. 2035 through qualitative improvement in human capital across the Group.

Expansion of the Employee Engagement Survey to Domestic and Overseas Group Companies

- Rolled out to domestic Group companies and global manufacturing sites in 2026
- Expansion of the engagement survey to all global locations of the DUNLOP Group by 2027



Promoting DE&I Initiatives

Inclusion for Transforming Diverse Talent into Organizational Strength

Diversity Equity & Inclusion

We are advancing our DE&I initiatives and place emphasis not only on respecting diversity but also on practicing inclusion to translate diversity into organizational strength. Under the President's commitment, we are implementing measures to incorporate diverse capabilities into human capital management and enable all employees to contribute to sustainable organizational growth. In April 2025, all Directors formulated and disclosed a DE&I top commitment to support the execution of human capital management under our long-term corporate strategy. We will continue to foster an organizational culture in which individuals can fully demonstrate their abilities and strengths, thereby promoting the continued growth of both the organization and individuals, and enhancing corporate value and social value in a synergistic manner.

DE&I Top Commitment

Understanding and Implementation by Executive Officers and Management

One of the Group's seven material issues is "Diverse Talent." As diversity increases toward achieving this, differences in perspectives and opinions may also arise. We place emphasis on inclusion so that, while taking such differences into account, we can connect them to decision-making and outcomes through constructive dialogue.

To leverage diversity as a driver of corporate value creation through inclusion, we consider it essential not only to establish systems for developing and supporting human resources, but also that each executive officer and member of management deepens their understanding of DE&I and reflects it in daily decisions, actions, and management practices to ensure steady progress.

To foster inclusion, we are promoting initiatives targeting employees, as well as executive officers and management. In human resource development, we have been enhancing systems that provide opportunities for learning and growth, as well as support mechanisms on a foundation that enables employees to work with confidence, thereby creating an environment in which individuals can fully demonstrate their capabilities.

At the same time, for executive officers and management—who are responsible for leading diverse talent—we continuously share the importance of inclusion through various meetings and training programs. Through the practice of inclusive leadership by executive officers and management, we will enhance adaptability to change and drive innovation, thereby contributing to the accomplishment of material issues and the enhancement of corporate value over the medium to long term.

Inclusive Managers (Site only in Japanese)

Supporting Career Autonomy through Individualized Development and Developing Management Candidates

The ratio of female managers remains low, and further strengthening of development initiatives is required. Conventional uniform development programs and opportunities have not been sufficiently flexible to accommodate female employees with circumstances related to life events. As a result, we believe that individual capabilities have not been fully leveraged, and the development of female talent as future leaders and management candidates has been limited.

In response, starting in 2025, we are strengthening individualized development as a measure to support individual career formation. By utilizing career development sheets prepared by employees as they reflect on their own careers, together with development plan sheets created by their supervisors, we are expanding opportunities for capability development and diverse work experiences. Furthermore, by enhancing the visibility of talent and continuously optimizing and sustaining these initiatives, we aim to maximize human capital and increase the ratio of female managers.

As working styles among men are also diversifying, we will further strengthen individualized development regardless of gender and create an environment in which all employees can maximize their capabilities.

Column Progress of the “Future Factory Project for Better Workplaces”

Background and Promotion Structure of the Project

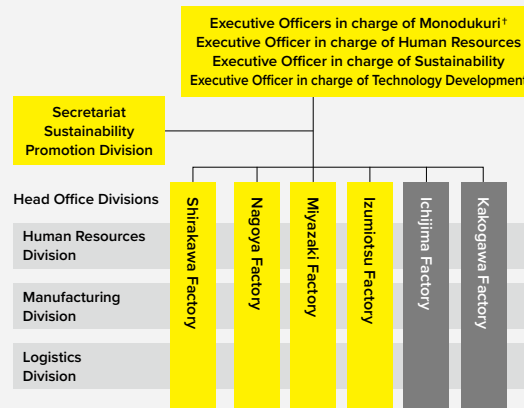
In July 2024, we launched the “Future Factory Project for Better Workplaces,” with factories and the head office working together to address various issues at manufacturing sites. We are expanding these initiatives and will accelerate company-wide efforts at manufacturing sites.

📄 Employees Roundtable Talk: Future Factory Project for Better Workplaces (Integrated Report 2025)

Background of the Project

At our manufacturing sites, in addition to issues related to aging facilities and welfare infrastructure, there was also room for improvement in the coordination framework between the head office production and development divisions and the factory divisions. Amid a declining labor force, securing human resources is one of the most critical challenges for the manufacturing industry, and creating attractive manufacturing workplaces where diverse talent can work comfortably has become an urgent priority. Through the “Future Factory Project for Better Workplaces,” we are advancing organizational culture reform, restructuring organizational structures, and reviewing various systems with a focus on human capital, aiming to create workplaces where diverse talent can gather and play active roles with a sense of fulfillment.

Promotion Structure of the Project



*The project will be rolled out in phases.

†: Monodukuri: A Japanese approach to manufacturing and engineering that emphasizes craftsmanship, quality, and continuous improvement.

Overall Initiatives

We are advancing initiatives in parallel, addressing immediate issues while promoting medium- to long-term measures such as reviewing organizational structures and systems, including HR systems. In the short term, we are reviewing operating calendars to create an environment where employees can take leave more easily. At the same time, we have established company-wide guidelines for capital investment to maintain and enhance the quality of the working environment, and are formulating and implementing investment plans accordingly. We are also reviewing workforce structures, human resource development, and work arrangements.

In 2025, we conducted interviews with approximately 200 employees regarding “workplaces where employees can work comfortably.” Through these initiatives, we are conducting in-depth analyses of issues and, while taking into account site-specific conditions at each factory, the head office is leading these efforts with a cross-organizational approach. We continuously monitor improvement effects through our proprietary engagement surveys and promote understanding through ongoing dialogue.



The factory manager and employees interacting in a renovated break area

2025 Initiatives

Initiatives for Organizational Culture Reform at Factories

To address factory-specific issues, we have established cross-functional working groups at each factory. These groups are autonomously promoting initiatives directly linked to improving workplace comfort, such as enhancing communication and improving welfare facilities, including break areas. In 2025, we advanced these initiatives at the Shirakawa Factory and the Nagoya Factory.



Executive dialogue with employees at a factory

We have established regular opportunities for dialogue to carefully gather feedback from employees and share issues, thereby building a cycle in which initiatives are driven by on-site leadership. Executive officers have continuously visited factories and engaged in direct dialogue with employees, thereby demonstrating management’s strong commitment. We are fostering an environment in which each employee can be involved in initiatives and experience change firsthand.

At the Shirakawa Factory, where initiatives were launched ahead of other sites, the third round of factory engagement surveys showed, compared with the initial survey, an increase across all generations in momentum toward improving the factory.

Future Plans and Deployment

We will steadily implement facility renovation plans. We will further advance medium- to long-term measures, including reviews of workforce structures and work arrangements. The factory-level organizational culture reform initiatives that were first implemented at the Shirakawa Factory and the Nagoya Factory will be expanded to the Miyazaki Factory in 2026. Going forward, in addition to tire factories, we will expand these initiatives to non-tire manufacturing bases, working together with each factory to promote the development of sustainable manufacturing workplaces.



Message from the General Manager of Human Capital Management

This initiative positions the creation of attractive manufacturing workplaces that enable diverse talent to thrive as a key company-wide management priority. By integrating the knowledge and expertise of each organization across departmental boundaries, we are building systems that facilitate ongoing reflection and improvement based on insights from frontline employees.

Placing “investment in people” at the core, we will steadily enhance the competitiveness of our domestic manufacturing sites with agility.

Takayuki Matsumoto

General Manager of BX Human Resources Department, Business Transformation HQ



Expansion into Factory-Led Projects

The initiatives launched by the head office in 2024 have evolved into factory-specific projects, with participants from all levels at each factory taking the lead in launching and promoting initiatives tailored to each site. Each factory is also developing and promoting its own project name and logo.

Shirakawa Factory

“Iketeru” Shirakawa Project



The project is guided by two key principles. The first is “dialogue.” We believe it is most important that each employee at the Shirakawa Factory participates as a central driver of transformation and openly shares their thoughts. The second is “swift decision-making and immediate action” on issues faced by employees. Based on these two principles, we are fostering momentum to carry the transformation through together.

Mr. K.K.
Project Leader, “Iketeru” Shirakawa Project



Nagoya Factory

Nagoya “Jo-Sho” Project



We aim to create a factory where employees working at Nagoya Factory can feel a sense of fulfillment and work comfortably. As a factory with a long history in a region where manufacturing companies are highly concentrated, we believe that initiatives to enhance engagement are needed now more than ever. We will respect increasingly diverse values, further strengthen a sense of unity at the factory, and foster a “Jo-Sho” culture.

Mr. M.N.
Project Leader, Nagoya “Jo-Sho” Project



Miyazaki Factory

Miyazaki “Yakushin” Project



Leaflet distributed to all employees at the start of each project

Through this project, we will value the voice of each employee, promote the resolution of workplace issues, and implement initiatives that create a sense of excitement about working. We will advance these initiatives with the aim of creating an attractive Miyazaki Factory where everyone can work comfortably.

Mr. M.W.
Project Leader, Miyazaki “Yakushin” Project



Actual Changes and Feedback from the Workplace on the Project

- We are seeing visible changes, such as improvements to welfare facilities and enhanced investment in heat countermeasures, and this is raising our expectations for the project. (Technical Staff / Foreman)
- We did not have a break area for support function departments, so we are pleased that a shared break space has been created. We are also enjoying casual conversations after lunch. (Administrative Department / Staff)
- For employees who are not directly involved in promoting the project, it is difficult to understand what is being done. We would like more information to be disclosed, even on interim progress. (Technical Staff)



The factory manager distributed leaflets directly at the site entrance.

- We are surprised by the speed of change. We did not expect so many things to change in such a short period of time. (Administrative Department / Staff)
- The break areas have been improved, and the atmosphere has become brighter. Team members carefully selected the equipment and are using it with care. (Technical Staff / Foreman)
- As a dormitory resident who has been living without a bathtub, I appreciate the distribution of tickets for nearby bathing facilities. (Technical Staff / Staff)
- We never imagined that investment would be made in break areas. We hope this project will continue going forward. (Technical Staff / Foreman)



The factory manager handing out leaflets at the site entrance.

- There is strong enthusiasm on-site in discussing improvements to break rooms. We appreciate that attention is being given to matters that have not typically been considered. (Technical Staff)
- Conversations are naturally emerging in the workplace as employees look for colleagues to use the “Ogori-Jihanki” (a vending machine that provides free drinks when two employees use it together). We feel that it is also playing a sufficient role in strengthening workplace communication. (Technical Staff)
- Previously, connectivity in the break room was poor and we had to stand by the window even to check LINE, so we are pleased that it can now be used normally. (Technical Staff / Chargehand)
- We are pleased to see rapid changes, but we would like these initiatives to be carried out carefully to ensure that quality is not compromised. (Technical Staff)



The factory manager handing out leaflets at the site entrance.

Expert Roundtable – Human Capital that Drives DUNLOP –

Human Capital Management That Drives Sustainable Value Creation

With human capital management garnering attention as an important source of corporate value, putting it into practice has become a key theme for us as well. In this session of Expert Roundtable, a discussion was held concerning approaches to talent and organizations serving to drive improvements in corporate value, centered on the initiatives in the Long-Term Corporate Strategy “R.I.S.E. 2035.” The discussion was based on both academic perspectives and views from the front lines and corporate management.

The Necessity of Discussions Based on the Essence of Human Capital Management

Hattori First of all, when it comes to the background behind why human capital management is being valued, I would say that there are two main trends. One is changes in the business environment. Rather than relying solely on collective organizational strength as in the past, business globalization has made the capabilities, knowledge, and experience of both individuals and organizations increasingly important. One more trend is that capital markets and labor markets are now looking at things with much more scrutiny. The ideal forms of human resource development and utilization are directly tied to the assessment of corporate value.

From an academic point of view, this situation developed with management at Japanese companies going back and forth between *soft* management style (mindsets rooted in providing guidance to fellow team members through trusting relationships with organizations and individuals and the nurturing of interpersonal relationships) and *hard* management style (mindsets rooted in managing and controlling team members using numerical figures and KPIs). Roughly speaking, traditional Japanese companies value the former and Western companies value the latter. Meanwhile, the characteristics of the form of current human capital management are found to be a synthesis of the two. It can be said that the current form involves a layered model combining soft and hard

management approaches, wherein the deployment of personnel, their development, the visualization of their results and the subsequent results using numbers, is built on a foundation where value is placed on individuals and interpersonal relationships.

Tokumo In the past, our company has grown by steadily providing high-quality products while moving forward with expansion overseas and increasing the scale of its market, but due to changes in the business environment, it has become increasingly difficult over the past decade to improve business performance through conventional methods.

In this environment, we feel that there is a need to shift to a more strategic and people-centered approach to human capital management, which has us returning to the concept of “people are our most important asset” as laid out in the Sumitomo Business Philosophy and placing value on people, in addition to figuring out where to make investments and where we can produce results.

In addition, as our business sectors and geographic footprint continue to diversify, it is essential to allocate human capital strategically rather than evenly across all areas. To be specific, there are three items we are focusing on: (1) the enhancement of global human resources and organizations, (2) the visualization of productivity and roles from the perspective of ROI for human capital, and (3) the re-strengthening of our factories in Japan. Based on these elements, we want to go about further

Completed the doctoral program at the Graduate School of Business Administration, Kobe University in 2009, and received a Ph.D. in Business Administration. After working at Shiga University and Yokohama National University, he became an Associate Professor at the Graduate School of Business Administration of Kobe University in 2018. He has been in his current role since 2023. His research interests center on human resource management and organizational behavior.

His main published works include *Saiyogaku* (“Recruitment Studies”), which was published by Shincho Senso in 2016, and *Soshiki Kodo Ron no Kangaekata, Tsukaikata: Ryoshitsu no Ebidensu wo Te ni Suru Tame ni* (“Rethinking organizational behavior: How we think and how to use it”), which was published by Yuhikaku in 2020. He has received awards such as the Academic Association for Organizational Science’s Takamiya Award in June 2022, and the HR award (the top prize in the book category) hosted by Nihon no Jinjibu in October 2025.

Yuji Tokumo

Executive Officer
Responsible for Sustainability
Management Promotion
General Manager of Human Resources &
General Affairs HQ and General Manager
of Business Transformation HQ

Professor

Yasuhiro Hattori

Professor at the Graduate School of
Business Administration, Kobe
University

Eiichi Hakoshima

Executive Officer
General Manager of
Manufacturing HQ,
Tyre Business HQ

refining a kind of management which involves investments in people, which is in line with the statement made by our new president Mr. Kuniyasu to the effect that people are our greatest asset.

Hakoshima Right now, the competition is fierce, and we currently find ourselves in a business environment where *hard* approaches are required, wherein productivity improvements and cost reductions are thoroughly undertaken. Meanwhile, at DUNLOP, we are placing importance on value consisting of both the trust and peace of mind supported by careful manufacturing characteristic of Japanese companies.

The qualities of “integrity and sound management,” which we have prioritized as part of the Sumitomo Business Philosophy, have become instilled in the operations on the shop floor. As a result, I am seeing quality improvement proposals being actively submitted each time I pay a visit to a site. Employees of our company face their work with sincerity each day and I think they are outstanding. Through the development of people and the manufacturing of goods, I would like to see us further improve upon the DUNLOP brand, which is supported by the qualities of “integrity and sound management.” We cannot differentiate ourselves by simply competing on cost or through the mere management of numerical figures.

Hattori Mr. Hakoshima, you bring up an important point. It’s not just about competencies and skills; what makes a company competitive also includes elements that encompass attitudes and mindsets reflected in employees’



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engagement with their work. There exists value that cannot be guaranteed by ability alone. Articulating that and consciously refining it is the essence of human capital management.

Increase the Effectiveness of Human Capital Management by Embedding It in the Workplace

Hattori Recently, we have increasingly heard language that emphasizes care for frontline employees, such as one-on-one meetings and employee engagement. However, from the perspective of employees, many of these practices are sometimes perceived less as support and more as a form of close monitoring and control. Control itself is not necessarily the problem. Rather, the issue arises when there is a gap between the language being used and employees' lived reality, because people are highly sensitive to such inconsistencies.

What concerns me is the potential emergence of a culture of silence within organizations. When employees' dissatisfaction remains unspoken and they continue to suppress rather than accept their circumstances, organizations risk drifting into cynicism and emotional disengagement, creating a colder organizational climate. Preventing the emergence of such silent and cynical climates is, in my view, one of the central challenges of human capital management.

Tokumo You are truly right about that. Until now, our Company has demonstrated strong execution skills by having everyone in the organization come together as one based on the will of top management; however, we are currently in the midst of environmental changes which mean that business cannot be undertaken based on that approach alone. In recent years, under the "Be the Change" project, we have moved forward in rapid succession with measures aimed at changing our organizational culture through initiatives such as the 360-degree feedback and 1-on-1 meetings. All of them constitute important initiatives, but challenges do remain when it comes to the extent to which these initiatives click with front-line employees and the extent to which they are being leveraged. If they remain merely at the level of "being implemented as systems," there is a risk of drifting toward the kind of disengagement that Professor Hattori mentioned. That is why the steps that follow are important. In that respect, it is highly significant that "R.I.S.E. 2035" clearly articulates the concept of "Strong Resolve and Bold Challenge." If the initiatives taking place thus far constitute the stage in which the building of the foundation for human capital management takes place, then I believe that we are now in the phase where things are to be put into practice.

Hattori I think the fact that "R.I.S.E. 2035" expresses ideas in language that feels authentic to your company. The expression "bold" is something I felt would be particularly easy to instill among employees.

There are stages when it comes to instilling philosophies and visions. The first one is to find out about them. The second is to interpret them in one's own way. The last is to translate them into behavior. All of these stages are important. It is often the case that borrowed phrases have things end up stopping at the first stage. With "R.I.S.E. 2035", it is possible to move beyond that. It will be important to carefully monitor the extent to which philosophies and visions actually become instilled, and in what way they are being accepted in the day-to-day operations.

Hakoshima I have worked hard on explaining the true meaning of "R.I.S.E. 2035" at each of the factories in the Tire Business, and I think that right now, we are in the phase in which employees are familiar with "R.I.S.E. 2035" and of the philosophies and visions contained therein. However, I would have to say that challenges remain in whether employees look at those things and are able to take ownership over them. The roles of factories all differ from one another, so I have been specifically communicating to each factory my hopes for them on an individual basis; that is something we need to keep doing. When going to a site, I often get candid feedback from employees to the effect that while they understand the importance of long-term corporate strategies, they want us to first work on the improvement of their work environments such as renovating restrooms and cafeterias. I think that communicating our vision and improving work environments is something that must go hand in hand as we move forward.



Overcoming Challenges in Terms of Organizations and Talent

Hattori When pursuing human capital management, a significant challenge to overcome is the design of an arrangement encompassing two tiers in order to address how to place a *hard* approach on top of a foundation comprised of a *soft* approach. Conventionally, Japanese manufacturing had been built on *soft* foundations involving

relationships of trust, stable employment, and relationships with the front lines. This is a crucial strength. Meanwhile, when introducing aspects like KPIs and the management of numerical figures, failing to skillfully have the mechanisms that connect with the underlying culture which exists means that the changes that take place ultimately end up being superficial.

Tokumo The conditions dealt with by skilled technical employees working on the front lines and non-manufacturing employees differ. We have put quite a bit of pressure on the front lines in recent years amid the harsh business environment. We are going to be returning to a *soft* approach when it comes to the front lines and turning them into supportive workplaces. An initiative purposed with achieving that is the "Future Factory Project for Better Workplaces," which we launched in July 2024. We have started with the Tire Business and have begun initiatives at the factories of other businesses as well. Meanwhile, while there do remain challenges in terms of the productivity of non-manufacturing employees, we are moving forward with providing greater transparency through KPIs and metrics.

Hakoshima Moreover, we believe that there are also challenges to overcome in terms of the nurturing of senior leaders who are conscious of global strategies. We cannot say that we have an appropriate development system in place when it comes to leaders tasked with having the DUNLOP brand evolve overseas. Such a system is something we should be building on a full scale going forward.

Tokumo When comparing our Company to companies that excel in global management, we have challenges to overcome in terms of the globalization of head office functions, and there is room for us to strengthen functions such as business support, which we should be doing, and the promotion of company-wide optimization.

Hattori When contemplating investment in human capital which include global viewpoints, there is a need to think about the fundamental meanings of human capital. This means in terms of what can be improved through education and experience, and what input is important for businesses. Human capital is something which satisfies both of these elements. It's not just about knowledge and skills. Resilience and the confidence of the individual in their ability to get things done are also elements which are included in the concept of human capital in the broader sense. If resilience and confidence have not been sufficiently formed, it means that even if an individual excels in the aspects of knowledge and skills, they cannot skillfully tie these to producing results. This is something which has been demonstrated by empirical research in the academic field of business administration. Going forward, it might be important to rethink in a bit more of a broader sense about what really constitutes important human capital to DUNLOP, including with respect to the elements I just mentioned.

Hakoshima In that respect, I think that when it comes to enhancing the value of DUNLOP, that the instilling of the mindset of "integrity and sound management," which is one of the elements found in the Sumitomo

Business Philosophy, into both employees and organizations is something which will serve as an asset. In addition to quality, it's about how we instill the careful manufacturing skills characteristic of Japanese companies, about building workplace environments that employees can continue to work in, and about improving the brand value. Therefore, how we develop our people is crucial.

Hattori You are absolutely right. Competitiveness comes not just from competency; it also includes attitudes towards work.

Tokumo I think that we need to make it even clearer where we are investing resources and where we aim to create a competitive advantage. That goes for the re-investment into factories in Japan and the domains of digital technologies and innovation. We do not have the ability to allocate resources to everything in the same manner. That is why we will be strengthening our ability to make judgements based on the perspective of company-wide optimization.

What Should be Strengthened in Terms of Human Capital Management

Hattori I think what will be required of your company is understanding what defines your company ; where your strengths truly lie, how you present it, and conversely, what you intentionally choose not to prioritize. Doing this is not about trying hard to show how unique or original you are; communicating the characteristics of your company to both labor markets and capital markets is essential. Your company already serves as an excellent model and has well-developed systems, including employee benefits. I think that is exactly why it is important to think about how to create an edge for your company while maintaining your dignity as a manufacturer representing Japan on top of that.



Hakoshima It is indeed about how we go about demonstrating the style that is unique to DUNLOP. In terms of challenges that we have to

think about from the perspective of human capital management, we need to do what we can with robots and AI when it comes to factories. On the other hand, we want to make sure that we keep the areas in which value is created through people's judgements and actions. I think breaking things down effectively in that sense is important. There, we want to make things clearer in terms of the image that we want to project when it comes to the unique style of manufacturing deployed for DUNLOP tires.

Tokumo From a company-wide perspective, the key challenge is strengthening the management layer that leads the organization.

Going forward, we need managerial talent and general managers armed with even greater skills and we also need to ensure the evolution of the whole concept of nurturing talent. In our policy on human capital management, we have outlined global managerial talent, talent able to drive innovation, and those for digital innovation as sources of competitive advantages for us. Global managerial talent is particularly crucial in that respect.

At our Kobe headquarters, for example, having an environment in which 20–30% of employees are international, multiple languages are actively used, and an organization that can respond quickly to changes in global conditions is essential. That kind of organizational environment is essential. In that sense, the diversity and inclusion found at organizations are not mere philosophies, they are foundations which support management itself. Having a diverse array of talent demonstrate their competencies and turning the organization into one where people can be involved in decision-making, is something which I believe will lead us to greater competitiveness going forward.

Hattori In human resource development, there is a need to think of things in terms of three stages. The first one is onboarding, which refers to the process of accommodation and development taking place after an individual enters a company. What kind of manager one meets at the beginning and what kinds of values and perspectives they are exposed to will significantly impact how they will develop throughout their careers. The second one is enhancing the appeal of management positions. Recently, we often hear that people don't want to work in management positions, but there is actually a considerable number of people that wouldn't mind doing so if they were asked to. It all depends on making the positions appealing. The third is developing managerial talent. When you move up to a more senior position, what is required is the ability to undertake decision-making even amid situations where you do not have access to the complete information. Of the three, I think the first stage, onboarding, is particularly important. Whether a foundation can be made at the initial stage for someone to grow as a human resource with a broad perspective is something that takes effect after that.

Hakoshima I happened to meet a superior that was a supportive yet demanding manager, who trained me while instilling in me the importance of facing manufacturing with sincerity and the value of placing an importance on going to sites to see things firsthand. The perspectives we

are exposed to through our work are crucial.

In order to increase the value of DUNLOP, we want to leverage our style of manufacturing, which is the result of the steady accumulation of efforts to improve the quality of our products and services. Tires are something which are entrusted with people's lives. People support that value. The style of human resource development I am thinking about is one which involves drawing out to the maximum extent the abilities of each employee working on the front lines who is thinking, using their ingenuity, and continuing to ensure quality every day. While firmly deciding on where to emphasize our uniqueness, we will hone our manufacturing supported by people in human capital management.

Tokumo In 2025, we put the words "human capital" into "R.I.S.E. 2035". To be honest, there is a need for top management, myself included, to further deepen discussions with a long-term perspective and to develop human resources with broad perspectives. It is my belief that we need to rethink the concept of human capital management in a broader sense, deepen our ideas, and put them into words. The top management team will undertake proper discussions and execute the fine-tuning of the direction to be taken. That will no doubt lead to a better future for us.



Hattori Organizational change and human capital management are, in essence, attempts to redesign the organization by staking its future on a new direction.

That is precisely why it is important to assess what must not be lost during that process. Japanese companies, I feel, have lost what had originally been important amid the effort to streamline their businesses over the past two decades. However, caring about people is something that is, in essence, very rational.

What impressed me most in today's discussion was your conviction that "our employees are exceptional." Companies whose leaders continue to see their people in that way are, in my view, enduringly strong.

I look forward to seeing your company go about promoting human capital management after making the changes which should be made, and at the same time, clarifying the things that must not be lost.