

# **Introducing Our New Mid-Term Plan**

## **For 2023 Through 2027**



**SUMITOMO**  
RUBBER INDUSTRIES

# Mid-Term Plan Overview

## Through 2025

- Moving Ahead with Improvements (to Organizational Framework, etc.) as Part of Ongoing Activities to Reinforce the Foundations of Our Business
- Completing Updates to Core Systems for DX Management by 2025
- Focusing on “Selection & Concentration of Existing Lines of Business” + “Laying Groundwork for Growing Lines of Business”

## From 2026 Onward

- New Growth Period with “Business Portfolio Optimization” & “Expanding Growing Lines of Business”

Living Up to Our Philosophy

Laying Groundwork for Growing Lines of Business

**Selection & Concentration**  
of Existing Lines of Business

Updating Core Systems &  
Cultivating DX Talent

Expanding Growing Lines of Business

**Business Portfolio**  
Optimization

Practicing DX Management for Always Agile Response to Changing Business Environment

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

2020

2023

2025

2027

Turning Point

Review of Past Efforts

Efforts Through 2025

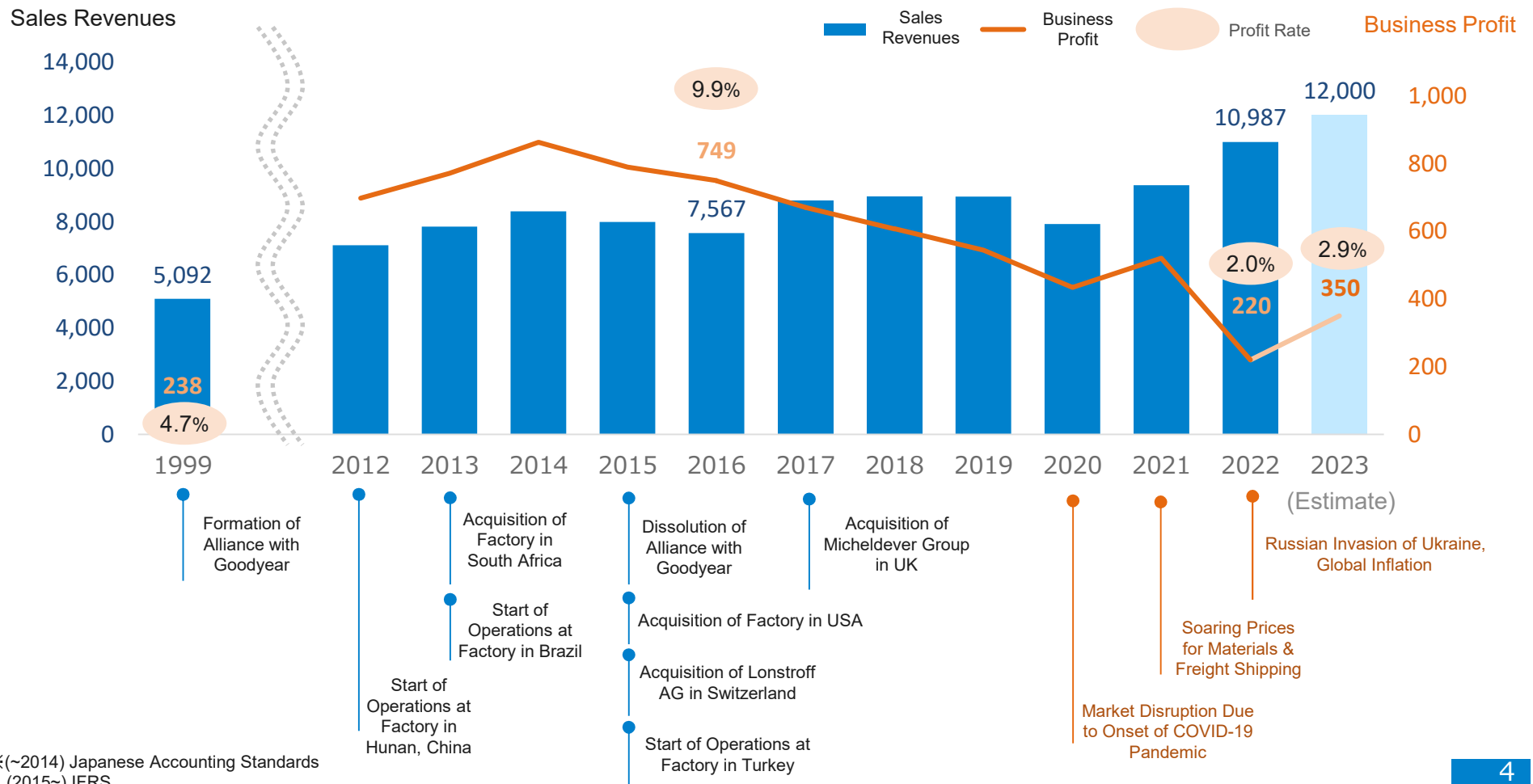
Living Up to Our Philosophy

# Past Performance Trends



We have invested heavily in expanding our manufacturing and sales bases with the aim of establishing a Global Business Framework. However, these investments have yet to produce commensurate returns, resulting in a steady decline in our overall profitability, which has been further compounded by recent unforeseen changes in the business environment.

## Trends in Sales Revenues & Business Profit\* (Unit: 100M JPY)

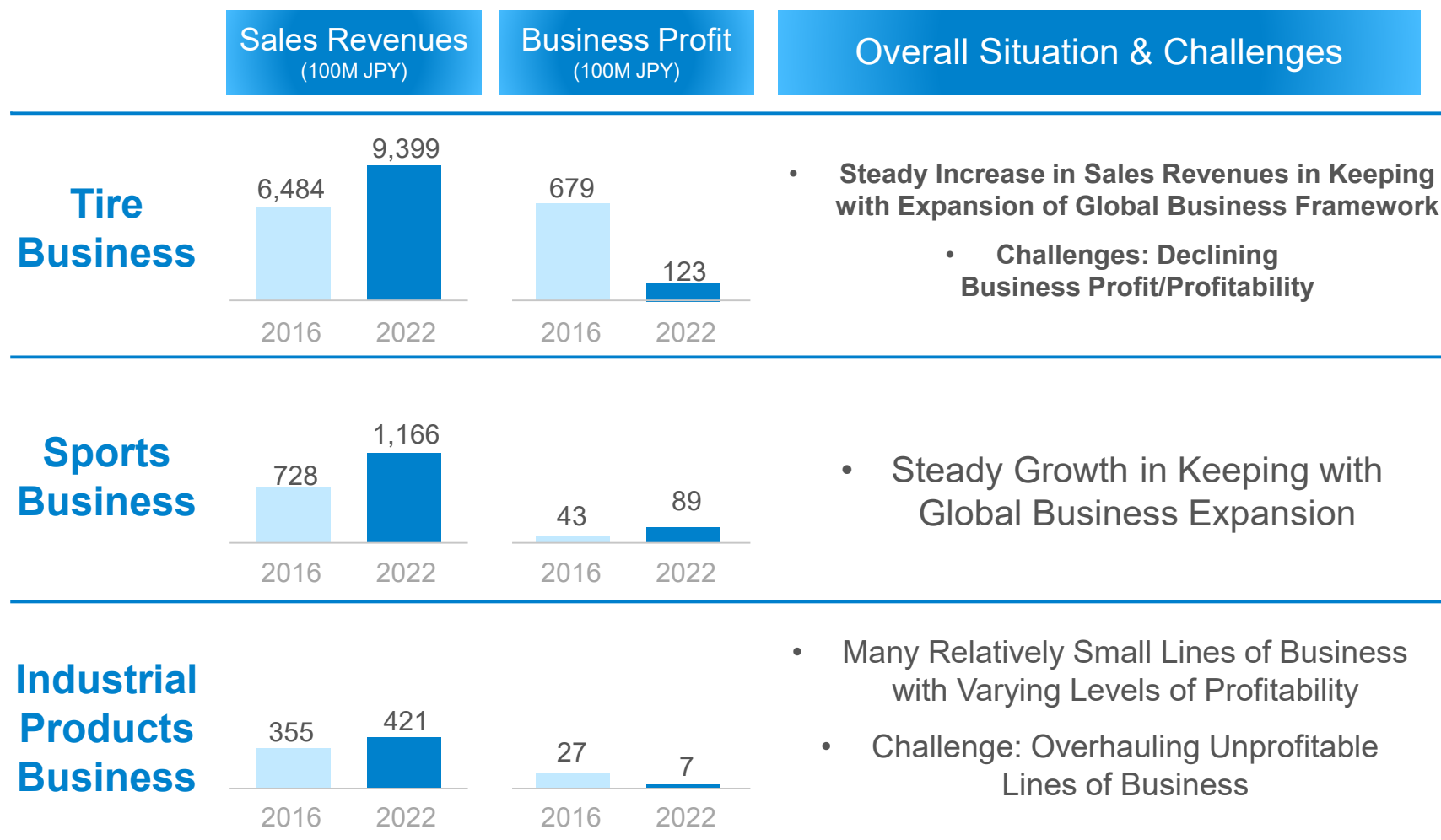


\* (~2014) Japanese Accounting Standards  
 (2015~) IFRS

# Past Performance Trends (by Business Segment)



The declining Business Profit generated by our Tire Business stands in stark contrast to our Sales Revenues, which have increased across the board.

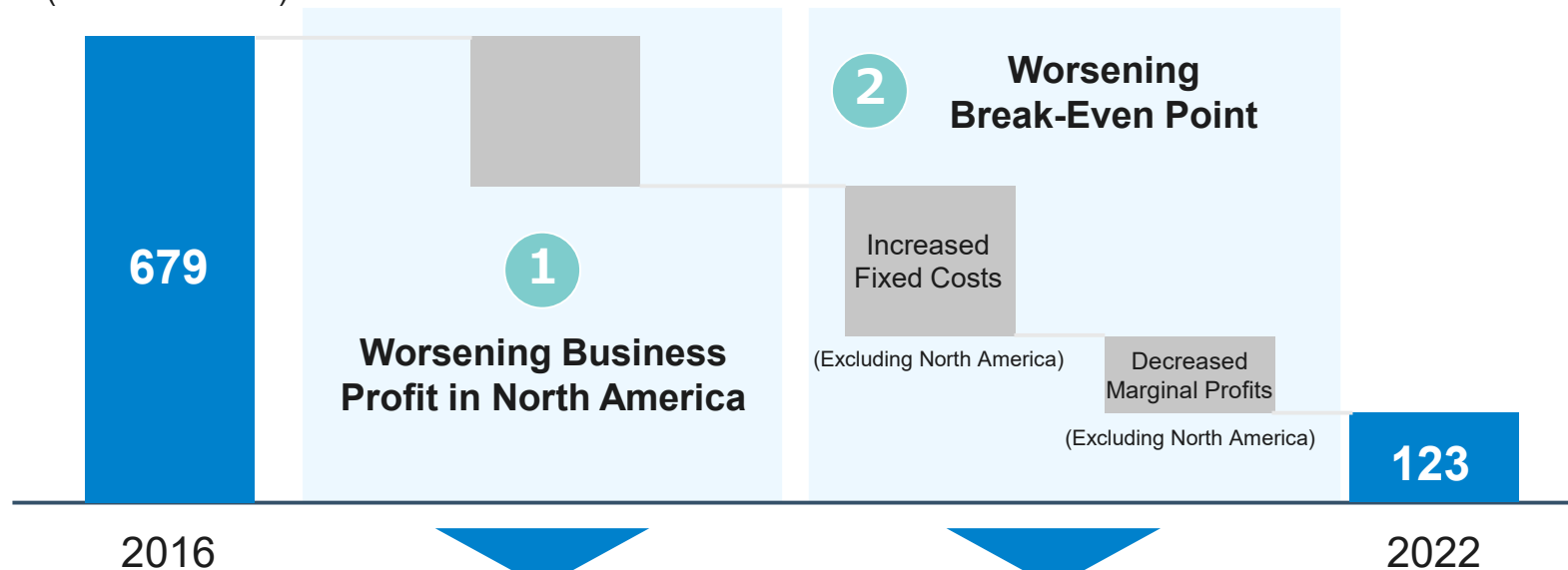




Business Profit from our Tire Business declined by 55.6 Billion JPY between 2016 and 2022. The primary factors behind this decline have been worsening Business Profits in North America as well as a worsening Break-Even Point due to increasing Fixed Costs and Variable Costs.

## Tire Business: Breakdown of Decline in Profits

(Unit: 100M JPY)



### Measures

- 1**
- Revamping Our Profit Structure in North America

- 2**
- Selection & Concentration of Existing Lines of Business
  - Revamping Management & Organizational Structures
  - Reinforcing Foundations of Growing Lines of Business
  - Transformation Project

Review of Past Efforts

Efforts Through 2025

Living Up to Our Philosophy

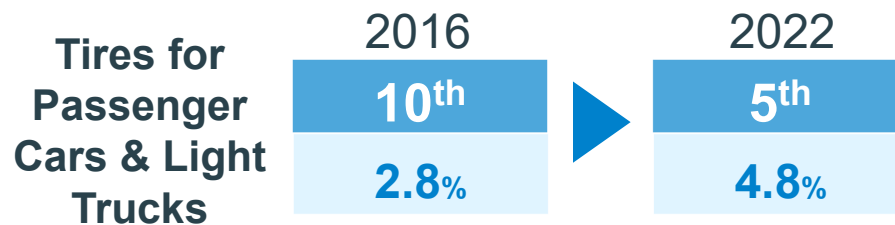
# 1 Revamping Our Profit Structure in North America



Backed by strong sales in the region, we will be working to improve our profits by overhauling our production system while increasing local production for local consumption to mitigate the risks of tariffs and freight shipping costs, etc.

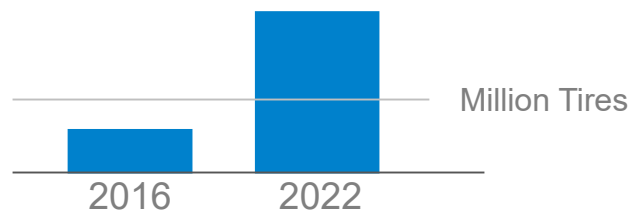
## North America Market Share Trends\*

Aiming to Become the No. 1 Mid-Tier Tire Brand with a Lineup of Appealing Products



## WILDPEAK Series Sales Growth

FALKEN



## Overhauling Our Production System

### ● Rapidly Improving Profitability through 2025

While continually working to improve profitability at our USA Factory, we will consider all possible options to overhaul our profit structure in the region toward achieving profitability by the year 2025.

### ● Expanding Local Production for Local Consumption

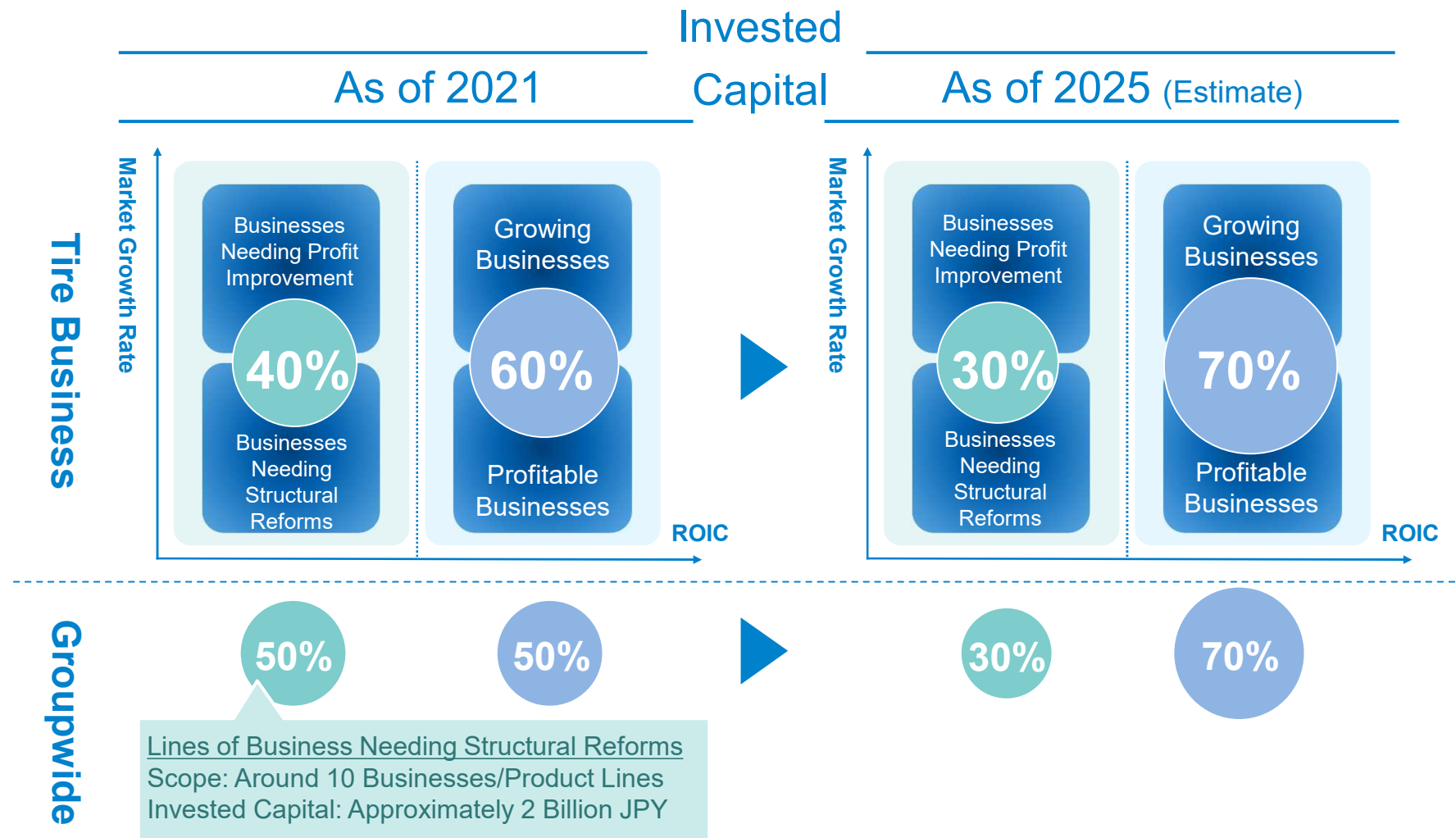
With efforts to enhance our investment capacity already underway, we are actively looking into our options for a new production base in the region beyond 2026.



## 2 Tire Business: Selection & Concentration of Existing Lines of Business



We will optimize our Business Portfolio through Selection & Concentration while pushing ahead with structural reforms where necessary so that we may generate cash from all of our lines of business. We will be shifting personnel and resources toward and actively investing in growing/profitable lines of business with the aim of lowering our Break-Even Rate and reinforcing our foundation for profitability.



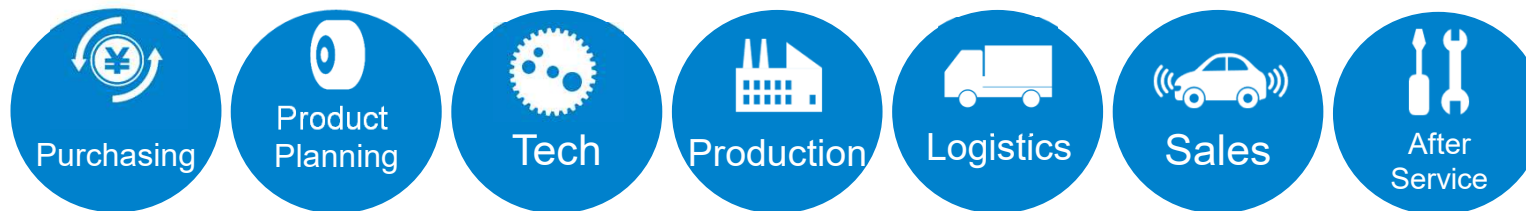
## 2 Tire Business: Revamping Management & Organizational Structures



Through the practice of DX Management, we will make sense of complicated value chains based on simple data while improving our operational efficiency through uniform organizational management across the board, thereby equipping ourselves with stronger foundations for swiftly and flexibly responding to customer demands and market changes.

- 30% Reduction in No. of Consolidated SKU for More Efficient Production, Sales & Inventory
  - Optimizing Raw Material Costs to Swiftly & Flexibly Cope with Soaring Market Prices
  - Revamping Groupwide Production Allocation for Optimized Production & Logistics, etc.

### Tire Business HQ (Concept Under Consideration)



**Digital Framework**  
(Global Standard Platform  
Such as ERP or MES, etc.)





We will free up and shift resources toward achieving a new period of growth by promoting IT Literacy Education and more efficient operational design.



### Shifting Resources for a New Period of Growth

- Shifting Toward Growing/Profitable Lines of Business
- Reskilling for a Highly Skilled Workforce



### IT Literacy Education

- Providing Digital Talent Education to 3,500 Staff Members by 2025

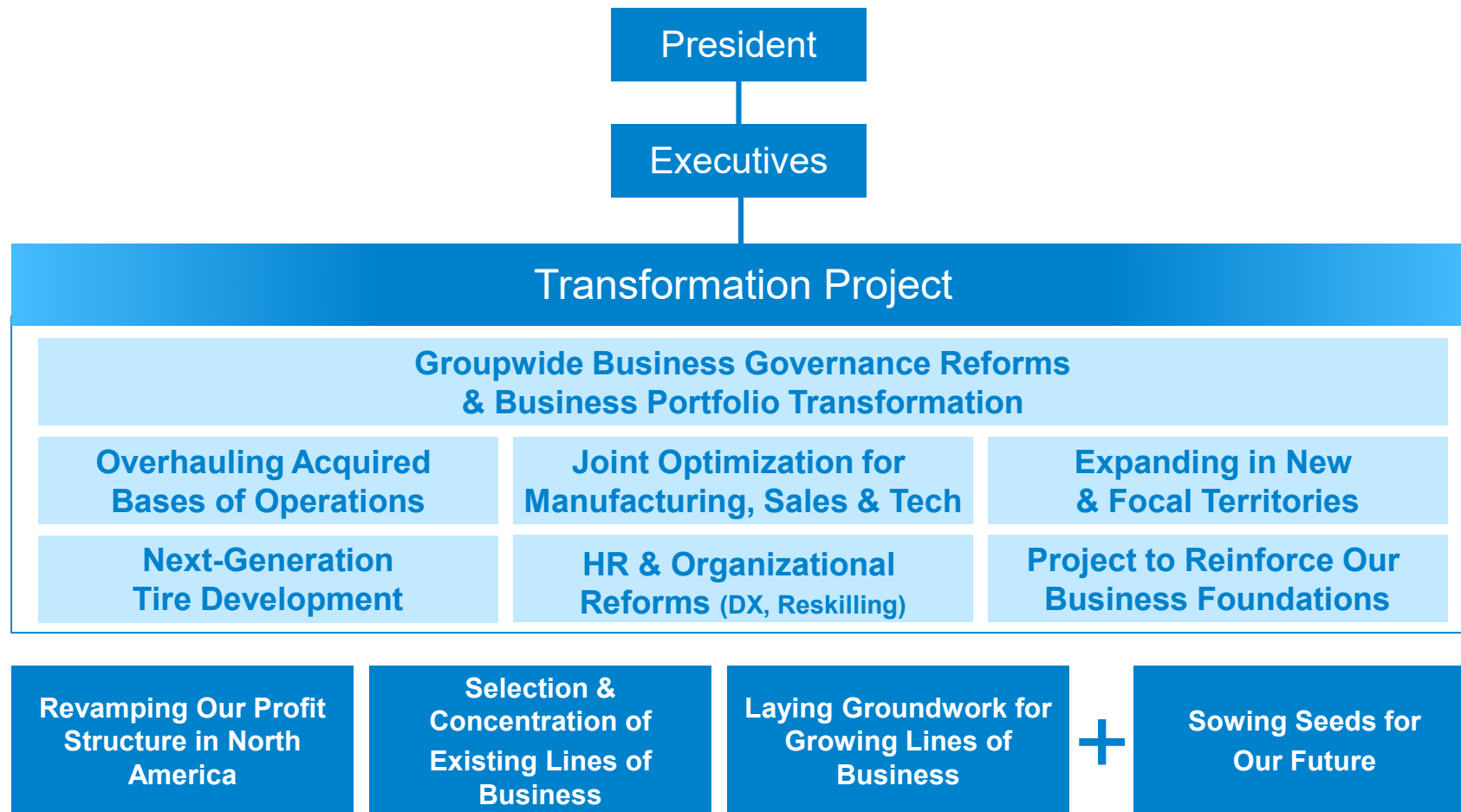


### Freeing Up Resources by Designing More Efficient Work

- Lean Organizations with Efficient Work Styles
  - Taking Advantage of DX for Work Style Improvements at the Organizational Level
- ERP & Other DX for More Efficient Operations



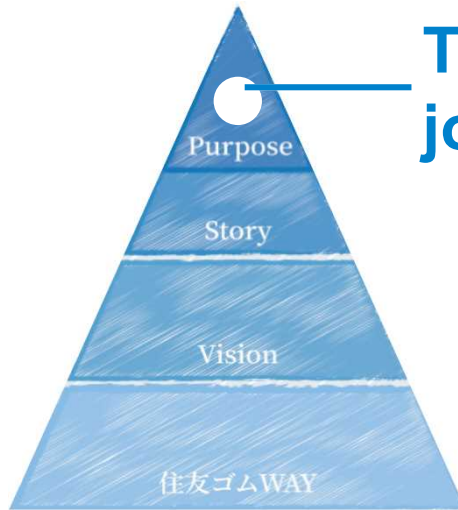
In order to tackle and overcome the challenges of our Mid-Term Plan with all of our might, we have launched a new “Transformation Project.” Spearheaded by executives, this project will drive our efforts to their successful completion by 2025.



Review of Past Efforts

Efforts Through 2025

Living Up to Our Philosophy



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

## Tire Business

- SMART TYRE CONCEPT for the Next Evolution in Tires

## Data-Driven Business

- Commercialization of SENSING CORE

## Sports Business

- Golf Gear
- Tennis Gear

## Industrial Products Business

- Vibration Control Dampers
- Medical Rubber Parts

Innovation  
for the  
Future

We will further evolve our SMART TYRE CONCEPT to create next-generation products by taking advantage of a more robust framework for product planning and development as well as the latest digital technology.

## Revamping Our Product Planning & Development Framework

**New**

Advanced Development Department

**Expanded**

Strategic Planning Group  
(Product Planning Department)

**New**

China Technical Center  
(Development Framework: Japan/EU/US + China)

## Development Processes Utilizing the Latest Digital Technology

**Compound Design**

Tyre Leap AI Analysis,  
ADVANCED 4D NANO DESIGN

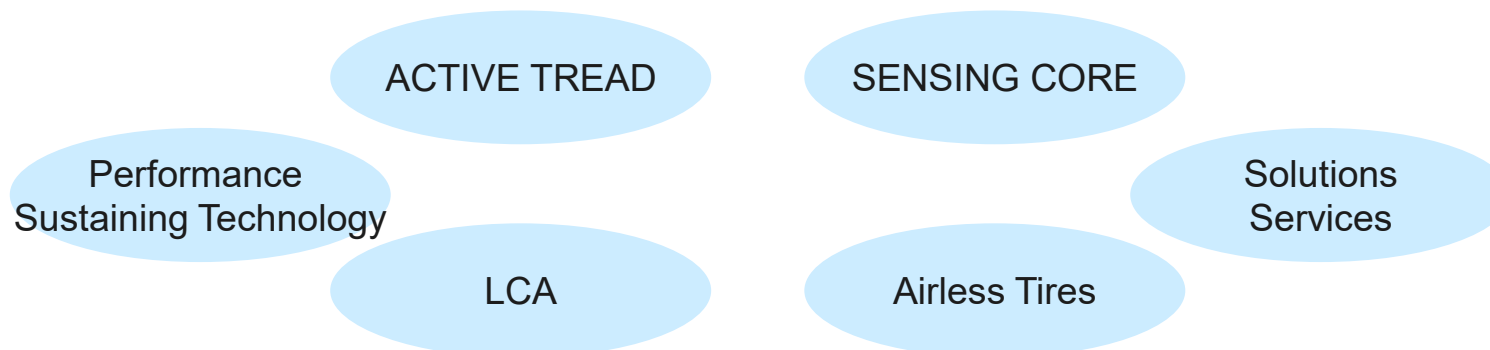
**Structural Design**

Design AI

**Evaluation & Testing**

Model-Based Development

## SMART TYRE CONCEPT Evolution



# Evolving Tires with SMART TYRE CONCEPT ②

Innovation  
for the  
Future

We will create a future of joy and well-being for all by responding to the future needs of CASE and Sustainable Societies with SENSING CORE and other Solutions Services in addition to Next-Generation Tires.

SMART TYRE CONCEPT Technologies	ACTIVE TREAD			SENSING CORE	Solutions Services
	LCA				Airless Tires
	Performance Sustaining Technology				
Products & Services	All-Season Tires	Tires for EV	Lightweight Tires	SENSING CORE	Solutions Services
Connected				○	
Autonomous	○			○	
Shared	○			○	○
Electric	○	○	○	○	○
<b>+</b>					
Sustainability	○	○	○	○	○



Joy &  
Well-Being  
for All

Contributing to CASE + Sustainable Societies with All-Season Tires Featuring ACTIVE TREAD Technology

## ACTIVE TREAD Technology

Rubber That Changes Properties According to Road Conditions



## Next-Gen All-Season Tires



ACTIVE TREAD + Low Noise



Plans to Launch Tires Featuring ACTIVE TREAD Technology in 2024

## All-Season Tire Demand Forecast\*

All-Season Tire Share of Replacement Tire Market in Each Region (2030)

North America

80%

Europe

25%

Japan

10%

\* In-House Estimates

Joy & Well-Being for All

Bringing Together Next-Generation EV Tires & Our Advanced Technologies to Contribute to the Mobility Society of the Future

## Evolving EV Tire Technology

## Plans to Unveil Next-Gen EV Tire in 2027

<2027 Targets (vs. 2019)>

**30% Reduction in Rolling Resistance, 20% Reduction in Tire Weight**

**DUNLOP**



**e.SPORT MAXX**

Incorporating ACTIVE TREAD for Greater Energy Efficiency & Braking Performance

Evolving Performance Sustaining Technology

**FALKEN**



**e.ZIEX**

Improving LCA for Greater Environmental Friendliness

Maintenance Free Tires (SENSING CORE × Solutions Services)

EV Tires



SILENT CORE※1

**SILENT CORE**



SENSING CORE



IMS※2 Compatible with SILENT CORE

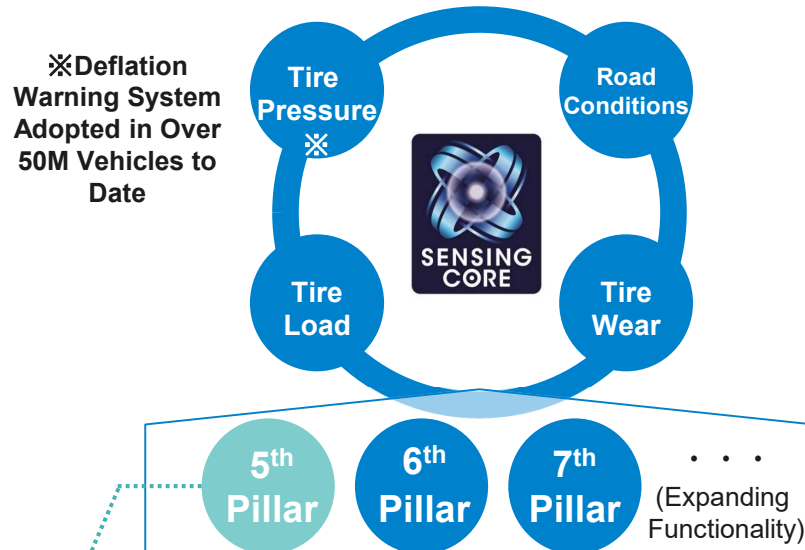
※1. Specialized Noise-Absorbing Sponge

※2. Instant Mobility System: Tire Puncture Emergency Repair Kit

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Well-Being  
for All

We will continue to expand the functionality of SENSING CORE Technology in order to respond to the growing needs of CASE and Sustainable Societies.

## SENSING CORE Functionality



### 5th Pillar: Detecting Warning Signs of Wheel Detachment

Through a joint effort with JAMA (Japan Automobile Manufacturers Association) and four large truck manufacturers, we have demonstrated that SENSING CORE can be effectively used to detect warning signs of wheel detachment in large trucks. Moving forward, we will continue to propose new solutions to automobile manufacturers toward the full implementation of SENSING CORE.

## Value Provided by SENSING CORE

Detecting Tire Vibration & Road Conditions, etc. **to Prevent Accidents & Breakdowns**

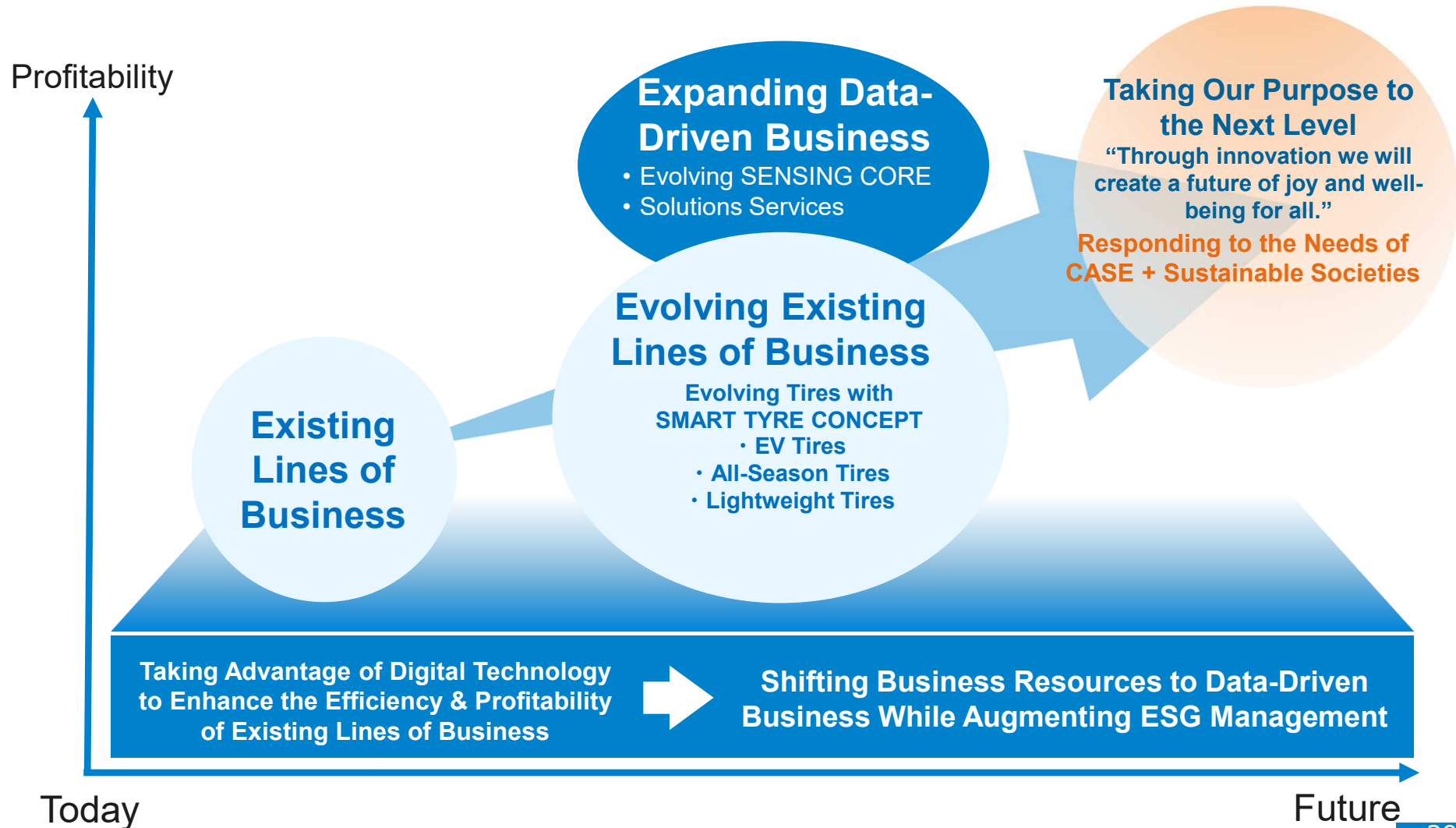
Using Tires as Sensors to **Supplement/Replace Hardware Sensors**

Using Tires as Sensors for **Drive Torque Control in 4WD Vehicles**

Understanding Tire Status in Real Time for **Total Fleet Management**



While aiming to take our Purpose to the next level, we will augment our responsiveness to the needs of CASE + Sustainable Societies by evolving tires and expanding our Data-Driven Business.



Greater Joy for All

Our Golf Business aims to take the No. 3 spot in the global market by aggressively expanding and reinforcing our presence in the key market of North America.

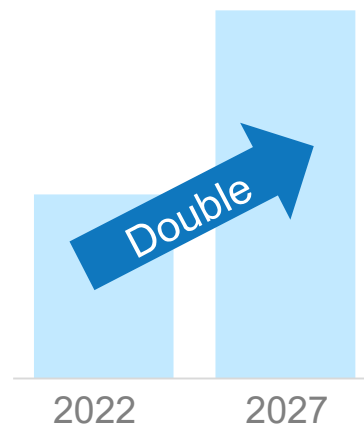
## Expanding Our Presence in the World's Largest Golf Market – North America

Aiming for No. 3 Spot (15% Share<sup>※</sup>) of Global Market for Golf Balls & Clubs

Our Global Share of Golf Clubs/Balls<sup>※</sup>



Golf Business Sales in North America



## Sponsoring World Class PGA Tour Pro Golfers to Build Trust in Our Products



Hideki Matsuyama (Japan)



Keegan Bradley (US)



**SRIXON**  
**ZX SERIES**  
MK II



Shane Lowry (Ireland)

※ In-House Estimates



Greater Joy for All

We aim to further expand our Tennis Business by leveraging the firm bedrock of trust in our brand as evidenced by our Top 3<sup>※1</sup> share of the market for tennis balls.

**Improving Tennis Ball Market Share as Official Partner of Australian Open + No. 1 Tennis Ball Brand<sup>※2</sup> Used on the ATP Tour for 4 Years Running**



Signing Ceremony

**Official Supplier of Tennis Balls to the Australian Open, One of the 4 Grand Slam Tournaments**  
(Contract Renewed in January 2023 through 2028)



**Expanding Our Tennis Business & Enhancing Brand Value by Sponsoring Up-And-Coming Pros**

Agreements with Renowned Tennis Academies to Find & Nurture Promising Young Athletes



**IMG ACADEMY**



**MOURATOGLOU TENNIS ACADEMY**

※1, 2: In-House Estimates

Greater  
Well-Being  
for All

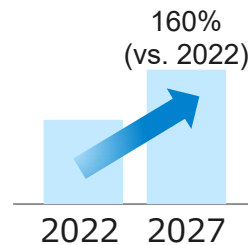
By contributing to disaster preparedness as well as high-quality healthcare, our Industrial Products Business aims to make societies safer and more comfortable for everyone.

## Vibration Control Dampers

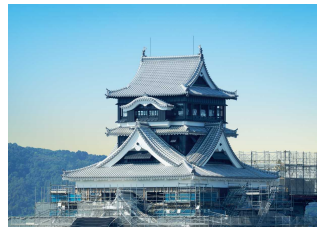
Contributing to Disaster Preparedness Backed by Advanced Technologies Developed for MIRAIE – the No. 1※ Vibration Control Damper for Housing in Japan



MIRAIE



Vibration Control  
Damper Sales  
Projection



Contributing to the  
Preservation of  
Historic Buildings

- Developing Updated MIRAIE for Greater Customer Value
- Expanding MIRAIE Business to Buildings, Bridges & Warehouses
- Expanding in Asia & Markets Worldwide
- Making Historic Buildings More Resilient to Earthquakes

## Medical Rubber Parts

Bringing Proprietary Rubber Technology & High Quality to the Healthcare Field – Contributing to the Protection of Lives & Livelihoods



- Developing Proprietary Rubber Products with High Added Value to Expand Our Presence in the Field of Biomedicine
- Expanding Our Cutting-Edge Production Facilities for Greater Overall Production Capacity

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for All

We will practice ESG Management while working toward the accomplishment of our Long-Term Sustainability Policy: “Driving Our Future 2050.”



## Environment

### Carbon Neutrality

- 50% Reduction in CO2 Emissions vs. 2017 Levels (2029)  
※Accelerated from Initial Plan (2030)
- **Carbon Neutral (Scopes 1,2) Tire Manufacturing Using Hydrogen Boilers + Solar Power**  
(Accomplished on January 23, 2023)
- **Scope 3 Reduction Target Setting & Announcement in 2023**

### Sustainable Raw Materials

- 40% of Product Content (2030 Target)

### Circular Economy Model

- Details to Be Announced in March 2023



## Social

### Leadership Development

- 80%+ Positive Response Rate on All Major Points of Organizational Health Index (2025 Target)

### Empowering Women

- Percentage of Management Positions Held by Women: 7% (2025 Target)

### Human Rights Management

- Global Human Rights Policy Enactment & Human Rights Due Diligence (2024 Plan)



## Governance

### Diversified Board of Directors

- Increasing Ratio of Independent Directors (Current: 1/3) by 2025

### Augmenting Governance

- Improving FTSE Score (2025 Target)

### Tax Transparency

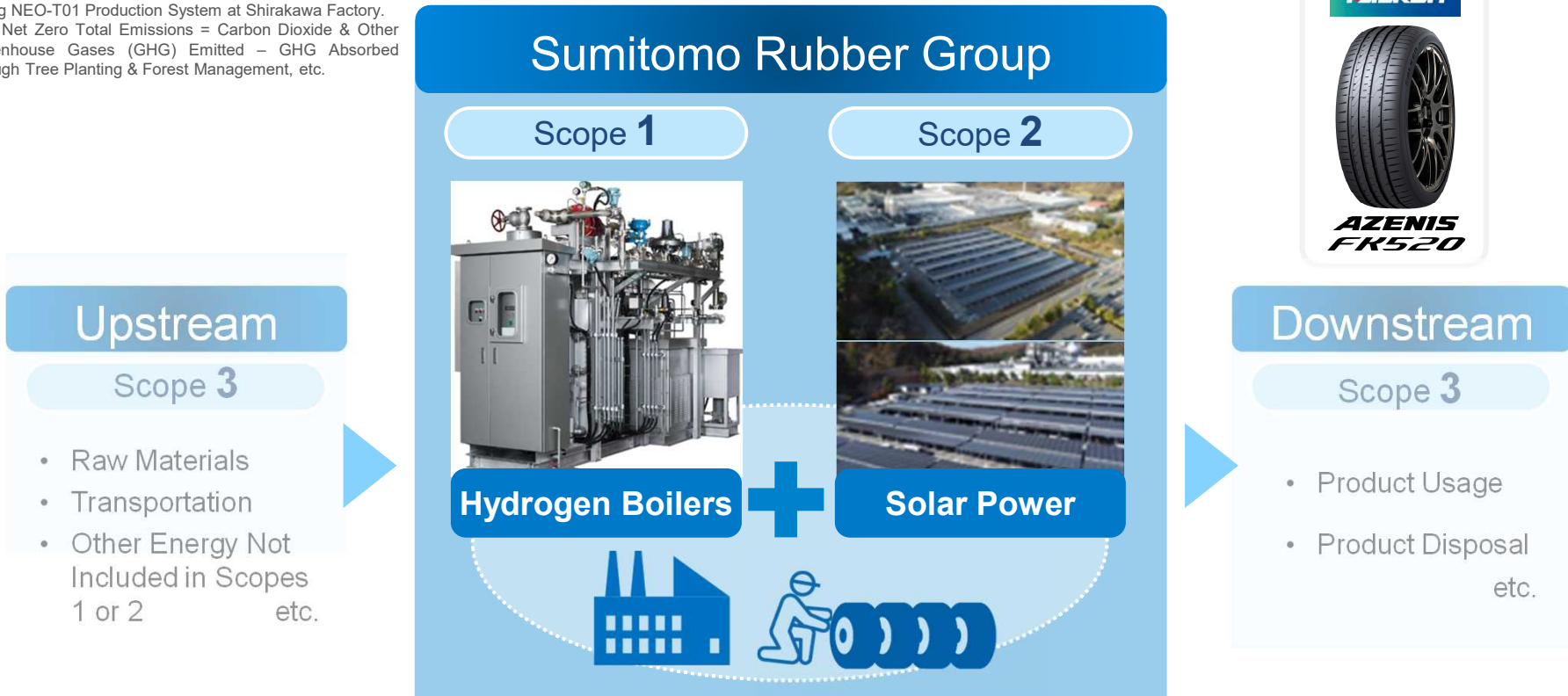
- Implementing Global Tax Strategy (2025 Plan)



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for All

Our Shirakawa Factory<sup>※1</sup> has succeeded in mass producing tires (AZENIS FK520) through a Carbon Neutral<sup>※2</sup> (Scopes 1, 2) Manufacturing Process that takes advantage of **natural energy in the form of Hydrogen Boilers + Solar Power.**

※1: Applies to High-Performance Tires Manufactured Using NEO-T01 Production System at Shirakawa Factory.  
 ※2: Net Zero Total Emissions = Carbon Dioxide & Other Greenhouse Gases (GHG) Emitted – GHG Absorbed through Tree Planting & Forest Management, etc.



- Scope 3 Reduction Target (for 2023) Setting/Announcement in 2023
- Full-Fledged Efforts to Achieve Carbon Neutrality (Including Scope 3)



We have already achieved one of the Key Targets of our previous Mid-Term Plan covering 2020 through 2025: Sales Revenues of 1 Trillion JPY. Meanwhile, we anticipate achieving our other Financial Targets (Business Profit: 100 Billion JPY, ROE: 10%, D/E Ratio: 0.5) beyond 2026.

	2022	2023	2027 Target
Business Profit Rate	2.0%	2.9%	7%
ROE	1.8%	3.2%	10%
D/E Ratio	0.7	0.7	0.6
ROIC	1.7	2.6	6%

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