

March 15, 2022

Attention Shareholders:

Sumitomo Rubber Industries, Ltd.
3-6-9 Wakinohama-cho, Chuo-ku, Kobe, Hyogo 651-0072, Japan
Satoru Yamamoto
President and CEO, Representative Director

Notice of Amendments to “The Items Published on the Internet Website concerning the Convocation of the 130th Ordinary General Meeting of Shareholders”

Please be advised that amendments have been made to “The Items Published on the Internet Website concerning the Convocation of the Ordinary General Meeting of Shareholders.” The amendments are indicated below as underlined text.

【Section Amended】

2. Matters pertaining to the market values of financial instruments (Page 17)

(Prior to Amendment)

(Unit: Million JPY)

	Carrying amount	Fair value
Financial assets		
Financial assets measured at fair value through profit or loss		
Derivatives	717	717
Loans	1,041	1,041
Financial assets measured at fair value through other comprehensive income		
Equity instruments	26,388	26,388
Financial assets measured at amortized cost		
Cash and cash equivalents	75,093	75,093
Trade and other receivables	197,320	197,320
Other financial assets	10,485	10,485
Financial assets designated as hedging instruments		
Derivatives	354	354
Total	311,398	311,398
Financial liabilities		
Financial liabilities measured at fair value through profit or loss		
Derivatives	660	660
Financial liabilities measured at amortized cost		
Trade and other payables	160,902	160,902
Bonds payable and loans payable	238,645	240,719
Financial liabilities designated as hedging instruments		
Derivatives	220	220
Total	400,427	<u>420,501</u>

(After Amendments)

(Unit: Million JPY)

	Carrying amount	Fair value
Financial assets		
Financial assets measured at fair value through profit or loss		
Derivatives	717	717
Loans	1,041	1,041
Financial assets measured at fair value through other comprehensive income		
Equity instruments	26,388	26,388
Financial assets measured at amortized cost		
Cash and cash equivalents	75,093	75,093
Trade and other receivables	197,320	197,320
Other financial assets	10,485	10,485
Financial assets designated as hedging instruments		
Derivatives	354	354
Total	311,398	311,398
Financial liabilities		
Financial liabilities measured at fair value through profit or loss		
Derivatives	660	660
Financial liabilities measured at amortized cost		
Trade and other payables	160,902	160,902
Bonds payable and loans payable	238,645	240,719
Financial liabilities designated as hedging instruments		
Derivatives	220	220
Total	400,427	<u>402,501</u>

The following is an English translation of the items published on the Internet Website concerning the convocation of the Ordinary General Meeting of Shareholders of Sumitomo Rubber Industries, Ltd. (the “Company”) to be held on March 24, 2022. The Company provides this translation solely for reference and convenience of the shareholders and not for any other purposes. The Company makes no warranty, express or implied, as to the accuracy or completeness of the translation. Furthermore, the provision of this translation by the website shall neither constitute an offer to purchase or sell any securities or a solicitation of such offer nor be deemed a recommendation for investment.

(Translation)

The Items Published on the Internet Website concerning the Convocation of the Ordinary General Meeting of Shareholders

Consolidated Financial Statements

Consolidated Statement of Changes in Total Equity	1
Notes on Consolidated Financial Statements.....	3

Financial Statements

Non-consolidated Statement of Changes in Total Equity	20
Notes on Non-Consolidated Financial Statements.....	23

Sumitomo Rubber Industries, Ltd.

Pursuant to applicable laws and Article 15 of the Articles of Incorporation of the Company, the above items are provided to shareholders through the corporate website (<http://www.srigroup.co.jp/>) and are not included in the attached Reference Documents for the Notice of Convocation of the 130th Ordinary General Meeting of Shareholders.

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

(From January 1, 2021 to December 31, 2021)

(Unit: JPY Million)

	Equity attributable to owners of parent					
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Other components of equity	
					Currency translation differences of foreign operations	Cash flow hedges
Balance as of January 1, 2021	42,658	39,486	461,720	(77)	(99,270)	(241)
Profit			29,470			
Other comprehensive income					25,032	115
Total comprehensive income	—	—	29,470	—	25,032	115
Purchase of treasury stock				(8)		
Disposal of treasury stock		(0)		0		
Dividends			(15,780)			
Capital increase of consolidated subsidiaries						
Change in equity in subsidiaries under continued control		229				
Transfer to retained earnings			6,045			
Transfer to capital surplus		0	(0)			
Total transactions with owners	—	229	(9,735)	(8)	—	—
Balance as of December 31, 2021	42,658	39,715	481,455	(85)	(74,238)	(126)

(Unit: JPY Million)

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity			Total		
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plan	Total			
Balance as of January 1, 2021	10,467	—	(89,044)	454,743	12,354	467,097
Profit			—	29,470	516	29,986
Other comprehensive income	1,849	5,890	32,886	32,886	114	33,000
Total comprehensive income	1,849	5,890	32,886	62,356	630	62,986
Purchase of treasury stock			—	(8)		(8)
Disposal of treasury stock			—	0		0
Dividends			—	(15,780)	(1,801)	(17,581)
Capital increase of consolidated subsidiaries			—	—	1,325	1,325
Change in equity in subsidiaries under continued control			—	229	(505)	(276)
Transfer to retained earnings	(155)	(5,890)	(6,045)	—		—
Transfer to capital surplus			—	—		—
Total transactions with owners	(155)	(5,890)	(6,045)	(15,559)	(981)	(16,540)
Balance as of December 31, 2021	12,161	—	(62,203)	501,540	12,003	513,543

Notes on Consolidated Financial Statements

(Notes on Significant Matters Forming the Basis of Preparation of the Consolidated Financial Statements)

1. Basis for the Preparation of the Consolidated Financial Statements

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as “IFRS”) pursuant to the provisions of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies. Pursuant to the provisions of the latter clause of the same paragraph, some disclosure items required under IFRS are omitted.

2. Matters Regarding the Scope of Consolidation

(1) Number of consolidated subsidiaries: 98 companies

Names of major consolidated subsidiaries

Dunlop Tire Hokkaido	Dunlop Sports Marketing Co. Ltd.
PT Sumi Rubber Indonesia	Sumitomo Rubber (Chanshu) Co., Ltd.
Sumitomo Rubber (Hunan) Co., Ltd.	Sumitomo Rubber (China) Co., Ltd.
Sumitomo Rubber (Thailand) Co., Ltd.	Sumitomo Rubber do Brasil Ltda.
Sumitomo Rubber South Africa (Pty) Limited	
Sumitomo Rubber AKO Lastik Sanayi ve Ticaret A.Ş.	
SRI USA, Inc.	Sumitomo Rubber USA, LLC
Micheldever Group Ltd.	Roger Cleveland Golf Company, Inc.

Eight companies were newly included within the scope of consolidation due to stock acquisition.

Six companies were excluded from the scope of consolidation due to the completion of merger or liquidation.

(2) Matters regarding fiscal years, etc. of consolidated subsidiaries

For consolidated subsidiaries having a fiscal closing date that differs from the consolidated fiscal closing date, trial financial statements are created as at the consolidated fiscal closing date and accounts are incorporated into the consolidated financial statements of the Company to improve the accuracy of consolidated financial information disclosed.

3. Matters Regarding Application of Equity Method

Number of affiliates accounted for using equity method: 3 companies

Major companies:

Sumitomo Electric Tochigi Co., Ltd.	Naigai Rubber Industry Co., Ltd.
-------------------------------------	----------------------------------

4. Matters Regarding Accounting Policies

(1) Basis and method of valuation for significant assets

A. Non-derivative financial assets

(i) Classification

The Group classifies non-derivative financial assets into financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.

(Financial assets measured at amortized cost)

Financial assets are classified as financial assets measured at amortized cost if the following conditions are met:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding.

(Financial assets measured at fair value through other comprehensive income)

(a) Debt instruments measured at fair value through other comprehensive income

Financial assets are classified as debt instruments measured at fair value through other comprehensive income if the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding.

(b) Equity instruments measured at fair value through other comprehensive income

Of the financial assets other than financial assets measured at amortized cost or debt instruments measured at fair value through other comprehensive income, the Group made an irrevocable election at initial recognition to present in other comprehensive income any subsequent changes in the fair values of investments in equity instruments which are not held for sale.

(Financial assets measured at fair value through profit or loss)

Financial assets other than financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss. The Group does not designate investments in any debt instruments as measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch.

(ii) Initial recognition and measurement

The Group initially recognizes trade and other receivables when they are incurred. Other financial assets are initially recognized on the transaction date when the Group becomes a party to the contractual provisions of the financial assets. All financial assets, excluding trade and other receivables that include a significant financing component, are initially measured at fair value plus transaction costs, except when they are classified into financial assets measured at fair value through profit or loss.

(iii) Subsequent measurement

After initial recognition, financial assets are measured according to the classifications described below.

(Financial assets measured at amortized cost)

Financial assets measured at amortized cost are measured using the effective interest method.

(Financial assets measured at fair value through other comprehensive income)

(a) Debt instruments measured at fair value through other comprehensive income

Except for impairment gains and losses and foreign exchange gains and losses, changes in fair values of debt instruments measured at fair value through other comprehensive income are recognized in other comprehensive income until they are derecognized. If such debt instruments are derecognized, other comprehensive income recognized in the past is transferred to profit or loss.

(b) Equity instruments measured at fair value through other comprehensive income

Changes in fair values of equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income. If such equity instruments are derecognized or fair value decreases significantly, other comprehensive income recognized in the past is directly transferred to retained earnings. Dividends from such equity instruments are recognized in profit or loss.

(Financial assets measured at fair value through profit or loss)

Financial assets measured at fair value through profit or loss are measured at fair value after initial recognition, and the changes are recognized in profit or loss.

(iv) Impairment of financial assets

The Group recognizes an allowance for doubtful accounts for expected credit losses on financial assets measured at amortized cost.

(Determining significant increases in credit risk)

At the end of each reporting period, the Group compares the risk of a default occurring on a financial asset as of the end of the reporting period with the risk of a default occurring at the date of initial recognition and assesses whether the credit risk on the financial asset has increased significantly after the initial recognition.

The Group determines whether the credit risk on the financial asset has increased significantly based on the changes in the risk of a default after the initial recognition. In assessing whether there is any change in the risk of default, the Group takes into account the following matters.

- Significant change in a credit risk rating of the financial asset by external rating agencies
- Downgrading of an internal credit risk rating
- Deterioration of the borrower's operating results
- Past due information

(Measurement of expected credit loss)

Expected credit loss is the present value of the difference between contractual cash flows the Group has a right to receive pursuant to a contract and the cash flows expected to be received by the Group. If the credit risk on a financial asset increases significantly after initial recognition, the Group measures the allowance for doubtful accounts for the financial asset at an amount equal to the lifetime expected credit loss. If the credit loss does not increase significantly, the Group measures the allowance for doubtful accounts for that financial asset at an amount equal to a 12-month expected credit loss.

Notwithstanding the above, the Group measures the allowance for doubtful accounts at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant finance component.

The provision for the allowance for doubtful accounts for financial assets is recognized in profit or loss. In case any event occurs that reduces the allowance for doubtful accounts, the reversal of the allowance for doubtful accounts is recognized in profit or loss.

(v) Derecognition of financial assets

Financial assets are derecognized if the contractual rights to cash flows expire or are transferred, and substantially all risks and rewards of ownership are transferred.

If the Group has no reasonable expectations of recovering all or part of the value of a financial asset, the Group directly reduces the gross carrying amount of the financial asset.

B. Non-derivative financial liabilities

(i) Classification

The Group classifies non-derivative financial liabilities as financial liabilities measured at amortized cost.

(ii) Initial recognition and measurement

The Group initially recognizes debt instruments on their issue date. All other financial liabilities are initially recognized on the transaction date when the Group becomes a party to the contractual provisions of the financial liabilities. All financial liabilities are initially measured at fair value minus transaction costs.

(iii) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method.

(iv) Derecognition of financial liabilities

Financial liabilities are derecognized when they are extinguished, i.e., when the contractual obligations are discharged, cancelled or expired.

C. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off against each other and the net amount is presented in the Consolidated Statement of Financial Position only if there is a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously.

D. Derivatives and hedge accounting

The Group uses derivatives, including forward exchange contracts and interest rate swap contracts, to hedge foreign exchange risk and interest rate risk, respectively. These derivatives are initially measured at fair value at the time of concluding the contract, to be also measured at fair value later for subsequent measurement.

Accounting of changes in the fair value of derivatives is determined by the hedging purpose and hedging designation if designated as qualifying hedging instruments, while changes in the fair value of derivatives are recognized in profit or loss if not designated as qualifying hedging instruments.

(i) Qualifying criteria for hedge accounting

The Group evaluates whether hedging relationships fulfill the qualifying criteria of hedge accounting by documenting the relation of hedging instruments and hedged items, as well as risk management purpose and strategy of the hedging activity from the commencement of the hedge. Whether the effectiveness of the hedge is fulfilled is evaluated and documented from the commencement of the hedge as well, for offsetting derivatives used in hedge activities with the fair values of hedged items or changes in cash flow. Hedge effectiveness is repeatedly judged at the earlier of each fiscal year end or at the occurrence of a significant change that impacts effectiveness.

(ii) Accounting treatment for qualifying hedging relationship

Hedging relationships that meet qualifying criteria for hedge accounting are accounted for as follows.

(Fair value hedges)

Changes in the fair value of hedging instruments are recognized in profit or loss. Changes in the fair value of hedged items are recognized in profit or loss, while adjusting the carrying amounts of the hedged items.

(Cash flow hedges)

For changes in the fair value of hedging instruments, the effective portion of the cash flow hedge reserve is recognized in other comprehensive income, and any reserve other than the effective portion of the hedge is recognized in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the Group directly transfers the cash flow hedge reserve to the initial cost or other carrying amount of the asset or liability.

Cash flow hedge reserve on cash flow hedges other than those stated above is reclassified to profit or loss in the same period during which hedged expected future cash flows affect profit or loss.

However, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in future periods, the Group immediately reclassifies the amount that is not expected to be recovered into profit or loss.

When the Group discontinues hedge accounting, if the hedged future cash flows are still expected to occur, cash flow hedge reserve remains in the reserve until the future cash flows occur; if the hedged future cash flows are no longer expected to occur, the cash flow hedge reserve is immediately reclassified into profit or loss.

E. Fair value of financial instruments

The fair value of financial instruments traded on active markets as of the reporting date is determined by referring to quoted market prices. The fair value of financial instruments for which an active market does not exist is determined using an appropriate evaluation technique.

F. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined principally with the gross average method and comprises all costs of purchase, costs of conversion, and other costs incurred in bringing inventories to their present location and condition. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and related variable selling costs.

(2) Valuation basis and method and depreciation or amortization method for property, plant and equipment, intangible assets and leases

A. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. Cost includes any costs directly attributable to the acquisition of assets, their dismantlement, removal or restoration of land, and borrowing costs directly attributable to the acquisition or construction of qualified assets or production.

Expenditures after acquisition are included in the carrying amount of the asset or recognized as a separate asset where appropriate, if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced portion is derecognized. All other costs relating to repairs and maintenance are recognized in profit or loss when they are incurred.

Property, plant and equipment other than land and construction in progress are depreciated using the straight-line method over the estimated useful lives of individual assets.

The estimated useful lives of major property, plant and equipment are as follows:

- Buildings and structures: 2 to 60 years
- Machinery, equipment and vehicles: 2 to 20 years
- Tools, furniture and fixtures: 1 to 20 years

The depreciation methods, residual values, and estimated useful lives of property, plant and equipment are reviewed at the end of each reporting period. If any changes are made, such changes are applied prospectively as changes in accounting estimates.

B. Intangible assets

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries is included in intangible assets.

Goodwill is measured at cost less accumulated impairment loss.

The Company does not amortize goodwill, but tests for impairment. Impairment of goodwill is described in “(4) Other important matters for preparation of the consolidated financial statements, B. Impairment of non-financial assets.”

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at fair value at the acquisition date, and are amortized using the straight-line method over their estimated useful lives, except for those intangible assets with indefinite useful lives.

(ii) Other intangible assets

Other intangible assets with definite useful lives acquired individually are stated at cost, net of accumulated amortization and accumulated impairment loss, and amortized using the straight-line method over their estimated useful lives. Intangible assets with indefinite useful lives are stated at cost, net of accumulated impairment loss.

The estimated useful lives of major intangible assets are as follows:

- Customer-related intangible assets: 5 to 20 years
- Software: 3 to 5 years

The amortization methods, residual values, and estimated useful lives of intangible assets are reviewed at the end of each reporting period. If any changes are made, such changes are applied prospectively as changes in accounting estimates.

C. Leases

The Group determines whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. For all leases other than leases that have a lease term of 12 months or less and leases for which the underlying asset is of low value, right-of-use assets that represent a right to use an underlying asset and lease liabilities that represent the obligation for lease payments are recognized.

At the commencement date of a lease, right-of-use assets are recognized at the discounted present value of total lease payments adjusted for any initial direct costs, etc. and lease liabilities are recognized at the discounted present value of total lease payments. The Group generally uses the incremental borrowing rate as the discount rate. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease payments are allocated between repayments of the remaining balance of lease liability and finance costs on lease expenses so as to produce a constant periodic rate of interest on the remaining balance of the

liability. Finance costs are presented separately from the depreciation charge for the right-of-use assets in the consolidated statement of income.

Lease payments for leases that have a lease term of 12 months or less and leases for which the underlying asset is of low value are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

(3) Accounting policies for significant provisions

Provisions are recognized when the Group has present legal and constructive obligations as a result of past events, it is probable that outflows of economic resources will be required to settle such obligations, and the amounts of such obligations can be estimated reliably.

If the time value of money is material, the amount of a provision is measured at the present value of the expenditures expected to be required to settle the obligations. In calculating present value, the Group uses the pretax discount rate reflecting the current market assessment of the time value of money and the risks specific to the liability. The increase in the provisions due to the passage of time is recognized in financial expenses.

Provision for loss on voluntary recall of products	To allow for direct recalling expenses and related expenses for voluntarily recalling products, an amount reasonably estimated to be incurred during or after the following fiscal year is recorded.
Asset retirement obligations	Asset retirement obligations are recognized for the estimated restoration costs for leased offices and buildings. These expenses are primarily expected to be paid after one year or more, subject to changes due to future business plans, etc.

(4) Other important matters for the preparation of the consolidated financial statements

A. Foreign currency translation

(i) Foreign currency transactions

The financial statements of each company of the Group are prepared using a functional currency, which is the currency of the primary economic environment in which the company operates.

A foreign currency transaction is translated into the functional currency of each company of the Group using the exchange rate prevailing at the dates of the transactions, or the rate that approximates such exchange rate.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated into the functional currency at the exchange rate prevailing at the end of the reporting period and translation differences are recognized as profit or loss; provided, however, that translation differences arising from financial assets measured through other comprehensive income and cash flow hedges are recognized as other comprehensive income.

(ii) Foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the end of the reporting period. Income and expenses are translated into Japanese yen at the average exchange rate for the fiscal year unless exchange rates during the fiscal year significantly fluctuated. Exchange rate differences arising from the translation of financial statements of foreign operations are recognized in other

comprehensive income, and differences are included in other components of equity as “foreign currency translation adjustments of foreign operations.”

B. Impairment of non-financial assets

Property, plant and equipment and intangible assets are tested for impairment when there is an indication that the carrying amount of the asset may not be recovered due to an event or a change in circumstances. If the carrying amount of the asset exceeds the recoverable amount, an impairment loss is recognized. The recoverable amount of an asset is the higher of value in use or fair value less disposal costs.

In calculating the recoverable amount, significant assumptions are set for future cash flows based on business plans, etc. approved by the management, weighted average cost of capital, etc.

While these assumptions are determined based on the best estimates and judgement of the management, they may be affected by the results of changes in uncertain future economic conditions among others; if there is a need for revision, it may have a significant impact on the consolidated financial statements.

To test assets for impairment, assets are grouped into the smallest identifiable group of assets (cash-generating unit) generating cash inflows that are independently identifiable.

An intangible asset that has an indefinite useful life or is not yet available for use is not amortized. Its recoverable amount is estimated and compared to its carrying amount on a yearly basis for impairment testing.

Goodwill is also tested for impairment on a yearly basis. The carrying amount of goodwill is cost less accumulated impairment loss. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the business combination.

For property, plant and equipment and intangible assets other than goodwill for which an impairment loss has been recognized, the possibility of whether the impairment loss may be reversed is assessed at the end of each reporting period.

C. Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are recognized on an undiscounted basis and are expensed when the related service is rendered. For bonuses and paid absences, if the Group owes legal and constructive payment obligations and the amounts of payment obligations can be reliably estimated, the estimated amounts to be paid in accordance with relevant regulations are recognized as a liability.

(ii) Post-employment benefits

(a) Defined benefit plan

The Company and some subsidiaries have adopted defined benefit plans.

An asset or liability recognized related to a defined benefit plan is classified by plan and recognized at the amount of the present value of defined benefit obligations at the end of the reporting period less the fair value of plan assets. Defined benefit obligations are calculated by independent pension actuaries on a yearly basis using the projected unit credit method. Regarding the discount rate, a discount period is determined based on

the period until the expected date of future benefit payment in each fiscal year, and the discount rate is determined by reference to market yields on high quality corporate bonds at the fiscal year-end corresponding to the discount period.

Actuarial gains and losses that result from changes in experience adjustments and actuarial assumptions are recognized in other comprehensive income and immediately transferred to retained earnings in the period in which they arise.

Past service costs are recognized in profit or loss in the period in which they arise.

(b) Defined contribution plan

The Company and some subsidiaries have adopted defined contribution plans. As the plans do not create any additional obligation as long as contributions are made, payments to defined contribution plans are recognized as employee benefits expenses at the payment due date.

(iii) Other long-term employee benefits

Obligations with respect to long-term employee benefits other than post-retirement benefits are calculated by estimating the future amount of benefits that employees will have earned as considerations for their services in the current and prior fiscal years and discounting such amount to the present value.

D. Revenue recognition

The Sumitomo Rubber Group recognizes revenue by applying the following five-step approach, except for revenue including interest and dividends income, etc. under IFRS 9 “Financial Instruments.”

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligation in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligation in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

E. Accounting policies for consumption taxes

Transactions subject to consumption taxes are recorded at an amount exclusive of consumption taxes.

F. Adoption of the consolidated taxation system

The Company and its consolidated subsidiaries have adopted the consolidated taxation system.

(Notes on Significant Accounting Estimates)

Accounting estimates are based on information available at the time of preparing the consolidated financial statements, to calculate reasonable amounts. Of the amounts recorded in the consolidated financial statements for the fiscal year under review based on accounting estimates, the following items have a risk of exerting a material impact on the consolidated financial statements for the following fiscal year.

In terms of the impact of COVID-19, as there are concerns about variants affecting economic activities with no prospect for the end of infections, it is expected that the recovery of economic activities in Japan and overseas will remain constrained. Although the outlook remains uncertain, we assume that there will be a gradual recovery under the new normal with COVID-19.

1. Impairment of non-financial assets

(1) Amounts recorded in the consolidated financial statements for the fiscal year under review

In the consolidated statement of financial position at the end of fiscal year under review, the amounts recorded for "Goodwill" and "Intangible assets with indefinite useful lives" are JPY 26,287 million and JPY 18,137 million, respectively. Of these amounts, amounts related to Micheldever Group Ltd. were JPY 19,720 million and JPY 2,965 million, respectively.

(2) Other information that contributes to the understanding of the users of consolidated financial statements regarding the content of accounting estimates

The content is the same as that stated in the notes on consolidated financial statements "B. Impairment of non-financial assets" in "(4) Other important matters for the preparation of the consolidated financial statements" in "4. Matters Regarding Accounting Policies."

(Notes on Consolidated Statement of Financial Position)

1. Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	2,466	million yen
Other financial assets (non-current assets)	1,133	million yen

2. Accumulated depreciation and accumulated impairment loss of property, plant and equipment	849,950	million yen
--	---------	-------------

(Notes on Consolidated Statement of Income)

Not applicable.

(Notes on Consolidated Statement of Changes in Equity)

1. Class and total number of issued shares at the end of the fiscal year under review

Common stock 263,043,057 shares

2. Matters concerning the number of treasury stock

Types of shares	Number of shares at the beginning of the fiscal year under review (shares)	Increase in the number of treasury stock during the fiscal year under review (shares)	Decrease in the number of treasury stock during the fiscal year under review (shares)	Number of shares at the end of the fiscal year under review (shares)
Common stock	41,905	5,721	22	47,604

Notes: 1. The increase in the number of treasury stock of common stock is due to the purchase of fractional shares.

2. The decrease in the number of treasury stock of common stock is due to the sale of fractional shares.

3. Matters Regarding Dividends

(1) Dividends paid

Dividends paid based on the resolution of the 129th Ordinary General Meeting of Shareholders held on March 26, 2021

Types of shares	Common stock
Source of dividends	Retained earnings
Total amount of dividends	9,205 million yen
Dividends per share	35 yen
Record date	December 31, 2020
Effective date	March 29, 2021

Dividends paid based on the resolution of the Board of Directors meeting held on August 5, 2021

Types of shares	Common stock
Source of dividends	Retained earnings
Total amount of dividends	6,575 million yen
Dividends per share	25 yen
Record date	June 30, 2021
Effective date	September 7, 2021

(2) Dividends for which the record date falls in the fiscal year under review, but the effective date falls in the following fiscal year

Dividends for which the resolution is scheduled to be proposed at the 130th Ordinary General Meeting of Shareholders to be held on March 24, 2022

Types of shares	Common stock
Source of dividends	Retained earnings
Total amount of dividends	7,890 million yen
Dividends per share	30 yen
Record date	December 31, 2021
Effective date	March 25, 2022

(Notes on Financial Instruments)

1. Matters Regarding the State of Financial Instruments

The Group's business activities are affected by the business environment in which it operates and the financial market environment. Because of that, financial instruments held or undertaken by the Group in the course of its business activities are exposed to specific risks including the following: (1) credit risk, (2) liquidity risk, and (3) market risk (foreign exchange risk, share price fluctuation risk, and interest rate risk).

(1) Credit risk

The Group is exposed to the risk of being unable to recover financial assets that are held by a partner if that partner defaults on debt (hereinafter "credit risk").

To mitigate credit risk, the Company has a system in place to promptly detect whether the financial position of a counterpart deteriorates.

Derivative financial instruments provided by financial institutions, etc. are utilized to mitigate operational risk. As the Group executes financial instrument transactions only through highly rated financial institutions, the Group considers the credit risk associated with such transactions to be insignificant as of the end of the fiscal year under review.

Trade receivables are attributable to a large number of customers across vast regions. The Group identified no specific customer that accounted for significant credit risk exposure, which means no excessive credit risk does not exist.

(2) Liquidity risk

The Group makes short-term loans payable principally to finance working capital, and undertakes long-term loans payable and bonds payable principally to finance capital investment. These, combined with obligations such as notes and accounts payable-trade, expose the Group to the risk of being unable to perform these obligations. The Group manages liquidity risks by preparing and updating an appropriate fund plan based on the forecasted plan of cash flows required for settlement and by maintaining cash on hand.

(3) Market risk

A. Foreign exchange risk

The Group operates businesses globally, and sells products, etc., manufactured by the Company and each subsidiary, overseas. As a result, the Group is exposed to foreign currency fluctuation risk (hereinafter referred to as "foreign currency risk") arising from translating foreign-currency-denominated trade receivables, etc. from transactions conducted by the Company and each subsidiary in currencies other than the functional currency into the functional currency using the exchange rate prevailing at the end of the reporting period.

In addition, the Group is exposed to foreign currency risk associated with foreign-currency-denominated trade payables from imports of some raw materials and other foreign-currency-denominated payables. However, the total amount of such payables is constantly within the range of the balance of trade receivables, etc. denominated in the same currencies; therefore, such foreign currency risk can be offset with foreign exchange risk arising from foreign-currency-denominated trade receivables, etc.

The foreign currency risk of the Group mainly arises from fluctuations of the exchange rates of the US dollar and the euro against the yen. The Company and some of its subsidiaries monitor the monthly balance of foreign-currency-denominated trade receivables and payables by currency and, as a general rule, hedge foreign exchange risk by entering into forward-exchange contracts for the net amount of foreign-currency-denominated trade receivables and payables. In case the status of exchange rate requires, the Group also enter into forward-exchange contracts for the net amount of foreign-currency-denominated trade receivables and payables that are expected to arise definitely from forecast transactions on exports and import activities. In addition, the Group generally conduct currency swap transactions, etc. to reduce the risk of foreign exchange fluctuations regarding foreign-currency-denominated receivables and payables other than trade receivables and payables.

The Group uses derivative transactions solely for the purpose of hedging risks and did not engage in speculative transactions.

B. Share price risk

The Group owns shares in companies that have business relations with the Group for the purpose of securing and strengthening financial and finance transactions, expanding business, mutually, and enhancing transactional relationships. This exposes the Group to stock price fluctuation risk. With the aim of raising asset efficiency and optimizing these holdings, the Group regularly assesses their fair value as well as the financial position of issuers, reviewing the pros and cons of holding the assets.

C. Interest rate risk

The risk of fluctuations in the fair values of financial instruments or future cash flows from financial instruments arising from fluctuations in market interest rates is defined as interest rate risk. The Group is exposed to interest rate risk, mainly arising from liabilities including loans payable and bonds payable and claims including interest-bearing deposits. The amounts of interest are subject to the effects of fluctuations in market interest rates; therefore, the Group is exposed to interest rate risk from the fluctuations of future cash flows of interest.

The Group procures funds by issuing bonds payable at fixed rates with the main purpose of controlling the increase in interest payments caused by higher interest rates. When the Group procures long-term loans payable under floating rate terms, the Group in principle enters into interest rate swap contracts with financial institutions under which the Group receives interest at floating rates while paying interest at fixed rates, thereby substantially fixing the financing interest rate and stabilizing cash flows.

2. Matters regarding market values of financial instruments

The fair values of financial assets and financial liabilities and their carrying amounts recorded on the consolidated statement of financial position as of December 31, 2021 are as follows.

(Unit: JPY million)

	Carrying amount	Fair value
Financial assets		
Financial assets measured at fair value through profit or loss		
Derivatives	717	717
Loans	1,041	1,041
Financial assets measured at fair value through other comprehensive income		
Equity instruments	26,388	26,388
Financial assets measured at amortized cost		
Cash and cash equivalents	75,093	75,093
Trade and other receivables	197,320	197,320
Other financial assets	10,485	10,485
Financial assets designated as hedging instruments		
Derivatives	354	354
Total	311,398	311,398
Financial liabilities		
Financial liabilities measured at fair value through profit or loss		
Derivatives	660	660
Financial liabilities measured at amortized cost		
Trade and other payables	160,902	160,902
Bonds payable and loans payable	238,645	240,719
Financial liabilities designated as hedging instruments		
Derivatives	220	220
Total	400,427	402,501

Fair value measurement method

The Group determines the fair values of financial assets and financial liabilities using the following methods. The fair values of financial instruments with available market prices are measured at market price. The fair values of financial instruments with no available market values are estimated using an appropriate valuation method.

- (1) Cash and cash equivalents, trade and other receivables, trade and other payables, and short-term loans payable
As these mature within a short period, the carrying amounts are reasonably approximate to their respective fair value.
- (2) Bonds payable and long-term loans payable
The fair values of bonds payable and long-term loans payable are calculated based on the present value by discounting total amounts of principal and interest at the interest rate of a new similar borrowing.

(3) Derivatives

The fair values of derivatives are determined based on the prices presented by counterparty financial institutions.

(4) Other financial assets, etc.

Of other financial assets, current assets are settled within a short period and their carrying amounts are reasonably approximate to their respective fair value. The fair values of marketable securities are determined by their market prices.

The fair values of other financial instruments are determined using other valuation techniques such as the discounted cash flow analysis.

(Notes on per share information)

Equity attributable to owners of parent:	1907.03 yen
Basic earnings per share:	112.05 yen

(Notes on Contingent Liabilities)

Inappropriate inspection of fenders

It was found that in the product inspection for some products of the rubber fender (energy-absorbing material that absorbs and mitigates the impact on vessels berthing to prevent damage to the vessels and wharfs of harbors) manufactured by the Company, testing methods were different from the guidelines and data were changed. An Emergency Committee for this case was established to confirm the safety of products already shipped and to provide explanations to customers. In addition, an internal investigation was conducted by a Special Investigation Committee, which included external lawyers. A report on the investigation of the cause of this incident and the development of measures to prevent its recurrence was received on November 5, 2021 and published on November 9 of the same year. Depending on the progress of this case, there may be losses, including expenses of compensation to customers, which will have an impact on the future financial position and operating results. However, the impact is difficult to reasonably estimate, and therefore has not been reflected in the consolidated financial statements.

(Notes on significant subsequent events)

Not applicable.

NON-CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

(From January 1, 2021 to December 31, 2021)

(Unit: JPY million)

	Total Equity			
	Capital Stock	Capital Surplus		
		Legal Capital Surplus	Other Capital Surplus	Total Capital Surplus
Balance at beginning of current period	42,658	38,702	—	38,702
Change of items during the period:				
Dividends of surplus				
Net income				
Reversal of reserve for special depreciation				
Reversal of reserve for advanced depreciation of non-current assets				
Purchase of treasury stock				
Disposal of treasury stock			(0)	(0)
Transfer of negative balance on other capital surplus			0	0
Net changes of items other than Total Equity				
Total change of items during the period	—	—	—	—
Balance at end of current period	42,658	38,702	—	38,702

(Unit: JPY million)

	Total Equity							
	Retained Earnings						Treasury Stock	Total Equity
	Legal Earned Earnings	Other Retained Earnings				Total Retained Earnings		
		Reserve for Advanced Depreciation of Non-current Assets	Reserve for special depreciation	General Reserve	Retained earnings brought forward			
Balance at the beginning of current period	4,536	2,456	53	74,842	185,621	267,508	(77)	348,791
Change of items during the period:								
Dividends of surplus					(15,780)	(15,780)		(15,780)
Net income					31,174	31,174		31,174
Reversal of reserve for special depreciation			(53)		53	—		—
Reversal of reserve for advanced depreciation of non-current assets		(59)			59	—		—
Purchase of treasury stock							(7)	(7)
Disposal of treasury stock							0	0
Transfer of negative balance on other capital surplus					(0)	(0)		—
Net changes of items other than Total Equity								
Total change during the period	—	(59)	(53)	—	15,506	15,394	(7)	15,387
Balance at the end of current period	4,536	2,397	0	74,842	201,127	282,902	(84)	364,178

(Unit: JPY million)

	Valuation and Translation Adjustments		Total Net Assets
	Valuation Difference on Available-For-Sale Securities	Total Valuation and Translation Adjustments	
Balance at the beginning of current period	9,362	9,362	358,153
Change of items during the period:			
Dividends of surplus			(15,780)
Net income			31,174
Reversal of reserve for special depreciation			—
Reversal of reserve for advanced depreciation of non-current assets			—
Purchase of treasury stock			(7)
Disposal of treasury stock			0
Transfer of negative balance on other capital surplus			—
Net changes of items other than Total Equity	1,578	1,578	1,578
Total change during the period	1,578	1,578	16,965
Balance at the end of current period	10,940	10,940	375,118

Notes on Non-Consolidated Financial Statements

(Notes on Significant accounting policies for preparing the consolidated financial statements)

1. Accounting policy for measuring assets

Shares of subsidiaries and associates	Stated at cost using the gross average method
Other securities	
With market value	Stated at fair market value, based on market price etc., as of the balance sheet date (with unrealized gains or losses included as a component of net assets, and the cost of securities sold determined using the gross average method).
Without market value	Stated at cost using the gross average method.
Derivatives	Stated at fair market value.
Merchandise and finished goods	Stated at cost using the gross average method (The value stated on the balance sheet is calculated by devaluating book value based on a reduction in profitability).
Work in progress	Stated at cost using the gross average method (The value stated on the balance sheet is calculated by devaluating book value based on a reduction in profitability).
Raw materials and supplies	Mainly stated at cost using the gross average method (The value stated on the balance sheet is calculated by devaluating book value based on a reduction in profitability).

2. Accounting policy for depreciation of non-current assets

Property, plant and equipment (excluding leased assets)	Straight-line method Major useful lives are as follows: Buildings: 3 to 50 years Structures: 4 to 60 years Machinery and equipment: 3 to 17 years Tools, furniture and fixtures: 2 to 20 years
Intangible assets (excluding leased assets)	Straight-line method For software for internal-use, the straight-line method is adopted based on the anticipated useful term (5 years).
Leased assets	With respect to leased assets related to finance leases which transfer ownership of properties to lessees, the depreciation method applicable to the company-owned non-current assets is used. With respect to leased assets related to finance leases that do not transfer ownership of properties to lessees, the straight-line method is used in which the useful life is equal to the lease term and the residual value is zero.

3. Accounting policy for provisions

Allowance for doubtful accounts	To allow for losses from bad debts, general loans are recorded in the amount calculated by a doubtful accounts ratio, and for certain loans such as loans that are anticipated to be unrecoverable, the anticipated unrecoverable amounts after considering the possibility of collecting each loan are recorded.
Provision for bonuses	To allow for regular payments of bonuses to employees, the estimated amount payable for the fiscal year ended December 31, 2021 is recorded.
Provision for directors' bonuses	To allow for the payment of bonuses to officers, the estimated amount payable for the fiscal year ended December 31, 2021 is recorded.
Provision for retirement benefits	To allow for the retirement benefits of employees, the amount, which is considered to have accrued as of the end of the fiscal year ended December 31, 2021, is recorded based on estimated retirement benefits obligations and pension assets at the end of the period. Method of attributing estimated retirement benefits of service period of an employee's service To calculate retirement benefit obligations, the benefit formula basis method is used to allocate the estimated retirement benefits and service costs to the years of service by the end of the fiscal year ended December 31, 2021. Method of amortization of for actuarial gains or losses and prior service costs Prior service costs are amortized using the straight-line method based on a fixed period (15 years) within the average remaining service period of employees at the time the liability is incurred. The actuarial gains or losses are amortized using the straight-line method from the following fiscal year on the basis of a fixed period (15 years) within the average remaining service period of employees at the time that liability is incurred.
Provision for sales rebates	To allow for sales discounts anticipated in the following period on sales of products, an anticipated amount is recorded.
Provision for loss on voluntary recall of products	To allow for direct recalling expenses and related expenses for voluntarily recalling products, an amount reasonably estimated to be incurred during and after the following fiscal year is recorded.

4. Other important matters for preparing the financial statements

(1) Accounting policy for deferred assets

Bond issuance cost All expenses are charged to expenses when incurred.

(2) Accounting policy for hedging

Method of hedge accounting Deferred hedge accounting is adopted.
The allocation method is adopted for forward exchange contracts which fulfill the requirements of the allocation method. For interest rate swap transactions which fulfill the requirements of special exceptions of interest rate swaps, such special exceptions are adopted. For interest rate and currency swaps that fulfill the requirements for integrated accounting (special exception and allocation method), such integrated accounting methods are adopted.

Hedging instruments and hedged items Hedging instruments: Forward-exchange contracts
Interest rate swap contracts
Interest rate and currency swap contracts
Hedged items: Transactions to be contracted in a foreign currency
Short-term loans payable and long-term loans payable with variable interest rates

Hedging policy In accordance with the internal rules of the Company, hedging instruments are used to hedge against foreign exchange fluctuation risk and interest rate fluctuation risk.

Method for evaluating the hedge effectiveness Hedge effectiveness is evaluated by comparing cumulative market fluctuations or cash flow fluctuations of hedged items and hedging instruments, and is determined based on their fluctuation amounts, etc. for the period from the start of hedging until the evaluation of effectiveness.

(3) Accounting policy for retirement benefits

The accounting methods used for unrecognized actuarial gains or losses related to retirement benefits and unrecognized prior service costs differ from those used in the financial statements.

(4) Accounting policy for consumption taxes

Consumption taxes are computed using the tax-exclusion method.

(5) Adoption of consolidated taxation system

Consolidated taxation system is adopted.

- (6) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

For the transition to the group tax sharing system established by the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and items for which the non-consolidated taxation system was reviewed in line with the transition to the group tax sharing system, the provisions of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) are not applied due to the treatment of Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (Practical Issues Task Force No. 39, March 31, 2020), and the amounts of deferred tax assets and deferred tax liabilities are in accordance with the provisions of the tax acts before the revision.

(Notes on Significant Accounting Estimates)

Accounting estimates are based on information available at the time of preparing the financial statements, to calculate reasonable amounts. Of the amounts recorded in the financial statements for the fiscal year under review based on accounting estimates, the following items have a risk of exerting a material impact on the financial statements for the following fiscal year.

In terms of the impact of COVID-19, as there are concerns about variants affecting economic activities with no prospect for the end of infections, it is expected that the recovery of economic activities in Japan and overseas will remain constrained. Although the outlook remains uncertain, we assume that there will be a gradual recovery under the new normal with COVID-19.

1. Valuation of shares of subsidiaries and associates

- (1) Amounts recorded in the financial statements for the fiscal year under review

In the non-consolidated balance sheet at the end of the fiscal year under review, the amount recorded for "Shares of subsidiaries and associates" is JPY 313,282 million. The amount includes JPY 23,146 million for the shares of Micheldever Group Ltd.

- (2) Other information that contributes to the understanding of the users of the financial statements regarding the content of accounting estimates

In the valuation of shares of subsidiaries and associates that have no market price and whose fair value is deemed to be extremely difficult to ascertain, if the actual value significantly declines due to deterioration in the financial condition of the company issuing the shares, a reasonable reduction shall be made to record an impairment loss, unless the possibility of recovery is supported by sufficient evidence. In determining the possibility of recovery, the Company reasonably estimates the future actual value based on business plans, etc. of subsidiaries and associates and examines whether the actual value will recover to the acquisition value within approximately five years. These estimates may be affected by future changes in uncertain economic conditions and may have a material impact on the financial statements of the following fiscal year.

For the shares of Micheldever Group Ltd., the Company compares the actual value, which reflects the expected excess earnings power at the time of acquisition, with the carrying amount to determine whether there has been a significant decline in the actual value.

The examination of whether excess earnings power is impaired is conducted based on estimates from business plans and others approved by management, as is the case with the impairment testing for goodwill and intangible assets with indefinite useful lives in preparing the consolidated financial statements. These estimates may be affected by future changes in uncertain economic conditions and may have a material impact on the financial statements of the following fiscal year.

(Notes on Change in Presentation Methods)

Application of “Accounting Standard for Disclosure of Accounting Estimates”

Effective from the fiscal year under review, the Company has applied the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) and presented the "Notes on Significant Accounting Estimates."

(Notes – Balance Sheet)

1. Total accumulated depreciation of property, plant and equipment	430,394	million yen
2. Notes receivable-trade discounted	56	million yen
3. Guarantee obligations	30,318	million yen
Letter of guarantee	30,273	million yen
Sumitomo Rubber AKO Lastik Sanayi ve Ticaret A.Ş.	19,951	million yen
Sumitomo Rubber North America, Inc.	4,302	million yen
Sumitomo Rubber South Africa (Pty) Limited	4,002	million yen
5 other companies	2,018	million yen
Letter of comfort	45	million yen

Note: For foreign currency-denominated guarantee obligations, the amount converted into yen is shown at the exchange rate on the balance sheet date.

4. Monetary balance with subsidiaries and associates		
Short-term accounts receivables	207,732	million yen
Long-term accounts receivables	14,710	million yen
Short-term accounts payables	138,181	million yen
Long-term accounts payables	2,680	million yen

5. Method of treating notes receivable that mature at the end of the period

The following notes, etc. are settled on the actual date of exchange of notes or the date of settlement.

Notes receivable-trade	386	million yen
Notes payable-trade, etc.	7,359	million yen

(Notes on the Statement of Income)

Transactions with subsidiaries and associates

Operating transactions		
Net Sales	360,548	million yen
Purchases, etc.	192,675	million yen
Non-operating transactions	53,656	million yen

(Notes on the Statement of Changes in Equity)

Matters concerning the number of treasury stock

Types of share	Number of shares at the beginning of the fiscal year under review (shares)	Increase in the number of treasury stock during the fiscal year under review (shares)	Decrease in the number of treasury stock during the fiscal year under review (shares)	Number of shares at the end of the fiscal year under review (shares)
Common shares	41,905	5,721	22	47,604

Notes: 1. The increase in the number of treasury stock of common stock is due to the purchase of fractional shares.

2. The decrease in the number of treasury stock of common stock is due to the sale of fractional shares.

(Notes on Tax effect accounting)

1. The breakdown of the major items that give rise to deferred tax assets and deferred tax liabilities are as follows.

(Unit: JPY million)

Deferred tax assets	Shares of subsidiaries and associates	17,766
	Research and development expenses	1,679
	Sales incentive	1,172
	Foreign tax credit carried forward	988
	Impairment loss on non-current assets	893
	Advertising expenses	870
	Provision for bonuses	663
	Loss on valuation of inventories	360
	Excess depreciation	221
	Asset retirement obligations	144
	Loss carried forward	130
	Investment securities	125

	Accrued enterprise tax	118
	Social security contributions related to provision for bonuses	106
	Allowance for doubtful accounts	77
	Others	1,383
	Sub-total of deferred tax assets	26,695
	Valuation allowance	(15,022)
	Total deferred tax assets	11,673
Deferred tax liabilities	Valuation difference on available-for-sale securities	(4,724)
	Provision for retirement benefits	(3,124)
	Reserve for advanced depreciation of non-current assets	(1,147)
	Enterprise tax receivable	(111)
	Valuation difference on foreign currency denominated receivables and payables	(68)
	Others	(311)
	Total deferred tax liabilities	(9,485)
	Deferred tax assets, net	2,188

(Notes on Transactions with related parties)

(Unit: JPY million)

Attribution	Name of company, etc.	Ratio of voting rights, etc. held by the Company (indirect ownership ratio)	Relationship with the related party	Description of transactions	Amount of transaction	Item	Balance at the end of the period
Subsidiaries	Domestic sales subsidiaries * Please refer to (1) below for details	* Please refer to (1) below for details	Sales of automobile tires, provision of services, concurrent holding of positions by officers	Sales of tires, etc. (Note 1)	125,853	Accounts receivable-trade	56,520
				Deposit of funds (Note 4)	4,319	Deposits received	38,569
	Sumitomo Rubber North America, Inc.	100.0% indirectly held	Sales of automobile tires, provision of services, concurrent holding of positions by officers	Sales of tires, etc. (Note 3)	68,223	Accounts receivable-trade	36,802
	Falken Tyre Europe GmbH	100.0% directly held	Sales of automobile tires, provision of services, concurrent holding of positions by officers	Sales of tires, etc. (Note 3)	42,470	Accounts receivable-trade	17,091
	Sumitomo Rubber Middle East FZE	100.0% directly held	Sales of automobile tires, provision of services, concurrent holding of positions by officers	Sales of tires, etc. (Note 3)	25,975	Accounts receivable-trade	11,650
	Sumitomo Rubber (Thailand) Co., Ltd.	100.0% directly held	Purchase of automobile tires, provision of services, concurrent holding of positions by officers	Purchase of tires, etc. (Note 2)	84,538	Accounts payable-trade	12,437
	Sumitomo Rubber (China) Co., Ltd	100.0% directly held	Sales of automobile tires, provision of services, concurrent holding of positions by officers	Loans payable (Note 6)	32,509	Short-term loans payable	32,509

	Sumitomo Rubber AKO Lastik Sanayi ve Ticaret A.Ş.	80.0% directly held	Purchase of automobile tires, provision of services, concurrent holding of positions by officers	Guarantee obligations (Note 5)	19,951	—	—
				Undertaking a capital increase (Note 7)	5,299	—	—
	Dunlop Sports Marketing Co. Ltd.	100.0% directly held	Sales of sports equipment, provision of services, concurrent holding of positions by officers	Sales of golf clubs, etc. (Note 1)	23,479	Accounts receivable-trade	8,585

*(1) Names of companies included as domestic sales subsidiaries and ratio of voting rights held by the Company are as follows:

Name of company, etc.	Ratio of voting rights held by the Company
Dunlop Tire Hokkaido Ltd.	100.0% directly held
Dunlop Tire Tohoku Ltd.	98.8% directly held
Dunlop Tire Kanto Ltd.	98.7% directly held
Dunlop Tire Chuo Ltd.	99.3% directly held
Dunlop Tire Chubu Ltd.	100.0% directly held
Dunlop Tire Hokuriku Ltd.	58.7% directly held
Dunlop Tire Kinki Ltd.	100.0% directly held
Dunlop Tire Chugoku Ltd.	98.9% directly held
Dunlop Tires Shikoku Ltd.	100.0% directly held
Dunlop Tires Kyushu Ltd.	100.0% directly held
Dunlop Motorcycle Corporation	100.0% directly held

Of the amounts stated above, the “amount of transaction” does not include consumption taxes and “balance at the end of the period” includes consumption taxes.

Terms of transaction and the method of deciding the terms of transaction:

- (Note 1) Transaction price is determined through price negotiations conducted regularly based on the Company’s desired price determined after taking into account market price and gross cost.
- (Note 2) Transaction price is determined by adding a certain margin to the estimated cost.
- (Note 3) Transaction price is determined using a calculation based on market prices of the Company’s products.
- (Note 4) Financing, deposits and collection of funds pertain to the cash management system (CMS) and the rate of interest is reasonably determined by considering the market interest rate.
- (Note 5) Loans payable from banks (70,000 thousand US dollars, 100,000 thousand euros) of subsidiaries were guaranteed, and the “amount of transaction” is the balance at the end of December 2021.
- (Note 6) Regarding loans payable, the rate of interest is reasonably determined by considering the market interest rate. The amount of transaction is the net increase (or decrease).
- (Note 7) Undertaking a capital increase refers to undertaking a capital increase through shareholder allocation that executed by the company.

(Notes on Per share information)

Net assets per share	JPY 1,426.33
Net income per share	JPY 118.53

(Notes on Contingent Liabilities)

Inappropriate inspection of fenders

It was found that in the product inspection for some products of the rubber fender (energy-absorbing material that absorbs and mitigates the impact on vessels berthing to prevent damage to the vessels and wharfs of harbors) manufactured by the Company, testing methods were different from the guidelines and data were changed. An Emergency Committee for this case was established to confirm the safety of products already shipped and to provide explanations to customers. In addition, an internal investigation was conducted by a Special Investigation Committee, which included external lawyers. A report on the investigation of the cause of this incident and the development of measures to prevent its recurrence was received on November 5, 2021 and published on November 9 of the same year. Depending on the progress of this case, there may be losses, including expenses of compensation to customers, which will have an impact on the future financial position and operating results. However, the impact is difficult to reasonably estimate, and therefore has not been reflected in the financial statements.

(Notes on Significant subsequent events)

Not applicable.