Sumitomo Rubber Industries, Ltd.

Financial Results Briefing for Three Months Ended March 31, 2025

May 15, 2025

Event Summary

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[Event Name]	Financial Results Briefing for Three Months Ended March 31, 2025
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[Participants]	
[Number of Speakers]	4

	Satoru Yamamoto	President and CEO, Representative Director
	Hidekazu Nishiguchi	Director, Managing Executive Officer
	Naoki Okawa	Director, Senior Executive Officer
	Shinji Araki	General Manager, Accounting & Finance Headquarters
[Analyst Names]*	Kazunori Maki	SMBC Nikko Securities
	Shiro Sakamaki	BofA Securities
	Arifumi Yoshida	Citigroup Global Markets
	Shinji Kakiuchi	Morgan Stanley MUFG Securities
	Shinya Naruse	Okasan Securities
	Kenji Kanai	Tokai Tokyo Intelligence Laboratory

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

Kimura: To all participants, thank you for your very long patience. We would now like to start the presentation of the financial results of Sumitomo Rubber Industries, Ltd. for Q1 of the fiscal year ending December 31, 2025.

I am Kimura of the Investor Relations Office of Sumitomo Rubber Industries, Ltd. and I will be your moderator today. Thank you.

First, I would like to introduce today's attendees. Satoru Yamamoto, President and CEO, Representative Director of Sumitomo Rubber Industries, Ltd.

Yamamoto: I'm Yamamoto. Thank you.

Kimura: Hidekazu Nishiguchi, Director, Managing Executive Officer.

Nishiguchi: I am Nishiguchi. Thank you.

Kimura: Naoki Okawa, Director, Senior Executive Officer.

Okawa: I am Okawa. Thank you.

Kimura: Shinji Araki, General Manager, Accounting & Finance Headquarters.

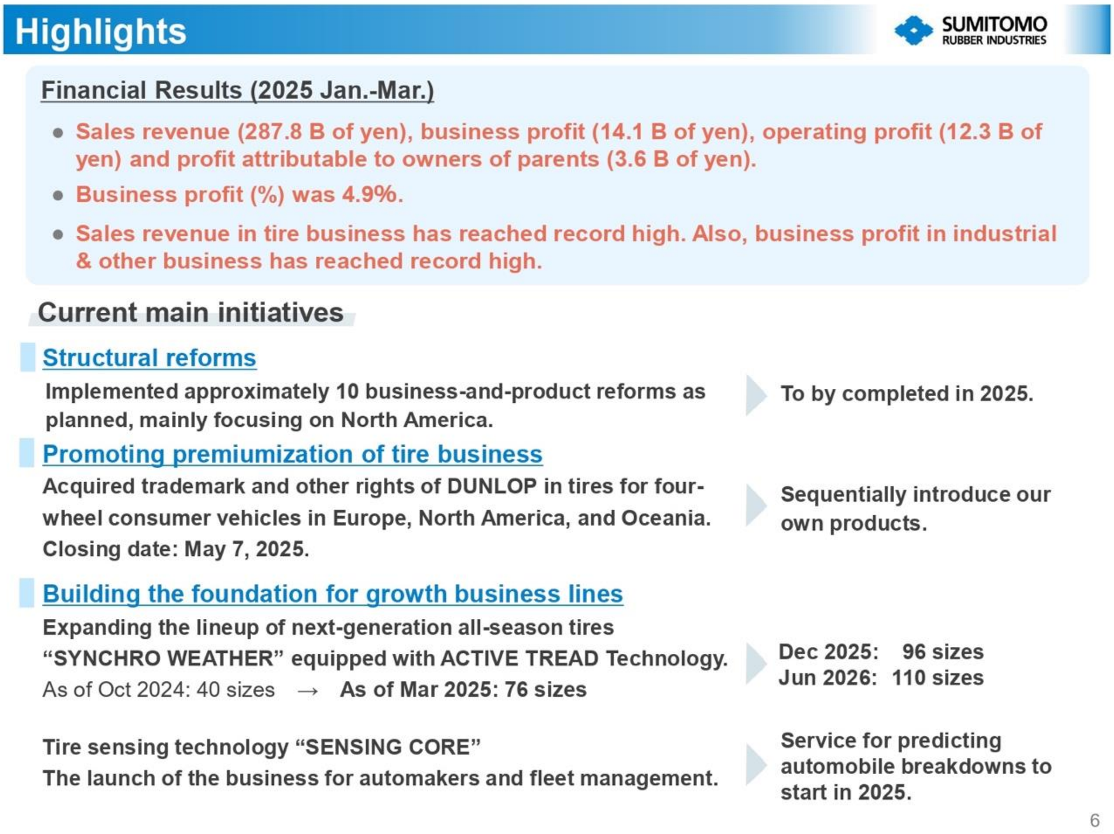
Araki: I am Araki. Thank you.

Kimura: Today's briefing will be conducted in accordance with the materials posted on our website, which will also be projected on the screen.

First, Yamamoto, President, will give an overview of the financial results and the main current initiatives, and then Okawa, Executive Officer, will explain the details of the financial results. After the presentation, we would like to invite you to ask questions. Thank you. Yamamoto will now explain.

Yamamoto: I'm Yamamoto. Thank you very much for taking time out of your busy schedule today to attend our financial results briefing for Q1 of the fiscal year ending December 31, 2025.

I would now like to provide an overview of our performance for Q1 of fiscal year ending December 31, 2025 and our current major initiatives.



Please refer to slide number six.

In Q1 of FY2025, our group's revenue was JPY287.8 billion, 99% of the same period last year; business profit was JPY14.1 billion, 61% of the same period last year; operating profit was JPY12.3 billion, 60% of the same period last year; and quarterly profit was JPY3.6 billion, 14% of the same period last year, resulting in lower revenue and profit.

In the tire business, although unit sales of tires from January to March fell below the previous year's level, the domestic market saw an increase in sales of winter tires. In North America, sales of the mainstay FALKEN and WILDPEAK series remained strong, and the implementation of pricing policies and improved sales mix in each country resulted in record-high tire sales and earnings.

In the sports business, sales in the tennis business increased in Japan, North America, and Europe, and in the golf business, sales increased in Japan and North America, especially for SRIXON clubs and balls, which were launched in 2025. However, sales declined in South Korea, where the impact of the political and economic downturn has been significant, resulting in lower sales and profits for the Sports Business as a whole.

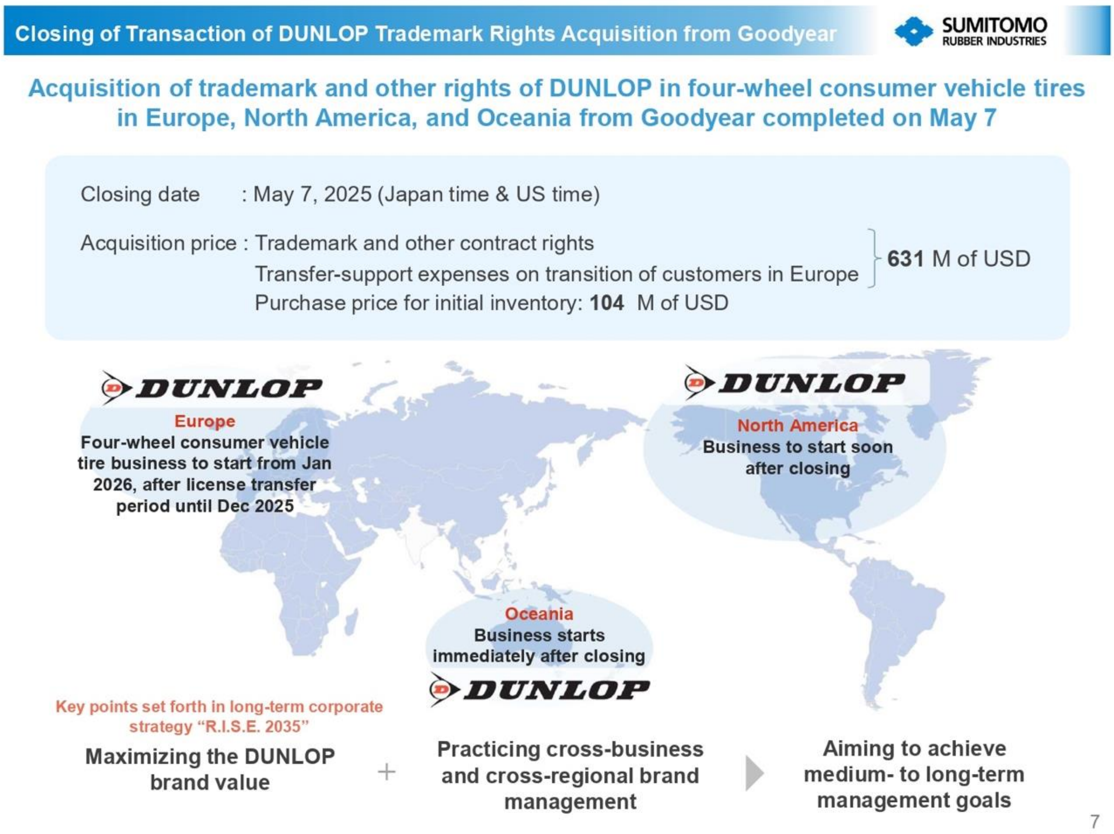
In the Industrial Products and Others segment, sales and income increased due to new orders in the infrastructure business and increased sales in the vibration control business and rubber parts for office automation equipment. Business profit in the Industrial Products and Others segment reached a record high.

Next, regarding structural reforms, we are proceeding as planned to complete structural reforms in about ten businesses and products, mainly in North America, by the end of 2025. And the acquisition of the DUNLOP trademark and other rights was closed on May 7.

In the area of laying the foundation for growth business, we have expanded the lineup of our next-generation all-season tire, SYNCHRO WEATHER, which incorporates our proprietary Active Tread technology, from 40 sizes at the end of last year to 76 sizes by the end of March 2025. We believe that we will be able to further increase sales in the future.

Our proprietary tire sensing technology, Sensing Core, was exhibited at CES, one of the world's largest high-tech trade fairs held in January, as we did last year, to promote its potential in the automated driving society and the efficiency of fleet management.

Last year, we started delivering sensing cores to overseas automakers, and this year, we will continue to install them sequentially for automakers in Japan and overseas. This year, we have combined Viaduct's technology for predicting vehicle component failures with our tire sensing technology, sensing core, and will launch a service for predicting vehicle failures, including tires.



Please see slide number seven. The transaction to acquire the DUNLOP trademark and other rights for four-wheel tires in Europe, North America and Oceania from Goodyear was closed on May 7.

Business in the Oceania region is starting immediately, with North America to follow in due course. In Europe, we will start doing business next January 2026 after a transitional license period until the end of December.

There are no changes to the acquisition price and transition support costs from those announced in January of this year. The cost to purchase the initial inventory in each region has also been finalized. Overall, we were able to close the deal with what we had generally planned.

Going forward, we will implement brand management centered on DUNLOP on a global basis and aim to achieve our medium- and long-term management goals.

【Forecast】Consolidated Financial Results (2025 Annual)

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	Revised Forecast 2025	Actual 2024	YOY	Feb. 13th 2025 Forecast 2025
Sales Revenue	**1,220.0**	1,211.9	101%	1,250.0
Business Profit (%)	**95.0** **7.8%**	87.9 7.3%	108%	95.0 7.6%
Operating Profit (%)	**84.0** **6.9%**	11.2 0.9%	751%	84.0 6.7%
Profit	**45.0**	9.9	456%	45.0
ROIC *1	**6.7%**	6.5%		6.5%
ROE	**7.0%**	1.5%		6.7%
ROA *2	**6.9%**	6.7%		6.7%
D/E Ratio	**0.7**	0.5		0.6

*1. ROIC : Net Business Profit After Tax / Invested Capital
*2. ROA : Business Profit / Total Assets

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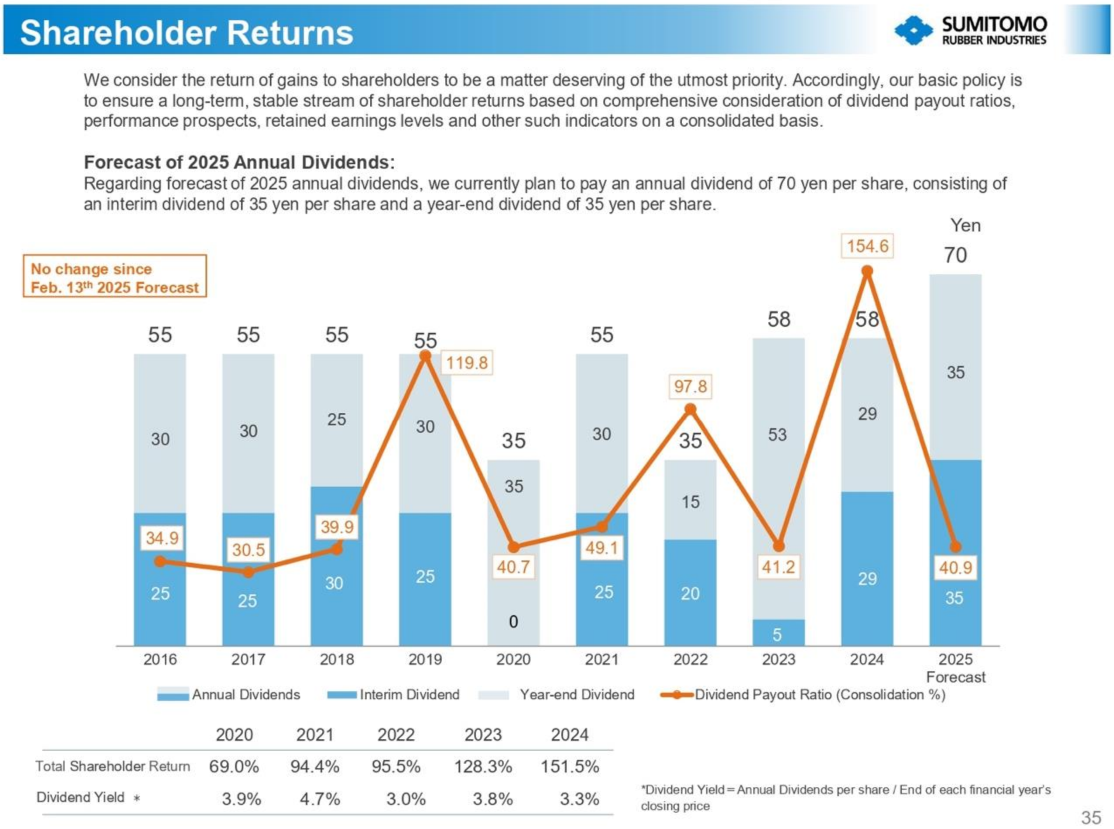
Next, I would like you to look at slide 22, in the blue box.

For the full year 2025, we forecast revenue of JPY1,220 billion, 101% of the previous year's level; business profit of JPY95 billion, 108% of the previous year's level; operating profit of JPY84 billion, 751% of the previous year's level; and net income of JPY45 billion, 456% of the previous year's level.

We have revised our sales revenue forecast announced in February of this year to incorporate the impact of foreign exchange rates. We will absorb the negative impact of the US tariff hike through price pass-through and other measures, and aim to achieve the profit target we set at the beginning of the year.



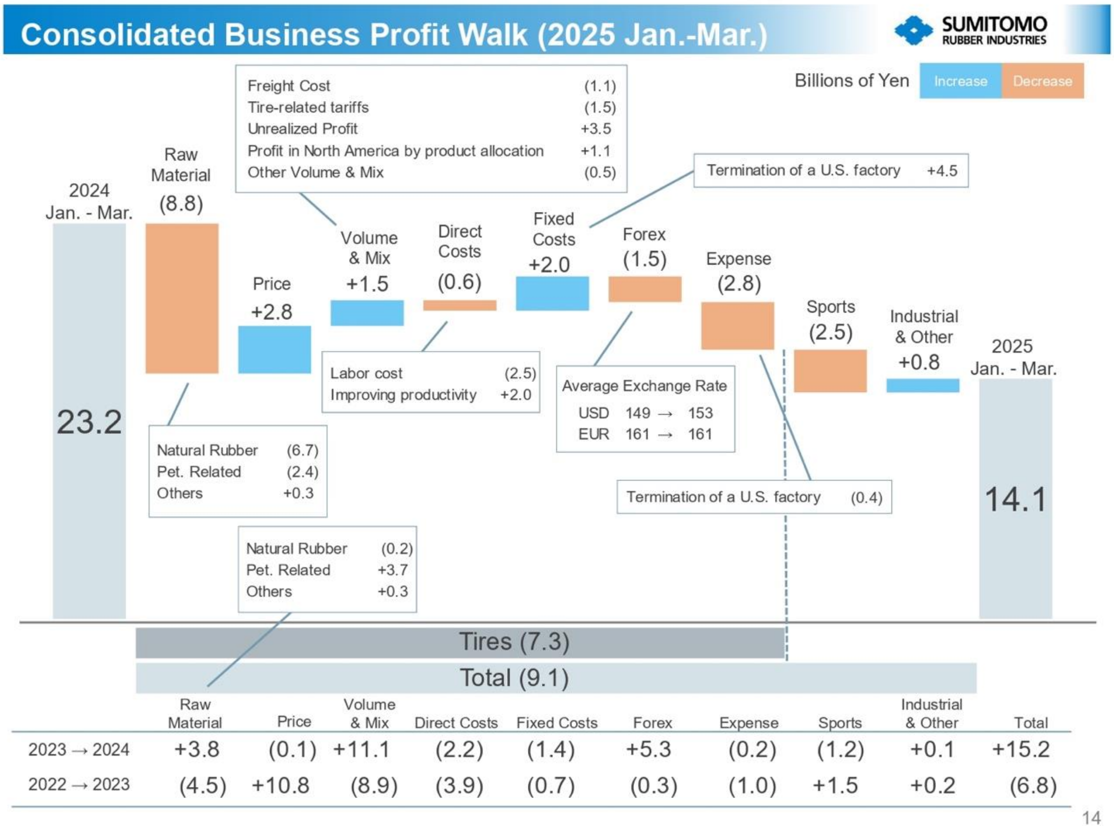
Please refer to slide 35.

For 2025, we plan to pay an interim dividend of JPY35 and a year-end dividend of JPY35, resulting in an annual dividend of JPY70, the highest level ever. There is no change from the dividend forecast announced in February of this year. We aim for a consolidated dividend payout ratio of 40% or more and will strive to pay stable dividends to the extent possible.

This concludes my explanation. Thank you.

Kimura: Next, Okawa, Senior Executive Officer, will explain a detailed explanation of Q1 financial results for the fiscal year ending December 31, 2025.

Okawa: I am Okawa. Thank you very much for attending our financial results presentation today despite the very late hour. I will now explain the detailed contents of the financial results for Q1 of FY2025.



The overall performance summary is as Yamamoto mentioned earlier, so please see slide number 14 first.

This is an analysis of the factors that contributed to the increase or decrease in business income in Q1 of FY2025 from the same period of the previous year.

First, raw material prices were minus JPY8.8 billion, mainly due to soaring natural rubber prices. Prices were plus JPY2.8 billion due to price increases in each market and price revisions due to OEE's raw material price linkage.

Volume, composition, and other factors, as shown in the box in the upper left corner, were positive JPY1.5 billion, mainly due to unrealized profit and the effect of business restructuring in North America. Direct cost was minus JPY0.6 billion due to the effect of structural reforms in the North American business, but also due to the effect of increased labor costs at the plant in Turkey. Fixed costs were up JPY2 billion due to the effect of business restructuring in North America as well. The yen depreciated against the US dollar, but the Thai baht appreciated, resulting in a minus of JPY1.5 billion. Expenses decreased by JPY2.8 billion due to an increase in personnel expenses, as well as an increase in advertising and sales promotion expenses.

As a result of the above, the tire business as a whole reported a minus JPY7.3 billion profit, and adding the sports business minus JPY2.5 billion and the industrial products and others plus JPY0.8 billion, the total company-wide profit decreased by minus JPY9.1 billion.

Consolidated Statement of Profit & Loss

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	2024 Jan.-Mar.	2025 Jan.-Mar.	vs 2024 Jan.- Mar.
Sales revenue	291.4	**287.8**	(3.6)
Cost of sales	(202.3)	**(204.1)**	(1.8)
Selling, general and administrative expenses	(65.8)	**(69.5)**	(3.7)
Business profit	23.2	① **14.1**	(9.1)
Other income	0.8	② **1.0**	+0.2
Other expenses	(3.3)	③ **(2.8)**	+0.5
Operating profit	20.7	**12.3**	(8.4)
Financial income	6.9	④ **2.6**	(4.3)
Financial expenses	(1.7)	⑤ **(10.9)**	(9.2)
Equity in earnings of affiliates	(0.0)	**0.0**	+0.0
Profit before tax	25.9	**4.0**	(21.9)
Income tax expenses	0.4	**(0.8)**	(1.1)
Non-controlling interests	(1.4)	**0.4**	+1.8
Profit	24.8	**3.6**	(21.3)

Main factor

① **Business profit**
Refer to page 6 to 14 for details

	Actual	vs 2024 Jan.- Mar.
② **Other income**		
Other non-operating profit	0.9 B of yen	+0.5 B of yen
③ **Other expenses**		
Other non-operating expenses	(1.2) B of yen	+1.2 B of yen
Impairment losses,etc. related to termination of production and dissolution of a U.S. factory	(0.8) B of yen	(0.8) B of yen
Loss on retirement or sales of non-current assets	(0.4) B of yen	(0.2) B of yen
④ **Financial income**		
Gain on net monetary position	1.6 B of yen	(0.8) B of yen
Interest received	0.9 B of yen	(0.2) B of yen
Foreign exchange profit	-	(3.2) B of yen
⑤ **Financial expenses**		
Foreign exchange loss	(8.0) B of yen	(8.0) B of yen
Interest expenses	(1.7) B of yen	+0.0 B of yen
Loss on valuation of derivatives	(1.2) B of yen	(1.2) B of yen

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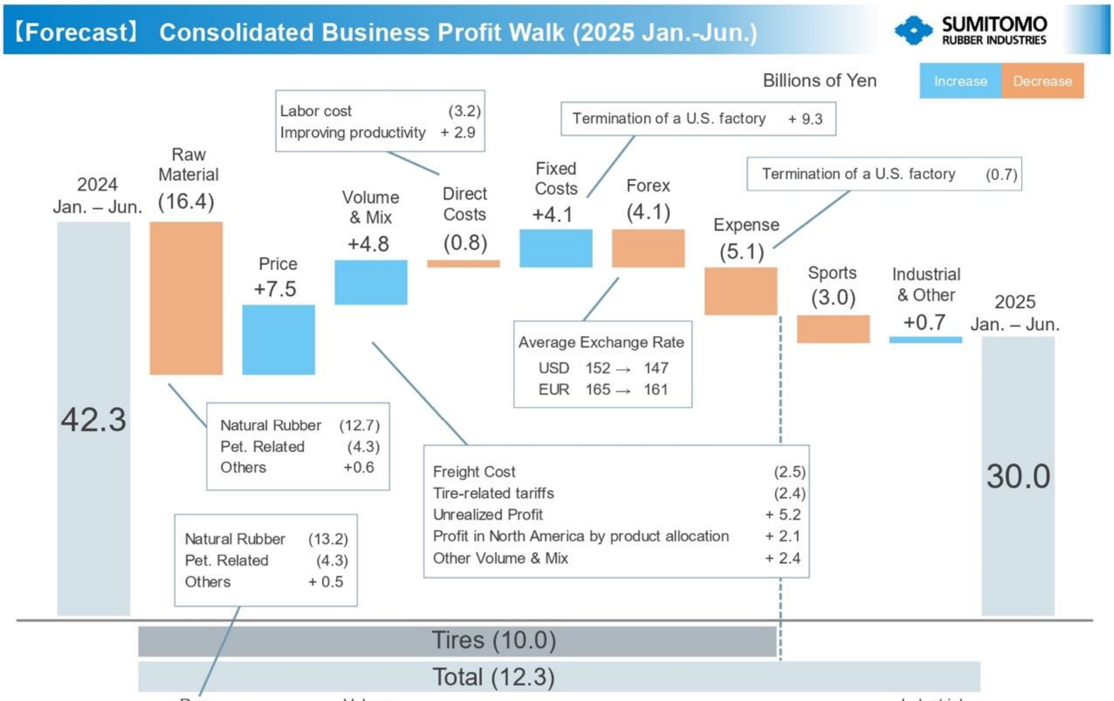
Please refer to slide 15. The following items of business profit in the consolidated statements of income are explained below.

In FY2025, the significant decrease in profit below business profit, from JPY14.1 billion to JPY3.6 billion in quarterly profit, was mainly due to the negative JPY10.9 billion in financial expenses in five, the contents of which are shown on the right side of the slide, mainly due to the negative JPY8 billion foreign exchange loss resulting from the strong yen on foreign currency denominated assets and other assets, etc.

The foreign exchange gains shown at the bottom of the right-hand side of four were also positive JPY3.2 billion last year, but zero this year, so the total foreign exchange impact was negative JPY12.4 billion, including both of these losses and the valuation loss on derivatives shown in five.



	Raw Material	Price	Volume & Mix	Direct Costs	Fixed Costs	Forex	Expense	Sports	Industrial & Other	Total
Feb. 13th Forecast	(17.0)	+7.2	+8.5	(0.1)	+3.1	(4.2)	(7.5)	(2.5)	+0.2	(12.3)
2023 → 2024	+3.5	(1.5)	+18.6	(4.9)	(3.2)	+12.9	(1.1)	+0.5	+0.4	+25.2

Please refer to slide 21. This is the reason for the increase or decrease in business profit in H1 from the same period of the previous year.

First, we expect raw material prices to be minus JPY16.4 billion and prices to be plus JPY7.5 billion. Volume, composition, and others are expected to increase by JPY4.8 billion due to unrealized profit and the effect of restructuring in the North American business. Note that the tire tariffs in the upper left box include the so-called Trump tariff effects in addition to the existing North American anti-dumping duties. We also expect direct costs to be minus JPY0.8 billion, fixed costs to be plus JPY4.1 billion, foreign exchange to be minus JPY4.1 billion due to the effect of yen appreciation, and expenses to be minus JPY5.1 billion.

As a result, we forecast a minus JPY10 billion decrease in profit for the tire business as a whole and a minus JPY12.3 billion decrease in profit for the entire company as a whole.

【Forecast】 Consolidated Financial Results (2025 Annual)

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	Revised Forecast 2025	Actual 2024	YOY	Feb. 13th 2025 Forecast 2025
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ROE	**7.0%**	1.5%		6.7%
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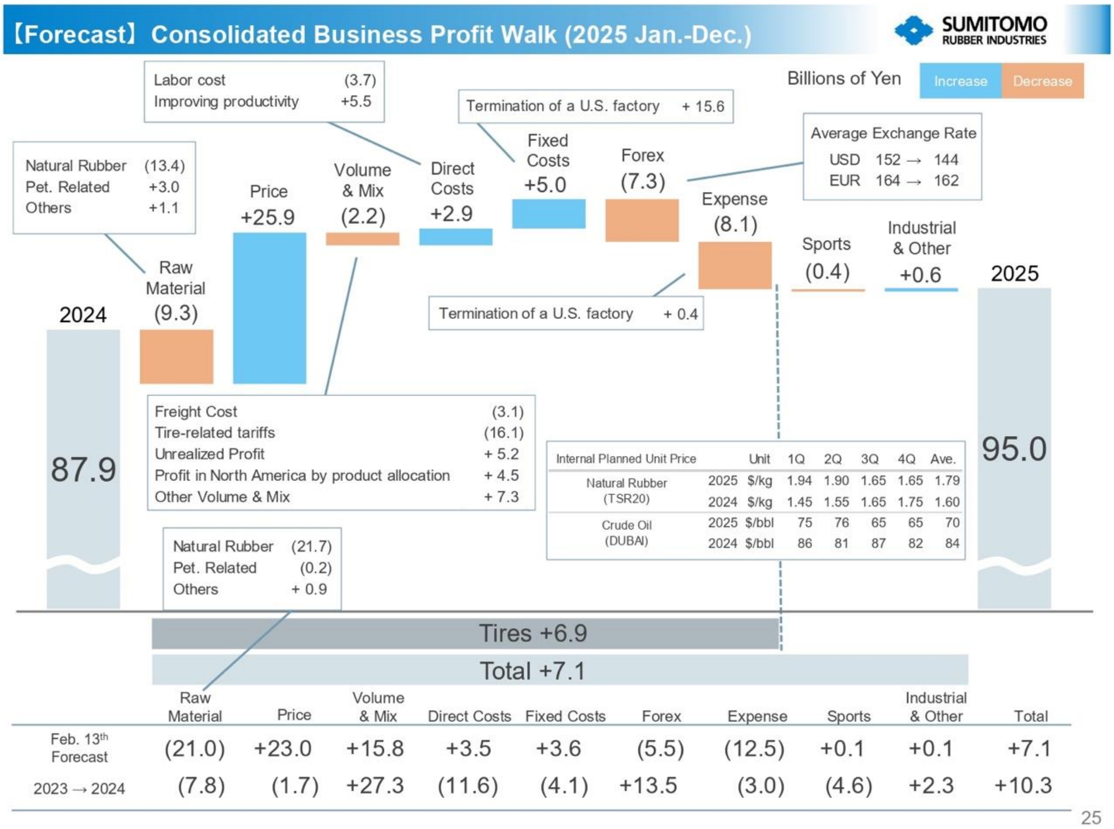
D/E Ratio	**0.7**	0.5		0.6

*1. ROIC : Net Business Profit After Tax / Invested Capital
*2. ROA : Business Profit / Total Assets

22

Please refer to slide 22. This is the annual consolidated forecast for FY2025.

As shown in the blue box, revenue is expected to increase by 101% from the previous year to JPY1,220 billion, business profit by 108% to JPY95 billion, operating profit by JPY84 billion, and net income by JPY45 billion. As a result, we expect the business profit margin, ROIC, ROE, and D/E ratio to be 7.8%, 6.7%, 7%, and 0.7, respectively, in FY2025.



Internal Planned Unit Price		Unit	1Q	2Q	3Q	4Q	Ave.
Natural Rubber (TSR20)	2025	$/kg	1.94	1.90	1.65	1.65	1.79
	2024	$/kg	1.45	1.55	1.65	1.75	1.60
Crude Oil (DUBAI)	2025	$/bbl	75	76	65	65	70
	2024	$/bbl	86	81	87	82	84

	Raw Material	Price	Volume & Mix	Direct Costs	Fixed Costs	Forex	Expense	Sports	Industrial & Other	Total
Feb. 13th Forecast	(21.0)	+23.0	+15.8	+3.5	+3.6	(5.5)	(12.5)	+0.1	+0.1	+7.1
2023 → 2024	(7.8)	(1.7)	+27.3	(11.6)	(4.1)	+13.5	(3.0)	(4.6)	+2.3	+10.3

Please refer to slide 25. This is the factor analysis of the increase or decrease in the annual business profit for FY2025 from the previous year.

First, we expect raw material prices to trend downward toward the end of the year, partly due to the impact of the Trump tariffs, but we also expect negative JPY9.3 billion due to the negatives from the EUDR response. The price increase reflects the raw material price increase at the beginning of the year and the Trump tariffs, and is expected to total JPY25.9 billion for Japan, the US, Europe, and Asia. The volume and composition of other items was minus JPY2.2 billion due to the significant negative impact of the Trump tariffs, despite the positive impact of unrealized income, the effect of restructuring in the North American business, and the improvement in the composition. Direct costs and fixed costs are expected to increase by JPY2.9 billion and JPY5 billion, respectively, due to the North American effect.

On the other hand, we expect the yen to appreciate against each currency in general, and we project a negative JPY7.3 billion in foreign exchange. For expenses, in addition to the increase in DX-related expenses, we have factored in the impact of higher labor costs of negative JPY8.1 billion, resulting in a projected positive JPY6.9 billion increase for the tire business as a whole. We had forecasted an increase of plus JPY79.1 billion for the Company as a whole.

Consolidated Business Profit Analysis by Factors

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	Period	Business Profit	vs Previous year	Raw Material	Price	Volume & Mix	Direct Costs	Fixed Costs	Forex	Expense	Sports	Industrial & Other
2024	Jan.-Mar.	23.2	+15.2	+3.8	(0.1)	+11.1	(2.2)	(1.4)	+5.3	(0.2)	(1.2)	+0.1
2024	Apr.-Jun.	19.1	+10.0	(0.3)	(1.4)	+7.5	(2.7)	(1.8)	+7.6	(0.9)	+1.7	+0.3
2024	Jul.-Dec.	45.6	(14.9)	(11.3)	(0.2)	+8.7	(6.7)	(0.9)	+0.6	(1.9)	(5.1)	+1.9
2024	Annual	87.9	+10.3	(7.8)	(1.7)	+27.3	(11.6)	(4.1)	+13.5	(3.0)	(4.6)	+2.3
2025	Jan.-Mar.	14.1	(9.1)	(8.8)	+2.8	+1.5	(0.6)	+2.0	(1.5)	(2.8)	(2.5)	+0.8
2025	Apr.-Jun. Forecast	15.9	(3.2)	(7.6)	+4.7	+3.3	(0.2)	+2.1	(2.6)	(2.3)	(0.5)	(0.1)
2025	Jul.-Dec. Forecast	65.0	+19.4	+7.1	+18.4	(7.0)	+3.7	+0.9	(3.2)	(3.0)	+2.6	(0.1)
2025	Annual	95.0	+7.1	(9.3)	+25.9	(2.2)	+2.9	+5.0	(7.3)	(8.1)	(0.4)	+0.6
	vs Feb. 13th Forecast		+0.0	+11.7	+2.9	(18.0)	(0.6)	+1.4	(1.8)	+4.4	(0.5)	+0.5

26

Please refer to slide 26. Here, we will explain the items listed at the bottom of the table that differ significantly from the forecast at the beginning of the year, i.e., from the previous announcement.

First, raw material prices are expected to stabilize for both natural rubber and petroleum products, resulting in an increase of JPY11.7 billion from the previous forecast. On the other hand, a negative impact of minus JPY18 billion was factored in for volume, composition, etc., due to the impact of the Trump tariffs and volume declines. Despite the negative factors of the subtraction, we plan to maintain the forecasted value at the beginning of the year by the price increase and also making company-wide efforts to reduce fixed costs, expenses, and other internal efforts.

Tire Sales Volume (Comparison %)

SUMITOMO RUBBER INDUSTRIES

vs Previous year		2024 Actual					2025 Jan.-Mar. Actual, Apr.-Dec. Forecast					Feb.13th 2025 Forecast		
		Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Annual	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Annual	Jan.-Jun.	Jul.-Dec.	Annual
Domestic O.E.		78%	90%	87%	88%	86%	**120%**	102%	103%	102%	**106%**	113%	102%	107%
Domestic Rep.		86%	97%	108%	103%	98%	**96%**	91%	91%	98%	**94%**	92%	97%	95%
Overseas O.E.		90%	89%	89%	90%	90%	**91%**	93%	92%	93%	**92%**	97%	95%	96%
Overseas Rep.		100%	93%	99%	102%	98%	**94%**	99%	99%	98%	**98%**	97%	102%	100%
Details	North America	107%	86%	98%	101%	98%	**83%**	107%	96%	92%	**94%**	95%	102%	99%
Details	Europe	102%	105%	90%	96%	98%	**97%**	95%	107%	104%	**101%**	97%	109%	103%
Details	Asia	93%	89%	103%	114%	99%	**104%**	94%	94%	101%	**98%**	97%	98%	98%
Details	Others	100%	93%	104%	100%	99%	**94%**	101%	99%	97%	**98%**	99%	100%	100%
Total		93%	93%	97%	98%	95%	**97%**	97%	97%	98%	**97%**	98%	100%	99%
Total Tire Sales (000 Units)		24,610	24,870	26,090	27,760	103,330	**23,850**	24,190	25,250	27,180	**100,470**	48,540	53,770	102,310

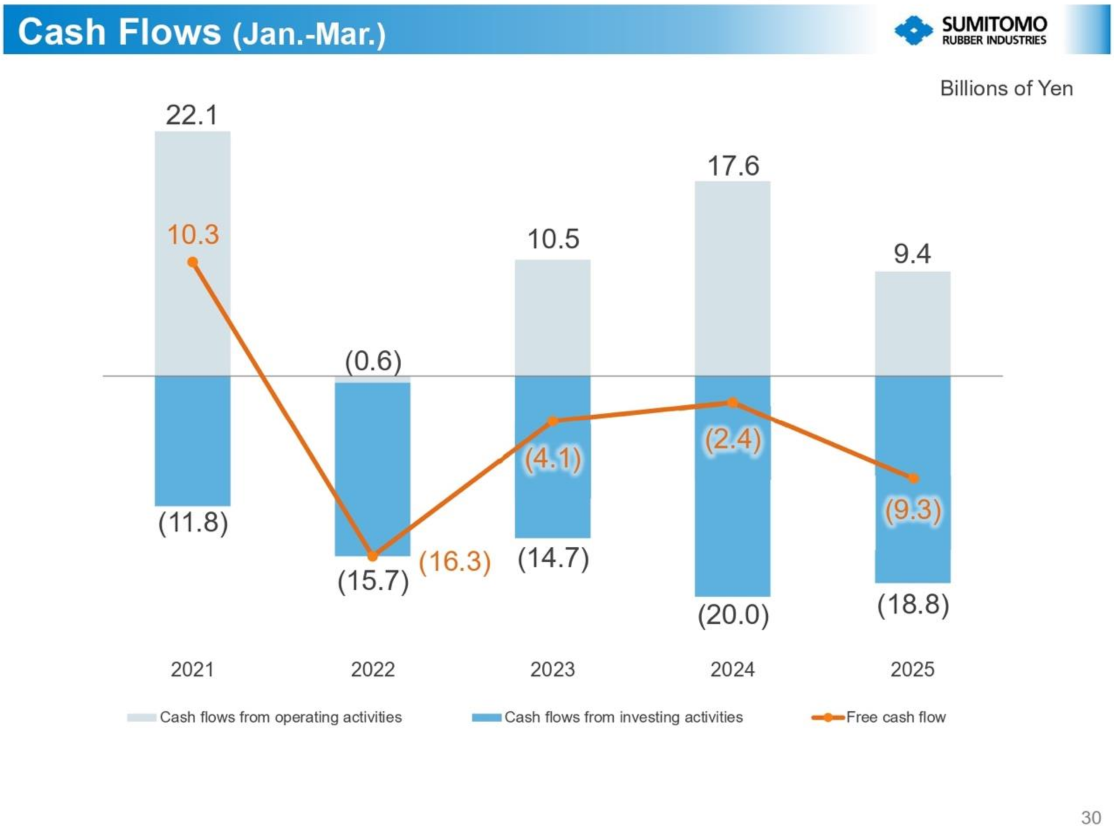
27

Please refer to slide 27. This is the YoY change in unit sales of tires.

As noted in the lower blue box in the middle of the report, sales for the first three months of this year totaled 23.85 million units, down 3% from the same period last year. While domestic new car production increased 20% and OEM manufacturers' production recovered, domestic after-market sales decreased 4%, mainly due to lower sales to Goodyear Japan. Overseas sales volume was lower than the previous year due to the impact of declining sales in Europe and the US for after-market sales and in China for new vehicle sales, against a backdrop of inflation and uncertain market conditions. However, sales of premium products such as SYNCHRO WEATHER, WILDPEAK, and All Season were generally strong, in contrast to the overall decline in unit sales.

As shown in the lower right-hand side, we expect annual sales volume of 147 million tires, a 3% decrease from the previous year and a 2% decrease from the forecast made at the beginning of the year, taking into account weak sales of new tires for new vehicles in China and the impact of tariffs on tires in North America.

By market, domestic new car sales are expected to increase 6% from the previous year, while domestic after-market sales are expected to decrease 6%, in line with last year's launch of low-profit products, SYNCHRO WEATHER. Overseas new car sales are expected to decrease 8%, and overseas after-market sales are expected to decrease 2%. By region, North America is expected to decrease 6%, Europe 1%, Asia 2%, and others 2%.

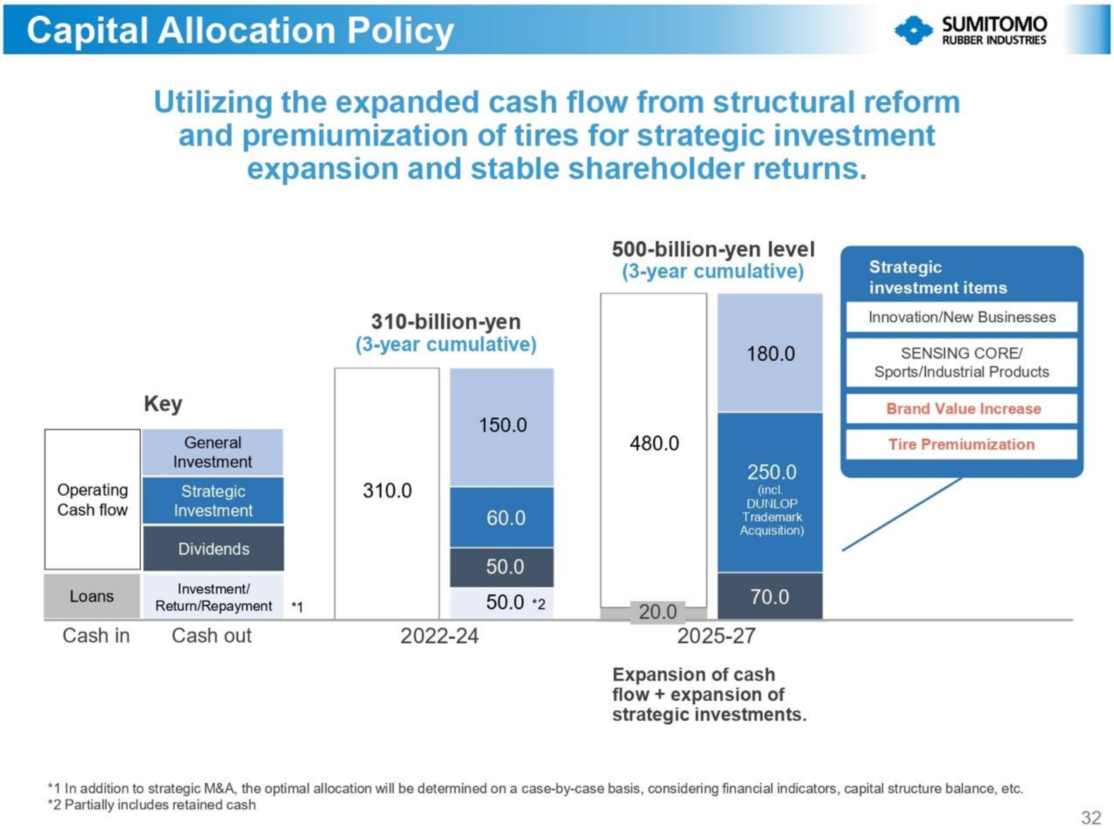


Please refer to slide 30. This is the trend of cash flow.

Operating cash flow at the right end was positive JPY9.4 billion. Although our previous efforts to reduce working capital have been successful to a certain extent, the decrease in operating cash flow was JPY8.2 billion less than the JPY17.6 billion in operating cash flow in the previous year, due to the decrease in income and the cash outflow associated with the restructuring of the North American business.

On the other hand, investment cash flow was JPY18.8 billion, a decrease of JPY1.2 billion versus the previous year.

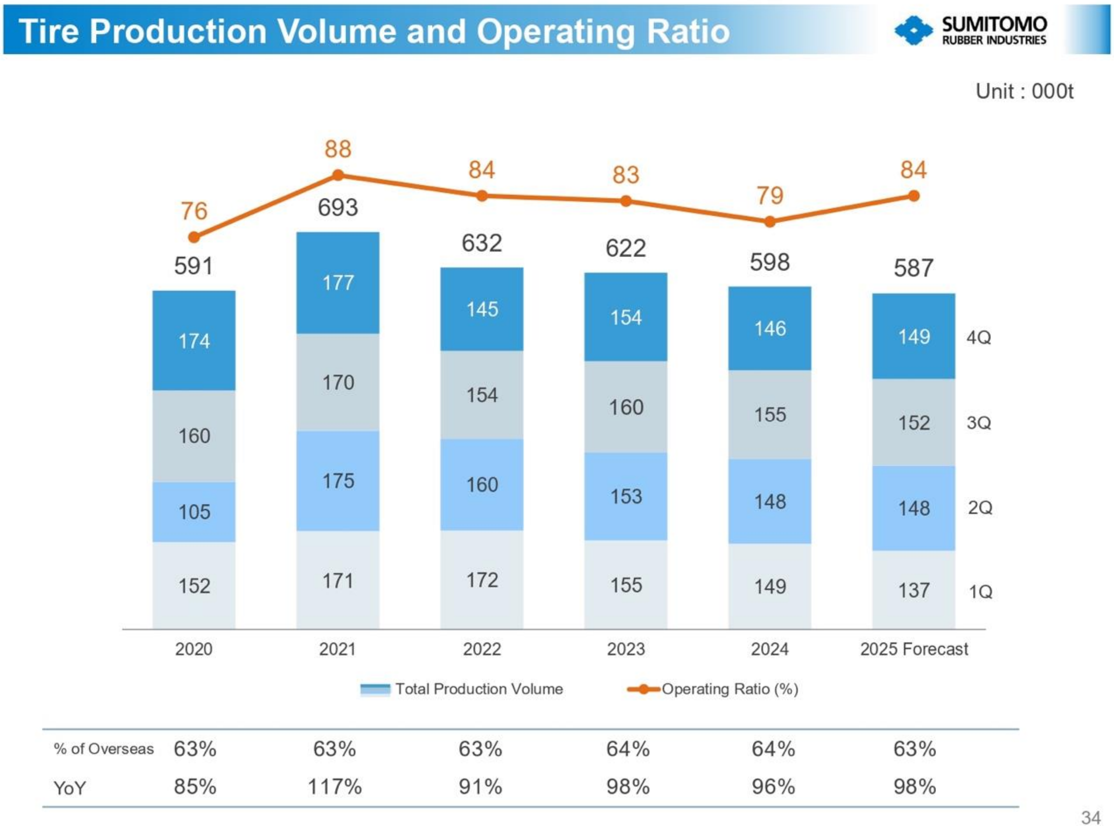
As a result, net free cash flow was minus JPY9.3 billion, a decrease of JPY6.9 billion from the previous year. Note that this section does not include costs related to the purchase of DUNLOP's trademark rights.



Next, please see slide 32. In March of this year, we announced our capital allocation policy as part of our long-term management strategy.

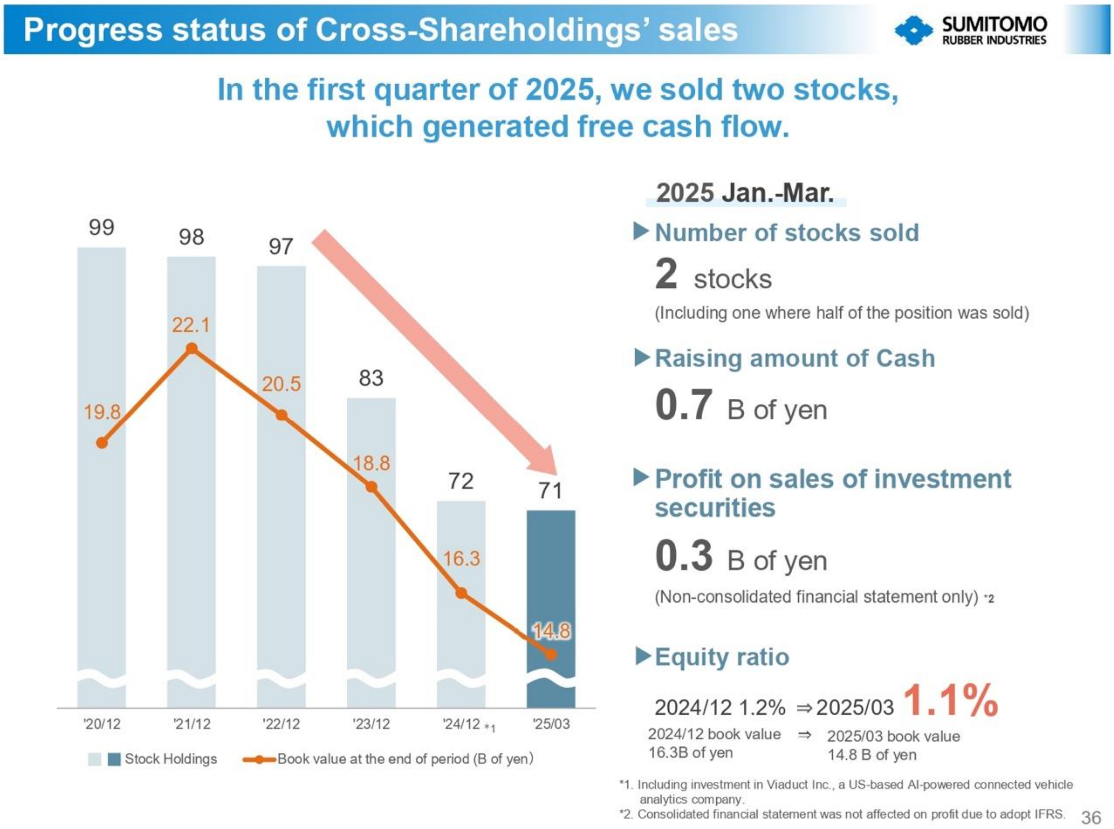
The Company plans to use the cash flow from restructuring and tire premiums to expand strategic investments and to return profits to shareholders, business partners, the community, and employees.

As strategic investments to achieve growth by 2027, we will focus on the acquisition of the DUNLOP trademark, for which we have already completed payment on May 7, mainly in the tire business. In addition, we will focus on the introduction of next-generation molding machines and new manufacturing systems under the In-House New Factory concept, which was presented at the time of the announcement of the Long-Term Management Strategy as premiumization initiatives centered on the use of active tread technology.



Please refer to slide 34. The following chart shows the facility utilization rate and production volume of tires.

At the far end of the table, annual production in 2025 is projected to be 587,000 tons, a slight decrease from last year's 2024 results. The closure of the North American plant at the end of last year will reduce production capacity, resulting in an annual capacity utilization rate of 84%.



Finally, please see slide 36.

As one of the measures to achieve cost-conscious management of capital, we have consistently reduced our policy shareholdings. In Q1 of FY2025, we sold two issues, reducing our holdings to 1.1% of total assets. We will continue to reduce the number of such issues in the current fiscal year and beyond.

In conjunction with this, as President Yamamoto explained earlier, we will continue to aim for stable dividends over the long term with respect to our shareholder return initiatives.

This is the end of my presentation. Thank you.

Question & Answer

Kimura [M]: Now, we would like to take questions. Please state your company and your name before asking your question. Due to time constraints, each person will be limited to two questions. If you have any questions, please use the raise hand button. Our first question is from Mr. Sakamaki from BofA Securities.

Sakamaki [Q]: Thank you very much. Since this is the first question, if you don't mind, could you please provide a supplemental explanation of how Q1 progressed with the plan that you had in mind internally, how it was different or better, and in what areas there were setbacks? Based on that, the full year if any, this time, with the impact of tariffs and raw materials being reviewed, your plan seemes to have quite a buffer, as if there was no need to revise the reduction even if some 10% or so of tariffs were added in the past. In this case, can you manage with the current plan in that sense? What nuances should we look at in this plan? This is the first one regarding performance.

Yamamoto [A]: Thank you for your question. First, as I explained, the results for the period from January to March showed a decrease in both sales and profits compared to the previous year. We have been able to exceed our internal budgets and plans, and we hope to move forward toward the end of the year with the current momentum.

I would also like to explain our annual performance forecast, including the impact of tariffs. The US tariff policy is still shaking out, but we have first estimated the worst-case impact scenario. The company-wide negatives amount to JPY18 billion. In order to offset the increased cost of tariffs, each division and the entire company has been working on measures to deal with this issue. As a result, we have determined that we are at a level where we can beat back the decrease by the tire price increase, composition improvement, and internal efforts.

We will naturally reduce the number of units sold in each market due to the impact of tariffs, and we will review our sales prices by passing the impact of tariffs on to prices. There is also a risk that penetration rates may be affected by factors with tariffs. We have taken these factors into consideration and incorporated them into this plan. We have bounced back the negatives of this tariff cost and are now ready to take action to address them.

The operating profit in the initial plan for the year was expected to exceed JPY100 billion, but this did not include the impact of tariffs. Therefore, we have disclosed JPY95 billion as the published figure, taking into account appropriate risks and a slight margin of flexibility. This time, we have taken into account the risk of tariffs, the impact of the decrease in sales volume in the US and other regions I mentioned earlier and other factors. We will work together as a company to achieve the announced operating income of JPY95 billion.

Of course, the tariff policy has not yet been finalized, so it remains to be seen how the tariffs will affect the economy and the demand for tires. Since the situation is uncertain, we will closely monitor the situation and respond accordingly. We have built up our plan and it is already in place, so we will work through it one by one without fail and achieve annual business profit of JPY95 billion. That is all from me.

Sakamaki [Q]: Thank you very much. The second point is regarding tariffs again. You have already raised the price on May 1. In fact, looking at your plan this time, I believe that you are looking at a rebound following the demand rush in April and June. Don’t we have to worry about the risk of your company losing market share due to a price increase? How is the perception from dealers and others in the market? Also, you have announced a slightly higher level of penetration than other companies, but what level of penetration can we expect at this point?

Yamamoto [A]: Thank you. Nishiguchi will reply to you regarding this matter.

Nishiguchi [A]: Especially in the US, as far as I know in North America, we were the first in the tire industry to announce a price increase in North America. We are 100% exporters, so this tariff issue was the first thing we had to overcome.

We were able to be the first to announce a price increase with the backdrop of growing WILDPEAK's presence in the US. In addition, we have been able to do business with major customers and have a close relationship with FALKEN FANATICS, a retailer with about 15,000 stores in the US, which I have mentioned again and again, so we were able to announce price increases for such items as "Up to 15" and so on. So far, we have not had any bounce back from customers, and we believe that they will accept it.

However, of course, it is a competitive world, and price differences with other companies will affect our sales volume and deliveries. The annual plan of JPY95 billion, which is unchanged, does not include a large decrease in margin for price as well as volume, but it does include a certain amount of peeling off.

As for the non-US tariffs, we had planned from the beginning of the year to raise prices due to soaring raw material prices and factory-related labor costs, and we were able to complete most of these increases by April as planned. The price increase in H1 of the fiscal year is factored into H2 of the fiscal year, and the same area will be doubled in H2 of the fiscal year. At the moment, I think we are in a situation where we can manage to do our best.

Sakamaki [M]: I understand. Thank you.

Kimura [M]: Thank you very much, Mr. Sakamaki. The next questioner is Mr. Yoshida from Citigroup Inc.

Yoshida [Q]: Thank you very much. I am Yoshida from Citigroup.

The first point is to confirm what you said earlier, that Q1 exceeded the budget. Please confirm how much the operating profit exceeded the budget. This is for the supplemental part.

In the area of price effect, it is plus JPY2.9 billion compared to the previous plan. I think the top-up is small for a considerable price increase in the US If it works, say, 10% in six months, it will probably work out to more than JPY10 billion or so, so please give us some background on this area. This is the confirmation and the first part.

Yamamoto [A]: As for how much we exceeded the budget for business profit in Q1, we exceeded our budget for Q1 by JPY2 billion. We will continue to promote this so that we can add on to it.

Okawa will answer regarding the price effect.

Okawa [A]: I will explain it. Regarding the price effect, we had planned at the beginning of the year to raise prices for raw materials and labor costs, and now we have added a new price increase in response to the Trump tariffs, each with a slight increase in risk.

Roughly speaking, we are expecting about one-third of the price effect with the raw materials and tariffs to be stripped off. The calculation is based on the assumption that the effect of the US tariffs will be removed by a third. So, although it does not look as if there has been much increase since the beginning of the year, please understand that the contents have been calculated together. That is all from me.

Yoshida [Q]: Understood. So, you are also reducing that part by looking at the risk, rather than the price effect that you were putting into labor and raw material costs that you were looking at at the beginning of the year.

Okawa [A]: Sentiment is weakening a bit due to the Trump tariffs, so we need to keep an eye on that as well, so we have included appropriate risks.

Yoshida [Q]: I see. Thank you. One more point, please tell me how you would consider Thailand's cost competitiveness, assuming a world with a 25% US tariff. I think that you are still far more competitive against Buffalo, but I would like to know what your company's own calculations and accumulated cost competitiveness in Thailand will be with these tariffs, rather than compared to other companies, such as Toyo or premium companies in existing local operations, for example.

Yamamoto [A]: Thank you. Okawa will reply to you.

Okawa [A]: To put it too bluntly, I understand that even if the cost in Thailand is taken on as tariffs, it is still more than competitive enough than doing it in North America. However, we do not know how our costs in Thailand compare with those of other companies, so we were able to close our North American plant at the best time. We believe that we were able to close the plant in North America at the best possible time and that it would have been very difficult to close it now. That is all from me.

Yoshida [M]: Thank you.

Kimura [M]: Thank you very much, Mr. Yoshida. The next question is from Mr. Maki, SMBC Nikko Securities.

Maki [Q]: I am Maki from SMBC Nikko Securities. Thank you. Two points from me as well.

The first question is, what is the response to the US business? First, President Yamamoto mentioned that WILDPEAK has been doing well in the recent past, so I would like to know what the situation is now after the price increase, with figures.

We have completed the DUNLOP deal in May. I think you have a clear idea of how many dealers you have and the inquiries you are getting from them. I would like to know your thoughts on this. Since products may be sold at a time when tariffs are likely to increase, we would like to know if there are any negotiations to be made there again. This is my first question.

Yamamoto [A]: Thank you for your question. Nishiguchi will respond to this matter.

Nishiguchi [A]: First, I think it was about the business especially with WILDPEAK in US. As shown in today's materials, overall sales volume in North America was down from the previous year, but this was due to a drop in the volume of passenger tires for the largest retailers, which were in the most general-purpose zone due to price competition from the tire four section.

However, WILDPEAK had a delay in shipments from January to March, but when the delayed shipments in April are included, WILDPEAK grew by 107% YoY. We believe we are continuing to perform well. Although we have announced a price increase, I believe that the growth is not due to temporary demand before the price increase, but rather to the fact that we have been able to expand market size and continue to receive a large number of repeat orders.

Regarding Dunlop, we have also announced the closing of the deal. The transition will begin in Australia and then in the US. In Australia, Sumitomo Rubber Industries has been manufacturing Dunlop products and selling them to Goodyear, so business will continue smoothly starting this month.

In North America, mainly the US, it will start in June or July. Until now, North America has been Goodyear's home country, as you all know. The fact that they were mostly selling Goodyear products meant that DUNLOP was hardly out in the world for four-wheelers. Since we will be introducing our products with this backdrop, actual sales of our products will start in Q3 and Q4 of this fiscal year. For this year, we do not believe that there will be such a large contribution. Since we are already as well-known as tier one, we expect that business negotiations will proceed smoothly after closing with major customers and customers who have been cultivated by FALKEN and who want to handle DUNLOP as well. I hope this answers your question.

Maki [Q]: Thank you very much. I'm wondering if there is some kind of view of the DUNLOP business based on tariffs, if any, perhaps the price would have to be raised considerably.

Nishiguchi [A]: Regarding tariffs, DUNLOP products will also be manufactured in Japan and mainly in Thailand. As with FALKEN, we would like to respond to our customers in the same way as we do with FALKEN, with the tariffs still being added to the price. This will be the first time we are pricing it, and it will be priced at a different tier than FALKEN, so I don't think there will be a major impact on that area, as we will be starting with premium.

Maki [Q]: I see. Thank you. The other is regarding the active tread, SYNCHRO WEATHER. Could you give us an update on the current sales trend and how much the sales for the full year are expected to be higher or lower than your projections?

Yamamoto [A]: Thank you. Nishiguchi will answer the question.

Nishiguchi [A]: Thank you for your question. I knew this question would come up, so I had prepared a full answer. First, we launched the product last September and received a really good response last year. I think we were able to take off well, especially since it was an all-season tire that can also run on snow season.

From January to March, we have been well prepared for the summer sales season to replace summer tires, and we have also been promoting commercials. In terms of external factors, unfortunately, the winter tires, or rather, the winter from January to March was very cold, so the demand for replacement with summer tires has been very slow, even in the industry. Sales of winter tires were about 170% of the previous year's level, and summer tires were about 100% or so, so sales were slightly affected by this, but sales were almost in line with the plan. In the area of size expansion, we were able to increase the number of sizes by 30%, which we will increase by March, so I believe we are well-positioned for sales.

Also, after about six months of sales, it has become clear that the areas where we are selling well are, as we had hoped, the Tokyo metropolitan area, Kanto, Chubu, and Kinki, which together account for about 85% of our sales. We are selling as targeted in the four major regions, and there are now 16,000 certified stores nationwide that are selling our products. As for major industries, car dealers, including many Lexus stores, car stores, and Super Autobacs stores such as Autobacs, are selling well.

We have not yet mentioned the specific number of units, but in terms of composition, SYNCHRO WEATHER's composition is about 4 percentage points higher than our own 18-inch composition, even though we do not yet have enough 18-inch or larger units. The average marginal profit is 1.5 times higher than we had expected, and we continue to feel a very positive response.

As we approach the end of the year, we will continue to expand our product lineup. We also understand that all-season tires are still strongly perceived as winter tires in Japan. We had hoped for a further jump in summer sales, but we are determined to expand it by strengthening the appeal of these all-season tires the next time we have winter tires again. I would like to be more specific in terms of the number of units, but I believe that we can certainly get to the large number by 2026, which we have said once in these forums. That is all from me.

Maki [Q]: Thank you very much. I thought that this was a factor in the upward swing in Q1. Is it safe to assume that in Q1, winter tires will sell very well, improving the mix, and active treads will sell as expected, and sales will pick up a little more in Q2 and beyond?

Nishiguchi [A]: Yes, you are correct. Thank you.

Yamamoto [A]: This SYNCHRO WEATHER is the main summer tire now. It really has more than the standard summer performance with summer performance, wet performance, maneuverability and noise. The tire is very well done, so we hope that customers will install these tires during the summer tire season so that they can enjoy the benefits of driving with peace of mind throughout the year, even when it starts snowing or raining heavily, we would like to promote the value of this lifestyle-changing product through the media and other media. We would very much like to expand our sales this season and would appreciate your support again.

Maki [M]: Thank you very much.

Kimura [M]: Thank you Mr. Maki. The next question comes from Mr. Kanai of Tokai Tokyo Intelligence Lab.

Kanai [Q]: I am Kanai from Tokai Tokyo Intelligence Lab. I have two questions.

First, I may sound insistent, but I think that the current plan incorporates a figure of less than JPY18 billion, as you mentioned earlier that the worst-case scenario would be a negative factor of JPY18 billion per year in the North American tariff impact. Is it correct to say that that is roughly two-thirds of the total? Please tell us more about that. In addition, please tell us whether there is any tariff impact on sports projects or not, or whether your plan is to counteract it in your plans. Thank you.

Yamamoto [A]: Thank you. Okawa will answer this question.

Okawa [A]: I will answer your question. The JPY180 billion that Yamamoto mentioned earlier is not just for tires, but for the entire company, including sports. Therefore, on page 25, where it says tire tariffs, it says JPY161 billion, which is actually not only Trump tariffs but also some anti-dumping tariffs, but it is almost exclusively Trump tariffs, and yet only the tire portion is listed.

It is difficult to say how much is in sports because I cannot say for sure, but I think it is safe to say that roughly 90% are tires. In this context, the plan is based on the premise that although the price will be passed on once, about one-third will be stripped off, as I explained earlier. That is all from me.

Kanai [Q]: Thank you very much. As a supplement, is it correct that the tariff impact on the sports business is not that large in terms of amount, say JPY1 or 2 billion?

Yamamoto [A]: Yes, that’s right. The impact of Chinese tariffs also accounts for a significant portion of the total, but since the rate of Chinese tariffs has been reduced this time, the figures are also estimated based on the worst-case scenario before that. We have been working for the past several years to diversify the China risk associated with the products we now receive from China. We would like to accelerate that as well, while also diversifying risk. That is all from me.

Nishiguchi [A]: Just to add to Okawa's comment, I think your question was probably about the risk part. The expression, one-third, mentioned by Okawa, meant that the risk portion can be taken in and covered by this measure. This is not to say that this plan is JPY950 billion without covering that risk, but rather that we have taken steps to anticipate that risk, and have taken measures to go above and beyond, so that even if there is a third of that peeling, JPY259 Billion can be bounced back at the price.

Kanai [Q]: I understand very well. Thank you. The other point I would like to make is about the outlook for raw material prices, and I am not sure if I should ask again, but the reason for the big change in the last three months. Please tell us about any events that may have triggered or contributed to the change in your outlook that prices will decline starting in Q2 of the year.

Yamamoto [A]: Thank you. Okawa will respond to this question.

Okawa [A]: As you are probably aware, the prices of raw materials tend to be pulled up considerably by how China moves. Of course, when Mr. Trump first started working with China in that way, sentiment dropped dramatically, and that is why the price dropped.

The reason prices are now back to normal and slightly stronger is that mutual tariffs between China and the US have dropped, and speculation is driving prices up again. Although it is difficult for us to read, it takes about three to six months from the time the price falls to the time it affects our PL. We believe that the impact of the ups and downs in raw materials will be felt in the latter half of H2 of the fiscal year, around Q4. This does not mean that there will be an across-the-board impact, but we have reflected a small portion of that impact here. That is all from me.

Kanai [M]: I understand. Thank you.

Kimura [M]: Thank you very much, Mr. Kanai. The next question comes from Mr. Naruse from Okasan Securities.

Naruse [Q]: Thank you very much. Okasan Securities, Naruse. I have only one point to make, and I would like to dig a little deeper about this DUNLOP closing. First, the trademark and support costs are the same, but I think the initial inventory was initially USD70 million, has the scope changed in any way? Please explain a little about that. I would like to ask you to explain a little bit about accounting matters, such as when this USD631 million or USD104 million will be paid, and whether there are any other accounting procedures, etc., that have been decided on the balance sheet. Please.

Yamamoto [A]: Thank you for your question. Okawa will respond to this question, as well.

Okawa [A]: Thank you for your question. Regarding DUNLOP, first, GY initially said that the inventory quantity was USD70 million, but when we actually looked at it this time, we were informed that it was USD104 million, as shown here, so this has been corrected. Sorry by region, I don't remember the figures clearly, but that is why the payments are increasing.

The closing date for this payment was set for May 7, and we had already deposited all the money in escrow as of May 1 and paid them at the closing. The cash has already gone to GY.

We are currently discussing with our audit firm, KPMG AZSA, how USD526 million and USD106 million accounts will be treated, but we have not yet reached a conclusion. At the very least, we are beginning to see the prospect that the financial results will not have a significant impact on this year's PL, so I don't think it will be what you are worried about, and we will settle in that direction. Since the PPA is still a large amount, KPMG AZSA & Co. has asked us to consider it very carefully, and we expect to have a clear direction by the next Q2 financial results. That is all from me.

Naruse [Q]: Thank you very much. You are still discussing the issue, but I think the most controversial issue is whether it should be goodwill or an expense. There are still some gray areas, right?

Since the amount is so large, can you also explain the impact of the foreign exchange rate, when the cash was converted to cash, how it was borrowed, and the movement of funds since it is difficult to read only from the balance sheet at the end of Q3?

Okawa [A]: Okay. First, for USD526 million and USD105 million, we signed the contract with GY on January 8, so the full amount of the exchange contract was made on that date. It was a bit expensive in terms of money, so in hindsight I think it was a bit of a waste. Therefore, the exchange rates of the US dollar and Japanese yen on January 8 were used to fix the non-inventory items. We raised this money at the end of April through a commitment line with a bank, and on April 22, we also issued JPY20 billion in bonds. The payment was completed on the same day as that commitment line plus bonds. The commitment line is a short-term loan, but there is a grace period of six months from now, so we would like to consider various ways of borrowing through this six-month period.

There is some discussion about goodwill, but in a nutshell, there is a debate about whether PPAs should be viewed as assets or businesses. Basically, we are considering it as an asset, and Azusa understands that, but since the amount is so large, we are carefully discussing the matter again with experts in the field to make sure that we do not make a mistake, if any. Basically, there are no major discrepancies in our thinking, and the situation is now proceeding in such a way that there are no major differences in the amounts.

Narce [M]: I see. I understand clearly now. Thank you.

Kimura [M]: Thank you very much, Mr. Murase. The next question is from Mr. Kakiuchi, Morgan Stanley MUFG Securities.

Kakiuchi [Q]: I am Kakiuchi from Morgan Stanley MUFG Securities. Thank you.

First, I would like to ask if you could give us an overview of the sales performance in areas other than North America, such as Europe and Asia, and if there are any differences from what you had expected. Are there any movements such as Asian tires that are no longer imported to the US due to the tariffs imposed by the US, and are there any movements such that Asian tires will flow to these other regions and competition will break out there? I would also like to ask if there are any concerns about this in the future. That is my first question.

Yamamoto [A]: Thank you for your question. Nishiguchi will answer this matter.

Nishiguchi [A]: First, in Europe, which is the largest market outside of North America, we expect a large YoY increase in H2 of the year, but this was mainly due to internal factors. Due to a strike that lasted for about two months at our Turkish factory in H2 of last year, we were unable to ship products for a short period of time. This year we will be able to make up for that, so I believe that Europe will grow YoY.

Overall sales, however, went well in the continent, but not so good in the UK, to be honest. Since leaving the EU, I think that the economic downturn has been quite serious and prolonged. In Asia, the tide has completely turned for China, including new vehicles and replacement vehicles, and we are taking a variety of measures internally. We expect that the sales situation in China will continue to be very difficult.

In Asia and ASEAN, sales have been relatively strong, and Australia is a large market. We have DUNLOP and we have been doing quite well with FALKEN's WILDPEAK. Now, that we have tier one in our possession, we believe that we will be able to grow in terms of immediate business from now on.

Also, Africa is getting more and more interesting. We have a plant in South Africa, and now that we are on track for restructuring and have installed new equipment, we will be able to begin production of tires for SUVs in H2 of this fiscal year. We are hopeful that this undeveloped continent will also be a future money tree. That is all from me.

Kakiuchi [Q]: Thank you very much. Is there a scenario in which tires that are less likely to go to the US, as I mentioned earlier, will flow to various places on a global scale, intensifying competition?

Okawa [A]: Sorry, I forgot. First, we are now asking our employees in the Tire Business Division to get a good grasp of the facts as well. Originally, Chinese and ASEAN products in general were general-purpose zones, and the world's markets are already overflowing with them. The US is already an all-season market, so we will get the facts straight when it comes to what is going on with this tariff issue. Since 90% of our tires are all-season tires, it is difficult to imagine them going to other markets, since they are a product segment unique to the United States.

However, we expect to increase production and release products for other destinations in the future to make up for the lack of such products in the US I believe that this is an area that needs to be monitored closely. At the moment, we are not aware of any situation where there has been a sudden overflow and a tremendous problem.

Yamamoto [A]: We are currently examining the impact of tariffs on Chinese products on other markets, including markets outside of the US, and we have taken into account the rates we are able to estimate now in our profit announcement.

Kakiuchi [Q]: Thank you very much. As a second and related point, on page 13 you show the change in business profit by region since the last time. This year, 2025 is on the negative side for Europe, the Middle East, and Africa, and it would be helpful if you could explain why this is the case.

Yamamoto [A]: Thank you for your question. Okawa will respond to this matter.

Okawa [A]: You were surprised because it is in the red. I was surprised too. One is that, as Nishiguchi mentioned earlier, the UK is not doing well. In fact, the factory in Turkey has increased costs considerably, and the costs for Europe and other products that flow from here have been quite negative, and this has had a considerable effect. The number was a surprise, taking into account the overall poor economy in Europe.

In the medium term, we will recover with DUNLOP, so I think we will be able to recover well here, but if you look at just Q1, this is how the situation turned out, and I apologize for giving you figures that may surprise you. That is all from me.

Nishiguchi [A]: To add a little more detail, the Turkish plant is the closest to the EU, so while we had the alliance with Goodyear, we could not sell DUNLOP, of course, so we were making FALKEN tires. Now that the alliance with Goodyear has ended and DUNLOP has gotten everything back, we will be making DUNLOP tires for Europe at our Turkish plant. In that sense, we can improve the composition. In last year, there was a strike and labor costs went up with a bang, and with the Turkish super-inflation, the figures are now surprisingly high. As the General Manager of the Tire Business Division, I will try to recover in the short term, not in the long term as Okawa mentioned. I believe this will be fine since the configuration will be changed to DUNLOP.

Kakiuchi [M]: Thank you very much.

Kimura [M]: Thank you very much, Mr. Kakiuchi. This concludes the presentation of Sumitomo Rubber Industries, Ltd. for Q1 of the fiscal year ending December 31, 2025.

Thank you for taking the time out of your busy schedule to join us today.

Yamamoto [M]: Thank you very much.

[END]

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