Sumitomo Rubber Industries, Ltd.

Financial Results Briefing for the Fiscal Year Ended December 2023

February 14, 2024

Event Summary

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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
Hitoshi Hino	General Manager, Accounting & Finance Headquarters

[Analyst Names]*

Shiro Sakamaki	Daiwa Securities
Kazunori Maki	SMBC Nikko Securities
Arifumi Yoshida	Citigroup Global Markets

*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

Inoue: To all participants, thank you for your very long patience. We will now hold a briefing on the financial results of Sumitomo Rubber Industries, Ltd. for the fiscal year ending December 31, 2023. I am Inoue from the Investor Relations Office of Sumitomo Rubber Industries and will serve as today's moderator. Thank you very much for your cooperation.

Let me begin by introducing today's attendees.

Satoru Yamamoto, President and CEO, Representative Director of Sumitomo Rubber Industries.

Yamamoto: My name is Yamamoto. Thank you very much for your cooperation today.

Inoue: Next, Hidekazu Nishiguchi, Director, Managing Executive Officer.

Nishiguchi: I am Nishiguchi. Thank you very much for your cooperation.

Inoue: Naoki Okawa, Director and Managing Executive Officer.

Okawa: My name is Okawa. Thank you very much for your cooperation.

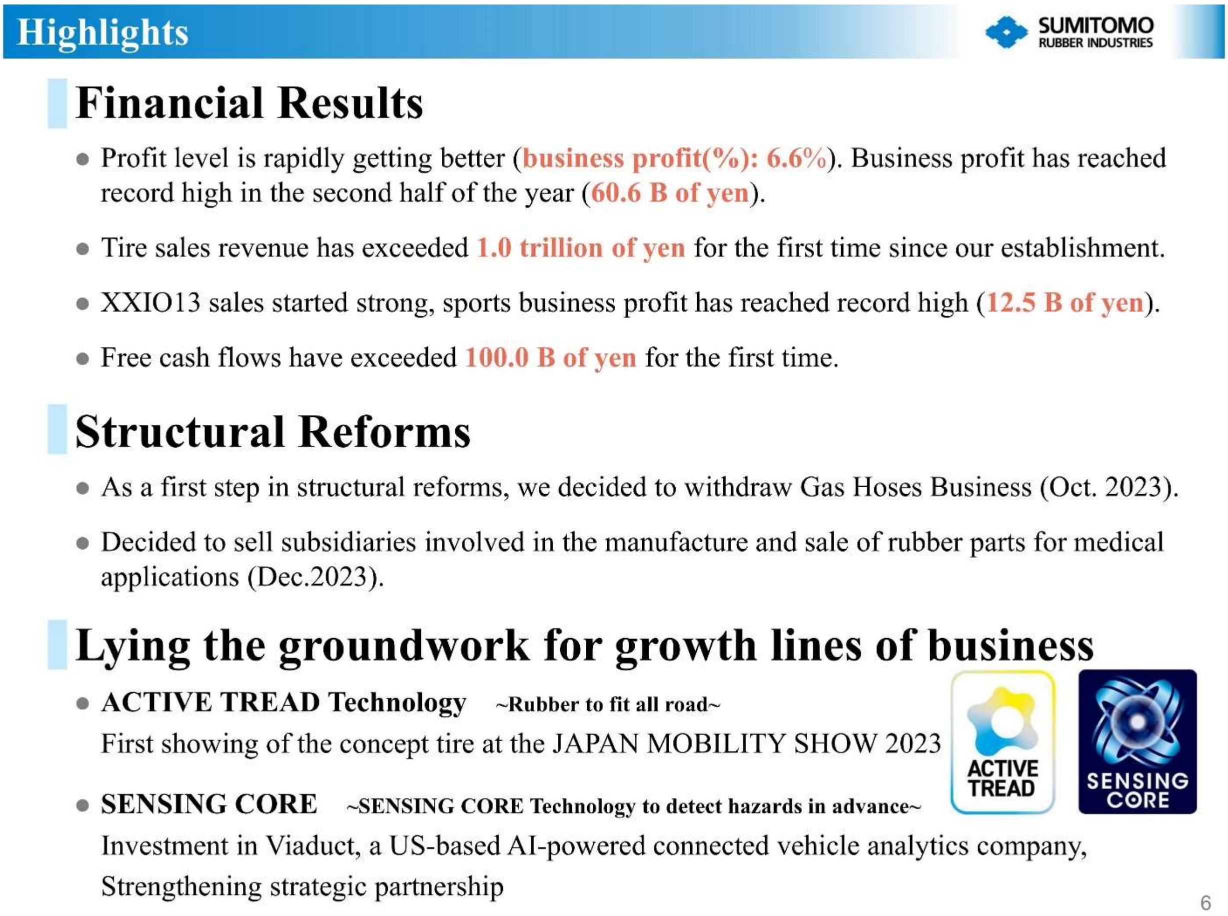
Inoue: Hitoshi Hino, General Manager, Accounting and Finance Headquarters.

Hino: My name is Hino. Thank you for your cooperation.

Inoue: Today's presentation will be made in accordance with the materials posted on our website. We will distribute the four items to those who attend the meeting at the venue: financial results, timely disclosure, financial results presentation materials, and mid-term plan progress report materials. Please inform the person in charge in the hall if there are any insufficiencies.

Today, we will begin with an overview of the financial results by President Yamamoto, followed by a detailed explanation of the financial results by Managing Director Okawa. Mr. Yamamoto will then explain the progress of the mid-term plan. After the presentation, we would like to invite your questions. Thank you very much for your cooperation.

Mr. Yamamoto will now explain.



Yamamoto: I am President Yamamoto. First of all, I would like to express my deepest sympathy to all those affected by the Noto Peninsula earthquake and pray that they regain their peaceful lives as soon as possible.

Thank you very much for taking time out of your very busy schedule to join us today. I will now give you a summary of the financial results for 2023 and the forecast for 2024. First, I would like to show you slide six.

First, regarding our business performance, in 2023, the profit level recovered rapidly, and the business profit margin improved to 6.6%, reaching a record high in H2. In particular, sales in the tire business exceeded JPY1 trillion for the first time since its establishment.

In the golf business, the XXIO 13, which was launched in December last year, has made a strong start, and the sports business achieved record profits. Free cash flow exceeded JPY100 billion for the first time.

Next, I would like to discuss structural reforms. In order to realize our mid-term plan, which sets 2027 as the target year, we are steadily promoting the selection and concentration of existing businesses and structural reforms to achieve this goal. For 2023, we have made two decisions regarding the selection and concentration of our existing businesses.

First, as a first step in structural reform, we decided to withdraw from the gas pipe business last October. Second, in December last year, we decided to sell our medical rubber products manufacturing and sales subsidiary based in Switzerland.

At the same time, we are also focusing on building a foundation for growth businesses, and in 2023 we have made progress in two main technologies.

The first is active tread technology. Last November, we had the opportunity to showcase the Active Tread concept tire for the first time at the JAPAN MOBILITY SHOW.

The second is SENSING CORE. In January of this year, we exhibited for the first time at CES, one of the world's largest high-tech trade fairs, and made a big showcase of our proprietary sensorless sensing technology, SENSING CORE.

We have also strengthened our strategic partnership with Viaduct, a US vehicle failure prediction company, by investing in the company. Combined with our SENSING CORE technology, we can detect hazards before they occur. We will continue to promote structural reforms and the establishment of a foundation for growth businesses with speed.

Consolidated Financial Results (2023 Jan.-Dec.)

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	Actual 2023	Actual 2022	YOY	Nov. 10th 2023 Forecast 2023	Actual 2021
Sales Revenue	**1,177.4**	1,098.7	107%	1,180.0	936.0
Business Profit (%) *1,5	**77.7** **6.6%**	22.0 2.0%	354%	63.0 5.3%	52.0 5.6%
Operating Profit (%) *5	**64.5** **5.5%**	15.0 1.4%	430%	46.0 3.9%	49.2 5.3%
Profit *2,5	**37.0**	9.4	393%	29.0	29.5
ROIC *3	**5.7%**	1.7%		4.6%	4.6%
ROE	**6.3%**	1.8%		5.0%	6.2%
ROA *4	**6.2%**	1.9%		5.1%	5.0%
D/E Ratio	**0.5**	0.7		0.6	0.6

2023 Forecast	Feb.14th	May 15th	Aug. 7th	Nov. 10th
Sales Revenue	1,200.0	1,160.0	1,170.0	1,180.0
Business Profit	35.0	44.0	50.0	63.0
Operating Profit	30.0	34.5	41.0	46.0
Profit	18.0	21.0	23.0	29.0

*1. Business Profit : Sales Revenue – (COS + SGA)
*2. Profit : Profit attributable to owners of parent
*3. ROIC : Net Business Profit After Tax / Invested Capital
*4. ROA : Business Profit / Total Assets
*5. Accounting adjustments have been applied since 2nd quarter, 2022, as pursuant to IAS 29 "Financial Reporting in Hyperinflationary Economies".

The above notes apply throughout this report.

7

I would like to show you slide seven.

For 2023, our group's results are as follows: revenue of JPY1,177.4 billion, 107% of the previous year's level; business profit of JPY77.7 billion, 354% of the previous year's level; operating profit of JPY64.5 billion, 430% of the previous year's level; and net income of JPY37 billion, 393% of the previous year's level.

All items improved over the previous year, especially business profit, operating income, and net income, which increased significantly over the previous year.

【Forecast】 Consolidated Financial Results (2024 Annual)

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	Annual Forecast 2024	Actual 2023	YOY	First half Forecast 2024	vs 2023
Sales Revenue	**1,200.0**	1,177.4	102%	575.0	102%
Business Profit (%)	**80.0** **6.7%**	77.7 6.6%	103%	34.5 6.0%	202%
Operating Profit (%)	**61.0** **5.1%**	64.5 5.5%	95%	30.0 5.2%	178%
Profit	**37.0**	37.0	100%	23.5	287%

ROIC	**5.7%**	5.7%
ROE	**5.7%**	6.3%
ROA	**6.2%**	6.2%
D/E Ratio	**0.5**	0.5

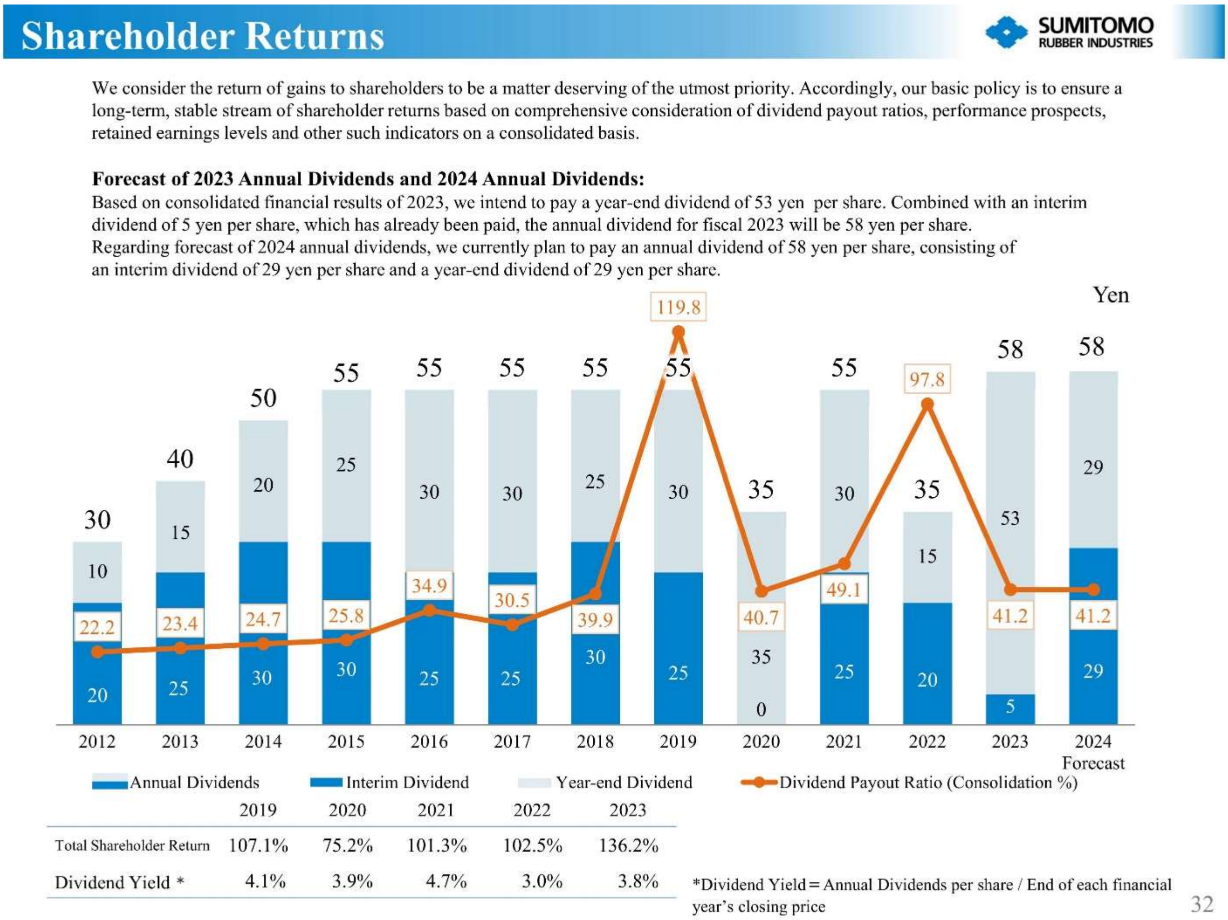
19

I would like to show you slide 19.

The following is our forecast for the full year of FY2024. With regard to the outlook for the global economy, we expect continued uncertainty, including monetary tightening measures due to rising prices and the impact of geopolitical tensions in Ukraine and the Middle East.

On the other hand, with regard to the situation surrounding our group, there is a lull in high raw material prices and energy costs, and we expect the impact of marine transportation costs to be limited.

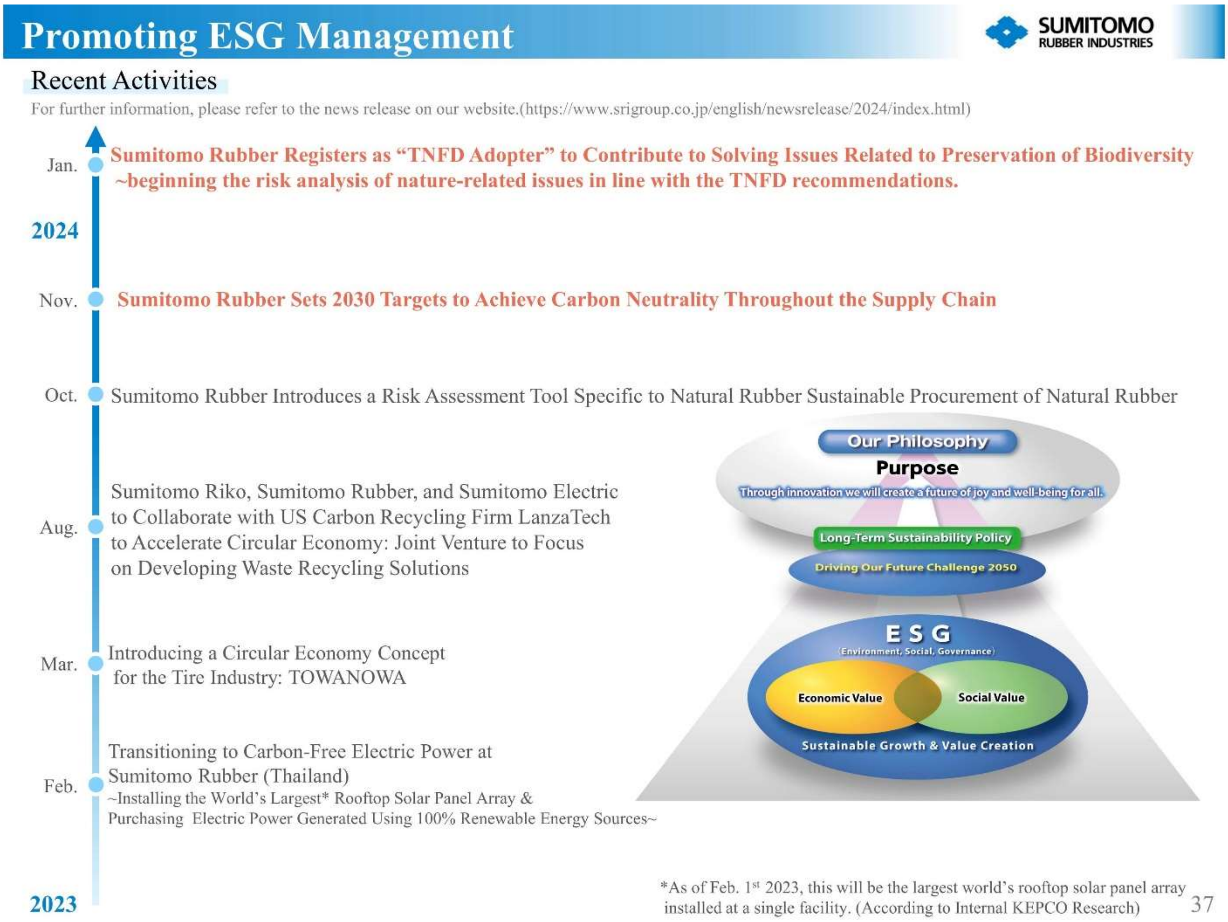
Under these circumstances, we forecast the following financial results for the full year of FY2024. We forecast revenues of JPY1,200 billion, 102% of the previous year's level; business profit of JPY80 billion, 103% of the previous year's level; operating profit of JPY61 billion, 95% of the previous year's level; and net income of JPY37 billion, 100% of the previous year's level.



	2019	2020	2021	2022	2023
Total Shareholder Return	107.1%	75.2%	101.3%	102.5%	136.2%
Dividend Yield *	4.1%	3.9%	4.7%	3.0%	3.8%

I would like to show you slide 32.

For 2023, we would like to raise the annual dividend by JPY23 from the previous year to JPY58 per share. In light of our dividend policy, we plan to pay an interim dividend of JPY29 and a year-end dividend of JPY29 for a total annual dividend of JPY58 for 2024.



Finally, please see slide 37. I would like to introduce our most recent efforts to promote ESG management.

In January 2024, we registered as a TNFD Adopter to help solve the issue of biodiversity conservation. As a result of our analysis of our dependence on and impact on nature in line with the TNFD recommendations, our top priority is to establish a sustainable natural rubber procurement network, and we will actively work on this and other biodiversity conservation issues in the future.

In November 2023, we also set a 2030 target to achieve carbon neutrality for the entire supply chain. For Scope 3, which accounts for approximately 90% of our group's greenhouse gas emissions, we have set numerical targets or KPIs for initiatives in the four categories that account for the majority of our emissions. The target for Scopes 1 and 2 has also been raised from 50% in 2021 to 55% this time around.

First, we will work to achieve the 2030 target while aiming to achieve carbon neutrality by 2050.

This concludes my explanation.

Inoue: Next, Mr. Okawa, Managing Director, will explain the details of the financial results for the fiscal year ending December 31, 2023.

Okawa: My name is Okawa. Thank you very much for attending our financial results meeting today. We thank all of our stakeholders for their continued support. I would like to take this opportunity to once again express my deepest gratitude.

I will now explain the details of the financial results for the fiscal year ending December 31, 2023. First, please see slide seven.

As shown in the blue box, the consolidated results for FY2023 show record revenue of JPY1,177.4 billion, business profit of JPY77.7 billion, 354% of the previous year, operating profit of JPY64.5 billion, 430% of the previous year, and net income of JPY37 billion, 393% of the previous year, all of which were higher than the previous year.

The business profit margin has also improved from 2% last year to 6.6% this year, and although it is still not sufficient, we felt a positive response to the revival of Sumitomo's profitability.

Consolidated Sales Revenue / Business Profit by Reportable Segment (2023 Jan.-Dec.)

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

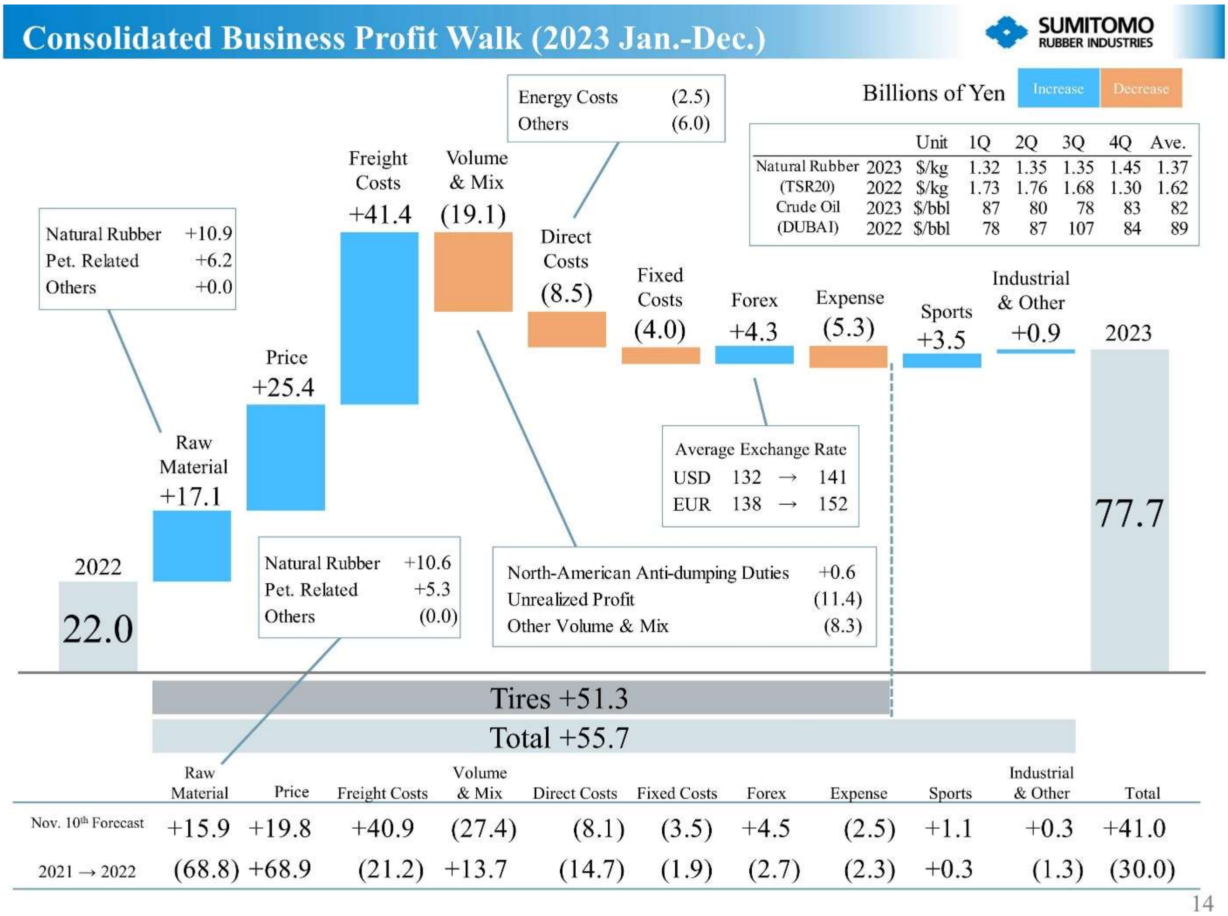
		2023 Jan.-Sep.	vs 2022	2023 Oct.-Dec.	vs 2022	**Actual 2023**	**vs 2022**	Actual 2022
Sales Revenue	Tires	720.6	109%	285.8	103%	**1,006.4**	**107%**	939.9
	Sports	97.3	108%	29.4	110%	**126.6**	**109%**	116.6
	Industrial & Other	32.9	108%	11.5	97%	**44.4**	**105%**	42.1
	Total	850.7	109%	326.7	103%	**1,177.4**	**107%**	1,098.7
Business Profit	Tires	31.9	935%	31.7	356%	**63.6**	**516%**	12.3
	Sports	8.9	108%	3.6	523%	**12.5**	**140%**	8.9
	Industrial & Other	1.2	170%	0.4	-	**1.6**	**228%**	0.7
	Total	42.0	339%	35.7	372%	**77.7**	**354%**	22.0

10

Please continue to slide 10.

Consolidated results by segment for FY2023 are shown in the blue box. Revenue was JPY1,064.4 billion for tires, JPY126.6 billion for sports, and JPY44.4 billion for industrial products and others, with all segments reporting YoY increases in revenue.

Tire business sales exceeded JPY1 trillion for the first time. Business income was JPY63.6 billion for tires, JPY12.5 billion for sports, and JPY1.6 billion for industrial products and others. All of them increased profits. In addition, the amount of business profit from sports reached a record high.



Now, please see slide 14. This is an analysis of the YoY change in business income.

In addition to the subsiding of ocean freight and raw material price hikes, which were a major burden in FY2022, market understanding helped to curb the decline in sales prices. In addition, despite unrealized negative effects arising from the normalization of ocean freight rates and the impact of the decrease in sales volume, business income of JPY77.7 billion in FY2023 was a significant increase of JPY55.7 billion over FY2022.

Please refer to the table above right for the unit prices of raw materials, natural rubber and crude oil.

Consolidated Business Profit Analysis by Factors

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

Period		Business Profit	vs Previous year	Raw Material	Price	Freight Costs	Volume & Mix	Direct Costs	Fixed Costs	Forex	Expense	Sports	Industrial & Other
2022	Jan.-Mar.	14.8	(1.4)	(19.7)	+15.1	(11.2)	+17.0	(2.0)	(0.6)	+0.0	(1.2)	+1.5	(0.3)
	Apr.-Jun.	(0.6)	(14.5)	(17.7)	+16.9	(10.5)	+3.5	(3.4)	(0.8)	+0.1	(1.3)	(0.8)	(0.5)
	Jul.-Sep.	(1.8)	(3.8)	(18.0)	+18.8	(2.2)	+3.7	(3.8)	(1.0)	(1.2)	(0.4)	+0.4	(0.1)
	Oct.-Dec.	9.6	(10.3)	(13.4)	+18.1	+2.7	(10.5)	(5.5)	+0.5	(1.6)	+0.6	(0.8)	(0.4)
	Annual	22.0	(30.0)	(68.8)	+68.9	(21.2)	+13.7	(14.7)	(1.9)	(2.7)	(2.3)	+0.3	(1.3)
2023	Jan.-Mar.	8.0	(6.8)	(4.5)	+10.8	+10.5	(19.4)	(3.9)	(0.7)	(0.3)	(1.0)	+1.5	+0.2
	Apr.-Jun.	9.1	+9.7	+1.2	+8.1	+10.8	(6.7)	(2.6)	(0.0)	+0.6	(0.8)	(1.3)	+0.4
	Jul.-Sep.	24.9	+26.7	+10.3	+4.4	+11.4	+0.8	(1.0)	(1.1)	+2.4	(0.8)	+0.4	(0.1)
	Oct.-Dec.	35.7	+26.1	+10.1	+2.1	+8.7	+6.2	(1.0)	(2.2)	+1.6	(2.7)	+2.9	+0.4
	Annual	77.7	+55.7	+17.1	+25.4	+41.4	(19.1)	(8.5)	(4.0)	+4.3	(5.3)	+3.5	+0.9
vs Nov. 10th Forecast			+14.7	+1.2	+5.6	+0.5	+8.3	(0.4)	(0.5)	(0.2)	(2.8)	+2.4	+0.6

15

Next, please see slide 15. Here, I will explain the main factors behind the JPY14.7 billion difference between the forecast at the time of the Q3 (shown at the bottom of the table), that is, the difference between the annual business profit forecast of JPY63 billion announced in November last year and the actual results of JPY77.7 billion this time.

First of all, the Q3 forecast included the impact of price reductions, mainly in North America, but these were offset in the October to December period, resulting in an increase of JPY5.6 billion. Volume and composition improved by JPY8.3 billion due to the suppression of unrealized losses by promoting shipments, the effect of the reduction of anti-dumping duties in North America, and an improvement in the composition.

In other sports, the sales forecast was raised by JPY2.4 billion, mainly due to the start-up effect of XXIO 13, and the overall sales forecast was raised by JPY14.7 billion.

Consolidated Statement of Profit & Loss Statement

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	2022 Jan.-Dec.	**2023 Jan.-Dec.**	YOY
Sales revenue	1,098.7	**1,177.4**	+78.7
Cost of sales	(845.4)	**(850.9)**	(5.5)
Selling, general and administrative expenses	(231.3)	**(248.8)**	(17.6)
Business profit	22.0	1 **77.7**	+55.7
Other income	3.1	2 **2.6**	(0.5)
Other expenses	(10.1)	3 **(15.8)**	(5.7)
Operating profit	15.0	**64.5**	+49.5
Financial income	11.5	4 **11.9**	+0.4
Financial expenses	(4.0)	5 **(13.7)**	(9.7)
Equity in earnings of affiliates	0.1	**0.0**	(0.0)
Profit before tax	22.5	**62.7**	+40.2
Income tax expenses	(10.1)	**(24.2)**	(14.2)
Non-controlling interests	(3.0)	**(1.5)**	+1.6
Profit	9.4	**37.0**	+27.6

Main factor

1 **Business profit**
Refer to page.6 to 15 for details

	Actual	YOY
2 **Other income**		
Non-operating profit	1.6 B of yen	+0.0 B of yen
Gain on sale of fixed assets	0.4 B of yen	+0.2 B of yen
Government Subsidies	0.1 B of yen	(0.7) B of yen
3 **Other expenses**		
Impairment loss	(11.4) B of yen	(7.3) B of yen
Non-operating expenses	(2.3) B of yen	(0.1) B of yen
Loss on retirement or sales of non-current assets	(1.3) B of yen	+0.7 B of yen
Non-extraordinary expenses	(0.8) B of yen	+0.6 B of yen
4 **Financial income**		
Gain on net monetary position	8.4 B of yen	+4.6 B of yen
Interest received	2.7 B of yen	+0.6 B of yen
Foreign exchange profit	-	(4.8) B of yen
5 **Financial expenses**		
Interest expenses	(6.4) B of yen	(2.8) B of yen
Foreign exchange loss	(5.0) B of yen	(5.0) B of yen
Loss on valuation of derivatives	(2.3) B of yen	(1.9) B of yen

16

Please see slide 16. The following is an overview of the consolidated statement of income, starting with operating income.

First, other expenses in item three amounted to minus JPY15.8 billion. A summary is provided in the comments to the right. The main factor is the impairment loss of JPY11.4 billion due to the transfer of shares in a European manufacturing and sales subsidiary of medical rubber products, which was disclosed recently.

The JPY11.9 billion increase in financial income in item four is mainly due to the revaluation of assets to fair value due to super-inflationary accounting in Turkey.

The negative JPY13.7 billion in financial expenses in item five is due to an increase in interest expenses resulting from higher interest rates on foreign currencies and the impact of revaluation of foreign currency debt due to the yen's depreciation. The increase in income tax expense was due to an increase in income before income taxes.

Consolidated Statement of Financial Position

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	As of Dec. 31, 2022	**As of Dec. 31, 2023**	YOY
Current assets	623.9	**624.7**	1 +0.8
Non-current assets	601.3	**642.0**	2 +40.7
Total assets	1,225.2	**1,266.7**	+41.5
Current liabilities	352.9	**331.1**	(21.8)
Non-current liabilities	308.4	**294.2**	(14.2)
Total liabilities	661.3	**625.3**	3 (36.0)
Total equity attributable to owners of parent	546.2	**624.1**	4 +77.9
Non-controlling interest	17.7	**17.3**	(0.3)
Total equity	563.9	**641.4**	+77.6
Total liabilities and equity	1,225.2	**1,266.7**	+41.5
Equity ratio	44.6%	**49.3%**	+4.7P

Main factor

	vs Dec. 31, 2022
1 Current assets	
Inventories	(21.0) B of yen
Cash and cash equivalents	+16.4 B of yen
Trade and other receivables	+7.0 B of yen
2 Non-current asset	
Tangible assets	+15.3 B of yen
Intangible assets(including goodwill)	+14.6 B of yen
Intangible assets(including goodwill)	+7.7 B of yen
3 Total liabilities	
Interest-bearing debt	(61.8) B of yen (372.8 → 310.9)
Income tax payable	+9.5 B of yen
Deferred tax liabilities	+7.5 B of yen
4 Equity	
Profit	+37.0 B of yen
Foreign currency translation adjustment	+33.4 B of yen
Dividends paid	(5.3) B of yen

17

Then look at slide 17.

As for the consolidated balance sheet, total assets amounted to JPY1,266.7 billion, the ratio of debt to equity was almost half, and the equity ratio was 49.3%. Despite an increase in the valuation of foreign currency assets due to the depreciation of the yen against foreign currencies, we were able to reduce interest-bearing debt by JPY61.8 billion through efficient management, partly due to the effects of working capital reduction activities.

【Forecast】Consolidated Financial Results (2024 Annual)

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	Annual Forecast 2024	Actual 2023	YOY	First half Forecast 2024	vs 2023
Sales Revenue	**1,200.0**	1,177.4	102%	575.0	102%
Business Profit (%)	**80.0** **6.7%**	77.7 6.6%	103%	34.5 6.0%	202%
Operating Profit (%)	**61.0** **5.1%**	64.5 5.5%	95%	30.0 5.2%	178%
Profit	**37.0**	37.0	100%	23.5	287%

	Annual Forecast 2024	Actual 2023
ROIC	**5.7%**	5.7%
ROE	**5.7%**	6.3%
ROA	**6.2%**	6.2%
D/E Ratio	**0.5**	0.5

19

Next, please see slide 19.

As for our consolidated earnings forecast for FY2024, as shown in the blue box, we expect revenue to be JPY1.2 trillion, 102% of the previous year's level; business profit to be JPY80 billion, also 103%; operating profit to be JPY61 billion, 95%; and net income to be JPY37 billion, 100%, almost on a par with the FY2023 level.

The January to June forecast, shown on the right side of the table in blue, calls for net sales of JPY575 billion, operating income of JPY34.5 billion, operating income of JPY30 billion, and net income of JPY23.5 billion, an increase in both sales and income over H1 of 2023.

【Forecast】 Consolidated Sales Revenue / Business Profit by Reportable Segment (2024 Jan.-Dec.)

SUMITOMO RUBBER INDUSTRIES

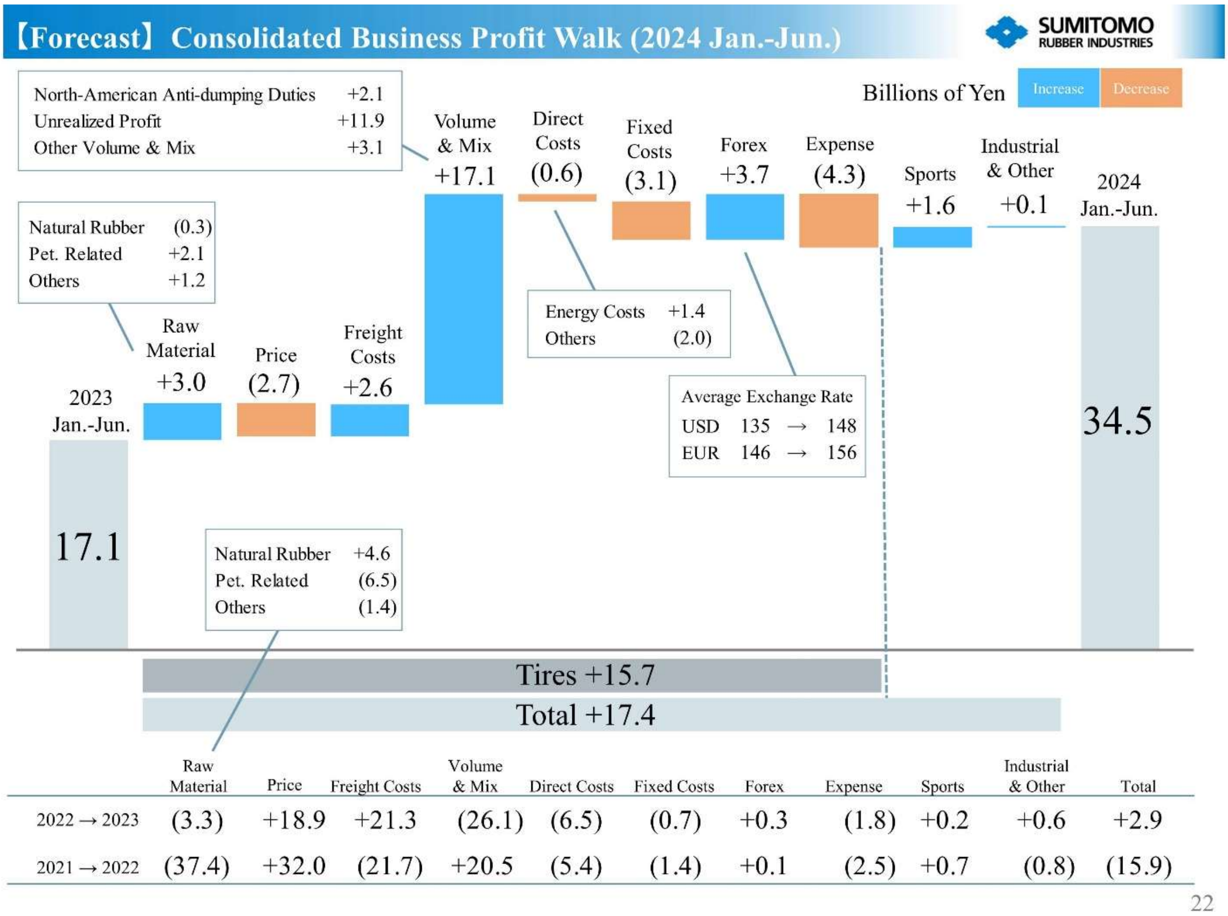
Billions of Yen

		Annual Forecast 2024	Actual 2023	YOY	First half Forecast 2024	vs 2023
Sales Revenue	Tires	**1,033.0**	1,006.4	103%	483.5	103%
	Sports	**131.5**	126.6	104%	74.5	109%
	Industrial & Other	**35.5**	44.4	80%	17.0	78%
	Total	**1,200.0**	1,177.4	102%	575.0	102%
Business Profit	Tires	**66.5**	63.6	105%	25.5	261%
	Sports	**11.0**	12.5	88%	8.0	124%
	Industrial & Other	**2.5**	1.6	155%	1.0	113%
	Total	**80.0**	77.7	103%	34.5	202%

21

Then look at slide 21. This is the forecast of sales revenue and business profit by segment for FY2024.

In the blue box, the fourth line from the bottom, business profit from tires is projected to increase by 5% from JPY63.6 billion in FY2023 to JPY66.5 billion. This is stated on the right.

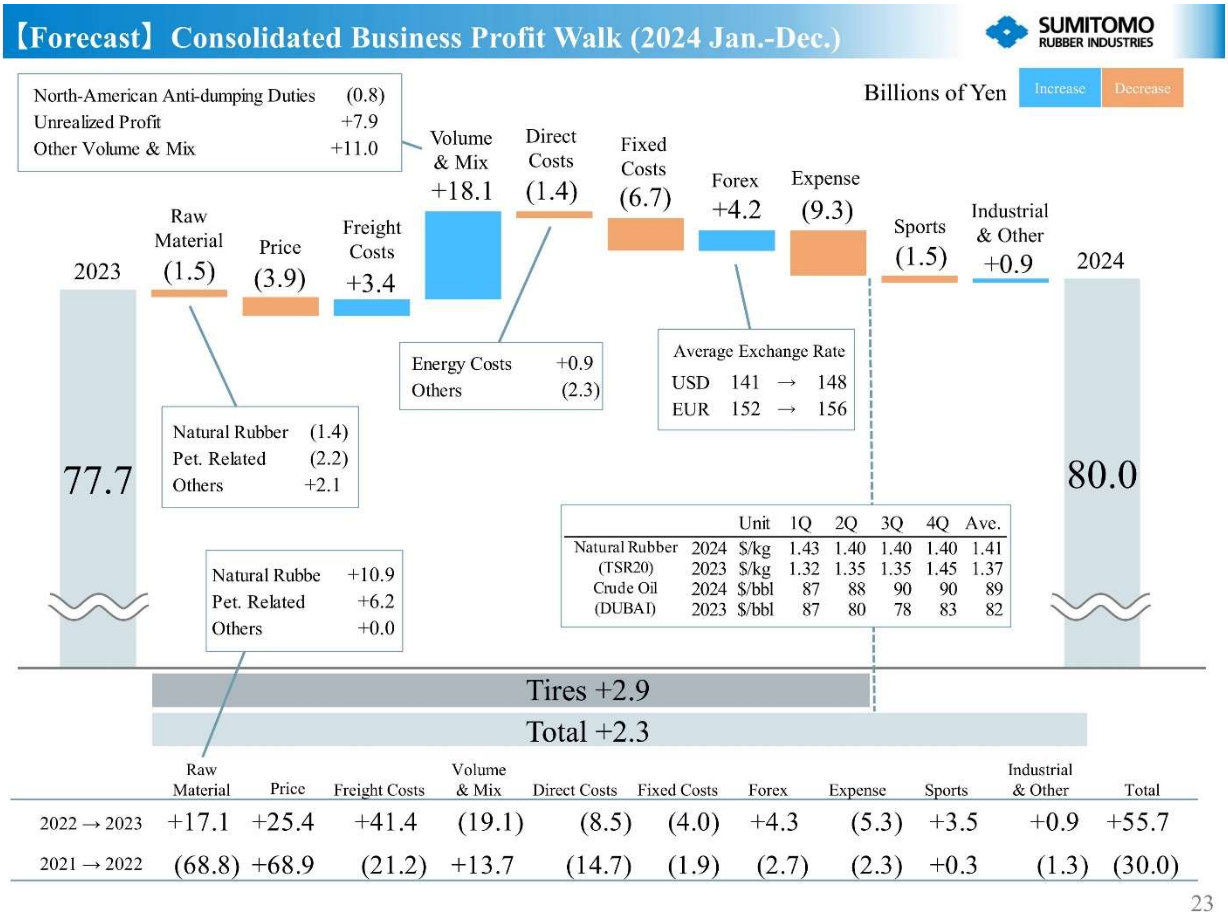


Please see slide 22. This is an analysis of the factors that contribute to the increase or decrease in the business income forecast for January to June 2024 compared from the same period last year.

Although there will be some changes in both raw materials, prices, and ocean freight rates, we do not expect any major fluctuations due to the current situation. Volume, composition, and others are plus JPY17.1 billion. Of this amount, we expect unrealized gains to be positive JPY11.9 billion, but this is the difference from the large negative impact in H1 of 2023, and the actual amount has normalized.

The plus JPY3.1 billion in other volume and composition is mainly due to improved composition. Fixed costs are expected to be minus JPY3.1 billion due to the impact of increased indirect labor costs, and the yen is expected to depreciate against both the dollar and the euro, for a total of plus JPY3.7 billion. Expenses are expected to be minus JPY4.3 billion due to DX-related investments, advertising and promotion expenses, inflation, etc. Overall, the tire business is expected to increase by JPY15.7 billion.

As a result, we expect an increase of JPY17.4 billion in profit on a consolidated basis, including sports, industrial products, and others.



Next, please see slide number 23. This is an analysis of the YoY change in business income for FY2024.

First, raw materials and prices are expected to be minus JPY1.5 billion, and unit price of crude oil is expected to increase compared to the forecast for H1. Prices and ocean freight rates are expected to follow the same trend as in H1.

Volume, composition, and others are plus JPY18.1 billion. The breakdown is as shown in the bubble. In addition to the JPY7.9 billion in unrealized income, we expect JPY11 billion in other volume and composition, which mainly incorporates the effect of the increase in sales volume.

Direct costs are expected to be minus JPY1.4 billion, fixed costs are expected to be minus JPY6.7 billion due to increased indirect personnel costs, etc., and foreign exchange is expected to be plus JPY4.2 billion. Expenses are expected to be minus JPY9.3 billion due to DX investment, advertising, and inflation, as in H1. We forecast an increase of JPY2.9 billion for the tire business as a whole, and an increase of JPY2.3 billion for the consolidated total.

Tire Sales Volume (Comparison %)

SUMITOMO RUBBER INDUSTRIES

vs Previous year		2022 Actual					2023 Actual					2024 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.		81%	84%	122%	111%	98%	112%	121%	108%	108%	112%	99%	99%	99%
Domestic Rep.		116%	93%	111%	92%	101%	98%	108%	89%	97%	98%	96%	109%	102%
Overseas O.E.		106%	102%	136%	101%	110%	101%	108%	92%	101%	100%	100%	105%	102%
Overseas Rep.		97%	93%	91%	81%	90%	87%	94%	97%	96%	93%	98%	109%	103%
Details	North America	90%	91%	76%	72%	82%	81%	92%	109%	100%	95%	99%	103%	101%
	Europe	106%	98%	84%	92%	95%	90%	85%	100%	91%	92%	102%	104%	103%
	Asia	88%	86%	104%	73%	87%	91%	104%	89%	92%	94%	95%	118%	106%
	Others	105%	98%	103%	89%	99%	85%	93%	91%	102%	92%	98%	110%	104%
Total		99%	93%	104%	89%	96%	94%	101%	96%	99%	97%	98%	107%	102%
Total Tire Sales (000 Units)		28,180	26,600	28,070	28,610	111,460	26,450	26,860	26,850	28,190	108,360	52,280	58,720	111,000

24

Please see slide 24.

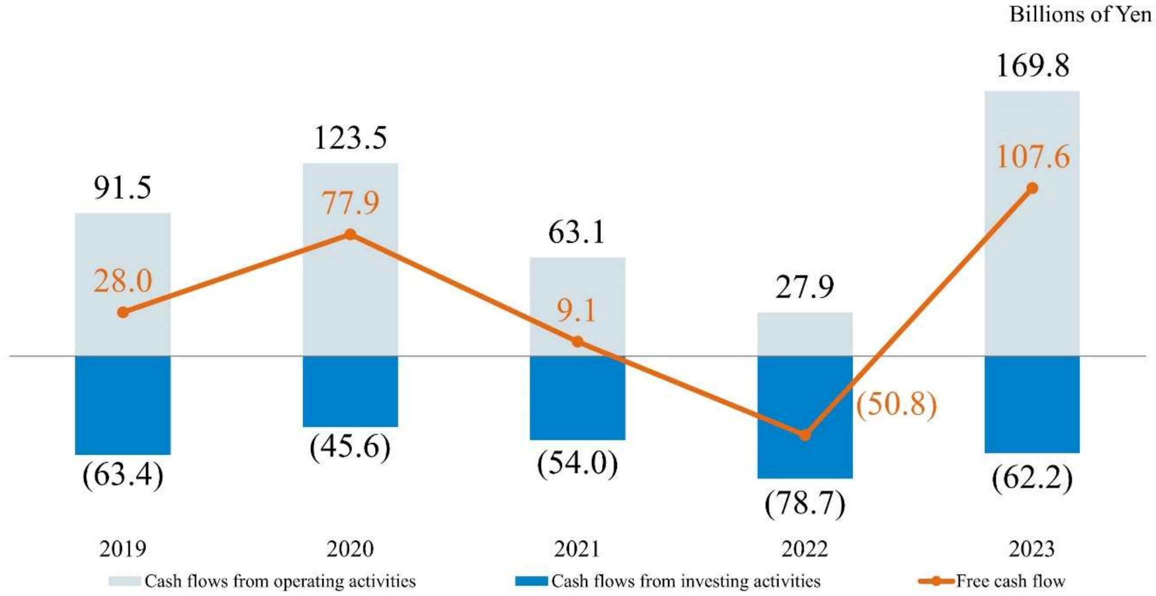
As shown in the lower blue box on the left, unit sales of tires during October to December totaled 28.19 million, 99% of the previous year's level. By market, first of all, domestic new car sales are at 108% YoY, easing from the previous year due to the impact of semiconductor component shortages, while domestic after-market sales are at 97% and overseas new car sales are at 101%, almost the same level as the previous year. Then, overseas commercial sales were 96%.

Looking at overseas markets by region, North America accounts for 100%, Europe 91%, Asia 92%, and others 102%. In North America, the Wild Peak series continued to perform well, but sales declined in Europe due to a mild winter and economic slowdown, and in Indonesia, where consumers tend to cut back on consumption. Total overseas commercial sales decreased.

In H1 of 2024, with the exception of new cars in Japan, each market is expected to continue the October to December 2023 situation for the time being, but in H2, we expect all areas to return to a normal track.

Cash Flows (Jan.-Dec.)

SUMITOMO RUBBER INDUSTRIES



<CCC by Year>	2019	2020	2021	2022	2023
CCC *	134 days	146 days	128 days	130 days	134 days
Days Sales Outstanding	79 days	85 days	72 days	66 days	65 days
Days Inventory Outstanding	102 days	109 days	100 days	108 days	117 days
Days Payable Outstanding	47 days	48 days	44 days	45 days	47 days

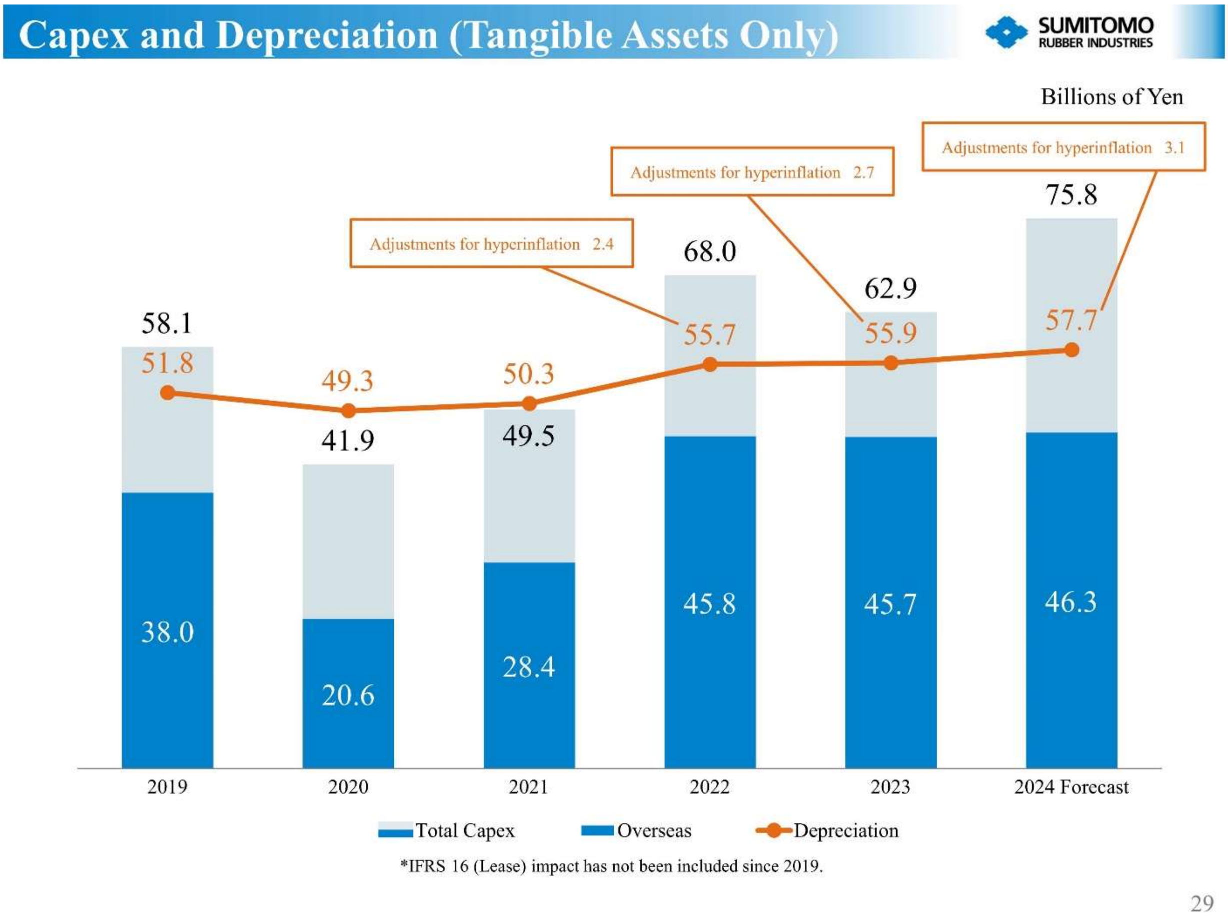
*CCC: (Days Sales Outstanding) + (Days Inventory Outstanding) - (Days Payable Outstanding)

28

Please continue to slide 28. As for cash flow trends, on the far right, the results for FY2023 show that net cash provided by operating activities was positive JPY169.8 billion, a significant improvement from the previous year.

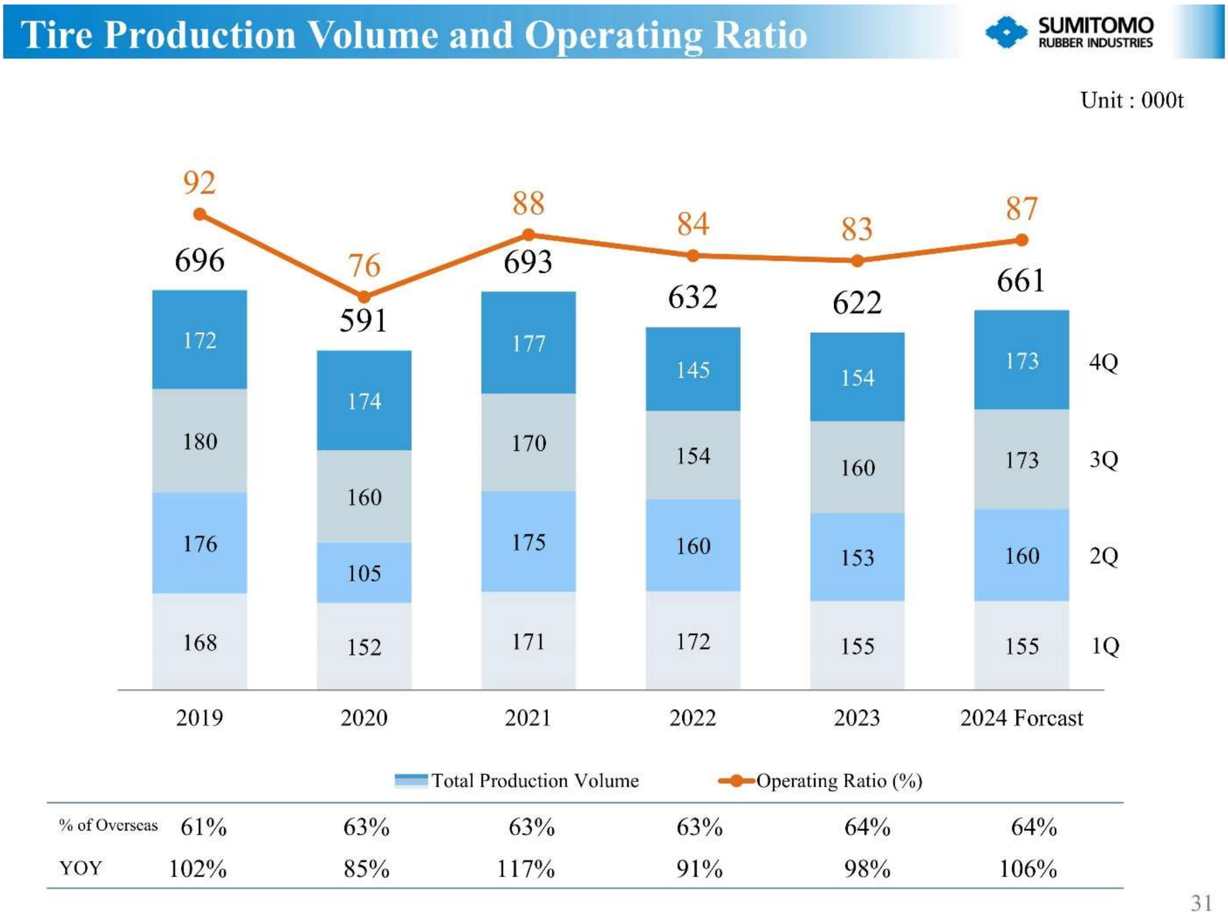
The main factor was an increase in profits due to lower ocean freight and raw material prices, while working capital reduction activities, which we have been engaged in for some time, also contributed to the increase. Net cash used in investing activities amounted to JPY62.2 billion, mainly due to the implementation of capital investment overseas.

As a result, net free cash flow turned around from last year's negative figure to a positive JPY107.6 billion, surpassing the JPY100 billion mark for the first time. We will continue to promote the structural reforms and growth strategies outlined in the medium-term management plan, as well as the reduction of policy shareholdings, in order to improve cash flow.



Please see slide 29. This is the amount of capital expenditures and depreciation and amortization.

Capital expenditures for FY2023, the second from the right, totaled JPY62.9 billion, while depreciation and amortization totaled JPY55.9 billion. In FY2024, the rightmost year, capital expenditures are expected to increase to JPY75.8 billion, due to renewal investments, ESG responses, and other factors. Depreciation and amortization expenses are expected to be JPY57.7 billion.



Please see slide 31.

As for trends in facility utilization and production of tires, the second from the right, annual production in FY2023 was 622,000 tons, and the annual utilization rate was 83%, a slight decrease from the 2022 results.

On the other hand, we believe that the improvement in performance in FY2023 is the result of improvements achieved without relying on occupancy rates. At the far right, annual production for FY2024 is projected at 661,000 tons, with an annual operating rate of 87%, an increase of 4%.

Shareholder Returns

We consider the return of gains to shareholders to be a matter deserving of the utmost priority. Accordingly, our basic policy is to ensure a long-term, stable stream of shareholder returns based on comprehensive consideration of dividend payout ratios, performance prospects, retained earnings levels and other such indicators on a consolidated basis.

Forecast of 2023 Annual Dividends and 2024 Annual Dividends:
Based on consolidated financial results of 2023, we intend to pay a year-end dividend of 53 yen per share. Combined with an interim dividend of 5 yen per share, which has already been paid, the annual dividend for fiscal 2023 will be 58 yen per share.
Regarding forecast of 2024 annual dividends, we currently plan to pay an annual dividend of 58 yen per share, consisting of an interim dividend of 29 yen per share and a year-end dividend of 29 yen per share.

	2019	2020	2021	2022	2023
Total Shareholder Return	107.1%	75.2%	101.3%	102.5%	136.2%
Dividend Yield *	4.1%	3.9%	4.7%	3.0%	3.8%

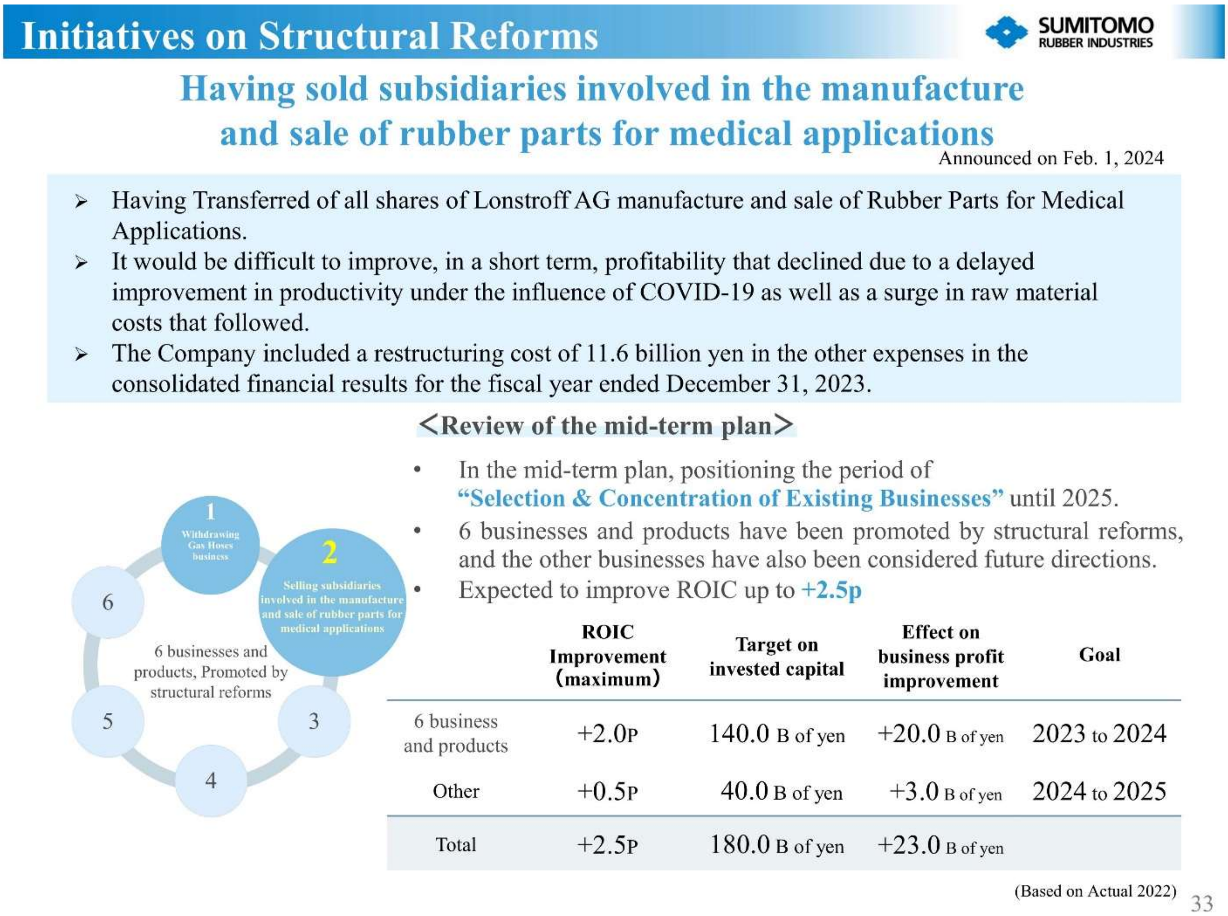
*Dividend Yield = Annual Dividends per share / End of each financial year's closing price

32

Please see slide 32.

As explained by the president, the Company will pay a year-end dividend of JPY53, up JPY13 from the previously planned year-end dividend of JPY40. The annual dividend will be JPY58 per share, which represents a payout ratio of 41.2%. For FY2024, we forecast JPY58 per share, JPY29 each at the end of the interim period and JPY29 per share at the end of the fiscal year.

The table below left shows the gross shareholder yield and dividend yield. The rightmost year, 2023, is expected to yield a dividend yield of 3.8%. We are committed to further improving our business performance to meet the expectations of our shareholders, and we would like to ask for your continued support.


Initiatives on Structural Reforms

SUMITOMO RUBBER INDUSTRIES

Having sold subsidiaries involved in the manufacture and sale of rubber parts for medical applications

Announced on Feb. 1, 2024

- Having Transferred of all shares of Lonstroff AG manufacture and sale of Rubber Parts for Medical Applications.
- It would be difficult to improve, in a short term, profitability that declined due to a delayed improvement in productivity under the influence of COVID-19 as well as a surge in raw material costs that followed.
- The Company included a restructuring cost of 11.6 billion yen in the other expenses in the consolidated financial results for the fiscal year ended December 31, 2023.

＜Review of the mid-term plan＞

- In the mid-term plan, positioning the period of **"Selection & Concentration of Existing Businesses"** until 2025.
- 6 businesses and products have been promoted by structural reforms, and the other businesses have also been considered future directions.
- Expected to improve ROIC up to **+2.5p**

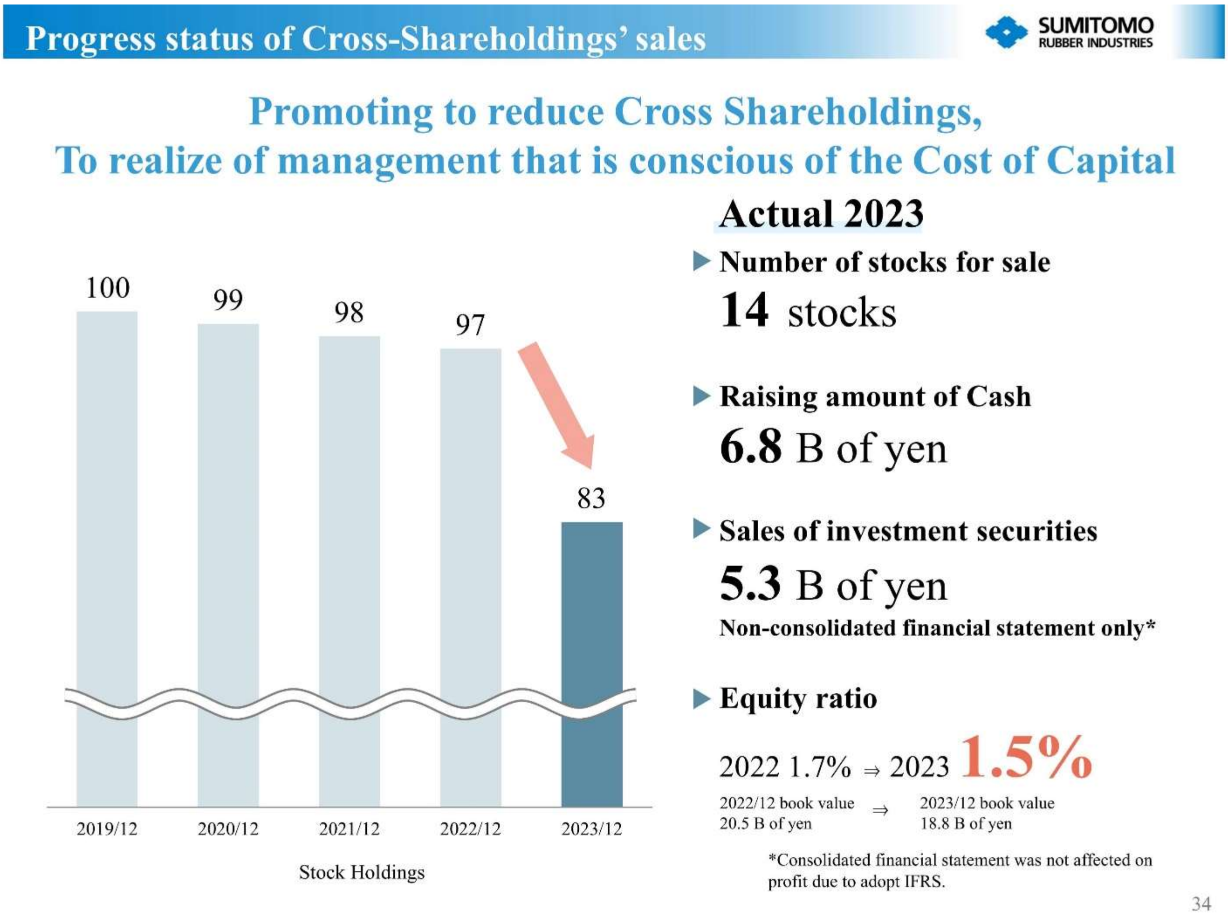
	ROIC Improvement (maximum)	Target on invested capital	Effect on business profit improvement	Goal
6 business and products	+2.0P	140.0 B of yen	+20.0 B of yen	2023 to 2024
Other	+0.5P	40.0 B of yen	+3.0 B of yen	2024 to 2025
Total	+2.5P	180.0 B of yen	+23.0 B of yen	

(Based on Actual 2022)

33

Please see slide 33.

As mentioned in the explanation of our business performance, we sold our medical rubber products manufacturing and sales subsidiary, the second of the businesses subject to restructuring that we are promoting. However, in order to promote ROIC management, we will continue to position the period up to 2025 as a period of selection and concentration in our existing businesses, and will strive for the future development of the group.



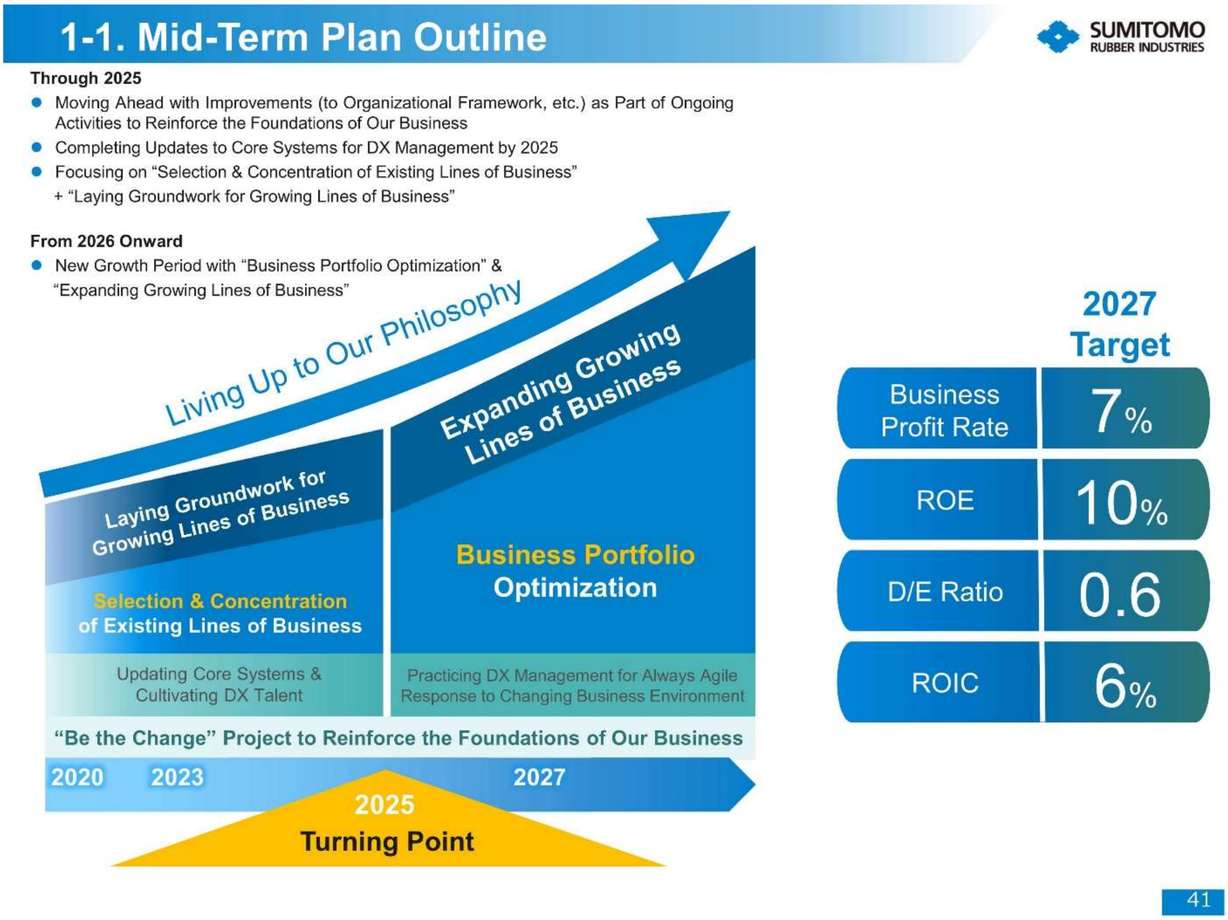
Please see slide 34. As part of our strategy to realize cost-conscious management of capital, which we announced in August 2023, we have been reducing the number of shareholders with policy holdings. As a result, we were able to sell 14 issues in FY2023. We will continue to reduce the number of such issues in 2024 and beyond.

Finally, please see slide 38. From this time onward, scripts for financial announcements will be available in both Japanese and English. We will continue to make our utmost efforts to disclose information in a timely and appropriate manner in response to the requests of our stakeholders.

This concludes our explanation.

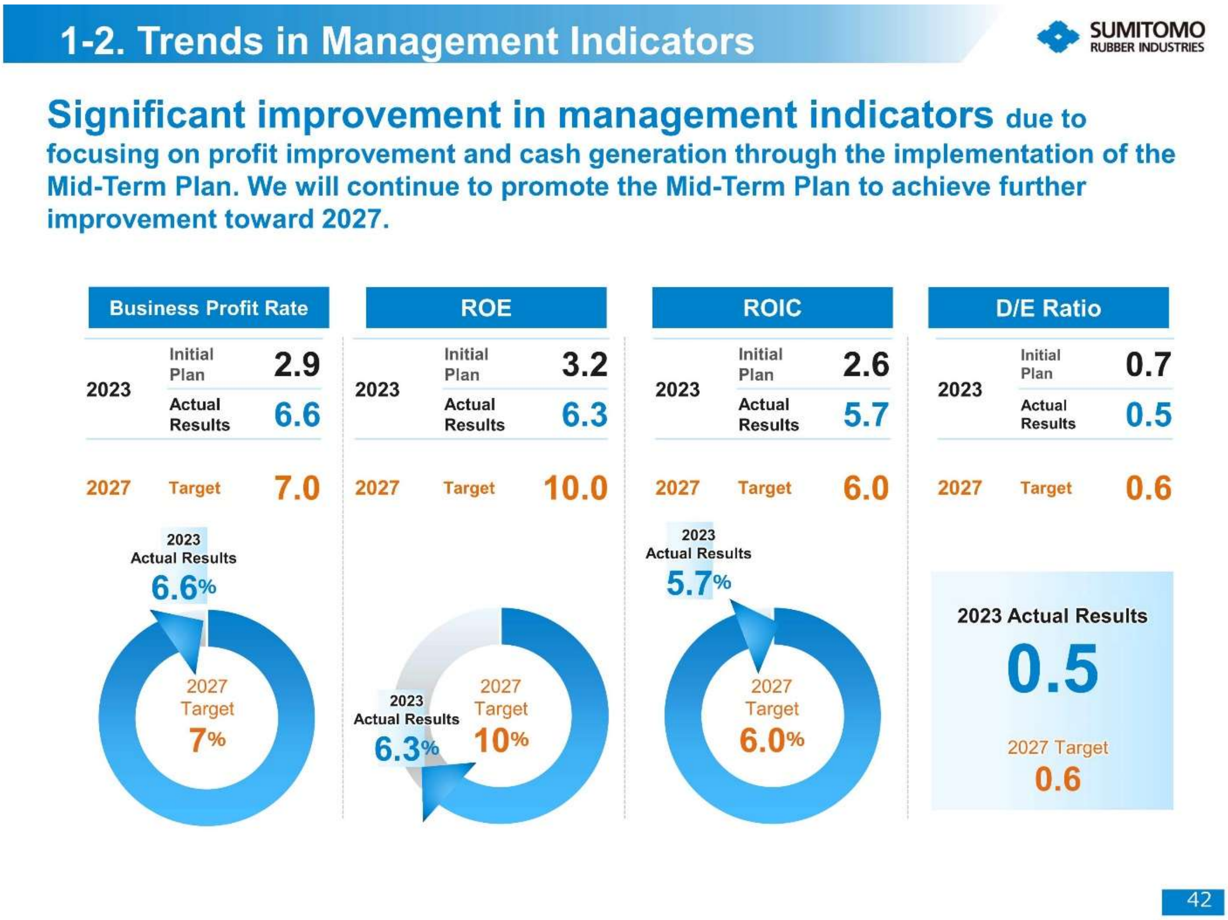
Inoue: Next, Mr. Yamamoto will explain the progress of the mid-term plan.

Yamamoto: I would now like to explain the progress of the new mid-term plan that we announced last February. We will proceed according to the contents of the table of contents here.



This is the outline of the mid-term plan and financial targets up to 2027 that we have been explaining.

We are working on the selection and concentration of existing businesses and the creation of a foundation for growth businesses by 2025, which we have designated as the turning point, while at the same time focusing on the recovery of current business performance. We are working with the entire group to create a mid-term plan and financial targets ahead of schedule.



Here is a chart of management indicators.

The details of the financial results for 2023 are as explained earlier. In addition to the steady implementation of the mid-term plan, we have been able to improve profits by capturing the tailwind of the external environment, raising prices, improving the product mix, and focusing on company-wide efforts to control expenses and costs, in order to improve our current performance.

In addition to increased profits, cash generation improved as a result of company-wide efforts to reduce inventories and shorten bonds, which have been underway since 2020, as well as investment restraint. As a result, we were able to significantly improve all of the management indicators that were set as financial targets in the mid-term plan from the initial plan.

We will continue to aim for further improvement and promote our mid-term plan to achieve the goals ahead of schedule.

2-1. Efforts for Lines of Business Needing Structural Reforms

SUMITOMO RUBBER INDUSTRIES

Of the around 10 businesses within the scope, 2 businesses were withdrawn or sold, out of the 6 businesses and product lines that were estimated for 2023 to 2024.

Business Name	Overview	Estimated Completion	Improvement in ROIC
Gas Hoses Business	**Withdrawal from domestic residential gas hoses production and sales business**	**Scheduled to withdraw by the end of March 2025**	**Minimal**
Business of Rubber Parts for Medical Applications in Europe	**Sold Lonstroff AG, a subsidiary for the manufacture and sales in Europe**	**Completed January 31, 2024**	**+0.2P**

Shift resources (technology development, human resources, investment, etc) to business where growth is expected, to improve profitability

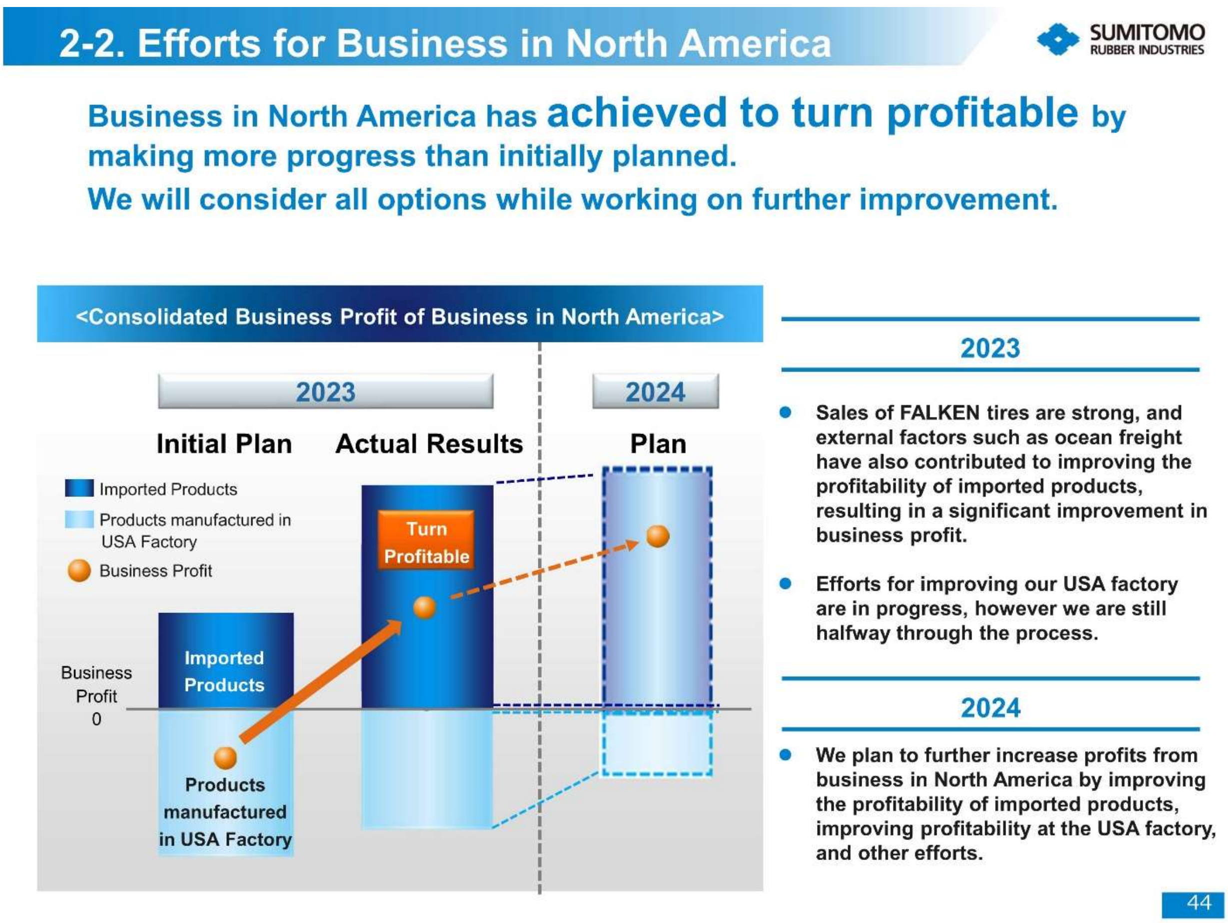
43

Next is the progress of selection and concentration as structural reforms.

In order to optimize our business portfolio, we are working on approximately 10 businesses and products, which we have positioned as structural reform businesses. Of the six businesses and commercial products that we have set a target date of 2024, we decided to withdraw from the gas pipe business in October 2023 and to sell our European medical rubber business in December 2023.

At the end of January this year, we completed the sale of our medical rubber business in Europe. As a result, company-wide ROIC is expected to improve by plus 0.2 points.

We will shift resources from these businesses to other businesses that are expected to grow in order to improve profitability. In the industrial products business, we intend to shift our focus to the domestic medical rubber business and vibration control dampers.



I will now continue with an explanation of our North American business initiatives.

We have positioned the North American business as our top priority and have been working to improve it. In 2023, profitability improved more than initially planned, and we achieved profitability. In terms of sales, the profitability of imported products improved, and business profit improved significantly, partly due to strong sales of Falken's Wild Peak series, which is highly acclaimed in the North American market.

We are working to improve our North American plants, but we believe that we are still halfway to recovery. This year, we plan to further improve profitability by expanding sales of the new Wild Peak A/T4W and other products.

Next, I will explain the future initiatives of the mid-term plan.

As I explained earlier, the management indicators that we have set as financial targets are improving, but we will continue to work on structural reforms toward the turning point in 2025. At the same time, we will pursue investments for future growth as we build a foundation for growth businesses, which is also incorporated in our mid-term plan.

The structural reforms are the top two listed in the table.

With regard to the profitability of the North American business, we plan to further increase profits this year due to improved profitability from sales efforts, including the effect of new products and the impact of the US anti-dumping duties on tires made in Thailand.

Next, regarding the approximately 10 projects targeted for structural reform, four of them will be completed by the end of 2024, and the others will be completed by 2025. We are considering all options for any of these businesses and will make a sequential decision based on the impact on our key KPIs.

As for the tire business management organization, the tire business division was established in January of this year as planned, and we will promote efficiency in all aspects and improve profitability through integrated management of manufacturing, sales, and technology.

In the area of DX promotion, we are steadily implementing DX literacy training for our employees and revamping our core system with the aim of completing it by the end of 2025. As an embodiment of our philosophy, we will respond to the needs and expectations of society in areas, such as CASE and sustainability, and will promote the practical application of our proprietary Active Tread technology and the commercialization of our SENSING CORE, as well as initiatives in the sports and industrial products businesses.

We will also work in parallel to build a foundation for growth. We will pursue opportunities to invest in growth areas, not simply to expand our business, but also in light of their significance to our future growth, the efficiency of [inaudible], and their impact on ROIC.

I will now explain the progress of our major initiatives to realize our philosophy, which is set forth in the mid-term plan.

First, I would like to discuss the development of active tread technology. At the Japan Mobility Show held in October last year, we unveiled details of Active Tread, our proprietary rubber technology that switches properties in synchronization with various external environments.

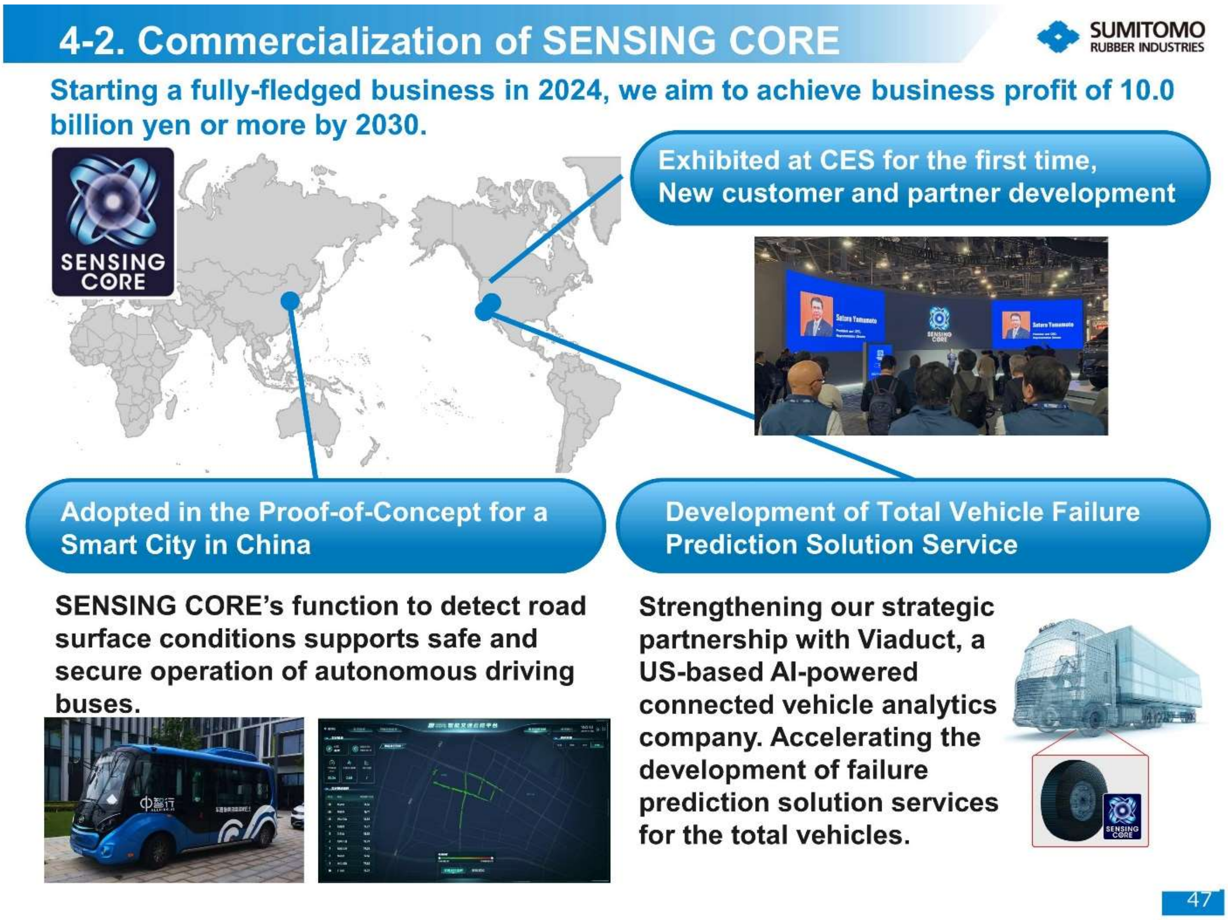
Of these, TYPE WET, which synchronizes with water, and TYPE ICE, which synchronizes with temperature, have been refined to the level of practical application. For its development, we utilize Japan's leading-edge research facilities, such as the supercomputer Fugaku.

With the practical application of Active Tread, we will first develop all-season tires that can be driven with peace of mind regardless of weather conditions. In the future, we will respond to the needs and expectations of EVs, automated driving, and a sustainable society by reducing the number of tire changes and saving resources.

This active tread technology will finally be released as an all-season tire for the domestic market in the fall of this year. Last month, I personally took the wheel at our test course in Nayoro to confirm its performance and completeness.

I had a test drive one year ago even though it was still in the intermediate stage, and the performance has really improved over the past year. The absolute grip performance of the lateral grip, especially on circular curves, and the stopping and stability when the brakes are applied. As for this one, it really outperforms conventional all-season tires.

I have experienced that the tires are able to achieve such a level of performance, which is, of course, close to that of studless tires. We are confident that drivers in general will be able to experience this improved performance. I am excited as well.



Next, I will explain the commercialization of SENSING CORE technologies.

This year, we will finally start our business and aim to achieve at least JPY10 billion in business profit by 2030. In January of this year, we exhibited this for the first time at CES, the world's largest technology exhibition held in Las Vegas.

We were able to make contact with a wide range of companies with which we had not previously had contact, and we felt a real response to the expansion of business opportunities. I actually went to the venue and gave a presentation in front of many visitors at our booth.

We took this CES exhibition as an opportunity to expand our new SENSING CORE business around the world, and we came there with a strong desire to find a partner to help us realize our dream together.

Having visited CES this time, I realized once again the importance of communicating information globally, and I have already decided to exhibit at next year's CES, as I would like to continue to actively utilize this event as a place to look for partners.

We also announced and signed an investment in Viaduct, an American company with a proven track record in predicting vehicle component failures. Thanks to this, we were also able to attract attention. We have been working with Viaduct since last year on their AI-based vehicle failure prediction solution service, which I think is at a very high level. This means using AI to predict failures.

This solution service, combined with sensing from our tires and understanding of the tire condition using this SENSING CORE, will complete the entire demonstration experiment. We are conducting this demonstration.

Viaduct has truly the world's most advanced knowledge in the field of vehicle failure prediction, but I was reminded during our conversation that even for them, the only black box is tire sensing. Data sensing from the only part of the tire in contact with the road surface, this was the black box for them.

They are professionals when it comes to sensing data that can be obtained from the car, so they were very strong in telling us that the combination of sensing from the car and from the tires would make it perfect. We agreed with them.

This strategic partnership with us will accelerate the development of predictive failure solution services for the entire fleet. We expect that various business models will be possible. We look forward to your continued support of SENSING CORE's efforts this year.

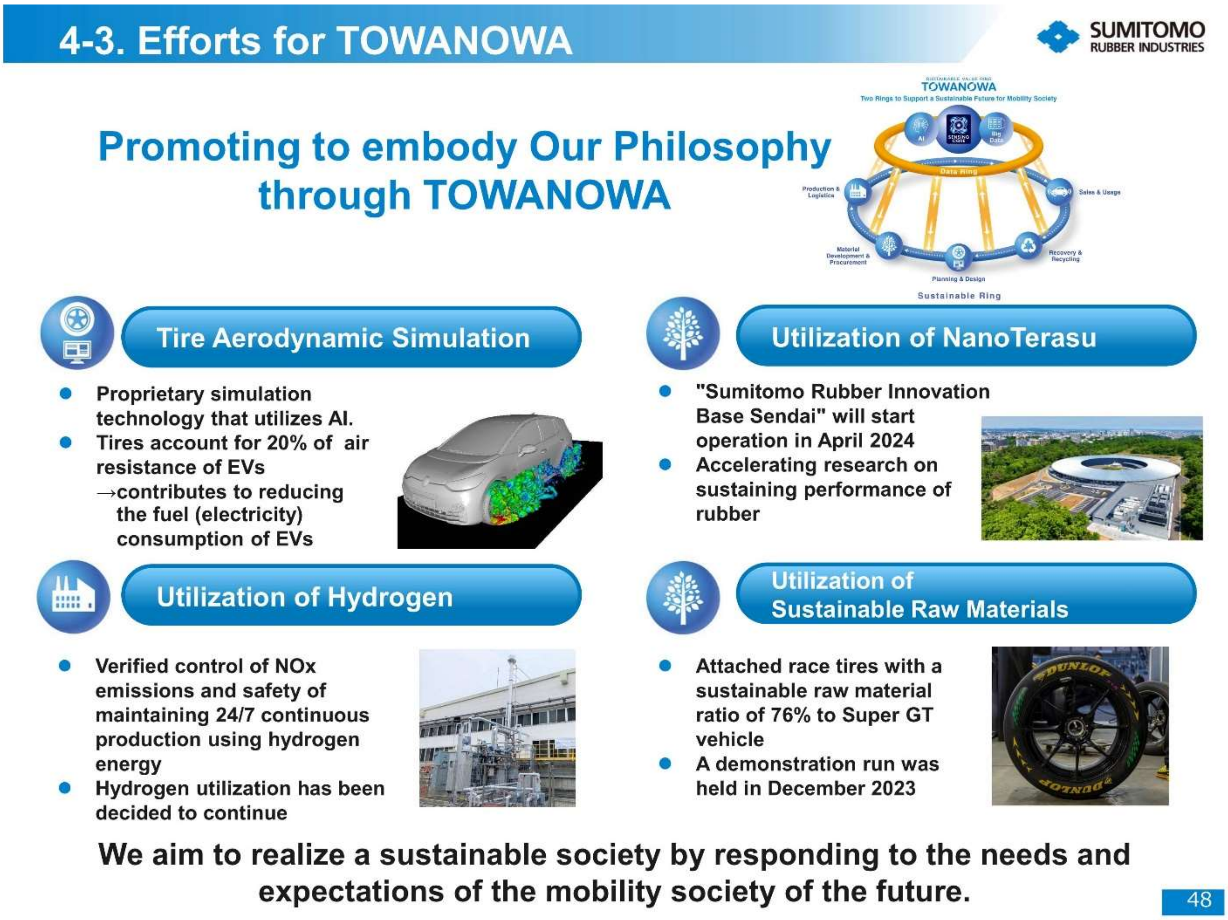
Meanwhile, in Suzhou City in China, where the transition to a smart city is progressing, a demonstration experiment using SENSING COREs began in June of last year.

I also visited Suzhou last November. I was surprised to see how much progress has really been made in creating a city of automated driving. We visited the site to see and experience the automated driving situation and the SENSING CORE situation. I am becoming more confident.

In this demonstration experiment, information transmitted to the cloud from an automated bus in motion is analyzed by the road surface condition detection function of the SENSING CORE, and the results are fed back to the operation manager to support safe and secure operation management of the automated bus. I was able to realize that we have progressed so far. I would like to draw your attention to these global SENSING CORE initiatives.

I have explained above about Active Tread and SENSING CORE. What I would like to emphasize above all is that these two pillars of our growth strategy will finally be put to practical use and monetized from this year.

We believe that this year will be a memorable one. Our business performance will greatly depend on how we can accelerate this process, and we are determined to promote it.

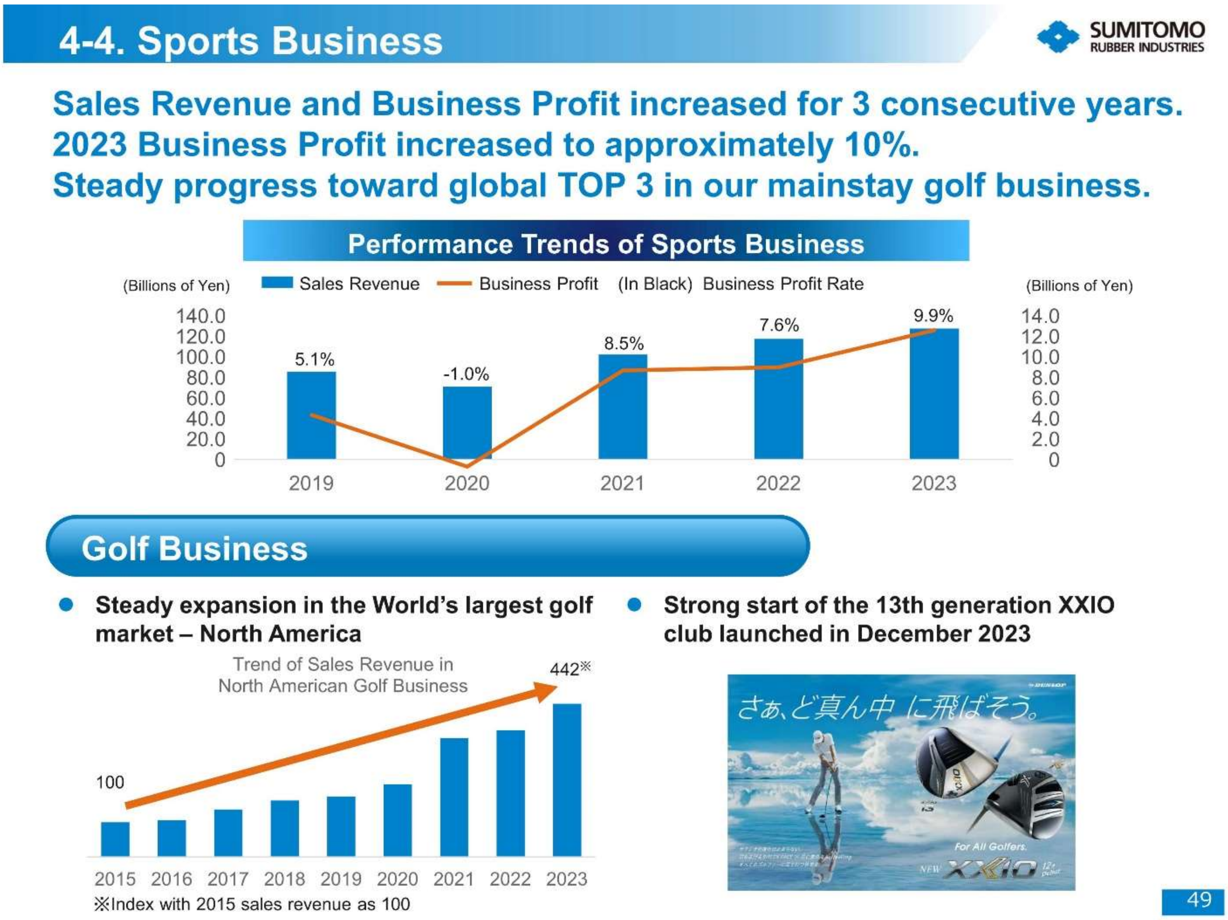


Next, I would like to talk about TOWANOWA's efforts.

Last March, we announced our own circular economy concept, the TOWANOWA concept. We will circulate our limited resources and promote the realization of our corporate philosophy system, our philosophy, by providing new value to our customers through the utilization of Sumitomo Rubber's proprietary big data. We believe this is our unique point.

As for specific initiatives, we made a new announcement on February 7. Tire aerodynamic simulation, which is important for the development of next-generation EV tires, and the use of hydrogen, which has been conducted at the Shirakawa Plant, are now entering a new stage.

We will also steadily promote research on sustainable rubber performance using the Nano-Terrace, a cutting-edge research facility that will begin operating in Sendai in April of this year, and the use of sustainable raw materials, aiming to realize the sustainable society that TOWANOWA has set its sights on.



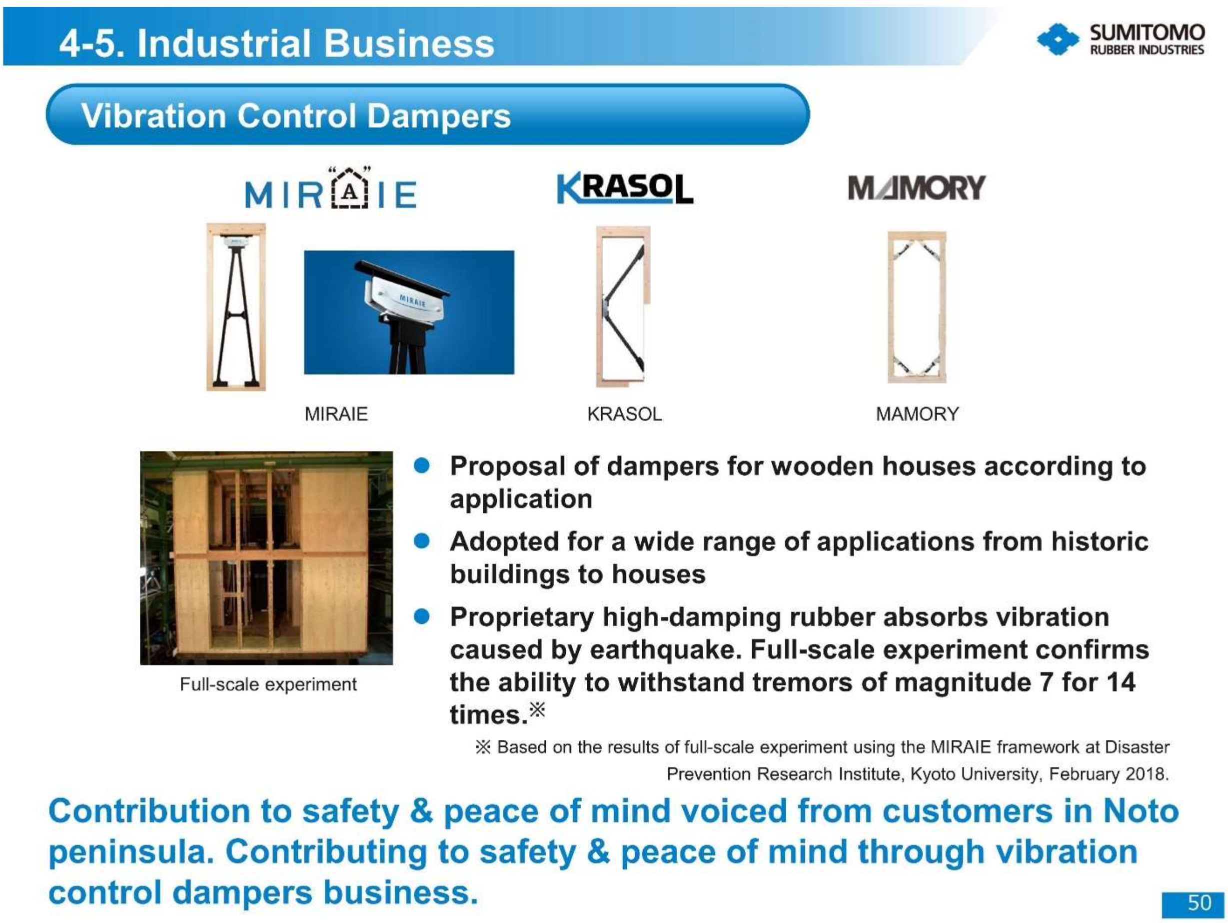
Next, I will explain the sports business.

Due to the outage restrictions associated with COVID-19, the sports business once fell into the red for 2020. However, we have since achieved a V-shaped recovery, and our business profit margin has improved to approximately 10% in FY2023.

In particular, we have been able to significantly increase sales in the North American market, the largest golf market and our focus market, and are making steady progress toward becoming a global top three company.

In North America, SRIXON clubs and balls are performing well, thanks to the success of our contracted players on the PGA TOUR and the aggressive sales measures we have put in place. In addition, the 13th generation XXIO golf clubs were launched globally in December last year, starting with Japan, and thanks to your support, the sales have gotten off to a good start.

Backed by our proprietary technology, we will further strengthen sales.



Lastly, in the industrial products business, I would like to explain our focus on vibration suppression dampers.

As you know, a vibration suppression damper is a product that suppresses repeated shaking during an earthquake. We have developed high damping rubber with high energy absorbing capacity based on our proprietary rubber technology, and we are now using it in various specifications of vibration dampers to meet customer needs and applications. We are committed to providing safety and security in our daily lives.

In particular, MIRAIE for newly built houses has been confirmed to withstand 14 shocks of intensity seven in full-scale tests. We have also received words of thanks from customers who installed MIRAIE during the Noto Peninsula earthquake.

The fact that these products can contribute to the safety and security of our customers has reinforced our desire to contribute to the safety and security of society so that we can continue to be of service in any way we can.

We will continue to promote the policies and measures set forth in the medium-term management plan with a sense of urgency so that we can achieve the 2027 target ahead of schedule and accelerate our renewed growth for the future.

That is all for today's explanation.

Question & Answer

Inoue [M]: Now we would like to take your questions. We will take turns nominating those who attend onsite and those who attend online. First, we will take questions from the audience.

Due to time constraints, each person is limited to two questions. Now, if anyone in the audience has any questions, please raise your hand. Now, the person in the front of the middle row, please go ahead.

Sakamaki [Q]: Daiwa Securities, this is Sakamaki. Thank you for your time today. I would like to ask you to tell me two things, mainly about your financial results.

The first point is about the price. In Q4, I think you explained the increase and decrease profit analysis as a factor for the better-than-planned profit increase. Michelin and Goodyear, here, are in the negative, but if you have any background on this, could you give us some background? It seems that they have not raised their prices additionally or anything, so I wonder what the key factors were that led to the good results.

Also, your plan seems to assume that prices will not fall that much, but is that actually the case? With the current weakening of demand, do you see any risk of a price decline in the market? Please let me confirm the price point. That is the first point.

Yamamoto [A]: Thank you for your question. First of all, the prices for the four quarters of last year are, first and foremost, I would like to talk about the North American market.

The North American market has raised prices several times. We anticipated that this would have an impact on H2, and to some extent, we have been trying to maintain prices while informing customers of other services. I believe the most significant factor was that we were able to do so.

Regarding your second question, Nishiguchi, who is responsible for tires, will answer.

Nishiguchi [A]: Since I have also been appointed head of the tire business division since January, I would like to add some details.

The table shows an increase of JPY25.4 billion in price factors, of which JPY14.5 billion is for replacement and the remainder is for OE of about JPY11 billion.

First of all, in the domestic replacement market, we raised prices twice in April and July of last year, which has been effective, and we expect the higher prices to continue to be effective in 2024.

If we talk about the same replacement, Indonesia. We were the first to launch overseas factories, and we have a very high replacement and OE market share in those countries as well. Here, too, the price increase was able to penetrate. This was true for Europe as well.

The European economy is also in a recession, but we did our best to raise prices last year, mainly for our main products, and the fact that prices did not fall was effective.

In South Africa, prices of imported products were slightly lower, but consolidated profits have penetrated into the local market, and we have raised the prices of tires that we supply, which are imported to South Africa, considerably. That is why the replacement is working.

In the US, our main market, we raised prices, mainly for Wild Peak, by replacing it. Rather, the fact that we did not lower the price has been very influential.

For this year, 2024, we have been a bit conservative in our annual pricing, but I think the trend I just mentioned will continue. We also negotiated very hard, especially with OE, on the materials to be linked. We were able to change the formula to one that responds very linearly to the ups and downs of raw materials.

This worked quite well for domestic OE last year, and I believe it will work for next year as well.

However, this year's forecast is not all good news, as the European market is in a recession in terms of prices, and I have included in this forecast the possibility that conditions will be severe.

In the US, we intend to maintain the price of Wild Peak, but the market for tires for trucks and buses is still cool in terms of price. However, we do not have a large number of them, so we are a bit cautious in this area.

Last year, we achieved a very positive result of JPY25.3 billion, and this year, we intend to maintain the same level at best, and at the same time, eliminate the negative impact that is currently being forecasted.

Sakamaki [Q]: So in that sense, competition is not that severe, and we are not in a situation where other companies are lowering their prices?

Company Representative [A]: That hasn't happened.

Sakamaki [Q]: It hasn’t happened. I understand. Thank you very much. The second point is the concept of the plan for this fiscal year, and how you put it in place.

For example, on page 23 of the financial data, the price of natural rubber is USD1.4, which seems more optimistic than the current price. While Michelin and Goodyear are concerned about declining demand, your company is assuming that volume will increase. This may seem a little less conservative than in the past.

However, on the other hand, on page six of your presentation, you show that the deficit for the US plant in North America will decrease. I think you have included various risks and opportunities in your plan, but how did you come up with this plan?

For example, as you can see from the above, excluding the unrealized profit, you are planning a decrease in profit, so you have a large fixed cost and expense budget for the case where the unrealized profit is not generated. North America is actually getting better, but I wonder if you could tell us a little bit more about what kind of arrangements you have made in your plan, such as not including them at all.

Yamamoto [A]: Thank you for your question. First of all, in terms of our view of demand, or rather our sales plan, last year's overall sales were slightly below the previous year's level. We have been taking a hard look at low-profit sizes and businesses, especially in the US and other countries, in the past year. The US in particular has done a good job in this area in the last year, and this is the basis of our efforts.

We have made a forecast to exceed the previous year's level by taking into account the competitiveness of each market and the measures we have taken. We did not make such an unreasonable forecast for each market. Yes, so we want to make sure we do it right.

We will continue to change the composition of our products, so we are now focusing on increasing the ratio of sales of high-functional products, including high inches, rather than on volume.

Okawa will report on the latter part.

Okawa [A]: Yes. Perhaps I will be the first to tell you about Buffalo in North America, as I am sure you will eventually have questions about it.

First of all, the Buffalo plant's establishment in the current 2024 plan is currently based on the assumption that the plant will improve its performance on its own. Therefore, we do not include any impairment under so-called business profit.

The current situation shows that capital investment is going well, and the volume is steadily increasing. On the other hand, inflation is currently higher than we had assumed. On the other hand, inflation is continuing to be higher than we had assumed, and this has resulted in slightly higher costs.

Of course, I believe that the biggest concern for everyone is how we will settle the North American market in FY2024. We are in a situation where we can see that we will be able to bring the profit/loss of the North American plant to a positive figure by 2025, so we are still struggling within the Company to see whether we will be able to reach our internal ROIC standards in 2026 and beyond due to the current increase in unit prices and labor costs.

So, as the president mentioned earlier, the assumption is that there are many different ways of thinking, and to be honest, we are making assumptions that we have not included at this time.

This figure is based on that assumption. On the other hand, we are still unable to foresee what will really happen with active treads and SENSING COREs, which will be introduced this year. For this reason, we have decided not to make too many forecasts, and in a sense, we are not pushing too hard on new projects.

We have a rough idea of what the unrealized amount will be, and we are confident that we will be able to obtain this figure by calculating how it compares to last year's. We believe that the figure will surely come out, so there is no need to worry. This is how we have created our performance plan for FY2024, including the overall plan and the establishment of the system.

I went into a little too much detail. I'm a little sorry about that.

Sakamaki [Q]: Thank you. No, in that sense, SENSING CORE, and new momentum like that will come in as you put it, but here, it's not in this plan, and it's my understanding that Buffalo is really going to do well, and that's what's going to be added on to the plan when you say it.

In the P&L, there was a step difference between operating income and business income, my apologies for this.

Yamamoto [A]: This is what we are including outside of North America, so to speak. However, I would like to ask for your understanding that I cannot tell you what that might be, and we have incorporated such a possibility as a risk and based our final forecast on the assumption that net income will be the same as last year's.

Sakamaki [M]: Thank you.

Inoue [M]: We will now take questions from those participating online. Mr. Maki of SMBC Nikko Securities, please.

Maki [Q]: Thank you for your help, I am Maki from SMBC Nikko Securities. I would like to make a few points as well.

My first question is, I was wondering if you could give me some more assumptions in the guidance, the upside, or the shipping costs, and also the dumping tax. What are your assumptions for shipping costs? In addition, the dumping taxation was positive in the last fiscal year, so I assume that the reduction of tariffs in Thailand is having an effect. What are your assumptions for this fiscal year? Is there any room for improvement?

The other volume figures for this fiscal year show quite a bit of growth, but is this only due to volume effects? For example, how is the effect of restructuring, SKU improvement, and volume factored in?

I would like to know more about this and I am sure there will be a little more upsell this fiscal year, so I would like to confirm what you are saying.

This is my first question.

Yamamoto [A]: Thank you for your question. First, Okawa will answer the first half of your question, and then Nishiguchi will answer the second half.

Okawa [A]: Yes. Regarding dumping duties, I think the figures are a little difficult for everyone to see.

In fact, over the past several years, we have been making efforts to adjust our costs to the selling price to eliminate dumping duties as much as possible. However, the actual problem is that we ask the outside parties who calculate our figures to decide whether or not to incorporate the dumping duties into our financial results. We decide whether or not to disclose the figures based on their judgment.

In fact, last year we went down from 15% to 6%, but outside organizations stopped us from incorporating it into our financial results because they were not sure if it would be confirmed at this 6% level. Thus, we are incorporating figures from outside advisors into our financial results. We are also incorporating them into the FY2024 financial statements.

If you see all the efforts we are making now, Nishiguchi would be angry with me for saying that we can make further height increases, but I would like to say that there is a slight possibility of that.

That is all.

Tire Volume by Category (Comparison %)

vs Previous Year	Actual 2022 Jan.-Dec.				Actual 2023 Jan.-Dec.				2024 Forecast			
	O.E.	Rep.	Total	Composition ratio	O.E.	Rep.	Total	Composition ratio	O.E.	Rep.	Total	Composition ratio
Passenger Tires	105%	92%	96%	87%	105%	96%	98%	88%	100%	104%	103%	88%
Advanced Tires *1	105%	91%	96%	35% *2	117%	103%	108%	38% *2	109%	105%	107%	40% *2
Truck & Bus Tires	97%	96%	96%	4%	112%	83%	85%	4%	123%	110%	111%	4%
Motorcycle, Industrial & Other Tires	109%	98%	102%	9%	103%	85%	92%	9%	105%	91%	97%	8%
Total	105%	93%	96%	100%	105%	94%	97%	100%	101%	103%	102%	100%

< Advanced Tires Composition Ratio by Year > *2

		2022 Actual	2023 Actual	2024 Forecast
Advanced Tires *1	O.E.	44%	50%	54%
	Rep.	31%	33%	34%
	Total	35%	38%	40%

*1.Advanced Tires: Primarily for SUVs and Passenger car tires with a size of 18" or larger
*2.Composition Ratio to Passenger Tires

25

Nishiguchi [A]: Yes. I understood your question about how the volume and composition of sales affect this year's plan, but on pages 24 and 25, we show the YoY comparison of this year's sales volume, and on page 25, we show the composition ratio.

First of all, in terms of the number of units, as mentioned earlier in your question from Mr. Sakamaki from Daiwa Securities' plan for this year, I think everyone has the impression that this year's plan is quite conservative, while last year's plan showed a large jump.

Last year, we have done quite a bit in our major markets to reduce SKUs and then to reduce low and unprofitable operations. The figures for last year include such aspects. The full-year figure was 97% of the previous year's level, but I think it should be understood that the sales of Dunlop products in our main regions and Falken products in Europe and the US grew more than the previous year.

The quantity effect in this year's plan is shown on page 24, right above and below the forecast for 2024.

In H1, we still have some unprofitable and underprofitable parts to reduce, and we have included some of them in markets where the economy is not doing so well.

However, as shown on the previous page, the business profit will increase from JPY17.1 billion to JPY34.5 billion in H1, so although the number of tires will be lower than the previous year, the profit will increase as a result of an improved product mix while reducing unprofitable operations.

Regarding the question of how we can achieve JPY80 billion for the year despite an increase in profit in the first half, we expect to be able to increase sales by 107% in H2 as well. The portion of the decrease in profit is due to sales factors, which are all positive, but the raw material cost, which was about JPY1.5 billion in H2, will be about JPY7 billion in H2. The other factor is labor costs.

In particular, we have a factory in Turkey, and due to inflationary accounting, labor costs have skyrocketed. This could happen in other factories as well, so we are being conservative.

In addition, next year, 2025, is the year in which we will complete our DX promotion, and we have included a substantial portion of ERP renewal costs in H2. We will continue to increase sales volume in H2, but the decrease in profit compared to the previous year is due to the fact that the three factors are included in a slightly larger portion of the total sales volume.

Since I am also the general manager of the business division, I will definitely take in the gap in H2, and I would like to improve the figures to meet your expectations when I announce the results for H2.

Maki [Q]: Thank you. The president has commented that the car parts business will not be affected too much, but I would like to know the premise behind this. I was thinking that it would be a little bit in the negative originally, so can you tell me if that is where it is in the positive, or if there are any changes in the business structure, or anything else?

Yamamoto [A]: Regarding freight, we have naturally factored in the recent cost increase in the Red Sea area, and we are taking a conservative view of that area. We believe that H2 will be a return to normalcy, and that we will have to rethink this arrangement if external problems are revealed to be a global problem and become an even bigger problem.

Please understand that the stand-up is fully in place for H1.

Maki [Q]: Yes, I understand. Thank you very much. As a second point, I would like to get an update related to structural reform.

I know that some of the structural reforms have already made some progress by the previous fiscal year, but how much of the JPY23 billion or so in profit improvement benefits are already in sight by 2025?

I think the gap between business profit and operating profit this fiscal year is due to factors outside the US as well. Please tell us how much progress you expect to make as a result, including quantitative effects.

As you also commented earlier about the US, I'm not sure if you can say much more than that, but I think there is also the issue of what to do about the release of the Dunlop brand and Goodyear, so what kind of discussions are taking place in this area?

Depending on the outcome of the discussion, is there a possibility that it may affect, for example, the restructuring of business in the US? What is the balance to be weighed by this discussion? I would be very grateful if you could give us some hints on these matters.

Yamamoto [A]: Thank you for your question. First of all, as for structural reforms, as you can see, we are planning to complete six businesses and products by 2024. I cannot give you specifics, but two businesses have been completed, and there are four more businesses and products to go.

I can only tell you that we are working toward this goal this year, but I would like to make sure that we are on track to achieve it.

The amount of the effect has been estimated, but the specific products and other details are still subject to change depending on the progress of the project. I am sorry that I am not able to discuss the details with you as of today.

However, we will firmly complete the structural reform of these businesses and products by 2024 and 2025, and this will not change.

Then you asked about the brand. Yes. We are of course aware that Goodyear is talking about releasing the Dunlop brand.

We are interested in the premium Dunlop brand in Europe and the Americas, which is owned by Goodyear, from the perspective of improving profitability if it is utilized. However, since Goodyear is also in the same business, I am sorry to say that I have no comment on the details.

Then, I would like to have Okawa make few additional comments.

Okawa [A]: Yes. Mr. Maki asked about the inclusion of the JPY23 billion, so I would like to reiterate the information in an organized manner. Originally, the JPY23 billion plus was based on the assumption that the deficit in the structural reform project would be zero in FY2022. Therefore, please understand that a portion of this amount has already been incorporated through the structural reforms that we have just implemented.

We are not able to tell the outside world how much it is, but we hope you understand that it is included in the results of this project. I hope you understand that the JPY23 billion is not an additional point that will appear in the future.

That is all.

Maki [Q]: Thank you. I believe that the improvement in the US is to proceed with a goal by the end of this fiscal year, but has the direction remained the same from the beginning to consider every possible means to achieve ROIC, if necessary?

In short, I think the Dunlop issue has an impact on capacity, and I think there is also the question of the financial impact in terms of funds and equity, so I'm sorry, if you have any additional comments on that area, please. If you have any additional comments, please let me know.

Yamamoto [A]: Yes. Regardless of the Dunlop brand I mentioned earlier, we are firm and unwavering in our goal to establish a North American plant in the US. Does that answer your question?

Maki [M]: Yes. I'm sorry. I am very sorry that this question is a bit difficult to answer. Yes. That's all from me. Sorry, thank you very much.

Yamamoto [M]: Thank you very much.

Inoue [M]: Thank you, Mr. Maki. We will then take questions from the audience. Yes, now for the front row.

Sakaguchi [Q]: I am Sakaguchi from Mizuho Securities. Thank you for your assistance. Please let me ask two points.

The first point is what is your approach to dividends? This time, the year-end dividend has been increased significantly, and the dividend payout ratio is over 40%, including the new fiscal year, because of the good performance. I wonder if we can take this as a sign of confidence in the future and the progress of the company's business performance. What is the background that led you to this level?

I think that, apart from the Dunlop brand, there will be some cash outflows in the future due to structural reforms, and there are still some uncertainties in the external business environment, but the current level is quite high, so I would like to know how you arrived at this point in the discussion.

Yamamoto [A]: Regarding dividends, cash flow and free cash flow improved last year. In terms of shareholder returns, our basic idea is to improve our business first and foremost and then maximize the cash flow that generates operating income to improve the share price, which is the most important aspect of shareholder returns.

Our basic policy is to pay stable dividends over the long term, while investing cash flow in future capital investment and research and development expenses, and, of course, determining the level of retained earnings and other factors.

Our basic policy is to maintain a dividend payout ratio of 40% or more on a consolidated basis, and we are presenting this dividend forecast based on our policy of long-term stable dividend payments.

Company Representative [A]: I would like to add an explanation. We certainly expect that cash flow will vary greatly depending on the situation in North America. However, free cash flow of more than JPY100 billion was generated this fiscal year, and it is important to return profits to shareholders over the long term, not to judge dividends based on free cash flow alone for this one year.

At this point, we cannot promise what the situation will be like, but our basic thinking is that we will grit our teeth and meet our commitments.

Sakaguchi [Q]: Thank you very much. Second, if we take out only the target of 7% business profit margin to achieve the mid-term goal, it has almost been achieved even in this fiscal year. I understand that you have almost reached the point of accomplishment.

The figures seem to indicate that your company's internal efforts, etc., are sufficient to achieve the target range even without the external environment, but I think some aspects have changed in the external environment compared to when the medium-term plan was originally formulated.

I believe that your company's ability to improve to this point and the fact that ocean freight rates, for example, have dropped dramatically have been a tailwind for your company. What is the current level of the Company's performance, and what is the level at which you would like to achieve the mid-term plan ahead of schedule?

How far have you come in terms of your ability, or are you sure that you have reached that point? I can see from the numbers that in some cases you may be able to aim for a higher level, so please tell us again where you are now.

That is all.

Yamamoto [A]: Thank you for your question. First of all, we would like to achieve the 7% target for 2027, which we have set for ourselves.

As I explained earlier, when we look at the business profit of JPY77.7 billion last year, we can see that the external environment has improved, in other words, that the sharp rises in raw materials and ocean freight costs have subsided. A large percentage of these results are attributable to the improvement of the North American business as a whole. There has been quite a bit of overall improvement here.

In North America, there are two types of businesses: those that sell products produced in North American factories for local consumption and those that import and sell products from Thailand and Japan. Now that container transportation costs, etc. have come down, we are making larger shifts. Allocations are being changed.

One is to increase the ratio of products from Thailand, especially Wild Peak A/T3W and other high-profit products from Thailand, which will lower costs and contribute to profits. Furthermore, sales also strive to do well in the US to raise prices and not lower them. This effect is also present.

Wild Peak and Falken also maintained their performance over the previous year. As I mentioned last year, Wild Peak has cleared its annual target of 120%, which I mentioned last year.

This is not only due to the external environment, but also to the overall shift to high value-added products and the effect of maintaining prices. These improvements in North America have also made a significant contribution in this area.

If you have anything to add, please do.

Nishiguchi [A]: As Mr. Yamamoto just mentioned, when a waterfall graph showing increase/decrease for financial statements is created by an accounting and finance department, it looks as if some external factor has improved the results. However, the JPY41.4 billion increase in ocean freight rates is still significant?

However, I was in charge of corporate planning when the mid-term plan was made in 2021, and I remember it well, but it was a mid-term plan made in the midst of extraordinary sea freight rates and skyrocketing prices, so I certainly saw what would happen by 2027 from a very conservative point of view.

However, even if freight rates do not fall, we have set a medium-term management plan that the price will recover that portion of the cost. In terms of external environmental factors such as those you just asked about, we have already factored in positive and negative factors as offsets. I believe that the normalization of the rate this time means that we are back to normal.

The JPY41.4 billion increase in ocean freight rates this time is mostly from Thailand to North America. As Yamamoto just mentioned, the mainstay Wild Peak has continued to grow by more than 20% over the past several years, which has been the most effective factor in this increase.

The sales increase is due to the effect of the increased sales and also to the increase in the unit sales price of high inch pickups used almost exclusively for SUVs since the product size has been expanded. I frankly believe that this part of the business has been quite effective and that tires have mainly raised the business profit margin. We have also set a target of 7% in 2027, which I think we can do quite ahead of schedule.

We believe that we will definitely have to do that now.

Sakaguchi [M]: Thank you very much.

Inoue [M]: Continuing on, Mr. Yoshida from Citigroup Securities, please go ahead.

Yoshida [Q]: Yes, thank you. The first point is winter tires in Japan, October to December, this winter, last year, I mean, how did they do? In addition, I believe that the warm winter has weakened the market considerably, so please tell me what kind of financial impact we should be looking for in this first quarter.

If this comes back to normal, will it have the effect of boosting profits by a little more than JPY10 billion level or something like that, say from JPY5 to JPY10 billion or something like that. Can you also give me your perspective on whether 2024 is expected to be normal or if you are putting in a plan for a continued warm winter?

I would also like to reorganize the market environment in North America. Your company seems to be doing well, but can you tell me what you are seeing right now in terms of overall demand, passenger and TB, respectively?

I believe that not only your company, but also Korean companies have recently been judged to have lowered tariffs, so I would like to know the competitive environment, including that, and also what impact this will have on the market as a whole since we are also involved in cartel investigations. However, I don't think your company is involved in this.

Europe and the US, that is. I know there have been a lot of these things in the past, but what kind of impact did they actually have? If you have any past findings, please let me know.

That is all.

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

Nishiguchi [A]: We received a lot of question at once, so if I left out an answer, please let me know. The first one is about domestic winter tires. October to December had a Super El Niño and a very mild winter. Once for winter tires, we had shipping conditions similar to what we had around El Niño, which was around 2016.

This was the same for our competitors, and winter tires did not do very well.

However, we had already seen this before the summer, and in the last year's financial results, we reviewed the sales contracts with each customer and curbed expenses on the assumption that we could no longer expect an increase in winter tire sales. This led to the domestic performance of the tire business this time.

In Q1, we are having a very mild winter, with this week's conditions suggesting that there will be no more snow in Hokkaido. Therefore, since the number of sales in the October to December period of last year decreased, we expect that the so-called industry return rate for replacing summer tires with winter tires in the Q1 will be quite low.

That is why we have included in our plan that when the demand for spring tires arrives, we will probably make considerable progress in pushing out spring and summer tires.

As for this winter, I don't know, but in October we will launch all-season tires with Active Tread.

We have already made a sales plan to promote mainly studded tires in Hokkaido and the northeastern part of Japan, and all-season tires in the south-northeastern part of Japan and westward. This year's plan is based on that strategy.

This is one answer to your question about winter tires, and the North American market is included in the overall slide of our volume plan. Wild Peak, we have been able to achieve double-digit volume growth in our mainstay areas. We are planning to increase the volume by 10% or more this year.

USTMA is an organization of the tire industry in the US, which is equivalent to JATMA in Japan, and according to our understanding, industry demand was 99% of the 2022 level last year.

The forecast for FY2024 is 101% for USTMA members and 101% for non-USTMA members. This is an estimate of about 104% for imports and other products.

This is partly based on our own estimation and partly on the USTMA's publicized data from last year. Therefore, market conditions are not so good in some areas, but I believe that the polarization between high value-added and low-cost products is progressing rapidly.

In North America, we are focusing on pickups, and we understand that the industry is growing considerably in this area.

What was the last one? Cartels. No cartels are involved. Yes. Is that all, Mr. Yoshida?

Yoshida [Q]: Yes. Regarding tariffs, not only your company but also Korean companies are lowering their tariffs, and I think this is a place where competition is quite fierce. In that sense, do you see it as a net benefit, or do you see it as a necessity to intensify the competition?

Nishiguchi [A]: The tariff rate will be in the 6% range in this year's plan, which has already been finalized and will be drastically reduced from the previous 16% to 6%. This part is also included in this year's plan.

I am not aware of any tariffs on Korean manufacturers, but we are able to manage the anti-dumping duties imposed on us by Thailand. In fact, our company has the largest volume of shipments from Thailand to the US.

We have a direct communication with the US government to investigate anti-dumping duties on our company. Therefore, we directly submit the data of our prices and sales prices in the US and the data of sales prices in Thailand. The US government agency calculates the tariff rates based on the data.

As such, we are in a position where it is easy to prove that we are not selling unfairly in the US. Therefore, we believe that we can manage the tariff rate.

Conversely, for the third largest and smaller suppliers, we have heard that the tariffs are based on our tariffs and are determined at our discretion. Therefore, we, who have the largest volume of shipments from Thailand, are able to communicate directly with the government and government agencies, and we believe that we are receiving correct evaluations. We have included the benefits of the tariffs in our plan because we are able to manage them. Does that answer your question?

Yoshida [M]: Yes, thank you.

Inouye [M]: Thank you very much, Mr. Yoshida. That is all the questions we have at this time. We still have a little bit of time left, so if you have a second question or anything else, please let us know. Any more questions?

This concludes the presentation of the financial results of Sumitomo Rubber Industries for the fiscal year ended December 31, 2023. If you are participating online, a survey regarding today's briefing will appear after the distribution, and we would appreciate your cooperation if you would like to fill it out.

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

Yamamoto [M]: Thank you very much.

[END]

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