Sumitomo Rubber Industries, Ltd.

Financial Results Briefing for the Fiscal Year Ended December 31, 2024

February 13, 2025

Event Summary

[Company Name]	Sumitomo Rubber Industries, Ltd.	
[Company ID]	5110- QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Results Briefing for the Fiscal Year Ended December 31, 2024	
[Fiscal Period]	FY2024 Annual	
[Date]	February 13, 2025	
[Number of Pages]	38	
[Time]	16:00 – 17:16 (Total: 76 minutes, Presentation: 29 minutes, Q&A: 47 minutes)	
[Venue]	Webcast	
[Venue Size]		
[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	Executive Officer, General Manager of Accounting & Finance Headquarters
[Analyst Names]*	Tairiku Sakaguchi	Mizuho Securities
	Shiro Sakamaki	BofA Securities
	Wataru Ishimoto	Nomura Securities
	Kazunori Maki	SMBC Nikko Securities
	Shinji Kakiuchi	Morgan Stanley MUFG Securities

*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: Ladies and gentlemen, thank you all for your patience. We will now begin the presentation of Sumitomo Rubber Industries, Ltd.'s financial results briefing for the fiscal year ended December 31, 2024.

I am Inoue from the Investor Relations of Sumitomo Rubber and I will be the moderator for today's presentation. Thank you very much.

First, I would like to introduce today's attendees. President and CEO, Representative Director, Satoru Yamamoto.

Yamamoto: I am Yamamoto. Thank you.

Inoue: Director and Managing Executive Officer, Hidekazu Nishiguchi.

Nishiguchi: I am Nishiguchi. Thank you very much.

Inoue: Director, Senior Executive Officer, Naoki Okawa.

Okawa: I am Okawa. Thank you.

Inoue: Executive Officer, General Manager of Accounting & Finance Headquarters, Hitoshi Hino.

Hino: I am Hino. Thank you very much.

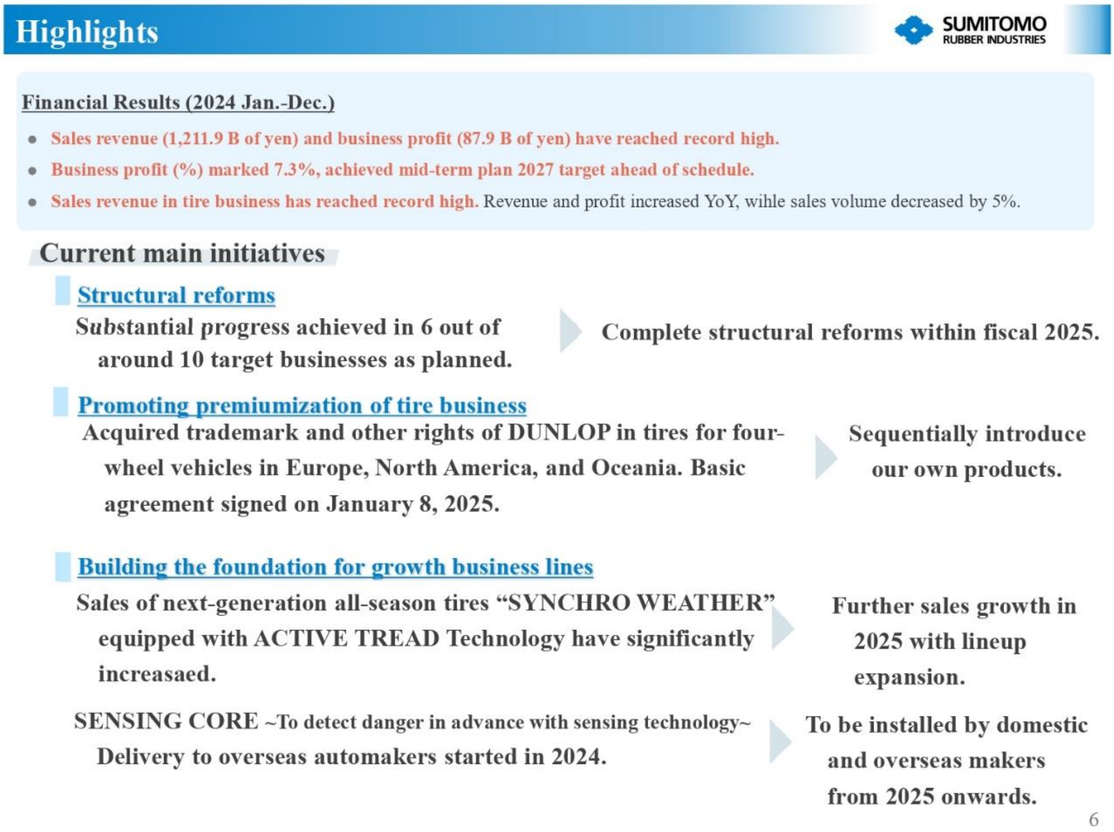
Inoue: Today's announcement will be made in accordance with the presentation materials available on our website. For those attending the venue, we have distributed the financial statements, financial results presentation materials, and the medium-term management plan progress report materials. If there are any discrepancies, please inform the staff present in the hall.

President Yamamoto will give an overview of the financial results, followed by a detailed explanation by Senior Executive Officer Okawa. After the presentation, we would like to take questions from the audience. Thank you very much.

Now, Yamamoto will begin the presentation.

Yamamoto: I am Yamamoto, President and CEO. Thank you very much for taking time out of your busy schedule today to participate in our financial results briefing for the fiscal year ended December 31, 2024.

I will now provide an overview of the FY2024 performance and our key initiatives.



Please refer to slide six. For the fiscal year ended December 31, 2024, our group's sales revenue was JPY1.2119 trillion, and business profit was JPY87.9 billion, both reaching record highs.

The business profit margin improved by 0.7 percentage points YoY to 7.3%, partly due to the effects of structural reforms. We were able to achieve our FY2027 target from the medium-term plan ahead of schedule.

In the tire business, although the total number of tires sold from January to December declined YoY, revenue increased due to factors such as higher sales of summer tires, particularly high-inch and high-value-added products in the domestic replacement market, and continued strong sales of the core FALKEN and WILDPEAK series in the North American market. As a result, revenue in the tire business reached a record high.

Since FY2023, we have been implementing structural reforms under the policy of selection and concentration of existing businesses. Of approximately 10 existing businesses and product lines, we set a course for two businesses in FY2023, and in FY2024, we set a course for four more businesses, including the North American business, which was our top priority. As planned, we are progressing toward the targets of the medium-term management plan.

The year 2025 has been positioned as a turning point in the medium-term management plan. We will complete the structural reforms, including the remaining four businesses.

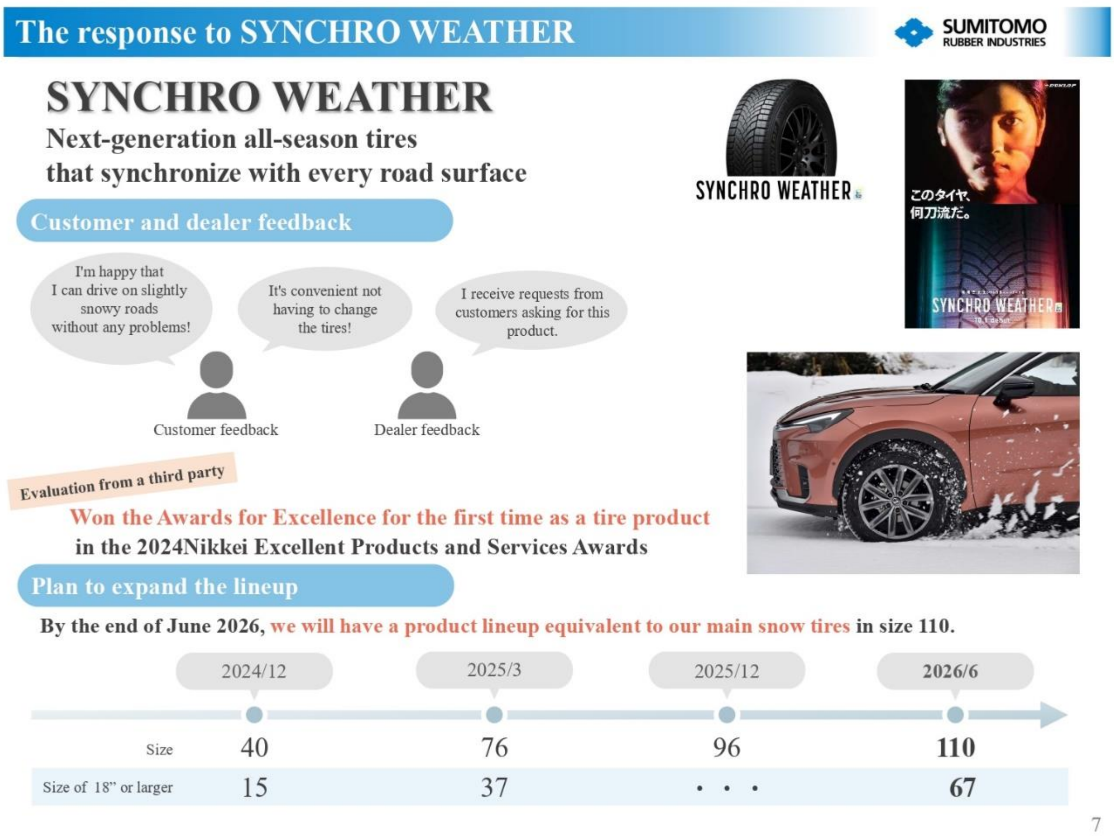
Additionally, in January of this year, we signed a contract with Goodyear. Regarding the acquisition of the DUNLOP trademark rights for four-wheeled vehicle tires in Europe, North America, and Oceania, we will sequentially introduce our own products. By leveraging the strong brand recognition of DUNLOP and our proprietary technologies on a global scale, we will maximize its value and increase the ratio of premium tires.

As part of building the foundation for growth businesses, we launched the next-generation all-season tire SYNCHRO WEATHER, equipped with our proprietary ACTIVE TREAD technology, in the domestic market in October last year. The introduction of a certified dealer system was a first-time initiative, but the number of participating stores far exceeded our target.

Additionally, the number of units sold in FY2024 significantly surpassed our initial plan. In 2025, we will expand sales by increasing the size lineup from 40 sizes at the end of 2024 to 96 sizes.

Our proprietary tire sensing technology, SENSING CORE, began shipments to overseas automotive manufacturers in FY2024. Moving forward, we will sequentially equip it for both domestic and international automotive manufacturers.

Further details on our future growth strategy will be shared in the company-wide strategy announcement in March.



Please refer to slide seven. I will provide additional explanations regarding market feedback on SYNCHRO WEATHER. The next-generation all-season tire SYNCHRO WEATHER, which synchronizes with all conditions, has been highly praised by customers. Additionally, dealers have reported strong demand, with customers specifically requesting to switch to SYNCHRO WEATHER when visiting stores.

Furthermore, we were honored to receive the Awards for Excellence in the 2024 Nikkei Excellent Products and Services Awards, marking the first time a tire product has won this award. We are truly grateful for this recognition from a third party.

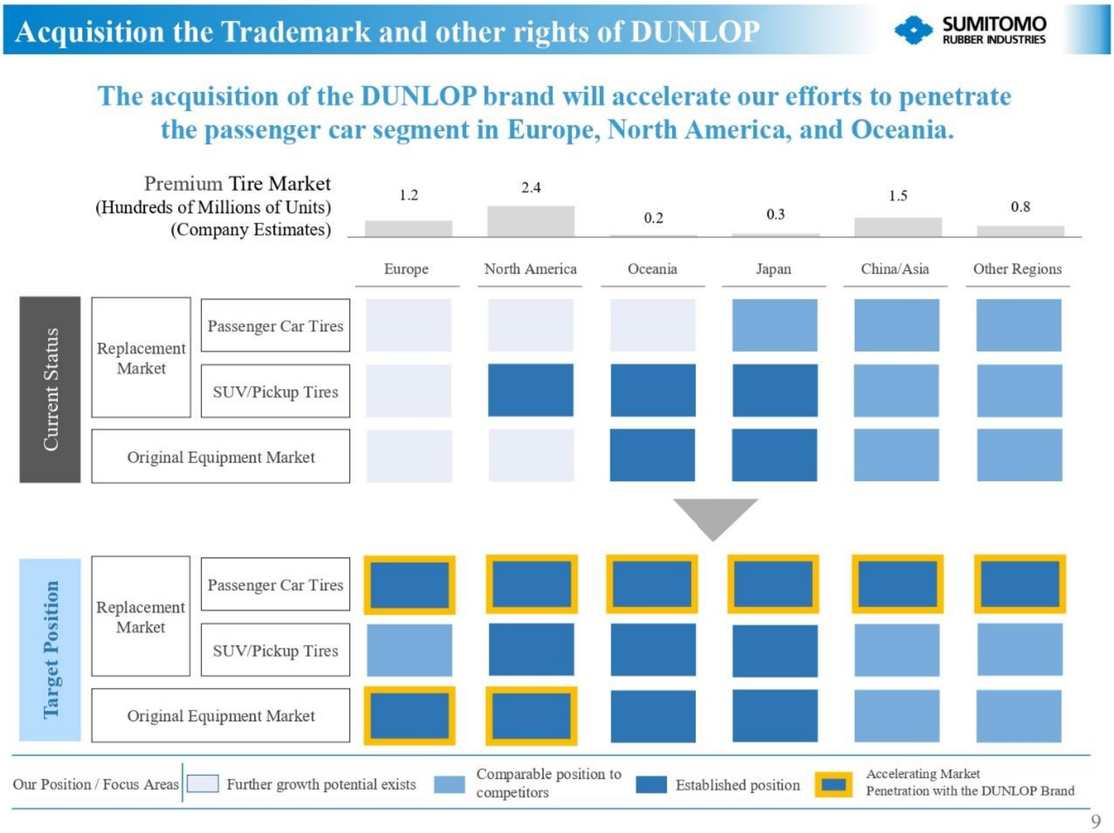
Looking ahead, we will expand the lineup to 76 sizes in preparation for spring demand this year. Furthermore, by the end of 2025, we will expand to 96 sizes, and by the end of June 2026, we will increase to 110 sizes, covering approximately 90% of vehicle models.

Please refer to slide eight. This slide provides additional information on the acquisition of DUNLOP trademark rights from Goodyear, as well as the history of DUNLOP trademark rights and the Sumitomo Rubber Group.

Our group began in 1909 as a subsidiary of Dunlop U.K. In the 1980s, we acquired Dunlop's tire businesses in the U.K., the U.S., and Germany, and for a period, we produced and sold DUNLOP brand tires not only in Japan but also in Europe and North America.

However, due to various events and transitions, including the devastating damage to the Kobe Factory caused by the Great Hanshin-Awaji Earthquake in 1995, we were unable to use the DUNLOP brand in certain regions. Therefore, rather than an entirely new acquisition, this DUNLOP brand acquisition is essentially a buyback.

On the 30th anniversary of the Great Hanshin-Awaji Earthquake, we are once again able to expand the DUNLOP brand to nearly the entire world, marking a significant step forward for the future growth of our company.



Please refer to slide nine. This slide presents our current status and future vision in the premium tire segment of the consumer goods market.

In the replacement market, we will leverage the benefits of acquiring the DUNLOP trademark rights, not only in Europe, North America, and Oceania, where we have newly obtained the rights, but also in Japan, China, and other regions, where DUNLOP has already been in use. We will accelerate our efforts to expand the passenger car segment on a global scale.

In the original equipment (OE) market, we will particularly accelerate our expansion using the DUNLOP brand in Europe and North America. We appreciate your continued expectations for our further growth.

Consolidated Financial Results (2024 Jan.-Dec.)

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	Actual 2024	Actual 2023	YOY	Nov. 8th 2024 Forecast 2024	Actual 2022
Sales Revenue	1,211.9	1,177.4	103%	1,200.0	1,098.7
Business Profit (%) *1,5	87.9 7.3%	77.7 6.6%	113%	80.0 6.7%	22.0 2.0%
Operating Profit (%) *5	11.2 0.9%	64.5 5.5%	17%	5.0 0.4%	15.0 1.4%
Profit *2,5	9.9	37.0	27%	1.0	9.4
ROIC *3	6.5%	5.7%		6.0%	1.7%
ROE	1.5%	6.3%		0.2%	1.8%
ROA *4	6.7%	6.2%		6.3%	1.9%
D/E Ratio	0.5	0.5		0.5	0.7

2024 Forecast	Feb.14th	May 13th	Aug. 7th	Nov. 8th
Sales Revenue	1,200.0	1,200.0	1,200.0	1,200.0
Business Profit	80.0	80.0	80.0	80.0
Operating Profit	61.0	61.0	61.0	5.0
Profit	37.0	38.0	41.0	1.0

*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.

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Please refer to the blue box on slide 10.

For FY2024, our group's performance showed sales revenue of JPY1.2119 trillion, a 103% YoY, business profit of JPY87.9 billion, a 113% YoY, operating profit of JPY11.2 billion, and profit of JPY 9.9 billion.

Operating profit and profit recorded a significant decline due to the impact of the shutdown of our U.S. tire manufacturing subsidiary, which was announced in November 2023.

【Forecast】 Consolidated Financial Results (2025 Annual)

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	Annual Forecast 2025	Actual 2024	YOY	First Half Forecast 2025	VS 2024
Sales Revenue	**1,250.0**	1,211.9	103%	600.0	102%
Business Profit (%)	**95.0** **7.6%**	87.9 7.3%	108%	30.0 5.0%	71%
Operating Profit (%)	**84.0** **6.7%**	11.2 0.9%	751%	25.0 4.2%	60%
Profit	**45.0**	9.9	456%	13.0	34%

	Annual Forecast 2025	Actual 2024
ROIC	**6.5%**	6.5%
ROE	**6.7%**	1.5%
ROA	**6.7%**	6.7%
D/E Ratio	**0.6**	0.5

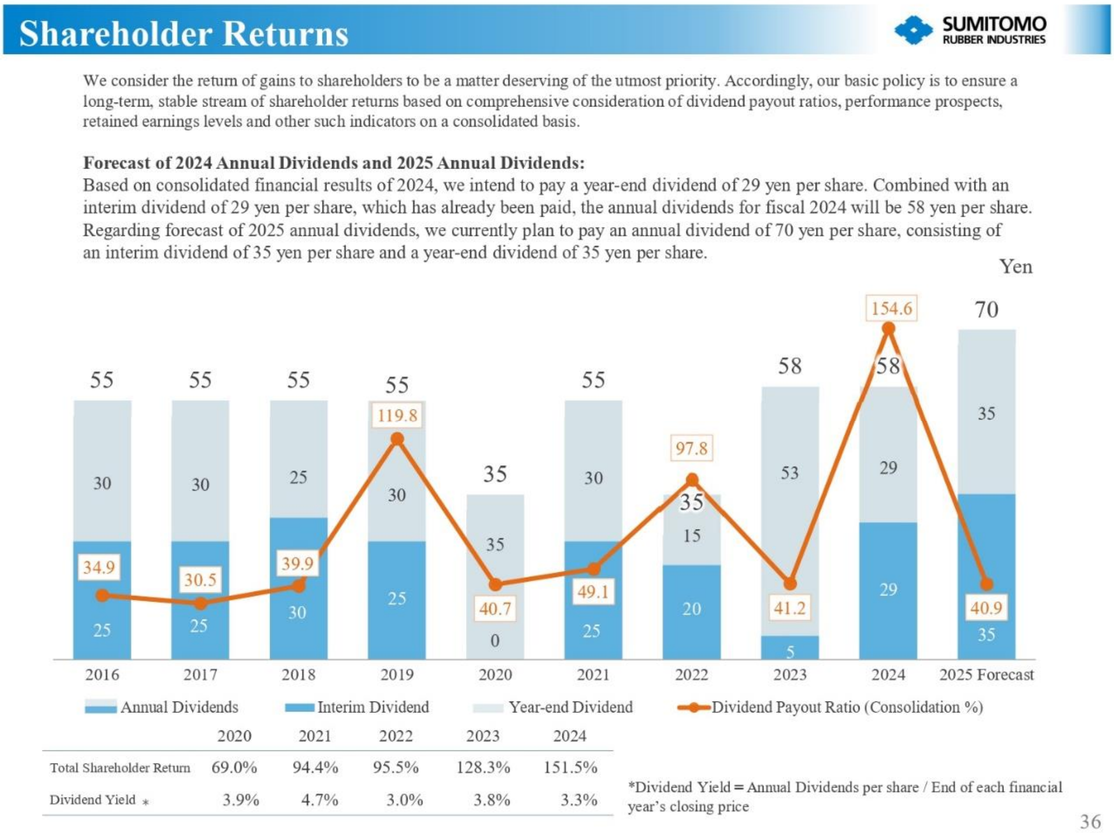
23

Next, please refer to the blue box on slide 23.

The full-year performance forecast for FY2025 projects sales revenue of JPY1.25 trillion, a 103% YoY, business profit of JPY95 billion, a 108% YoY, operating profit of JPY84 billion, a 751% YoY, and profit of JPY 45 billion, a 456% YoY.

With the acquisition of the DUNLOP trademark rights announced in January of this year, we expect increased sales in North America and Australia, as well as higher profits due to an improved premium tire ratio. At the same time, a portion of the transition-related costs from Goodyear is planned to be recorded.

Additionally, the impact of the shutdown of our US tire manufacturing subsidiary will continue from FY2024 into FY2025, and we plan to record structural reform losses accordingly.



Please refer to slide 36.

Regarding the FY2024 dividend, despite a significant decline in profit due to the recording of impairment losses from structural reforms, we have comprehensively considered factors such as the outlook for future earnings improvement, the level of retained earnings, and the status of free cash flow. As a result, we intend to maintain the initially forecasted annual dividend of JPY58 per share, the same amount as the previous fiscal year.

For the FY2025 dividend forecast, we plan to set the interim dividend at JPY35 per share and the year-end dividend at JPY35 per share, resulting in an annual dividend of JPY70 per share, the highest level in our history. Moving forward, we will continue to aim for a consolidated dividend payout ratio of at least 40% and strive to maintain a stable dividend as much as possible.

That concludes my presentation. Thank you very much.

Inoue: Next, Senior Executive Officer Okawa will provide a detailed explanation of the financial results for the fiscal year ended December 31, 2024.

Okawa: I am Okawa. Thank you for attending our financial results briefing today. We sincerely appreciate the continued support of our stakeholders. I would like to take this opportunity to express my deepest gratitude.

Now, I will provide an overview of the fourth-quarter financial results for FY2024.

Consolidated Financial Results (2024 Jan.-Dec.)

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	Actual 2024	Actual 2023	YOY	Nov. 8th 2024 Forecast 2024	Actual 2022
Sales Revenue	1,211.9	1,177.4	103%	1,200.0	1,098.7
Business Profit (%) *1,5	87.9 7.3%	77.7 6.6%	113%	80.0 6.7%	22.0 2.0%
Operating Profit (%) *5	11.2 0.9%	64.5 5.5%	17%	5.0 0.4%	15.0 1.4%
Profit *2,5	9.9	37.0	27%	1.0	9.4
ROIC *3	6.5%	5.7%		6.0%	1.7%
ROE	1.5%	6.3%		0.2%	1.8%
ROA *4	6.7%	6.2%		6.3%	1.9%
D/E Ratio	0.5	0.5		0.5	0.7

2024 Forecast	Feb.14th	May 13th	Aug. 7th	Nov. 8th
Sales Revenue	1,200.0	1,200.0	1,200.0	1,200.0
Business Profit	80.0	80.0	80.0	80.0
Operating Profit	61.0	61.0	61.0	5.0
Profit	37.0	38.0	41.0	1.0

*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.

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First, please refer to slide 10.

For the full year from January to December 2024, consolidated results show sales revenue of JPY1.2119 trillion and business profit of JPY87.9 billion, both reaching record highs.

On the other hand, business profit was JPY11.2 billion, and profit was JPY9.9 billion, reflecting a decline in profit YoY due to the recognition of losses associated with the execution of structural reforms in North America.

The business profit margin improved from 6.6% in FY2023 to 7.3% in FY2024, supported in part by the depreciation of the Japanese yen, allowing us to achieve the medium-term management plan target ahead of schedule. Similarly, ROIC improved to 6.5%, meeting the 2027 medium-term management plan target.

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

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

		2024 Jan.-Sep.	vs 2023	2024 Oct.-Dec.	vs 2023	Actual 2024	vs 2023	Actual 2023
Sales Revenue	Tires	748.8	104%	297.6	104%	**1,046.4**	**104%**	1,006.4
	Sports	97.7	100%	28.0	95%	**125.7**	**99%**	126.6
	Industrial & Other	28.5	87%	11.3	98%	**39.8**	**90%**	44.4
	Total	874.9	103%	336.9	103%	**1,211.9**	**103%**	1,177.4
Business Profit	Tires	51.2	161%	25.0	79%	**76.2**	**120%**	63.6
	Sports	7.9	89%	(0.0)	-	**7.9**	**63%**	12.5
	Industrial & Other *	2.4	201%	1.4	357%	**3.9**	**240%**	1.6
	Total	61.5	147%	26.4	74%	**87.9**	**113%**	77.7

*The elimination of inter-segment transactions is included. 13

Please refer to slide 13. This slide presents sales revenue and business profit by segment.

The actual results for January to December are shown in the blue box, but please look at the business profit section below. Business profit in the tire segment was JPY76.2 billion, a 120% YoY. Although the number of units sold decreased YoY, efforts to improve profit margins led to an increase in profit.

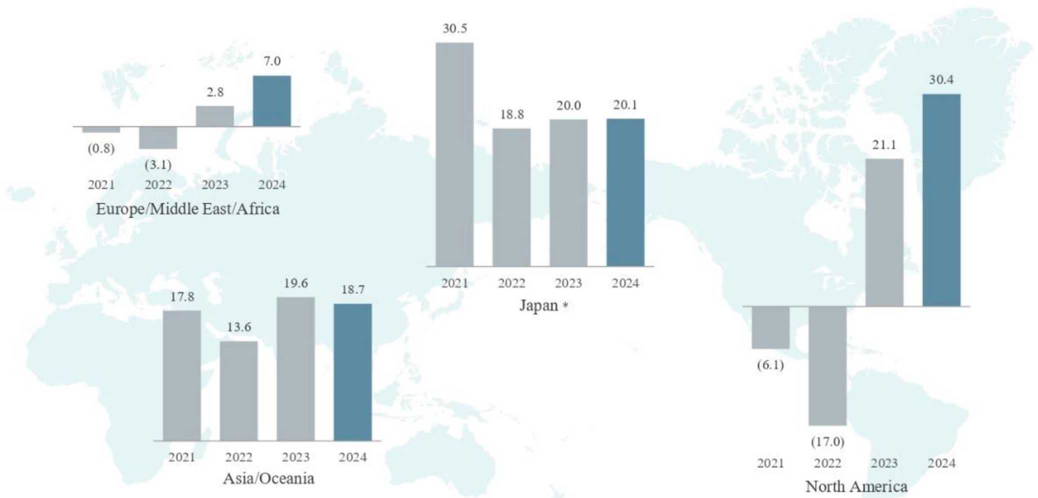
Below that, business profit in the sports segment was JPY7.9 billion, 63% YoY. Profit declined due to the deterioration of the golf business sales environment.

Business profit in the industrial and other segments was JPY3.9 billion, a 240% YoY. Strong performance in infrastructure-related businesses resulted in a significant increase in profit.

Consolidated Tire Business Profit by Region

SUMITOMO RUBBER INDUSTRIES

Billions of Yen



	2021	2022	2023	2024
Business profit of Tire	41.4	12.3	63.6	76.2
Overseas	10.9	(6.5)	43.5	56.0
% of Overseas	26%	-	68%	74%

*Direct export sales from Japan that do not go through group sales companies are aggregated in Japan.

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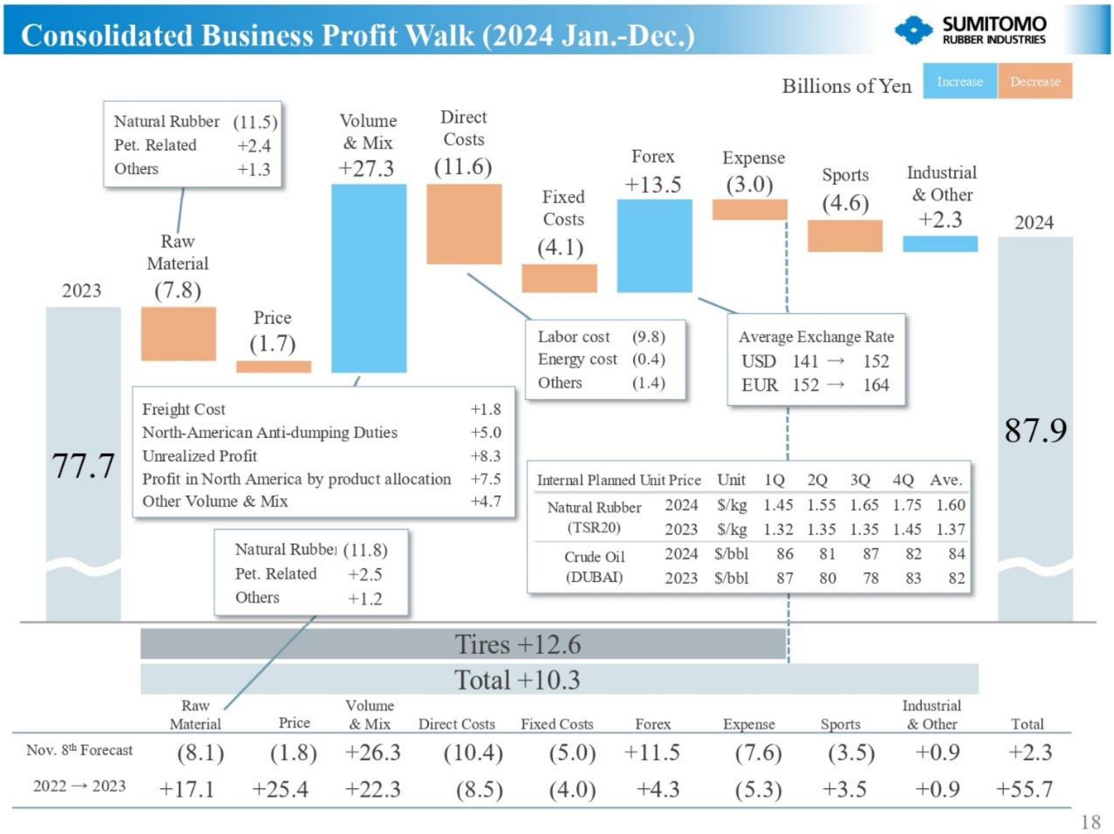
Please refer to slide 16. Starting from this presentation, we have added a new slide showing regional business profit for the tire business segment, one of our key KPIs. This slide illustrates the profit trends by region.

As you can see, our profit base has traditionally been supported mainly by Asia and Japan. However, in FY2024, the Americas, shown in the upper right, recorded a business profit of JPY30.4 billion, achieving significant growth and becoming the most profitable region globally.



Please refer to slide 18. This slide presents an analysis of the factors behind the YoY change in business profits for January to December 2024.

First, raw material prices had a negative impact of JPY7.8 billion, mainly due to the rise in natural rubber prices.

Volume and mix contributed a positive impact of JPY27.3 billion. As detailed in the speech bubble in the upper left, this includes a JPY5 billion positive impact from anti-dumping duty refunds and price adjustments in North America. Unrealized profit had a positive impact of JPY8.3 billion, mainly due to the significant difference from the previous year's negative impact. Additionally, the allocation profit resulting from the closure of the North American plant, meaning the increased imports and sales from Thailand and other regions, contributed a positive impact of JPY7.5 billion.

On the other hand, on the right side, direct costs were impacted significantly by higher labor costs at the Turkey plant, resulting in a negative impact of JPY11.6 billion. Further to the right, fixed costs also declined by JPY4.1 billion, primarily due to the same factors. Forex, including the depreciation of the Japanese yen against the US dollar, euro, and many other currencies, had a positive impact of JPY13.5 billion. Expenses, including higher labor costs, as well as increased advertising and promotional expenses, resulted in a negative impact of JPY3.0 billion.

As a result, the overall tire business saw a profit increase of JPY12.6 billion. After factoring in a JPY4.6 billion decline in the sports business and a JPY2.3 billion increase in the industrial and other business, the total company-wide profit increase amounted to JPY10.3 billion.

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
2023	Jan.-Mar.	8.0	(6.8)	(4.5)	+10.8	(8.9)	(3.9)	(0.7)	(0.3)	(1.0)	+1.5	+0.2
	Apr.-Jun.	9.1	+9.7	+1.2	+8.1	+4.1	(2.6)	(0.0)	+0.6	(0.8)	(1.3)	+0.4
	Jul.-Sep.	24.9	+26.7	+10.3	+4.4	+12.2	(1.0)	(1.1)	+2.4	(0.8)	+0.4	(0.1)
	Oct.-Dec.	35.7	+26.1	+10.1	+2.1	+14.9	(1.0)	(2.2)	+1.6	(2.7)	+2.9	+0.4
	Annual	77.7	+55.7	+17.1	+25.4	+22.3	(8.5)	(4.0)	+4.3	(5.3)	+3.5	+0.9
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
	Apr.-Jun.	19.1	+10.0	(0.3)	(1.4)	+7.5	(2.7)	(1.8)	+7.6	(0.9)	+1.7	+0.3
	Jul.-Sep.	19.2	(5.7)	(4.6)	(0.3)	+7.3	(3.1)	(1.1)	(0.2)	(3.0)	(1.5)	+0.8
	Oct.-Dec.	26.4	(9.3)	(6.7)	+0.1	+1.4	(3.6)	+0.2	+0.8	+1.1	(3.6)	+1.0
	Annual	87.9	+10.3	(7.8)	(1.7)	+27.3	(11.6)	(4.1)	+13.5	(3.0)	(4.6)	+2.3
vs Nov. 8th Forecast			+7.9	+0.3	+0.1	+1.0	(1.2)	+0.9	+2.0	+4.6	(1.1)	+1.4

19

Please refer to slide 19. Here, I will explain the major differences compared to the previous forecast announced in Q3, which are listed at the bottom of the table.

The fourth column from the right shows the positive impact of JPY2.0 billion from the depreciation of the Japanese yen.

Additionally, expenses improved by JPY4.6 billion due to cost reductions on a global basis. Furthermore, the industrial and other segments saw a JPY1.4 billion improvement in performance. Overall, compared to the previous forecast, the total improvement was JPY7.9 billion.

Consolidated Statement of Profit & Loss

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	2023 Jan.-Dec.	2024 Jan.-Dec.	vs 2023 Jan.- Dec.
Sales revenue	1,177.4	**1,211.9**	+34.5
Cost of sales	(850.9)	**(853.6)**	(2.7)
Selling, general and administrative expenses	(248.8)	**(270.3)**	(21.5)
Business profit	77.7	1 **87.9**	+10.3
Other income	2.6	2 **4.2**	+1.6
Other expenses	(15.8)	3 **(81.0)**	(65.2)
Operating profit	64.5	**11.2**	(53.3)
Financial income	11.9	4 **12.3**	+0.4
Financial expenses	(13.7)	5 **(7.3)**	+6.4
Equity in earnings of affiliates	0.0	**0.0**	+0.0
Profit before tax	62.7	**16.3**	(46.5)
Income tax expenses	(24.2)	6 **(3.3)**	+20.9
Non-controlling interests	(1.5)	**(3.1)**	(1.6)
Profit	37.0	**9.9**	(27.2)

Main factor

1 **Business profit**
Refer to page.6 to 19 for details

2 **Other income**

	Actual	vs 2023
Non-operating profit	2.6 B of yen	+0.9 B of yen
Other extraordinary profit	1.4 B of yen	+0.9 B of yen

3 **Other expenses**

Impairment losses, etc. related to termination of production and dissolution of a U.S. factory	(69.4) B of yen	(69.4) B of yen
Other extraordinary loss	(4.0) B of yen	(3.2) B of yen
Loss on sale of DSW*	(2.9) B of yen	(2.9) B of yen

4 **Financial income**

Gain on net monetary position	6.4 B of yen	(2.0) B of yen
Interest received	2.8 B of yen	+0.2 B of yen
Foreign exchange profit	1.9 B of yen	+1.9 B of yen

5 **Financial expenses**

Interest expenses	(7.3) B of yen	(0.9) B of yen
Foreign exchange loss	-	+5.0 B of yen

6 **Income tax expenses**

Tax effect etc.	20.1 B of yen	+17.4 B of yen

*DSW: Dunlop Sports Wellness Co. Ltd.

20

Please refer to slide 20. I will explain the items below business profit in the consolidated statement of profit and loss.

In FY2024, business profit was JPY87.9 billion, while profit was JPY9.9 billion, reflecting a significant decline in profit below the business profit level.

The primary factor was other expenses of negative JPY81.0 billion, as shown on the right side of the slide. The main component of this was a negative JPY69.4 billion impact from losses related to the execution of structural reforms at our North American tire manufacturing subsidiary.

On the other hand, income tax expenses, shown as item six, increased by JPY20.9 billion YoY. This was primarily due to tax effects related to the structural reform losses in North America.

Consolidated Statement of Financial Position

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	As of Dec. 31, 2023	As of Dec. 31, 2024	vs Dec. 31, 2023
Current assets	624.7	**669.8**	1 +45.0
Non-current assets	642.0	**671.4**	2 +29.3
Total assets	1,266.7	**1,341.1**	+74.4
Current liabilities	331.1	**370.6**	+39.5
Non-current liabilities	294.2	**294.7**	+0.5
Total liabilities	625.3	**665.3**	3 +40.0
Total equity attributable to owners of parent	624.1	**656.1**	4 +32.0
Non-controlling interests	17.3	**19.7**	+2.4
Total equity	641.4	**675.8**	+34.4
Total liabilities and equity	1,266.7	**1,341.1**	+74.4
Equity ratio	49.3%	**48.9%**	(0.4)P

Main factor

	vs Dec. 31, 2023
1 Current assets	
Inventories	+28.5 B of yen
Cash and cash equivalents	+10.1 B of yen
Trade and other receivables	+5.7 B of yen
2 Non-current assets	
Deferred tax assets	+17.3 B of yen
Net defined benefit asset	+8.9 B of yen
Intangible assets (including goodwill)	+8.5 B of yen
Tangible assets	(7.6) B of yen
3 Total liabilities	
Interest-bearing debt	+20.3 B of yen (310.9 → 331.2)
Trade and other liabilities	+10.7 B of yen
Deferred tax liabilities	+7.4 B of yen
4 Equity	
Foreign currency translation adjustment	+35.2 B of yen
Dividends paid	(21.6) B of yen
Profit	+9.9 B of yen

21

Please refer to slide 21.

This slide presents the consolidated statement of financial position. Total assets amounted to JPY1.3411 trillion. While fixed assets were reduced due to the execution of structural reforms, the valuation of foreign currency-denominated assets increased due to the depreciation of the Japanese yen. As a result, total assets increased by JPY74.4 billion YoY.

The ratio of liabilities and equity is approximately equal, with an equity ratio of 48.9%.

【Forecast】Consolidated Financial Results (2025 Annual)

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	Annual Forecast 2025	Actual 2024	YOY	First Half Forecast 2025	vs 2024
Sales Revenue	**1,250.0**	1,211.9	103%	600.0	102%
Business Profit (%)	**95.0** **7.6%**	87.9 7.3%	108%	30.0 5.0%	71%
Operating Profit (%)	**84.0** **6.7%**	11.2 0.9%	751%	25.0 4.2%	60%
Profit	**45.0**	9.9	456%	13.0	34%
ROIC	**6.5%**	6.5%			
ROE	**6.7%**	1.5%			
ROA	**6.7%**	6.7%			
D/E Ratio	**0.6**	0.5			

23

Please refer to slide 23.

This slide presents the consolidated earnings forecast for FY2025. As shown in the blue box, sales revenue is expected to be JPY1.25 trillion, a 103% YoY; business profit is projected at JPY95 billion, a 108% YoY; operating profit is forecast at JPY84 billion, and profit is expected to be JPY45 billion. We anticipate both revenue and profit will increase YoY.

As a result, the business profit margin for FY2025 is expected to be 7.6%, ROIC at 6.5%, ROE at 6.7%, and the D/E ratio at 0.6. With the exception of ROE, we plan to achieve the FY2027 medium-term management plan targets ahead of schedule.

【Forecast】 Consolidated Sales Revenue / Business Profit by Reportable Segment (2025 Annual)

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

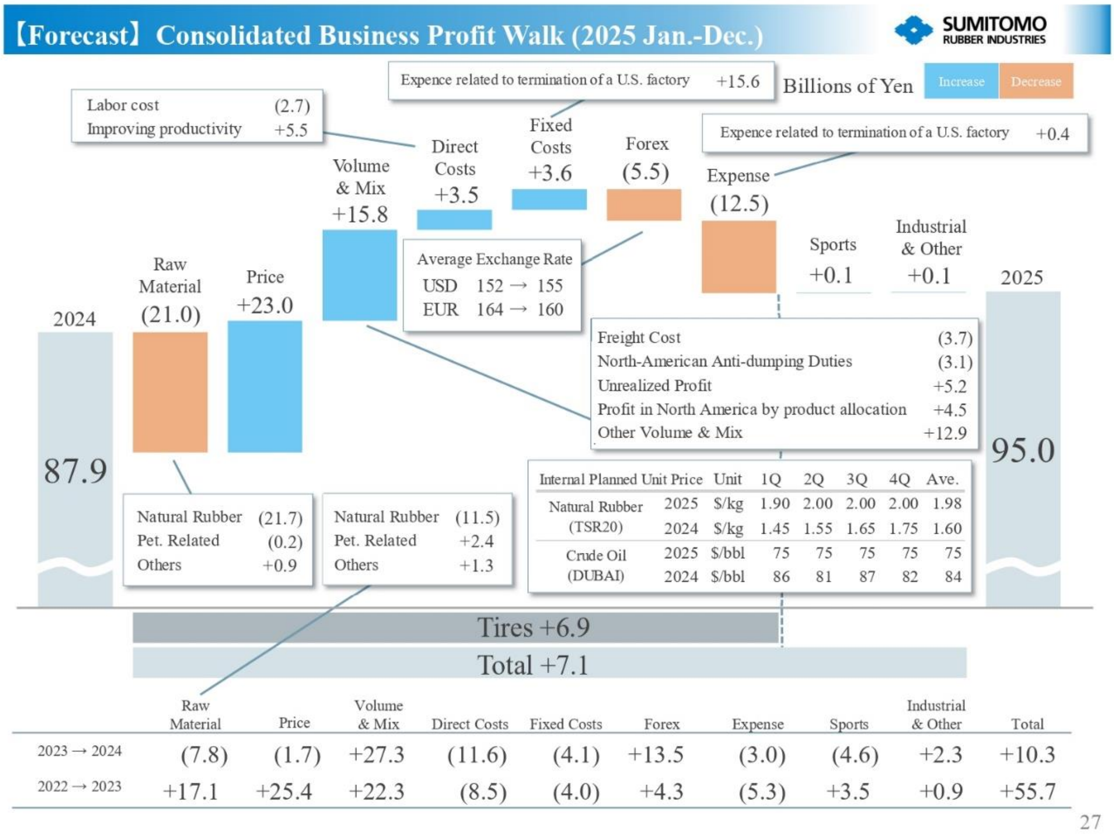
		Annual Forecast 2025	Actual 2024	YOY	First Half Forecast 2025	vs 2024
Sales Revenue	Tires	**1,088.5**	1,046.4	104%	513.5	104%
	Sports	**124.5**	125.7	99%	68.5	96%
	Industrial & Other	**37.0**	39.8	93%	18.0	93%
	Total	**1,250.0**	1,211.9	103%	600.0	102%
Business Profit	Tires	**83.0**	76.2	109%	24.0	71%
	Sports	**8.0**	7.9	102%	4.5	65%
	Industrial & Other *	**4.0**	3.9	103%	1.5	114%
	Total	**95.0**	87.9	108%	30.0	71%

*The elimination of inter-segment transactions is included.

25

Please refer to slide 25. This slide presents the FY2025 sales revenue and business profit forecasts by segment.

Sales revenue in the tire segment is expected to be JPY1.0885 trillion, 104% YoY, while business profit is projected at JPY83 billion, 109% YoY, indicating both revenue and profit growth. On the other hand, sales revenue in the sports segment is expected to be JPY124.5 billion, a 99% YoY, while business profit is projected at JPY8 billion, a 102% YoY. Although revenue is expected to decline, profit is forecast to increase. For industrial and other, sales revenue is expected to be JPY37 billion, a 93% YoY, while business profit is projected at JPY4 billion, a 103% YoY. Similar to the sports segment, despite a decline in revenue, profit is expected to increase.



Please refer to slide 27. This slide presents the analysis of factors behind the YoY change in business profit for FY2025.

First, raw material prices are expected to remain high, particularly for natural rubber, resulting in a negative impact of JPY21.0 billion. On the other hand, while there are limits to offset raw material cost increases through internal efforts, we have factored in a positive impact of JPY23.0 billion from price adjustments across Japan, the US, Europe, and Asia.

Volume and mix are expected to contribute a positive impact of JPY15.8 billion, incorporating factors such as unrealized profit and the allocation effect from the closure of the North American plant. Additionally, direct costs and fixed costs have been adjusted to reflect the cost reduction effects resulting from the closure of the North American plant.

For Forex, we have assumed an exchange rate of JPY155 per USD, which will have a positive impact, while the EUR at JPY160 will have a negative impact. These effects will partially offset each other. However, considering factors such as increased costs in the Thai baht due to the depreciation of the Japanese yen, we expect a negative impact of JPY5.5 billion.

For expenses, we have factored in a negative impact of JPY12.5 billion, reflecting higher advertising and DX-related costs, as well as increased labor costs across various regions worldwide. As a result, the tire business as a whole is expected to see a profit increase of JPY6.9 billion.

Company-wide, we expect a total profit increase of JPY7.0 billion.

Tire Sales Volume (Comparison %)

SUMITOMO RUBBER INDUSTRIES

vs Previous year	2023 Actual					2024 Actual					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.	112%	121%	108%	108%	112%	78%	90%	87%	**88%**	**86%**	113%	102%	107%
Domestic Rep.	98%	108%	89%	97%	98%	86%	97%	108%	**103%**	**98%**	92%	97%	95%
Overseas O.E.	101%	108%	92%	101%	100%	90%	89%	89%	**90%**	**90%**	97%	95%	96%
Overseas Rep.	87%	94%	97%	96%	93%	100%	93%	99%	**102%**	**98%**	97%	102%	100%
Details: North America	81%	92%	109%	100%	95%	107%	86%	98%	**101%**	**98%**	95%	102%	99%
Details: Europe	90%	85%	100%	91%	92%	102%	105%	90%	**96%**	**98%**	97%	109%	103%
Details: Asia	91%	104%	89%	92%	94%	93%	89%	103%	**114%**	**99%**	97%	98%	98%
Details: Others	85%	93%	91%	102%	92%	100%	93%	104%	**100%**	**99%**	99%	100%	100%
Total	94%	101%	96%	99%	97%	93%	93%	97%	**98%**	**95%**	98%	100%	99%
Total Tire Sales (000 Units)	26,450	26,860	26,850	28,190	108,360	24,610	24,870	26,090	**27,760**	**103,330**	48,540	53,770	102,310

28

Please refer to slide 28.

This slide shows the YoY trend in tire sales volume. As noted in the lower section of the blue box, tire sales volume for FY2024 was 103.33 million units, representing 95% YoY.

Looking at the market segments, domestic OE declined to 86% YoY due to production cuts by certain OEM manufacturers. Domestic replacement was 98% YoY, impacted by a warm winter at the beginning of last year, leading to lower winter tire sales. Overseas OE was 90% YoY. While sales increased in North America and Brazil, declines in Southeast Asia and China, particularly among Japanese OEMs, led to an overall decrease. Overseas replacement was 98% YoY. By region, sales were 98% in North America, 98% in Europe, 99% in Asia, and 99% in other regions.

In North America, although our WILDPEAK series, a core product, continued to perform strongly, overall sales declined due to an increase in imported tires in low-priced categories.

In Europe, sales declined in the second half of the year due to supply shortages caused by a strike at the Turkey plant. Sales also saw a slight decline in Asia and other regions, resulting in overall overseas sales falling below the previous year. However, sales of premium products remained generally strong.

Next, regarding the full-year sales volume forecast for FY2025, as shown in the lower right section, the projected volume is 102.31 million units, representing a 1% decline YoY as we continue to focus on premium products.

By market segment, domestic OE is expected to reach 107% YoY, driven by the recovery in production by OEM manufacturers. Domestic replacement is expected to be 95% YoY, reflecting the discontinuation of low-margin products, but we will continue to actively expand sales of SYNCHRO WEATHER.

Overseas OE is projected at 96% YoY. While sales are expected to increase in North America and Europe, China is expected to decline due to production cuts by European and Japanese manufacturers. Overseas replacement is expected to remain roughly the same as last year.

Tire Volume by Category (Comparison %)

SUMITOMO RUBBER INDUSTRIES

vs Previous Year	Actual 2023 Jan.-Dec.				Actual 2024 Jan.-Dec.				2025 Forecast			
	O.E.	Rep.	Total	Composition ratio	O.E.	Rep.	Total	Composition ratio	O.E.	Rep.	Total	Composition ratio
Passenger Tires	105%	96%	98%	88%	**89%**	**98%**	**95%**	**88%**	101%	99%	99%	88%
Advanced Tires *2	117%	103%	108%	38% *1	**96%**	**101%**	**99%**	**40%** *1	-	-	-	-
Premium Tires *3	-	-	-	-	-	-	-	**44%** *1	104%	107%	106%	46% *1
Truck & Bus Tires	112%	83%	85%	4%	**100%**	**97%**	**98%**	**4%**	112%	99%	100%	4%
Motorcycle, Industrial & Other Tires	103%	85%	92%	9%	**79%**	**104%**	**93%**	**9%**	94%	93%	94%	8%
Total	105%	94%	97%	100%	**88%**	**98%**	**95%**	**100%**	100%	98%	99%	100%

Advanced Tires/Premium Tires Composition Ratio*1 by Year

From actual 2024, the definition of the tires that the company focuses on has changed from advanced tires*2 to premium tires*3.

	Advanced Tires *2			Premium Tires *3		
	O.E.	Rep.	Total	O.E.	Rep.	Total
Actual 2023	50%	33%	38%	-	-	-
Actual 2024	54%	34%	40%	56%	39%	44%
2025 Forecast	-	-	-	57%	42%	46%

*1.Composition Ratio to Passenger Tires

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

*3.Premium Tires: Differentiated products(SYNCHRO WEATHER, WILDPEAK, European all-season tires), SUVs and Passenger car tires with a size of 18" or larger

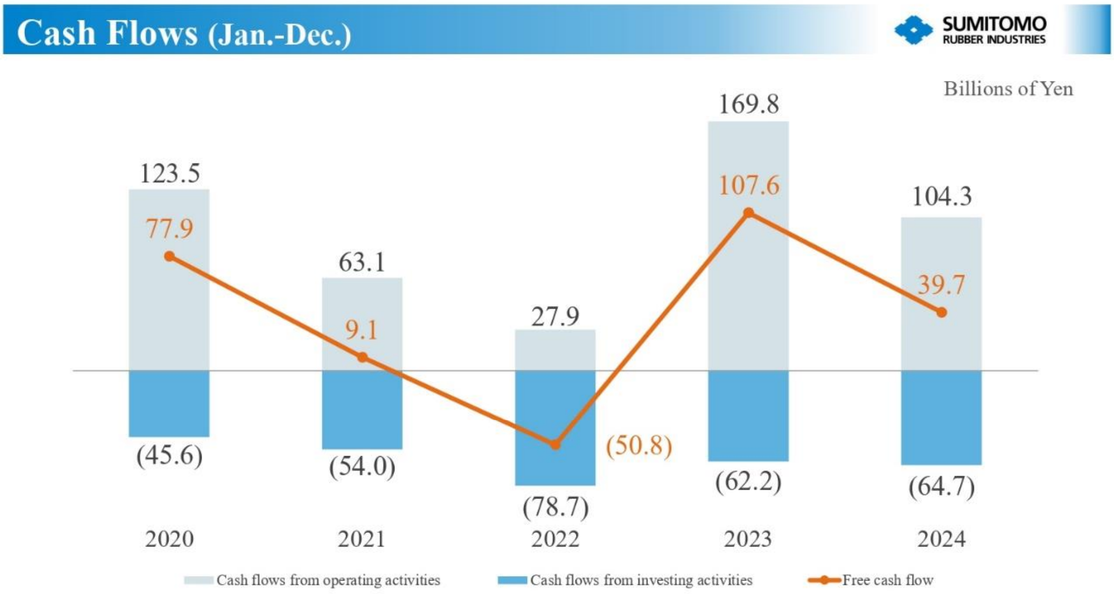
29

Please refer to slide 29.

This slide presents tire sales volume by category. Starting from this presentation, we have established premium tires as a new KPI, replacing the previously reported high-performance tires category. In addition to the previously defined high-performance tires, we will now categorize SYNCHRO WEATHER and WILDPEAK as premium tires, regardless of size.

Looking at the composition ratio for FY2024, premium tires accounted for 44% of total sales. For reference, the composition ratio of the previous high-performance tire category increased by 2 percentage points YoY to 40%.

For FY2025, the premium tire ratio is projected to rise to 46%. Going forward, we will continue to increase the share of premium tires to further enhance profitability.



<CCC by Year>	2020	2021	2022	2023	2024
CCC *	146 days	128 days	130 days	134 days	135 days
Days Sales Outstanding	85 days	72 days	66 days	65 days	65 days
Days Inventory Outstanding	109 days	100 days	108 days	117 days	118 days
Days Payable Outstanding	48 days	44 days	45 days	47 days	48 days

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

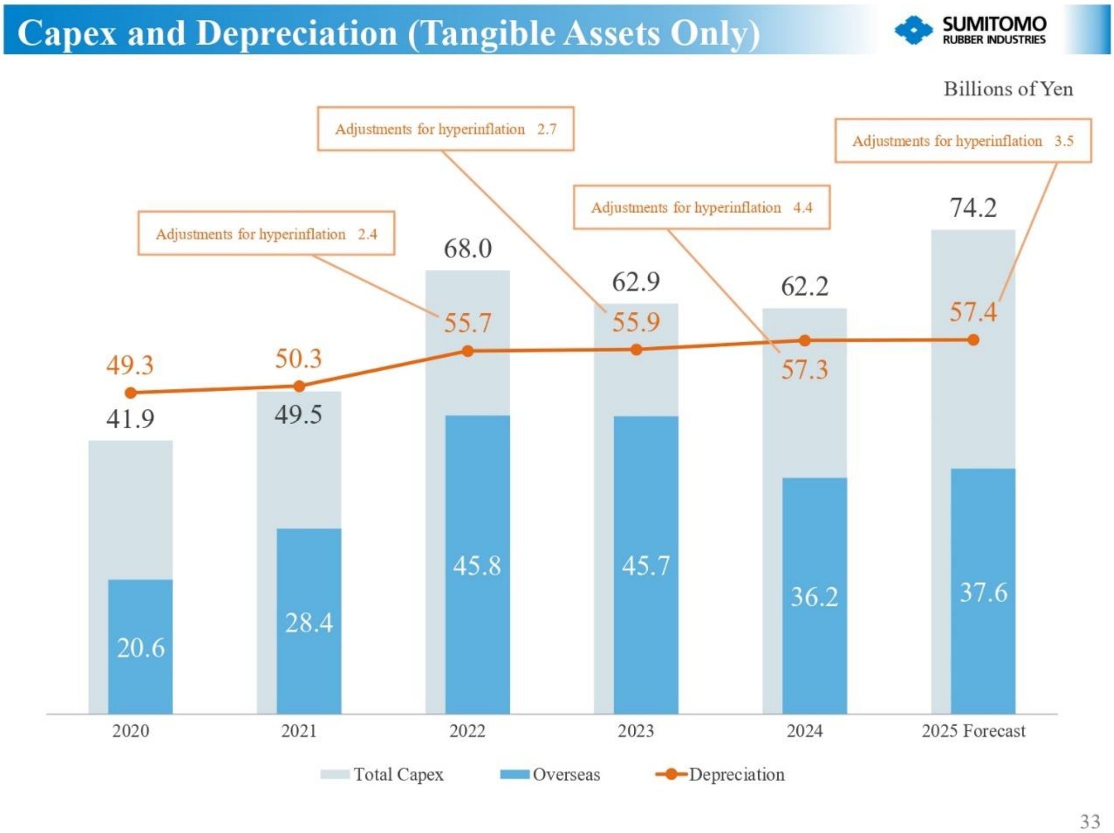
32

Next, please refer to slide 32.

This slide presents the cash flow trends. On the far right, operating cash flow for FY2024 was positive JPY104.3 billion. Efforts to improve profitability led to an increase in the business profit margin. However, higher raw material costs and a temporary increase in inventory reserves due to the closure of the North American plant resulted in higher working capital. As a result, operating cash flow decreased by JPY65.5 billion compared to the previous year's JPY169.8 billion.

On the other hand, investing cash flow was negative JPY64.7 billion, mainly due to an increase in DX-related intangible assets, resulting in a JPY2.5 billion increase YoY.

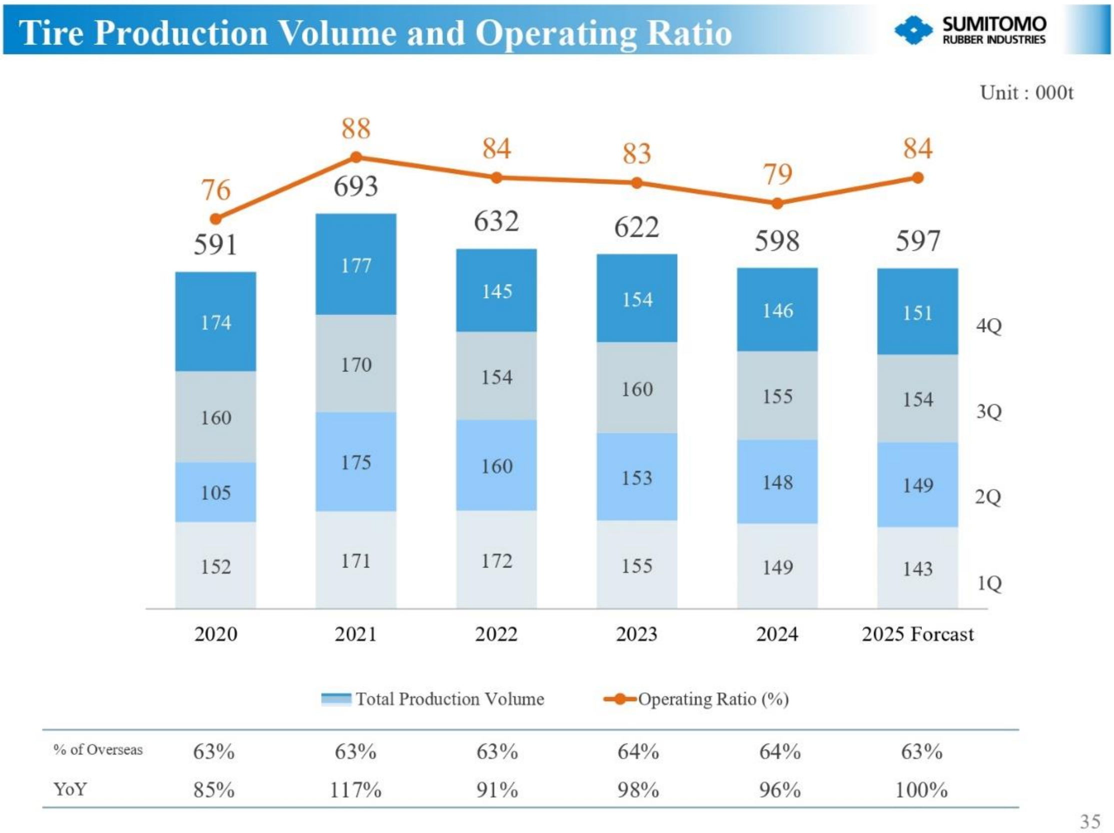
As a result, free cash flow was positive JPY39.7 billion.



Please refer to slide 33.

This slide presents the trends in Capex and depreciation expenses. For FY2024, shown in the second column from the right, Capex amounted to JPY62.2 billion, while depreciation expenses totaled JPY57.3 billion.

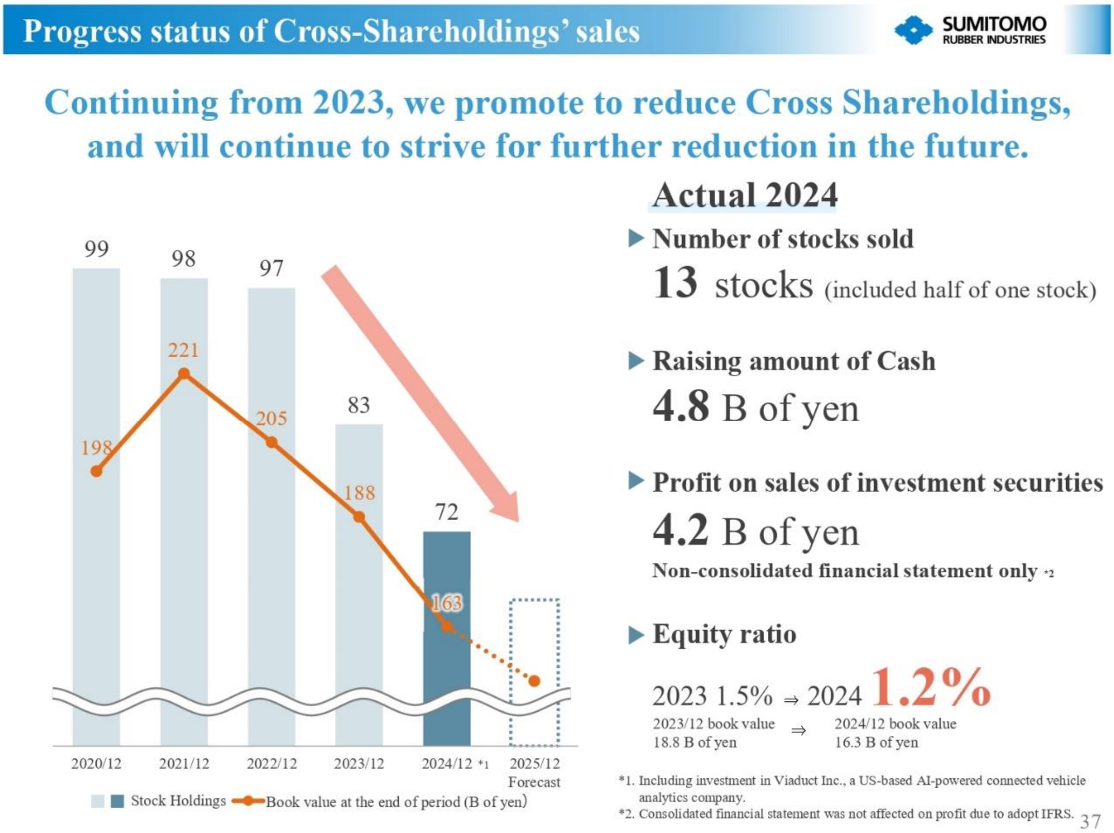
For FY2025, shown on the far right, Capex is projected to increase to JPY74.2 billion, reflecting investment in premium tire production, as well as renewal investments and ESG-related initiatives. Depreciation expenses for FY2025 are expected to be JPY57.4 billion.



Please refer to slide 35.

This slide presents trends in tire production volume and operating ratio. For FY2024, shown in the second column from the right, the annual production volume was 598,000 tons, with an annual operating ratio of 79%.

For FY2025, shown in the far-right column, annual production volume is projected to be 597,000 tons, which is nearly the same as in FY2024. However, due to the closure of the North American plant, overall production capacity has been reduced, resulting in an expected increase in the annual operating ratio to 84%.



Finally, please refer to slide 37.

As part of our efforts to promote management with a focus on capital costs, we have consistently worked to reduce cross-shareholdings. In FY2024, we sold shares in 13 companies, reducing the ratio of cross-shareholdings to total assets to 1.2%. We will continue to further reduce cross-shareholdings in the coming years.

Regarding shareholder return policies, as President Yamamoto explained earlier, we remain committed to maintaining stable dividends over the long term. We appreciate your understanding in this regard.

That concludes my presentation.

Question & Answer

Inoue [M]: We will now take questions from the audience.

Due to time constraints, we kindly ask that each person limit their questions to a maximum of two. For those with questions in the venue, please raise your hand. The person in the front row, please go ahead.

Sakaguchi [Q]: My name is Sakaguchi from Mizuho Securities. I have two questions. First, could you provide more details on the factors behind the better-than-expected performance?

I would like to get some insights into how these factors will be reflected in this fiscal year's results. Expenses showed a positive impact of approximately JPY4.6 billion. I would like to understand whether this was simply a conservative estimate, whether there were specific cost-control measures, or if it was due to timing differences. Given that expenses are expected to increase significantly this fiscal year, I would like to understand the contrast between last year's expense movements and the expected increase this year.

Additionally, volume and mix showed a positive impact of approximately JPY1.0 billion overall, but there were some fluctuations within the components. While sales volume was slightly weaker than planned, the effects of mix were solid, and there were also some fluctuations in unrealized profit. Could you provide more details on which aspects of sales performance exceeded expectations? That concludes my first question.

Yamamoto [M]: Thank you for your question. Okawa will respond.

Okawa [A]: Thank you for your question. Regarding the factors behind the outperformance compared to our original Q3 forecast for FY2024, the first point is related to structural reforms in North America, where the results materialized slightly earlier than we had anticipated.

The closure was originally scheduled for November, and based on that assumption, we started production in Thailand earlier. We had initially expected allocation profit to materialize more in FY2025, but some of it was realized earlier in FY2024.

As I will explain later, we had previously projected JPY31.0 billion in FY2025, but due to this partial shift, that figure has slightly decreased. Additionally, since the plant closure was slightly delayed compared to our initial expectations, it helped suppress some cost outflows. Some of these effects have shifted to FY2026, resulting in the JPY31.0 billion projection being revised to JPY26.0 billion, with a portion being recognized earlier in FY2024.

Regarding expenses, we made a concerted effort toward the end of the fiscal year to control costs. To be frank, we requested additional cost restraint, which led to some expenses being deferred to FY2025. These two factors were among the key reasons why our actual results outperformed the assumptions we had in November.

Additionally, the impact of the depreciation of the Japanese yen was greater than we had initially expected, contributing to the outperformance. Compared to our assumptions in November, we believe these three factors were the main drivers of the stronger results.

Regarding volume and mix and unrealized profit, there was some fluctuation compared to our initial forecast. For unrealized profit, the actual volume ended up being higher than we had originally anticipated. As I mentioned earlier, since we carefully prepared production in Thailand, the overall volume increased, leading to a rise in inventory, which had an impact.

Regarding the composition itself, there were various fluctuations, so I would like you to understand it as a mix of different factors.

For more details on the composition, Nishiguchi is more knowledgeable. However, one key point is that the ratio of premium tires increased significantly beyond our expectations, meaning that the positive impact from the mix outweighed the decline in volume. That concludes my response.

Nishiguchi [A]: Since I was asked to explain, I will address the volume and mix aspects. Looking specifically at Q4, we saw a significant profit increase due to mixed improvements, largely driven by the strong performance of SYNCHRO WEATHER. However, in Q4, the decline in domestic OEM production was much larger than in Q3, leading to a negative impact from lower volume. This negative impact from volume decline was factored in, resulting in the figures we see here.

In terms of volume, the main decline came from OEM production cuts. Regarding mix, while SYNCHRO WEATHER contributed positively, its impact was offset by other negative factors. Additionally, the warm winter at the end of the year had a slightly negative effect. Considering these factors, this is how the final results were shaped.

Sakaguchi [Q]: Thank you. For my second question, I would like to confirm the components of this fiscal year's earnings forecast, specifically regarding continuing and newly introduced factors. Regarding the JPY26.0 billion related to Buffalo, does this consist of JPY4.5 billion from North American allocation profit, JPY5.5 billion from productivity improvements, JPY15.6 billion from the North American plant closure, and JPY0.4 billion from expenses, totaling JPY26.0 billion?

Regarding the Goodyear agreement, it was previously mentioned that a decision would likely be finalized around May, with some contribution expected in North America in the second half of the year. How has this been factored into the current earnings forecast? Additionally, based on Mr. Nishiguchi's comments on SYNCHRO WEATHER, could you provide quantitative details, within a feasible range, on how sales volume and profit for SYNCHRO WEATHER contributed last fiscal year and how they are expected to contribute this fiscal year?

Since domestic replacement sales are forecast to decline this year, I understand that the composition is changing, but I would like to know how much SYNCHRO WEATHER has sold and how much is expected to be sold. That concludes my response. Thank you.

Yamamoto [A]: Thank you for your question. We have successfully acquired the DUNLOP brand, and the closing is scheduled for May of this year. Starting in May, we will begin DUNLOP brand sales in North America and Australia.

For the first year, the sales volume plan is not very large, but we are committed to steadily expanding the DUNLOP brand presence in North America and Australia. In Europe, we plan to launch sales starting in 2026, using off-take products. Therefore, as of now, we have not incorporated a significant numerical impact from this acquisition into the FY2025 earnings forecast.

Nishiguchi will respond to the second question.

Nishiguchi [A]: I understand you are asking for quantitative figures on SYNCHRO WEATHER, within the range we can disclose. I believe the relevant slide is the one detailing the size expansion of SYNCHRO WEATHER. Last year, we launched 40 sizes, and to be honest, we received an overwhelmingly positive response, which we greatly appreciate. Both customers and dealers have given us very positive feedback, and we are extremely pleased with the reception.

With 40 sizes, we achieved significant sales volume. As publicly disclosed, we plan to expand to 110 sizes by 2026, and we aim to exceed 1 million units at that point. Although last year's sales period was only three months, the response has given us high confidence in achieving this goal.

In FY2025, we will expand from 40 sizes, and by the critical spring sales season in March, we will nearly double the lineup to 76 sizes. By the end of this year, the lineup will further expand to 96 sizes. Additionally, the number of 18-inch and larger sizes, which are higher value-added and more profitable, will increase significantly. As shown, approximately half of the 110-size lineup will be high-inch models. With this expansion, we aim to reach 1 million units, which we believe will make a significant contribution to business profit.

Sakaguchi [Q]: Domestic replacement sales are projected to decline this fiscal year. If we assume 1 million units for the previous, current, and next fiscal years, the lineup in the first half of this fiscal year is still somewhat limited. For example, even if sales reach 300,000 or 500,000 units, the decline in other areas appears to be quite significant. Could you provide some clarification on this?

Nishiguchi [A]: In November last year, we discontinued our low-end volume-supporting products—what you might call the "budget segment" in a good-better-best lineup. The number of units removed was in the hundreds of thousands, which will impact the entire FY2025. Since these were low-margin, low-profit products, their discontinuation will be felt throughout the year.

While the domestic market itself is expected to be around 99% to 100% YoY, for mass-market sizes, we are reducing the mass production size, emphasizing premium products. This is the primary reason why domestic sales volume appears to decline significantly YoY.

Sakaguchi [M]: Thank you.

Inoue [M]: Thank you, Mr. Sakaguchi. Next, we will take a question from an online participant. Mr. Sakamaki from BofA Securities, please go ahead.

Sakamaki [Q]: I am Sakamaki. Thank you for your time today. Apologies for not being able to join you in person; I appreciate the opportunity to ask my questions remotely. Since my questions are related, I would like to ask two together.

First, regarding the impact of tariffs under a potential Trump administration, do you have any estimates on how much this could affect your profits? If you have any calculations, could you share them?

Building on that, my second question, excluding the JPY26.0 billion impact from the North American plant closure, the remaining forecast suggests a double-digit decline in profit, indicating no real profit growth. If we subtract JPY26.0 billion from the JPY95.0 billion business profit forecast, it results in approximately JPY69.0 billion, which appears quite conservative, especially considering that Michelin is forecasting profit growth.

Is there actually something concerning that we should be worried about, or is this more reflective of your company's usual tendencies, where fixed costs and expenses tend to expand? Looking at the numbers, it seems as though the profit forecast was structured in a way that would not result in underperformance, even if North American tariffs were imposed.

If possible, could you provide figures that take into account the potential impact of North American tariffs? From what I see, it appears that the forecast was designed to remain on target even if tariffs were introduced. I would like to understand how to interpret both the tariff impact and your overall earnings forecast.

Yamamoto [A]: Thank you for your question. First, regarding tariffs, it is still unclear what specific policies President Trump might introduce. If tariffs were to be imposed, it would undoubtedly have a negative impact on business profit. However, we regret to say that we cannot provide specific impact figures at this time, as the situation remains uncertain.

Additionally, it is uncertain how customs duties will fluctuate in the future. Even if shipping costs rise significantly, our supply to the US will primarily come from our plants in Thailand and other parts of Asia. Compared to production in the US, manufacturing costs in Thailand and other Asian plants are significantly lower, ensuring that we can maintain sufficient profitability even under these conditions.

Regarding ocean freight costs, we have already established strategic partnerships to ensure that this risk is covered. We will closely monitor how policies evolve under a potential Trump administration while assessing risks, impacts, and various response strategies for our business.

If tariffs are increased, we intend to fully offset the impact through price adjustments. The US market consists of both domestically produced tires and imported tires, with imports accounting for a significant share.

Since this situation affects not only us but all tire manufacturers, there will likely be industry-wide price adjustments to offset cost increases. We will take appropriate measures to ensure profitability is maintained through these adjustments.

Additionally, we will continue to focus on improving our product mix. This includes the US market as well. WILDPEAK grew by over 120% in the year before last, and we were able to further increase sales last year. We will continue to improve the product mix and also leverage internal efforts to absorb any costs. Is the first answer sufficient?

Sakamaki [M]: Yes, thank you.

Yamamoto [A]: Regarding your second question, I believe you are asking why we haven't reached the target of JPY100 billion. My thought, and the Company's goal, is to continue working toward that JPY100 billion target.

This being the first numerical commitment of the year, we have been building upon the new medium-term management plan since FY2023. The most important point we are focusing on is our commitment to achieving these targets with certainty. In the 2023 medium-term management plan, we are putting significant effort into this goal.

This is why we are prioritizing structural reforms, aiming to complete six business reforms by 2024, and we are actively progressing on this. Furthermore, in terms of growth strategies, ACTIVE TREAD and SENSING CORE are key pillars for our growth. We aimed to commercialize these technologies by 2024, and I'm pleased to say that, as promised, we have successfully turned both of these new technologies into viable businesses.

Despite the challenging environment last year, we committed to achieving JPY80 billion in business profit, and thanks to our efforts, we reached record-high profits.

This is the approach we've taken, and we continue to present our forecast with the same commitment. We are determined to fulfill the numbers we promised to our stakeholders and investors, and this is a core focus of our medium-term management plan.

For more detailed explanations, I will hand it over to Okawa to provide further insights.

Okawa [A]: Thank you for the question regarding whether the figures seem conservative. Let me explain. First, regarding expenses, the biggest factor is that this year, we have refreshed our ERP system and are heavily investing in DX. We will officially start this in October, and we have factored in substantial expenses for these investments.

The full effects of these investments will start to be realized after October, contributing significantly to the later part of the year. However, at this point, we have only included the investment in DX, so please understand that this is the initial phase.

Additionally, we have accounted for higher labor costs, which are driven by inflation and rising costs globally, and we have included those figures in the forecasts. We also expect that exchange rates will change accordingly, but I believe it is unrealistic to treat exchange rates as a significant relative risk factor. Therefore, we have not overly factored in positive risks regarding exchange rates in the event of a negative impact. The figures are mostly driven by the higher labor costs due to inflation globally, which explains the outcome of expenses.

Another point is that, at the beginning of the year, there were many discussions within the business divisions about what we wanted to achieve, with a desire to pursue many initiatives. Our CEO's policy is to embrace challenges, so we have included challenging targets in our forecast. At the beginning of the year, these challenging targets are incorporated, but as you mentioned, Mr. Sakamaki, you may find them to be a bit conservative.

Ultimately, as necessary actions are carefully reviewed and refined, the final targets will become clearer. This is something we mention every year, and I hope for your understanding. Our ultimate responsibility is to bring the CEO's vision to life, and I hope you will look forward to seeing these numbers realized. That concludes my response.

Yamamoto [M]: Mr. Sakamaki, is that all right?

Sakamaki [M]: Yes, thank you. When I heard about JPY95.0 billion, I thought that just an additional JPY5.0 billion might match what Mr. Yamamoto had in mind. I was wondering if there was a deeply conservative reason behind it. But after hearing your explanation, I now understand the reasoning. Thank you.

Yamamoto [M]: Thank you.

Inoue [M]: Thank you, Mr. Sakamaki. Next, we will take a question from the audience. Please raise your hand if you have a question. The person in the second row, please go ahead.

Ishimoto [Q]: Thank you for having me. My name is Ishimoto from Nomura Securities. Thank you. I have two questions.

First, regarding the current fiscal year's plan, I believe there was a negative impact of just over JPY3.0 billion related to ocean freight costs. Given that shipping volume to the US is expected to increase, along with the number of units, and considering the uncertainty in ocean freight costs, could you explain how much changes in ocean freight costs, either increases or decreases, would affect your contracts? I asked this question because it seems that the volume being shipped is likely to increase. This is my first question.

Yamamoto [M]: Thank you for your question. Nishiguchi will provide the answer regarding ocean freight costs.

Nishiguchi [A]: As I've mentioned in previous sessions, we've entered into strategic partnerships for freight. While I can't share all the details, we've established short- and medium-term contracts.

To put it simply, we've ensured that as long as we supply the goods, the freight provider will ensure the goods are delivered properly, and in return, we'll agree on a set price. Normally, the negative impact of JPY3.7 billion would have been much larger if we had followed the previous approach, considering the increase in volume and the rising prices. If we had accounted for these factors, the figure would have been substantially higher than this.

However, thanks to the partnership agreement, we have been able to minimize the impact. This arrangement will not lead to significant fluctuations; with the partnership in place, we've established a fixed cost structure, so I don't foresee any major adverse effects from this.

Ishimoto [Q]: Understood. Thank you. My second question relates to the business profit trends by region, shown on slide 16. I found it very clear and helpful; thank you.

Looking at this, it seems that profits in North America have improved significantly since 2023, and this trend continues with a sharp rise in 2024. If possible, I would appreciate some insight into the outlook for 2025.

It seems that the negative factors in North America may be eliminated, leading to significant improvement. Europe, despite being a challenging market, seems to be improving. Could you share the expected directions for these regions in 2025? That concludes my response.

Yamamoto [M]: Thank you for your question. Hino will provide the answer to this matter.

Hino [A]: I will respond to this question. Regarding the FY2023 loss in North America, which was JPY19.7 billion, as we announced in November, FY2024 is showing figures close to that loss. However, it's important to note that this won't reach zero. In FY2025, we are closing some of our plants, and there will be several billion JPY in costs associated with that, so we will still see a negative impact. However, it will not be as large as the FY2023 loss, and the figures will likely show a significant improvement, at least moving into positive territory.

Additionally, as mentioned earlier, the DUNLOP brand in North America will contribute positively, further enhancing the overall result. Therefore, we do not foresee any further significant negatives at this point. That concludes my response.

Ishimoto [M]: Thank you very much. If possible, it would be greatly appreciated if we could receive these figures on a quarterly basis going forward. That concludes my response. Thank you very much.

Yamamoto [M]: Thank you very much.

Inoue [M]: Thank you, Mr. Ishimoto. Next, we will move on to a question from an online participant. Mr. Maki from SMBC Nikko Securities, please go ahead.

Maki [Q]: This is Maki from SMBC Nikko Securities. I have two questions. First, just to confirm the numbers, the North American allocation profit from the North American restructuring was originally expected to be around JPY22.0 billion in total. However, according to the materials, the previous year's figure was JPY7.5 billion, and this year's forecast is JPY4.5 billion, resulting in around JPY12.0 billion. This seems to be about JPY10.0 billion less than initially expected. Could you confirm if this calculation is correct and explain why the figures appear lower?

Additionally, there are various expenses between business profit and operating profit. Could you break down the restructuring costs, DUNLOP-related costs, and any other items included in the figures for the previous year and this year? This is just a confirmation of the figures.

Yamamoto [M]: Thank you for your question. Okawa will provide the answer to this matter.

Okawa [A]: Thank you for your question. Initially, when we announced in November, we projected that allocation profit would be JPY22.0 billion and fixed cost reduction would be JPY23.0 billion. As for how much allocation profit was realized in 2024, it was actually JPY7.5 billion.

In 2025, we expect to see an additional JPY10.0 billion, bringing the total to JPY17.5 billion, and then the remaining portion will be reflected in 2026. This means that the JPY22.0 billion effect is being realized earlier than initially expected. Additionally, some of the effects that will be realized after 2026 will also contribute to the overall impact. When you review the numbers, you might see how the JPY22.0 billion effect has evolved and how it is reflected in the figures.

The allocation profit reflects the fact that the preparations in Thailand contributed to a stronger result in FY2024, and some of the expected figures for FY2025 have shifted into FY2026, leading to the current numbers.

Hino [A]: I will respond to this. Regarding the difference between business profit and operating profit in FY2025 and FY2024, there are some impairment losses involved, as detailed on page 20 of the materials. The JPY81.0 billion from FY2024 includes, as shown in the side notes, JPY69.4 billion from the closure of the US factory. In addition, there were special losses of JPY4.0 billion and a loss from the sales of shares in the sports wellness business amounting to JPY2.9 billion. These combined for JPY81.0 billion.

For FY2025, we are also anticipating some impacts related to other structural reforms, but we would like to refrain from sharing specific figures at this time.

That concludes my response.

Maki [Q]: What about the costs related to the DUNLOP acquisition? I believe there were expenses related to the acquisition, such as brand transfer fees and inventory purchases. Are these costs expected to be reflected in the P&L?

Okawa [A]: I will respond to this question. Regarding the DUNLOP acquisition, we previously explained that the DUNLOP trademark rights were valued at USD526 million, and there were an additional USD105 million in costs for the transition. The trademark rights are expected to be fully recorded in the BS. As for the transition costs, we are currently consulting with KPMG AZSA LLC, but we expect that some costs will be recorded in the PL while the remainder will likely be recorded in the BS. This is our current estimate.

We are currently engaged in discussions regarding Purchase Price Allocation (PPA), and the final figures for this are not yet determined. However, based on my understanding, I anticipate that about 90% of the costs will be recorded in the BS, with 10% of the costs expected to be reflected in the PL. From my perspective, the PL portion will be incorporated into FY2025, with expenses being recognized at that time.

Additionally, in FY2025, there are expenses for things like leasing warehouses in Europe, as well as investments needed to support sales companies that we are currently unable to fully cover. These costs, along with the profits from sales in the US and Australia, are expected to largely offset each other, so we have not included these in the PL for FY2025. This is the reality regarding the costs associated with DUNLOP trademark rights. That concludes my response.

Maki [Q]: I see. Thank you. I believe the variable costs combined amounted to around JPY20.0 billion,10% of the JPY200.0 billion total, so I understand that this is likely reflected in the business profit stage. Is that correct?

Okawa [A]: Yes, it is reflected at the business profit stage.

Maki [Q]: Thank you. One more quick question—there is a price effect of JPY23.0 billion in 2025, which seems like a significant contribution. I assume this includes the price increases implemented in North America starting in January, as well as planned price hikes in Japan. Could you clarify how much of this is accounted for?

Also, there seems to be no significant follow-up from other competitors, particularly the three major Japanese companies, in terms of price increases. How do you view the current market environment, and do you believe it's feasible to grow sales while also maintaining pricing power? What is the level of confidence in achieving this target?

Yamamoto [M]: Thank you for your question. Regarding the pricing, Nishiguchi will provide the answer.

Nishiguchi [A]: This year, we certainly feel the impact of the rise in natural rubber prices, which is more significant compared to last year. As a result, we have already implemented price increases across all markets based on our initial plan.

As Mr. Maki mentioned, the impact of competitors' actions will depend largely on how much price increase we can successfully implement. We are committed to raising prices while also ensuring that it's not just a matter of price hikes alone. We are also providing various sales incentives and other support to enhance the value we deliver to the market.

Therefore, we have been steadily working on raising the base prices through our network over the past three years, and we are starting to see the impact of those efforts. For this year, as part of the JPY23.0 billion from price effects, we are factoring in not only retail and wholesale price increases but also sales incentives and price increases on our net selling prices, including these strategic actions. Even if competitors do not follow through with price increases, we are confident that we can still achieve price increases through our network. At this point, we believe that we will be able to achieve the price effect of JPY23.0 billion globally. Is this answer sufficient?

Maki [Q]: Earlier, you mentioned the potential for tariffs to be imposed and whether, in that case, you would consider additional price increases to cover those costs. Is that your thinking?

Nishiguchi [A]: Yes, that's correct. If tariffs increase, it is natural to expect that we will move to raise prices accordingly. The only potential risk is that if tire prices rise significantly, there is a possibility that consumer demand may weaken slightly. This is something we have taken into consideration. In our initial profit plan, we have factored in these potential risks while ensuring that we can achieve our targeted profits with certainty.

Maki [M]: I see, that makes sense. Thank you very much.

Yamamoto [M]: Thank you.

Inoue [M]: Thank you, Mr. Maki. Next, we will take a question from the audience. Please raise your hand if you have a question. A second question is also welcome, so if anyone in the room or online has a question, please raise your hand. Mr. Kakiuchi from Morgan Stanley MUFG Securities, please go ahead.

Kakiuchi [Q]: This is Kakiuchi from Morgan Stanley MUFG Securities. Thank you for your time today. My first question is regarding dividends. You mentioned a dividend payout ratio of 40%. Since this year's profits include transfer costs and structural reform expenses, the dividend payout ratio is based on this adjusted profit. If we apply the 40% payout ratio going forward, it seems that the actual dividend amount could jump significantly next fiscal year. Would it be correct to interpret it this way?

Yamamoto [A]: Thank you for your question. We aim to maintain a stable dividend policy with a consolidated dividend payout ratio of at least 40%. Naturally, if profits increase, we will distribute dividends to our shareholders in line with this payout ratio. Is this answer sufficient?

Kakiuchi [Q]: Regarding stable dividends, does this mean that if profits temporarily increase significantly, you are not necessarily committed to maintaining a 40% payout ratio?

Yamamoto [A]: No, we are committed to achieving a dividend payout ratio of at least 40%, and we will work toward ensuring that.

Kakiuchi [M]: Understood. That sounds promising.

Yamamoto [M]: Yes, thank you.

Kakiuchi [Q]: My second question is regarding the sports segment. Based on your explanation, the actual results fell short of expectations, and the outlook for this fiscal year also seems somewhat weak. I understand that market conditions are challenging, but could you provide more details on the external environment and how your company is managing profitability in this segment? I would appreciate any additional insights into the actual performance and forecast for this fiscal year.

Yamamoto [A]: Thank you for your question. In the sports segment, our key markets are Japan, North America, and South Korea. Among these, the most challenging market right now is South Korea. South Korea is a priority market for us, especially for XXIO, where we have a strong market share. However, due to ongoing instability, demand in the South Korean market remains sluggish.

Additionally, in the golf industry, manufacturers are frequently launching new products, leading to intensified price competition. The key challenge is how we can overcome these market conditions.

This year, as always, when we launch a new XXIO model, it tends to be a strong profit-generating year. There is a noticeable yearly trend in this regard. Last year, however, there was no new XXIO product launch, which had a negative impact on results.

On the other hand, the new SRIXON model we introduced this year has received high global acclaim, and sales have been strong. Additionally, with the launch of the new XXIO product, we expect to drive sales growth through product appeal.

We have also been strengthening our sales strategies and building our sales infrastructure in various regions. By introducing attractive new products, we believe we can expand sales while maintaining profitability, and we will continue to focus on this strategy. That concludes my response. Is this answer sufficient?

Kakiuchi [M]: Yes, thank you very much.

Yamamoto [M]: Thank you.

Inoue [M]: Thank you, Mr. Kakiuchi. Next, we will take questions from the audience or online participants. A second question is also welcome, so if anyone has a question, please raise your hand.

Sakaguchi [Q]: This is Sakaguchi from Mizuho Securities. Apologies for asking a second question, but since management is present, I'd like to take this opportunity to ask.

This is somewhat unrelated to the financial results, but regarding the medium-term growth strategy that you will present in March, while I understand the details will be disclosed then, could you provide some insight into its direction? Given that you have executed structural reforms and incorporated DUNLOP as part of your growth strategy, I assume this will be a significant shift from previous strategies. Could you share some hints about the time horizon—whether this is a plan looking toward 2030, something earlier, or possibly further into the future? Additionally, what key areas will you be focusing on, and what kind of vision do you intend to present? Thank you.

Yamamoto [A]: Thank you for your question. I'm eager to share more details, but I must ask you to wait until early March for the full announcement. That being said, our new medium-term management plan is progressing ahead of schedule, and we are firmly completing our structural reforms.

The question is: How will Sumitomo Rubber grow from here? This is something we are actively discussing together with our employees. I have personally visited 13 business sites twice each, engaging in discussions with our team members. Their input is being incorporated into the plan.

Our current medium-term management plan targets 2027, and many key indicators are already being achieved ahead of schedule. The focus now is on how much further we can accelerate progress toward 2027. In terms of the time horizon, we are looking as far ahead as 2030 or even 2035.

Right now, we are conducting back casting simulations, considering how markets will evolve, how the automotive industry will transform, and what other major changes may occur. With 2035 as a long-term vision, we are engaging in active discussions and scenario planning to shape our growth strategy.

Now that we have acquired the DUNLOP brand, this presents a major opportunity for us. However, it's not just about owning the brand—the key is how we leverage it for business growth. We are actively integrating our ACTIVE TREAD technology and SENSING CORE, both of which are critical to our growth strategy. These technologies are steadily being incorporated into our long-term vision.

The focus now is on what kind of value we can provide when these elements are combined. We are concentrating on differentiation technologies, ensuring that we offer unique value to our customers. For the tire business, the DUNLOP brand will be a key driver as we expand our global footprint.

Additionally, in the sports segment, we already have the ability to use the DUNLOP brand globally. Now, we can also use the tires, as well. There are very few tire manufacturers that operate both a tire business and a sports business simultaneously.

However, we believe there is strong synergy and collaboration potential between these businesses, which can generate new value. A key focus of our company-wide strategy is how to incorporate and maximize this value, and we look forward to sharing this with you.

We have been engaged in intense discussions, considering what the world and society will look like in 2035. By gathering various insights, we are using a back casting approach to define our goals for each intermediate year leading up to 2035. We are also analyzing market-specific trends to determine what kind of growth we can achieve as a company. We plan to present this vision in early March, so please look forward to it.

I apologize for not being able to share more details at this time.

Sakaguchi [Q]: That's more than enough. Will the financial strategy and cash allocation policy also be clearly outlined as part of the plan?

Yamamoto [M]: I'll let Okawa respond to this.

Okawa [A]: We are actively working to present a clear financial strategy. As the President just mentioned, we are defining what we want to achieve, and based on the expected outcomes, we are working to solidify our investment allocation strategy.

Of course, as President Yamamoto has committed, we will firmly maintain a 40% dividend payout ratio. Beyond that, we are actively discussing how to allocate our free cash flow most effectively.

At the same time, we are keeping ROE in focus. Until now, our approach has been primarily revenue-driven, making it difficult to present a clear earnings-focused strategy. However, we now recognize the importance of controlling the "E" (earnings) component, and this is a key topic of discussion as we refine our strategy. This is an ongoing discussion, and we look forward to sharing more details in March. Please stay tuned.

Sakaguchi [M]: Yes, thank you very much. I'm looking forward to it.

Yamamoto [M]: Thank you.

Inoue [M]: Thank you, Mr. Sakaguchi. If there are any further questions from the audience or online participants, please raise your hand.

Since there are no additional questions, we will now conclude the Sumitomo Rubber Industries, Ltd. Financial Results Briefing for the Fiscal Year Ended December 31, 2024.

Thank you for taking the time to join us today.

Yamamoto [M]: Thank you.

[END]

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