Sumitomo Rubber Industries, Ltd.

Q1 Financial Results Briefing for the Fiscal Year Ending December 2024

May 13, 2024

Event Summary

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[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]*	Shiro Sakamaki	Daiwa Securities
	Kazunori Maki	SMBC Nikko 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

Moderator: Thank you for waiting. We will begin the financial results briefing for Q1 of the fiscal year ending December 2024 of Sumitomo Rubber Industries, Ltd.

My name is Nakayama from the Investor Relations Office and I will serve as today's moderator.

First of all, allow me to introduce today's speakers. Satoru Yamamoto, President and Representative Director of Sumitomo Rubber Industries.

Yamamoto: This is Yamamoto. Thank you for your attendance.

Moderator: Next, Hidekazu Nishiguchi, Representative Director and Managing Executive Officer.

Nishiguchi: I am Nishiguchi. Thank you.

Moderator: Naoki Okawa, Director and Senior Executive Officer.

Okawa: I'm Okawa. Thank you.

Moderator: Hitoshi Hino, Executive Officer and General Manager of the Accounting and Finance Division.

Hino: This is Hino. Thank you.

Moderator: Today's briefing will be conducted in accordance with the materials posted on our website, which will also be projected on the screen. First, Mr. Yamamoto, President, will give an overview of the financial results for Q1 of the fiscal year ending December 31, 2024 and explain our key initiatives, followed by a detailed review of the results by Mr. Okawa, Senior Executive Officer. After the presentation, we will accommodate your questions.

Now, let me ask President Yamamoto to proceed.

Yamamoto: This is Yamamoto. Thank you very much for attending our financial results presentation for Q1 of the fiscal year ending December 31, 2024.

I will give you an overview of our Q1 results and major initiatives we are currently undertaking. First, please see page six.

In Q1 of FY2024, our group's sales revenue, business profit, operating profit, and quarterly net income all reached record highs.

The business profit margin, which is set as a financial target in the mid-term plan, was also improved to the level of 8%.

Sales revenue and business profit of the tires business also reached record highs. We were able to increase sales of overseas replacement tires mainly in North America and Europe. Sales of the FALKEN WILDPEAK series, our flagship products for pickup trucks and SUVs in North America, remained strong.

Our new product, WILDPEAK A/T4W, which we are proud to finally introduce this year, has been very well received by customers for its aggressive design and performance. Thanks to that, sales are steadily increasing. We intend to drive sales by leveraging our local sales base, which has been growing in strength in recent years.

In the sports business, sales of golf clubs increased in the core markets of North America and Japan. Sales of XXIO 13, which was released last December, have been steadily increasing. Sales of tennis balls decreased in Europe mainly due to an increase in offshore inventories, which were affected by the disruption of Suez Canal operations.

In the industrial and other business, sales of infrastructure-related products increased, but sales of rubber parts for office automation equipment and household goods decreased. Sales of rubber parts for medical applications decreased due to the sale of a European subsidiary at the end of January.

Next, let me discuss some of our major initiatives. In January of this year, we established the tires business unit to unify our manufacturing, sales, and engineering functions. This led to an enhancement of cross-functional cooperation and acceleration of various actions. Staff from each section work together to manage the tires business to further improve profitability.

For the North American business, which is our top priority for structural reform as part of the strategic consolidation on existing businesses, we are making progress to determine the course by the end of this year. Although we are unable to give you a definite time frame at this point, we feel that we are getting closer to the day when we can tell you about it.

In addition, we also aim to determine the course of other businesses that we already implemented a structural reform outside of North America by the end of this year.

Furthermore, as a foundation for growth line of business, we are developing business with our proprietary Active Tread technology and Sensing Core.

Active Tread, a newly invented rubber technology that switches performance according to road conditions, was first unveiled as a concept tire at the Japan Mobility Show last October, and development has continued steadily since then. This fall, we will launch a next-generation all-season tire equipped with Active Tread technology.

In January, I personally took the wheel at our test course in Nayoro, Hokkaido, to witness the perfection of its performance on ice. Last week, I checked its wet and dry performance on the test course in Okayama, where I was able to validate its high grip performance on dry surfaces, as well as cornering and turning in circles on wet and slippery surfaces. I felt even more confident after experiencing the capabilities of the next-generation all-season tire with Active Tread technology. I am looking forward to its launch.

The tire sensing technology, Sensing Core, is an evolution of the low air pressure warning system, DWS, that we have been offering for over 30 years and enables the advance detection of danger based on data obtained through tires.

This year, we will begin offering a sensing system for fleet operators and automakers to detect tire pressure, wear, road surface conditions, and signs of wheel fall-off.

Active Tread and Sensing Core, two proprietary technologies that are key to our growth strategy, will both be officially launched in the market this year. Please stay tuned.

【Forecast】Consolidated Financial Results (2024 Annual)

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	Revised Forecast 2024	Actual 2023	YoY	Feb. 14th 2024 Forecast 2024
Sales Revenue	**1,200.0**	1,177.4	102%	1,200.0
Business Profit (%)	**80.0** **6.7%**	77.7 6.6%	103%	80.0 6.7%
Operating Profit (%)	**61.0** **5.1%**	64.5 5.5%	95%	61.0 5.1%
Profit	**38.0**	37.0	103%	37.0
ROIC *1	**5.7%**	5.7%		5.7%
ROE	**5.9%**	6.3%		5.7%
ROA *2	**6.2%**	6.2%		6.2%
D/E Ratio	**0.5**	0.5		0.5

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

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Moving on to page 20 for the full-year forecast for 2024.

Sales revenue is expected to be JPY1.2 trillion, 102% of the previous year's level. Business profit is expected to be JPY80 billion, 103% of the previous year. Operating profit is expected to be JPY61 billion, 95% of the previous year. Net income is expected to be JPY38 billion, approximately 103% of the previous year's level. We have revised our net income forecast upward from that announced in February of this year.

Shareholder Returns

SUMITOMO RUBBER INDUSTRIES

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 2024 Annual Dividends:
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

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Please turn to page 32.

For 2024, we plan to pay an interim dividend of JPY29 and a year-end dividend of JPY29, for an annual dividend of JPY58, which is unchanged from the forecast announced in February of this year.

This concludes my part of the presentation. Thank you.

Moderator: Next, Mr. Okawa, Senior Executive Officer, will review the details of the financial results for Q1 of the fiscal year ending December 31, 2024.

Okawa: I'm Okawa. Thank you very much for participating in our financial results briefing today.

I would like to take this opportunity to express my sincere gratitude for all of our stakeholders for their continued support.

Let me review our financial results for Q1 of FY2024.

Consolidated Financial Results (2024 Jan.-Mar.)

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	2024 Jan.-Mar.	2023 Jan.-Mar.	vs 2023	2023 Actual
Sales Revenue	**291.4**	276.8	105%	1,177.4
Business Profit (%) *1,3	**23.2** **8.0%**	8.0 2.9%	291%	77.7 6.6%
Operating Profit (%) *3	**20.7** **7.1%**	7.8 2.8%	266%	64.5 5.5%
Profit *2,3	**24.8**	4.0	620%	37.0

*1. Business Profit : Sales Revenue – (COS + SGA)
*2. Profit : Profit attributable to owners of parent
*3. 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 see page seven.

As shown in the blue box, consolidated results for Q1 of FY2024 were JPY291.4 billion in sales revenue, JPY23.2 billion in business profit, JPY20.7 billion in operating profit, and JPY24.8 billion in quarterly net income, all of which were record highs for Q1.

The business profit margin also improved from 2.9% last year to 8% this year. Although the effect of the yen's depreciation is a major factor, our continued efforts to improve profitability are gradually taking effect.

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

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

		2024 Jan.-Mar.	2023 Jan.-Mar.	vs 2023	2023 Actual
Sales Revenue	Tires	**244.1**	229.8	106%	1,006.4
	Sports	**36.7**	35.5	103%	126.6
	Industrial & Other	**10.6**	11.5	92%	44.4
	Total	**291.4**	276.8	105%	1,177.4
Business Profit	Tires	**18.3**	1.9	945%	63.6
	Sports	**4.2**	5.5	77%	12.5
	Industrial & Other *	**0.7**	0.6	117%	1.6
	Total	**23.2**	8.0	291%	77.7

*The elimination of inter-segment transactions is included. 9

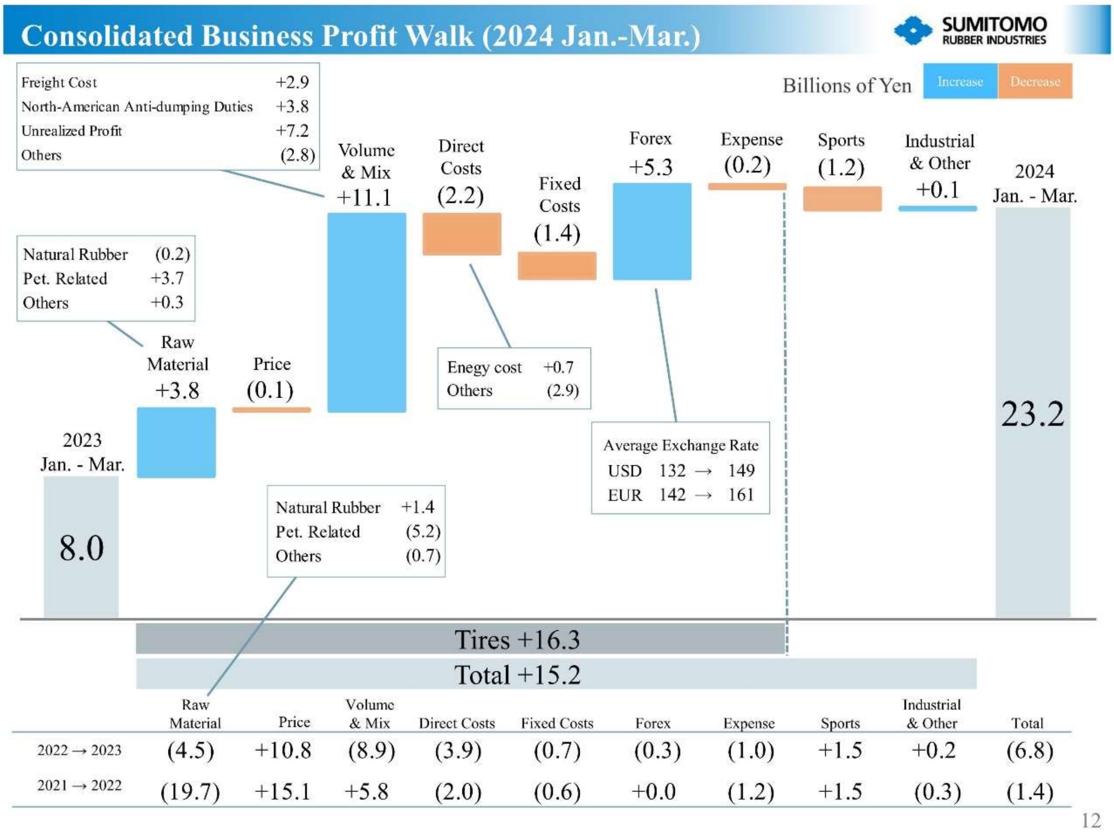
Please refer to page nine for sales revenue and business profit by segment.

Q1 results are shown in the blue box.

Tire sales revenue was JPY244.1 billion, 106% of the same period last year, and business profit was JPY18.3 billion. Although unit sales decreased YoY, both sales revenue and business profit reached record highs in Q1.

Sales revenue in the sports business amounted to JPY36.7 billion, 103% of the same period of the previous year, and business profit amounted to JPY4.2 billion, 77% of the same period last year. Although sales revenue reached record high, driven by the new product XXIO 13 launched at the end of last year which enjoyed a volume growth in North America and Japan, business profit decreased YoY due to the inflation of overseas production costs with the yen's depreciation.

In the industrial and other business, sales revenue was JPY10.6 billion, 92% of the previous year's level, and business profit was JPY0.7 billion, 117% of the previous year's level, due to the sale of a European manufacturing and sales subsidiary for medical rubber products at the end of January.



Please refer to page 12 for the analysis of the factors for increase or decrease in business profit for January to March from the same period of the previous year.

Raw materials had a positive impact of JPY3.8 billion due to stable prices of petroleum-based materials.

Volume and mix saw a positive impact of JPY11.1 billion. The details are shown in the blue box on the left, of which North American antidumping duties had a positive effect of JPY3.8 billion partly due to refunds resulting from sales price optimization. Unrealized profit had a positive impact of JPY7.2 billion, a large difference from the negative impact of the previous year. Others, at the bottom, had a negative impact of JPY2.8 billion, but this is mainly due to the negative impact of volume.

In addition to the dollar and euro, the yen weakened against many currencies, resulting in a positive JPY5.3 billion in foreign exchange.

Despite other negative factors such as worsening productivity due to decreased production volume and sales and soaring labor costs, the tires business as a whole recorded an increase of JPY16.3 billion in profit. This, together with sports, negative JPY1.2 billion, and industrial and other, positive JPY0.1 billion, resulted in a company-wide total profit increase of JPY15.2 billion.

Consolidated Statement of Profit & Loss Statement

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	2023 Jan.-Mar.	2024 Jan.-Mar.	vs 2023 Jan.- Mar.
Sales revenue	276.8	**291.4**	+14.6
Cost of sales	(209.7)	**(202.3)**	+7.3
Selling, general and administrative expenses	(59.1)	**(65.8)**	(6.7)
Business profit	8.0	1 **23.2**	+15.2
Other income	0.8	2 **0.8**	(0.1)
Other expenses	(1.0)	3 **(3.3)**	(2.2)
Operating profit	7.8	**20.7**	+12.9
Financial income	2.9	4 **6.9**	+4.0
Financial expenses	(1.8)	5 **(1.7)**	+0.0
Equity in earnings of affiliates	(0.0)	**(0.0)**	+0.0
Profit before tax	8.9	**25.9**	+17.0
Income tax expenses	(4.2)	**0.4**	+4.6
Non-controlling interests	(0.7)	**(1.4)**	(0.7)
Profit	4.0	**24.8**	+20.8

Main factor

1 **Business profit**
Refer to page.6 to 12 for details

2 **Other income**

	Actual	vs 2023 Jan.- Mar.
Non-operating profit	0.4 B of yen	(0.1) B of yen
Other extraordinary profit	0.3 B of yen	+0.0 B of yen

3 **Other expenses**

Non-operating expenses	(2.4) B of yen	(1.9) B of yen
Other extraordinary expenses	(0.7) B of yen	(0.4) B of yen
Loss on retirement or sales of non-current assets	(0.2) B of yen	+0.1 B of yen

4 **Financial income**

Foreign exchange profit	3.2 B of yen	+2.7 B of yen
Gain on net monetary position	2.5 B of yen	+0.6 B of yen
Interest received	1.1 B of yen	+0.6 B of yen

5 **Financial expenses**

Interest expenses	(1.7) B of yen	(0.4) B of yen
Loss on valuation of derivatives	-	+0.4 B of yen

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Please refer to page 13 for the main differences of items below the business profit in the consolidated statements of income.

The financial income of JPY6.9 billion in item four is mainly due to the gain on the revaluation of foreign currency bonds resulting from the depreciation of the yen and the gain on revaluation of assets to fair value resulting from the continued hyperinflationary accounting in Turkey.

Foreign exchange gains are due to a decrease in foreign currency liabilities as a result of lower ocean freight costs, lower unit prices of raw materials, and other factors, resulting in a larger positive effect of the yen's depreciation than in the past.

The income tax expense, which is contributing for gains, reflects the reduction in future tax payments following the completion of the sale this year of a European medical rubber products subsidiary, which we posted an impairment loss at the end of last year.

Consolidated Statement of Financial Position

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	As of Dec. 31, 2023	As of Mar. 31, 2024	vs Dec. 31, 2023
Current assets	624.7	**637.3**	1 +12.6
Non-current assets	642.0	**670.2**	2 +28.2
Total assets	1,266.7	**1,307.5**	+40.8
Current liabilities	331.1	**327.5**	(3.6)
Non-current liabilities	294.2	**299.0**	+4.8
Total liabilities	625.3	**626.5**	3 +1.2
Total equity attributable to owners of parent	624.1	**661.6**	4 +37.4
Non-controlling interest	17.3	**19.4**	+2.1
Total equity	641.4	**681.0**	+39.6
Total liabilities and equity	1,266.7	**1,307.5**	+40.8
Equity ratio	49.3%	**50.6%**	+1.3P

Main factor

	vs Dec. 31, 2023
1 Current assets	
Inventories	+14.6 B of yen
Cash and cash equivalents	(7.7) B of yen
Other current assets	+4.0 B of yen
Trade and other receivables	+1.8 B of yen
2 Non-current assets	
Tangible assets	+11.6 B of yen
Other financial assets	+7.5 B of yen
Intangible assets(including goodwill)	+4.2 B of yen
Deferred tax assets	+2.0 B of yen
3 Total liabilities	
Interest-bearing debt	+13.3 B of yen (310.9 → 324.2)
Income tax payable	(9.0) B of yen
Trade and other payables	(7.5) B of yen
Other current liabilities	+4.6 B of yen
4 Equity	
Profit	+24.8 B of yen
Foreign currency translation adjustment	+22.8 B of yen
Dividends paid	(13.9) B of yen

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Please move on to page 14 for the status of the consolidated balance sheet.

Total assets were JPY1.3075 trillion. The ratio of liability to equity was almost half. Equity ratio was 50.6%, up 1.3 percentage points from the end of the previous year mainly due to an increase in the valuation of foreign currency assets resulting from the depreciation of the yen against foreign currencies.

【Forecast】Consolidated Financial Results (2024 Jan.-Jun.)

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	Revised Forecast 2024 Jan.-Jun.	Actual 2023 Jan.-Jun.	vs 2023	Feb. 14th 2024 Forecast 2024 Jan.-Jun.	Revised Forecast 2024 Apr.-Jun.	Actual 2023 Apr.-Jun.
Sales Revenue	**575.0**	561.2	102%	575.0	283.6	284.4
Business Profit (%)	**37.5** **6.5%**	17.1 3.0%	220%	34.5 6.0%	14.3 5.0%	9.1 3.2%
Operating Profit (%)	**33.0** **5.7%**	16.8 3.0%	196%	30.0 5.2%	12.3 4.3%	9.0 3.2%
Profit	**32.0**	8.2	390%	23.5	7.2	4.2

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Please see page 16 for the full-year forecast for H1.

As shown in the blue box, we forecast an increase in both revenue and profits, with sales revenue of JPY575 billion, business profit of JPY37.5 billion, operating profit of JPY33 billion, and quarterly net income of JPY32 billion.

Compared to the forecast at the beginning of the year, which is the third-right column of the blue frame, sales revenue remains unchanged, while business profit, operating profit, and quarterly net income were revised upwardly.

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

SUMITOMO RUBBER INDUSTRIES

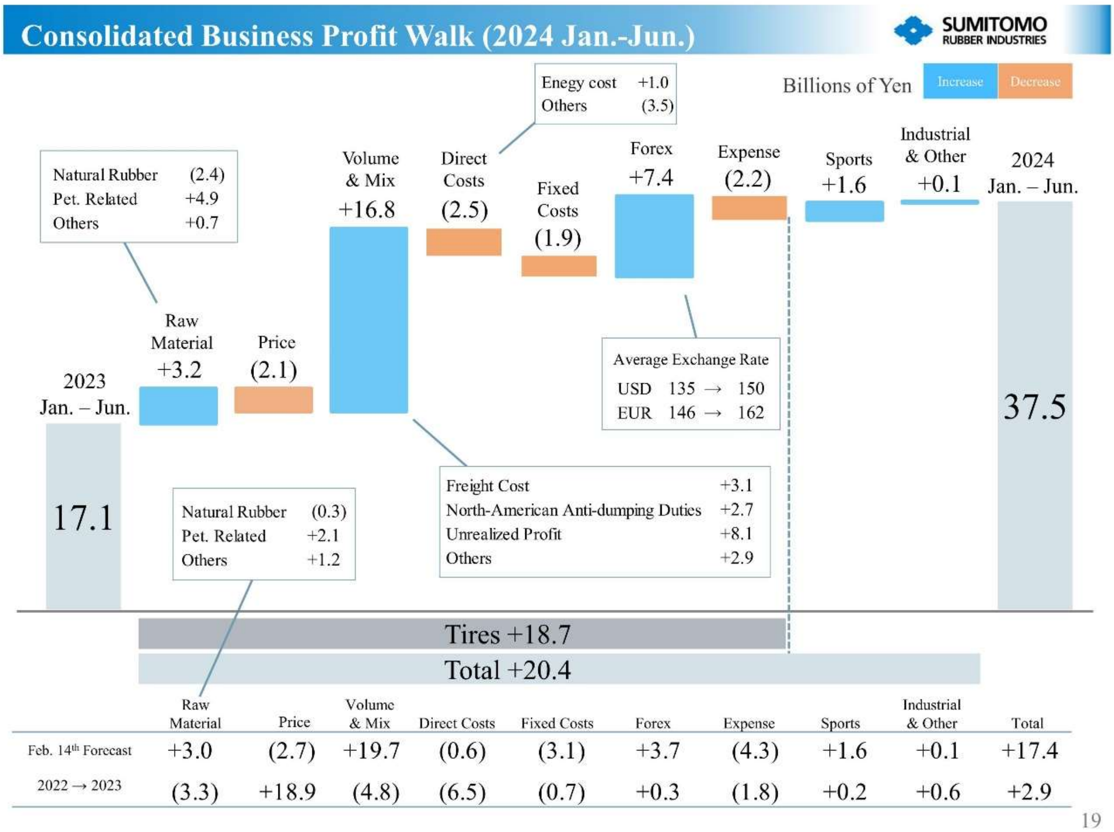
Billions of Yen

		Revised Forecast 2024 Jan.-Jun.	Actual 2023 Jan.-Jun.	vs 2023	Feb. 14th 2024 Forecast 2024 Jan.-Jun.	Revised Forecast 2024 Apr.-Jun.	Actual 2023 Apr.-Jun.
Sales Revenue	Tires	**482.0**	471.1	102%	483.5	237.9	241.3
	Sports	**74.5**	68.1	109%	74.5	37.8	32.7
	Industrial & Other	**18.5**	21.9	84%	17.0	7.9	10.4
	Total	**575.0**	561.2	102%	575.0	283.6	284.4
Business Profit	Tires	**28.5**	9.8	292%	25.5	10.2	7.8
	Sports	**8.0**	6.4	124%	8.0	3.8	1.0
	Industrial & Other *	**1.0**	0.9	113%	1.0	0.3	0.3
	Total	**37.5**	17.1	220%	34.5	14.3	9.1

*The elimination of inter-segment transactions is included. 18

Please see page 18 for the breakdown of the projected sales revenue and business profit for H1 by segment.

Compared to the same period of the previous year, the Company expects higher revenue and profits in the tires and sports businesses, and lower revenue and profits in the industrial and other business. In comparison against the initial forecast, profit forecast of the tires business has been revised upward.



Please see page 19 for the analysis of the factors for increase or decrease in business profit in H1 in comparison against the same period last year.

Basically, we expect the trend of the January to March results to continue in the April to June quarter but also expect some price pressure in the global market and increased expenses carried over from Q1. Therefore, tires business profit is projected to increase by JPY18.7 billion versus last year, which is a slight increase from January to March results.

Profits in sports and industrial and other businesses are expected to grow JPY1.6 billion and JPY0.1 billion, respectively, for a total consolidated profit to increase by JPY20.4 billion.

【Forecast】Consolidated Financial Results (2024 Annual)

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	Revised Forecast 2024	Actual 2023	YoY	Feb. 14th 2024 Forecast 2024
Sales Revenue	**1,200.0**	1,177.4	102%	1,200.0
Business Profit (%)	**80.0** **6.7%**	77.7 6.6%	103%	80.0 6.7%
Operating Profit (%)	**61.0** **5.1%**	64.5 5.5%	95%	61.0 5.1%
Profit	**38.0**	37.0	103%	37.0
ROIC *1	**5.7%**	5.7%		5.7%
ROE	**5.9%**	6.3%		5.7%
ROA *2	**6.2%**	6.2%		6.2%
D/E Ratio	**0.5**	0.5		0.5

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

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Moving on to page 20 for the full-year forecast for 2024.

As shown in the blue box, sales revenue is expected to be JPY1.2 trillion, 102% of the previous year's level, business profit to be JPY80 billion, also 103% of last year, operating profit to be JPY61 billion, 95% of last year, and net income to be JPY38 billion, 103% of last year.

Compared to the initial forecast, only net income has been revised upward by JPY1 billion.

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

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

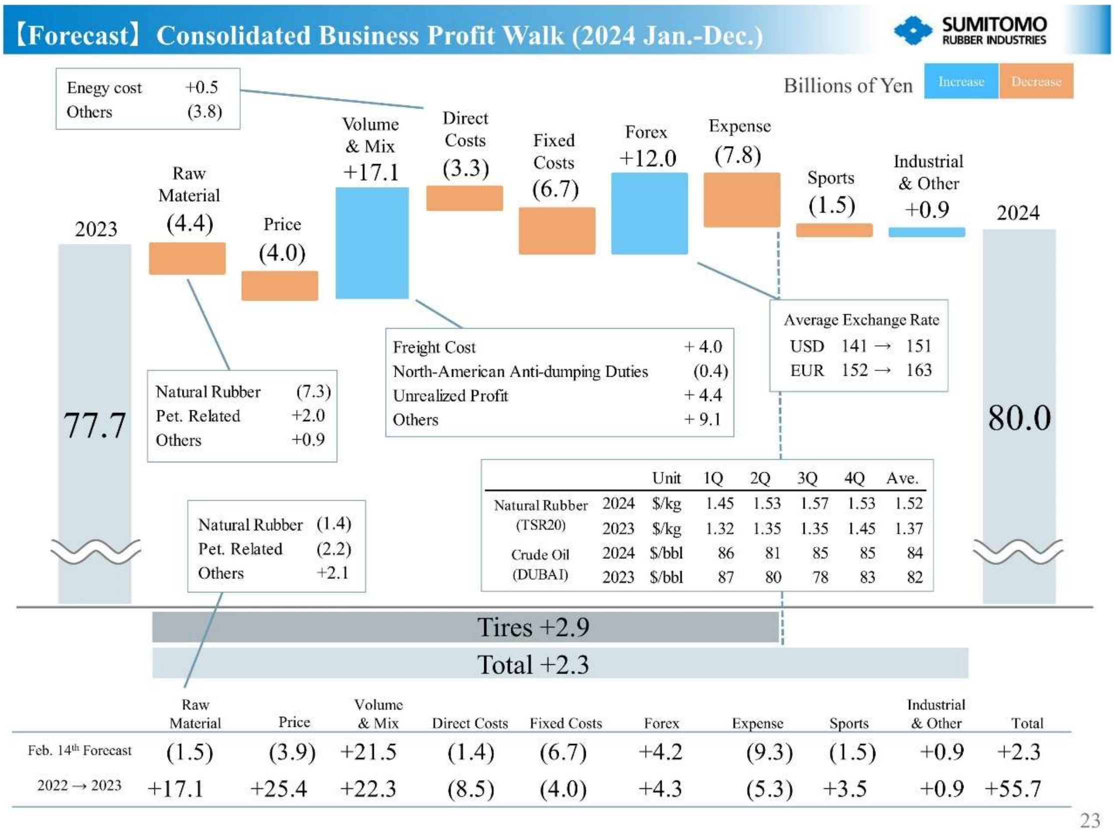
		Revised Forecast 2024	Actual 2023	vs 2023	Feb. 14th 2024 Forecast 2024
Sales Revenue	Tires	**1,032.0**	1,006.4	103%	1,033.0
	Sports	**131.5**	126.6	104%	131.5
	Industrial & Other	**36.5**	44.4	82%	35.5
	Total	**1,200.0**	1,177.4	102%	1,200.0
Sales Revenue	Tires	**66.5**	63.6	105%	66.5
	Sports	**11.0**	12.5	88%	11.0
	Industrial & Other *	**2.5**	1.6	155%	2.5
	Total	**80.0**	77.7	103%	80.0

*The elimination of inter-segment transactions is included. 22

Please refer to page 22 for the forecast of sales revenue and business profit for FY2024 by segment.

The fourth line from the bottom of the blue frame shows the business profit of tires. Compared to the 2023 results of JPY63.6 billion, we are guiding a 5% increase to JPY66.5 billion.

Profit is expected to decrease in the sports business and increase in the industrial and other business.



Please turn to page 23 for the analysis of the factors for increase or decrease in business profit for FY2024 versus the previous year.

We expect negative JPY4.4 billion for raw materials mainly due to the unit price increase of natural rubber compared to the H1 forecast.

For volume and mix, we expect a positive effect of JPY17.1 billion. The breakdown is as shown in the upper left balloon. In addition to a positive JPY4 billion in freight cost and JPY4.4 billion in unrealized profit, we expect positive JPY9.1 billion in others. The breakdown of volume and mix is expected to be roughly 50-50 split between volume effect and mix etc.

Direct costs and fixed costs are expected to have a negative impact of JPY3.3 billion and JPY6.7 billion respectively, both mainly due to increased personnel costs.

Foreign exchange rate is expected to have a positive effect of JPY12 billion.

Expenses are expected to have a negative impact of JPY7.8 billion due to increased DX investment and advertising expenses, etc. Profit for the tires business as a whole is expected to increase by JPY2.9 billion. Profit for sports business is expected to decrease by JPY1.5 billion due to increased business-related expenses for the future. Profit for industrial and other business is expected to increase by JPY0.9 billion, for a total company-wide profit growth of JPY2.3 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
2023	Apr.-Jun.	9.1	+9.7	+1.2	+8.1	+4.1	(2.6)	(0.0)	+0.6	(0.8)	(1.3)	+0.4
2023	Jul.-Dec.	60.6	+52.8	+20.4	+6.5	+27.1	(2.0)	(3.3)	+4.0	(3.5)	+3.3	+0.3
2023	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
2024	Apr.-Jun.	14.3	+5.2	(0.6)	(2.0)	+5.7	(0.3)	(0.5)	+2.1	(2.0)	+2.8	+0.0
2024	Jul.-Dec.	42.5	(18.1)	(7.6)	(1.9)	+0.3	(0.8)	(4.8)	+4.6	(5.6)	(3.1)	+0.8
2024	Annual	80.0	+2.3	(4.4)	(4.0)	+17.1	(3.3)	(6.7)	+12.0	(7.8)	(1.5)	+0.9
vs Feb. 14th Forecast			+0.0	(2.9)	(0.1)	(4.4)	(1.9)	+0.0	+7.8	+1.5	+0.0	+0.0

24

Please refer to page 24 for business profit analysis by factors. I will walk through the main items with large difference from initial forecast, which is listed at the bottom of the table as versus Feb 14 forecast.

For the raw materials, downward revision of JPY2.9 billion in anticipation of higher natural rubber prices. For volume and mix, downward revision of JPY4.4 billion mainly due to lower sales volume. For direct costs, downward revision of JPY1.9 billion due to increased labor costs. These negative factors will be offset by the positive effect of the foreign exchange with weaker yen, which has a positive impact of JPY7.8 billion, resulting in the company total to be the same level as the initial forecast.

Tire Sales Volume (Comparison %)

SUMITOMO RUBBER INDUSTRIES

vs Previous year	2023 Actual					2024 Jan.-Mar. Actual, Apr.-Dec. Forecast					2024 Feb. 14th 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%	95%	96%	96%	91%	99%	99%	99%
Domestic Rep.	98%	108%	89%	97%	98%	86%	99%	107%	110%	101%	96%	109%	102%
Overseas O.E.	101%	108%	92%	101%	100%	90%	92%	101%	101%	96%	100%	105%	102%
Overseas Rep.	87%	94%	97%	96%	93%	100%	97%	108%	108%	103%	98%	109%	103%
Details: North America	81%	92%	109%	100%	95%	107%	92%	104%	104%	102%	99%	103%	101%
Details: Europe	90%	85%	100%	91%	92%	102%	108%	103%	103%	104%	102%	104%	103%
Details: Asia	91%	104%	89%	92%	94%	93%	92%	119%	118%	105%	95%	118%	106%
Details: Others	85%	93%	91%	102%	92%	100%	97%	107%	107%	103%	98%	110%	104%
Total	94%	101%	96%	99%	97%	93%	96%	105%	106%	100%	98%	107%	102%
Total Tire Sales (000 Units)	26,450	26,860	26,850	28,190	108,360	24,610	25,830	28,240	29,770	108,460	52,280	58,720	111,000

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Please refer to page 25 for the YoY comparison of tire sales volume.

As noted in the bottom of the left blue box, unit sales for the January to March period totaled 24.61 million, 93% of those for the same period last year.

By market, first, domestic OE sales were 78% due to production cutbacks by some OEMs. Domestic replacement sales were down, 86% of previous year, due to a drop in sales caused by a delay in summer tire replacement demand. For overseas, sales volume for OE was 90%, and replacement was 100% of the previous year.

Looking at overseas replacement volume by region, North America 107%, Europe 102%, Asia 93%, and others 100% of the previous year. In North America, the WILDPEAK series, our mainstay products, continue to perform well, and the new A/T4W is also steadily expanding its sales. Sales in Europe were also strong, with YoY increase. On the other hand, sales in Asia declined due to sluggish market conditions and other factors.

As for the annual sales volume for FY2024, as shown in the bottom of the right-side box, we expect to sell 108.46 million units, roughly the same as the previous year.

By market, domestic OE sales are expected to recover from the production cutback in Q1, but are still 91% of the previous year's level. The domestic replacement volume is expected to be 101%. For overseas, OE is expected to be 96%, and replacement for 103%. By region, North America 102%, Europe 104%, Asia 105%, and others 103% versus the previous year's level.

Compared to the initial forecast, shown on the right side, annual sales volume is expected to decrease by 2%. Domestic OE is expected to decrease from 99% to 91% and overseas OE to decrease from 102% to 96%. For domestic OE, we have updated it with the current trend of production cutbacks. Overseas OE volume is expected to decrease mainly due to the impact of production cutbacks by Japanese OEMs in Southeast Asia.

Tire Volume by Category (Comparison %)

SUMITOMO RUBBER INDUSTRIES

vs Previous Year	Actual 2023 Jan.-Mar.				Actual 2023 Jan.-Dec.			
	O.E.	Rep.	Total	Composition ratio	O.E.	Rep.	Total	Composition ratio
Passenger Tires	104%	92%	95%	89%	105%	96%	98%	88%
Advanced Tires *1	111%	102%	105%	37% *2	117%	103%	108%	38% *2
Truck & Bus Tires	114%	82%	84%	3%	112%	83%	85%	4%
Motorcycle, Industrial & Other Tires	111%	67%	84%	8%	103%	85%	92%	9%
Total	105%	90%	94%	100%	105%	94%	97%	100%

vs Previous Year	Actual 2024 Jan.-Mar.				2024 Jan.-Dec. Forecast			
	O.E.	Rep.	Total	Composition ratio	O.E.	Rep.	Total	Composition ratio
Passenger Tires	**86%**	**95%**	**92%**	**88%**	93%	101%	99%	87%
Advanced Tires *1	**99%**	**102%**	**101%**	**41%** *2	103%	106%	105%	40% *2
Truck & Bus Tires	**106%**	**87%**	**89%**	**3%**	119%	103%	104%	4%
Motorcycle, Industrial & Other Tires	**76%**	**121%**	**98%**	**9%**	102%	116%	110%	10%
Total	**85%**	**96%**	**93%**	**100%**	94%	103%	100%	100%

< Advanced Tires Composition Ratio by Year > *2

		2022 Actual	2023 Actual	2024 Forecast
Advanced Tires *1	O.E.	44%	50%	55%
	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

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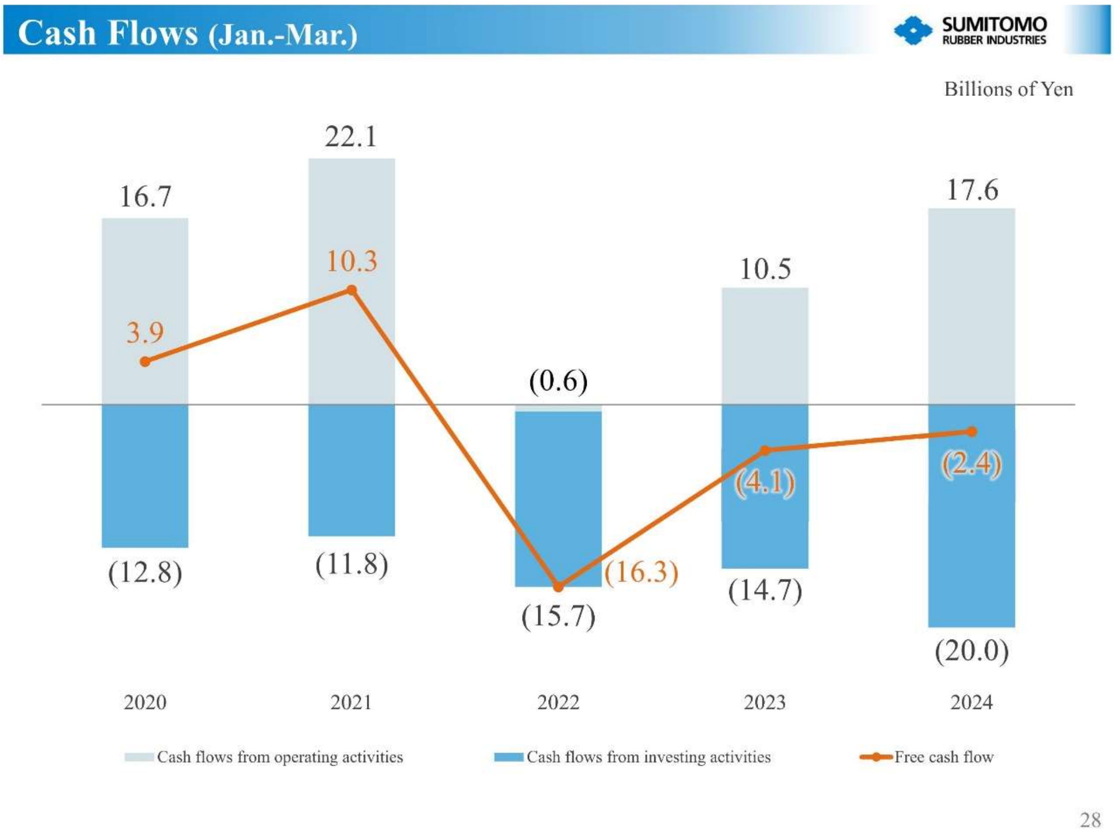
Please see page 26 for the volume breakdown.

The blue box shows that passenger car tires accounted for 88% of the total sales, representing the majority in the January to March quarter of 2024. Of these, 41% are advanced tires. These are mainly for North America and Europe, and we are steadily increasing the sales of those high-performance tires.

Looking at the composition ratio of advanced tires by year at the bottom of the page, we forecast 40% for the year, an increase of 2 percentage points over last year's results.

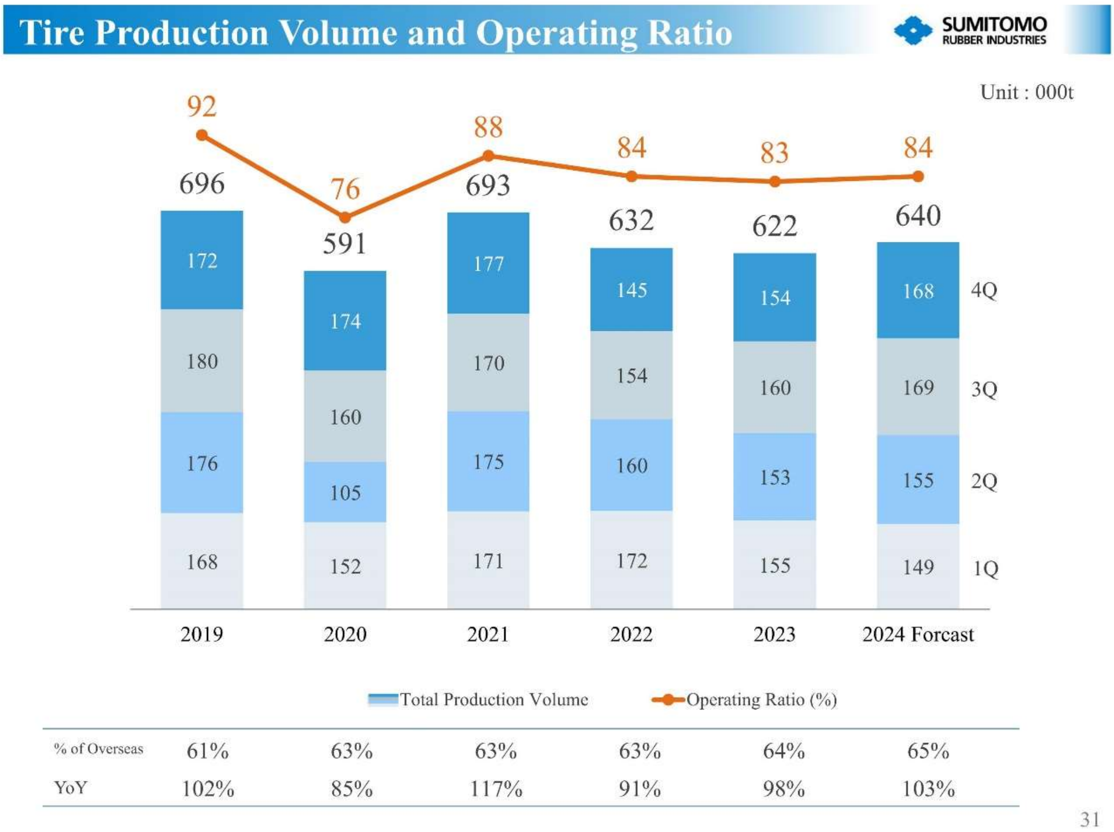


Please refer to page 28 for the trend in cash flow.

On the far right, operating cash flow for January to March 2024 was positive JPY17.6 billion, an increase of JPY7.1 billion from the previous year.

This is the result of a temporary increase in inventories due to a delay in the domestic summer tire replacement demand and an increase in tax payments for the previous year, while profits increased due to lower freight cost and raw material costs.

Net cash used in investing activities amounted to JPY20 billion mainly due to equipment renewal in response to ESG requirements, as well as ES-related intangible investments. As a result, free cash flow amounted to a negative JPY2.4 billion.



Lastly, please see page 31 for tire production volume and operating ratio.

Far right bar shows annual production for FY2024, which is expected to be 640,000 tons, about the same as the previous year, with an annual operating rate of 84%, a slight decrease from our forecast at the beginning of the year.

This concludes my presentation.

Question & Answer

Moderator [M]: Now, we would like to take questions from the participants.

Please ask your question after giving your name and affiliate. We apologize, but due to time constraints, each person is limited to two questions.

Mr. Maki from SMBC Nikko Securities Inc., please go ahead.

Maki [Q]: Thank you. I have two questions. First point pertains to your earnings performance.

Was there any special, one-time factor in Q1? For example, about the refunds in antidumping duties you mentioned, how much upside effect did you have?

What about the negative impact in volume and mix? I know you are trying to reduce SKUs and consolidate the portfolio, and you expect the recovery from Q2. Why are you behind the plan in this area?

Meanwhile, you are guiding business profit increase in H2 and decrease in H2, which seems that you made some adjustment based on the upside in Q1. Am I correct in this understanding? Please also tell me the background why you left the full-year forecast unchanged.

There may be some risks such as an inflow of made-in-Asia products into the US. I appreciate your insights on risks and opportunities for the full-year basis. This is the first question.

Yamamoto [M]: Thank you for your question. First, Okawa will elaborate on the special factors in Q1. Regarding the change in volume and mix, Nishiguchi, who is in charge of the tires business, will answer your question.

Okawa [A]: Let me answer for your question regarding one-time factors in Q1. As you pointed out, the impact of the North American antidumping duty is described as JPY3.8 billion for January to March, of which approximately JPY3 billion was refunded retrospectively, and this is a sort of transitory factor. The remaining JPY1 billion or so will probably come out in the future. So, this is rather considered as one-time event, concerning the refund in January to March period.

If I have to add, it is also driven by the weaker yen. Although we don't have any visibility into the future, it is considered that the currency effect uplifted our overall performance for Q1 significantly. We have no way of knowing the future course of the yen's move, though. If the weak yen is short lived, it shall be a transitory factor, but if it persists, we expect longer effect. That is all.

Nishiguchi [A]: Let me answer your question on the balance of volume and mix in Q1. It is shown on page 12 of the material, as explained by Okawa. JPY11.1 billion in the volume and mix is inclusive of antidumping duty that was discussed earlier.

Others in volume and mix has a negative JPY2.8 billion impact. There are some other factors, but roughly speaking, that is the amount of impact. In Q1, we had negative JPY4.5 billion impact from volume decrease, positive JPY1.7 billion impact from better mix, resulting in the negative impact of JPY2.8 billion.

As for the sales volume, please see page 25. For January to March, sales for domestic and overseas OE fell. Domestic OE demand drop is due to production cutbacks and adjustment by Japanese OEMs.

For overseas OE, there was also some production cutback among Japanese OEMs, mainly in Asian region. Our main markets are Thailand, Indonesia, and China, where governments are providing support for EVs. Therefore, sales of non-EV OE market declined. We suffer a decrease in OE market both at home and abroad.

In addition, volume decrease of JPY4.5 billion was largely driven by the weather factor on top of the overall volume factor. Our profit driver, which is domestic replacement tires, has been sluggish in Q1, January to March, due to lackluster performance of winter tires. The cold weather continued, which pushed back the demand for spring tires from March to April. If you see Q1 alone, we missed sales opportunity during the quarter, which dragged the volume performance.

Please see the figures in April to June, July to September, October to December, and annual columns on page 25. For domestic OE, we do not expect much of a recovery in H2 due to the factors we mentioned.

Overseas OE is expected to show some recovery based on the trend since H2 last year through H1 this year. For domestic replacement tires, we suffered from warm winter last year but expect normal weather this year with recovery in H2.

Considering those factors, in H2, or after April, we expect the volume to decrease, but it is mainly for low-margin, low-profit OE tires. That will be compensated for by the volume recovery in the replacement tire business. This will make the profit to be positive, together with other factors in volume and mix. That is all from me.

Okawa [A]: About your question on YoY decrease in H2, the balance between profit increase H1 and decrease H2, and our logic behind such assumption, it is largely boosted by the weakness of the yen, as I said.

On top of that, there are some geopolitical issues. We are still in Q1. Therefore, we decided to be a bit conservative rather than pivoting our assumption. That is how we try to ensure we achieve our plan and show our commitment. That's all.

Maki [Q]: Thank you very much. I understand. Due to the recent inflow of Asian products into the US market, some suppliers seem to have been affected.

How about your company? You are exporting tires from Thailand to the US, but small exposure in T/B in Thailand for strict tariff. This means you enjoy positive effect? Should we see this area as a potential risk? Please give us your assessment of increased volume of imported tires in the US.

Nishiguchi [A]: Yes, I will elaborate on the North American market. As you pointed out, AD duties in Thailand have been lowered for all suppliers. Our tax levy is also significantly lowered with refunds. In that way, we see an increase in imports destined to the US.

Import of truck/bus tires is also on the rise. If Trump is reelected, AD duty might be raised. That may be one of the reasons why we see accelerated inflow of Asian products there.

In terms of the impact on our sales of replacement tires in North America compared to the previous year, please see page 25. We have manly three or four distribution channels there, including our mainstay business of FALKEN WILDPEAK series. For the private brand business, we discontinued last year.

We also have a direct distribution business to major retailers on the East and West Coast as well as Dunlop brand for Goodyear. The overall total is 107% in January to March, and 102% for annual total. As for the mainstay WILDPEAK series, we have been able to maintain more than double-digit growth.

Migration from A/T3W to A/T4W is going very well. This part will probably not be affected. Does it answer your question?

Maki [Q]: Thank you very much. Let me clarify about AD duties. Although there is a temporary hike, is it safe to say that the duty could be further lowered?

Nishiguchi [M]: You mean the tax rates?

Maki [Q]: Yes. How do you see the room for more positive effect when the tariff is lowered?

Nishiguchi [A]: The current rate has dropped to around 6%, which indicates the Department of Commerce acknowledges that we do fair business. From now on, I do not think there are many factors to drive the tariff. If we can provide evidence that we are properly conducting business, I don't think there is any risk of that.

Maki [Q]: Yes. I take your point. Thank you. My second question is aboutthe Buffalo plant. How did it perform against your Q1 forecast?

You said that you would soon be able to share more details about structural reform, so it seems like you are finalizing your direction. Am I correct that you are accelerating the reform although your timeline is to reach a conclusion by the end of the year? Please tell me what kind of changes in circumstance made you confident that you are able to see clear prospect in the near future.

Yamamoto [A]: Thank you for your question. Structural reform in the Buffalo plant is our first and foremost priority, and we have been diligently working on it. We have not made any decisions yet, so I can't give you any details. As for the situation at the Buffalo plant, we have received a large order from one of our customers for a FALKEN-brand product called PROG5, and production volume is increasing thanks to that.

We have been making steady progress in various improvements and are now on track to achieve the planned production volume.

In terms of profit, we have started production of a new product, A/T4W, at the Buffalo plant, and we are gradually making progress toward profitability improvement.

However, as we look toward the future, we are continuing to examine all options for our supply system for the North American market, including the utilization of Buffalo plant. We are in the process of assessing various improvement measures and estimated benefit based on the data. When the time comes, we intend to conclude our decision and make our overall direction public. Sorry for my rather vague answer.

Maki [Q]: I understand. By the way, Goodyear is saying that they will announce their progress on restructuring efforts including Dunlop business in Q2.

This worries me about potential cash outflow on your side. Can we separate these events from the timing of your structural reform in the North American business? This will not hamper your consolidation effort, right? It sounds like you already made an internal decision and will make it public soon. Am I correctly understanding the situation?

Moderator [M]: Let me summarize your question. Is it about the dependency of the trademark rights of Dunlop and our structural reform in North America?

Maki [M]: Yes. Thank you.

Yamamoto [A]: Yes, we are of course aware that Goodyear is divesting Dunlop brand. We are interested in this because it will expand the scope of our business. However, I can't discuss the details right now.

Basically, we have not yet made any decision on the Buffalo plant either. We have made various calculations based on the scenario of continuing or closing the plant.

We are still in the process of making various estimates. For Dunlop brand, nothing is decided yet. Of course, it involves cash outflow if we go for that. Considering overall impact from big picture perspective, we have been discussing how to address those two issues.

Maki [M]: I understand. Thank you very much.

Moderator [M]: Thank you, Mr. Maki. The next question is from Mr. Sakamaki of Daiwa Securities. Please go ahead.

Sakamaki [Q]: Yes. I'd like to clarify something on your earnings performance. You mentioned that you received a little less than JPY3 billion in refunds this time. How much upside did it bring in Q1 against your internal plan?

You upgraded business profit forecast by JPY3 billion for H1. Is it simply reflecting the portion of the refund rather than the improvement in underlying performance? I appreciate your insight.

In addition, it seems that you expect about positive impact of JPY5 billion in volume and mix in Q2 after adding up various factors. I guess it is JPY5.7 billion in your plan.

What is the rationale behind it? Because you are guiding the sales volume to decrease, 92% in North America versus last year, and domestic replacement tire is not so favorable. I wonder why you expect the volume and mix to recover in Q2.

If you could elaborate on the assumption for the revision in Q2 versus Q1, it would be helpful.

Yamamoto [M]: Thank you for your question. Okawa will answer the first part, and Nishiguchi will answer the second part of your question.

Okawa [A]: This is Okawa. I can't give you too many details about our internal plan for Q1 because we don't disclose it to the outside parties. However, we already knew about the refund at the time of budget planning. Therefore, we have included it in the initial plan.

Although it is a one-time factor, it has been incorporated into our budgeting. In addition, due to the depreciation of the yen and other factors, the results were higher than we had initially expected. I am sorry that I can't give you specific figures. That's all.

Nishiguchi [A]: With regard to the volume in North America in particular, we do expect 92% versus last year in Q2, April to June, as shown on page 25. As I said, our North American business consists of FALKEN which is operated by local sales company, export from Thailand, Japan, or Indonesia to national wholesalers or retailers, and Dunlop brand business for Goodyear.

Sales of WILDPEAK series are expected to continue double-digit growth. However, for export business in April to June, we expect a little bit of inventory adjustment by two major trade partners and have included its impact into our quarterly plan.

That is why we expect a volume decrease. Since it is an export, off-the-assembly line, profitability is not that high. Therefore, we expect smaller drop compared to the volume decrease.

In April to June and H2, as we said, volume decrease is mainly for OE, which means a decrease in lower margin, lower profit business. However, we expect persistent and steady performance for replacement tires in H2 with an increase in volume. Therefore, combining with the product mix, we expect a positive impact. Does it answer your question?

Sakamaki [Q]: If we look at the factor of change in volume and mix, which is JPY5.7 billion in Q2, does it suggest that the mix will improve? The volume itself is probably negative.

Nishiguchi [A]: Volume is negative, we take the product mix factor separately. Although the volume will drop significantly, the growing replacement demand in H2 will be in the highly profitable domestic market. We also expect recovery in China, and above all, sales in the North America will continue to grow in H2, driven by WILDPEAK.

Rather than a better mix of categories, a better mix of regions for replacement tires. It is safe to say that even though we expect a tough time in H1, we could expect a recovery to offset the damage in H2.

Sakamaki [Q]: Thank you. My next question is about your full-year guidance. Mr. Okawa mentioned that it is still a little early to revise the forecast at this stage of Q1.

How do you see the level of risks and opportunities? Especially, in ocean freight, you may renew the annual contract around May. Freight costs are fluctuating now. How do you mitigate the potential risk? What was your thought process behind the plan?

Yamamoto [M]: Thank you very much. Okawa will answer your question.

Okawa [A]: We are considering various risks and opportunities. As for freight, the unit price has already been somewhat determined during negotiations, so we believe it is pretty certain.

On the other hand, as we explained, the volume itself is decreasing, so even if the unit price increases slightly, we can still expect a positive impact of the freight costs.

In terms of risk, our greatest concern is how the yen will move against the dollar based on the interventions by the US and Japanese monetary authorities. This will have a very large impact not only on business profit but also on net income itself. That will influence our performance. Therefore, even though it seems a bit conservative, we want to make sure that we hit the target, considering it is still Q1. We hope that you understand our situation. Depending on the situation, we may be able to do better. That is all.

Sakamaki [Q]: Is it correct that you already fixed ocean freight costs with an annual contract already agreed upon?

Okawa [A]: Almost concluded.

Sakamaki [M]: I understand. Thank you.

Moderator [M]: Thank you, Mr. Sakamaki. If anybody else has any questions, please press the raise your hand button. Follow-up questions are also welcomed.

Since there seems to be no questions, we would like to conclude the financial results briefing for Q1 of the fiscal year ending December 31, 2024 of Sumitomo Rubber Industries.

Thank you for joining us today despite your busy schedule.

Yamamoto [M]: Thank you very much.

[END]

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