Sumitomo Rubber Industries, Ltd.

Financial Results Briefing for Six Months Ended June 30, 2024

August 7, 2024

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 Six Months Ended June 30, 2024	
[Fiscal Period]	FY2024 Q2	
[Date]	August 7, 2024	
[Number of Pages]	48	
[Time]	16:00– 17:25 (Total: 85 minutes, Presentation: 39 minutes, Q&A: 46 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]*	Shiro Sakamaki	Daiwa Securities
	Kazunori Maki	SMBC Nikko Securities
	Tairiku Sakaguchi	Mizuho 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 the Sumitomo Rubber Industries, Ltd. financial results briefing for six months ended June 30, 2024.

My name is Inoue from the Investor Relations Office of Sumitomo Rubber Industries, and I will be the moderator for today's presentation. Thank you very much.

First of all, I would like to introduce the attendees for today's meeting.

President and CEO, Sumitomo Rubber Industries, Satoru Yamamoto.

Yamamoto: My name is Yamamoto. Thank you.

Inoue: Director and Managing Executive Officer, Hidekazu Nishiguchi.

Nishiguchi: My name is Nishiguchi. Thank you very much.

Inoue: Director, Senior Executive Officer, Naoki Okawa.

Okawa: My name is Okawa. Thank you.

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

Hino: My name is Hino. Thank you.

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.

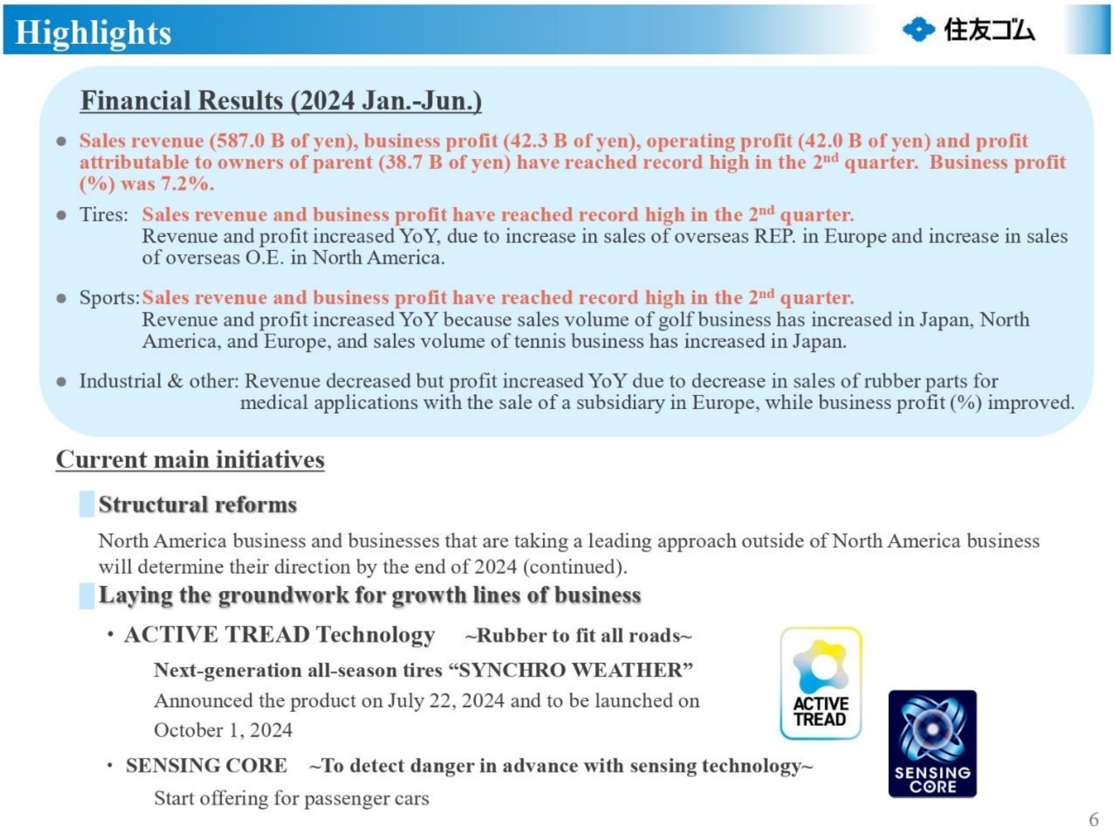
President Yamamoto will give an overview of the financial results, and then Senior Executive Officer Okawa will give a detailed explanation of the financial results. Thereafter, Yamamoto will explain the progress of the medium-term management plan. After the presentation, we would like to take questions from the audience. Thank you.

Now, Yamamoto will begin the presentation.

Yamamoto: My name is 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 six months ended June 30, 2024.

I will now give an overview of our business results for H1 of FY2024 and explain our current major initiatives.

For those of you attending the meeting on-site, please refer to the financial results presentation materials in the booklet that are available to you. For those of you who are attending online, we will be sending you a chat with the address where the documents will be posted.



I would now like to turn to slide six.

In H1 of FY2024, our group's revenue, business profit, operating profit, and profit attributable to owners of parents all reached record highs. These are the financial targets set forth in our medium-term management plan. Business profit improved by 4.2 percentage points YoY to a level of 7.2%.

Both revenue and operating profit in the tire business and revenue and operating profit in the sports business reached new record highs.

In the tire business, we increased sales of overseas REP in Europe. In addition, sales of tires for new vehicles for overseas O.E. increased in North America.

In Europe, sales of all-season tires, one of FALKEN's strengths, remained strong. We will continue to expand sales based on our brand strength, which has been steadily improving.

In North America, sales of tires for new vehicles remained strong and increased due in part to their adoption of new models. Although sales of products for REP decreased YoY, sales of the FALKEN WILDPEAK series, our mainstay products for pickup trucks and SUVs, continued to be strong.

In the sports business, sales of golf clubs increased in the core markets of North America, Japan, and Europe. Sales of XXIO 13, launched in December last year, also grew steadily. Sales of tennis products increased in Japan.

In the industrial and others segment, sales decreased due to the sale of a medical rubber products subsidiary in Europe at the end of January. However, the profit margin of the industrial and others business improved due to the profit improvement resulting from the sale of the European subsidiary.

As for our current main efforts, we are continuing to move forward toward the goal of achieving the North American business by the end of this year, which is the highest priority issue in our structural reforms. We are also working on the other businesses that we have already started, and we are aiming to complete them by the end of this year.

In addition, on July 22, we held a product announcement for the next-generation all-season tire SYNCHRO WEATHER, which incorporates our proprietary Active Tread Technology. Nearly 200 people attended the event to hear about the product concept, new technology, and sales strategy, and we also announced that we had signed an advertising contract with Shohei Ohtani.

Thanks in part to the effect of having SYNCHRO WEATHER featured in many media and motor journals, the inquiries and responses from dealers and consumers have exceeded our expectations. We are once again convinced that this will be an unprecedented major hit product.

We hope you will look forward to our next-generation all-season tire, SYNCHRO WEATHER, which maintains its grip in response to all types of road surfaces to provide a safe and reliable driving experience.

We have been conducting demonstration tests of our other proprietary tire sensing technology, Sensing Core, with various manufacturers and companies. The Sensing Core enables the detection of tire pressure, load, wear, road surface conditions, and signs of wheel fall, thereby improving safety. Starting this year, we will offer this Sensing Core for passenger cars. In the future, we will expand the product to heavy-duty vehicles as well.

Active Tread and Sensing Core, two unique technologies that will play a key role in our growth strategy, will contribute to a new future for automobiles.

【Forecast】Consolidated Financial Results (2024 Annual)

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	Revised Forecast 2024	Actual 2023	YOY	May 13th 2024 Forecast 2024	Revised Forecast 2024 Jul.-Dec.	vs 2023
Sales Revenue	**1,200.0**	1,177.4	102%	1,200.0	613.0	99%
Business Profit (%)	**80.0** **6.7%**	77.7 6.6%	103%	80.0 6.7%	37.7 6.2%	62%
Operating Profit (%)	**61.0** **5.1%**	64.5 5.5%	95%	61.0 5.1%	19.0 3.1%	40%
Profit	**41.0**	37.0	111%	38.0	2.3	8%

	Revised Forecast 2024	Actual 2023	May 13th 2024 Forecast 2024
ROIC *1	**5.7%**	5.7%	5.7%
ROE	**6.1%**	6.3%	5.9%
ROA *2	**6.1%**	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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I would like to turn to slide 16.

For the full year of FY2024, we forecast revenue of JPY1.2 trillion, 102% YoY; business profit of JPY80 billion, 103% YoY; operating profit of JPY61 billion, 95% YoY; and net profit of JPY41 billion, 111% YoY. We have revised our net income forecast upward from the one announced in May of this year.

Shareholder Returns

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

Determination of 2024 Interim Dividend Payment and Forecast of Annual Dividends :
Based on the consolidated financial results for the six months ended Jun. 30, 2024, we have decided to pay an interim dividend of 29 yen per share (unchanged from Feb. 14, 2024 forecast). We have kept the year-end dividend of 29 yen per share, the same as Feb. 14, 2024 forecast, and the annual dividends are expected to be 58 yen.

	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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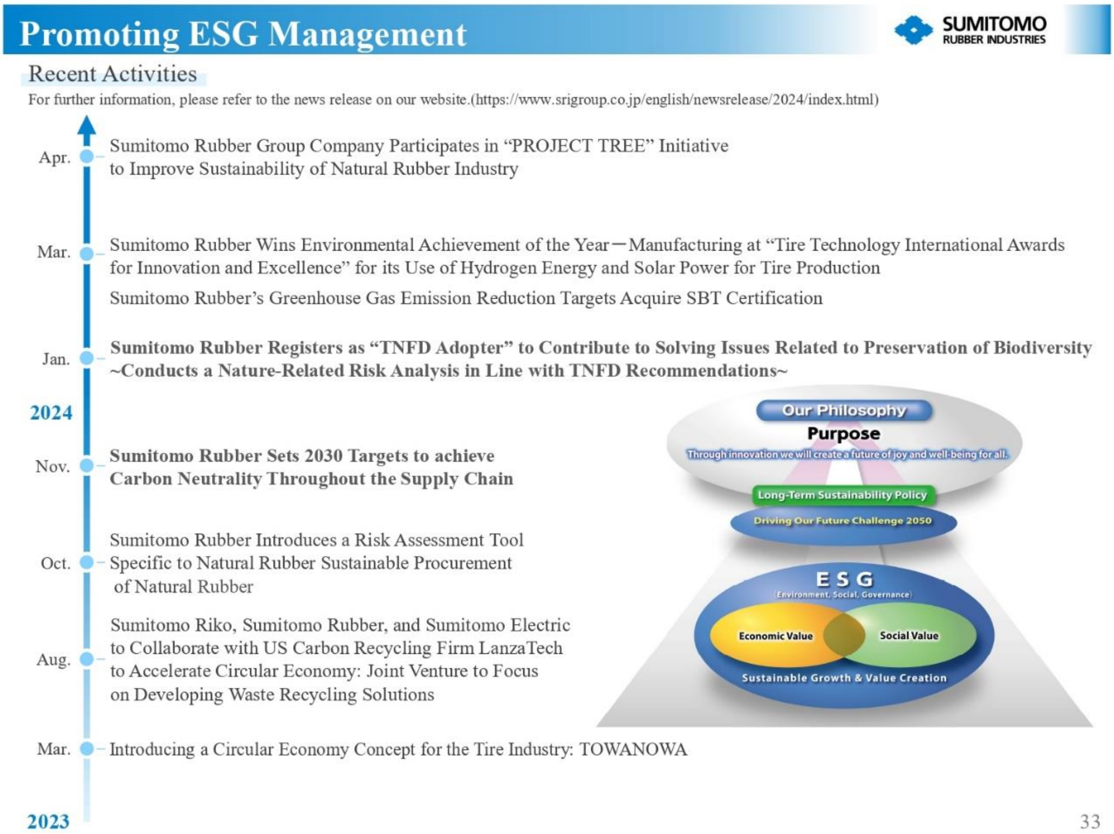
I would like to continue with slide number 30.

The interim dividend for FY2024 will be JPY29 per share, as initially forecasted. As initially forecasted, the year-end dividend will also be JPY29 per share, bringing the annual dividend to JPY58 per share.

Although this is slightly below the consolidated dividend payout ratio of 40%, which is our guideline for dividends, we have decided on this figure at this time because we are currently working on structural reforms. We will strive to pay stable dividends as much as possible.



Finally, I would like to turn to slide 33. I would like to introduce our most recent efforts to promote ESG management.

Toward the realization of carbon neutrality by 2050, we have been working on tire production using hydrogen energy since 2021. In May of this year, Yamanashi Prefecture and MHI concluded a basic agreement on Japan's decarbonization through green hydrogen. The Yamanashi Model P2G System is a technology that realizes decarbonization by producing hydrogen from electricity derived from renewable energy sources and using hydrogen as heat energy.

By introducing this system to our Shirakawa Plant, we will further decarbonize the industry by combining solar power generation and hydrogen boilers, which we have been promoting, toward local production for local consumption of energy, which is our ideal future vision; we will strive to further decarbonize the industry.

This concludes my explanation. Thank you very much.

Inoue: Next, Senior Executive Officer Okawa will explain the details of the financial results ending December 31, 2024.

Okawa: My name is Okawa. Thank you for attending our financial results meeting today. I would like to take this opportunity to thank all of our stakeholders for their continued support. Thank you very much for your continued support.

I will now explain the details of our financial results for H1 of FY2024.

Consolidated Financial Results (2024 Jan.-Jun.)

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	2024 Jan.-Mar.	vs 2023	2024 Apr.-Jun.	vs 2023	**2024 Jan.-Jun.**	**vs 2023**	May 13th 2024 Forecast 2024 Jan.-Jun.	2023 Jan.-Jun.
Sales Revenue	291.4	105% +14.6	295.7	104% +11.3	**587.0**	**105% +25.9**	575.0	561.2
Business Profit (%) *1,3	23.2 8.0%	291% +15.2	19.1 6.5%	210% +10.0	**42.3 7.2%**	**248% +25.2**	37.5 6.5%	17.1 3.0%
Operating Profit (%) *3	20.7 7.1%	266% +12.9	21.3 7.2%	235% +12.2	**42.0 7.1%**	**250% +25.1**	33.0 5.7%	16.8 3.0%
Profit *2,3	24.8	620% +20.8	13.9	331% +9.7	**38.7**	**473% +30.5**	32.0	8.2

*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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First of all, please refer to slide seven.

As you can see in the blue box, our consolidated business results for H1 of FY2024 were as follows: net sales of JPY587 billion, business profit of JPY42.3 billion, operating income of JPY42 billion, and profit of JPY38.7 billion, all of which were record highs for H1 of the fiscal year.

The business profit margin improved from 3% in the previous fiscal year to 7.2% this year, and although the depreciation of the Japanese yen is a major factor, the effects of our previous efforts to improve profitability are gradually becoming apparent.

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

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

		2024 Jan.-Mar.	vs 2023	2024 Apr.-Jun.	vs 2023	2024 Jan.-Jun.	vs 2023	May 13th 2024 Forecast 2024 Jan.-Jun.	2023 Jan.-Jun.
Sales Revenue	Tires	244.1	106%	252.0	104%	**496.1**	**105%**	482.0	471.1
	Sports	36.7	103%	34.9	107%	**71.6**	**105%**	74.5	68.1
	Industrial & Other	10.6	92%	8.8	84%	**19.4**	**88%**	18.5	21.9
	Total	291.4	105%	295.7	104%	**587.0**	**105%**	575.0	561.2
Business Profit	Tires	18.3	945%	15.7	201%	**34.0**	**349%**	28.5	9.8
	Sports	4.2	77%	2.7	281%	**7.0**	**108%**	8.0	6.4
	Industrial & Other *	0.7	117%	0.6	210%	**1.3**	**149%**	1.0	0.9
	Total	23.2	291%	19.1	210%	**42.3**	**248%**	37.5	17.1

*The elimination of inter-segment transactions is included.

9

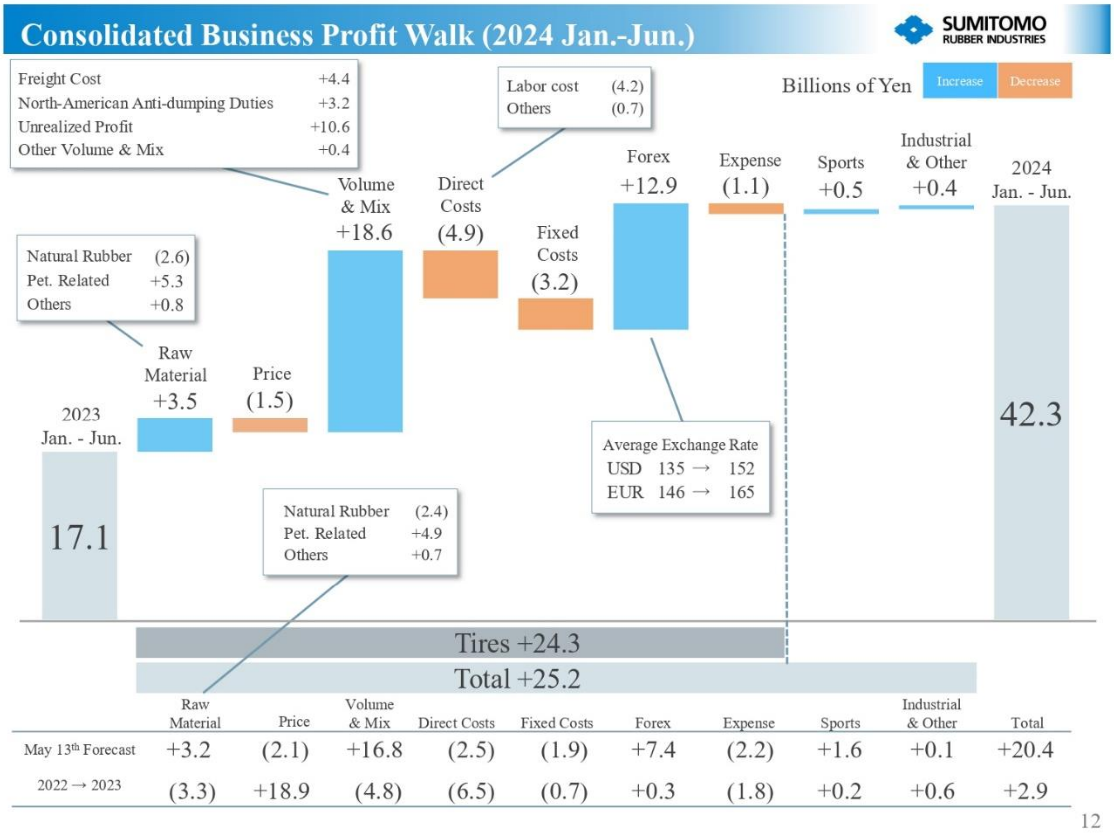
Please refer to slide nine.

Revenue and business profit by segment are as shown in the blue box for H1 of the fiscal year.

Although unit sales of tires decreased YoY, both revenue and profit reached record highs in H1, with revenue of JPY496.1 billion, up 105% YoY, and business profit of JPY34 billion.

In the sports business, net revenue was JPY71.6 billion, 105% YoY, and business income was JPY7 billion, 108% YoY. Both net revenue and business profit reached record highs due to steady initial sales of XXIO 13, which was launched at the end of last year.

In the industrial and others segment, net revenue was JPY19.4 billion, 88% YoY, and business profit was JPY1.3 billion, 149% YoY. Net revenue declined, but business profit increased due to the sale of a European manufacturing and sales subsidiary for medical rubber products at the end of January.



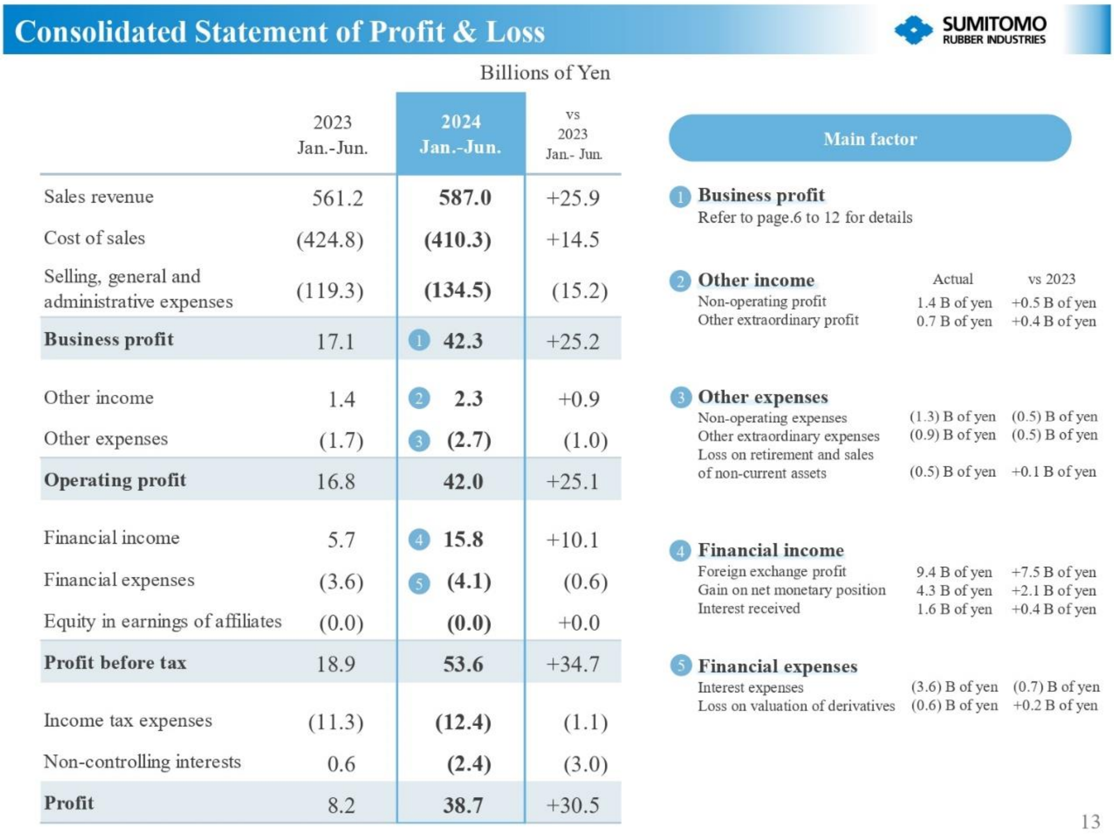
Please see slide 12. This is an analysis of the factors behind the change in business profits for H1 as compared to the same period of the previous year.

First, raw material prices increased by JPY3.5 billion, partly due to stable prices of petroleum-based raw materials.

Volume & mix increased by JPY18.6 billion. The details are shown in the balloon in the upper left corner, of which ocean freight rates increased by JPY4.4 billion in H1, partly because we were able to conclude contract unit prices at low levels. North American anti-dumping duties were plus JPY3.2 billion in Q1, partly due to refunds resulting from sales price optimization. Unrealized profit was plus JPY10.6 billion, a large difference from the negative impact of the previous year.

Foreign exchange rates were JPY12.9 billion in H1 as the Japanese yen depreciated against many currencies in addition to the US dollar and the Euro.

Despite other negative factors, such as higher costs due to a decrease in the number of tires produced and higher labor costs, the tire business as a whole increased its profit by JPY24.3 billion. With the addition of a JPY0.5 billion increase in the sports business and a JPY0.4 billion increase in the industrial products business, total company-wide profit increased by JPY25.2 billion.



Consolidated Statement of Profit & Loss

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	2023 Jan.-Jun.	2024 Jan.-Jun.	vs 2023 Jan.- Jun.
Sales revenue	561.2	**587.0**	+25.9
Cost of sales	(424.8)	**(410.3)**	+14.5
Selling, general and administrative expenses	(119.3)	**(134.5)**	(15.2)
Business profit	17.1	1 **42.3**	+25.2
Other income	1.4	2 **2.3**	+0.9
Other expenses	(1.7)	3 **(2.7)**	(1.0)
Operating profit	16.8	**42.0**	+25.1
Financial income	5.7	4 **15.8**	+10.1
Financial expenses	(3.6)	5 **(4.1)**	(0.6)
Equity in earnings of affiliates	(0.0)	**(0.0)**	+0.0
Profit before tax	18.9	**53.6**	+34.7
Income tax expenses	(11.3)	**(12.4)**	(1.1)
Non-controlling interests	0.6	**(2.4)**	(3.0)
Profit	8.2	**38.7**	+30.5

Main factor

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

	Actual	vs 2023
2 **Other income**		
Non-operating profit	1.4 B of yen	+0.5 B of yen
Other extraordinary profit	0.7 B of yen	+0.4 B of yen
3 **Other expenses**		
Non-operating expenses	(1.3) B of yen	(0.5) B of yen
Other extraordinary expenses	(0.9) B of yen	(0.5) B of yen
Loss on retirement and sales of non-current assets	(0.5) B of yen	+0.1 B of yen
4 **Financial income**		
Foreign exchange profit	9.4 B of yen	+7.5 B of yen
Gain on net monetary position	4.3 B of yen	+2.1 B of yen
Interest received	1.6 B of yen	+0.4 B of yen
5 **Financial expenses**		
Interest expenses	(3.6) B of yen	(0.7) B of yen
Loss on valuation of derivatives	(0.6) B of yen	+0.2 B of yen

13

Please see slide 13. I will explain the main difference factors for the items under business profit in the consolidated income statements.

The main component of financial income of JPY15.8 billion in item four is, as shown on the right side of the slide, due to valuation gains and losses on foreign currency bonds resulting from the depreciation of the Japanese yen and gains from the revaluation of assets to fair value due to continued super-inflationary accounting in Turkey.

In addition, income tax expense came out slightly lower at a tax rate of 23.2%, but this is due to the inclusion of future tax payment reductions following the completion of the sale of the European medical rubber subsidiary business this year, which had been impaired at the end of last year.

Consolidated Statement of Financial Position

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	As of Dec. 31, 2023	**As of Jun. 30, 2024**	vs Dec. 31, 2023
Current assets	624.7	**647.5**	① +22.7
Non-current assets	642.0	**708.2**	② +66.2
Total assets	1,266.7	**1,355.7**	+89.0
Current liabilities	331.1	**318.6**	(12.5)
Non-current liabilities	294.2	**320.7**	+26.5
Total liabilities	625.3	**639.3**	③ +14.0
Total equity attributable to owners of parent	624.1	**697.4**	④ +73.3
Non-controlling interests	17.3	**19.0**	+1.7
Total equity	641.4	**716.4**	+75.0
Total liabilities and equity	1,266.7	**1,355.7**	+89.0
Equity ratio	49.3%	**51.4%**	+2.1P

Main factor

	vs Dec. 31, 2023
① Current assets	
Inventories	+42.1 B of yen
Cash and cash equivalents	(14.4) B of yen
Trade and other receivables	(9.1) B of yen
Other current assets	+4.9 B of yen
② Non-current assets	
Tangible assets	+46.5 B of yen
Intangible assets (including goodwill)	+9.9 B of yen
Other financial assets	+7.8 B of yen
Deferred tax assets	+1.7 B of yen
③ Total liabilities	
Interest-bearing debt	+10.3 B of yen (310.9 → 321.2)
Trade and other liabilities	+6.5 B of yen
④ Equity	
Foreign currency translation adjustment	+45.7 B of yen
Profit	+38.7 B of yen
Dividends paid	(13.9) B of yen

14

Please see slide 14. This is the consolidated balance sheet.

Total assets amounted to JPY1,355.7 billion, and the ratio of liabilities to equity was almost equal to half, and the equity ratio was 51.4%, up 2.1% from the end of the previous fiscal year, due to an increase in the self-assessment of foreign currency assets resulting from the depreciation of the Japanese yen.

【Forecast】Consolidated Financial Results (2024 Annual)

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	Revised Forecast 2024	Actual 2023	YOY	May 13th 2024 Forecast 2024	Revised Forecast 2024 Jul.-Dec.	vs 2023
Sales Revenue	**1,200.0**	1,177.4	102%	1,200.0	613.0	99%
Business Profit (%)	**80.0** **6.7%**	77.7 6.6%	103%	80.0 6.7%	37.7 6.2%	62%
Operating Profit (%)	**61.0** **5.1%**	64.5 5.5%	95%	61.0 5.1%	19.0 3.1%	40%
Profit	**41.0**	37.0	111%	38.0	2.3	8%
ROIC *1	**5.7%**	5.7%		5.7%		
ROE	**6.1%**	6.3%		5.9%		
ROA *2	**6.1%**	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

16

Please see slide 16. This is the consolidated earnings forecast for FY2024.

As shown in the blue box, we have projected revenue of JPY1.2 trillion, 102% YoY; business profit of JPY80 billion, also 103% YoY; operating profit of JPY61 billion, 95% YoY; and net profit of JPY41 billion, 111% YoY.

In anticipation of a recovery in performance compared to the forecast for Q1, only the net has been revised upward by JPY3 billion.

【Forecast】 Consolidated Sales Revenue / Business Profit by Reportable Segment (2024 Annual)

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

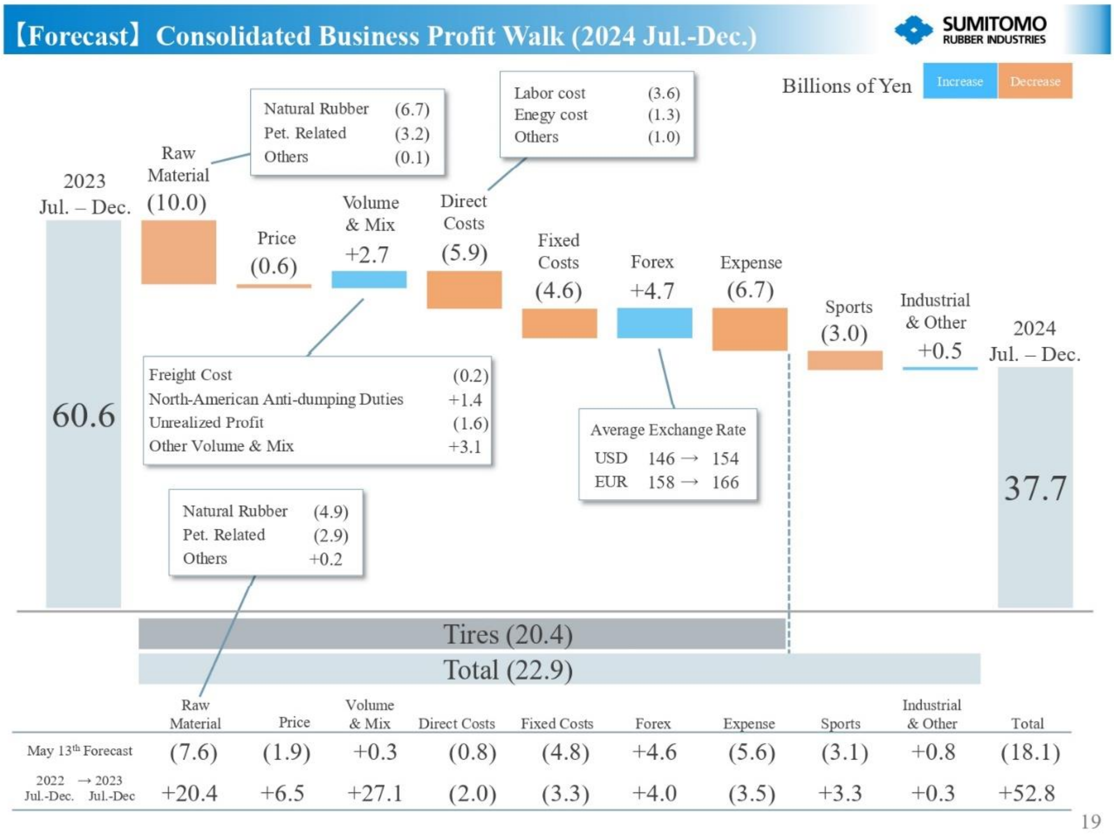
		Revised Forecast 2024	Actual 2023	YOY	May 13th 2024 Forecast 2024	Revised Forecast 2024 Jul.-Dec.	vs 2023
Sales Revenue	Tires	**1,030.0**	1,006.4	102%	1,032.0	533.9	100%
	Sports	**132.5**	126.6	105%	131.5	60.9	104%
	Industrial & Other	**37.5**	44.4	85%	36.5	18.1	81%
	Total	**1,200.0**	1,177.4	102%	1,200.0	613.0	99%
Business Profit	Tires	**67.5**	63.6	106%	66.5	33.5	62%
	Sports	**10.0**	12.5	80%	11.0	3.0	50%
	Industrial & Other *	**2.5**	1.6	155%	2.5	1.2	162%
	Total	**80.0**	77.7	103%	80.0	37.7	62%

*The elimination of inter-segment transactions is included.

18

Please turn to slide 18. This is the forecast of segment sales revenue and business profit for FY2024.

The fourth line from the bottom of the blue frame shows the profit of the tire business, which is on the right side, forecast to increase from the actual profit of JPY63.6 billion in 2023 to JPY67.5 billion, an increase of 6%. Below that, the sports business is expected to see a decrease in profit, while the industrial and others business is expected to see an increase in profit.



Please see slide 19.

Next, I will explain the analysis of factors behind the increase or decrease in business profit in H2 compared to the same period of the previous year.

First of all, raw material prices are projected to be minus JPY10 billion, a turnaround from the positive situation in H1. In addition to higher unit prices for natural rubber due to EUDR compliance and other factors, this reflects the current situation for petroleum-based raw materials such as butadiene, which is currently experiencing a supply-demand gap.

Volume & mix is expected to increase by JPY2.7 billion. The breakdown is as shown in the balloon below, with an increase of JPY1.4 billion for the North American anti-dumping duties, which we expect to receive additional refunds in Q3 and thereafter. The other items for volume & composition are JPY3.1 billion. The positive figure is mainly due to volume effects, but we have included a certain amount of unexpected risks in the composition. In terms of product mix, we expect to increase sales of our mainstay WILDPEAK series in North America, and in Japan, we will further focus on expanding sales of high-performance tires by launching the all-season tire SYNCHRO WEATHER, a revolutionary new product that features Shohei Ohtani in its advertising.

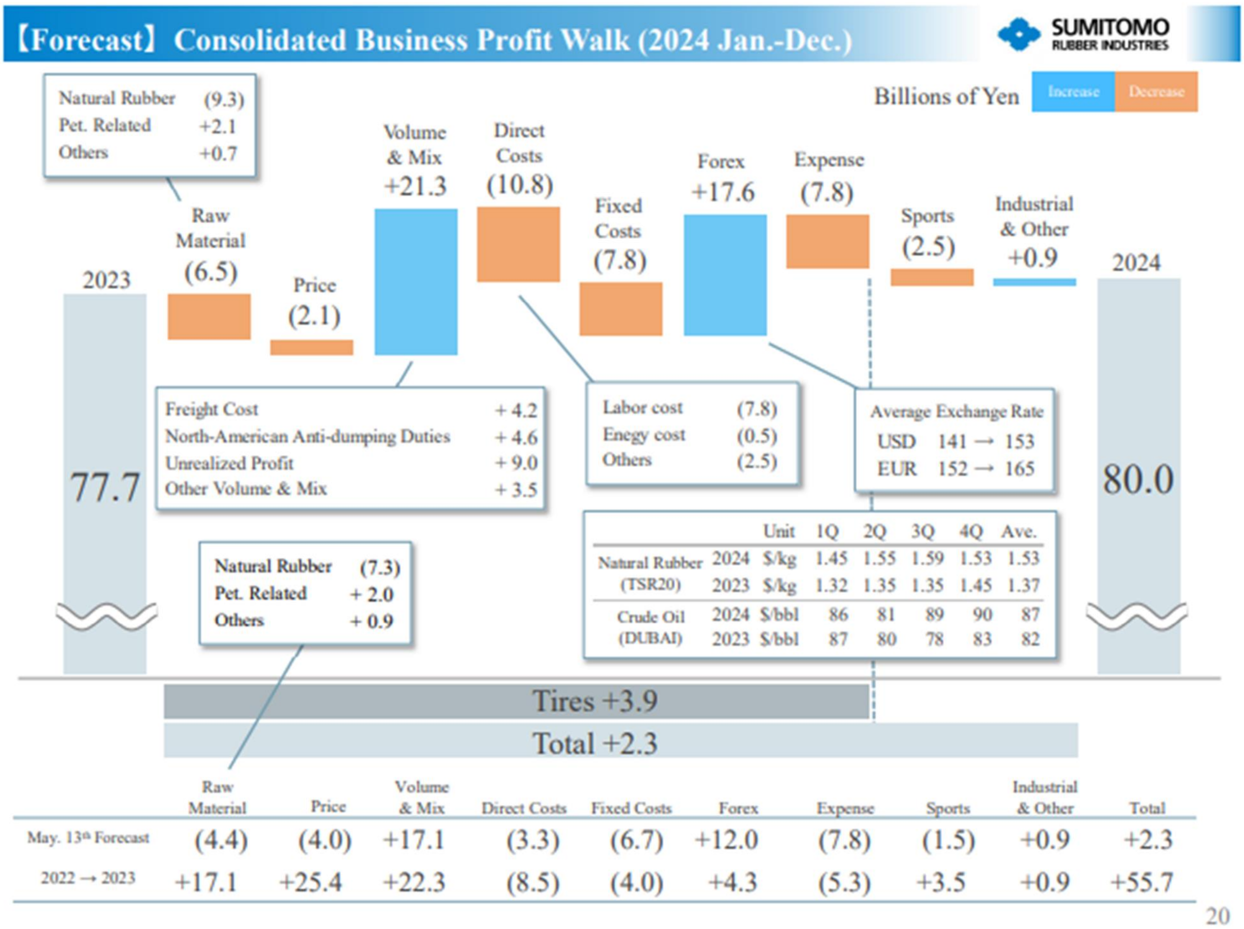
Direct costs are expected to decrease by JPY5.9 billion due to increased labor and energy costs, as well as the prolonged strike in Turkey, and fixed costs are expected to decrease by JPY4.6 billion due to increased labor costs in Turkey and other countries. The forecast for the foreign exchange rate is JPY4.7 billion, but since the assumption is based on the average US exchange rate of JPY15.4 billion, we have not factored in the current situation, but we are working to hedge risk through forward exchange contracts and other means as appropriate.

As for expenses, we have factored in an increase in advertising expenses and an increase in DX expenses as a strategic upfront investment for the new company-wide ERP system, which is scheduled to go live next fall.

As a result of the above, the tire business as a whole is expected to post a negative JPY20.4 billion profit.

In the sports business, we project a negative JPY3 billion impact from softening market conditions in North America and South Korea in the golf products segment.

In the industrial & others segment, we forecast an increase of JPY0.5 billion for a total company-wide decrease of JPY22.9 billion. We will work to minimize the decrease in profit in H2 of the fiscal year by controlling costs and expanding sales.



Please refer to slide 20. This is an analysis of the factors behind the change in business profit for FY2024 from the previous year. This is the total of the increase/decrease analysis for H1 and H2 of the fiscal year as I explained earlier.

The forecast for the current fiscal year is JPY80 billion, an increase of JPY2.3 billion from the previous year's JPY77.7 billion.

Please refer to the table on the lower right for the price changes of raw materials, natural rubber and crude oil.

Consolidated Business Profit Analysis by Factors

SUMITOMO RUBBER INDUSTRIES

Billions of Yen

	Period	Business Profit	vs Previous year	Raw Material	Price	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.-Dec.	60.6	+52.8	+20.4	+6.5	+27.1	(2.0)	(3.3)	+4.0	(3.5)	+3.3	+0.3
	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.-Dec.	37.7	(22.9)	(10.0)	(0.6)	+2.7	(5.9)	(4.6)	+4.7	(6.7)	(3.0)	+0.5
	Annual	80.0	+2.3	(6.5)	(2.1)	+21.3	(10.8)	(7.8)	+17.6	(7.8)	(2.5)	+0.9
vs May 13th Forecast			+0.0	(2.1)	+1.9	+4.2	(7.5)	(1.1)	+5.6	+0.0	(1.0)	+0.0

21

Please turn to slide 21. Here, at the bottom of the table, I will explain the Q1 forecast, that is, the items with large differences from the previous announcement.

First, in addition to the deterioration of raw material costs due to the high price of EUDR natural rubber, the delayed progress of improvement in North America strikes in Turkey, and higher labor costs, direct costs were negatively affected at a negative JPY7.5 billion, while volume & mix were positive JPY4.2 billion, due to sales expansion of new products in Japan and high-performance tires such as AT4W in North America, as well as the additional refund of anti-dumping duties in North America. Furthermore, the positive effect of the depreciation of the Japanese yen in H1, plus JPY5. 6 billion, etc., will be covered, and the total amount of the entire company will be the same as the previous forecast, but we are aiming for further increase in profit.

Tire Sales Volume (Comparison %)

SUMITOMO RUBBER INDUSTRIES

vs Previous year	2023 Actual					2024 Jan.-Jun. Actual, Jul.-Dec. Forecast					May 13th 2024 Forecast		
	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Annual	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Annual	Jan.-Jun.	Jul.-Dec.	Annual
Domestic O.E.	112%	121%	108%	108%	112%	78%	**90%**	90%	94%	**88%**	86%	96%	91%
Domestic Rep.	98%	108%	89%	97%	98%	86%	**97%**	112%	110%	**102%**	93%	109%	101%
Overseas O.E.	101%	108%	92%	101%	100%	90%	**89%**	89%	91%	**90%**	91%	101%	96%
Overseas Rep.	87%	94%	97%	96%	93%	100%	**93%**	101%	108%	**101%**	99%	108%	103%
Details: North America	81%	92%	109%	100%	95%	107%	**86%**	101%	102%	**99%**	99%	104%	102%
Details: Europe	90%	85%	100%	91%	92%	102%	**105%**	94%	103%	**101%**	105%	103%	104%
Details: Asia	91%	104%	89%	92%	94%	93%	**89%**	105%	123%	**102%**	93%	119%	105%
Details: Others	85%	93%	91%	102%	92%	100%	**93%**	105%	106%	**101%**	98%	107%	103%
Total	94%	101%	96%	99%	97%	93%	**93%**	99%	104%	**97%**	95%	105%	100%
Total Tire Sales (000 Units)	26,450	26,860	26,850	28,190	108,360	24,610	**24,870**	26,710	29,280	**105,480**	50,440	58,010	108,460

22

Please see slide 22. This is the YoY change in unit sales of tires.

As shown on the left blue box at the bottom, unit sales of mainstay products totaled 24.87 million tires, 93% YoY.

By market, domestic O.E. sales were 90% due to production cutbacks by some O.E. manufacturers, domestic rep sales were 97% due to a reaction to the rush demand before the price hike in the previous year, and overseas O.E. sales were 89% due to a decrease mainly by Japanese OEMs in Southeast Asia, while sales of overseas rep sales were 93%.

Looking at overseas sales by region, North America accounted for 86%, Europe for 105%, Asia for 89%, and other regions for 93%, with a decrease in North America due to the impact of increased imports of low-priced tires. However, sales of the mainstay WILDPEAK series increased, and the new product AT4W also expanded its sales. While sales in Europe grew favorably, sales in Asia, where the economy is sluggish, declined, resulting in lower overall sales in overseas markets YoY.

As for the annual sales volume for FY2024, as shown on the right, in the blue box at the bottom, we forecast 105.48 million units, a 3% decrease YoY.

By market, domestic O.E. sales are expected to be 88% YoY due to the significant impact of production cutbacks by O.E. manufacturers, and overseas O.E. sales are expected to be 90% YoY due to the impact of production cutbacks by Japanese OEMs in China and Southeast Asia. Domestic rep sales are expected to be 102%, partly due to the launch of new products, and overseas rep sales are expected to be 101%. Compared to the Q1 forecast on the far right, we expect a 3% decrease for the year as a whole.

Tire Volume by Category (Comparison %)

SUMITOMO RUBBER INDUSTRIES

vs Previous Year	Actual 2023 Jan.-Jun.				Actual 2023 Jan.-Dec.			
	O.E.	Rep.	Total	Composition ratio	O.E.	Rep.	Total	Composition ratio
Passenger Tires	107%	94%	98%	87%	105%	96%	98%	88%
Advanced Tires *1	117%	100%	106%	37% *2	117%	103%	108%	38% *2
Truck & Bus Tires	118%	82%	84%	3%	112%	83%	85%	4%
Motorcycle, Industrial & Other Tires	118%	84%	96%	9%	103%	85%	92%	9%
Total	109%	93%	97%	100%	105%	94%	97%	100%

vs Previous Year	Actual 2024 Jan.-Jun.				2024 Jan.-Dec. Forecast			
	O.E.	Rep.	Total	Composition ratio	O.E.	Rep.	Total	Composition ratio
Passenger Tires	**89%**	**95%**	**93%**	**88%**	90%	101%	97%	88%
Advanced Tires *1	**98%**	**99%**	**99%**	**39%** *2	98%	102%	100%	39% *2
Truck & Bus Tires	**106%**	**89%**	**91%**	**3%**	118%	98%	100%	4%
Motorcycle, Industrial & Other Tires	**74%**	**97%**	**87%**	**9%**	82%	99%	92%	8%
Total	**87%**	**95%**	**92%**	**100%**	89%	101%	97%	100%

< Advanced Tires Composition Ratio by Year > *2

		2022 Actual	2023 Actual	2024 Forecast
Advanced Tires *1	O.E.	44%	50%	54%
	Rep.	31%	33%	33%
	Total	35%	38%	39%

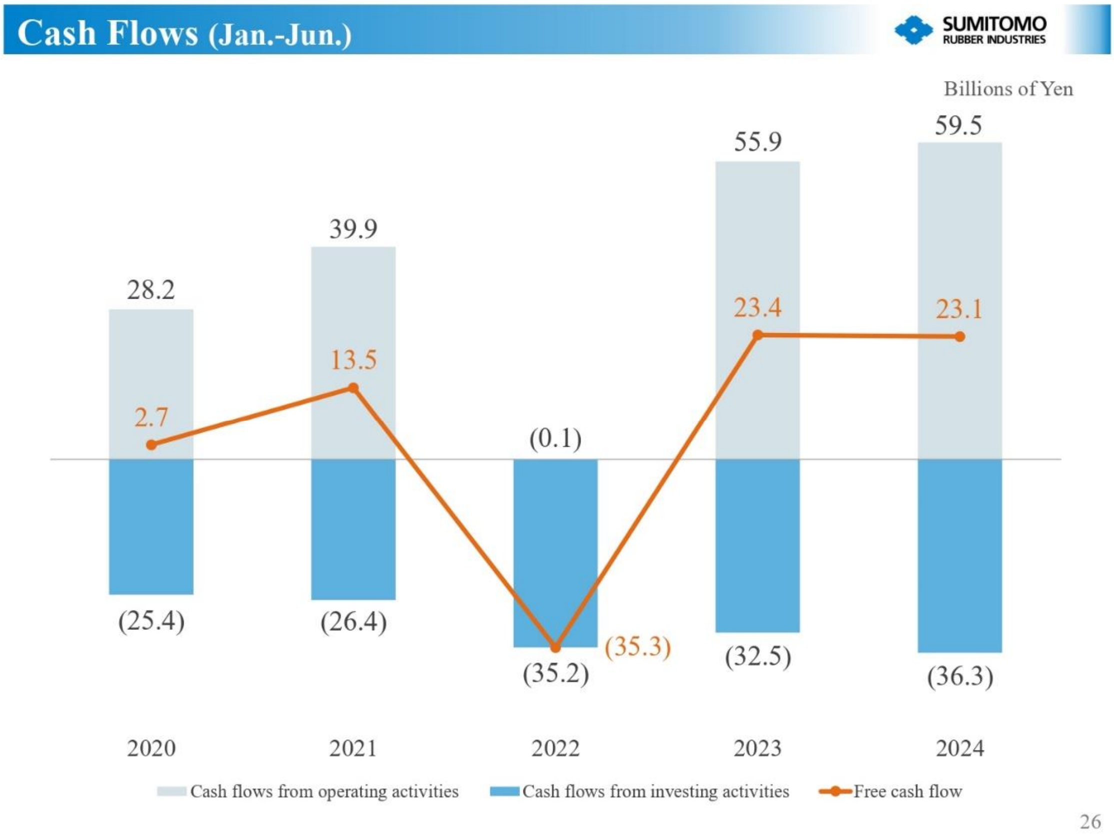
*1.Advanced Tires: Primarily for SUVs and Passenger car tires with a size of 18" or larger
*2.Composition Ratio to Passenger Tires

23

Please see slide 23.

The blue frame shows the composition of the FY2024 January to June results, with passenger car tires accounting for the majority of the total, at 88%. Advanced tires account for 39% of this total. Since they are mainly for North America and Europe, we are increasing sales of advanced performance tires.

Looking at the composition ratio of advanced tires by fiscal year on the bottom of the slide, we forecast 39% for the year, an increase of 1 percentage point over last year's results.

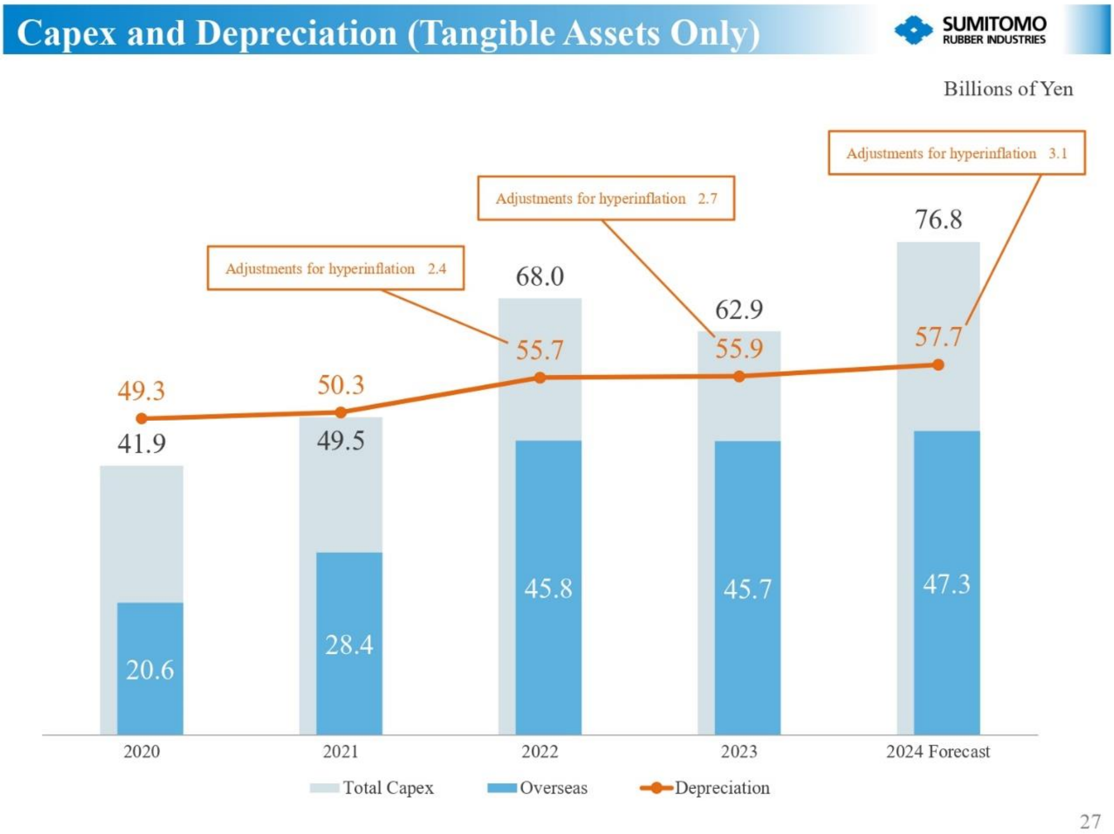


Continuing on, please see slide 26. This is the trend of cash flow.

On the far right, the operating cash flow for H1 of FY2024 is positive JPY59.5 billion. While there was a temporary inventory stockpiling in response to the EUDR and an increase in tax payments for the previous year, the business profit margin increased due in part to the incorporation of improved profitability, resulting in an increase of JPY3.6 billion against the previous year.

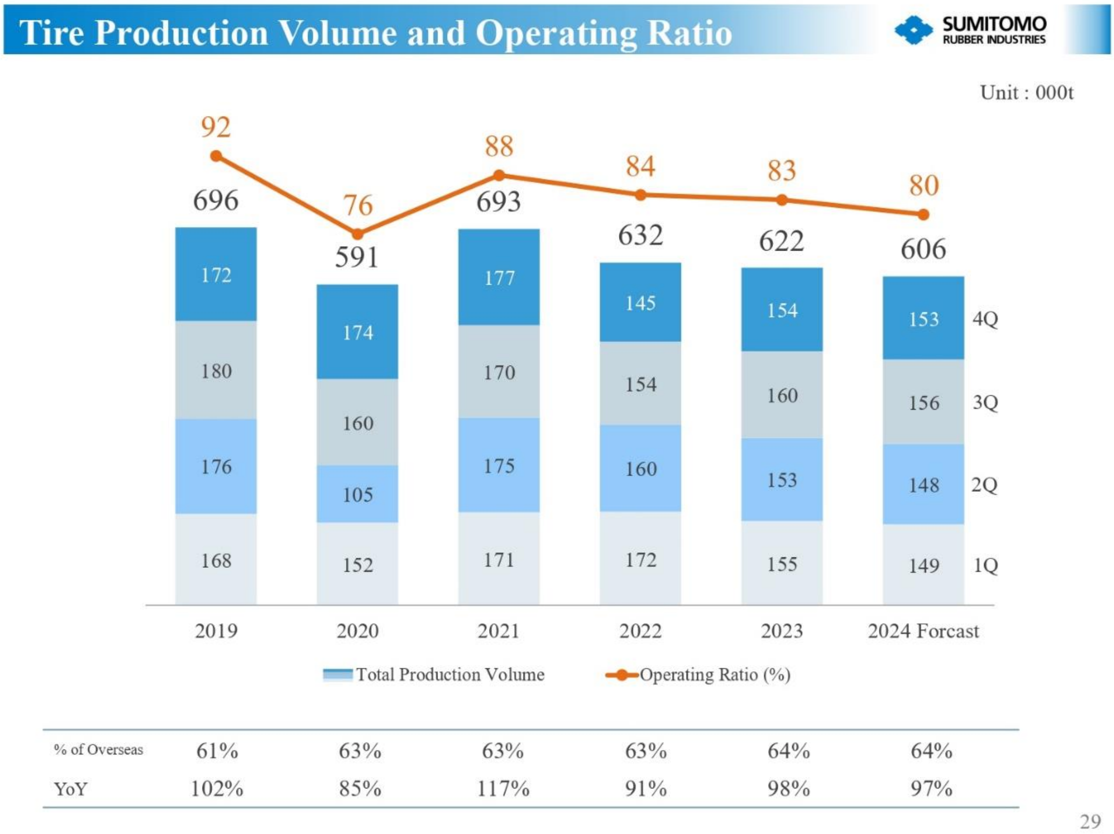
Net cash used in investing activities amounted to negative JPY36.3 billion, mainly due to capital renewal, ESG-responsive investments, and DX-related intangible investments.

As a result, free cash flow was positive JPY23.1 billion.



Please see slide 27. This slide shows changes in CapEx and depreciation.

For FY2024, the far right, we expect a CapEx of JPY76.8 billion and a depreciation of JPY57.7 billion. From Q1 forecast, overseas CapEx will be an additional JPY1 billion.



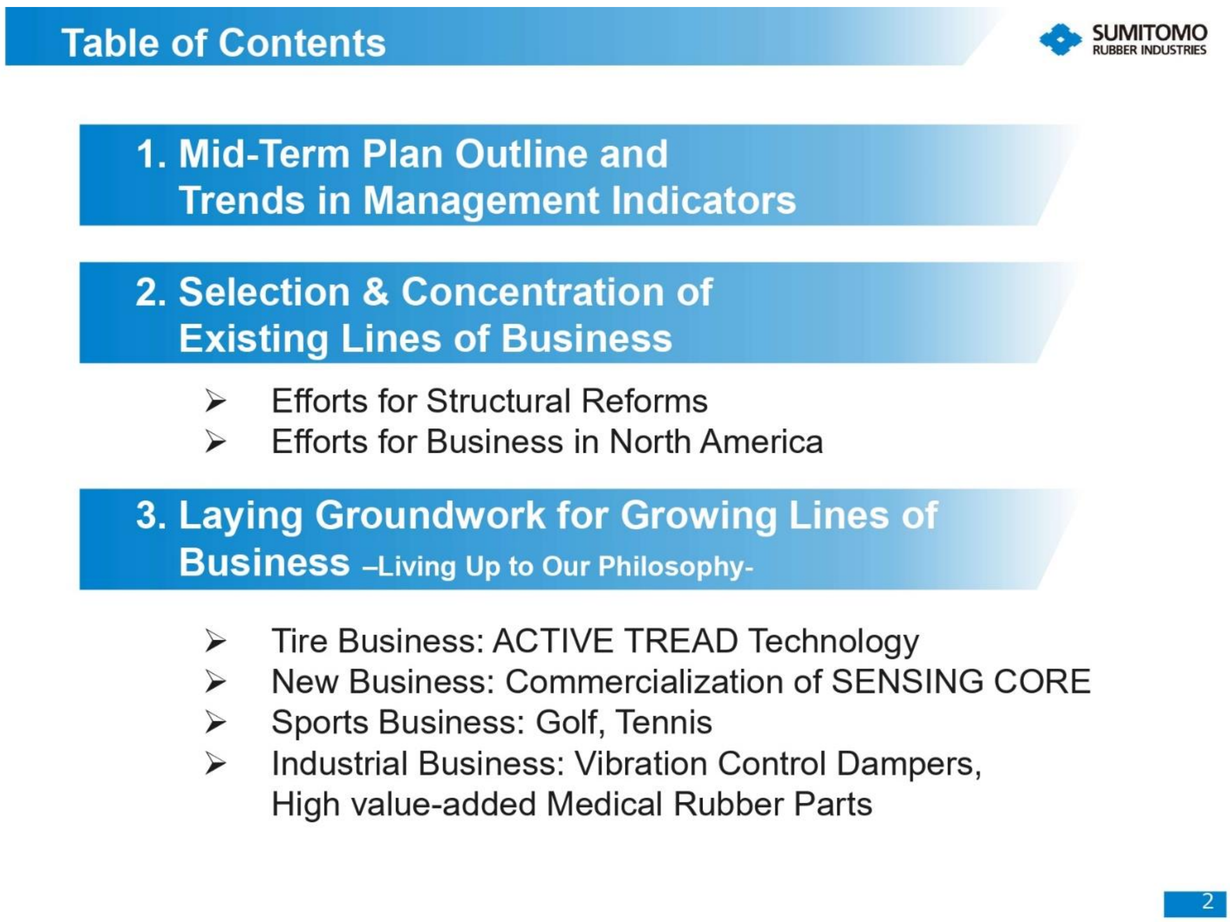
Finally, please see slide 29. This chart shows trends in facility utilization rates and production volume for tires.

The annual production volume for FY2024 on the far right of the table is projected to be 606,000 tons, the same level as the previous year, with an annual capacity utilization rate of 80%, and the production volume has been reduced from Q1 forecast in line with the decrease in sales.

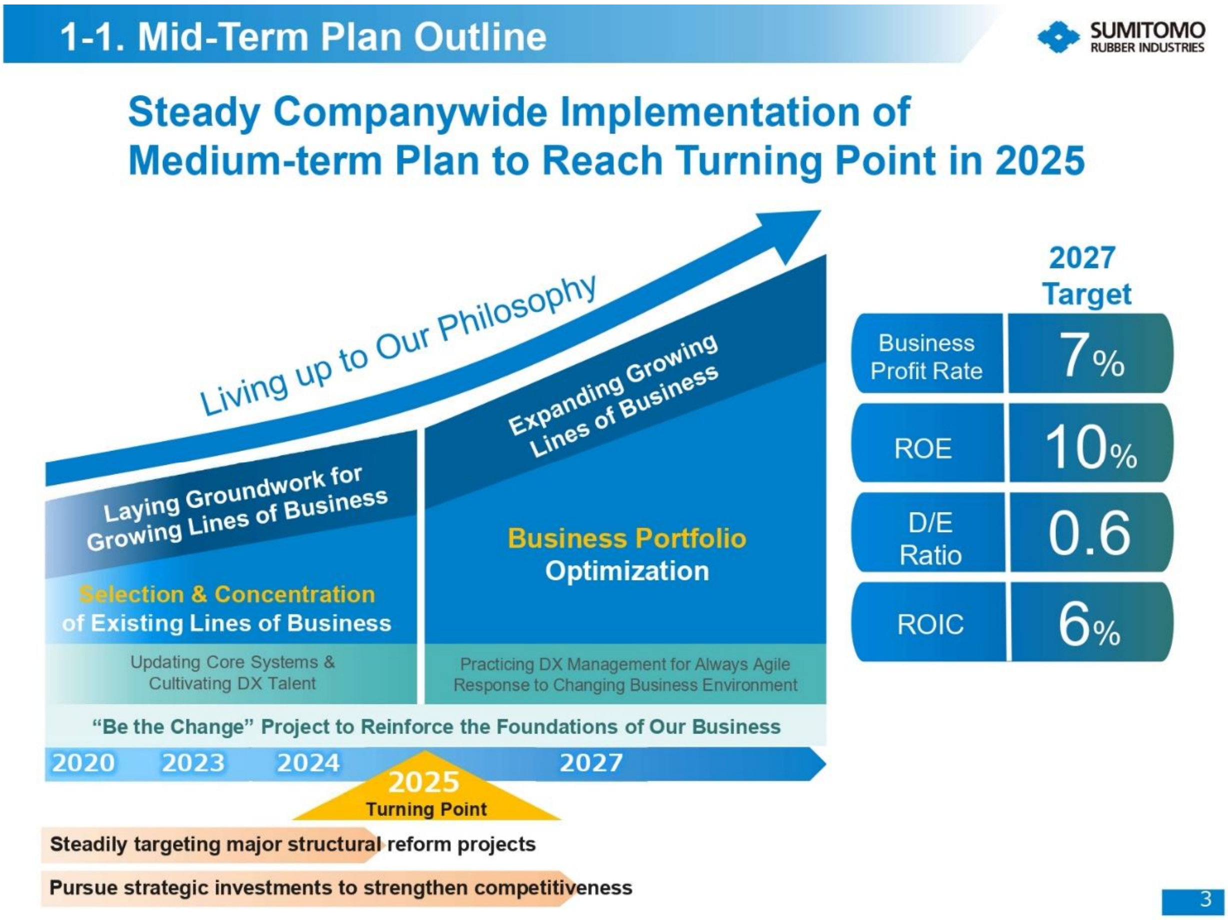
This concludes my explanation. Thank you very much.

Inoue: Next, Yamamoto will explain the progress report of the new medium-term management plan.

Yamamoto: I will now explain the progress of the medium-term management plan. I would like to refer you to the medium-term management plan progress report.



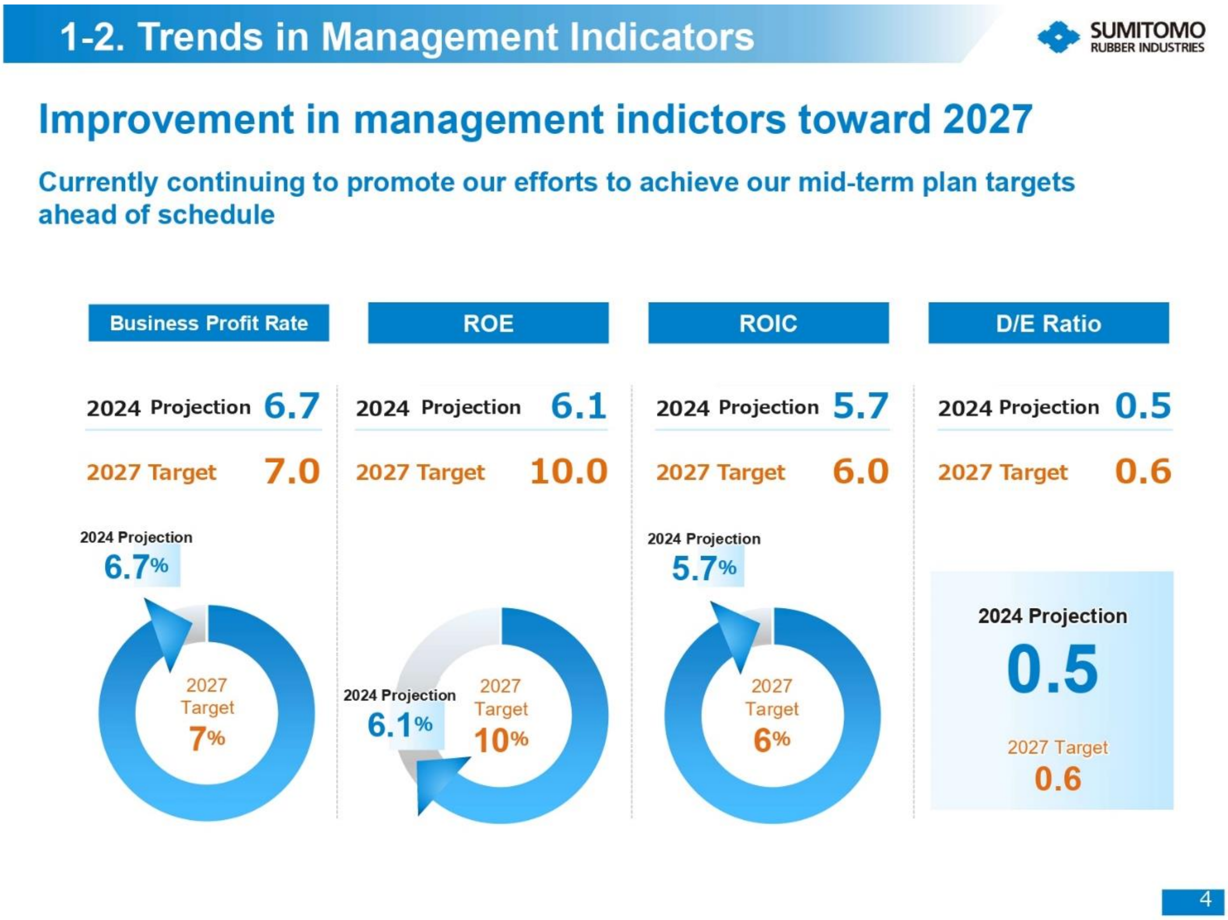
Today, I would like to proceed with the contents of this report.



This is the outline of the medium-term management plan and the financial targets for 2027.

Toward 2025, which we see as a turning point, we are promoting the selection and concentration of existing businesses and the establishment of foundations for growth businesses while at the same time making company-wide efforts to achieve a recovery in current performance.

In particular, we intend to achieve the financial targets of the medium-term management plan ahead of schedule by steadily targeting major structural reform projects and bringing them to fruition as soon as possible. We are also working to build a foundation for growth and will pursue strategic investment opportunities to strengthen our competitiveness in the future.



Here is a chart of our management indicators.

The figures for FY2024 are shown in blue in the middle of the slide. Overall, we are on the road to improvement, and we will continue to pursue our medium-term management plan to achieve our 2027 target ahead of schedule.

2-1. Efforts for Structural Reforms

SUMITOMO RUBBER INDUSTRIES

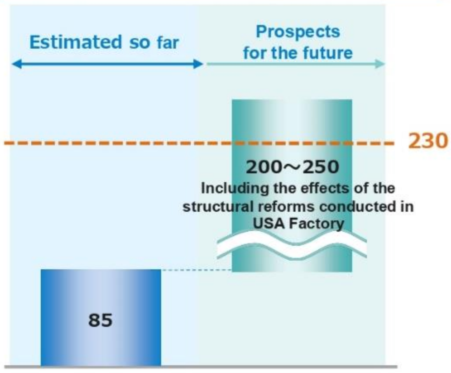
Currently promoting structural reforms in around 10 businesses and product lines within the scope

Six businesses and product lines whose estimated timeframe is 2023 to 2024 will be steadily estimated by considering various options

	Improvement in ROIC (At Maximum)*	Invested Capital	Effects of business profit Improvement*	Estimated Timeframe
6 businesses/ product line	+2.0P	140 billion yen	+20 billion yen	2023 to 2024
Other	+0.5P	40 billion yen	+3 billion yen	2024 to 2025
Total for projects in scope	+2.5P	180 billion yen	+23 billion yen	

*Expected improvement against FY2022

Diagram of Profit Improvement
(Expected improvement against FY2022)



(Unit: 0.1 billion yen)

- Expect to see an improvement of over 23 billion yen through the promotion of structural reforms
- Resources created by withdrawal from the business were shifted to areas such as high value-added medical rubber parts and SENSING CORE

Medical rubber parts with top share in domestic market

- Continue to shift resources to growing businesses in line with the implementation of structural reforms

5

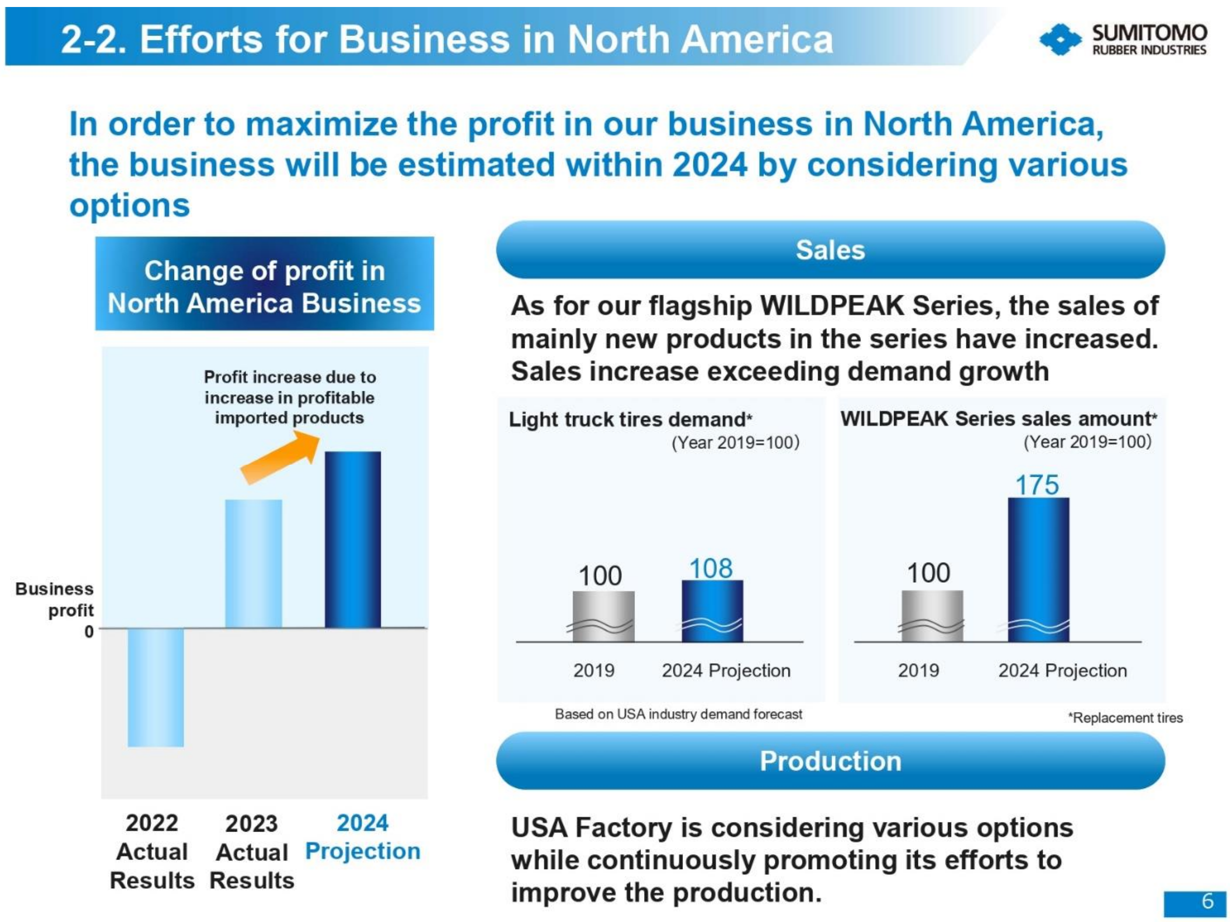
Next, I would like to discuss the progress of selection and concentration in structural reforms.

In order to optimize our business portfolio, we are currently promoting structural reforms targeting approximately 10 businesses and products by 2025. With regard to six of them, we have already decided to withdraw from the gas pipe business and to sell the medical rubber business in Europe, and we are now proceeding with the remaining four with a target date of 2024.

Regarding our business improvement plan for 2022, as shown in the graph below, in addition to the JPY8.5 billion in improvements that we have already estimated, we expect to see an additional JPY20 billion to JPY25 billion for a total effect exceeding our initial projection of JPY23 billion.

We have begun to shift the resources created by the divestiture to high value-added medical rubber and Sensing Core, which will be developed mainly in Japan.

We will continue to shift resources to growth businesses in line with the promotion of structural reforms.



Next, I will explain our initiatives in North America.

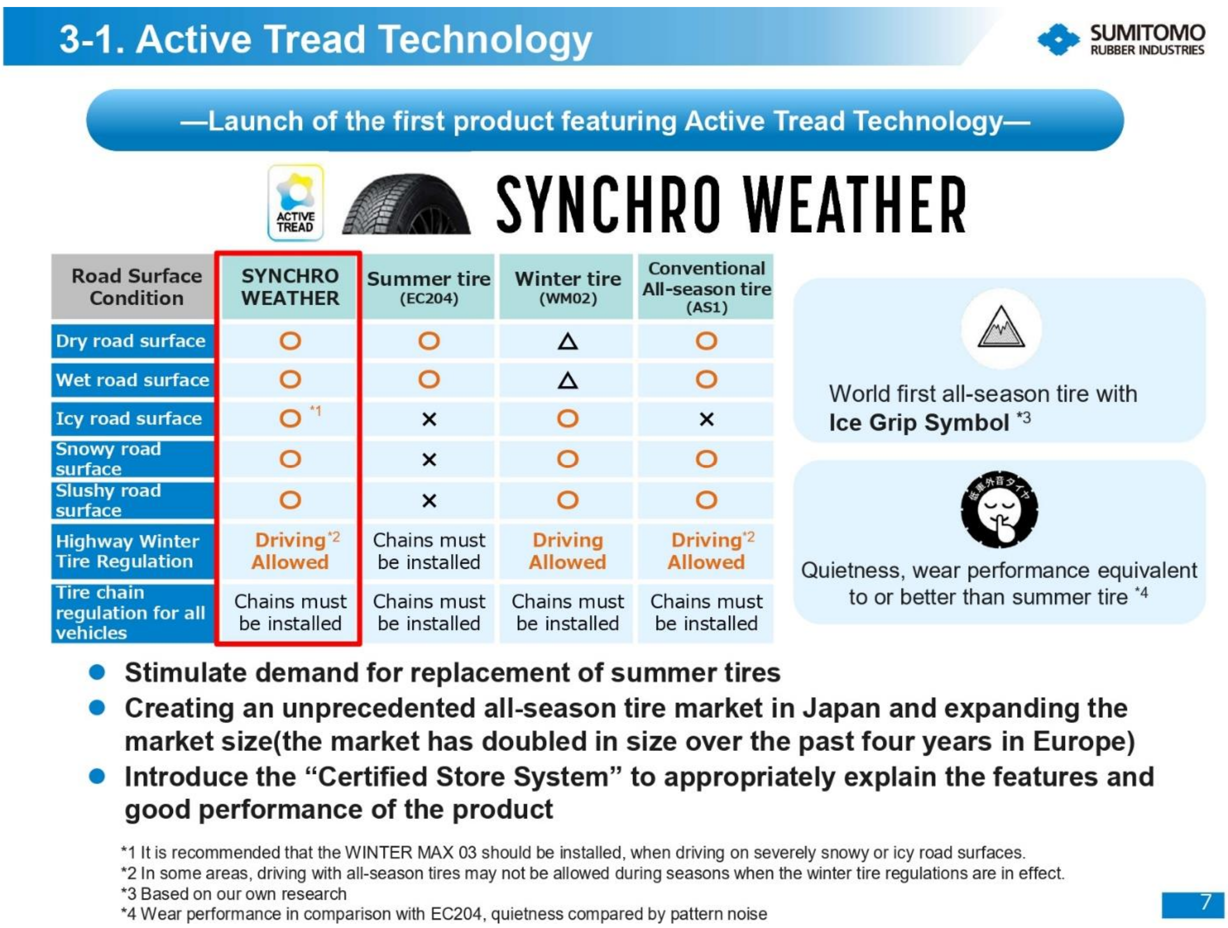
We have positioned the North American business as our top priority and are working to improve it. We will consider all options to maximize earnings and will set a goal by the end of 2024.

In terms of business profit, we were able to return to profitability in 2023, and we expect to increase profit further this year due to an increase in profitable imports.

In terms of sales, the mainstay, the FALKEN WILDPEAK series, especially the new AT4W, has been selling well, and sales have increased faster than the growth in demand.

Taking 2019 results as 100, a comparison of the demand for light trucks for commercial use in the US in 2024 and the sales volume of our WILDPEAK series for commercial use in the US shows that the demand growth is 108, while the sales volume of the WILDPEAK series is 175, which is significantly higher than the demand growth, contributing to the increase in profit.

In terms of production, we are considering all options while working to improve our US plant.



Next, I will explain how we are building a foundation for growth businesses that will realize our philosophy, outlined in the medium-term management plan.

First, I would like to talk about Active Tread Technology. On this slide, I would like to explain our first product incorporating Active Tread Technology, SYNCHRO WEATHER, which was announced on July 22.

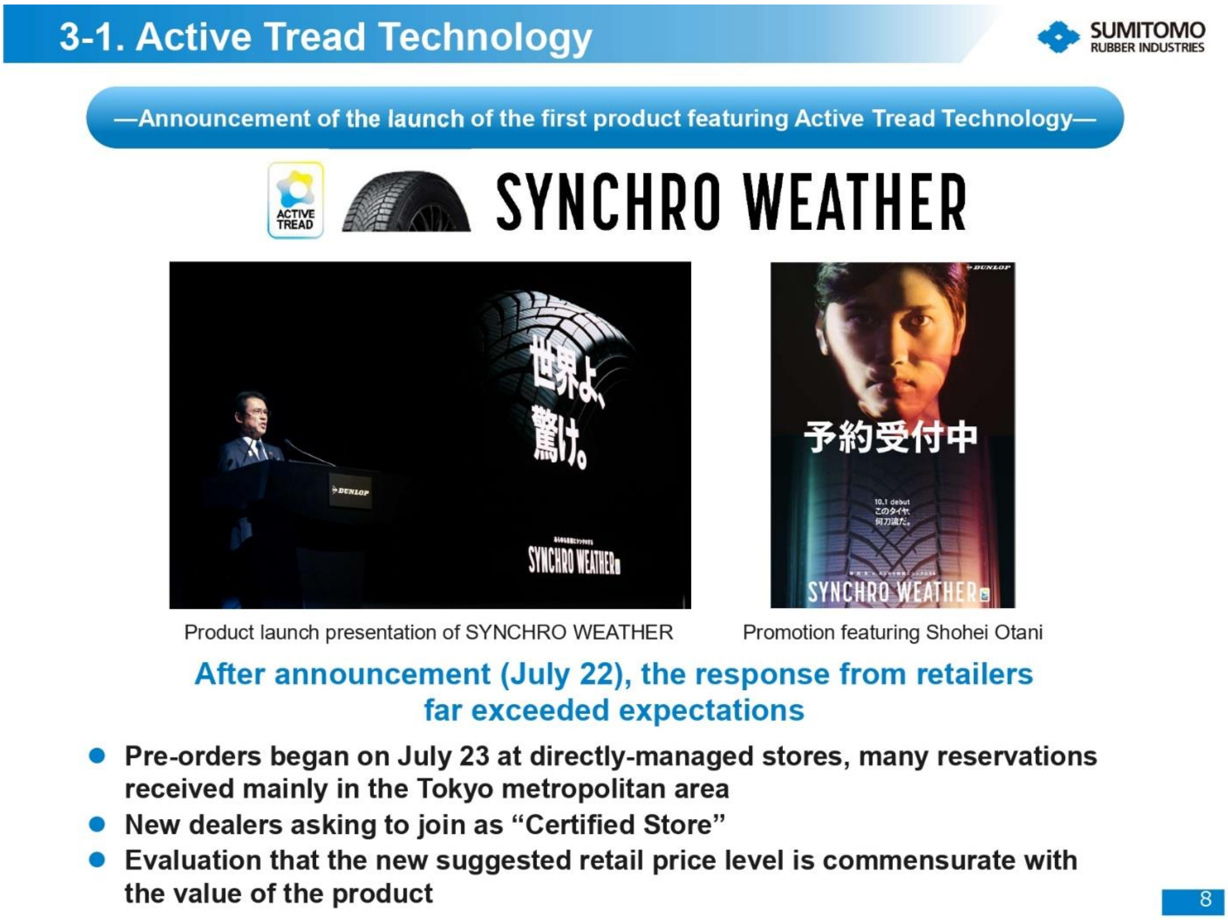
SYNCHRO WEATHER is a next-generation all-season tire that can be used on a variety of road surfaces, including dry, wet, icy, snowy, and sherbet surfaces in winter. SYNCHRO WEATHER is not an evolution but an innovation.

The tire slides on water and on ice. It is a new genre of tire that overturns the conventional wisdom that tires must be changed to match the environment. As an all-season tire, it is the first in the world to be stamped with the Ice Grip Symbol, while at the same time achieving quietness and abrasion performance equal to or better than summer tires, giving us confidence in its performance.

Thus, the SYNCHRO WEATHER is a completely new genre of product, and we believe it will revolutionize the concept of automotive tires in the future.

In Europe, the percentage of all-season tires has nearly doubled over the past four years to 21%. As in Europe, we aim to create an unprecedented all-season tire market in Japan by stimulating demand to replace summer tires and establishing the SYNCHRO WEATHER as the de facto standard.

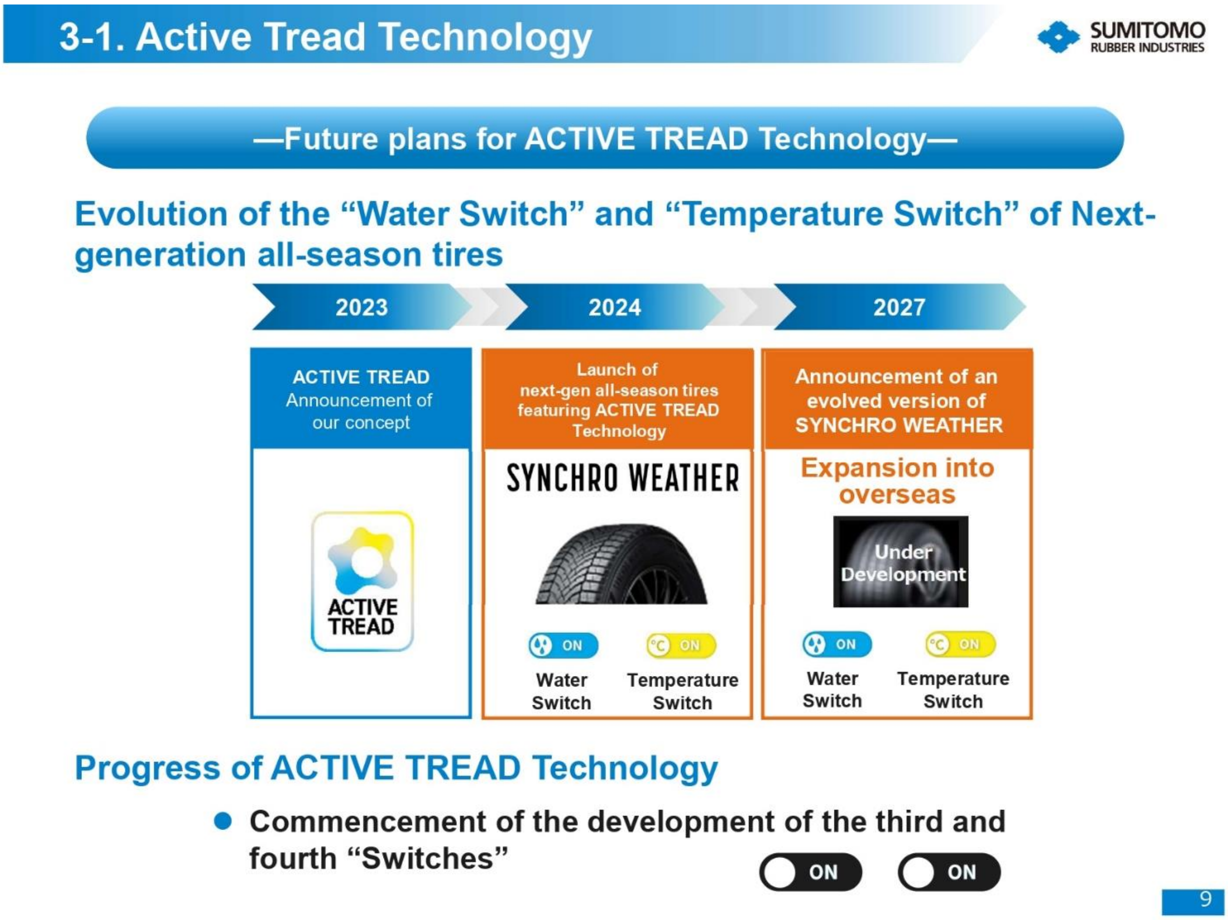
In addition, we will introduce an authorized dealer system to properly explain product features and performance so that our dealers can offer tires based on a thorough understanding of customers' tire usage and needs.



Since the product announcement, we have received a far greater response from dealers than we had expected. Our directly managed stores began accepting advance reservations the day after the product was announced.

We have already received many reservations, mainly in the Tokyo metropolitan area. We have also received requests from dealers who have not had dealings with us before to join our authorized stores, which shows that SYNCHRO WEATHER has attracted a great deal of attention.

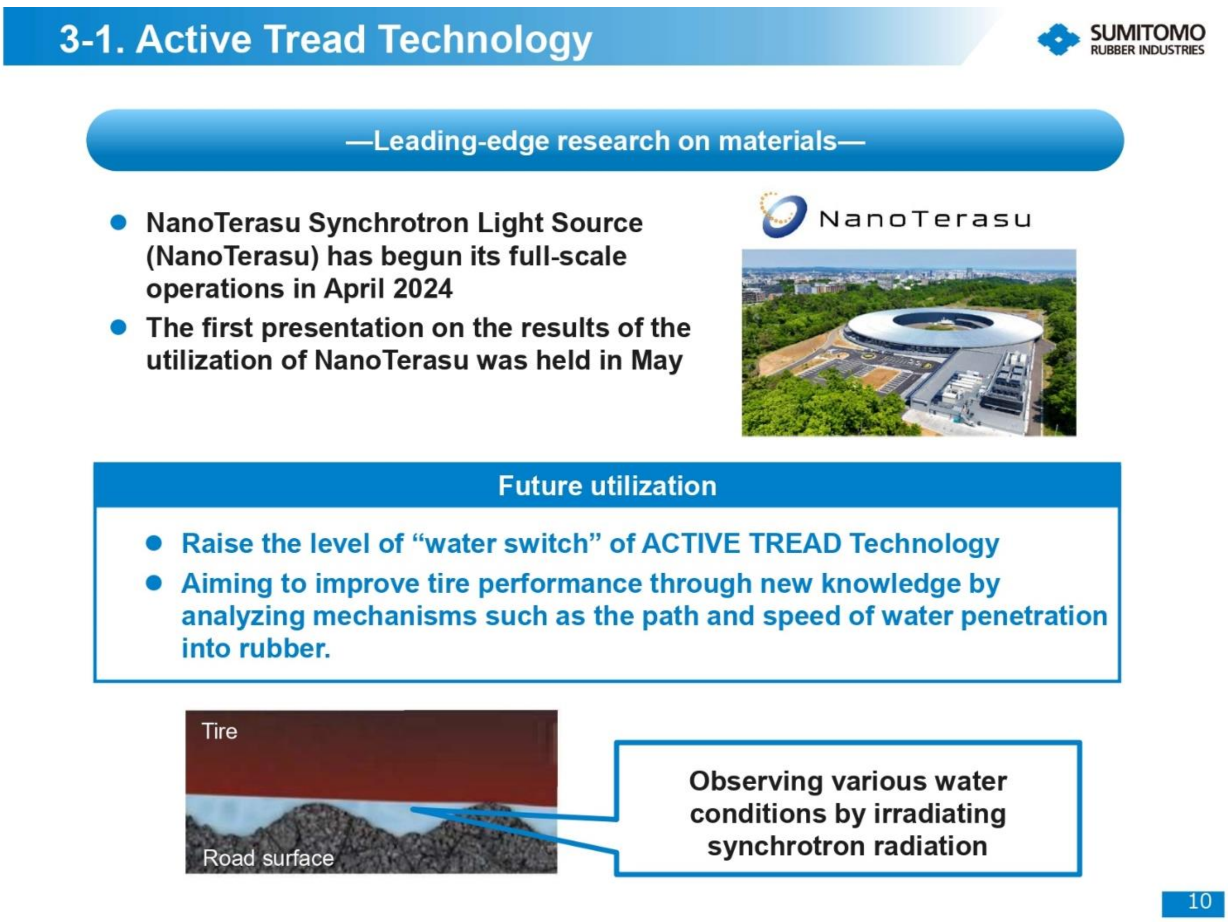
We have also set a new suggested retail price for SYNCHRO WEATHER to reflect the product's value. Regarding this price level, we have received positive feedback that it is commensurate with the product's value. We are looking forward to the launch of the product on October 1 and hope that everyone will be excited about it.



Next, I will explain our future plans for Active Tread Technology.

We will continue our efforts to further advance Active Tread Technology. By 2027, we plan to further evolve the Water Switch and Temperature Switch of the SYNCHRO WEATHER and to expand the product overseas, mainly in Europe and the United States.

In the future, we will start developing the third and fourth switches following the Water Switch and Temperature Switch, aiming for further evolution of the Active Tread Technology.



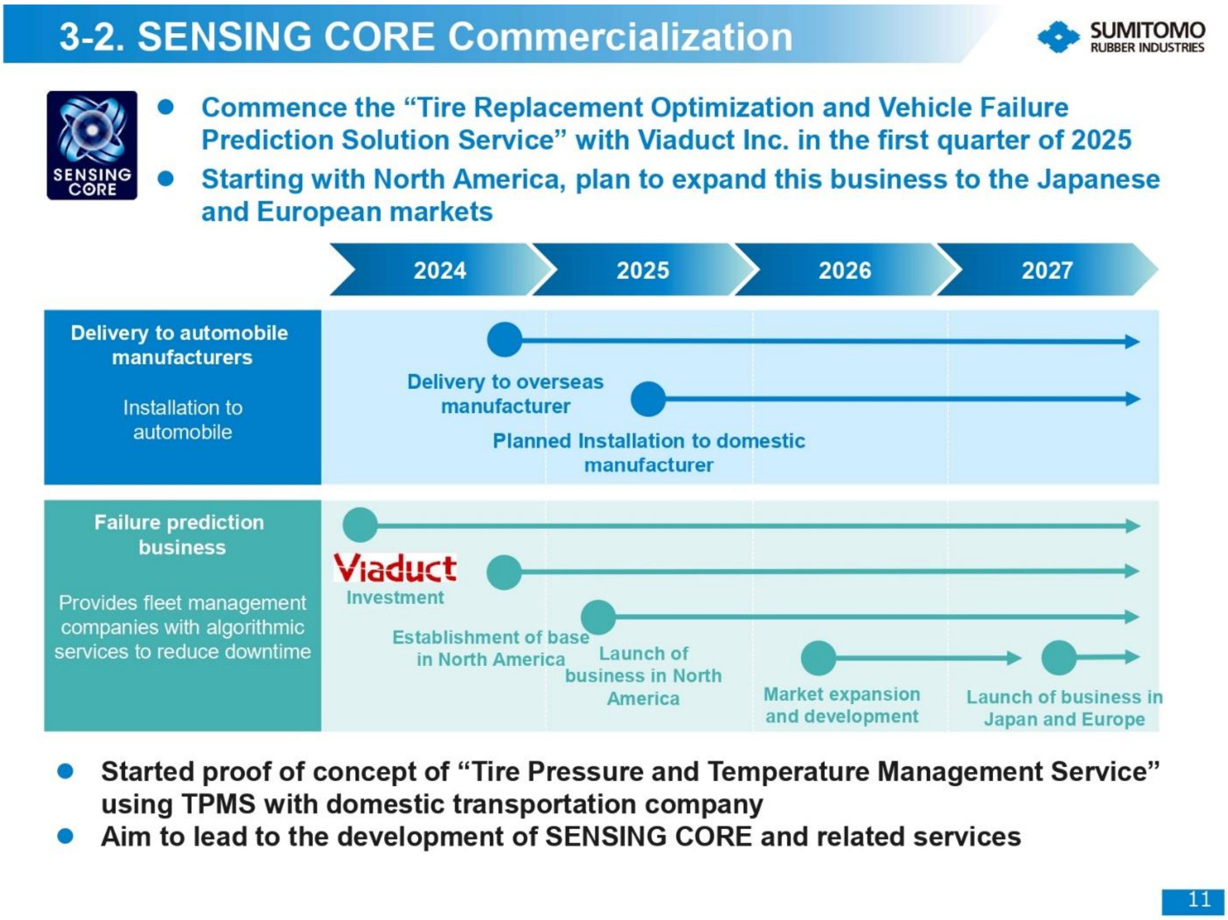
Next, I will explain our cutting-edge materials research related to Active Tread Technology.

In April this year, the 3GeV high-brilliance synchrotron radiation facility NanoTerasu started full-scale operation. We have been conducting experiments at this facility from an early stage, and in May, we were able to hold the first event using NanoTerasu and the first presentation of the results.

The other day, I visited NanoTerasu myself. After listening to various explanations, I was convinced that it can really speed up the speed of analysis and visualization, and that it can accelerate the speed of development, including our company's active treads in these areas.

Going forward, we intend to use NanoTerasu to improve the water switch level of our Active Tread Technology.

We will also work on analyzing the mechanism of water penetration path and speed into rubber, aiming to improve tire performance through new knowledge.



Next, I will explain the commercialization of the Sensing Core business.

In the Sensing Core business, we will promote our business with a focus on new car delivery and failure prediction business.

In the new car delivery business, deliveries to overseas manufacturers will start within this year.

In the failure prediction business, we will start Tire Replacement Optimization and Vehicle Failure Prediction Service in Q1 of 2025 in collaboration with Viaduct, Inc. Starting with North America, we plan to expand the business to Japan and Europe. Prior to the start of business in North America, we will open a new base in North America by the end of this year.

In addition, we have started a demonstration test of Tire Pressure and Temperature Management Service using TPMS with a domestic transportation company.

For the future, we aim to connect this to the development of Sensing Core and related services.

Next, I will explain our sports business.

In the golf segment, we are stepping up sales activities in North America, focusing on new golf courses, and we are steadily increasing the number of customers for golf balls.

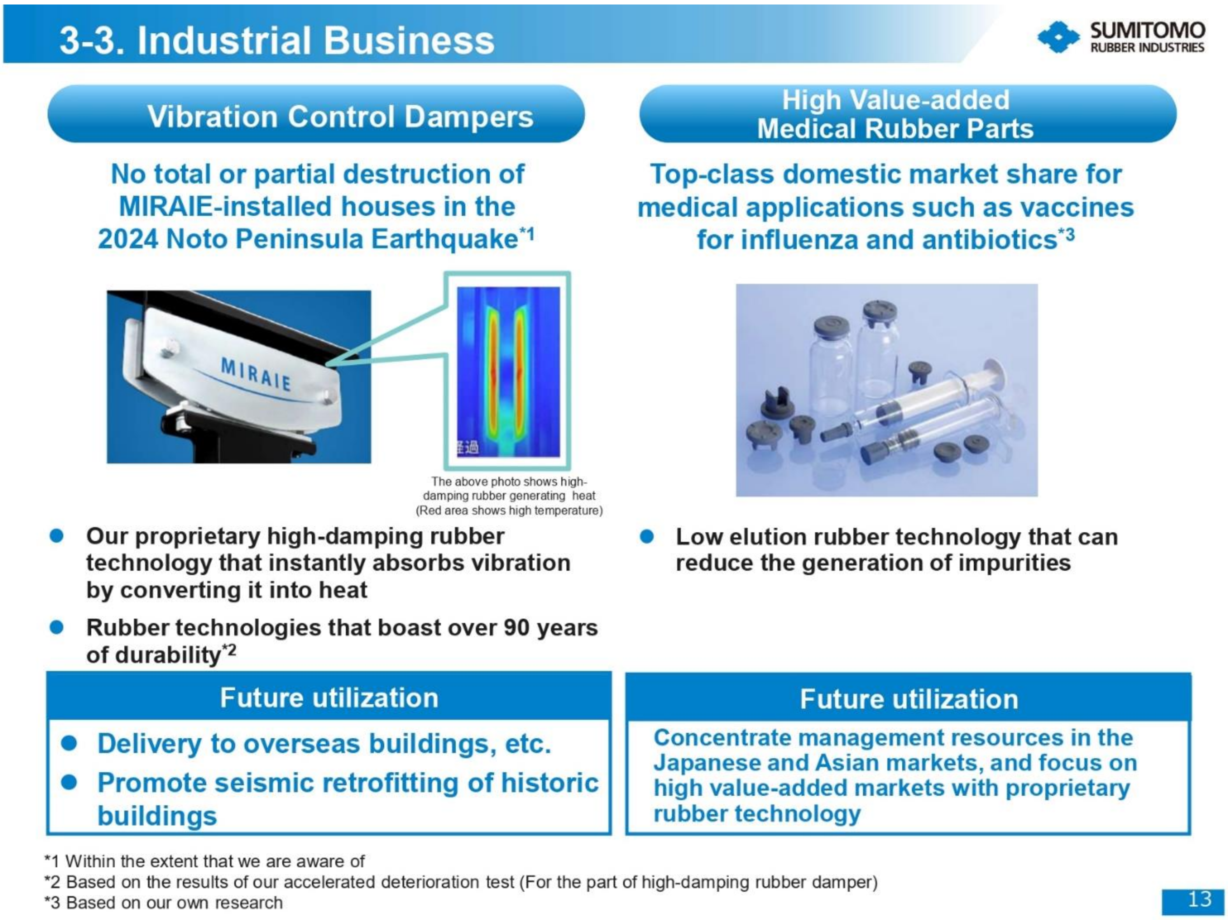
Our contracted players are also performing well in various tournaments, and the number of victories by players using SRIXON balls on European and US tours has increased by approximately 1.5 times compared to H1 of the previous year.

We are also focusing on technological innovations to increase the distance of golf clubs. The XXIO 13, announced last year, is equipped with the new BiFLEX FACE technology that widens the core, expanding the high initial velocity area by 25%. We will continue such technological innovations to enhance customer satisfaction in the future.

By differentiating ourselves through such technological innovations, we will steadily make progress toward becoming a global top three player.

In the tennis business, we were able to sign a partnership agreement with the US Collegiate Tennis Association in recognition of our products being used at the Australian Open and being the number one tennis ball on the ATP Tour. Going forward, Dunlop products will be used in tournaments hosted by the US Collegiate Tennis Association.

We will continue to expand our business globally based on the high quality of our tennis balls.



Finally, I will explain our industrial products business.

In the vibration control damper business, we confirmed that 495 houses with MIRAIE vibration control units for detached houses were completely or partially destroyed in the Noto Peninsula earthquake of 2024 in an area where the vibration level was six or higher.

This result is supported by our proprietary high-damping rubber technology that instantly absorbs shaking energy by converting it into heat. This technology is not only safe but also durable for more than 90 years.

In the future, we intend to apply this technology to buildings overseas and to earthquake-resistant reinforcement of historical buildings.

In the medical rubber business, we have the top share of the domestic market for vaccines for influenza and antibiotics.

This high market share is supported by our low-elution rubber technology, which prevents the release of impurities.

We will concentrate our management resources in the Japanese and Asian markets and focus on high-value-added markets with our unique rubber technology.

We will promote our business by steadily building a foundation for growth businesses through initiatives such as Active Tread and Sensing Core.

This concludes today's presentation. Thank you very much.

Question & Answer

Inoue [M]: We would now like to take questions from you.

We will take turns assigning those attending at the venue and those attending online.

We are sorry, but due to time constraints, we will limit each person to two questions.

If you have any questions, please raise your hand.

Now, the person in the front row, please.

Sakamaki [Q]: My name is Sakamaki of Daiwa Securities. Thank you very much for your presentation.

The first question is about the plan that you have revised this time. On page 21 of the financial results, the difference between the previous forecast and the revised forecast is shown below. Where are the risks and opportunities? Mr. Okawa strongly stated that he would like to aim for an upward swing.

Originally, when listening to the past financial results, I heard that the battle against imports from Goodyear and Michelin was getting tougher, so the Company lowered its forecast, and I thought that if you were going to lower the forecast for H2, you would lower the volume and prices, but the prices are rather positive, with more entries than before.

I think the EUDR also has some aspects that were already known originally, so what additional costs have been incurred here? Since the figures have been left somewhat unchanged, should we understand that they have been left unchanged for the time being simply because the strike in Turkey is uncertain? I would appreciate it if you could supplement this figure with what kind of image you had in mind when you set up or revised this H2 of the fiscal year.

Yamamoto [M]: Thank you for your question. I think I would like to have Okawa answer your question.

Okawa [A]: Thank you for your question.

To be honest, there was some debate within the Company as to what we should really do about the JPY80 billion per year, and to be honest, we could have gone a little higher or a little lower, but at this point in time, everyone agreed that we should start with this as the minimum commitment line.

That said, I will briefly explain where the upside and downside factors lie. First, as for the minus 21 difference from the Q1 raw material price, we were aware of the EUDR, but surprisingly, we were able to secure the EUDR rubber in the end, but there was a sudden increase in the demand for EUDR rubber, which resulted in a slightly higher price than we had expected. Therefore, we have included the risk of EUDRs in our calculations based on the fact that this cost may be slightly higher than anticipated.

Regarding the price, we did have our doubts about this as well, but considering that the situation in North America is a little more difficult, we have included a minus figure for the price, but this is the same as last year, which in the end did not appear, so maybe it will not appear here either, but it will depend on the situation in North America.

However, as I explained earlier, for North America, based on the information that Tier 4 is flowing in and prices are being pulled down slightly, we cannot say so suddenly and confidently at this point, so we have included this in our forecast.

Also, regarding direct costs, as explained earlier, it is true that SAT(Turkey) costs have increased due in part to the strike. This was a little unexpected. Although there was a strike this year, price revisions are made only once every two years, so we consider this to be a one-time event. Therefore, we have included this cost in the calculation based on the understanding that it is a cost that will not affect the next fiscal year and that we had no choice in the matter and the capacity utilization rate has been lowered, so we have included this in the calculation.

As for the exchange rate, I am sorry, but H2 is almost in line with the forecast, but I understand that the amount for H1 is included as it is, and the exchange rate for H1 from April to June was higher than the initial forecast. You may ask what would happen if the exchange rate were to change now, so let me say that the exchange rate would be JPY147 as of today. If JPY147 were to remain at JPY147 from today until the end of the year, we would have a negative balance of several billion yen.

However, as I mentioned earlier, we have a feeling that this plus 42 will increase because of the increase in volume & mix, etc. On the other hand, we did not know whether the exchange rate would rise or not, but based on this understanding, we have included some of the usual items in the composition, and we feel that we can cover this JPY147 level.

However, if it were to fluctuate to JPY130 or so, we would have to give up, so please understand that we will be fine at the current level.

So, in the end, sports, as always, have a habit of taking a hard look at things, and although the numbers are a little tight, we have reached a consensus within the Company that the minimum commitment line is JPY80 billion.

However, we still have some thoughts about tires, so I will now turn to Nishiguchi.

Nishiguchi [A]: Since you have appointed me, I think it is because Okawa does not trust me.

On page 19, it appears to be a little bit uneven. In H1, volume & mix, and technology were not coincidental, and we did a very good job of inventory control in H1. I think this is a real benefit of establishing the Tire Business. Processes are now very well connected, and the unrealized profit has turned out to be significantly positive.

I believe that this will be the case in H2 as well, but with regard to opportunities, I think that such opportunities will probably appear in the management section, and market conditions were quite negative in all regions in H2 of last year. As you can see on page 22, our plan for this year is 102 in terms of the number of units for H2 alone.

Since last year and the year before, we have reduced the number of low-profit SKUs, and this is the basis of our plan for H2, which is 102, so we plan to increase the number of profitable items. If you look at page 19, the volume & mix section, it says that a little more will come out, but since the CFO has already said this, I can no longer go against it, so I will just do my best in my own way.

Also, I would like to talk about opportunity in terms of SYNCHRO WEATHER. I will say this before you ask, but the response has been quite positive, and the product's performance has been well communicated.

Regarding the price, as Yamamoto explained earlier, the suggested retail price is the highest price for summer tires, which is accepted as a matter of course, and we are setting up a certified store system for the first time. According to our current plan, we were thinking that there would be about 8,000 stores nationwide, but within two weeks of the launch, we have already received a large number of requests to become certified stores, and we estimate that we have already planned for about 5,000 stores in our current plan.

In terms of promotion, Ohtani has already hit the jackpot, and his popularity has been spread all over SNS, so I think this was a very good thing, and I would like to do my best in this area. I went to Hokkaido two weeks ago, and I thought we could sell these tires instead of summer tires in Hokkaido. I was told that even during Golden Week, it snows on the Nissho Pass and the Karikatchi Pass. Instead of selling summer tires, we could sell these tires, and during the winter, we could sell WINTER MAXX tires, and this was exactly what we wanted to convey to people. I think this was thanks to social networking services.

In this sense, as an opportunity, we would like to sell this high-value-added product, SYNCHRO WEATHER, well before the end of this year, and we would like to make a firm connection to next year's spring sales.

It seems that Yamamoto wants to talk.

Yamamoto [A]: Sorry, I was holding the microphone.

The response to SYNCHRO WEATHER was really beyond our expectations. What made me very happy was that dealers understood our concept very well. In particular, we targeted summer tires. When using summer tires, they are used all year round, but if it snows even for a week, they have no choice but to stop the car. So, the idea is that this will be eliminated. Dealers understand the value of this concept, so we need to communicate that value to our customers.

Also, we have set a price that is commensurate with the value. This also means that the dealers understand that the price is commensurate with the product's value.

So, as explained earlier, in Europe, the all-season category has doubled in the past four years. In Japan, I am guessing, but I would say that it is around 1 million units. We would like to increase this number significantly with this product. In this context, we will firmly capture market share with SYNCHRO WEATHER. We will do business at prices that are recognized for their value. One point is that we want to make a profit here.

Another thing is that I have high expectations for the US market. Economic indicators in North America have caused the recent stock market volatility, but I believe the most important thing is to check the actual situation in North America and the actual state of business.

I am constantly checking with local managers, and they tell me that the tire market in North America is still strong. The local manager said the overall industry demand, including imports from China and other countries, is not bad. However, Chinese manufacturers and other Asian manufacturers are attacking with low prices, so we are trying to find a way to overcome this situation.

Naturally, we will balance price and volume, but what will be useful in this situation is the WILDPEAK series, which we have developed over the years. The WILDPEAK series accounts for a large percentage of our profits in North America, and thanks to this series, we achieved 120% YoY growth for the entire year last year. Based on this foundation, H1 of this year has also exceeded the previous year's level.

Thanks to your support, the new product AT4W is doing very well. This is because we have a complete lineup of sizes and product lines. Therefore, we are able to meet the needs of North America, such as pickups and SUVs.

In addition, the performance of the previous model, the AT3W, was also highly evaluated for its performance on snow and ice, wet grip performance, and abrasion resistance. Abrasion resistance performance is a significant demand.

The AT4W has further improved this abrasion resistance. We have received a very high evaluation, so we have also adapted the sidewall design to American specifications to meet American needs, although it was difficult to do so. We are confident that this will take root and expand sales in North America, and I expect there is still a lot of potential for further profit improvement in this area.

I apologize. I'm sorry I've gone on for so long.

Sakamaki [Q]: Thank you very much.

Mr. Okawa, the direct cost part of the strike is over and has been signed, so it will not expand any further. Are you inflating this much with some buffer?

Okawa [A]: No, we are done.

Sakamaki [Q]: It's done. No more.

Okawa [A]: Yes.

Sakamaki [Q]: The buffer is especially thick.

Okawa [A]: This is normal.

Sakamaki [Q]: So, it is normal. I understand. Thank you very much.

One more point. Sorry, this is getting long. On page five of the medium-term management plan, there is a figure of JPY8.5 billion and another JPY20 billion to 25 billion for the future. Please supplement this with a little more information on the contents of this, such as what parts of the 8.5 billion have already been realized and how much of the 8.5 billion is accounted for last year or this H1, or what you are seeing on the upside.

There was a comment that Buffalo has been a little slow to improve, so I would like to know if there is anything there, as well as if you have anything to go along with the numbers here.

Yamamoto [M]: Thank you very much. Let us begin with an explanation from Okawa.

Okawa [A]: As the President explained, first of all, the base of this figure is the comparison with FY2022. So, please understand that in FY2022, the total deficit of the businesses we have chosen as our structural reforms was JPY23 billion.

In contrast, the projects that we have already announced to the public in 2024 and how much of an improvement they had totaled JPY8.5 billion. Therefore, the remaining improvement and reform effects, including the North American plant, are expected to total another JPY200 million to 250 million. We will announce the estimated amount by the end of this year, but please understand that this does not mean all of these effects will be realized this year. It is my understanding that this will be done over the course of this year and next year.

Sakamaki [Q]: So, the JPY8.5 billion is the figure for the European subsidiaries, and the reduction of SKUs, which we have already seen, and the real improvement of Buffalo is still to come. I heard a comment that you are a little behind in this area.

Okawa [A]: The delay is due to the delay in improvement activities, not the delay in structural reforms. We are steadily preparing for the structural reforms, but the certainty of Buffalo's cost reductions, as we expect, is a little higher than expected, which is the reason for the delay.

Sakamaki [M]: Thank you very much.

Yamamoto [M]: Thank you very much.

Inoue [M]: We would like to continue with questions from those who are participating online.

Mr. Maki of SMBC Nikko Securities, please.

Maki [Q]: My name is Maki of SMBC Nikko Securities. Thank you. I would like to ask two questions as well.

First, as mentioned earlier, in terms of volume and composition, you mentioned that the full-year plan has been lowered considerably and that there may be some wrinkles, but I think that H1 has also been relatively weak compared to your expectations.

Since you have lowered the volume plan for all markets except Japan, including the US, could you tell us why you lowered the volume plan for these two quarters or why it was lower than the plan? Also, I would like to understand a little more about whether H2 will be like this or not.

In addition, you mentioned earlier about Active Tread. Currently, demand is very strong, and since there are preorders, I think that starting in October, the contribution will still be small. For example, if we do well this fiscal year, we may be able to add this much, or if next fiscal year, we may be able to expect a good performance line; for example, if there is something like a performance line for SYNCHRO WEATHER, we would like to know about it.

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

Nishiguchi [M]: Thank you for your question.

I had difficulty understanding your question, so I would like to confirm it; first, H1 volume was a little weak, but what is the situation in that area, and second, how much of an upward swing do we expect from the SYNCHRO WEATHER, is that correct?

Maki [M]: That is correct. I am sorry. Thank you very much.

Nishiguchi [A]: First of all, in H1, the sales applications are shown on page 22, but starting from the top, as you already know, the production volume for new vehicles in Japan and for JOE Japan dropped significantly, which had a serious effect, and the sales of H1 were affected by this drop in production volume.

In the domestic market, in H1 of last year, there was a large price increase for summer tires in March and a price increase for winter tires in July, so there was a large temporary demand in June. As a result of the temporary demand for summer tires and the subsequent price increase for summer tires in H1 of last year, as well as the temporary demand for winter tires, H1 of last year was very high, and H1 of this year is below the previous year's level.

As for new vehicles overseas, sales in the US and Europe were strong. In the US, we were able to deliver four new models that were profitable, which was good, but as you know, H1 was very difficult for Japanese automakers in China, ASEAN, and other regions. In China and ASEAN countries, Japanese-affiliated companies had a tough time, and H1 of the fiscal year was largely affected by the sluggish sales of new vehicles overseas.

As for the overseas after-market portion, we are selling various brands of tires, though we are putting them out by region for overseas after-market. In this context, in North America, there has been a temporary drop of 4% to 6%. This is due to a drop in sales of our mainstay products other than the FALKEN WILDPEAK tires that Yamamoto just mentioned, such as the Dunlop brand tires that we supply to certain companies and tires for major dealers that we export directly. As for our mainstay, the FALKEN brand, sales of WILDPEAK have been growing. That had a bit of an impact on H1 and the customer part of those areas.

Sales in Europe were firm. In terms of YoY, sales of winter tires were positive because the winter season has been delayed since the beginning of this year.

In Asia, H1 was not so good due to the sluggish performance of Japanese-affiliated companies, the waiting period for the election, and the difficulty in deciding on preferential policies for replacement, as well as inflation and the poor economic environment.

As for other regions for us, Brazil and Australia have been our strong points, and have been performing well.

In this sense, while H1 had some shades of gray, H2 is likely to drag on in the areas I just mentioned, namely, new vehicles in Japan and new vehicles overseas in China. I think this area is still a little weak, but I think all markets will recover in the replacement area, and since H2 of last year was quite bad, I think H2 of this year will be over 100 compared to the previous year.

Is this sufficient?

Maki [Q]: Just to confirm, you are saying that WILDPEAK is selling well, but there is competition in terms of price, and you are maintaining the 120% level that President Yamamoto mentioned earlier in H1, is my understanding, correct?

Nishiguchi [A]: In the US, we lowered the price of WILDPEAK in June this year while keeping an eye on the surrounding market conditions. We are managing the situation well in a competitive environment while keeping an eye on the balance between price and volume.

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

Nishiguchi [A]: The second one is SYNCHRO WEATHER. In fact, I would like to say a lot about the numbers, but we have only just begun. I can't give you specific figures, but as I mentioned earlier, the response has been better than expected, or rather, as expected, and things are going well. Although I cannot give you specific figures for the four quarters we have set for this year, I have the impression that we will be able to increase the number quite a few times, which is what I would like to do.

Also, the thing that we feel the most responsive to is that we want to sell the most in the spring of next year. The concept is to replace summer tires with these tires. In order to build a foundation for spring demand, I believe that we will be able to make good progress from this October to the beginning of February next year. We would like to do our best to meet Okawa's expectations in this upward direction in terms of volume and composition in that way.

I am sorry, but I can only say so much now. I hope you understand that we are on schedule.

Maki [Q]: Thank you very much. Regarding the stores you mentioned earlier, I couldn't quite catch the numbers, but I think you said that 5,000 stores or something was contracted, but how many of these are existing stores, and how many are new stores?

Nishiguchi [A]: Since it's only been two weeks, we haven't done it yet, but in our plan, we thought the scale would be roughly around 8,000 stores in terms of having them become certified stores.

In this context, responding to the feedback we have received over the past two weeks, we are also receiving reverse requests from customers who would very much like to become certified stores. Calculating the number of stores that have such customers, we estimate that there are roughly 5,000 stores that have the potential to become certified stores, so we will be holding workshops and working toward certification while keeping an eye on these areas.

Maki [Q]: I see. I understand. Thank you very much.

The second point is regarding the next fiscal year, especially in terms of costs. In the future, raw materials and other costs will fluctuate, so it is difficult to say for sure, but when we look at freight costs, for example, the agreement was reached fairly cheaply this fiscal year, but if this situation continues into the next fiscal year, I wonder if this will be a factor that will increase costs a little.

In such cases, what kind of controls will be put in place? I am wondering if there are any measures that can be taken to learn from the past and control the situation in any way. I think there is a possibility that you will also increase exports from Thailand to the US in the future, so please tell us how you plan to control costs.

Also, there is talk that the EUDR will have an impact on factories that export to Europe in general, so please tell us how much has been put in this fiscal year and how much impact it will have for the full year, and what is your perspective on the EUDR in terms of costs.

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

Nishiguchi [M]: The first one is about freight rates, ocean freight rates, is that correct?

Maki [M]: Yes, that's right.

Nishiguchi [A]: We have launched the tire business division, and since this January, we have also included this supply chain division in my organization. We really had a tough time with this fare during COVID-19. Based on that study, we have taken various measures to control marine freight rates.

We have already seen results for H1 of the fiscal year, and we are also looking at H2 of the fiscal year, including the normal annual contract, but it is difficult to say at this point. We have already taken steps to prevent the situation from worsening due to the sharp rise in freight rates, and we feel that we are almost on track to achieving our goals. While I cannot give you specifics, we would like to make sure that the negative effects of external factors will not be unexpected, and I have a feeling that we will be able to do so.

In terms of the volume of goods to the US, we had a very difficult time during COVID-19 because we could not transport more goods than the rising cost of freight. I am unsure what will happen in the presidential election, but everyone is concerned about the tariff issue. Rather than the risk of higher tariffs at that time, I think we will probably see some places during the year that want to move ahead and transport goods quickly because tariffs are likely to rise.

In this case, there will be a shortage of containers again, so we are working to ensure that measures have been taken and are being completed so that we will not have problems in H2, so I hope you understand that we are taking steps to deal with areas that you have questioned.

Is this sufficient?

Maki [Q]: Can you explain the EUDR as well?

Okawa [A]: I, Okawa, will explain the EUDR.

I hesitate to be blunt, but please understand that the impact of the EUDR for the current fiscal year is in the lower half of two digits. Next year, the annual impact is expected to be in the middle of the two-digit billion yen range. However, since we naturally use raw materials for the EUDR, we are naturally considering reflecting this in our prices.

However, at this point, it is not yet clear whether the EUDR will really come into effect in November, so negotiations will probably take place after that time. Therefore, regarding costs that will be increased by the EUDR, please understand that it is not yet clear to what extent the increased costs will be covered by the sales. But of course, we hope you understand that we will not simply increase costs.

Maki [Q]: I understand that you have reduced some of the raw materials for H2 of this fiscal year, so am I correct in assuming that this is mostly the effect of the EUDR?

Okawa [A]: The negative factor in H2 of this fiscal year is that the EUDR has added to what we had originally planned.

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

Inoue [M]: Thank you very much.

Now, if anyone in the audience has any questions, please raise your hand.

The person in the front row, please.

Sakaguchi [Q]: My name is Sakaguchi of Mizuho Securities. Thank you very much for your continued support. I would like to ask you two questions.

First, please tell us your view on dividends. There was a slight comment that in the context of applying a 40% payout ratio this time, there are also structural reforms. I am aware that the forecast for net sales, business profit, and operating income has not changed, so only the net income has changed, which means that the dividend remains unchanged, and the dividend payout ratio appears to have decreased. Going forward, if the business environment changes and the Company lands on its feet, as you have said so far, I think it is more likely to be on the upside, but at that time, is the idea to pay a 40% dividend on landing?

Or is there a risk that the expenses on the restructuring side will be larger than expected and change? In conjunction with the comments you just received, could you please reiterate your thoughts on dividends?

Yamamoto [A]: Thank you for your question.

As for our approach to dividends, we recognize that returning profits to shareholders is indeed a top priority. As you mentioned, our policy is to pay stable dividends over the long term based on a comprehensive assessment of the consolidated dividend payout ratio, performance outlook, and level of retained earnings.

Accordingly, although it remains to be seen what will happen with structural reforms, etc., our policy is to make every effort to achieve stable dividend payments.

Sakaguchi [Q]: I understand. Is it correct to understand that 40% is not a particular change?

Okawa [A]: I, Okawa, would like to add something.

The basic premise of the Company is to maintain a dividend payout ratio of 40%. These are the interim financial results, and although the structural reforms are still in the process of being finalized, we are not sure which direction they will take, but our message is that we will definitely commit to the minimum of JPY58, which we set out at the beginning of the year. While we are still trying to keep the final 40%, we are keeping an eye on how the structural reforms that we have promised will be implemented by the end of this fiscal year, and we will start by committing to the JPY58 figure, which is the figure that we have set this time.

Ultimately, we believe that 40% is a promise to our shareholders, so we are trying to ensure that both the stable dividend and the 40% payout ratio will be retained.

Sakaguchi [Q]: Thank you very much.

Secondly, you have always said that you would like to achieve a 7% profit margin in the medium-term management plan, ahead of schedule, and I think that there is a very strong pull for SYNCHRO WEATHER in terms of various initiatives during the medium-term management plan period, or that there are some structural reforms that have been implemented or are on track to be implemented.

Naturally, there are various negative factors in the external environment, such as the cost side, etc., and although there are variable factors, from the standpoint of your company's structure, I have the impression that you are on track to achieve a 7% margin at the earliest possible date. Perhaps you would like to comment on your desire to work hard ahead of schedule, but I would appreciate your comments on the degree of certainty or confidence or what kind of progress you are making.

Yamamoto [A]: Thank you very much.

First of all, the 2027 target is a real commitment, and we are aware that it is the minimum number that we can achieve. We are currently working on various calculations and measures to see how quickly we can accelerate and increase the target.

First of all, we will get closer to this goal by firmly implementing structural reforms. In particular in North America, if we can firmly set a target of 2024 for structural reforms in North America, which is our number one priority, we will be able to establish a base for going beyond this target.

Besides this, we are also implementing various measures, such as the reduction of SAUs, and I believe that we are on track to achieve our goals. Naturally, we have various customers and parties to negotiate within the structural reform process, and we are currently moving forward with structural reform while considering various options, so I think it is important that we keep this time in mind while moving forward.

We are now moving forward with a daily meeting of the Board of Directors to review the progress of structural reforms, and if there are any delays, we will take new measures, so I believe that we will be able to achieve the 7% target by first completing structural reforms.

In addition, as with the new growth strategy, SYNCHRO WEATHER, how will the seeds that have been sown bear fruit? How can we bring this forward? Depending on this, I believe the direction will be determined as to how much the business profit margin for 2027 will be able to swing upward, and I will let you know when the time comes to do so when I have reviewed the situation again.

Nishiguchi [A]: As I am in the tire business, I would like to add that I think 7% is still not enough. In order to increase our profit margin, we need to sell more high-inch, high-value-added products, such as SYNCHRO WEATHER, and as shown in today's materials, more than 18 inches, and SUV sizes account for 39%, which is still low. I think it is still low compared to other companies.

One of the measures we need to take in order to quickly break through the halfway point is to quickly launch more products like SYNCHRO WEATHER, and since we had a large sales volume of low-inch products, we are now working very hard to replace them with high-inch products. This will take effect around 2026, and in some factories, it will start as early as next year.

If we can do that quite well, when we benchmark, our lineup that we have over 18 inches is still by far the smallest we have. If we can bring it up to the level of other companies, we will be able to reap the demand, and this will emerge around 2026, so we would like to aim to bring it forward, not to say by 2027, and to go up, not to say 7%, but higher. To do so, we need to sell high-inch and high-value-added products. First of all, we would like to do our best in that area.

Sakaguchi [M]: Thank you very much.

Inoue [M]: Thank you very much.

Are there any other questions online?

Mr. Kakiuchi, please.

Kakiuchi [Q]: My name is Kakiuchi, Morgan Stanley Securities. Thank you. In the factors for the increase or decrease for the full year, on slide 20, I would like to ask two questions.

The first one is on the refund of anti-dumping duties. Is this a positive or an increase in refunds compared to the previous assumption? Please tell us how that works as well. I would also like to know if the increase was particularly large for H2 or if there were many refunds from H1.

Yamamoto [M]: Thank you for your question. Regarding anti-dumping, Mr. Okawa will answer your question.

Okawa [A]: Thank you for your question, Mr. Kakiuchi. I thought you hit the nail on the head.

Originally, three months ago, anti-dumping duties were refundable. As for H2, there is no such thing, and I told you that it would be slightly worse than last year, but in fact, the anti-dumping figures were updated again a few days ago, and it was decided that we will receive anti-dumping at a very low rate.

In response to this, we have come to realize that we can eliminate our provisional anti-dumping allowance, which we have already paid provisionally, so we have added a few billion more in H2. As you have pointed out, the actual situation is that we have added back the anti-dumping duty allowance for H2 of the fiscal year.

Kakiuchi [Q]: Thank you very much. Can you not do this for the next fiscal year as well?

Okawa [A]: The amount that is down this time will also appear in the next fiscal year, but I am sorry, we have not yet calculated what will happen in the next fiscal year, so please understand that it is difficult to give an answer in terms of numbers at this time.

Kakiuchi [Q]: I understand. Thank you very much.

The second point is, and I apologize for being so numerical, but as you have explained before, the direct cost of personnel expenses has increased from JPY7 billion to more than JPY7 billion, but is there any breakdown of the increase for the full year from the previous year? I think this is due to the use of funds, delays in Buffalo, etc., as well as the overall wage rate, which I think was also estimated to a certain extent, but the difference from the forecast is quite large, so please tell us if there is any particular benefit that you think is the greatest.

Okawa [A]: I will answer again.

Regarding your question about what is the major difference from the forecast, first of all, the wage rate has actually increased due to the SAT and the strike in Turkey. Since inflation in Turkey is very high, we were asked to raise wages more than before, and the wage rate has increased compared to our initial forecast.

So, although there was an increase at the beginning, it has been higher than initially expected. However, as for Turkey, the exchange rate has depreciated the Turkish lira, so the increase in labor costs mentioned here does not affect all of our business performance, but about 40% of the increase is offset by the depreciation of the Turkish lira, so the first major impact was in Turkey.

In addition, labor costs in the US have increased compared to our initial forecast. In the US, there was some trouble with equipment in the first part of Q2 in April, May, and June, resulting in a drop in productivity, and this had a negative impact on costs, which also increased personnel expenses.

In addition to these two major factors, the wage rate has been increasing in general, affecting other companies gradually. As such, we are in a situation where labor costs have become larger than the initial figures.

Kakiuchi [Q]: Thank you very much.

So, you are saying that the Turkish part is not entirely effective if we consider both sides of the exchange rate?

Okawa [A]: Yes. I would say that about 40% of the currency is returned.

Kakiuchi [Q]: I understand.

I'm sorry, but if you do know, in terms of the current labor cost, is there a risk that it will remain in the next fiscal year, or is there a risk that it will have an impact on the next fiscal year?

Okawa [A]: In Turkey, the increase in labor costs will have a ripple effect. However, the negative impact of the strike will no longer spill over. In the US, labor cost increases are due to temporary machine breakdowns, so there will be no ripple effects. Therefore, I think it is safe to say that only the additional cost increase over the wage rate increase we had expected in Turkey will spill over into the next fiscal year.

Kakiuchi [M]: I understand. Sorry for the details. Thank you.

Inoue [M]: Thank you very much.

Now, if anyone in the audience has any questions. Are there any other questions online as well?

Since there are no more questions, this concludes the presentation of the financial results briefing for the six months ended June 30, 2024, of Sumitomo Rubber Industries.

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

Yamamoto [M]: Thank you very much.

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Document Notes

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