

Chapter 4

Business Activities

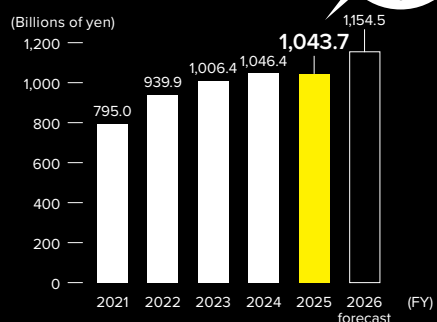
- 29 Tire Business
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–More Drive, More Joy–

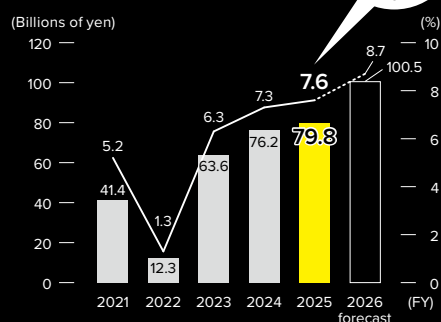
Tires play an essential role in a wide range of settings that support daily life and society, including passenger cars, trucks and buses, industrial vehicles, and motorsports. With DUNLOP and FALKEN as our core brands, we are committed to developing tires that are friendly to people and the environment.

▶ Performance Trend

Sales Revenue



Business Profit* Margin



* Business profit = Sales revenue - (Cost of sales + Selling, general and administrative expenses)

Opportunities

- Expansion of sales channels through acquisition of DUNLOP trademark rights
- Increase in unit prices driven by shift to SUVs and high-inch sizes
- Expansion of all-season tire market
- Monetization of combined tire and solution services

Risks

- Supply chain disruptions due to geopolitical tensions and logistics instability
- Sudden changes in the external environment, such as raw material costs and exchange rates
- Downward price pressure from production shifts by Chinese manufacturers
- Sharp decline in demand during economic downturns

A Message from the Executive Officer in Charge of the Business

Positioning DUNLOP once again as a brand that competes globally. Aiming for further growth under ONE DUNLOP.

Masahiro Tsuzaki

Director, Senior Executive Officer, General Manager of Tyre Business Headquarters



▶ Business Overview

In 2025, the business environment remained sluggish overall, due to a global economic slowdown and weakening consumer demand amid rising prices. In the tire market, intensified price competition, particularly in the mass-market segment, became a factor contributing to declining profitability. In addition, the business environment surrounding the Company became increasingly severe, with additional tariffs imposed by the United States affecting export businesses from Japan and ASEAN.

Under these circumstances, we achieved record-high business profits by expanding our premium product lineup, implementing appropriate price revisions, and promoting company-wide cost structural reforms. In addition, ACTIVE TREAD technology was highly recognized by various sectors and earned multiple awards.

Recognition for ACTIVE TREAD technology

R&D Breakthrough of the Year¹⁾



2024 Nikkei Superior Products and Services Award (Grand Prize)



The Award of Society of Rubber Science and Technology, Japan



Nikkan Jidosha Shimbun Car Accessories Award 2025 (Grand Prix)



¹⁾ *Tire Technology Expo 2027* HP

▶ Review of Fiscal 2025

Achieved Record-High Profits in the Tire Business Despite U.S. Tariffs

In 2025, the business environment remained challenging, with rising geopolitical risks, increased costs associated with inflation, and the implementation of new U.S. tariffs. Even under these conditions, we focused

on expanding sales of premium tires, including the next-generation all-season tire SYNCHRO WEATHER, the core WILDPEAK series in North America, and all-season tires in Europe. As a result, the premium ratio increased to 47%, up 1.2 percentage points from 2024. By carefully monitoring market trends and implementing price revisions, we were able to absorb most of the impact of U.S. tariffs, resulting in increased profits for the third consecutive year. We will continue to enhance our technological capabilities and product value in order to remain a company chosen by customers.

Aiming for Accelerated Growth through the Acquisition of DUNLOP Trademark Rights

In addition to acquiring DUNLOP trademark rights for four-wheel vehicle tires in Europe, North America, and Australia, we have also obtained DUNLOP trademark usage rights in Malaysia, Singapore, and Brunei, thereby accelerating our global brand expansion.

Since May 2025, we have commenced sales of DUNLOP-branded tires in North America and Australia. In North America, we launched the new DUNLOP product BLUE RESPONSE A/S in December and are promoting sales primarily to major wholesale customers. Furthermore, we plan to introduce a second wave of new products in 2026, further accelerating the sales of DUNLOP tires. In Europe, we will commence sales of DUNLOP tires from 2026 while strengthening our local development structure. By realizing faster local development, enhanced technological capabilities, and higher quality levels, we will advance the launch of new products for the replacement market and co-creation initiatives with premium OEMs.

Establishment of a Supply System that Meets Customer Expectations

As part of our structural reforms, we closed our U.S. plant in 2024. However, by rapidly and steadily transferring production to higher-quality and more cost-competitive plants in Japan and Asia, we were able to continue providing a reliable supply that meets customer needs. The ability to establish this system and respond in a short period of time is the result of integrated efforts across manufacturing, sales, and technology, and reflects our commitment to never compromise the trust of our customers.

In parallel, to expand sales of premium tires, we are actively promoting replacement investments at major plants, shifting from existing equipment to production facilities for high-performance tires. We will continue to advance these initiatives in an integrated manner across manufacturing, technology, and sales, leveraging the global supply and sales structure we have built to date.

Progress of the Long-Term Corporate Strategy

Challenge to Become a Global Premium Brand and the Creation of an Organizational Culture That Enables Diverse Talent to Thrive

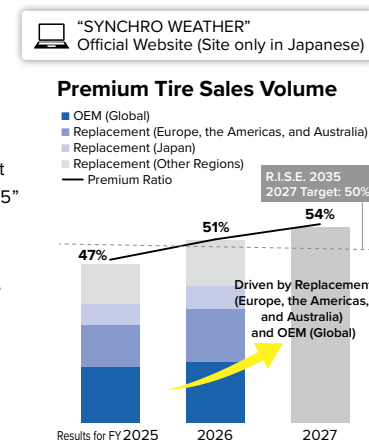
To enhance the value of the DUNLOP brand by promoting brand strategy across the Company, we have established a marketing base in the United Kingdom and are strengthening motorsports activities and leveraging sports assets. Through innovative technologies and services, we will continue to provide new experiential value to customers around the world and establish our position as a global premium brand.

Through these challenges, we will continue to create exciting new value within an organizational culture in which diverse talent can thrive.

Product Development and Premiumization in Key Regions

Driven by expanded sales of SYNCHRO WEATHER in Japan, the launch of new DUNLOP products in Europe, North America, and Oceania, and growth in OEM fitment in Japan and China, we expect the premium ratio to reach 51% in 2026, achieving the “R.I.S.E. 2035” target of 50% for 2027, one year ahead of schedule.

We have received strong expectations from OEMs for DUNLOP’s brand strength, technological capabilities, and production capacity, and we will further expand this momentum. ACTIVE TREAD technology, incorporated in SYNCHRO WEATHER in Japan, will continue to evolve to meet the high-performance demands of growing all-season and all-weather markets in Europe and North America. We will strengthen local development capabilities at our overseas technical centers and aim to enhance product value in the global market.



Development DX Strategy: Accelerating Innovation through AI and Simulation to Shape the Tires of the Future Today

Our proprietary “SDI (Sumitomo Rubber Development Innovation) process,” which leverages predictive technologies such as AI and simulation, is transforming conventional tire development. This technology enables highly accurate prediction of tire performance in a virtual environment. By utilizing this technology, we have realized a development breakthrough that reduces the conception and verification process—previously requiring more than three months—to as little as one day.

This development speed enables us to provide optimal solutions as quickly as possible in response to increasingly diverse and sophisticated market demands. We bring products to fruition quickly and create future mobility experiences.

Manufacturing Strategy: In-House New Factory Advancement of Manufacturing Technology and Production Systems

We achieve the ultimate balance between “high quality” and “high efficiency” for high value-added products. One example is the next-generation production system, SUN-TITAN SYSTEM. Introduced at our Thailand plant, which has the largest production capacity in the Group, this system improves productivity while enabling the manufacture of tires that embody the DUNLOP brand, featuring lighter weight, superior performance, and exceptional quality.

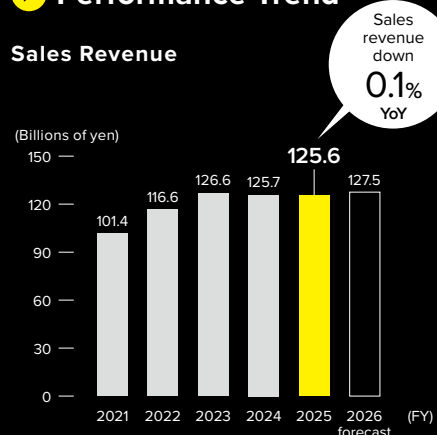
This concept delivers tangible benefits to customers, such as improved fuel efficiency and extended driving range, while also providing value to the environment through reduced environmental impact. We will deploy this future-oriented manufacturing globally and continue to deliver the highest value to customers around the world.

– Enriching Sporting Life –

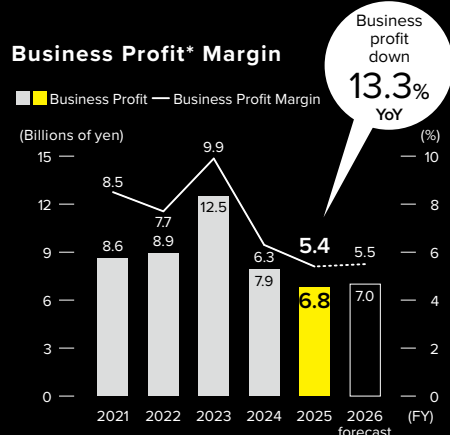
Drawing on the full range of its advanced technical capabilities, DUNLOP Group continually strives to enrich sporting life for customers. In addition to providing high-performance golf clubs, tennis rackets and other sporting gear designed for ease of use by athletes of all stripes, we operate golf and tennis schools and support our customers' physical and mental health on a day-to-day basis. We have also expanded into the e-sports business in recent years.

▶ Performance Trend

Sales Revenue



Business Profit* Margin



* Business profit = Sales revenue - (Cost of sales + Selling, general and administrative expenses)

Opportunities

- Expanding business opportunities following the acquisition of trademark rights to the DUNLOP brand worldwide
- Golf: Further business expansion in North America, the world's largest market
- Tennis and other racket sports: Strong popularity of tennis, plus expansion of markets for pickleball (the U.S.) and padel (Europe)
- Extended healthy life expectancy and increased demand for indoor sports, especially among young people
- User expectations for environmentally friendly products

Risks

- Reduction in spending for recreational activities due to economic instability caused by geopolitical risks and uncertainties about the future
- Rising prices of raw materials and other commodities
- Concerns regarding the impact of changes in the North American market conditions
- Decline in golf and tennis populations due to low birthrate and aging population in Japan
- Deterioration in the environment for outdoor sports due to higher temperatures and other effects from climate change

A Message from the Executive Officer in Charge of the Business

Toward becoming a truly global player. As a frontrunner in enhancing DUNLOP brand value, we will accelerate our challenges.

Keiji Moriyama

Executive Officer, General Manager of the Sports Business Headquarters



▶ Business Overview

The Sports Business has continuously refined its quality and technologies since commencing the manufacture of Japan's first domestically produced golf balls and tennis balls in 1930, incorporating feedback from users and top professional athletes.

In golf, we operate brands such as XXIO, SRIXON, and Cleveland Golf, and in tennis, the DUNLOP brand, advancing product development that emphasizes not only performance but also sensory value, including feel and sound at impact. We are also working to enhance brand value through the provision of gear to leading professional athletes.

As a business foundation, we promote development under a dual structure in Japan and North America. On the manufacturing side, we have established a global supply system with golf ball plants located both in Japan and overseas, a golf club assembly plant in Japan, and two tennis ball plants overseas.

Following the acquisition of the DUNLOP brand, we are steadily advancing initiatives to create synergies with the Tire Business. Through these initiatives, we aim to enhance brand value and achieve sustainable growth of the business. We are also expanding into new areas, such as e-sports, with the aim of broadening our reach to the next generation and strengthening their connection with our brand.

▶ Review of Fiscal 2025

In 2025, market conditions in South Korea—an important market following North America and Japan—deteriorated due to political factors, which affected our performance.

On the revenue side, both the golf and tennis businesses recorded revenue growth. In golf, SRIXON clubs and balls performed well globally, and in Japan, the XXIO 14 launched in November 2025



XXIO 14

showed solid performance, offsetting the decline in revenue resulting from weak conditions in the South Korean market. In tennis, steady performance in Japan and Europe also contributed to revenue growth. As a result, increased revenue in both businesses absorbed the decrease associated with the transfer of the fitness business in December 2024, and overall revenue remained at the same level as the previous year.

On the profit side, however, decreased sales in the highly profitable South Korean market had an impact, resulting in a decline in profit for the overall sports business.

▶ Progress of the Long-Term Corporate Strategy

Under “R.I.S.E. 2035,” we aim to “become a frontrunner in enhancing overall corporate brand value by responding to customer expectations across various occasions and pursuing the joy and excitement inherent in sports experiences,” while targeting a position among the global top three in the golf and tennis businesses.

Golf Business

We are working to maximize the value of the DUNLOP brand as our overarching business brand, aiming to achieve a position among the global top three by 2030, with growth in North America—our largest market—as the foundation.

In North America, sales of SRIXON irons and balls have approximately doubled over the past five years, and the success of contracted players has strengthened the flow from brand recognition to purchase.

Capturing this momentum, we launched the rebranding of SRIXON in January 2026. We are evolving the brand from its conventional functional value of “supporting performance improvement” to a “brand that shares passion with all players deeply engaged in golf,” strengthening resonance with a broad range of golfers—from top professionals to weekend players—as a “brand that stands by all golfers striving to improve,” and expanding our target base.

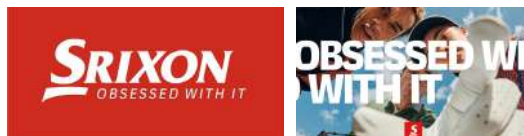
Cleveland Golf will further enhance its differentiation in the market by leveraging its expertise in the short game segment, as it has always done.

XXIO, based on its experiential value of “lightweight,” “ease of swing,” and “forgiveness,” will pursue revenue maximization in North America through a differentiated strategy targeting the baby boomer generation.

By maximizing the strengths of these three brands, we will further strengthen our brand portfolio across the market, spanning products for competitive golfers, average players, and short-game-focused equipment. For DUNLOP, by expanding its exposure as a house brand, we will promote mutual enhancement of brand value alongside XXIO, SRIXON, and Cleveland Golf.

Tennis Business

Centered on Europe, we are driving the enhancement of brand value as a frontrunner of the DUNLOP brand.



SRIXON logo following the rebranding.
The new tagline, “OBSESSED WITH IT,” expresses a strong commitment to golf.

In tennis balls, leveraging high quality as a key strength, we have maintained the No. 1 share of official balls used in ATP Tour tournaments*1 and aim to grow into the world’s No. 1 brand by utilizing the halo effect.

In tennis rackets, through contracts with promising professional and junior players worldwide and partnerships with leading academies in Europe and North America, we are developing top-level junior camps. We are also promoting the development of players who become familiar with the DUNLOP brand from a young age.

We are working to expand racket sales by leveraging tennis ball distribution channels and aim to increase revenue by 1.5 times by 2030.

*1: ATP = Association of Tennis Professionals



FX racket with Jack Draper

▮ New Business (e-sports)

In e-sports, we focus on protecting players' health and performance. Through the development of recovery wear and sponsorship of events such as Gran Turismo, we will expand our engagement with younger generations and enhance the DUNLOP brand image.

▶ Contributing to the Resolution of Social Issues Through Our Business

Under our long-term sustainability targets, “Driving Our Future Initiatives,” we are advancing initiatives aimed at reducing environmental impact and transitioning to a circular economy, with targets of achieving a 40% ratio of sustainable materials by 2030 and 100% by 2050.

In November 2025, we announced the SRIXON Z-STAR+e80 golf ball (not for sale), which achieved a sustainable materials ratio of 82%, demonstrating our technological direction toward future commercialization. In addition, at the Australian Open in January 2026, we collaborated with Tennis Australia on an initiative to reduce waste and promote resource circulation by upcycling tennis ball packaging into tabletop surfaces at the venue.

Furthermore, through the development of sports gear that integrates advanced technologies with human sensibility, as well as the provision of diverse experience opportunities including e-sports, we will support the enhancement of the appeal of sports and the promotion of player health, thereby contributing to the spread of lifelong sports participation and the extension of healthy life expectancy.



SRIXON Z-STAR+e80
The packaging uses environmentally conscious paper incorporating grass and grain fibers as partial substitutes for wood pulp.

DUNLOP SPORTS STYLE

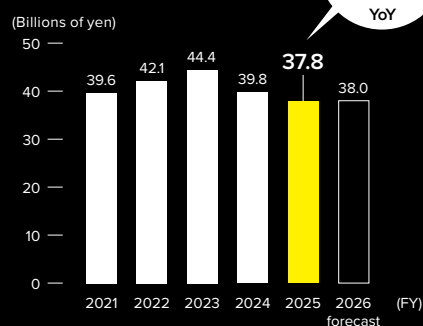
Official DUNLOP Sports online store (Site only in Japanese)

– Supporting happier lives –

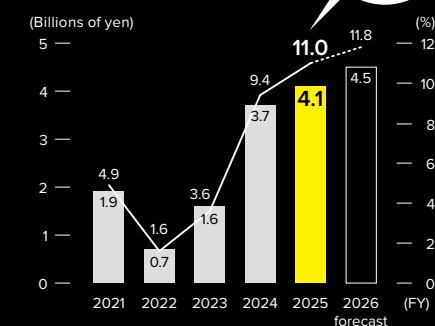
Industrial Products Business is overseen by the Hybrid Rubber Products Headquarters. Leveraging the rubber technologies we have cultivated over the years, we are expanding operations across a wide range of fields—from industrial infrastructure to medical and consumer products—in line with the expanding needs of society. The world is turning its attention to the potential of advanced technologies.

▶ Performance Trend

Sales Revenue



Business Profit* Margin



* Business profit = Sales revenue – (Cost of sales + Selling, general and administrative expenses)

Opportunities

- Expanding global biopharmaceutical markets
- Rising disaster preparedness awareness driven by forecasts of a potential Nankai Trough megaquake
- Expansion of the market for environmentally friendly products driven by growing sustainability awareness

Risks

- Declining production and supply capacity in domestic factories due to labor shortages
- Declining demand for existing products and declining business profitability due to changes of the times
- Supply risk related to raw materials and procured goods

A Message from the Executive Officer in Charge of the Business

Aiming to Become a “Business Division that Helps Solve Social Issues”

Tatsuji Matsumoto

Executive Officer,
General Manager of Hybrid Rubber Products Headquarters and
General Manager of Innovation & Business Development Department



▶ Business Overview

At the Hybrid Rubber Products Headquarters, we provide a wide range of high-value-added rubber products created through our proprietary advanced technologies across diverse fields, from medical to industrial infrastructure. Building on the technologies and products we have cultivated, we will expand our business globally, primarily in Asia, and aim to contribute to healthy lives as well as to the medical care and urban development that support them.



In addition to aiming for business expansion, we aim to be a “business division that helps solve social issues.” We will develop and expand products that address social issues, including labor shortages in medical and construction sites due to the declining birthrate and aging population, as well as disaster prevention in response to extreme weather and natural disasters.

▶ Review of Fiscal 2025

In 2025, following 2023 and 2024, the business continued to grow steadily, and the business profit margin reached a record high. We believe this was a year in which the efforts of everyone involved bore fruit. Rubber Parts for Medical Applications and Vibration Control Damper business drove overall growth, and structural reforms led to a shift from low-profitability businesses to high-value-added businesses.

We have been advancing the development of products that resonate with customers, which are high-value-added products and services that contribute to solving social issues and resonate with people. As one example, we launched the first product under a new concept focused on performance prioritized by players, the sports artificial turf “Hibrid-Turf REX.” This product pursues control and stability in short passes—key performance factors for soccer players—and has been well received. We will continue to focus on the development of such products that resonate with customers.



▶ Progress of the Long-Term Corporate Strategy

To enhance the effectiveness of our long-term corporate strategy, we have established new growth drivers in 2025: strengthening overseas business development, diversification and advancement of our businesses, and the development of products that resonate with customers.

With regard to strengthening overseas business development, we are advancing initiatives centered on reinforcing our sales structure in Asia, where we have traditionally held strengths, and transforming overseas production sites into business hubs. From 2026, we will sequentially strengthen businesses including Rubber



DUNLOP's Social Solutions Business

Parts for Medical Applications, Rubber Parts for Office Equipment, Vibration Control Dampers for buildings, and Marine Fenders, while focusing on launching new local sales agents in each country and strengthening collaboration with production sites.

Regarding the second driver, diversification and advancement of our businesses, we are promoting Rubber Parts for Medical Applications and Vibration Control Damper business. For Rubber Parts for Medical Applications, we will shift our portfolio from general pharmaceuticals to higher value-added products for biopharmaceuticals. For Vibration Control Damper business, we plan to expand from our traditional focus on newly built detached houses to areas such as shrines and temples, overseas buildings, and renovation of existing homes. We are strengthening these initiatives from 2026.

For the third driver, the development of products that resonate with customers, we are accelerating development with a target of launching 15 high-value-added new products by 2030 that resonate with customers from the perspective of addressing social issues such as medical care, natural disaster preparedness, environmental conservation, and population decline. In 2026, we plan to launch five products.

▶ Contributing to the Resolution of Social Issues Through Our Business

In 2026, we plan to launch the following products to respond to diverse social needs.

Products		Key Points that “Resonate” with Customers
Residential high-strength vibration control dampers		Enhancement of layout flexibility in urban housing
Foam Fenders		Improved sense of security through the first domestically produced product and high durability
Artificial Turf for Sporting Facilities		Improved ease of passing from the player’s perspective
Portable Ramps for Wheelchairs		Further improvement in stability through record-high product strength (in-house comparison)
Loading Ramps		Contribution to improved operational efficiency in the logistics industry through portability

Vibration Control Dampers (Vibration Control Damper business) were featured in media coverage.

Title	Broadcast Date	Program	URL
“Confronting a Megaquake! – 30 Years Since the Great Hanshin-Awaji Earthquake”	January 17, 2025	Gaia no Yoake (a TV Tokyo network business documentary program), Episode 1148	https://www.tv-tokyo.co.jp/gaia/backnumber4/preview_20250117.html (Site only in Japanese)
Technologies Developed Based on Lessons from the Great Hanshin-Awaji Earthquake	Aired on January 20, 2025	news zero (a news program broadcast on the Nippon TV network), #231	https://www.ntv.co.jp/zero/kikikomi/articles/kwha6nepvsef0ts.html (Site only in Japanese)

*Some images related to earthquakes, including fires, are included.