



**Sumitomo Rubber Industries, Ltd.**

Financial Results Briefing for Six Months Ended June 30, 2025

August 7, 2025

## Event Summary

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[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, 2025	
[Fiscal Period]	FY2025 Q2	
[Date]	August 7, 2025	
[Number of Pages]	42	
[Time]	16:00 – 17:32 (Total: 92 minutes, Presentation: 37 minutes, Q&A: 55 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	5	
	Satoru Yamamoto	President and CEO, Representative Director
	Hidekazu Nishiguchi	Director, Managing Executive Officer
	Naoki Okawa	Director, Senior Executive Officer
	Shinji Araki	General Manager, Accounting & Finance Headquarters
	Jiro Kawase	President and CEO, Representative Director, DUNLOP TYRE JAPAN,LTD.
[Analyst Names]*	Shinji Kakiuchi	Morgan Stanley MUFG Securities
	Tairiku Sakaguchi	Mizuho Securities
	Shiro Sakamaki	BofA Securities
	Naru Ohashi	Daiwa Securities
	Kenji Kanai	Tokai Tokyo Intelligence Laboratory

\*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.

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## Presentation

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**Inoue:** Ladies and gentlemen, thank you for your patience. We will now begin the presentation of Sumitomo Rubber Industries, Ltd.'s financial results briefing for Q2 ending December 31, 2025. I am Inoue from the IR Office of Sumitomo Rubber and I will serve as the moderator for today's briefing. Thank you.

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

**Yamamoto:** I am Yamamoto. Thank you.

**Inoue:** Director and Managing Executive Officer, Hidekazu Nishiguchi.

**Nishiguchi:** I am Nishiguchi. Thank you.

**Inoue:** Director, Senior Executive Officer, Naoki Okawa.

**Okawa:** I am Okawa. Thank you.

**Inoue:** General Manager, Accounting & Finance Headquarters, Shinji Araki.

**Araki:** I'm Araki. Thank you.

**Inoue:** Also joining us today is Jiro Kawase, President and CEO of Dunlop Tire Corporation.

**Kawase:** This is Kawase. Thank you.

**Inoue:** Today's presentation will follow the materials available on our website. For those attending in person, we have distributed two documents: the financial results summary and the financial results presentation materials. If there are any discrepancies, please inform the staff present in the hall.

We will begin with an overview of the financial results from President Yamamoto, followed by a more detailed explanation from Director Okawa. After the presentation, we would like to take questions from the audience. Thank you very much.

Now, Yamamoto will begin the presentation.

**Yamamoto:** I am Yamamoto, President and CEO. We would like to express our sincere appreciation for your continued understanding and support of the Company's business activities.

Now, I would like to explain the overview of the Group's performance for H1 of FY2025 and our current key initiatives.

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## Highlights



### Financial Results (2025 Jan.-Jun.)

- The progress of the first half is on track as planned (factoring in rising raw material costs, exchange rate impacts, and increased expenses).
- Sales revenue (572.2 B of yen), business profit (28.3 B of yen), operating profit (27.0 B of yen), profit attributable to owners of parent (14.4 B of yen)
- Business profit (%) was 4.9%
- Although Tires & Sports sales revenue and business profit dropped, sales revenue in industrial & other business decreased but business profit increased

### Current main initiatives

#### Structural reforms

Of the approximately 10 targeted businesses and products, 9 have been finalized.

▶ To be completed during 2025

#### Promoting premiumization of tire business

Acquired trademark and other rights of DUNLOP in tires for four-wheel consumer vehicles in Europe, North America, and Oceania (Closed on May 7, 2025). DUNLOP business started from May 2025 in North America and Australia.

▶ Plan to launch our unique products for North America market in Jan. 2026.

#### Building the foundation for growth business lines

Evolve ACTIVE TREAD technology

▶ Technology development underway to launch products for Europe and America in 2027.

SENSING CORE business development

▶ To be gradually installed by automakers

#### Countermeasures to U.S. Tariffs

Price pass-through & internal efforts

▶ To be implemented to achieve business profit during 2025

#### Profit generation & total cost reduction activities

Start Project ARK

▶ Promoting business profit of 10% or more by 2027

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Please refer to slide six.

In H1 of FY2025, the Group recorded sales revenue of JPY572.2 billion, 97% YoY; business profit of JPY28.3 billion, 67% YoY; operating profit of JPY27 billion, 64% YoY; and profit attributable to owners of parent of JPY14.4 billion, 37% YoY, resulting in a decrease in both revenue and profit.

However, at the initial planning stage for H1, we anticipated significant negative impacts from rising raw material costs, particularly natural rubber, as well as foreign exchange fluctuations. As such, we had planned for a YoY decline in profit, and overall, performance progressed largely in line with our plan.

In the tire business, although total unit sales declined YoY, our core products, the FALKEN and WILDPEAK series, exceeded the prior year's performance in the North American replacement market and continued to grow strongly. Sales of the FALKEN and WILDPEAK series have increased strongly compared to the previous year. In the domestic replacement market as well, we expanded our lineup of summer tires for SUVs, which enabled us to increase sales in the high-inch segment.

For the tire business as a whole, while sales and profit declined due to soaring raw material costs and the impact of yen appreciation, we made steady progress in line with our strategy, including the premiumization of our tire sales mix.

Next, regarding structural reforms, we identified paths forward for six businesses and products in 2024, including the top-priority reform of our North American operations. In H1 of this year, we identified an additional three businesses and products. As a result, we have now completed strategic direction-setting for nine out of the approximately ten businesses and products designated for structural reform in 2023.

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We are continuing efforts to enhance profitability through fundamental improvements to our cost structure and reductions in fixed costs. We will also ensure that the remaining business and product area is fully addressed within this year.

As for the expansion of the DUNLOP brand, sales began in North America and Australia this May. In addition, we plan to launch our own proprietary product for the North American market in January 2026. We will also begin rolling out in Europe in due course.

By introducing differentiated products manufactured by the Company under the DUNLOP brand in Europe, North America, and Oceania, we aim to increase the proportion of premium products. Our proprietary ACTIVE TREAD technology has continued to evolve since the launch of SYNCHRO WEATHER in Japan in October 2024. Our proprietary active tread technology has been evolving every day since the launch of SYNCHRO WEATHER in Japan in October 2024.

SYNCHRO WEATHER became the first tire product to win the Grand Award in the 2024 Nikkei Superior Products and Services Awards and also won the Grand Prix at the 38th Nikkan Jidosha Shimbun Car Accessories Award 2025. In addition, the ACTIVE TREAD technology adopted in SYNCHRO WEATHER has attracted global attention and received the R&D Breakthrough of the Year at the Tire Technology International Awards. We will continue to develop new products and technologies that bring game-changing innovations to the industry.

Development is steadily progressing for next-generation all-season tires equipped with even more advanced ACTIVE TREAD technology, tailored to the specific road conditions of Europe and North America, with a planned launch in 2027. We will position this tire, to be launched in Europe and North America in 2027, as a core product under the DUNLOP brand.

Another of our proprietary technologies, SENSING CORE, is software developed in-house that detects factors such as tire pressure, load, wear, road conditions, and signs of wheel detachment. It enhances driver safety and also contributes to improved vehicle maintenance efficiency.

There are two business models for SENSING CORE: one involves installation in passenger vehicles, and the other provides predictive maintenance services for commercial vehicles. We are actively proposing this solution both in Japan and overseas, and it has already progressed to the stage where multiple automakers have decided to adopt it. By expanding SENSING CORE globally, we will contribute to the advancement of automotive functionality and the realization of autonomous driving.

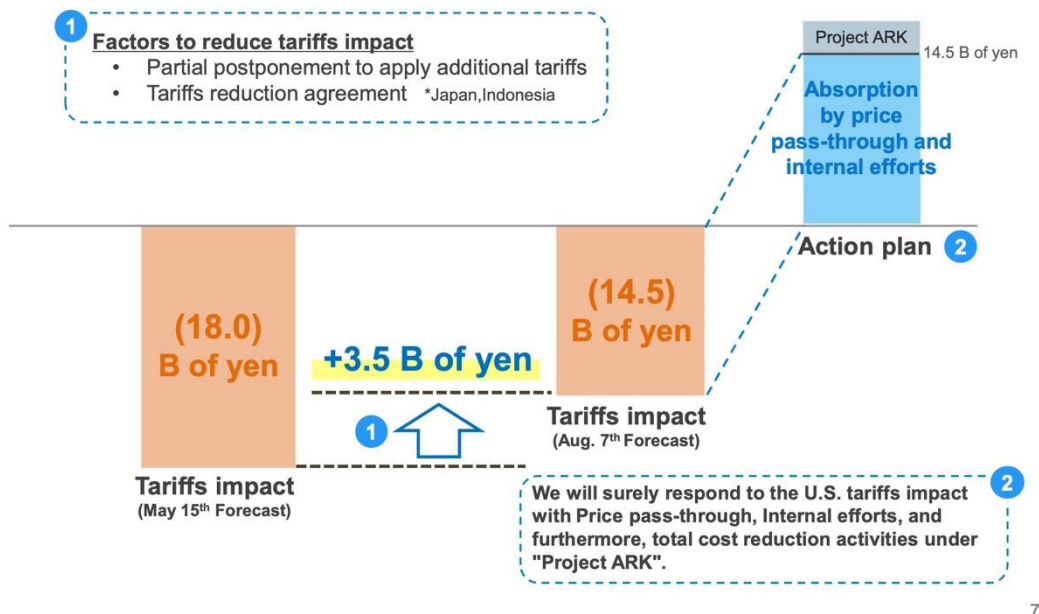
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### Basically respond to the impact of U.S. tariffs by price increases



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Next, I will explain the impact of US tariffs and our countermeasures. Please refer to slide seven.

In response to the recent agreements to reduce tariff rates in several countries, including Japan, we have revised our estimates of the impact of US tariffs on our tire and sports businesses, and reflected these changes in the full-year performance outlook for FY2025, which we had previously announced in Q1. We re-estimated the impact of US tariffs and incorporated it into the current plan.

At the time of our May financial results announcement, we had estimated the impact of the US tariff increase on the Company in FY2025 to be JPY18 billion across all businesses. Since then, due to the postponement of the application of additional tariffs and the agreements to reduce tariff rates in Japan and Indonesia, our latest estimate has been revised downward by JPY3.5 billion, to approximately JPY14.5 billion.

We plan to offset the impact of US tariffs through price increases, product mix improvement, and internal cost control efforts, so I would like to take a moment to explain.

Last year, the cost structure at our plant in Thailand was less than half that of our former plant in the United States prior to its shutdown. Since the 25% tariff on tires imported from Thailand is applied to the export price from Thailand, the actual impact is limited to approximately 12% to 13%. Meanwhile, with regard to factories located in the United States, since it is generally subject to tariffs on raw materials, we believe the Company is in a sufficiently competitive position to withstand these impacts.

Our policy of absorbing the tariff impact through price increases remains unchanged, and the risk that not all price increases can be passed on to the market has already been factored into our profit plan. In the tire business, we began implementing price increases in the US starting in May, and progress to date is generally in line with our plan.

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In the sports business, we began partially raising prices in June while monitoring the actions of competitors. As for tire sales volume, although we observed some pre-buying ahead of price increases and subsequent reactionary declines, we expect the full-year total to be generally in line with our initial plan. We will continue to closely monitor US trade policy developments, market conditions, and competitor trends, and will respond with flexibility and speed.

Our policy is to first offset the impact through price increases and absorb any shortfall through internal efforts. To further support this, I myself will serve as the owner of a new company-wide initiative, Project ARK, which is focused on profit generation and total cost reduction, and we will work together across the organization.

We are also hedging risks related to ocean freight by forming strategic partnerships with shipping companies. Following my presentation, Araki, the Project Promotion Leader, will provide an overview of Project ARK.

【Forecast】 Consolidated Financial Results (2025 Annual)					SUMITOMO RUBBER INDUSTRIES	
	Revised Forecast 2025	Actual 2024	YOY	May 15th 2025 Forecast 2025	Revised Forecast 2025 Jul.-Dec.	vs 2024
Sales Revenue	1,215.0	1,211.9	100%	1,220.0	642.8	103%
Business Profit (%)	95.0 7.8%	87.9 7.3%	108%	95.0 7.8%	66.7 10.4%	146%
Operating Profit (%)	84.0 6.9%	11.2 0.9%	751%	84.0 6.9%	57.0 8.9%	-
Profit	45.0	9.9	456%	45.0	30.6	-
ROIC *1	6.6%	6.5%		6.7%		
ROE	6.8%	1.5%		7.0%		
ROA *2	6.8%	6.7%		6.9%		
D/E Ratio	0.6	0.5		0.7		

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

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Please refer to slide 22.

Our full-year forecast for FY2025 is as follows: sales revenue of JPY1,215 billion, 100% YoY; business profit of JPY95 billion, 108% YoY; operating profit of JPY84 billion, 751% YoY; and profit attributable to owners of parent of JPY45 billion, 456% YoY.

Among these, only the sales revenue figure has been revised from the outlook announced in May of this year. The revision reflects the H1 results, H2 sales outlook, and foreign exchange impacts. Meanwhile, the profit forecast remains unchanged from the original target announced at the beginning of the year.

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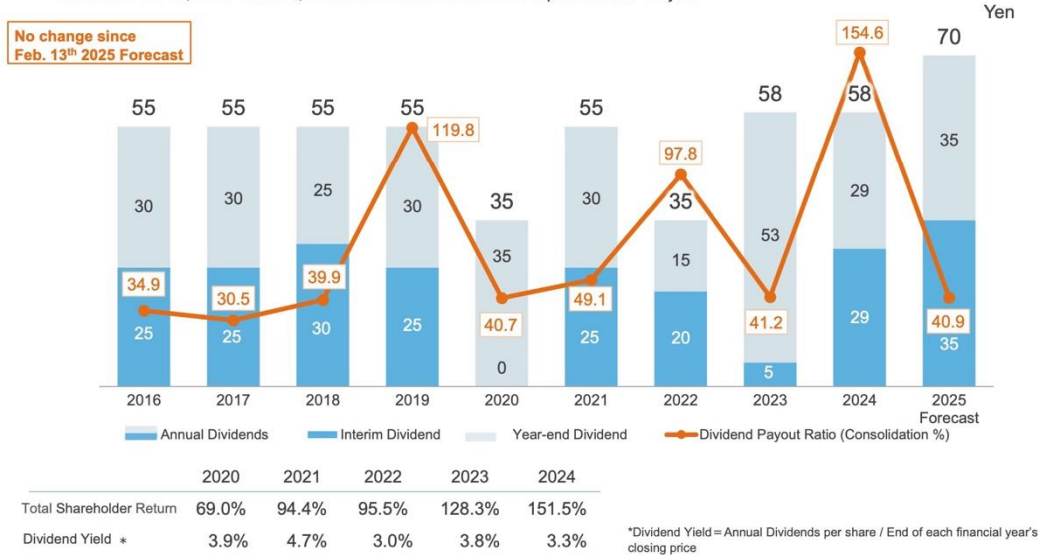
## Shareholder Returns



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, aiming for a consolidated dividend payout ratio of 40% or more, while comprehensively assessing business performance prospects, retained earnings levels and other such indicators on a consolidated basis.

### Determination of 2025 Interim Dividend Payment and Forecast of Annual Dividends :

Based on the consolidated financial results for the six months ended Jun. 30, 2025, we have decided to pay an interim dividend of 35 yen per share (unchanged from Feb. 13, 2025 forecast). We have kept the year-end dividend of 35 yen per share, the same as Feb. 13, 2025 forecast, and the annual dividends are expected to be 70 yen.



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Please refer to slide 36.

The interim dividend for 2025 is set at JPY35 per share, as initially forecast. The year-end dividend is also projected to be JPY35 per share, resulting in a full-year dividend of JPY70, with no changes from the dividend outlook announced in February of this year. We will continue to aim for a stable dividend with a target consolidated payout ratio of 40% or more.

Now, I would like to hand over to Araki, our Project Promotion Leader, to provide a more detailed explanation.

**Araki:** I am Araki, General Manager of the Accounting & Finance Headquarters.

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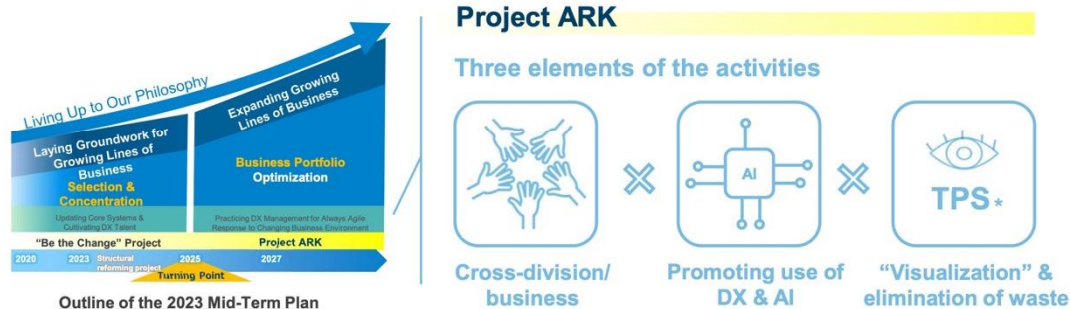
## Project ARK



### Project ARK is ...

**“a project to tackle total cost reduction from a new perspective”**

evolved from the 'Be The Change (BTC) Project', which was launched in 2020 to reinforce the foundations of our business



**Challenge to reduce total costs by 30.0 B of yen until 2027**

**Building a management foundation resilient to change**

\*TPS : Toyota Production System

8

Please refer to slide eight. I would now like to explain the Company’s total cost reduction initiative, Project ARK.

Under the leadership of President Yamamoto, we launched a company-wide initiative in 2020 called the Be The Change Project, through which we began efforts to improve our organizational structure and strengthen our profit foundation. As part of this, I personally served as the leader of the cash generation initiative and drove working capital improvement, an area we had not actively addressed before, achieving a target of JPY30 billion in cash generation by 2022. Following that, in 2023, we announced our mid-term business plan and have since been engaged in structural reforms through the selection and concentration of businesses, with a target year of 2025. As part of this, I personally served as the leader of the cash generation initiative and drove working capital improvement, an area we had not actively addressed before, achieving a target of JPY30 billion in cash generation by 2022.

Following that, in 2023, we announced our mid-term business plan and have since been engaged in structural reforms through the selection and concentration of businesses, with a target year of 2025. In reconsidering how to further strengthen our profit foundation, we launched Project ARK based on the belief that a new approach to total cost reduction is necessary, one that integrates multiple perspectives. This includes the TPS perspective of visualizing workflows across upstream and downstream processes and thoroughly eliminating waste; considering transformation not only within departments of a business unit but also across multiple business units; and combining these with the technologies we have been advancing, such as DX promotion and AI utilization.

Through the activities of Project ARK, which approaches cost reduction from a new perspective, we aim to achieve a total cost reduction of JPY30 billion by the end of 2027, the near-term target year of our long-term management strategy.

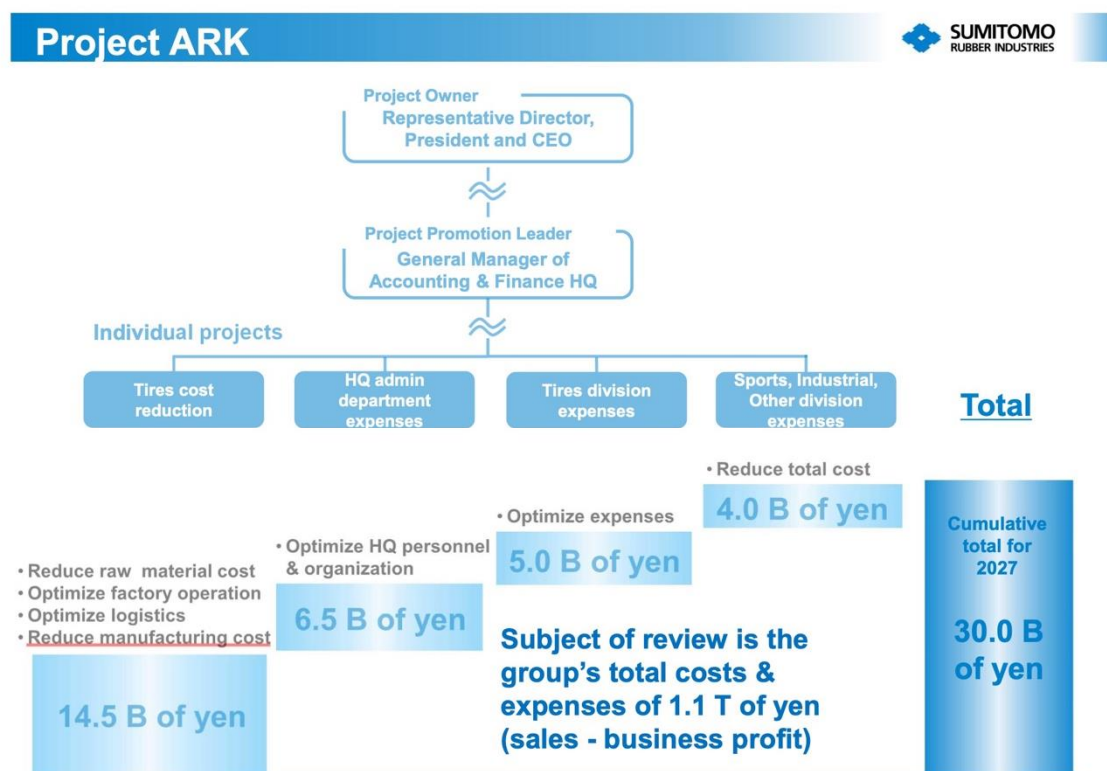
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The Company has faced various changes in the business environment over the years, including yen appreciation, surging raw material prices, the global financial crisis, the COVID-19 pandemic, and, most recently, US tariffs under the Trump administration. By advancing Project ARK, which carries forward the direction of the Be The Change initiative, we intend to help build a robust management foundation that is resilient to such external changes.



9

Please refer to slide nine.

Project ARK is a company-wide initiative led by President Yamamoto as the project owner. We have organized several teams, targeting areas such as tire production costs, shared expenses in administrative and R&D functions, and non-tire business segments, and have set specific cost reduction targets for each team. Our goal is to reduce the Group's total cost base, which amounts to approximately JPY1.1 trillion annually, by JPY30 billion by the end of 2027.

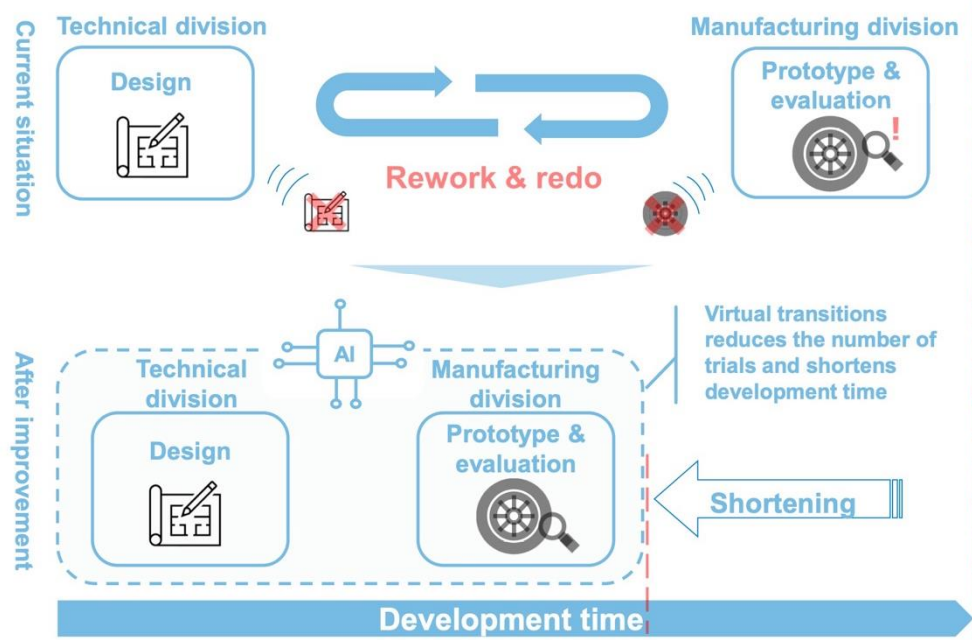
As an example, I would like to introduce one of the initiatives focused on reducing tire production costs, which represent a large proportion of the Company's overall cost structure.

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### Example : Shortening tire development lead time



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Please refer to slide 10.

For example, in the case of developing a new tire product, the lead time from planning and development, based on market requirements, through to production and market launch typically takes two to three years. While many departments are involved, each working on efficiency improvements and cost control within their respective areas, when visualizing the entire process, it became clear that numerous exchanges of information were taking place between the head office's technical division and the plant's manufacturing division, resulting in the production of multiple types of prototype tires.

In the past, prototype tires were produced by forcibly inserting production instructions into the plant's manufacturing schedule, and molds had to be ordered and fabricated for each size, resulting in significant time and cost. However, by utilizing virtual technologies to minimize the number of prototype tires produced, and by fully integrating data between the technical division and the manufacturing division through the use of AI, we are eliminating waste through the application of technology. This allows us to shorten development lead times, reduce total costs, and also help suppress the anticipated increase in development workload associated with the future development of new DUNLOP tires for European, North American, and Australian markets.

We are also working on measures that include improving efficiency across sales offices, warehouses, and logistics networks that span multiple business divisions, and we are currently advancing discussions to formulate concrete initiatives.

Carrying forward the spirit of challenge cultivated through our activities "Be the Change", we will devote ourselves wholeheartedly to the success of Project ARK as well. We hope you will look forward to the results. Thank you very much.

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**Inoue:** Next, Director Okawa will provide a detailed explanation of the financial results for Q2 of the fiscal year ending December 31, 2025.

**Okawa:** I am Okawa. Thank you very much for attending our financial results briefing today. I would also like to take this opportunity to express our sincere gratitude for the continued support we receive from all our stakeholders.

## Consolidated Financial Results (2025 Jan.-Jun.)



Billions of Yen

	2025 Jan.-Mar.	vs 2024	2025 Apr.-Jun.	vs 2024	2025 Jan.-Jun.	vs 2024	May 15 <sup>th</sup> 2025 Forecast 2025 Jan.-Jun.	2024 Jan.-Jun.
Sales Revenue	287.8	99% (3.6)	284.4	96% (11.3)	572.2	97% (14.8)	590.0	587.0
Business Profit (%) <small>*1,3</small>	14.1 4.9%	61% (9.1)	14.2 5.0%	74% (4.9)	28.3 4.9%	67% (14.0)	30.0 5.1%	42.3 7.2%
Operating Profit (%) <small>*3</small>	12.3 4.3%	60% (8.4)	14.7 5.2%	69% (6.5)	27.0 4.7%	64% (14.9)	28.0 4.7%	42.0 7.1%
Profit <small>*2,3</small>	3.6 14% (21.3)		10.8 78% (3.1)		14.4 37% (24.4)		13.0	38.7

\*1. Business Profit : Sales Revenue – (COS + SGA)

\*2. Profit : Profit attributable to owners of parent

\*3. Accounting adjustments have been applied since 2<sup>nd</sup> quarter, 2022, as pursuant to IAS 29 "Financial Reporting in Hyperinflationary Economies".

The above notes apply throughout this report.

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Now, I will explain the consolidated financial results for H1 of FY2025. First, please refer to slide 11.

As shown in the blue box, consolidated results for H1 of FY2025 were as follows: sales revenue was JPY572.2 billion, business profit was JPY28.3 billion, operating profit was JPY27 billion and profit attributable to owners of parent was JPY14.4 billion. Sales revenue declined, and all profit metrics also decreased.

The business profit margin fell from 7.2% in the previous year to 4.9%, but we expect it to recover in the full-year results for FY2025 through price revisions, total cost reductions, and an increase in the proportion of premium tires.

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**Consolidated Sales Revenue / Business Profit by Reportable Segment  
(2025 Jan.-Jun.)**



Billions of Yen

		2025 Jan.-Mar.	vs 2024	2025 Apr.-Jun.	vs 2024	2025 Jan.-Jun.	vs 2024	May 15 <sup>th</sup> 2025 Forecast 2025 Jan.-Jun.	2024 Jan.-Jun.
<b>Sales Revenue</b>	Tires	244.6	100%	243.8	97%	<b>488.3</b>	<b>98%</b>	502.5	496.1
	Sports	32.4	88%	32.3	93%	<b>64.7</b>	<b>90%</b>	68.5	71.6
	Industrial & Other	10.8	102%	8.4	95%	<b>19.2</b>	<b>99%</b>	19.0	19.4
	<b>Total</b>	<b>287.8</b>	<b>99%</b>	<b>284.4</b>	<b>96%</b>	<b>572.2</b>	<b>97%</b>	<b>590.0</b>	<b>587.0</b>
<b>Business Profit</b>	Tires	10.9	60%	11.3	72%	<b>22.2</b>	<b>65%</b>	24.0	34.0
	Sports	1.7	41%	2.3	84%	<b>4.0</b>	<b>58%</b>	4.0	7.0
	Industrial & Other	1.5	215%	0.6	94%	<b>2.1</b>	<b>156%</b>	2.0	1.3
	<b>Total</b>	<b>14.1</b>	<b>61%</b>	<b>14.2</b>	<b>74%</b>	<b>28.3</b>	<b>67%</b>	<b>30.0</b>	<b>42.3</b>

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

Please refer to slide 13. This slide shows sales revenue and business profit by segment. The results for H1 are shown in the blue box.

In the tire business, sales revenue was JPY488.3 billion, 98% YoY, and business profit was JPY22.2 billion, 65% YoY. While raw material cost increases and a decline in unit sales led to a decrease in both revenue and profit in H1, results were generally in line with the plan.

Below that, in the sports business, sales revenue was JPY64.7 billion, 90% YoY, and business profit was JPY4 billion, 58% YoY. Both sales and profit declined, primarily due to the deterioration of business performance in South Korea.

Meanwhile, in industrial and other products, sales revenue was JPY19.2 billion, 99% YoY, and business profit was JPY2.1 billion, 156% YoY, marking a significant increase in business profit.

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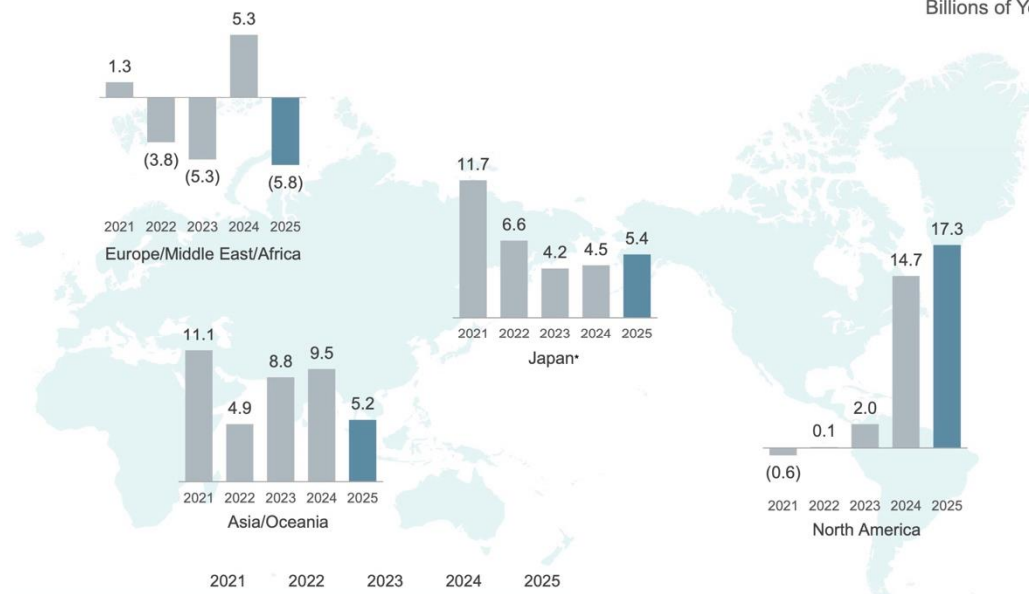
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## Consolidated Tire Business Profit by Region (Jan.-Jun.)



Billions of Yen



	2021	2022	2023	2024	2025
Business profit of Tires	23.5	7.7	9.8	34.0	22.2
Overseas	11.8	1.1	5.6	29.5	16.8
% of Overseas	50%	14%	57%	87%	76%

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

16

Please turn to slide 16.

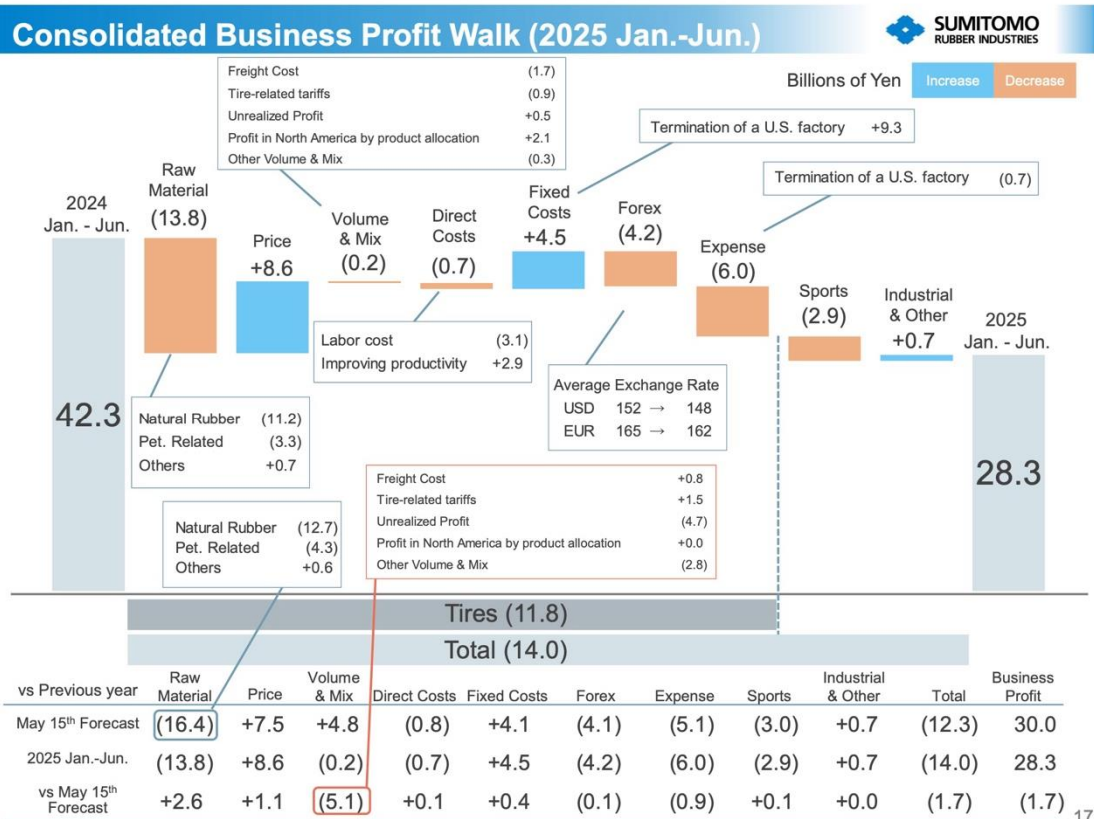
This slide shows business profit by region for the tire business, which is one of the Company's key performance indicators. Regional trends are shown, and please note that direct exports from Japan not routed through group sales companies are counted under Japan. As shown, Europe, the Middle East, and Africa recorded a loss due to cost increases. In Asia and Oceania, performance declined due to underperformance in China. However, in Japan and the Americas, results improved steadily.

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Please refer to slide 17.

This slide shows the breakdown of changes in business profit for H1 compared to the same period last year. First, raw material costs, primarily driven by the surge in natural rubber prices, resulted in a JPY13.8 billion negative impact. Price revisions, including those for both OEM and replacement tires, were steadily implemented, resulting in a JPY8.6 billion positive impact.

Volume, mix, and other factors had a JPY0.2 billion negative impact. Details are provided in the speech bubble in the upper left corner of the slide.

Foreign exchange had a JPY4.2 billion negative impact due to yen appreciation against many currencies. expenses increased by JPY6 billion, mainly due to higher labor costs. As a result, business profit in the tire business declined by JPY11.8 billion. Including a JPY2.9 billion decline in the sports business and a JPY0.7 billion gain in industrial and other products, the total company-wide decline in business profit was JPY14 billion.

This time, the lower section of the slide shows the variance from the Q1 forecast, with a company-wide shortfall of JPY1.7 billion. Among the variance factors, the largest was the JPY5.1 billion negative impact from volume, mix, and other, highlighted in the red box third from the left. The breakdown of this item is shown in the red box in the upper right corner, with the largest factor being a JPY4.7 billion decrease in unrealized profit.

This was mainly due to the deliberate increase in North American inventory in advance of the implementation of the Trump tariffs. As for the other items, most were executed largely in line with the previous forecast. While there were moments when ocean freight rates rose, strategic contract arrangements enabled us to reduce costs as planned.

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## Consolidated Statement of Profit & Loss



Billions of Yen				Main factor	
	2024 Jan.-Jun.	2025 Jan.-Jun.	vs 2024 Jan.- Jun.		
Sales revenue	587.0	<b>572.2</b>	(14.8)	<b>1 Business profit</b> Refer to page 6 to 17 for details	
Cost of sales	(410.3)	<b>(406.0)</b>	+4.3		
Selling, general and administrative expenses	(134.5)	<b>(137.9)</b>	(3.5)		
<b>Business profit</b>	42.3	<b>28.3</b>	(14.0)		
Other income	2.3	<b>1.5</b>	(0.9)		
Other expenses	(2.7)	<b>(2.7)</b>	(0.1)		
<b>Operating profit</b>	42.0	<b>27.0</b>	(14.9)		
Financial income	15.8	<b>11.8</b>	(4.0)		
Financial expenses	(4.1)	<b>(18.9)</b>	(14.7)		
Equity in earnings of affiliates	(0.0)	<b>0.1</b>	+0.1		
<b>Profit before tax</b>	53.6	<b>20.1</b>	(33.5)		
Income tax expenses	(12.4)	<b>(4.4)</b>	+8.0		
Non-controlling interests	(2.4)	<b>(1.3)</b>	+1.1		
<b>Profit</b>	38.7	<b>14.4</b>	(24.4)		

	Actual	vs 2024 Jan.- Jun.
<b>2 Other income</b>		
Other non-operating profit	1.3 B of yen	(0.2) B of yen
<b>3 Other expenses</b>		
Other non-operating expenses	(1.7) B of yen	(0.3) B of yen
Loss on retirement or sales of non-current assets	(0.9) B of yen	(0.5) B of yen
<b>4 Financial income</b>		
Gain on net monetary position	9.8 B of yen	+5.5 B of yen
Interest received	1.5 B of yen	(0.1) B of yen
Foreign exchange profit	-	(9.4) B of yen
<b>5 Financial expenses</b>		
Foreign exchange loss	(14.2) B of yen	(14.2) B of yen
Interest expenses	(3.5) B of yen	+0.0 B of yen
Loss on valuation of derivatives	(1.1) B of yen	(0.6) B of yen

18

Please refer to slide 18. I will now explain the main factors behind the differences in items below the business profit. First, item four, financial income, recorded a gain of JPY11.8 billion, mainly due to the gain on net monetary position associated with accounting for hyperinflation in Turkey, as noted on the right-hand side of the slide.

Next, item five, financial expenses, recorded a loss of JPY18.9 billion, primarily due to valuation losses resulting from yen depreciation, also as shown on the right-hand side of the slide.

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## Consolidated Statement of Financial Position



Billions of Yen

	As of Dec. 31, 2024	As of Jun. 30, 2025	vs Dec. 31, 2024	Main factor
Current assets	669.8	<b>630.6</b>	① (39.2)	<b>① Current assets</b> Trade and other receivables (35.2) B of yen Cash and cash equivalents (14.4) B of yen Inventories (1.0) B of yen
Non-current assets	671.4	<b>722.4</b>	② +51.1	
<b>Total assets</b>	<b>1,341.1</b>	<b>1,353.0</b>	+11.9	
Current liabilities	370.6	<b>408.9</b>	+38.3	<b>② Non-current assets</b> Tangible assets (12.2) B of yen Intangible assets (including goodwill) +107.3 B of yen Deferred tax assets (3.6) B of yen
Non-current liabilities	294.7	<b>284.8</b>	(9.8)	
<b>Total liabilities</b>	<b>665.3</b>	<b>693.7</b>	③ +28.4	
Total equity attributable to owners of parent	656.1	<b>641.5</b>	④ (14.7)	<b>③ Total liabilities</b> Trade and other payables (24.8) B of yen Other current liabilities (8.8) B of yen Interest-bearing debt +72.8 B of yen (331.2→404.0)
Non-controlling interest	19.7	<b>17.8</b>	(1.9)	
<b>Total equity</b>	<b>675.8</b>	<b>659.3</b>	(16.5)	
<b>Total liabilities and equity</b>	<b>1,341.1</b>	<b>1,353.0</b>	+11.9	<b>④ Equity</b> Foreign currency translation adjustment (18.4) B of yen Dividends paid (7.6) B of yen Profit +14.4 B of yen
Equity ratio	48.9%	<b>47.4%</b>	(1.5)P	

19

Please refer to slide 19.

This slide shows the status of the consolidated balance sheet. Total assets amounted to JPY1,353 billion. Intangible assets increased by approximately JPY100 billion, primarily due to the acquisition of the DUNLOP trademark rights. On the other hand, interest-bearing debt increased by more than JPY70 billion, also due to the DUNLOP trademark acquisition. As a result, the equity ratio declined by 1.5 percentage points from the previous period, to 47.4%.

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## 【Forecast】 Consolidated Financial Results (2025 Annual)



Billions of Yen

	Revised Forecast 2025	Actual 2024	YOY	May 15th 2025 Forecast 2025	Revised Forecast 2025 Jul.-Dec.	vs 2024
Sales Revenue	<b>1,215.0</b>	1,211.9	100%	1,220.0	642.8	103%
Business Profit (%)	<b>95.0</b> <b>7.8%</b>	87.9 7.3%	108%	95.0 7.8%	66.7 10.4%	146%
Operating Profit (%)	<b>84.0</b> <b>6.9%</b>	11.2 0.9%	751%	84.0 6.9%	57.0 8.9%	-
Profit	<b>45.0</b>	9.9	456%	45.0	30.6	-
ROIC *1	<b>6.6%</b>	6.5%		6.7%		
ROE	<b>6.8%</b>	1.5%		7.0%		
ROA *2	<b>6.8%</b>	6.7%		6.9%		
D/E Ratio	<b>0.6</b>	0.5		0.7		

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

22

Please refer to slide 22.

This is the consolidated earnings forecast for FY2025. As shown in the blue box, sales revenue is projected at JPY1,215 billion, 100% YoY; business profit at JPY95 billion, 108% YoY; operating profit at JPY84 billion, 751% YoY; and profit attributable to owners of parent at JPY45 billion, 456% YoY.

We have revised down sales revenue by JPY5 billion to reflect the impact of lower sales volume, while business profit, operating profit, and profit attributable to owners of parent remain unchanged.

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**[Forecast] Consolidated Sales Revenue / Business Profit  
by Reportable Segment (2025 Annual)**



Billions of Yen

		Revised Forecast 2025	Actual 2024	YOY	May 15 <sup>th</sup> 2025 Forecast 2025	Revised Forecast 2025 Jul.-Dec.	vs 2024
<b>Sales Revenue</b>	Tires	<b>1,049.5</b>	1,046.4	100%	1,054.0	561.2	102%
	Sports	<b>124.0</b>	125.7	99%	124.5	59.3	110%
	Industrial & Other	<b>41.5</b>	39.8	104%	41.5	22.3	109%
	<b>Total</b>	<b>1,215.0</b>	1,211.9	100%	1,220.0	642.8	103%
<b>Business Profit</b>	Tires	<b>84.0</b>	76.2	110%	83.0	61.8	147%
	Sports	<b>6.5</b>	7.9	83%	7.5	2.5	269%
	Industrial & Other*	<b>4.5</b>	3.9	116%	4.5	2.4	95%
	<b>Total</b>	<b>95.0</b>	87.9	108%	95.0	66.7	146%

\*The elimination of inter-segment transactions is included. 24

Please turn to slide 24.

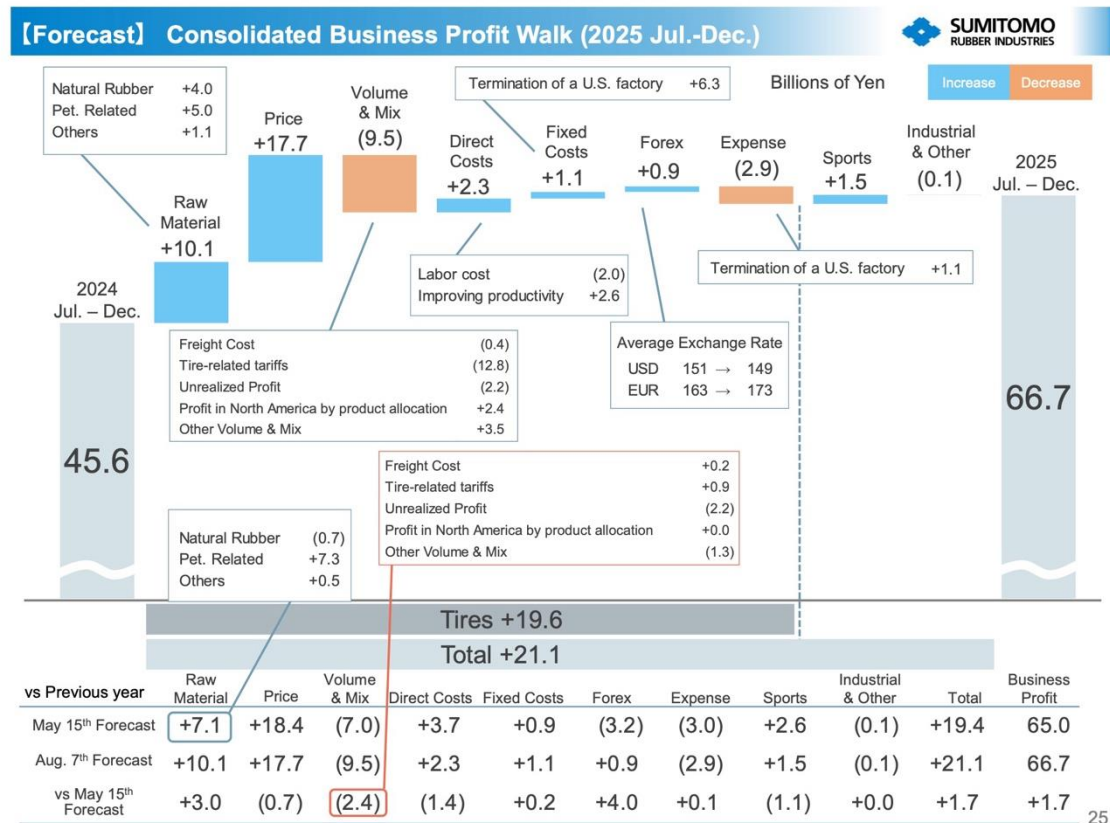
This shows the FY2025 forecast by segment for sales revenue and business profit. While the total company business profit remains unchanged from the previous forecast, we have revised the tire segment upward by JPY1 billion, and the sports segment downward by JPY1 billion.

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Please refer to slide 25. This slide shows the breakdown of changes in business profit for H2 compared to the same period of the previous year. First, raw material costs, which had a negative impact in H1, are now expected to result in a JPY10.1 billion positive impact, reflecting lower prices for petroleum-based materials and the effects of individual VA initiatives.

Price impact is JPY17.7 billion, which includes price pass-through related to the Trump tariffs. As for volume, mix, and other factors, while positive effects are expected from the structural reforms in North America, the negative impact from the Trump tariffs is significant, and we are forecasting a JPY9.5 billion decrease. Direct costs and fixed costs are projected to improve by JPY2.3 billion and JPY1.1 billion, respectively, thanks to the effects of the North American structural reforms. Foreign exchange is expected to contribute a JPY0.9 billion positive impact, reflecting the recent trend of yen depreciation.

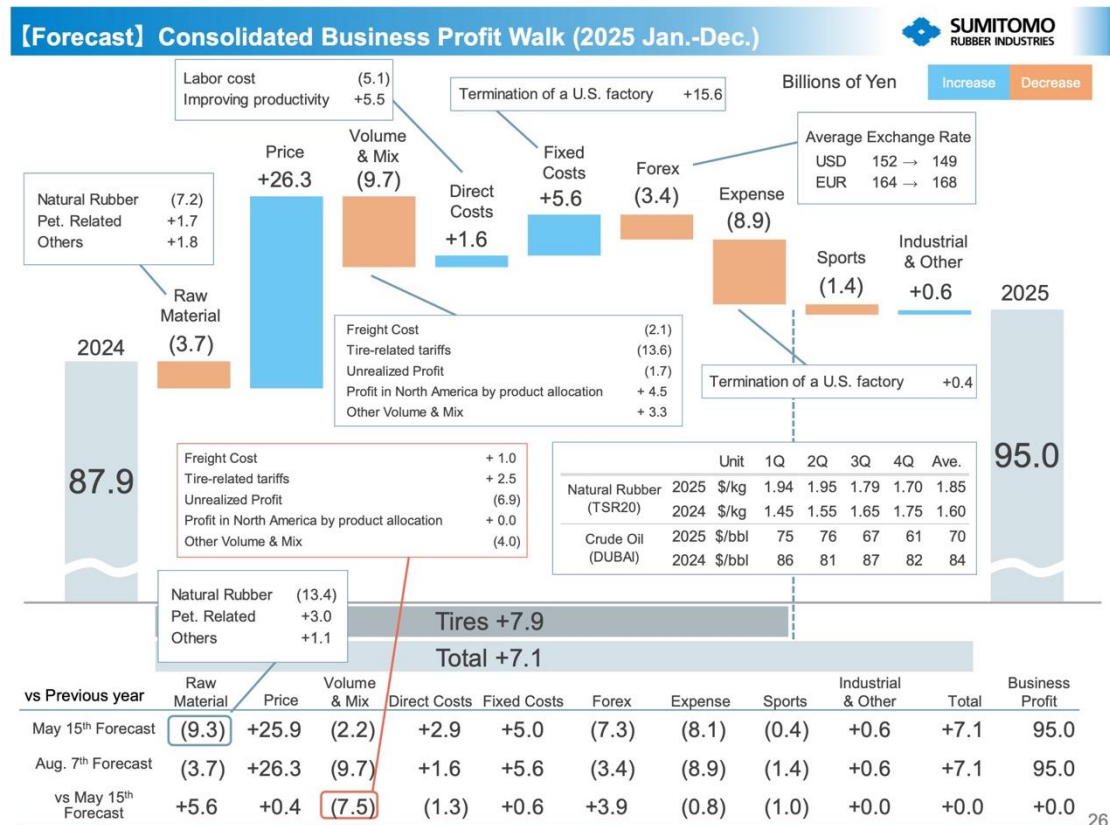
Expenses are projected to increase by JPY2.9 billion, incorporating higher DX-related costs and increased labor costs, as previously announced. As a result, the tire business is expected to post a JPY19.6 billion increase in business profit.

The sports business is projected to increase by JPY1.5 billion, supported by the launch of new products, while industrial and other products are expected to remain roughly flat YoY. Altogether, the Company expects a total business profit increase of JPY21.1 billion in H2.

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Please refer to slide 26.

This slide shows the breakdown of changes in business profit for the full year of FY2025 compared to the previous fiscal year. It is the combined total of the H1 and H2 analyses explained earlier. Business profit is projected to increase from JPY87.9 billion in the previous year to JPY95 billion this year, an increase of JPY7.1 billion.

At the bottom of the chart, we have listed the items with the largest variances from the previous forecast. Starting from the left, raw materials are expected to improve by JPY5.6 billion, reflecting recent declines in contract prices. Moving two columns to the right, volume, mix, and other factors are expected to decline by JPY7.5 billion, as noted in the red callout box. This reflects the impact of unrealized profit due to increased inventory in North America, as well as a decrease in quantity. Three columns further to the right, foreign exchange is expected to improve by JPY3.9 billion, factoring in recent yen depreciation. As a result, the full-year company-wide business profit forecast remains unchanged from the previous projection.

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## Tire Sales Volume (Comparison %)



vs Previous year		2024 Actual					2025 Jan.-Jun. Actual, Jul.-Dec. Forecast					May 15 <sup>th</sup> 2025 Forecast		
		Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Annual	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Annual	Jan.-Jun.	Jul.-Dec.	Annual
Domestic O.E.		78%	90%	87%	88%	86%	120%	104%	102%	101%	106%	111%	103%	106%
Domestic Rep.		86%	97%	108%	103%	98%	96%	91%	100%	90%	94%	94%	95%	94%
Overseas O.E.		90%	89%	89%	90%	90%	91%	92%	90%	91%	91%	92%	92%	92%
Overseas Rep.		100%	93%	99%	102%	98%	94%	96%	95%	98%	96%	97%	99%	98%
Details	North America	107%	86%	98%	101%	98%	83%	97%	91%	100%	93%	95%	94%	94%
	Europe	102%	105%	90%	96%	98%	97%	90%	110%	105%	101%	96%	105%	101%
	Asia	93%	89%	103%	114%	99%	104%	95%	88%	96%	96%	99%	97%	98%
	Others	100%	93%	104%	100%	99%	94%	100%	92%	91%	95%	98%	98%	98%
Total		93%	93%	97%	98%	95%	97%	95%	96%	95%	96%	97%	97%	97%
Total Tire Sales (000 Units)		24,610	24,870	26,090	27,760	103,330	23,850	23,690	25,020	26,460	99,030	48,030	52,430	100,470

28

Please refer to slide 28.

This slide shows the YoY trend in tire sales volume. As noted in the lower part of the blue box on the left, sales volume for the April to June period was 23.69 million units, or 95% YoY. Looking at performance by market, domestic OE was 104% YoY, as production cutbacks at automakers in the previous year recovered. Domestic replacement was 91% YoY, due in part to the delisting of certain products under our profit-focused strategy. Overseas OE was 92% YoY, as unit sales struggled to grow in China. Overseas replacement was 96% YoY.

By region, North America was 97% YoY, Europe was 90% YoY, Asia was 95% YoY, and others were 100% YoY. In Europe, particularly the Middle East, demand continued to shift toward budget tires, resulting in sluggish sales volume. Meanwhile, in North America, although total unit sales were slightly below the prior year, sales of our core WILDPEAK series remained strong.

Next, regarding the full-year tire sales volume forecast for FY2025, as noted in the lower part of the blue box on the right, we expect 99.03 million units, representing a 4% YoY decrease. By market, domestic OE is expected to be 106% YoY, while domestic replacement is forecast at 94% YoY, as we continue to focus on expanding sales of high-margin plug-in products. Overseas OE is projected at 91% YoY, based on recent trends through H1.

Overseas replacement is expected to be 96% YoY. By region, North America is forecast at 93% YoY, Europe at 101% YoY, Asia at 96% YoY, and others at 95% YoY.

Compared to the forecast announced in Q1, shown on the far right, the full-year total is projected to be one point lower.

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## Tire Volume by Category (Comparison %)



vs Previous Year	Actual 2024 Jan.-Jun.				Actual 2024 Jan.-Dec.			
	O.E.	Rep.	Total	Composition ratio	O.E.	Rep.	Total	Composition ratio
Passenger Tires	89%	95%	93%	88%	89%	98%	95%	88%
Advanced Tires *2	98%	99%	99%	39% *1	96%	101%	99%	40% *1
Premium Tires *3	-	-	-	43% *1	-	-	-	44% *1
Truck & Bus Tires	106%	89%	91%	3%	100%	97%	98%	4%
Motorcycle, Industrial & Other Tires	74%	97%	87%	9%	79%	104%	93%	9%
Total	87%	95%	92%	100%	88%	98%	95%	100%

vs Previous Year	Actual 2025 Jan.-Jun.				2025 Jan.-Dec. Forecast			
	O.E.	Rep.	Total	Composition ratio	O.E.	Rep.	Total	Composition ratio
Passenger Tires	99%	95%	96%	88%	97%	95%	96%	88%
Premium Tires *3	102%	97%	99%	45% *1	100%	102%	101%	46% *1
Truck & Bus Tires	106%	96%	97%	3%	112%	92%	94%	4%
Motorcycle, Industrial & Other Tires	101%	97%	99%	9%	97%	93%	95%	8%
Total	100%	95%	96%	100%	97%	95%	96%	100%

### Advanced Tires/Premium Tires Composition Ratio\*1 by Year

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

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

\*1.Composition Ratio to Passenger Tires

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

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

29

Please refer to slide 29. As shown in the blue box, in H1 of FY2025, passenger car tires accounted for the majority of total tire sales, representing 88% of the total. Within this, premium tires, which we are focusing on, accounted for 45%.

Looking at the transition in the premium tire composition ratio in the chart at the bottom of the slide, we forecast the full-year ratio to increase by 2 percentage points compared to the previous year, reaching 46%.

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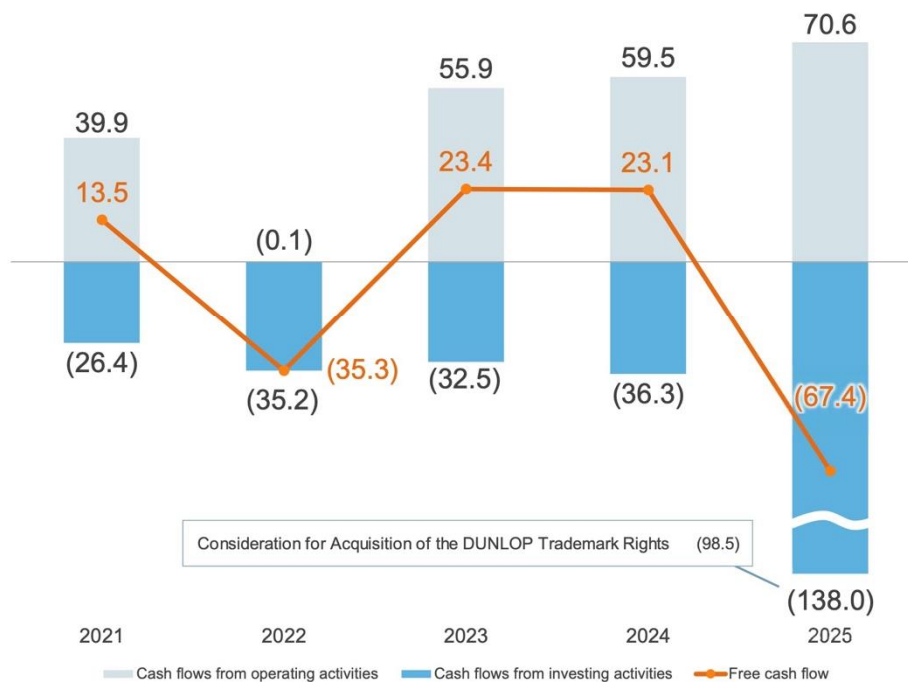
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## Cash Flows (Jan.-Jun.)



Billions of Yen



32

Next, please turn to slide 32.

This slide shows the cash flow trend. On the far right, operating cash flow for H1 of FY2025 was JPY70.6 billion. On the other hand, investing cash flow was negative JPY138 billion, due in part to the acquisition of the DUNLOP trademark rights.

As a result, free cash flow came to negative JPY67.4 billion.

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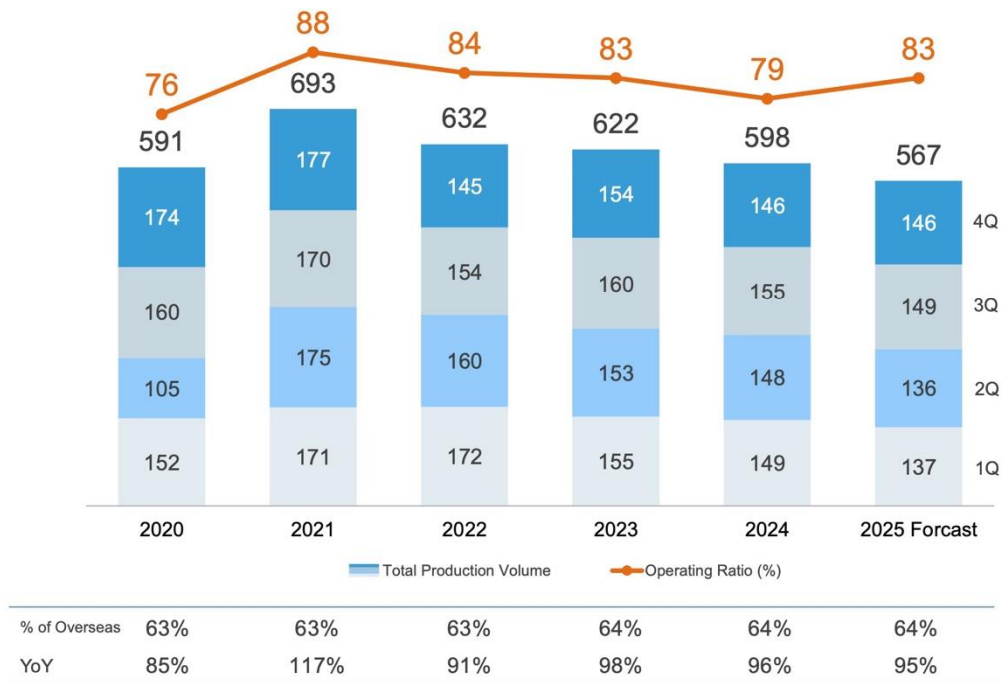
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## Tire Production Volume and Operating Ratio



Unit : 000t



35

Please refer to slide 35.

This slide shows the trends in tire production volume and operating rate. As shown at the far right of the chart, annual production volume for FY2025 is forecast to be 567,000 tons, a decrease from the previous year. The annual operating rate is expected to be 83% and compared to the forecast at the end of Q1, production volume has been revised downward to reflect lower sales volume.

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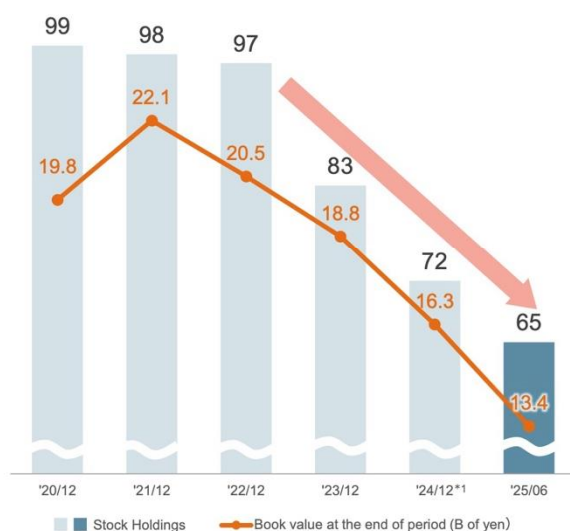
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## Progress status of Cross-Shareholdings' sales



In the second quarter of 2025, we sold seven stocks,  
which generated free cash flow.



2025 Jan.-Jun.

► Number of stocks sold

**7** stocks

► Raising amount of Cash

**2.4** B of yen

► Profit on sales of investment securities

**1.4** B of yen

(Non-consolidated financial statement only) \*2

► Equity ratio

2024/12 1.2% ⇒ 2025/06 **1.0%**

2024/12 book value 16.3B of yen ⇒ 2025/06 book value 13.4 B of yen

\*1. Including investment in Viaduct Inc., a US-based AI-powered connected vehicle analytics company.

\*2. Consolidated financial statement was not affected on profit due to adopt IFRS. 37

Please refer to slide 37.

As one of our initiatives to promote management with a focus on capital cost, we have consistently worked to reduce cross-shareholdings. As a result, in H1 of FY2025, we sold seven stocks, reducing the ratio of cross-shareholdings to total assets to 1%. We will continue to pursue further reductions going forward.

With regard to shareholder return policy, as explained earlier by President Yamamoto, we remain committed to maintaining stable dividend payments over the long term. We ask for your continued understanding in this regard.

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## Golf business - Tour results for 2025



### SRIXON contracted players' performance (as of August 3)

U.S. PGA Tour: **7 wins/36 games** \*Updated record for most wins in a year (5 wins), win share: 2nd among all golf manufacturers  
 Won 2 games in the same week, **Three consecutive wins, incl. U.S. Open (major)**  
**Achieved four major Grand Slams with SRIXON balls, 5th major win**

U.S. LPGA Tour: **Two wins in the majors (Evian Championship, The Women's Open)**, Japanese pros are performing excellently

Japan Tour:  
 Men's: Shogenji pro won two tournaments, **taking the first place in prize money ranking**  
 Women's: 6 wins thanks to the efforts of key players & rookies

 <b>The Sentry</b> Jan.2-5 <b>Hideki Matsuyama</b>	 <b>American Express</b> Jan.15-19 <b>Sepp Straka</b>	 <b>U.S. Open</b> Jun.12-15 <b>J.J. Spaun</b>	 <b>The Amundi Evian Championship</b> Jul.9-12 <b>Grace Kim</b>	 <b>AIG Women's Open</b> Jul.31-Aug.3 <b>Miyuu Yamashita</b>
 <b>Trustat Championship</b> May.8-12 <b>Sepp Straka</b>	 <b>One Flight Myrtle Beach Classic</b> May.7-10 <b>Ryan Fox</b>		 <b>Blue Bay LPGA</b> Mar.6-9 <b>Ryo Takeda</b>	 <b>MEXICO Riviera Maya Open at Mayakoba</b> May.22-25 <b>Chisato Iwai</b>
 <b>RBC Canadian Open</b> Jun.5-8 <b>Ryan Fox</b>	 <b>Travelers Championship</b> Jun.7-10 <b>Keegan Bradley</b>		 <b>Fujifilm Studio Alice</b> Apr.11-13 <b>Yuka Yasuda</b>	
 <b>Token HomeMade Cup</b> Apr.10-13 <b>Tatsunori Shogenji</b>	 <b>Japan Players Championship by Sato Foods Co., Ltd.</b> Jun.26-29 <b>Tatsunori Shogenji</b>	<b>PGA Tour</b> <b>7 wins</b>	<b>LPGA Tour</b> <b>4 wins</b>	 <b>Panasonic OPEN Ladies</b> May.2-4 <b>Nana Suganuma</b>
<b>Japan Men's Tour</b> <b>2 wins</b>		<b>Japan Women's Tour</b> <b>6 wins</b>	 <b>Meiji Yasuda Ladies</b> Jul.18-20 <b>Sakura Kotwal</b>	

39

Finally, please turn to slide 39.

I would like to briefly highlight the achievements of professional golfers using our products, such as SRIXON, this year.

On the world's premier men's professional golf tour, the US PGA Tour, Hideki Matsuyama won the season-opening event, followed in June by a major victory at the US Open by J.J. Spaun. As of last weekend, SRIXON balls have been used in seven tournament wins, making it the second-most successful golf ball brand globally this year.

In the women's tour as well, Miyuu Yamashita won AIG Women's Open, one of the five majors, just last weekend, marking SRIXON's second major victory out of five women's major tournaments this year.

This series of assured wins on the world tour has further increased the presence of our brand in the golf market. Through these consistent wins on the global stage, our brand's presence in the golf market continues to grow stronger. We hope you will continue to follow and support the success of our contracted athletes.

That concludes my presentation.

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## Question & Answer

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**Inoue [M]:** We will now take questions from the audience. We will alternate between questions from attendees here at the venue and those participating online. We will start with a question from the floor. For those participating online who wish to ask a question, please click the Raise Hand button and wait to be called on.

For those in the venue, a staff member will bring you a microphone. Please state your company name and your name before asking your question. Due to time constraints, we kindly ask that each person limit their questions to two.

Please note that any questions regarding the commitment plan with the Japan Fair Trade Commission will be addressed separately after the conclusion of this analyst briefing. If you have a question, please raise your hand.

Yes, the person in the front row, please go ahead.

**Sakaguchi [Q]:** My name is Sakaguchi from Mizuho Securities. I have two questions.

First, regarding the full-year profit forecast, which has been left unchanged this time, could you comment on the likelihood of achieving this target? I believe the key lies in striking a balance between firmly implementing price increases while also maintaining sales volume. You mentioned that pricing is being successfully passed through, but given the current environment, for example, some voices saying that raw material costs may decline in H2, or in the US market, some companies have yet to announce price increases, do you think the price increases in H2 will truly take hold under these market conditions? I would like to hear your thoughts on that point.

On the other hand, while the decline in sales volume may not be drastic, I believe it was 500,000 units below budget in Q2, and 1.44 million units lower on a full-year basis. Since this downward revision applies globally, including the US, how do you plan to achieve the revised sales volume going forward, given the current competitive market environment?

Taking this balance into account, I would appreciate a more detailed explanation of the likelihood of achieving the full-year profit target. That is my first question.

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

**Nishiguchi [A]:** I believe many of you are particularly focused on the US tariffs. As mentioned earlier, the JPY14.5 billion offset, shown on slide seven, reflects our latest assessment. While tariff conditions continue to fluctuate, we believe that JPY14.5 billion is a reasonable base figure at this time.

Of that amount, the impact on the tire business is JPY13.5 billion, and the impact on the sports business is JPY1 billion. Essentially, we intend to offset the impact through price increases. As you are aware, following the initial announcement of the tariffs, we closed our US factory, meaning that 100% of our products are now exported, i.e., imported from the US perspective. As such, we were among the first in the tire industry to announce a price increase.

At the time, the announced tariff rate was 25%, but since we primarily ship from Thailand, the tariff is applied to the export price from Thailand. As a result, we estimate the effective tariff burden to be around 12% to 13%. In response, we announced a corresponding price increase of 12% to 13% in May.

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In that context, based on the latest information we have gathered from North America, most of the competitors we need to be mindful of, particularly Tier 1 and Tier 2 manufacturers, have already announced price increases, albeit with varying percentages. With the environment now taking shape, we are currently monitoring the overall price balance.

A 12% to 13% increase would admittedly be somewhat excessive, so in terms of the reliability of the JPY95 billion profit forecast, we have incorporated a price adjustment from the 12% to 13% level into our H2 outlook. Looking at the balance with sales volume, considering that competitors have also announced price hikes, we believe that once this balance is restored, we can recover approximately JPY10 billion of the JPY13.5 billion tariff impact on the tire business through price increases. As for the remaining shortfall of just over JPY2 billion, we expect to offset it through cost reductions and other expense controls.

Please note that the anticipated effects of Project ARK are not included in this outlook. That would be the upside. With the tire business showing a negative impact of around JPY13 billion, we are confident that for the current fiscal year, this can be fully addressed through price increases, expense control, and cost improvements.

However, even if we manage this year well, we expect the tariff situation to persist into next year. Accordingly, we are currently focusing on cost reductions at our Thailand plant, which serves as our main export base. We have already begun working on this, and we are also making investments in our third plant in Thailand to produce high-value-added, premium products. In addition to those efforts, we are implementing efficiency-enhancing investments with the goal of reducing the cost of products shipped from our Thai plant to a level that can offset the tariff burden. By targeting a cost reduction of approximately 10 percentage points, we believe we will be able to effectively counter the impact of the tariffs.

Regarding your question on sales volume, particularly in North America, while we did see a decline in results for H1, our business in North America consists of two main channels. One is the business conducted by Sumitomo Rubber North America, our local sales company handling FALKEN tires. The other is our direct export business from the Sumitomo Rubber head office to major national wholesalers in the US.

This direct business is also quite significant, and since the national wholesalers serve as the importers, they are directly impacted by the tariffs. As a result, adjustments were made in H1, including inventory adjustments and a cautious stance. We have been waiting and seeing, including inventory adjustment, so this is where we see the decrease, mainly in Asia-North America trade, which we would like to see as a decrease in business in direct and direct trade.

As for the FALKEN side, our core WILDPEAK premium line has achieved year-on-year growth, and we expect this trend to continue into H2. As for PCR (Passenger Car Radial) FALKEN tires, particularly the general-purpose segment, price competition has indeed intensified, resulting in a slight decline to around 97% to 98%. However, assuming we maintain the appropriate pricing balance as mentioned earlier, we believe we will be able to maintain sales volume in H2.

Is this answer sufficient?

**Okawa [A]:** If I may briefly add to that. Regarding raw materials, there is generally a four to five-month lag before the cost fluctuations are reflected in our P&L. Currently, we are seeing a real decline in raw material prices, and the impact through around August is expected to be reflected in this year's P&L. Given this outlook, we now have good visibility on the extent to which raw material costs will decline this year, and we believe this is under control.

As an additional point regarding the EUDR, last year we had anticipated a negative impact in the tens of billions of yen for this year. However, as you may know, while the EUDR regulations have not been relaxed, industry-

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wide understanding and adaptation have progressed. As a result, we are now able to respond to EUDR not only in Thailand but also in Indonesia, and the EUDR premium had become significantly smaller than we initially expected.

Last year, we actually recorded a negative impact in the tens of billions of yen, but on a YoY basis, the impact of EUDR compliance this year has now reached a level where it is virtually negligible. At the beginning of the year, we had anticipated a negative impact in the tens of billions of yen, but this reversal alone has resulted in a positive swing of several billion yen.

Additionally, as mentioned earlier, raw material prices have been declining recently, and we now have clear visibility that this year's raw material costs can be absorbed. Combined with the tariff countermeasures that Nishiguchi just explained, we currently believe that we will be able to navigate through this fiscal year's results successfully.

**Yamamoto [A]:** If I may add a brief comment. You may have some concerns since our sales volume is currently below the prior year. In the domestic market, our domestic leadership is also present today, we had certain key products that were lower-priced and significantly constrained in terms of profitability. We made a bold decision to discontinue those products in the fall of last year.

At the core of our long-term management strategy, R.I.S.E., lies the fundamental principle of premiumization, and we are fully committed to this direction. While sales volume in Japan has declined, we are steadily advancing premiumization.

As for the US market, as previously mentioned, WILDPEAK continues to perform strongly. From a global perspective, although total unit volume may decrease slightly, we are firmly increasing the share of premium products in line with our core policy of premiumization. We believe that this policy is progressing smoothly at this stage.

**Sakaguchi [Q]:** Thank you.

My second question is regarding the total cost reduction initiative, Project ARK. You mentioned a cumulative cost reduction of JPY30 billion by 2027, and I understand that the majority of this will materialize in 2026 and 2027.

While I recognize it may be difficult to provide precise figures, could you give us a general idea of the breakdown, are we looking at JPY10 billion and JPY20 billion, or JPY15 billion and JPY15 billion, for instance? Looking ahead to next year and the year after, I would like to understand what kind of effects you expect to see from this initiative. Assuming that the current fiscal year's full-year plan is achieved, tariffs will have a negative impact, which you are planning to offset. Given that, if Project ARK progresses as intended, wouldn't it be reasonable to interpret this as creating an opportunity to exceed the 10% business profit margin target in the medium-term plan?

Or should we understand it differently, namely, that after factoring in external environmental changes, successfully executing this initiative is what allows you to reach the 10% target? I'd appreciate hearing your thoughts on this. That's all from me. That is all.

**Yamamoto [A]:** Thank you for your question. We have very high expectations for Project ARK, and the entire company is fully mobilized behind it.

Our fundamental goal is to firmly achieve a 10% business profit margin in 2027, and we are fully committed to that target. Initially, before the Trump tariffs on North America came into play, we believed we could steadily make progress toward this goal. Although we are responding to the tariffs through price increases,

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various internal improvements, and product mix enhancements, Project ARK serves as a critical foundation to ensure we absolutely reach the 10% business profit target for 2027.

As you just pointed out, I believe the key is how much we can accelerate results ahead of schedule. In fact, even for this year, the team has already presented me with ambitious stretch targets that exceed the initial plan. If we can deliver on those, I believe we can aim even higher.

Now, I'd like to hand it over to Araki, who is directly responsible for executing the initiative, to provide further details.

**Araki [A]:** Thank you for your question. As explained, the JPY30 billion target is a cumulative figure through the end of 2027. As you mentioned, the level of certainty will naturally increase in 2026 and 2027. In terms of a rough image, we expect to achieve several billion yen this year, followed by around JPY10 billion in the next fiscal year, with the remaining amount in FY2027, ramping up progressively.

Since Project ARK was launched in May of this year, we formed the organization and set team targets, with actual activities getting underway in H2. As such, the contribution for this year may be limited to several billion yen, but we are committed to building on that steadily. We appreciate your continued support and look forward to meeting your expectations.

**Sakaguchi [M]:** I'm looking forward to it. Thank you very much. Thank you very much.

**Nishiguchi [A]:** Regarding costs, I have high hopes that Project ARK will really deliver results. As I oversee our business in Thailand, I also see major opportunities on the sales front, particularly with the all-season tires incorporating our Active Tread technology, which we plan to launch in Europe and North America in 2027.

I personally visited key European countries twice, and seeing things firsthand reaffirmed the strong potential of all-season tires with Active Tread technology in those markets. As we've already outlined in our R.I.S.E. 2035 vision and the mid-term management plan, we are preparing for this. Also on the ground, it's striking how widespread the use of all-season tires is in major European countries, you can see it everywhere in the city streets.

In terms of statistics, all-season tires currently account for 20% to 25% of total tire sales across the EU as a whole. However, in the markets we are targeting, Germany, northern Italy near the Alps, Austria, Hungary, and eastern France, the share reaches around 40%, which is significantly higher. That tells us the opportunity is substantial.

In Germany, we are also planning to reinstate OEM engagement under the DUNLOP brand, aiming for homologation, i.e., official approvals, for summer tires, all-season tires, and winter tires for new vehicle fitments. When purchasing a new vehicle, customers in Europe apparently choose between summer tires, winter tires, or all-season tires, and the vehicle is delivered with their selected option. So it's not just about summer tires.

While many well-established tire manufacturers are highly competitive in the summer tire segment, we see a clear opportunity in the all-season category, where we aim to leverage our proprietary Active Tread technology to re-enter the OEM market and secure early-stage homologation deals for all-season fitments. This is something I personally felt strongly during my visits to key European countries.

We hope this initiative will contribute to upside potential as previously discussed.

**Inoue [M]:** Thank you very much. Next, we'll take a question from Mr. Sakamaki of BofA Securities, joining us online.

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**Sakamaki [Q]:** Excuse me, this is Sakamaki. Thank you for today. I apologize for not being able to attend in person.

My question may be somewhat repetitive, but I would like to reconfirm the figures. If you don't mind, once again.

I believe the figure of JPY5.8 billion is indicated under price for Q2. Although the price increases were announced starting in April, my understanding is that they actually began to take effect around May. Could you please reconfirm when the price increases began to be reflected at the operational level, and how much of the JPY5.8 billion is attributable to the Americas? Similarly, for the JPY17.7 billion in price for H2, I would like to confirm how much of that includes absorption of the impact from the US tariffs in the Americas.

Also, there was a comment earlier about having built up some inventory before the tariffs were imposed. I'm a bit concerned that, with the price increases, if demand turns out to be weaker than expected, this inventory could accumulate. Could you please share how much inventory has actually built up at this point? Mr. Nishiguchi mentioned balancing things out, but I would like to confirm how you are addressing the risk, specifically, how the balance between price increases and volume is being managed within this plan. That is my first question.

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

**Okawa [A]:** Let me explain.

First, regarding the price for H1. As shown on page 17 of our materials, the price impact is plus JPY8.6 billion. To briefly break this down, roughly 40% comes from the replacement market, and about 60% from OE. As for OE, pricing is originally linked to raw material costs, and with the rise in raw material prices, the prices have steadily increased during H1. As for replacement, as Nishiguchi mentioned earlier, we implemented price increases at the beginning of the year and again in May, which account for approximately 40% of the impact.

In reality, we have implemented price increases globally; however, the situation varies by region. For example, although we raised prices in China, the market environment has been difficult, and the increase has been only partially effective.

In Japan, we had planned to implement a price increase in May, but there was a slight delay in some areas. In the US, we implemented a price increase at the beginning of the year in response to the rise in raw material costs. Although there were some challenges in this regard, as mentioned earlier, with the announcement of the Trump Tariffs in May, we firmly executed an additional price increase to address this.

As for whether the price increases in the US will truly be fully passed through at 100%, we believe that will depend on our efforts going forward. At present, our customers generally understand the need for price increases. That said, we are seeing a slight decline in volume. This is due to some customers having reacted cautiously to the Trump Tariffs and becoming somewhat hesitant, which has led to a temporary reduction in quantity. However, as of now, we believe the price increases themselves have been well accepted.

Going forward, while our plan currently factors in about a 30% risk of underachievement, contractually speaking only, with regard to our price increases, we are working toward achieving a full 100% implementation as our primary target. The 30% is included solely as a risk buffer in the plan. To support this effort, we are enhancing value-added (VA) features and actively engaging in discussions with our customers.

Furthermore, as an additional layer of support, we are incorporating Mr. Araki's Project ARK to ensure we are fully prepared to deliver on this year's figures. While we are well aware of the various risks involved, our current plan is to proceed with a multi-layered approach, twofold, threefold support measures included. With

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price increases having been generally accepted to a certain extent, we intend to move forward accordingly. That is all.

**Nishiguchi [A]:** To add a brief note regarding the balance: now that price increases have been implemented across the industry, we will maintain balance in H2. That said, we do not believe that volumes will remain steady just because prices were raised. In H2, particularly in North America, we expect volumes to soften and decline YoY. This outlook has been factored into our H2 forecast.

However, we believe that the negative impact on profit from lower volumes will be offset by the other item explained by Okawa, as well as by improvements in product mix, resulting in a net positive. That is how we intend to maintain balance.

**Okawa [A]:** Apologies, since there was an additional question regarding inventory, allow me to respond.

We normally manage inventory on the assumption of a two-month supply. However, due to the Trump Tariffs, inventories in the US have increased slightly. We are proceeding on the premise that this inventory will be steadily drawn down in H2.

Separately, toward the end of the year, in preparation for expanding Dunlop sales from next fiscal year onward, we are planning to increase inventory slightly, this is entirely unrelated to the Trump Tariffs. Please understand that the negative unrealized profit recorded for H2 includes this consideration of planned inventory buildup in anticipation of Dunlop sales beginning next fiscal year.

Accordingly, while our basic policy is to manage inventory on a two-month basis, we did ship products to the US earlier than usual in H1 as a countermeasure to the tariffs. In H2, we are planning to strategically increase inventory slightly in preparation for expanding Dunlop sales from next fiscal year. That concludes my response.

**Sakamaki [Q]:** Understood, thank you very much. Also, just as a follow-up, sorry, once again, this might be a bit repetitive.

Part of this was just explained by Mr. Nishiguchi, but when I look at the H2 plan, specifically on pages 25 and 26 of the materials, sorry for jumping around.

It shows that while volumes are expected to decline, the other volume/mix item is recorded as a positive factor in H2. I believe this relates to what you referred to earlier as mix. Could you please elaborate a bit more on what exactly is included there?

Also, apologies again. Regarding natural rubber, based on the assumptions provided, I believe H2 of last year was around 170 cents, and this year's H2 assumption is around 175 cents. So it's slightly higher, and I understand that's being treated as a factor contributing to profit increase.

This may be a bit technical, but it looks somewhat different from the numerical assumptions you've provided, so I'd like to confirm that point. And again, sorry. When I look at the foreign exchange assumptions for H2, how should I interpret this? Compared to before, it seems like the room for overachieving the plan is gradually shrinking. But is it fair to understand that it is still achievable, just with less margin?

If you could provide a bit more color on the H2 outlook and how conservative or aggressive the assumptions are, I'd appreciate it.

**Yamamoto [M]:** Thank you. Okawa will also respond to this matter.

**Okawa [A]:** We anticipated that this kind of question might come up.

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Regarding the mix factor in H2, there is actually a positive element that we had not previously disclosed. At the end of last year, when we closed our factory in the US, we had to write off certain inventory, specifically raw materials, in the US as unusable. As a result, that was recorded as a loss at that time.

However, after further examination by our procurement team and each plant, it was determined that this raw material could, in fact, be used. As a result of this re-evaluation, we've found that a significant portion can be utilized. While I cannot disclose specific figures, we are now seeing a positive impact in the range of several billion yen.

Since it was difficult to determine where exactly to reflect this in the figures, we have included it this time under other volume/mix. This is why there is a positive effect that may not be readily visible to everyone, but it is indeed contributing positively.

As for natural rubber, while it is true that prices have risen, if you look at the starting point. In reality, our procurement team has been placing limit orders when prices are low and securing volume at those levels. This ties into what I mentioned earlier about individual VA contributions: we've been able to generate a significant volume upside through this approach. By successfully placing orders when prices were low, we've been able to secure this year's volume of raw materials and VA at favorable prices.

As I mentioned, prices for the year are generally set by around August. While there were instances when prices rose, we had already placed orders when prices were low. As a result, we are now seeing a clear outlook that the VA effect from raw materials for this year is essentially secured. Therefore, we believe it is fair to say that the positive impact from raw materials is now more or less assured.

Based on all of this, in response to the question regarding whether the full-year profit outlook remains achievable under more severe conditions. The full impact of the Trump Tariffs is only just beginning to materialize, so even we find it difficult to fully anticipate how volumes will trend.

Therefore, if volumes were to decline further or the overall economy were to deteriorate, we cannot make any firm promises regarding the figures. However, based on what we can currently see, we believe that the numbers are still achievable. There has been no major change compared to three months ago. Rather, since the impact of the Trump Tariffs has slightly lessened, we believe that even factoring in the volume decline and other factors, we are firmly on track to achieve the JPY95 billion target we committed to at the beginning of the year. That concludes my response.

**Sakamaki [M]:** Understood. Thank you very much.

**Inoue [M]:** Thank you very much. Next, we will take a question from the audience. Please raise your hand if you have a question.

Yes, the person in the second row from the front, please go ahead.

**Kanai [Q]:** Thank you for today. My name is Kanai from Tokai Tokyo Intelligence Lab. I also have two questions.

The first is about Project ARK. As of now, we're halfway through the first year, at least in terms of the calendar, toward the stated goal of JPY30 billion by the end of 2027, and I understand that the expected impact is currently in the range of several billion yen.

First, of that JPY30 billion, how much can you currently say you are confident in achieving? I'd like to ask: as things stand now, how much confidence do you have in that target? That is my first question. Thank you.

**Yamamoto [M]:** Thank you. Mr. Araki will now speak to the level of confidence we have.

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**Araki [A]:** Thank you for your question. As mentioned, this project was launched in May, and as of July, various initiatives have finally begun to take shape. While we are still in the process of assessing which initiatives are feasible and which are not, we can say that JPY3 billion in benefits is firmly achievable within this fiscal year. Thank you very much.

**Kanai [Q]:** Understood, thank you.

My second question is regarding the updated status of overseas DUNLOP brand sales. I understand that the transaction has only recently closed and that actual sales have only just begun, so I assume volumes are still limited. This overseas, now Australia and North America, I guess. Could you provide an update on the current sales status of the DUNLOP brand in these overseas markets?

Also, one concern I have is related to your medium-term plan. I believe the plan assumes an increase in unit prices as one of the benefits of acquiring the DUNLOP brand. My concern is whether that pricing effect might end up being conflated with the price increases implemented in response to the recent tariffs. Looking ahead to the next fiscal year, will you be able to clearly factor in price increases driven by the DUNLOP brand acquisition effect? Could you please explain your pricing strategy, including for the next fiscal year?

**Yamamoto [A]:** Thank you for your question. We have officially launched the DUNLOP brand. Our aim is to enhance the brand's value while, of course, increasing volume and raising the premium ratio to improve profitability. This initiative is a major pillar of our long-term management strategy, so allow me to briefly explain the progress since the closing.

The launch began in Australia. Business commenced on the very day of the closing, which was in May. In the short term, sales initially began through Goodyear's former distributors.

From here, we plan to gradually transition to Sumitomo Rubber Australia, our local group company in Australia. This is the entity that has been handling the FALKEN brand in that market. I myself served as Head of the Asia and Oceania Headquarters for three years, and during that time, Sumitomo Rubber Australia truly grew into a strong and profitable sales company. Beginning in August, direct sales from Sumitomo Rubber Australia to dealers will commence, which we expect will generate further positive results. We have high expectations here.

In addition, in the United States, rollout began gradually, starting in June. We began with the warranty business for OE tires, which was inherited from Goodyear. We are now launching this segment and intend to build out the offering with carefully developed tires manufactured by Sumitomo Rubber. Through this, we aim to increase added value.

As a new product for the US market, we have one all-season tire, the Active Tread all-season, which is planned for launch in 2027. In addition, within the current all-season tire category, we are preparing to launch a carefully developed all-season tire by Sumitomo Rubber this November. Furthermore, we are preparing to launch a sports version of the SPORT MAXX, next year. We are firmly preparing for this and intend to introduce it to the market.

In Europe, starting in 2026, we plan to sell a combination of off-take products from Goodyear and our own in-house products. We are moving forward steadily based on a carefully formulated plan.

We are now working to thoroughly establish the DUNLOP brand, with the goal of securing a strong global position. As you mentioned, our objective is to enhance profitability in the premium segment.

There was a question about whether this might be conflated with price increases. However, I believe the real key is whether we can develop Sumitomo Rubber products, leveraging our new technologies, that truly deliver

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value to customers, and whether we can successfully launch products tailored to each market. This is where the real challenge lies. We are currently working to establish a solid organizational structure to make that possible.

In particular, we are strengthening our technical teams not only in Europe, but also in the US and, of course, in Japan. In Europe, both marketing and technical development will primarily be driven by local personnel. We are currently building out this development structure. The same applies to the US as well.

We intend to develop new technologies at Sumitomo Rubber, including rubber material development, and provide these capabilities to our teams in Europe and the US, working closely in coordination. By doing so, we aim to create high-value-added tires and, alongside the FALKEN brand, firmly establish the distinct added value of Dunlop tires, which are positioned with a premium of over ten percent compared to FALKEN.

We are building this structure with the goal of establishing a global DUNLOP brand framework.

I believe Nishiguchi may have something to add as well.

**Nishiguchi [A]:** Yamamoto has covered nearly everything but let me offer a quick summary.

In Australia, even back when Goodyear was handling the business, the products being supplied were Sumitomo Rubber's Dunlop tires. So we've been able to start with our full lineup, covering the entire range from entry-level to premium tiers, under the DUNLOP brand. Also, the Dunlop Super Dealer franchise system stores have been transferred to us as they were. Although it is a voluntary chain, I believe we've been able to get off to a smooth and promising start.

In terms of product strategy, Australia no longer has any tire manufacturers operating local plants, regardless of brand. Moreover, it is a market where Japanese automakers are particularly strong, especially in the passenger vehicle segment. Therefore, we are transitioning all passenger car products to the DUNLOP brand. As for the FALKEN brand, WILDPEAK remains very strong in this category, so we plan to continue using WILDPEAK for those segments. We are rapidly shifting from FALKEN to DUNLOP, reducing SKUs, and aiming to boost profitability through this strategy.

As for North America, as I mentioned earlier, we have taken over the business, but Goodyear had already largely withdrawn from selling these products. The main focus is on aftermarket tires for OE vehicles, primarily for Lexus and similar brands. Therefore, with respect to the tariff-related question, this portion is subject to price increases. That said, we are only now beginning to build out the full product lineup, so regardless of tariffs, once we start supplying our own Dunlop tires manufactured by Sumitomo Rubber, since the FALKEN brand is already well established as a Tier 2 offering, we intend to position Dunlop as the higher-tier brand and allow customers to choose from a well-structured brand portfolio accordingly.

Therefore, in North America, rather than conflating the issue with tariffs, what matters first is that we launch our own products. When we do so, we intend to proceed in a structured manner by presenting a clearly differentiated portfolio between FALKEN and DUNLOP.

As I mentioned earlier, I personally visited Europe, and for the remainder of this year, off-take products from Goodyear, that is, Goodyear-manufactured Dunlop products, will continue to be supplied. Starting next year, however, we plan to begin receiving those products from Goodyear.

As for pricing, we intend to swiftly introduce Dunlop products manufactured by Sumitomo Rubber, and I believe that the Active Tread all-season tire scheduled for 2027 will be particularly important. At that time, we aim to firmly establish appropriate pricing.

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**Kanai [M]:** That was very clear. Thank you very much.

**Inoue [M]:** Thank you very much.

Next, we'll take a question from Mr. Kakiuchi of Morgan Stanley MUFG Securities, who is joining us online.

**Kakiuchi [Q]:** This is Kakiuchi from Morgan Stanley MUFG Securities. Thank you.

My first question concerns sales trends. You mentioned this earlier, but with respect to the Middle East and Africa, I understand these are low-price markets, and I believe your exposure there is not particularly high. Are you referring to the overall market conditions in those regions, or are these developments also having a direct impact on your company? Also, looking at the situation through Q1 and Q2, has the environment improved or worsened? I would like to ask about the direction of change, including that context.

**Yamamoto [M]:** Thank you. Nishiguchi will respond to this matter.

**Nishiguchi [A]:** Regarding the Middle East and Africa. Particularly the Middle East. This has historically been a highly profitable market, supported by strong OE demand from Japanese automakers, especially for vehicles like the Land Cruiser.

In line with your question, however, approximately 70% of the market is now occupied by Chinese products, and they are rapidly gaining market share. This had been an important market for us, but in terms of volume, we do feel that we are losing ground to Chinese competitors.

So, while volumes are declining for Dunlop premium products, particularly those for Land Cruiser-type vehicles, we are continuing to focus on profit-oriented sales in that segment.

As for Africa, I believe the region can be broadly divided into three areas: Southern Africa, Central Africa, and North Africa. In Southern Africa, Chinese products are increasing significantly. Central Africa has been a market dominated by Chinese products from the outset.

Our main business in Africa is in Southern Africa, where we already hold a high market share under the DUNLOP brand. While volumes are not necessarily falling, we are unable to grow them due to the threat from Chinese products. We are currently working to build a business foundation in the high-value-added premium segment, specifically in SUV and truck/bus tires. Is this answer sufficient?

**Kakiuchi [Q]:** Thank you. So, regarding Chinese products, would it be correct to understand that this isn't a case where products that couldn't be exported to the US due to tariffs suddenly surged into those markets, but rather that Chinese products have been consistently flowing into these regions for some time?

**Nishiguchi [A]:** Yes, that's correct. Rather than a sudden shift into Southern Africa due to US tariffs or North American issues, I believe it's more accurate to see it as a gradual and continuous encroachment over time.

**Kakiuchi [Q]:** Are there any markets that have been affected by products being redirected away from the US due to tariffs, in other words, markets that are now receiving diverted Chinese products because they can no longer be sent to the US?

**Nishiguchi [A]:** That would most likely be ASEAN and Asia, being the closest regions.

**Kakiuchi [M]:** ASEAN.

**Nishiguchi [A]:** Yes. For example, we're seeing a considerable flow of Chinese products into Singapore, Malaysia, Vietnam, and Thailand. We are also seeing increased volumes in the Middle East, as mentioned

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earlier. Also, of course, in Africa, as previously discussed, there is a clear trend of Chinese manufacturers significantly increasing their presence.

In addition, there is growth in South America as well. In Central and South America, we're seeing a notable increase in Chinese products in markets such as Brazil and Chile.

**Kakiuchi [Q]:** Thank you. My second question is regarding Project ARK, which is illustrated on page nine of the slides. The total cost base is listed as JPY1.1 trillion, and the target is JPY30 billion, which would equate to roughly 3% through simple calculation.

In terms of cost components, such as tire manufacturing cost and head office administrative expenses, does this mean that the impact across the board would be around 3% for each of the four pillars shown on page nine? Or is there a particular area where the reduction ratio is especially large? I would appreciate it if you could give us a sense of how to interpret that.

**Yamamoto [M]:** Araki will respond to this question.

**Araki [A]:** Thank you for your question. First, the JPY30 billion refers to the cumulative total through the end of 2027. The JPY1.1 trillion total cost figure is based on annual costs, so if we assume the remaining period is two and a half years, then the total cost reduction over that time frame would be built up over two and a half years, meaning the required reduction per year is less than 3% of the JPY1.1 trillion annual cost base.

To address the substance of your question. The total cost is broken down across each business segment: tire, sports, and industrial products/other businesses. We initially set targets by allocating the JPY30 billion reduction goal to each segment based broadly on their respective cost bases. As a result, the tire business will naturally be the main focus.

This includes corporate administrative expenses, which are shared across the Company, but the majority of the reductions will be centered on the tire business. Is this answer sufficient?

**Kakiuchi [Q]:** Thank you. I was just thinking, the JPY6.5 billion in head office administrative expenses seems like a fairly large amount. Would you say that's not particularly unusual?

**Araki [A]:** I'm sorry, but I can't provide a detailed breakdown of the figure. That said, personnel expenses at Sumitomo Rubber Headquarters have been trending upward, and as a company, we've also been making various investments, such as promoting DX initiatives. So, compared to previous years, head office administrative costs have undoubtedly increased. From my perspective, I believe this is exactly where we can uncover cost reduction opportunities, so the amount may be set slightly on the high side.

**Kakiuchi [Q]:** Thank you. Just to confirm, regarding the investments required to generate the effects of this project, such as system-related and other expenditures. Is it correct to understand that those expenses will be incurred this fiscal year, and that the benefits or returns will start to be realized in the following year and the year after that?

**Araki [A]:** It is certainly possible that new investments may arise in order to push this project forward. However, as of now, there are no specific cases where a defined amount of investment has been allocated for the purpose of achieving this JPY30 billion target.

That said, if making the necessary investment would clearly contribute to cost reduction and benefit the Company, then we are prepared to spend what is necessary to achieve that JPY30 billion reduction. In such cases, there may be temporary cost increases, depending on the nature of the investment. Is this answer sufficient?

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**Kakiuchi [M]:** Yes, understood. Thank you very much.

**Yamamoto [A]:** We have been steadily advancing DX initiatives over the past few years, and we are currently working toward completing the big picture by 2025 to 2026. With the rollout of ERP systems and other key infrastructure, we believe this will further support the effective implementation of Project ARK and enhance its impact.

**Kakiuchi [M]:** Thank you very much.

**Inoue [M]:** Thank you very much.

To those attending in person and those joining online, are there any additional questions?

**Ohashi [Q]:** Thank you very much. I'm Ohashi from Daiwa Securities. Thank you for today.

This hasn't been touched on much, but regarding changes in cost assumptions, it seems that direct costs are being viewed a bit conservatively for H2. As part of the current forecast revision, does this reflect items that have already been finalized for H2 and led to a downward revision? Could you please provide a bit more detail on the contents of that?

Also, regarding the sports segment. It has been revised downward again this time, and you mentioned that the Korean market remains difficult this fiscal year. Looking toward the next fiscal year, I'd like to hear your views. For example, how do you assess prospects in tennis or golf, leveraging the DUNLOP brand? If your outlook or level of confidence regarding each sport within the sports business has changed heading into next year, I'd appreciate it if you could share that as well. Thank you.

**Yamamoto [M]:** Thank you for your question. Okawa will respond to the first part.

**Okawa [A]:** As for direct costs, as you're already aware, the cost reduction effects resulting from the closure of our North American plant last year are clearly materializing, so there has been no significant change from the initial plan.

On the other hand, when it comes to factors that are driving costs higher, at the beginning of the year, some of these were still unclear, but of course, there has been a rise in domestic wages. Not just in Japan, for us, there have also been increases in labor costs overseas. While part of this was included in our initial plan, labor costs have risen more than expected, and that is having an impact.

At the same time, as the year has progressed, we have started to identify specific cost reduction measures, so while the net effect is not particularly large, these new savings have been added as a positive factor. To summarize briefly. Labor costs ended up slightly higher than initially expected, which was a negative factor. However, as we moved into H1, we began to clearly see the effects of cost reductions, which offset the increase. So overall, the net impact is roughly neutral, around zero. Rather than reflecting any major improvements in productivity, this is more a case of things that weren't visible earlier becoming clearer in H1.

**Yamamoto [A]:** Regarding your second question on the sports business, this is also a business segment in which we have high expectations.

As I mentioned earlier, South Korea is one of our core markets. Our three major markets are South Korea, the United States, and Japan. We believe that a full recovery in the South Korean market will be difficult within this fiscal year. However, we are planning to launch a major new product in H2, and we have very high expectations for it.

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Also, as we discussed today regarding PGA Tour results, including majors, our contracted players using the SRIXON brand have been delivering strong performances and gaining widespread attention in various arenas. They are doing an excellent job.

Recently, I also visited our Sports Group company in the US, and I can tell you that everyone there is full of energy.

The SRIXON brand has risen significantly, with Mr. Matsuyama performing well, and many other players are trying out and testing our products. We're also making steady progress in signing new contracts with various athletes, and when they perform well, it contributes directly to sales. In golf and tennis, the success of top players directly translates into sales growth and brand enhancement, so we have very high expectations going forward.

As for tennis, we are aiming to become the global leader in tennis balls and are actively sponsoring a wide range of tournaments. In the ATP Tour, we are already operating with a very high market share.

We are also partnering with organizations such as the IMG Academy in the US, which trains junior players, and Mouratoglou Academy in Europe, which likewise focuses on developing junior talent. We have been sponsoring these programs for quite some time now, and young players are growing up using our tennis balls. As those juniors develop, we move to sign contracts with promising athletes, and Mr. Draper is one such example.

He has climbed all the way from the junior ranks to now reach the top five, so from tennis balls, we are now also focusing on the development of rackets. We envision a future, one that's not far off, where players competing on the global stage will be using rackets bearing the Dunlop Flying D mark. That is something we're very much looking forward to.

Also, the tennis balls used at the Tokyo Olympics and most recently at the Paris Olympics were Dunlop balls made by our company, and we've also received strong recognition for their use in the Australian Open.

While I was in the US recently, I heard something that stood out. There's been an increase in golfers who don't play full rounds. I can't say for certain whether the figure is accurate, but I was told that around 30% of golfers in the US are now considered off-course players.

These individuals, too, are important customers who ultimately purchase our gear, so we are currently developing various concepts and initiatives to engage with that segment. We're considering how to approach these players and encourage them to become customers of our SRIXON and XXIO brands. As we have now begun this kind of approach, we are also working on building new sales channels, and we are looking forward with high expectations to expanding these efforts going forward.

**Ohashi [M]:** Just like with tires, we're also paying close attention to new products in the sports segment. Please continue to keep us updated. Thank you very much.

**Inoue [M]:** Thank you very much. Are there any further questions?

As there appear to be no more questions, we will now conclude the Sumitomo Rubber financial results briefing for Q2 of the fiscal year ending December 2025.

After the webcast ends, a survey regarding today's briefing will be displayed. We would greatly appreciate your cooperation if you have a moment to respond.

Thank you for taking the time to join us today.

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**Yamamoto [M]:** Thank you very much.

**Inoue [M]:** Thank you very much.

[END]

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