



Sumitomo Rubber Industries, Ltd.

Q1 Financial Results Briefing for the Fiscal Year Ending December 2026

May 15, 2026

Event Summary

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[Event Type]	Earnings Announcement	
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[Date]	May 15, 2026	
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[Venue]	Webcast	
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[Participants]		
[Number of Speakers]	4	
	Yasuaki Kuniyasu	Representative Director, President and CEO
	Hitoshi Hino	Director, Senior Executive Officer
	Masahiro Tsuzaki	Director, Senior Executive Officer
	Shinji Araki	Executive Officer
[Analyst Names]*	Kazunori Maki	SMBC Nikko Securities
	Arifumi Yoshida	Citigroup Global Markets
	Tairiku Sakaguchi	Mizuho Securities
	Shiro Sakamaki	BofA Securities
	Wataru Ishimoto	Nomura Securities
	Naru Ohashi	Daiwa Securities

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

Inoue: Thank you for your patience. We will now begin DUNLOP Sumitomo Rubber Industries, Ltd. financial results briefing for Q1 of the fiscal year ending December 2026.

I am Inoue from Investor Relations, and I will serve as today's moderator. Thank you.

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

Kuniyasu: I am Kuniyasu. Thank you.

Inoue: Director, Senior Executive Officer, Hitoshi Hino.

Hino: I am Hino. Thank you.

Inoue: Director, Senior Executive Officer, Masahiro Tsuzaki.

Tsuzaki: I am Tsuzaki. Thank you.

Inoue: Executive Officer, General Manager, Accounting and Finance Headquarters, Shinji Araki.

Araki: I am Araki. Thank you.

Inoue: Today's presentation will follow the materials available on our website. Two items will be distributed to those attending at the venue: the financial results and the financial presentation materials. Please inform the person in charge in the hall if there are any discrepancies.

Today, first, President Kuniyasu will explain an overview of the financial results, and then Senior Executive Officer Hino will explain the details of the financial results. Following the presentation, we would like to take questions from the audience. After the Q&A session, a photo session with Mr. Kuniyasu will be held at the venue. Thank you for your cooperation.

Now, Mr. Kuniyasu will begin.

Highlights

Financial Results (2026 Jan.-Mar.)

- Sales Revenue (Total: 302.2 B of yen, Tires: 259.9 B of yen) increased YOY, reached a record high
- Business profit (Total: 16.8 B of yen, Tires: 14.8 B of yen) increased YOY
- Sales of DUNLOP-brand tires in Europe began as scheduled in Jan. 2026, and sales expansion moved into full-scale operation in March.

Main initiatives

Expansion of DUNLOP-brand tires distribution network in Europe, U.S., and Australia

DUNLOP-brand tires in Europe were launched in Jan. 2026, and sales of our proprietary product BLUE RESPONSE TG began in Mar., strengthening competitiveness.

BLUE RESPONSE TG ranked No.1 overall in a tire test by the prestigious European automotive magazine Auto Motor und Sport (AMS).

Sales expansion of the next-generation all-season tire SYNCHRO WEATHER with Active Tread technology

SYNCHRO WEATHER sales volume significantly surpassed the prior year, contributing to volume and mix improvement.

Project ARK is making steady progress in profit generation and total cost reduction

2026 Q1 Actual: 2.0 B of yen

Minimized the impact of geopolitical tensions in the Middle East

As a result of initiatives such as securing raw materials, ensuring transportation routes, and implementing cost containment, the impact on business performance in Q1 was minimal.



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Kuniyasu: I am Kuniyasu, President, and CEO. Thank you very much for taking the time out of your busy schedule to join us today for our financial results briefing for Q1 of the fiscal year ending December 2026.

I will now give an overview of our Q1 results and other major initiatives. Please refer to slide six.

First, here is an overview of our financial results.

In Q1 2026, the Group's sales revenue increased 5% YoY to JPY302.2 billion, business profit increased 19% YoY to JPY16.8 billion, operating profit increased 22% YoY to JPY15.1 billion, and quarterly profit increased 141% YoY to JPY8.6 billion, marking an increase in both revenue and profit.

The Group's sales revenue increased YoY in both the corporate and tire businesses, reaching new record highs. Although unit sales of tires in Europe, North America, and Oceania increased due to the acquisition of the DUNLOP brand, overall unit sales of tires decreased due to the impact of each market.

Next, I will explain our main initiatives.

First, I will focus on expanding DUNLOP brand tires distribution network in Europe, North America, and Oceania. In Europe in particular, sales of the DUNLOP brand by our company began in January of this year. In January, there was a temporary phase in logistics operations that required adjustment due to the initial start-up phase, but this was resolved in February, and operations have been stable since March.

Then, in March, we launched our own product BLUE RESPONSE TG, which has strengthened our competitiveness. This product was rated number one overall in tire tests by AMS in Germany, one of Europe's most influential automotive magazines.

Next, I would like to discuss the expansion of sales for SYNCHRO WEATHER, our next-generation all-season tire featuring our proprietary Active Tread technology.

Unit sales in Q1 significantly exceeded the previous year's level, and the composition of sales also improved, contributing to profit. The company-wide efforts to generate profits and reduce overall costs through Project

ARK, which we have been working on since last year, are making steady progress. In Q1, we were able to realize an effect of JPY2 billion on a business profit basis.

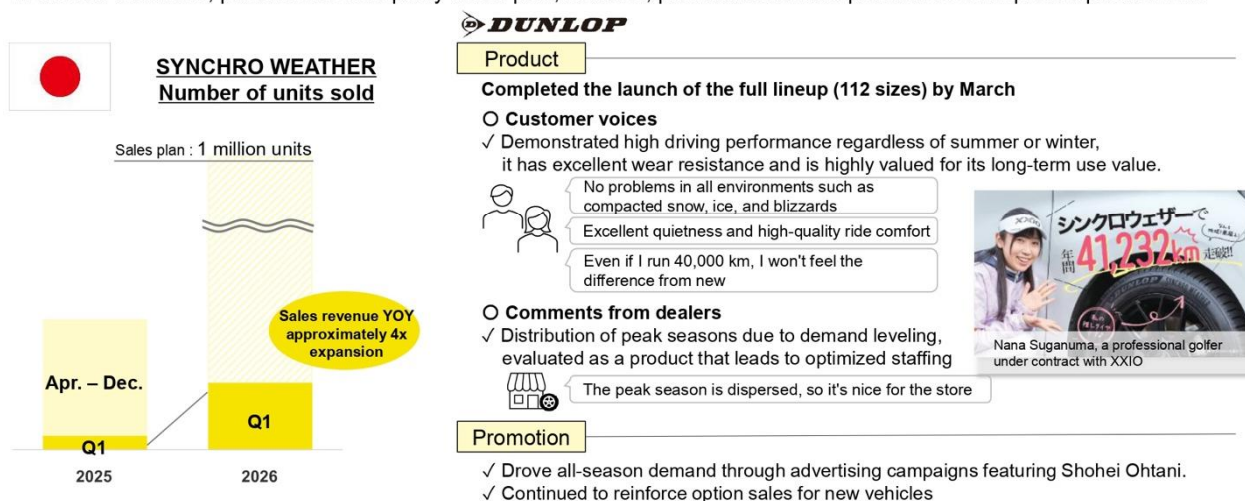
Regarding the situation in the Middle East, the impact on Q1 results was limited as a result of efforts to secure raw materials and transportation routes and to control costs.

The above is an overview of our achievements and main initiatives.

【Japan】 SYNCHRO WEATHER Sales Summary (2026 / Q1)

Sales exceeded the plan at the beginning of the year mainly in the high-inch band, and SYNCHRO WEATHER led the market expansion in the all-season category.

In the low-inch band, performance was partly below plan; however, profit exceeded the plan due to an improved product mix.



Next, please turn to slide seven. This is a sales summary of domestic (Japan) SYNCHRO WEATHER. In Q1, sales exceeded the plan, mainly in the high inch range, where performance is more important. Sales revenues have also increased approximately fourfold YoY, indicating a very favorable start to the year.

This is because we feel that the value of the SYNCHRO WEATHER as an all-season tire has penetrated the market. In terms of products, we have expanded to 112 sizes by March. Customers appreciate the high long-term value of the product, which offers reliable performance in all four seasons and durability that prevents performance degradation even after long-distance driving.

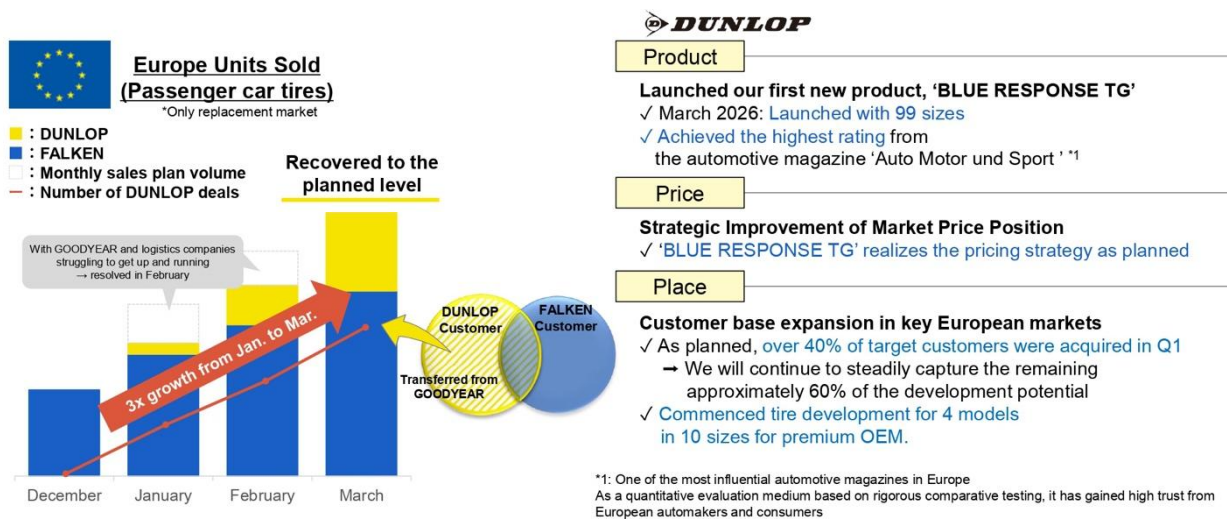
Our contracted professional golfer Nana Suganuma, who is a user of SYNCHRO WEATHER, also commented that even after driving more than 40,000 km, she did not feel much difference from new tires.

In addition, retailers have noted that the even distribution of demand for winter tires helps spread out peak seasons, making it easier to manage staffing levels. They appreciate that this product is a welcome addition to their inventory.

Although some of the low-inch products fell short of the plan, the product mix improved, and profits exceeded the plan due to an increase in the ratio of high-inch products. We will continue to strengthen our promotion of product value and other advantages of handling the products and aim to achieve our annual target.

[Europe] DUNLOP Sales Summary (2026 / Q1)

Synergies from pricing strategy, account expansion in key markets, and proactive sales initiatives have **steadily strengthened our market position**. Leveraging new product launches and account expansion as twin drivers, we will further accelerate premiumization.



Next, please turn to slide eight. Here is a summary of DUNLOP brand sales in Europe.

In Q1, the market position of the DUNLOP brand steadily improved thanks to the effects of our pricing strategy and account expansion in major countries. As I mentioned earlier, we had some operational issues at the beginning of the year, but sales are currently recovering to the planned level.

In terms of measures, we are promoting initiatives centered on three key areas: products, prices, and sales network. In terms of products, the new product BLUE RESPONSE TG was launched in March and received high acclaim, including the highest rating in a European automotive magazine.

In terms of pricing, we have made progress in correcting our position in the market and have been able to implement our pricing strategy as planned. With regard to our sales network, we were able to steadily develop approximately 40% of our expected customers as planned as of Q1, mainly in major European countries.

In addition, the number of DUNLOP transactions tripled from January to March, showing steady progress in revitalizing transactions in addition to account expansion. Going forward, we will work steadily to develop the remaining approximately 60% of our customers.

Furthermore, we have begun development for premium OEM, and we are seeing an increase in inquiries from automakers. We are also making progress in strengthening our customer base in this area. Going forward, we will further accelerate our premiumization efforts by focusing on both the penetration of new products and technologies and the account expansion.

[Europe] BLUE RESPONSE TG received high ratings

Developed to balance safety, handling, comfort, and durability at a high level. Ranked No.1 and awarded ‘Outstanding’^{*1} by “Auto Motor und Sport” **enhancing recognition of DUNLOP’s premium technology.**

*1 Outstanding: Evaluation given when the level of perfection is clearly outstanding, not given every time.

Next, please turn to slide nine.

As I mentioned earlier, the BLUE RESPONSE TG ranked number one in the tire tests conducted by AMS, a German automotive magazine. We were able to secure an outstanding, exceptional evaluation.

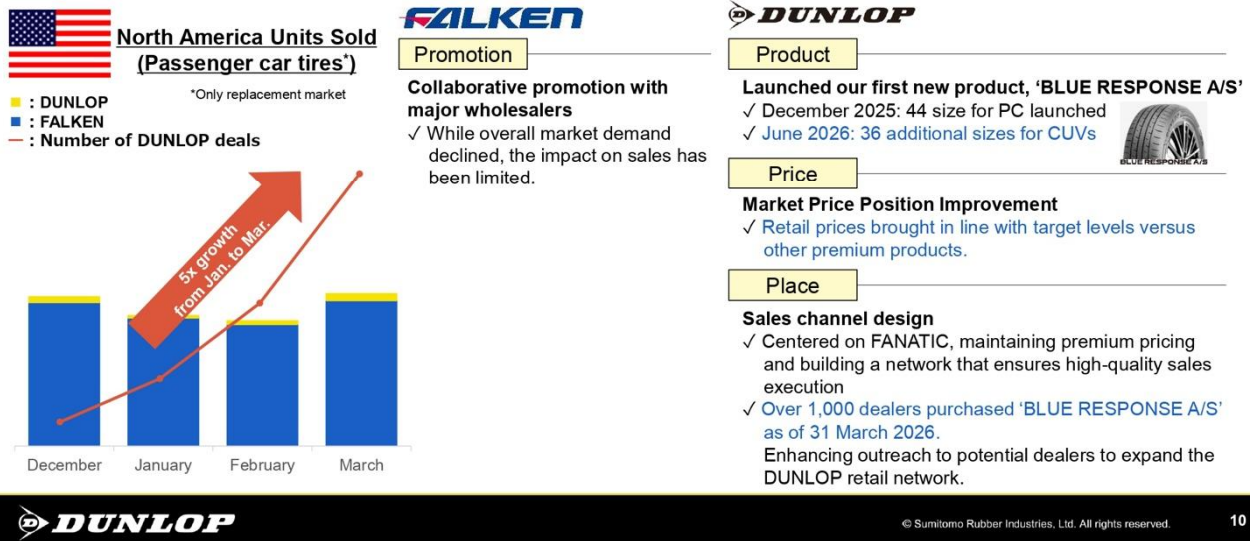
The AMS is one of the most trusted tire comparison evaluation media, including OEM, and we are very pleased to have received a high evaluation in both wet and dry conditions, which is a result of our comprehensive technological capabilities being highly recognized.

In addition, this product was highly evaluated at the launch announcement test drive event. Customers have commented that the handling is stable on wet roads without feeling any difference from dry and that the performance is on par with the UHP, which is a class above.

As such, the overall performance of the DUNLOP brand, including quietness and comfort, has been highly evaluated, and we believe that the European market is clearly recognizing the technological capabilities appropriate for the premium domain that the DUNLOP brand is aiming for.

[North America] DUNLOP/FALKEN Sales Summary (2026 / Q1)

While the overall market demand declined due to the impact of storms and heavy snowfall at the beginning of the year, **FALKEN performed resiliently**. **DUNLOP has been focusing on promoting handling at retail stores since February**, and has progressed largely in line with plan since March.



Next, please turn to slide 10. This is the status of sales in the North American market.

In Q1, despite a decline in overall market demand due to the severe storms and heavy snowfall at the start of the year, the FALKEN brand performed well and managed to maintain relatively strong sales.

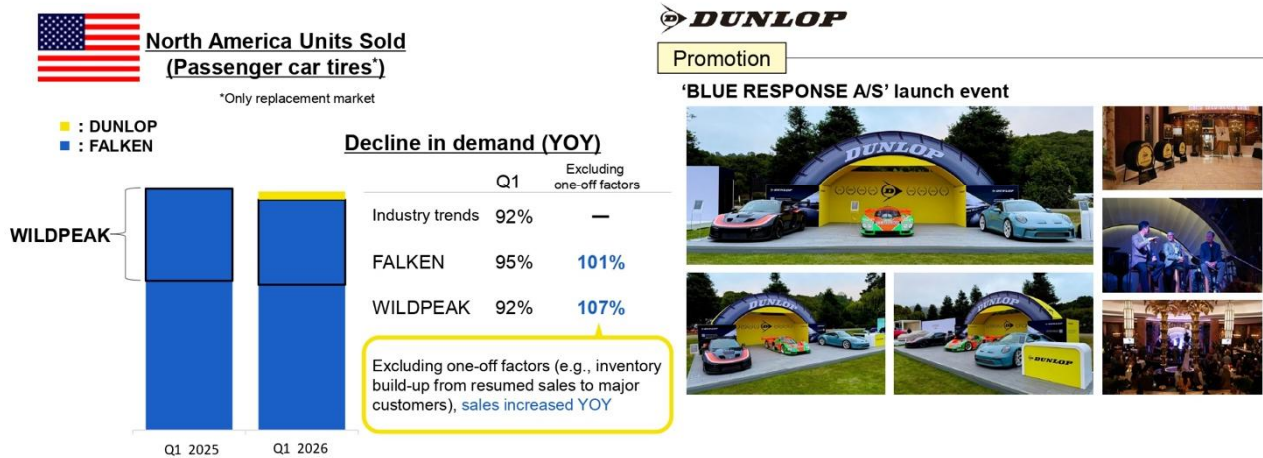
Since February, the DUNLOP brand has focused on promoting product availability at retail stores. As a result, sales have recovered since March and have generally remained in line with projections. In addition, the number of DUNLOP transactions grew significantly from January to March, indicating steady progress in expanding the sales base.

In terms of products, we launched BLUE RESPONSE A/S in December last year. This product offers performance that is competitive even against Tier 1 competitors, and adoption is progressing while maintaining a higher price point compared to FALKEN.

As of the end of March, the product was being handled by more than 1,000 dealers, mainly in FALKEN's contracted retail network. In addition, we are planning to expand our size lineup and will use this as a starting point to strengthen our approach to potential dealers and further expand the number of stores that carry our products.

[North America] DUNLOP / FALKEN Sales Summary (2026 / Q1)

We have minimized the decline in sales through collaboration with major wholesalers, enhanced sales promotions, and expansion of sales channels.



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Next, please turn to slide 11.

In the current North American market environment, there is a continuing trend toward a shift to lower-priced products or so-called trade-downs due to the effects of inflation and soaring gasoline prices. Under such circumstances, despite a difficult market environment in which overall industry demand fell below the previous year's levels, the FALKEN brand was able to minimize the decline in sales by implementing measures to promote sales and expand distribution channels in collaboration with major wholesalers.

The mainstay WILDPEAK demand was 92% of the previous year's level, but excluding the special factor of inventory buildup due to the resumption of sales by major customers last year, the business was 107% of the previous year's level, well above the industry average of 92%.

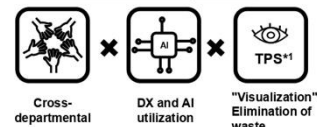
In order to further strengthen the premium strategy, the DUNLOP brand has been promoting its product appeal and brand value through hands-on events using actual vehicles, such as the DUNLOP brand launch event, and has received a high level of interest from dealers and customers.

In this way, we will steadily build a foundation for growth in the North American market while sharing the roles of both brands by securing a profit base with FALKEN and strengthening DUNLOP's efforts in the premium domain.

Project ARK Progress

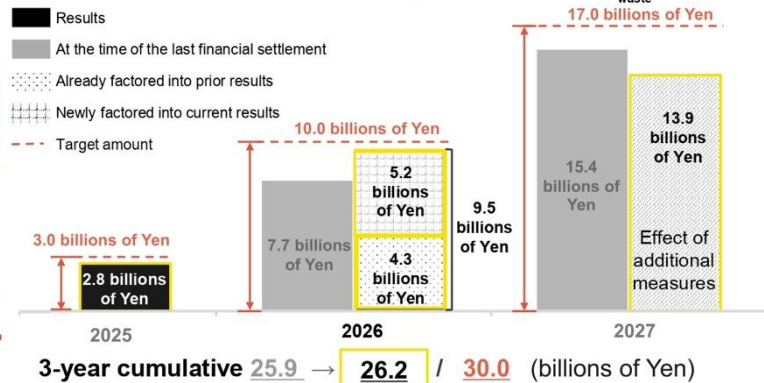
Against the cumulative target of 30.0 billions of Yen by the end of 2027, **26.2 billions of Yen has been identified as actionable measures.**

The 3 elements of Project ARK



Financial Impact of Project ARK

(billions of Yen)	2025	2026		
		Q1 results	After Q2 (financial results have been factored in)	
		Q2	Jul.-Dec.	
Tires direct costs	+2.1	+1.2	+1.3	+3.3
Tires fixed costs	+0.0	+0.0	+0.0	+0.1
Tires expenses	+0.3	+0.5	+0.4	+1.4
Sports	+0.3	+0.1	+0.2	+0.4
Industrial & Other	+0.2	+0.1	+0.1	+0.4
Total	+2.8	+2.0	+2.0	+5.5



Main Measures and Ideas

- Consolidation and abolition across business divisions of subsidiaries and bases (offices, warehouses)
- Cost reduction at the Thailand factory, the main factory for the U.S.

- Utilization of AI for tire demand prediction & shortening development lead time through virtual prototyping
- Reducing raw material costs by reducing tire weight (currently being applied to new products for replacement market)

*1 TPS: Toyota Production System



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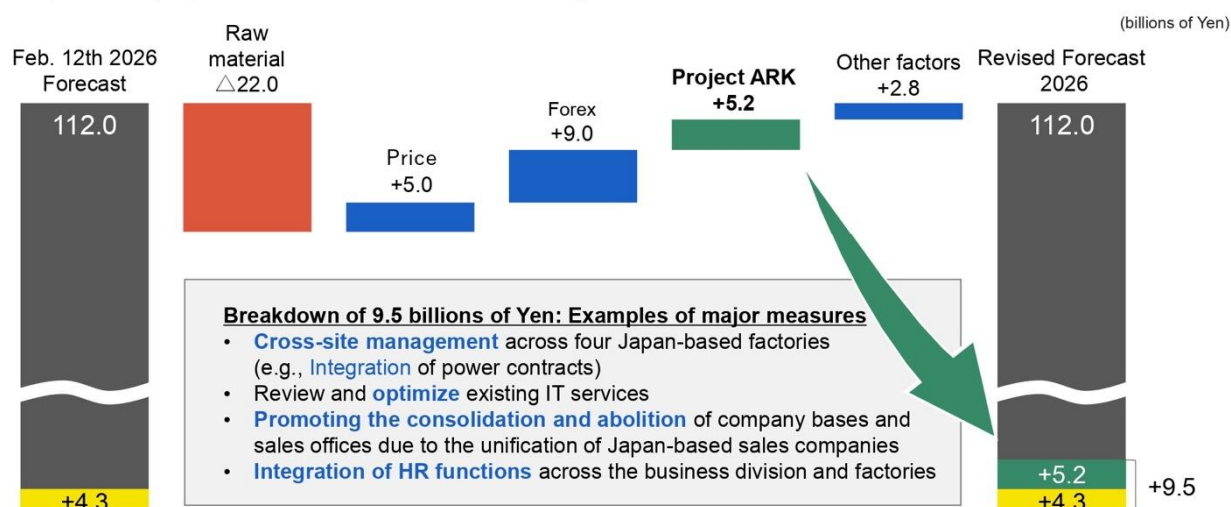
Next, please turn to slide 12.

Project ARK is a company-wide cost reduction activity centered on the use of DX and AI, as well as visualization and elimination of waste based on the Toyota Production System (TPS), with cross-departmental initiatives as the premise. We aim to generate a cumulative total of JPY30 billion by the end of 2027 and are currently accumulating measures worth JPY26.2 billion.

Our goal for this fiscal year is to generate JPY10 billion in benefits. We have incorporated the following figures into our current earnings forecast: JPY2 billion recorded in Q1, JPY2 billion in Q2, and JPY5.5 billion in H2, for a total of JPY9.5 billion. We were able to increase the amount by JPY5.2 billion from the previously announced JPY4.3 billion by improving the accuracy of our implementation of each measure.

Project ARK policy effect amount factoring status at the time of this announcement

9.5 billions of Yen, including the amount of effect that was considered an "additional accumulation measure effect" at the time of the previous report, has been factored into the 2026 earnings forecast.



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Next, please turn to slide 13. This is the status of incorporation of the Project ARK measure effect amount.

On the far left is the JPY112 billion business profit target announced at the beginning of the year. At the beginning of the year, we had included JPY4.3 billion as an effect of Project ARK. Since then, various environmental changes have occurred due to the situation in the Middle East, and we expect a JPY22 billion impact, especially due to the rising prices of raw materials.

In response, we anticipate an improvement of JPY5 billion from pricing adjustments, JPY9 billion from foreign exchange effects, and JPY2.8 billion from other factors. However, to further offset the negative impact of raw material costs, we will factor in JPY5.2 billion in expected savings from measures under Project ARK.

Finally, we maintain our previously announced business profit target of JPY112 billion for 2026.

This JPY9.5 billion mainly consists of energy cost optimization through cross-site management across domestic factories, fixed cost reduction by reviewing IT services, and improving corporate efficiency and streamlining the organization through the consolidation of sales subsidiaries and the integration of human resources functions.

Cost Reduction at Thailand Factory

Aiming to exceed 9.5 billions of Yen, reforms are underway to strengthen the profit base, with cost reduction accelerated at the Thailand factory through HQ–local integration.

The 3 elements of Project ARK



Excerpt from the financial results materials released in February 2026

Rapid ramp-up of innovative TBM	Collaboration between local × HQ	Thorough elimination of muri-mura-muda from the TPS perspective
<p>[Renewal of the Fac.-1] SUN-TITAN SYSTEM</p>  <p>[Renewal of the Fac.-3]</p> <p>Improving the supply capacity and quality of premium products for Europe and the United States by replacing them with high-performance production equipment</p>	<p>Formed a cross-functional HQ–local team across procurement, engineering, logistics, sales, and quality."</p> <p>Thailand Factory × HQ</p> 	<ul style="list-style-type: none"> We will promote the development of technologies that make differences in raw materials "zero performance differences" and strengthen cost competitiveness. Reduced manufacturing costs by improving production capacity bottleneck processes 

Progress

<p>[Renewal of the first factory]</p> <p>Dispatched engineers from Japan to invest resources in the launch of the SUN-TITAN SYSTEM. → Scheduled to start mass production ahead of the original plan</p> <p>[Renewal of the Fac.-3]</p> <p>Progress as planned for 2027 operation</p>	<p>In February and April, HQ functions deployed on-site to collaborate with local teams, supporting direct cost reduction, as well as fixed cost optimization and yield improvement from a TPS perspective.</p> <p>Cost reduction impact (FY2026) 2.0 billions of Yen^{*1} (as of Feb. announcement) → 2.6 billions of Yen^{*1}</p> <p><small>*1: Including impact on raw material prices</small></p>
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Next, please turn to slide 14.

In addition to the JPY9.5 billion incorporated in the earnings forecast, we will aim for further cost reductions in the future. As part of these efforts, we are working to reduce costs at our factory in Thailand, which is our largest production facility.

In the rapid ramp-up of innovative TBM, we are accelerating the launch of the SUN-TITAN SYSTEM at the first factory and are committing the necessary resources, including dispatching engineers from within Japan. The upgrade to high-performance production equipment at the third factory is progressing without delay.

In terms of collaboration between local operations and the headquarters, relevant departments from headquarters visited the local sites in February and April, where they worked closely with local teams to systematically reduce direct costs. In addition to this, we support rationalization of fixed cost structure based on the TPS concept and improvement of yield rate to control sales opportunity losses.

As a result, we were able to increase the potential cost reduction effect for 2026 from JPY2 billion announced in February to JPY2.6 billion as of today. We will now move into the implementation phase to ensure we achieve this target.

We will continue to expand these initiatives globally to further improve profitability.

Please refer to slide 15 for the Q1 results. Mr. Hino will provide further details on this later.

【Forecast】 Consolidated Financial Results (2026 Annual)

Billions of Yen

	Revised Forecast 2026	Actual 2025	vs 2025	Feb. 12 th 2026 Forecast 2026
Sales Revenue	1,320.0	1,207.1	109%	1,320.0
Business Profit (%)	112.0 8.5%	90.8 7.5%	123%	112.0 8.5%
Operating Profit (%)	100.0 7.6%	82.6 6.8%	121%	100.0 7.6%
Profit	55.0	50.4	109%	55.0
ROIC ^{*1}	6.9%	6.2%		6.9%
ROE	7.5%	7.3%		7.5%
ROA ^{*2}	7.5%	6.5%		7.5%
D/E Ratio	0.6	0.6		0.6

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



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Next, please turn to slide 30.

There is no change in the forecast for H1, H2, and full-year 2026 from the initial announcement made in February of this year. We forecast sales revenue of JPY1.32 trillion, up 9% YoY; business profit of JPY112 billion, up 23% YoY; operating profit of JPY100 billion, up 21% YoY; and profit of JPY55 billion, up 9% YoY.

For H1, we have factored in the decline in sales to the Middle East, based on the information currently available, as well as rising raw material costs and the negative impact of fuel surcharges. However, we have also factored in the positive impact of exchange rates, and by implementing cost-cutting measures and other initiatives, we believe there will be no overall impact on our bottom line.

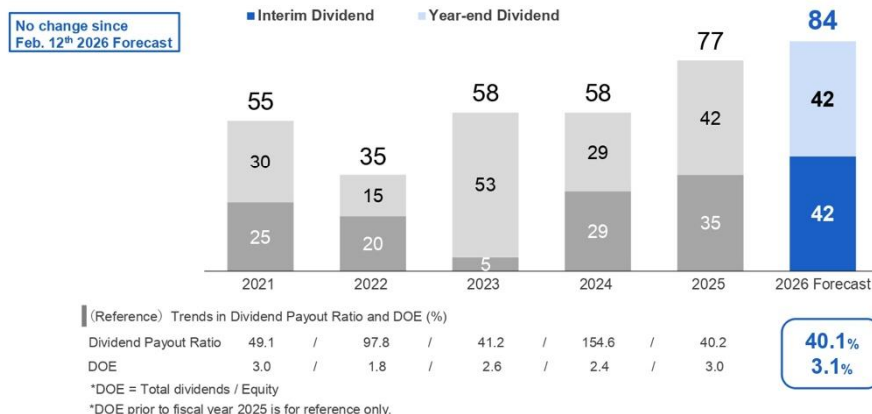
For H2, we have factored in the negative impact of rising raw material costs as currently estimated, and we expect to offset these negative effects through positive foreign exchange impacts, price increases, and cost containment measures. Accordingly, we are maintaining the guidance announced at the beginning of the year.

Shareholder Returns

We consider the return of gains to shareholders to be a matter deserving of the utmost priority. Accordingly, our basic policy is to ensure a long-term, stable stream of shareholder returns, targeting from 2026 a consolidated dividend payout ratio of 40%+ and a DOE of 3%+.

Forecast of 2026 Annual Dividends:

Based on consolidated financial results forecast of 2026, the annual dividends forecast is as below.



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Please refer to slide 42.

Regarding dividends for 2026, as we have not revised our earnings forecasts for either H1 or the full year, we are maintaining the figures announced at the beginning of the year: an interim dividend of JPY42 and an annual dividend of JPY84, which is a record high.

That concludes my explanation. Thank you.

Inoue: Next, Senior Executive Officer Hino will provide a detailed explanation of the financial results.

Hino: I am Hino. Thank you very much for taking the time to attend our financial results briefing today despite your busy schedule. We would like to thank our stakeholders for their continued support.

Consolidated Financial Results (2026 Jan.-Mar.)

Billions of Yen

	2026 Jan.-Mar.	2025 Jan.-Mar.	YOY	Actual 2025
Sales Revenue	302.2	287.8	105%	1,207.1
Business Profit (%) <small>*1,3</small>	16.8 5.6%	14.1 4.9%	119%	90.8 7.5%
Operating Profit (%) <small>*3</small>	15.1 5.0%	12.3 4.3%	122%	82.6 6.8%
Profit <small>*2,3</small>	8.6	3.6	241%	50.4

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

*2. Profit : Profit attributable to owners of parent

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

The above notes apply throughout this report.



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Please refer to slide 15.

Sales revenue for the quarter was JPY302.2 billion, business profit was JPY16.8 billion, operating profit was JPY15.1 billion, and quarterly profit was JPY8.6 billion. The business profit margin is 5.6%. Both revenue and profit increased YoY, and our operating margin improved.

Consolidated Sales Revenue / Business Profit by Reportable Segment (2026 Jan.-Mar.)

Billions of Yen

		2026 Jan.-Mar.	2025 Jan.-Mar.	YOY	Actual 2025
Sales Revenue	Tires	259.9	244.6	106%	1,043.7
	Sports	32.2	32.4	99%	125.6
	Industrial & Other	10.1	10.8	93%	37.8
	Total	302.2	287.8	105%	1,207.1
Business Profit	Tires	14.8	10.9	135%	79.8
	Sports	0.9	1.7	53%	6.8
	Industrial & Other ⁺	1.1	1.5	76%	4.1
	Total	16.8	14.1	119%	90.8

⁺The elimination of inter-segment transactions is included.



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Next, on slide 17, I will explain sales revenue and operating profit by segment.

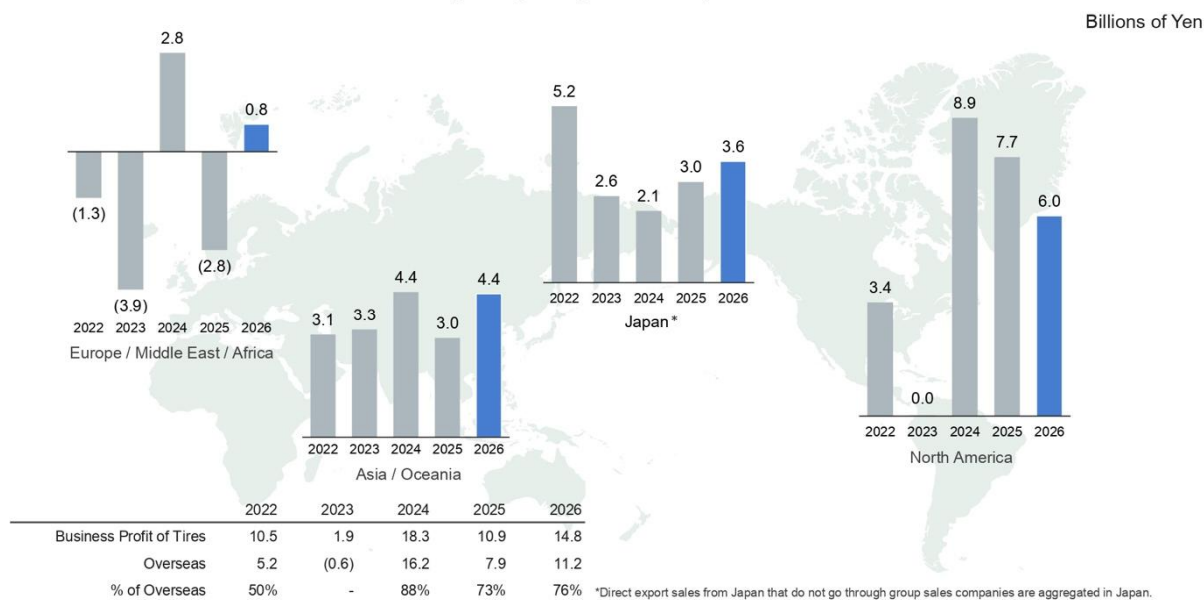
First, in the tires segment, revenue was JPY259.9 billion, up 6% YoY; and business profit was JPY14.8 billion, up 35% YoY. Although unit sales decreased YoY, lower raw material prices, the effect of last year's price increase, a higher ratio of premium tires, and a weaker yen in foreign exchange contributed to the increase in sales and profit.

In the sports segment, revenue was JPY32.2 billion, down 1% YoY; and business profit was JPY900 million, down 47% YoY.

In golf equipment sales, the XXIO 14 launched in November last year performed well, but profits declined due to a decrease in inbound demand from China and uncertainty regarding the future caused by the situation in the Middle East, which affected market conditions both domestically and internationally.

For industrial and other segment, revenue was JPY10.1 billion, down 7% YoY; and business profit was JPY1.1 billion, down 24% YoY. Sales and profits decreased, mainly due to a decline in sales of construction-related materials, which had been sold for large-scale projects in the same period of the previous year, and a decline in sales of rubber components for office automation equipment.

Consolidated Tire Business Profit by Region (Jan.-Mar.)



Next, please turn to slide 20. Here is the business profit by region for the tire business.

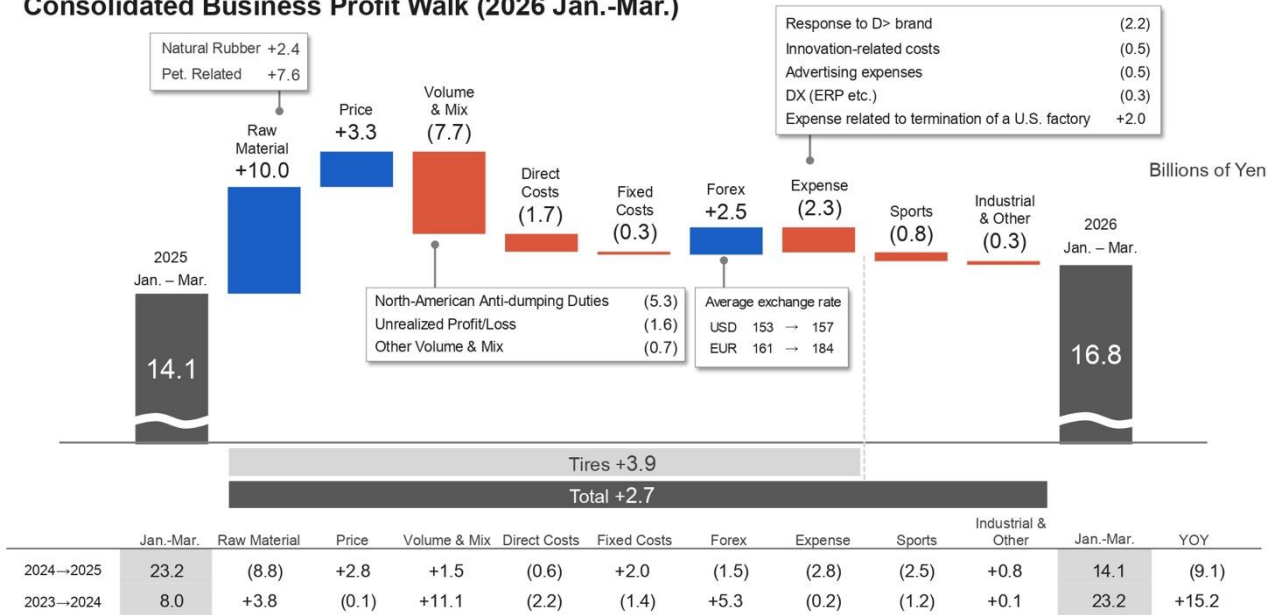
Europe, Middle East, and Africa continued to be in the black from H2 of last year, posting a surplus of JPY0.8 billion.

In Asia and Oceania, profit increased due to increased sales for new vehicles in China and sales measures in the ASEAN market.

In Japan, profits increased due to factors such as higher sales of new vehicles, the impact of last year's price increases in the aftermarket, and an improvement in the product mix resulting from expanded sales of SYNCHRO WEATHER.

In addition to the impact of the worsening market conditions due to bad weather at the beginning of the year, North America is being affected by the ongoing expansion of the market share of low-priced products, as well as the impact of price environment and intensifying competition.

Consolidated Business Profit Walk (2026 Jan.-Mar.)



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Next, on slide 21, I will explain the YoY factors affecting consolidated business profit for January through March.

First, lower raw material prices contributed a positive impact of JPY10 billion.

As for sales prices, driven in part by last year's price increases, they contributed a positive impact of JPY3.3 billion.

Volume and mix resulted in a decrease of JPY7.7 billion, driven by lower sales volumes in North America and the impact of US tariffs.

Direct costs and fixed costs were negative, mainly due to continued inflation in Turkey and higher domestic labor costs.

Foreign exchange rates were more favorable than in the same period last year, resulting in a positive impact of JPY2.5 billion. Expenses contributed a negative impact of JPY2.3 billion due to costs associated with sales promotion initiatives for the DUNLOP brand in Europe, the US, and Australia.

As a result, the tire business as a whole reported an increase of JPY3.9 billion, while the sports business reported a decrease of JPY0.8 billion, and industrial and others reported a decrease of JPY0.3 billion, for a total company-wide increase of JPY2.7 billion.

Consolidated Statement of Profit & Loss

Billions of Yen	2025 Jan.-Mar.	2026 Jan.-Mar.	YOY
Sales Revenue	287.8	302.2	+14.4
Cost of sales	(204.1)	(208.5)	(4.4)
Selling, general and administrative expenses	(69.5)	(76.8)	(7.3)
Business profit	14.1	16.8	+2.7
Other income	1.0	0.9	(0.1)
Other expenses	(2.8)	(2.6)	+0.2
Operating profit	12.3	15.1	+2.7
Financial income	2.6	4.7	+2.1
Financial expenses	(10.9)	(5.1)	+5.8
Equity in earnings of affiliates	0.0	0.0	+0.0
Profit before tax	4.0	14.7	+10.7
Income tax expense	(0.8)	(5.1)	(4.3)
Non-controlling interests	0.4	(1.0)	(1.4)
Profit	3.6	8.6	+5.0

Main factor

1 Business profit		
Refer to page.6 and 15 to 21 for details.		
2 Other income	Actual	vs 2025
Other non-operating profit	0.8 B of yen	+0.0 B of yen
3 Other expenses		
Other non-operating expenses	(1.3) B of yen	(0.1) B of yen
Loss on retirement or sales of non-current assets	(0.6) B of yen	(0.1) B of yen
4 Financial income		
Gain on net monetary position	2.5 B of yen	+0.9 B of yen
Gain on valuation of derivatives	1.3 B of yen	+1.3 B of yen
Interest received	0.8 B of yen	(0.1) B of yen
5 Financial expenses		
Foreign exchange loss	(2.9) B of yen	+5.1 B of yen
Interest expenses	(2.2) B of yen	(0.5) B of yen



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22

Next, please turn to slide 22. I will now explain the items in the consolidated income statement below business profit that showed significant increases or decreases YoY.

First, in four, financial income, gains on net monetary positions due to the impact of the Turkish inflation adjustment were positive JPY0.9 billion due to higher inflation, and valuation gains on foreign exchange forward contracts and other items were positive JPY1.3 billion due to yen depreciation.

In addition, in five, foreign exchange losses narrowed YoY, resulting in an increase of JPY5.1 billion.

Consolidated Statement of Financial Position

Billions of Yen	As of Dec. 31, 2025	As of Mar. 31, 2026	YOY
Current assets	679.3	700.9	1 +21.6
Non-current assets	780.6	789.7	2 +9.1
Total assets	1,459.9	1,490.6	+30.7
Current liabilities	379.9	403.1	+23.1
Non-current liabilities	343.7	340.4	(3.3)
Total liabilities	723.6	743.5	3 +19.8
Total equity attributable to owners of parent	716.1	725.7	4 +9.6
Non-controlling interest	20.2	21.4	+1.2
Total equity	736.3	747.1	+10.8
Total liabilities and equity	1,459.9	1,490.6	+30.7
Equity ratio	49.0%	48.7%	(0.3)P

Main factor

1 Current assets	vs Dec. 31, 2025
Inventories	+17.4 B of yen
Trade and other receivables	+6.7 B of yen
Other current assets	(4.5) B of yen
2 Non-current assets	
Intangible assets (including goodwill)	+3.7 B of yen
Tangible assets	+3.7 B of yen
3 Total liabilities	
Bonds and loans payable	+38.6 B of yen
Other non-current liabilities	+4.6 B of yen
Income tax payable	(9.8) B of yen
Trade and other payables	(10.4) B of yen
4 Equity	
Foreign currency translation adjustment	+11.9 B of yen
Profit	+8.6 B of yen
Dividends paid	(11.0) B of yen
Interest-bearing debt	+33.2 B of yen (406.6→439.8)



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23

Next, please turn to slide 23.

Looking at the consolidated balance sheet, total assets amounted to JPY1,490.6 billion, an overall increase of JPY30.7 billion from the end of the previous fiscal year. This is mainly due to the increased inventory of the DUNLOP brand in Europe, which began at the start of the year. The equity ratio stood at 48.7%, a decrease of 0.3 percentage points from the end of the previous fiscal year.

【Forecast】 Consolidated Financial Results (2026 Jan.-Jun.)

Billions of Yen

	Revised Forecast 2026 Jan.-Jun.	Actual 2025 Jan.-Jun.	YOY	Feb. 12 th 2026 Forecast 2026 Jan.-Jun.	Revised Forecast 2026 Apr.-Jun.	Actual 2025 Apr.-Jun.
Sales Revenue	620.0	572.2	108%	620.0	317.8	284.4
Business Profit (%)	38.0 6.1%	28.3 4.9%	134%	38.0 6.1%	21.2 6.7%	14.2 5.0%
Operating Profit (%)	34.0 5.5%	27.0 4.7%	126%	34.0 5.5%	18.9 6.0%	14.7 5.2%
Profit	20.0	14.4	139%	20.0	11.4	10.8



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26

Next, I will explain our consolidated earnings forecast for H1 of FY2026. Please turn to slide 26.

We forecast sales revenue of JPY620 billion, business profit of JPY38 billion, operating profit of JPY34 billion, and interim profit of JPY20 billion, all of which are higher YoY. There is no change from the forecast at the beginning of the year.

[Forecast] Consolidated Sales Revenue / Business Profit by Reportable Segment (2026 Jan.-Jun.)

Billions of Yen

		Revised Forecast 2026 Jan.-Jun.	Actual 2025 Jan.-Jun.	YOY	Feb 12 th Forecast 2026 Jan.-Jun.	Revised Forecast 2026 Apr.-Jun.	Actual 2025 Apr.-Jun.
Sales Revenue	Tires	537.0	488.3	110%	537.0	277.1	243.8
	Sports	65.5	64.7	101%	65.5	33.3	32.3
	Industrial & Other	17.5	19.2	91%	17.5	7.4	8.4
	Total	620.0	572.2	108%	620.0	317.8	284.4
Business Profit	Tires	33.5	22.2	151%	33.5	18.7	11.3
	Sports	3.0	4.0	74%	3.0	2.1	2.3
	Industrial & Other	1.5	2.1	72%	1.5	0.4	0.6
	Total	38.0	28.3	134%	38.0	21.2	14.2



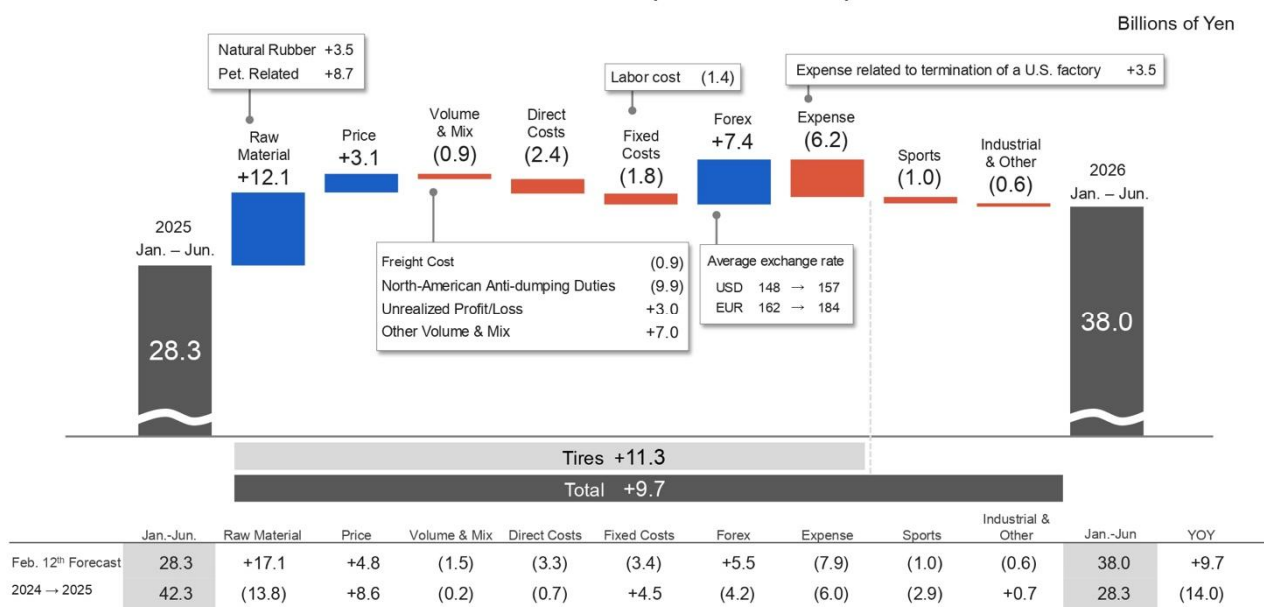
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28

Please turn to slide 28.

As for the segmental sales revenue and business profit for H1 of 2026, this too remains unchanged from the forecast made at the beginning of the year.

[Forecast] Consolidated Business Profit Walk (2026 Jan.-Jun.)



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29

Next, please turn to slide 29. This is an analysis of the factors behind the YoY difference in business profit for H1.

While we have factored in a JPY12.1 billion positive impact from raw materials, a JPY3.1 billion positive impact from selling prices, and a JPY7.4 billion positive impact from foreign exchange, we expect a JPY2.4 billion negative impact from direct costs, a JPY1.8 billion negative impact from fixed costs, and a JPY6.2 billion negative impact from expenses.

Compared to the initial forecast provided at the bottom of the graph, while we have factored in the rise in prices of petroleum-based raw materials due to the situation in the Middle East and the increase in natural rubber prices caused by unfavorable weather conditions, we have factored in cost reductions, the weakening of the yen, and cost-containment measures, which were not included in the forecast at the beginning of the year, and we expect a YoY increase in profit of JPY9.7 billion for the Company as a whole, in line with the initial forecast.

【Forecast】 Consolidated Financial Results (2026 Annual)

Billions of Yen

	Revised Forecast 2026	Actual 2025	vs 2025	Feb. 12 th 2026 Forecast 2026
Sales Revenue	1,320.0	1,207.1	109%	1,320.0
Business Profit (%)	112.0 8.5%	90.8 7.5%	123%	112.0 8.5%
Operating Profit (%)	100.0 7.6%	82.6 6.8%	121%	100.0 7.6%
Profit	55.0	50.4	109%	55.0
ROIC ^{*1}	6.9%	6.2%		6.9%
ROE	7.5%	7.3%		7.5%
ROA ^{*2}	7.5%	6.5%		7.5%
D/E Ratio	0.6	0.6		0.6

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



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Next, please turn to slide 30. Here are our consolidated financial forecasts for the full fiscal year.

As shown in the blue box, we forecast sales revenue of JPY1,320 billion, business profit of JPY112 billion, operating profit of JPY100 billion, and profit of JPY55 billion, which are also unchanged from our forecasts at the beginning of the year.

Since the outlook for the Middle East situation is uncertain, and it is difficult to reasonably estimate the entire impact at this time, this forecast does not incorporate the risk of a downturn in earnings due to tensions in the Middle East. However, while the forecast reflects the price increases of purchased raw materials that have affected the Company up to this month, it also incorporates the most recent exchange rate levels, price increases, and cost-reduction effects of ARK and other corresponding measures, and thus the Company has left its forecast at the beginning of the year unchanged.

[Forecast] Consolidated Sales Revenue / Business Profit by Reportable Segment (2026 Jan.-Dec.)

Billions of Yen

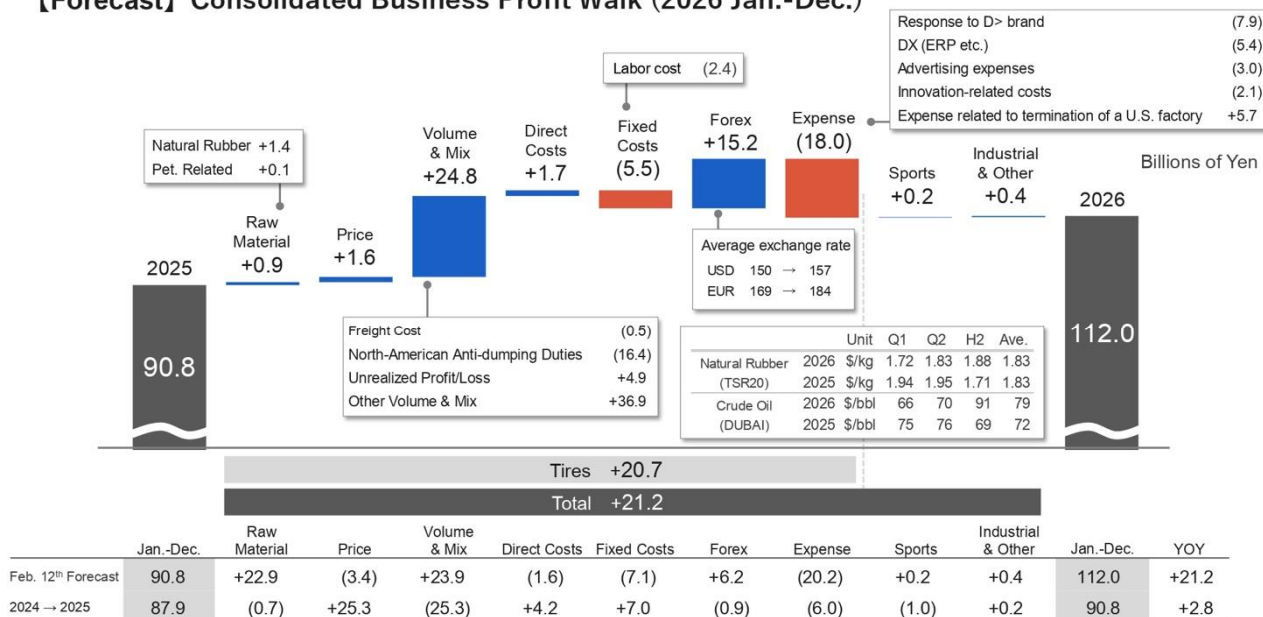
	Revised Forecast 2026	Actual 2025	vs 2025	Feb. 12 th 2026 Forecast 2026	
Sales Revenue	Tires	1,154.5	1,043.7	111%	1,154.5
	Sports	127.5	125.6	102%	127.5
	Industrial & Other	38.0	37.8	101%	38.0
	Total	1,320.0	1,207.1	109%	1,320.0
Business Profit	Tires	100.5	79.8	126%	100.5
	Sports	7.0	6.8	102%	7.0
	Industrial & Other*	4.5	4.1	109%	4.5
	Total	112.0	90.8	123%	112.0

*The elimination of inter-segment transactions is included.



Please turn to slide 32. The following is the forecast of sales revenue and business profit by segment for FY2026. This forecast is also unchanged from the forecast at the beginning of the year.

[Forecast] Consolidated Business Profit Walk (2026 Jan.-Dec.)



Next, on slide 33, I will explain the factors contributing to the YoY change in business profit for FY2026.

Compared to the previous fiscal year, we expect a JPY24.8 billion increase in volume and mix, and a JPY15.2 billion increase in foreign exchange. However, we also anticipate a JPY5.5 billion decrease in fixed costs and a JPY18 billion decrease in expenses.

When compared to the initial forecast shown below the graph, raw material prices now reflect the impact of rising crude oil prices due to the situation in the Middle East and the recent increase in natural rubber prices. However, by incorporating price increases, cost reductions for Project ARK, which were not included in the initial forecast, and the impact of the weaker yen, the total for the year remains the same as the initial forecast.

Tire Sales Volume (Comparison %)

vs Previous year	2025 Actual					2026 Jan.-Mar. Actual, Apr.-Dec. Forecast				Feb. 12 th 2026 Forecast		
	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Annual	Jan.-Mar.	Apr.-Jun.	Jul.-Dec.	Annual	Jan.-Jun.	Jul.-Dec.	Annual
Domestic O.E.	120%	104%	98%	102%	105%	107%	98%	103%	103%	106%	103%	105%
Domestic Rep.	96%	91%	98%	93%	94%	96%	103%	99%	99%	96%	99%	98%
Overseas O.E.	91%	92%	92%	87%	90%	97%	103%	103%	102%	98%	103%	101%
Overseas Rep.	94%	96%	90%	92%	93%	96%	109%	117%	110%	106%	117%	111%
Details	North America	83%	97%	81%	87%	89%	97%	122%	107%	97%	122%	109%
	Europe	97%	90%	108%	98%	113%	143%	135%	131%	129%	135%	132%
	Asia	104%	95%	89%	96%	96%	104%	105%	103%	100%	105%	103%
	Others	94%	100%	86%	90%	92%	81%	97%	106%	98%	97%	106%
Total	97%	95%	93%	93%	94%	97%	106%	109%	105%	103%	109%	106%
Total Tire Sales (000 Units)	23,850	23,690	24,210	25,800	97,560	23,220	25,030	54,610	102,860	48,870	54,610	103,480



Please turn to slide 35. This is the YoY change in unit sales of tires.

Unit sales from January to March totaled 23.22 million, down 3% YoY. By market, domestic O.E. saw a 7% increase YoY, partly due to a high market share secured by new model installations by car manufacturers.

As for domestic Rep., the domestic off-take supply to Goodyear declined, resulting in a 4% YoY decrease.

Overseas O.E. saw a 3% decrease YoY due to weak market conditions in North America, despite increased sales in China.

Overseas Rep. saw a 4% decrease YoY.

In North America, where market conditions were sluggish, sales were down 11% YoY, and in Europe, where sales of the DUNLOP brand were launched, sales were up 13% YoY. In Asia, sales declined in Thailand and Indonesia, resulting in a 2% decrease YoY, and in other regions, sales were affected by the situation in the Middle East, resulting in a 19% YoY decrease for the overall overseas market.

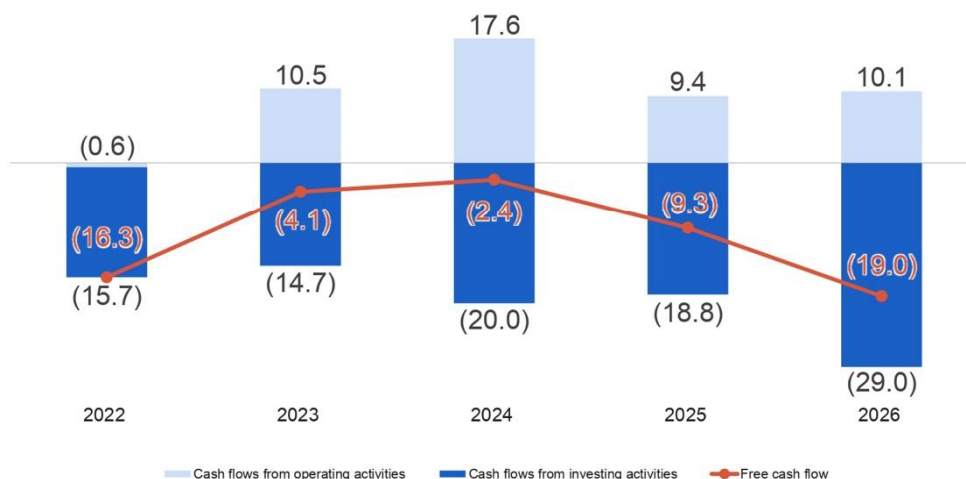
As for unit sales from April to June, domestic O.E. will be 98% of the year-ago level due to the impact of customers' reduced sales to the Middle East, while domestic Rep. is expected to be 103% of the year-ago level with continued efforts to expand sales of the SYNCHRO WEATHER.

Overseas O.E. is expected to be 103% YoY mainly due to increased sales in China and North America, and overseas Rep. is expected to be 109% YoY due to continued increase in unit sales of DUNLOP's brands in Europe.

Due to the uncertain impact of the situation in the Middle East on unit sales in H2, we have left our initial forecast unchanged at this time.

Cash Flows (Jan.-Mar.)

Billions of Yen

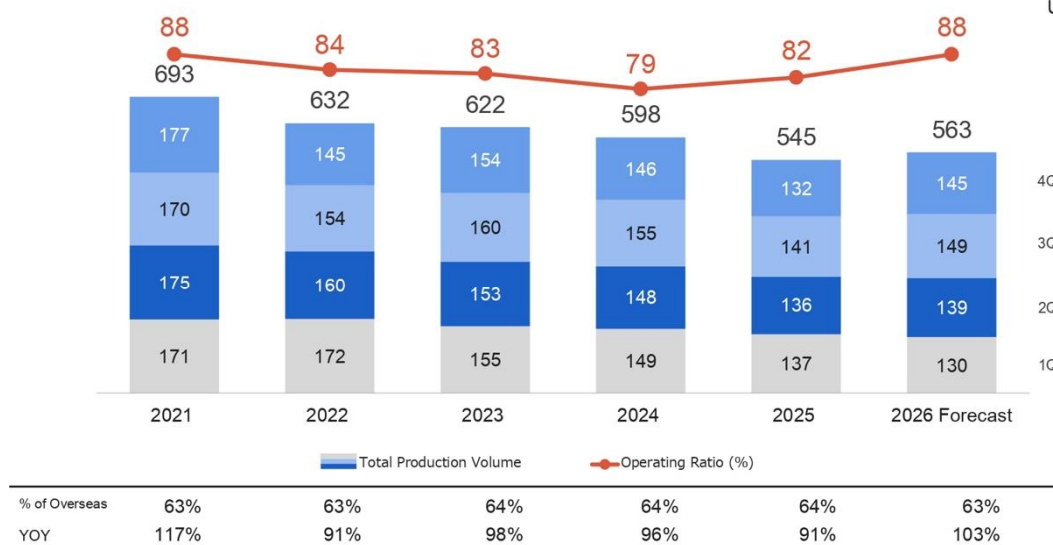


Please turn to slide 38.

As for cash flow trends, operating cash flow from January to March was positive JPY10.1 billion. On the other hand, investment cash flow was negative JPY29 billion, mainly due to investments related to the in-house new factory, such as the transition to high-inch tires. As a result, net free cash flow was a negative JPY19 billion, a decrease of JPY9.7 billion YoY.

Tire Production Volume and Operating Ratio

Unit : 000t



Please turn to slide 41.

Regarding the trends in operating ratio and production volume, the forecast for annual production volume in FY2026, shown on the far right of the table, is 563,000 tons. Our policy is to increase capacity utilization in line with rising sales volumes.

Regarding the shareholder return policy on slide 42, it is as Mr. Kuniyasu explained earlier, so that concludes my presentation. Thank you.

Question & Answer

Inoue [M]: Now, we will take questions from the audience. We will take questions alternately from those in the audience and those joining online.

First, we will take questions from the audience. Our staff member will bring a microphone to you at the venue. Please state your company name and your name before asking your question. If you are participating online and have questions, please press the raise hand button on the screen and wait. We apologize, but due to time constraints, we ask that each person limit their questions to two.

Now, if anyone in the audience has a question, please raise your hand. Now, that person in the front row, please. We will bring a microphone.

Kimoto [Q]: I am Kimoto from SHUKAN TIRE SHIMPO, RK Inc. Thank you for your explanation today.

Looking at slide 13, even with all the various negative factors, I believe the chart shows that Project ARK, which was already aiming for a significant turnaround, or rather, cost-cutting, is now projected to achieve more than double those savings.

I feel that the efforts here are making a significant contribution, and although I understand the figures, I can't help but worry that Mr. Araki, who is the leader of this initiative, will become something of an unwelcome person within the Company.

President, regarding the overall company sentiment, or rather, the effort to create an environment where you can cut costs while still maintaining a solid dividend payout, is there anything in particular you're careful about?

Kuniyasu [A]: Thank you for your question. Project ARK aims to reduce total costs by JPY30 billion by 2027 and achieve cumulative cost reductions. We have not changed this target at this time.

In our long-term management strategy R.I.S.E. 2035, which we announced last year, we planned for Project ARK to serve as a key driver of our profit growth as an external factor. Given that the deterioration of the situation in the Middle East is having a significant impact on our profits, we are working as a united company to achieve the targets we have announced, taking these factors into account.

Araki, the leader of the project itself, has been leading the project and has helped to foster a culture in which everyone praises and honors those who have achieved results within the Company. By taking on substantial challenges within the Company and consistently delivering results, repeating this process to achieve significant results, Araki began receiving a flood of highly detailed proposals from employees.

There are some specific figures involved, but by achieving each one step by step, I think the atmosphere within the Company has actually shifted to one where people feel, oh, they're actually going to do it.

Kimoto [M]: Thank you.

Inoue [M]: Thank you very much.

Next, Mr. Sakamaki of BofA Securities, who is joining us online.

Sakamaki [Q]: This is Sakamaki. Thank you very much. A couple of questions from me.

First, could you give me an update on the progress made in Q1 relative to your internal plans, including the current status?

I believe production forecasts have been revised downward slightly, so even though manufacturing plans have been maintained for now, I'm wondering if there are already signs of potential issues on the procurement side that we need to be concerned about going forward. Could you review how this Q1 went? This is the first question.

Kuniyasu [A]: Thank you. First, Q1 is progressing as planned internally. First of all, the deteriorating situation in the Middle East that occurred in February had a very limited impact on raw materials, and we have been able to take the same position as shown here.

The cold snap in North America in January had a more severe impact than expected, and we also experienced some logistics issues related to DUNLOP off-take sales in Europe starting in January. I believe these factors contributed to the decline in unit sales. However, positive factors such as SYNCHRO WEATHER had a significant impact, and as a result, we are progressing according to plan.

Regarding future prospects, we are basically planning to proceed as planned at the beginning of the year, but we will take into account the situation in the Middle East, including the negative factors that Hino explained earlier, and respond accordingly.

Additionally, regarding procurement, while there are no particular issues in Q1, we have established strong partnerships with each of our suppliers, so at this point, there are no concerns such as operations being halted due to procurement issues.

However, given that the situation in the Middle East is highly unpredictable, we are keeping a close eye on developments. We have established a task force or a response headquarters within the Company, and we intend to proceed with our response while exchanging information on a weekly basis.

Sakamaki [Q]: Thank you.

The second question. Regarding this unchanged plan, the outlook suggests that if crude oil and natural rubber prices continue as they are, it may become a bit more challenging than initially assumed. Also, although the H2 sales plan hasn't been changed, there are concerns that demand may decrease due to the impact of high gasoline prices. If the current situation continues, I think the cost of raw materials will probably rise a little more than you expect, or sales will not be as effective as you expect.

In response to this, what kind of counterattack will you face? I suspect that if the current situation persists, things could get pretty tough, so to what extent does your company plan to counter this within the framework of this plan?

For example, since Mr. Araki's hard work has already yielded better-than-expected results, looking at the expenses here, I wonder if you might be able to avoid a loss in this area as well.

On the other hand, regarding price increases, it seems that FALKEN prices in North America have been falling since around March, while I don't think Sumitomo brand prices have dropped, so I get the sense that pricing is a bit of a challenge.

I'm sorry, I've said a lot already, but if this H2 trend continues to hold steady, could you let me know what kind of counter-move you can make?

Kuniyasu [M]: Thank you. Regarding your question on this matter, Hino will answer regarding the current situation, etc., and Tsuzaki will answer regarding the price increase.

Hino [A]: Thank you for your question. This is Hino.

First, I think the question is how much risk factor is incorporated into the plan. As I explained at the beginning, we have factored in the soaring raw material prices that have affected us up until this month, as well as the decrease in shipments to the Middle East.

However, we don't know what will happen in the Middle East from next month onward, so we haven't reflected that in our forecast.

I assume your question is about the potential impact if this situation continues. If raw material prices remain high and if logistics costs continue to rise and energy prices remain at current levels, please refer to page 34 regarding raw material costs compared to the figures announced at the beginning of the year.

Consolidated Business Profit Analysis by Factors

Billions of Yen

Period	Business Profit		Factors								
		vs Previous year	Raw Material	Price	Volume & Mix	Direct Costs	Fixed Costs	Forex	Expense	Sports	Industrial & Other
2025	Jan.-Mar.	14.1 (9.1)	(8.8)	+2.8	+1.5	(0.6)	+2.0	(1.5)	(2.8)	(2.5)	+0.8
	Apr.-Jun.	14.2 (4.9)	(5.0)	+5.8	(1.7)	(0.1)	+2.5	(2.7)	(3.1)	(0.4)	(0.0)
	Jul.-Dec.	62.5 +16.8	+13.1	+16.7	(25.1)	+4.9	+2.5	+3.3	+0.0	+1.9	(0.5)
	Annual	90.8 +2.8	(0.7)	+25.3	(25.3)	+4.2	+7.0	(0.9)	(6.0)	(1.0)	+0.2
2026	Jan.-Mar.	16.8 +2.7	+10.0	+3.3	(7.7)	(1.7)	(0.3)	+2.5	(2.3)	(0.8)	(0.3)
	Apr.-Jun.	21.2 +7.0	+2.1	(0.2)	+6.8	(0.7)	(1.5)	+4.9	(3.9)	(0.2)	(0.2)
	Jul.-Dec.	74.0 +11.5	(11.2)	(1.5)	+25.7	+4.1	(3.7)	+7.8	(11.8)	+1.2	+0.9
	Annual	112.0 +21.2	+0.9	+1.6	+24.8	+1.7	(5.5)	+15.2	(18.0)	+0.2	+0.4
vs Feb. 12 th Forecast		+0.0	(22.0)	+5.0	+0.9	+3.3	+1.6	+9.0	+2.2	+0.0	(0.0)



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As shown at the bottom of this slide, raw material costs currently stand at JPY22 billion, which is significantly higher than the figure announced at the beginning of the year. However, we have offset this impact through other factors, and that is the figure we are announcing today.

If the current situation continues until the end of the year, we expect that an amount similar to the impact of raw materials, which is written here, may appear in H2.

Regarding this matter, although there was talk of raising prices earlier, we would like to counter this by focusing on cost reductions and lowering production costs.

Mr. Tsuzaki will explain the part about the price increase.

Tsuzaki [A]: Thank you for your question. I would like to explain the current pricing situation, particularly in North America.

First, regarding prices in North America, in response to the tariffs imposed in North America the year before last, we revised our prices by 12% in May of last year. After that, we adjusted the price by about 5 points in Q3 of last year in consideration of market conditions, etc., and sold at 7% of the previous year's price, or something like that.

This time, we launched a sales promotion campaign in March and revised the prices by 3 to 4 points, resulting in an increase of about 3% from the previous year.

As you mentioned, the market situation in North America, including the impact of very severe gasoline prices and other factors, is still undergoing a severe downturn, but we intend to maximize profits by monitoring the situation in the Middle East and by promoting sales.

We have no plans at this time to further revise prices significantly starting this March.

Sakamaki [Q]: By the way, the volume effect of H2 is still quite large for the number of units. This hasn't been changed, but looking at Q1, it doesn't show up that much. Couldn't this also be a risk?

Kuniyasu [M]: Thank you. Tsuzaki will respond to this as well.

Tsuzaki [A]: Thank you for your question.

This year, we are making significant growth in Europe and the US. As I explained earlier, there was a bit of logistical confusion in the beginning with regard to DUNLOP sales, but the number of accounts is steadily increasing.

Our strategy is to drive sales by expanding the size range of our new products while continuing to grow our accounts, and so far, we're seeing positive results.

Also, regarding the new product we mentioned earlier, it went on sale in March and has been very well received. Our plan is to continue growing sales, including through this new product.

Sakamaki [M]: Thank you very much.

Inoue [M]: Thank you very much.

Next, we'll take questions from the audience. Please raise your hand. Then, please ask your questions.

Sakaguchi [Q]: This is Sakaguchi from Mizuho Securities. Thank you for your help. I have two questions.

First, I am sorry to be so persistent, but could you elaborate a bit more on the risks currently anticipated regarding your full-year plan for this fiscal year?

Given that the profit plan was originally structured to be weighted toward H2, and considering that the external environment has been shifting in a somewhat negative direction, I believe the key question is how likely you are to achieve your targets. Therefore, I would like to review this once again.

What you have just explained is that the natural rubber is currently trading at around 200 cents, and crude oil is trading at around USD100, based on WTI. If this situation continues from today until the end of the year, you expect to see an additional JPY20 billion in profit decrease in the material area. Does this mean the Company plans to offset that through additional cost-cutting measures and other initiatives?

If that happens, given that various factors have already been factored in and the figures are currently on hold, are things heading in a difficult direction? I'd like to go over this nuance once more.

Kuniyasu [A]: Thank you for your question.

First of all, the current figures incorporate all the negative factors currently visible in the Middle East. So, raw material prices and other amounts up to the end of Q3 are in the negatives.

Based on our current assumptions, we are considering pricing and other factors for the remaining Q4 under the premise that the situation in the Middle East will subside and return to normal. We believe there is a high degree of certainty that we will counter this with Project ARK and other initiatives as explained earlier.

Furthermore, as Mr. Sakaguchi mentioned earlier, if this continues for a long time, we are prepared for a certain amount level of fiscal impact to the extent that Hino mentioned earlier, and we believe that we must be prepared for this.

However, in such a case, we will naturally reduce expenses, etc., but there is a possibility that market conditions will deteriorate significantly, so we are currently considering how to respond while monitoring the situation.

Hino [A]: To elaborate a bit further, regarding Mr. Sakaguchi's question, I would ask you to consider that figure as roughly covering the cost increase in raw material prices, the internal cost increase in the price of energy used, and the cost increase including the logistics surcharge.

Sakaguchi [Q]: Thank you. If things continue as they are, the risks will mainly occur in Q4.

Hino [A]: If unit prices remain unchanged and this confusion continues, that is a possibility.

Sakaguchi [Q]: Understood. Thank you.

In terms of the response, please tell me about the sales situation and how it is factored into profits. First, regarding the US market, we were told that the FALKEN and WILDPEAK brands have effectively outperformed the market in terms of sales. If you've been adjusting your pricing strategy again since March, what has the sales trend been like since April? Is the Q1 trend of outpacing sales continuing or accelerating?

Also, since SYNCHRO WEATHER is off to a good start, I believe that these two factors lead to a full-year increase in the price section in the increase/decrease analysis, as well as a slight increase in the volume and mix. Do you think that these factors will have an effect? Please explain the current status of sales and how the increase and decrease factors are incorporated.

Kuniyasu [M]: Thank you for your question. Tsuzaki will respond to this.

Tsuzaki [A]: Thank you for your question. As for WILDPEAK, we plan to boost sales in both Q2 and Q3.

The rationale for this is the expansion of size and sales measures. We are in the process of tying up with our customers, and we believe that we can achieve sales that exceed the industry.

The SYNCHRO WEATHER has been very well received from January to March, as its performance as a summer tire has been well recognized. Last winter, we received a very good reputation as an all-season tire that can be run on ice, and we are currently making progress as planned with our profit plan, including our target of 1 million units of SYNCHRO WEATHER, so we are determined to sell and win in this trend.

Sakaguchi [Q]: Is it correct to say that the degree of incorporation of this effect is included in the price and mix this time?

Tsuzaki [A]: Yes, I think that is a fair understanding.

Sakaguchi [M]: Thank you very much.

Inoue [M]: Thank you very much.

Next, Mr. Maki of SMBC Nikko Securities, who is joining us online.

Maki [Q]: This is Maki from SMBC Nikko Securities. Thank you. I have two questions.

First, I know this may sound repetitive, but based on what we discussed earlier regarding the impact of the Middle East, if the current situation continues, Q4 alone will worsen by JPY20 billion. For example, if we assume that the resource price will continue to soar next year and beyond, you will have to pay another JPY40 billion for next year's H1, which will result in a fairly large increase in costs.

What kind of countermeasures can your company take if something like this were to happen? Please explain that to me again.

Kuniyasu [A]: Thank you. I would like to give a brief explanation of this question from me and then pass it on to Hino.

In addition to Q4, if this situation continues into next year and beyond, we are currently exploring options such as production using hydrogen energy, including sustainable sources. However, we believe we must shift toward production methods that minimize the use of such energy as much as possible.

As we continue to reduce weight, we will also need to reduce the amount of raw materials used. In fact, we are already implementing this approach within Project ARK, but I believe we need to consider ways to accelerate this process even further.

Now, Hino will continue to explain.

Hino [A]: I would like to add a supplement. As expected, this is clearly due to external factors. Automakers have historically adopted a price-linkage policy in response to surging raw material prices. Although there is a slight time lag, meaning the price adjustments are implemented somewhat later, we will pass on these costs through price adjustments. Furthermore, I believe we will continue to respond to increases in raw material and energy prices by properly reflecting them in product price hikes.

All tire manufacturers are in the same situation, so I think that, even though there's usually a slight time lag, they'll generally respond by raising their prices.

On the other hand, however, we have also been carrying various expenses since the beginning of the year. Including Project ARK, which was mentioned earlier, we will naturally take all possible measures to recover internally, and through cost reductions and cost cutting, we hope to somehow beat this back.

Although a sharp price increase cannot be remedied immediately, I believe that in the long run, we will be able to counteract it by raising prices in total.

Maki [Q]: Thank you.

If you have the breakdown of OE and REP on this, perhaps for the JPY22 billion figure mentioned earlier, could you explain the breakdown of the economic impacts currently factored into that number?

Kuniyasu [M]: You are asking us to give you a breakdown of the JPY22 billion figure.

Maki [M]: That's right, yes.

Hino [A]: By no means did I say this was JPY22 billion.

Maki [Q]: The impact compared to the announcement at the beginning of the year, which is factored in on page 13.

Hino [A]: The biggest impact is from the price increase of natural rubber and crude oil, which is naturally more than half of the total, about 70%. The other impact is the increase in the price of electric energy in the use of crude oil boilers, the cost increase at factories, and the surcharge, which is about 30%.

Maki [Q]: Yes. Understood. I will confirm the details separately.

The second point is at DUNLOP. I believe there was some good news here, and the price position has been rising.

Given DUNLOP's historical background, I believe its price positioning had slipped somewhat. Could you share some insights on how much the price has risen beyond expectations, what initiatives have driven this increase, and the extent of the improvements?

Also, since the volume has reached the same level as planned in March, I'm wondering if there will be any upward swing from April onward if you keep up this pace. Could you also provide an outlook on the volume going forward?

Kuniyasu [M]: Thank you for your question. Tsuzaki will respond to this.

Tsuzaki [A]: Thank you for your question.

First of all, DUNLOP has been able to start full-scale sales in January of this year, which is a positive development for both Europe and North America. Since we didn't have that last year, it's a plus.

We're currently introducing the new DUNLOP to our customers and expanding their accounts while communicating its value, that's the situation we're in right now. We are seeing very positive results from these efforts.

First of all, the price is about 15% higher than the FALKEN size. The BLUE RESPONSE, which I just introduced as a new product, is priced about 15% higher than FALKEN, though in some sizes, the difference is as much as 20%.

The US market is roughly the same, with prices about 10% to 20% higher than the same FALKEN size.

DUNLOP will have a net increase this year, so we would like to convey the value of the off-take products taken over from Goodyear and Sumitomo Rubber's new products to our customers and carefully expand our accounts to sell these products.

Maki [Q]: Thank you.

I know some of these prices are off-take now, but when they switch to in-house products like BLUE RESPONSE in the future, can we expect to see roughly 15% or 20% of these prices? Finally, regarding Q1, I would appreciate your comments on whether we can expect profits to rise gradually as the number of core products, those that are clearly driving profit growth, increases.

Kuniyasu [A]: Thank you.

First of all, in Europe, our business currently focuses mainly on off-take products, and we were able to launch our own products in March. Our strategy is to add our technical value to the off-take products and sell the new products at a higher price.

Next year, we plan to launch a new all-season tire with Active Tread in Europe, and naturally, we plan to add value to that series as well. So, as Mr. Maki said, I think that from now on, products will make a gradual contribution to profits each time our own products are released.

Maki [M]: I understand. Thank you.

Inoue [M]: Thank you very much.

Now, if anyone in the audience has a question, please raise your hand. Go ahead.

Osawa [Q]: Thank you. I am Osawa from the Nikkei. Thank you for today. I would like to ask two questions.

The first point is about the performance of this Q1. While profits have grown by a factor of 2.4, the main reason for this is that the foreign exchange losses from the same period last year have essentially disappeared due to a rebound. Could you please tell me what other factors contributed to this growth?

Kuniyasu [M]: Thank you for your question. Hino will respond to this.

Hino [M]: I'm sorry, could you repeat? I didn't quite catch the last part of your question.

Osawa [Q]: Yes. The net profit has increased by 2.4 times, mainly due to a rebound from the foreign exchange loss in the same period of the previous year first, but what worked in addition to that?

Hino [A]: What worked in addition to that? As mentioned earlier, the number of premium products has decreased slightly from the previous year, but business profit has greatly exceeded that of the previous year.

Premium products, centering on SYNCHRO WEATHER, have been steadily increasing in premium ratio, and this time the ratio has increased by 2 points. Sales of SYNCHRO WEATHER, especially in the very high price range of high inches, have exceeded the plan, so please understand that the total profit margin has improved due to such positive mix.

Osawa [Q]: The increase in the percentage of high value-added products has been effective first of all.

Hino [A]: Yes. That's what's having the biggest impact on improving business profit. Yes.

Osawa [Q]: Thank you. I would also like to ask about page 35, the North American sales volume.

I understand that the weather has worsened and that a significant portion of the market share has shifted to lower-priced products. Does this mean that some other brand has entered the market in the lower price range, or is it simply that, as you explained, gasoline and other car-related costs are high, so people are trying to cut back on tire costs? May I ask what is causing the shift to lower price points?

Tsuzaki [A]: Thank you very much. As you say, inflation and the rising cost of gasoline have increased the amount of money spent on necessary expenses, so the amount of money spent on other expenses has decreased, and I believe that this has led customers to choose the cheaper option.

Osawa [M]: Thank you.

Inoue [M]: Thank you very much. Next, Mr. Yoshida of Citigroup Global Markets, who is joining us online.

Yoshida [Q]: Thank you. I am Yoshida of Citigroup Global Markets.

The first question concerns pricing strategy. Setting aside the recent additions, based on the breakdown on page 13, while raw material costs are rising by JPY22 billion, prices are only recovering by JPY5 billion, so I feel that the price effect is weaker than usual when raw materials prices soar.

Does this mean that the external environment is that severe, or is this a price effect at this point because the Company's forecast can be achieved by other factors without raising prices? Please explain a bit about how pricing is being handled.

Additionally, for example, if raw material costs were to increase by another JPY20 billion, under normal circumstances, everyone would be affected, so prices would be raised with a time lag, and we could expect the spread to improve significantly by the next fiscal year. I would like to confirm whether that is not the case this time.

Kuniyasu [M]: Thank you very much. Hino will respond to this.

Hino [A]: As Mr. Yoshida correctly noted, regarding the extent to which we can factor the sharp rise in costs into our pricing, we have taken a rather cautious approach. Given the weakening of the yen and the fact that impact by Project ARK are already piling up as specific projects come in, we decided to manage operations in this manner.

As you say, if this continues, of course, all the tire industry will be in the same situation, so please understand that this is just a delay in the period, in the form of improved spreads due to price increases.

Yoshida [Q]: Thank you.

The second question is about the road map up to 2030 from the last meeting. I believe there was a mention that, given changes in the tariff environment and other factors, a review is necessary, and that you'd like to update that at some point.

Does this mean you'll be reassessing the situation in Q2, taking into account current conditions? Could you tell me about your approach to medium- and long-term strategies, including timing?

Kuniyasu [A]: Thank you.

We talked about that in February, and at that time, there were tariffs in place, and we felt we needed to update our plans starting with R.I.S.E. 2035, which is why we raised the issue. We are currently exploring various options within our company. That remains the case at present.

However, given the current uncertainty surrounding the situation in the Middle East, we felt that unless we clarified that aspect first, it would be difficult for you to fully grasp what we are about to say next. We had actually intended to discuss this today, but we've decided to take some time to assess the situation in the Middle East first.

As Mr. Yoshida mentioned, we are making preparations so that we can discuss this around Q2, provided the situation in the Middle East stabilizes. We intend to closely monitor developments there and ensure we are ready to clearly communicate the direction we should take.

Yoshida [Q]: Thank you.

Basically, if the industry is able to pass on some of the raw material costs to selling prices in response to the situation in the Middle East, is it correct to understand that your basic strategy is proceeding smoothly?

Kuniyasu [A]: Yes. I think it is fine to understand as you say.

Yoshida [M]: Thank you.

Inoue [M]: Thank you very much.

Now, if anyone in the audience has a question, please raise your hand. Go ahead.

Eguchi [Q]: Thank you for the explanation. I am Eguchi and I am a reporter at Nikkei xTECH.

Earlier in your remarks, you mentioned that of the JPY22 billion impact from raw material costs, about 70% was attributable to natural rubber, while the remaining 30% was due to fuel surcharges and transportation costs. Is my understanding correct that this remaining 30% includes the impact of synthetic rubber raw materials, such as butadiene rubber?

Hino [A]: No, sorry. 70% contains the influence of all raw materials.

Eguchi [Q]: Both natural and synthetic rubber are included here.

Hino [A]: Yes, that's right.

Eguchi [Q]: Thank you. By the way, regarding that 70%, is it correct to assume that the impact on synthetic rubber is greater?

Hino [A]: Basically, the impact of oil is significant.

Eguchi [Q]: I understand. Thank you.

Second, I would like to ask you about Project ARK.

You have written about the policy ideas regarding DX and AI utilization, such as using AI for tire aging prediction and shortening development lead times through virtual measures. I would like to hear a little more about the manufacturing efficiency improvements currently being implemented through DX and AI utilization, as well as any measures planned for the future.

Kuniyasu [M]: Thank you for your question. Araki will respond to this.

Araki [A]: Thank you.

Regarding the use of DX and AI, we explained in the previous earnings announcement that we are shortening the lead time for tire development. Specifically, this involves using AI in tire pattern development or shortening the time from the development of the pattern to the actual manufacturing of the tire by collaborating not only with the technical department but also with the factory's production department.

While progress is being made, we haven't yet been able to concretely incorporate this into our JPY9.5 billion target for this fiscal year. We are currently working on quantifying it, so this is one of the measures that represents our future potential.

In addition to the measures we are currently incorporating, another positive outcome is that our Thai factory has also generated JPY2.6 billion in external revenue, and of course, we have other overseas factories besides Thailand, and this year, we have begun to implement the cost reduction measures that we have cultivated at our domestic factories. So, we would like to continue to build up cost reduction measures at our overseas factories other than Thailand.

We hope to announce additional figures after the Q2 earnings announcement, but we are currently reviewing the amounts, so please stay tuned. Thank you very much.

Kuniyasu [A]: Also, although it hasn't been incorporated into Project ARK yet, Viaduct, a company we acquired last year that provides AI solutions, is planning to launch a pilot program to test whether its AI solutions can deliver tangible results in areas such as improving maintenance efficiency at our Miyazaki factory.

Since this will begin around June, we're already seeing some of the results in the numbers, and we plan to incorporate those into Project ARK and continue to drive these results forward.

Eguchi [M]: Thank you.

Inoue [M]: Thank you very much.

Next, Mr. Ishimoto of Nomura Securities, who is joining us online.

Ishimoto [Q]: Thank you. I am Ishimoto of Nomura Securities. I have two questions.

First, could you explain how profits are generated in the tire business in Europe, the Middle East, and Africa? The profit of JPY800 million was posted in Q1, and I'd like to ask about the situation in the Middle East, for example, what percentage of global sales it represents, and what kind of impact it's having.

Also, since most of the products in Europe are still off-takes, what kind of curve will there be as these products switch to in-house products? I would appreciate any hints you could give me.

Kuniyasu [M]: Thank you. Tsuzaki will respond to this.

Tsuzaki [A]: Thank you for your question.

First of all, the percentage of our sales in the Middle East is about 2%. As for the off-take sales ratio, we plan to switch to Sumitomo Rubber products in about three to five years.

Next year, we plan to launch a new all-season tire with Active Tread, and after that, we plan to sell more and more DUNLOP products, mainly in Europe and the US.

Ishimoto [Q]: Thank you.

As a follow-up, I believe the contract stipulated that you would have to take on some of the business from Goodyear in that case, but are you considering selling them in other regions?

Tsuzaki [A]: Yes. Basically, we will sell the product in Europe, but we plan to sell some outside Europe as well.

Ishimoto [Q]: Understood. Thank you.

Second, let me check the situation in the US. In Q1, I think the decline is over 10%. I think the big cold wave may have had some impact, but in effect, you are talking about an increase because the hurdle was a bit high last year, so I wonder if we can really think in such a way that you are gaining market share.

In other words, since Q2 accounts for 97%, if Q1 exceeds expectations, assuming it shows YoY growth, growth will slow slightly, only to pick up again in H2 with a 22% increase. Could you please provide a bit more detail on how you view the outlook for Q2 and H2?

Kuniyasu [M]: Thank you. Tsuzaki will respond to this as well.

Tsuzaki [A]: Thank you for your question.

First of all, the 89% figure for North America includes exports from Japan, and this figure has decreased significantly. The local sales company's figure is 99% compared to the previous year, which puts them slightly above the industry average.

Looking ahead to H2 and beyond, we are formulating our plans by building on a number of initiatives, including the expected growth in DUNLOP's sales figures, the expansion of FALKEN's WILDPEAK product lineup, and the strengthening of our sales strategies.

Ishimoto [M]: Understood. Thank you very much.

Inoue [M]: Thank you very much.

Next, does anyone in the audience have any questions? Please go ahead.

Hata [Q]: Thank you for the explanation. I am Hata from Toyo Keizai. I have two questions.

The first question is about pricing strategy. You explained earlier about the North American prices, but what do you think about the price pass-on in the domestic market? I believe some companies in Tokyo, such as Yokohama and Michelin, have already announced price revisions of about 5%, and I think it is necessary to consider price strategies for winter tires in H2, which have particularly high profit margins. What are your thoughts on this?

Kuniyasu [A]: Thank you for your question.

As for domestic prices, we are naturally considering a price increase due to soaring raw material prices, however, since only some companies in Japan are implementing price hikes, we will carefully consider how to respond to the situation.

My understanding is that price increases are not raising the overall price but is raising it only partially, so we would like to proceed with the study while carefully observing the situation so that the number of units will not decrease even if the price is raised.

Hata [Q]: Thank you.

I have one more question. While I don't think the scale of these businesses is as large as that of the tire business, I'm concerned that profitability in the sports and industrial and other segments declined slightly in Q1. Could you explain the factors behind this and also share your full-year outlook, specifically, whether there are any cost-increasing factors related to the situation in the Middle East affecting businesses other than tires?

Kuniyasu [M]: Thank you. Hino will respond to this.

Hino [A]: First, one major factor affecting the sports business is that Trump's tariffs have had a significant impact over the past year and this year. However, we are now trying to beat that back with price.

As for sports, the reason the numbers look like this compared to last year is that we launched Srixon balls and clubs last year, and we also sold XXIO a little ahead of schedule. So, compared to last year, things seem to be down right now, when viewed YoY.

On the other hand, the impact of high raw material prices on hybrids is that the cost of gloves is a little high due to the impact of natural rubber. However, since this accounts for only a small portion of the overall

business, when comparing YoY, we happened to have a large-scale project last year, whereas there was none during the January to March period this year, which is why the figures look like this.

Hata [Q]: As a forecast for the full year, would it be correct to view Q1 as having such special factors?

Hino [A]: We have not changed our forecast for the full year as a total so far. The forecast is the same as announced at the beginning of the year, so we have kept the forecast unchanged by reducing other costs in spite of the risk factors I mentioned earlier.

Hata [M]: I understand perfectly. Thank you.

Inoue [M]: Thank you very much. Do you have any other questions? Please go ahead.

Ohashi [Q]: This is Ohashi from Daiwa Securities. In the sense of, what if the situation in the Middle East hadn't happened, let me ask you a few more questions about Q1.

I would like to clarify the temporary factors affecting your progress a bit further. As I understand it, there are temporary factors at play in both North America and Europe. As for the impact of this, when looking at profits by region, it appears that Japan may be feeling the effects.

Given that SYNCHRO WEATHER is performing well, and raw material costs are having an impact, Japan's profits appear to be a bit lower than expected. I apologize, but this is just my understanding. Please explain the extent to which temporary factors in North America and Europe are affecting the situation and what you consider to be Japan's true capabilities. Thank you.

Kuniyasu [M]: Thank you for your question. Hino will respond regarding the impact of raw materials.

Hino [A]: I think your question is about the business profit by region on page 20. Naturally, since direct exports from Japan are included in these figures, that impact is reflected here to some extent.

I will refrain from giving specific figures, but there has been an impact on this area. Additionally, the Middle East segment within our Europe, Middle East, and Africa region has seen a significant YoY decline, and looking solely at the January to March period, profits have fallen by more than half.

The Middle East faced very difficult conditions, especially in February and March, and although we managed to maintain a surplus, the impact has been felt in the significant dip compared to last year.

Ohashi [Q]: Thank you. I understand perfectly. Let me ask just one more question about the full-year plan.

In terms of your internal plans, I think expenses have been reduced in areas that aren't immediately visible. In addition to the effects of Project ARK, fixed costs and direct costs also appear to have exhausted the buffer planned at the beginning of the fiscal year.

Could you explain each of these points? Also, could you comment a little more on the opportunities to cut back further, and the overall tone of this area? Thank you.

Kuniyasu [M]: Thank you. Araki will now provide the answer.

Araki [A]: Thank you for your question. As you are thinking, there is of course the effect of incorporating the results of Project ARK, but there was also the effect of holding down internal expenses from the plan due to the actual sales environment during the period from January to March.

However, after April, especially for H2, we are about to review the very overall annual plan and internal plan. Since most of our budget is still based on the plan we set at the beginning of the year, apart from incorporating the cumulative measures for Project ARK, we may need to consider slightly reducing the department's overall expenses in the future, depending on the situation.

I think you should consider that the potential is there, but as for how far we can actually go, we'll have to determine as we proceed, depending on the situation.

Ohashi [M]: Thank you very much.

Inoue [M]: Thank you very much.

As we have run out of time, I will now conclude this earnings briefing.

Thank you for taking the time to join us today despite your busy schedule.

Kuniyasu [A]: Thank you.

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