Sumitomo Rubber Industries, Ltd.

Financial Results Briefing for Six Months Ended June 30, 2026

August 6, 2026

Event Summary

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[Venue Size]		
[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
	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: Ladies and gentlemen, thank you for your patience. We will now begin DUNLOP, Sumitomo Rubber Industries, Ltd.'s financial results briefing for the six months ended June 30, 2026.

I am Inoue of Investor Relations, and I will serve as moderator today. Thank you very much.

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

Kuniyasu: I am Kuniyasu. Thank you very much.

Inoue: Hitoshi Hino, Director and Senior Executive Officer.

Hino: I am Hino. Thank you very much.

Inoue: Masahiro Tsuzaki, Director and Senior Executive Officer.

Tsuzaki: I am Tsuzaki. Thank you.

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

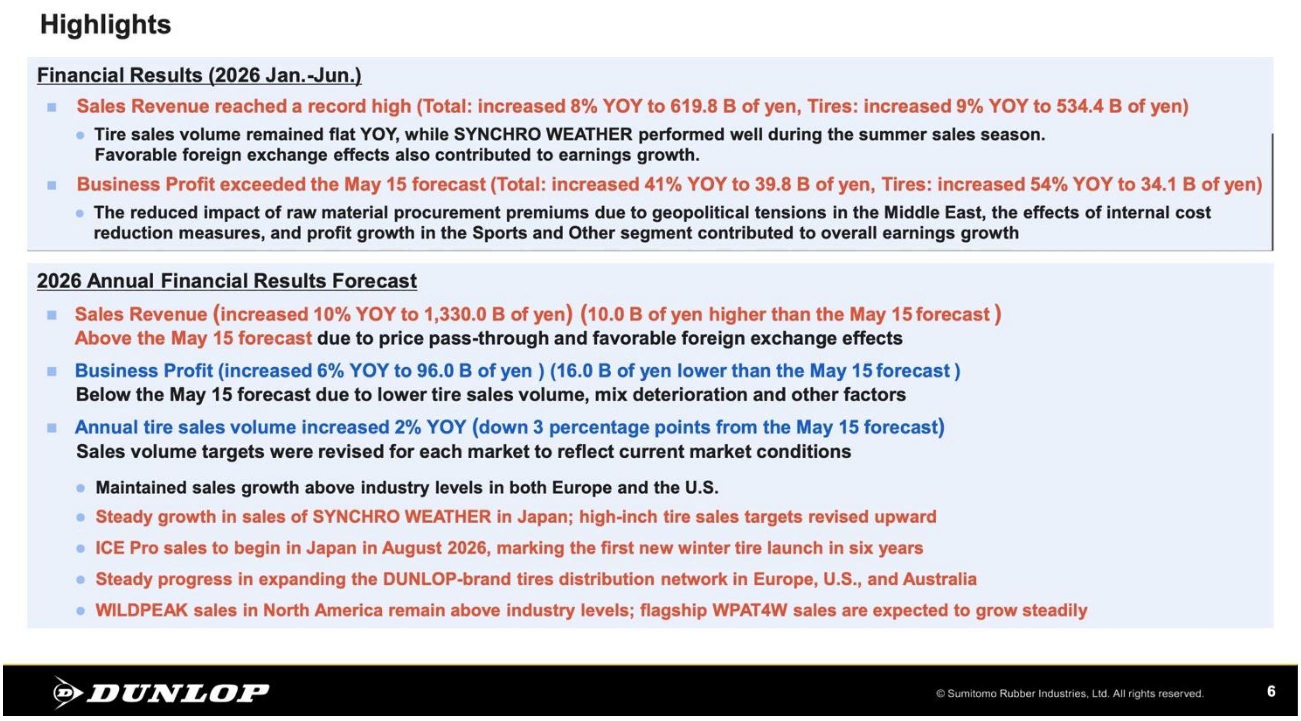
Araki: I'm Araki. Thank you.

Inoue: Today's presentation will follow the materials posted on our website. For those attending at the venue, we have distributed three materials: the summary of consolidated financial results, the financial report, and the Long-Term Management Strategy R.I.S.E. 2035 Progress Report.

Today, President Kuniyasu will first provide an overview of the financial results, followed by Senior Executive Officer Hino, who will provide details of the financial results. Kuniyasu will then provide an update on the progress of the Long-term Management Strategy R.I.S.E. 2035. After the presentations, we would like to take questions from everyone. Kuniyasu will now begin the presentation.

Kuniyasu: I am President Kuniyasu. First, I would like to extend my heartfelt sympathies to everyone affected by the 2026 Kumamoto Earthquake, and I sincerely pray that they will be able to return to peaceful lives as soon as possible.

Thank you very much for taking time out of your busy schedules to attend our financial results briefing for the six months ended June 30, 2026. I will explain the overview of our financial results for H1 and our full-year earnings forecast.



Please refer to slide six.

In H1 of 2026, the Group's sales revenue increased 8% YoY to JPY619.8 billion, exceeding the previous year's level both overall and in the tires business and reaching a record high. Overall tire sales volume remained flat YoY, while SYNCHRO WEATHER performed well during the summer sales season and the weaker yen had a positive impact. As a result, sales revenue exceeded the previous year's level.

Business profit increased 41% YoY to JPY39.8 billion, exceeding the previous year's level both overall and in the tires business. In addition to the negative impact of higher raw material unit prices being lower than anticipated, we steadily implemented cost improvement and expense control initiatives, resulting in business profit also exceeding the previously announced forecast.

Operating profit increased 41% YoY to JPY38.1 billion, while profit for H1 increased 80% YoY to JPY25.9 billion. We achieved increases in both sales and profit, and both also exceeded the previously announced forecast.

Next, I will explain the full-year earnings forecast for FY2026. We forecast full-year sales revenue of JPY1,330 billion, up 10% YoY, and business profit of JPY96 billion, up 6% YoY. Sales revenue is expected to exceed the previous year's level due to higher volume and exceed the previously announced forecast due to the effects of price pass-through and foreign exchange rates.

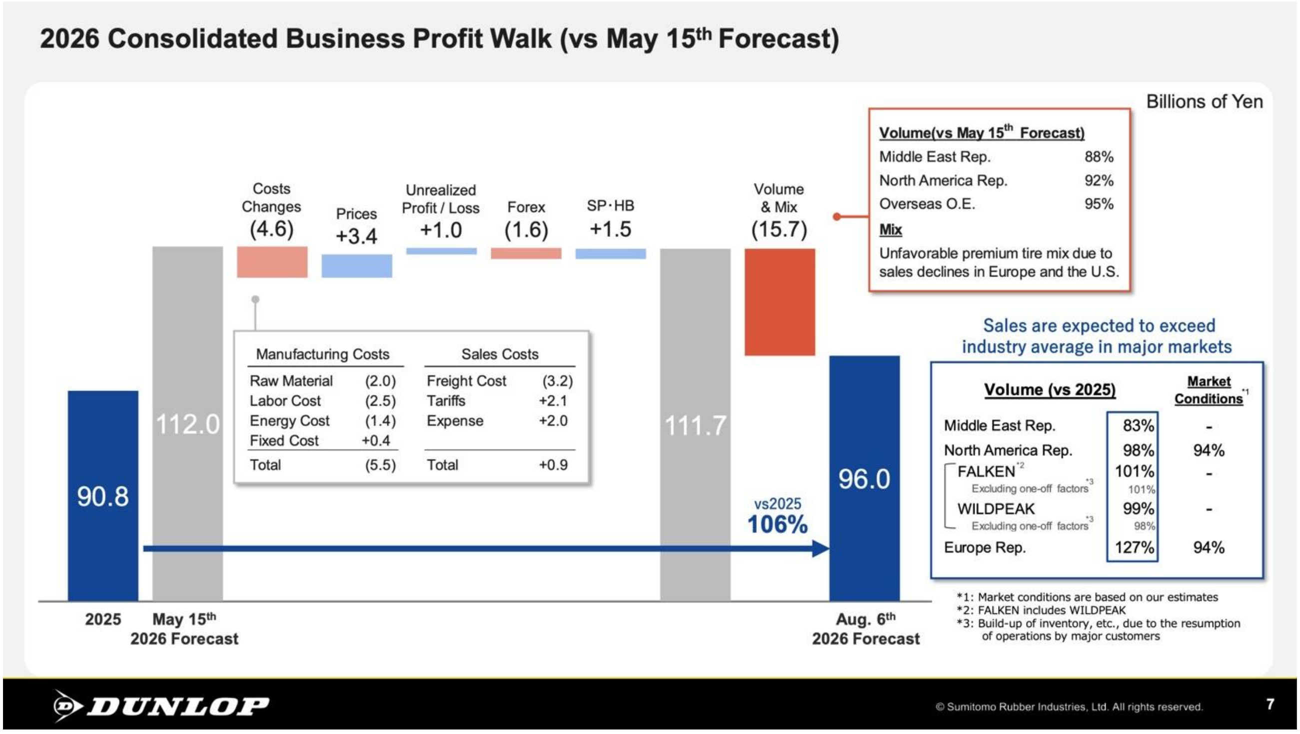
Business profit is expected to exceed the previous year's level due to higher volume on a YoY basis but fall below the previously announced forecast due to lower volume and deterioration in the sales mix.

We have revised our annual tire sales volume forecast to reflect market conditions, but we continue to maintain levels above the industry in both the European and North American markets.

Recognition of SYNCHRO WEATHER in the Japanese market is steadily increasing, and sales are progressing well. Furthermore, in the Japanese market, we began sales this month of ICE Pro, a studless tire focused entirely on ice performance. This marks the first new product launch in six years in the WINTER MAXX series of DUNLOP studless tires, and it has attracted strong interest from the market and customers. With SYNCHRO

WEATHER making it possible to drive on all types of road surfaces, we deliberately changed course with our studless tires from the conventional all-around balance of performance and pursued ice performance to the limit.

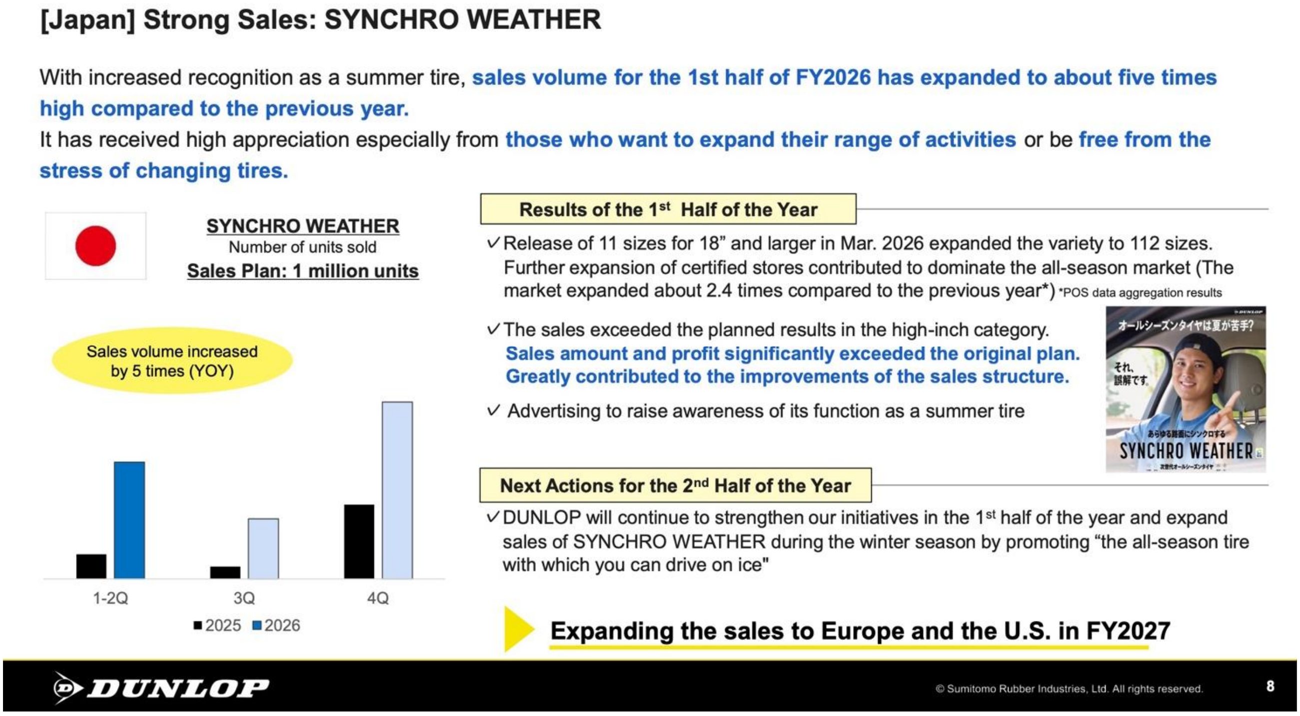
Regarding the expansion of DUNLOP-brand tire sales in Europe, the US, and Australia, expansion of the distribution network is progressing steadily. FALKEN WILDPEAK in North America continues to perform above industry levels, and we expect increased sales of the flagship WILDPEAK A/T4W.



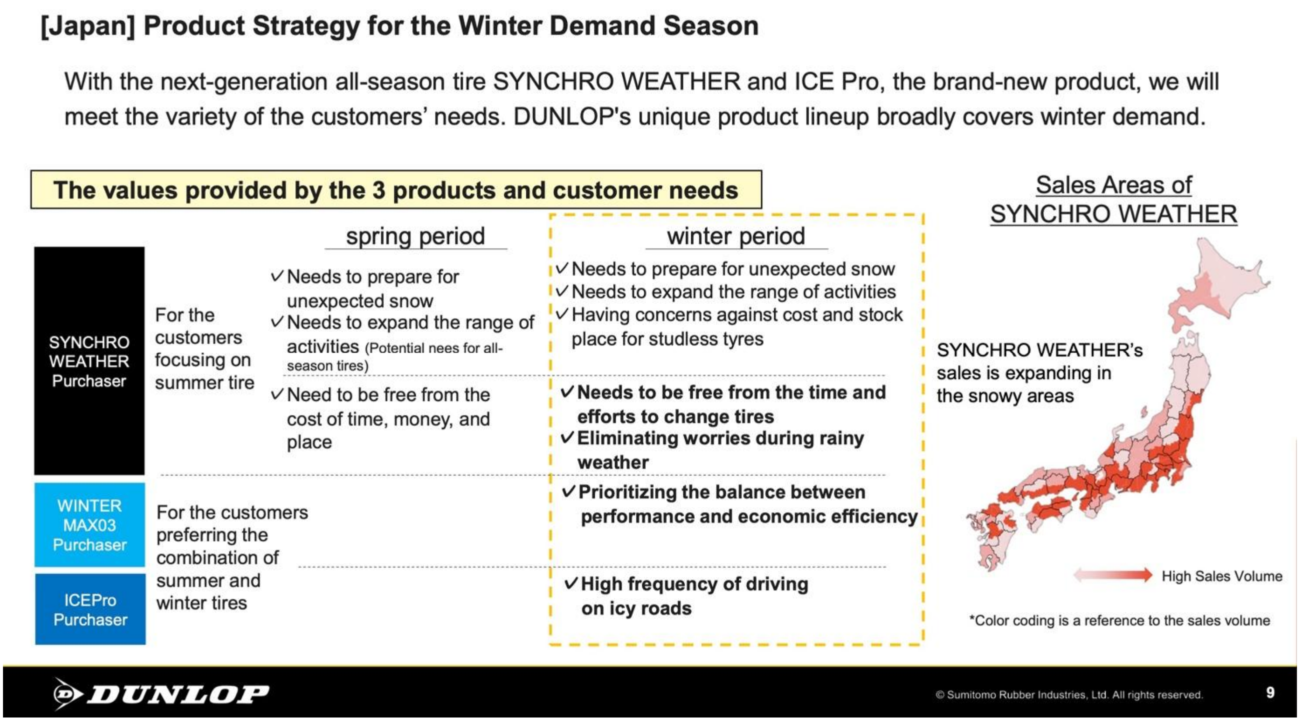
Next, please turn to slide seven. First, I will provide a summary of the difference between the 2026 business profit forecast and the previously announced forecast.

Previously, we explained that the impact of higher raw material prices due to the deterioration of the situation in the Middle East would be JPY22 billion. We subsequently reviewed the company-wide impact through year-end based on current conditions. As a result, the additional negative impact from cost changes relative to the previously forecast JPY22 billion is expected to be JPY4.6 billion, which we expect to absorb through additional price increases and other measures.

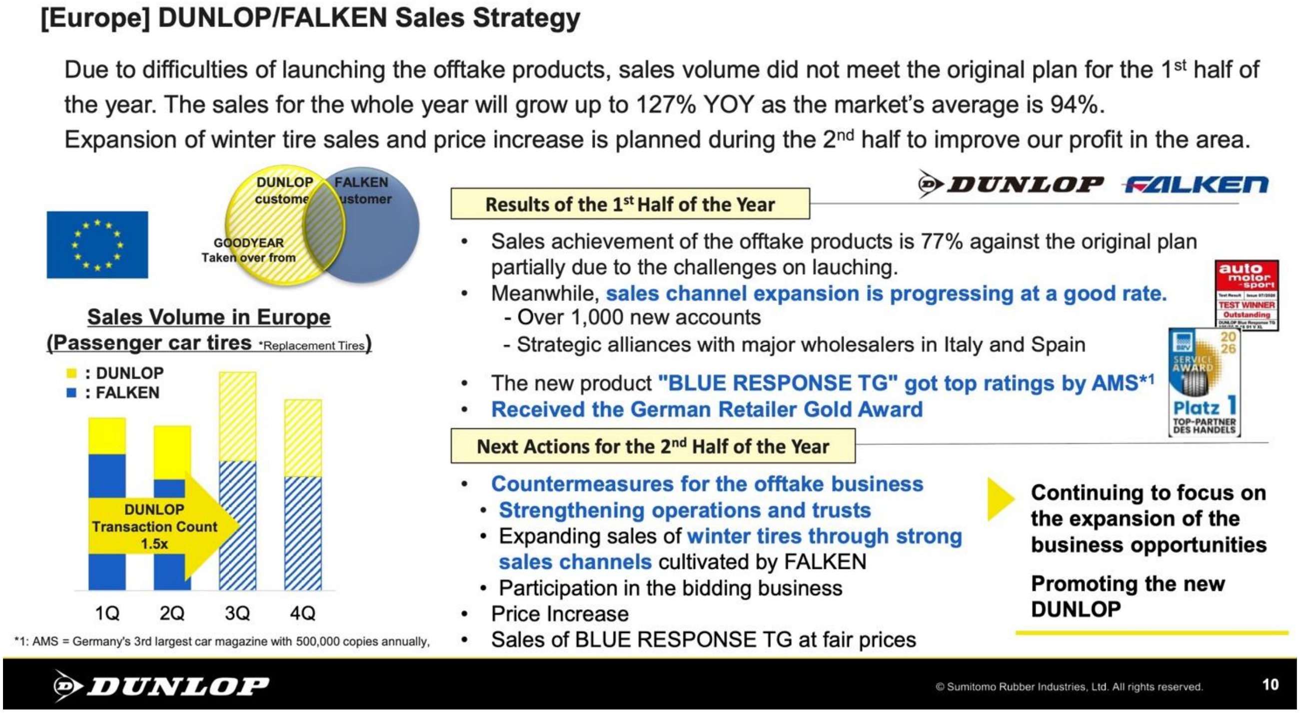
However, in addition to lower volume due to external factors, including the impact of the situation in the Middle East and the continued weakness of market conditions in North America, the sales mix is expected to deteriorate due to lower sales in Europe and the US. Consequently, although our sales performance remains above the industry average, volume, mix, and other factors are expected to have a negative impact of JPY15.7 billion compared with the previously announced forecast. As a result, although business profit is expected to increase YoY, it is forecast at JPY96 billion, JPY16 billion below the previously announced forecast of JPY112 billion.



Please refer to slide eight. I will explain SYNCHRO WEATHER, our flagship product in Japan. As recognition of the product as a summer tire increased, sales volume in H1 increased approximately fivefold YoY. In March, we expanded the product lineup to 112 sizes, and sales in the high-inch category exceeded the plan, contributing significantly to sales growth and an improvement of sales mix. Building on this successful model in Japan, we will finally expand into the European and North American markets in FY2027.



Please refer to slide nine. I will now explain our product strategy for the winter demand season. We have launched ICE Pro, a new product focused on ice performance. With SYNCHRO WEATHER, chosen for its convenience, and ICE Pro, developed in pursuit of ice performance for customers who frequently drive on icy roads, we will meet these distinct needs. Sales of SYNCHRO WEATHER are also expanding in snowy areas. Through DUNLOP's unique product lineup, we will broadly cover winter demand and enhance customer satisfaction.

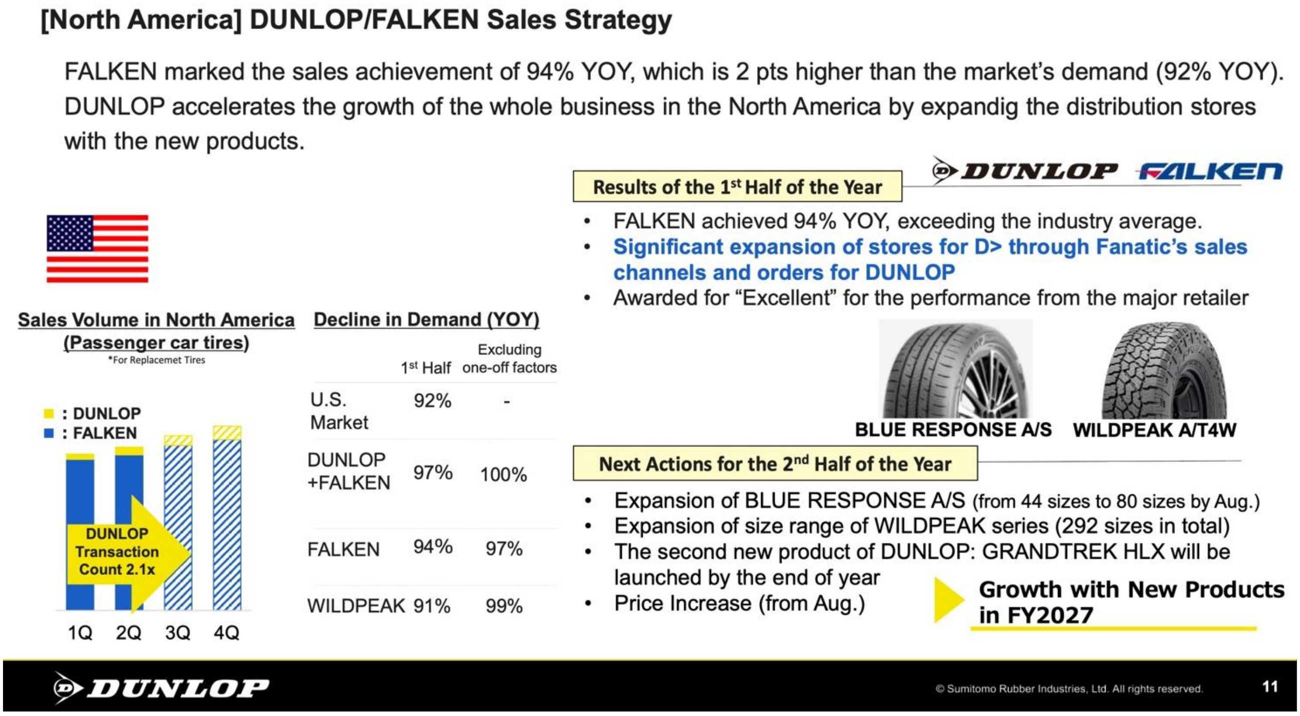


Please turn to slide 10. This slide presents our H1 results and H2 initiatives in Europe.

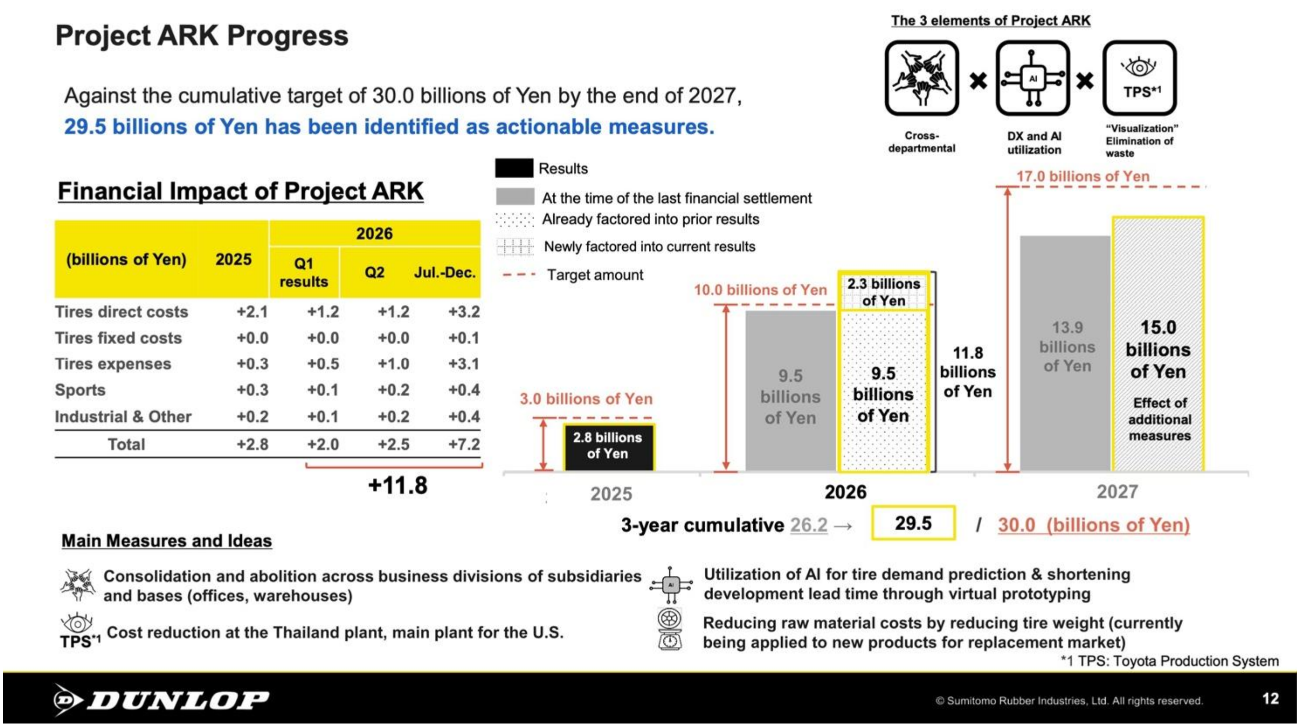
DUNLOP encountered difficulties in launching the offtake products. The decline in January to February was particularly significant in H1, resulting in sales at 77% of plan. Meanwhile, sales channel expansion progressed smoothly, with more than 1,000 new accounts and strategic alliances established with major wholesalers in Italy and Spain.

The new product, BLUE RESPONSE TG received the highest rating in a magazine review. Furthermore, it won Gold at the BRV Award in Germany. This award recognizes the best partner in Germany's retail industry. We believe this is clear evidence that DUNLOP has begun to earn the trust of the local market.

Leveraging these technologies and this trust, we will focus particularly in H2 on expanding sales of the BLUE RESPONSE TG and winter tires, as well as ensuring that price increases take hold. Including FALKEN, we plan for annual sales to reach 127% YoY, exceeding the market average of 94% YoY, and aim to improve profitability.



Please turn to slide 11. Next, I explain about North America. FALKEN maintained its earnings base and achieved a sales level of 94% YoY, above the H1 industry demand level of 92% YoY. DUNLOP saw a significant increase in the number of orders and received an "Excellent" rating in a performance evaluation by a major online retailer. In H2, we will accelerate growth across our North American business through the expansion of the BLUE RESPONSE A/S size lineup, the enhancement of the FALKEN WILDPEAK lineup, and the new DUNLOP product GRANDTREK HLX.



Please refer to slide 12. This slide presents the progress of Project ARK, our total cost reduction project. This project generates benefits through a combination of three elements: cross-departmental initiatives, the utilization of DX and AI, and the visualization of waste through TPS. Against our cumulative target of JPY30 billion by the end of 2027, we have now identified actionable measures totaling JPY29.5 billion. Compared with the previous announcement, we have added further JPY2.3 billion to the amount factored into the full-year forecast, bringing the total to JPY11.8 billion. The three-year cumulative amount has therefore increased from JPY26.2 billion to JPY29.5 billion. We will steadily translate measures such as the consolidation and abolition of subsidiaries and bases and the shortening of development lead times through the utilization of AI into tangible benefits.

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

Billions of Yen

	Revised Forecast 2026	Actual 2025	YOY	May 15th 2026 Forecast 2026	Revised Forecast 2026 Jul.-Dec.	vs 2025
Sales Revenue	1,330.0	1,207.1	110%	1,320.0	710.2	112%
Business Profit (%)	96.0 7.2%	90.8 7.5%	106%	112.0 8.5%	56.2 7.9%	90%
Operating Profit (%)	89.0 6.7%	82.6 6.8%	108%	100.0 7.6%	51.0 7.2%	92%
Profit	55.0	50.4	109%	55.0	29.3	81%
ROIC *1	5.8%	6.2%		6.9%		
ROE	7.4%	7.3%		7.5%		
ROA *2	6.3%	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

DUNLOP

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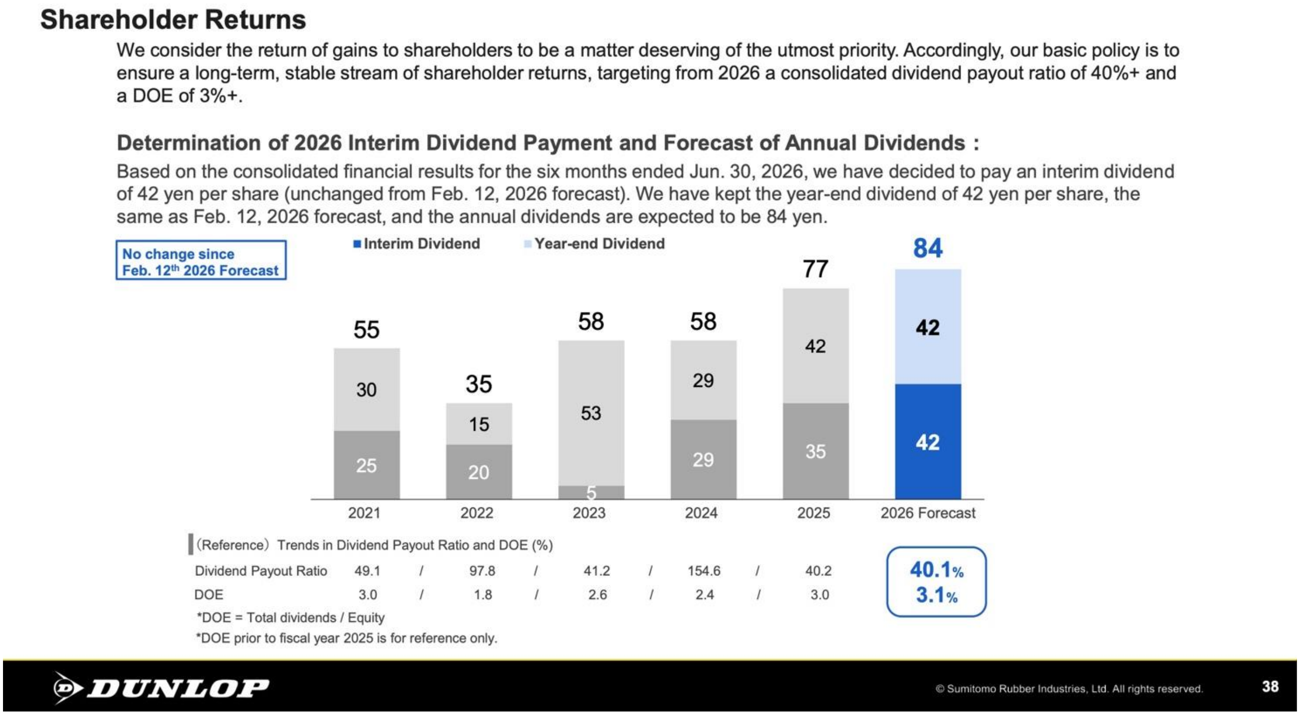
Please turn to slide 24.

Our full-year earnings forecast for 2026 calls for increases in both sales and profit YoY. Sales revenue is expected to exceed the previously announced forecast, while business profit and operating profit are expected to fall below the previously announced forecast. Meanwhile, we have left our profit forecast unchanged from the previous announcement.

Sales revenue is forecast at JPY1,330 billion, JPY10 billion above the previously announced forecast and up 10% YoY. Business profit is forecast at JPY96 billion, JPY16 billion below the previously announced forecast and up 6% YoY. Operating profit is forecast at JPY89 billion, JPY11 billion below the previously announced forecast and up 8% YoY. Profit is forecast at JPY55 billion, unchanged from the previously announced forecast and up 9% YoY. For H2 of 2026, we forecast higher sales but lower profit YoY. Sales revenue is expected to exceed the previously announced forecast, while business profit, operating profit, and profit are all expected to fall below the previously announced forecast.

For H2, we expect a negative impact from higher raw material prices and expenses for future growth. Although we expect to offset these impacts through price, volume and mix, and foreign exchange effects, we will not be able to cover all of the negative impacts. As a result, profit is forecast to decline YoY.



Please turn to slide 38.

The interim dividend for 2026 will be JPY42, unchanged from the previously announced forecast. The year-end dividend will also be JPY42, unchanged from the previously announced forecast, and the annual dividend is expected to be JPY84. We have kept the dividend forecast announced in February this year unchanged.

This concludes my presentation. Thank you very much.

Inoue: Next, Senior Executive Officer Hino will explain the details of the financial results.

Hino: I am Hino. Thank you for attending our financial results briefing today. I would also like to express my sincere gratitude to all our stakeholders for their tremendous support. I will now explain our financial results for H1 of 2026.

Consolidated Financial Results (2026 Jan.-Jun.)

Billions of Yen

	2026 Jan.-Mar.	vs 2025	2026 Apr.-Jun.	vs 2025	**2026 Jan.-Jun.**	**vs 2025**	May 15th 2026 Forecast 2026 Jan.-Jun.	2025 Jan.-Jun.
Sales Revenue	302.2	105% +14.4	317.6	112% +33.2	**619.8**	**108% +47.6**	620.0	572.2
Business Profit (%) *1,3	16.8 5.6%	119% +2.7	23.0 7.2%	162% +8.8	**39.8 6.4%**	**141% +11.5**	38.0 6.1%	28.3 4.9%
Operating Profit (%) *3	15.1 5.0%	122% +2.7	23.1 7.3%	157% +8.4	**38.1 6.2%**	**141% +11.1**	34.0 5.5%	27.0 4.7%
Profit *2,3	8.6	241% +5.0	17.3	160% +6.5	**25.9**	**180% +11.5**	20.0	14.4

*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.

DUNLOP

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Please turn to slide 13. The Group's consolidated results for H1 of 2026 are shown in the blue box.

Sales revenue was JPY619.8 billion, business profit was JPY39.8 billion, operating profit was JPY38.1 billion, and profit for H1 was JPY25.9 billion. Sales revenue increased, and all profit measures also increased. The business profit margin rose YoY from 4.9% to 6.4%, exceeding the previously announced forecast.

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

Billions of Yen

		2026 Jan.-Mar.	vs 2025	2026 Apr.-Jun.	vs 2025	**2026 Jan.-Jun.**	**vs 2025**	May 15th 2026 Forecast 2026 Jan.-Jun.	2025 Jan.-Jun.
Sales Revenue	Tires	259.9	106%	274.5	113%	**534.4**	**109%**	537.0	488.3
	Sports	32.2	99%	34.5	107%	**66.7**	**103%**	65.5	64.7
	Industrial & Other	10.1	93%	8.6	103%	**18.7**	**97%**	17.5	19.2
	Total	302.2	105%	317.6	112%	**619.8**	**108%**	620.0	572.2
Business Profit	Tires	14.8	135%	19.4	172%	**34.1**	**154%**	33.5	22.2
	Sports	0.9	53%	2.8	123%	**3.8**	**93%**	3.0	4.0
	Industrial & Other *	1.1	76%	0.8	137%	**1.9**	**94%**	1.5	2.1
	Total	16.8	119%	23.0	162%	**39.8**	**141%**	38.0	28.3

*The elimination of inter-segment transactions is included.

DUNLOP

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Please turn to slide 15. I will explain sales revenue and business profit by reportable segment. The H1 results are shown in the blue box.

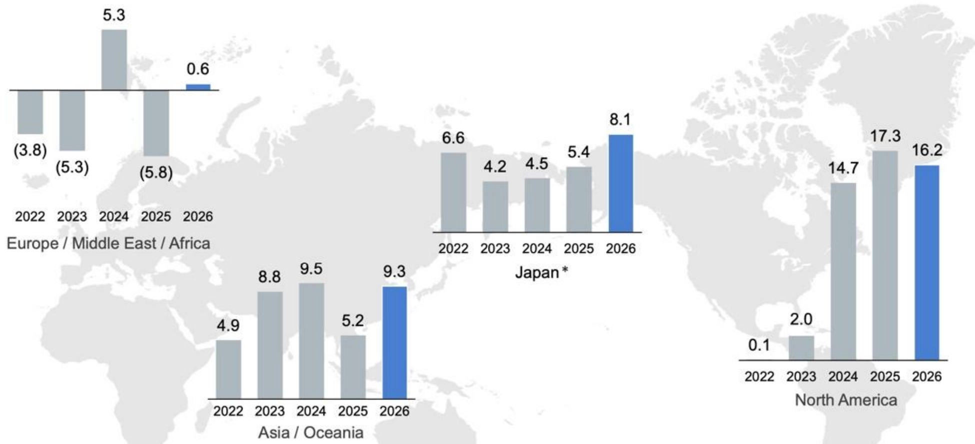
First, I will discuss the tires business. Sales revenue was JPY534.4 billion, 109% YoY, and business profit was JPY34.1 billion, 154% YoY. Tire sales volume was broadly flat YoY. Meanwhile, lower raw material prices, the effect of last year's price increase, a higher ratio of premium tires, and the weaker yen contributed to increases in both sales and profit.

Next, I will discuss the sports business. Sales revenue was JPY66.7 billion, 103% YoY, and business profit was JPY3.8 billion, 93% YoY. In the golf business, the initial rollout of XXIO 14 in South Korea and the weaker yen contributed. In the tennis business, sales performed well, mainly in North America and Europe, resulting in higher sales revenue. On the profit side, profit decreased YoY due to lower sales in the golf business in its major markets of Japan and North America, but exceeded the previously announced forecast.

In the industrial & other segment, sales revenue was JPY18.7 billion, 97% YoY, and business profit was JPY1.9 billion, 94% YoY, resulting in decreases in both sales and profit. Sales revenue was affected primarily by lower sales resulting from a decrease in large-scale projects in the construction-related materials business. Profit decreased due to a deterioration in the product mix and higher raw material prices in the rubber glove business against the backdrop of the situation in the Middle East but exceeded the previously announced forecast.

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

Billions of Yen



	2022	2023	2024	2025	2026
Business Profit of Tires	7.7	9.8	34.0	22.2	34.1
Overseas	1.1	5.6	29.5	16.8	26.0
% of Overseas	14%	57%	87%	76%	76%

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

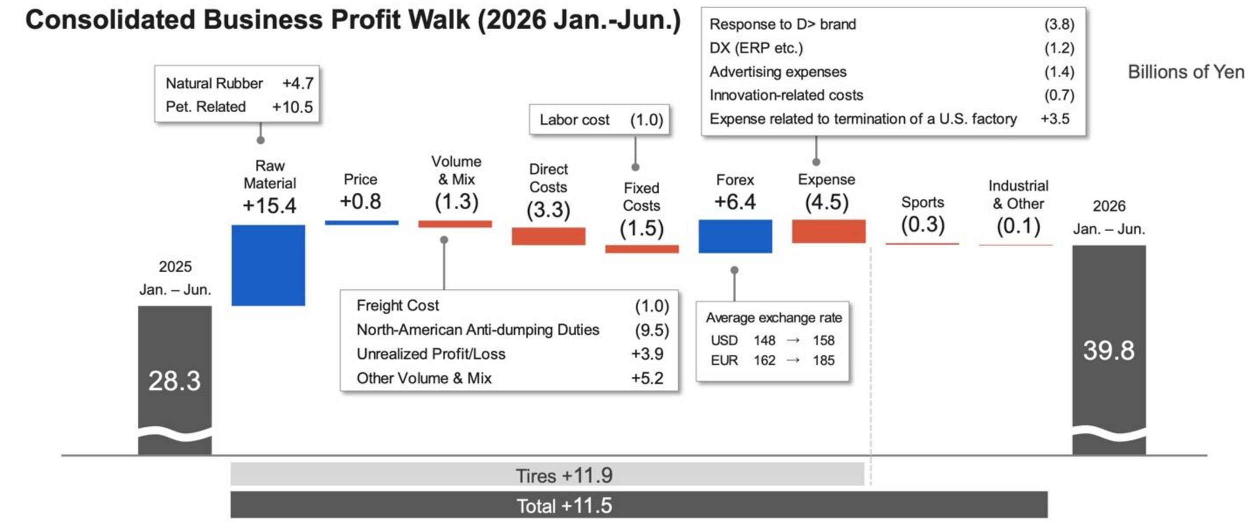
DUNLOP 18

Next, please turn to slide 18. This slide shows trends in business profit in the tires business by region.

In Europe, the Middle East, and Africa, we worked to expand sales under the DUNLOP brand amid sluggish market conditions in Europe. We also expanded sales of all-season tires, for which demand is growing. As a result, business profit turned positive at JPY0.6 billion.

In Asia and Oceania, sales promotion activities in China's replacement tire market contributed, and business profit recovered to the 2024 level. In Japan, we steadily increased sales volume in the replacement tire market, where demand remained strong. In addition, the effect of last year's price increase and an improved sales mix from expanding sales of premium products, including SYNCHRO WEATHER, contributed, resulting in business profit significantly exceeding the previous year's level.

In North America, we were affected by the deterioration in market conditions caused by adverse weather at the beginning of the year. In addition, low-priced products continued to gain market share, and we were affected by the worsening pricing environment and intensifying competition.



	2025 Jan.-Jun.	Raw Material	Price	Volume & Mix	Direct Costs	Fixed Costs	Forex	Expense	Sports	Industrial & Other	2026 Jan.-Jun.	YOY
May 15th Forecast	28.3	+12.1	+3.1	(0.9)	(2.4)	(1.8)	+7.4	(6.2)	(1.0)	(0.6)	38.0	+9.7
2024→2025	42.3	(13.8)	+8.6	(0.2)	(0.7)	+4.5	(4.2)	(6.0)	(2.9)	+0.7	28.3	(14.0)

DUNLOP 19

Please turn to slide 19. This slide analyzes the factors behind the YoY change in business profit for H1.

First, I will discuss raw materials. Some raw material prices had been trending downward since H2 of last year. In addition, our efforts to control procurement costs resulted in a positive impact of JPY15.4 billion YoY.

Regarding price, we implemented price increases in Japan and overseas. Meanwhile, we also reduced prices in some regions in response to market conditions, resulting in a positive impact of JPY0.8 billion.

Regarding volume, mix, and other factors, the mix improved due to increased sales volume of premium tires. However, the significant impact of tire tariffs resulted in a negative impact of JPY1.3 billion.

Direct costs had a negative impact of JPY3.3 billion due to factors including higher labor costs at our factories in Turkey and Japan.

Foreign exchange had a positive impact of JPY6.4 billion due to the weaker yen.

Expenses had a negative impact of JPY4.5 billion, mainly due to increased expenses for expanding sales under the DUNLOP brand in Europe.

As a result, business profit in the tires business increased by JPY11.9 billion. Including a negative impact of JPY0.3 billion in the sports business and JPY0.1 billion in the industrial & other segment, total company-wide business profit increased by JPY11.5 billion.

Consolidated Statement of Profit & Loss

Billions of Yen	2025 Jan.-Jun.	2026 Jan.-Jun.	YOY
Sales Revenue	572.2	**619.8**	+47.6
Cost of sales	(406.0)	**(425.6)**	(19.6)
Selling, general and administrative expenses	(137.9)	**(154.4)**	(16.5)
Business profit	28.3	1 **39.8**	+11.5
Other income	1.5	2 **2.3**	+0.8
Other expenses	(2.7)	3 **(4.0)**	(1.2)
Operating profit	27.0	**38.1**	+11.1
Financial income	11.8	4 **5.7**	(6.1)
Financial expenses	(18.9)	5 **(6.2)**	+12.7
Equity in earnings of affiliates	0.1	**0.1**	+0.0
Profit before tax	20.1	**37.7**	+17.7
Income tax expense	(4.4)	**(10.1)**	(5.7)
Non-controlling interests	(1.3)	**(1.8)**	(0.5)
Profit	14.4	**25.9**	+11.5

Main factor

1 **Business profit**
Refer to page.6 to 7 and 13 to 19 for details.

	Actual	vs 2025
2 **Other income**		
Other non-operating profit	1.9 B of yen	+0.6 B of yen
3 **Other expenses**		
Other non-operating expenses	(2.2) B of yen	(0.6) B of yen
Loss on retirement or sales of non-current assets	(0.7) B of yen	+0.2 B of yen
Structual reform in North America	(0.7) B of yen	(1.0) B of yen
4 **Financial income**		
Gain on net monetary position	3.8 B of yen	(6.0) B of yen
Interest received	1.5 B of yen	+0.0 B of yen
5 **Financial expenses**		
Interest expenses	(4.3) B of yen	(0.8) B of yen
Foreign exchange loss	(1.5) B of yen	+12.6 B of yen

Please turn to slide 20. I will explain the item below operating profit in the consolidated statement of profit and loss. I will focus primarily on items that changed significantly YoY. First, I will discuss item four, financial income. The primary factor was that the gain on net monetary position resulting from inflation adjustments in Turkey decreased by JPY6 billion. Next, I will discuss item five, financial expenses. Foreign exchange losses decreased by JPY12.6 billion as the yen remained on a weakening trend throughout H1.

Consolidated Statement of Financial Position

Billions of Yen	As of Dec. 31, 2025	As of Jun. 30, 2026	YOY
Current assets	679.3	**718.1**	1 +38.8
Non-current assets	780.6	**794.1**	2 +13.5
Total assets	1,459.9	**1,512.2**	+52.2
Current liabilities	379.9	**404.8**	+24.9
Non-current liabilities	343.7	**332.6**	(11.1)
Total liabilities	723.6	**737.4**	3 +13.8
Total equity attributable to owners of parent	716.1	**754.2**	4 +38.2
Non-controlling interest	20.2	**20.5**	+0.3
Total equity	736.3	**774.7**	+38.4
Total liabilities and equity	1,459.9	**1,512.2**	+52.2
Equity ratio	49.0%	**49.9%**	+0.9P

Main factor

	vs Dec. 31, 2025
1 **Current assets**	
Inventories	+51.4 B of yen
Other current assets	(10.4) B of yen
Trade and other receivables	(2.0) B of yen
2 **Non-current assets**	
Tangible assets	+11.9 B of yen
Intangible assets (including goodwill)	+6.6 B of yen
Deferred tax assets	(7.0) B of yen
3 **Total liabilities**	
Bonds and loans payable	+25.7 B of yen
Other non-current liabilities	+3.5 B of yen
Deferred tax liabilities	(11.8) B of yen
Income tax payable	(4.5) B of yen
4 **Equity**	
Profit	+25.9 B of yen
Foreign currency translation adjustment	+22.8 B of yen
Dividends paid	(11.0) B of yen
Interest-bearing debt	+26.8 B of yen (406.6→433.4)

Please turn to slide 21. This slide presents the consolidated statement of financial position. Total assets were JPY1,512.2 billion, an overall increase of JPY52.2 billion from the end of the previous fiscal year. The primary factor was an increase in inventories associated with the launch of sales under the DUNLOP brand in Europe at the beginning of the year. The equity ratio was 49.9%, up 0.9 percentage points from the end of the previous fiscal year.

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

Billions of Yen

	Revised Forecast 2026	Actual 2025	YOY	May 15th 2026 Forecast 2026	Revised Forecast 2026 Jul.-Dec.	vs 2025
Sales Revenue	**1,330.0**	1,207.1	110%	1,320.0	710.2	112%
Business Profit (%)	**96.0** **7.2%**	90.8 7.5%	106%	112.0 8.5%	56.2 7.9%	90%
Operating Profit (%)	**89.0** **6.7%**	82.6 6.8%	108%	100.0 7.6%	51.0 7.2%	92%
Profit	**55.0**	50.4	109%	55.0	29.3	81%
ROIC *1	**5.8%**	6.2%		6.9%		
ROE	**7.4%**	7.3%		7.5%		
ROA *2	**6.3%**	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

DUNLOP

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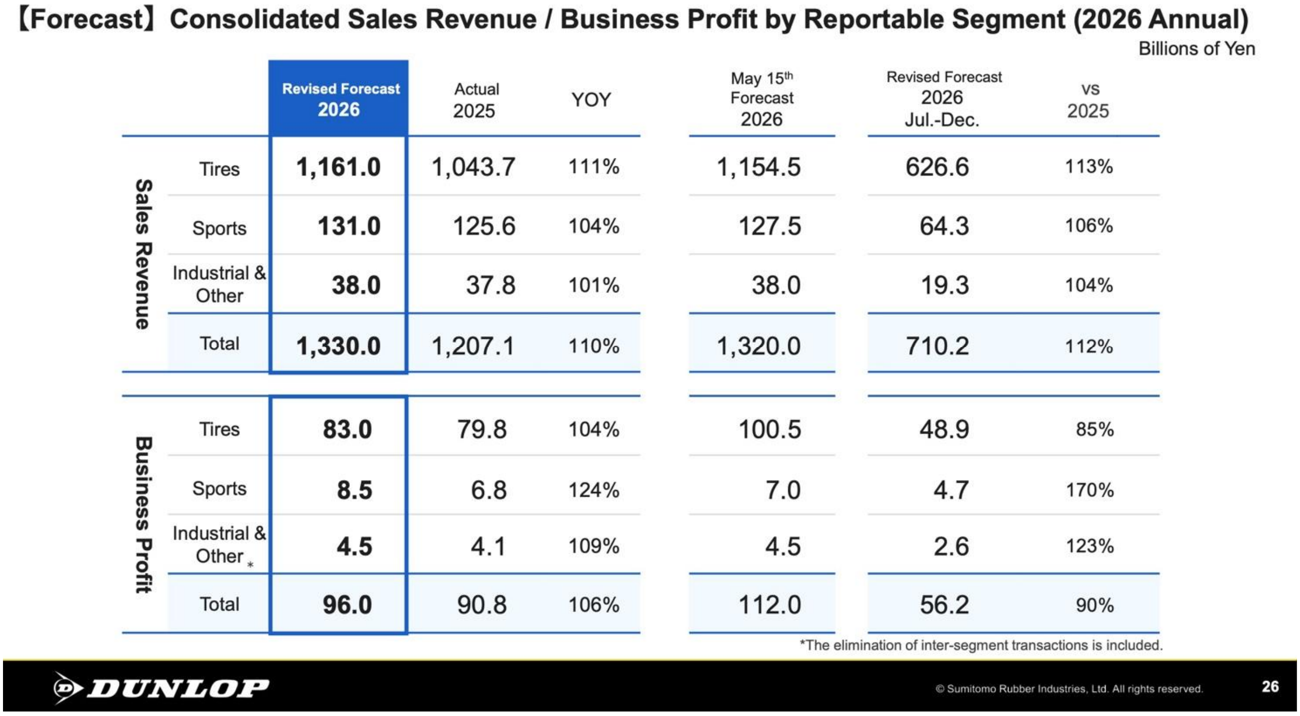
Please turn to slide 24. This slide presents our full-year consolidated earnings forecast.

As shown in the blue box, we forecast sales revenue of JPY1,330 billion, 110% YoY, and business profit of JPY96 billion, 106% YoY. We forecast operating profit of JPY89 billion, 108% YoY, and profit of JPY55 billion, 109% YoY.

Compared with the previous forecast, sales revenue is expected to be higher due to price increases and the weaker yen. Meanwhile, business profit and operating profit are expected to be lower due to factors including the impact of soaring raw material prices. The profit forecast remains unchanged from the previous forecast.



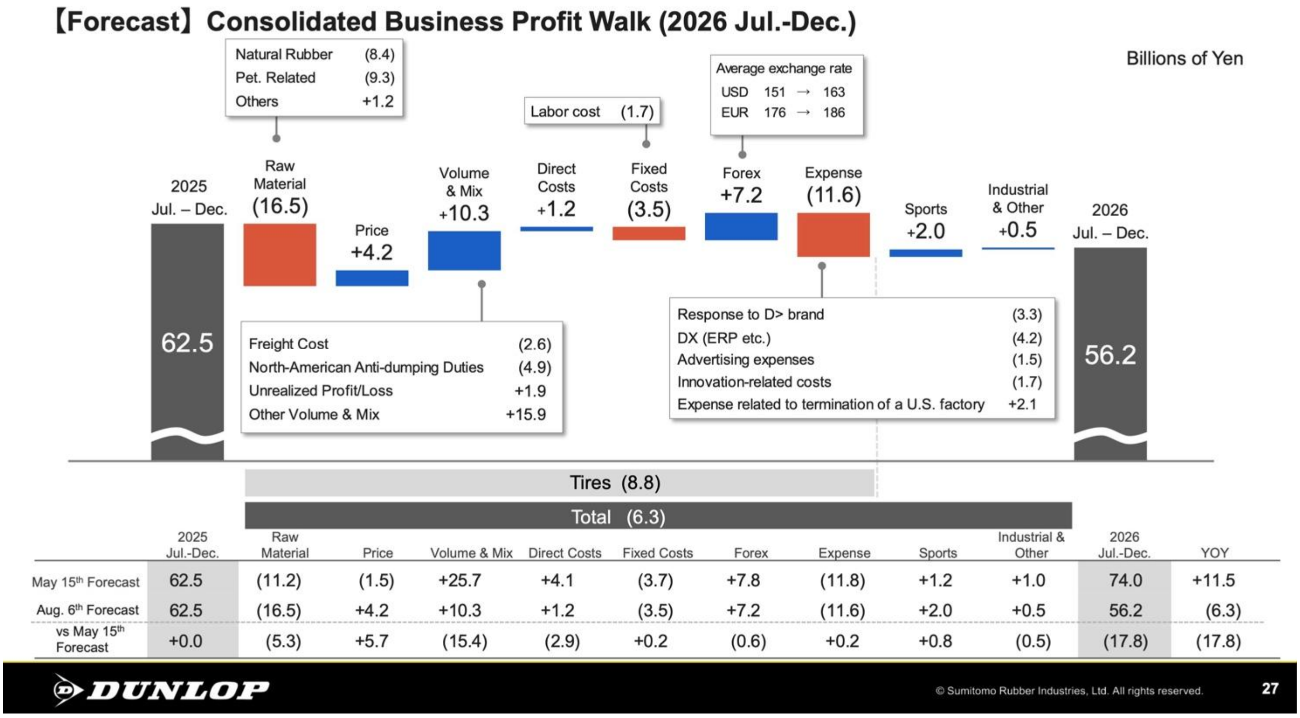
【Forecast】Consolidated Sales Revenue / Business Profit by Reportable Segment (2026 Annual)

Billions of Yen

		Revised Forecast 2026	Actual 2025	YOY	May 15th Forecast 2026	Revised Forecast 2026 Jul.-Dec.	vs 2025
Sales Revenue	Tires	**1,161.0**	1,043.7	111%	1,154.5	626.6	113%
	Sports	**131.0**	125.6	104%	127.5	64.3	106%
	Industrial & Other	**38.0**	37.8	101%	38.0	19.3	104%
	Total	**1,330.0**	1,207.1	110%	1,320.0	710.2	112%
Business Profit	Tires	**83.0**	79.8	104%	100.5	48.9	85%
	Sports	**8.5**	6.8	124%	7.0	4.7	170%
	Industrial & Other *	**4.5**	4.1	109%	4.5	2.6	123%
	Total	**96.0**	90.8	106%	112.0	56.2	90%

*The elimination of inter-segment transactions is included.

Please turn to slide 26. This slide presents our full-year forecasts for sales revenue and business profit by reportable segment. YoY, we forecast increases in both sales revenue and business profit across all businesses: tires, sports, and industrial & other.



	2025 Jul.-Dec.	Raw Material	Price	Volume & Mix	Direct Costs	Fixed Costs	Forex	Expense	Sports	Industrial & Other	2026 Jul.-Dec.	YOY
May 15th Forecast	62.5	(11.2)	(1.5)	+25.7	+4.1	(3.7)	+7.8	(11.8)	+1.2	+1.0	74.0	+11.5
Aug. 6th Forecast	62.5	(16.5)	+4.2	+10.3	+1.2	(3.5)	+7.2	(11.6)	+2.0	+0.5	56.2	(6.3)
vs May 15th Forecast	+0.0	(5.3)	+5.7	(15.4)	(2.9)	+0.2	(0.6)	+0.2	+0.8	(0.5)	(17.8)	(17.8)

Please turn to slide 27. This slide analyzes the factors behind the YoY change in business profit for H2.

First, regarding raw materials, we forecast a negative impact of JPY16.5 billion due to soaring prices resulting from the deterioration of the situation in the Middle East.

Regarding price, we forecast a positive impact of JPY4.2 billion due to the effects of price increases in Japan and overseas.

Regarding volume, mix, and other factors, we expect a significant negative impact from tire tariffs. Meanwhile, we expect increased sales volume under the DUNLOP brand in Europe and an improved sales mix from expanding sales of premium tires. Taking these factors into account, we forecast a positive impact of JPY10.3 billion from volume, mix, and other factors.

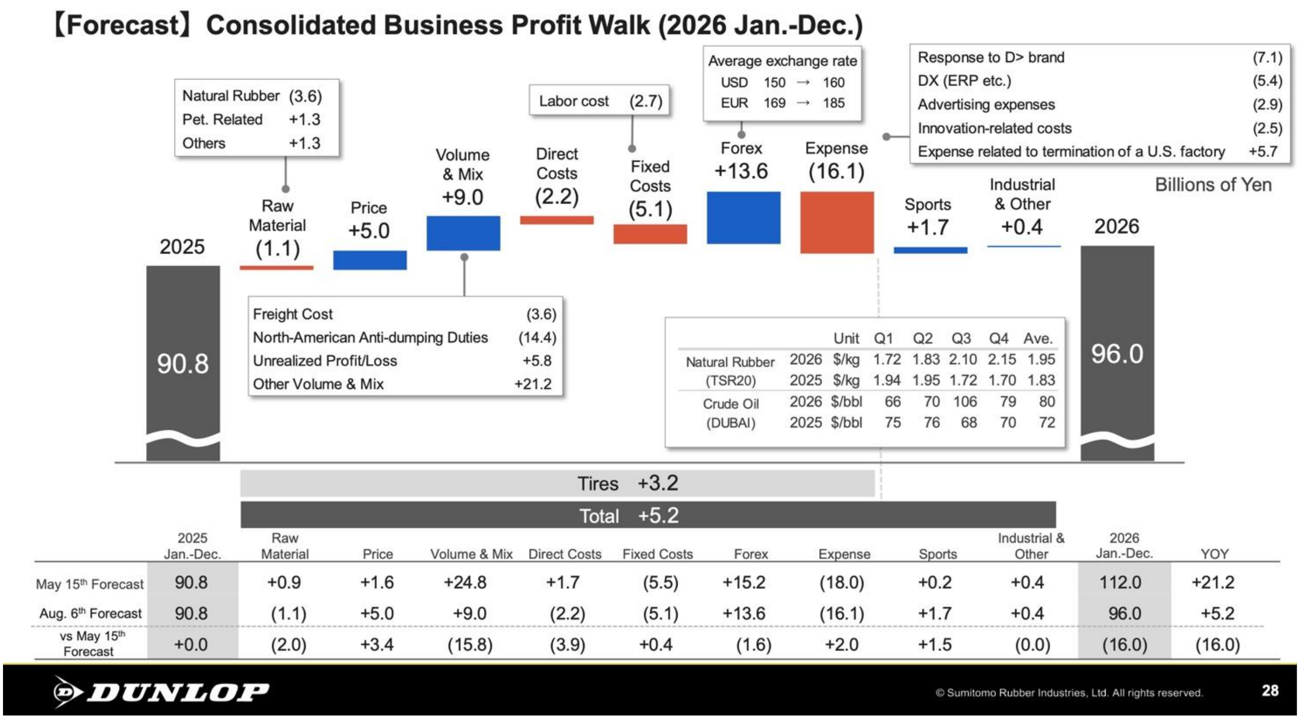
For direct costs, we forecast a positive impact of JPY1.2 billion, reflecting the benefits of Project ARK.

For fixed costs, we forecast a negative impact of JPY3.5 billion, mainly due to higher labor costs in Turkey.

For foreign exchange, we forecast a positive impact of JPY7.2 billion, taking into account the current trend toward a weaker yen.

Regarding expenses, we expect a positive impact from the closure of the North American factory. Meanwhile, expenses for measures to expand sales under the DUNLOP brand in Europe, the US, and Australia, as well as DX-related expenses, are expected to increase. Accordingly, we forecast a negative impact of JPY11.6 billion from expenses.

As a result, business profit in the tires business is forecast to decrease by JPY8.9 billion. Including positive impacts of JPY2 billion in the sports business and JPY0.5 billion in the industrial & other segment, total company-wide business profit is forecast to decrease by JPY6.3 billion.



	2025 Jan.-Dec.	Raw Material	Price	Volume & Mix	Direct Costs	Fixed Costs	Forex	Expense	Sports	Industrial & Other	2026 Jan.-Dec.	YOY
May 15th Forecast	90.8	+0.9	+1.6	+24.8	+1.7	(5.5)	+15.2	(18.0)	+0.2	+0.4	112.0	+21.2
Aug. 6th Forecast	90.8	(1.1)	+5.0	+9.0	(2.2)	(5.1)	+13.6	(16.1)	+1.7	+0.4	96.0	+5.2
vs May 15th Forecast	+0.0	(2.0)	+3.4	(15.8)	(3.9)	+0.4	(1.6)	+2.0	+1.5	(0.0)	(16.0)	(16.0)

Please turn to slide 28. This slide analyzes the factors behind the full-year change in business profit. It represents the combined results of the H1 and H2 variance analyses I explained earlier. Business profit was JPY90.8 billion in the previous fiscal year, compared with our forecast of JPY96 billion for the current fiscal year. As a result, we forecast a full-year increase in business profit of JPY5.2 billion.

Tire Sales Volume (Comparison %)

vs Previous year		2025 Actual					2026 Jan.-Jun. Actual, Jul.-Dec. Forecast					May 15th 2026 Forecast				
		Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Annual	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Annual	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Annual
Domestic O.E.		120%	104%	98%	102%	105%	107%	**99%**	107%	100%	**103%**	107%	98%	107%	100%	103%
Domestic Rep.		96%	91%	98%	93%	94%	96%	**108%**	98%	99%	**100%**	96%	103%	97%	102%	99%
Overseas O.E.		91%	92%	92%	87%	90%	97%	**97%**	95%	98%	**97%**	97%	103%	100%	107%	102%
Overseas Rep.		94%	96%	90%	92%	93%	96%	**103%**	114%	107%	**105%**	96%	109%	119%	114%	110%
Details	North America	83%	97%	81%	87%	87%	89%	**92%**	104%	109%	**98%**	89%	97%	120%	124%	107%
	Europe	97%	90%	108%	98%	98%	113%	**127%**	135%	135%	**127%**	113%	143%	137%	134%	131%
	Asia	104%	95%	89%	96%	96%	98%	**103%**	113%	90%	**101%**	98%	104%	110%	100%	103%
	Others	94%	100%	86%	90%	92%	81%	**92%**	103%	95%	**93%**	81%	97%	111%	100%	98%
Total		97%	95%	93%	93%	94%	97%	**102%**	107%	103%	**102%**	97%	106%	110%	108%	105%
Total Tire Sales (000 Units)		23,850	23,690	24,210	25,800	97,560	23,220	**24,250**	25,870	26,510	**99,850**	23,220	25,030	26,690	27,920	102,860

 30

Please turn to slide 30. This slide shows YoY trends in tire sales volume.

First, please look at the bottom of the blue box in the center of the slide. Tire sales volume from April to June was 24.25 million units, or 102% YoY. Looking at the breakdown by market, domestic OE sales were 99% YoY due in part to the impact of production cuts by OE manufacturers resulting from the deterioration of the situation in the Middle East. Sales in the domestic replacement tire market remained strong, reaching 108% YoY and outpacing the growth in industry demand.

Overseas OE sales were 97% YoY, as sales volume in Europe, China, Thailand, and other markets struggled to grow.

Overseas replacement sales were 103% YoY overall. By region, sales were 92% YoY in North America, 127% YoY in Europe, 103% YoY in Asia, and 92% YoY in other regions. In North America, sales volume decreased due to market conditions. In Europe, sales volume increased significantly due to sales under the DUNLOP brand, which began this year. Within Asia, sales volume in China increased due to the effects of sales promotion activities despite the currently unfavorable economic environment.

Next, I will discuss full-year sales volume. As shown at the bottom of the blue box on the right, we forecast full-year sales volume of 99.85 million units, up 2% YoY. By market, domestic OE sales are forecast at 103% YoY. We expect the impact of production cuts by OE manufacturers resulting from the deterioration of the situation in the Middle East to be offset in H2. In the domestic replacement tire market, we will continue to focus on expanding sales of highly profitable premium products, centered on SYNCHRO WEATHER. Sales volume is forecast to be broadly flat YoY.

Overseas OE sales are forecast at 97% YoY due to factors including deteriorating market conditions in Europe and North America and the suspension of vehicle shipments to the Middle East.

Overseas replacement sales are forecast at 105% YoY overall. By region, we forecast sales at 98% YoY in North America, 127% YoY in Europe, 101% YoY in Asia, and 93% YoY in other regions. In H2, we will further strengthen sales under the DUNLOP brand in North America and Europe and work to restore sales volume.

Tire Volume by Category (Comparison %)

vs Previous Year	Actual 2025 Jan.-Jun.				Actual 2025 Jan.-Dec.			
	O.E.	Rep.	Total	Composition ratio	O.E.	Rep.	Total	Composition ratio
Passenger Tires	99%	95%	96%	88%	96%	94%	94%	88%
Advanced Tires *	102%	98%	99%	45%	99%	95%	97%	47%
Truck & Bus Tires	106%	96%	97%	3%	112%	93%	95%	4%
Motorcycle, Industrial & Other Tires	101%	97%	99%	9%	96%	91%	93%	8%
Total	100%	95%	96%	100%	97%	93%	94%	100%

vs Previous Year	**Actual 2026 Jan.-Jun.**				2026 Jan.-Dec. Forecast			
	O.E.	Rep.	Total	Composition ratio	O.E.	Rep.	Total	Composition ratio
Passenger Tires	**100%**	**100%**	**100%**	**88%**	100%	104%	103%	88%
Advanced Tires	**100%**	**105%**	**103%**	**47%**	104%	111%	109%	50%
Truck & Bus Tires	**102%**	**93%**	**94%**	**3%**	89%	97%	96%	3%
Motorcycle, Industrial & Other Tires	**96%**	**95%**	**95%**	**9%**	95%	100%	98%	8%
Total	**100%**	**99%**	**99%**	**100%**	100%	104%	102%	100%

Premium Tires Composition Ratio by Year

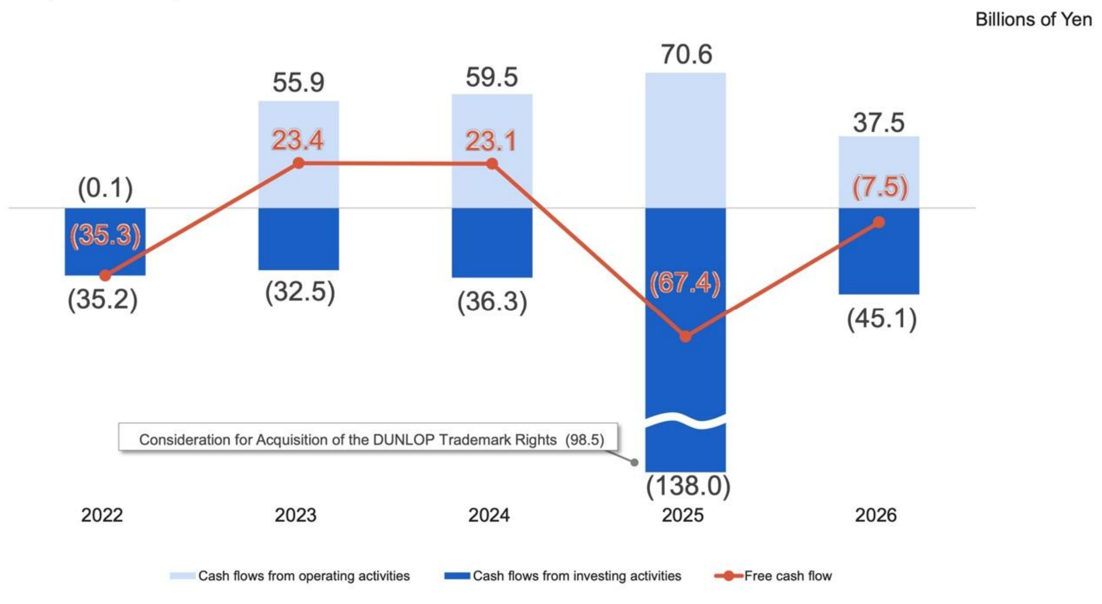
	Premium Tires		
	O.E.	Rep.	Total
Actual 2024	56%	42%	46%
Actual 2025	57%	44%	47%
2026 Forecast	59%	46%	50%

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

DUNLOP 31

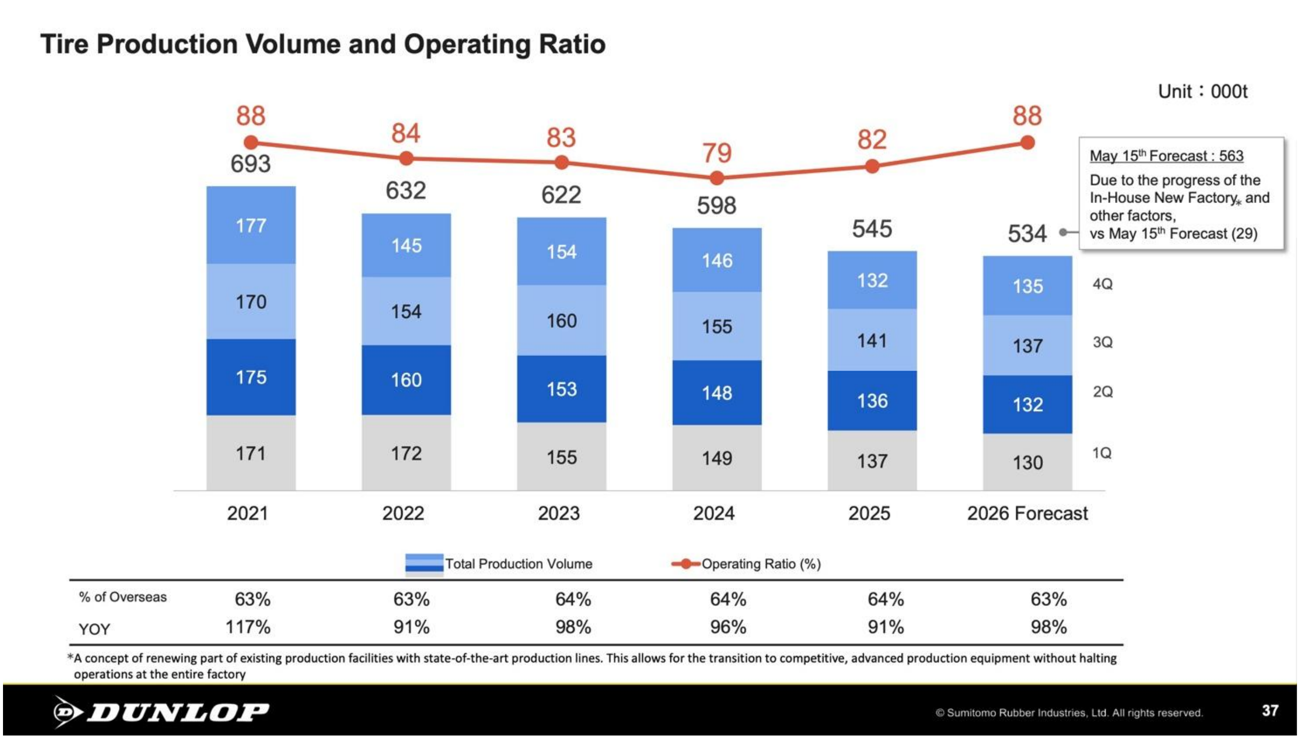
Please turn to slide 31. This slide shows YoY tire sales volume by category. Please look at the January to June 2026 results in the blue box. Premium tires, an area of focus for us, accounted for 47% of passenger tires. This was up 2 percentage points YoY, and we forecast the ratio to rise to 50% for the full year.

Cash Flows (Jan.-Jun.)



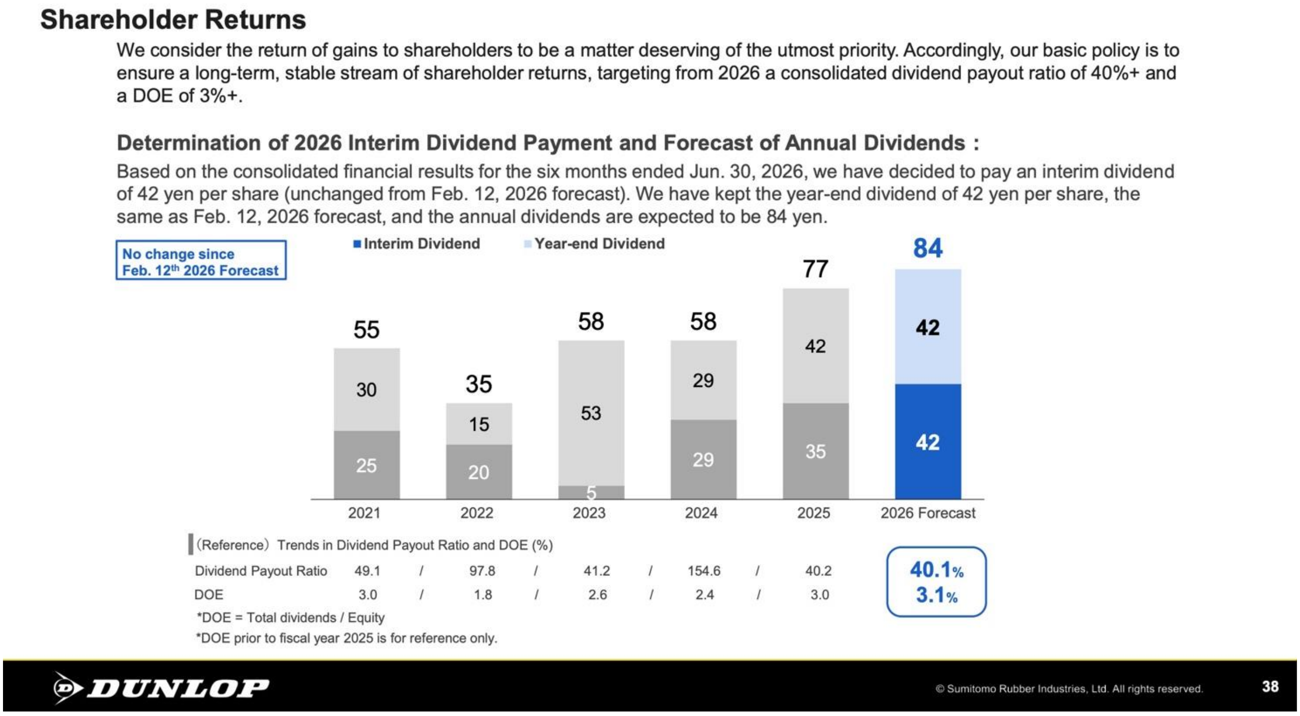
DUNLOP 34

Please turn to slide 34. This slide shows cash flow trends. Cash flows from operating activities from January to June were positive JPY37.5 billion. Meanwhile, cash flows from investing activities were negative JPY45.1 billion due to replacement investments for larger-inch tires and investments related to the In-House New Factory, among other factors. As a result, free cash flow was negative JPY7.5 billion.



Please turn to slide 37.

This slide shows trends in tire production volume and the operating ratio. The full-year production volume forecast for 2026, shown at the far right of the chart, is 534,000 tons. Production volume is 29,000 tons lower than the previously announced forecast due to progress in the replacement of production equipment under the In-House New Factory. Although production volume will decrease because some equipment must be shut down during the replacement process, production capacity will also temporarily decrease. Therefore, there is no change in the operating ratio from the previously announced forecast.



Finally, please turn to slide 38. Our shareholder return measures are as Kuniyasu explained earlier.

This concludes my presentation. Thank you very much.

Inoue: Next, Kuniyasu will explain the progress of the Long-Term Management Strategy R.I.S.E. 2035.

Kuniyasu: Once again, I am Kuniyasu.

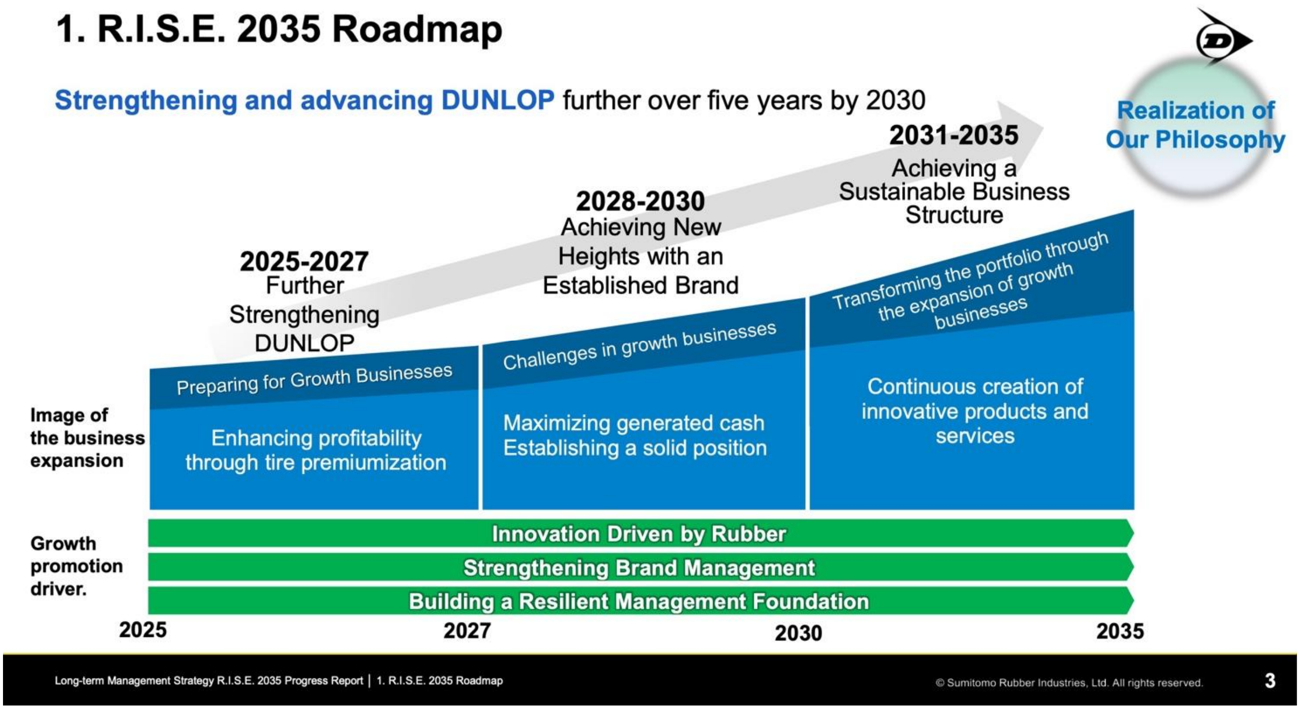
I will now report on the progress of the Long-Term Management Strategy R.I.S.E. 2035. We announced the strategy in March last year, and I would like to report on whether the plans set out are progressing steadily.

1. R.I.S.E. 2035 Roadmap
2. Measures to strengthen profitability toward 2027
3. Growth Strategy
   - Tires
   - Sensing core × AI
   - Industrial and Other Products
   - Sports
   - Project ARK

Long-term Management Strategy R.I.S.E. 2035 Progress Report

2

Slide two outlines the topics I will discuss today. I will proceed in accordance with this outline.

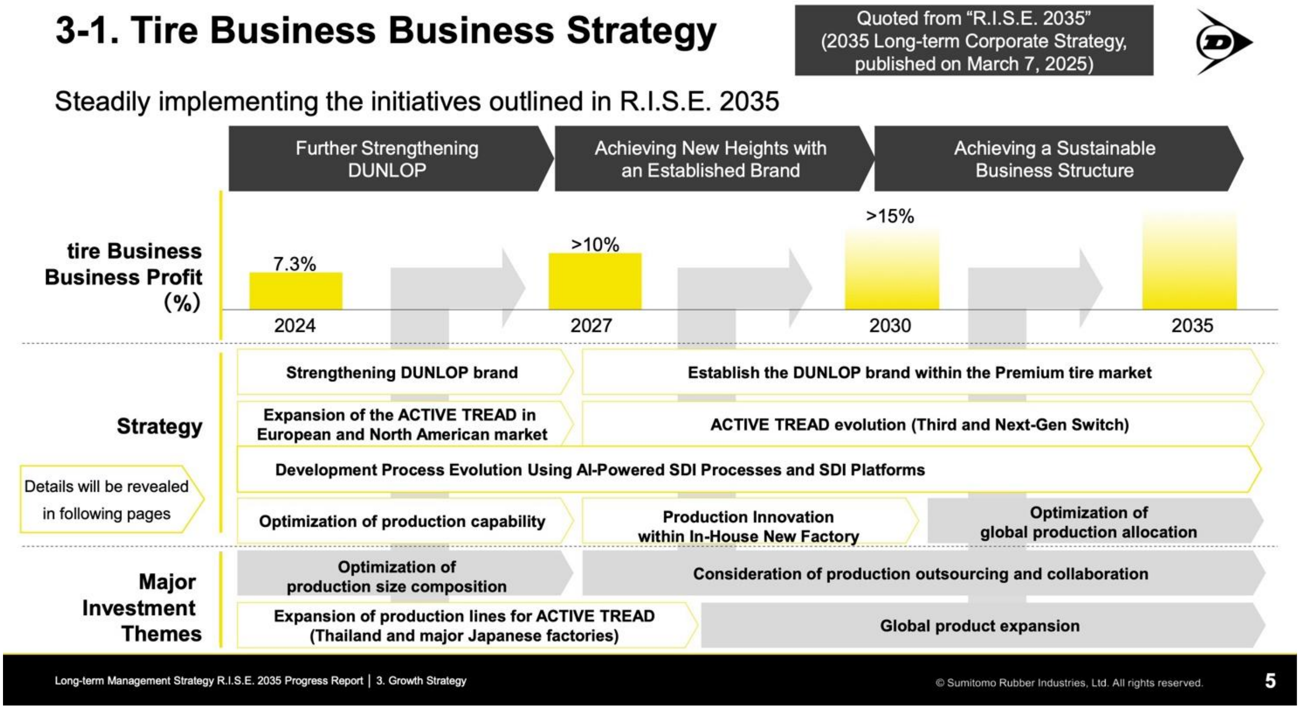


Please turn to slide three. As I have explained previously, R.I.S.E. 2035 divides the ten-year period into three stages. In particular, the current phase from 2025 to 2027 is focused on further strengthening DUNLOP. Building on this foundation, we are moving toward achieving new heights from 2028 onward and realizing a sustainable business structure.

Please turn to slide four.

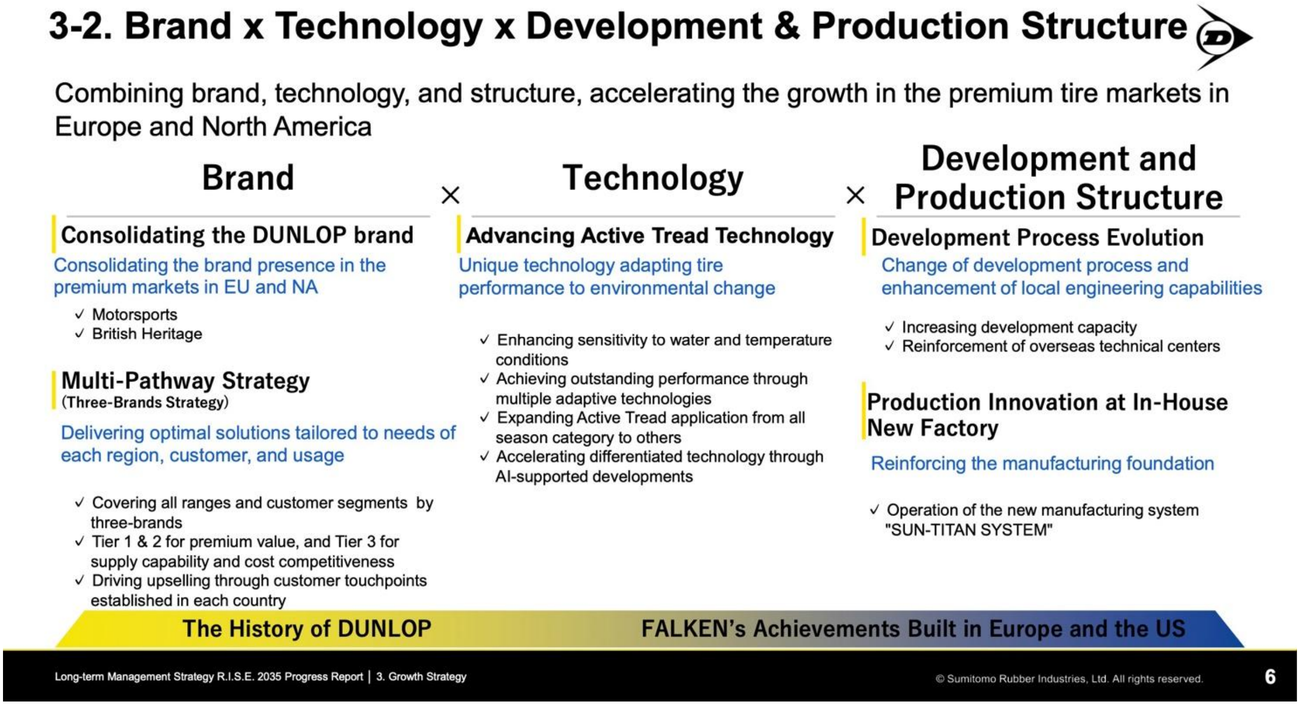
First, I will discuss company-wide profitability. We are advancing initiatives toward achieving a 10% business profit margin by 2027. Going forward, we will focus on three areas. The first is expanding revenue centered on premium tires, the second is ensuring stable profitability, and the third is reducing total costs through Project ARK.

Under Project ARK, we expect cumulative cost reductions of JPY29.5 billion by the end of 2027. Through the introduction of innovative equipment, we also aim to increase annual production of highly profitable tires by 250,000 units and achieve an annual contribution to earnings of several billion yen on a marginal profit basis. All the initiatives are progressing according to the plan. I will explain them later.



Next, please turn to slide five. I will now discuss our growth strategy.

First, I will talk about the tires business. This roadmap is quoted from the materials for the Long-Term Management Strategy R.I.S.E. 2035 published last year. We were able to make steady progress on the initiatives shown here both last year and this year.



Please refer to slide six.

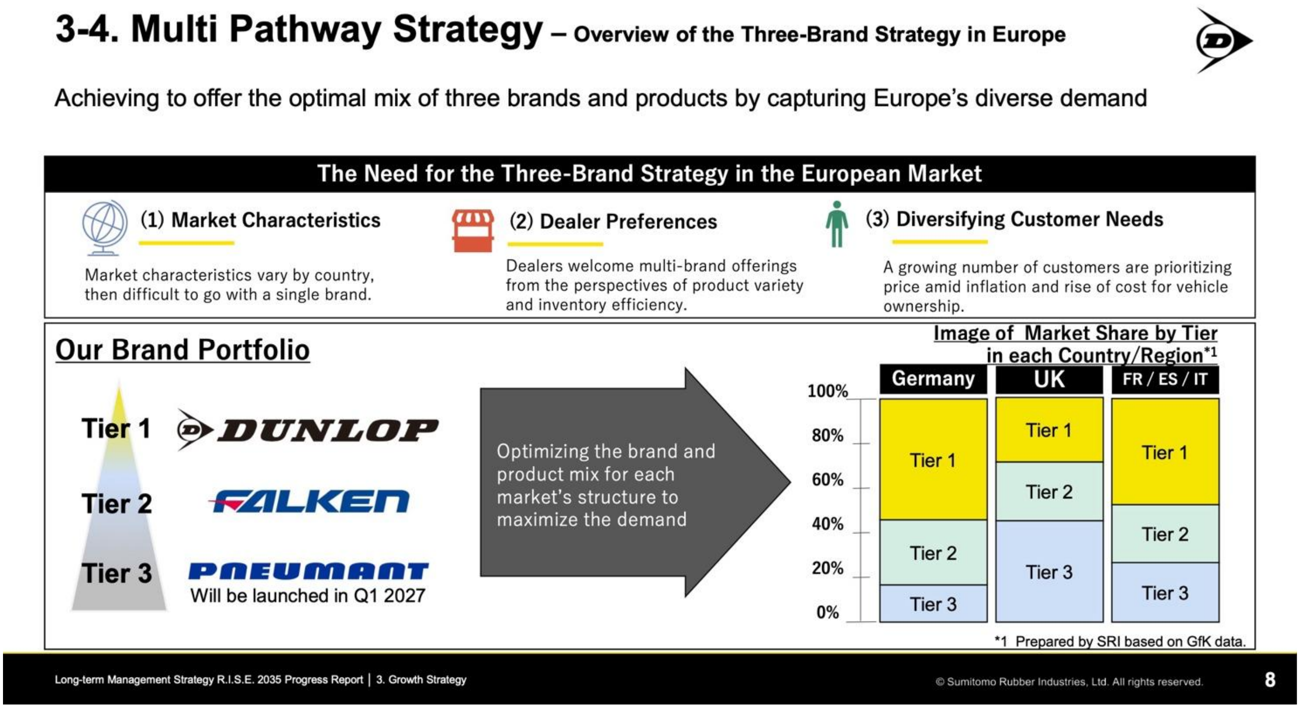
Within the overall picture I outlined earlier, we have three key initiatives. The first is brand, the second is differentiation through technology, and the third is the development and production structure. Our greatest earnings driver is growth in the premium tire markets in Europe and North America. For brand, we will consolidate the DUNLOP brand and cover all ranges through our new three-brand strategy to contribute to enhancing brand value.

Second, for technology, we will further advance Active Tread. Third, for the development and production structure, we will transform the development process and advance production innovation at the In-House New Factory without delay. By combining these initiatives, we will accelerate growth.

Please refer to slide seven.

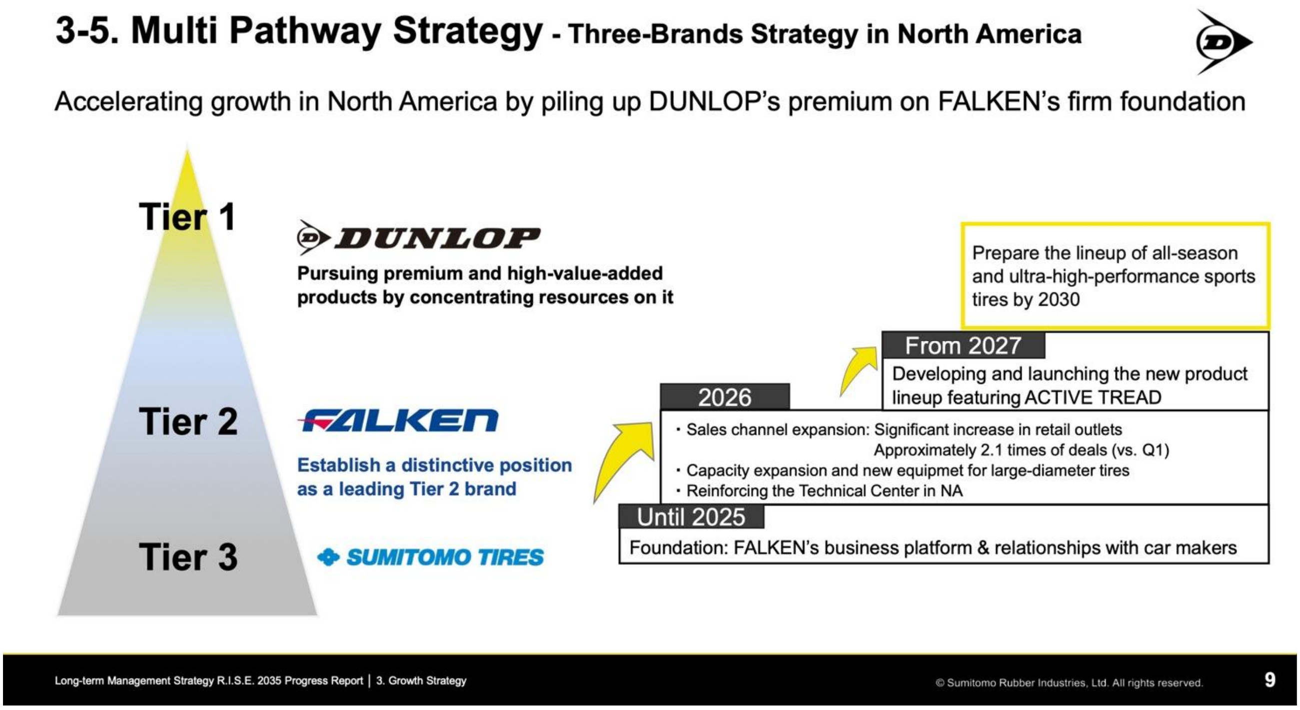
I will now discuss the Three-Brands Strategy that lies at the core of these initiatives. We call this the Multi-Pathway Strategy. The key is not simply to have multiple brands, but to continue providing the optimal value proposition for each individual customer's needs and a pathway forward from there. Our approach is to build optimal customer touchpoints by country, region, and purpose, and use those touchpoints as a starting point for driving upselling to higher tiers while staying closely attuned to customer needs.

The foundation of this strategy is FALKEN, a strong Tier 2 brand we have built in Europe and North America. Building on this solid foundation, we added DUNLOP to serve the premium segment and profitable offtake products for the entry-brand segment by utilizing external resources, thereby establishing a robust structure covering the full range from Tier 1 to Tier 3. With this structure, we intend to drive upselling and enhance brand value.



Please refer to slide eight.

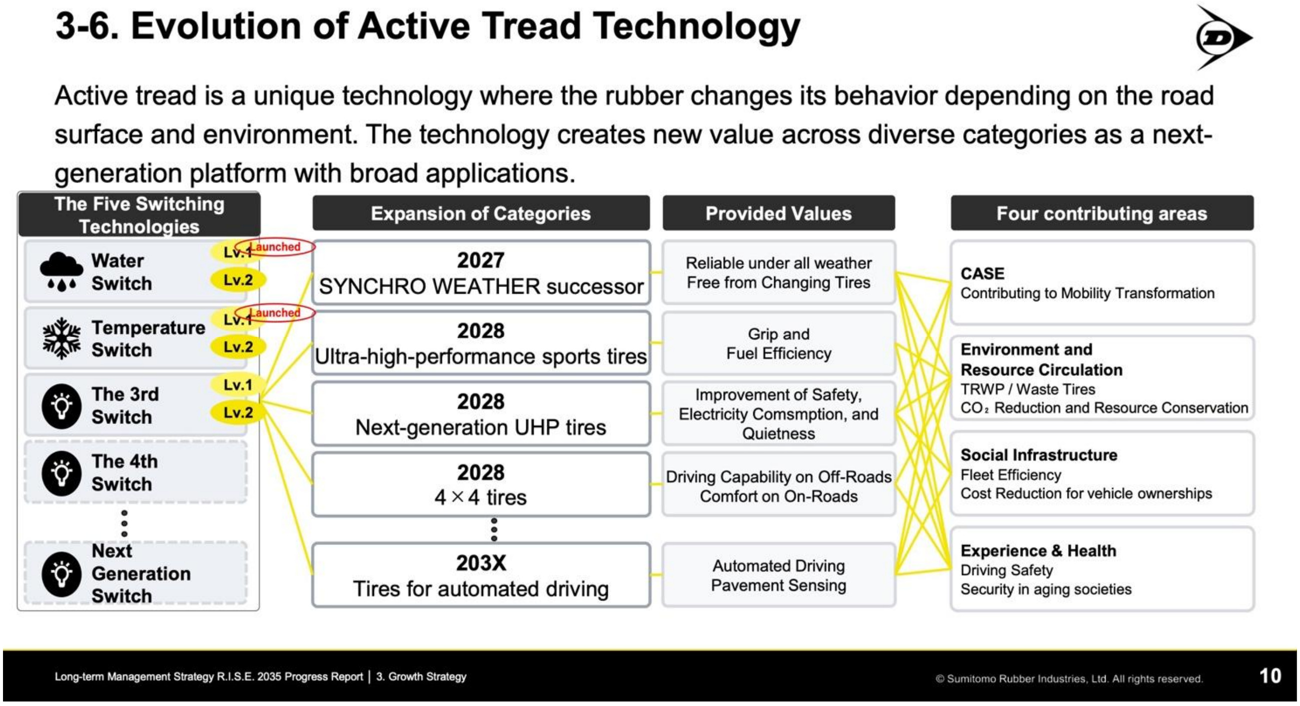
First, I will explain about European market. There are three reasons why a multi-brand strategy is effective in Europe. First, market characteristics vary by country. Second, dealers welcome carrying multiple brands. Third, customer needs are diversifying, with an increasing focus on price. In line with the demand structure of each market, we will optimize the brand and product mix of DUNLOP, FALKEN, and PNEUMANT, which will be newly introduced, to maximize demand while also advancing premiumization.



Please refer to slide nine. Next, I will talk about North American market.

The key to our North American strategy is to build DUNLOP's premium position on the firm business foundation established through FALKEN. With WILDPEAK in its product lineup, FALKEN has established a distinctive position as a leading Tier 2 brand. Its strong relationships with automakers are another strength.

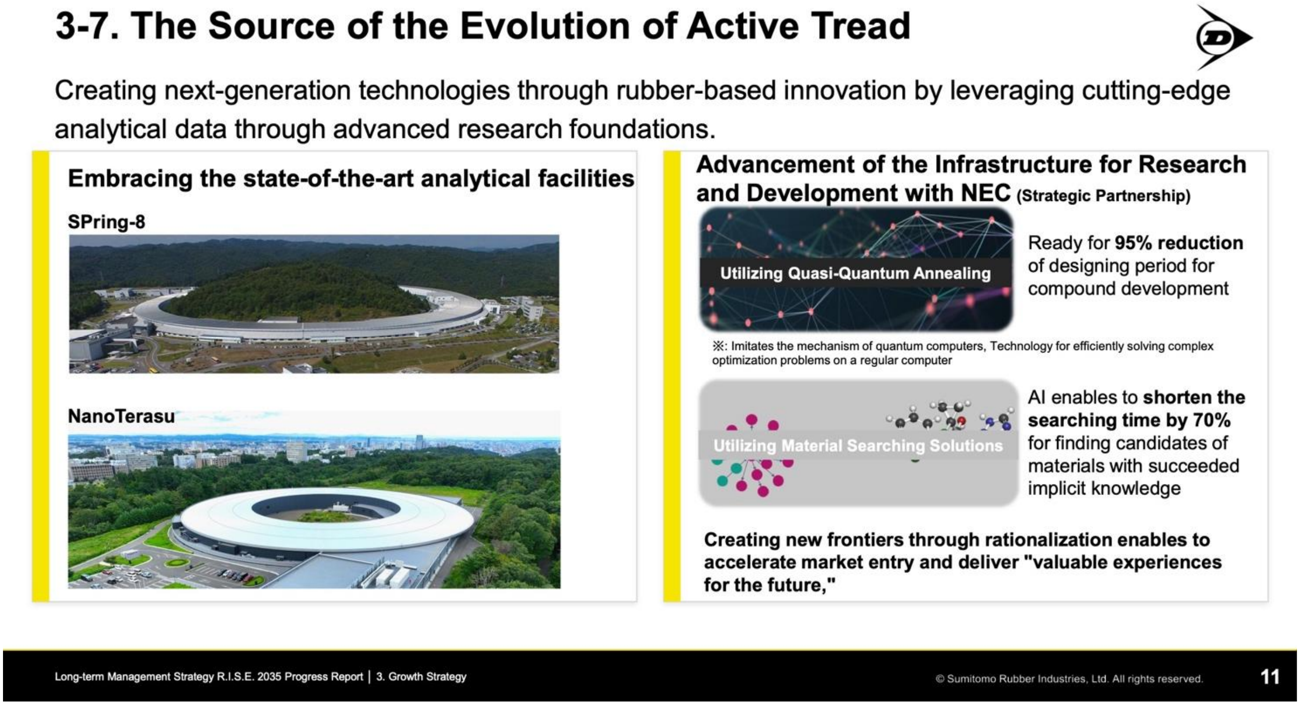
By leveraging FALKEN's sales foundation, the number of DUNLOP transactions has approximately doubled from the Q1 level, and the number of retail outlets carrying DUNLOP has also increased significantly. We will invest in expanding production capacity for large-diameter tires and reinforce our Technical Center in North America. By 2030, we will establish a lineup of new products featuring Active Tread, ranging from all-season and all-weather tires to ultra-high-performance sports tires.



Please turn to slide 10. I will discuss the second key initiative out of three, technology.

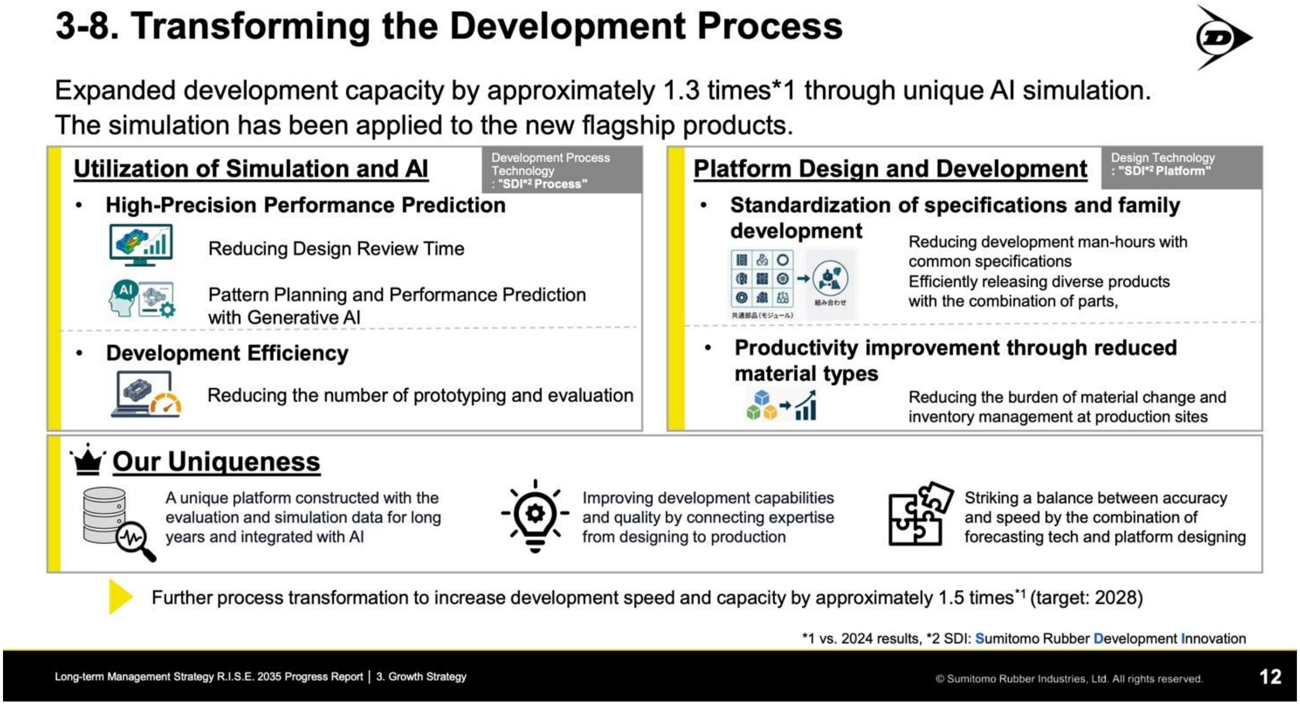
Active Tread is our unique technology in which rubber itself changes its properties according to the road surface and environment. We position it as a next-generation compounding technology platform with a broad range of applications. We are making steady progress on our plan to further advance the water and temperature switches, then develop third and fourth switches, and expand the technology's application from all-season tires to ultra-high-performance sports tires and 4×4 tires.

The value provided by Active Tread also has the potential to contribute to solving social issues. We believe this will form the core of rubber-based innovation that opens up the future. Ultimately, we intend to make a significant contribution to an automated driving society through next-generation switches.

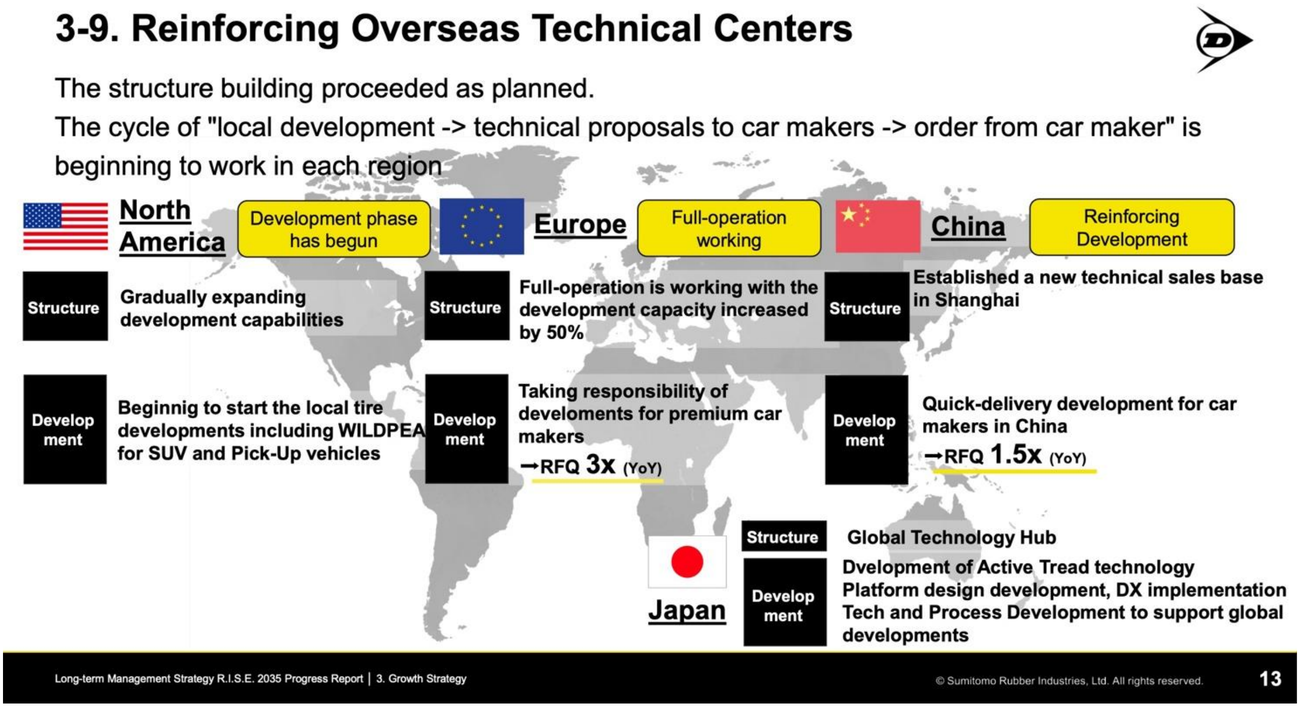


Please turn to slide 11.

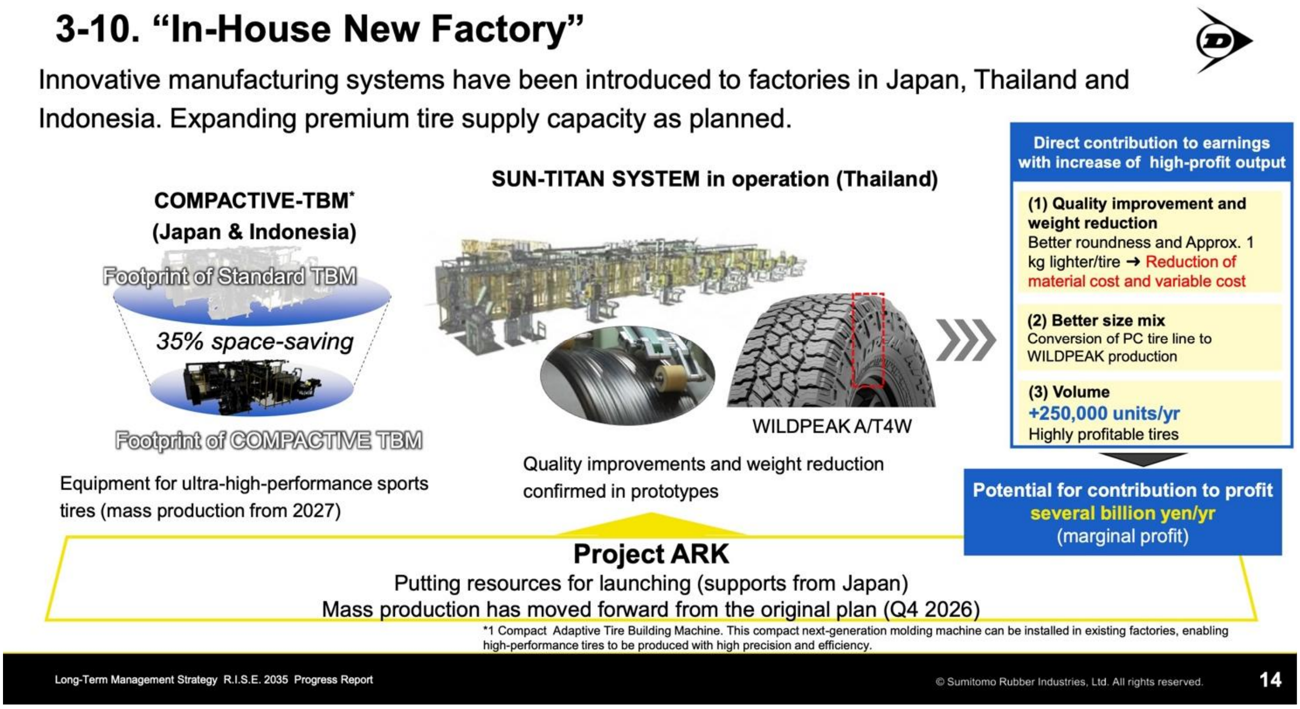
What is supporting this evolution is DUNLOP's unique research and development platform. Through our advanced research and development platform, we are creating value from data obtained at cutting-edge analytical facilities such as SPring-8 in Hyogo Prefecture and Tohoku University's NanoTerasu. Furthermore, through AI development with NEC, we have enhanced our research and development platform to the point where the time required to design compound recipes can be reduced by up to 95%. This will accelerate the evolution of Active Tread and create further value in new domains.



Please refer to slide 12. This slide shows the third key initiative, the development and production structure. Development efficiency has also improved significantly. By utilizing our unique AI simulation, the SDI Process, and the SDI Platform, we have expanded our development capacity to approximately 1.3 times compared to 2024 level. These have already been applied to BLUE RESPONSE TG and the new studless tire ICE Pro. We will advance transformation in both design technology and the development process, increase development speed 1.5-fold by 2028, and strike a balance between accuracy and speed.

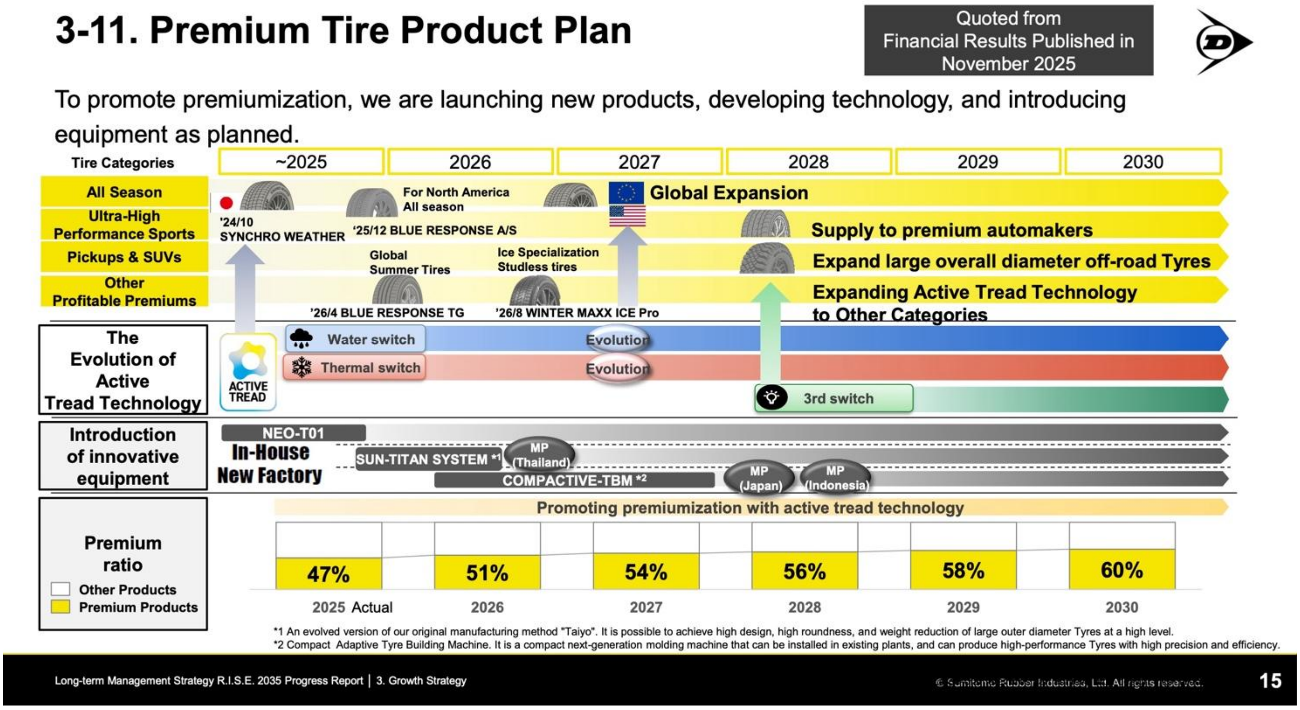


Next, please turn to slide 13. The reinforcement of our overseas Technical Centers, which are responsible for local developments, is progressing according to the plan. The number of RFQs, or requests for quotation, received from premium OE manufacturers has approximately tripled in Europe and increased approximately 1.5-fold in China. We have also been able to begin development in both areas. We will steadily translate this progress into gaining entry with premium OE manufacturers.

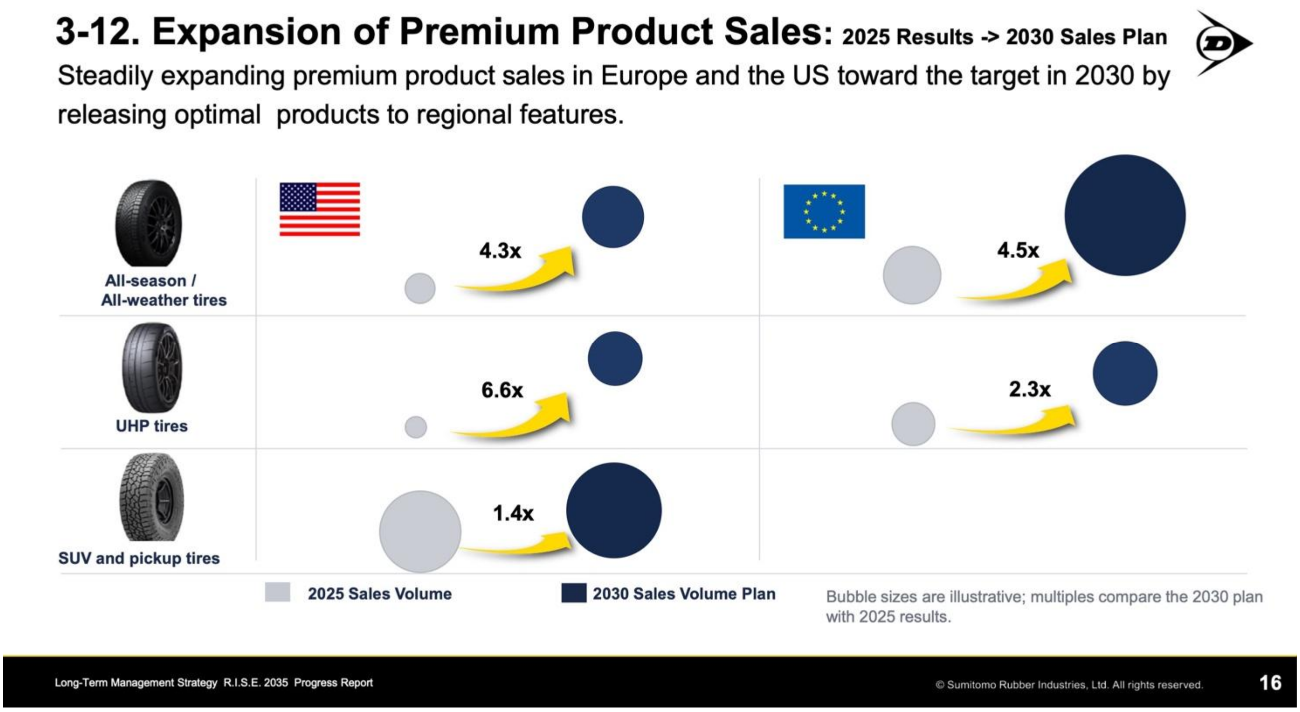


Please turn to slide 14.

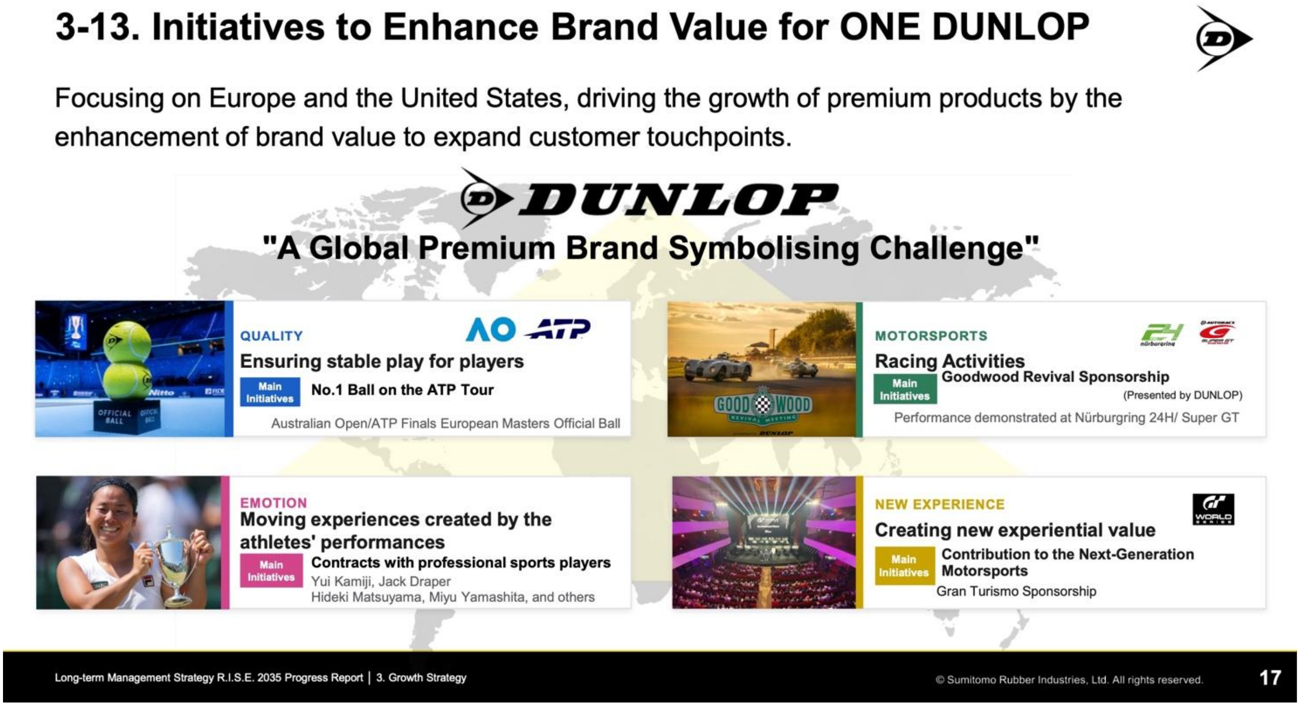
Next, I will explain about the production structure. The introduction of new manufacturing systems at our facilities in Japan, Thailand, and Indonesia is progressing according to the plan. In particular, we are working to bring forward the start of operations of the SUN-TITAN SYSTEM, innovative equipment at our Thailand factory. The first WILDPEAK prototype produced using the mass-production equipment is on display today at the back of the venue. We will steadily translate increased production of highly profitable products into earnings and strengthen our supply capacity for premium products as planned.



Please turn to slide 15. We will steadily translate these technologies and our development and production structure into products and bring them to market. We were able to launch new products such as BLUE RESPONSE TG and ICE Pro according to the plan. Their performance has also improved significantly. Going forward, we will use Active Tread technology as a key strength to increase the premium ratio from 47% in 2025 to 60% in 2030. This premiumization is steadily progressing.

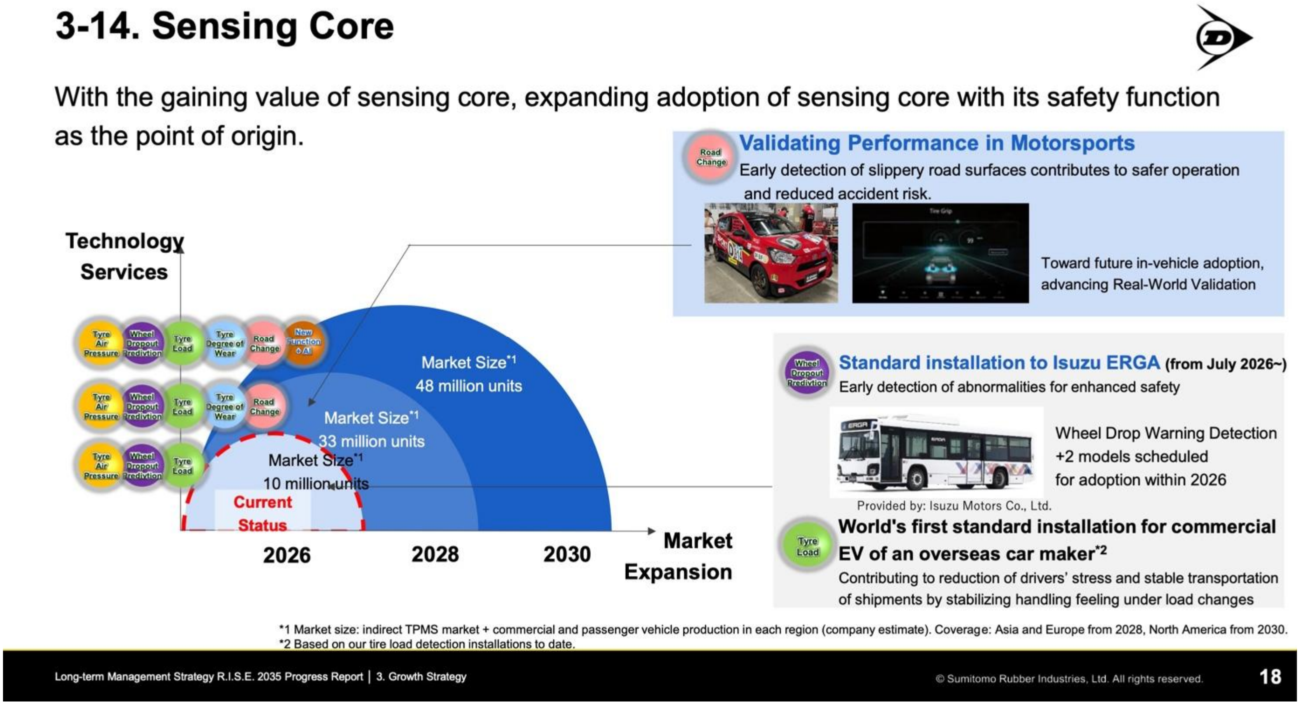


Please turn to slide 16. This slide shows our plan to expand sales of premium products. The chart shows growth in sales volume based on 2025 results. Toward 2030, we will increase sales of SUV and pickup tires in North America to 1.4 times the 2025 level and sales of all-season tires in Europe to 4.5 times the 2025 level. We are steadily advancing our plan to expand premium product sales in Europe and North America by launching products optimized for the demand characteristics of each region.



Please refer to slide 17.

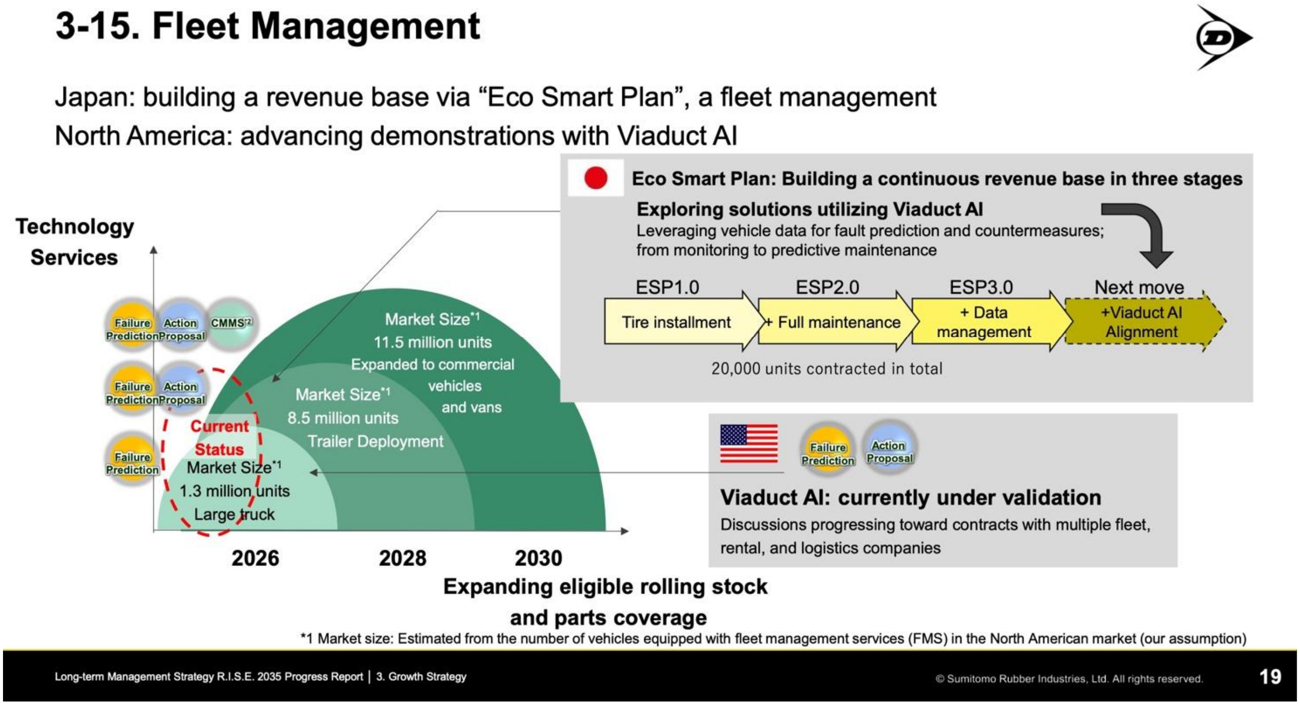
Enhancing brand value will provide strong support for this expansion of premium products. We are working to strengthen the brand, focusing on Europe and North America. Through motorsports, tennis, golf, and the excitement generated by leading players in each field, we will expand customer touchpoints as a global premium brand that symbolises challenge. Through this virtuous cycle, we will further solidify business growth.



Please refer to slide 18. I will now discuss growth areas outside the tires business.

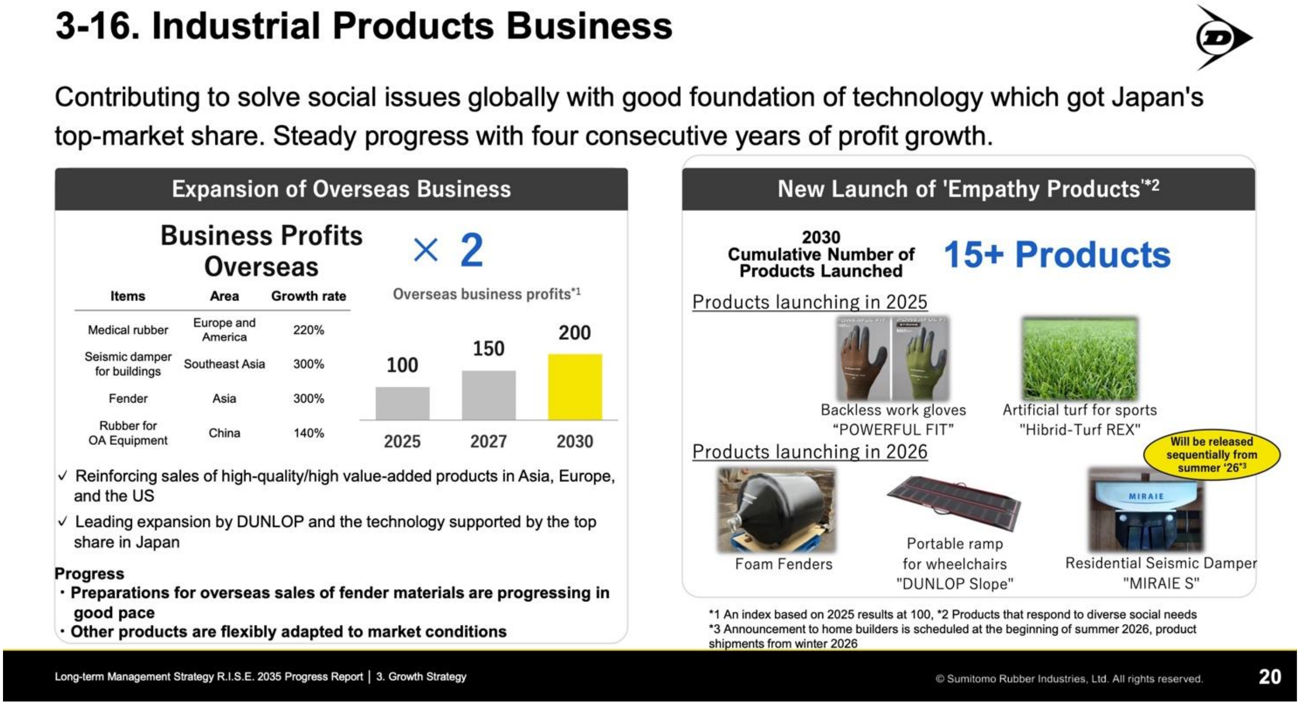
First is Sensing Core. The value provided by this technology, which captures tire conditions through data, is gaining recognition, and its adoption is steadily expanding. Following its installation as standard equipment in Isuzu Motors' GIGA last year, wheel drop warning detection was also installed as standard equipment in Isuzu Motors' ERGA starting in July this year. The technology has also been selected for two additional models to be launched by the end of this year.

In addition, tire load detection was installed in a commercial EV from an overseas automaker for the first time in the world. We are also conducting demonstration testing of road surface condition detection in motorsports. While building a track record in safety functions, we will simultaneously expand functionality and adoption.

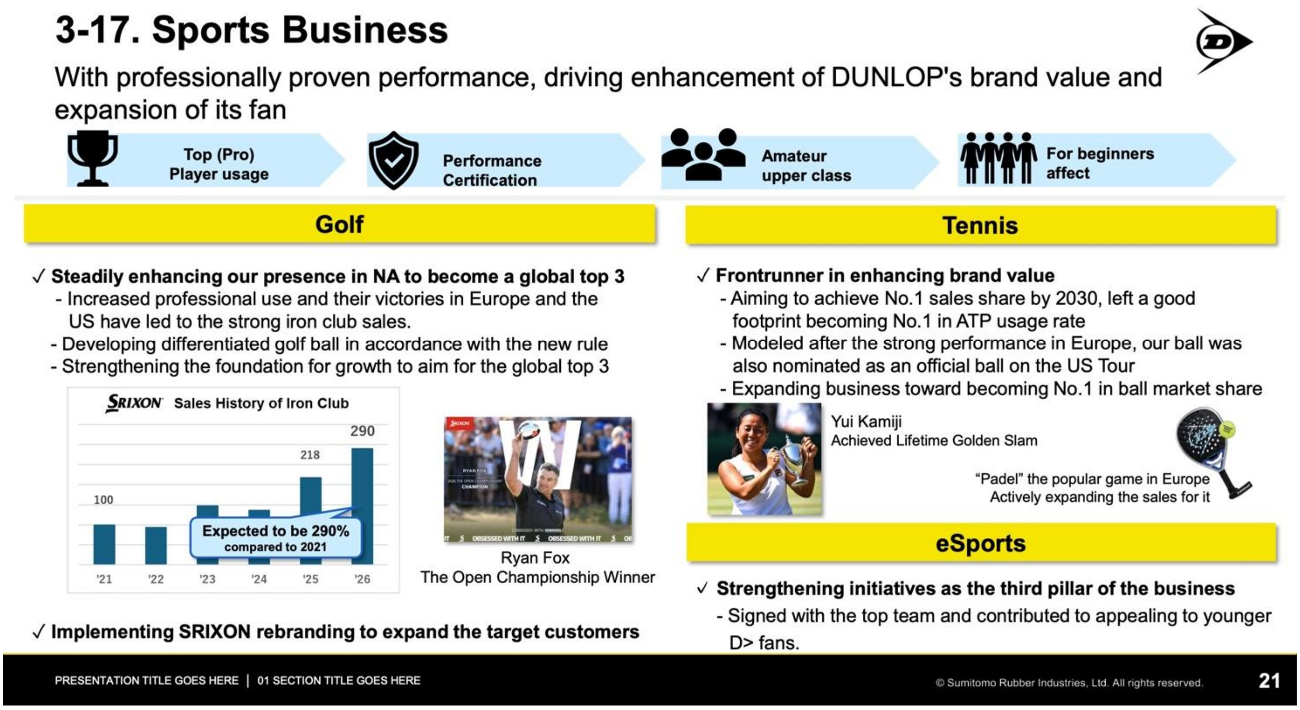


Please turn to slide 19. Next is fleet management.

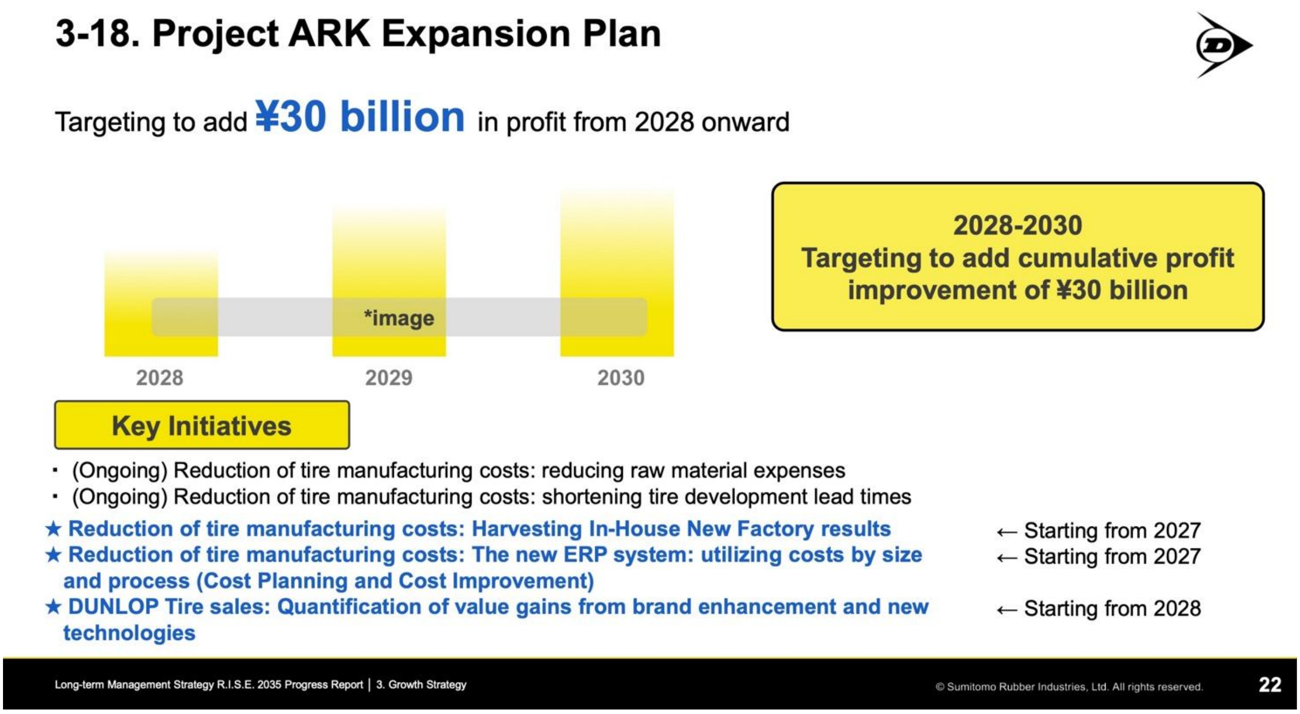
We are advancing this business based on an approach of establishing a solid foundation through proven results and broadening its scope with AI. We have enhanced Eco Smart Plan, our domestic fleet management service, and established a revenue base with contracts covering a cumulative total of 20,000 vehicles. While expanding this business, we plan to combine vehicle data with Viaduct AI and expand our services from monitoring to predictive maintenance. In North America, we are conducting demonstration testing of a service using Viaduct AI that goes beyond failure prediction to recommend countermeasures. We are currently negotiating contracts with several companies, including logistics and rental car companies.



Please turn to slide 20. This is the industrial and other products business. Based on technologies that have secured top market shares in Japan, we will expand sales of high-value-added products in Asia, Europe, and North America. We plan to double overseas business profit by 2030. With four consecutive years of profit growth expected, we will steadily advance R.I.S.E. 2035.

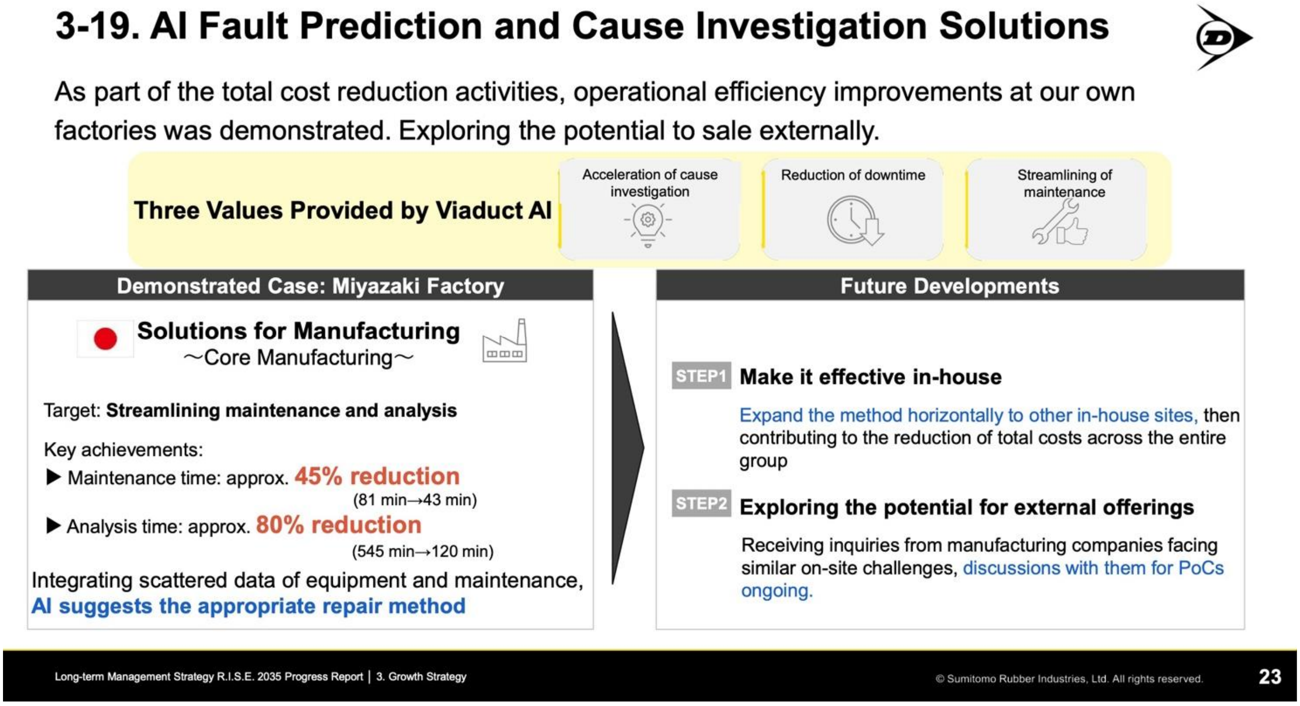


Please refer to slide 21. This is the sports business. Starting with performance proven by professionals, we will enhance brand value and expand our fan base. In golf, increased use and victories by professional golfers in Europe and North America have provided momentum, resulted in strong iron sales. SRIXON iron sales are expected to reach 290% of the 2021 level, and we are making steady progress toward becoming one of the world's top three manufacturers. In tennis, based on our achievement of the number one ball usage rate on the ATP Tour, we aim to achieve the number one market share in ball sales by 2030. In addition, we will pursue eSports as a third pillar.



Please refer to slide 22. It’s about Project ARK.

From 2028 onward, we will once again take on the challenge of delivering a profit contribution of JPY30 billion. We aim to build up this new cumulative contribution from 2028 to 2030. In addition to continuing initiatives to reduce raw material costs and shorten tire development lead times, we will harvest the results of the In-House New Factory, improve costs by utilizing our newly introduced ERP system, and quantify the value gains from brand enhancement. We intend to support our next phase of growth through these multifaceted initiatives.



Please refer to slide 23. As one example, I would like to introduce our AI fault prediction and cause investigation solution using Viaduct AI.

This initiative began as an in-house cost reduction activity. Demonstration testing at our Miyazaki Factory confirmed that utilizing Viaduct AI reduced maintenance time by approximately 45% and the time required to analyze the causes of equipment failures and other issues by approximately 80%. We will deploy this solution throughout our group and pursue further cost reductions. In addition, identifying the causes of equipment failures and other issues is a common challenge in the manufacturing industry, so we intend to explore opportunities for external sales.

Today, I have explained the progress of R.I.S.E. 2035 by business areas. I feel that each individual challenge in new growth areas and project work is beginning to produce tangible results. We will continue moving forward without losing momentum and steadily advance R.I.S.E. 2035.

Thank you very much for your attention.

Question & Answer

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. Please state your company name and your name before asking your question. Due to time constraints, please limit your questions to two per person. The person in the middle of the front row, please go ahead.

Sakamaki [Q]: Sakamaki from Bank of America. Thank you for today.

My first question concerns this fiscal year, and I am looking at page 29 of the materials. Compared with the previous forecast, volume and mix appear to be the largest factor behind the downward revision. On the following page, North American sales volume appears to have been revised downward the most. Could you explain again what has been happening recently?

From an external perspective, Tier 2 and Tier 3 manufacturers appear to have continued lowering prices since the war in the Middle East. It also appears that your company may have lowered FALKEN brand prices slightly since the beginning of July. Meanwhile, Tier 1 manufacturers appear to be steadily raising prices, so the market also seems to be becoming polarized. Could you explain what is happening in the market and what led to this revision? You still plan to increase sales volume in H2, so I would also like to confirm how confident you are that this is achievable.

Kuniyasu [A]: Thank you for your question. I will provide a brief explanation.

In North America, sales were sluggish in January and February due to a cold wave. From late February, sales weakened significantly because gasoline prices rose due to the situation in the Middle East. We recognize that an increasing number of customers in the North American market are shifting from Tier 1 products to Tier 2 and Tier 3 products.

Under these circumstances, we unfortunately adjusted FALKEN prices in April. Although sales volume declined as a result, we have managed to limit the decline to less than the market downturn. Regarding pricing, our understanding is that even Tier 1 manufacturers have found it difficult to raise prices amid these weak market conditions. Higher raw material costs are negatively affecting all manufacturers, not only us, but manufacturers have been unable to raise prices sufficiently to offset them. However, manufacturers have begun moving to raise prices in H2 this year, and we will also proceed with price increases. Therefore, regarding the concern that our prices may be pulled down by Tier 3 and Tier 4 pricing, we believe we have managed to hold the line to some extent.

We are closely monitoring the situation in the Middle East, but we do not expect these market conditions to persist throughout H2. We therefore expect some recovery. We will also launch our new DUNLOP product, GRANDTREK HLX, and expand the WILDPEAK size range. Accordingly, we do not expect sales volume to decline as much as it did inH1.

Tsuzaki, please add anything further if necessary.

Tsuzaki [A]: Market conditions were quite weak in H1, particularly from January to March, due to the impact of snowfall and the situation in the Middle East. However, the market finally posted YoY growth in June, and we believe inventory adjustments have also begun to ease somewhat.

For our part, we will expand the WILDPEAK size lineup and deliveries to OE customers, and finally begin increasing production of large WILDPEAK tires, by expanding capacity. We will also nearly double the size lineup of BLUE RESPONSE A/S, the new DUNLOP product launched this spring, and introduce another new product by the end of this year. We will roll out these measures one after another. The number of transactions has also increased significantly, and we believe we can build on that increase with these measures and new products.

There were some irregular factors in H2 last year. These will have a positive YoY impact equivalent to more than 100,000 tires this year, and these factors form the basis of our H2 plan. The YoY assumption is somewhat ambitious, but we believe the figure is fully achievable. That is all.

Sakamaki [Q]: Understood. Thank you very much.

My second question concerns the business results and the risks and opportunities associated with the newly revised forecast. I wonder whether prices, which declined in Q2, can really recover by Q4. Raw material prices have risen slightly recently, among other factors, but there also appears to be some buffer in expenses. What risks and opportunities should we consider? If we take this forecast as the baseline, how much visibility do you currently have regarding next fiscal year?

Based on what you have explained, you are successfully securing dealers in Europe, Project ARK is progressing ahead of schedule, and the SUN-TITAN SYSTEM in Thailand will also begin contributing. At a briefing about a year ago, I believe you set a target of achieving a profit margin of 10% or more in 2027. In light of the current circumstances, how has the outlook for next fiscal year changed compared with your previous expectations? Are you now in a position where further upside can be expected? Please provide any additional comments you may have.

Kuniyasu [A]: Thank you for your question. I will first discuss our aspirations for the next fiscal year, and Hino will then explain the details.

Under R.I.S.E. 2035, we established a plan to achieve a business profit margin of 10% in 2027. That plan was announced in March 2025. Since then, tariffs have been imposed, and this year we have faced the situation in the Middle East. We have therefore continued to encounter extremely strong headwinds. However, looking toward 2027, we expect the market impact of the situation in the Middle East to subside. We have also taken firm measures to offset the impact of tariffs. Although we have not yet fully offset that impact, we will ensure that the remaining portion is covered by harvesting the benefits of measures such as the accelerated implementation of Project ARK. We have not yet formulated our plan for next fiscal year, but we intend to move forward without changing the targets under R.I.S.E. 2035.

Hino will explain the details.

Hino [A]: First, regarding opportunities for this year, when we last provided an explanation, we had incorporated only the negative impact of raw material prices and initially left the H2 forecast unchanged. We subsequently conducted a thorough internal review of the budget based on current conditions. The outcome is the H2 forecast we are presenting this time, particularly as shown on page 27.

As a result, raw materials are expected to have a greater negative impact than initially anticipated. In addition, the volume and mix of sizes that I mentioned earlier remains challenging and will have a significant negative impact. We are working to cover these factors through other items. We are currently implementing price increases in each region, primarily in Japan. We have incorporated a positive contribution from these increases into the current forecast based on our expectation that they will offset the negative impact to some extent, as shown below the relevant column.

We have also reviewed and incorporated other expenses. However, in the end, we did not instruct the organization to revise the plan by scaling back the initiatives it intended to undertake. Naturally, as the year progresses, decisions are made on whether to proceed with activities included at the beginning of the year. Overall expenses are therefore likely to be somewhat lower. However, please understand that we prepared the budget by building up the items currently expected in H2.

To supplement the discussion regarding next fiscal year, please turn to page seven. As shown here, we had to lower the forecast by JPY16 billion from the previous forecast. A major factor is the volume shown above. We are also currently raising prices in certain areas in response to higher raw material prices, and we expect the impact of these increases to be felt on a full-year basis in FY2027.

As mentioned earlier, SYNCHRO WEATHER is currently performing extremely well, with sales increasing. We will begin full-scale sales of this product in both Europe and the US, which will provide an additional contribution. The decline in volume was also partly attributable to market conditions. If the market recovers and we achieve the benefits of the current price increases and the recovery in volume, we should be able to reach our original forecast of around JPY112 billion. The next question is how we can add approximately JPY30 billion from that level. This will come from the further buildup of measures toward 2027. In addition, Project ARK is already expected to contribute JPY7 billion in 2027, and there will also be the benefit of higher volume. At this point, we believe that achieving JPY140 billion remains possible. We will therefore continue working toward that target through our initiatives in H2 2026 and our target for 2027.

Sakamaki [M]: Thank you very much.

Inoue [M]: Thank you, Mr. Sakamaki. Next, Mr. Maki from SMBC Nikko Securities, who is participating online, please go ahead.

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

My first question concerns sales trends for DUNLOP in Europe on page 10 of the financial results briefing materials. The slide states that sales struggled in H1. My understanding was that conditions improved toward March in Q1 and sales were gaining traction. However, looking at this chart, sales appear to have declined slightly in Q2. Could you please confirm whether the trend you explained in Q1, namely that sales were steadily gaining traction, remains unchanged?

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

Tsuzaki [A]: Thank you for your question. In Q1, our logistics operations were disrupted, resulting in a difficult start, but we subsequently recovered in March. From April to June, however, certain issues emerged. Specifically, distribution inventory levels were higher than anticipated. In addition, customers built up inventory ahead of the imposition of anti-dumping duties on products from China. As a result, distribution inventory levels were quite high across Europe, and market conditions were difficult throughout Europe, particularly in Germany, where we have a strong presence.

In addition, some DUNLOP-brand products had been pushed into the distribution channel at the end of last year, resulting in slightly lower prices for certain customers. This required us to take some measures in response to those prices. Including these factors, sales from April to June were down.

Looking ahead, the winter tire business will begin. First, winter tires are an area in which we are particularly strong, even within the offtake product lineup, so we will focus on selling them firmly.

Second, the expansion of our transaction count is progressing smoothly. We will therefore continue working to expand our sales channels and build relationships of trust with customers. Furthermore, we were unable to participate in the so-called bidding business last year, so we believe such business can also make a positive contribution. Including these factors, we intend to stabilize the offtake business.

In addition, the new DUNLOP product BLUE RESPONSE TG continues to be well received. As explained previously, we also continue to sell it at prices 15% above those of Goodyear's DUNLOP products. That is all.

Maki [Q]: In that case, I believe tariffs on imported products from China increased from around July. Is it correct to understand that the rush demand ahead of the increase had an adverse impact, but that this effect will dissipate in Q3 under the current outlook, meaning that the trend will normalize?

Tsuzaki [A]: That is correct. The impact may persist somewhat into Q3, but we intend to cover it through growth in the number of transactions and increased sales of winter tires.

Maki [Q]: Understood. Thank you very much.

My second question concerns the update to the medium-term management plan provided in the President's presentation. The update gave me a very good understanding of the progress made. However, regarding the tire business strategy on page five, for example, you aim to raise the profit margin to 15%, but it seemed that your long-term plan for sales had not yet been finalized.

I had expected that you might discuss this today. For example, once the outlook for DUNLOP becomes clearer, will you be able to increase sales volume quite aggressively, as you explained at the previous DUNLOP briefing? Even a qualitative response would be sufficient, but could you explain your current outlook for sales toward 2030?

Another issue, ultimately, is what you intend to do with the offtake products. Once DUNLOP sales are on track, you may decide to bring production in-house ahead of schedule to some extent. Could you also explain your thinking on this point? My question concerns sales and profit. Thank you.

Kuniyasu [A]: Thank you for your question. First, please refer to page 16 of the R.I.S.E. 2035 progress report. We are considering various specific figures internally, but we have first presented how we intend to grow premium products. The primary target is to increase sales volume of all-season tires in Europe to 4.5 times the 2025 level. Although we cannot provide specific figures at this time, we have communicated an indicative target of a 15% business profit margin in 2030, and we intend to work toward that target.

Another highly profitable category is SUV and pickup tires in North America. WILDPEAK, which already has a very substantial sales volume, has been well received. Our plan to increase its sales volume to 1.4 times the 2025 level includes expanding our production capacity. With COMPACTIVE-TBM and the SUN-TITAN SYSTEM, the 1.4 times target is now achievable. Although we cannot disclose specific figures for profit or sales revenue, I would like you to understand that we are prepared to steadily advance this plan.

Maki [Q]: What about the offtake products?

Kuniyasu [A]: Under the plan, we will receive supplies of these products for five years, and we are proceeding with efforts to sell them firmly. However, as sales of our premium products increase, there will be capacity constraints on the sales side. We will therefore consider selling the offtake products not only in Europe but also in other regions. Alternatively, we expect to consider and decide how to handle sales themselves in around two years. That concludes my response.

Maki [Q]: Understood. Is the timeline essentially to proceed according to plan, wait for 2 to 3 years, and then make a decision at that point?

Kuniyasu [A]: Yes, that is our understanding.

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

Inoue [M]: Thank you, Mr. Maki. Next, the person in the front row, please go ahead.

Sakaguchi [Q]: This is Sakaguchi from Mizuho Securities. I have two questions.

My first question concerns sales trends for SYNCHRO WEATHER in Japan. Sales have been strong, with solid performance in Q2 following Q1, and both sales and profit exceeded the plan. I therefore believe performance has been extremely favorable. According to the materials, you expect sales to increase significantly YoY in both Q3 and Q4. How confident are you about achieving this? SYNCHRO WEATHER had already gained considerable recognition heading into winter over the past two years, and sales were solid. Given that you intend to achieve even further growth, I would like to hear how confident you are about H2 based on the Q1 and Q2 results. I would also like to know what growth trajectory you envision from next year onward once you achieve sales of 1 million tires.

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

Tsuzaki [A]: Thank you for your question. SYNCHRO WEATHER has fortunately been selling extremely well. Our primary challenge in H1 was whether it would sell as a summer tire. However, recognition of the product as a summer tire, including its comfort and quietness, increased considerably. As a result, we were able to increase sales fivefold.

The number of transactions has also been increasing steadily, and sales are expanding strongly, supported in part by word of mouth. Building on this foundation, we are also implementing various measures tailored to different types of businesses. We are therefore confident that we can achieve further growth in Q4 by promoting SYNCHRO WEATHER as an all-season tire that can also be driven on ice.

Looking to the next fiscal year and beyond, we believe we can continue along a growth trajectory exceeding sales of 1 million tires. The all-season tire market in Japan remains small, so we intend to create the market itself. We are considering various measures for next year and beyond and believe there is ample potential for further growth.

We believe there are four factors behind the success of SYNCHRO WEATHER. The first is the product concept. We have effectively communicated its dual-purpose performance as an all-season tire that can be driven on ice while also delivering strong performance as a summer tire. We have also successfully embodied this concept in the product through Active Tread technology as the second factor.

The third factor is channel development. We have established a certified store program that enables dealers to clearly communicate the product's value to customers, while implementing measures tailored to each type of business. These include car dealers and automotive specialty stores. Although time does not permit me to explain the details, we are implementing highly detailed sales strategies.

The fourth factor is marketing. The impact of Shohei Ohtani, a major leaguer, and word of mouth have enabled us to market the product effectively all the way to end users. We believe these factors have earned the support of customers. Next fiscal year, we intend to fully leverage this expertise and expand SYNCHRO WEATHER from Japan into Europe and the US. That is all.

Sakaguchi [Q]: Thank you. You have consistently discussed creating the market, and I understand that you are now gaining confidence in your ability to do so. My second question concerns the revisions to your production plan, how they will affect sales, and how this will lead into next fiscal year. On page 37 of the financial results materials, you have lowered the production forecast due to factors including progress with the In-House New Factory. My understanding is that the new facilities will come online earlier, resulting in lower production because production on existing lines will be suspended. Is this affecting sales in the current fiscal year? In other words, is production being reduced not because demand is weak, but because you are strategically introducing new facilities ahead of schedule? If so, is there any resulting impact on sales?

If the new facilities come online ahead of schedule, I would expect the mix to improve considerably from around the end of this fiscal year into next fiscal year. Could you explain how the decline in production is linked to its impact on sales? That is all.

Kuniyasu [M]: Thank you. Araki will answer this question.

Araki [A]: Thank you for your question. As Hino explained, we are deliberately reducing production capacity based on the In-House New Factory concept. However, the capacity being reduced is for areas on which we are not focusing. We are converting older conventional equipment for low-inch tires into equipment for high-inch tires. Accordingly, lower capacity does not prevent us from selling the high-inch sizes on which we are currently focusing. We therefore do not expect any impact on sales.

Under the In-House New Factory initiative, production at the Thailand factory will begin at the end of this year and continue ramping up next year. Some projects at our factories in Japan will extend into 2028, but capacity will increase progressively. These increases will be reflected in expanded capacity from next year onward. By that time, we will be able to produce the tires we want to produce, which should also contribute to higher sales volume. Does that answer your question?

Sakaguchi [Q]: Understood. Regarding the mix effect, is it correct to understand that it will materialize somewhat faster than you initially anticipated?

Araki [A]: The SUN-TITAN SYSTEM in Thailand was initially scheduled to begin operations at the beginning of 2027. This was subsequently moved forward to the end of 2026 and has now been brought forward by another month. The teams on site are making every possible effort. If we can shorten the planned schedule even slightly, it should directly contribute to an improvement in the mix.

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

Inoue [M]: Thank you, Mr. Sakaguchi. Next, Mr. Yoshida from Citigroup Global Markets, who is participating online, please go ahead.

Yoshida [Q]: Thank you. This is Yoshida from Citigroup.

My first question concerns your outlook for the next fiscal year. I believe you said that there is ample potential to achieve business profit of JPY140 billion. I assume that figure is based on net sales of approximately JPY1.4 trillion and a business profit margin of around 10%. However, that would represent an increase in profit of approximately JPY44 billion from the current fiscal year, so I would appreciate a more detailed explanation of the components of that increase.

You said that Project ARK could add JPY7 billion. I believe you had originally expected Project ARK to generate an impact of approximately JPY17 billion [inaudible]YoY. Does this mean that the impact will increase to approximately JPY24 billion, or that the effect of Project ARK will build up to approximately JPY37 billion?

I would also like to ask about costs. I believe various costs are increasing this fiscal year due to the launch of DUNLOP and inflation. Although inflation-related cost increases may be unavoidable, will the costs deliberately incurred for DUNLOP continue to increase, or will they reach a certain ceiling?

Regarding the mix, I believe new Active Tread products will be introduced partway through 2027, so I question whether they will really make such a full contribution in 2027. Could you provide a more detailed explanation of how you expect to achieve the JPY44 billion increase?

Kuniyasu [M]: Thank you. Hino will take responsibility for explaining this.

Hino [A]: First, regarding Project ARK, the original plan, as shown on page 12, was to increase the impact from JPY10 billion to JPY17 billion. Although some measures have been brought forward, I was saying that we should be able to add approximately JPY7 billion. As for the remaining amount, although current conditions are challenging, as I mentioned earlier, if we can recover the delayed impact of price increases and increase volume, I personally believe that could provide a basis for reaching that level. Please understand that this was my personal view. That is all.

Kuniyasu [A]*: Regarding expenses, we started from zero in preparing for DUNLOP sales last year and this year. Please understand that the major investments related to DUNLOP sales will essentially be completed this year. We will launch new products beginning next year and will continue making the necessary investments in DUNLOP. However, please understand that there will be no further increase in costs associated with the phase of rapidly ramping up volume.

The figure slipped out during the discussion, but we are conducting various studies based on our belief that such an outlook may be achievable. It is not yet a finalized figure. We will strive to achieve 10% and set this as our target. That is all.

Tsuzaki [A]: Yes. From my perspective, we are currently formulating various measures involving products, sales channels, costs, and other areas that can add more than JPY50 billion in profit. We are now at the stage of examining how to maximize the feasibility of these measures. This ties in with what Hino said somewhat prematurely earlier. We will continue working to add as much profit as possible by preparing promptly while determining how to increase the likelihood of realizing these measures. That concludes my supplementary comments.

Yoshida [Q]: Thank you. My second question concerns the current situation in North America. I believe you said that the market turned positive in June and that inventory adjustments were also beginning to ease. Based on preliminary figures for June and July, is it correct to understand that conditions are improving? Tier 1 manufacturers began raising prices around June, and you will also implement price increases from August. Although the situation in the Middle East has not yet been resolved, has the market environment settled somewhat, and have you begun to see any changes?

Kuniyasu [M]: Tsuzaki will answer this question.

Tsuzaki [A]: Thank you for your question. Inventory levels are gradually normalizing. However, the situation in the Middle East remains unpredictable, so we intend to continue monitoring developments closely. We believe that market conditions allow us to raise prices, and we therefore decided to proceed with price increases from August. That is all.

Yoshida [M]: Thank you.

Inoue [M]: Thank you, Mr. Yoshida. Next, the person in the middle, please go ahead.

Ohashi [Q]: Thank you very much. I'm Ohashi from Daiwa Securities. I have two questions.

Regarding the price increases toward H2, I believe the magnitude of the price increases is smaller than the actual increase in costs. Could you explain what pricing strategy you intend to pursue in Japan, Europe, and North America?

In addition, could you explain how your targeted price increases compare with those of your competitors? I also got the impression that you may be placing somewhat greater priority on volume, so could you explain the direction of your price increases by region?

Kuniyasu [A]: Thank you for your question. Regarding price increases, we are making decisions in each region while monitoring market conditions. In Europe, which may be what gave you that impression, price is extremely important from a brand perspective, while volume is also important for offtake products. This makes management extremely difficult, but we are responding individually, including determining what to do in each country. Tsuzaki, please add anything further if necessary.

Tsuzaki [A]: Thank you for your question. Basically, it is as Kuniyasu explained. We recognize that, in response to the increase in costs from H2, we have no choice but to raise prices and pass those higher costs on. Although there are variations depending on the product and category, we are basically implementing price revisions in all regions. The one exception is the Middle East. There, we will determine our approach while closely assessing the situation.

Ohashi [Q]: Thank you for addressing that sensitive topic.

For my second question, I have two more detailed points. As you have revised the plan this time, I believe you commented that the mix component within volume and mix is deteriorating. Are you now expecting further deterioration compared with the revision made in Q1? I believe you will also be launching new products, so I had expected the mix to improve instead. Is this being affected by sales? Could you explain your thinking regarding the mix?

The other point concerns SENSING CORE in the R.I.S.E. progress report. Could you provide an update on the current progress in terms of the scale of the business, including the scale of sales, the level of profit, and the outlook going forward?

Kuniyasu [A]: Thank you for your question. First, could you refer to page seven of the financial results materials? I understand that you are referring to the deterioration associated with the decline in Europe, the U.S., and Australia under volume and mix. Launching new products is a factor that will improve the mix. However, to be frank, as I mentioned earlier regarding Europe, there are some areas where we cannot fully raise prices. We are not lowering prices, but there are areas where we cannot raise them as much as we would like. Please understand that this is contributing to the deterioration in volume and mix. We intend to manage this as effectively as possible and minimize the impact, but we have budgeted this figure taking the risks into account. Hino will answer regarding SENSING CORE.

Hino [A]: First, please refer to page 18. This shows the market size and expansion of SENSING CORE, and we are currently working to expand our technology into specific markets. We are finally beginning to see actual examples, including implementation in motorsports. The functions are also being recognized for applications such as buses, where safety is particularly important, and adoption is finally beginning. From here, we intend to roll this out more broadly and expand the scale of sales.

Regarding our targets, we are currently building up figures to a certain extent for each area. However, we would like to assess the progress of our current initiatives and ultimately incorporate those figures properly into our business plan.

Ohashi [M]: Thank you. That is all from me.

Inoue [M]: Thank you, Mr. Ohashi.

We have now reached the scheduled end time, so this concludes the financial results briefing.

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

Kuniyasu [M]: Thank you very much.

[END]

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Document Notes

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