

Consolidated Financial Results
for the Three Months Ended March 31, 2018
[IFRS]



May 8, 2018

Company name : Sumitomo Rubber Industries, Ltd.
 Stock exchange listing : Tokyo Stock Exchange
 Code number : 5110
 URL : <http://www.srigroup.co.jp/>
 Representative : Ikuji Ikeda, President and CEO, Representative Director
 Contact : Takashi Kono, Executive Officer and General Manager, Financial Department
 Phone : +81-78-265-3000

Scheduled date of filing quarterly securities report : May 9, 2018
 Scheduled date of commencing dividend payments : –
 Supplementary documents for quarterly financial results : Yes
 Quarterly financial results briefing session : Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded to the nearest unit.)

1. Consolidated Financial Results for the Three Months Ended March 31, 2018 (January 1, 2018 to March 31, 2018)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Sales revenue		Business profit		Operating profit		Profit attributable to owners of parent		Comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended										
March 31, 2018	212,658	10.7	14,268	17.1	14,011	18.4	7,665	(10.5)	(9,746)	–
March 31, 2017	192,076	7.7	12,188	(14.1)	11,839	(12.2)	8,560	4.6	(1,208)	–

(Note) “Business profit” is “Sales revenue” subtracted by “Cost of sales” and “Selling, general and administrative expenses.”

	Basic profit per share	Diluted profit per share	Business profit to sales revenue ratio
Three months ended	Yen	Yen	%
March 31, 2018	29.39	–	6.7
March 31, 2017	32.63	–	6.3

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of parent	Ratio of equity attributable to owners of parent	Equity attributable to owners of parent per share
As of	Million yen	Million yen	Million yen	%	Yen
March 31, 2018	1,008,084	472,586	456,772	45.3	1,736.69
December 31, 2017	1,018,266	490,886	459,907	45.2	1,810.56

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents as of March 31, 2018
Three months ended	Million yen	Million yen	Million yen	Million yen
March 31, 2018	20,939	(19,966)	18,295	81,090
March 31, 2017	(1,573)	(50,757)	52,541	65,116

2. Dividends

	Annual dividends				
	1st quarter - end	2nd quarter - end	3rd quarter - end	Year - end	Total
Fiscal year ended	Yen	Yen	Yen	Yen	Yen
December 31, 2017	—	25.00	—	30.00	55.00
December 31, 2018	—				
Fiscal year ending					
December 31, 2018 (Forecast)		30.00	—	30.00	60.00

(Note) Revision to the financial results forecast announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2018 (January 1, 2018 to December 31, 2018)

(% indicates changes from the previous corresponding period.)

	Sales revenue		Business profit		Operating profit		Profit attributable to owners of parent		Basic profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	430,000	6.6	26,500	21.3	26,500	24.8	16,500	32.8	63.04
Full year	910,000	3.7	73,000	9.0	73,000	8.2	48,000	2.2	182.98

(Note) Revision to the financial results forecast announced most recently: None

Notes:

- (1) Changes in Significant Subsidiaries during the Three Months Ended March 31, 2018
(changes in specified subsidiaries resulting in changes in scope of consolidation) : None
- (2) Changes in accounting policies and changes in accounting estimates
- 1) Changes in accounting policies required by IFRS : Yes
 - 2) Changes in accounting policies other than 1) : None
 - 3) Changes in accounting estimates : None
- (Note) Please refer to page 15 of the attached documents of the Consolidated Financial Results for the Period under Review, “2. Condensed Interim Consolidated Financial Statements and Primary Notes, (5) Notes on Condensed Interim Consolidated Financial Statements (Changes in Accounting Policies).”
- (3) Total number of issued shares (common stock)
- 1) Total number of issued shares at the end of the period (including treasury stock)
 - March 31, 2018 : 263,043,057 shares
 - December 31, 2017 : 263,043,057 shares
 - 2) Total number of treasury stock at the end of the period
 - March 31, 2018 : 30,493 shares
 - December 31, 2017 : 9,029,444 shares
 - 3) Average number of shares during the period
 - Three months ended March 31, 2018 : 260,762,625 shares
 - Three months ended March 31, 2017 : 262,316,532 shares

* Interim financial statements are outside the scope of the quarterly review procedures to be conducted by certified public accountants or auditing firms.

* Explanation of the proper use of financial results forecast and other notes

The earnings projections and other forward-looking statements herein are based on certain assumptions made in light of the information currently available to Sumitomo Rubber Industries, Ltd. (the “Company”) and its group companies (collectively, the “Group”) and do not constitute any promises by the Company that they will be realized. Actual results could differ significantly from these forecasts due to changes in various factors surrounding the businesses of the Company and the Group.

With regard to the matters related to the underlying assumptions for the above forecasts, please refer to page 5 of the attached documents of the Consolidated Financial Results for the Period under Review, “1. Qualitative Information on Quarterly Financial Results for the Period under Review, (3) Consolidated Financial Results Forecast and Other Future Forecast.”

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Operating Results

	For the three months ended March 31, 2017	For the three months ended March 31, 2018	Change in ratio
	Millions of yen	Millions of yen	%
Sales revenue	192,076	212,658	10.7
Tires	165,567	181,273	9.5
Sports	16,840	20,769	23.3
Industrial and Other Products	9,669	10,616	9.8
Business profit	12,188	14,268	17.1
Tires	10,071	11,448	13.7
Sports	1,074	1,786	66.3
Industrial and Other Products	1,038	1,030	(0.8)
Adjustments	5	4	-
Operating profit	11,839	14,011	18.4
Profit attributable to owners of parent	8,560	7,665	(10.5)

(Note) “Business profit” is “Sales revenue” subtracted by “Cost of sales” and “Selling, general and administrative expenses.”

Foreign exchange rates applied

	For the three months ended March 31, 2017	For the three months ended March 31, 2018	Increase (Decrease)
	Yen	Yen	Yen
Yen / U.S. Dollar	114	108	(6)
Yen / Euro	121	133	12

During the three months ended March 31, 2018, the U.S. economy continued to expand steadily, and the European economy remained on a gradual recovery trend. In Asia, the Chinese economy maintained a relatively high growth rate, and economic recovery was seen also in Thailand and Indonesia. Thus, the overall global economy showed solid growth.

The Japanese economy also showed a relatively robust growth, as seen in the steady improvement of the employment environment, a pickup in personal consumption, growth in corporate earnings and an increase in capital investment.

Looking at the business environment surrounding the Sumitomo Rubber Group, although the price of natural rubber remained stable, the prices of petroleum-based raw materials soared, leading to a total cost increase. On the other hand, sales of the Group performed mostly within our expectations while competition with our competitors in the market continued to intensify.

Under these circumstances, the Group pursued various group-wide initiatives to achieve its long-term “VISION 2020” targets for fiscal 2020 aimed at driving business growth and improving profitability.

As a result, sales revenue of the Group increased 10.7% from the same period of the previous fiscal year to ¥212,658 million, business profit increased 17.1% to ¥14,268 million, operating profit increased 18.4% to ¥14,011 million and profit attributable to owners of parent decreased 10.5% to ¥7,665 million.

Business performance by business segment was as follows.

Tire Business

Sales revenue in the tire business increased 9.5% from the same period of the previous fiscal year to ¥181,273 million, and business profit increased 13.7% to ¥11,448 million.

In the domestic original equipment market, sales revenue exceeded the level of the same period of the previous fiscal year, despite almost unchanged automobile production volume compared with the previous quarterly period, due to an increase in sales volume by expanding sales of high-value-added tires, particularly fuel-efficient tires.

In the domestic replacement market, sales revenue exceeded the level of the same period of the previous fiscal year. Under the DUNLOP brand, we launched the “ENASAVE EC204,” fuel-efficient tires for passenger cars providing “Long Life with Longer-lasting Performance” realized by the improved resistance against wear and uneven abrasion, and expanded sales of high-value-added products including “LE MANS V.” Under the FALKEN brand, we launched the “AZENIS FK510” series, new generation flagship tires for passenger cars providing high steering stability at high-speeds and excellent wet performance, while making efforts to enhance brand awareness, such as supporting Mr. Yoshihide Muroya, who will compete in the “Red Bull Air Race World Championship 2018,” as “Team FALKEN” for the fourth consecutive year. In addition, snowfalls in the beginning of the year led to favorable shipments of winter tires.

In the overseas original equipment market, sales revenue exceeded the level of the same period of the previous fiscal year. Although it was affected by lower automobile production volume in China, delivery increased further mainly in Europe, North America and emerging countries.

In the overseas replacement market, sales revenue exceeded the level of the same period of the previous fiscal year. Despite sluggish consumption associated with political uncertainty in the Middle East, sales volume increased mainly in Europe supported by the region’s continued economic expansion, as well as in the U.K. market stemming from the acquisition of Micheldever Group Ltd., a British tire sales company, in the first quarter of the previous fiscal year.

As a result, sales revenue and business profit in the tire business exceeded the level of the same period of the previous fiscal year.

Sports Business

Sales revenue in the sports business increased 23.3% from the same period of the previous fiscal year to ¥20,769 million, and business profit increased 66.3% to ¥1,786 million.

In the golf goods market in Japan, “XXIO 10” golf clubs, which were launched in December 2017, enjoyed favorable sales. Sales revenue exceeded the level of the same period of the previous fiscal year in the golf goods market in Japan as a whole.

In overseas golf goods markets, we made aggressive efforts to expand sales of our brands “SRIXON,” “XXIO” and “Cleveland Golf” mainly in North America. As a result, sales revenue exceeded the level of the same period of the previous fiscal year.

In the tennis business, revenue from the Japanese market remained almost unchanged compared with the same period of the previous fiscal year. However, sales in the overseas tennis business under the DUNLOP brand which was acquired in the second quarter of the previous fiscal year contributed to an increase in revenue.

In the wellness business, as we continued to expand the opening of new compact gyms “Gym Style,” sales revenue exceeded the level of the same period of the previous fiscal year.

In addition, the licensing business also contributed to an increase in revenue. As a result, sales revenue and business profit in the sports business exceeded the level of the same period of the previous fiscal year.

On January 1, 2018, the Group integrated its sports business by merging Company’s subsidiary Dunlop Sports Co. Ltd., and Dunlop International Co. Ltd. into the Company through absorption-type mergers.

Industrial and Other Products Business

Sales revenue in the industrial and other products business increased 9.8% from the same period of the previous fiscal year to ¥10,616 million, and business profit decreased 0.8% to ¥1,030 million.

In the business of vibration control dampers, under the “MIRAIE” brand, a series of vibration control units for housing, sales grew strongly. In the business of precision rubber parts for office machines, sales revenue exceeded the level of the same period of the previous fiscal year due to an increase in production of printers and photocopiers by major office machine manufacturers. In the business of infrastructure-based products, sales revenue exceeded the level of the same period of the previous fiscal year due to a strong increase in orders received relating to sports facilities in the private sector, as well as the acquisition of Sports Surface Co., Ltd., a company engaging in the design and construction of domestic tennis courts, in the first quarter of the current fiscal year.

As a result, sales revenue in the industrial and other products business exceeded the level of the same

period of the previous fiscal year while business profit remained almost unchanged compared with the same period of the previous fiscal year mainly due to the effects of foreign exchange rates.

(2) Financial Position

	As of December 31, 2017	As of March 31, 2018	Increase (Decrease)
	Millions of yen	Millions of yen	Millions of yen
Total assets	1,018,266	1,008,084	(10,182)
Total equity	490,886	472,586	(18,300)
Total equity attributable to owners of parent	459,907	456,772	(3,135)
Total equity attributable to owners of parent ratio (%)	45.2	45.3	0.1
Equity attributable to owners of parent per share	1,810.56 yen	1,736.69 yen	(73.87) yen

The financial position of the Group at the end of the first quarter of the consolidated fiscal year under review was as follows.

Total assets decreased ¥10,182 million from the end of the previous fiscal year to ¥1,008,084 million mainly as a result of a decrease in trade and other receivables due to seasonal factors.

Total liabilities increased ¥8,118 million from the end of the previous fiscal year to ¥535,498 million mainly as a result of an increase in interest-bearing debt.

Total equity as of March 31, 2018 decreased ¥18,300 million from the end of the previous fiscal year to ¥472,586 million, of which equity attributable to owners of parent accounted for ¥456,772 million, and non-controlling interests accounted for ¥15,814 million. Treasury stocks and non-controlling interests decreased due to merger with the Company's subsidiary Dunlop Sports Co. Ltd. effective on January 1 2018, in which shares in the Company were allotted to the non-controlling shareholders of Dunlop Sports Co. Ltd. Also, due to decrease in other components of equity, which was affected by foreign exchange rates, equity attributable to owners of parents decreased ¥3,135 million, and non-controlling interests decreased ¥15,165 million compared with the end of the previous fiscal year. As a result, equity attributable to owners of parent ratio was 45.3%, and equity attributable to owners of parent per share was ¥1,736.69.

(3) Consolidated Financial Results Forecast and Other Future Forecast

No revisions have been made to the six-months and full year financial results forecast in the Consolidated Financial Results for the Fiscal Year Ending December 31, 2018, which we announced on February 14, 2018.

Consolidated Financial Results Forecast for Six Months Ending June 30, 2018 (January 1, 2018 to June 30, 2018)

	Forecast	Previous forecast	Increase (Decrease)	Change in ratio	(Reference) Results for the same period of the previous year
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen
Sales revenue	430,000	430,000	-	-	403,377
Tires	367,000	367,000	-	-	346,220
Sports	44,000	44,000	-	-	37,894
Industrial and Other Products	19,000	19,000	-	-	19,263
Business profit	26,500	26,500	-	-	21,846
Tires	22,000	22,000	-	-	17,423
Sports	3,000	3,000	-	-	2,494
Industrial and Other Products	1,500	1,500	-	-	1,886
Adjustments	-	-	-	-	43
Operating profit	26,500	26,500	-	-	21,236
Profit attributable to owners of parent	16,500	16,500	-	-	12,429

Foreign exchange rates applied

	Revised forecast	Previous forecast	Increase (Decrease)	(Reference) Rate applied for the same period of the previous year
	Yen	Yen	Yen	Yen
Yen / U.S. Dollar	108	110	(2)	112
Yen / Euro	133	130	3	122

Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2018 (January 1, 2018 to December 31, 2018)

	Forecast	Previous forecast	Increase (Decrease)	Change in ratio	(Reference) Results for the same period of the previous year
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen
Sales revenue	910,000	910,000	-	-	877,866
Tires	785,000	785,000	-	-	756,576
Sports	85,000	85,000	-	-	81,734
Industrial and Other Products	40,000	40,000	-	-	39,556
Business profit	73,000	73,000	-	-	66,975
Tires	65,000	65,000	-	-	58,341
Sports	4,000	4,000	-	-	4,372
Industrial and Other Products	4,000	4,000	-	-	4,229
Adjustments	-	-	-	-	33
Operating profit	73,000	73,000	-	-	67,449
Profit attributable to owners of parent	48,000	48,000	-	-	46,979

Foreign exchange rates applied

	Revised forecast	Previous forecast	Increase (Decrease)	(Reference) Rate applied for the same period of the previous year
	Yen	Yen	Yen	Yen
Yen / U.S. Dollar	108	110	(2)	112
Yen / Euro	132	130	2	127

The results forecast and other forward-looking statements herein are based on certain assumptions made in light of the information currently available to the Company and the Group as of the date of the release of this document and include potential risks and uncertainty. Actual results could differ significantly from these forecasts due to changes in various factors surrounding the businesses of the Company and the Group.

2. Condensed Interim Consolidated Financial Statements and Primary Notes

(1) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and cash equivalents	64,528	81,090
Trade and other receivables	209,308	189,011
Other financial assets	9,195	7,887
Inventories	159,010	168,757
Other current assets	23,932	24,092
Total current assets	465,973	470,837
Non-current assets		
Property, plant and equipment	379,747	371,279
Goodwill	35,202	34,262
Intangible assets	49,989	48,322
Investments accounted for using equity method	4,171	4,208
Other financial assets	37,098	35,051
Net defined benefit asset	25,378	25,098
Deferred tax assets	15,172	13,747
Other non-current assets	5,536	5,280
Total non-current assets	552,293	537,247
Total assets	1,018,266	1,008,084

(Millions of yen)

	As of December 31, 2017	As of March 31, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and loans payable	116,477	147,269
Trade and other payables	136,100	124,734
Other financial liabilities	1,776	1,595
Income tax payable	5,602	6,088
Provisions	6,782	2,259
Other current liabilities	36,562	38,785
Total current liabilities	303,299	320,730
Non-current liabilities		
Bonds and loans payable	152,424	145,229
Other financial liabilities	3,644	4,069
Net defined benefit liability	21,680	21,209
Provisions	1,199	1,207
Deferred tax liabilities	22,382	20,987
Other non-current liabilities	22,752	22,067
Total non-current liabilities	224,081	214,768
Total liabilities	527,380	535,498
Equity		
Capital stock	42,658	42,658
Capital surplus	37,865	39,483
Retained earnings	428,799	423,679
Treasury stock	(17,631)	(61)
Other components of equity	(31,784)	(48,987)
Total equity attributable to owners of parent	459,907	456,772
Non-controlling interests	30,979	15,814
Total equity	490,886	472,586
Total liabilities and equity	1,018,266	1,008,084

(2) Condensed Interim Consolidated Statements of Income and Comprehensive Income

Condensed Interim Consolidated Statements of Income

(Millions of yen)

	For the three months ended March 31, 2017	For the three months ended March 31, 2018
Sales revenue	192,076	212,658
Cost of sales	(133,170)	(147,100)
Gross profit	58,906	65,558
Selling, general and administrative expenses	(46,718)	(51,290)
Business profit	12,188	14,268
Other income	439	343
Other expenses	(788)	(600)
Operating profit	11,839	14,011
Financial income	680	571
Financial expenses	(991)	(2,546)
Equity in earnings of affiliates	17	40
Profit before tax	11,545	12,076
Income tax expenses	(2,230)	(3,739)
Profit	9,315	8,337
Profit attributable to:		
Owners of parent	8,560	7,665
Non-controlling interests	755	672
Profit	9,315	8,337
Profit per share		
Basic profit per share (Yen)	32.63	29.39

Condensed Interim Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the three months ended March 31, 2017	For the three months ended March 31, 2018
Profit	9,315	8,337
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(301)	(1,010)
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	(562)	117
Currency translation differences of foreign operations	(9,660)	(17,190)
Other comprehensive income, net of tax	(10,523)	(18,083)
Comprehensive income	(1,208)	(9,746)
Comprehensive income attributable to:		
Owners of parent	(1,234)	(9,377)
Non-controlling interests	26	(369)
Comprehensive income	(1,208)	(9,746)

(3) Condensed Interim Consolidated Statements of Changes in Equity

For the three months ended March 31, 2017

(Millions of yen)

	Equity attributable to owners of parent					
	Capital Stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Currency translation differences of foreign operations	Cash flow hedges
Balance as of January 1, 2017	42,658	37,937	389,970	(570)	(49,657)	(185)
Profit			8,560			
Other comprehensive income					(8,980)	(564)
Total comprehensive income	-	-	8,560	-	(8,980)	(564)
Purchase of treasury stock				(1)		
Disposal of treasury stock						
Dividends			(6,558)			
Changes in ownership interests in subsidiaries that do not result in loss of control						
Acquisition of non-controlling interests involving merger of consolidated subsidiaries						
Transfer to retained earnings			79			
Transfer to capital surplus						
Other increase and decrease						234
Total transactions with owners	-	-	(6,479)	(1)	-	234
Balance as of March 31, 2017	42,658	37,937	392,051	(571)	(58,637)	(515)

	Equity attributable to owners of parent				Non-controlling interests	Total Equity
	Other components of equity			Total		
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plan	Total			
Balance as of January 1, 2017	9,163	-	(40,679)	429,316	30,225	459,541
Profit			-	8,560	755	9,315
Other comprehensive income	(250)		(9,794)	(9,794)	(729)	(10,523)
Total comprehensive income	(250)	-	(9,794)	(1,234)	26	(1,208)
Purchase of treasury stock			-	(1)		(1)
Disposal of treasury stock			-	-		-
Dividends			-	(6,558)	(399)	(6,957)
Changes in ownership interests in subsidiaries that do not result in loss of control			-	-	607	607
Acquisition of non-controlling interests involving merger of consolidated subsidiaries			-	-		-
Transfer to retained earnings	(79)		(79)	-		-
Transfer to capital surplus			-	-		-
Other increase and decrease			234	234		234
Total transactions with owners	(79)	-	155	(6,325)	208	(6,117)
Balance as of March 31, 2017	8,834	-	(50,318)	421,757	30,459	452,216

For the three months ended March 31, 2018

(Millions of yen)

	Equity attributable to owners of parent					
	Capital Stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Currency translation differences of foreign operations	Cash flow hedges
Balance as of January 1, 2018	42,658	37,865	428,799	(17,631)	(43,902)	(436)
Profit			7,665			
Other comprehensive income					(16,149)	117
Total comprehensive income	-	-	7,665	-	(16,149)	117
Purchase of treasury stock				(22)		
Disposal of treasury stock		0		2		
Dividends			(7,620)			
Changes in ownership interests in subsidiaries that do not result in loss of control						
Acquisition of non-controlling interests involving merger of consolidated subsidiaries		(3,598)		17,590	(233)	0
Transfer to retained earnings			51			
Transfer to capital surplus		5,216	(5,216)			
Other increase and decrease						(41)
Total transactions with owners	-	1,618	(12,785)	17,570	(233)	(41)
Balance as of March 31, 2018	42,658	39,483	423,679	(61)	(60,284)	(360)

	Equity attributable to owners of parent				Non-controlling interests	Total Equity
	Other components of equity			Total		
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plan	Total			
Balance as of January 1, 2018	12,554	-	(31,784)	459,907	30,979	490,886
Profit			-	7,665	672	8,337
Other comprehensive income	(1,010)		(17,042)	(17,042)	(1,041)	(18,083)
Total comprehensive income	(1,010)	-	(17,042)	(9,377)	(369)	(9,746)
Purchase of treasury stock			-	(22)		(22)
Disposal of treasury stock			-	2		2
Dividends			-	(7,620)	(873)	(8,493)
Changes in ownership interests in subsidiaries that do not result in loss of control			-	-		-
Acquisition of non-controlling interests involving merger of consolidated subsidiaries	123	41	(69)	13,923	(13,923)	-
Transfer to retained earnings	(10)	(41)	(51)	-		-
Transfer to capital surplus			-	-		-
Other increase and decrease			(41)	(41)		(41)
Total transactions with owners	113	-	(161)	6,242	(14,796)	(8,554)
Balance as of March 31, 2018	11,657	-	(48,987)	456,772	15,814	472,586

(4) Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

	For the three months ended March 31, 2017	For the three months ended March 31, 2018
Cash flows from operating activities		
Profit before tax	11,545	12,076
Depreciation and amortization	13,314	14,078
Interest and dividends income	(523)	(571)
Interest expenses	990	1,142
Share of (profit) loss of entities accounted for using equity method	(17)	(40)
Decrease (increase) in inventories	(14,255)	(14,797)
Decrease (increase) in trade and other receivables	14,712	16,544
Increase (decrease) in trade and other payables	(12,665)	(5,583)
Other, net	(3,139)	2,889
Subtotal	9,962	25,738
Interest received	519	552
Dividend income received	12	12
Interest expenses paid	(852)	(829)
Income taxes paid	(11,214)	(4,534)
Net cash provided by (used in) operating activities	(1,573)	20,939
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,503)	(17,739)
Proceeds from sales of property, plants and equipment	356	68
Purchase of intangible assets	(944)	(741)
Proceeds from sales of investment securities	242	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(19,631)	(83)
Payment for deposits	(16,202)	(1,463)
Other, net	(75)	(8)
Net cash provided by (used in) investing activities	(50,757)	(19,966)

(Millions of yen)

	For the three months ended March 31, 2017	For the three months ended March 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	63,738	31,327
Proceeds from long-term debt and newly issued bonds	860	-
Repayments of long-term debt and redemption of bonds	(5,210)	(4,072)
Proceeds from contributions of non-controlling interests	607	-
Cash dividends paid	(6,558)	(7,620)
Cash dividends paid to non-controlling interests	(399)	(873)
Other, net	(497)	(467)
Net cash provided by (used in) financing activities	52,541	18,295
Effect of exchange rate change on cash and cash equivalents	(1,587)	(2,706)
Net increase (decrease) in cash and cash equivalents	(1,376)	16,562
Cash and cash equivalents at the beginning of current period	66,492	64,528
Cash and cash equivalents at the end of current period	65,116	81,090

(5) Notes on Condensed Interim Consolidated Financial Statements

(Notes on Going Concern Assumption)

None

(Changes in Accounting Policies)

Significant accounting policies that the Group adopted in the condensed interim consolidated financial statements under review are the same as those that were adopted in the consolidated financial statements for the fiscal year ended December 31, 2017.

Income tax expenses for the three months ended March 31, 2018 were determined using the estimated average annual effective income tax rate.

The Group has adopted the following standards from the three months ended March 31, 2018:

IFRS		Description of new standards and revisions
IFRS 15	Revenue from Contracts with Customers	Revision of accounting treatment for revenue recognition

The Group has adopted IFRS 15 “Revenue from Contracts with Customers” (issued in May 2014) and “Clarifications to IFRS 15” (issued in April 2016) (together referred to as “IFRS 15”) from the three months ended March 31, 2018.

In accordance with IFRS 15, except for revenue including interest and dividends income, etc. under IFRS 9 “Financial Instruments,” revenue is recognized by applying the following five-step approach:

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligation in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligation in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

There are no material impacts resulting from the adoption of these standards and interpretations on the Group’s consolidated financial results.

(Segment Information)

1. Information by reportable segment

Reportable segments of the Group are the units for which separate financial information is available and periodically reviewed by the Board of Directors as the highest decision-making body for the purposes of deciding the allocation of management resources and evaluating business performance.

The Group has three divisions based on operations in Tires, Sports and Industrial and Other Products. Each division formulates comprehensive strategies for both domestic and overseas markets and develops business activities.

Therefore, the Group identifies “Tires”, “Sports”, and “Industrial and Other Products” as reportable segments.

Major products and services or details of business that belong to each reportable segment are as follows:

Reportable segment	Major products and services or details of business
Tires	Tires and tubes (for automobiles, construction vehicles, industrial vehicles, automotive races and rallies, motorcycles, etc.) Automotive system business (instant mobility systems, deflation warning systems, etc.)
Sports	Sporting goods (golf clubs, golf balls and other golf goods, tennis goods, etc.) Operation of golf tournaments Operation of golf and tennis schools Fitness business, and others
Industrial and Other Products	High-performance rubber products (vibration control dampers, precision rubber parts for office machines, precision rubber parts for medical use, etc.) Daily life supplies (rubber gloves for cooking and other operations, ramps for wheelchair use, etc.) Products for infrastructure (marine dock fenders, flooring materials for factories and sports facilities, etc.)

2. Reportable segment sales revenues and profit or loss

Inter-segment sales revenues are stated at wholesale prices based on current market values.

Figures for reportable segment are based on business profit.

Information for the reportable segments for the previous fiscal year and the current fiscal year is as follows:

For the three months ended March 31, 2017 (January 1, 2017 to March 31, 2017)

(Millions of yen)

	Reportable segment			Total	Adjustments (Note 2)	Amounts recorded in Condensed Interim Consolidated Statements of Income
	Tires	Sports	Industrial and Other Products			
Sales revenue from external customers	165,567	16,840	9,669	192,076	-	192,076
Inter-segment sales revenue	16	49	171	236	(236)	-
Total	165,583	16,889	9,840	192,312	(236)	192,076
Segment profit (Business profit) (Note 1)	10,071	1,074	1,038	12,183	5	12,188
Other income and expenses						(349)
Operating profit						11,839

(Notes)

1. “Segment profit (Business profit)” is “Sales revenue” subtracted by “Cost of sales” and “Selling, general and administrative expenses.”
2. Segment profit included in “Adjustment” comprised elimination of inter-segment transactions.

For the three months ended March 31, 2018 (January 1, 2018 to March 31, 2018)

(Millions of yen)

	Reportable segment			Total	Adjustments (Note 2)	Amounts recorded in Condensed Interim Consolidated Statements of Income
	Tires	Sports	Industrial and Other Products			
Sales revenue from external customers	181,273	20,769	10,616	212,658	-	212,658
Inter-segment sales revenue	4	83	188	275	(275)	-
Total	181,277	20,852	10,804	212,933	(275)	212,658
Segment profit (Business profit) (Note 1)	11,448	1,786	1,030	14,264	4	14,268
Other income and expenses						(257)
Operating profit						14,011

(Notes)

1. “Segment profit (Business profit)” is “Sales revenue” subtracted by “Cost of sales” and “Selling, general and administrative expenses.”
2. Segment profit included in “Adjustment” comprised elimination of inter-segment transactions.

(Significant Subsequent Events)

None