

Consolidated Financial Results
for the Six Months Ended June 30, 2018
[IFRS]



August 7, 2018

Company name : Sumitomo Rubber Industries, Ltd.
 Stock exchange listing : Tokyo Stock Exchange
 Code number : 5110
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 Scheduled date of filing quarterly securities report : August 8, 2018
 Scheduled date of commencing dividend payments : September 5, 2018
 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 Six Months Ended June 30, 2018 (January 1, 2018 to June 30, 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	%
Six months ended										
June 30, 2018	425,352	5.4	26,887	23.1	27,049	27.4	14,222	14.4	(12,750)	-
June 30, 2017	403,377	12.4	21,846	(28.0)	21,236	(27.1)	12,429	(31.0)	7,774	-

(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
Six months ended	Yen	Yen	%
June 30, 2018	54.34	-	6.3
June 30, 2017	47.38	-	5.4

(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
June 30, 2018	984,226	469,294	454,074	46.1	1,726.45
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 at end of period
Six months ended	Million yen	Million yen	Million yen	Million yen
June 30, 2018	33,621	(35,042)	8,480	67,493
June 30, 2017	13,937	(67,458)	49,393	61,177

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	-	30.00			
Fiscal year ending					
December 31, 2018 (Forecast)			-	30.00	60.00

(Note) Revision to the dividends 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
Full year	900,000	2.5	68,000	1.5	68,000	0.8	43,000	(8.5)	163.92

(Note) Revision to the financial results forecast announced most recently: Yes

Notes:

(1) Changes in significant subsidiaries during the six months ended June 30, 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 13 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)

June 30, 2018 : 263,043,057 shares

December 31, 2017 : 263,043,057 shares

2) Total number of treasury stock at the end of the period

June 30, 2018 : 32,770 shares

December 31, 2017 : 9,029,444 shares

3) Average number of shares during the period

Six months ended June 30, 2018 : 261,726,195 shares

Six months ended June 30, 2017 : 262,315,997 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 six months ended June 30, 2017	For the six months ended June 30, 2018	Change in ratio
	Millions of yen	Millions of yen	%
Sales revenue	403,377	425,352	5.4
Tires	346,220	360,817	4.2
Sports	37,894	43,796	15.6
Industrial and Other Products	19,263	20,739	7.7
Business profit	21,846	26,887	23.1
Tires	17,423	20,675	18.7
Sports	2,494	4,164	67.0
Industrial and Other Products	1,886	2,040	8.2
Adjustments	43	8	-
Operating profit	21,236	27,049	27.4
Profit attributable to owners of parent	12,429	14,222	14.4

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

Foreign exchange rates applied

	For the six months ended June 30, 2017	For the six months ended June 30, 2018	Increase (Decrease)
	Yen	Yen	Yen
Yen / U.S. Dollar	112	109	(3)
Yen / Euro	122	132	10

During the six months ended June 30, 2018, amid the effects of situations over U.S. trade issues on the global economy, 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, an improvement in corporate earnings and a moderate increase in capital investment.

Looking at the business environment surrounding the Sumitomo Rubber Group, although the prices of petroleum-based raw materials soared, the price of natural rubber remained stable. 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 5.4% from the same period of the previous fiscal year to ¥425,352 million, business profit increased 23.1% to ¥26,887 million, operating profit increased 27.4% to ¥27,049 million and profit attributable to owners of parent increased 14.4% to ¥14,222 million.

Business performance by business segment was as follows.

Tire Business

Sales revenue in the tire business increased 4.2% from the same period of the previous fiscal year to ¥360,817 million, and business profit increased 18.7% to ¥20,675 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.” 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 due to further increase of delivery 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 February 2017.

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 15.6% from the same period of the previous fiscal year to ¥43,796 million, and business profit increased 67.0% to ¥4,164 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, “XXIO 10” golf clubs showed favorable sales, stronger than those of the previous model. We also made aggressive efforts to expand sales of our brands “SRIXON,” “XXIO” and “Cleveland Golf.” 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 fell below the level of 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, due to a continued expansion in opening new compact gyms “Gym Style” as well as a solid growth in membership of the existing gyms, 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 7.7% from the same period of the previous fiscal year to ¥20,739 million, and business profit increased 8.2% to ¥2,040 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 January 2018.

As a result, sales revenue and business profit in the industrial and other products business exceeded the

level of the same period of the previous fiscal year.

(2) Financial Position

	As of December 31, 2017	As of June 30, 2018	Increase (Decrease)
	Millions of yen	Millions of yen	Millions of yen
Total assets	1,018,266	984,226	(34,040)
Total equity	490,886	469,294	(21,592)
Total equity attributable to owners of parent	459,907	454,074	(5,833)
Total equity attributable to owners of parent ratio (%)	45.2	46.1	0.9
Equity attributable to owners of parent per share	1,810.56 yen	1,726.45 yen	(84.11) yen

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

Total assets decreased ¥34,040 million from the end of the previous fiscal year to ¥984,226 million mainly as a result of a decrease in trade and other receivables due to seasonal factors.

Total liabilities decreased ¥12,448 million from the end of the previous fiscal year to ¥514,932 million mainly as a result of a decrease in trade and other payables.

Total equity as of June 30, 2018 decreased ¥21,592 million from the end of the previous fiscal year to ¥469,294 million, of which equity attributable to owners of parent accounted for ¥454,074 million, and non-controlling interests accounted for ¥15,220 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 ¥5,833 million, and non-controlling interests decreased ¥15,759 million compared with the end of the previous fiscal year. As a result, equity attributable to owners of parent ratio was 46.1%, and equity attributable to owners of parent per share was ¥1,726.45.

(3) Consolidated Financial Results Forecast and Other Future Forecast

Profit for the six months ended June 30, 2018 exceeded the initial plan. However, to reflect effects from the recent fluctuations in raw material prices and other factors, revisions have been made as follows to the full year financial results forecast in the Consolidated Financial Results for the Three Months Ended March 31, 2018, which we announced on May 8, 2018.

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

	Revised 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	900,000	910,000	(10,000)	(1.1)	877,866
Tires	775,000	785,000	(10,000)	(1.3)	756,576
Sports	85,000	85,000	-	-	81,734
Industrial and Other Products	40,000	40,000	-	-	39,556
Business profit	68,000	73,000	(5,000)	(6.8)	66,975
Tires	59,000	65,000	(6,000)	(9.2)	58,341
Sports	4,500	4,000	500	12.5	4,372
Industrial and Other Products	4,500	4,000	500	12.5	4,229
Adjustments	-	-	-	-	33
Operating profit	68,000	73,000	(5,000)	(6.8)	67,449
Profit attributable to owners of parent	43,000	48,000	(5,000)	(10.4)	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	109	108	1	112
Yen / Euro	131	132	(1)	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 June 30, 2018
Assets		
Current assets		
Cash and cash equivalents	64,528	67,493
Trade and other receivables	209,308	173,706
Other financial assets	9,195	8,391
Inventories	159,010	181,593
Other current assets	23,932	23,236
Total current assets	465,973	454,419
Non-current assets		
Property, plant and equipment	379,747	364,533
Goodwill	35,202	34,737
Intangible assets	49,989	46,962
Investments accounted for using equity method	4,171	4,249
Other financial assets	37,098	35,385
Net defined benefit asset	25,378	25,260
Deferred tax assets	15,172	13,392
Other non-current assets	5,536	5,289
Total non-current assets	552,293	529,807
Total assets	1,018,266	984,226

(Millions of yen)

	As of December 31, 2017	As of June 30, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and loans payable	116,477	145,652
Trade and other payables	136,100	115,860
Other financial liabilities	1,776	2,160
Income tax payable	5,602	7,708
Provisions	6,782	3,377
Other current liabilities	36,562	36,024
Total current liabilities	303,299	310,781
Non-current liabilities		
Bonds and loans payable	152,424	136,349
Other financial liabilities	3,644	3,494
Net defined benefit liability	21,680	21,612
Provisions	1,199	1,212
Deferred tax liabilities	22,382	19,820
Other non-current liabilities	22,752	21,664
Total non-current liabilities	224,081	204,151
Total liabilities	527,380	514,932
Equity		
Capital stock	42,658	42,658
Capital surplus	37,865	39,487
Retained earnings	428,799	430,235
Treasury stock	(17,631)	(65)
Other components of equity	(31,784)	(58,241)
Total equity attributable to owners of parent	459,907	454,074
Non-controlling interest	30,979	15,220
Total equity	490,886	469,294
Total liabilities and equity	1,018,266	984,226

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

Condensed Interim Consolidated Statements of Income

(Millions of yen)

	For the six months ended June 30, 2017	For the six months ended June 30, 2018
Sales revenue	403,377	425,352
Cost of sales	(285,139)	(297,861)
Gross profit	118,238	127,491
Selling, general and administrative expenses	(96,392)	(100,604)
Business profit	21,846	26,887
Other income	902	1,146
Other expenses	(1,512)	(984)
Operating profit	21,236	27,049
Financial income	1,727	1,456
Financial expenses	(2,371)	(5,129)
Equity in earnings of affiliates	28	79
Profit before tax	20,620	23,455
Income tax expenses	(6,903)	(8,475)
Profit	13,717	14,980
Profit attributable to:		
Owners of parent	12,429	14,222
Non-controlling interests	1,288	758
Profit	13,717	14,980
Profit per share		
Basic profit per share (Yen)	47.38	54.34

Condensed Interim Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended June 30, 2017	For the six months ended June 30, 2018
Profit	13,717	14,980
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	669	(760)
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	(556)	158
Currency translation differences of foreign operations	(6,056)	(27,128)
Other comprehensive income, net of tax	(5,943)	(27,730)
Comprehensive income	<u>7,774</u>	<u>(12,750)</u>
Comprehensive income attributable to:		
Owners of parent	6,941	(12,075)
Non-controlling interests	833	(675)
Comprehensive income	<u>7,774</u>	<u>(12,750)</u>

(3) Condensed Interim Consolidated Statements of Changes in Equity

For the six months ended June 30, 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			12,429			
Other comprehensive income					(5,624)	(557)
Total comprehensive income	-	-	12,429	-	(5,624)	(557)
Purchase of treasury stock				(4)		
Disposal of treasury stock		0		0		
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			83			
Transfer to capital surplus						
Other increase and decrease						280
Total transactions with owners	-	0	(6,475)	(4)	-	280
Balance as of June 30, 2017	42,658	37,937	395,924	(574)	(55,281)	(462)

	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			-	12,429	1,288	13,717
Other comprehensive income	693		(5,488)	(5,488)	(455)	(5,943)
Total comprehensive income	693	-	(5,488)	6,941	833	7,774
Purchase of treasury stock			-	(4)		(4)
Disposal of treasury stock			-	0		0
Dividends			-	(6,558)	(1,081)	(7,639)
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	(83)		(83)	-		-
Transfer to capital surplus			-	-		-
Other increase and decrease			280	280		280
Total transactions with owners	(83)	-	197	(6,282)	(474)	(6,756)
Balance as of June 30, 2017	9,773	-	(45,970)	429,975	30,584	460,559

For the six months ended June 30, 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			14,222			
Other comprehensive income					(25,695)	158
Total comprehensive income	-	-	14,222	-	(25,695)	158
Purchase of treasury stock				(27)		
Disposal of treasury stock		1		3		
Dividends			(7,620)			
Changes in ownership interests in subsidiaries that do not result in loss of control		3			0	
Acquisition of non-controlling interests involving merger of consolidated subsidiaries		(3,598)		17,590	(233)	0
Transfer to retained earnings			50			
Transfer to capital surplus		5,216	(5,216)			
Other increase and decrease						(41)
Total transactions with owners	-	1,622	(12,786)	17,566	(233)	(41)
Balance as of June 30, 2018	42,658	39,487	430,235	(65)	(69,830)	(319)

	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			-	14,222	758	14,980
Other comprehensive income	(760)		(26,297)	(26,297)	(1,433)	(27,730)
Total comprehensive income	(760)	-	(26,297)	(12,075)	(675)	(12,750)
Purchase of treasury stock			-	(27)		(27)
Disposal of treasury stock			-	4		4
Dividends			-	(7,620)	(1,257)	(8,877)
Changes in ownership interests in subsidiaries that do not result in loss of control			0	3	96	99
Acquisition of non-controlling interests involving merger of consolidated subsidiaries	123	41	(69)	13,923	(13,923)	-
Transfer to retained earnings	(9)	(41)	(50)	-		-
Transfer to capital surplus			-	-		-
Other increase and decrease			(41)	(41)		(41)
Total transactions with owners	114	-	(160)	6,242	(15,084)	(8,842)
Balance as of June 30, 2018	11,908	-	(58,241)	454,074	15,220	469,294

(4) Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended June 30, 2017	For the six months ended June 30, 2018
Cash flows from operating activities		
Profit before tax	20,620	23,455
Depreciation and amortization	27,347	28,576
Interest and dividends income	(1,324)	(1,456)
Interest expenses	2,151	2,219
Share of (profit) loss of entities accounted for using equity method	(28)	(79)
Decrease (increase) in inventories	(25,298)	(29,586)
Decrease (increase) in trade and other receivables	24,058	30,228
Increase (decrease) in trade and other payables	(15,083)	(14,102)
Other, net	(3,589)	1,114
Subtotal	28,854	40,369
Interest received	996	1,146
Dividend income received	321	301
Interest expenses paid	(2,124)	(2,004)
Income taxes (paid) refund	(14,110)	(6,191)
Net cash provided by (used in) operating activities	13,937	33,621
Cash flows from investing activities		
Purchase of property, plant and equipment	(30,741)	(32,306)
Proceeds from sales of property, plants and equipment	440	164
Purchase of intangible assets	(2,209)	(1,381)
Proceeds from sales of investment securities	253	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(34,827)	(83)
Payment for transfer of business	(348)	(1,469)
Other, net	(26)	33
Net cash provided by (used in) investing activities	(67,458)	(35,042)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	56,231	32,297
Proceeds from long-term debt and newly issued bonds	12,553	1,772
Repayments of long-term debt and redemption of bonds	(11,293)	(15,945)
Proceeds from contributions of non-controlling interests	607	99
Cash dividends paid	(6,558)	(7,620)
Cash dividends paid to non-controlling interests	(1,081)	(1,257)
Other, net	(1,066)	(866)
Net cash provided by (used in) financing activities	49,393	8,480
Effect of exchange rate change on cash and cash equivalents	(1,187)	(4,094)
Net increase (decrease) in cash and cash equivalents	(5,315)	2,965
Cash and cash equivalents at the beginning of current period	66,492	64,528
Cash and cash equivalents at the end of current period	61,177	67,493

(5) Notes on Condensed Interim Consolidated Financial Statements

(Notes on Going Concern Assumption)

None

(Changes in Accounting Policies)

Except for the policy listed below, 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 six months ended June 30, 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 applying IFRS 15, as permitted under transitional measures in this standard, the Group recognizes the cumulative effect of applying this standard at the date of initial application.

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 six months ended June 30, 2017 (January 1, 2017 to June 30, 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	346,220	37,894	19,263	403,377	-	403,377
Inter-segment sales revenue	12	113	355	480	(480)	-
Total	346,232	38,007	19,618	403,857	(480)	403,377
Segment profit (Business profit) (Note 1)	17,423	2,494	1,886	21,803	43	21,846
Other income and expenses						(610)
Operating profit						21,236

(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 six months ended June 30, 2018 (January 1, 2018 to June 30, 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	360,817	43,796	20,739	425,352	-	425,352
Inter-segment sales revenue	5	177	415	597	(597)	-
Total	360,822	43,973	21,154	425,949	(597)	425,352
Segment profit (Business profit) (Note 1)	20,675	4,164	2,040	26,879	8	26,887
Other income and expenses						162
Operating profit						27,049

(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