

Consolidated Financial Results
for the Three Months Ended March 31, 2019
[IFRS]



May 9, 2019

Company name : Sumitomo Rubber Industries, Ltd.
 Stock exchange listing : Tokyo Stock Exchange
 Code number : 5110
 URL : <http://www.srigroup.co.jp/>
 Representative : Satoru Yamamoto, President and CEO, Representative Director
 Contact : Naoki Okawa, General Manager, Accounting & Finance Department
 Phone : +81-78-265-3000
 Scheduled date of filing quarterly securities report : May 10, 2019
 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, 2019 (January 1, 2019 to March 31, 2019)

(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	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2019	211,283	(0.6)	5,681	(60.2)	5,987	(57.3)	2,855	(62.8)	7,440	-
March 31, 2018	212,658	10.7	14,268	17.1	14,011	18.4	7,665	(10.5)	(9,746)	-

(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, 2019	10.85	-	2.7
March 31, 2018	29.39	-	6.7

(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, 2019	1,056,813	472,326	457,843	43.3	1,740.80
December 31, 2018	1,002,383	472,807	457,927	45.7	1,741.11

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of current period
Three months ended	Million yen	Million yen	Million yen	Million yen
March 31, 2019	18,784	(19,171)	3,668	78,489
March 31, 2018	20,939	(19,966)	18,295	81,090

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, 2018	-	30.00	-	25.00	55.00
December 31, 2019	-				
Fiscal year ending					
December 31, 2019 (Forecast)		25.00	-	30.00	55.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2019 (January 1, 2019 to December 31, 2019)

(% 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	%	
First half	430,000	1.1	15,500	(42.4)	15,000	(44.5)	9,500	(33.2)	36.12
Full year	920,000	2.9	56,000	(7.7)	54,000	(5.5)	34,000	(6.2)	129.27

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

Notes:

- (1) Changes in Significant Subsidiaries during the Three Months Ended March 31, 2019
(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 14 of the attached documents of the Consolidated Financial Results for the Period under Review, “2. Condensed Interim Consolidated Financial Statements and Primarary 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, 2019 : 263,043,057 shares
 - December 31, 2018 : 263,043,057 shares
 - 2) Total number of treasury stock at the end of the period
 - March 31, 2019 : 35,460 shares
 - December 31, 2018 : 34,890 shares
 - 3) Average number of shares during the period
 - Three months ended March 31, 2019 : 263,007,910 shares
 - Three months ended March 31, 2018 : 260,762,625 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 4 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.”

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Operating Results	2
(2) Financial Position	4
(3) Consolidated Financial Results Forecast and Other Future Forecast	4
2. Condensed Interim Consolidated Financial Statements and Primary Notes	6
(1) Condensed Interim Consolidated Statement of Financial Position	6
(2) Condensed Interim Consolidated Statements of Income and Comprehensive Income	8
(3) Condensed Interim Consolidated Statements of Changes in Equity	10
(4) Condensed Interim Consolidated Statements of Cash Flows	12
(5) Notes on Condensed Interim Consolidated Financial Statements	14
(Notes on Going Concern Assumption)	14
(Changes in Accounting Policies)	14
(Segment Information)	16
(Significant Subsequent Events)	17

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

(1) Operating Results

	For the three months ended March 31, 2018	For the three months ended March 31, 2019	Change in ratio
	Millions of yen	Millions of yen	%
Sales revenue	212,658	211,283	(0.6)
Tires	181,273	181,721	0.2
Sports	20,769	20,165	(2.9)
Industrial and Other Products	10,616	9,397	(11.5)
Business profit	14,268	5,681	(60.2)
Tires	11,448	4,290	(62.5)
Sports	1,786	857	(52.0)
Industrial and Other Products	1,030	528	(48.7)
Adjustments	4	6	-
Operating profit	14,011	5,987	(57.3)
Profit attributable to owners of parent	7,665	2,855	(62.8)

(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, 2018	For the three months ended March 31, 2019	Increase (Decrease)
	Yen	Yen	Yen
Yen / U.S. Dollar	108	110	2
Yen / Euro	133	125	(8)

During the three months ended March 31, 2019, the U.S. economy continued to recover steadily, and the European economy remained on a gradual recovery trend. However, the uncertainty in the outlook has been deepening, such as an economic slowdown in China, which has maintained a high growth rate thus far.

The Japanese economy gradually recovered, as seen in the steady improvement of the employment environment, a pickup in personal consumption and an increase in capital investment, while an improvement in corporate earnings came to a standstill due to the uncertainty about trends of overseas economies.

Looking at the business environment surrounding the Sumitomo Rubber Group, although the price of natural rubber was stable, the prices of petroleum-based raw materials rose, which contributed to a decrease in profit in the core tire business. The sales of the Group performed mostly within our expectations while competition with our competitors in the overseas replacement 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. Specifically, we endeavored to achieve greater sales of high-value-added products, including fuel-efficient tires, enhance our sales force in Europe and the U.S. and improve the value of the DUNLOP brand, while proactively entering new markets and business fields.

As a result, sales revenue of the Group decreased 0.6% from the same period of the previous fiscal year to ¥211,283 million, business profit decreased 60.2% to ¥5,681 million, operating profit decreased 57.3% to ¥5,987 million, and profit attributable to owners of parent decreased 62.8% to ¥2,855 million.

Business performance by business segment was as follows.

Tire Business

Sales revenue in the tire business increased 0.2% from the same period of the previous fiscal year to ¥181,721 million, and business profit decreased 62.5% to ¥4,290 million.

In the domestic original equipment market, sales revenue fell below the level of the same period of the previous fiscal year, despite an increase in sales volume due to growth in market share by expanding car models delivered and sales expansion of high-value-added products, particularly fuel-efficient tires.

In the domestic replacement market, under the DUNLOP brand, we expanded sales of high-value-added products, particularly fuel-efficient tires. Under the FALKEN brand, we expanded sales of high-value-added products, while making efforts to enhance brand awareness, such as continuously supporting Mr. Yoshihide Muroya, who will compete in the “Red Bull Air Race World Championship 2019,” as “Team FALKEN.” However, sales revenue fell below the level of the same period of the previous fiscal year because sales volume fell below the level of the same period of the previous fiscal year due to weak sales of winter tires during the current period.

In the overseas original equipment market, sales revenue exceeded the level of the same period of the previous fiscal year due to the expansion of delivery mainly in Europe, North America and emerging countries.

In the overseas replacement market, sales volume decreased due to an economic slowdown in China. However, sales revenue exceeded the level of the same period of the previous fiscal year due to a steady increase in sales of the FALKEN brand mainly in Europe.

As a result, sales revenue in the tire business exceeded the level of the same period of the previous fiscal year, but business profit decreased mainly due to an increase in fixed costs and expenses in addition to higher prices of raw materials.

Sports Business

Sales revenue in the sports business decreased 2.9% from the same period of the previous fiscal year to ¥20,165 million, and business profit decreased 52.0% to ¥857 million.

In the golf goods market in Japan, “NEW SRIXON Z-STAR SERIES” golf balls were launched in February 2019 and made a successful start, but sales revenue fell below the same period of the previous fiscal year due to lower sales of the core “XXIO 10” golf clubs, which entered into the second year of launch.

In overseas golf goods markets, sales revenue exceeded the level of the same period of the previous fiscal year, mainly in the North America, as “NEW SRIXON Z-STAR SERIES” golf balls and “NEW SRIXON Z85 SERIES” golf clubs, which were launched in each market in and after September 2018, drove the sales in this market.

In the tennis goods markets, DUNLOP Australian Open, the official ball of the Australian Open, was launched in Japan and overseas markets. In addition, DUNLOP CX SERIES tennis rackets were launched in December 2018 in Japan and January 2019 in North America and Europe. However, sales revenue fell below the level of the same period of the previous fiscal year as the domestic market particularly fell below the level of the previous year.

In the wellness business, due to a continuation of solid growth in membership and the expansion in opening new compact gyms “Gym Style,” sales revenue exceeded the level of the same period of the previous fiscal year.

As a result, sales revenue and business profit in the sports business decreased mainly affected by a decrease in sales of golf and tennis goods.

Industrial and Other Products Business

Sales revenue in the industrial and other products business decreased 11.5% from the same period of the previous fiscal year to ¥9,397 million, and business profit decreased 48.7% to ¥528 million.

Businesses of precision rubber parts for medical use and vibration control dampers showed solid growth. However, sales decreased partially due to a decrease in production of printers and photocopiers by major office machine manufacturers in the business of precision rubber parts for office machines, as well as a decrease in orders received relating to sports facilities in the business of infrastructure-based products.

As a result, sales revenue and business profit in the industrial and other products business fell below the level of the same period of the previous fiscal year.

(2) Financial Position

	As of December 31, 2018	As of March 31, 2019	Increase (Decrease)
	Millions of yen	Millions of yen	Millions of yen
Total assets	1,002,383	1,056,813	54,430
Total equity	472,807	472,326	(481)
Total equity attributable to owners of parent	457,927	457,843	(84)
Total equity attributable to owners of parent ratio (%)	45.7	43.3	(2.4)
Equity attributable to owners of parent per share	1,741.11 yen	1,740.80 yen	(0.31) yen

Total assets increased ¥54,430 million from the end of the previous fiscal year to ¥1,056,813 million as a result of an increase in leased assets due to the application of IFRS 16 although trade and other receivables decreased due to seasonal factors.

Total liabilities increased ¥54,911 million from the end of the previous fiscal year to ¥584,487 million mainly as a result of an increase in interest-bearing debt due to the application of IFRS 16.

Total equity as of March 31, 2019 decreased ¥481 million from the end of the previous fiscal year to ¥472,326 million, of which equity attributable to owners of parent accounted for ¥457,843 million, and non-controlling interest accounted for ¥14,483 million.

As a result, ratio of equity attributable to owners of parent was 43.3%, and equity attributable to owners of parent per share was ¥1,740.80.

(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, 2019, which we announced on February 13, 2019.

Consolidated Financial Results Forecast for Six Months Ending June 30, 2019 (January 1, 2019 to June 30, 2019)

	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	-	-	425,352
Tires	367,000	367,000	-	-	360,817
Sports	44,000	44,000	-	-	43,796
Industrial and Other Products	19,000	19,000	-	-	20,739
Business profit	15,500	15,500	-	-	26,887
Tires	12,000	12,000	-	-	20,675
Sports	2,500	2,500	-	-	4,164
Industrial and Other Products	1,000	1,000	-	-	2,040
Adjustments	-	-	-	-	8
Operating profit	15,000	15,000	-	-	27,049
Profit attributable to owners of parent	9,500	9,500	-	-	14,222

Foreign exchange rates applied

	Forecast	Previous forecast	Increase (Decrease)	(Reference) Rate applied for the same period of the previous year
Yen / U.S. Dollar	Yen 110	Yen 110	Yen -	Yen 109
Yen / Euro	125	125	-	132

Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2019 (January 1, 2019 to December 31, 2019)

	Forecast	Previous forecast	Increase (Decrease)	Change in ratio	(Reference) Results for the same period of the previous year
Sales revenue	Millions of yen 920,000	Millions of yen 920,000	Millions of yen -	% -	Millions of yen 894,243
Tires	791,000	791,000	-	-	768,012
Sports	87,000	87,000	-	-	84,477
Industrial and Other Products	42,000	42,000	-	-	41,754
Business profit	56,000	56,000	-	-	60,681
Tires	47,500	47,500	-	-	51,187
Sports	4,500	4,500	-	-	5,489
Industrial and Other Products	4,000	4,000	-	-	4,013
Adjustments	-	-	-	-	(8)
Operating profit	54,000	54,000	-	-	57,155
Profit attributable to owners of parent	34,000	34,000	-	-	36,246

Foreign exchange rates applied

	Forecast	Previous forecast	Increase (Decrease)	(Reference) Rate applied for the same period of the previous year
Yen / U.S. Dollar	Yen 110	Yen 110	Yen -	Yen 110
Yen / Euro	125	125	-	130

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. Please note that actual results may 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, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and cash equivalents	74,526	78,489
Trade and other receivables	202,638	186,899
Other financial assets	1,627	1,538
Inventories	174,747	182,291
Other current assets	23,352	26,222
Total current assets	476,890	475,439
Non-current assets		
Property, plant and equipment	371,557	428,639
Goodwill	32,142	32,790
Intangible assets	44,782	45,965
Investments accounted for using equity method	4,215	4,217
Other financial assets	32,637	33,128
Net defined benefit asset	20,801	21,055
Deferred tax assets	14,136	14,856
Other non-current assets	5,223	724
Total non-current assets	525,493	581,374
Total assets	1,002,383	1,056,813

(Millions of yen)

	As of December 31, 2018	As of March 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and loans payable	137,455	149,889
Trade and other payables	141,838	129,722
Other financial liabilities	1,677	11,721
Income tax payable	5,850	3,215
Provisions	776	742
Other current liabilities	36,530	38,611
Total current liabilities	324,126	333,900
Non-current liabilities		
Bonds and loans payable	142,183	142,134
Other financial liabilities	3,156	46,518
Net defined benefit liability	21,073	20,891
Provisions	1,230	1,274
Deferred tax liabilities	17,540	19,628
Other non-current liabilities	20,268	20,142
Total non-current liabilities	205,450	250,587
Total liabilities	529,576	584,487
Equity		
Capital stock	42,658	42,658
Capital surplus	39,487	39,487
Retained earnings	441,062	436,426
Treasury stock	(69)	(70)
Other components of equity	(65,211)	(60,658)
Total equity attributable to owners of parent	457,927	457,843
Non-controlling interests	14,880	14,483
Total equity	472,807	472,326
Total liabilities and equity	1,002,383	1,056,813

(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, 2018	For the three months ended March 31, 2019
Sales revenue	212,658	211,283
Cost of sales	(147,100)	(155,407)
Gross profit	65,558	55,876
Selling, general and administrative expenses	(51,290)	(50,195)
Business profit	14,268	5,681
Other income	343	935
Other expenses	(600)	(629)
Operating profit	14,011	5,987
Financial income	571	891
Financial expenses	(2,546)	(1,978)
Equity in earnings of affiliates	40	5
Profit before tax	12,076	4,905
Income tax expenses	(3,739)	(1,987)
Profit	8,337	2,918
Profit attributable to:		
Owners of parent	7,665	2,855
Non-controlling interests	672	63
Profit	8,337	2,918
Profit per share		
Basic profit per share (Yen)	29.39	10.85

Condensed Interim Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the three months ended March 31, 2018	For the three months ended March 31, 2019
Profit	8,337	2,918
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(1,010)	390
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	117	(17)
Currency translation differences of foreign operations	(17,190)	4,149
Other comprehensive income, net of tax	(18,083)	4,522
Comprehensive income	(9,746)	7,440
Comprehensive income attributable to:		
Owners of parent	(9,377)	7,483
Non-controlling interests	(369)	(43)
Comprehensive income	(9,746)	7,440

(3) Condensed Interim Consolidated Statements of Changes in Equity

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)			
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)
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

For the three months ended March 31, 2019

(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, 2019	42,658	39,487	441,062	(69)	(74,482)	(391)
Changes in accounting policies			(991)			
Balance after restatement	42,658	39,487	440,071	(69)	(74,482)	(391)
Profit			2,855			
Other comprehensive income					4,255	(17)
Total comprehensive income	-	-	2,855	-	4,255	(17)
Purchase of treasury stock				(1)		
Disposal of treasury stock		(0)		0		
Dividends			(6,575)			
Acquisition of non-controlling interests involving merger of consolidated subsidiaries						
Transfer to retained earnings			75			
Transfer to capital surplus						
Other increase and decrease						
Total transactions with owners	-	(0)	(6,500)	(1)	-	-
Balance as of March 31, 2019	42,658	39,487	436,426	(70)	(70,227)	(408)

	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, 2019	9,662	-	(65,211)	457,927	14,880	472,807
Changes in accounting policies			-	(991)	(12)	(1,003)
Balance after restatement	9,662	-	(65,211)	456,936	14,868	471,804
Profit			-	2,855	63	2,918
Other comprehensive income	390		4,628	4,628	(106)	4,522
Total comprehensive income	390	-	4,628	7,483	(43)	7,440
Purchase of treasury stock			-	(1)		(1)
Disposal of treasury stock			-	0		0
Dividends			-	(6,575)	(342)	(6,917)
Acquisition of non-controlling interests involving merger of consolidated subsidiaries			-	-		-
Transfer to retained earnings	(75)		(75)	-		-
Transfer to capital surplus			-	-		-
Other increase and decrease			-	-		-
Total transactions with owners	(75)	-	(75)	(6,576)	(342)	(6,918)
Balance as of March 31, 2019	9,977	-	(60,658)	457,843	14,483	472,326

(4) Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

	For the three months ended March 31, 2018	For the three months ended March 31, 2019
Cash flows from operating activities		
Profit before tax	12,076	4,905
Depreciation and amortization	14,078	17,135
Interest and dividends income	(571)	(500)
Interest expenses	1,142	1,663
Share of (profit) loss of entities accounted for using equity method	(40)	(5)
Decrease (increase) in inventories	(14,797)	(7,934)
Decrease (increase) in trade and other receivables	16,544	16,511
Increase (decrease) in trade and other payables	(5,583)	(9,379)
Other, net	2,889	2,372
Subtotal	25,738	24,768
Interest received	552	454
Dividend income received	12	10
Interest expenses paid	(829)	(1,423)
Income taxes paid	(4,534)	(5,025)
Net cash provided by (used in) operating activities	20,939	18,784
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,739)	(17,543)
Proceeds from sales of property, plant and equipment	68	26
Purchase of intangible assets	(741)	(1,796)
Proceeds from sales of investment securities	-	152
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(83)	-
Payments for deposits	(1,463)	-
Payments for transfer of business	-	(110)
Other, net	(8)	100
Net cash provided by (used in) investing activities	(19,966)	(19,171)

(Millions of yen)

	For the three months ended March 31, 2018	For the three months ended March 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	31,327	19,293
Repayments of long-term debt and redemption of bonds	(4,072)	(6,054)
Repayments of lease obligations	(447)	(2,653)
Cash dividends paid	(7,620)	(6,575)
Cash dividends paid to non-controlling interests	(873)	(342)
Other, net	(20)	(1)
Net cash provided by (used in) financing activities	18,295	3,668
Effect of exchange rate change on cash and cash equivalents	(2,706)	682
Net increase (decrease) in cash and cash equivalents	16,562	3,963
Cash and cash equivalents at the beginning of current period	64,528	74,526
Cash and cash equivalents at the end of current period	81,090	78,489

(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, 2018.

Income tax expenses for the three months ended March 31, 2019 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, 2019:

IFRS		Description of new standards and revisions
IFRS 16	Leases	Stipulating accounting treatment and disclosure of leases

The Group has adopted IFRS 16 using the modified retrospective approach. Accordingly, comparative information is not restated, and the cumulative effect of applying IFRS 16 is recognized as an adjustment to retained earnings at the beginning of period as of January 1, 2019.

1. Definition of a lease

Previously, the Group determined whether a contract is, or contains, a lease in accordance with IFRIC 4 “Determining whether an Arrangement contains a Lease.” Following the application of IFRS 16, the Group determines whether a contract is, or contains, a lease in accordance with the definition of a lease.

2. Lease accounting treatment as a lessee

Previously the Group, as a lessee, classified leases as an operating lease or a finance lease based on the assessment of whether all the risks and rewards incidental to ownership of an underlying asset are substantially transferred to the Group in accordance with the IAS 17 Leases.

Following the application of IFRS 16, leases are not classified as a finance lease or an operating lease. For all leases other than leases that have a lease term of 12 months or less and leases for which the underlying asset is of low value, right-of-use assets that represent a right to use an underlying asset and lease liabilities that represent the obligation for lease payments are recognized.

At the commencement date of a lease, right-of-use assets are recognized at the discounted present value of total lease payments adjusted for any initial direct costs, etc. and lease liabilities are recognized at the discounted present value of total lease payments. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease payments are allocated between repayments of the remaining balance of lease liability and finance costs on lease expenses so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance costs are presented separately from the depreciation charge for the right-of-use assets in the consolidated statement of income. Lease payments for leases that have a lease term of 12 months or less and leases for which the underlying asset is of low value are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

3. The treatment on transition

Methods for measuring lease liabilities and right-of-use assets on transition are as follows. Note that, on the application of IFRS 16, the Group has applied the practical expedient to grandfather the previous assessment of which existing contracts are, or contain, leases. Accordingly, definition of a lease under IFRS 16 is applied to contracts entered into (or changed) on or after January 1, 2019.

(Leases classified as operating leases under IAS 17)

Lease liabilities on transition are measured at the present value of the total remaining lease payments at the date of transition, discounted using the Group's incremental borrowing rate as of January 1, 2019. In addition, right-of-use assets on transition are measured at either:

- The carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application; or
- An amount of lease liability measurements, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Group has applied the following when applying IFRS 16 to leases classified as operating leases under IAS 17.

- Apply the exemption not to recognize right-of-use assets and lease liabilities for leases with a remaining lease term of 12 months or less.
- The practical expedient of exemption to use ex post judgment when calculating the lease term of a contract that includes an extension or cancellation option.
- Adjust right-of-use assets by the amount of any provision for onerous contracts under IAS 37 immediately before the date of initial application as an alternative to performing an impairment review.

(Leases classified as finance leases under IAS 17)

The carrying amounts of right-of-use assets and the lease liabilities are determined at the carrying amount of leased assets and lease liabilities under IAS 17 at the date of initial application.

4. Consequences on condensed quarterly consolidated financial statements

As a result of the above, other current assets increased ¥673 million, property, plant and equipment increased ¥55,761 million, intangible assets increased ¥26 million, deferred tax assets increased ¥340 million, other non-current assets decreased ¥4,207 million, other financial liabilities(current) increased ¥10,284 million, other financial liabilities(non-current) increased ¥43,312 million, retained earnings decreased ¥991 million and non-controlling interests decreased ¥12 million as of January 1, 2019, the date of the application of IFRS 16. In addition, cost of sales decreased ¥17 million, selling, general and administrative expenses decreased ¥156 million, and financial expenses increased ¥229 million in the condensed interim consolidated statement of income for the three months ended March 31, 2019, compared with those calculated under the previous method.

(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, 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.

For the three months ended March 31, 2019 (January 1, 2019 to March 31, 2019)

(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	181,721	20,165	9,397	211,283	-	211,283
Inter-segment sales revenue	315	49	266	630	(630)	-
Total	182,036	20,214	9,663	211,913	(630)	211,283
Segment profit (Business profit) (Note 1)	4,290	857	528	5,675	6	5,681
Other income and expenses						306
Operating profit						5,987

(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