11-Year Summary of Consolidated Financial Data

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

				Millions of yen
Years ended December 31	**2011**	2010	2009	2008
For the year:				
Net sales	**¥676,904**	¥604,549	¥524,535	¥604,974
Cost of sales	**445,426**	387,678	334,249	412,824
Selling, general and administrative expenses	**177,554**	169,300	161,547	166,491
Operating income	**53,924**	47,571	28,739	25,659
Net income (loss)	**28,386**	21,427	9,093	1,021
Depreciation and amortization	**37,606**	37,885	37,425	35,475
Capital expenditures	**48,515**	32,055	32,484	49,601
R&D expenses	**19,274**	18,698	17,983	19,351
Cash flows from operating activities	**18,945**	69,725	64,525	25,879
Cash flows from investing activities	**(51,569)**	(35,400)	(34,260)	(58,067)
Cash flows from financing activities	**28,009**	(25,634)	(22,781)	34,088
At year-end:				
Total assets	**¥671,611**	¥622,243	¥613,230	¥639,941
Net assets	**222,175**	212,964	209,052	202,642
Equity	**197,661**	189,684	187,028	180,940
Interest-bearing debt	**274,216**	241,250	261,572	275,746
				Yen
Per share amounts:				
Net income (loss)	**¥ 108.20**	¥ 81.67	¥ 34.66	¥ 3.89
Net income—diluted	**—**	—	—	—
Cash dividends paid	**23.00**	20.00	18.00	18.00
				Percent
Key ratios and metrics:				
Operating income ratio	**8.0%**	7.9%	5.5%	4.2%
ROE	**14.7**	11.4	4.9	0.5
ROA (operating income base)	**8.3**	7.7	4.6	3.9
Equity ratio	**29.4**	30.5	30.5	28.3
Tire sales volume (millions of tires)	**94.88**	90.87	76.49	87.34
Number of employees	**22,320**	22,242	20,832	20,369
Number of shares issued at year-end	**263,043,057**	263,043,057	263,043,057	263,043,057
Number of treasury stock at year-end	**707,026**	704,248	699,745	696,200

Notes: 1. U.S. dollar amounts are converted solely for convenience at the rate of ¥78 per US$1.00, the approximate exchange rate prevailing at December 31, 2011.
2. From 2006, Sumitomo Rubber has applied the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5, issued on December 9, 2005) and the "Accounting Standard for Presentation of Net Assets in the Balance Sheet and its Implementation Guidance" (ASBJ Guidance No. 8, issued on December 9, 2005). Equity figures for 2006 and beyond represent the sum of total shareholders' equity and total accumulated other comprehensive income in the consolidated balance sheets. For years prior to and including 2005, figures for the former shareholders' equity categorization are shown.
3. Depreciation and amortization, and capital expenditure figures include both tangible assets and intangible assets.

2007	2006	2005	2004	2003	2002	2001	2011
						Millions of yen	Thousands of U.S. dollars (Note 1)
¥567,307	¥534,086	¥512,838	¥470,562	¥450,491	¥447,893	¥434,463	**$8,678,256**
368,783	342,856	307,538	288,684	281,392	286,755	279,074	**5,710,589**
153,398	154,440	155,374	136,352	131,333	129,394	132,813	**2,276,334**
45,126	36,790	49,926	45,526	37,766	31,744	22,576	**691,333**
19,499	27,586	25,640	19,169	13,095	8,239	(7,207)	**363,923**
30,165	27,052	25,755	25,098	24,313	25,163	24,645	**482,128**
53,205	45,308	40,415	36,881	29,171	30,557	25,372	**621,987**
18,223	17,291	16,259	15,730	14,058	13,596	14,027	**247,103**
56,594	23,872	38,984	32,056	44,225	50,700	42,359	**242,885**
(65,167)	(33,923)	(42,878)	(37,622)	(28,545)	(31,269)	(25,284)	**(661,141)**
8,692	14,687	(3,376)	7,609	(20,821)	(19,628)	(15,172)	**359,090**
¥671,117	¥606,938	¥563,442	¥520,157	¥481,553	¥477,293	¥514,415	**$8,610,397**
250,799	223,852	—	—	—	—	—	**2,848,397**
227,780	202,003	174,267	145,492	110,395	101,633	107,391	**2,534,115**
239,573	219,372	205,751	201,929	210,681	220,085	241,600	**3,515,589**
						Yen	U.S. dollars (Note 1)
¥ 74.31	¥ 105.13	¥ 97.10	¥ 78.64	¥ 55.07	¥ 33.97	¥ (29.71)	**$ 1.387**
—	—	—	—	—	—	—	**—**
20.00	20.00	20.00	14.00	12.00	10.00	10.00	**0.295**
						Percent	
8.0%	6.9%	9.7%	9.7%	8.4%	7.1%	5.2%	
9.1	14.7	16.0	15.0	12.4	7.9	—	
7.1	6.3	9.2	9.1	7.9	6.4	4.4	
33.9	33.3	30.9	28.0	22.9	21.3	20.9	
81.70	75.55	73.12	67.10	61.69	58.30	53.23	
18,410	16,031	17,433	16,737	15,573	15,312	15,123	
263,043,057	263,043,057	263,043,057	263,043,057	242,543,057	242,543,057	242,543,057	
688,541	658,071	634,805	467,371	3,782,837	135,780	8,719	

Scope of Consolidation

The Sumitomo Rubber Group's consolidated financial statements include those of Sumitomo Rubber Industries and its 65 consolidated subsidiaries, as well as 16 equity-method affiliates (7 nonconsolidated subsidiaries and 9 affiliated companies).

In fiscal 2011, ended December 31, 2011, three subsidiary companies were newly included in the Company's scope of consolidation while one was excluded. Two of these three newly included subsidiary companies are sport goods sales companies in China and Hong Kong, and their newfound status as consolidated subsidiaries is due to their increased importance to the Group. The remaining company is a newly established sport goods sales subsidiary in South Korea. The restructuring of retread tire-related subsidiaries led to the exclusion of one subsidiary company.

Business Environment

Looking at the world economy in fiscal 2011, emerging countries, especially in Asia, continued to enjoy brisk economic growth owing to vigorous demand. In Europe and the United States, financial uncertainty in some areas contributed significantly to economic deceleration around the world. The Japanese economy, on the other hand, showed signs of recovery, primarily in exports, at the beginning of fiscal 2011. However, due to the Great East Japan Earthquake, which struck on March 11, production was suspended for the most part. Production did gradually improve along with the restoration of supply chains, but the recovery was only mild due to power supply restrictions and the abrupt appreciation of the yen.

The business environment surrounding the Group remained severe due to such factors as escalating prices of key materials, including that for natural rubber, which reached a record-high at the beginning of fiscal 2011, and the fall of domestic automobile production volume to below the previous fiscal year's level due to the Great East Japan Earthquake and heavy floods in Thailand.

Revenues and Earnings

In fiscal 2011, consolidated net sales grew 12.0% from the previous fiscal year to ¥676,904 million. Overseas sales rose 18.8% to ¥336,059 million, raising the overseas sales ratio 2.8 percentage points to 49.6%.

The cost of sales increased 14.9% year on year to ¥445,426 million. The cost of sales ratio grew 1.7 percentage points to 65.8%, owing to increases in the prices of such raw materials as natural rubber. Gross operating profit rose 6.7% to ¥231,478 million.

Selling, general and administrative expenses grew 4.9% year on year to ¥177,554 million, and the ratio of selling, general and administrative expenses to net sales was down 1.8 percentage points to 26.2%.

As a result, operating income for the fiscal year under review climbed 13.4% to ¥53,924 million, while the operating income ratio edged up 0.1 of a percentage point to 8.0%.

Net other income (expenses) improved slightly from a negative ¥11,370 million in fiscal 2010 to a negative ¥10,145 million. Major factors included a ¥1,027 million increase in equity in earnings of affiliates and a ¥1,536 million decrease in impairment loss on fixed assets. During the fiscal year under review, the Company recorded a loss on disaster amounting to ¥4,697 million, reflecting losses on the Great East Japan Earthquake and the eruption of Mount Shinmoe in the Kirishima mountain range. For details, please see "Note 15. Loss on Disaster" of the Notes to Consolidated Financial Statements.

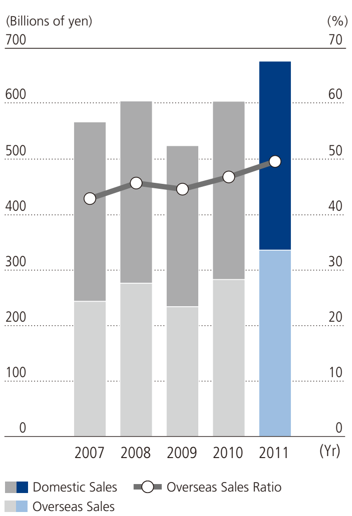
Reflecting these factors, income before income taxes and minority interests grew 20.9% year on year to ¥43,779 million. Income taxes rose 2.2% to ¥11,990 million, representing an effective tax rate of 27.4%, a decrease of 5.0 percentage points. After deducting minority interests in income, net income expanded 32.5% to ¥28,386 million.

Net income per share was ¥108.20, and ROE (on a net income basis) grew 3.3 percentage points to 14.7%, reflecting a substantial increase in net income.

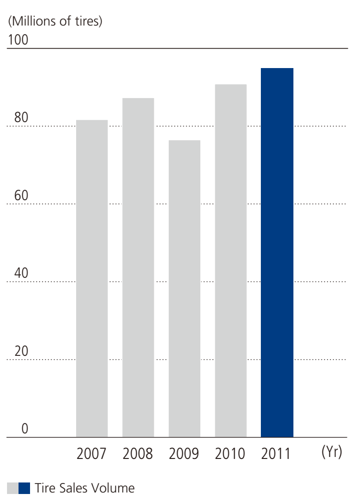
Results by Industry Segment

From the fiscal year under review, Sumitomo Rubber Industries adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, issued on March 27, 2009) and the "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2009). Neither of these items affected the content of Company's extant business segment categorizations, and the Company is thus able to provide year-on-year comparisons. Under Information by reportable segment, segment profit or loss corresponds to operating income in

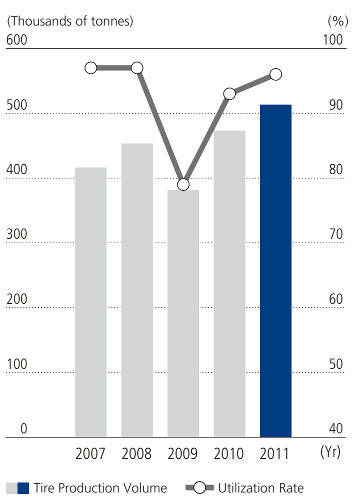
Domestic and Overseas Sales



Tire Sales Volume



Tire Production Volume and Utilization Rate



the Consolidated Statements of Income. Therefore, segment profit or loss of reportable segments in the current and subsequent fiscal years corresponds to the previously used category of operating income or loss under Information by industry segment.

Tire Business

Sales in the Tire business rose 15.0% year on year to ¥591,045 million, while operating income grew 23.9% to ¥48,820 million. To compensate for the substantial increase in raw material prices, the Company strived to shift a larger portion of this burden to sales prices across all markets, both in Japan and overseas. During the fiscal year under review, sales of tires in original equipment markets dropped due to automakers' scaling back production following the Great East Japan Earthquake and heavy flooding in Thailand. In the domestic replacement market, however, winter tires enjoyed brisk sales due to heavy snowfall in early 2011 as well as a seasonal surge in demand at the year-end. As a result, a negative effect on profit of approximately ¥55.2 billion due to high raw material prices was offset by approximately ¥47.9 billion in profit due to increased sales prices as well as approximately ¥23.2 billion in profit from improved sales volume and product mix, resulting in an overall increase in profit for the Tire business.

Sports Business

Sales in the Sports business declined 7.7% year on year to ¥58,365 million, while operating income dropped 40.5% to ¥3,640 million. During the fiscal year under review, New XXIO—the sixth-generation of our flagship golf clubs—enjoyed robust sales, while the XXIO 7, the seventh-generation of the same series, saw higher than anticipated sales. However, reflecting the stagnant domestic golf goods market due to the Great East Japan Earthquake as well as the impact of the strong yen, profit was down.

Industrial and Other Products Business

Sales in the Industrial and Other Products business edged down 0.2% from the previous fiscal year to ¥27,493 million, while operating income fell 31.2% to ¥1,460 million. Despite vigorous sales of medical rubber parts, rubber gloves and architectural floor materials, sales of mainstay precision rubber parts for printers and photocopiers fell below those of the previous fiscal year owing to scaled back production among OA equipment makers due to the Great East Japan Earthquake and heavy flooding in Thailand as well as a strong yen.

R&D Expenses

Research and development expenses increased 3.1% year on year to ¥19,274 million and as a ratio of consolidated net sales was 2.8%, down 0.3 of a percentage point from the previous fiscal year. The Tire business accounted for ¥16,771 million of these expenses, up 3.2% from the previous fiscal year, the Sports business ¥1,247 million, down 1.7%, and the Industrial and Other Products business ¥1,255 million, up 6.8%.

Dividends

Sumitomo Rubber Industries recognizes that the return of gains to shareholders is a priority issue. Backed by the comprehensive assessment of dividend payout ratios on a consolidated basis, performance prospects and the level of retained earnings, the Company maintains a basic policy of steadily rewarding shareholders over the long term. In addition, in accordance with a resolution the Company distributes retained earnings twice a year as dividends. The year-end dividend payment is resolved at the General Shareholders' meeting, while the interim dividend payment is determined at the Board of Directors' meeting.

The full-year dividend for fiscal 2011 increased ¥3 per share from the previous fiscal year to ¥23 per share, which comprised an ¥8 interim dividend and a ¥15 year-end dividend. The dividend payout ratio on a consolidated basis was 21.3%.

Financial Position

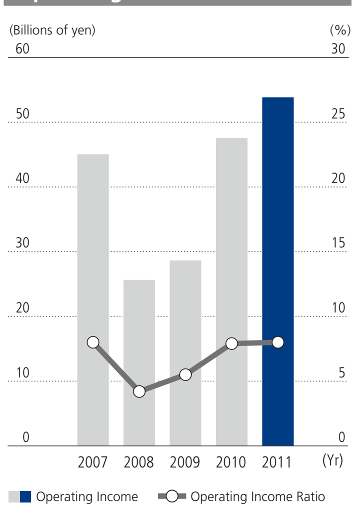
Total assets as of December 31, 2011, were up ¥49,368 million year on year to ¥671,611 million.

Total current assets rose ¥43,943 million to ¥325,428 million, due mainly to an increase in inventories along with escalating raw material prices.

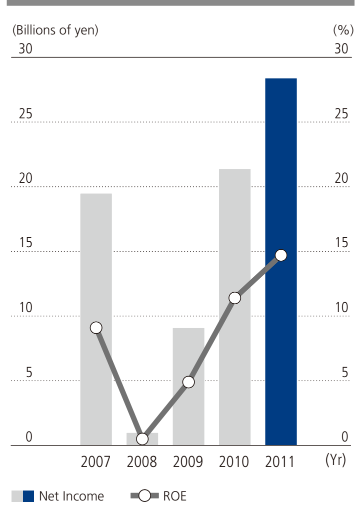
Total noncurrent assets climbed ¥5,425 million to ¥346,183 million, reflecting an increase in property, plant and equipment due to capital investment.

As of the end of the fiscal year under review, total liabilities were up ¥40,157 million from the previous fiscal year-end to ¥449,436 million. Interest-bearing debt as of the fiscal 2011 year-end increased

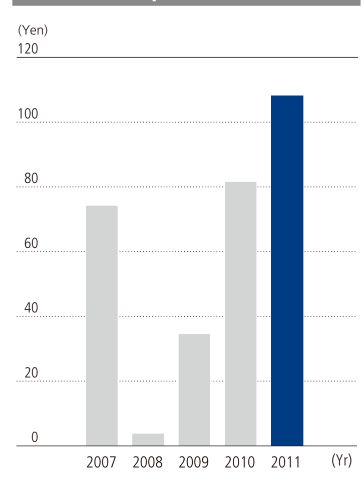
Operating Income and Operating Income Ratio



Net Income and ROE



Net Income per Share



¥32,966 million to ¥274,216 million, reflecting new debt financing and the issuance of corporate bonds to procure funds, regardless of such efforts as the repayment of borrowings and the redemption of corporate bonds. Accordingly, the debt-to-equity ratio deteriorated from 1.3 times as of the previous fiscal year-end to 1.4 times.

Total net assets at the fiscal year-end were up ¥9,211 million to ¥222,175 million, and net assets per share were ¥753.46, up from ¥723.04 at the previous fiscal year-end. Total equity, which is the sum of "shareholders' equity" and "accumulated other comprehensive income," grew ¥7,977 million year on year to ¥197,661 million. The equity ratio was down 1.1 percentage points to 29.4% due to the increase in total assets. ROA (on an operating income basis) edged up 0.6 of a percentage point to 8.3%.

Capital Expenditures

For two years, responding to a significant production decrease due to a rapid deterioration in global demand after the financial crisis in 2008, the Sumitomo Rubber Group adhered to a restrained capital investment policy. During the fiscal year under review, however, the Group's capital expenditures were ¥48,515 million (including leased tangible assets), a year-on-year rise of 51.3% used mainly to meet increased overseas sales of tires. The Tire business accounted for ¥45,777 million of the total, up 62.5% year on year. This capital expenditure was used for facility renovation aimed at boosting and streamlining production and improving labor efficiency. The Sports business spent ¥1,952 million, up 14.3% from the previous fiscal year, mainly for the improvement of golf ball production efficiency. The Industrial and Other Products business used ¥785 million, down 64.0% year on year, to increase medical rubber parts production volume at the Kakogawa Factory. The necessary funds were furnished through a combination of cash on hand, borrowings and corporate bonds.

Cash Flows

Net cash provided by operating activities was down ¥50,780 million year on year to ¥18,945 million. Major cash inflows included income before income taxes and minority interests, depreciation and amortization, major cash outflows included an increase in inventories and an increase in notes and accounts receivable—trade.

Net cash used in investing activities increased ¥16,169 million to ¥51,569 million, due mainly to the purchase of property, plant and equipment to meet the production capacity expansion.

Net cash provided by financing activities totaled ¥28,009 million, a turnaround from net cash used in financing activities of ¥25,634 million in the previous fiscal year. Despite cash dividends paid, the Company procured a net ¥35,299 million through a net increase in short-term loans payable; proceeds from long-term debt and newly issued bonds; and repayments of long-term debt and redemption of bonds.

These activities, along with the effect of exchange rate changes on cash and cash equivalents as well as changes in reporting entities, resulted in cash and cash equivalents at the end of the fiscal year under review declining ¥5,646 million to ¥28,511 million.

Free cash flow was a negative balance of ¥32,624 million. This was mainly owing to increases in inventories along with rising raw material prices as well as in capital expenditures. For the years ahead, the Sumitomo Rubber Group plans to step up capital expenditure, mainly to meet expanding demand overseas by reinforcing production capacity. Simultaneously, the Group will aim to expand the inflow of cash from operating activities by increasing sales volumes and improving profitability. By doing so, the Group will make every effort to ensure not only business growth but secure cash liquidity and improved financial standing.

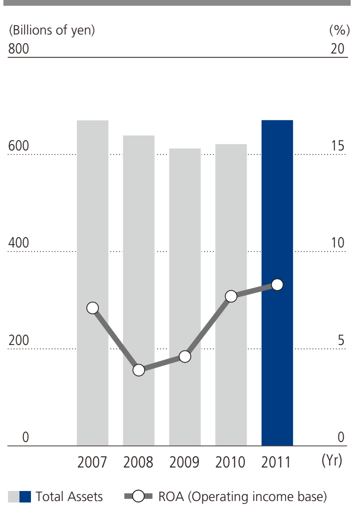
Outlook

Looking at the future of economies around the world, such emerging nations as China and India will continue to experience steady growth, while Europe and the United States can expect significantly weak growth, reflecting tight fiscal policies. Meanwhile, the Japanese economy is expected to be propped up by recovery-related demand growth related to the Great East Japan Earthquake. Given the deceleration of economies overseas, however, there is a concern over weakening exports.

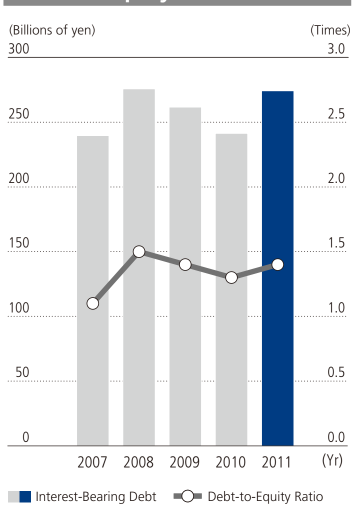
With the aim of addressing issues related to this severe business environment, the Group will take on various tasks while considering the risk factors mentioned in the following "Risk Information" section.

In the Tire business, Sumitomo Rubber Industries will further enhance the domestic lineup of fuel-efficient tires, while striving to expand sales in BRICs and Southeast Asian countries, where demand is robust. In addition, the Company will increase production capacity

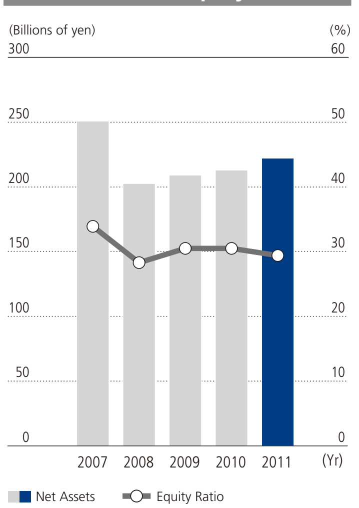
Total Assets and ROA



Interest-Bearing Debt and Debt-to-Equity Ratio



Net Assets and Equity Ratio



in response to growing sales around the world and improve the efficiency of its supply structure. In the Sports business, Dunlop Sports will develop products tailored to specific markets in Japan, Europe, the United States, Australia and Asia, while pursuing related sales strategies. By doing so, the company will increase the market shares of its golf clubs and balls. In the Industrial and Other Products business, Sumitomo Rubber Industries will strive to expand sales of medical rubber parts and earthquake vibration-control dampers for houses.

Risk Information

The Sumitomo Rubber Group has identified the following key risk factors that may affect its business performance and financial position.

Risk factors relating to future business results were determined based on information available to management as of the end of the fiscal year under review. The Group recognizes that such risks may occur, and it strives to address them accordingly.

Exchange Rate Fluctuations

Exchange rate fluctuations influence the value of the Group's exports, raw material procurement, foreign currency-denominated assets, liabilities and financial statements. The appreciation of the yen against foreign currencies such as the U.S. dollar may have an adverse effect on the Group's business performance and financial position. Since the Group has raised its consolidated overseas sales ratio from 25.2% in fiscal 2001 to 49.6% in fiscal 2011, the possibility exists that its results may be further affected by exchange rate fluctuations. The Sumitomo Rubber Group utilizes forward-exchange contracts and maintains a balance in its export and import activities on an individual currency basis with the aim of minimizing its exposure to exchange rate fluctuations. Such precautions, however, may not be sufficient to avoid all possible exchange rate fluctuation risks.

Change in Raw Material Prices

The Sumitomo Rubber Group's principal raw materials are natural rubber, petrochemicals and metals. The Group's operating results may thus be affected by price increases in natural rubber, crude oil, steel and other related materials.

Changes in Interest Rates

Promoting the reduction of interest-bearing debt to improve its financial standing, the Group also implements countermeasures to minimize the risk of changes in interest rates by using diversified financing methods and interest rate swaps. Despite these efforts, the Group's operating results and financial position may be affected in the event of rising fund procurement costs due to an increase in interest rates in the medium and long term.

Product Quality

In accordance with prescribed quality standards, the Sumitomo Rubber Group undertakes full-scale measures to assure product quality. Yet it is difficult to reduce the number of defective products and customer complaints to zero. To offset the possibility of any claims for damages resulting from defective products, the Group retains appropriate indemnity insurance. Despite this initiative, there is the possibility that a claim may occur that cannot be compensated by insurance. Furthermore, costs associated with the resolution of claims as well as product recalls or exchanges may arise. Such incidents may affect the Group's operating results, financial position and social standing.

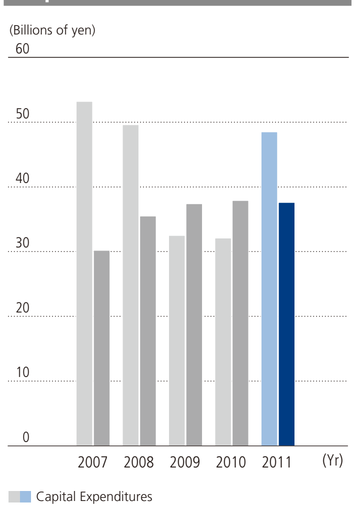
Alliance with Goodyear

Based on its alliance with Goodyear, the Group operates several joint ventures. Under the alliance, these joint ventures engage in tire production and sales in Europe and North America as well as tire sales in Japan in addition to the promotion of tire technology exchanges and procurement. The Group also maintains cross-shareholdings with Goodyear. As each joint venture is included in the Group's scope of consolidation as a consolidated subsidiary or an equity-method affiliate, changes in the alliance with Goodyear or the operating results of joint ventures may impact the Group's operating results.

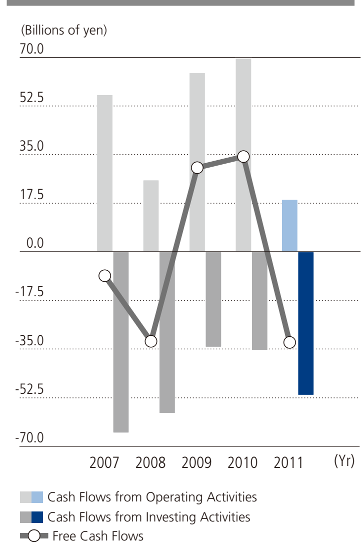
Disasters

Concentrating on Japan and other Asian countries, the Sumitomo Rubber Group develops its business on a global scale. The Group's operating results may be affected directly or indirectly by such events as natural disasters, disease, war and terrorism. Such events may have a negative impact on the Group's operating results.

Capital Expenditures/ Depreciation and Amortization



Cash Flows



Consolidated Balance Sheets

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
December 31	**2011**	2010	**2011**
Assets			
Current assets:			
Cash and time deposits (Notes 4 and 5)	**¥ 29,192**	¥ 35,391	**$ 374,256**
Notes and accounts receivable (Notes 5 and 17)—			
Trade	**150,225**	130,399	**1,925,962**
Other	**17,872**	15,304	**229,128**
Allowance for doubtful accounts	**(1,760)**	(1,540)	**(22,564)**
Inventories (Note 6)	**115,523**	85,570	**1,481,064**
Short-term loans (Note 17)	**163**	307	**2,090**
Deferred tax assets (Note 12)	**11,057**	10,291	**141,756**
Other	**3,156**	5,763	**40,462**
Total current assets	**325,428**	281,485	**4,172,154**
Investments and other assets:			
Investments in securities (Notes 5 and 7)	**14,045**	15,362	**180,064**
Investments in and advances to unconsolidated subsidiaries and affiliates (Notes 5 and 17)	**37,661**	40,767	**482,833**
Long-term loans	**3,102**	3,115	**39,769**
Deferred tax assets (Note 12)	**6,214**	5,616	**79,667**
Long-term prepaid expenses	**2,289**	2,228	**29,346**
Trademarks (Note 10)	**414**	725	**5,308**
Goodwill and other intangible assets	**17,801**	15,554	**228,218**
Prepaid pension cost (Note 13)	**23,071**	24,009	**295,782**
Other	**9,751**	9,051	**125,013**
Allowance for doubtful accounts	**(1,140)**	(1,200)	**(14,615)**
Total investments and other assets	**113,208**	115,227	**1,451,385**
Property, plant and equipment (Note 9):			
Land	**36,475**	36,706	**467,628**
Buildings and structures	**152,366**	150,555	**1,953,410**
Machinery and equipment	**459,691**	446,451	**5,893,474**
Leased assets	**5,317**	4,063	**68,167**
Construction in progress	**22,518**	11,691	**288,692**
Accumulated depreciation	**(443,392)**	(423,935)	**(5,684,513)**
Net property, plant and equipment	**232,975**	225,531	**2,986,858**
Total assets	**¥ 671,611**	¥ 622,243	**$ 8,610,397**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings (Notes 5 and 11)	**¥ 77,615**	¥ 52,270	**$ 995,064**
Current portion of long-term debt (Notes 5 and 11)	**20,541**	36,459	**263,346**
Notes and accounts payable (Notes 5 and 17)—			
Trade	**77,422**	72,813	**992,590**
Construction	**9,710**	6,009	**124,487**
Other	**29,611**	26,957	**379,628**
Accrued expenses	**13,404**	12,591	**171,846**
Allowance for sales returns	**2,373**	2,656	**30,423**
Accrued income taxes (Note 12)	**5,308**	8,339	**68,051**
Other	**6,152**	8,080	**78,873**
Total current liabilities	**242,136**	226,174	**3,104,308**
Long-term liabilities:			
Long-term debt (Notes 5 and 11)	**176,060**	152,521	**2,257,179**
Deferred tax liabilities (Note 12)	**8,295**	9,192	**106,346**
Accrued retirement benefits (Note 13)	**12,149**	11,955	**155,756**
Other	**10,796**	9,437	**138,411**
Total long-term liabilities	**207,300**	183,105	**2,657,692**
Contingent liabilities (Note 18)			
Net Assets			
Shareholders' equity:			
Common stock—			
Authorized: 800,000,000			
Issued: 263,043,057 shares in 2011 and 2010	**42,658**	42,658	**546,897**
Capital surplus	**38,661**	38,661	**495,654**
Retained earnings	**159,827**	127,595	**2,049,064**
Less treasury stock, at cost—			
2011—707,026 shares			
2010—704,248 shares	**(540)**	(537)	**(6,923)**
Total shareholders' equity	**240,606**	208,377	**3,084,692**
Accumulated other comprehensive income:			
Net unrealized gains and losses on available-for-sale securities	**2,816**	3,421	**36,103**
Deferred gains and losses on hedges	**(30)**	(137)	**(385)**
Currency translation adjustments	**(29,761)**	(21,977)	**(381,551)**
Adjustments for retirement obligation of foreign affiliates	**(15,970)**	—	**(204,744)**
Total accumulated other comprehensive income	**(42,945)**	(18,693)	**(550,577)**
Minority interests	**24,514**	23,280	**314,282**
Total net assets	**222,175**	212,964	**2,848,397**
Total liabilities and net assets	**¥671,611**	¥622,243	**$8,610,397**

Consolidated Statements of Income

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

		Millions of yen	Thousands of U.S. dollars (Note 1)
Years ended December 31	**2011**	2010	**2011**
Net sales (Note 17)	**¥676,904**	¥604,549	**$8,678,256**
Cost of sales (Note 17)	**445,426**	387,678	**5,710,589**
Gross profit	**231,478**	216,871	**2,967,667**
Selling, general and administrative expenses	**177,554**	169,300	**2,276,334**
Operating income	**53,924**	47,571	**691,333**
Other income (expenses):			
Interest and dividends income	**793**	754	**10,167**
Interest expense	**(4,788)**	(4,277)	**(61,385)**
Loss on sales and retirement of noncurrent assets	**(914)**	(820)	**(11,718)**
Foreign exchange gains and losses	**(2,239)**	(2,338)	**(28,705)**
Equity in earnings and losses of affiliates	**2,311**	1,284	**29,628**
Impairment loss (Note 20)	**(163)**	(1,699)	**(2,090)**
Loss on disaster (Note 15)	**(4,697)**	—	**(60,218)**
Other, net	**(448)**	(4,274)	**(5,743)**
	(10,145)	(11,370)	**(130,064)**
Income before income taxes and minority interests	**43,779**	36,201	**561,269**
Income taxes (Note 12):			
Current	**12,882**	14,097	**165,154**
Deferred	**(892)**	(2,362)	**(11,436)**
	11,990	11,735	**153,718**
Income before minority interests	**31,789**	24,466	**407,551**
Minority interests in income	**(3,403)**	(3,039)	**(43,628)**
Net income	**¥ 28,386**	¥ 21,427	**$ 363,923**

		Yen	U.S. dollars (Note 1)
Per share amounts:			
Net income	**¥108.20**	¥ 81.67	**$ 1.387**
Cash dividends paid	**23.00**	20.00	**0.295**

Consolidated Statements of Comprehensive Income

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

		Millions of yen	Thousands of U.S. dollars (Note 1)
Years ended December 31	**2011**	2010	**2011**
Income before minority interests	**¥31,789**	¥24,466	**$407,551**
Other comprehensive income:			
Net unrealized gains and losses on available-for-sale securities	**(616)**	(980)	**(7,897)**
Deferred gains and losses on hedges	**108**	(106)	**1,385**
Currency translation adjustments	**(6,021)**	(8,911)	**(77,192)**
Adjustments for retirement obligation of foreign affiliates	**(35)**	8	**(449)**
Share of other comprehensive income of affiliates under equity method	**(1,363)**	(4,825)	**(17,474)**
	(7,927)	(14,814)	**(101,627)**
Comprehensive income	**¥23,862**	¥ 9,652	**$305,924**
Comprehensive income attributed to:			
Owners of the Company	**¥20,893**	¥ 7,138	**$267,859**
Minority interests	**2,969**	2,514	**38,065**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains and losses on available-for-sale securities	Deferred gains and losses on hedges	Currency translation adjustments	Minority interests	Total net assets
Balance at December 31, 2009	¥42,658	¥38,661	¥109,349	¥(534)	¥4,402	¥ (32)	¥ (7,476)	¥22,024	¥209,052
Disposal of treasury stock		0		0					0
Dividends from surplus			(4,197)						(4,197)
Net income			21,427						21,427
Purchase of treasury stock				(3)					(3)
Effect of change in reporting entities			(104)						(104)
Other			1,120		(981)	(105)	(14,501)	1,256	(13,211)
Balance at December 31, 2010	¥42,658	¥38,661	¥127,595	¥(537)	¥3,421	¥(137)	¥(21,977)	¥23,280	¥212,964

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains and losses on available-for-sale securities	Deferred gains and losses on hedges	Currency translation adjustments	Adjustments for retirement obligation of foreign affiliates	Minority interests	Total net assets
Balance at December 31, 2010	¥42,658	¥38,661	¥127,595	¥(537)	¥3,421	¥(137)	¥(21,977)	¥ —	¥23,280	¥212,964
Effect of change in accounting policies of foreign affiliates			**(7,561)**							**(7,561)**
Transfer to adjustments for retirement obligation of foreign affiliates			**16,759**					**(16,759)**		**—**
Disposal of treasury stock		**0**		**0**						**0**
Dividends from surplus			**(5,247)**							**(5,247)**
Net income			**28,386**							**28,386**
Purchase of treasury stock				**(3)**						**(3)**
Effect of change in reporting entities			**(10)**							**(10)**
Other			**(95)**		**(605)**	**107**	**(7,784)**	**789**	**1,234**	**(6,354)**
Balance at December 31, 2011	**¥42,658**	**¥38,661**	**¥159,827**	**¥(540)**	**¥2,816**	**¥ (30)**	**¥(29,761)**	**¥(15,970)**	**¥24,514**	**¥222,175**

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains and losses on available-for-sale securities	Deferred gains and losses on hedges	Currency translation adjustments	Adjustments for retirement obligation of foreign affiliates	Minority interests	Total net assets
Balance at December 31, 2010	$546,897	$495,654	$1,635,833	$(6,885)	$43,859	$(1,756)	$(281,756)	$ —	$298,462	$2,730,308
Effect of change in accounting policies of foreign affiliates			**(96,936)**							**(96,936)**
Transfer to adjustments for retirement obligation of foreign affiliates			**214,859**					**(214,859)**		**—**
Disposal of treasury stock		**0**		**0**						**0**
Dividends from surplus			**(67,269)**							**(67,269)**
Net income			**363,923**							**363,923**
Purchase of treasury stock				**(38)**						**(38)**
Effect of change in reporting entities			**(128)**							**(128)**
Other			**(1,218)**		**(7,756)**	**1,371**	**(99,795)**	**10,115**	**15,820**	**(81,463)**
Balance at December 31, 2011	**$546,897**	**$495,654**	**$2,049,064**	**$(6,923)**	**$36,103**	**$ (385)**	**$(381,551)**	**$(204,744)**	**$314,282**	**$2,848,397**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
Years ended December 31	**2011**	2010	**2011**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 43,779**	¥ 36,201	**$ 561,269**
Depreciation and amortization	**37,606**	37,885	**482,128**
Impairment loss	**163**	1,699	**2,090**
Net gain and loss on sales and retirement of noncurrent assets	**774**	820	**9,923**
Equity in earnings and losses of affiliates	**(2,311)**	(1,284)	**(29,628)**
Increase (decrease) in allowance for doubtful accounts	**195**	(125)	**2,500**
Increase (decrease) in provision for retirement benefits	**268**	1,186	**3,436**
(Increase) decrease in prepaid pension costs	**938**	2,791	**12,026**
Interest and dividends income	**(793)**	(754)	**(10,167)**
Interest expense	**4,788**	4,277	**61,385**
(Increase) decrease in notes and accounts receivable—trade	**(21,803)**	(6,727)	**(279,526)**
(Increase) decrease in inventories	**(32,928)**	(14,906)	**(422,154)**
Increase (decrease) in notes and accounts payable—trade	**5,100**	12,805	**65,385**
Increase (decrease) in accounts payable—other	**2,927**	4,171	**37,526**
Other, net	**693**	4,568	**8,884**
Subtotal	**39,396**	82,607	**505,077**
Interest and dividend income received	**798**	765	**10,231**
Interest expense paid	**(4,689)**	(4,272)	**(60,115)**
Income taxes paid	**(16,560)**	(9,375)	**(212,308)**
Net cash provided by (used in) operating activities	**18,945**	69,725	**242,885**
Cash flows from investing activities:			
Payments into time deposits	**(734)**	(1,643)	**(9,410)**
Proceeds from withdrawal from time deposits	**1,297**	1,198	**16,628**
Purchase of property, plant and equipment	**(43,781)**	(31,430)	**(561,295)**
Purchase of intangible assets	**(4,226)**	(3,266)	**(54,179)**
Proceeds from sales of noncurrent assets	**543**	604	**6,962**
Purchase of investments in subsidiaries	**(367)**	(14)	**(4,705)**
Purchase of investment securities	**(151)**	(141)	**(1,936)**
Proceeds from sales of investment securities	**43**	—	**551**
Purchase of stocks of subsidiaries and affiliates	**(4,440)**	(1,086)	**(56,923)**
Proceeds from sales of stocks of subsidiaries and affiliates	**—**	62	**—**
Net (increase) decrease in short-term loans receivable	**142**	62	**1,821**
Payments of long-term loans receivable	**(87)**	(46)	**(1,115)**
Collection of long-term loans receivable	**80**	110	**1,026**
Other, net	**112**	190	**1,434**
Net cash provided by (used in) investing activities	**(51,569)**	(35,400)	**(661,141)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	**27,148**	(9,767)	**348,051**
Proceeds from long-term debt and newly issued bonds	**43,869**	12,762	**562,423**
Repayments of long-term debt and redemption of bonds	**(35,718)**	(23,642)	**(457,923)**
Proceeds from issuance of stock to minority shareholders	**193**	—	**2,474**
Cash dividends paid	**(5,247)**	(4,197)	**(67,269)**
Cash dividends paid to minority shareholders	**(1,451)**	(1,244)	**(18,603)**
Net (increase) decrease in treasury stock	**(3)**	(4)	**(38)**
Other, net	**(782)**	458	**(10,025)**
Net cash provided by (used in) financing activities	**28,009**	(25,634)	**359,090**
Effect of exchange rate change on cash and cash equivalents	**(1,211)**	(2,535)	**(15,526)**
Net increase (decrease) in cash and cash equivalents	**(5,826)**	6,156	**(74,692)**
Cash and cash equivalents at beginning of period	**34,157**	27,527	**437,910**
Increase (decrease) in cash and cash equivalents due to change in reporting entities	**180**	474	**2,308**
Cash and cash equivalents at end of period (Note 4)	**¥ 28,511**	¥ 34,157	**$ 365,526**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries
December 31, 2011 and 2010

1. Major Policies Applied in Preparing Consolidated Financial Statements

The accompanying consolidated financial statements are a translation of the financial statements publicly issued in Japan and have been modified to enhance foreign readers' understanding. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. In addition, the notes to the consolidated financial statements include financial information that is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The U.S. dollar amounts appearing in the consolidated financial statements are included solely for convenience. These U.S. dollar translations should not be construed as representations that the Japanese yen amounts actually represent U.S. dollars or have been or could be converted into U.S. dollars. The rate of ¥78=U.S.$1.00, the approximate rate prevailing at December 31, 2011, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

2. Significant Accounting Policies

(1) Consolidation and accounting for investments in affiliates

The consolidated financial statements consist of the accounts of Sumitomo Rubber Industries, Ltd. (the "Company") and, with minor exceptions, those of its majority-owned subsidiaries at the relevant balance sheet dates. All significant intercompany transactions and accounts are eliminated in consolidation. Investments in unconsolidated subsidiaries and affiliates (companies in which the Company has a 20% to 50% ownership interest) are, with minor exceptions, accounted for on an equity basis. Using an equity basis, investments are stated at cost plus/minus the Company's equity in undistributed earnings or losses. Consolidated net income includes the Company's equity in current earnings or losses of such companies after the elimination of unrealized intercompany profits.

Sumitomo Rubber Latin America Limitada, whose operations became significant in fiscal 2010, was included in the fiscal 2010 consolidation. Sumitomo Rubber (China) Co., Ltd. and Sumitomo Rubber (Hunan) Co., Ltd. were included in the 2010 consolidation due to their being founded during the year. In fiscal 2010, Dunlop Falken Tyres Ltd. and SRI Hybrid Limited were merged with Sumitomo Rubber Industries, Ltd. and 11 domestic tire wholesale subsidiaries were merged into 7 entities in fiscal 2010. Also in fiscal 2010, Sumitomo Rubber (Suzhou) Co., Ltd. was merged with Sumitomo Rubber (Changshu) Co., Ltd.

Dunlop Retread Service Hokkaido Co., Ltd. was merged with Dunlop Retread Service Co., Ltd. Changshu Srixon Sports Co., Ltd. and Srixon Sports Hong Kong Co., Ltd., whose operations became significant in fiscal 2011, were included in the fiscal 2011 consolidation. Srixon Sports Korea Ltd., which was founded during fiscal 2011, was included in the fiscal 2011 consolidation.

All consolidated subsidiaries were consolidated using the same fiscal period as that of the Company.

If there is a change in the reporting entity, the consolidated financial statements are not restated. The effect of the change is directly debited or credited to retained earnings during the period.

The differences between the cost of and the underlying net equity in investments in consolidated subsidiaries and affiliates accounted for on an equity basis are recognized when those companies are initially included in consolidation or accounted for by the equity method. Generally, such differences are amortized using the straight-line method within 20 years. Minor differences are charged or credited to income as incurred.

(2) Consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with original maturities of three months or less are considered to be cash and cash equivalents.

(3) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at rates prevailing at the balance sheet date, and the resulting translation gains or losses are charged to income to the extent that they are not hedged by forward exchange contracts.

In preparing the accompanying consolidated financial statements, the asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at year-end exchange rates, and shareholders' equity is translated at historical exchange rates. Revenue and expense accounts of foreign subsidiaries and affiliates are translated at the average rates of exchange prevailing during the year. The resulting translation adjustments are shown as a component of net assets.

(4) Marketable securities and investments in securities

Securities classified as available-for-sale securities are stated at fair market value with unrealized gains and losses, net of applicable taxes, recorded as a component of net assets. Securities with no fair market value are stated at cost. If securities decline in value significantly and the decline is not considered recoverable, the value of the securities is reduced to net realizable value by charges to income. The cost of securities sold is determined based on the average cost of all the shares of securities held at the time of sale.

(5) Derivative financial instruments and hedging

The Company and its consolidated subsidiaries use derivative financial instruments, which include foreign exchange forward contracts, currency swap contracts and interest rate swap contracts, in order to offset risks associated with fluctuations in currency exchange rates and interest rates with respect to financial assets and liabilities in accordance with internal policies and procedures.

a. Hedge accounting

The Company and its consolidated subsidiaries have adopted a method for hedging instruments that defers the recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related gain or loss on the hedged item is recognized.

All derivatives are stated at fair value. However, when foreign exchange forward contracts meet certain conditions, accounts receivable and accounts payable covered by these contracts are translated using the contract rate. In addition, when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged item.

Hedging instruments and hedged items are summarized as follows:

Hedging instruments	Hedged items
Foreign exchange forward contracts	Accounts receivable and accounts payable in foreign currencies and forecasted transactions
Interest rate swap contracts	Short-term borrowings and long-term debt, bonds

b. Hedging policy

The Company and its consolidated subsidiaries use financial instruments to hedge market or interest rate fluctuation risks in accordance with their internal policies and procedures.

c. Method for assessing hedge effectiveness

The Company and its consolidated subsidiaries evaluate the effectiveness of their hedging activities by comparing the cumulative changes in fair value or the cumulative changes in cash flow on hedging instruments with those of the related hedged items from the commencement of the hedge.

(6) Inventories

Inventories are mainly stated at the lower of average cost or market.

(7) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts principally at an amount based on the historical bad debt ratio during certain reference periods plus the estimated uncollectible amount of certain individual accounts.

(8) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed using the straight-line method, except for assets held at the Company's head office, the Nagoya Factory, the Kakogawa Factory and some domestic consolidated companies. These latter assets are depreciated using the declining balance method over the estimated useful life of the asset. The estimated useful lives of assets from the major classes of depreciable assets range from 3 to 60 years for buildings and structures and from 1 to 20 years for machinery and equipment.

(9) Accounting for leases

Finance leases which transfer ownership are depreciated in the same manner as owned fixed assets. Finance leases which do not transfer title are accounted for as purchase and sale transactions and are depreciated by the straight-line method, in which it is assumed that the useful life is the lease period and that the residual value of the relevant asset at the end of the leased period is zero. Finance lease transactions which were executed on or before December 31, 2008 and which do not involve a transfer of ownership are accounted for using the same method as that used for operating leases.

(10) Intangible assets

Intangible assets are stated at cost, less accumulated amortization. Amortization is computed using the straight-line method over the estimated useful life of the asset.

(11) Research and development expenses

Research and development expenses are charged to income when incurred.

(12) Allowance for sales returns

An allowance for sales returns is provided for losses incurred on the return of snow tires sold during the fiscal year but returned subsequent to the balance sheet date. The allowance is based on an estimate using the average rate of such returns in prior years.

(13) Accrued retirement benefits

Liabilities and expenses for retirement and severance benefits are accounted for based on the estimated amounts of projected benefit obligation and the fair value of plan assets at the balance sheet date. Accrued retirement benefits for directors and statutory auditors of certain consolidated subsidiaries, which are included in other long-term liabilities, are recorded at an amount equivalent to 100% of such benefits that the subsidiaries would be required to pay at the balance sheet date based on their internal rules. Payments of benefits are subject to resolution at the shareholders' meeting.

In fiscal 2010, because the number of employees exceeded 300 by the time of the amalgamation, a number of domestic consolidated subsidiaries changed their calculation method for accrued retirement benefits from the prima facie method to the principal method from the third quarter of the 2010 fiscal year. As a result of this change, operating income was ¥31 million more and income before income taxes was ¥1,012 million less than they would have been with the previous method.

(14) Income taxes

The income statements of the Company and its consolidated subsidiaries include many items for financial reporting purposes that, in the case of costs and expenses, are not currently tax deductible and, in the case of income, are not currently taxable. The Company and its consolidated subsidiaries have adopted interperiod income tax allocation using the asset and liability method of accounting with respect to all such temporary differences, including tax loss carryforwards.

(15) Per share amounts

Net income per share is computed based on the average number of shares outstanding during each period. Diluted net income per share is not presented because there were no outstanding common stock equivalents as of December 31, 2011 or December 31, 2010.

(16) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the accompanying consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(17) Reclassifications

Certain reclassifications of previously reported amounts have been made to conform to current classifications.

(18) Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method

Effective from the fiscal year ended December 31, 2011, the Company has adopted the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, issued on March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ Practical Issues Task Force (“PITF”) No. 24 issued on March 10, 2008), making necessary adjustments in the consolidation process. As a result of this change, the beginning balance of retained earnings in fiscal 2011 was ¥7,561 million ($96,940 thousand) less than it would have been without the change. The effect of the change on the income statement for fiscal 2011 was insignificant.

(19) Accounting Standard for Asset Retirement Obligations and its implementation guidance

Effective from the fiscal year ended December 31, 2011, the Company and consolidated domestic subsidiaries adopted the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, issued on March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, issued on March, 31 2008). As a result of this change, in fiscal 2011, operating income was ¥51 million ($654 thousand) less and income before income taxes was ¥431 million ($5,526 thousand) less than it would have been without the change.

3. Supplementary Information

Effective from the fiscal year ended December 31, 2011, the Company adopted the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, issued on June 30, 2010). In previous fiscal years, “Accumulated other comprehensive income” and “Total accumulated other comprehensive income” were stated as “Valuation and translation adjustments” and “Total valuation and translation adjustments,” respectively.

4. Cash Flow Information

Reconciliations of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Cash and time deposits	**¥29,192**	¥35,391	**$374,256**
Time deposits with a maturity of over three months	**(681)**	(1,234)	**(8,730)**
Cash and cash equivalents	**¥28,511**	¥34,157	**$365,526**

5. Financial Instruments

a) Qualitative Information on Financial Instruments

(1) Policies for using financial instruments

The Company and its consolidated subsidiaries raise capital for investment in equipment and for operating capital mainly through bank loans and bond issuances based on cash flow planning. Temporary excess cash is managed with low risk financial assets. The Company and its consolidated subsidiaries utilize derivative transactions only to hedge risks of future changes in cash flows and fair values and not for speculative purposes.

(2) Financial instruments and exposure to risk

Trade notes and accounts receivable are exposed to the credit risks of customers. However, the Company and its consolidated subsidiaries seek to reduce the risk through the implementation of rules for credit controls. Operating receivables denominated in foreign currencies are exposed to foreign exchange risk, but the risks are hedged using forward exchange contracts, etc., for the net position of foreign currency operating payables and foreign currency debt. Investment securities are mainly held to build and maintain good customer relationships. The Company and its consolidated subsidiaries periodically review the circumstances under which such securities are held and evaluate the fair value of the securities and/or the financial condition of the issuers, which are generally business counterparties.

The main purpose of holding debt and issuing bonds is to secure financing for equipment and operating capital. The derivative transactions entered into comprise forward exchange contracts to hedge exchange risks of foreign currency debts and credit, currency swap contracts and interest swap contracts to hedge the fluctuation risks associated with interest rates for and fair values of debt and bonds. The Company and its consolidated subsidiaries manage and control these risks according to management's rules for derivative transactions.

b) Fair Value of Financial Instruments

The carrying amounts and fair values of the financial instruments on the consolidated balance sheet at December 31, 2011 and 2010 were as set forth in the table below. Financial instruments whose fair values were hard to determine were not included in the table.

	Millions of yen			Thousands of U.S. dollars		
			2011			**2011**
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Trade notes and accounts receivable	**¥ 150,225**	**¥ 150,225**	**¥ —**	**$ 1,925,962**	**$ 1,925,962**	**$ —**
Investments in securities	**13,715**	**13,715**	**—**	**175,833**	**175,833**	**—**
Total assets	**¥ 163,940**	**¥ 163,940**	**¥ —**	**$ 2,101,795**	**$ 2,101,795**	**$ —**
Trade notes and accounts payable	**¥ (77,422)**	**¥ (77,422)**	**¥ —**	**$ (992,590)**	**$ (992,590)**	**$ —**
Short-term borrowings	**(77,615)**	**(77,615)**	**—**	**(995,064)**	**(995,064)**	**—**
Accrued accounts payable	**(37,398)**	**(37,398)**	**—**	**(479,462)**	**(479,462)**	**—**
Bonds	**(75,000)**	**(77,561)**	**(2,561)**	**(961,538)**	**(994,372)**	**(32,834)**
Long-term debt	**(117,017)**	**(118,463)**	**(1,446)**	**(1,500,218)**	**(1,518,756)**	**(18,538)**
Total liabilities	**¥(384,452)**	**¥(388,459)**	**¥(4,007)**	**$(4,928,872)**	**$(4,980,244)**	**$(51,372)**
Derivative transactions						
Contracts for which hedge accounting was not adopted	**¥ (23)**	**¥ (23)**	**¥ —**	**$ (295)**	**$ (295)**	**$ —**
Contracts for which hedge accounting was adopted	**(41)**	**(41)**	**—**	**(526)**	**(526)**	**—**

	Millions of yen		
			2010
	Carrying amount	Fair value	Difference
Cash and time deposits	¥ 35,391	¥ 35,391	¥ —
Trade notes and accounts receivable	130,399	130,399	—
Investments in securities	14,234	14,234	—
Total assets	¥ 180,024	¥ 180,024	¥ —
Trade notes and accounts payable	¥ (72,813)	¥ (72,813)	¥ —
Short-term borrowings	(52,270)	(52,270)	—
Accrued accounts payable	(32,440)	(32,440)	—
Bonds	(75,000)	(77,449)	(2,449)
Long-term debt	(109,851)	(111,795)	(1,944)
Total liabilities	¥(342,374)	¥(346,767)	¥(4,393)
Derivative transactions			
Contracts for which hedge accounting was not adopted	¥ (207)	¥ (207)	¥ —
Contracts for which hedge accounting was adopted	(108)	(108)	—

(1) Valuation approach for the fair value of financial instruments

Cash and time deposits, trade notes and accounts receivable:
The carrying amount approximates fair value because of the short maturity.

Investments in securities:
The carrying amount is only for listed stock that has quoted market value and is stated at fair market value.

Trade notes and accounts payable, construction notes and accounts payable:
The carrying amount approximates fair value because of the short maturity.

Short-term borrowings:
The carrying amount approximates fair value because of the short maturity.

Accrued accounts payable:
The carrying amount approximates fair value because of the short maturity.

Bonds and long-term debt:
For items with floating rates, the fair value is based on the book value since the market interest rate is reflected in a short period. For items with fixed rates, the fair value is based on the present value with interest discounted based on the interest rate for similar instruments. For long-term borrowings used in interest rate swaps in which the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed, fair value is based on the present value with interest discounted based on the interest rate for similar instruments and are processed as a unit using the rate set by the interest rate swap.

Derivative transactions:
See Note 8.

(2) Financial instruments whose fair value is difficult to determine

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Unlisted securities (available-for-sale securities)	**¥ 331**	¥ 1,127	**$ 4,244**
Unlisted investments in affiliates	**37,661**	40,767	**482,833**

The above financial instruments do not have quoted market values and their future cash flows cannot be estimated. Because the fair value is difficult to determine, these instruments are not included in "Investments in securities."

6. Inventories

Inventories as of December 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Finished goods	**¥ 68,633**	¥54,601	**$ 879,910**
Raw materials	**35,641**	20,597	**456,936**
Work-in-process	**5,446**	4,755	**69,821**
Supplies	**5,803**	5,617	**74,397**
	¥115,523	¥85,570	**$1,481,064**

7. Investments in Securities

As of December 31, 2011 and 2010, cost, book value and related unrealized gains and losses pertaining to marketable equity securities classified as available-for-sale securities with readily determinable fair values were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Available-for-sale securities:			
Cost	**¥ 9,562**	¥ 8,743	**$122,590**
Book value	**13,715**	14,234	**175,833**
Unrealized gains	**5,019**	5,780	**64,346**
Unrealized losses	**(866)**	(289)	**(11,103)**

8. Derivative Financial Instruments

Fair value information regarding derivative financial instruments as of December 31, 2011 and 2010 was as follows:

(a) Derivative transactions for which hedge accounting has not been applied

	Millions of yen						Thousands of U.S. dollars		
	2011			2010			2011		
	Contract amount	Fair value	Unrecognized gain (loss)	Contract amount	Fair value	Unrecognized gain (loss)	Contract amount	Fair value	Unrecognized gain (loss)
Currency related contracts:									
Forward foreign exchange contracts									
To buy foreign currencies	**¥ 1,989**	**¥ 2**	**¥ 2**	¥ 244	¥ (11)	¥ (11)	**$ 25,500**	**$ 26**	**$ 26**
To sell foreign currencies	**4,983**	**52**	**51**	2,453	50	50	**63,885**	**667**	**654**
Currency swap contracts	**19,057**	**(107)**	**41**	8,581	(158)	(88)	**244,321**	**(1,372)**	**526**
			¥ 94			¥ (49)			**$1,206**
Interest rate related contracts:									
Interest rate swap contracts									
Receive variable rate, give fixed rate	**¥ —**	**¥ —**	**¥ —**	¥20,000	¥(268)	¥260	**$ —**	**$ —**	**$ —**
Give variable rate, receive fixed rate	**4,600**	**30**	**(30)**	24,600	180	(250)	**58,974**	**385**	**(385)**
			¥(30)			¥ 10			**$ (385)**

(b) Derivative transaction for which hedge accounting has been applied

	Millions of yen				Thousands of U.S. dollars	
	2011		2010		2011	
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
Currency related contracts:						
Forward foreign exchange contracts						
Deferred hedges						
To buy foreign currencies	**¥ 3,205**	**¥(41)**	¥ 3,316	¥(131)	**$ 41,090**	**$(526)**
To sell foreign currencies	**—**	**—**	15	22	**—**	**—**
Designation method for forward foreign exchange contracts, etc.						
To buy foreign currencies	**¥ 566**	(Note)	¥ 574	(Note)	**$ 7,256**	(Note)
To sell foreign currencies	**71**	(Note)	502	(Note)	**910**	(Note)
Interest rate related contracts:						
Interest rate swap contracts						
Receive variable rate, give fixed rate	**¥33,700**	(Note)	¥35,200	(Note)	**$432,051**	(Note)

Note: Fair value is based on prices provided by financial institutions.

In fiscal 2010, because accounts receivable, accounts payable and long-term debt denominated in foreign currencies for which foreign exchange forward contracts were used to hedge the risk of foreign currency fluctuation, the fair value of the derivative financial instrument was included in the fair value of accounts receivable, accounts payable and long-term debt as hedged items.

9. Property, Plant and Equipment

Depreciation expense for the years ended December 31, 2011 and 2010 was ¥33,628 million ($431,128 thousand) and ¥33,557 million, respectively.

10. Trademarks

For the years ended December 31, 2011 and 2010, amortization expense for capitalized trademarks was ¥301 million ($3,859 thousand) and ¥303 million, respectively.

11. Short-Term Borrowings and Long-Term Debt

Short-term borrowings of ¥77,615 million ($995,064 thousand) and ¥52,270 million as of December 31, 2011 and 2010, respectively, bore interest ranging from 0.28% to 5.25% and from 0.35% to 5.3% per annum, respectively.

For the years ended December 31, 2011 and 2010, finance lease obligations, included in short-term borrowings, were ¥1,028 million ($13,179 thousand) and ¥745 million, respectively.

Long-term debt as of December 31, 2011 and 2010 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
0.74% unsecured bonds due 2011 payable in Japanese yen	**¥ —**	¥ 20,000	**$ —**
1.83% unsecured bonds due 2013 payable in Japanese yen	**10,000**	10,000	**128,205**
1.84% unsecured bonds due 2014 payable in Japanese yen	**10,000**	10,000	**128,205**
1.25% unsecured bonds due 2014 payable in Japanese yen	**10,000**	10,000	**128,205**
0.58% unsecured bonds due 2016 payable in Japanese yen	**10,000**	—	**128,205**
2.19% unsecured bonds due 2017 payable in Japanese yen	**5,000**	5,000	**64,103**
2.17% unsecured bonds due 2018 payable in Japanese yen	**10,000**	10,000	**128,205**
2.07% unsecured bonds due 2019 payable in Japanese yen	**10,000**	10,000	**128,205**
1.38% unsecured bonds due 2021 payable in Japanese yen	**10,000**	—	**128,205**
Loans payable to banks and other financial institutions due from 2011 to 2021 with interest of 0.28% to 5.25% for 2011 and 2010			
Unsecured	**117,017**	109,851	**1,500,218**
Current portion of long-term debt and finance lease obligations	**4,584**	4,129	**58,769**
	196,601	188,980	**2,520,525**
Less portion due within one year	**20,541**	36,459	**263,346**
	¥176,060	¥152,521	**$2,257,179**

The aggregate annual maturities of long-term debt as of December 31, 2011 were as follows:

Years ending December 31	Millions of yen	Thousands of U.S. dollars
2012	¥ 20,541	$ 263,346
2013	25,098	321,769
2014	55,295	708,910
2015	23,948	307,026
2016	34,700	444,872
2017 and thereafter	37,019	474,602
	¥196,601	$2,520,525

12. Income Taxes

The Company and its consolidated subsidiaries are subject to a number of different income taxes in Japan which, in the aggregate, indicate a normal cumulative statutory tax rate of approximately 40.4% for the years ended December 31, 2011 and 2010. Significant differences between the normal cumulative statutory tax rate and the effective tax rate in the consolidated statements of income for the years ended December 31, 2011 and 2010 were as follows:

	2011	2010
Normal cumulative statutory tax rate	**40.4%**	40.4%
Undistributed benefits of consolidated subsidiaries	**1.8**	3.1
Expenses not deductible for tax purposes	**0.9**	0.8
Depreciation of goodwill	**0.7**	0.6
Differences in statutory tax rates of foreign subsidiaries	**(6.9)**	(6.1)
Valuation allowance	**(2.3)**	(3.1)
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	**(2.1)**	(1.4)
Tax credits for research and development costs	**(1.5)**	(1.4)
Effect arising from the change in tax rate	**(0.8)**	—
Other	**(2.8)**	(0.5)
Effective tax rate for consolidated statements of income	**27.4%**	32.4%

Significant components of deferred tax assets and liabilities as of December 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred tax assets:			
Unrealized profits	**¥ 5,178**	¥ 5,025	**$ 66,385**
Tax loss carryforwards	**3,818**	4,187	**48,949**
Provision for accrued retirement benefits	**3,249**	3,158	**41,654**
Loss on impairment of fixed assets	**2,363**	2,902	**30,295**
Incentive bonuses	**1,531**	1,217	**19,628**
Accrued bonuses	**1,187**	1,038	**15,218**
Inventories	**1,105**	1,102	**14,167**
Allowance for sales returns	**959**	1,073	**12,295**
Advertising	**920**	993	**11,795**
Provision for doubtful accounts	**857**	899	**10,987**
Depreciation	**585**	542	**7,500**
Loss on impairment of investment securities	**502**	619	**6,436**
Accrued business enterprise tax	**419**	775	**5,372**
Loss on impairment of golf club memberships	**269**	321	**3,449**
Other	**4,522**	4,070	**57,973**
Total deferred tax assets	**¥ 27,464**	¥ 27,921	**$ 352,103**
Less valuation allowance	**(6,011)**	(7,611)	**(77,065)**
Net deferred tax assets	**¥ 21,453**	¥ 20,310	**$ 275,038**
Deferred tax liabilities:			
Provision for accrued retirement benefits	**¥ (4,448)**	¥ (5,507)	**$ (57,026)**
Deferred gains on sales of property, plant and equipment	**(1,971)**	(2,240)	**(25,269)**
Undistributed benefits of consolidated subsidiaries	**(1,720)**	(845)	**(22,051)**
Unrealized gains on available-for-sale securities	**(1,438)**	(2,103)	**(18,436)**
Unrealized gain on land of a consolidated subsidiary	**(1,164)**	(1,328)	**(14,923)**
Other	**(2,223)**	(1,658)	**(28,500)**
Total deferred tax liabilities	**¥(12,964)**	¥(13,681)	**$(166,205)**

Deferred income taxes, net as of December 31, 2011 were included in the following accounts:

	Millions of yen	Thousands of U.S. dollars
	2011	**2011**
Current assets—deferred tax assets	**¥11,057**	**$ 141,756**
Investments and other assets—deferred tax assets	**6,214**	**79,667**
Current liabilities—deferred tax liabilities	**(487)**	**(6,244)**
Long-term liabilities—deferred tax liabilities	**(8,295)**	**(106,346)**

With the issuance of the "Act Regarding Revision of Part of the Income Tax Act and Other Related Laws/Regulations, in Order to Establish a Taxation System that Reflects Structural Changes in the Economy and Society" (Law No. 114 of 2011) and the "Act Regarding Securing Funds Necessary for Implementing Programs Promoting Recovery from the Great East Japan Earthquake" (Law No. 117 of 2011) on December 2, 2011, corporate income tax rates have been revised for fiscal years beginning on and after January 1, 2013. In accordance with this reform, the effective statutory tax rates that are used to measure deferred tax assets and deferred tax liabilities will be reduced to 37.8% from 40.4% between January 1, 2013 and December 31, 2015 and to 35.4% from 40.4% on and after January 1, 2016.

This revision has had the effect of decreasing deferred tax liabilities (excluding deferred tax assets) by ¥549 million ($7,038 thousand), decreasing income taxes—deferred by ¥347 million ($4,449 thousand) and increasing net unrealized gains and losses on available-for-sale securities by ¥202 million ($2,590 thousand).

13. Accrued Retirement Benefits

Upon terminating employment, employees of the Company and the domestic consolidated subsidiaries are entitled, under most circumstances, to lump-sum indemnities or pension annuity payments. For an employee who voluntarily retires under normal circumstances, a minimum payment amount is calculated based on the rate of pay at the time of retirement, length of service and conditions under which the employee retires. In calculating the payment amount for an employee who retires involuntarily, including an employee who retires due to reaching the mandatory retirement age, the Company or the domestic consolidated subsidiaries may grant additional benefits.

Most of the foreign subsidiaries have defined benefit pension plans or severance indemnity plans that cover substantially all of their employees and under which the cost of benefits is currently funded or accrued. Benefits awarded under these plans are based primarily on rates of pay at the time of retirement and length of service.

In fiscal 2011, a number of consolidated subsidiaries changed a part of their lump-sum indemnities plans and qualified pension plans to a defined contribution pension plan.

The liability for severance and retirement benefits included in the liabilities section of the consolidated balance sheets as of December 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Benefit obligation	**¥(51,583)**	¥(52,510)	**$(661,321)**
Fair value of plan assets	**47,029**	53,550	**602,936**
Funded status:			
Benefit obligation in excess of plan assets	**(4,554)**	1,040	**(58,385)**
Unrecognized actuarial differences	**16,258**	11,896	**208,436**
Unrecognized prior service cost	**(782)**	(882)	**(10,025)**
Subtotal	**10,922**	12,054	**140,026**
Prepaid pension cost	**23,071**	24,009	**295,782**
Accrued retirement benefits	**¥(12,149)**	¥(11,955)	**$(155,756)**

The Company and certain consolidated subsidiaries abolished the retirement benefit plans for directors and statutory auditors in March 2005. The accrued retirement benefits for directors and statutory auditors, amounting to ¥218 million ($2,795 thousand) and ¥304 million as of December 31, 2011 and 2010, respectively, were excluded from the above table.

Retirement and pension costs of the Company and its consolidated subsidiaries for the years ended December 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Service cost	**¥2,409**	¥2,451	**$ 30,885**
Interest cost	**958**	933	**12,282**
Expected return on plan assets	**(898)**	(942)	**(11,513)**
Amortization of actuarial differences	**1,023**	908	**13,115**
Amortization of prior service cost	**(101)**	(101)	**(1,295)**
Other	**—**	3,090	**—**
Severance and retirement benefit expenses	**3,391**	6,339	**43,474**
Contributions to the defined contribution pension plan	**686**	634	**8,795**
Gain on transition to defined contribution pension plans from a part of their lump-sum indemnities plans and qualified pension plans	**(103)**	—	**(1,320)**
Net periodic benefit costs	**¥3,974**	¥6,973	**$ 50,949**

The discount rate used by the Company and the domestic consolidated subsidiaries was mainly 2.0% in 2011 and 2010, and the expected return on plan assets was mainly 2.5% in 2011 and 2010. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years. Actuarial losses are recognized in the statements of income using the straight-line method, mainly over a period of 15 years. The amortization periods for prior service cost is mainly 15 years.

In fiscal 2010, a number of domestic consolidated subsidiaries changed their calculation method for the benefit obligation from the simplified method based on the amount that would be required to be paid if all active employees voluntarily terminated their employment as of the balance sheet date to the principal method. A difference of ¥1,043 million due to the changed calculation method was recorded under other expenses. In addition, a loss from prior term adjustments of ¥2,047 million due to a miscalculation by pension actuaries was recorded under other expenses.

14. Research and Development Expenses

Research and development expenses for the years ended December 31, 2011 and 2010 were ¥19,274 million ($247,103 thousand) and ¥18,698 million, respectively.

15. Loss on Disaster

(1) Details of loss on disaster attributable to damage caused by the Great East Japan Earthquake that has been accounted for as of and for the year ended December 31, 2011 was as follows:

	Millions of yen	Thousands of U.S. dollars
	2011	**2011**
Restoration expense	**¥2,669**	**$34,218**
Increased logistics cost	**536**	**6,872**
Fixed cost during the suspension of operations	**347**	**4,449**
Loss of inventories and other	**227**	**2,910**
Other	**490**	**6,282**
Total	**¥4,269**	**$54,731**

*Including a provision for loss on disaster amounting to ¥320 million ($4,103 thousand).

(2) Loss on disaster attributable to damage caused by the eruption of Mount Shinmoe in the Kirishima mountain range that has been accounted for as of and for the year ended December 31, 2011 was ¥428 million ($5,487 thousand).

16. Segment Information

(1) Information by reportable segment

The Company's reportable segments are the units for which separate financial information is available and periodically reviewed by the Board of Directors for the purposes of deciding the allocation of management resources and evaluating business performance. The Company and its subsidiaries have 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 Company identifies "Tires, " "Sports" and "Industrial and Other Products" as reportable segments.

Operations in the Tires segment involve the production and sale of a wide range of tires for a variety of vehicles such as passenger cars, trucks, buses and motorcycles and applications such as industrial applications. Operations in the Sports segment involve the production and sale of a variety of sporting goods, principally golf balls, golf clubs, golf bags and tennis balls. Operations in the Industrial and Other Products segment involve the production and sale of a variety of rubber and rubber based products, including vibration control products, flooring for gymnasiums, all-weather tennis courts, track and field facilities, marine fenders, precision rubber parts for office machines and blankets for offset printing presses.

The accounting policies of each reportable segment are the same as those described in Note 2.

Figures for reportable segment profit or loss are based on operating income.

Intersegment sales and transfers are stated at wholesale prices based on current market values.

Reportable segment sales, profit or loss, segment assets and other material items

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	**2011**	2010	**2011**
Net sales:			
Tires—			
Sales to unaffiliated customers	**¥591,045**	¥513,775	**$7,577,500**
Intersegment sales and transfers	**21**	26	**269**
	591,066	513,801	**7,577,769**
Sports—			
Sales to unaffiliated customers	**58,365**	63,225	**748,269**
Intersegment sales and transfers	**251**	330	**3,218**
	58,616	63,555	**751,487**
Industrial and Other Products—			
Sales to unaffiliated customers	**27,493**	27,549	**352,474**
Intersegment sales and transfers	**68**	46	**872**
	27,561	27,595	**353,346**
Adjustments	**(339)**	(402)	**(4,346)**
	¥676,904	¥604,549	**$8,678,256**

Years ended December 31	Millions of yen 2011	2010	Thousands of U.S. dollars 2011
Segment profit or loss:			
Tires	**¥ 48,820**	¥ 39,412	**$ 625,897**
Sports	**3,640**	6,114	**46,667**
Industrial and Other Products	**1,460**	2,123	**18,718**
	53,920	47,649	**691,282**
Adjustments	**4**	(78)	**51**
	¥ 53,924	¥ 47,571	**$ 691,333**
Segment assets:			
Tires	**¥588,913**	¥534,478	**$7,550,167**
Sports	**52,321**	51,344	**670,782**
Industrial and Other Products	**23,118**	23,805	**296,384**
	664,352	609,627	**8,517,333**
Adjustments	**7,259**	12,616	**93,064**
	¥671,611	¥622,243	**$8,610,397**
Increase in tangible and intangible fixed assets:			
Tires	**¥ 51,105**	¥ 30,979	**$ 655,192**
Sports	**2,294**	1,656	**29,410**
Industrial and Other Products	**880**	2,231	**11,283**
	54,279	34,866	**695,885**
Adjustments	**—**	—	**—**
	¥ 54,279	¥ 34,866	**$ 695,885**
Depreciation and amortization:			
Tires	**¥ 34,614**	¥ 35,043	**$ 443,769**
Sports	**1,777**	1,656	**22,782**
Industrial and Other Products	**1,215**	1,186	**15,577**
	37,606	37,885	**482,128**
Adjustments	**—**	—	**—**
	¥ 37,606	¥ 37,885	**$ 482,128**
Amortization of goodwill:			
Tires	**¥ 311**	¥ 351	**$ 3,987**
Sports	**762**	580	**9,769**
Industrial and Other Products	**—**	—	**—**
	1,073	931	**13,756**
Adjustments	**—**	—	**—**
	¥ 1,073	¥ 931	**$ 13,756**
Investments in equity method affiliates:			
Tires	**¥ 31,605**	¥ 38,921	**$ 405,192**
Sports	**171**	158	**2,193**
Industrial and Other Products	**—**	—	**—**
	31,776	39,079	**407,385**
Adjustments	**—**	—	**—**
	¥ 31,776	¥ 39,079	**$ 407,385**

1. Segment profit or loss included in “Adjustments” comprised elimination of intersegment transactions.
2. Segment assets included in “Adjustments” comprised corporate assets of ¥7,469 million ($95,756 thousand) and ¥12,810 million at December 31, 2011 and 2010, respectively, consist mainly of cash and time deposits, investment securities owned by the Company and assets for administration divisions and elimination of intersegment transactions of ¥210 million ($2,692 thousand) and ¥193 million at December 31, 2011 and 2010, respectively.
3. Segment profit or loss corresponds to operating income.
4. Depreciation and amortization comprised the amount of depreciation in long-term prepaid expenses.
5. Amount of increase in tangible and intangible fixed assets comprised the amount of increase in long-term prepaid expenses.

(Additional information)

Effective from the fiscal year ended December 31, 2011, the Company has adopted the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ statement No. 17, issued on March 27, 2009) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, issued on March 21, 2008).

(2) Related information

Information about geographical area

Year ended December 31	Millions of yen 2011	Thousands of U.S. dollars 2011
Net sales:		
Japan	**¥340,845**	**$4,369,808**
Asia	**109,283**	**1,401,064**
North America	**82,307**	**1,055,218**
Other areas	**144,469**	**1,852,166**
Total	**¥676,904**	**$8,678,256**
Net property, plant and equipment:		
Japan	**¥138,859**	**$1,780,244**
Asia	**92,090**	**1,180,641**
Other areas	**2,026**	**25,974**
Total	**¥232,975**	**$2,986,859**

Information about impairment losses of fixed assets by reportable segment

Year ended December 31	Millions of yen 2011	Thousands of U.S. dollars 2011
Impairment loss on fixed assets:		
Tires	**¥143**	**$1,833**
Sports	**19**	**244**
Industrial and Other Products	**1**	**13**
Total	**¥163**	**$2,090**

Information about goodwill by reportable segment

Year ended December 31	Millions of yen 2011	Thousands of U.S. dollars 2011
Amortization:		
Tires	**¥ 311**	**$ 3,987**
Sports	**762**	**9,769**
Industrial and Other Products	**—**	**—**
Total	**¥1,073**	**$13,756**
Balance at end of year:		
Tires	**¥ 951**	**$12,192**
Sports	**6,361**	**81,552**
Industrial and Other Products	**—**	**—**
Total	**¥7,312**	**$93,744**

17. Related Party Transactions

Significant balances and transactions with a principal shareholder and unconsolidated subsidiaries and affiliates as of December 31, 2011 and 2010 and for the years then ended were as follows:

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Notes and accounts receivable:			
Trade	**¥ 1,008**	¥ 905	**$ 12,923**
Other	**353**	382	**4,526**
	1,361	1,287	**17,449**
Short-term loans	**103**	239	**1,321**
Long-term loans (included in investments in and advances to unconsolidated subsidiaries and affiliates)	**2,796**	2,821	**35,846**
Notes and accounts payable:			
Trade	**4,558**	4,327	**58,436**
Other	**199**	236	**2,551**
	4,757	4,563	**60,987**
Sales	**2,500**	2,522	**32,051**
Purchases	**¥12,727**	¥11,933	**$163,167**

A summary of the financial statements of Goodyear Dunlop Tires Europe B.V. is as follows:

	Millions of U.S. dollars	
	2011	2010
Current assets	**$2,814**	$1,994
Noncurrent assets	**1,944**	870
Current liabilities	**1,807**	1,244
Noncurrent liabilities	**1,434**	1,088
Shareholders' equity	**1,517**	532
Net sales	**6,973**	5,165
Income before income taxes	**214**	96
Net income	**112**	54

18. Contingent Liabilities

As of December 31, 2011 and 2010, the Company and its consolidated subsidiaries were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Trade notes discounted	**¥619**	¥740	**$ 7,936**
Guarantees and arrangements similar to guarantees of indebtedness of employees, unconsolidated subsidiaries and affiliates	**946**	85	**12,128**

19. Leases

The original costs of leased assets under finance lease transactions which do not transfer ownership of the leased assets to the lessee and the related accumulated depreciation and accumulated impairment losses, assuming they were calculated using the straight-line method over the term of the lease, as of December 31, 2011 and 2010 were as follows:

As of December 31, 2011	Millions of yen				Thousands of U.S. dollars			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net leased property	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net leased property
Machinery and equipment	**¥6,274**	**¥3,512**	**¥355**	**¥2,407**	**$80,436**	**$45,026**	**$4,551**	**$30,859**
Other	**587**	**233**	**—**	**354**	**7,526**	**2,987**	**—**	**4,539**
Total	**¥6,861**	**¥3,745**	**¥355**	**¥2,761**	**$87,962**	**$48,013**	**$4,551**	**$35,398**

As of December 31, 2010	Millions of yen			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net leased property
Machinery and equipment	¥7,448	¥3,760	¥355	¥3,333
Other	689	276	—	413
Total	¥8,137	¥4,036	¥355	¥3,746

Finance lease transactions executed on or before December 31, 2008 which did not involve a transfer of ownership are accounted for using the same method as that used for operating leases. Lease payments under finance lease transactions which did not transfer ownership of the leased assets to the lessee for the years ended December 31, 2011 and 2010 amounted to ¥985 million ($12,628 thousand) and ¥1,203 million, respectively.

The balances of future finance lease payments, including interest, as of December 31, 2011 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Due within one year	**¥ 736**	¥ 991	**$ 9,436**
Due later	**2,334**	3,109	**29,923**
	¥3,070	¥4,100	**$39,359**

The balances of future lease payments under non-cancelable operating leases, including interest, as of December 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Due within one year	**¥ 822**	¥ 823	**$10,538**
Due later	**1,758**	2,054	**22,359**
	¥2,580	¥2,877	**$33,077**

20. Impairment Loss

The Company and its consolidated subsidiaries recognized impairment loss for the following asset groups for the year ended December 31, 2011.

			Millions of yen	Thousands of U.S. dollars
Group	Location	Assets	Impairment loss	
Idle assets	Naka-ku, Nagoya City and other	Buildings, vehicles and other	**¥116**	**$1,487**
Assets to be disposed of	Izumiotsu City, Osaka and other	Machinery, buildings and other	**47**	**603**

The Company and its consolidated subsidiaries recognized impairment loss for the following asset groups for the year ended December 31, 2010.

			Millions of yen
Group	Location	Assets	Impairment loss
Rental property	Shunan City, Yamaguchi and other	Land and buildings	¥ 128
Idle assets	Izumiotsu City, Osaka and other	Buildings, leases and other	1,278
Assets to be disposed of	Izumiotsu City, Osaka and other	Buildings, tools and other	293

The Company and its consolidated subsidiaries group their assets at the lowest level for which cash flows are independently identifiable. Rental properties, unused assets, and assets to be disposed of as decided by the Board of the Directors are tested for recoverability on an individual basis.

The book values of certain assets were reduced to recoverable amounts and impairment losses were recognized because (1) the market price of assets in certain asset groups fell significantly; (2) the fair value of assets in certain idle asset groups declined substantially; and (3) the Company decided to dispose of certain assets. The recoverable amount for the assets in each group of assets was the higher of net realizable value or use value. The recoverable amount of certain business assets was measured at the net realizable value of the memorandum value since it was difficult to calculate the selling price. The recoverable amount for land was measured mainly at net realizable value based on the publicly assessed land value.

21. Allowance for Loss on Voluntary Recall of Products

To provide for direct and indirect expenses arising from the voluntarily recall of products, an amount is provided based upon the loss incurred in the current period and the loss that can be reasonably estimated to be incurred after the current period is recorded.

22. Subsequent Events

Appropriations of retained earnings

The following appropriations of retained earnings of the Company were proposed and approved at the general meeting of shareholders held on March 29, 2012:

	Millions of yen	Thousands of U.S. dollars
Balance at December 31, 2011	**¥108,351**	**$1,389,115**
Appropriations—		
Cash dividends (¥15 per share outstanding at December 31, 2011)	**(3,935)**	**(50,448)**
Balance after appropriations	**¥104,416**	**$1,338,667**

Independent Auditors' Report

To the Board of Directors of
Sumitomo Rubber Industries, Ltd.:

We have audited the accompanying consolidated balance sheets of Sumitomo Rubber Industries, Ltd. and its consolidated subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sumitomo Rubber Industries, Ltd. and its consolidated subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

Note 2(18) to the consolidated financial statements, effective from the fiscal year ended December 31, 2011, Sumitomo Rubber Industries, Ltd. have adopted new accounting standards for "Accounting Standard for Equity Method of Accounting for Investments" and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounting for Using the Equity Method".

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

Kobe, Japan
March 29, 2012