Financial Section

11-Year Summary of Consolidated Financial Data

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

				Millions of yen
Years ended December 31	**2013**	2012	2011	2010
For the year:				
Net sales	**¥780,609**	¥710,247	¥676,904	¥604,549
Cost of sales	**486,704**	450,226	445,426	387,678
Selling, general and administrative expenses	**216,850**	190,298	177,554	169,300
Operating income	**77,055**	69,723	53,924	47,571
Net income	**44,794**	35,451	28,386	21,427
Depreciation and amortization	**43,279**	36,278	37,606	37,885
Capital expenditures	**57,270**	56,889	48,515	32,055
R&D expenses	**21,822**	19,539	19,274	18,698
Cash flows from operating activities	**77,012**	76,643	18,945	69,725
Cash flows from investing activities	**(68,275)**	(62,167)	(51,569)	(35,400)
Cash flows from financing activities	**(5,824)**	(15,835)	28,009	(25,634)
At year-end:				
Total assets	**¥867,464**	¥737,528	¥671,611	¥622,243
Net assets	**358,844**	271,103	222,175	212,964
Equity	**329,813**	244,165	197,661	189,684
Interest-bearing debt	**302,113**	275,876	274,216	241,250
				Yen
Per share amounts:				
Net income	**¥ 170.76**	¥ 135.13	¥ 108.20	¥ 81.67
Net income—diluted	**—**	—	—	—
Cash dividends paid	**40.00**	30.00	23.00	20.00
				Percent
Key ratios and metrics:				
Operating income ratio	**9.9%**	9.8%	8.0%	7.9%
ROE	**15.6**	16.0	14.7	11.4
ROA (operating income base)	**9.6**	9.9	8.3	7.7
Equity ratio	**38.0**	33.1	29.4	30.5
Tire sales volume (millions of tires)	**100.42**	96.48	94.88	90.87
Number of employees	**26,773**	23,507	22,320	22,242
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	**715,318**	710,059	707,026	704,248

Notes: 1. U.S. dollar amounts are converted solely for convenience at the rate of ¥105 per US$1.00, the approximate exchange rate prevailing at December 31, 2013.
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 include both tangible assets and intangible assets.

						Millions of yen	Thousands of U.S. dollars (Note 1)
2009	2008	2007	2006	2005	2004	2003	**2013**
¥524,535	¥604,974	¥567,307	¥534,086	¥512,838	¥470,562	¥450,491	**$7,434,371**
334,249	412,824	368,783	342,856	307,538	288,684	281,392	**4,635,276**
161,547	166,491	153,398	154,440	155,374	136,352	131,333	**2,065,238**
28,739	25,659	45,126	36,790	49,926	45,526	37,766	**733,857**
9,093	1,021	19,499	27,586	25,640	19,169	13,095	**426,610**
37,425	35,475	30,165	27,052	25,755	25,098	24,313	**412,181**
32,484	49,601	53,205	45,308	40,415	36,881	29,171	**545,429**
17,983	19,351	18,223	17,291	16,259	15,730	14,058	**207,829**
64,525	25,879	56,594	23,872	38,984	32,056	44,225	**733,448**
(34,260)	(58,067)	(65,167)	(33,923)	(42,878)	(37,622)	(28,545)	**(650,238)**
(22,781)	34,088	8,692	14,687	(3,376)	7,609	(20,821)	**(55,467)**
¥613,230	¥639,941	¥671,117	¥606,938	¥563,442	¥520,157	¥481,553	**$8,261,562**
209,052	202,642	250,799	223,852	—	—	—	**3,417,562**
187,028	180,940	227,780	202,003	174,267	145,492	110,395	**3,141,076**
261,572	275,746	239,573	219,372	205,751	201,929	210,681	**2,877,267**
						Yen	U.S. dollars (Note 1)
¥ 34.66	¥ 3.89	¥ 74.31	¥ 105.13	¥ 97.10	¥ 78.64	¥ 55.07	**$ 1.626**
—	—	—	—	—	—	—	**—**
18.00	18.00	20.00	20.00	20.00	14.00	12.00	**0.381**
						Percent	
5.5%	4.2%	8.0%	6.9%	9.7%	9.7%	8.4%	
4.9	0.5	9.1	14.7	16.0	15.0	12.4	
4.6	3.9	7.1	6.3	9.2	9.1	7.9	
30.5	28.3	33.9	33.3	30.9	28.0	22.9	
76.49	87.34	81.70	75.55	73.12	67.10	61.69	
20,832	20,369	18,410	16,031	17,433	16,737	15,573	
263,043,057	263,043,057	263,043,057	263,043,057	263,043,057	263,043,057	242,543,057	
699,745	696,200	688,541	658,071	634,805	467,371	3,782,837	

Scope of Consolidation

The Sumitomo Rubber Group's consolidated financial statements include those of Sumitomo Rubber Industries and its 69 consolidated subsidiaries, as well as 13 equity-method affiliates (4 nonconsolidated subsidiaries and 9 affiliated companies).

In fiscal 2013, ended December 31, 2013, seven subsidiaries were newly included in the Company's scope of consolidation while three others were excluded. Of these seven subsidiaries, a Thai subsidiary operating a natural rubber processing factory and an Indian tire sales subsidiary were included due to their increased importance to the Group while four tire sales subsidiaries were newly established in China and thus included in the scope of consolidation. Also, the Company acquired a South African tire production and sales company, making it a consolidated subsidiary.

The three newly excluded companies comprised a domestic subsidiary administrating tire exports and a domestic sports goods sales company that were excluded due to mergers, while a golf course operation company was excluded because its stocks were transferred.

Business Environment

During fiscal 2013, the U.S. economy was bolstered by a modest but constant recovery while the European economy, which had been saddled with uncertainty due to anxiety about weakening, began to see signs of upswing. Asian and other emerging economies enjoyed a stable growth as a whole, although the pace of growth varied by country and region. Thus, a sense of a stable recovery prevailed in the overall global economy. In Japan, the ongoing depreciation of the yen boosted corporate earnings while private-sector consumption and capital investment remained stable, leading to a gradual economic recovery.

However, the business environment surrounding the Group remained harsh due to intensifying competition, particularly in the overseas tire replacement market, despite consistently low natural rubber prices and an improvement in export conditions accompanying the depreciation of the yen.

Revenues and Earnings

In fiscal 2013, consolidated net sales grew 9.9% from the previous fiscal year to ¥780,609 million. Overseas sales climbed 18.4% to ¥398,532 million and the overseas sales ratio increased 3.7 percentage points to 51.1%.

The cost of sales increased 8.1% year on year to ¥486,704 million. The cost of sales ratio improved, decreasing 1.1 percentage points year-on-year to 62.3% owing to consistently low market price of natural rubber. Gross profit rose 13.0% to ¥293,905 million.

Selling, general and administrative expenses grew 14.0% year on year to ¥216,850 million. This was mainly attributable to increases in advertising costs and other expenses associated with sales expansion measures, transportation, storage and packaging expenses, incentive bonuses and commission fees. The ratio of selling, general and administrative expenses to net sales edged up 1.0 percentage point year on year to 27.8%.

As a result, operating income for the fiscal year under review climbed 10.5% to ¥77,055 million and the operating income ratio edged up 0.1 of a percentage point to 9.9%.

Net other income (expenses) improved from a negative ¥5,661 million to a negative ¥3,034 million. Major factors contributing to the improvement included year-on-year decreases in equity in loss of unconsolidated subsidiaries and affiliates and impairment loss on fixed assets, totaling ¥735 million and ¥1,602 million, respectively.

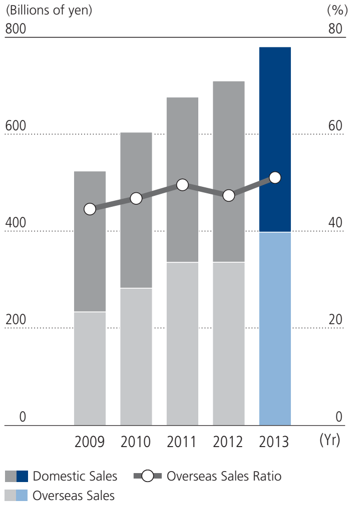
Reflecting these factors, income before income taxes and minority interests rose 15.5% year on year to ¥74,021 million. Income taxes increased 9.3% to ¥26,369 million, representing an effective tax rate of 35.6%, a decrease of 2.1 percentage points. After deducting minority interests in income, net income expanded 26.4% to ¥44,794 million. Net income per share was ¥170.76, and ROE (on a net income basis) edged down 0.4 of a percentage point to 15.6%, reflecting a substantial increase in total equity.

Results by Industry Segment

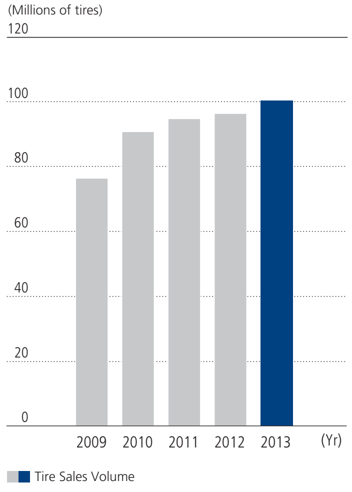
Tire Business

Sales in the Tire business increased 10.0% year on year to ¥681,100 million, while operating income rose 10.7% to ¥69,850 million. During the fiscal year under review, although product prices fell due to intensifying competition mainly in the overseas replacement market, raw material prices continued to decline and the yen depreciated in value against foreign currencies. Consequentially, a decline in raw material prices

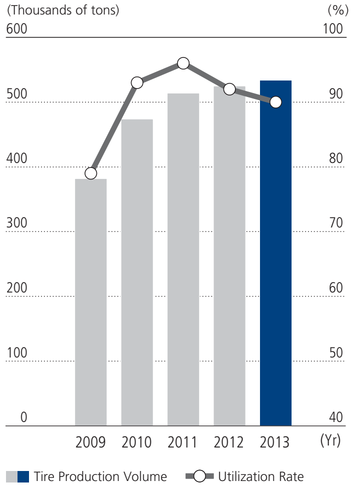
Domestic and Overseas Sales



Tire Sales Volume



Tire Production Volume and Utilization Rate



contributed to an approximately ¥34.7 billion year-on-year increase in profit, while a fall in sales prices led to an approximately ¥26.0 billion decrease in profit. The depreciation of the yen boosted profit about ¥11.0 billion. In addition, the Group took various steps aimed at improving profitability, including expanding sales of such high-value-added products as fuel-efficient tires, reinforcing production capacity at overseas factories and pursuing productivity enhancement. These steps, in turn, led to an overall increase in profit for the Tire business.

Sports Business

Sales in the Sports business grew 8.0% year on year to ¥66,261 million, while operating income fell 10.6% to ¥3,992 million. The XXIO 7 series, Dunlop Sports' flagship golf clubs aimed at the domestic market, continued to garner rave reviews even two years after their release, while The XXIO 8 series got off to a strong start after its launch in December 2013. However, the depreciation of the yen caused raw material costs to increase, leading to a decrease in profit.

Industrial and Other Products Business

Sales in the Industrial and Other Products business grew 12.6% from the previous fiscal year to ¥33,248 million, while operating income surged 49.8% to ¥3,205 million. Main contributors to the increase in profit included favorable sales of such products as medical rubber parts and the MIRAIE brand vibration control units for housing, sales of which were up thanks to the augmentation of the product lineup.

R&D Expenses

Research and development expenses increased 11.7% year on year to ¥21,822 million. The ratio of such expenses to consolidated net sales remained unchanged year on year at 2.8%. The Tire business accounted for ¥18,976 million of these expenses, up 11.4% from the previous fiscal year, the Sports business ¥1,337 million, up 15.8%, and the Industrial and Other Products business ¥1,509 million, up 11.8%.

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 2013 increased ¥10 per share from the previous fiscal year to ¥40 per share, which comprised a ¥15 interim dividend and a ¥25 year-end dividend. The dividend payout ratio on a consolidated basis was 23.4%.

Financial Position

Total assets as of December 31, 2013, were up ¥129,936 million year on year to ¥867,464 million. Total current assets rose ¥51,308 million to ¥407,483 million. This was due mainly to increases in notes and accounts receivable and inventories.

Total noncurrent assets climbed ¥78,628 million to ¥459,981 million, mainly reflecting increases in property, plant and equipment through capital investment as well as in investments in securities.

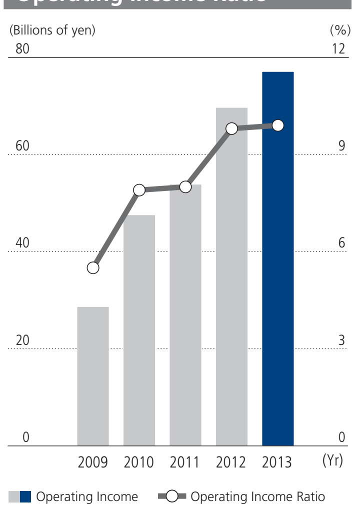
As of the end of the fiscal year under review, total liabilities were up ¥42,195 million from the previous fiscal year-end to ¥508,620 million. Interest-bearing debt as of the fiscal 2013 year-end increased ¥26,237 million to ¥302,113 million. However, the debt-to-equity ratio improved from 1.1 times as of the previous fiscal year-end to 0.9 times.

Total net assets at the fiscal year-end were up ¥87,741 million to ¥358,844 million, and net assets per share were ¥1,257.25, up from ¥930.74 at the previous fiscal year-end. Of the items comprising net assets, total equity, which is the sum of shareholders' equity and accumulated other comprehensive income, grew ¥85,648 million year on year to ¥329,813 million. The equity ratio was up 4.9 percentage points to 38.0%. ROA (on an operating income basis) declined 0.3 of a percentage point to 9.6% in step with an increase in total assets, despite growth in operating income.

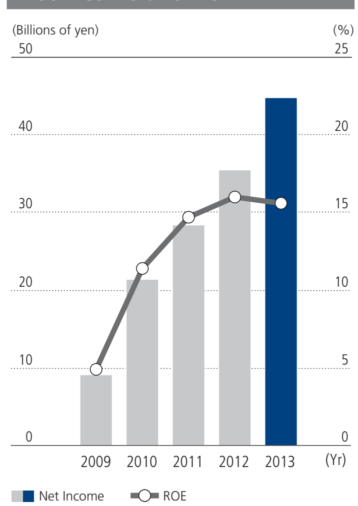
Capital Expenditures

During the fiscal year under review, the Group's capital expenditures amounted to ¥57,270 million (including leased tangible assets), a year-on-year rise of 0.7%.

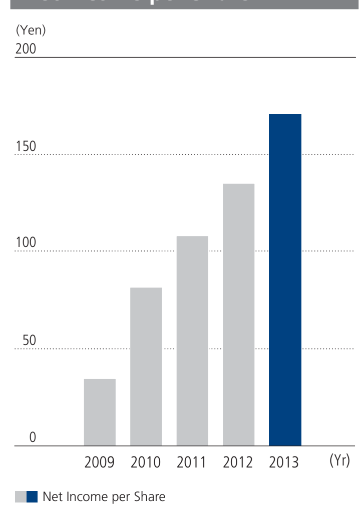
Operating Income and Operating Income Ratio



Net Income and ROE



Net Income per Share



The Tire business accounted for ¥54,268 million of the total, up 0.6% year on year. Funds were used mainly for facility renovation at domestic factories aimed at the streamlining of production with an eye to improving labor efficiency as well as for the reinforcement of production facilities at a factory in Thailand and a factory construction project in Brazil. The Sports business spent ¥1,858 million, down 10.4% from the previous fiscal year, mainly for the streamlining of production facilities and manufacture of metal molds for new products at domestic factories as well as for the reinforcement of production facilities at overseas factories. The Industrial and Other Products business used ¥1,143 million, up 30.8% year on year, to increase the medical rubber parts production capacity of the Kakogawa Factory. The necessary funds were furnished through a combination of cash on hand and borrowings.

Cash Flows

Net cash provided by operating activities was up ¥369 million year on year to ¥77,012 million. Major cash inflows included higher income before income taxes and minority interests as well as depreciation and amortization. Major cash outflows included an increase in notes and accounts receivable—trade.

Net cash used in investing activities increased ¥6,108 million to ¥68,275 million. A primary factor resulting in the change in outflow was ¥5,736 million used for the purchase of investments in subsidiaries resulting in change in scope of consolidation.

Net cash used in financing activities totaled ¥5,824 million, down ¥10,011 million compared with the previous fiscal year. Primary cash inflows included an ¥8,422 million net increase in short-term loans payable while outflows included funds appropriated for the payment of cash dividends totaling ¥9,182 million.

These activities, along with the significant effect of exchange rate changes on cash and cash equivalents, resulted in cash and cash equivalents at the end of the fiscal year under review rising ¥9,128 million to ¥42,004 million.

Free cash flow was a positive balance of ¥8,737 million. This was mainly owing to the recording of income before income taxes and minority interests.

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

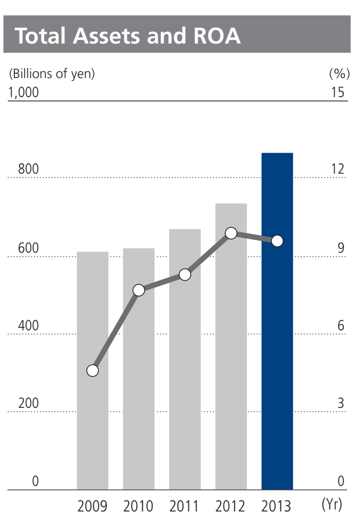
On the global level, the U.S. economy is likely to continue to see a gradual growth, while in the European economy is anticipated to begin recovering despite lingering financial anxieties. Although emerging nations are expected to enjoy stable economic growth, some of these nations might be negatively impacted by fund speculation, which could, in turn, trigger economic uncertainty.

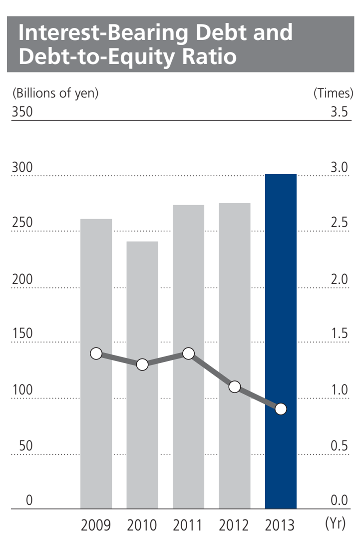
As for Japan's economic prospects, although the recovery is expected to sustain its current momentum, consumer confidence is likely to be undercut by the effect of the April 2014 consumption tax hike and fiscal uncertainty.

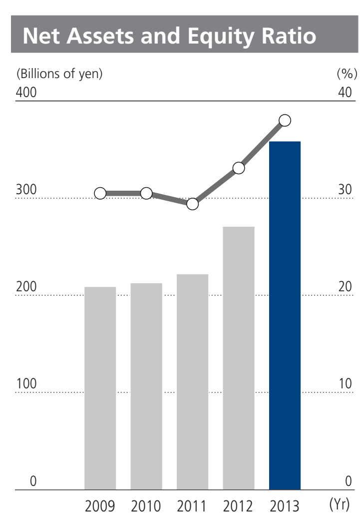
With the aim of addressing issues related to this severe business environment, the Group will take on various tasks while considering the risk factors mentioned in the following "Risk Information" section.

In the Tire business, Sumitomo Rubber Industries will maintain and enhance its presence in the domestic fuel-efficient tire market and, to this end, introduce new items in this category. Overseas, the Company will seek to expand sales in emerging countries, where demand is robust, while penetrating markets around the globe by introducing tires compliant with environmental regulations. Also, in unison with its efforts aimed at expanding sales in markets worldwide, the Company will increase production capacity and develop a supply structure to support sustainable business growth.

In the Sports business, the business environment will remain severe due to ongoing market shrinkage with regard to golf and tennis equipment and the further intensification of competition overseas. Amid this environment, Dunlop Sports will accelerate its business growth by working to expand global operations, focusing mainly on golf goods. In the







Industrial and Other Products business, Sumitomo Rubber Industries will strive to expand sales of such products as medical rubber parts and the MIRAIE brand vibration control units for housing.

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 51.1% in fiscal 2013, 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.

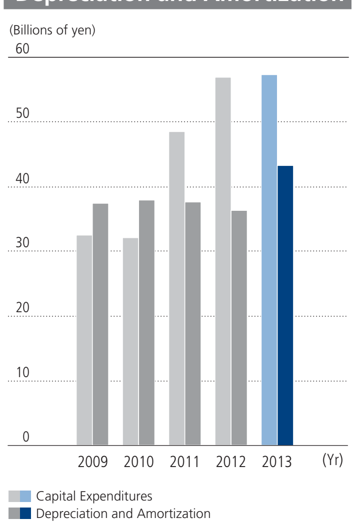
Alliance with Goodyear

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.

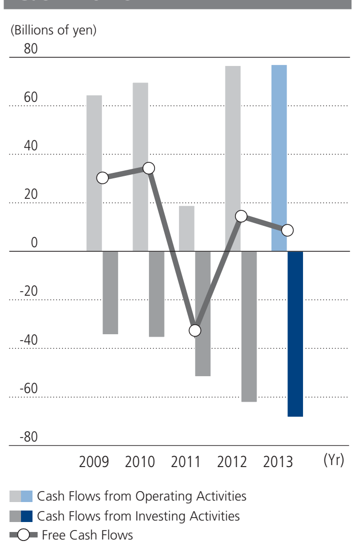
Disasters

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	**2013**	2012	**2013**
Assets			
Current assets:			
Cash and time deposits (Notes 3 and 4)	**¥ 42,441**	¥ 33,514	**$ 404,200**
Notes and accounts receivable (Note 4)—			
Trade	**196,996**	161,747	**1,876,152**
Unconsolidated subsidiaries and affiliates	**1,192**	1,179	**11,352**
Other	**19,389**	21,679	**184,657**
Allowance for doubtful accounts	**(1,945)**	(1,540)	**(18,524)**
Inventories (Note 5)	**130,427**	122,909	**1,242,162**
Short-term loans	**1,415**	100	**13,476**
Deferred tax assets (Note 12)	**12,557**	12,652	**119,590**
Other	**5,011**	3,935	**47,725**
Total current assets	**407,483**	356,175	**3,880,790**
Property, plant and equipment (Note 8):			
Land	**37,127**	36,707	**353,590**
Buildings and structures	**187,486**	167,296	**1,785,581**
Machinery, vehicles and equipment	**560,679**	499,208	**5,339,800**
Leased assets	**8,141**	6,768	**77,533**
Construction in progress	**33,224**	29,000	**316,420**
Accumulated depreciation	**(509,682)**	(468,154)	**(4,854,114)**
Net property, plant and equipment	**316,975**	270,825	**3,018,810**
Investments and other assets:			
Investments in securities (Notes 4 and 6)	**27,925**	17,108	**265,952**
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 4)	**41,664**	30,798	**396,800**
Long-term loans	**1,313**	3,053	**12,505**
Deferred tax assets (Note 12)	**6,010**	6,473	**57,238**
Long-term prepaid expenses	**3,747**	2,170	**35,686**
Trademarks (Note 9)	**1,683**	387	**16,029**
Goodwill and other intangible assets	**25,200**	18,731	**240,000**
Prepaid pension cost (Note 13)	**21,135**	21,817	**201,286**
Other	**15,294**	10,981	**145,656**
Allowance for doubtful accounts	**(965)**	(990)	**(9,190)**
Total investments and other assets	**143,006**	110,528	**1,361,962**
Total assets	**¥867,464**	¥737,528	**$8,261,562**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings (Notes 4 and 10)	**¥ 89,719**	¥ 71,385	**$ 854,467**
Current portion of long-term debt (Notes 4 and 10)	**58,853**	25,519	**560,505**
Notes and accounts payable (Note 4)—			
Trade	**76,044**	71,940	**724,229**
Unconsolidated subsidiaries and affiliates	**697**	867	**6,638**
Construction	**11,733**	10,164	**111,743**
Other	**35,647**	32,938	**339,495**
Accrued expenses	**20,055**	15,967	**191,000**
Allowance for sales returns	**2,645**	2,608	**25,190**
Accrued income taxes (Note 12)	**10,437**	15,642	**99,400**
Other (Note 12)	**7,356**	5,642	**70,057**
Total current liabilities	**313,186**	252,672	**2,982,724**
Long-term liabilities:			
Long-term debt (Notes 4 and 10)	**153,541**	178,972	**1,462,295**
Deferred tax liabilities (Note 12)	**15,983**	10,267	**152,219**
Accrued retirement benefits (Note 13)	**13,959**	12,778	**132,943**
Other	**11,951**	11,736	**113,819**
Total long-term liabilities	**195,434**	213,753	**1,861,276**
Contingent liabilities (Note 17)			
Net Assets			
Shareholders' equity:			
Common stock—			
Authorized: 800,000,000			
Issued: 263,043,057 shares in 2013 and 2012	**42,658**	42,658	**406,267**
Capital surplus	**38,661**	38,661	**368,200**
Retained earnings	**224,681**	188,700	**2,139,819**
Less treasury stock, at cost—			
2013—715,318 shares			
2012—710,059 shares	**(551)**	(543)	**(5,248)**
Total shareholders' equity	**305,449**	269,476	**2,909,038**
Accumulated other comprehensive income:			
Net unrealized gains and losses on available-for-sale securities	**11,521**	4,737	**109,724**
Deferred gains and losses on hedges	**164**	158	**1,562**
Currency translation adjustments	**31,676**	(8,736)	**301,676**
Adjustments for retirement obligation of foreign affiliates	**(18,997)**	(21,470)	**(180,924)**
Total accumulated other comprehensive income	**24,364**	(25,311)	**232,038**
Minority interests	**29,031**	26,938	**276,486**
Total net assets	**358,844**	271,103	**3,417,562**
Total liabilities and net assets	**¥867,464**	¥737,528	**$8,261,562**

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	**2013**	2012	**2013**
Net sales	**¥780,609**	¥710,247	**$7,434,371**
Cost of sales	**486,704**	450,226	**4,635,276**
Gross profit	**293,905**	260,021	**2,799,095**
Selling, general and administrative expenses	**216,850**	190,298	**2,065,238**
Operating income	**77,055**	69,723	**733,857**
Other income (expenses):			
Interest and dividend income	**1,446**	1,169	**13,771**
Interest expense	**(4,811)**	(4,644)	**(45,819)**
Gain on sales of property, plant and equipment	**647**	—	**6,162**
Loss on sales and retirement of property, plant and equipment	**(761)**	(867)	**(7,248)**
Foreign exchange gains and losses	**(3,562)**	947	**(33,924)**
Equity in losses of unconsolidated subsidiaries and affiliates	**(356)**	(1,091)	**(3,390)**
Impairment loss (Note 19)	**(136)**	(1,738)	**(1,295)**
Gain on valuation of derivatives	**4,098**	789	**39,029**
Other, net	**401**	(226)	**3,819**
	(3,034)	(5,661)	**(28,895)**
Income before income taxes and minority interests	**74,021**	64,062	**704,962**
Income taxes (Note 12):			
Current	**24,682**	25,071	**235,066**
Deferred	**1,687**	(949)	**16,067**
	26,369	24,122	**251,133**
Income before minority interests	**47,652**	39,940	**453,829**
Minority interests in income	**(2,858)**	(4,489)	**(27,219)**
Net income	**¥ 44,794**	¥ 35,451	**$ 426,610**

		Yen	U.S. dollars (Note 1)
Per share amounts:			
Net income	**¥170.76**	¥135.13	**$1.626**
Cash dividends	**40.00**	30.00	**0.381**

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	**2013**	2012	**2013**
Income before minority interests	**¥47,652**	¥39,940	**$453,829**
Other comprehensive income (Note 11):			
Net unrealized gains and losses on available-for-sale securities	**6,844**	1,944	**65,181**
Deferred gains and losses on hedges	**6**	188	**57**
Currency translation adjustments	**36,886**	18,573	**351,294**
Adjustments for retirement obligation of foreign affiliates	**(27)**	(15)	**(257)**
Share of other comprehensive income of affiliates under the equity method	**7,838**	(2,041)	**74,648**
	51,547	18,649	**490,923**
Comprehensive income	**¥99,199**	¥58,589	**$944,752**
Comprehensive income attributed to:			
Owners of the Company	**¥94,470**	¥53,085	**$899,714**
Minority interests	**4,729**	5,504	**45,038**

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	Adjustments for retirement obligation of foreign affiliates	Minority interests	Total net assets
Balance at beginning of fiscal 2012	¥42,658	¥38,661	¥159,827	¥(540)	¥2,816	¥ (30)	¥(29,761)	¥(15,970)	¥24,514	¥222,175
Disposal of treasury stock		0		0						0
Dividends from surplus			(6,558)							(6,558)
Net income			35,451							35,451
Purchase of treasury stock				(3)						(3)
Effect of change in reporting entities			(49)							(49)
Other			29		1,921	188	21,025	(5,500)	2,424	20,087
Balance at end of fiscal 2012	¥42,658	¥38,661	¥188,700	¥(543)	¥4,737	¥158	¥ (8,736)	¥(21,470)	¥26,938	¥271,103

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 beginning of fiscal 2013	¥42,658	¥38,661	¥188,700	¥(543)	¥ 4,737	¥158	¥ (8,736)	¥(21,470)	¥26,938	¥271,103
Disposal of treasury stock		**0**		**0**						**0**
Dividends from surplus			**(9,182)**							**(9,182)**
Net income			**44,794**							**44,794**
Purchase of treasury stock				**(8)**						**(8)**
Effect of change in reporting entities			**354**							**354**
Other			**15**		**6,784**	**6**	**40,412**	**2,473**	**2,093**	**51,783**
Balance at end of fiscal 2013	**¥42,658**	**¥38,661**	**¥224,681**	**¥(551)**	**¥11,521**	**¥164**	**¥31,676**	**¥(18,997)**	**¥29,031**	**¥358,844**
										Thousands of U.S. dollars (Note 1)
Balance at beginning of fiscal 2013	$406,267	$368,200	$1,797,143	$(5,172)	$ 45,114	$1,505	$ (83,200)	$(204,476)	$256,552	$2,581,933
Disposal of treasury stock		**0**		**0**						**0**
Dividends from surplus			**(87,448)**							**(87,448)**
Net income			**426,610**							**426,610**
Purchase of treasury stock				**(76)**						**(76)**
Effect of change in reporting entities			**3,371**							**3,371**
Other			**143**		**64,610**	**57**	**384,876**	**23,552**	**19,934**	**493,172**
Balance at end of fiscal 2013	**$406,267**	**$368,200**	**$2,139,819**	**$(5,248)**	**$109,724**	**$1,562**	**$301,676**	**$(180,924)**	**$276,486**	**$3,417,562**

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	**2013**	2012	**2013**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 74,021**	¥64,062	**$ 704,962**
Depreciation and amortization	**43,279**	36,278	**412,181**
Impairment loss	**136**	1,738	**1,295**
Loss (gain) on sales and retirement of noncurrent assets	**113**	867	**1,076**
Loss (gain) on sales of stocks of subsidiaries and affiliates	**311**	901	**2,962**
Equity in earnings and losses of affiliates	**356**	1,091	**3,390**
Increase (decrease) in allowance for doubtful accounts	**106**	(286)	**1,010**
Increase (decrease) in provision for retirement benefits	**342**	295	**3,257**
(Increase) decrease in prepaid pension costs	**682**	1,254	**6,495**
Interest and dividend income	**(1,446)**	(1,169)	**(13,771)**
Interest expense	**4,811**	4,644	**45,819**
(Increase) decrease in notes and accounts receivable—trade	**(20,367)**	(7,196)	**(193,971)**
(Increase) decrease in inventories	**10,540**	657	**100,381**
Increase (decrease) in notes and accounts payable—trade	**(1,928)**	(6,327)	**(18,362)**
Increase (decrease) in accounts payable—other	**3,544**	1,061	**33,752**
Other, net	**(4,526)**	(3,312)	**(43,105)**
Subtotal	**109,974**	94,558	**1,047,371**
Interest and dividend income received	**2,547**	1,446	**24,257**
Interest expense paid	**(4,852)**	(4,388)	**(46,210)**
Income taxes paid	**(30,657)**	(14,973)	**(291,970)**
Net cash provided by (used in) operating activities	**77,012**	76,643	**733,448**
Cash flows from investing activities:			
Payments into time deposits	**—**	(1,157)	**—**
Proceeds from withdrawal from time deposits	**324**	1,265	**3,086**
Purchase of property, plant and equipment	**(54,650)**	(55,398)	**(520,476)**
Purchase of intangible assets	**(5,807)**	(3,525)	**(55,305)**
Proceeds from sales of noncurrent assets	**1,053**	341	**10,029**
Purchase of investments in subsidiaries resulting in change in scope of consolidation	**(5,736)**	—	**(54,629)**
Purchase of investments in subsidiaries	**—**	(2,828)	**—**
Purchase of treasury stock of subsidiaries in consolidation	**—**	(502)	**—**
Purchase of investment securities	**(12)**	(15)	**(114)**
Proceeds from sales of investment securities	**0**	139	**0**
Purchase of stocks of subsidiaries and affiliates	**(3,494)**	(507)	**(33,276)**
Net (increase) decrease in short-term loans receivable	**(123)**	(29)	**(1,171)**
Payments of long-term loans receivable	**(398)**	(47)	**(3,790)**
Collection of long-term loans receivable	**1,058**	65	**10,076**
Other, net	**(490)**	31	**(4,668)**
Net cash provided by (used in) investing activities	**(68,275)**	(62,167)	**(650,238)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	**8,422**	(9,337)	**80,210**
Proceeds from long-term debt and newly issued bonds	**23,692**	22,415	**225,638**
Repayments of long-term debt and redemption of bonds	**(24,113)**	(19,513)	**(229,648)**
Proceeds from issuance of stock to minority shareholders	**202**	—	**1,924**
Cash dividends paid	**(9,182)**	(6,558)	**(87,448)**
Cash dividends paid to minority shareholders	**(3,265)**	(1,614)	**(31,095)**
Net (increase) decrease in treasury stock	**(8)**	(3)	**(76)**
Other, net	**(1,572)**	(1,225)	**(14,972)**
Net cash provided by (used in) financing activities	**(5,824)**	(15,835)	**(55,467)**
Effect of exchange rate change on cash and cash equivalents	**5,533**	2,629	**52,695**
Net increase (decrease) in cash and cash equivalents	**8,446**	1,270	**80,438**
Cash and cash equivalents at beginning of period	**32,876**	28,511	**313,105**
Increase (decrease) in cash and cash equivalents due to change in reporting entities	**682**	3,095	**6,495**
Cash and cash equivalents at end of period (Note 3)	**¥ 42,004**	¥32,876	**$ 400,038**

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, 2013 and 2012

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Sumitomo Rubber Industries, Ltd. ("the Company") have been prepared in accordance with the provisions set of forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

The U.S. dollar amounts appearing in the consolidated financial statements are included solely for convenience of the readers outside Japan and presented at the rate of ¥105 to US$1.00, the approximate rate prevailing at December 31, 2013. The translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that rate.

2. Summary of Significant Accounting Policies

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of the Company and, with minor exceptions, those of its majority-owned subsidiaries at the relevant balance sheet dates. All significant intercompany accounts, transactions and unrealized profit or losses have been 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 using the equity method. Under the equity method, investments are stated at cost plus/minus the Company's equity in undistributed earnings or losses. The Company's equity in current earnings or losses of such companies is, after the elimination of unrealized intercompany profits, included in the consolidated statements of income.

SRI Tire Trading Ltd., which was treated as a consolidated subsidiary in 2012, was merged into the Company. Dunlop Sports Chubu Co., Ltd., was merged into Dunlop Sports Marketing Co. Ltd. Both SRI Tire Trading Ltd. and Dunlop Sports Chubu Co., Ltd., were excluded from consolidation in fiscal 2013.

Dunlop Sports Co. Ltd., a subsidiary of the Company, sold all its stocks in Bambi Kogen Kaihatsu Co., Ltd. on August 30, 2013 and that company was excluded from consolidation in fiscal 2013. However, for the period from January 1, 2013 to June 30, 2013 (deemed date of sale), the income statements of Bambi Kogen Kaihatsu Co., Ltd. were included in consolidation.

Sumirubber Thai Eastern Corporation Co., Ltd. and Falken Tyre India Private Limited, the operations of which became significant in fiscal 2013, were included in consolidation in fiscal 2013.

Dunlop Tire Trading (Shanghai) Co., Ltd., Dunlop Tire Trading (Tianjin) Co., Ltd., Dunlop Tire Trading (Dalian) Co., Ltd., and Dunlop Tire Trading (Guangzhou) Co., Ltd. were included in consolidation in fiscal 2013 due to their being founded during the year. Apollo Tyres South Africa (Pty) Limited was included in consolidation in fiscal 2013 due to a stock acquisition. (On January 27, 2014, the acquired company changed its trade name to Sumitomo Rubber South Africa (Pty) Limited). The acquired company's balance sheet at December 31, 2013 (deemed date of acquisition) was included in consolidation.

Consolidated subsidiaries that have a fiscal year ending other than December 31 have prepared provisional financial statements to conform to the fiscal year of the Company for group consolidation purposes.

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 positive 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 as goodwill when those companies are initially included in consolidation or accounted for by the equity method. Generally, negative differences generated on or before March 31, 2010 and goodwill are amortized using the straight-line method over a period within 20 years. Minor goodwill and negative differences generated after March 31, 2010 are charged or credited to cost or income.

(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 the rates of exchange prevailing at the balance sheet date, except for those hedged by forward exchange contracts, which are translated at the contract rates. Resulting the exchange gains and losses are included in the consolidated statements of income.

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 and charged 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 loss or gain 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 contracts' rates. 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

(b) Hedging policy

The Company and its consolidated subsidiaries use financial instruments to hedge market and 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 net realizable value.

(7) Allowance for doubtful accounts

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

(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. The estimated useful life of assets from the major classes of depreciable assets ranges from 3 to 60 years for buildings and structures and from 1 to 20 years for machinery, vehicles 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 lease 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 lives of the assets.

(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

The Company and its subsidiaries provide an accrual for defined benefit employees' pension and severance benefits based on the projected benefit obligation and the fair value of plan assets at the balance sheet date. Prior service costs are charged to income on a straight-line basis, beginning from the fiscal year in which they are incurred, over a fixed number of years (principally 15 years) within the average remaining years of service of employees when the changes occur. Actuarial differences are charged to income on a straight-line basis, beginning from the following fiscal year after they are incurred, over a fixed number of years (10 and 15 years) within the average remaining years of service of employees when the differences occur. Accrued retirement benefits for directors and statutory auditors of certain consolidated subsidiaries, which are included in other long-term liabilities, are recorded in 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 General Meeting of Shareholders.

(14) Income taxes

Income taxes are accounted for by the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, operating loss carryforwards and foreign tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(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, 2013 or December 31, 2012.

(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 and restatements

Certain prior year amounts have been reclassified and restated to conform to the current year's presentation. These reclassifications and restatements had no effect on previously reported results of operations or retained earnings.

(18) Unapplied accounting standards

• Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, May 17, 2012)
• Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(a) Summary

Under the amended rule, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are to be recognized within the net asset section, after adjusting for tax effects, and the deficit or surplus is to be recognized as a liability or asset without any adjustments. For determining the method of attributing the expected benefit to periods, the new standard allows companies to choose the benefit formula basis as well as the straight-line basis. The method used for determining the discount rate has also been amended.

(b) The date at which the Company plans to initially apply the accounting standards

The Company plans to apply them from December 31, 2014, except for the amendments related to the determination of retirement benefit obligations and current service costs, which will be applied from the beginning of fiscal 2015.

(c) Impact of application of standards

The Company and its consolidated domestic subsidiaries are currently in the process of estimating the effects of these new standards on the consolidated financial statements.

3. 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
	2013	2012	**2013**
Cash and time deposits	**¥42,441**	¥33,514	**$404,200**
Time deposits with a maturity of over three months	**(437)**	(638)	**(4,162)**
Cash and cash equivalents	**¥42,004**	¥32,876	**$400,038**

In fiscal 2013, the Company obtained control of Apollo Tyres South Africa (Pty) Limited as a result of an acquisition of shares (on January 27, 2014, the acquired company changed its trade name to Sumitomo Rubber South Africa (Pty) Limited). The assets and liabilities of the consolidated subsidiary at the time of consolidation in connection with the acquisition cost and net cash paid for the acquisition were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥7,448	$70,933
Noncurrent assets	5,230	49,810
Goodwill	3,303	31,457
Current liabilities	(8,745)	(83,286)
Noncurrent liabilities	(1,018)	(9,695)
Acquisition cost	6,218	59,219
Cash and cash equivalents	(482)	(4,590)
Net cash paid for the acquisition	¥5,736	$54,629

4. Financial Instruments

(1) Qualitative information on financial instruments

(a) Policies for using financial instruments

The Company and its consolidated subsidiaries raise funds 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 through 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.

(b) 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 risks through the implementation of rules for credit controls. Operating receivables denominated in foreign currencies are exposed to foreign exchange risk, but the risk is hedged using forward exchange contracts, etc., for the net position of foreign currency operating payables. The risk of fluctuation in fair value is hedged using borrowings denominated in foreign currencies, with the balance consisting of foreign currency operating receivables and foreign currency operating payables. 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 associated with foreign currency debt and credit; currency swap contracts; and interest swap contracts to hedge fluctuation risks associated with interest rates for and fair values of debt. The Company and its consolidated subsidiaries manage and control these risks according to management's rules for derivative transactions.

(2) Fair value of financial instruments

The carrying amounts and fair values of the financial instruments on the consolidated balance sheet at December 31, 2013 and 2012 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		
	2013			**2013**		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and time deposits	**¥ 42,441**	**¥ 42,441**	**¥ —**	**$ 404,200**	**$ 404,200**	**$ —**
Trade notes and accounts receivable	**198,188**	**198,188**	**—**	**1,887,504**	**1,887,504**	**—**
Investments in securities	**27,594**	**27,594**	**—**	**262,800**	**262,800**	**—**
Total assets	**¥268,223**	**¥268,223**	**¥ —**	**$2,554,504**	**$2,554,504**	**$ —**
Trade notes and accounts payable	**¥ 76,741**	**¥ 76,741**	**¥ —**	**$ 730,867**	**$ 730,867**	**$ —**
Short-term borrowings	**89,719**	**89,719**	**—**	**854,467**	**854,467**	**—**
Accrued accounts payable	**46,371**	**46,371**	**—**	**441,628**	**441,628**	**—**
Bonds	**65,000**	**67,042**	**2,042**	**619,048**	**638,495**	**19,447**
Long-term debt	**141,926**	**142,067**	**141**	**1,351,676**	**1,353,019**	**1,343**
Total liabilities	**¥419,757**	**¥421,940**	**¥2,183**	**$3,997,686**	**$4,018,476**	**$20,790**
Derivative transactions						
Contracts for which hedge accounting was not adopted	**¥ 4,686**	**¥ 4,686**	**¥ —**	**$ 44,629**	**$ 44,629**	**$ —**
Contracts for which hedge accounting was adopted	**264**	**264**	**—**	**2,514**	**2,514**	**—**

	Millions of yen		
	2012		
	Carrying amount	Fair value	Difference
Cash and time deposits	¥ 33,514	¥ 33,514	¥ —
Trade notes and accounts receivable	162,926	162,926	—
Investments in securities	16,780	16,780	—
Total assets	¥213,220	¥213,220	¥ —
Trade notes and accounts payable	¥ 72,807	¥ 72,807	¥ —
Short-term borrowings	71,385	71,385	—
Accrued accounts payable	42,243	42,243	—
Bonds	75,000	77,708	2,708
Long-term debt	124,255	124,975	720
Total liabilities	¥385,690	¥389,118	¥3,428
Derivative transactions			
Contracts for which hedge accounting was not adopted	¥ 648	¥ 648	¥ —
Contracts for which hedge accounting was adopted	255	255	—

(a) Valuation methods used to determine the fair value of financial instruments

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:

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 such borrowings are processed as a unit using the rate set by the interest rate swap.

Derivative transactions:
See Note 7. Derivative Financial Instruments.

(b) Financial instruments for which fair value is difficult to determine

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Unlisted securities (available-for-sale securities)	**¥ 331**	¥ 328	**$ 3,152**
Unlisted investments in affiliates	**41,664**	30,798	**396,800**

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."

5. Inventories

Inventories as of December 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Finished goods	**¥ 79,834**	¥ 78,808	**$ 760,324**
Work-in-process	**6,159**	5,181	**58,657**
Raw materials	**35,880**	32,136	**341,714**
Supplies	**8,554**	6,784	**81,467**
Total	**¥130,427**	¥122,909	**$1,242,162**

6. Investments in Securities

As of December 31, 2013 and 2012, 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
	2013	2012	**2013**
Available-for-sale securities:			
Cost	**¥ 9,736**	¥ 9,544	**$ 92,724**
Book value	**27,594**	16,780	**262,800**
Unrealized gains	**17,860**	7,821	**170,095**
Unrealized losses	**(2)**	(585)	**(19)**

7. Derivative Financial Instruments

Fair value information regarding derivative financial instruments as of December 31, 2013 and 2012 was as follows:

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

Currency related contracts

	Millions of yen						Thousands of U.S. dollars		
	2013			2012			**2013**		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts									
To buy foreign currencies	**¥ 1,923**	**¥ 22**	**¥ 22**	¥ 3,319	¥ 85	¥ 85	**$ 18,314**	**$ 210**	**$ 210**
To sell foreign currencies	**14,870**	**(717)**	**(716)**	7,908	(489)	(488)	**141,619**	**(6,829)**	**(6,819)**
Currency swap contracts	**42,051**	**5,381**	**4,386**	27,664	1,052	1,212	**400,486**	**51,248**	**41,771**
Total	**¥58,844**	**¥4,686**	**¥3,692**	¥38,891	¥ 648	¥ 809	**$560,419**	**$44,629**	**$35,162**

(2) Derivative transactions for which hedge accounting has been applied

(a) Currency related contracts

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		**2013**	
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
Forward foreign exchange contracts						
Deferred hedges						
To buy foreign currencies	**¥19,717**	**¥281**	¥4,473	¥282	**$187,781**	**$2,676**
To sell foreign currencies	**619**	**(17)**	1,006	(27)	**5,895**	**(162)**
Designation method for forward foreign exchange contracts, etc.						
To buy foreign currencies	**¥ 643**	(Note)	¥ 36	(Note)	**$ 6,124**	(Note)
To sell foreign currencies	**446**	(Note)	125	(Note)	**4,248**	(Note)
Total	**¥21,425**	**¥264**	¥5,640	¥255	**$204,048**	**$2,514**

(b) Interest rate related contracts

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		**2013**	
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
Interest rate swap contracts						
Receive variable rate, give fixed rate	**¥40,741**	(Note)	¥32,700	(Note)	**$388,010**	(Note)

Note: Fair value above is based on prices provided by financial institutions.
The fair value of some derivative financial instruments was included in the fair value of accounts receivable, accounts payable and long-term debt and long-term loans as hedged items because those derivative financial instruments were used to hedge the risk of foreign currency or interest fluctuation and were booked with related accounts receivable, accounts payable and long-term debt and long-term loans as a unit according to Japanese accounting regulations.

8. Property, Plant and Equipment

The depreciation expense for the years ended December 31, 2013 and 2012 was ¥38,136 million ($363,200 thousand) and ¥32,156 million, respectively.

9. Trademarks

For the years ended December 31, 2013 and 2012, the amortization expense for capitalized trademarks was ¥67 million ($638 thousand) and ¥175 million, respectively. The increase in trademarks resulted mainly from business combinations in the amount of ¥1,261 million ($12,010 thousand).

See Note 20. Business Combination.

10. Short-Term Borrowings and Long-Term Debt

Short-term borrowings of ¥89,719 million ($854,467 thousand) and ¥71,385 million as of December 31, 2013 and 2012, respectively, bore interest at rates ranging from 0.09% to 5.13% and from 0.01% to 9.00% per annum, respectively.

Long-term debt as of December 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
1.83% unsecured bonds due 2013 payable in Japanese yen	**¥ —**	¥ 10,000	**$ —**
1.84% unsecured bonds due 2014 payable in Japanese yen	**10,000**	10,000	**95,238**
1.25% unsecured bonds due 2014 payable in Japanese yen	**10,000**	10,000	**95,238**
0.58% unsecured bonds due 2016 payable in Japanese yen	**10,000**	10,000	**95,238**
2.19% unsecured bonds due 2017 payable in Japanese yen	**5,000**	5,000	**47,619**
2.17% unsecured bonds due 2018 payable in Japanese yen	**10,000**	10,000	**95,238**
2.07% unsecured bonds due 2019 payable in Japanese yen	**10,000**	10,000	**95,238**
1.38% unsecured bonds due 2021 payable in Japanese yen	**10,000**	10,000	**95,238**
Loans payable to banks and other financial institutions due from 2014 to 2023 with interest rates of 0.19% to 5.45% for 2013 and 2012			
Unsecured	**141,926**	124,255	**1,351,676**
Finance lease obligations	**5,468**	5,236	**52,077**
Subtotal	**212,394**	204,491	**2,022,800**
Less current portion of long-term debt:			
Bonds	**(20,000)**	(10,000)	**(190,476)**
Finance lease obligations	**(1,514)**	(1,407)	**(14,419)**
Long-term debt	**(37,339)**	(14,112)	**(355,610)**
Subtotal	**(58,853)**	(25,519)	**(560,505)**
Total	**¥153,541**	¥178,972	**$1,462,295**

The aggregate annual maturities of long-term debt as of December 31, 2013 were as follows:

Years ending December 31	Millions of yen	Thousands of U.S. dollars
2014	¥ 58,853	$ 560,505
2015	23,694	225,657
2016	39,788	378,933
2017	26,035	247,952
2018	27,803	264,790
2019 and thereafter	36,221	344,963
Total	¥212,394	$2,022,800

Substantially all loans from banks and other financial institutions are under agreements which provide that under certain conditions a borrower may be required to provide collateral (or additional collateral) or guarantors with respect to the loans and that collateral, whether furnished as security for short-term or long-term loans or otherwise, may be treated by the lender as collateral for all indebtedness to that bank or financial institutions. Default provisions in the agreements grant certain rights of possession to the banks and other financial institutions.

11. Consolidated Statements of Comprehensive Income

Amounts reclassified to net income (loss) in the years ended December 31, 2013 and 2012 that were recognized in other comprehensive income in these or previous fiscal periods and the tax effects of each component of other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Net unrealized gains and losses on available-for-sale securities			
Increase (decrease) during the year	**¥10,541**	¥ 3,054	**$100,390**
Reclassification adjustments	**—**	(68)	**—**
Subtotal, before tax	**10,541**	2,986	**100,390**
Tax effects	**(3,697)**	(1,042)	**(35,209)**
Subtotal, net of tax	**6,844**	1,944	**65,181**
Deferred gains and losses on hedges			
Increase (decrease) during the year	**¥ 623**	¥ 295	**$ 5,933**
Reclassification adjustments	**—**	9	**—**
Adjustment for acquisition cost of hedged items	**(719)**	—	**(6,847)**
Subtotal, before tax	**(96)**	304	**(914)**
Tax effects	**102**	(116)	**971**
Subtotal, net of tax	**6**	188	**57**
Currency translation adjustments			
Increase (decrease) during the year	**¥37,272**	¥18,624	**$354,971**
Reclassification adjustments	**—**	—	**—**
Subtotal, before tax	**37,272**	18,624	**354,971**
Tax effects	**(386)**	(51)	**(3,677)**
Subtotal, net of tax	**36,886**	18,573	**351,294**
Adjustments for retirement obligations of foreign affiliates			
Increase (decrease) during the year	**¥ 20**	¥ (23)	**$ 190**
Reclassification adjustments	**—**	—	**—**
Subtotal, before tax	**20**	(23)	**190**
Tax effects	**(47)**	8	**(447)**
Subtotal, net of tax	**(27)**	(15)	**(257)**
Share of other comprehensive income of affiliates under the equity method			
Increase (decrease) during the year	**¥ 7,273**	¥ (2,441)	**$ 69,267**
Reclassification adjustments	**565**	400	**5,381**
Subtotal, net of tax	**7,838**	(2,041)	**74,648**
Total other comprehensive income	**¥51,547**	¥18,649	**$490,923**

12. Income Taxes

The Company and its consolidated subsidiaries are subject to a number of different income taxes in Japan which, in the aggregate, resulted in a statutory tax rate of approximately 37.8% and 40.4% for the years ended December 31, 2013 and 2012, respectively. 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, 2013 and 2012 were as follows:

	2013	2012
Statutory tax rate	**37.8%**	40.4%
Undistributed benefits of consolidated subsidiaries	**1.7**	1.7
Expenses not deductible for tax purposes	**1.6**	0.6
Valuation allowance	**1.6**	(2.0)
Amortization of goodwill	**0.3**	0.5
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	**0.2**	0.7
Differences in statutory tax rates of foreign subsidiaries	**(4.2)**	(5.0)
Tax exemption of foreign subsidiaries	**(1.1)**	(0.8)
Tax credits for research and development costs	**(0.8)**	(1.2)
Effect arising from a change in tax rates	**—**	0.8
Other	**(1.5)**	2.0
Effective tax rate for consolidated statements of income	**35.6%**	37.7%

Significant components of deferred tax assets and liabilities as of December 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Deferred tax assets:			
Unrealized profits	**¥ 5,883**	¥ 5,399	**$ 56,029**
Accrued retirement benefits	**3,867**	3,774	**36,829**
Tax loss carryforwards	**2,954**	2,651	**28,133**
Loss on impairment of fixed assets	**2,665**	2,439	**25,381**
Incentive bonuses	**1,860**	2,087	**17,714**
Accrued bonuses	**1,434**	1,240	**13,657**
Allowance for sales returns	**1,000**	986	**9,524**
Inventories	**818**	1,145	**7,790**
Accrued business enterprise tax	**792**	924	**7,543**
Advertising	**976**	823	**9,295**
Allowance for doubtful accounts	**617**	655	**5,876**
Loss on impairment of investment securities	**496**	502	**4,724**
Depreciation	**422**	491	**4,019**
Loss on impairment of golf club memberships	**199**	210	**1,895**
Other	**5,693**	4,442	**54,220**
Total deferred tax assets	**¥ 29,676**	¥ 27,768	**$ 282,629**
Less valuation allowance	**(5,681)**	(4,873)	**(54,106)**
Net deferred tax assets	**¥ 23,995**	¥ 22,895	**$ 228,523**
Deferred tax liabilities:			
Prepaid pension cost	**¥ (3,281)**	¥ (3,719)	**$ (31,248)**
Undistributed benefits of consolidated subsidiaries	**(4,038)**	(2,823)	**(38,457)**
Deferred gains on sales of property, plant and equipment	**(1,906)**	(1,872)	**(18,152)**
Unrealized gains on available-for-sale securities	**(6,170)**	(2,477)	**(58,762)**
Unrealized gain on land of a consolidated subsidiary	**(1,146)**	(1,164)	**(10,914)**
Other	**(4,872)**	(2,009)	**(46,400)**
Total deferred tax liabilities	**¥(21,413)**	¥(14,064)	**$(203,933)**
Deferred tax assets, net	**¥ 2,582**	¥ 8,831	**$ 24,590**

Deferred income taxes, net as of December 31, 2013 and 2012 were included in the following accounts:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Current assets—deferred tax assets	**¥12,557**	¥12,652	**$119,590**
Investments and other assets—deferred tax assets	**6,010**	6,473	**57,238**
Current liabilities—deferred tax liabilities (current liabilities—other)	**(2)**	(27)	**(19)**
Long-term liabilities—deferred tax liabilities	**(15,983)**	(10,267)	**(152,219)**

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.

The liability for severance and retirement benefits included in the liabilities section of the consolidated balance sheets as of December 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Benefit obligation	**¥(52,929)**	¥(51,825)	**$(504,086)**
Fair value of plan assets	**66,647**	53,998	**634,734**
Funded status:			
Benefit obligation in excess of plan assets	**13,718**	2,173	**130,648**
Unrecognized actuarial differences	**(5,965)**	7,547	**(56,810)**
Unrecognized prior service cost	**(577)**	(681)	**(5,495)**
Subtotal	**7,176**	9,039	**68,343**
Prepaid pension cost	**21,135**	21,817	**201,286**
Accrued retirement benefits	**¥(13,959)**	¥(12,778)	**$(132,943)**

The Company and certain consolidated subsidiaries abolished the retirement benefit plans for directors and statutory auditors in March 2005. Accrued retirement benefits for directors and statutory auditors amounting to ¥113 million ($1,076 thousand) and ¥162 million as of December 31, 2013 and 2012, respectively, were excluded from the above table.

The retirement and pension costs of the Company and its consolidated subsidiaries for the years ended December 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Service cost	**¥2,570**	¥2,439	**$24,476**
Interest cost	**951**	955	**9,057**
Expected return on plan assets	**(898)**	(843)	**(8,552)**
Amortization of actuarial differences	**879**	1,384	**8,371**
Amortization of prior service cost	**(100)**	(101)	**(952)**
Severance and retirement benefit expense	**3,402**	3,834	**32,400**
Contributions to the defined contribution pension plan	**717**	708	**6,829**
Net periodic benefit costs	**¥4,119**	¥4,542	**$39,229**

The discount rate used by the Company and the domestic consolidated subsidiaries was mainly 2.0% in 2013 and 2012, and the expected return on plan assets was mainly 2.5% in 2013 and 2012.

14. Research and Development Expenses

Research and development expenses for the years ended December 31, 2013 and 2012 were ¥21,822 million ($207,829 thousand) and ¥19,539 million, respectively.

15. 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	**2013**	2012	**2013**
Net sales:			
Tires—			
Sales to unaffiliated customers	**¥681,100**	¥619,361	**$6,486,667**
Intersegment sales and transfers	**19**	13	**181**
	681,119	619,374	**6,486,848**
Sports—			
Sales to unaffiliated customers	**66,261**	61,346	**631,057**
Intersegment sales and transfers	**337**	331	**3,210**
	66,598	61,677	**634,267**
Industrial and Other Products—			
Sales to unaffiliated customers	**33,248**	29,539	**316,648**
Intersegment sales and transfers	**46**	51	**438**
	33,294	29,590	**317,086**
Adjustments	**(402)**	(394)	**(3,830)**
	¥780,609	¥710,247	**$7,434,371**
Segment profit or loss:			
Tires	**¥ 69,850**	¥ 63,090	**$ 665,238**
Sports	**3,992**	4,465	**38,019**
Industrial and Other Products	**3,205**	2,139	**30,524**
	77,047	69,694	**733,781**
Adjustments	**8**	29	**76**
	¥ 77,055	¥ 69,723	**$ 733,857**
Segment assets:			
Tires	**¥749,704**	¥642,413	**$7,140,038**
Sports	**56,794**	54,940	**540,895**
Industrial and Other Products	**28,149**	25,205	**268,086**
	834,647	722,558	**7,949,019**
Adjustments	**32,817**	14,970	**312,543**
	¥867,464	¥737,528	**$8,261,562**
Increase in tangible and intangible fixed assets:			
Tires	**¥ 62,469**	¥ 58,660	**$ 594,943**
Sports	**2,903**	2,807	**27,648**
Industrial and Other Products	**1,225**	937	**11,666**
	66,597	62,404	**634,257**
Adjustments	**—**	—	**—**
	¥ 66,597	¥ 62,404	**$ 634,257**

Years ended December 31	Millions of yen 2013	2012	Thousands of U.S. dollars 2013
Depreciation and amortization:			
Tires	**¥ 40,773**	¥ 34,005	**$ 388,314**
Sports	**1,697**	1,515	**16,162**
Industrial and Other Products	**809**	758	**7,705**
	43,279	36,278	**412,181**
Adjustments	**—**	—	**—**
	¥ 43,279	¥ 36,278	**$ 412,181**
Amortization of goodwill:			
Tires	**¥ 325**	¥ 475	**$ 3,095**
Sports	**613**	832	**5,838**
Industrial and Other Products	**—**	—	**—**
	938	1,307	**8,933**
Adjustments	**—**	—	**—**
	¥ 938	¥ 1,307	**$ 8,933**
Investments in equity method affiliates:			
Tires	**¥ 36,703**	¥ 28,580	**$ 349,553**
Sports	**69**	184	**657**
Industrial and Other Products	**—**	—	**—**
	36,772	28,764	**350,210**
Adjustments	**—**	—	**—**
	¥ 36,772	¥ 28,764	**$ 350,210**

(a) Segment profit or loss included in "Adjustments" comprised elimination of intersegment transactions.

(b) Segment assets included in "Adjustments" comprised corporate assets of ¥33,078 million ($315,029 thousand) and ¥14,659 million at December 31, 2013 and 2012, respectively, and consisted mainly of cash and time deposits, investment securities owned by the Company and assets for administration divisions as well as the elimination of intersegment transactions of ¥261 million ($2,486 thousand) and ¥311 million at December 31, 2013 and 2012, respectively.

(c) Segment profit corresponds to operating income.

(d) Depreciation and amortization comprised the amount of depreciation in long-term prepaid expenses.

(e) The increase in tangible and intangible fixed assets comprised an increase in long-term prepaid expenses.

(2) Related information

(a) Information about geographical areas

Years ended December 31	Millions of yen 2013	2012	Thousands of U.S. dollars 2013
Net sales:			
Japan	**¥382,077**	¥373,715	**$3,638,829**
Asia	**150,792**	117,322	**1,436,114**
North America	**89,231**	81,255	**849,819**
Other areas	**158,509**	137,955	**1,509,609**
Total	**¥780,609**	¥710,247	**$7,434,371**
Net property, plant and equipment:			
Japan	**¥138,490**	¥138,560	**$1,318,952**
Asia	**150,189**	122,218	**1,430,371**
Other areas	**28,296**	10,047	**269,487**
Total	**¥316,975**	¥270,825	**$3,018,810**

(b) Information about impairment losses on fixed assets by reportable segment

Years ended December 31	Millions of yen 2013	2012	Thousands of U.S. dollars 2013
Impairment losses on fixed assets:			
Tires	**¥136**	¥1,611	**$1,295**
Sports	**—**	38	**—**
Industrial and Other Products	**—**	89	**—**
Total	**¥136**	¥1,738	**$1,295**

(c) Information about goodwill by reportable segment

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	**2013**	2012	**2013**
Amortization:			
Tires	**¥ 325**	¥ 475	**$ 3,095**
Sports	**613**	832	**5,838**
Industrial and Other Products	**—**	—	**—**
Total	**¥ 938**	¥1,307	**$ 8,933**
Balance at end of year:			
Tires	**¥3,623**	¥ 638	**$34,505**
Sports	**5,204**	5,776	**49,562**
Industrial and Other Products	**—**	—	**—**
Total	**¥8,827**	¥6,414	**$84,067**

16. Related Party Information

The condensed financial information of a significant affiliate, Goodyear Dunlop Tires Europe B.V., as of fiscal 2013 and 2012 was as follows:

	Millions of U.S. dollars	
	2013	2012
Current assets	**$2,210**	$2,179
Noncurrent assets	**2,200**	2,126
Current liabilities	**1,772**	1,635
Noncurrent liabilities	**1,366**	1,460
Shareholders' equity	**1,272**	1,210
Net sales	**5,857**	5,990
Loss before income taxes	**(2)**	(27)
Net loss	**(46)**	(91)

17. Contingent Liabilities

As of December 31, 2013 and 2012, the Company and its consolidated subsidiaries were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Trade notes discounted	**¥943**	¥ 324	**$8,981**
Guarantees and arrangements similar to guarantees of indebtedness of employees, unconsolidated subsidiaries and affiliates	**390**	1,847	**3,714**

18. 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 terms of the leases, as of December 31, 2013 and 2012 were as follows:

As of December 31, 2013	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, vehicles and equipment	**¥4,929**	**¥3,423**	**¥355**	**¥1,151**	**$46,943**	**$32,600**	**$3,381**	**$10,962**
Other	**472**	**202**	**—**	**270**	**4,495**	**1,924**	**—**	**2,571**
Total	**¥5,401**	**¥3,625**	**¥355**	**¥1,421**	**$51,438**	**$34,524**	**$3,381**	**$13,533**

As of December 31, 2012	Millions of yen			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net leased property
Machinery, vehicles and equipment	¥5,495	¥3,440	¥355	¥1,700
Other	472	175	—	297
Total	¥5,967	¥3,615	¥355	¥1,997

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, 2013 and 2012 amounted to ¥588 million ($5,600 thousand) and ¥683 million, respectively.

The balances of future finance lease payments, including interest, as of December 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Due within one year	**¥ 497**	¥ 585	**$ 4,733**
Due later	**1,111**	1,660	**10,581**
Total	**¥1,608**	¥2,245	**$15,314**

The balances of future lease payments under non-cancelable operating leases, including interest, as of December 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Due within one year	**¥1,020**	¥ 802	**$ 9,714**
Due later	**3,432**	1,431	**32,686**
Total	**¥4,452**	¥2,233	**$42,400**

19. Impairment Loss

The Company and its consolidated subsidiaries recognized impairment loss for the following asset groups for the year ended December 31, 2013.

			Millions of yen	Thousands of U.S. dollars
Group	Location	Assets	Impairment loss	
Rental property	Abashiri City, Hokkaido and other	Land and buildings	**¥96**	**$914**
Idle assets	Daisen City, Akita	Land	**1**	**10**
Assets to be disposed of	—	Machinery and other	**39**	**371**

The Company and its consolidated subsidiaries recognized impairment loss for the following asset groups for the year ended December 31, 2012.

			Millions of yen
Group	Location	Assets	Impairment loss
Idle assets	Shiraishi-ku, Sapporo City and other	Buildings and land	¥ 28
Assets to be disposed of	Kakogawa City, Hyogo and other	Machinery, buildings and other	233
—	—	Goodwill	1,477

The Company and its consolidated subsidiaries group their assets at the lowest level for which cash flows are independently identifiable. Rental properties, unused idle 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 the fair value of assets in certain idle asset groups declined substantially; the book values of certain assets for which market prices have considerably declined along with the drop in land prices decreased; and the Company decided to dispose of certain assets.

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 and buildings was measured mainly at net realizable value based on the publicly assessed value of land and buildings. Use value was not discounted because the period for disposal was short and the effect of any discount was insignificant.

20. Business Combination

Business combination by means of acquisition

(1) Overview of business combination

(a) Name and business of acquired company

Name of acquired company: Apollo Tyres South Africa (Pty) Limited

Main business: Manufacture and sale of tires for passenger cars and light trucks. Sale of tires for trucks and buses.

(b) Purpose of business combination

With the acquisition of these business operations, the Sumitomo Rubber Group will secure the rights to the Dunlop brand throughout the entire African continent and come into possession of a manufacturing base in South Africa, thereby greatly increasing the scale of its tire sales business in Africa and accelerating the pace of its global expansion and development.

(c) Date of business combination

December 2, 2013

(d) Legal form of business combination
Acquisition of shares in exchange for cash payment

(e) Name of acquired company after business combination
Apollo Tyres South Africa (Pty) Limited
The acquired company changed its trade name to Sumitomo Rubber South Africa (Pty) Limited on January 27, 2014.

(f) Ratio of voting rights acquired
Voting right ratio before acquisition: 0%
Voting right ratio after acquisition: 100%

(g) Main basis behind the determination of the acquiring company
The Company acquired all shares of Apollo Tyres South Africa (Pty) Limited and acquired 100% portion of voting rights.

(2) Period for which the operating results of the acquired company are included in the Company's consolidated financial statements
Because the deemed date of the business combination was December 31, 2013, the newly acquired company's income statements were not included in consolidated statements for fiscal 2013.

(3) Acquisition cost and related details

	Millions of yen	Thousands of U.S. dollars
Acquisition price	**¥6,043**	**$57,552**
Expenses related to the acquisition	**175**	**1,667**
Total	**¥6,218**	**$59,219**

(4) Amount of goodwill recognized, cause, amortization method and amortization period

	Millions of yen	Thousands of U.S. dollars
Amount of goodwill recognized:	**¥3,303**	**$31,457**

Reason for recognition: Future business activities are expected to generate excess profitability.
Amortization method and amortization period: Straight-line method over eight years

(5) Amount and breakdown of the assets acquired and the liabilities assumed at the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥ 7,448**	**$ 70,933**
Noncurrent assets	**5,230**	**49,810**
Total assets	**¥12,678**	**$120,743**
Current liabilities	**¥ 8,745**	**$ 83,286**
Long-term liabilities	**1,018**	**9,695**
Total liabilities	**¥ 9,763**	**$ 92,981**

With regard to the purchase price allocation, items allocated to intangible assets other than goodwill and their amortization periods classified by category are as follows:

	Millions of yen	Thousands of U.S. dollars
Trademarks	**¥1,261**	**$12,010**

(amortization period: 8 years)

(6) Estimated impact on consolidated financial results if the business combination had been completed at the beginning of fiscal 2013
This estimated amount was omitted because of the difficulty in calculation.

21. 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 28, 2014:

	Millions of yen	Thousands of U.S. dollars
Balance at December 31, 2013	**¥135,811**	**$1,293,438**
Appropriations—		
Cash dividends (¥25 per share outstanding at December 31, 2013)	**(6,558)**	**(62,457)**
Balance after appropriations	**¥129,253**	**$1,230,981**

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Sumitomo Rubber Industries, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at December 31, 2013 and 2012, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Rubber Industries, Ltd. and its consolidated subsidiaries as at December 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2013 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

May 9, 2014
Kobe, Japan