11-Year Summary of Consolidated Financial Data

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

				Millions of yen
Years ended December 31	**2015**	2014	2013	2012
For the year:				
Net sales	**¥848,663**	¥837,647	¥780,609	¥710,247
Cost of sales	**523,217**	511,616	486,704	450,226
Selling, general and administrative expenses	**248,379**	239,780	216,850	190,298
Operating income	**77,067**	86,251	77,055	69,723
Net income	**55,834**	53,206	44,794	35,451
Depreciation and amortization	**55,145**	48,204	43,279	36,278
Capital expenditures	**58,911**	62,814	57,270	56,889
R&D expenses	**23,372**	23,543	21,822	19,539
Cash flows from operating activities	**86,995**	108,941	77,012	76,643
Cash flows from investing activities	**(32,991)**	(71,584)	(68,275)	(62,167)
Cash flows from financing activities	**(50,554)**	(32,507)	(5,824)	(15,835)
At year-end:				
Total assets	**¥936,154**	¥973,587	¥867,464	¥737,528
Net assets	**453,768**	446,960	358,844	271,103
Equity	**423,857**	413,374	329,813	244,165
Interest-bearing debt	**260,631**	295,747	302,113	275,876
				Yen
Per share amounts:				
Net income	**¥ 212.85**	¥ 202.82	¥ 170.76	¥ 135.13
Net income—diluted	**—**	—	—	—
Cash dividends paid	**55.00**	50.00	40.00	30.00
				Percent
Key ratios and metrics:				
Operating income ratio	**9.1%**	10.3%	9.9%	9.8%
ROE	**13.3**	14.3	15.6	16.0
ROA (operating income base)	**8.1**	9.4	9.6	9.9
Equity ratio	**45.3**	42.5	38.0	33.1
Tire sales volume (millions of tires)	**10,962**	109.14	100.42	96.48
Number of employees	**33,185**	30,224	26,773	23,507
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	**724,513**	720,365	715,318	710,059

Notes: 1. U.S. dollar amounts are converted solely for convenience at the rate of ¥121 per US$1.00, the approximate exchange rate prevailing at December 31, 2015.
2. From 2006, Sumitomo Rubber Industries 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)
2011	2010	2009	2008	2007	2006	2005	**2015**
¥676,904	¥604,549	¥524,535	¥604,974	¥567,307	¥534,086	¥512,838	**$7,013,744**
445,426	387,678	334,249	412,824	368,783	342,856	307,538	**4,324,107**
177,554	169,300	161,547	166,491	153,398	154,440	155,374	**2,052,719**
53,924	47,571	28,739	25,659	45,126	36,790	49,926	**636,918**
28,386	21,427	9,093	1,021	19,499	27,586	25,640	**461,438**
37,606	37,885	37,425	35,475	30,165	27,052	25,755	**455,744**
48,515	32,055	32,484	49,601	53,205	45,308	40,415	**486,868**
19,274	18,698	17,983	19,351	18,223	17,291	16,259	**193,153**
18,945	69,725	64,525	25,879	56,594	23,872	38,984	**718,967**
(51,569)	(35,400)	(34,260)	(58,067)	(65,167)	(33,923)	(42,878)	**(272,653)**
28,009	(25,634)	(22,781)	34,088	8,692	14,687	(3,376)	**(417,802)**
¥671,611	¥622,243	¥613,230	¥639,941	¥671,117	¥606,938	¥563,442	**$7,736,811**
222,175	212,964	209,052	202,642	250,799	223,852	—	**3,750,149**
197,661	189,684	187,028	180,940	227,780	202,003	174,267	**3,502,950**
274,216	241,250	261,572	275,746	239,573	219,372	205,751	**2,153,975**
						Yen	U.S. dollars (Note 1)
¥ 108.20	¥ 81.67	¥ 34.66	¥ 3.89	¥ 74.31	¥ 105.13	¥ 97.10	**$ 1.759**
—	—	—	—	—	—	—	**—**
23.00	20.00	18.00	18.00	20.00	20.00	20.00	**0.455**
8.0%	7.9%	5.5%	4.2%	8.0%	6.9%	9.7%	
14.7	11.4	4.9	0.5	9.1	14.7	16.0	
8.3	7.7	4.6	3.9	7.1	6.3	9.2	
29.4	30.5	30.5	28.3	33.9	33.3	30.9	
94.88	90.87	76.49	87.34	81.70	75.55	73.12	
22,320	22,242	20,832	20,369	18,410	16,031	17,433	
263,043,057	263,043,057	263,043,057	263,043,057	263,043,057	263,043,057	263,043,057	
707,026	704,248	699,745	696,200	688,541	658,071	634,805	

Scope of Consolidation

The Sumitomo Rubber Group's consolidated financial statements include those of Sumitomo Rubber Industries and its 77 consolidated subsidiaries as well as 5 equity-method affiliates (1 nonconsolidated subsidiary and 4 affiliated companies).

In fiscal 2015, ended December 31, 2015, four subsidiaries were newly included in the Company's scope of consolidation while two subsidiaries were excluded. Of the four newly included subsidiaries, one tire business subsidiary, which engages in production and sales in the United States, was included as it was acquired by the Company following the dissolution of an alliance agreement that included several joint ventures with The Goodyear Tire & Rubber Company. Another, a sports business subsidiary, was included due to its increased importance to the Group. The other two subsidiaries, a Switzerland-based stockholding company and its production and sales subsidiary, were included by acquiring the former and both now operate within the Company's Industrial and Other Products segment. Six companies were excluded from the scope of equity-method affiliation due to the dissolution of said alliance agreement and joint ventures.

Business Environment

During fiscal 2015, although the U.S. economy enjoyed modest but constant growth, a sense of uncertainty about the future began to emerge, reflecting such factors as a fall in crude oil prices and a rising U.S. dollar due to interest rate hikes. The European economy was stagnant, while the Chinese economy saw further growth deceleration, which had spillover effects throughout Asia and elsewhere and led to the depreciation of currencies used in emerging nations. Reflecting these factors, the overall global economy was unstable and less than robust.

In Japan, despite an ongoing improvement in corporate earnings backed by a persistently weak yen, such factors as an export downturn due to declining demand from China and other Asian regions as well as sluggish private-sector consumption due to an unseasonably warm winter, have led to overall stagnation.

The business environment surrounding the Group was harsh, with competition intensifying as global tire demand fell despite such positive factors as an improvement in export conditions accompanying the depreciation of the yen, consistently low natural rubber prices, and a drastic fall in crude oil prices.

Revenues and Earnings

In fiscal 2015, consolidated net sales grew 1.3% from the previous fiscal year to ¥848,663 million. Overseas sales climbed 8.1% to ¥477,404 million and the overseas sales ratio increased 3.6 percentage points to 56.3%.

The cost of sales increased 2.3% year on year to ¥523,217 million. The cost of sales ratio increased slightly, edging up 0.6 of a percentage point year on year to 61.7% due to intensifying sales competition linked to the decline in global tire demand despite a consistently low market price for natural rubber and a drastic fall in crude oil prices. Gross profit edged down 0.2% to ¥325,446 million.

Selling, general and administrative expenses grew 3.6% year on year to ¥248,379 million. This was mainly attributable to increases in personnel as well as transportation, storage, packaging and advertising costs and other expenses associated with sales expansion measures. The ratio of selling, general and administrative expenses to net sales edged up 0.7 of a percentage point year on year to 29.3%.

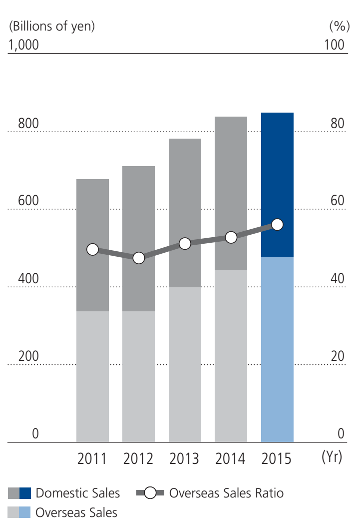
As a result, operating income for the fiscal year under review declined 10.6% to ¥77,067 million and the operating income ratio edged down 1.2 percentage points to 9.1%.

Net other income (expenses) deteriorated from a positive ¥1,160 million to a negative ¥3,138 million. Primary factors contributing to this turnaround included a temporary amortization of goodwill in connection with a consolidated subsidiary engaged in the Sports business.

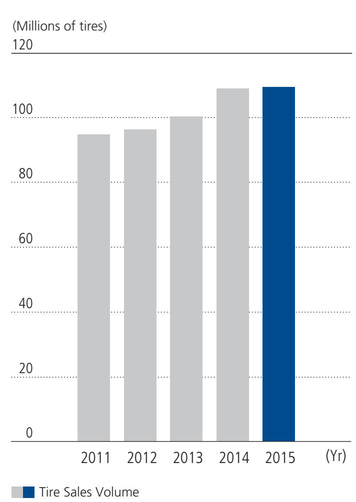
Reflecting these changes, income before income taxes and minority interests fell 15.4% year on year to ¥73,929 million. Income taxes decreased 40.8% to ¥17,801 million, representing an effective tax rate of 24.1%, a decrease of 10.3 percentage points. This was partially attributable to the alliance agreement and joint ventures with The Goodyear Tire & Rubber Company being dissolved, which enabled the application of an accounting treatment that reduced the Company's effective tax rate. After deducting minority interests in income, net income expanded 4.9% to ¥55,834 million.

Net income per share was ¥212.85, and ROE (on a net income basis) edged down 1.0 of a percentage point to 13.3%, reflecting an increase in total equity.

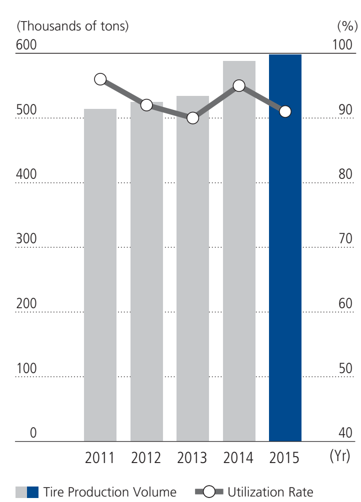
Domestic and Overseas Sales



Tire Sales Volume



Tire Production Volume and Utilization Rate



Results by Industry Segment

Tire Business

Sales in the Tire business increased 0.1% year on year to ¥732,168 million, while operating income fell 6.8% to ¥73,114 million.

In step with a fall in raw material prices, product prices declined and competition intensified, especially in the overseas replacement market. Nevertheless, the Group's worldwide marketing efforts, particularly in the robust U.S. market, led to an increase in sales volume, with such favorable factors as the depreciation of the yen boosting revenues. On the earnings front, however, a fall in sales prices contributed to a ¥26,700 million decrease in profit. Also, as the domestic sales of winter tires were sluggish due to warm weather, stagnant revenues from these and other profitable items offset the effect of overall growth in sales volume, leading to a ¥7,300 million decline in profit. Along with these factors, an increase in fixed costs that reflected capital expenditure aimed at expanding the Company's overseas production capacity and a rise in expenses due to the reinforcement of the marketing structure, together outpaced a ¥37,700 increase in profit buoyed by the decline in raw material prices, thus contributing to the overall decrease in earnings.

Sports Business

Sales in the Sports business grew 10.2% year on year to ¥77,631 million, while operating income fell 36.6% to ¥2,011 million.

Dunlop Sports' flagship XXIO8 series golf clubs enjoyed continuously firm domestic sales. Moreover, XXIO9 was released in December 2015, making a strong start. Dunlop has also promoted this series overseas.

Having initiated the wellness promotion business as the segment's third business pillar next to golf goods and tennis equipment, the Group opened Gym Style 24, a chain of fitness facilities operating around the clock, thereby boosting sales. However, segment profit declined year on year due to such factors as an increase in costs attributable to the depreciation of the yen.

Industrial and Other Products Business

Sales in the Industrial and Other Products business rose 8.1% year on year to ¥38,864 million, while operating income fell 58.5% to ¥1,930 million.

Sales of MIRAIE brand vibration control units for housing rose steadily. Cumulatively, the number of houses incorporating these units now exceeds 10,000. Also, revenues from medical rubber parts grew, as the Group stepped up its worldwide marketing by leveraging production facilities and sales channels owned by its Switzerland-based subsidiary. Artificial turf for sports facilities saw firm sales as well, with Hibrid-Turf EX garnering constantly favorable customer reviews, thereby contributing to growth in revenues. However, earnings declined as some new businesses were reclassified to the Tire business.

R&D Expenses

Research and development expenses decreased 0.7% year on year to ¥23,372 million. The ratio of such expenses to consolidated net sales remained unchanged year on year at 2.8%. The Tire business accounted for ¥19,865 million of these expenses, down 3.3% from the previous fiscal year, the Sports business ¥1,602 million, up 8.4%, and the Industrial and Other Products business ¥1,904 million, up 25.1%.

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 decided on at the General Shareholders' meeting, while the interim dividend payment is determined at the Board of Directors' meeting.

The full-year dividend for fiscal 2015 increased ¥5 per share from the previous fiscal year to ¥55 per share and comprised a ¥25 interim dividend and a ¥30 year-end dividend. The dividend payout ratio on a consolidated basis was 25.8%.

Financial Position

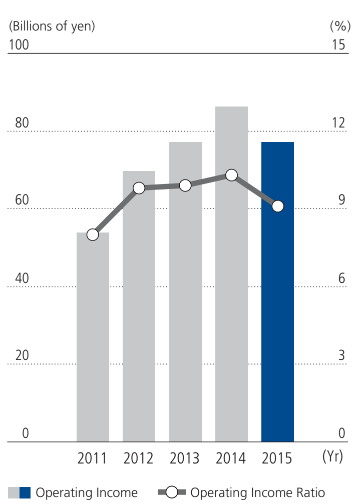
Total assets as of December 31, 2015, were down ¥37,433 million year on year to ¥936,154 million.

Total current assets decreased ¥6,888 million to ¥433,408 million. This was due mainly to a decrease in notes and accounts receivable—trade.

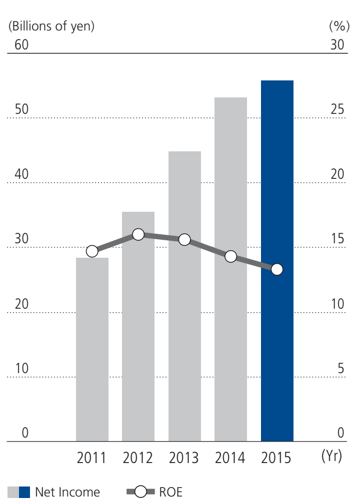
Total noncurrent assets decreased ¥30,545 million to ¥502,746 million, due mainly to a decrease in investment securities.

As of the end of the fiscal year under review, total liabilities were down ¥44,241 million year on year to ¥482,386 million. Interest-bearing debt as of the fiscal 2015 year-end decreased ¥35,116 million to

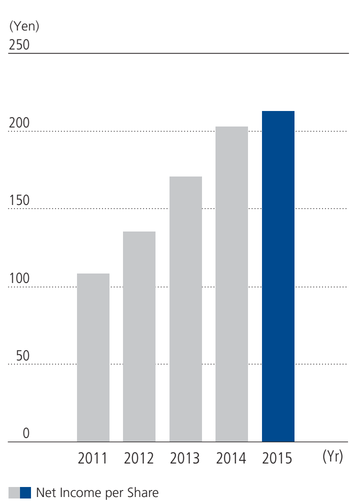
Operating Income and Operating Income Ratio



Net Income and ROE



Net Income per Share



¥260,631 million. As a result, the debt-to-equity ratio decreased from 0.7 times to 0.6 times, a 0.1 point improvement compared with the previous fiscal year-end.

Total net assets at the fiscal year-end were up ¥6,808 million to ¥453,768 million, and net assets per share were ¥1,615.81, up from ¥1,575.82 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 ¥10,483 million year on year to ¥423,857 million. The equity ratio was up 2.8 percentage points to 45.3%. Despite the decline in total assets, ROA (on an operating income basis) declined 1.3 percentage points to 8.1% in step with the decrease in operating income.

Capital Expenditures

During the fiscal year under review, the Group's capital expenditures amounted to ¥58,911 million (including leased tangible assets), a year-on-year decrease of 6.9%. The Tire business accounted for ¥55,862 million of the total, down 5.4% year on year. Funds were used mainly for domestic facility renovation aimed at streamlining production with an eye to improving labor efficiency as well as for the augmentation of production capacities of the Group's Thai and South African facilities and the construction of a factory in Turkey. The Sports business spent ¥1,823 million, 27.5% less than in the previous fiscal year. Funds were spent mainly for business sites overseas to help them develop a more robust marketing structure. To increase the Kakogawa Factory's production capacity for precision rubber parts for printers and photocopiers, the Industrial and Other Products business used ¥1,226 million, down 29.5% year on year. The necessary funds were furnished through a combination of cash on hand and borrowings.

Cash Flows

Net cash provided by operating activities totaled at ¥86,995 million. The main contributors to cash inflows were a ¥17,009 million decrease in notes and accounts receivable—trade and the posting of income before income taxes totaling ¥73,929 million. Cash outflows included a ¥9,399 million increase in inventories and a ¥11,018 million decrease in notes and accounts payable—trade.

Net cash used in investing activities totaled ¥32,991 million. The primary contributor to cash outflows was ¥57,474 million spent for the purchase of property, plant and equipment to reinforce production capacity. Cash inflows included cash received from The Goodyear Tire & Rubber Company in connection with the aforementioned dissolution of the alliance agreement and joint ventures.

Net cash used in financing activities included net repayments of short-term loans, corporate bonds and long-term debt totaling ¥34,513 million as well as the payment of cash dividends totaling ¥14,428 million. As a result, as of the end of the fiscal year under review, cash and cash equivalents after adjusting for the effect of exchange rate change totaled ¥53,521 million.

Over 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 aims to expand the inflow of cash from operating activities by increasing sales volumes and improving profitability. In other words, the Group will make every effort to not only ensure business growth but also to secure its liquidity and improve its financial standing.

Outlook

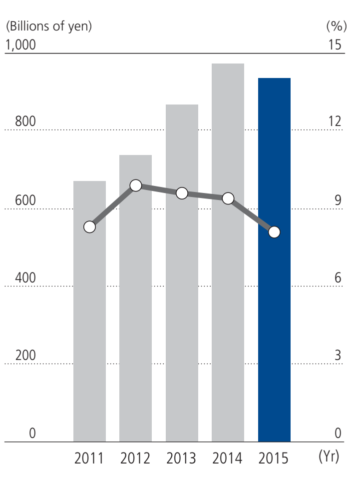
On the global level, the U.S. economy is likely to see continued gradual growth, while the European economy is anticipated to begin recovering despite lingering financial anxieties. Although emerging nations are expected to enjoy stable economic growth, there is a sense of uncertainty regarding the depreciation of currencies and economic stagnation in these nations due to a reversal in U.S. monetary policy. Furthermore, a fall in prices of crude oil and other resources and heightening geopolitical risks may trigger further economic uncertainty.

As for Japan's economic prospects, although continued gradual recovery is expected, consumer confidence is likely to be undermined by a sense of fiscal uncertainty.

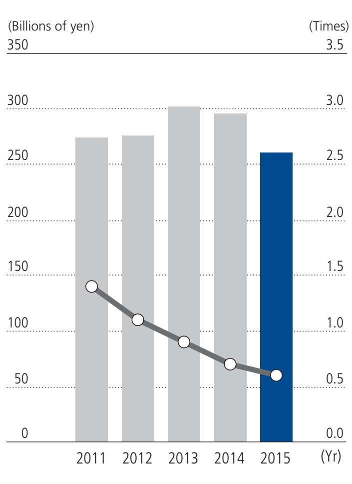
With the aim of addressing issues related to this severe business environment, the Group will take on various tasks while considering the risk factors mentioned in the following "Risk Information" section.

In the Tire business, Sumitomo Rubber Industries will maintain and enhance its presence in the domestic fuel-efficient tire market and, to this end, will leverage its unique and cutting-edge technology to introduce new items in this category. Overseas, the Company will aim for ongoing sales expansion in emerging nations. Simultaneously, the Company will aggressively work to penetrate the European market, as the dissolution of the alliance with Goodyear has improved its marketing flexibility in the region. In concert with these efforts aimed at expanding

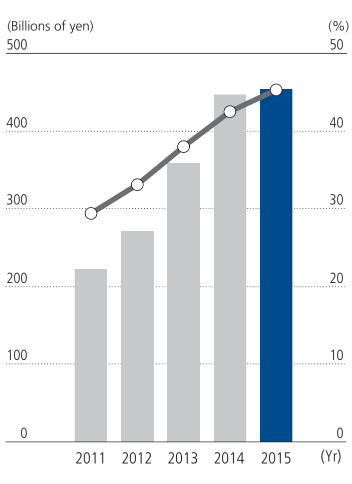
Total Assets and ROA



Interest-Bearing Debt and Debt-to-Equity Ratio



Net Assets and Equity Ratio



sales in markets worldwide, the Company will develop a supply structure that will support sustainable business growth.

In the Sports business, the Company will proactively introduce new golf goods and tennis equipment with the aim of securing greater market share in Japan and overseas. In the wellness promotion business, the Company will expand the network of its Gym Style 24 facilities to boost sales.

In the Industrial and Other Products business, the Company will engage in marketing activities centered on such growth fields as the vibration-control damper business as well as precision rubber parts for printers and photocopiers and medical rubber parts. In particular, the Company will strive to better leverage its newly acquired production and sales subsidiary to penetrate markets in Europe and elsewhere in the world. At the same time, the Company will pursue business expansion through the development and provision of such items as artificial turf for sporting use and rubber gloves.

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 56.3% in fiscal 2015, 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 terms.

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.

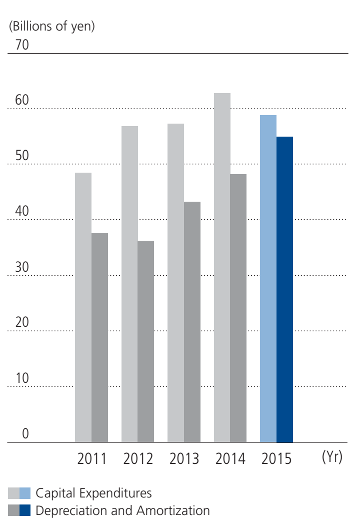
Alliance with Goodyear

As of October 1, 2015, Sumitomo Rubber Industries completed all procedures for the dissolution of an alliance agreement and associated joint ventures with The Goodyear Tire & Rubber Company. Accordingly, changes in the alliance or the operating results of said joint ventures no longer affect the Group's operating results.

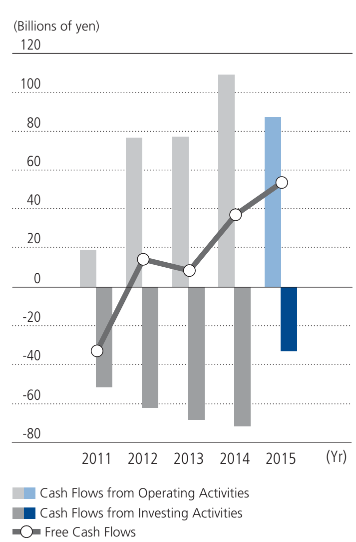
Disasters

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	**2015**	2014	**2015**
Assets			
Current assets:			
Cash and time deposits (Notes 4 and 5)	**¥ 53,569**	¥ 54,476	**$ 442,719**
Notes and accounts receivable (Note 5)—			
Trade	**189,701**	208,005	**1,567,778**
Unconsolidated subsidiaries and affiliates	**187**	2,022	**1,545**
Other	**22,806**	15,579	**188,479**
Allowance for doubtful accounts	**(2,070)**	(2,020)	**(17,107)**
Inventories (Note 6)	**147,180**	142,043	**1,216,364**
Short-term loans	**1,128**	1,380	**9,322**
Deferred tax assets (Note 13)	**10,122**	11,950	**83,653**
Other	**10,785**	6,861	**89,131**
Total current assets	**433,408**	440,296	**3,581,884**
Property, plant and equipment (Note 9)**:**			
Land	**37,479**	37,569	**309,744**
Buildings and structures	**224,506**	211,688	**1,855,421**
Machinery, vehicles and equipment	**649,658**	619,602	**5,369,074**
Leased assets	**10,376**	9,469	**85,752**
Construction in progress	**33,577**	44,276	**277,496**
Accumulated depreciation	**(587,666)**	(562,649)	**(4,856,743)**
Net property, plant and equipment	**367,930**	359,955	**3,040,744**
Investments and other assets:			
Investments in securities (Notes 5 and 7)	**31,928**	32,291	**263,868**
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 5)	**5,048**	49,139	**41,719**
Long-term loans	**8,063**	1,280	**66,636**
Deferred tax assets (Note 13)	**6,516**	6,686	**53,851**
Long-term prepaid expenses	**4,301**	4,234	**35,545**
Trademarks (Note 10)	**1,477**	1,538	**12,207**
Goodwill and other intangible assets	**38,140**	29,112	**315,207**
Net defined benefit assets (Note 14)	**24,167**	30,133	**199,727**
Other	**16,036**	19,848	**132,529**
Allowance for doubtful accounts	**(860)**	(925)	**(7,107)**
Total investments and other assets	**134,816**	173,336	**1,114,182**
Total assets	**¥936,154**	¥973,587	**$7,736,810**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings (Notes 5 and 11)	**¥ 76,586**	¥ 83,008	**$ 632,942**
Current portion of long-term debt (Notes 5 and 11)	**48,931**	30,456	**404,388**
Notes and accounts payable (Note 5)—			
Trade	**69,850**	70,801	**577,273**
Unconsolidated subsidiaries and affiliates	**3,834**	4,189	**31,686**
Construction	**8,191**	9,814	**67,694**
Other	**41,246**	48,318	**340,876**
Accrued expenses	**21,666**	22,065	**179,058**
Allowance for sales returns	**2,062**	2,106	**17,041**
Accrued income taxes (Note 13)	**3,517**	12,714	**29,066**
Other (Note 13)	**8,287**	8,834	**68,488**
Total current liabilities	**284,170**	292,305	**2,348,512**
Long-term liabilities:			
Long-term debt (Notes 5 and 11)	**135,115**	182,283	**1,116,653**
Deferred tax liabilities (Note 13)	**19,636**	21,981	**162,281**
Net defined benefit liabilities (Note 14)	**22,817**	17,018	**188,570**
Other	**20,648**	13,040	**170,645**
Total long-term liabilities	**198,216**	234,322	**1,638,149**
Contingent liabilities (Note 18)			
Net Assets (Note 24)			
Shareholders' equity:			
Common stock—			
Authorized: 800,000,000			
Issued: 263,043,057 shares in 2015 and 2014	**42,658**	42,658	**352,545**
Capital surplus	**38,661**	38,661	**319,512**
Retained earnings	**301,712**	265,997	**2,493,488**
Less treasury stock, at cost—			
2015—724,513 shares			
2014—720,365 shares	**(567)**	(559)	**(4,685)**
Total shareholders' equity	**382,464**	346,757	**3,160,860**
Accumulated other comprehensive income:			
Net unrealized gains and losses on available-for-sale securities	**14,664**	14,246	**121,190**
Deferred gains and losses on hedges	**(81)**	507	**(669)**
Currency translation adjustments	**22,422**	62,913	**185,306**
Remeasurements of defined benefit plans	**4,388**	(11,049)	**36,264**
Total accumulated other comprehensive income	**41,393**	66,617	**342,091**
Minority interests	**29,911**	33,586	**247,198**
Total net assets	**453,768**	446,960	**3,750,149**
Total liabilities and net assets	**¥936,154**	¥973,587	**$7,736,810**

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	**2015**	2014	**2015**
Net sales	**¥848,663**	¥837,647	**$7,013,744**
Cost of sales	**523,217**	511,616	**4,324,108**
Gross profit	**325,446**	326,031	**2,689,636**
Selling, general and administrative expenses	**248,379**	239,780	**2,052,719**
Operating income	**77,067**	86,251	**636,917**
Other income (expenses):			
Interest and dividend income	**2,356**	2,086	**19,471**
Interest expense	**(3,778)**	(4,601)	**(31,223)**
Gain on sales of noncurrent assets	**—**	232	**—**
Loss on sales and retirement of noncurrent assets	**(875)**	(686)	**(7,231)**
Foreign exchange gains and losses	**(4,152)**	(5,881)	**(34,314)**
Equity in earnings and losses of unconsolidated subsidiaries and affiliates	**5,562**	4,674	**45,967**
Impairment loss (Note 20)	**(374)**	(103)	**(3,091)**
Gain on valuation of derivatives	**431**	3,953	**3,562**
Gains and losses on transfer of business, etc., in association with dissolution of joint ventures (Note 21)	**158**	—	**1,306**
Gain on sales of investment securities (Note 22)	**74**	—	**612**
Amortization of goodwill	**(3,948)**	—	**(32,628)**
Other, net	**1,408**	1,486	**11,635**
	(3,138)	1,160	**(25,934)**
Income before income taxes and minority interests	**73,929**	87,411	**610,983**
Income taxes (Note 13)**:**			
Current	**15,617**	28,211	**129,066**
Deferred	**2,184**	1,838	**18,049**
	17,801	30,049	**147,115**
Income before minority interests	**56,128**	57,362	**463,868**
Minority interests in income	**(294)**	(4,156)	**(2,430)**
Net income	**¥ 55,834**	¥ 53,206	**$ 461,438**

		Yen	U.S. dollars (Note 1)
Per share amounts:			
Net income	**¥212.85**	¥202.82	**$1,759**
Cash dividends	**55.00**	50.00	**0.455**

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	**2015**	2014	**2015**
Income before minority interests	**¥56,128**	¥57,362	**$463,868**
Other comprehensive income (Note 12)**:**			
Net unrealized gains and losses on available-for-sale securities	**423**	2,709	**3,496**
Deferred gains and losses on hedges	**(588)**	342	**(4,860)**
Currency translation adjustments	**(33,674)**	32,071	**(278,298)**
Remeasurements of defined benefit plans	**626**	(596)	**5,174**
Share of other comprehensive income of affiliates under the equity method	**6,756**	4,468	**55,835**
	(26,457)	38,994	**(218,653)**
Comprehensive income	**¥29,671**	¥96,356	**$245,215**
Comprehensive income attributed to:			
Owners of the Company	**¥30,610**	¥91,078	**$252,975**
Minority interests	**(939)**	5,278	**(7,760)**

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	Total shareholders' equity	Net unrealized gains and losses on available-for-sale securities	Deferred gains and losses on hedges
Balance at beginning of fiscal 2015	¥42,658	¥38,661	¥265,997	¥(559)	¥346,757	¥14,246	¥507
Cumulative effects of changes in accounting policies			**(5,570)**		**(5,570)**		
Restarted balance	**42,658**	**38,661**	**260,427**	**(559)**	**341,187**	**14,246**	**507**
Dividends from surplus			**(14,428)**		**(14,428)**		
Net income			**55,834**		**55,834**		
Purchase of treasury stock				**(8)**	**(8)**		
Disposal of treasury stock		**0**		**0**	**0**		
Effect of change in reporting entities			**(121)**		**(121)**		
Other						**418**	**(588)**
Balance at end of fiscal 2015	**¥42,658**	**¥38,661**	**¥301,712**	**¥(567)**	**¥382,464**	**¥14,664**	**¥ (81)**

Millions of yen

	Currency translation adjustments	Adjustments for retirement obligation of foreign affiliates	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at beginning of fiscal 2015	¥62,913	¥—	¥(11,049)	¥66,617	¥33,586	¥446,960
Cumulative effects of changes in accounting policies					**(171)**	**(5,741)**
Restarted balance	**62,913**		**(11,049)**	**66,617**	**33,415**	**441,219**
Dividends from surplus						**(14,428)**
Net income						**55,834**
Purchase of treasury stock						**(8)**
Disposal of treasury stock						**0**
Effect of change in reporting entities						**(121)**
Other	**(40,491)**		**15,437**	**(25,224)**	**(3,504)**	**(28,728)**
Balance at end of fiscal 2015	**¥22,422**	**¥—**	**¥ 4,388**	**¥41,393**	**¥29,911**	**¥453,768**

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains and losses on available-for-sale securities	Deferred gains and losses on hedges
Balance at beginning of fiscal 2015	$352,545	$319,512	$2,198,322	$(4,619)	$2,865,760	$117,736	$4,190
Cumulative effects of changes in accounting policies			**(46,033)**		**(46,033)**		
Restarted balance	**352,545**	**319,512**	**2,152,289**	**(4,619)**	**2,819,727**	**117,736**	**4,190**
Dividends from surplus			**(119,240)**		**(119,240)**		
Net income			**461,438**		**461,438**		
Purchase of treasury stock				**(66)**	**(66)**		
Disposal of treasury stock		**0**		**0**	**0**		
Effect of change in reporting entities			**(999)**		**(999)**		
Other						**3,454**	**(4,859)**
Balance at end of fiscal 2015	**$352,545**	**$319,512**	**$2,493,488**	**$(4,685)**	**$3,160,860**	**$121,190**	**$ (669)**

Thousands of U.S. dollars (Note 1)

	Currency translation adjustments	Adjustments for retirement obligation of foreign affiliates	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at beginning of fiscal 2015	$519,942	$—	$(91,314)	$550,554	$277,570	$3,693,884
Cumulative effects of changes in accounting policies					**(1,413)**	**(47,446)**
Restarted balance	**519,942**		**(91,314)**	**550,554**	**276,157**	**3,646,438**
Dividends from surplus						**(119,240)**
Net income						**461,438**
Purchase of treasury stock						**(66)**
Disposal of treasury stock						**0**
Effect of change in reporting entities						**(999)**
Other	**(334,636)**		**127,578**	**(208,463)**	**(28,959)**	**(237,422)**
Balance at end of fiscal 2015	**$185,306**	**$—**	**$ 36,264**	**$342,091**	**$247,198**	**$3,750,149**

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains and losses on available-for-sale securities	Deferred gains and losses on hedges
Balance at beginning of fiscal 2014	¥42,658	¥38,661	¥224,681	¥(551)	¥305,449	¥11,521	¥164
Cumulative effects of changes in accounting policies							
Restarted balance	42,658	38,661	224,681	(551)	305,449	11,521	164
Dividends from surplus			(11,805)		(11,805)		
Net income			53,206		53,206		
Purchase of treasury stock				(8)	(8)		
Disposal of treasury stock		0		0	0		
Effect of change in reporting entities			(85)		(85)		
Other						2,725	343
Balance at end of fiscal 2014	¥42,658	¥38,661	¥265,997	¥(559)	¥346,757	¥14,246	¥507

Millions of yen

	Currency translation adjustments	Adjustments for retirement obligation of foreign affiliates	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at beginning of fiscal 2014	¥31,677	¥(18,998)	¥ —	¥24,364	¥29,031	¥358,844
Cumulative effects of changes in accounting policies						
Restarted balance	31,677	(18,998)		24,364	29,031	358,844
Dividends from surplus						(11,805)
Net income						53,206
Purchase of treasury stock						(8)
Disposal of treasury stock						0
Effect of change in reporting entities						(85)
Other	31,236	18,998	(11,049)	42,253	4,555	46,808
Balance at end of fiscal 2014	¥62,913	¥ —	¥(11,049)	¥66,617	¥33,586	¥446,960

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	**2015**	2014	**2015**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥73,929**	¥ 87,411	**$610,983**
Depreciation and amortization	**55,145**	48,204	**455,744**
Amortization of goodwill	**6,000**	1,366	**49,587**
Impairment loss	**374**	103	**3,091**
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	**(5,562)**	(4,674)	**(45,967)**
Interest and dividend income	**(2,356)**	(2,086)	**(19,471)**
Interest expense	**3,778**	4,601	**31,223**
Loss (gain) on sales and retirement of noncurrent assets	**875**	454	**7,231**
Loss (gain) on sales of shares of affiliates	**(4,530)**	—	**(37,438)**
Loss (gain) on step acquisitions	**4,423**	—	**36,554**
(Increase) decrease in notes and accounts receivable—trade	**17,009**	(8,025)	**140,570**
(Increase) decrease in inventories	**(9,399)**	(4,888)	**(77,678)**
Increase (decrease) in notes and accounts payable—trade	**(11,018)**	(3,676)	**(91,058)**
Increase (decrease) in accounts payable—other	**(2,065)**	10,361	**(17,066)**
(Increase) decrease in net defined benefit assets	**(704)**	(609)	**(5,818)**
Increase (decrease) in net defined benefit liabilities	**678**	644	**5,603**
Other, net	**(5,482)**	7,079	**(45,305)**
Subtotal	**121,095**	136,265	**1,000,785**
Interest and dividend income received	**2,358**	3,162	**19,488**
Interest expense paid	**(3,874)**	(4,702)	**(32,017)**
Income taxes paid	**(32,584)**	(25,784)	**(269,289)**
Net cash provided by (used in) operating activities	**86,995**	108,941	**718,967**
Cash flows from investing activities:			
Payments into time deposits	**(51)**	(1,992)	**(421)**
Proceeds from withdrawal from time deposits	**911**	1,626	**7,529**
Purchase of property, plant and equipment	**(57,474)**	(61,846)	**(474,992)**
Purchase of intangible assets	**(4,433)**	(4,663)	**(36,636)**
Proceeds from sales of noncurrent assets	**968**	459	**8,000**
Purchase of investment securities	**(152)**	(99)	**(1,256)**
Proceeds from sales of investment securities	**81**	34	**669**
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 4)	**(18,112)**	(4,871)	**(149,686)**
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation (Note 4)	**2,837**	—	**23,446**
Purchase of shares of subsidiaries and affiliates	**(1,714)**	—	**(14,165)**
Proceeds from sales of shares of subsidiaries and affiliates	**45,471**	—	**375,793**
Payments for transfer of business (Note 4)	**(1,910)**	—	**(15,785)**
Net (increase) decrease in short-term loans receivable	**768**	54	**6,347**
Payments of long-term loans receivable	**(94)**	(21)	**(777)**
Collection of long-term loans receivable	**42**	37	**347**
Other, net	**(129)**	(302)	**(1,066)**
Net cash provided by (used in) investing activities	**(32,991)**	(71,584)	**(272,653)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	**(6,179)**	(10,087)	**(51,066)**
Proceeds from long-term debt and newly issued bonds	**955**	50,182	**7,893**
Repayments of long-term debt and redemption of bonds	**(29,289)**	(57,404)	**(242,058)**
Proceeds from issuance of stock to minority shareholders	**3,717**	1,961	**30,719**
Cash dividends paid	**(14,428)**	(11,805)	**(119,240)**
Cash dividends paid to minority shareholders	**(3,385)**	(3,571)	**(27,975)**
Net (increase) decrease in treasury stock	**(8)**	(8)	**(66)**
Other, net	**(1,937)**	(1,775)	**(16,009)**
Net cash provided by (used in) financing activities	**(50,554)**	(32,507)	**(417,802)**
Effect of exchange rate change on cash and cash equivalents	**(3,581)**	4,269	**(29,595)**
Net increase (decrease) in cash and cash equivalents	**(131)**	9,119	**(1,083)**
Cash and cash equivalents at beginning of period	**53,584**	42,004	**442,843**
Increase (decrease) in cash and cash equivalents due to change in reporting entities	**68**	2,461	**562**
Cash and cash equivalents at end of period (Note 4)	**¥53,521**	¥ 53,584	**$442,322**

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, 2015 and 2014

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 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 from International Financial Reporting Standards ("IFRS").

The accounts of consolidated overseas subsidiaries have been prepared in accordance with either IFRS or U.S. generally accepted accounting principles, as required under "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No. 18) issued by the Accounting Standards Board of Japan ("ASBJ"). In this case, adjustments for the following five items are required in the consolidation process so that their impact on net income is accounted for in accordance with Japanese GAAP, unless the impact is not material: (a) Goodwill not subject to amortization; (b) actuarial gains and losses of defined-benefit retirement plans that have been directly recognized in other comprehensive income; (c) Capitalized expenditures for research and development activities; (d) Fair value measurement of investment properties and revaluation of property, plant and equipment and intangible assets; (e) Accounting for net income attributable to minority interests.

The accompanying consolidated financial statements have been restructured and translated into English with certain expanded disclosures from the statutory Japanese language consolidated financial statements. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

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 ¥121 to US$1.00, the approximate rate prevailing at December 31, 2015. 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 significant subsidiaries over which the Company exercises control over operations at the relevant balance sheet dates. All significant intercompany accounts, transactions and unrealized profit or loss 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.

In association with the dissolution of the alliance agreement and joint ventures with The Goodyear Tire & Rubber Company, the Company additionally acquired 75% of shares of Goodyear Dunlop Tires North America, Ltd., the Company's former affiliate accounted for using the equity method. Consequently, Goodyear Dunlop Tires North America, Ltd. was excluded from the scope of application of the equity method and included in the scope of consolidation. Moreover, Goodyear Japan Ltd., the Company's former consolidated subsidiary, was excluded from the scope of consolidation as the Company sold all its held shares.

Lonstroff Holding AG and its wholly owned subsidiary Lonstroff AG were included in the scope of consolidation following the acquisition of Lonstroff Holding AG.

Dunlop Sports Plaza Co., Ltd. was merged into Dunlop Sports Wellness Co., Ltd., and excluded from the scope of consolidation.

Srixon Sports (Thailand) Co., Ltd., the operations of which became significant, was included in the scope of consolidation.

In association with the dissolution of the alliance agreement and joint ventures with The Goodyear Tire & Rubber Company, Tohoku GY Co., Ltd. and GY Tires Kita Kanto Co., Ltd., formerly unconsolidated subsidiaries accounted for using the equity method, were excluded from the scope of application of the equity method.

Goodyear Dunlop Tires Europe B.V. was excluded from the scope of application of the equity method as the Company sold all of its shares. Goodyear-SRI Global Purchasing Company and Goodyear-SRI Global Technology LLC, formerly accounted for using the equity method, were excluded from the scope of application of the equity method due to the commencement of liquidation procedures.

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 goodwill 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 goodwill 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 for 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) Method of 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 payable covered by these contracts are translated using the contract rates (designation method). 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. When interest rate and currency swap contracts which meet these conditions, hedged items in foreign currencies are translated using the contract rates, and the net amount to be paid or received under the contract is added 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 payable in foreign currencies and forecasted transactions
Interest rate swap contracts	Long-term debt with variable interest rate
Interest rate and currency swap contracts	

(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 flows on hedging instruments with those of the related hedged items from the commencement of the hedge until the time of evaluating its effectiveness.

(6) Inventories

Inventories are stated mainly at cost by the gross average method 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 noncurrent 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 life of the asset.

(11) Research and development expenses
Research and development expenses are charged to income when incurred.

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

(13) Accounting for retirement benefits
(a) Method of attributing the expected retirement benefits to periods
The estimated amount of all retirement benefits to be paid at future retirement dates is allocated under the plan's benefit formula basis.

(b) Method of amortization of actuarial differences and prior service costs
Prior service costs are amortized on a straight-line basis over a fixed number of years (mainly 15 years), which is within the average remaining service period of employees commencing with the fiscal year they are incurred. Actuarial differences are amortized on a straight-line basis over a fixed number of years (10 or 15 years), which is within the average remaining service period of employees when the differences occur commencing in the following year.

(c) Adoption of simplified method for small-sized companies, etc.
Some consolidated subsidiaries adopt the simplified method, under which the Company records the retirement benefit at 100% of the amount that would be required if all employees are voluntarily resigned as of each balance sheet date.

(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, 2015 or December 31, 2014.

(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
- "Revised Accounting Standards for Business Combination" (ASBJ Statement No. 21, September 13, 2013)
- "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013)
- "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013)
- "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, September 13, 2013)
- "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013)
- "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, September 13, 2013)

(1) Summary
The above standards and guidance have been revised primarily to account for:
(a) How the changes of the shares in subsidiaries, over which the Company continues to control, should be treated by the Company when additional stock of a subsidiary is acquired.
(b) Treatment of acquisition related costs
(c) Presentation of current net income and the change of shareholder's equity from minority interests to non-controlling interests
(d) Provisional application of accounting treatments

(2) Effective date
Effective from the beginning of the fiscal year ending December 31, 2016.

Provisional application of the accounting standards is scheduled to begin for business combinations effective after the beginning of the fiscal year ending December 31, 2016.

(3) Effects of the application of the standards
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

3. Changes in Accounting Policies

The Company and its consolidated domestic subsidiaries adopted article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, "Guidance No. 25")) from the current fiscal year, and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its consolidated domestic subsidiaries have changed the method of attributing expected benefit to periods from straight-line basis to a benefit formula basis and determining the discount rates.

In accordance with article 37 of Statement No. 26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current fiscal year.

As a result of the application, net defined benefit liabilities increased by ¥1,110 million ($9,174 thousand), net defined benefit asset decreased by ¥7,777 million ($64,273 thousand) and retained earnings decreased by ¥5,570 million ($46,033 thousand) at the beginning of the current fiscal year. In addition, the effect on operating income and income before income taxes and minority interests were immaterial in the current fiscal year, respectively.

Net assets per share at the end of December 31, 2015 was decreased by ¥21.23 ($0.18) and the effects on the earnings per share was immaterial.

4. Cash Flow Information

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Cash and time deposits	**¥53,569**	¥54,476	**$442,719**
Time deposits with a maturity of over three months	**(48)**	(892)	**(397)**
Cash and cash equivalents	**¥53,521**	¥53,584	**$442,322**

In fiscal year 2015, the Company obtained control of Lonstroff Holding AG and wholly owned subsidiary Lonstroff AG as a result of an acquisition of the shares. The assets and liabilities of the consolidated subsidiaries at the time of consolidation in connection with acquisition cost and net cash paid for the acquisition were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥1,799	$14,868
Noncurrent assets	3,664	30,281
Goodwill	4,812	39,768
Current liabilities	(2,047)	(16,917)
Noncurrent liabilities	(2,649)	(21,893)
Acquisition cost	¥5,579	$46,107
Cash and cash equivalents	(72)	(595)
Net cash paid for the acquisition	¥5,507	$45,512

In fiscal year 2015, the Company obtained control of Goodyear Dunlop Tires North America, Ltd. (The acquired company will change its trade name to Sumitomo Rubber USA, LLC in 2016) as a result of an acquisition of shares. 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	¥17,890	$147,851
Noncurrent assets	33,770	279,091
Goodwill	5,472	45,223
Current liabilities	(16,987)	(140,388)
Noncurrent liabilities	(13,467)	(111,298)
Amount under the equity method before acquisition	(11,699)	(96,686)
Acquisition cost	¥14,979	$123,793
Acquisition related cost	464	3,835
Cash and cash equivalents	(2,838)	(23,454)
Net cash paid for the acquisition	¥12,605	$104,174

In fiscal year 2015, the Company lost control of Goodyear Japan Ltd., as a result of a transfer of the shares. The assets and liabilities of the consolidated subsidiary at the time of the transfer in connection with transfer cost and net cash received for the transfer were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥11,803	$97,546
Noncurrent assets	1,201	9,926
Current liabilities	(7,867)	(65,017)
Noncurrent liabilities	(951)	(7,860)
Minority interest	(1,047)	(8,653)
Gain on sales of shares of affiliates	268	2,215
Sales price	¥ 3,407	$28,157
Cash and cash equivalents	(570)	(4,711)
Net cash received for the transfer	¥ 2,837	$23,446

In fiscal year 2015, Sumitomo Rubber Australia Pty. Ltd., a subsidiary of the Company, obtained assets and liabilities by means of a business acquisition. The assets and liabilities acquired by the business acquisition with acquisition cost were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥1,174	$ 9,703
Noncurrent assets	223	1,843
Goodwill	561	4,636
Current liabilities	(12)	(99)
Noncurrent liabilities	(36)	(298)
Net cash paid for the business acquisition	¥1,910	$15,785

In fiscal year 2014, a subsidiary of the Company obtained control of Dunlop Sports Wellness Co., Ltd. as a result of an acquisition of shares (On October 1, 2014, the acquired company changed its trade name from KITZ Wellness Co., Ltd.). The assets and liabilities of the consolidated subsidiary at the time of consolidation in connection with acquisition cost and net cash paid for the acquisition were as follows:

	Millions of yen
Current assets	¥ 515
Noncurrent assets	2,659
Goodwill	2,427
Current liabilities	(1,005)
Noncurrent liabilities	(331)
Acquisition cost	¥4,265
Cash and cash equivalents	(275)
Net cash paid for the acquisition	¥3,990

5. Financial Instruments

(1) Qualitative information on financial instruments

(a) Policies for using financial instruments

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

(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 fluctuation risk, but the risk is hedged using forward exchange contracts, etc., for the net position with foreign currency operating payables. The risk of fluctuation in fair value is also hedged using borrowings denominated in foreign currencies by balancing foreign currency operating receivables and foreign currency operating payables. Investment securities are mainly held to build and maintain long-term good relationships with business partners and exposed to the market risks. 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 (business partners).

Payment terms of operating payables such as the trade notes and accounts payable are less than one year. Some operating payables are denominated in foreign currencies arising from import of raw materials and are exposed to foreign exchange fluctuation risk. However these operating payables are almost covered by the same currency denominated accounts receivable.

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; interest rate and 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, 2015 and 2014 were as set forth in the table below. Financial instruments whose fair values were difficult to determine were not included in the table.

	Millions of yen			Thousands of U.S. dollars		
			2015			**2015**
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and time deposits	**¥ 53,569**	**¥ 53,569**	**¥ —**	**$ 442,719**	**$ 442,719**	**$ —**
Trade notes and accounts receivable	**189,888**	**189,888**	**—**	**1,569,323**	**1,569,323**	**—**
Investments in securities	**31,596**	**31,596**	**—**	**261,124**	**261,124**	**—**
Long-term loans	**8,063**	**8,071**	**8**	**66,636**	**66,702**	**66**
Total assets	**¥283,116**	**¥283,124**	**¥ 8**	**$2,339,802**	**$2,339,868**	**$ 66**
Trade notes and accounts payable	**¥ 73,684**	**¥ 73,684**	**¥ —**	**$ 608,959**	**$ 608,959**	**$ —**
Short-term borrowings	**76,586**	**76,586**	**—**	**632,942**	**632,942**	**—**
Accrued accounts payable	**49,437**	**49,437**	**—**	**408,570**	**408,570**	**—**
Bonds	**65,000**	**66,741**	**(1,741)**	**537,190**	**551,579**	**(14,389)**
Long-term debt	**112,820**	**113,079**	**(259)**	**932,397**	**934,537**	**(2,140)**
Total liabilities	**¥377,527**	**¥379,527**	**¥(2,000)**	**$3,120,058**	**$3,136,587**	**$(16,529)**
Derivative transactions						
Contracts for which hedge accounting was not adopted	**¥ 8,450**	**¥ 8,450**	**¥ —**	**$ 69,835**	**$ 69,835**	**$ —**
Contracts for which hedge accounting was adopted	**(121)**	**(121)**	**—**	**(1,000)**	**(1,000)**	**—**

	Millions of yen		
			2014
	Carrying amount	Fair value	Difference
Cash and time deposits	¥ 54,476	¥ 54,476	¥ —
Trade notes and accounts receivable	210,027	210,027	—
Investments in securities	31,980	31,980	—
Long-term loans	1,280	1,288	8
Total assets	¥297,763	¥297,771	¥ 8
Trade notes and accounts payable	¥ 74,990	¥ 74,990	¥ —
Short-term borrowings	83,008	83,008	—
Accrued accounts payable	57,132	57,132	—
Bonds	65,000	66,935	(1,935)
Long-term debt	141,996	142,212	(216)
Total liabilities	¥422,126	¥424,277	¥(2,151)
Derivative transactions			
Contracts for which hedge accounting was not adopted	¥ 8,673	¥ 8,673	¥ —
Contracts for which hedge accounting was adopted	670	670	—

(a) Valuation approach for 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.

Long-term loans:

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 long-term loans 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 long-term loans, fair value is based on the present value of long-term loans and interest rate swaps with interest discounted based on the interest rate for similar instruments.

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 long-term borrowings, fair value is based on the present value of long-term borrowings and interest rate swaps with interest discounted based on the interest rate for similar instruments. For long-term borrowings used in interest rate and currency swaps in which foreign currencies are translated using the contract rated and the net amount to be paid or received under the contract is added to or deducted from the interest on long-term borrowings, fair value is based on the present value of unit of long-term borrowings and interest rate and currency swaps with interest discounted based on the interest rate for similar instruments.

Derivative transactions:
See Note 8. Derivative Financial Instruments.

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unlisted securities (available-for-sale securities)	**¥ 332**	¥ 311	**$ 2,744**
Unlisted investments in affiliates	**5,048**	49,139	**41,719**

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

6. Inventories

Inventories as of December 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Finished goods	**¥ 91,689**	¥ 87,901	**$ 757,760**
Work-in-process	**6,938**	6,240	**57,339**
Raw materials	**37,987**	37,632	**313,942**
Supplies	**10,566**	10,270	**87,323**
Total	**¥147,180**	¥142,043	**$1,216,364**

7. Investments in Securities

As of December 31, 2015 and 2014, 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
	2015	2014	**2015**
Available-for-sale securities:			
Cost	**¥ 9,970**	¥ 9,908	**$ 82,397**
Book value	**31,596**	31,980	**261,124**
Unrealized gains	**21,628**	22,074	**178,744**
Unrealized losses	**(2)**	(2)	**(17)**

8. Derivative Financial Instruments

Fair value information regarding derivative financial instruments as of December 31, 2015 and 2014 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		
	2015			2014			**2015**		
	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									
Buy	**¥16,419**	**¥ (130)**	**¥(130)**	¥ 5,902	¥ 13	¥ 13	**$135,694**	**$ (1,074)**	**$(1,074)**
Sell	**10,615**	**153**	**153**	8,708	(59)	(59)	**87,727**	**1,264**	**1,264**
Currency swap contracts	**32,643**	**8,427**	**522**	38,957	8,719	3,290	**269,777**	**69,645**	**4,314**
Total	**¥59,677**	**¥8,450**	**¥ 545**	¥53,567	¥8,673	¥3,244	**$493,198**	**$69,835**	**$ 4,504**

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

(a) Currency related contracts

	Millions of yen				Thousands of U.S. dollars	
	2015		2014		**2015**	
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
Forward foreign exchange contracts						
Deferred hedges						
Buy	**¥22,353**	**¥(121)**	¥20,801	¥670	**$184,735**	**$(1,000)**
Sell	**—**	**—**	—	—	**—**	**—**
Designation method						
Buy	**982**	(Note)	950	(Note)	**8,116**	(Note)
Sell	**—**	**—**	236	(Note)	**—**	**—**
Total	**¥23,335**	**¥(121)**	¥21,987	¥670	**$192,851**	**$(1,000)**

(b) Interest rate related contracts

	Millions of yen				Thousands of U.S. dollars	
	2015		2014		**2015**	
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
Interest rate swap contracts						
Receive variable rate, give fixed rate	**¥22,571**	(Note)	¥30,811	(Note)	**$186,537**	(Note)
Interest rate and currency swap contracts						
Receive US dollar variable rate, pay yen fixed rate	**2,412**	(Note)	2,411	(Note)	**19,934**	(Note)
Total	**¥24,983**	(Note)	¥33,222	(Note)	**$206,471**	(Note)

Note: Fair value above is based on prices provided by financial institutions.
However, the fair value of some derivative financial instruments was included in the fair value of accounts receivable, short-term loans, accounts payable, accrued 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, short-term loans, accounts payable, accrued accounts payable and long-term debt and long-term loans as a unit according to Japanese accounting regulations.

9. Property, Plant and Equipment

The depreciation expense for the years ended December 31, 2015 and 2014 was ¥47,478 million ($392,380 thousand) and ¥42,094 million, respectively.

10. Trademarks

For the years ended December 31, 2015 and 2014, the amortization expense for capitalized trademarks was ¥166 million ($1,372 thousand) and ¥266 million, respectively.

11. Short-Term Borrowings and Long-Term Debt

Short-term borrowings of ¥76,586 million ($632,942 thousand) and ¥83,008 million as of December 31, 2015 and 2014, respectively, bore interest at rates ranging from 0.029% to12.10% and from 0.01% to 27.60% per annum, respectively.

Long-term debt as of December 31, 2015 and 2014 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
0.58% unsecured bonds due 2016 payable in Japanese yen	**¥ 10,000**	¥ 10,000	**$ 82,645**
2.19% unsecured bonds due 2017 payable in Japanese yen	**5,000**	5,000	**41,322**
2.17% unsecured bonds due 2018 payable in Japanese yen	**10,000**	10,000	**82,645**
2.07% unsecured bonds due 2019 payable in Japanese yen	**10,000**	10,000	**82,645**
0.34% unsecured bonds due 2020 payable in Japanese yen	**10,000**	10,000	**82,645**
1.38% unsecured bonds due 2021 payable in Japanese yen	**10,000**	10,000	**82,645**
0.76% unsecured bonds due 2024 payable in Japanese yen	**10,000**	10,000	**82,645**
Loans payable to banks and other financial institutions due from 2016 to 2024 with interest rates of 0.18% to 7.95% for 2015 and 2014			
Unsecured	**112,820**	141,996	**932,397**
Finance lease obligations	**6,226**	5,743	**51,452**
Subtotal	**¥184,046**	¥212,739	**$1,521,041**
Less current portion of long-term debt:			
Bonds	**(10,000)**	—	**(82,645)**
Finance lease obligations	**(1,768)**	(1,644)	**(14,612)**
Long-term debt	**(37,163)**	(28,812)	**(307,131)**
Subtotal	**(48,931)**	(30,456)	**(404,388)**
Total	**¥135,115**	¥182,283	**$1,116,653**

The aggregate annual maturities of long-term debt as of December 31, 2015 were as follows:

Years ending December 31	Millions of yen	Thousands of U.S. dollars
2016	¥ 48,931	$ 404,388
2017	25,776	213,025
2018	25,937	214,355
2019	24,535	202,769
2020	14,403	119,033
2021 and thereafter	44,464	367,471
Total	¥184,046	$1,521,041

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.

12. Consolidated Statements of Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net unrealized gains and losses on available-for-sale securities			
Increase (decrease) during the year	**¥ (323)**	¥ 4,206	**$ (2,669)**
Reclassification adjustments	**(74)**	(11)	**(612)**
Subtotal, before tax	**(397)**	4,195	**(3,281)**
Tax effects	**820**	(1,486)	**6,777**
Subtotal, net of tax	**423**	2,709	**3,496**

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deferred gains and losses on hedges			
Increase (decrease) during the year	**¥ (442)**	¥ 1,215	**$ (3,653)**
Reclassification adjustments	**—**	—	**—**
Adjustment for acquisition cost of hedged items	**(423)**	(630)	**(3,496)**
Subtotal, before tax	**(865)**	585	**(7,149)**
Tax effects	**277**	(243)	**2,289**
Subtotal, net of tax	**(588)**	342	**(4,860)**
Currency translation adjustments			
Increase (decrease) during the year	**¥(33,741)**	¥32,255	**$(278,851)**
Reclassification adjustments	**—**	—	**—**
Subtotal, before tax	**(33,741)**	32,255	**(278,851)**
Tax effects	**67**	(184)	**553**
Subtotal, net of tax	**(33,674)**	32,071	**(278,298)**
Remeasurements of defined benefit plans			
Increase (decrease) during the year	**¥ 579**	¥ (872)	**$ 4,785**
Reclassification adjustments	**(60)**	12	**(496)**
Subtotal, before tax	**519**	(860)	**4,289**
Tax effects	**107**	264	**885**
Subtotal, net of tax	**626**	(596)	**5,174**
Share of other comprehensive income of affiliates under the equity method			
Increase (decrease) during the year	**¥ (6,313)**	¥ 3,704	**$ (52,173)**
Reclassification adjustments	**13,069**	764	**108,008**
Subtotal, net of tax	**6,756**	4,468	**55,835**
Total other comprehensive income	**¥(26,457)**	¥38,994	**$(218,653)**

13. Income Taxes

The Company and its consolidated subsidiaries are subject to a number of different income taxes in Japan which, in the aggregate, indicate statutory tax rate of approximately 35.4% and 37.8% for the years ended December 31, 2015 and 2014, 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, 2015 and 2014 were as follows:

	2015	2014
Statutory tax rate	**35.4%**	37.8%
Gain on sales of shares of affiliates	**4.5**	—
Unrealized gain	**3.5**	—
Amortization of goodwill	**2.9**	0.5
Undistributed benefits of consolidated subsidiaries	**1.4**	2.2
Effect arising from the change in tax rate	**0.6**	0.5
Expenses not deductible for tax purposes	**0.4**	1.3
Valuation allowance	**0.2**	1.4
Deduction of loss on impairment of shares of affiliates	**(16.7)**	—
Differences in statutory tax rates of foreign subsidiaries	**(4.6)**	(4.8)
Tax exemption of foreign subsidiaries	**(2.1)**	(1.0)
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	**(1.9)**	(2.0)
Tax credits for research and development costs	**(0.0)**	(0.9)
Other	**0.5**	(0.6)
Effective tax rate for consolidated statements of income	**24.1%**	34.4%

Deduction of loss on impairment of shares of affiliates was caused by the realization of the tax burden of the past fiscal year's impairment of a Europe joint venture in association with the dissolution of the alliance with the Goodyear Tire & Rubber Company.

Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

On March 31, 2015, amendments to the Japanese tax regulations, "Act for Partial Revision of the Income Tax Act etc.," (Act No. 9 of 2015) and "Act for Partial Revision of the Local Tax Ace etc." (Act No. 2 of 2015) were enacted into law. For years beginning on or after April 1, 2015, special corporate tax for reconstruction will not be imposed. As a result of this amendment, the statutory effective tax rate for the Company will be reduced from 35.4% to 33.0% for years beginning on or after January 1, 2016 and 35.4% to 32.2% for years beginning on or after January 1, 2017.

The effect of this change in statutory effective tax rate was to decrease net deferred tax assets by ¥500 million ($4,132 thousand) and to increase deferred income taxes by ¥429 million ($3,545 thousand), net unrealized gains and losses on available-for-sale securities by ¥678 ($5,603 thousand), deferred gains and losses on hedges by ¥3 million ($25 thousand) and remeasurements of defined benefit plans by ¥254 million ($2,099 thousand) for fiscal year 2015.

Significant components of deferred tax assets and liabilities as of December 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deferred tax assets:			
Tax loss carry forwards	**¥ 6,638**	¥ 4,218	**$ 54,860**
Net defined benefit liabilities	**5,013**	3,589	**41,430**
Unrealized profits	**2,148**	5,417	**17,752**
Loss on impairment of noncurrent assets	**1,923**	1,879	**15,893**
Incentive bonuses	**1,399**	1,359	**11,562**
Accrued bonuses	**983**	1,522	**8,124**
Advertising	**932**	793	**7,702**
Inventories	**737**	881	**6,091**
Allowance for sales returns	**664**	745	**5,488**
Allowance for doubtful accounts	**574**	774	**4,744**
Depreciation	**298**	429	**2,463**
Loss on impairment of golf club memberships	**179**	205	**1,479**
Loss on impairment of investment securities	**172**	355	**1,421**
Other	**7,139**	8,298	**58,999**
Total deferred tax assets	**¥ 28,799**	¥ 30,464	**$ 238,008**
Less valuation allowance	**(6,464)**	(6,371)	**(53,421)**
Net deferred tax assets	**¥ 22,335**	¥ 24,093	**$ 184,587**
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	**¥ (6,836)**	¥ (7,657)	**$ (56,496)**
Undistributed benefits of consolidated subsidiaries	**(5,760)**	(5,981)	**(47,603)**
Net defined benefit assets	**(3,663)**	(3,328)	**(30,273)**
Unrealized gain or loss of accounts receivable and payable in foreign currencies	**(1,637)**	—	**(13,529)**
Deferred gains on sales of property, plant and equipment	**(1,629)**	(1,828)	**(13,463)**
Unrealized gain on land of a consolidated subsidiary	**(1,038)**	(1,146)	**(8,579)**
Other	**(4,789)**	(7,513)	**(39,578)**
Total deferred tax liabilities	**¥(25,352)**	¥(27,453)	**$(209,521)**
Deferred tax assets, net	**¥ (3,017)**	¥ (3,360)	**$ (24,934)**

Deferred income taxes, net as of December 31, 2015 and 2014 were included in the following accounts:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Current assets—deferred tax assets	**¥10,122**	¥11,950	**$83,653**
Investments and other assets—deferred tax assets	**6,516**	6,686	**53,851**
Current liabilities—deferred tax liabilities (current liabilities—other)	**(19)**	(15)	**(157)**
Long-term liabilities—deferred tax liabilities	**(19,636)**	(21,981)	**(162,281)**

14. 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 defined contribution pension 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.

(1) Summary of defined benefit pension plans

(a) Movements in retirement benefit obligations, except plans applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Beginning balance	**¥53,606**	¥51,029	**$443,025**
Cumulative effects of changes in accounting policies	**8,894**	—	**73,504**
Subtotal	**62,500**	51,029	**516,529**
Service cost	**3,049**	2,411	**25,198**
Interest cost	**351**	953	**2,901**
Actuarial gains and losses	**239**	1,185	**1,975**
Prior service cost	**—**	696	**—**
Payment of benefit	**(2,956)**	(3,408)	**(24,430)**
Increase by business combination	**7,830**	—	**64,711**
Others	**(284)**	740	**(2,347)**
Ending balance	**¥70,729**	¥53,606	**$584,537**

(b) Movements in plan assets, except plans applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Beginning balance	**¥68,842**	¥66,647	**$568,942**
Expected return on plan assets	**1,077**	1,029	**8,901**
Actuarial gains and losses	**883**	1,593	**7,298**
Contributions paid by the employer	**1,869**	1,724	**15,446**
Payment of benefits	**(2,192)**	(2,578)	**(18,116)**
Increase by business combination	**3,737**	—	**30,884**
Others	**7**	427	**58**
Ending balance	**¥74,223**	¥68,842	**$613,413**

(c) Movements in net defined benefit liabilities for plans applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Beginning balance	**¥2,121**	¥1,900	**$17,529**
Retirement benefit cost	**312**	144	**2,579**
Payment of benefits	**(250)**	(182)	**(2,066)**
Others	**(39)**	259	**(323)**
Ending balance	**¥2,144**	¥2,121	**$17,719**

(d) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liabilities (assets) in the consolidated balance sheet, including the plans applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Funded retirement benefit obligations	**¥56,964**	¥ 40,173	**$470,777**
Plan assets	**(47,819)**	(43,966)	**(395,198)**
Retirement benefit trust	**(26,509)**	(24,876)	**(219,083)**
	(17,364)	(28,669)	**(143,504)**
Unfunded retirement benefit obligations	**16,014**	15,554	**132,347**
Net of liabilities and assets of consolidated balance sheet	**(1,350)**	(13,115)	**(11,157)**
Net defined benefit liabilities	**22,817**	17,018	**188,570**
Net defined benefit assets	**(24,167)**	(30,133)	**(199,727)**
Net of liabilities and assets of consolidated balance sheet	**¥ (1,350)**	¥(13,115)	**$ (11,157)**

(e) Breakdown of retirement benefit cost:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Service cost	**¥3,049**	¥2,411	**$25,198**
Interest cost	**351**	953	**2,901**
Expected return on plan assets	**(1,077)**	(1,029)	**(8,901)**
Amortization of actuarial gains and losses	**48**	55	**397**
Amortization of prior service cost	**(108)**	(97)	**(893)**
Severance and retirement benefit cost by simplified method	**312**	144	**2,579**
Total	**¥2,575**	¥2,437	**$21,281**

(f) Breakdown of remeasurements of defined benefit plans (before tax effect):

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Prior service cost	**¥(108)**	¥—	**$ (893)**
Actuarial gains and losses	**747**	—	**6,174**
Total	**¥ 639**	¥—	**$5,281**

(g) Breakdown of accumulated remeasurements of defined benefit plans (before tax effect):

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unrecognized prior service cost	**¥ (312)**	¥ (204)	**$ (2,578)**
Unrecognized actuarial gains and losses	**6,667**	5,920	**55,099**
Total	**¥6,355**	¥5,716	**$52,521**

(h) Allocation of plan assets as a percentage of total plan assets:
① Plan assets comprise

	2015	2014
Equity securities	**45.7%**	50.3%
Debt securities	**36.9**	34.2
General account	**14.6**	12.4
Cash and deposit	**0.1**	0.0
Others	**2.7**	3.1
Total	**100.0%**	100.0%

Note: 35.7% and 36.1% of total plan assets includes retirement benefit trust in 2015 and 2014, respectively.

② Long-term expected rate of return
In determining the long-term expected rate of return, the Company and its consolidated subsidiaries take into consideration present and expected asset allocation and present and expected long-term rate of return arising from various plan assets.

(i) Actuarial assumption:
The discount rate used by the Company and its consolidated subsidiaries was mainly 0.81% and 2.0% in 2015 and 2014, respectively, and the expected return on plan assets was mainly 2.5% and 2.5% in 2015 and 2014, respectively.

(2) Summary of defined contribution pension plans
For the years ended December 31, 2015 and 2014, the Company and its consolidated subsidiaries provided ¥739 million ($6,107 thousand) and ¥730 million for defined contribution plans, respectively.

15. Research and Development Expenses

Research and development expenses for the years ended December 31, 2015 and 2014 were ¥23,372 million ($193,157 thousand) and ¥23,543 million, respectively.

16. Segment Information

(1) Information by reportable segment
The Company's reportable segments are the units for which separate financial information is available and periodically reviewed by the Board of Directors for the purposes of deciding the allocation of management resources and evaluating business performance. The Company and its subsidiaries have three divisions based on operations in Tires, Sports and Industrial and Other Products. Each division formulates comprehensive strategies for both domestic and overseas markets and develops business activities. Therefore, the Company identifies "Tires," "Sports" and "Industrial and Other Products" as reportable segments.

Operations in the Tires segment involve the production and sale of a wide range of tires for a variety of vehicles such as passenger cars, trucks, buses and motorcycles and applications such as industrial applications. Operations in the Sports segment involve the production and sale of a variety of sporting goods, principally golf balls, golf clubs, other golf related goods and tennis related goods. 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, assets and other material items

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	**2015**	2014	**2015**
Net sales:			
Tires—			
Sales to unaffiliated customers	**¥732,168**	¥731,245	**$6,050,975**
Intersegment sales and transfers	**10**	14	**83**
	732,178	731,259	**6,051,058**
Sports—			
Sales to unaffiliated customers	**77,631**	70,462	**641,579**
Intersegment sales and transfers	**314**	368	**2,595**
	77,945	70,830	**644,174**
Industrial and Other Products—			
Sales to unaffiliated customers	**38,864**	35,940	**321,190**
Intersegment sales and transfers	**35**	20	**289**
	38,899	35,960	**321,479**
Adjustments	**(359)**	(402)	**(2,967)**
	¥848,663	¥837,647	**$7,013,744**
Segment profit or loss:			
Tires	**¥ 73,114**	¥ 78,416	**$ 604,248**
Sports	**2,011**	3,170	**16,620**
Industrial and Other Products	**1,930**	4,648	**15,950**
	77,055	86,234	**636,818**
Adjustments	**12**	17	**99**
	¥ 77,067	¥ 86,251	**$ 636,917**
Segment assets:			
Tires	**¥781,890**	¥835,085	**$6,461,901**
Sports	**62,141**	68,246	**513,562**
Industrial and Other Products	**39,767**	31,307	**328,653**
	883,798	934,638	**7,304,116**
Adjustments	**52,356**	38,949	**432,694**
	¥936,154	¥973,587	**$7,736,810**
Increase in tangible and intangible fixed assets:			
Tires	**¥ 63,656**	¥ 64,650	**$ 526,083**
Sports	**2,181**	2,429	**18,025**
Industrial and Other Products	**2,003**	1,771	**16,553**
	67,840	68,850	**560,661**
Adjustments	**—**	—	**—**
	¥ 67,840	¥ 68,850	**$ 560,661**
Depreciation and amortization:			
Tires	**¥ 50,804**	¥ 45,323	**$ 419,868**
Sports	**2,628**	1,931	**21,719**
Industrial and Other Products	**1,713**	950	**14,157**
	55,145	48,204	**455,744**
Adjustments	**—**	—	**—**
	¥ 55,145	¥ 48,204	**$ 455,744**

Years ended December 31	Millions of yen 2015	2014	Thousands of U.S. dollars 2015
Amortization of goodwill:			
Tires	**¥ 697**	¥ 707	**$ 5,760**
Sports	**4,752**	659	**39,273**
Industrial and Other Products	**551**	—	**4,554**
	6,000	1,366	**49,587**
Adjustments	**—**	—	**—**
	¥ 6,000	¥ 1,366	**$ 49,587**
Investments in equity method affiliates:			
Tires	**¥ 3,852**	¥ 47,623	**$ 31,835**
Sports	**108**	110	**892**
Industrial and Other Products	**—**	—	**—**
	3,960	47,733	**32,727**
Adjustments	**—**	—	**—**
	¥ 3,960	¥ 47,733	**$ 32,727**

(a) Segment profit included in "Adjustments" comprised elimination of intersegment transactions.
(b) Segment assets included in "Adjustments" comprised corporate assets of ¥52,646 million ($435,091 thousand) and ¥39,263 million at December 31, 2015 and 2014, respectively, which 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 ¥290 million ($2,397 thousand) and ¥314 million at December 31, 2015 and 2014, respectively.
(c) Segment profit corresponds to operating income.
(d) Depreciation and amortization included the amount of depreciation in long-term prepaid expenses.
(e) The increase in tangible and intangible noncurrent assets included the amount of an increase in long-term prepaid expenses.

(2) Related information

(a) Information about geographical areas

Years ended December 31	Millions of yen 2015	2014	Thousands of U.S. dollars 2015
Net sales:			
Japan	**¥371,259**	¥396,143	**$3,068,256**
Asia	**173,691**	164,829	**1,435,463**
North America	**132,175**	91,534	**1,092,355**
Europe	**57,236**	67,294	**473,025**
Other areas	**114,302**	117,847	**944,645**
Total	**¥848,663**	¥837,647	**$7,013,744**
Net property, plant and equipment:			
Japan	**¥140,478**	¥141,654	**$1,160,975**
Asia	**152,369**	167,782	**1,259,248**
Other areas	**75,083**	50,519	**620,521**
Total	**¥367,930**	¥359,955	**$3,040,744**

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

Years ended December 31	Millions of yen 2015	2014	Thousands of U.S. dollars 2015
Impairment losses on fixed assets:			
Tires	**¥345**	¥103	**$2,851**
Sports	**29**	—	**240**
Industrial and Other Products	**—**	—	**—**
Total	**¥374**	¥103	**$3,091**

(c) Information about goodwill by reportable segment

Years ended December 31	Millions of yen 2015	2014	Thousands of U.S. dollars 2015
Amortization:			
Tires	**¥ 697**	¥ 707	**$ 5,760**
Sports	**4,752**	659	**39,273**
Industrial and Other Products	**551**	—	**4,554**
Total	**¥ 6,000**	¥ 1,366	**$ 49,587**
Balance at end of year:			
Tires	**¥11,453**	¥ 2,984	**$ 94,653**
Sports	**2,730**	7,481	**22,562**
Industrial and Other Products	**4,068**	—	**33,620**
Total	**¥18,251**	¥10,465	**$150,835**

(3) Information about gain on negative goodwill

For the fiscal year ended December 31, 2015, the Company recognized gain on negative goodwill of ¥93 million ($769 thousand) in the Tires segment. This was due to the conversion of Dunlop Goodyear Tires, Ltd., the Company's consolidated subsidiary, into a wholly owned subsidiary of the Company through the additional acquisition of 25% of its shares in association with the dissolution of the alliance agreement and joint ventures with The Goodyear Tire & Rubber Company.

17. Related Party Information

Goodyear Dunlop Tires Europe B.V., a significant affiliate, was excluded from the scope of application of the equity method as the Company sold all of its shares in association with the dissolution of the alliance agreement and joint ventures for the year ended December 31, 2015. A summary of the statements of income of the condensed financial information of Goodyear Dunlop Tires Europe B.V., for the period from January 1, 2015 to September 30, 2015 and for the year ended December 31, 2014 is as follows:

	Millions of U.S. dollars 2015	2014
Current assets	**$ —**	$1,992
Noncurrent assets	**—**	2,220
Current liabilities	**—**	1,408
Noncurrent liabilities	**—**	1,398
Shareholders' equity	**—**	1,406
Net sales	**3,516**	5,555
Income before income taxes	**145**	162
Net income	**124**	132

18. Contingent Liabilities

As of December 31, 2015 and 2014, the Company and its consolidated subsidiaries were contingently liable for the following:

	Millions of yen 2015	2014	Thousands of U.S. dollars 2015
Trade notes discounted	**¥1,036**	¥1,073	**$8,562**
Guarantees and arrangements similar to guarantees of indebtedness of employees, unconsolidated subsidiaries and affiliates	**402**	430	**3,322**

19. Leases

The original costs of leased assets under finance lease transactions which do not transfer ownership of the leased assets to the lessee and the related accumulated depreciation and accumulated impairment losses, assuming they were calculated using the straight-line method over the term of the lease, as of December 31, 2015 and 2014 were as follows:

As of December 31, 2015	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	**¥2,261**	**¥1,561**	**¥355**	**¥345**	**$18,686**	**$12,901**	**$2,934**	**$2,851**
Other	**463**	**247**	**—**	**216**	**3,826**	**2,041**	**—**	**1,785**
Total	**¥2,724**	**¥1,808**	**¥355**	**¥561**	**$22,512**	**$14,942**	**$2,934**	**$4,636**

As of December 31, 2014				Millions of yen
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net leased property
Machinery, vehicles and equipment	¥4,835	¥3,809	¥355	¥671
Other	463	221	—	242
Total	¥5,298	¥4,030	¥355	¥913

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, 2015 and 2014 amounted to ¥413 million ($3,413 thousand) and ¥497 million, respectively.

The balances of future finance lease payments, including interest, as of December 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Due within one year	**¥250**	¥ 413	**$2,066**
Due later	**377**	627	**3,116**
Total	**¥627**	¥1,040	**$5,182**

The balances of future lease payments under non-cancelable operating leases, including interest, as of December 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Due within one year	**¥2,307**	¥1,813	**$19,066**
Due later	**11,357**	7,474	**93,860**
Total	**¥13,664**	¥9,287	**$112,926**

20. Impairment Loss

The Company and its consolidated subsidiaries recognized impairment loss for the following asset groups for the years ended December 31, 2015 and 2014.

2015			Millions of yen	Thousands of U.S. dollars
Group	Location	Assets	Impairment loss	
Rental properties	Aomori City	Land and buildings	**¥ 54**	**$ 446**
Idle assets	Chiba City and other	Land	**291**	**2,405**
—	Thailand	Goodwill	**29**	**240**

2014			Millions of yen
Group	Location	Assets	Impairment loss
Idle assets	Izumiotsu City, Osaka and other	Land, buildings and other	¥103

The Company and its consolidated subsidiaries grouped their assets at the lowest level for which cash flows were independently identifiable based on managerial accounting category. Rental properties, unused idle assets and significant assets to be disposed out of the assets the Board of Directors or Management meeting made decisions about disposal of assets or abandon of business were tested for recoverability on an individual basis. For certain asset groups whose book value considerably declined against fair value due to a drop of land prices and for certain asset groups whose fair value declined due to idle condition for fiscal year 2015, the Company reduced the book value of certain assets to the recoverable amount and recognized the decline as impairment loss. A breakdown of impairment loss for fiscal year 2015 was ¥322 million ($2,661 thousand) for land and ¥23 million ($190 thousand) for buildings. Additionally, the full amount of goodwill was impaired and recognized as impairment loss, as Srixon Sports (Thailand) Co., Ltd., the Company’s consolidated subsidiary, could no longer expect to achieve the initially projected level of income. The recoverable amount of these asset groups other than goodwill was measured at their net realizable value or value in use. The net realizable value of land was estimated based on the publicly assessed fixed property tax value. And the value in use for land and buildings was estimated based on the present value of the expected cash flow using a discount rate of 8.2%.

21. Gains on Transfer of Business, etc., in Association with the Dissolution of Joint Ventures

The Company completed the entire procedure for the dissolution of the alliance and joint ventures with The Goodyear Tire & Rubber Company on October 1, 2015, and recognized gains on transfer of business, etc. in association with the dissolution of joint ventures as other expenses for the consolidated fiscal year under review, the details of which are as follows.

	Millions of yen	Thousands of U.S. dollars
Gain on sales of shares of subsidiaries and associates	**¥4,530**	**$37,438**
Loss on step acquisitions	**(4,423)**	**(36,554)**
Gain on negative goodwill	**93**	**769**
Other	**(42)**	**(347)**
Total	**¥ 158**	**$1,306**

22. Amortization of Goodwill

The Company recognized special amortization of goodwill for Roger Cleveland Golf Company, Inc., the Company's consolidated subsidiary, in accordance with the provisions of Article 32 of the "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (The Japanese Institute of Certified Public Accountants (JICPA) Accounting Practice Committee Report No. 7, last revised on November 28, 2014).

23. Business Combination

1. Business combination by means of acquisition by consolidated subsidiary

(Business combination of Lonstroff Holdings AG and its wholly owned subsidiary)

(1) Overview of business combination

(a) Name and business of acquired company
Name of acquired company: Lonstroff Holdings AG and its 100% owned subsidiary
Main business: Manufacturing and sale of medical packaging material, medical rubber material, industrial rubber and others.

(b) Purpose of business combination
Securing the Company's own regional bases for manufacturing and sale of medical rubber material in Europe and enhancing global operation mainly in Europe.

(c) Date of the business combination
January 30, 2015

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

(e) Name of acquired company after business combination
No change

(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 100% portion of voting rights by acquisition of shares in exchange of cash payment.

(2) Period for which the operating results of the acquired company are included in the Company's consolidated financial statements

From January 1, 2015 to December 31, 2015.

(3) Acquisition cost and its details

	Millions of yen	Thousands of U.S. dollars
Acquisition price	**¥5,394**	**$44,578**
Expenses related to the acquisition	**185**	**1,529**
Total	**¥5,579**	**$46,107**

(4) Amount of goodwill recognized, reason for recognition, amortization method and amortization period

(a) Amount of goodwill recognized
¥4,812 million ($39,768 thousand)

(b) Reason for recognition
Future business activities are expected to generate excess profitability.

(c) Amortization method and amortization period
Straight-line method over 9 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	**¥1,799**	**$14,868**
Noncurrent assets	**3,664**	**30,281**
Total assets	**¥5,463**	**$45,149**
Current liabilities	**¥2,047**	**$16,917**
Long-term liabilities	**2,649**	**21,893**
Total liabilities	**¥4,696**	**$38,810**

(Business combination of Goodyear Dunlop Tires North America, Ltd.)

(1) Overview of business combination

(a) Name of acquiring company/ Name and business of acquired company
Name of acquiring company: SRI America, Inc. (wholly owned consolidated subsidiary of the Company)
Name of acquired company: Goodyear Dunlop Tires North America, Ltd.
Main business: Manufacturing and sale of tires in North America

(b) Purpose of business combination
Enhancing competitiveness by promoting Dunlop-brand original equipment tires sales for vehicles and motorcycles manufactured by Japanese automakers in the North American region, and also by securing the Company's own regional bases for production, research and development and others.

(c) Date of the business combination
October 1, 2015

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

(e) Name of acquired company after business combination
Goodyear Dunlop Tires North America, Ltd.
(Company name is scheduled to be changed to Sumitomo Rubber USA, LLC during fiscal 2016)

(f) Ratio of voting rights acquired
Voting right ratio before acquisition: 30% (equity interest ratio: 25%)
Voting right ratio after acquisition: 100% (equity interest ratio: 100%)

(g) Main basis behind the determination of the acquiring company
The Company's group acquired 100% portion of voting rights, by acquisition of shares in exchange of cash payment.

(h) Other matters concerning the summary of transactions
SRI America, Inc. additionally acquired 75% of the shares of Goodyear Dunlop Tires North America, Ltd. The remaining 25% of its shares are held by SRI USA, Inc., the Company's consolidated subsidiary. Consequently, the Group's ratio of voting rights in Goodyear Dunlop Tires North America, Ltd. is 100%.

(2) Period for which the operating results of the acquired company are included in the Company's consolidated financial statements
From October 1, 2015 to December 31, 2015.

(3) Acquisition cost and its details

	Millions of yen	Thousands of U.S. dollars
Fair value of shares held before business combination	**¥11,699**	**$ 96,686**
Fair value of shares additionally acquired at business combination	**14,979**	**123,793**
Total	**¥26,678**	**$220,479**

(4) Difference between the acquisition cost of the acquired company and the total acquisition cost of individual transactions leading to the acquisition
Loss on step acquisitions: ¥4,423 million ($36,554 thousand)

(5) Amount of goodwill recognized, reason for recognition, amortization method and amortization period

(a) Amount of goodwill recognized
¥5,472 million ($45,223 thousand)

(b) Reason for recognition
Future business activities are expected to generate excess profitability.

(c) Amortization method and amortization period
Straight-line method over 7 years

(6) 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	**¥17,890**	**$147,851**
Noncurrent assets	**33,770**	**279,091**
Total assets	**¥51,660**	**$426,942**
Current liabilities	**¥16,987**	**$140,388**
Long-term liabilities	**13,467**	**111,298**
Total liabilities	**¥30,454**	**$251,686**

(7) Amount allocated to intangible assets other than goodwill and amortization period

In the purchase price allocation, those allocated to intangible assets other than goodwill and the amortization period classified by category.

	Millions of yen	Thousands of U.S. dollars
Customer related assets	**¥ 3,739**	**$ 30,901**

(Amortization period:15 years)

(8) Estimated impact on consolidated financial results if the business combination had been completed at the beginning of fiscal year 2015

Net Sales: ¥50 billion ($413 million)

Net income: ¥4 billion ($33 million)

(Method of Calculating the Estimated Amount)

Based on the assumption that the business combination had been completed at the beginning of fiscal year 2015, the difference between the amount of net sales and net income from October 1, 2015 to December 31, 2015, including equity in earnings or losses of affiliates from January 1, 2015 to September 30, 2015 and the amount of net sales and net income for the fiscal year 2015 of the acquired company, was deemed as the estimated amount of the impact. This note has not received an audit certification.

2. Transactions under common control

(1) Summary of transaction

(a) Name of concerned company/ Name and business of concerned company

Name of the concerned company: Dunlop Goodyear Tires Ltd.

Main business: Sales of original equipment tires in Japan

(b) Date of business combination

October 1, 2015

(c) Legal form of business combination

Acquisition of shares in exchange for cash payment

(d) Name of concerned company after business combination

Dunlop Goodyear Tires Ltd. (Scheduled to be merged by the Company by an absorption-type merger and to be dissolved as of January 1, 2016)

(e) Other matters concerning the summary of transactions

The Company additionally acquired 25% of the shares of Dunlop Goodyear Tires Ltd., which became a wholly owned consolidated subsidiary of the Company.

(2) Summary of the accounting treatment

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008), the Company plans to treat the transaction with minority interests under common control transactions.

(3) Additionally acquired shares of a subsidiary

(a) Acquisition cost and its details

	Millions of yen	Thousands of U.S. dollars
Acquisition price	**¥1,679**	**$13,876**
Expenses related to the acquisition	**35**	**289**
Total	**¥1,714**	**$14,165**

(b) The amount of gain on negative goodwill and the reason for its occurrence

① Amount of gain on negative goodwill: ¥93 million ($769 thousand)

② Reason for the occurrence of gain on negative goodwill:

Due to the difference between the acquisition cost of the additionally acquired shares of the subsidiary and the decreased amount in minority interests in connection with the additional acquisition.

24. Net Assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the board of directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital which is included in capital surplus.

In cases where dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal reserve must be set aside as additional paid-in capital or legal reserve. Legal reserve is included in retained earnings in the accompanying consolidated balance sheets.

Both appropriations of legal reserve and additional paid-in capital used to eliminate or reduce a deficit generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal reserve may not be distributed as dividends. However, all additional paid-in capital and legal reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The law also provides for companies to purchase treasury stock and cancel of such treasury stock by resolution of the board of directors.

At the General Meeting of Shareholders held on March 30, 2016, the distribution of cash dividends amounting to ¥7,870 million ($65,041 thousand) was resolved. Such appropriations have not been accrued in the consolidated financial statements as of December 31, 2015 since they are recognized in the period in which they are resolved at the board of directors' meeting.

25. Subsequent Events

In association with the dissolution of the alliance agreement and joint ventures with The Goodyear Tire & Company, the Company sold its shares of The Goodyear Tire & Company in fiscal year 2016 and recognizes gain on sales of investment securities of ¥6 billion ($50 million) in other income.

Independent Auditor's 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, 2015 and 2014, and the consolidated statements of income, statements of 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, 2015 and 2014, 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, 2015 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 11, 2016
Kobe, Japan