Consolidated Financial Results
for the Nine Months Ended September 30, 2018
[IFRS]

November 7, 2018

Company name	: Sumitomo Rubber Industries, Ltd.
Stock exchange listing	: Tokyo Stock Exchange
Code number	: 5110
URL	: http://www.srigroup.co.jp/
Representative	: Ikuji Ikeda, President and CEO, Representative Director
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Scheduled date of filing quarterly securities report	: November 8, 2018
Scheduled date of commencing dividend payments	: -
Supplementary documents for quarterly financial results	: Yes
Quarterly financial results briefing session	: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded to the nearest unit.)

1. Consolidated Financial Results for Nine Months Ended September 30, 2018 (January 1, 2018 to September 30, 2018)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Sales revenue		Business profit		Operating profit		Profit attributable to owners of parent		Comprehensive income	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2018	635,974	2.9	34,628	14.4	33,687	12.1	17,141	0.9	(6,577)	-
September 30, 2017	618,311	15.7	30,272	(28.2)	30,039	(27.9)	16,985	(38.1)	22,775	-

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

	Basic profit per share	Diluted profit per share	Business profit to sales revenue ratio
Nine months ended	Yen	Yen	%
September 30, 2018	65.39	-	5.4
September 30, 2017	64.81	-	4.9

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent	Equity attributable to owners of parent per share
As of	Million yen	Million yen	Million yen	%	Yen
September 30, 2018	1,007,854	467,574	453,062	45.0	1,722.61
December 31, 2017	1,018,266	490,886	459,907	45.2	1,810.56

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Nine months ended	Million yen	Million yen	Million yen	Million yen
September 30, 2018	47,030	(51,974)	10,839	65,744
September 30, 2017	29,475	(82,801)	53,332	66,791

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended	Yen	Yen	Yen	Yen	Yen
December 31, 2017	-	25.00	-	30.00	55.00
December 31, 2018	-	30.00	-		
Fiscal year ending December 31, 2018 (Forecast)				30.00	60.00

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

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

(% indicates changes from the previous corresponding period.)

	Sales revenue		Business profit		Operating profit		Profit attributable to owners of parent		Basic profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	885,000	0.8	60,000	(10.4)	60,000	(11.0)	35,500	(24.4)	135.33

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

Notes:

(1) Changes in significant subsidiaries during the nine months ended September 30, 2018
(changes in specified subsidiaries resulting in changes in scope of consolidation) : None

(2) Changes in accounting policies and changes in accounting estimates

1) Changes in accounting policies required by IFRS : Yes
2) Changes in accounting policies other than 1) : None
3) Changes in accounting estimates : None

(Note) Please refer to page 13 of the attached documents of the Consolidated Financial Results for the Period under Review, "2. Condensed Interim Consolidated Financial Statements and Primary Notes, (5) Notes on Condensed Interim Consolidated Financial Statements (Changes in Accounting Policies)."

(3) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury stock)

September 30, 2018	:	263,043,057 shares
December 31, 2017	:	263,043,057 shares

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

September 30, 2018	:	33,556 shares
December 31, 2017	:	9,029,444 shares

3) Average number of shares during the period

Nine months ended September 30, 2018	:	262,111,268 shares
Nine months ended September 30, 2017	:	262,080,739 shares

<u>* Interim financial statements are outside the scope of the quarterly review procedures under the Financial Instruments and Exchange Act</u>

<u>* Explanation of the proper use of financial results forecast and other notes</u>

The earnings projections and other forward-looking statements herein are based on certain assumptions made in light of the information currently available to Sumitomo Rubber Industries, Ltd. (the “Company”) and its group companies (collectively, the “Group”) and do not constitute any promises by the Company that they will be realized. Actual results could differ significantly from these forecasts due to changes in various factors surrounding the businesses of the Company and the Group.

With regard to the matters related to the underlying assumptions for the above forecasts, please refer to page 5 of the attached documents of the Consolidated Financial Results for the Period under Review, “1. Qualitative Information on Quarterly Financial Results for the Period under Review, (3) Consolidated Financial Results Forecast and Other Future Forecast.”

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

(1) Operating Results

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2018	Change in ratio
	Millions of yen	Millions of yen	%
Sales revenue	618,311	635,974	2.9
Tires	530,656	540,767	1.9
Sports	58,743	64,599	10.0
Industrial and Other Products	28,912	30,608	5.9
Business profit	30,272	34,628	14.4
Tires	24,267	26,957	11.1
Sports	3,016	4,824	59.9
Industrial and Other Products	2,950	2,844	(3.6)
Adjustments	39	3	-
Operating profit	30,039	33,687	12.1
Profit attributable to owners of parent	16,985	17,141	0.9

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

Foreign exchange rates applied

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2018	Increase (Decrease)
	Yen	Yen	Yen
Yen / U.S. Dollar	112	110	(2)
Yen / Euro	125	131	6

During the nine months ended September 30, 2018, amid the effects of situations over U.S. trade issues on the global economy, the U.S. economy continued to expand steadily, and the European economy remained on a gradual recovery trend. In Asia, the Chinese economy maintained a relatively high growth rate, and economic recovery was seen also in Thailand and Indonesia. Thus, the overall global economy showed solid growth.

The Japanese economy also showed a relatively robust growth, as seen in the steady improvement of the employment environment, a pickup in personal consumption, an improvement in corporate earnings and a moderate increase in capital investment.

Looking at the business environment surrounding the Sumitomo Rubber Group, although crude oil prices continued to rise since the end of the previous year, the price of natural rubber remained stable. Sales of the Group performed mostly within our expectations while competition with our competitors in the market continued to intensify.

Under these circumstances, the Group pursued various group-wide initiatives to achieve its long-term “VISION 2020” targets for fiscal 2020 aimed at driving business growth and improving profitability.

As a result, sales revenue of the Group increased 2.9% from the same period of the previous fiscal year to ¥635,974 million, business profit increased 14.4% to ¥34,628 million, operating profit increased 12.1% to ¥33,687 million and profit attributable to owners of parent increased 0.9% to ¥17,141 million.

Business performance by business segment was as follows.

Tire Business

Sales revenue in the tire business increased 1.9% from the same period of the previous fiscal year to

¥540,767 million, and business profit increased 11.1% to ¥26,957 million.

In the domestic original equipment market, sales revenue exceeded the level of the same period of the previous fiscal year, despite almost unchanged automobile production volume compared with the previous quarterly period, due to an increase in sales volume by expanding sales of high-value-added tires, particularly fuel-efficient tires.

In the domestic replacement market, sales revenue exceeded the level of the same period of the previous fiscal year. Under the DUNLOP brand, we launched the “ENASAVE EC204,” fuel-efficient tires for passenger cars providing “Long Life with Longer-lasting Performance” realized by the improved resistance against wear and uneven abrasion, and expanded sales of high-value-added products including “LE MANS V.” Under the FALKEN brand, we launched the “AZENIS FK510” series, new generation flagship tires for passenger cars providing high steering stability at high-speeds and excellent wet performance, while making efforts to enhance brand awareness, such as supporting Mr. Yoshihide Muroya, who will compete in the “Red Bull Air Race World Championship 2018,” as “Team FALKEN.” In addition, snowfalls in the beginning of the year led to favorable shipments of winter tires.

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

In the overseas replacement market, sales revenue exceeded the level of the same period of the previous fiscal year. Despite sluggish consumption associated with political uncertainty in the Middle East, sales volume increased mainly in Europe supported by the region’s continued economic expansion, as well as in the U.K. market stemming from the acquisition of Micheldever Group Ltd., a British tire sales company, in February 2017.

As a result, sales revenue and business profit in the tire business exceeded the level of the same period of the previous fiscal year.

Sports Business

Sales revenue in the sports business increased 10.0% from the same period of the previous fiscal year to ¥64,599 million, and business profit increased 59.9% to ¥4,824 million.

In the golf goods market in Japan, “XXIO 10” golf clubs, which were launched in December 2017, continued to enjoy favorable sales. In addition, “NEW SRIXON Z SERIES” golf clubs were launched in September 2018. As a result, sales revenue in the golf goods market in Japan as a whole exceeded the level of the same period of the previous fiscal year.

In overseas golf goods markets, similarly, “XXIO 10” golf clubs showed favorable sales, stronger than those of the previous model. We also made aggressive efforts to expand sales of our brands “SRIXON” and “Cleveland Golf.” As a result, sales revenue exceeded the level of the same period of the previous fiscal year.

In the tennis goods markets, revenue from the Japanese market fell below the level of the same period of the previous fiscal year. However, sales in the overseas tennis business under the DUNLOP brand which was acquired in April 2017 significantly contributed to an increase in revenue mainly in Europe and North America.

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

In addition, the licensing business also continued to contribute to an increase in revenue. As a result, sales revenue and business profit in the sports business exceeded the level of the same period of the previous fiscal year.

On January 1, 2018, the Group integrated its sports business by merging Company’s subsidiary Dunlop Sports Co. Ltd., and Dunlop International Co. Ltd. into the Company through absorption-type mergers.

Industrial and Other Products Business

Sales revenue in the industrial and other products business increased 5.9% from the same period of the previous fiscal year to ¥30,608 million, and business profit decreased 3.6% to ¥2,844 million.

In the business of vibration control dampers, under the “MIRAIE” brand, a series of vibration control units for housing, sales grew strongly. In the business of precision rubber parts for office machines, sales revenue exceeded the level of the same period of the previous fiscal year due to an increase in production of printers and photocopiers by major office machine manufacturers. In the business of infrastructure-based products, sales revenue exceeded the level of the same period of the previous fiscal year due to the acquisition of Sports Surface Co., Ltd., a company engaging in the design and construction of domestic tennis courts, in January 2018.

As a result, sales revenue in the industrial and other products business exceeded the level of the same period of the previous fiscal year while business profit decreased compared with the same period of the previous fiscal year mainly due to the effects of foreign exchange rates and construction of a new factory for precision rubber parts for medical use in Slovenia.

(2) Financial Position

	As of December 31, 2017	As of September 30, 2018	Increase (Decrease)
	Millions of yen	Millions of yen	Millions of yen
Total assets	1,018,266	1,007,854	(10,412)
Total equity	490,886	467,574	(23,312)
Total equity attributable to owners of parent	459,907	453,062	(6,845)
Ratio of equity attributable to owners of parent (%)	45.2	45.0	(0.2)
Equity attributable to owners of parent per share	1,810.56 yen	1,722.61 yen	(87.95) yen

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

Total assets decreased ¥10,412 million from the end of the previous fiscal year to ¥1,007,854 million mainly as a result of a decrease in trade and other receivables although inventories increased due to seasonal factors, and a decrease in property, plant and equipment due to the effects of foreign currency translation.

Total liabilities increased ¥12,900 million from the end of the previous fiscal year to ¥540,280 million mainly as a result of an increase in bonds and loans payable.

Total equity as of September 30, 2018 decreased ¥23,312 million from the end of the previous fiscal year to ¥467,574 million, of which equity attributable to owners of parent accounted for ¥453,062 million, and non-controlling interests accounted for ¥14,512 million. Treasury stocks and non-controlling interests decreased due to merger with the Company’s subsidiary Dunlop Sports Co. Ltd. effective on January 1, 2018, in which shares in the Company were allotted to the non-controlling shareholders of Dunlop Sports Co. Ltd. Also, due to decrease in other components of equity, which was affected by foreign exchange rates, equity attributable to owners of parents decreased ¥6,845 million, and non-controlling interests decreased ¥16,467 million compared with the end of the previous fiscal year. As a result, ratio of equity attributable to owners of parent was 45.0%, and equity attributable to owners of parent per share was ¥1,722.61.

(3) Consolidated Financial Results Forecast and Other Future Forecast

To reflect changes in the business environment such as the recent trends in demand and foreign exchange market, revisions have been made as follows to the full year financial results forecast in the Consolidated Financial Results for the Six Months Ended June 30, 2018, which we announced on August 7, 2018.

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

	Revised forecast	Previous forecast	Increase (Decrease)	Change in ratio	(Reference) Results for the same period of the previous year
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen
Sales revenue	885,000	900,000	(15,000)	(1.7)	877,866
Tires	760,000	775,000	(15,000)	(1.9)	756,576
Sports	85,000	85,000	-	-	81,734
Industrial and Other Products	40,000	40,000	-	-	39,556
Business profit	60,000	68,000	(8,000)	(11.8)	66,975
Tires	50,500	59,000	(8,500)	(14.4)	58,341
Sports	5,000	4,500	500	11.1	4,372
Industrial and Other Products	4,500	4,500	-	-	4,229
Adjustments	-	-	-	-	33
Operating profit	60,000	68,000	(8,000)	(11.8)	67,449
Profit attributable to owners of parent	35,500	43,000	(7,500)	(17.4)	46,979

Foreign exchange rates applied

	Revised forecast	Previous forecast	Increase (Decrease)	(Reference) Rates applied for the same period of the previous year
	Yen	Yen	Yen	Yen
Yen / U.S. Dollar	110	109	1	112
Yen / Euro	130	131	(1)	127

The results forecast and other forward-looking statements herein are based on certain assumptions made in light of the information currently available to the Company and the Group as of the date of the release of this document and include potential risks and uncertainty. Actual results could differ significantly from these forecasts due to changes in various factors surrounding the businesses of the Company and the Group.

2. Condensed Interim Consolidated Financial Statements and Primary Notes

(1) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2017	As of September 30, 2018
Assets		
Current assets		
Cash and cash equivalents	64,528	65,744
Trade and other receivables	209,308	184,403
Other financial assets	9,195	7,961
Inventories	159,010	190,620
Other current assets	23,932	27,075
Total current assets	465,973	475,803
Non-current assets		
Property, plant and equipment	379,747	364,476
Goodwill	35,202	35,643
Intangible assets	49,989	47,056
Investments accounted for using equity method	4,171	4,253
Other financial assets	37,098	36,469
Net defined benefit asset	25,378	25,481
Deferred tax assets	15,172	13,417
Other non-current assets	5,536	5,256
Total non-current assets	552,293	532,051
Total assets	1,018,266	1,007,854

(Millions of yen)

	As of December 31, 2017	As of September 30, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and loans payable	116,477	153,499
Trade and other payables	136,100	122,109
Other financial liabilities	1,776	2,178
Income tax payable	5,602	6,387
Provisions	6,782	4,569
Other current liabilities	36,562	42,818
Total current liabilities	303,299	331,560
Non-current liabilities		
Bonds and loans payable	152,424	141,315
Other financial liabilities	3,644	3,247
Net defined benefit liability	21,680	21,032
Provisions	1,199	1,217
Deferred tax liabilities	22,382	20,676
Other non-current liabilities	22,752	21,233
Total non-current liabilities	224,081	208,720
Total liabilities	527,380	540,280
Equity		
Capital stock	42,658	42,658
Capital surplus	37,865	39,487
Retained earnings	428,799	425,264
Treasury stock	(17,631)	(67)
Other components of equity	(31,784)	(54,280)
Total equity attributable to owners of parent	459,907	453,062
Non-controlling interest	30,979	14,512
Total equity	490,886	467,574
Total liabilities and equity	1,018,266	1,007,854

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

Condensed Interim Consolidated Statements of Income

(Millions of yen)

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2018
Sales revenue	618,311	635,974
Cost of sales	(441,680)	(454,323)
Gross profit	176,631	181,651
Selling, general and administrative expenses	(146,359)	(147,023)
Business profit	30,272	34,628
Other income	1,819	1,686
Other expenses	(2,052)	(2,627)
Operating profit	30,039	33,687
Financial income	2,755	1,952
Financial expenses	(3,571)	(7,935)
Equity in earnings of affiliates	56	84
Profit before tax	29,279	27,788
Income tax expenses	(10,408)	(10,005)
Profit	18,871	17,783
Profit attributable to:		
Owners of parent	16,985	17,141
Non-controlling interests	1,886	642
Profit	18,871	17,783
Profit per share		
Basic profit per share (Yen)	64.81	65.39

Condensed Interim Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2018
Profit	18,871	17,783
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,650	(526)
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	(531)	187
Currency translation differences of foreign operations	2,785	(24,021)
Other comprehensive income, net of tax	3,904	(24,360)
Comprehensive income	22,775	(6,577)
Comprehensive income attributable to:		
Owners of parent	21,093	(5,194)
Non-controlling interests	1,682	(1,383)
Comprehensive income	22,775	(6,577)

(3) Condensed Interim Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2017

(Millions of yen)

	Total equity attributable to owners of parent					
					Other components of equity	
	Capital Stock	Capital surplus	Retained earnings	Treasury stock	Currency translation differences of foreign operations	Cash flow hedges
Balance as of January 1, 2017	42,658	37,937	389,970	(570)	(49,657)	(185)
Profit			16,985			
Other comprehensive income					2,976	(543)
Total comprehensive income	-	-	16,985	-	2,976	(543)
Purchase of treasury stock				(4,596)		
Disposal of treasury stock		1		0		
Dividends			(13,116)			
Changes in ownership interests in subsidiaries that do not result in loss of control						
Acquisition of non-controlling interests involving merger of consolidated subsidiaries						
Transfer to retained earnings			36			
Transfer to capital surplus						
Other increase and decrease						280
Total transactions with owners	-	1	(13,080)	(4,596)	-	280
Balance as of September 30, 2017	42,658	37,938	393,875	(5,166)	(46,681)	(448)

	Total equity attributable to owners of parent				Non-controlling interests	Total Equity
	Other components of equity			Total		
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plan	Total			
Balance as of January 1, 2017	9,163	-	(40,679)	429,316	30,225	459,541
Profit			-	16,985	1,886	18,871
Other comprehensive income	1,675		4,108	4,108	(204)	3,904
Total comprehensive income	1,675	-	4,108	21,093	1,682	22,775
Purchase of treasury stock			-	(4,596)		(4,596)
Disposal of treasury stock			-	1		1
Dividends			-	(13,116)	(1,201)	(14,317)
Changes in ownership interests in subsidiaries that do not result in loss of control			-	-	607	607
Acquisition of non-controlling interests involving merger of consolidated subsidiaries			-	-		-
Transfer to retained earnings	(36)		(36)	-		-
Transfer to capital surplus			-	-		-
Other increase and decrease			280	280		280
Total transactions with owners	(36)	-	244	(17,431)	(594)	(18,025)
Balance as of September 30, 2017	10,802	-	(36,327)	432,978	31,313	464,291

For the nine months ended September 30, 2018

(Millions of yen)

	Total equity attributable to owners of parent					
					Other components of equity	
	Capital Stock	Capital surplus	Retained earnings	Treasury stock	Currency translation differences of foreign operations	Cash flow hedges
Balance as of January 1, 2018	42,658	37,865	428,799	(17,631)	(43,902)	(436)
Profit			17,141			
Other comprehensive income					(21,997)	187
Total comprehensive income	-	-	17,141	-	(21,997)	187
Purchase of treasury stock				(29)		
Disposal of treasury stock		1		3		
Dividends			(15,511)			
Changes in ownership interests in subsidiaries that do not result in loss of control		3			0	
Acquisition of non-controlling interests involving merger of consolidated subsidiaries		(3,598)		17,590	(233)	0
Transfer to retained earnings			51			
Transfer to capital surplus		5,216	(5,216)			
Other increase and decrease						(41)
Total transactions with owners	-	1,622	(20,676)	17,564	(233)	(41)
Balance as of September 30, 2018	42,658	39,487	425,264	(67)	(66,132)	(290)

	Total equity attributable to owners of parent				Non-controlling interests	Total Equity
	Other components of equity			Total		
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plan	Total			
Balance as of January 1, 2018	12,554	-	(31,784)	459,907	30,979	490,886
Profit			-	17,141	642	17,783
Other comprehensive income	(525)		(22,335)	(22,335)	(2,025)	(24,360)
Total comprehensive income	(525)	-	(22,335)	(5,194)	(1,383)	(6,577)
Purchase of treasury stock			-	(29)		(29)
Disposal of treasury stock			-	4		4
Dividends			-	(15,511)	(1,257)	(16,768)
Changes in ownership interests in subsidiaries that do not result in loss of control			0	3	96	99
Acquisition of non-controlling interests involving merger of consolidated subsidiaries	123	41	(69)	13,923	(13,923)	-
Transfer to retained earnings	(10)	(41)	(51)	-		-
Transfer to capital surplus			-	-		-
Other increase and decrease			(41)	(41)		(41)
Total transactions with owners	113	-	(161)	(1,651)	(15,084)	(16,735)
Balance as of September 30, 2018	12,142	-	(54,280)	453,062	14,512	467,574

(4) Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2018
Cash flows from operating activities		
Profit before tax	29,279	27,788
Depreciation and amortization	41,559	42,808
Interest and dividends income	(1,874)	(1,952)
Interest expenses	3,570	3,019
Share of (profit) loss of entities accounted for using equity method	(56)	(84)
Decrease (increase) in inventories	(22,927)	(37,364)
Decrease (increase) in trade and other receivables	7,123	20,497
Increase (decrease) in trade and other payables	(6,725)	(7,526)
Other, net	2,826	11,702
Subtotal	52,775	58,888
Interest received	1,496	1,597
Dividend income received	368	322
Interest expenses paid	(3,129)	(2,559)
Income taxes paid	(22,035)	(11,218)
Net cash provided by (used in) operating activities	29,475	47,030
Cash flows from investing activities		
Purchase of property, plant and equipment	(45,338)	(48,246)
Proceeds from sales of property, plants and equipment	575	258
Purchase of intangible assets	(2,854)	(2,056)
Proceeds from sales of investment securities	265	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(34,827)	(83)
Payment for transfer of business	(690)	(1,596)
Other, net	68	(251)
Net cash provided by (used in) investing activities	(82,801)	(51,974)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	64,203	40,116
Proceeds from long-term debt and newly issued bonds	30,838	11,855
Repayments of long-term debt and redemption of bonds	(21,386)	(22,849)
Proceeds from contributions of non-controlling interests	607	99
Cash dividends paid	(13,116)	(15,511)
Cash dividends paid to non-controlling interests	(1,201)	(1,257)
Purchase of treasury stocks	(4,596)	(25)
Other, net	(2,017)	(1,589)
Net cash provided by (used in) financing activities	53,332	10,839
Effect of exchange rate change on cash and cash equivalents	293	(4,679)
Net increase (decrease) in cash and cash equivalents	299	1,216
Cash and cash equivalents at the beginning of current period	66,492	64,528
Cash and cash equivalents at the end of current period	66,791	65,744

(5) Notes on Condensed Interim Consolidated Financial Statements

(Notes on Going Concern Assumption)

None

(Changes in Accounting Policies)

Except for the policy listed below, significant accounting policies that the Group adopted in the condensed interim consolidated financial statements under review are the same as those that were adopted in the consolidated financial statements for the fiscal year ended December 31, 2017.

Income tax expenses for the nine months ended September 30, 2018 were determined using the estimated average annual effective income tax rate.

The Group has adopted the following standards from the three months ended March 31, 2018:

IFRS		Description of new standards and revisions
IFRS 15	Revenue from Contracts with Customers	Revision of accounting treatment for revenue recognition

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" (issued in May 2014) and "Clarifications to IFRS 15" (issued in April 2016) (together referred to as "IFRS 15") from the three months ended March 31, 2018.

In applying IFRS 15, as permitted under transitional measures in this standard, the Group recognizes the cumulative effect of applying this standard at the date of initial application.

In accordance with IFRS 15, except for revenue including interest and dividends income, etc. under IFRS 9 "Financial Instruments," revenue is recognized by applying the following five-step approach:

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligation in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligation in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

There are no material impacts resulting from the adoption of these standards and interpretations on the Group's consolidated financial results.

(Segment Information)

1. Information by reportable segment

Reportable segments of the Group are the units for which separate financial information is available and periodically reviewed by the Board of Directors as the highest decision-making body for the purposes of deciding the allocation of management resources and evaluating business performance.

The Group has three divisions based on operations in Tires, Sports and Industrial and Other Products. Each division formulates comprehensive strategies for both domestic and overseas markets and develops business activities.

Therefore, the Group identifies "Tires", "Sports", and "Industrial and Other Products" as reportable segments.

Major products and services or details of business that belong to each reportable segment are as follows:

Reportable segment	Major products and services or details of business
Tires	Tires and tubes (for automobiles, construction vehicles, industrial vehicles, automotive races and rallies, motorcycles, etc.) Automotive system business (instant mobility systems, deflation warning systems, etc.)
Sports	Sporting goods (golf clubs, golf balls and other golf goods, tennis goods, etc.) Operation of golf tournaments Operation of golf and tennis schools Fitness business, and others
Industrial and Other Products	High-performance rubber products (vibration control dampers, precision rubber parts for office machines, precision rubber parts for medical use, etc.) Daily life supplies (rubber gloves for cooking and other operations, ramps for wheelchair use, etc.) Products for infrastructure (marine dock fenders, flooring materials for factories and sports facilities, etc.)

2. Reportable segment sales revenues and profit or loss

Inter-segment sales revenues are stated at wholesale prices based on current market values.

Figures for reportable segment are based on business profit.

Information for the reportable segments for the previous fiscal year and the current fiscal year is as follows:

For the nine months ended September 30, 2017 (January 1, 2017 to September 30, 2017)

(Millions of yen)

	Reportable segment			Total	Adjustments (Note 2)	Amounts recorded in Condensed Interim Consolidated Statements of Income
	Tires	Sports	Industrial and Other Products			
Sales revenue from external customers	530,656	58,743	28,912	618,311	-	618,311
Inter-segment sales revenue	25	181	548	754	(754)	-
Total	530,681	58,924	29,460	619,065	(754)	618,311
Segment profit (Business profit) (Note 1)	24,267	3,016	2,950	30,233	39	30,272
Other income and expenses						(233)
Operating profit						30,039

(Notes)

1. "Segment profit (Business profit)" is "Sales revenue" subtracted by "Cost of sales" and "Selling, general and administrative expenses."
2. Segment profit included in "Adjustment" comprised elimination of inter-segment transactions.

For the nine months ended September 30, 2018 (January 1, 2018 to September 30, 2018)

(Millions of yen)

	Reportable segment			Total	Adjustments (Note 2)	Amounts recorded in Condensed Interim Consolidated Statements of Income
	Tires	Sports	Industrial and Other Products			
Sales revenue from external customers	540,767	64,599	30,608	635,974	-	635,974
Inter-segment sales revenue	97	259	651	1,007	(1,007)	-
Total	540,864	64,858	31,259	636,981	(1,007)	635,974
Segment profit (Business profit) (Note 1)	26,957	4,824	2,844	34,625	3	34,628
Other income and expenses						(941)
Operating profit						33,687

(Notes)

1. "Segment profit (Business profit)" is "Sales revenue" subtracted by "Cost of sales" and "Selling, general and administrative expenses."
2. Segment profit included in "Adjustment" comprised elimination of inter-segment transactions.

(Significant Subsequent Events)

None