

Consolidated Financial Results
for the Fiscal Year Ended December 31, 2018
[IFRS]



February 13, 2019

Company name : Sumitomo Rubber Industries, Ltd.
 Stock exchange listing : Tokyo Stock Exchange
 Code number : 5110
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 Scheduled date of ordinary shareholders' meeting : March 26, 2019
 Scheduled date of commencing dividend payments : March 27, 2019
 Scheduled date of filing annual securities report : March 27, 2019
 Supplementary documents for financial results : Yes
 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 Fiscal Year Ended December 31, 2018 (January 1, 2018 to December 31, 2018)

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

Fiscal year ended	Revenue		Business profit		Operating profit		Profit attributable to owners of parent		Comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2018	894,243	1.9	60,681	(9.4)	57,155	(15.3)	36,246	(22.8)	(1,299)	—
December 31, 2017	877,866	16.0	66,975	(10.6)	67,449	(8.0)	46,979	13.6	62,874	188.2

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

Fiscal year ended	Basic profit per share	Diluted profit per share	Profit to equity attributable to owners of parent ratio	Profit before tax to total assets ratio	Business profit to sales revenue ratio
	Yen	Yen	%	%	%
December 31, 2018	137.81	—	7.9	6.0	6.8
December 31, 2017	180.45	—	10.6	7.0	7.6

(2) Consolidated Financial Position

Fiscal year ended	Total assets	Total equity	Total equity attributable to owners of parent	Ratio of equity attributable to owners of parent	Equity attributable to owners of parent per share
	Million yen	Million yen	Million yen	%	Yen
December 31, 2018	1,002,383	472,807	457,927	45.7	1,741.11
December 31, 2017	1,018,266	490,886	459,907	45.2	1,810.56

(3) Consolidated Cash Flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of fiscal year
	Million yen	Million yen	Million yen	Million yen
December 31, 2018	82,820	(65,494)	(2,122)	74,526
December 31, 2017	76,109	(100,724)	21,706	64,528

2. Dividends

	Annual dividends					Total dividends (Annual)	Payout ratio (Consolidated)	Dividends on equity attributable to owners of parent (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
December 31, 2017	-	25.00	-	30.00	55.00	14,178	30.5	3.2
December 31, 2018	-	30.00	-	25.00	55.00	14,466	39.9	3.1
Fiscal year ending December 31, 2019 (Forecast)	-	25.00	-	30.00	55.00		42.5	

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

(% indicates changes from the previous corresponding period.)

	Revenue		Business profit		Operating profit		Profit attributable to owners of parent		Basic profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	430,000	1.1	15,500	(42.4)	15,000	(44.5)	9,500	(33.2)	36.12
Full year	920,000	2.9	56,000	(7.7)	54,000	(5.5)	34,000	(6.2)	129.27

Notes:

(1) Changes in Significant Subsidiaries during the Fiscal Year Ended December 31, 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 16 of the attached documents of the Consolidated Financial Results for the Period under Review, "3. Consolidated Financial Statements and Primary Notes, (5) Notes on 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)

December 31, 2018 : 263,043,057 shares

December 31, 2017 : 263,043,057 shares

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

December 31, 2018 : 34,890 shares

December 31, 2017 : 9,029,444 shares

3) Average number of shares during the period

Fiscal year ended December 31, 2018 : 263,010,913 shares

Fiscal year ended December 31, 2017 : 260,336,836 shares

* These financial results are outside the scope of auditing.

* Explanation of the proper use of financial results forecast and other notes

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

With regard to the matters related to the underlying assumptions for the above forecasts, please refer to page 5 of the attached documents of the Consolidated Financial Results for the Period under Review, “1. Overview of Operating Results, (2) Business Forecast for Fiscal 2019.”

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1. Overview of Operating Results

(1) Overview of Operating Results and Financial Position

1) Operating Results for the Fiscal Year under review

	For the fiscal year ended December 31, 2017	For the fiscal year ended December 31, 2018	Increase (Decrease)
	Millions of yen	Millions of yen	%
Sales revenue	877,866	894,243	1.9
Tires	756,576	768,012	1.5
Sports	81,734	84,477	3.4
Industrial and Other Products	39,556	41,754	5.6
Business profit	66,975	60,681	(9.4)
Tires	58,341	51,187	(12.3)
Sports	4,372	5,489	25.5
Industrial and Other Products	4,229	4,013	(5.1)
Adjustments	33	(8)	-
Operating profit	67,449	57,155	(15.3)
Profit attributable to owners of parent	46,979	36,246	(22.8)

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

Foreign exchange rates applied

	For the fiscal year ended December 31, 2017	For the fiscal year ended December 31, 2018	Increase (Decrease)
	Yen	Yen	Yen
Yen / U.S. Dollar	112	110	(2)
Yen / Euro	127	130	3

During the fiscal year ended December 31, 2018, amid the effects of situations over U.S.-China trade issues on the global economy, the U.S. economy continued to expand steadily, and the European economy remained on a gradual recovery trend. While the overall global economy gradually recovered, the uncertainty in the outlook has been deepening, such as an economic slowdown in China, which has maintained a relatively high economic growth rate, and a continued economic slump in the Middle East region and some emerging countries.

The Japanese economy gradually recovered, as seen in the steady improvement of the employment environment, a pickup in personal consumption, an improvement in corporate earnings and an increase in capital investment.

Looking at the business environment surrounding the Sumitomo Rubber Group, the price of natural rubber was stable. However, the sales of the Group remained severe, as a result of environmental deterioration due to currency depreciation in some emerging countries, and intensified competition with our competitors in the overseas replacement market.

Under these circumstances, the Group pursued various group-wide initiatives to achieve its long-term “VISION 2020” targets for fiscal 2020 aimed at driving business growth and improving profitability. Specifically, we endeavored to achieve greater sales of high-value-added products, including fuel-efficient tires, enhance our sales force in Europe and the U.S. and improve the value of the DUNLOP brand, while proactively entering new markets and business fields.

As a result, the Group’s financial results for fiscal 2018 showed that sales revenue increased 1.9% from the previous fiscal year to ¥894,243 million, business profit decreased 9.4% to ¥60,681 million, operating profit decreased 15.3% to ¥57,155 million, and profit attributable to owners of parent decreased 22.8% to ¥36,246 million. Sales revenue increased from the previous fiscal year. However, due to the unfavorable

sales mix in the tire business and fixed costs and expenses increasing, business profit decreased. Profit significantly decreased due to foreign exchange losses on emerging currencies and impairment loss on goodwill in relation to a manufacturing and sales subsidiary in South Africa mainly because of deterioration in the sales environment.

Business performance by business segment was as follows.

Tire Business

Sales revenue in the tire business increased 1.5% from the previous fiscal year to ¥768,012 million, and business profit decreased 12.3% to ¥51,187 million.

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

In the domestic replacement market, sales revenue exceeded the level 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 expanded sales, by such means as launching 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 continuously supporting Mr. Yoshihide Muroya, who will compete in the “Red Bull Air Race World Championship 2018,” as “Team FALKEN.”

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

In the overseas replacement market, sales revenue fell below the level of the previous fiscal year. Despite favorable sales in Europe, sales volume decreased mainly due to an economic slowdown in China and sluggish consumption associated with political uncertainty in the Middle East.

As a result, sales revenue in the tire business exceeded the level of the previous fiscal year, but business profit decreased.

Sports Business

Sales revenue in the sports business increased 3.4% from the previous fiscal year to ¥84,477 million, and business profit increased 25.5% to ¥5,489 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” and “Cleveland RTX 4 Wedge” golf clubs were launched in September 2018. However, sales revenue fell below the level of the previous fiscal year in the golf goods market in Japan as a whole mainly due to market deterioration compared with the previous year and increasingly fierce competition.

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 SRIXON and Cleveland Golf brands through launching new products. As a result, sales revenue exceeded the level of the previous fiscal year.

In the tennis goods markets, the domestic market fell below the level of the previous year, and sales revenue fell below the level 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 “Gym Style” as well as a solid growth in membership of the existing gyms, sales revenue exceeded the level 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 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 5.6% from the same period of the

previous fiscal year to ¥41,754 million, and business profit decreased 5.1% to ¥4,013 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, revenue increased due to an increase in production of printers and photocopiers by major office machine manufacturers. In the business of precision rubber parts for medical use, sales remained strong in both domestic and overseas markets. In the business of infrastructure-based products, revenue increased 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 previous fiscal year while business profit decreased mainly due to the construction of a new factory for precision rubber parts for medical use in Slovenia.

2) Financial Position

	As of December 31, 2017	As of December 31, 2018	Increase (Decrease)
	Millions of yen	Millions of yen	Millions of yen
Total assets	1,018,266	1,002,383	(15,883)
Total equity	490,886	472,807	(18,079)
Total equity attributable to owners of parent	459,907	457,927	(1,980)
Ratio of equity attributable to owners of parent (%)	45.2	45.7	0.5
ROE (%)	10.6	7.9	(2.7)
ROA (%)	7.0	6.0	(1.0)
Interest-bearing debt	273,452	283,482	10,030
D/E ratio	0.6	0.6	—
Equity attributable to owners of parent per share	1,810.56 yen	1,741.11 yen	(69.45) yen

(Notes) The ROA figures are calculated using consolidated business profit.

Total assets as of December 31, 2018 decreased ¥15,883 million from the end of the previous fiscal year to ¥1,002,383 million. Total current assets increased ¥10,917 million, mainly as a result of an increase in inventories due to an increase in stock. Total non-current assets decreased ¥26,800 million, mainly as a result of a decrease in property, plant and equipment due to the effects of foreign currency translation.

Total liabilities as of December 31, 2018 increased ¥2,196 million from the end of the previous fiscal year to ¥529,576 million. Interest-bearing debt increased ¥10,030 million to ¥283,482 million.

Total equity as of December 31, 2018 amounted to ¥472,807 million, of which equity attributable to owners of parent was ¥457,927 million. Equity attributable to owners of parent ratio was 45.7%, and equity attributable to owners of parent per share was ¥1,741.11.

3) Cash Flows

Net cash provided by operating activities amounted to ¥82,820 million, the increase being primarily due to the recording of profit before tax of ¥50,349 million, recording of depreciation and amortization of ¥57,365 million and an increase in trade and other payables of ¥2,456 million, although there were cash outflows, including an increase in inventories of ¥24,663 million and income taxes paid of ¥13,801 million.

Net cash used in investing activities amounted to ¥65,494 million, chiefly due to the purchase of property, plant and equipment of ¥66,417 million.

As a result, free cash flow, which is computed by subtracting the net cash used in investing activities from the net cash provided by operating activities, was a positive balance of ¥17,326 million.

Net cash used in financing activities amounted to ¥2,122 million, primarily due to cash dividends paid of ¥15,511 million, although there were cash inflows including net increases in short-term loans payable, long-term debt and bonds of ¥16,659 million.

As a result, cash and cash equivalents at the end of the fiscal year under review were ¥74,526 million after reflecting the effect of exchange rate change on cash and cash equivalents.

(2) Business Forecast for Fiscal 2019

With regard to the outlook of the global economy, economic uncertainty is expected to further increase amid concerns about the global effects of situations over U.S.-China trade issues, a slowdown in the Chinese economic growth rate and the U.K.'s decision to leave the EU, and the manifestation of geopolitical risks in the Middle East region.

As for Japan's economic prospects, the unpredictable situation is expected to continue. Although the economy is on a recovery trend, there is uncertainty about the effects of a consumption tax hike on the economy and the resolution of fiscal concerns and the trend of wage hikes required for the improvement of consumer confidence.

To respond to such business environment, aiming to achieve the long-term "VISION 2020," the Group will not only continue efforts to realize "the world's best onsite operational skills, research-and-development capabilities and technical skills" and "industry-leading earnings power" but also carry out various initiatives aimed at driving growth in line with three key themes: NEXT Market Expansion, NEXT Technology Evolution and NEXT Category Innovation. The current estimates of the Group's future business performance are as follows.

Business Forecast for Fiscal 2019

	Full year	Increase (Decrease)	First half	Increase (Decrease)
	Millions of yen	%	Millions of yen	%
Sales revenue	920,000	2.9	430,000	1.1
Tires	791,000	3.0	367,000	1.7
Sports	87,000	3.0	44,000	0.5
Industrial and Other Products	42,000	0.6	19,000	(8.4)
Business profit	56,000	(7.7)	15,500	(42.4)
Tires	47,500	(7.2)	12,000	(42.0)
Sports	4,500	(18.0)	2,500	(40.0)
Industrial and Other Products	4,000	(0.3)	1,000	(51.0)
Operating profit	54,000	(5.5)	15,000	(44.5)
Profit attributable to owners of parent	34,000	(6.2)	9,500	(33.2)

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

Foreign exchange rates applied

	Full year	Increase (Decrease)	First half	Increase (Decrease)
	Yen	Yen	Yen	Yen
Yen / U.S. Dollar	110	-	110	1
Yen / Euro	125	(5)	125	(7)

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

(3) Basic Policy on Profit Distribution and Dividends for Fiscal 2018 and 2019

Sumitomo Rubber Industries, Ltd. 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 internal reserves, the Company maintains a basic policy of steadily rewarding shareholders over the long term.

Regarding retained earnings, the Company intends to utilize them for capital investment and research and development to expand profit-earning bases for future growth.

For fiscal 2018, we intend to pay a year-end dividend of ¥25 per share. Combined with an interim dividend of ¥30 per share, which has already been paid, the annual dividend for fiscal 2018 will be ¥55 per share.

For fiscal 2019, we currently plan to pay an annual dividend of ¥55 per share, which is the same as the level of fiscal 2018, consisting of an interim dividend of ¥25 per share and a year-end dividend of ¥30 per share.

2. Basic Approach to the Selection of Accounting Standard

The Group has adopted IFRS from the fiscal year ended December 31, 2016, with a view to enhancing the international comparability of financial statements in capital markets and improving the quality of business management of the Group companies.

3. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2017	As of December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	64,528	74,526
Trade and other receivables	209,308	202,638
Other financial assets	9,195	1,627
Inventories	159,010	174,747
Other current assets	23,932	23,352
Total current assets	465,973	476,890
Non-current assets		
Property, plant and equipment	379,747	371,557
Goodwill	35,202	32,142
Intangible assets	49,989	44,782
Investments accounted for using equity method	4,171	4,215
Other financial assets	37,098	32,637
Net defined benefit asset	25,378	20,801
Deferred tax assets	15,172	14,136
Other non-current assets	5,536	5,223
Total non-current assets	552,293	525,493
Total assets	1,018,266	1,002,383

(Millions of yen)

As of December 31, 2017 As of December 31, 2018

Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and loans payable	116,477	137,455
Trade and other payables	136,100	135,564
Other financial liabilities	1,776	1,677
Income tax payable	5,602	5,850
Provisions	6,782	7,050
Other current liabilities	36,562	36,530
Total current liabilities	303,299	324,126
Non-current liabilities		
Bonds and loans payable	152,424	142,183
Other financial liabilities	3,644	3,156
Net defined benefit liability	21,680	21,073
Provisions	1,199	1,230
Deferred tax liabilities	22,382	17,540
Other non-current liabilities	22,752	20,268
Total non-current liabilities	224,081	205,450
Total liabilities	527,380	529,576
Equity		
Capital stock	42,658	42,658
Capital surplus	37,865	39,487
Retained earnings	428,799	441,062
Treasury stock	(17,631)	(69)
Other components of equity	(31,784)	(65,211)
Total equity attributable to owners of parent	459,907	457,927
Non-controlling interest	30,979	14,880
Total equity	490,886	472,807
Total liabilities and equity	1,018,266	1,002,383

(2) Consolidated Statement of Income and Comprehensive Income
 Consolidated Statement of Income

(Millions of yen)

	For the fiscal year ended December 31, 2017	For the fiscal year ended December 31, 2018
Sales revenue	877,866	894,243
Cost of sales	(611,185)	(632,756)
Gross profit	266,681	261,487
Selling, general and administrative expenses	(199,706)	(200,806)
Business profit	66,975	60,681
Other income	4,025	2,900
Other expenses	(3,551)	(6,426)
Operating profit	67,449	57,155
Financial income	2,928	2,786
Financial expenses	(4,748)	(9,640)
Equity in earnings of affiliates	104	48
Profit before tax	65,733	50,349
Income tax expenses	(16,189)	(13,163)
Profit	49,544	37,186
Profit attributable to:		
Owners of parent	46,979	36,246
Non-controlling interests	2,565	940
Profit	49,544	37,186
Profit per share		
Basic profit per share (Yen)	180.45	137.81

Consolidated Statement of Comprehensive Income

(Millions of yen)

	For the fiscal year ended December 31, 2017	For the fiscal year ended December 31, 2018
Profit	49,544	37,186
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	3,454	(2,907)
Remeasurements of defined benefit plan	5,103	(3,343)
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	(531)	86
Currency translation differences of foreign operations	5,304	(32,321)
Other comprehensive income, net of tax	13,330	(38,485)
Comprehensive income	62,874	(1,299)
Comprehensive income attributable to:		
Owners of parent	60,440	(327)
Non-controlling interests	2,434	(972)
Comprehensive income	62,874	(1,299)

(3) Consolidated Statement of Changes in Equity
For the fiscal year ended December 31, 2017

(Millions of yen)

	Equity attributable to owners of parent					
	Capital Stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Currency translation differences of foreign operations	Cash flow hedges
Balance as of January 1, 2017	42,658	37,937	389,970	(570)	(49,657)	(185)
Profit			46,979			
Other comprehensive income					5,635	(531)
Total comprehensive income	-	-	46,979	-	5,635	(531)
Purchase of treasury stock				(17,061)		
Disposal of treasury stock		0		0		
Dividends			(13,116)			
Changes in ownership interests in subsidiaries that do not result in loss of control		(72)			120	
Changes in scope of consolidation						
Transfer to retained earnings			4,966			
Transfer of capital surplus						
Other increase and decrease						280
Total transactions with owners	-	(72)	(8,150)	(17,061)	120	280
Balance as of December 31, 2017	42,658	37,865	428,799	(17,631)	(43,902)	(436)

	Equity attributable to owners of parent				Non-controlling interests	Total
	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			-	46,979	2,565	49,544
Other comprehensive income	3,427	4,930	13,461	13,461	(131)	13,330
Total comprehensive income	3,427	4,930	13,461	60,440	2,434	62,874
Purchase of treasury stock			-	(17,061)		(17,061)
Disposal of treasury stock			-	0		0
Dividends			-	(13,116)	(1,545)	(14,661)
Changes in ownership interests in subsidiaries that do not result in loss of control			120	48	(135)	(87)
Changes in scope of consolidation			-	-		-
Transfer to retained earnings	(36)	(4,930)	(4,966)	-		-
Transfer to capital surplus			-	-		-
Other increase and decrease			280	280		280
Total transactions with owners	(36)	(4,930)	(4,566)	(29,849)	(1,680)	(31,529)
Balance as of December 31, 2017	12,554	-	(31,784)	459,907	30,979	490,886

For the fiscal year ended December 31, 2018

(Millions of yen)

	Equity attributable to owners of parent					
	Capital Stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Currency translation differences of foreign operations	Cash flow hedges
Balance as of January 1, 2018	42,658	37,865	428,799	(17,631)	(43,902)	(436)
Profit			36,246			
Other comprehensive income					(30,347)	86
Total comprehensive income	-	-	36,246	-	(30,347)	86
Purchase of treasury stock				(31)		
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	
Changes in scope of consolidation		(3,598)		17,590	(233)	0
Transfer to retained earnings			(3,256)			
Transfer to capital surplus		5,216	(5,216)			
Other increase and decrease						(41)
Total transactions with owners	-	1,622	(23,983)	17,562	(233)	(41)
Balance as of December 31, 2018	42,658	39,487	441,062	(69)	(74,482)	(391)

	Equity attributable to owners of parent				Non-controlling interests	Total
	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			-	36,246	940	37,186
Other comprehensive income	(2,907)	(3,405)	(36,573)	(36,573)	(1,912)	(38,485)
Total comprehensive income	(2,907)	(3,405)	(36,573)	(327)	(972)	(1,299)
Purchase of treasury stock			-	(31)		(31)
Disposal of treasury stock			-	4		4
Dividends			-	(15,511)	(1,300)	(16,811)
Changes in ownership interests in subsidiaries that do not result in loss of control			0	3	96	99
Changes in scope of consolidation	123	41	(69)	13,923	(13,923)	-
Transfer to retained earnings	(108)	3,364	3,256	-		-
Transfer to capital surplus			-	-		-
Other increase and decrease			(41)	(41)		(41)
Total transactions with owners	15	3,405	3,146	(1,653)	(15,127)	(16,780)
Balance as of December 31, 2018	9,662	-	(65,211)	457,927	14,880	472,807

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	For the fiscal year ended December 31, 2017	For the fiscal year ended December 31, 2018
Cash flows from operating activities		
Profit before tax	65,733	50,349
Depreciation and amortization	56,010	57,365
Impairment loss	64	2,410
Interest and dividends income	(2,508)	(2,786)
Interest expenses	4,748	4,659
Share of (profit) loss of entities accounted for using equity method	(104)	(48)
Loss (gain) on sales and retirement of non-current assets	1,323	1,006
Decrease (increase) in inventories	(9,534)	(24,663)
Decrease (increase) in trade and other receivables	(15,581)	11
Increase (decrease) in trade and other payables	3,095	2,456
Other, net	(3)	7,301
Subtotal	103,243	98,060
Interest received	1,880	2,258
Dividend income received	615	551
Interest expenses paid	(4,422)	(4,248)
Income taxes paid	(25,207)	(13,801)
Net cash provided by (used in) operating activities	76,109	82,820
Cash flows from investing activities		
Purchase of property, plant and equipment	(64,484)	(66,417)
Proceeds from sales of property, plants and equipment	902	330
Purchase of intangible assets	(3,452)	(3,285)
Purchase of investment securities	(59)	(158)
Proceeds from sales of investment securities	268	5
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(32,665)	(83)
Payment for transfer of business	(1,195)	(1,715)
Net decrease (increase) in short-term loans receivable	18	6,211
Other, net	(57)	(382)
Net cash provided by (used in) investing activities	(100,724)	(65,494)

	For the fiscal year ended December 31, 2017	For the fiscal year ended December 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	23,979	22,748
Proceeds from long-term debt and newly issued bonds	55,662	16,839
Repayments of long-term debt and redemption of bonds	(23,884)	(22,928)
Proceeds from contributions of non-controlling interests	607	99
Cash dividends paid	(13,116)	(15,511)
Cash dividends paid to non-controlling interests	(1,545)	(1,300)
Purchase of shares of non-controlling interests	(694)	-
Purchase of treasury stocks	(17,061)	(27)
Other, net	(2,242)	(2,042)
Net cash provided by (used in) financing activities	21,706	(2,122)
Effect of exchange rate change on cash and cash equivalents	945	(5,206)
Net increase (decrease) in cash and cash equivalents	(1,964)	9,998
Cash and cash equivalents at the beginning of current period	66,492	64,528
Cash and cash equivalents at the end of current period	64,528	74,526

(5) Notes on Consolidated Financial Statements
(Notes on Going Concern Assumption)
None

(Changes in Accounting Policies)

The Group has adopted the following standards from the fiscal year ended December 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 fiscal year ended December 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 detail 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 revenue and transfers 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:

(1) For the fiscal year ended December 31, 2017 (January 1, 2017 to December 31, 2017)

(Millions of yen)

	Reportable segment			Total	Adjustments	Amounts recorded in Consolidated Statements of Income
	Tires	Sports	Industrial and Other Products			
Sales revenue from external customers	756,576	81,734	39,556	877,866	-	877,866
Inter-segment sales revenue	30	310	809	1,149	(1,149)	-
Total	756,606	82,044	40,365	879,015	(1,149)	877,866
Segment profit (Business profit)	58,341	4,372	4,229	66,942	33	66,975
Other income and expenses						474
Operating profit						67,449
Other major items						
Depreciation and Amortization	51,896	2,623	1,491	56,010	-	56,010
Impairment loss	8	35	21	64	-	64
Capital expenditures	63,792	2,149	2,002	67,943	-	67,943

(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.

(2) For the fiscal year ended December 31, 2018 (January 1, 2018 to December 31, 2018)

(Millions of yen)

	Reportable segment			Total	Adjustments	Amounts recorded in Consolidated Statements of Income
	Tires	Sports	Industrial and Other Products			
Sales revenue from external customers	768,012	84,477	41,754	894,243	-	894,243
Inter-segment sales revenue	90	342	936	1,368	(1,368)	-
Total	768,102	84,819	42,690	895,611	(1,368)	894,243
Segment profit (Business profit)	51,187	5,489	4,013	60,689	(8)	60,681
Other income and expenses						(3,526)
Operating profit						57,155
Other major items						
Depreciation and Amortization	52,652	3,000	1,713	57,365	-	57,365
Impairment loss	2,410	-	-	2,410	-	2,410
Capital expenditures	63,181	2,749	4,539	70,469	-	70,469

(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.

3. Information about products and services

Disclosure of this information is omitted because the segmentation of products and services is equal to that of reportable segments.

4. Information by geographic area

Sales revenue and non-current assets from external customers by country and geographic area are as follows:

(1) Sales revenue from external customers

(Millions of yen)

	For the fiscal year ended December 31, 2017	For the fiscal year ended December 31, 2018
Japan	323,778	331,664
North America	153,713	148,528
Europe	106,206	131,553
Asia	177,544	177,112
Other areas	116,625	105,386
Total	877,866	894,243

(Note) Sales revenues are classified based on the location of sales destination.

(2) Non-current assets

(Millions of yen)

	As of December 31, 2017	As of December 31, 2018
Japan	160,665	157,831
North America	37,722	40,025
Europe	63,112	63,548
Asia	135,478	123,268
Other areas	73,497	69,032
Total	470,474	453,704

(Note) Non-current assets are classified based on the physical location where the assets are located. Investments accounted for using equity method, other financial assets, net defined benefit assets and deferred tax assets are not included.

5. Information about major customers

Disclosure of this information is omitted because sales revenue from transactions with a single external customer does not exceed 10% of the Group's consolidated sales revenue.

(Per Share Amounts)

1. Basic profit per share

Basic profit per share is as follows:

	For the fiscal year ended December 31, 2017	For the fiscal year ended December 31, 2018
Basic profit per share	180.45	137.81

2. Basis for calculation of basic profit per share

The basis for calculation of basic profit per share is as follows:

	For the fiscal year ended December 31, 2017	For the fiscal year ended December 31, 2018
Profit attributable to owners of parent (Millions of yen)	46,979	36,246
Single-weighted average number of issued share (Thousands of share)	260,337	263,011

Diluted profit per share is not presented because there were no potentially dilutive securities.

(Significant Subsequent Events)

None