

**Consolidated Financial Results**  
**for the Fiscal Year Ended December 31, 2017**  
**[IFRS]**



February 14, 2018

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 29, 2018  
 Scheduled date of commencing dividend payments : March 30, 2018  
 Scheduled date of filing annual securities report : March 30, 2018  
 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, 2017 (January 1, 2017 to December 31, 2017)**

(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, 2017	877,866	16.0	66,975	(10.6)	67,449	(8.0)	46,979	13.6	62,874	188.2
December 31, 2016	756,696	(5.2)	74,916	(5.0)	73,284	(17.8)	41,364	(42.5)	21,812	(44.2)

(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, 2017	180.45	—	10.6	7.0	7.6
December 31, 2016	157.69	—	9.7	8.2	9.9

(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, 2017	1,018,266	490,886	459,907	45.2	1,810.56
December 31, 2016	897,634	459,541	429,316	47.8	1,636.63

(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, 2017	76,109	(100,724)	21,706	64,528
December 31, 2016	128,190	(42,144)	(71,055)	66,492

## 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, 2016	-	30.00	-	25.00	55.00	14,427	34.9	3.4
December 31, 2017	-	25.00	-	30.00	55.00	14,178	30.5	3.2
Fiscal year ending December 31, 2018 (Forecast)	-	30.00	-	30.00	60.00		32.9	

## 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.)

	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	6.6	26,500	21.3	26,500	24.8	16,500	32.8	62.73
Full year	910,000	3.7	73,000	9.0	73,000	8.2	48,000	2.2	182.50

### Notes:

(1) Changes in Significant Subsidiaries during the Fiscal Year Ended December 31, 2017

(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 : None

2) Changes in accounting policies other than 1) : None

3) Changes in accounting estimates : None

(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, 2017 : 263,043,057 shares

December 31, 2016 : 263,043,057 shares

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

December 31, 2017 : 9,029,444 shares

December 31, 2016 : 726,168 shares

3) Average number of shares during the period

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

Fiscal year ended December 31, 2016 : 262,317,957 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 2018.”

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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, 2016	For the fiscal year ended December 31, 2017	Increase (Decrease)
	Millions of yen	Millions of yen	%
Sales revenue	756,696	877,866	16.0
Tires	648,445	756,576	16.7
Sports	72,772	81,734	12.3
Industrial and Other Products	35,479	39,556	11.5
Business profit	74,916	66,975	(10.6)
Tires	67,924	58,341	(14.1)
Sports	4,303	4,372	1.6
Industrial and Other Products	2,673	4,229	58.2
Adjustments	16	33	—
Operating profit	73,284	67,449	(8.0)
Profit attributable to owners of parent	41,364	46,979	13.6

(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, 2016	For the fiscal year ended December 31, 2017	Increase (Decrease)
	Yen	Yen	Yen
Yen / U.S. Dollar	109	112	3
Yen / Euro	120	127	7

During the fiscal year ended December 31, 2017, the U.S. economy continued to expand, and the European economy remained on a gradual recovery trend. In addition, the Chinese economy maintained a relatively high growth rate, and many emerging countries saw an economic expansion, except for some countries and regions including the Middle East region, where geopolitical risks are materializing. Thus, the overall global economy showed solid growth.

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

Looking at the business environment surrounding the Sumitomo Rubber Group, the prices of natural rubber and butadiene, which is a petroleum-based raw material, surged from the beginning of this year. Although around the middle of the year they returned to the level before the price surge, the average cost of these materials during the year increased. On the other hand, the foreign exchange market was generally stable.

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

As a result, the Group's consolidated financial results for fiscal 2017 showed that sales revenue increased 16.0% from the previous fiscal year to ¥877,866 million, business profit decreased 10.6% to ¥66,975 million, operating profit decreased 8.0% to ¥67,449 million, and profit attributable to owners of

parent increased 13.6% from the previous fiscal year to ¥46,979 million. Sales revenue increased significantly from the previous fiscal year. However, business profit and operating profit decreased, affected by soaring prices of raw materials. Profit increased due mainly to lower tax burden.

Business performance by business segment was as follows.

### **Tire Business**

Sales revenue in the tire business increased 16.7% from the previous fiscal year to ¥756,576 million, and business profit decreased 14.1% to ¥58,341 million.

In the domestic original equipment market, sales revenue exceeded the level of the previous fiscal year, as a result of higher automobile production volume compared to the previous fiscal year, as well as continued efforts to expand the volume delivered of high-value-added products, particularly fuel-efficient tires.

In the domestic replacement market, sales revenue exceeded the level of the previous fiscal year. With respect to summer tires, under the DUNLOP brand, we expanded sales mainly of the “ENASAVE” series, which are long-lasting and fuel-efficient tires, and “LE MANS V” equipped with a special noise-absorbing sponge “SILENT CORE,” which brings about the feel of comfort. Under the FALKEN brand, we also expanded sales of high-performance tires including our premium product “AZENIS FK453” while making efforts to enhance brand awareness, such as through co-sponsoring “Red Bull Air Race Chiba 2017.” With respect to winter tires, we focused on expanding sales of “WINTER MAXX 02” studless tires, which provide the best on-ice performance in DUNLOP history and maintain a high degree of both “long-lasting effectiveness” and “long life performance.” In addition, snowfalls led to favorable shipments.

In the overseas original equipment market, sales revenue exceeded the level of the previous fiscal year. Japanese automakers expanded production in China, and sales increased in Thailand and Indonesia. Furthermore, in Brazil, where we started to deliver our products last year, and in Europe, delivery expanded mainly for overseas automakers.

In the overseas replacement market, sales revenue exceeded the level of the previous fiscal year, due to increased sales in Europe including the U.K., where we acquired a sales company in February 2017, in the Americas, where we expanded sales mainly for SUV tires, and in Asian countries including China.

As a result, sales revenue in the tire business significantly increased from the previous fiscal year; however, profit decreased due to the effect of soaring raw material prices.

### **Sports Business**

Sales revenue in the sports business increased 12.3% from the previous fiscal year to ¥81,734 million, and business profit increased 1.6% to ¥4,372 million.

In the golf goods market in Japan, our flagship “XXIO 9” golf clubs continued to enjoy favorable sales, and the sales of “XXIO 10” golf clubs launched in December 2017 started off well, exceeding expectations. For golf balls, we launched new products under the “SRIXON” and “XXIO” brands, and received high acclaim in the market. As a result, we won the top share (\*) again in the current fiscal year in terms of sales of golf clubs and golf balls. However, sales revenue fell below the level of the previous fiscal year in the golf goods market in Japan as a whole due to the shrinking market and increasingly fierce competition.

In the tennis goods market in Japan, we made efforts to expand sales including the launch of new products under the “SRIXON” and “BABOLAT” brands. As a result, we earned the top share (\*) again in the current fiscal year in terms of sales of tennis rackets, and sales revenue exceeded the level of the previous fiscal year.

In overseas golf goods markets, we made aggressive efforts to globally expand sales of our brands “SRIXON,” “XXIO” and “Cleveland Golf.” As a result, sales revenue exceeded the level of the previous fiscal year due to increased sales mainly in Europe, the U.S. and South Korea.

Furthermore, sales revenue in the wellness business exceeded the level of the previous fiscal year due to the aggressive opening of new gyms. The sports and licensing businesses under the DUNLOP brand acquired in April 2017 also contributed to the increase in revenue.

As a result, sales revenue in the sports business exceeded the level of the previous fiscal year, and business profit increased.

(\*) Market share in amount according to a survey by Yano Research Institute Ltd.

### **Industrial and Other Products Business**

Sales revenue in the industrial and other products business increased 11.5% from the same period of the

previous fiscal year to ¥39,556 million, and business profit increased 58.2% to ¥4,229 million.

In the vibration control business, under the “MIRAIE” brand, a series of vibration control units for housing, sales grew strongly with sales volume surpassing our annual target of 7,500 units. In the business of precision rubber parts for medical use, we are expanding global development mainly in Europe with Swiss-based Lonstroff AG as the core production base, and sales increased steadily.

In the business of precision rubber parts for office machines, revenue increased due to a recovery in production of printers and photocopiers as well as the development of new markets and customers.

The business of infrastructure-based products such as sports facilities and civil works and marine facilities was relatively strong, as we started to receive orders driven by demand for construction relating to the Olympic and Paralympic Games Tokyo 2020.

As a result, sales revenue in the industrial and other products business exceeded the level of the previous fiscal year, and profit increased significantly.

## 2) Financial Position

	As of December 31, 2016	As of December 31, 2017	Increase (Decrease)
	Millions of yen	Millions of yen	Millions of yen
Total assets	897,634	1,018,266	120,632
Total equity	459,541	490,886	31,345
Total equity attributable to owners of parent	429,316	459,907	30,591
Total equity attributable to owners of parent ratio (%)	47.8	45.2	(2.6)
ROE (%)	9.7	10.6	0.9
ROA (%)	8.2	7.0	(1.2)
Interest-bearing debt	204,218	273,452	69,234
D/E ratio	0.5	0.6	0.1
Equity attributable to owners of parent per share	1,636.63 yen	1,810.56 yen	173.93 yen

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

Total assets as of December 31, 2017 increased ¥120,632 million from the end of the previous fiscal year to ¥1,018,266 million. Total current assets increased ¥53,414 million, mainly as a result of an increase in trade and other receivables due to an increase in sales revenue, and an increase in inventories due to soaring raw material prices. Total non-current assets increased ¥67,218 million, mainly as a result of an increase in goodwill and intangible assets associated with the acquisition of the British tire sales company Micheldever Group Ltd. and its subsidiaries, and the acquisition of the trademark rights of the DUNLOP brand overseas and the sporting goods and licensing businesses of the DUNLOP brand.

Total liabilities as of December 31, 2017 increased ¥89,287 million from the end of the previous fiscal year to ¥527,380 million. Interest-bearing debt increased ¥69,234 million to ¥273,452 million.

Total equity as of December 31, 2017 amounted to ¥490,886 million, of which equity attributable to owners of parent was ¥459,907 million. Equity attributable to owners of parent ratio was 45.2%, and equity attributable to owners of parent per share was ¥1,810.56.

## 3) Cash Flows

Net cash provided by operating activities amounted to ¥76,109 million, the increase being primarily due to the recording of profit before tax of ¥65,733 million, recording of depreciation and amortization of ¥56,010 million and an increase in trade and other payables of ¥3,095 million, although there were cash outflows, including an increase in inventories of ¥9,534 million, an increase in trade and other receivables of ¥15,581 million and income taxes paid of ¥25,207 million.

Net cash used in investing activities amounted to ¥100,724 million, chiefly due to the purchase of property, plant and equipment of ¥64,484 million and purchase of shares of subsidiaries of ¥32,665 million

for the acquisition of the British tire sales company Micheldever Group Ltd. and its subsidiaries, as well as the transfers received of the trademark rights of the DUNLOP brand overseas and the sporting goods and licensing businesses of the DUNLOP brand.

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 negative balance of ¥24,615 million.

Net cash provided by financing activities amounted to ¥21,706 million. This included outflows of ¥13,116 million of cash dividends paid and inflows of ¥55,757 million due to net increases in short-term loans payable, long-term debt and bonds associated with the purchase of treasury stocks of ¥17,061 million for the purpose of allotting the shares to the non-controlling shareholders of the Company's consolidated subsidiary Dunlop Sports Co. Ltd., which was merged into the Company, in addition to acquisitions of a British tire sales company, the trademark rights and the sports business of the DUNLOP brand.

As a result, cash and cash equivalents at the end of the fiscal year under review were ¥64,528 million after reflecting the effect of exchange rate change on cash and cash equivalents.

## (2) Business Forecast for Fiscal 2018

With regard to the outlook of the global economy, growth is expected to be generally steady. However, at the same time, economic uncertainty is expected to further increase amid concerns about the global effects of the developing protectionism in the U.S. and the U.K.'s decision to leave the EU, and the manifestation of geopolitical risks in North Korea and 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 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 2018

	Full year	Increase (Decrease)	First half	Increase (Decrease)
	Millions of yen	%	Millions of yen	%
Sales revenue	910,000	3.7	430,000	6.6
Tires	785,000	3.8	367,000	6.0
Sports	85,000	4.0	44,000	16.1
Industrial and Other Products	40,000	1.1	19,000	(1.4)
Business profit	73,000	9.0	26,500	21.3
Tires	65,000	11.4	22,000	26.3
Sports	4,000	(8.5)	3,000	20.3
Industrial and Other Products	4,000	(5.4)	1,500	(20.5)
Operating profit	73,000	8.2	26,500	24.8
Profit attributable to owners of parent	48,000	2.2	16,500	32.8

(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	(2)	110	(2)
Yen / Euro	130	3	130	8



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 2017 and 2018

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 2017, we intend to pay a year-end dividend of ¥30 per share. Combined with an interim dividend of ¥25 per share, which has already been paid, the annual cash dividends per share for fiscal 2017 will be ¥55. The Group's financial results for fiscal 2017 have exceeded the forecast in the Consolidated Financial Results for the Six Months Ended June 30, 2017 (announced on August 8, 2017). Business profit and operating profit, however, decreased compared to the previous fiscal year due to soaring raw material prices and other factors. As a result of consideration of these results based on the above basic policy, we decided to pay the annual cash dividend for fiscal 2017 in the same amount as the previous fiscal year.

For fiscal 2018, we plan to pay an annual dividend of ¥60 per share, consisting of an interim dividend per share of ¥30 and a year-end dividend per share of ¥30. As the Group's financial results for fiscal 2018 are projected to show higher revenue and higher profit than fiscal 2017, we currently plan to pay an annual dividend for fiscal 2018 in an amount exceeding the level of fiscal 2017.

## 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, 2016	As of December 31, 2017
<hr/>		
Assets		
Current assets		
Cash and cash equivalents	66,492	64,528
Trade and other receivables	182,855	209,308
Other financial assets	3,821	9,195
Inventories	138,993	159,010
Other current assets	20,398	23,932
Total current assets	<hr/> 412,559	<hr/> 465,973
Non-current assets		
Property, plant and equipment	363,293	379,747
Goodwill	15,351	35,202
Intangible assets	21,445	49,989
Investments accounted for using equity method	4,071	4,171
Other financial assets	41,239	37,098
Net defined benefit asset	20,635	25,378
Deferred tax assets	13,888	15,172
Other non-current assets	5,153	5,536
Total non-current assets	<hr/> 485,075	<hr/> 552,293
Total assets	<hr/> <hr/> 897,634	<hr/> <hr/> 1,018,266

(Millions of yen)

As of December 31, 2016 As of December 31, 2017

Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and loans payable	77,056	116,477
Trade and other payables	120,236	136,100
Other financial liabilities	2,624	1,776
Income tax payable	9,960	5,602
Provisions	7,350	6,782
Other current liabilities	34,777	36,562
Total current liabilities	252,003	303,299
Non-current liabilities		
Bonds and loans payable	121,556	152,424
Other financial liabilities	4,577	3,644
Net defined benefit liability	22,188	21,680
Provisions	1,197	1,199
Deferred tax liabilities	12,154	22,382
Other non-current liabilities	24,418	22,752
Total non-current liabilities	186,090	224,081
Total liabilities	438,093	527,380
Equity		
Capital stock	42,658	42,658
Capital surplus	37,937	37,865
Retained earnings	389,970	428,799
Treasury stock	(570)	(17,631)
Other components of equity	(40,679)	(31,784)
Total equity attributable to owners of parent	429,316	459,907
Non-controlling interest	30,225	30,979
Total equity	459,541	490,886
Total liabilities and equity	897,634	1,018,266

## (2) Consolidated Statements of Income and Comprehensive Income

## Consolidated Statement of Income

(Millions of yen)

	For the fiscal year ended December 31, 2016	For the fiscal year ended December 31, 2017
Sales revenue	756,696	877,866
Cost of sales	(499,650)	(611,185)
Gross profit	257,046	266,681
Selling, general and administrative expenses	(182,130)	(199,706)
Business profit	74,916	66,975
Other income	3,930	4,025
Other expenses	(5,562)	(3,551)
Operating profit	73,284	67,449
Financial income	3,168	2,928
Financial expenses	(6,416)	(4,748)
Equity in earnings of affiliates	57	104
Profit before tax	70,093	65,733
Income tax expenses	(27,822)	(16,189)
Profit	42,271	49,544
Profit attributable to:		
Owners of parent	41,364	46,979
Non-controlling interests	907	2,565
Profit	42,271	49,544
Profit per share		
Basic profit per share (Yen)	157.69	180.45

Consolidated Statement of Comprehensive Income

(Millions of yen)

	For the fiscal year ended December 31, 2016	For the fiscal year ended December 31, 2017
Profit	42,271	49,544
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(84)	3,454
Remeasurements of defined benefit plan	(1,471)	5,103
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	312	(531)
Currency translation differences of foreign operations	(19,216)	5,304
Other comprehensive income, net of tax	(20,459)	13,330
Comprehensive income	21,812	62,874
Comprehensive income attributable to:		
Owners of parent	22,669	60,440
Non-controlling interests	(857)	2,434
Comprehensive income	21,812	62,874

(3) Consolidated Statement of Changes in Equity  
For the fiscal year ended December 31, 2016

(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, 2016	42,658	37,916	360,143	(567)	(32,266)	(578)
Profit			41,364			
Other comprehensive income					(17,391)	312
Total comprehensive income	—	—	41,364	—	(17,391)	312
Purchase of treasury stock				(3)		
Disposal of treasury stock		0		0		
Dividends			(15,739)			
Changes in ownership interests in subsidiaries that do not result in loss of control		21				
Changes in scope of consolidation						
Transfer to retained earnings			4,202			
Other increase and decrease						81
Total transactions with owners	—	21	(11,537)	(3)	—	81
Balance as of December 31, 2016	42,658	37,937	389,970	(570)	(49,657)	(185)

	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, 2016	14,981	—	(17,863)	422,287	29,550	451,837
Profit			—	41,364	907	42,271
Other comprehensive income	(83)	(1,533)	(18,695)	(18,695)	(1,764)	(20,459)
Total comprehensive income	(83)	(1,533)	(18,695)	22,669	(857)	21,812
Purchase of treasury stock			—	(3)		(3)
Disposal of treasury stock			—	0		0
Dividends			—	(15,739)	(1,314)	(17,053)
Changes in ownership interests in subsidiaries that do not result in loss of control			—	21	2,574	2,595
Changes in scope of consolidation			—	—	272	272
Transfer to retained earnings	(5,735)	1,533	(4,202)	—		—
Other increase and decrease			81	81		81
Total transactions with owners	(5,735)	1,533	(4,121)	(15,640)	1,532	(14,108)
Balance as of December 31, 2016	9,163	—	(40,679)	429,316	30,225	459,541

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			
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)	—		—
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



## (4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended December 31, 2016	For the fiscal year ended December 31, 2017
Cash flows from operating activities		
Profit before tax	70,093	65,733
Depreciation and amortization	51,248	56,010
Impairment loss	395	64
Interest and dividends income	(2,413)	(2,508)
Interest expenses	3,712	4,748
Share of (profit) loss of entities accounted for using equity method	(57)	(104)
Loss (gain) on sales and retirement of non-current assets	672	1,323
Decrease (increase) in inventories	3,802	(9,534)
Decrease (increase) in trade and other receivables	4,518	(15,581)
Increase (decrease) in trade and other payables	(1,190)	3,095
Other, net	7,820	(3)
Subtotal	138,600	103,243
Interest received	1,749	1,880
Dividend income received	659	615
Interest expenses paid	(3,446)	(4,422)
Income taxes paid	(9,372)	(25,207)
Net cash provided by (used in) operating activities	128,190	76,109
Cash flows from investing activities		
Purchase of property, plant and equipment	(48,222)	(64,484)
Proceeds from sales of property, plants and equipment	440	902
Purchase of intangible assets	(5,170)	(3,452)
Purchase of investment securities	(89)	(59)
Proceeds from sales of investment securities	10,353	268
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	120	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(32,665)
Payment for transfer of business	—	(1,195)
Other, net	424	(39)
Net cash provided by (used in) investing activities	(42,144)	(100,724)

	For the fiscal year ended December 31, 2016	For the fiscal year ended December 31, 2017
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(24,829)	23,979
Proceeds from long-term debt and newly issued bonds	14,673	55,662
Repayments of long-term debt and redemption of bonds	(44,291)	(23,884)
Proceeds from contributions of non-controlling interests	2,604	607
Cash dividends paid	(15,739)	(13,116)
Cash dividends paid to non-controlling interests	(1,314)	(1,545)
Purchase of shares of non-controlling interests	(19)	(694)
Purchase of treasury stocks	(3)	(17,061)
Other, net	(2,137)	(2,242)
Net cash provided by (used in) financing activities	(71,055)	21,706
Effect of exchange rate change on cash and cash equivalents	(2,055)	945
Net increase (decrease) in cash and cash equivalents	12,936	(1,964)
Cash and cash equivalents at the beginning of current period	53,556	66,492
Cash and cash equivalents at the end of current period	66,492	64,528

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

(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, 2016 (January 1, 2016 to December 31, 2016)

(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	648,445	72,772	35,479	756,696	—	756,696
Inter-segment sales revenue	56	293	639	988	(988)	—
Total	648,501	73,065	36,118	757,684	(988)	756,696
Segment profit (Business profit)	67,924	4,303	2,673	74,900	16	74,916
Other income and expenses						(1,632)
Operating profit						73,284
Other major items						
Depreciation and Amortization	47,311	2,492	1,445	51,248	—	51,248
Impairment loss	393	—	2	395	—	395
Capital expenditures	52,068	2,268	2,087	56,423	—	56,432

(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, 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.

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, 2016	For the fiscal year ended December 31, 2017
Japan	307,290	323,778
North America	132,848	153,713
Europe	55,088	106,206
Asia	157,261	177,544
Other areas	104,209	116,625
Total	756,696	877,866

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

(2) Non-current assets

(Millions of yen)

	As of December 31, 2016	As of December 31, 2017
Japan	160,737	160,665
North America	35,240	37,722
Europe	9,117	63,112
Asia	138,864	135,478
Other areas	61,284	73,497
Total	405,242	470,474

(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, 2016	For the fiscal year ended December 31, 2017
Basic profit per share	157.69	180.45

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, 2016	For the fiscal year ended December 31, 2017
Profit attributable to owners of parent (Millions of yen)	41,364	46,979
Single-weighted average number of issued share (Thousands of share)	262,318	260,337

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

(Significant Subsequent Events)

(Integration of the Group's Sports Business through Entry into Merger Agreements between the Company and Dunlop Sports Co. Ltd., and between the Company and Dunlop International Co. Ltd.)

At the Board of Directors' meeting held on August 29, 2017, it was resolved that the Company and the Dunlop Sports Co. Ltd., a subsidiary of the Company, ("Dunlop Sports," together with the Company, collectively, the "Companies") implement an absorption-type merger under which the Company is the surviving company and Dunlop Sports is the absorbed company, and an absorption-type merger agreement was executed between the Companies. In addition, on the same date, it was resolved that the Company and Dunlop International Co. Ltd. ("DICL"), a joint venture between the Companies, implement an absorption-type merger under which the Company is the surviving company and DICL is the absorbed company, and an absorption-type merger agreement was executed between the Company and DICL.

The integration was implemented, effective January 1, 2018.

The common stock of Dunlop Sports was delisted from the First Section of the Tokyo Stock Exchange as of December 27, 2017 (the last trading date was December 26, 2017).