

**SUMITOMO RUBBER GROUP**



環境大臣認定  
エコ・ファースト企業

# Financial Report

(January 1 ~ September 30, 2016)

 **SUMITOMO RUBBER INDUSTRIES, LTD.**

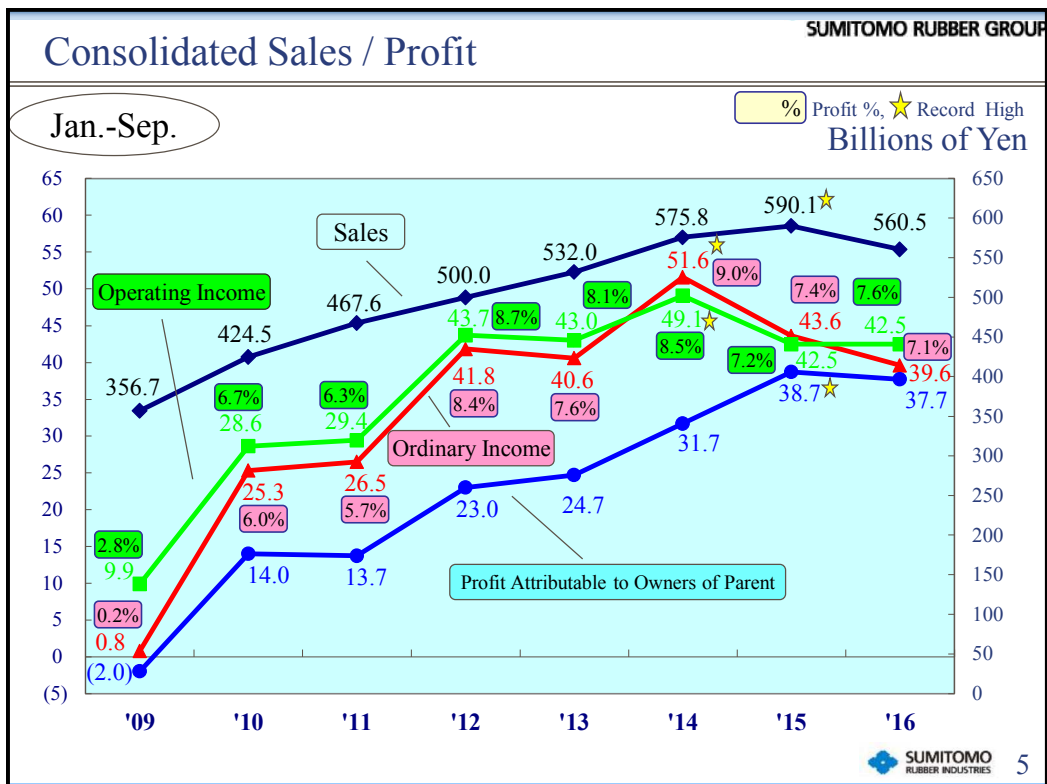
- 2016 3<sup>rd</sup> Quarter  
Financial Results Summary
  - Changes in Scope of Consolidation,  
Affiliated Companies
  - Financial Results Summary
- 2016 Annual Financial Results Projection
  - Annual Financial Results Projection Summary
  - Capex / Depreciation,  
Tire Production Capacity etc.

## Changes in Consolidated Subsidiaries

| Scope of Consolidation | Consolidated Subsidiaries 72 [(5)]                          |   | Equity-method Affiliates 4 [(1)] |                       |
|------------------------|---|---|----------------------------------|-----------------------|
|                        |   |   | Unconsolidated Subs              | 1                     |
|                        |   |   | Affiliated Companies             | 3                     |
| # of changed Companies | Newly Included +1   | Excluded (6)  | Newly Included -                 | Excluded (1)          |
|                        | +1  | (6)   | -                                | (1)                   |
| Tire                   | Kuo-chu Rubber Co., Ltd.<br>(Taiwan/Sales company of tires) | Dunlop Goodyear Tires, Ltd.<br>(Japan/ Merged with<br>Sumitomo Rubber Industries, Ltd.)<br>-----<br>SRITP Limited<br>Dunlop Tire Trading (Shanghai) Co.,Ltd.<br>Dunlop Tire Trading (Tianjin) Co.,Ltd.<br>Dunlop Tire Trading (Dalian) Co.,Ltd.<br>Dunlop Tire Trading (Guangzhou) Co.,Ltd. |                                  | Aono Resort Co., Ltd. |
| Sports                 |   |   |                                  |                       |
| Industrial & Other     |   |   |                                  |                       |

|   |                                       |   |  | SUMITOMO RUBBER GROUP |                   |   |  |
|---|---------------------------------------|---|--|-----------------------|-------------------|---|--|
| Affiliated Companies (Consolidated Subs: 72, Equity-method Affiliates: 4) |                                       |   |  |                       |                   |   |  |
|   | Manufacturing Companies               |   | Sales Companies  |                       | Other Companies   |   |  |
| Tire  | Domestic 1                            |   | Domestic 12  |                       | Domestic 7        |   |  |
|   | Overseas 8                            |   | Overseas 15  |                       | Overseas 5        |   |  |
|   | Asia Pacific                          | 4 | Asia Pacific   | 10                    | Asia Pacific      | 1 |  |
|   | Europe and Africa                     | 2 | Europe and Africa  | 3                     | Europe and Africa | 2 |  |
|   | Americas                              | 2 | Americas   | 2                     | Americas          | 2 |  |
| Sports  | Domestic 2                            |   | Domestic 1   |                       | Domestic 5        |   |  |
|   | Overseas 2                            |   | Overseas 9   |                       | Overseas —        |   |  |
|   | Thailand, U.S.                        |   | Malaysia, U.K., Australia, Canada, China, Hong Kong, South Africa, South Korea, Thailand |                       | —                 |   |  |
| Industrial & Other  | Domestic —                            |   | Domestic 3   |                       | Domestic —        |   |  |
|   | Overseas 4                            |   | Overseas 1   |                       | Overseas 1        |   |  |
|   | Malaysia, China, Vietnam, Switzerland |   | Hong Kong  |                       | Switzerland       |   |  |

|   |                |              |                | SUMITOMO RUBBER GROUP |                |               |                |               |
|---|----------------|--------------|----------------|-----------------------|----------------|---------------|----------------|---------------|
| Consolidated Financial Results          |                |              |                |                       |                |               |                |               |
| Jan.-Sep.                               |                |              |                | Billions of Yen       |                |               |                |               |
|   | Jan.-Mar.      |              | Apr.-Jun.      |                       | Jul.-Sep.      |               | Jan.-Sep.      |               |
|   |                | '16 vs. '15  |                | '16 vs. '15           |                | '16 vs. '15   |                | '16 vs. '15   |
| Sales                                   | 182.7          | 99%<br>(2.5) | 190.9          | 94%<br>(12.8)         | 186.9          | 93%<br>(14.3) | 560.5          | 95%<br>(29.6) |
| Operating Income (%)                    | 13.7<br>(7.5%) | 113%<br>+1.6 | 17.1<br>(9.0%) | 100%<br>(0.0)         | 11.7<br>(6.3%) | 88%<br>(1.6)  | 42.5<br>(7.6%) | 100%<br>(0.0) |
| Ordinary Income (%)                     | 12.6<br>(6.9%) | 105%<br>+0.6 | 15.0<br>(7.9%) | 79%<br>(4.0)          | 12.0<br>(6.4%) | 96%<br>(0.5)  | 39.6<br>(7.1%) | 91%<br>(3.9)  |
| Profit Attributable to Owners of Parent | 16.8           | 218%<br>+9.1 | 11.4           | 92%<br>(1.0)          | 9.5            | 51%<br>(9.2)  | 37.7           | 97%<br>(1.1)  |
| Equity Income                           | 0.0            | (1.1)        | (0.0)          | (0.9)                 | 0.0            | (3.1)         | 0.1            | (5.1)         |



**SUMITOMO RUBBER GROUP**

## Net Sales / Operating Income by Industrial Segment

Jan.-Sep. Billions of Yen

|                  |                    | Jan.-Mar.   |             | Apr.-Jun.   |             | Jul.-Sep.   |             | Jan.-Sep. |      |
|------------------|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|------|
|                  |                    | '16 vs. '15 | '16 vs. '15 | '16 vs. '15 | '16 vs. '15 | '16 vs. '15 | '16 vs. '15 |           |      |
| Sales            | Tire               | 157.1       | 99%         | 163.3       | 94%         | 160.2       | 92%         | 480.7     | 95%  |
|                  | Sports             | 17.1        | 100%        | 19.4        | 93%         | 18.1        | 99%         | 54.5      | 97%  |
|                  | Industrial & Other | 8.5         | 90%         | 8.2         | 87%         | 8.6         | 94%         | 25.2      | 90%  |
|                  | Consolidated       | 182.7       | 99%         | 190.9       | 94%         | 186.9       | 93%         | 560.5     | 95%  |
| Operating Income | Tire               | 12.5        | 105%        | 14.9        | 96%         | 10.3        | 77%         | 37.7      | 92%  |
|                  | Sports             | 0.9         | -           | 1.7         | 153%        | 0.9         | -           | 3.5       | 794% |
|                  | Industrial & Other | 0.3         | 73%         | 0.4         | 107%        | 0.5         | 166%        | 1.3       | 110% |
|                  | Consolidated       | 13.7        | 113%        | 17.1        | 100%        | 11.7        | 88%         | 42.5      | 100% |

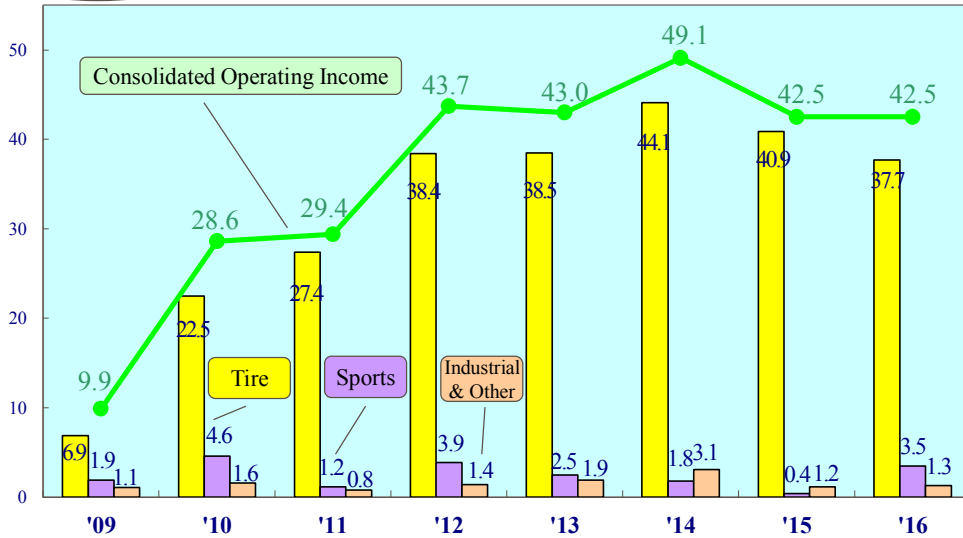
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## Consolidated Operating Income by Industrial Segment

SUMITOMO RUBBER GROUP

Jan.-Sep.

Billions of Yen

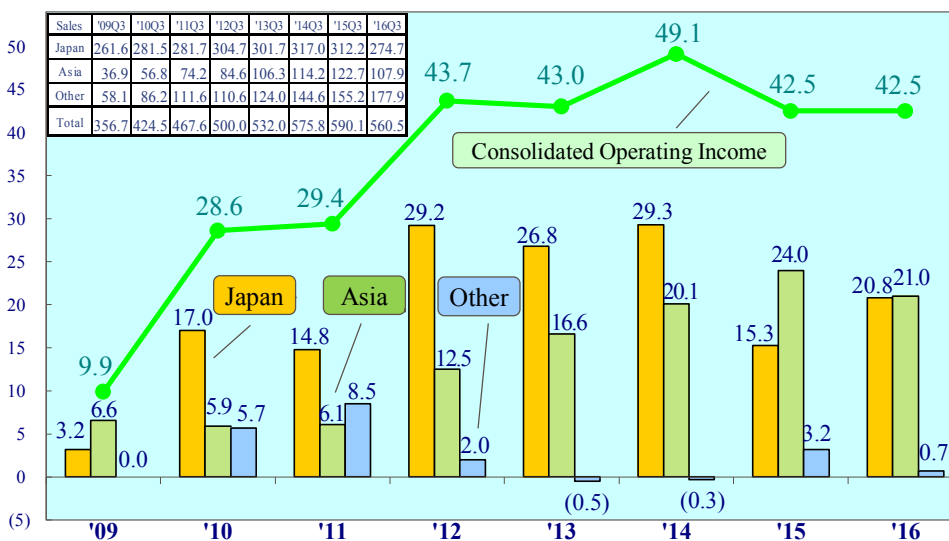


## Consolidated Operating Income by Geographic Area

SUMITOMO RUBBER GROUP

Jan.-Sep.

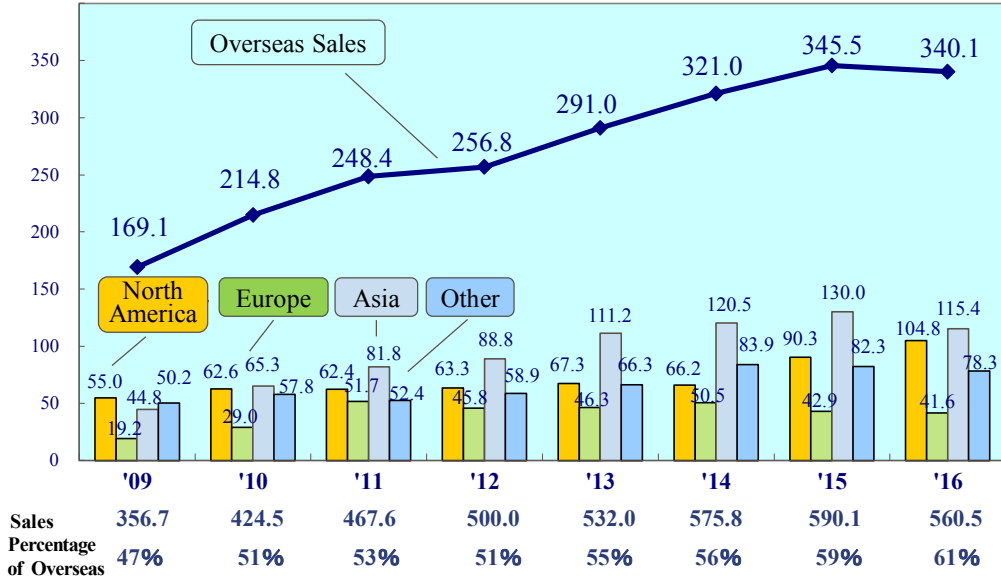
Billions of Yen



# Overseas Sales

Jan.-Sep.

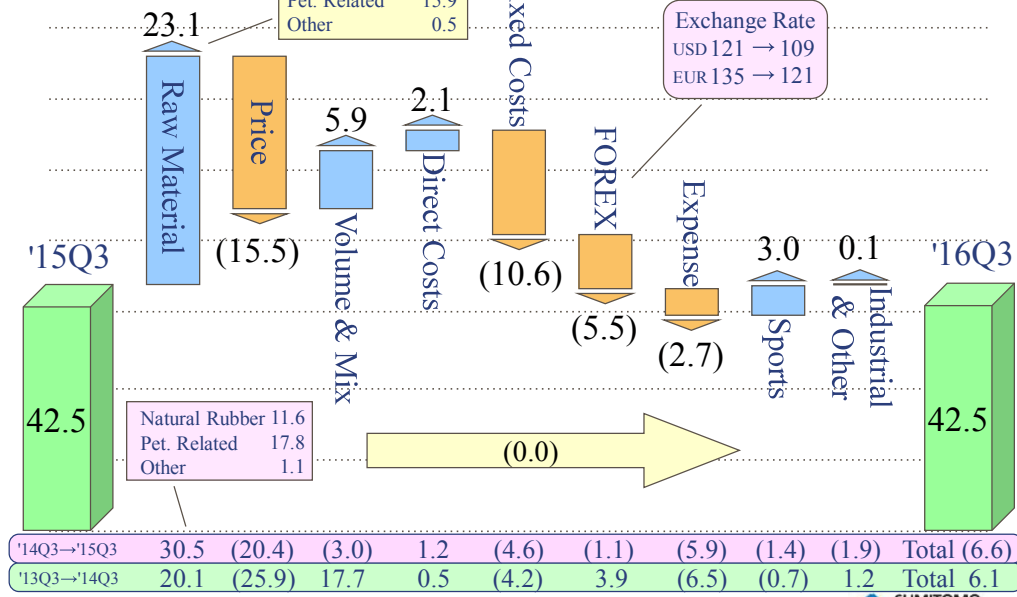
Billions of Yen



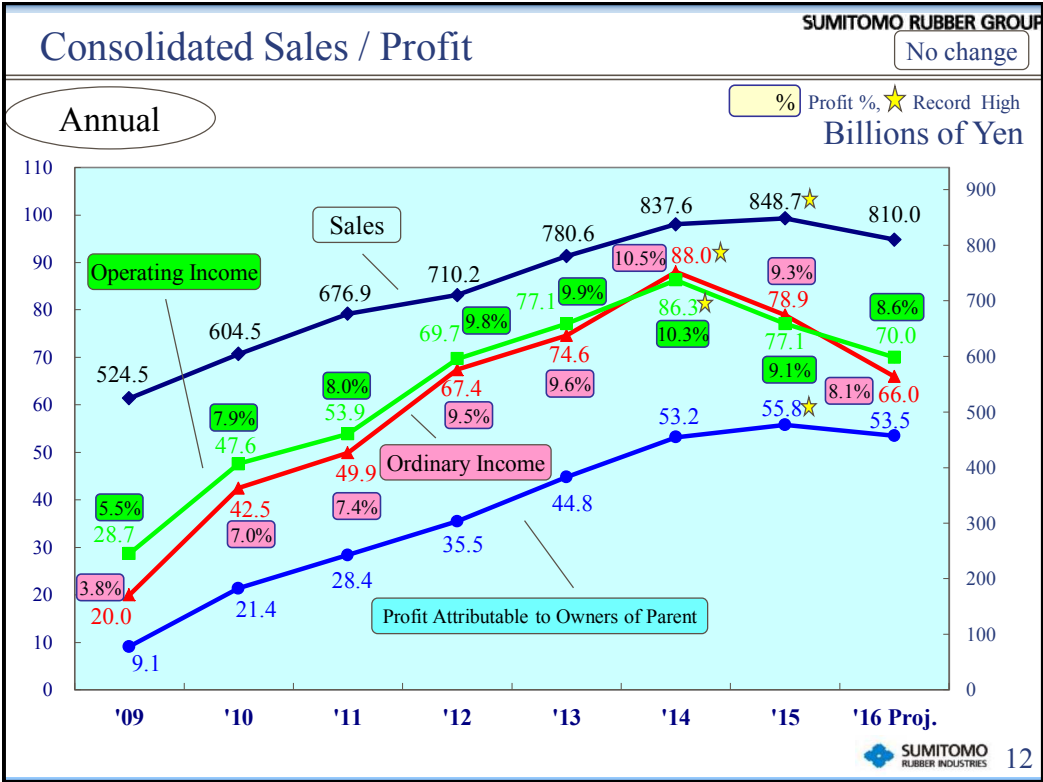
# Consolidated Operating Income Walk

Jan.-Sep.

Billions of Yen



| Consolidated Results Projection         |                   |                            |             |             | SUMITOMO RUBBER GROUP |
|---|-------------------|----------------------------|-------------|-------------|-----------------------|
| Annual                                  |                   |                            |             |             | Billions of Yen       |
|   | Annual Proj. 2016 | Aug. 8 <sup>th</sup> Proj. | Actual 2015 | '16 vs. '15 |                       |
| Sales                                   | 810.0             | 810.0                      | 848.7       | 95%         |                       |
| Operating Income (%)                    | 70.0 (8.6%)       | 70.0 (8.6%)                | 77.1 (9.1%) | 91%         |                       |
| Ordinary Income (%)                     | 66.0 (8.1%)       | 66.0 (8.1%)                | 78.9 (9.3%) | 84%         |                       |
| Profit Attributable to Owners of Parent | 53.5              | 53.5                       | 55.8        | 96%         |                       |
| Equity Income                           | 0.1               | 0.0                        | 5.6         | (5.5)       |                       |
| ROE                                     | 13.5%             | 13.5%                      | 13.3%       |             |                       |
| d/e Ratio                               | 0.5               | 0.5                        | 0.6         |             |                       |



SUMITOMO RUBBER GROUP

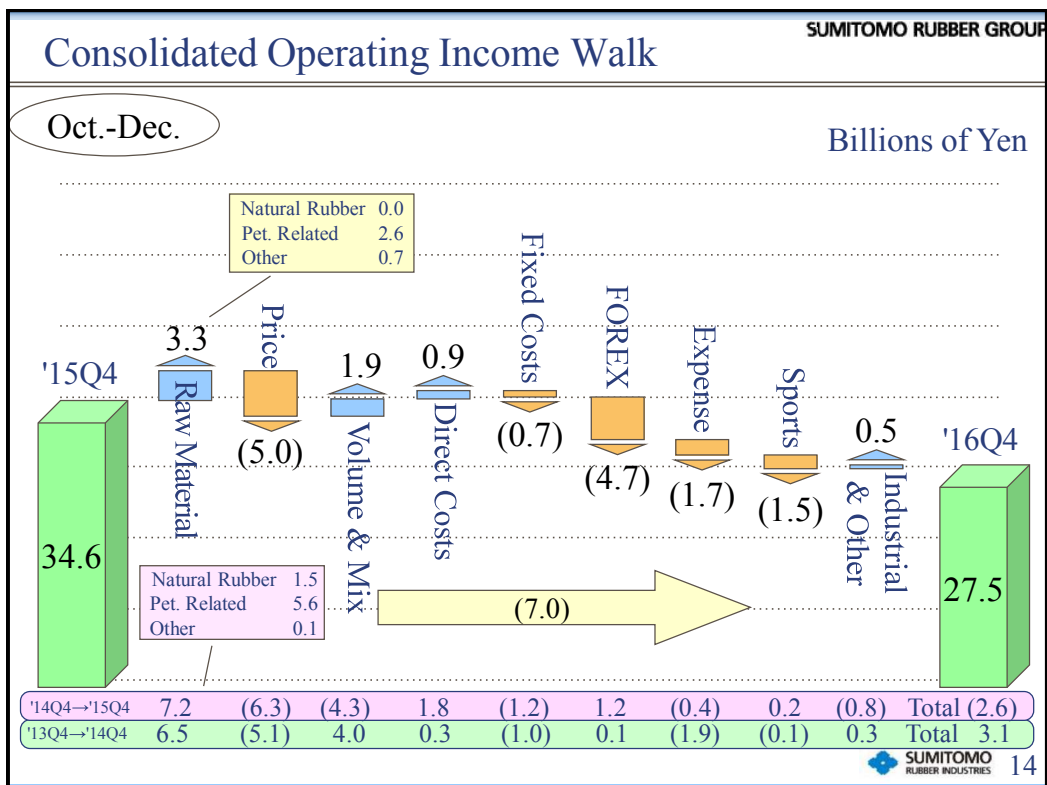
## Net Sales / Operating Income by Industrial Segment No change

Billions of Yen

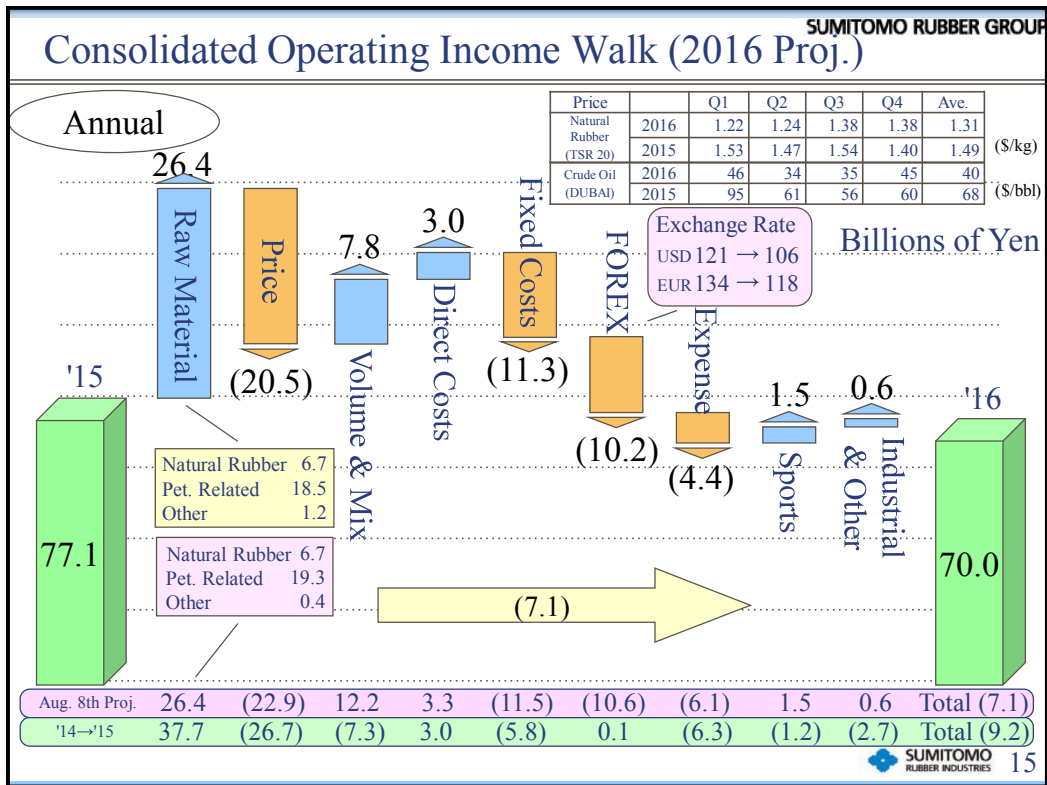
**Annual**

|                  |                    | Annual Proj.<br>2016 | Actual<br>2015 | '16 vs. '15 |
|------------------|--------------------|----------------------|----------------|-------------|
| Sales            | Tire               | 695.0                | 732.2          | 95%         |
|                  | Sports             | 76.0                 | 77.6           | 98%         |
|                  | Industrial & Other | 39.0                 | 38.9           | 100%        |
|                  | Consolidated       | 810.0                | 848.7          | 95%         |
| Operating Income | Tire               | 64.0                 | 73.1           | 88%         |
|                  | Sports             | 3.5                  | 2.0            | 174%        |
|                  | Industrial & Other | 2.5                  | 1.9            | 129%        |
|                  | Consolidated       | 70.0                 | 77.1           | 91%         |

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### SUMITOMO RUBBER GROUP

## Consolidated Operating Income Analysis

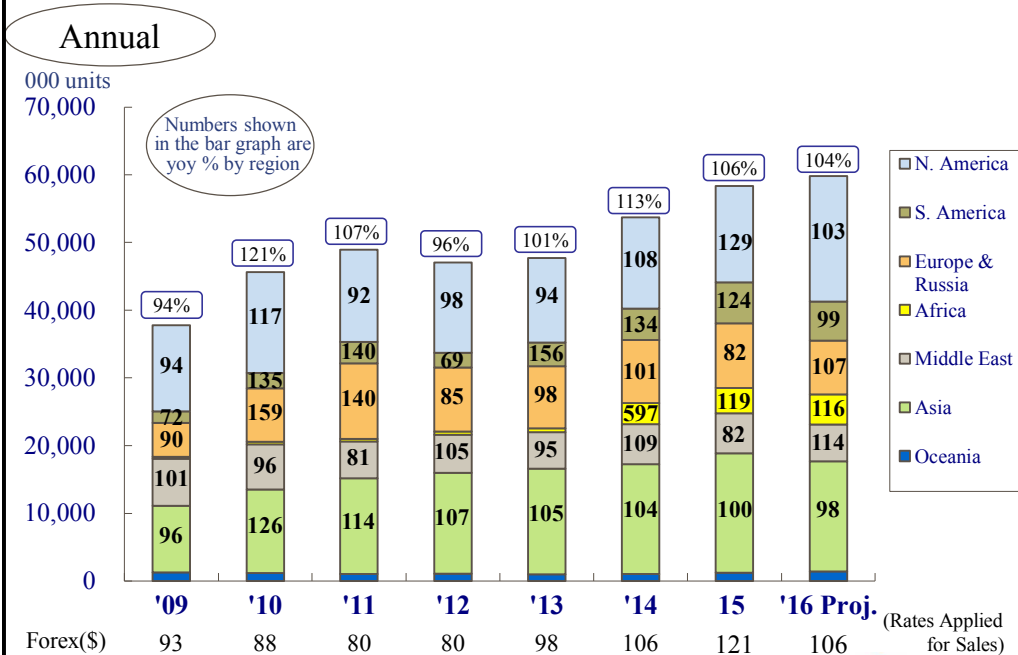
| Period              | Operating Income |              | Factor       |        |              |              |             |        |         |        | Billions of Yen    |  |
|---------------------|------------------|--------------|--------------|--------|--------------|--------------|-------------|--------|---------|--------|--------------------|--|
|                     |                  | vs Pre. Year | Raw Material | Price  | Volume & Mix | Direct Costs | Fixed Costs | FOREX  | Expense | Sports | Industrial & Other |  |
| '15                 | Q1               | 12.1 (6.4)   | 8.3          | (6.0)  | (3.1)        | 0.3          | (0.9)       | (2.0)  | (1.2)   | (0.9)  | (0.9)              |  |
|                     | Q2               | 17.1 0.5     | 13.9         | (7.4)  | (0.5)        | 0.8          | (1.6)       | 0.1    | (4.7)   | 0.4    | (0.4)              |  |
|                     | Q3               | 13.2 (0.7)   | 8.3          | (7.0)  | 0.7          | 0.1          | (2.1)       | 0.8    | 0.0     | (0.9)  | (0.7)              |  |
|                     | Q4               | 34.6 (2.6)   | 7.2          | (6.3)  | (4.3)        | 1.8          | (1.2)       | 1.2    | (0.4)   | 0.2    | (0.8)              |  |
|                     | Annual           | 77.1 (9.2)   | 37.7         | (26.7) | (7.3)        | 3.0          | (5.8)       | 0.1    | (6.3)   | (1.2)  | (2.7)              |  |
| '16                 | Q1               | 13.7 1.6     | 11.3         | (4.7)  | (0.1)        | 0.7          | (3.6)       | (0.4)  | (2.6)   | 1.1    | (0.1)              |  |
|                     | Q2               | 17.1 0.0     | 7.7          | (6.2)  | 1.3          | 0.8          | (4.1)       | (0.4)  | 0.2     | 0.6    | 0.0                |  |
|                     | Q3               | 11.7 (1.6)   | 4.1          | (4.6)  | 4.7          | 0.6          | (2.9)       | (4.7)  | (0.3)   | 1.3    | 0.2                |  |
|                     | Q4               | 27.5 (7.0)   | 3.3          | (5.0)  | 1.9          | 0.9          | (0.7)       | (4.7)  | (1.7)   | (1.5)  | 0.5                |  |
|                     | Annual           | 70.0 (7.1)   | 26.4         | (20.5) | 7.8          | 3.0          | (11.3)      | (10.2) | (4.4)   | 1.5    | 0.6                |  |
| (vs Aug. 8th Proj.) |                  | 0.0          | 0.0          | 2.4    | (4.4)        | (0.3)        | 0.2         | 0.4    | 1.7     | 0.0    | 0.0                |  |

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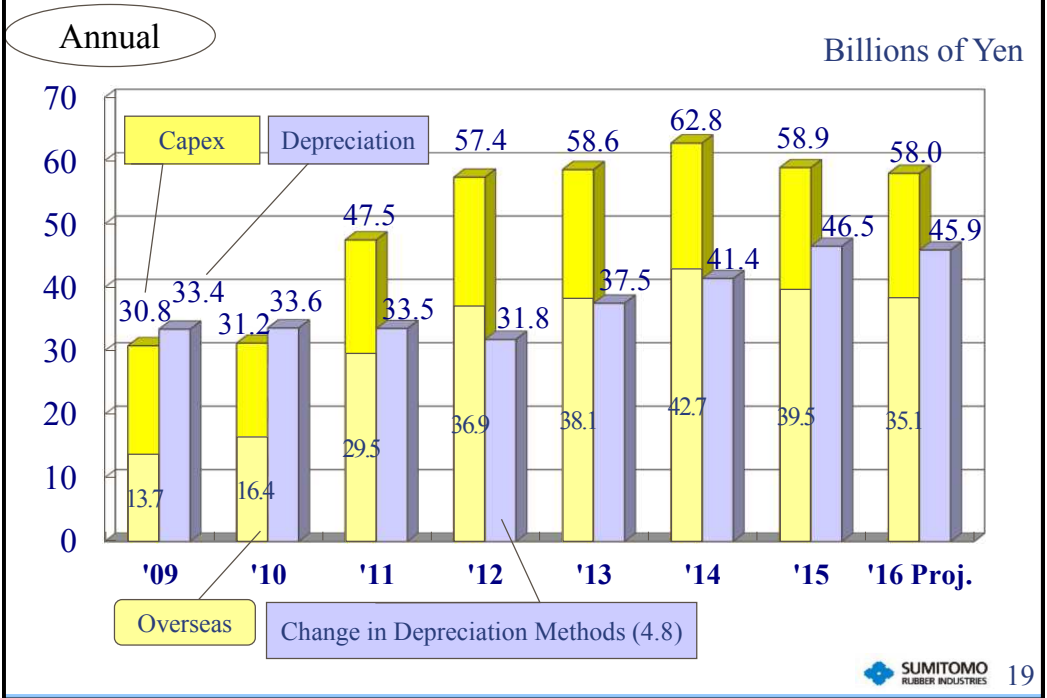
### Tire Sales Volume (Comparison %)

|                            | 2015 ACT        |             |             |             |             | 2016 Jan.-Sep.ACT, Oct.-Dec.Proj. |             |               |            |             | 2016 Aug 8th Proj. |             |             |
|----------------------------|-----------------|-------------|-------------|-------------|-------------|-----------------------------------|-------------|---------------|------------|-------------|--------------------|-------------|-------------|
|                            | Jan-Mar         | Apr-Jun     | Jul-Sep     | Oct-Dec     | Annual      | Jan-Mar                           | Apr-Jun     | Jul-Sep       | Oct-Dec    | Annual      | Jan-Jun            | Jul-Dec     | Annual      |
| Domestic O.E.              | 98%             | 89%         | 89%         | 92%         | 92%         | 87%                               | 92%         | <b>100%</b>   | 107%       | 96%         | 89%                | 106%        | 98%         |
| Overseas O.E.              | 104%            | 99%         | 90%         | 111%        | 101%        | 106%                              | 101%        | <b>114%</b>   | 97%        | 104%        | 103%               | 109%        | 106%        |
| Domestic Rep.              | 81%             | 107%        | 101%        | 89%         | 93%         | 101%                              | 101%        | <b>100%</b>   | 101%       | 101%        | 101%               | 105%        | 103%        |
| Overseas Rep.              | 101%            | 105%        | 107%        | 110%        | 106%        | 109%                              | 106%        | <b>106%</b>   | 96%        | 104%        | 107%               | 106%        | 107%        |
| <b>Total</b>               | <b>97%</b>      | <b>102%</b> | <b>101%</b> | <b>102%</b> | <b>100%</b> | <b>104%</b>                       | <b>102%</b> | <b>105%</b>   | <b>99%</b> | <b>102%</b> | <b>103%</b>        | <b>106%</b> | <b>105%</b> |
| Total Tire Sales(000units) | 24,640          | 26,150      | 27,250      | 31,580      | 109,620     | 25,510                            | 26,780      | <b>28,620</b> | 31,180     | 112,080     | 52,290             | 62,570      | 114,860     |
| <i>Overseas Rep.</i>       | North America   | 104%        | 127%        | 131%        | 154%        | 129%                              | 118%        | <b>105%</b>   | 87%        | 103%        | 113%               | 109%        | 111%        |
|                            | Asia            | 104%        | 98%         | 103%        | 97%         | 100%                              | 99%         | <b>101%</b>   | 98%        | 98%         | 96%                | 100%        | 98%         |
|                            | Middle East     | 85%         | 73%         | 76%         | 96%         | 82%                               | 104%        | <b>139%</b>   | 86%        | 114%        | 120%               | 113%        | 116%        |
|                            | Europe & Russia | 98%         | 81%         | 74%         | 78%         | 82%                               | 97%         | <b>105%</b>   | 113%       | 107%        | 104%               | 111%        | 108%        |

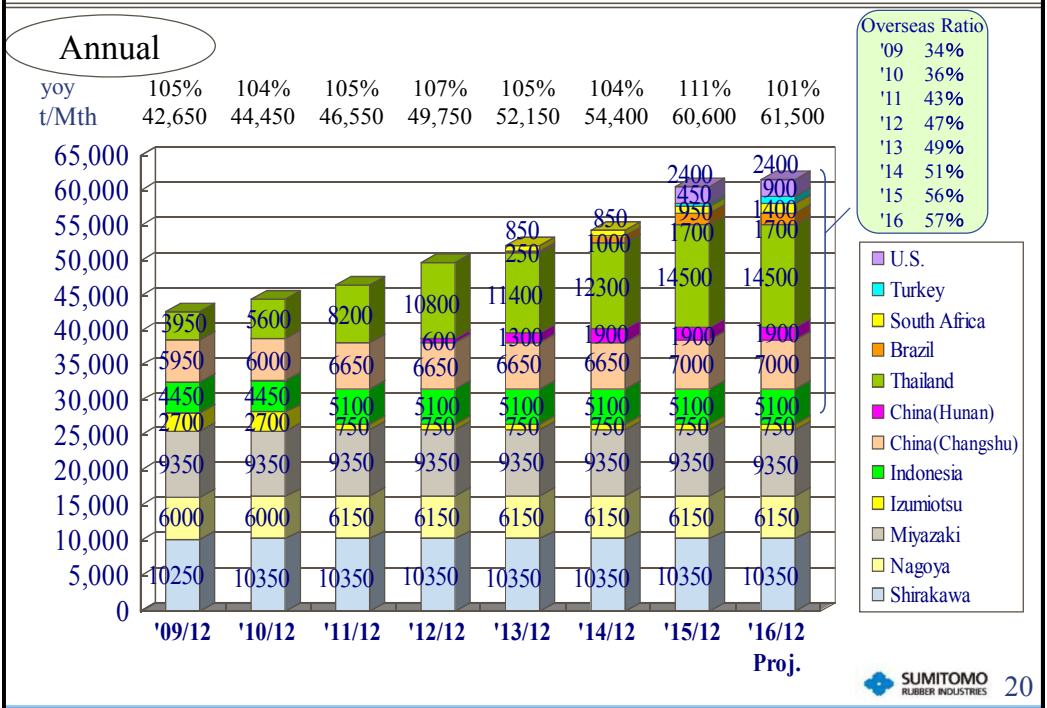
### Tire Overseas Rep. Volume by Regional Segment



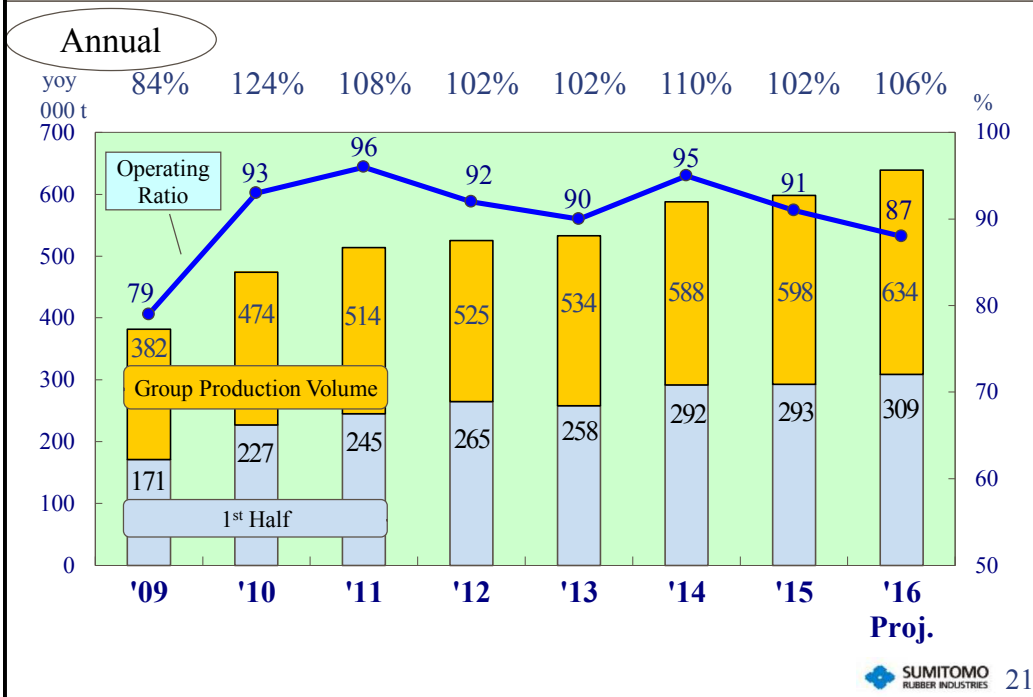
# Capex and Depreciation (Tangible Assets Only)



# Tire Production Capacity



### Tire Production Volume and Operating Ratio



### Sales in the Sports Business Results

Billions of Yen

|                                  | 2016 Q3<br>Jan.-Sep. | 2015 Q3<br>Jan.-Sep. | '16 vs. '15 | Annual Proj.<br>2016 |
|----------------------------------|----------------------|----------------------|-------------|----------------------|
| Golf Clubs                       | 24.5                 | 24.9                 | 98%         | 33.7                 |
| Golf Balls                       | 10.8                 | 11.5                 | 94%         | 14.0                 |
| Golf Shoes, Accessories & Others | 5.4                  | 6.0                  | 91%         | 6.9                  |
| Golf Goods                       | 40.7                 | 42.4                 | 96%         | 54.6                 |
| Tennis Goods                     | 4.8                  | 5.0                  | 96%         | 6.2                  |
| Licensing Income                 | 0.4                  | 0.3                  | 108%        | 0.5                  |
| Sports Goods Business            | 45.9                 | 47.8                 | 96%         | 61.3                 |
| Other Business                   | 8.6                  | 8.3                  | 104%        | 14.7                 |
| Total                            | 54.5                 | 56.1                 | 97%         | 76.0                 |

# Adoption of IFRS

- SRI decided to adopt International Financial Reporting Standards (IFRS) from the fiscal year ending December 31, 2016.
  - To enhance the international comparability of financial information in capital markets.
  - To improve the quality of business management of the Group companies.

## Annual Projection 2016

Billions of Yen

|  | IFRS<br>(Nov. 7 <sup>th</sup> Proj.) | J GAAP         | Difference | IFRS<br>Aug. 8 <sup>th</sup> Proj. |
|--|--------------------------------------|----------------|------------|------------------------------------|
| <b>Sales</b>                                   | 760.0                                | 810.0          | (50.0)     | 760.0                              |
| <b>Operating Income (%)</b>                    | 70.0<br>(9.2%)                       | 70.0<br>(8.6%) | —          | 70.0<br>(9.2%)                     |
| <b>Profit Attributable to Owners of Parent</b> | 46.5                                 | 53.5           | (7.0)      | 46.5                               |

# New Products / New Technology




LE MANS 4    WINTER MAXX 02




ZIEX ZE919E



Hibrid-Turf Eye




XXIO 9




NEW SRIXON Z Series

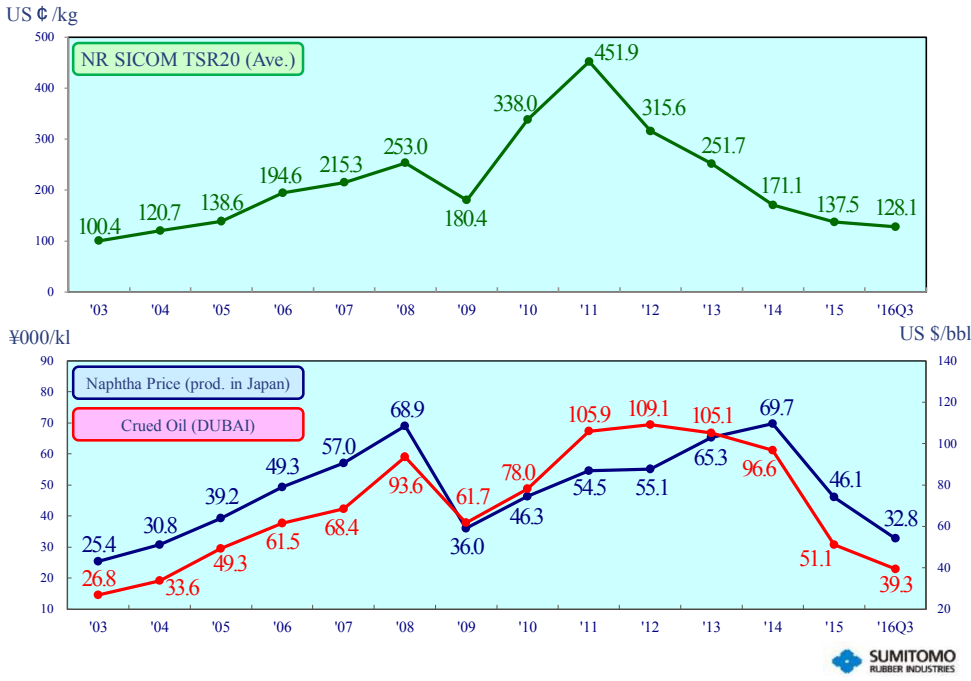


SRIXON 「REVO CS」 Series



SRIXON 「PROSPIDER 2J」

# Market Price: Natural Rubber • Naphtha



END

*for you, for the earth*

**SUMITOMO RUBBER GROUP**