

Consolidated Financial Results for the Nine Months Ended September 30, 2016 [Japanese GAAP]



November 7, 2016

Company name : Sumitomo Rubber Industries, Ltd.
 Stock exchange listing : Tokyo Stock Exchange
 Code number : 5110
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 Scheduled date of filing quarterly securities report : November 8, 2016
 Scheduled date of commencing dividend payments : -
 Supplementary documents for quarterly financial results : Yes
 Quarterly financial results briefing session : Yes (for institutional investors)

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

1. Consolidated Financial Results for the Nine Months Ended September 30, 2016 (January 1, 2016 to September 30, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended September 30, 2016	560,453	(5.0)	42,473	(0.1)	39,645	(9.0)	37,656	(2.8)
September 30, 2015	590,057	2.5	42,503	(13.4)	43,559	(15.6)	38,729	22.1

(Note) Comprehensive income: Nine months ended September 30, 2016 : ¥ (27,507) million (-%)

Nine months ended September 30, 2015 : ¥ 5,854 million (decrease of 86.2%)

	Profit per share	Diluted net income per share
Nine months ended	Yen	Yen
September 30, 2016	143.55	-
September 30, 2015	147.64	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
September 30, 2016	833,515	412,406	46.0	1,461.28
December 31, 2015	936,154	453,768	45.3	1,615.81

(Reference) Equity: As of September 30, 2016 : ¥ 383,319 million

As of December 31, 2015 : ¥ 423,857 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended	Yen	Yen	Yen	Yen	Yen
December 31, 2015	-	25.00	-	30.00	55.00
December 31, 2016	-	30.00	-		
Fiscal year ending December 31, 2016 (Forecast)				25.00	55.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2016 (January 1, 2016 to December 31, 2016)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	810,000	(4.6)	70,000	(9.2)	66,000	(16.3)	53,500	(4.2)	203.95

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

Notes:

- (1) Changes in Significant Subsidiaries during the Nine Months Ended September 30, 2016
(changes in specified subsidiaries resulting in changes in scope of consolidation) : None
- (2) Adoption of Accounting Methods Specific to Preparation of Quarterly Consolidated Financial Statements : None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards : Yes
 - 2) Changes in accounting policies other than 1) : None
 - 3) Changes in accounting estimates : None
 - 4) Retrospective restatement : None
- (4) Total number of issued shares (common stock)
 - 1) Total number of issued shares at the end of the period (including treasury stock):

September 30, 2016	: 263,043,057 shares
December 31, 2015	: 263,043,057 shares
 - 2) Total number of treasury stock at the end of the period:

September 30, 2016	: 725,450 shares
December 31, 2015	: 724,513 shares
 - 3) Average number of shares during the period:

Nine months ended September 30, 2016	: 262,318,221 shares
Nine months ended September 30, 2015	: 262,320,760 shares

* Presentation regarding the implementation status of the quarterly review procedures

These quarterly financial results are outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of these quarterly financial results, review procedures for the quarterly financial statements under the Financial Instruments and Exchange Act have not been completed.

* 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 include potential risks and uncertainty. Actual results could differ significantly from these forecasts due to changes in various factors surrounding the businesses of the Company and the Group.

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

The Group decided to adopt International Financial Reporting Standards (IFRS) from the fiscal year 2016 ended December 31, 2016 and the disclosure information of financial results will be based on IFRS. The future projections including major influences (estimate base) due to this adoption are presented on slide of the presentation material for financial results briefing session on November 7, 2016.

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

(1) Operating Results

	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015	Increase (Decrease)
	Millions of yen	Millions of yen	%
Net sales	560,453	590,057	(5.0)
Tires	480,696	505,925	(5.0)
Sports	54,534	56,118	(2.8)
Industrial and Other Products	25,223	28,014	(10.0)
Operating income	42,473	42,503	(0.1)
Tires	37,714	40,905	(7.8)
Sports	3,480	438	694.0
Industrial and Other Products	1,268	1,151	10.3
Adjustments	11	9	-
Ordinary income	39,645	43,559	(9.0)
Profit attributable to owners of parent	37,656	38,729	(2.8)

Foreign exchange rates applied

	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015	Increase (Decrease)
	Yen	Yen	Yen
Yen / U.S. Dollar	109	121	(12)
Yen / Euro	121	135	(14)

During the nine months ended September 30, 2016, the U.S. economy saw continued expansion on a gradual pace, and a gradual recovery trend was seen in the European economy as well. Meanwhile, the slowdown of economic growth in China and economic stagnation in many emerging markets continued.

Further, growing concerns about the European economy due to Britain's decision to leave EU, in addition to further increase in geopolitical risks around the world, resulted in the weakening of the overall global economy amid rising uncertainty about the future.

The Japanese economy remained weak due to factors such as weak capital investments and personal consumption, arising from uncertainty about corporate earnings mainly caused by further yen appreciation.

Looking at the business environment surrounding the Sumitomo Rubber Group, despite prices in the natural rubber market and crude oil prices being stable at low levels, business conditions remained severe due to intensified competition with our competitors in the market resulting from the sluggish demand caused by a worldwide sentiment of economic stagnation, as well as further yen appreciation.

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. The tire business, our primary business, was greatly impacted by the yen appreciation, despite the global increase in sales particularly in North America and Europe.

As a result, for the nine months ended September 30, 2016, consolidated net sales of the Group decreased 5.0% from the same period of the previous fiscal year to ¥560,453 million and consolidated operating income decreased 0.1% to ¥42,473 million. While income decreased from the same period of the previous fiscal year due mainly to further yen appreciation, operating income maintained the same level as the previous fiscal year mainly due to company-wide total cost reduction activities. In addition, due mainly to no longer recording equity in earnings of joint venture companies in North America and Europe, resulting from dissolution of the alliance with

The Goodyear Tire & Rubber Company of the U.S. in October 2015, consolidated ordinary income decreased 9.0% from the same period of the previous fiscal year to ¥39,645 million and profit attributable to owners of parent decreased 2.8% to ¥37,656 million.

Business performance by business segment was as follows.

Tire Business

Net sales in the tire business decreased 5.0% from the same period of the previous fiscal year to ¥480,696 million, and operating income decreased 7.8% to ¥37,714 million.

In the domestic replacement market, in addition to expanding sales of the “ENASAVE” series under the Dunlop brand and “LE MANS 4,” which are long-lasting and fuel-efficient tires that are comfortable and equipped with “SILENT CORE,” a special noise-absorbing sponge, we made efforts for the early launch 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.” As a result, sales volume and sales in the domestic replacement market exceeded the level of the same period of the previous fiscal year.

In the domestic original equipment market, sales volume and sales fell below the level of the same period of the previous fiscal year, as automobile production volume fell below the level of the same period of the previous fiscal year, despite our continued efforts to expand the volume delivered of high-value-added tires, mainly focusing on fuel-efficient tires.

In the overseas replacement market, sales volume increased in North America and Europe, as well as other regions such as the Middle East, Africa, and Central and South America; however, sales fell below the level of the same period of the previous fiscal year due to the effect of yen appreciation.

In the overseas original equipment market, sales increased in Brazil, where we started to deliver our products last year, in addition to Thailand and South Africa. Furthermore, in North America and Europe, delivery continued to expand, and therefore sales volume exceeded the level of the same period of the previous fiscal year. However, sales fell below the level of the same period of the previous fiscal year due to the effect of yen appreciation.

As a result, net sales in the tire business fell below the level of the same period of the previous fiscal year.

Sports Business

Net sales in the sports business decreased 2.8% from the same period of the previous fiscal year to ¥54,534 million, and operating income increased 694.0% to ¥3,480 million.

In the golf equipment market in Japan, “XXIO 9” launched in December 2015 steadily increased its sales, while golf apparel business saw decreased income due mainly to switching to a licensing business with DESCENTE LTD. in the current period, resulting in sales below the level of the same period of the previous fiscal year.

In overseas golf equipment markets, we made aggressive efforts to globally expand sales of our brands “SRIXON” and “XXIO.” However, due to decreased sales of golf clubs under “Cleveland Golf” in the U.S. and Europe, as well as the effect of yen appreciation, sales fell below the level of the same period of the previous fiscal year.

As a result, net sales in the sports business fell below the level of the same period of the previous fiscal year, while operating income increased mainly due to improved sales structure backed by increased sales of “XXIO 9” and a decrease in purchasing costs due to yen appreciation.

Industrial and Other Products Business

Net sales in the industrial and other products business decreased 10.0% from the same period of the previous fiscal year to ¥25,223 million, and operating income increased 10.3% to ¥1,268 million.

While business of medical rubber parts and vibration control dampers remained strong, precision rubber parts for printers and photocopiers saw decreased income due to the effect of yen appreciation in addition to production cutback by printers and photocopiers manufacturers, and further, sales decreased in infrastructure-based products and materials such as sports facilities and civil works and marine facilities. As a result, net sales in the industrial and other products business fell below the level of the same period of the previous fiscal year, resulting in a decrease in income. However, profit increased mainly due to reduction of expenses.

(2) Financial Position

	As of September 30, 2016	As of December 31, 2015	Increase (Decrease)
	Millions of yen	Millions of yen	Millions of yen
Total assets	833,515	936,154	(102,639)
Net assets	412,406	453,768	(41,362)
[excluding minority interests]	[383,319]	[423,857]	[(40,538)]
Equity ratio (%)	46.0	45.3	0.7
Net assets per share	1,461.28 yen	1,615.81 yen	(154.53) yen

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

Total assets decreased ¥102,639 million from the end of the previous fiscal year to ¥833,515 million mainly as a result of the effect of yen appreciation, in addition to a decrease in notes and accounts receivable - trade due to seasonal factors and a decrease in investment securities due to the sale of the shares of The Goodyear Tire & Rubber Company associated with the dissolution of alliance.

Total liabilities decreased ¥61,277 million from the end of the previous fiscal year to ¥421,109 million mainly due to decreases in notes and accounts payable - trade and interest-bearing debt.

Net assets decreased ¥41,362 million from the end of the previous fiscal year to ¥412,406 million as a result of factors including cash dividends paid and a decrease in foreign currency translation adjustment, despite recording of ¥37,656 million in profit. As a result, equity ratio was 46.0%, an increase of 0.7% from the end of the previous fiscal year.

(3) Consolidated Financial Results Forecast and Other Future Forecast

No revisions have been made to the full year financial results forecast in the Consolidated Financial Results for the Six Months Ended June 30, 2016, which we announced on August 8, 2016.

Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2016 (January 1, 2016 to December 31, 2016)

	Revised forecast	Previous forecast	Increase (Decrease)	Change in ratio	(Reference) Results for the same period of the previous year
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen
Net sales	810,000	810,000	-	-	848,663
Tires	695,000	695,000	-	-	732,168
Sports	76,000	76,000	-	-	77,631
Industrial and Other Products	39,000	39,000	-	-	38,864
Operating income	70,000	70,000	-	-	77,067
Tires	64,000	64,000	-	-	73,114
Sports	3,500	3,500	-	-	2,011
Industrial and Other Products	2,500	2,500	-	-	1,930
Adjustments	-	-	-	-	12
Ordinary income	66,000	66,000	-	-	78,894
Profit attributable to owners of parent	53,500	53,500	-	-	55,834

Foreign exchange rates applied

	Revised forecast	Previous forecast	Increase (Decrease)	(Reference) Rate applied for the same period of the previous year
	Yen	Yen	Yen	Yen
Yen / U.S. Dollar	106	106	-	121
Yen / Euro	118	117	1	134

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.

2. Matters Concerning Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Nine Months Ended September 30, 2016

None

(2) Adoption of Accounting Methods Specific to Preparation of Quarterly Consolidated Financial Statements

None

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement

Changes in Accounting Policies

(Application of the Accounting Standards for Business Combinations)

Effective from the first quarter of the consolidated fiscal year under review, the Company has applied the Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013, hereinafter the “Accounting Standard for Business Combinations”), the Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013, hereinafter the “Accounting Standard for Consolidation”) and the Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013, hereinafter the “Accounting Standard for Business Divestitures”), etc. As a result, the method of recording the amount of difference caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the consolidated fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the first quarter of the consolidated fiscal year under review, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the quarterly consolidated financial statements for the fiscal period to which the date of business combination belongs. In addition, the presentation method for net income and other related items has been changed, and the presentation of minority interests has been changed to non-controlling interests. To reflect these changes, the Company has reclassified its quarterly consolidated financial statements for the nine months ended September 30, 2015 and consolidated financial statements for the fiscal year ended December 31, 2015.

Application of the Accounting Standard for Business Combinations, etc. is in accordance with the transitional treatment stipulated by Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidation and Article 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standard, etc. prospectively from the beginning of the first quarter of the consolidated fiscal year under review.

The effect of this change on the quarterly consolidated financial statements for the third quarter of the nine months ended September 10, 2016 is immaterial.

3. Quarterly Consolidated Financial Statements
 (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2015	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	53,569	64,161
Notes and accounts receivable-trade	189,888	146,989
Merchandise and finished goods	91,689	94,814
Work in process	6,938	6,848
Raw materials and supplies	48,553	44,109
Other	44,841	36,055
Allowance for doubtful accounts	(2,070)	(2,293)
Total current assets	433,408	390,683
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	109,999	102,802
Machinery, equipment and vehicles, net	151,527	133,737
Other, net	106,404	96,925
Total property, plant and equipment	367,930	333,464
Intangible assets		
Goodwill	18,251	14,520
Other	21,366	20,604
Total intangible assets	39,617	35,124
Investments and other assets		
Investment securities	36,976	23,095
Other	59,083	52,166
Allowance for doubtful accounts	(860)	(1,017)
Total investments and other assets	95,199	74,244
Total noncurrent assets	502,746	442,832
Total assets	936,154	833,515

(Millions of yen)

	As of December 31, 2015	As of September 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	73,684	55,823
Current portion of bonds	10,000	5,000
Commercial papers	12,000	25,000
Short-term loans payable	64,586	57,373
Current portion of long-term loans payable	37,163	21,274
Income taxes payable	3,517	6,952
Provision	6,839	11,352
Other	76,381	61,758
Total current liabilities	284,170	244,532
Noncurrent liabilities		
Bonds payable	55,000	50,000
Long-term loans payable	75,657	70,847
Net defined benefit liability	22,817	19,869
Provision	109	115
Other	44,633	35,746
Total noncurrent liabilities	198,216	176,577
Total liabilities	482,386	421,109
Net assets		
Shareholders' equity		
Capital stock	42,658	42,658
Capital surplus	38,661	38,661
Retained earnings	301,712	323,629
Treasury stock	(567)	(569)
Total shareholders' equity	382,464	404,379
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,664	6,982
Deferred gains or losses on hedges	(81)	(437)
Foreign currency translation adjustment	22,422	(32,305)
Remeasurements of defined benefit plans	4,388	4,700
Total accumulated other comprehensive income	41,393	(21,060)
Non-controlling interests	29,911	29,087
Total net assets	453,768	412,406
Total liabilities and net assets	936,154	833,515

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended September 30

(Millions of yen)

	For the nine months ended September 30, 2015	For the nine months ended September 30, 2016
Net sales	590,057	560,453
Cost of sales	365,650	353,717
Gross profit	224,407	206,736
Selling, general and administrative expenses	181,904	164,263
Operating income	42,503	42,473
Non-operating income		
Interest income	1,193	1,154
Dividends income	623	442
Foreign exchange gains	-	3,101
Equity in earnings of affiliates	5,131	61
Other	2,949	2,644
Total non-operating income	9,896	7,402
Non-operating expenses		
Interest expenses	2,922	2,635
Foreign exchange losses	4,395	-
Loss on valuation of derivatives	-	5,086
Other	1,523	2,509
Total non-operating expenses	8,840	10,230
Ordinary income	43,559	39,645
Extraordinary income		
Gain on sales of investment securities	-	8,286
Gain on liquidation of subsidiaries and associates	-	1,680
Gain on sales of non-current assets	-	288
Total extraordinary income	-	10,254
Extraordinary loss		
Loss on voluntary recall of products	-	584
Loss on sales and retirement of noncurrent assets	388	527
Impairment loss	119	54
Total extraordinary losses	507	1,165
Income before income taxes	43,052	48,734
Income taxes	3,211	10,645
Profit	39,841	38,089
Profit attributable to non-controlling interests	1,112	433
Profit attributable to owners of parent	38,729	37,656

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended September 30

(Millions of yen)

	For the nine months ended September 30, 2015	For the nine months ended September 30, 2016
Profit	39,841	38,089
Other comprehensive income		
Valuation difference on available-for-sale securities	(949)	(7,712)
Deferred gains or losses on hedges	(770)	(355)
Foreign currency translation adjustment	(31,480)	(57,862)
Remeasurements of defined benefit plans	170	333
Share of other comprehensive income of entities accounted for using equity method	(958)	-
Total other comprehensive income	(33,987)	(65,596)
Comprehensive income	5,854	(27,507)
Comprehensive income attributable to		
Owners of parent	6,213	(24,797)
Non-controlling interests	(359)	(2,710)

(3) Notes on Quarterly Consolidated Financial Statements
 (Notes on Going Concern Assumption)
 None

(Notes in the Case of Significant Changes in Shareholders' Equity)
 None

(Segment Information, etc.)
 Segment Information

I. For the nine months ended September 30, 2015 (January 1, 2015 to September 30, 2015)

1. Information on net sales and the amounts of income by reportable segment

(Millions of yen)

	Reportable segment				Adjustments (Note 1)	Amount recorded in Quarterly Consolidated Statements of Income (Note 2)
	Tires	Sports	Industrial and Other Products	Total		
Net sales						
Net sales to outside customers	505,925	56,118	28,014	590,057	-	590,057
Inter-segment net sales or transfers	7	222	21	250	(250)	-
Total	505,932	56,340	28,035	590,307	(250)	590,057
Segment income	40,905	438	1,151	42,494	9	42,503

(Notes)

- The adjustment for segment income of ¥9 million includes the amounts that offset inter-segment transactions.
- For the calculation of segment income, necessary adjustments were made to the operating income that is posted in the Quarterly Consolidated Statements of Income.

2. Information on impairment loss of noncurrent assets or goodwill, etc. by reportable segment

(Significant impairment loss of noncurrent assets)

Information is omitted since it is immaterial.

(Significant changes in amount of goodwill)

In the "Industrial and Other Products" segment, following the acquisition of Lonstroff Holding AG, this company and Lonstroff AG, its wholly owned subsidiary, has been included in the scope of consolidation. The increased amount of goodwill resulting from the relevant event was ¥4,812 million for the nine months ended September 30, 2015.

II. For the nine months ended September 30, 2016 (January 1, 2016 to September 30, 2016)

1. Information on net sales and the amounts of income by reportable segment

(Millions of yen)

	Reportable segment				Adjustments (Note 1)	Amount recorded in Quarterly Consolidated Statements of Income (Note 2)
	Tires	Sports	Industrial and Other Products	Total		
Net sales						
Net sales to outside customers	480,696	54,534	25,223	560,453	-	560,453
Inter-segment net sales or transfers	8	220	12	240	(240)	-
Total	480,704	54,754	25,235	560,693	(240)	560,453
Segment income	37,714	3,480	1,268	42,462	11	42,473

(Notes)

- The adjustment for segment income of ¥11 million includes the amounts that offset inter-segment transactions.

2. For the calculation of segment income, necessary adjustments were made to the operating income that is posted in the Quarterly Consolidated Statements of Income.
2. Information on impairment loss of noncurrent assets or goodwill, etc. by reportable segment
Information is omitted since it is immaterial.