

Consolidated Financial Results for the Six Months Ended June 30, 2015 [Japanese GAAP]



August 5, 2015

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 : August 7, 2015
 Scheduled date of commencing dividend payments : September 4, 2015
 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 Six Months Ended June 30, 2015 (January 1, 2015 to June 30, 2015)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
June 30, 2015	388,883	2.7	29,253	(16.6)	31,043	(11.4)	20,006	(8.4)
June 30, 2014	378,618	9.5	35,091	18.0	35,052	26.5	21,845	41.1

(Note) Comprehensive income: Six months ended June 30, 2015 : ¥ 14,956 million (increase of 10.1%)
 Six months ended June 30, 2014 : ¥ 13,584 million (decrease of 71.9%)

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
June 30, 2015	76.27	-
June 30, 2014	83.28	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
June 30, 2015	945,360	446,758	43.8	1,579.25
December 31, 2014	973,587	446,960	42.5	1,575.82

(Reference) Equity: As of June 30, 2015 : ¥ 414,267 million
 As of December 31, 2014 : ¥ 413,374 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, 2014	-	20.00	-	30.00	50.00
December 31, 2015	-	25.00			
Fiscal year ending December 31, 2015 (Forecast)			-	25.00	50.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2015 (January 1, 2015 to December 31, 2015)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	900,000	7.4	90,000	4.3	88,000	0.0	55,000	3.4	209.67

(Note) Revision to the financial results forecast announced most recently: No

Notes:

- (1) Changes in Significant Subsidiaries during the Six Months Ended June 30, 2015
(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):

June 30, 2015	: 263,043,057 shares
December 31, 2014	: 263,043,057 shares
 - 2) Total number of treasury stock at the end of the period:

June 30, 2015	: 723,169 shares
December 31, 2014	: 720,365 shares
 - 3) Average number of shares during the period:

Six months ended June 30, 2015	: 262,321,308 shares
Six months ended June 30, 2014	: 262,326,467 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.”

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	4
(3) Consolidated Financial Results Forecast and Other Future Forecast.....	5
2. Matters Concerning Summary Information (Notes)	6
(1) Changes in Significant Subsidiaries during the Six Months Ended June 30, 2015.....	6
(2) Adoption of Accounting Methods Specific to Preparation of Quarterly Consolidated Financial Statements.....	6
(3) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement	6
3. Quarterly Consolidated Financial Statements	7
(1) Quarterly Consolidated Balance Sheets	7
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	9
Quarterly Consolidated Statements of Income	
Six Months Ended June 30.....	9
Quarterly Consolidated Statements of Comprehensive Income	
Six Months Ended June 30.....	10
(3) Notes on Quarterly Consolidated Financial Statements	11
(Notes on Going Concern Assumption)	11
(Notes in the Case of Significant Changes in Shareholders' Equity).....	11
(Segment Information, etc.)	11

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

(1) Explanation of Operating Results

	For the six months ended June 30, 2015	For the six months ended June 30, 2014	Increase (Decrease)
	Millions of yen	Millions of yen	%
Net sales	388,883	378,618	2.7
Tires	332,163	329,078	0.9
Sports	37,845	32,692	15.8
Industrial and Other Products	18,875	16,848	12.0
Operating income	29,253	35,091	(16.6)
Tires	27,523	31,578	(12.8)
Sports	897	1,419	(36.8)
Industrial and Other Products	824	2,086	(60.5)
Adjustments	9	8	-
Ordinary income	31,043	35,052	(11.4)
Net income	20,006	21,845	(8.4)

Foreign exchange rates applied

	For the six months ended June 30, 2015	For the six months ended June 30, 2014	Increase (Decrease)
	Yen	Yen	Yen
Yen / U.S. Dollar	120	102	18
Yen / Euro	134	140	(6)

During the six months ended June 30, 2015, the overall global economy was weak as a whole. The U.S. economy saw continued expansion on a moderate pace, and signs of economic recovery were seen in the European economies despite a downturn risk owing to the Greek debt crisis. Meanwhile, there was further slowdown in economic growth of China and economic stagnation became apparent in some emerging markets including Russia, Brazil and Indonesia.

The Japanese economy continued to see an improvement in corporate earnings due to sustained yen depreciation, an expansion in capital investment and an improvement in employment and income conditions, and signs of recovery were also seen in personal consumption.

Looking at the business environment surrounding the Sumitomo Rubber Group, despite prices in the natural rubber market and crude oil prices remaining at low levels and improvements in the export environment due to yen depreciation, business conditions remained severe due to factors such as intensified competition with our competitors in the overseas replacement market and weakening market conditions in many countries and regions including the domestic 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.

As a result, for the six months ended June 30, 2015, consolidated net sales of the Group increased 2.7% from the same period of the previous fiscal year to ¥388,883 million, consolidated operating income decreased 16.6% to ¥29,253 million, consolidated ordinary income decreased 11.4% to ¥31,043 million and consolidated net income decreased 8.4% to ¥20,006 million, resulting in an increase in income mainly due to the effect of yen depreciation but a decrease in profit.

Business performance by business segment was as follows.

Tire Business

Net sales in the tire business increased 0.9% from the same period of the previous fiscal year to ¥332,163 million, and operating income decreased 12.8% to ¥27,523 million.

In the domestic replacement market, although we made efforts to expand sales centering on the “ENASAVE” series, long-lasting fuel-efficient tires under the Dunlop brand, sales and sales volume fell below the level of the same period of the previous fiscal year due to low sales of studless snow tires during the current period and stagnant demand for tires in the wake of increase in the consumption tax rate.

In the domestic original equipment market, sales fell below the level of the same period of the previous fiscal year due to the decrease in sales volume from automobile production volume falling below the level of the same period of the previous fiscal year due to low consumer sentiment accompanying the increase in the consumption tax rate, 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 exceeded the level of the same period of the previous fiscal year due to factors including the effect of yen depreciation in addition to the increase in sales volume from expansion of the U.S. economy despite low consumption in markets such as Russia, Brazil and Indonesia and severe market condition due to the effect of the depreciation of local currencies.

In the overseas original equipment market, sales volume decreased in China due to the production adjustment by Japanese automakers and in Indonesia from economic stagnation. However, sales exceeded the level of the same period of the previous fiscal year due to the increased sales volume in Thailand, where the automobile industry remained stagnant, despite signs of recovery in certain economic indicators, because of the volume delivered for automobile models with relatively favorable performances and also due to the effect of yen depreciation, in addition to an expansion of new volume delivered in Europe and North America.

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

Sports Business

Net sales in the sports business increased 15.8% from the same period of the previous fiscal year to ¥37,845 million, and operating income decreased 36.8% to ¥897 million.

In the domestic market, sales increased from the same period of the previous fiscal year due to strong performance of the golf equipment business, driven by growth in the golf equipment market compared to the same period of the previous fiscal year as a result of better weather conditions in the current period compared with the same period of the previous fiscal year, together with the effect of successful performances of contracted professional golfers including Mr. Hideki Matsuyama.

In overseas golf equipment markets, sales exceeded the level of the same period of the previous fiscal year in the U.S., due to increased number of golf course visitors. However, sales were sluggish in China and South East Asia mainly due to a slowdown of the economies. Under these circumstances, we actively promoted our flagship “XXIO 8” golf clubs to various countries, but sales decreased from the same period of the previous fiscal year on a local currency basis.

In addition, the wellness business we entered in the fourth quarter of fiscal 2014 contributed to the increase in sales.

As a result, net sales in the sports business exceeded the level of the same period of the previous fiscal year.

Industrial and Other Products Business

Net sales in the industrial and other products business increased 12.0% from the same period of the previous fiscal year to ¥18,875 million, and operating income decreased 60.5% to ¥824 million.

Sales of medical rubber parts significantly increased due to the business expansion following the acquisition of a Swiss medical rubber parts company to a subsidiary in January 2015. Sales of precision rubber parts for printers and photocopiers performed steadily and the effect of yen depreciation also contributed to

sales. As a result, net sales in the industrial and other products business exceeded the level of the same period of the previous fiscal year.

(2) Explanation of Financial Position

	As of June 30, 2015	As of December 31, 2014	Increase (Decrease)
	Millions of yen	Millions of yen	Millions of yen
Total assets	945,360	973,587	(28,227)
Net assets	446,758	446,960	(202)
[excluding minority interests]	[414,267]	[413,374]	[893]
Equity ratio (%)	43.8	42.5	1.3
Net assets per share	1,579.25yen	1,575.82yen	3.43yen

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

Total assets decreased ¥28,227 million from the end of the previous fiscal year to ¥945,360 million as a result of a decrease in notes and accounts receivable - trade due to seasonal factors, etc.

Total liabilities decreased ¥28,025 million from the end of the previous fiscal year to ¥498,602 million mainly due to a decrease in notes and accounts payable - trade.

Net assets decreased ¥202 million from the end of the previous fiscal year to ¥446,758 million as a result of factors including cash dividends paid and a decrease in foreign currency translation adjustment despite recording of ¥20,006 million in net income. As a result, equity ratio was 43.8%, an increase of 1.3% from the end of the previous fiscal year, as total liabilities decreased following a decrease in net assets.

(3) Consolidated Financial Results Forecast and Other Future Forecast

Although there were changes in the environment such as exchange rate fluctuations and a drop in crude oil prices, as the results for the six months ended June 30, 2015 progressed in general as initially planned, no revisions have been made to the full year financial results forecast in the Consolidated Financial Results for the Three Months Ended March 31, 2015, which we announced on May 7, 2015.

Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2015 (January 1, 2015 to December 31, 2015)

	Revised forecast	Previous forecast	Increase (Decrease)	Change in ratio	(Reference) Results for the same period of the previous fiscal year
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen
Net sales	900,000	900,000	-	-	837,647
Tires	780,000	780,000	-	-	731,245
Sports	78,000	78,000	-	-	70,462
Industrial and Other Products	42,000	42,000	-	-	35,940
Operating income	90,000	90,000	-	-	86,251
Tires	85,000	85,000	-	-	78,416
Sports	2,000	2,000	-	-	3,170
Industrial and Other Products	3,000	3,000	-	-	4,648
Adjustments	-	-	-	-	17
Ordinary income	88,000	88,000	-	-	87,968
Net income	55,000	55,000	-	-	53,206

Foreign exchange rates applied

	Revised forecast	Previous forecast	Increase (Decrease)	(Reference) Rate applied for the same period of the previous fiscal year
	Yen	Yen	Yen	Yen
Yen / U.S. Dollar	120	116	4	106
Yen / Euro	132	131	1	140

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 Six Months Ended June 30, 2015

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)

Effective from the beginning of the consolidated fiscal year under review, the Company has applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012, hereinafter the “Accounting Standard”) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015, hereinafter the “Guidance”) with respect to the provisions stated in the main clause of Article 35 of the Accounting Standard and the main clause of Article 67 of the Guidance, whereby the method of calculating retirement benefit obligations and service cost has been reviewed, and the method of attributing expected retirement benefit to periods has been changed from the straight-line basis to benefit formula basis, while the method of determining discount rates has been changed to the method using a single-weighted average discount rate reflecting the period up to the expected timing of retirement benefits payment, as well as the amount of retirement benefits payment for each period.

For the application of the Accounting Standard and other standards, in accordance with the transitional treatment stipulated by Article 37 of the Accounting Standard, effect of the change in the method of calculating retirement benefit obligation and service cost is reflected to retained earnings at the beginning of the consolidated fiscal year under review.

As a result, net defined benefit liability increased ¥1,110 million, net defined benefit asset (including “Other” of Investments and other assets) decreased ¥7,777 million, and retained earnings decreased ¥5,570 million at the beginning of the consolidated fiscal year under review. The impact on operating income, ordinary income and income before income taxes and minority interests for the six months ended June 30, 2015 was immaterial.

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

(Millions of yen)

	As of December 31, 2014	As of June 30, 2015
Assets		
Current assets		
Cash and deposits	54,476	51,691
Notes and accounts receivable-trade	210,027	162,684
Merchandise and finished goods	87,901	108,932
Work in process	6,240	6,446
Raw materials and supplies	47,902	46,017
Other	35,770	39,105
Allowance for doubtful accounts	(2,020)	(1,870)
Total current assets	440,296	413,005
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	102,677	103,809
Machinery, equipment and vehicles, net	145,715	145,172
Other, net	111,563	110,804
Total property, plant and equipment	359,955	359,785
Intangible assets		
Goodwill	10,465	15,244
Other	20,185	21,745
Total intangible assets	30,650	36,989
Investments and other assets		
Investment securities	81,430	81,514
Other	62,181	54,987
Allowance for doubtful accounts	(925)	(920)
Total investments and other assets	142,686	135,581
Total noncurrent assets	533,291	532,355
Total assets	973,587	945,360

(Millions of yen)

	As of December 31, 2014	As of June 30, 2015
Liabilities		
Current liabilities		
Notes and accounts payable-trade	74,990	63,409
Current portion of bonds	-	10,000
Commercial papers	1,000	32,000
Short-term loans payable	82,008	71,890
Current portion of long-term loans payable	28,812	38,664
Income taxes payable	12,714	5,005
Provision	7,568	6,096
Other	85,213	64,298
Total current liabilities	292,305	291,362
Noncurrent liabilities		
Bonds payable	65,000	55,000
Long-term loans payable	113,184	98,407
Net defined benefit liability	17,018	18,158
Other provision	115	122
Other	39,005	35,553
Total noncurrent liabilities	234,322	207,240
Total liabilities	526,627	498,602
Net assets		
Shareholders' equity		
Capital stock	42,658	42,658
Capital surplus	38,661	38,661
Retained earnings	265,997	272,448
Treasury stock	(559)	(565)
Total shareholders' equity	346,757	353,202
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,246	15,728
Deferred gains or losses on hedges	507	112
Foreign currency translation adjustment	62,913	57,402
Remeasurements of defined benefit plans	(11,049)	(12,177)
Total accumulated other comprehensive income	66,617	61,065
Minority interests	33,586	32,491
Total net assets	446,960	446,758
Total liabilities and net assets	973,587	945,360

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Six Months Ended June 30

(Millions of yen)

	For the six months ended June 30, 2014	For the six months ended June 30, 2015
Net sales	378,618	388,883
Cost of sales	234,587	240,597
Gross profit	144,031	148,286
Selling, general and administrative expenses	108,940	119,033
Operating income	35,091	29,253
Non-operating income		
Interest income	746	916
Dividends income	345	443
Equity in earnings of affiliates	1,919	2,021
Other	1,226	1,783
Total non-operating income	4,236	5,163
Non-operating expenses		
Interest expenses	2,318	1,940
Foreign exchange losses	399	277
Other	1,558	1,156
Total non-operating expenses	4,275	3,373
Ordinary income	35,052	31,043
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	304	288
Impairment loss	21	118
Total extraordinary losses	325	406
Income before income taxes and minority interests	34,727	30,637
Income taxes	11,236	9,938
Income before minority interests	23,491	20,699
Minority interests in income	1,646	693
Net income	21,845	20,006

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended June 30

(Millions of yen)

	For the six months ended June 30, 2014	For the six months ended June 30, 2015
Income before minority interests	23,491	20,699
Other comprehensive income		
Valuation difference on available-for-sale securities	410	1,501
Deferred gains or losses on hedges	(121)	(395)
Foreign currency translation adjustment	(10,121)	(4,759)
Pension liability adjustments in affiliated foreign companies	37	-
Remeasurements of defined benefit plans	-	214
Share of other comprehensive income of entities accounted for using equity method	(112)	(2,304)
Total other comprehensive income	<u>(9,907)</u>	<u>(5,743)</u>
Comprehensive income	<u>13,584</u>	<u>14,956</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,440	14,454
Comprehensive income attributable to minority interests	1,144	502

(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 six months ended June 30, 2014 (January 1, 2014 to June 30, 2014)

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	329,078	32,692	16,848	378,618	-	378,618
Inter-segment net sales or transfers	6	190	7	230	(203)	-
Total	329,084	32,882	16,855	378,821	(203)	378,618
Segment income	31,578	1,419	2,086	35,083	8	35,091

(Notes)

1. The adjustment for segment income of ¥8 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.

II. For the six months ended June 30, 2015 (January 1, 2015 to June 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	332,163	37,845	18,875	388,883	-	388,883
Inter-segment net sales or transfers	5	153	16	174	(174)	-
Total	332,168	37,998	18,891	389,057	(174)	388,883
Segment income	27,523	897	824	29,244	9	29,253

(Notes)

1. The adjustment for segment income of ¥9 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
(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 six months ended June 30, 2015.