

Consolidated Financial Results
for the Three Months Ended March 31, 2014
[Japanese GAAP]



May 8, 2014

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 : May 9, 2014
 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 Three Months Ended March 31, 2014 (January 1, 2014 to March 31, 2014)

(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	%
Three months ended								
March 31, 2014	190,710	16.4	18,478	23.5	17,882	24.4	10,877	21.0
March 31, 2013	163,861	(1.8)	14,964	(6.5)	14,369	(15.4)	8,993	(11.0)

(Note) Comprehensive income: Three months ended March 31, 2014: ¥4,853 million (decrease of 84.8%)

Three months ended March 31, 2013: ¥31,832 million (increase of 29.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended		
March 31, 2014	41.47	-
March 31, 2013	34.28	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of				
March 31, 2014	841,421	355,461	38.9	1,248.68
December 31, 2013	867,464	358,844	38.0	1,257.26

(Reference) Equity: As of March 31, 2014 : ¥327,563 million

As of December 31, 2013 : ¥329,813 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, 2013	-	15.00	-	25.00	40.00
December 31, 2014	-				
Fiscal year ending December 31, 2014 (Forecast)		20.00	-	20.00	40.00

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2014 (January 1, 2014 to December 31, 2014)

(% 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
First half	380,000	9.9	35,000	17.7	32,500	17.3	18,500	19.5	70.52
Full year	840,000	7.6	83,000	7.7	78,000	4.6	47,000	4.9	179.17

Notes:

- (1) Changes in Significant Subsidiaries during the Three Months Ended March 31, 2014
(changes in specified subsidiaries resulting in changes in scope of consolidation) : Yes
Newly consolidated: 1 company
(Company name: Sumitomo Rubber AKO Lastik Sanayi ve Ticaret A.Ş.)
Excluded from the scope of consolidation: - companies (Company names: -)
- (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 : None
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):
March 31, 2014 : 263,043,057 shares
December 31, 2013 : 263,043,057 shares
2) Total number of treasury stock at the end of the period:
March 31, 2014 : 716,570 shares
December 31, 2013 : 715,318 shares
3) Average number of shares during the period:
Three months ended March 31, 2014 : 262,327,076 shares
Three months ended March 31, 2013 : 262,332,574 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.”

With regard to the amounts posted in the accounting items in the Company’s consolidated financial statements and other sections, amounts less than the indicated unit used to be rounded down. However, from the consolidated fiscal year under review, amounts less than a unit have been rounded to the nearest unit. For easier comparison, all the amounts for the previous consolidated fiscal year have also been presented likewise.

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

(1) Explanation of Operating Results

	For the three months ended March 31, 2014	For the three months ended March 31, 2013	Increase (Decrease)
	Millions of yen	Millions of yen	%
Net sales	190,710	163,861	16.4
Tires	165,873	142,110	16.7
Sports	15,617	14,062	11.1
Industrial and Other Products	9,220	7,689	19.9
Operating income	18,478	14,964	23.5
Tires	16,519	13,763	20.0
Sports	618	620	(0.4)
Industrial and Other Products	1,337	580	130.6
Adjustments	4	1	-
Ordinary income	17,882	14,369	24.4
Net income	10,877	8,993	21.0

Foreign exchange rates applied

	For the three months ended March 31, 2014	For the three months ended March 31, 2013	Increase (Decrease)
	Yen	Yen	Yen
Yen / U.S. Dollar	103	92	11
Yen / Euro	141	122	19

During the three months ended March 31, 2014, the overall global economy showed a moderate recovery trend. A gradual recovery continued in the U.S. economy, and European economies also saw a continued recovery. Steady economic growth continued in emerging countries in general despite regional weakness in some regions such as China and India.

The Japanese economy also continued to recover moderately, reflecting the increase in consumer spending due to such factors as a temporary rise in demand accompanying the increase in the consumption tax rate, recovery in capital investment and improvement in corporate business results.

As for the environment surrounding the Group, despite prices in the natural rubber market remaining at low levels and improvements in the export environment due to yen depreciation, due to factors such as competition intensified especially in overseas tire replacement markets mainly in emerging countries, the environment remained severe.

Under these circumstances, aiming to realize its long-term vision “VISION 2020” with 2020 as the target year, the Group undertook various measures in the pursuit of business growth and enhanced profitability.

As a result, for the three months ended March 31, 2014, consolidated net sales of the Group increased by 16.4% from the same period of the previous fiscal year to ¥190,710 million, consolidated operating income increased by 23.5% to ¥18,478 million, consolidated ordinary income increased by 24.4% to ¥17,882 million, and consolidated net income increased by 21.0% to ¥10,877 million.

Business performance by business segment was as follows.

Tire Business

Net sales in the tire business increased by 16.7% from the same period of the previous fiscal year to ¥165,873 million and operating income increased by 20.0% to ¥16,519 million.

In the domestic replacement market, net sales exceeded that of the same period of the previous fiscal year due to efforts to absorb the temporary rise in demand accompanying the increase in the consumption tax rate, expand sales and improve product portfolios, including sales of the “ENASAVE EC203” series under the Dunlop brand, our second-generation standard fuel-efficient tires that provide the new added value of durability.

In the domestic original equipment market, net sales exceeded that of the same period of the previous fiscal year due to an increase in sales volume of domestically produced automobiles due to the temporary rise in demand accompanying the increase in the consumption tax rate and sales expansion of high-value-added products including fuel-efficient tires.

In the overseas replacement market, net sales exceeded that of the same period of the previous fiscal year due to an increase in sales volume, supported by an underlying moderate economic recovery and yen depreciation.

In the overseas original equipment market, net sales exceeded that of the same period of the previous fiscal year due to significant growth in sales in the Chinese market, which marks continued expansion, despite the decrease in sales volume due to the deteriorating economy in Thailand, where we possess manufacturing bases.

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

Sports Business

Net sales in the sports business increased by 11.1% from the same period of the previous fiscal year to ¥15,617 million and operating income decreased by 0.4% to ¥618 million.

In the domestic markets, although market conditions in February 2014 deteriorated slightly due to unfavorable factors including snowfalls, as a result of the effect of the release of new golf club products and the temporary rise in demand accompanying the increase in consumption tax rate, sales exceeded that of the same period of the previous fiscal year. In overseas markets, net sales decreased from the same period of the previous fiscal year due to a year on year decline in sales in the U.S. markets as a result of unfavorable weather and other reasons, whereas in Asia the slowdown of the Chinese economy lead to the spread of stagnation throughout the markets of the Southeast Asian region and South Korea.

In these circumstances, in the domestic markets, sales of our flagship golf club “XXIO 8,” which was launched in December 2013, progressed steadily and sales of golf shoes made by ASICS Corporation, with which we entered into a business alliance contract during the previous year, were strong, resulting in favorable domestic sales of our sports business as a whole.

In overseas markets, revenues declined in North America due to snowfalls and a cold spell, whereas in Asia, sales of the “XXIO 8” products grew steadily.

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

Industrial and Other Products Business

Net sales in the industrial and other products business increased by 19.9% from the same period of the previous year to ¥9,220 million and operating income increased by 130.6% to ¥1,337 million.

We expanded sales of the MIRAIE brand vibration control units for housing. In addition, sales of products such as precision rubber parts for printers and photocopiers and “Hibrid-Turf,” an artificial turf for sporting use, increased.

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

(2) Explanation of Financial Position

	As of March 31, 2014	As of December 31, 2013	Increase (Decrease)
	Millions of yen	Millions of yen	Millions of yen
Total assets	841,421	867,464	(26,043)
Net assets	355,461	358,844	(3,383)
[excluding minority interests]	[327,563]	[329,813]	[(2,250)]
Equity ratio	38.9%	38.0%	0.9%
Net assets per share	1,248.68 yen	1,257.26 yen	(8.58) yen

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

Total assets decreased by ¥26,043 million from the end of the previous fiscal year to ¥841,421 million as a result of a decrease in trade receivables due to seasonal factors, etc. despite an increase in property, plant and equipment accompanying capital expenditures.

Total liabilities decreased by ¥22,660 million from the end of the previous fiscal year to ¥485,960 million mainly due to a decrease in trade payables.

Net assets decreased by ¥3,383 million from the end of the previous fiscal year to ¥355,461 million as a result of cash dividends paid and a decrease in foreign currency translation adjustment due to yen appreciation despite recording of ¥10,877 million in net income. As a result, equity ratio was 38.9%, an increase of 0.9 percentage point from the end of the previous fiscal year.

(3) Consolidated Financial Results Forecast and Other Future Forecast

As the Group's consolidated business results for the three months ended March 31, 2014 exceeded our forecasts due to yen depreciation and other factors, we made the following revisions to our six-months and full year financial results forecast in the Consolidated Financial Results for the Fiscal Year Ended December 31, 2013 announced on February 13, 2014.

Consolidated Financial Results Forecast for Six Months Ending June 30, 2014 (January 1, 2014 to June 30, 2014)

	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	380,000	370,000	10,000	2.7	345,886
Tires	329,000	319,000	10,000	3.1	297,787
Sports	34,000	34,000	-	-	32,731
Industrial and Other Products	17,000	17,000	-	-	15,368
Operating income	35,000	32,000	3,000	9.4	29,729
Tires	30,500	27,500	3,000	10.9	26,329
Sports	3,000	3,000	-	-	2,345
Industrial and Other Products	1,500	1,500	-	-	1,048
Adjustments	-	-	-	-	7
Ordinary income	32,500	29,500	3,000	10.2	27,716
Net income	18,500	16,500	2,000	12.1	15,479

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	101	100	1	96
Yen / Euro	138	135	3	126

Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2014 (January 1, 2014 to December 31, 2014)

	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	840,000	830,000	10,000	1.2	780,609
Tires	735,000	725,000	10,000	1.4	681,110
Sports	67,000	67,000	-	-	66,260
Industrial and Other Products	38,000	38,000	-	-	33,249
Operating income	83,000	80,000	3,000	3.8	77,055
Tires	74,500	71,500	3,000	4.2	69,850
Sports	4,500	4,500	-	-	3,992
Industrial and Other Products	4,000	4,000	-	-	3,205
Adjustments	-	-	-	-	8
Ordinary income	78,000	75,000	3,000	4.0	74,582
Net income	47,000	45,000	2,000	4.4	44,794

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	101	100	1	98
Yen / Euro	136	135	1	130

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 Three Months Ended March 31, 2014

Sumitomo Rubber AKO Lastik Sanayi ve Ticaret A.Ş. became a specified subsidiary due to capital increase during the three months ended March 31, 2014.

(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

None

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

(Millions of yen)

	As of December 31, 2013	As of March 31, 2014
Assets		
Current assets		
Cash and deposits	42,441	49,866
Notes and accounts receivable-trade	198,189	172,203
Merchandise and finished goods	79,834	85,215
Work in process	6,159	6,160
Raw materials and supplies	44,433	41,944
Other	38,372	30,226
Allowance for doubtful accounts	(1,945)	(1,900)
Total current assets	407,483	383,714
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	89,855	91,122
Machinery, equipment and vehicles, net	132,242	128,770
Other, net	94,878	98,257
Total property, plant and equipment	316,975	318,149
Intangible assets		
Goodwill	8,827	8,374
Other	18,056	18,092
Total intangible assets	26,883	26,466
Investments and other assets		
Investment securities	69,589	67,043
Other	47,499	47,029
Allowance for doubtful accounts	(965)	(980)
Total investments and other assets	116,123	113,092
Total noncurrent assets	459,981	457,707
Total assets	867,464	841,421

(Millions of yen)

	As of December 31, 2013	As of March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	76,741	63,964
Current portion of bonds	20,000	20,000
Commercial papers	11,000	12,000
Short-term loans payable	78,719	74,486
Current portion of long-term loans payable	37,339	33,143
Income taxes payable	10,437	3,593
Provision	7,581	8,245
Other	71,369	63,354
Total current liabilities	313,186	278,785
Noncurrent liabilities		
Bonds payable	45,000	45,000
Long-term loans payable	104,588	116,734
Provision for retirement benefits	13,959	14,076
Other provision	112	115
Other	31,775	31,250
Total noncurrent liabilities	195,434	207,175
Total liabilities	508,620	485,960
Net assets		
Shareholders' equity		
Capital stock	42,658	42,658
Capital surplus	38,661	38,661
Retained earnings	224,681	228,915
Treasury stock	(551)	(553)
Total shareholders' equity	305,449	309,681
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,521	11,231
Deferred gains or losses on hedges	164	(244)
Foreign currency translation adjustment	31,677	24,201
Pension liability adjustments in affiliated foreign companies	(18,998)	(17,306)
Total accumulated other comprehensive income	24,364	17,882
Minority interests	29,031	27,898
Total net assets	358,844	355,461
Total liabilities and net assets	867,464	841,421

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
 Quarterly Consolidated Statements of Income
 Three Months Ended March 31

(Millions of yen)

	For the three months ended March 31, 2013	For the three months ended March 31, 2014
Net sales	163,861	190,710
Cost of sales	102,725	116,493
Gross profit	61,136	74,217
Selling, general and administrative expenses	46,172	55,739
Operating income	14,964	18,478
Non-operating income		
Interest income	243	474
Dividends income	2	8
Foreign exchange gains	255	-
Equity in earnings of affiliates	-	579
Gain on valuation of derivatives	897	-
Other	463	699
Total non-operating income	1,860	1,760
Non-operating expenses		
Interest expenses	1,197	1,173
Foreign exchange losses	-	521
Equity in losses of affiliates	740	-
Other	518	662
Total non-operating expenses	2,455	2,356
Ordinary income	14,369	17,882
Extraordinary income		
Gain on sales of noncurrent assets	537	-
Total extraordinary income	537	-
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	175	162
Impairment loss	-	13
Total extraordinary losses	175	175
Income before income taxes and minority interests	14,731	17,707
Income taxes	4,747	6,041
Income before minority interests	9,984	11,666
Minority interests in income	991	789
Net income	8,993	10,877

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended March 31

(Millions of yen)

	For the three months ended March 31, 2013	For the three months ended March 31, 2014
Income before minority interests	9,984	11,666
Other comprehensive income		
Valuation difference on available-for-sale securities	1,792	(307)
Deferred gains or losses on hedges	(139)	(408)
Foreign currency translation adjustment	18,477	(7,096)
Pension liability adjustments in affiliated foreign companies	26	14
Share of other comprehensive income of entities accounted for using equity method	1,692	984
Total other comprehensive income	21,848	(6,813)
Comprehensive income	31,832	4,853
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	29,963	4,395
Comprehensive income attributable to minority interests	1,869	458

(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 three months ended March 31, 2013 (January 1, 2013 to March 31, 2013)

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	142,110	14,062	7,689	163,861	-	163,861
Inter-segment net sales or transfers	3	60	15	78	(78)	-
Total	142,113	14,122	7,704	163,939	(78)	163,861
Segment income	13,763	620	580	14,963	1	14,964

(Notes)

1. The adjustment for segment income of ¥1 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 three months ended March 31, 2014 (January 1, 2014 to March 31, 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	165,873	15,617	9,220	190,710	-	190,710
Inter-segment net sales or transfers	3	94	3	100	(100)	-
Total	165,876	15,711	9,223	190,810	(100)	190,710
Segment income	16,519	618	1,337	18,474	4	18,478

(Notes)

1. The adjustment for segment income of ¥4 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.