

Consolidated Financial Results
for the Nine Months Ended September 30, 2014
[Japanese GAAP]



November 6, 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 : November 7, 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 Nine Months Ended September 30, 2014 (January 1, 2014 to September 30, 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	%
Nine months ended September 30, 2014	575,832	8.2	49,068	14.2	51,627	27.2	31,728	28.2
September 30, 2013	531,986	6.4	42,964	(1.7)	40,583	(3.0)	24,747	7.5

(Note) Comprehensive income: Nine months ended September 30, 2014 : ¥42,285 million (decrease of 27.4%)
 Nine months ended September 30, 2013 : ¥58,262 million (increase of 122.5%)

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
September 30, 2014	120.95	-
September 30, 2013	94.33	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
September 30, 2014	891,814	388,069	40.1	1,362.70
December 31, 2013	867,464	358,844	38.0	1,257.26

(Reference) Equity: As of September 30, 2014 : ¥357,469 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	-	20.00	-		
Fiscal year ending December 31, 2014 (Forecast)				20.00	40.00

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

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
Full year	840,000	7.6	84,000	9.0	81,000	8.6	49,000	9.4	186.79

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

Notes:

- (1) Changes in Significant Subsidiaries during the Nine Months Ended September 30, 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)
September 30, 2014 : 263,043,057 shares
December 31, 2013 : 263,043,057 shares
2) Total number of treasury stock at the end of the period
September 30, 2014 : 718,991 shares
December 31, 2013 : 715,318 shares
3) Average number of shares during the period
Nine months ended September 30, 2014 : 262,325,841 shares
Nine months ended September 30, 2013 : 262,330,980 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 4 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.

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Operating Results	2
(2) Financial Position	4
(3) Consolidated Financial Results Forecast and Other Future Forecast	4
2. Matters Concerning Summary Information (Notes)	5
(1) Changes in Significant Subsidiaries during the Nine Months Ended September 30, 2014.....	5
(2) Adoption of Accounting Methods Specific to Preparation of Quarterly Consolidated Financial Statements	5
(3) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement	5
3. Quarterly Consolidated Financial Statements	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	8
Quarterly Consolidated Statements of Income Nine Months Ended September 30.....	8
Quarterly Consolidated Statements of Comprehensive Income Nine Months Ended September 30.....	9
(3) Notes on Quarterly Consolidated Financial Statements	10
(Notes on Going Concern Assumption)	10
(Notes in the Case of Significant Changes in Shareholders' Equity).....	10
(Segment Information, etc.)	10

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

(1) Operating Results

	For the nine months ended September 30, 2014	For the nine months ended September 30, 2013	Increase (Decrease)
	Millions of yen	Millions of yen	%
Net sales	575,832	531,986	8.2
Tires	500,701	460,884	8.6
Sports	49,554	47,518	4.3
Industrial and Other Products	25,577	23,584	8.5
Operating income	49,068	42,964	14.2
Tires	44,138	38,521	14.6
Sports	1,827	2,501	(26.9)
Industrial and Other Products	3,091	1,935	59.7
Adjustments	12	7	-
Ordinary income	51,627	40,583	27.2
Net income	31,728	24,747	28.2

Foreign exchange rates applied

	For the nine months ended September 30, 2014	For the nine months ended September 30, 2013	Increase (Decrease)
	Yen	Yen	Yen
Yen / U.S. Dollar	103	97	6
Yen / Euro	140	127	13

During the nine months ended September 30, 2014, a stronger sense of economic stagnation was seen in the overall global economy due to various factors such as the actualization of geopolitical risks. Although a gradual recovery continued in the U.S. economy, the recovery of the European economies remained stagnant. In emerging countries, slowdown of economic growth was seen in China and economies in the ASEAN region and Russia were also sluggish.

The Japanese economy also started to show weakness due to a continued reactionary decline in demand accompanying the increase in the consumption tax rate that occurred in April 2014.

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, the environment continued severe due to factors such as intensified competition in overseas tire replacement markets.

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 nine months ended September 30, 2014, consolidated net sales of the Group increased 8.2% from the same period of the previous fiscal year to ¥575,832 million, consolidated operating income increased 14.2% to ¥49,068 million, consolidated ordinary income increased 27.2% to ¥51,627 million and consolidated net income increased 28.2% to ¥31,728 million, and achieved increase both in income and profit.

Business performance by business segment was as follows.

Tire Business

Net sales in the tire business increased 8.6% from the same period of the previous fiscal year to ¥500,701 million, and operating income increased 14.6% to ¥44,138 million.

In the domestic replacement market, net sales exceeded the level of the same period of the previous fiscal year. Sales advanced by absorbing the temporary rise in demand before the increase in the consumption tax rate, amid rising demand in the entire industry compared to the level of the same period of the previous fiscal year. We also strove to 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, of which sales expanded steadily.

In the domestic original equipment market, net sales exceeded the level of the same period of the previous fiscal year due to an increase in sales volume of our tires in line with the expansion of the volume delivered of high-value-added products mainly focusing on fuel-efficient tires, given a continued increase in sales volume of domestically produced automobiles.

In the overseas replacement market, net sales exceeded the level of the same period of the previous fiscal year due to yen depreciation and improved sales in each country’s market despite the tough product pricing situation due to intensifying price competition.

In the overseas original equipment market, net sales exceeded the level of the same period of the previous fiscal year due to significant growth in sales in the Chinese market, which has seen continued expansion, despite the decrease in sales volume due to the deteriorating economy in Thailand, where we possess manufacturing bases, because of political uncertainty and other issues.

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 4.3% from the same period of the previous fiscal year to ¥49,554 million, and operating income decreased 26.9% to ¥1,827 million.

In the domestic markets, the situation was severe given sluggish market conditions due to weather factors such as snowfalls in February 2014 and heavy rainfalls in the summer of 2014, along with the increase in the consumption tax rate and other factors. The overseas market situation was also severe. In the U.S. markets, net sales decreased from the same period of the previous fiscal year as a result of unfavorable weather and other factors, and in Asia, stagnation spread throughout the markets of Southeast Asia and South Korea.

In these circumstances, in the domestic markets, sales of “XXIO 8,” which was launched in December 2013, ranked No. 1* in share of sales amount for the 10th consecutive months since its release, and the SRIXON New Z Series golf clubs, which were released in September 2014, made a good start. In addition, sales of golf shoes made by ASICS Corporation, with which we entered into a business alliance contract during the previous year, progressed favorably, resulting in an increase in domestic sales from the same period of the previous fiscal year.

In overseas markets, overseas net sales declined from the level of the same period of the previous fiscal year due to the sluggish global economy although we strove to expand sales by starting to sell “XXIO 8” in the United States as well.

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

*Share of sales amount is based on the findings of Yano Research Institute Ltd.

Industrial and Other Products Business

Net sales in the industrial and other products business increased 8.5% from the same period of the previous fiscal year to ¥25,577 million, and operating income increased 59.7% to ¥3,091 million.

Although sales of daily supplies such as cooling appliances and slopes were sluggish due to market condition and climate, sales of “Hibrid-Turf,” a long-pile artificial turf for sporting use, progressed steadily,

which led the overall sales of the industrial and other products business.

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) Financial Position

	As of September 30, 2014	As of December 31, 2013	Increase (Decrease)
	Millions of yen	Millions of yen	Millions of yen
Total assets	891,814	867,464	24,350
Net assets	388,069	358,844	29,225
[excluding minority interests]	[357,469]	[329,813]	[27,656]
Equity ratio	40.1%	38.0%	2.1%
Net assets per share	1,362.70 yen	1,257.26 yen	105.44 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 increased ¥24,350 million from the end of the previous fiscal year to ¥891,814 million as a result of an increase in inventories due to seasonal factors and an increase in property, plant and equipment accompanying capital expenditures, etc.

Total liabilities decreased ¥4,875 million from the end of the previous fiscal year to ¥503,745 million mainly due to a decrease in trade payables.

Net assets increased ¥29,225 million from the end of the previous fiscal year to ¥388,069 million as a result of an increase in foreign currency translation adjustment due to yen depreciation and the recording of ¥31,728 million in net income and other factors despite cash dividends paid. As a result, equity ratio was 40.1%, an increase of 2.1% from the end of the previous fiscal year.

(3) Consolidated Financial Results Forecast and Other Future Forecast

No revisions have been made to the Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2014, which we announced on August 7, 2014.

Please note that actual results may differ from these forecasts as of the date of announcement of this document due to various factors such as the economic situation surrounding the businesses of the Company and the Group, market trends and fluctuations in raw material prices and foreign exchange rates.

2. Matters Concerning Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Nine Months Ended September 30, 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 September 30, 2014
Assets		
Current assets		
Cash and deposits	42,441	49,134
Notes and accounts receivable-trade	198,189	172,313
Merchandise and finished goods	79,834	100,556
Work in process	6,159	6,171
Raw materials and supplies	44,433	43,643
Other	38,372	39,179
Allowance for doubtful accounts	(1,945)	(1,850)
Total current assets	407,483	409,146
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	89,855	94,100
Machinery, equipment and vehicles, net	132,242	139,186
Other, net	94,878	102,291
Total property, plant and equipment	316,975	335,577
Intangible assets		
Goodwill	8,827	7,691
Other	18,056	19,095
Total intangible assets	26,883	26,786
Investments and other assets		
Investment securities	69,589	72,932
Other	47,499	48,328
Allowance for doubtful accounts	(965)	(955)
Total investments and other assets	116,123	120,305
Total noncurrent assets	459,981	482,668
Total assets	867,464	891,814

(Millions of yen)

	As of December 31, 2013	As of September 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	76,741	66,408
Current portion of bonds	20,000	-
Commercial papers	11,000	18,000
Short-term loans payable	78,719	74,954
Current portion of long-term loans payable	37,339	39,507
Income taxes payable	10,437	5,168
Provision	7,581	11,947
Other	71,369	63,167
Total current liabilities	313,186	279,151
Noncurrent liabilities		
Bonds payable	45,000	65,000
Long-term loans payable	104,588	111,424
Provision for retirement benefits	13,959	14,373
Other provision	112	116
Other	31,775	33,681
Total noncurrent liabilities	195,434	224,594
Total liabilities	508,620	503,745
Net assets		
Shareholders' equity		
Capital stock	42,658	42,658
Capital surplus	38,661	38,661
Retained earnings	224,681	244,518
Treasury stock	(551)	(556)
Total shareholders' equity	305,449	325,281
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,521	12,096
Deferred gains or losses on hedges	164	205
Foreign currency translation adjustment	31,677	36,924
Pension liability adjustments in affiliated foreign companies	(18,998)	(17,037)
Total accumulated other comprehensive income	24,364	32,188
Minority interests	29,031	30,600
Total net assets	358,844	388,069
Total liabilities and net assets	867,464	891,814

(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, 2013	For the nine months ended September 30, 2014
Net sales	531,986	575,832
Cost of sales	337,938	358,592
Gross profit	194,048	217,240
Selling, general and administrative expenses	151,084	168,172
Operating income	42,964	49,068
Non-operating income		
Interest income	744	1,121
Dividends income	273	402
Equity in earnings of affiliates	-	5,119
Gain on valuation of derivatives	2,027	1,417
Other	1,656	1,984
Total non-operating income	4,700	10,043
Non-operating expenses		
Interest expenses	3,690	3,465
Foreign exchange losses	1,789	2,512
Equity in losses of affiliates	172	-
Other	1,430	1,507
Total non-operating expenses	7,081	7,484
Ordinary income	40,583	51,627
Extraordinary income		
Gain on sales of noncurrent assets	607	-
Total extraordinary income	607	-
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	421	530
Impairment loss	98	22
Loss on sales of shares of subsidiaries and associates	309	-
Total extraordinary losses	828	552
Income before income taxes and minority interests	40,362	51,075
Income taxes	13,725	16,814
Income before minority interests	26,637	34,261
Minority interests in income	1,890	2,533
Net income	24,747	31,728

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended September 30

(Millions of yen)

	For the nine months ended September 30, 2013	For the nine months ended September 30, 2014
Income before minority interests	26,637	34,261
Other comprehensive income		
Valuation difference on available-for-sale securities	5,484	561
Deferred gains or losses on hedges	(160)	41
Foreign currency translation adjustment	21,917	7,052
Pension liability adjustments in affiliated foreign companies	57	43
Share of other comprehensive income of entities accounted for using equity method	4,327	327
Total other comprehensive income	31,625	8,024
Comprehensive income	58,262	42,285
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	55,206	39,552
Comprehensive income attributable to minority interests	3,056	2,733

(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, 2013 (January 1, 2013 to September 30, 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	460,884	47,518	23,584	531,986	-	531,986
Inter-segment net sales or transfers	11	237	69	317	(317)	-
Total	460,895	47,755	23,653	532,303	(317)	531,986
Segment income	38,521	2,501	1,935	42,957	7	42,964

(Notes)

1. The adjustment for segment income of ¥7 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 nine months ended September 30, 2014 (January 1, 2014 to September 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	500,701	49,554	25,577	575,832	-	575,832
Inter-segment net sales or transfers	12	202	12	226	(226)	-
Total	500,713	49,756	25,589	576,058	(226)	575,832
Segment income	44,138	1,827	3,091	49,056	12	49,068

(Notes)

1. The adjustment for segment income of ¥12 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.