

Consolidated Financial Results
for the Six Months Ended June 30, 2020
[IFRS]



August 6, 2020

Company name : Sumitomo Rubber Industries, Ltd.
 Stock exchange listing : Tokyo Stock Exchange
 Code number : 5110
 URL : <http://www.srigroup.co.jp/>
 Representative : Satoru Yamamoto, President and CEO, Representative Director
 Contact : Naoki Okawa, Executive Officer and General Manager, Accounting & Finance
 Department
 Phone : +81-78-265-3000
 Scheduled date of filing quarterly securities report : August 7, 2020
 Scheduled date of commencing dividend payments : -
 Supplementary documents for quarterly financial results : Yes
 Quarterly financial results briefing session : Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2020 (January 1, 2020 to June 30, 2020)

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

	Sales revenue		Business profit		Operating profit		Profit attributable to owners of parent		Comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended										
June 30, 2020	340,038	(20.8)	(2,309)	-	(2,974)	-	(9,341)	-	(36,426)	-
June 30, 2019	429,279	0.9	16,728	(37.8)	16,457	(39.2)	6,322	(55.5)	(454)	-

(Note) "Business profit" is "Sales revenue" subtracted by "Cost of sales" and "Selling, general and administrative expenses."

	Basic profit per share	Diluted profit per share	Business profit to sales revenue ratio
Six months ended	Yen	Yen	%
June 30, 2020	(35.52)	-	(0.7)
June 30, 2019	24.04	-	3.9

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of parent	Ratio of equity attributable to owners of parent	Equity attributable to owners of parent per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
June 30, 2020	970,489	429,628	417,376	43.0	1,586.97
December 31, 2019	1,035,484	475,537	460,800	44.5	1,752.07

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Six months ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
June 30, 2020	28,157	(25,448)	28,272	88,341
June 30, 2019	38,654	(34,372)	(9,620)	67,861

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, 2019	—	25.00	—	30.00	55.00
December 31, 2020	—	0.00			
Fiscal year ending					
December 31, 2020 (Forecast)			—	20.00	20.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2020 (January 1, 2020 to December 31, 2020)

(% indicates changes from the previous corresponding period.)

	Sales revenue		Business profit		Operating profit		Profit attributable to owners of parent		Basic profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	750,000	(16.0)	20,000	(63.2)	18,000	(45.6)	7,000	(42.0)	26.62

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

Notes:

(1) Changes in significant subsidiaries during the six months ended June 30, 2020
(changes in specified subsidiaries resulting in changes in scope of consolidation) : None

(2) Changes in accounting policies and changes in accounting estimates
1) Changes in accounting policies required by IFRS : None
2) Changes in accounting policies other than 1) : Yes
3) Changes in accounting estimates : None

(Note) Please refer to page 13 of the attached documents of the Consolidated Financial Results for the Period under Review, "2. Condensed Interim Consolidated Financial Statements and Primary Notes, (5) Notes on Condensed Interim Consolidated Financial Statements (Changes in Accounting Policies)."

(3) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury stock)

June 30, 2020 : 263,043,057 shares

December 31, 2019 : 263,043,057 shares

2) Total number of treasury stock at the end of the period

June 30, 2020 : 40,581 shares

December 31, 2019 : 39,499 shares

3) Average number of shares during the period

Six months ended June 30, 2020 : 263,003,006 shares

Six months ended June 30, 2019 : 263,007,284 shares

* Consolidated financial results are outside the scope of the quarterly review procedures to be conducted by certified public accountants or auditing firms.

* 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 do not constitute any promises by the Company that they will be realized. 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 of 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) Operating Results	2
(2) Financial Position	4
(3) Consolidated Financial Results Forecast and Other Future Forecast	4
2. Condensed Interim Consolidated Financial Statements and Primary Notes	6
(1) Condensed Interim Consolidated Statement of Financial Position	6
(2) Condensed Interim Consolidated Statements of Income and Comprehensive Income	8
(3) Condensed Interim Consolidated Statements of Changes in Equity	10
(4) Condensed Interim Consolidated Statements of Cash Flows	12
(5) Notes on Condensed Interim Consolidated Financial Statements	13
(Notes on Going Concern Assumption)	13
(Changes in Accounting Policies)	13
(Segment Information)	14
(Significant Subsequent Events)	15

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

(1) Operating Results

	For the six months ended June 30, 2019	For the six months ended June 30, 2020	Change in ratio
	Millions of yen	Millions of yen	%
Sales revenue	429,279	340,038	(20.8)
Tires	367,277	290,845	(20.8)
Sports	42,935	29,829	(30.5)
Industrial and Other Products	19,067	19,364	1.6
Business profit (loss)	16,728	(2,309)	—
Tires	12,744	(895)	—
Sports	2,808	(2,902)	—
Industrial and Other Products	1,166	1,472	26.2
Adjustments	10	16	—
Operating profit (loss)	16,457	(2,974)	—
Profit (Loss) attributable to owners of profit	6,322	(9,341)	—

(Note) “Business profit (loss)” is “Sales revenue” subtracted by “Cost of sales” and “Selling, general and administrative expenses.”

Foreign exchange rates applied

	For the six months ended June 30, 2019	For the six months ended June 30, 2020	Increase (Decrease)
	Yen	Yen	Yen
Yen / U.S. Dollar	110	108	(2)
Yen / Euro	124	119	(5)

During the six months ended June 30, 2020, the global economy faced extremely harsh conditions, as economic activities went into a broad-ranging and long-term standstill due to the spread of the coronavirus (COVID-19) pandemic.

The Japanese economy also faced extremely harsh conditions because economic activities were restricted, and the employment situation deteriorated in addition to lower personal consumption, export, and production due to the impact of COVID-19.

The business environment surrounding the Sumitomo Rubber Group remained extremely severe, as the economic downturn due to the impact of COVID-19 caused the sales environment to deteriorate significantly, and the appreciation of the Japanese Yen against the Euro and emerging country currencies continued, while the prices of natural rubber and petroleum-based raw materials fell and remained low.

Under these circumstances, the Group pursued various initiatives to reinforce our business foundations and improve profitability with the goal of accomplishing the New Mid-Term Plan, which sets 2025 as the target fiscal year. However, business operations struggled under a significant decline in demand due to the impact of COVID-19.

As a result, sales revenue of the Group decreased 20.8% from the same period of the previous fiscal year to ¥340,038 million, business loss was ¥2,309 million (business profit of ¥16,728 million for the same period of the previous fiscal year), operating loss was ¥2,974 million (operating profit of ¥16,457 million for the same period of the previous fiscal year), and loss attributable to owners of parent was ¥9,341 million (profit attributable to owners of parent of ¥6,322 million for the same period of the previous fiscal year).

Business performance by business segment was as follows.

Tire Business

Sales revenue in the tire business was ¥290,845 million (decreased 20.8% from the same period of the previous fiscal year) and business loss was ¥895 million (¥12,744 million for the same period of the previous fiscal year).

In the domestic original equipment market, sales revenue fell below the level of the same period of the previous fiscal year because of a substantial decrease in automobile production by auto manufacturers due to the impact of COVID-19 although there was growth in market share by expanding original equipment fitment and sales expansion of high-performance products, particularly fuel-efficient tires.

In the domestic replacement market, we expanded sales of high-performance products, particularly fuel-efficient tires under the DUNLOP brand, including the new “VEURO VE304.” However, sales revenue fell below the level of the same period of the previous fiscal year because sales of winter tires fell below the level of the same period of the previous fiscal year due to the effects of a warm winter, and the market slowed down under the impact of COVID-19.

In the overseas original equipment market, sales revenue fell below the level of the same period of the previous fiscal year due to substantial decreases in automobile production by numerous auto manufacturers in numerous regions around the world due to the impact of COVID-19.

In the overseas replacement market, sales revenue fell below the level of the same period of the previous fiscal year. Demand declined sharply in the Asia and Oceania region as a large-scale lockdown was enforced to prevent the spread of COVID-19, especially in China. Similarly, markets were weak in the Europe and Africa region and the Americas region due to the impact of COVID-19.

As a result, profit declined as sales revenue in the tire business fell below the level of the same period of the previous fiscal year.

Sports Business

Sales revenue in the sports business was ¥29,829 million (decreased 30.5% from the same period of the previous fiscal year) and business loss was ¥2,902 million (¥2,808 million for the same period of the previous fiscal year)

In the golf goods markets, both the Japanese and overseas markets slowed down, affected by the cancellation of events, a voluntary restraint atmosphere, lockdowns, and other measures against COVID-19. Despite efforts to strengthen digital marketing and sales, sales revenue fell below the level of the same period of the previous fiscal year.

Similarly, sales revenue in the tennis goods markets fell below the level of the same period of the previous fiscal year.

In the wellness business, sales revenue fell below the level of the same period of the previous fiscal year as well mainly because sports clubs temporarily suspended their operations as a measure to prevent the spread of COVID-19.

As a result, sales revenue in the sports business fell below the level of the same period of the previous fiscal year, and a business loss was posted

Industrial and Other Products Business

Sales revenue in the industrial and other products business was ¥19,364 million (increased 1.6% from the same period of the previous fiscal year) and business profit was ¥1,472 million (increased 26.2% from the same period of the previous fiscal year).

Businesses of precision rubber parts for medical use, vibration control dampers, infrastructure-based products, and gloves showed solid growth. As a result, sales revenue and business profit in the industrial and other products business exceeded the level of the same period of the previous fiscal year.

(2) Financial Position

	As of December 31, 2019	As of June 30, 2020	Increase (Decrease)
	Millions of yen	Millions of yen	Millions of yen
Total assets	1,035,484	970,489	(64,995)
Total equity	475,537	429,628	(45,909)
Total equity attributable to owners of parent	460,800	417,376	(43,424)
Total equity attributable to owners of parent ratio (%)	44.5	43.0	(1.5)
Equity attributable to owners of parent per share	1,752.07 yen	1,586.97 yen	(165.10) yen

Total assets decreased ¥64,995 million from the end of the previous fiscal year to ¥970,489 million as a result of a decrease in trade and other receivables decreased due to seasonal factors.

Total liabilities decreased ¥19,086 million from the end of the previous fiscal year to ¥540,861 million mainly as a result of a decrease in trade and other payables.

Total equity as of June 30, 2020 decreased ¥45,909 million from the end of the previous fiscal year to ¥429,628 million, of which equity attributable to owners of parent accounted for ¥417,376 million, and non-controlling interest accounted for ¥12,252 million.

As a result, ratio of equity attributable to owners of parent was 43.0%, and equity attributable to owners of parent per share was ¥1,586.97.

(3) Consolidated Financial Results Forecast and Other Future Forecast

As for the forecast of consolidated financial results for the fiscal year ending June 30, 2020, it has not been decided because it is difficult to reasonably calculate the effect of COVID-19. But since economic activities are being resumed due to the mitigation of action restriction measures in each country, we have calculated the consolidated performance forecast based on the information and forecasts available at this time.

The impact of COVID-19 on the business performance and business results in the consolidated financial results forecast is assumed that economic activity in the entire global will gradually recover after the latter half of 2020 due to the gradual resumption of economic activity in each region.

Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2020 (January 1, 2020 to December 31, 2020)

	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
Sales revenue	750,000	750,000	-	-	893,310
Tires	645,000	-	-	-	767,551
Sports	64,000	-	-	-	84,705
Industrial and Other Products	41,000	-	-	-	41,054
Business profit	20,000	20,000	-	-	54,391
Tires	20,000	-	-	-	46,687
Sports	(4,000)	-	-	-	4,291
Industrial and Other Products	4,000	-	-	-	3,397
Adjustments	-	-	-	-	16
Operating profit	18,000	18,000	-	-	33,065
Profit attributable to owners of parent	7,000	7,000	-	-	12,072

Foreign exchange rates applied

	Forecast	Previous forecast	Increase (Decrease)	(Reference) Rate applied for the same period of the previous year
	Yen	Yen	Yen	Yen
Yen / U.S. Dollar	108	-	-	109
Yen / Euro	121	-	-	122

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. Condensed Interim Consolidated Financial Statements and Primary Notes

(1) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2019	As of June 30, 2020
Assets		
Current assets		
Cash and cash equivalents	60,631	88,341
Trade and other receivables	190,261	132,813
Other financial assets	1,314	1,542
Inventories	182,769	179,634
Other current assets	25,079	29,553
Total current assets	460,054	431,883
Non-current assets		
Property, plant and equipment	420,924	392,108
Goodwill	26,547	25,010
Intangible assets	43,445	41,178
Investments accounted for using equity method	4,258	4,325
Other financial assets	33,440	30,585
Net defined benefit asset	29,352	29,541
Deferred tax assets	14,798	13,703
Other non-current assets	2,666	2,156
Total non-current assets	575,430	538,606
Total assets	1,035,484	970,489

(Millions of yen)

	As of December 31, 2019	As of June 30, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and loans payable	106,644	129,165
Trade and other payables	127,040	79,428
Other financial liabilities	12,446	12,130
Income tax payable	4,851	4,429
Provisions	835	835
Other current liabilities	37,031	34,642
Total current liabilities	288,847	260,629
Non-current liabilities		
Bonds and loans payable	157,589	175,017
Other financial liabilities	49,716	45,131
Net defined benefit liability	21,833	21,890
Provisions	1,565	1,719
Deferred tax liabilities	17,570	14,497
Other non-current liabilities	22,827	21,978
Total non-current liabilities	271,100	280,232
Total liabilities	559,947	540,861
Equity		
Capital stock	42,658	42,658
Capital surplus	39,486	39,486
Retained earnings	444,783	427,538
Treasury stock	(75)	(76)
Other components of equity	(66,052)	(92,230)
Total equity attributable to owners of parent	460,800	417,376
Non-controlling interest	14,737	12,252
Total equity	475,537	429,628
Total liabilities and equity	1,035,484	970,489

(2) Condensed Interim Consolidated Statements of Income and Comprehensive Income

Condensed Interim Consolidated Statements of Income

(Millions of yen)

	For the six months ended June 30, 2019	For the six months ended June 30, 2020
Sales revenue	429,279	340,038
Cost of sales	(312,697)	(250,089)
Gross profit	116,582	89,949
Selling, general and administrative expenses	(99,854)	(92,258)
Business profit (loss)	16,728	(2,309)
Other income	1,036	1,394
Other expenses	(1,307)	(2,059)
Operating profit (loss)	16,457	(2,974)
Financial income	1,395	718
Financial expenses	(5,933)	(8,340)
Equity in earnings of affiliates	71	70
Profit (Loss) before tax	11,990	(10,526)
Income tax expenses	(5,235)	1,025
Profit (Loss)	6,755	(9,501)
Profit (Loss) attributable to:		
Owners of parent	6,322	(9,341)
Non-controlling interests	433	(160)
Profit (Loss)	6,755	(9,501)
Profit (Loss) per share		
Basic profit (loss) per share (Yen)	24.04	(35.52)

Condensed Interim Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended June 30, 2019	For the six months ended June 30, 2020
Profit (Loss)	6,755	(9,501)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	253	(2,004)
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	(42)	26
Currency translation differences of foreign operations	(7,420)	(24,947)
Other comprehensive income, net of tax	(7,209)	(26,925)
Comprehensive income	(454)	(36,426)
Comprehensive income attributable to:		
Owners of parent	(344)	(35,533)
Non-controlling interests	(110)	(893)
Comprehensive income	(454)	(36,426)

(3) Condensed Interim Consolidated Statements of Changes in Equity

For the six months ended June 30, 2019

(Millions of yen)

	Equity attributable to owners of parent					
	Capital Stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Currency translation differences of foreign operations	Cash flow hedges
Balance as of January 1, 2019	42,658	39,487	441,062	(69)	(74,482)	(391)
Changes in accounting policies			(991)			
Balance after restatement	42,658	39,487	440,071	(69)	(74,482)	(391)
Profit			6,322			
Other comprehensive income					(6,877)	(42)
Total comprehensive income	-	-	6,322	-	(6,877)	(42)
Purchase of treasury stock				(2)		
Disposal of treasury stock		(0)		0		
Dividends			(6,575)			
Transfer to retained earnings			79			
Transfer to capital surplus						
Total transactions with owners	-	(0)	(6,496)	(2)	-	-
Balance as of June 30, 2019	42,658	39,487	439,897	(71)	(81,359)	(433)

	Equity attributable to owners of parent				Non-controlling interests	Total Equity
	Other components of equity			Total		
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plan	Total			
Balance as of January 1, 2019	9,662	-	(65,211)	457,927	14,880	472,807
Changes in accounting policies			-	(991)	(12)	(1,003)
Balance after restatement	9,662	-	(65,211)	456,936	14,868	471,804
Profit			-	6,322	433	6,755
Other comprehensive income	253		(6,666)	(6,666)	(543)	(7,209)
Total comprehensive income	253	-	(6,666)	(344)	(110)	(454)
Purchase of treasury stock			-	(2)		(2)
Disposal of treasury stock			-	0		0
Dividends			-	(6,575)	(781)	(7,356)
Transfer to retained earnings	(79)		(79)	-		-
Transfer to capital surplus			-	-		-
Total transactions with owners	(79)	-	(79)	(6,577)	(781)	(7,358)
Balance as of June 30, 2019	9,836	-	(71,956)	450,015	13,977	463,992

For the six months ended June 30, 2020

(Millions of yen)

	Equity attributable to owners of parent					
	Capital Stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Currency translation differences of foreign operations	Cash flow hedges
Balance as of January 1, 2020	42,658	39,486	444,783	(75)	(76,471)	(278)
Loss			(9,341)			
Other comprehensive income					(24,214)	26
Total comprehensive income	-	-	(9,341)	-	(24,214)	26
Purchase of treasury stock				(1)		
Disposal of treasury stock		(0)		0		
Dividends			(7,890)			
Transfer to retained earnings			(14)			
Transfer to capital surplus		0	(0)			
Total transactions with owners	-	(0)	(7,904)	(1)	-	-
Balance as of June 30, 2020	42,658	39,486	427,538	(76)	(100,685)	(252)

	Equity attributable to owners of parent				Non-controlling interests	Total Equity
	Other components of equity			Total		
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plan	Total			
Balance as of January 1, 2020	10,697	-	(66,052)	460,800	14,737	475,537
Profit			-	(9,341)	(160)	(9,501)
Other comprehensive income	(2,004)		(26,192)	(26,192)	(733)	(26,925)
Total comprehensive income	(2,004)	-	(26,192)	(35,533)	(893)	(36,426)
Purchase of treasury stock			-	(1)		(1)
Disposal of treasury stock			-	0		0
Dividends			-	(7,890)	(1,592)	(9,482)
Transfer to retained earnings	14		14	-		-
Transfer to capital surplus			-	-		-
Total transactions with owners	14	-	14	(7,891)	(1,592)	(9,483)
Balance as of June 30, 2020	8,707	-	(92,230)	417,376	12,252	429,628

(4) Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended June 30, 2019	For the six months ended June 30, 2020
Cash flows from operating activities		
Profit (Loss) before tax	11,990	(10,526)
Depreciation and amortization	35,024	33,894
Interest and dividends income	(1,094)	(718)
Interest expenses	2,574	2,132
Share of (profit) loss of entities accounted for using equity method	(71)	(70)
Decrease (increase) in inventories	(12,892)	(6,039)
Decrease (increase) in trade and other receivables	30,396	52,541
Increase (decrease) in trade and other payables	(19,238)	(41,042)
Other, net	1,154	5,250
Subtotal	47,843	35,422
Interest received	786	412
Dividend income received	307	295
Interest expenses paid	(2,494)	(2,000)
Income taxes paid	(7,788)	(5,972)
Net cash provided by (used in) operating activities	38,654	28,157
Cash flows from investing activities		
Purchase of property, plant and equipment	(32,036)	(23,486)
Proceeds from sales of property, plants and equipment	114	195
Purchase of intangible assets	(2,599)	(1,857)
Proceeds from sales of investment securities	157	21
Payment for transfer of business	(334)	-
Other, net	326	(321)
Net cash provided by (used in) investing activities	(34,372)	(25,448)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	739	17,630
Proceeds from long-term debt and newly issued bonds	19,414	39,446
Repayments of long-term debt and redemption of bonds	(16,064)	(12,620)
Repayments of lease obligations	(6,350)	(6,702)
Cash dividends paid	(6,575)	(7,890)
Cash dividends paid to non-controlling interests	(781)	(1,592)
Other, net	(3)	(0)
Net cash provided by (used in) financing activities	(9,620)	28,272
Effect of exchange rate change on cash and cash equivalents	(1,327)	(3,271)
Net increase (decrease) in cash and cash equivalents	(6,665)	27,710
Cash and cash equivalents at the beginning of current period	74,526	60,631
Cash and cash equivalents at the end of current period	67,861	88,341

(5) Notes on Condensed Interim Consolidated Financial Statements

(Notes on Going Concern Assumption)

None

(Changes in Accounting Policies)

Significant accounting policies that the Group adopted in the condensed interim consolidated financial statements under review are the same as those that were adopted in the consolidated financial statements for the fiscal year ended December 31, 2019.

Income tax expenses for the six months ended June 30, 2020 were determined using the estimated average annual effective income tax rate.

The Group has adopted the following standards from the six months ended June 30, 2020.

(Changes in accounting treatment of government grants)

The Group previously recorded government grants for expenses incurred as income in the fiscal year in which the expenses were incurred. However, from the fiscal year under review, it has changed the accounting treatment of government grants for expenses incurred to deduct them from related expenses in the fiscal year in which the related expenses are incurred.

This change has been made as a result of considering the accounting treatment of government grants based on their nature and other elements in light of the situation where the materiality of grants for the Group is increasing. The Group determined that deducting grants from related expenses rather than recording them as income would lead to more appropriate disclosure of its operating results in line with the actual situation of the Group.

This change in accounting policies has been applied retrospectively and the financial statements for the previous fiscal year have been adjusted to reflect the retrospective application.

As a result, cost of sales and selling, general and administrative expenses decreased ¥123 million, respectively, and other income decreased ¥246 million for the previous fiscal year compared to those before the retrospective application. Gross profit increased ¥123 million for the same period and business profit increased ¥246 million. There was no impact of this change on operating profit, profit before tax, and profit after tax for the same period.

Since this change did not affect profit after tax, there was no impact on the amounts of net assets, net assets per share, and profit per share on the financial statements after the retrospective application

(Segment Information)

1. Information by reportable segment

Reportable segments of the Group are the units for which separate financial information is available and periodically reviewed by the Board of Directors as the highest decision-making body for the purposes of deciding the allocation of management resources and evaluating business performance.

The Group has three divisions based on operations in Tires, Sports and Industrial and Other Products. Each division formulates comprehensive strategies for both domestic and overseas markets and develops business activities.

Therefore, the Group identifies “Tires”, “Sports”, and “Industrial and Other Products” as reportable segments.

Major products and services or details of business that belong to each reportable segment are as follows:

Reportable segment	Major products and services or details of business
Tires	Tires and tubes (for automobiles, construction vehicles, industrial vehicles, automotive races and rallies, motorcycles, etc.) Automotive system business (instant mobility systems, deflation warning systems, etc.)
Sports	Sporting goods (golf clubs, golf balls and other golf goods, tennis goods, etc.) Operation of golf tournaments Operation of golf and tennis schools Fitness business, and others
Industrial and Other Products	High-performance rubber products (vibration control dampers, precision rubber parts for office machines, precision rubber parts for medical use, etc.) Daily life supplies (rubber gloves for cooking and other operations, ramps for wheelchair use, etc.) Products for infrastructure (marine dock fenders, flooring materials for factories and sports facilities, etc.)

2. Reportable segment sales revenues and profit or loss

Inter-segment sales revenues are stated at wholesale prices based on current market values.

Figures for reportable segment are based on business profit.

Information for the reportable segments for the previous fiscal year and the current fiscal year is as follows:

For the six months ended June 30, 2019 (January 1, 2019 to June 30, 2019)

(Millions of yen)

	Reportable segment			Total	Adjustments (Note 2)	Amounts recorded in Condensed Interim Consolidated Statements of Income
	Tires	Sports	Industrial and Other Products			
Sales revenue from external customers	367,277	42,935	19,067	429,279	-	429,279
Inter-segment sales revenue	670	113	526	1,309	(1,309)	-
Total	367,947	43,048	19,593	430,588	(1,309)	429,279
Segment profit (Business profit) (Note 1)	12,744	2,808	1,166	16,718	10	16,728
Other income and expenses						(271)
Operating profit						16,457

(Notes)

1. “Segment profit (Business profit)” is “Sales revenue” subtracted by “Cost of sales” and “Selling, general and administrative expenses.”
2. Segment profit included in “Adjustment” comprised elimination of inter-segment transactions.

For the six months ended June 30, 2020 (January 1, 2020 to June 30, 2020)

(Millions of yen)

	Reportable segment			Total	Adjustments (Note 2)	Amounts recorded in Condensed Interim Consolidated Statements of Income
	Tires	Sports	Industrial and Other Products			
Sales revenue from external customers	290,845	29,829	19,364	340,038	-	340,038
Inter-segment sales revenue	483	75	433	991	(991)	-
Total	291,328	29,904	19,797	341,029	(991)	340,038
Segment profit (loss) (Business profit) (Note 1)	(895)	(2,902)	1,472	(2,325)	16	(2,309)
Other income and expenses						(665)
Operating loss						(2,974)

(Notes)

1. “Segment profit (loss) (Business profit)” is “Sales revenue” subtracted by “Cost of sales” and “Selling, general and administrative expenses.”
2. Segment profit (loss) included in “Adjustment” comprised elimination of inter-segment transactions.

(Significant Subsequent Events)

None