

Consolidated Financial Results
for the Three Months Ended March 31, 2021
[IFRS]



May 12, 2021

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 13, 2021
 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 Three Months Ended March 31, 2021 (January 1, 2021 to March 31, 2021)

(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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended										
March 31, 2021	213,688	12.0	16,202	468.8	15,584	466.1	10,669	-	29,374	-
March 31, 2020	190,794	(9.7)	2,848	(51.3)	2,753	(54.0)	(3,403)	-	(32,050)	-

(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
Three months ended	Yen	Yen	%
March 31, 2021	40.57	-	7.6
March 31, 2020	(12.94)	-	1.5

(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	Million yen	Million yen	Million yen	%	Yen
March 31, 2021	1,006,019	488,577	474,047	47.1	1,802.46
December 31, 2020	974,805	467,097	454,743	46.6	1,729.05

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Three months ended	Million yen	Million yen	Million yen	Million yen
March 31, 2021	22,106	(11,808)	(3,469)	83,891
March 31, 2020	16,716	(12,848)	7,379	68,243

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, 2020	-	0.00	-	35.00	35.00
December 31, 2021	-				
Fiscal year ending					
December 31, 2021 (Forecast)		20.00	-	30.00	50.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2021 (January 1, 2021 to December 31, 2021)

(% indicates changes from the previous corresponding period.)

	Sales revenue		Business profit		Operating profit		Profit attributable to owners of parent		Basic profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	430,000	26.5	22,000	-	20,000	-	15,000	-	57.03
Full year	910,000	15.1	50,000	15.2	47,000	21.4	33,000	46.0	125.48

(Note) Revision to the financial results forecast announced most recently: Yes

Notes:

- (1) Changes in Significant Subsidiaries during the Three Months Ended March 31, 2021
(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 14 of the attached documents of the Consolidated Financial Results for the Period under Review, "2. Condensed Quarterly Consolidated Financial Statements and Primary Notes, (5) Notes on Condensed Quarterly 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)
 - March 31, 2021 : 263,043,057 shares
 - December 31, 2020 : 263,043,057 shares
 - 2) Total number of treasury stock at the end of the period
 - March 31, 2021 : 43,264 shares
 - December 31, 2020 : 41,905 shares
 - 3) Average number of shares during the period
 - Three months ended March 31, 2021 : 263,000,671 shares
 - Three months ended March 31, 2020 : 263,003,240 shares

* Quarterly financial statements 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."

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

(1) Operating Results

	For the three months ended March 31, 2020	For the three months ended March 31, 2021	Change in ratio
	Millions of yen	Millions of yen	%
Sales revenue	190,794	213,688	12.0
Tires	163,186	180,305	10.5
Sports	17,351	23,327	34.4
Industrial and Other Products	10,257	10,056	(2.0)
Business profit (loss)	2,848	16,202	468.8
Tires	2,350	13,146	459.4
Sports	(397)	2,468	-
Industrial and Other Products	887	576	(34.9)
Adjustments	8	12	-
Operating profit	2,753	15,584	466.1
Profit (Loss) attributable to owners of parent	(3,403)	10,669	-

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

Foreign exchange rates applied

	For the three months ended March 31, 2020	For the three months ended March 31, 2021	Increase (Decrease)
	Yen	Yen	Yen
Yen / U.S. Dollar	109	106	(3)
Yen / Euro	120	128	8

During the three months ended March 31, 2021, the outlook of the global economy remained uncertain due to the impact of COVID-19, but there were signs of recovery in some regions.

The Japanese economy faced a weak employment situation, in addition to a slump in personal consumption and slow export growth, but some improvement was seen, including a recovery trend in production. However, the overall situation remained severe due to the impact of COVID-19.

The business environment surrounding the Sumitomo Rubber Group remained severe, mainly due to the effects of the rising prices of natural rubber and petroleum-based raw materials as well as higher shipping costs, although there were some positive signs, such as an improvement in the export environment due to the weakening of the yen against other currencies and a recovery trend in some markets.

Under these circumstances, the Group strongly promoted company-wide projects to reinforce our business foundation with the goal of accomplishing the Mid-Term Plan, which sets 2025 as the target year. At the same time, we worked to strengthen our competitive advantage through a global structure through such efforts as developing and expanding sales of high-performance products that meet the needs of customers in each region, with the aim of maximizing the effects of the manufacturing and sales bases we have established in major markets around the world.

As a result, sales revenue of the Group increased 12.0% from the same period of the previous fiscal year to ¥213,688 million, business profit increased 468.8% to ¥16,202 million and operating profit increased 466.1% to ¥15,584 million. The Group posted profit attributable to owners of parent of ¥10,669 million, the loss in the same period of the previous fiscal year was ¥3,403 million.

Business performance by business segment was as follows.

Tire Business

Sales revenue in the tire business increased 10.5% from the same period of the previous fiscal year to ¥180,305 million, and business profit increased 459.4% to ¥13,146 million.

In the domestic original equipment market, sales revenue fell below the level of the same period of the previous fiscal year mainly because of a decrease in automobile production by auto manufacturers due to the global shortage of semiconductors and the effects of the Earthquake Offshore Fukushima Prefecture, although we made progress in expansion of original equipment fitment and sales expansion of high-performance products, particularly fuel-efficient tires.

In the domestic replacement market, as there was snowfall at the beginning of the year, we were able to increase sales of winter tires, particularly “WINTER MAXX 03,” studless tires achieving DUNLOP’s best ever on-ice performance. In addition, as a result of efforts to expand sales of fuel-efficient tires under the DUNLOP brand, including “VEURO VE304,” which was launched last year, and products such as “ALL SEASON MAXX AS1,” an all-season tire less susceptible to changes in weather, sales revenue exceeded the level of the same period of the previous fiscal year.

In the overseas original equipment market, while the impact of the global shortage of semiconductors has emerged, some regions have shown signs of recovery from the impact of COVID-19, and we were able to increase sales in China and many other regions, resulting in higher sales revenue than in the same period of the previous fiscal year.

In the overseas replacement market, sales increased in the Asia and Oceania region, mainly in China, where the economy showed some recovery. In the Europe and Africa region, we expanded sales mainly in areas where market conditions are recovering quickly, and in the Americas region, we were able to increase sales, including those of high-performance products.

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

Sports Business

Sales revenue in the sports business increased 34.4% from the same period of the previous fiscal year to ¥23,327 million, and ¥2,468 million was recorded as a business profit, the loss in the same period of the previous fiscal year was ¥397 million.

In the golf goods market, the number of visitors to golf courses in Japan and North America increased, and major markets showed a reversal of the market contraction caused by COVID-19. The business also benefited from efforts including strengthened ties between digital marketing and sales channels as well as the launch of new products, leading to higher sales revenue than in the same period of the previous fiscal year.

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

In the wellness business, sales revenue was lower than in the same period of the previous fiscal year mainly due to the significant impact of the declaration of a state of emergency in response to COVID-19.

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

Industrial and Other Products Business

Sales revenue in the industrial and other products business decreased 2.0% from the same period of the previous fiscal year to ¥10,056 million, and business profit decreased 34.9% to ¥576 million.

Sales unit prices of rubber gloves, a hygiene product, increased due to strong demand associated with COVID-19, and sales of precision rubber parts for medical use also rose above the level of the same period of the previous fiscal year due to an increase in orders received.

On the other hand, sales of infrastructure-based products and vibration control dampers declined from the level of the same period of the previous fiscal year mainly due to a decrease in orders received.

As a result, sales revenue and business profit in the industrial and other products business fell below the level of the same period of the previous fiscal year.

(2) Financial Position

	As of December 31, 2020	As of March 31, 2021	Increase (Decrease)
	Millions of yen	Millions of yen	Millions of yen
Total assets	974,805	1,006,019	31,214
Total equity	467,097	488,577	21,480
Total equity attributable to owners of parent	454,743	474,047	19,304
Total equity attributable to owners of parent ratio (%)	46.6	47.1	0.5
Equity attributable to owners of parent per share	1,729.05 yen	1,802.46 yen	73.41 yen

Total assets increased ¥31,214 million from the end of the previous fiscal year to ¥1,006,019 million mainly as a result of increase in inventories although there was decrease in trade and other receivables due to seasonal factors.

Total liabilities increased ¥9,734 million from the end of the previous fiscal year to ¥517,442 million mainly as a result of an increase in interest-bearing debt.

Total equity as of March 31, 2021 increased ¥21,480 million from the end of the previous fiscal year to ¥488,577 million, of which equity attributable to owners of parent accounted for ¥474,047 million, and non-controlling interest accounted for ¥14,530 million.

As a result, equity attributable to owners of parent ratio was 47.1%, and equity attributable to owners of parent per share was ¥1,802.46.

(3) Consolidated Financial Results Forecast and Other Future Forecast

As for the forecast of consolidated financial results for six months ending June 30, 2021 and the fiscal year ending December 31, 2021, although the impact of COVID-19 is still present, we have decided to revise consolidated financial results forecast, because sales revenue and business profit are expected to exceed the previous forecast due to the rapid recovery in regions such as North America, mainly in the tire business.

Consolidated Financial Results Forecast for Six Months Ending June 30, 2021 (January 1, 2021 to June 30, 2021)

	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	430,000	400,000	30,000	7.5	340,038
Tires	363,500	336,000	27,500	8.2	290,845
Sports	46,000	43,500	2,500	5.7	29,829
Industrial and Other Products	20,500	20,500	-	-	19,364
Business profit	22,000	12,000	10,000	83.3	(2,309)
Tires	18,000	8,500	9,500	111.8	(895)
Sports	3,000	2,500	500	20.0	(2,902)
Industrial and Other Products	1,000	1,000	-	-	1,472
Adjustments	-	-	-	-	16
Operating profit	20,000	11,000	9,000	81.8	(2,974)
Profit attributable to owners of parent	15,000	7,000	8,000	114.3	(9,341)

Foreign exchange rates applied

	Forecast	Previous forecast	Increase (Decrease)	(Reference) Results for the same period of the previous year
	Yen	Yen	Yen	Yen
Yen/U.S. Dollar	108	105	3	108
Yen/Euro	129	124	5	119

Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2021 (January 1, 2021 to December 31, 2021)

	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	910,000	870,000	40,000	4.6	790,817
Tires	779,000	742,000	37,000	5.0	679,860
Sports	86,500	83,500	3,000	3.6	70,257
Industrial and Other Products	44,500	44,500	-	-	40,700
Business profit	50,000	46,000	4,000	8.7	43,388
Tires	43,000	39,500	3,500	8.9	40,949
Sports	3,500	3,000	500	16.7	(741)
Industrial and Other Products	3,500	3,500	-	-	3,186
Adjustments	-	-	-	-	(6)
Operating profit	47,000	43,000	4,000	9.3	38,701
Profit attributable to owners of parent	33,000	29,000	4,000	13.8	22,596

Foreign exchange rates applied

	Forecast	Previous forecast	Increase (Decrease)	(Reference) Results for the same period of the previous year
	Yen	Yen	Yen	Yen
Yen/U.S. Dollar	108	105	3	107
Yen/Euro	129	124	5	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 Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and cash equivalents	74,203	83,891
Trade and other receivables	179,635	171,195
Other financial assets	1,399	3,228
Inventories	151,253	173,467
Other current assets	30,162	29,023
Total current assets	436,652	460,804
Non-current assets		
Property, plant and equipment	389,184	390,168
Goodwill	23,378	25,168
Intangible assets	41,402	42,187
Investments accounted for using equity method	4,323	4,283
Other financial assets	33,159	35,720
Net defined benefit asset	32,451	32,726
Deferred tax assets	13,449	14,096
Other non-current assets	807	867
Total non-current assets	538,153	545,215
Total assets	974,805	1,006,019

(Millions of yen)

	As of December 31, 2020	As of March 31, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and loans payable	62,256	71,754
Trade and other payables	123,261	115,548
Other financial liabilities	12,816	12,734
Income tax payable	7,790	7,479
Provisions	1,170	1,091
Other current liabilities	38,835	42,866
Total current liabilities	246,128	251,472
Non-current liabilities		
Bonds and loans payable	155,177	156,261
Other financial liabilities	48,164	47,850
Net defined benefit liability	22,202	22,681
Provisions	2,189	2,108
Deferred tax liabilities	11,282	14,018
Other non-current liabilities	22,566	23,052
Total non-current liabilities	261,580	265,970
Total liabilities	507,708	517,442
Equity		
Capital stock	42,658	42,658
Capital surplus	39,486	39,486
Retained earnings	461,720	463,185
Treasury stock	(77)	(79)
Other components of equity	(89,044)	(71,203)
Total equity attributable to owners of parent	454,743	474,047
Non-controlling interests	12,354	14,530
Total equity	467,097	488,577
Total liabilities and equity	974,805	1,006,019

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

Condensed Quarterly Consolidated Statements of Income

(Millions of yen)

	For the three months ended March 31, 2020	For the three months ended March 31, 2021
Sales revenue	190,794	213,688
Cost of sales	(138,858)	(147,543)
Gross profit	51,936	66,145
Selling, general and administrative expenses	(49,088)	(49,943)
Business profit	2,848	16,202
Other income	998	460
Other expenses	(1,093)	(1,078)
Operating profit	2,753	15,584
Financial income	317	1,850
Financial expenses	(6,596)	(816)
Equity in earnings of affiliates	56	(37)
Profit (Loss) before tax	(3,470)	16,581
Income tax expenses	255	(5,397)
Profit (Loss)	(3,215)	11,184
Profit (Loss) attributable to:		
Owners of parent	(3,403)	10,669
Non-controlling interests	188	515
Profit (Loss)	(3,215)	11,184
Profit (Loss) per share		
Basic profit (loss) per share (Yen)	(12.94)	40.57

Condensed Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the three months ended March 31, 2020	For the three months ended March 31, 2021
Profit (Loss)	(3,215)	11,184
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(3,387)	1,634
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	(93)	38
Currency translation differences of foreign operations	(25,355)	16,518
Other comprehensive income, net of tax	(28,835)	18,190
Comprehensive income	(32,050)	29,374
Comprehensive income attributable to:		
Owners of parent	(31,496)	28,511
Non-controlling interests	(554)	863
Comprehensive income	(32,050)	29,374

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

For the three months ended March 31, 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			(3,403)			
Other comprehensive income					(24,613)	(93)
Total comprehensive income	-	-	(3,403)	-	(24,613)	(93)
Purchase of treasury stock				(1)		
Disposal of treasury stock		(0)		0		
Dividends			(7,890)			
Capital increase of consolidated subsidiaries						
Transfer to retained earnings			(25)			
Transfer to capital surplus		0	(0)			
Total transactions with owners	-	-	(7,915)	(1)	-	-
Balance as of March 31, 2020	42,658	39,486	433,465	(76)	(101,084)	(371)

	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
Loss			-	(3,403)	188	(3,215)
Other comprehensive income	(3,387)		(28,093)	(28,093)	(742)	(28,835)
Total comprehensive income	(3,387)	-	(28,093)	(31,496)	(554)	(32,050)
Purchase of treasury stock			-	(1)		(1)
Disposal of treasury stock			-	0		0
Dividends			-	(7,890)	(220)	(8,110)
Capital increase of consolidated subsidiaries			-	-		-
Transfer to retained earnings	25		25	-		-
Transfer to capital surplus			-	-		-
Total transactions with owners	25	-	25	(7,891)	(220)	(8,111)
Balance as of March 31, 2020	7,335	-	(94,120)	421,413	13,963	435,376

For the three months ended March 31, 2021

(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, 2021	42,658	39,486	461,720	(77)	(99,270)	(241)
Profit			10,669			
Other comprehensive income					16,170	38
Total comprehensive income	-	-	10,669	-	16,170	38
Purchase of treasury stock				(2)		
Disposal of treasury stock						
Dividends			(9,205)			
Capital increase of consolidated subsidiaries						
Transfer to retained earnings			1			(1)
Transfer to capital surplus						
Total transactions with owners	-	-	(9,204)	(2)	-	(1)
Balance as of March 31, 2021	42,658	39,486	463,185	(79)	(83,100)	(204)

	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, 2021	10,467	-	(89,044)	454,743	12,354	467,097
Profit			-	10,669	515	11,184
Other comprehensive income	1,634		17,842	17,842	348	18,190
Total comprehensive income	1,634	-	17,842	28,511	863	29,374
Purchase of treasury stock			-	(2)		(2)
Disposal of treasury stock			-	-		-
Dividends			-	(9,205)	(12)	(9,217)
Capital increase of consolidated subsidiaries			-	-	1,325	1,325
Transfer to retained earnings			(1)	-		-
Transfer to capital surplus			-	-		-
Total transactions with owners	-	-	(1)	(9,207)	1,313	(7,894)
Balance as of March 31, 2021	12,101	-	(71,203)	474,047	14,530	488,577

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the three months ended March 31, 2020	For the three months ended March 31, 2021
Cash flows from operating activities		
Profit (Loss) before tax	(3,470)	16,581
Depreciation and amortization	16,986	16,801
Interest and dividends income	(304)	(275)
Interest expenses	1,484	816
Share of (profit) loss of entities accounted for using equity method	(56)	37
Decrease (increase) in inventories	(5,584)	(17,275)
Decrease (increase) in trade and other receivables	24,641	13,005
Increase (decrease) in trade and other payables	(17,555)	(7,014)
Other, net	3,659	4,379
Subtotal	19,801	27,055
Interest received	248	199
Dividend income received	17	78
Interest expenses paid	(1,395)	(645)
Income taxes paid	(1,955)	(4,581)
Net cash provided by (used in) operating activities	16,716	22,106
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,102)	(10,884)
Proceeds from sales of property, plant and equipment	129	72
Purchase of intangible assets	(860)	(1,048)
Other, net	(15)	52
Net cash provided by (used in) investing activities	(12,848)	(11,808)

(Millions of yen)

	For the three months ended March 31, 2020	For the three months ended March 31, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	12,195	9,873
Proceeds from issuance of bonds and long-term debt	8,000	-
Repayments of long-term debt and redemption of bonds	(1,422)	(2,709)
Repayments of lease obligations	(3,284)	(2,971)
Proceeds from share insurance to non-controlling interests	-	1,325
Cash dividends paid	(7,890)	(8,973)
Cash dividends paid to non-controlling interests	(220)	(12)
Other, net	-	(2)
Net cash provided by (used in) financing activities	7,379	(3,469)
Effect of exchange rate change on cash and cash equivalents	(3,635)	2,859
Net increase (decrease) in cash and cash equivalents	7,612	9,688
Cash and cash equivalents at the beginning of current period	60,631	74,203
Cash and cash equivalents at the end of current period	68,243	83,891

(5) Notes on Condensed Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

None

(Changes in Accounting Policies)

Significant accounting policies that the Group adopted in the condensed Quarterly 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, 2020.

Income tax expenses for the three months ended March 31, 2021 were determined using the estimated average annual effective income tax rate.

(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 previous fiscal year ended June 30, 2020 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 decreased ¥191 million, selling, general and administrative expenses decreased ¥82 million, respectively, and other income decreased ¥273 million for the same period of the previous fiscal year compared to those before the retrospective application. Gross profit increased ¥191 million for the same period and business profit increased ¥273 million. There was no impact of this change on operating loss, loss before tax, and loss 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 or loss.

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

For the three months ended March 31, 2020 (January 1, 2020 to March 31, 2020)

(Millions of yen)

	Reportable segment			Total	Adjustments (Note 2)	Amounts recorded in Condensed Quarterly Consolidated Statements of Income
	Tires	Sports	Industrial and Other Products			
Sales revenue from external customers	163,186	17,351	10,257	190,794	-	190,794
Inter-segment sales revenue	177	43	230	450	(450)	-
Total	163,363	17,394	10,487	191,244	(450)	190,794
Segment profit or loss (Business profit or loss) (Note 1)	2,350	(397)	887	2,840	8	2,848
Other income and expenses						(95)
Operating profit						2,753

(Notes)

1. "Segment profit or loss (Business profit or loss)" 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.

For the three months ended March 31, 2021 (January 1, 2021 to March 31, 2021)

(Millions of yen)

	Reportable segment			Total	Adjustments (Note 2)	Amounts recorded in Condensed Quarterly Consolidated Statements of Income
	Tires	Sports	Industrial and Other Products			
Sales revenue from external customers	180,305	23,327	10,056	213,688	-	213,688
Inter-segment sales revenue	175	36	266	477	(477)	-
Total	180,480	23,363	10,322	214,165	(477)	213,688
Segment profit (Business profit) (Note 1)	13,146	2,468	576	16,190	12	16,202
Other income and expenses						(618)
Operating profit						15,584

(Notes)

1. "Segment profit or (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.

(Significant Subsequent Events)

None