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Consolidated Financial Results for the Year Ended December 31,2016

February 14, 2016

DUNLOP SPORTS CO. LTD.

Voluntary Application of IFRS

The Company has voluntarily adopted the IFRS (International Financial Reporting Standards) from the year ended Dec. 2016

◆ Purpose of application

- Improve the international comparability of financial information in the capital market
- Improve the quality of business management of group companies

◆ Earnings disclosure

- For fiscal year 2016, earnings results based on the Japanese standard are also reported to facilitate the comparison with past results and forecasts.
- Please be advised that the Oct.-Dec. and full-year results for 2016 based on the Japanese standards are non-audited information (reference information).

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2016 Earnings Results

Group Overview

2014 (17 consolidated subsidiaries)

2015/2016 (18 consolidated subsidiaries)

Japanese standard

Changes in the
number of subsidiaries

IFRS

Domestic sales subsidiary **1**

Merged Okinawa Co. Ltd. with Dunlop Sports Marketing Co. Ltd.

Domestic sales subsidiary **1**

Manufacturing subsidiaries **2**

Manufacturing subsidiaries **2**

Overseas sales subsidiaries **9**

+2

Overseas sales subsidiaries **11**

*Consolidated
Srixon Sports (Thailand) Co., Ltd. (2015~)
Cleveland Golf Korea Co., Ltd. (2015~)

Service subsidiary **1**

Service subsidiary **1**

Wellness subsidiaries **4**

* Consolidated Dunlop Tennis School
* Turned Dunlop Sports Wellness and Dunlop Sports Plaza into subsidiaries

-1

Wellness subsidiaries **3**

*Dunlop Sports Wellness and Dunlop Sports Plaza merged (July 1, 2015)

Summary of Consolidated Financial Results

Revenue decreased but operating income increased significantly

(Billion yen)	IFRS			(Billion yen)	(Reference) Japanese standard			
	2016 Jan.-Dec.	2015 Jan.-Dec.	y-o-y (% change)		2016 Jan.-Dec.	2015 Jan.-Dec.	y-o-y (% change)	Forecast (Announced Nov. 7)
Revenue	73.3	78.3	-5.0 (-6%)	Sales	73.3	78.1	-4.8 (-6%)	74.0
Operating profit (%)	4.0 (5.5%)	2.2 (2.9%)	+1.8 (+80%)	Operating income (%)	4.0 (5.4%)	1.5 (1.9%)	+2.5 (+166%)	3.5 (4.7%)
Profit before tax	2.9	2.4	+0.5 (+20%)	Ordinary income	2.9	1.8	+1.1 (+62%)	2.2
Net Profit*1	1.9	1.2	+0.7 (+53%)	Net income	1.8	-3.6	+5.4 (-)	1.2
ROE	5.7%	3.8%	+1.9%	ROE	5.0%	-10.2%	+15.2%	+0.6

*Amounts less than 100 million yen are rounded off, amounts less than ± 50 million yen are shown as zero

*1 : Profit attributable to owners of parent

■ y-o-y

Although revenue declined, operating profit increased significantly owing to strong sales of the XXIO 9 as well as lower procurement costs due to the stronger yen, in addition to efforts to improve costs and reduce expenses.

*Amortization of goodwill (-3.95 billion yen) recorded in the previous fiscal year as special loss is considered to have been recorded in FY 2014 upon the transition to IFRS

	y-o-y
Domestic golf equipment market	-1%
Domestic tennis equipment market	-8%
U.S. golf equipment market	-6%

Year ended 2016	Dividend per share		Total dividend 1.16 Billion yen
	Interim	10 yen	
	Year-end	30 yen	
	Annual total	40 yen	

Conversion due to application of IFRS

(Profit and loss statement)

Reference

(Billion yen)	Converted amount			Major discrepancies
	2016 I F R S	2016 Japanese standard	Change (% change)	
Revenue	73.3	73.3	-0.01 (-0%)	(1) Sales incentives -0.2 (2) Newly consolidated +0.2
Operating profit (%)	4.0 (5.5%)	4.0 (5.4%)	+0.06 (+2%)	(3) Amortization of goodwill +0.2 (4) Property for advertisement Retirement benefit accounting, etc. -0.1
Profit before tax (%)	2.9	2.9	-0.01 (-1%)	
Net profit ^{*1} (%)	1.9	1.8	+0.1 (+6%)	(5) Lower corporate tax, etc. +0.1

*Amounts less than 100 million yen are rounded off, amounts less than ± 50 million yen are shown as zero

*1 : Profit attributable to owners of parent

■ Major discrepancies

- (1) Sales incentives that used to be recorded as selling, general and administrative expenses are now recorded as deductions from revenues.
- (2) Effect of new addition to scope of consolidation (Cleveland Golf Korea Co., Ltd.)
- (3) Method of amortizing goodwill was changed.
- (4) Property for advertisements is now recorded as expenses in a lump sum, and the method of retirement benefit accounting is changed.
- (5) Corporate tax is lower due to the difference in the tax rate adopted under the IFRS and Japanese standards.

Revenue by Products

Golf club sales declined, but the service and wellness sales increased

IFRS

(Billion yen)

	2016 Jan.-Dec.	y-o-y	
		Amount	%
Golf clubs	32.8	-3.5	-10%
Golf balls	14.0	-0.8	-6%
Golf others	6.9	-1.0	-12%
Golf equipment	53.7	-5.3	-9%
Tennis equipment	6.2	-0.3	-4%
License revenue	0.5	-0.1	-9%
Sports equipment	60.4	-5.6	-9%
Services	4.5	+0.3	+7%
Wellness	8.4	+0.4	+5%
Total	73.3	-5.0	-6%

Excluding
currency effect

-1.3

+0.2

-0.7

-1.7

-0.3

-0.1

-2.0

+0.3

+0.4

-1.4

	Japan	Overseas (ex. currency)
Golf clubs	-2.7	+1.4
Golf balls	-0.1	+0.3
Golf others	-0.8	+0.2
Total	-3.6	+1.9

■ Golf clubs

XXIO 9 secured top market share in Japan and sold well abroad, however total golf club sales declined, affected by the domestic market situation.

■ Golf balls

Overseas sales increased in North America and Europe.

■ Services

Sales increased from winning a new order for a golf tournament.

■ Wellness

Sales increased from opening new compact gyms.

*Amounts less than 100 million yen are rounded off, amounts less than ± 50 million yen are shown as zero

Revenue by Region

Revenue declined in Japan, increased overseas
excluding currency effect

IFRS

(Billion yen)	2016 Jan.-Dec.	y-o-y change	Excluding currency effect
Japan	49.8	-3.2	-3.2
North America	7.0	-0.4	+0.4
Europe	4.7	-0.5	+0.6
Asia	9.7	-0.7	+0.7
Australia South Africa	2.0	-0.2	+0.1
Overseas Revenue	23.5	-1.8	+1.8
Ratio of Overseas Revenue	32.0% (38.8%)	(-0.2%) (+0.6%)	3.0% (+4.1%)
Consolidated Revenue	73.3	-5.0	-1.4

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■ Japan

Sales of golf equipment and tennis equipment both declined due to the market situation.

■ North America/Europe

Sales increased as golf clubs and golf balls were both strong.

■ Asia

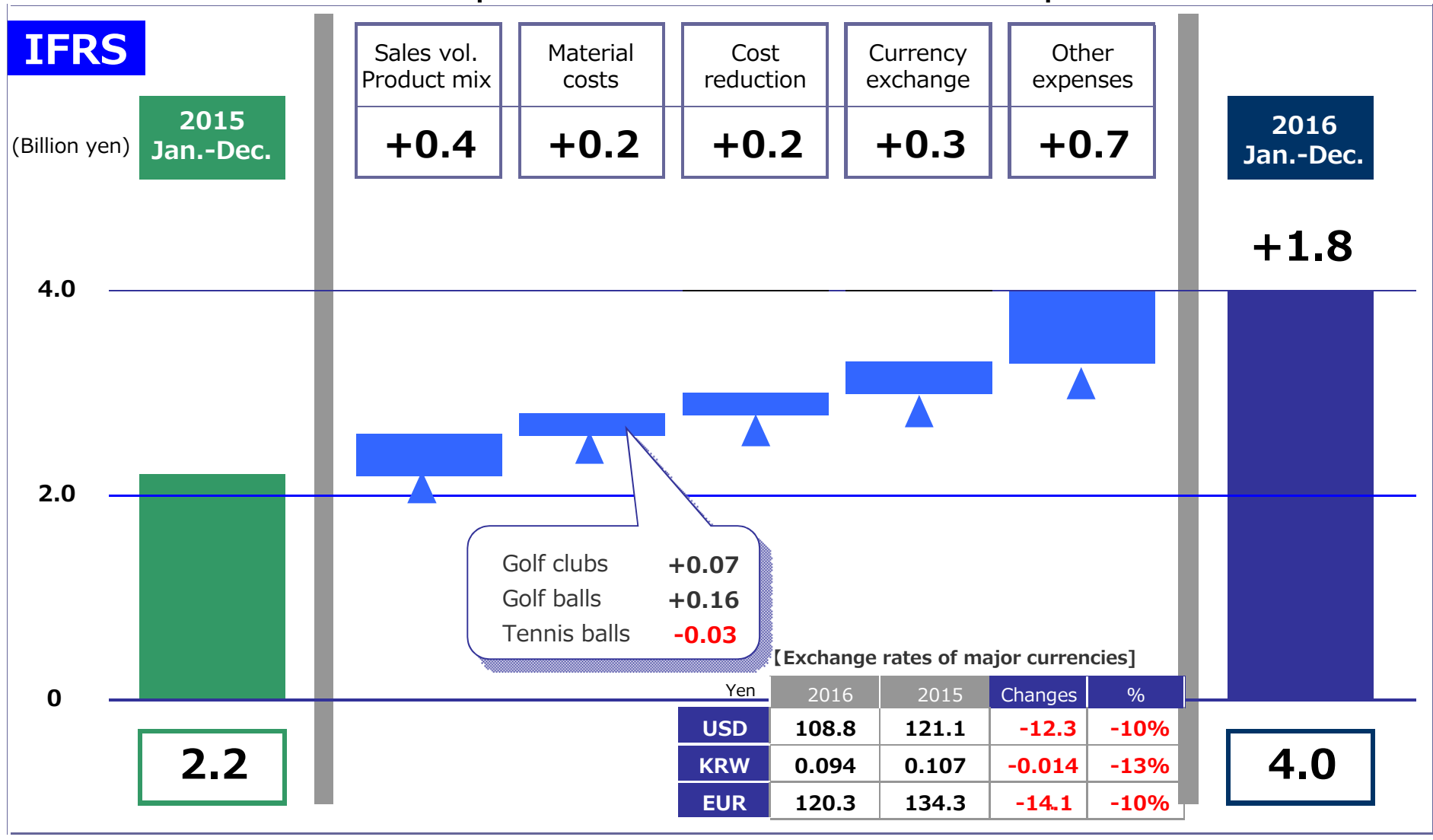
XXIO 9 sold well in South Korea, but in China, the market continued to be sluggish.

[Exchange rate of major currencies]

yen	2016	2015	Change	%
USD	108.8	121.1	-12.3	-10%
KRW	0.094	0.107	-0.014	-13%
EUR	120.3	134.3	-14.1	-10%

Operating Income Analysis

Profit increased with strong sales of XXIO 9 and lower procurement costs and expenses

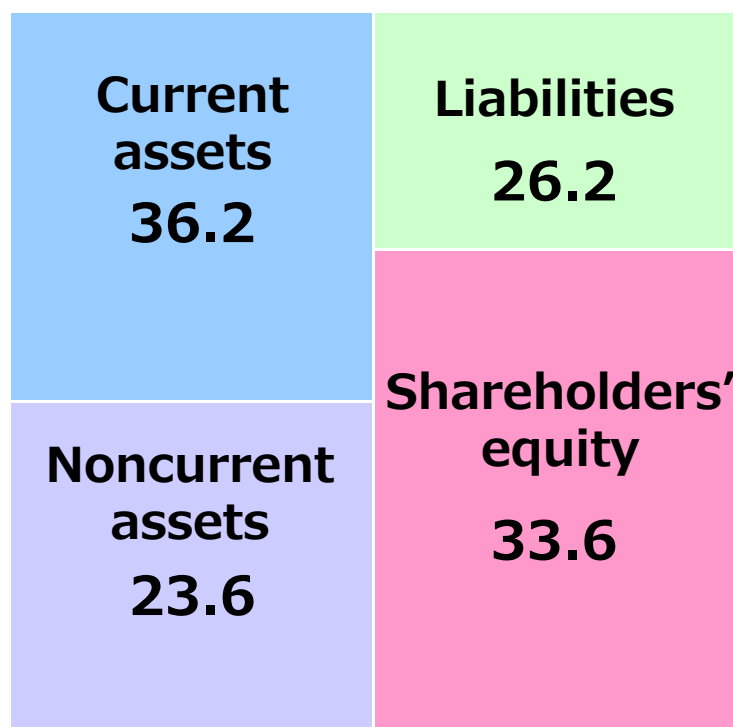


Status of Financial Position Statement (B/S)

Interest-bearing debt decreased 4.5 billion yen,
equity ratio climbed 6.5 P

IFRS

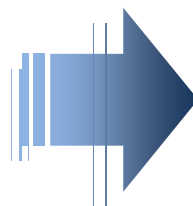
End of Dec. 2015



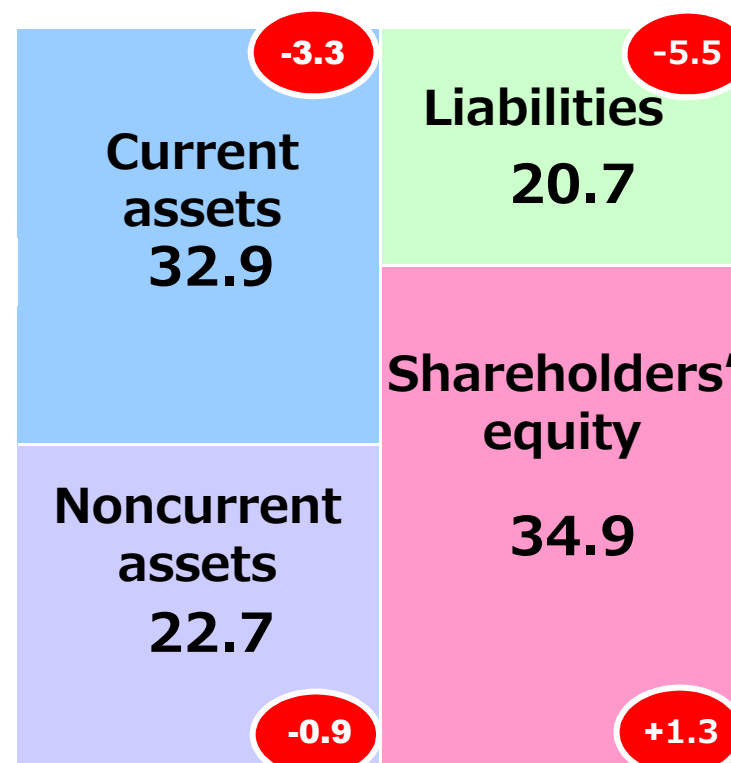
Total assets 59.8

Capital to asset ratio 54.1%
Interest-bearing debt 10.1

(Billion yen)
*Amounts less than 100 million
yen are rounded off



End of Dec. 2016

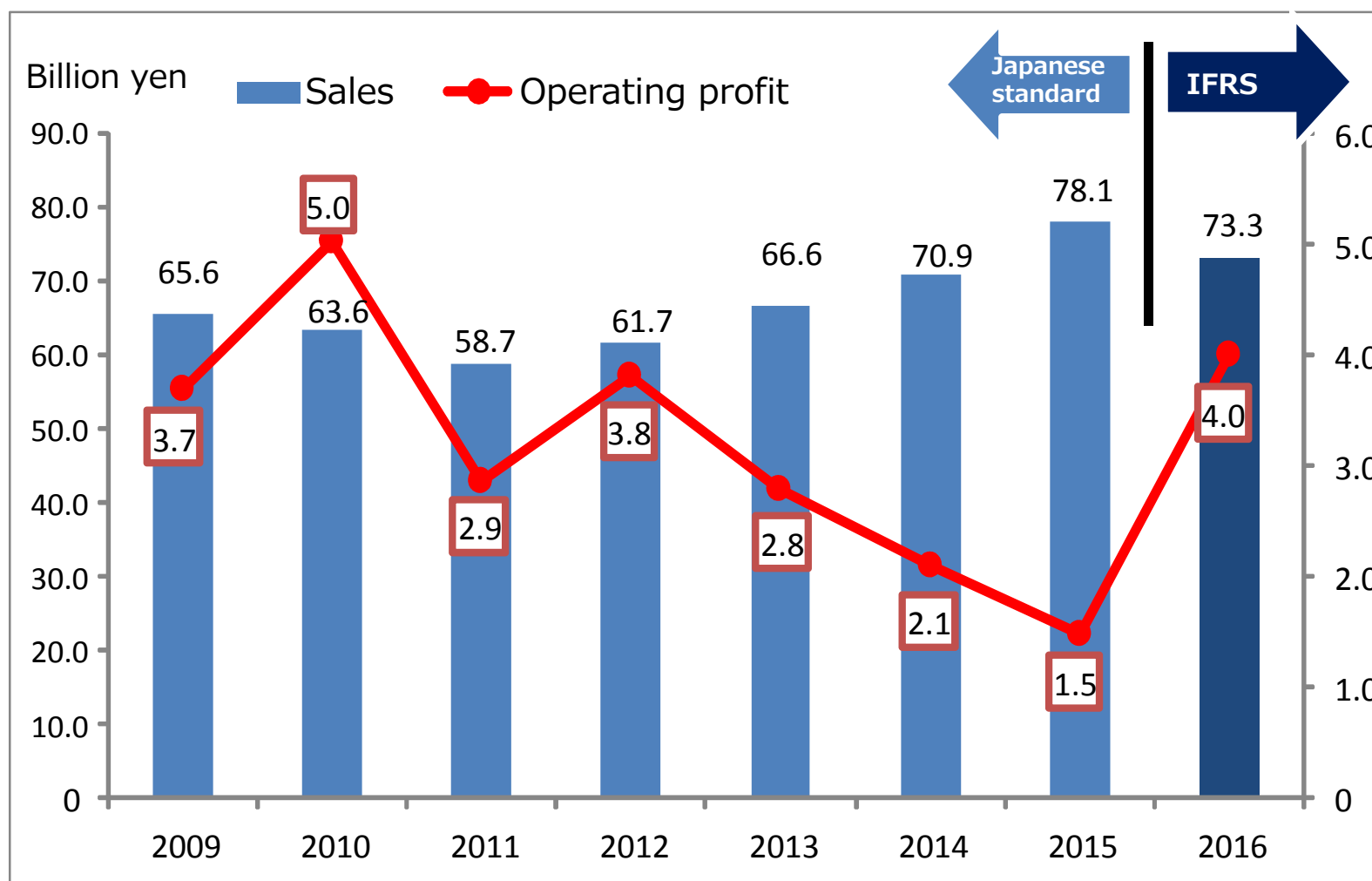


Total assets 55.6

Capital to asset ratio 60.6%
Interest-bearing debt 5.6

Consolidated Profit/Loss

While revenue declined, operating profit increased significantly



USD exchange rate 94 88 80 80 98 106 121 109

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2017 Full-Year Earnings Forecast

Consolidated Profit/Loss Forecast

Revenue to increase, operating profit expected to decline

(Billion yen)	IFRS		
	2017 Jan. – Dec.	2016 Jan. – Dec.	y-o-y (% change)
Revenue	76.0	73.3	2.7 (+4%)
Operating profit (%)	2.8 (3.7%)	4.0 (5.5%)	-1.2 (-30%)
Net profit *1	1.6	1.9	-0.3 (-15%)
ROE	4.7%	5.7%	-1.0%

	y-o-y
Domestic golf equipment market	-2%
Domestic tennis equipment market	-2%
U.S. golf equipment market	-1%

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amounts less than ± 50 million yen are shown as zero

*1 : Profit attributable to owners of parent

Year ending
Dec. 2017
(Forecast)

Dividend per share		Total dividend
Interim	10 yen	1.02 billion yen
Year-end	25 yen	
Annual	35 yen	

Revenue by Product (Forecast)

Golf club sales to decline, service and wellness sales to rise

IFRS

(Billion yen)

	2017 Jan.-Dec.	y-o-y	
		Amount	%
Golf clubs	34.5	+1.8	+5%
Golf balls	14.7	+0.7	+5%
Golf others	6.7	-0.2	-3%
Golf equipment	56.0	+2.3	+4%
Tennis equipment	6.4	+0.2	+3%
License revenue	0.5	-0.0	-1%
Sports equipment	63.0	+2.5	+4%
Services	4.2	-0.4	-8%
Wellness	8.9	+0.5	+6%
Total	76.0	+2.7	+4%

Excluding
currency effect

+1.4

+0.6

-0.2

+1.8

+0.2

-0.0

+2.0

-0.4

+0.5

+2.2

	Japan	Overseas (ex. currency)
Golf clubs	+0.7	+0.7
Golf balls	+0.0	+0.6
Golf others	-0.1	-0.1
Total	+0.6	+1.3

■ Golf clubs

Expecting sales to rise in both Japan and overseas.

■ Golf balls

Expecting sales to rise mainly in North America and South Korea.

■ Services

Expecting tournament order to decrease.

■ Wellness

Expecting sales to rise with new sites.

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Revenue by Region (Forecast)

Expecting sales to rise both in Japan, overseas

IFRS			
(Billion yen)	2017 Jan.-Dec.	y-o-y change	Excluding currency effect
Japan	50.7	+0.9	+0.9
North America	8.3	+1.3	+1.0
Europe	4.9	+0.1	+0.2
Asia	10.2	+0.4	+0.2
Australia South Africa	1.9	-0.0	-0.1
Overseas Revenue	25.3	+1.8	+1.3
Ratio of Overseas Revenue	33.2%	(+1.2%)	(+0.8%)
Consolidated Revenue	76.0	+2.7	+2.2

*Amounts less than 100 million yen are rounded off, amounts less than ± 50 million yen are shown as zero

■ Japan

Expecting increased sales from golf, tennis and wellness.

■ North America/Europe

Expecting increased sales from both golf clubs and golf balls.

■ Asia

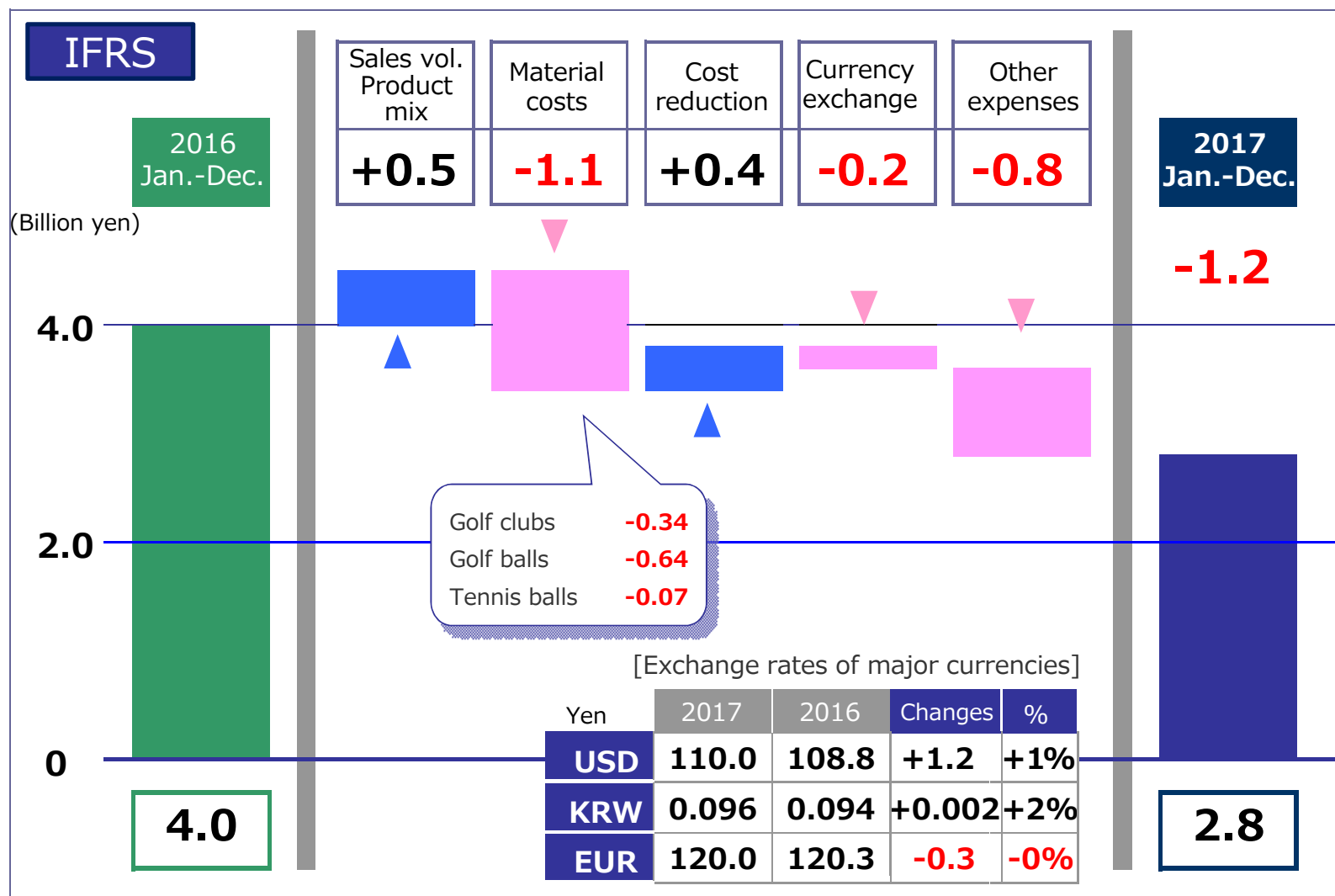
Although market recovery in China is seen to be unlikely, expecting sales increase in South East Asia and South Korea.

[Exchange rate of major currencies]

yen	2017	2016	Change	%
USD	110.0	108.8	+1.2	+1%
KRW	0.096	0.094	+0.002	+2%
EUR	120.0	120.3	-0.3	-0%

Consolidated Operating Profit (Forecast) Analysis

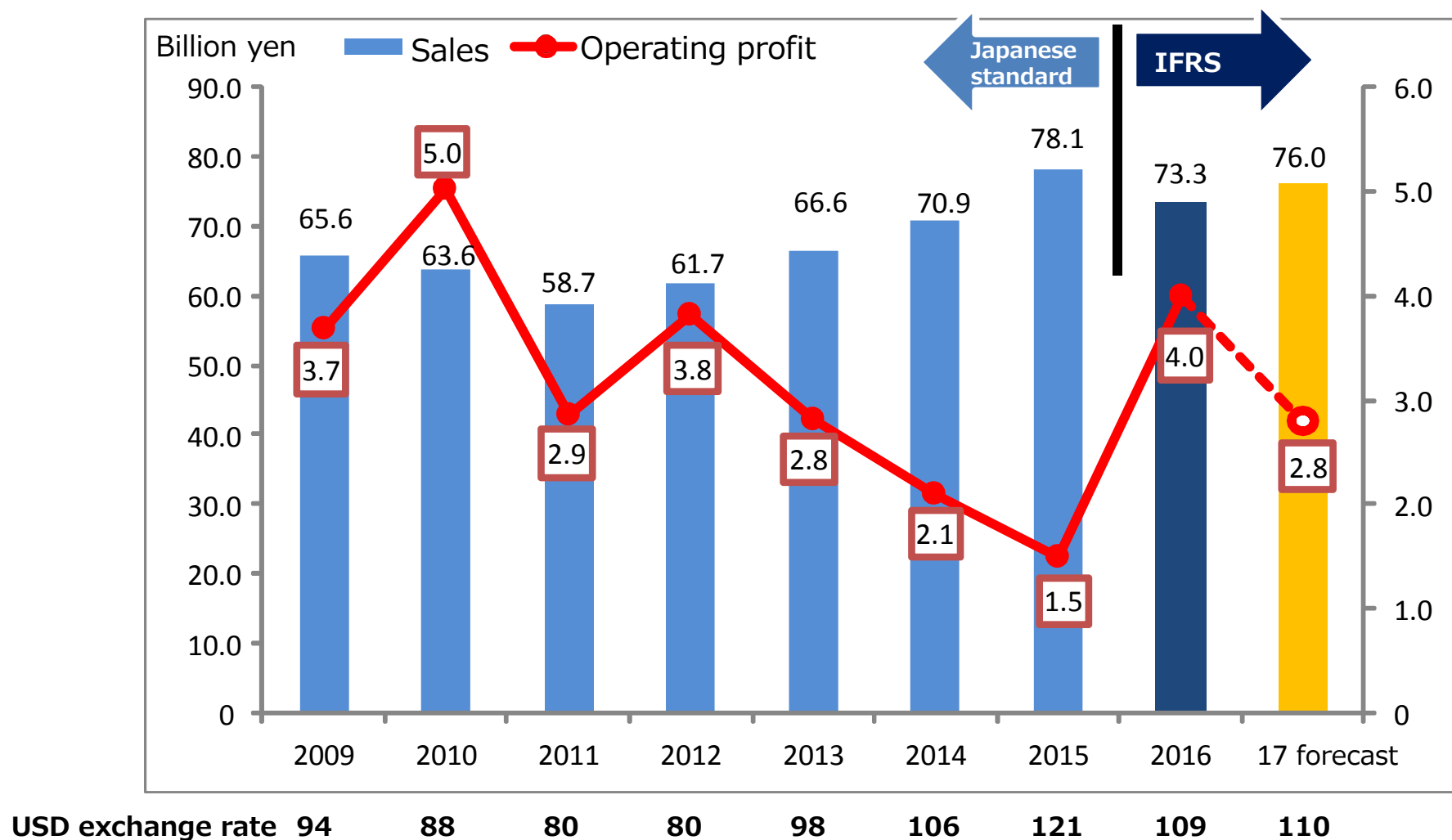
Profit to decline in light of expected material price increase



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Consolidated Profit/Loss

Revenue expected to increase, operating profit to decrease



This document was prepared for the benefit of investors to contribute to their understanding of the current situation of Dunlop Sports Co. Ltd.

The contents described in this document are prepared and based on generally acknowledged economic/social conditions and certain assumptions determined reasonable by the company at the time of preparation of the material and are subject to change without advance notice due to factors, including changes in the management environment.

We kindly ask investors to make investments at their discretion.

~ Contact ~

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