Summary of Consolidated Financial Results under Japanese GAAP for the Second Quarter of FY2016 (For six months ended June 30, 2016)

August 4, 2016

Stock Exchange Listing: Tokyo Stock Exchange

Company name: DUNLOP SPORTS CO. LTD.

Stock Code: 7825 URL http://www.dunlopsports.co.jp/en/

Representative: Kazuo Kinameri, President and Representative Director

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Scheduled date to file quarterly report: August 8, 2016

Scheduled starting date of dividend payment: September 2, 2016

Quarterly earnings supplementary information material: Yes

Quarterly earnings explanatory meeting: Yes (for institutional investors)

(Millions of yen with fractional amounts discarded)

1. Consolidated Second Quarter Financial Results (cumulative: from January 1, 2016 to June 30, 2016)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Sales		Operating income		Ordinary income		Net income	
Second Quarter,	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 2016	36,612	-3.5	2,417	512.5	1,352	64.7	591	―
December 2015	37,921	15.4	394	-54.1	821	-29.9	-358	―

Note: Comprehensive income: As of FY 2016 Second Quarter -897 million yen (―%)

As of FY 2015 Second Quarter -2 million yen (―%)

	Net income per share	Diluted net income per share
Second Quarter,	Yen	Yen
December 2016	20.39	―
December 2015	-12.36	―

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Second Quarter, December 2016	54,868	32,707	57.5
December 2015	59,247	33,766	55.1

(Reference) Shareholders' equity: As of FY 2016 Second Quarter 31,568million yen

As of FY 2015 32,642million yen

2. Cash Dividends

	Cash dividends per share				
	First quarter	Second Quarter	Third Quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
December, 2015	―	10.00	―	0.00	10.00
December, 2016	―	10.00			
December, 2016 (forecast)			―	10.00	20.00

Note: Modification in the dividend projection from the latest announcement: None

3. Forecast for Consolidated Results for FY 2016 (from January 1, 2016 to December 31, 2016)

(Percentage indicates year-on-year change)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	76,000	-2.7	3,500	135.9	2,200	22.1	1,200	―	41.38

Note: Modification in forecast for consolidated results from the latest announcement: None

＊Others

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries resulting in the scope of consolidation): None

(2) Adoption of special accounting treatments for quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatements:

(i) Changes due to the revision of accounting standards: Yes

(ii) Changes other than (i): No

(iii) Changes in accounting estimates: No

(iv) Restatements: No

Note: For further details please see 2-(3) Changes in accounting policies, changes in accounting estimates, and restatements.

(4) Number of issued shares (common stock)

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

As of Second Quarter December, 2016	29,000,000 shares
As of December, 2015	29,000,000 shares

2) Number of share of treasury stocks as of the end of the period

As of Second Quarter December, 2016	183 shares
As of December, 2015	183shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

For Second Quarter December, 2016	28,999,817 shares
For Second Quarter December, 2015	28,999,817 shares

*Notice pertaining to status of quarterly review process

This quarterly summary of financial results is not subject to the quarterly review process based on the Financial Instruments and Exchange Act. The review process of the quarterly consolidated financial statements based on the Financial Instruments and Exchange Act is not completed at the time of the disclosure of the quarterly financial results.

*Explanation pertaining to the appropriate use of earnings forecast and other special notes

Statements in this document with respect to earnings forecasts are based on information currently available to the Company. Actual results may differ from the stated earnings forecasts.

The company group plans to voluntarily apply the International Financial Reporting Standard (IFRS) starting with the year-end earnings for the year ending December 2016. For details, please see the “FY 2016 Second Quarter Earnings Briefing”.

1. Qualitative information on earnings for the quarter

(1) Outline of consolidated earnings report

The global economy during this consolidated cumulative second quarter period (January 1 to June 30, 2016) enjoyed a gradual recovery overall despite weaknesses in some corners including the slowing economic growth in China.

The domestic economy also maintained its gradual recovery trend with improved employment situations although consumer sentiment has been at a standstill.

As for the environment surrounding our company group, in the United States, sales of new golf club models could not grow in terms of volume due to higher prices, and the golf equipment market shrank from the same period a year ago. The Asian golf equipment market also fell below the year-ago levels as consumption dropped even further in China in light of declining markets and sluggishness spread in Southeast Asia with the slowing of the Chinese economy and the rise in product prices reflecting the depreciation of Asian currencies.

Meanwhile, in the domestic market, the number of golf course visitors declined slightly from the same period a year ago because of the earthquakes in Kumamoto in April and persistent rainy weather in many areas, although there were fewer closures due to snowfall with the warm winter in the January to March period. The golf equipment market grew in terms of market size owing to higher prices of golf clubs and equipment, however, because, unlike the previous year, there were no major product launches in the golf ball market from any of the manufacturers, the golf equipment market overall remained only slightly above the previous year levels. The domestic tennis equipment market fell short of the same period a year ago as none of the manufactures' new models excelled beyond their previous year's popular models.

Under such a business environment, our company group with our golf equipment business enjoyed strong sales of our XXIO 9 (=9th generation XXIO) golf clubs introduced last December in the domestic market and our Srixon Z Series irons owing to the success of our contract players including Hideki Matsuyama. However, our golf wear business declined in sales after switching to a licensing business model with Descente this fiscal year. As a result, domestic sales fell below the same period a year ago.

In the overseas market, sales in North America and China declined. While Europe, Southeast Asia, South Korea, and South Africa remained firm, overseas sales decreased from the year ago period due to the impact of the steep yen appreciation.

The tennis equipment business exceeded the previous year levels with the strong sales of the Srixon REVO CV series tennis rackets and steady sales of tennis balls.

The wellness business rose above the same period a year ago owing to increased sales from new outlets of the Dunlop Sports Club GYM STYLE 24, the open-24 hours-a-day compact gym specializing in the machine area.

In terms of profit, operating income exceeded the year ago period as purchasing costs declined in light of the higher yen and as expenses decreased.

As a result, sales for this consolidated cumulative second quarter were 36,612 million yen (down 3.5% y-o-y), operating income was 2,417 million yen (6.125 times the year ago period), ordinary income was 1,352 million yen (up 64.7% y-o-y), and quarterly net income attributable to the parent company's shareholders was 591 million yen (compared to a quarterly net loss of 358 million yen attributable to the parent company's shareholders in the same period a year ago).

(2) Outline of financial situation

Regarding the financial situation as of the end of this consolidated second quarter period, total assets were 54,868 million yen. Bills receivable and accounts receivable, as well as products and finished goods declined 3,884 million yen and 411 million yen, respectively, while cash and deposits increased 403 million yen. As a result, total assets decreased 4,378 million yen from the previous year-end.

Total liabilities ended at 22,161 million yen. With short-term borrowings, as well as bills payable and accounts payable, decreasing 1,812 million yen and 921 million yen, respectively, total liabilities declined 3,319 million yen from the previous year-end.

Net assets ended at 32,707 million yen. While retained earnings increased 591 million yen from posting a quarterly net profit attributable to the parent company's shareholders, foreign currency translation adjustment account and deferred hedge gains/losses decreased 1,205 million yen and 374 million yen respectively, leading to net assets shrinking 1,058 million yen from the previous year-end.

As a result of the above, the capital-to-asset ratio ended at 57.5%, increasing 2.4 points from the previous year-end.

(3) Outline of future predictions including consolidated earnings forecast

Our consolidated earnings forecast has not changed from our forecast figures disclosed on August 2, 2016.

2. Matters pertaining to Summary Information (notes)

(1) Changes in significant subsidiaries during the cumulative consolidated quarterly period

None

(2) Adoption of special accounting treatments for quarterly consolidated financial statements

None

(3) Changes in accounting policies, changes in accounting estimates, and restatements

(Changes in Accounting Policies)

Effective from the first quarter of the consolidated fiscal year under review, the Company has applied the Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013, hereinafter the “Accounting Standard for Business Combinations”), the Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013, hereinafter the “Accounting Standard for Consolidation”) and the Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013, hereinafter the “Accounting Standard for Business Divestitures”), etc. As a result, the method of recording the amount of difference caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the consolidated fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the first quarter of the consolidated fiscal year under review, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the quarterly consolidated financial statements for the fiscal period to which the date of business combination belongs. In addition, the presentation method for net income and other related items has been changed, and the presentation of minority interests has been changed to non-controlling interests. To reflect these changes, the Company has reclassified its quarterly consolidated financial statements for the three months ended March 31, 2015 and consolidated financial statements for the fiscal year ended December 31, 2015.

Application of the Accounting Standard for Business Combinations, etc. is in accordance with the transitional treatment stipulated by Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidation and Article 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standard, etc. prospectively from the beginning of the first quarter of the consolidated fiscal year under review.

These changes have no impact on profit and loss.