Summary of Consolidated Financial Results under Japanese GAAP for the Third Quarter of FY 2016 (For nine months ended September 30, 2016)

Nov. 7, 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: November 8, 2016

Scheduled starting date of dividend payment: -

Quarterly earnings supplementary information material: Yes

Quarterly earnings explanatory meeting: No

(Millions of yen with fractional amounts discarded)

1. Consolidated Third Quarter Financial Results (from January 1, 2016 to September 30, 2016)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Sales		Operating income		Ordinary income		Net income	
Third Quarter,	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 2016	55,011	-2.5	3,299	—	1,946	—	1,088	—
December 2015	56,400	13.2	-65	—	170	-88.9	-739	—

Note: Comprehensive income: As of FY 2016 Third Quarter -245 million yen (−)

As of FY 2015 Third Quarter -1, 163 million yen (−)

	Net income per share	Diluted net income per share
Third Quarter,	Yen	Yen
December 2016	37.53	—
December 2015	-25.50	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Third Quarter, December 2016	55,783	33,070	57.2
December 2015	59,247	33,766	55.1

(Reference) Shareholders' equity:As of FY 2016 Third Quarter 31,890 million yen

As of FY 2015 32,642 million yen

2. Cash Dividends

	Cash dividends per share				
	First Quarter	Second Quarter	Third Quarter	Fiscal year-end	Annual
	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	74,000	-5.3	3,500	135.9	2,200	22.1	1,200	—	41.38

Note: Modification in forecast for consolidated results from the latest announcement: Yes

＊Other

(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 Third 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 Third Quarter December, 2016	183 shares
As of December, 2015	183 shares

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

For Third Quarter December, 2016	28,999,817 shares
For Third 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. The earnings forecast under IFRS will be announced when it is available.

1. Qualitative information on earnings for the quarter

(1) Outline of consolidated earnings report

The global economy during this consolidated cumulative third quarter period (January 1 to September 30, 2016) enjoyed a gradual recovery overall despite weaknesses in some corners including the slowing of the Chinese economy.

The domestic economy also maintained a 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 golf club models could not grow in terms of volume due to higher prices, and the golf equipment market shrank compared to 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, as well as 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, despite fewer closures due to snowfall with the warm winter in the January to March period, because of the earthquakes in Kumamoto in April and typhoons during the July to September period.

The golf equipment market overall expanded slightly from the previous year levels owing to the higher prices of golf clubs and equipment, and the market size grew even though there was no major product launch in the golf ball market from any of the manufacturers. The domestic tennis equipment market fell short of the same period a year ago as the effects of the success of Kei Nishikori came full circle.

Under such a business environment, our company group as our golf equipment business enjoyed strong sales of the XXIO9 (=9th generation XXIO) golf clubs introduced last December in the domestic market as well as the NEW Srixon Z Series golf clubs newly launched in September, owing to the success of our contract players including Hideki Matsuyama. Although our golf wear business declined in sales after switching to a licensing business model with Descente this fiscal year, total domestic sales rose from the same period a year ago.

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

The tennis equipment business fell below the previous year levels, despite solid sales of balls and strong sales of the Srixon REVO CV series tennis rackets, as Babolat tennis rackets that enjoy high market share were severely impacted by the market environment mentioned above.

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, as well as the new services introduced at existing gyms and renewal of facilities.

Overall sales increased, excluding the currency effect, however, fell below the previous year in yen basis. Operating income exceeded the year ago period as sales of XXIO9 increased, purchasing costs fell in light of the higher yen, and expenses decreased.

As a result, sales for this consolidated cumulative third quarter were 55,011 million yen (down 2.5% y-o-y), operating income was 3,299 million yen (compared to an operating loss of 65 million yen for the same period a year ago), ordinary income was 1,946 million yen (compared to an ordinary income of 170 million yen for the same period a year ago), and quarterly net income attributable to the parent company's shareholders was 1,088 million yen (compared to a quarterly net loss of 739 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 third quarter period, total assets were 55,783 million yen. Bills receivable and accounts receivable, as well as products and finished goods declined 2,570 million yen and 859 million yen, respectively, and as a result, total assets decreased 3,463 million yen from the previous year-end.

Total liabilities ended at 22,713 million yen. With short-term borrowings as well as long-term borrowings decreasing 1,145 million yen and 1,015 million yen respectively, total liabilities declined 2,767 million yen from the previous year-end.

Net assets ended at 33,070 million yen. Although we posted 1,088 million yen as quarterly net profit attributable to the parent company's shareholders, net assets shrank 696 million yen from the previous year-end due to dividend payment and the decrease from foreign currency translation adjustment account.

As a result of the above, the capital-to-asset ratio ended at 57.2%, rising 2.1 points from the previous year-end.

(3) Outline of future predictions including consolidated earnings forecast

We have revised our full-year consolidated earnings forecast as follows as a result of taking into account the most recent performances.

Revision of consolidated earnings forecast for the full year ending December 2016
(January 1, 2016 – December 31, 2016)

	Sales	Operating Income	Ordinary Income	Net Income attributable to the parent company's shareholders	Net income per share
Previous forecast (A)	million yen	million yen	million yen	million yen	yen
(August 2, 2016)	76,000	3,500	2,200	1,200	41.38
Revised forecast (B)	74,000	3,500	2,200	1,200	41.38
Change (B-A)	-2,000	—	—	—	—
Change (%)	-2.6	—	—	—	—
(Ref.) Previous year actual (Year ended Dec. 2015)	78,117	1,483	1,801	-3,601	-124.21

The above earnings forecast was prepared based on information available at the time of the announcement of this material; therefore, the actual results may differ significantly from the forecast due to various factors that may occur going forward.

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.