Summary of Consolidated Financial Results
for the Fiscal Year Ended December 31, 2016
(IFRS)

February 14, 2017

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
Contact: Seiichi Izawa, General Manager, Finance Department, Tel. +81-78-265-3200
Scheduled date of ordinary general shareholders' meeting: March 24, 2017
Scheduled starting date of dividend payment: March 27, 2017
Scheduled date of annual securities filling: March 27, 2017
Preparation of explanatory materials for financial results: Yes
Explanatory meetings arranged related to financial results: Yes (for analysts)

(Millions of yen with fractional amounts discarded)

1. Consolidated Financial Results (from January 1, 2016 to December 31, 2016)

(1) Consolidated Operating Results (Percentages indicate year-on-year changes.)

	Revenue		**Operating profit**		**Profit before tax**		**Profit**		**Profit attributable to owners of parent**		**Comprehensive income**	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31 2016	73,299	-6.3	4,012	79.5	2,903	20.5	2,151	42.2	1,876	53.2	1,795	117.1
December 31 2015	78,264	-	2,235	-	2,409	-	1,512	-	1,224	-	826	-

	Basic profit per share	**Diluted profit per share**	**Profit to equity attributable to owners of parent ratio**	**Profit before tax to total assets ratio**	**Operating Profit to revenue ratio**
Fiscal year ended	Yen	Yen	%	%	%
December 31 2016	64.70	-	5.7	5.0	5.5
December 31 2015	42.22	-	3.8	4.0	2.9

(Reference) Investment profit/loss on equity method (Millions of yen): Year ended Dec. 2016: 37 Year ended Dec. 2015: 45

(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**
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	%	Yen
December 31 2016	55,600	34,922	33,676	60.6	1,161.26
December 31 2015	59,823	33,596	32,388	54.1	1,116.84

(3) Consolidated Cash Flow

	Cash flow from operating activities	**Cash flow from investing activities**	**Cash flow from financing activities**	**Cash and cash equivalents at end of ficial year**
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31 2016	7,541	-1,823	-4,844	2,486
December 31 2015	1,514	-1,989	-240	1,690

2. Cash Dividends

	Cash dividend per share					Total dividends (Annual)	Payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of parent (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
December 31 2016	-	10.00	-	0.00	10.00	289	23.7	0.9
December 31 2015	-	10.00	-	30.00	40.00	1,159	61.8	3.5
Fiscal year ending December 31 2017 (forecast)	-	10.00	-	25.00	35.00		63.4	

3. Forecast for Consolidated Results for FY 2017 (from January 1, 2017 to December 31, 2017)

(% indicates percentage change from the previous year for the full year and from the same period of the previous year for the quarter)

	Revenue		Operating profit		Profit attributable to owners of parent		Basic profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	36,500	-	1,300	-	600	-	20.69
Full year	76,000	3.7	2,800	-30.2	1,600	-14.7	55.17

***Notes**

(1) Changes in significant subsidiaries during the period

(Changes in specified subsidiaries resulting in the scope of consolidation): None

(2) Changes in accounting principles and changes in accounting estimates

(i) Changes in accounting principles required by IFRS: None

(ii) Changes in accounting principles other than (i): None

(iii) Changes in accounting estimates: None

(3) Number of outstanding shares (common shares)

(i) Number of shares outstanding at the end of the period (including treasury stocks)

Year ended Dec. 2016 29,000,000 shares

Year ended Dec. 2015 29,000,000 shares

(ii) Number of share of treasury stocks as of the end of the period

Year ended Dec 2016 183 shares

Year ended Dec. 2015 183 shares

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

Year ended Dec. 2016 28,999,817 shares

Year ended Dec. 2015 28,999,817 shares

〈Reference〉Summary of Unconsolidated Financial Results

Unconsolidated Financial Results (from January 1, 2016 to December 31, 2016)

(1) Unconsolidated operating results

	Sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31 2016	40,326	-6.2	1,754	-	2,052	2.0	1,824	-
December 31 2015	42,977	6.8	-285	-	2,012	353.1	-2,777	-

	Net income per share	Diluted net income per share
Fiscal year ended	Yen	Yen
December 31 2016	62.91	-
December 31 2015	-95.76	-

(2) Unconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31 2016	51,089	31,494	61.6	1,086.01
December 31 2015	55,317	29,732	53.7	1,025.27

(Reference) Shareholders' equity (Millions of yen): Year ended Dec. 2016: 31,494 Year ended Dec. 2015: 29,732

* Information regarding the status of audit procedures

These financial statements are not subject to audit procedures under the Financial Instruments and Exchange Act of Japan. The audit procedures for these financial statements in accordance with the Financial Instruments and Exchange Act had not been completed at the time of disclosure.

* Explanations concerning the appropriate use of the earnings forecasts and other special notes

The 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 forecasts. Please see 1-(iii) for matters concerning our earnings forecast.

The Company has applied the International Financial Reporting Standards (IFRS) for the first time this consolidated financial year and has disclosed its consolidated financial statements based on IFRS. The consolidated financial statements for the previous consolidated fiscal year are also shown based on IFRS.

The financial figures in the overview of the unconsolidated financial results are based on Japanese standards.

1. Analyses of Operating Results and Financial Situation

(1) Analysis of operating results

(i) Overview of overall earnings results

The global economy during this consolidated cumulative fiscal year (January 1 to December 31, 2016) enjoyed a gradual recovery overall despite weaknesses in some of the Asian emerging economies, including China, and the impact of the interest rate hike in the United States. Meanwhile, the domestic economy also maintained its gradual recovery trend owing to improved employment situations.

As for the golf market environment surrounding our company group, in the United States, which is the world's biggest market, golf club sales volume did not grow due to higher prices and remained below the previous year level. In Europe, the market shrank as consumer sentiment declined after the U.K. decided to leave the E.U. and with the later start of the season due to bad weather in the mainland at the beginning of the year. In Asia, the market declined compared to the previous year as consumption in China dropped further from weak market conditions, and as sluggishness spread in Southeast Asia from the slowdown of the Chinese economy, as well as the rise in commodity prices resulting from the depreciation of Asian currencies.

Meanwhile, in Japan, the number of golf course visitors fell slightly from the previous year because of the Kumamoto earthquake in April and typhoons in July through September. The overall golf equipment market fell marginally from the year-ago level even though the size of the market grew owing to higher prices for golf clubs, for example, as there was no major product launch by any of the manufacturers, unlike the previous year during which new golf ball products were introduced.

The domestic tennis equipment market declined as purchases inspired by the success of Kei Nishikori subsided. Under such circumstances, our company group developed products boasting excellent performance with our superb technological advantage, which is our strength, and secured the top market share* in terms of store sales for golf clubs, golf balls and tennis rackets in Japan. We expect to grab the top share in domestic shipment value for tennis balls as well. In the wellness business, we opened six new outlets of Gym Style 24 compact gyms that are open 24 hours a day.

Outside Japan, we strategically expanded our three brands XXIO, Srixon, and Cleveland Golf in the golf equipment market in order to increase market share around the world. As a result of the above, revenue was 73,299 million yen (down 6.3% y-o-y), operating profit was 4,012 million yen (up 79.5% y-o-y), profit before tax was 2,903 million yen (up 20.5% y-o-y), profit was 2,151 million yen (up 42.2% y-o-y), and profit attributable to the owners of the parent company was 1,876 million yen (up 53.2% y-o-y). Operating profit exceeded the previous year with strong sales of XXIO 9 (ninth generation XXIO) and our efforts to reduce expenses and improve costs, in addition to lower procurement costs owing to the higher yen.

*Figures from Yano Research Institutes

(ii) Overview by segment

1) Sports Equipment business

With the golf equipment business, in Japan, although sales of our golf clubs, namely XXIO 9, as well as our New Srixon Z golf club series introduced in September, remained strong owing to the success of our contract players including Hideki Matsuyama, overall revenue fell below the previous year due to market conditions and as sales of golf wears, the business of which was changed to a licensing with Descente starting this fiscal year, declined. Meanwhile, outside Japan, we strategically expanded our three brands XXIO, Srixon, and Cleveland Golf and maintained strength in North America, Europe, Southeast Asia, and South Korea. However, the steep yen appreciation resulted in overseas revenue to fall below the previous year.

As a result, overall golf equipment revenue fell below the previous year. Tennis equipment sales declined from the previous year as Babolat rackets struggled, affected by the market deterioration, despite the new model of Srixon rackets remaining strong. Revenue from the Sports Equipment business including licensing revenue for the consolidated fiscal year ended at 60,406 million yen (down 8.5% y-o-y).

2) Services/Golf Course Management Operations business

Revenue from the golf tournament operations business rose above the previous year as the number of orders increased. As a result, revenue from the services/golf course management operations for the consolidated fiscal year ended at 4,526 million yen (up 6.8% y-o-y).

3) Wellness business

Revenue from the fitness segment exceeded the previous year from opening our Gym Style 24 compact gyms that are open 24 hours a day. Revenue from the golf school segment fell slightly below the previous year due to the reduced number of locations, however that of tennis schools remained firm and exceeded the previous year. As a result, revenue for the wellness business for the consolidated fiscal year ended at 8,366 million yen (up 4.6% y-o-y).

(iii) Outlook for the next fiscal year

As for the outlook for the next fiscal year, although the global economy is anticipated to recover gradually, there are concerns over the risks deriving from uncertainties of the new administration in the United States, as well as the uncertainties of the policies and economic outlook of emerging countries in Asia, including China. Despite expectations for a gradual recovery in the domestic economy, there is a risk of missing our target due to the abovementioned uncertainties in the overseas economies.

The environment surrounding our company group is that overseas golf markets will likely remain in a difficult situation as was the case in the previous year, and the domestic golf and tennis market will continue its declining trend due to the falling number of players. Under such circumstances, our company group will enhance customer satisfaction by grasping the markets' needs accurately from the perspective of Genchi-Genbutsu, meaning to physically be present on site at the local markets in order to thoroughly confirm the facts with our own eyes and offering products and services that are differentiated from rivals.

With golf equipment, we will strive to expand golf club sales around our core XXIO 9 golf clubs, as well as our Srixon and Cleveland Golf clubs, while introducing new golf ball products, such as the New Srixon Z-STAR series and the higher-end XXIO Super Soft X to maintain the top market share in Japan. In the overseas market, we will continue with our efforts to expand sales of XXIO, Srixon and Cleveland Golf clubs and to increase the market share of the Srixon golf balls, as in Japan. As for tennis equipment, we will aggressively introduce new products under the REVO CX tennis racket series in Japan and at the same time enhance our efforts to expand tennis ball sales. With the wellness business, we will aim to increase sales by expanding new outlets of our compact gym, Gym Style 24.

We will also aim to increase sales from our golf schools and tennis schools by increasing the number of customers through the opening new sites and implementation of new programs. With such efforts, we estimate the following for our next fiscal year earnings.

	Consolidated			
	Consolidated cumulative 2nd quarter	**(year-over-year changes)**	**Full year**	**(changes from the previous year)**
	Millions of yen	%	Millions of yen	%
Revenue	36,500	(-)	76,000	(+3.7)
Operating Profit	1,300	(-)	2,800	(-30.2)
Profit attributable to owners of parent	600	(-)	1,600	(-14.7)

(Note) estimated exchange rate: USD 1 = JPY 110

(2) Analysis of financial situation

(i) Financial situation

Total assets as of the end of this consolidated fiscal year were 55,600 million yen. Although cash and cash equivalents increased 795 million yen, operating receivables, and other receivables decreased 3,767 million yen while tangible fixed assets shrank 562 million yen resulting in total assets to decrease 4,222 million yen compared to the previous consolidated fiscal year-end.

Total liabilities ended at 20,678 million yen. Borrowings decreased 4,389 million yen while operating payables and other payables decreased 831 million yen resulting in total liabilities to decrease 5,548 million yen compared to the previous consolidated fiscal year-end.

Total equity ended at 34,922 million yen. Retained earnings increased 1,510 million yen from posting profit attributable to owners of the parent resulting in total equity to increase 1,325 million yen compared to the previous consolidated fiscal year-end. As a result of the above, equity ratio attributable to owners of the parent was 60.6%, rising 6.5 points from the previous consolidated fiscal year-end.

(ii) Status of cash flow

Cash and cash equivalents as of the end of this consolidated fiscal year were 2,486 million yen. This was an increase of 795 million yen from the previous consolidated fiscal year-end. The details of cash flow from various activities were as follows.

(Cash flow from operating activities)

Operating activities for this consolidated fiscal year generated a cash inflow of 7,541 million yen (compared to a cash inflow of 1,514 million yen for the previous consolidated fiscal year). The breakdown of major inflows was 2,903 million yen from profit before tax, 3,470 million yen from the decrease of operating receivables and other receivables, and 2,300 million yen from amortization and depreciation. The breakdown of major outflow was 812 million yen from the decrease of operating payables and other payables, and 682 million yen from the payment of corporate tax.

(Cash flow from investing activities)

Investment activities for this consolidated fiscal year-end generated a cash outflow of 1,823 million yen (compared to a cash outflow of 1,989 million yen in the previous consolidated fiscal year). The breakdown of major outflows was 1,586 million yen for the acquisition of fixed tangible assets, and 211 million yen for the acquisition of intangible assets.

(Cash flow from financing activities)

The financial activities for this consolidated fiscal year generated a cash outflow of 4,844 million yen (compared to a cash outflow of 240 million yen in the previous consolidated fiscal year). The breakdown of major outflows was 3,676 million yen for the net increase/decrease of short-term borrowings, 565 million yen for the repayment of long-term borrowings, and 450 million yen for dividend payments.

(iii) Changes in cash flow related benchmarks

	Year ended Dec. 2015	Year ended Dec. 2016
Ratio of equity attributable to owners of parent (%)	54.1	60.6
Ratio of equity attributable to owners of parent at prevailing prices (%)	45.3	54.0
Cash flow to interest-bearing debt ratio (year)	6.7	0.7
Investment coverage ratio	26.9	217.0

(Calculation method)

- Ratio of equity attributable to owners of parent: Total equity attributable to owners of parent/Total assets
- Ratio of equity attributable to owners of parent at prevailing prices: Market capitalization/Total assets
- Cash flow to interest-bearing debt ratio: Interest-bearing debts/ Operating cash flow
- Investment coverage ratio: Operating cash flow/Interest payments

(Note) 1. The respective indices are calculated using consolidated financial figures.
2. Market capitalization is calculated based on the number of outstanding shares excluding treasury stocks.
3. Interest-bearing debt includes all liabilities recorded in the consolidated statement of financial position on which interest is paid.
4. Interest payment is the amount of interest paid in the consolidated cash flow statement.
5. The date of transition to IFRS is January 1, 2015, and IFRS is applied from the year ended December 2016 therefore figures of and before the year ended December 2014 are not stated.

(3) Basic profit allocation policy and dividends for this/next fiscal year

We recognize that the distribution of profit to shareholders is one of our important missions and have made it our basic policy to reward shareholders steadily over a long period of time with comprehensive consideration of our earnings outlook, dividend ratio, and the level of retained earnings, and we intend to continuously distribute profit to our shareholders. Furthermore, we have made it our basic policy to pay dividends with surplus earnings twice a year as interim and year-end dividends. The organizations responsible for making the decision on the distribution of surplus are the shareholders' meeting for the year-end dividend and the board of directors' meeting for the interim dividend. As for retained earnings, we intend to utilize the money effectively to strengthen our overseas business development even more and to enhance research and development activities in order to further strengthen our corporate structure. As for dividends for this fiscal year, we will pay 30 yen per share as year-end dividend to pay an annual dividend of 40 yen per share including the 10 yen per share interim dividend which has already been paid. As for dividends for the next fiscal year, we currently plan to pay an annual dividend of 35 yen per share with an interim dividend of 10 yen and a year-end dividend of 25 yen.

2. Management Policy

(1) The Company's basic business policy

Our company group aims to become a corporate group developing our business globally by providing products and services based on our corporate philosophy and management vision as stated below, so that customers can refresh and enjoy playing sports.

<Corporate Philosophy>

Enriching the sporting lives with advanced technology.

<Management Vision>

- Enhance brand value, meet global customers' expectations, and win their trust.
- Seek to provide customers fun and enjoyment and create trusted products and services worldwide.
- Ensure an environment where all staff members are encouraged to optimize their skills while valuing teamwork.

(2) Management benchmark target

Our company group has set as the basic policy of our Midterm Management Plan (2016–2020) the "creation of hit products and enhancement of our brand value with our technological competence and planning ability," "execution of our growth strategy in the global and new domains," and "enhancement of our corporate structure to secure growth," and we will aim to achieve "sales of 100 billion yen," "operating profit of 6 billion yen," and "ROE of 5% or more" in the year ending December 2020.

Starting from this consolidated cumulative fiscal year, the International Financial Reporting Standard (IFRS) has been adopted in place of the usual Japanese standard. However, please note that the above target figures are based on the Japanese standard that was still in effect at the time of preparing the Midterm Management Plan.

(3) Mid- to long-term management strategy of the Company

We cannot expect the domestic golf and tennis equipment market, in which our company group's products hold significant market shares, to grow with the population in a declining trend. To secure future growth under such circumstances, we must advance the expansion of our golf business in the United States, which is a large market, and Asia, which is a growing market, as well as the expansion of our tennis business abroad, and at the same time, further solidify our position in the domestic golf and tennis equipment markets, and grow our wellness business. Furthermore, we will make use of our technological competence, which is our strength, to provide our customers with attractive products and services differentiated from that of rivals to enhance our corporate and brand values.

(4) Challenges to be addressed by the Company

Regarding the environment surrounding our company group, we expect the difficult situation to persist going forward as the market size for golf and tennis equipment in Japan continues to shrink and with the on-going fierce competition in the overseas market where the outlook remains uncertain.

Under these circumstances, our company group will pursue efforts described below in order to establish our position as a global sports equipment company.

(i) Creation of hit products and enhancement of brand value with our technological competence and planning ability

We will capture the fundamental needs of our customers around the world and utilize our superb technological competence to reflect such needs in our products as features and performances that enable our customers to "feel, sense and be surprised with" the actual experience. We will create products that will become a hit around the world by growing our three golf brands XXIO, Srixon and

Cleveland Golf into global brands recognized worldwide and securing their competitive advantage in terms of brand power, technological competence and planning ability.

(ii) Execution of our growth strategy in the global and new domains

Our company group aims to become a corporation with strong presence around the world. We will develop our business by expanding our brands according to the local circumstances and creating hit products to increase our share in the respective markets. Especially in the world's largest North American market, we will aggressively develop our business through the reorganization and strengthening of our sales structure to expand our market share.

As for new domains, we will focus our efforts into expanding the wellness business which we entered in 2014 and grow our business with an eye on developing other new businesses related to sports.

Moreover, as for our tennis equipment business, we will proceed with signing contracts with players that are successful abroad and take on the overseas market.

(iii) Enhancement of our corporate structure to secure growth

Our company group will make efforts to enhance our corporate structure by renewing our organizational structure in order to create hit products with our planning ability and technological competence, holding down fixed charges and reducing costs. Additionally, we will promote efforts to change our structure so that we are not easily affected by currency exchange and market fluctuations by striving to increase the ratio of overseas sales, improving the profitability of our domestic businesses and expanding our wellness business.

3. Basic approach concerning the selection of accounting standards

Our company group has voluntarily adopted the International Financial Reporting Standard (IFRS) starting from this consolidated cumulative fiscal year, in order to improve the international comparability of financial information in the capital markets and to enhance the quality of business management of our group companies.