



**Consolidated Financial Results for  
the Year Ended December 31,2016**

**February 14, 2017**

***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).

A large blue triangle graphic on the left side of the slide, pointing downwards.

# **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)	Change
Revenue	<b>73.3</b>	78.3	<b>-5.0</b> (-6%)	Sales	<b>73.3</b>	78.1	<b>-4.8</b> (-6%)	74.0	-0.7
Operating profit (%)	<b>4.0</b> (5.5%)	2.2 (2.9%)	<b>+1.8</b> (+80%)	Operating income (%)	<b>4.0</b> (5.4%)	1.5 (1.9%)	<b>+2.5</b> (+166%)	3.5 (4.7%)	+0.5
Profit before tax	<b>2.9</b>	2.4	<b>+0.5</b> (+20%)	Ordinary income	<b>2.9</b>	1.8	<b>+1.1</b> (+62%)	2.2	+0.7
Net Profit*1	<b>1.9</b>	1.2	<b>+0.7</b> (+53%)	Net income	<b>1.8</b>	<b>-3.6</b>	<b>+5.4</b> ( - )	1.2	+0.6
ROE	<b>5.7%</b>	3.8%	+1.9%	ROE	<b>5.0%</b>	<b>-10.2%</b>	<b>+15.2%</b>		

\*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	<b>-1%</b>
Domestic tennis equipment market	<b>-8%</b>
U.S. golf equipment market	<b>-6%</b>

Year ended 2016	Dividend per share		Total dividend
	Interim	<b>10</b> yen	
	Year-end	<b>30</b> yen	
	Annual total	<b>40</b> 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	<b>73.3</b>	<b>73.3</b>	<b>-0.01</b> (-0%)	(1) Sales incentives	-0.2
Operating profit (%)	<b>4.0</b> (5.5%)	<b>4.0</b> (5.4%)	<b>+0.06</b> (+2%)	(2) Newly consolidated	+0.2
Profit before tax (%)	<b>2.9</b>	<b>2.9</b>	<b>-0.01</b> (-1%)	(3) Amortization of goodwill	+0.2
Net profit <sup>*1</sup> (%)	<b>1.9</b>	<b>1.8</b>	<b>+0.1</b> (+6%)	(4) Property for advertisement Retirement benefit accounting, etc.	-0.1
				(5) Lower corporate tax, etc.	+0.1

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\*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%
<b>Golf equipment</b>	<b>53.7</b>	<b>-5.3</b>	<b>-9%</b>
Tennis equipment	6.2	-0.3	-4%
License revenue	0.5	-0.1	-9%
<b>Sports equipment</b>	<b>60.4</b>	<b>-5.6</b>	<b>-9%</b>
<b>Services</b>	<b>4.5</b>	<b>+0.3</b>	<b>+7%</b>
<b>Wellness</b>	<b>8.4</b>	<b>+0.4</b>	<b>+5%</b>
<b>Total</b>	<b>73.3</b>	<b>-5.0</b>	<b>-6%</b>

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
<b>Total</b>	<b>-3.6</b>	<b>+1.9</b>

### ■ 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

(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

## ■ 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]

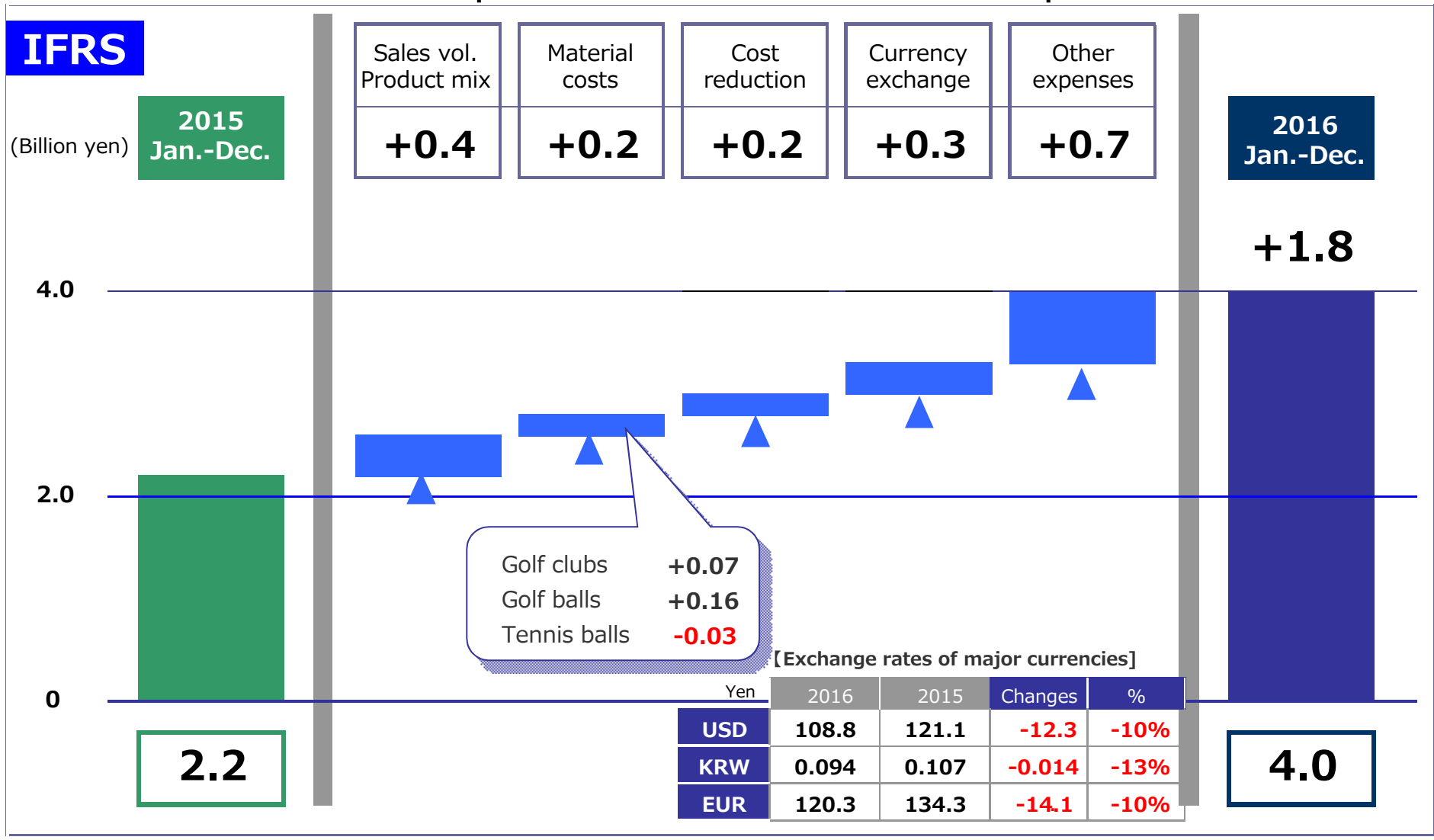
yen	2016	2015	Change	%
USD	108.8	121.1	-12.3	-10%
KRW	0.094	0.107	-0.014	-13%
EUR	120.3	134.3	-14.1	-10%

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# Operating Income Analysis

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

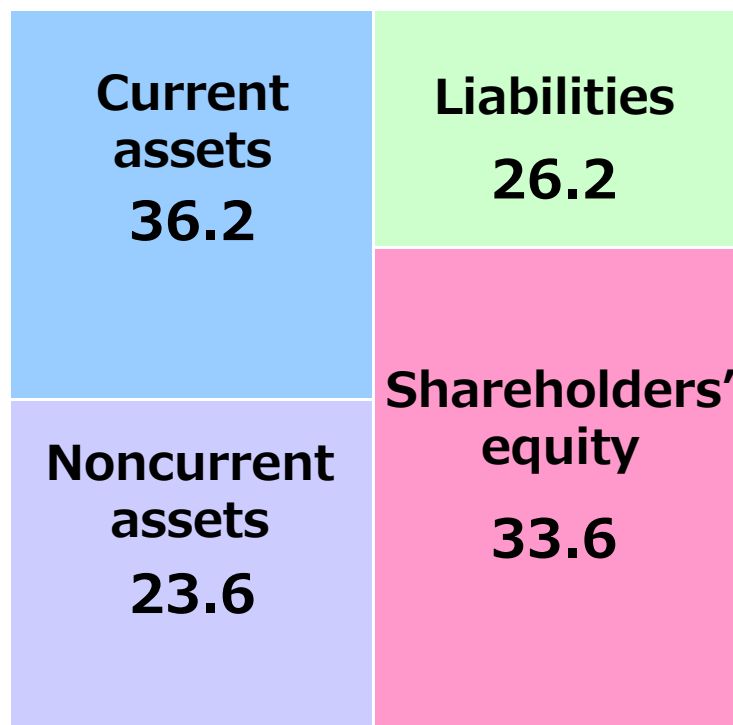


# Status of Financial Position Statement (B/S)

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

**IFRS**

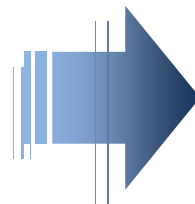
End of Dec. 2015



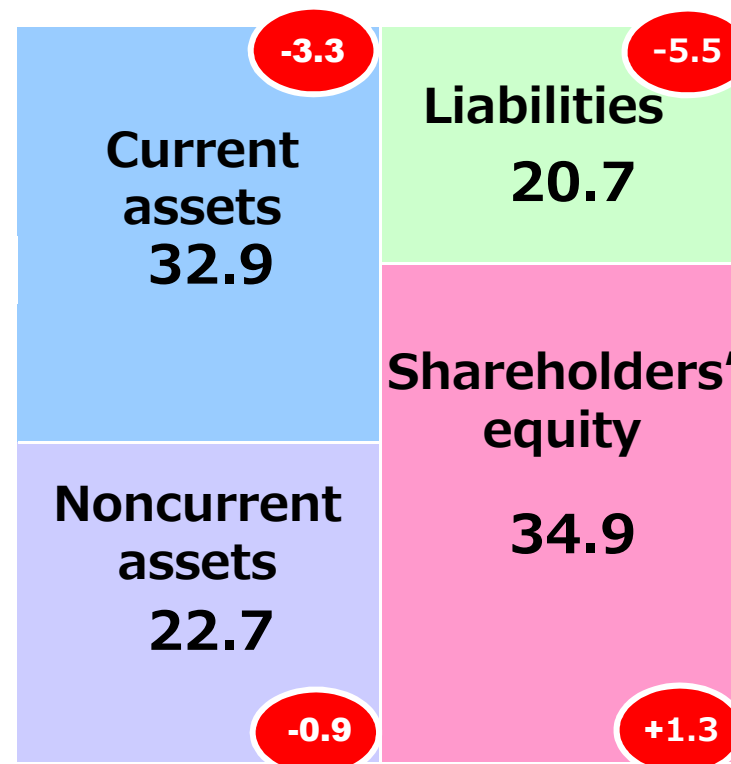
**Total assets 59.8**

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

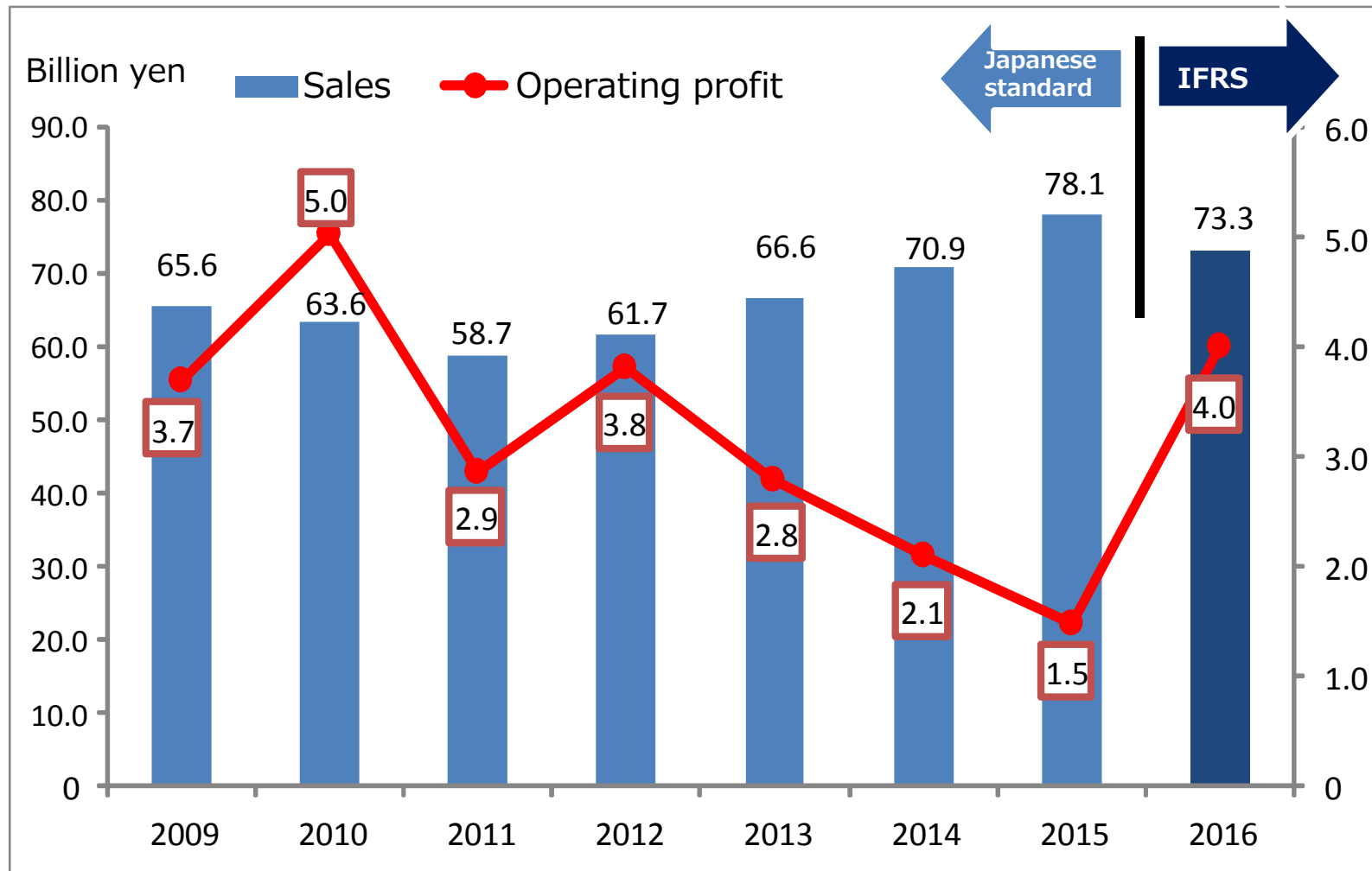


**Total assets 55.6**

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



# **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)
<b>Revenue</b>	<b>76.0</b>	73.3	<b>2.7</b> (+4%)
<b>Operating profit</b> (%)	<b>2.8</b> (3.7%)	4.0 (5.5%)	<b>-1.2</b> (-30%)
<b>Net profit</b> *1	<b>1.6</b>	1.9	<b>-0.3</b> (-15%)
<b>ROE</b>	<b>4.7%</b>	<b>5.7%</b>	<b>-1.0%</b>

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

Year ending Dec. 2017 (Forecast)	Dividend per share		Total dividend
	Interim	<b>10</b> yen	
	Year-end	<b>25</b> yen	
Annual	<b>35</b> 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%
<b>Golf equipment</b>	<b>56.0</b>	<b>+2.3</b>	<b>+4%</b>
Tennis equipment	6.4	+0.2	+3%
License revenue	0.5	-0.0	-1%
<b>Sports equipment</b>	<b>63.0</b>	<b>+2.5</b>	<b>+4%</b>
<b>Services</b>	<b>4.2</b>	<b>-0.4</b>	<b>-8%</b>
<b>Wellness</b>	<b>8.9</b>	<b>+0.5</b>	<b>+6%</b>
<b>Total</b>	<b>76.0</b>	<b>+2.7</b>	<b>+4%</b>

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
<b>Total</b>	<b>+0.6</b>	<b>+1.3</b>

■ **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

## ■ 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.

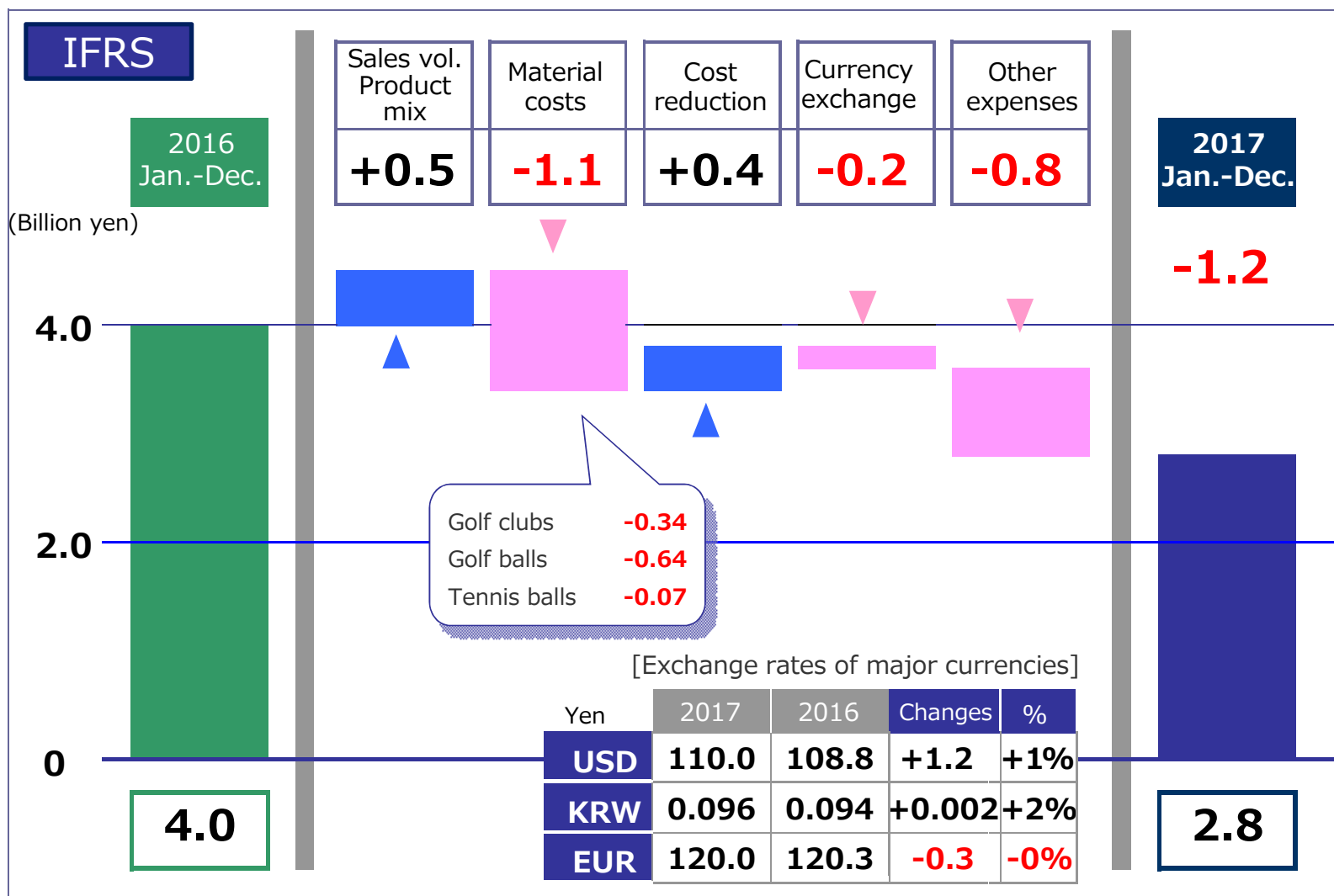
[Exchange rate of major currencies]

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%

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

# Consolidated Operating Profit (Forecast) Analysis

Profit to decline in light of expected material price increase

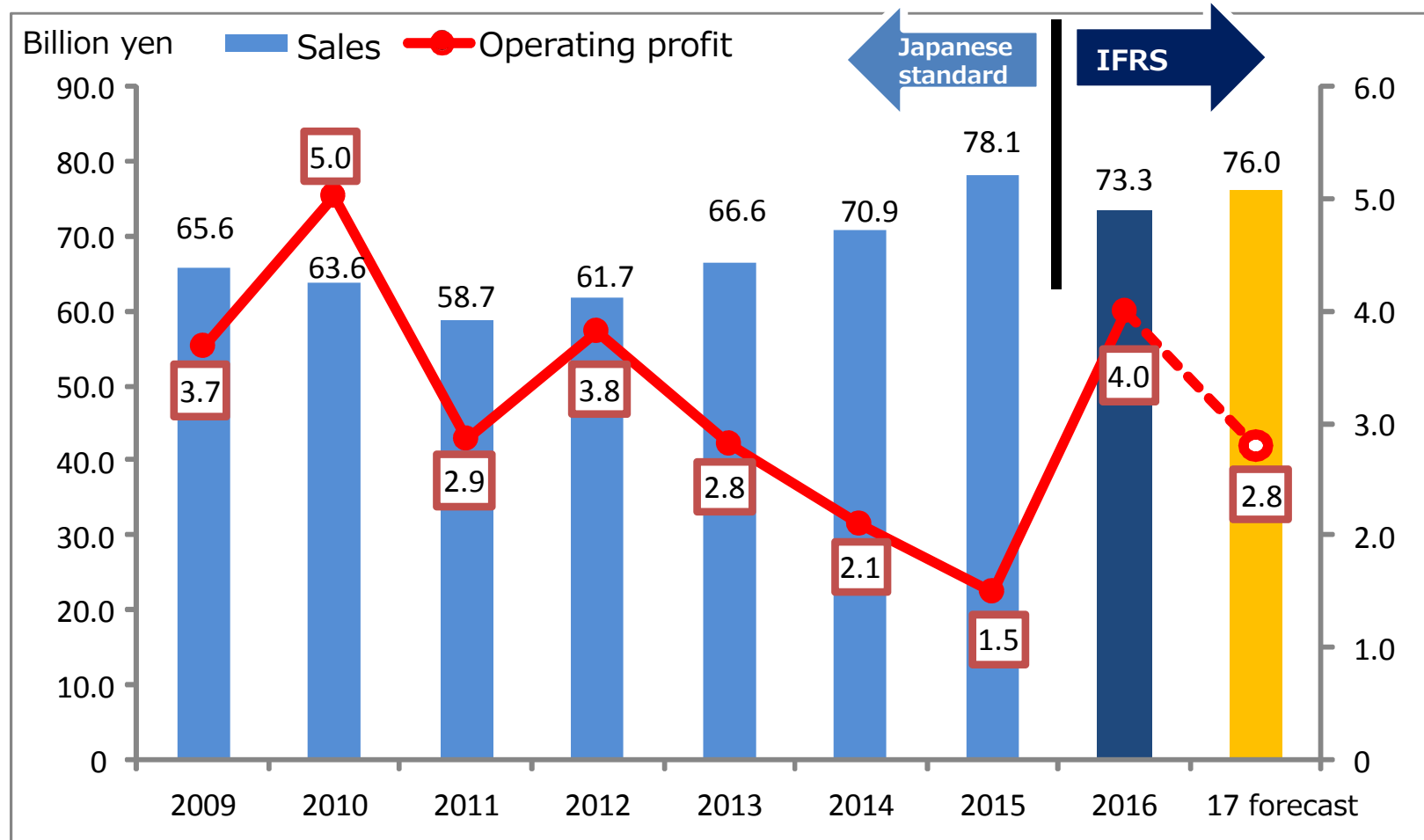


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# Consolidated Profit/Loss

Revenue expected to increase, operating profit to decrease



USD exchange rate 94 88 80 80 98 106 121 109 110

**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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