

Sports Business

- Dunlop Sports Co. Ltd., a company spun off from Sumitomo Rubber Industries in 2003, plays a central role in the manufacturing and marketing of such items as golf clubs and golf balls. In the area of tennis equipment, the company offers several products, including rackets and balls.
- In its mainstay golf product lineups, Dunlop Sports has introduced the XXIO, SRIXON and Cleveland Golf brands on a global scale.
- Tennis equipment is manufactured and marketed under the Dunlop and SRIXON brands. In addition, a sales agency contract has been signed with the French company BABOLAT VS S.A.
- Dunlop Sports was listed on the first section of the Tokyo Stock Exchange.



No.1
 ranking in terms of value of domestic shipments in 2013 for

- Golf clubs
- Golf balls
- Tennis rackets
- Tennis balls

These 2013 market share estimates are based on data in the Sports Goods Industry 2014 report compiled by Yano Research Institute Ltd.



The flagship golf goods brand XXIO is a favorite among golfers in Japan, South Korea, China and Southeast Asia.

361 golfers
 in **22** countries
 worldwide

The number of professional golfers who have entered into equipment sponsorship agreements with Dunlop Sports

As of April 30, 2014



Golf and tennis goods under the SRIXON brand, introduced for professional and semiprofessional use, are preferred by leading athletes throughout the world and contribute to their tournament wins.



Introduced in 1979 in the United States, Cleveland Golf's wedges enjoy a high share of the U.S. golf club market.



Dunlop Sports' FORT (left) and SRIXON (right) brand tennis balls are used in a number of important tournaments.

Fiscal 2013 Results

Sales in the Sports business increased 8.0% year on year to ¥66,261 million, while operating income fell 10.6% to ¥3,992 million. The domestic golf goods market saw relatively firm growth as fair weather drew out more golfers than in the previous year. Markets overseas faced harsh conditions, however, due mainly to growing demand stagnation in Southeast Asian countries and poor weather in North America, which is home to the world's largest market, resulting in fewer golfers on the links.

Against this backdrop, Dunlop Sports' XXIO7 golf clubs continued to garner rave reviews even two years after their release and the XXIO8 lineup, launched in December, got off to a strong start. In golf balls, the company aimed for further sales expansion, introducing two new products: the SRIXON Z-STAR with improved spin control and flight performance in February and the XXIO XD-AERO, which employs newly developed, innovative non-circular dimples to achieve a high, strong, straight trajectory for longer flight, in March. Owing to these efforts, the company's golf clubs and balls captured top market shares in terms of domestic storefront sales.*

Furthermore, Dunlop Sports has signed equipment sponsorship agreements with leading athletes, including Hideki Matsuyama, in an effort to bolster brand value and credibility. Two such players, Hideki Matsuyama and Rikako Morita, were the money leaders of the Japan Golf Tour and the LPGA of Japan Tour, respectively, helping to further enhance brand awareness.

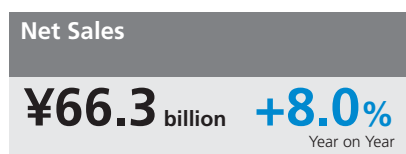
Overseas, the company expanded sales of XXIO7 products in Asia. In Europe and the United States, the company pursued an aggressive sales promotion policy, focusing mainly on new wedge clubs under the Cleveland Golf brand and golf balls under the SRIXON brand.

* Market share survey conducted by Yano Research Institute Ltd.

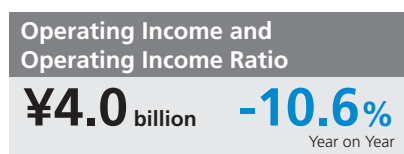
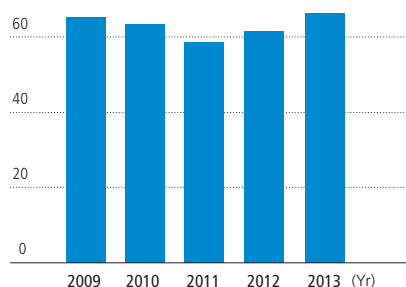
Fiscal 2014 Outlook

The outlook for the global economy remains unclear and, although the Japanese economy is gradually improving, there are concerns that the April 2014 consumption tax increase will have negative effects. Amid these circumstances, Dunlop Sports will accelerate its business growth and, accordingly, pursue global expansion mainly in the field of golf equipment.

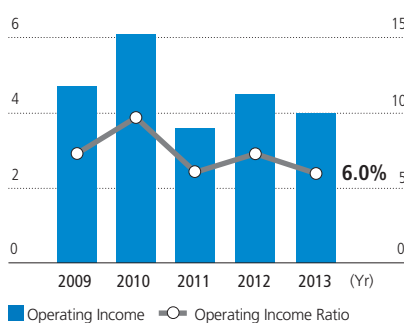
To raise the value of Dunlop, XXIO, SRIXON, Cleveland Golf and other brands, the company has signed equipment sponsorship agreements with a number of leading professional athletes, thereby increasing brand and product recognition and credibility. Proactively pursuing sales expansion in the vital U.S. market, the company is rolling out XXIO brand golf clubs as well as Cleveland Golf brand golf clubs while promoting SRIXON brand golf balls. In Asia, where strong growth is expected, the company is focusing on efforts to expand sales and raise brand awareness, especially of XXIO brand golf clubs. In product development, the company is focusing primarily on analyses and evaluations by its Golf Science Centers in Japan and China as well as engineering technology employing computer simulations, thereby promoting the development of golf clubs and golf balls with superior flight distance performance. The company is also involved in the development of materials through joint research with universities and other research institutions.



(Billions of yen)
80



(Billions of yen)
8



Sales Breakdown

(Billions of yen)

	2012	2013	Year on Year
Clubs	29.9	33.2	+11%
Balls	12.3	14.4	+18%
Shoes and accessories	7.8	7.4	-6%
Golf goods	50.0	55.0	+10%
Tennis goods	6.5	6.3	-3%
Licensing revenue	0.4	0.4	+6%
Sports goods	56.9	61.6	+8%
Others	4.5	4.7	+3%
Total	61.3	66.3	+8%

Figures are rounded to the nearest ¥0.1 billion. Percentage figures are rounded to the nearest whole number.