

# SPORTS BUSINESS

- With Dunlop Sports Co. Ltd. serving as the principal operating company, the Group produces and markets such goods as golf clubs and balls as well as tennis rackets, tennis balls and other tennis equipment.
- 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 launched a wellness promotion business, comprising a fitness club business and a golf and tennis school businesses, expanding it to create a third business pillar for the segment.
- Dunlop Sports is listed on the first section of the Tokyo Stock Exchange.



XXIO9



SRIXON Z



CLEVELAND 588 RTX 2.0



SRIXON Z-STAR



## No.1 ranking in terms of value of domestic shipments in 2016 for

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

These 2016 market share estimates are based on data in the Sports Goods Industry 2017 report compiled by Yano Research Institute Ltd.

## Golfers Supported by SRIXON Demonstrate Outstanding Performance around the World

A number of leading Japanese and overseas professional golfers have entered into equipment sponsorship agreements with Dunlop Sports. Among these are such players as Hideki Matsuyama and Lee Bomi, who have earned brilliant scores while using SRIXON golf goods.



Professional golfer,  
Hideki Matsuyama



#### YOUR PRESTIGE PARTNER

Reliable and **professional quality**, capable of helping players advance their golf skills



#### DEDICATED TO IMPROVING YOUR GAME

The culmination of a wealth of proprietary Dunlop technologies that benefits all golfers from beginners to professionals



#### WHERE SCORING MATTERS

Cleveland Golf's distinct short game strengths come to the fore for all players



SRIXON REVO CV3.0



DUNLOP FORT / SRIXON

### Fiscal 2016 Results

Sales revenue in the Sports business decreased 6% from the previous fiscal year to ¥72,772 million, while business profit<sup>1</sup> increased 63% to ¥4,303 million.

In the golf goods market in Japan, sales of our flagship XXIO 9 golf clubs steadily

increased, even though the number of golf course visitors declined from the level of the previous fiscal year, and we won the top share<sup>2</sup> again in the current period in terms of sales of golf clubs and golf balls. However, sales revenue fell below the level of the previous fiscal year in the golf goods market in Japan as a whole, partly because of a switch-over in the golf apparel business to licensed sales through DESCENTE LTD. in the current fiscal year.

In the tennis goods market in Japan, we earned the top share<sup>2</sup> in terms of sales of tennis rackets. However, sales revenue fell below the level of the previous fiscal year due to the sluggish growth of the tennis goods market.

In overseas golf goods markets, we made aggressive efforts to globally expand sales of our SRIXON, XXIO and Cleveland Golf brands. However, due to the effect of yen appreciation, sales revenue fell below the level of the previous fiscal year.

As a result, sales revenue in the Sports business fell below the level of the previous fiscal year, while business profit increased mainly due to a decrease in purchasing costs resulting from yen appreciation.

1. Defined by Sumitomo Rubber Industries, Ltd. as its primary management indicator. Business profit = Sales revenue – (Cost of sales + Selling, general and administrative expenses)
2. Market share in terms of storefront sales by retailers based on YPS data compiled by Yano Research Institute Ltd.

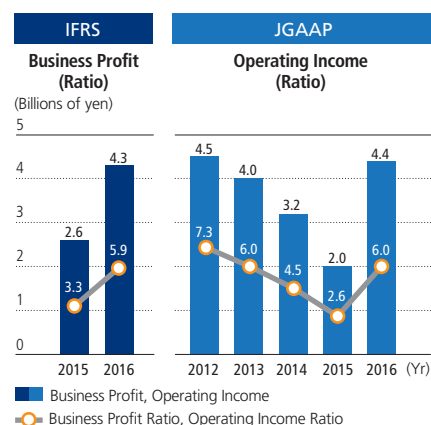
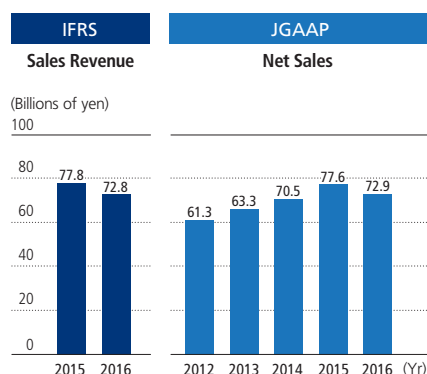
### Fiscal 2017 Outlook

For golf goods, we will continue to win the top share in the domestic market by promoting sales of our flagship golf club XXIO 9, as well as the SRIXON and Cleveland Golf brands. For golf balls, we will progressively introduce new products including the premium XXIO brand and the SRIXON brand. In overseas markets as well, we will continue to pursue sales expansion for the XXIO, SRIXON and Cleveland Golf golf clubs and increase the market share of SRIXON golf balls.

For tennis goods, we will strive to enhance the recognition of the SRIXON brand among users worldwide. In furtherance of this effort, we have signed an equipment sponsorship agreement with Agnieszka Radwanska, a leading female tennis player ranked third in the world.<sup>3</sup> We will also launch new SRIXON rackets while endeavoring to expand sales by, for example, organizing sales campaigns for tennis balls.

As for the wellness business, we will continue to step up new openings of compact gyms.

3. Ranking as of December 26, 2016



Sales Breakdown (Billions of yen)			
	2016	y-o-y comparison	
	Amount	Amount	%
Golf goods	53.7	(5.3)	-9%
Clubs	32.8	(3.5)	-10%
Balls	14.0	(0.8)	-6%
Shoes and accessories	6.9	(1.0)	-12%
Tennis goods	6.2	(0.3)	-4%
Licensing revenue and other	12.9	0.6	+5%
Total	72.9	(5.0)	-6%

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

\* Business Profit = Sales revenue – (Cost of sales + Selling, general and administrative expenses)

\*\* From the fiscal year ending December 31, 2016, the Group voluntarily adopted the International Financial Reporting Standards (IFRS).