

## Attention

This is a translation of the official Japanese original for reference purposes only.  
In the event of any discrepancy between this translation and the official Japanese original, the Japanese original shall prevail.

The information being disclosed in this translation consists of:-

- 1) Notice of the 104th Ordinary General Meeting of Shareholders
- 2) Reference Materials for the General Meeting of Shareholders
- 3) A part of “Business Report”
  1. Business development and results
  2. Capital investment and fund procurement
  3. Issues to address

and does not include “The rest of Business Report”, “Consolidated Financial Statements” and “Non-consolidated Financial Statements”.

--- End of Attention ---

(Securities Code: 8022)  
June 5, 2017

To All Shareholders:

**MIZUNO CORPORATION**  
Akito Mizuno  
President and Representative Director  
4-1-23 Kitahama, Chuo-ku, Osaka

## **Notice of the 104th Ordinary General Meeting of Shareholders**

On behalf of the Board, I would like to thank you, our shareholders, for your continued support.

MIZUNO Corporation (hereinafter, “the Company” or “MIZUNO”) cordially invites you to attend the 104th Ordinary General Meeting of Shareholders to be held on the date and at the venue specified below.

**If you are unable to attend the meeting, please refer to the attached Reference Materials for the General Meeting of Shareholders and exercise your voting rights in writing or via the Internet in accordance with the following instructions described below.**

**1. Date and Time: 10:00 a.m., Friday, June 23, 2017**  
(Reception open: 9:00 a.m.)

**2. Venue: MIZUNO Osaka Head Office**  
1-12-35, Nanko-Kita, Suminoe-Ku, Osaka-Shi  
“Mizuno Crysta”, the convention hall on the first basement level

### **3. Agenda**

#### **Matters to be Reported**

- (1) The Business Report for the 104th fiscal year (from April 1, 2016 to March 31, 2017) and the Consolidated Financial Statements, as well as the results of the audit by the Accounting Auditor and the Audit and Supervisory Committee of the Consolidated Financial Statements
- (2) The Non-consolidated Financial Statements for the 104th fiscal year (from April 1, 2016 to March 31, 2017)

#### **Matters to be Resolved**

**Agendum 1:** Appropriation of surplus

**Agendum 2:** Shares Consolidation

**Agendum 3:** Partial amendments to the Articles of Incorporation

**Agendum 4:** Election of five (5) Directors (exclusive of Directors who are Audit and Supervisory Committee members)

## **Procedures for Exercising of Voting Rights**

### 1. Voting at the General Meeting of Shareholders

Please submit the enclosed Voting Rights Exercise Form to the reception staff at the meeting venue.

### 2. Exercising of voting rights in writing

Please indicate your approval or disapproval of the matters to be resolved on the Voting Rights Exercise Form enclosed herewith, and return it so that it reaches us by 6:00 p.m. on Thursday, June 22, 2017.

### 3. Exercising of voting rights via the Internet

Please refer to “Procedure for Exercise of Voting Rights via the Internet” on the next page, and exercise your voting rights by 6:00 p.m. on Thursday, June 22, 2017.

#### \* Duplicate exercising of voting rights

If you exercise your voting rights both in writing and via the Internet, the vote that arrives later at the Company shall be treated as valid. If both votes arrive on the same day, the vote via the Internet shall be treated as valid.

## **Disclosure via the Internet (Disclosure on Website)**

Of the documents to be provided, we have made the matters listed below available to our shareholders by posting them on the website of the Company (<http://corp.mizuno.com/jp/>) in accordance with laws and the provisions of Article 17 of the Articles of Incorporation, and therefore they are not included in the attached Reference Materials for the General Meeting of Shareholders.

- “Major business operations”, “Major operating sites”, “Number of employees (on a consolidated basis)”, “Major institutes for funds resource” and “Structure and policies of the Company, and the status of operation thereof” of the Business Report
- “Consolidated Statements of Changes in Net Assets” and “Notes to Consolidated Financial Statements” of the Consolidated Financial Statements
- “Statements of Changes in Net Assets” and “Notes to Non-consolidated Financial Statements” of the Non-consolidated Financial Statements

The contents of “Major business operations”, “Major operating sites”, “Number of employees (on a consolidated basis)”, “Major institutes for funds resource” and “Structure and policies of the Company, and the status of operation thereof” have been audited as part of the Business Report by the Audit and Supervisory Committee when they prepared their audit report.

The contents of “Consolidated Statements of Changes in Net Assets” and “Notes to Consolidated Financial Statements,” and of “Statements of Changes in Net Assets” and “Notes to Non-consolidated Financial Statements” have been audited as part of the Consolidated Financial Statements and Non-consolidated Financial Statements by the Audit and Supervisory Committee and the Accounting Auditor when they prepared their audit report.

Please be aware that if it becomes necessary to revise the information contained in the Reference Materials for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements, or Non-consolidated Financial Statements, the revised information will be posted on the

MIZUNO's website (<http://corp.mizuno.com/jp/>).

### **Procedure for Exercise of Voting Rights via the Internet**

For shareholders who exercise voting rights via the Internet, the following items should be verified when exercising voting rights via the Internet.

1. Website for exercise of voting rights

It is only possible to exercise voting rights via the Internet by using the following website designated by the Company (<http://www.web54.net>).

2. Treatment on exercise of voting rights

- (1) When exercising voting rights via the Internet, please use the voting rights code and password stated on "the Exercise of Voting Rights form" which is a postcard-sized and input "For" or "Against" in accordance with the instruction on the screen.

The voting rights code and password provided are effective only for this Ordinary General Shareholders' Meeting.

- (2) Shareholders voting via the Internet are requested to exercise their voting rights prior to 6:00 p.m. on Thursday, June 22, 2017.

- (3) When voting rights are exercised more than once via the Internet, the vote that has arrived the latest shall be deemed the valid vote.

If you exercise your voting rights both in writing and via the Internet, the vote that arrives later at the Company shall be treated as valid. If both votes arrive on the same day, the vote via the Internet shall be treated as valid.

- (4) Shareholders shall bear the expenses incurred when accessing the Internet to exercise shareholder voting rights.

For questions related to exercising shareholder voting rights via the Internet, please contact:-

Sumitomo Mitsui Trust Bank, Limited  
Securities Agent Web Support  
Tel: 0120-652-031 (toll-free)  
Service hours: 9:00 a.m. to 9:00 p.m.

--- End of Notice ---

## Reference Materials for the General Meeting of Shareholders

### Agendum 1: Appropriation of surplus

The Company plans to dispose of retained earnings as follows:

It is the Company's basic policy to ensure stable distribution of dividends based on the recognition that returning profits to its shareholders is one of its top priority management tasks.

Based on this basic policy and taking into consideration the need to secure internal reserves to be appropriated to capital investment and research & development for further business growth in order to improve its corporate value, the Company would like to distribute year-end dividends for the 104th fiscal year as follows:

- (1) Type of dividend property:

Cash

- (2) Matters concerning appropriation of dividend property and the total amount thereof

5 yen per share of the Company's common stock

Total amount of dividends: 631,949,070yen

Herewith, together with the interim dividend of 5 yen per share, the annual dividend for this fiscal year will be 10 yen per share.

- (3) Date on which distribution of dividends takes effect:

June 26, 2017

## **Agendum 2: Shares Consolidation**

### **1. Reason for Shares Consolidation**

The Japanese stock exchanges have announced the “Action Plan for Consolidating Trading Units” aiming to unify the share trading unit of shares of common stock of all domestic companies listed on the Japanese stock exchanges to one hundred (100) shares by October 1, 2018.

The Company, the shares of common stock of which are listed on the Tokyo Stock Exchange, respects this policy and intends to change its number of shares of common stock constituting one share unit from the current one thousand (1,000) to one hundred (100). In line with this change, the Company also intends to implement a consolidation of its shares of common stock in order to adjust the investment unit to an appropriate level taking into consideration possible future changes in share prices in the medium to long term.

### **2. Consolidation Ratio**

Every five (5) shares of common stock of the Company will be consolidated into one (1) share.

If any fraction of a share is produced by such consolidation, the Company will pay a cash amount in proportion to such fraction to the holder thereof, in accordance with the provisions of the Companies Act.

### **3. Effective Date of Shares Consolidation**

October 1, 2017

### **4. Total Number of Shares Authorized to be Issued as of the Effective Date**

59,200,000 shares

### **5. Others provisions**

The shares consolidation in this proposal shall take effect on the condition that the Agendum 3 “Partial Amendment to the Articles of Incorporation” is approved as proposed.

It is also proposed that all other necessary procedural matters for implementing the shares consolidation be entrusted to the Board of Directors.

### Agendum 3: Partial amendments to the Articles of Incorporation

#### 1. Reasons for the amendments

- (1) Taking into consideration the popularization of the Internet, the Company plans to change its means of giving public notices under Article 5 “Method of giving public notice” of the current Articles of Incorporation to an electronic means to make it more convenient to read the public notices, and also provide the means of giving notice under circumstances where the Company is unable to give an electronic public notice because of any accidental and/or unavoidable reason.
- (2) On the condition that the Agendum 2 “Shares Consolidation” is approved as proposed, the Company proposes to amend Article 6 of the existing Articles of Incorporation so that the total number of shares authorized to be issued will be reduced in proportion to the ratio of the shares consolidation, and to amend Article 8 thereof so that the number of shares constituting one share unit will be changed from one thousand (1,000) to one hundred (100).  
In respect of these amendments, a supplementary provision will be established in “Supplementary Provisions” to provide that the amendments will become effective on October 1, 2017, which is the effective date of the shares consolidation as stated in the Agendum 2. That supplementary provision will be automatically deleted when the effective date has passed.

#### 2. Details of the amendments

Details of the amendments are as follows. (Changed parts are underlined.)

Current Articles of Incorporation	Draft Amendment
(Method of giving public notice) Article 5 Public notices of the Company shall be given <u>through publication in The Nihon Keizai Shimbun</u> .	(Method of giving public notice) Article 5 Public notices of the Company shall be given <u>by an electronic means; provided, however, that if the Company is unable to give an electronic public notice due to an accident or any other unavoidable reason, the notice shall be given through publication in The Nihon Keizai Shimbun</u> .
(Total number of shares authorized to be issued) Article 6 The total number of shares authorized to be issued by the Company shall be <u>296 million</u> .	(Total number of shares authorized to be issued ) Article 6. The total number of shares authorized to be issued by the Company shall be <u>59,200,000</u> .
(Share unit) Article 8 The number of shares constituting one share unit of the Company shall be <u>1,000</u> .	(Share unit) Article 8 The number of shares constituting one share unit of the Company shall be <u>100</u> .
Supplementary Provisions	Supplementary Provisions
(Transitional measure concerning exemption of Statutory Auditors from liability) (Provisions omitted)	(Transitional measure concerning exemption of Statutory Auditors from liability) (Same as the current provisions)

(Newly established)

(Effective date of Article 6 and 8)

The amendments to Articles 6 and 8 shall take effect on October 1, 2017.

This article shall be deleted after October 1, 2017.



**Agendum 4: Election of five (5) Directors (exclusive of Directors who are Audit and Supervisory Committee members)**

The term of office of all of the current five (5) Directors will expire at the conclusion of this ordinary general meeting of shareholders. It is therefore proposed that five (5) Directors (exclusive of Directors who are Audit and Supervisory Committee members) should be elected.

The Audit and Supervisory Committee has an opinion to the effect that each candidate is qualified to serve as a Director of the Company.

The candidates are as described below:

No. 1	<b>Akito Mizuno</b>	
Standing for	Reelection	
Date of birth	August 25, 1949	
Number of the Company's shares held	529,000	
Personal history, position and duty at the Company, and significant concurrent positions outside the Company	August 1975	Joined the Company
	December 1982	Senior Manager, Marketing Dept., Senri Business Division of the Company
	May 1984	Director of the Company
	May 1986	Managing Director of the Company
	June 1990	Senior Managing Director of the Company
	June 1994	Executive Vice President of the Company
	June 1998	Executive Vice President and Representative Director of the Company
	June 2006	President and Representative Director of the Company (current position)
<p>The reasons for his nomination as a Director:</p> <p>Akito Mizuno, having the deep insight and abundant experience in overall management as the President of the Company, has contributed for the reinforcement and development of the globalization of the group. Further he, as the top management, has also performed his leadership to realize the group-wide strategies.</p> <p>Therefore, the Company has proposed that he is continuously appropriate for a Director of the Company.</p>		
<p>(Notes)</p> <p>There are no particular conflicts of interest between any of the candidates and the Company.</p>		

No. 2	<b>Masaharu Kato</b>	
Standing for	Reelection	
Date of birth	August 15, 1955	
Number of the Company's shares held	66,027	
Personal history, position and duty at the Company, and significant concurrent positions outside the Company	March 1979	Joined the Company
	April 1999	Senior Manager, Corporate Planning Office of the Company
	June 2000	Director of the Company In charge of Corporate Planning (current position)
	June 2005	Managing Director of the Company
	June 2012	In charge of Asian and Oceanian Business (current position) Chairman of Mizuno Corporation of Hong Kong Ltd. (current position)
	June 2013	Representative Director and Senior Managing Director of the Company In charge of Human Resources & General Affairs, Legal Affairs (current position)
	June 2015	In charge of Golf Business (current position)
	June 2016	Representative Director and Senior Managing Executive Officer of the Company (current position)
<p>The reasons for his nomination as a Director:</p> <p>Masaharu Kato, having the deep insight and abundant experience in overall management as the Director &amp; Senior Managing Executive Officer, has taken the most important roles to realize the group-wide strategies and performed well results.</p> <p>Therefore, the Company has proposed that he is continuously appropriate for a Director of the Company.</p>		
<p>(Notes)</p> <p>There are no particular conflicts of interest between any of the candidates and the Company.</p>		

No. 3	<b>Mutsuro Yamamoto</b>
Standing for	Reelection
Date of birth	April 25, 1954
Number of the Company's shares held	36,028
Personal history, position and duty at the Company, and significant concurrent positions outside the Company	<p>March 1977    Joined the Company</p> <p>March 1999    Senior Manager, Footwear Planning and Production Dept. of the Company</p> <p>June 2003     Director of the Company</p> <p>June 2008     In charge of Sports Facilities &amp; Services (current position)</p> <p>June 2011     Managing Director of the Company</p> <p>June 2012     Chairman of Senoh Corporation (current position)</p> <p>January 2013   In charge of Life Style Sports Business, Life Style Channel Sales (current position)</p> <p>June 2013     Senior Managing Director of the Company</p> <p>October 2014   In charge of Sales Supervision (current position)</p> <p>June 2016     Senior Managing Executive Officer of the Company (current position)</p>
<p>The reasons for his nomination as a Director:</p> <p>Mutsuro Yamamoto, having the deep insight and abundant experience in overall management and engaged in the domestic sales and marketing as the Director &amp; Senior Managing Executive Officer, has challenged the sales strategies and new business development with the good result and contributions.</p> <p>Therefore, the Company has proposed that he is continuously appropriate for a Director of the Company.</p>	
<p>(Notes)</p> <p>There are no particular conflicts of interest between any of the candidates and the Company.</p>	

No. 4	<b>Daisuke Fukumoto</b>	
Standing for	Reelection	
Date of birth	June 27, 1957	
Number of the Company's shares held	49,155	
Personal history, position and duty at the Company, and significant concurrent positions outside the Company	March 1981	Joined the Company
	April 2001	Senior Manager, Accounting and Finance Dept.
	June 2003	Director of the Company In charge of Accounting and Finance (current position)
	June 2004	In charge of Retail Sales (current position)
	June 2005	In charge of Logistics Administration (current position)
	June 2008	In charge of Information Systems, European Business (current position)
	June 2011	Managing Director of the Company
	December 2011	Chairman of Mizuno (Taiwan) Corporation (current position)
	June 2013	Senior Managing Director of the Company
	September 2014	Chairman of Mizuno Norge AS (current position)
	October 2015	In charge of Internal Audit of the Company (current position)
June 2016	Senior Managing Executive Officer of the Company (current position)	
<p>The reasons for his nomination as a Director:</p> <p>Daisuke Fukumoto, having the deep insight and abundant experience in overall management as the Director &amp; Senior Managing Executive Officer, has achieved the reinforcement of the group-wide financial conditions and improvement of efficiency and conducted structuring of the corporate governance and internal control system.</p> <p>Therefore, the Company has proposed that he is continuously appropriate for a Director of the Company.</p>		
<p>(Notes)</p> <p>There are no particular conflicts of interest between any of the candidates and the Company.</p>		

No. 5	<b>Kozo Kobashi</b>	
Standing for	Outsider / Independent / Reelection	
Date of birth	July 16, 1946	
Number of the Company's shares held	0	
Personal history, position and duty at the Company, and significant concurrent positions outside the Company	April 1971	Joined Shimizu Corporation
	June 2002	Executive Officer of Shimizu Corporation
	June 2004	Managing Executive Officer of Shimizu Corporation
	April 2006	Senior Managing Executive Officer of Shimizu Corporation
	June 2009	Director and Senior Managing Executive Officer of Shimizu Corporation
	April 2011	Director and Executive Vice President of Shimizu Corporation
	June 2015	Director of the Company (current position)
<p>The reasons for his nomination as an outside Director:</p> <p>Kozo Kobashi has long been engaged in corporate management, and his proposals and advice based on his abundant experience and professional knowledge have contributed greatly to the vitalization of the Board of Directors of the Company. As we believe that it is important, for the improvement of the corporate value of the Mizuno Group, to receive opinions and supervision on our management from an objective perspective based on fair judgment, the Company has nominated him as a candidate, expecting that he will continue to play a significant role as an outside Director.</p>		
<p>(Notes)</p> <ol style="list-style-type: none"> <li>1. There are no particular conflicts of interest between any of the candidates and the Company.</li> <li>2. Kozo Kobashi is a candidate for the position of an outside Director. The length of his service since his appointment as an outside Director will be two (2) years at the close of this ordinary general meeting of shareholders. In light of the "Standards and Policies Concerning Independence to Select Candidates of Outside Directors" established by the Company, we have judged that he is not in a position of conflict of interest with general shareholders and there is no problem with respect to his neutrality and independence. Thus, we have registered him as an independent officer pursuant to the rules and regulations of the Tokyo Stock Exchange.</li> </ol>		

--- End of Reference Materials ---

**[Reference]**

**Standards and Policies Concerning Independence  
to Select Candidates of Outside Directors**

The Company, in selecting candidates for Outside Directors, has the standards for determining their independence.

For independent outside directors, the Company, placing the highest priority on causing no conflict of interest with general shareholders, makes it a rule to eliminate any of the persons described below from nomination.

(1) A person who used to be a director, a statutory auditor, an executive officer and/or an employee of the Mizuno Group

(2) A major business counterparty of the Mizuno Group, or a person who executes or used to execute business thereof

(Note)

“A major business counterparty” refers to a company or a person whose annual value of transactions with the Mizuno Group accounts for 5% or more of the consolidated sales of the Mizuno Group.

“A person who executes business” refers to a director, an executive officer and a corporate officer, as well as that which is in a position equivalent thereto. (The same shall apply hereunder.)

(3) A company or person for whom the Mizuno Group is the major business counterparty, or a person who executes or used to execute business thereof

(Note)

“A company or person for whom the Mizuno Group is the major business counterparty” refers to a business partner whose value of annual transactions with the Mizuno Group accounts for 5% or more of the consolidated sales of said business counterparty.

(4) A major shareholder (possessing, directly or indirectly, 10% or more of the voting rights of all shareholders), or a person who executes or used to execute business thereof

(5) A person who receives or used to receive ten (10) million yen or more (including donations) in cash or another property, other than remuneration for officers, from the Mizuno Group

(6) A spouse or a relative within the second degree of relationship of the person above

--- End of Reference ---

## **Business Report**

(April 1, 2016 to March 31, 2017)

### **Matters concerning current status of the corporate group**

#### **1. Business development and results**

In this consolidated fiscal year, the group of Mizuno Corporation (“the Group”) positioned “regaining profitability of businesses in the Americas,” “implementing measures to reduce costs,” and “establishing business models in new business fields” as its top priority tasks in its endeavors to improve the Group’s corporate value.

While the businesses in Japan showed steady performance, overseas businesses recorded severe results, with the condition of the North American running shoes market remaining extremely severe, the golf product market shrinking globally, currency exchange losses generated at the UK branch due to the pound’s depreciation, and the impact of the cost of restructuring of the golf manufacturing business at the Chinese manufacturing subsidiary.

Consequently, net sales decreased by 7,353 million yen (3.8% down from the previous year) to 188,718 million yen. Operating profit decreased by 1,527 million yen to 1,444 million yen (down 51.4%) partly due to an operating loss of 2,544 million yen generated in the Americas. Ordinary profit decreased by 1,248 million yen to 1,529 million yen (down 44.9%) mainly due to a decrease in operating profit. Net profit attributable to owners of parent company decreased by 1,374 million yen to 710 million yen (down 65.9%). This is due to extraordinary income, such as gain on contribution of securities to retirement benefit trust, and extraordinary losses, such as business restructuring expenses.

Performance by segment is as follows.

##### **(1) Japan**

In Japan, the sports facilities service business, which comprises operation of the designated management facilities of municipalities, construction of sports facilities and sales of sports fixtures, steadily received new orders for designated management facilities. The competitive sports product sales business, such as baseball, soccer, and competitive swimming, and the lifestyle product sales business, which covers sales of products that are closer to consumer life, such as running shoes and functional apparel, showed steady overall sales performance, though operating profit declined due to an increase in costs for purchases in foreign currencies. The golf product sales business continued to suffer as the market shrinks globally.

Consequently, net sales increased by 2,129 million yen (up 1.7% from the previous year) to

128,482 million yen, while operating profit decreased by 757 million yen (down 19.4%) to 3,142 million yen.

## (2) Europe

In Europe, sales of running shoes, our core products in the market, continued to rise, though the growth rate has been slowing down due to intensifying competition. Sales of indoor sports shoes, such as handball and volleyball, with which we have gained a large market share in Europe, are steadily increasing. For golf products, despite the global downturn in the market, we were able to maintain sales at about the same level as the previous year in Europe on a local currency basis thanks to a good performance in the sales of custom-made clubs.

Thus, sales in Europe increased from the previous year on a local currency basis, but decreased in terms of yen due to a substantial decline in European currencies such as the British pound and the euro. As to profit, the severe situation continued due to the decline in local European currencies, which caused a rise in US dollar-based purchasing costs.

Consequently, net sales decreased by 718 million yen (down 4.5% from the previous year) to 15,271 million yen, while operating loss decreased by 160 million yen to 203 million yen thanks to the improvement in profitability mainly in the sales of apparel products.

The exchange rates of European currencies for this consolidated fiscal year are as follows:

British pound: 142.97 yen (180.57 yen in the previous year), euro (Europe branches): 119.28 yen (132.26 yen in the previous year), euro (subsidiaries): 121.38 yen (134.62 yen in the previous year), Norwegian krone: 13.08 yen (14.84 yen in the previous year)

## (3) Americas

The severe condition of the sports products market in the Americas has been continuing from the previous year, as represented by the failure of a major retail chain. In the running shoes market, the ongoing shift in consumer preferences from serious running to casual running has generated an excess of high-function running shoes on the market, causing price discounts that are being constantly offered at stores. This price competition impacted our Group too, squeezing profits. Severe price competition with other companies continued also for golf and baseball products, as the market for these two categories has been shrinking.

Business in South America, which earns royalties from dealerships, marked revenues lower than the previous year due to confusion in the Brazilian economy and the weak Brazilian real against the US dollar.

Consequently, net sales decreased by 7,410 million yen (down 23.5% from the previous year) to 24,159 million yen, while operating loss increased by 1,220 million yen to 2,544 million yen.

The exchange rates of the currencies of the Americas for this consolidated fiscal year are as



follows:

US dollar: 110.26 yen (120.97 yen in the previous year), Canada dollar: 82.96 yen (94.74 yen in the previous year)

#### (4) Asia/Oceania

In Asia and Oceania, although the golf product sales business, which is suffering globally, was stagnant, steady sales were maintained with a favorable performance in soccer shoes in South Korea and China, and in running shoes in Southeast Asia. Revenues in Asia and Oceania decreased due to appreciation of the yen against local currencies, albeit showing a slight increase on a local currency basis.

Consequently, net sales decreased by 1,353 million yen (down 6.1% from the previous year) to 20,804 million yen, while operating profit increased by 321 million yen (up 42.1%) to 1,084 million yen.

Incidentally, business restructuring expenses of 535 million yen was recorded as an extraordinary loss for this year for the restructuring of the golf manufacturing business at the Chinese manufacturing site.

The exchange rates of the currencies of Asia and Oceania for this consolidated fiscal year are as follows:

Taiwan dollar: 3.41 yen (3.81 yen in the previous year), Hong Kong dollar: 14.21 yen (15.61 yen in the previous year), Chinese yuan: 16.60 yen (19.39 yen in the previous year), Australian dollar: 81.69 yen (90.97 yen in the previous year), Korean won (to 100 won): 9.47 yen (10.69 yen in the previous year), US dollar (Singapore): 110.26 yen (120.97 yen in the previous year)

## **2. Capital investment and fund procurement**

During this consolidated fiscal year, total capital investment made by the Group was 2,309 million yen. The purpose of the capital investment was mainly for maintenance and renewal of existing equipment.

To satisfy the demand for funds for investment and operations (working capital), funds from an increase in operating cash flows and borrowing from banks, as well as revenues from sales of tangible fixed assets (land, buildings) and other sources were allocated.

The balance of long-term and short-term debts as of the end of this consolidated fiscal year decreased by 6,794 million yen from the end of the previous consolidated fiscal year to 26,344 million yen, mainly due to reduction in inventories (merchandise in stock) and the sale of land and buildings as mentioned above.

### **3. Issues to address**

Our urgent task is to restore the Group's consolidated performance. To this end, we have set the priority issues below in engaging in our business activities.

#### **(1) Improving the balance sheet in businesses in the Americas**

In recent years, the worsening supply and demand situation in the North American market and the sluggish South American economy have caused an increase in retained stock and devaluation of assets, making the situation extremely severe for our business, with a deterioration of the product turnover rate and substantially lower profit margins.

We have positioned the enhancement of marketing activities as a priority and endeavor to offer products and services with appealing points that can be differentiated from others, while further promoting cost reductions, with the aim of achieving an improved balance sheet.

#### **(2) Rebuilding of the golf business**

Today, the motivation for purchasing new golf products has been weakening among existing users worldwide. Under such a severe environment, we have placed our top priority on user benefits, and will advance efforts to rebuild the business by focusing on sales approaches suited to each local market in the world and by offering high value-added products, with the aim of securing trust for our brand.

#### **(3) Improving management efficiency**

The ongoing decline in gross margin ratio over the past few years has caused labor share to remain high, making it difficult to achieve our financial performance indicator targets (ROA, ROE).

We are determined to implement cost reductions in all business processes without exception, thereby achieving efficient management practices.

We will also explore potential business fields and accelerate our investments therein, while promoting a drastic review of the distribution of management resources. Through these initiatives, we will establish a growth strategy without regard to past approaches.

--- End of Business Report ---