



# Mizuno Corporation

The 105th Period

(Year ending March 31, 2018)

## 2nd Quarter Financial Report

November 10, 2017

This report includes forecasts based on our assumptions, outlook and plans for the future as of November 10, 2017, which may substantially differ from actual results due to risks and uncertainties relating to the global economy, competitors' situations, changes in exchange rates, etc.



Versus FY2016-2Q

**Revenues** **91.8 billion yen** **-1.4 billion ( -1.5%)**

- ▶ In Japan, slight increase due to the steady growth of Competitive sports business and the Sports facility service business.
- ▶ In Americas, decrease due to the obsolete stock sales suppression.
- ▶ In Europe, decrease due to the severe business of Running Shoes.
- ▶ In Asia/Oceania, remain flat.

**Operating profit** **3.9 billion yen** **3.4 billion (678.0%)**

- ▶ The gross margin percentage improved 3.0 points compared to last term due to reduction of purchase costs.
- ▶ In Americas, increased due to the obsolete stock sales suppression.

**Ordinary profit** **4.0 billion yen** **4.4 billion ( -%)**

- ▶ Due to increase of operating profits.
- ▶ Last term, decrease 9.0 billion due to decline of British currency exchange rate to the Yen.

**Net income** **2.5 billion yen** **1.8 billion (251.4%)**

- ▶ Due to increase of Ordinary profits.
- ▶ Last term, gain 2.2 billion due to the contribution of securities to retirement benefit trust.

# Consolidated Income Statement (YTD)



| Billions of yen        | FY2016<br>(6 months) | FY2017<br>(6 months) | Versus<br>FY2016(%) |
|------------------------|----------------------|----------------------|---------------------|
| Revenues               | 93.1                 | <b>91.8</b>          | -1.5%               |
| Gross margin           | 35.4                 | <b>37.6</b>          | 6.1%                |
| Gross margin ratio     | 38.0%                | <b>41.0%</b>         | +3.0 P              |
| SG&A expenses          | 34.9                 | <b>33.7</b>          | -3.5%               |
| SG&A expenses ratio    | 37.5%                | <b>36.7%</b>         | -0.8 P              |
| Salaries & bonus       | 11.7                 | <b>11.4</b>          | -2.7%               |
| A&P expenses           | 5.9                  | <b>5.5</b>           | -5.8%               |
| Operating profit       | 0.5                  | <b>3.9</b>           | 678.0%              |
| Operating profit ratio | 0.5%                 | <b>4.2%</b>          | +3.7 P              |
| Ordinary profit        | -0.4                 | <b>4.0</b>           | - %                 |
| Ordinary profit ratio  | -0.5%                | <b>4.3%</b>          | +4.8 P              |
| Net income             | 0.7                  | <b>2.5</b>           | 251.4%              |
| Exchange rate JPY/1USD | 113.03               | <b>112.72</b>        |                     |
| JPY/1GBP               | 146.47               | <b>144.35</b>        |                     |
| JPY/1EUR               | 119.00               | <b>126.61</b>        |                     |

# Consolidated Balance Sheet (YTD)



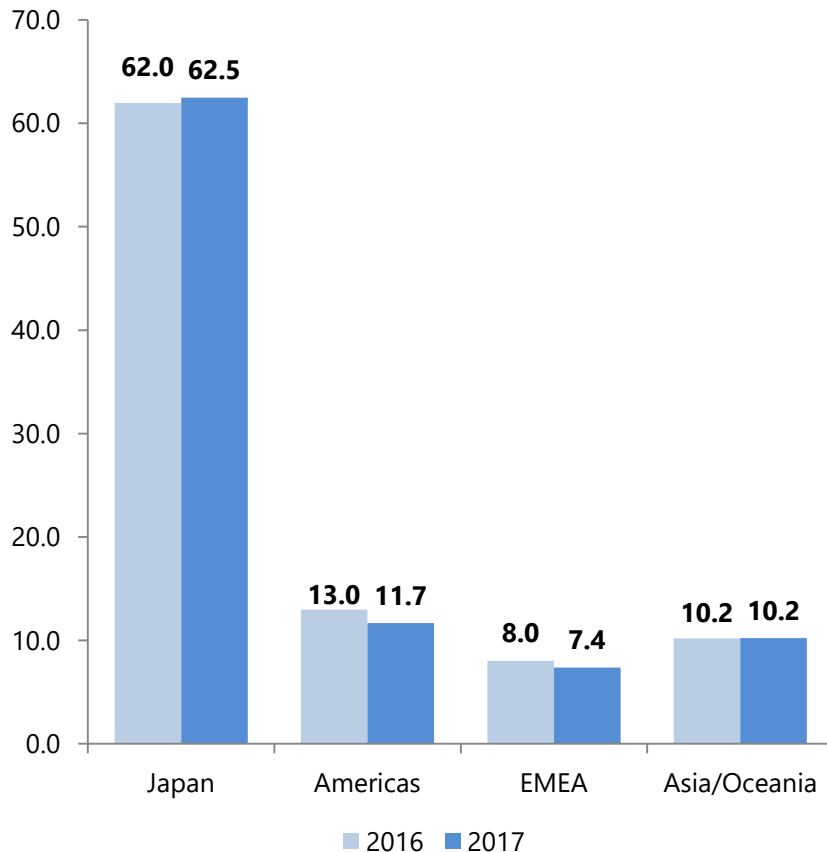
| Billions of yen       | Sep.30,<br>2016 | Mar.31<br>2017 | <b>Sep.30,<br/>2017</b> | Versus<br>Sep.2016(+/-) |
|-----------------------|-----------------|----------------|-------------------------|-------------------------|
| Total assets          | 153.6           | 155.9          | <b>149.4</b>            | -4.2                    |
| Cash & deposits       | 17.6            | 14.4           | <b>19.2</b>             | +1.6                    |
| Accounts receivable   | 35.1            | 43.7           | <b>37.3</b>             | +2.2                    |
| Inventories           | 35.6            | 34.0           | <b>30.9</b>             | -4.7                    |
| Fixed assets          | 47.1            | 45.0           | <b>44.2</b>             | -2.9                    |
| Investment securities | 6.3             | 6.9            | <b>7.6</b>              | +1.3                    |
| Deferred tax assets   | 6.3             | 3.9            | <b>4.1</b>              | -2.2                    |
| Total liabilities     | 69.3            | 67.4           | <b>59.5</b>             | -9.8                    |
| Short-term debt       | 16.4            | 13.5           | <b>11.4</b>             | -5.0                    |
| Long-term debt        | 12.8            | 12.8           | <b>11.7</b>             | -1.1                    |
| Net assets            | 84.3            | 88.5           | <b>89.9</b>             | +5.6                    |

# Revenues by Region & Product

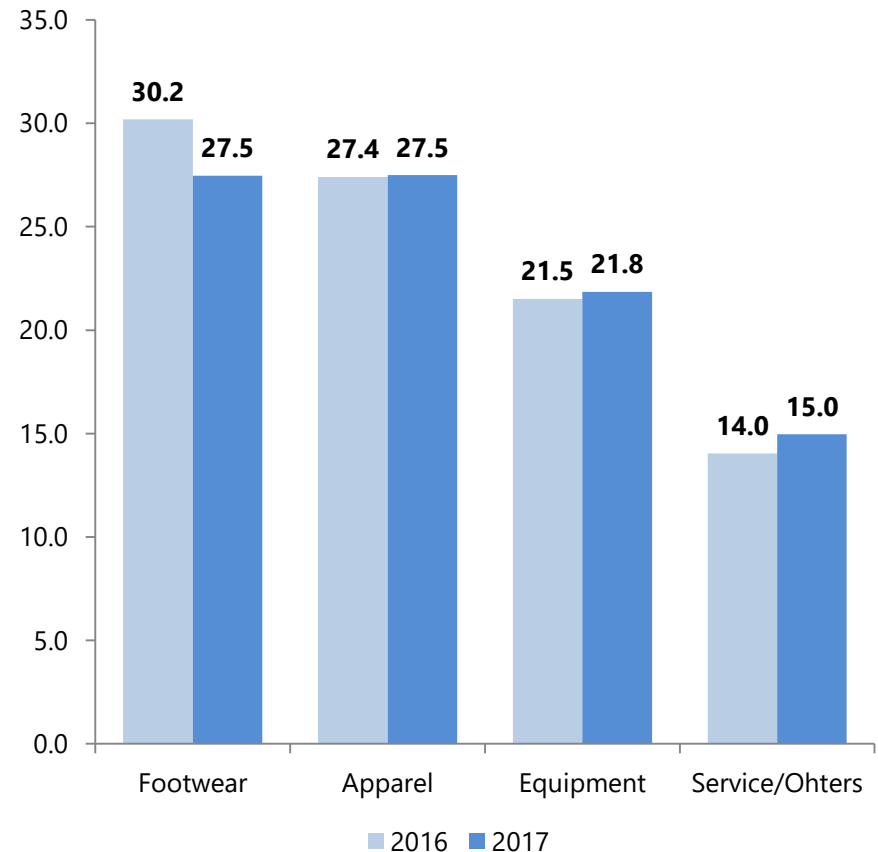


- The below charts show revenues by Region & Product for 2Q Year to date results.  
(Billions of yen)

## Revenues by region



## Revenues by product





|                                    | FY2016<br>2Q                 | FY2017<br>2Q                               | Change<br>(+/-)             |
|------------------------------------|------------------------------|--|-----------------------------|
| Return on assets (ROA)             | 0.4%                         | <b>2.6%</b>                                | + 2.2P                      |
| Return on equity (ROE)             | 0.8%                         | <b>2.8%</b>                                | + 2.0P                      |
| Shareholder's equity ratio         | 54.8%                        | <b>60.0%</b>                               | + 5.2P                      |
| Earnings per share (EPS)           | JPY 5.59<br>(JPY 27.93)      | <b>JPY 19.61</b><br><b>(JPY 98.05)</b>     | +JPY 14.02<br>(+JPY 70.12)  |
| Book value per share (BPS)         | JPY 666.91<br>(JPY 3,334.57) | <b>JPY 708.87</b><br><b>(JPY 3,544.33)</b> | +JPY 41.96<br>(+JPY 209.76) |
| Price book value ratio (PBR)       | 0.81                         | <b>0.90</b>                                | + 0.09                      |
| Price at the end of this 2Q period | JPY 540<br>(JPY 2,700)       | <b>JPY 639</b><br><b>(JPY 3,195)</b>       | +JPY 99<br>(+JPY 495)       |

On October 1, 2017, the Company carried out a share consolidation at a ratio of 1 share for 5 shares of the Company's common stock. Accordingly, values for the items noted above have been recalculated on the assumption that the share consolidation took place at the beginning of FY 2016.



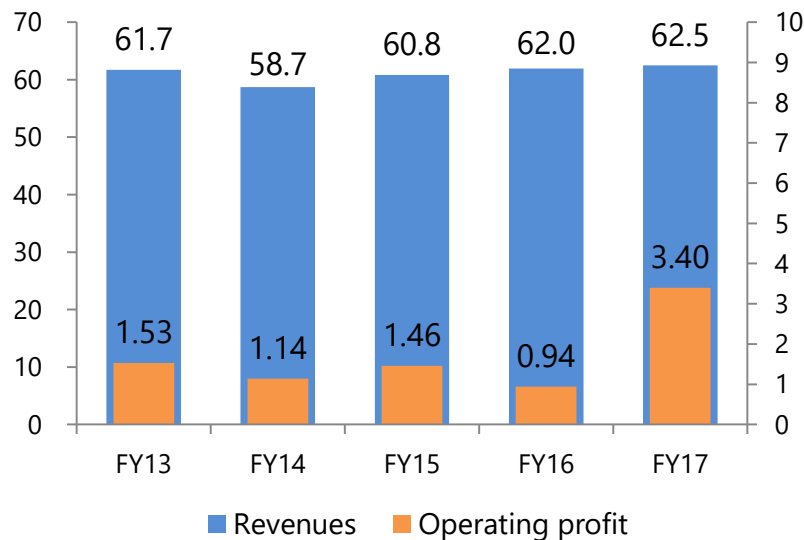
## Net Sales by product

(unit: billions of Yen)

|           | Total | Footwear | Apparel | Equipment | Service/Others |
|-----------|-------|----------|---------|-----------|----------------|
| FY17      | 62.5  | 13.1     | 22.2    | 12.4      | 14.8           |
| FY16      | 62.0  | 13.1     | 22.6    | 12.6      | 13.7           |
| FY17/FY16 | 101%  | 100%     | 99%     | 99%       | 108%           |

## Revenues and Operating profit History

(unit: billions of Yen)



## Summary of FY2017

- Favorable sales for Competitive sports business such as Football and Racket sports.
- Continuous growth of the Sports facility service business.
- Improvement of gross margin percentage due to improvement of purchase price.

## Future measures and visions

- Earn stable profit by Competitive sports business.
- Development of lifestyle related products and new sales channels.
- Applying sporting technology such as carbon processing to other business fields.



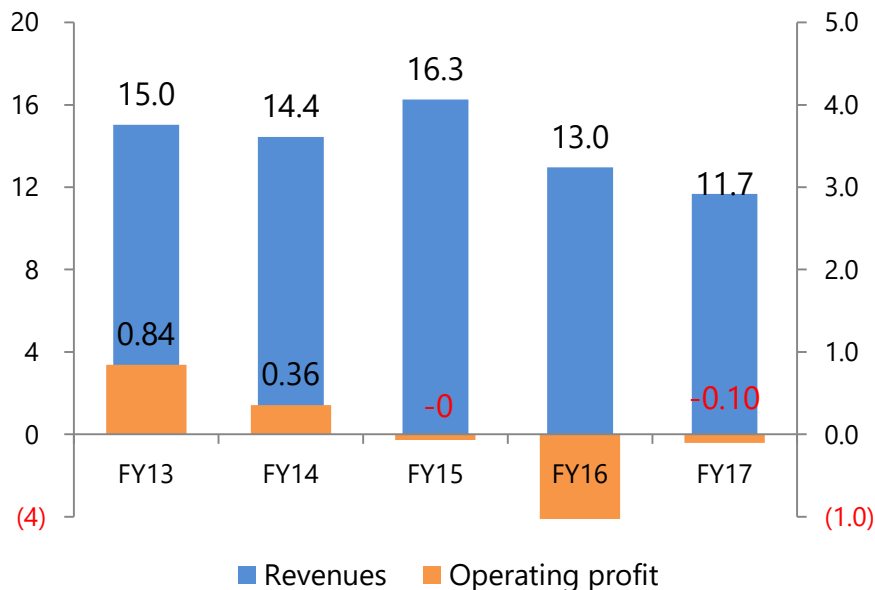
## Net Sales by product

(unit: billions of Yen)

|           | Total | Footwear | Apparel | Equipment |
|-----------|-------|----------|---------|-----------|
| FY17      | 11.7  | 4.4      | 1.7     | 5.6       |
| FY16      | 13.0  | 5.9      | 1.5     | 5.5       |
| FY17/FY16 | 90%   | 75%      | 111%    | 101%      |

## Revenues and Operating profit History

(unit: billions of Yen)



## Summary of FY2017

- Struggling business of performance running shoes due to market deceleration.
- Sales decrease due to struggling business for large sports retailer.
- Signs of recovery for Golf market and satisfactory Golf custom fitting business.
- Decrease of operating loss due to reduction of loss from inventory disposal and revaluation by improving the inventory control.

## Future measures and visions

- Improvement for profitability by further reduction of fixed costs.
- Challenge for new products and new sales channels.





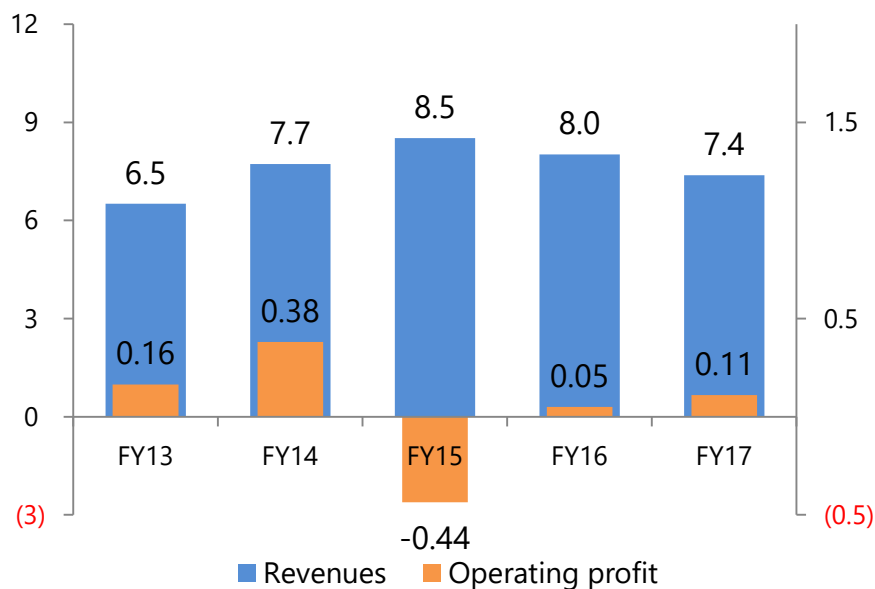
## Net Sales by product

(unit: billions of Yen)

|           | Total | Footwear | Apparel | Equipment |
|-----------|-------|----------|---------|-----------|
| FY17      | 7.4   | 5.3      | 0.8     | 1.3       |
| FY16      | 8.0   | 6.3      | 0.7     | 1.0       |
| FY17/FY16 | 92%   | 83%      | 110%    | 136%      |

## Revenues and Operating profit History

(unit: billions of Yen)



## Summary of FY2017

- Signs of recovery shown in golf equipment market.
- Good sales performance in indoor sports shoes. (e.g. handball and volleyball)
- Recovery from foreign exchange loss in U.K branch which pushed down our profit in 900 million JPY in FY2016.

## Future measures and visions

- Expansion of tennis and indoor sports shoes business.
- Development of casual footwear.

# Regional Highlights (Asia/Oceania)



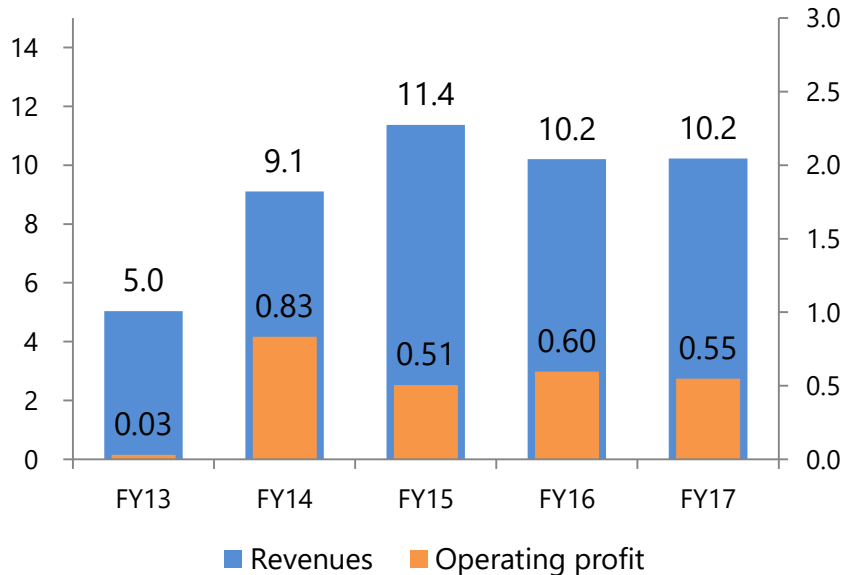
## Net Sales by product

(unit: billions of Yen)

|           | Total | Footwear | Apparel | Equipment |
|-----------|-------|----------|---------|-----------|
| FY17      | 10.2  | 5.0      | 2.6     | 2.6       |
| FY16      | 10.2  | 5.1      | 2.6     | 2.5       |
| FY16/FY15 | 100%  | 97%      | 101%    | 105%      |

## Revenues and Operating profit History

(unit: billions of Yen)



## Summary of FY2017

- Weak sales in running shoes across the region.
- Good sales performance in table tennis shoes in China
- Growing demand for custom built golf club in South Korea and Australia.

## Future measures and visions

- Extension of Competitive sports business. (e.g. Football, badminton, table tennis)
- Improvement of E-Commerce business.