



# **Summary of Consolidated Financial Statements** **for the Second Quarter Ended June 30, 2018** **(Japan GAAP)**

August 3, 2018

Name of the Company: ASICS Corporation

Listing Exchanges: Tokyo

Code No.: 7936

URL: <http://corp.asics.com/en/>

President and COO, Representative Director: Yasuhito Hirota

Date of filing Securities Report by quarter: August 9, 2018

Date of scheduled payment of dividends: September 7, 2018

Quarterly Results Supplemental Materials: Yes

Quarterly Results Presentation Meeting: Yes (for institutional investors and analysts, in Japan)

(Amounts less than one million yen are truncated)

1. Consolidated results for the second quarter ended June 30, 2018 (January 1, 2018– June 30, 2018)

(1) Consolidated business results (Accumulated)

(The percentages indicate the rates of increase or decrease compared with the corresponding period of the previous fiscal year)

|                                 | Net sales |       | Operating income |        | Ordinary income |        | Profit attributable to owners of parent |        |
|---------------------------------|-----------|-------|------------------|--------|-----------------|--------|-----------------------------------------|--------|
|                                 | MY        | %     | MY               | %      | MY              | %      | MY                                      | %      |
| 2nd quarter ended June 30, 2018 | 192,776   | (5.4) | 8,494            | (47.2) | 6,494           | (64.1) | 3,420                                   | (70.7) |
| 2nd quarter ended June 30, 2017 | 203,735   | (3.3) | 16,075           | (17.1) | 18,069          | 5.0    | 11,687                                  | (1.4)  |

(Note) Comprehensive income: 2nd quarter ended June 30, 2018: ¥ (1,271) million (– %)

2nd quarter ended June 30, 2017: ¥ 1,246 million (– %)

|                                 | Net income per share | Diluted net income per share |
|---------------------------------|----------------------|------------------------------|
|                                 | Yen                  | Yen                          |
| 2nd quarter ended June 30, 2018 | 18.09                | 17.02                        |
| 2nd quarter ended June 30, 2017 | 61.57                | 58.10                        |

(2) Consolidated financial position

|                         | Total assets | Net assets | Shareholders' equity ratio |
|-------------------------|--------------|------------|----------------------------|
|                         | MY           | MY         | %                          |
| As of June 30, 2018     | 328,880      | 193,657    | 58.3                       |
| As of December 31, 2017 | 348,232      | 201,302    | 57.3                       |

(Reference) Shareholders' equity: June 30, 2018: ¥ 191,717 million      December 31, 2017: ¥ 199,592 million

## 2. Dividends

|                                         | Cash dividend per share |                    |                    |             |        |
|-----------------------------------------|-------------------------|--------------------|--------------------|-------------|--------|
| (Record date)                           | End of 1st quarter      | End of 2nd quarter | End of 3rd quarter | End of year | Annual |
|                                         | Yen                     | Yen                | Yen                | Yen         | Yen    |
| FY ended December 31, 2017              | —                       | —                  | —                  | 23.50       | 23.50  |
| FY ending December 31, 2018             | —                       | 12.00              |                    |             |        |
| FY ending December 31, 2018 (Projected) |                         |                    | —                  | 12.00       | 24.00  |

(Note) Changes in projected dividends: None

## 3. Forecast of consolidated business results for the fiscal year ending December 31, 2018 (January 1, 2018 – December 31, 2018)

(The full-year percentages indicate the rates of increase or decrease compared with the previous fiscal year)

|           | Net sales |     | Operating income |     | Ordinary income |        | Profit attributable to owners of parent |       | Net income per share |
|-----------|-----------|-----|------------------|-----|-----------------|--------|-----------------------------------------|-------|----------------------|
|           | MY        | %   | MY               | %   | MY              | %      | MY                                      | %     | Yen                  |
| Full-year | 425,000   | 6.2 | 20,000           | 2.2 | 19,500          | (10.3) | 12,000                                  | (7.5) | 63.22                |

(Note) Changes in forecast of consolidated business results: None

## ※ Notes

- (1) Changes in significant subsidiaries during the fiscal year (changes in specified subsidiaries that caused changes in the scope of consolidation): None
- (2) Adopting accounting treatment simplified or specialized for quarterly consolidation: Yes
- (3) Changes in accounting policy, changes in accounting estimates, and changes in presentation due to revisions
  - ① Changes in accounting policy to conform to revisions in accounting standards and others: Adopted: None
  - ② Changes in accounting policy adopted otherwise than in①: None
  - ③ Changes in accounting estimates: None
  - ④ Changes in presentation due to revisions: None
- (4) Number of shares (of common stock) issued and outstanding
  - ① Number of shares outstanding (including treasury shares) at fiscal end:
 

|               |                    |                   |                    |
|---------------|--------------------|-------------------|--------------------|
| June 30, 2018 | 199,870,559 shares | December 31, 2017 | 199,962,991 shares |
|---------------|--------------------|-------------------|--------------------|
  - ② Number of treasury shares at fiscal end:
 

|               |                   |                   |                   |
|---------------|-------------------|-------------------|-------------------|
| June 30, 2018 | 11,164,348 shares | December 31, 2017 | 10,137,292 shares |
|---------------|-------------------|-------------------|-------------------|
  - ③ Average number of shares during the term:
 

|                                 |                    |  |  |
|---------------------------------|--------------------|--|--|
| 2nd quarter ended June 30, 2018 | 189,133,244 shares |  |  |
| 2nd quarter ended June 30, 2017 | 189,823,115 shares |  |  |

\* Summary of Consolidated Financial Statements is not subjected to quarterly review

\* Explanation of appropriate use of business performance forecasts; other special items

(Notes to the description about future, other)

The performance forecasts above are estimated based on information available as of the date hereof. This may cause actual results to differ from stated projections due to changing business conditions or other factors.

(How to access supplemental materials on quarterly business results)

We plan to post the supplemental materials on quarterly business results on Company's website (<http://corp.asics.com/en/>) on Friday August 3, 2018.

(How to access materials on the details of presentation meeting on business results)

The Company is scheduled to hold presentation meeting on business results for institutional investors and analysts on Monday, August 6, 2018. We plan to post the materials used in the meeting on the Company's website (<http://corp.asics.com/en/>) at the same time on the meeting.

## **Qualitative information for consolidated business results**

### **(1) Explanation on business results**

In the second quarter ended June 30, 2018, business was steady in the sporting goods industry on the back of a high level of interest in sports owing to rising health consciousness, as well as an increase in everyday use of sporting goods.

Under these conditions, the ASICS Group (“the Group”) revised the Five-Year Strategic Plan, “ASICS Growth Plan (AGP) 2020,” in order to establish the foundation of further growth, and designated running shoes in the U.S. market, the Chinese market, and Digital commerce and marketing as those in priority areas.

Starting with the U.S., which is a priority area, the Group launched the HyperGEL-KENZEN running shoes featuring HyperGEL, a new midsole offering not only excellent cushioning but also resilience, as well as casual design suitable both for running and daily use. In addition, the Group launched the high-function running shoes GEL-KAYANO 25, the first-ever shoes to feature cellulose nanofiber, hailed as the next high-performance material breakthrough, offering superior stability and cushioning for long-distance runners, and held an event marking its rollout to expand sales and enhance the brand value.

In China, the Group ran marketing campaigns for the ASICS brand and the Onitsuka Tiger brand, utilizing influencers, to raise the recognition of each brand.

In the digital space, the Group promoted the introduction of digital marketing tools and strove to expand points of customer contacts and strengthen communication.

Moreover, based on the core strategy of AGP2020, in the own retail store business, the Group opened a flagship store for the ASICS Tiger brand in Shibuya, Tokyo. Regarding the Onitsuka Tiger brand, the Group introduced NIPPON MADE custom order, a service enabling customization of shoes from an in-store tablet, and also opened flagship stores in Ginza, Tokyo, Namba, Osaka, and Shinjuku, Tokyo. Furthermore, the Group opened ASICS KIDS GINZA, its first flagship store dedicated to shoes for children, in Ginza, Tokyo. In addition, the Group opened a flagship store in Toronto, Canada. The number of own retail stores of the ASICS Group brands reached 890 worldwide.

Regarding branding, the Group ran marketing campaigns for the ASICS brand utilizing well-known influencers in Japan, the U.S., Europe, China, and various other countries and promoted its brand message, “I MOVE ME”. The Group also implemented a campaign marking the 100th anniversary of the birth of ASICS’ founder Kihachiro Onitsuka and launched limited-edition footwear and apparel whose design is inspired by the sunflower drawn by Onitsuka.

Moreover, the Group announced a partnership with Novak Djokovic, a male professional tennis player, and launched the newly developed GEL-RESOLUTION NOVAK tennis shoes that reflect his opinions. In addition, the Group introduced new color variations of the soccer cleat models worn at international matches by Takashi Inui and Yuya Osako, who are professional soccer players and are ASICS advisory staffs. Furthermore, the Group signed an advisory staff agreement with Shohei Ohtani, a professional baseball player of Los Angeles Angels in MLB. He has been using ASICS products ever since his amateur career, and the Group supported him by offering the products with the ASICS’ technologies which incorporated his opinions. In addition, the Group concluded a

multi-year global agreement to become a Global Development Partner of The International Triathlon Union and become the official sponsor and exclusive supplier of the Ukrainian Athletics Federation. The Group also sponsored marathon events held in different parts of the world, including Tokyo, Paris, and Barcelona.

As for the activities as a JOC/JPC Gold Partner (Sporting Goods), the Group provided official sportswear for the team of athletes representing Japan for the PyeongChang 2018 Olympic and Paralympic Winter Games. ASICS was appointed official Team competition and sportswear apparel partner by the Australian Olympic Committee for the Buenos Aires 2018 Summer Youth Olympic Games and the Tokyo 2020 Summer Olympic Games.

For the ASICS Tiger brand, the Group launched shoes in a first-ever collaboration with Casio's G-SHOCK watch, which is marking its 35th anniversary.

For the Onitsuka Tiger brand, the Group launched shoes in collaboration with Disney characters, Mickey Mouse and Minnie Mouse.

With the aim of encouraging employees to embrace healthier lifestyles, the Group is committed to health and productivity management. ASICS has been selected as one of the enterprises in the "Health and Productivity Enterprises 2018—White 500", which are commended by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi as outstanding enterprises engaged in health and productivity management programs.

In the second quarter ended June 30, 2018, consolidated net sales decreased 5.4% (a decrease of 6.8% using the previous fiscal year's foreign exchange rate) to ¥192,776 million. Domestic net sales decreased 3.1% to ¥52,603 million mainly due to reduction of the lines of sportswear products with low profit margins, despite strong sales of Onitsuka Tiger shoes. Overseas sales decreased 6.2% (a decrease of 8.2% using the previous fiscal year's foreign exchange rate) to ¥140,172 million mainly due to weak sales in the American region, despite strong sales of Onitsuka Tiger shoes in the East Asian region as well as in the Oceanian/Southeast and South Asian regions.

Gross profit decreased 2.0% to ¥92,679 million mainly due to lower sales despite an improved cost of sales ratio. Selling, general and administrative expenses increased 7.3% to ¥84,185 million due to increased costs in line with the expansion of own retail stores. As a result, operating income decreased 47.2% to ¥8,494 million. Ordinary income decreased 64.1% to ¥6,494 million due to foreign exchange losses recorded in the second quarter ended June 30, 2018 compared to foreign exchange gains posted in the corresponding period of the previous fiscal year. Profit attributable to owners of parent decreased 70.7% to ¥3,420 million.

Business results by reportable segments were as follows.

① Japanese region

Sales decreased 3.6% to ¥61,589 million, due to reduction of the lines of sportswear products with low profit margins despite strong sales of Onitsuka Tiger shoes. Segment income decreased 47.1% to ¥2,362 million, due to the effect of the decline in sales.

② American region

Sales decreased 22.4% (a decrease of 19.9% using the previous fiscal year's foreign exchange rate) to ¥43,170 million, due to weak sales in the U.S. Segment loss amounted to ¥560 million due to the effect of the decline in sales despite an improved cost of sales ratio.

③ European region

Sales increased 4.2% (a decrease of 3.0% using the previous fiscal year's foreign exchange rate) to ¥52,268 million, due to steady sales in certain emerging-market countries. Segment income decreased 19.0% (a decrease of 24.5% using the previous fiscal year's foreign exchange rate) to ¥2,912 million mainly due to increased costs in line with the expansion of own retail stores.

④ Oceanian/Southeast and South Asian regions

Sales decreased 6.2% (a decrease of 6.2% using the previous fiscal year's foreign exchange rate) to ¥13,560 million, due to weak sales in Australia despite strong sales in Southeast and South Asian regions. Segment income decreased 11.4% (a decrease of 11.4% using the previous fiscal year's foreign exchange rate) to ¥2,111 million due to the effect of the decline in sales despite an improved cost of sales ratio.

⑤ East Asian region

Sales increased 6.8% (an increase of 3.7% using the previous fiscal year's foreign exchange rate) to ¥26,793 million due to the strong sales of running shoes and Onitsuka Tiger shoes particularly in China despite the weak sales in South Korea. Segment income decreased 24.0% (a decrease of 26.3% using the previous fiscal year's foreign exchange rate) to ¥3,204 million, due to vigorous advertising investment in China and the effect of lower profit in South Korea.

⑥ Other business

Sales increased 5.6% (an increase of 4.1% using the previous fiscal year's foreign exchange rate) to ¥4,021 million, due to steady sales of outdoor wear and other items under the HAGLÖFS brand and the effect of the foreign exchange rate. Segment loss was ¥364 million.

**(2) Explanation on financial position**

As for the consolidated financial position as of June 30, 2018, total assets decreased 5.6% from the end of the previous fiscal year to ¥328,880 million, total liabilities decreased 8.0% from the end of the previous fiscal year to ¥135,223 million and net assets decreased 3.8% from the end of the previous fiscal year to ¥193,657 million.

Current assets decreased 6.5% to ¥238,965 million, due mainly to a decrease in cash and deposits, despite an increase in inventories.

Non-current assets decreased 2.9% to ¥89,914 million, due mainly to a decrease in intangible assets such as goodwill and a decrease in deferred tax assets.

Current liabilities increased 28.1% to ¥95,953 million, due mainly to the transfer of current portion of bonds with share subscription rights from non-current liabilities to current liabilities, despite decreases in short-term bank loans and accrued expenses.

Non-current liabilities decreased 45.5% to ¥39,269 million. This mainly reflected a decrease in bonds with share subscription rights due to the transfer mentioned above.

Shareholders' equity decreased 1.5% to ¥190,862 million due to acquisition of treasury shares.

Accumulated other comprehensive income decreased 85.1% to ¥854 million mainly due to a decrease in translation adjustment despite an increase in unrealized deferred gains or losses on hedges.

As for cash flows as of June 30, 2018, cash and cash equivalents (hereinafter, "cash") decreased ¥19,996 million from the end of the previous fiscal year to ¥58,106 million.

The respective cash flow positions and main factors behind the changes are as follows.

(Net cash used in operating activities)

Net cash used in operating activities was ¥2,474 million. The cash inflow decreased ¥10,710 million compared with the same period of the previous fiscal year.

Major sources of cash were ¥6,498 million from profit before income taxes and ¥5,007 million from depreciation and amortization, while major uses of cash were ¥6,144 million for an increase in inventories, ¥3,786 million for income taxes paid, and ¥3,644 million for an increase in notes and accounts receivable-trade.

(Net cash used in investing activities)

Net cash used in investing activities was ¥3,359 million, a decrease of ¥13,864 million compared with the same period of the previous fiscal year.

Major uses of cash were ¥2,422 million for purchases of property, plant and equipment and ¥1,900 million for purchases of intangible assets.

(Net cash used in financing activities)

Net cash used in financing activities was ¥11,019 million, an increase of ¥5,181 million compared with the same period of the previous fiscal year.

Major uses of cash were ¥4,480 million for cash dividends paid, ¥4,000 million for repayment of long-term loans, and ¥2,002 million for acquisition of treasury shares.

### **(3) Explanation on forecast for the consolidated business results and others**

There is no change in forecast for consolidated business results announced on February 14, 2018.

## SEGMENT INFORMATION

ASICS Corporation and Consolidated Subsidiaries

From January 1 to June 30, 2018 and From January 1 to June 30, 2017

| Millions of yen                               |                 |                 |                 |                                             |                   |                |          |             |              |
|-----------------------------------------------|-----------------|-----------------|-----------------|---------------------------------------------|-------------------|----------------|----------|-------------|--------------|
|                                               | Japanese region | American region | European region | Oceanian /SouthEast and South Asian regions | East Asian region | Other business | Total    | Adjustments | Consolidated |
| <b>2018 (from January 1 to June 30, 2018)</b> |                 |                 |                 |                                             |                   |                |          |             |              |
| Net sales:                                    |                 |                 |                 |                                             |                   |                |          |             |              |
| Sales to customers                            | ¥52,592         | ¥43,146         | ¥52,231         | ¥13,560                                     | ¥26,790           | ¥3,854         | ¥192,175 | ¥600        | ¥192,776     |
| Intersegment                                  | 8,997           | 24              | 37              | -                                           | 2                 | 167            | 9,229    | (9,229)     | -            |
| Total sales                                   | 61,589          | 43,170          | 52,268          | 13,560                                      | 26,793            | 4,021          | 201,405  | (8,628)     | 192,776      |
| Operating income (loss)                       | ¥2,362          | ¥(560)          | ¥2,912          | ¥2,111                                      | ¥3,204            | ¥(364)         | ¥9,666   | ¥(1,172)    | ¥8,494       |

| Millions of yen                               |                 |                 |                 |                                             |                   |                |          |             |              |
|-----------------------------------------------|-----------------|-----------------|-----------------|---------------------------------------------|-------------------|----------------|----------|-------------|--------------|
|                                               | Japanese region | American region | European region | Oceanian /SouthEast and South Asian regions | East Asian region | Other business | Total    | Adjustments | Consolidated |
| <b>2017 (from January 1 to June 30, 2017)</b> |                 |                 |                 |                                             |                   |                |          |             |              |
| Net sales:                                    |                 |                 |                 |                                             |                   |                |          |             |              |
| Sales to customers                            | ¥54,263         | ¥55,652         | ¥50,112         | ¥14,454                                     | ¥25,076           | ¥3,685         | ¥203,244 | ¥491        | ¥203,735     |
| Intersegment                                  | 9,610           | 4               | 64              | -                                           | 21                | 122            | 9,823    | (9,823)     | -            |
| Total sales                                   | 63,874          | 55,656          | 50,177          | 14,454                                      | 25,098            | 3,807          | 213,068  | (9,332)     | 203,735      |
| Operating income (loss)                       | ¥4,463          | ¥3,548          | ¥3,595          | ¥2,383                                      | ¥4,217            | ¥(430)         | ¥17,779  | ¥(1,703)    | ¥16,075      |

### Foreign Currency Exchange Rates

|                                        | USD            | EUR            | AUD           | RMB           | KRW            | SEK           |
|----------------------------------------|----------------|----------------|---------------|---------------|----------------|---------------|
| <b>2nd quarter ended June 30, 2018</b> | <b>¥109.17</b> | <b>¥131.27</b> | <b>¥83.93</b> | <b>¥17.05</b> | <b>¥0.1011</b> | <b>¥12.92</b> |
| 2nd quarter ended June 30, 2017        | ¥112.75        | ¥122.26        | ¥84.98        | ¥16.42        | ¥0.0984        | ¥12.73        |
| Increase or (Decrease)                 | ¥(3.58)        | ¥9.01          | ¥(1.05)       | ¥0.63         | ¥0.0027        | ¥0.19         |
| Ratio (%)                              | (3.2)          | +7.4           | (1.2)         | +3.8          | +2.7           | +1.5          |

### Net Sales, Operating Income Ratio

|                                        | Japanese region  | American region | European region | Oceanian /SouthEast and South Asian regions | East Asian region | Other business |
|----------------------------------------|------------------|-----------------|-----------------|---------------------------------------------|-------------------|----------------|
| Net Sales                              | (Local Currency) | -               | (19.9)          | (3.0)                                       | (6.2)             | +3.7           |
| Vs 2nd quarter ended June 30, 2017 (%) | (Yen)            | (3.6)           | (22.4)          | +4.2                                        | (6.2)             | +5.6           |
| Operating income                       | (Local Currency) | -               | -               | (24.5)                                      | (11.4)            | (26.3)         |
| Vs 2nd quarter ended June 30, 2017 (%) | (Yen)            | (47.1)          | -               | (19.0)                                      | (11.4)            | (24.0)         |
| Operating Income Ratio (%)             |                  | 3.8             | (1.3)           | 5.6                                         | 15.6              | 12.0           |
|                                        |                  |                 |                 |                                             |                   | (9.1)          |