

# MIZUNO Corporation



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## Financial Information for the year ended March 31, 2009

The information in this report contains forward-looking statements based on our assumption and/or plan as of May 20, 2009 that involve risks and uncertainties such as world economy, competitors' situations and/or big fluctuation of exchange rate that could cause actual results to differ materially.



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- ◆ Outline of FY08 Business Results
- ◆ Immediate Business Issues
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# Outline of FY08 Business Results (Income Statement)

- Revenues decreased due to struggled Golf business and impact of strong JPY.

(JPY billion)	FY2006	FY2007	FY2008	versus 2007
Revenues	161.6	174.0	<b>162.0</b>	-6.9%
Gross margin	67.5	71.7	<b>65.8</b>	-8.2%
Gross margin ratio	41.8%	41.2%	<b>40.6%</b>	-0.6P
SG&A expenses	60.6	63.8	<b>62.9</b>	-1.5%
SG&A expenses ratio	37.5%	36.7%	<b>38.8%</b>	+2.1P
Salaries and bonus	19.6	21.1	<b>20.4</b>	-3.2%
A&P expenses	12.1	13.0	<b>12.7</b>	-2.1%
Operating profit	6.9	7.8	<b>2.9</b>	-63.0%
Operating profit ratio	4.3%	4.5%	<b>1.8%</b>	-2.7P
Ordinary profit	6.8	7.4	<b>1.5</b>	-79.9%
Ordinary profit ratio	4.2%	4.3%	<b>0.9%</b>	-3.4P
Net income (Loss)	2.8	2.4	<b>(2.4)</b>	-%
JPY - 1 USD	116.53	117.82	<b>103.68</b>	
JPY - 1 GBP	221.49	229.27	<b>175.05</b>	
JPY - 1 EUR	150.33	161.86	<b>144.40</b>	

## Outline of FY08 Business Results (Balance Sheet)

- Although inventory decreased due to strong JPY, it has increased about 5% against the end of FY2007 in exchange rate neutral.

(JPY billion)	March 31, 2007	March 31, 2008	March 31, 2009	+ / -
<b>Total assets</b>	<b>145.5</b>	<b>144.1</b>	<b>132.6</b>	<b>-11.5</b>
Cash and cash equivalents	8.5	10.9	<b>9.5</b>	-1.4
Accounts receivable	37.4	36.5	<b>32.8</b>	-3.7
Inventories	29.2	28.5	<b>27.4</b>	-1.1
Fixed assets	40.0	40.7	<b>40.2</b>	-0.5
Investment in securities	13.4	9.6	<b>7.7</b>	-1.9
Deferred tax assets	5.1	6.6	<b>5.5</b>	-1.1
<b>Total liabilities</b>	<b>61.7</b>	<b>62.7</b>	<b>58.1</b>	<b>-4.6</b>
Short-term debt	16.5	15.0	<b>15.6</b>	+0.6
Long-term debt	9.8	11.3	<b>9.8</b>	-1.5
Other liabilities	35.4	36.4	<b>32.7</b>	-3.7
<b>Net assets</b>	<b>83.8</b>	<b>81.4</b>	<b>74.5</b>	<b>-6.9</b>

# Outline of FY08 Business Results

## ◆ Summary of financial results

versus FY2007

<b>Revenues</b>	<b>JPY162.0 billion</b>	<b>-11.9 billion (-6.9%)</b>
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Impact of exchange rate fluctuation	-6.1 billion (-3.6%)
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Decrease except exchange rate fluctuation	-5.8 billion (-3.3%)
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- ▶For all areas excluding Asia, sales of golf items decreased. Sales of athletic wear decreased in China.
- ▶Though athletic footwear sales based on local currency increased, there was a decrease in revenue due to currency translation.

<b>Operating profit</b>	<b>JPY2.9 billion</b>	<b>-4.9 billion (-63.0%)</b>
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- ▶Decrease in gross margin accompanied by golf item sales decrease (includes inventory valuation loss, currency influence).
- ▶The effect of cutback on fixed costs was limited due to increase in allowance.  
(selling, general and administrative expenses were down 900 million Yen compared to previous term)

<b>Ordinary profit</b>	<b>JPY1.5 billion</b>	<b>-5.9 billion (-79.9%)</b>
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- ▶Exchange-rate loss from Yen translation of Europe branch assets.  
(End of current term JPY140.52/GBP, JPY129.84/EUR End of previous term JPY200.21/GBP, JPY158.14/EUR)

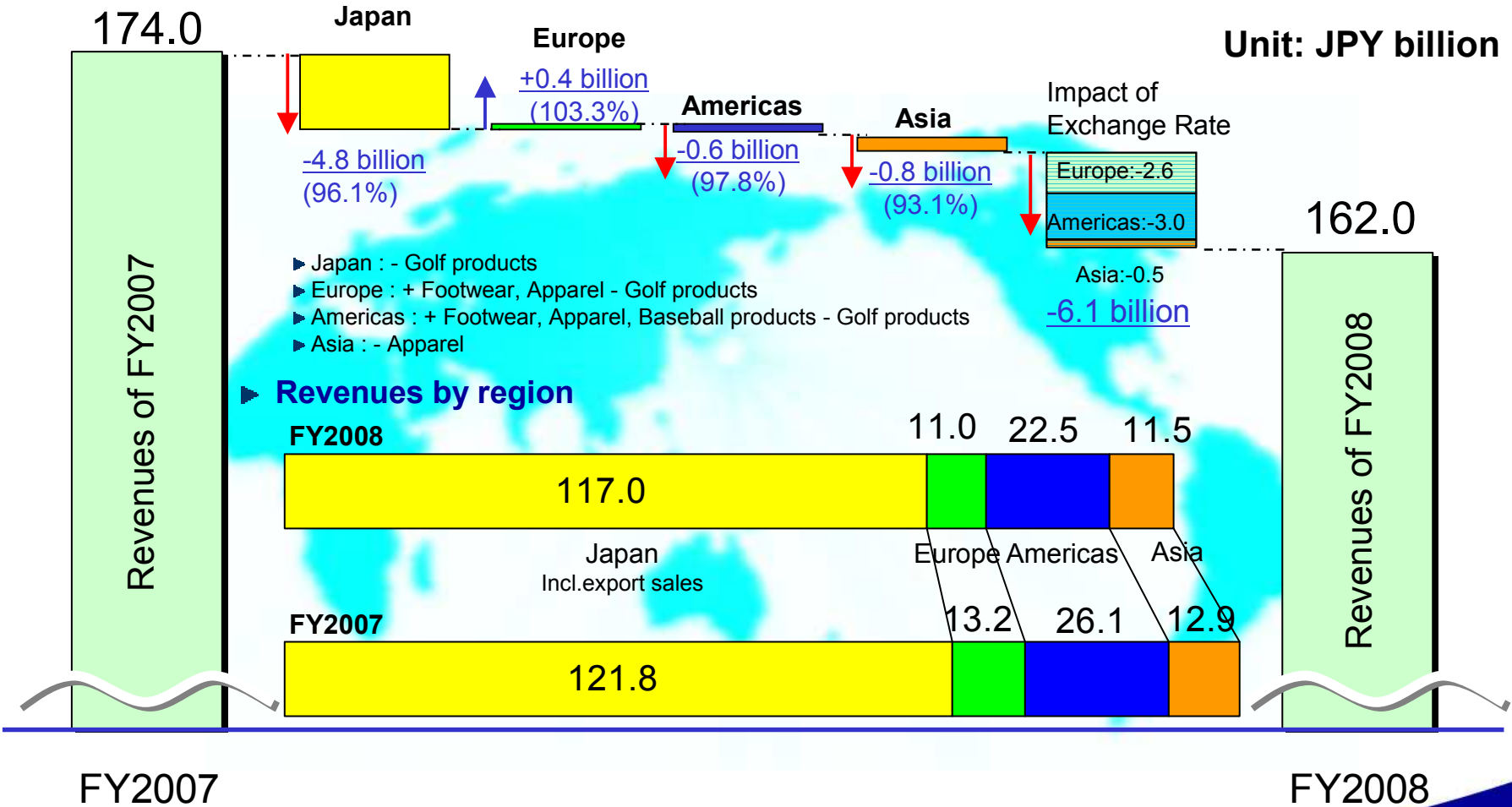
<b>Net loss</b>	<b>JPY-2.4 billion</b>	<b>-4.8 billion</b>
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- ▶Loss from write-down of securities etc. Also, reversal of deferred income tax assets etc.

# Outline of FY08 Business Results (Revenue by Region)

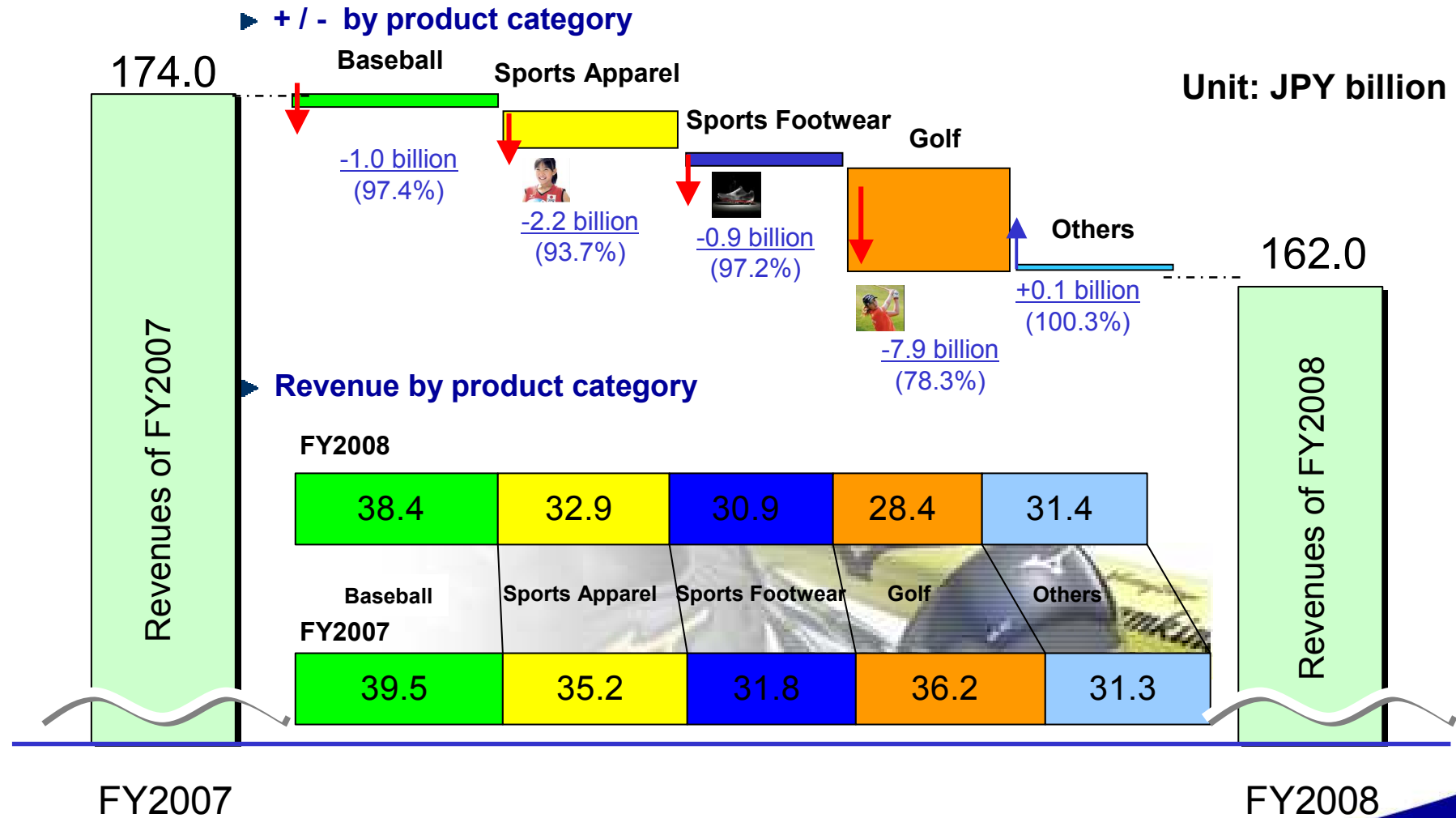
## ◆ Revenues by region and impact of exchange rate

### ▶ + / - without impact of Exchange rate



# Outline of FY08 Business Results (Revenue by products)

- ◆ Increasing and decreasing of revenue by product category



# Indexes of Financial Condition

- ◆ Most of indexes show lower numbers due to decreasing profit.

	FY2006	FY2007	FY2008	+ / -
Return on Asset (ROA)	4.9%	5.7%	<b>2.3%</b>	-3.5P
Return on equity (ROE)	3.4%	2.9%	<b>-3.1%</b>	-6.0P
Shareholder's equity ratio	57.4%	56.4%	<b>56.1%</b>	-0.2P
Earnings per share (EPS)	JPY22.75	JPY19.40	<b>-JPY19.35</b>	-JPY38.76
Book-value per share (BPS)	JPY670.23	JPY651.73	<b>JPY596.67</b>	-JPY55.06
Price book-value ratio (PBR)	1.11	0.96	<b>0.68</b>	-0.28
Price at the end of the fiscal Year	JPY745	JPY625	<b>JPY404</b>	-
Dividend payout ratio	44.0%	51.5%	-	-

# Immediate Business Issues 1

## ◆ Readjustment of mid-term strategies for the golf business

**Rapid shrinkage  
of the golf market**



**Reconstruct the business to endure  
the immediate decrease in sales**

- ◆ Financial depression which led to an aggravated global market environment
- ◆ Price wars due to overstocked markets
- ◆ Estimated that market condition recovery will take some time

- ◆ Reevaluating cost calculation from development to sales
  - ▶ Improve efficiency at point of production by unifying global development/sourcing functions
  - ▶ Reevaluating golf club assembly base
  - ▶ Reducing sales expenses
- ◆ Promoting efficiency by reducing SKUs
  - ▶ Improving and expanding global models
  - ▶ Thorough inventory control
- ◆ Refortify iron sales in Europe and the U.S.
  - ▶ Promotion relevant investments shall concentrate on irons

# Immediate Business Issues 2

## ◆ Issues on Chinese market development and how to handle in future

**Each company input product amounts exceeding market growth.**



**Inventory constriction and strengthening brand power**

- ◆ Competitive climate escalation before and after the Olympics
- ◆ Excessive competition created excess market inventory
- ◆ Expansion of athlete population unknown

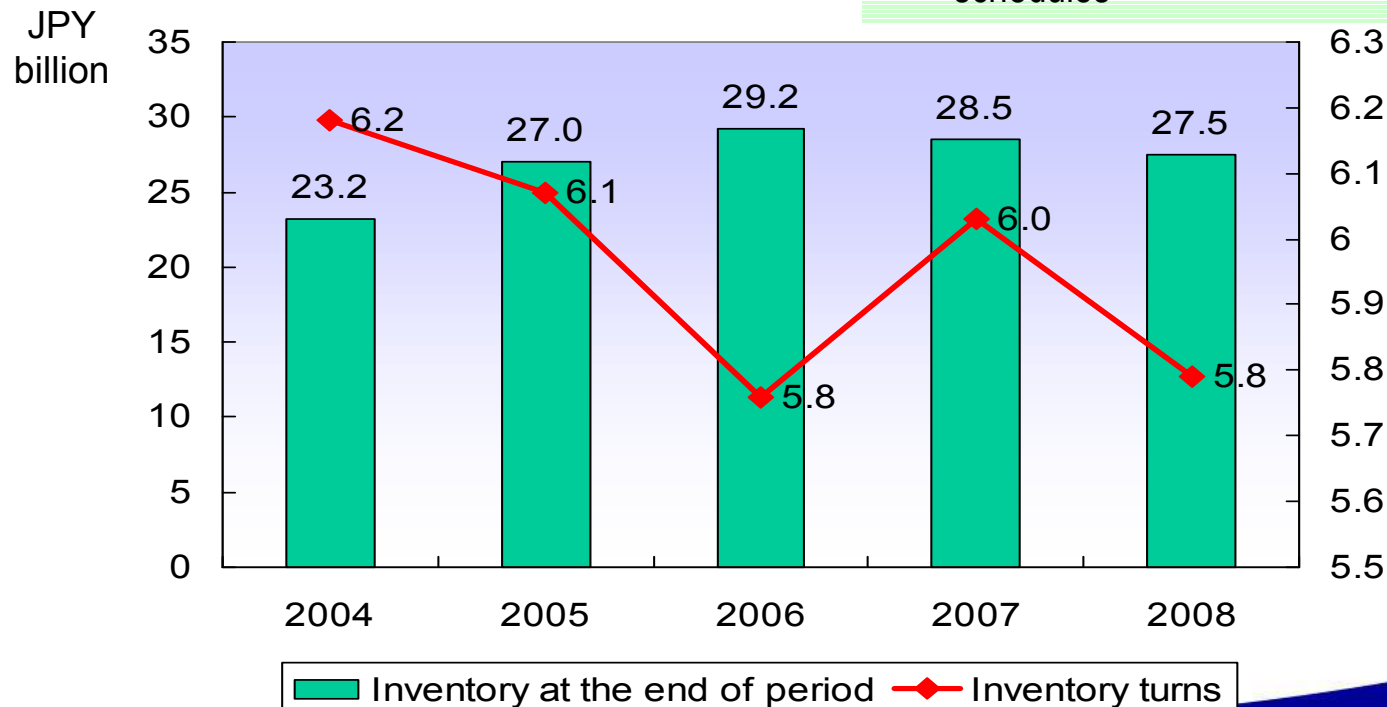
- ◆ Response to excess inventory
  - ▶ Early disposal of accumulated inventory
  - ▶ Thorough inventory control
- ◆ Increasing sales/profit of existing stores
  - ▶ Scrap & Build—balancing the withdrawal from unprofitable stores and opening new ones
- ◆ Rebuilding the brand by stressing the “competitive sport” image
  - ▶ Strengthening sales of “playing sports” products, such as golf, table tennis, and badminton
  - ▶ Inputting products planned in Japan to the high – price-range products.

# Immediate Business Issues 3

## ◆ Proper inventory levels

- ▶ Outstanding amount for the end of FY08 when translated to JPY was approx. JPY 2.6 billion (increase in real inventory)
  - Strengthening the purchasing management structure
  - Strengthening supply-chain management

- ◆ Implementing a merchandise purchasing system
  - ▶ Increase purchasing accuracy in Japan which carries approximately 70% inventory.
- ◆ Integrating the apparel planning and production functions
  - ▶ Realizing efficient merchandise mix/production structure
- ◆ Flexible operation of production/purchasing schedules



# Prioritized mid-term strategy (brand/product development)

- ◆ To become a brand that continues to create added value backed by product development power

- ▶ “Design” Mizuno Wave: balancing both cushioning and stability with a wave-shaped plate  
“Wave Rider 12” (different sole designs for men and women)  
Won the Editor’s Choice Award in the US Runner’s World magazine



- ▶ “Materials” Highly-functional apparel:  
unique design + functional material  
“BIO GEAR”  
Realized body balance/mobility/thin material/lightweight/UV

- ▶ “Technology” Soft-iron forging technology:  
realized an incomparable hitting feel.  
“MP Series Iron” Awarded a gold in US Golf Digest magazine  
(4 gold medals including the MX Series)



- ▶ “Needs” Environment-conscious products:  
proactively address from a CSR point of view  
“Pebax® Rnew” Material generated from ricinus is used in shoes  
“Erasable Eco-line” Line chalk material that can be easily erased with water

# Prioritized mid-term strategy (Business Categories)

## ◆ Growth strategy with footwear as core

- ▶ Strengthening our focus on running shoes
  - Marketing that is coupled with sponsor tournaments
    - Mizuno Running Series
  - Creating fans by strengthening contact with users
    - Mizuno Running Station (Japan)
    - RUN WITH US campaign (USA)






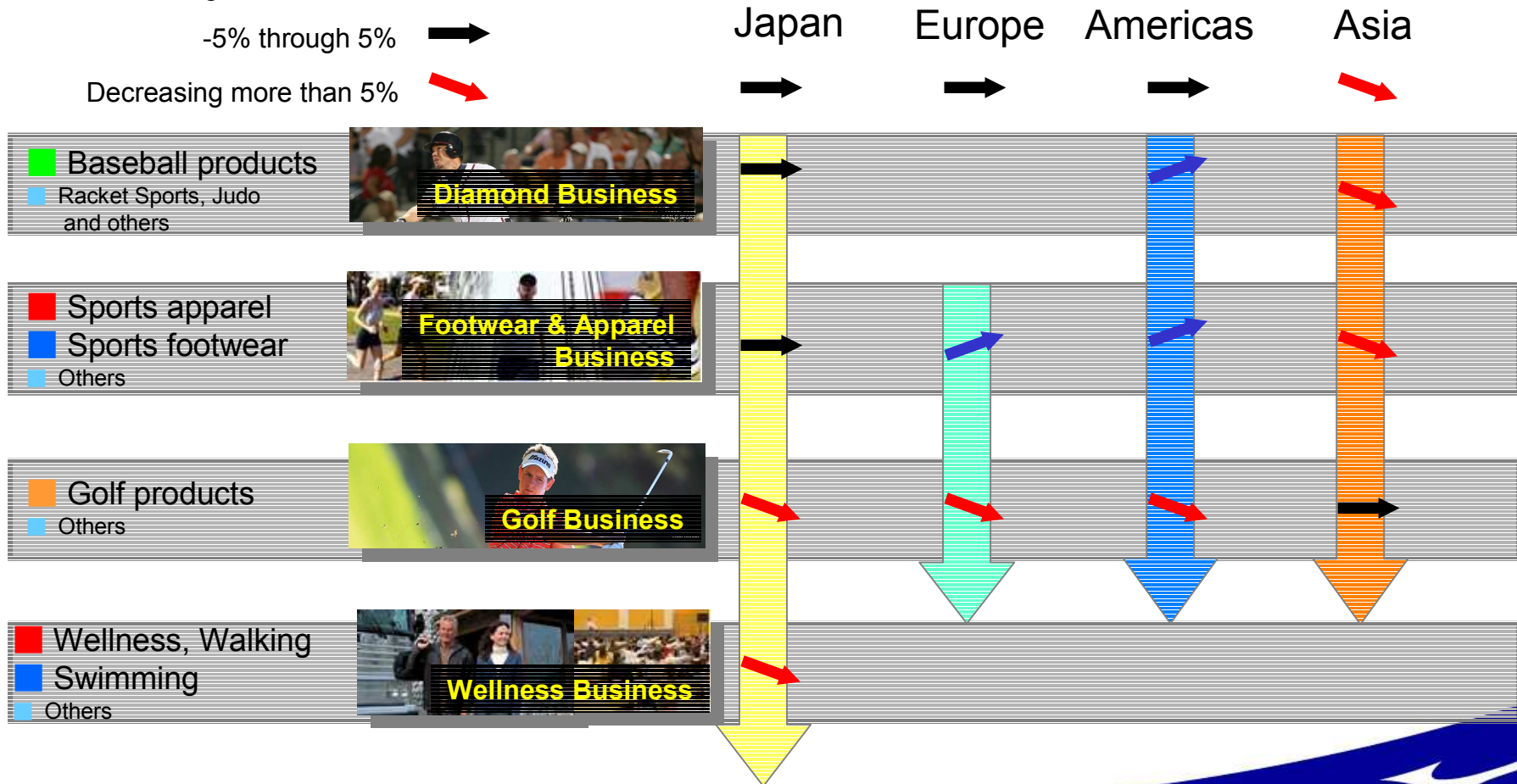
## ◆ Strengthening apparel that can respond to the demand of every sport scene

- ▶ Restructuring the apparel organization by business and creating an organization capable of responding globally
  - Realizing a merchandise structure that is more effective/efficient
  - Decreasing costs by sharing material
  - Diversification of risk by developing production bases other than China

# Overall Condition by Region

- ◆ Global business unit (unit of decision-making for global strategies)
  - ▶ Outline of amount of sales for FY08 (growth rate compared to previous year) based on local currency without currency translation influence

Increasing more than 5%   
 -5% through 5%   
 Decreasing more than 5% 



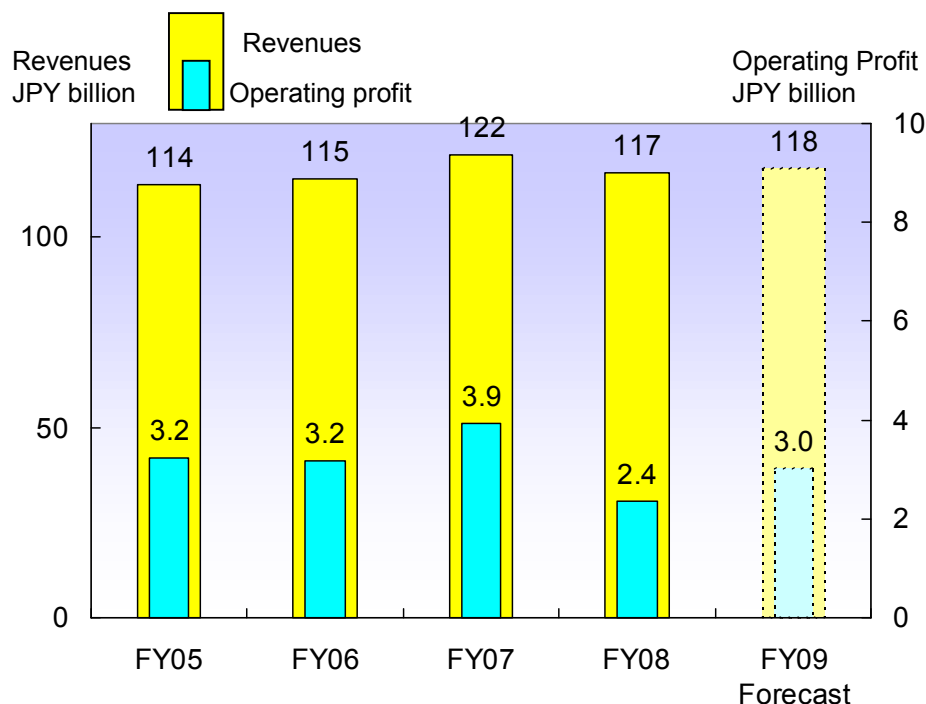
# Regional Highlights (Japan)

## ◆ Summary of results

### ▶ FY08 results by Business Unit

(incl. Export to Asia)  
(excl. others)

JPY billion	Total	Footwear & Apparel	Diamond	Golf	Wellness
Revenues	117.0	30.0	40.5	17.9	16.7
vs FY07	96%	103%	99%	84%	93%



## ◆ FY08 results

- ▶ Footwear & apparel business: sales of running shoes showed steady performance
- ▶ Diamond sports business: slightly did not reach the demand increase in FY07 due to change in baseball product brand logo
- ▶ Golf business: in addition to declining demand in the golf market, the flagship JPX Series showed sluggish sales
- ▶ Wellness business: walking shoes sales that had showed continual growth has leveled off
- ▶ Others: stagnant exports to Korea

## ◆ FY09 forecast

- ▶ Try to recover profit by improving operation efficiency such as improving expense ratio/inventory compression etc.
- ▶ Continue investing in areas with continued growth, such as running shoes

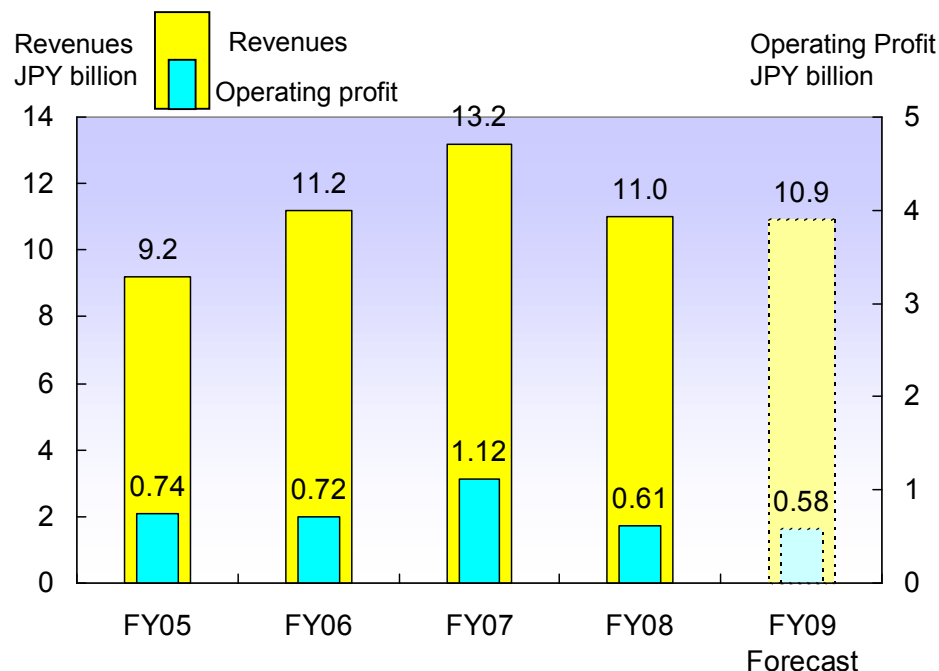
Note) Results by business are based on documents managed within the company

# Regional Highlights (Europe)

## ◆ Summary of results

### ▶ FY08 results by Business Unit

JPY billion	Total	Footwear & Apparel	Golf
Revenues	11.0	7.4	3.6
vs FY07	84%	95%	67%
Currency neutral basis	103%	117%	83%



## ◆ FY08 results

- ▶ General: due to the weak GBP (vs. USD), purchasing costs increased
- ▶ Footwear & apparel business: based on local currency, England, France, and Germany all had double digit growth
- ▶ Golf business: ever since the financial crisis, notable shrinkage of the UK market

## ◆ FY09 forecast

- ▶ Footwear & apparel business: advance the promotion of indoor shoes in addition to the flagship running shoes
- ▶ Golf business : judgment made that market recovery will continue to take time. Must reevaluate cost structure and strengthen custom fitted sales
- ▶ Others: will start swimwear business in Europe

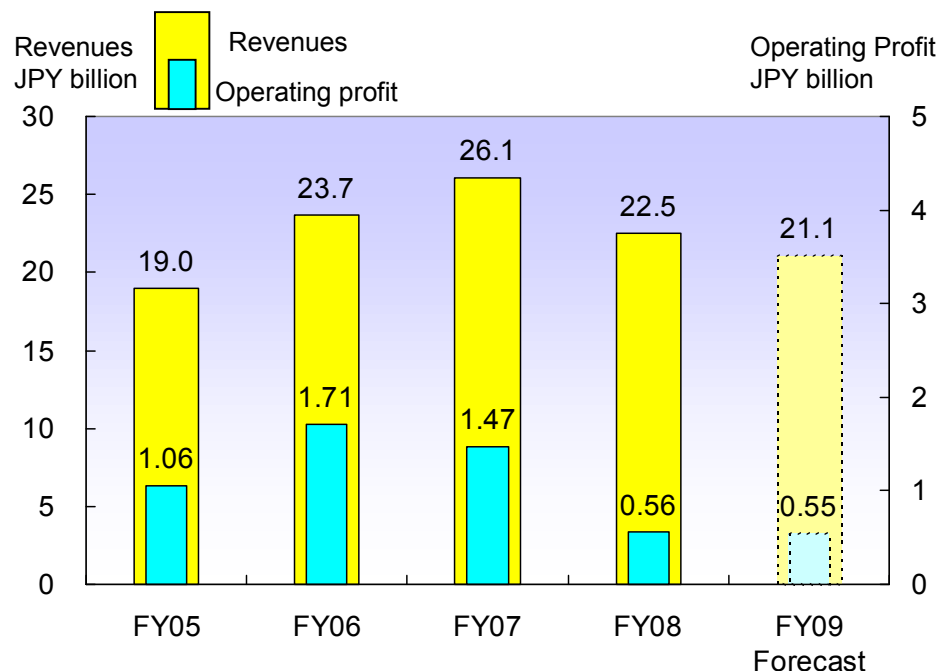
Note) Results by business are based on documents managed within the company.

# Regional Highlights (Americas)

## ◆ Summary of results

### ▶ FY08 results by business Unit

JPY billion	Total	Footwear & Apparel	Diamond	Golf
Revenues	22.5	8.6	7.7	6.2
vs FY07	86%	96%	93%	69%
Currency neutral basis	97%	109%	106%	79%



## ◆ FY08 results

- ▶ Footwear & apparel business: running shoes showed stable growth + the success of Olympic volleyball players
- ▶ Diamond sports business: steady growth in sales due to success of MLB contract players
- ▶ Golf business: aggressive penetration by competitors in the forged iron area as well as the financial depression added to a drastic fall in revenues

## ◆ FY09 forecast

- ▶ General: Sales are forecasted to remain unchanged with currency exchange influence is omitted
- ▶ Footwear & apparel business: strengthening user promotional events such as having users try our running shoes on
- ▶ Golf business: difficult market conditions are forecasted to continue, and the reevaluation of cost construction will be promoted

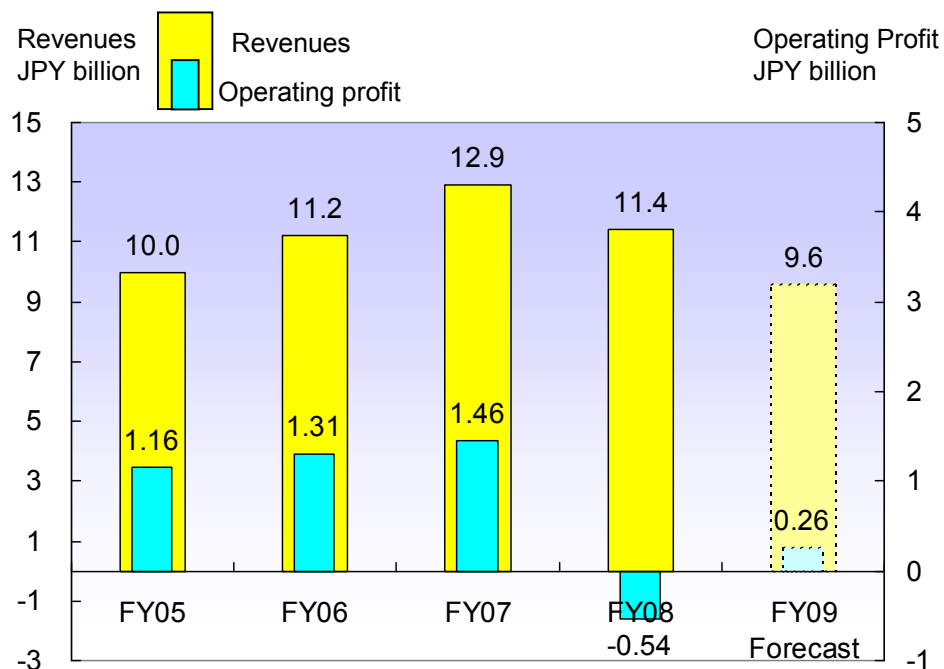
Note) Results by business are based on documents managed within the company.

# Regional Highlights (Asia - Not including export from Japan)

## ◆ Summary of results

### ▶ FY08 results by Business Unit

JPY billion	Total	Footwear & Apparel	Diamond	Golf
Revenues	11.4	9.3	0.4	1.7
vs FY07	90%	88%	83%	100%
Currency neutral basis	94%	92%	90%	105%



## ◆ FY08 results

- ▶ In regards to China's excess inventory, it will be devaluated on the account settlement
- ▶ Though Taiwan sales were solid, golf items had difficulty as with the other countries
- ▶ For golf item sales in Australia, there was a transition from agent distribution to direct distribution

## ◆ FY09 forecast

- ▶ Strengthen the control on inventory level of China's domestic business
- ▶ Continue to "scrap & build" distribution routes including withdrawal from unprofitable stores in China
- ▶ Strengthen sales of golf items and racket sport items



Note) Results by business are based on documents managed within the company.

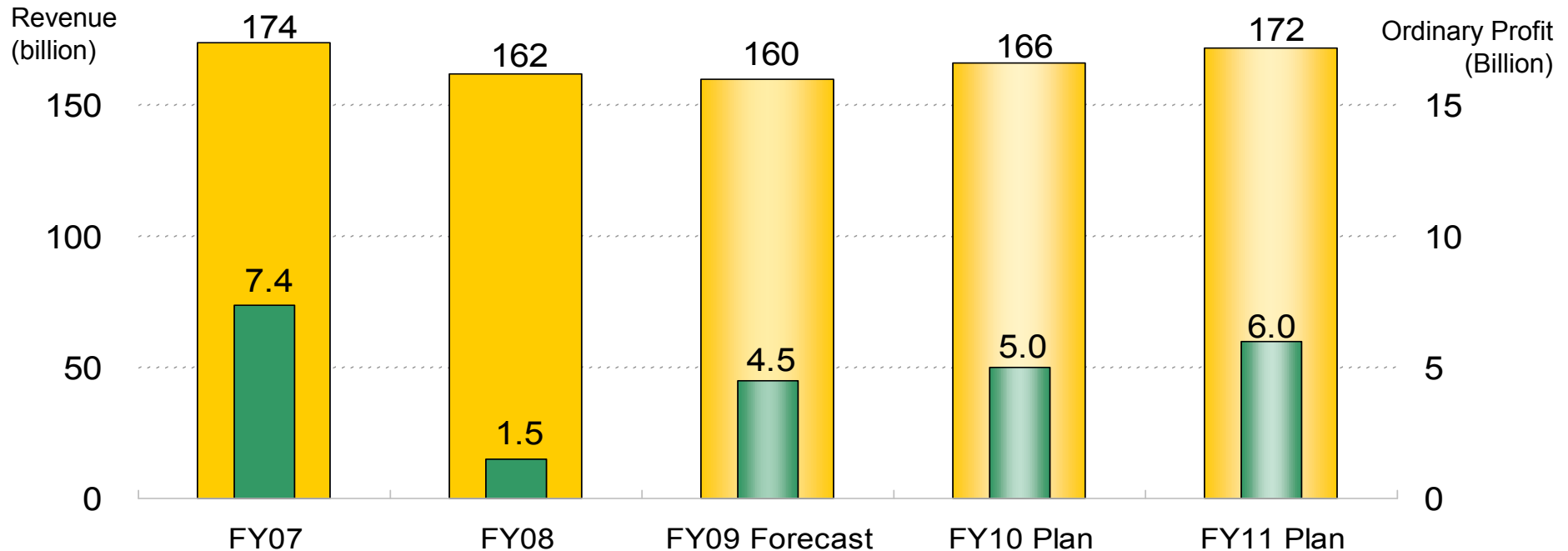
# Future Plan from FY09 through FY11

## ◆ Revenues/Ordinary Profit

### ◆ Assuming the market is flat or negative

- ▶ -2.8 million impact from exchange rate for FY09
- ▶ Including Exchange-rate loss from JPY translation of Europe branch assets in FY08
- ▶ Expecting improvement of gross margin rate because of strength of inventory control

 Revenues  
 Ordinary Profit

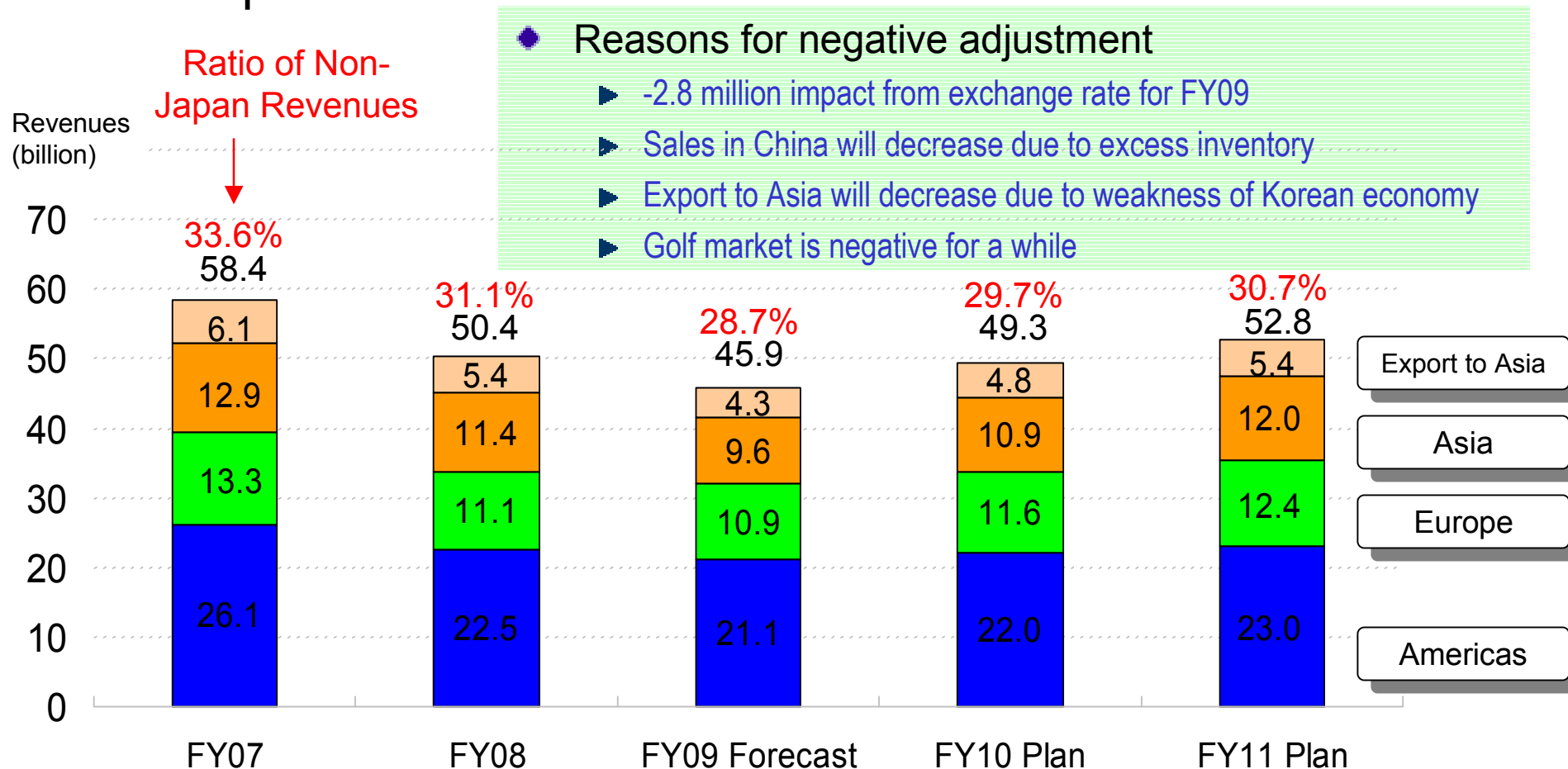


JPY-1USD	117.82	103.68	100
JPY-1GBP	229.27	175.25	150
JPY-1EUR	161.86	144.40	135

Projected exchange rate for FY09  
(using the same rate for FY10-FY11)

# Future Plan from FY09 through FY11

## ◆ Non-Japan Revenues



- ◆ Reasons for negative adjustment
  - ▶ -2.8 million impact from exchange rate for FY09
  - ▶ Sales in China will decrease due to excess inventory
  - ▶ Export to Asia will decrease due to weakness of Korean economy
  - ▶ Golf market is negative for a while

JPY-1USD	117.82	103.68	100
JPY-1GBP	229.27	175.25	150
JPY-1EUR	161.86	144.40	135

Projected exchange rate for FY09  
(using the same rate for FY10-FY11)

Note) Revenues of Europe includes export from Japan to Europe.

# Future Plan from FY09 through FY11

## ◆ Revenues by Business Unit

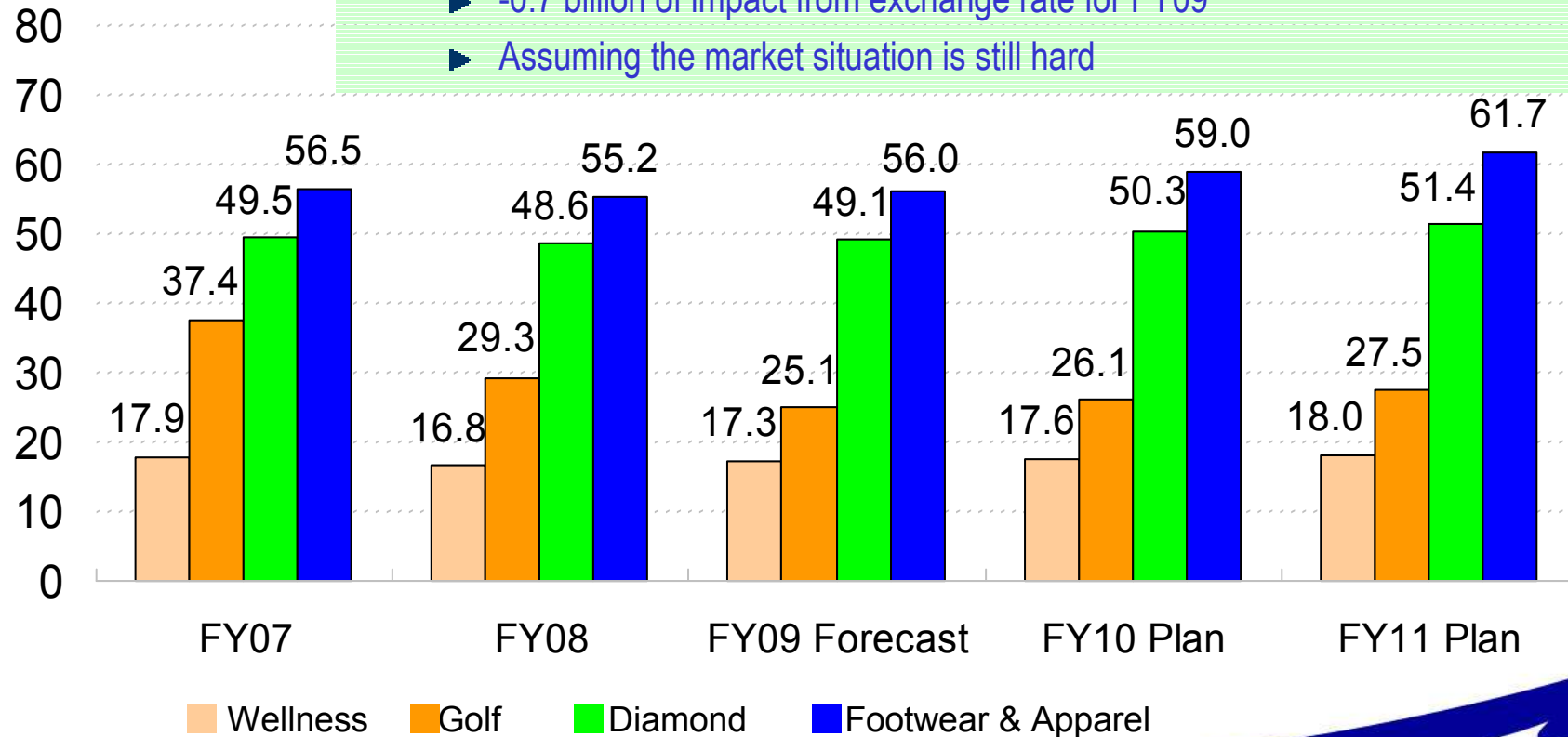
### ◆ Footwear and Apparel business

- ▶ -1.6 billion of impact from exchange rate for FY09
- ▶ Including temporarily shrinkage in China due to excess inventory

### ◆ Golf business

- ▶ -0.7 billion of impact from exchange rate for FY09
- ▶ Assuming the market situation is still hard

Revenues  
(JPY billion)



# Closing (FY2009 Slogan and Policies)

## Attack & Defend

This is Business Slogan for FY 2009.

In this economic crisis, it will be important to proactively employ effective defense measures and wait for the chance to make an attack.

## Company Policies for Fiscal Year 2009

- ◆ Be Flexible and Push Through
  - ▶ Use all resources and measures when in an uphill battle, and push through with such by being proactively defensive.
- ◆ Be Creative and Unique
  - ▶ Go back to the spirit of “creating great products” and strengthen relationships between Mizuno and customers
- ◆ Take Action with Guts
  - ▶ Make “positive” progress in adverse circumstances and it will lead to manifesting one’s aptitude