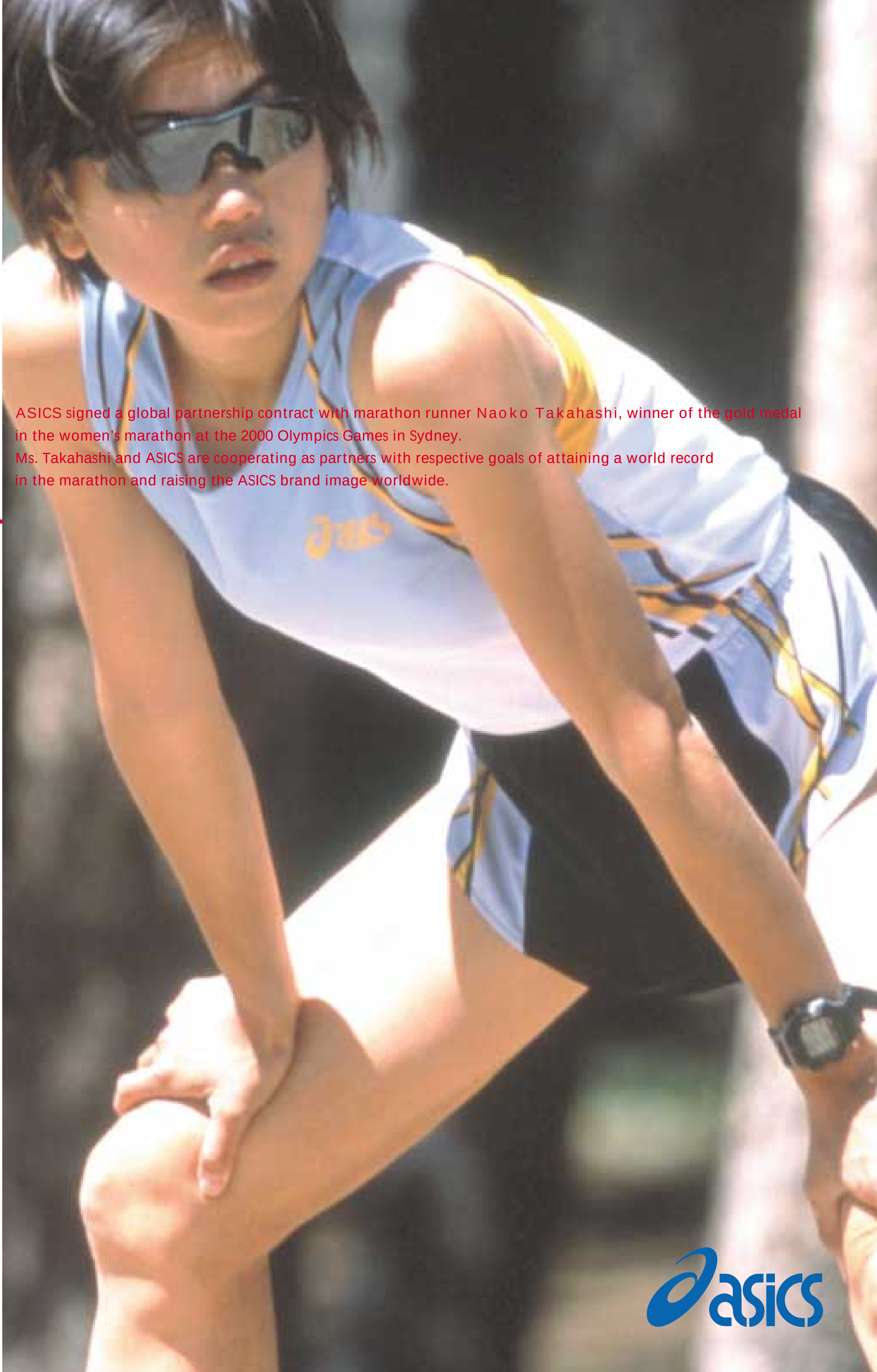
ASICS CORPORATION

2001

ANNUAL REPORT



ASICS signed a global partnership contract with marathon runner Naoko Takahashi, winner of the gold medal in the women's marathon at the 2000 Olympics Games in Sydney.
Ms. Takahashi and ASICS are cooperating as partners with respective goals of attaining a world record in the marathon and raising the ASICS brand image worldwide.

P R O F I L E

From small beginnings in 1949, ASICS Corporation has grown into one of Japan's foremost manufacturers of general sporting goods and equipment. Today, with some of the industry's most advanced research facilities, a diversified manufacturing base, and a network of operations that spans the United States, Europe, Australia, and Asia, ASICS is a globally oriented company actively pursuing worldwide expansion.

The name ASICS derives from ***anima sana in corpore sano,*** *a Latin phrase expressing the ancient ideal of a sound mind in a sound body. This concept is central to our role as a manufacturer of general sporting goods and researcher in the field of total health and fitness.*

F I N A N C I A L   H I G H L I G H T S

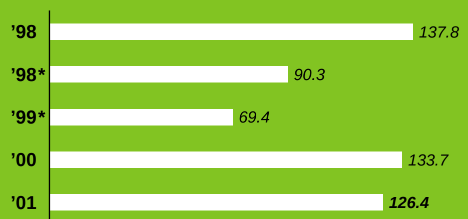
ASICS Corporation and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note)
	2001	2000	**2001**
For the year:			
Net sales	**¥126,446**	¥133,727	**$1,019,726**
Operating income	**3,092**	4,031	**24,935**
Net income	**1,740**	923	**14,032**
At the year-end:			
Working capital	**¥ 36,660**	¥ 29,911	**$ 295,645**
Total stockholders' equity	**43,866**	42,898	**353,758**
Total assets	**113,914**	108,222	**918,661**
Amount per share:			
Net income per share of common stock (in yen and U.S. dollars)	**¥ 8.13**	¥ 4.31	**$ 0.07**

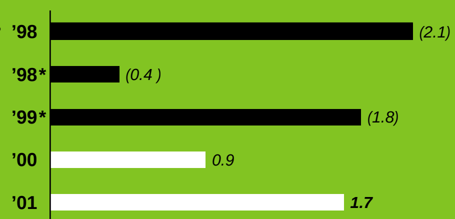
	2001	2000	**2001**
Market price per share of common stock (in yen and U.S. dollars):			
High	**¥138**	¥175	**$1.11**
Low	**91**	102	**0.73**

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥124=US$1, the approximate rate of exchange in effect on March 31, 2001.

NET SALES
(Billions of yen)



NET INCOME (LOSS)
(Billions of yen)



TOTAL ASSETS
(Billions of yen)

**As a result of a change in our fiscal year-end, transitional fiscal 1999 represents the six months from October 1, 1998, to March 31, 1999, and transitional fiscal 1998 represents the eight months and ten days from January 21 to September 30, 1998.*

C O N T E N T S

Kiyomi Wada
President and Representative Director

TO OUR STOCKHOLDERS

We are pleased to have this opportunity to report to our stockholders on the performance of ASICS Corporation for fiscal 2001, ended March 31, 2001.

During the fiscal year under review, the Japanese economy showed signs of achieving a self-sustaining recovery that included improved corporate earnings and an increase in capital investment. Nevertheless, overall conditions in the Japanese economy remained harsh and a full-scale recovery failed to materialize as consumer spending remained mired in a pattern of advances and retreats while stock prices were sluggish through the end of the second half of the fiscal year. Overseas, the U.S., European, and Asian economies posted robust growth during the first half of the fiscal year. In the second half, however, signs of slowdowns could be observed in the European and Asian economies due to the spillover effect of a downturn in the U.S. economy.

Although the Japanese sporting goods industry witnessed a growing interest in sports activities, spurred by the 2000 Sydney Olympic Games, the severe operating environment persisted due to the considerable adverse effects of sluggish personal consumption. Ongoing harsh conditions also characterized overseas markets amid intensifying competition for market share.

Against this background, the ASICS Group continued to focus on its principal running shoes and walking-related products businesses, which are expected to expand in the future as people place greater emphasis on maintaining their health. At the same time, in its sportswear business ASICS embarked on a new approach in cultivating the market for sports casual products. In addition, we made efforts to trim costs and reduce inventories by reviewing our production structure and upgrading and expanding our short-term production system.

During fiscal 2001, ASICS supplied products to athletes and teams from nations participating in the Sydney Olympics. Also, the Company set up a service center at the Olympic Games to provide various services to athletes. These efforts played a key role in enabling ASICS to further raise its brand image and to achieve increased market penetration for its brands. In addition, we implemented a sales campaign in conjunction with the Olympics in line with our strategy for expanding sales.

Besides its day-to-day business activities, ASICS gives Companywide consideration to environment protection in all areas of its business operations, including product development, production, and sales. As part of ASICS' commitment to environment protection, in December 2000 the ASICS R&D Center obtained ISO 14001 certification, the international standard for environmental management systems.

Business Results

Despite the implementation of the previously mentioned measures, consolidated net sales declined 5.4%, to ¥126,446 million (US$1,020 million). By region, domestic sales were down 5.9%, to ¥84,137 million (US$679 million), and overseas sales retreated 4.6%, to ¥42,309 million (US$341 million).

At the profit level, operating income decreased 23.3%, to ¥3,092 million (US$25 million). Net income soared 88.5%, to ¥1,740 million (US$14 million), reflecting the absence of a loss on dissolution of overseas businesses that was recorded in the previous fiscal year.

Outlook for Fiscal 2002

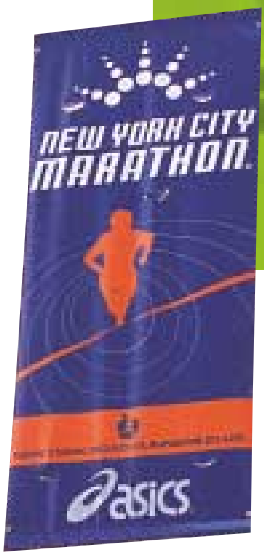
The difficult operating environment surrounding Japan's sporting goods industry is likely to persist. Under these conditions, ASICS will review the entire structure of its sportswear business. At the same time, in line with efforts to bolster our sales capabilities, we will set up new sales divisions for each geographic region for several of our sports competition related items that will augment our traditional structure for selling merchandise by product type. Also, we will take steps to cut costs and improve inventory efficiency by rationalizing our distribution system and reducing the number of product types we offer.

To fortify the entire ASICS Group, we set up a new Marketing Strategy Department and are vigorously promoting the effective use of our management resources based on a common global vision and strong management policies.

ASICS will also strive to earn the trust of society in all its activities by strengthening its approach to environment protection, which includes expanding and upgrading its environmental management systems, while also enhancing the reliability and safety of its products.

In closing, we ask our stockholders for their continued support.

ASICS Supports the 2001 New York City Marathon



History of the New York City Marathon

Held in 1970, the first New York City Marathon triggered a worldwide groundswell in the popularity of marathons open to the general public. Charging an entry fee of $1 and offering a prize of $1,000 to the winner, the first New York City Marathon attracted a mere 127 runners, of whom only 55 crossed the finish line. To date, the New York City Marathon has been held annually for 31 years and is now generally regarded as one of the world's premier marathon events. In stark contrast to its fledgling days, recent New York City Marathons have regularly drawn in excess of 30,000 participants representing more than 100 countries. The widespread popularity of the New York City Marathon is mirrored by the potpourri of participants in this race that range from the world's marquee-name runners to general sporting enthusiasts, casual joggers, physically disabled runners, and wheelchair marathoners. Playing an important role in the success of the New York City Marathon are the more than 16,000 volunteers who provide a comprehensive range of support for the race.

This New York City Marathon 2001 campaign advertisement appeared in a magazine that is popular among sports enthusiasts in Japan.

ASICS Becomes a Sponsor

ASICS decided to become a sponsor of the New York City Marathon because the Company believed its association with this prestigious running event would be instrumental in elevating the name recognition of the ASICS brand in North America and enhance the appeal of ASICS shoes among running enthusiasts. It was also ASICS' conviction that New York—as one of the world's largest cities as well as a leading sports, cultural, and fashion center—provided an ideal backdrop truly befitting the Company's quest to become a "global top-class brand" in the 21st century.

ASICS' sponsoring of the New York City Marathon also represents a key part of the Company's global marketing strategy of supporting and sponsoring marathons in various countries. In addition to the New York City Marathon, ASICS is a sponsor of the Hamburg Marathon and the Frankfurt Marathon in Germany, the Torino Marathon in Italy, and the Big Sur International Marathon in the United States.

ASICS’ Footwear and Apparel and the New York City Marathon

To expand its global sales of footwear, apparel, and accessories, ASICS and ASICS Tiger Corporation, a North American subsidiary, are maintaining their multiyear, long-term partnership with the New York Road Runners Club (NYRRC). The not-for-profit NYRRC is the world’s largest running organization and is dedicated to promoting running for health, recreation, and competition. This relationship with the NYRRC allows ASICS to be the official footwear and apparel sponsor of the New York City Marathon, which is a key part of ASICS’ vision of providing quality footwear, apparel, and accessories to sports enthusiasts. ASICS develops co-branded New York City apparel and accessories, including jackets, vests, tights, t-shirts, and shorts. Also, ASICS outfits the more than 16,000 volunteers with official New York City Marathon apparel.

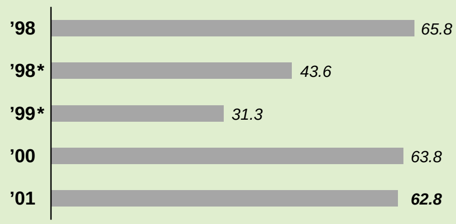
Backed by more than 50 years of manufacturing footwear, ASICS offers a full line of performance-driven athletic shoes, sports apparel, and accessories. ASICS’ line of shoes includes technical footwear for running, racing, track and field, fitness walking, cross training, and many other types of sports. ASICS also offers a diverse selection of sports accessories, including athletic bags, hats, and socks.

Sports Shoes

Sales of sports shoes amounted to ¥62,772 million (US$506 million), down 1.7% from the previous fiscal year. In the domestic market, sales of running shoes and basketball shoes were at approximately the same level as in the previous fiscal year. However, sluggish sales of soccer shoes led to a 4.0% decline in domestic sales of sports shoes, to ¥31,254 million (US$252 million).

Overseas, sales of running shoes continued to be favorable in North America and Europe. However, such factors as sluggishness in the sales of fitness shoes in the United States held overall growth in overseas sales of sports shoes to 0.8%, amounting to ¥31,518 million (US$254 million).

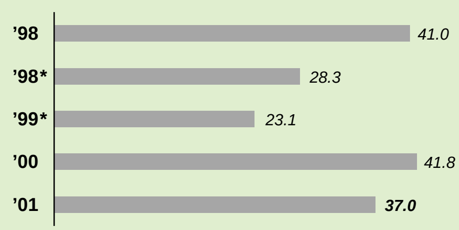
NET SALES
(Billions of yen)



Sportswear

Total sales of sportswear dropped 11.3%, to ¥37,045 million (US$299 million). In Japan, despite brisk sales of swimsuits, sales of regular training wear fell sharply, leading to an 8.2% decline in domestic sales, to ¥26,453 million (US$214 million). Overseas sales shrank 18.2%, to ¥10,592 million (US$85 million). This decline was due to lower sales of apparel in Europe, most notably in Italy, as well as ASICS’ withdrawal from the soccer replica apparel business in the United Kingdom during the fiscal year under review.

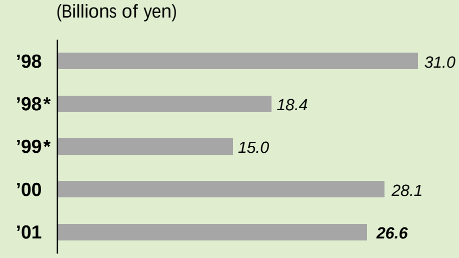
NET SALES
(Billions of yen)



Other Products

Total sales of other products amounted to ¥26,629 million (US$215 million), down 5.3% from the previous fiscal year. In the domestic market, with the exception of several types of recreational goods, we recorded overall sluggish sales, including for such items as winter goods, baseball-related products, and outdoor gear. As a result, domestic sales declined 5.6%, to ¥26,430 million (US$213 million), and overseas sales amounted to ¥199 million (US$2 million).

NET SALES
(Billions of yen)



**As a result of a change in our fiscal year-end, transitional fiscal 1999 represents the six months from October 1, 1998, to March 31, 1999, and transitional fiscal 1998 represents the eight months and ten days from January 21 to September 30, 1998.*

Business Results

In fiscal 2001, ended March 31, 2001, ASICS recorded consolidated net sales of ¥126,446 million (US$1,020 million), down 5.4% from the previous fiscal year.

In the Japanese sporting goods industry, despite the surge in interest in sports activities accompanying the 2000 Sydney Olympic Games, the difficult operating environment continued due to the effects of lackluster personal consumption. Severe conditions also persisted in overseas markets, as competition for market share intensified.

Amid this environment, the ASICS Group continued to focus on its mainstay running shoes and walking-related products businesses, while in its sportswear business ASICS adopted a new approach toward cultivating the market for sports casual products. ASICS also strived to lower costs and reduce inventories by reevaluating its production structure and upgrading and expanding its short-term production system. Also during the year, ASICS supplied products to athletes and teams from nations participating in the Sydney Olympics.

Domestic sales amounted to ¥84,137 million (US$679 million), down 5.9%. In the domestic market, ASICS posted lower sales of sports shoes, sportswear, and other products, including winter goods and outdoor goods.

Overseas sales declined 4.6%, to ¥42,309 million (US$341 million). Although we recorded slightly higher overseas sales of sports shoes, a decline in sales of sportswear caused the decline in total overseas sales.

Costs, Expenses, and Earnings

The cost of sales declined 4.8%, to ¥81,276 million (US$655 million). The cost of sales ratio was 64.3%, up from 63.8% in the previous fiscal year. Thus, gross profit decreased 6.6%, to ¥45,170 million (US$364 million). Selling, general and administrative (SG&A) expenses were down 5.1%, to ¥42,078 million (US$339 million), and as a percentage of net sales totaled 33.3%, from 33.2% in the previous fiscal year. Operating income declined 23.3%, to ¥3,092 million (US$25 million).

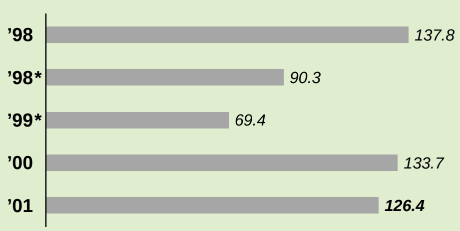
Other income (expenses) amounted to net expenses of ¥965 million (US$8 million), down from net expenses of ¥2,528 million in the previous fiscal year. This decline primarily reflects the absence of a ¥1,089 million loss on dissolution of overseas businesses that was recorded in the previous fiscal year as well as the recording of ¥45 million (US$0.4 million) in other, net income, compared with ¥287 million in other, net expenses in the previous fiscal year.

Owing to the preceding factors, ASICS posted a 41.5% rise in income before income taxes and minority interests, to ¥2,127 million (US$17 million). Income taxes declined 36.8%, to ¥246 million (US$2 million). Income before minority interests was up ¥68.9%, to ¥1,881 million (US$15 million). Minority interests in net income of consolidated subsidiaries declined 26.2%, to ¥141 million (US$1 million). Due to the previous factors, ASICS posted an 88.5% rise in net income, to ¥1,740 million (US$14 million). Net income per share of common stock, assuming no dilution, was ¥8.13 (US$0.07), compared with ¥4.31 in the previous fiscal year.

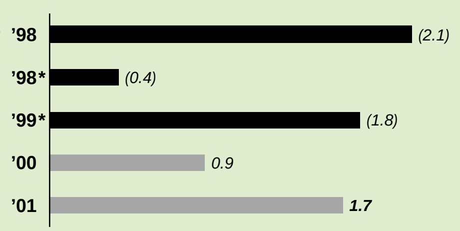
Financial Position

Total assets at fiscal year-end amounted to ¥113,914 million (US$919 million), an increase of 5.3% from the previous fiscal year-end. By asset category, total current assets amounted to ¥84,442 million (US$681 million), up 8.6%. This increase mainly reflected an 81.7% expansion in cash and cash equivalents, to ¥11,500 million (US$93 million), a rise in short-term investments, to ¥1,061 million (US$9 million), resulting from the transfer of long-term assets to short-term assets accompanying

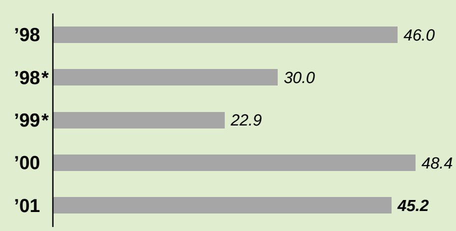
NET SALES
(Billions of yen)



NET INCOME (LOSS)
(Billions of yen)



GROSS PROFIT
(Billions of yen)



As a result of a change in our fiscal year-end, transitional fiscal 1999 represents the six months from October 1, 1998, to March 31, 1999, and transitional fiscal 1998 represents the eight months and ten days from January 21 to September 30, 1998.

a change in the classification of assets along with the introduction of the "Accounting Standard for Financial Instruments," and an 18.3% increase in other current assets, to ¥3,287 million (US$27 million).

Property, plant and equipment, net, declined 2.9%, to ¥16,218 million (US$131 million). This decrease was due mainly to a decline in construction in progress, to ¥19 million (US$0.2 million), from ¥689 million at the previous fiscal year-end.

Total investments and other assets rose 8.7%, to ¥13,254 million (US$107 million). This increase was due principally to a 25.0% rise in investment in securities, other, to ¥5,408 million (US$44 million), resulting from the stating of these securities at fair value along with the adoption of the "Accounting Standard for Financial Instruments,"and a 4.1% rise in long-term loans receivable, to ¥1,334 million (US$11 million). On the other hand, other assets declined 25.5%, to ¥2,761 million (US$22 million), because of the transfer of long-term assets accompanying a change in the classification of assets along with the introduction of the "Accounting Standard for Financial Instruments."

On the liabilities side, total current liabilities were ¥47,782 million (US$385 million), virtually the same as at the previous fiscal year-end. Within this category, short-term bank loans declined 15.8%, to ¥14,125 million (US$114 million), and accrued expenses were down 13.4%, to ¥5,375 million (US$43 million). On the other hand, total notes and accounts payable increased 10.0%, to ¥21,595 million (US$174 million), and other current liabilities rose 73.8%, to ¥3,853 million (US$31 million).

Total long-term liabilities were up 34.1%, to ¥20,671 million (US$167 million), due to a 17.9% increase in long-term debt, to ¥12,722 million (US$103 million), the recording of ¥667 million (US$5 million) in deferred income taxes, a 19.4% rise in accrued retirement benefits, to ¥4,921 million (US$40 million), and a more than fourfold increase in other long-term liabilities, to ¥2,361 million (US$19 million).

Total stockholders' equity amounted to ¥43,866 million (US$354 million), an increase of 2.3% from the previous fiscal year-end. This rise was due to a ¥1,713 million decrease in the accumulated deficit as well as a ¥971 million (US$8 million) unrealized holding gain on securities. The shareholders' equity ratio was 38.5%, compared with 39.6% at the end of the previous fiscal year.

Working capital was up 22.6%, to ¥36,660 million (US$296 million). The current ratio was 1.77, compared with 1.62 at the previous fiscal year-end.

Cash Flows

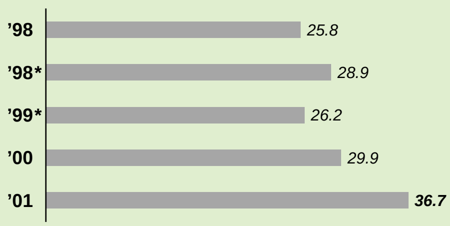
Net cash provided by operating activities amounted to ¥6,772 million (US$55 million). This largely reflected ¥2,127 million (US$17 million) in income before income taxes and minority interests, such non-cash items as ¥1,282 million (US$10 million) in depreciation and amortization, and changes in operating assets and liabilities.

Net cash provided by investing activities amounted to ¥317 million (US$3 million), mainly consisting of ¥896 million (US$7 million) in proceeds from sale of property, plant and equipment.

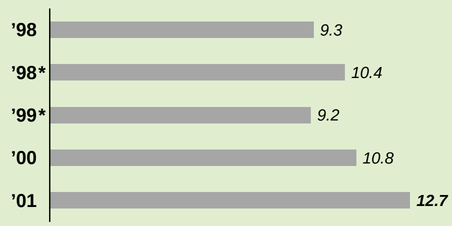
Net cash used in financing activities was ¥2,133 million (US$17 million), primarily reflecting a ¥3,702 million (US$30 million) in decrease in short-term bank loans, net, as well as ¥2,600 million (US$21 million) for the repayment of long-term debt.

Cash and cash equivalents at end of year amounted to ¥11,500 million (US$93 million), a net increase of ¥5,170 million from the end of the previous fiscal year.

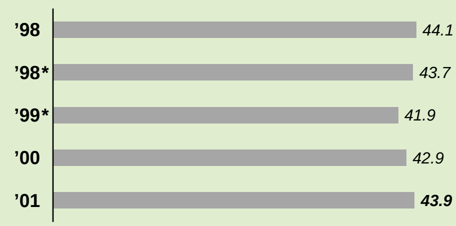
WORKING CAPITAL
(Billions of yen)



LONG-TERM DEBT
(Billions of yen)



TOTAL STOCKHOLDERS' EQUITY
(Billions of yen)



ASICS Corporation and Consolidated Subsidiaries
March 31, 2001 and 2000

ASSETS	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 1) 2001
Current assets:			
Cash and cash equivalents	**¥ 11,500**	¥ 6,330	**$ 92,742**
Short-term investments	**1,061**	151	**8,557**
Notes and accounts receivables:			
Trade	**41,499**	41,716	**334,670**
Unconsolidated subsidiaries and affiliates	**1,137**	1,156	**9,169**
Less allowance for doubtful receivables	**(1,642)**	(1,959)	**(13,242)**
	40,994	40,913	**330,597**
Inventories (Note 4)	**26,558**	26,849	**214,177**
Short-term loans	**59**	114	**476**
Deferred income taxes (Note 11)	**983**	643	**7,927**
Other current assets	**3,287**	2,779	**26,508**
Total current assets	**84,442**	77,779	**680,984**
Property, plant and equipment, at cost:			
Land (Note 5)	**5,621**	5,706	**45,331**
Buildings and structures (Note 5)	**22,948**	22,133	**185,064**
Machinery and equipment	**11,843**	11,543	**95,508**
Construction in progress	**19**	689	**153**
	40,431	40,071	**326,056**
Less accumulated depreciation	**(24,213)**	(23,365)	**(195,266)**
Property, plant and equipment, net	**16,218**	16,706	**130,790**
Investments and other assets:			
Investments in securities (Note 3):			
Unconsolidated subsidiaries and affiliates	**4,742**	4,497	**38,242**
Other	**5,408**	4,325	**43,613**
	10,150	8,822	**81,855**
Long-term loans receivable	**1,334**	1,281	**10,758**
Deferred income taxes (Note 11)	**171**	73	**1,379**
Other assets	**2,761**	3,706	**22,266**
Less allowance for doubtful receivables	**(1,162)**	(1,693)	**(9,371)**
Total investments and other assets	**13,254**	12,189	**106,887**
Translation adjustments	**—**	1,548	**—**
	¥113,914	¥108,222	**$918,661**

See accompanying notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 1) 2001
Current liabilities:			
Short-term bank loans (Note 5)	**¥ 14,125**	¥ 16,766	**$113,911**
Current portion of long-term debt (Note 5)	**2,467**	2,600	**19,895**
Notes and accounts payable:			
Trade	**21,206**	19,178	**171,016**
Unconsolidated subsidiaries and affiliates	**301**	348	**2,427**
Construction	**88**	101	**710**
	21,595	19,627	**174,153**
Accrued income taxes	**367**	449	**2,960**
Accrued expenses	**5,375**	6,209	**43,347**
Other current liabilities	**3,853**	2,217	**31,073**
Total current liabilities	**47,782**	47,868	**385,339**
Long-term liabilities:			
Long-term debt (Note 5)	**12,722**	10,788	**102,597**
Deferred income taxes (Note 11)	**667**	—	**5,379**
Accrued retirement benefits (Note 6)	**4,921**	4,122	**39,685**
Other long-term liabilities	**2,361**	501	**19,040**
Total long-term liabilities	**20,671**	15,411	**166,701**
Minority interests	**1,595**	2,045	**12,863**
Contingent liabilities (Note 7)			
Stockholders' equity:			
Common stock, ¥50 par value:			
Authorized–600,000,000 shares			
Issued–213,962,991 shares at March 31, 2001 and 2000	**23,972**	23,972	**193,323**
Additional paid-in capital	**34,495**	34,495	**278,185**
Accumulated deficit	**(13,856)**	(15,569)	**(111,742)**
Unrealized holding gain on securities	**971**	—	**7,831**
Translation adjustments	**(1,716)**	—	**(13,839)**
Less treasury stock, at cost			
(143 shares at March 31, 2001 and 672 shares at March 31, 2000)	**(0)**	(0)	**(0)**
Total stockholders' equity	**43,866**	42,898	**353,758**
	¥113,914	¥108,222	**$918,661**

CONSOLIDATED STATEMENTS OF OPERATIONS

ASICS Corporation and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2000	**2001**
Net sales (Note 12)	**¥126,446**	¥133,727	**$1,019,726**
Cost of sales	**81,276**	85,346	**655,452**
Gross profit	**45,170**	48,381	**364,274**
Selling, general and administrative expenses	**42,078**	44,350	**339,339**
Operating income	**3,092**	4,031	**24,935**
Other income (expenses):			
Interest and dividend income	**174**	174	**1,403**
Interest expenses	**(1,391)**	(1,544)	**(11,217)**
Equity in earnings of affiliates	**207**	218	**1,669**
Loss on dissolution of overseas businesses	**—**	(1,089)	**—**
Other, net	**45**	(287)	**363**
	(965)	(2,528)	**(7,782)**
Income before income taxes and minority interests	**2,127**	1,503	**17,153**
Income taxes (Note 11):			
Current	**668**	767	**5,387**
Deferred	**(422)**	(559)	**(3,403)**
Prior period adjustment	**—**	181	**—**
	246	389	**1,984**
Income before minority interests	**1,881**	1,114	**15,169**
Minority interests in net income of consolidated subsidiaries	**141**	191	**1,137**
Net income	**¥ 1,740**	¥ 923	**$ 14,032**

	Yen		U.S. dollars (Note 1)
Net income per share	**¥8.13**	¥4.31	**$0.07**

See accompanying notes to consolidated financial statements.

ASICS Corporation and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

		Millions of yen				
	Number of shares of common stock	Common stock	Additional paid-in capital	Accumulated deficit	Unrealized holding gain of securities	Translation adjustments
Balance at March 31, 1999	213,962,991	¥23,972	¥34,495	¥(16,592)	¥ —	¥ —
Adjustment arising from initial adoption of tax-effect accounting				125		
Net income				923		
Bonuses to directors and corporate auditors				(25)		
Balance at March 31, 2000	213,962,991	23,972	34,495	(15,569)	—	—
Net income				**1,740**		
Bonuses to directors and corporate auditors				**(27)**		
Unrealized holding gain on securities					**971**	
Translation adjustments						**(1,716)**
Balance at March 31, 2001	**213,962,991**	**¥23,972**	**¥34,495**	**¥(13,856)**	**¥971**	**¥(1,716)**

		Thousands of U.S. dollars (Note 1)				
	Number of shares of common stock	Common stock	Additional paid-in capital	Accumulated deficit	Unrealized holding gain of securities	Translation adjustments
Balance at March 31, 2000	213,962,991	$193,323	$278,185	$(125,556)	$ —	$ —
Net income				**14,032**		
Bonuses to directors and corporate auditors				**(218)**		
Unrealized holding gain on securities					**7,831**	
Translation adjustments						**(13,839)**
Balance at March 31, 2001	**213,962,991**	**$193,323**	**$278,185**	**$(111,742)**	**$7,831**	**$(13,839)**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

ASICS Corporation and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2000	**2001**
Operating activities:			
Income before income taxes and minority interests	**¥ 2,127**	¥1,503	**$17,153**
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**1,282**	1,434	**10,339**
Provision of allowance for doubtful receivables	**(446)**	950	**(3,597)**
Provision for retirement benefits, net of reversal	**802**	486	**6,468**
Loss on revaluation of securities	**369**	170	**2,976**
Loss (gain) on sale of securities	**3**	(193)	**24**
Interest and dividend income	**(174)**	(174)	**(1,403)**
Interest expenses	**1,391**	1,544	**11,217**
Equity in earnings of affiliates	**(207)**	(218)	**(1,669)**
Loss on disposal of property, plant and equipment	**22**	67	**177**
Gain on sale of property, plant and equipment	**(4)**	(1)	**(32)**
Other, net	**296**	33	**2,387**
Decrease (increase) in operating assets:			
Notes and accounts receivable	**1,422**	(4,181)	**11,468**
Inventories	**1,045**	1,373	**8,427**
Other operating assets	**59**	212	**476**
Increase (decrease) in operating liabilities:			
Notes and accounts payable	**1,263**	262	**10,186**
Accrued consumption taxes	**(67)**	(205)	**(540)**
Other operating liabilities	**(538)**	721	**(4,339)**
Bonuses to directors and corporate auditors	**(28)**	(26)	**(226)**
Subtotal	**8,617**	3,757	**69,492**
Interest and dividends received	**239**	255	**1,927**
Interest paid	**(1,372)**	(1,545)	**(11,064)**
Income taxes paid	**(712)**	(725)	**(5,742)**
Net cash provided by operating activities	**6,772**	1,742	**54,613**
Investing activities:			
Purchase of property, plant and equipment	**(719)**	(1,119)	**(5,798)**
Proceeds from sale of property, plant and equipment	**896**	31	**7,226**
Purchase of securities	**(74)**	(147)	**(597)**
Proceeds from sale of securities	**150**	321	**1,210**
Decrease in short-term loans	**55**	16	**444**
Increase in long-term loans receivable	**(39)**	(4)	**(315)**
Collection of long-term loans receivable	**38**	25	**306**
Other, net	**10**	26	**81**
Net cash provided by (used in) investing activities	**317**	(851)	**2,557**
Financing activities:			
Decrease in short-term bank loans, net	**(3,702)**	(2,226)	**(29,855)**
Proceeds from long-term debt	**1,200**	2,230	**9,677**
Repayment of long-term debt	**(2,600)**	(3,429)	**(20,968)**
Proceeds from issuance of bonds	**3,121**	1,973	**25,169**
Proceeds from sale of treasury stock	**5**	6	**40**
Purchases of treasury stock	**(5)**	(6)	**(40)**
Cash dividends paid to minority interests	**(83)**	(93)	**(669)**
Other, net	**(69)**	—	**(556)**
Net cash used in financing activities	**(2,133)**	(1,545)	**(17,202)**
Effect of exchange rate changes on cash and cash equivalents	**214**	35	**1,726**
Net increase (decrease) in cash and cash equivalents	**5,170**	(619)	**41,694**
Cash and cash equivalents at beginning of year	**6,330**	6,949	**51,048**
Cash and cash equivalents at end of year	**¥11,500**	¥6,330	**$92,742**

See accompanying notes to consolidated financial statements.

ASICS Corporation and Consolidated Subsidiaries
March 31, 2001

1 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company and its domestic consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Commercial Code of Japan (the "Commercial Code") and the Securities and Exchange Law of Japan and in conformity with accounting principles and practices generally accepted and applied in Japan. Its foreign consolidated subsidiaries maintain their accounts and records in conformity with these of their countries of domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen amounts solely for convenience and, as a matter of arithmetic computation only, at the rate of ¥124=US$1.00, the rate of exchange prevailing on March 31, 2001. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

Certain reclassifications of previously reported amounts have been made to conform the consolidated balance sheet at March 31, 2000 to the 2001 presentation. Such reclassification had no effect on stockholders' equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries (the "Group"). All significant intercompany transactions and accounts have been eliminated in consolidation. The foreign consolidated subsidiaries are consolidated on the basis of fiscal years ending December 31, which differs from the balance sheet date of the Company. As a result, adjustments have been made for any significant intercompany transactions which took place during the period between the year ends of these foreign consolidated subsidiaries and the year end of the Company.

Investments in two affiliates are accounted for by the equity method, under which the Group includes its share in the income or losses of these companies in consolidated net income and records its investments at cost adjusted for its share of income or loss and dividends received.

Other subsidiaries and affiliates are not significant in terms of their total assets, net income (loss) or accumulated deficit. Accordingly, these other subsidiaries and affiliates are not consolidated or accounted for by the equity method. Investments in such subsidiaries and affiliates are stated at cost. The excess of cost over the underlying net assets at the respective dates of acquisition is, in general, amortized over a period of five years on a straight-line basis, except that immaterial amounts are charged to income as incurred.

b. Foreign Currency Translation

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates in effect at the respective transaction dates. Foreign exchange gain and loss are credited or charged to income in the period in which such gain or loss is recognized for financial reporting purposes.

The financial statements of the foreign subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except that the components of stockholders' equity are translated at their historical exchange rates. Translation adjustments resulting from translating foreign currency financial statements are not included in the determination of net income but are reported as Translation adjustments as a separate component of stockholders' equity and minority interests in the consolidated balance sheet at March 31, 2001. Such adjustments were reported under assets at March 31, 2000.

Effective April 1, 2000, the Group adopted a revised "Accounting Standard for Foreign Currency Translations" issued by the Business Accounting Deliberation Council of Japan. Under this standard, all monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and gain or loss on each translation is credited or charged to income. The effect of the adoption of this standard on the consolidated statement of operations for the year ended March 31, 2001 was immaterial.

c. Consolidated Statements of Cash Flows

Effective April 1, 1999, the Company adopted "Accounting Standard for Consolidated Statements of Cash Flows" issued by the Business Accounting Deliberation Council of Japan which requires the preparation and disclosure of a consolidated statement of cash flows as part of the basic consolidated financial statements.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand and in banks and other highly liquid investments with maturities of three months or less when purchased.

d. Investments in Securities

Through March 31, 2000, securities listed on stock exchanges were principally stated at the lower of cost or market, cost being determined by the moving average method, except for securities held by certain consolidated subsidiaries and certain securities other than listed securities which were valued at cost.

Effective April 1, 2000, the Group has adopted "Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council of Japan. The new standard requires that securities be classified into three categories: trading securities, held-to-maturity debt securities and other securities.

Under the new standard, trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain and loss, both realized and unrealized, are charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of stockholders' equity. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

As of April 1, 2000, the Group assessed their intent to hold their securities included in short-term investments and investments in securities, classified their securities as "other securities" and accounted for these securities at March 31, 2001 in accordance with the new standard referred to above. As a result, short-term investments increased by ¥945 million ($7,621 thousand) and investments in securities and other assets decreased by ¥30 million ($242 thousand) and ¥915 million ($7,379 thousand), respectively.

e. Inventories

Inventories of the Company and its consolidated subsidiaries are stated principally at cost determined by the first-in, first-out method.

f. Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment is principally computed by the declining-balance method over the useful lives of the respective asset except that the straight-line method is applied to buildings (except for structures attached to the buildings) acquired subsequent to April 1, 1998. Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income as incurred.

g. Allowance for Doubtful Receivables

Up to the year ended March 31, 2000, the Company and its domestic consolidated subsidiaries provided an allowance for doubtful receivables principally at an estimated aggregate amount of probable bad debts plus the maximum amount permitted to be charged to income under the Corporation Tax Law of Japan.

Effective April 1, 2000, the Company and its consolidated subsidiaries have adopted a new accounting standard for financial instruments. Under the new accounting standard, the Company and its consolidated subsidiaries have provided an allowance for doubtful receivables in an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

h. Retirement Benefits

The Company and its domestic consolidated subsidiaries have non-contributory defined benefit pension plans and retirement benefit plans.

Through March 31, 2000, accrued retirement benefits for employees were stated at the amount which would be required to be paid if all employees covered by the plans voluntarily terminated their employment with their respective company at the balance sheet date. However, a portion of the amount paid from the pension plan was excluded from the above calculation.

Effective April 1, 2000, the Company and the domestic consolidated subsidiaries have adopted "Accounting Standard for Retirement Benefits" issued by the Business Accounting Deliberation Council of Japan. In accordance with this new standard, accrued retirement benefits have been provided based on the amount of the projected benefit obligation reduced by the pension plan assets at fair value as of March 31, 2001. The net retirement benefit obligation at transition of ¥4,748 million ($38,290 thousand) is being amortized by the straight-line method over 15 years.

Actuarial gain or loss is being amortized in the year following the year in which the gain or loss is recognized, principally by the straight-line method over 11 years, which is within the estimated average remaining years of service of the eligible employees.

The effect of the adoption of the new standard for retirement benefits was to increase loss before income taxes and minority interests for the year ended March 31, 2001 by ¥1,056 million ($8,516 thousand) over the amount which would have been recorded under the method applied in the previous year.

i. Leases

Noncancelable lease transactions are accounted for as operating leases whether such leases are classified as operating or finance leases, except that leases which stipulate the transfer of ownership of the leased property to the lessee are accounted for as finance leases.

j. Research and Development Costs and Computer Software

Research and development costs are charged to income as incurred. Expenditures relating to computer software developed for internal use are charged to income as incurred, except if these are deemed to contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over the useful life of the software, generally a period of five years. "Accounting Standards for Research and Development Costs, etc." issued by the Business Accounting Deliberation Council of Japan was adopted effective April 1, 1999.

k. Income Taxes

Income taxes are calculated on taxable income and charged to income on an accrual basis. Certain temporary differences exist between taxable income and income reported for financial statement purposes, which enter into the determination of taxable income in a different period. Effective April 1, 1999, the Company initially adopted "Financial Accounting Standards on Accounting for Effects on Income Taxes," issued by the Business Accounting Deliberation Council of Japan and recognized the tax effect of temporary differences in its consolidated financial statements. The cumulative effect of this change in method of accounting up to the beginning of the prior year was reported as Adjustment arising from initial adoption of tax-effect accounting in the consolidated statements of stockholders' equity.

l. Derivatives and Hedging Activities

Derivative financial instruments are utilized by the Group principally in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates and interest rates. The Company has established a control environment which includes policies and procedures for risk assessment, including an assessment of the effectiveness of the hedging, and for the approval, reporting and monitoring of transactions involving derivatives. The Group does not hold or issue derivatives for speculative trading purposes.

The Group is exposed to certain market risks arising from their forward foreign exchange contracts and swap agreements. The Group is also exposed to the risk of credit loss in the event of nonperformance by the counterparties to the currency and interest-rate contracts; however, the Group does not anticipate nonperformance by any of these counterparties, all of whom are financial institutions with high credit ratings.

In accordance with a new accounting standard for financial instruments which became effective April 1, 2001, derivative positions are carried at fair value with any changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign contract exchange rates.

m. Net Income per Share

The computation of consolidated net income per share is based on the weighted average number of shares of common stock outstanding. The average number of shares used in this computation was 213,963 thousand for the years ended March 31, 2001 and 2000.

3 INVESTMENTS IN SECURITIES

Information with respect to the acquisition costs, gross unrealized loss or gain, the book value and carrying value of investments in securities and investments in unconsolidated subsidiaries and affiliates at March 31, 2001 is summarized as follows:

	Millions of yen				Thousands of U.S. dollars			
	2001				2001			
	Acquisition costs	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)	Acquisition costs	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Investments in securities:								
Market value available:								
Equity securities	¥3,484	¥1,656	¥(86)	¥5,054	$28,097	$13,355	$(694)	$40,758
Other	112	0	(8)	104	903	0	(64)	839
	¥3,596	¥1,656	¥(94)	¥5,158	$29,000	$13,355	$(758)	$41,597

	Millions of yen	Thousands of U.S. dollars
	2001	2001
	Carrying value	Carrying value
Investments in securities:		
Market value not available:		
Bonds	¥179	$1,444
Other	71	572
	¥250	$2,016

	Millions of yen	Thousands of U.S. dollars
	2001	2001
	Carrying value	Carrying value
Investments in unconsolidated subsidiaries and affiliates:		
Market value available:		
Equity securities	¥4,455	$35,927
Market value not available	287	2,315
	¥4,742	$38,242

The acquisition costs, carrying value and unrealized gain (loss) of investments in securities and investments in unconsolidated subsidiaries and affiliates at March 31, 2000 are summarized as follows:

	Millions of yen		
	2000		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Investments in securities:			
Market value available:			
Equity securities	¥7,571	¥8,083	¥ 512
Other	360	223	(137)
	7,931	¥8,306	¥ 375
Market value not available	891		
Total	¥8,822		
Investments in unconsolidated subsidiaries and affiliates:			
Market value available:			
Equity securities	¥4,210	¥2,231	¥(1,979)
Market value not available	287		
Total	¥4,497		

4 INVENTORIES

The following is a summary of inventories at March 31, 2001 and 2000:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Finished products	**¥24,542**	¥24,635	**$197,919**
Work in process	**419**	507	**3,379**
Raw materials and supplies	**1,597**	1,707	**12,879**
	¥26,558	¥26,849	**$214,177**

5 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

The average annual interest rates on short-term bank loans were 6.5% and 5.8% for the years ended March 31, 2001 and 2000.

Long-term debt at March 31, 2001 and 2000 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
2.56% yen secured bonds, due 2005	**¥ 3,000**	¥ 3,000	**$ 24,194**
2.74% yen secured bonds, due 2006	**2,000**	2,000	**16,129**
1.22% yen unsecured bonds, due 2008	**1,600**	—	**12,903**
1.12% yen unsecured bonds, due 2008	**800**	—	**6,452**
1.60% yen unsecured bonds, due 2008	**800**	—	**6,452**
Loans, primarily from banks, due 2001–2005, at interest rates ranging from 1.4% to 3.8%, secured	**460**	634	**3,709**
Loans, primarily from banks, due 2001–2010, at interest rates ranging from 1.3% to 6.8%, unsecured	**6,529**	7,754	**52,653**
	15,189	13,388	**122,492**
Current portion of long-term debt	**(2,467)**	(2,600)	**(19,895)**
	¥12,722	¥10,788	**$102,597**

The aggregate annual maturities of long-term debt subsequent to March 31, 2001 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31:		
2002	¥2,467	$19,895
2003	2,102	16,951
2004	1,767	14,250
2005	591	4,766
2006	51	411
2007 and thereafter	11	89
	¥6,989	$56,362

The assets pledged at March 31, 2001 as collateral for the Company's long-term debt, including the current portion thereof, are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥4,070	$32,823
Buildings and structures, at book value	3,316	26,742
	¥7,386	$59,565

6 ACCRUED RETIREMENT BENEFITS

The following table sets forth the founded and accrued status of the Group's defined benefit plan at March 31, 2001:

	Millions of yen	Thousands of U.S. dollars
Retirement benefit obligation	¥(18,814)	$(151,725)
Plan assets at fair value	7,739	62,411
Unfunded retirement benefit obligation	(11,075)	(89,314)
Unrecognized net retirement benefit at transition	4,432	35,742
Unrecognized actuarial loss	1,722	13,887
Accrued retirement benefits	¥ (4,921)	$ (39,685)

The components of retirement benefit expenses for the year ended March 31, 2001 are outlined as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥1,103	$ 8,895
Interest cost	496	4,000
Expected return on plan assets	(258)	(2,081)
Amortization of net retirement benefit obligation at transition	223	1,799
Retirement benefit expenses	¥1,564	$12,613

Assumptions used in accounting for the retirement benefit plans for the year ended March 31, 2001 were as follows:

Discount rate	3.5%
Expected rate of return on plan assets	3.5%

7 CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Trade notes receivable discounted	**¥2,149**	¥2,167	**$17,331**
As guarantees of bank loans of unconsolidated subsidiaries and affiliates	**33**	309	**266**

8 LEASES

The Group leases machinery and equipment and other assets. The following pro forma amounts represent the acquisition costs (including the interest portion), accumulated depreciation and net book value of the leased assets as of March 31, 2001 and 2000, which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases.

	Millions of yen						Thousands of U.S. dollars		
	2001			2000			**2001**		
	Machinery and equipment	Other	Total	Machinery and equipment	Other	Total	Machinery and equipment	Other	Total
Acquisition costs	**¥2,400**	**¥60**	**¥2,460**	¥2,441	¥60	¥2,501	**$19,355**	**$484**	**$19,839**
Accumulated depreciation	**1,291**	**44**	**1,335**	1,159	32	1,191	**10,411**	**355**	**10,766**
Net book value	**¥1,109**	**¥16**	**¥1,125**	¥1,282	¥28	¥1,310	**$ 8,944**	**$129**	**$ 9,073**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥563 million (US$4,540 thousand) and ¥514 million for the years ended March 31, 2001 and 2000, respectively. These accounts were equal to the depreciation expenses of the leased assets computed by the straight-line method over the respective lease terms.

Future minimum payments (including the interest portion thereon) subsequent to March 31, 2001 under finance leases other than those which transfer the ownership of the leased property to the Group are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 492	$3,968
Due after one year	633	5,105
Total	¥1,125	$9,073

9 DERIVATIVES AND HEDGING ACTIVITIES

The outstanding interest rate swaps at March 31, 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Notional amount	Unrealized loss	Notional amount	Unrealized loss
Interest rate swaps:				
Variable-rate into fixed-rate obligations	¥1,950	¥(16)	$15,726	$(129)
Variable-rate into variable-rate obligations	700	(6)	5,645	(48)

The outstanding interest rate options at March 31, 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Notional amount	Unrealized gain (loss)	Notional amount	Unrealized gain (loss)
Interest rate options:				
Interest rate caps purchased	¥1,630	¥ 0	$13,145	$ 0
Interest rate caps sold	800	(5)	6,452	(40)
Interest rate floors sold	1,580	(28)	12,742	(226)
Interest rate caps purchased/interest rate floors sold	240	(4)	1,935	(32)

10 RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses for the year ended March 31, 2001 were ¥394 million ($ 3,177 thousand).

11 INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes. The statutory tax rates in Japan for the years ended March 31, 2001 and 2000 was, in the aggregate, approximately 41.7%.

The effective tax rates reflected in the consolidated statements of operations for the years ended March 31, 2001 and 2000 differ from the above statutory tax rate for the following reasons:

	2001	2000
Statutory tax rate:	**41.7%**	41.7%
Permanently nondeductible expenses	**4.1**	4.5
Permanently nontaxable dividends received	**(2.8)**	(3.4)
Inhabitants' per capita taxes	**2.1**	4.8
Foreign tax credits	**4.1**	18.3
Utilization of tax loss carryforwards	**(85.3)**	(59.1)
Recognition of deferred tax assets	**—**	(35.4)
Change in valuation allowance	**27.0**	—
Tax losses of consolidated subsidiaries	**15.4**	70.6
Adjustment of unrealized gain on consolidation	**—**	(7.0)
Adjustment of allowance for doubtful receivables on consolidation	**—**	(12.9)
Dividends received from consolidated subsidiaries	**9.7**	6.5
Equity in earnings of affiliates	**(4.0)**	(6.0)
Other	**(0.5)**	3.2
Effective tax rate	**11.5%**	25.8%

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts for income tax purposes. The significant components of the Group's deferred tax assets and liabilities at March 31, 2001 and 2000 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Deferred tax assets:			
Allowance for doubtful receivables	**¥ 1,633**	¥ 975	**$ 13,169**
Retirement benefits	**1,270**	867	**10,242**
Tax loss carryforwards	**9,925**	10,948	**80,040**
Other	**1,344**	802	**10,839**
Gross deferred tax assets	**14,172**	13,592	**114,290**
Less valuation allowance	**(13,018)**	(12,876)	**(104,984)**
Total deferred tax assets	**1,154**	716	**9,306**
Deferred tax liabilities:			
Unrealized holding gain on securities	**667**	—	**5,379**
Total deferred tax liabilities	**667**	—	**5,379**
Net deferred tax assets	**¥ 487**	¥ 716	**$ 3,927**

In assessing the deferred tax assets, management of the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is entirely dependent upon the generation of future taxable income in specific tax jurisdiction during the periods in which those temporary differences become deductible. Although realization is not assured, management considered the projected future taxable income in making this assessment. Based on these factors, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at March 31, 2001.

12 SEGMENT INFORMATION

(1) Industry Segments

The Group is primarily engaged in the manufacture and sales of sports products in Japan and overseas. As most of the consolidated net sales were related to sports and leisure products, the disclosure of business segment information has been omitted.

(2) Geographic Segments

The domestic and foreign operations of the Group for the years ended March 31, 2001 and 2000 are summarized as follows:

	Millions of yen						
2001	Japan	United States of America	Europe	Other areas	Total	Eliminations/ Corporate	Consolidated
Net sales:							
Sales to customers	**¥84,917**	**¥18,226**	**¥21,145**	**¥2,158**	**¥126,446**	**¥ —**	**¥126,446**
Intersegment	**1,827**	**5**	**21**	**1,976**	**3,829**	**(3,829)**	**—**
Total sales	**86,744**	**18,231**	**21,166**	**4,134**	**130,275**	**(3,829)**	**126,446**
Operating expenses	**85,271**	**17,256**	**20,771**	**3,929**	**127,227**	**(3,873)**	**123,354**
Operating income	**¥ 1,473**	**¥ 975**	**¥ 395**	**¥ 205**	**¥ 3,048**	**¥ 44**	**¥ 3,092**
Assets	**¥89,625**	**¥ 8,823**	**¥15,564**	**¥2,575**	**¥116,587**	**¥(2,673)**	**¥113,914**

	Millions of yen						
2000	Japan	United States of America	Europe	Other areas	Total	Eliminations/ Corporate	Consolidated
Net sales:							
Sales to customers	¥89,944	¥17,702	¥23,645	¥2,436	¥133,727	¥ —	¥133,727
Intersegment	1,922	4	20	1,785	3,731	(3,731)	—
Total sales	91,866	17,706	23,665	4,221	137,458	(3,731)	133,727
Operating expenses	89,185	16,858	23,738	3,837	133,618	(3,922)	129,696
Operating income (loss)	¥ 2,681	¥ 848	¥ (73)	¥ 384	¥ 3,840	¥ 191	¥ 4,031
Assets	¥85,284	¥ 8,441	¥13,161	¥2,594	¥109,480	¥(1,258)	¥108,222

	Thousands of U.S. dollars						
2001	Japan	United States of America	Europe	Other areas	Total	Eliminations/ Corporate	Consolidated
Net sales:							
Sales to customers	**$684,815**	**$146,984**	**$170,524**	**$17,403**	**$1,019,726**	**$ —**	**$1,019,726**
Intersegment	**14,734**	**40**	**169**	**15,936**	**30,879**	**(30,879)**	**—**
Total sales	**699,549**	**147,024**	**170,693**	**33,339**	**1,050,605**	**(30,879)**	**1,019,726**
Operating expenses	**687,669**	**139,161**	**167,508**	**31,686**	**1,026,024**	**(31,233)**	**994,791**
Operating income	**$ 11,880**	**$ 7,863**	**$ 3,185**	**$ 1,653**	**$ 24,581**	**$ 354**	**$ 24,935**
Assets	**$722,782**	**$ 71,153**	**$125,516**	**$20,766**	**$ 940,217**	**$(21,556)**	**$ 918,661**

(3) Overseas Sales

Overseas sales for the years ended March 31, 2001 and 2000 amounted to ¥42,309 million (US$341,202 thousand) and ¥44,358 million, respectively.

13 RELATED PARTY TRANSACTIONS

The principal transactions between the Company and its affiliates for the years ended March 31, 2001 and 2000 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Sales	**¥843**	¥750	**$6,798**
Purchases	**403**	430	**3,250**
Commission income	**370**	359	**2,984**

The Board of Directors and Stockholders
ASICS Corporation:

We have audited the consolidated balance sheets of ASICS Corporation and consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the financial position of ASICS Corporation and consolidated subsidiaries at March 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 2, ASICS Corporation and consolidated subsidiaries have adopted new accounting standards for foreign currency translation, financial instruments, and retirement benefits effective April 1, 2000, and new accounting standards for research and development costs and tax-effect accounting effective April 1, 1999 in the preparation of their consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2001 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Century Ota Showa & Co.

Osaka, Japan
June 28, 2001

See Note 2 (a) which explains the basis of preparation of the consolidated financial statements of ASICS Corporation under Japanese accounting principles and practices.

ASICS Corporation and Consolidated Subsidiaries

	Millions of yen				
	2001	2000	1999 (Transitional*)	1998 (Transitional*)	1998
Operating results:					
Net sales:	**¥126,446**	¥133,727	¥ 69,444	¥ 90,278	¥137,775
Sports shoes	**62,772**	63,847	31,312	43,644	65,765
Sportswear	**37,045**	41,766	23,111	28,272	41,008
Other	**26,629**	28,114	15,021	18,362	31,002
Cost of sales	**81,276**	85,346	46,550	60,296	91,728
Selling, general and administrative expenses	**42,078**	44,350	21,840	28,193	43,623
Income (loss) before income taxes and minority interests	**2,127**	1,503	(1,269)	327	(705)
Net income (loss)	**1,740**	923	(1,777)	(406)	(2,145)
Financial position:					
Working capital	**¥ 36,660**	¥ 29,911	¥ 26,188	¥ 28,916	¥ 25,847
Property, plant and equipment, net	**16,218**	16,706	17,495	18,318	18,542
Long-term debt	**12,722**	10,788	9,210	10,388	9,291
Total stockholders' equity	**43,866**	42,898	41,875	43,652	44,084
Total assets	**113,914**	108,222	111,612	118,530	111,809
Long-term debt/stockholders' equity (%)	**29.0**	25.1	22.0	23.8	21.1
Per share of common stock (in yen):					
Net income (loss)					
Assuming no dilution	**¥ 8.13**	¥ 4.31	¥ (8.31)	¥ (1.90)	¥ (10.02)
Cash dividends	**—**	—	—	—	—
Stockholders' equity	**205.02**	200.49	195.71	204.02	206.04
Other data:					
Number of shares outstanding (weighted average, in thousands)	**213,963**	213,963	213,963	213,963	213,963
Number of stockholders	**37,419**	37,961	38,931	39,067	38,296
Number of employees	**4,273**	4,270	4,411	4,495	4,549

**Transitional fiscal 1999 represents the six months from October 1, 1998, to March 31, 1999, and transitional fiscal 1998 represents the eight months and ten days from January 21 to September 30, 1998. Previous fiscal years are 12-month fiscal years ended on January 20 of the year stated.*

PRINCIPAL DOMESTIC SUBSIDIARIES AND AFFILIATES

Consolidated or accounted for by the equity method

	Percentage owned
ASICS ALMOS Inc.	100.0
ASICS DEPORTE CORPORATION	100.0
Nishi Athletic Goods Co., Ltd.	100.0
ASICS Chubu Sales Corporation	100.0
ASICS Sports Sales Corp.	100.0
ASICS Hokkaido Sales Corporation	100.0
SAN-IN ASICS INDUSTRY CORPORATION	100.0
ASICS APPAREL INDUSTRY CORPORATION	100.0
FUKUI ASICS INDUSTRY CORPORATION	100.0
TAKEFU ASICS INDUSTRY CORPORATION	100.0
ASICS PHYSICAL DISTRIBUTION CORPORATION	80.0
ASICS Trading Co., Ltd.	37.6
H.D.C. CORPORATION	45.0

PRINCIPAL OVERSEAS SUBSIDIARIES

Consolidated

Percentage owned

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ASICS EUROPE B.V. 100.0
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Tel: (20) 4469600
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ASICS Deutschland GmbH 100.0
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Fax: (2131) 37341

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President and Representative Director
Kiyomi Wada

Senior Managing and Representative Director
Tetsuo Hayashi

Managing Director
Masaaki Katayama

Directors
Masaaki Uetsuki
Ryoji Tamesada
Mitsuhiro Okada
Yuichiro Shimizu
Nobuo Oda
Yoshio Chihara

BOARD OF CORPORATE AUDITORS

Kiyoshi Morii
Takashi Iwasaki
Junzo Yoneda
Yasuo Takahashi

(As of June 28, 2001)

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STOCK EXCHANGE LISTINGS

Common Stock:
Tokyo Stock Exchange
Osaka Securities Exchange Co., Ltd.
Nagoya Stock Exchange

TRANSFER AGENT AND REGISTRAR

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6-2, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-0005, Japan

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Century Ota Showa & Co.

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