asics

Annual Report 2003

Your Dream is Our Dream

ASICS began life as a sports shoes manufacturer founded in 1949 in Kobe by current Chairman of the Company Kihachiro Onitsuka, whose aim was "bringing up sound youth through sports." Today sport has become indispensable to our everyday lives. It has acquired a deep social significance and we now speak of a "culture of sport."

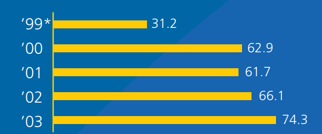
Winning, having fun, looking good — these are the aspirations people seek to realize through sport. We share those aspirations. Rooted in sports goods operations, we are committed to enhancing the health and happiness of people all around the world.

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.

Sports shoes

Although conditions in the market for baseball shoes were unfavorable, robust sales of running shoes and newly marketed sport-style shoes — mainly in overseas markets — lifted sales 12.4% to ¥74,263 million.

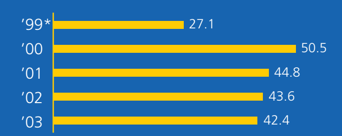
Net Sales (Billions of yen)



Sportswear

Although team uniforms with short manufacturing turnaround times sold well, a muted performance by outdoor wear, skiwear, snowboard wear and other products caused sales to slide 2.6% to ¥42,438 million.

Net Sales (Billions of yen)



Sports equipment

Weak demand for baseball, ski and other equipment caused sales in this category to fall 1.7% to ¥18,938 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. Beginning with the term under review, the Company reclassified its products in line with the reorganization of its divisions by product group. Figures for fiscal 2002 and earlier have been adjusted to reflect this change in classification.

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SERVING COMPETITION SPORTS

ASICS is proud to supply a wide range of sports shoes and sportswear to athletes in track and field disciplines, baseball, soccer, basketball, swimming and other sports. Based on rich experience and know-how from years of involvement with sporting events, ASICS supports top athletes competing at global levels by providing original products with superior performance in terms of shock-absorption, fit, grip, aeration and speed of drying.

TECHNOLOGY

Scientific analysis of sport and a scientific approach to sports equipment and materials enable the ASICS Research Institute of Sports Science to develop products that help athletes break records, protect the body from injury and ensure years of sports enjoyment.

But ASICS supplies more than sporting goods. As more people embrace sport in their daily lives as a means to better health, we are developing products for fitness as a lifelong pursuit such as scientifically designed walking shoes and training machines for the health-conscious.

PUTTING DESIGN AND COMFORT FIRST "FASHION & FEELING"

Whether in town or at a resort, an increasing number of people are wearing sports shoes and sportswear for fashion reasons. ASICS is aggressively developing the business of casual wear styled for ease of movement and made with highly functional materials that block harmful ultraviolet rays.

In April 2003, we opened our own store in Tokyo for the original ASICS Onitsuka Tiger brand goods with distinctive designs and coloring to attract young people. At ASICS, we provide products that are not only functional, but also feel right — are good to put on, wear and work in.

Interview with the President

Kiyomi Wada
President and Representative Director

Q. Please outline ASICS' basic management policy

A. ASICS stands for "Anima Sana in Corpore Sano," a Latin phrase expressing the ancient ideal of a sound mind in a sound body. Our new corporate vision is becoming "the World's No. 1 Creator of Sports-, Health- and Comfort-Oriented Lifestyles," which replaces an earlier pledge to contribute "as a sporting goods manufacturer to the advancement of athletics throughout the world," and we are basing efforts to realize the new vision on the following four principles.

(1) Provide products and services which create value for all customers

(2) Protect the environment, and contribute to the world community at the individual and societal level

(3) Offer sound services, and share the profits with shareholders who have supported ASICS

(4) Unite to achieve goals, in a spirit of freedom, fairness, respect for the dignity of the individual and good governance

Q. Please explain the Company's basic stance and policies regarding corporate governance

A. Under the Group philosophy, ASICS regards it as a management priority to continuously build up corporate value while assuring returns to shareholders and upholding corporate ethical standards. We are building a more nimble, transparent operating structure geared to changing times, through management-enhancing measures such as separation of management and executive functions, strengthening of Group management and creation of a "junior board" to give staff in their 30s and 40s a greater say.

ASICS has also drawn up a Code of Conduct, which requires all management and regular employees have a deep awareness of their social responsibilities and observe the letter of all relevant laws and regulations in all business activities, and clarifies ethically acceptable behavior. It also provides procedures for crisis management and encourages high standards of risk management and compliance.

Q. Please explain the medium-to-long-term management strategy of the Company

A. Under the Groupwide ASICS Revolution Plan (ARP), a strategic framework for our transformation into the world's leading sports, health and lifestyle products provider, we have drawn up the following program for corporate reform.

THREE CHALLENGES

Basing itself in core competition sports operations, ASICS is committed to meeting the following three challenges by developing a wide range of products for world markets that take our brands beyond the sports field and into everyday life.

1. **Competition Sports: Becoming the preferred brand of top athletes**
2. **Sporting Style: Highly functional, high quality and high value-added Onitsuka Tiger brand sport-style goods that are clearly differentiated from fashion items and casual wear**
3. **Health and Relaxation: Using the "intellectual assets" of sport — intellectual property, knowledge assets and technological assets — to provide products that enable people to achieve greater health and comfort**

FOUR GOALS

ASICS is also reforming and expanding operations, selecting and concentrating resources on winning businesses, to achieve the following four goals.

1. **Achieving customer satisfaction for all age groups**
2. **Evolving from a Japanese company to a global one**
3. **Creating distinctive products by leveraging the synergy of customer input and manufacturer expertise**
4. **Achieving distinctiveness by building up intellectual assets**

Our basic strategy for the period January 2003 to March 2006 has four aspects: Domain, Model, People and Selective Concentration. Through this strategy, we will position ourselves among the top brands, as well as strengthen corporate governance, improve the quality of management and productivity, harness the individual ability of our employees and follow scrap-and-build principles in our business.

Q. Please comment on the market environment for the sports industry in the fiscal year under review

A. Operating conditions in the Japanese market remained very harsh. With markets contracting in the face of sluggish personal consumption, the effects of a falling birthrate, withdrawal of some corporate teams from baseball, volleyball, basketball, track and field and other sports, and restructuring of marketing channels, competition for share became even more cut-throat.

According to estimates by a private market research company, shipments in the Japanese sporting goods market in 2002 totaled ¥1,175.6 billion, 98.8% of the level of the preceding year and the 6th straight year of negative growth.

In 2002, the World Cup cohosted by Japan and South Korea and the Winter Olympics in Salt Lake City, both global events, provided a boost for sports as a spectator phenomenon, but the sporting goods market is likely to continue to shrink in scale.

Although sports shoes sales grew and the World Cup boosted the market for athletic wear, this was not enough to offset the overall trend of long-term decline in the large-scale leisure market. Annual contraction in skiing and snowboard sales has been 8–10%, in golfing accessories 2–5%, and in fishing gear 8–10%.

Q. How were ASICS's results in the fiscal year under review?

A. Net sales rose 5.2% on consolidated basis to ¥135,640 million (US$1,130 million) on the back of a robust performance in overseas markets, notably Europe and the United States. Operating income increased 54.6% to ¥5,388 million (US$45 million), reflecting growth in net sales and an improvement in the cost-of-sales ratio.

Net income soared 143.5% to ¥5,169 million (US$43 million), as gains on return of substitutional portion of welfare pension fund plans were recognized as extraordinary gains, more than offsetting an extraordinary loss on valuation of investments in securities. Dividend payments were resumed at ¥2.00 per share.

Q. Do you have any message for shareholders and investors?

A. The sporting goods industry is likely to continue to face a difficult operating environment characterized by dampened consumer spending and a falling birth rate. The ASICS Group will concentrate corporate resources on the sports shoes business, strengthening operations in Competition Sports, Sports Style and Health/Comfort Businesses. In sportswear, we will work to raise our overseas output as a percentage of all production to reduce costs, and at the same time expand business by using information technology to upgrade order receipt and placement processes.

In retail strategy, we are strengthening area networks and aggressively developing new markets and businesses. I would like to take this opportunity to thank shareholders and investors for their continued support.

FIVE-YEAR SUMMARY

ASICS Corporation and Consolidated Subsidiaries

	Millions of yen				
	2003	2002	2001	2000	1999 (Transitional*)
Operating results:					
Net sales:	**¥135,640**	¥128,901	¥126,446	¥133,727	¥69,444
Sports shoes	**74,263**	66,054	61,715	62,850	31,238
Sportswear	**42,438**	43,574	44,817	50,479	27,138
Sports equipment	**18,939**	19,273	19,914	20,398	11,068
Cost of sales	**86,394**	82,938	81,276	85,346	46,550
Selling, general and administrative expenses	**43,858**	42,480	42,078	44,350	21,840
Income (loss) before income taxes and minority interests	**6,197**	2,934	2,127	1,503	(1,269)
Net income (loss)	**5,169**	2,123	1,740	923	(1,777)
Financial position:					
Working capital	**¥ 41,202**	¥ 39,426	¥ 36,660	¥ 29,911	¥26,188
Property, plant and equipment, net	**15,212**	15,847	16,218	16,706	17,495
Long-term debt	**10,132**	13,160	12,722	10,788	9,210
Total stockholders' equity	**49,917**	45,512	43,866	42,898	41,875
Total assets	**113,062**	114,741	113,914	108,222	111,612
Long-term debt/stockholders' equity (%)	**20.3**	28.9	29.0	25.1	22.0
Per share of common stock (in yen):					
Net income (loss)	**¥ 24.10**	¥ 9.92	¥ 8.13	¥ 4.31	¥ (8.31)
Cash dividends	**2.00**	—	—	—	—
Stockholders' equity	**233.50**	212.74	205.02	200.49	195.71
Other data:					
Number of shares outstanding (weighted average, in thousands)	**213,963**	213,963	213,963	213,963	213,963
Number of stockholders	**32,077**	36,316	37,419	37,961	38,931
Number of employees	**4,132**	4,109	4,273	4,270	4,411

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FINANCIAL REVIEW

Operating Environment and Policies

Economic conditions remained difficult in the Japanese economy in fiscal 2003, ended March 31, 2003, with sluggish personal consumption amidst falling stock prices, high unemployment and declining salaries. Meanwhile, an unclear international situation obscured future prospects. In the sports good business, operating conditions were again difficult, as personal consumption fell and diversification of leisure options induced consumers to spend their money elsewhere.

In these conditions, the ASICS Group focused sales efforts on competition sportswear, adopting tighter delivery deadlines and IT-based order processing. We began full-scale marketing of Onitsuka Tiger Sports Style shoes. We also reorganized divisions by product, and marketing organizations by business, positioning products for Competition Sports as our core business. And we consolidated and rationalized marketing activities in the Tohoku area (northern Honshu), and improved the operational efficiency of our school sportswear business.

In global environmental protection initiatives, we acquired Ecomark certification for over 50 products as part of ISO14001 activities, reflecting our commitment to developing environment-friendly products.

In overseas markets, we globalized and expanded business, focusing corporate resources on our running shoes business.

Results

In fiscal 2003, ended March 31, 2003, consolidated net sales increased 5.2% to ¥135,640 million (US$1,130 million), reflecting a robust performance in overseas markets, notably Europe and the United States.

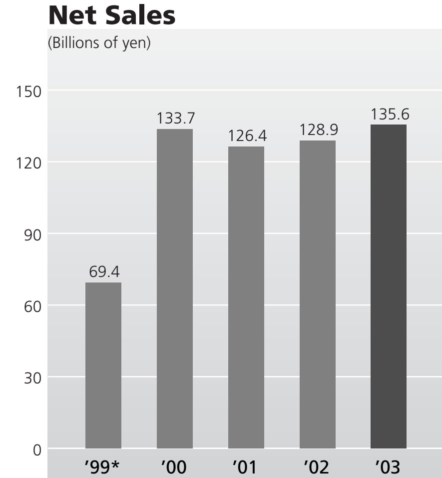
The cost-of-sales ratio declined 0.6 percentage point to 63.7%, and gross profit rose 7.1% to ¥49,246 million (US$410 million). Selling, general and administrative expenses rose 3.2% to ¥43,858 million (US$365 million), but as a percentage of net sales fell 0.7 percentage point to 32.3%. As a result, operating income increased 54.6% compared with the previous fiscal year to ¥5,388 million (US$45 million).

Segment Information

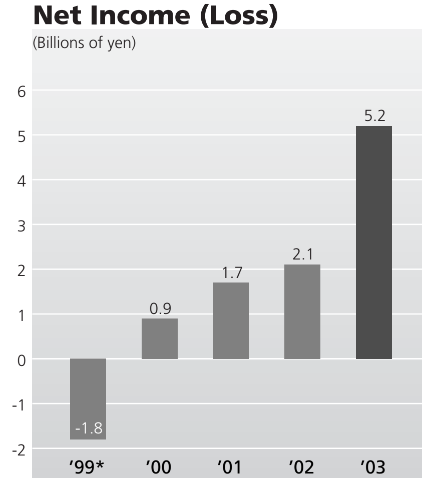
In Japan, net sales decreased 0.1% to ¥83,346 million (US$695 million), but operating income increased 4.5% to ¥1,480 million (US$12 million) on the back of reduced operating expenses.

Robust sales of running shoes and a favorable exchange rate supported our performance in the United States and Europe. In the United States, net sales rose 15.6% to ¥24,071 million (US$201 million) and operating income rose 47.3% to ¥1,680 million (US$14 million); net sales in Europe increased 11.1% to ¥27,275 million (US$227 million), and operating income increased 117.3% to ¥1,892 million (US$16 million).

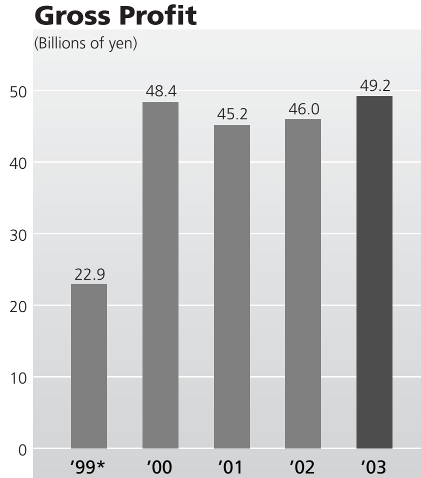
Net Sales



Net Income (Loss)



Gross Profit



**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.*

Sales in other regions were also buoyant. Strong demand for running shoes and a favorable exchange rate in Australia fueled a 30.1% increase in net sales to ¥5,818 million (US$48 million), and operating income in that country soared 260.8% to ¥698 million (US$6 million).

Overall, net income rose 143.5% to ¥5,169 million (US$43 million), as gains on return of substitutional portion of welfare pension fund plans were recognized as extraordinary gains and more than offset an extraordinary loss on valuation of investments in securities.

Net income per share was ¥24.10 (US$0.2).

Financial Position

Total assets at fiscal year-end decreased 1.5% to ¥113,062 million (US$942 million). Total current assets fell 1.7% to ¥84,405 million (US$703 million), reflecting securitization of trade notes receivable.

Property, plant and equipment decreased 4.0% to ¥15,212 million (US$127 million).

Total investments and other assets increased 3.4% to ¥13,445 million (US$112 million) over the previous fiscal year-end.

Total current liabilities declined 7.0% or ¥3,261 million to ¥43,203 million (US$360 million), reflecting repayment of short-term bank loans and a decrease in notes and accounts payable in comparison with the previous fiscal year-end.

Total long-term liabilities recorded a ¥3,016 million decrease to ¥17,894 million (US$149 million), reflecting a ¥3,028 million decline in long-term debt to ¥10,132 million (US$84 million).

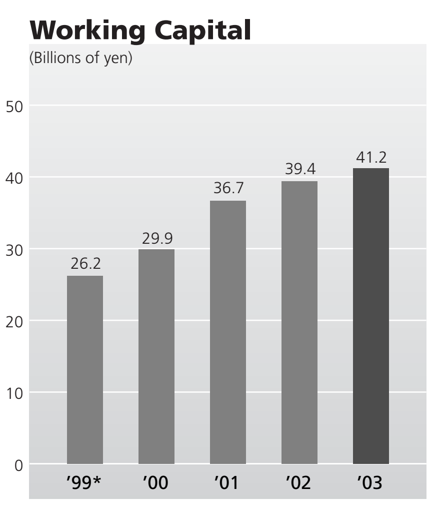
Total stockholders' equity rose 9.7% to ¥49,917 million, chiefly reflecting an increase in retained earnings. The stockholders' equity ratio rose from 39.7% at the previous fiscal year-end to 44.2%. The current ratio rose from 1.85 at the previous fiscal year-end to 1.95.

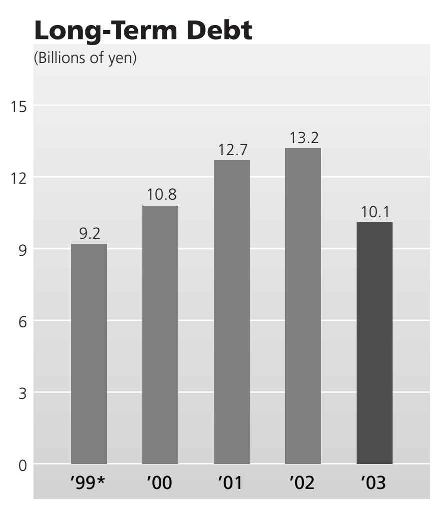
Cash Flows

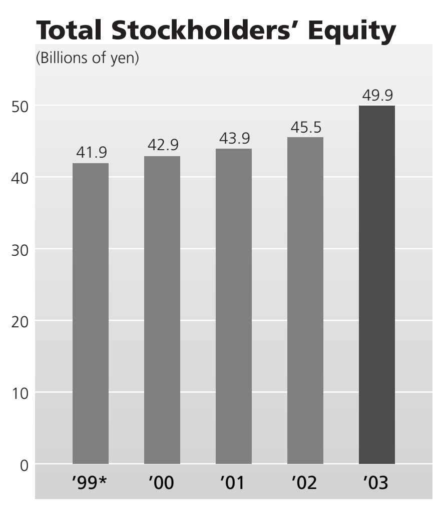
Cash and cash equivalents at year-end amounted to ¥8,238 million (US$69 million), a net decrease of ¥2,288 million, chiefly reflecting repayment of long-term debt, purchase of securities, an increase in inventory and a decrease in notes and accounts payable.

Net cash provided by operating activities declined ¥1,091 million to ¥4,616 million (US$38 million); although income before income taxes totaled ¥6,197 million (US$52 million), inventories increased and notes and accounts payable declined. Net cash used in investing activities decreased ¥1,756 million to ¥2,641 million (US$22 million), the chief expense being acquisition of investment securities. Net cash used in financing activities increased by ¥1,970 million to ¥4,435 million (US$37 million), due chiefly to repayment of long-term loans.

Foreign currency translations in this report use an exchange rate of US$1=¥120.







CONSOLIDATED BALANCE SHEETS

ASICS Corporation and Consolidated Subsidiaries
March 31, 2003 and 2002

ASSETS	Millions of yen 2003	Millions of yen 2002	Thousands of U.S. dollars (Note 1) 2003
Current assets:			
Cash and cash equivalents	**¥ 8,238**	¥ 10,526	**$ 68,650**
Short-term investments (Note 3)	**2,558**	1,991	**21,317**
Notes and accounts receivable:			
Trade	**40,112**	42,331	**334,267**
Less allowance for doubtful receivables	**(1,241)**	(1,188)	**(10,342)**
Inventories (Note 4)	**29,145**	26,598	**242,875**
Deferred income taxes (Note 12)	**1,460**	1,052	**12,167**
Other current assets	**4,133**	4,580	**34,442**
Total current assets	**84,405**	85,890	**703,376**
Property, plant and equipment:			
Land (Notes 5 and 13)	**5,587**	5,623	**46,558**
Buildings and structures (Note 5)	**23,347**	23,383	**194,558**
Machinery and equipment	**10,519**	11,633	**87,658**
Less accumulated depreciation	**(24,241)**	(24,792)	**(202,008)**
Property, plant and equipment, net	**15,212**	15,847	**126,766**
Investments and other assets:			
Investments in securities (Note 3):			
Unconsolidated subsidiaries and affiliates	**4,699**	4,448	**39,158**
Other	**5,768**	5,472	**48,067**
Long-term loans receivable	**458**	381	**3,817**
Intangible assets	**255**	286	**2,125**
Deferred income taxes (Note 12)	**251**	246	**2,092**
Other assets	**2,443**	3,545	**20,358**
Less allowance for doubtful receivables	**(429)**	(1,374)	**(3,575)**
Total investments and other assets	**13,445**	13,004	**112,042**
Total assets	**¥113,062**	¥114,741	**$942,184**

See accompanying notes to consolidated financial statements.

Liabilities, minority interests and stockholders' equity	Millions of yen 2003	2002	Thousands of U.S. dollars (Note 1) 2003
Current liabilities:			
Short-term bank loans (Note 5)	**¥ 11,099**	¥ 11,896	**$ 92,492**
Current portion of long-term debt (Note 5)	**2,869**	3,246	**23,908**
Notes and accounts payable:			
Trade	**18,855**	21,327	**157,125**
Construction	**105**	54	**875**
Accrued income taxes (Note 12)	**768**	292	**6,400**
Accrued expenses	**5,679**	5,662	**47,325**
Other current liabilities	**3,828**	3,987	**31,900**
Total current liabilities	**43,203**	46,464	**360,025**
Long-term liabilities:			
Long-term debt (Note 5)	**10,132**	13,160	**84,433**
Deferred income taxes (Note 12)	**79**	268	**658**
Accrued retirement benefits (Note 6)	**6,370**	5,987	**53,083**
Other long-term liabilities	**1,313**	1,495	**10,942**
Total long-term liabilities	**17,894**	20,910	**149,117**
Minority interests	**2,048**	1,855	**17,067**
Contingent liabilities (Note 7)			
Stockholders' equity (Note 11)**:**			
Common stock:			
Authorized—600,000,000 shares			
Issued —213,962,991 shares at March 31, 2003 and 2002	**23,972**	23,972	**199,767**
Capital surplus	**21,066**	21,066	**175,550**
Retained earnings (Note 16)	**6,818**	1,675	**56,817**
Land revaluation reserve (Note 13)	**(414)**	(398)	**(3,450)**
Unrealized holding gain on securities	**17**	340	**142**
Translation adjustments	**(1,522)**	(1,141)	**(12,683)**
Less treasury stock, at cost			
(181,090 shares at March 31, 2003 and 27,044 shares at March 31, 2002)	**(20)**	(2)	**(167)**
Total stockholders' equity	**49,917**	45,512	**415,975**
Total liabilities, minority interests and stockholders' equity	**¥113,062**	¥114,741	**$942,184**

CONSOLIDATED STATEMENTS OF INCOME

ASICS Corporation and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Net sales	**¥135,640**	¥128,901	**$1,130,333**
Cost of sales	**86,394**	82,938	**719,950**
Gross profit	**49,246**	45,963	**410,383**
Selling, general and administrative expenses (Note 10)	**43,858**	42,480	**365,483**
Operating income	**5,388**	3,483	**44,900**
Other income (expenses):			
Interest and dividend income	**236**	219	**1,967**
Interest expense	**(949)**	(1,256)	**(7,908)**
Equity in earnings of affiliates	**404**	98	**3,367**
Exchange gain	**493**	507	**4,108**
Settlement of trademark infringement claim	**—**	111	**—**
Loss on valuation of investments in securities	**(721)**	(562)	**(6,008)**
Gain on return of substitutional portion of welfare pension fund plans (Note 6)	**801**	—	**6,675**
Other, net	**545**	334	**4,541**
	809	(549)	**6,742**
Income before income taxes and minority interests	**6,197**	2,934	**51,642**
Income taxes (Note 12)**:**			
Current	**1,222**	759	**10,183**
Deferred	**(389)**	(101)	**(3,241)**
	833	658	**6,942**
Income before minority interests	**5,364**	2,276	**44,700**
Minority interests	**195**	153	**1,625**
Net income	**¥ 5,169**	¥ 2,123	**$ 43,075**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

ASICS Corporation and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

	Number of issued shares of common stock	Millions of yen						
		Common stock	Capital surplus	Retained earnings (deficit)	Land revaluation reserve	Unrealized holding gain on securities	Translation adjustments	Treasury stock
Balance at March 31, 2001	213,962,991	¥23,972	¥34,495	¥(13,856)	¥ —	¥971	¥(1,716)	¥ (0)
Net income				2,123				
Bonuses to directors and corporate auditors				(21)				
Reversal of capital surplus			(13,429)	13,429				
Net change in land revaluation reserve					(398)			
Net change in unrealized holding gain on securities						(631)		
Net change in translation adjustments							575	
Net change in treasury stock								(2)
Balance at March 31, 2002	213,962,991	23,972	21,066	1,675	(398)	340	(1,141)	(2)
Net income				**5,169**				
Bonuses to directors and corporate auditors				**(7)**				
Net change in land revaluation reserve				**3**	**(16)**			
Net change in unrealized holding gain on securities						**(323)**		
Net change in translation adjustments							**(381)**	
Decrease resulting from initial consolidation of a subsidiary				**(22)**				
Net change in treasury stock								**(18)**
Balance at March 31, 2003	**213,962,991**	**¥23,972**	**¥21,066**	**¥ 6,818**	**¥(414)**	**¥ 17**	**¥(1,522)**	**¥(20)**

	Number of issued shares of common stock	Thousands of U.S. dollars (Note 1)						
		Common stock	Capital surplus	Retained earnings	Land revaluation reserve	Unrealized holding gain on securities	Translation adjustments	Treasury stock
Balance at March 31, 2002	213,962,991	$199,767	$175,550	$13,958	$(3,317)	$2,833	$ (9,508)	$ (17)
Net income				**43,075**				
Bonuses to directors and corporate auditors				**(58)**				
Net change in land revaluation reserve				**25**	**(133)**			
Net change in unrealized holding gain on securities						**(2,691)**		
Net change in translation adjustments							**(3,175)**	
Decrease resulting from initial consolidation of a subsidiary				**(183)**				
Net change in treasury stock								**(150)**
Balance at March 31, 2003	**213,962,991**	**$199,767**	**$175,550**	**$56,817**	**$(3,450)**	**$ 142**	**$(12,683)**	**$(167)**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

ASICS Corporation and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Operating activities:			
Income before income taxes and minority interests	**¥ 6,197**	¥ 2,934	**$51,642**
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**1,194**	1,236	**9,950**
Decrease in allowance for doubtful receivables	**(106)**	(258)	**(883)**
Increase in accrued retirement benefits	**361**	999	**3,008**
Loss on valuation of investments in securities	**721**	562	**6,008**
Settlement of trademark infringement claim	**—**	(111)	**—**
Interest and dividend income	**(236)**	(219)	**(1,967)**
Interest expense	**949**	1,257	**7,908**
Equity in earnings of affiliates	**(404)**	(98)	**(3,367)**
Other, net	**(330)**	(40)	**(2,750)**
Decrease (increase) in operating assets:			
Notes and accounts receivable	**2,124**	1,336	**17,700**
Inventories	**(2,524)**	1,181	**(21,033)**
Other operating assets	**260**	(46)	**2,167**
Increase (decrease) in operating liabilities:			
Notes and accounts payable	**(2,820)**	(857)	**(23,500)**
Accrued consumption taxes	**95**	(2)	**792**
Other operating liabilities	**306**	(245)	**2,550**
Bonuses to directors and corporate auditors	**(8)**	(21)	**(67)**
Subtotal	**5,779**	7,608	**48,158**
Interest and dividends received	**268**	282	**2,233**
Interest paid	**(907)**	(1,234)	**(7,558)**
Settlement of trademark infringement claim	**—**	111	**—**
Income taxes paid	**(524)**	(1,060)	**(4,367)**
Net cash provided by operating activities	**4,616**	5,707	**38,466**
Investing activities:			
Increase in time deposits	**(718)**	(162)	**(5,983)**
Proceeds from time deposits	**212**	100	**1,767**
Purchases of property, plant and equipment	**(531)**	(651)	**(4,425)**
Proceeds from sales of property, plant and equipment	**78**	108	**650**
Increase in short-term investments	**(1,000)**	—	**(8,333)**
Purchases of investments in securities	**(3,059)**	(2,598)	**(25,492)**
Proceeds from sales of investments in securities	**2,418**	16	**20,150**
Net increases in short-term loans receivable	**(16)**	(103)	**(133)**
Increase in long-term loans receivable	**(116)**	(310)	**(967)**
Collection of long-term loans receivable	**40**	64	**333**
Other, net	**51**	(861)	**425**
Net cash used in investing activities	**(2,641)**	(4,397)	**(22,008)**
Financing activities:			
Decrease in short-term bank loans, net	**(588)**	(3,285)	**(4,900)**
Proceeds from long-term loans	**—**	3,516	**—**
Repayment of long-term loans	**(3,206)**	(2,521)	**(26,717)**
Proceeds from sale of treasury stock	**—**	2	**—**
Purchases of treasury stock	**(17)**	(5)	**(142)**
Cash dividends paid to minority interests	**(481)**	(20)	**(4,008)**
Other, net	**(143)**	(152)	**(1,191)**
Net cash used in financing activities	**(4,435)**	(2,465)	**(36,958)**
Effect of exchange rate changes on cash and cash equivalents	**42**	181	**350**
Net decrease in cash and cash equivalents	**(2,418)**	(974)	**(20,150)**
Cash and cash equivalents at beginning of year	**10,526**	11,500	**87,717**
Increase in cash and cash equivalents arising from initial consolidation of a subsidiary	**130**	—	**1,083**
Cash and cash equivalents at end of year	**¥ 8,238**	¥10,526	**$68,650**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ASICS Corporation and Consolidated Subsidiaries
March 31, 2003

1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

ASICS Corporation (the "Company") and its domestic consolidated subsidiaries maintain their books of account in conformity with financial accounting standards generally accepted and applied in Japan and its overseas subsidiaries in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles and practices generally accepted and applied in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. Certain modifications to the format have been made to facilitate understanding by 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 ¥120 = US$1.00, the rate of exchange prevailing on March 31, 2003. This translation should not be construed as a presentation 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 statement of income for the year ended March 31, 2002 to the 2003 presentation. This reclassification had no effect on net income or stockholders' equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation

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 overseas 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 overseas consolidated subsidiaries and the year end of the Company.

The investment in a significant affiliate, ASICS Trading Co., Ltd., is accounted for by the equity method, under which the Group includes its share in the income or loss of this company in consolidated net income and records its investment at cost adjusted for its share of income or loss and dividends received.

All assets and liabilities of the consolidated subsidiaries are revalued on acquisition, if applicable. The difference, not significant in amount, between the cost of investments in subsidiaries and the equity in their net assets at the date of acquisition is amortized over a period of five years on a straight-line basis, except that immaterial amounts are charged to income as incurred.

Other subsidiaries and affiliates are not significant in terms of their total assets, net income or loss and retained earnings. 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.

b. Foreign Currency Translation

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. 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 or loss is credited or charged to income in the period in which the gain or loss is recognized for financial reporting purposes.

The financial statements of the overseas consolidated 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.

c. Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible into cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

d. Securities

The accounting standard for financial instruments requires that securities be classified into three categories: trading securities, held-to-maturity debt securities and other securities.

Trading securities are stated at fair value. Gain or loss, both realized and unrealized, is credited or 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 any 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.

e. Inventories

Inventories are stated principally at cost determined by the first-in, first-out method.

f. Property, Plant and Equipment

The Company and its domestic consolidated subsidiaries compute depreciation of property, plant and equipment by the declining-balance method over the useful lives of the respective assets except that the straight-line method is applied to buildings (other than structures attached to the buildings) acquired on or subsequent to April 1, 1998. Overseas consolidated subsidiaries compute depreciation of property, plant and equipment by the straight-line method over the useful lives of the respective assets. Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income as incurred.

g. Allowance for Doubtful Receivables

The Company and its domestic consolidated subsidiaries provide an allowance for doubtful receivables at 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.

The overseas consolidated subsidiaries provide an allowance for doubtful receivables at an amount calculated based on probable specific bad debts from customers.

h. Retirement Benefits

The Company and its domestic consolidated subsidiaries have defined retirement benefit plans for their employees, i.e., welfare pension fund plans, tax-qualified pension plans and lump-sum payment plans.

Accrued retirement benefits for employees are provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as adjusted for unrecognized actuarial gain or loss. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

The net retirement benefit obligation at transition of ¥4,748 million incurred on April 1, 2000 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.

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.

k. Income Taxes

Deferred income taxes are provided for temporary differences between the balances of assets and liabilities reported for financial purposes and the corresponding balances for tax reporting purposes.

l. Derivatives and Hedging Activities

Derivatives 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. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying debt.

3 SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

The Group did not hold any trading securities or held-to-maturity debt securities at March 31, 2003 and 2002.

Information regarding other securities with market value at March 31, 2003 and 2002 is summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2003			2002			**2003**		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:									
Equity securities	**¥ 857**	**¥1,020**	**¥163**	¥2,137	¥2,780	¥643	**$ 7,142**	**$ 8,500**	**$1,358**
Corporate bonds	**482**	**505**	**23**	—	—	—	**4,017**	**4,208**	**192**
Other	**414**	**466**	**52**	404	408	4	**3,450**	**3,883**	**433**
Subtotal	**1,753**	**1,991**	**238**	2,541	3,188	647	**14,609**	**16,591**	**1,983**
Securities whose carrying value does not exceed their acquisition costs:									
Equity securities	**1,569**	**1,390**	**(179)**	905	860	(45)	**13,075**	**11,583**	**(1,492)**
Corporate bonds	**1,000**	**965**	**(35)**	1,900	1,855	(45)	**8,333**	**8,042**	**(292)**
Other	**185**	**176**	**(9)**	226	197	(28)	**1,542**	**1,467**	**(75)**
Subtotal	**2,754**	**2,531**	**(223)**	3,031	2,912	(118)	**22,950**	**21,092**	**(1,859)**
Total	**¥4,507**	**¥4,522**	**¥ 15**	¥5,572	¥6,100	¥529	**$37,559**	**$37,683**	**$ 124**

The carrying value of other securities without determinable market value at March 31, 2003 and 2002 is presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Commercial paper	**¥1,000**	¥ —	**$ 8,333**
Money trust in commingled funds	**840**	901	**7,000**
Unlisted equity securities (other than equity securities traded on the OTC market)	**680**	178	**5,667**
Unlisted preferred investment certificates	**500**	—	**4,167**
Unlisted foreign debt securities	**66**	71	**550**
	¥3,086	¥1,150	**$25,717**

At March 31, 2003, the redemption schedule for other securities by maturity date was as follows:

	Millions of yen				Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Commercial paper	¥1,000	¥—	¥ —	¥—	$8,333	$—	$ —	$ —
Corporate bonds	—	—	1,000	—	—	—	8,333	—
Beneficial securities of investment trusts	—	10	7	50	—	83	58	417
	¥1,000	¥10	¥1,007	¥50	$8,333	$83	$8,391	$417

4 INVENTORIES

The following is a summary of inventories at March 31, 2003 and 2002:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Finished products	**¥26,936**	¥24,471	**$224,466**
Work in process	**422**	444	**3,517**
Raw materials and supplies	**1,787**	1,683	**14,892**
	¥29,145	¥26,598	**$242,875**

5 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

The average annual interest rates on short-term bank loans were 2.5% and 3.2% for the years ended March 31, 2003 and 2002, respectively.

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
2.56% yen secured bonds, due 2005	**¥ 3,000**	¥ 3,000	**$ 25,000**
2.74% yen secured bonds, due 2006	**2,000**	2,000	**16,666**
1.22% yen unsecured bonds, due 2008	**1,600**	1,600	**13,333**
1.12% yen unsecured bonds, due 2008	**800**	800	**6,667**
1.60% yen unsecured bonds, due 2008	**800**	800	**6,667**
Secured loans, primarily from banks, due 2004 through 2005, at interest rates ranging from 1.4% to 3.8%	**160**	310	**1,333**
Unsecured loans, primarily from banks, due 2004 through 2007, at interest rates ranging from 1.0% to 4.9%	**4,641**	7,896	**38,675**
	13,001	16,406	**108,341**
Current portion of long-term debt	**(2,869)**	(3,246)	**(23,908)**
	¥10,132	¥13,160	**$ 84,433**

The aggregate annual maturities of long-term debt subsequent to March 31, 2003 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31		
2004	¥ 2,869	$ 23,908
2005	1,637	13,642
2006	3,235	26,958
2007	2,060	17,167
2008	3,200	26,666
	¥13,001	$108,341

Assets pledged at March 31, 2003 as collateral for short-term bank loans of ¥150 million ($1,250 thousand), bonds of ¥5,000 million ($41,667 thousand) and long-term loans of ¥10 million ($83 thousand) are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥4,070	$33,917
Buildings and structures, at book value	2,956	24,633
	¥7,026	$58,550

6 RETIREMENT BENEFITS

The following table sets forth the funded and accrued status of the Group's defined retirement benefit plan at March 31, 2003 and 2002:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Retirement benefit obligation	**¥(15,937)**	¥(20,604)	**$(132,808)**
Plan assets at fair value	**3,415**	7,749	**28,458**
Unfunded retirement benefit obligation	**(12,522)**	(12,855)	**(104,350)**
Unrecognized net retirement benefit at transition	**2,541**	4,115	**21,175**
Unrecognized actuarial loss	**3,611**	3,445	**30,092**
Unrecognized past service cost	**—**	(692)	**—**
Accrued retirement benefits	**¥ (6,370)**	¥ (5,987)	**$ (53,083)**

As allowed under the accounting standard, the domestic consolidated subsidiaries calculate their retirement benefit obligation by simplified methods.

The components of retirement benefit expenses for the years ended March 31, 2003 and 2002 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Service cost	**¥1,299**	¥1,149	**$10,825**
Interest cost	**505**	555	**4,208**
Expected return on plan assets	**(190)**	(238)	**(1,583)**
Amortization of net retirement benefit obligation at transition	**212**	223	**1,767**
Recognized net actuarial loss	**313**	157	**2,608**
Recognized past service cost	**(122)**	—	**(1,017)**
Retirement benefit expenses	**2,017**	1,846	**16,808**
Gain on return of substitutional portion of welfare pension fund plans	**(801)**	—	**(6,675)**
	¥1,216	¥1,846	**$10,133**

The retirement benefit expenses of the domestic consolidated subsidiaries calculated by simplified methods have been included in service cost in the above table.

On February 17, 2003, the Company received approval from the Minister of Health, Labor and Welfare with respect to its application for exemption from the obligation for benefits related to future employee services under the substitutional portion of the welfare pension fund plans ("WPFP"). In accordance with the transitional provision stipulated in "Practical Guidelines for Accounting for Retirement Benefits," the Company accounted for the separation of the substitutional portion of the benefit obligation from the corporate portion of the benefit obligation under its WPFP as of the date of approval of its exemption, assuming that the transfer to the Japanese government of the substitutional portion of the benefit obligation and the related pension plan assets had been completed as of that date. As a result, a gain of ¥801 million ($6,675 thousand) was recognized for the year ended March 31, 2003. The fair value of plan assets to be transferred was calculated at ¥3,576 million ($29,800 thousand) at March 31, 2003.

The assumptions used in accounting for the retirement benefit plans for the years ended March 31, 2003 and 2002 were as follows:

	2003	2002
Discount rates	**2.5%**	3.0%
Expected rates of return on plan assets	**3.0%**	3.5%

7 CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2003 were as follows:

	Millions of yen	Thousands of U.S. dollars
Trade notes receivable discounted with banks	¥783	$6,525
Guarantees of loans of an unconsolidated subsidiary	120	1,000

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, 2003 and 2002, 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		
	2003			2002			**2003**		
	Machinery and equipment	Other	Total	Machinery and equipment	Other	Total	Machinery and equipment	Other	Total
Acquisition costs	**¥1,850**	**¥—**	**¥1,850**	¥2,218	¥29	¥2,247	**$15,417**	**$—**	**$15,417**
Accumulated depreciation	**951**	**—**	**951**	1,180	23	1,203	**7,925**	**—**	**7,925**
Net book value	**¥ 899**	**¥—**	**¥ 899**	¥1,038	¥ 6	¥1,044	**$ 7,492**	**$—**	**$ 7,492**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥464 million ($3,867 thousand) and ¥545 million for the years ended March 31, 2003 and 2002, respectively. These accounts were equal to the depreciation 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, 2003 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	¥348	$2,900
Due after one year	551	4,592
Total	¥899	$7,492

9 DERIVATIVES AND HEDGING ACTIVITIES

Derivative financial instruments are utilized by the Group principally in order to manage risk arising from adverse fluctuation in foreign currency exchange rates and interest rates. The Group does not hold or issue derivatives for speculative trading purposes.

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

The outstanding interest-rate swaps at March 31, 2003 and 2002 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2003		2002		**2003**	
	National amount	Unrealized gain (loss)	National amount	Unrealized gain (loss)	National amount	Unrealized gain (loss)
Interest-rate swaps:						
Variable-rate into fixed-rate obligations	**¥1,000**	**¥(14)**	¥1,850	¥(19)	**$8,333**	**$(117)**
Variable-rate into variable-rate obligations	**95**	**(0)**	390	(2)	**792**	**(0)**

The outstanding interest-rate options at March 31, 2003 and 2002 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2003		2002		**2003**	
	National amount	Unrealized gain (loss)	National amount	Unrealized gain (loss)	National amount	Unrealized gain (loss)
Interest-rate options:						
Interest-rate caps purchased	**¥665**	**¥0**	¥1,155	¥ 0	**$5,542**	**$ 0**
Interest-rate caps sold	**750**	**(0)**	750	(1)	**6,250**	**(0)**
Interest-rate floors sold	**665**	**(7)**	1,155	(17)	**5,542**	**(58)**
Interest-rate caps purchased/interest-rate floors sold	**120**	**(2)**	180	(3)	**1,000**	**(17)**

10 RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2003 and 2002 were ¥469 million ($3,908 thousand) and ¥387 million, respectively.

11 STOCKHOLDERS' EQUITY

The Commercial Code of Japan provides that an amount equivalent to at least 10% of cash dividends and bonuses paid to directors and corporate auditors, and exactly 10% of interim cash dividends paid be appropriated to the legal reserve until the sum of additional paid-in capital and the legal reserve equals 25% of common stock. The Code also provides that neither additional paid-in capital nor the legal reserve is available for dividends but both may be used to reduce or eliminate a deficit by resolution of the stockholders or may be transferred to common stock by resolution of the Board of Directors. The Code further stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the stockholders. The Company's legal reserve included in retained earnings was ¥5 million ($41 thousand) at March 31, 2003.

Effective April 1, 2002, the Company and its consolidated subsidiaries adopted a new accounting standard for treasury stock and reversal of legal reserves. The effect of the adoption of this standard on the consolidated results of operations for the year ended March 31, 2003 was immaterial.

In accordance with the revised regulations on consolidated financial statements, additional paid-in capital reported in stockholders' equity in previous years has been presented as capital surplus at March 31, 2002 and 2001.

12 INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes. The statutory tax rate in Japan for the years ended March 31, 2003 and 2002 was, in the aggregate, approximately 41.7%. The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2003 and 2002 differ from the above statutory tax rate for the following reasons:

	2003	2002
Statutory tax rate:	**41.7%**	41.7%
Permanently nondeductible expenses	**1.0**	2.8
Permanently nontaxable income	**(0.5)**	(1.9)
Per capita portion of inhabitants' taxes	**1.5**	1.5
Income tax refund related to prior years' income	**(1.0)**	—
Foreign tax credits	**—**	3.3
Utilization of tax loss carryforwards	**(28.2)**	(30.8)
Change in valuation allowance	**(2.5)**	(3.4)
Tax rate differences at overseas consolidated subsidiaries	**(3.9)**	—
Tax losses of consolidated subsidiaries for the current year	**6.0**	10.5
Dividends received from consolidated subsidiaries	**1.2**	2.1
Equity in earnings of affiliates	**(2.7)**	(1.3)
Other	**0.8**	(2.1)
Effective tax rates	**13.4%**	22.4%

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, 2003 and 2002 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Deferred tax assets:			
Allowance for doubtful receivables	**¥ 714**	¥ 1,439	**$ 5,950**
Accrued retirement benefits	**2,098**	1,758	**17,483**
Tax loss carryforwards	**2,201**	7,175	**18,342**
Other	**1,718**	1,595	**14,317**
Gross deferred tax assets	**6,731**	11,967	**56,092**
Less valuation allowance	**(5,020)**	(10,669)	**(41,833)**
Total deferred tax assets	**1,711**	1,298	**14,259**
Deferred tax liabilities:			
Unrealized holding gain on securities	**6**	268	**50**
Other	**73**	—	**608**
Total deferred tax liabilities	**79**	268	**658**
Net deferred tax assets	**¥1,632**	¥ 1,030	**$13,601**

The statutory tax rate to be used for the calculation of non-current deferred tax assets and liabilities at March 31, 2003 was changed from 41.7% to 40.5%. The effect of this change in statutory tax rate was to decrease deferred tax assets at March 31, 2003 and to increase income taxes-deferred for the year then ended by ¥1 million ($8 thousand), to decrease deferred tax liabilities at March 31, 2003, and to increase unrealized holding gain on securities at March 31, 2003 by ¥0 million ($0 thousand).

13 LAND REVALUATION

At March 31, 2002, ASICS Trading Co., Ltd., an affiliate of the Company, revalued its land held for business use. The difference on the land revaluation has been accounted for as land revaluation reserve under stockholders' equity and was calculated at the Company's share of the net amount of the relevant tax effect.

14 AMOUNTS PER SHARE

Amounts per share at March 31, 2003 and 2002 and for the years then ended were as follows:

	Yen		U.S. dollars
	2003	2002	**2003**
Net assets	**¥233.50**	¥212.74	**$1.95**
Net income	**24.10**	9.92	**0.20**
Cash dividends applicable to the year	**2.00**	—	**0.01**

Until the year ended March 31, 2002, net assets per share were computed based on the net assets reported in the consolidated balance sheets and the number of shares of common stock outstanding at each balance sheet date. Net income per share was computed based on the net income reported in the consolidated statements of income and the weighted average number of shares of common stock outstanding during each year.

In accordance with a new accounting standard for earnings per share which became effective April 1, 2002, the amount per share of net assets at March 31, 2003 was computed based on the net assets available for distribution to the stockholders and the number of shares of common stock outstanding at the year end. Net income per share was computed based on the net income available for distribution to stockholders of common stock and the weighted average number of shares of common stock outstanding during the year. If the Company and its consolidated subsidiaries had adopted the new standard, the amount per share of net assets at March 31, 2002 and the net income for the year then ended would have been ¥212.63 and ¥9.82, respectively.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years.

15 SEGMENT INFORMATION

1. Business Segments

The Group is primarily engaged in the manufacture and sale 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, 2003 and 2002 are summarized as follows:

	Millions of yen						
	2003						
	Japan	United States of America	Europe	Other areas	Total	Eliminations /corporate	Consolidated
Net sales:							
Sales to customers	**¥81,024**	**¥24,061**	**¥27,225**	**¥3,330**	**¥135,640**	**¥ —**	**¥135,640**
Intersegment	**2,322**	**10**	**50**	**2,488**	**4,870**	**(4,870)**	**—**
Total sales	**83,346**	**24,071**	**27,275**	**5,818**	**140,510**	**(4,870)**	**135,640**
Operating expenses	**81,866**	**22,391**	**25,383**	**5,120**	**134,760**	**(4,508)**	**130,252**
Operating income	**¥ 1,480**	**¥ 1,680**	**¥ 1,892**	**¥ 698**	**¥ 5,750**	**¥ (362)**	**¥ 5,388**
Total assets	**¥82,595**	**¥12,000**	**¥18,092**	**¥3,304**	**¥115,991**	**¥(2,929)**	**¥113,062**

	Millions of yen						
	2002						
	Japan	United States of America	Europe	Other areas	Total	Eliminations /corporate	Consolidated
Net sales:							
Sales to customers	¥81,373	¥20,798	¥24,529	¥2,201	¥128,901	¥ —	¥128,901
Intersegment	2,108	14	7	2,268	4,397	(4,397)	—
Total sales	83,481	20,812	24,536	4,469	133,298	(4,397)	128,901
Operating expenses	82,065	19,672	23,666	4,275	129,678	(4,260)	125,418
Operating income	¥ 1,416	¥ 1,140	¥ 870	¥ 194	¥ 3,620	¥ (137)	¥ 3,483
Total assets	¥86,446	¥ 9,803	¥17,862	¥2,918	¥117,029	¥(2,288)	¥114,741

	Thousands of U.S. dollars						
	2003						
	Japan	United States of America	Europe	Other areas	Total	Eliminations /corporate	Consolidated
Net sales:							
Sales to customers	**$675,200**	**$200,508**	**$226,875**	**$27,750**	**$1,130,333**	**$ —**	**$1,130,333**
Intersegment	**19,350**	**83**	**417**	**20,733**	**40,583**	**(40,583)**	**—**
Total sales	**694,550**	**200,591**	**227,292**	**48,483**	**1,170,916**	**(40,583)**	**1,130,333**
Operating expenses	**682,216**	**186,592**	**211,525**	**42,667**	**1,123,000**	**(37,567)**	**1,085,433**
Operating income	**$ 12,334**	**$ 13,999**	**$ 15,767**	**$ 5,816**	**$ 47,916**	**$ (3,016)**	**$ 44,900**
Total assets	**$688,292**	**$100,000**	**$150,767**	**$27,533**	**$ 966,592**	**$(24,408)**	**$ 942,184**

3. Overseas Sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the overseas consolidated subsidiaries, for the years ended March 31, 2003 and 2002 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Overseas sales:			
North America	**¥ 24,066**	¥ 20,810	**$ 200,550**
Europe	**27,092**	24,383	**225,767**
Other areas	**4,907**	3,270	**40,892**
Total	**¥ 56,065**	¥ 48,463	**$ 467,208**
Consolidated net sales	**¥135,640**	¥128,901	**$1,130,333**
Overseas sales as a percentage of consolidated sales:			
North America	**17.7%**	16.2%	
Europe	**20.0**	18.9	
Other areas	**3.6**	2.5	
Total	**41.3%**	37.6%	

16 SUBSEQUENT EVENT

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2003, were approved at a meeting of the stockholders of the Company held on June 27, 2003:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥2.00 = US$0.01 per share)	¥427	$3,558

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
ASICS Corporation

We have audited the accompanying consolidated balance sheets of ASICS Corporation and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion independently on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ASICS Corporation and consolidated subsidiaries at March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2003 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.

Shin Nihon & Co.

Shin Nihon & Co.

June 27, 2003

See Note 1 which explains the basis of preparation of the consolidated financial statements of ASICS Corporation and consolidated subsidiaries under Japanese accounting principles and practices.

CORPORATE DATA

(As of June 27, 2003)

BOARD OF DIRECTORS

Chairman and Director
Kihachiro Onitsuka

President and Representative Director
Kiyomi Wada

Senior Managing and Representative Director
Tetsuo Hayashi

Managing Director
Masaaki Katayama

Directors
Ryoji Tamesada
Mitsuhiro Okada
Yuichiro Shimizu
Nobuo Oda
Yoshio Chihara

BOARD OF CORPORATE AUDITORS

Kiyoshi Morii
Takashi Iwasaki
Junzo Yoneda
Yasuo Takahashi

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Osaka 564-8588, Japan
Tel: (06) 6385-2082

LISTED STOCK EXCHANGES

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

TRANSFER AGENT AND REGISTRAR

Mizuho Trust & Banking Co., Ltd.
5-1, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-8240,
Japan

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Shin Nihon & Co.

Your Dream is Our Dream

INTERNATIONAL NETWORK

PRINCIPAL DOMESTIC SUBSIDIARIES AND AFFILIATES

Consolidated or accounted for by the equity method

	Percentage owned
ASICS ALMOS Inc.	100.0
Nishi Athletic Goods Co., Ltd.	100.0
ASICS Hokkaido Sales Corporation	100.0
ASICS Tohoku Sales Corporation	100.0
ASICS Sports Sales Corp.	100.0
ASICS Chubu Sales Corporation	100.0
ASICS Hojinkan Corporation	100.0
ASICS APPAREL INDUSTRY CORPORATION	100.0
SAN-IN ASICS 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.	41.3

PRINCIPAL OVERSEAS SUBSIDIARIES

Consolidated

Percentage owned

ASICS TIGER CORPORATION 100.0
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ASICS Deutschland GmbH 100.0
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