ANNUAL REPORT 2018

I MOVE ME™

asics

WHAT IS ASICS?

Since its founding in 1949, the ASICS Group has been committed to nurturing the world's youth through sports in order to contribute to society.

We are our customers' lifetime partner.

ASICS SPIRIT

ASICS is an acronym of the Latin phrase "Anima Sana In Corpore Sano," which translates as 'a sound mind in a sound body'. This reflects our founder's belief that sport and health bring benefits for not only our bodies, but also our mental wellbeing, as well as our culture and society as a whole. This core belief remains at the heart of our Founding Philosophy to this day.

Our firm belief in the benefits of sport and health is also the foundation of the ASICS SPIRIT, which comprises our philosophy, vision and values. The ASICS SPIRIT drives everything we do, including our efforts to become a more sustainable business and contribute to the lives of people everywhere.

Philosophy

Founding Philosophy

"ANIMA SANA IN CORPORE SANO"

Corporate Philosophy

1. Provide valuable products and services through sport to all our customers
2. Fulfill our social responsibility and help improve conditions for communities around the world
3. Share profits brought by our sound services with our shareholders, communities and employees
4. Maintain a spirit of freedom, fairness and discipline, respectful of all individuals

Vision

Create Quality Lifestyle through Intelligent Sport Technology

Values

Sportsmanship

1. Respect Rules
2. Be Courteous
3. Be Persistent
4. Work as One Team
5. Be Prepared
6. Learn from Failure

CONTENTS

ASICS AT A GLANCE

ASICS is one of the world's top sports performance and lifestyle brands. We operate 55 companies in 33 countries. Our reach extends further through our supply chain business partners, sponsored events and connections to other stakeholders worldwide.

Find out more
→ https://corp.asics.com/en/investor_ relations

ASICS worldwide
(as of December 31st, 2018)

8,823
employees

55
global businesses

33
countries where we have businesses established

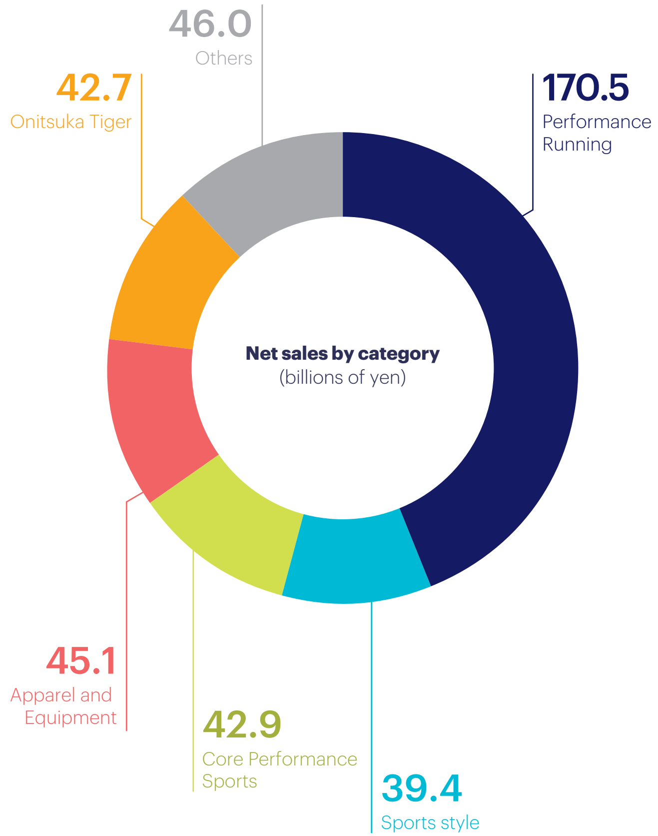
899
retail stores

22
sourcing countries

FY2018

386.6
net sales (billions of yen)

-20.3
net loss (billions of yen)



OUR STRENGTHS AND BRANDS

Our strengths as a company lie in the enduring relationships we have built with all stakeholders — our shareholders, customers, business partners and employees — and the trust they have in our technology, products and brands, cultivated over many years in business fields centered on sports.

Founder Kihachiro Onitsuka engaged in product development with the belief that consumers would appreciate products with superior performance. He initially focused on basketball shoes — a product with the most sophisticated and challenging technologies at the time. He rose to the challenge, helping ASICS accumulate a wealth of technology and experience along the way. The ASICS Institute of Sport Science (ISS) was established in 1985, to develop products based on biomechanics and human-centric science, supplementing the instincts and experience of craftsmen. Our goal was to create unique, innovative products with high added value. That strong emphasis on technology lives on in the Company to this day.

We conduct various research and design activities covering materials design to structural design, aimed at enhancing product performance through human-centric design processes. We observe and analyze the movement of athletes and work with them to identify necessary improvements, resulting in products that outperform existing or competitor products. This is a recurring process that leads to incremental gains in product performance.

The ASICS brand, which is our corporate brand, has been providing innovative products and services based on human-centric science to help people move more and feel healthy in both body and mind.

The ASICSTIGER brand was shaped by sport and is defined by street culture. Our Japanese technology, bold collaborations and street style-influenced design take our lifestyle products beyond simple re-issues to re-inventions.

The Onitsuka Tiger brand was used to market sports shoes until the Group's three-way merger in 1977. The brand was revived in 2002 as a sports-inspired fashion brand.

OUR HISTORY

We have contributed to a quality lifestyle for people around the world with "Intelligent Sport Technology."

From the earliest days of the Company, we have consistently released innovative technologies, products and services designed to create a quality lifestyle and help people realize their full potential. We have worked to improve the performance of our sporting goods, while also drawing on the designs and styles of those sports products to create two other brands, Onitsuka Tiger and ASICSTIGER.

Learn more

You can learn more about our history

→ http://corp.asics.com/en/about_asics/history

1949-1977

We have always been dedicated to developing highly functional products. We focused on developing products that help athletes achieve their best performance. Those products also became popular with consumers overseas.

1950 FIRST SPORTS SHOES RELEASED
The first sports shoes made by Onitsuka Co., Ltd. were basketball shoes. At the time, basketball shoes were considered to be the most difficult sports shoes to manufacture, so it was our founder Kihachiro Onitsuka's vision that if we could overcome a high hurdle at the start, other challenges would be easier later on.

1955 WRESTLING SHOES
Until this point, wrestling shoes were made of leather. We started using lightweight nylon uppers, driving dramatic growth in wrestling shoe sales in the U.S.

1960 MAGIC RUNNER
Marathon Shoes took inspiration from air-cooled motorbike engines, incorporating a vent system to circulate air within the shoe. This succeeded in keeping blisters to a minimum.

1977-2000

We used the latest biomechanics research and actively adopted new materials, driving significant improvements in the performance of our products for not only serious athletes, but also a wide range of runners with varying abilities.

1977 ASICS FORMED THROUGH MERGER OF THREE COMPANIES

1983 PEDALA™ WALKING SHOES
PEDALA™ was created from the concept that good health is achieved through walking. We harnessed our expertise in biomechanics from the development of sports shoes.

1985 ASICS INSTITUTE OF SPORT SCIENCE ESTABLISHED
→ More details on page 15

1986 GEL™ TECHNOLOGY LAUNCHED
GEL™ is now one of our most recognized footwear materials. Freaks α was the one of the first jogging shoe to incorporate αGEL, a new shock-absorbing material designed to protect runners' feet.

2000-

We continue to improve the quality of our products. Now we aim to meet the diverse needs of all consumers with a variety of products and services using Intelligent Sport Technology and our brand assets.

2002 ONITSUKA TIGER BRAND REVIVED

2007 ASICS STORE TOKYO OPENED
We opened our own retail store ASICS STORE TOKYO in Ginza, Tokyo and launched a new service to help customers choose the best running shoes for their individual running style.

2015 ASICSTIGER BRAND REVIVED

2018 GEL-KAYANO™ 25 RUNNING SHOE RELEASED
GEL-KAYANO™ series has set the benchmark for long-distance running performance since 1993. GEL-KAYANO™ 25 features the FLYTEFOAM™ LYTE and FLYTEFOAM™ PROPEL Technologies. This is the first-ever shoe to feature cellulose nanofiber (CNF), hailed as the next high-performance material breakthrough.
→ More details on page 22

2019 METARIDE™ RUNNING SHOES LAUNCHED
One of ASICS' most important innovations in seven decades, and as part of ASICS' ambition to help all runners to WIN THE LONG RUN, the shoe was designed with one purpose in mind; to make running longer distances easier.

FINANCIAL HIGHLIGHTS

(millions of yen)

	2014/3	2014/12	2015/12	2016/12	2017/12	2018/12
For the year:						
Net sales	¥329,465	¥354,052	¥428,496	¥399,107	¥400,158	**¥ 386,662**
Sports shoes	251,827	282,790	346,080	329,649	333,391	**322,229**
Sportswear	57,198	54,215	61,606	51,166	47,907	**45,212**
Sports equipment	20,438	17,046	20,808	18,291	18,859	**19,220**
Cost of sales	185,097	198,864	246,342	222,564	216,898	**205,996**
Gross profit	144,368	155,188	182,154	176,543	183,260	**180,666**
Selling, general and administrative expenses	117,852	124,721	154,705	151,070	163,689	**170,150**
Operating income	26,516	30,467	27,449	25,473	19,571	**10,516**
Profit (loss) before income taxes	27,694	34,183	17,269	22,134	21,835	**(14,271)**
Profit (loss) attributable to owners of parent	16,108	22,286	10,238	15,567	12,970	**(20,328)**
Net cash provided by operating activities	6,393	10,720	18,301	37,971	37,137	**11,049**
Net cash used in investing activities	(13,735)	(9,845)	(8,707)	(14,046)	(13,789)	**(5,467)**
Net cash provided by (used in) financing activities	27,647	(4,848)	(12,765)	(5,025)	(11,548)	**(13,753)**
At year-end:						
Total net assets	¥159,567	¥201,941	¥199,883	¥201,207	¥201,302	**¥ 166,829**
Total assets	317,528	355,837	343,468	342,812	348,232	**304,461**
Number of employees	6,585	7,484	7,263	7,864	8,586	**8,823**
Per share of common stock (Yen):						
Net income (loss)	¥ 84.96	¥ 117.40	¥ 53.93	¥ 82.01	¥ 68.33	**¥ (107.59)**
Cash dividends	17.00	23.50	23.50	23.50	23.50	**24.00**
Total net assets	834.68	1,058.94	1,045.02	1,053.28	1,051.45	**873.43**
Ratios (%):						
Gross profit ratio	43.8	43.8	42.5	44.2	45.8	**46.7**
Operating income ratio	8.0	8.6	6.4	6.4	4.9	**2.7**
Return on assets (ROA)	5.7	6.6	2.9	4.5	3.8	**(6.2)**
Return on equity (ROE)	11.2	12.4	5.1	7.8	6.5	**(11.2)**
Shareholders' equity ratio	49.9	56.5	57.8	58.3	57.3	**54.1**

Learn more

You can learn more about our financial results

→ http://corp.asics.com/en/investor_relations

Notes: 1. All the figures have been rounded off to the nearest millions of yen.

2. The fiscal year ended December 31, 2014 was a transitional period due to a change in fiscal year-end. The period included nine months of results for the Company and domestic consolidated subsidiaries with March fiscal year-ends and 12 months of results for overseas consolidated subsidiaries, which have December fiscal year-ends.

MESSAGE FROM THE TOP MANAGEMENT

WHAT IS ASICS?

Since its founding in 1949, the ASICS Group has been committed to nurturing the world's youth through sports in order to contribute to society. Starting with the launch of basketball shoes in 1950, we have developed products with innovative materials and structural designs by scientifically analyzing human movement and the specific characteristics of each sport, from tennis and volleyball to baseball and rugby. As a result, our products have won the support and trust of elite athletes and citizen runners worldwide and have enhanced our brand value.

Over the past 70 years, we have continuously harnessed our expertise and technology to continue creating innovative technologies, products and services for all areas of life.

2018 HIGHLIGHTS

In the fourth quarter of FY2018, the Company adjusted and reassessed its domestic and overseas assets as part of a business restructuring program, recording extraordinary income of ¥1.3 billion and extraordinary losses of ¥24 billion. As a result, the Company reported net losses of ¥20.3 billion for FY2018. Excluding extraordinary losses booked as a result of adjusting overseas staffing to appropriate levels, extraordinary losses for business restructuring did not lead to an outflow of cash, resulting in no impact on the financial position of the Company.

The Company expects the booking of these extraordinary losses to lead to an improvement in operating income of ¥4.3 billion in FY2019. As a result of the consolidated net loss, no bonuses were paid to the Company's Directors and Executive Officers. We view these results seriously and intend to rapidly step up the pace of business reform.

OUR STRATEGY ACTION PLAN

We released Action Plan in August 2018 and announced new organizations and personnel changes the following October to rapidly put Action Plan in motion. We have created a new business structure based on product categories, which brings the current functional units under an organization aligned with the new categories. The headquarters have even more profit/loss accountability than before and are tasked with promoting profitable growth as an entire Group, together with subsidiaries. Due to the challenges of making the shift immediately in all categories, we began by making the strong-performing Onitsuka Tiger Division an independent business division, which serves as a kind of in-house company. This is our first move toward category-based management and organizational administration that integrates production and sales. Leading categories will be given considerable discretion to advance their businesses, providing a model for other categories to follow.

When we formulated our business plan for 2019, we conducted discussions with each executive responsible for categories, subsidiaries, management sections, major related companies and other units. During the meetings, we reviewed our performance in 2018 and carried out detailed discussions about our 2019 plans. To ensure the product-based management structure functions well, we conducted the meetings with the aim of encouraging each product category and subsidiary to accurately align their targets. We believe the meetings succeeded in having all attending parties hold close mutual discussions.

Leading categories have been given targets to work towards. Our role as management will be to continually monitor progress towards those targets, take necessary measures as needed, and establish a system to promptly respond to situational changes.

Also, in line with the objectives of Action Plan, we will step up efforts in each of the following priority areas by targeting resources on growth fields and improving profitability.

Motoi Oyama
Chairman and CEO,
Representative Director

Yasuhito Hirota
President and COO,
Representative Director

MESSAGE FROM THE TOP MANAGEMENT

PRIORITY AREA

1) Focus on the Performance Running market in the U.S.

The U.S. is a world leader in sports, including running, and a country that has important impacts on the rest of the world, with new lifestyles emerging there. Recognizing that the U.S. market is our largest and most important market, we will devote even more resources of the headquarters function to attract serious runners to our products. The category division of the headquarters will establish partnerships with key U.S. retailers with strong market positions and work to further increase market share. Starting in 2019, we are renewing our focus on grassroots activities on a global scale. In addition to making and selling products, we will share the pleasure and joy of sports with many people by organizing running and sporting events in various regions. Our hope is to increase the number of ASICS fans through such activities.

2) Accelerate growth in the Chinese market

ASICS sales in China continue to grow at a double-digit pace, supported by a growing number of new marathon events amid rising interest in healthy lifestyles. While China is still a promising growth market, the market is drastically changing and experiencing unique trends. The transfer of additional headquarters functions to Shanghai will support rapid decision-making and ensure we capture growth in the expanding Chinese market. Our goal is to increase market share at a pace that exceeds market growth. Also, we will accelerate growth by strengthening relationships with major online retailers in China and by utilizing China's unique digital environment such as local SNS.

3) Develop the digital business as a new growth driver

To take aggressive action in this promising field under an integrated system, we have decided to concentrate our digital strategy-related functions at ASICS Digital in Boston, which has been tasked with accelerating the digital business. We will promote our new membership program OneASICS™, which launched in Europe and Japan in 2018, by utilizing all consumer touch-points such as our own retail, websites, e-commerce, apps and other channels. By using purchase history and activity data from the OneASICS™ program, we will develop personalized marketing and omnichannel marketing systems and roll them out in each region. Moreover, we aim to increase e-commerce sales.

4) Convert the apparel business into a profitably growing business

In the apparel business, which continues to struggle, we need to rigorously manage profits to ensure we achieve our goal of making the business profitable by 2020. We will establish frameworks for planning, designing and selling our products in line with customer preferences and trends, as well as the characteristics of sales channels in each region.

5) Others

In addition to stepping up efforts to improve profitability in the above priority areas, we will introduce exit rules for each country, region, store and category. We will also pursue profitability thorough retail profit/loss management and convey the ASICS culture from retail. In addition, we will improve business operations and implement cost structure reforms.

METARIDE™, launched at the end of February 2019, are the most innovative ASICS running shoes to date and come packed with ASICS-developed technologies. METARIDE™ illustrate how ASICS consistently works to offer cutting-edge, premium products and services. ASICS needs to release new products equipped with new technologies. Going forward, we will continue to research and develop innovative new products and services and work toward our goals in each priority area.

To support the Group's sustained growth, we will also focus on training and developing human resources. Our hope is that ASICS will become a leading company in environmental and social initiatives, in diversity and inclusion – where we currently devote significant energy – as well as in work styles. We want to see work styles with productivity high enough for us to beat the competition in the global market and to make ASICS a company where the best talent from around the world want to work.

2019 FORECAST

2020 is set to be a very important year for ASICS, so we plan to move onto the offensive in 2019. We therefore need to strike the right balance in business management.

Firstly, we plan to accelerate strategic marketing investment to drive growth in 2020. In 2019, we plan to increase spending on advertising by ¥5 billion compared with 2018. Spending will be targeted on the performance running category, mainly through digital marketing. We will increase brand value by raising brand profiles and giving consumers more opportunities to experience our products, while also increasing the visibility of our brands online. In frontline sales areas, we will invest in e-commerce to link with our OneASICS™ program and work closely with leading business partners to promote our products.

Meanwhile, to increase profitability, we will continue to improve business operations and control the SG&A expenses ratio.

In addition, we will continue to build constructive relationships with all stakeholders to increase corporate value and ensure we secure and retain the trust of shareholders and all other stakeholders.

Sustainability has always been fundamental to the way we do business at ASICS. We aim to include sustainability considerations in every aspect of our business. That includes the wellbeing of our customers, reducing the environmental footprint of our value chain, promoting fair and safe working conditions at our supplier partners, and supporting our employees and the community.

At the 65th Ordinary General Meeting of Shareholders in March 2019, we obtained shareholders' approval to introduce a compensation plan by which we grant our shares with transfer restrictions to Directors (excluding outside Directors), in lieu of the current stock compensation-type stock options. This new compensation plan is designed to create further common interests with shareholders and provide Directors with incentives. We continually aim to raise corporate value and realize expeditious and highly transparent management conducive to a company like ASICS. As part of this, while working on the development of business management systems, we will strive to further enhance the supervisory and audit functions of corporate management and internal control, ensure rigorous compliance, improve management transparency and take other steps. To further reflect the viewpoint of shareholders into the management.

We appreciate and look forward to your continued understanding and support.

May 2019

Motoi Oyama
Chairman and CEO, Representative Director

Yasuhito Hirota
President and COO, Representative Director

OUR STRATEGY

We will build a foundation for future growth
by focusing resources on growth fields and improving profitability.

ACTION PLAN TO ACHIEVE GOALS OF ASICS GROWTH PLAN 2020

We have formulated Action Plan to achieve the quantitative targets in the ASICS Growth Plan (AGP) 2020, the Group's five-year strategic plan. We will implement the measures in the Action Plan to improve profitability and achieve sustainable growth, targeting consolidated net sales of ¥500 billion or more, an operating income ratio of 7% or more and ROE of 10% or more in the fiscal year ending December 2020.

Quantitative Target

2020 revised plan

¥500

billion or more
net sales

7%

or more
operating income ratio

10%

or more
ROE

Core Strategy

- Shift to DTC mindset
- Expand our consumer base
- Communicate a consistent brand
- Create differentiated innovation
- Enrich sport life through digital
- Pursue operational excellence
- Develop people and the team

→ More details on page 14-16

Priority Items

Focus on the Performance Running market in the U.S.

→ More details on page 11

Accelerate growth in the Chinese market

→ More details on page 11

Develop the digital business as a new growth driver

→ More details on page 12

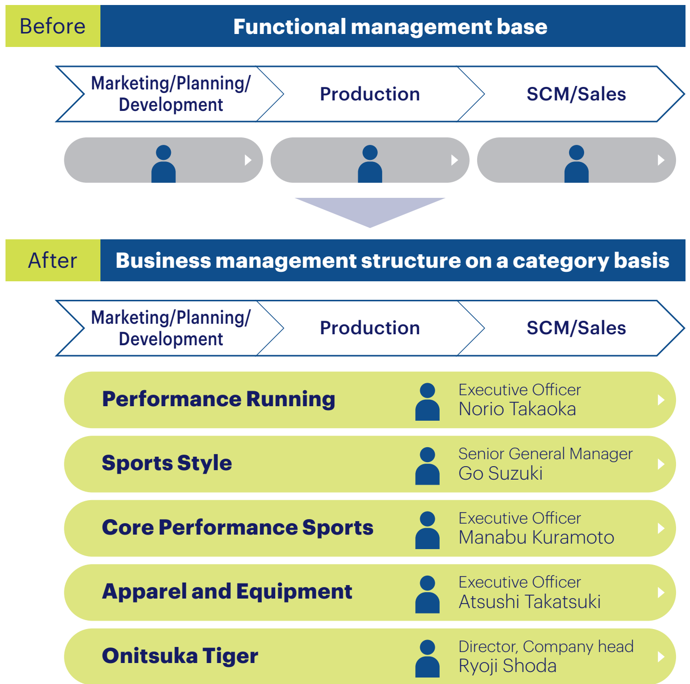
Convert the apparel business into a profitably growing business

→ More details on page 13

Direction

Change to the business management structure on a category basis

- Integrate the organization which was separated by function
- Category head has committed the target and drive its organization to achieve it
- Onitsuka Tiger became an internal company in October 2018



PRIORITY AREA

Focus on the Performance Running market in the U.S.

> Recognizing that the U.S. market is the largest and most important market, we will devote even more resources of the headquarters function to attract young runners to our products.

> Top management of each category at the headquarters will take thoroughly responsible for sales and profits in the U.S. market.

> The marketing and product planning departments of the headquarters will establish partnerships with The U.S. key accounts that have competitive strength, and work to further increase market share.

PROGRESS IN 2018

Starting with the U.S., which is a priority area, the Group launched products, including the high-function running shoes GEL-KAYANO™ 25, the first-ever shoes to feature cellulose nanofiber (CNF), hailed as the next high-performance material breakthrough, the running shoes HyperGEL™ series featuring a midsole material offering cushioning and rebound, and the running shoes GEL-QUANTUM INFINITY™, using the shock absorbing GEL™ technology for the entire midsole, to enhance the brand value.

Quantitative Target

FY2020

¥88.0
net sales (billions of yen)

¥6.0
operating income (billions of yen)

7%
operating income ratio

* Total number of North America (The U.S., Canada and Mexico)

Accelerate growth in the Chinese market

> Extended headquarters functions in Shanghai will make prompt decisions and ensure that we can capture growth in the expanding Chinese market as we aim to obtain market share that exceeds market growth.

> Strengthen the planning and development functions of the local subsidiary for apparel and accessories and promptly respond to local needs.

> In the Chinese digital sector which is developing in its own unique way, we will accelerate growth by strengthening relationships with major e-retailers in China and utilizing China's unique digital environment such as local SNS.

PROGRESS IN 2018

In China, the Group ran marketing campaigns utilizing influencers for the ASICS brand and the Onitsuka Tiger brand. Moreover, to further enhance the image of the ASICS brand, the Group announced a partnership with Zhang Shuai, a well-known female professional tennis player in China.

Quantitative Target

FY2020	FY2020+
¥55.0 net sales (billions of yen)	¥70.0+ net sales (billions of yen)
¥7.5 operating income (billions of yen)	¥12.5+ operating income (billions of yen)
14% operating income ratio	18%+ operating income ratio

* Total number of Greater China (China, Hong Kong and Taiwan)

PRIORITY AREA

Develop the digital business as a new growth driver

- Integrate digital functions that form customer contacts and establish them as new growth drivers.
- Digital department will be responsible for profit/loss of the e-commerce business and link fitness apps and CRM with e-commerce.
- Improve traffic and conversion rate by pursuing usability that gives priority to the consumer's point of view.

PROGRESS IN 2018

In the digital space, the Group promoted the introduction of OneASICS™, the Group's unique membership program that can be used at all points of consumer contacts, such as own retail stores and e-commerce, to expand consumer contacts and strengthen communication. In addition, the ASICS RUNNING ANALYZER, an app developed by ASICS Institute of Sport Science and the Digital Division, debuted at ASICS RUN TOKYO MARUNOUCHI, an own retail store in Tokyo. Furthermore, the Group introduced the functional linkage of the ASICS Runkeeper fitness tracker app with the Personal Karada Support health management app provided by SoftBank Corp.

Quantitative Target

	FY2020	FY2020+
net sales (billions of yen)	¥32.0	¥50.0
operating income (billions of yen)	¥5.8	¥12.5
operating income ratio	18%	25%

PRIORITY AREA & IMPROVEMENT OF PROFITABILITY ON THE BUSINESS AREA

PRIORITY AREA

Convert the apparel business into a profitably growing business

> Strengthen local creation in China and the U.S., and establish frameworks for planning, designing and selling out products in line with customer preferences and trends as well as the characteristics of sales channels in each region.

> Pursue thorough profit management for apparel in each region to make them profitable.

Quantitative Target

FY2020

¥75.0
net sales (billions of yen)

Break-even
operating income
(billions of yen)

—
operating income ratio

Others

> Introduce exit rule for each country, region, store, and category.

> Pursue thorough retail profit/loss management and convey the ASICS culture from retail.

> Implement cost structure reform.

CORE STRATEGY “CREATE DIFFERENTIATED INNOVATION”

Create innovative products, services and processes that can provide exceptional changes in our consumers’ lifestyles and experiences

Learn more

You can learn more about our ISS activities.

→ http://corp.asics.com/en/about_asics/institute_of _sport_science

ASICS Institute of Sport Science (ISS) plays a key role in the development of ASICS technologies, products and services. With a focus on “human-centric science,” the institute conducts research into materials and structures by analyzing human biomechanical characteristics. Research activities also cover the evaluation of production technology, products and materials, giving the institute insights into research from multiple perspectives.

At the same time, we are working closely with other companies on innovative new technologies. Through our investment arm ASICS Ventures Corporation, we have invested in three startups in Japan. In Europe, we ran an ASICS Accelerator Program called “Tenkan-Ten” between September 2018 and January 2019, resulting in the selection of five startup companies that we will work with and help to grow.

RESEARCH STRUCTURE

HUMAN ATTRIBUTE RESEARCH
The Institute analyzes the changes in form and load on the body during movement. This is different according to sport and gender. The results from this type of research is used to develop the features offered through ASICS products.

MATERIALS RESEARCH
The material research laboratory contribute to designing new resin, rubber and sponge materials used in ASICS footwear to develop even better shoes.

STRUCTURAL DESIGN RESEARCH
Based on the results of Human Attribute Research, the researchers in charge calculates what best fits the human body. Through computer simulation they are able to collect data an evaluate the bodies reactions.

ANALYTICAL EVALUATION METHOD RESEARCH
The Institute conducts research to set baseline values and new evaluation methods to maintain and improve the quality of products and materials used in sports footwear, clothing and equipment.

PRODUCTION TECHNOLOGY RESEARCH
While researching molding methods, the Institute offers technical guidance for production plants in order to efficiently mass-produce the materials developed at the Institute with no compromise on quality.

CORE STRATEGY “CREATE DIFFERENTIATED INNOVATION”

Intellectual Property Rights and Organization

ASICS puts great importance on intellectual property (IP) rights to mitigate the risk of infringing third-party rights, ensure the success and establish the competitive position of Group businesses, and protect its brands.

To achieve those goals, we have developed and is implementing an IP strategy that dovetails with the technology, brand and marketing strategies of the ASICS Group. With patents, we aim to secure patent protection for our inventions at the earliest stages of research and development. We also conducts damage limitation research to respect third-party rights and monitors and analyzes technology trends to support the development of its own strategies.

In addition, the department aggressively enforces ASICS' own rights, particularly trademarks, to detect counterfeit products made by third parties that infringe our IP rights.

Our IP activities are focused on Japan, but it also dispatches IP staff to overseas sites to address specific issues in each area.

Technology & Patents

Most of ASICS’ patents are the result of work by the ASICS Institute of Sport Science (ISS).

Many patents are related to shoes – the Group's main product. We file for patents in key markets such as the US, Europe, Australia and China, as well as Japan. In recent years, as the business environment has changed, we have put greater focus on applying for patents overseas. In 2018, we applied for international patents for FLYTEFOAM™ LYTE, which we have positioned as a key technology to help realize sustainable societies. At ASICS, we view patents as proof of the advanced level of our technologies.

Trademarks & Design

ASICS trademarks include our core principal ASICS, ASICSTIGER and Onitsuka Tiger brands, which are used on many of our products and services. Those core trademarks are promoted widely as symbols of the Group’s identity, helping to differentiate our products and services from those of our competitors.

The core trademarks are also useful tools to increase ASICS brand value at numerous sports events and fashion shows. To protect our brands, we register our core trademarks in Japan and many countries around the world, as well as important product names and the key functions of those products.

ASICS’ advanced technologies are protected by patents, but we also protect our product designs with design rights and copyrights. Because our products are worn by consumers, we aggressively exercise our design rights to prevent third parties from copying our unique designs.

Brand Protection

Counterfeit products do more than just hurt our business, they can also damage the health of our customers and undermine trust in the ASICS name. That’s why we are working aggressively to eliminate counterfeit products. However, in recent years, counterfeiters have become increasingly sophisticated, which means we have to step up our response to that threat. One major issue we face is an increase in counterfeit products with misappropriated trademarks stolen by third parties. We call these products “third-generation counterfeit products,” and we are committed to taking a tough stance against them.

In countries and regions where many counterfeit products are made and sold, we are working with the authorities in various ways to eliminate them from the market, including reporting offenders, implementing customs restrictions, monitoring and removing online sites selling fake products, and filing legal objections and taking legal action against infringements of trademarked designs. We also lobby governments and relevant agencies in each country, actively working to highlight counterfeit products and the damage they cause. We have built a system that allows us to smoothly implement countermeasures against counterfeit products based on timely cooperation between key regional subsidiaries, local sales subsidiaries and external law firms and market monitoring companies. In January 2018, that system directly helped the authorities in Beijing, China to uncover one of the largest-ever counterfeit product stores.

CORE STRATEGY
"DEVELOP PEOPLE AND THE TEAM"

Develop both individual and team capabilities to deliver value that exceeds consumer expectations

Learn more

You can learn more about our human development activities.

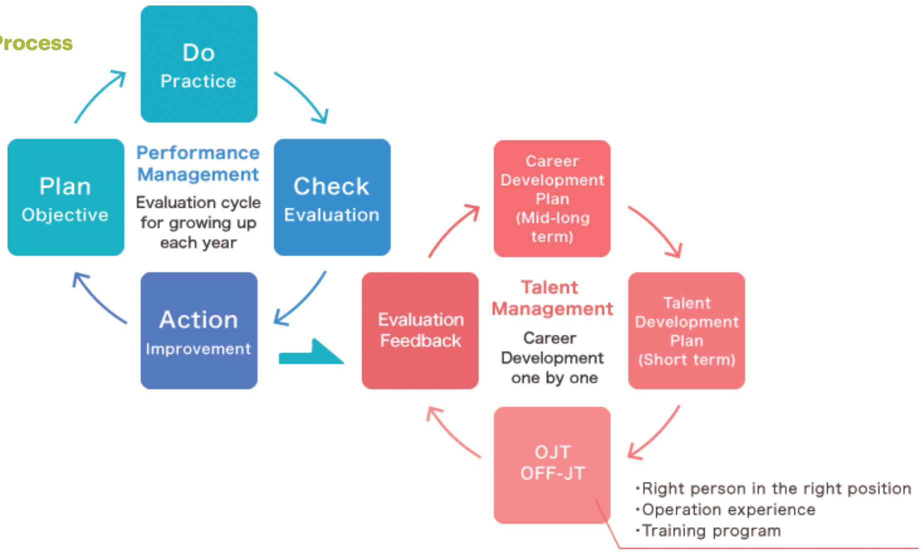
→ https://corp.asics.com/en/career

Our founder, Mr. Kihachiro Onitsuka focused on human resource development under the belief that a company is a person. ASICS' talent management process is designed to inherit its spirit and tradition and realize a "culture of growth and cultivation" throughout the company. Gaining learning from business experience and achieving results by growing everyday --- We will strongly support employee's career development by providing a structured framework.

Key initiatives in human resources development

- Series of training programs for selected employees (ASICS Academy)
- Overseas experience and postings
- Language learning courses
- Support for self-improvement (cafeteria-style learning, e-learning and other courses)
- Training tailored to each employee grade

ASICS Talent Management Process



WITH OUR STAKEHOLDERS

We aim to create value not only for our customers and shareholders, but also for the world around us in every aspect of our business.

OUR APPROACH TO SUSTAINABILITY

Sustainability has always been fundamental to the way we do business at ASICS. We aim to include sustainability considerations in every aspect of our business. That includes the wellbeing of our customers, reducing the environmental footprint of our value chain, promoting fair and safe working conditions at our supplier partners, and supporting our employees and the community.

Our sustainability framework

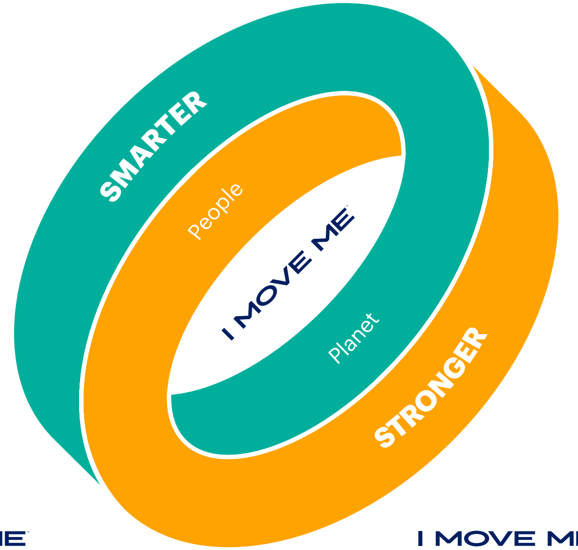
ASICS was founded in 1949 to help people move more and feel healthy in both mind and body. We summed up that purpose with the words 'Anima Sana in Corpore Sano' (a sound mind in a sound body). Seventy years later, we've refreshed that message for a contemporary audience with our new global movement I MOVE ME™. Over that time, our sustainability vision has remained the same to inspire more people now and in the future, to move body and mind, to create a stronger world.

Our sustainability framework has two pillars: I Move Me Smarter for Planet and I Move Me Stronger for People.

Supporting the UN's sustainability agenda

ASICS supports the UN's Sustainable Development Goals (SDGs), and our sustainability activities align with them. In particular, our activities support goals 3, 6, 8, 12 and 13.

For an overview of the priority sustainability topics that our activities cover, see our materiality program on the following page.



I MOVE ME
SMARTER

I respect the ground I play sport on and enable future generations to move too.

- Products
- Operations

Planet
I MOVE ME SMARTER

We'll empower future generations to move by contributing to the sustainability environment.

I MOVE ME
STRONGER

When I move, I feel stronger, happier and sharper.

- Health and wellbeing
- Supply Chain
- Communities

People
I MOVE ME STRONGER

We'll create a world in which people become physically and mentally stronger through movement.

MATERIAL ISSUES

We run a continuous materiality program aligned with international standards. Through this program, we identify and evaluate the sustainability issues that are most relevant to our stakeholders and to our own business.

This program has two main elements: our materiality matrix, which helps us prioritize sustainability issues, and our value chain analysis, which shows us where material issues occur in our value chain. Together, these elements help us focus on the issues and areas that matter most to our stakeholders and our business.

Materiality matrix

Our materiality matrix maps out the sustainability issues identified by internal and external stakeholders according to their level of priority. The matrix is based on analysis of our consultations with stakeholders, international frameworks, our business priorities and our sustainability performance.

We update the matrix regularly to reflect changes in the priorities of our stakeholders and the strategic priorities of our company.

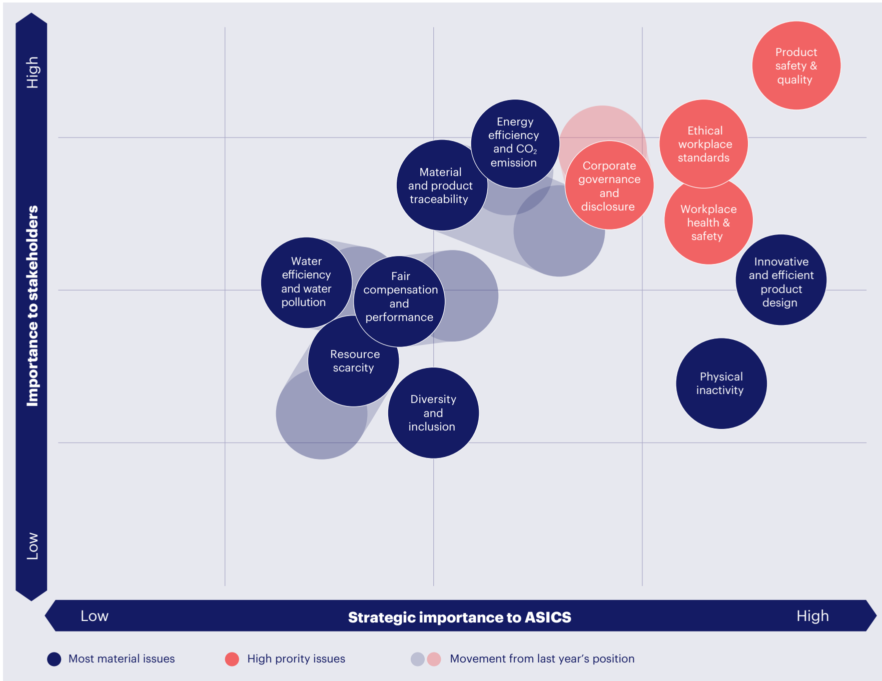
As we make progress in addressing certain issues over the years, their strategic importance to our business may decrease, and other issues may be given higher priority.

The materiality matrix on this page shows the 12 sustainability issues identified as most material to our business, as of 2019. It was developed through consultation with internal stakeholders across the entire global ASICS organization, as well as with external stakeholders.

Since ASICS is a product-driven organization, product safety and quality remains our top priority. As ASICS depends on a global supply chain and works with a wide range of suppliers, ethical workplace standards are another responsibility we take very seriously.

Over the past year, consumers have shown an increasing interest in material and product traceability. Climate change, water and resource scarcity are also areas of growing concern for many of our stakeholders. As a result, these issues have increased in priority compared to last year.

Our materiality matrix



2020 SUSTAINABILITY TARGETS

The plan sets out a series of five-year sustainability targets, prioritizing six key areas:

1. Sustainability of products and services
2. Management of product chemical safety and traceability
3. Operational eco-efficiency and management systems
4. Safe and ethical workplace standards and sustainable practices at Tier 1 and Tier 2 suppliers
5. Sound governance and disclosure, organizational efficiency and developing an engaged workforce
6. Contributing to healthier communities through movement and sport

The following table shows our progress against our 2020 targets. It also includes two new longer-term targets for 2030, set in 2018.

I MOVE ME SMARTER

Products

- Continue to assess footwear and apparel products with sustainability indicators and criteria aligning with the science-based targets and other product and material targets.[1]
- 10% reduction of CO_2 emissions per item related to footwear manufacturing (Scope 3, 2015 baseline).
- 55% reduction of CO_2 emissions per product manufactured from our supply chain[2] by 2030 (Scope 3, 2015 baseline).
- Source 80% of the leather by volume we use for ASICS, ASICSTIGER and Onitsuka Tiger branded footwear from Leather Working Group (LWG) medal-rated suppliers.

Operations

- 5% absolute CO_2 emissions reduction from direct operations (Scopes 1 & 2, 2015 baseline).
- 33% absolute CO_2 emissions reduction from direct operations by 2030 (Scopes 1 & 2, 2015 baseline).
- 98% waste recovered or recycled at our direct operations.[3]
- Establish global ASICS Environmental Management System (including ISO 14001 at all key locations).
- 90% Tier 1 strategic partner factories improve their SAC Higg Facility Environmental Module (Higg FEM) Score compared to baseline.
- 90% of all nominated Tier 2 suppliers improve their SAC Higg FEM Score compared to baseline.
- 10% reduction of water and waste impact per item produced by Tier 1 footwear factories.

I MOVE ME STRONGER

Supply Chain

- All Tier 1 supplier factories to meet ASICS C-Level or above.
- All Tier 1 strategic partner factories to meet ASICS B-Level or above, and self-report via Higg Facility Social Labor Module (Higg FSLM).
- Tier 1 ASICS A- and B-Level factories trained in self-governance on CSR in combination with ASICS and/or third-party verification.
- All nominated Tier 2 suppliers meet ASICS C-Level or above.

Communities

- Establish global ASICS HR systems and work environment.
- Female managers appointed in all business divisions of ASICS Headquarters and ASICS Japan Corporation. Ratio of females in manager and senior positions >15%.
- Alignment on all global community engagement activities by end 2016.

Notes:
1 Aligned indicators with the SAC Higg Product Tools.
2 Target scope is 'purchased goods and services' and 'end-of-life treatment of sold products'.
3 Sites that are able to measure and report their waste.

Learn more

You can learn more about our 2020 sustainability targets and progress in our SUSTAINABILITY REPORT

→ http://corp.asics.com/en/csr/csr_reporting

SUSTAINABILITY TARGETS PROGRESS

Planet
I MOVE ME SMARTER

At ASICS, we care for the resources that enable current and future generations to MOVE – in the design of our products, our materials and manufacturing processes, and in the way we manage our offices, distribution centers and retail locations. We make smarter decisions for the planet. And we engage our supply chain and consumers to help them do the same.

Addressing climate change

Climate change is a serious threat to the environment and economies around the world. Rising global temperatures are affecting weather patterns and causing extreme weather conditions, leading to food shortages and water scarcity; they also affect our ability to move and play sports, as well as the places where we do this. Climate change is also a direct threat to our business, impacting production sites and logistical routes in our supply chain.

Climate change is caused by a build-up of greenhouse gases in our atmosphere, released in part by businesses such as ours. We know that we contribute to global CO_2 emissions both through our manufacturing and distribution processes and our direct operations. The materials we use to make our products can also contribute to our overall emissions. For example, polyester and polyurethane are derived from fossil fuels, and release CO_2 when the products containing carbon are incinerated at the end of their life. For these reasons, we see climate change as a crucial issue for our business.

We're committed to reducing our carbon footprint by setting science-based carbon reduction targets in line with the goal of the Paris Agreement to keep global temperature increases below 2ºC. Our new targets were set in 2018, and officially approved by the Science Based Targets initiative (SBTi)[1] in the same year.

We will actively engage our supply chain partners, consumers and other stakeholders on these issues and work towards achieving our targets together.

Note:
[1] Science Based Targets initiative (SBTi): The SBTi was established in 2015 and is a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The initiative champions science-based target setting as a way to boost companies' competitive advantage in the transition to the low-carbon economy. Targets adopted by companies to reduce carbon emissions are considered "science-based" if they are in line with the level of decarbonization required to keep global temperature increase below 2ºC compared to pre-industrial temperatures.

Learn more about Science Based Targets initiative:
→ https://www.sciencebasedtargets.org

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

CO_2 emissions reduction targets for 2030

Scopes 1 and 2:
33%
Reduction in absolute CO_2 emissions from our direct operations
(2015 baseline)

Scope 3:
55%
Reduction in CO_2 emissions from our supply chain per product manufactured
(2015 baseline)*

Action 1
60%
Or above boost to the ratio of renewable energy in our business facilities

Action 2
30%
Reduction to the amount of energy our Tier 1 supplier factories use to manufacture each of our products

Action 3
100%
Recycled polyester to replace standard polyester materials in shoe uppers and sportswear products

* Target scope is 'purchased goods and services' and 'end-of-life treatment of sold products'.

SUSTAINABILITY TARGETS PROGRESS

Closing the loop: collecting and recycling used products

To reduce our CO_2 emissions and use resources efficiently, we're committed to supporting a circular economic model where resources are reused and recycled rather than being sent to landfill. During 2018, we've been working in partnership with others on a number of projects to reclaim and reuse clothing and shoes of any brand at the end of their life.

In Japan, we worked to launch the ASICS REBORN WEAR PROJECT (ARWPJ) in early 2019 to offer a way to cheer for Japan Team for Olympic and Paralympic Games Tokyo 2020 by gathering sportswear rich with memories from people across the country and giving it new life as Tokyo 2020 Japan Team official sportswear[1]. We applied a circular production and development process to extract polyester from the donated items, use it to manufacture resin, thread and fabric, and then produce new sportswear and shoes[2]. ASICS will continue to contribute to the success of Tokyo 2020 and to reducing environmental impacts.

Notes:
1 ASICS is a Gold Partner (Sporting Goods) of the Japan Olympic and Paralympic Team.
2 For shoes, the upper and the insole are made with recycled materials.

Campaign poster featuring donated sportswear from retired wrestler Saori Yoshida, the three-time Olympic gold medalist

A scientific approach to sustainable product development: Cellulose nanofiber (CNF)

For ASICS, scientific research is the starting point for sustainable product development. We continuously research new sustainable materials and manufacturing processes through the ASICS Institute of Sport Science, and in collaboration with external partners.

When we develop more durable or lightweight materials, we actively apply them in our footwear products to improve both their functionality and sustainability.

Launched in 2018, the GEL-KAYANO™ 25 is the world's first running shoe to feature cellulose nanofiber (CNF). CNF is a nano-sized ultra-fine fiber made from plant biomass that is one-fifth the weight of steel but five times stronger. As well as improving lightness and strength, it also reduces the shoe's overall carbon footprint. The midsole for the shoe features ASICS's new foam material FLYTEFOAM™LYTE, reinforced with CNF. As a result, the GEL-KAYANO™ 25 has improved both durability and stability for runners, without compromising on weight.

Compared to the original FLYTEFOAM™, FLYTEFOAM™LYTE enhances strength by approximately 20% and durability by approximately 7%, while still remaining lightweight. It also reduces CO_2 emissions in production by 27%, compared to traditional midsole material.

We are currently expanding the use of CNF to other ASICS shoe models, including our DYNAFLYTE series. We will continue to pursue technology innovation to improve both product sustainability and functionality.

"The first commercial application of CNF-reinforced resin material taking advantage of CNF features is indeed a big step in the development and usage of CNF material. We hope this will mark the start of more and varied uses of CNF-reinforcing resin material in the future".

Hiroyuki Yano, Professor, Research Institute for Sustainable Humanosphere at Kyoto University

SUSTAINABILITY TARGETS PROGRESS

People
I MOVE ME STRONGER

We empower people and communities by improving their physical and emotional wellbeing. By building partnerships, we empower people in our supply chain and our colleagues in our own workplaces, giving them the strength to fulfill their potential.

Right To Play partnership / KO100

When our founder Kihachiro Onitsuka founded our business 70 years ago, he wanted to use sport to give purpose and meaning to the lives of young people in post-war Japan. Today our core vision remains the same: to inspire people through sports. As well as providing great athletic clothing and footwear products, our business is about motivating everyone to move, be healthy and feel happy.

2018 saw the launch of Project Lebanon, a project to support Syrian refugee children and their families living in Lebanon. Launched in September in Beirut and a number of other cities across Lebanon, the project provides children with opportunities to have fun and develop life skills by taking part in a range of sport activities and play programs, guided by volunteer coaches. The program is run by Right To Play with support from ASICS.

Project Lebanon was made possible as a result of donations through sales of our limited edition KO100™ footwear and apparel collection, launched in 2018. Commemorating the 100th anniversary of our founder, Kihachiro Onitsuka, the KO100 collection features distinctive sunflower designs, inspired by Onitsuka's own sunflower paintings. For our founder, sunflowers were a symbol of his desire to help people face toward their own bright future, in the same way a sunflower reaches for the sun. For every KO100 product sold, we committed to donating 10 US dollars to Project Lebanon – enough to keep one child in the program for 10 weeks. In total we donated US$100,000 to the project from the sales of the collection. We also encouraged our employees to make their own donations.

"I fled from Syria 7 years ago. I was only two years old when I came here from my hometown. Sports is a nice thing to do with my classmates. I really love this program."

Hanan Sawad, a child participating in Project Lebanon.

Responsible recruitment

The manufacturing industries in many of the countries in which our supplier factories are based depend on large numbers of migrant workers. The use of migrant workers in factories is associated with an enlarged risk of forced labor and other human rights abuses. This issue has gained increasing global attention in recent years, and governments and industry bodies are working to address the problem on a regional and individual country level.

In 2018, the Non Governmental Organization (NGO) Transparentem found that a factory used by ASICS and other sporting brands as a Tier 1 supplier employed migrant workers under conditions that indicated forced labor risk. This included non-compliances with regards to payments to workers. We met with the NGO to understand the issues identified and promptly started corrective actions with the factory.

Following this, we joined over 120 other brands as signatories of the Commitment to Responsible Recruitment. The goal of the initiative is to promote an industry-wide approach to responsible recruitment and ethical employment practices for all workers, with a special focus on migrant workers. At ASICS we have zero tolerance for forced labor or any other human rights abuses anywhere in our supply chain, and we continue to closely monitor and improve labor conditions in the factories we use.

Learn more about the commitment

→ https://www.aafaglobal.org/AAFA/Solutions_Pages/Commitment_to_Responsible_Recruitment.aspx

FUNDAMENTAL APPROACH TO CORPORATE GOVERNANCE

We aim to strengthen corporate governance to continually raise corporate value and create a responsive and highly transparent management structure that retains the trust of all stakeholders, particularly shareholders.

In line with that approach, the Group upgrades its business management systems while also strengthening corporate oversight and audit functions and internal control systems, rigorously enforcing compliance and increasing management transparency based on a firm commitment to reflect the views of shareholders in management.

We established the Basic Policy on Corporate Governance in accordance with the ASICS SPIRIT and the ASICS CSR Policy to drive continuous improvement in corporate value on a global level. The policy systemizes the Company's corporate structure and incorporates the Company's efforts to strengthen corporate governance such by having Independent Outside Directors accounting for one - third or more of total number of Directors or establishing the Nomination and Compensation Committee.

The right table shows all of the corporate governance initiatives implemented by the Company since 2008.

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Five-year strategic plan		ASICS Challenge Plan			ASICS Growth Plan (AGP) 2015					ASICS Growth Plan (AGP) 2020			
Composition of Board of Directors (Persons)	Inside	10	8		6	8	7	7	5	4	5	6	7
	Outside				2	2	3	4	4	4	4	4	4
Improving corporate governance		Introduced performance-linked compensation											
							Revised compensation amounts for Directors						
							Introduced stock compensation-type stock options						
				Introduced Executive Officer System									
					Introduced Outside Directors								
								Established standards regarding Independent Outside Directors and Independent Outside Audit & Supervisory Board Members					
										Established Basic Policy on Corporate Governance			
										Established Nomination and Compensation Committee			
										Evaluating effectiveness of the Board of Directors			

You can learn more about our Corporate Governance

→ https://corp.asics.com/en/investor_relations/management_policy/corporate_governance

CORPORATE GOVERNANCE STRUCTURE

The Board of Directors decides on key business matters and supervises business execution, primarily through its four Independent Outside Directors, in order to realize sustainable growth and medium- to long-term improvement in corporate value, in accordance with its responsibility and accountability to shareholders.

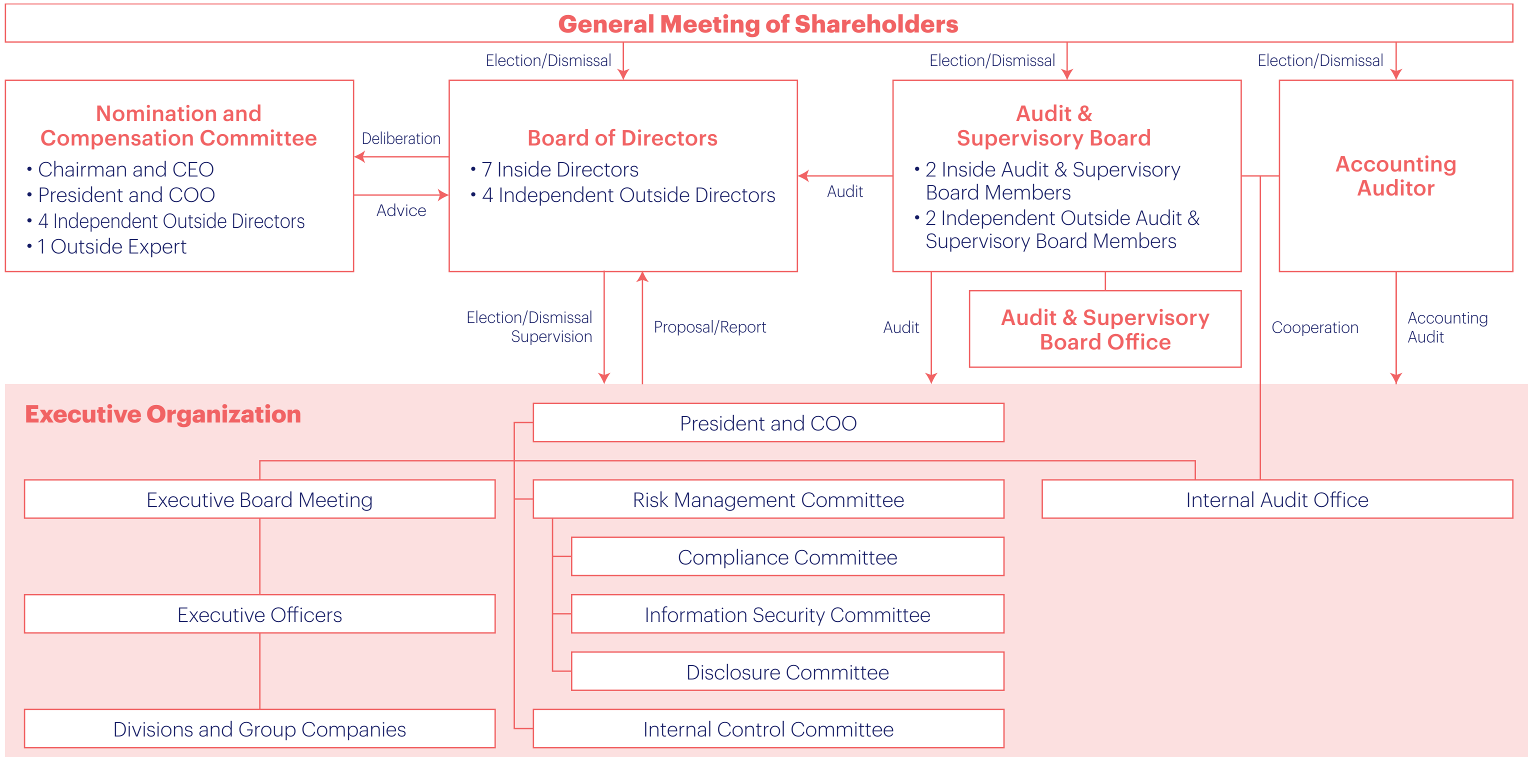
To ensure appropriate corporate governance, the Company has established its own qualification standards and independence requirements for Independent Outside Directors in "Selection Criteria for Independent Outside Directors and Independent Outside Audit & Supervisory Board Members." Candidates are nominated in accordance with those criteria.

The term of office for Directors is set for one year in order to increase commitment and accountability of each Director and establish a management structure that can quickly respond to changes in the business environment.

The Board of Directors respect the recommendation of the Nomination and Compensation Committee in deciding matters regarding nomination and compensation for Directors and Executive Officers. The Committee is primarily composed of four Independent Outside Directors to ensure fairness and transparency.

Furthermore, the Company has introduced an Executive Officer layer of management in order to strengthen its focus on business execution and so address the expanding business operations and changes in the global operating environment, on a global level.

(As of April 1, 2019)



EVALUATING THE EFFECTIVENESS OF THE BOARD OF DIRECTORS

To increase the effectiveness and improve the capabilities of the Board of Directors, we analyzed and evaluated the effectiveness of the Board of Directors in the fiscal year ended December 31, 2018 by conducting a survey of each Director and Audit & Supervisory Board Member. The results from the self-evaluation were reported to the Board of Directors and discussed in detail.

Respondent	All of Director and Audit & Supervisory Board Member
Period	The fiscal year ended December 31, 2018
Method of survey	The questionnaire of self-evaluation
Survey topics	1. Operation of Board of Directors 2. Discussion of Board of Directors 3. Composition of Board of Directors 4. Nomination & Compensation 5. Action of Nomination & Compensation Committee 6. Consideration and reflection of the viewpoint of shareholders and stakeholders
Results of self-evaluation & Issues to be addressed	We increased the Board effectiveness by providing more informative documents and by distinguishing the roles of the chairperson and the proposer of a meeting agenda. Opinions from Independent Outside Directors and Outside Audit & Supervisory Board Members with expertise contributed to more constructive discussions of the Board, and the progress of the important board decisions are reported back to the Board for its review. These resulted in a positive evaluation that the Board of Directors has adequately fulfilled its supervisory function. The Nomination and Compensation Committee is held regularly to discuss and give advice to the Board on important matters such as the appointment of Directors and Executive Officers, performance evaluation and changes to remuneration systems. The Board of Directors respects the opinions of the Committee and ensures fairness and transparency in making decisions. The evaluation also identified several areas for improvement, such as enhancing briefing sessions on important proposals. We will address and improve those issues in order to further ensure the effectiveness and functions of the Board of Directors.

RISK MANAGEMENT

We define risks as internal or external factors that could prevent the ASICS Group from achieving targets in the ASICS Growth Plan (AGP) 2020. We have systems in place to effectively mitigate those risks.

Risk Management Governance Model

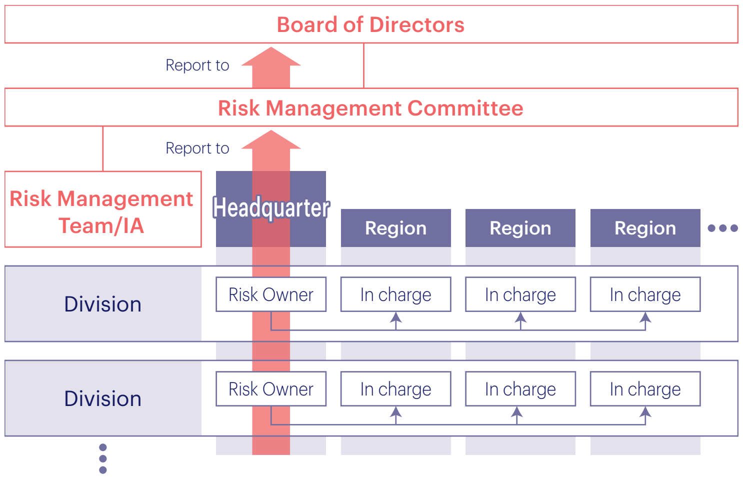
The President and COO has ultimate responsibility for the ASICS Group's risk management system. The Risk Management Committee is tasked with conducting the Group's risk management by identifying risks and allocating business resources to mitigate those risks. The Risk Management Committee reports to the Board of Directors. Division Risk Owners are appointed, in principle, from each Division's Senior General Managers or General Managers. They are responsible for leading risk mitigation activities and reporting progress to the Committee. The Risk Management Team carries out activities to maintain risk management operations and monitors the effectiveness and relevance of those activities. The Risk Management Team also works closely with the Internal Audit Department (IA).

Risk Management System

The objective of the ASICS Group's risk management system is to support sustainable business growth and protect the Company from increasingly diverse risks as the scope of its operations expand. The Group's risk management system identifies, analyzes, evaluates, mitigates, monitors and reports risks. In line with our business strategy, the Risk Management Team gathers risk information from the Divisions. The Risk Management Committee selects priority risks based on their potential business impact and assigns Division Risk Owners to each risk. Mitigation plans for those risks are led by the Division Risk Owners. The Risk Management Team provides advice to them and monitors progress.

Management Policy

The ASICS Risk Management Policy, which includes information on our governance model and management systems, is available on our intranet.



Business Risks

The ASICS Group ("the Group") recognizes the following risks that may have an impact on the Group's business, financial position, business results, and so forth. Forward-looking statements contained herein are based on the Company's views as of the date of submission of the securities report.

The Company has established the Risk Management Committee that periodically identifies, analyzes, and assesses risks associated with management strategies, implements risk countermeasures to mitigate corporate risks, and avert a crisis or minimize loss in the event of a crisis. If a crisis is recognized, the Company will swiftly deal with it in accordance with the policy specified in the Crisis Management Rules.

(1) Risks in the value chain associated with global business expansion

The Group is engaged in business globally under the worldwide five-pole structure, and aims to further expand the market. The Group is promoting production in Southeast Asia, China, and other regions in cooperation with many overseas factories engaged in OEM production.

Global business expansion is accompanied by the following risks inherent in the value chain, namely, risks pertaining to procurement, production and sales, which may have an impact on the management strategy and business results.

1) CSR risk (risks related to human rights and the environment)

a. The Group is highly committed to a fair and safe working environment for the workers at our supplier factories and stringently request the suppliers to comply with international labor standards. However, if noncompliance at a factory to which the Group consigns production is reported by the media, the corporate reputation can be damaged regardless of the fact or the cause.

b. The Group is promoting management of harmful and/or restricted chemical substances used in products and in manufacturing processes. Incompliant use of harmful and/or restricted chemical substances in raw materials or processes may have an adverse impact on the Group's business results and corporate image.

2) Supply chain risk

The Group has logistics insurance in readiness for physical loss in the event of a natural disaster or an accident in the supply chain that covers processes from production at consigned factories mainly located in Southeast Asia to each sales region. Meanwhile, if the supply chain is interrupted, and delay in delivery of products results in lower sales, the Group's financial position and business results may be adversely affected.

3) Credit risk

The Group is strengthening management of sales channels globally. However, bankruptcy or default of a distributor or a retailer may have an adverse impact on the Group's financial position and business results.

(2) Information security risk

The Group has established the Information Security Committee as a subcommittee of the Risk Management Committee. A dedicated security team is strengthening information security, and is striving to ensure management of information, such as personal information and trade secrets. However, if a sophisticated cyberattack causes any leakage or outflow of such information or stoppage of sales operations, the Group's financial position and business results may be adversely affected owing to demands for compensation for damages by customers and/or other parties, sales opportunity losses, impairment of credibility, and so forth.

RISK MANAGEMENT

Business Risks (continued)

(3) Risk associated with handling of personal information

The Group possesses personal information of customers and employees on a global level. In order to respond to the enforcement of the EU General Data Protection Regulation (GDPR) that stipulates protection of personal information in Europe, the Group has submitted the application to the EU authority for approval of the Binding Corporate Rules specifying the Group's common rules. At the same time, the Group has put in place internal systems and processes, and is strengthening education and training for relevant departments to reduce risks. If penalties are imposed owing to breach of GDPR, the Group's financial position and business results may be adversely affected.

(4) Risk associated with intellectual property

The Company owns numerous intellectual property rights in Japan and overseas, including patents and trademarks. Infringement of intellectual property rights or other incidents may have an adverse impact on product development and be detrimental to the brand image.

In the event of litigation on infringement of intellectual property rights, considerable time and money may be required to resolve the matter, and the Company's financial position and business results may be adversely affected.

(5) Risk concerning business activities at overseas bases

The Company conducts significant portions of its business activities in the U.S., Europe, China and other regions. Engaging in business in overseas markets involves particular risks as follows:

> Economic deterioration or downturn in the sporting goods industry, and so forth. in the overseas markets
> Labor disputes such as a general strike
> Labor shortages and rising wages in Asia, and so forth.
> Political instability
> Change in trade regulations and tariffs
> Securing of human resources capable of global management
> Generally long receivables collection period
> Unexpected establishment or amendment of laws and regulations
> Difference in culture and business practices
> Tariffs, transportation costs, and other costs to be borne that reduce price competitiveness
> Long period of time required for recoupment of investment and the large financial resources required

(6) Risk concerning impairment

The Company may gain more goodwill and other assets through acquisitions. If such assets deteriorate, the Company will have to recognize impairment, which may have an adverse impact on the Company's financial position and business results.

(7) Risk associated with foreign currency exchange rates

The Group manufactures and sells products globally. In the preparation of the Group's consolidated financial statements, local-currency-based financial statements for each region are converted into yen, and the exchange rates at the time of conversion may have an impact on the value after conversion into yen. The majority of product purchasing is conducted in U.S. dollars, and fluctuations of exchange rates of other currencies against the U.S. dollar may lead to an increase in manufacturing costs, and so forth., which may have an adverse impact on the Group's financial position and operation results.

Although the Group is engaged in short-term and long-term forward exchange contracts within the scope of actual demand to reduce currency fluctuation risks, such contracts may not completely avert foreign exchange risks.

(8) Risk associated with taxation

Business corporations constituting the Group calculate tax amounts in compliance with the tax law of each country and pay tax in an appropriate manner. Although meticulous care is exercised in regard to international taxation risk such as transfer pricing taxation applicable in each country, a difference in interpretation between the Group and the tax authority may result in additional tax being levied.

(9) Risk of share price decline

The Company's shares outstanding are tradable on the Tokyo Stock Exchange, and sale of a large number of the Company's shares by a major shareholder or the possibility of such sale may reduce the market value of the Company's shares. Moreover, the Company may issue securities convertible to the Company's shares, and in such a case, share value dilution may have an adverse impact on the Company's share price.

(10) Risk associated with product liability

The Group conducts production and purchasing based on stringent quality standards. Although the Group has product liability insurance, there is no guarantee that all damages will be covered by the insurance. Declines in social reputation and corporate image resulting from a product liability issue may reduce consumers' desire to purchase the Company's products. Such eventualities may have an adverse impact on the Group's financial position and business results.

(11) Legal violation risk

The Group has established the ASICS Global Code of Conduct, has put in place a system for internal control, and is making a concerted effort to ensure compliance with laws and regulations and the code of conduct. Nevertheless, if an officer or an employee of the Group acts in violation of laws and regulations, the Group's business activities may be restricted, and the Group's financial position and business results may be adversely affected.

(12) Risk associated with large-scale natural disaster, and so forth.

An unexpected natural disaster, change in political and economic conditions, change in laws and regulations, terrorist attack, war, or other disruption of society may have an adverse impact on the Group's financial position and business results.

In particular, if a large-scale natural disaster occurs in Kobe City, Hyogo Prefecture, where the Group's headquarters is located and the Group's management and administrative functions are concentrated, the Group's financial position and business results may be adversely affected. The Company has formulated a business continuity plan (BCP) to be applied in the event that a large-scale natural disaster occurs in the area where the headquarters or a major sales office is located.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Performance Analysis

In the fiscal year ended December 31, 2018, consolidated net sales decreased 3.4% (a decrease of 3.5% using the previous fiscal year's foreign exchange rate) to ¥386,662 million. Domestic net sales decreased 0.7% to ¥100,353 million mainly due to the reduction of the lines of sportswear products with low profit margins despite strong sales of Onitsuka Tiger shoes. Overseas sales decreased 4.3% (a decrease of 4.5% using the previous fiscal year's foreign exchange rate) to ¥286,309 million mainly due to weak sales in the American region, despite strong sales of Onitsuka Tiger shoes in the East Asian region as well as in the Oceanian/Southeast and South Asian regions.

Gross profit decreased 1.4% to ¥180,666 million mainly due to lower sales despite an improved cost of sales ratio. Selling, general and administrative expenses increased 3.9% to ¥170,150 million due to increased costs in line with the expansion of own retail stores. As a result, operating income decreased 46.3% to ¥10,516 million. Loss attributable to owners of parent amounted to ¥20,328 million (¥12,970 million profit attributable to owners of parent in the previous fiscal year) due mainly to the recording of other expenses such as business restructuring expenses and impairment losses.

Segment Information

Business results by reportable segments were as follows:

(1) Japanese region

Sales decreased 1.0% to ¥118,250 million, due to the reduction of the lines of sportswear products with low profit margins despite strong sales of Onitsuka Tiger shoes. Segment income decreased 31.4% to ¥4,035 million, due to the effect of the decline in sales.

(2) American region

Sales decreased 15.0% (a decrease of 13.5% using the previous fiscal year's foreign exchange rate) to ¥90,295 million, due to weak sales in the U.S. Segment loss amounted to ¥4,013 million (¥2,361 million segment income in the previous fiscal year) due to the effect of the decline in sales.

(3) European region

Sales decreased 0.6% (a decrease of 3.3% using the previous fiscal year's foreign exchange rate) to ¥105,683 million, with sales of running shoes being almost the same level as the previous year. Segment income decreased 38.5% (a decrease of 40.2% using the previous fiscal year's foreign exchange rate) to ¥5,099 million mainly due to increased costs in line with the expansion of own retail stores.

(4) Oceania/SouthEast and South Asian regions

Sales decreased 1.8% (an increase of 0.7% using the previous fiscal year's foreign exchange rate) to ¥27,156 million, due to weak sales in Australia despite strong sales in Southeast and South Asian regions. Segment income decreased 9.2% (a decrease of 6.3% using the previous fiscal year's foreign exchange rate) to ¥3,686 million due to the effect of the decline in sales despite an improved cost of sales ratio.

(5) East Asian region

Sales increased 8.6% (an increase of 8.2% using the previous fiscal year's foreign exchange rate) to ¥53,359 million due to the strong sales of running shoes and Onitsuka Tiger shoes particularly in China despite the weak sales in South Korea. Segment income increased 5.6% (an increase of 5.6% using the previous fiscal year's foreign exchange rate) to ¥5,381 million, due to vigorous advertising investment in China and the effect of lower profit in South Korea.

(6) Other business

Sales increased 0.5% (an increase of 4.0% using the previous fiscal year's foreign exchange rate) to ¥9,284 million as well as almost same-scale sales in the previous year. Segment loss was ¥260 million (¥253 million segment loss in the previous fiscal year), continuing the loss position, due to lower profit margin.

Financial Condition

As for the consolidated financial position as of December 31, 2018, total assets decreased 12.6% from the end of the previous fiscal year to ¥304,461 million, total liabilities decreased 6.3% from the end of the previous fiscal year to ¥137,632 million and net assets decreased 17.1% from the end of the previous fiscal year to ¥166,829 million.

Cash Flows

As for cash flows as of December 31, 2018, cash and cash equivalents (hereinafter, "cash") decreased ¥12,225 million from the end of the previous fiscal year to ¥65,878 million.

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

Net cash provided by operating activities was ¥11,050 million, a decrease of ¥26,087 million compared with the same period of the previous fiscal year. Major sources of cash were ¥21,143 million from business restructuring expenses, ¥9,893 million from depreciation and amortization and ¥2,875 million from impairment losses, while major uses of cash were ¥14,271 million for loss before income taxes, ¥7,655 million for income taxes paid and ¥6,595 million for an increase in inventories.

Net cash used in investing activities was ¥5,467 million, a decrease of ¥8,321 million compared with the same period of the previous fiscal year. Major uses of cash were ¥4,384 million for purchases of property, plant and equipment and ¥3,868 million for purchases of intangible assets.

Net cash used in financing activities was ¥13,753 million, an increase of ¥2,205 million compared with the same period of the previous fiscal year. Major uses of cash were ¥6,714 million for cash dividends paid, ¥4,017 million for repayment of long-term loans and ¥2,004 million for acquisition of treasury shares.

CONSOLIDATED BALANCE SHEET

ASICS Corporation and Consolidated Subsidiaries
December 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2018**	2017	**2018**
Current assets			
Cash and deposits (Notes 4 and 17)	**¥ 68,287**	¥ 79,121	**$ 620,791**
Short-term investments (Notes 4, 5 and 17)	**—**	2,140	**—**
Notes and accounts receivable (Note 17):			
Trade	**66,819**	71,753	**607,445**
Less allowance for doubtful receivables	**(2,051)**	(2,058)	**(18,645)**
Inventories (Note 6)	**89,086**	86,403	**809,873**
Deferred income taxes (Note 15)	**2,133**	3,951	**19,391**
Other current assets	**16,436**	14,357	**149,418**
Total current assets	**240,710**	255,667	**2,188,273**
Property, plant and equipment:			
Land (Note 7)	**5,809**	5,915	**52,809**
Buildings and structures (Note 7)	**37,855**	36,646	**344,136**
Machinery, equipment and vehicles	**3,559**	3,766	**32,355**
Tools, furniture and fixtures (Note 7)	**28,175**	28,565	**256,136**
Leased assets (Note 7)	**8,335**	8,483	**75,773**
Construction in progress	**638**	566	**5,800**
Less accumulated depreciation	**(50,164)**	(43,228)	**(456,036)**
Property, plant and equipment, net (Note 22)	**34,207**	40,713	**310,973**
Intangible assets:			
Goodwill (Notes 7 and 22)	**5**	10,949	**45**
Software (Note 7)	**4,896**	7,457	**44,509**
Other intangible assets (Notes 7 and 22)	**3,583**	7,927	**32,573**
Total intangible assets	**8,484**	26,333	**77,127**
Investments and other assets:			
Investments in securities:			
Investments in unconsolidated subsidiaries and affiliates	**141**	174	**1,282**
Other (Notes 5, 8 and 17)	**9,268**	13,940	**84,255**
Long-term loans receivable	**68**	64	**618**
Deferred income taxes (Note 15)	**3,269**	4,575	**29,718**
Other assets (Note 7)	**8,829**	7,089	**80,263**
Less allowance for doubtful receivables	**(515)**	(323)	**(4,682)**
Total investments and other assets	**21,060**	25,519	**191,454**
Total assets (Note 22)	**¥304,461**	¥348,232	**$2,767,827**

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND NET ASSETS	**2018**	2017	**2018**
Current liabilities:			
Short-term bank loans (Notes 8 and 17)	**¥ 1,292**	¥ 1,578	**$ 11,745**
Current portion of long-term debt (Notes 8 and 17)	**30,833**	4,740	**280,300**
Notes and accounts payable (Note 17):			
Trade	**31,162**	30,725	**283,291**
Construction	**11**	66	**100**
Accrued income taxes (Note 15)	**1,947**	1,980	**17,700**
Accrued expenses	**18,173**	20,270	**165,209**
Provision for sales returns	**194**	327	**1,764**
Provision for employees' bonuses	**414**	357	**3,764**
Asset retirement obligations (Note 9)	**14**	42	**127**
Deferred income taxes (Note 15)	**490**	2	**4,455**
Other current liabilities	**12,227**	14,814	**111,154**
Total current liabilities	**96,757**	74,901	**879,609**
Long-term liabilities:			
Long-term debt (Notes 8 and 17)	**25,264**	55,372	**229,673**
Liabilities for retirement benefits (Note 10)	**6,190**	5,803	**56,273**
Asset retirement obligations (Note 9)	**1,261**	1,122	**11,464**
Deferred income taxes (Note 15)	**2,138**	3,845	**19,436**
Other long-term liabilities	**6,022**	5,887	**54,745**
Total long-term liabilities	**40,875**	72,029	**371,591**
Contingent liabilities (Note 11)			
Net assets:			
Shareholders' equity (Note 12):			
Common stock:			
Authorized shares —790,000,000 shares at December 31, 2018 and 2017 Issued shares —199,870,559 shares at December 31, 2018 and 199,962,991shares at December 31, 2017	**23,972**	23,972	**217,927**
Capital surplus	**17,354**	17,419	**157,763**
Retained earnings (Note 23)	**133,108**	160,142	**1,210,073**
Less treasury stock, at cost (11,165,350 shares at December 31, 2018 and 10,137,292 shares at December 31, 2017)	**(9,586)**	(7,667)	**(87,145)**
Total shareholders' equity	**164,848**	193,866	**1,498,618**
Accumulated other comprehensive income:			
Unrealized holding gain on securities	**2,608**	4,803	**23,709**
Unrealized deferred gain (loss) on hedges (Note 18)	**3,578**	(2,631)	**32,527**
Revaluation reserve for assets of overseas subsidiaries	**—**	18	**—**
Translation adjustments	**(5,857)**	3,964	**(53,245)**
Retirement benefits liability adjustments (Note 10)	**(357)**	(428)	**(3,245)**
Total accumulated other comprehensive income	**(28)**	5,726	**(254)**
Stock acquisition rights (Note 12)	**433**	297	**3,936**
Non-controlling interests	**1,576**	1,413	**14,327**
Total net assets	**166,829**	201,302	**1,516,627**
Total liabilities and net assets	**¥304,461**	¥348,232	**$2,767,827**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

ASICS Corporation and Consolidated Subsidiaries
Year ended December 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Net sales (Note 22)	**¥386,662**	¥400,158	**$3,515,109**
Cost of sales	**205,996**	216,898	**1,872,691**
Gross profit	**180,666**	183,260	**1,642,418**
Selling, general and administrative expenses (Notes 12 and 13)	**170,150**	163,689	**1,546,818**
Operating income (Note 22)	**10,516**	19,571	**95,600**
Other income (expenses):			
Interest and dividend income	**1,141**	833	**10,373**
Interest expense	**(750)**	(577)	**(6,818)**
Exchange (loss) gain, net	**(2,457)**	1,246	**(22,336)**
Gain on sales of investments in securities, net (Note 5)	**1,267**	65	**11,518**
Gain on redemption of investments in securities, net	**13**	93	**118**
Loss on sales or disposal of property, plant and equipment and other, net	**(278)**	(109)	**(2,527)**
Loss on impairment of investments in securities (Note 5)	**(17)**	(18)	**(155)**
Loss on impairment of property, plant and equipment (Notes 7 and 22)	**(2,875)**	(74)	**(26,136)**
Business restructuring expenses (Notes 7, 10 and 14)	**(21,143)**	(794)	**(192,209)**
Subsidy income	**471**	283	**4,282**
Subsidy income on facilities	**—**	933	**—**
Other, net	**(159)**	383	**(1,446)**
	(24,787)	2,264	**(225,336)**
(Loss) profit before income taxes	**(14,271)**	21,835	**(129,736)**
Income taxes (Note 15)**:**			
Current	**6,766**	6,816	**61,510**
Refunded	**(799)**	—	**(7,264)**
Deferred	**(162)**	1,783	**(1,473)**
	5,805	8,599	**52,773**
(Loss) profit	**(20,076)**	13,236	**(182,509)**
(Loss) profit attributable to:			
Non-controlling interests	**252**	266	**2,291**
Owners of parent (Note 21)	**¥ (20,328)**	¥ 12,970	**$ (184,800)**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

ASICS Corporation and Consolidated Subsidiaries
Year ended December 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
(Loss) profit	**¥(20,076)**	¥ 13,236	**$(182,509)**
Other comprehensive income (loss) (Note 19)**:**			
Unrealized holding (loss) gain on securities	**(2,195)**	929	**(19,955)**
Unrealized deferred gain (loss) on hedges	**6,209**	(15,437)	**56,445**
Revaluation reserve for assets of overseas subsidiaries	**(18)**	(37)	**(164)**
Translation adjustments	**(9,909)**	6,055	**(90,081)**
Retirement benefits liability adjustments (Note 10)	**71**	(346)	**645**
Total other comprehensive loss, net	**(5,842)**	(8,836)	**(53,110)**
Comprehensive (loss) income	**¥(25,918)**	¥ 4,400	**$(235,619)**
Comprehensive (loss) income attributable to:			
Owners of parent	**¥(26,081)**	¥ 4,075	**$(237,100)**
Non-controlling interests	**163**	325	**1,481**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

ASICS Corporation and Consolidated Subsidiaries
Year ended December 31, 2018

	Number of issued shares of common stock	Millions of yen											
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain on securities	Unrealized deferred gain (loss) on hedges	Revaluation reserve for assets of overseas subsidiaries	Translation adjustments	Retirement benefits liability adjustments	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at January 1, 2017	199,962,991	¥23,972	¥17,415	¥151,596	¥(7,667)	¥3,874	¥12,806	¥ 55	¥(2,033)	¥ (82)	¥181	¥1,090	¥201,207
Dividends	—	—	—	(4,461)	—	—	—	—	—	—	—	—	(4,461)
Reversal of revaluation reserve for assets of overseas subsidiaries	—	—	—	37	—	—	—	(37)	—	—	—	—	—
Profit attributable to owners of parent	—	—	—	12,970	—	—	—	—	—	—	—	—	12,970
Purchases of treasury stock	—	—	—	—	(3)	—	—	—	—	—	—	—	(3)
Sales of treasury stock	—	—	4	—	3	—	—	—	—	—	—	—	7
Other changes	—	—	—	—	—	929	(15,437)	—	5,997	(346)	116	323	(8,418)
Balance at January 1, 2018	199,962,991	23,972	17,419	160,142	(7,667)	4,803	(2,631)	18	3,964	(428)	297	1,413	201,302
Dividends	—	—	—	**(6,724)**	—	—	—	—	—	—	—	—	**(6,724)**
Reversal of revaluation reserve for assets of overseas subsidiaries	—	—	—	**18**	—	—	—	**(18)**	—	—	—	—	—
Loss attributable to owners of parent	—	—	—	**(20,328)**	—	—	—	—	—	—	—	—	**(20,328)**
Purchases of treasury stock	—	—	—	—	**(2,004)**	—	—	—	—	—	—	—	**(2,004)**
Sales of treasury stock	—	—	**13**	—	**7**	—	—	—	—	—	—	—	**20**
Retirement of treasury shares	**(92,432)**	—	**(78)**	—	**78**	—	—	—	—	—	—	—	—
Other changes	—	—	—	—	—	**(2,195)**	**6,209**	—	**(9,821)**	**71**	**136**	**163**	**(5,437)**
Balance at December 31, 2018	**199,870,559**	**¥23,972**	**¥17,354**	**¥133,108**	**¥(9,586)**	**¥2,608**	**¥ 3,578**	**¥ —**	**¥(5,857)**	**¥(357)**	**¥433**	**¥1,576**	**¥166,829**

	Thousands of U.S. dollars (Note 1)											
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain on securities	Unrealized deferred gain (loss) on hedges	Revaluation reserve for assets of overseas subsidiaries	Translation adjustments	Retirement benefits liability adjustments	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at January 1, 2018	$217,927	$158,355	$1,455,836	$(69,700)	$43,664	$(23,918)	$164	$ 36,036	$(3,891)	$2,700	$12,845	$1,830,018
Dividends	—	—	**(61,127)**	—	—	—	—	—	—	—	—	**(61,127)**
Reversal of revaluation reserve for assets of overseas subsidiaries	—	—	**164**	—	—	—	**(164)**	—	—	—	—	—
Loss attributable to owners of parent	—	—	**(184,800)**	—	—	—	—	—	—	—	—	**(184,800)**
Purchases of treasury stock	—	—	—	**(18,218)**	—	—	—	—	—	—	—	**(18,218)**
Sales of treasury stock	—	**117**	—	**64**	—	—	—	—	—	—	—	**181**
Retirement of treasury shares	—	**(709)**	—	**709**	—	—	—	—	—	—	—	—
Other changes	—	—	—	—	**(19,955)**	**56,445**	—	**(89,281)**	**646**	**1,236**	**1,482**	**(49,427)**
Balance at December 31, 2018	**$217,927**	**$157,763**	**$1,210,073**	**$(87,145)**	**$23,709**	**$ 32,527**	**$ —**	**$(53,245)**	**$(3,245)**	**$3,936**	**$14,327**	**$1,516,627**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

ASICS Corporation and Consolidated Subsidiaries
Year ended December 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Operating activities:			
(Loss) profit before income taxes	¥(14,271)	¥21,835	$(129,736)
Adjustments to reconcile profit before (loss) income taxes to net cash provided by operating activities:			
Depreciation and amortization	9,893	9,363	89,936
Loss on impairment of property, plant and equipment	2,875	74	26,136
Amortization of goodwill	1,337	1,360	12,155
Increase (decrease) in allowance for doubtful receivables	288	(1,399)	2,618
Increase in liabilities for retirement benefits, net	470	499	4,273
Increase (decrease) in provision for employees' bonuses	64	(297)	582
Loss on impairment of investments in securities	17	18	155
Gain on sales of investments in securities, net	(1,267)	(65)	(11,518)
Gain on redemption of investments in securities, net	(13)	(93)	(118)
Interest and dividend income	(1,141)	(833)	(10,373)
Interest expense	750	577	6,818
Exchange loss (gain), net	156	(24)	1,418
Loss on sales or disposal of property, plant and equipment and other, net	278	109	2,527
Business restructuring expenses	21,143	794	192,209
Other, net	(2,227)	(1,055)	(20,245)
(Increase) decrease in operating assets:			
Notes and accounts receivable-trade	1,917	1,783	17,427
Inventories	(6,595)	4,474	(59,955)
Other operating assets	838	(1,954)	7,618
Increase (decrease) in operating liabilities:			
Notes and accounts payable-trade	1,770	7,066	16,091
Accrued consumption taxes	(558)	(433)	(5,073)
Other operating liabilities	2,009	2,097	18,264
Subtotal	17,733	43,896	161,209
Interest and dividends received	1,119	833	10,173
Interest paid	(800)	(538)	(7,273)
Subsidy income on facilities	933	—	8,483
Business restructuring expenses paid	(281)	(151)	(2,555)
Income taxes paid	(7,655)	(6,903)	(69,591)
Net cash provided by operating activities	¥ 11,049	¥37,137	$ 100,446

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Investing activities:			
Increase in time deposits	¥ (1,836)	¥ (190)	$ (16,691)
Proceeds from withdrawal of time deposits	416	65	3,782
Purchases of property, plant and equipment	(4,384)	(10,994)	(39,855)
Payments for disposal of property, plant and equipment	(98)	(20)	(891)
Proceeds from sales of property, plant and equipment	42	1,474	382
Purchases of intangible assets	(3,868)	(3,181)	(35,164)
Net decrease in short-term investments	2,000	1,689	18,182
Purchases of investments in securities	(241)	(1,192)	(2,191)
Proceeds from sales and redemption of investments in securities	3,104	222	28,218
Proceeds from liquidation of unconsolidated subsidiaries	30	—	273
Net decrease in short-term loans receivable included in other current assets	2	41	18
Long-term loans receivable made	(17)	(9)	(155)
Collection of long-term loans receivable	7	10	64
Other, net	(624)	(1,704)	(5,672)
Net cash used in investing activities	(5,467)	(13,789)	(49,700)
Financing activities:			
Net (decrease) increase in short-term bank loans	(175)	89	(1,591)
Proceeds from long-term loans	100	100	909
Repayment of long-term loans	(4,017)	(1,550)	(36,518)
Redemption of bonds	—	(5,000)	—
Purchases of treasury stock	(2,004)	(3)	(18,218)
Proceeds from sales of treasury stock	0	7	0
Repayment of lease obligations	(943)	(731)	(8,573)
Cash dividends paid to shareholders of the Company	(6,714)	(4,459)	(61,036)
Dividends paid to non-controlling interests	(0)	(1)	(0)
Net cash used in financing activities	(13,753)	(11,548)	(125,027)
Effect of exchange rate changes on cash and cash equivalents	(4,054)	2,664	(36,855)
Net (decrease) increase in cash and cash equivalents	(12,225)	14,464	(111,136)
Cash and cash equivalents at beginning of year	78,103	63,639	710,027
Cash and cash equivalents at end of year (Note 4)	¥ 65,878	¥ 78,103	$ 598,891

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ASICS Corporation and Consolidated Subsidiaries
December 31, 2018

1 Basis of Preparation

The accompanying consolidated financial statements of ASICS Corporation (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended December 31, 2017 to the 2018 presentation. Such reclassifications had no effect on consolidated profit or loss, net assets or cash flows.

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen amounts solely for convenience, as a matter of arithmetic computation only, at ¥110 = U.S.$1.00, the approximate rate of exchange prevailing on December 31, 2018. This translation should not be construed as a representation that 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.

2 Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies which it controls directly or indirectly. All assets and liabilities of the consolidated subsidiaries are revalued on acquisition, if applicable. All significant intercompany transactions and accounts have been eliminated in consolidation.

Certain subsidiaries were excluded from the scope of consolidation because the effect of its sales, net profit or loss, total assets and retained earnings on the accompanying consolidated financial statements was immaterial.

(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 net assets excluding non-controlling interests are translated at their historical exchange rates.

(c) Cash and cash equivalents

For the purposes of the consolidated statement 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

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 net assets. Cost of securities sold is determined by the moving-average method. Non-marketable equity securities classified as other securities are stated at cost determined by the moving-average method. Non-marketable debt securities classified as other securities are stated at net amortized cost.

Investments in limited liability partnerships and other similar partnerships, which are deemed to be securities under Article 2, Clause 2 of the Financial Instruments and Exchange Act of Japan, are valued at the amount of the underlying equity in their net assets based on the latest financial statements available as of the closing date stipulated in the partnership agreement.

(e) Inventories

Inventories are principally stated at the lower of cost or net realizable value, cost being determined by the moving-average method.

(f) Property, plant and equipment (except for leased assets under finance leases)

The Company and its domestic consolidated subsidiaries compute depreciation of property, plant and equipment by the declining-balance method over the estimated 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 and structures attached to the buildings and other structures acquired on or subsequent to April 1, 2016.

Overseas consolidated subsidiaries compute depreciation of property, plant and equipment by the straight-line method over the estimated useful lives of the respective assets.

Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income as incurred.

The principal estimated useful lives used for calculating depreciation are as follows:

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	2 to 17 years
Tools, furniture and fixtures	2 to 20 years

(g) Intangible assets (except for leased assets under finance leases)

Expenditures relating to computer software developed for internal use are charged to income as incurred, unless the software is expected to contribute to the generation of future income or to cost savings, in which case such expenditures are capitalized as intangible assets and amortized by the straight-line method over their respective estimated useful lives, a period of five years.

The Company and its consolidated subsidiaries have recorded intangible assets such as brand, customer base and trademark rights based on revaluation of assets acquired and liabilities assumed as a result of business combinations at fair value. Such intangible assets are amortized by the straight-line method over periods of 9 to 24 years.

(h) Leased assets

Finance leases, other than those that are deemed to transfer the ownership of the leased assets to the lessees, are depreciated using the straight-line method over the lease term with no residual value.

(i) Goodwill

Goodwill is amortized by the straight-line method over the estimated period of benefit of no more than 20 years from the year of acquisition.

(j) 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 their customers.

(k) Provision for sales returns

Provision for sales returns is provided for losses from sales returns at an amount calculated based on the historical experience of sales returns.

(l) Provision for employees' bonuses

Provision for employees' bonuses is provided at an expected payment amount of the bonuses to employees attributable to the fiscal year.

(m) Retirement benefits for employees

Liabilities for retirement benefits for employees are provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the plan assets as of the balance sheet date.

The retirement benefit obligation is attributed to each period by the benefit formula method.

Actuarial gain or loss is amortized principally in the year following the year in which the gain or loss is incurred by the straight-line method over a period which falls within the estimated average remaining years of service of the eligible employees. Certain consolidated subsidiaries amortize actuarial gain or loss in the year in which the gain or loss is incurred by the straight-line method over a period which falls within the estimated average remaining years of service of the eligible employees.

Certain consolidated subsidiaries have calculated their retirement benefit obligation and retirement benefit expenses based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily (the "simplified method").

(n) Research and development costs

Research and development costs are charged to income as incurred.

(o) Income taxes

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

Certain US consolidated subsidiaries adopted the consolidated taxation system in the United States of America, which allows companies to file tax returns based on the combined profit or loss of a parent company and its subsidiaries.

(p) Derivatives and hedging activities

The Company and its consolidated subsidiaries ("Group") utilize derivatives of forward foreign exchange contracts, currency option and interest swaps to hedge the risk arising from fluctuations in forward foreign currency exchange rates, mainly on forecast transactions denominated in foreign currencies and interest rates, mainly on loans and bond issuing transactions.

Derivatives positions are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss, net of the applicable income taxes, is deferred as a component of net assets. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates ("allocation method"). 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 ("special treatment").

The hedge effectiveness of forward foreign exchange transactions is assessed by considering whether the transactions qualify based on past experience and the probability of the transaction occurring in the future. The hedge effectiveness of interest-rate swaps and currency options is assessed based on a comparison of the cumulative changes in cash flows of the hedged items and those of the hedging instruments in the period from the start of the hedging relationship to the assessment date. However, the assessment of hedge effectiveness is omitted if a high level of hedge effectiveness is identified based on the terms of the contracts.

(q) Distribution of retained earnings

Under the Corporation Law of Japan (the "Law"), the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The accounts for that period do not, therefore, reflect such distributions. Refer to Note 23.

3 Accounting Standards Issued but Not Yet Effective

(The Company and its domestic subsidiaries)

"Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 28, February 16, 2018)

"Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26, February 16, 2018)

(1) Overview

The treatment of future taxable temporary differences related to subsidiary shares, etc. in non-consolidated financial statements has been revised, and the treatment of the recoverability of deferred tax assets of companies corresponding to Category 1, which are those entities that continuously generate sufficient taxable income to cover deductible temporary differences.

(2) Planned date of application

The Company and its domestic subsidiaries plan to apply the implementation guidance from the beginning of the fiscal year ending December 31, 2019.

(3) Impact of applying the implementation guidance

The impact of applying the implementation guidance on the consolidated financial statements is being evaluated.

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

This is a comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following five steps.

Step 1: Identify the contracts with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Planned date of application

The Company and its domestic subsidiaries plan to apply the standard and implementation guidance from the beginning of the fiscal year ending December 31, 2022.

(3) Impact of applying the standard and implementation guidance

The impact of applying the standard and implementation guidance on the consolidated financial statements is being evaluated.

(Overseas subsidiaries)

"Leases" (International Financial Reporting Standard ("IFRS") 16) and "Leases" (Accounting Standard Update ("ASU") 2016-02 in US GAAP)

(1) Overview

The new accounting standards require that lessees principally account for all leases on the balance sheet under a single model.

(2) Planned date of application

IFRS 16 will be applied from the beginning of the fiscal year ending December 31, 2019 and ASU 2016-02 will be applied from the beginning of the fiscal year ending December 31, 2020.

(3) Impact of applying the standards

The impact of applying the standards on the consolidated financial statements is being evaluated.

4 Cash and Deposits

The balances of cash and deposits reflected in the accompanying consolidated balance sheets at December 31, 2018 and 2017 were reconciled to the balances of cash and cash equivalents in the accompanying consolidated statements of cash flows for the years ended December 31, 2018 and 2017 as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Cash and deposits	**¥68,287**	¥79,121	**$620,791**
Money management funds, included in short-term investments	**—**	128	**—**
Time deposits with original maturities in excess of three months, included in cash and deposits	**(2,409)**	(1,146)	**(21,900)**
Cash and cash equivalents	**¥65,878**	¥78,103	**$598,891**

5 Short-Term Investments and Investments in Securities

Information regarding other securities with determinable market value at December 31, 2018 and 2017 is summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2018			2017			**2018**		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:									
Equity securities	**¥7,298**	**¥4,155**	**¥3,143**	¥12,409	¥6,119	¥6,290	**$66,346**	**$37,772**	**$28,574**
Other	**815**	**349**	**466**	2,842	2,441	401	**7,409**	**3,173**	**4,236**
Subtotal	**8,113**	**4,504**	**3,609**	15,251	8,560	6,691	**73,755**	**40,945**	**32,810**
Securities whose carrying value does not exceed their acquisition costs:									
Equity securities	**214**	**245**	**(31)**	60	64	(4)	**1,945**	**2,228**	**(283)**
Subtotal	**214**	**245**	**(31)**	60	64	(4)	**1,945**	**2,228**	**(283)**
Total	**¥8,327**	**¥4,749**	**¥3,578**	¥15,311	¥8,624	¥6,687	**$75,700**	**$43,173**	**$32,527**

Unlisted equity securities (carrying value for the years ended December 31, 2018 and 2017 amounted to ¥483 million ($4,391 thousand) and ¥423 million, respectively), unlisted debt securities (carrying value for the years ended December 31, 2018 and 2017 amounted to ¥120 million ($1,091 thousand) and ¥120 million, respectively) and investments in limited liability partnerships (carrying value for the years ended December 31, 2018 and 2017 amounted to ¥338 million ($3,073 thousand) and ¥226 million, respectively) for which it is extremely difficult to determine the fair value are not included in the above table.

Information regarding sales of other securities for the years ended December 31, 2018 and 2017 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Proceeds from sales	¥3,177	¥128	$28,882
Gross realized gain	1,307	65	11,882
Gross realized loss	40	—	364

The Company has recognized loss on impairment of marketable securities classified as other securities in the amount of ¥17 million ($155 thousand) and ¥18 million for the years ended December 31, 2018 and 2017 respectively. Impairment loss is recorded for the securities whose market value declines by 30% or more as compared with their acquisition costs.

6 Inventories

The following is a summary of inventories at December 31, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Merchandise and finished products	¥87,782	¥85,174	$798,018
Work in process	413	408	3,755
Raw materials and supplies	891	821	8,100
	¥89,086	¥86,403	$809,873

7 Loss on Impairment of Property, Plant and Equipment

The Group's business assets are grouped by company or unit similar to an individual company. In addition, the Group also groups store assets by store and groups assets intended for sale and idle assets individually. The assets are grouped by cash-generating units defined as the smallest identifiable group of assets generating cash inflows.

The Group has written down business assets, goodwill and intangible assets held by former Fitness Keeper, Inc. in the United States of America and recorded related losses on impairment as business restructuring expenses for the fiscal year ended December 31, 2018 because the business is not expected to generate profit that was originally estimated.

The Group has written down goodwill and intangible assets held by HAGLÖFS AB in Sweden to the recoverable amounts and recorded related losses on impairment as business restructuring expenses for the fiscal year ended December 31, 2018, since the investment amount is not recoverable from its business due to worsening profitability. The recoverable amount is measured based on value in use, which is calculated as the sum of anticipated future cash flows discounted at a rate of 10.8%.

The Group has written down idle assets which are not expected to be utilized in the future and recorded the loss on impairment of property, plant and equipment for the fiscal year ended December 31, 2018.

The Group has written down business assets in Korea whose future cash flow could not be expected due to the lower profitability and recorded the loss on impairment of property, plant and equipment for the fiscal year ended December 31, 2018.

The Group has written down asset groups whose operating income has been continuously negative to their respective recoverable amounts and recorded related losses on impairment of property, plant and equipment. The recoverable amounts of asset groups are measured at the higher of their net selling value or value in use. The net selling value is based on estimated sales price.

Value in use is measured as the sum of anticipated future cash flows discounted at rates of 6.1% and 4.1% for the years ended December 31, 2018 and 2017, respectively.

The book value of leased assets is computed based on future lease payments as of December 31, 2018 and 2017.

The Group has written down idle assets which are not expected to be utilized in the future and the recoverable amount of the idle assets is measured based on their respective estimated net selling value determined by the Group for the years ended December 31, 2018 and 2017, respectively.

The details of loss on impairment of property, plant and equipment for the years ended December 31, 2018 and 2017 are as follows:

Use	Location	Classification	Millions of yen 2018	Thousands of U.S. dollars 2018
Business assets	U.S.	Software etc.	¥ 186	$ 1,691
Other		Goodwill and intangible assets	7,084	64,400
Other	Sweden	Goodwill and intangible assets	6,188	56,255
Business assets	Japan	Software etc.	2,345	21,318
Business assets	Korea	Tools, furniture and fixtures etc.	317	2,882
Store assets	Japan, U.S. and Europe etc.	Tools, furniture and fixtures, leased assets etc.	6,231	56,645
Idle assets	Japan	Building and land etc.	213	1,936
Total			¥22,564	$205,127

Use	Location	Classification	Millions of yen 2017
Stores	5 Stores	Leased assets	¥35
	(Japan)	Building and structures	7
		Other assets	4
Idle assets	Japan	Land	28
Total			¥74

8 Short-Term Bank Loans and Long-Term Debt

The average annual interest rates on short-term bank loans are 4.2% and 1.9% at December 31, 2018 and 2017, respectively.

Long-term debt at December 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
0.14% yen unsecured bonds issued through public offering, due 2021	¥ 20,000	¥20,000	$ 181,818
Zero-coupon unsecured bonds with stock acquisition rights, due 2019	30,005	30,035	272,773
Loans primarily from banks, due through 2021 at weighted average interest rates ranging of 0.1%	183	4,100	1,664
Lease obligations	5,909	5,977	53,718
	56,097	60,112	509,973
Current portion of long-term debt	(30,833)	(4,740)	(280,300)
	¥ 25,264	¥55,372	$ 229,673

Zero-coupon unsecured bonds with stock acquisition rights with a gross issuance amount of ¥30,150 million ($274,091 thousand) were convertible into shares of common stock of the Company at ¥2,702.7 ($25) per share and are exercisable from March 17, 2014 to February 15, 2019.

Information on the aggregate annual maturities of long-term debt subsequent to December 31, 2018 is presented in Note 17.

9 Asset Retirement Obligations

(a) Outline of asset retirement obligations

The Company and its domestic consolidated subsidiaries estimated the cost of restoration liabilities based on property lease agreements of certain domestic offices and retail stores and recognized them as asset retirement obligations. The Company and its domestic consolidated subsidiaries also estimated the disposal costs determined under the "Ordinance on Prevention of Asbestos Hazards." Certain overseas consolidated subsidiaries estimated restoration costs for certain overseas offices at the time of vacating the leased property and recognized them as asset retirement obligations.

(b) Calculation method for asset retirement obligations

Asset retirement obligations for the restoration liabilities based on the property lease agreements of certain domestic offices and retail stores were calculated using an estimated useful life of 2 to 41 years from the acquisitions of leasehold improvements and discount rates from 0% to 1.397%. Asset retirement obligations for the disposal costs determined under the "Ordinance on Prevention of Asbestos Hazards" were calculated using an estimated useful life of 5 to 35 years from the acquisitions of leasehold improvements and discount rates from 0.375% to 2.301%. Asset retirement obligations for the restoration costs of certain overseas offices at the time of vacating the leased property were calculated using an estimated useful life of 2 to 20 years from the acquisitions of leasehold improvements and discount rates from 1.733% to 5.5%.

(c) Changes in the balance of asset retirement obligations during the years ended December 31, 2018 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of the year	¥1,164	¥1,035	$10,582
Increase due to acquisition of property, plant and equipment	170	135	1,545
Accretion expense	17	16	155
Decrease due to settlement of asset retirement liabilities	(98)	(19)	(891)
Other increase (decrease), net	22	(3)	200
Balance at end of the year	¥1,275	¥1,164	$11,591

10 Retirement Benefits

The Company and certain domestic consolidated subsidiaries have lump-sum payment plans, defined contribution pension plans or a smaller enterprise retirement allowance mutual aid plan.

Certain overseas consolidated subsidiaries adopted lump-sum payment plans, defined contribution pension plans or defined benefit plans.

Defined Benefit Plans

The changes in the retirement benefit obligations, except for plans accounted for by the simplified method, during the years ended December 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Retirement benefit obligations at the beginning of the year	¥5,310	¥4,288	$48,273
Service cost	666	687	6,054
Interest cost	45	44	409
Actuarial (gain) loss	(11)	440	(100)
Retirement benefits paid	(266)	(253)	(2,418)
Decrease in retirement benefit obligations for retirement benefits due to transfer to defined contribution pension plans	(288)	—	(2,618)
Increase due to change from the simplified method to the principle method	—	119	—
Other	(0)	(15)	(0)
Retirement benefit obligations at the end of the year	¥5,456	¥5,310	$49,600

The changes in plan assets, except for plans accounted for by the simplified method, during the years ended December 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Plan assets at the beginning of the year	¥ 287	¥268	$ 2,609
Expected return on plan assets	—	9	—
Contributions paid by the Company and a consolidated subsidiary	—	67	—
Retirement benefits paid	—	(75)	—
Decrease in plan assets due to transfer to defined contribution pension plans	(287)	—	(2,609)
Other	—	18	—
Plan assets at the end of the year	¥ —	¥287	$ —

The changes in liabilities for retirement benefits calculated by the simplified method during the years ended December 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Liabilities for retirement benefits at the beginning of the year	¥780	¥872	$7,091
Retirement benefit expenses	75	71	682
Retirement benefits paid	(84)	(66)	(764)
Decrease due to change from the simplified method to the principle method	—	(82)	—
Other	(37)	(15)	(336)
Liabilities for retirement benefits at the end of the year	¥734	¥780	$6,673

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of December 31, 2018 and 2017 for the Company's and the consolidated subsidiaries' defined benefit plan:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Funded retirement benefit obligations	¥5,893	¥5,860	$53,573
Plan assets at fair value	(339)	(642)	(3,082)
	5,554	5,218	50,491
Unfunded retirement benefit obligations	636	585	5,782
Net liability for retirement benefits in the consolidated balance sheet	6,190	5,803	56,273
Liabilities for retirement benefits	6,190	5,803	56,273
Assets for retirement benefits	—	—	—
Net liability for retirement benefits in the consolidated balance sheet	¥6,190	¥5,803	$56,273

The components of retirement benefit expenses for the years ended December 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	¥666	¥687	$6,054
Interest cost	45	44	409
Expected return on plan assets	—	(9)	—
Amortization of unrecognized actuarial loss	72	29	655
Net retirement benefit expenses calculated by the simplified method	75	71	682
Retirement benefit expenses	¥858	¥822	$7,800

In addition to the above, additional payments of ¥1,454 million ($13,218 thousand) and ¥530 million resulting from business restructuring were recorded as business restructuring expenses for the years ended December 31, 2018 and 2017, respectively.

Actuarial gain (loss) included in other comprehensive income (before tax effects) for the years ended December 31, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Actuarial gain (loss)	¥83	¥(412)	$755

Unrecognized actuarial loss included in accumulated other comprehensive income (before tax effects) as of December 31, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized actuarial loss	¥421	¥504	$3,827

As there were no plan assets as of December 31, 2018 disclosure of fair value is omitted.

The fair value of plan assets, by major category, as a percentage of total plan assets as of December 31, 2017 is as follows:

	2017
Cash and deposits	45%
General accounts controlled by insurance companies	55
Total	100%

The expected return on plan assets has been estimated considering the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above retirement benefit plans for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Discount rates	**0.1% - 3.0%**	0.1% - 3.3%
Expected rates of return on plan assets	**—%**	3.1%

Defined Contribution Pension Plans

Total contributions paid by the Company and its consolidated subsidiaries to the defined contribution pension plans for the years ended December 31, 2018 and 2017 amounted to ¥1,248 million ($11,345 thousand) and ¥1,129 million, respectively.

11 Contingent Liabilities

The assets pledged as collateral for a third-party's borrowings at December 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Investments and other assets:			
Investments in securities	**¥320**	¥320	**$2,909**

12 Shareholders' Equity

The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings is nil at December 31, 2018 and 2017.

Movements in common stock and treasury stock for the years ended December 31, 2018 and 2017 are summarized as follows:

	Number of Shares			
	2018			
	January 1, 2018	Increase	Decrease	December 31, 2018
Shares issued:				
Common Stock	**199,962,991**	**—**	**92,432**	**199,870,559**
Treasury stock:				
Treasury Stock	**10,137,292**	**1,129,412**	**101,354**	**11,165,350**

The decrease in common stock of 92,432 shares is due to cancelation of 92,432 shares by the resolution on board meeting. The increase in treasury stock of 1,129,412 shares is due to purchases of 1,127,300 shares by the resolution on board meeting and purchases of 2,112 shares of less than one voting unit and the decrease in treasury stock of 101,354 shares is due to cancelation of 92,432 shares by the resolution on board meeting, sales of 22 shares at the requests of shareholders who own less than one voting unit and of 8,900 shares corresponding to exercising stock options for the year ended December 31, 2018.

	Number of Shares			
	2017			
	January 1, 2017	Increase	Decrease	December 31, 2017
Shares issued:				
Common Stock	199,962,991	—	—	199,962,991
Treasury stock:				
Treasury Stock	10,139,476	1,422	3,606	10,137,292

The increase in treasury stock of 1,422 shares is due to purchases of shares of less than one voting unit and the decrease in treasury stock of 3,606 shares is due to sales of 6 shares at the requests of shareholders who own less than one voting unit and of 3,600 shares corresponding to exercising stock options for the year ended December 31, 2017.

Stock option plans

Stock option costs included in selling, general and administrative expenses for the years ended December 31, 2018 and 2017 amounted to ¥155 million ($1,409 thousand) and ¥126 million, respectively.

A description of the stock option plan (the "2018 plan") is as follows:

Stock option plans		2018 plan
Date of approval at a meeting of the Board of Directors		April 20, 2018
Individuals covered by the plan	Directors other than outside directors	6
	Employees of the Company	12
	Directors of the Company's subsidiaries	4
	Employee of the Company's subsidiary	2

Type and number of shares to be issued upon the exercise of the stock options	2018 plan
Common stock	85,200
Grant date	May 18, 2018
Service period	Not defined
Exercise period	From May 19, 2021 to May 18, 2048

A description of the stock option plan (the "2017 plan") is as follows:

Stock option plans		2017 plan
Date of approval at a meeting of the Board of Directors		April 26, 2017
Individuals covered by the plan	Directors other than outside directors	5
	Employees of the Company	6
	Directors of the Company's subsidiaries	4
	Employee of the Company's subsidiary	2

Type and number of shares to be issued upon the exercise of the stock options	2017 plan
Common stock	101,400
Grant date	May 29, 2017
Service period	Not defined
Exercise period	From May 30, 2020 to May 29, 2047

A description of the stock option plan (the "2016 plan") is as follows:

Stock option plans		2016 plan
Date of approval at a meeting of the Board of Directors		April 22, 2016
Individuals covered by the plan	Directors other than outside directors	4
	Employees of the Company	7
	Directors of the Company's subsidiaries	2
	Employees of the Company's subsidiaries	3

Type and number of shares to be issued upon the exercise of the stock options	2016 plan
Common stock	85,900
Grant date	May 17, 2016
Service period	Not defined
Exercise period	From May 18, 2019 to May 17, 2046

A description of the stock option plan (the "2015 plan") is as follows:

Stock option plans		2015 plan
Date of approval at a meeting of the Board of Directors		April 7, 2015
Individuals covered by the plan	Directors other than outside directors	5
	Employees of the Company	6
	Directors of the Company's subsidiaries	3
	Employees of the Company's subsidiaries	2

Type and number of shares to be issued upon the exercise of the stock options	2015 plan
Common stock	23,700
Grant date	May 12, 2015
Service period	Not defined
Exercise period	From May 13, 2018 to May 12, 2045

A description of the stock option plan (the “2014 plan”) is as follows:

Stock option plans		2014 plan
Date of approval at a meeting of the Board of Directors		July 18, 2014
Individuals covered by the plan	Directors other than outside directors	7
	Executive officers who are residents of Japan under the Income Tax Law of Japan	6

Type and number of shares to be issued upon the exercise of the stock options	2014 plan
Common stock	26,500
Grant date	August 8, 2014
Service period	Not defined
Exercise period	From August 9, 2017 to August 8, 2044

A description of the stock option plan (the “2013 plan”) is as follows:

Stock option plans		2013 plan
Date of approval at a meeting of the Board of Directors		July 19, 2013
Individuals covered by the plan	Directors other than outside directors	7
	Executive officers who are residents of Japan under the Income Tax Law of Japan	5

Type and number of shares to be issued upon the exercise of the stock options	2013 plan
Common stock	37,200
Grant date	August 6, 2013
Service period	Not defined
Exercise period	From August 7, 2016 to August 6, 2043

Vesting conditions for the exercise of stock acquisition rights are as follows:

For the “2018 plan”, “2017 plan” and “2016 plan”

1) If the individuals to whom the stock acquisition rights are granted (the “Holders”) forfeit stock acquisition rights, the stock options cannot be exercised.
2) Other conditions are included in the contract entered into between the Company and the Holders.

For the “2015 plan”

If the Holders forfeit stock acquisition rights, the stock options cannot be exercised.

For the “2014 plan” and “2013 plan”

1) When the Holders cease to be a director or/and executive officer, the Holders can exercise the rights within five years following the date on which the Holders leave their positions with valid reasons as approved by the Company, such as the fulfillment of the service period.
2) If the Holders forfeit stock acquisition rights, the stock options cannot be exercised.
3) Other conditions are included in the contract entered into between the Company and the Holders.

The following table summarizes stock option activity under the stock option plans referred to above during the year ended December 31, 2018:

	2018 plan	2017 plan	2016 plan
Number of stock options			
Unvested:			
Outstanding at the end of prior fiscal period	—	97,400	84,300
Granted	85,200	—	—
Forfeited	600	—	—
Vested	—	—	—
Outstanding at the end of the fiscal period	84,600	97,400	84,300
Vested:			
Outstanding at the end of prior fiscal period	—	—	—
Vested	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Outstanding at the end of prior fiscal period	—	—	—
		Yen	
Exercise price	¥ 1	¥ 1	¥ 1
Weighted average exercise price	¥ —	¥ —	¥ —
Weighted average fair value per stock at the grant date	¥1,786	¥1,670	¥2,178
		U.S. dollars	
Exercise price	$0.01	$0.01	$0.01
Weighted average exercise price	$ —	$ —	$ —
Weighted average fair value per stock at the grant date	$ 16	$ 15	$ 20

	2015 plan	2014 plan	2013 plan
Number of stock options			
Unvested:			
Outstanding at the end of prior fiscal period	22,000	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	22,000	—	—
Outstanding at the end of the fiscal period	—	—	—
Vested:			
Outstanding at the end of prior fiscal period	—	24,100	26,400
Vested	22,000	—	—
Exercised	2,100	3,700	3,100
Forfeited	—	—	—
Outstanding at the end of prior fiscal period	19,900	20,400	23,300
		Yen	
Exercise price	¥ 1	¥ 1	¥ 1
Weighted average exercise price	¥1,767	¥1,776	¥1,832
Weighted average fair value per stock at the grant date	¥3,008	¥2,135	¥1,707
		U.S. dollars	
Exercise price	$0.01	$0.01	$0.01
Weighted average exercise price	$ 16	$ 16	$ 17
Weighted average fair value per stock at the grant date	$ 27	$ 19	$ 16

Valuation method for estimating fair value was the Black-Scholes model. The major assumptions used for the 2018 plan are as follows:

Major assumptions	Note	2018 plan
Estimated volatility	(a)	35.925%
Estimated remaining period	(b)	6.9 years
Estimated dividend	(c)	¥23.5 ($0.21) per share
Risk-free rate	(d)	(0.046) %

(a) Estimated volatility was computed by the closing stock prices of common stock in each trading day from July 17, 2011 to May 18, 2018.
(b) Because adequate data was unavailable and it is difficult to reasonably estimate the exercise date, the remaining period was estimated as if stock options were exercised in the middle of the exercisable period.
(c) The estimated dividend was calculated based on the dividend amount applicable to the year ended December 31, 2017.
(d) The risk-free rate was determined based on the rate of Japanese government bonds, for which redemption dates corresponded to the estimated remaining period.

Because it is difficult to reasonably estimate the number of stock options that will be forfeited in the future, the estimation reflects only the actual number of forfeited stock options.

13 Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended December 31, 2018 and 2017 amounted to ¥4,501 million ($40,918 thousand) and ¥4,430 million, respectively.

14 Business Restructuring Expenses

For the fiscal year ended December 31, 2018, business restructuring expenses are as follows:

	Millions of yen	Thousands of U.S. dollars
Impairment loss on goodwill, etc.	¥13,458	$122,345
Impairment loss on retail store assets, etc.	6,231	56,645
Overseas subsidiaries' extra retirement payments, etc.	1,454	13,219
Total	¥21,143	$192,209

For the fiscal year ended December 31, 2017, business restructuring expenses mainly represent additional payments of retirement benefits incurred in relation to the formation of a strategic sales network as a means of business restructuring in the European region.

15 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 December 31, 2018 and 2017 is, in the aggregate, approximately 30.8%. The effective tax rates reflected in the accompanying consolidated statement of operations for the year ended December 31, 2017 differed from the above statutory tax rates for the following reasons:

	2017
Statutory tax rates:	30.8%
Permanently non-deductible expenses	0.2
Permanently non-taxable income	(0.1)
Change in valuation allowance	7.9
Tax rate differences at overseas consolidated subsidiaries	(3.7)
Decrease in deferred tax assets resulting from change in statutory tax rate	1.6
Other	2.7
Effective tax rates	39.4%

The disclosure is omitted for the year ended December 31, 2018 as a net loss was recorded.

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 deferred tax assets and liabilities of the Company and consolidated subsidiaries at December 31, 2018 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Deferred tax assets:			
Inventories	**¥ 1,412**	¥ 2,375	**$ 12,836**
Allowance for doubtful receivables	**534**	496	**4,855**
Provision for employees' bonuses	**163**	418	**1,482**
Liability for retirement benefits	**1,984**	1,956	**18,036**
Tax loss carry forwards	**6,747**	4,741	**61,336**
Loss on impairment of property, plant and equipment	**2,349**	74	**21,355**
Other	**4,676**	3,839	**42,509**
Gross deferred tax assets	**17,865**	13,899	**162,409**
Less valuation allowance	**(10,319)**	(3,864)	**(93,809)**
Total deferred tax assets	**7,546**	10,035	**68,600**
Deferred tax liabilities:			
Unrealized holding gain on securities	**789**	1,689	**7,173**
Valuation difference of consolidated subsidiaries	**377**	1,629	**3,427**
Unrealized deferred gain on hedges	**1,316**	462	**11,964**
Other	**2,290**	1,576	**20,818**
Total deferred tax liabilities	**4,772**	5,356	**43,382**
Net deferred tax assets	**¥ 2,774**	¥ 4,679	**$ 25,218**

16 Leases

The Company and its consolidated subsidiaries have entered into finance lease contracts which do not transfer the ownership of the leased assets to them. Main components of such finance leases are a distribution center classified as land and buildings and computer software classified as intangible assets.

The Company and its consolidated subsidiaries also have entered into non-cancellable operating lease contracts. Future minimum lease payments subsequent to December 31, 2018 under non-cancellable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending December 31,		
2019	¥ 9,149	$ 83,173
2020 and thereafter	37,298	339,072
	¥46,447	$422,245

17 Financial Instruments

(a) Status of financial instruments

In consideration of plans for capital investment, the Group raises funds mainly by bank borrowings and bonds issuance. The Group manages temporary fund surpluses principally through liquid financial assets. Furthermore, the Group raises short-term working capital through bank borrowings. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative purposes.

Trade receivables, notes and accounts receivables, are exposed to credit risk in relation to customers. In addition, the Group is exposed to foreign currency exchange risk arising from trade receivables denominated in foreign currencies, and forward foreign currency exchange contracts and others are arranged to reduce the risk.

Marketable securities and investments in securities are exposed to market risk. Those securities are mainly composed of equity securities of companies with which the Group has business relationships.

Substantially all trade payables, trade notes and accounts payable, have payment due dates within four months. Although a portion of payables are exposed to foreign currency exchange risk arising from those payables denominated in foreign currencies, forward foreign currency exchange contracts and others are arranged to reduce the risk.

Loans, bonds and bonds with stock acquisition rights are taken out principally for the purpose of conducting business activities and making capital investments. The repayment dates of the long-term debt extend up to three years from the balance sheet date. Although a portion of the debt is exposed to interest rate fluctuation risk, the Group undertakes interest rate swap transactions as hedging instruments.

Regarding derivatives, the Group enters into forward foreign currency exchange contracts and others to reduce the foreign currency exchange risk mainly on the payables denominated in foreign currencies resulting from importing products within the actual demand for foreign currency exchange. The Group also enters into interest rate swap transactions to reduce future fluctuation risk deriving from interest rates of long-term loans and bonds. Refer to "(p) Derivatives and hedging activities" in Note 2 "Summary of Significant Accounting Policies" for hedge accounting policies such as hedging instruments, hedged items, hedge policy and hedge effectiveness tests.

Regarding trade receivables, each related division monitors the credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by customer. In addition, the Group is making efforts to identify at an early stage and mitigate risks of bad debt from customers who have financial difficulties.

In accordance with internal policies, "Policies of Global Financing Governance" and "Policies of Administrative Authority," the Group only acquires debt securities held for investment purposes with high credit ratings. Accordingly, the Group believes that the credit risk deriving from such debt securities is immaterial.

The Group also believes that the credit risk of derivatives is insignificant as the Group enters into derivative transactions only with international financial institutions with sound credit profiles.

In conducting derivative transactions, the division in charge of each derivative transaction follows the internal policies, "Policies on Derivative Transactions," "Policies of Global Financial Governance" and "Policies of Administrative Authority," which set forth delegation of authority and segregation of duties related to derivative transactions. The Accounting and Financing Department conducts and manages derivative transactions and segregates duties of execution and management of transactions to separate personnel and management who are each responsible for transactions, positions and operations. Transaction data and other information are regularly reported to the executive board meeting by the responsible executive officer.

For short-term investments and investments in securities, the Group periodically reviews the fair value of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether or not security investments should be maintained, taking into account their fair value and relationships with the issuers.

Transactions involving derivatives, marketable securities and investments in securities are executed at certain consolidated subsidiaries based on "Policies of Administrative Authority" and those transactions are overseen and reviewed by management departments of these subsidiaries.

Based on a report from each division, the Group prepares and updates its cash flow plans on a timely basis and maintains solvency to manage liquidity risk.

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value. In addition, the notional principal amounts of derivative transactions in Note 18 "Derivatives and Hedging Activities" are not necessarily indicative of the actual market risk.

(b) Estimated Fair Value of Financial Instruments

Carrying value, estimated fair value and the difference between them for financial instruments on the consolidated balance sheets as of December 31, 2018 and 2017 are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen			Thousands of U.S. dollars		
	2018					
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets:						
Cash and deposits	¥ 68,287	¥ 68,287	¥—	$ 620,791	$ 620,791	$ —
Notes and accounts receivable-trade	66,819			607,445		
Less allowance for doubtful receivables (*1)	(2,051)			(18,645)		
	64,768	64,768	—	588,800	588,800	—
Short-term investments and investments in securities:						
Other investment securities	8,327	8,327	—	75,700	75,700	—
Total assets	¥141,382	¥141,382	¥—	$1,285,291	$1,285,291	$ —
Liabilities:						
Notes and accounts payable-trade	¥ 31,162	¥ 31,162	¥—	$ 283,291	$ 283,291	$ —
Short-term bank loans and current portion of long-term loans	1,326	1,326	—	12,055	12,055	—
Bonds with stock acquisition rights in current portion of long-term debt	30,005	29,960	(45)	272,773	272,364	(409)
Bonds included in long-term debt	20,000	20,067	67	181,818	182,427	609
Long-term loans	149	149	(0)	1,355	1,355	(0)
Total liabilities	¥ 82,642	¥ 82,664	¥ 22	$ 751,292	$ 751,492	$ 700
Derivative transactions (*2)	¥ 4,831	¥ 4,831	¥—	$ 43,918	$ 43,918	$ —

	Millions of yen		
	2017		
	Carrying value	Fair value	Difference
Assets:			
Cash and deposits	¥ 79,121	¥ 79,121	¥ —
Notes and accounts receivable-trade	71,753		
Less allowance for doubtful receivables (*1)	(2,058)		
	69,695	69,695	—
Short-term investments and investments in securities:			
Other investment securities	15,311	15,311	—
Total assets	¥164,127	¥164,127	¥ —
Liabilities:			
Notes and accounts payable-trade	¥ 30,725	¥ 30,725	¥ —
Short-term bank loans and current portion of long-term loans	5,578	5,578	—
Bonds included in long-term debt	20,000	19,992	(8)
Bonds with stock acquisition rights	30,035	30,206	171
Long-term loans	100	100	(0)
Total liabilities	¥ 86,438	¥ 86,601	¥163
Derivative transactions (*2)	¥ (2,911)	¥ (2,911)	¥ —

Notes:
(*1) The amount of less allowance for doubtful receivables in the above table is related to notes and accounts receivable-trade.
(*2) The value of assets and liabilities arising from derivatives is a net value, and the amount in parentheses represents a liability position.

Since cash and deposits, and notes and accounts receivable-trade are settled in a short period of time, their carrying value approximates the fair value.

The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or the prices provided by the financial institutions making markets for these securities.

Since notes and accounts payable-trade and short-term bank loans and are settled in a short period of time, their carrying value approximates the fair value.

The fair value of bonds with stock acquisition rights included in current portions of long-term debt is based on the prices provided by the financial institutions.

The fair value of bonds included in long-term debt is based on the present value of the total of principal and interest discounted by the interest rate determined taking into account the remaining period for each bond and the current credit risk.

The fair value of long-term loans is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.

Regarding derivatives, refer to Note 18.

Carrying value of financial instruments for which it is extremely difficult to determine the fair value at December 31, 2018 and 2017 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unlisted equity securities	¥483	¥423	$4,391
Unlisted debt securities	120	120	1,091
Investments in limited liability partnerships	338	226	3,073

(c) Redemption schedule for monetary claims and investments by maturity date

The redemption schedule for monetary claims and debt securities by maturity date at December 31, 2018 is as follows:

	Millions of yen				Thousands of U.S. dollars			
	2018							
	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
Cash and deposits	¥ 68,287	¥—	¥—	¥ —	$ 620,791	$—	$—	$ —
Notes and accounts receivable-trade	66,819	—	—	—	607,445	—	—	—
Debt securities:								
Corporate bonds	—	—	—	120	—	—	—	1,091
	¥135,106	¥—	¥—	¥120	$1,228,236	$—	$—	$1,091

(d) Payment schedule for short-term bank loans and long-term debt

The payment schedule for short-term bank loans and long-term debt by payment due date at December 31, 2018 is as follows:

	Millions of yen					
	2018					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term bank loans	¥ 1,292	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	—	20,000	—	—	—
Bonds with stock acquisition rights	30,000	—	—	—	—	—
Long-term loans	34	134	15	—	—	—
Lease obligations	794	731	666	587	384	2,747
Total	¥32,120	¥865	¥20,681	¥587	¥384	¥2,747

	Thousands of U.S. dollars					
	2018					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term bank loans	$ 11,745	$ —	$ —	$ —	$ —	$ —
Bonds	—	—	181,818	—	—	—
Bonds with stock acquisition rights	272,728	—	—	—	—	—
Long-term loans	310	1,218	136	—	—	—
Lease obligations	7,217	6,646	6,055	5,336	3,491	24,973
Total	$292,000	$7,864	$188,009	$5,336	$3,491	$24,973

18 Derivatives and Hedging Activities

The outstanding currency-related derivatives positions not designated as hedging instruments at December 31, 2018 and 2017 are as follows:

		Millions of yen			
		2018			
Classification	Transaction	Contract value (notional principal amount)	Portion in excess of 1 year in contract value	Estimated fair value	Unrealized loss
Over-the-counter transactions	Non-deliverable forwards:				
	Selling				
	ARS	¥ 238	¥—	¥ (31)	¥ (31)
	BRL	4,977	—	(127)	(127)
	Total	¥5,215	¥—	¥(158)	¥(158)

		Millions of yen			
		2017			
Classification	Transaction	Contract value (notional principal amount)	Portion in excess of 1 year in contract value	Estimated fair value	Unrealized gain
Over-the-counter transactions	Non-deliverable forwards:				
	Selling				
	BRL	¥6,783	¥—	¥224	¥224
	Total	¥6,783	¥—	¥224	¥224

		Thousands of U.S. dollars			
		2018			
Classification	Transaction	Contract value (notional principal amount)	Portion in excess of 1 year in contract value	Estimated fair value	Unrealized loss
Over-the-counter transactions	Non-deliverable forwards:				
	Selling				
	ARS	$ 2,164	$—	$ (282)	$ (282)
	BRL	45,245	—	(1,154)	(1,154)
	Total	$47,409	$—	$(1,436)	$(1,436)

Fair value is based on the prices obtained from counterparty financial institutions.

There are no outstanding interest-related derivative positions not designated as hedging instruments at December 31, 2018 and 2017.

The outstanding currency-related derivatives positions designated as hedging instruments at December 31, 2018 and 2017 are as follows:

			Millions of yen			Thousands of U.S. dollars		
			2018					
Classification	Transaction	Hedged item	Contract value (notional principal amount)	Portion in excess of 1 year in contract value	Estimated fair value	Contract value (notional principal amount)	Portion in excess of 1 year in contract value	Estimated fair value
Deferral hedge accounting	Forward foreign exchange contracts:							
	Selling							
	USD	Accounts receivable-trade (Forecasted transaction)	¥ 51	¥ —	¥ 0	$ 464	$ —	$ 0
	EUR	Accounts receivable-trade (Forecasted transaction)	1,214	—	3	11,036	—	27
	GBP	Accounts receivable-trade (Forecasted transaction)	11,952	5,736	185	108,654	52,145	1,682
	NOK	Accounts receivable-trade (Forecasted transaction)	402	—	16	3,655	—	145
	DKK	Accounts receivable-trade (Forecasted transaction)	490	—	3	4,455	—	27
	Buying							
	USD	Accounts payable-trade (Forecasted transaction)	147,848	71,529	4,781	1,344,072	650,264	43,464
	Subtotal		161,957	77,265	4,988	1,472,336	702,409	45,345
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:							
	Selling							
	USD	Accounts receivable-trade	199	—	—	1,809	—	—
	Buying							
	USD	Accounts payable-trade	765	—	—	6,955	—	—
	Total		¥162,921	¥77,265	¥4,988	$1,481,100	$702,409	$45,345

			Millions of yen		
			2017		
Classification	Transaction	Hedged item	Contract value (notional principal amount)	Portion in excess of 1 year in contract value	Estimated fair value
Deferral hedge accounting	Forward foreign exchange contracts:				
	Selling				
	USD	Accounts receivable-trade (Forecasted transaction)	¥ 124	¥ —	¥ 0
	EUR	Accounts receivable-trade (Forecasted transaction)	1,511	—	(47)
	GBP	Accounts receivable-trade (Forecasted transaction)	14,855	7,514	835
	NOK	Accounts receivable-trade (Forecasted transaction)	408	—	7
	DKK	Accounts receivable-trade (Forecasted transaction)	524	—	(17)
	Buying				
	USD	Accounts payable-trade (Forecasted transaction)	208,430	104,939	(3,913)
	Subtotal		225,852	112,453	(3,135)
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:				
	Selling				
	USD	Accounts receivable-trade	142	—	—
	Buying				
	USD	Accounts payable-trade	1,943	—	—
	Total		¥227,937	¥112,453	¥(3,135)

The fair value of forward foreign exchange contracts that qualify for the allocation method is included in accounts receivable-trade and accounts payable-trade. Fair value is based on the prices obtained from counterparty financial institutions.

The outstanding interest-related derivatives positions designated as hedging instruments at December 31, 2017 is as follows:

		Millions of yen		
		2017		
Method of hedge accounting	Transaction and major hedged items	Contract value (notional principal amount)	Portion in excess of 1 year in contract value	Estimated fair value
	Interest-rate swaps:			
Swap rates applied to underlying debt	Pay fixed / Receive floating Long-term loans	¥2,400	¥ —	¥ —

The fair value of interest-rate swaps that qualify for special treatment is included in long-term loans.

Disclosure at December 31, 2018 is omitted as there were no interest-related derivatives positions.

19 Other Comprehensive Loss

The following table presents the changes in the components of other comprehensive loss for the years ended December 31, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net unrealized holding (loss) gain on securities:			
Unrealized holding (loss) gain arising during the year	¥ (1,846)	¥ 1,483	$ (16,782)
Net gain reclassified into income	(1,263)	(140)	(11,482)
Subtotal	(3,109)	1,343	(28,264)
Less: tax effect	914	(414)	8,309
Net unrealized holding (loss) gain on securities	(2,195)	929	(19,955)
Unrealized deferred gain (loss) on hedges:			
Unrealized deferred gain (loss) arising during the year	20,499	(24,688)	186,355
Net loss reclassified into income	(12,106)	3,900	(110,056)
Subtotal	8,393	(20,788)	76,299
Less: tax effect	(2,184)	5,351	(19,854)
Unrealized deferred gain (loss) on hedges	6,209	(15,437)	56,445
Revaluation reserve for assets of overseas subsidiaries	(18)	(37)	(164)
Translation adjustments:			
Translation adjustments arising during the year	(9,909)	6,055	(90,081)
Net gain reclassified into income	—	—	—
Subtotal	(9,909)	6,055	(90,081)
Less: tax effect	—	—	—
Translation adjustments	(9,909)	6,055	(90,081)
Retirement benefits liability adjustments:			
Retirement benefits liability adjustments arising during the year	11	(440)	100
Net loss reclassified into income	72	28	655
Subtotal	83	(412)	755
Less: tax effect	(12)	66	(110)
Retirement benefits liability adjustments	71	(346)	645
Total other comprehensive loss, net	¥ (5,842)	¥ (8,836)	$ (53,110)

20 Supplementary Information on the Consolidated Statement of Cash Flows

Information on significant non-cash transactions

The Company and its consolidated subsidiaries recorded leased assets of ¥969 million ($8,809 thousand) and ¥915 million and lease obligations of ¥969 million ($8,809 thousand) and ¥915 million under finance leases for the years ended December 31, 2018 and 2017, respectively.

Assets corresponding to asset retirement obligations recorded as of December 31, 2018 and 2017 were ¥186 million ($1,691 thousand) and ¥136 million, respectively. Liabilities corresponding to asset retirement obligations recorded as of December 31, 2018 and 2017 were ¥202 million ($1,836 thousand) and ¥152 million, respectively.

21 Amounts per Share

Amounts per share at December 31, 2018 and 2017 and for the years then ended are as follows:

	Yen		U.S. dollars
	2018	2017	2018
Net assets	¥873.43	¥1,051.45	$7.94
Profit (loss) attributable to owners of parent:			
Basic	(107.59)	68.33	(0.98)
Diluted	—	64.42	—
Cash dividends applicable to the year	24.00	23.50	0.22

The amounts per share of net assets have been computed based on the number of shares of common stock outstanding at the year end. Basic profit (loss) attributable to owners of parent per share has been computed based on the profit (loss) attributable to owners of parent available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the years ended December 31, 2018 and 2017, respectively.

Diluted profit attributable to owners of parent per share is computed based on the profit attributable to owners of parent available for distribution to shareholders and the weighted-average number of shares of common stock outstanding during the year ended December 31, 2017 after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock options and bonds with stock acquisition rights.

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

The financial data used in the computation of basic profit (loss) per share and diluted profit per share for the years ended December 31, 2018 and 2017 in the table above is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Information used in computation of basic profit (loss) per share:			
Profit (loss) attributable to owners of parent	¥(20,328)	¥12,970	$(184,800)
Adjustments to profit attributable to owners of parent	¥ —	¥ (21)	$ —

	Thousands of shares	
	2018	2017
Weighted-average number of shares of common stock outstanding	188,936	189,824
Increase in common stock	—	11,182
Increase attributable to:		
Bonds with stock acquisition rights	—	11,048
Stock acquisition rights	—	134

22 Segment Information

1. **Outline of reportable segments**

Reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Meeting of the Company to make decisions on the allocation of management resources and assess performance.

The Company is mainly engaged in business management activities and research and development as the global headquarters.

The Group is primarily engaged in the manufacture and sales of sporting goods. ASICS Japan Corporation and other subsidiaries in Japan are responsible for Japan. ASICS America Corporation is responsible for America. ASICS Europe B.V. is responsible for Europe, Middle East and Africa. ASICS Oceania PTY., Ltd. and ASICS Asia PTE., Ltd. are responsible for Oceania, South-East Asia, and South Asia. ASICS China Trading Co., Ltd. and ASICS Korea Corporation are responsible for relevant areas of East Asia. Local legal entities are independent management units and they set overall management strategy for their businesses and conduct separate business activities.

The "Japan," the "America," the "Europe" (including Middle East and Africa), the "Oceania/Southeast and South Asia Area" and the "East Asia" segments primarily manufacture and sell sporting goods and the "Other business" segment manufactures and sells outdoor products under the "HAGLÖFS" brand.

2. **Calculation method used for sales, income or loss, assets and other items on each reportable segment**

Accounting policies of the reportable business segments are the same as those noted in the "Note 2. Summary of Significant Accounting Policies."

The amount of income (loss) of reportable segments is based on operating income. Intersegment sales and transfers between segments are based on market price.

3. **Information on net sales, income or loss, assets and other items by reportable segment**

Reportable segment information for the years ended December 31, 2018 and 2017 is as follows:

	Millions of yen								
	2018								
	Japan	America	Europe	Oceania / Southeast and South Asia Area	East Asia	Other business	Total	Adjustments	Consolidated
Net sales:									
Sales to customers	**¥100,326**	**¥90,269**	**¥105,625**	**¥27,156**	**¥53,356**	**¥8,768**	**¥385,500**	**¥ 1,162**	**¥386,662**
Intersegment	**17,924**	**26**	**58**	**—**	**3**	**515**	**18,526**	**(18,526)**	**—**
Total sales	**¥118,250**	**¥90,295**	**¥105,683**	**¥27,156**	**¥53,359**	**¥9,283**	**¥404,026**	**¥(17,364)**	**¥386,662**
Segment income (loss)	**¥ 4,035**	**¥ (4,013)**	**¥ 5,099**	**¥ 3,686**	**¥ 5,381**	**¥ (259)**	**¥ 13,929**	**¥ (3,413)**	**¥ 10,516**
Segment assets	**¥ 72,373**	**¥72,387**	**¥ 73,488**	**¥23,705**	**¥30,996**	**¥7,645**	**¥280,594**	**¥ 23,867**	**¥304,461**
Other items									
Depreciation and amortization	**¥ 1,258**	**¥ 2,215**	**¥ 1,752**	**¥ 401**	**¥ 774**	**¥ 547**	**¥ 6,947**	**¥ 2,946**	**¥ 9,893**
Increases in property, plant and equipment and intangible assets	**340**	**1,643**	**1,580**	**628**	**323**	**131**	**4,645**	**3,356**	**8,001**

	Millions of yen								
	2017								
	Japan	America	Europe	Oceania / Southeast and South Asia Area	East Asia	Other business	Total	Adjustments	Consolidated
Net sales:									
Sales to customers	¥101,107	¥106,120	¥106,194	¥27,659	¥49,085	¥ 8,871	¥399,036	¥1,122	¥400,158
Intersegment	18,356	57	97	—	46	368	18,924	(18,924)	—
Total sales	¥119,463	¥106,177	¥106,291	¥27,659	¥49,131	¥ 9,239	¥417,960	¥(17,802)	¥400,158
Segment income (loss)	¥ 5,886	¥ 2,361	¥ 8,297	¥ 4,057	¥ 5,097	¥ (253)	¥ 25,445	¥ (5,874)	¥ 19,571
Segment assets	¥ 73,164	¥ 74,336	¥ 80,004	¥23,488	¥31,229	¥15,118	¥297,339	¥ 50,893	¥348,232
Other items									
Depreciation and amortization	¥ 1,125	¥ 2,150	¥ 1,812	¥ 427	¥ 561	¥ 549	¥ 6,624	¥ 2,739	¥ 9,363
Increases in property, plant and equipment and intangible assets	554	3,574	2,787	332	627	159	8,033	4,631	12,664

	Thousands of U.S. dollars								
	2018								
	Japan	America	Europe	Oceania / Southeast and South Asia Area	East Asia	Other business	Total	Adjustments	Consolidated
Net sales:									
Sales to customers	**$ 912,055**	**$820,627**	**$960,227**	**$246,873**	**$485,055**	**$79,709**	**$3,504,546**	**$ 10,563**	**$3,515,109**
Intersegment	**162,945**	**236**	**528**	**—**	**27**	**4,682**	**168,418**	**(168,418)**	**—**
Total sales	**$1,075,000**	**$820,863**	**$960,755**	**$246,873**	**$485,082**	**$84,391**	**$3,672,964**	**$(157,855)**	**$3,515,109**
Segment income (loss)	**$ 36,682**	**$ (36,482)**	**$ 46,355**	**$ 33,509**	**$ 48,918**	**$ (2,355)**	**$ 126,627**	**$ (31,027)**	**$ 95,600**
Segment assets	**$ 657,936**	**$658,064**	**$668,073**	**$215,500**	**$281,782**	**$69,500**	**$2,550,855**	**$ 216,972**	**$2,767,827**
Other items									
Depreciation and amortization	**$ 11,436**	**$ 20,137**	**$ 15,927**	**$ 3,645**	**$ 7,036**	**$ 4,974**	**$ 63,155**	**$ 26,781**	**$ 89,936**
Increases in property, plant and equipment and intangible assets	**3,091**	**14,936**	**14,364**	**5,709**	**2,936**	**1,191**	**42,227**	**30,509**	**72,736**

(Notes) 1. (1) Adjustments on segment sales mainly consist of adjustments of intersegment transactions and sales which are not included in the reportable segments.
(2) Adjustments on segment income or loss mainly consist of adjustments of intersegment transaction and income or loss which are not included in the reportable segments.
(3) Adjustments on segment assets mainly consist of the eliminations of investment balance and corporate assets.
2. Segment income or loss is reconciled primarily to operating income on the consolidated statement of operations.

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sale of sporting goods in Japan and overseas. As most of the consolidated net sales were related to sports and leisure-related products, the disclosure of business segment information has been omitted.

Net sales by geographical segment for the years ended December 31, 2018 and 2017 are summarized as follows:

	Millions of yen					
	2018					
	Japan	America	Europe	East Asia	Other	Total
Net sales	**¥100,353**	**¥91,326**	**¥107,497**	**¥53,966**	**¥33,520**	**¥386,662**

	Millions of yen					
	2017					
	Japan	America	Europe	East Asia	Other	Total
Net sales	¥101,073	¥107,169	¥108,950	¥49,935	¥33,031	¥400,158

	Thousands of U.S. dollars					
	2018					
	Japan	America	Europe	East Asia	Other	Total
Net sales	**$912,300**	**$830,236**	**$977,245**	**$490,600**	**$304,728**	**$3,515,109**

(Note) Net sales are based on customer locations and classified by country and territory.

Property, plant and equipment by geographical segment as of December 31, 2018 and 2017 are summarized as follows:

	Millions of yen				
	2018				
	Japan	America	Europe	Other	Total
Property, plant and equipment	**¥20,109**	**¥7,760**	**¥4,518**	**¥1,820**	**¥34,207**

	Millions of yen				
	2017				
	Japan	America	Europe	Other	Total
Property, plant and equipment	¥21,181	¥11,616	¥5,917	¥1,999	¥40,713

	Thousands of U.S. dollars				
	2018				
	Japan	America	Europe	Other	Total
Property, plant and equipment	**$182,809**	**$70,545**	**$41,073**	**$16,546**	**$310,973**

As there are no customers accounting for 10% or more of consolidated net sales, the disclosure of information on major customers has been omitted.

Loss on impairment of property, plant and equipment by reportable segment for the years ended December 31, 2018 and 2017 is summarized as follows:

	Millions of yen								
	2018								
	Japan	America	Europe	Oceania / Southeast and South Asia Area	East Asia	Other business	Total	Adjustments	Consolidated
Loss on impairment of property, plant and equipment	**¥441**	**¥2,931**	**¥2,644**	**¥—**	**¥451**	**¥6,268**	**¥12,735**	**¥9,829**	**¥22,564**

	Millions of yen								
	2017								
	Japan	America	Europe	Oceania / Southeast and South Asia Area	East Asia	Other business	Total	Adjustments	Consolidated
Loss on impairment of property, plant and equipment	¥46	¥—	¥—	¥—	¥—	¥—	¥46	¥28	¥74

	Thousands of U.S. dollars								
	2018								
	Japan	America	Europe	Oceania / Southeast and South Asia Area	East Asia	Other business	Total	Adjustments	Consolidated
Loss on impairment of property, plant and equipment	**$4,009**	**$26,645**	**$24,036**	**$—**	**$4,100**	**$56,982**	**$115,772**	**$89,354**	**$205,126**

Amortization of goodwill for the years ended December 31, 2018 and 2017 and the balance of goodwill as of December 31, 2018 and 2017 by reportable segment are summarized as follows:

	Millions of yen								
	2018								
	Japan	America	Europe	Oceania / Southeast and South Asia Area	East Asia	Other business	Total	Adjustments	Consolidated
Amortization	**¥193**	**¥—**	**¥—**	**¥—**	**¥—**	**¥219**	**¥412**	**¥925**	**¥1,337**
Remaining as of December 31	**5**	**—**	**—**	**—**	**—**	**—**	**5**	**—**	**5**

	Millions of yen								
	2017								
	Japan	America	Europe	Oceania / Southeast and South Asia Area	East Asia	Other business	Total	Adjustments	Consolidated
Amortization	¥193	¥—	¥—	¥—	¥—	¥ 226	¥ 419	¥ 941	¥ 1,360
Remaining as of December 31	198	—	—	—	—	2,943	3,141	7,808	10,949

	Thousands of U.S. dollars								
	2018								
	Japan	America	Europe	Oceania / Southeast and South Asia Area	East Asia	Other business	Total	Adjustments	Consolidated
Amortization	**$1,755**	**$—**	**$—**	**$—**	**$—**	**$1,991**	**$3,746**	**$8,409**	**$12,155**
Remaining as of December 31	**45**	**—**	**—**	**—**	**—**	**—**	**45**	**—**	**45**

Information on gain on negative goodwill has been omitted as these are no applicable items to be disclosed for the years ended December 31, 2018 and 2017.

23 Subsequent Events

(1) Cash dividends

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended December 31, 2018, was approved at a meeting of the shareholders of the Company held on March 28, 2019:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥12.00 = US$0.11 per share)	¥2,264	$20,582

(2) Retirement of treasury stock

The Company resolved at the Board of Directors' meeting held on February 13, 2019, to retire a portion of its treasury stock as stated below pursuant to Article 178 of the Companies Act of Japan.

(a) Reason for retirement of the Company's treasury stock

To return profit to shareholders based on the Company's shareholder return policy.

(b) Outline of retirement

Class of shares to be retired	Common stock of the Company
Number of shares to be retired	10,000,000 shares (The ratio to the aggregate number of issued shares before cancellation: 5.00%)
Scheduled retirement date	February 28, 2019
Retirement method	Deduction from capital surplus

After the retirement, the Company's aggregate number of issued shares was 189,870,559 shares.

(3) Issuance of unsecured bonds

The Company issued unsecured bonds on March 13, 2019, pursuant to a resolution at the Board of Directors' meeting held on February 20, 2019.

Outline of issuance

Type of bonds	Unsecured bonds
Amount of bonds	JPY 20,000,000,0000 (US$ 181,818,182)
Issued price	¥100 per unit
Interest rate	0.2%
Scheduled redemption date	March 13, 2024
Redemption method	Bullet redemption
Payment date	March 13, 2019
Use of funds	Expenses related to qualified projects which contribute to corporate sustainability such as the research expenses of sports engineering research institute

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
ASICS Corporation

We have audited the accompanying consolidated financial statements of ASICS Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at December 31, 2018, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ASICS Corporation and its consolidated subsidiaries as at December 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation
We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

March 28, 2019
Osaka, Japan

CORPORATE INFORMATION

Corporate Data (As of December 31, 2018)

Corporate Name:	ASICS Corporation
Founded:	September 1, 1949
Paid-in Capital:	¥23,972 million
Principal Business:	Manufacture and sales of sports goods
Head Office:	1-1, Minatojima-Nakamachi 7-chome, Chuo-ku, Kobe 650-8555, Japan Tel: +81-78-303-2231
Institute:	ASICS Institute of Sport Science 2-1, Takatsukadai 6-chome, Nishi-ku, Kobe 651-2271, Japan Tel: +81-78-992-0810
Number of Employees:	8,823 (consolidated basis)

Major Consolidated Subsidiaries (As of December 31, 2018)

- ASICS Japan Corporation
- ASICS America Corporation
- ASICS BRASIL LTDA
- ASICS Europe B.V.
- ASICS Oceania PTY. LTD.
- ASICS Asia PTE. LTD.
- ASICS Korea Corporation
- ASICS China Trading Co., Ltd.
- HAGLÖFS AB
- SANIN ASICS Industry Corporation
- ASICS Apparel Industry Corporation

Executives (As of April 1, 2019)

Chairman and CEO, Representative Director:	Motoi Oyama
President and COO, Representative Director:	Yasuhito Hirota
Directors:	Hokuto Nakano
	Tsuyoshi Nishiwaki
	Naoki Matsushita
	Shinji Senda
	Ryoji Shoda
Outside Directors:	Katsuro Tanaka
	Takeshi Hanai
	Hitoshi Kashiwaki
	Kazuo Sumi
Executive Officers:	Tomoki Yanagisawa
	Megumi Ohta
	Mitsuyuki Tominaga
	Koji Hayashi
	Kenichi Harano
	Norio Takaoka
	Manabu Kuramoto
	Gary Fukumoto
	Paul Miles
	Hilda Chan
	Takaaki Kondo
	Alistair Cameron
	Junji Kobayashi
	Atsushi Takatsuki
	Koichiro Kodama
Audit & Supervisory Board Members:	Tadashi Inoue
	Keiji Miyakawa
Outside Audit & Supervisory Board Members:	Hideaki Mihara
	Miwa Suto

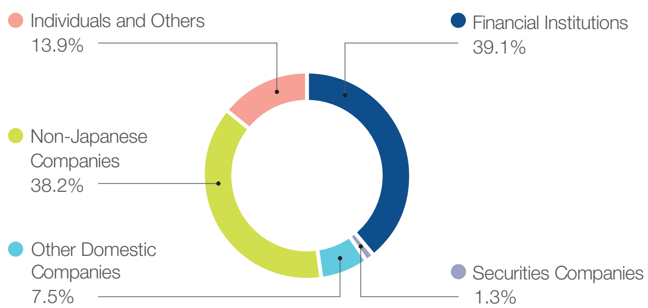
Shareholder Information (As of December 31, 2018)

Common Stock:	Authorized .... 790,000,000 shares Issued .... 199,870,559 shares (including treasury stock of 11,165,350 shares)
Number of Shareholders:	37,419

Principal Shareholders: (As of December 31, 2018)

Name	Shareholdings (Thousands)	Ownership* (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,472	6.6
Japan Trustee Services Bank, Ltd. (Trust Account)	9,436	5.0
MUFG Bank, Ltd.	7,858	4.2
Sumitomo Mitsui Banking Corporation	6,607	3.5
Nippon Life Insurance Company	5,679	3.0
JP MORGAN CHASE BANK 385632	4,755	2.5
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,895	2.1
THE BANK OF NEW YORK MELLON 140051	2,940	1.6
Mizuho Bank, Ltd.	2,784	1.5
JP MORGAN CHASE BANK 385151	2,682	1.4

Breakdown of Shareholders: (As of December 31, 2018)



*Ownership ratios were calculated by deducting shares of treasury stock.