

## Financial Results for the Year Ended December 31, 2009

Company name:	SRI Sports Limited
Stock Exchange Listing (Section):	Tokyo Stock Exchange (First Section)
Stock Code:	7825
URL:	<a href="http://www.sri-sports.co.jp/">http://www.sri-sports.co.jp/</a>
Representative:	Hiroyuki Bamba, President and Representative Director
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Annual Meeting of Shareholders Due Date:	March 24, 2010
Dividend Paying Due Date:	March 25, 2010
Annual Securities Report Filing Due Date:	March 25, 2010

### 1. Consolidated Financial Results (January 1, 2009 to December 31, 2009) (Amounts rounded down to million yen)

#### (1) Consolidated Results of Operations

(Percentages show projected year-on-year changes for the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 2009	65,622	(12.1)	3,686	(47.9)	3,689	(40.9)	1,161	(45.9)
December 2008	74,664	26.2	7,081	23.7	6,239	11.4	2,148	(30.0)

	Net income per share		Net income per share fully diluted		Return on equity	Net income to total assets ratio	Operating income to sales
	Yen	Sen	Yen	Sen	%	%	%
December 2009	4,036	50	—	—	3.6	6.2	5.6
December 2008	7,407	50	—	—	6.7	9.8	9.5

(Reference) Equity in net income of affiliates

December 2009: (10) Million yen December 2008: 28 Million yen

#### (2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	Net assets per share	
	Million yen		Million yen		%	Yen	Sen
December 2009	57,501		33,685		56.0	112,102	02
December 2008	61,260		33,785		52.6	111,122	51

(Reference) Shareholders' equity: December 2009: 32,173 Million yen December 2008: 32,225 Million yen

#### (3) Consolidated Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from Financing activities	The balance of Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
December 2009	4,076	(76)	(3,748)	5,505
December 2008	7,498	(2,078)	(3,826)	5,295

### 2. Dividend Position

(Record date)	Dividend per share					Total dividends (Annual)	Dividend payout (consolidated)	Dividends/ net assets (consolidated)
	1Q	2Q	3Q	Year ended	Annual			
	Yen Sen	Yen Sen	Yen Sen	Yen Sen	Yen Sen	Million yen	%	%
December 2008	—	2,000 00	—	2,000 00	4,000 00	1,160	54.0	3.6
December 2009	—	2,000 00	—	2,000 00	4,000 00	1,154	99.1	3.6
December 2010 (forecast)	—	2,000 00	—	2,000 00	4,000 00	—	57.4	—

### 3. Consolidated Forecasts (January 1, 2009 to December 31, 2009)

	Net sales		Operating income		Ordinary income		Net income		Net income per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	Sen
2Q	34,500	9.5	3,400	434.5	3,300	389.9	2,000	—	6,968	64
Annual	66,000	0.6	4,000	8.5	4,000	8.4	2,000	72.2	6,968	64

#### 4. Other

- (1) Changes in major subsidiaries (Change of specific subsidiaries in accordance with changes in the scope of consolidation): None
- (2) Changes in the principles of accounting methods, presentation methods, etc., of consolidated financial methods (Entries in the important affairs on the basics for preparation of the consolidated financial statements)
- 1 Changes caused by revision of accounting standards: Yes
  - 2 Other changes: None
- (3) Number of shares outstanding (common shares)
- |                               |               |         |        |               |         |        |
|-------------------------------|---------------|---------|--------|---------------|---------|--------|
| Treasury stock, included:     | December 2009 | 290,000 | shares | December 2008 | 290,000 | shares |
| End-of-period treasury stock: | December 2009 | 3,000   | shares | December 2008 | —       | shares |

### (Reference) Non-consolidated Financial Results Summaries

#### 1. Non-consolidated Financial Results (January 1, 2009 to December 31, 2009) (Amounts rounded down to million yen)

##### (1) Non-consolidated Financial Results of Operations

(Percentages show projected year-on-year changes for the previous year)

	Net Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 2009	38,436	(11.8)	4,406	(28.5)	4,906	(24.8)	2,732	(20.7)
December 2008	43,559	3.7	6,164	45.9	6,522	43.2	3,446	47.8

	Net income per share		Net income per share fully diluted	
	Yen	Sen	Yen	Sen
December 2009	9,499	48	—	—
December 2008	11,884	92	—	—

##### (2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share	
	Million yen	Million yen	%	Yen	Sen
December 2009	56,058	31,978	57.0	111,423	20
December 2008	56,665	30,254	53.4	104,324	23

(Reference) Shareholders' equity: December 2009: 31,978 Million yen December 2008: 30,254 Million yen

#### ※Explanations and others special notes concerning the appropriate use of business performance forecasts

The consolidated business performance forecasts stated in this document are based on assumptions with regard to prospects and the business plan for the future currently available on the date this document was published. Actual results may differ from these forecasts for a variety of reasons.

#### 1. Business Performance

##### (1) Analysis of Business Performance

###### (i) Overview of overall business

Despite signs of economic recovery from the lackluster situation at the beginning of the year, in light of the stimulus packages and improving trend seen in overseas economies, particularly in Asia, the domestic economy during this fiscal year (from January 1 to December 31, 2009) remained in a difficult situation overall, with the rapid appreciation of the yen pressuring corporate earnings, the continuous adjustment pressure on capital expenditures, and the remaining problems of employment, as well as the sustained deflationary environment from weak consumer spending.

Meanwhile, in the environment surrounding our group in Japan, the number of visitors to golf courses remained basically flat; however, store sales were directly hit by lackluster consumer spending since the beginning of the year, and the market faced its most difficult situation ever, particularly for golf clubs. The environment in overseas markets was also difficult, similar to the domestic market, in light of the deterioration in market conditions in the United States and around the world.

Under such circumstances, our group strived to further expand sales by restructuring our global sales organizations and promoting marketing activities using different brands for different regions and products. At the same time, we made full-scale, group-wide efforts to establish a product development structure that combines our unique digital simulation technology with Cleveland Golf's high quality product planning capability to promote total cost reductions by lowering our golf club production costs, reviewing the production system, and strengthening our business quality even further by suppressing expenses. With these efforts, our group earnings came in much higher than our initial forecast at the beginning of the year, although it fell below the previous year's level.

As a result, sales for this consolidated fiscal year were 65,622 million yen, down 12.1% from the previous year; ordinary income was 3,689 million yen, declining 40.9% year-over-year; and net income was 1,161 million yen, dropping 45.9% from the same period last year.

As for non-consolidated results, sales were 38,436 million yen, down 11.8% year-over-year; ordinary income was 4,906 million yen, dropping 24.8% from the previous year; and net income was 2,732 million yen, down 20.7% from the same period last year.

## (ii) Overview by segment

### 1) Sports equipment business

For our golf equipments, in the domestic market, in addition to our core The XXIO (= fifth generation XXIO) enjoying continuous dominant popularity, we began selling the SRIXON GiE, aimed at the average player, and the SRIXON Z-TX aimed at professionals and advanced players in January and September, respectively. Furthermore, we promoted aggressive sales activities by introducing a Japan-exclusive wedge from the Cleveland Golf brand in March and the New XXIO, which is the sixth generation model for the series, in mid December.

For golf balls, we made further efforts to expand sales by strengthening the appeal to users and pursuing variety in our product lineup by adding new color variations to our XXIO SUPER XD with advanced flying distance and straight carry and roll, as well as our new model SRIXON Z-STAR series, which combines the spin capability and carry required by the world's tour professionals. We also introduced new and highly functional shoes, accessories, and golf wear, namely from the XXIO, SRIXON, and Cleveland Golf brands in a timely fashion.

Meanwhile, in the overseas market, we began sales of the HIBORE MOAI XLS driver and Launcher DST wood series golf clubs from the Cleveland Golf brand. We were able to steadily expand the market share of SRIXON golf ball sales in the United States and Europe by fully utilizing the Cleveland Golf's golf ball sales channel, as well as by strengthening our promotional activities with the signing of new contracts with players, including Cleveland Golf contract professional and 2008 US PGA Tour money leader, Vijay Singh, in an effort to increase golf ball sales.

However, the drastic cooling of the global economy, including Japan, triggered by the Lehman Shock in 2008, had a huge impact on store sales both domestic and abroad, for golf clubs in particular, thus sales of golf equipment overall fell below the previous year.

As for tennis equipment, we established a lineup of SRIXON brand products for tennis rackets, in addition to tennis balls and tennis wear, with the introduction of the SRIXON X series tennis rackets, which improves ball control while exploiting power. From the BABOLAT brand Pure Drive series, which has been popular with tennis players from various countries around the world for a long time, we introduced two new models of tennis rackets, which were received favorably. However, overall tennis equipment sales fell slightly below the previous year, partially because of the impact of stagnant store sales for tennis equipments in general and due to school closures from the spread of the new influenza since autumn, which came on top of sluggish market conditions.

As a result, consolidated sales for this fiscal year for the Sports Equipment Business, including licensing revenue, fell 12.9% year-over-year to 60,019 million yen.

### 2) Other operations

Revenue from golf tournament operations fell below the previous year, despite the favorable factor of the increased popularity of golf tournaments, as the number of managed tournaments declined due to cancellations of golf tournaments and as the size of tournaments became smaller. On the other hand, revenue from golf school operations rose above the previous year, with the addition of school facilities and the steady performance of in-door schools tied to golf ranges and large golf specialty stores in the metropolitan area. As for golf course operations, sales fell below the previous year because of the drop in unit greens fees resulting from increased competition in light of the slackening of the economy, although the number of visitors remained steady benefiting from good weather in general and our efforts to improve services.

As a result, sales from Other Operations this consolidated fiscal year were 5,603 million yen, down 2.8% from the previous year.

(iii) Outlook for the next term

Albeit hopes for a sustained recovery trend in the economy in light of the effects of the economic stimulus packages and improvement in overseas economies, the domestic economy going forward is expected to remain in a difficult situation with risks that may push the economy down, such as continued deflation, concerns over a downturn in the overseas economy, and further deterioration in the employment situation.

In the overseas market as well, although a recovery trend can be seen in some places, namely Asia, the unemployment rates in the United States and Europe are still high, and the economic doldrums are expected to continue for the foreseeable future.

Under such circumstances, the lackluster market conditions for golf equipment and other products will continue; however, our group will strive as a whole to expand store sales and increase market share by introducing new products for our SRIXON and Cleveland Golf brands, in addition to strengthening the sales of our core XXIO brand golf clubs and golf balls.

Meanwhile for profit, we will work to improve profitability by realizing synergies with Cleveland Golf Company in sales, costs, and technological developments, in addition to further promoting cost reduction activities.

Taking such difficult economic situations into consideration, our earnings forecast for the next fiscal year has been set as follows.

	Consolidated			
	Second Quarter Consolidated Cumulative Period	(change from year-ago period)	Full Year	(change from previous year)
	million yen	%	million yen	%
Sales	34,500	+9.5	66,000	+0.6
Operating Income	3,400	+434.5	4,000	+8.5
Ordinary Income	3,300	+389.9	4,000	+8.4
Net Income	2,000	-	2,000	+72.2

(2) Analysis of Financial Situation

(i) Financial situation

Total assets as of the end of this consolidated fiscal year declined 3,758 million yen from the previous consolidated fiscal year end to 57,501 million yen, primarily as a result of reduced inventory and amortization of depreciable assets.

Total liabilities shrank by 3,658 million yen from the previous consolidated fiscal year end to 23,816 million yen, primarily as a result of reduced interest-bearing debt, such as long-term borrowings, and less accrued corporate tax.

Total net assets declined by 99 million yen from the previous consolidated fiscal year end to 33,685 million yen as a result of reduced shareholders' equity from share buybacks, etc., despite the increase in appraisal/conversion differences due to deferral hedge gains.

As a result, the equity ratio was 56.0%, rising 3.4 points from the previous consolidated fiscal year end.

(ii) Status of cash flow

The cash and cash equivalents as of the end of this consolidated fiscal year was 5,505 million yen. This was an increase of 209 million yen from the previous consolidated fiscal year end. The details of cash flow from various activities were as follows.

(Operating Cash Flow)

Operating activities for this consolidated fiscal year generated a cash inflow of 4,076 million yen. The cash inflow declined by 3,421 million yen compared to the previous consolidated fiscal year, which generated a cash inflow of 7,498 million yen. The lower cash inflow was primarily due to the deterioration of net income before taxes and other adjustments, which was 2,014 million yen lower

than the previous consolidated fiscal year, and the decline in accounts payable, which fell by 1,825 million yen.

The major cash inflow for this consolidated fiscal year was net income before taxes and other adjustments (3,532 million yen), and the major cash outflow was the payment of income and other taxes (3,223 million yen).

(Investment Cash Flow)

The investment activities for this consolidated fiscal year generated a cash outflow of 76 million yen. The outflow was 2,001 million yen less than the previous consolidated fiscal year, which generated a cash outflow of 2,078 million yen. In comparison to the previous consolidated fiscal year, this is mainly due to the increase of 745 million yen in cash inflow from the withdrawal of fixed deposits, the decrease of 431 million yen in cash outflow from the deposit of fixed deposits, and the decline of 400 million yen in cash outflow for acquiring tangible fixed assets.

(Financial Cash Flow)

The financial activities for this consolidated fiscal year generated a cash outflow of 3,748 million yen, compared to a 3,826 million yen cash outflow for the previous consolidated fiscal year. This is mainly due to the repayment of interest-bearing debt, such as long-term borrowings, as well as the acquisition of treasury stocks.

(iii) Cash flow trend

	Dec. 2007	Dec. 2008	Dec. 2009
Equity ratio (%)	48.6	52.6	56.0
Market value based equity ratio (%)	59.5	40.1	43.8
Cash flow to interest-bearing debt (year)	2.3	1.5	2.3
Interest coverage ratio	98.1	26.4	21.6

(Calculation method)

- Equity ratio:  $\text{Shareholders' equity} / \text{Total assets}$
- Market value based equity ratio:  $\text{Market Capitalization} / \text{Total assets}$
- Interest coverage ratio:  $\text{Operation cash flow} / \text{Interest payment}$

Note)

1. The respective indices are calculated using consolidated financial figures.
2. The market value of shares is calculated on the basis of total stocks issued excluding treasury stocks.
3. Interest-bearing debt includes all debts for which interest is being paid, as stated in the consolidated balance sheet under liabilities.
4. Interest payments correspond to the amount paid as interest in the consolidated cash flow statements.

(3) Basic Policy for Profit Distribution and Dividends for This/Next Term

SRI Sports recognizes that the distribution of profit to shareholders is one of our important tasks and has made it our basic policy to reward shareholders steadily over a long period with comprehensive consideration of our earnings outlook, dividend ratio, and the level of retained earnings, etc., and we intend to continuously distribute profit to our shareholders.

Furthermore, we have made it our basic policy to pay dividends with surplus earnings twice a year as an interim dividend and a year-end dividend. The organizations responsible for making the decision on the distribution of the surplus are the shareholders for the year-end dividend and the board for the interim dividend.

We intend to use our retained earnings to further strengthen our overseas business development and to enhance research and development activities, so that they will lead to the reinforcement of our business quality.

We plan to pay a dividend of 4,000 yen per share (of which 2,000 yen is the interim dividend) for this fiscal year.