

This is the English translation of the original Japanese-language Business Results of DESCENTE LTD. (the Company) for the 1st quarter of fiscal year ended March 31, 2019 and is provided for reference purposes only. Readers are advised that the Company does not guarantee the accuracy of the content contained in this report. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

Summary of Financial Statements for the 1Q Fiscal Year Ended March 31, 2019
[Japan GAAP] (Consolidated)



August 1, 2018

Name of the Company: DESCENTE LTD.

Listed Exchange: TSE

Code No.: 8114

URL: <http://www.descente.co.jp>

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Person responsible for inquiry: Kenichi Tsujimoto, Director, Managing Executive Officer, CFO

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Date of Submission of 1Q Report: August 9, 2018

Date of Dividend Payments: -

Supplementary Financial Statements: Yes

Financial Results Briefing: None

(Note: Amounts less than one million yen are rounded down)

1. Consolidated Results for 1Q Fiscal Year 2018 (April 1, 2018 - June 30, 2018)

(1) Consolidated operating results (Percentage indicates the changes compared with the corresponding period in the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Quarterly profit attributable to owners of parent	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
1Q FY ended March 31, 2019	30,776	2.0	1,116	13.6	1,196	11.9	975	27.6
1Q FY ended March 31, 2018	30,180	8.0	982	(25.2)	1,068	(24.0)	764	(26.9)

(Note) Comprehensive income: 1Q FY ended March 31, 2019: (¥1,306million) (- %), 1Q FY ended March 31, 2018: ¥2,041million (- %)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
1Q FY ended March 31, 2019	12.94	—
1Q FY ended March 31, 2018	10.14	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Yen in millions	Yen in millions	%
1Q FY ended March 31, 2019	109,386	75,835	69.3
FY ended March 31, 2018	117,141	78,875	67.3

(reference) Equity: 1Q FY ended March 31, 2019: ¥75,835million, FY ended March 31, 2018: ¥78,875million

2. Dividends

	Annual cash dividend per share				
	End of the 1st quarter	End of the 2nd quarter	End of the 3rd quarter	End of year	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2018	—	0.00	—	23.00	23.00
FY ended March 31, 2019	—	—	—	—	—
FY ended March 31, 2019 (Forecast)	—	0.00	—	26.00	26.00

(Note)Revisions to dividend forecasts published most recently: No

3. Consolidated earnings forecast for the fiscal year ending March 31, 2019 (April 1, 2018 - March 31, 2019)

(The full-year percentages indicate the changes compared with the previous year; the quarterly percentages indicate the changes compared with the corresponding period in the previous year)

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent		EPS
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	Yen	
Fiscal first half	70,000	6.1	3,100	(8.8)	3,300	(5.8)	2,200	(9.9)	29.19
Full-year	148,000	4.9	9,600	0.0	10,000	3.1	6,500	12.6	86.24

(Note)Revisions to earnings forecasts published most recently: No

*Notes

(1) Changes in significant subsidiaries during the quarterly fiscal year (Changes in specified subsidiaries resulting in changes in the scope of consolidation): No

(2) Application of accounting specific to the preparation of quarterly consolidated financial statements: Yes

(Note) See Appendix page 9 "(3) Notes to Quarterly Consolidated Financial Statements" for details.

(3) Changes in accounting policies, accounting estimates, and restatement

1. Changes in accounting policies associated with revision of accounting standards: None

2. Changes in accounting policy other than 1: None

3. Changes in accounting estimates: None

4. Restatement: None

(4) Number of shares issued and outstanding (common stock)

1. Number of shares issued and outstanding at the end of fiscal year (including treasury stock):

1Q FY ended Mach 31, 2019	76,924,176	FY ended March 31, 2018	76,924,176
2. Number of treasury stock at fiscal end:	1,551,380	FY ended March 31, 2018	1,551,380
3. Average number of shares during the term:	75,372,796	FY ended March 31, 2018	75,337,372

Note: Summary of 1Q financial statement is not subject to auditing procedures by independent auditors or auditing firms.

Note: Explanation of appropriate use of business performance forecasts and other special items

(Notes on future descriptions)

The earnings forecasts in this document are based on the current information and certain assumptions that are considered reasonable, and actual results may vary greatly depending on various factors. Prerequisites for earnings forecast or notes for using it, please refer to "(3) Overview of Operating Results" on page 3.

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1. Qualitative Information on Consolidated Performance for the First Quarter of Fiscal Year 2019

(1) Explanation of Consolidated Operating Results

Net sales for 1Q FY ended March 31, 2019 was ¥30,776million (+2.0% YOY), operating income was ¥1,116million (+13.6% YOY), ordinary income was ¥1,196million (+11.9% YOY), and quarterly profit attributable to owners of parent was ¥975million (+27.6% YOY).

Operating Results Overviews (Sales by Segments)

Segment	Net Sales (Yen in millions) (year on year)	Segment Income or Loss (Yen in millions) (year on year)
Japan	11,634 (100.5%)	(792) Year on year: (822) million
Asia	18,665 (103.1%)	(2,126) (102.8%)
Europe/Americas	476 (94.4%)	(219) Year on year: (268) million
Adjustments	—	1 Year on year: 4millions
Total	30,776 (102.0%)	1,116 (113.6%)

(Japan)

In the athletic category, although "le coq sportif" performed well and "DESCENTE" remained steady, "arena" struggled. In the golf category, "le coq sportif" performed well. As a whole of Japan, sales remained steady, and losses decreased from the previous year.

(Asia)

"DESCENTE" in Korea and "DESCENTE" and "arena" in China performed well. In Hong Kong and Singapore, "arena" remained steady. As a whole, both sales and profits were higher than the previous year.

(Europe and Americas)

Although sales fell below the previous year, the loss was reduced compared with the previous year.

Net Sales by Item (Sales by Item)

Item	Amount (Yen in millions)	Composition Ratio (%)	Year on year (%)
Athletic wear and related products	22,265	72.3	102.4
Golf wear and related products	7,045	22.9	101.2
Outdoor wear and related products	1,464	4.8	100.0
Total	30,776	100.0	102.0

(Note) The above amounts do not include consumption tax.

(Athletic Wear and Related Products)

In the athletic category, we signed an advisory contract with Yuki Ishikawa who is a pro volleyball player in "DESCENTE" and "SKINS" brand. We will enhance brand recognition and expand our volleyball business through in-store promotion and sales promotion activity by using the player. In March 2018, we established a subsidiary "DESCENTE ATHLETIC AMERICAS INC." to plan, develop and sell products that meet local demand for expansion of DESCENTE's athletic category and new development of golf categories in the U.S. We plan to launch the products in September. In "le coq sportif", stores dealing with "le coq sportif" shoes in Japan increased sharply and sales of core model "ROLAND" and MAGGY's (model/talent) collaborate products performed well. The brand also became the official supplier of bicycle race "NTN presents 2018 Tour of Japan" held on May 20 to 27th, and supplied leaders' jerseys at each stage. We also implemented campaigns for supporters to improve brand awareness. In "arena", as a gold partner, we are sponsoring "2018 Pan Pacific Swimming Championships" which is held from August 9, 2018, and we are striving to promote our brand through a variety of marketing activities, such as implementing campaign to promote the event and selling related products. We also concluded new advisory contract with Ryouka Hasegawa (Fitness Club Tokyo Dome / Nihon University) and Hiroko Makino (Fitness Club Tokyo Dome / Waseda University) for sports-wear such as swimsuits. Both players have won a lot of competitions since junior age, moreover, they performed well at top tournaments even though they are still young, and they are expected to play a great role in the future. They contributed to the brand appeal especially to women. In "umbro", "U by GAKU" collection jointly developed with the contract player Gaku Shibasaki, who played in the Japanese national soccer team, contributed to improve the brand value.

(Golf Wear and Related Products)

In the golf category, we opened a flagship store of "Munsingwear" at Ginza, Tokyo, in April 2018. We offer a high-quality club house style for golf lovers by golf wear as well as wear for everyday scenes. Also, we opened the first store of "Munsingwear" in Vietnam in April. The second store opened in July and we will expand its business in Southeast Asia. In "le coq sportif", Ai Suzuki who is No.1 on the money list in 2017 got fourth victory at "Nichirei Ladies" held in June. The good performance of contracted players contributes to the improvement of brand value.

As other topics, in July 2018, the R&D Center for apparel began operation in Ibaraki City, Osaka. The R&D Center in Busan, South Korea, is scheduled to operate from autumn 2018. Both R&D centers set up a common concept to develop a high dimensional functionality that enables users to achieve performance in various competitions and establish quality standards to ensure stable implementation of the performance of the user. We will continue to strive to improve "the power to create goods" as one of our key strategies.

(2) Explanation of Consolidated Financial Position

As of first quarter FY ended March 31, 2018, total assets decreased ¥7,755 million from the previous fiscal year to ¥109,386 million. Current assets decreased ¥7,430 million to ¥70,637 million. This was mainly due to a decrease of ¥ 5,351 million in cash and deposits, a decrease in notes and accounts receivable of ¥3,487 million and an increase in goods and products of ¥1,361 million.

Fixed assets decreased ¥324 million to ¥38,749 million.

Total liabilities decreased ¥4,714 million to ¥33,551 million. This was mainly due to a decrease in notes and accounts payable of ¥1,701 million and a decrease in allowance for bonuses of ¥494 million.

Net assets decreased ¥3,040 million to ¥75,835 million due to a decrease in retained earnings of ¥758 million and a decrease in translation adjustments of ¥2,422 million.

As a result, the equity ratio increased 2.0% to 69.3%.

(3) Explanation of Future Forecast Information such as Consolidated Performance Forecasts

DESCENTE Group reorganized its Group organization and set DESCENTE Ltd. as the Global Head Office and divided the Japan business into DESCENTE Japan Ltd. and started the operation in April, 2017. At the global headquarter, we will promote our business expansion across the entire group by promoting improvement of the brand value at the global level and localized globalization cooperated with operating company in each area and setting as vision of "Growing into global sports company by expanding business in Asia by expanding the number of high value-added brands" throughout "VISION 2020".

There is no change in the consolidated performance forecast for the fiscal year ending March 31, 2019 from the performance forecast in the financial statements released on May 14, 2018.

2. Quarterly Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Yen in millions)

	FY2017 (March 31, 2018)	1Q FY2018 (June 30, 2018)
Assets		
Current assets		
Cash and deposits	27,954	22,603
Notes and accounts receivable - trade	21,852	18,364
Merchandise and finished goods	24,933	26,294
Work in process	140	120
Raw materials and supplies	885	762
Other	2,391	2,567
Allowance for doubtful accounts	(90)	(76)
Total current assets	78,068	70,637
Non-current assets		
Property, plant and equipment	22,156	21,725
Intangible assets		
Goodwill	905	857
Other	4,172	4,044
Total intangible assets	5,078	4,901
Investments and other assets		
Other	11,941	12,213
Allowance for doubtful accounts	(102)	(91)
Total investments and other assets	11,838	12,121
Total non-current assets	39,073	38,749
Total assets	117,141	109,386
Liabilities		
Current liabilities		
Notes and accounts payable – trade	17,705	16,003
Short-term loans payable	521	151
Current portion of long-term loans payable	359	364
Income taxes payable	1,269	1,095
Provision for bonuses	901	407
Provision for sales returns	849	872
Other	7,508	5,624
Total current liabilities	29,116	24,518
Non-current liabilities		
Long-term loans payable	4,659	4,536
Provision for loss on guarantees	413	413
Net defined benefit liability	995	1,065
Other	3,082	3,017
Total non-current liabilities	9,149	9,032
Total liabilities	38,266	33,551

(Yen in millions)

	FY2017 (March 31, 2018)	1Q FY2018 (June 30, 2018)
Net assets		
Shareholders' equity		
Capital stock	3,846	3,846
Capital surplus	25,223	25,223
Retained earnings	45,421	44,662
Treasury shares	(658)	(658)
Total shareholders' equity	73,832	73,074
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	822	920
Deferred gains or losses on hedges	13	22
Foreign currency translation adjustment	4,301	1,879
Remeasurements of defined benefit plans	(95)	(62)
Total accumulated other comprehensive income	5,042	2,760
Total net assets	78,875	75,835
Total liabilities and net assets	117,141	109,386

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
 Quarterly Consolidated Statements of Income
 First Quarter of Fiscal Year ending March 31, 2019

(Yen in millions)

	1Q FY2018 (April 1, 2017-June 30, 2017)	1Q FY2019 (April 1, 2018-June 30, 2018)
Net Sales	30,180	30,776
Cost of sales	12,905	13,145
Gross profit	17,275	17,630
Reversal of provision for sales returns	90	23
Gross profit - net	17,184	17,607
Selling, general and administrative expenses	16,201	16,490
Operating profit	982	1,116
Non-operating income		
Interest income	80	77
Dividend income	26	25
Share of profit of entities accounted for using equity method	8	22
Other	31	54
Total non-operating income	147	180
Non-operating expenses		
Interest expense	28	32
Loss on retirement of non-current assets	13	44
Foreign exchange losses	8	21
Other	11	1
Total non-operating expenses	62	100
Ordinary profit	1,068	1,196
Profit before income taxes	1,068	1,196
Corporate tax, inhabitant tax and business tax	439	604
Income taxes – adjusted	(135)	(383)
Total income taxes	304	220
Quarterly profit	764	975
Quarterly profit attributable to owners of parent	764	975

Quarterly Consolidated Statements of Comprehensive Income
 First Quarter of Fiscal Year ending March 31, 2019

(Yen in millions)

	1Q FY2018 (April 1, 2017-June 30, 2017)	1Q FY2019 (April 1, 2018-June 30, 2018)
Quarterly Profit	764	975
Other comprehensive income		
Valuation difference on available-for-sale securities	(37)	97
Deferred gains or losses on hedges	(2)	9
Foreign currency translation adjustment	1,244	(2,371)
Remeasurements of defined benefit plans, net of tax	26	33
Share of other comprehensive income of entities accounted for using equity method	46	(51)
Total other comprehensive income	1,277	(2,282)
Comprehensive income	2,041	(1,306)
(Breakdown)		
Comprehensive income attributable to owners of parent	2,041	(1,306)

(3) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumptions)

None

(Significant Changes in Shareholders' Equity)

None

(Application of Accounting Specific to the Preparation of Quarterly Consolidated Financial Statements)

Calculating Tax Expenses

For some consolidated subsidiaries, the tax expense is calculated by rationalizing the effective tax rate after the application of tax effect accounting to income before income taxes and minority interests for the fiscal year including the first quarter, and multiplying the net income before taxes by the estimated effective tax rate.

Income taxes of the consolidated subsidiaries are included in the corporate tax, inhabitant tax and business tax.

(Segment Information)

I First Quarter of Fiscal Year ending March 31, 2018 (April 1, 2017-June 30, 2017)
Information about Net Sales, Profit (Loss) by Reportable Segment

(Yen in millions)

	Reportable Segments				Adjustment (Note 1)	Amount of Shown on Consolidated Income Statements (Note 2)
	Japan	Asia	Europe/Americas	Total		
Net Sales						
Sales to External Customers	11,573	18,102	504	30,180	—	30,180
Intersegment Sales or Transfers	331	113	15	460	(460)	—
Total	11,905	18,215	520	30,640	(460)	30,180
Segment Income (Loss)	(822)	2,069	(268)	978	4	982

(Note 1) Segment income (loss) adjustment of ¥4 million includes intersegment transaction eliminations of ¥13 million and inventory adjustment of ¥(8) million.

(Note 2) Segment income (loss) is adjusted for operating income reported in the quarterly consolidated statements of income.

II First Quarter of Fiscal Year ending March 31, 2019 (April 1, 2018-June 30, 2018)
Information about Net Sales, Profit (Loss) by Reportable Segment

(Yen in millions)

	Reportable Segments				Adjustment (Note 1)	Amount of Shown on Consolidated Income Statements (Note 2)
	Japan	Asia	Europe/Americas	Total		
Net Sales						
Sales to External Customers	11,634	18,665	476	30,776	—	30,776
Intersegment Sales or Transfers	210	156	18	384	(384)	—
Total	11,844	18,821	494	31,160	(384)	30,776
Segment Income (Loss)	(792)	2,126	(219)	1,115	1	1,116

(Note 1) Segment income (loss) adjustment of ¥1 million includes intersegment transaction eliminations of ¥8 million and inventory adjustment of ¥(6) million.

(Note 2) Segment income (loss) is adjusted for operating income reported in the quarterly consolidated statements of income.

(Additional Information)

(Application of "Partial revision of 'Accounting Standards for Tax Effect Accounting'", etc.)

"Partial revision of 'Accounting Standards for Tax Effect Accounting'" (Corporate Accounting Standard No. 28, February 16, 2018), etc., has been applied from the beginning of the first quarter of this year, and deferred tax assets are displayed in the categories of investments and other assets, and deferred tax liabilities are indicated in the categories of fixed liabilities.

3. Supplemental Information

Overseas Sales

First Quarter of Fiscal Year ending March 31, 2018 (April 1, 2017-June 30, 2017)

(Yen in millions, %)

	Asia	North America	Europe and other regions	Total
I Overseas Net Sales	18,182	205	678	19,066
II Consolidated Net Sales				30,180
III Percentage of overseas net sales in consolidated net sales	60.2	0.7	2.2	63.2

(Note) Net sales are based on the customer's location and classified into countries or regions.

First Quarter of Fiscal Year ending March 31, 2019 (April 1, 2018-June 30, 2018)

(Yen in millions, %)

	Asia	North America	Europe and other regions	Total
I Overseas Net Sales	18,959	173	367	19,499
II Consolidated Net Sales				30,776
III Percentage of overseas net sales in consolidated net sales	61.6	0.6	1.2	63.4

(Note) Net sales are based on the customer's location and classified into countries or regions.