

This is the English translation of the original Japanese-language Business Results of DESCENTE LTD. (the Company) for the 3rd 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 3Q Fiscal Year Ended March 31, 2019  
[Japan GAAP] (Consolidated)



January 30, 2019

Name of the Company: DESCENTE LTD.

Listed Exchange: TSE

Code No.: 8114

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

Representative: Masatoshi Ishimoto, President

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

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Date of Submission of 3Q Report: February 8, 2019

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 3Q Fiscal Year 2018 (April 1, 2018 - December 31, 2018)

(1) Consolidated operating results (Accumulated) (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	%
3Q FY ended March 31, 2019	100,915	2.0	4,665	(15.9)	5,037	(11.1)	2,832	(26.1)
3Q FY ended March 31, 2018	98,898	6.5	5,545	0.1	5,666	(4.1)	3,830	(8.3)

(Note) Comprehensive income of 3Q FY ended March 31, 2019: ¥1,264million (-75.7%), 3Q FY ended March 31, 2018: ¥5,205million (- %)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
3Q FY ended March 31, 2019	37.57	—
3Q FY ended March 31, 2018	50.83	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Yen in millions	Yen in millions	%
3Q FY ended March 31, 2019	116,584	78,479	67.3
FY ended March 31, 2018	117,141	78,875	67.3

(reference) Equity of 3Q FY ended March 31, 2019: ¥78,479million, 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 fiscal year	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2018	—	0.00	—	23.00	23.00
FY ended March 31, 2019	—	0.00	—		
FY ended March 31, 2019 (Forecast)				26.00	26.00

(Note) Revisions of dividend forecasts published most recently: None

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

(The percentages indicate the changes compared with the previous period)

	Net 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
Full-year	148,000	4.9	9,600	0.0	10,000	3.1	6,500	12.6	86.24

(Note) Revisions of earnings forecasts published most recently: None

\*Notes

(1) Changes in significant subsidiaries during the quarterly fiscal year (Changes in specified subsidiaries resulting in changes in the scope of consolidation): None

(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):	3Q FY ended Mach 31, 2019	76,924,176	FY ended March 31, 2018	76,924,176
2. Number of treasury stock at the end of fiscal year:	3Q FY ended Mach 31, 2019	1,515,939	FY ended March 31, 2018	1,551,380
3. Average number of shares during the term (quarterly accumulated):	3Q FY ended Mach 31, 2019	75,394,128	3Q FY ended March 31, 2018	75,358,773

Note: Summary of quarterly 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)

Descriptions about future such as the earnings forecasts in this document are based on the current information and certain assumptions that are considered reasonable, therefore it is not intended to state or imply any commitment by the company to achieve. Actual results may vary greatly depending on various factors. Prerequisites for earnings forecast or notes for using it, please refer to "(3) Explanation of Future Forecast Information such as Consolidated Performance Forecasts" on page 5.

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## 1. Qualitative Information on Consolidated Performance for the 3rd Quarter of Fiscal Year 2018

### (1) Explanation of Consolidated Operating Results

Net sales for 3Q FY ended March 31, 2019 was ¥100,915million (+2.0% YOY), operating income was ¥4,665million (-15.9% YOY), ordinary income was ¥5,037million (-11.1% YOY), and quarterly profit attributable to owners of parent was ¥2,832million (-26.1% YOY).

#### Operating Results Overviews (Net sales by Segments)

Segment	Net sales (Yen in millions) (year on year)	Segment income or loss (Yen in millions) (year on year)
Japan	44,092 (100.6%)	938 (47.5%)
Asia	54,167 (103.3%)	4,169 (103.6%)
Europe/Americas	2,655 (101.4%)	(513) The corresponding quarter of the previous year: (451) million
Adjustments	—	70 The corresponding quarter of the previous year: (4) million
Total	100,915 (102.0%)	4,665 (84.1%)

#### (Japan)

In the athletic category, although “DESCENTE” and “le coq sportif” performed well, “umbro” struggled. In the golf category, “le coq sportif” performed well. As a whole of Japan, although sales remained steady, profits were lower than in the same quarter of the previous year due to an increase in SG & A expenses resulting from proactive investments in directly managed stores and e-commerce to boost sales.

#### (Asia)

In South Korea, “DESCENTE” performed well, and “le coq sportif” in Hong Kong and “arena” in Singapore performed well. As a whole of Asia, sales and profits remained steady.

#### (Europe and Americas)

Sales remained steady. Profits were lower than in the same quarter of the previous year due to an increase in SG & A expenses resulting from the establishment of Descente Athletic Americas Inc.

#### Net Sales by Item (Net sales by Item)

Item	Amount (Yen in millions)	Composition Ratio (%)	Year on year (%)
Athletic wear and related products	66,865	66.3	103.7
Golf wear and related products	25,750	25.5	96.9
Outdoor wear and related products	8,299	8.2	105.5
Total	100,915	100.0	102.0

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

#### (Athletic Wear and Related Products)

In the athletic category, "DESCENTE" brand launched sales of 10th anniversary limited model of "Mizusawa Down", which is the "DESCENTE" brand's flagship product, at 7 directly managed stores "DESCENT BLANC" in Japan. Through the opening of "DESCENT BLANC" and "Mizusawa Down", we are working to enhance the value of our brand by spreading our craftsmanship and manufacturing spirit cultivated by the "DESCENTE" brand. In December, we announced about the team wears for 2019 season supplying to each sports federations and associations in Japan such as the Japan Cycling Federation and the Japan Fencing Federation that we have contracted with. We are working to strengthen our product development capabilities, expand our global brand recognition, and increase the value of our brands through the supply to each sports federation and association. In South Korea, we expanded the number of "DUAL" stores, which are new concept stores offering sports casual wear combining the functional and lifestyle elements of running, to 3 stores (as of the end of September). In China, the joint venture DESCENTE (CHINA) CO., LTD. is rapidly expanding its number of stores, exceeding 100 stores as of the end of September. In addition, "le coq sportif" opened its first store in Indonesia in August, aiming to expand its business in Southeast Asia. In "arena" we supported the "14th FINA World Swimming Championships (25m) Hangzhou 2018" held in China, in December, following the "Pan Pacific Swimming Championships 2018" held in August. We are aiming to promote the brand through various marketing activities, such as conducting campaigns to liven up the competition and selling related products. Also, in both tournaments, contracted athlete Daiya Seto (ANA/JSS Moroyama) won the gold medal in the 200 meters butterfly, which contributed to the enhancement of the brand value. In "umbro", sales of "Ugly" shoes "BUMPY" continued to be strong in South Korea, and we are expanding our brand business.

#### (Golf Wear and Related Products)

In the golf category, "Munsingwear" opened its second store in Hanoi in Vietnam in July, following the opening in April of Hanoi Lotte Department Store, and is expanding its business in Southeast Asia. In Japan, the "49th Munsingwear Ladies Tokai Classic" was held in September, and contracted player Hina Arakaki tied for second place, and contracted player Kaori Ohe won her third tour title in two years at the "Miyagi TV Cup Dunlop Women's Open Golf Tournament" held in September. In "le coq sportif", the "SUNDAY" series for young people in South Korea was performed well. "DESCENTE" opened its first golf store in China in August at Shanghai Jiu-Guang Department Store, and is expanding its brand in the golf category as well as the athletic category. Also, as a topic related to multiple golf brands, in October we opened Japan's first directly managed golf complex store at Mitsui Outlet Park Kisarazu. In addition to our five golf brands, we offer three golf gear brands developed by Sumitomo Rubber Industries, Ltd., aiming to supply not only apparel but also gears such as golf clubs to attract more brand fans and expand our golf business by meeting the needs of a wide range of golfers.

As other topics, following the R&D center, Descente Innovation Studio Complex (DISC), for apparel (DISC OSAKA) in Ibaraki City, Osaka, which went into operation in July, and the R&D center for shoes (DISC BUSAN) in Busan, Korea, started operation in October. The two DISCs have established a common concept and will continue to work to improve the "craftsmanship", which is one of our key strategies, by simultaneously developing high-dimensional functionality to draw out user performance in various sports scenes and establishing quality standards to stably realize it. In August, we entered into a comprehensive business alliance agreement with Wacoal Holdings Corp., and in October, we began selling each brand products at each directly managed stores. This was followed by the launch of

specific business alliances, such as joint promotions at sporting events that we co-sponsor and mutual visits to e-commerce sites. Going forward, we will continue to mutually utilize our respective management resources to strengthen, expand and develop our business foundations, thereby creating new value that transcends our existing business domains of fashion and sports, and expanding our businesses and promoting globalization.

In Japan, as part of our efforts to develop business-to-business transaction in order to expand new distribution channels, we are working with ASKUL Corporation to produce new driver's uniforms for ASKUL LOGIST, a 100% subsidiary of ASKUL Corporation, which is responsible for the logistics of ASKUL products. We have developed uniforms in the hope of making the most of the know-how we have acquired through sports in order for their drivers to be physically and mentally stress-free and to establish good communication with customers. We also conducted a joint industry-academic project with "Hiko Mizuno College of Jewelry" (Location: Shibuya-ku, Tokyo) from shoes planning to making a final presentation on shoe planning. Under the theme of developing "Running shoes that enable running comfortably Honolulu Marathon of DESCENTE brand", 16 students from 8 Shoemaker courses participated and 2 teams received awards for excellence. Through these activities, we will provide students with the opportunity to experience "fun and difficulty of manufacturing" and on the other hand, we utilize the flexible ideas and fresh perspectives of students who specialize in manufacturing to plan our products in the future.

## (2) Explanation of Consolidated Financial Position

As of 3rd quarter of FY ended March 31, 2019, total assets decreased ¥556 million from the previous fiscal year to ¥116,584 million.

Current assets decreased ¥3,446 million to ¥74,621 million. This was mainly due to a decrease in cash and deposits of ¥6,740 million, an increase in notes and accounts receivable of ¥931 million and an increase in merchandise and finished goods of ¥2,145 million.

Fixed assets increased ¥2,890 million to ¥41,963 million.

Total liabilities decreased ¥160 million to ¥38,105 million. This was mainly due to an increase in notes and accounts payable of ¥602 million, a decrease in income taxes payable of ¥473 million, a decrease in provision for bonus of ¥403 million, and an increase in provision for sales return of ¥377 million.

Net assets decreased ¥396 million to ¥78,479 million. This was mainly due to an increase in retained earnings of ¥1,099 million and a decrease in foreign currency translation adjustments of ¥1,459 million.

As a result, the equity ratio was 67.3%, same as at the end of the previous fiscal year.

## (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 "Expansion in Asian markets and growth into a global sports company by offering multiple lifestyle enhancing, premium 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)	3Q FY2018 (December 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	27,954	21,214
Notes and accounts receivable - trade	21,852	22,783
Merchandise and finished goods	24,933	27,078
Work in process	140	148
Raw materials and supplies	885	773
Other	2,391	2,711
Allowance for doubtful accounts	(90)	(89)
Total current assets	78,068	74,621
Non-current assets		
Property, plant and equipment	22,156	25,246
Intangible assets		
Goodwill	905	796
Other	4,172	3,954
Total intangible assets	5,078	4,750
Investments and other assets		
Other	11,941	12,059
Allowance for doubtful accounts	(102)	(91)
Total investments and other assets	11,838	11,967
Total non-current assets	39,073	41,963
Total assets	117,141	116,584
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	17,705	18,307
Short-term loans payable	521	414
Current portion of long-term loans payable	359	364
Income taxes payable	1,269	796
Provision for bonuses	901	498
Provision for sales returns	849	1,227
Other	7,508	6,466
Total current liabilities	29,116	28,075
Non-current liabilities		
Long-term loans payable	4,659	4,464
Provision for loss on guarantees	413	873
Net defined benefit liability	995	1,222
Other	3,082	3,469
Total non-current liabilities	9,149	10,029
Total liabilities	38,266	38,105



(Yen in millions)

	FY2017 (March 31, 2018)	3Q FY2018 (December 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	3,846	3,846
Capital surplus	25,223	25,281
Retained earnings	45,421	46,520
Treasury shares	(658)	(643)
Total shareholders' equity	73,832	75,004
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	822	670
Deferred gains or losses on hedges	13	(14)
Foreign currency translation adjustment	4,301	2,842
Remeasurements of defined benefit plans	(95)	(23)
Total accumulated other comprehensive income	5,042	3,474
Total net assets	78,875	78,479
Total liabilities and net assets	117,141	116,584

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income  
 Quarterly Consolidated Statements of Income  
 3rd Quarter of Fiscal Year ending March 31, 2019

(Yen in millions)

	3Q FY2017 (April 1, 2017-December 31, 2017)	3Q FY2018 (April 1, 2018-December 31, 2018)
Net Sales	98,898	100,915
Cost of sales	44,738	44,965
Gross profit	54,160	55,949
Provision for sales returns	297	377
Gross profit	53,863	55,572
Selling, general and administrative expenses	48,317	50,906
Operating income	5,545	4,665
Non-operating income		
Interest income	176	232
Dividends income	64	90
Equity in earnings of affiliates	—	97
Foreign exchange gains	—	37
Other	87	136
Total non-operating income	328	594
Non-operating expenses		
Interest expenses	91	98
Loss on retirement of non-current assets	53	98
Equity in losses of affiliates	33	—
Other	29	24
Total non-operating expenses	207	222
Ordinary income	5,666	5,037
Provision for loss on guarantees	—	460
Loss on valuation of investment securities	—	343
Total extraordinary losses	—	803
Income before income taxes	5,666	4,234
Income taxes – current	1,762	1,526
Income taxes – deferred	73	(124)
Total income taxes	1,835	1,401
Quarterly net income	3,830	2,832
Quarterly profit attributable to owners of parent	3,830	2,832

Quarterly Consolidated Statements of Comprehensive Income  
3rd Quarter of Fiscal Year ending March 31, 2019

(Yen in millions)

	3Q FY2017 (April 1, 2017-December 31, 2017)	3Q FY2018 (April 1, 2018-December 31, 2018)
Quarterly net income	3,830	2,832
Other comprehensive income		
Valuation difference on available-for-sale securities	307	(152)
Deferred gains or losses on hedges	(39)	(28)
Foreign currency translation adjustment	877	(1,370)
Remeasurements of defined benefit plans	98	72
Share of other comprehensive income of entities accounted for using equity method	131	(88)
Total other comprehensive income	1,375	(1,567)
Quarterly comprehensive income	5,205	1,264
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	5,205	1,264

(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 3rd 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 3rd Quarter of Fiscal Year ending March 31, 2018 (April 1, 2017-December 31, 2017)  
Information about Net Sales, Profit (Loss) by Reportable Segment

(Yen in millions)

	Reportable Segments				Adjustment (Note 1)	Amount Shown on Consolidated Income Statements (Note 2)
	Japan	Asia	Europe/Americas	Total		
Net Sales						
Sales to External Customers	43,844	52,435	2,618	98,898	—	98,898
Intersegment Sales or Transfers	2,819	309	115	3,244	(3,244)	—
Total	46,664	52,744	2,733	102,143	(3,244)	98,898
Segment Income (Loss)	1,977	4,023	(451)	5,549	(4)	5,545

(Note 1) Segment income (loss) adjustment of ¥(4) million includes intersegment transaction eliminations of ¥20 million and inventory adjustment of ¥(24) million.

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

II 3rd Quarter of Fiscal Year ending March 31, 2019 (April 1, 2018-December 31, 2018)  
Information about Net Sales, Profit (Loss) by Reportable Segment

(Yen in millions)

	Reportable Segments				Adjustment (Note 1)	Amount Shown on Consolidated Income Statements (Note 2)
	Japan	Asia	Europe/Americas	Total		
Net Sales						
Sales to External Customers	44,092	54,167	2,655	100,915	—	100,915
Intersegment Sales or Transfers	3,214	385	102	3,703	(3,703)	—
Total	47,307	54,552	2,758	104,618	(3,703)	100,915
Segment Income (Loss)	938	4,169	(513)	4,594	70	4,665

(Note 1) Segment income (loss) adjustment of ¥70 million includes intersegment transaction eliminations of ¥74 million and inventory adjustment of ¥(3) 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 Net Sales

3rd Quarter of Fiscal Year ending March 31, 2018 (April 1, 2017-December 31, 2017)

(Yen in millions, %)

	Asia	North America	Europe and other regions	Total
I Overseas Net Sales	53,774	1,568	2,034	57,377
II Consolidated Net Sales				98,898
III Percentage of overseas net sales in consolidated net sales	54.4	1.6	2.0	58.0

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

3rd Quarter of Fiscal Year ending March 31, 2019 (April 1, 2018-December 31, 2018)

(Yen in millions, %)

	Asia	North America	Europe and other regions	Total
I Overseas Net Sales	55,236	1,648	2,128	59,013
II Consolidated Net Sales				100,915
III Percentage of overseas net sales in consolidated net sales	54.7	1.6	2.1	58.5

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