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July 15, 2020

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 Shuichi Koseki
 (Code: 8114. First Section of Tokyo Stock Exchange)
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Notice of Earnings Forecast for Fiscal Year Ending March 31, 2021

DESCENTE LTD. (the “Company”) hereby announces the following earnings forecast for the fiscal year ending March 31, 2021, which was undecided in the “Summary of Financial Statements for the Fiscal Year Ended March 31, 2020 [JGAAP] (Consolidated)” announced on May 22, 2020.

1. Consolidated Earnings Forecast

Consolidated Earnings Forecast for 2Q of the Fiscal Year ending March 31, 2021 (Accumulated)
 (April 1, 2020 – September 30, 2020)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
	Yen in million	Yen in million	Yen in million	Yen in million	Yen
Previous forecast (A) (As of May 22, 2020)	—	—	—	—	—
Current forecast (B) (As of July 15, 2020)	41,000	△4,000	△4,100	△2,000	△26.52
Changes in amount (B·A)	—	—	—	—	
Rate of change (%)	—	—	—	—	
(References) Previous first half of fiscal year (2Q of FY ended March 31, 2020)	65,926	2,638	2,906	2,210	29.31

Consolidated Earnings Forecast for the Fiscal Year ending March 31, 2021
(April 1, 2020 – March 31, 2021)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
	Yen in million	Yen in million	Yen in million	Yen in million	Yen
Previous forecast (A) (As of May 22, 2020)	—	—	—	—	—
Current forecast (B) (As of July 15, 2020)	101,000	500	550	5,000	66.29
Changes in amount (B-A)	—	—	—	—	
Rate of change (%)	—	—	—	—	
(References) Previous FY results (FY ended March 31, 2020)	124,561	379	456	△2,481	△32.90

●Reasons for the Announcement of Consolidated Earnings Forecast

For the fiscal year ending March 2021, the Company did not decide its consolidated earnings forecast because it was difficult to rationally estimate the impact of the spread of the COVID-19 on its business activities. However, the Company hereby announces its consolidated earnings forecast calculated based on information and forecasts currently available. Net sales are expected to be lower than the previous fiscal year due to the expected continued impact of the spread of the COVID-19 in Japan and overseas over a certain period of time, and the suspension or transfer of loss-prone subsidiaries in the United States and Europe in the previous fiscal year. Operating income and ordinary income are expected to slightly exceed those of the previous fiscal year due to decrease in fixed expenses resulting from the suspension or transfer of the loss-prone subsidiaries as well as continuous reduction in selling, general and administrative expenses such as advertising and sales promotions. Net income attributable to owners of parent is expected to significantly exceed the previous fiscal year results due to the above factors as well as the recording of approximately JPY 4 billion in net change in equity (extraordinary profit) accompanying the reorganization of the joint venture company in China.

The Company expects to return to profitability in the second half of the fiscal year as sales recover to a certain level from the third quarter.

For details of the reorganization of the joint venture company in China, please refer to the “Notice of Conclusion of Contract for Reorganization of Joint Venture Company in China and Recording of Extraordinary Profit Accompanying the Conclusion” announced on July 15, 2020.

2. Non-Consolidated Earnings Forecast

Non-Consolidated Earnings Forecast for 2Q of the Fiscal Year ending March 31, 2021 (Accumulated)
(April 1, 2020 – September 30, 2020)

	Net Sales	Ordinary income	Quarterly net income	Quarterly net income per share
	Yen in million	Yen in million	Yen in million	Yen
Previous forecast (A) (As of May 22, 2020)	—	—	—	—
Current forecast (B) (As of July 15, 2020)	4,000	5	△800	△10.61
Changes in amount (B-A)	—	—	—	—
Rate of change (%)	—	—	—	—
(References) Previous first half of fiscal year (2Q of FY ended March 31, 2020)	6,264	1,125	848	11.25

Non-Consolidated Earnings Forecast for the Fiscal Year ending March 31, 2021
(April 1, 2020 – March 31, 2021)

	Net Sales	Ordinary income	Net income	Net income per share
	Yen in million	Yen in million	Yen in million	Yen
Previous forecast (A) (As of May 22, 2020)	—	—	—	—
Current forecast (B) (As of July 15, 2020)	8,400	500	△2,700	△35.80
Changes in amount (B-A)	—	—	—	—
Rate of change (%)	—	—	—	—
(References) Previous FY results (FY ended March 31, 2020)	10,540	1,882	430	5.71

●Reasons for the Announcement of Non-Consolidated Earnings Forecast

For the fiscal year ending March 2021, the Company was not decided a non-consolidated earnings forecast for the reason same as the consolidated earnings forecast. However, the Company hereby announces its non-consolidated earnings forecast calculated based on information and forecasts currently available. We expect the spread of the COVID-19 in Korea and other overseas countries to continue for a certain period of time. It leads to lower royalty income from overseas subsidiaries and associates and as a result, net sales and ordinary income are expected to be lower than in the previous fiscal year. Net income is substantially decrease due to increase of income taxes for the newly established company in the Cayman Islands which is transferred the “DESCENTE” branded trademark rights due to reorganization of the joint venture company in China, and the recording approximately JPY 1.45 billion of loss on valuation of shares in subsidiaries and associates regarding DESCENTE GLOBAL RETAIL LTD., a consolidated subsidiary of the Company, as well as other reasons mentioned above.

Please refer to the “Notice of Extraordinary Loss on Valuation of Shares of Subsidiaries and

Associates of DESCENTE LTD.” disclosed on July 15, 2020 for details of impairment of shares of the subsidiary.

3. Dividend Forecast for the Fiscal Year ending March 31, 2021

The dividend forecast for the fiscal year ending March 31, 2021 has not been determined yet at this time, as we are currently borrowing from financial institutions due to the impact of the spread of the COVID-19. The dividend will be announced as soon as it is decided.

(Note) The above forecasts are based on information currently available. Consequently, actual results may differ depending on various factors.

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