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February 6, 2020

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Representative Name: President and Representative Director: Shuichi Koseki
(Code Number: 8114 First Section of Tokyo Stock Exchange)
Contact: Director, Managing Executive Officer: Akira Tsuchihashi
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Notice of Extraordinary Loss, Reversal of Deferred Tax Assets, Revision to Earnings Forecast and Dividend Forecast (No Dividend)

DESCENTE LTD. (the "Company") hereby announced that it is expected to record extraordinary losses and reverse deferred tax assets in the consolidated and non-consolidated financial statements for the fiscal year ending March 31, 2020 (April 1, 2019 - March 31, 2020). As described in "Notice of Transfer of Shares Due to Change in Specified Subsidiaries" and "Notice of Liquidation and Business Suspension of Specified Subsidiaries" announced on February 6, 2020, the Company resolved to liquidate and suspend 2 consolidated subsidiaries of the Company, and to record losses on sales of investments in subsidiaries and affiliates. As a result the Company announces that the consolidated and non-consolidated earnings forecasts for the fiscal year ending March 31, 2020, which were announced on November 6, 2019, have been revised as follows.

1. Recording of Extraordinary Losses

(1) Losses on sales of subsidiaries and affiliates in consolidated and non-consolidated accounts

As a result of the sale of shares in INOVEIGHT Group (PEDES INVESTMENTS LTD., and four subsidiaries of the Group), a consolidated subsidiary of the Company, we expect to record an extraordinary loss of approximately JPY 786 million in consolidated results and approximately JPY 363 million in non-consolidated results, representing losses on the sale of shares in subsidiaries and affiliates. For details on the sale of shares, etc., please refer to "Notice of Transfer of Shares Due to Change in Specified Subsidiaries" released on February 6, 2020.

(2) Loss on withdrawal from businesses in consolidated accounts

The Company expects to record a loss on withdrawal from businesses (Inventory Valuation Loss and Impairment Loss on Fixed Assets) as an extraordinary loss. This is due to the dissolution and liquidation of DESCENTE NORTH AMERICA, INC. (DNA), a consolidated subsidiary of our company, of approximately JPY 161 million and the suspension of the business operation of DESCENTE ATHLETIC AMERICAS, INC. (DAA), a consolidated subsidiary of the Company, of JPY 63 million. For details on the liquidation and suspension of operations of the two subsidiaries, please refer to the "Notice of Liquidation and Business Suspension of Specified Subsidiaries" released on February 6, 2020.

(3) Loss on write-down of investments in subsidiaries in non-consolidated accounts

The Company expects to record losses on write-down of investments in subsidiaries as an extraordinary loss due to the dissolution and liquidation of DNA, a consolidated subsidiary of our company, of approximately JPY 199 milllion and the suspension of the business operation of DAA, a consolidated subsidiary of our company, of JPY 549 million. For details on the liquidation and suspension of operations of the two subsidiaries, please refer to the "Notice of Liquidation and Business Suspension of Specified Subsidiaries" released on Februay 6, 2020.

Since this extraordinary loss is eliminated in the consolidated account settlement, there is no impact on the consolidated business results.

(4) Bad debt losses in non-consolidated accounts

As a result of the liquidation of DNA, a consolidated subsidiary of the Company, the Company expects to record an extraordinary loss of approximately JPY 248 million in the form of bad debt losses.

Since this extraordinary loss is eliminated in the consolidated account settlement, there is no impact on the consolidated business results.

2. Reversal of Deferred Tax Assets in Consolidated and Non-Consolidated Accounts

As a result of estimating the current taxable income in the future and carefully examining the possibility of recovering deferred tax assets based on the "Guidance on Recoverability of Deferred Tax Assets" we expect to reverse deferred tax assets by JPY 600 million in the consolidated settlement of accounts and JPY 100 million in the non-consolidated settlement of accounts, and to record them as deferred income taxes.

3. Revision of Consolidated Earnings Forecast

Revision of the consolidated earnings forecast for the fiscal year ending March, 2020 (April 1, 2019 - March 31, 2020)

	Net Sales	Operating Income	Ordinary Income	Profit 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 November 6, 2019)	130,800	1,100	1,200	700	9.28
Current forecast (B) (As of February 6, 2020)	130,800	1,100	1,200	(1,000)	(13.26)
Changes in amount (B-A)	—	—	—	(1,700)	
Rate of change (%)	—	—	—	—	
(References) Previous FY results (FY ended March, 2019)	142,443	7,935	8,458	3,944	52.31

● Reasons for the revisions of the consolidated earnings forecast

Net sales, operating income and ordinary income have generally been in line with the previously revised forecasts. Profit attributable to owners of the parent is expected to be substantially lower than the previous revised forecast due to loss on sale of shares of subsidiaries and affiliates and reversal of deferred tax assets.

4. Revision of Non-Consolidated Earnings Forecast

Revision of non-consolidated earnings forecast for the fiscal year ending March, 2020 (April 1, 2019 - March 31, 2020)

	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 November 6, 2019)	10,100	1,300	200	2.65
Current forecast (B) (As of Feburuary 6, 2020)	10,100	1,300	100	1.32
Changes in amount (B-A)	—	—	(100)	
Rate of change (%)	—	—	(50)	
(References) Previous FY results (FY ended March, 2019)	10,990	5,529	955	12.68

● Reasons for revisions of non-consolidated ernings forecasts

Net sales and ordinary income are generally in line with the previous revised forecast. Net income is expected to be significantly lower than the previous forecast due to loss on sale of shares of subsidiaries and affiliates, loss on withdrawal from businesses, loss on write-down of investments in subsidiaries and affiliates, bad debt loss and reversal of deferred tax assets.

5. Revision of Dividend Forecast for the Fsical Year ending March 31, 2020
(April 1, 2019 - March 31, 2020)

	Annual Dividend (Yen)		
	End of 2Q	End of 4Q	Total
Previous forecast	－	3.00	3.00
Current forecast	－	0.00	0.00
Previous FY results (FY ended March, 2019)	0.00	26.00	26.00

● Reason for the revisions of dividend forecast

The Company is working to secure internal reserves necessary for the future development of its business and the enhancement of its management structure, while aiming for a stable dividend for its shareholders.

However, we regret to inform you that we have revised the year-end dividend for the fiscal year ending March, 2020 to “no dividend” from “3 yen” per share announced on November 6, 2019, as we forecast a net loss in attributable to the owners of parent for the fiscal year ending March, 2020 due to the recording of extraordinary losses such as losses on the sale of shares of subsidiaries and affiliates.

The Company will reduce the burden for our business improvement by withdrawing from the business in Europe/Americas, which have been continuously struggling in business performance, and we intend to further strengthen the competitiveness in Asian region by concentrating its management resources in Japan, China and South Korea by promoting the priority strategies set out in the “Midterm Management Plan D-Summit 2021”. We believe that by steadily increasing our corporate value, we will be able to return more profits to shareholders, including early resumption of dividend payments. We sincerely ask for your continuous support

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