

# DESCENTE

## FY2019 Earnings

### May 22, 2020

This is an English translation of the original Japanese-language Consolidated Financial Summary of DESCENTE LTD. (the Company) for the fiscal year ended March 31, 2020 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.

# Description of the Terms

## Definitions of Terms

**Segment:** Classified according to country and area of the location of the company.

*Example:* Net sales from DESCENTE LTD. to Distributor in Spain is counted in Japan segment.

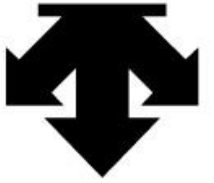
**Area:** Classified according to country and area of the location of the customer.

*Example:* Net sales from DESCENTE LTD. to Distributor in Spain is counted in Europe/Americas area.

\* Group internal sales is eliminated in neither of these cases.(Not Counted)

## Rules for Numerical Description

The number is truncated and percentage is rounded off.



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## **1. FY2019**

### **(1) Financial Summary**

(2) Brand Review

(3) Area Review

(4) Topics

## **2. Plan for FY2020**

# Results of FY2019 (Consolidated)



1. FY2019 (1) Financial Summary

**Sales and profits decreased due to extraordinary losses associated with liquidation/suspension of subsidiaries in Europe and North America, sluggish performance in South Korea, and sales in Japan decline due to warm winter and COVID-19 infection after March.**

| (Unit: JPY million)                        | FY2019<br>Full Year<br>performance | FY2018                   |         | FY2020<br>Full Year<br>Guidance<br>(As of Feb. 6, 2020) |
|--|------------------------------------|--------------------------|---------|---|
|  |                                    | Full Year<br>performance | YoY     |   |
| Net sales                                  | 124,561                            | 142,443                  | ▲ 12.6% | 130,800   |
| Operating income                           | 379                                | 7,935                    | ▲ 95.2% | 1,100   |
| ( % )                                      | 0.3%                               | 5.6%                     |         | 0.8%  |
| Ordinary income                            | 456                                | 8,458                    | ▲ 94.6% | 1,200   |
| ( % )                                      | 0.4%                               | 5.9%                     |         | 0.9%  |
| Profit attributable to<br>owners of parent | ▲ 2,481                            | 3,944                    |         | ▲ 1,000   |
| ( % )                                      | ▲ 2.0%                             | 2.8%                     |         | ▲ 0.8%  |

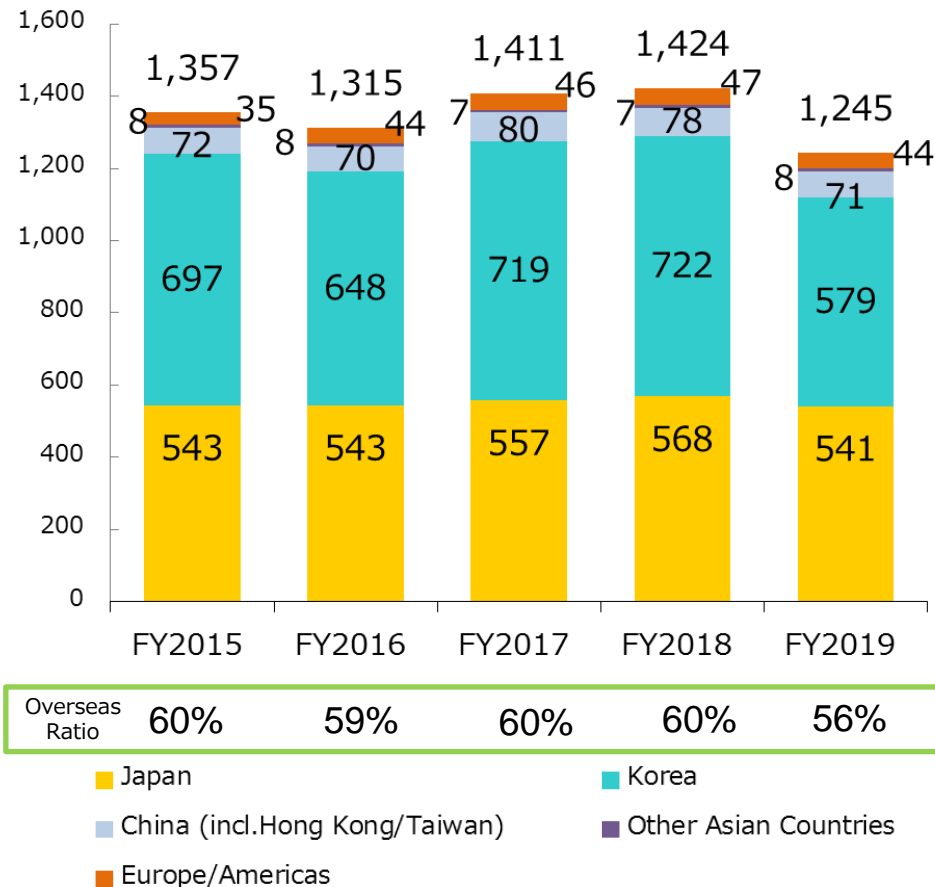


# Area Sales (Consolidated)

1. FY2019 (1) Financial Summary

**Sales decreased in most areas (\*excluding affiliated companies accounted for by the equity method in p.13)**

(Unit: JPY 0.1 billion)



**YoY ▲17.8 billion(▲13%)**

Japan ▲2.70billion  
 Korea ▲14.22billion  
 China (Incl. Hong Kong/Taiwan) ▲0.75billion  
 Other Asian Countries +0.05billion  
 Europe/Americas ▲0.24billion

Note: FY2019=FY ended March 31, 2020

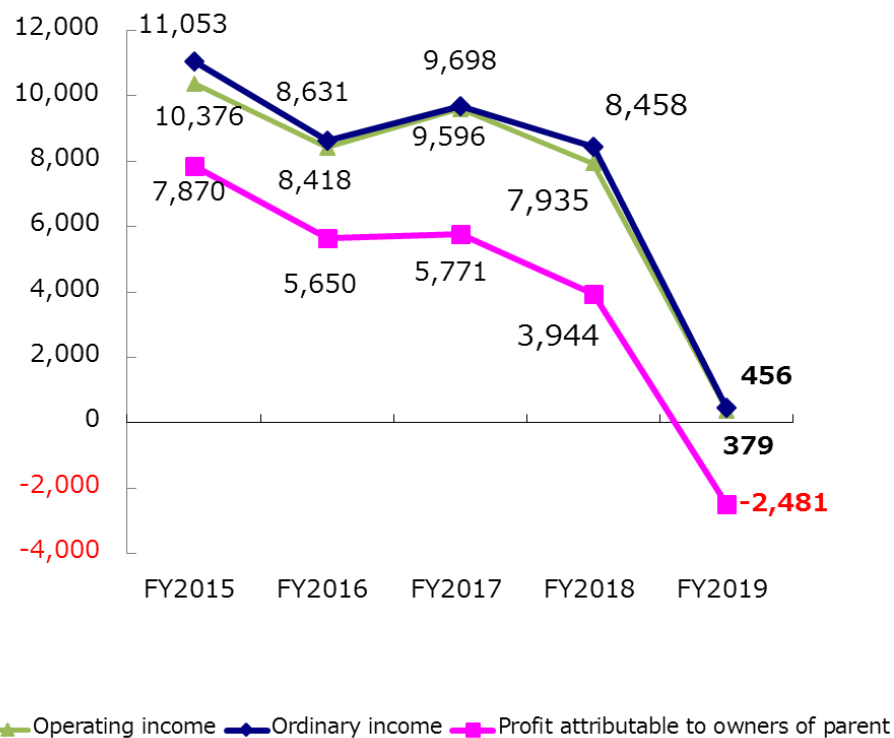
# Income (Consolidated)



1. FY2019 (1) Financial Summary

**Equity in earnings of affiliates: Increased (+JPY 210 million) due to an increase in profit of equity-method affiliates mainly in Descente China,**  
**Profit: Declined due to decrease in sales and extraordinary losses associated with the withdrawal of business from direct operating trough European and North American subsidiaries.**

(Unit: JPY million)



| (Unit: JPY million)                            | FY2019         | FY2018       | Change         |
|--|----------------|--------------|----------------|
| <b>Operating income</b>                        | <b>379</b>     | <b>7,935</b> | <b>▲ 7,555</b> |
| Non-operating income                           | 978            | 799          | <b>178</b>     |
| Non-operating expenses                         | 901            | 276          | <b>624</b>     |
| <b>Ordinary income</b>                         | <b>456</b>     | <b>8,458</b> | <b>▲ 8,002</b> |
| Extraordinary income                           | 173            | 0            | <b>173</b>     |
| Extraordinary loss                             | 1,815          | 2,775        | <b>▲ 960</b>   |
| Total income taxes                             | 1,296          | 1,738        | <b>▲ 442</b>   |
| <b>Profit attributable to owners of parent</b> | <b>▲ 2,481</b> | <b>3,944</b> | <b>▲ 6,425</b> |

Note: FY2019=FY ended March 31, 2020

# Major breakdown of extraordinary losses



1. FY2019 (1) Financial Summary

|   |   |  |
|---|---|--|
| Loss on business withdrawal<br>(Loss on sales of subsidiary shares)<br>(Loss on liquidation of subsidiary)<br>(Impairment loss) | Loss on withdrawal from inov-8 business in Europe<br>(Cumulative loss of inov-8 business over the past 3 years) | Approx. ▲JPY 600 million<br>(Approx. ▲JPY 5.2 billion) |
|   | Loss associated with liquidation and business suspension of North American and Asian businesses                 | Approx. ▲JPY 700 million                               |
| Impairment loss   | Impairment of non-operational software in Japanese business etc.  | Approx. ▲JPY 200 million                               |
| Reversal of deferred tax assets   | Review deferred tax assets due to sluggish business in Japan and uncertainty about future                       | Approx. ▲JPY 800 million<br>(Impact after tax)         |

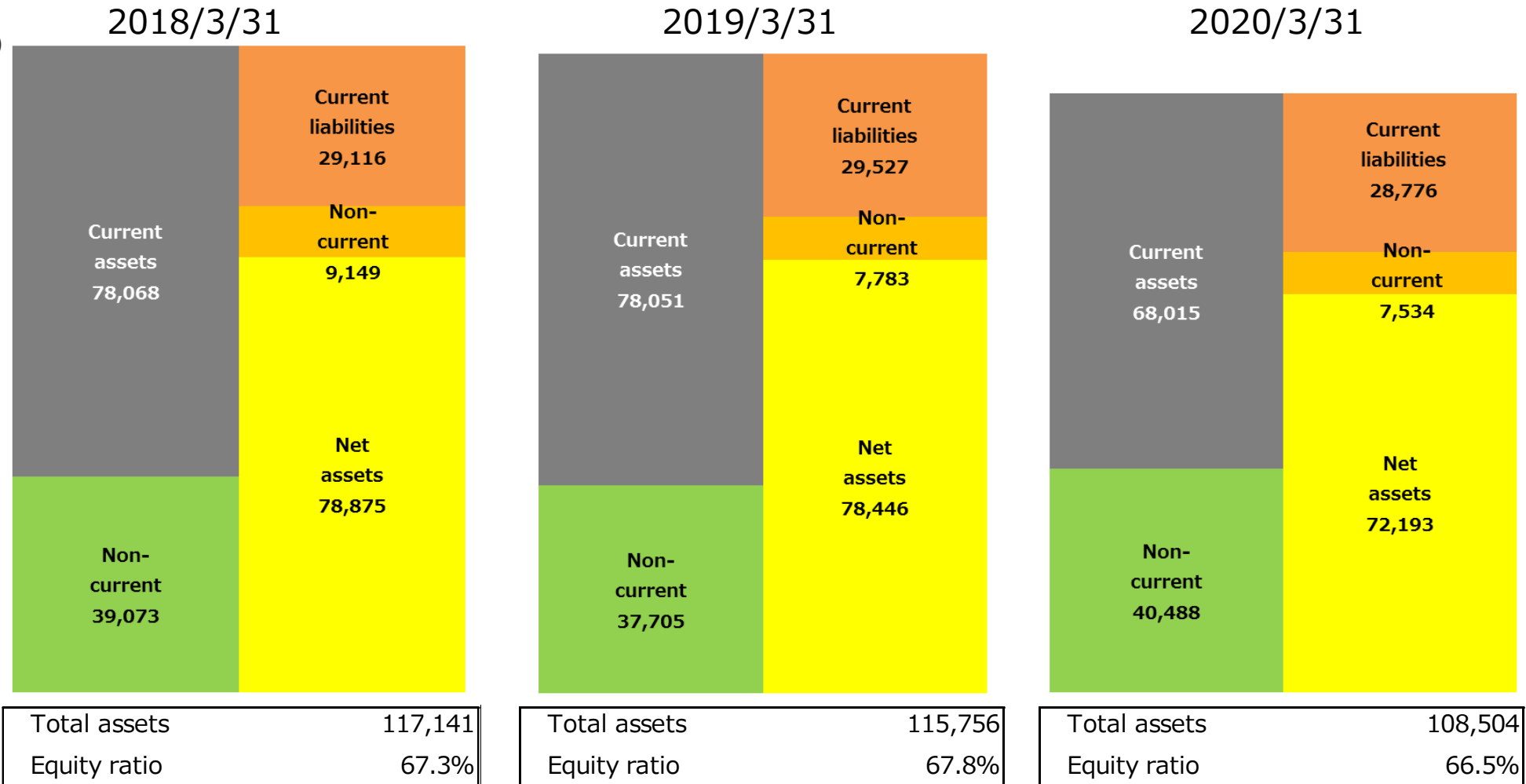
# Balance Sheets (Consolidated)



1. FY2019 (1) Financial Summary

**Total assets decreased due to a decrease in current assets resulting from a decrease in cash and deposits and accounts receivable by lower sales in Japan and South Korea**

(Unit: JPY million)





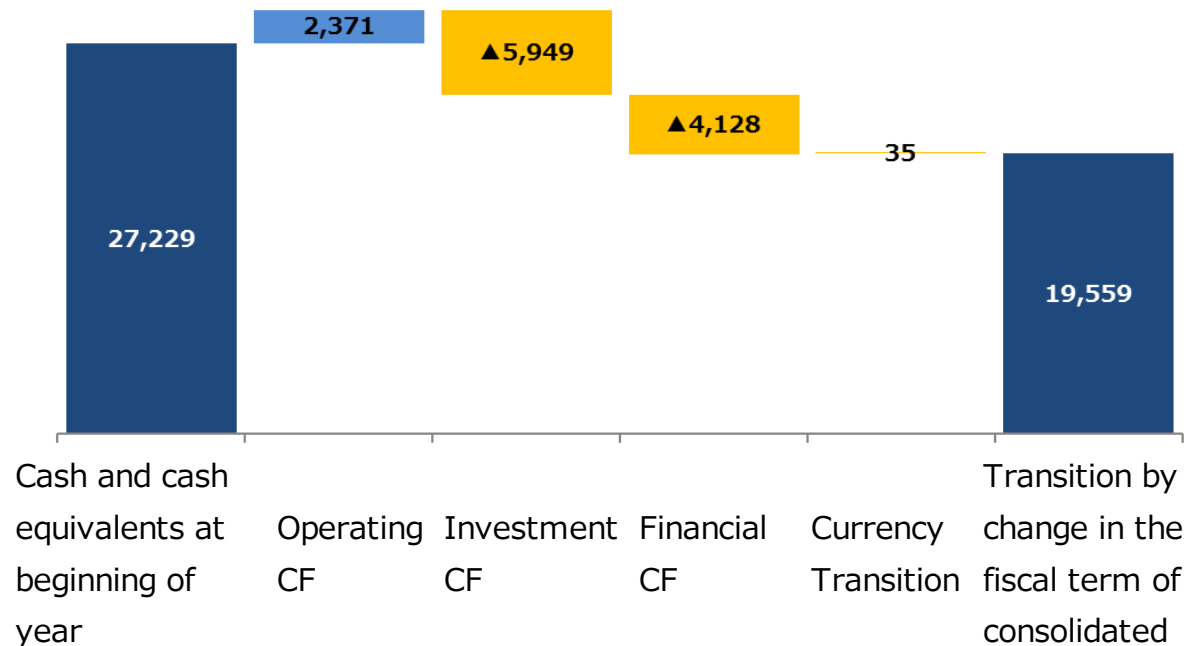
# Cash Flow (Consolidated)



1. FY2019 (1) Financial Summary

**Operating CF +JPY 2.3b, Investment CF ▲JPY 5.9 b,  
and Financial CF ▲JPY 4.1b**

(Unit: JPY million)



**Compared to the beginning of  
FY2019 ▲7,670m**

**CF from operating activities +2,371m**  
(YoY +11,137m)

EBITDA<sup>※1</sup> +5,086m  
Changes in working capital<sup>※2</sup> ▲1,972m

**CF from investing activities ▲5,949m**  
(YoY ▲8,267m)

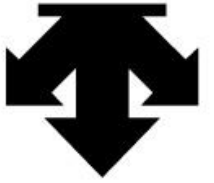
Purchase of property, plant and equipment ▲2,040m  
Purchase of intangible assets ▲1,531m  
Expenditure on subsidiary stock ▲2,481m

**CF from financing activities ▲4,128m**  
(YoY ▲2,136m)

Cash dividends paid ▲1,960m  
Repayment of lease obligations ▲2,502m  
Repayment of loans payable +228m

※1 EBITDA = Income before income taxes + Depreciation

※2 Working capital is the change in notes and accounts receivable-trade, inventories and notes and accounts payable-trade



## **1. FY2019**

(1) Financial Summary

**(2) Brand Review**

(3) Area Review

(4) Topics

## **2. Plan for FY2020**

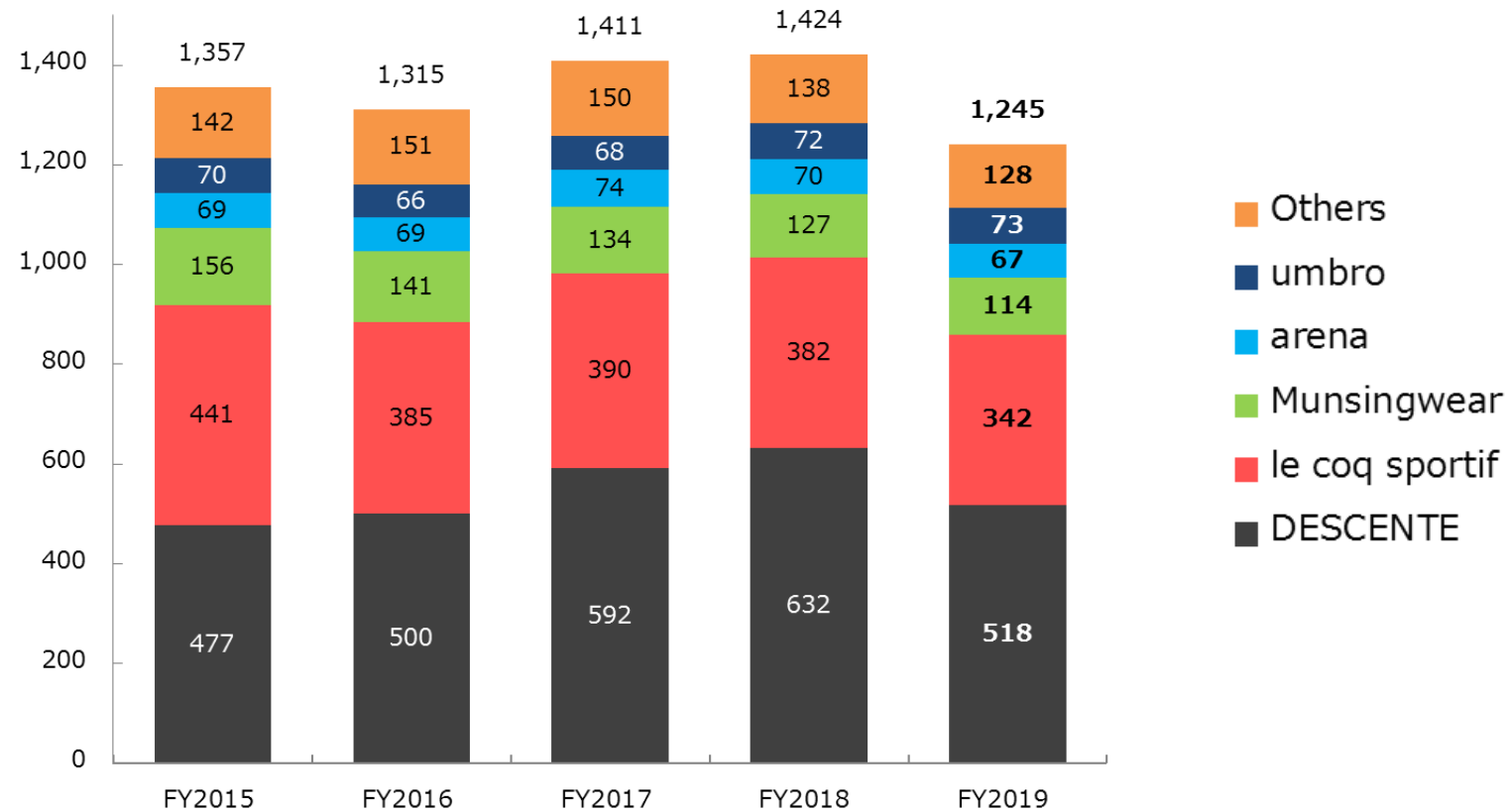
# Brand Sales (Consolidated)



1. FY2019 (2) Brand Review

**Sales decrease due to the sluggish sales in Japan and South Korea**

(Unit: JPY 0.1 billion)



Note: FY2019=FY ended March 31, 2020

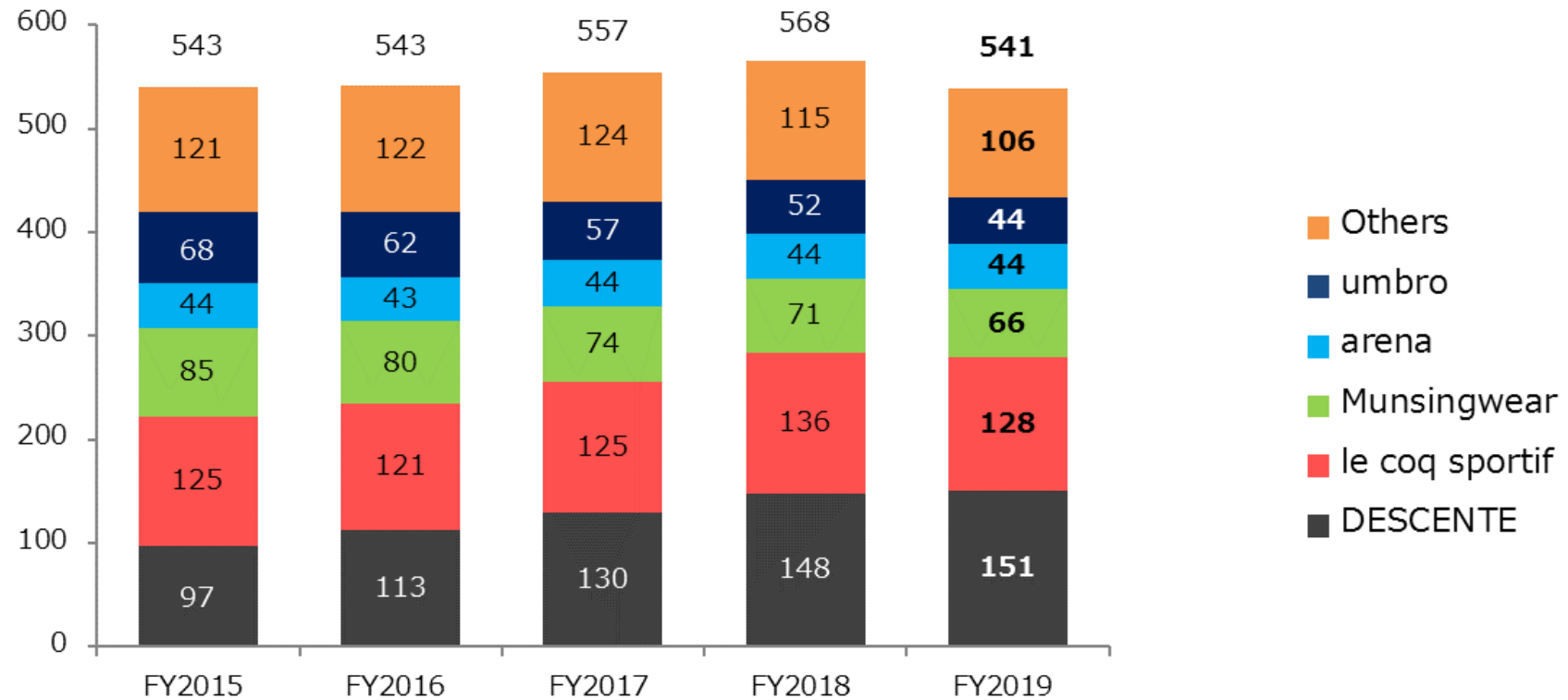
# Brand Sales (Japan)



1. FY2019 (2) Brand Review

**Overall: struggled due to the warm winter and COVID-19 infections**  
**DESCENTE: Sales increased in both Athletic and Golf categories**

(Unit: JPY 0.1 billion)



Note: FY2019=FY ended March 31, 2020

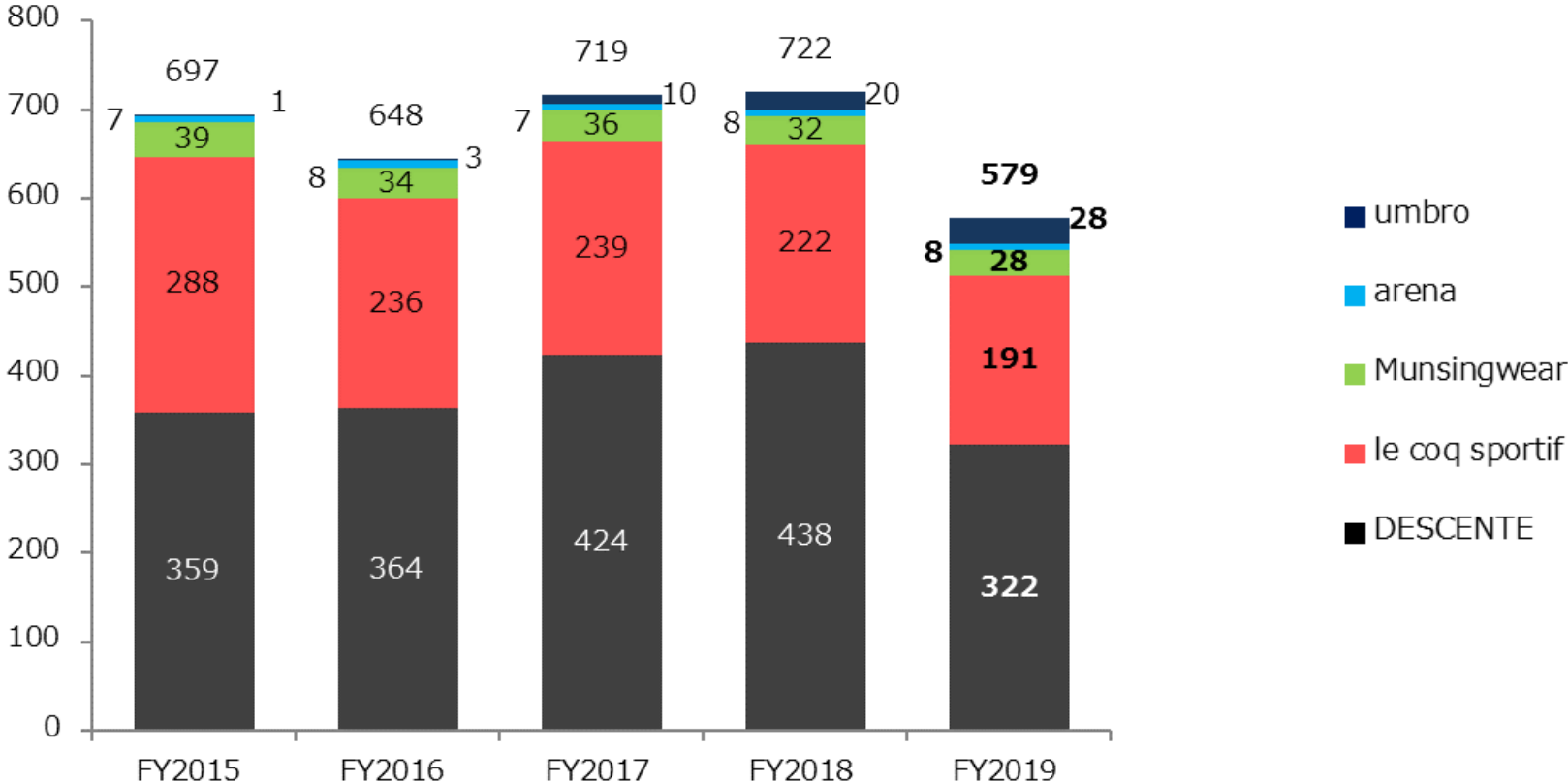
# Brand Sales (Korea)



1. FY2019 (2) Brand Review

**Sales decreased due to the boycott of Japanese goods, but sales of umbro have continued to grow since the launch of business.**

(Unit: JPY 0.1 billion)



Note: FY2019=FY ended March 31, 2020

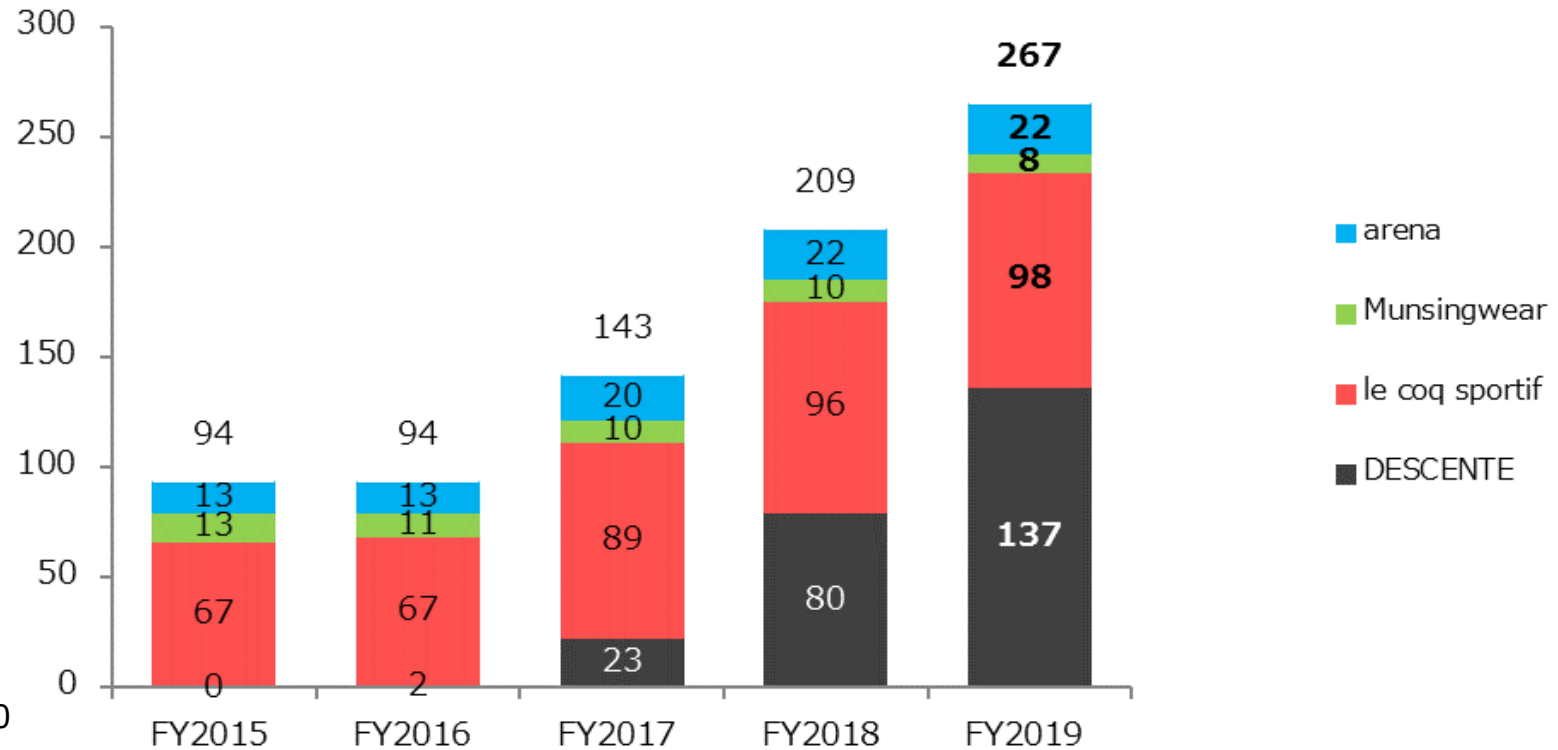
# Combined Local Sales\* (China excl. Hong Kong, Taiwan, Macau)



1. FY2019 (2) Brand Review

**Sales increased due to continuous growth of DESCENTE +70% YoY (Local currency basis +80% YoY)**

(Unit: JPY 0.1 billion)



Note:  
 FY2019=FY ended March 31, 2020  
 Combined Local Sales\*  
 =sales of local subsidiary  
 +sales of local JVs under equity method  
 -sales from local subsidiary to local JVs

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## **1. FY2019**

(1) Financial Summary

(2) Brand Review

**(3) Area Review**

(4) Topics

## **2. Plan for FY2020**

# Japan: Promote DTC Business Expansion



1. FY2019 (3) Area Review

Start “TEAM DESCENTE” project that connects top athletes and customers

Continue opening new directly managed stores



- DESCENTE BLANC ROPPONGI  
(opened: April 2020)
- DESCENTE STATION (LaLaport TOYOSU)  
(plan to open: May-June 2020)





## Improving Product Capabilities through joint development with top athletes - Game Wear -



- "Ultimate Aqua Force X" developed jointly with Daiya Seto performed well



- Development of Japan's first game wear approved by the International Fencing Federation

## Improving Product Capabilities through Joint Development with top athletes - To more customers -



- Baseball undershirt that meets Shohei Ohtani's requests



- Soccer cleats modeled on Gaku Shibasaki's foot shape

## Applying our know-how as a sports manufacturer to a wide range of daily situations



- “Boa Jacket” that performed well as a lifestyle item



- “Horizon Jacket” equipped with many pockets for storing plenty of things such as wallets and mobile phones

## Newly developed products against heat not only during exercise but also during watching games and transferring



- “Aerostream Backpack” Newly developed panel on the back reduces stuffiness
- “CORE COOLER”, a heat protection item jointly developed with SHARP CORPORATION

## Relocated and opened a roadside store in Gangnam as an experience-based store



- Regularly switch images on a large display
- An event was held to color sneakers by customers

## Proceeding communication with customers



- "Bumpy Design Contest" event to commercialize "Bumpy" designed by general customers



- Sponsored "Arena Korea Masters"

# South Korea: Continuing topical activities and events



1. FY2019 (3) Area Review

**DESCENTE (product development) x ANTA (sales floor development / marketing)**  
**Expand sales by leveraging each other's strengths**



- Global collection "ALLTERRAIN" event held as a popup store in Nanjing

**Acquired recognition as a golf brand by sponsoring WGC-HSBC Champions**



- Showing the brand through display of panels and participation of contracted players

**Emphasize the image of French brands**



- Global signature design "SOLEIL SOIXANTE" debut
- Professional golfer Shi Yuting also promoted

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## **2. Plan for FY2020**

## Implementing various measures to reduce environmental impact



- Dye-free series "First White" that drastically reduces the amount of water during dyeing



Munsingwear

- Continued "SAVE THE PENGUIN" campaign
- Switch to 100% renewable energy power usage at Mizusawa factory



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## 1. FY2019

(1) Financial Summary

(2) Brand Review

(3) Area Review

(4) Topics

## 2. Plan for FY2020



Consolidated earnings forecast and dividend for the fiscal year ending March 31, 2021(April 1, 2020-March 31, 2021) is not prepared at this stage because the outlook is uncertain due to COVID-19 infection.

We will announce promptly when rational estimation is possible.



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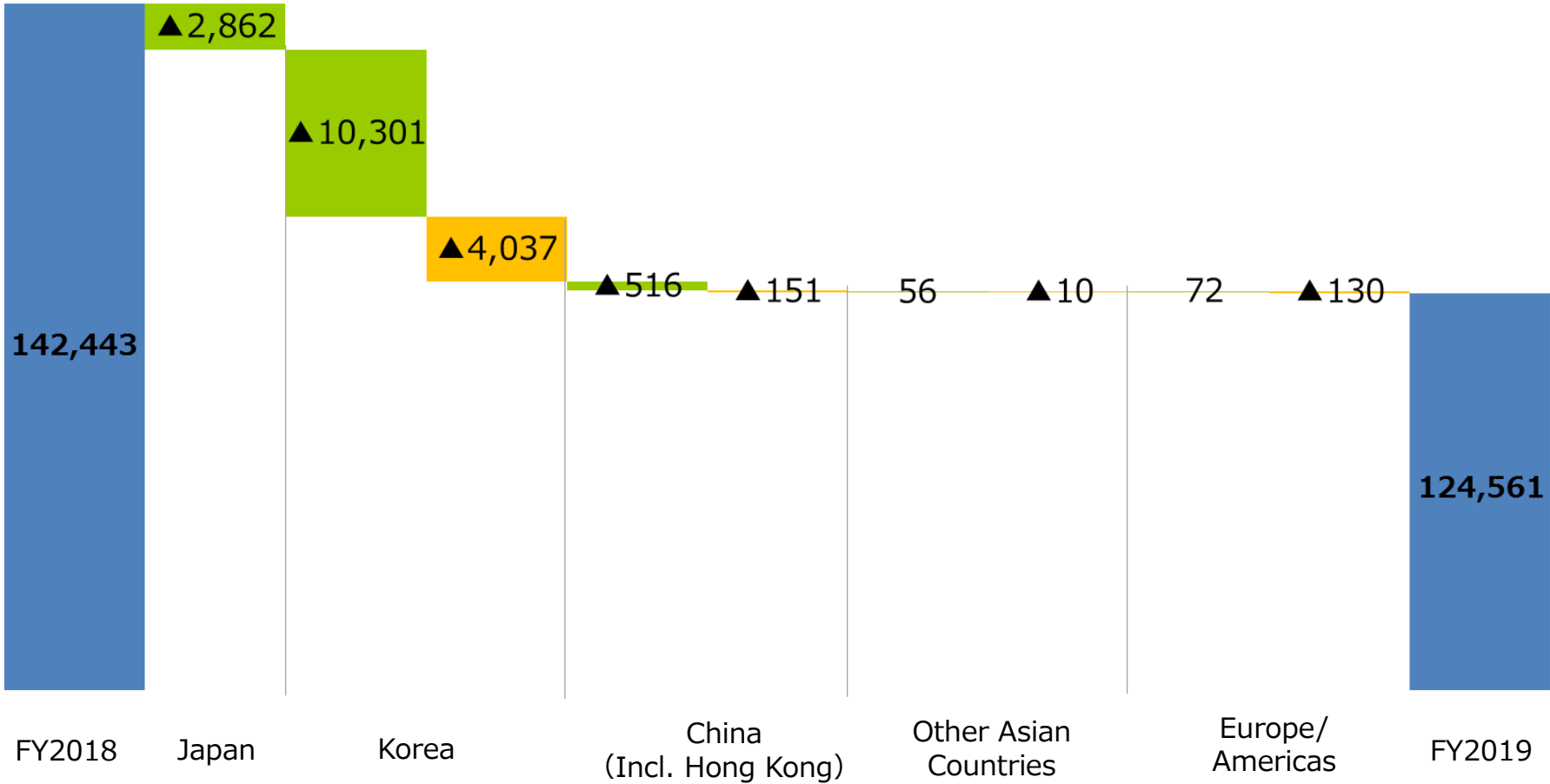
# **FY2019 Reference**

**(Quarterly Sales and  
Operating Income by Segment)**

# Net Sales (YoY)



(Unit: JPY million)



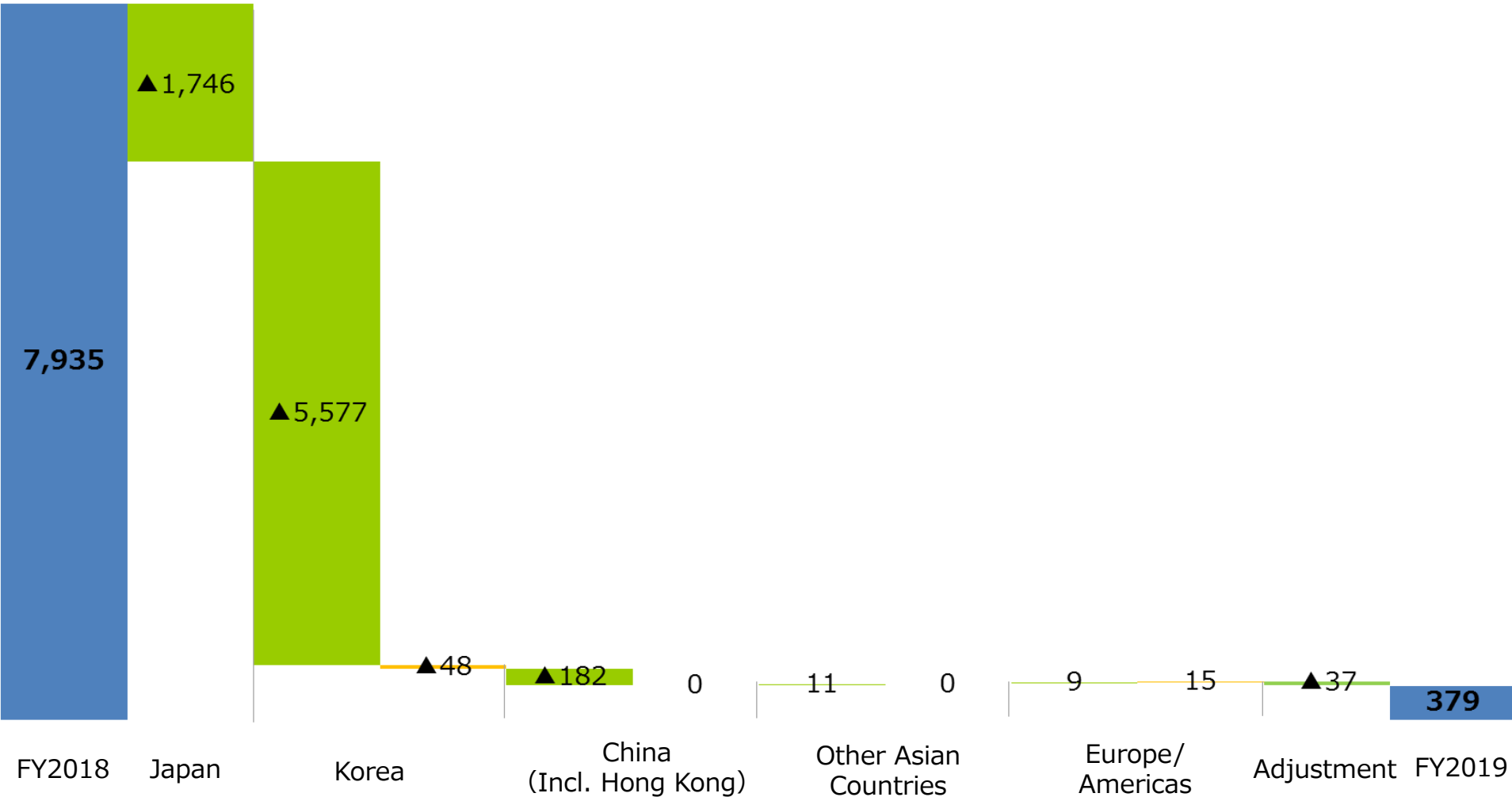
■ Net Sales   
 ■ Actual Gain / Loss   
 ■ Forex Effect

Note: FY2019=FY ended March 31, 2020

# Operating Income (YoY)



(Unit: JPY million)



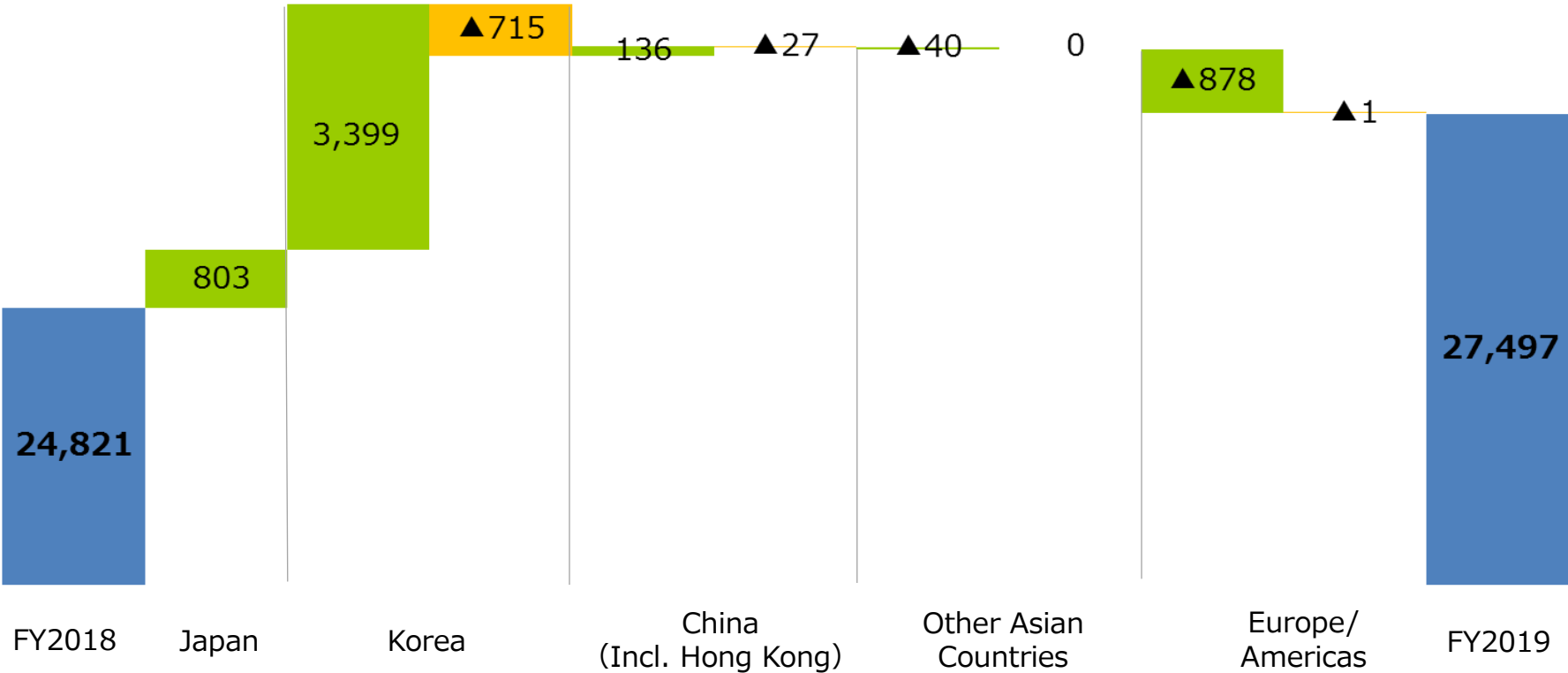
Operating income Actual Gain / Loss Forex Effect

Note: FY2019=FY ended March 31, 2020

# Inventory (YoY)



(Unit: JPY million)



■ Inventories   
 ■ Actual Profit / Loss   
 ■ Forex Effect

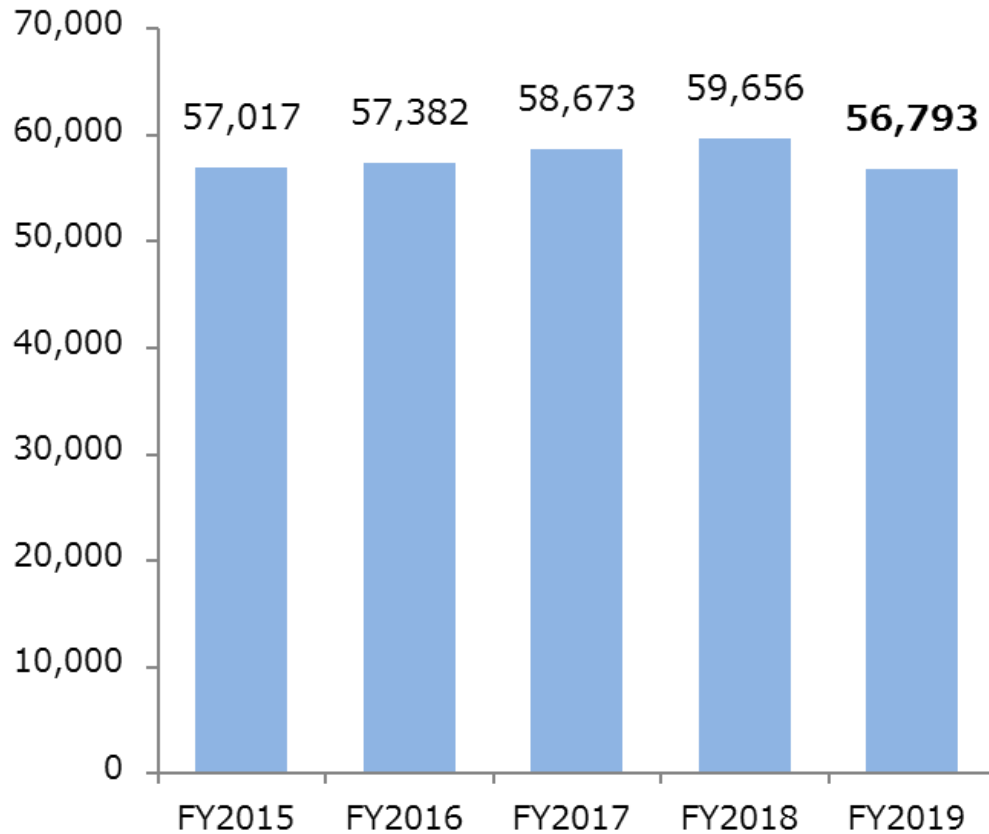
Note: FY2019=FY ended March 31, 2020

# Net Sales and Operating Income (Japan Segment)



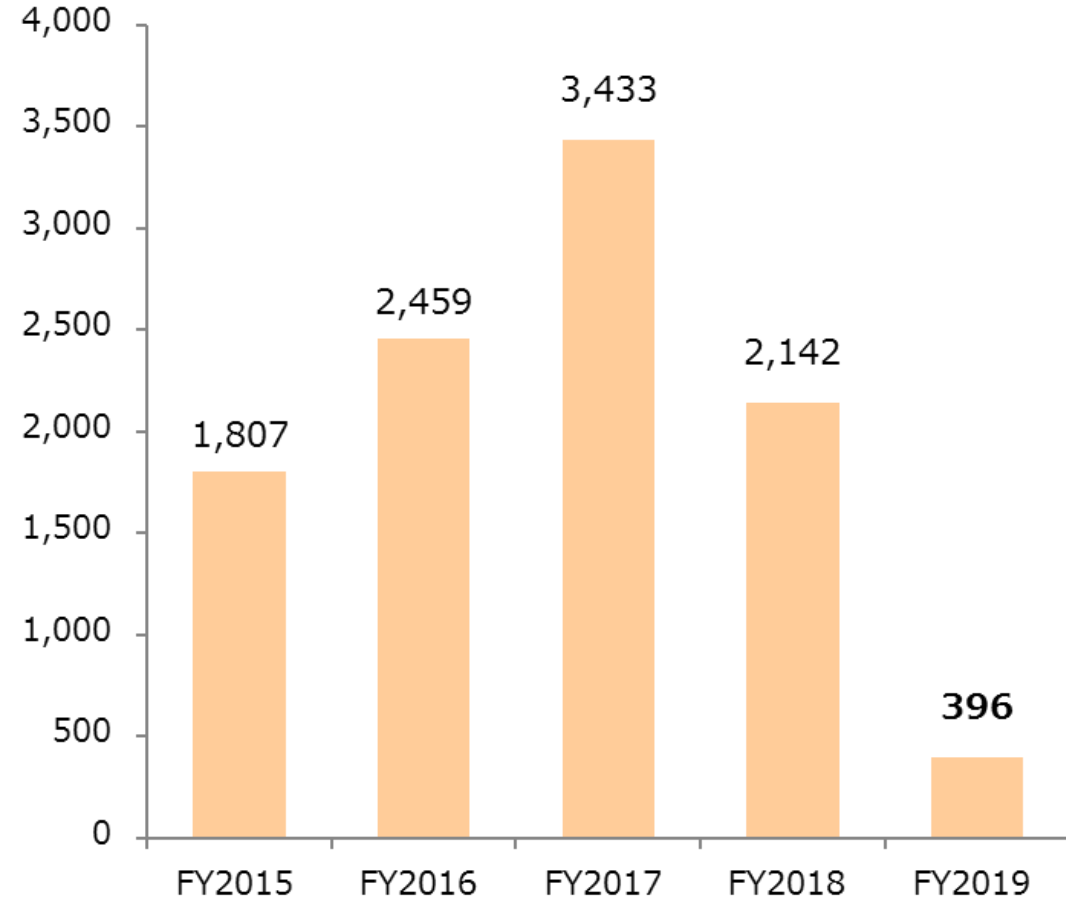
## Net Sales

(Unit: JPY million)



## Operating Income

(Unit: JPY million)



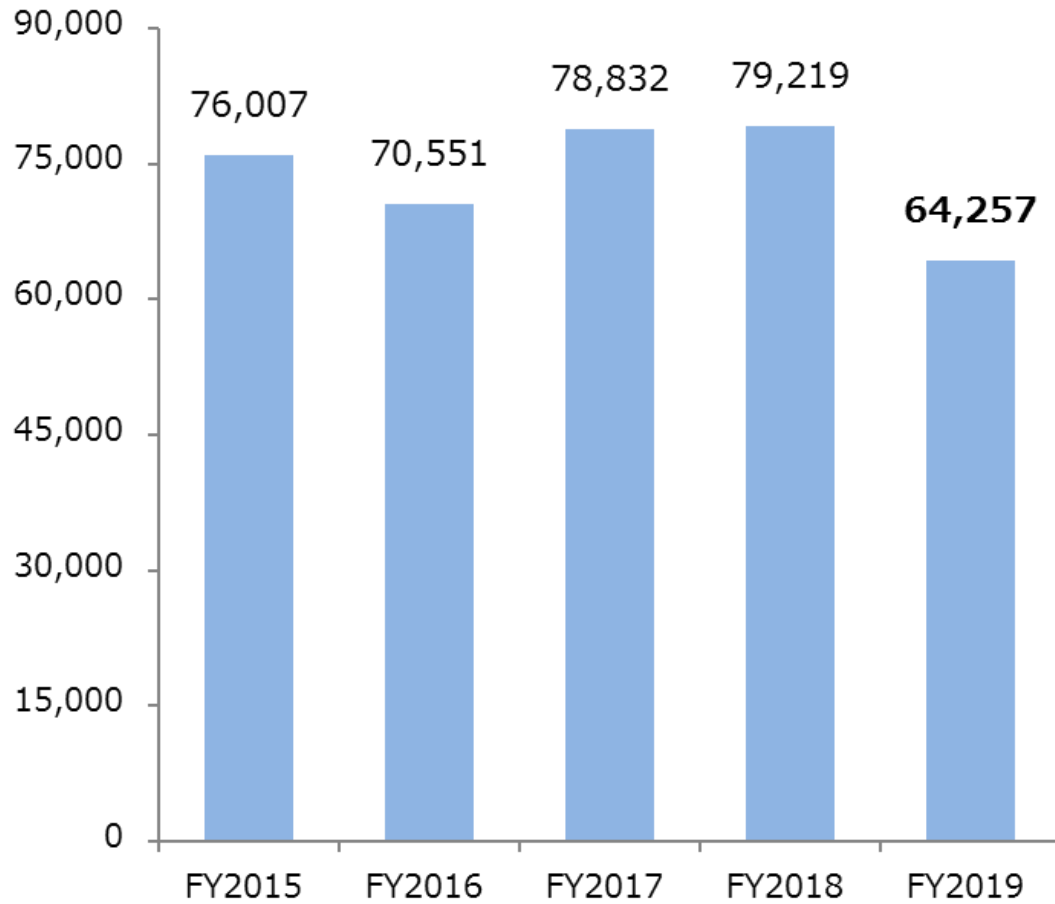
Note: FY2019=FY ended March 31, 2020

# Net Sales and Operating Income (Asia Segment)



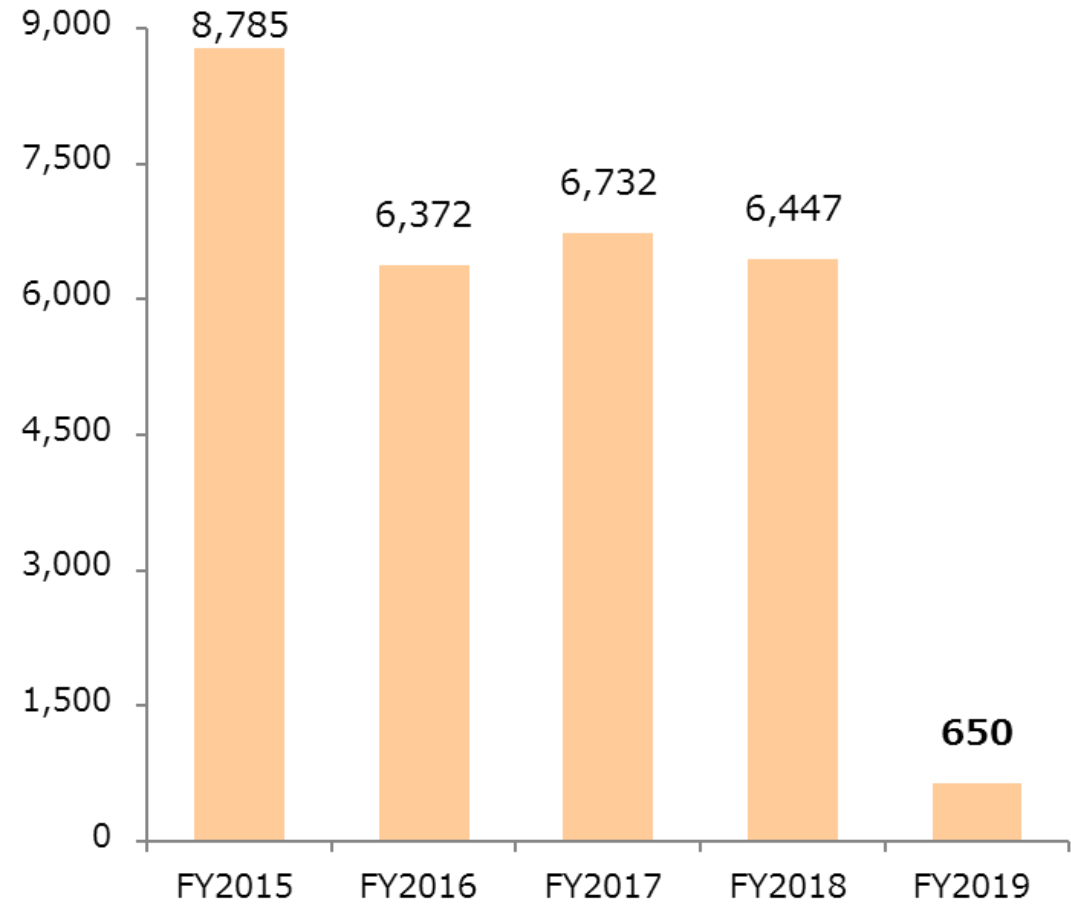
## Net Sales

(Unit: JPY million)



## Operating Income

(Unit: JPY million)



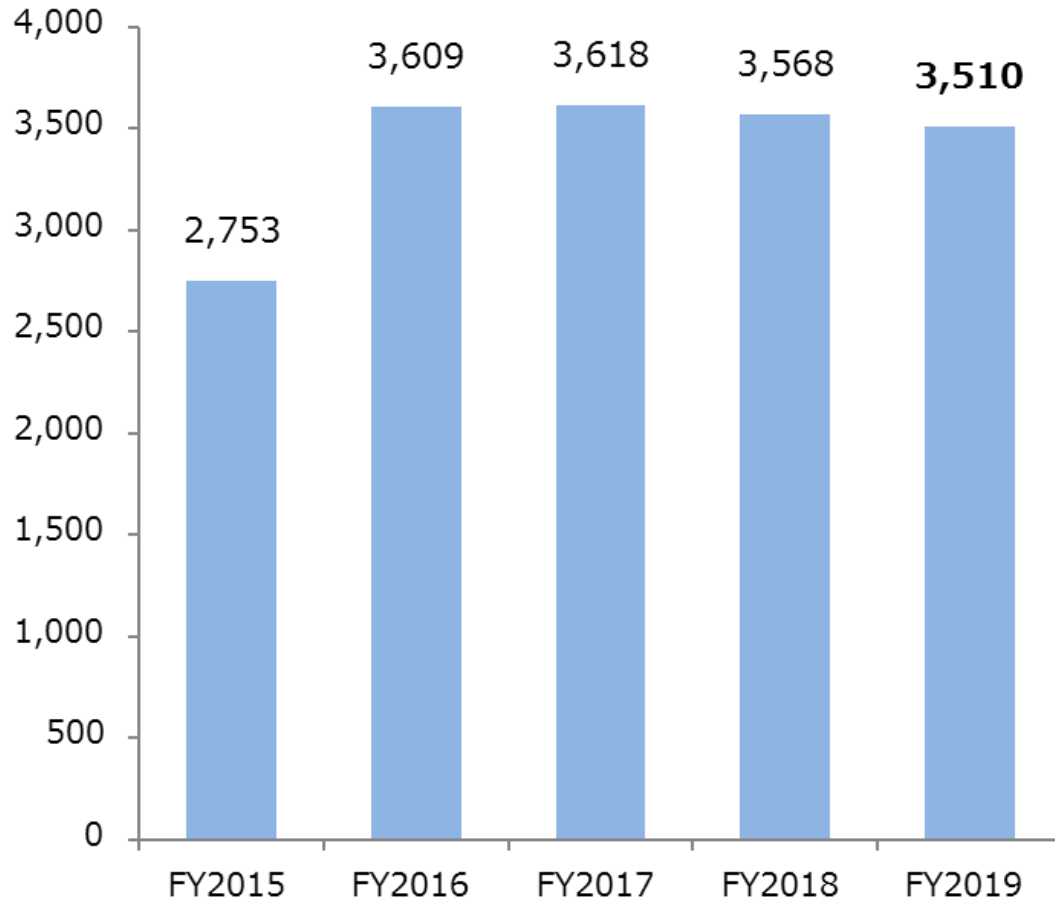
Note: FY2019=FY ended March 31, 2020

# Net Sales and Operating Income (Europe/Americas Segment)



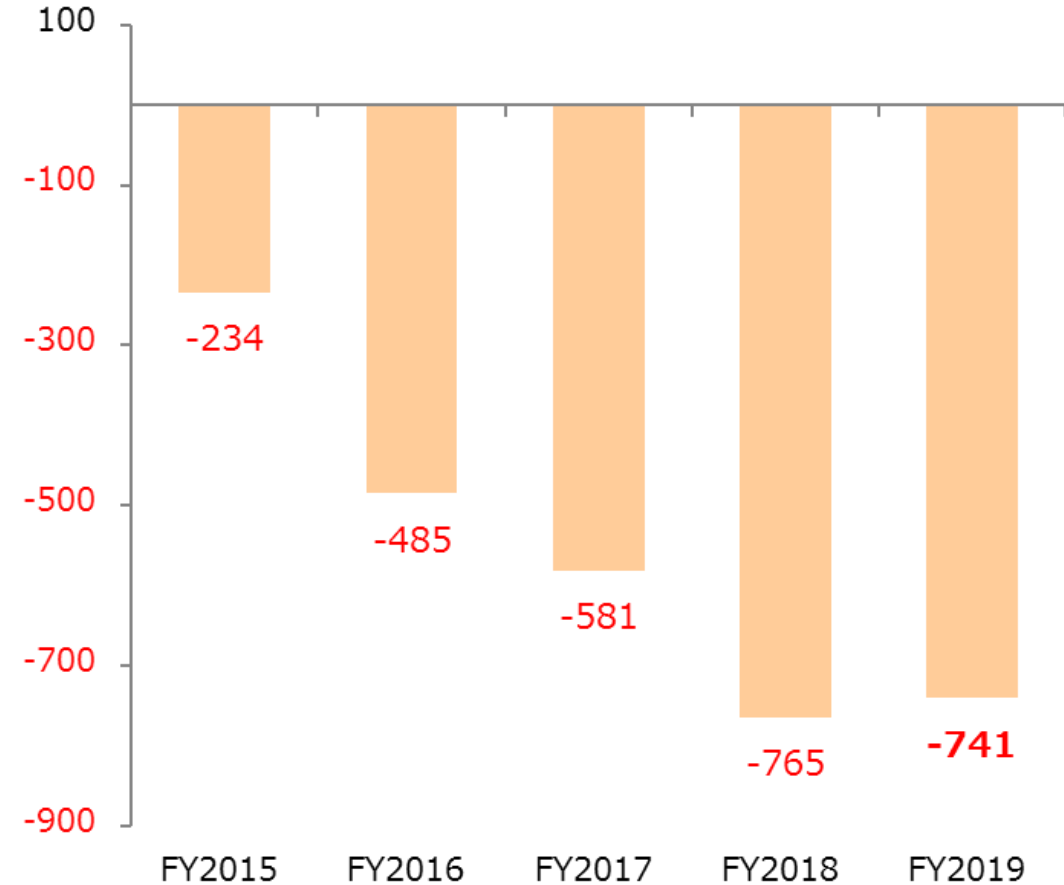
## Net Sales

(Unit: JPY million)



## Operating Income

(Unit: JPY million)

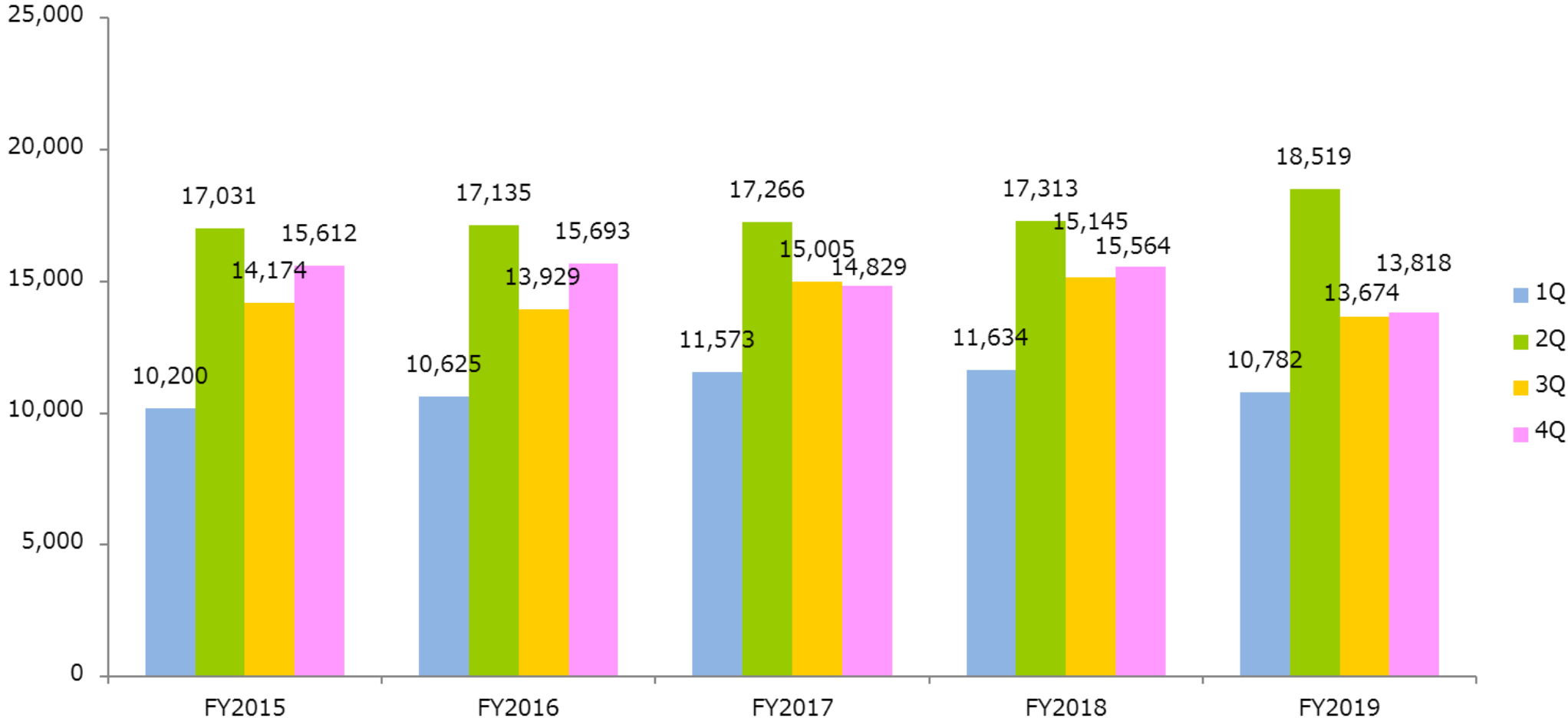


Note: FY2019=FY ended March 31, 2020

# Quarterly Sales (Japan Segment)



(Unit: JPY million)



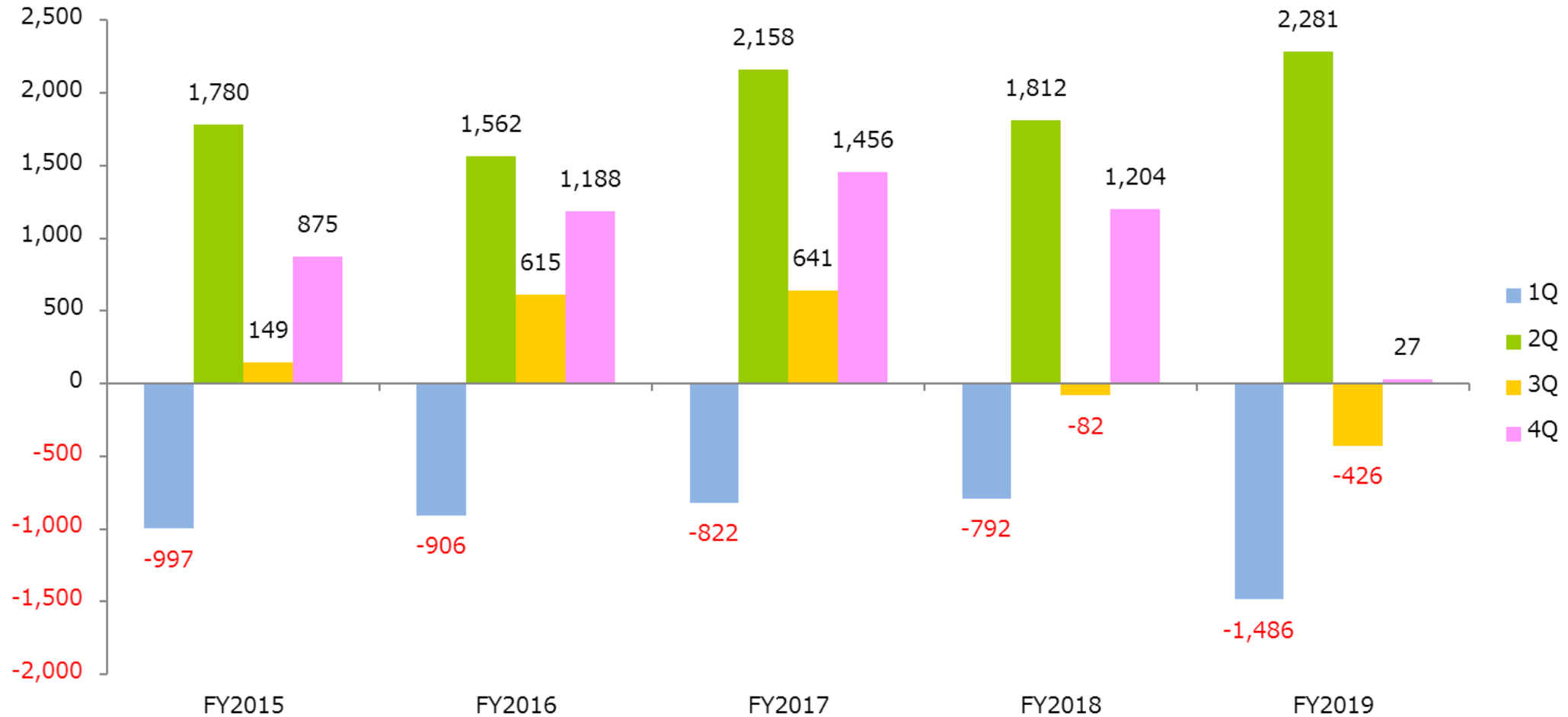
Note: FY2019=FY ended March 31, 2020



# Quarterly Operating Income (Japan Segment)



(Unit: JPY million)

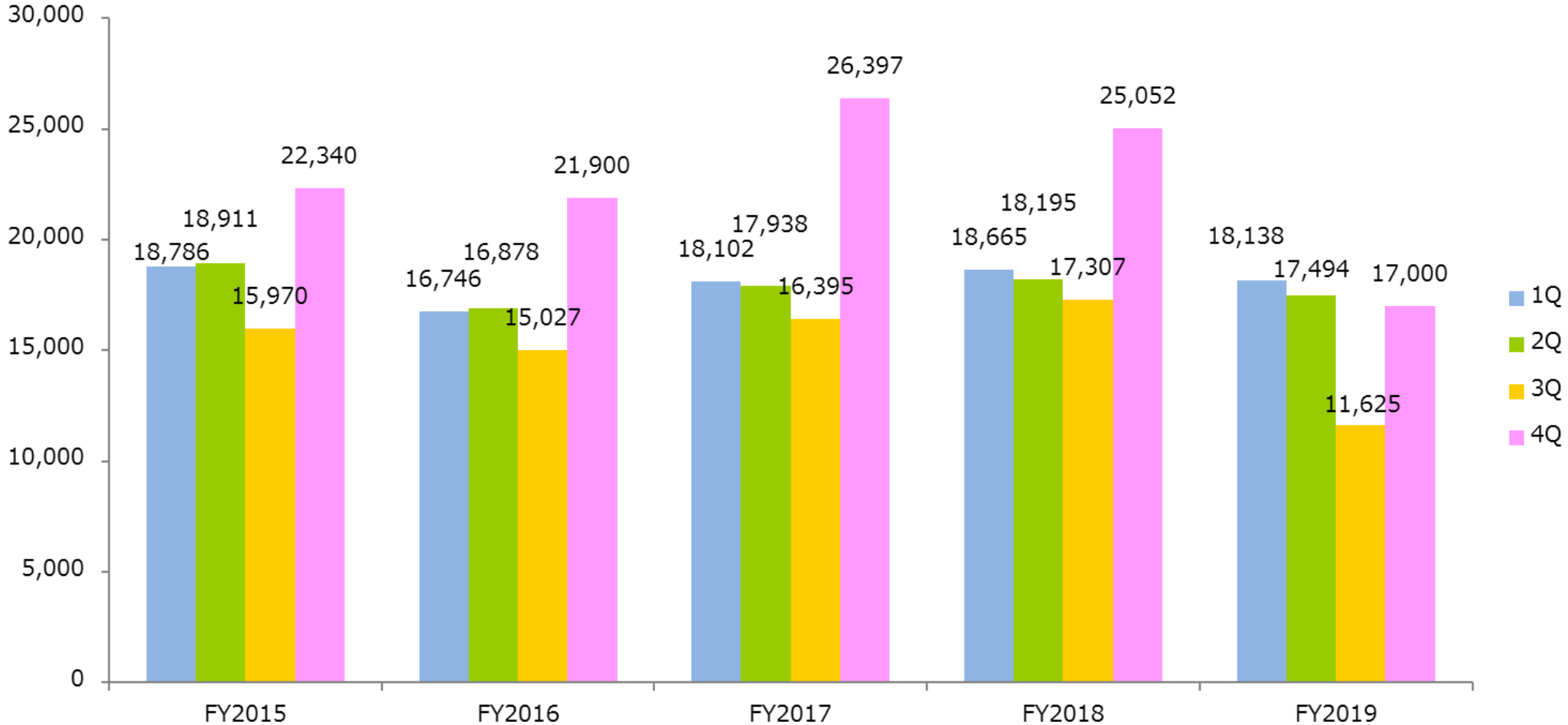


Note: FY2019=FY ended March 31, 2020

# Quarterly Sales Segment (Asia Segment)



(Unit: JPY million)

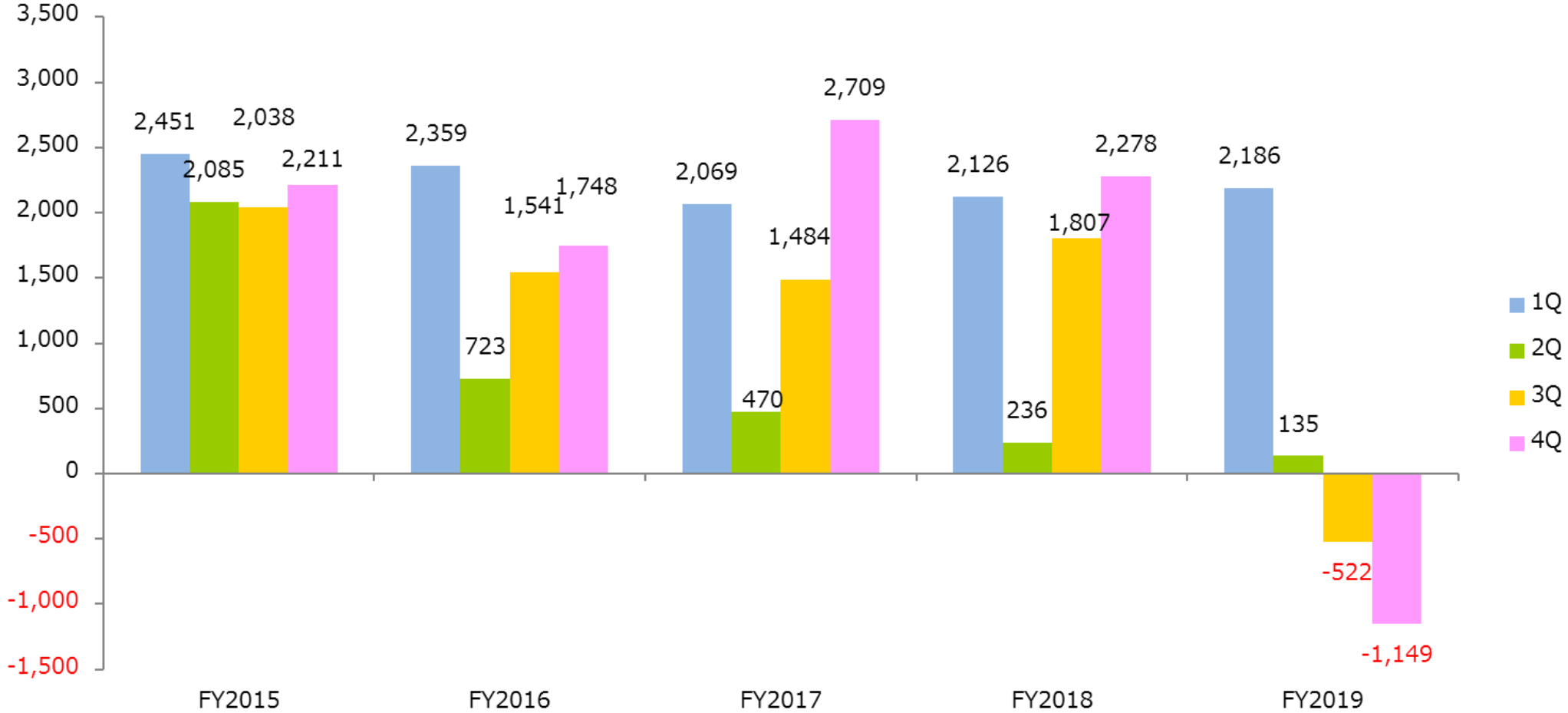


Note: FY2019=FY ended March 31, 2020

# Quarterly Operating Income (Asia Segment)



(Unit: JPY million)

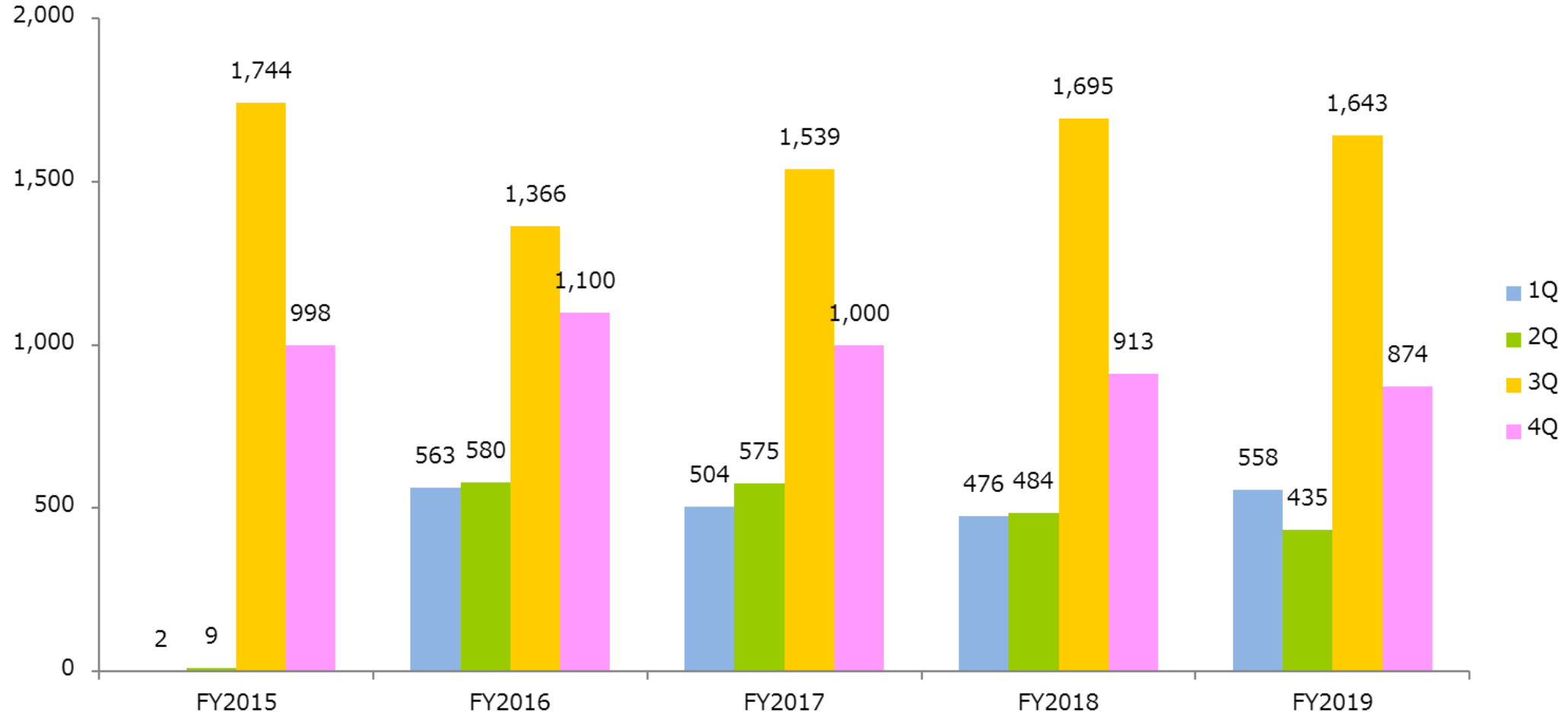


Note: FY2019=FY ended March 31, 2020

# Quarterly Sales (Europe/Americas Segment)



(Unit: JPY million)

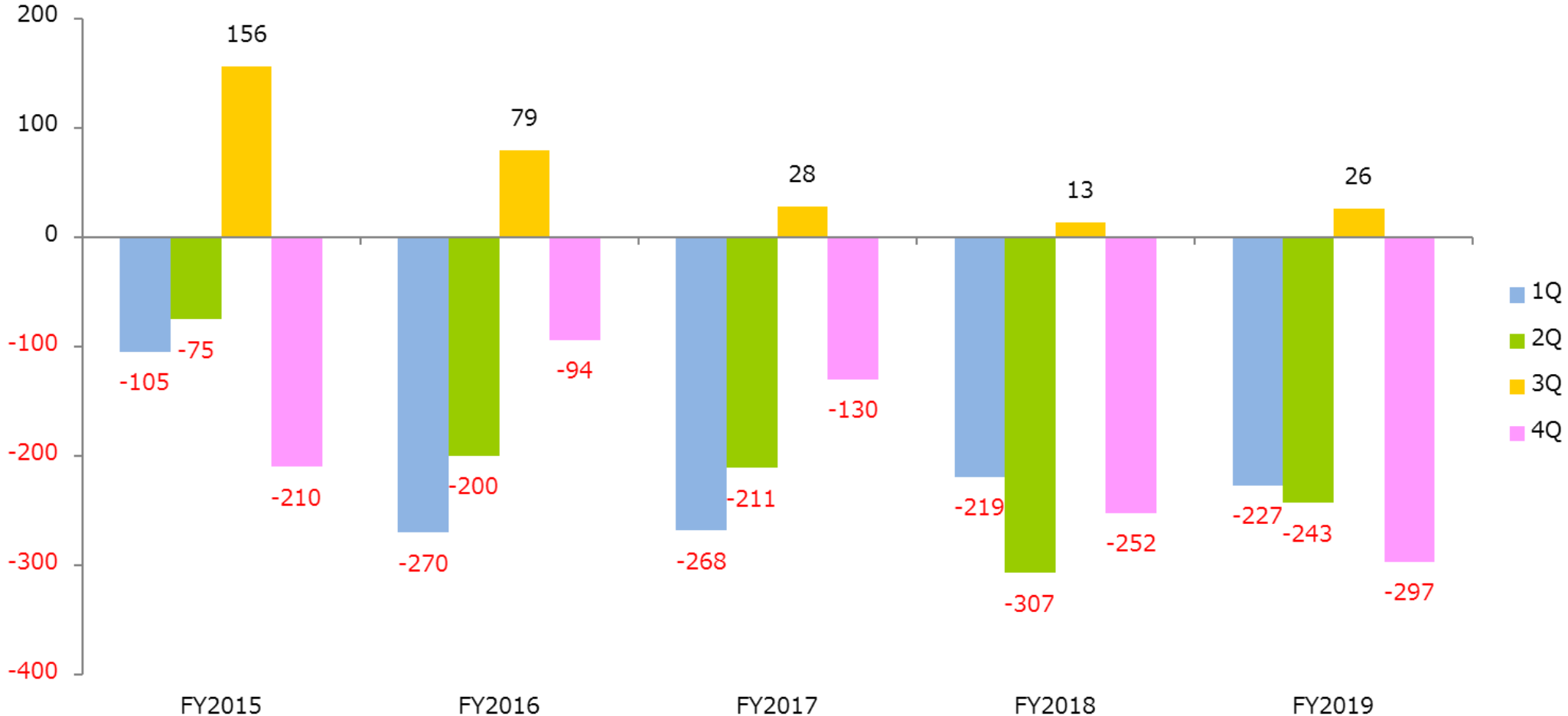


Note: FY2019=FY ended March 31, 2020

# Quarterly Operating Income (Europe/Americas Segment)



(Unit: JPY million)

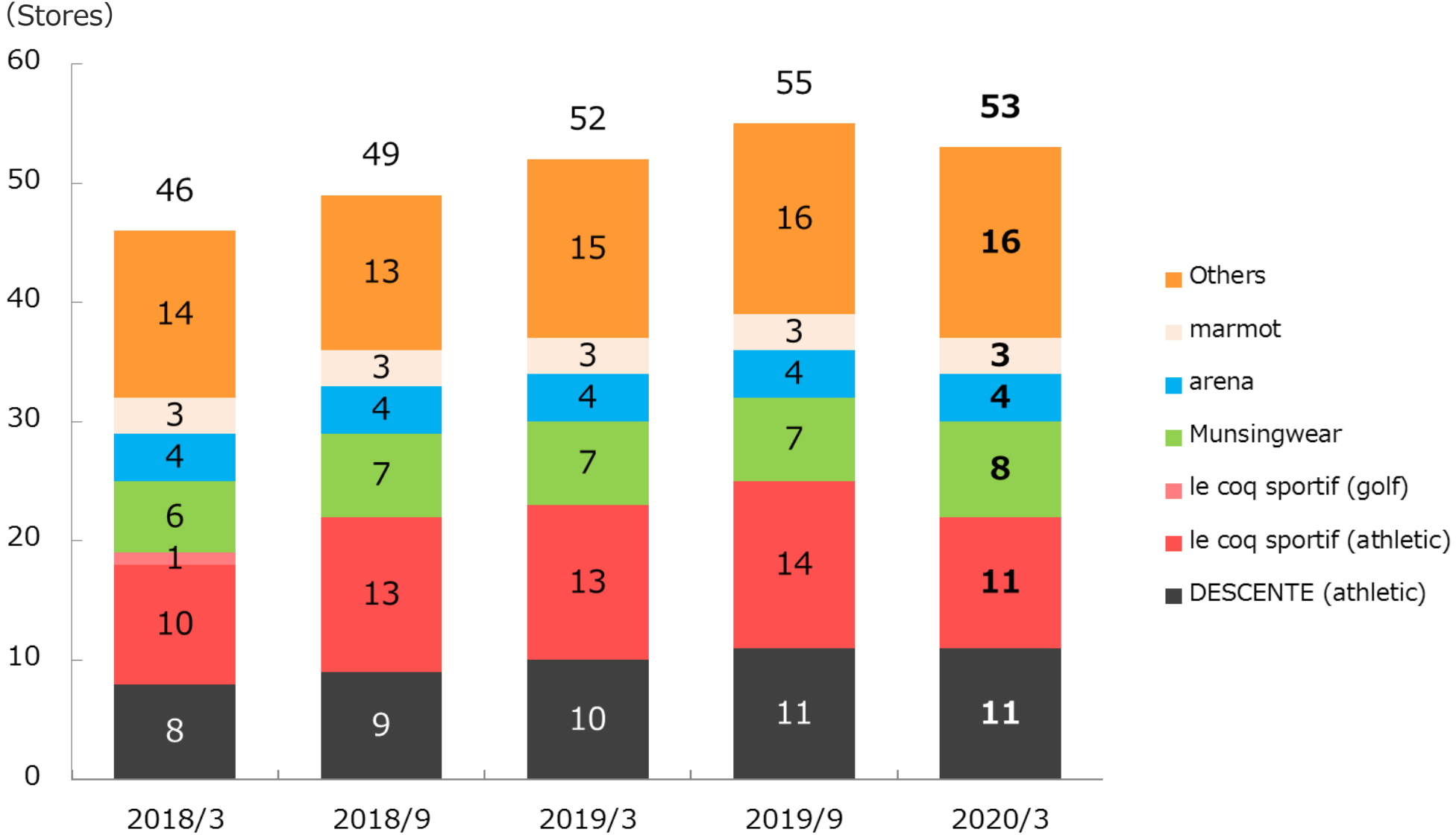


Note: FY2019=FY ended March 31, 2020

# Number of Stores in Japan (Directly Managed Stores)



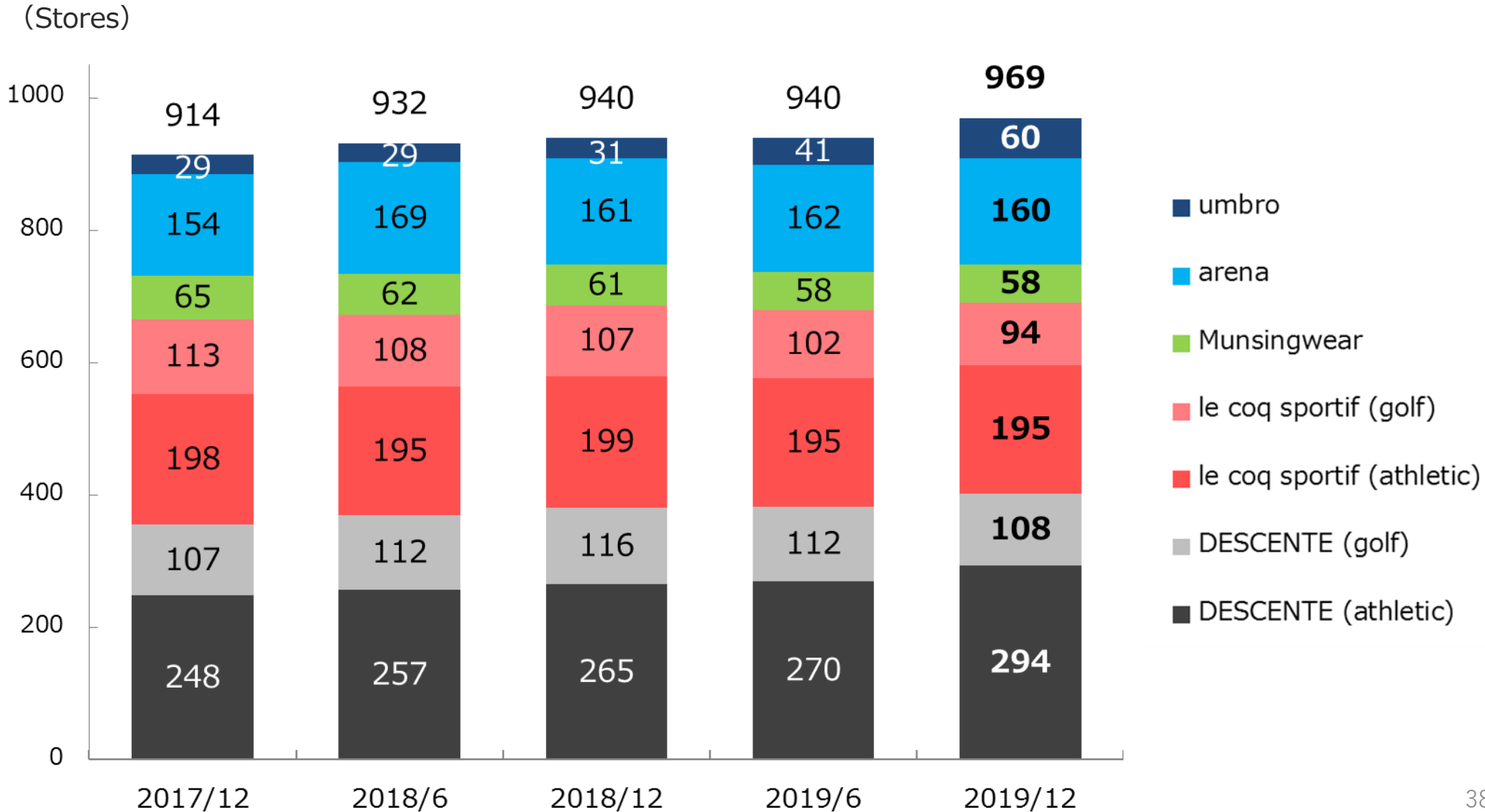
※Including outlets



# Number of Stores in Korea



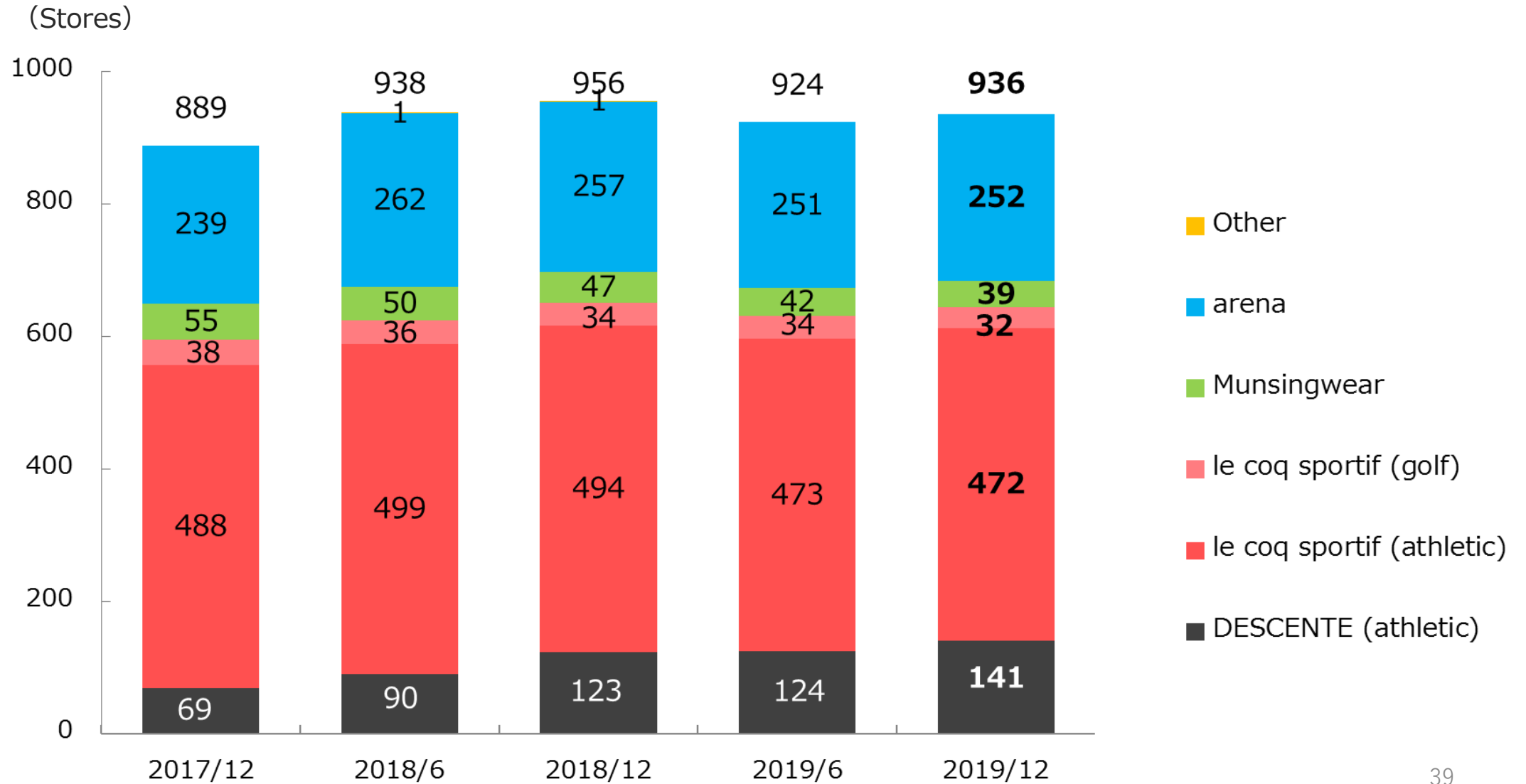
※Including stores of commercial agents and outlets



# Numbers of Stores in China (incl. Hong Kong)








※Including stores of commercial agents (added outlets from 2017/12)





# Affiliated Companies in China: Summary



| Company Name                         | SHANGHAI DESCENTE COMMERCIAL CO., LTD.  | LE COQ SPORTIF (NINGBO) CO., LTD  | DESCENTE (CHINA) CO., LTD   | ARENA(SHANGHAI)INDUSTRIAL CO.,LTD   | HONG KONG DESCENTE TRADING, LTD   |
|--------------------------------------|---|---|---|---|---|
| Location                             | Shanghai, China   | Ningbo, China   | Shanghai, China   | Shanghai, China   | Hong Kong   |
| Incorporated                         | August, 2005  | February, 2004  | April, 2016   | December, 2016  | November, 2003  |
| Fiscal Year                          | December  | December  | December  | December  | December  |
| Relations                            | Consolidated subsidiary   | Affiliated Companies Accounted for under the Equity Method                          | Affiliated Companies Accounted for under the Equity Method                          | Affiliated Companies Accounted for under the Equity Method                          | Consolidated subsidiary   |
| Investment Ratio                     | 100%  | 40%   | 30%   | 30%   | 100%  |
| Other Investors/<br>Investment Ratio |   | ShanShan group 50%<br>Itochu group 10%  | ANTA group 60%<br>Itochu group 10%  | Symphony Holdings Limited 70%   |   |
| Brands                               |                                    |  |  |  |  |
| Business                             | Munsingwear: product planning, development, production, selling<br>Arena: product planning, development, production | product planning, development, production, and selling                              | product planning, development, production, and selling                              | Selling   | Selling   |
| Royalty                              | Pay royalty to DESCENTE LTD.  | Pay royalty to DESCENTE LTD.  | Pay royalty to DESCENTE GLOBAL RETAIL LTD.  | NO royalty payment (Buy all products from SHANGHAI DESCENTE COMMERCIAL CO., LTD.)   | Pay royalty to DESCENTE LTD.  |
| Segment                              | Asia(China)   | Not included  | Not included  | Not included  | Asia(China)   |
| Area                                 | Asia(China)   | Not included  | Not included  | Not included  | Asia (China, South-eastern Asia)  |

## Exchange Rates Used

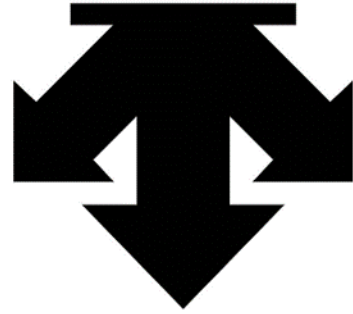
|        |        | USD    | 100KRW | CNY   | HKD   | SGD   | GBP    |
|--------|--------|--------|--------|-------|-------|-------|--------|
| FY2019 | 4Q YTD | 109.24 | 9.41   | 15.82 | 13.95 | 80.12 | 139.49 |
|        | 3Q YTD | 109.19 | 9.42   | 15.91 | 13.93 | 80.01 | 138.72 |
|        | 2Q YTD | 109.92 | 9.62   | 16.23 | 14.03 | 81.01 | 142.37 |
|        | 1Q YTD | 111.26 | 9.85   | 16.44 | 14.06 | 81.70 | 145.20 |
| FY2018 | 4Q YTD | 110.34 | 10.04  | 16.64 | 14.08 | 81.71 | 146.73 |
|        | 3Q YTD | 110.07 | 10.05  | 16.77 | 13.98 | 81.66 | 147.94 |
|        | 2Q YTD | 108.81 | 10.05  | 17.01 | 13.84 | 81.54 | 148.83 |
|        | 1Q YTD | 107.60 | 10.04  | 17.03 | 13.72 | 81.67 | 150.68 |
| FY2017 | 4Q YTD | 111.59 | 10.00  | 16.63 | 14.37 | 81.47 | 145.34 |
|        | 3Q YTD | 111.70 | 9.88   | 16.47 | 14.35 | 80.77 | 143.62 |
|        | 2Q YTD | 111.51 | 9.89   | 16.37 | 14.41 | 80.22 | 142.26 |
|        | 1Q YTD | 111.95 | 9.91   | 16.43 | 14.53 | 80.13 | -      |
| FY2016 | 4Q YTD | 108.82 | 9.41   | 16.38 | 14.10 | 79.04 | 147.28 |
|        | 3Q YTD | 107.02 | 9.39   | 16.46 | 14.01 | 79.29 | 150.70 |
|        | 2Q YTD | 109.02 | 9.46   | 16.98 | 14.39 | 81.14 | 158.89 |
|        | 1Q YTD | 112.00 | 9.63   | 17.57 | 14.89 | 82.83 | 164.26 |
| FY2015 | 4Q YTD | 121.22 | 10.70  | 19.19 | 15.61 | 87.88 | 185.10 |
|        | 3Q YTD | 121.16 | 10.75  | 19.32 | 15.60 | 88.44 | 187.33 |
|        | 2Q YTD | 121.44 | 10.98  | 19.36 | 15.55 | 89.30 | -      |
|        | 1Q YTD | 119.47 | 10.85  | 19.09 | 15.38 | 87.56 | -      |
| FY2014 | 4Q YTD | 107.72 | 10.13  | 17.26 | 13.74 | 83.85 | -      |
|        | 3Q YTD | 103.97 | 9.94   | 16.73 | 13.32 | 82.07 | -      |
|        | 2Q YTD | 102.20 | 9.80   | 16.56 | 13.19 | 81.16 | -      |
|        | 1Q YTD | 102.47 | 9.60   | 16.78 | 13.22 | 81.00 | -      |

Disclaimer: The contents of the business plan and the future objectives described in this document are based on information currently available and therefore contain an element of uncertainty and potential risk. Please be advised there is a possibility that actual results may be affected by a number of factors and may differ materially from what is described.

1Q YTD = First 3 months of FY  
 2Q YTD = First 6 months of FY  
 3Q YTD = First 9 months of FY  
 4Q YTD = Full FY

Note: FY2019 = FY ended March 31, 2020

**DESCENTE**



Design for Sports