

DESCENTE

1Q FY2020 Earnings

August 5, 2020

This is an English translation of the original Japanese-language Consolidated Financial Summary of DESCENTE LTD. (the Company) for the first quarter of the fiscal year ending March 31, 2021 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.

In recent years, the importance of our business in South Korea and China has increased, therefore the Company has changed its reportable segments up to FY2019 Asia to South Korea, China and Others from the 1Q of FY2020.

As a result of the resolution to liquidate all U.S. and European subsidiaries that were included Europe/Americas segment until FY2019 the importance of the business of Europe/Americas subsidiaries has declined. As a result, the business of Europe/Americas have been included in Others. Segment information for the 1Q of FY2019 is prepared by the segment classification method after the change.

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 JV in China is counted in Japan segment.

***Segment changed from [Japan-Asia-Europe/Americas] to [Japan-South Korea-China] from FY2020.**

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

Example: Net sales from DESCENTE LTD. to JV in China is counted in China area.

Business Year:

<Japan> April-March *Example: 1Q=April-June*

<Overseas Subsidiaries/Affiliate> January-December *Example: 1Q=January-March*

***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.

1. 1Q FY2020

(1) Financial Summary

(2) Brand Review

(3) Number of Stores

2. Plan for FY2020

Results of 1Q FY2020 (Consolidated)



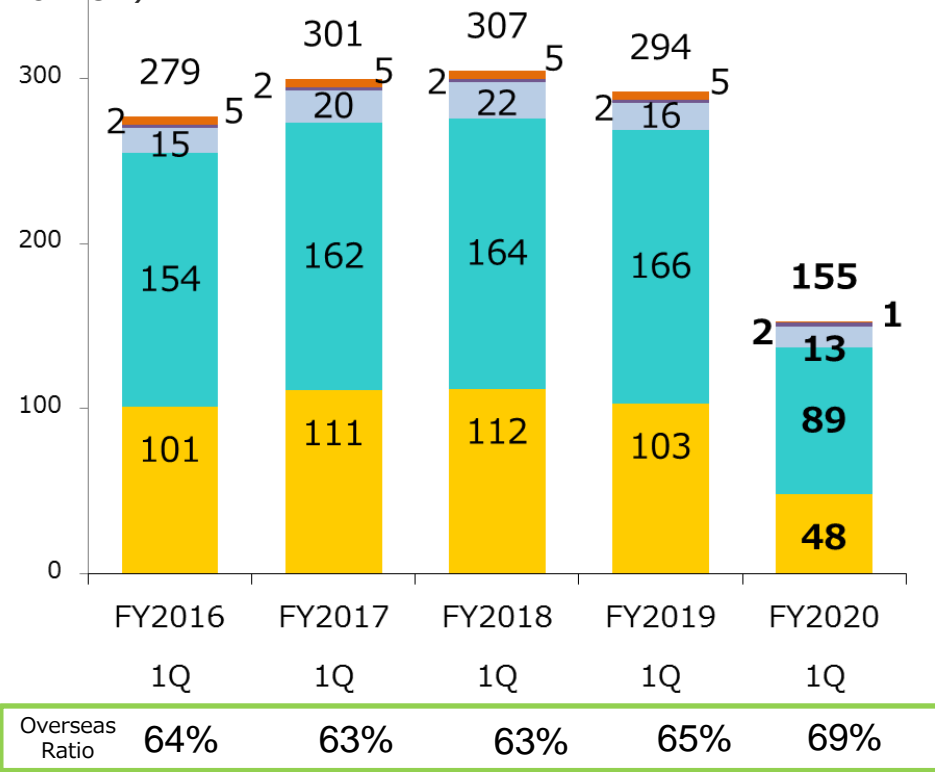
1. 1Q FY2020 (1) Financial Summary

In the 1Q (Japan: April to June; Overseas: January to March), sales and profits decreased due to the spread of COVID-19 infection.

(Unit: JPY million)	FY2020 1st Quarter Performance	FY2019		FY2020 Full Year Earnings Forecast
		1st Quarter Performance	YoY	
Net sales	15,553	29,479	▲ 47.2%	101,000
Operating income	▲ 3,159	451	-	500
(%)	▲ 20.3%	1.5%		0.5%
Ordinary income	▲ 3,149	577	-	550
(%)	▲ 20.2%	2.0%		0.5%
Profit attributable to owners of parent	▲ 2,018	354	-	5,000
(%)	▲ 13.0%	1.2%		5.0%

Sales decreased in all area.

(Unit: JPY 0.1 billion)



YoY ▲13.9 billion(▲47%)

- Japan ▲5.48billion
- South Korea ▲7.69billion
- (Foreign exchange factors ▲0.79 billion)
- China (Incl. Hong Kong/Taiwan) ▲0.25billion
- Other Asian Countries ▲0.02billion
- Europe/Americas ▲0.46billion

Note: FY2020=FY ending March 31, 2021

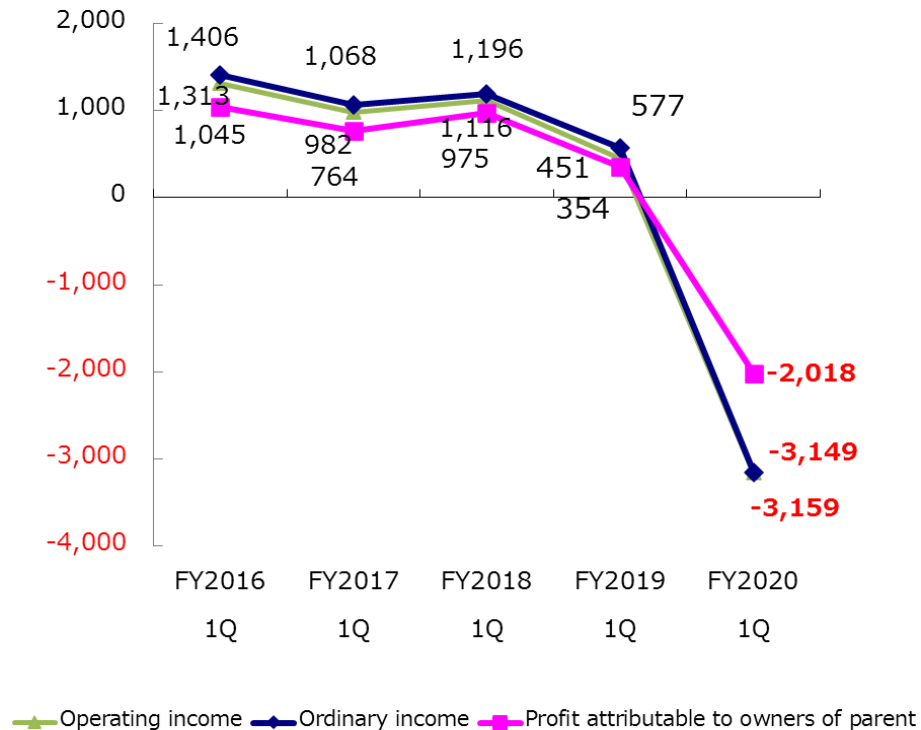
Income (Consolidated)



1. 1Q FY2020 (1) Financial Summary

Despite a decrease in SG&A such as reduction in advertising expenses, and a decrease in fixed expenses due to the suspension of operations of subsidiaries in Europe and the United States, the decrease in gross profit due to the decrease in sales could not be covered.

(Unit: JPY million)



(Unit: JPY million)	FY2020 1Q	FY2019 1Q	Change
Operating income	▲ 3,159	451	▲ 3,610
Non-operating income	197	283	▲ 86
Non-operating expenses	187	157	30
Ordinary income	▲ 3,149	577	▲ 3,726
Extraordinary income	403	0	403
Extraordinary loss	0	0	0
Total income taxes	▲ 727	222	▲ 949
Profit attributable to owners of parent	▲ 2,018	354	▲ 2,373

Note: FY2020=FY ending March 31, 2021

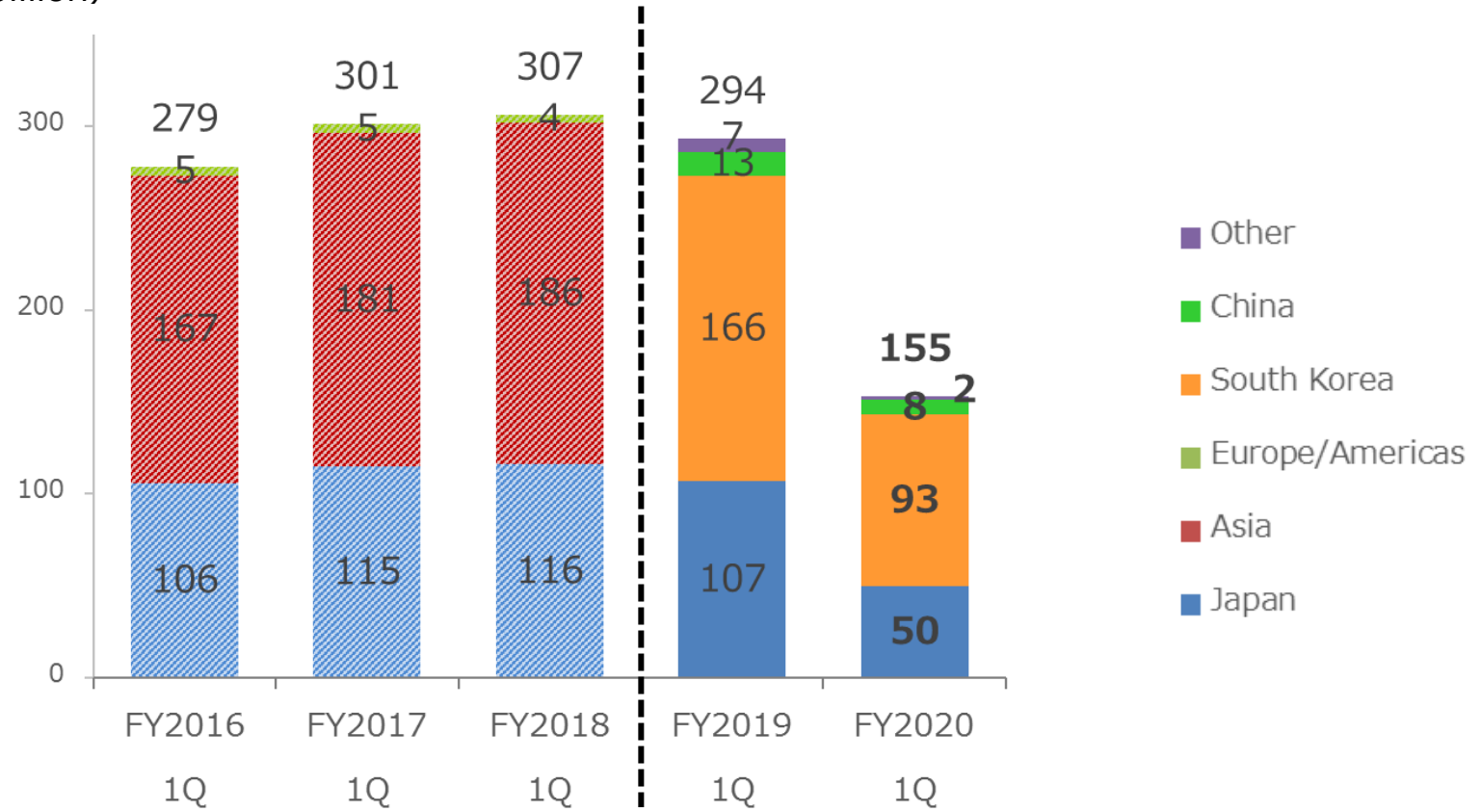
Sales by Segments (Consolidated)



1. 1Q FY2020 (1) Financial Summary

**Reportable segments are changed from the current fiscal year ending March, 2021.
Sales decreased in all segments.**

(Unit: JPY 0.1 billion)



Segment has changed

Note: FY2020=FY ending March 31, 2021

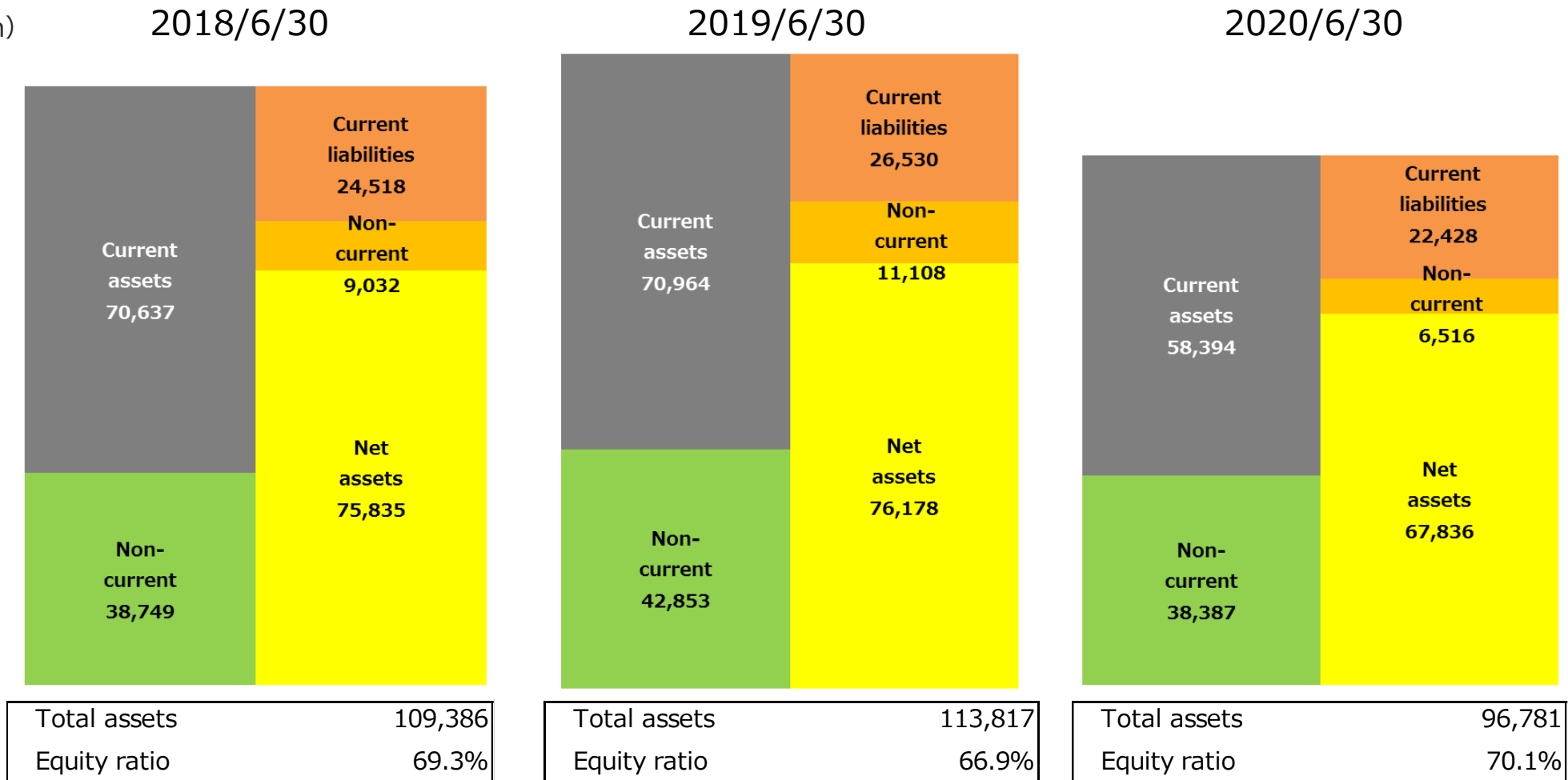
Balance Sheets (Consolidated)



1. 1Q FY2020 (1) Financial Summary

Current assets declined due to the transfer of shares in Inov-8, which was a subsidiary until the previous fiscal year, the important of foreign exchange rates (Approx. JPY▲4.6 billion), and lower sales in Japan and South Korea, resulting in a decrease in total assets.

(Unit: JPY million)



1. 1Q FY2020

(1) Financial Summary

(2) Brand Review

(3) Number of Stores

2. Plan for FY2020

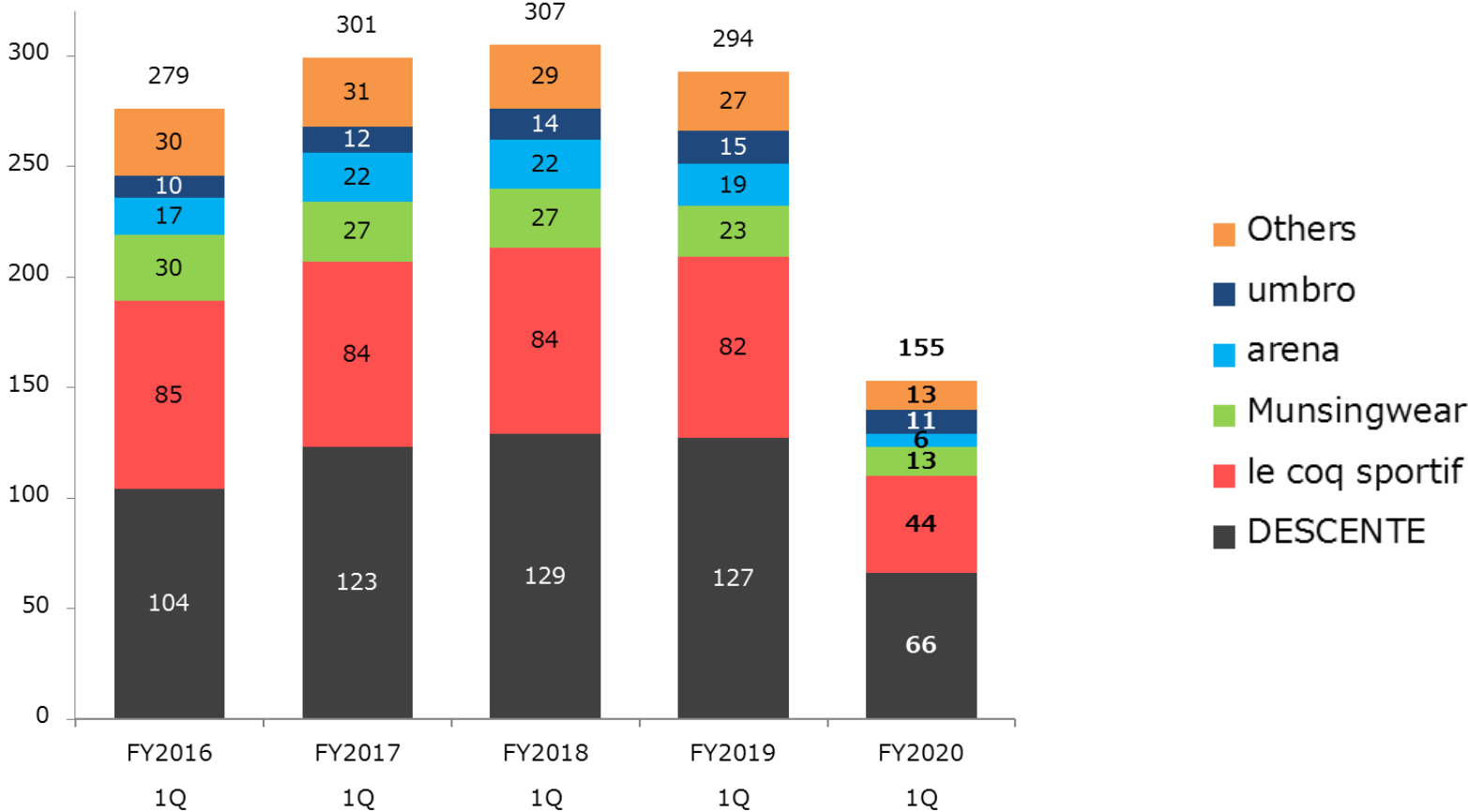
Brand Sales (Consolidated)



1. 1Q FY2020 (2) Brand Review

Sales decreased in all brands due to the spread of COVID-19 infection.

(Unit: JPY 0.1 billion)



Note: FY2020=FY ending March 31, 2021

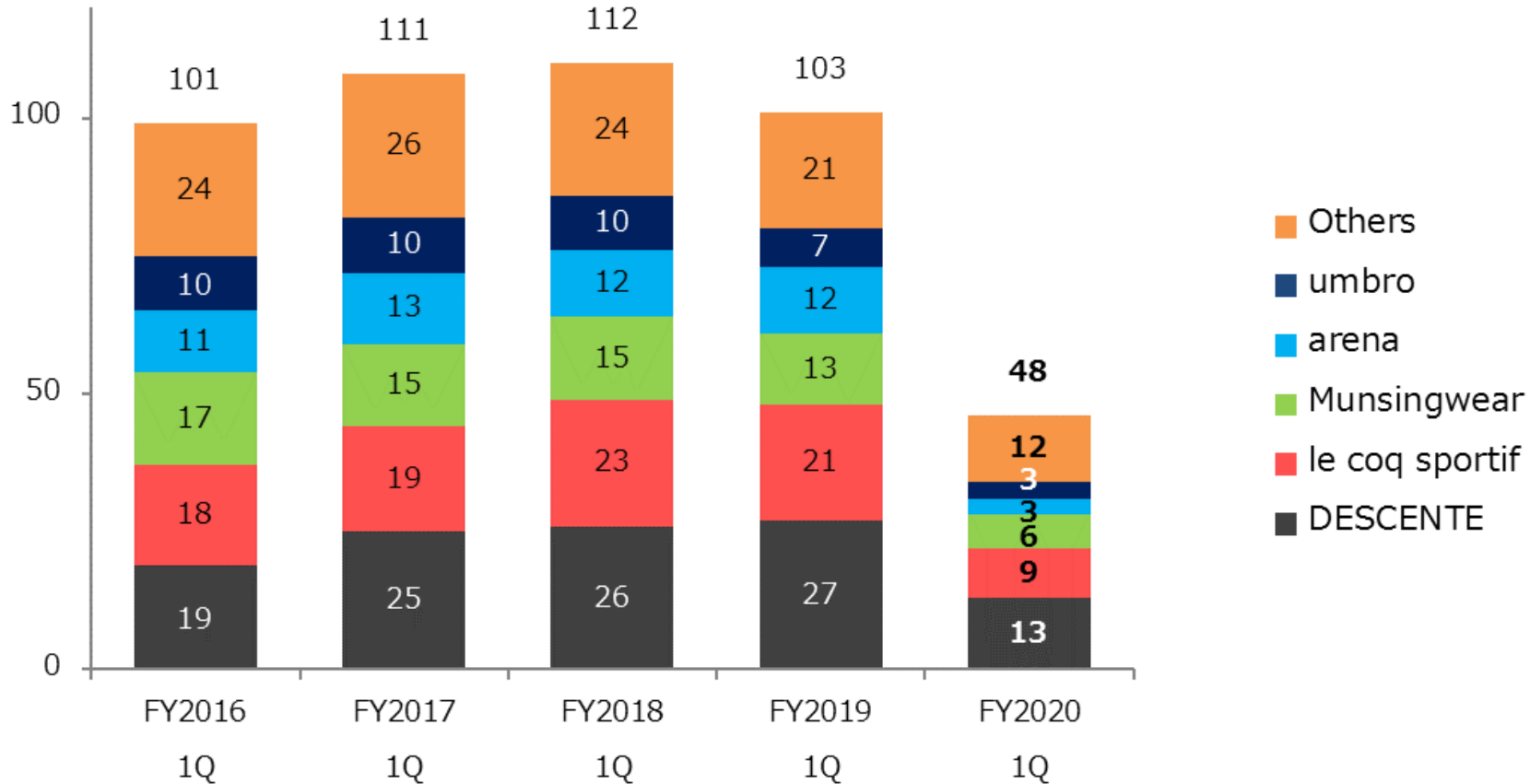
Brand Sales (Japan)



1. 1Q FY2020 (2) Brand Review

Sales decreased due to store closures following the COVID-19 state of emergency after April 7.
In June, even though all stores were reopened, the recovery in the number of customers visiting stores was sluggish.

(Unit: JPY 0.1 billion)



Note: FY2020=FY ending March 31, 2021

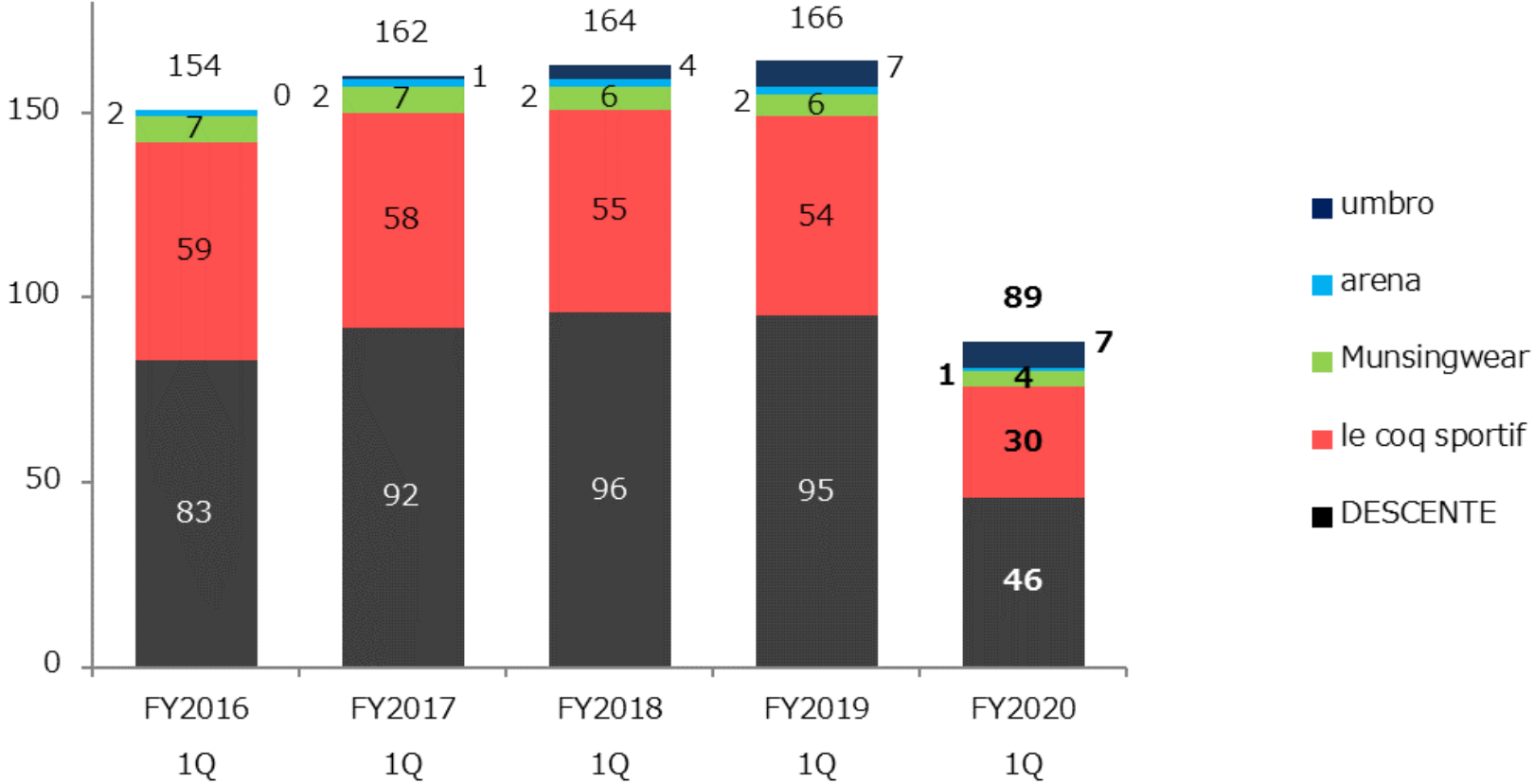
Brand Sales (South Korea)



1. 1Q FY2020 (2) Brand Review

Although the impact of the boycott has been becoming smaller than last year, sales decreased due to the spread of COVID-19 infection.

(Unit: JPY 0.1 billion)



Note: FY2020=FY ending March 31, 2021

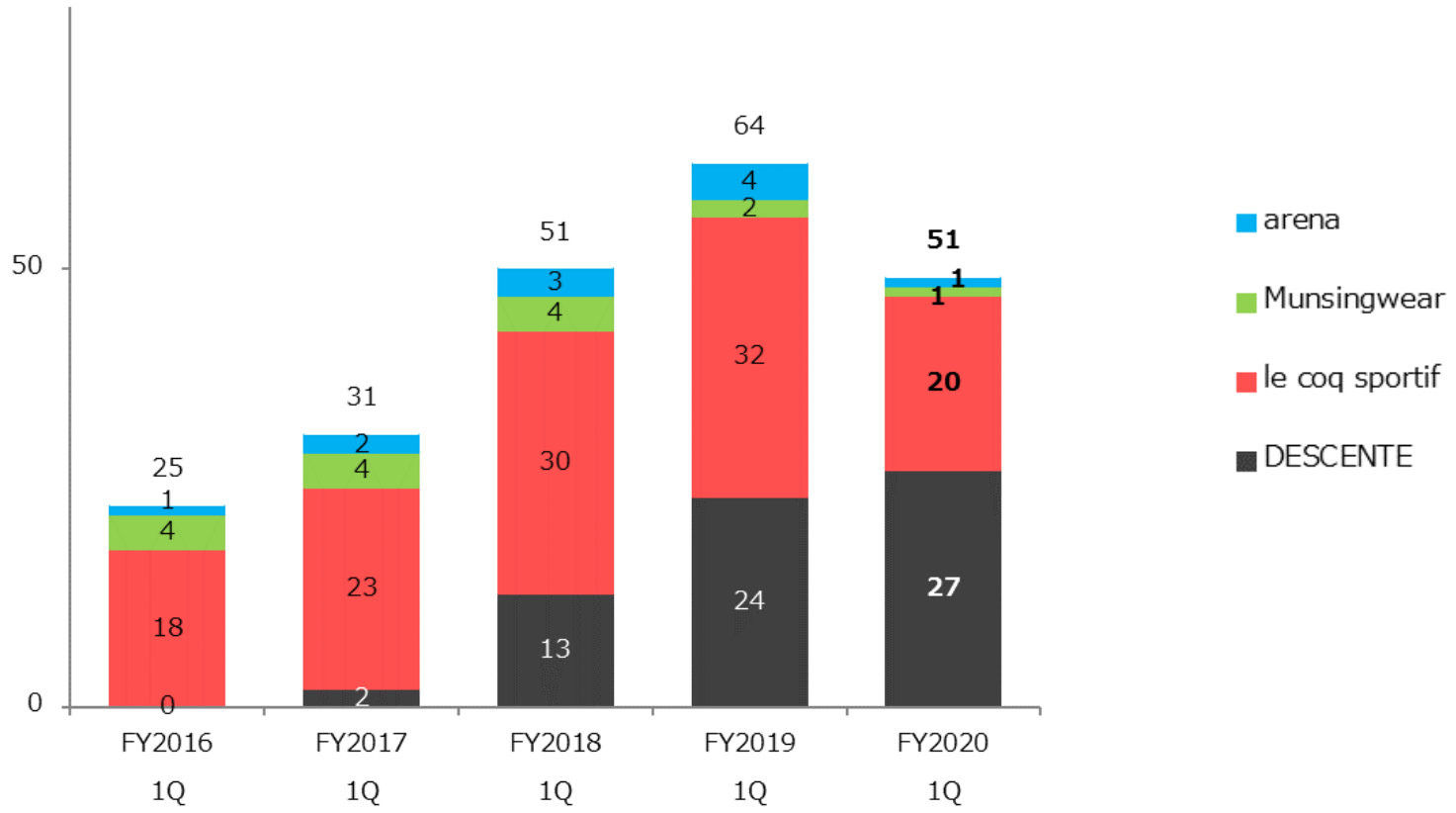
Combined Local Sales* (China excl. Taiwan)



1. 1Q FY2020 (2) Brand Review

Despite the impact of the spread of COVID-19 infection, the DESCENTE brand continues to grow.






(Unit: JPY 0.1 billion)



Note:
 FY2020=FY ending March 31, 2021
 Combined Local Sales*
 =sales of local subsidiary
 +sales of local JVs under equity method
 -sales from local subsidiary to local JVs

Affiliated Companies in China: Summary



CompaL2:Q13ny 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	July, 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/ Investment Ratio		ShanShan group 50% Itochu group 10%	ANTA group 60% Itochu group 10%	Symphony Holdings Limited 70%	
Brands					
Business	Munsingwear: product planning, development, production, selling 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	China	Not included	Not included	Not included	China
Area	China	Not included	Not included	Not included	China, Other Asia

1. 1Q FY2020

(1) Financial Summary

(2) Brand Review

(3) Number of Stores

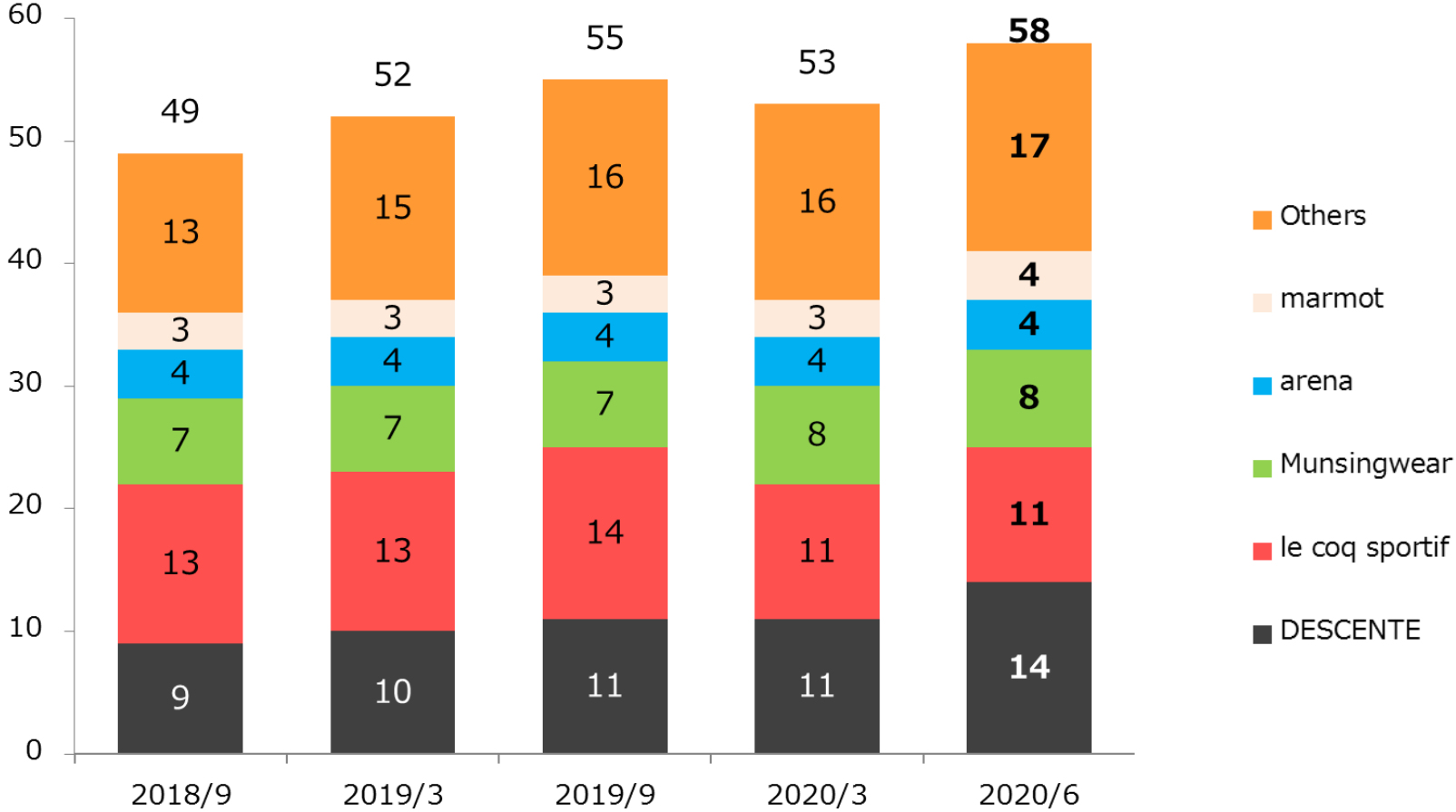
2. Plan for FY2020

Number of Stores in Japan (Directly Managed Stores)



Opened both proper and outlet stores, mainly "DESCENTE" brand stores

※Including outlets

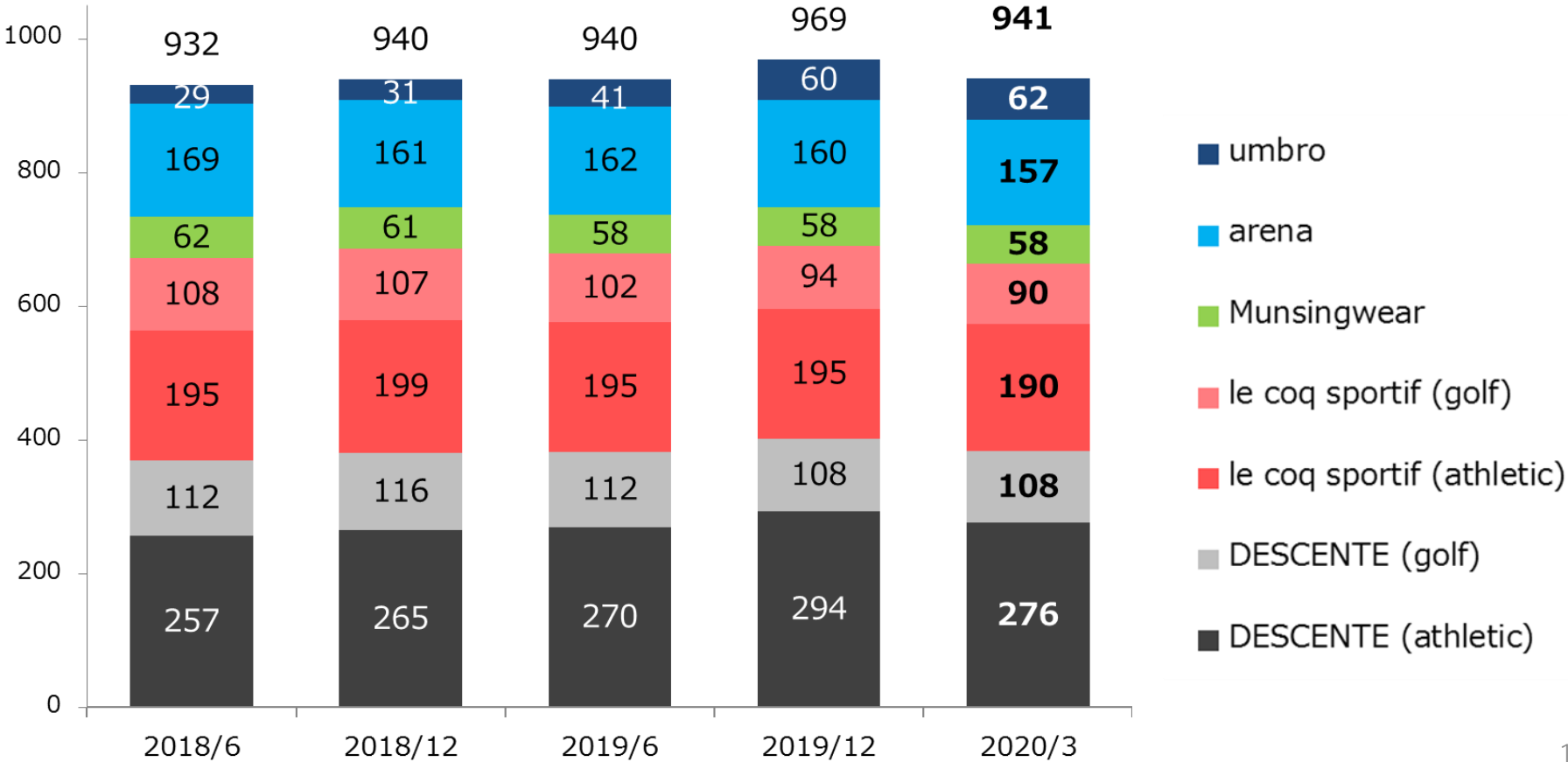


Number of Stores in South Korea



Total number of stores decreased due to closing unprofitable stores, mainly "DESCENTE" Young Athletes stores.

※Including stores of commercial agents and outlets

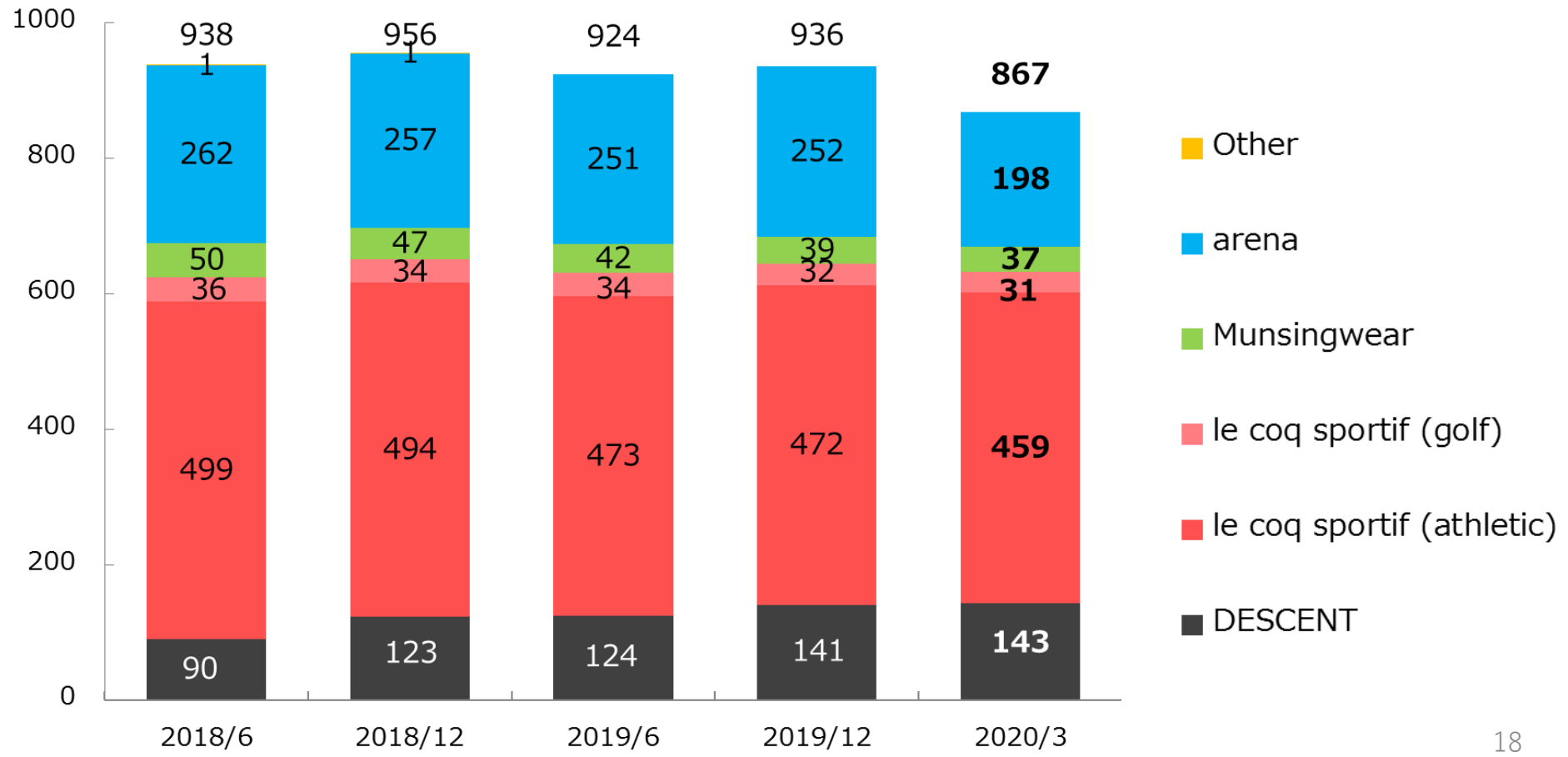


Numbers of Stores in China (incl. Hong Kong)



“DESCENTE” will continue to open stores, with a total of 191 stores planned by the end of December, 2020.

※Including stores of commercial agents and outlets.



1. 1Q FY2020

(1) Financial Summary

(2) Brand Review

(3) Number of Stores

2. Plan for FY2020

FY2020 Earnings Forecast



2. Plan for FY2020

- Expect that the impact of COVID-19 infection will continue for a certain period of time
- Plan to return to profitability in the second half of the fiscal year by recovering sales to a certain level from the third quarter

(Unit: JPY million)	FY2018	FY2019	FY2020 Earnings Forecast			
			First Half	Second Half	Full Year	YoY
Net sales	142,443	124,561	41,000	60,000	101,000	▲ 19%
Operating income	7,935	379	▲ 4,000	4,500	500	+32%
(%)	5.6%	0.3%	▲ 9.8%	7.5%	0.5%	-
Ordinary income	8,458	456	▲ 4,100	4,650	550	+21%
(%)	5.9%	0.4%	▲ 10.0%	7.8%	0.5%	-
Profit attributable to owners of parent	3,944	▲ 2,481	▲ 2,000	7,000	5,000	-
(%)	2.8%	▲ 2.0%	▲ 4.9%	11.7%	5.0%	-

Predicted Exchange Rate : USD107.71、100KRW8.79、CNY15.14、HKD13.91、SGD76.46

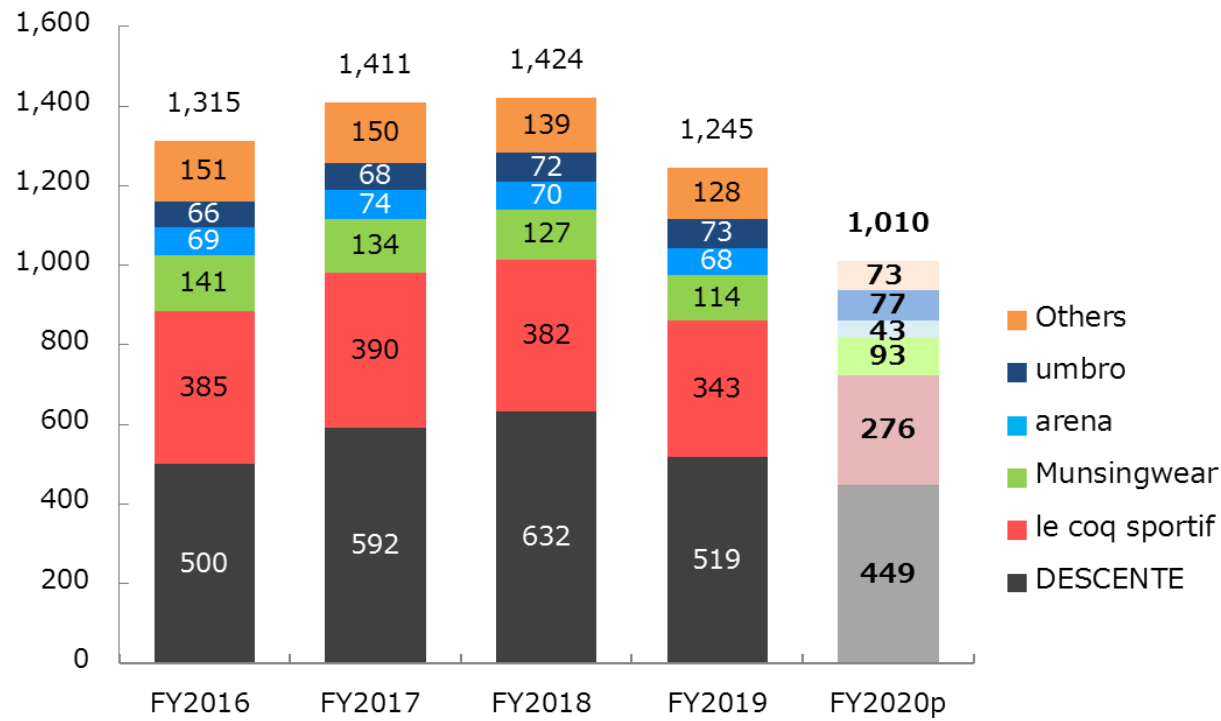
Sales Plans by Brand and Segment



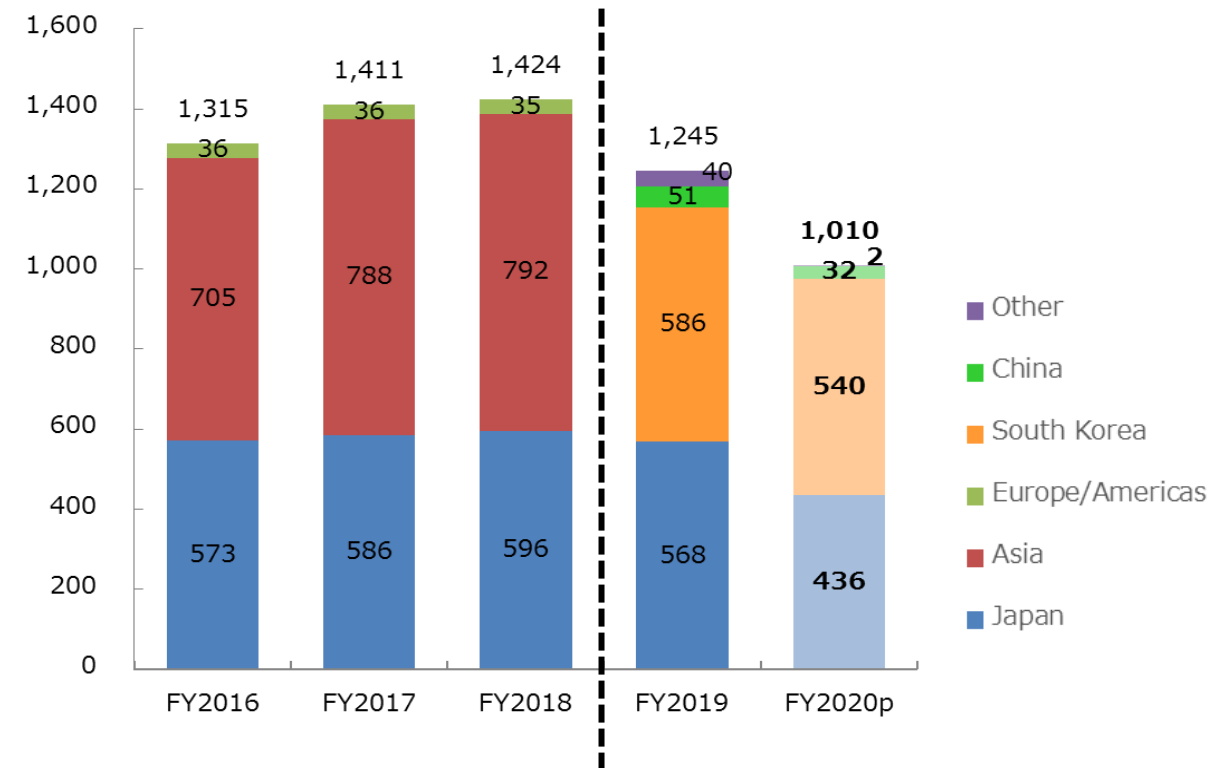
2. Plan for FY2020

Sales decreased for brands and segments other than the “umbro” brand due to COVID-19 infection.

Unit: JPY 0.1 billion



Unit: JPY 0.1 billion



Segment has changed

Note: FY2020=FY ending March 31, 2021

FY2020 Dividends and Payout Ratio Forecast



2. Plan for FY2020

Considering the situation of borrowing from financial institutions due to COVID-19 infection, dividends are undecided at this time and announced promptly after making decision.

(Unit: JPY Million)	FY2016	FY2017	FY2018	FY2019	FY2020 Plan
Dividends	1,732	1,733	1,960	—	TBD
Amount/share	JPY23.0	JPY23.0	JPY26.0	—	TBD
Profit attributable to owners of parent (Consolidated)	5,650	5,771	3,944	▲ 2,481	5,000
Payout ratio	30.7%	30.0%	49.7%	—	TBD

Exchange Rates Used

		USD	100KRW	CNY	HKD	SGD	GBP
FY2020	4Q YTD plan	107.71	8.79	15.14	13.91	76.46	-
	1Q YTD	108.36	9.05	15.53	14.04	78.32	139.10
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

Disclaimer: The contents of the business plan and the future objectives described in this document are base 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: FY2020 = FY ending March 31, 2021

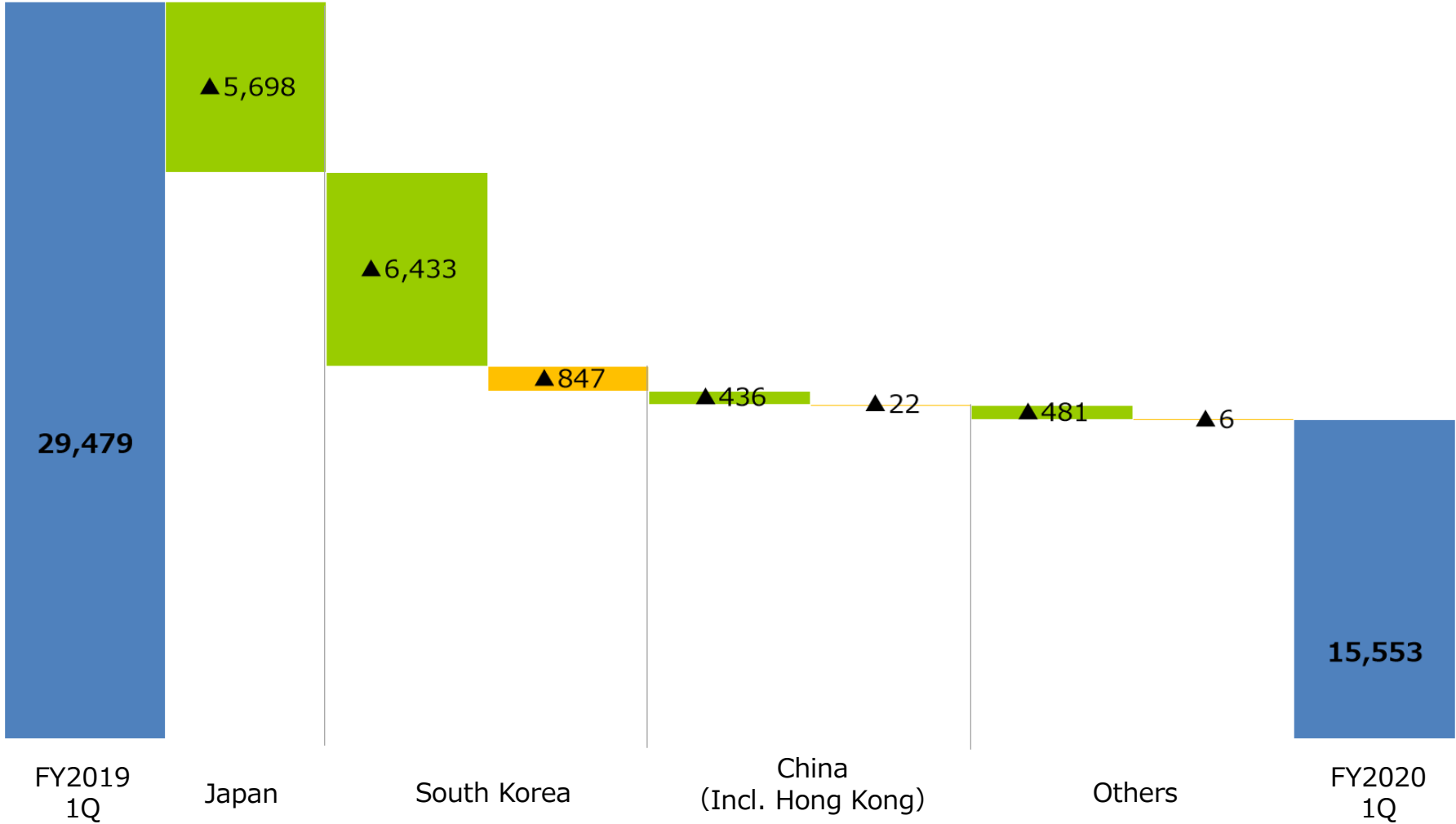
1Q FY2020 Reference

(Quarterly Sales and Operating Income by Segment)

Net Sales (YoY)



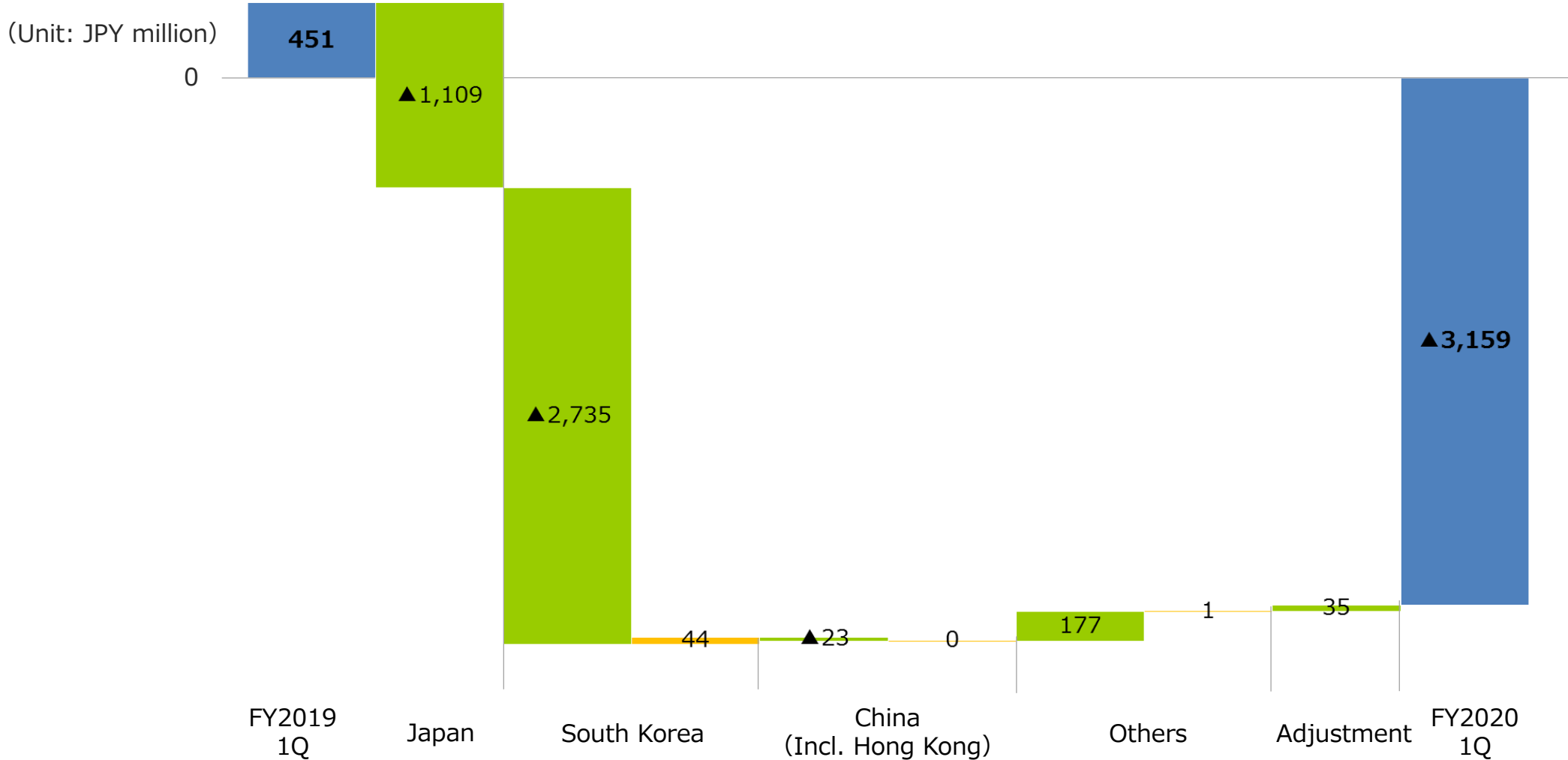
(Unit: JPY million)



Note: FY2020=FY ending March 31, 2021

■ Net Sales
 ■ Actual Gain / Loss
 ■ Forex Effect

Operating Income (YoY)



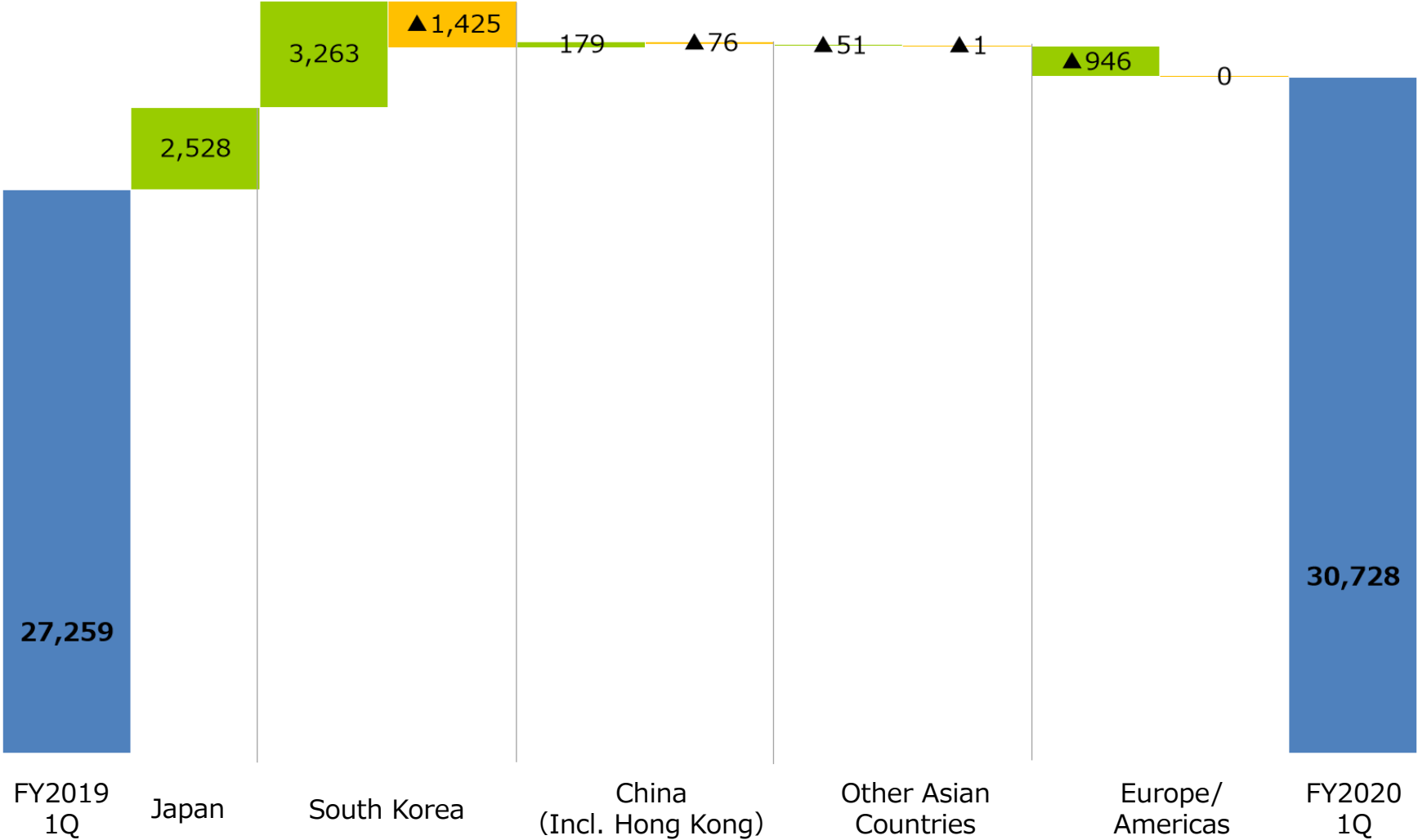
Note: FY2020=FY ending March 31, 2021

Operating income Actual Gain / Loss Forex Effect

Inventory (YoY)



(Unit: JPY million)



Note: FY2020=FY ending March 31, 2021

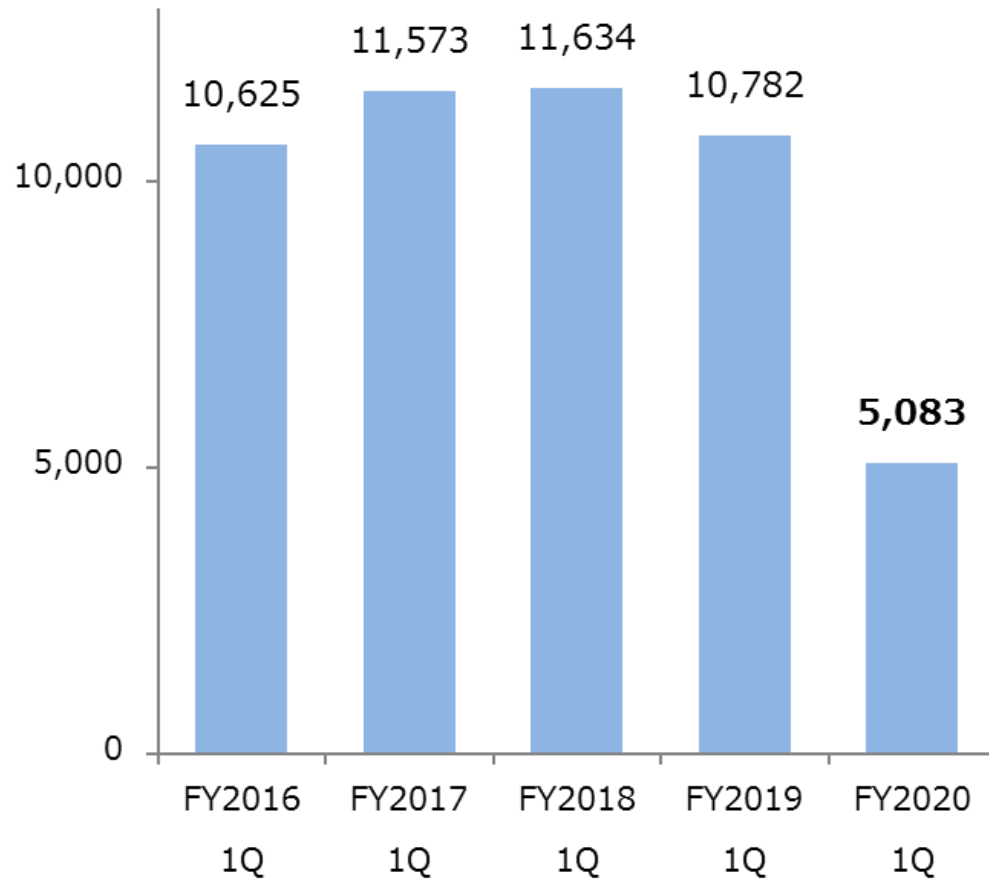
■ Inventories
 ■ Actual Gain / Loss
 ■ Forex Effect

Net Sales and Operating Income (Japan Segment)



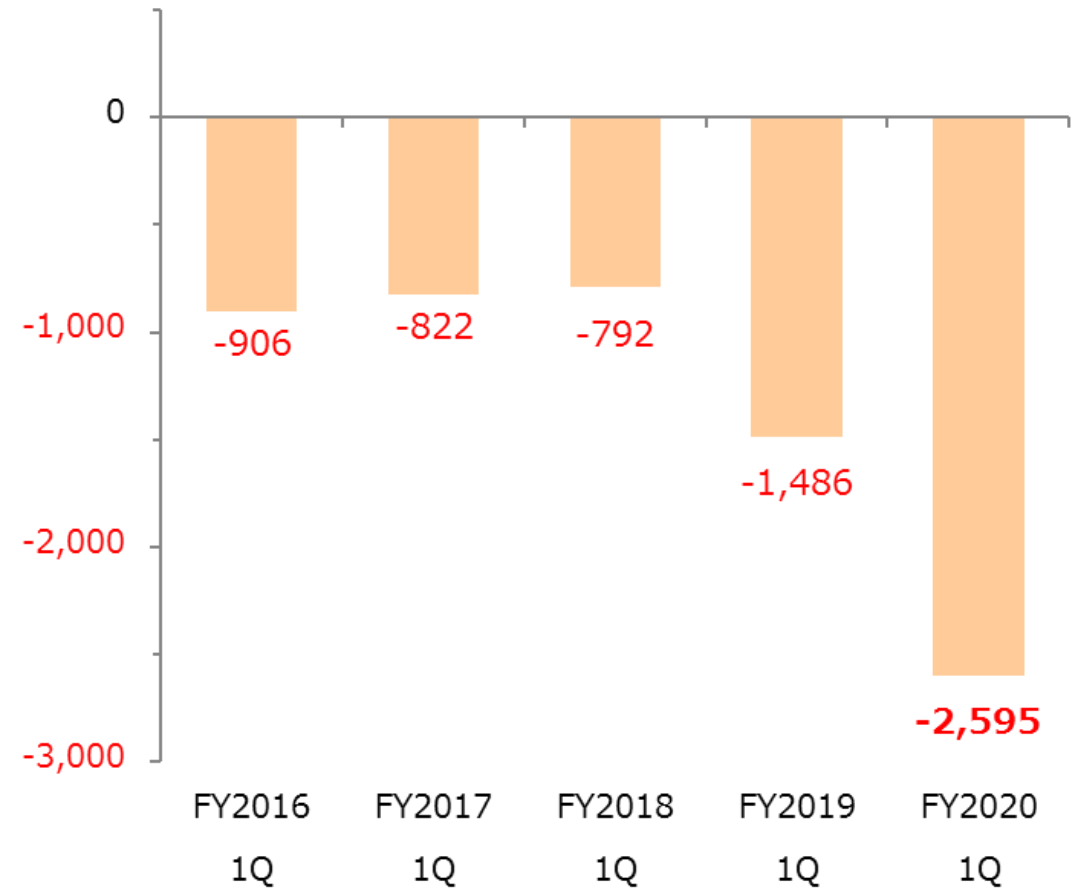
Net Sales

(Unit: JPY million)



Operating Income

(Unit: JPY million)



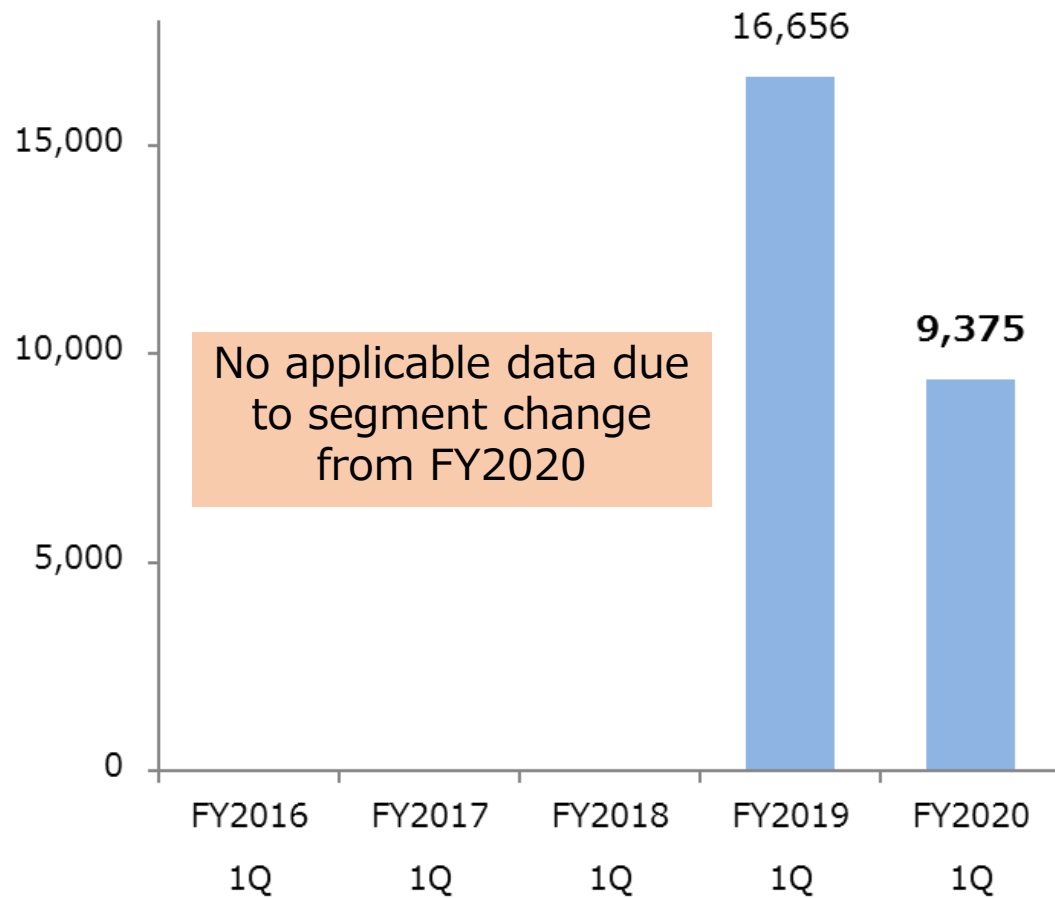
Note: FY2020=FY ending March 31, 2021

Net Sales and Operating Income (South Korea Segment)



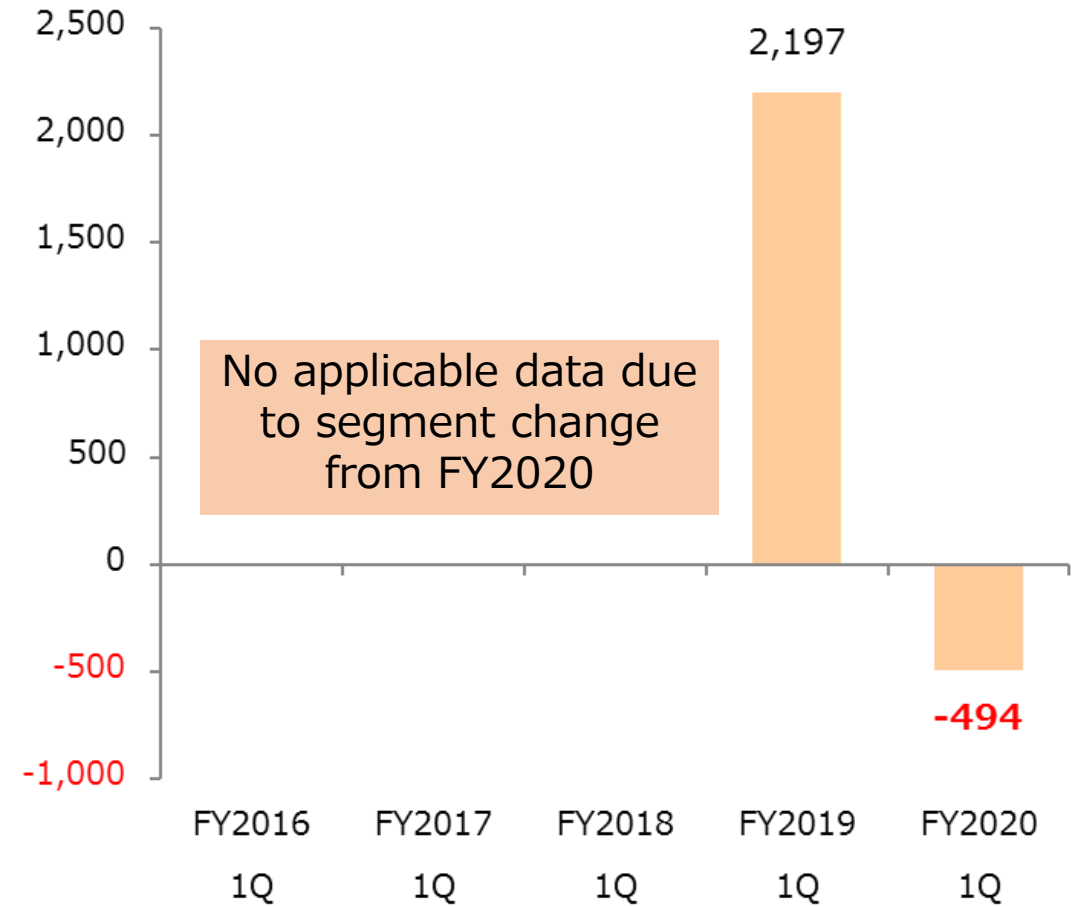
Net Sales

(Unit: JPY million)



Operating Income

(Unit: JPY million)



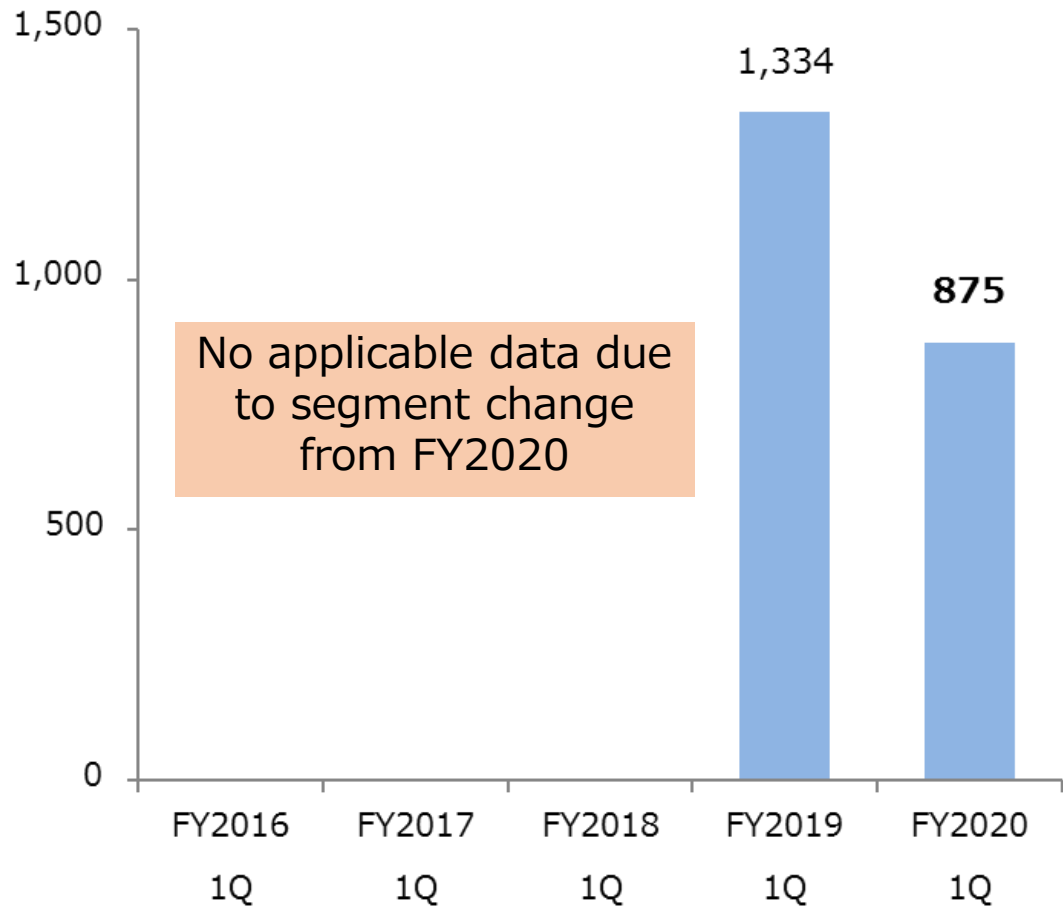
Note: FY2020=FY ending March 31, 2021

Net Sales and Operating Income (China Segment)



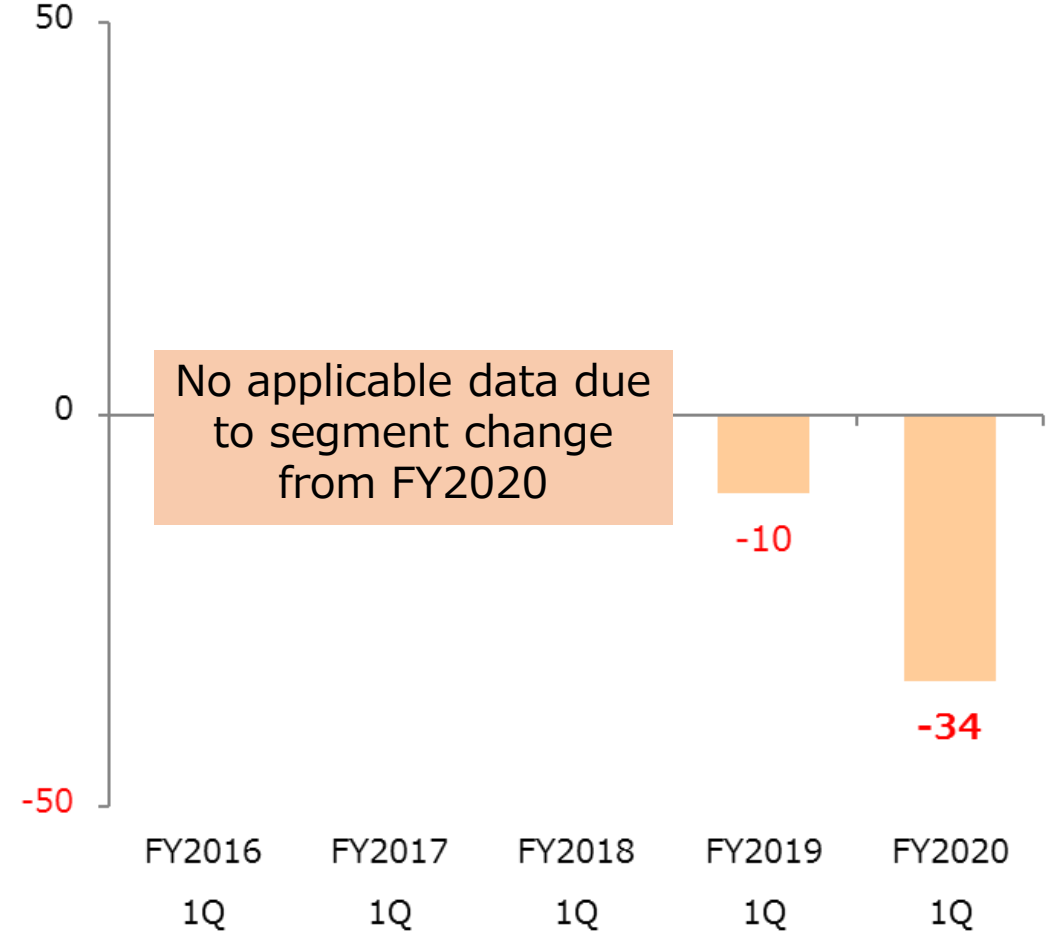
Net Sales

(Unit: JPY million)



Operating Income

(Unit: JPY million)

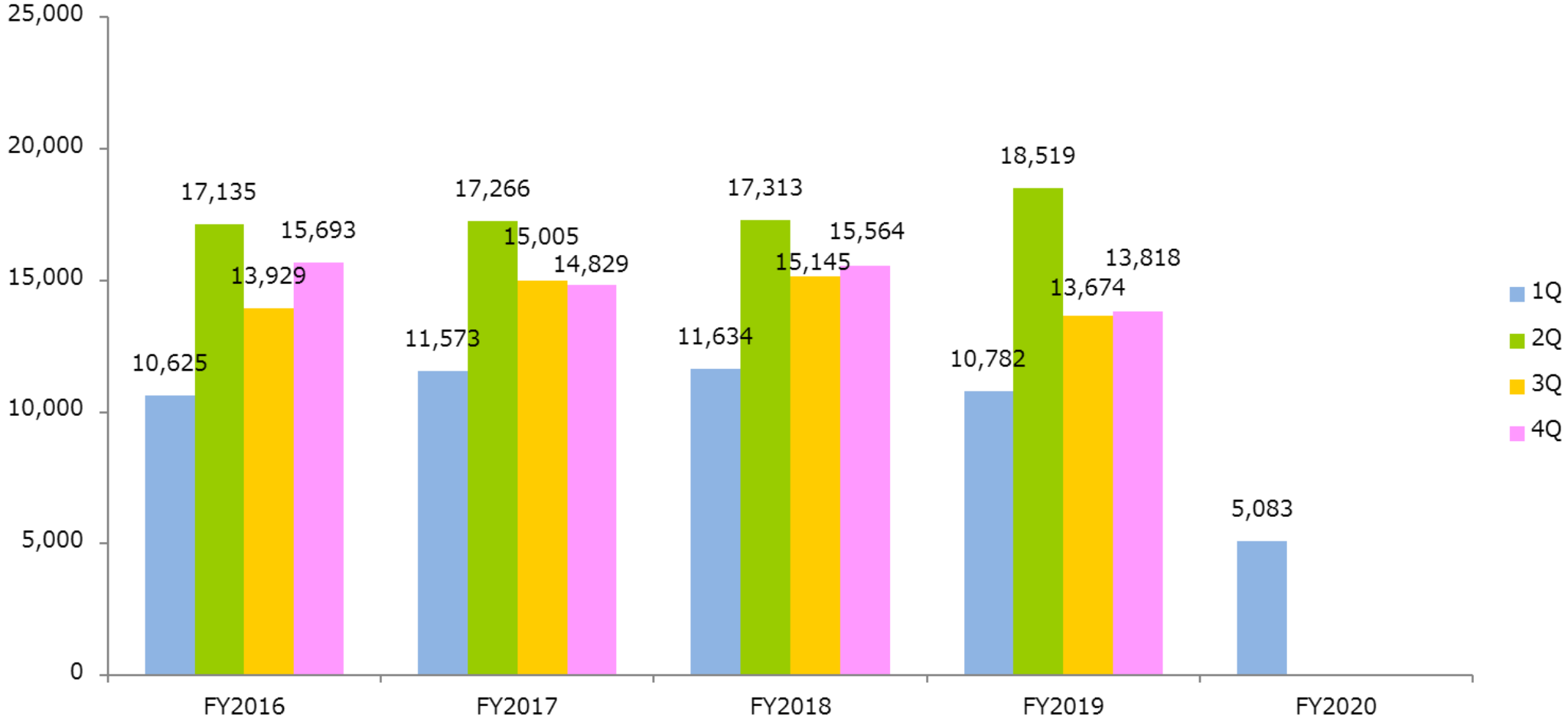


Note: FY2020=FY ending March 31, 2021

Quarterly Sales (Japan Segment)



(Unit: JPY million)

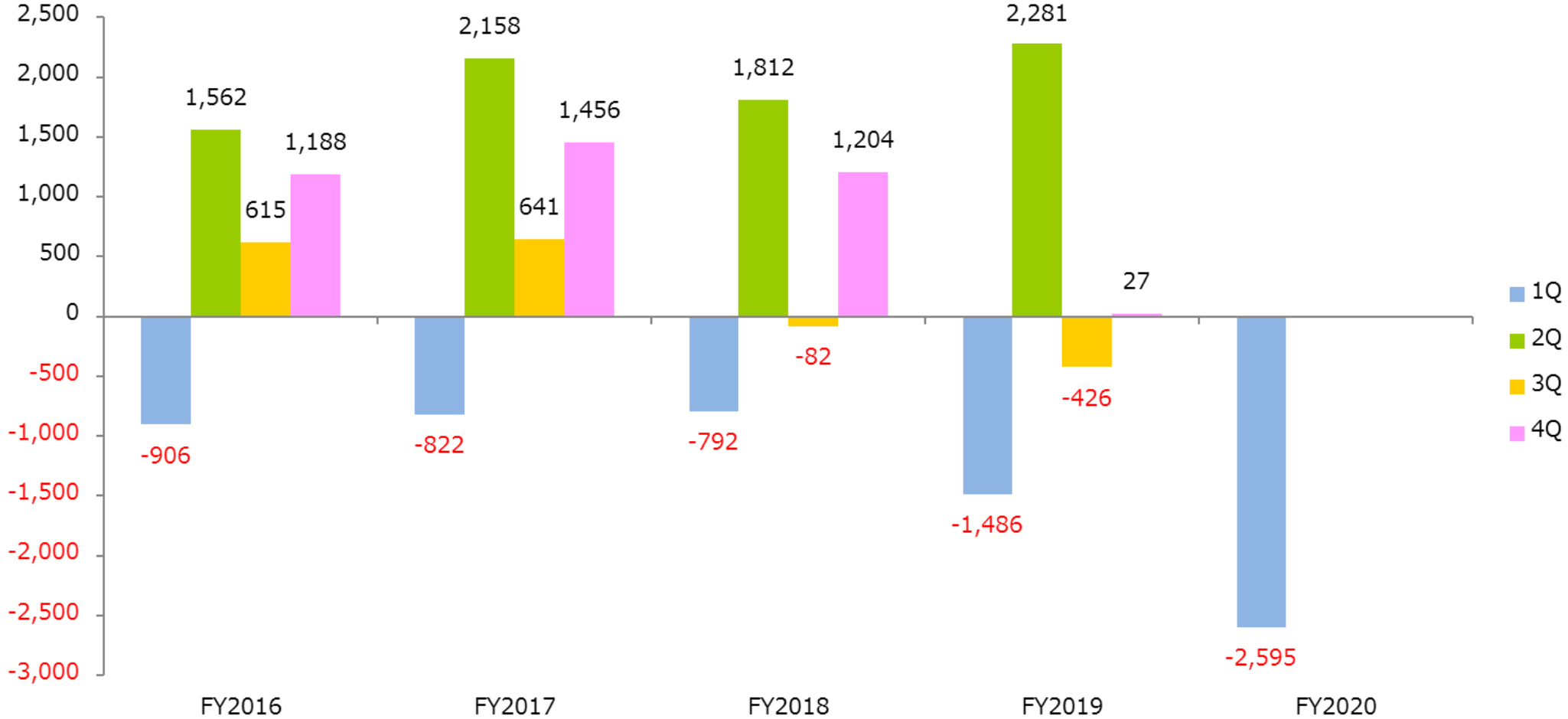


Note: FY2020=FY ending March 31, 2021

Quarterly Operating Income (Japan Segment)



(Unit: JPY million)

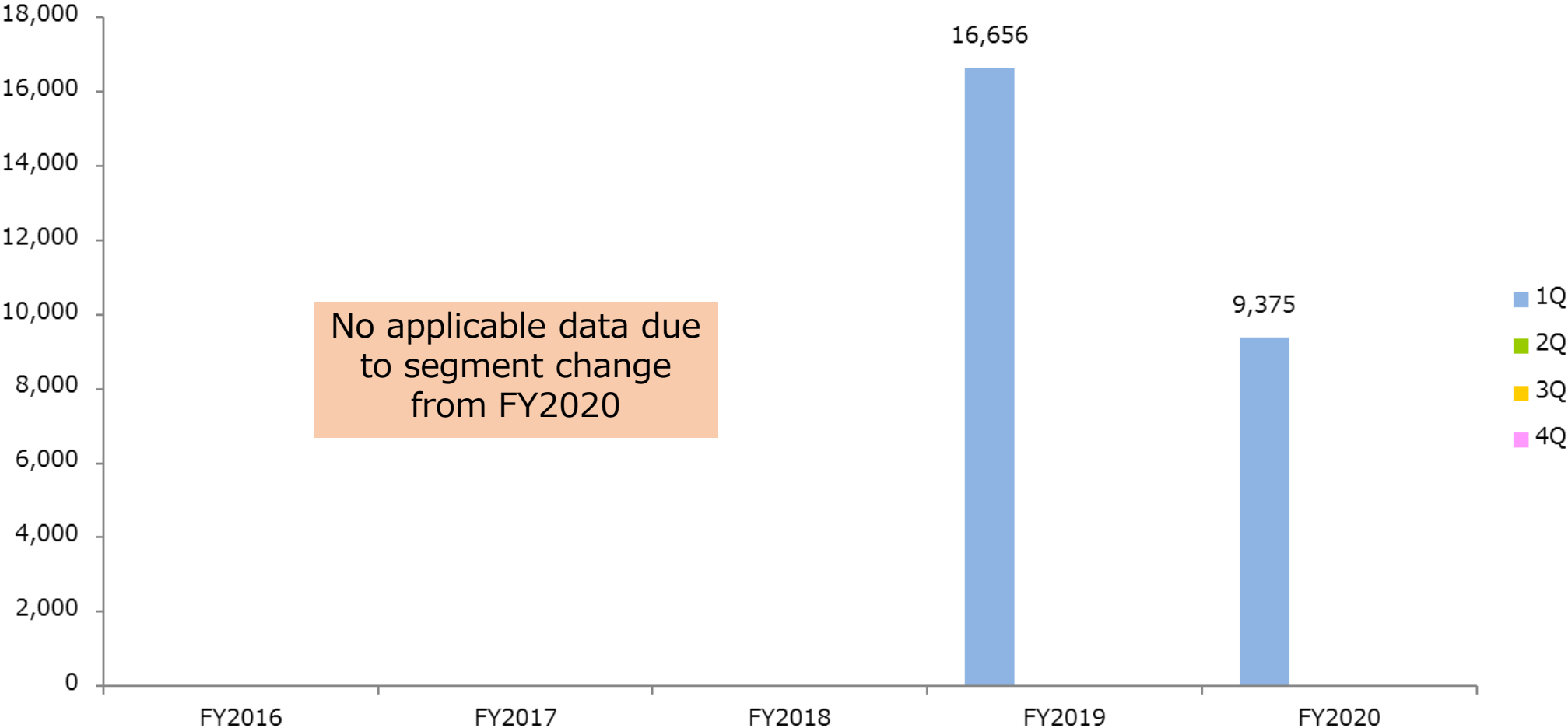


Note: FY2020=FY ending March 31, 2021

Quarterly Sales Segment (South Korea Segment)



(Unit: JPY million)

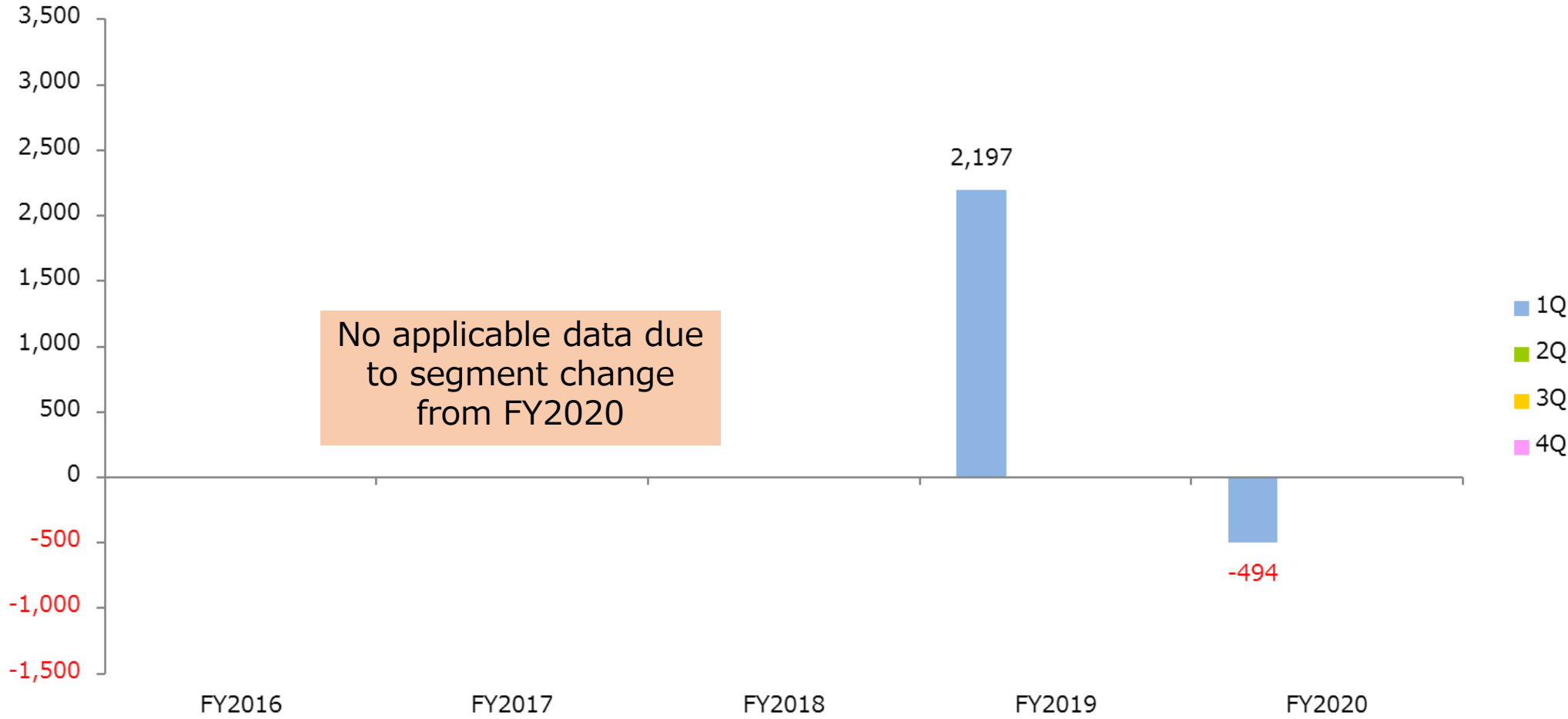


Note: FY2020=FY ending March 31, 2021

Quarterly Operating Income (South Korea Segment)



(Unit: JPY million)

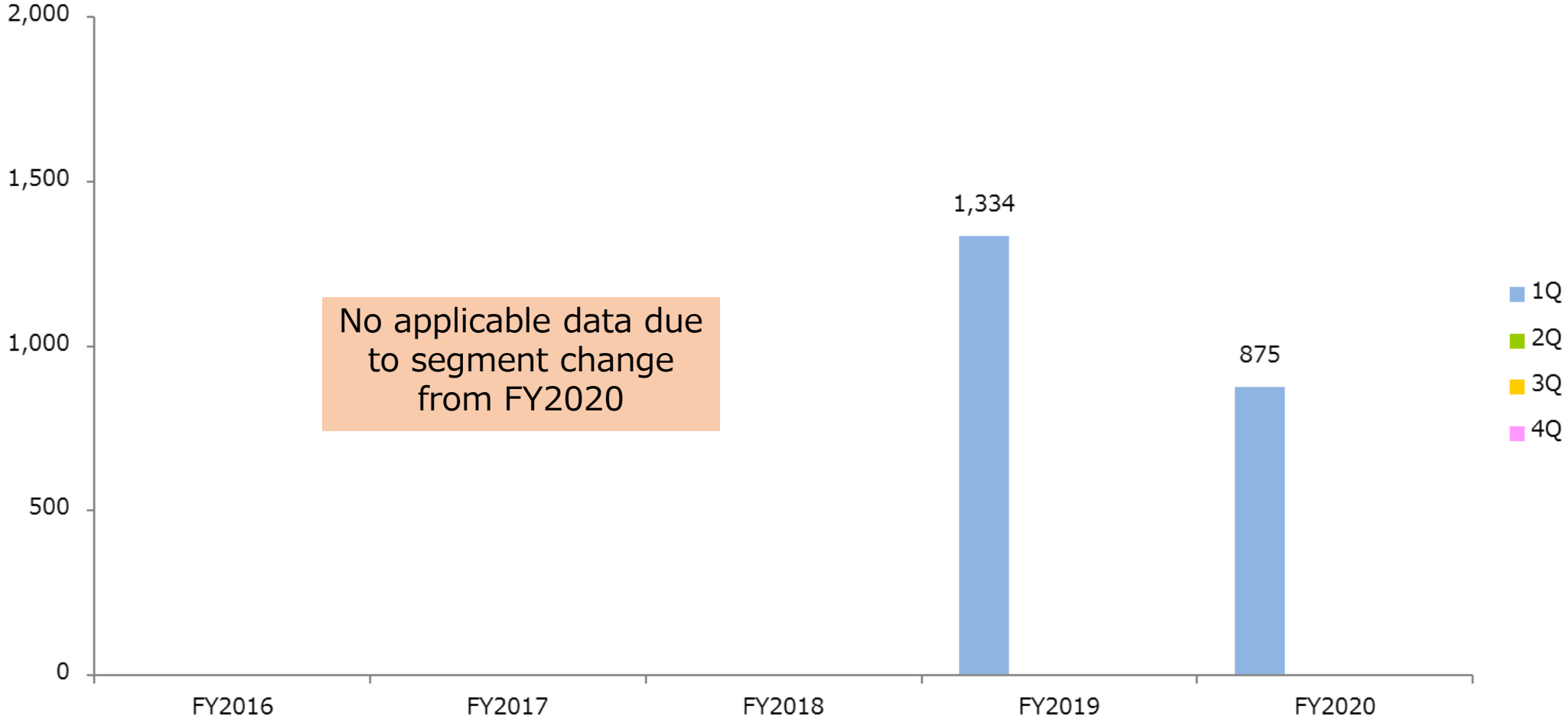


Note: FY2020=FY ending March 31, 2021

Quarterly Sales (China Segment)



(Unit: JPY million)

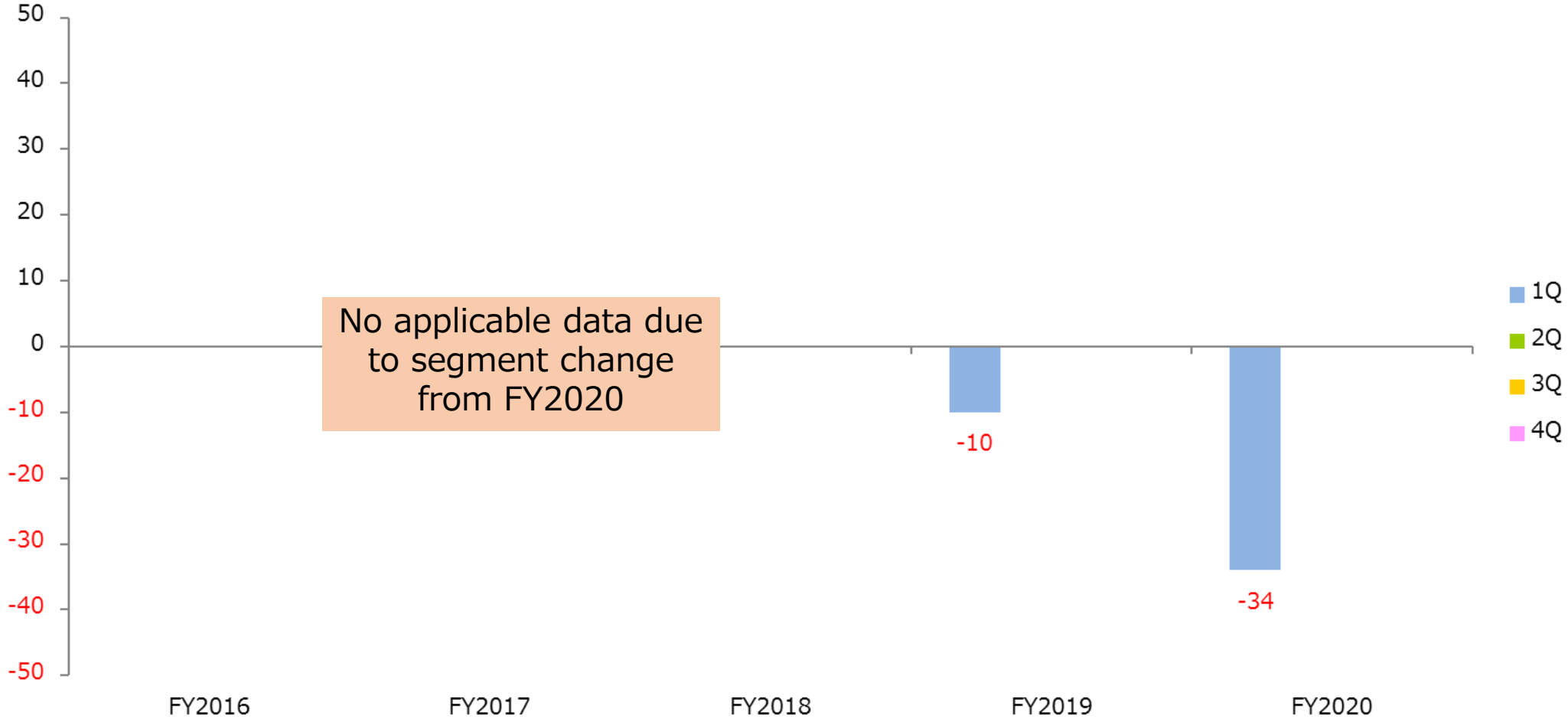


Note: FY2020=FY ending March 31, 2021

Quarterly Operating Income (China Segment)

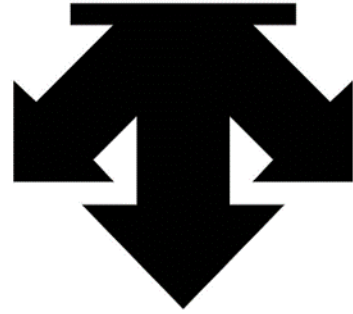


(Unit: JPY million)



Note: FY2020=FY ending March 31, 2021

DESCENTE



Design for Sports