

DESCENTE

3Q FY2020 Earnings

February 5, 2021

This is an English translation of the original Japanese-language Consolidated Financial Summary of DESCENTE LTD. (the Company) for the third 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.

According to 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 has been included in Others. Segment information for the 3Q 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 a 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-Others] from FY2020.**

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

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/Affiliates> January-December *Example: 1Q=January-March*

*** Group internal sales is eliminated in either of these cases. (Not Counted)**

Rules for Numerical Description

The number is truncated and percentage is rounded off.

1. 3Q FY2020

(1) Financial Summary

(2) Brand Review

(3) Number of Stores

2. Plan for FY2020

Results of 3Q FY2020 (Consolidated)



1. 3Q FY2020 (1) Financial Summary

- Due to the spread of COVID-19, sales in the first nine months of FY2020 (Japan: April to December; Overseas: January to September) decreased, but Japan is on a recovery trend during the 3Q alone.
- Net income increased due to extraordinary income (approx. JPY6.4 billion) due to the reorganization of the equity method affiliate, Descente China Holding Limited ("DCH").

(Unit: JPY million)	FY2020	FY2019		FY2020	FY2020
	3rd Quarter performance	3rd Quarter performance	YoY	Previous Forecast	Revised Forecast
Net sales	66,638	92,868	▲ 28.2%	101,000	96,000
Operating income	▲ 2,454	1,679	-	500	▲ 2,000
(%)	▲ 3.7%	1.8%	-	0.5%	▲ 2.1%
Ordinary income	▲ 1,775	2,091	-	550	▲ 1,200
(%)	▲ 2.7%	2.3%	-	0.5%	▲ 1.3%
Profit attributable to owners of parent	4,828	1,770	+172.8%	5,000	5,000
(%)	7.2%	1.9%	-	5.0%	5.2%

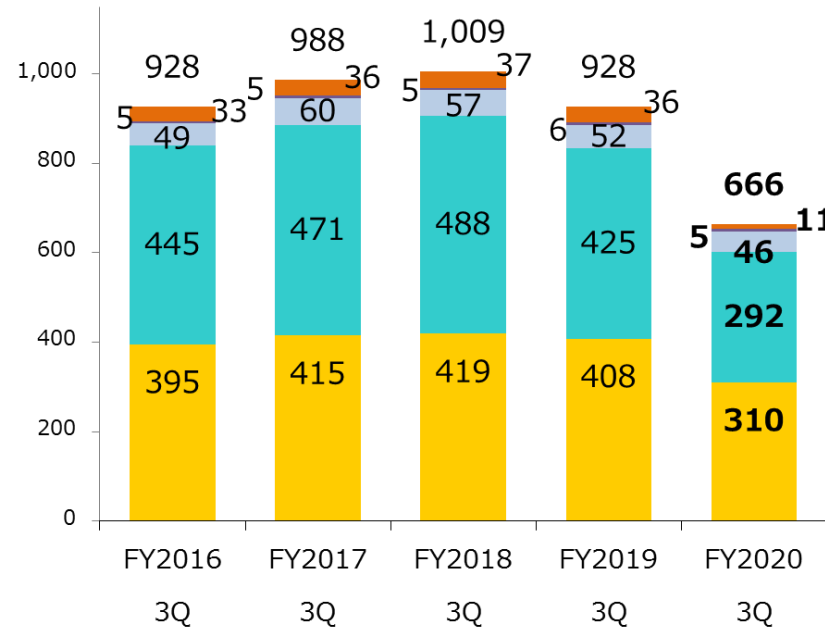


Area Sales (Consolidated)

1. 3Q FY2020 (1) Financial Summary

- Sales decreased in all areas in the first nine months of FY2020.
- Japan is on a recovery trend in the 3Q alone.

(Unit: JPY 0.1 billion)



Overseas Ratio	FY2016 3Q	FY2017 3Q	FY2018 3Q	FY2019 3Q	FY2020 3Q
Overseas Ratio	57%	58%	59%	56%	53%

- Japan
- South Korea
- China (incl. Hong Kong/Taiwan)
- Other Asian Countries
- Europe/Americas

YoY JPY ▲26.2 billion (▲28%)

- Japan ▲9.7billion
- South Korea ▲13.2billion
- (Foreign exchange factors ▲1.5 billion)
- China (Incl. Hong Kong/Taiwan) ▲0.5billion
- Other Asian Countries ▲0.1billion
- Europe/Americas ▲2.4billion

Note: FY2020=FY ending March 31, 2021

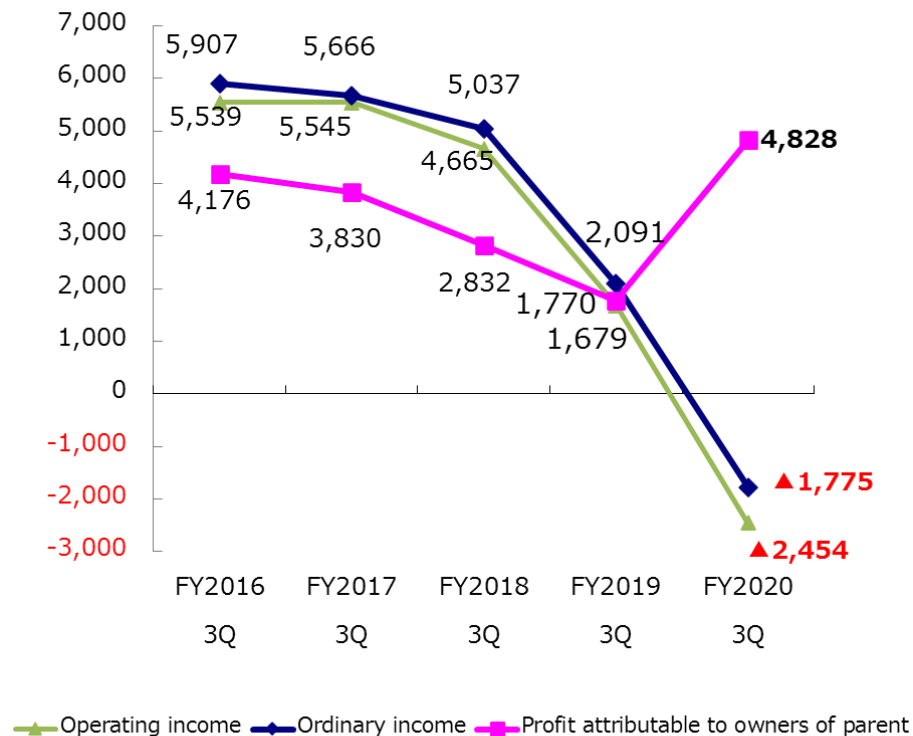
Income (Consolidated)



1. 3Q FY2020 (1) Financial Summary

While operating income and ordinary income decreased, net income increased significantly due to extraordinary income such as gain on change in equity (+JPY6.4 billion) associated with the reorganization of DCH.

(Unit: JPY million)



(Unit: JPY million)	FY2020 3Q	FY2019 3Q	Impact in Profit*
Operating income	▲ 2,454	1,679	▲ 4,134
Non-operating income	975	731	+ 244
Non-operating expenses	296	319	+ 22
Ordinary income	▲ 1,775	2,091	▲ 3,866
Extraordinary income	7,535	0	+ 7,535
Extraordinary loss	62	0	▲ 62
Total income taxes	869	321	▲ 548
Profit attributable to owners of parent	4,828	1,770	+ 3,058

Impact in Profit*

What contributes to the increase in profit is +

What contributes to the decrease in profits is ▲

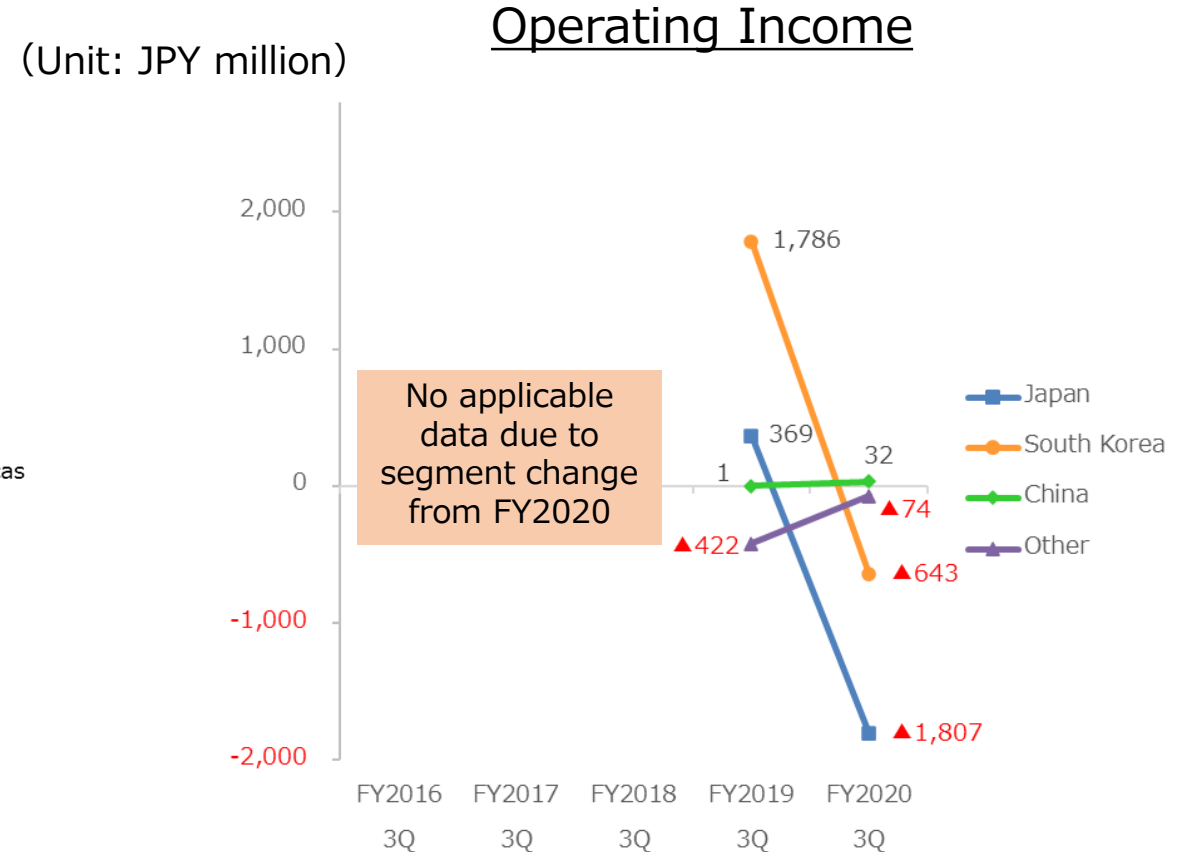
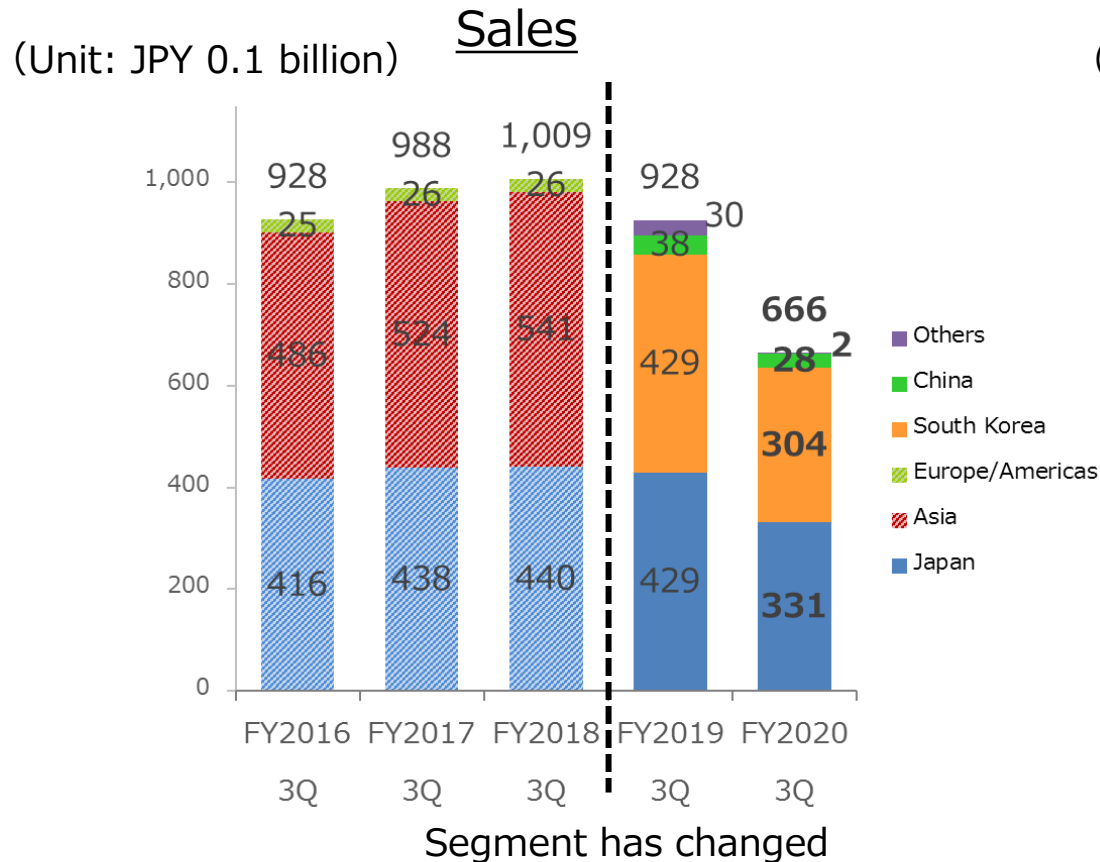
Note: FY2020=FY ending March 31, 2021

Sales and Operating Income by Segments (Consolidated)



1. 3Q FY2020 (1) Financial Summary

- Reportable segments are changed from the current fiscal year ending March, 2021.
- Sales and profits decreased in the Japan and South Korea segments.
- In china, sales decreased but SG&A expenses were reduced, resulting in an increase in profits.



Note: FY2020=FY ending March 31, 2021

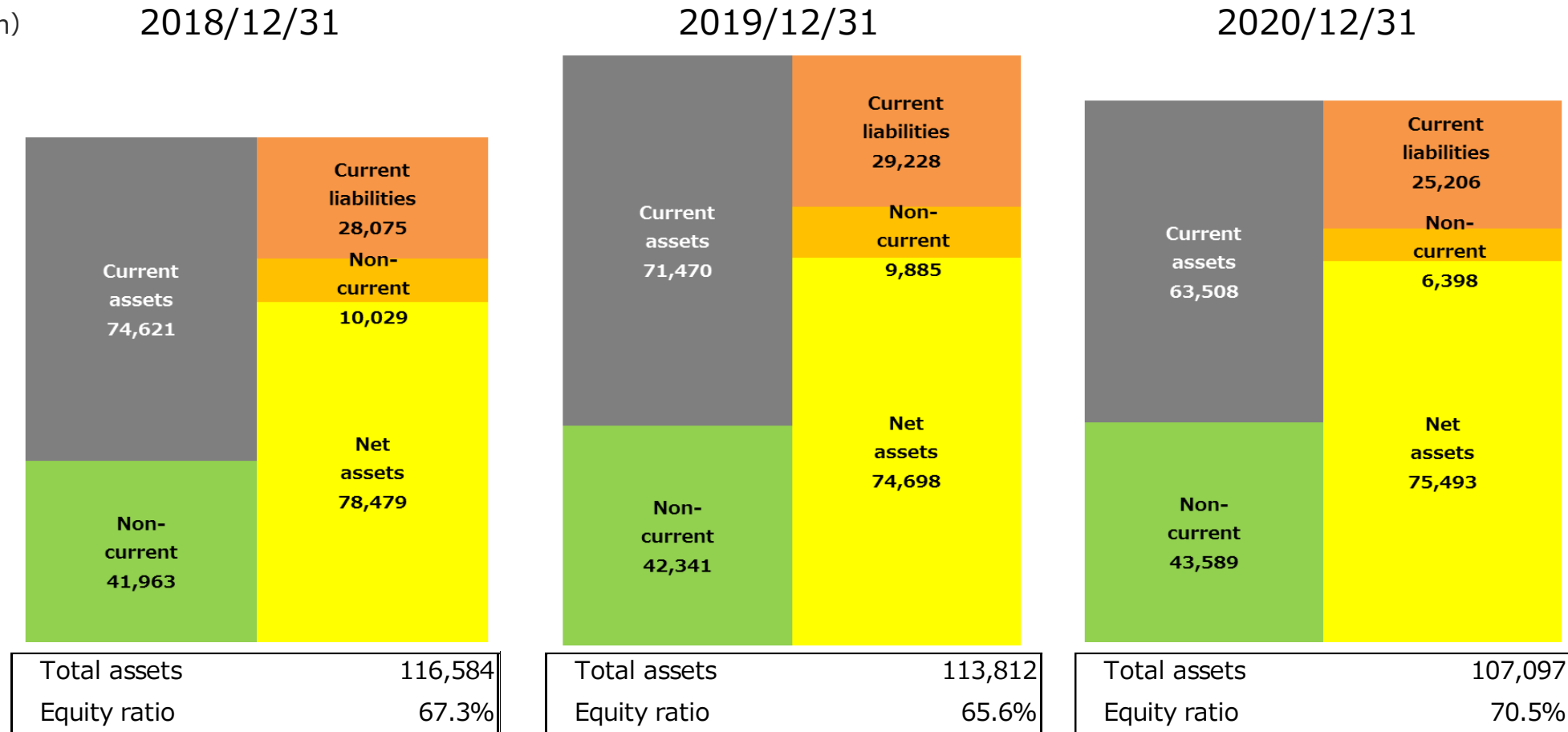
Balance Sheets (Consolidated)



1. 3Q FY2020 (1) Financial Summary

Investment securities (non-current assets) increased due to the reorganization of DCH, but total assets decreased as a result of a decreased in cash and deposits and trade receivables (current assets) due to a decrease in sales in Japan and South Korea.

(Unit: JPY million)



1. 2Q FY2020

(1) Financial Summary

(2) Brand Review

(3) Number of Stores

2. Plan for FY2020

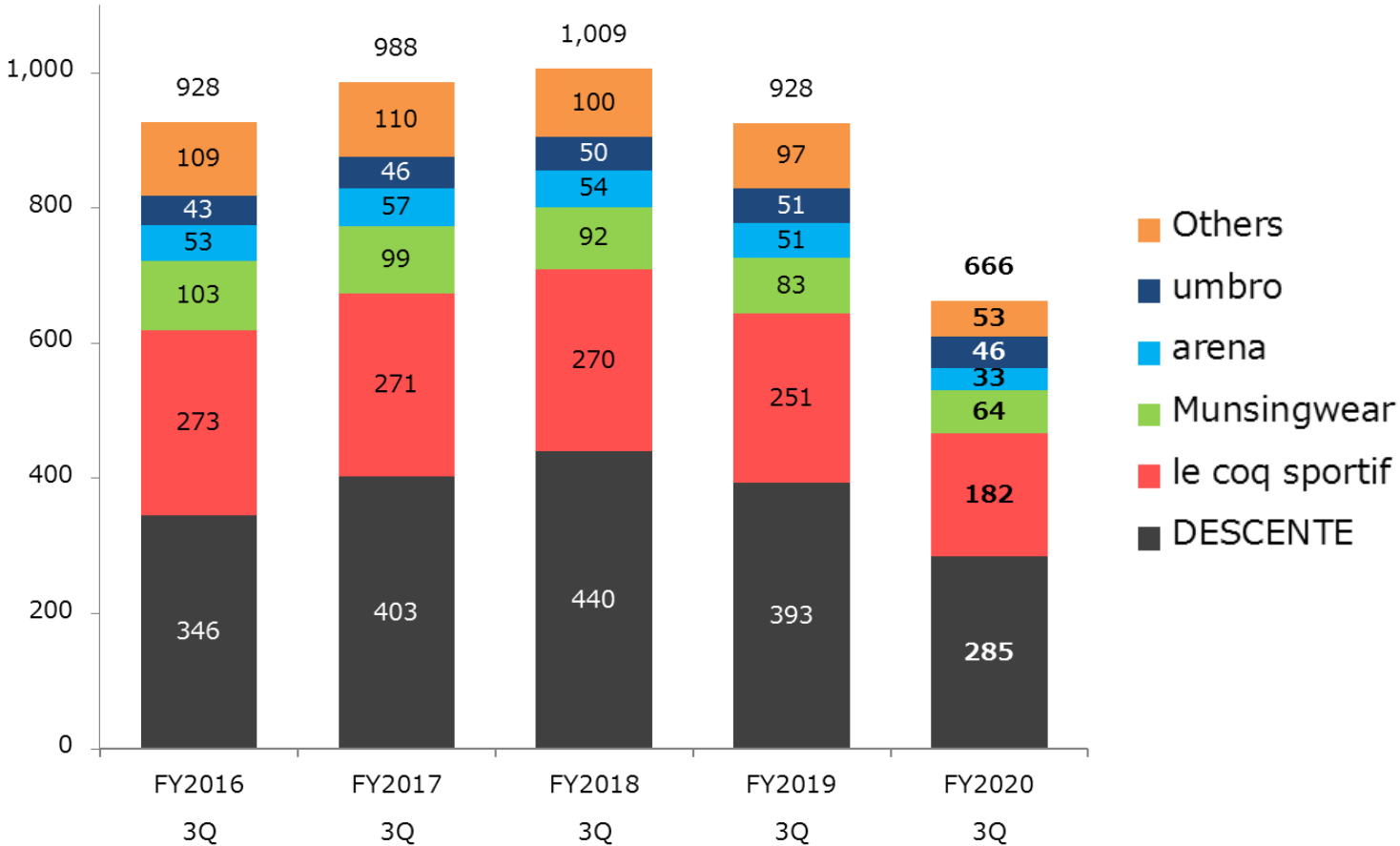
Brand Sales (Consolidated)



1. 3Q FY2020 (2) Brand Review

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

(Unit: JPY 0.1 billion)



Note: FY2020=FY ending March 31, 2021

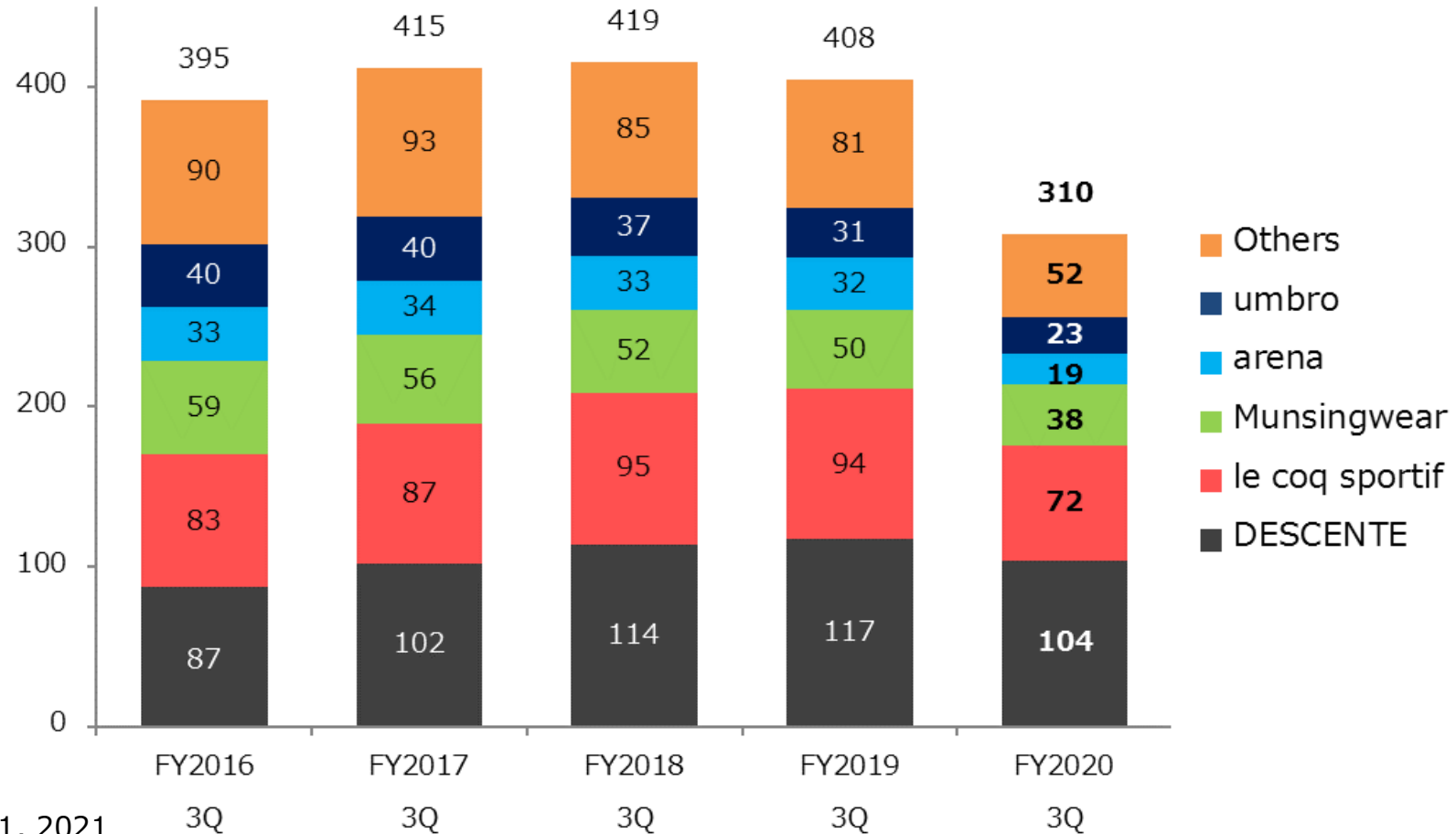
Brand Sales (Japan)



1. 3Q FY2020 (2)Brand Review

- Recovery trend after 2Q.
- In the 3Q alone, sales of “DESCENTE” (+JPY 384 million) and “le coq sportif” (+ JPY 402 million) increased year on year.

(Unit: JPY 0.1 billion)



Note: FY2020=FY ending March 31, 2021

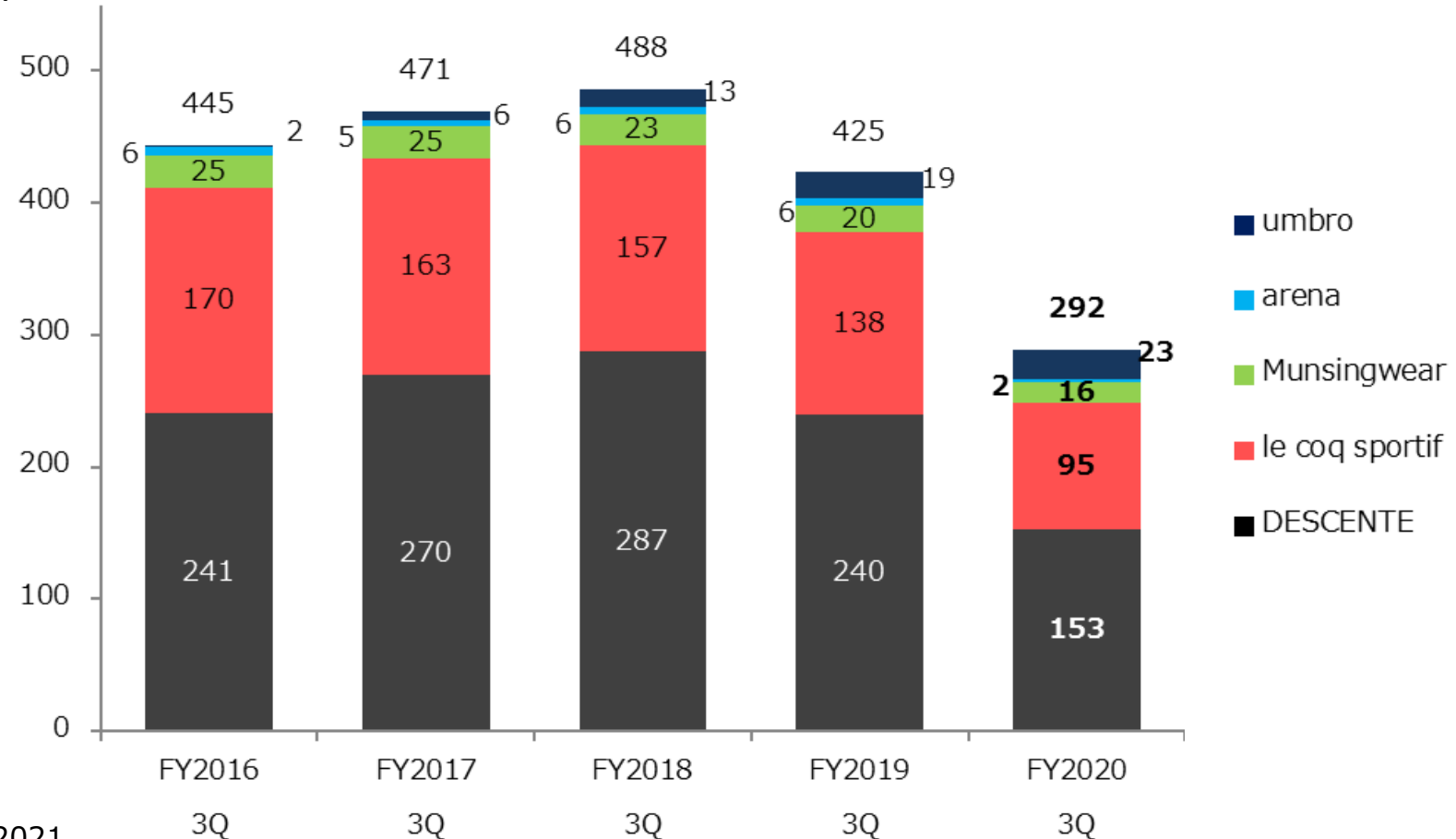
Brand Sales (South Korea)



1. 3Q FY2020 (2) Brand Review

- Sales decreased significantly due to re-expansion of COVID-19 and boycotts of Japanese products.
- “Umbro” continues to grow.
- Golf category is strong in the 3Q alone.

(Unit: JPY 0.1 billion)



Note: FY2020=FY ending March 31, 2021

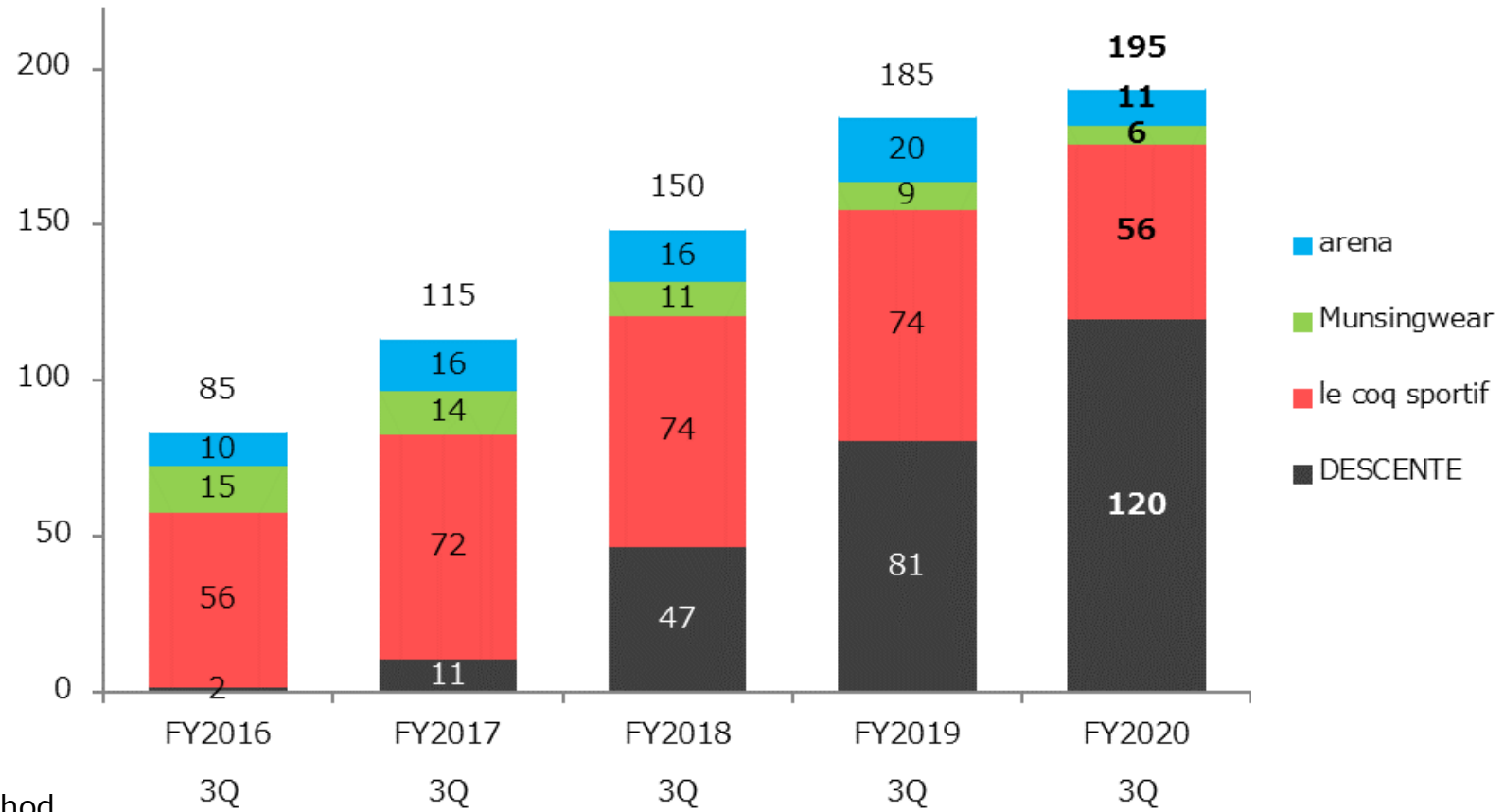
Combined Local Sales* (China excl. Taiwan)



1. 3Q FY2020 (2)Brand Review

Despite the impact of the spread of COVID-19, “DESCENTE” brand grew by more than 150% year on year on a local currency basis, and profits also expanded.

(Unit: JPY 0.1 billion)








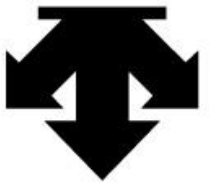
Note:
 FY2020=FY ending March 31, 2021
 Combined Local Sales*
 =sales of local subsidiary
 +sales of local JVs under equity method
 -sales from local subsidiary to local JVs

Affiliated Companies in China: Summary



At the end of 3Q
of overseas subsidiary
(As of end of September)

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	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. 2Q FY2020

(1) Financial Summary

(2) Brand Review

(3) Number of Stores

2. Plan for FY2020

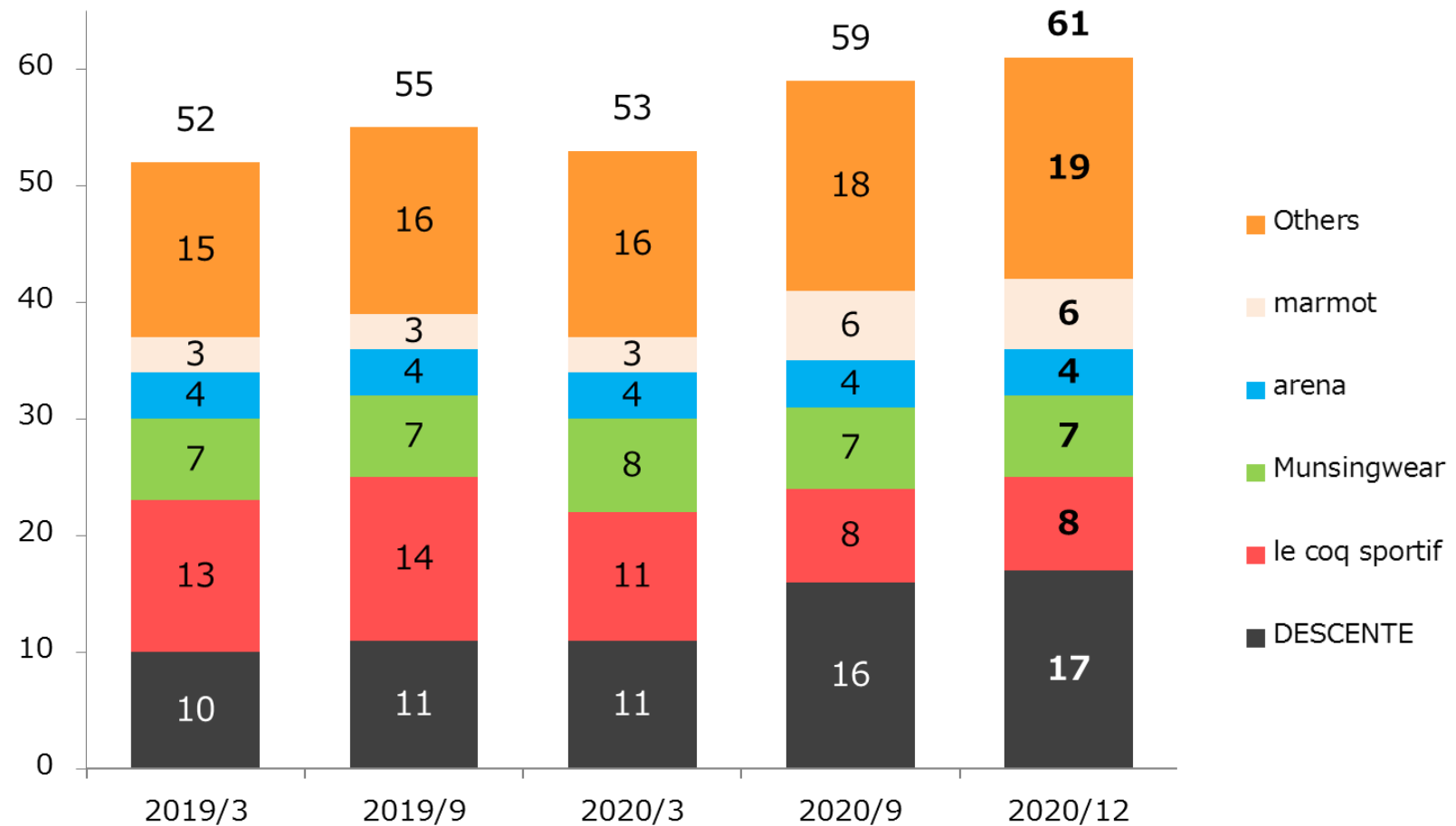
Number of Stores in Japan (Directly Managed Stores)



1. 3Q FY2020 (3) Number of Stores

Both proper and outlet stores will continue to open, mainly under "DESCENTE" brand.

※Including outlets

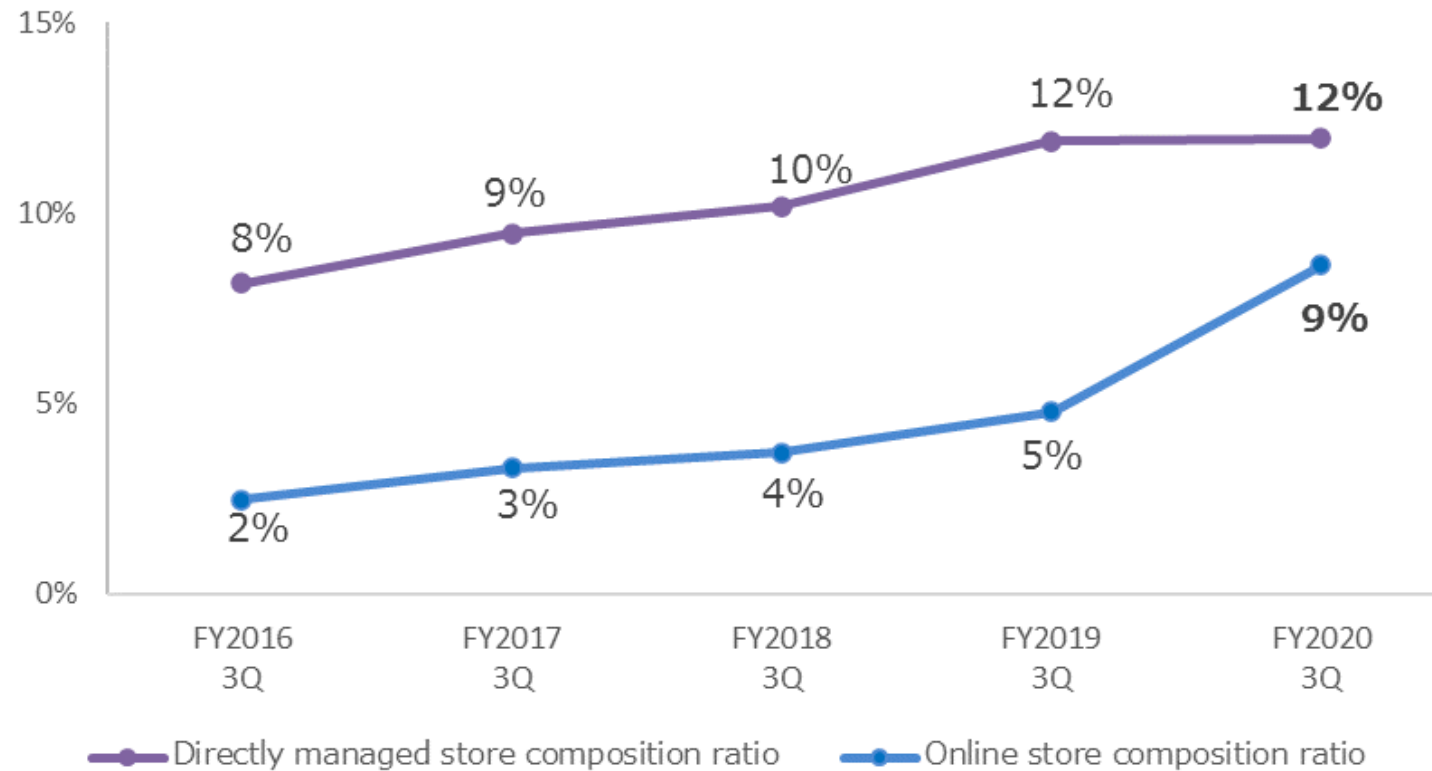


Directly managed stores/Online stores sales composition ratio in Japan



1. 3Q FY2020 (3)Number of Stores

- Inhouse online store was renewed in November 2020, and sales expanded steadily.
- Continue to aim to expand the sales composition ratio of directly managed stores/online stores



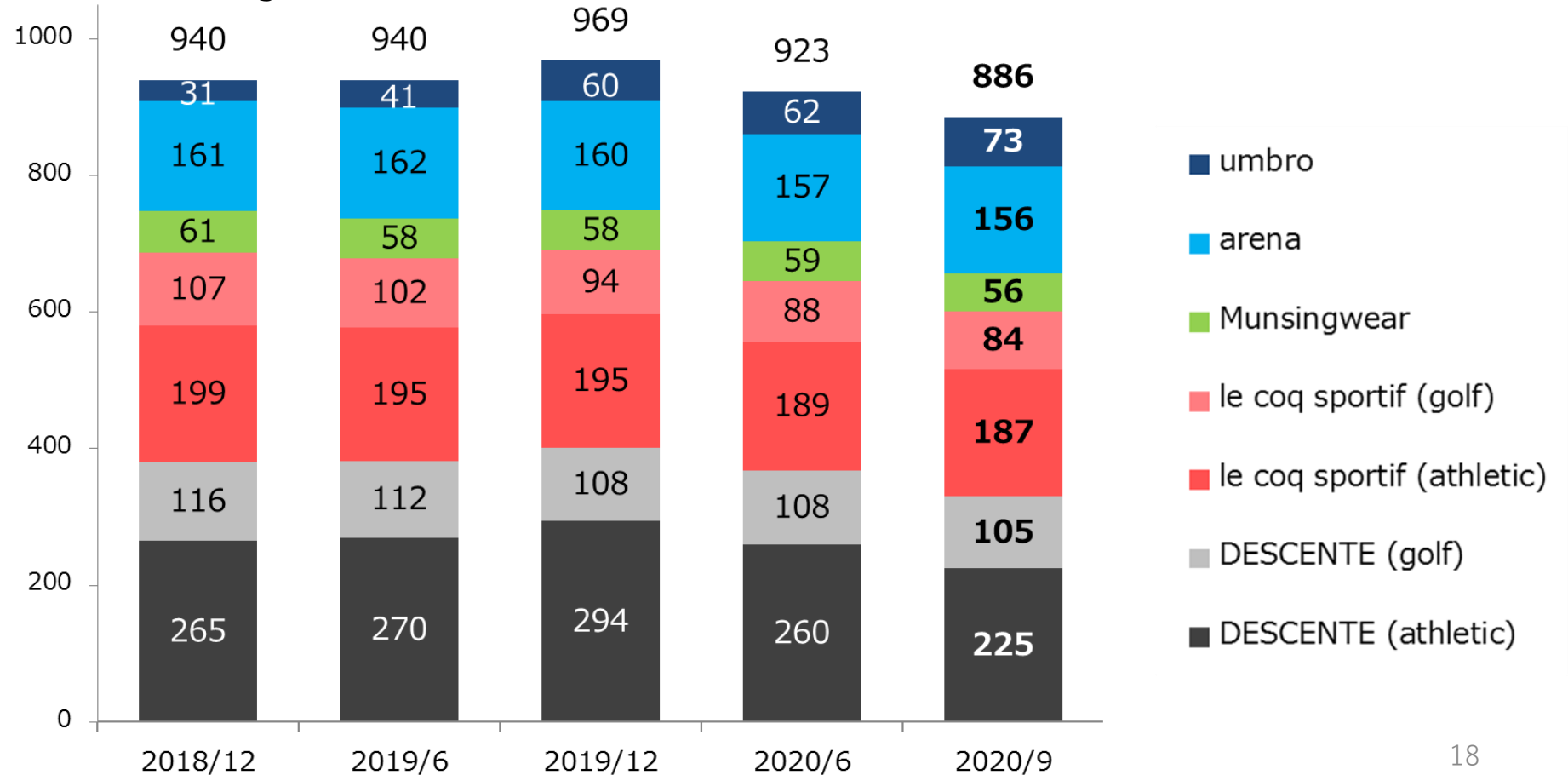
Number of Stores in South Korea



1. 3Q FY2020 (3) Number of Stores

- “Umbro” continues to open stores.
- The total number of stores decreased due to the closure of “DESCENTE” young athlete stores.

※Including stores of commercial agents and outlets



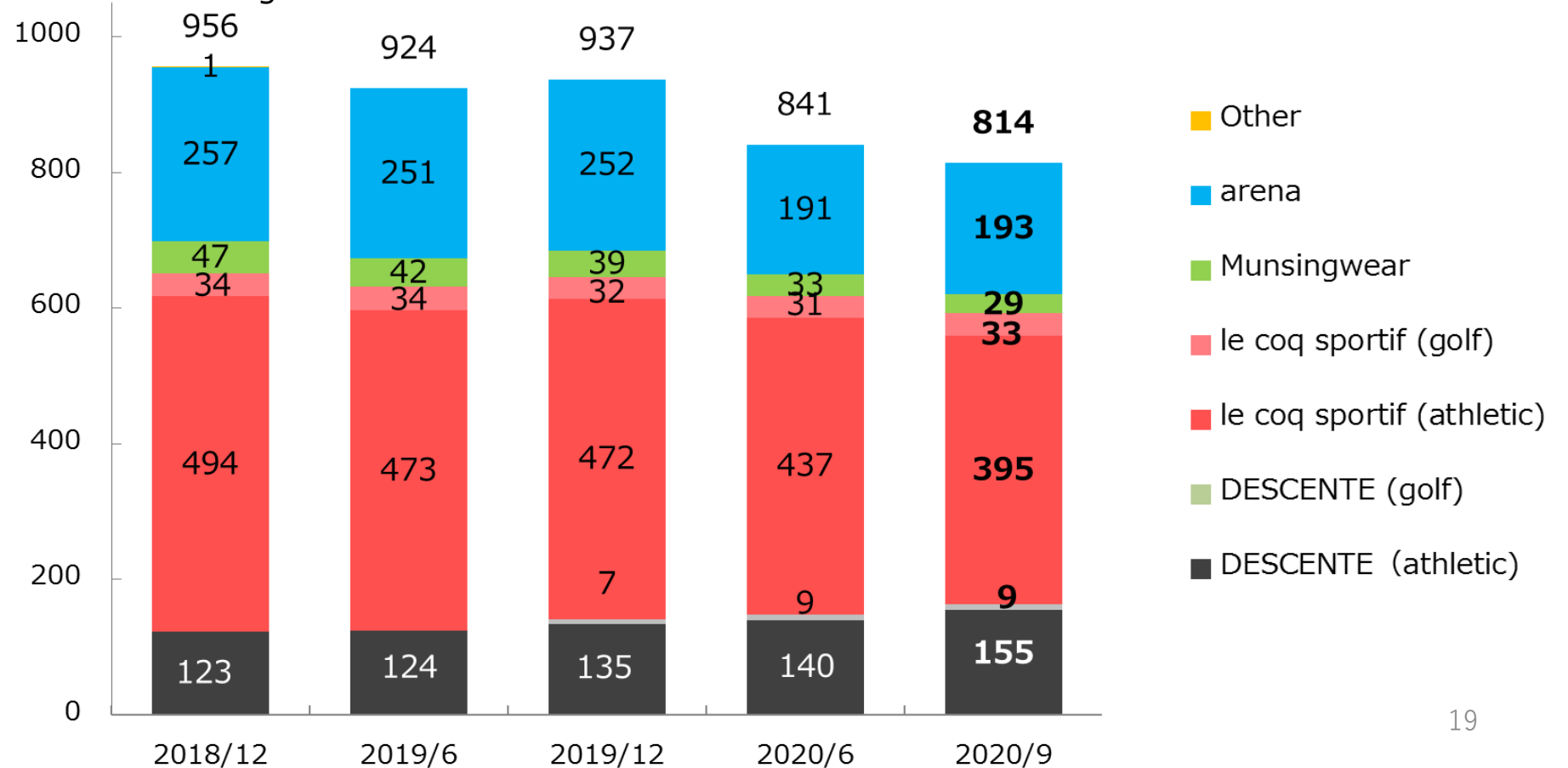


Number of Stores in China (incl. Hong Kong)

1. 3Q FY2020 (3) Number of Stores

- Since sales of “DESCENTE” are also expanding in online sales, the pace of opening real stores has slowed down, but sales per store have increased, resulting in a significant increase in profits.
- The number of “le coq sportif” stores decreased due to the closure of unprofitable stores.

※Including stores of commercial agents and outlets.



1. 2Q FY2020

(1) Financial Summary

(2) Brand Review

(3) Number of Stores

2. Plan for FY2020

FY2020 Earnings Forecast



2. Plan for FY2020

Japan: Although business conditions improved during the 3Q alone, recovery is expected to be delayed due to the re-expansion of COVID-19.

South Korea: Sales have been slow due to re-expansion of COVID-19 and continued influence of boycotts of Japanese products.

For the above reason, due to the decrease in sales and gross profit, the earnings forecast for operating income and ordinary income has been revised from the previous forecast (as of July 15, 2020).

(Unit: JPY million)	FY2018	FY2019	FY2020 Previous Forecast	FY2020	
				Revised Forecast	YoY
Net sales	142,443	124,561	101,000	96,000	▲23%
Operating income	7,935	379	500	▲ 2,000	-
(%)	5.6%	0.3%	0.5%	▲ 2.1%	-
Ordinary income	8,458	456	550	▲ 1,200	-
(%)	5.9%	0.4%	0.5%	▲ 1.3%	-
Profit attributable to owners of parent	3,944	▲ 2,481	5,000	5,000	-
(%)	2.8%	▲ 2.0%	5.0%	5.2%	-

Predicted Exchange Rate : USD106.42、100KRW8.93、CNY15.31、HKD13.76、SGD77.33

FY2020 Dividends and Payout Ratio Forecast



2. Plan for FY2020

Considering the situation of borrowing from financial institutions due to COVID-19 infection, dividend amount is undecided at this time and will be 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	-
	3Q YTD	106.74	8.94	15.31	13.82	77.22	-
	2Q YTD	107.48	8.95	15.32	13.95	77.30	-
	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 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: FY2020 = FY ending March 31, 2021

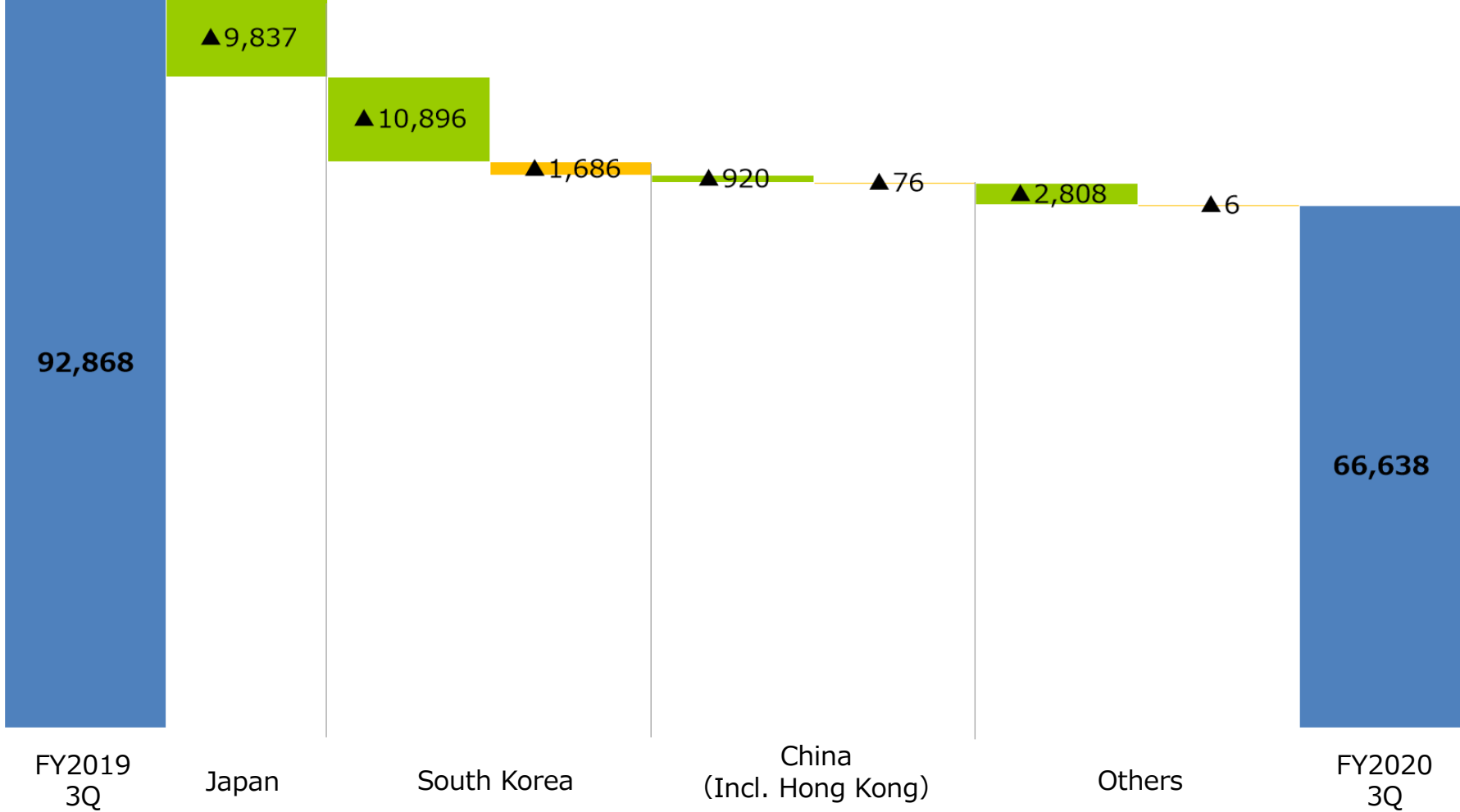
3Q FY2020 Reference

(Quarterly Sales and Operating Income by Segment)

Net Sales (YoY)



(Unit: JPY million)



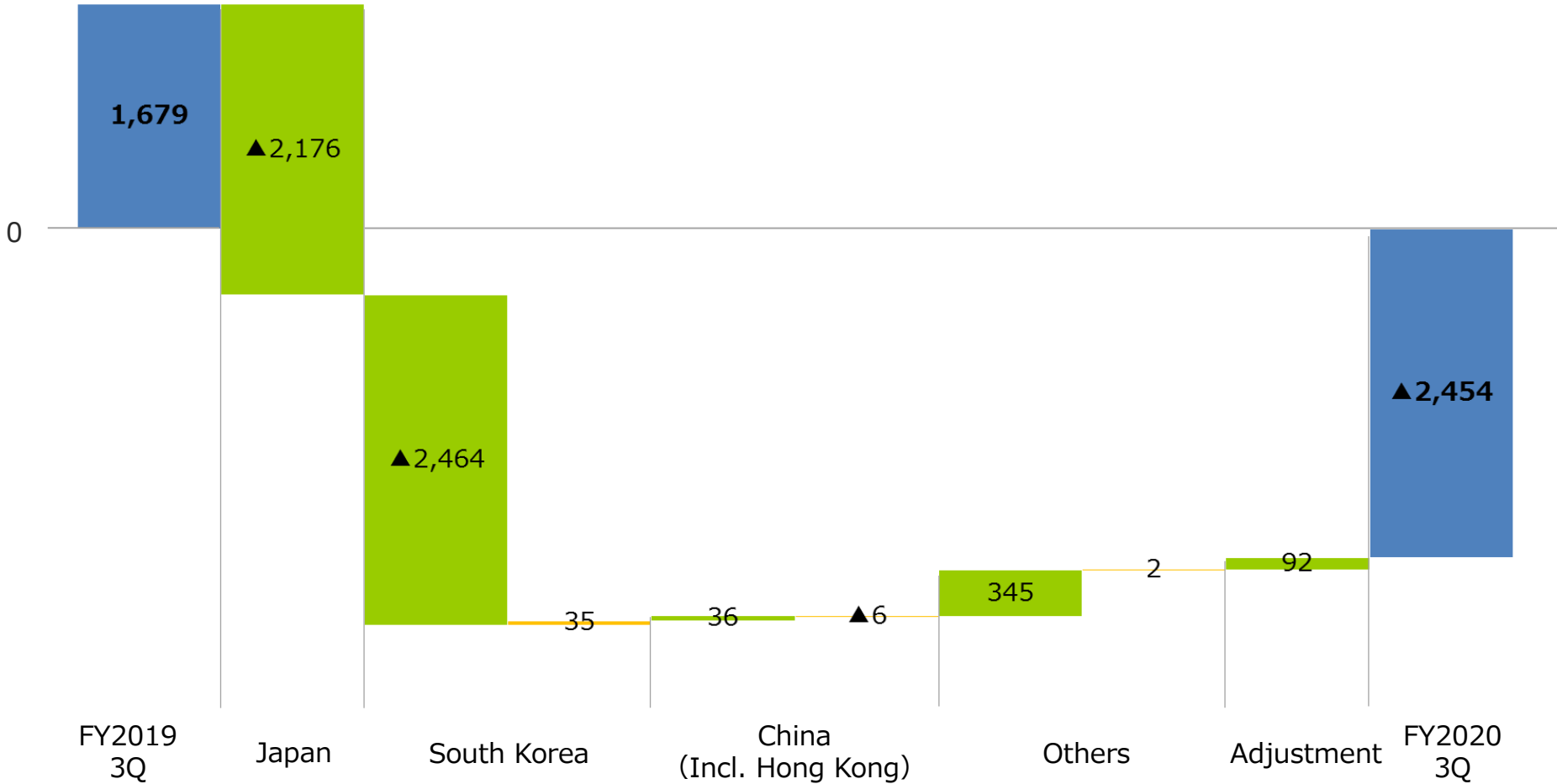
Note: FY2020=FY ending March 31, 2021

■ Net Sales
 ■ Actual Gain / Loss
 ■ Forex Effect

Operating Income (YoY)



(Unit: JPY million)



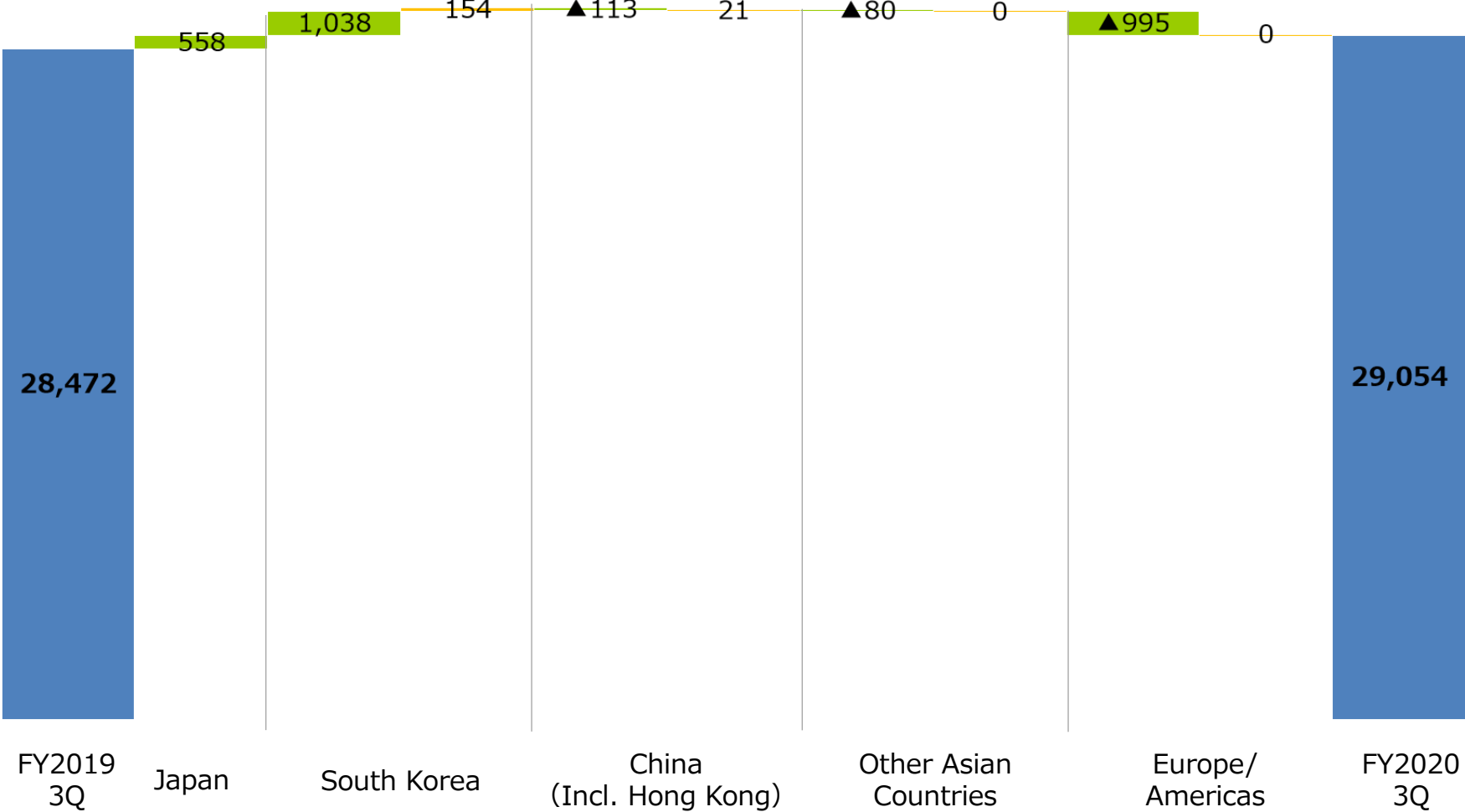
Note: FY2020=FY ending March 31, 2021

■ Operating income
 ■ Actual Gain / Loss
 ■ Forex Effect

Inventory (YoY)



(Unit: JPY million)



Note: FY2020=FY ending March 31, 2021

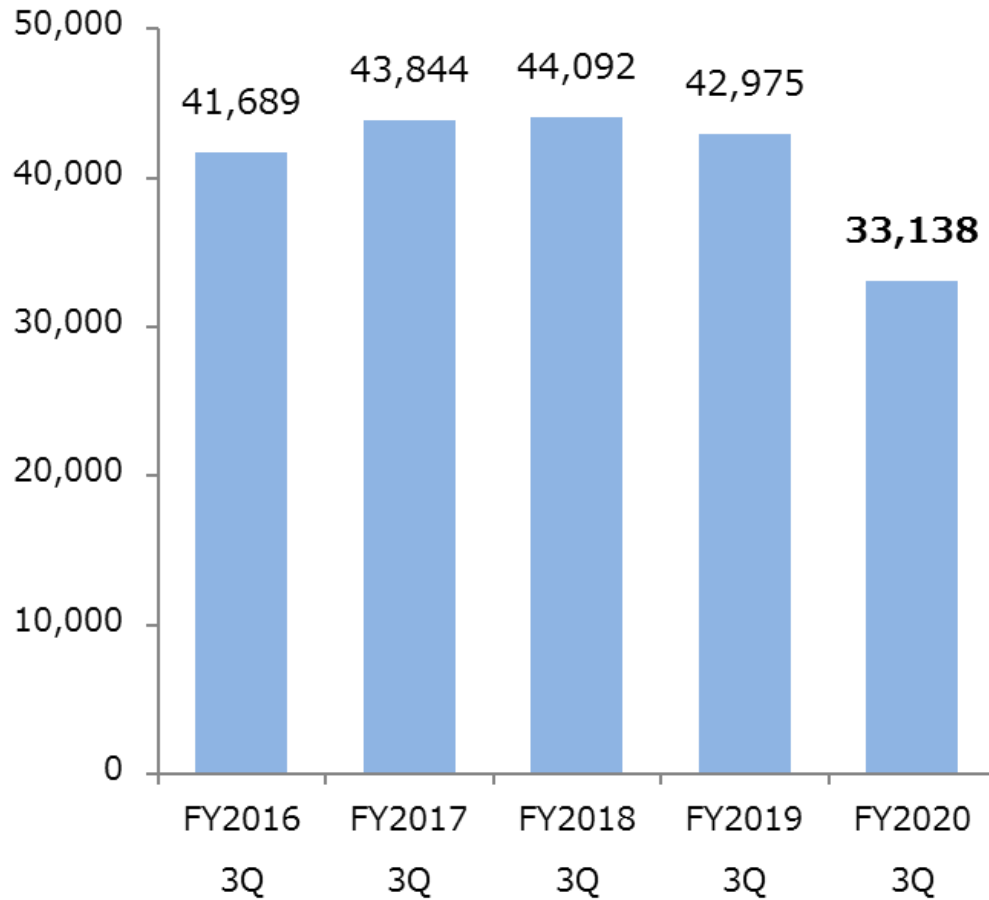
■ Inventories
 ■ Actual Gain / Loss
 ■ Forex Effect

Net Sales and Operating Income (Japan Segment)



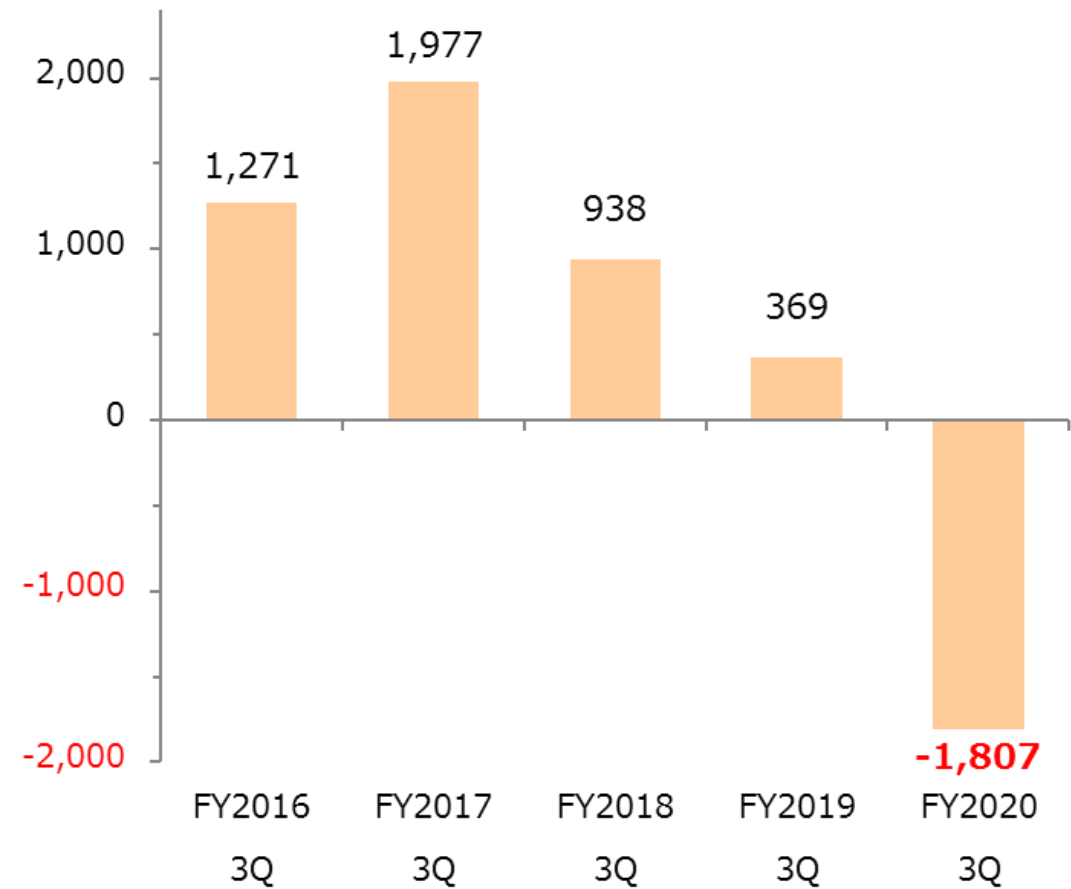
Net Sales

(Unit: JPY million)



Operating Income

(Unit: JPY million)



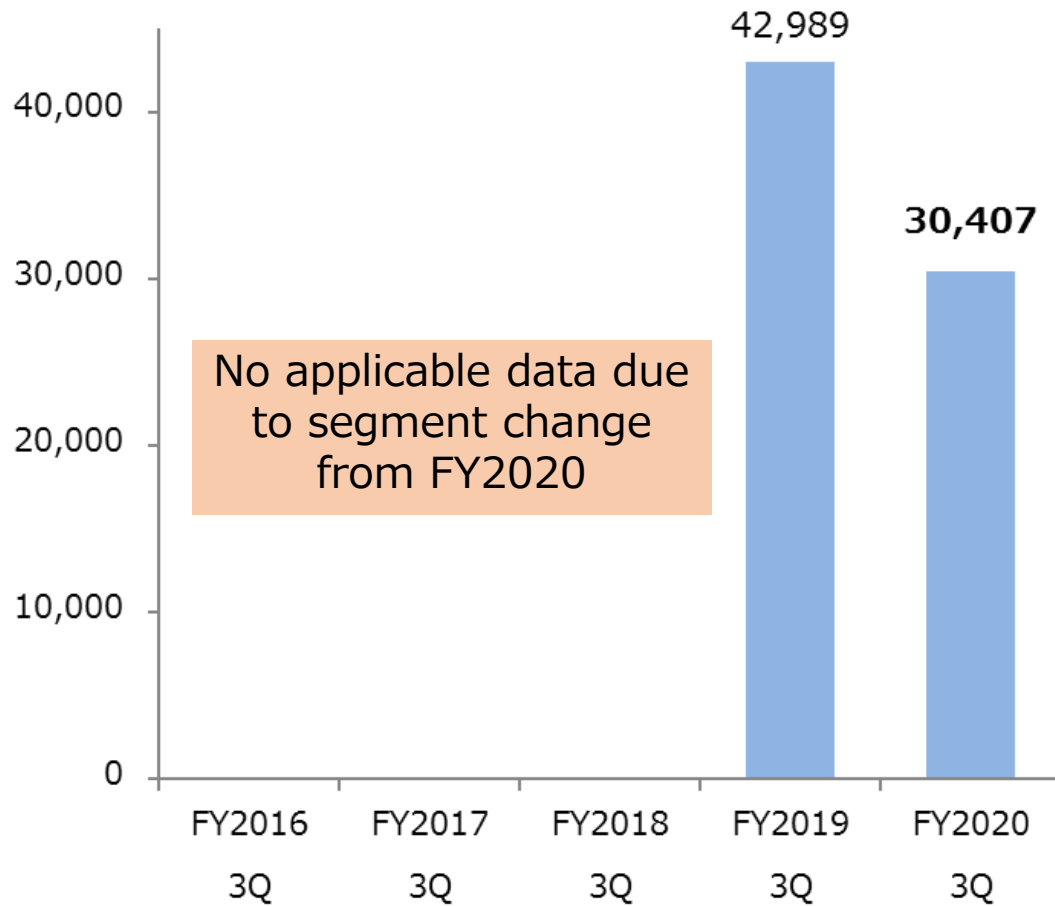
Note: FY2020=FY ending March 31, 2021

Net Sales and Operating Income (South Korea Segment)



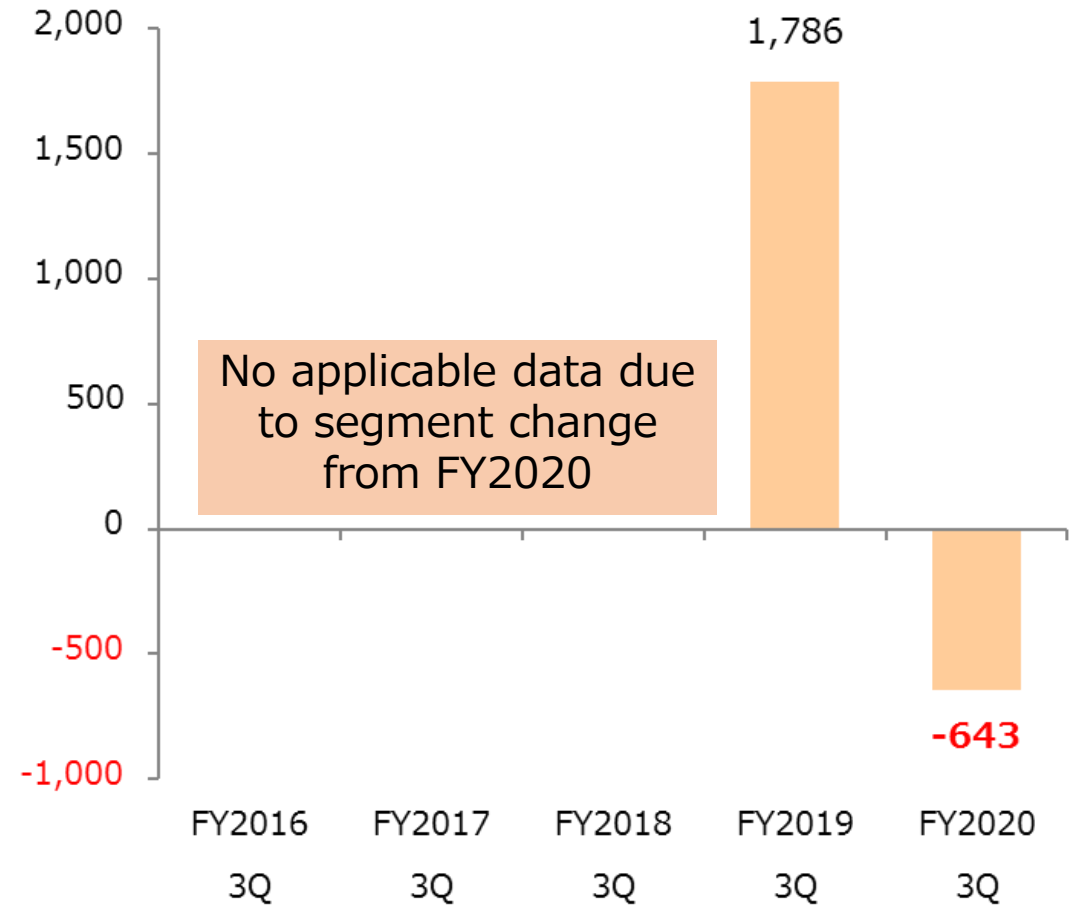
Net Sales

(Unit: JPY million)



Operating Income

(Unit: JPY million)



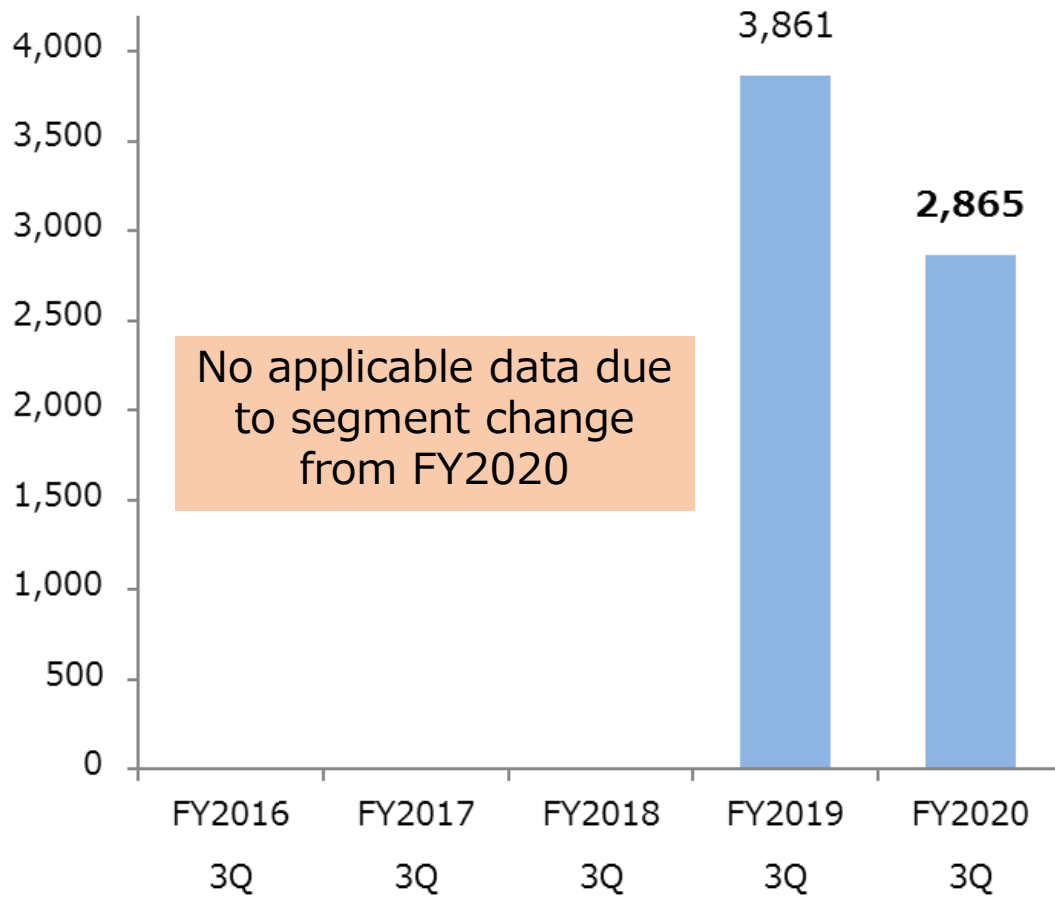
Note: FY2020=FY ending March 31, 2021

Net Sales and Operating Income (China Segment)



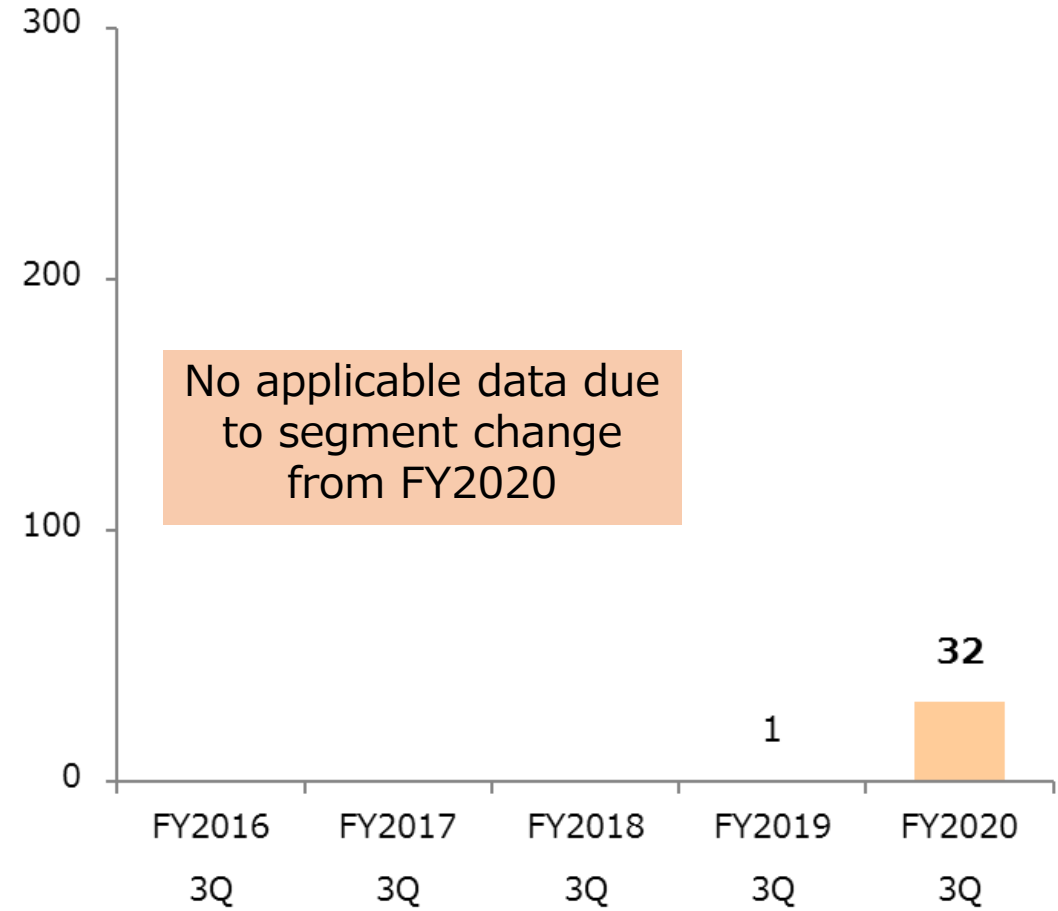
Net Sales

(Unit: JPY million)



Operating Income

(Unit: JPY million)

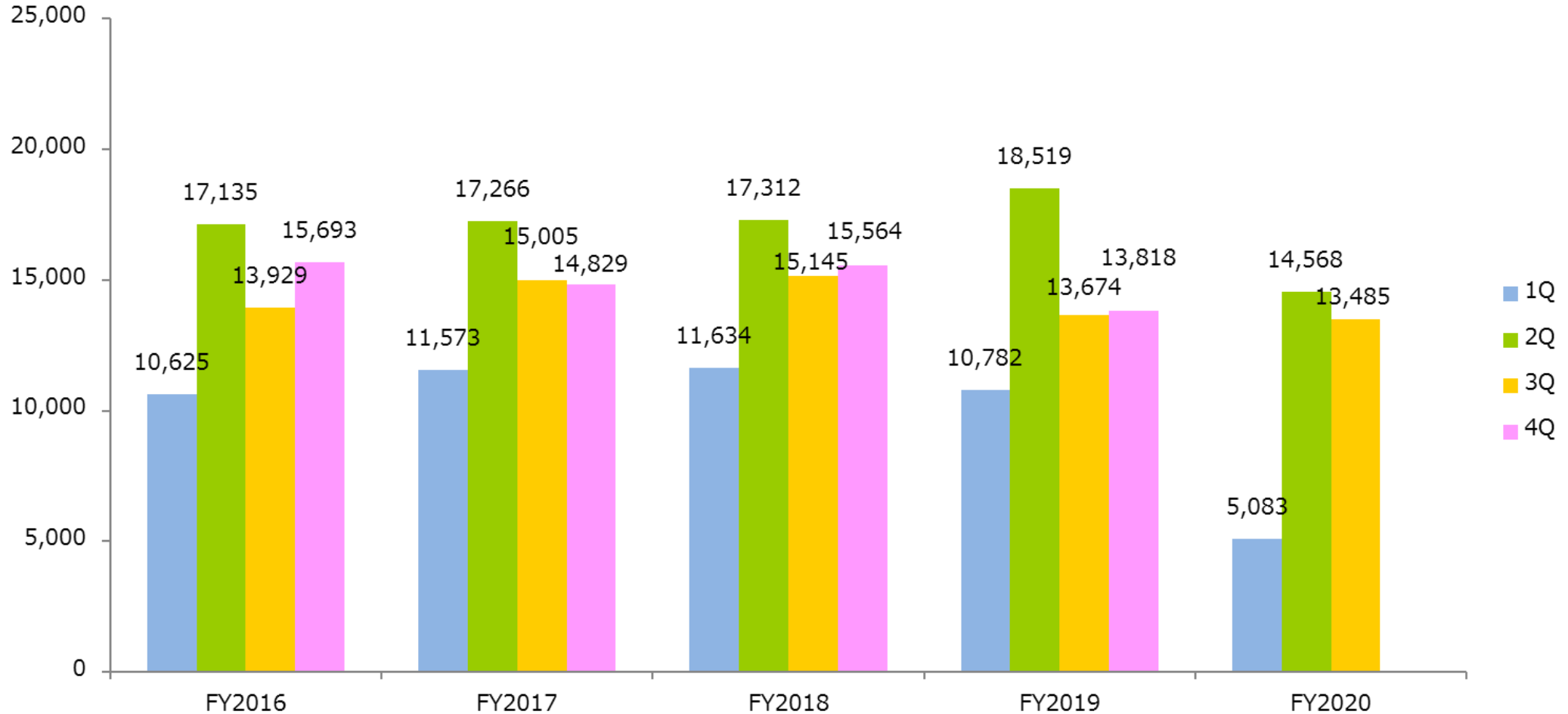


Note: FY2020=FY ending March 31, 2021

Quarterly Sales (Japan Segment)



(Unit: JPY million)

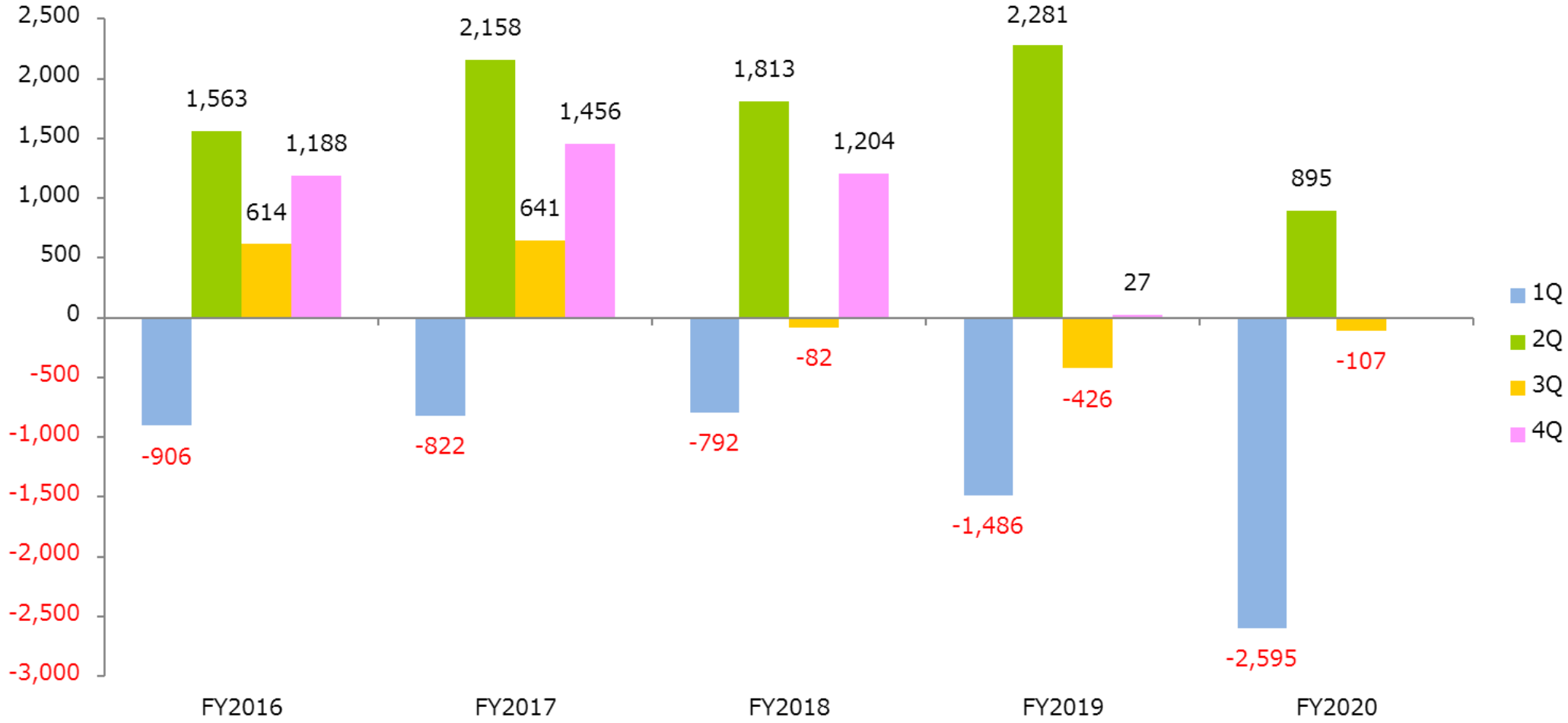


Note: FY2020=FY ending March 31, 2021

Quarterly Operating Income (Japan Segment)



(Unit: JPY million)

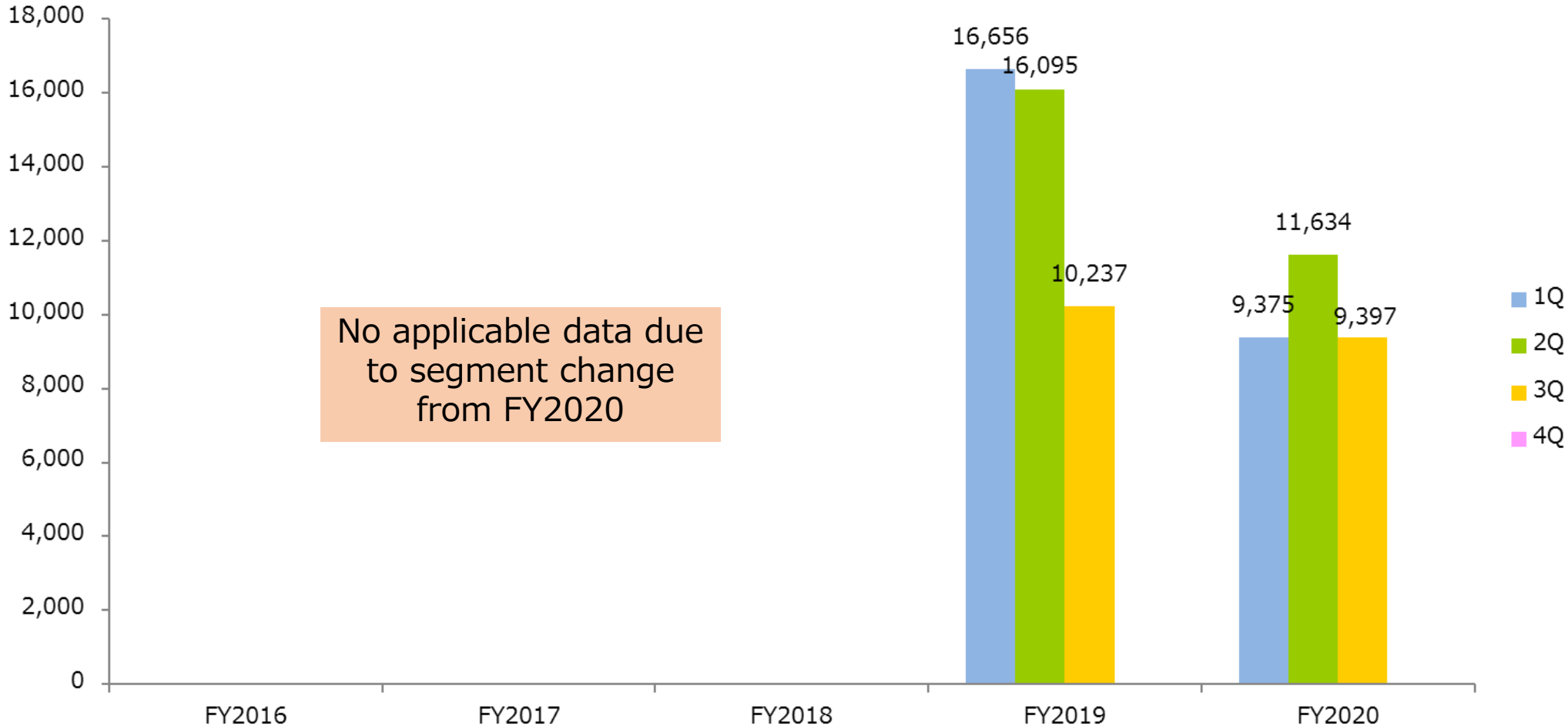


Note: FY2020=FY ending March 31, 2021

Quarterly Sales Segment (South Korea Segment)



(Unit: JPY million)



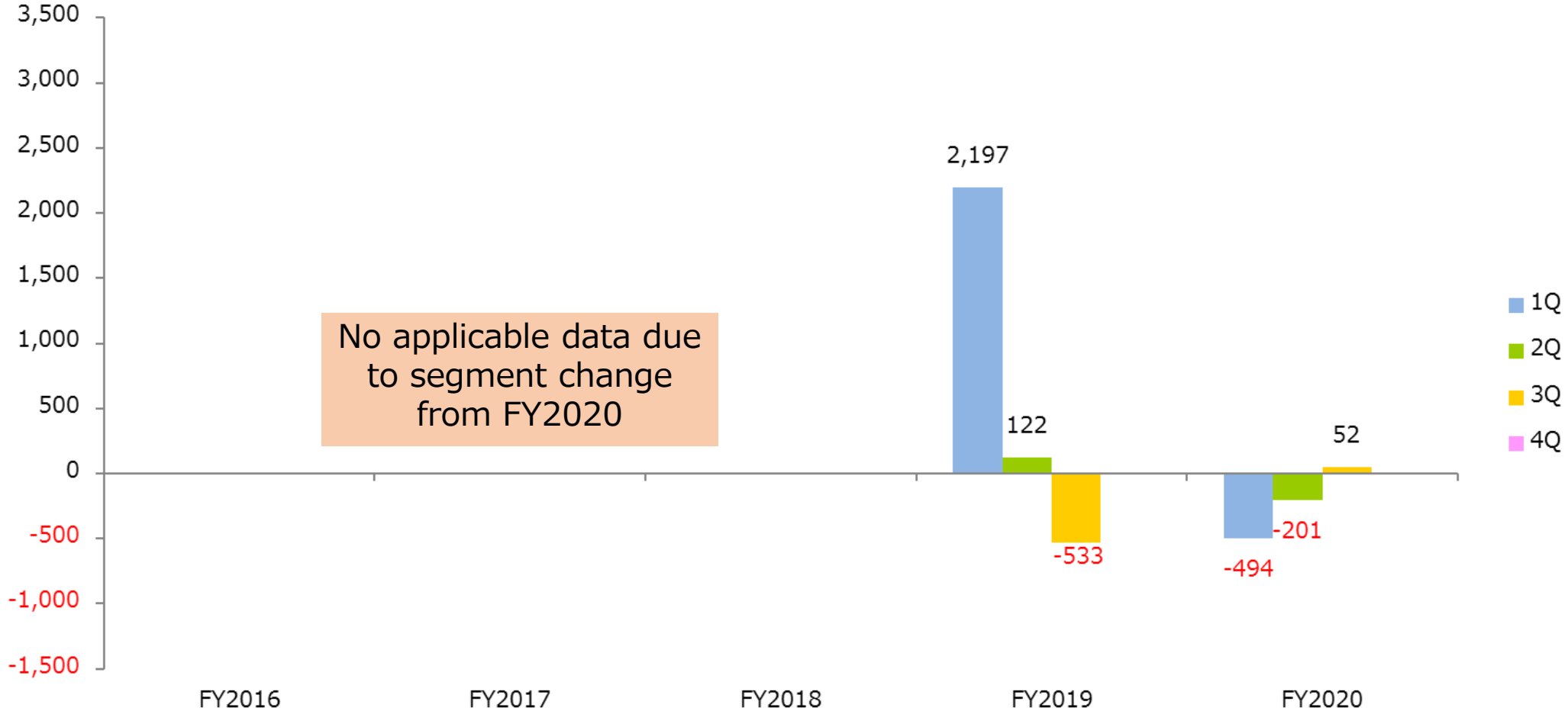
No applicable data due to segment change from FY2020

Note: FY2020=FY ending March 31, 2021

Quarterly Operating Income (South Korea Segment)



(Unit: JPY million)



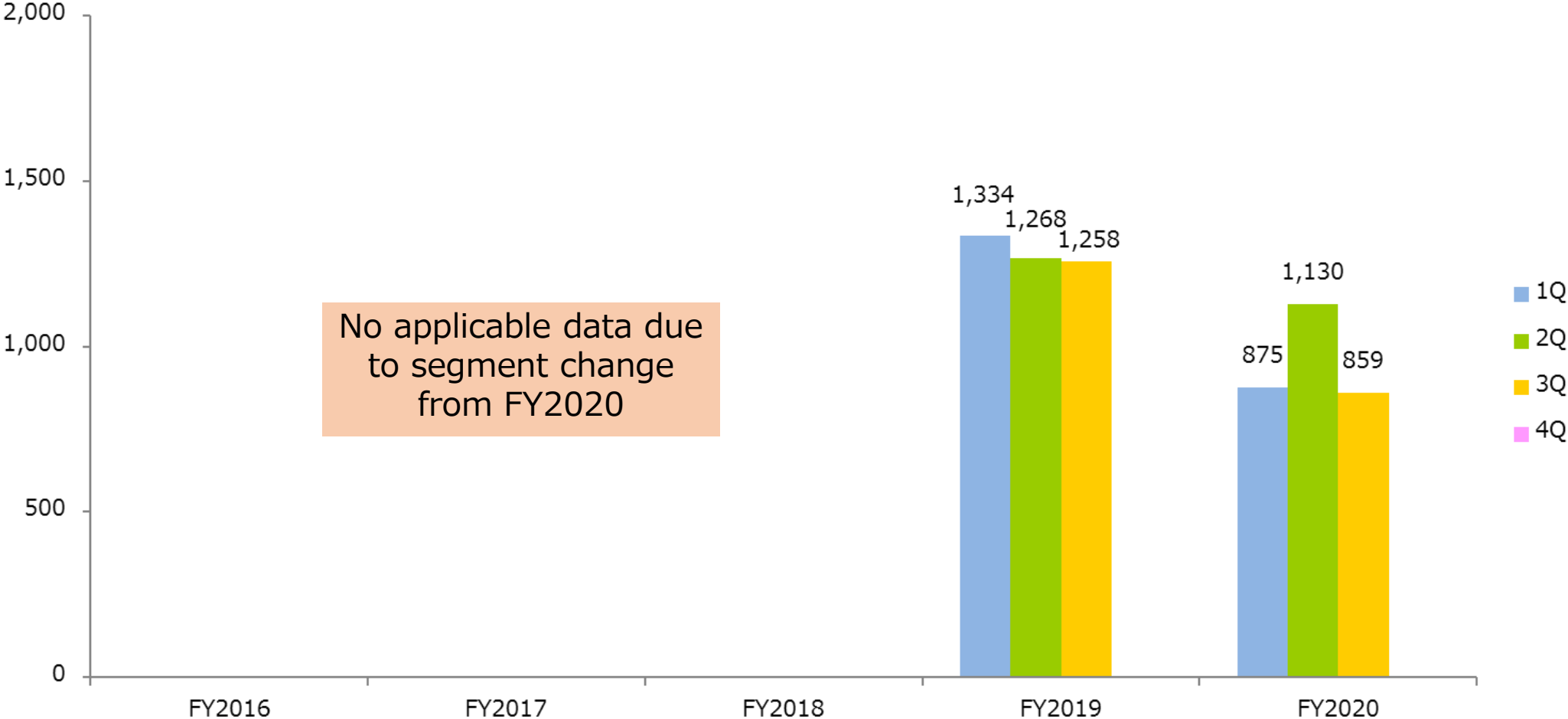
No applicable data due to segment change from FY2020

Note: FY2020=FY ending March 31, 2021

Quarterly Sales (China Segment)



(Unit: JPY million)



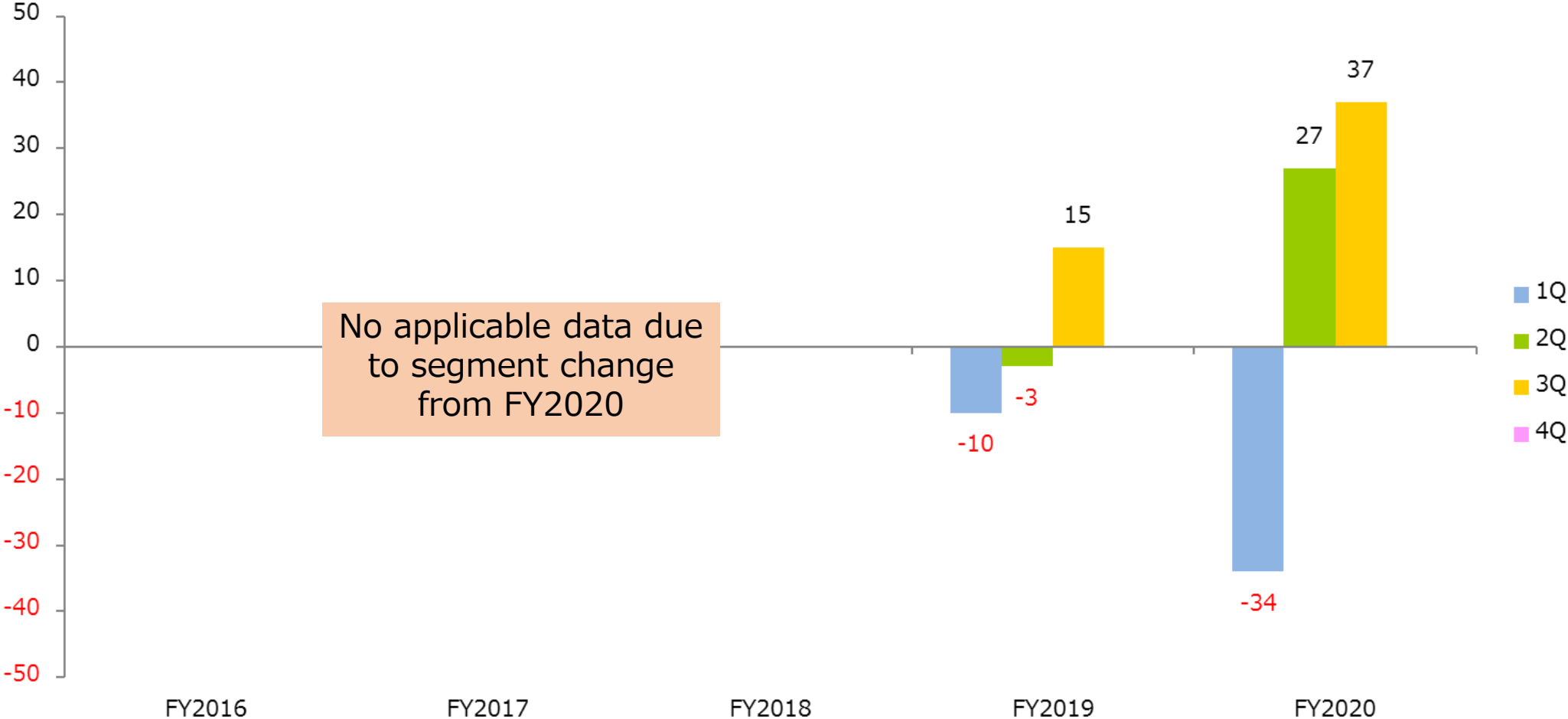
No applicable data due to segment change from FY2020

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Quarterly Operating Income (China Segment)

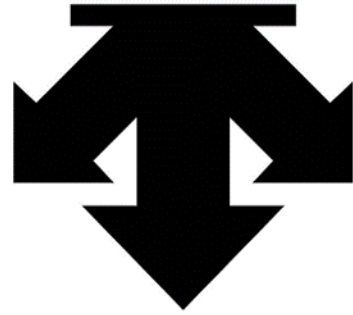


(Unit: JPY million)



Note: FY2020=FY ending March 31, 2021

DESCENTE



Design for Sports