

This document is an AI translation of the Japanese original by translation software and its purpose is for reference only. Readers are advised that the Company does not guarantee the accuracy of the content contained in this document. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.



## Summary of Financial Statements for the Fiscal Year Ended March 31, 2021 [Japan GAAP, Consolidated]

May 14, 2021

Name of the Company: DESCENTE LTD.

Listed Exchange: TSE

Code No.: 8114

URL: <http://www.descente.co.jp>

Representative: Shuichi Koseki, President

Person responsible for inquiry: Akira Tsuchihashi, Director, Managing Executive Officer, CFO (TEL)+81-3-5979-6111

Date of Annual General Meeting of Shareholders: June 17, 2021

Date of Dividend Payments:-

Date of Submission of Securities Report: June 17, 2021

Preparation of Supplementary Financial Statements: Yes

Holding of Financial Results Briefing: Yes (For institutional investors and securities analysts)

(Notes: Amounts less than one million yen are rounded down)

### 1. Consolidated Results for the Fiscal Year 2020 (April 1, 2020 - March 31, 2021)

#### (1) Consolidated operating results (% , YoY)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
FY ended March 31, 2021	96,862	Δ22.2	Δ1,806	-	Δ584	-	5,039	-
FY ended March 31, 2020	124,561	Δ12.6	379	Δ95.2	456	Δ94.6	Δ2,481	-

(Note) Comprehensive income: FY ended March 31, 2021 ¥5,734 million (-%), FY ended March 31, 2020: Δ¥4,338 million (-%)

	Net income per share	Diluted net income per share	Return on equity	Return on asset	Operating income ratio
	Yen	Yen	%	%	%
FY ended March 31, 2021	66.80	-	6.7	Δ0.5	Δ1.9
FY ended March 31, 2020	Δ32.90	-	Δ3.3	0.4	0.3

(Reference) Equity in earnings of affiliate: FY ended March 31, 2021: ¥791 million, FY ended March 31, 2020: ¥328 million

#### (2) Consolidated financial position

	Total assets	Net assets	Equity Ratio	Net assets per share
	Yen in millions	Yen in millions	%	Yen
FY ended March 31, 2021	107,987	77,963	72.2	1,033.22
FY ended March 31, 2020	108,504	72,193	66.5	957.03

(Reference) Equity: FY ended March 31, 2021: ¥77,963 million, FY ended March 31, 2020: ¥72,193 million

#### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Yen in millions	Yen in millions	Yen in millions	Yen in millions
FY ended March 31, 2021	2,393	51	Δ2,586	19,244
FY ended March 31, 2020	2,371	Δ5,949	Δ4,128	19,559

### 2. Dividends

	Annual cash dividend per share					Dividend amount (Total)	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
	End of the 1st quarter	End of the 2nd quarter	End of the 3rd quarter	End of the 4th Quarter	Total			
	Yen	Yen	Yen	Yen	Yen	Yen in millions	%	%
FY ended March 31, 2020	-	0.00	-	0.00	0.00	-	-	-
FY ended March 31, 2021	-	0.00	-	0.00	0.00	-	-	-
FY ended March 31, 2022 (Forecast)	-	0.00	-	12.00	12.00		30.2	

### 3. Consolidated earnings forecast for the fiscal year ending March 31, 2022 (April 1, 2021 - March 31, 2022)

(%, YoY)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Per share Net income
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen
First half of fiscal year	50,000	16.6	450	-	900	-	600	-	7.95
Full-year	103,000	6.3	3,100	-	4,300	-	3,000	Δ40.5	39.76

#### \*Notes

(1) Changes in significant subsidiaries during the fiscal year (Changes in specified subsidiaries resulting in changes in the scope of consolidation): Yes

New: None,

Exclude: 2 (Company name) DESCENTE NORTH AMERICA INC., DESCENTE ATHLETIC AMERICAS INC.

(2) Changes in accounting policies, accounting estimates, and restatement

1. Changes in accounting policies associated with revision of accounting standards : None
2. Changes in accounting policy other than 1 : None
3. Changing in accounting estimates : None
4. Restatement : None

(3) Number of shares issued and outstanding (common stock)

1. Number of shares issued and outstanding at the end of fiscal year (including treasury stock)
2. Number of treasury stock at fiscal end
3. Average number of shares during the term

FY ended March 31, 2021	76,924,176	FY ended March 31, 2020	76,924,176
FY ended March 31, 2021	1,467,517	FY ended March 31, 2020	1,489,862
FY ended March 31, 2021	75,449,746	FY ended March 31, 2020	75,424,257

(Reference) Summary of non-consolidated results

1. Non-consolidated results for the fiscal year ended March 31, 2021 (April 1, 2020 - March 31, 2021)

(1) Non-consolidated operating results

(%, YoY)

	Net sales		Operating income		Ordinary income		Net income	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
FY ended March 31, 2021	8,987	Δ14.7	640	Δ60.4	1,015	Δ46.1	Δ829	-
FY ended March 31, 2020	10,540	Δ4.1	1,617	Δ7.8	1,882	Δ66.0	430	Δ54.9
	Net income Per share		Diluted Net income per share					
	Yen		Yen					
FY ended March 31, 2021	Δ11.00		-					
FY ended March 31, 2020	5.71		-					

(2) Non-consolidated financial position

	Total assets	Net assets	Equity Ratio	Net assets per share
	Yen in millions	Yen in millions	%	Yen
FY ended March 31, 2021	23,890	16,023	67.1	212.35
FY ended March 31, 2020	23,887	16,785	70.3	222.52

(Reference) Equity FY ended March 31, 2021: ¥16,023 million, FY ended March 31, 2020: ¥16,785 million

2. Non-consolidated earnings forecast for the fiscal year ending March 31, 2022 (April 1, 2021 - March 31, 2022)

(%, YoY)

	Net sales		Ordinary income		Net income		Net income per share
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen
First half of fiscal year	4,500	-	300	-	200	-	2.65
Full-year	9,200	2.4	700	Δ31.1	500	-	6.63

Notes: Summary of financial statement is not subject to auditing procedures by independent auditors or auditing firms

Notes: Explanation of appropriate use of business performance forecasts and other special items

(Notes on future descriptions)

Descriptions about future such as the earnings forecasts in this document are based on the current information and certain assumptions that are considered reasonable, therefore, it is not intended to state or imply any commitment by the company to achieve. Actual results may vary greatly depending on various factors. Prerequisites for earnings forecast or notes for using it, please refer to "1. Overview of Consolidated Operating Results" on page 2.

## Table of Contents of Appendix

1. Overview of Consolidated Operating Results .....	2
(1) Overview of Consolidated Operating Results .....	2
(2) Overview of Consolidated Financial Position .....	5
(3) Overview of Consolidated Cash Flows .....	5
(4) Consolidated Performance Forecast .....	6
2. Basic Approach to the Selection of Accounting Standards .....	6
3. Consolidated Financial Statements and Notes .....	7
(1) Consolidated Balance Sheets .....	7
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income .....	9
(3) Consolidated Statements of Changes in Net Assets .....	11
(4) Consolidated Statements of Cash Flows .....	13
(5) Notes on Consolidated Financial Statements .....	14
(Going Concern Assumption) .....	14
(Important Matters of Basis for Preparing Consolidated Financial Statements) .....	14
(Business Combinations) .....	14
(Segment Information) .....	16
(Information per Share) .....	18
(Important Subsequent Events) .....	18
4. Others .....	19
Overseas Sales .....	19

## 1. Overview of Consolidated Operating Results

### (1) Overview of Operating Results for FY ended March 31, 2021

In order to consolidate in Asia, one of the key strategies of the current mid-term management plan "D-Summit 2021", we executed the liquidation of a subsidiary that was responsible for the Europe/Americas businesses, which had been continuously posting losses. Furthermore, as announced in the "Notice of the Business Restructuring to Improve Profitability in Japan" on November 25, 2020, in order to improve profitability in Japan business, we are strengthening Direct to Consumer (hereinafter referred to as "DTC") and soliciting voluntary retirements to optimize the number of employees, and building a foundation for improving profitability in Japan from the next fiscal year onward. In China, we executed a reorganization of our joint venture, Descente China Holding Limited (hereinafter "DCH"), which operates the "DESCENTE" brand business, and in order to further expand this business, we transferred "DESCENTE" trademark in China to DCH and increased our investment ratio in DCH from 30% to 40%. As a result, in addition to recording a gain on change in equity (extraordinary income) of ¥6,419 million due to the reorganization in the third quarter of the fiscal year, from the fourth quarter of the fiscal year, the share of profit of entities accounted for using equity method from DCH has increased.

Overall, however, due to the impact of the spread of COVID-19, the business environment was severe, and the cancellation of various events and competitions due to the state of emergency, downsizing and the closure of retail stores resulted 22% year-on-year decrease in net sales. Gross profit decreased by 25% year-on-year due to the decrease in net sales.

SG&A expenses decreased by 22% year-on-year due to a reduction in various expenses resulting from the liquidation of subsidiaries in Europe/Americas, a strategic reduction in advertising and sales promotion expenses as DESCETNE group, a reduction in marketing activities in response to the COVID-19, and a decrease in sales commissions linked to sales in South Korea. However, this was not enough to cover the decline in gross profit, resulting in an operating loss of ¥1,806 million.

Sales of DCH was affected by the COVID-19 in the first quarter of the fiscal year, however, its performance has been steadily growing since the second quarter, and sales on a local currency basis expanded by approximately 67% year-on-year, including a doubling of e-commerce net sales from the previous fiscal year, resulting in a significant increase in both sales and profits. In addition, as mentioned above, as a result of an increase in profits taken from DCH due to an increase in the investment ratio, non-operating income increased, but this was not enough to cover the operating loss, resulting in an ordinary loss of ¥584 million.

Profit attributable to owners of parent increased significantly to ¥5,039 million. This was due to extraordinary income such as a gain on change in equity of ¥6,419 million associated with the DCH reorganization, which was partially offset by extraordinary loss of ¥1,347 million associated with the implementation of voluntary retirement in Japan.

As a result of the above, net sales for the fiscal year under review were ¥96,862 million (down 22.2% year on year), the operating loss was ¥1,806 million (previous year: operating income of ¥379 million), the ordinary loss was ¥584 million (previous year: ordinary income of ¥456 million), and net income attributable to owners of the parent was ¥5,039 million (previous year: net loss of ¥2,481 million).

The business results of the reportable segment are as follows. The fiscal year end of major overseas subsidiaries is December, and the business results for each segment do not include figures for equity method affiliates.

## (Net Sales by Segments)

Segment	Net sales (Yen in millions) (YoY)	Segment Income or Loss (Yen in millions) (YoY)
Japan	47,079 (82.9%)	Δ1,767 (previous year: 396 million yen)
South Korea	46,156 (78.7%)	11 (previous year: 721 million yen)
China	3,397 (66.3%)	Δ48 (previous year: Δ60 million yen)
Others	229 (5.7%)	Δ64 (previous year: Δ744 million yen)
Adjustments	-	63 (previous year: 65 million)
Total	96,862 (77.8%)	Δ1,806 (previous year: 379 million yen)

## (Japan)

During the fiscal year under review, the Company conducted a full-scale renewal of its e-commerce website, "DESCENTE STORE Online", with the aim of expanding its business and strengthening its sales capabilities. As a result, in-house e-commerce sales were strong, rising 68% year on year. In addition, despite ongoing efforts to reduce SG&A expenses, such as advertising and sales promotion expenses, net sales declined due to the temporary suspension of operations at real stores from April - May due to the impact of the COVID-19, and a decrease in inbound tourists. As a result, both sales and profits declined for the full fiscal year. As a business restructuring, we reduced personnel expenses by offering voluntary retirement and transferred all businesses of our wholesale subsidiary, BEN-GENERAL CORPORATION. We have focused on allocating management resources to directly-managed stores and e-commerce businesses, and have established a system to ensure stable revenue in Japan from the fiscal year ending March 2022 onwards.

## (South Korea)

Sales gradually recovered from the impact of COVID-19, which has been in place since February 2020, lead by "DESCENTE" and "umbro" which grew sales during the fourth quarter of the fiscal year. However, for the full fiscal year, there was a decrease in sporting opportunities due to the closure of sports facilities and the cancellation of events, and a decrease in consumers' appetite for purchasing due to the short-term operation of stores. As a result, segment sales and profits declined in the fiscal year under review.

## (China)

In the business development of consolidated subsidiaries SHANGHAI DESCENTE COMMERCIAL CO., LTD. and HONG KONG DESCENTE TRADING, LTD., which are included in segment income, SG&A expenses were reduced mainly due to the reorganization of unprofitable stores and a decrease in rent and other fixed costs. Sales and profits of SHANGHAI DESCENTE COMMERCIAL CO., LTD. recovered in the third quarter as domestic demand invigorated. Meanwhile, in Hong Kong, sales and profits at Hong Kong DESCENTE TRADING CO., LTD. declined, particularly in the fourth quarter, as consumer appetite declined due to the re-expansion of the COVID-19. As a result, segment sales declined in the fiscal year under review, but segment loss decreased. Although not included in segment income or loss, DCH, an equity-method affiliate, continued to perform well, with significant increases in sales and profits as mentioned above.

## (Others)

In this segment, centered on Europe/Americas, we transferred the stock of INOVEIGHT Group, which had posted a continuous loss, in the year ending March 2020, and liquidated DESCENTE NORTH AMERICA INC., DESCENTE ATHLETIC AMERICAS INC., and suspended SINGAPORE DESCENTEPT. LTD., which also had posted a continuous loss. This resulted in a rough reduction of losses.

Net sales by Item are as follows.

(Net sales by Item)

Item	Amount (Yen in millions)	Composition Ratio (%)	Year on year (%)
Athletic wear and related products	60,433	62.4	75.8
Golf wear and related products	28,412	29.3	85.2
Outdoor wear and related products	8,016	8.3	69.9
Total	96,862	100.0	77.8

(Athletic wear and related products)

In the fourth quarter of the fiscal year, in Japan, the training wear for spring season of "DESCENTE" drove sales, and in "le coq sportif", sales of AIR STYLISH PANTS, which are characterized by stretchability and 3-dimensional patterns, remained strong. As a result, sales of the above-mentioned brands in the fourth quarter increased year on year. In South Korea, sales of fleece have been growing, and apparel sales of "DESCENTE" and "umbro" have been strong since the third quarter. However, sales in the athletic category decreased by 24% year-on-year in the fiscal year under review due to the impact of the COVID-19 in all areas and a decrease in over-the-counter sales.

(Golf wear and related products)

Golf is becoming increasingly popular since the spread of COVID-19, and in both Japan and Korea, "DESCENTE" posted a year-on-year increase in sales during the fiscal year under review. In addition, in the fourth quarter, "Munsingwear" also increased year-over-year in South Korea and China. However, this was not enough to cover the decline in overall store sales due to the impact of the COVID-19, and net sales in the golf category in the fiscal year under review declined 15% year on year.

(Other Topics)

In Japan, we are strengthening our DTC business, which has a high gross profit margin, in order to improve profitability. As part of these efforts, we have renewed the "DESCENTE STORE Online", official in-house e-commerce website, and are working to attract more customers through digital marketing by utilizing the owned media "ULLR MAG.". In South Korea, aiming for stable growth, we concentrated management resources on our main stores by restructuring the number of stores.

Furthermore, in accordance with the "Enhancing our manufacturing capabilities", which is one of the key strategies, we are implementing dedicated manufacturing as DESCENTE group. We are advancing manufacturing in line with customer needs, such as implementing customized orders of "Mizusawa Down" in Japan, and of shoes in South Korean. As for the golf category, in "DESCENTE" we launched polo shirts which return to the soil from "g-arc" series, which symbolizes our dedicated manufacturing. In addition, we expanded brand recognition by selling collaboratively planned products with the luxury brand "DIOR" in 12 countries around the world. By making full use of our Research & Development Center "DISC", we are continuing to develop products that meet consumer demand with uncompromising approach.

As part of our sustainability efforts, we are working to reduce environmental impact, provide sports opportunities, and engage in activities that contribute to local communities. During the fourth quarter, "1 SHOE, 1 SMILE Campaign" was implemented from "le coq sportif" as part of our contributions to the society. Amid a challenging environment due to the spread of the COVID-19, we donated a portion of the sales of shoes sold during the period to the Japanese Red Cross Society in order to support and express respect and appreciation to healthcare professionals who continue to play an active role in the frontline healthcare field. Going forward, we will continue our efforts to enrich the physical and mental health of people through sports and create sound lifestyles.

## (2) Overview of Consolidated Financial Position for FY ended March 31, 2021

(Analysis of the status of assets, liabilities, and net assets)

Total assets at the end of the fiscal year under review were ¥107,987 million, a decrease of ¥516 million from the end of the previous fiscal year.

Current assets decreased by ¥2,646 million from the end of the previous fiscal year to ¥65,368 million. This was mainly due to an increase of ¥1,603 million in cash and deposits, a decrease of ¥1,734 million in notes and accounts receivable-trade, and a decrease of ¥2,202 million in merchandise and finished goods.

Non-current assets increased by ¥2,130 million from the end of the previous fiscal year to ¥42,619 million. This was mainly due to an increase of ¥6,943 million in investment securities.

Total liabilities decreased by ¥6,287 million from the end of the previous fiscal year to ¥30,024 million. This was mainly due to a decrease of ¥4,875 million in notes and accounts payable-trade and a decrease of ¥1,380 million in lease obligations.

Net assets increased by ¥5,770 million from the end of the previous fiscal year to ¥77,963 million. This was mainly due to an increase of ¥5,039 million yen in retained earnings and an increase of ¥559 million in remeasurements of defined benefit plans.

As a result, the equity ratio increased 5.7% from the end of the previous fiscal year to 72.2%.

## (3) Overview of Consolidated Cash Flow for FY ended March 31, 2021

(Analysis of Cash Flow Status)

Cash and cash equivalents at the end of the fiscal year under review decreased by ¥315 million from the end of the previous fiscal year to ¥19,244 million.

Cash flows from operating activities was ¥2,393 million in excess of revenues (¥2,371 million in excess of revenues in the previous fiscal year). This was due to income before income taxes of ¥5,565 million, depreciation of ¥5,201 million, a decrease in notes and accounts receivable-trade of ¥1,720 million, and a decrease in inventories of ¥2,413 million, which were partly offset by a decrease in notes and accounts payable-trade of ¥4,840 million and a gain on change in equity of ¥6,419 million.

Cash flows from investing activities was ¥51 million in excess of revenues (¥5,949 million in excess of expenditures in the previous fiscal year). This was mainly due to purchase of property, plant and equipment of ¥1,541 million, proceeds from sales of investment securities of ¥1,822 million, and proceeds from collection of guarantee deposits of ¥985 million.

Cash flows from financing activities was ¥2,586 million in excess of expenditures (¥4,128 million in excess of expenditures in the previous fiscal year). This was mainly due to repayments of short-term loans payable of ¥424 million and repayments of lease obligations of ¥2,130 million.

### (Reference) Cash Flow Related Indicators

	FY ended March 2017	FY ended March 2018	FY ended March 2019	FY ended March 2020	FY ended March 2021
Equity Ratio (%)	66.3	67.3	67.8	66.5	72.2
Equity Ratio based on Market Value (%)	93.0	108.0	188.9	88.3	131.5
Cash Flow/Liabilities with Interest Ratio (Years)	1.0	0.5	0.5	1.1	0.9
Interest Coverage Ratio (Times)	55.7	135.8	82.5	8.1	27.0

(NOTE) Equity ratio = Net worth / Total Assets

Equity Ratio based on Market Value = Market Capitalization / Total Assets

Cash Flow / Liabilities with Interest Ratio = Liabilities with Interest / Operating Cash Flow

Interest Coverage Ratio = Operating Cash Flow / Interest Payments

1. Each indicator is calculated based on consolidated financial figures.
2. Market capitalization is calculated based on closing share prices at year end multiple the number of shares issued and outstanding at year end excluding treasury shares.
3. Operating cash flows refers to cash flows from operating activities of the consolidated cash flow statements. Liabilities with Interest includes all liabilities on which we pay interest shown on the consolidated balance sheet. Interest payments refers to payments of interest paid on the consolidated cash flow statement.



#### (4) Consolidated Performance Forecast for the fiscal year ending March 31, 2022

The business environment is undergoing dramatic change, due in part to major changes in the external environment, such as the global spread of the COVID-19. In the fiscal year ending March 2021, the second year of the 3-year med-term management plan "D-Summit 2021", we completed "Consolidate in Asia", which is one of our key strategies. Beginning in the fiscal year ending March 2022, we will move on to the stage of implementing measures to improve profitability of Japan business.

For the reasons stated above, "D-Summit 2021" is completed one year ahead of schedule, and a new "D-Summit 2023" is formulated as a 3-year plan covering the period from the fiscal year ending March 2022 to fiscal year ending March 2024. In "D-Summit 2023", we will focus on 3 key strategies: "I. Implement strategies by region for Japan, Korea, and China," "II. Improve profitability of Japan business," and "III. Enhance our manufacturing capabilities". We aim to generate stable earnings in the above three markets. For the first year, DESCENTE Group is planning a consolidated result for the year ending March 2022, net sales of ¥103,000 million, operating income of ¥3,100 million, ordinary income of ¥4,300 million, and net profit attributed to owners of the parent of ¥3,000 million.

#### 2. Basic Approach to the Selection of Accounting Standards

Over the near term, the Group will prepare its consolidated financial statements based on Japanese GAAP.

Regarding the application of International Financial Reporting Standards (IFRS), we plan to appropriately respond to the situation in Japan and abroad.

### 3. Consolidated Financial Statements and Notes

#### (1) Consolidated Balance Sheets

(Yen in millions)

	Previous fiscal year (ended March 31, 2020)	Current fiscal year (ended March 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	20,309	21,913
Notes and accounts receivable – trade	17,319	15,585
Merchandise and finished goods	26,575	24,372
Work in process	195	174
Raw materials and supplies	726	588
Others	3,006	2,791
Allowance for doubtful accounts	△118	△58
Total current assets	68,015	65,368
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,485	10,906
Land	8,599	8,612
Right-of-use asset	4,610	3,543
Construction in progress	26	28
Other, net	3,028	2,196
Total property, plant and equipment	27,750	25,289
Intangible assets		
Others	2,961	2,206
Total intangible assets	2,961	2,206
Investments and other assets		
Investments in securities	3,003	9,946
Deferred tax assets	449	732
Others	6,378	4,494
Allowance for doubtful accounts	△55	△50
Total investments and other assets	9,777	15,122
Total non-current assets	40,488	42,619
Total assets	108,504	107,987

(Yen in millions)

	Previous fiscal year (ended March 31, 2020)	Current fiscal year (ended March 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	16,648	11,773
Short-term loans payable	1,436	1,000
Current portion of long-term loans payable	225	93
Accounts payable – other	4,527	4,793
Income taxes payable	38	1,427
Provision for bonuses	965	841
Lease obligations	1,902	1,842
Provision for sales returns	837	868
Others	2,194	2,531
Total current liabilities	28,776	25,172
Non-current liabilities		
Long-term loans payable	295	373
Net defined benefit liability	968	237
Lease obligations	3,301	1,920
Deferred tax liabilities	2,111	1,472
Others	858	846
Total non-current liabilities	7,534	4,851
Total liabilities	36,311	30,024
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,846	3,846
Capital surplus	25,316	25,344
Retained earnings	43,190	48,230
Treasury shares	△633	△624
Total shareholders' equity	71,719	76,796
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	373	199
Deferred gains or losses on hedges	13	△21
Foreign currency translation adjustment	218	561
Remeasurements of defined benefit plans	△131	427
Total accumulated other comprehensive income	473	1,167
Total net assets	72,193	77,963
Total liabilities and net assets	108,504	107,987

## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

## Consolidated Statements of Income

(Yen in millions)

	Previous fiscal year (April 1, 2019 - March 31, 2020)	Current fiscal year (April 1, 2020 - March 31, 2021)
Net sales	124,561	96,862
Cost of sales	56,580	45,851
Gross profit	67,981	51,010
Reversal of provision for sales returns	46	-
Provision for sales returns	-	31
Gross profit – net	68,027	50,979
Selling, general and administrative expenses	67,647	52,785
Operating income or loss (Δ)	379	Δ1,806
Non-operating income		
Interest income	326	160
Dividends income	84	133
Equity in earnings of affiliates	328	791
Foreign exchange gains	-	73
Subsidy income	-	293
Others	238	268
Total non-operating income	978	1,720
Non-operating expenses		
Interest expenses	291	88
Loss on retirement of non-current assets	170	287
Foreign exchange losses	147	-
Others	291	122
Total non-operating expenses	901	498
Ordinary income or loss(Δ)	456	Δ584
Extraordinary gains		
Dilution gain	-	6,419
Gain on sales of stock of affiliates	-	460
Gain on sales of investment securities	-	930
Gain on sales of noncurrent assets	-	249
Reversal of provision for loss on guarantees	121	-
Reversal of allowance for doubtful accounts	52	-
Total extraordinary income	173	8,060
Extraordinary losses		
Special retirement benefit	-	1,347
Impairment loss	773	289
Loss on disposal of business	-	148
Loss on settlement of subsidiaries	-	124
Loss on sales of subsidiaries' stock	607	-
Loss on liquidation of subsidiaries	387	-
Others	46	-
Total extraordinary loss	1,815	1,910
Income before income taxes or Loss before income taxes (Δ)	Δ1,184	5,565
Income taxes – current	431	1,566
Income taxes – deferred	864	Δ1,040
Total income taxes	1,296	525
Net income or loss (Δ)	Δ2,481	5,039
Profit or loss (Δ) attributable to owners of the parent	Δ2,481	5,039

## Consolidated Statement of Comprehensive Income

(Yen in millions)

	Previous fiscal year (April 1, 2019 - March 31, 2020)	Current fiscal year (April 1, 2020 - March 31, 2021)
Net income or net loss ( $\Delta$ )	$\Delta 2,481$	5,039
Other comprehensive income		
Valuation difference on available-for-sale securities	$\Delta 365$	$\Delta 173$
Deferred gains or losses on hedges	18	$\Delta 34$
Foreign currency translation adjustment	$\Delta 1,280$	250
Remeasurements of defined benefit plans	$\Delta 120$	559
Share of other comprehensive income (loss) of entities accounted for using equity method	$\Delta 108$	92
Total other comprehensive income	$\Delta 1,857$	694
Comprehensive income	$\Delta 4,338$	5,734
(Breakdown)		
Comprehensive income attributable to owners of the parent	$\Delta 4,338$	5,734

## (3) Consolidated Statements of Changes in Net Assets

Previous fiscal year (April 1, 2019 - March 31, 2020)

(Yen in millions)

	Shareholders' equity				
	Capitol Stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	3,846	25,281	47,632	Δ643	76,115
Changes of items during period					
Dividend from surplus			Δ1,960		Δ1,960
Profit or loss attributable to owners of parent			Δ2,481		Δ2,481
Purchase of treasury stock				Δ0	Δ0
Disposal of treasury stock		35		11	46
Net changes of items during the period except for items under shareholders' equity					
Total changes of items during the period	-	35	Δ4,442	10	Δ4,395
Balance at end of the period	3,846	25,316	43,190	Δ633	71,719

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Defined benefit plans remeasurements	Total accumulated Other comprehensive income	
Balance at beginning of the period	739	Δ4	1,607	Δ11	2,330	78,446
Changes of items during the period						
Dividends from surplus						Δ1,960
Profit or loss attributable to owners of parent						Δ2,481
Purchase of treasury stock						Δ0
Disposal of treasury stock						46
Net changes in items during the period except for items under shareholders' equity	Δ365	18	Δ1,388	Δ120	Δ1,857	Δ1,857
Total changes of items during the period	Δ365	18	Δ1,388	Δ120	Δ1,857	Δ6,252
Balance at end of the period	373	13	218	Δ131	473	72,193

Current fiscal year (From April 1, 2020 - March 31, 2021)

(Yen in millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	3,846	25,316	43,190	Δ633	71,719
Change of items during the period					
Dividends from surplus					-
Profit or loss attributable to owners of the parent			5,039		5,039
Purchase of treasury stock				Δ0	Δ0
Disposal of treasury stock		27		9	37
Net changes of items during the period except for the items under shareholders' equity					
Total changes of items during the period	-	27	5,039	9	5,076
Balance at end of the period	3,846	25,344	48,230	Δ624	76,796

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sales securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Defined benefit plans remeasurements	Total accumulated Other comprehensive income	
Balance at beginning of the period	373	13	218	Δ131	473	72,193
Changes of items during the period						
Dividends from surplus						-
Profit or loss attributable to owners of parent						5,039
Purchase of treasury stock						Δ0
Disposal of treasury stock						37
Net changes of items during the period except for items under shareholders' equity	Δ173	Δ34	342	559	694	694
Total changes of items during the period	Δ173	Δ34	342	559	694	5,770
Balance at end of the period	199	Δ21	561	427	1,167	77,963

## (4) Consolidated Statements of Cash Flows

(Yen in millions)

	Previous fiscal year (April 1, 2019- March 31, 2020)	Current fiscal Year (April 1, 2020 - March 31, 2021)
<b>Cash flows from operating activities</b>		
Income or loss ( $\Delta$ ) before income taxes	$\Delta 1,184$	5,565
Depreciation	6,270	5,201
Impairment loss	773	289
Loss (gain) on sales of investment securities	-	$\Delta 930$
Increase (decrease) in allowance for doubtful accounts	$\Delta 768$	$\Delta 64$
Increase (decrease) in provision for bonuses	66	$\Delta 123$
Increase (decrease) in provision for sales returns	$\Delta 46$	31
Increase (decrease) in net defined benefit liability	37	$\Delta 714$
Interest and dividends income	$\Delta 411$	$\Delta 294$
Interest expenses	291	88
Decrease in notes and accounts receivable-trade	3,126	1,720
Decrease (increase) in inventories	$\Delta 3,922$	2,413
Increase (decrease) in notes and accounts payable-trade	$\Delta 1,177$	$\Delta 4,840$
Loss (gain) on change in equity	-	$\Delta 6,419$
Gain on sales of shares of subsidiaries and affiliates	-	$\Delta 460$
Special retirement benefit	-	1,347
Share of profit (loss) of entities accounted for using equity method	$\Delta 328$	$\Delta 791$
Others	1,040	$\Delta 177$
Subtotal	3,769	1,842
Interest and dividends income received	411	294
Interest expenses paid	$\Delta 291$	$\Delta 88$
Income taxes paid or refunded ( $\Delta$ paid)	$\Delta 1,517$	345
Cash flow from operating activities	2,371	2,393
<b>Cash flow from investing activities</b>		
Payments into time deposits	$\Delta 817$	$\Delta 2,209$
Proceeds from withdrawal of time deposits	942	387
Purchase of property, plant and equipment	$\Delta 2,040$	$\Delta 1,541$
Purchase of intangible assets	$\Delta 1,531$	$\Delta 198$
Proceeds from sale of investments in subsidiaries	-	643
Purchase of investment securities	$\Delta 10$	$\Delta 29$
Proceeds from sales and redemption of investment securities	-	1,822
Payments for sale of investments in subsidiaries resulting in change of scope of consolidation	$\Delta 2,481$	-
Payment on guaranty money deposits	$\Delta 518$	$\Delta 88$
Proceeds from refund of guarantee deposits	-	985
Others	508	279
Cash flow from investing activities	$\Delta 5,949$	51
<b>Cash flow from financing activities</b>		
Net increase (decrease) in short-term loans payable	1,050	$\Delta 424$
Proceeds from long-term debt	-	96
Repayment of long-term loans payable	$\Delta 762$	$\Delta 127$
Cash dividends paid	$\Delta 1,960$	-
Purchase of treasury stock	$\Delta 0$	$\Delta 0$
Repayments of lease obligation payable	$\Delta 2,502$	$\Delta 2,130$
Others	46	-
Cash flow from financing activities	$\Delta 4,128$	$\Delta 2,586$
Effect of exchange rate change on cash and cash equivalents	35	$\Delta 173$
Net increase (decrease) in cash and cash equivalents	$\Delta 7,670$	$\Delta 315$
Cash and cash equivalents at beginning of period	27,229	19,559
Cash and cash equivalents at end of period	19,559	19,244



## (5) Notes on Consolidated Financial Statements

(Going Concern Assumptions)

None

(Important Matter of Basis for preparing Consolidated Financial Statements)

Scope of consolidation

(Change in scope of consolidation)

2 companies, DESCENTE NORTH AMERICA INC. and DESCENTE ATHLETIC AMERICAS INC., were excluded from the scope of consolidation due to the completion of liquidation of these companies during the current fiscal year.

(Business Combinations, etc.)

Business Divestitures

At the meeting of the Board of Directors held on July 15, 2020, we resolved to invest 90% of the shares of Descente China IP Limited (hereinafter "DCIP") in kind in Descente China Holding Limited (DCH), and transferred the shares on December 18, 2020.

1. The outline of the Business Divestitures

(1) Name of the company to be separated

Descente China Holding Limited

(2) Details of the divested business

DCIP shares (trademark-holding company)

(3) Main reasons for the Divestitures

As one of our mid-term priority strategies, we have set "DESCENTE", our company brand, as our most important brand and expand globally. In June 2016, we established DCH with an investment ratio of 60% for ANDES Sports Products Limited (hereafter "Andes"), subsidiary of ANTA Sports Products Limited (hereafter "Anta"), 30% for DESCENTE GLOBAL RETAIL LTD., and 10% for ITOCHU Textile Prominent (Asia) Limited for the deployment of the "DESCENTE" brand in China. DCH has been promoting sales through the development of directly managed "DESCENTE" brand stores in China under the leadership of its parent company, Andes and Anta, and as of the end of December 2019, had 136 stores in China. One year ahead of the initial plan, it achieved profit in fiscal year ended March 2019.

We are aiming to quickly expand earnings in the Chinese business as a pillar of earnings that follows the Korean business. We have evaluated the performance of Anta, which is expanding its performance through the development of multiple brands acquired from our own company and other companies, and decided to have DCH hold the trademark rights, etc. of the "DESCENTE" brand in China owned by us through DCIP to further accelerate and expand the future development of the DESCENTE brand in China. We increase our stake in DCH from the current 30% to 40% as a result of this reorganization, and expand revenues related to the brand's China business.

(4) Date of business divestitures

December 18, 2020

(5) Matters concerning the outline of other transactions, including legal forms

Contribution in kind with only shares as the consideration received

Such investments in kind are implemented under the following trading scheme.

① Established DCIP and invested the trademark (no book value) in kind in the company.

② 90% of our DCIP shares are invested in DCH. As a result, acquired an additional 10% of the shares of DCH.

2. Accounting method

In accordance with the "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, January 16, 2019), the accounting method is applied in accordance with the accounting treatment of the separating entity in the business divestitures. As a result, the difference of ¥6,419 million between the carrying amount of DCIP shares invested in kind on consolidation and the market value was recorded as extraordinary income as gain on change in equity. In addition, the difference between the market value of the additional acquired DCH shares and the book value of the equity method of ¥5,138 million was recorded as investment securities.

3. Reportable segments in which the divested businesses were included

China segment

4. Approximate amount of profit and loss related to the divested business recorded in the consolidated statements of income

As DCIP is not engaged in sales activities, the Company's income or loss included in the consolidated statements of operations is immaterial.

(Segment information, etc.)

[Segment Information]

#### 1. General Information about Reportable Segments

A reportable segment is a component of the group of which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess its performance.

The Group manufactures and sells sportswear and its related products, and has established comprehensive strategies for each brand in each region (Japan, Korea, China and others) based on the group company's location (Japan, Korea, China and others) and conducts business activities.

Therefore, the group consists of regional segment of the group company's location based on the headquarters and its consolidated subsidiaries, with four reporting segments: "Japan", "Korea", "China" and "Others".

#### 2. Changes in Reportable Segments

From the fiscal year under review, "Korea" and "China" which were included in "Asia" have been reclassified as reportable segments due to an increase in materiality, and "Asia" has been reclassified into 3 categories: "Korea" "China" and "Others".

Subsidiaries in the Europe/Americas that are in the process of liquidation have been included in "Others". Segment information for the previous fiscal year is based on the new classification method.

#### 3. Calculation Method for Net Sales, Profit (Loss), Assets, Liabilities and Other Items by Reportable Segment

The accounting method for the Group's reportable business segments is generally the same as "Basis for Preparation of Consolidated Financial Statements".

#### 4. Information about Net Sales, Profit (Loss), Assets, Liabilities and Other Items by Reportable Segment

Previous fiscal year (April 1, 2019 - March 31, 2020)

(Yen in millions)

	Reportable segments					Adjustment (Note 1)	Amount of shown on Consolidated Financial Statements (Note 2)
	Japan	South Korea	China	Others	Total		
Net sales							
Sales to External Customers	56,793	58,632	5,126	4,008	124,561	-	124,561
Intersegment Sales or Transfers	5,025	716	76	170	5,988	Δ5,988	-
Total	61,819	59,348	5,203	4,179	130,550	Δ5,988	124,561
Segment Income (loss)	396	721	Δ60	Δ744	314	65	379
Segment Assets	63,201	47,533	4,318	1,609	116,663	Δ8,158	108,504
Other Items							
Depreciation	1,452	4,061	649	106	6,270	-	6,270
Equity in earnings or losses of affiliates	-	181	203	-	385	Δ57	328
Investments on entities accounted for using equity method	-	362	2,126	-	2,489	-	2,489
Property, plant and equipment and Increase in intangible assets	1,771	1,708	45	45	3,572	-	3,572

(Note 1) 1. Segment profit (loss) adjustments of ¥65 million includes intersegment transactions eliminations of ¥64 million and inventory adjustments of ¥0 million.

2. The segment assets adjustment of Δ¥8,158 million includes intersegment transactions eliminations of Δ¥7,802 million and inventory adjustments of ¥121 million.

(Note 2) Segment income (loss) is adjusted for operating income reported in the consolidated statements of income.

Current fiscal year (From April 1, 2020 - March 31, 2021)

(Yen in millions)

	Reportable Segments					Adjustment (Note 1)	Amount of Shown on Consolidated Financial Statements (Note 2)
	Japan	South Korea	China	Others	Total		
Net sales							
Sales to External Customers	47,079	46,156	3,397	229	96,862	-	96,862
Intersegment Sales or Transfers	3,606	391	31	2	4,031	Δ4,031	-
Total	50,686	46,547	3,429	231	100,894	Δ4,031	96,862
Segment Income (loss) (Δ)	Δ1,767	11	Δ48	Δ64	Δ1,869	63	Δ1,806
Segment Assets	55,611	46,346	3,885	10	105,852	2,134	107,987
Other Items							
Depreciation	1,423	3,496	280	-	5,201	-	5,201
Equity in earnings or losses of affiliates	-	Δ164	913	-	748	42	791
Investments on entities accounted for using equity method	-	184	9,489	-	9,673	-	9,673
Property, plant and equipment Increase in intangible assets	654	1,074	10	-	1,739	-	1,739

(Note 1) 1. Segment income (loss) adjustment of ¥63 million includes intersegment transaction eliminations of 8 million and inventory adjustments of ¥55 million.

2. The segment assets of ¥2,134 million includes intersegment transaction eliminations of ¥2,068 million yen and inventory adjustments of ¥66 million.

(Note 2) Segment income (loss) is adjusted for operating income reported in the consolidated statements of income.

(Information per Share)

Net assets per share, net income per share and basis of calculation for them are as follows.

	End of previous fiscal year (March 31, 2020)	End of current fiscal year (March 31, 2021)
(1) Net assets per share (Yen)	957.03	1,033.22
(Basis of calculation)		
Total net assets (yen in millions)	72,193	77,963
Amount deducted from total net assets (yen in millions)	-	-
Year-end net assets associated with common stock (Yen in millions)	72,193	77,963
Year-end number of shares of common stock used in the calculation of net assets per share (1,000 shares)	75,434	75,456

	Previous fiscal year (April 1, 2019 - March 31, 2020)	Current fiscal year (April 1, 2020 - March 31, 2021)
(2) Net income or Net loss per share (Yen)	△32.90	66.80
(Basis of calculation)		
Profit or Loss attributable to owners of parent (Yen in millions)	△2,481	5,039
Amount not attributable to shareholders of common stock (Yen in millions)	-	-
Profit (loss) attributable to owners of parent associated with common stock (Yen in millions)	△2,481	5,039
Weighted average number of shares of common stock during the fiscal year (1000 shares)	75,424	75,449

(Note) Net income per share after adjustment of dilutive shares is not disclosed because there are no dilutive shares.

(Important Subsequent Events)

None

#### 4. Others

##### Overseas sales

Previous fiscal year (April 1, 2019 - March 31, 2020)

(Yen in millions, %)

	South Korea	China	Others	Total
I Overseas net sales	57,972	7,108	5,345	70,427
II Consolidated net sales				124,561
III Percentages of overseas net sales in Consolidated net sales	46.5	5.7	4.3	56.5

(Note) Net sales are based on the customer's location and classified into countries or regions.

Current fiscal year (From April 1, 2020 - March 31, 2021)

(Yen in millions, %)

	South Korea	China	Others	Total
I Overseas net sales	44,574	6,337	1,796	52,708
II Consolidated net sales				96,862
III Percentages of overseas net sales in Consolidated net sales	46.0	6.5	1.9	54.4

(Note) Net sales are based on the customer's location and classified into countries or regions.