

# **DESCENTE**

## **1Q FY2021 Earnings**

### **August 6, 2021**

Disclaimer: This is an AI English translation of the original Japanese-language Consolidated Financial Summary of DESCENTE LTD. (the Company) for 1Q of the fiscal year ending March 31, 2022 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 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.**

# Matters Related to Changes in Reportable Segments

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 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 each quarter of FY2019 is prepared by the segment classification method after the change.

## Japan Segment

### Sales

Sales of DESCENTE LTD. and consolidated subsidiaries in Japan

#### Including the following

- Sales royalties for overseas locally planned products
- Product sales to overseas consolidated subsidiaries and equity method affiliates

## South Korea Segment

### Sales

Sales of DESCENTE KOREA and DESCENTE GLOBAL RETAILS

#### Including the following

- Product sales to overseas consolidated subsidiaries and equity method affiliated

### Non-operating profit and loss

Gain or loss on investment of an equity method affiliate in South Korea, etc

## China Segment

### Sales

Sales of consolidated subsidiaries in China

### Non-operating profit and loss

Gain or loss on investment of three equity method affiliates in China, etc

# **1. 1Q FY2021**

## **(1)Financial Summary**

## (2)Area and Brand Review

## (3)Number of Stores

# 2. Plan for FY2021

# Results of 1Q FY2021 (Consolidated)



1. 1Q FY2021 (1)Financial Summary

In the first quarter (Japan: April-June, Overseas: January-March), both sales and profits increased, with a significant recovery from the previous year, when the impact of the new coronavirus was greatest.

(Unit: JPY million)	FY2021 1st Quarter performance	FY2020		FY2021 Previous Forecast	FY2021 Revised Forecast
		1st Quarter performance	YoY		
Net sales	22,481	15,553	+44.5%	103,000	103,000
Operating income	1,032	▲ 3,159	-	3,100	4,250
( % )	4.6%	▲ 20.3%	-	3.0%	4.1%
Ordinary income	1,561	▲ 3,149	-	4,300	6,800
( % )	6.9%	▲ 20.2%	-	4.2%	6.6%
Profit attributable to owners of parent	1,133	▲ 2,018	-	3,000	5,000
( % )	5.0%	▲ 13.0%	-	2.9%	4.9%

# Segment (based on the company location) Sales (Consolidated)

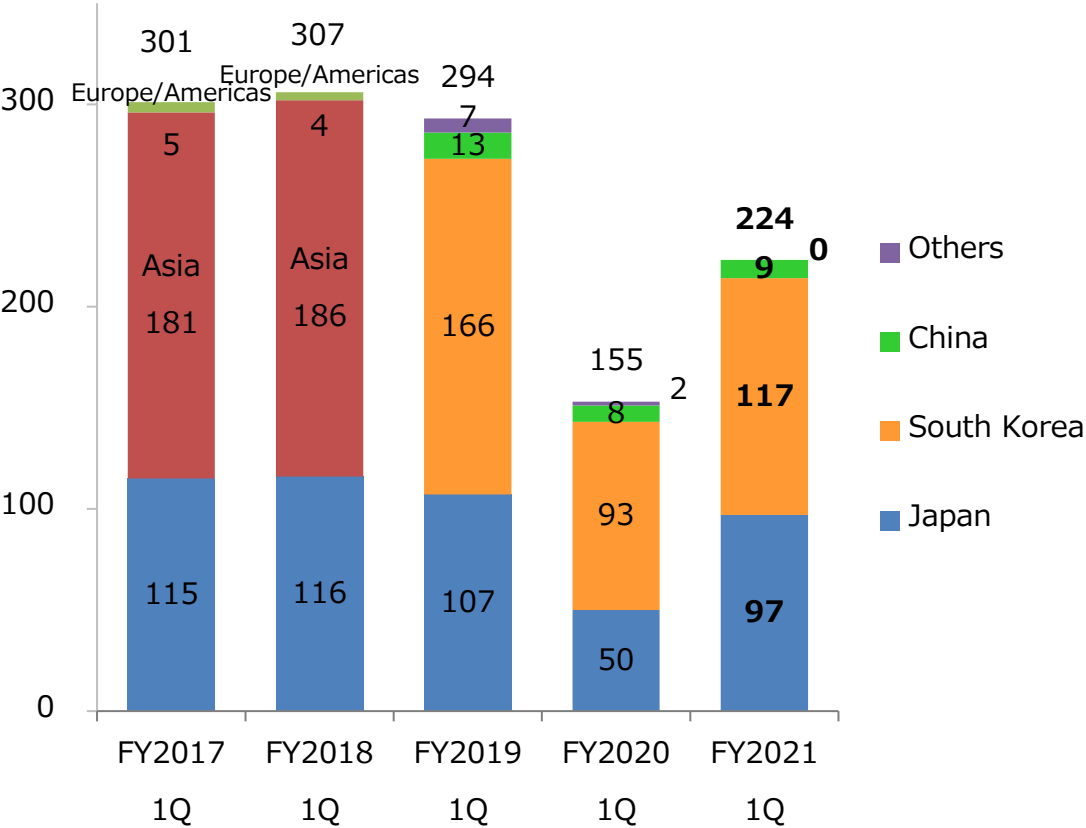


1. 1Q FY2021 (1)Financial Summary

Sales increased in Japan, South Korea and China segment.

(JPY 0.1billion)

## Sales



**YoY +¥6.9 billion(+45%)**

Japan	+¥4.68 B
South Korea	+¥2.36 B
(Currency Factor of +¥0.63 billion)	
China(Incl. Hong Kong/Taiwan)	+ ¥0.09 B
Others	▲ ¥0.21 B

Note : FY2021 = FY ending March 31, 2022

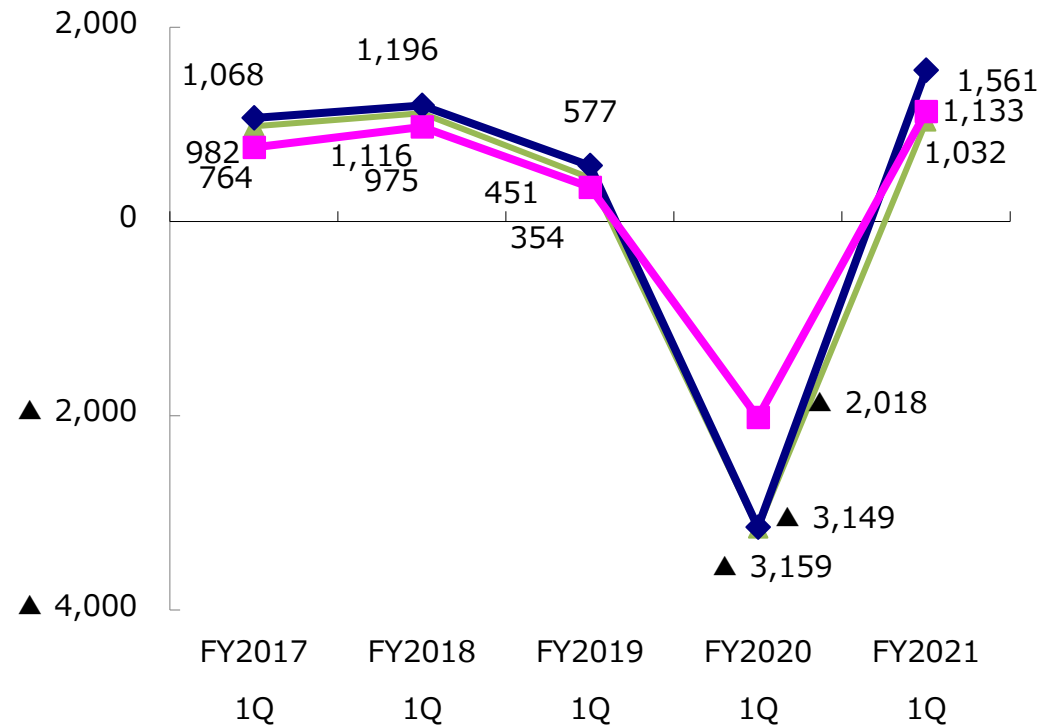
# Income (Consolidated)



1. 1Q FY2021 (1) Financial Summary

- Operating income increased significantly as gross profit increased.
- Non-operating income increased and ordinary income increased significantly due to the recovery of business performance of “le coq sportif” and “arena” brand and the continuing growth of “DESCENTE” brand, by equity-method affiliates in China.

(JPY million)



— Operating income — Ordinary income — Profit attributable to owners of parent

Note : FY2021 = FY ending March 31, 2022

(JPY Million)	FY2021	FY2020	Impact in Profit*
<b>Operating income</b>	<b>1,032</b>	<b>▲ 3,159</b>	<b>+ 4,191</b>
Non-operating income	569	197	<b>+ 372</b>
Non-operating expenses	39	187	<b>+ 148</b>
<b>Ordinary income</b>	<b>1,561</b>	<b>▲ 3,149</b>	<b>+ 4,710</b>
Extraordinary income	50	403	<b>▲ 353</b>
Extraordinary loss	0	0	<b>+ 0</b>
Total income taxes	477	▲ 727	<b>▲ 1,204</b>
<b>Profit attributable to owners of parent</b>	<b>1,133</b>	<b>▲ 2,018</b>	<b>+ 3,151</b>

Impact in profit\*

+ contributes to increased earnings, ▲ contribute to decreased earnings

# Sales and Operating Income by Segments (Consolidated)

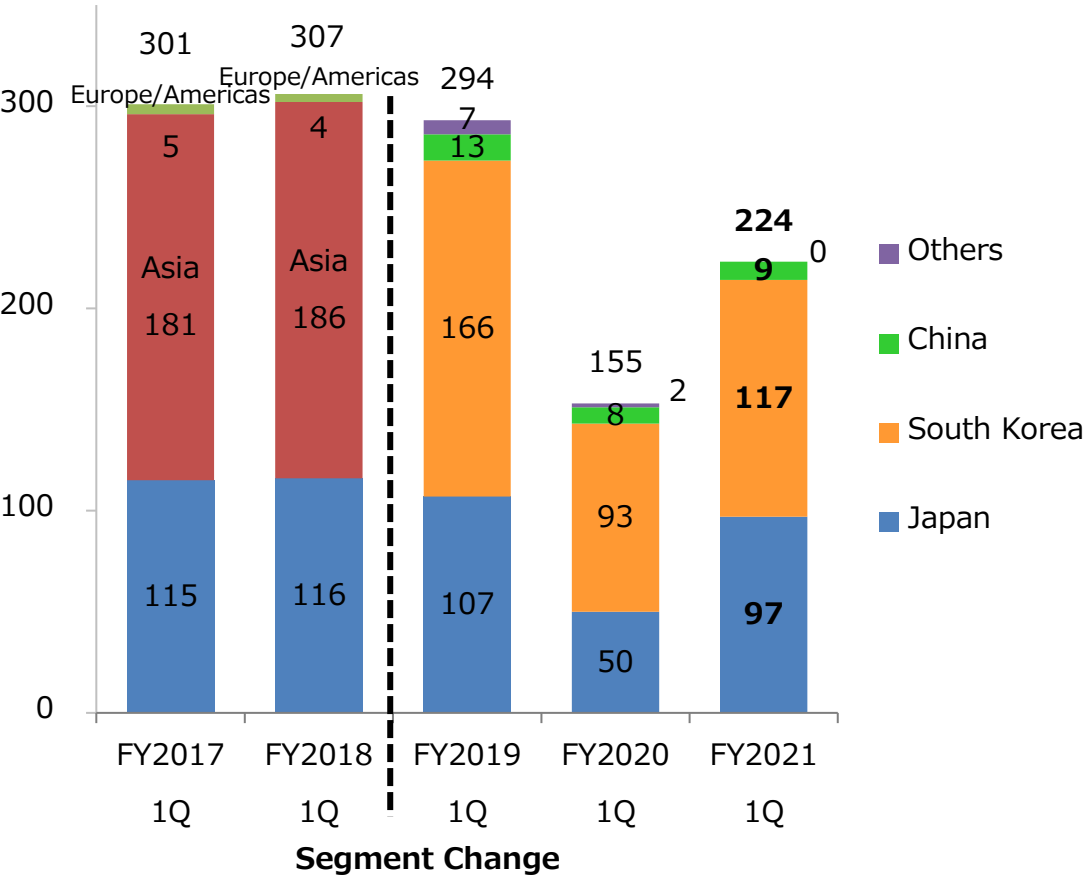


1. 1Q FY2021 (1)Financial Summary

- Profits increased in all segments.
- Operating income of Japan segment in the 1<sup>st</sup> quarter alone was black for the first time in 13 years.

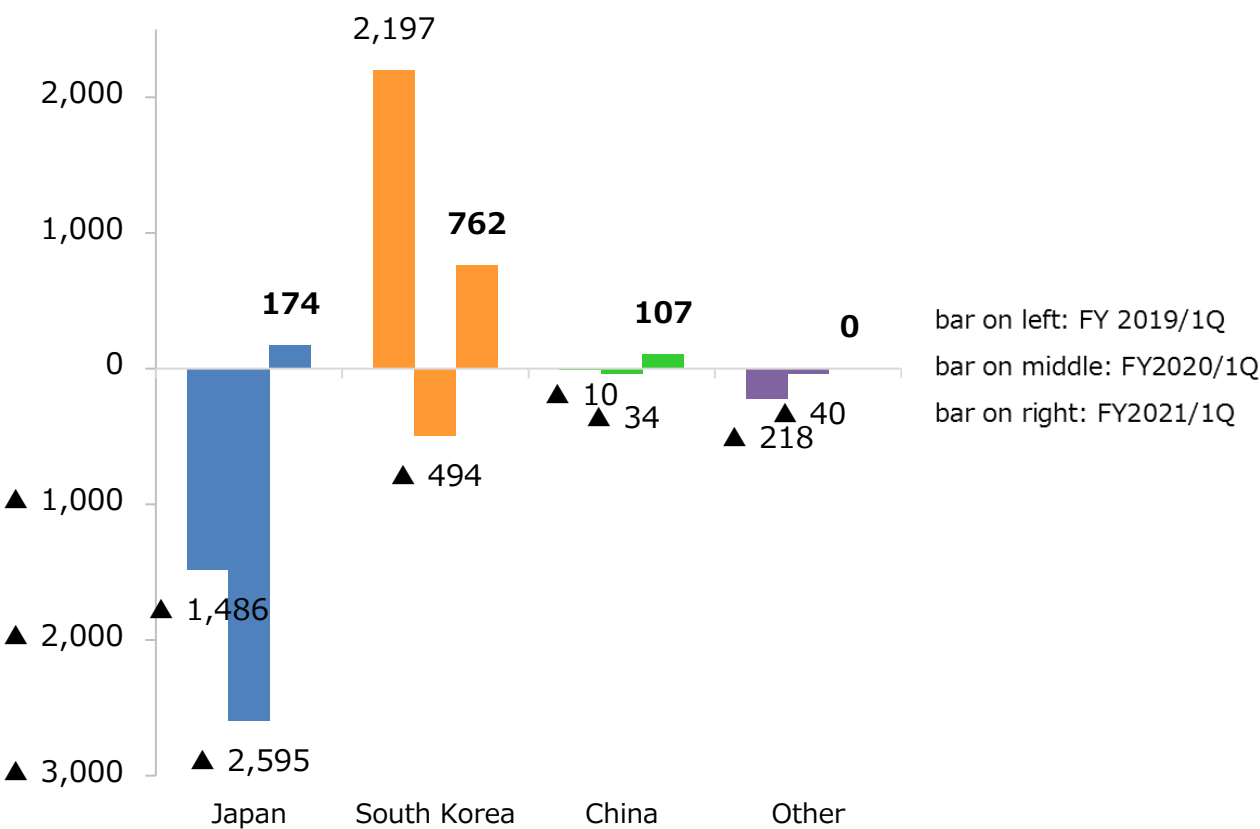
(JPY 0.1billion)

Sales



(JPY million)

Operating Income



Note : FY2021 = FY ending March 31, 2022



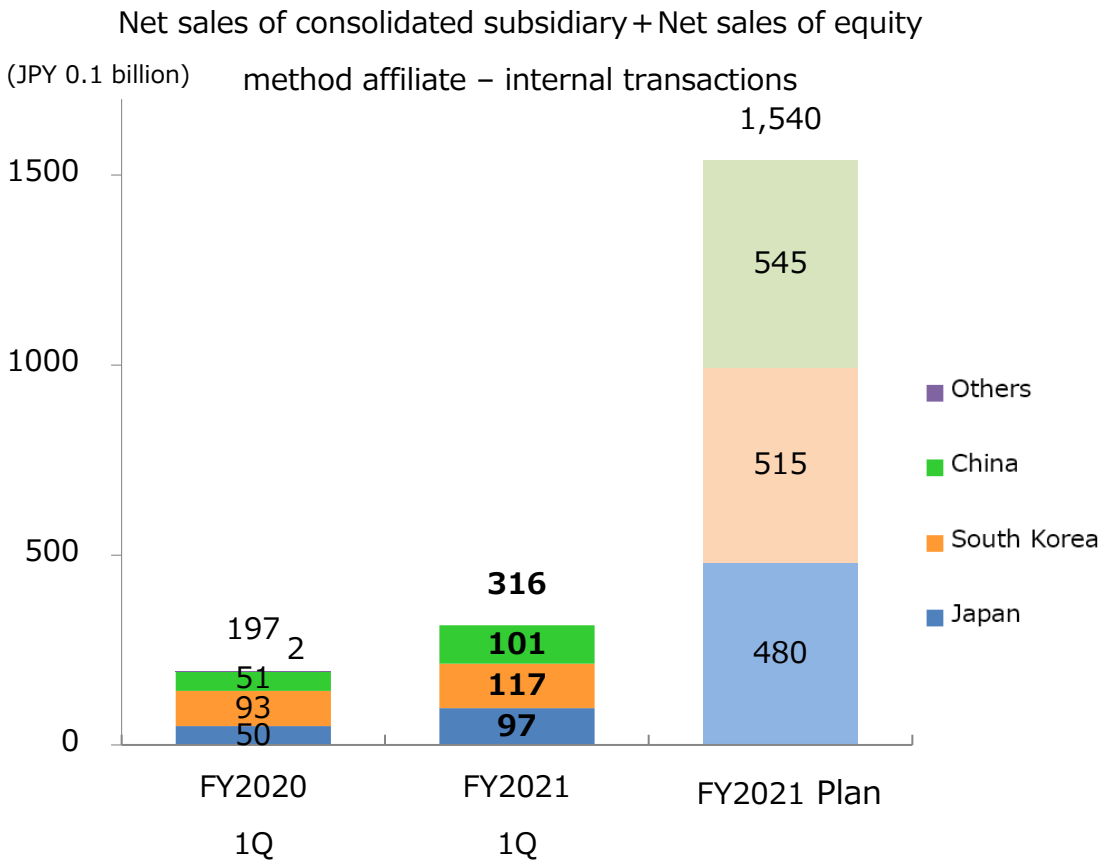
# Forecast Sales and Profit in Japan / South Korea / China (≠Consolidated profit/loss)



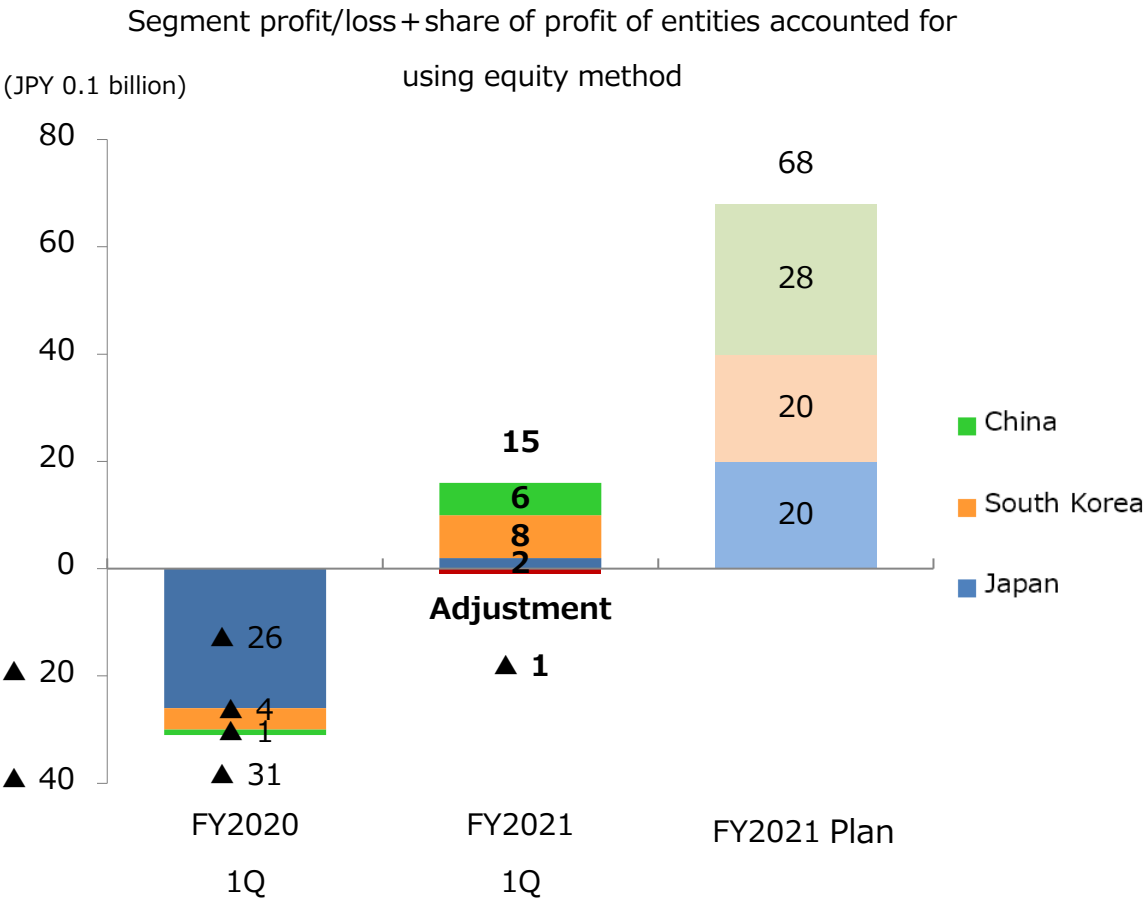
1. 1Q FY2021 (1)Financial Summary

Both sales and profits in all segments are on smooth path to achieve the plan

## Local Net Sales



## Ordinary Income



Note : FY2021 = FY ending March 31, 2022

# Balance Sheet (Consolidated)



1. 1Q FY2021 (1) Financial Summary

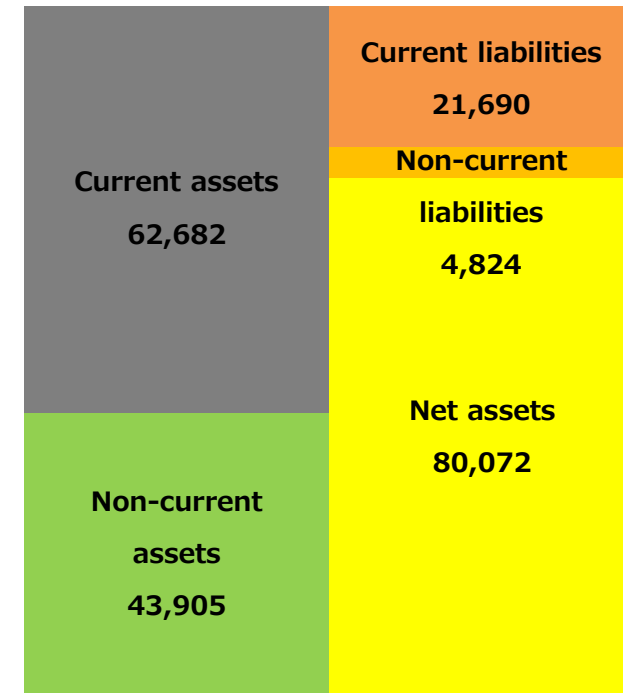
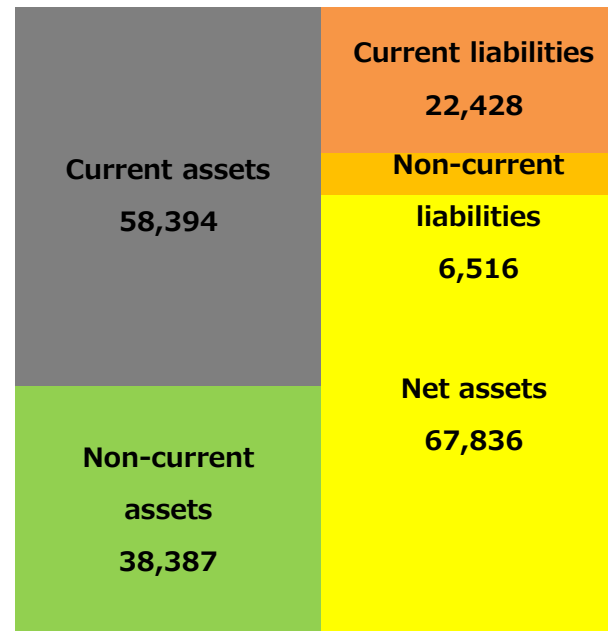
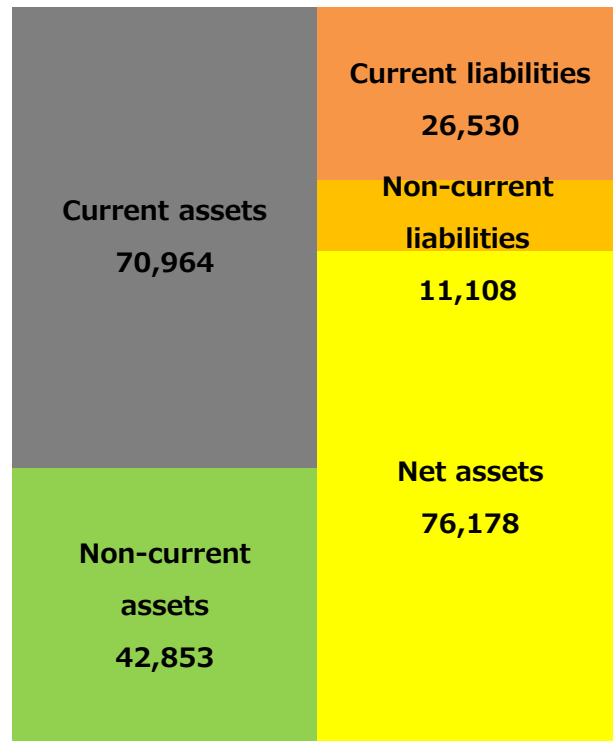
Total assets increased compared to the previous year due to an increase in fixed assets resulting from the acquisition of Descente China Holding Limited in the third quarter of the FY2020, in addition to an increase in current assets due to an increase in deposits and receivables in line with an increase in sales. (Includes 4.5 billion yen due to internal exchange effects)

(JPY million)

2019/6/30

2020/6/30

2021/6/30



Total assets	113,817
Equity ratio	66.9%

Total assets	96,781
Equity ratio	70.1%

Total assets	106,588
Equity ratio	75.1%

## **1. 1Q FY2021**

(1)Financial Summary

**(2)Area and Brand Review**

(3)Number of Stores

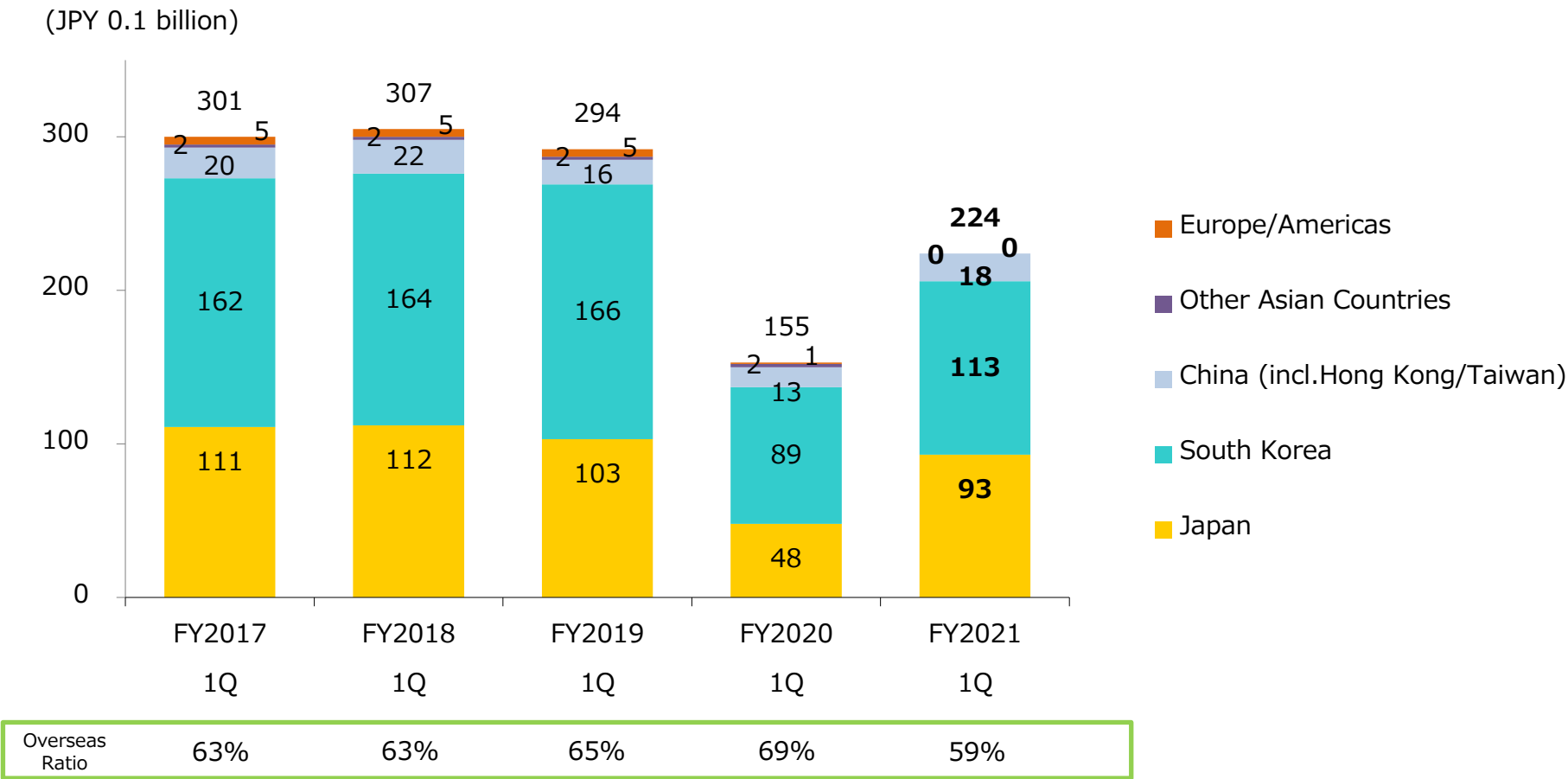
## **2. Plan for FY2021**

# Area (base on the customer location) Sales (Consolidated)



1. 1Q FY2021 (2)Area and Brand Review

Sales increased in Japan, South Korea and China area.



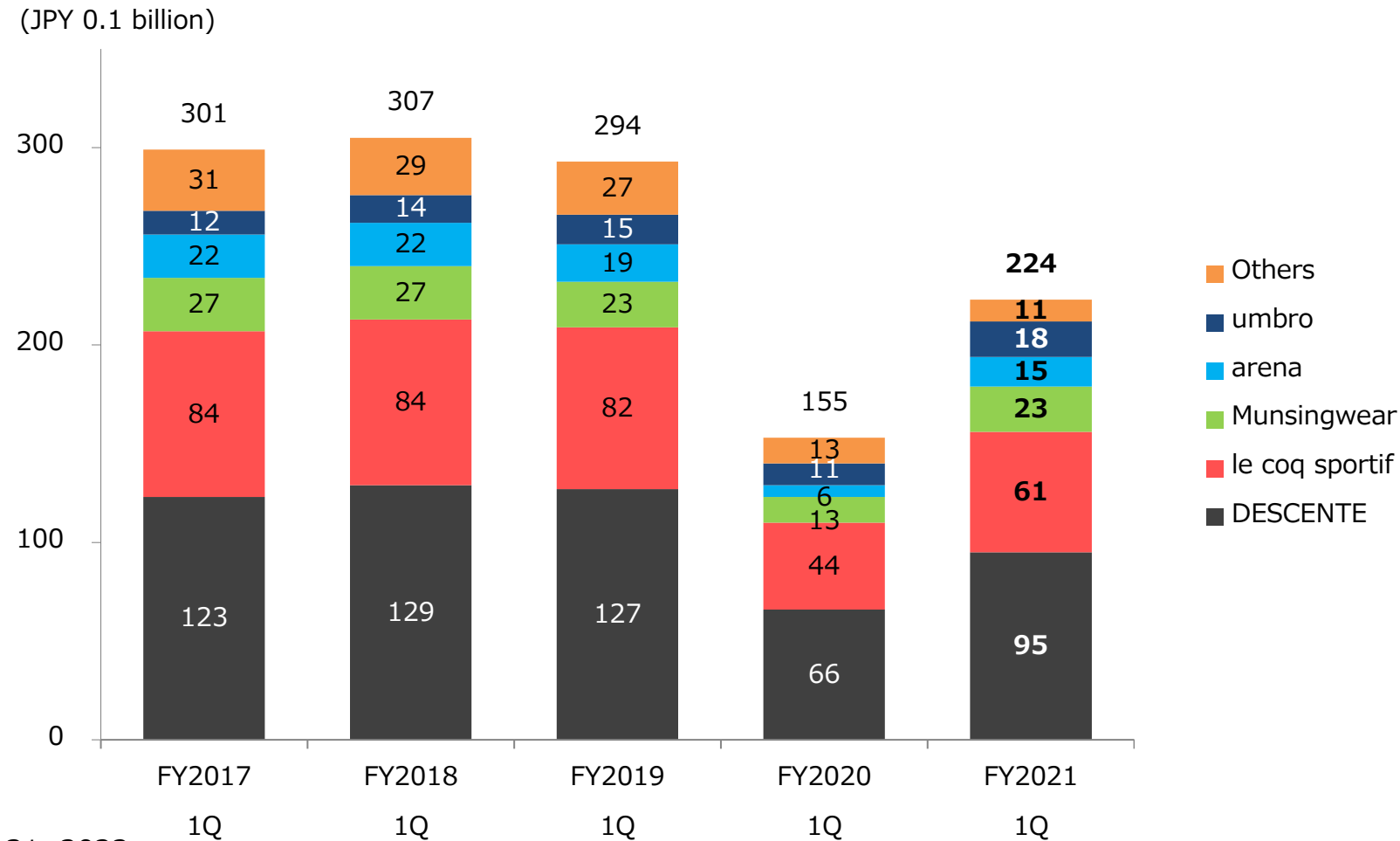
Note : FY2021 = FY ending March 31, 2022

# Brand Sales (Consolidated)



1. 1Q FY2021 (2)Area and Brand Review

- Sales increased for our main 5 brands.
- Sales of “arena” brand, which the sales were suffering by COVID-19, recovered and increased in all areas.



Note : FY2021 = FY ending March 31, 2022

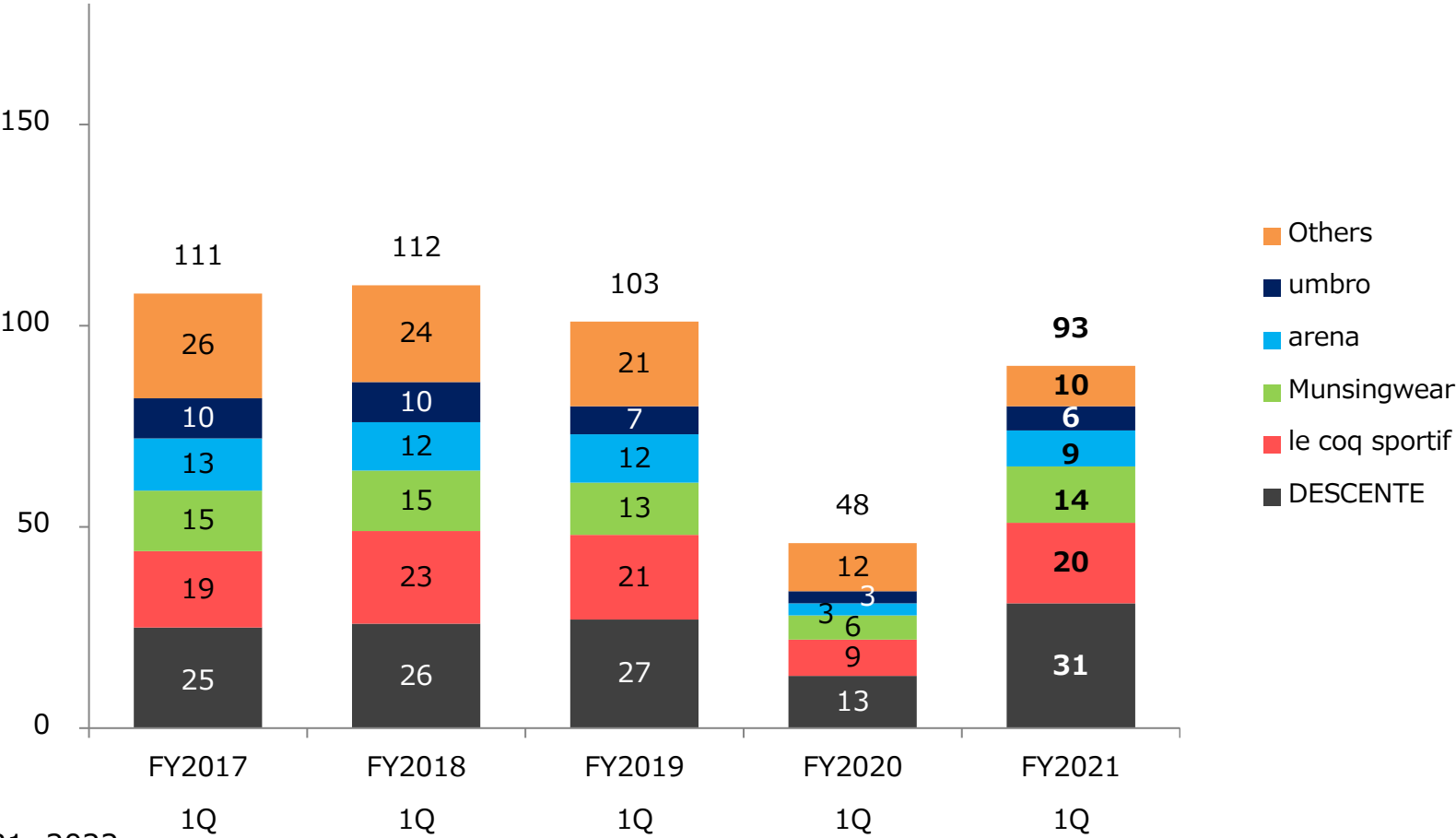
# Brand Sales (Japan)



1. 1Q FY2021 (2)Area and Brand Review

- Driven by “DESCENTE” and “le coq sportif”, sales increased significantly.
- Golf category performed well with +76% year on year.

(JPY 0.1 billion)



Note : FY2021 = FY ending March 31, 2022

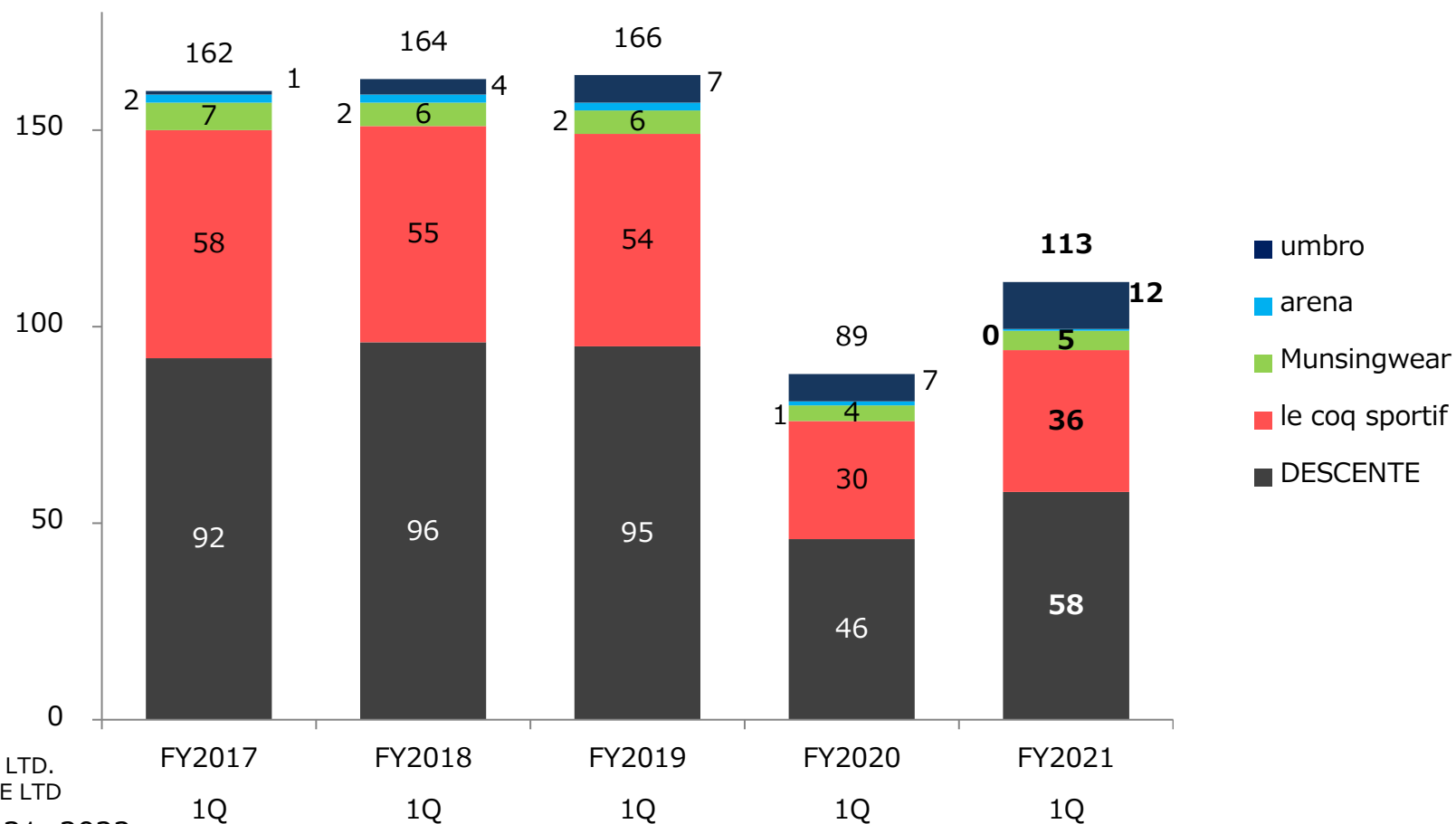
# Brand Sales (South Korea)



1. 1Q FY2021 (2)Area and Brand Review

- Performance of “DESCENTE”, “le coq sportif” and “Munsingwear” recovered from previous year.
- “umbro” is on continuous growth.

(JPY 0.1 billion)



Sales of “arena”  
= sales from DESCENTE LTD. to ARENA KOREA LTD.  
- Royalty from ARENA KOREA LTD. to DESCENTE LTD

Note : FY2021 = FY ending March 31, 2022

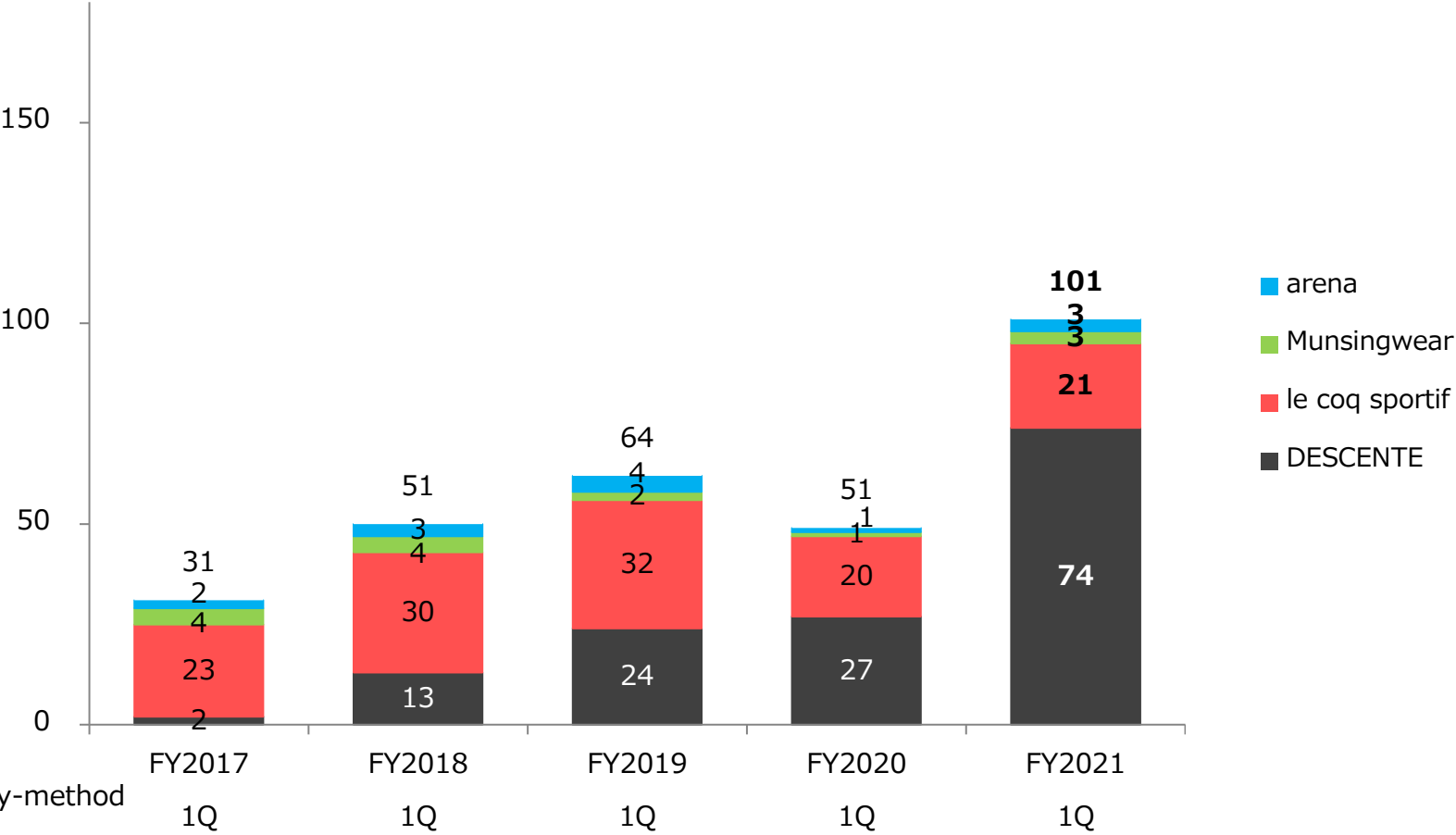
# Combined Local Sales in China\* (excl. Taiwan)



1. 1Q FY2021 (2)Area and Brand Review

- “DESCENTE” brand operated by equity-method affiliate DCH continues to expand significantly.
- Performance of “Munsingwear” and “arena” recovered.

(JPY 0.1 billion)












\*Note: Combined Local Sales  
= sales of local subsidiary  
+ sales of local equity-method affiliates’  
– Sales from local subsidiary to local equity-method affiliates  
FY 2021 = FY ending March 31, 2022



# Affiliated Companies in China: Summary



At the end of 1Q of overseas subsidiary (As of end of March 2021)

Relations	Consolidated Subsidiaries		Affiliated Companies Accounted for under the Equity Method		
Company Name	SHANGHAI DESCENTE COMMERCIAL CO., LTD.	HONG KONG DESCENTE TRADING, LTD.	DESCENTE (CHINA) CO., LTD.	LE COQ SPORTIF (NINGBO) CO., LTD.	ARENA (SHANGHAI) INDUSTRIAL CO., LTD.
Location	Shanghai	Hong Kong	Shanghai	Ningbo	Shanghai
Incorporated	August, 2005	November, 2003	July, 2016	February, 2004	October, 2016
Fiscal Year	December				
Investment Ratio	<b>DESCENTE GROUP 100%</b>	<b>DESCENTE GROUP 100%</b>	<b>DESCENTE GROUP 40%</b> ANTA Group 54% Itochu Group 6%	<b>DESCENTE GROUP 40%</b> ShanShan Group 50% Itochu Group 10%	<b>DESCENTE GROUP 30%</b> Symphony Holdings Limited 70%
Brands	 	   			
Sales royalty for locally planned products Payment to	DESCENTE LTD.	DESCENTE LTD.	DESCENTE GLOBAL RETAIL LTD. (Subsidiary of DESCENTE LTD.)	DESCENTE LTD.	No royalty payment (Buying all products from SHANGHAI DESCENTE COMMERCIAL CO., LTD.)
Segment (Company location base)	China		Not included		
Area (Customer location base)	China	China, Other Asia	Not included		

## **1. 1Q FY2021**

(1)Financial Summary

(2)Area and Brand Review

**(3)Number of Stores**

## **2. Plan for FY2021**

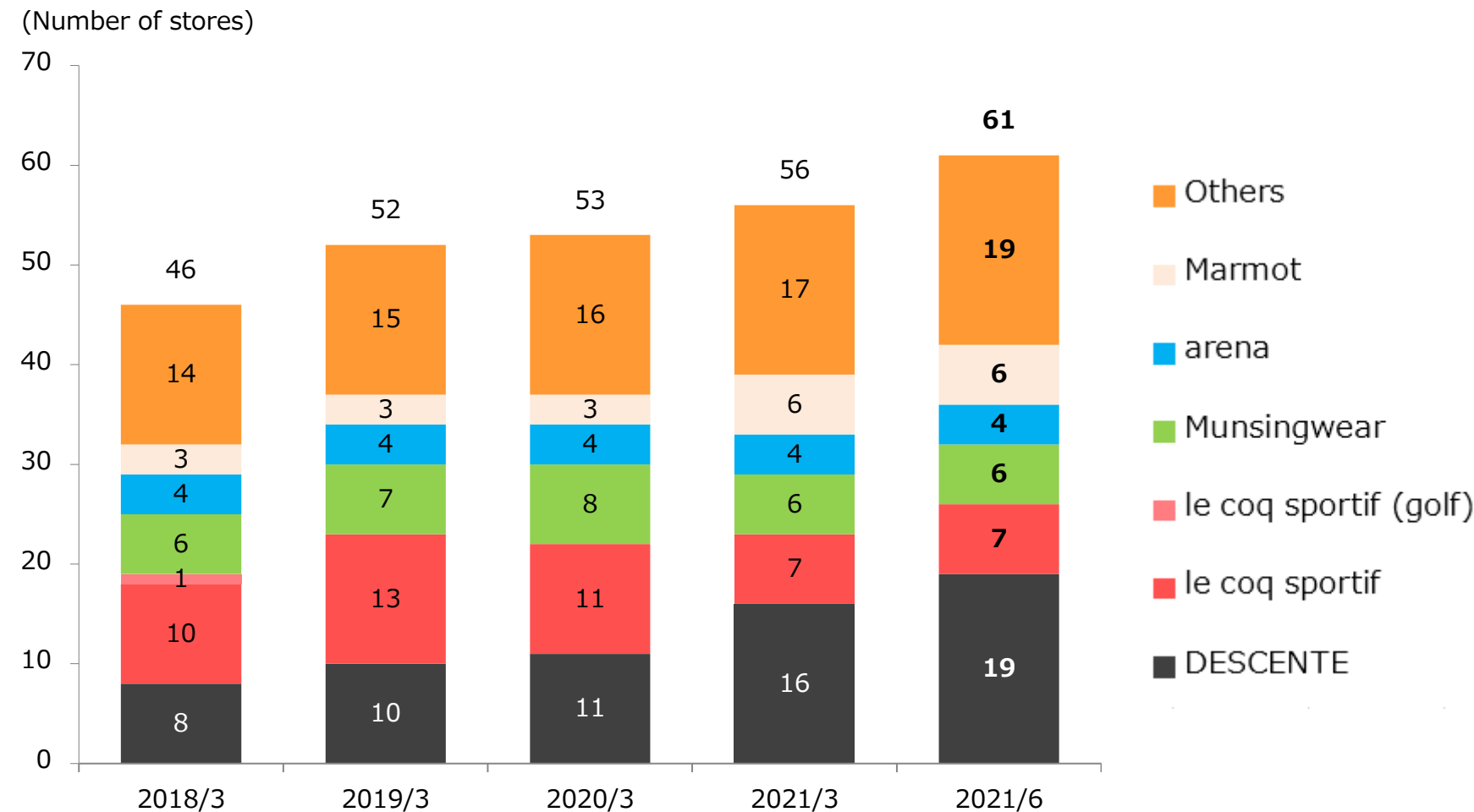
# Number of Stores in Japan (Directly Managed Stores)



1. 1Q FY2021 (3)Number of Stores

Opened 3 directly managed stores of “DESCENTE” brand in April.

※Including outlets

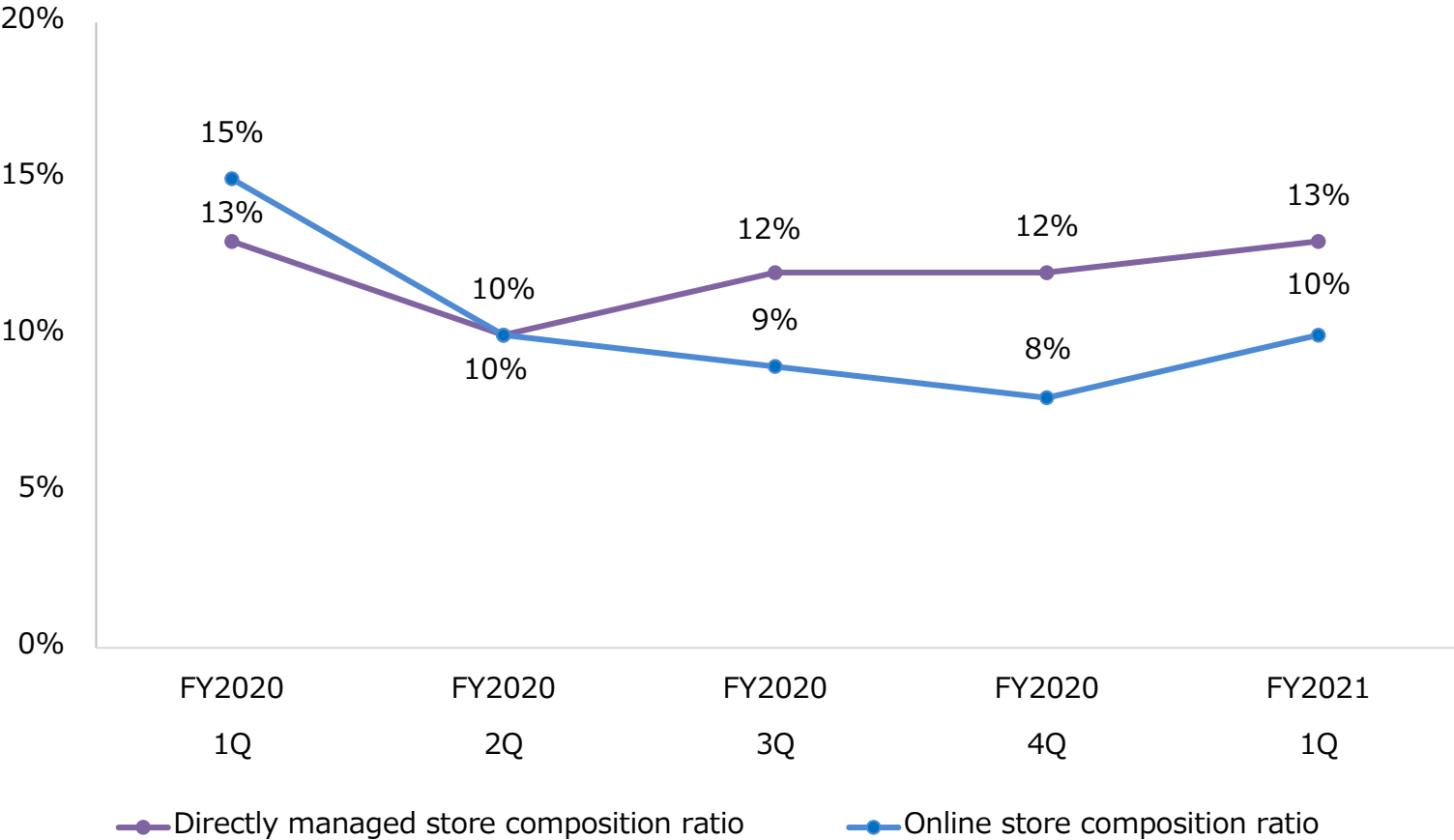


# Directly managed stores / Online stores sales composition ratio in Japan



1. 1Q FY2021 (3)Number of Stores

DTC ratio is on steadily growth as sales ratio of directly managed stores / online stores increased from the end of previous fiscal year.



Note : FY2021 = FY ending March 31, 2022

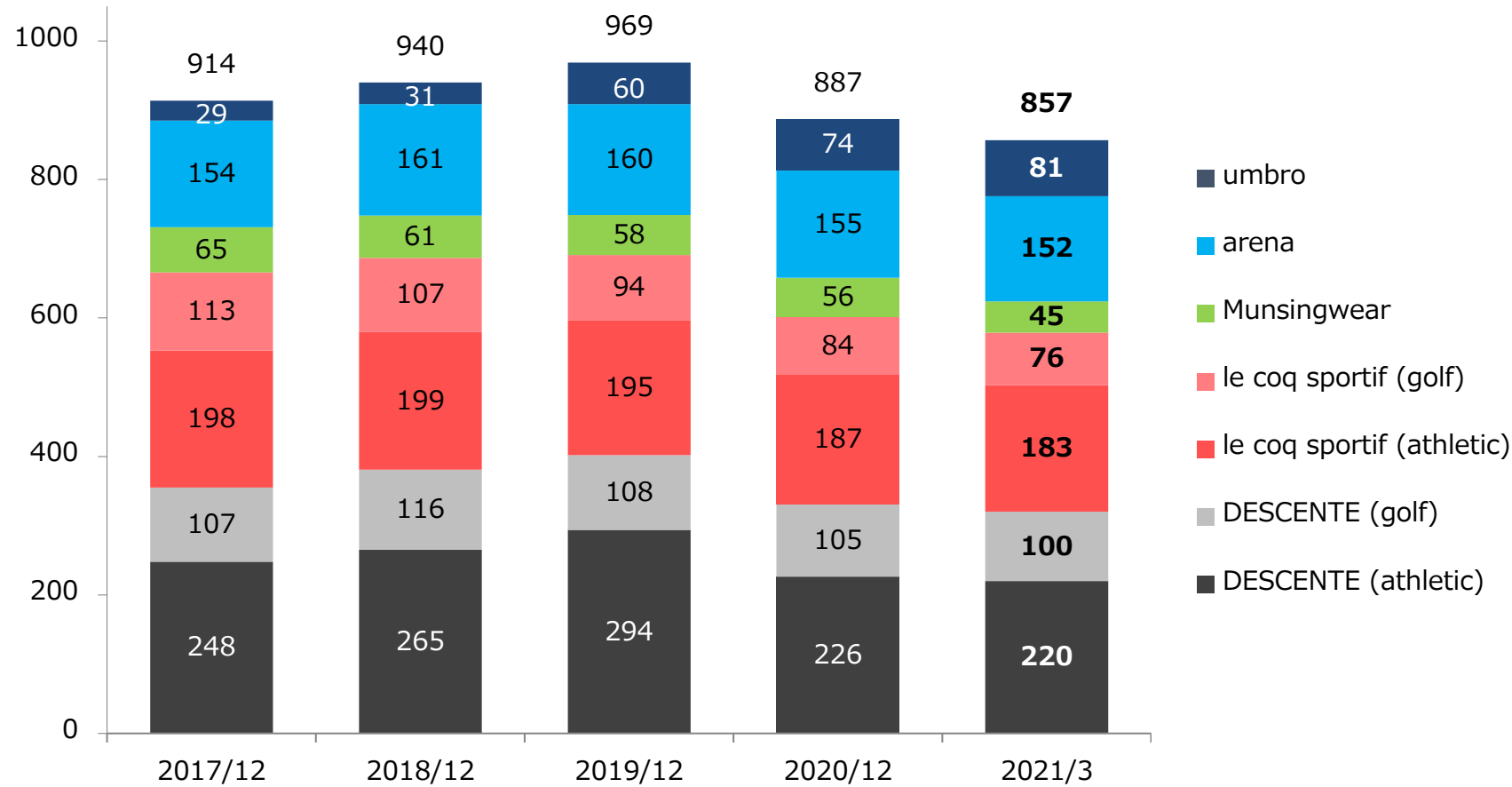
# Number of Stores in South Korea



1. 1Q FY2021 (3)Number of Stores

Total stores decreased from the end of previous year. “umbro” continue to expand.

※Including stores of commercial agents and outlets  
(Number of stores)



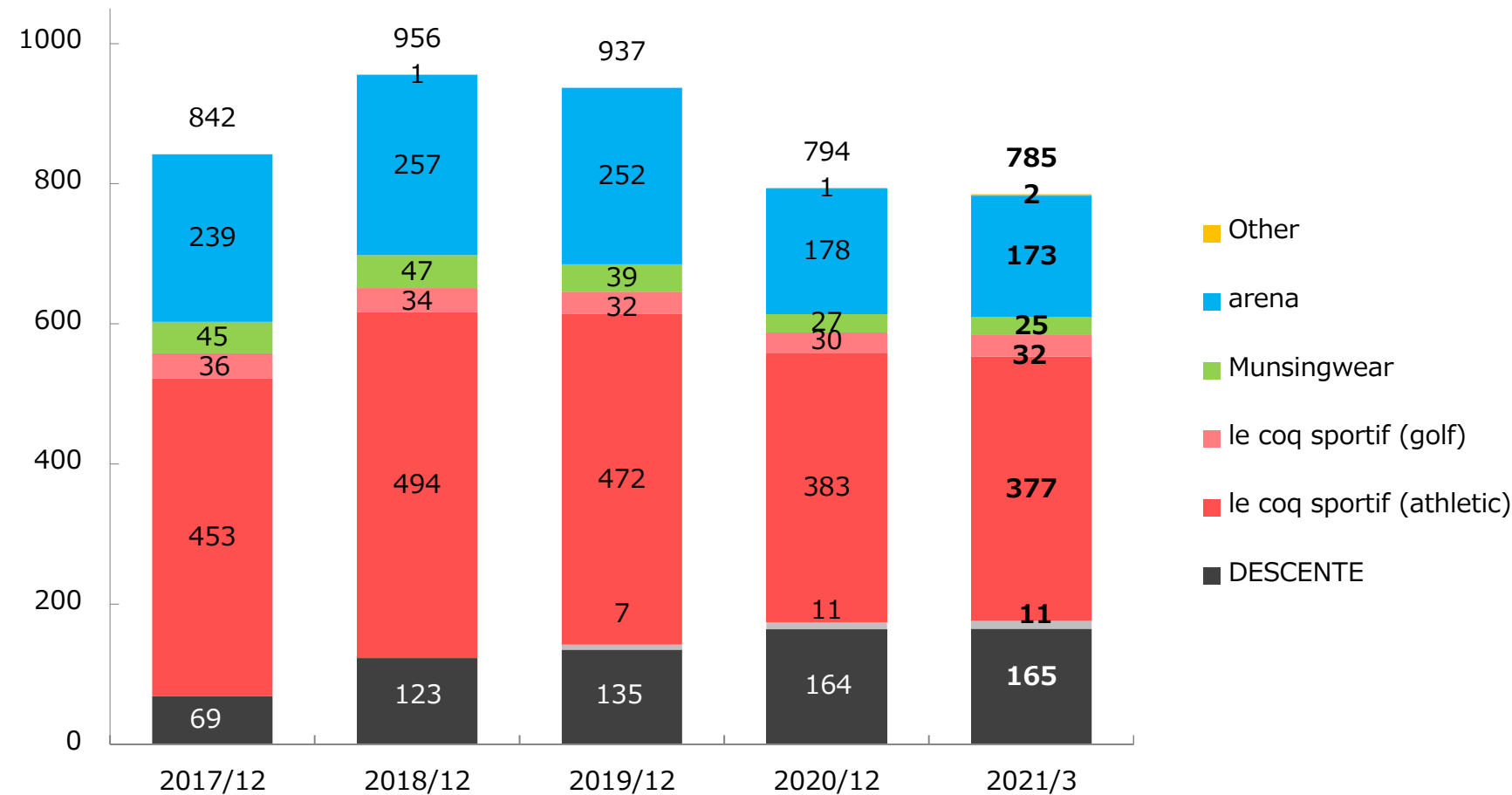
# Number of Stores in china (incl. Hong Kong)



1. 1Q FY2021 (3)Number of Stores

“le coq sportif” and “arena” brand continued to continue to organize number of stores.

※Including stores of commercial agents and outlets  
(Number of stores)



## 1. 1Q FY2021

(1)Financial Summary

(2)Area and Brand Review

(3)Number of Stores

## 2. Plan for FY2021

# FY2021 Earnings Forecast



2. Plan for FY2021

Operating income : Revised upward by improving gross profit margin and continuing to reduce SG&A expenses, taking into account the impact of COVID-19 to some extent in response to the improvement in business performance in the first quarter.

Ordinary income : Revised upward due to expected increase in investment income by equity method in China in addition to increase in operating income

Profit attributable to owners of parent : Revised upward due to increase in operating income and ordinary income

(Unit: JPY million)	FY2019	FY2020	FY2021 Previous Forecast	FY2021	
				Revised Forecast	YoY
Net sales	124,561	96,862	103,000	103,000	+ 6,138 (+6.3%)
Operating income	379	▲ 1,806	3,100	4,250	+ 6,056 (-)
(%)	0.3%	▲ 1.9%	3.0%	4.1%	-
Ordinary income	456	▲ 584	4,300	6,800	+ 7,384 (-)
(%)	0.4%	▲ 0.6%	4.2%	6.6%	-
Profit attributable to owners of parent	▲ 2,481	5,039	3,000	5,000	▲ 39 (▲0.8%)
(%)	▲ 2.0%	5.2%	2.9%	4.9%	-

Predicted Exchange Rate : USD105.70、100KRW8.90、CNY15.40、HKD13.60

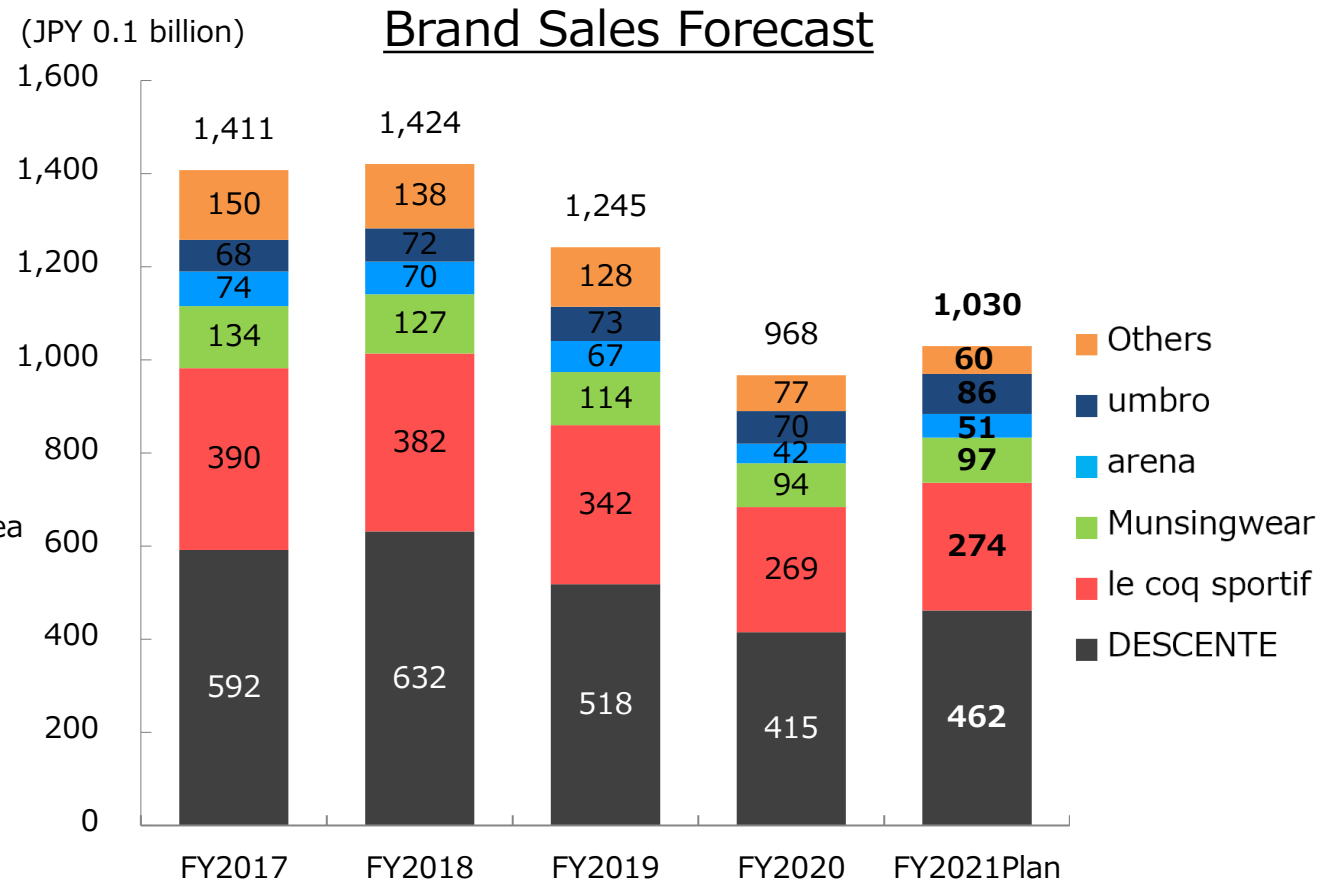
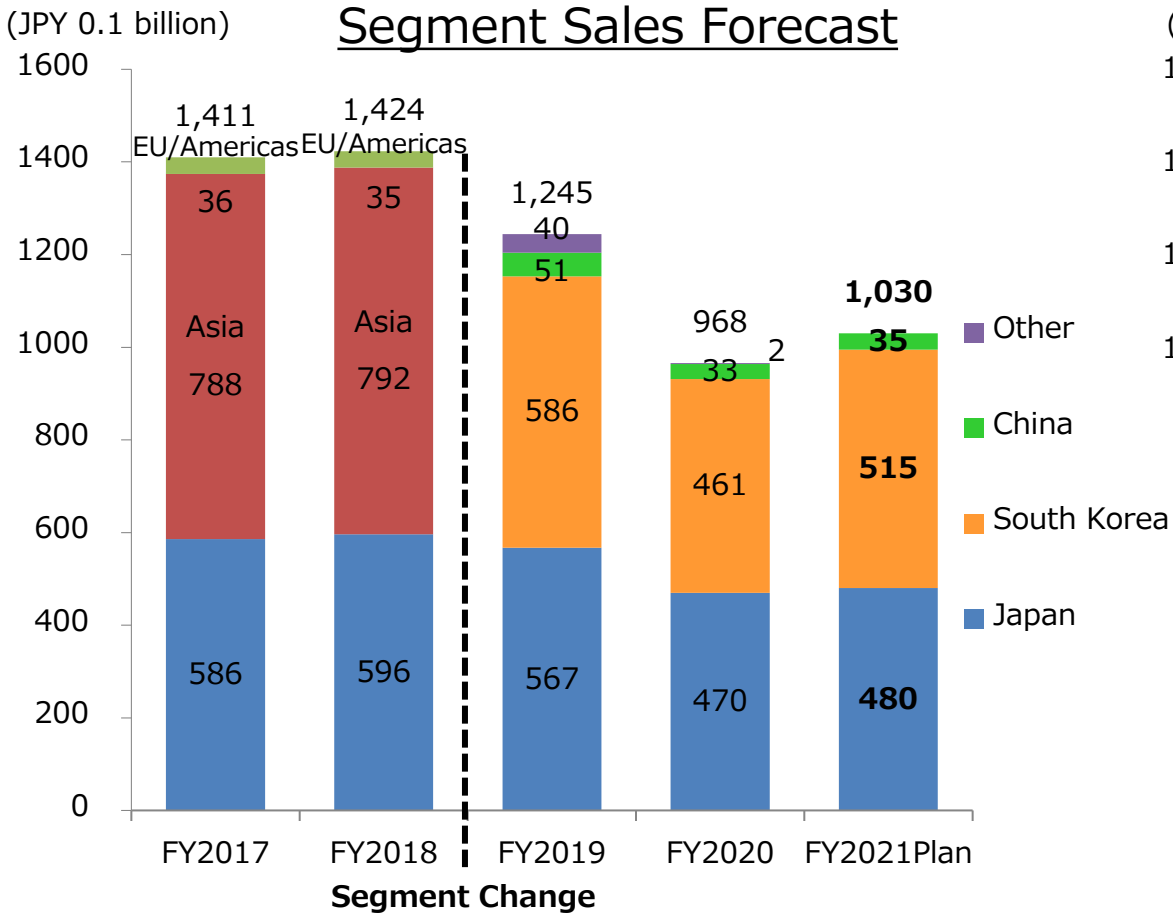


# FY2021 Earnings Forecast in Segments and Area (Consolidated)



2. Plan for FY2021

Sales of Segments : Expect to increase sales in each segment  
Sales of Brands : Expect to increase sales, mainly by "DESCENTE".



Note : FY2021 = FY ending March 31, 2022

# FY2021 Dividend Forecast



2. Plan for FY2021

Due to an increase in earnings forecast, and with 30% payout ratio policy, dividends plan also increased.

(Unit: JPY million)	FY2017	FY2018	FY2019	FY2020	FY2021 Plan
Dividends	1,733	1,960	-	-	1,509
Amount/share	JPY23.0	JPY23.0	-	-	JPY20.0
Profit attributable to owners of parent (Consolidated)	5,771	3,944	▲ 2,481	5,039	5,000
Payout ratio	30.0%	49.7%	-	-	30.2%

Note : FY2021 = FY ending March 31, 2022

## Exchange Rate

		USD	100KRW	CNY	HKD	SGD	GBP
FY2021	4Q YTD plan	105.70	8.90	15.40	13.60	-	-
	1Q YTD	108.65	9.55	16.45	13.81	80.26	-
FY2020	4Q YTD	106.04	9.06	15.42	13.72	77.27	-
	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	-

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

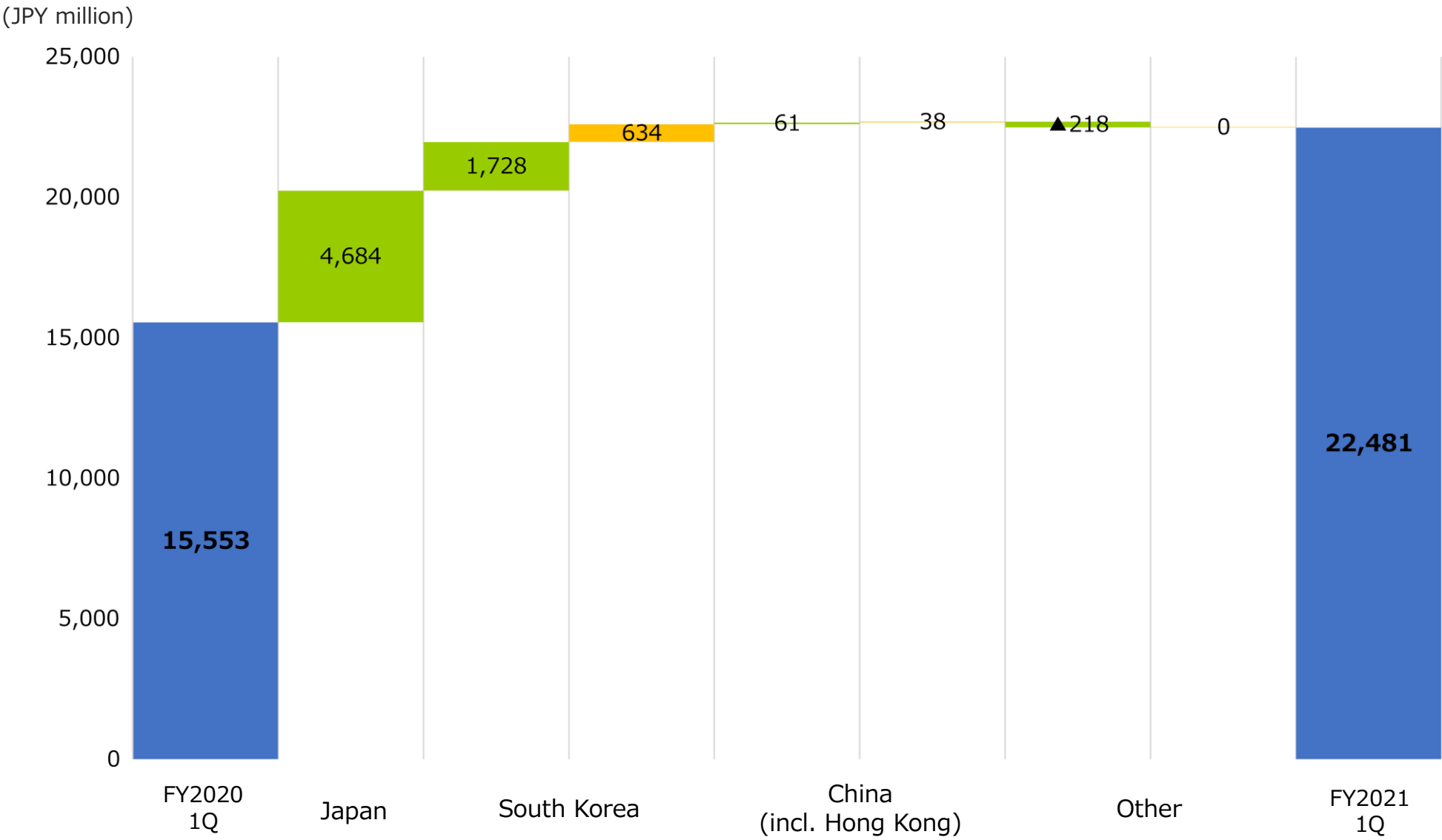
4Q YTD = Full FY

FY2021 = FY ended March31 2022

# **1Q FY2021 Reference**

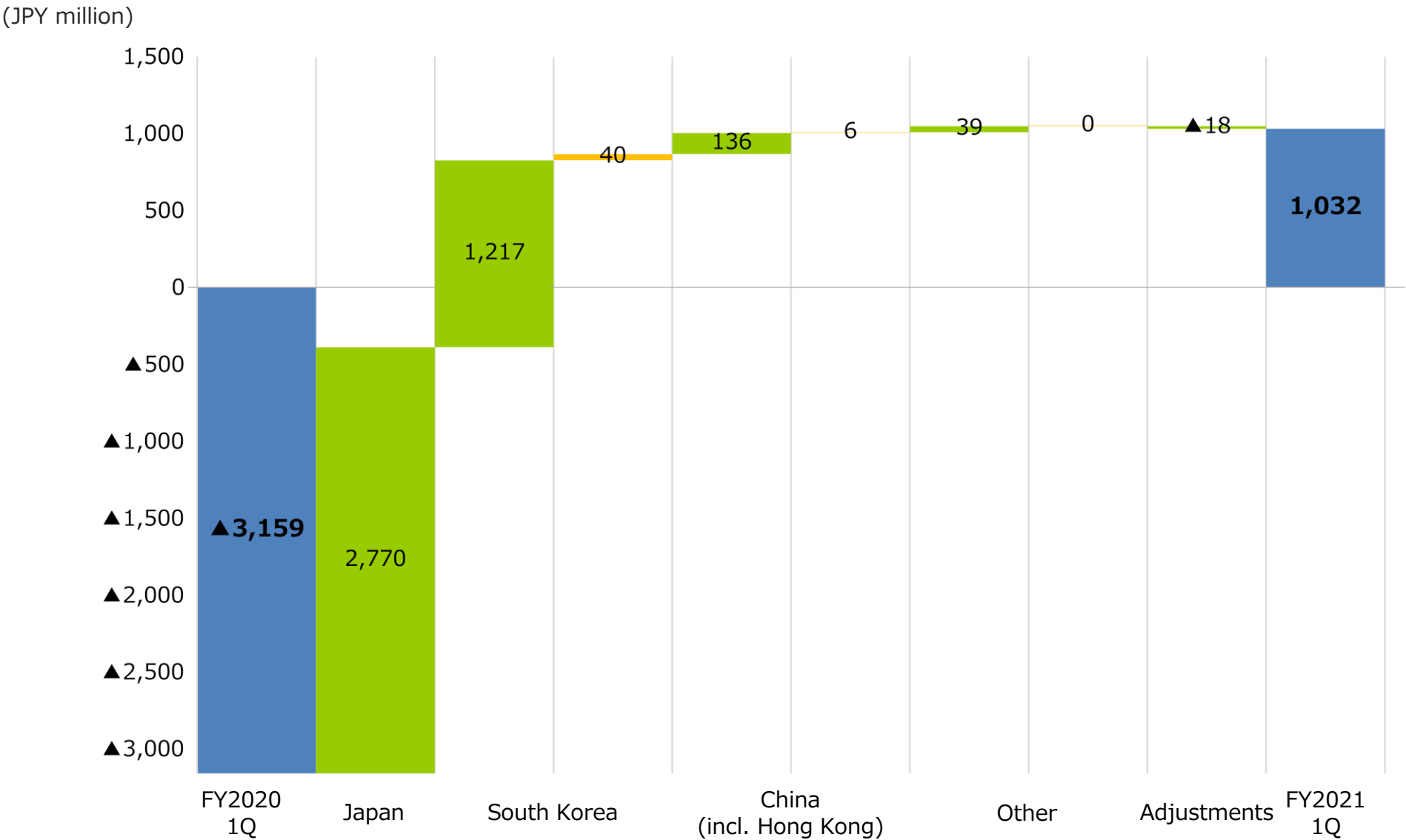
**(Quarterly Sales and Operating Income by segment)**

# Net Sales (YoY)



Note : FY2021 = FY ending March 31, 2022

# Operating Income (YoY)



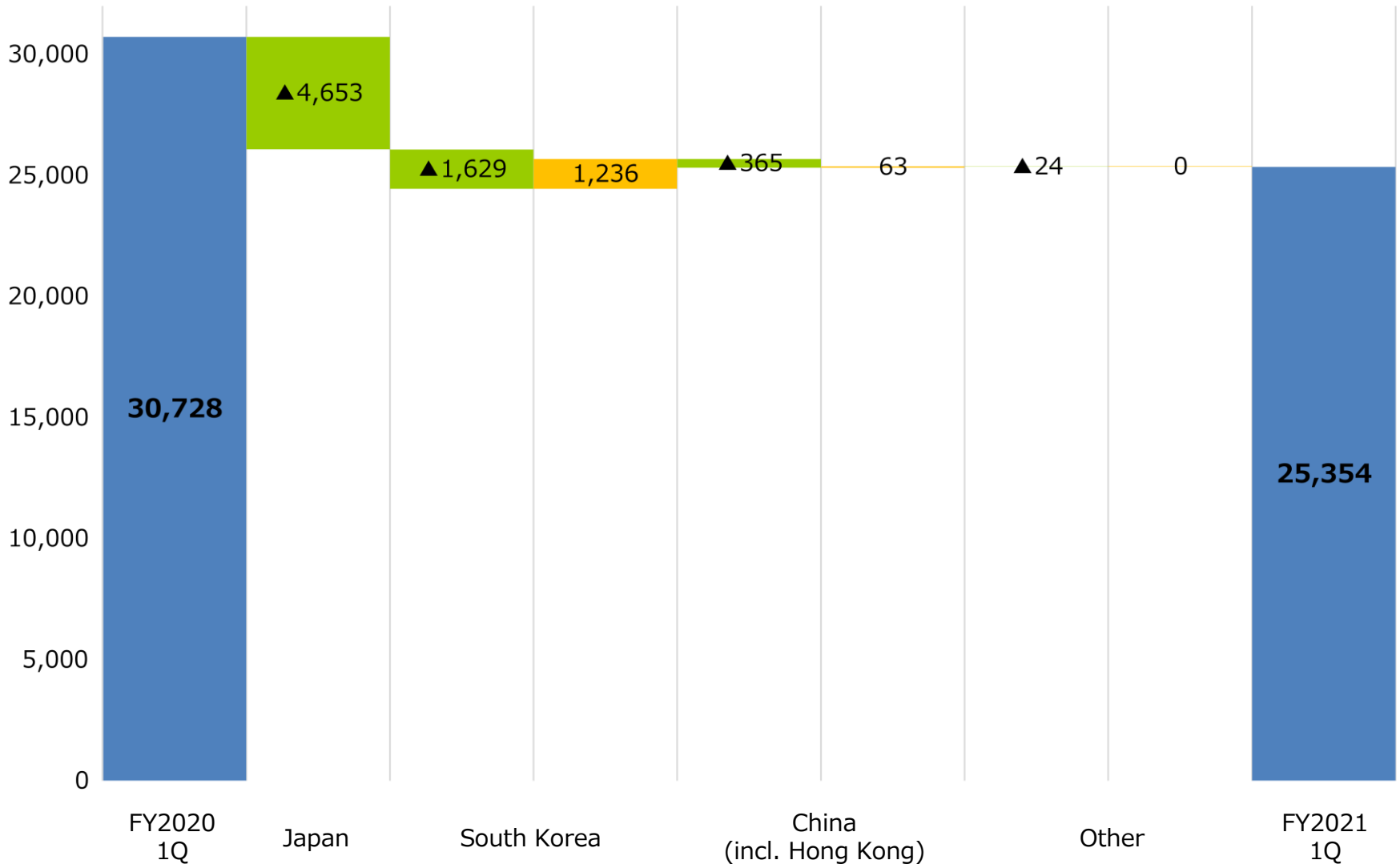
Note : FY2021 = FY ending March 31, 2022

Operating income    Actual Gain / Loss    Forex Effect

# Inventory (YoY)



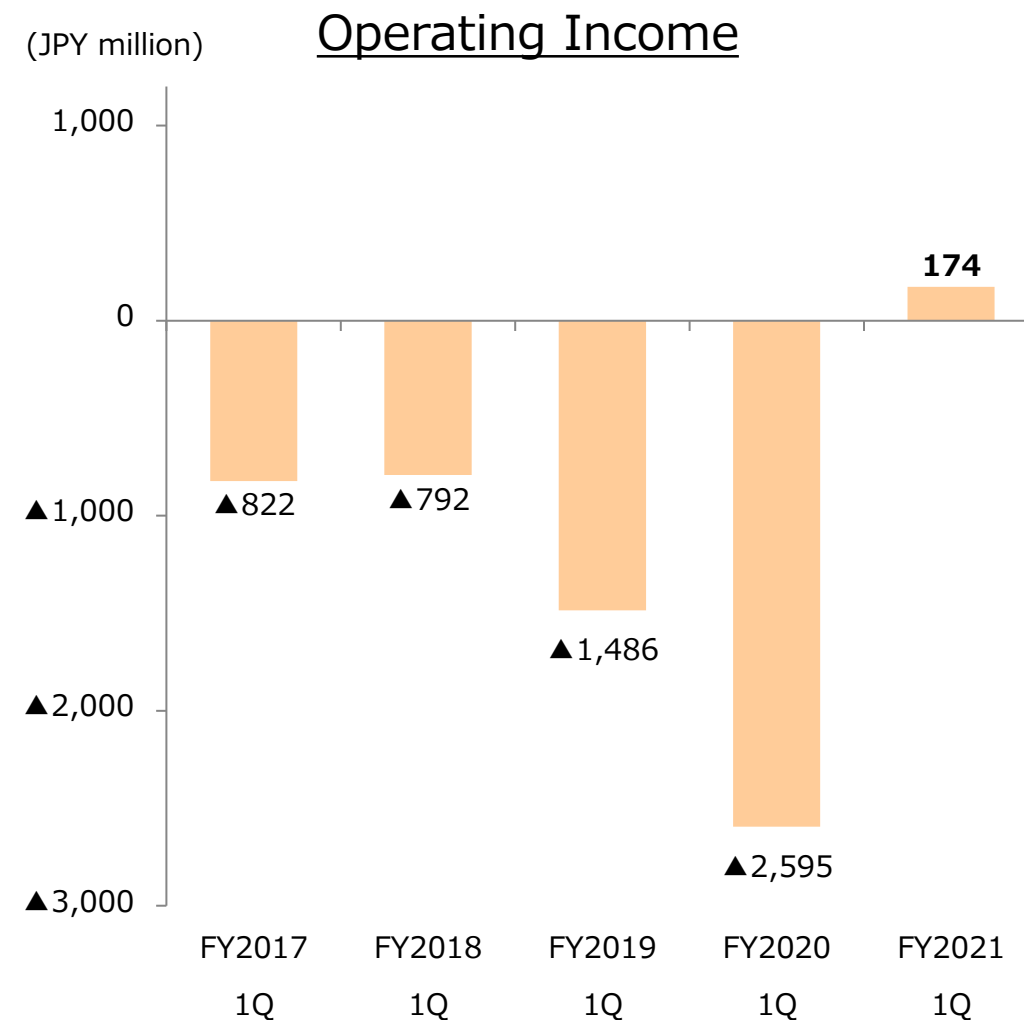
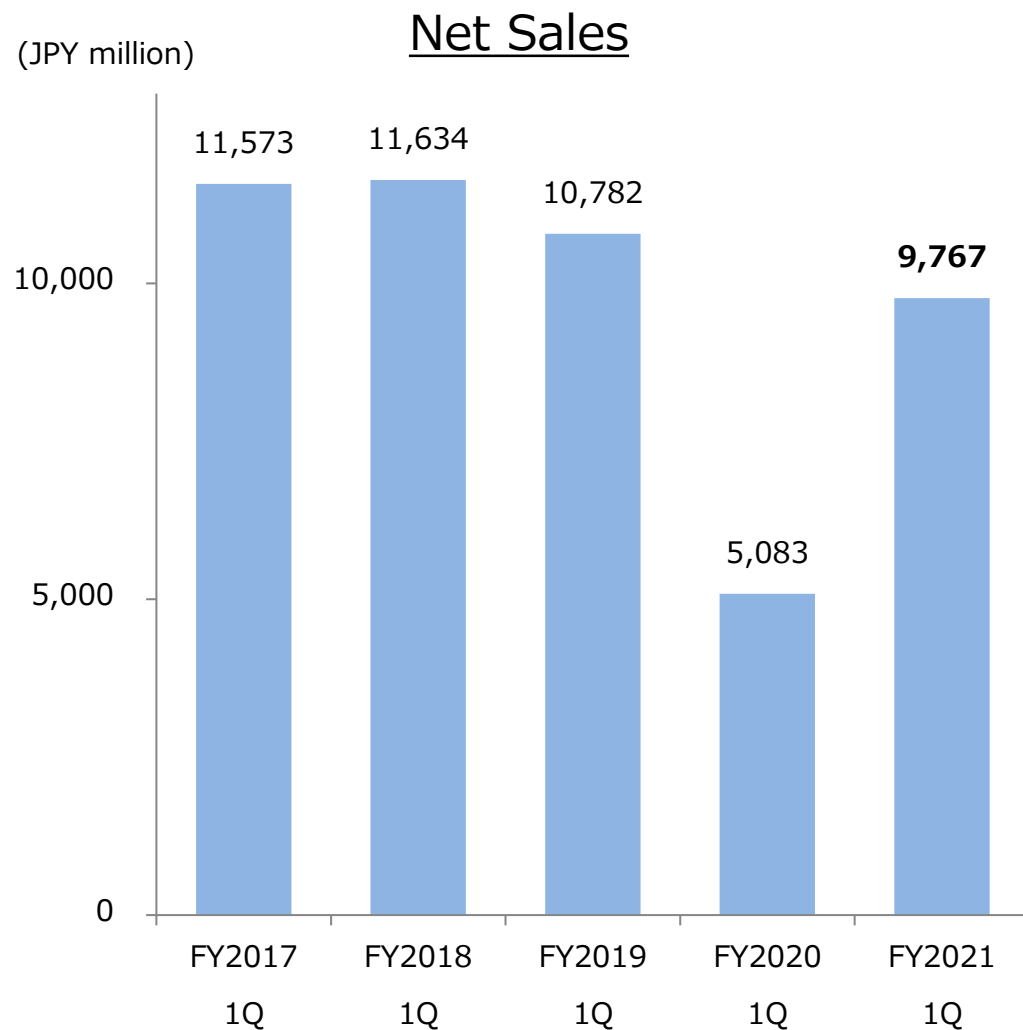
(JPY million)



Note : FY2021 = FY ending March 31, 2022

■ Inventories   ■ Actual Gain / Loss   ■ Forex Effect

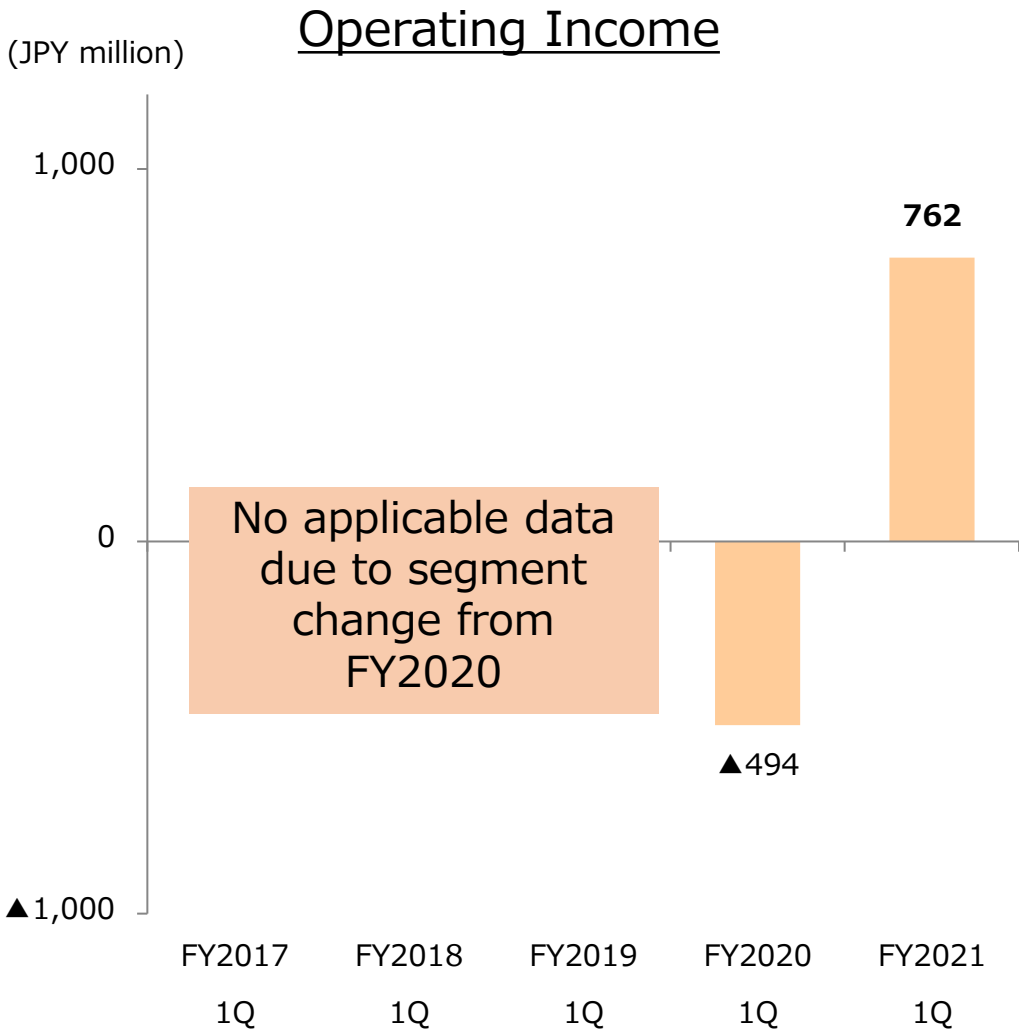
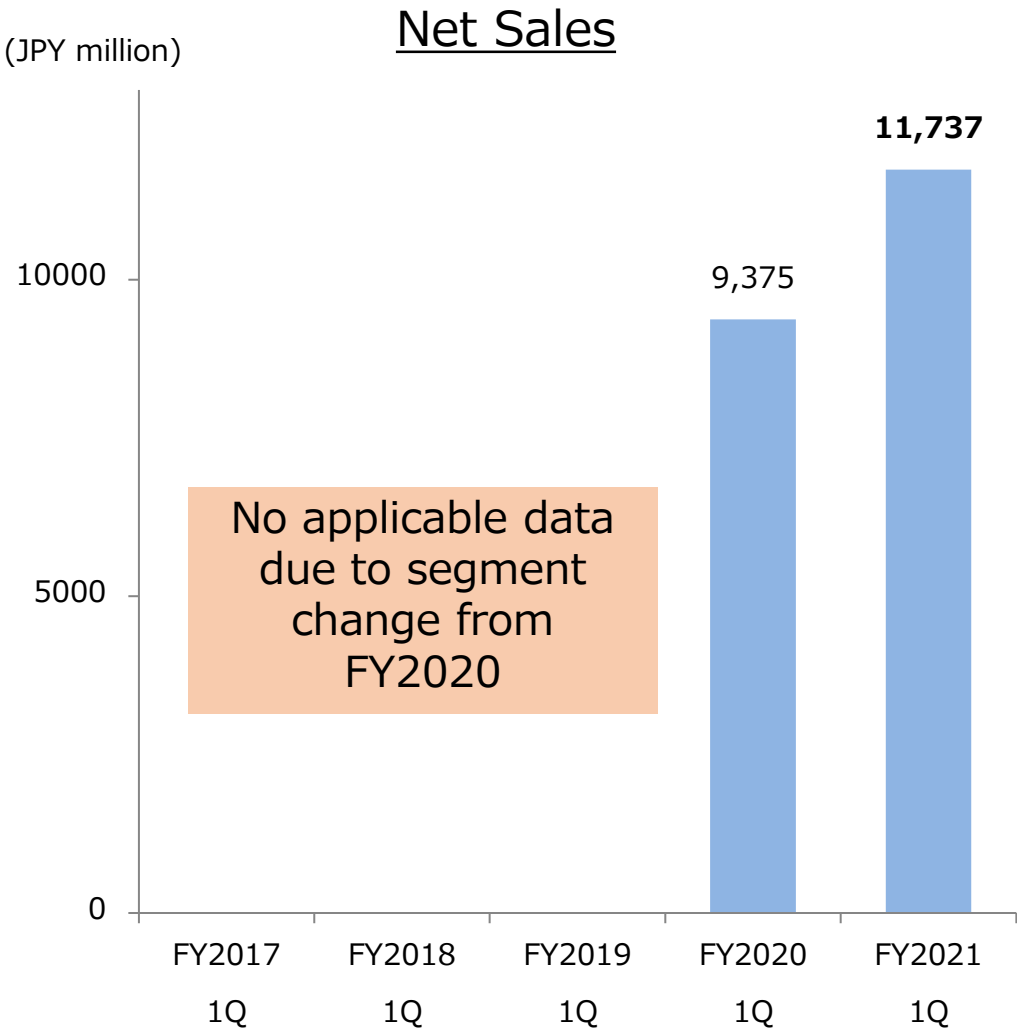
# Net Sales and Operating Income (Japan)



Note : FY2021 = FY ending March 31, 2022

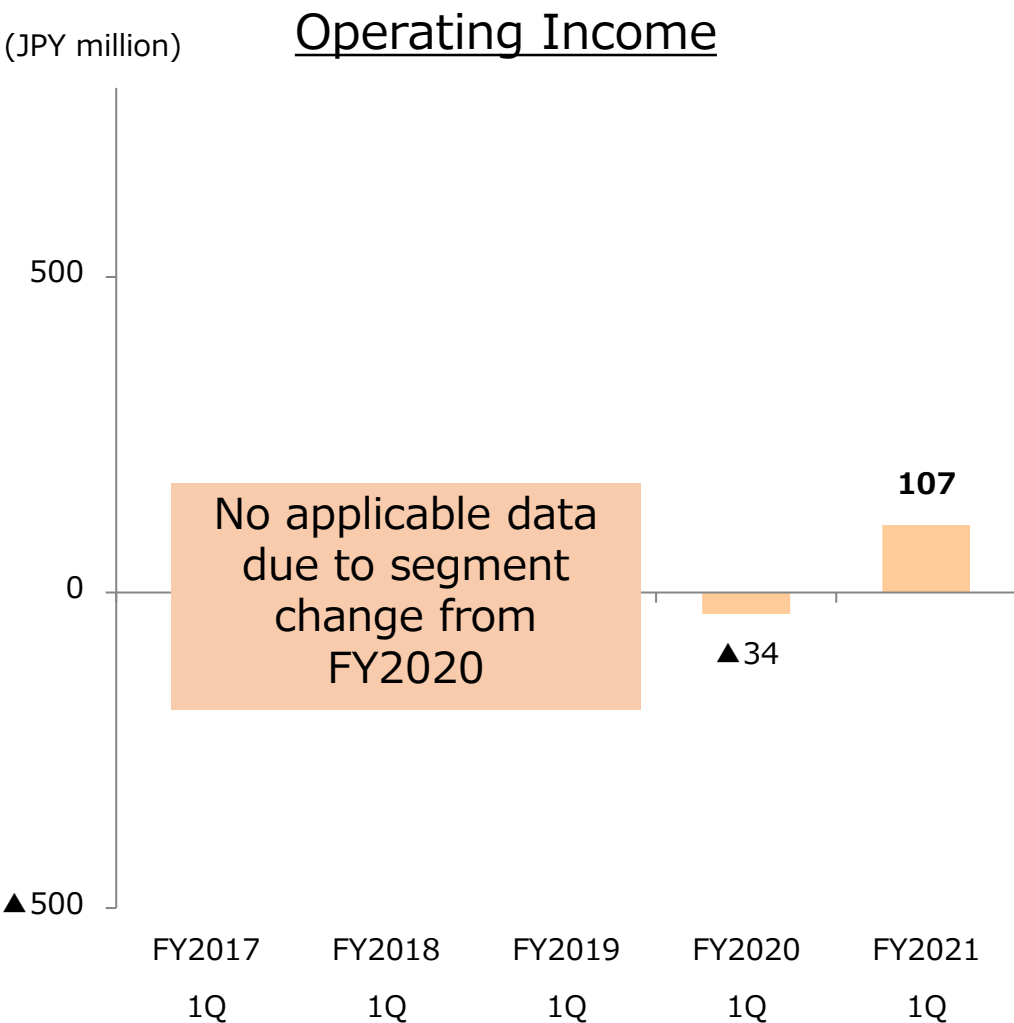
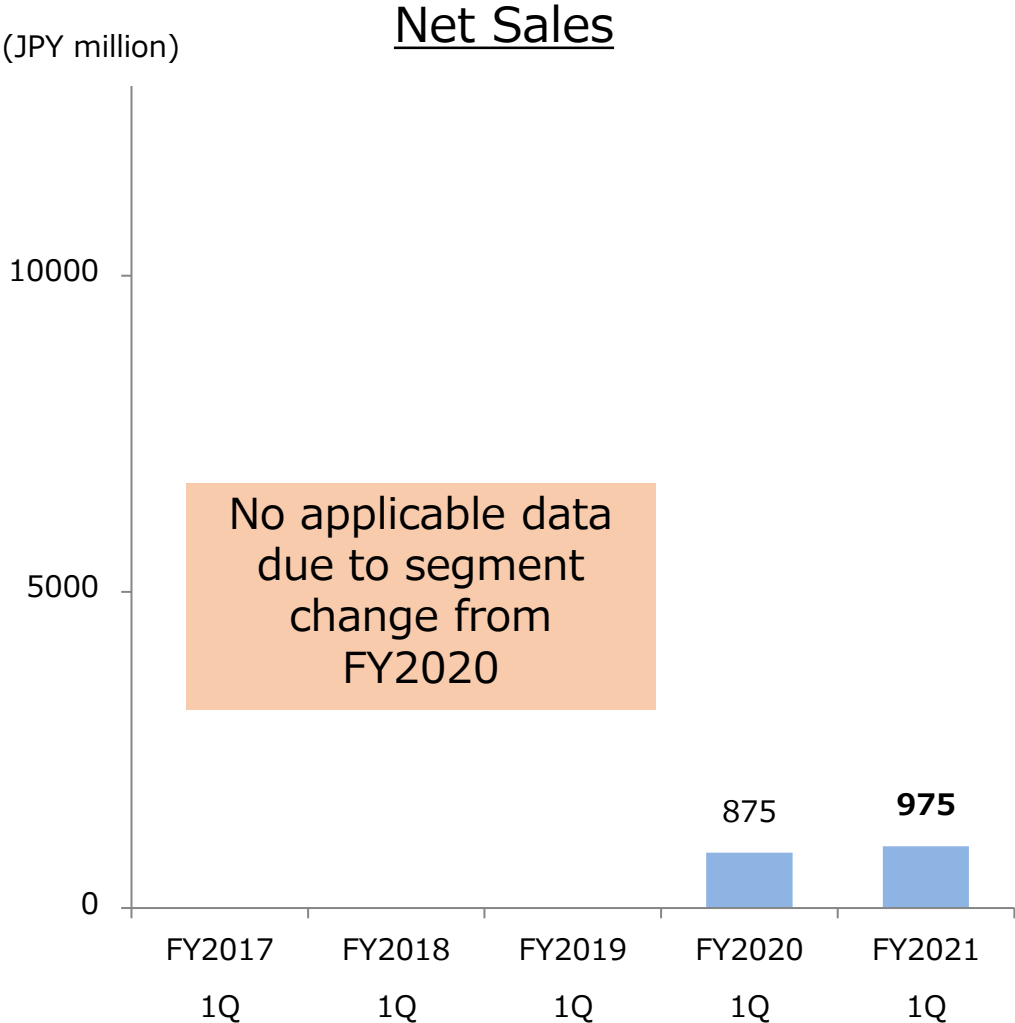


# Net Sales and Operating Income (South Korea)



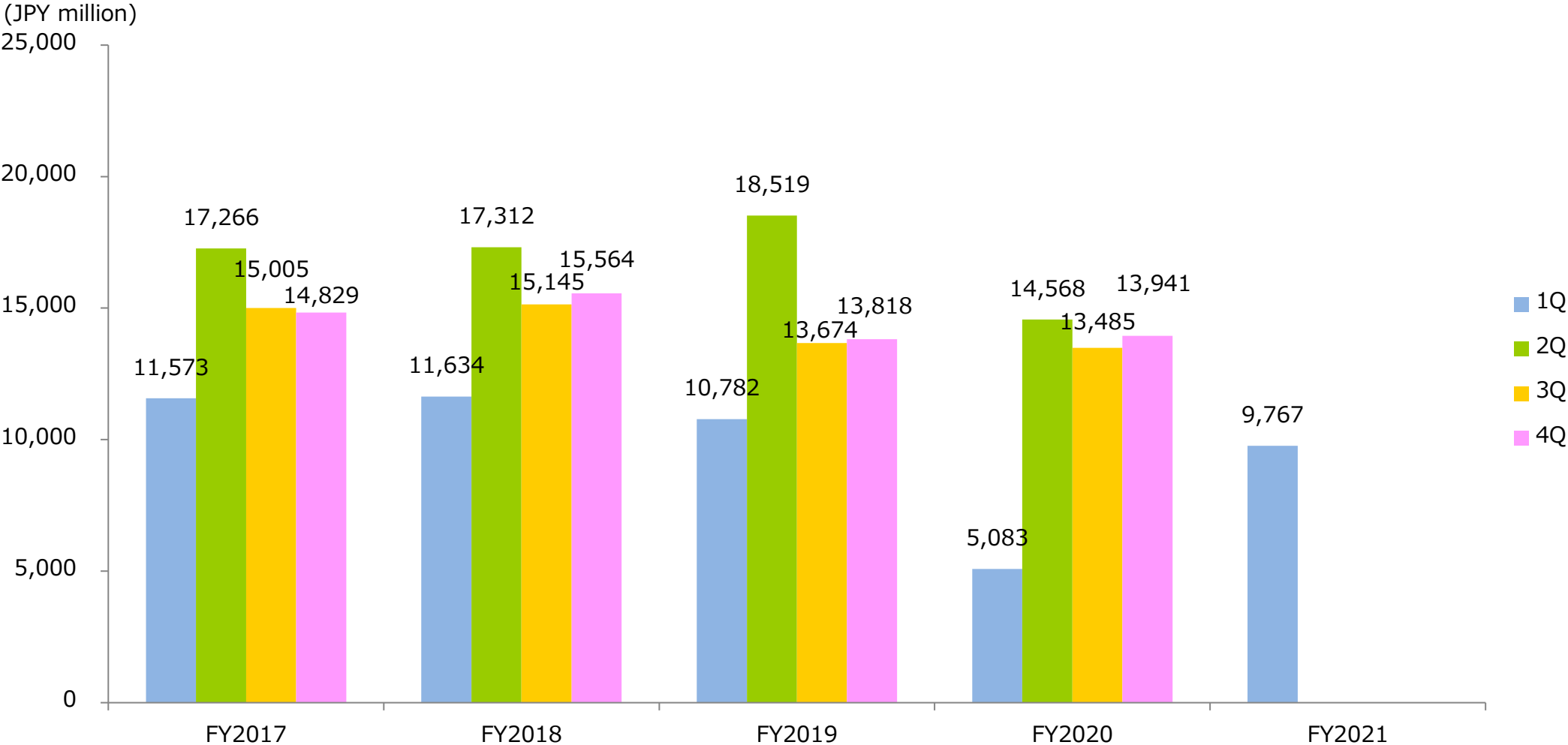
Note : FY2021 = FY ending March 31, 2022

# Net Sales and Operating Income (China)



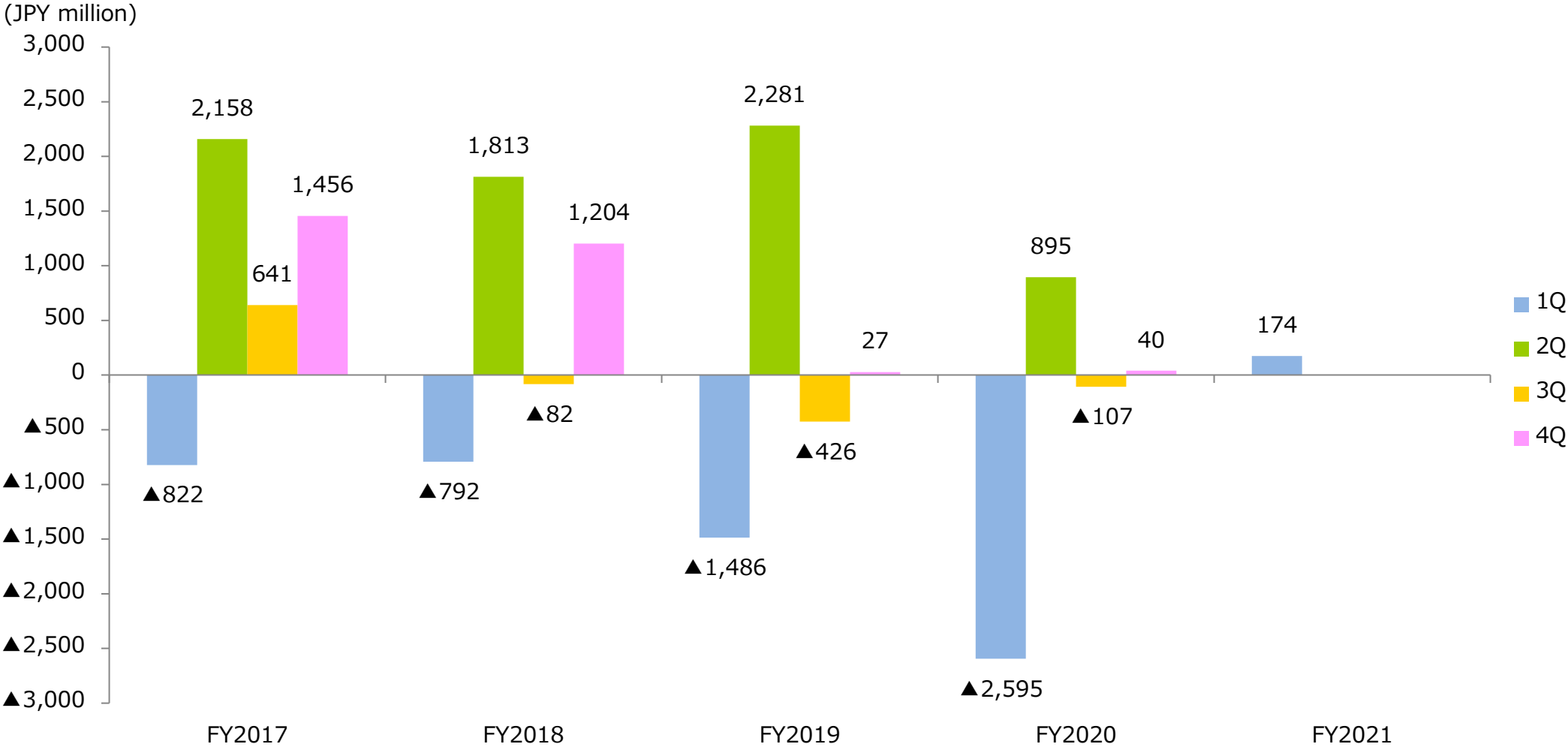
Note : FY2021 = FY ending March 31, 2022

# Quarterly Sales (Japan)



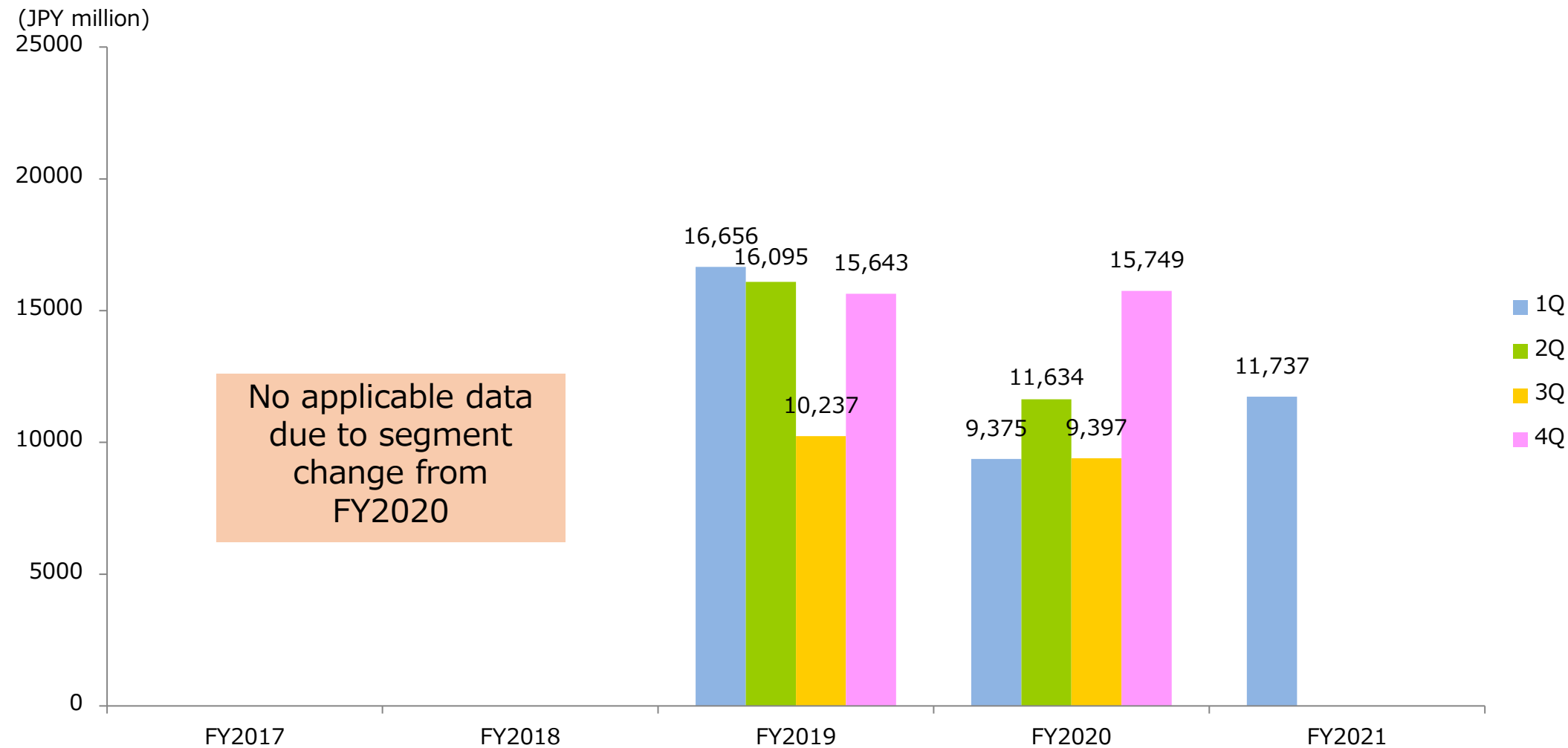
Note : FY2021 = FY ending March 31, 2022

# Quarterly Operating Income (Japan)



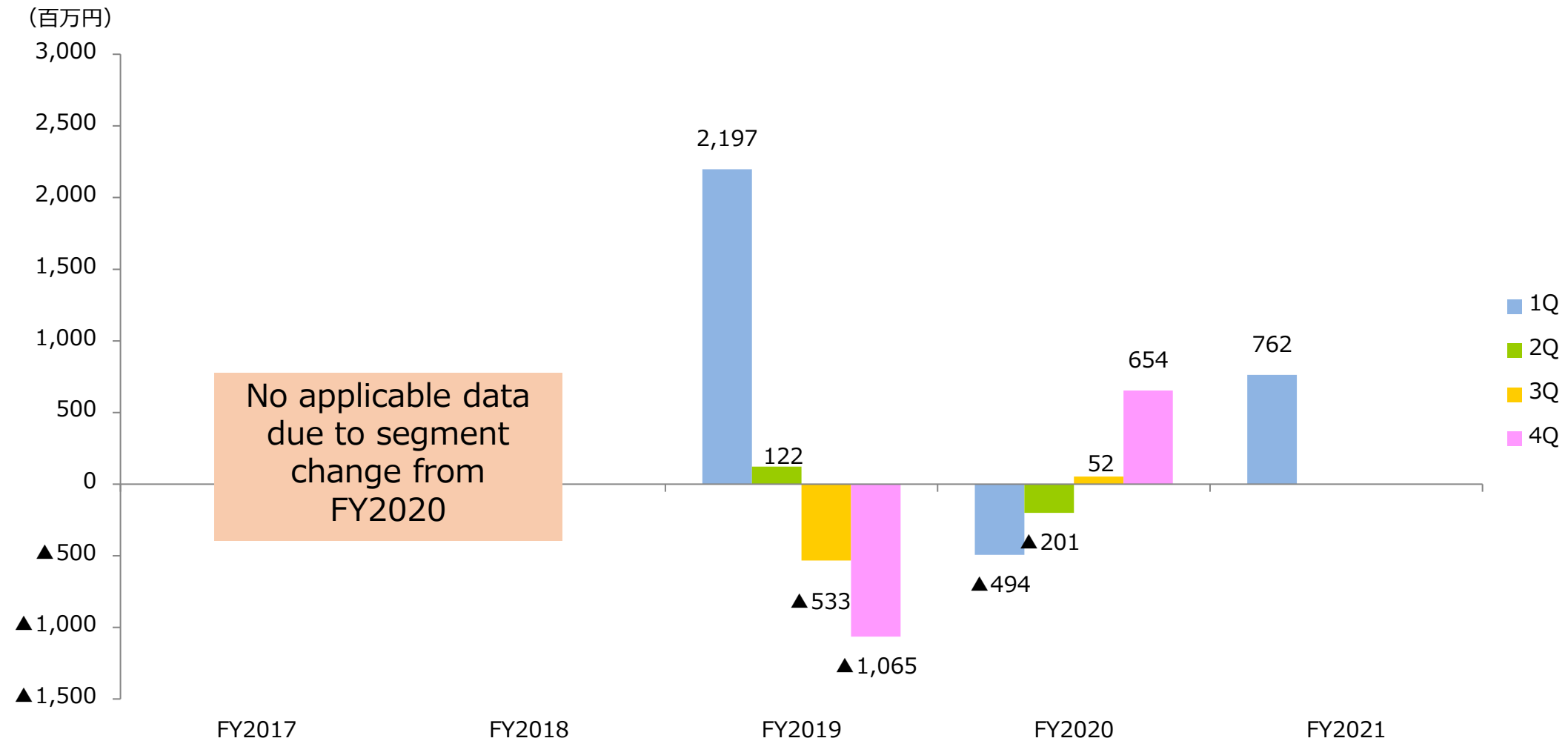
Note : FY2021 = FY ending March 31, 2022

# Quarterly Sales (South Korea)



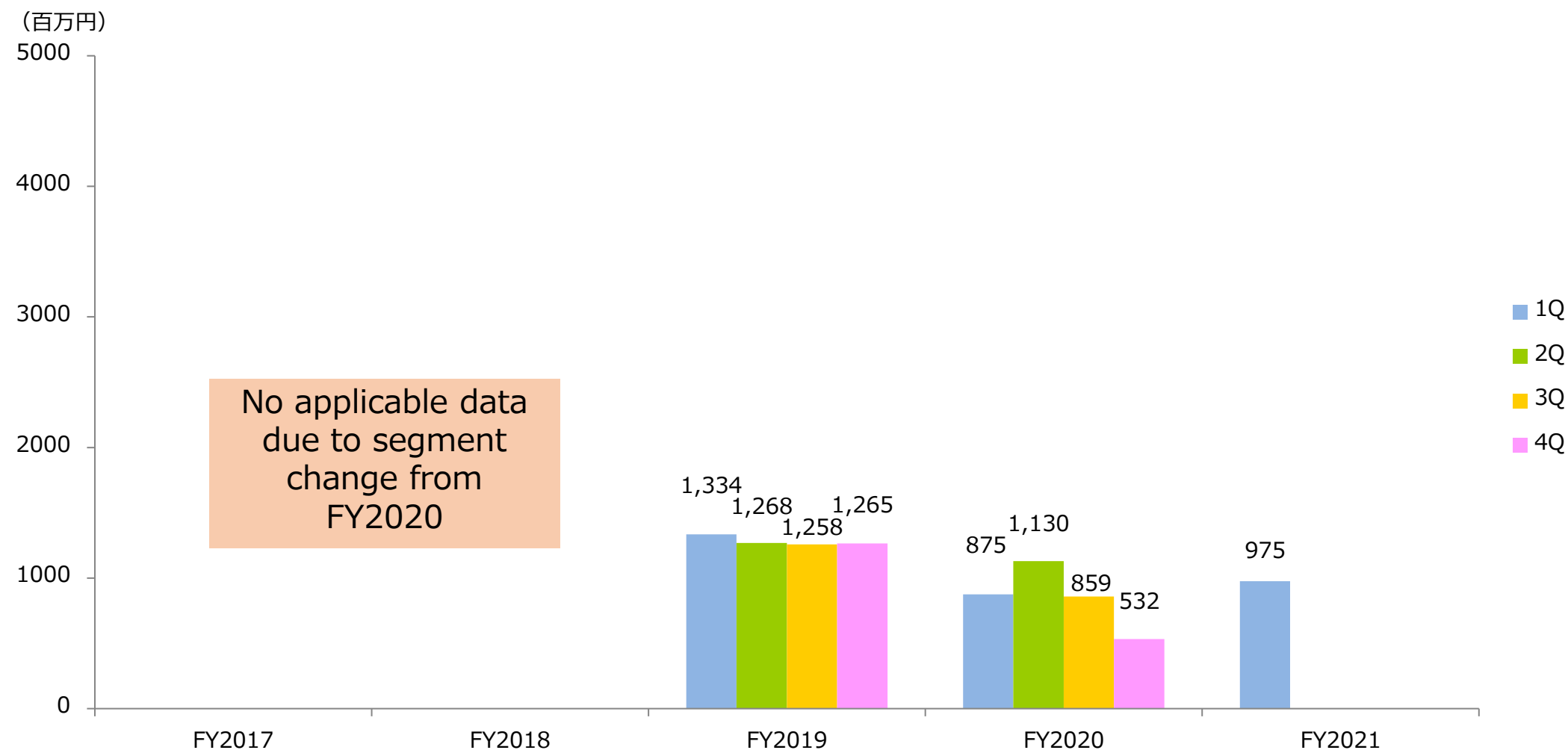
Note : FY2021 = FY ending March 31, 2022

# Quarterly Operating Income (South Korea)



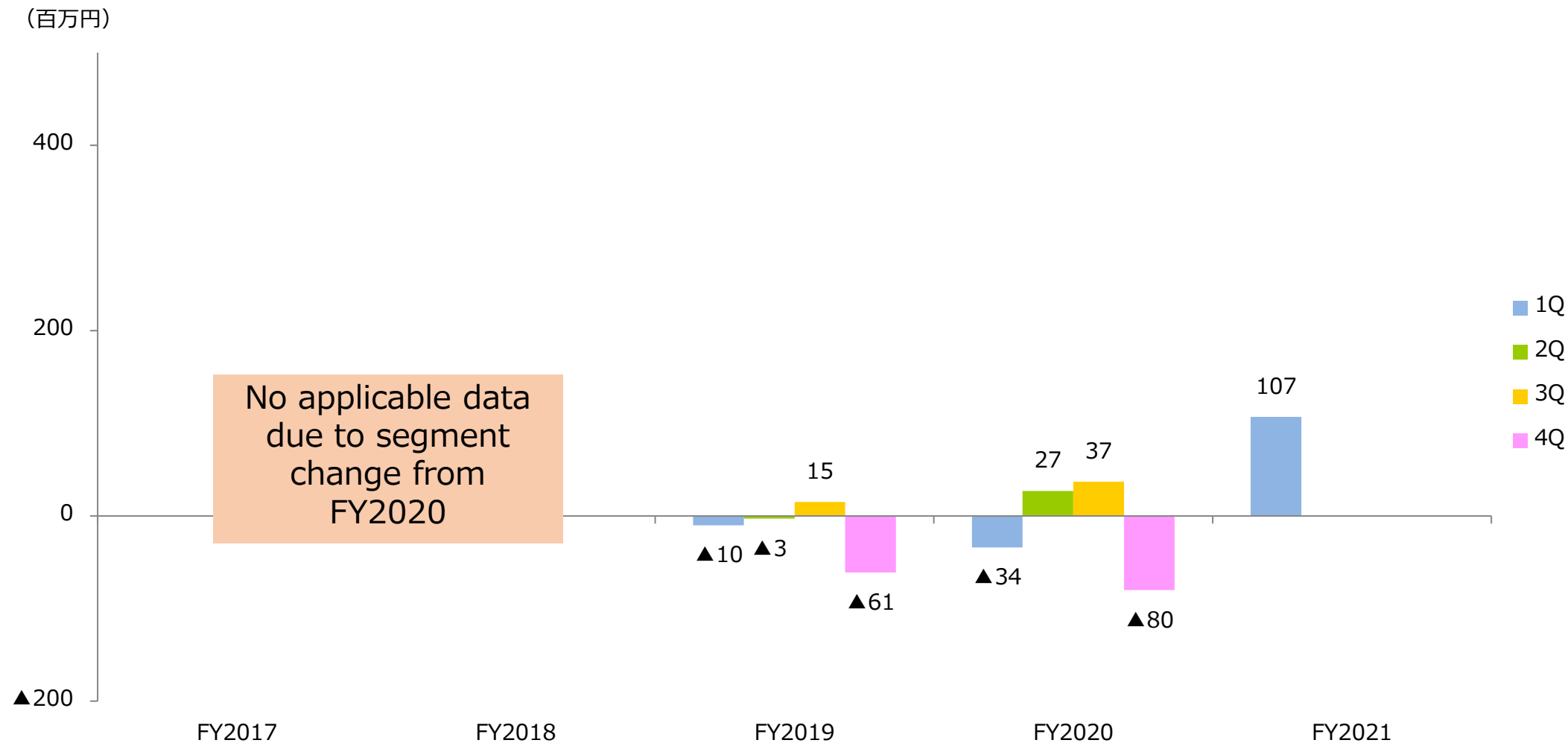
Note : FY2021 = FY ending March 31, 2022

# Quarterly Sales (China)



Note : FY2021 = FY ending March 31, 2022

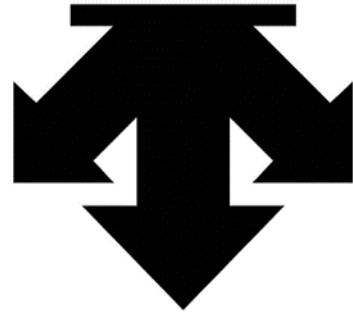
# Quarterly Operating Income (China)



Note : FY2021 = FY ending March 31, 2022



**DESCENTE**



Design for Sports