



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.

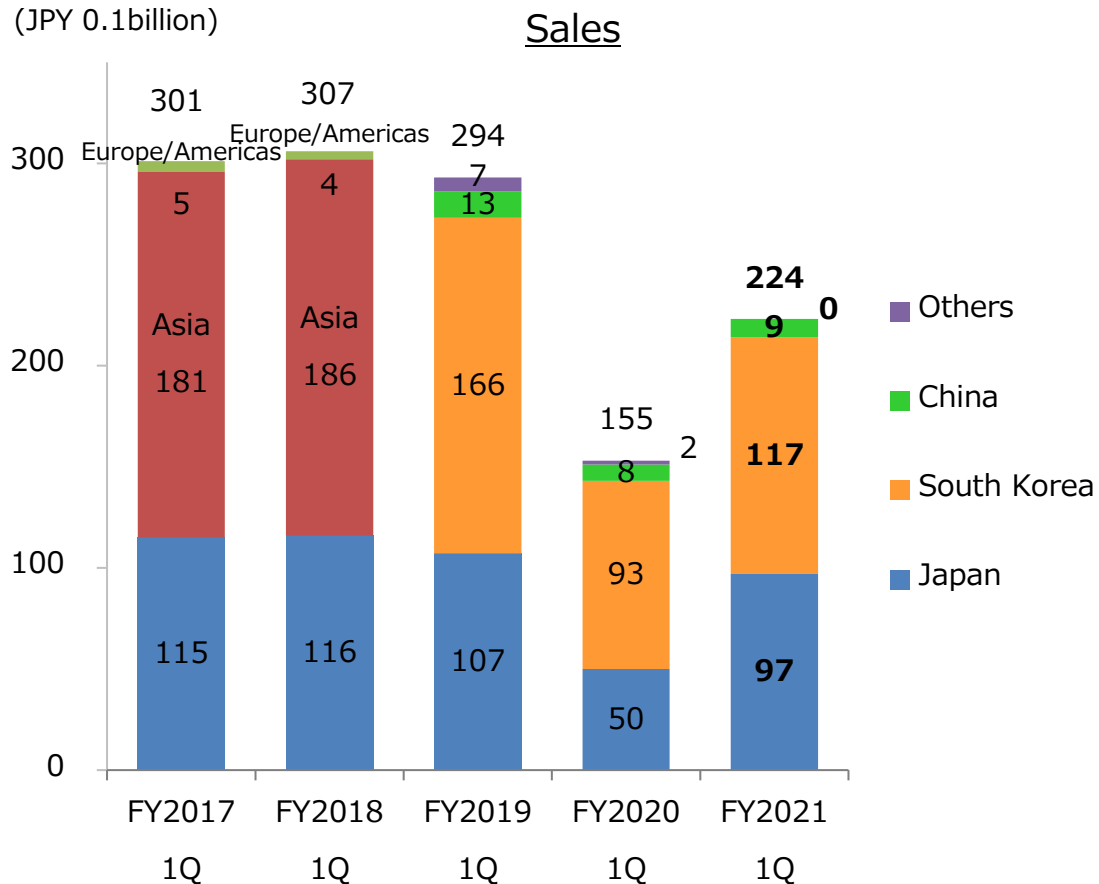
(Unit: JPY million)	FY2021	FY2020		FY2021	FY2021
	1st Quarter performance	1st Quarter performance	YoY	Previous Forecast	Revised Forecast
Net sales	22,481	15,553	+44.5%	103,000	103,000
Operating income	1,032	▲ 3,159	-	3,100	4,250
(%)	4.6%	▲ 20.3%	-	3.0%	4.1%
Ordinary income	1,561	▲ 3,149	-	4,300	6,800
(%)	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.



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

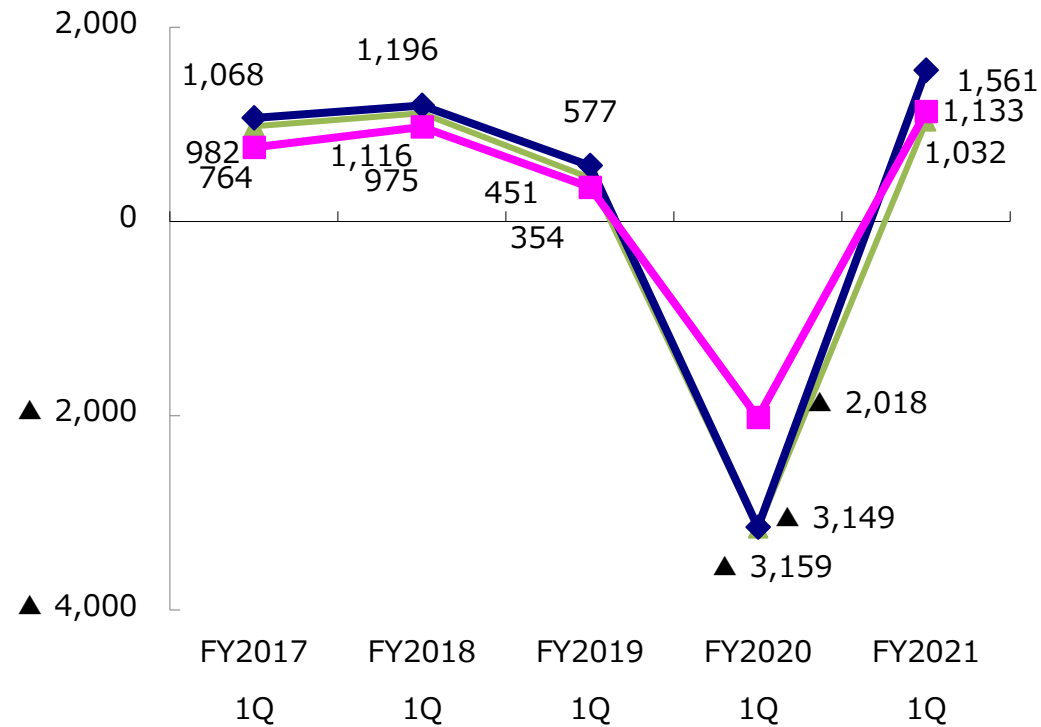
Income (Consolidated)



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*
Operating income	1,032	▲ 3,159	+ 4,191
Non-operating income	569	197	+ 372
Non-operating expenses	39	187	+ 148
Ordinary income	1,561	▲ 3,149	+ 4,710
Extraordinary income	50	403	▲ 353
Extraordinary loss	0	0	+ 0
Total income taxes	477	▲ 727	▲ 1,204
Profit attributable to owners of parent	1,133	▲ 2,018	+ 3,151

Impact in profit*

+ contributes to increased earnings, ▲ contribute to decreased earnings

Sales and Operating Income by Segments (Consolidated)

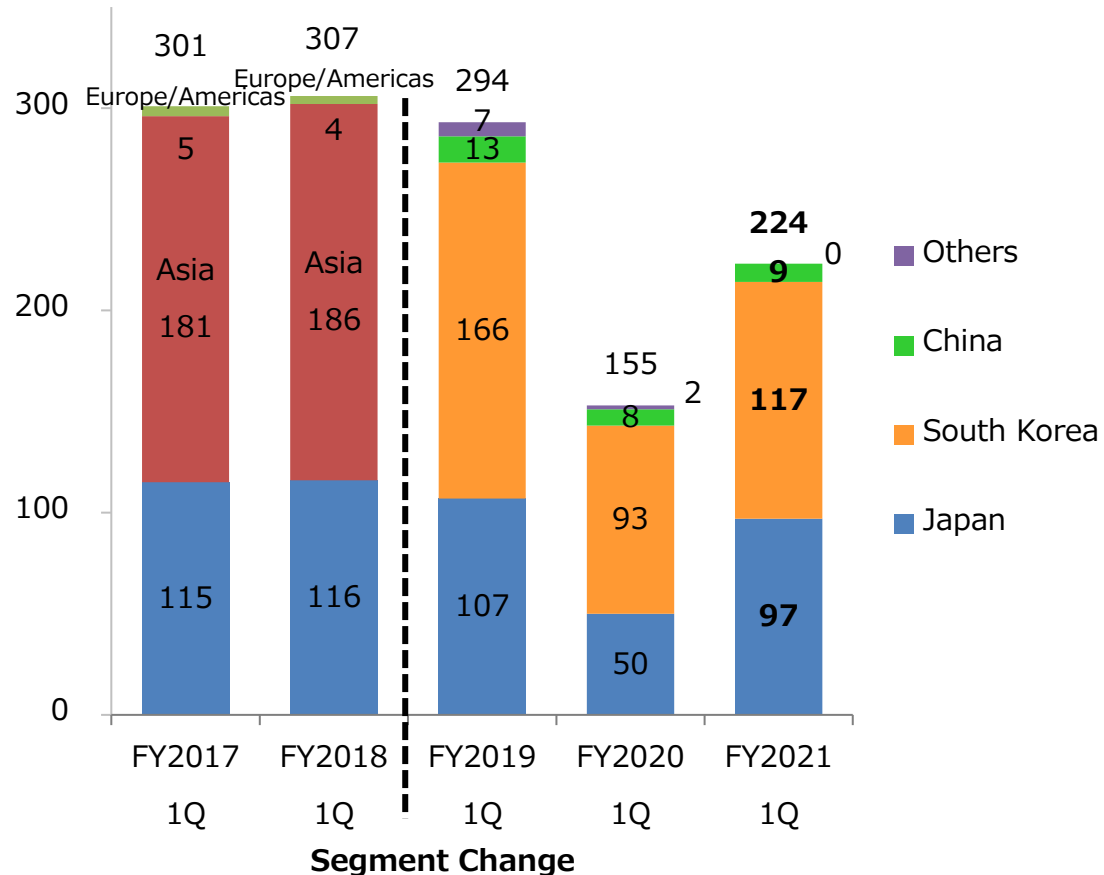


1. 1Q FY2021 (1) Financial Summary

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

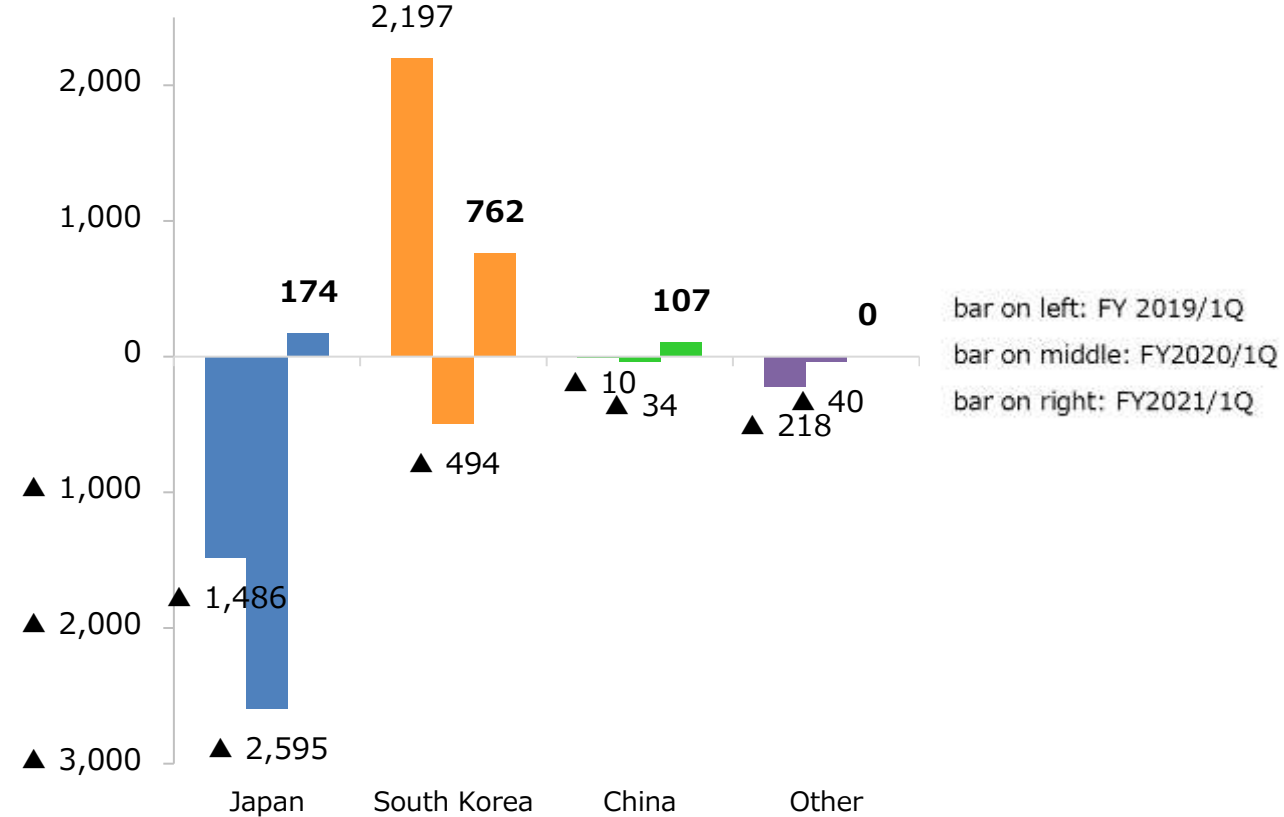
(JPY 0.1billion)

Sales



(JPY million)

Operating Income



Note : FY2021 = FY ending March 31, 2022

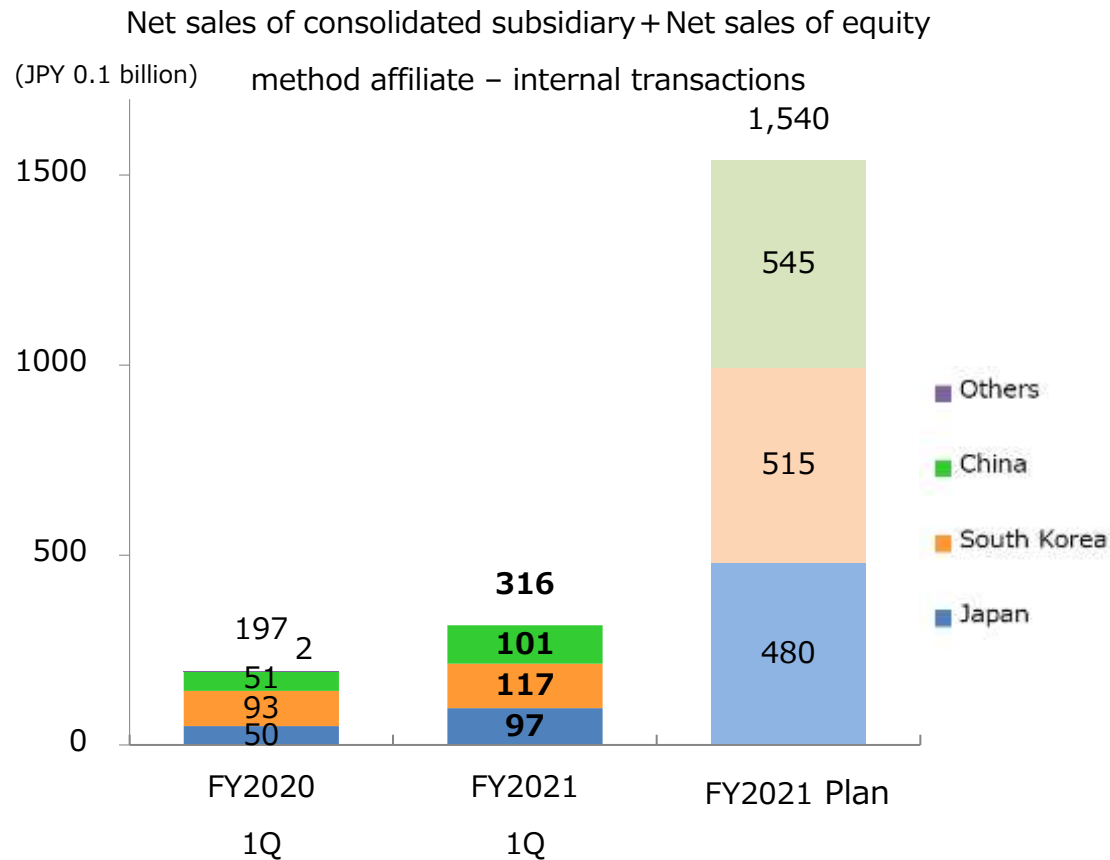
Forecast Sales and Profit in Japan / South Korea / China (≠Consolidated profit/loss)



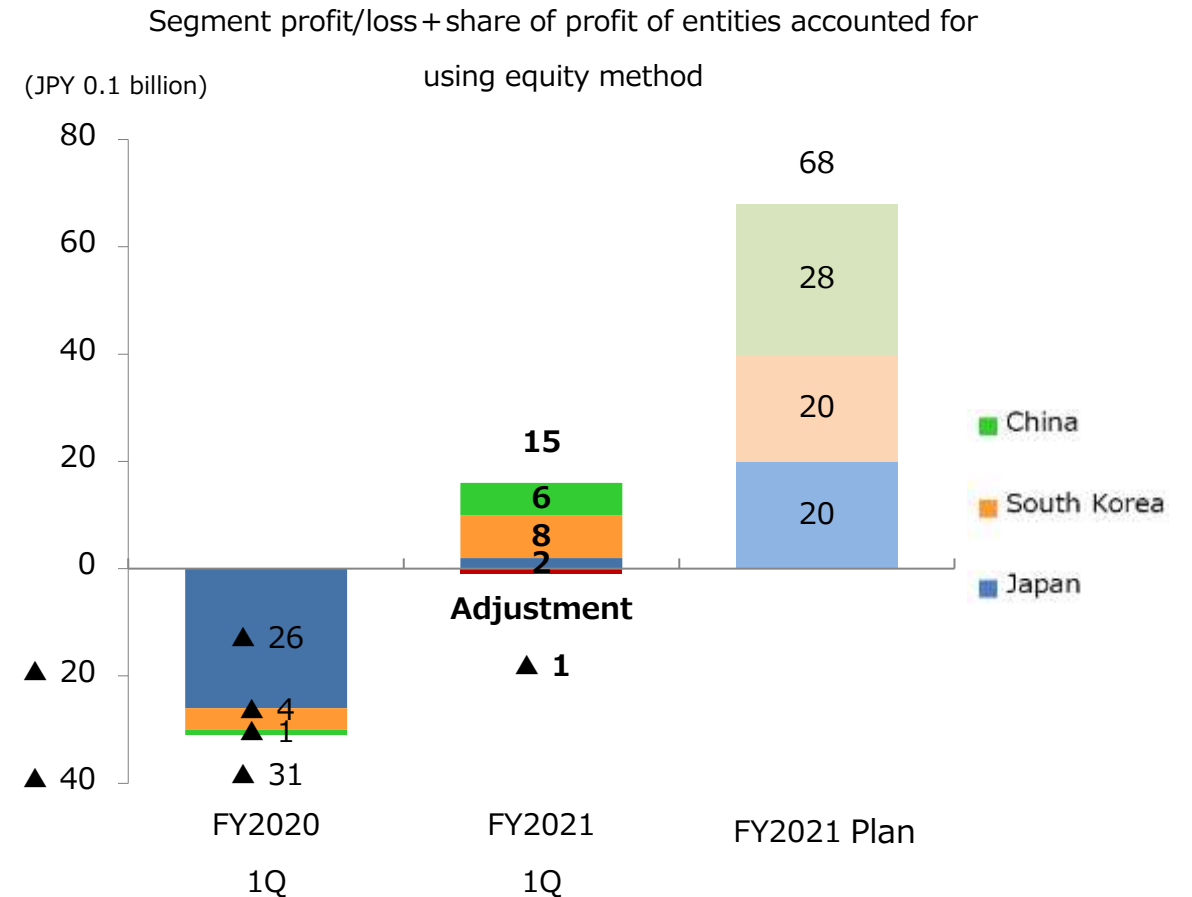
1. 1Q FY2021 (1)Financial Summary

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
Current assets	70,964	58,394	62,682
Non-current assets	42,853	38,387	43,905
Total assets	113,817	96,781	106,588
Current liabilities	26,530	22,428	21,690
Non-current liabilities	11,108	6,516	4,824
Total liabilities	37,638	28,944	26,514
Net assets	76,178	67,836	80,072
Equity ratio	66.9%	70.1%	75.1%

1. 1Q FY2021

(1) Financial Summary

(2) Area and Brand Review

(3) Number of Stores

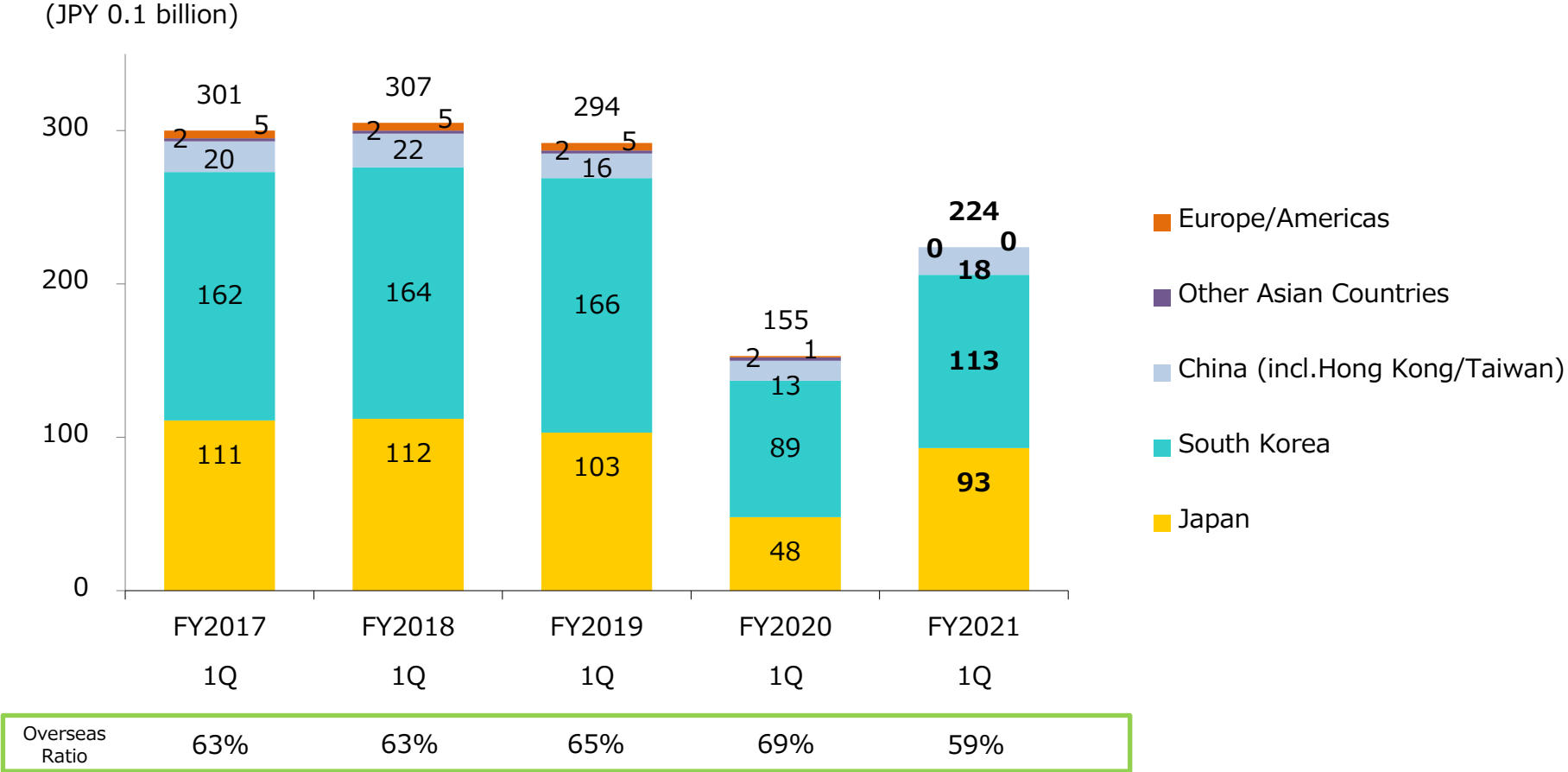
2. Plan for FY2021

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.



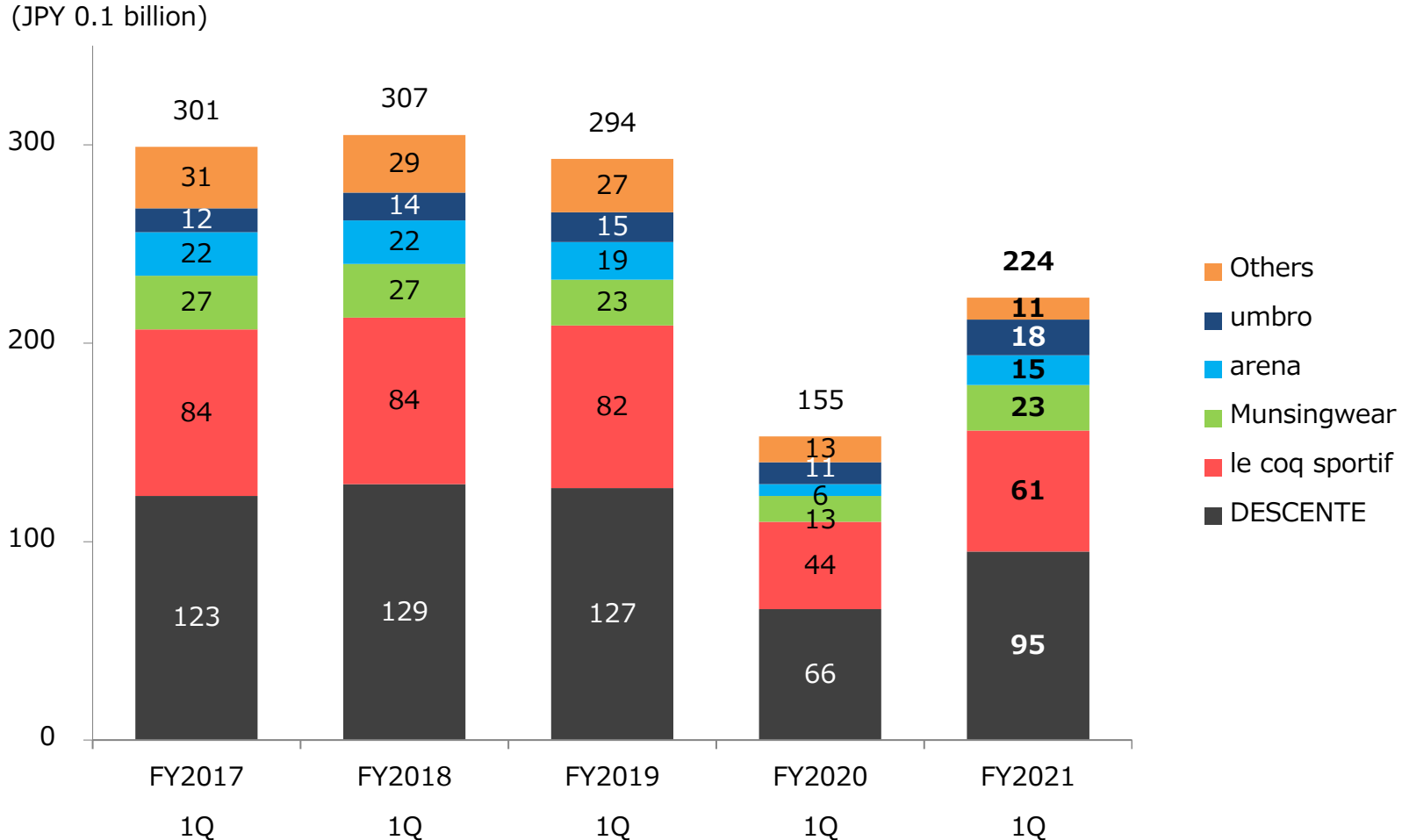
Note : FY2021 = FY ending March 31, 2022

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.



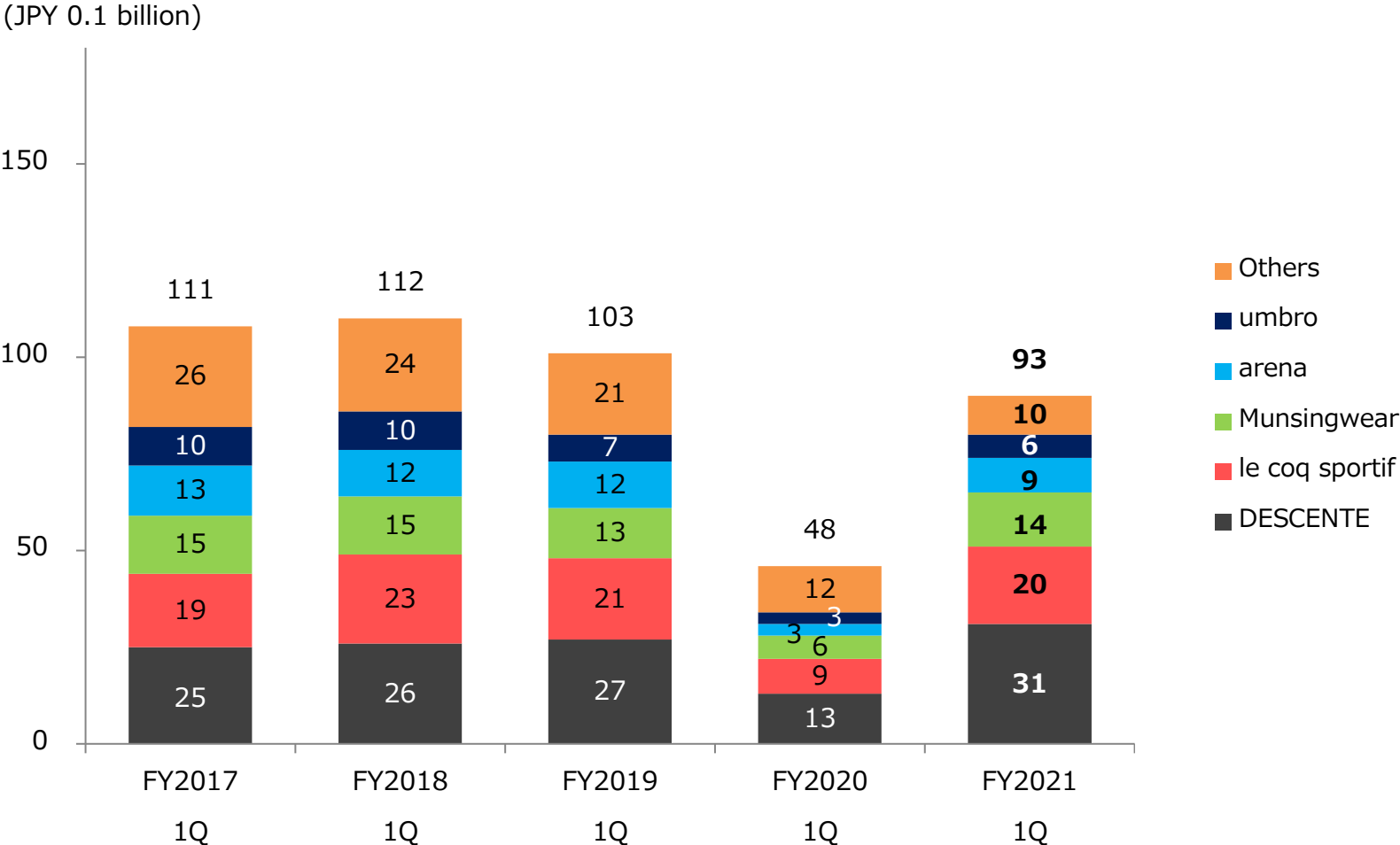
Note : FY2021 = FY ending March 31, 2022

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 +176% year on year.



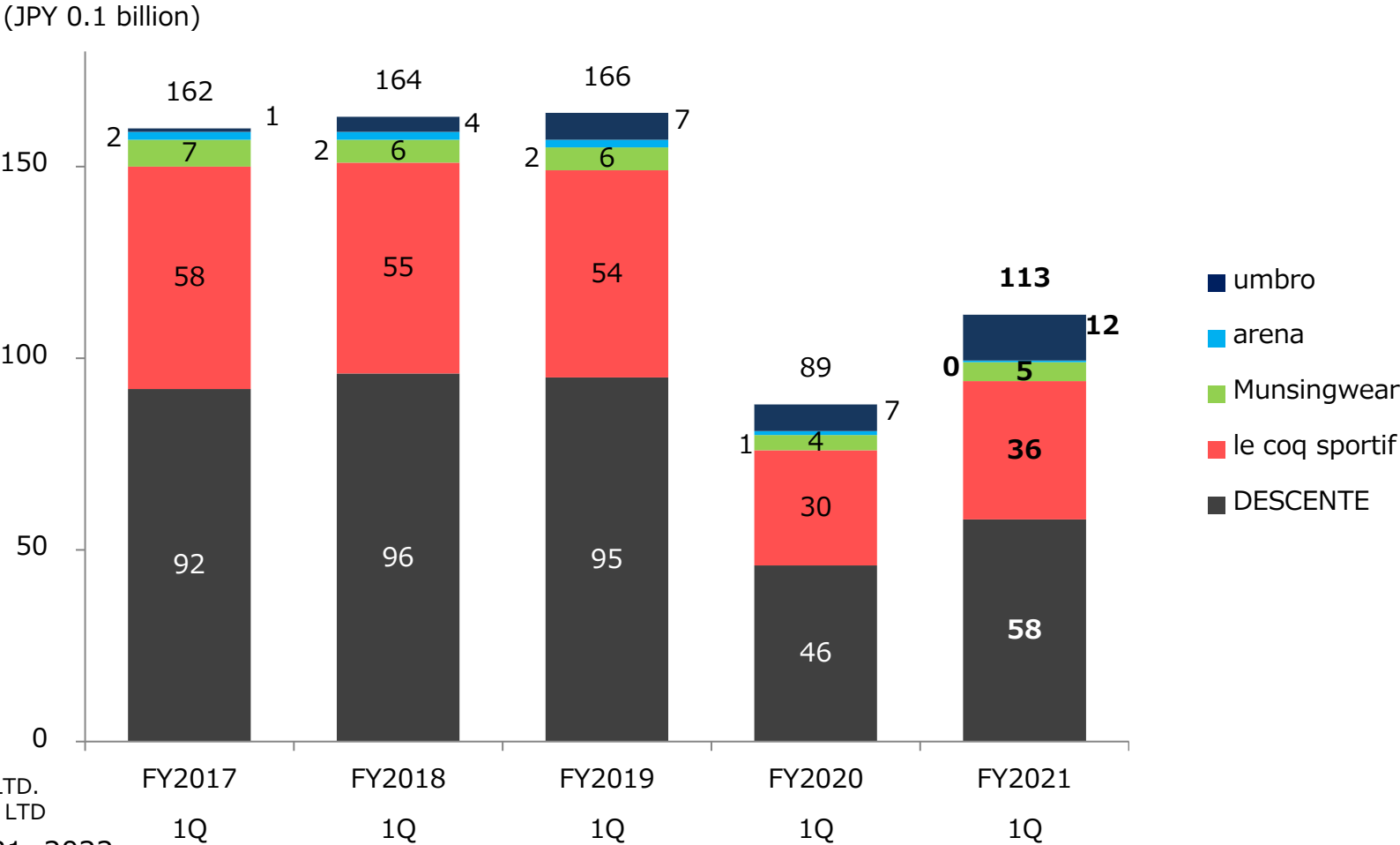
Note : FY2021 = FY ending March 31, 2022

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.



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

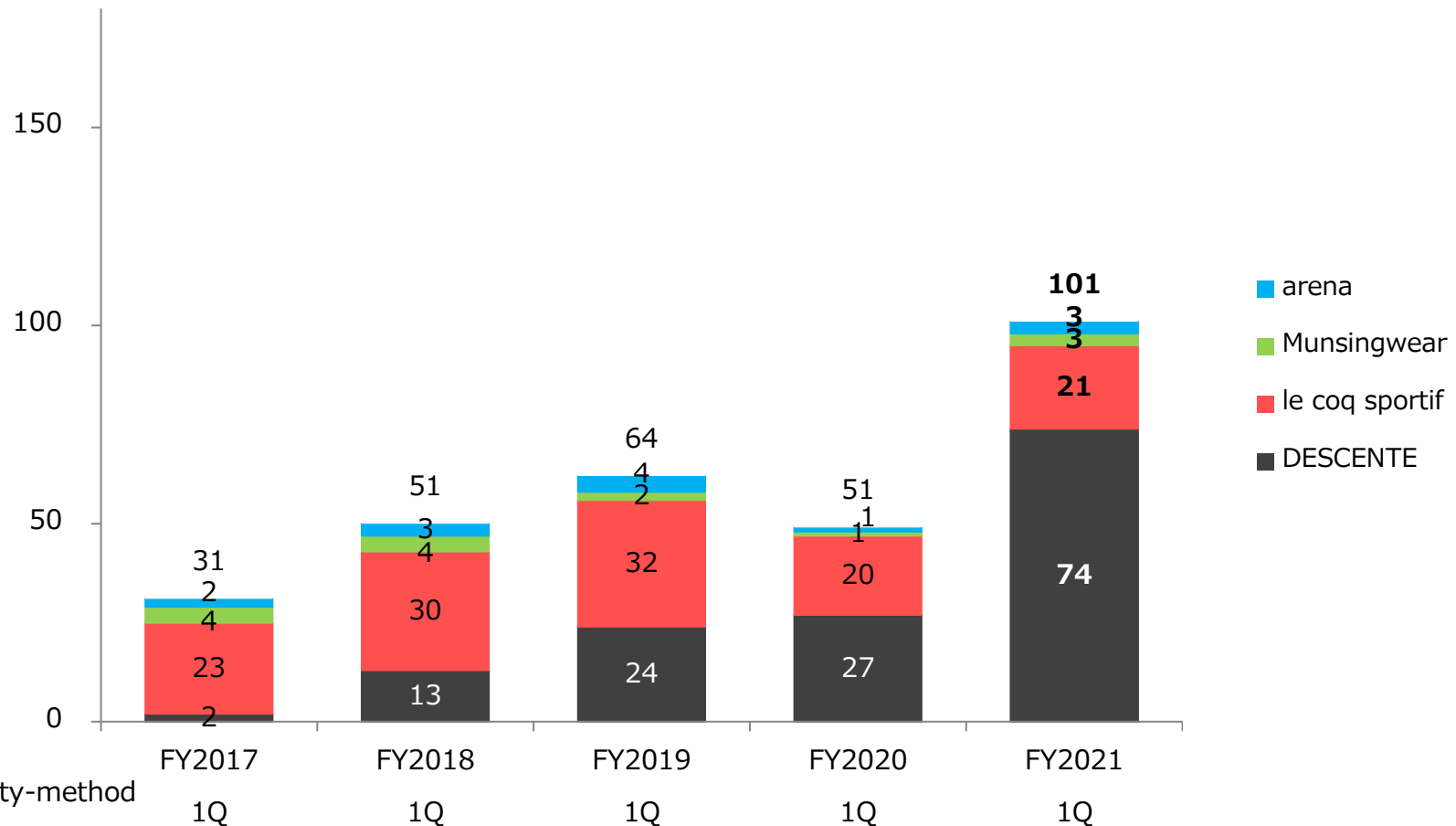
Combined Local Sales in China* (excl. Taiwan)



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	DESCENTE GROUP 100%	DESCENTE GROUP 100%	DESCENTE GROUP 40% ANTA Group 54% Itochu Group 6%	DESCENTE GROUP 40% ShanShan Group 50% Itochu Group 10%	DESCENTE GROUP 30% Symphony Holdings Limited 70%
Brands					
Sales royalty for locally planned products Payment to	DESCENTE LTD.	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

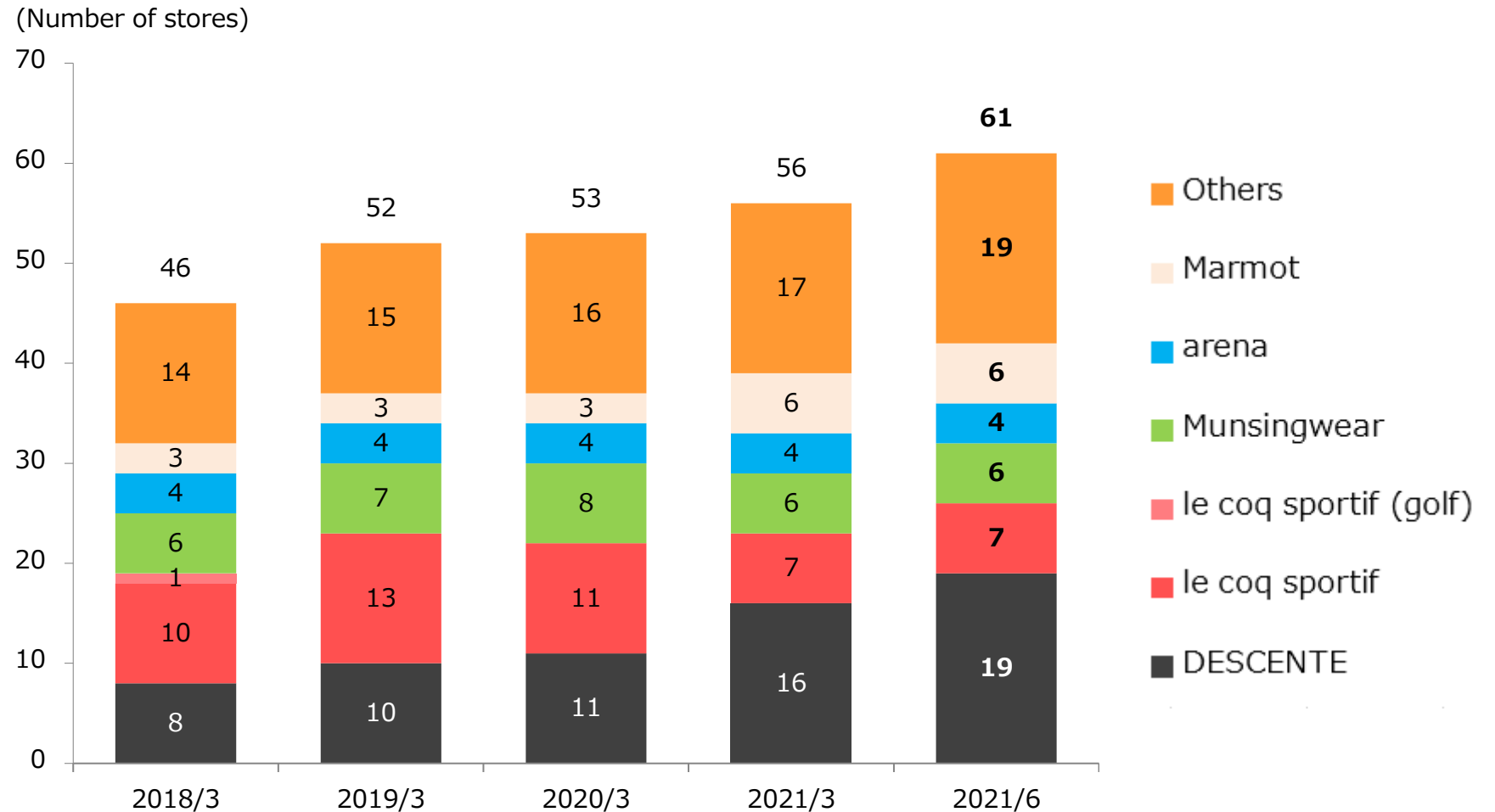
Number of Stores in Japan (Directly Managed Stores)



1. 1Q FY2021 (3) Number of Stores

Opened 3 directly managed stores of "DESCENTE" brand in April.

※Including outlets

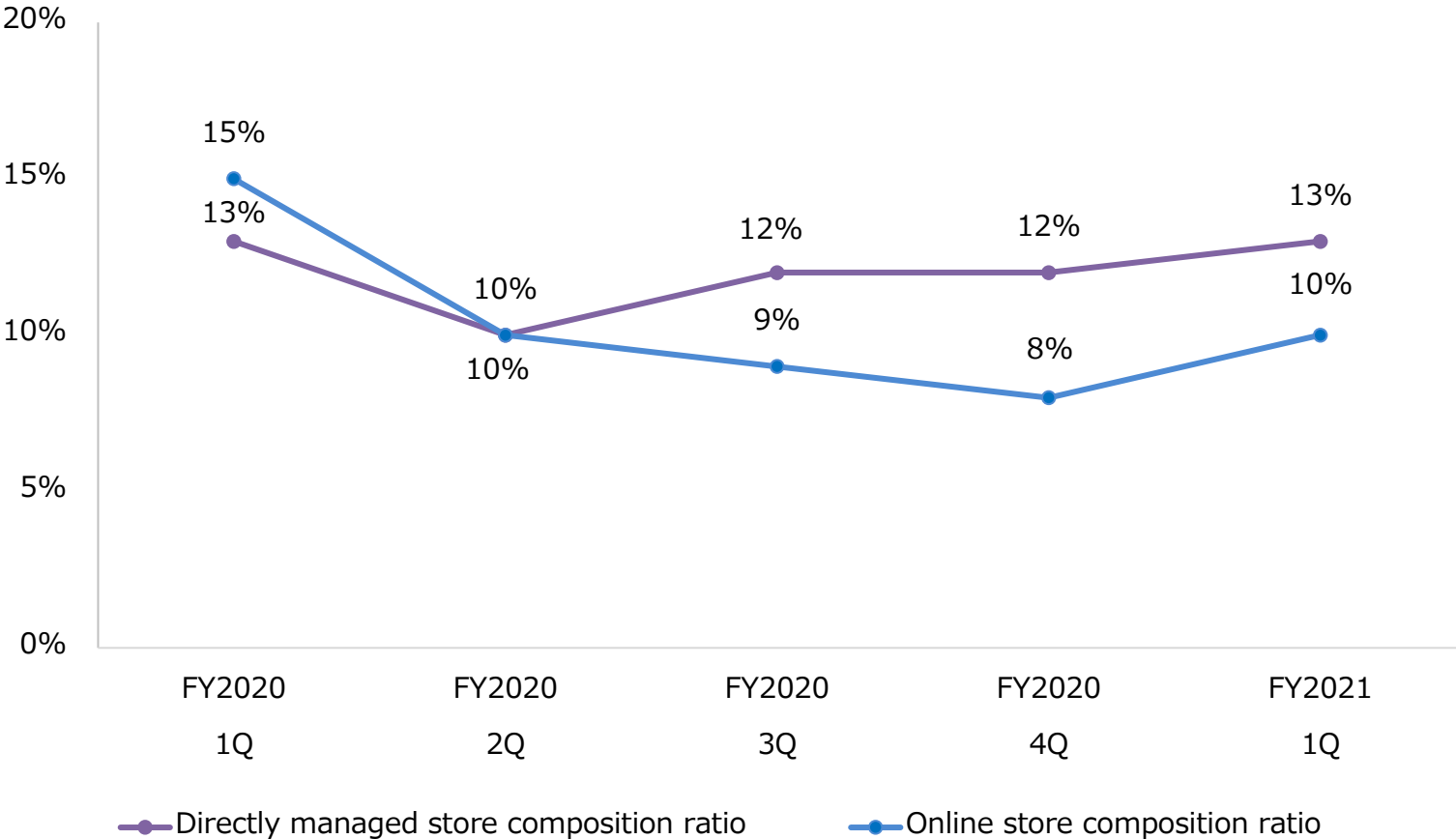


Directly managed stores / Online stores sales composition ratio in Japan



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

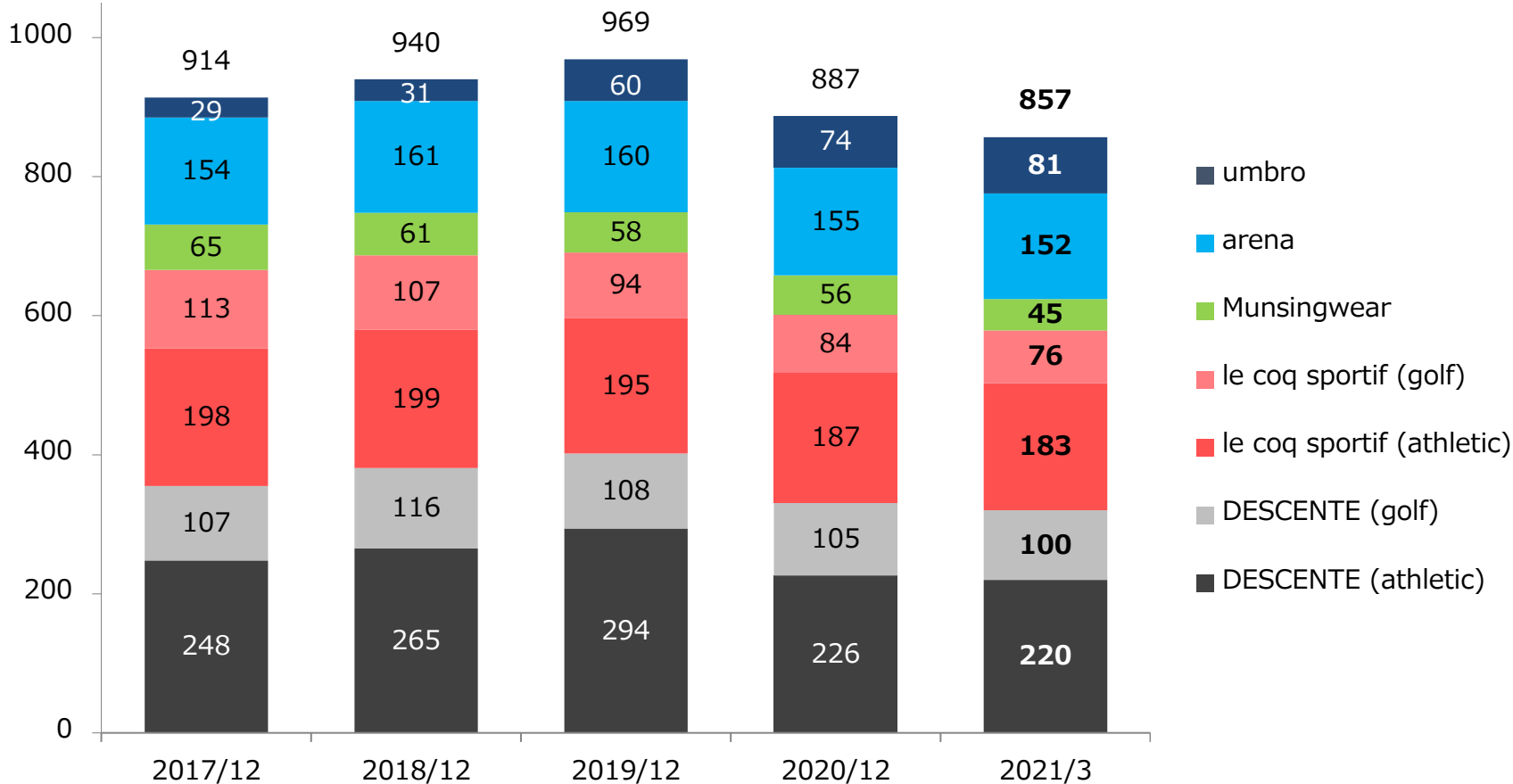
Number of Stores in South Korea



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)



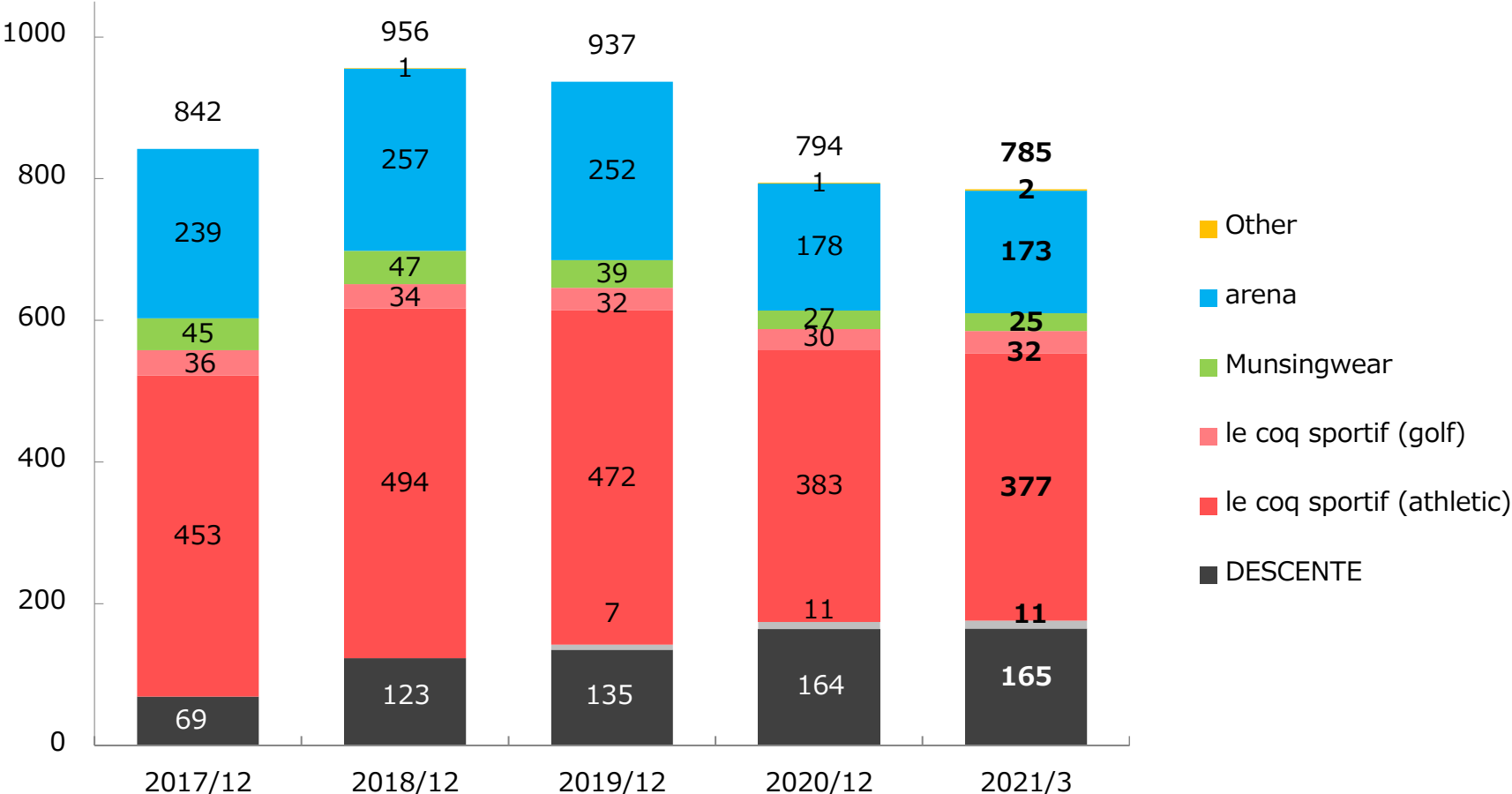
Number of Stores in china (incl. Hong Kong)



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%	-

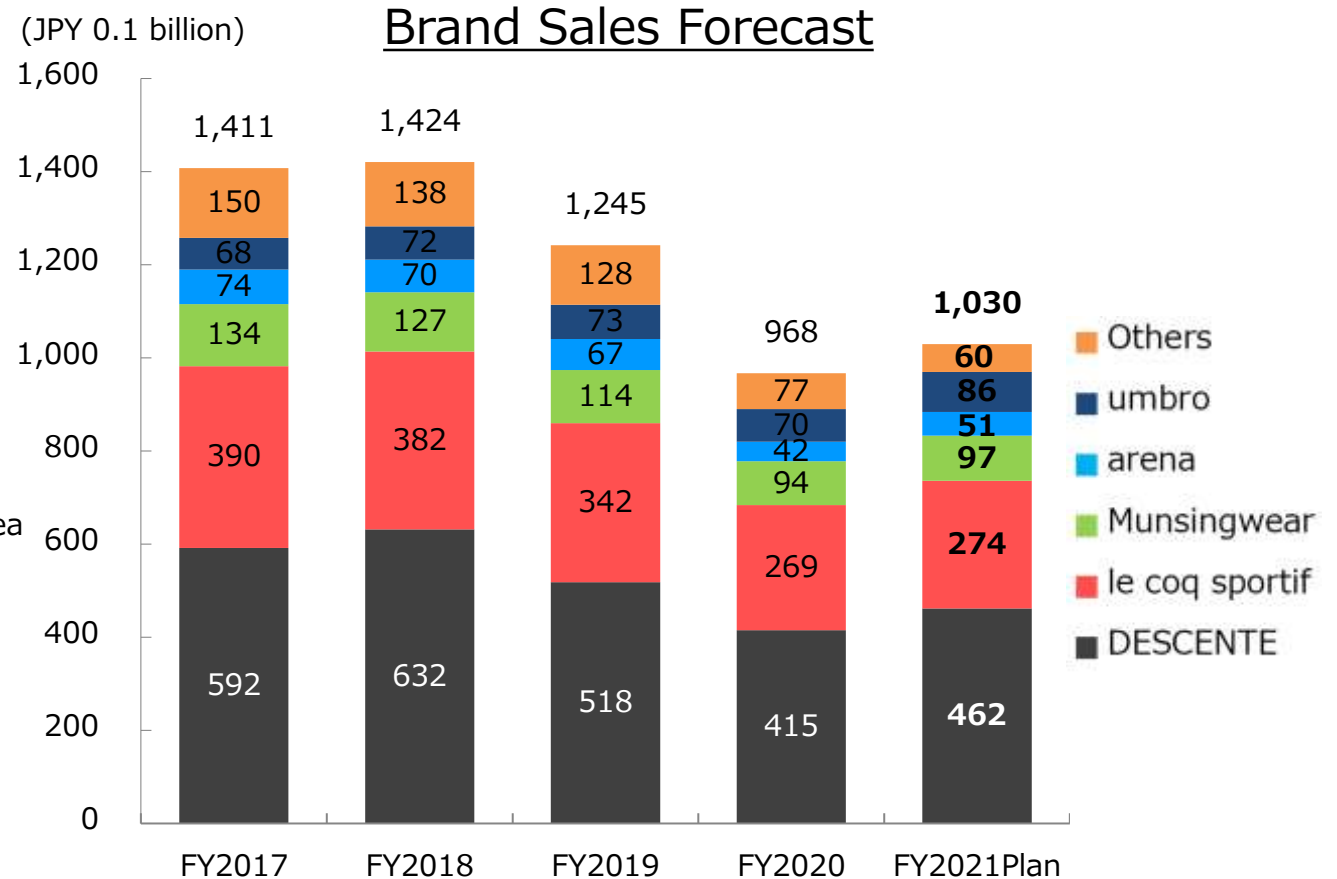
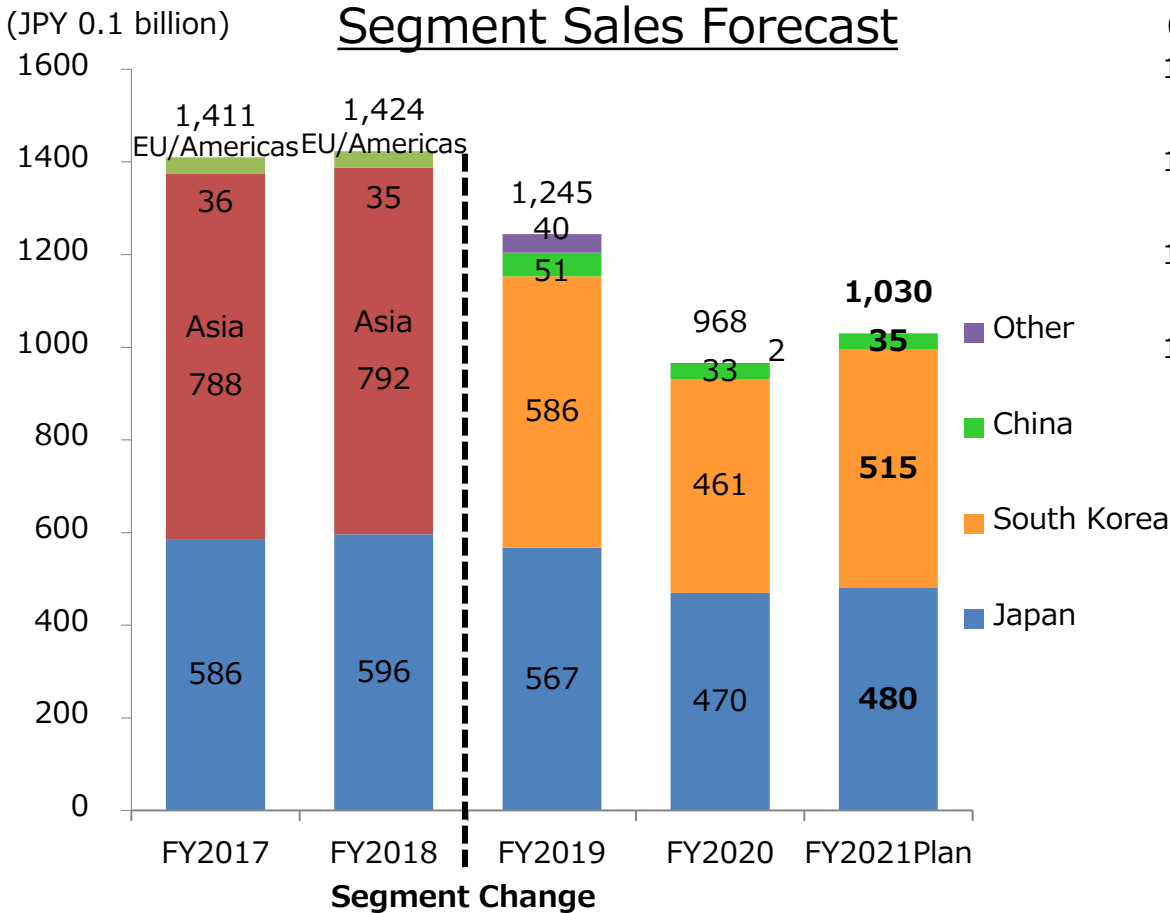
Predicted Exchange Rate : USD105.70、100KRW8.90、CNY15.40、HKD13.60

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	<i>JPY23.0</i>	<i>JPY23.0</i>	-	-	<i>JPY20.0</i>
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 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.

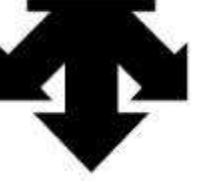
1Q YTD = First 3 months of FY

2Q YTD = First 6 months of FY

3Q YTD = First 9 months of FY

4Q YTD = Full FY

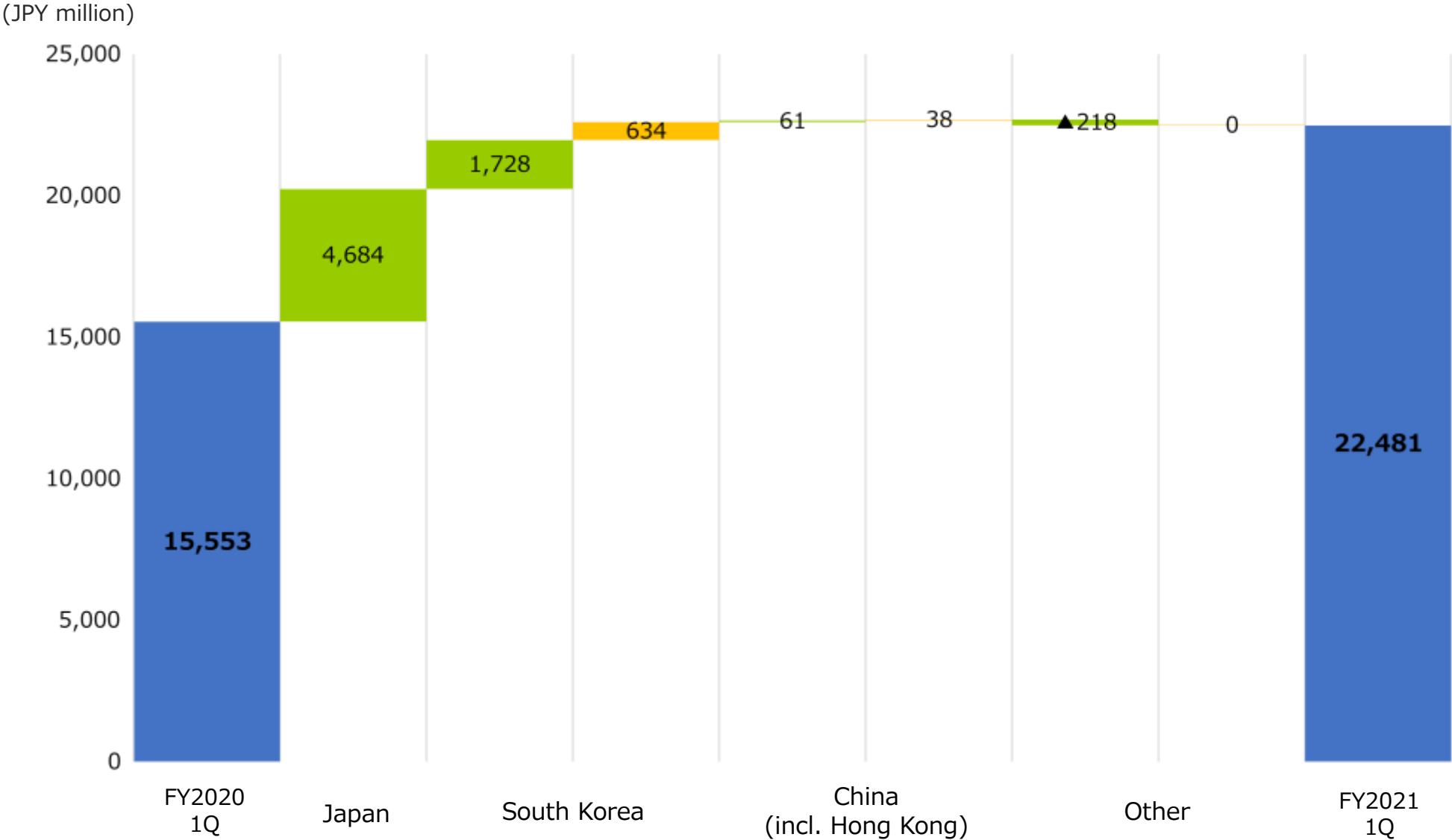
FY2021 = FY ended March 31 2022



1Q FY2021 Reference

(Quarterly Sales and Operating Income by segment)

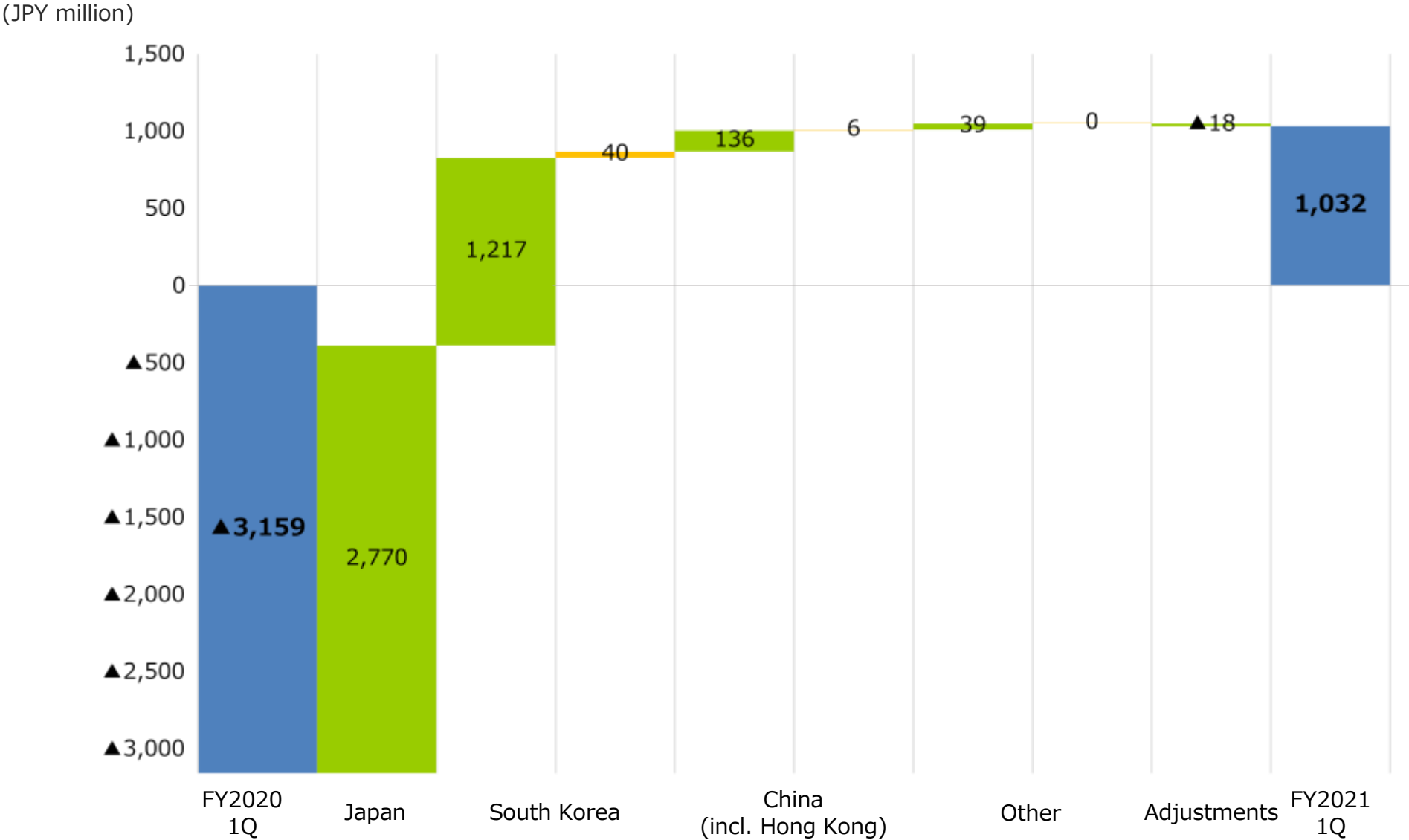
Net Sales (YoY)



Note : FY2021 = FY ending March 31, 2022

Net Sales Actual Gain / Loss Forex Effect

Operating Income (YoY)



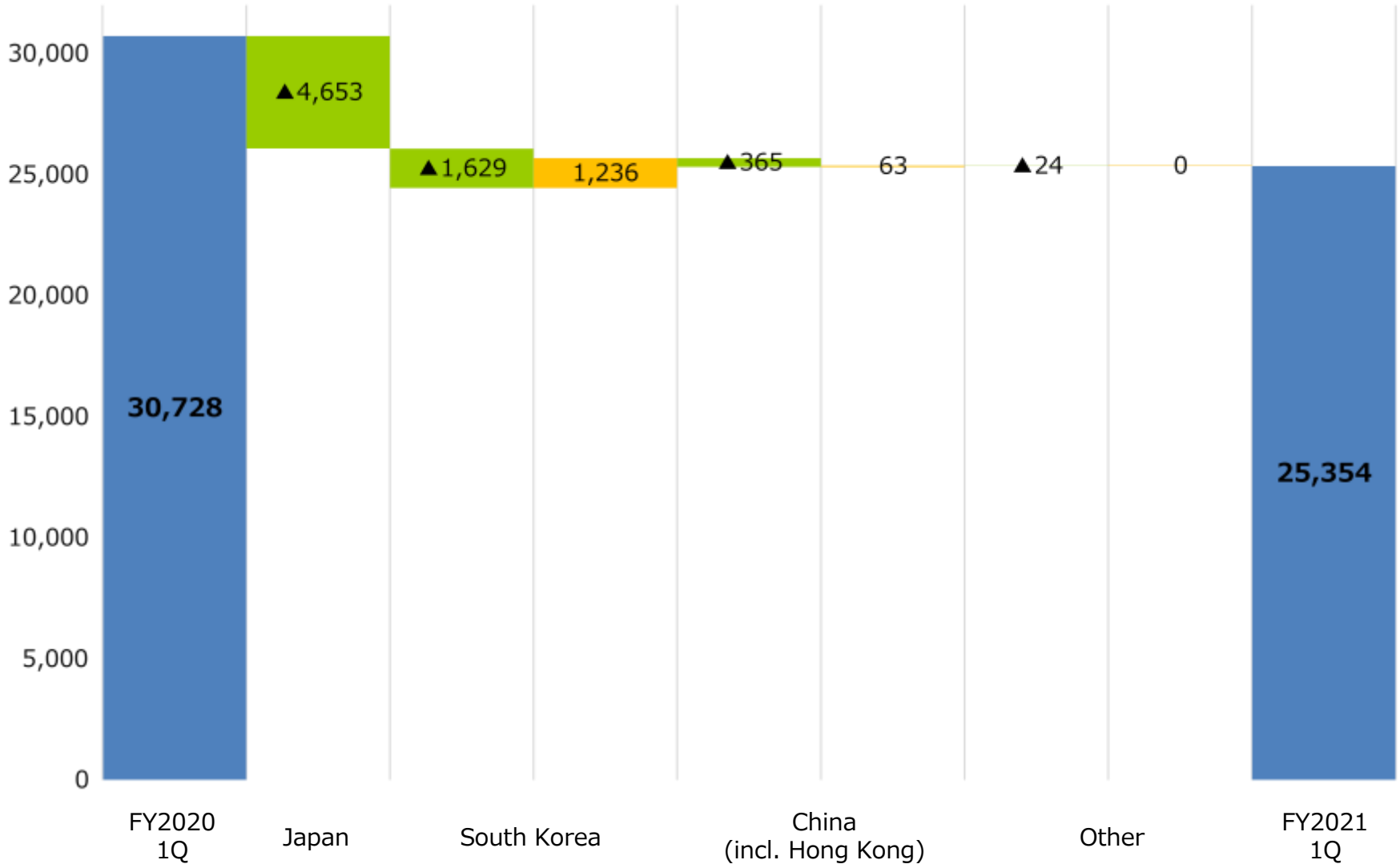
Note : FY2021 = FY ending March 31, 2022

Operating income Actual Gain / Loss Forex Effect

Inventory (YoY)



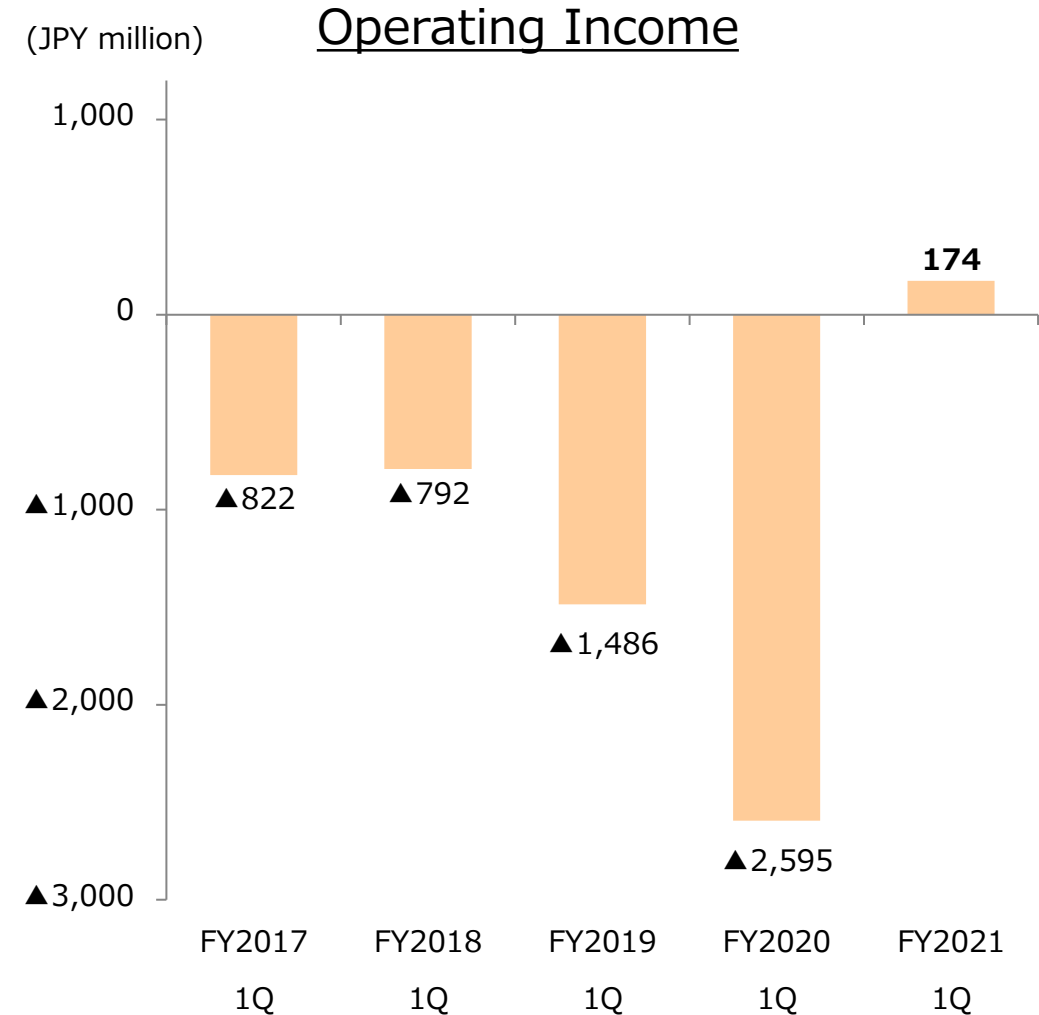
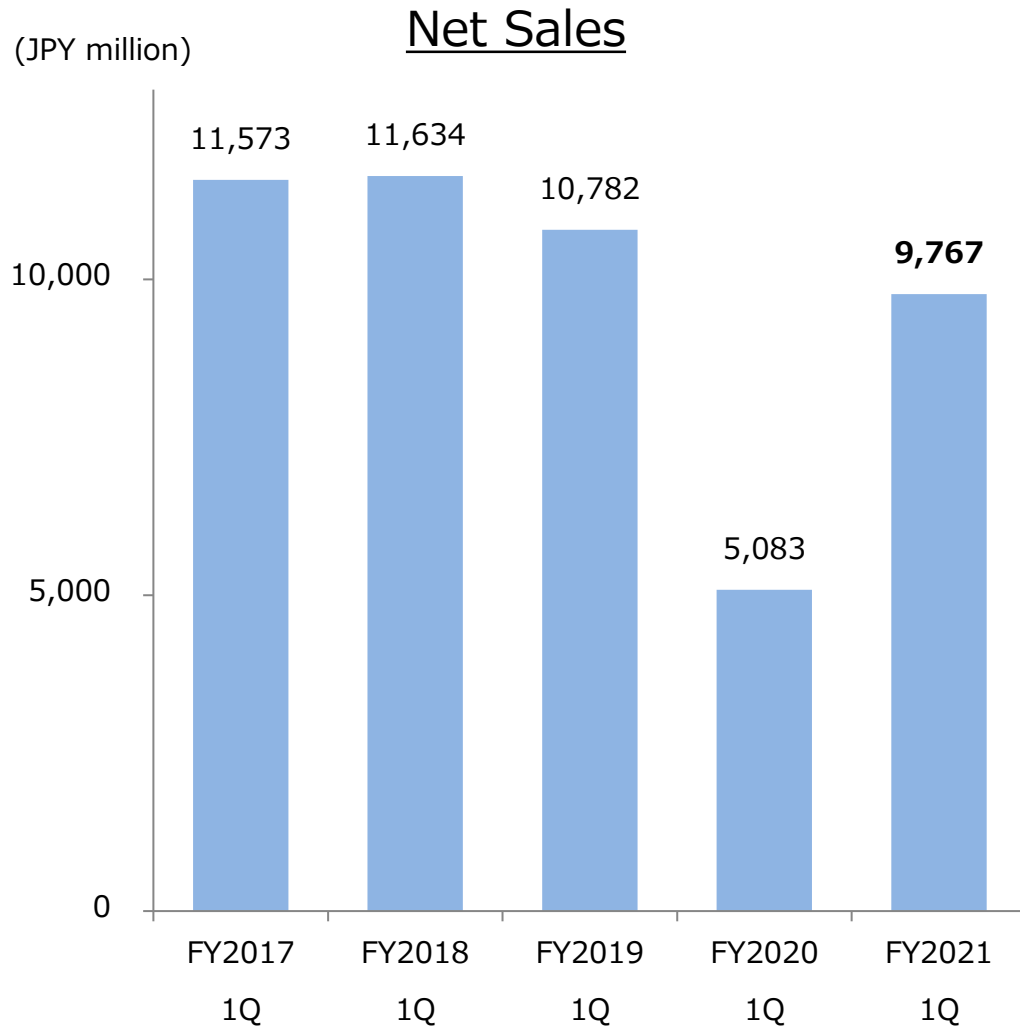
(JPY million)



Note : FY2021 = FY ending March 31, 2022

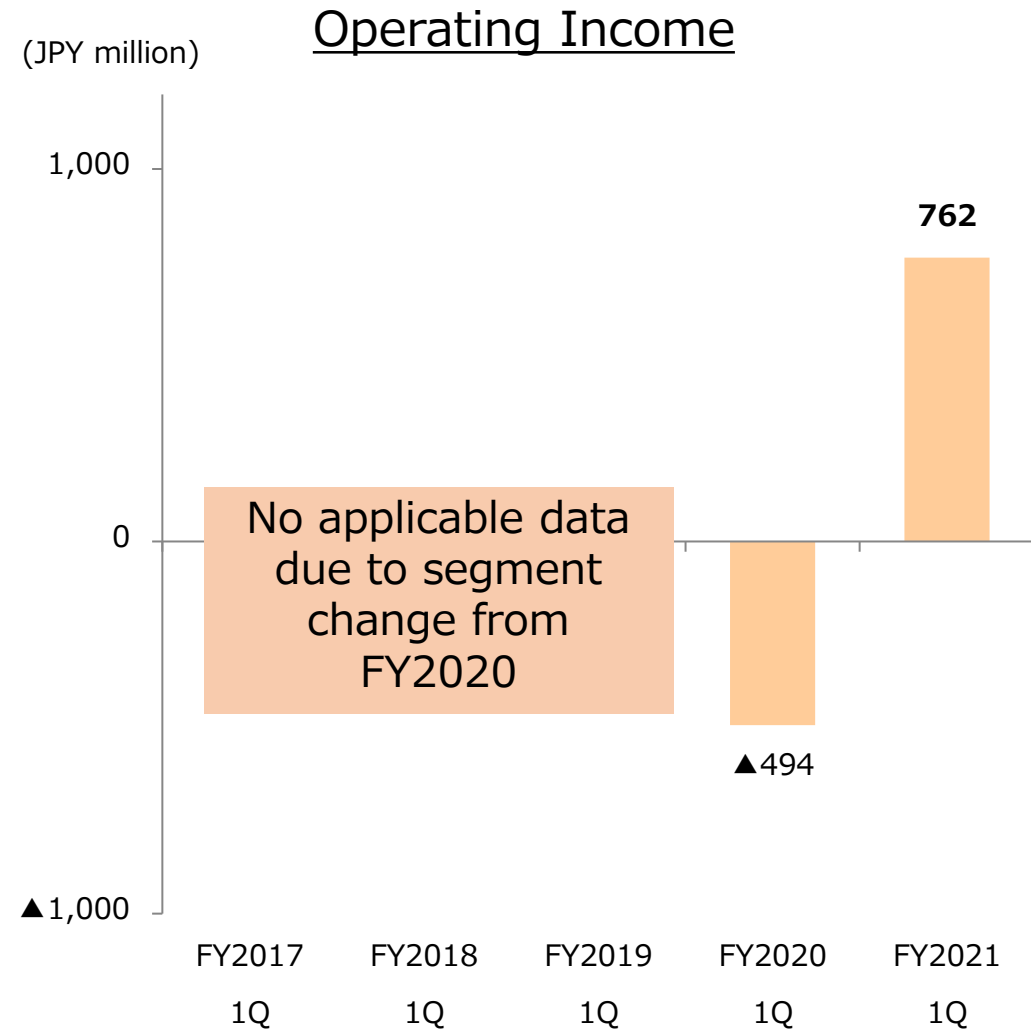
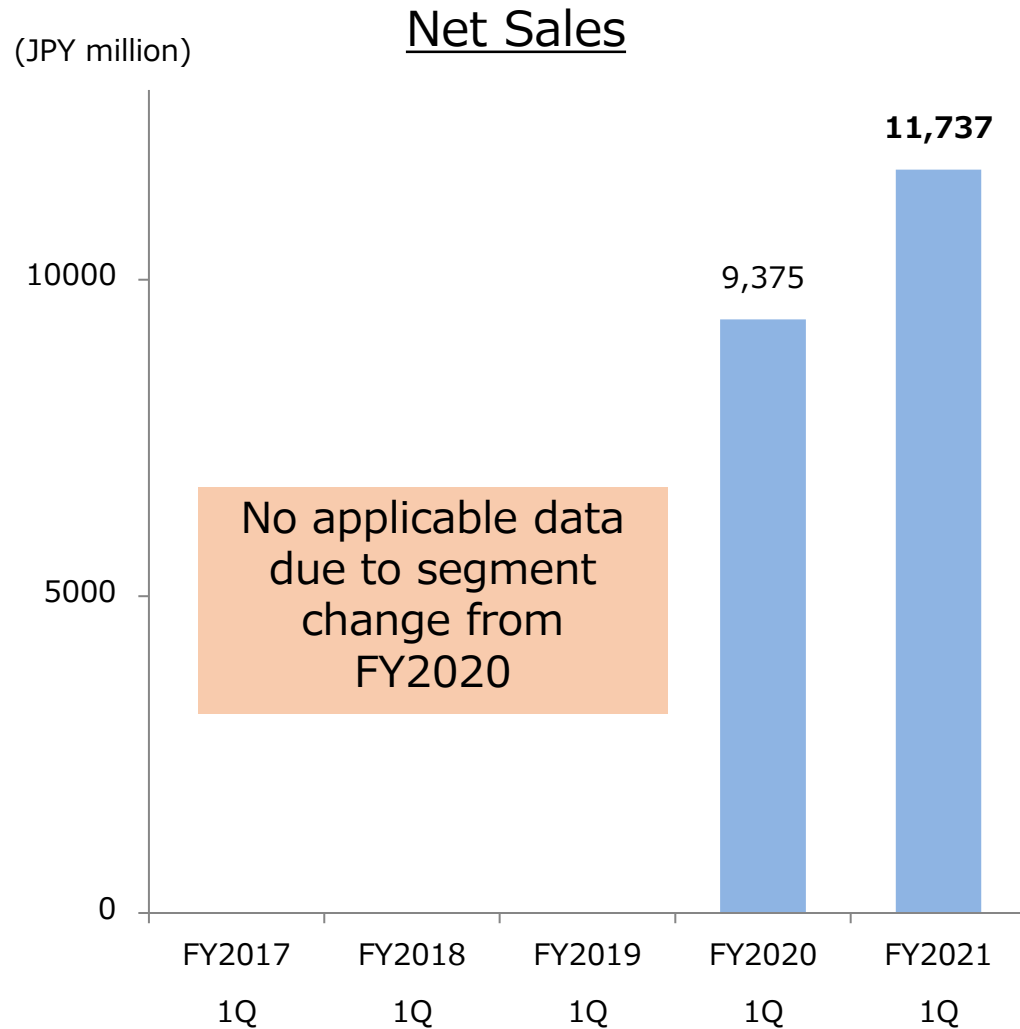
■ Inventories ■ Actual Gain / Loss ■ Forex Effect

Net Sales and Operating Income (Japan)



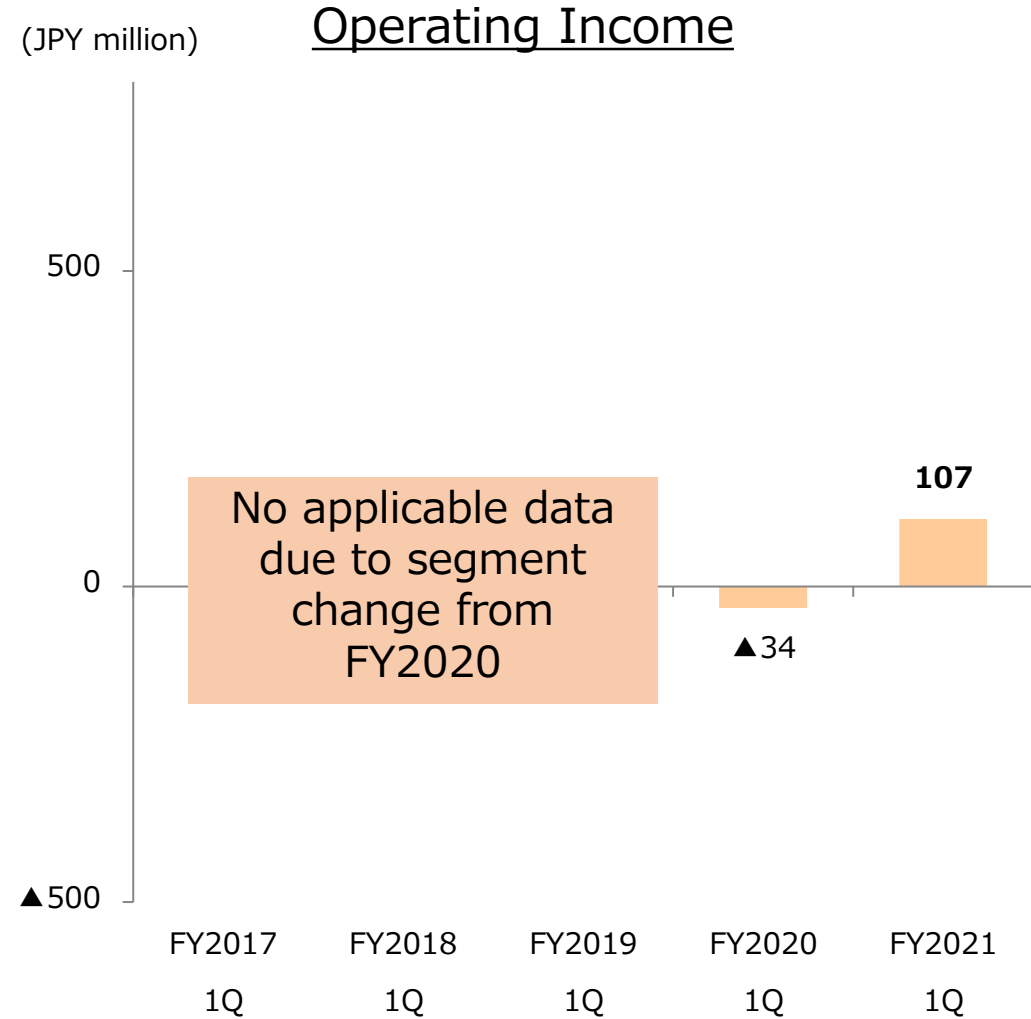
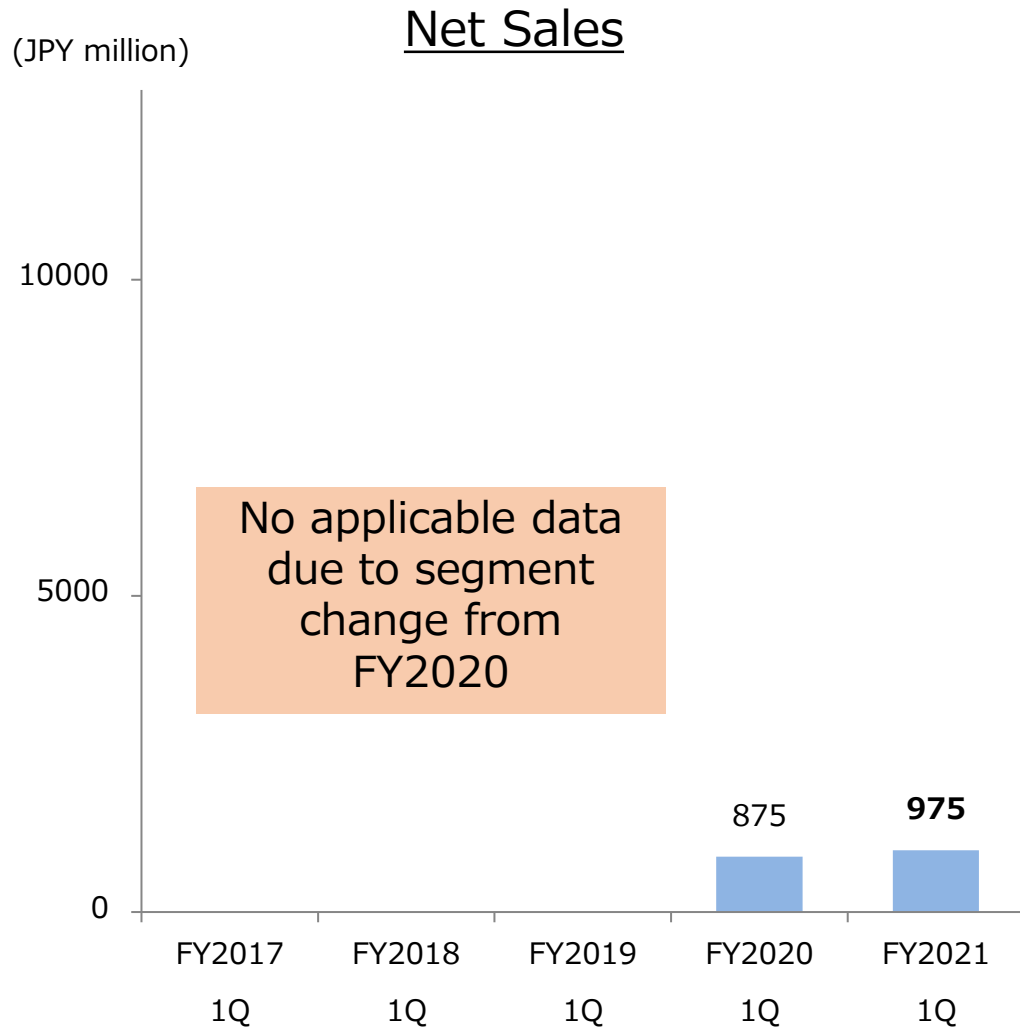
Note : FY2021 = FY ending March 31, 2022

Net Sales and Operating Income (South Korea)



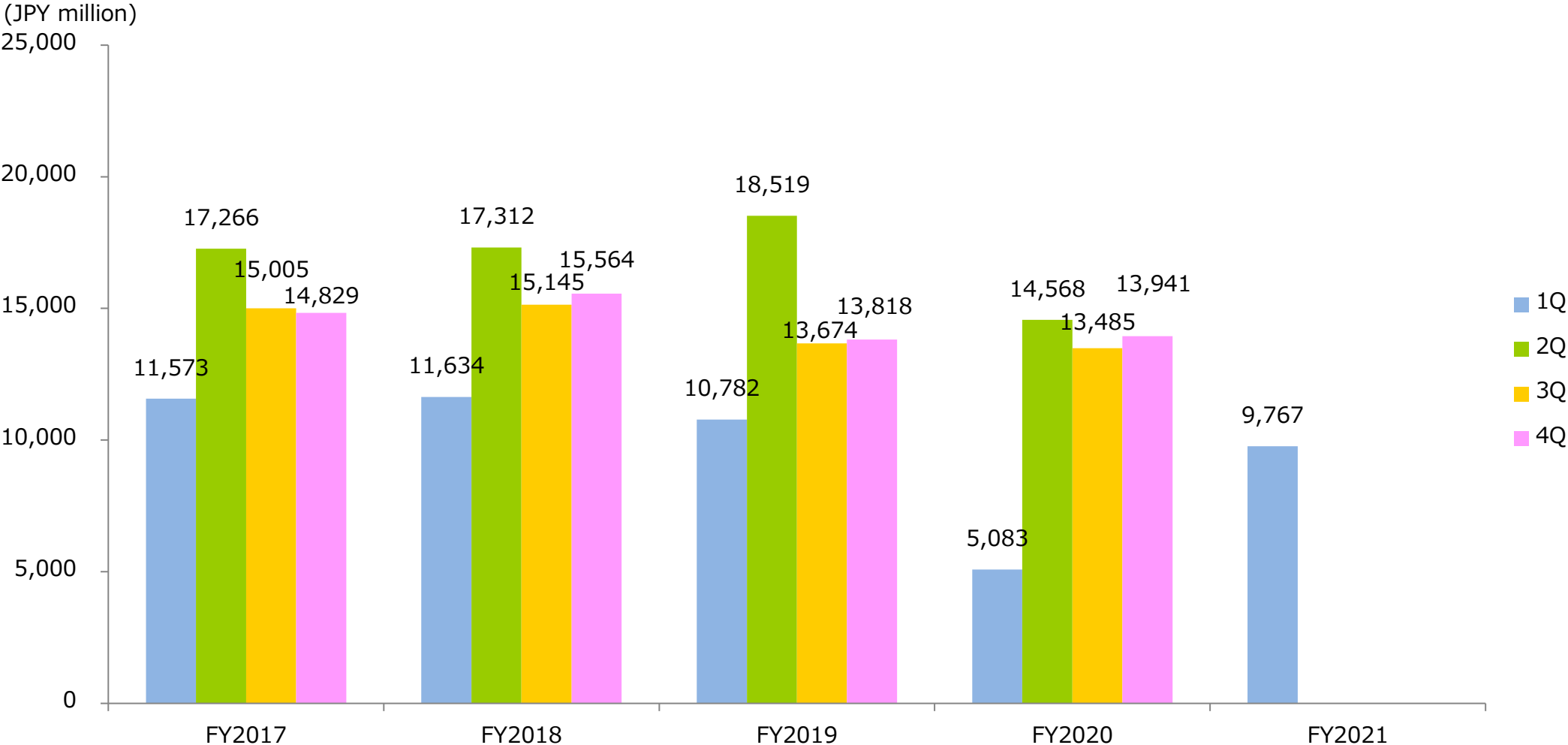
Note : FY2021 = FY ending March 31, 2022

Net Sales and Operating Income (China)



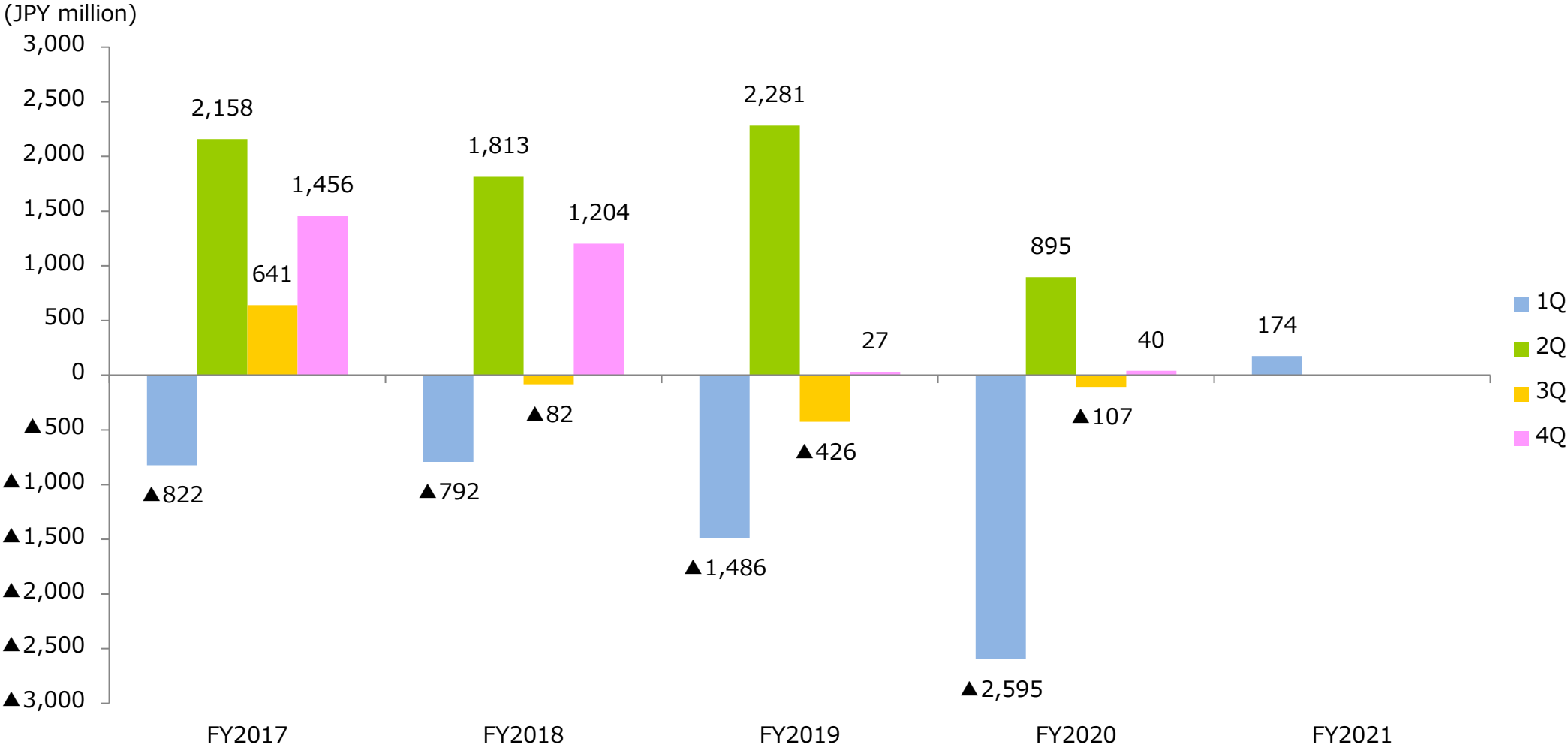
Note : FY2021 = FY ending March 31, 2022

Quarterly Sales (Japan)



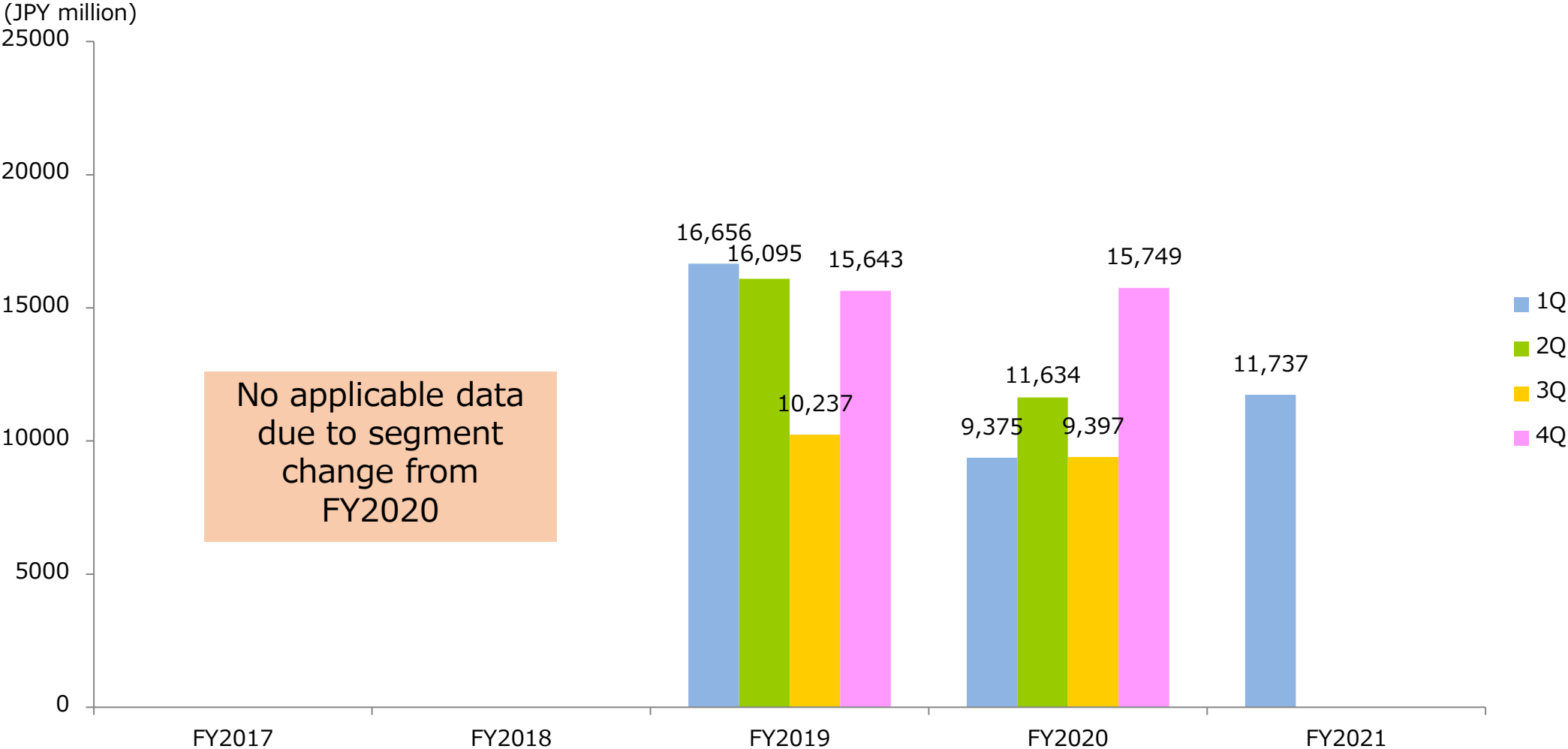
Note : FY2021 = FY ending March 31, 2022

Quarterly Operating Income (Japan)



Note : FY2021 = FY ending March 31, 2022

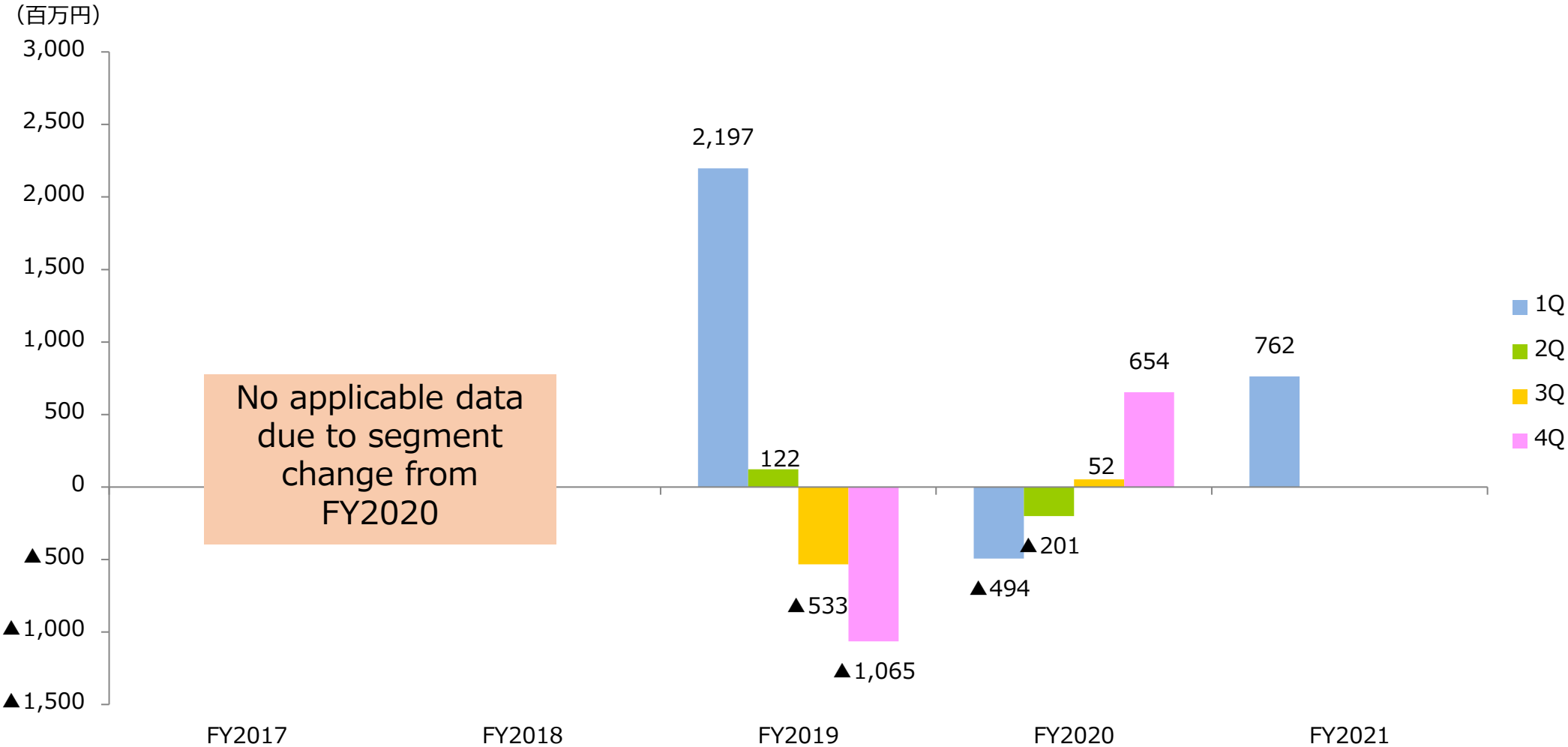
Quarterly Sales (South Korea)



No applicable data due to segment change from FY2020

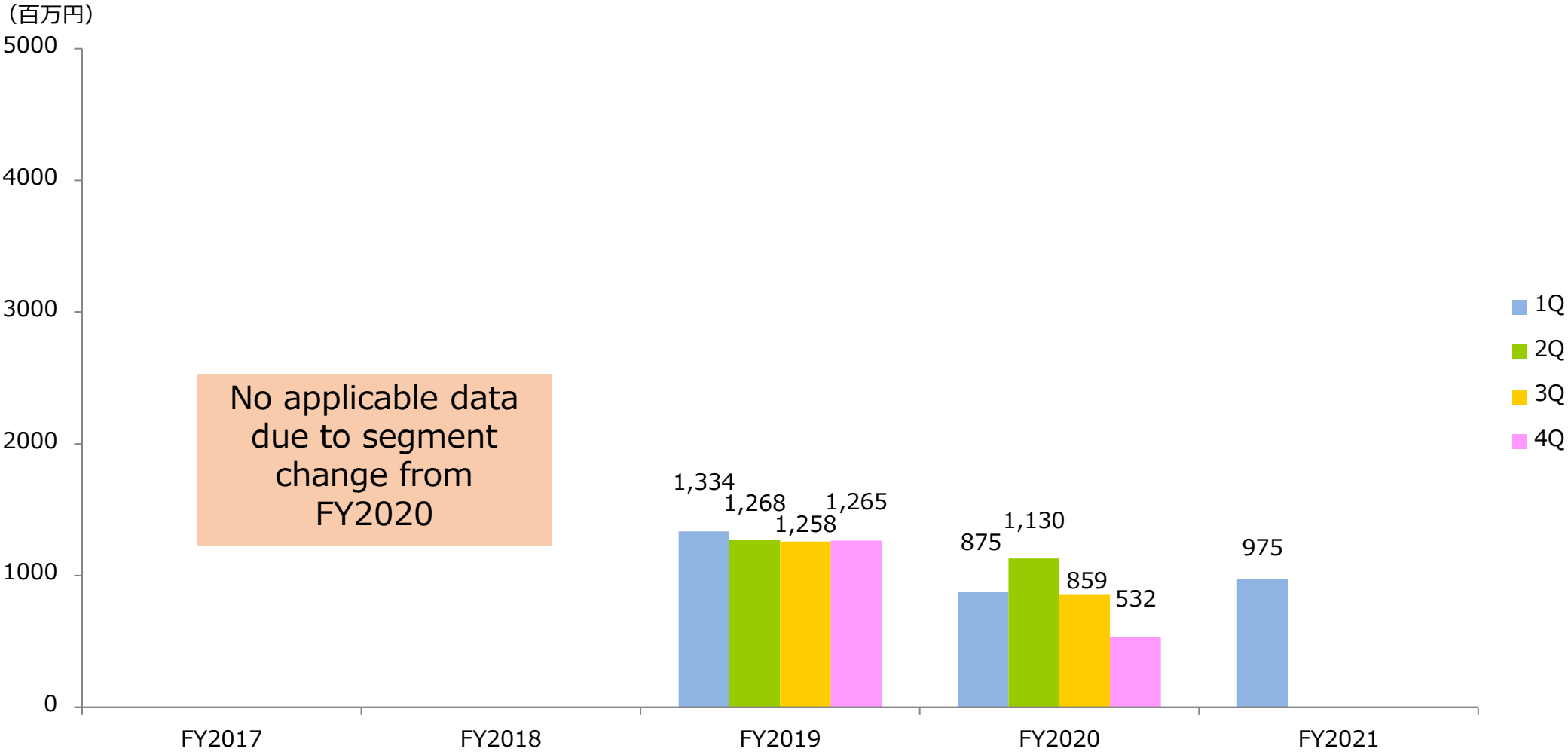
Note : FY2021 = FY ending March 31, 2022

Quarterly Operating Income (South Korea)



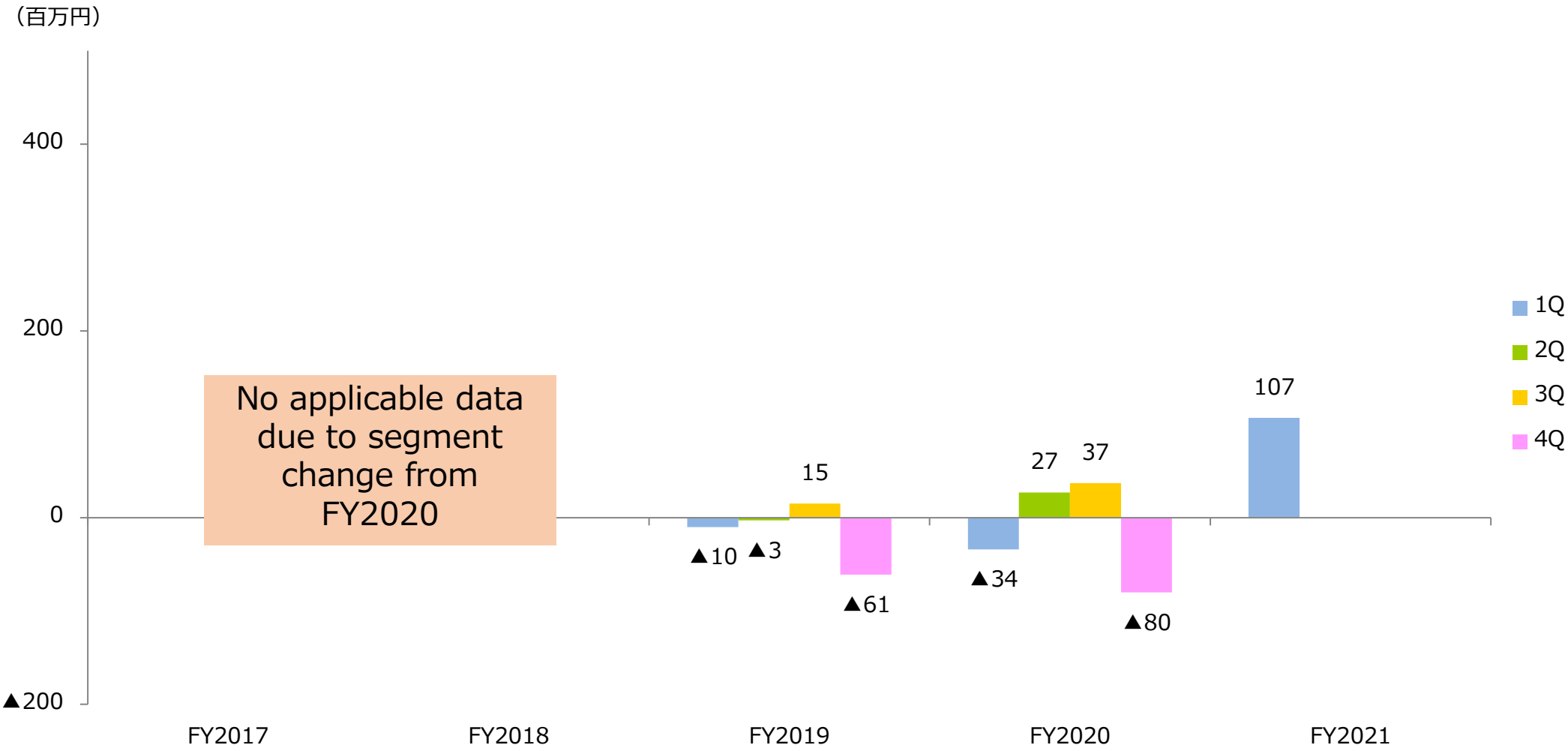
Note : FY2021 = FY ending March 31, 2022

Quarterly Sales (China)



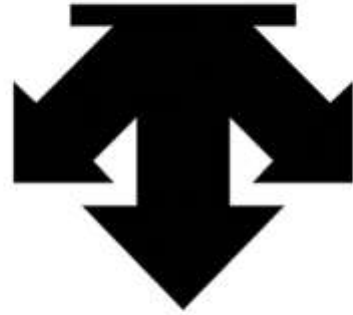
Note : FY2021 = FY ending March 31, 2022

Quarterly Operating Income (China)



Note : FY2021 = FY ending March 31, 2022

DESCENTE



Design for Sports