

DESCENTE

3Q FY2021 Earnings

February 7, 2022

Disclaimer: This is an AI English translation of the original Japanese-language Consolidated Financial Summary of DESCENTE LTD. (the Company) for 3Q 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

Definition 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 affiliates

Non-operating income 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 income and loss

Gain or loss on investment of an equity method affiliate in China, etc.

1. 3Q FY2021

①Financial Summary

②Area and Brand Review

③Number of Stores

2. Plan for FY2021

Results of 3Q FY2021 (Consolidated)



1.3Q FY2021 ①Financial Summary

- Both sales and profits increased from previous year

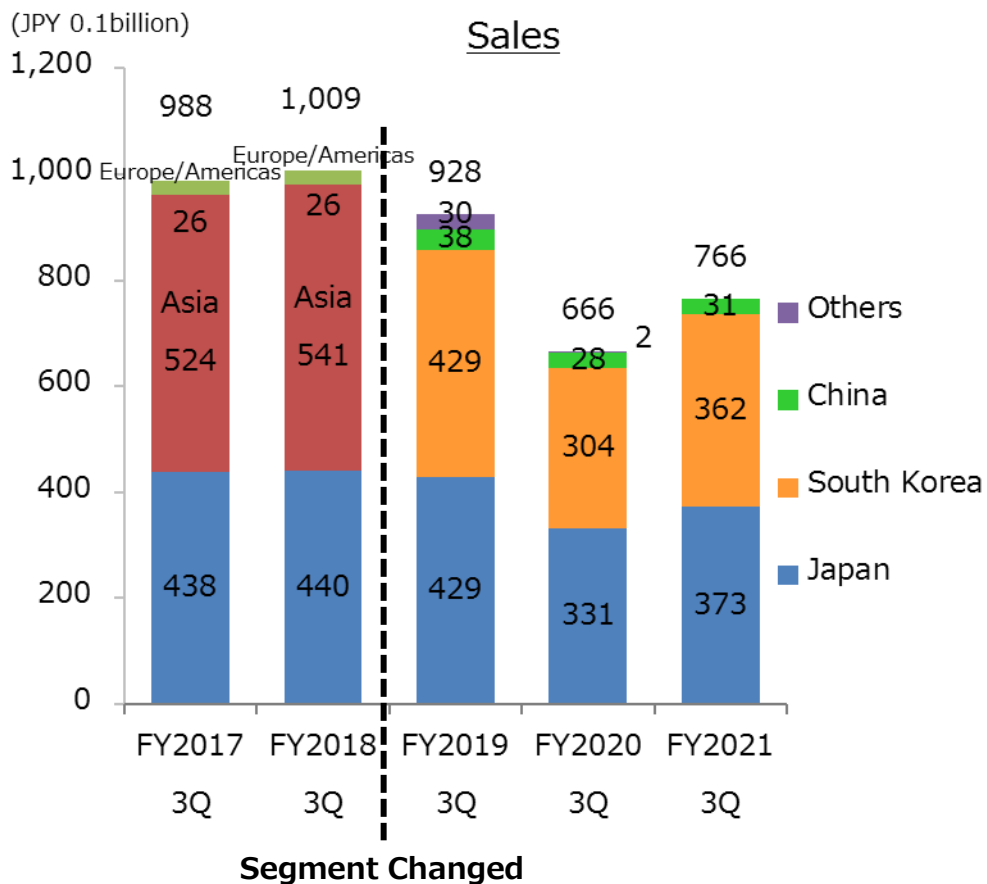
(Unit: JPY million)	FY2021 3rd Quarter performance	FY2020		FY2021 Previous Forecast	FY2021 Revised Forecast
		3rd Quarter performance	YoY		
Net sales	76,681	66,638	+15.1%	103,000	105,000
Operating income	4,380	▲ 2,454	-	4,250	4,600
(%)	5.7%	▲ 3.7%	-	4.1%	4.4%
Ordinary income	5,832	▲ 1,775	-	6,800	6,800
(%)	7.6%	▲ 2.7%	-	6.6%	6.5%
Profit attributable to owners of parent	4,952	4,828	+2.6%	6,200	6,200
(%)	6.5%	+7.2%	-	6.0%	5.9%

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



1.3Q FY2021 ①Financial Summary

- Sales increased in main segments (Japan, South Korea and China)

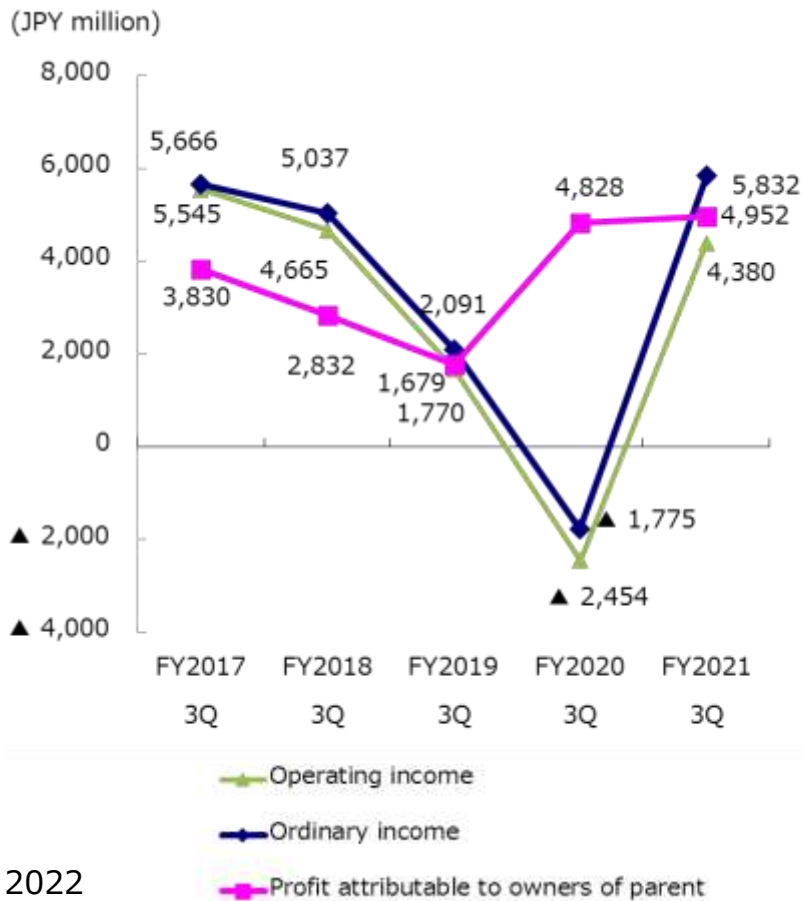


YoY +¥10 billion (+15%)

Japan	+¥4.21 B
South Korea	+¥5.81 B
(Currency Factor of +¥0.63billion)	
China (incl. Hong Kong/Taiwan)	+ ¥0.26 B
Others	▲ ¥0.23 B



- Gross profit increased due to increase in net sales, resulting huge increase in operating income
- In China, “arena” and “le coq sportif”, recovered performance and “DESCENTE” continued to grow, which those brands operated by equity method affiliates, resulting increase in non-operating income and ordinary income



(JPY Million)	FY2021	FY2020	Impact in Profit*
Operating income	4,380	▲ 2,454	+ 6,834
Non-operating income	1,699	975	+ 724
Non-operating expenses	247	296	+ 48
Ordinary income	5,832	▲ 1,775	+ 7,607
Extraordinary income	1,869	7,535	▲ 5,666
Extraordinary loss	62	62	+ 0
Total income taxes	2,687	869	▲ 1,818
Profit attributable to owners of parent	4,952	4,828	+ 124

Impact in profit*
+ contributes to increased earnings,
▲ contribute to decreased earnings

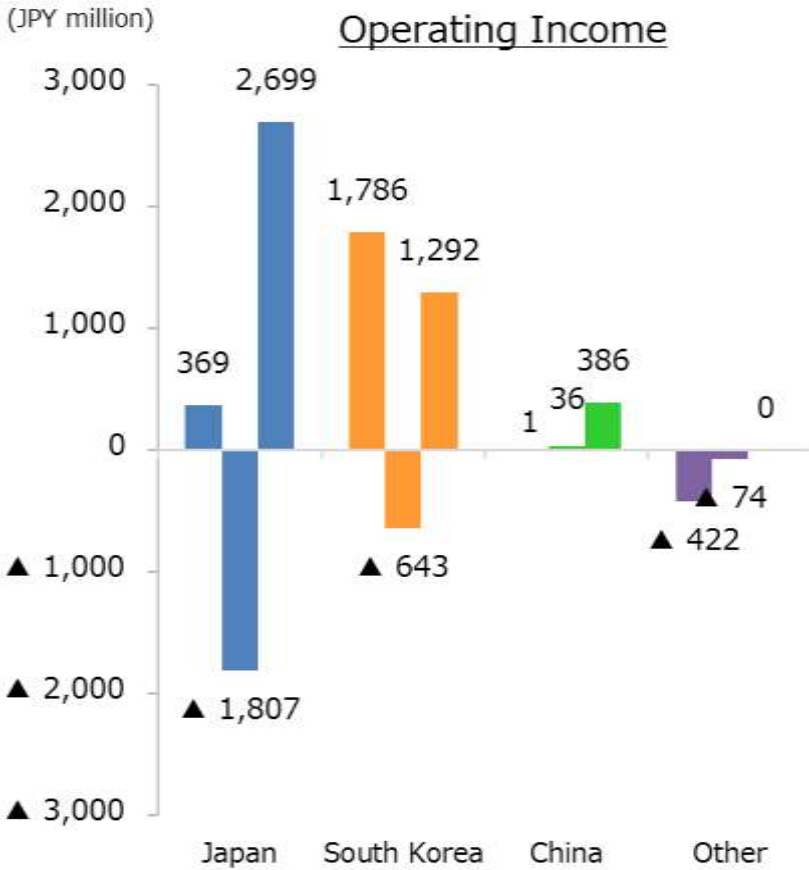
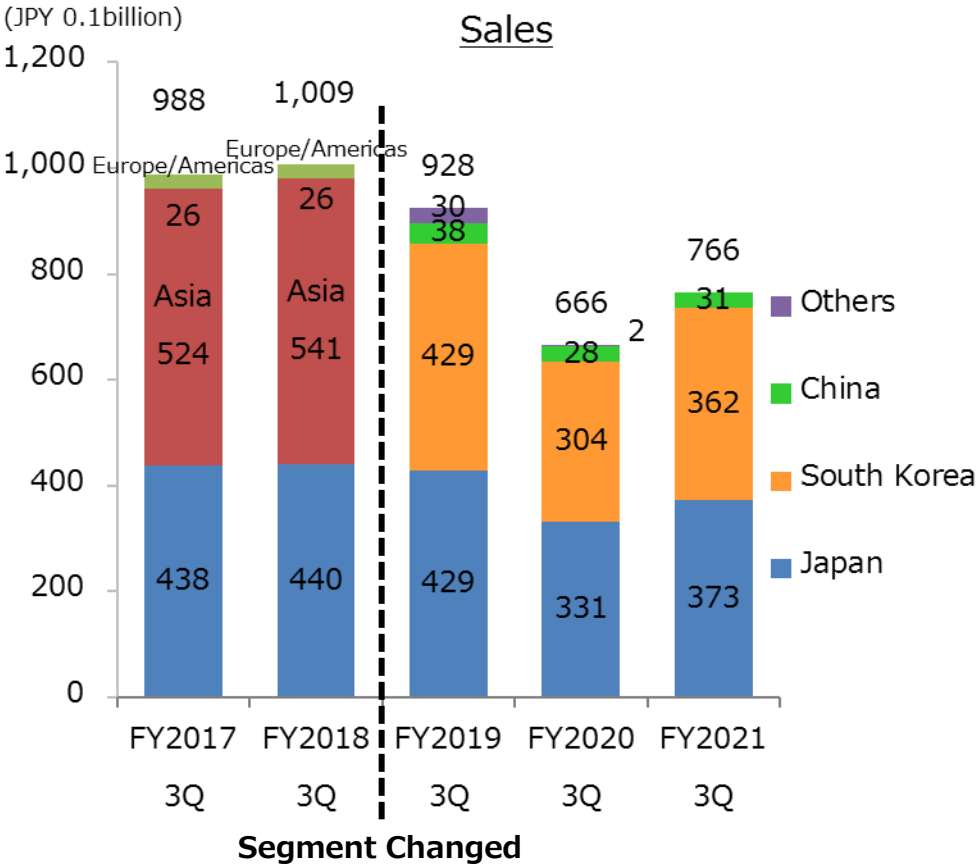
NOTES: FY2021
= FY ending March, 2022

Sales and Operating Income by Segments (Consolidated)



1.3Q FY2021 ①Financial Summary

- Income improved in all segments
- Profitability improved significantly in Japan and China



bar on left: FY2019 3Q
bar on middle: FY2020 3Q
bar on right: FY2021 3Q

NOTES: FY2021 = FY ending March, 2022

Forecast Sales and Profit in Japan / South Korea / China

(≠Consolidated profit/loss)

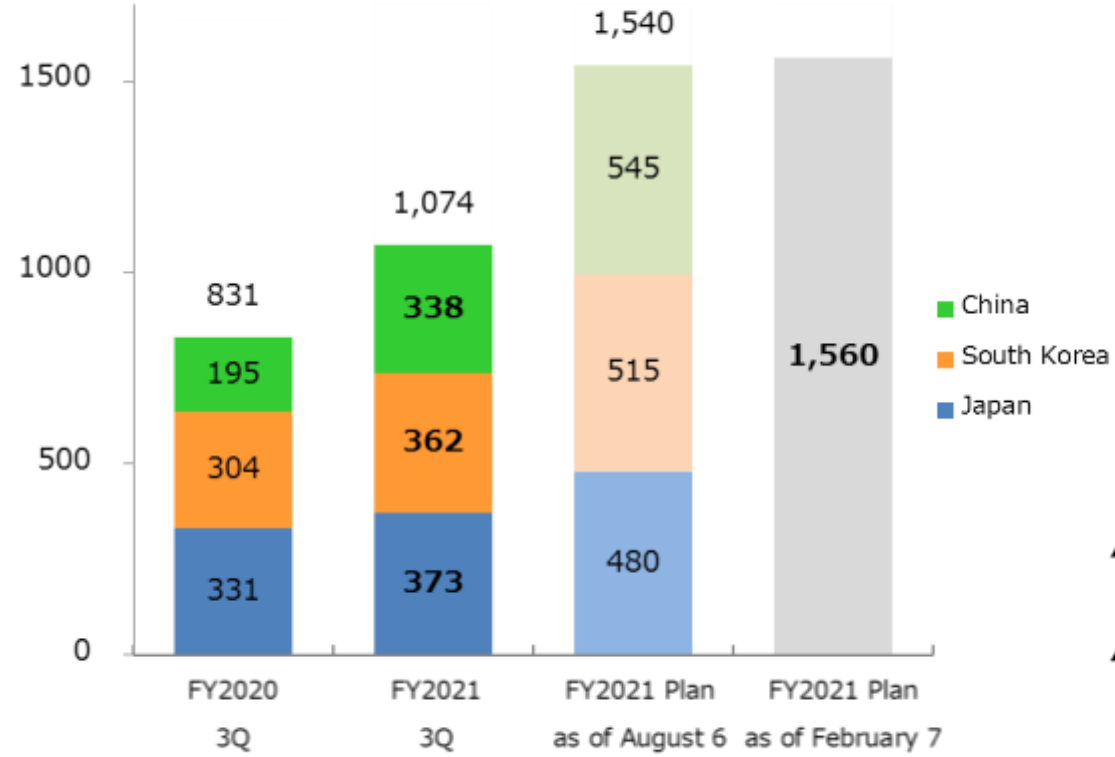


1.3Q FY2021 ①Financial Summary

- Both sales and income are on smooth path to achieve the plan
- Segment breakdown of the full-year plan is not disclosed as 4Q for overseas subsidiaries (October-December) has been finalized

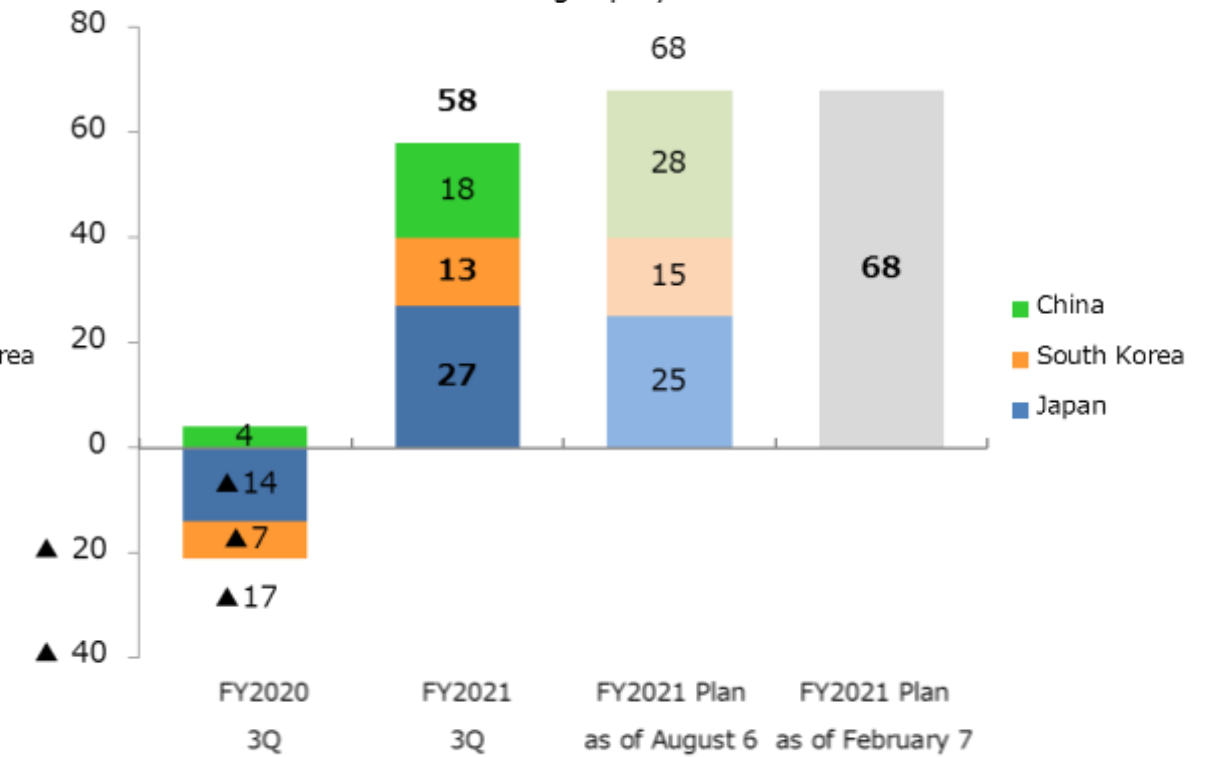
Local Net Sales

Net sales of consolidated subsidiary + net sales of equity method affiliates - internal transactions
(JPY 0.1 billion)



Ordinary Income

Segment profit/loss + share of entities accounted for using equity method
(JPY 0.1 billion)



NOTES: FY2021 = FY ending March, 2022

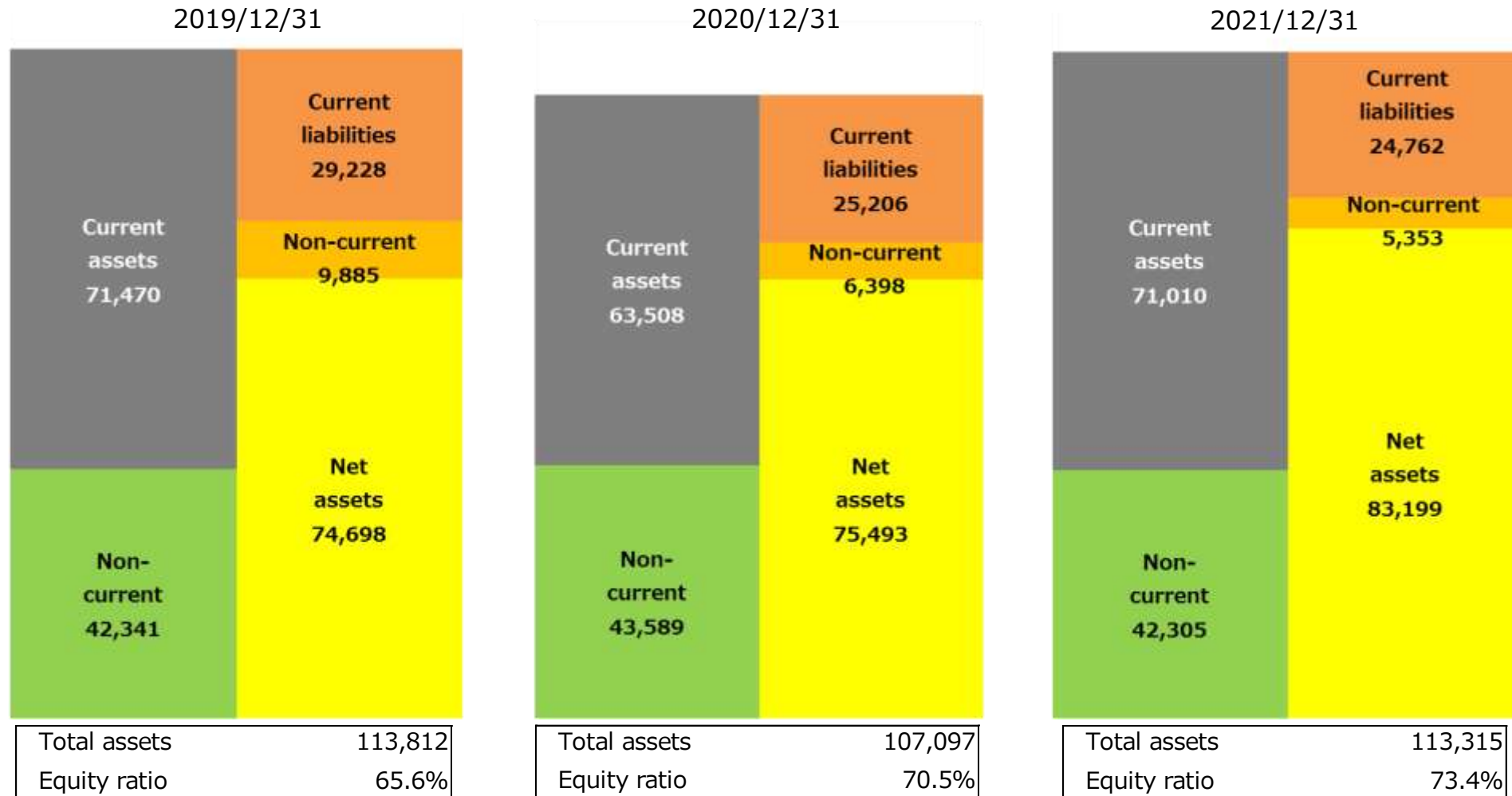
Balance Sheet (Consolidated)



1.3Q FY2021 ①Financial Summary

- Amount of inventory decreased and cash increased as sales loss decreased (current assets)
- Total liabilities decreased due to repayment of borrowings and lease obligations)
- Equity ratio increased as a result of the profitability improvement initiatives since the third quarter of the previous fiscal year

(JPY million)



1. 3Q FY2021

① Financial Summary

② Area and Brand Review

③ Number of Stores

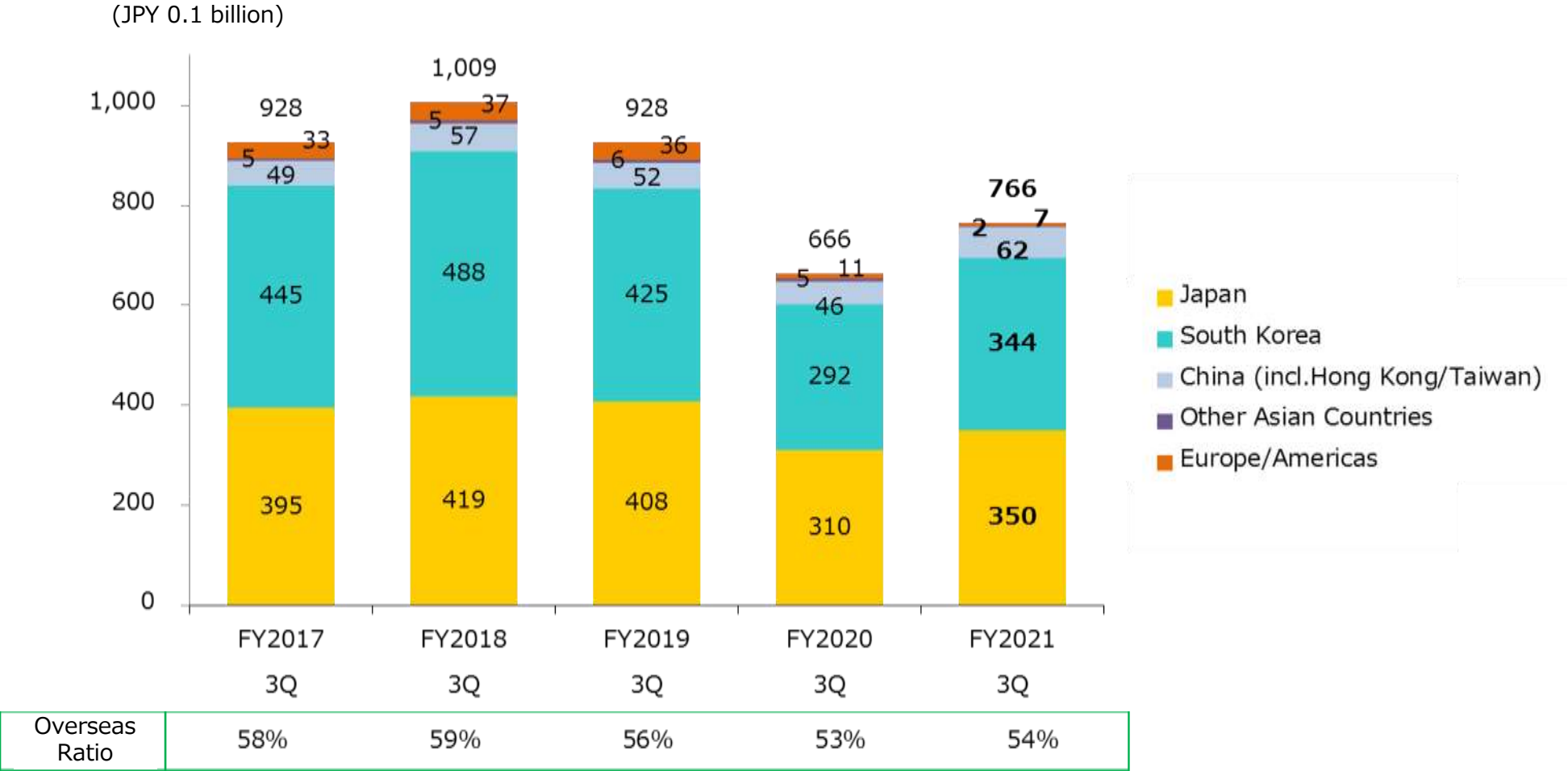
2. Plan for FY2021

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



1.3Q FY2021 ②Area and Brand Review

- Sales increased in main areas (Japan, South Korea and China)



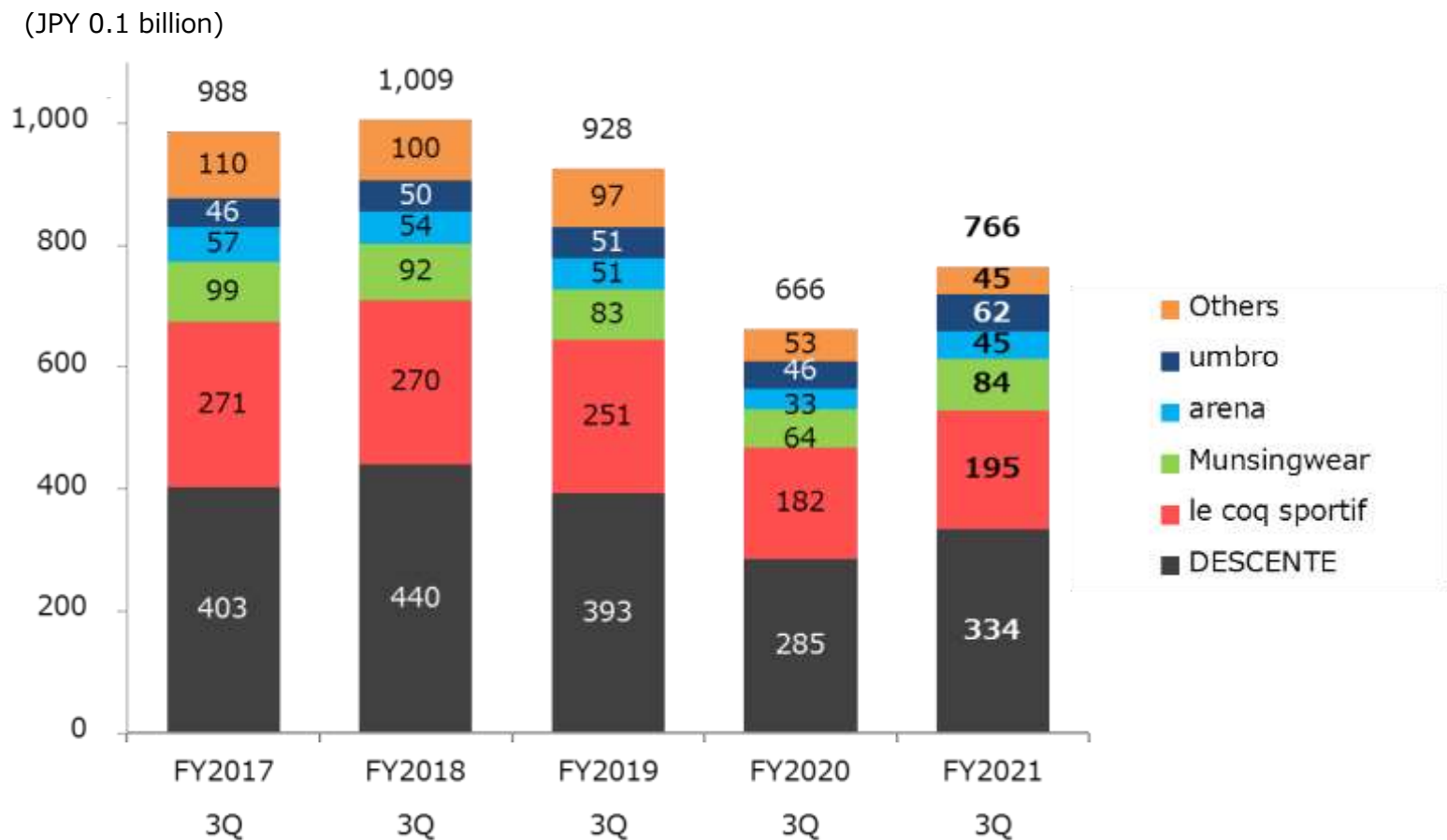
NOTES: FY2021 = FY ending March, 2022

Brand Sales (Consolidated)



1.3Q FY2021 ②Area and Brand Review

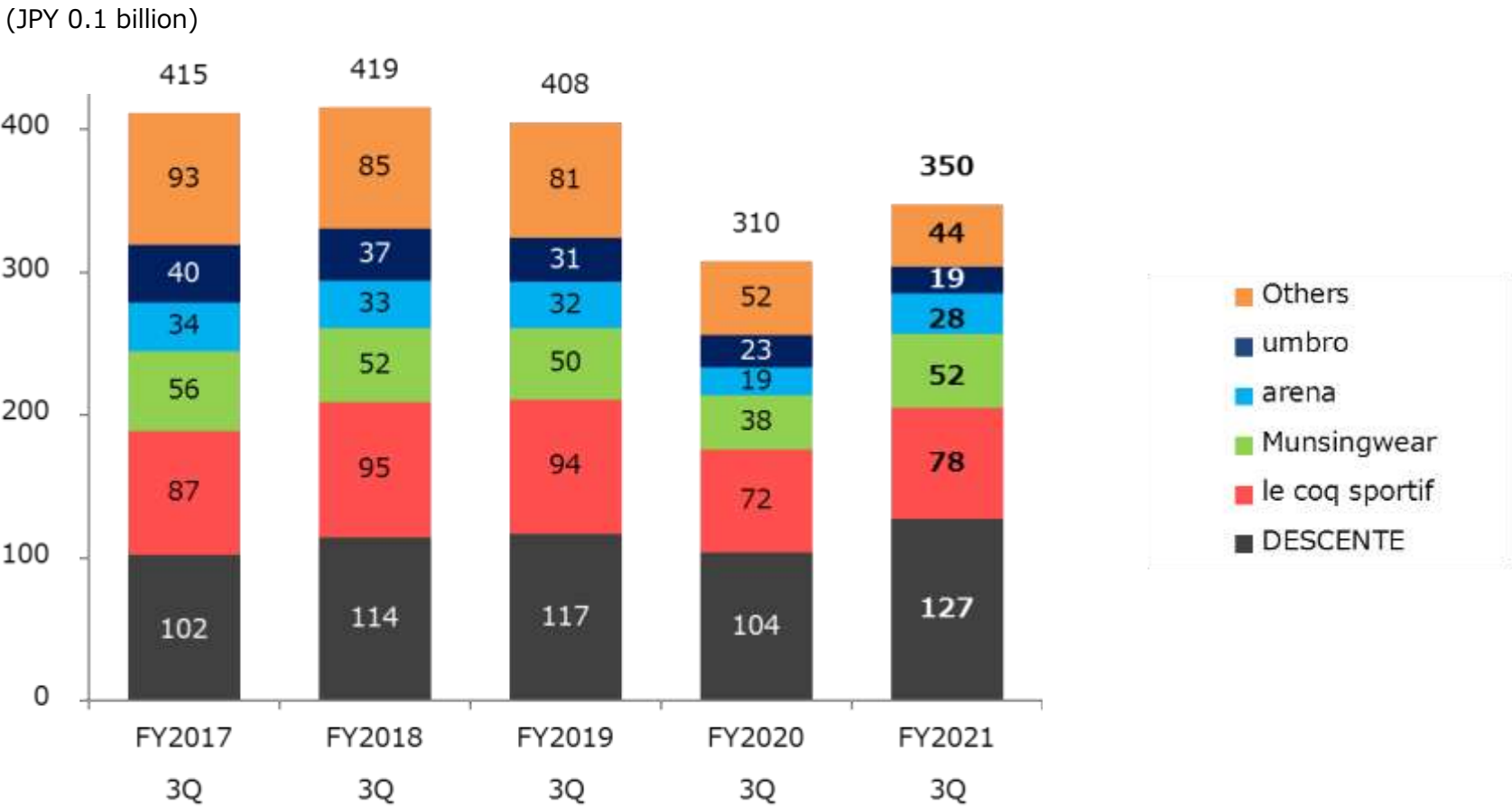
- All main 5 brands increased sales
- “umbro” continued to grow strongly in Korea and is beyond the level prior to COVID-19



NOTES: FY2021 = FY ending March, 2022



- “DESCENTE” is beyond the level prior to COVID-19
- Sales of Golf category stayed strong due to growing popularity of golf. “Munsingwear” recovered to the level prior to COVID-19



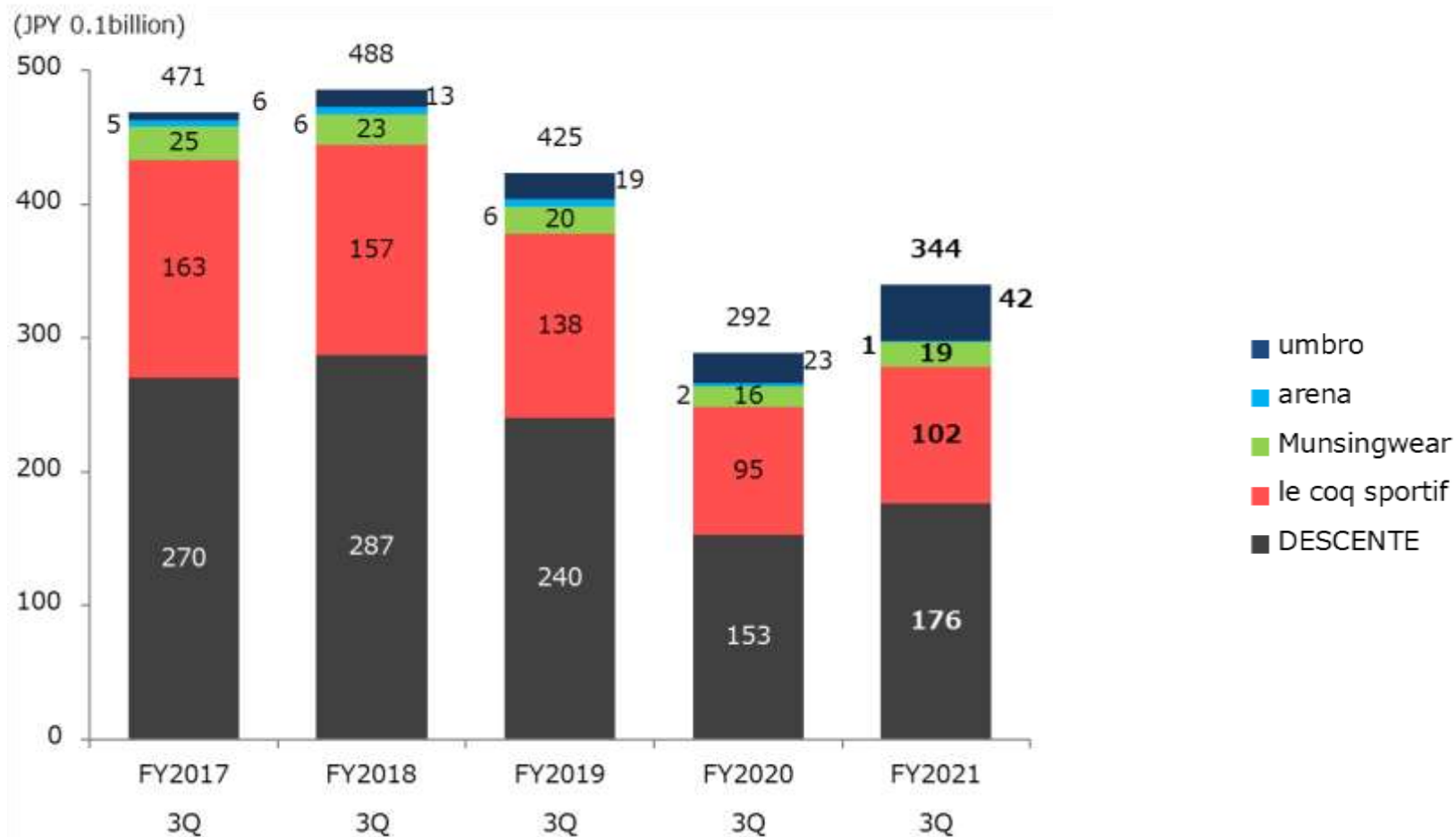
NOTES: FY2021 = FY ending March, 2022

Brand Sales (South Korea)



1.3Q FY2021 ②Area and Brand Review

- Despite the influence on consumer behavior by COVID-19 in the third quarter (July-Sept), sales increased year on year
- “umbro” continued to grow, driving the sales together with “DESCENTE”



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

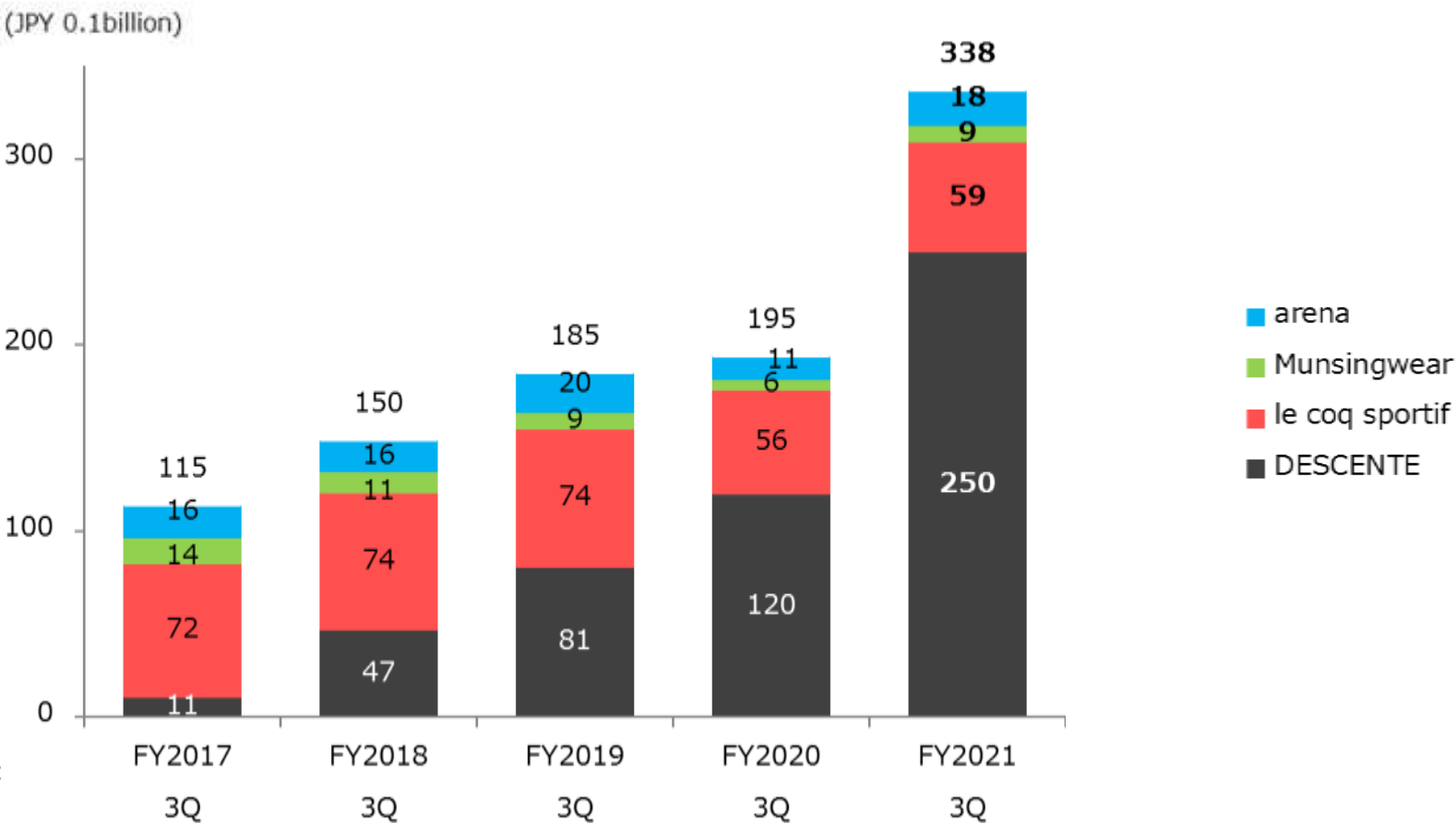
NOTES: FY2021 = FY ending March, 2022

Combined Local Sales in China(incl. Hong Kong)



1.3Q FY2021 ②Area and Brand Review

- All brands increased sales
- “DESCENTE” operated by equity method affiliate continue to grow strongly



*Note: Combined Local Sales = sales of local subsidiaries of local equity-method affiliates' – Sales from subsidiary to local equity-method affiliates
FY2021 = FY ending March, 2022

1. 3Q FY2021

① Financial Summary

② Area and Brand Review

③ Number of Stores

2. Plan for FY2021

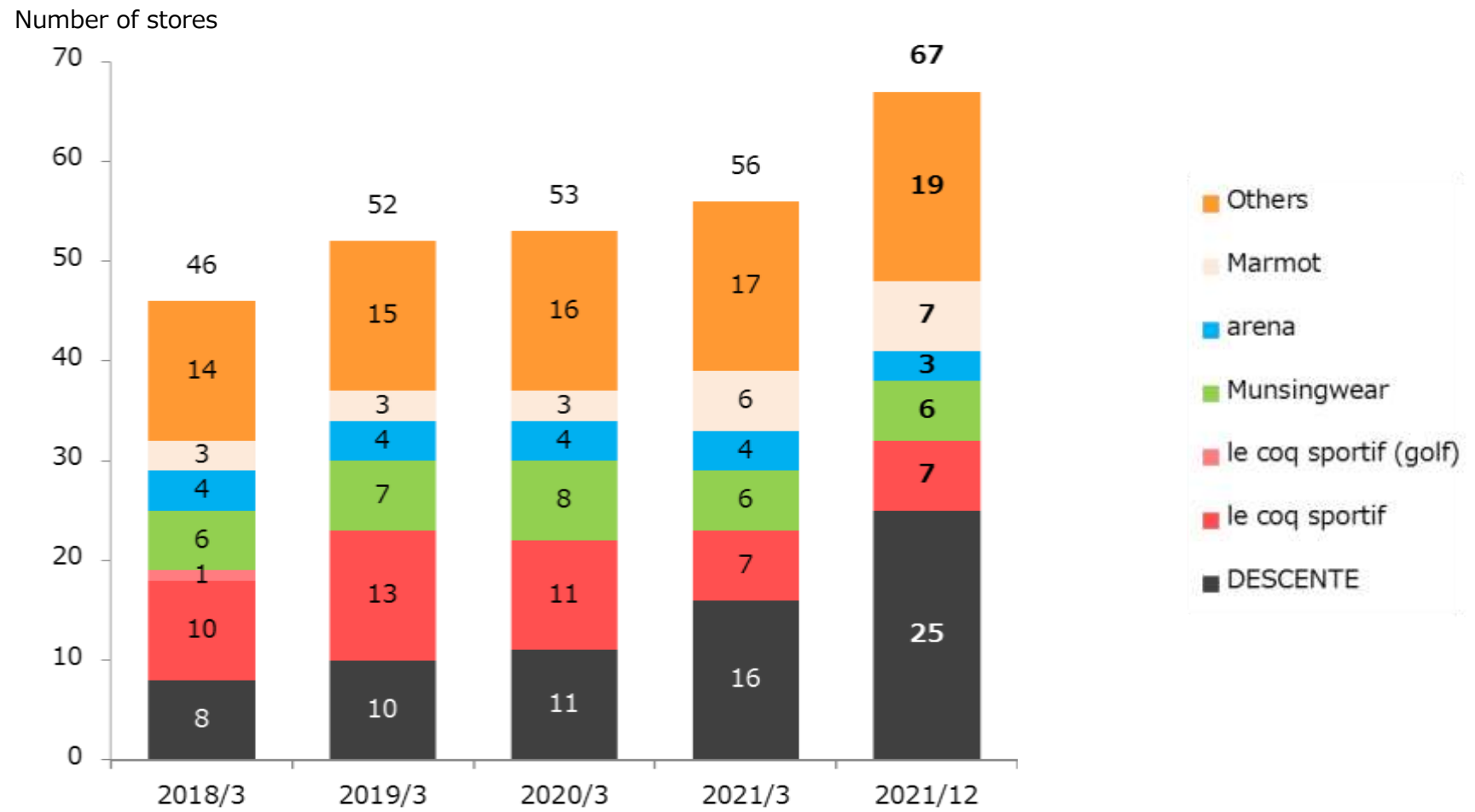
Number of Stores in Japan (directly Managed Stores)



1.3Q FY2021 ③Number of Stores

- Opened 3 outlet stores of “DESCENTE” brand

*Incl. outlet stores



Directly managed stores / Online stores sales composition ratio in Japan



1.3Q FY2021 ③Number of Stores

- Sales ratio of directly managed stores increased. Sales of e-commerce increased by 35% YoY, however the ratio remained flat as sales of other channels recovered



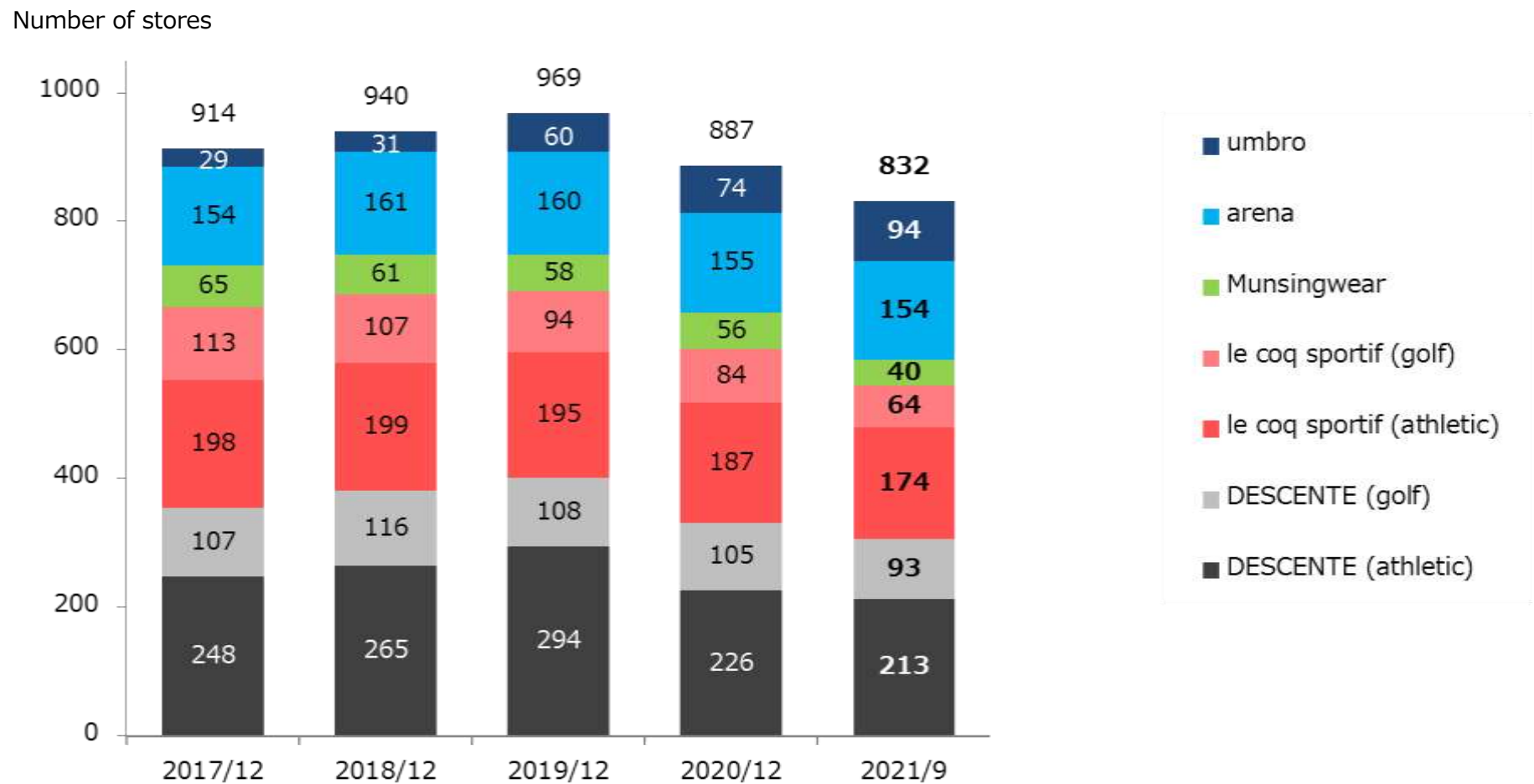
Number of Stores in South Korea



1.3Q FY2021 ③Number of Stores

- Closing of unprofitable stores settled
- “umbro” continued to expand

※Incl. stores of commercial agents and outlets



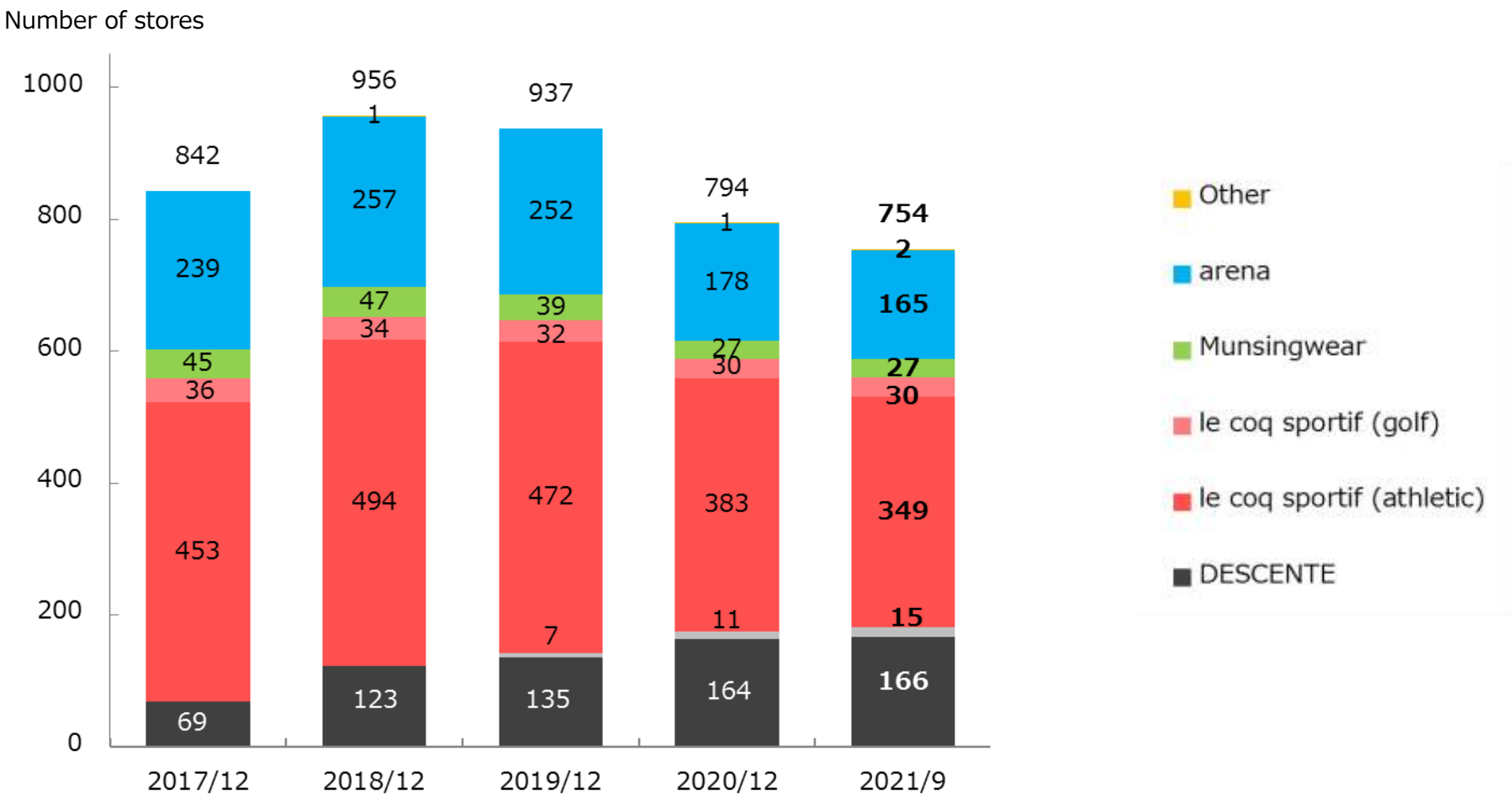
Number of Stores in China(incl. Hong Kong)



1.3Q FY2021 ③Number of Stores

- For “DESCENTE”, sales per store increased due to renewal of stores and openings of big-box stores
- For brand turnaround, “le coq sportif” continue to shrink number of stores

※Incl. stores of commercial agents and outlets



1. 3Q FY2021

① Financial Summary

② Area and Brand Review

2. Plan for FY2021

FY2021 Earnings Forecast



2. Plan for FY2021

- Revised Net sales and Operating income upward

(Unit: JPY million)	FY2020	FY2021	FY2021 Previous Forecast	FY2021	
				Revised Forecast	YoY
Net sales	124,561	96,862	103,000	105,000	+ 8,138 (108.4%)
Operating income	379	▲ 1,806	4,250	4,600	+ 6,406 (-)
(%)	0.3%	▲ 1.9%	0.0	4.4%	-
Ordinary income	456	▲ 584	6,800	6,800	+ 7,384 (-)
(%)	0.4%	▲ 0.6%	0.1	6.5%	-
Profit attributable to owners of parent	▲ 2,481	5,039	6,200	6,200	+1,161 (123.0%)
(%)	▲ 2.0%	5.2%	6.0%	5.9%	-

Predicted Exchange Rate : 100KRW9.64、CNY17.12、HKD14.20

FY2021 Dividend Forecast



2. Plan for FY2021

Unchanged since the last announcement on November 5, 2021.

(Unit: JPY million)	FY2017	FY2018	FY2019	FY2020	FY2021 Plan
Dividends	1,733	1,960	-	-	1,509
Amount/share	JPY23.0	JPY26.0	-	-	JPY20.0
Profit attributable to owners of parent (Consolidated)	5,771	3,944	▲ 2,481	5,039	6,200
Payout ratio	30.0%	49.7%	-	-	24.3%

NOTES: FY2021 = FY ending March, 2022

Affiliated Companies in China: Summary



As of end of September 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		

Exchange Rate

		USD	100KRW	CNY	HKD	SGD	GBP
FY2021	4Q YTD plan	-	9.64	17.12	14.20	82.17	-
	3Q YTD	-	9.62	16.86	14.05	81.46	-
	2Q YTD	-	9.69	16.76	13.98	81.36	-
	1Q YTD	-	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

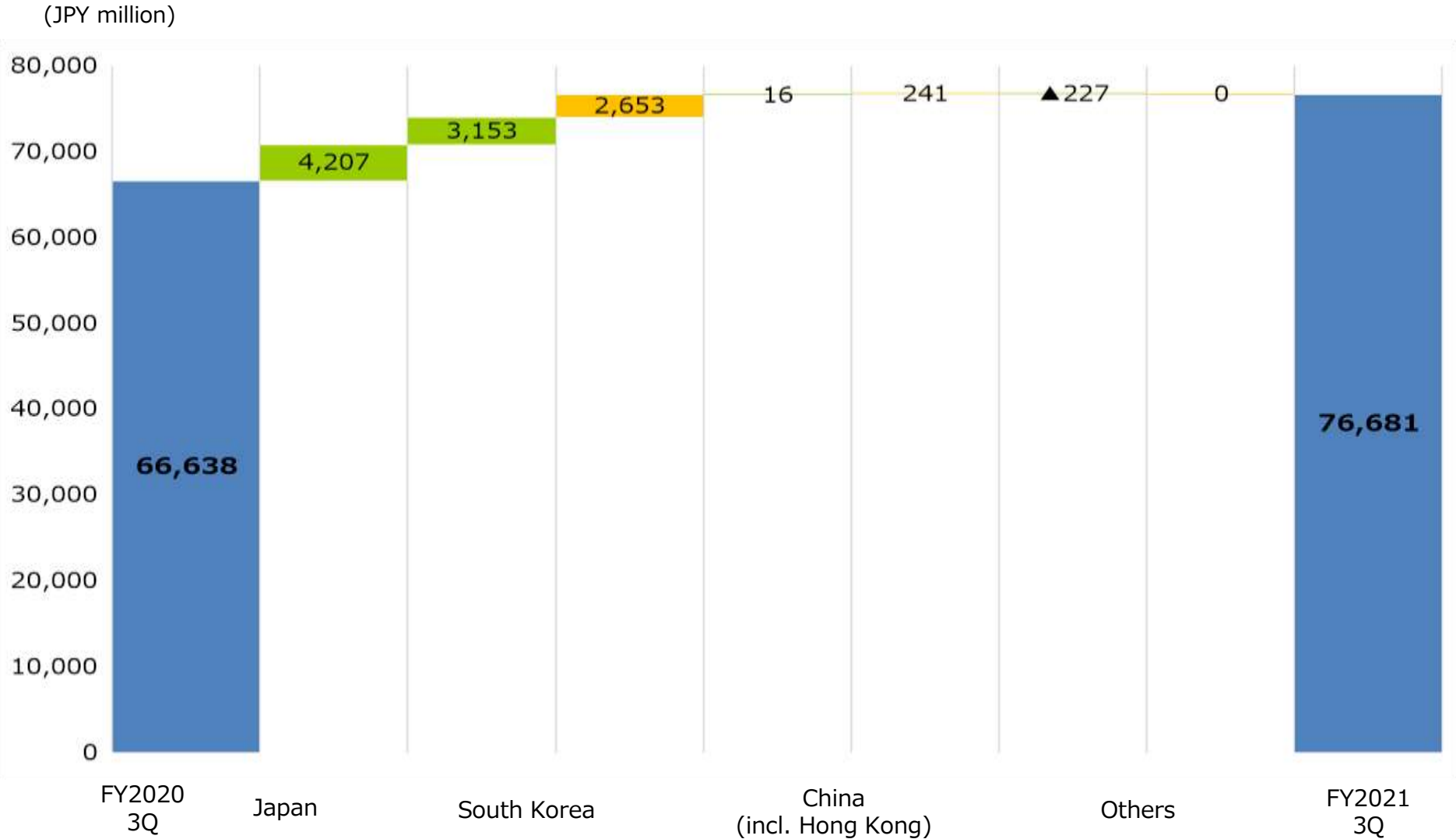
4Q YTD = Full FY

FY2021 = FY ended March31 2022

3Q FY2021 Reference

(Quarterly Sales and Operating Income by Segment)

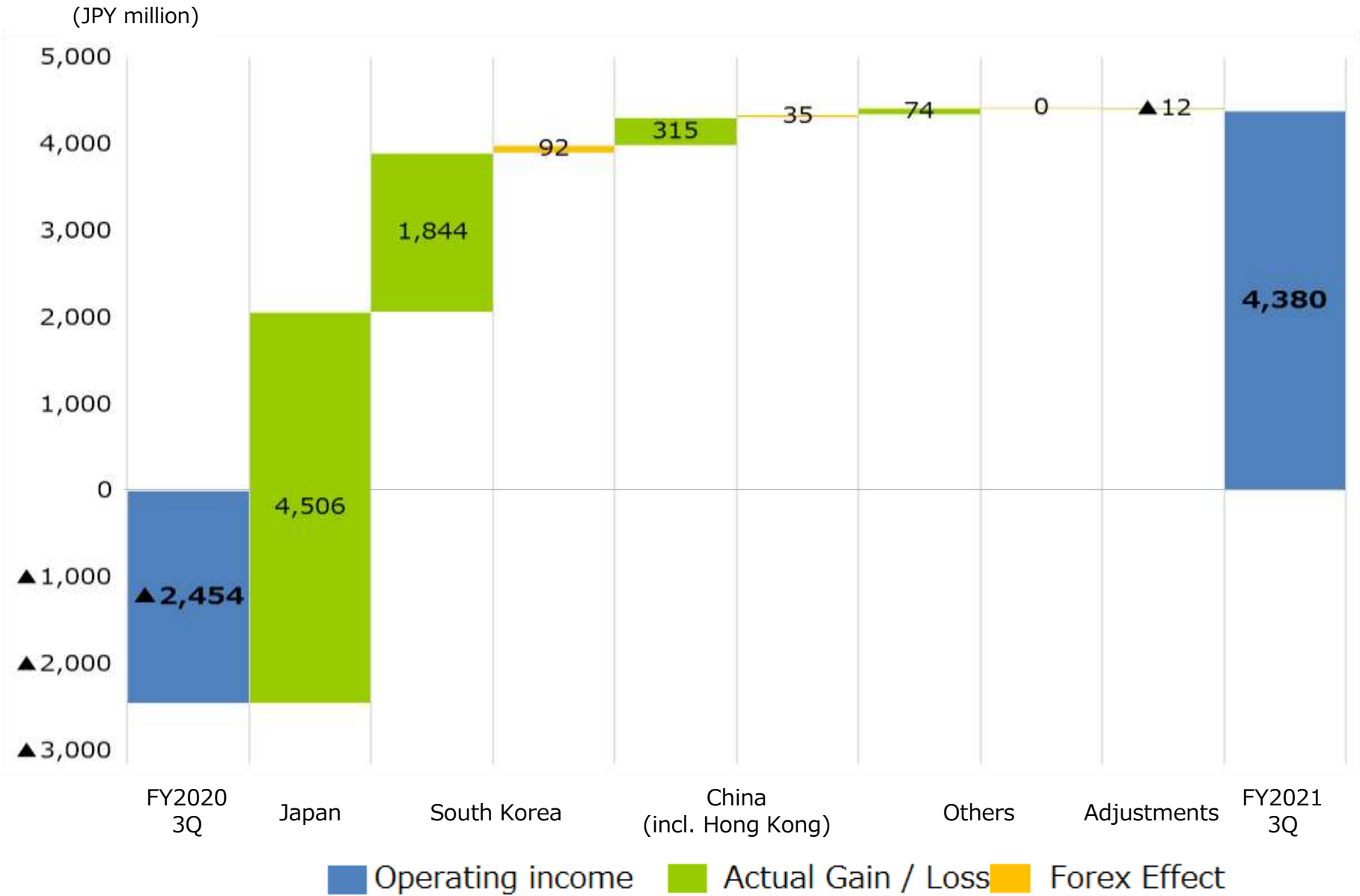
Net Sales (YoY)



NOTES: FY2021 = FY ending March, 2022

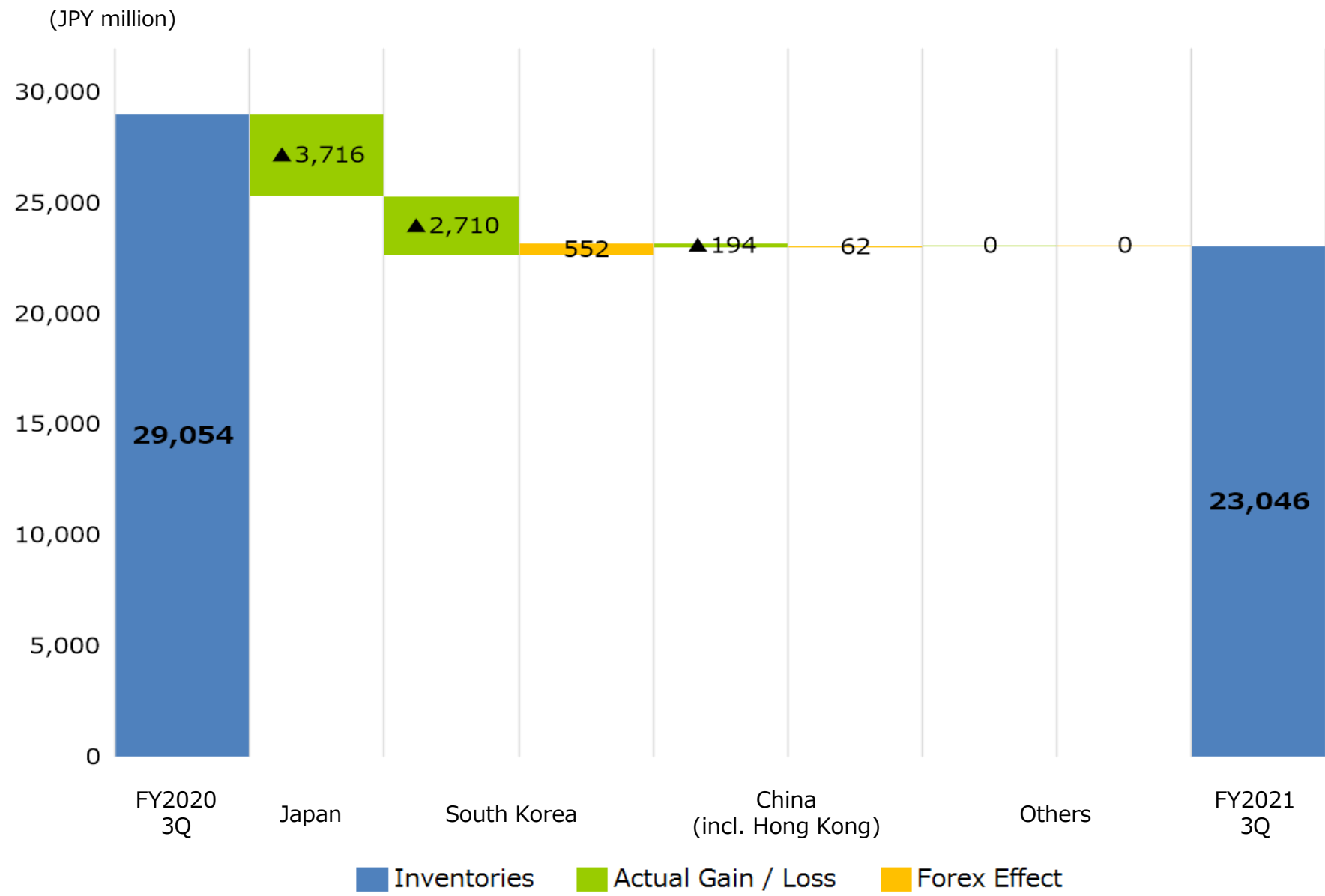
Net Sales Actual Gain / Loss Forex Effect

Operating Income (YoY)



NOTES: FY2021 = FY ending March, 2022

Inventory (YoY)

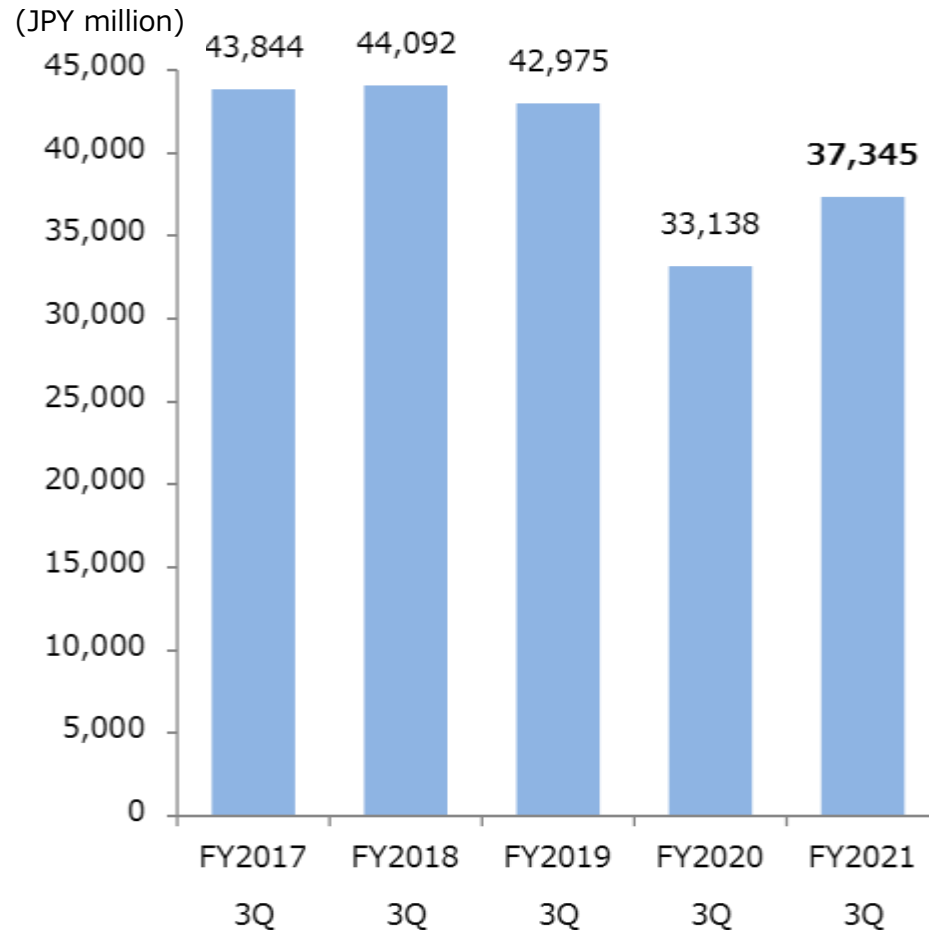


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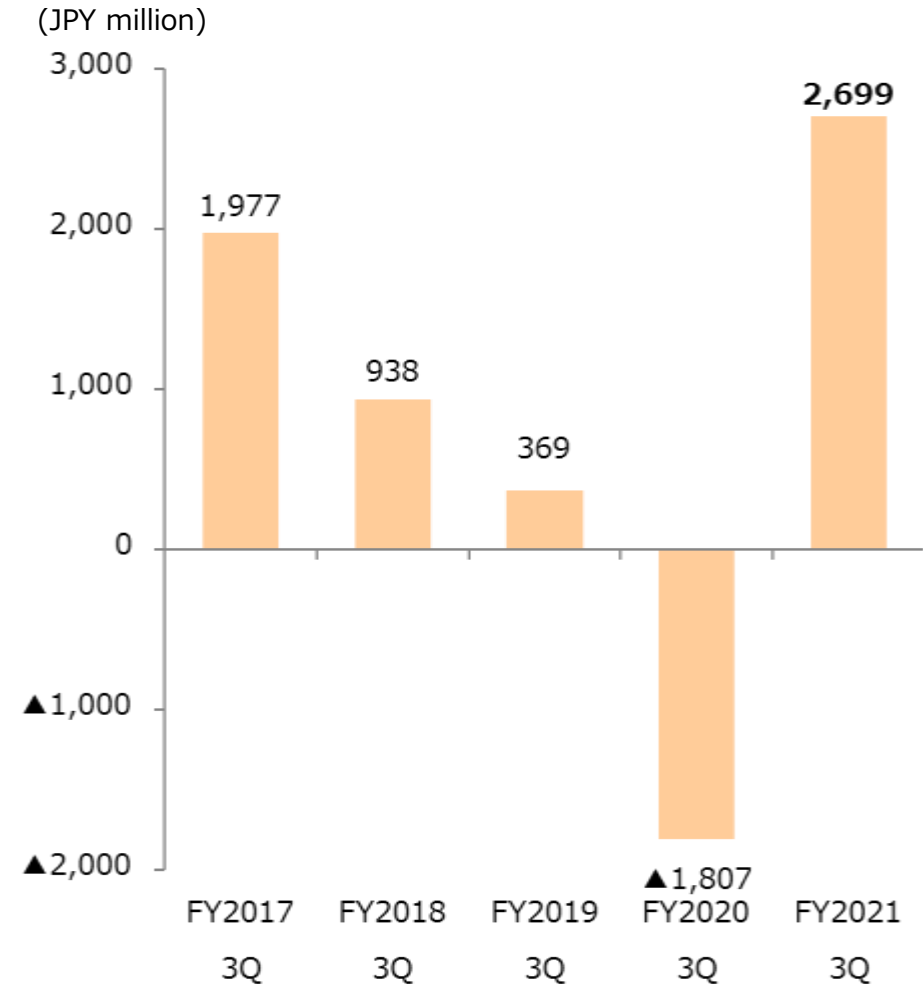
Net Sales and Operating Income (Japan)



Net Sales



Operating Income

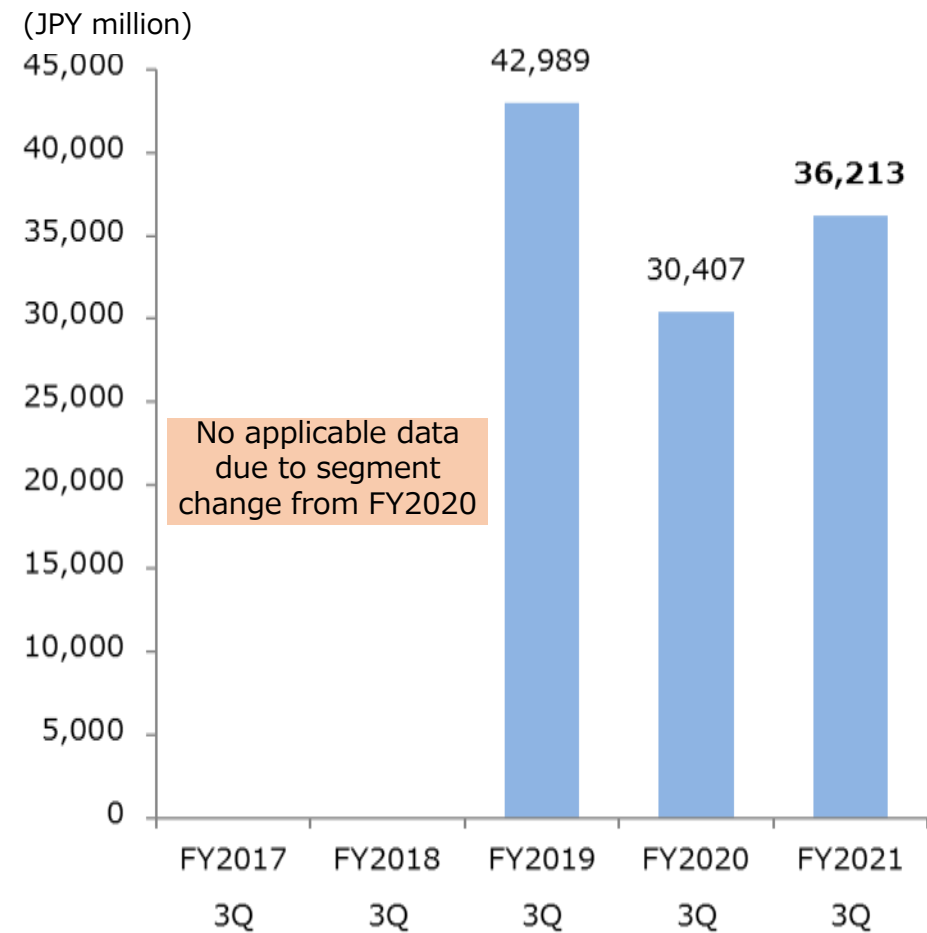


NOTES: FY2021 = FY ending March, 2022

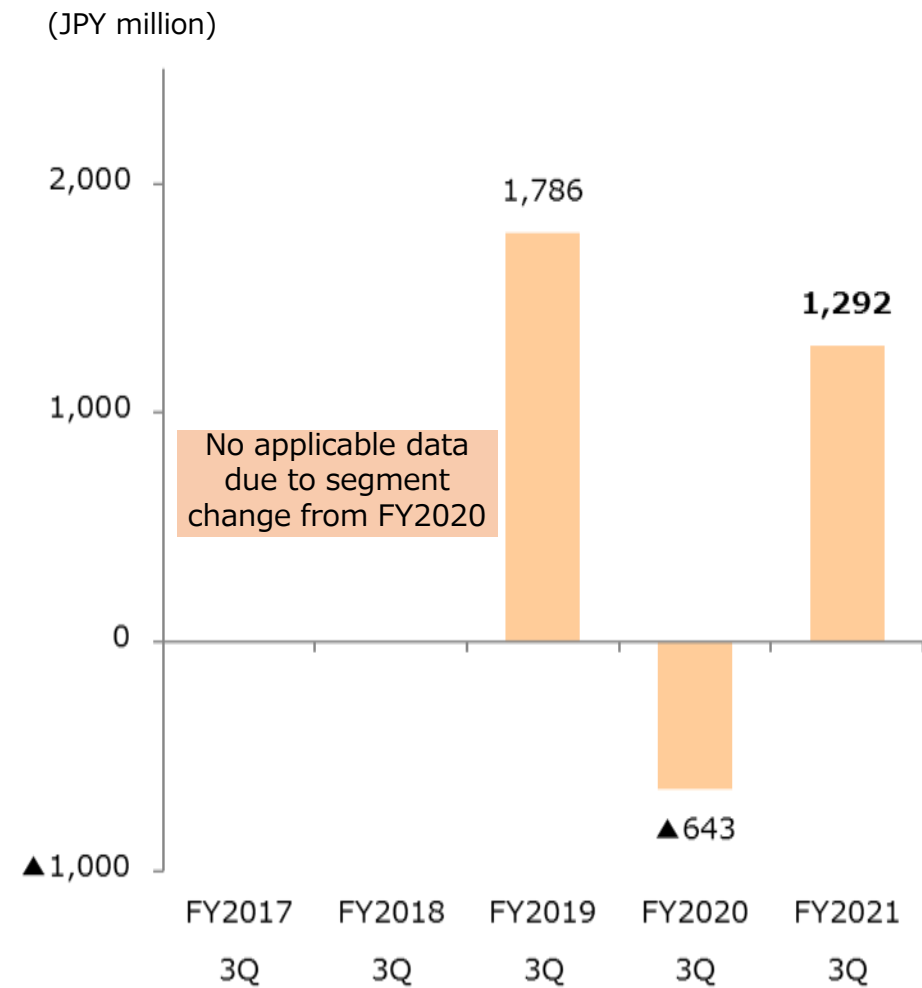
Net Sales and Operating Income (South Korea)



Net Sales



Operating Income

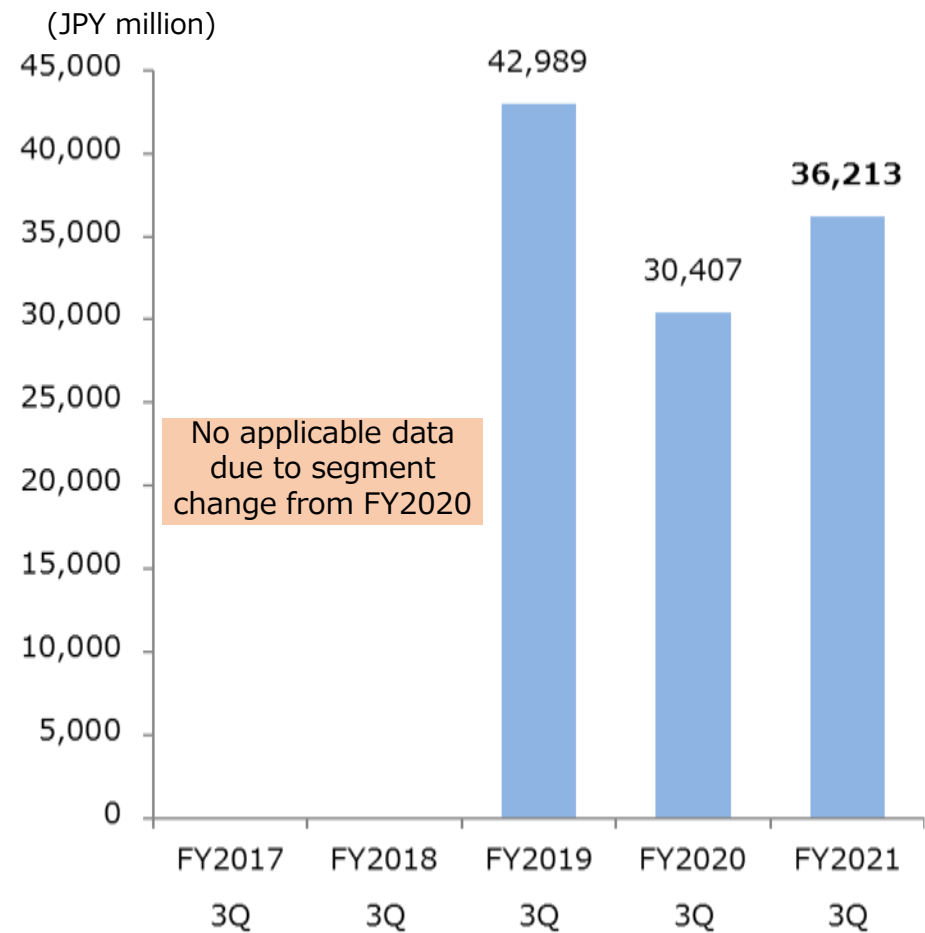


NOTES: FY2021 = FY ending March, 2022

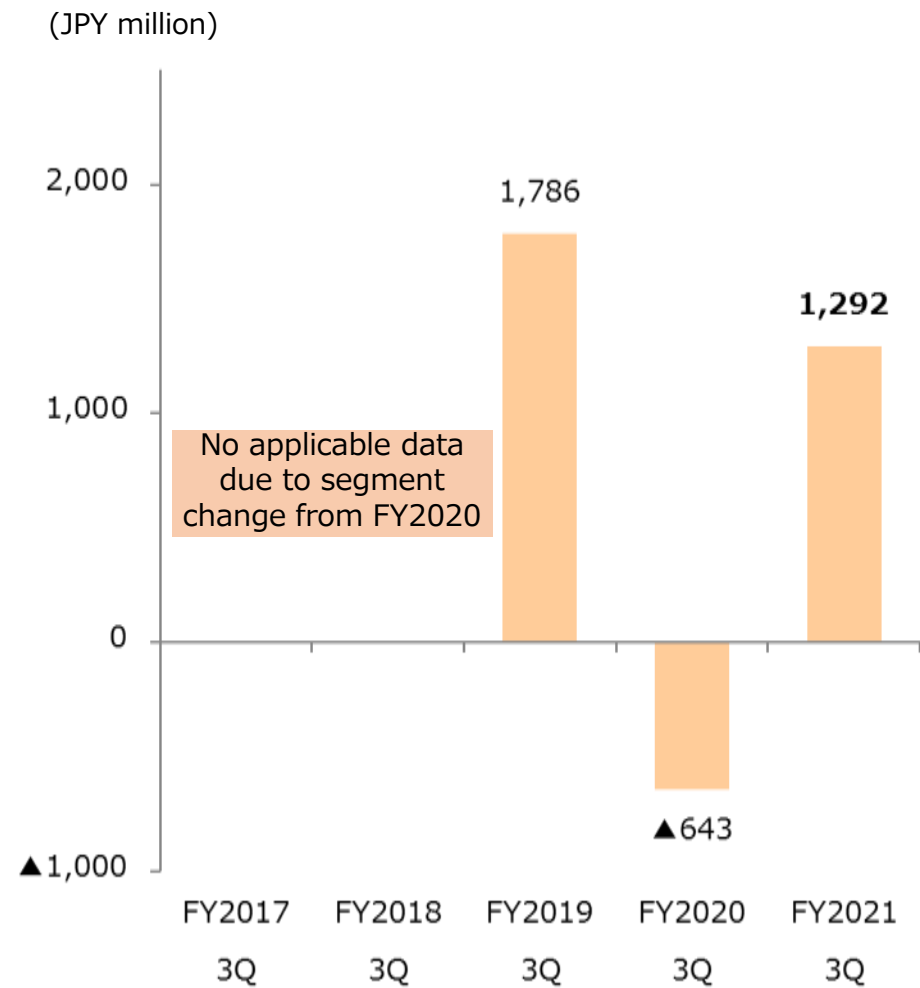
Net Sales and Operating Income (China)



Net Sales

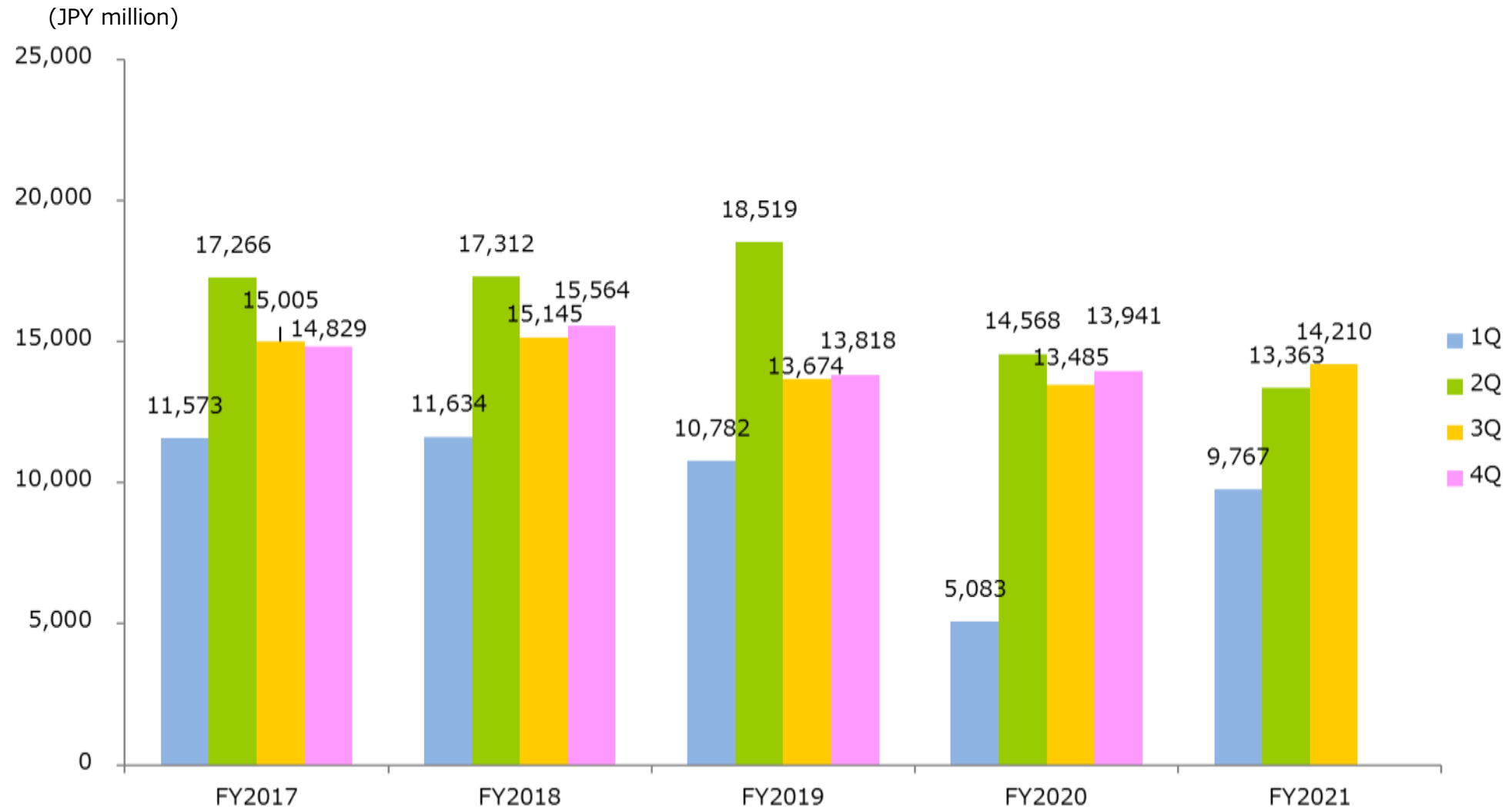


Operating Income



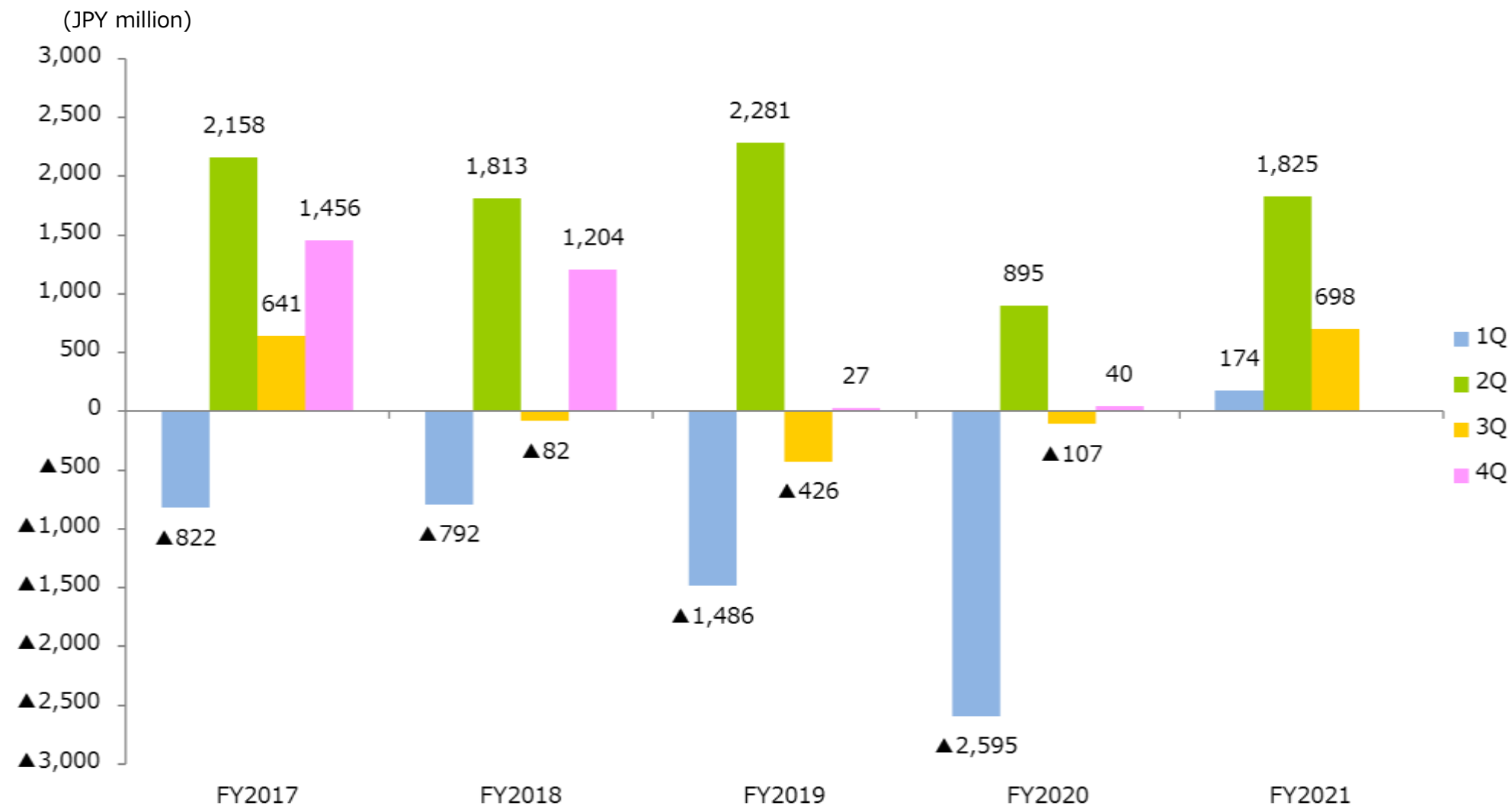
NOTES: FY2021 = FY ending March, 2022

Quarterly Sales (Japan)



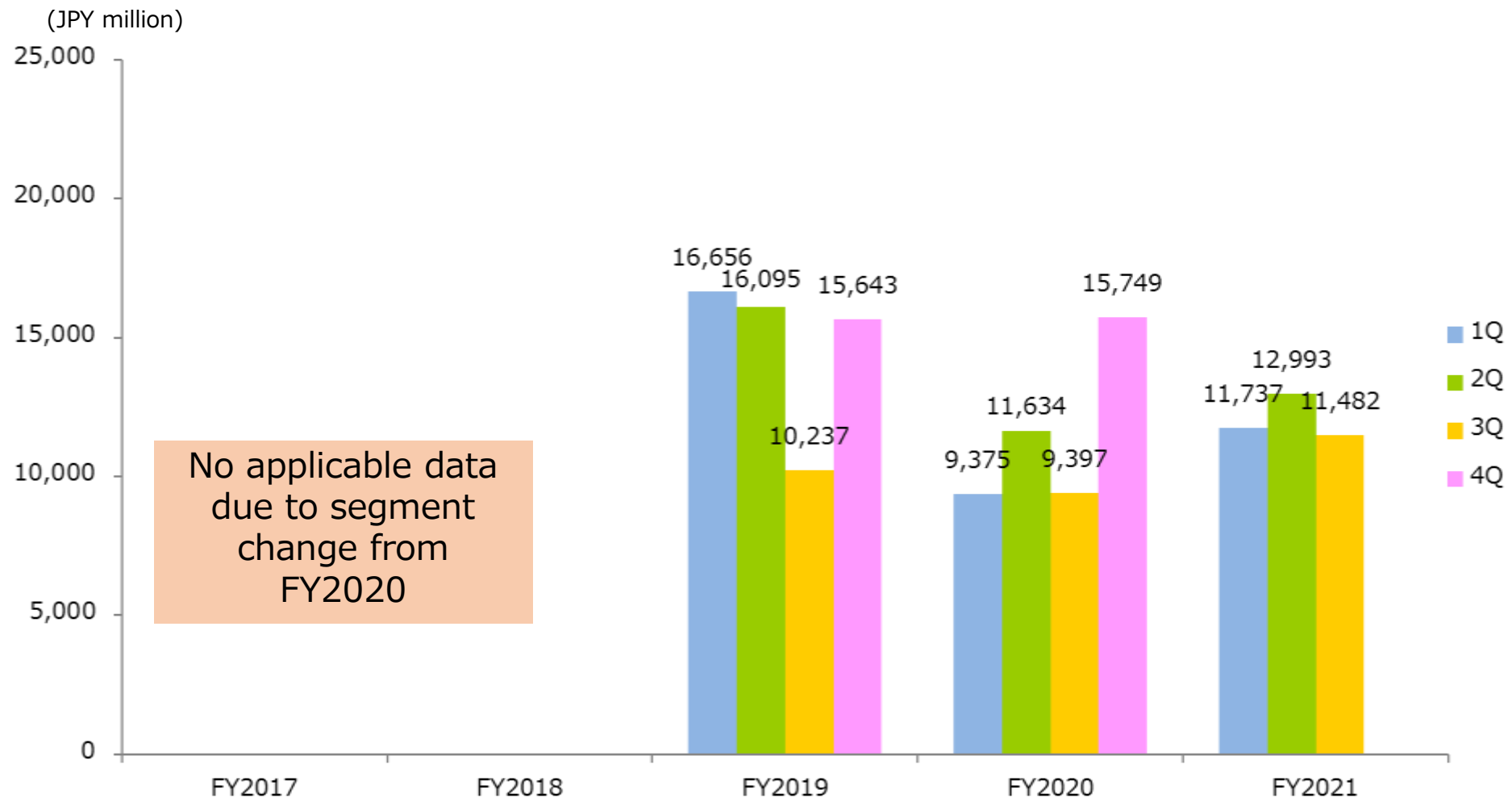
NOTES: FY2021 = FY ending March, 2022

Quarterly Operating income (Japan)



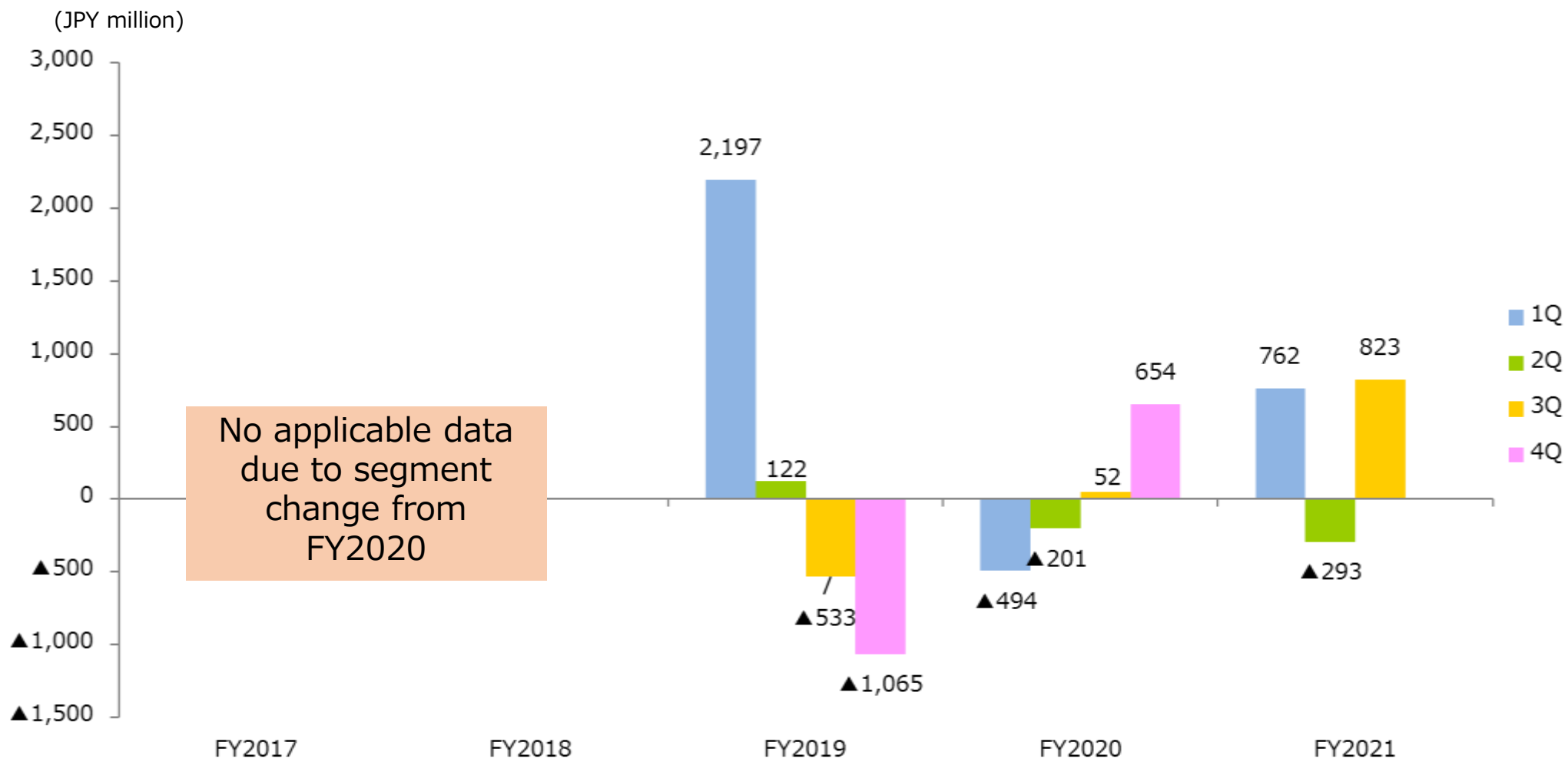
NOTES: FY2021 = FY ending March, 2022

Quarterly Sales (South Korea)



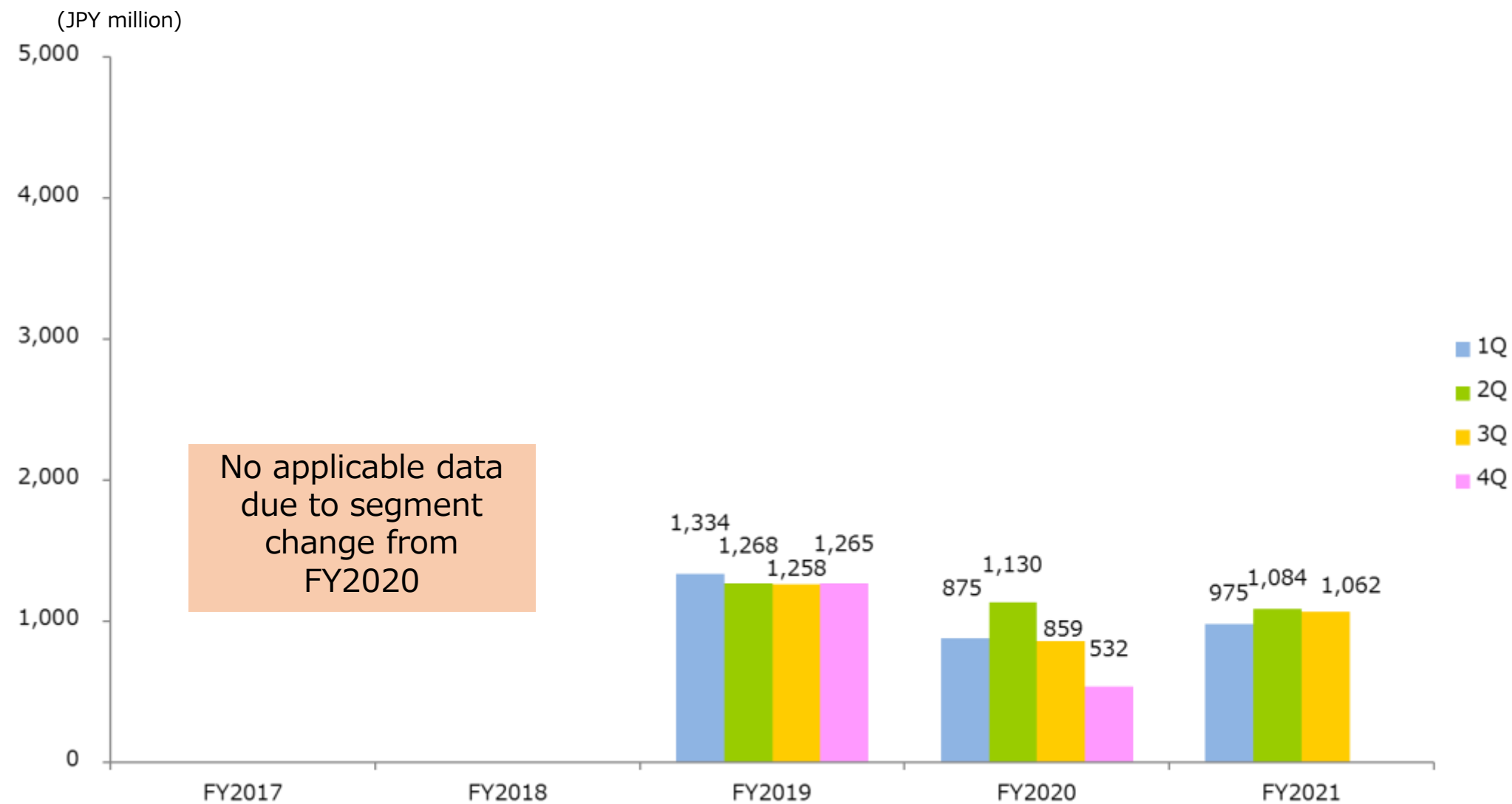
NOTES: FY2021 = FY ending March, 2022

Quarterly Operating income (South Korea)



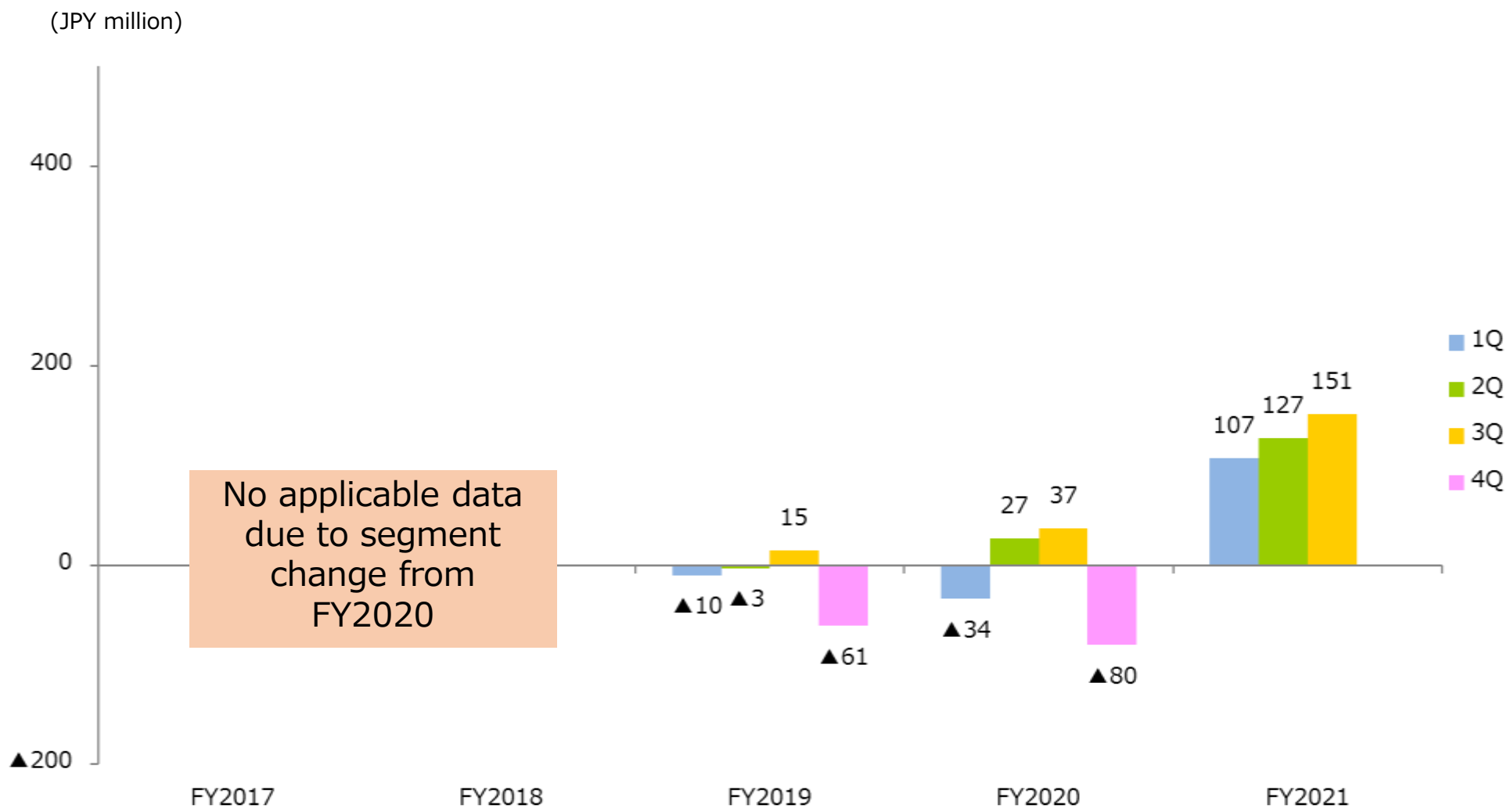
NOTES: FY2021 = FY ending March, 2022

Quarterly Sales (China)



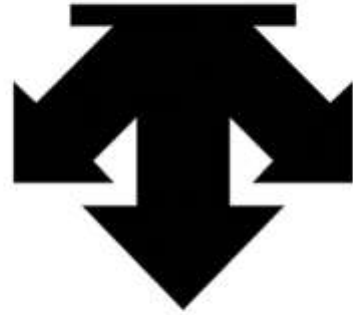
NOTES: FY2021 = FY ending March, 2022

Quarterly Operating income (China)



NOTES: FY2021 = FY ending March, 2022

DESCENTE



Design for Sports