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**DESCENTE**  
**1Q FY2019 Earnings**  
**August 1, 2019**

# 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 Distributor in Spain is counted in Japan segment.

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

*Example:* Net sales from DESCENTE LTD. to Distributor in Spain is counted in Europe/Americas area.

\* 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.

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## **1. 1Q FY2019**

### **(1) Financial Summary**

### (2) Brand Review

## 2. Plan for FY2019

## Decrease in sales and profits

- Decrease in Japan
- Decrease by FX
- Ostensible decrease in China
- Increase in SGA

(Unit: JPY million)	FY2019	FY2018		FY2019
	1st Quarter performance	1st Quarter performance	YoY	Full Year Guidance
Net sales	29,479	30,776	-4.2%	144,000
Operating income	451	1,116	-59.6%	8,000
( % )	1.5%	3.6%		5.6%
Ordinary income	577	1,196	-51.7%	8,200
( % )	2.0%	3.9%		5.7%
Profit attributable to owners of parent	354	975	-63.6%	5,300
( % )	1.2%	3.2%		3.7%

# Area Sales (Consolidated)

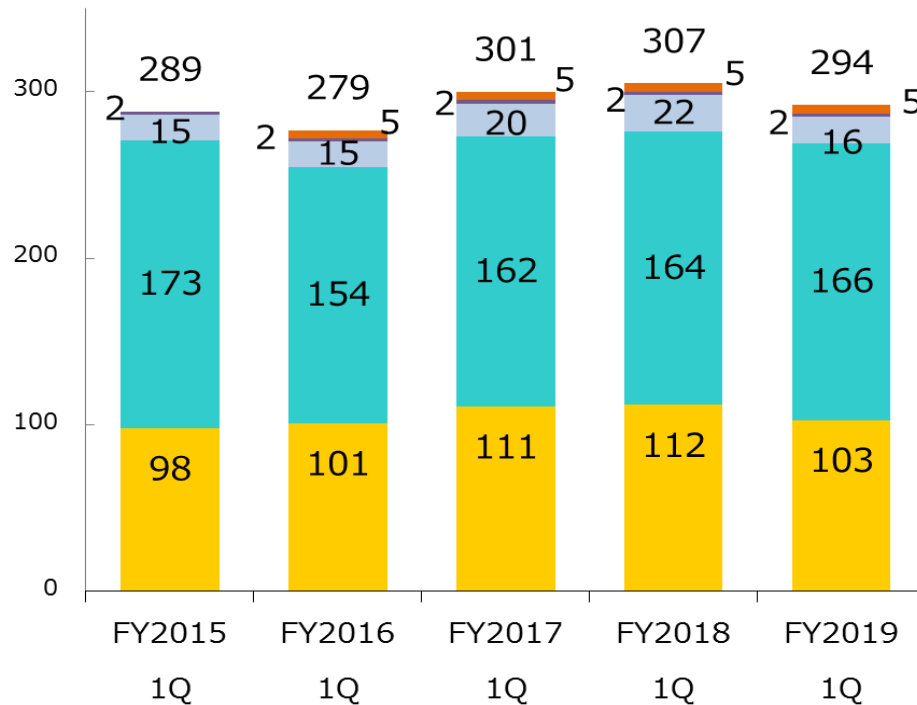


1. 1Q FY2019 (1)Financial Summary

**South Korea: Sales increased YoY.**

**China: Exports decreased but local sales increased driven by “DESCENTE”**

(Unit: JPY 0.1 billion)



Overseas Ratio	FY2015 1Q	FY2016 1Q	FY2017 1Q	FY2018 1Q	FY2019 1Q
	66%	64%	63%	63%	65%

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

**YoY -1.29 billion(-4%)**

Japan	-0.92billion
Korea	+0.17billion
China (Incl. Hong Kong/Taiwan)	-0.65billion
Other Asian Countries	+0.04billion
Europe/Americas	+0.05billion

Note: FY2019=FY ending March 31, 2020

# Item Sales (Consolidated)



1. 1Q FY2019 (1) Financial Summary

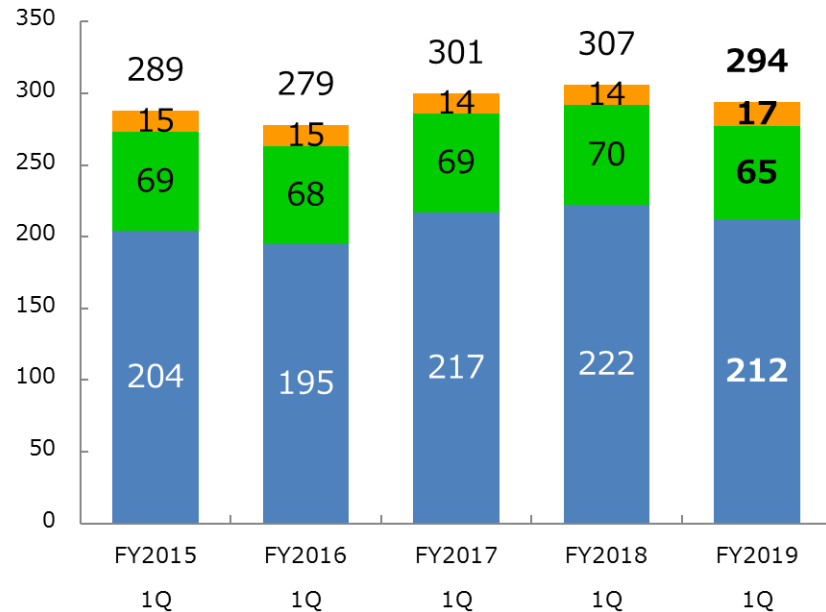
**Overseas: Sales were almost flat excluding FX impact (-JPY 0.3 billion).**

## Consolidated

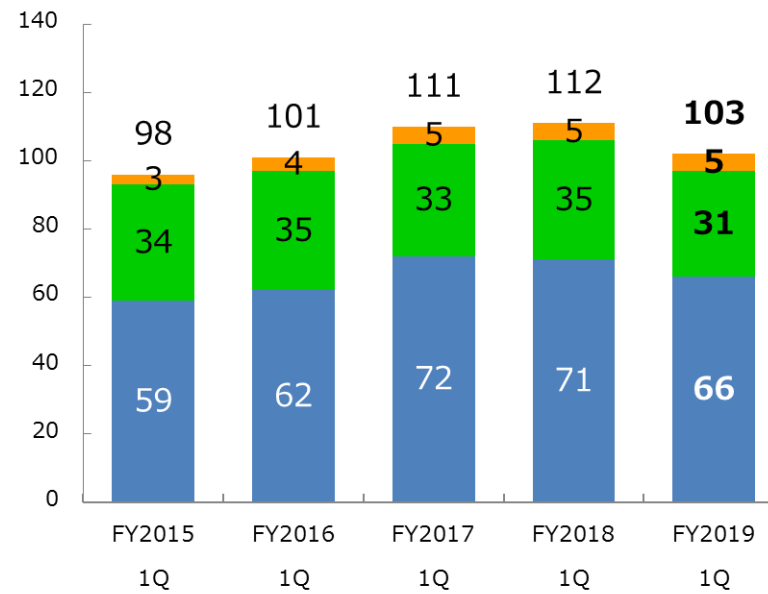
## Japan

## Overseas

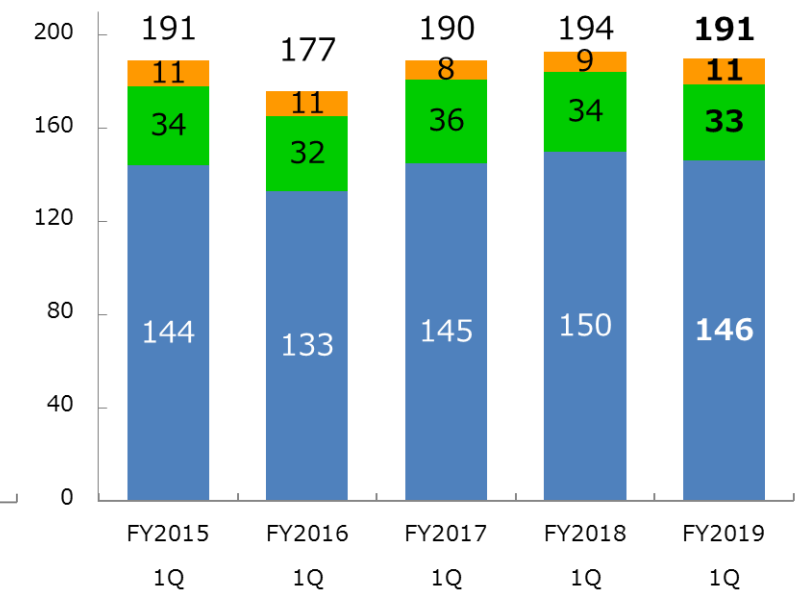
(Unit: JPY 0.1 billion)



(Unit: JPY 0.1 billion)



(Unit: JPY 0.1 billion)



■ Athletic ■ Golf ■ Outdoor

Note: FY2019=FY ending March 31, 2020

# Income (Consolidated)

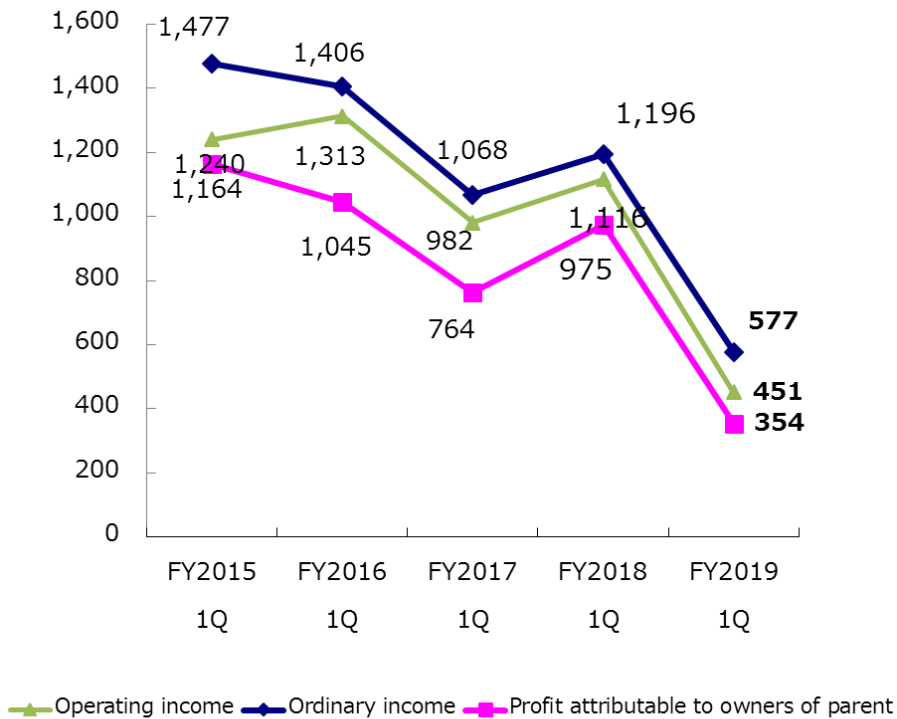


1. 1Q FY2019 (1) Financial Summary

**Operating income: Decreased due to an increase in SGA.**

**Non-operating income: Increased by equity method investment income (+JPY 66 million)**

(Unit: JPY million)



(Unit: JPY million)	FY2019 1Q	FY2018 1Q	Change
<b>Operating income</b>	<b>451</b>	<b>1,116</b>	<b>▲ 665</b>
Non-operating income	283	180	<b>103</b>
Non-operating expenses	157	100	<b>56</b>
<b>Ordinary income</b>	<b>577</b>	<b>1,196</b>	<b>▲ 618</b>
Extraordinary income	0	0	<b>0</b>
Extraordinary loss	0	0	<b>0</b>
Total income taxes	222	220	<b>1</b>
<b>Profit attributable to owners of parent</b>	<b>354</b>	<b>975</b>	<b>▲ 620</b>

Note: FY2019=FY ending March 31, 2020

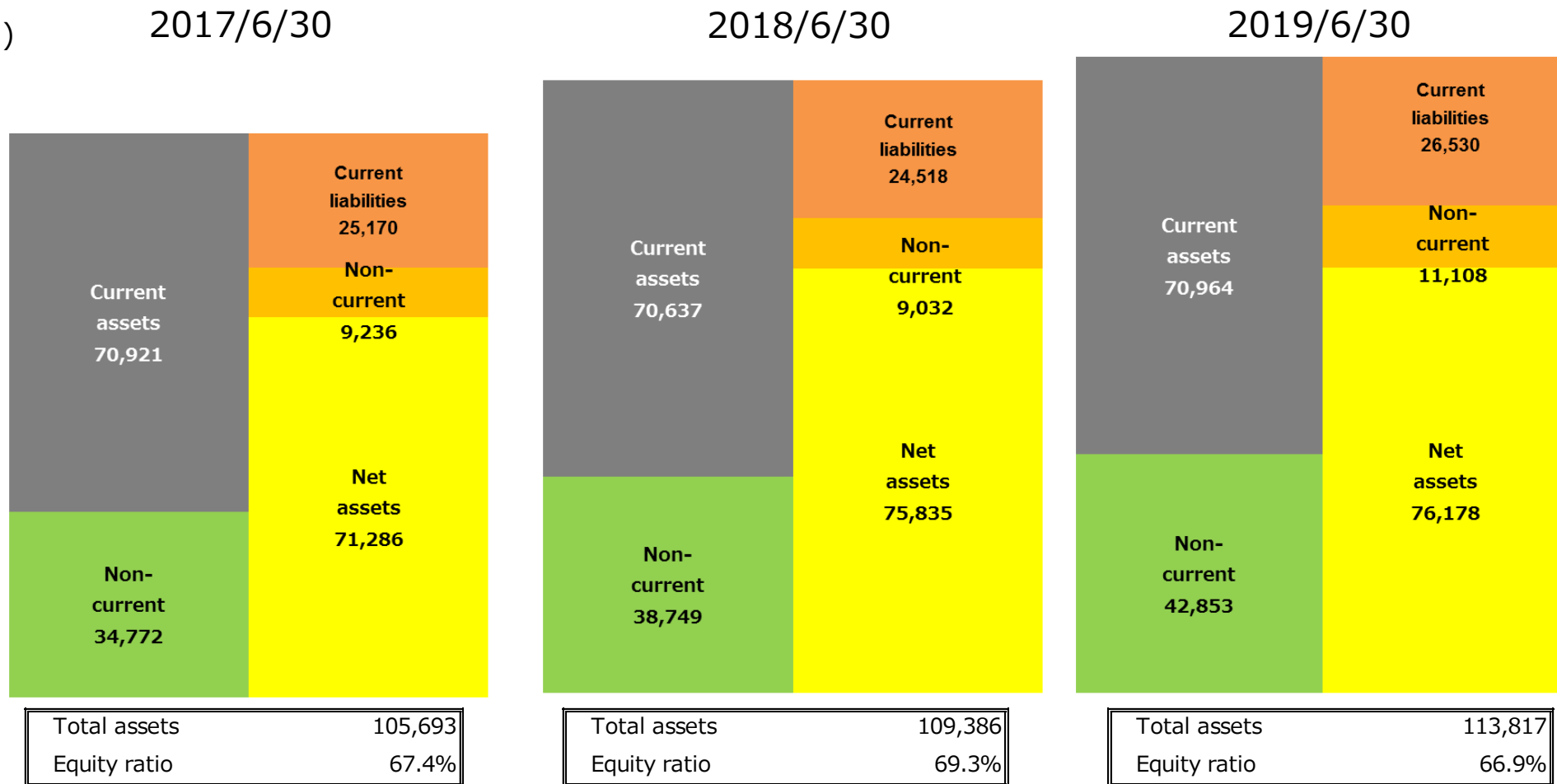
# Balance Sheets (Consolidated)



1. 1Q FY2019 (1) Financial Summary

**Total assets increased JPY 4.4 billion YoY.  
(+JPY 5.5 billion by IFRS16 adopted in Korea and Hong Kong)**

(Unit: JPY million)





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## **1. 1Q FY2019**

(1) Financial Summary

**(2) Brand Review**

## 2. Plan for FY2019

# Brand Sales (Consolidated)



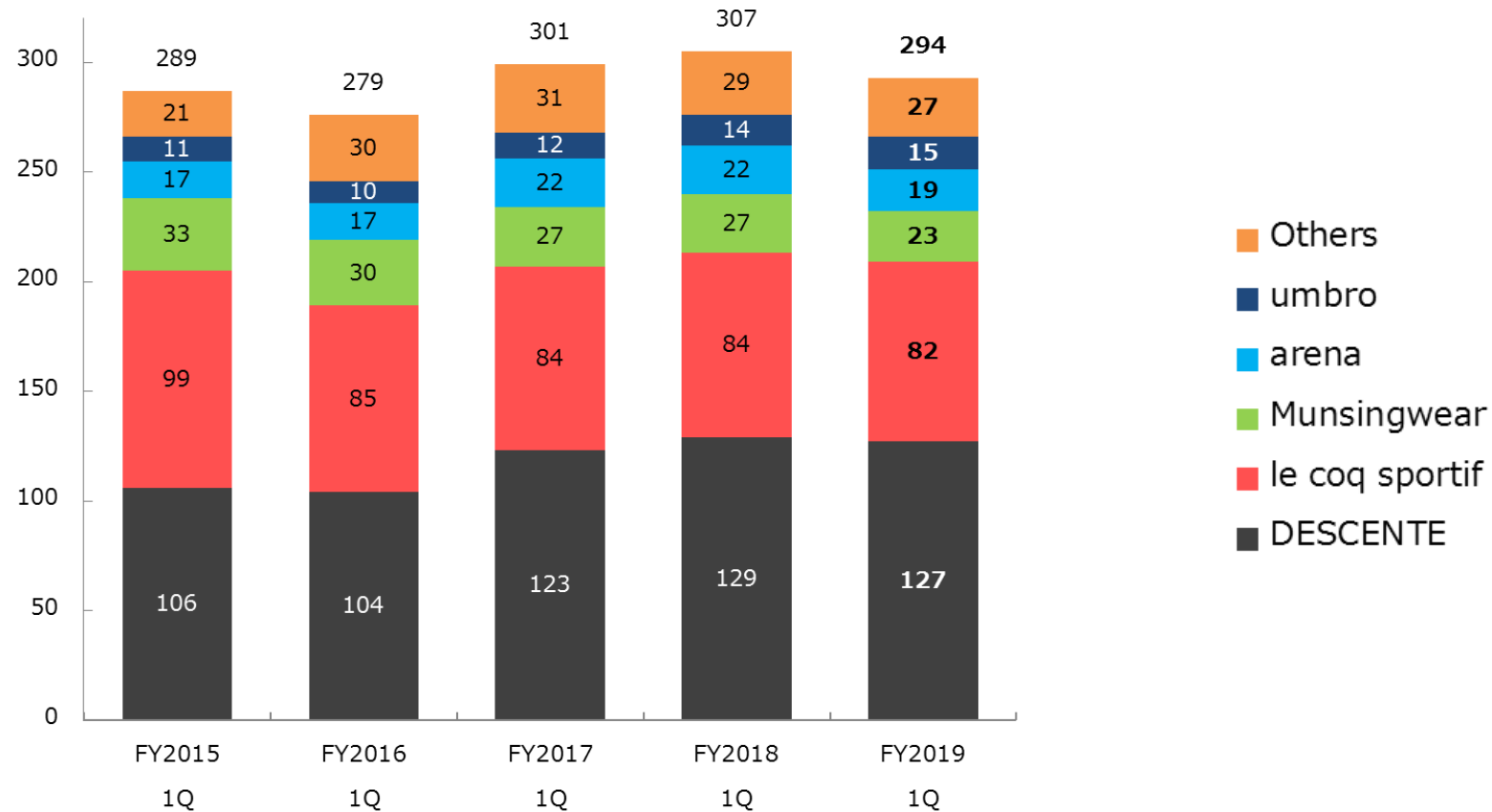
1. 1Q FY2019 (2)Brand Review

**DESCENTE: Sales increased excluding**

- export decrease due to progress in local procurement in China (-JPY 0.23 billion)
- FX impact (-JPY 0.18 billion)

**Other brands: Struggled and sales decreased**

(Unit: JPY 0.1 billion)



Note: FY2019=FY ending March 31, 2020

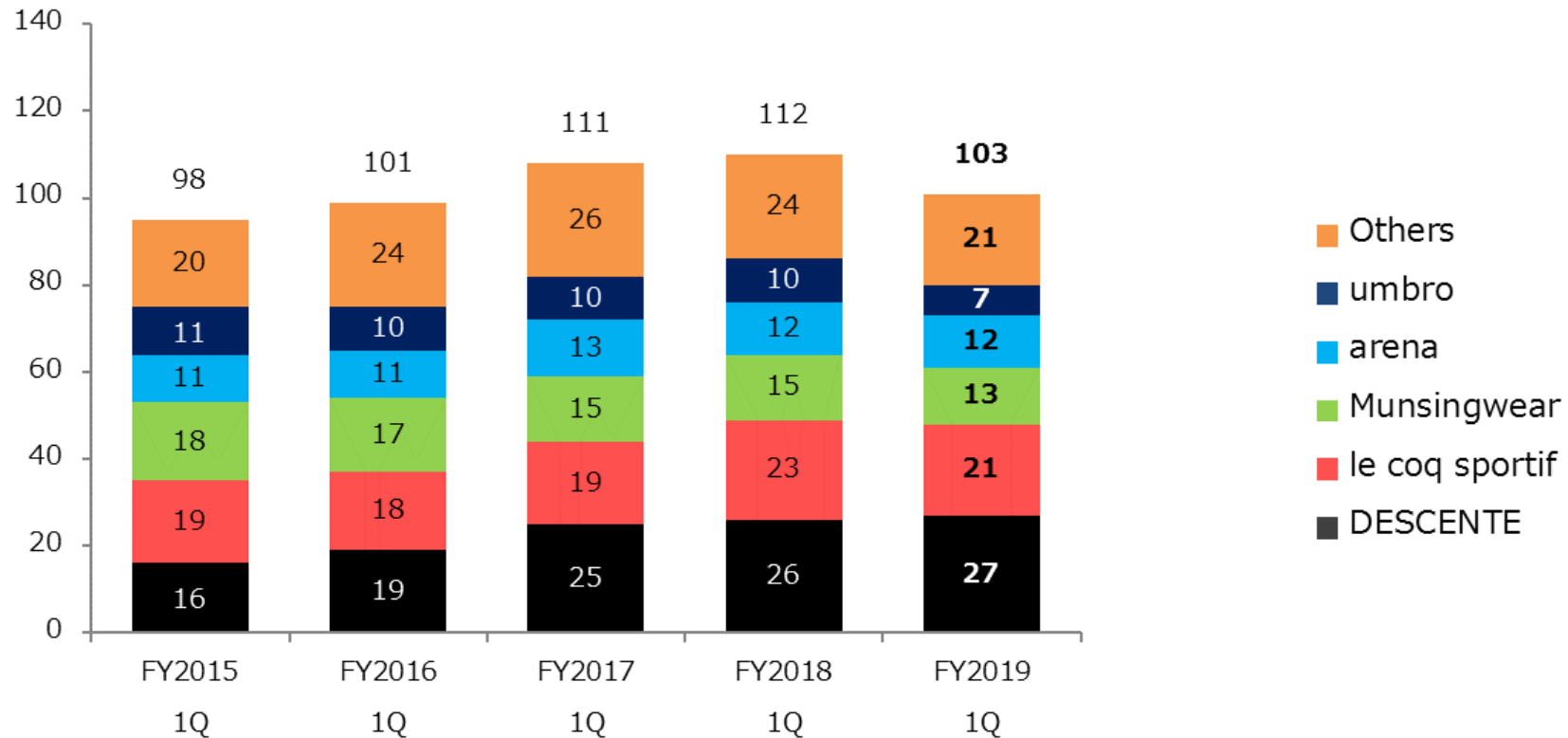
# Brand Sales (Japan)



1. 1Q FY2019 (2)Brand Review

**DESCENTE: Performed steadily in both athletic and golf categories**  
**Other brands: Decreased in sales**

(Unit: JPY 0.1 billion)

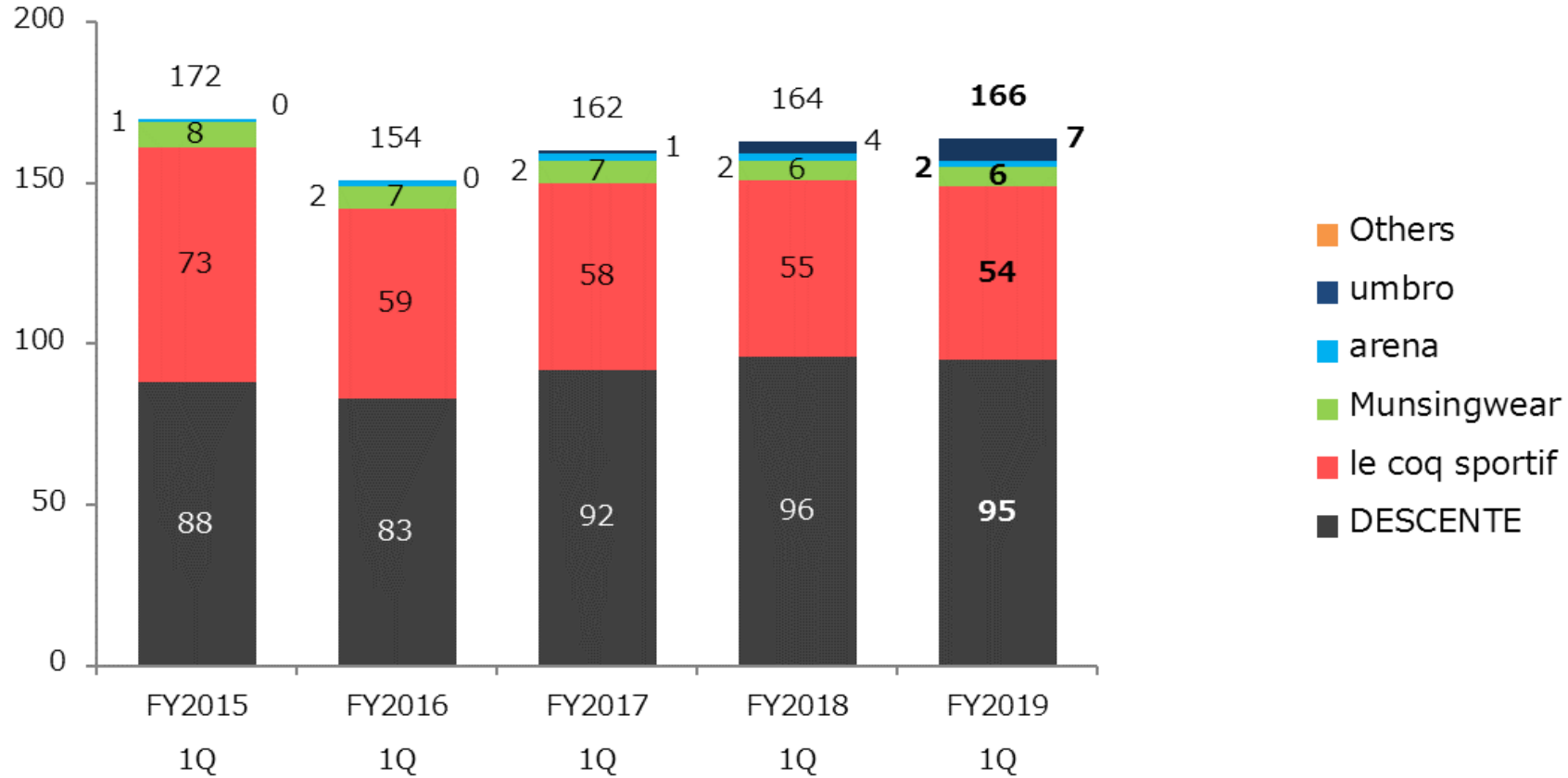


Note: FY2019=FY ending March 31, 2020



**DESCENTE and le coq sportif: Sales increased excluding FX impact  
umbro: Continues its growth**

(Unit: JPY 0.1 billion)



Note: FY2019=FY ending March 31, 2020

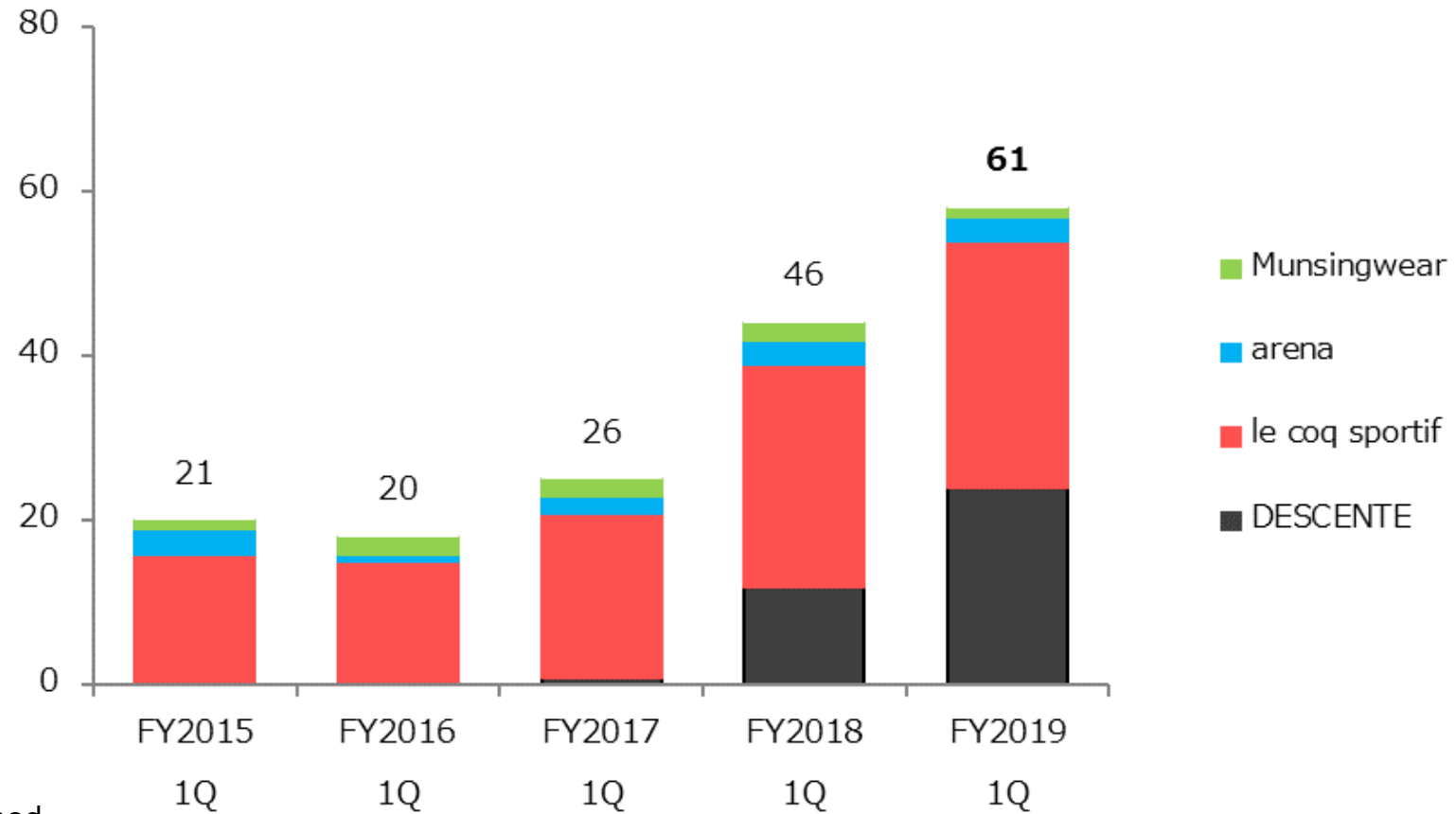
# Combined Local Sales\* (China excl. Hong Kong, Taiwan, Macau)



1. 1Q FY2019 (2)Brand Review

Sales increased mainly in "DESCENTE"

(Unit: JPY 0.1 billion)



Note:  
FY2019=FY ending March 31, 2020  
Combined Local Sales\*  
=sales of local subsidiary  
+sales of local JVs under equity method  
-sales from local subsidiary to local JVs

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## 1. 1Q FY2019

(1) Financial Summary

(2) Brand Review

## 2. Plan for FY2019

## Concentrated management resources in three markets: Japan, South Korea and China

(Unit: JPY million)	FY2017	FY2018	FY2019	
			Guidance	YoY
Net sales	141,124	142,443	144,000	+1%
Operating income	9,596	7,935	8,000	+1%
(%)	6.8%	5.6%	5.6%	-
Ordinary income	9,698	8,458	8,200	-3%
(%)	6.9%	5.9%	5.7%	-
Profit attributable to owners of parent	5,771	3,944	5,300	+34%
(%)	4.1%	2.8%	3.7%	-

Predicted Rate: USD109.80, 100KRW9.70, CNY15.90, HKD14.00, SGD80.50, GBP140.20

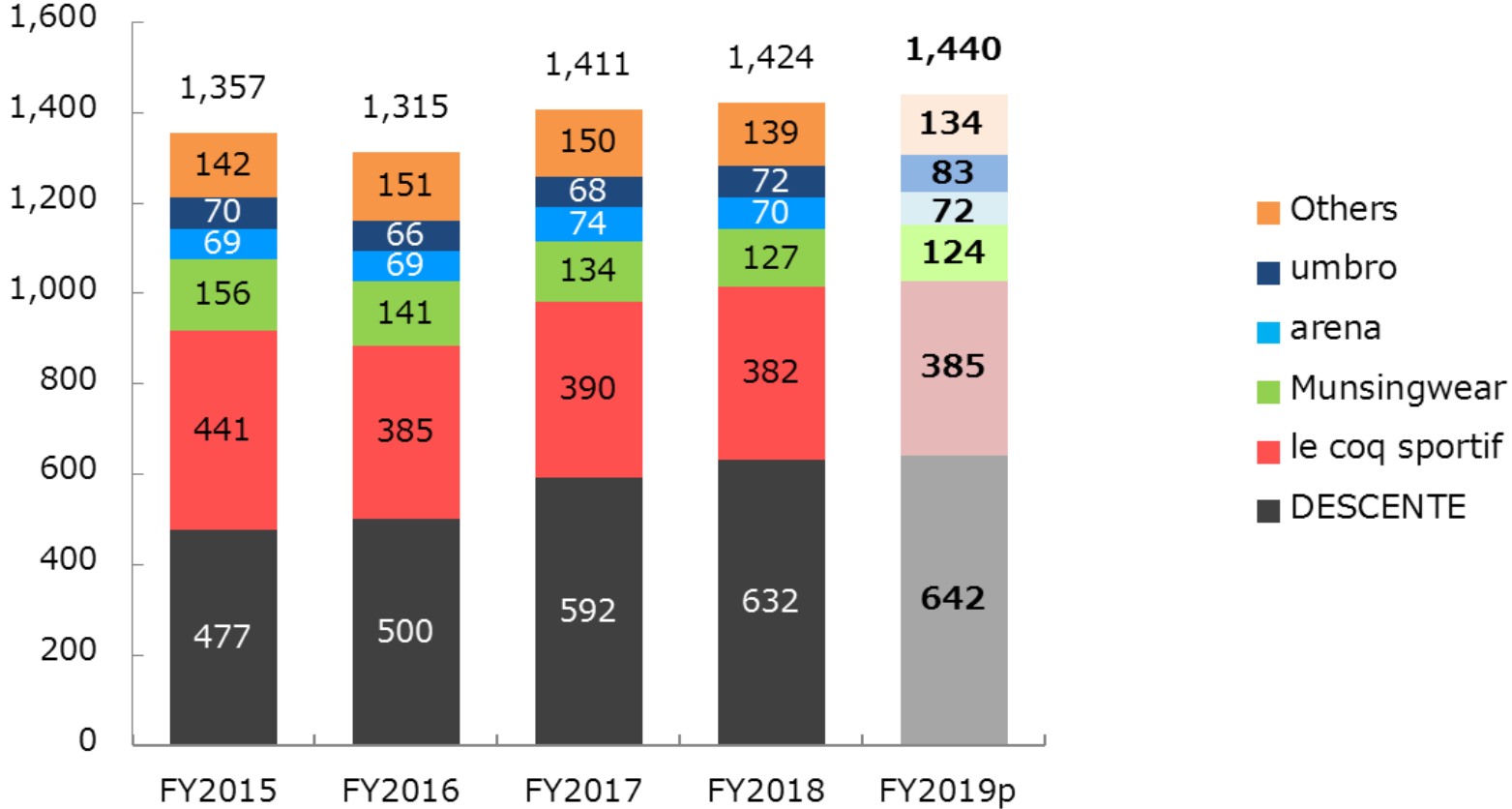
# Brand Sales Plan for FY2019 (Consolidated)



2. Plan for FY2019

**Expect an increase in sales mainly by “DESCENTE”**

(Unit: JPY 0.1billion)



Note: FY2019=FY ending March 31, 2020



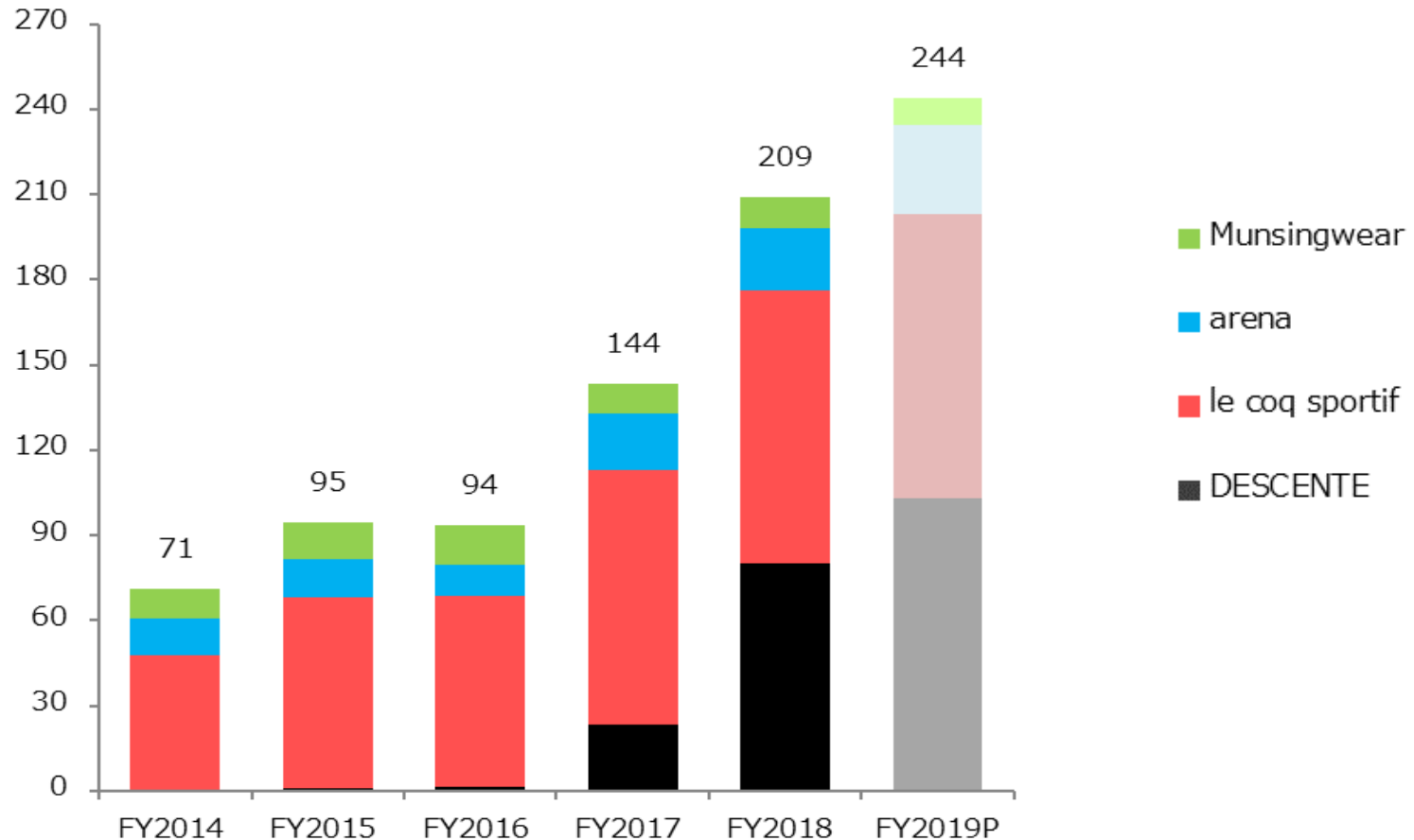
# Combined Local Sales\* Plan for FY2019 (China excl. Hong Kong, Taiwan, Macau)



2. Plan for FY2019

**Expect a large increase in sales led by “DESCENTE”**

(Unit: JPY 0.1billion)



Note:  
FY2019=FY ending March 31, 2020  
Combined Local Sales\*  
=sales of local subsidiary  
+sales of local JVs under equity method  
-sales from local subsidiary to local JVs

# Dividends and Payout Ratio



2. Plan for FY2019

**Maintaining a payout ratio of around 30% for a stable dividend**

(Unit: JPY Million)	FY2015	FY2016	FY2017	FY2018	FY2019 Plan
Dividends	1,280	1,732	1,733	1,960	1,658
Amount/share	JPY17.0	JPY23.0	JPY23.0	JPY26.0	JPY22.0
Profit attributable to owners of parent (Consolidated)	7,870	5,650	5,771	3,944	5,300
Payout ratio	16.3%	30.7%	30.0%	49.7%	31.3%

Note: FY2019=FY ending March 31, 2020

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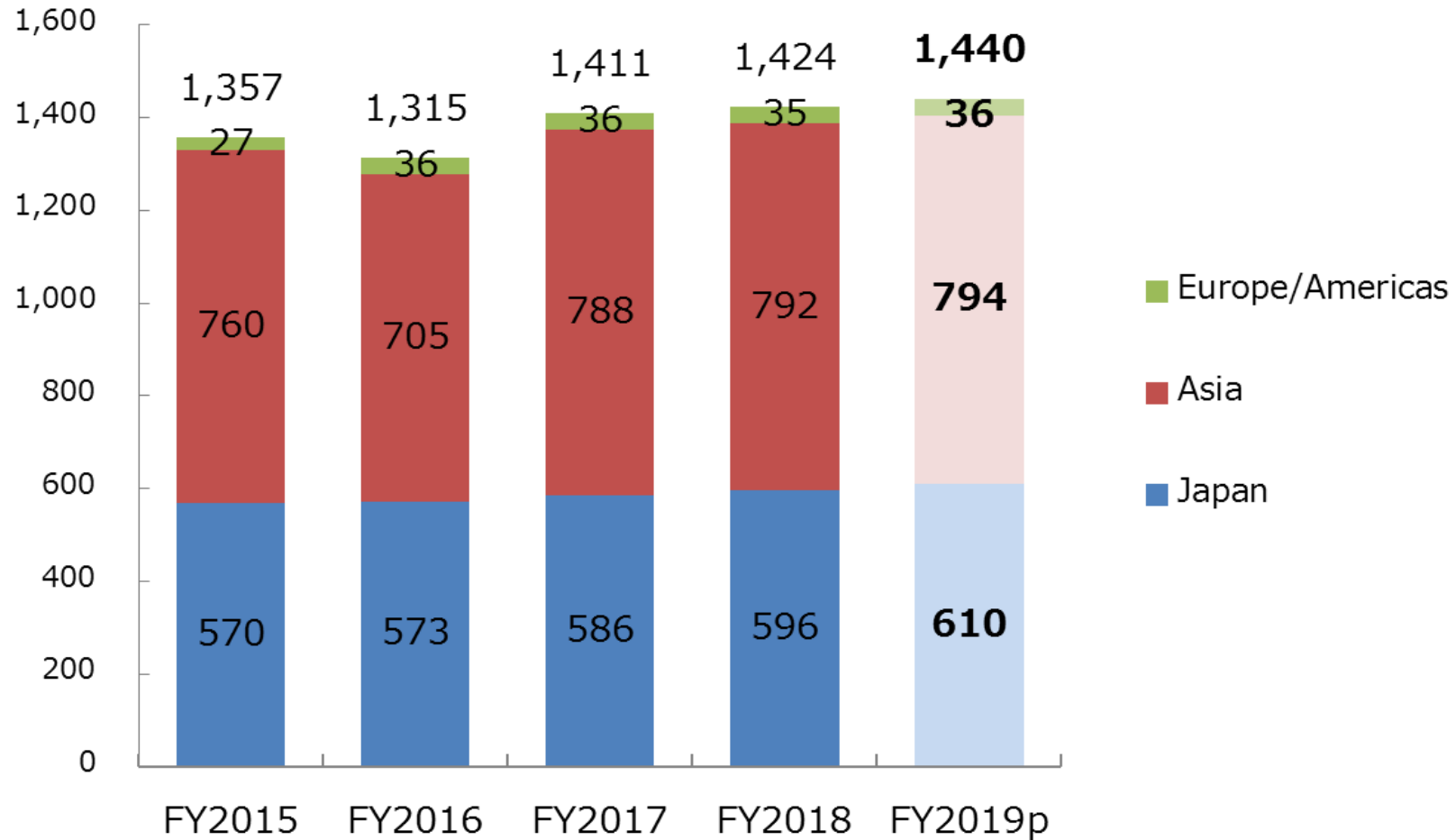
# **1Q FY2019 Reference**

## **(Quarterly Sales and Operating Income by Segment)**

# Plans for FY2019 by Segment (Consolidated)



(Unit: JPY 0.1billion)

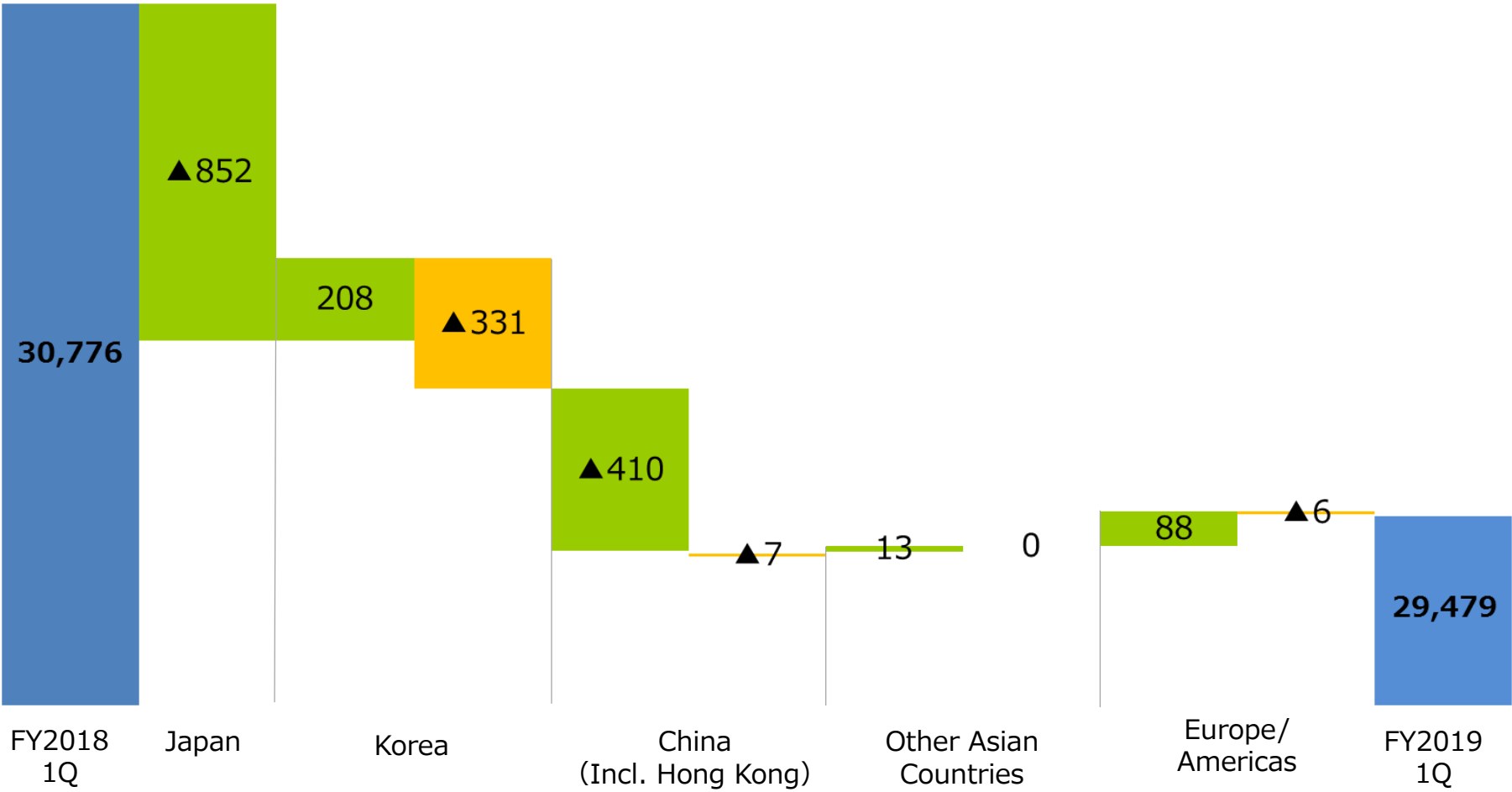


Note: FY2019=FY ending March 31, 2020

# Net Sales (YoY)



(Unit: JPY million)



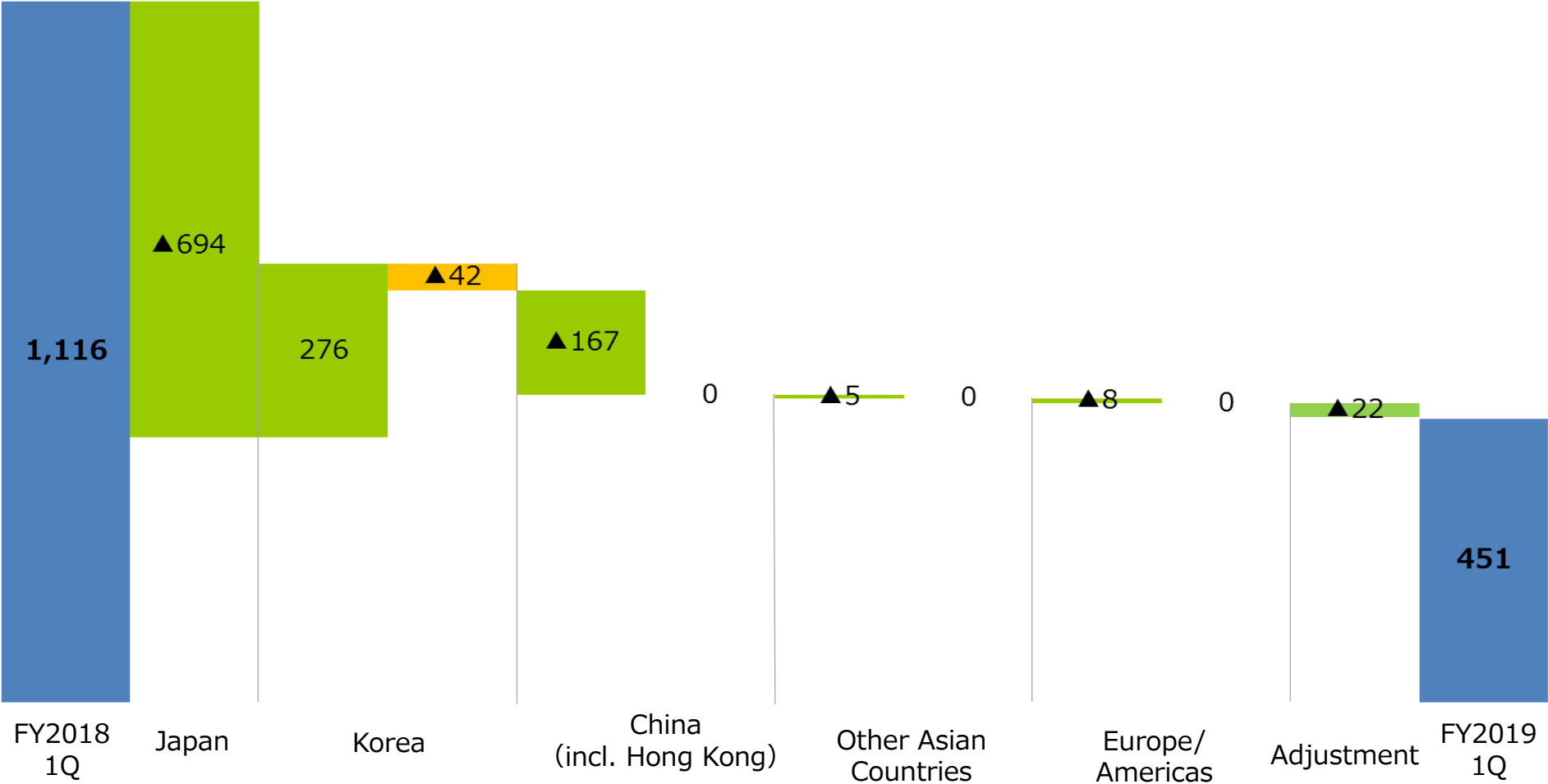
Note: FY2019= FY ending March 31, 2020



# Operating Income (YoY)



(Unit: JPY million)



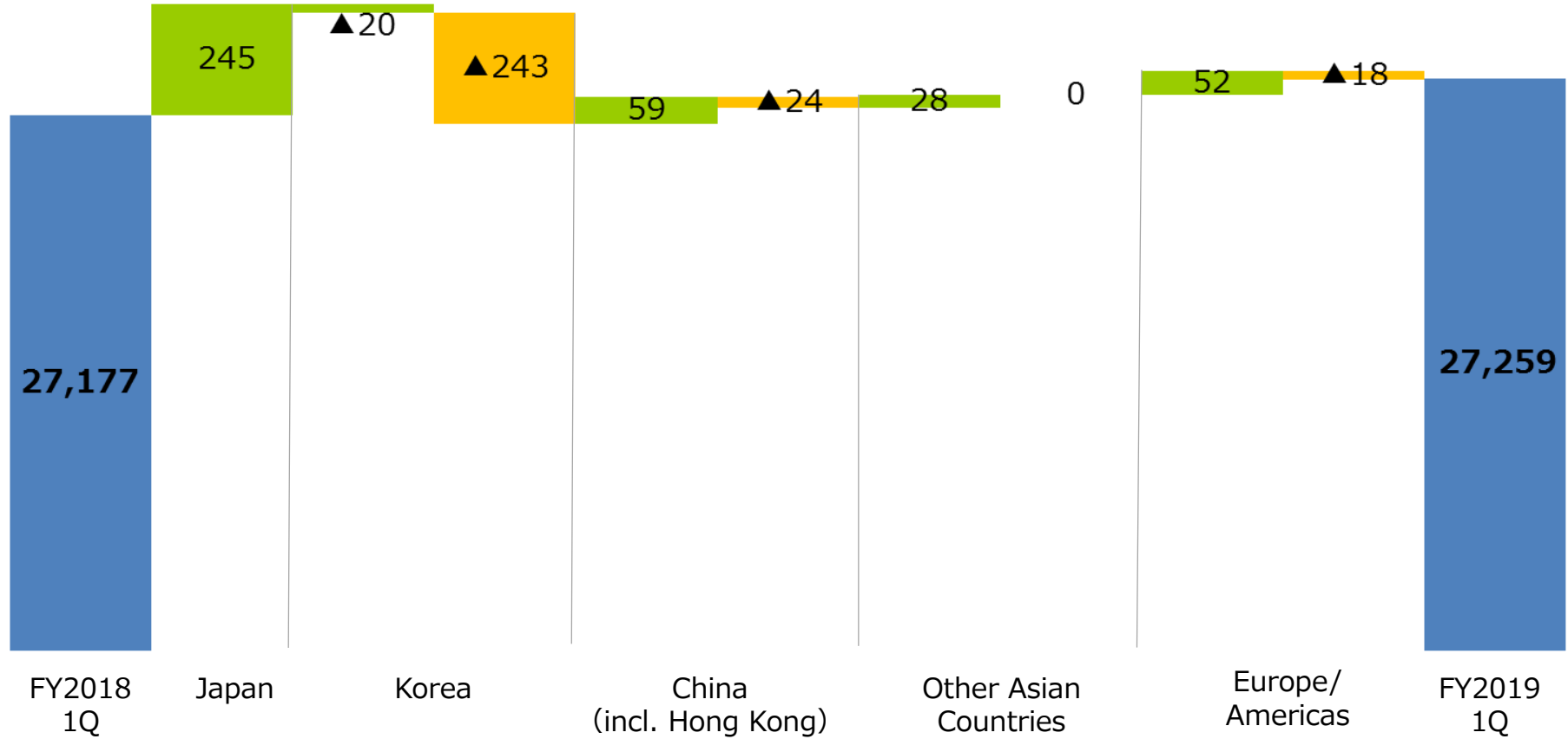
Note: FY2019= FY ending March 31, 2020



# Inventory (YoY)



(Unit: JPY million)



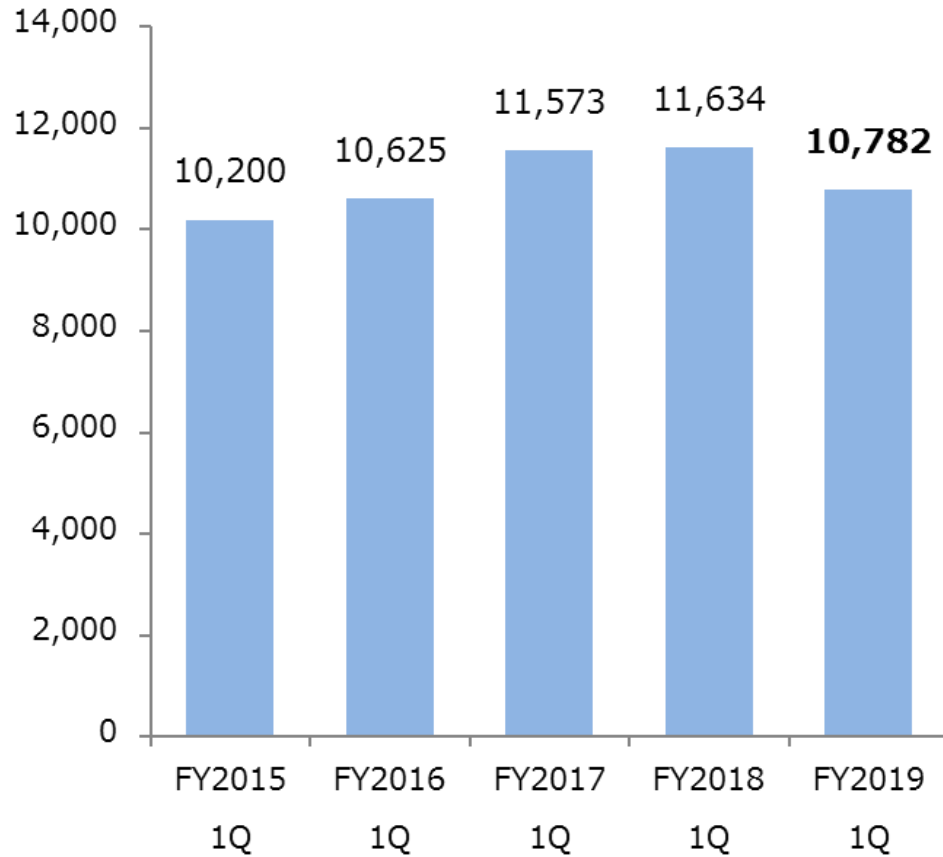
Note: FY2019= FY ending March 31, 2020

# Net Sales and Operating Income (Japan Segment)



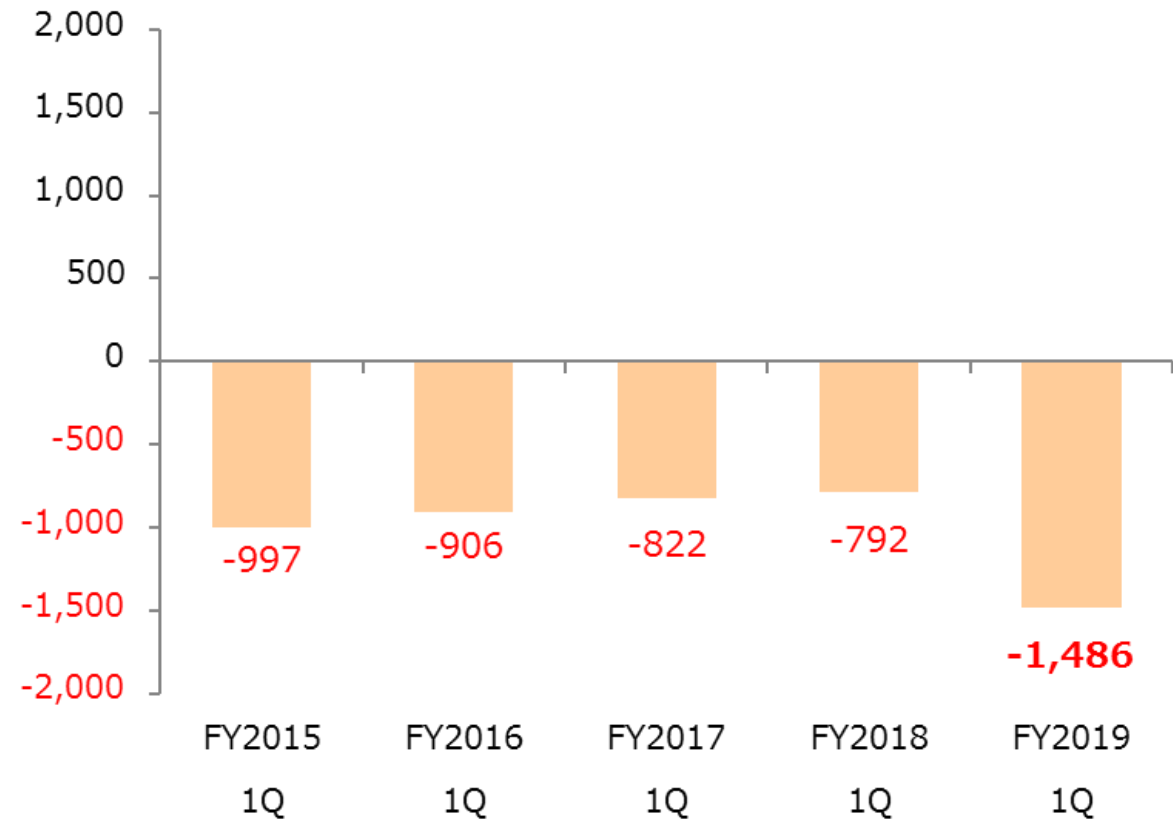
(Unit: JPY million)

## Net Sales



(Unit: JPY million)

## Operating Income



Note: FY2019=  
FY ending March 31, 2020

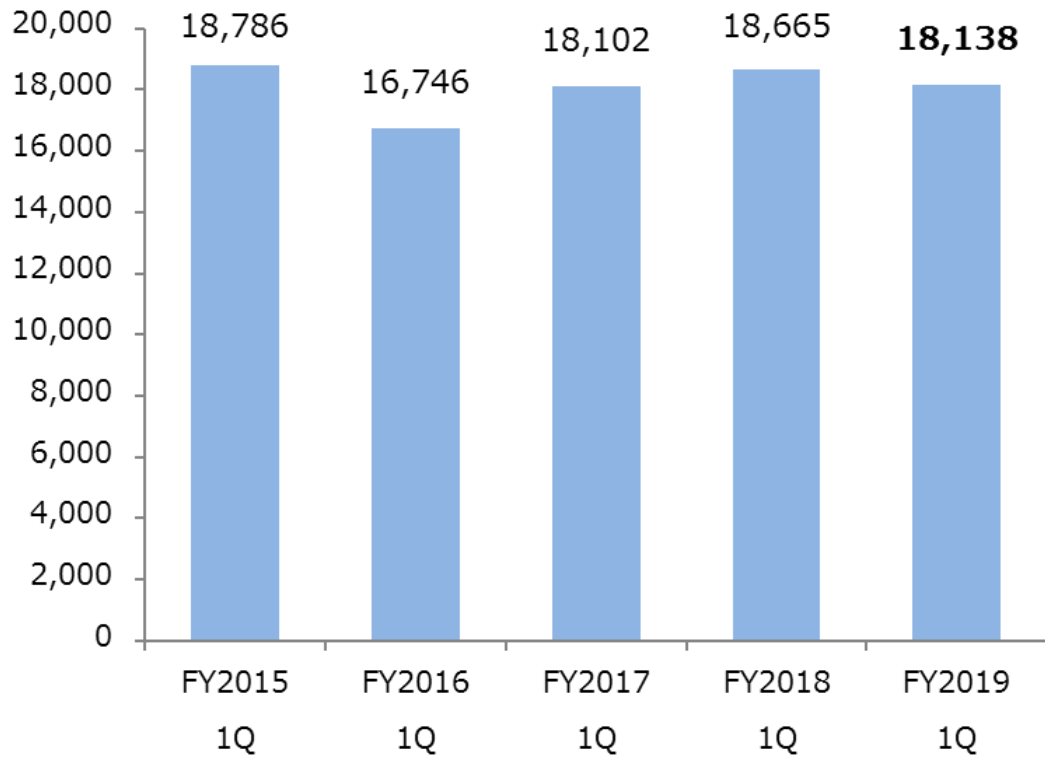


# Net Sales and Operating Income (Asia Segment)



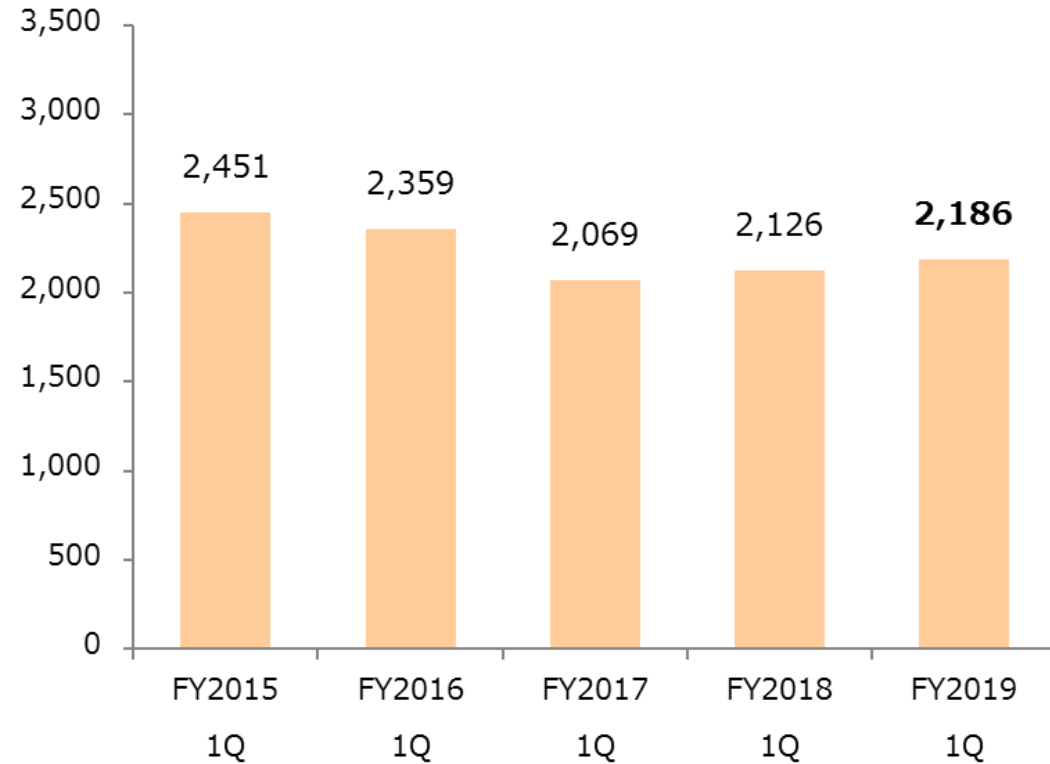
(Unit: JPY million)

## Net Sales



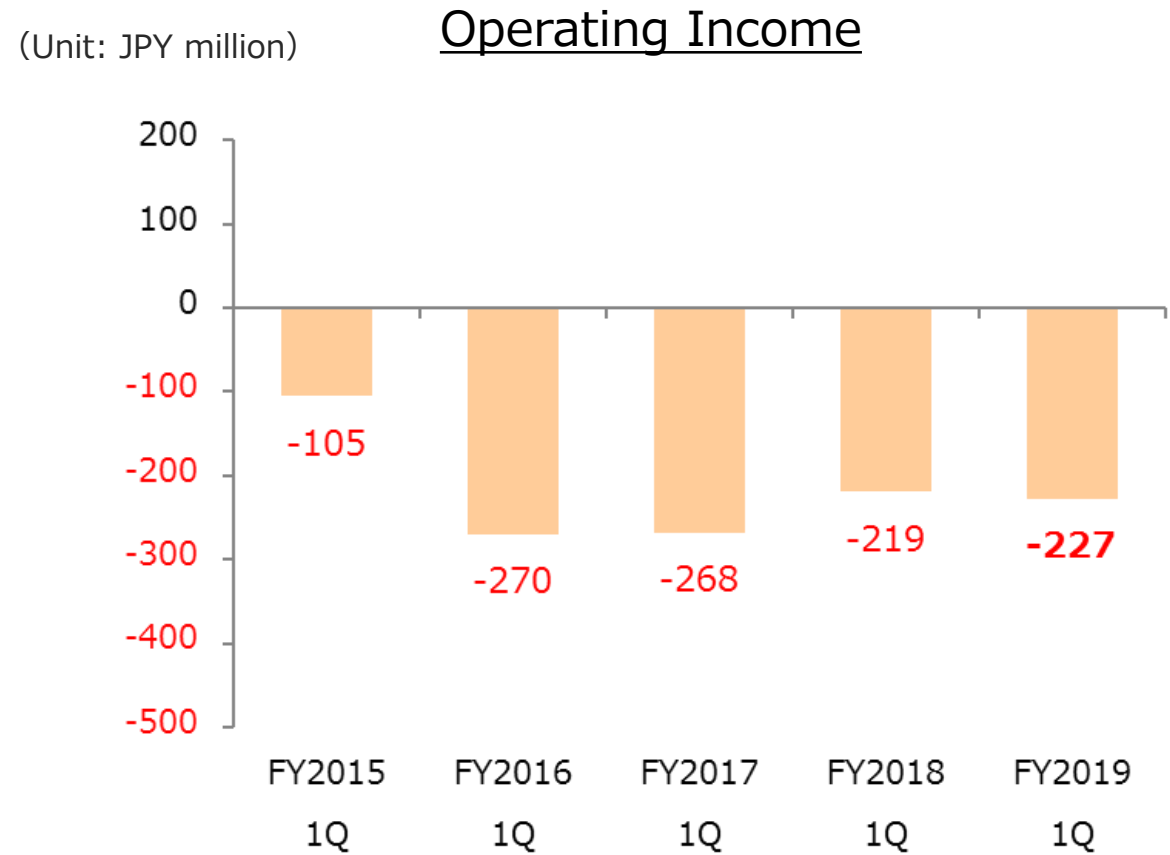
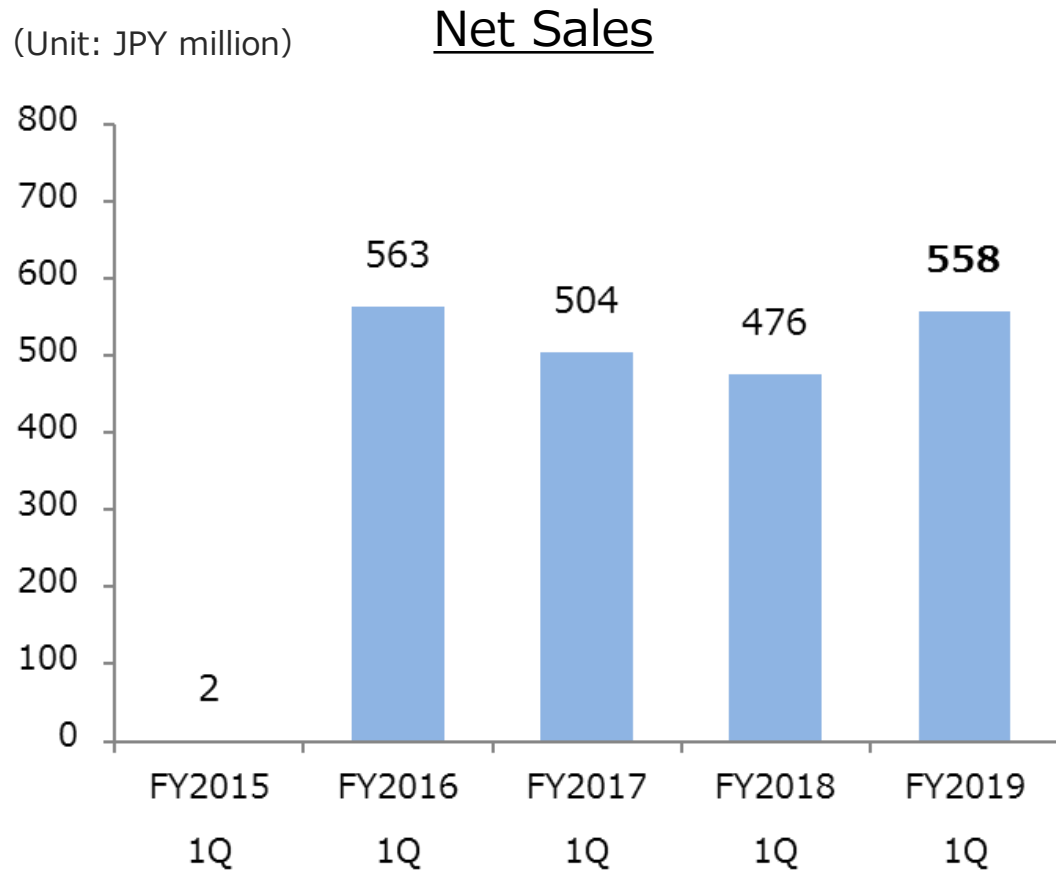
(Unit: JPY million)

## Operating Income



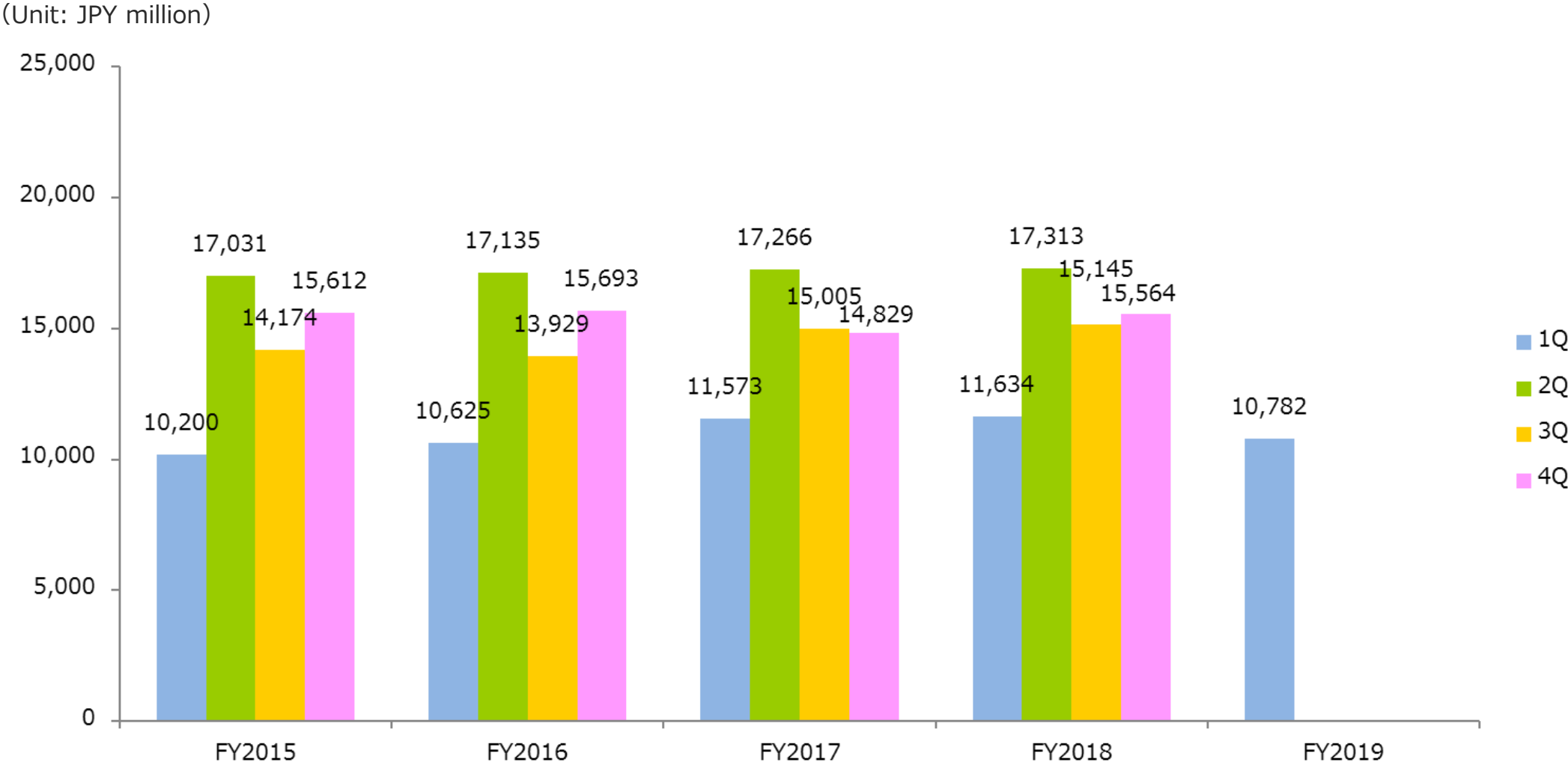
Note: FY2019=  
FY ending March 31, 2020

# Net Sales and Operating Income (Europe/Americas Segment)



Note: FY2019=  
FY ending March 31, 2020

# Quarterly Sales (Japan Segment)

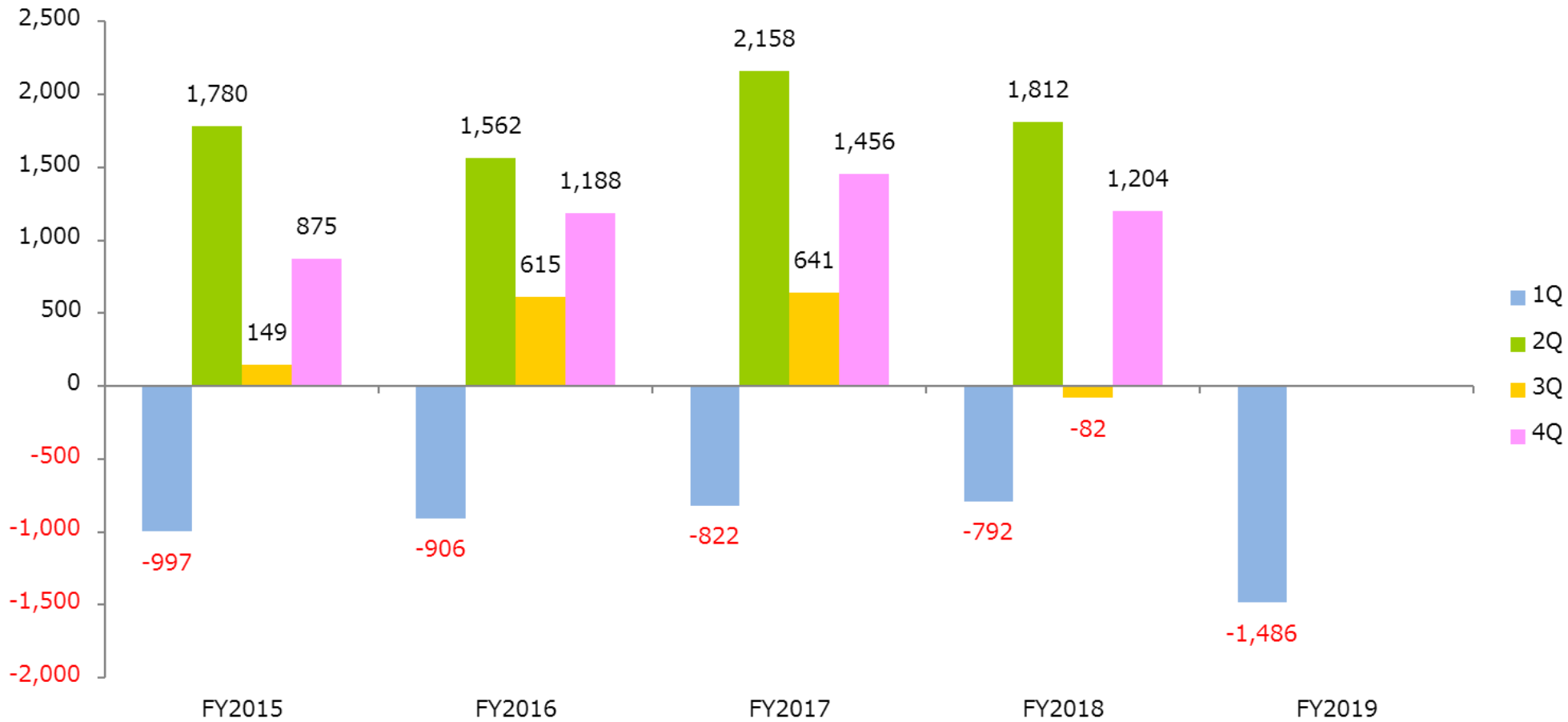


Note: FY2019=  
FY ending March 31, 2020

# Quarterly Operating Income (Japan Segment)



(Unit: JPY million)

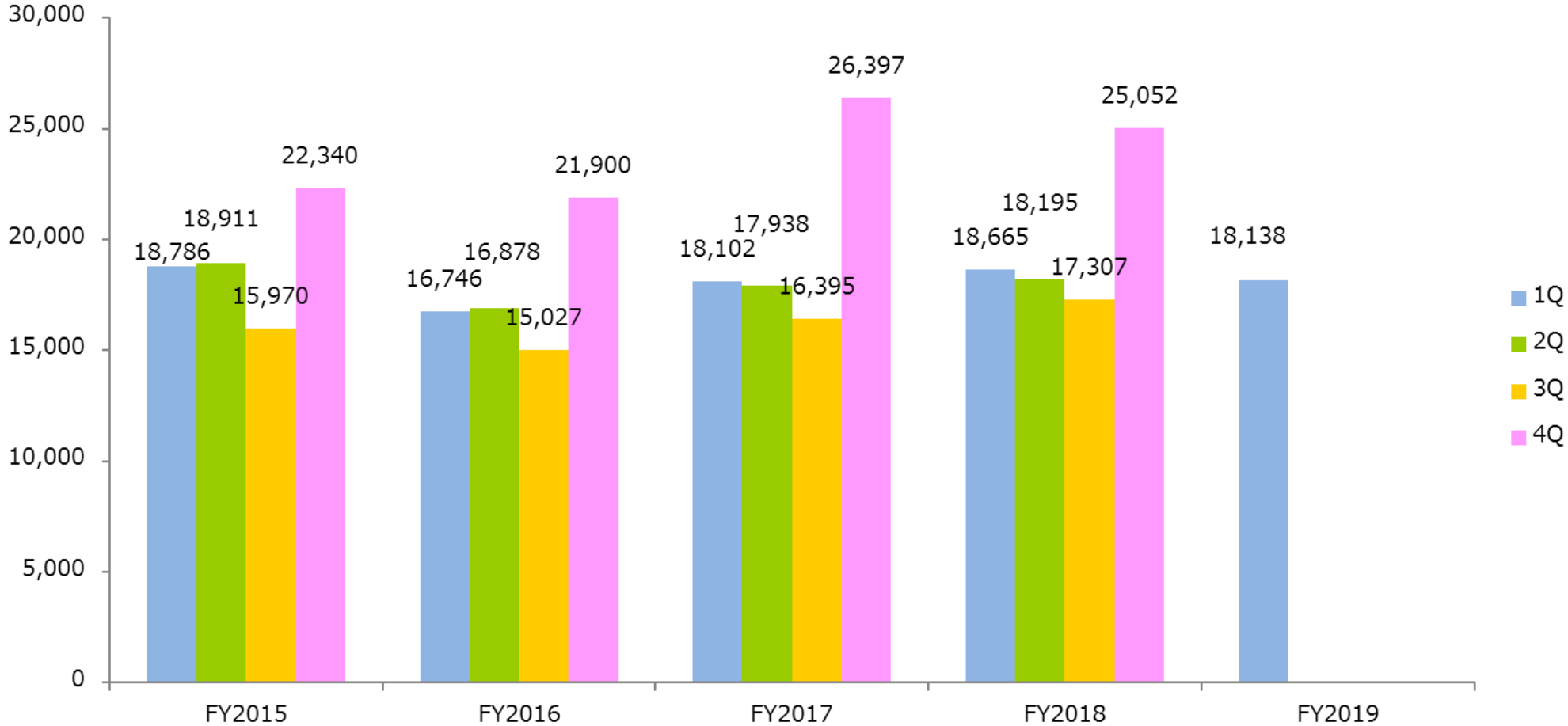


Note: FY2019=  
FY ending March 31, 2020

# Quarterly Sales Segment (Asia Segment)



(Unit: JPY million)

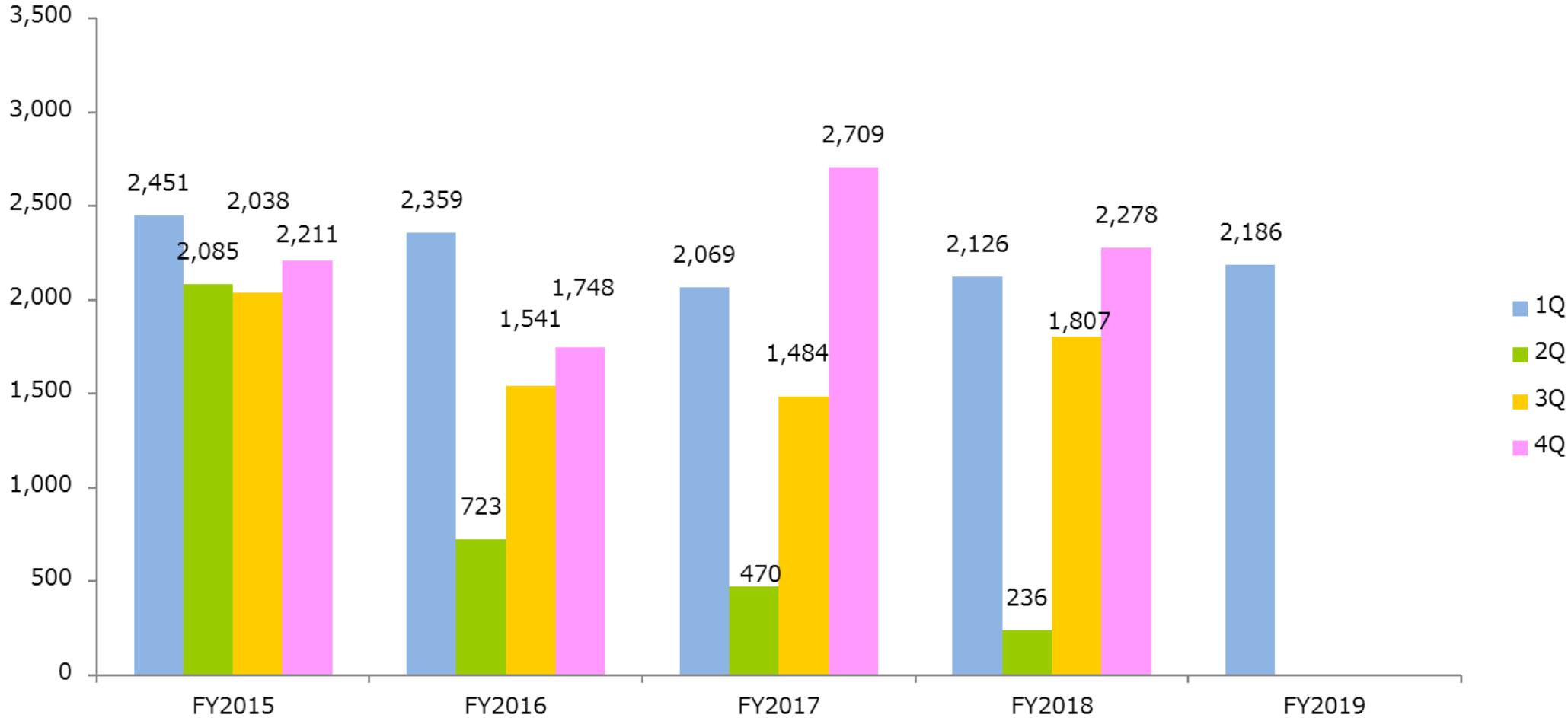


Note: FY2019=  
FY ending March 31, 2020

# Quarterly Operating Income (Asia Segment)



(Unit: JPY million)



Note: FY2019=  
FY ending March 31, 2020

# Quarterly Sales (Europe/Americas Segment)



(Unit: JPY million)

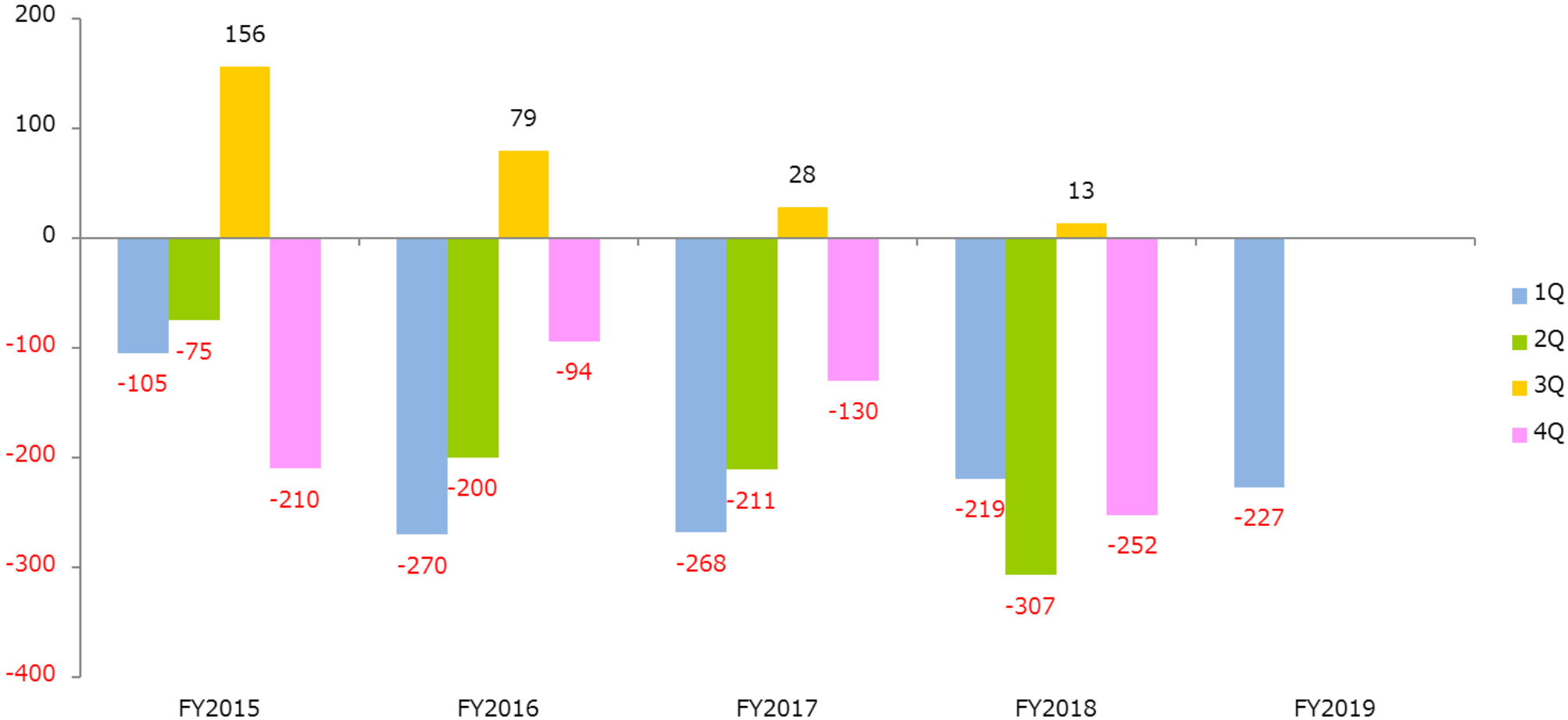


Note: FY2019=  
FY ending March 31, 2020

# Quarterly Operating Income (Europe/Americas Segment)



(Unit: JPY million)



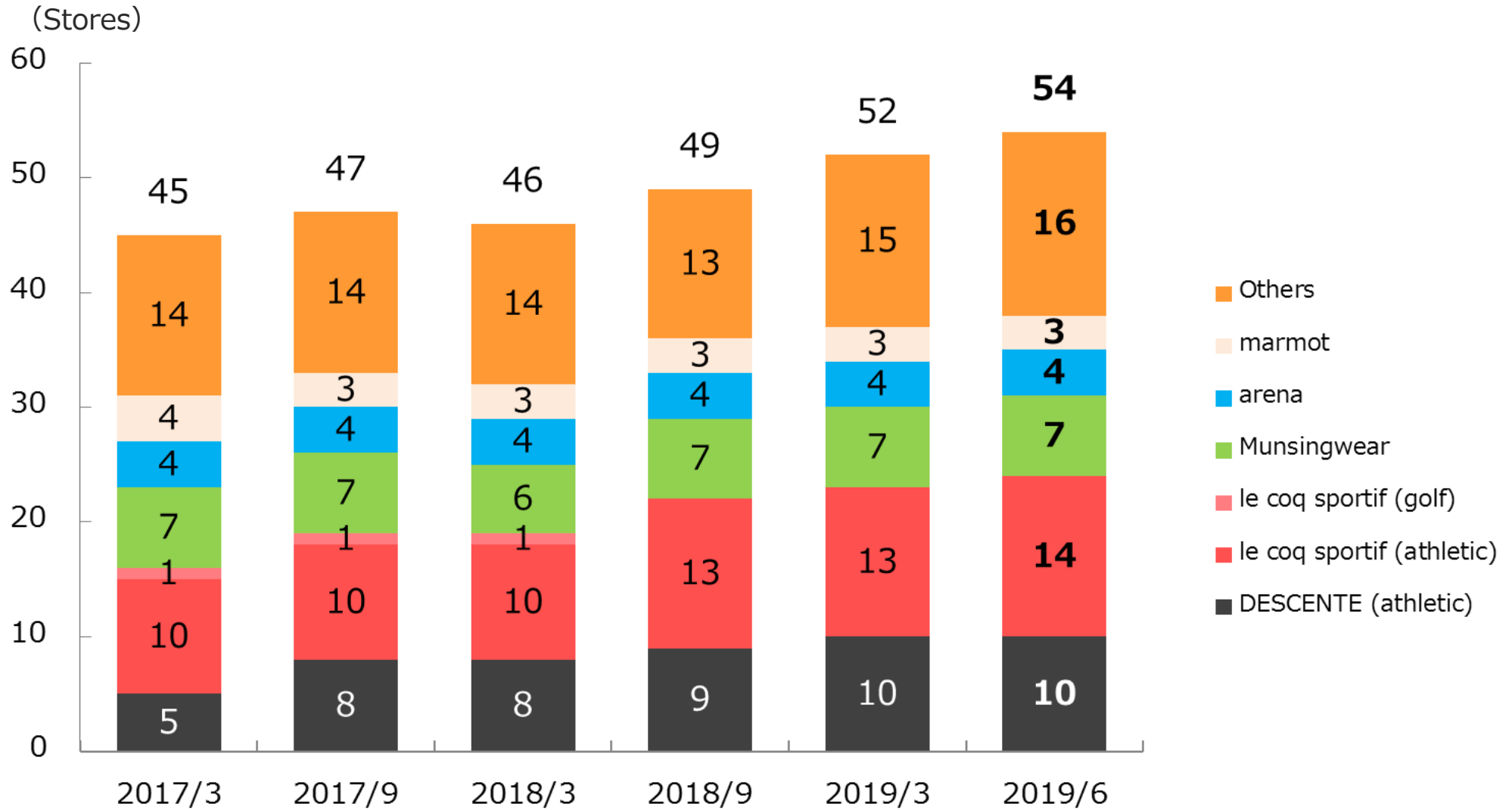
Note: FY2019=  
FY ending March 31, 2020



# Number of Stores in Japan (Directly Managed Stores)



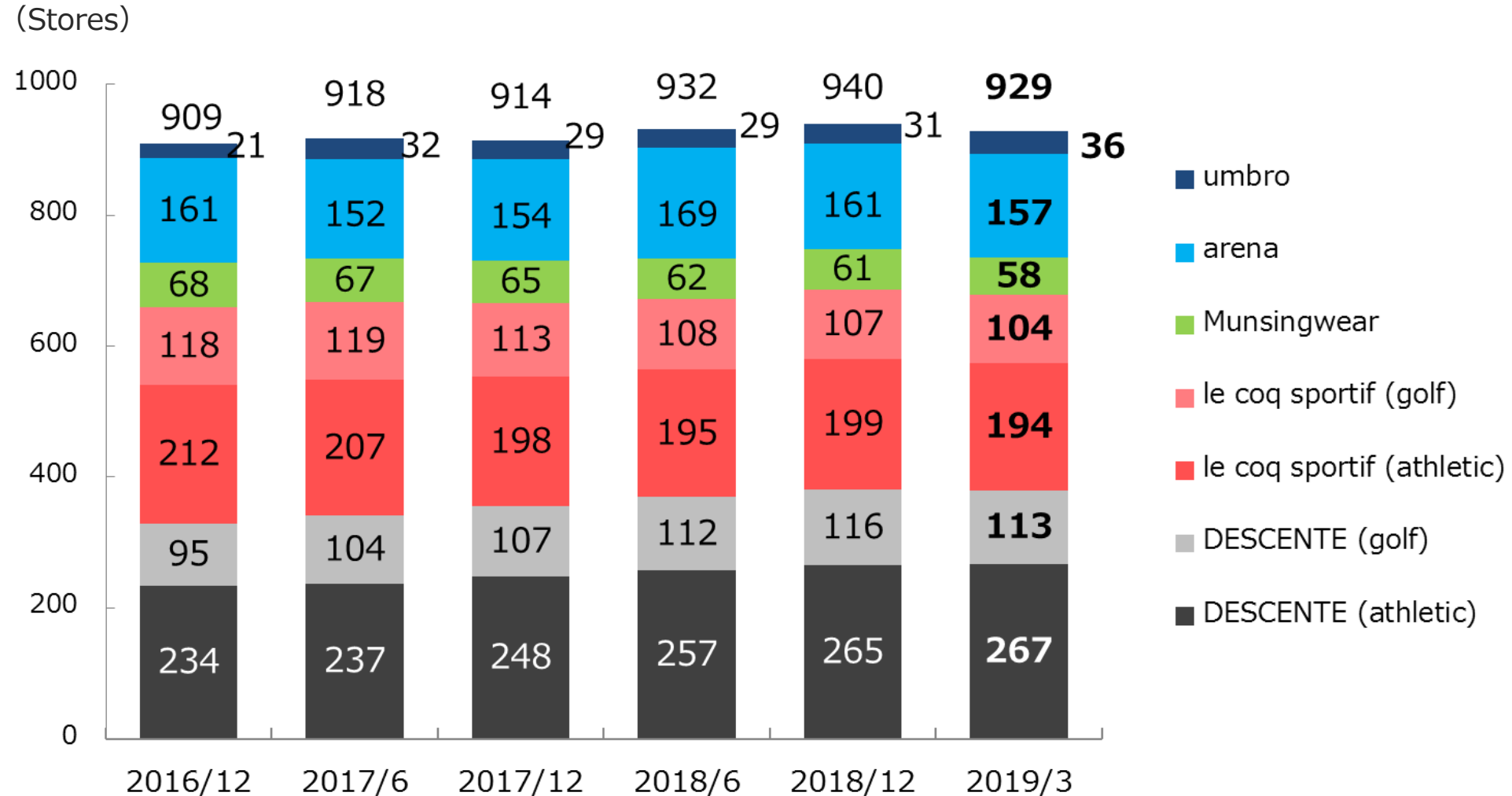
※Including outlets



# Number of Stores in Korea



※Including stores of commercial agents and outlets



# Brand Sales in Korea (YoY)



※Excluding stores of commercial agents and outlets

FY2019		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Existing stores	DESCENTE (Athletic)	-5.5%	-10.9%	-2.7%	-6.4%	3.8%	1.1%						
	DESCENTE (Young Athlete)	166.3%	43.3%	10.3%	20.7%	24.9%	22.4%						
	le coq sportif (Athletic)	8.7%	7.4%	7.3%	-3.8%	11.7%	3.9%						
	umbro	32.6%	74.4%	68.0%	24.2%	-3.7%	20.4%						
	DESCENTE (Golf)	25.9%	6.7%	1.5%	-3.8%	8.2%	1.2%						
	le coq sportif (Golf)	1.9%	-1.1%	-7.4%	-11.1%	7.1%	0.9%						
	Munsingwear	8.7%	0.9%	-11.9%	-15.5%	-2.1%	8.9%						
	Total	2.7%	-1.7%	1.0%	-5.5%	5.9%	2.8%						
All stores	DESCENTE (Athletic)	-0.7%	-6.9%	1.0%	-3.3%	6.1%	3.3%						
	DESCENTE (Young Athlete)	337.6%	154.5%	107.6%	92.0%	105.4%	105.3%						
	le coq sportif (Athletic)	12.7%	12.4%	12.3%	-0.7%	15.8%	8.1%						
	umbro	74.0%	107.5%	127.9%	67.2%	27.7%	62.8%						
	DESCENTE (Golf)	45.0%	17.5%	7.0%	3.3%	14.9%	23.8%						
	le coq sportif (Golf)	4.4%	0.3%	-4.0%	-11.4%	4.8%	1.0%						
	Munsingwear	12.4%	4.4%	-8.0%	-11.6%	0.0%	-1.7%						
	Total	10.4%	5.2%	7.9%	-0.4%	10.5%	8.3%						

1Q	2Q	2Q YTD	3Q	3Q YTD	4Q	4Q YTD
-6.6%	-0.5%	-3.6%				
57.5%	22.8%	39.7%				
7.7%	4.2%	6.1%				
59.5%	11.7%	33.7%				
8.2%	2.0%	4.0%				
-3.4%	-1.2%	-2.1%				
-3.7%	-4.3%	-4.1%				
0.5%	1.1%	0.8%				
-2.4%	2.1%	-0.2%				
172.0%	100.4%	135.7%				
12.5%	8.0%	10.3%				
104.5%	49.7%	75.7%				
17.7%	13.3%	14.9%				
-0.8%	-2.2%	-1.6%				
0.1%	-4.8%	-2.9%				
7.6%	6.1%	6.8%				

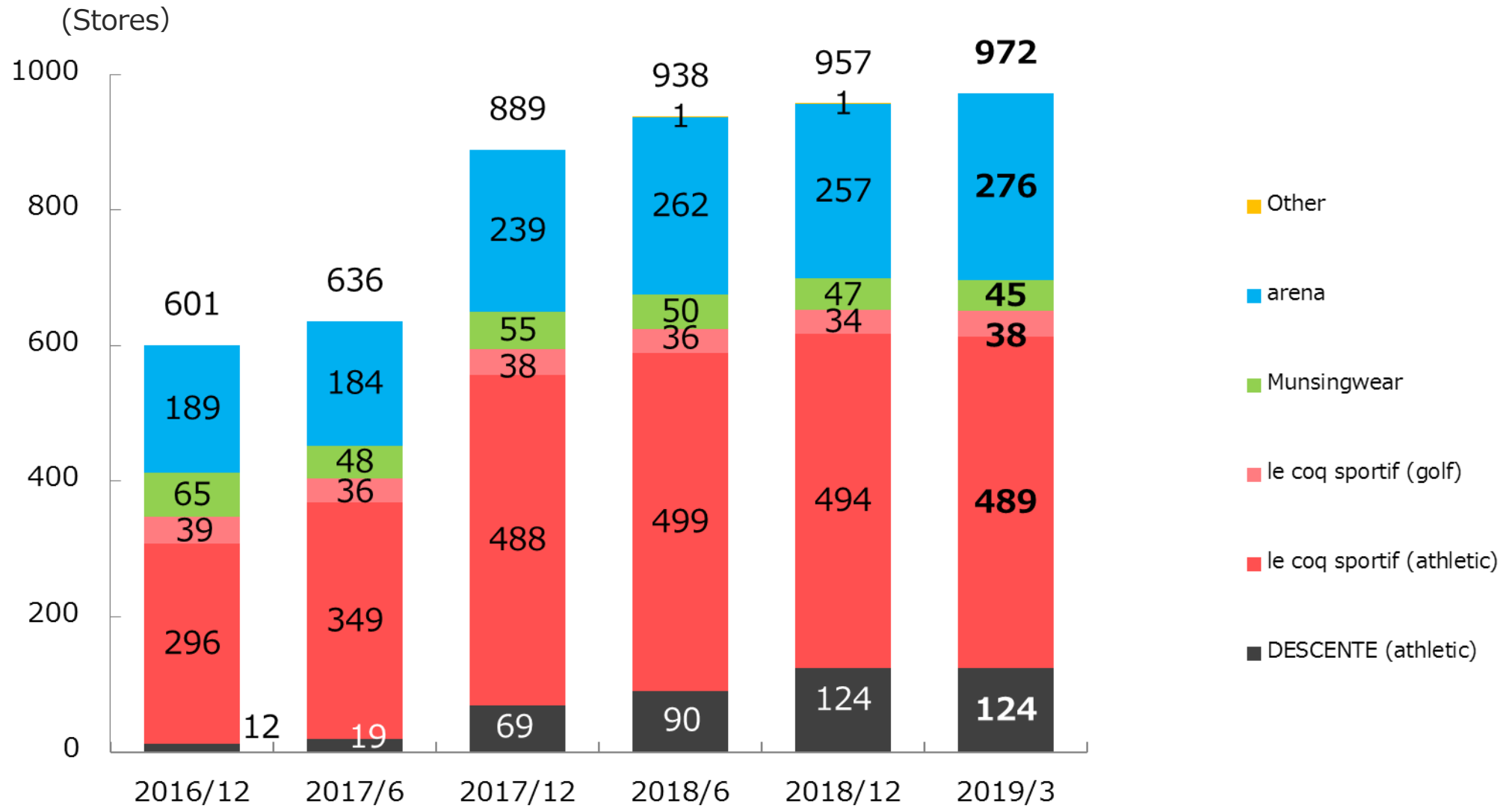
FY2018		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Existing stores	DESCENTE (Athletic)	-13.1%	0.3%	4.7%	-10.7%	-4.2%	-0.1%	-0.4%	-6.5%	3.9%	4.1%	-15.1%	15.7%
	le coq sportif (Athletic)	-11.6%	11.1%	7.5%	-5.5%	-0.9%	10.6%	13.5%	-0.4%	15.7%	1.6%	-23.1%	19.8%
	umbro	187.6%	136.2%	84.0%	122.1%	159.7%	107.4%	81.9%	93.2%	49.4%	30.1%	-13.4%	39.7%
	DESCENTE (Golf)	-7.8%	9.5%	2.7%	-3.1%	2.3%	12.2%	1.8%	-14.4%	-12.1%	10.0%	-4.5%	38.3%
	le coq sportif (Golf)	-22.3%	-23.9%	-23.9%	-27.0%	-23.3%	-15.8%	-14.7%	-14.4%	-11.4%	-6.9%	-17.3%	4.3%
	Munsingwear	-7.7%	-6.4%	-1.2%	-11.6%	-8.9%	-10.6%	-10.1%	-15.1%	-8.7%	-0.4%	-11.3%	3.2%
	Total	-11.5%	3.1%	2.6%	-9.7%	-3.7%	2.0%	2.4%	-5.5%	3.6%	3.4%	-16.2%	17.1%
	All stores	DESCENTE (Athletic)	-9.8%	3.0%	8.9%	-5.4%	2.5%	6.6%	6.9%	1.2%	11.6%	10.3%	-10.6%
le coq sportif (Athletic)		-15.9%	7.5%	2.8%	-9.4%	-4.6%	6.7%	10.8%	-1.7%	-14.4%	3.6%	-22.3%	22.4%
umbro		212.8%	172.9%	93.8%	108.6%	164.7%	117.7%	87.3%	132.9%	85.1%	70.7%	7.9%	68.8%
DESCENTE (Golf)		-1.6%	18.2%	7.2%	1.1%	6.7%	0.6%	9.6%	-18.0%	-2.7%	20.5%	5.6%	56.1%
le coq sportif (Golf)		-23.9%	-24.2%	-25.5%	-28.7%	-25.5%	-18.3%	-17.0%	-16.8%	-13.1%	-8.8%	-18.9%	4.3%
Munsingwear		-10.1%	-9.1%	-3.3%	-13.3%	-10.9%	-12.2%	-11.5%	-15.6%	-8.2%	0.5%	-10.5%	4.4%
Total		-10.3%	4.6%	4.0%	-7.6%	-0.8%	3.3%	6.2%	-1.8%	8.9%	8.8%	-12.3%	22.8%

1Q	2Q	2Q YTD	3Q	3Q YTD	4Q	4Q YTD
-2.6%	-5.5%	-4.0%	-0.3%	-2.9%	-0.7%	-2.1%
2.7%	0.6%	1.7%	10.5%	4.3%	-4.5%	1.3%
125.4%	132.0%	129.0%	69.2%	103.0%	13.4%	58.4%
1.9%	3.3%	2.8%	-8.3%	-1.3%	9.3%	2.1%
-23.5%	-22.7%	-23.0%	-13.3%	-20.1%	-8.5%	-16.9%
-4.2%	-10.4%	-8.1%	-10.8%	-8.9%	-3.9%	-7.5%
-1.6%	-4.3%	-3.0%	0.8%	-1.9%	-1.3%	-1.7%
0.7%	0.7%	0.7%	7.3%	2.7%	4.5%	3.3%
-1.5%	-3.2%	-2.3%	8.8%	0.9%	-2.9%	-0.4%
147.9%	131.4%	138.9%	97.2%	121.6%	41.7%	83.3%
7.9%	2.9%	4.6%	-2.9%	1.9%	21.0%	8.0%
-24.8%	-24.7%	-24.7%	-15.4%	-22.0%	-9.8%	-18.7%
-6.5%	-12.2%	-10.1%	-11.2%	-10.4%	-3.0%	-8.2%
-0.2%	-2.1%	-1.2%	5.2%	0.7%	3.6%	1.7%

# Numbers of Stores in China (incl. Hong Kong)








※Including stores of commercial agents (added outlets from 2017/12)



# Affiliated Companies in China: Summary



Company Name	SHANGHAI DESCENTE COMMERCIAL CO., LTD.	LE COQ SPORTIF (NINGBO) CO., LTD	DESCENTE (CHINA) CO., LTD	ARENA(SHANGHAI)INDUSTRIAL CO.,LTD	HONG KONG DESCENTE TRADING, LTD
Location	Shanghai, China	Ningbo, China	Shanghai, China	Shanghai, China	Hong Kong
Incorporated	August, 2005	February, 2004	April, 2016	December, 2016	August, 2005
Fiscal Year	December	December	December	December	December
Relations	Consolidated subsidiary	Affiliated Companies Accounted for under the Equity Method	Affiliated Companies Accounted for under the Equity Method	Affiliated Companies Accounted for under the Equity Method	Consolidated subsidiary
Investment Ratio	100%	40%	30%	30%	100%
Other Investors/ Investment Ratio		ShanShan group 50% Itochu group 10%	ANTA group 60% Itochu group 10%	Symphony Holdings Limited 70%	
Brands					
Business	Munsingwear: Product planning, development, production, selling Arena: Product planning, development, production	Product planning, development, production, and selling	Product planning, development, production, and selling	Selling	Product planning and selling
Royalty	Pay royalty to DESCENTE LTD.	Pay royalty to DESCENTE LTD.	Pay royalty to DESCENTE GLOBAL RETAIL LTD.	NO royalty payment (Buy all products from SHANGHAI DESCENTE COMMERCIAL CO., LTD.)	Pay royalty to DESCENTE LTD.
Segment	Asia(China)	Not included	Not included	Not included	Asia(China)
Area	Asia(China)	Not included	Not included	Not included	Asia (China, South-eastern Asia)

## Exchange Rates Used

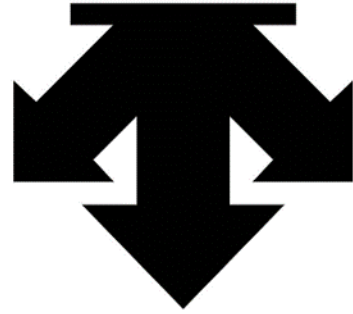
		USD	100KRW	CNY	HKD	SGD	GBP
FY2019	4Q YTD plan	109.80	9.70	15.90	14.00	80.50	140.20
	1Q YTD	111.26	9.85	16.44	14.06	81.70	145.20
FY2018	4Q YTD	110.34	10.04	16.64	14.08	81.71	146.73
	3Q YTD	110.07	10.05	16.77	13.98	81.66	147.94
	2Q YTD	108.81	10.05	17.01	13.84	81.54	148.83
	1Q YTD	107.60	10.04	17.03	13.72	81.67	150.68
FY2017	4Q YTD	111.59	10.00	16.63	14.37	81.47	145.34
	3Q YTD	111.70	9.88	16.47	14.35	80.77	143.62
	2Q YTD	111.51	9.89	16.37	14.41	80.22	142.26
	1Q YTD	111.95	9.91	16.43	14.53	80.13	
FY2016	4Q YTD	108.82	9.41	16.38	14.10	79.04	147.28
	3Q YTD	107.02	9.39	16.46	14.01	79.29	150.70
	2Q YTD	109.02	9.46	16.98	14.39	81.14	158.89
	1Q YTD	112.00	9.63	17.57	14.89	82.83	164.26
FY2015	4Q YTD	121.22	10.70	19.19	15.61	87.88	185.10
	3Q YTD	121.16	10.75	19.32	15.60	88.44	187.33
	2Q YTD	121.44	10.98	19.36	15.55	89.30	-
	1Q YTD	119.47	10.85	19.09	15.38	87.56	-
FY2014	4Q YTD	107.72	10.13	17.26	13.74	83.85	-
	3Q YTD	103.97	9.94	16.73	13.32	82.07	-
	2Q YTD	102.20	9.80	16.56	13.19	81.16	-
	1Q YTD	102.47	9.60	16.78	13.22	81.00	-

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

Note: FY2019 = FY ending March 31, 2020

**DESCENTE**



Design for Sports