



Design for Sports

# **Consolidated Financial Summary for the Third Quarter of Fiscal Year Ending March 31,2018**

**, 2018  
DESCENTE LTD.**

**(TSE 1<sup>st</sup> Section: 8114)**



**By Segment:** Based on the location of the company, and classified according to country and area.  
**Example:** Net sales from DESCENTE LTD. to Distributor in Spain is counted in Japan segment.

**By Area:** Based on the location of the customer, and classified according to country and area.  
**Example:** Net sales from DESCENTE LTD. to Distributor in Spain is counted in Europe/Americas segment.

\* Group internal sales is eliminated in neither of these cases.(Not Counted)



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# **1. 3<sup>rd</sup> Quarter of FY ending March 31,2018**

## **i . Overview**

ii . Review by Segment

iii . Review by Brand

## **2. Objectives and plan for the FY ending March 31, 2018**

# Results for 3<sup>rd</sup> Quarter FY ending March 31, 2018(Consolidated)



1.3<sup>rd</sup> Quarter of FY ending March 31, 2018

i . Overview

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**Net sales in all areas including Japan, Korea, and China increased.**

**Operating income in Japan made up for those in Asia and exceeded the previous year.**

(Unit: JPY Million)

	FY2018	FY2017		FY2018	
	3rd Quarter performance	3rd Quarter performance	Year-on-year	Full Year Guidance	VS guidance
Net sales	98,898	92,850	106.5%	139,000	71.1%
Operating income	5,545	5,539	100.1%	8,400	66.0%
( % )	5.6%	6.0%		6.0%	
Ordinary income	5,666	5,907	95.9%	8,600	65.9%
( % )	5.7%	0		6.2%	
Profit attributable to owners of parent	3,830	4,176	91.7%	5,700	67.2%
( % )	3.9%	4.5%		4.1%	

# Net Sales Transition (consolidated : by area)



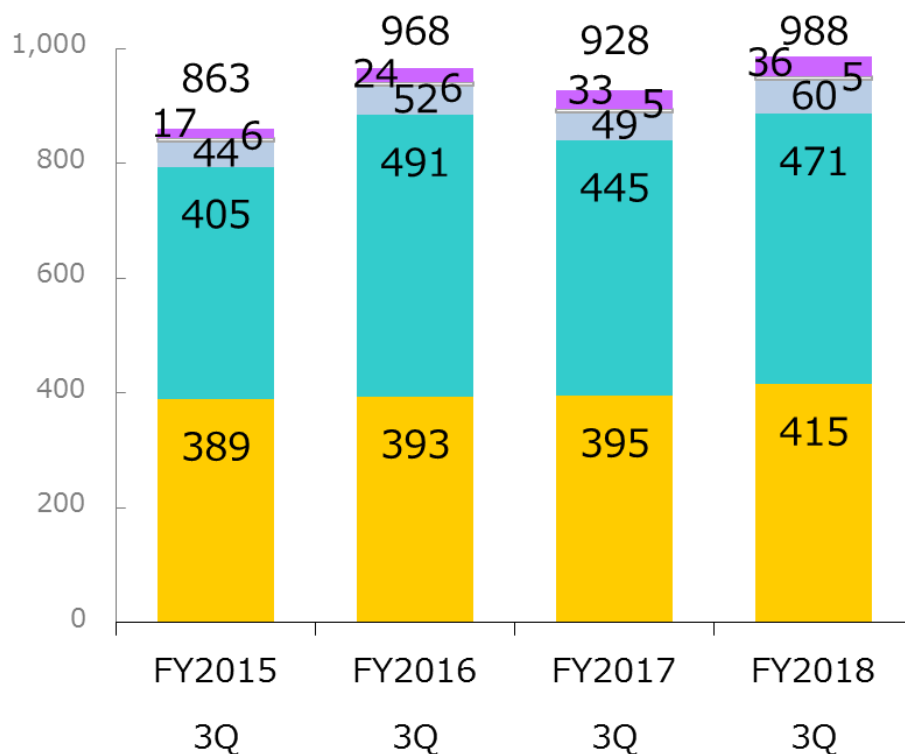
1.3<sup>rd</sup> Quarter of FY ending March 31, 2018

i . Overview

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**Sales increased in three principal countries (Japan, Korea and China), and also in Europe/Americas.**

(Unit: JPY 0.1Billion)



**YoY +6 billion (106%)**

Japan +1.9 billion  
 Korea: +2.6 billion  
 China (incl. Hong Kong and Taiwan) +1.0 billion  
 Other Asian countries ▲0.0 billion  
 Europe/Americas +0.2 billion

Overseas Ratio	FY2015 3Q	FY2016 3Q	FY2017 3Q	FY2018 3Q
Overseas Ratio	54%	59%	57%	58%

■ Japan  
■ Korea  
■ China (incl. Hong Kong)  
■ Other Asian Countries  
■ Europe/North America

# Net Sales by item (consolidated)



1.3<sup>rd</sup> Quarter of FY ending March 31, 2018

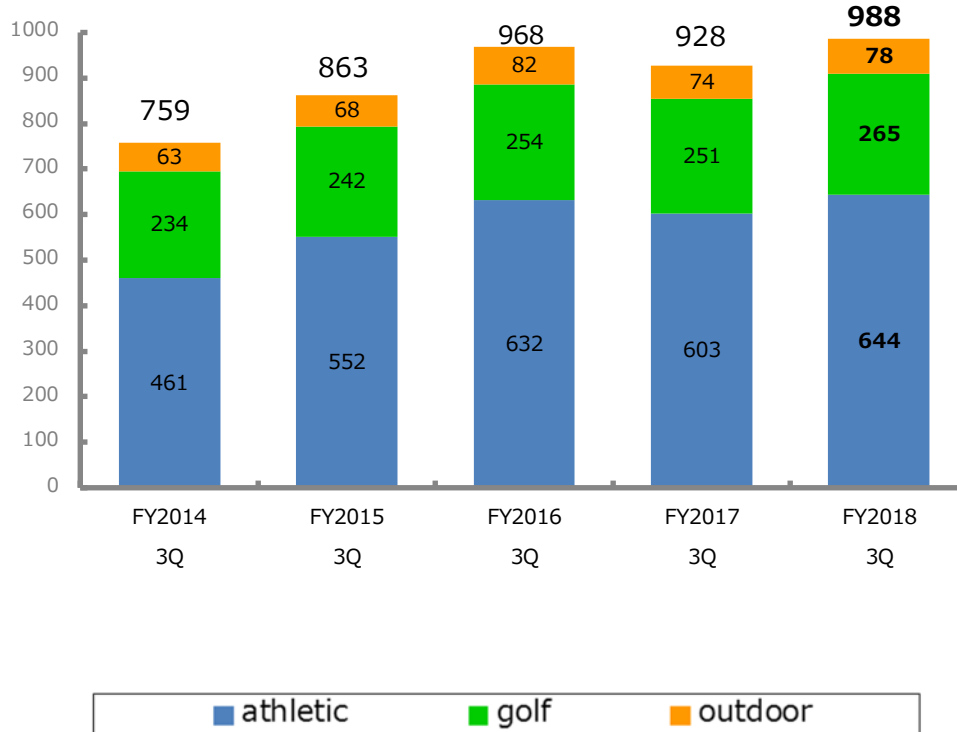
i . Overview

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**Sales in all categories especially DECENTE brand increased both in domestic and overseas.**

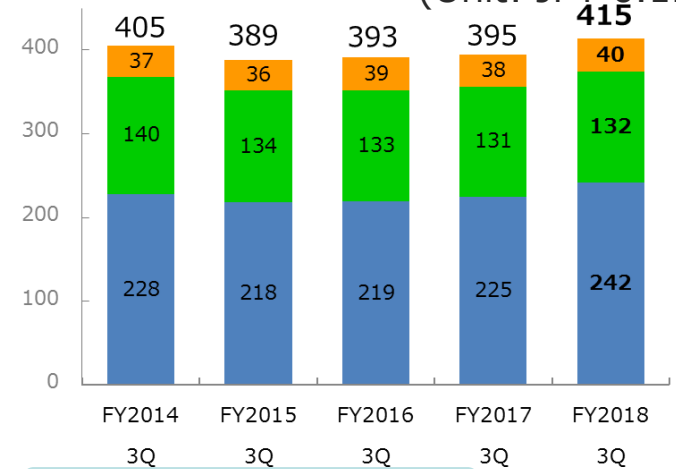
## Consolidated

(Unit: JPY 0.1Billion)



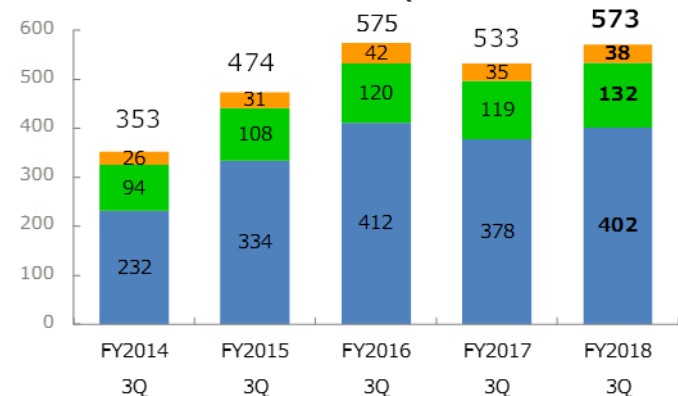
## Domestic

(Unit: JPY 0.1Billion)



## Overseas

(Unit: JPY 0.1Billion)



# Income Transition (Consolidated)

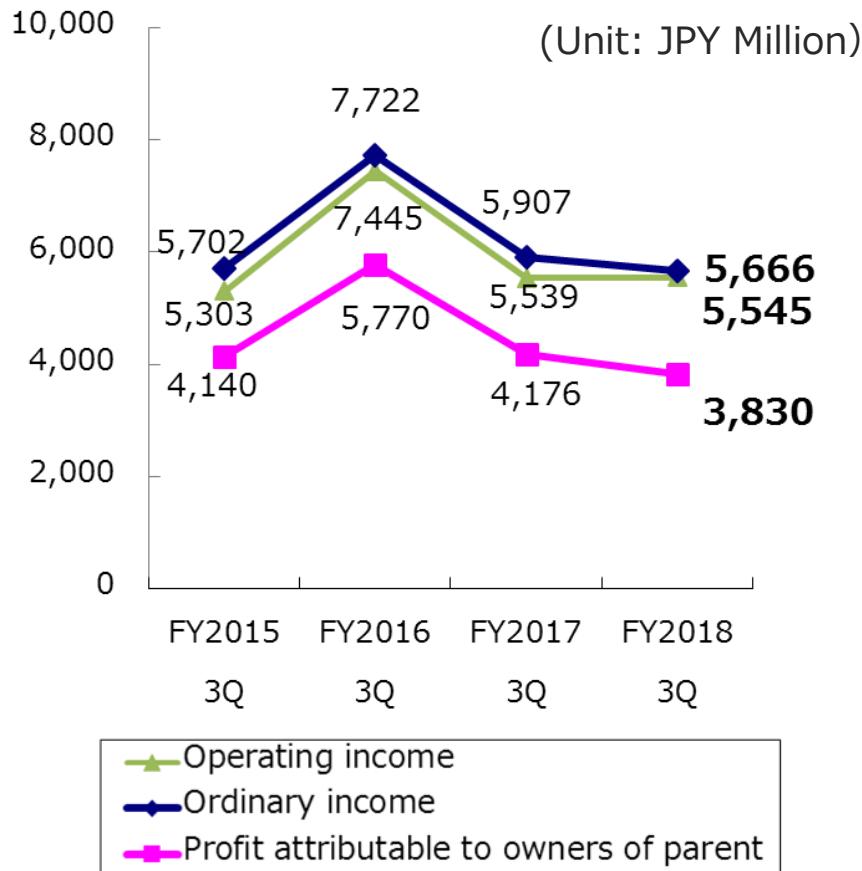


1.3<sup>rd</sup> Quarter of FY ending March 31, 2018

i . Overview

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**Operating income increased slightly from last year.  
Non-operating income and expenditure is decreased by 199m  
because of losses of affiliates by Descente China(119m) and FX.  
(+178m YoY)**



(Unit: JPY Million)

	Current period	Prev. period	Change
<b>Operating income</b>	<b>5,545</b>	<b>5,539</b>	<b>5</b>
Non-operating income	328	551	▲ 222
Non-operating expense	207	183	24
<b>Ordinary income</b>	<b>5,666</b>	<b>5,907</b>	<b>▲ 241</b>
Extraordinary income	0	0	0
Extraordinary loss	0	0	0
Total income taxes	1,835	1,731	104
<b>Profit attributable to owners of parent</b>	<b>3,830</b>	<b>4,176</b>	<b>▲ 345</b>

# Balance Sheets Transition (consolidated)



1.3<sup>rd</sup> Quarter of FY ending March 31, 2018

i . Overview

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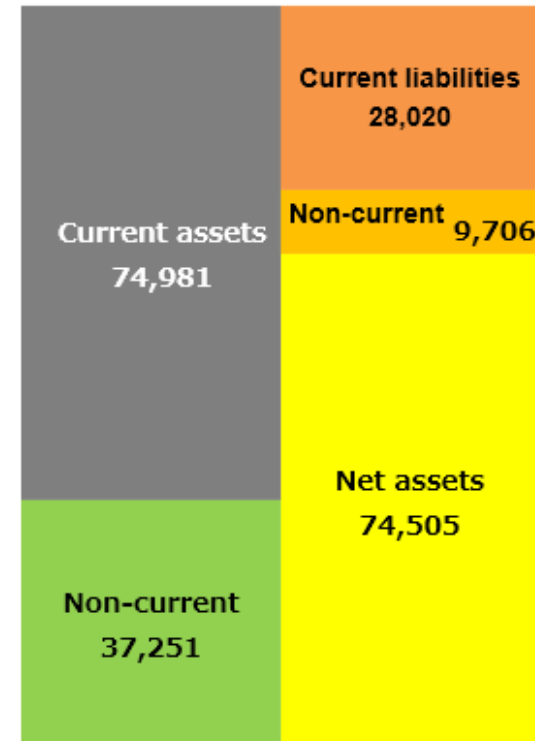
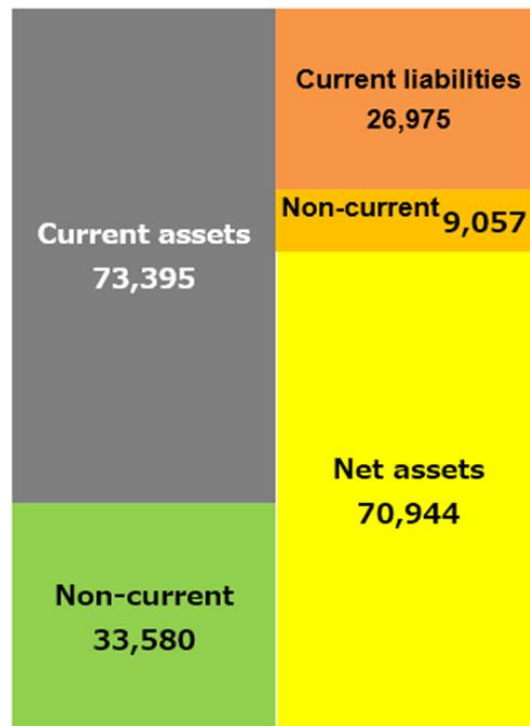
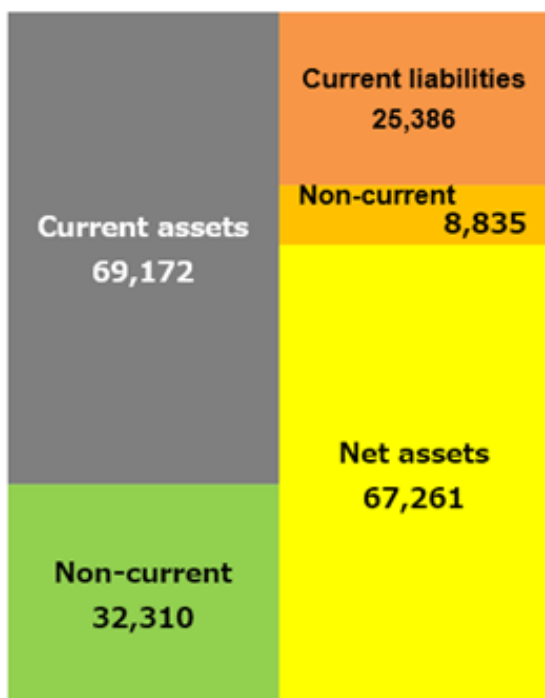
**Total assets increased by 5,255m from the end of the previous fiscal year end by investment on R&D centers (+1,496m), increase of tangible fixed assets (2,696m), FX (+1,091m) etc.**

(Unit: JPY Million)

2016/12/31

2017/3/31

2017/12/31



Total assets	101,482
Equity ratio	66.3%

Total assets	106,976
Equity ratio	66.3%

Total assets	112,232
Equity ratio	66.4%



# Cash Flow (consolidated)

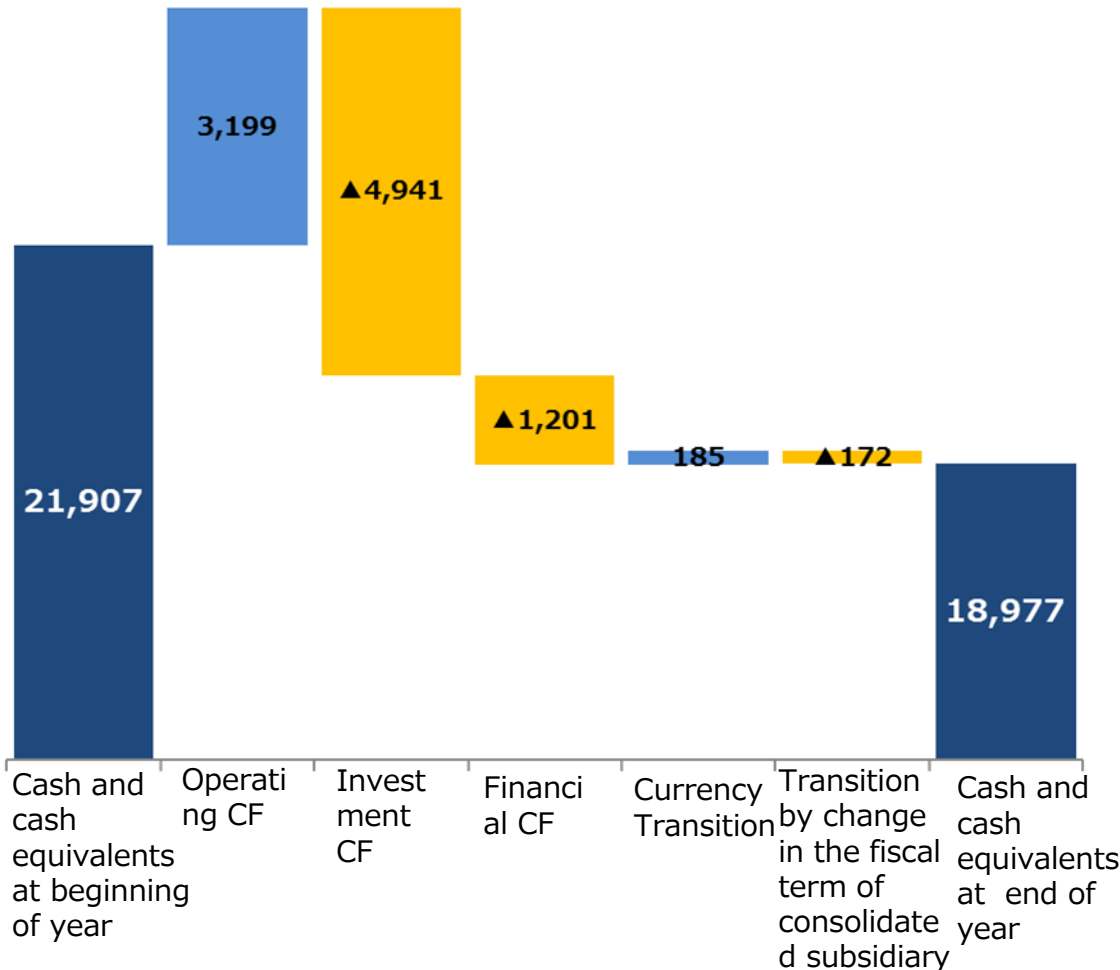


1.3<sup>rd</sup> Quarter of FY ending March 31, 2018  
i . Overview

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**Free cash flow excluding the investment for R&D centers (1,496m) was ▲246m.**

(Unit: JPY Million)



## Beginning of year compared to last year ▲2,930m

<b>CF from operating activities</b>	<b>+3,199m</b>
Income before income taxes	+5,666m
Depreciation	+2,446m
Trade receivables	▲1,385m
Trade notes	+1,380m
<b>CF from investing activities</b>	<b>▲4,941m</b>
Gain on tangible assets	▲4,431m
(Investment for R&D center:	
Japan	▲657m
Korea	▲839m
Investment for stores :	
Japan	▲118m
Korea	▲1,652m)
<b>CF from financing activities</b>	<b>▲1,201m</b>
Dividend	▲1,732m



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- 1. 3<sup>rd</sup> Quarter of FY ending March 31,2018**
    - i . Overview
    - ii . Review by Segment**
    - iii . Review by Brand
  2. Objectives and plan for the FY ending March 31, 2018

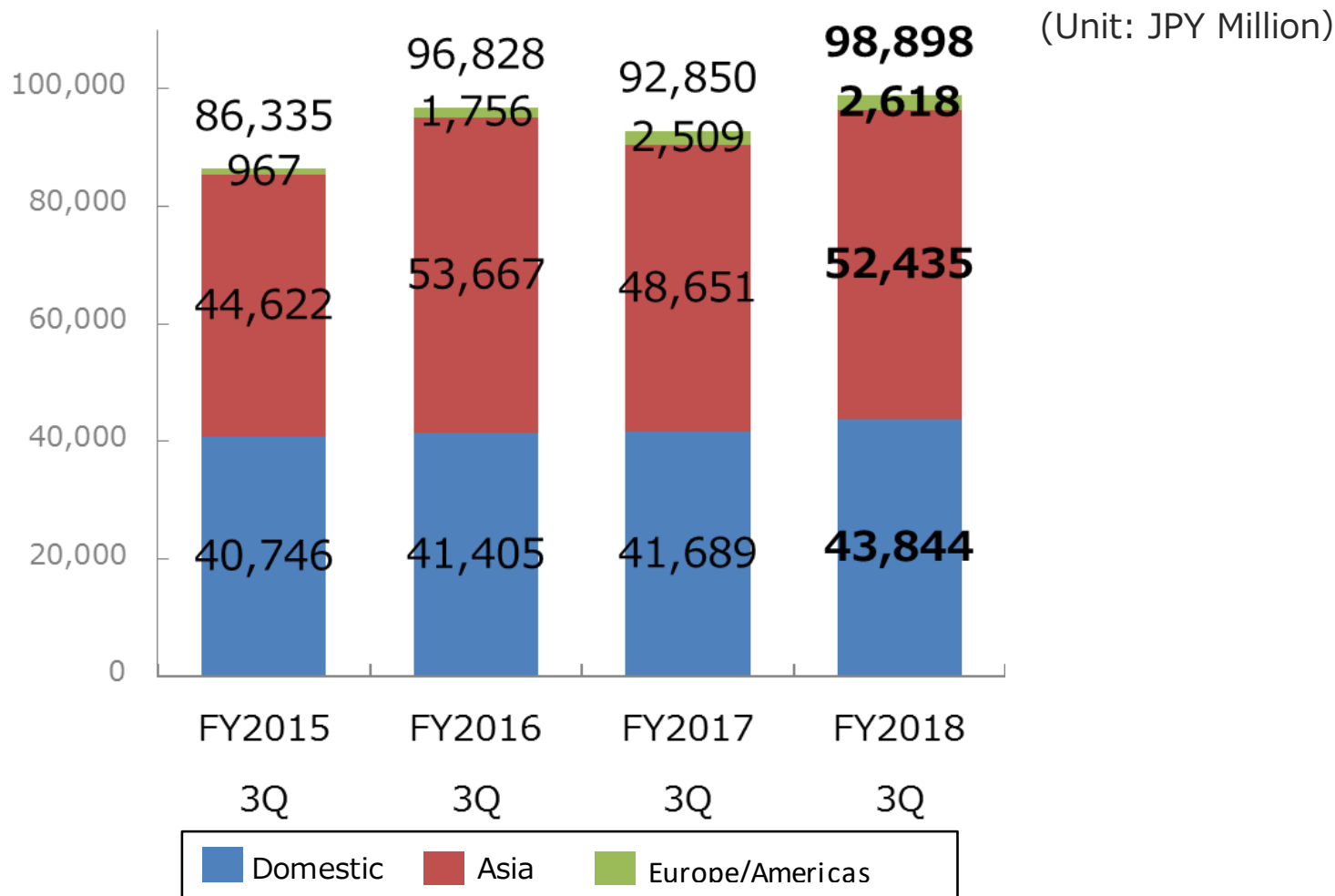
# Net Sales Fluctuations (by Segment: consolidated)



1.3<sup>rd</sup> Quarter of FY ending March 31, 2018  
ii . Review by Segment

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**Net sales increased in all segments  
(Domestic, Asia and Europe/Americas)**



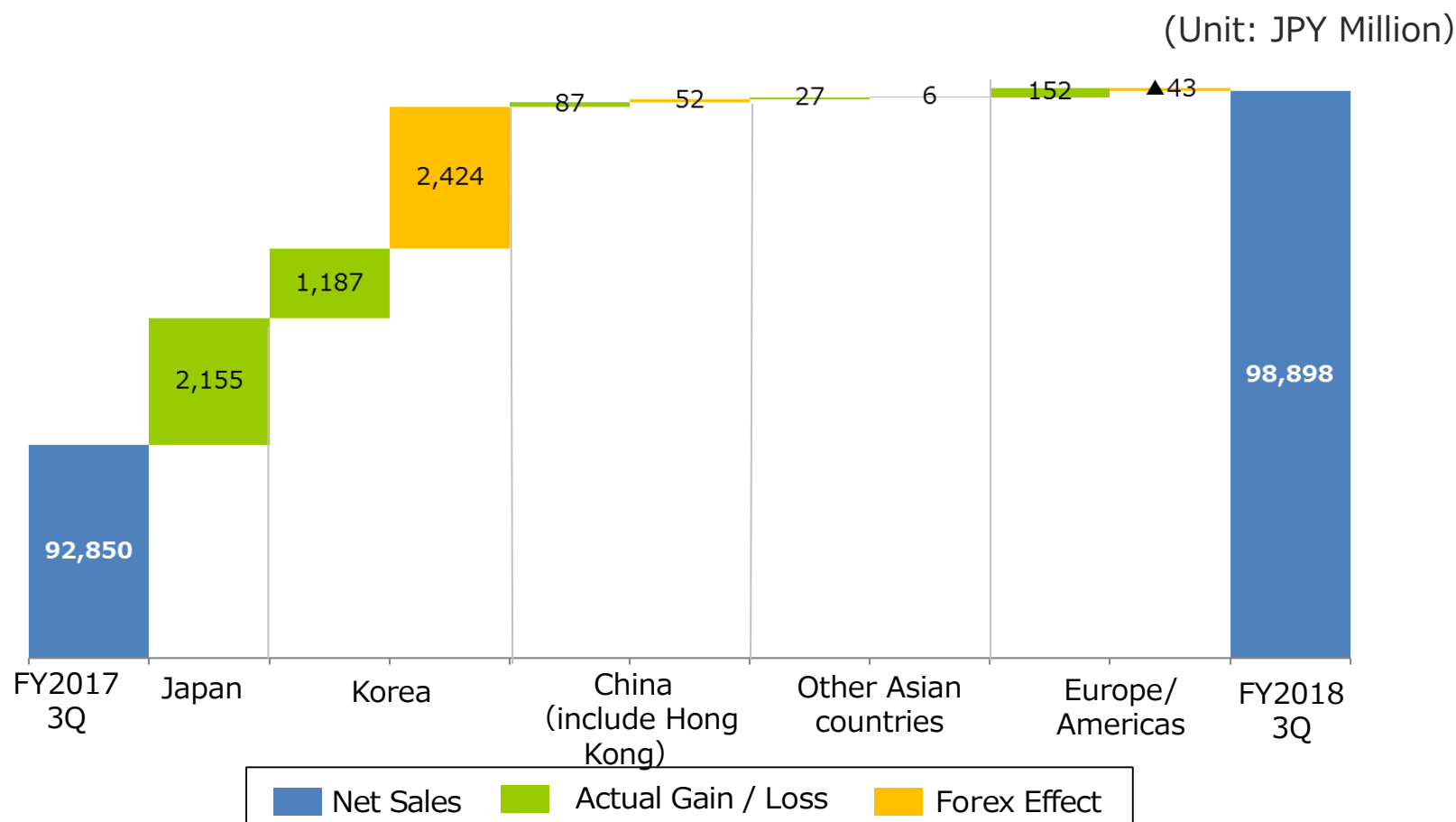
# Net Sales Fluctuations (by Segment : YoY)



1.3<sup>rd</sup> Quarter of FY ending March 31, 2018  
ii . Review by Segment

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Sales in all segments including major countries (Japan, Korea and China) increased by both local currency and after currency translation.



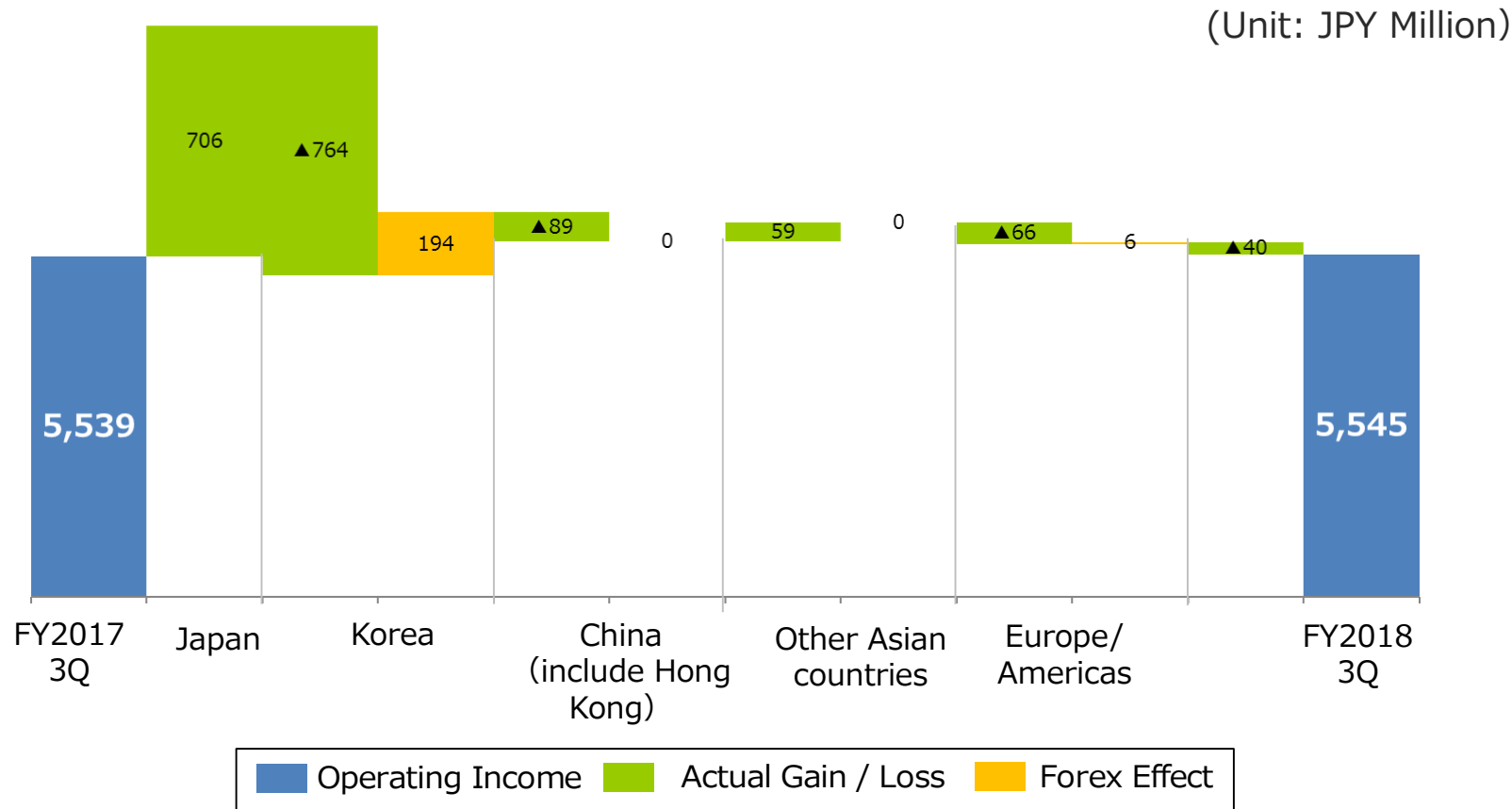
# Operating Income Fluctuations (by Segment : YoY)



1.3<sup>rd</sup> Quarter of FY ending March 31, 2018  
ii . Review by Segment

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**Although the operating income in Korea decreased by lowered store sales, that in Japan made up for the losses.**



# Inventory Fluctuations (by Segment : YoY)

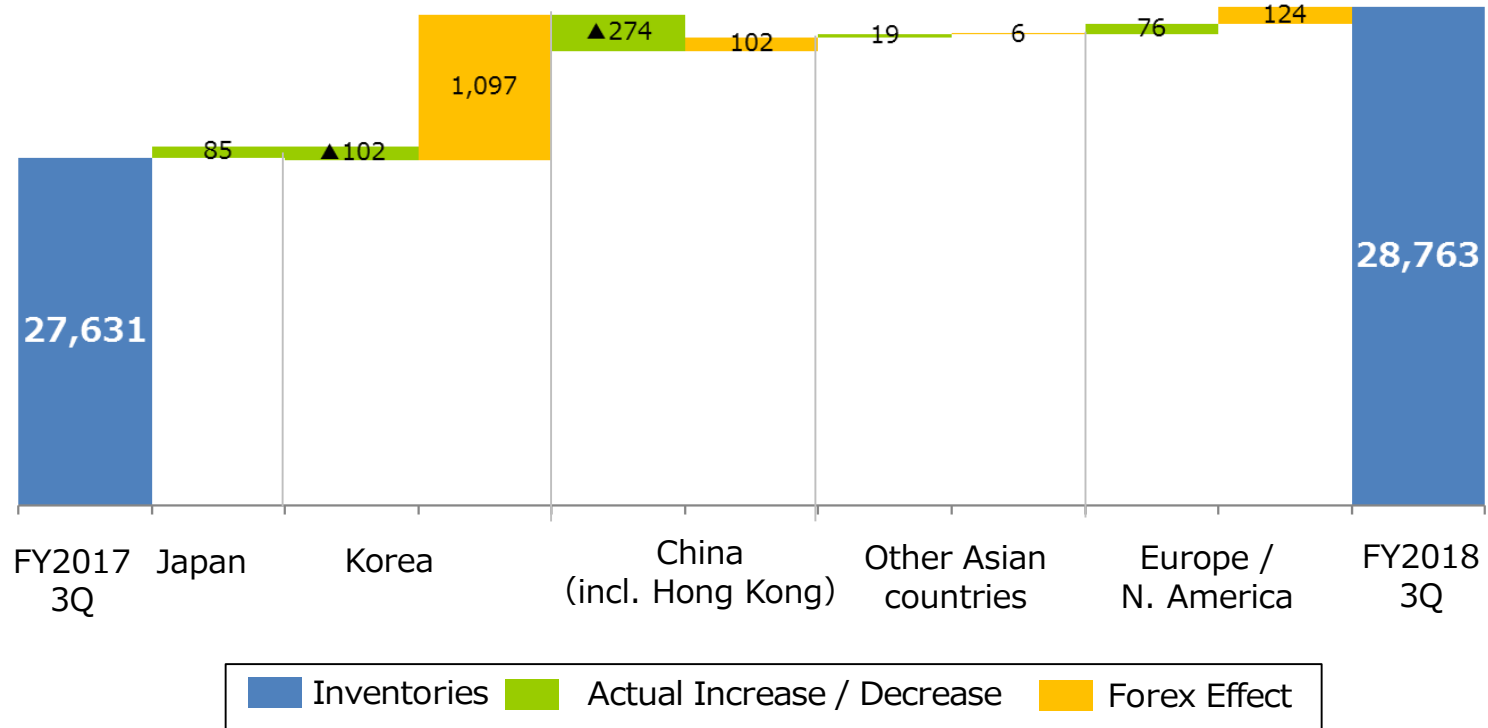


1.3<sup>rd</sup> Quarter of FY ending March 31, 2018  
ii . Review by Segment

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**Inventory in Japan is almost the same as last year (+85m) in spite of the increase of sales. That in Korea excluding FX decreased (+1,097m) despite the increase of the number of stores. (from 724 stores to 763 stores)**

(Unit: JPY Million)



# Changes in Net Sales and Operating Income by Segment (Japan)



1.3<sup>rd</sup> Quarter of FY ending March 31, 2018

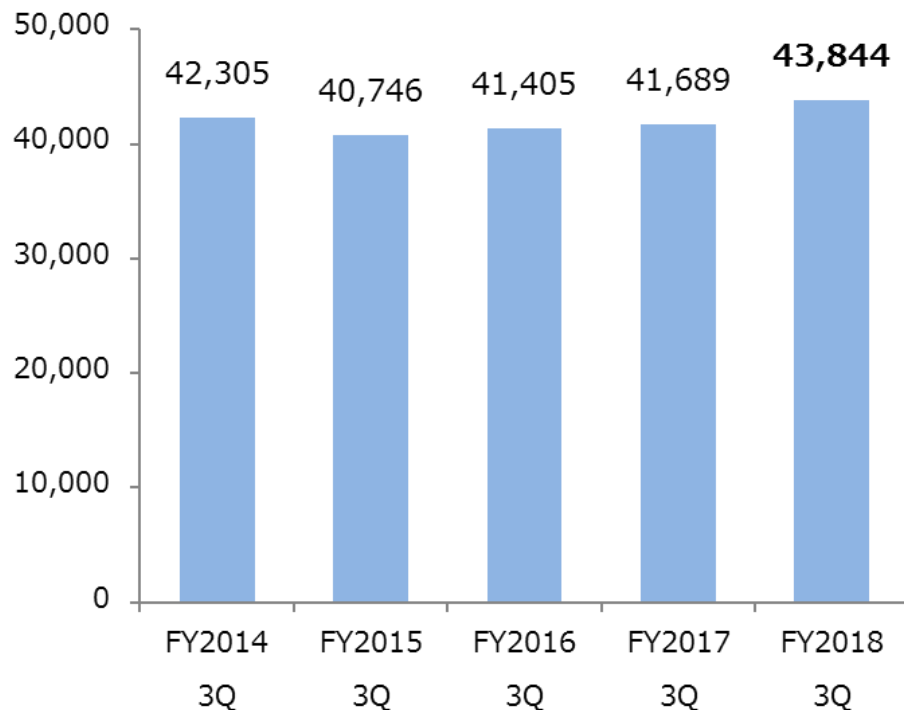
ii . Review by Segment

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**Sales increased for three years in a row in Japan driven by DESCENTE brand. Also, operating income in athletic category led by DESCENTE brand was a big increase.**

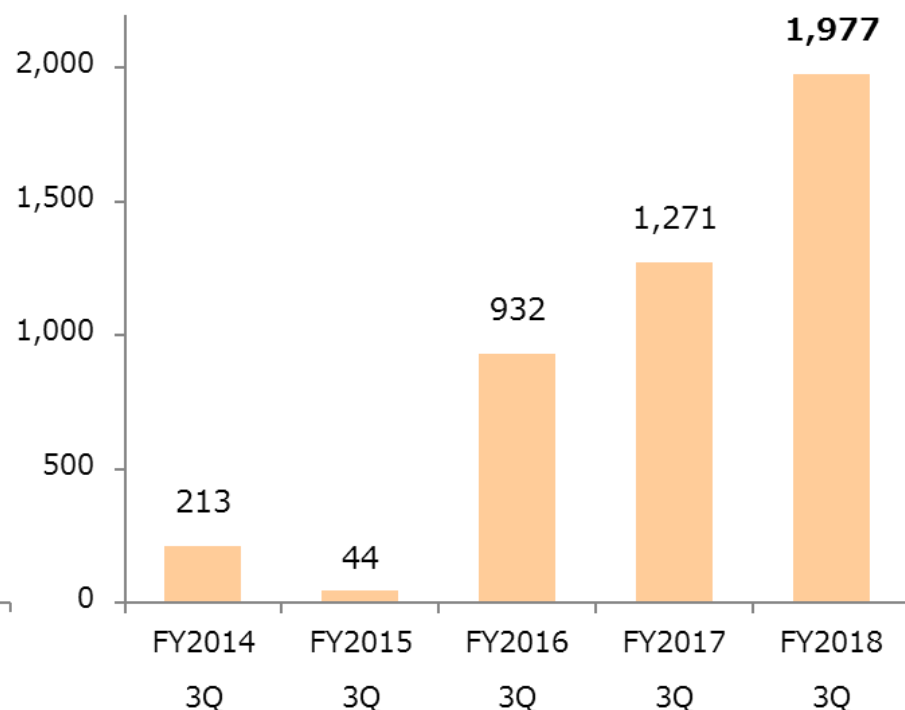
(Unit: JPY Million)

## Net Sales



(Unit: JPY Million)

## Operating Income



# Changes in Net Sales and Operating Income by Segment (Asia)

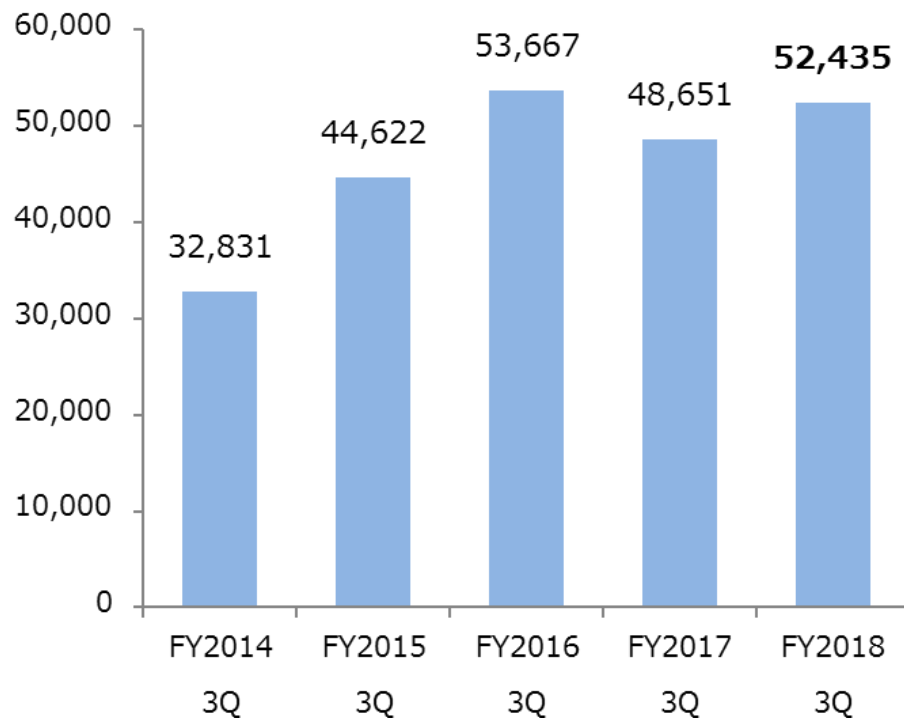


1.3<sup>rd</sup> Quarter of FY ending March 31, 2018  
ii . Review by Segment

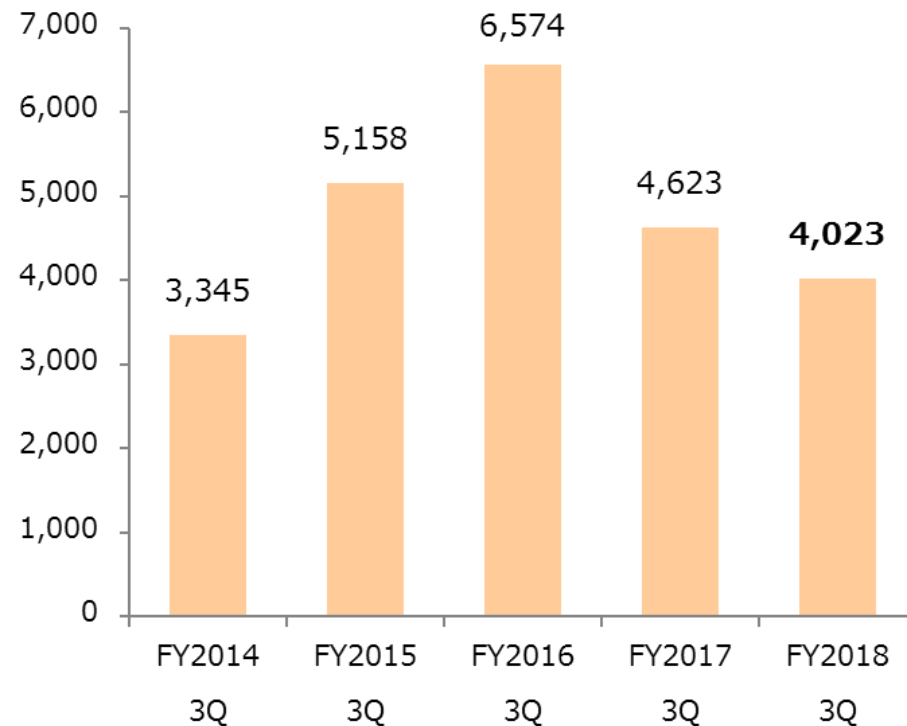
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Although net sales increased in Asia, operating income decreased for two years in a row because of the lower-than-expected store sales in Korea.

**Net Sales** (Unit: JPY Million)



**Operating Income** (Unit: JPY Million)





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



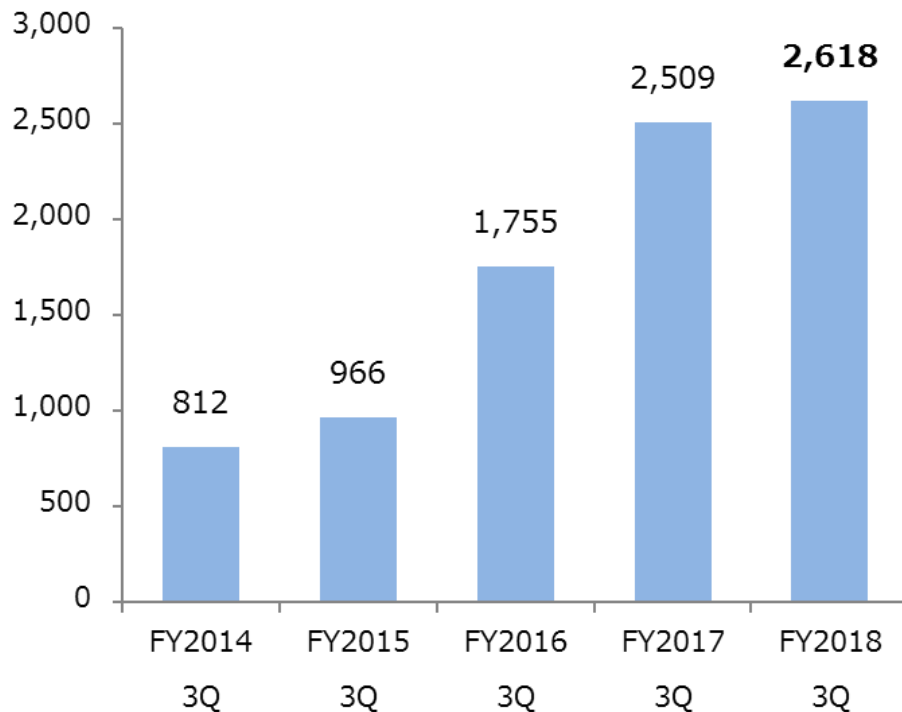
1.3<sup>rd</sup> Quarter of FY ending March 31, 2018  
ii . Review by Segment

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**Sales in Europe/Americas increased by both local currency and after FX translation, however profits decreased by stagnation of Inov-8.**

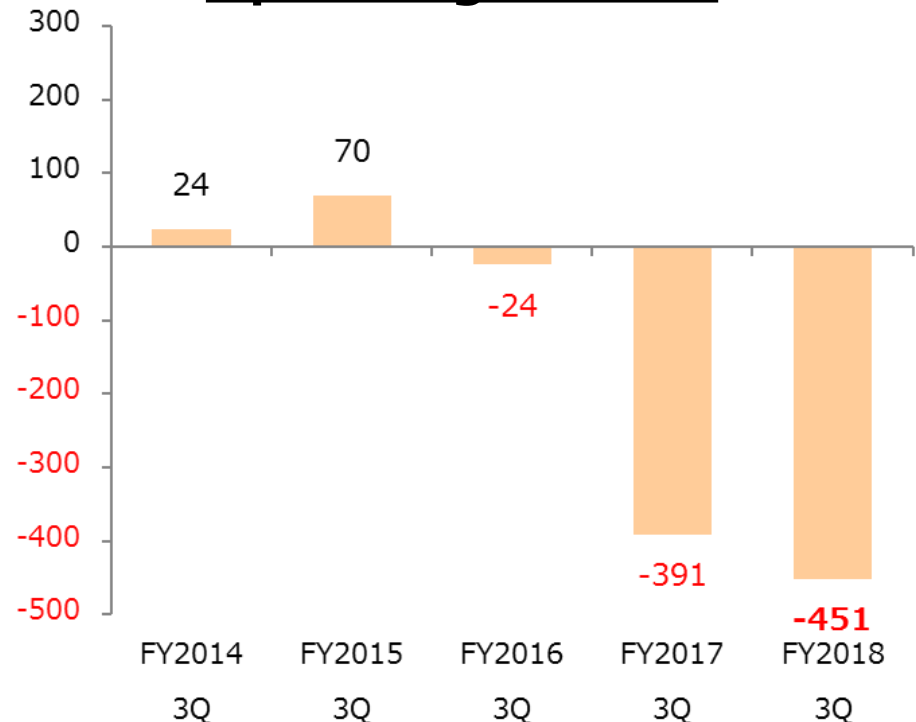
(Unit: JPY Million)

## Net Sales



(Unit: JPY Million)

## Operating Income





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# **1. 3<sup>rd</sup> Quarter of FY ending March 31,2018**

i . Overview

ii . Review by Segment

**iii . Review by Brand**

2. Objectives and plan for the FY ending  
March 31, 2018

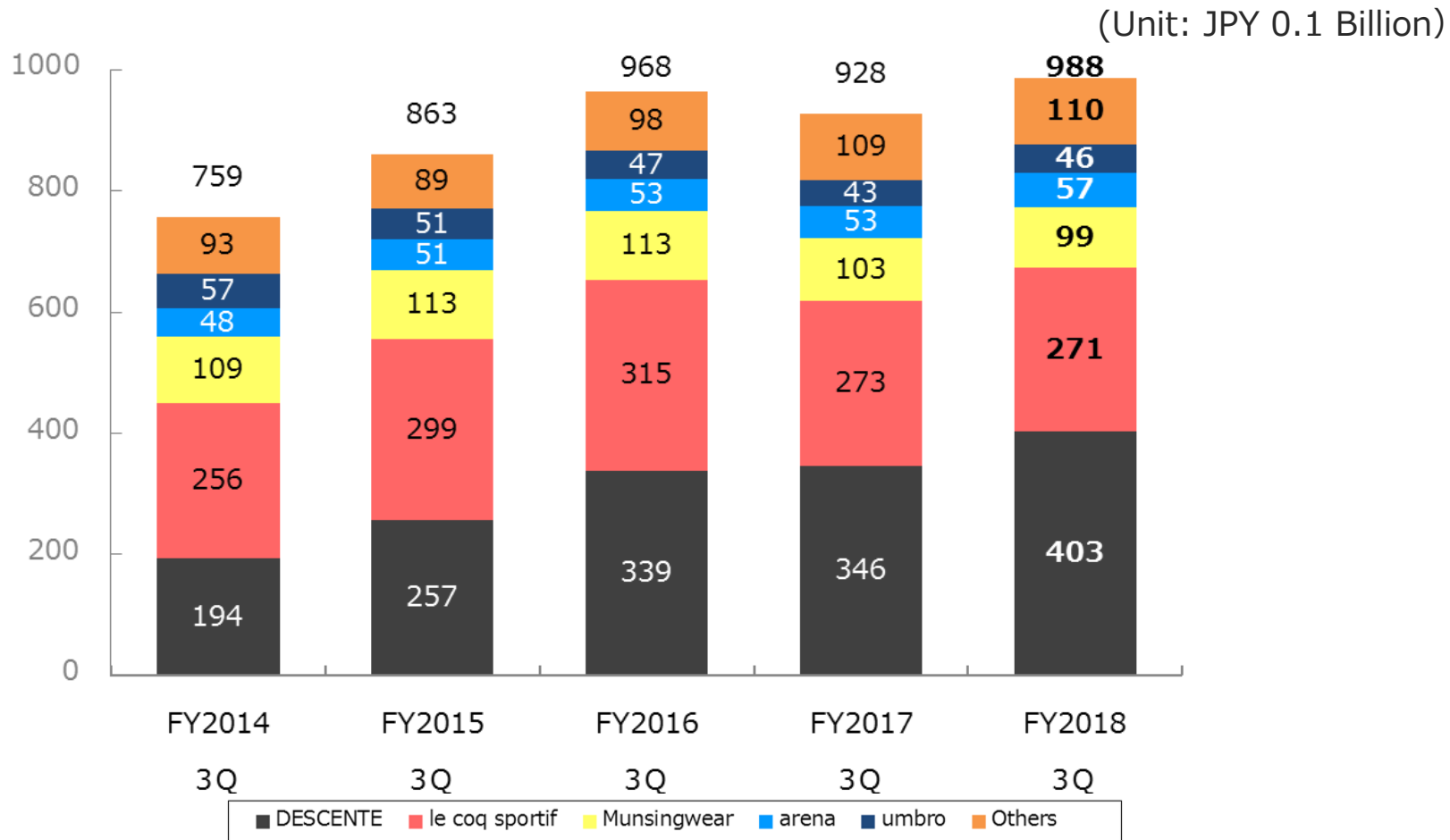
# Net Sales Transition of Major Brand (consolidated)



1.3<sup>rd</sup> Quarter of FY ending March 31, 2018  
iii. Review by Brand

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**Consolidated results in Japan, Korea, and China driven by DESCENTE brand.**



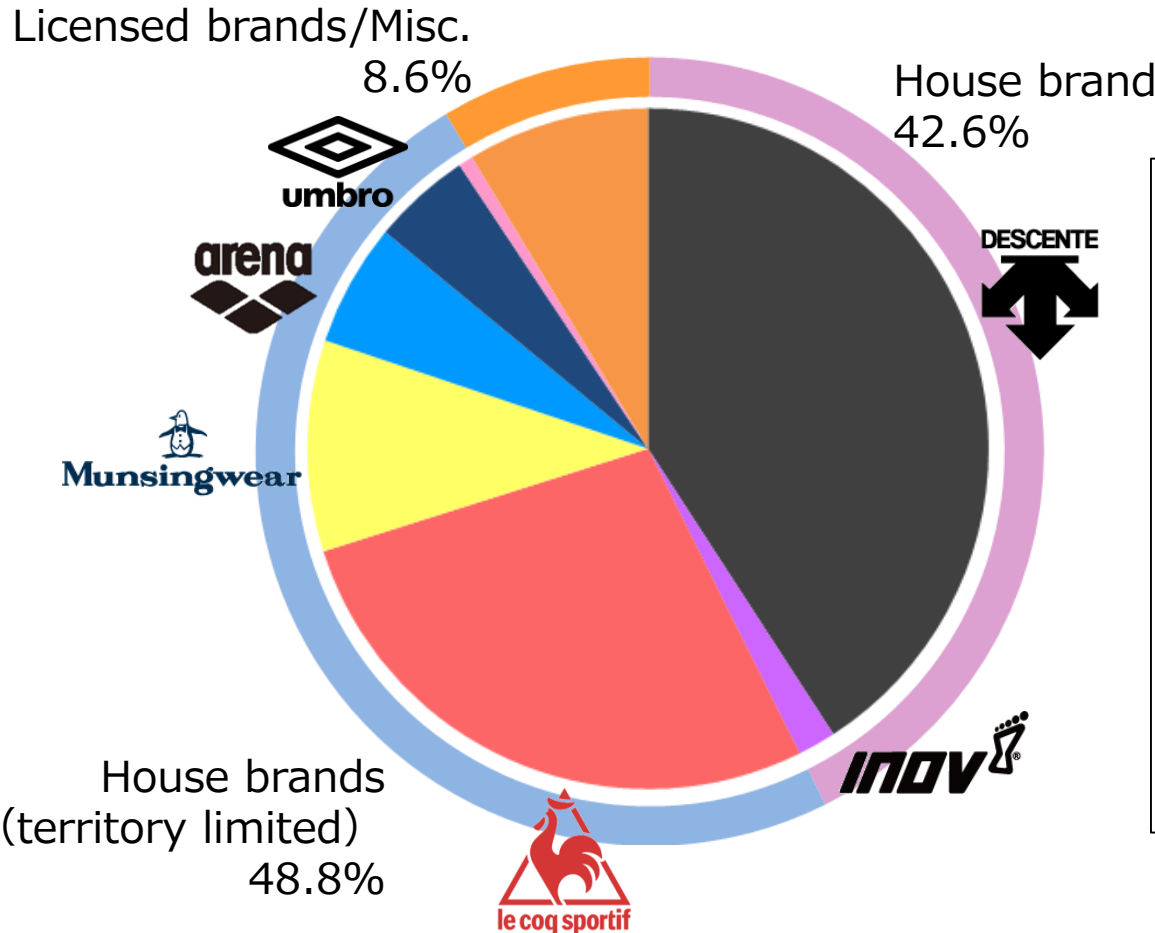
# Share of Sales by Brand and Ownership Structure (consolidated)



1.3<sup>rd</sup> Quarter of FY ending March 31, 2018  
iii . Review by Brand

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**More than 90% of turnover is by house brands (including territory limited brands).**





- 
1. 2<sup>nd</sup> Quarter of FY ending March 31,2018
    - i . Overview
    - ii . Review by Segment
    - iii . Review by Brand
  
  2. Objectives and plan for the FY ending March 31, 2018

# Objectives and plan for the FY ending March 31, 2018 (consolidated)



2 Objectives and plan for the  
FY ending March 31, 2018.

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**Consolidated net sales is planned to be 139b (YoY +6%), and 5.7b for Profit attributable to owners of parent (YoY +1%).**

(Unit: JPY Million)

	FY2016	FY2017	FY2018	
			Plan	YoY
Net sales	135,778	131,543	139,000	106%
Operating income	10,376	8,418	8,400	100%
(rate)	7.6%	6.4%	6.0%	
Ordinary income	11,053	8,631	8,600	100%
(rate)	8.1%	6.6%	6.2%	
Profit attributable to owners of parent	7,870	5,650	5,700	101%
(rate)	5.8%	4.3%	4.1%	

## Annual dividends of FY 2018 (Plan): JPY 23.0

(Unit: JPY Million)

	FY2014	FY2015	FY2016	FY2017	FY2018 Plan
Dividends	753	1,130	1,280	1,732	1,733
Amount/share	JPY10.0	JPY15.0	JPY17.0	JPY23.0	JPY23.0
Profit attributable to owners of parent (Consolidated)	4,470	6,563	7,870	5,650	5,700
Payout ratio	16.9%	17.2%	16.3%	30.7%	30.4%

**Taking into consideration the performance and payout ratio, we will properly return profits to our shareholders to secure internal reserves necessary for future business development and strengthening of our management structure while aiming for stable dividends.**

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.

## Exchange Rates Used

		USD	100KRW	CNY	HKD	SGD	GBP
FY2018	4Q YTD Pla	113.00	10.00	16.00	14.50	80.50	146.50
	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	140.73
FY2017	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
FY2016	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	-
FY2015	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	-
FY2014	4Q YTD	98.95	8.98	15.97	12.64	77.99	-
	3Q YTD	97.41	8.75	15.69	12.46	76.85	-
	2Q YTD	97.04	8.66	15.53	12.36	76.61	-
	1Q YTD	94.81	8.48	14.90	11.93	74.06	-
FY2013	4Q YTD	81.34	7.15	12.73	10.33	64.29	-
	3Q YTD	79.58	6.98	12.54	10.21	63.11	-
	2Q YTD	80.07	7.00	12.65	10.28	63.22	-
	1Q YTD	81.33	7.08	12.66	10.28	63.57	-

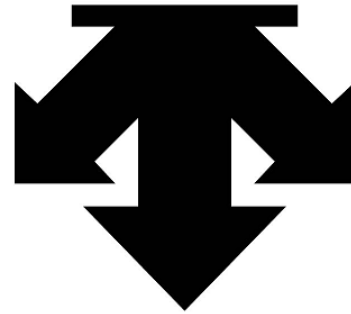
1Q YTD = First 3 months of FY  
 2Q YTD = First 6 months of FY  
 3Q YTD = First 9 months of FY  
 4Q YTD = Full FY

Example: "16/2Q" means  
 the first half on the FY  
 ending March 31, 2016.

Figures in the "Financial Results" are in units of JPY1M. Otherwise figures are in units of JPY1B.



**DESCENTE**



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# **FY ending March 31, 2018 Q3 Results Reference Materials**

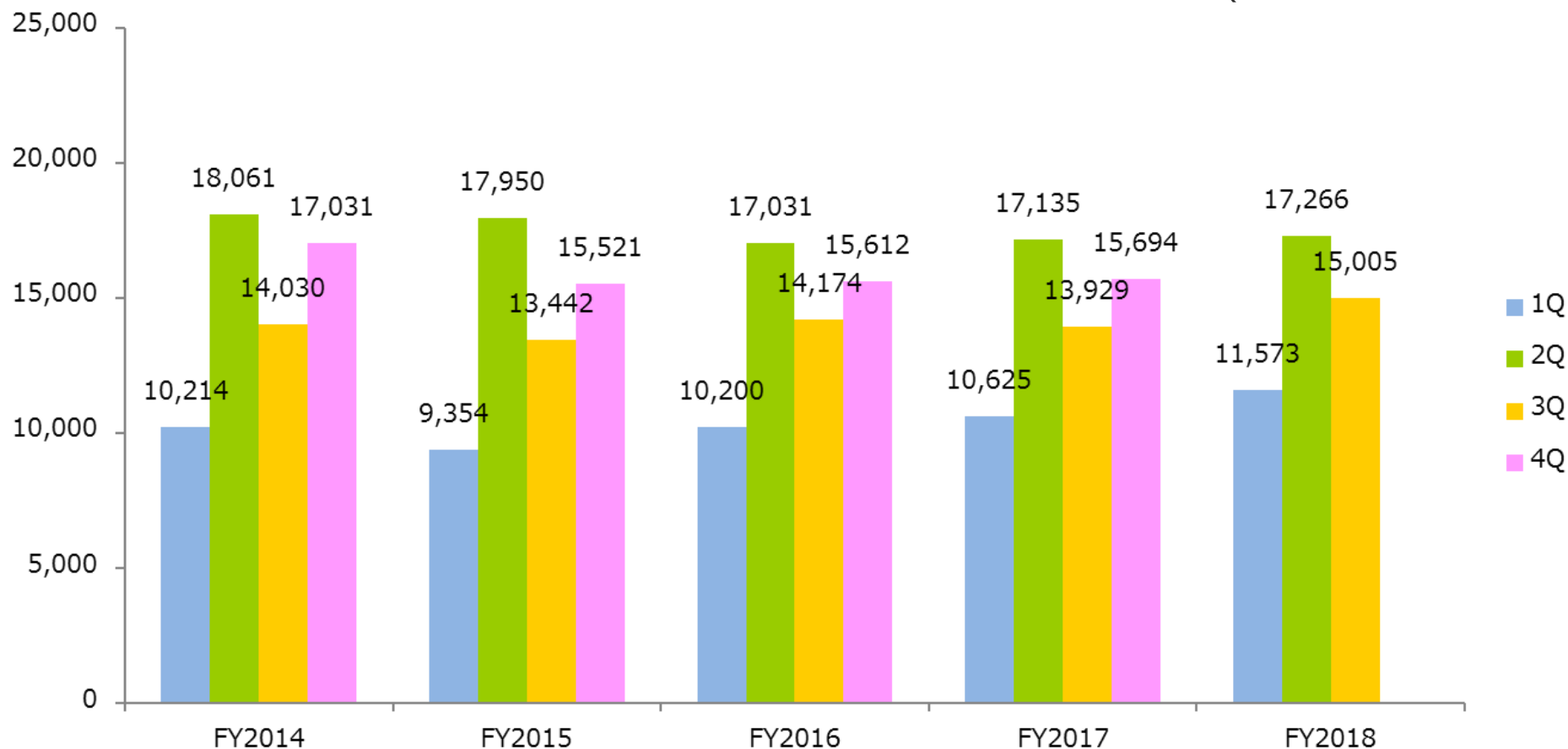
**(Quarterly Changes to Turnover and Operating Profit  
by Segment / Transition in Performance of Major  
Overseas Subsidiaries)**

# Quarterly Turnover Transition by Segment (Japan)



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(Unit: JPY Million)



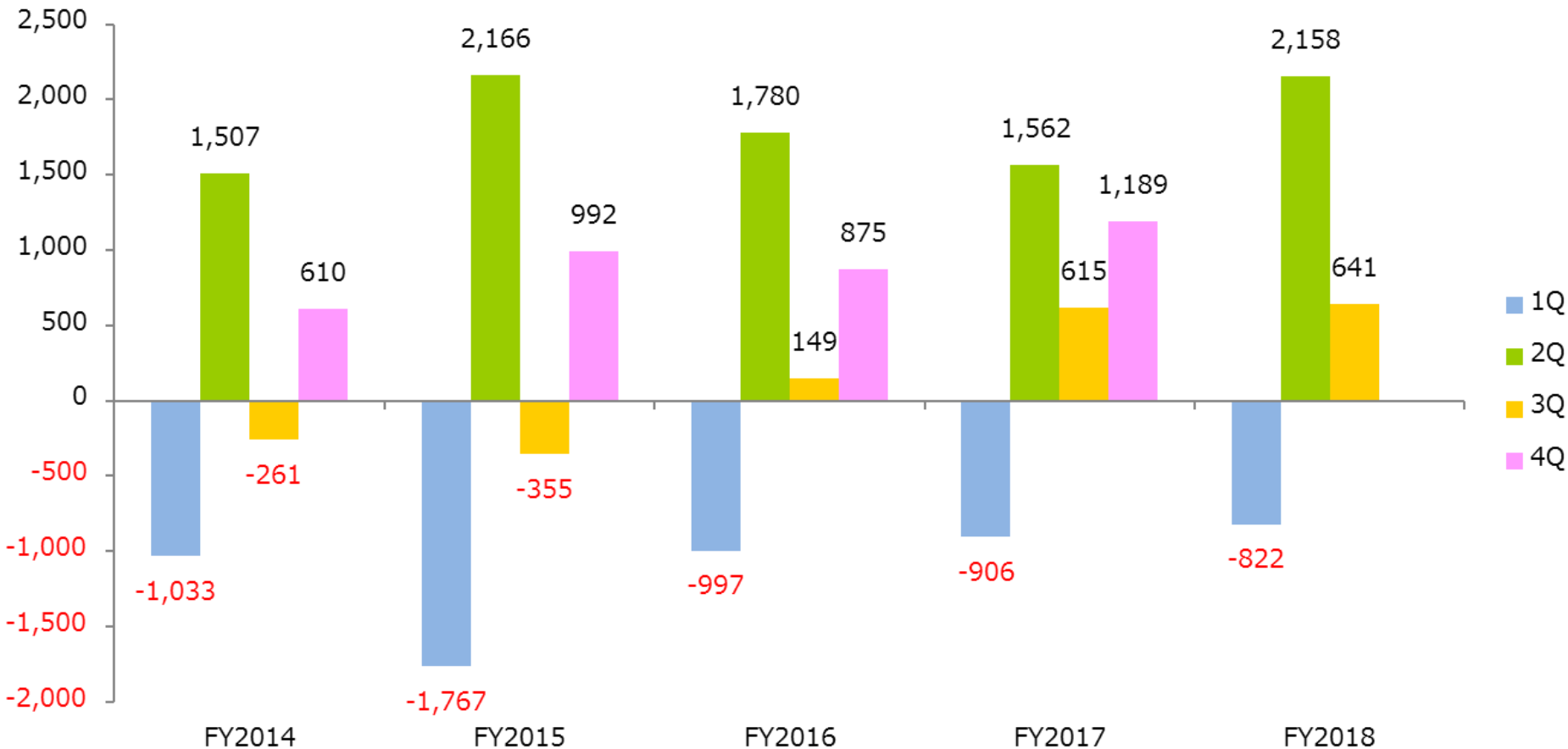
\*FY2018 = FY ending March 31, 2018

# Quarterly Operating Profit Transition by Segment (Japan)



Design for Sports

(Unit: JPY Million)



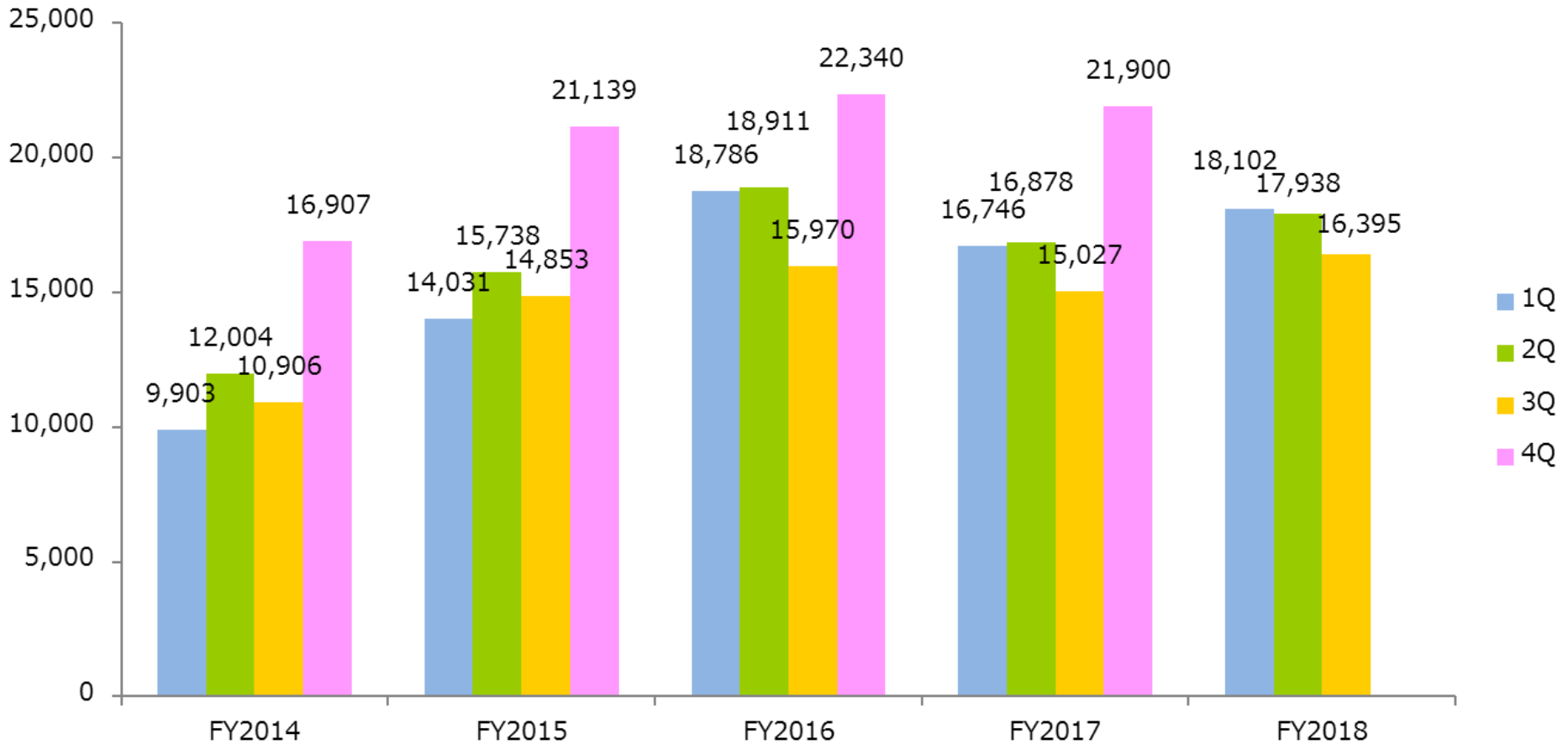
\*FY2018 = FY ending March 31, 2018

# Quarterly Turnover Transition by Segment (Asia)



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(Unit: JPY Million)



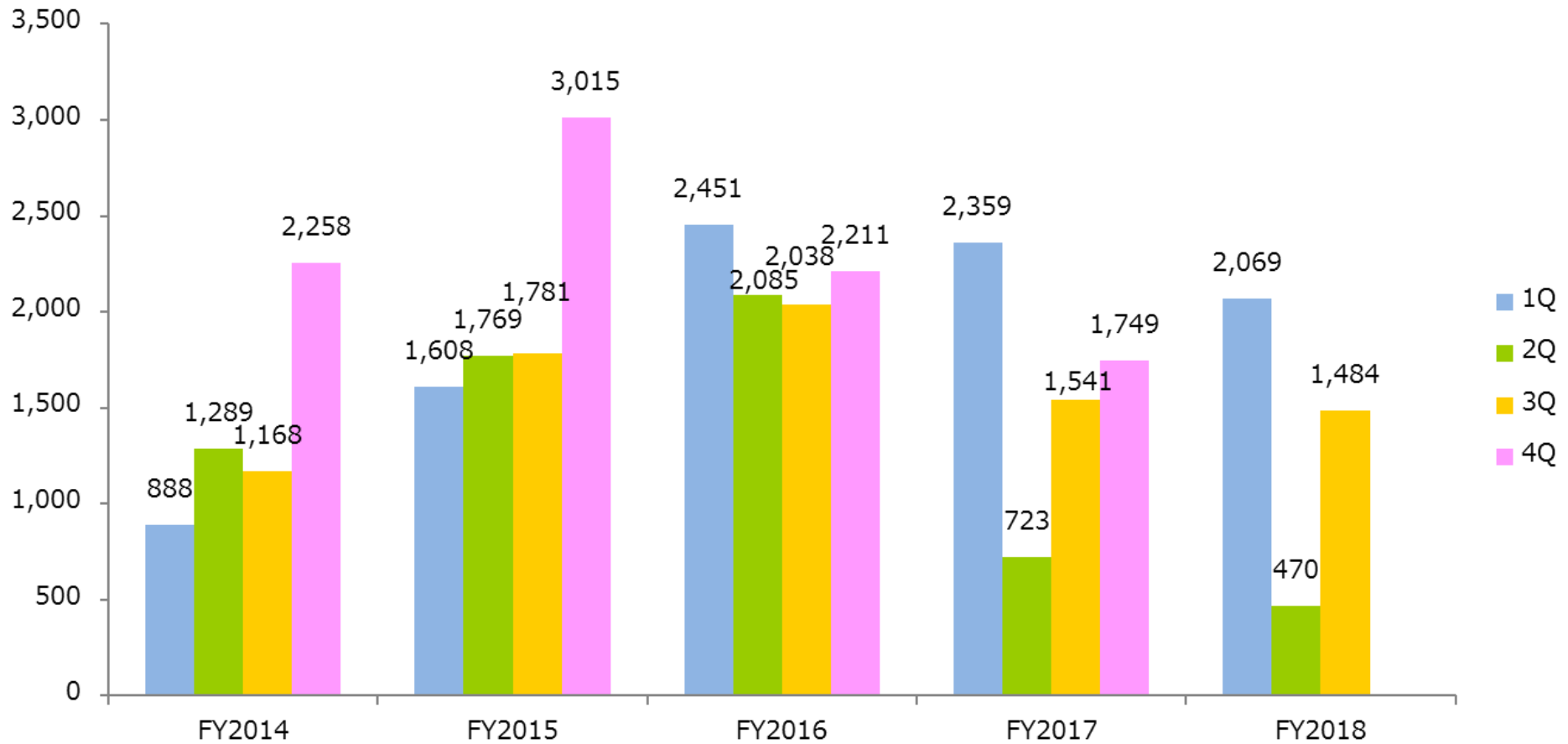
\*FY2018 = FY ending March 31, 2018

# Quarterly Operating Profit Transition by Segment (Asia)



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(Unit: JPY Million)



\*FY2018 = FY ending March 31, 2018

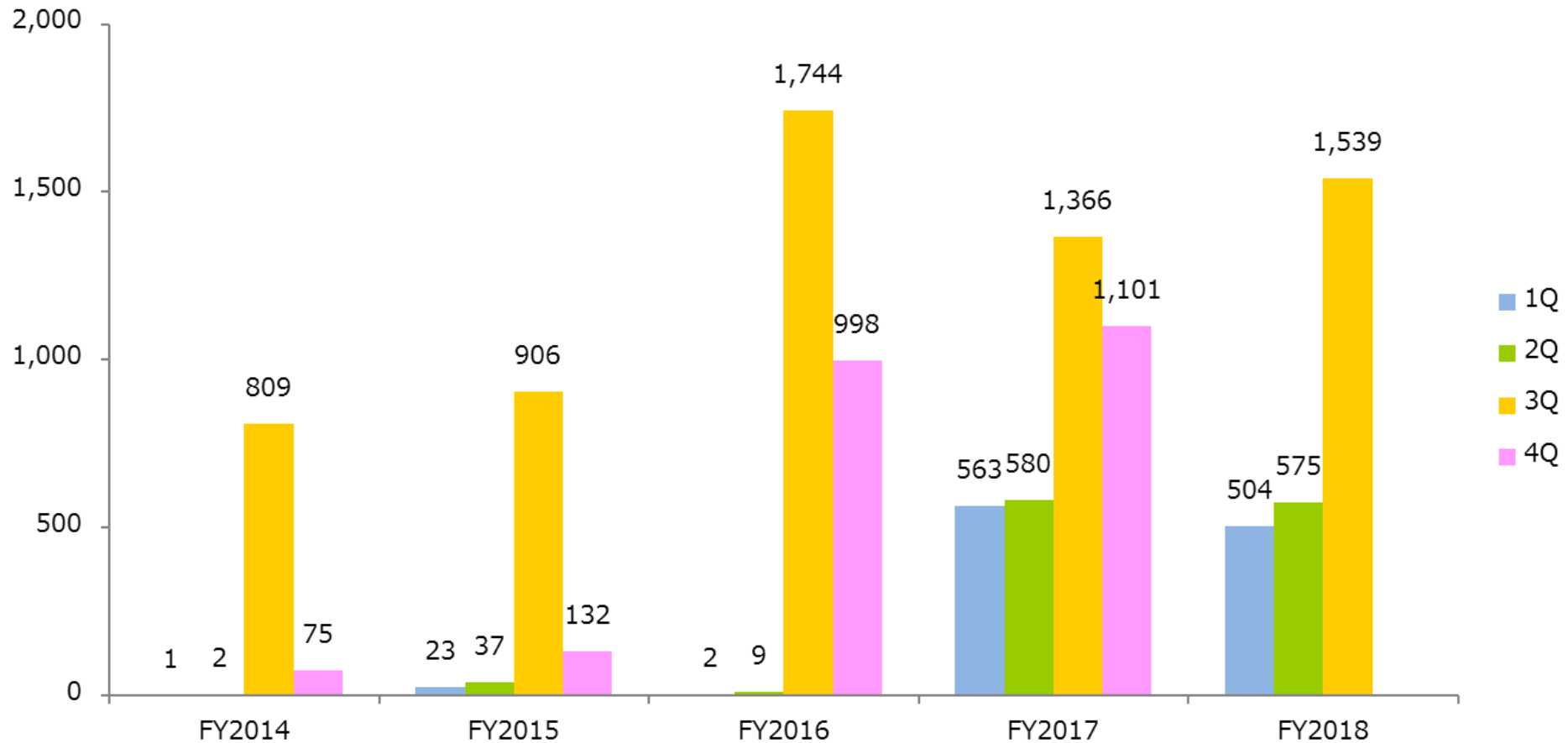
# Quarterly Turnover Transition by Segment (Europe/Americas)



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\*taking in Inov-8 group since Third Quarter of FY ending March 31,2016

(Unit: JPY Million)



\*FY2018 = FY ending March 31, 2018

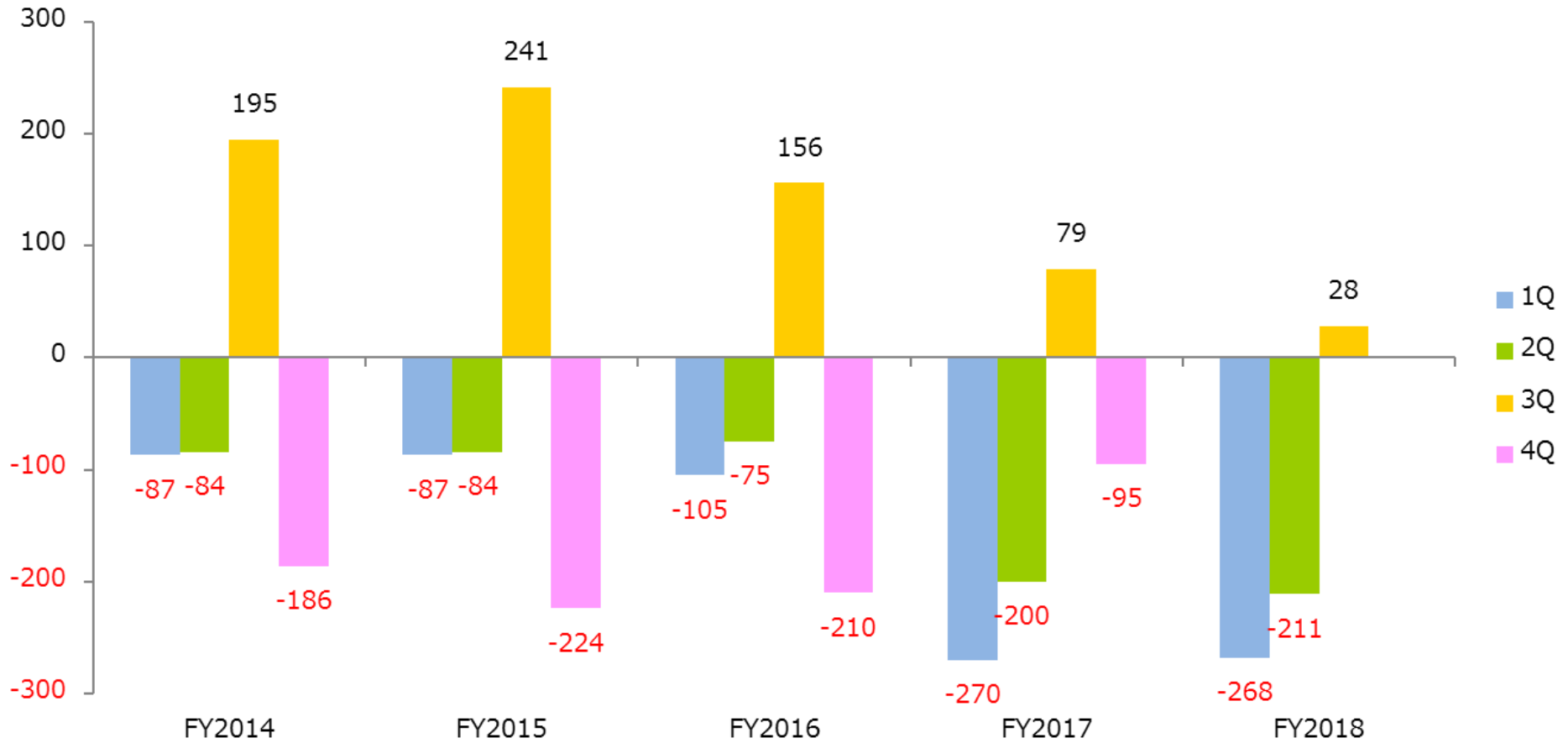
# Quarterly Operating Profit Transition by Segment (Europe/Americas)



Design for Sports

\*taking in Inov-8 group since Third Quarter of FY ending March 31,2016

(Unit: JPY Million)



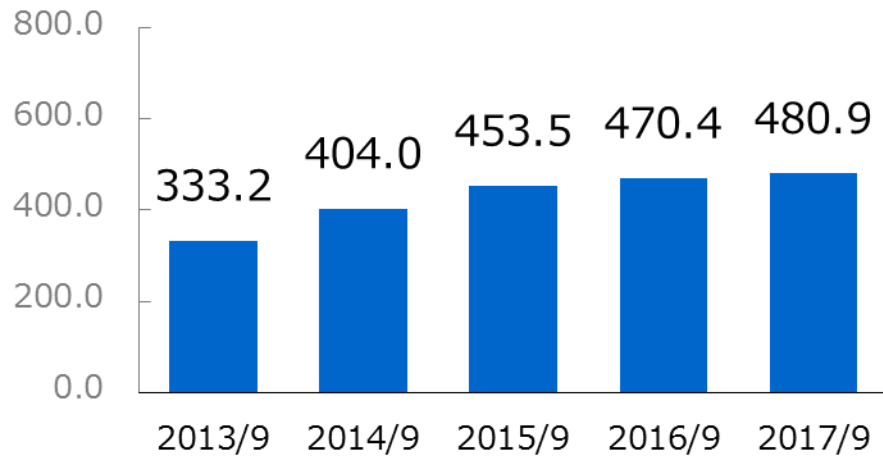
\*FY2018 = FY ending March 31, 2018





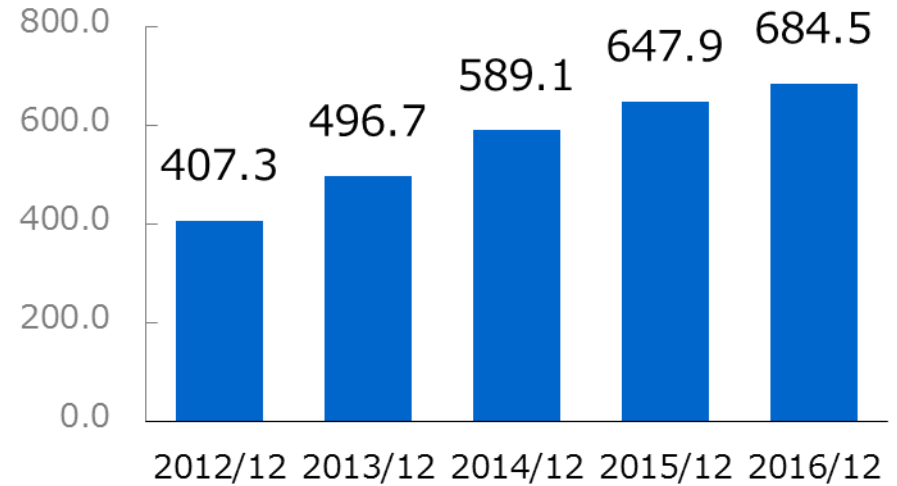
## 3<sup>rd</sup> Quarter

(KRW 100 million)



## Full Year

(KRW 100 million)



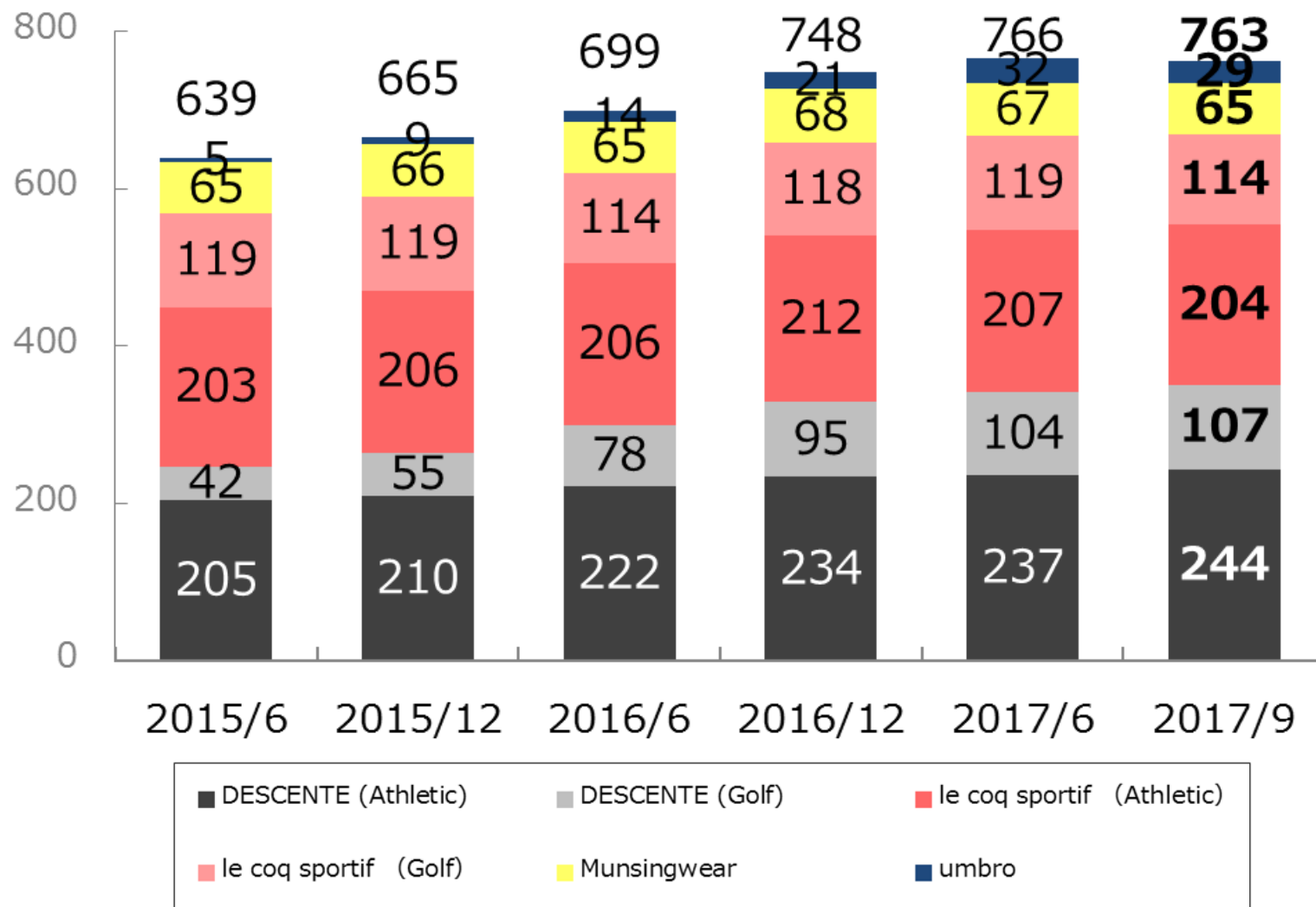
\*2017/6 = The first Half of FY ending December 31, 2017  
2016/12 = FY ending December 31, 2016

# Number of Stores in Korea



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\* Including stores of commercial agents and outlets

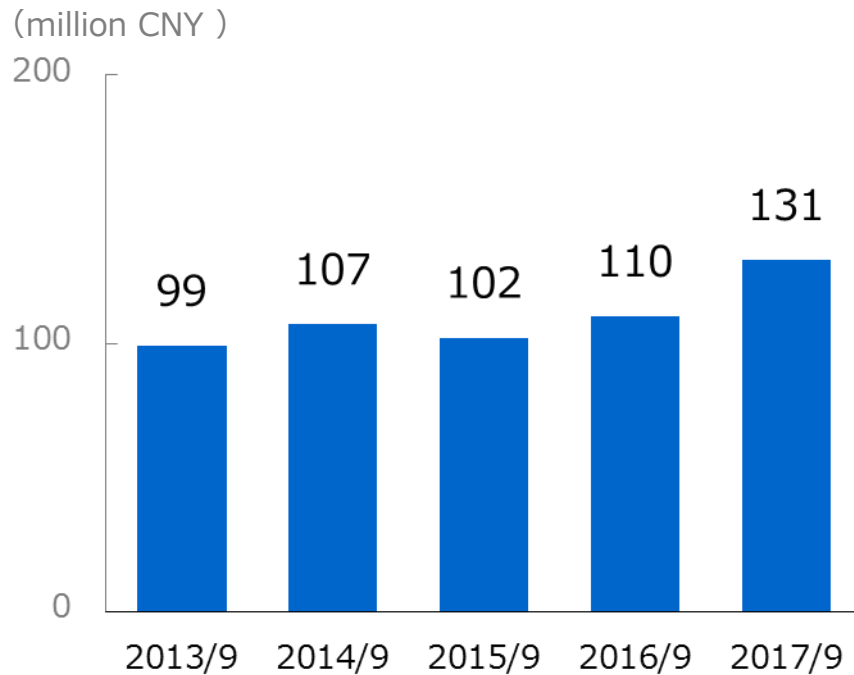


\*2017/6= The first Half of FY ending December 31, 2017

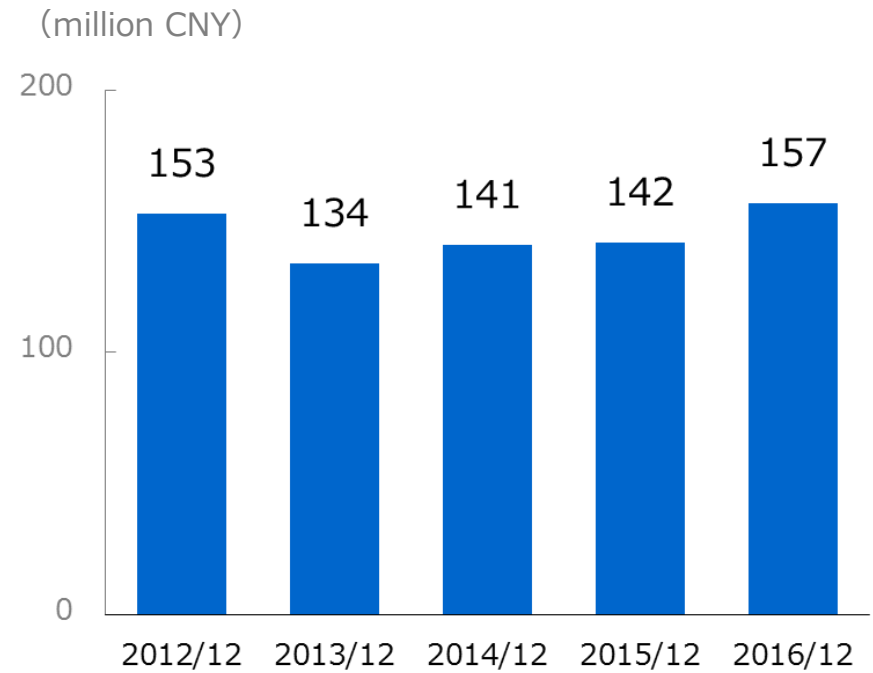
2016/12=FY ending December 31, 2016



## 3<sup>rd</sup> Quarter



## Full Year



# Sales Trend of LE COQ SPORTIF (NINGBO) CO., LTD.

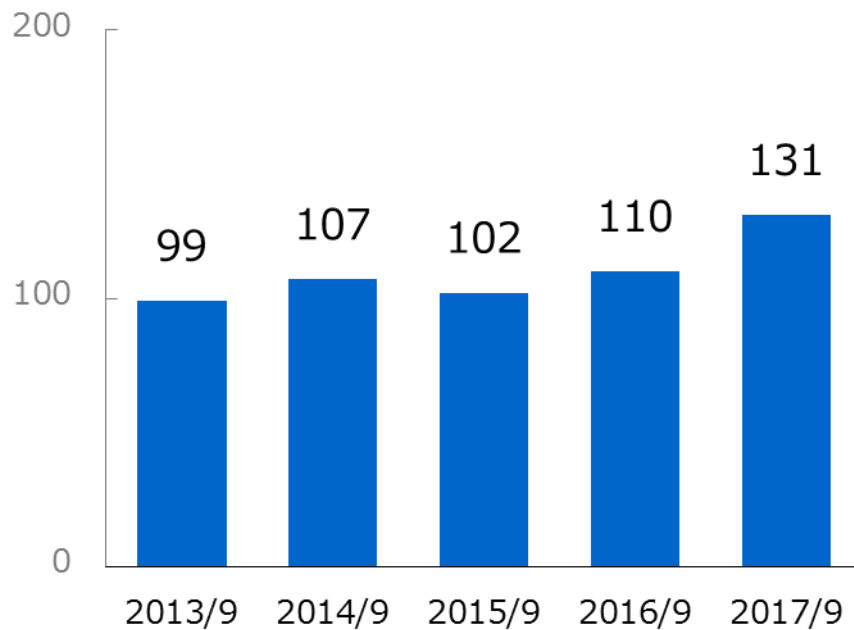


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\*Affiliated Company Accounted for under the Equity Method

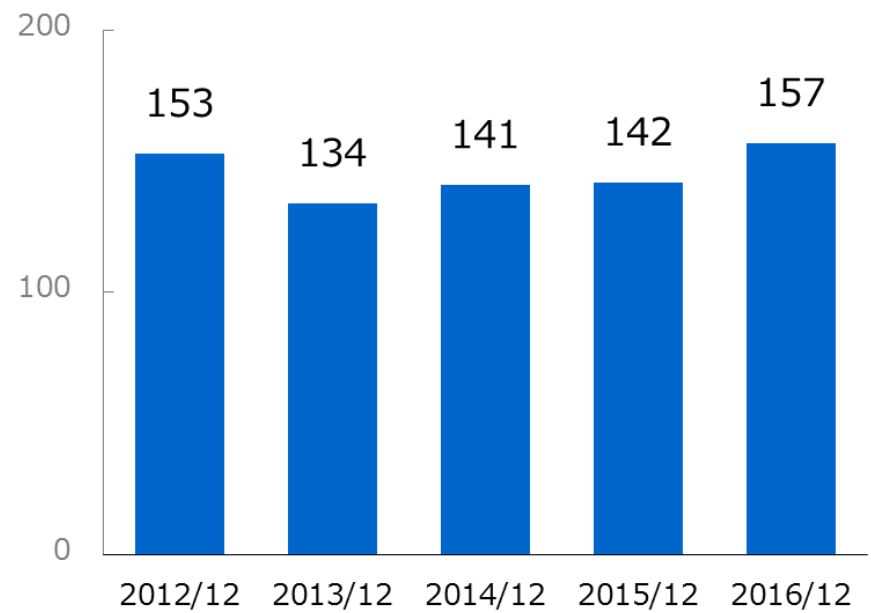
## 3<sup>rd</sup> Quarter

(Million CNY)



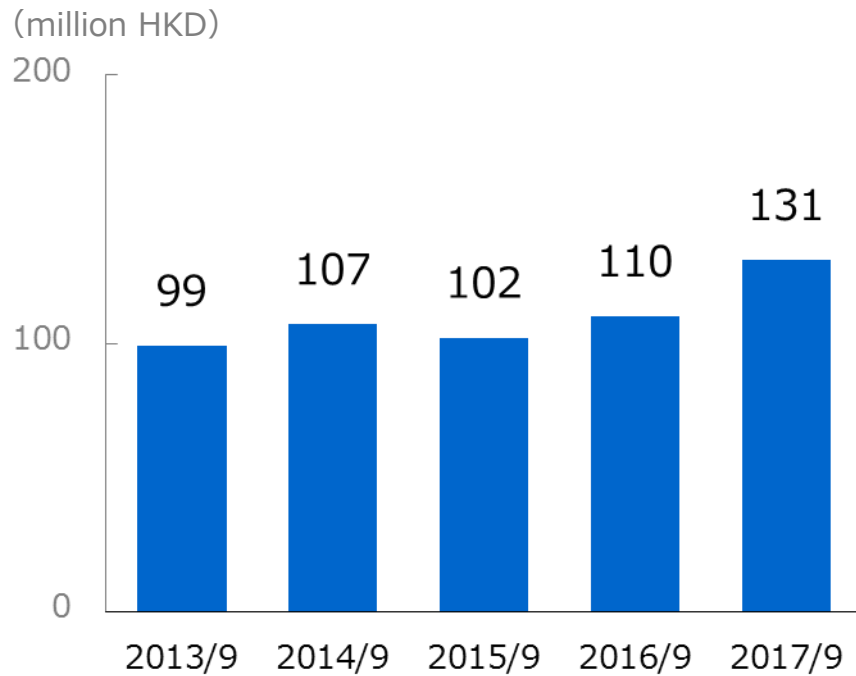
## Full Year

(Million CNY)

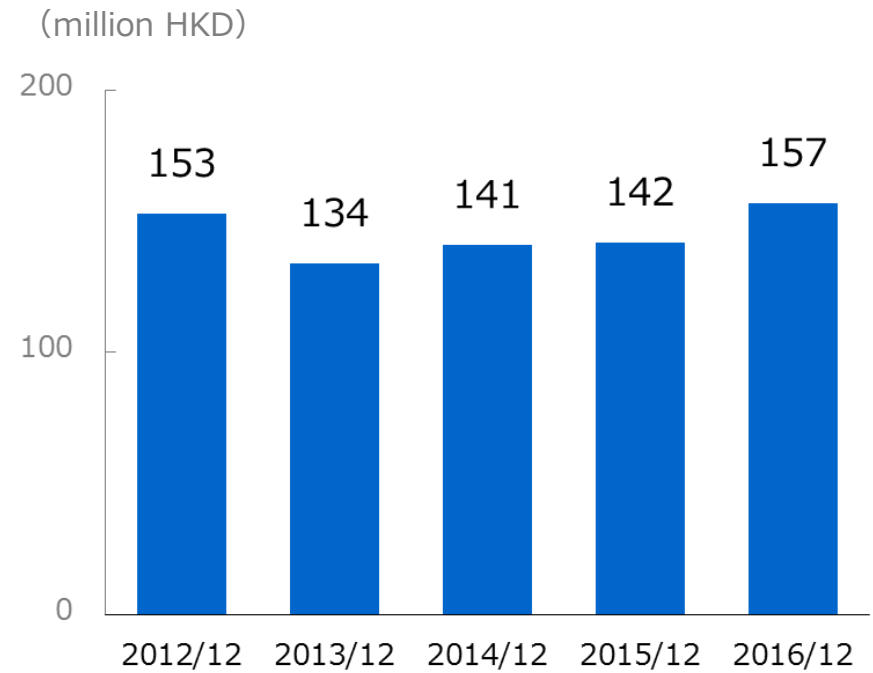




## 3<sup>rd</sup> Quarter



## Full Year

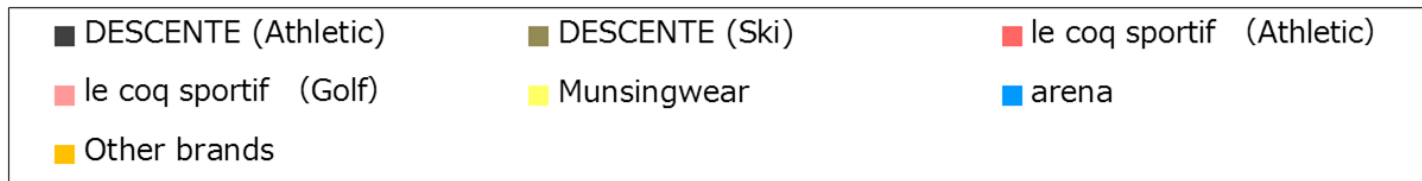
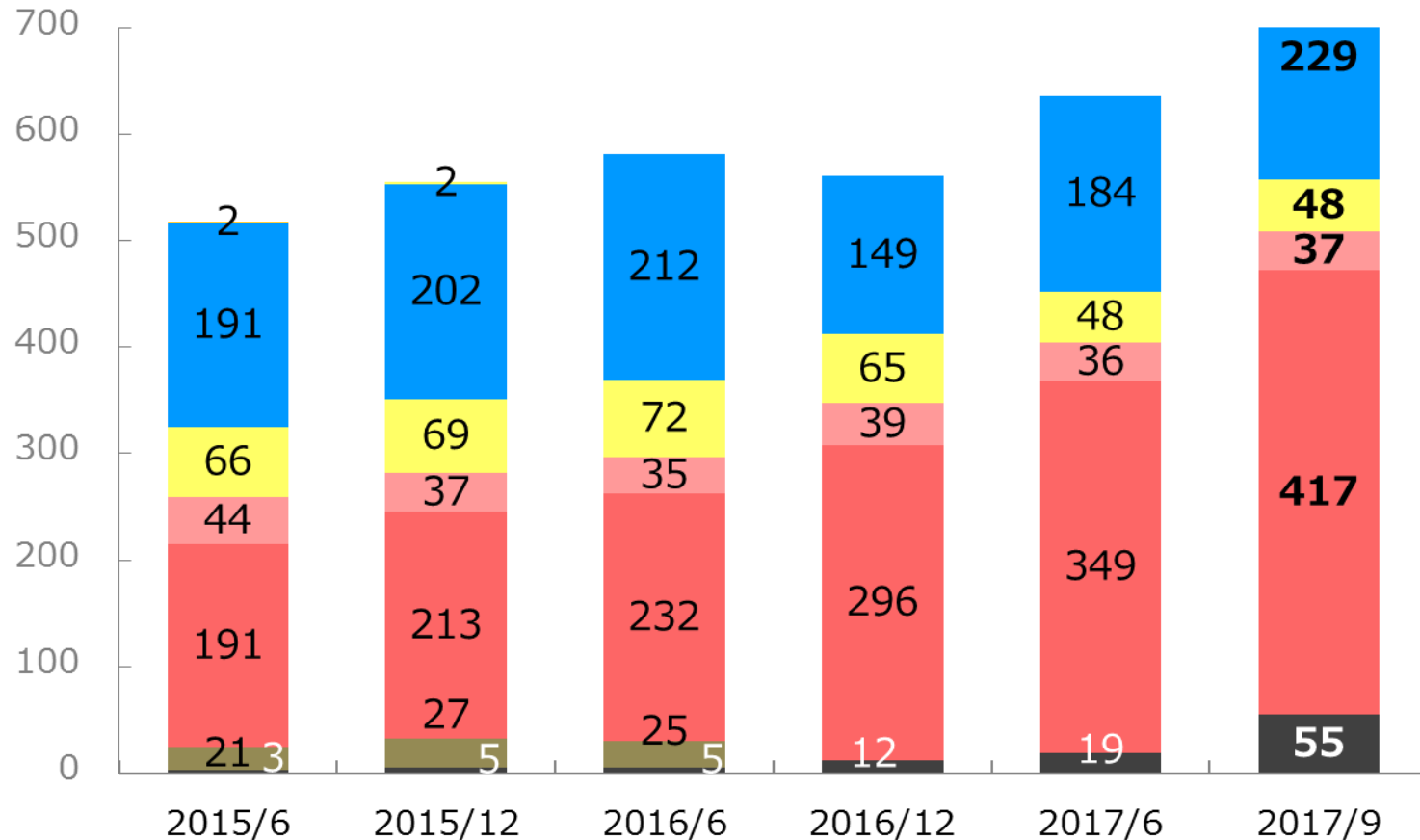


# Number of Stores in China (incl. Hong Kong)



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\* Including stores of commercial agents and outlets














\*2017/6= The first Half of FY ending December 31, 2017

2016/12=FY ending December 31, 2016

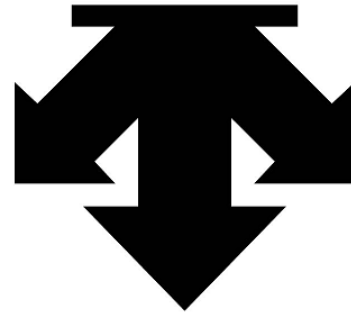
# Chinese Commercial Subsidiary Companies : Outline



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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	end of December	end of December	end of December	end of December	end of 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%
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	Selling
Royalty	Pay royalty to DESCENTE LTD.	Pay royalty to DESCENTE LTD.	Pay royalty to DESCENTE GLOBAL RETAIL 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)

**DESCENTE**



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