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**DESCENTE**  
**2Q FY2019 Earnings**  
**November 6, 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.

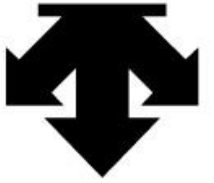
**Area:** Classified according to country and area of the location of the customer.

*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. 2Q FY2019**

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

### (2) Brand Review

### (3) Topics

## **2. Plan for FY2019**

# Results of 2Q FY2019 (Consolidated)



1.2Q FY2019 (1) Financial Summary

**Both sales and profits were lower than the same period of the previous year, but exceeded the initial guidance**

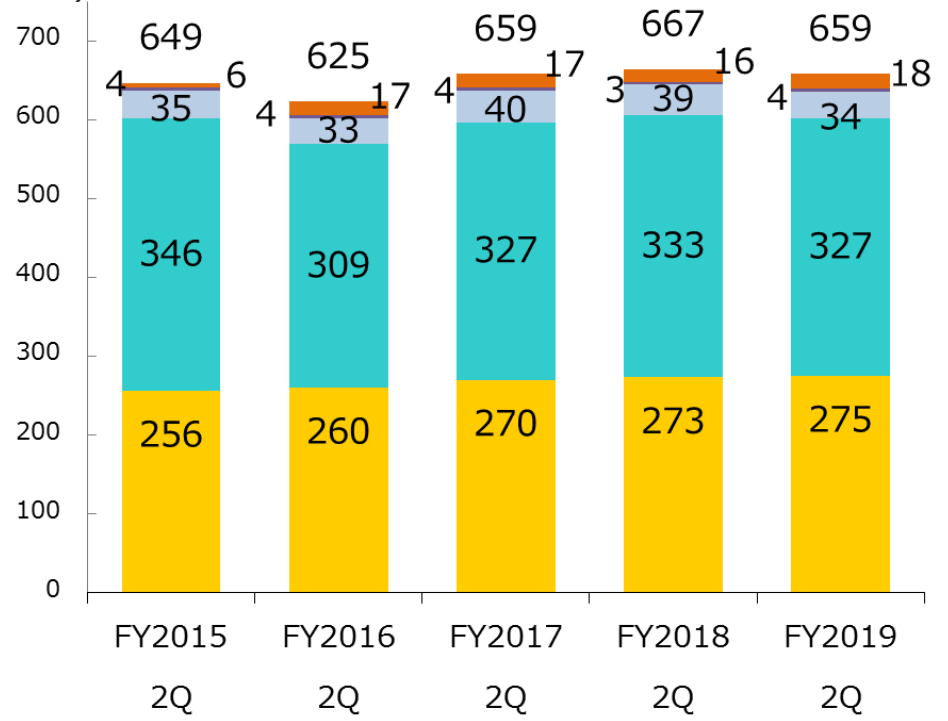
(Unit: JPY million)	FY2019	FY2018		FY2019		FY2019	FY2019
	2nd Quarter performance	2nd Quarter performance	YoY	2nd Quarter Initial Guidance	v.s. Guidance	Guidance	Revised Guidance
Net sales	65,926	66,768	-1.3%	64,400	102%	144,000	130,800
Operating income	2,638	2,873	-8.2%	1,500	176%	8,000	1,100
( % )	4.0%	4.3%		2.3%		5.6%	0.8%
Ordinary income	2,906	3,219	-9.7%	1,600	182%	8,200	1,200
( % )	4.4%	4.8%		2.5%		5.7%	0.9%
Profit attributable to owners of parent	2,210	2,291	-3.5%	1,100	201%	5,300	700
( % )	3.4%	3.4%		1.7%		3.7%	0.5%



# Area Sales (Consolidated)

**Japan: Sales increased from the previous year**  
**Korea: Sales decreased due to the FX impact (▲1.4b) despite 2% increased on a local currency**

(Unit: JPY million)



**YoY ▲0.84 billion(▲1%)**

- Japan +0.11billion
- Korea ▲0.63billion
- China (Incl. Hong Kong/Taiwan) ▲0.53billion
- Other Asian Countries +0.05billion
- Europe/Americas +0.15billion

Overseas Ratio	60%	58%	59%	59%	58%
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- Japan
- Korea
- China (incl. Hong Kong/Taiwan)
- Other Asian Countries
- Europe/Americas

Note: FY2019=FY ending March 31, 2020

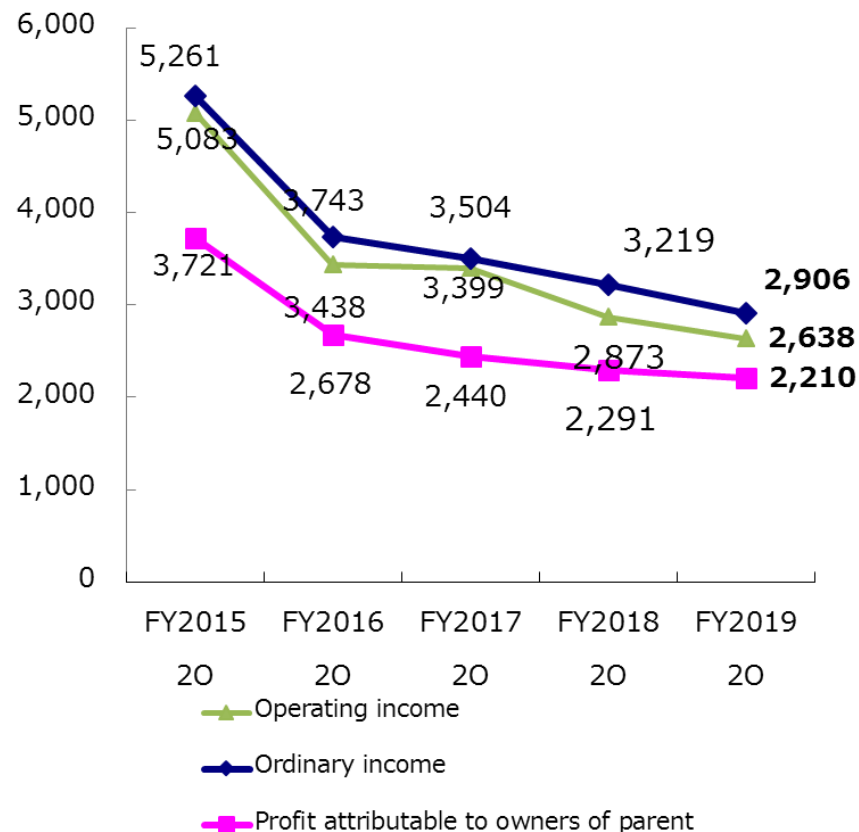
# Income (Consolidated)



1.2Q FY2019 (1) Financial Summary

**Operating income: decreased due to decline in gross margin in Japan and an increase in SG&A expenses in all segments**  
**Ordinary income: decreased by the impact of FX gains and losses (▲0.2b), despite an increase in equity in earnings of affiliates (+ 0.11b).**

(Unit: JPY million)



(Unit: JPY million)	FY2019 2Q	FY2018 2Q	Change
<b>Operating income</b>	<b>2,638</b>	<b>2,873</b>	<b>▲ 234</b>
Non-operating income	556	518	<b>38</b>
Non-operating expenses	288	171	<b>117</b>
<b>Ordinary income</b>	<b>2,906</b>	<b>3,219</b>	<b>▲ 313</b>
Extraordinary income	0	0	<b>0</b>
Extraordinary loss	0	0	<b>0</b>
Total income taxes	695	928	<b>▲ 233</b>
<b>Profit attributable to owners of parent</b>	<b>2,210</b>	<b>2,291</b>	<b>▲ 80</b>

Note: FY2019=FY ending March 31, 2020

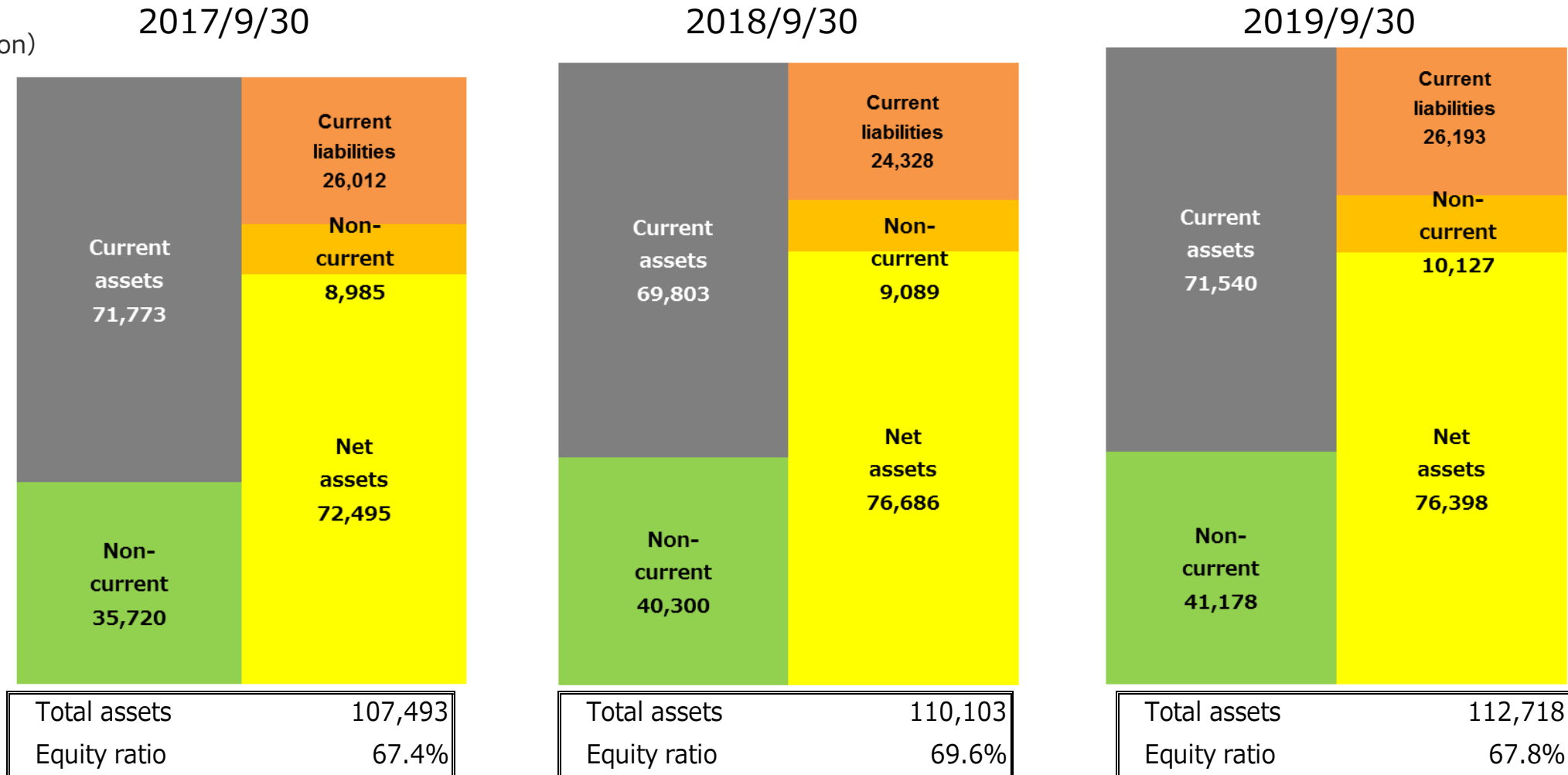
# Balance Sheets (Consolidated)



1.2Q FY2019 (1) Financial Summary

**Total assets increased 2.6 b YoY ;  
Increase in non-current assets due to on-balancing of lease usage rights in  
Korea and Hong Kong**

(Unit: JPY million)



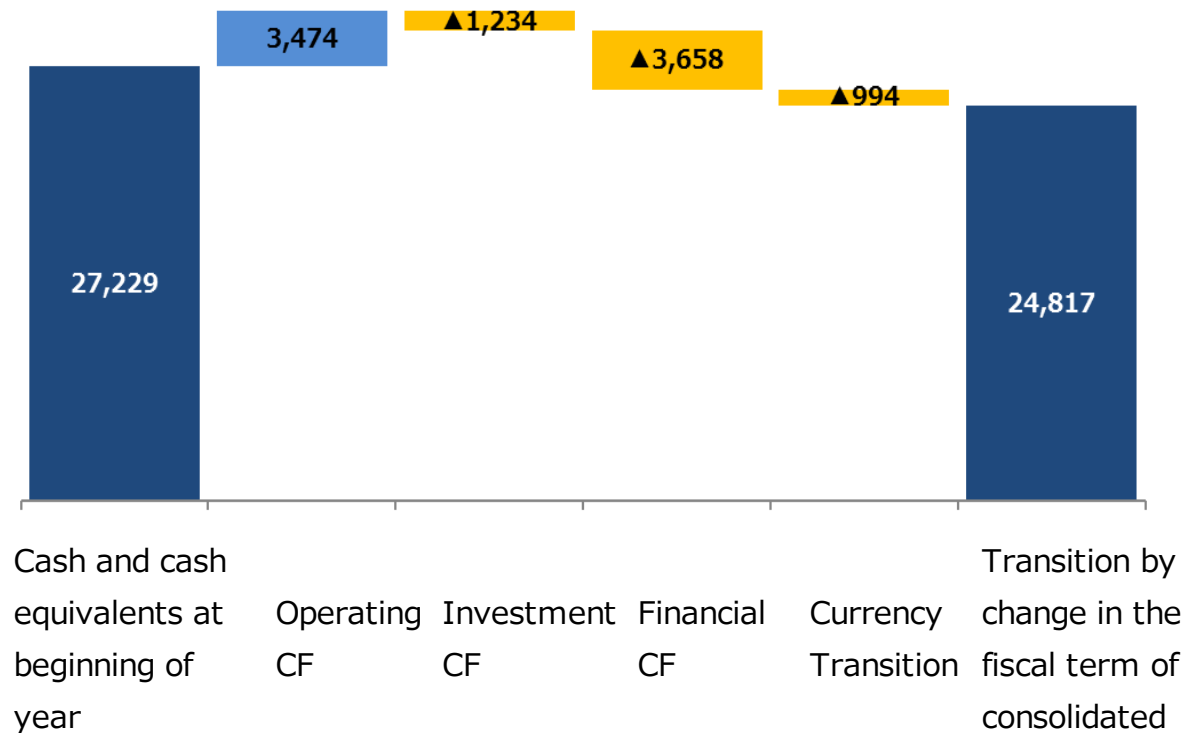
# Cash Flow (Consolidated)



1.2Q FY2019 (1) Financial Summary

**Operating CF +3.4b, Investment CF ▲1.2 b, and Financial CF ▲3.6b**

(Unit: JPY million)

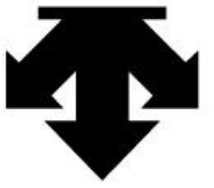


**Compared to the beginning of FY2019 ▲2,412m**

<b>CF from operating activities</b>	<b>+3,474m</b>
(YoY +2,324m)	
EBITDA <sup>※1</sup>	+5,933m
Changes in working capital <sup>※2</sup>	▲2,298m
<b>CF from investing activities</b>	<b>▲1,234m</b>
(YoY -4,766m)	
Purchase of property, plant and equipment	▲898m
Purchase of intangible assets	▲290m
<b>CF from financing activities</b>	<b>▲3,658m</b>
(YoY -2,109m)	
Cash dividends paid	▲1,960m
Repayment of lease obligations	▲1,257m
Repayment of loans payable	▲486m

<sup>※1</sup> EBITDA = Income before income taxes + Depreciation  
<sup>※2</sup> Working capital is the change in notes and accounts receivable-trade, inventories and notes and accounts payable-trade





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## **1. 2Q FY2019**

(1) Financial Summary

**(2) Brand Review**

(3) Topics

## **2. Plan for FY2019**

# Brand Sales (Consolidated)

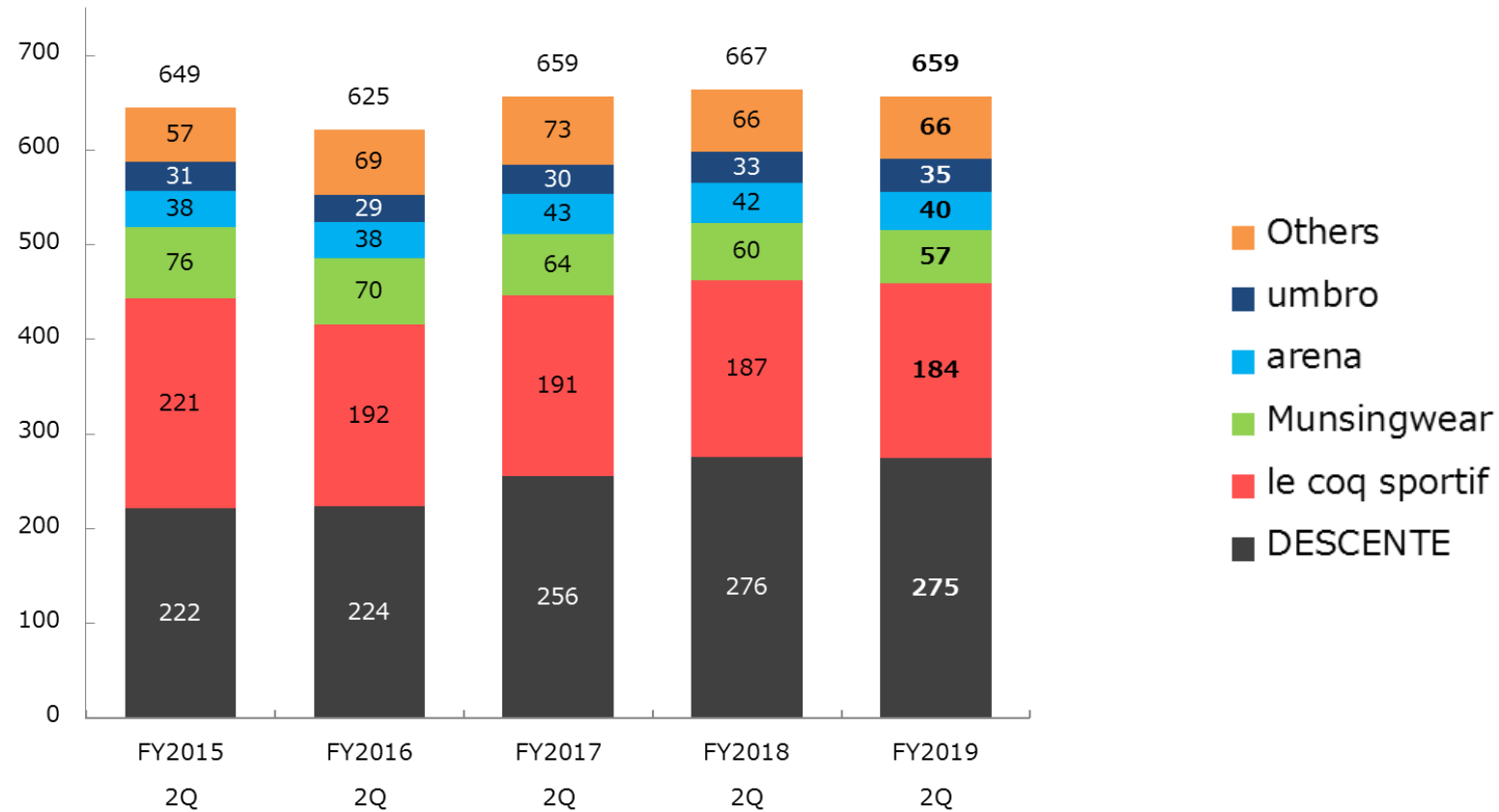


1. 2Q FY2019 (2) Brand Review

**DESCENTE: sales increased excl. the impact of FX rates**

**umbro: Sales increased**

(Unit: JPY 0.1 billion)



Note: FY2019=FY ending March 31, 2020

# Brand Sales (Japan)

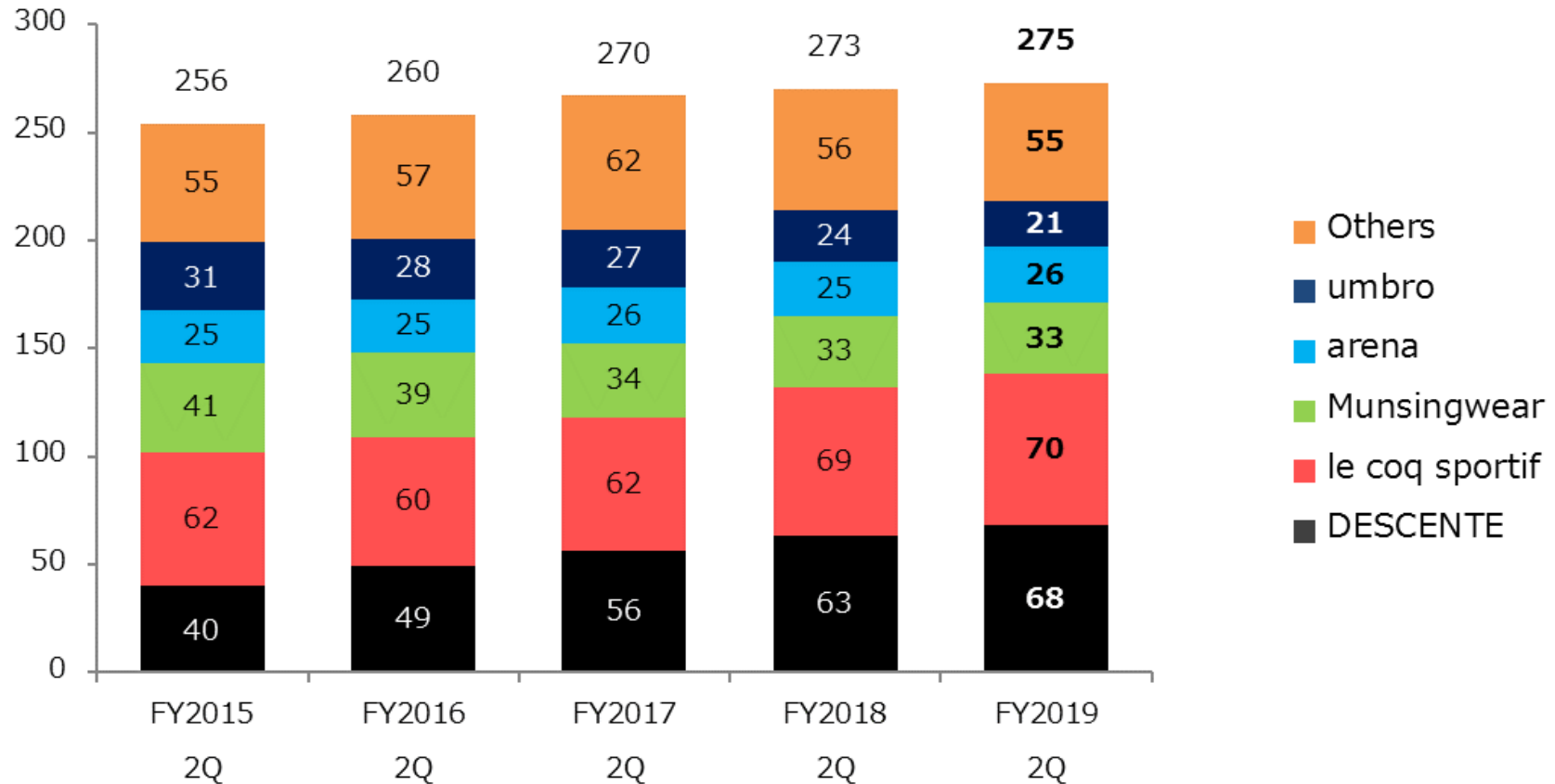


1. 2Q FY2019 (2) Brand Review

**DESCENTE: Sales increased in both Athletic and Golf categories**

**le coq sportif, arena: remained steady and contributed to an increase of sales**

(Unit: JPY 0.1 billion)



Note: FY2019=FY ending March 31, 2020

# Brand Sales (Korea)

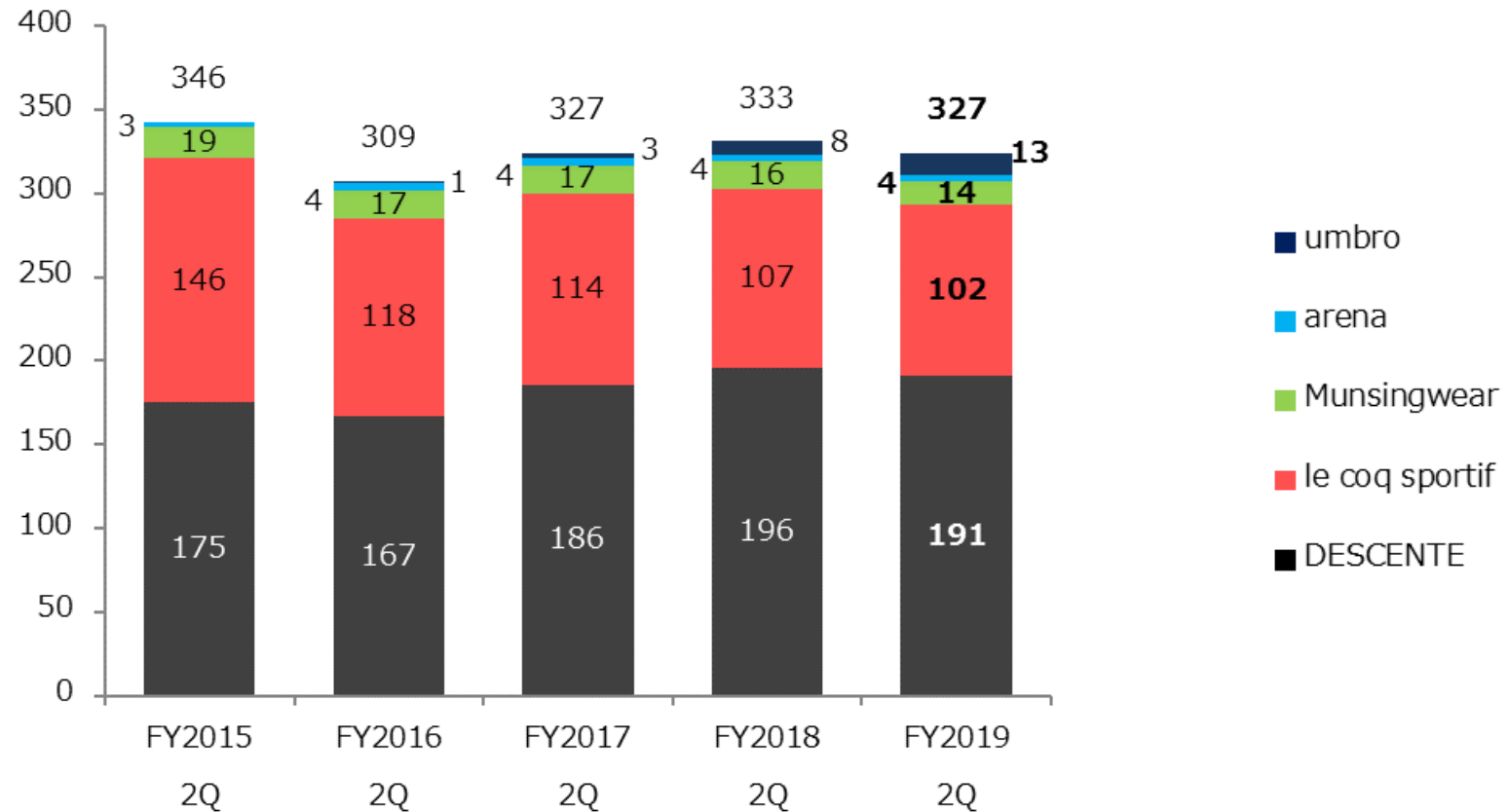


1. 2Q FY2019 (2) Brand Review

**Sales increased in “DESCENTE” on a local currency basis and “umbro” continued to grow**

**\*FX impact: KRW declined about 4% against yen**

(Unit: JPY 0.1 billion)



Note: FY2019=FY ending March 31, 2020

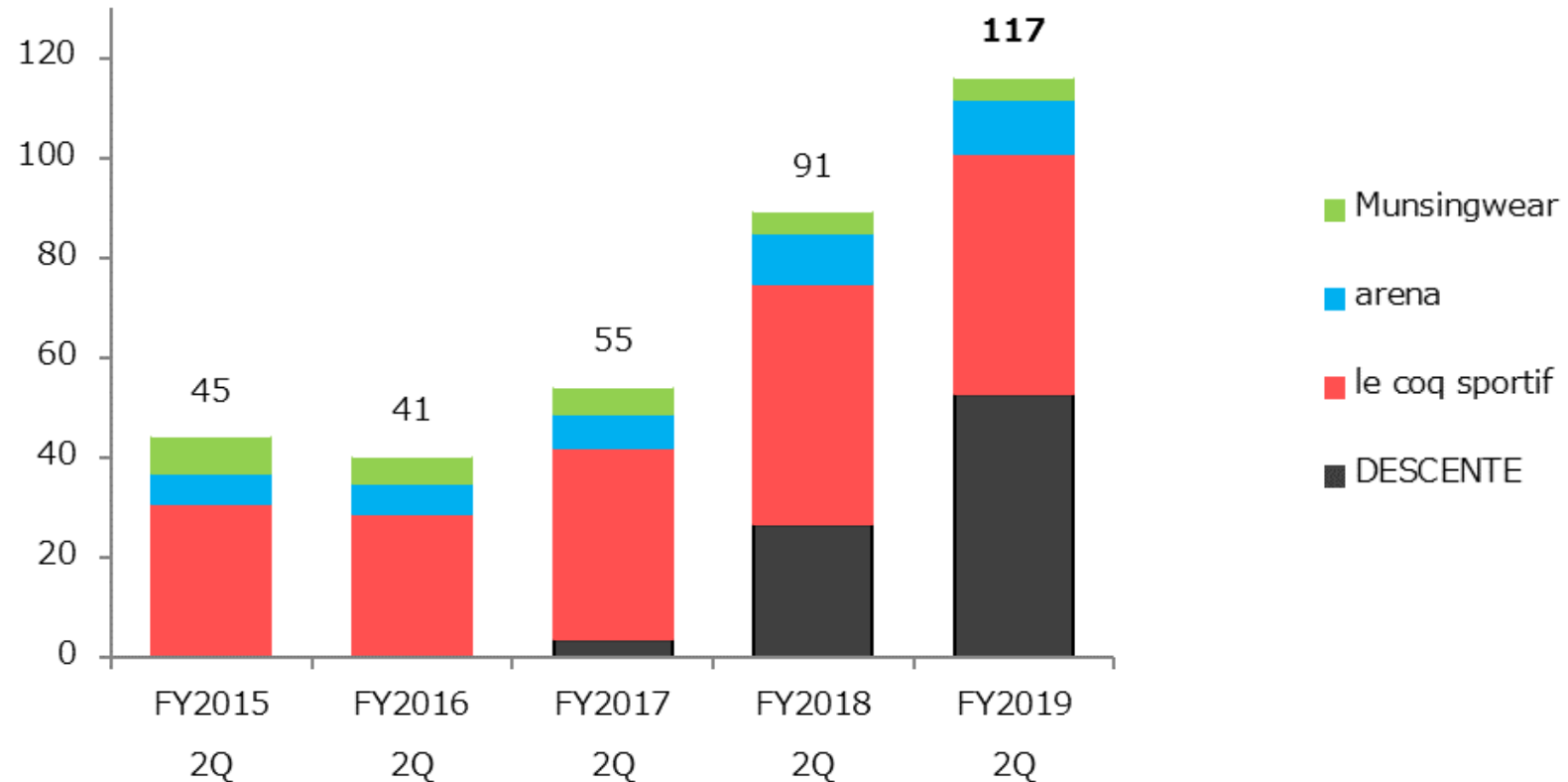
# Combined Local Sales\* (China excl. Hong Kong, Taiwan, Macau)



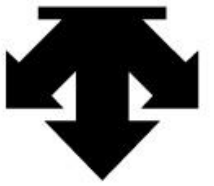
1. 2Q FY2019 (2) Brand Review

**DESCENTE: +90% growth YoY**  
**arena: remained steady and increased sales**

(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. 2Q FY2019**

(1) Financial Summary

(2) Brand Review

**(3) Topics**

## 2. Plan for FY2019



## **Increased sales by product mix, planned by the Descente Group and locally modified products**

- Locally developed products in China "MOTION KNIT" based on "FUSION KNIT" developed in Japan
- Popular item "MXU WIRE" developed product by Descente Korea

## **Develop large stores as a high-end brand**

- Shenzhen MIXC
- Shanghai IAPM

## **Brand appeal with a mix of digital and real marketing**

- Cycling events with customers
- Digital marketing utilizing celebrities

## Develop reliable products wearing by top athletes



-Sell the models worn by Daiya Seto (Japan)



-Sales of related products worn by French National Rugby Team (Japan)



# Approach to social issues

1. 2Q FY2019 (3) Topics

## Development of new heat shielding items to counter the summer heat



- Entry into electric fan apparel market expanding in Japan
- Heat prevention gloves to cool palms at an appropriate temperature
- Original fabric "coolist"; dissipate heat and reduce the temperature inside a garment

# Sustainability

## Activities contributing sustainability

- Conducted campaigns for SAVE THE PENGUIN campaign each brand (Korea)
- "To bring the enjoyment of sports to all"; sponsoring and implementing sports events (Japan)

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## 1. 2Q FY2019

(1) Financial Summary

(2) Brand Review

(3) Topics

## 2. Plan for FY2019

# Plan for FY2019 (Consolidated)



3. Plan for FY2019

**Revised full-year guidance due to lower sales and gross profit in Korea estimated in second half of FY2019**

(Unit: JPY million)	FY2017	FY2018	FY2019 Guidance	FY2019	
				Revised Guidance	v.s. FY2018
Net sales	141,124	142,443	144,000	130,800	-8%
Operating income	9,596	7,935	8,000	1,100	-86%
(%)	6.8%	5.6%	5.6%	0.8%	
Ordinary income	9,698	8,458	8,200	1,200	-86%
(%)	6.9%	5.9%	5.7%	0.9%	
Profit attributable to owners of parent	5,771	3,944	5,300	700	-82%
(%)	4.1%	2.8%	3.7%	0.5%	

Predicted rate : USD109.27、100KRW9.31、CNY15.99、HKD13.95、SGD80.13、GBP137.17

# Plan for FY2019 (Consolidated): supplement



3. Plan for FY2019

Plan to be in the red in the second half

(Unit: JPY million)	FY2019 2nd Quarter performance	FY2019 (1)'2nd Quarter initial guidance	FY2019 (2)'2nd Quarter revised guidance	Change (2)-(1)	FY2019 Full-year revised guidance
Net sales	65,926	79,600	64,874	▲ 14,726	130,800
Operating income	2,638	6,500	▲ 1,538	▲ 8,038	1,100
(%)	4.0%	8.2%			0.8%
Ordinary income	2,906	6,600	▲ 1,706	▲ 8,306	1,200
(%)	4.4%	8.3%			0.9%
Profit attributable to owners of parent	2,210	4,200	▲ 1,510	▲ 5,710	700
(%)	3.4%	5.3%			0.5%

Predicted rate : USD109.27、100KRW9.31、CNY15.99、HKD13.95、SGD80.13、GBP137.17

# Dividends and Payout Ratio



3. Plan for FY2019

Revised dividend forecasts based on approximately 30% dividend payout ratio and business performance

(Unit: JPY million)	FY2015	FY2016	FY2017	FY2018	FY2019 Plan
Dividends	1,280	1,732	1,733	1,960	226
Amount/share	JPY17.0	JPY23.0	JPY23.0	JPY26.0	JPY3.0
Profit attributable to owners of parent (Consolidated)	7,870	5,650	5,771	3,944	700
Payout ratio	16.3%	30.7%	30.0%	49.7%	32.3%

Note: FY2019=FY ending March 31, 2020

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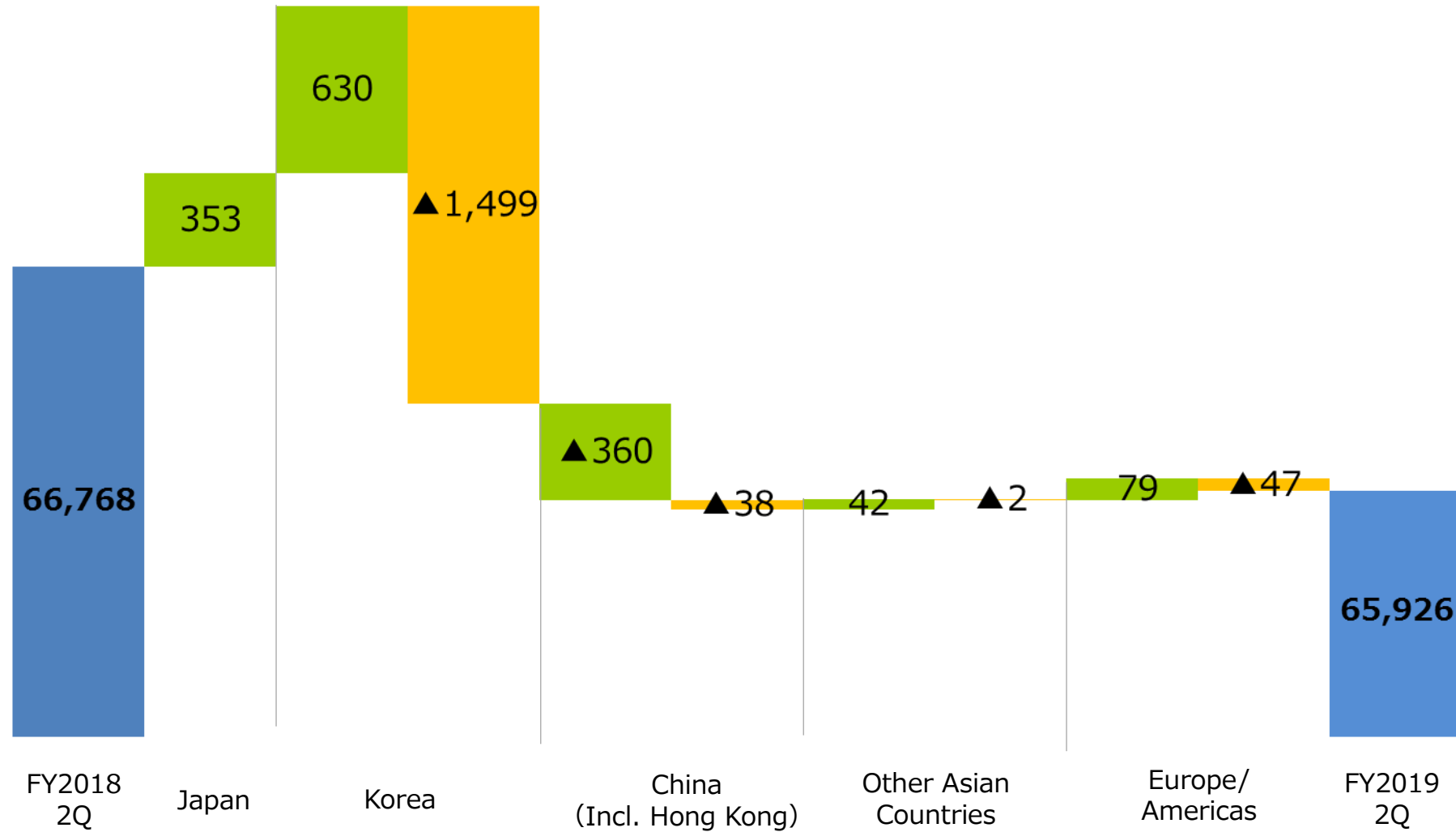
# **2Q FY2019 Reference**

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

# Net Sales (YoY)



(Unit: JPY million)



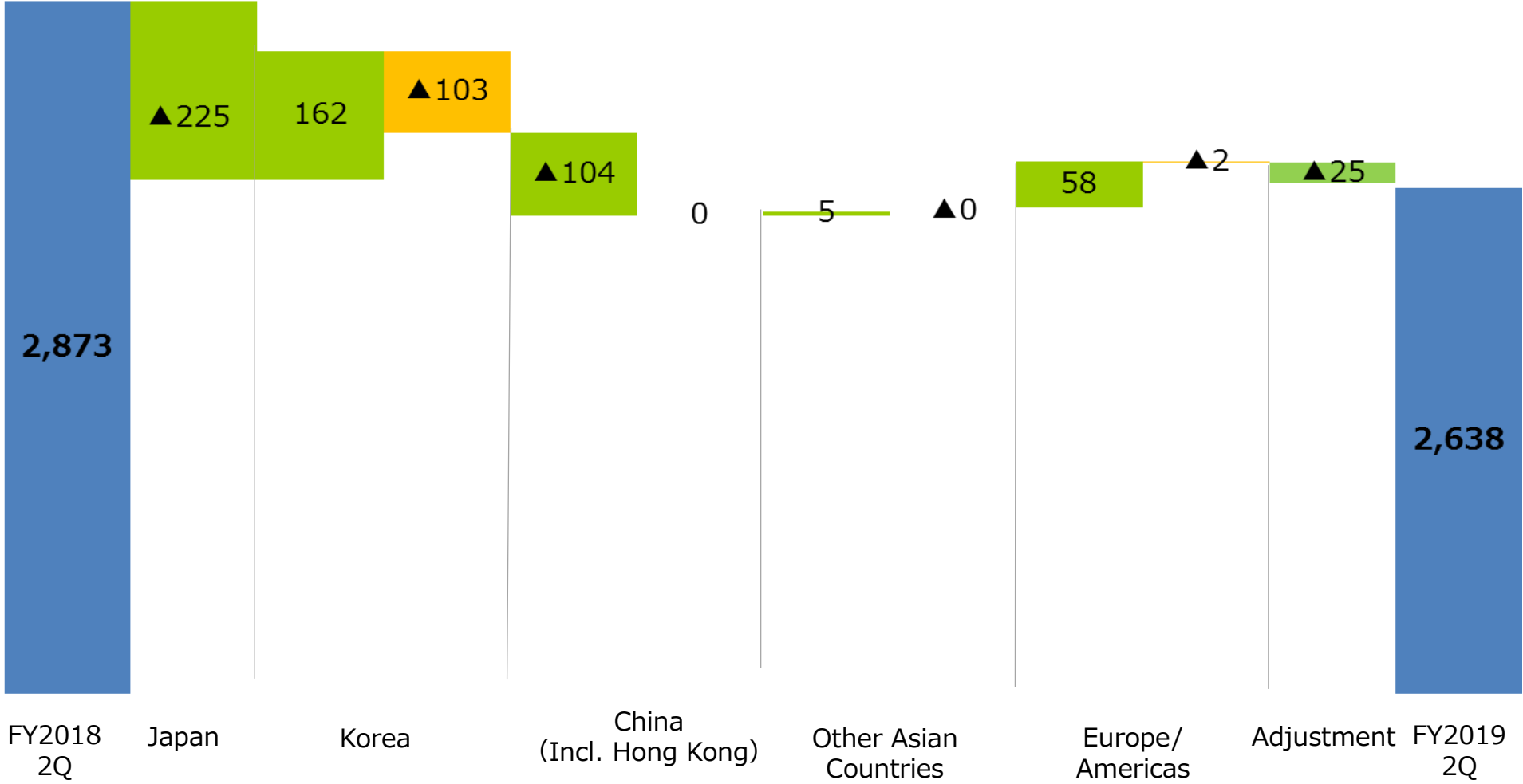
■ Net Sales   
 ■ Actual Gain / Loss   
 ■ Forex Effect

Note: FY2019=FY ending March 31, 2020

# Operating Income (YoY)



(Unit: JPY million)



Note: FY2019=FY ending March 31, 2020

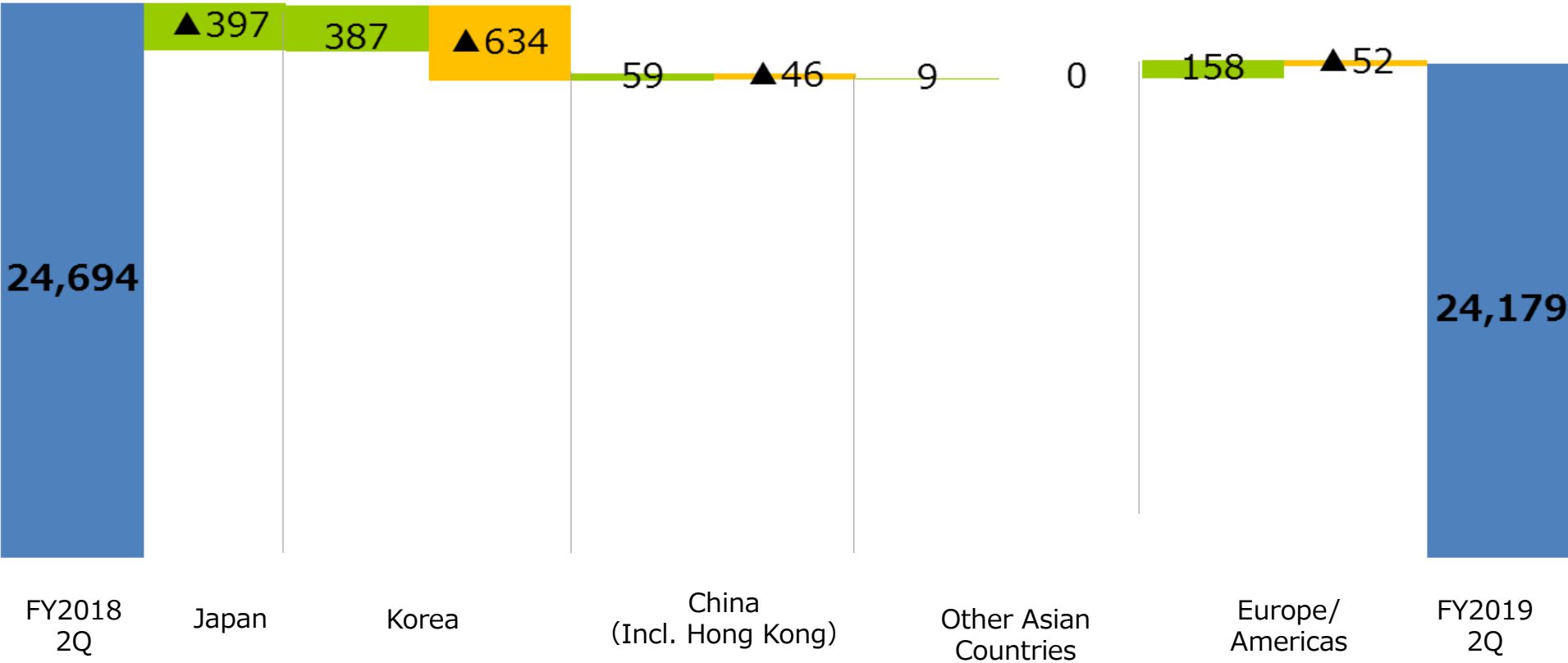
Operating income Actual Gain / Loss Forex Effect



# Inventory (YoY)



(Unit: JPY million)



■ Inventories   
 ■ Actual Profit / Loss   
 ■ Forex Effect

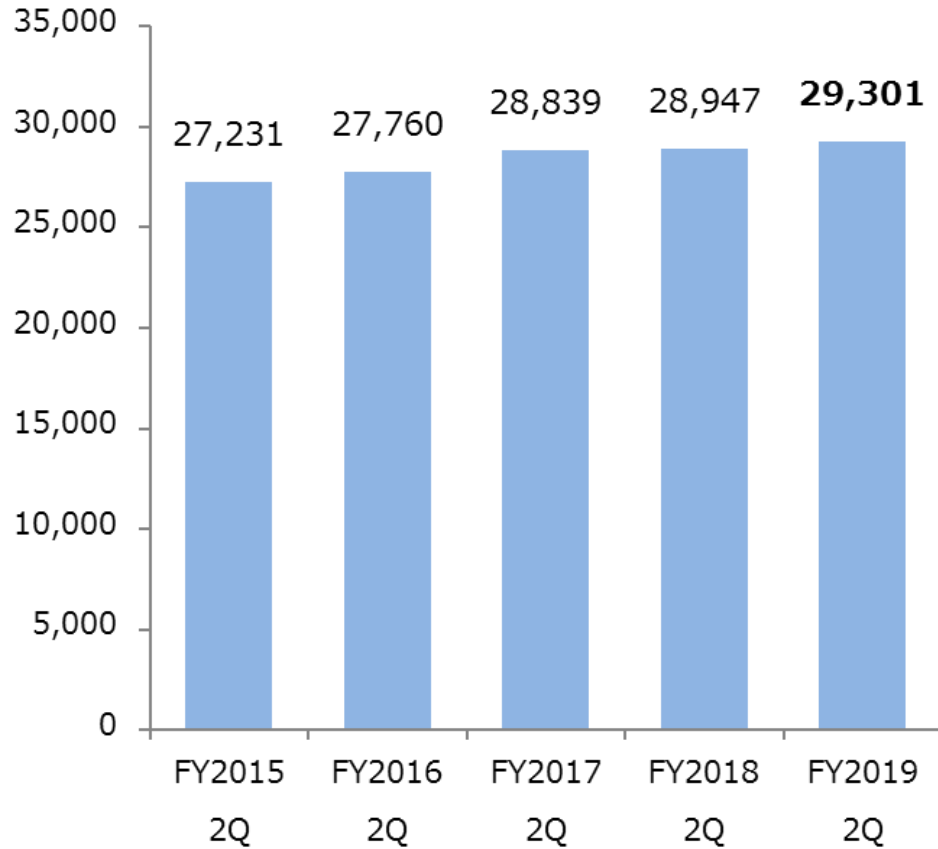
Note: FY2019=FY ending March 31, 2020

# Net Sales and Operating Income (Japan Segment)



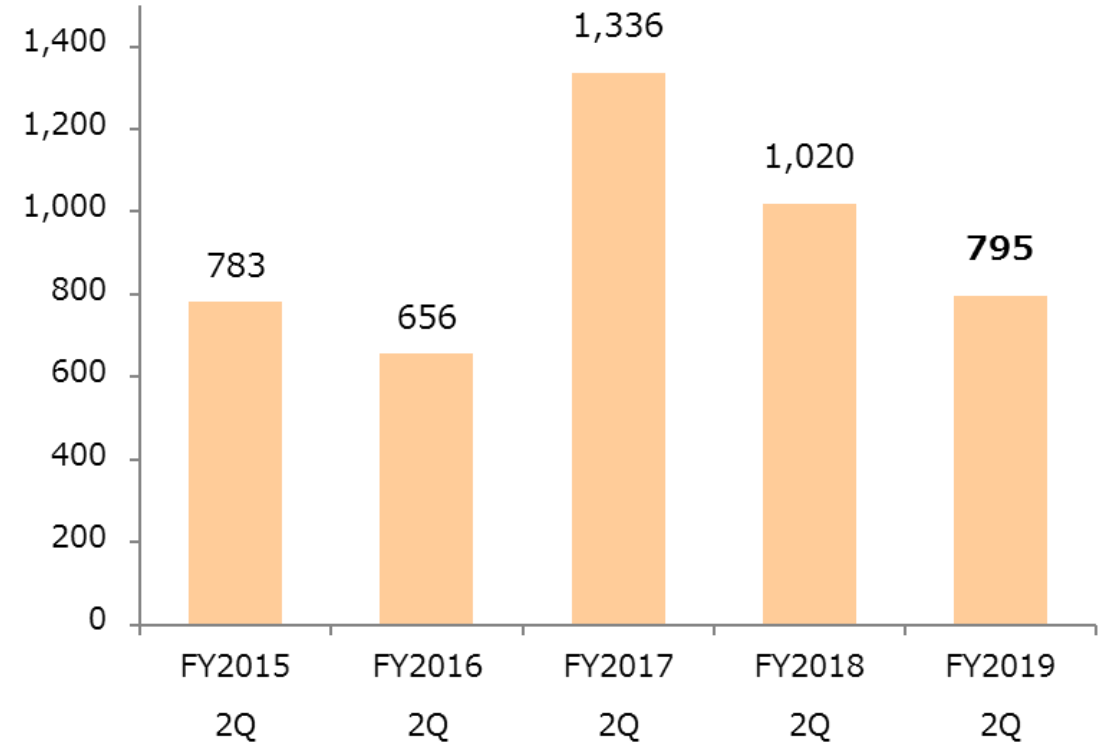
## Net Sales

(Unit: JPY million)



## Operating Income

(Unit: JPY million)



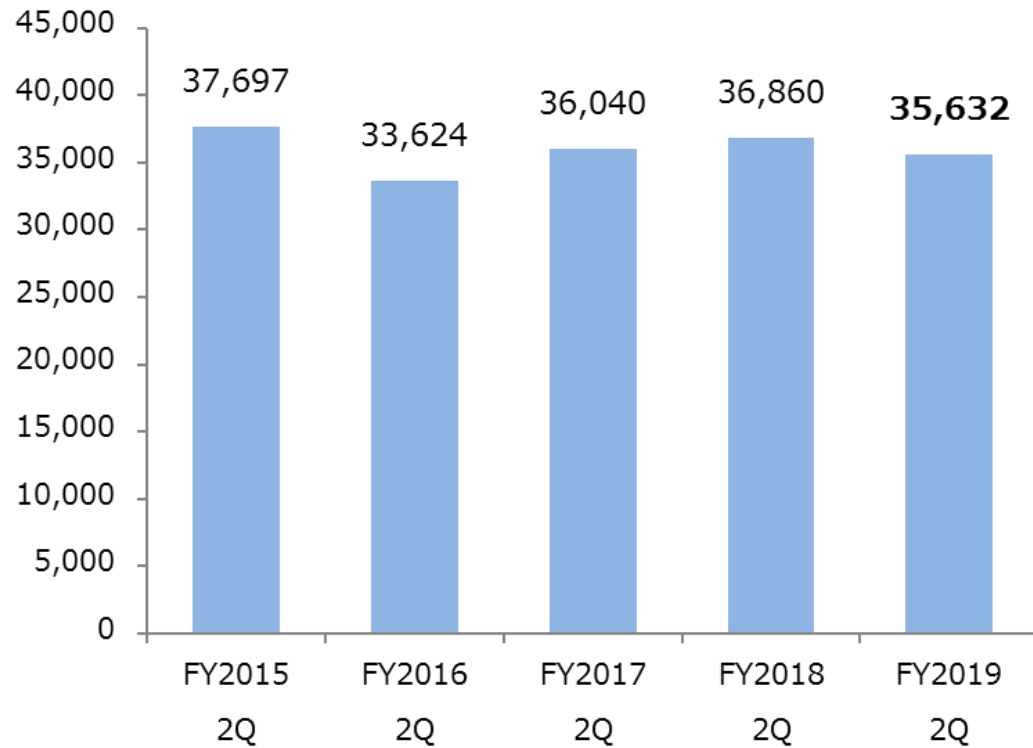
Note: FY2019=FY ending March 31, 2020

# Net Sales and Operating Income (Asia Segment)



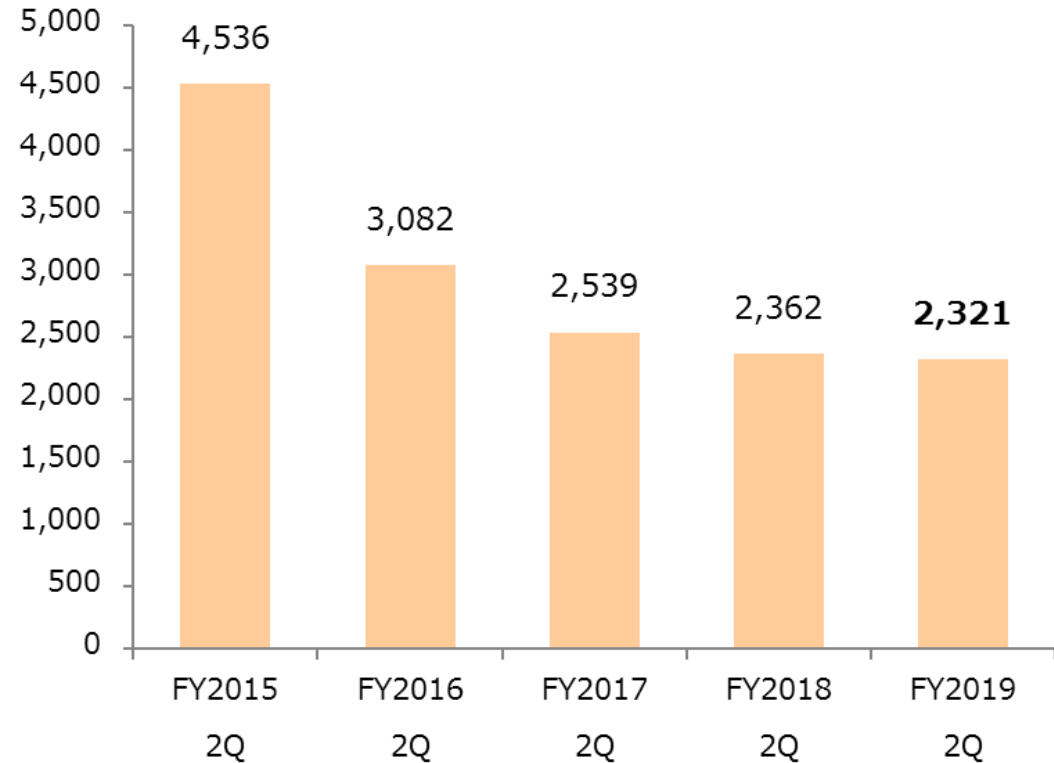
## Net Sales

(Unit: JPY million)



## Operating Income

(Unit: JPY million)



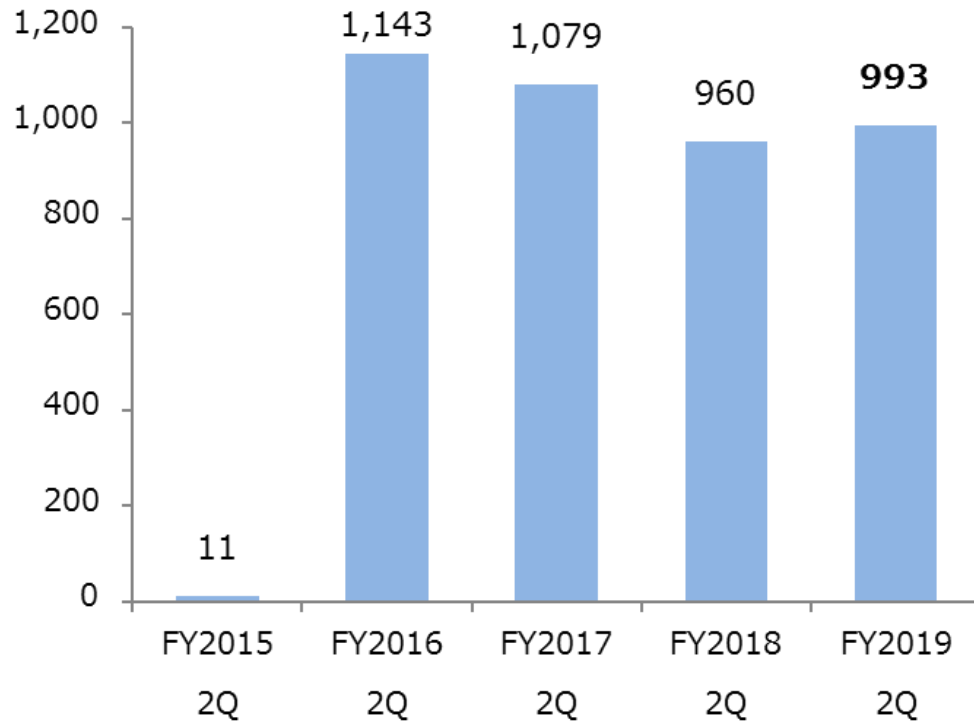
Note: FY2019=FY ending March 31, 2020

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



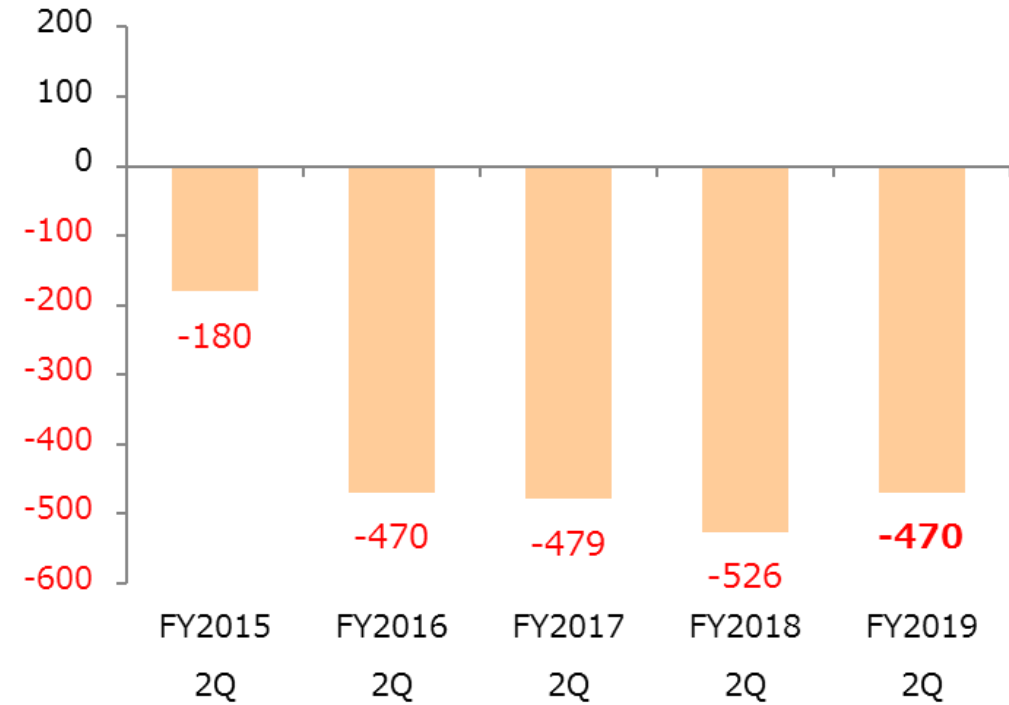
## Sales

(Unit: JPY million)



## Operating Income

(Unit: JPY million)

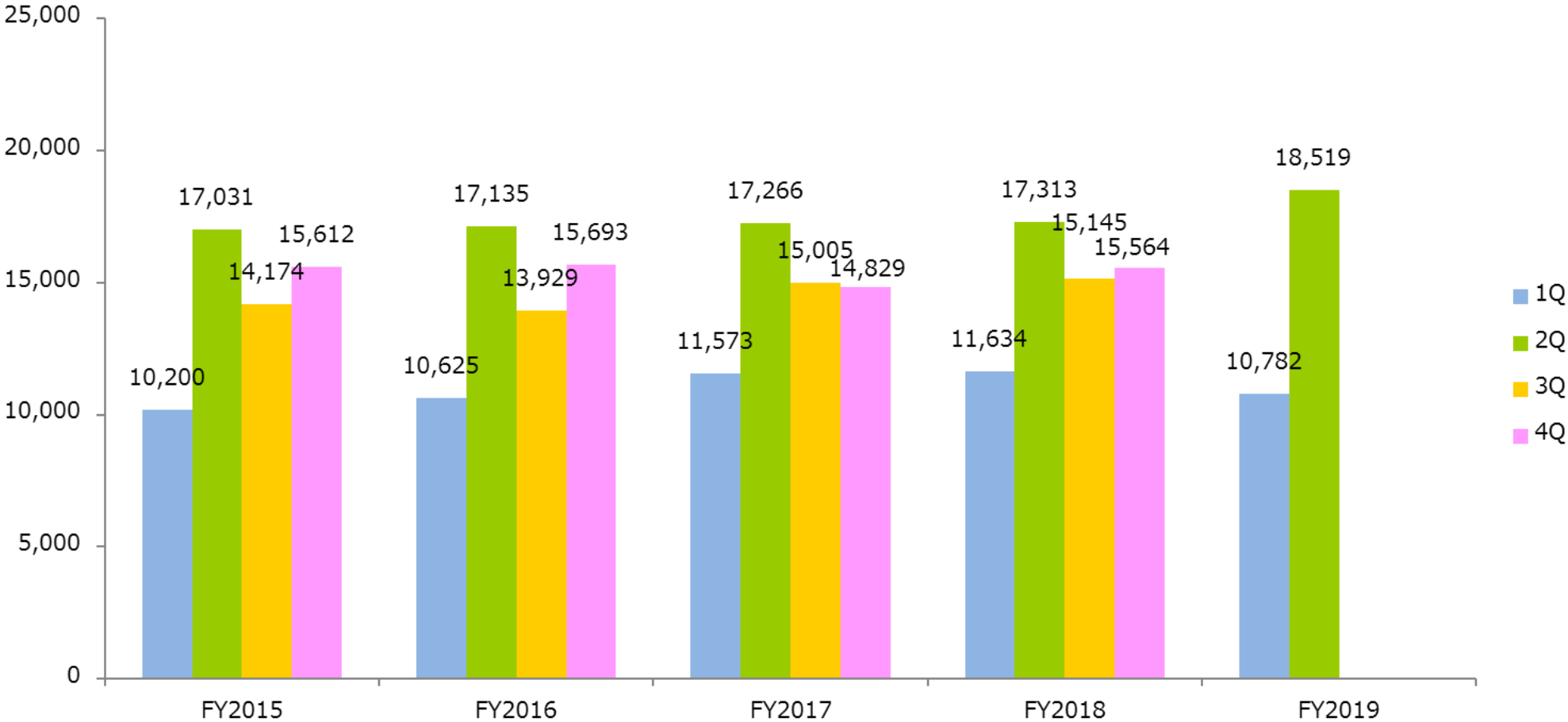


Note: FY2019=FY ending March 31, 2020

# Quarterly Sales (Japan Segment)



(Unit: JPY million)

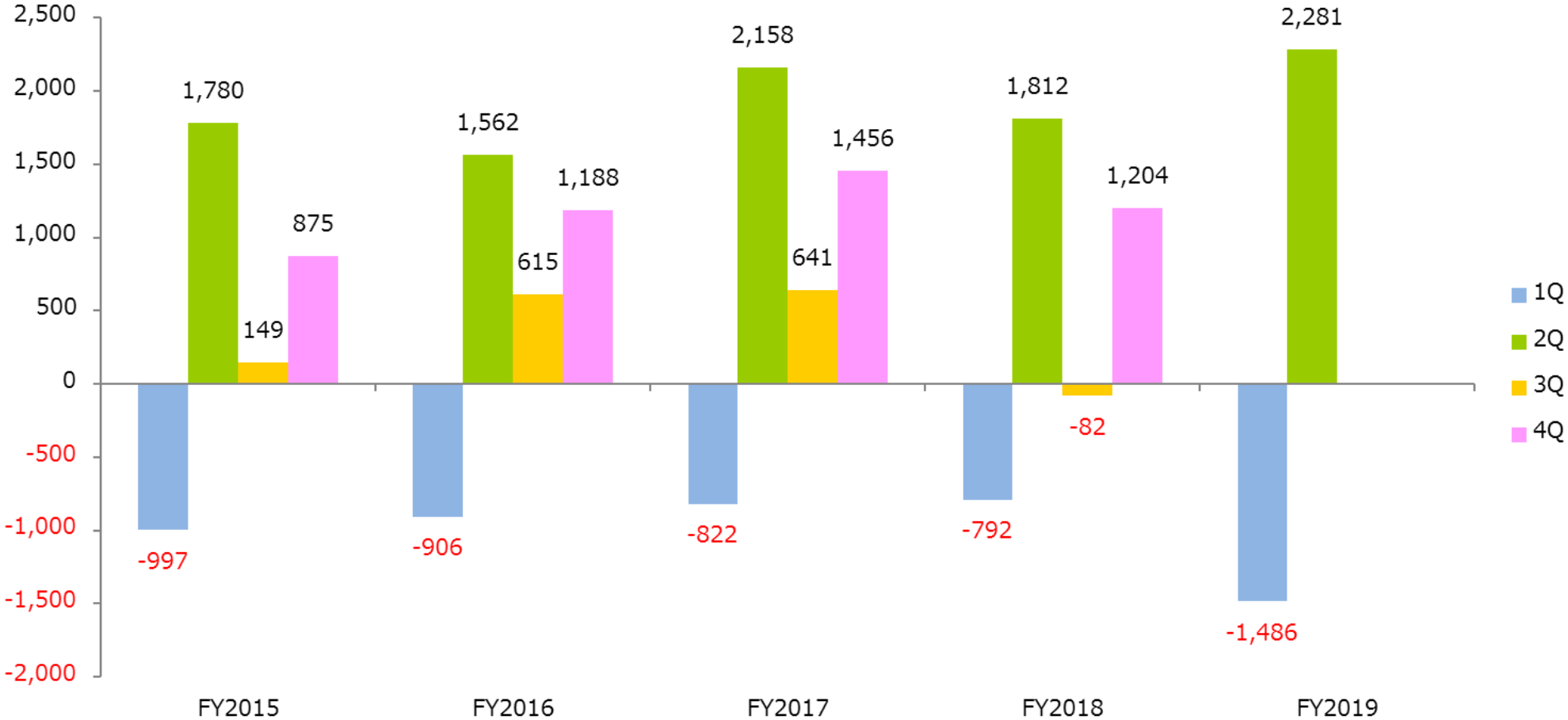


Note: FY2019=FY ending March 31, 2020

# Quarterly Operating Income (Japan Segment)



(Unit: JPY million)

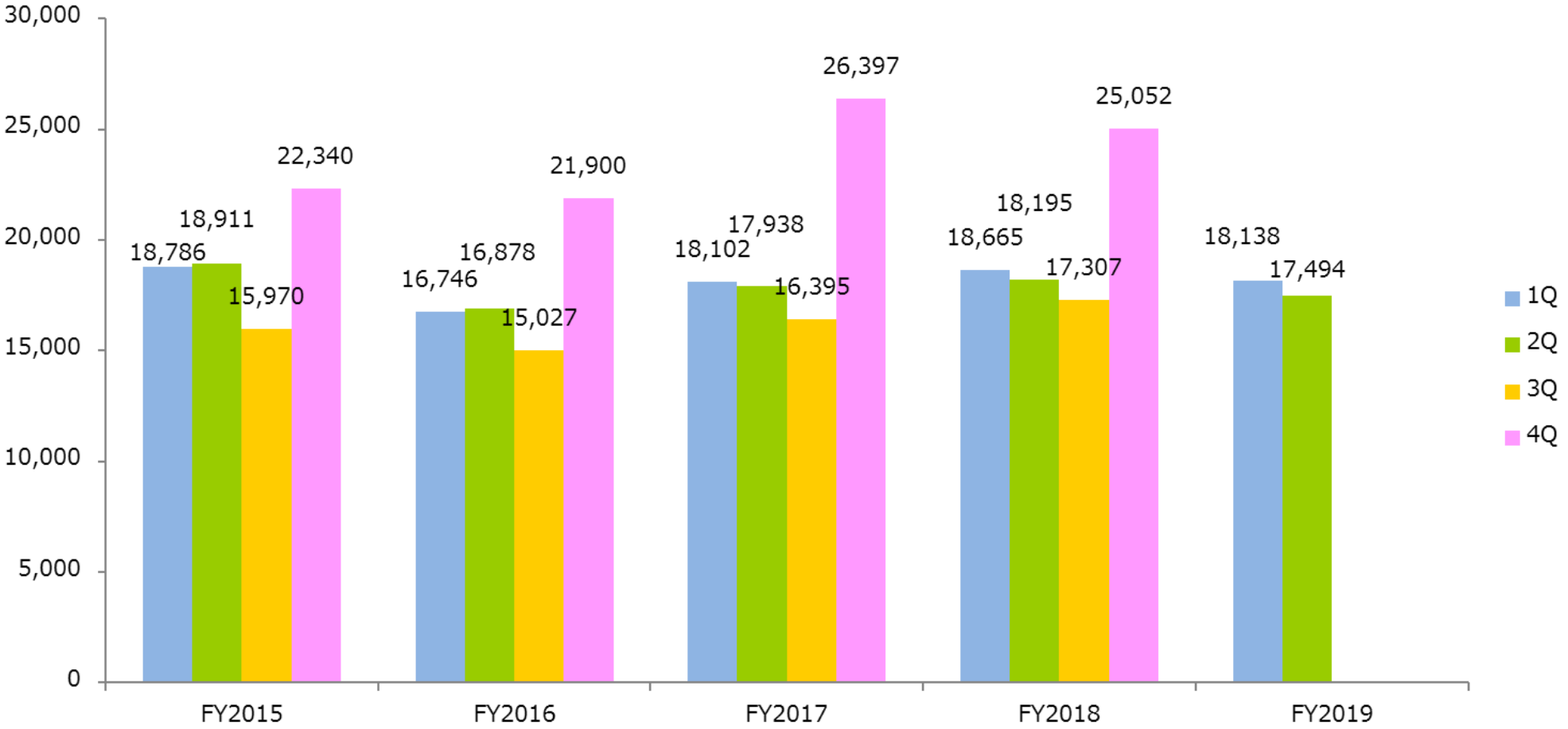


Note: FY2019=FY ending March 31, 2020

# Quarterly Sales Segment (Asia Segment)



(Unit: JPY million)

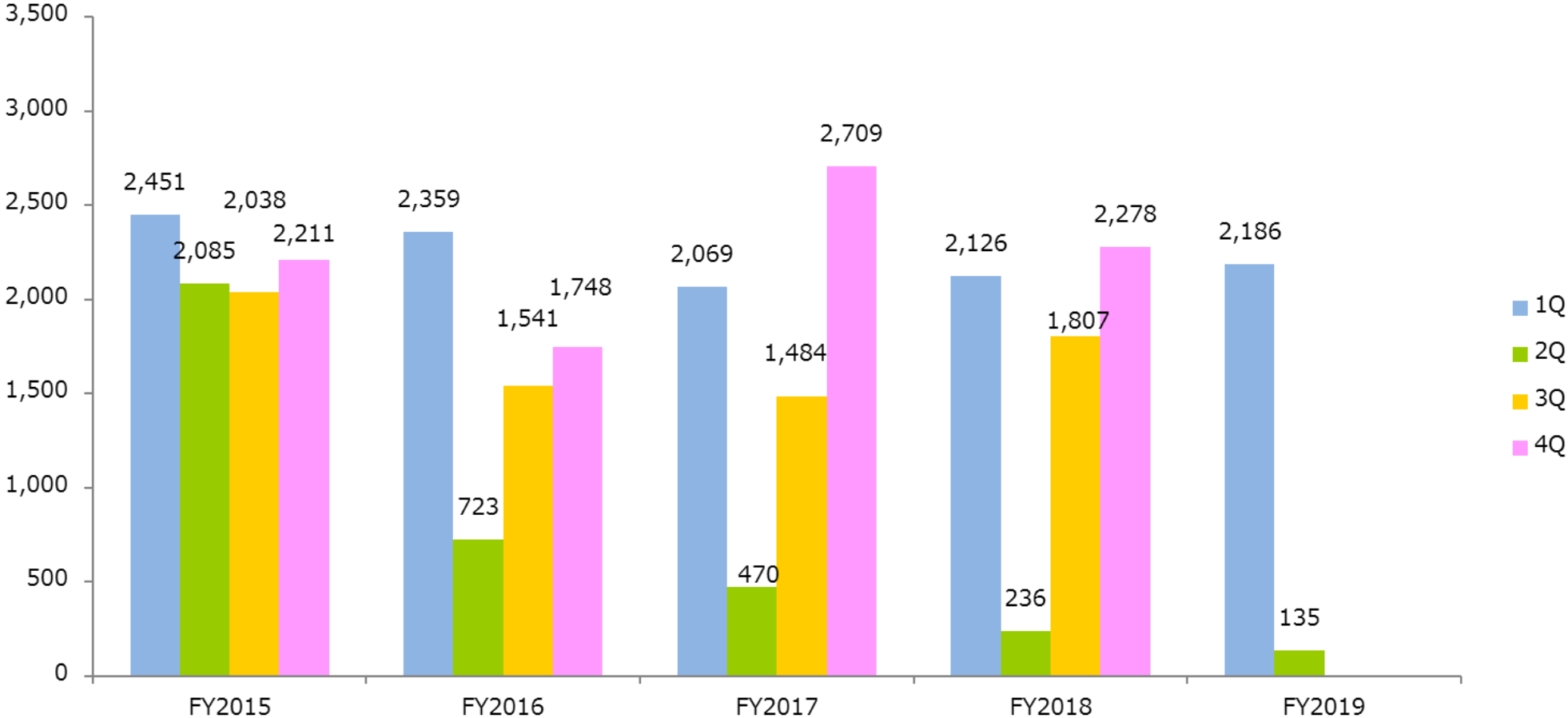


Note: FY2019=FY ending March 31, 2020

# Quarterly Operating Income (Asia Segment)



(Unit: JPY million)



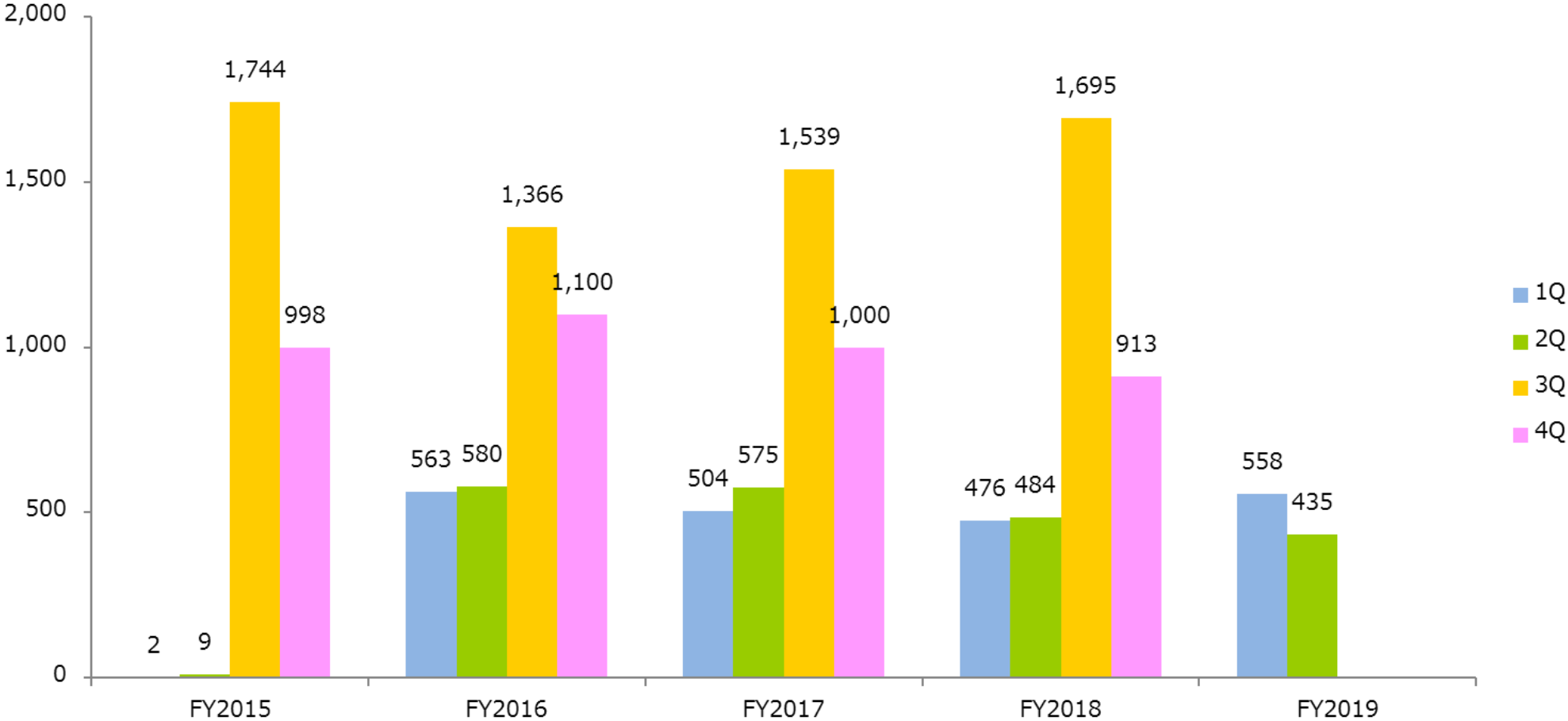
Note: FY2019=FY ending March 31, 2020



# Quarterly Sales (Europe/Americas Segment)



(Unit: JPY million)

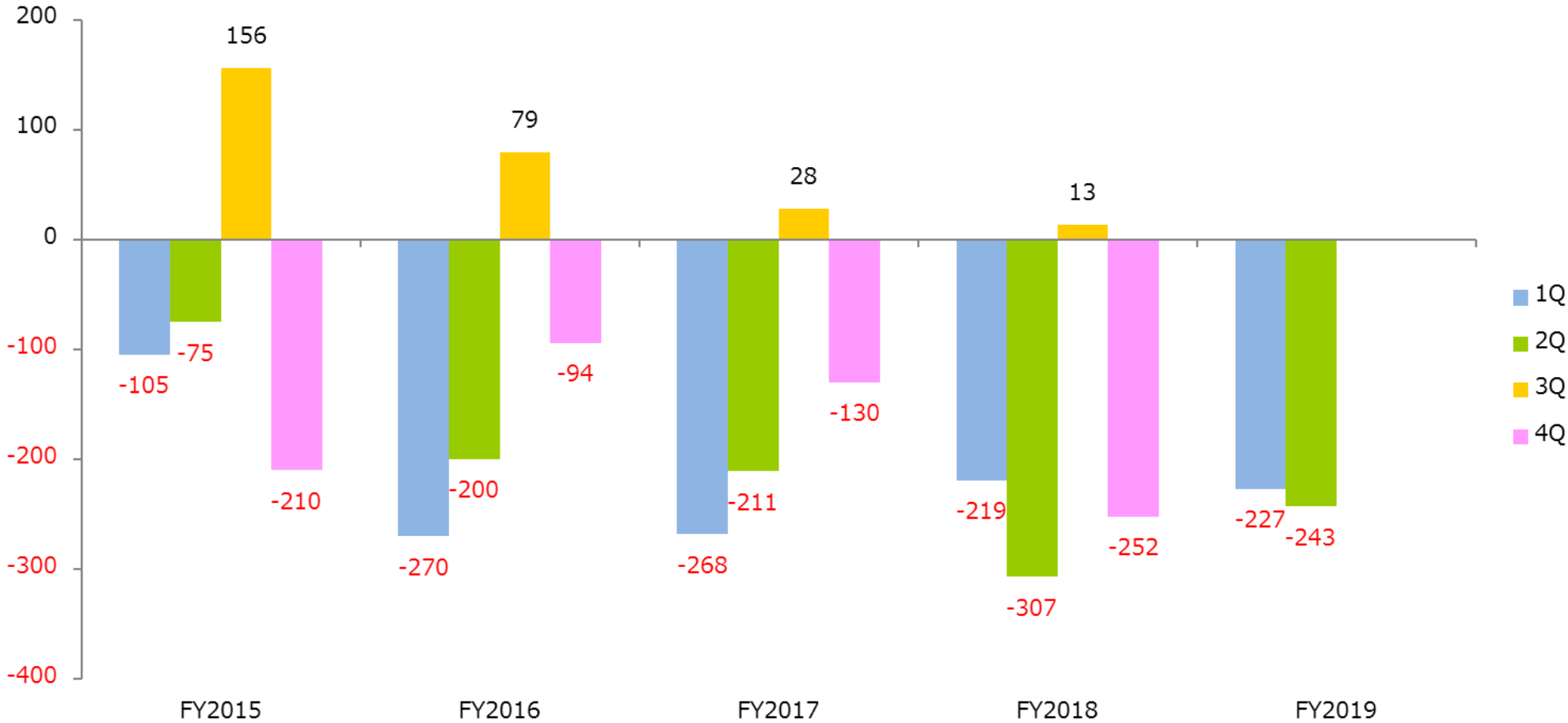


Note: FY2019=FY ending March 31, 2020

# Quarterly Operating Income (Europe/Americas Segment)



(Unit: JPY million)

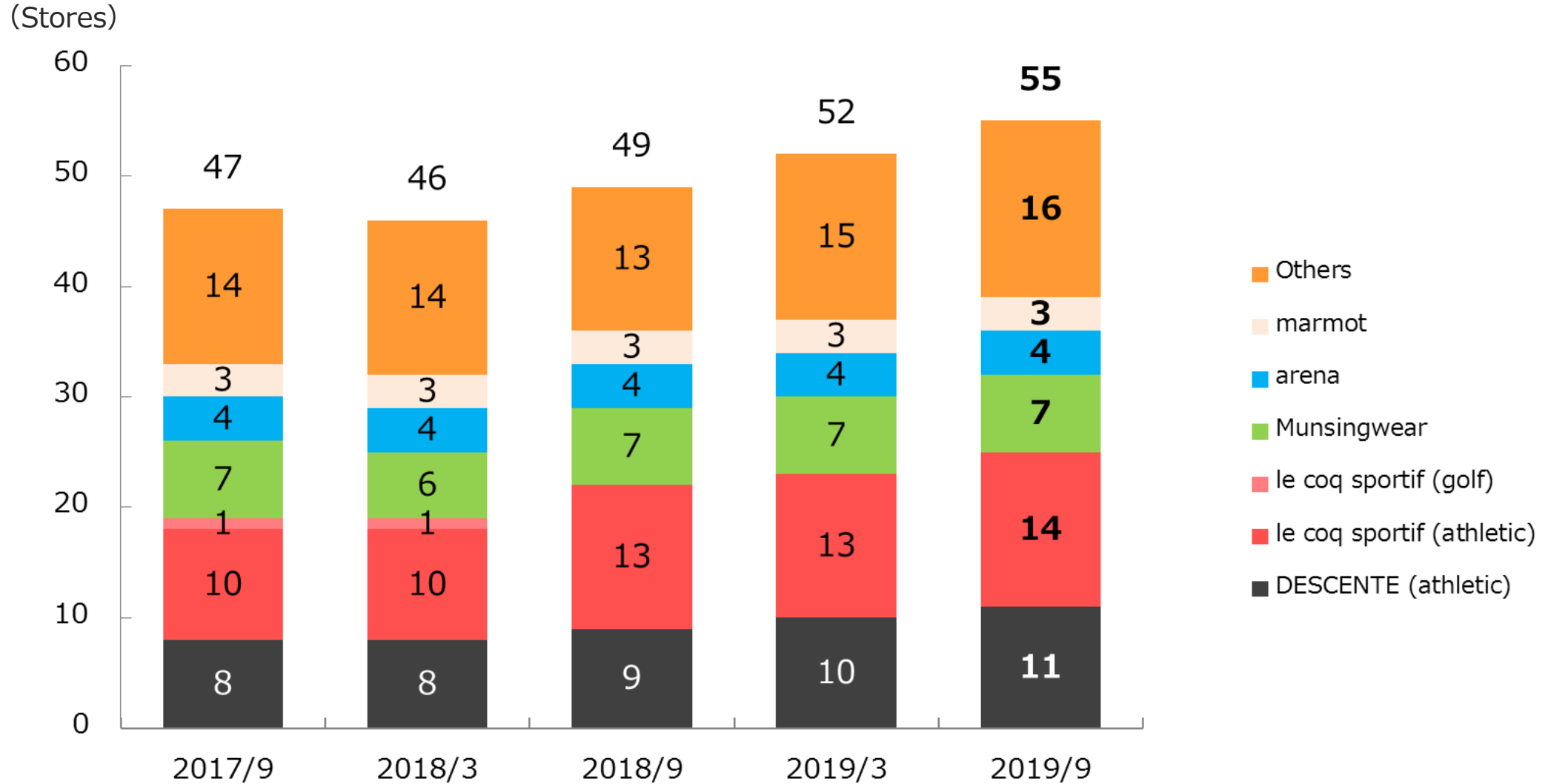


Note: FY2019=FY ending March 31, 2020

# Number of Stores in Japan (Directly Managed Stores)



※Including outlets

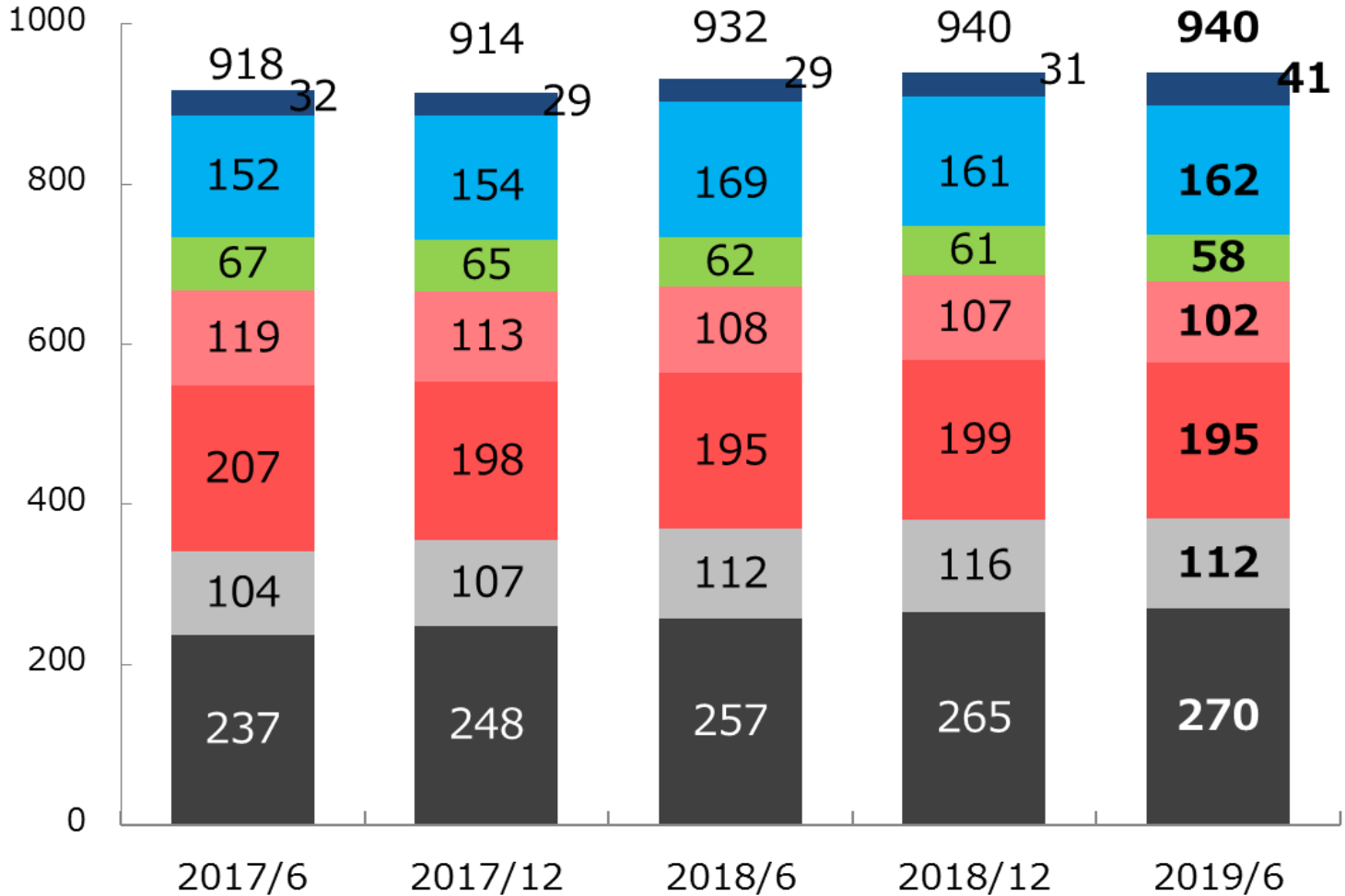


# Number of Stores in Korea



※Including stores of commercial agents and outlets

(Stores)

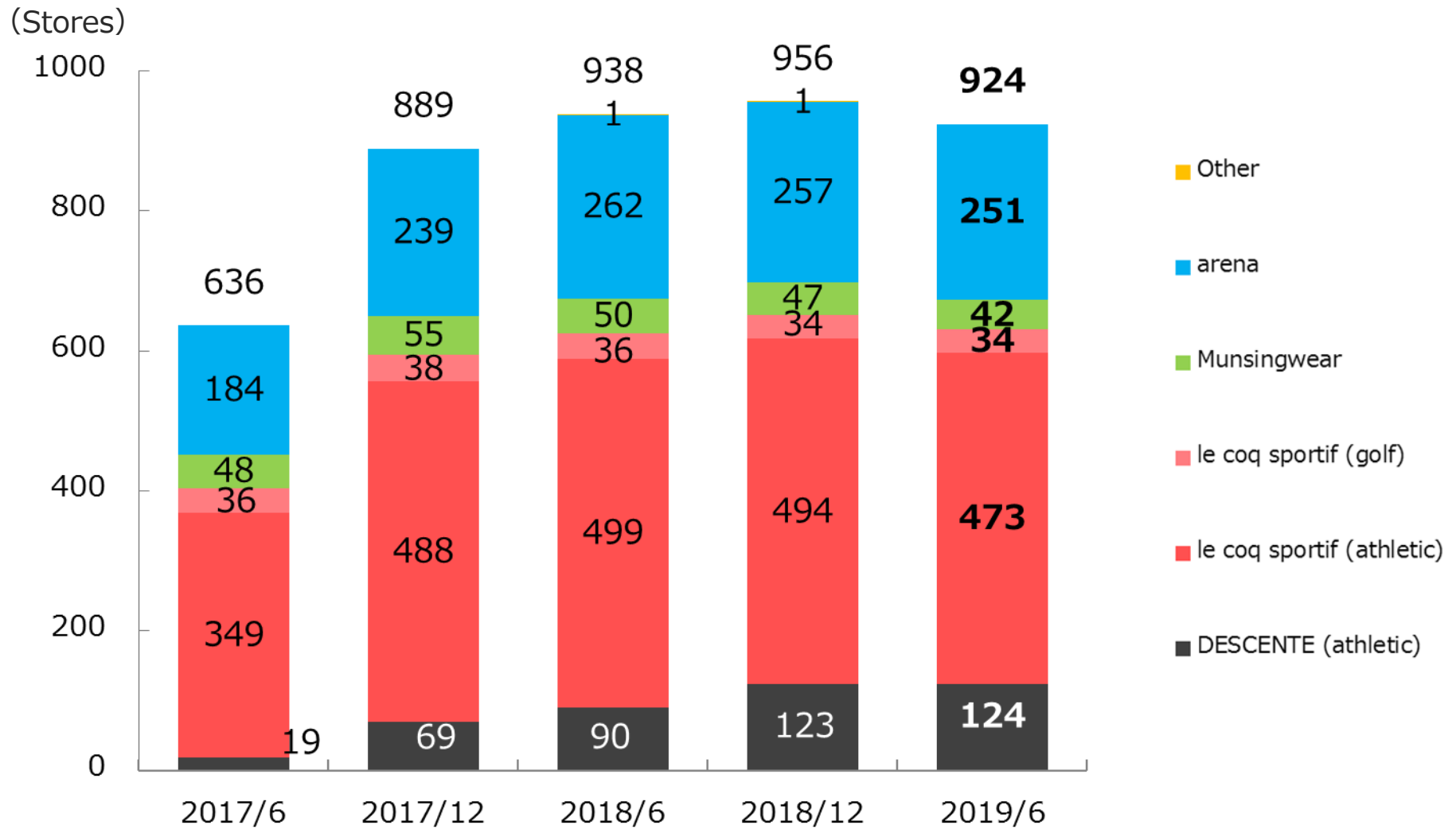


- umbro
- arena
- Munsingwear
- le coq sportif (golf)
- le coq sportif (athletic)
- DESCENTE (golf)
- DESCENTE (athletic)














# 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	November, 2003
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	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

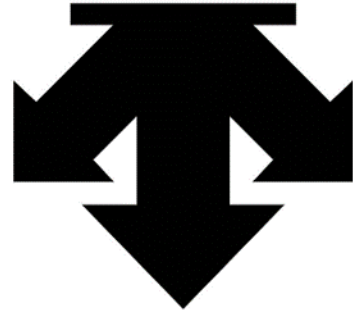
		USD	100KRW	CNY	HKD	SGD	GBP
FY2019	4Q YTD plan	109.27	9.31	15.99	13.95	80.13	137.17
	2Q YTD	109.92	9.62	16.23	14.03	81.01	142.37
	1Q YTD	111.26	9.85	16.44	14.06	81.70	145.20
FY2018	4Q YTD	110.34	10.04	16.64	14.08	81.71	146.73
	3Q YTD	110.07	10.05	16.77	13.98	81.66	147.94
	2Q YTD	108.81	10.05	17.01	13.84	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	-
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	-
FY2013	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	-

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