

This is the English translation of the original Japanese-language Business Results of DESCENTE LTD. (the Company) for the 3rd quarter of fiscal year ended March 31, 2020 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.

Summary of Financial Statements for the 3Q Fiscal Year Ending March 31, 2020
[Japan GAAP] (Consolidated)



February 6, 2020

Name of the Company: DESCENTE LTD.

Listed Exchange: TSE

Code No.: 8114

URL: <http://www.descente.co.jp>

Representative: Shuichi Koseki, President and Representative Director

Person responsible for inquiry: Akira Tsuchihashi, Director, Managing Executive Officer, CFO

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Date of Submission of 3Q Report: February 7, 2020

Date of Dividend Payments: -

Supplementary Financial Statements: Yes

Financial Results Briefing: Yes (For institutional investors and securities analysts)

(Note: Amounts less than one million yen are rounded down)

1. Consolidated Results for 3Q Fiscal Year 2019 (April 1, 2019 - December 31, 2019)

(1) Consolidated operating results (Percentages indicate the changes compared with the corresponding period in the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Quarterly profit attributable to owners of parent	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
3Q FY ending March 31, 2020	92,868	(8.0)	1,679	(64.0)	2,091	(58.5)	1,770	(37.5)
3Q FY ended March 31, 2019	100,915	2.0	4,665	(15.9)	5,037	(11.1)	2,832	(26.1)

(Note) Comprehensive income: 3Q FY ending March 31, 2020: ▲¥1,833million (- %), 3Q FY ended March 31, 2019: ¥1,264million (▲75.7%)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
3Q FY ending March 31, 2020	23.47	—
3Q FY ended March 31, 2019	37.57	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Yen in millions	Yen in millions	%
3Q FY ending March 31, 2020	113,812	74,698	65.6
FY ended March 31, 2019	115,756	78,446	67.8

(reference) Equity: 3Q FY ending March 31, 2020: ¥74,698million, FY ended March 31, 2019: ¥78,446million

2. Dividends

	Annual cash dividend per share				
	End of the 1st quarter	End of the 2nd quarter	End of the 3rd quarter	End of year	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2019	—	0.00	—	26.00	26.00
FY ending March 31, 2020	—	0.00	—		
FY ending March 31, 2020 (Forecast)				0.00	0.00

(Note)Revisions to dividend forecasts published most recently: Yes

3. Consolidated earnings forecast for the fiscal year ending March 31, 2020 (April 1, 2019 - March 31, 2020)

(Percentages indicate the changes compared with the previous period)

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent		EPS
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen
Full-year	130,800	(8.2)	1,100	(86.1)	1,200	(85.8)	(1,000)	—	(13.26)

(Note)Revisions to earnings forecasts published most recently: Yes

*Notes

(1) Changes in significant subsidiaries during the quarterly fiscal year (Changes in specified subsidiaries resulting in changes in the scope of consolidation): None

(2) Application of accounting specific to the preparation of quarterly consolidated financial statements: Yes

(Note) See Appendix page 11 "(3) Notes to Quarterly Consolidated Financial Statements" for details.

(3) Changes in accounting policies, accounting estimates, and restatement

1. Changes in accounting policies associated with revision of accounting standards: Yes

2. Changes in accounting policies other than 1: None

3. Changes in accounting estimates: None

4. Restatement: None

(4) Number of shares issued and outstanding (common stock)

1. Number of shares issued and outstanding at the end of fiscal year (including treasury stock):

3Q FY ending Mach 31, 2020	76,924,176	FY ended March 31, 2019	76,924,176
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2. Number of treasury stock at fiscal end:

3Q FY ending Mach 31, 2020	1,489,788	FY ended March 31, 2019	1,516,109
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3. Average number of shares during the term:

3Q FY ending Mach 31, 2020	75,421,232	3Q FY ended March 31, 2019	75,394,128
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Note: Summary of quarterly financial statement is not subject to auditing procedures by independent auditors or auditing firms.

Note: Explanation of appropriate use of business performance forecasts and other special items

(Notes on future descriptions)

Item on future descriptions such as the earnings forecasts in this document are based on the current information and certain assumptions that are considered reasonable, and actual results may vary greatly depending on various factors. Prerequisites for earnings forecast or notes for using it, please refer to "(3) Explanation of Future Forecast Information such as Consolidated Performance Forecasts" on Appendix page 4.

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1. Qualitative Information on Consolidated Performance for the 3Q of Fiscal Year 2019

(1) Explanation of Consolidated Operating Results

Net sales for 3Q FY ending March 31, 2020 was ¥92,868million (▲ 8.0% YOY), operating income was ¥1,679million (▲ 64.0% YOY), ordinary income was ¥2,091million (▲ 58.5% YOY), and quarterly profit attributable to owners of parent was ¥1,770million (▲ 37.5% YOY).

Operating Results Overviews (Sales by Segments)

Segment	Net Sales (Yen in millions) (year on year)	Segment Income or Loss (Yen in millions) (year on year)
Japan	42,975 (97.5%)	369 (39.3%)
Asia	47,257 (87.2%)	1,799 (43.2%)
Europe/Americas	2,636 (99.3%)	(444) Yea on year: (513) million
Adjustments	—	(45) Year on year: 70million
Total	92,868 (92.0%)	1,679 (36.0%)

(Japan)

Sales of winter goods slowed mainly due to the effects of consumption tax increases and a warm winter, and overall sales and profits in Japan business fell short of the result in the previous year. In athletic category, "DESCENTE" performed well due to the direct managed stores' good sales but "umbro" struggled. In golf category, "DESCENTE" performed well, but other brands struggled due to factors such as a decline in sales at department stores.

(Asia)

In China, sales of "DESCENTE" which is operated by an affiliate accounted for by the equity method has been expanding. In South Korea, existing store sales of "DESCENTE" and other brands declined significantly due to a slump in sales that began in July, 2019. In Hong Kong, all the brands have been struggling since July due to the impact of protest demonstration. In Singapore, "le coq sportif" and "Munsingwear" performed well due to an increase in existing store sales. As a result, overall sales and profits in Asia business fell short of the result in the previous year.

(Europe and Americas)

Sales decreased year by year due to the suspension of DESCENTE NORTH AMERICA, INC.'s business. Loss decreased slightly due to the completion of amortization of goodwill and intangible assets for "INOVEIGHT group" in the previous fiscal year.

Net Sales by Item (Sales by Item)

Item	Amount (Yen in millions)	Composition Ratio (%)	Year on year (%)
Athletic wear and related products	60,939	65.6	91.1
Golf wear and related products	23,988	25.8	93.2
Outdoor wear and related products	7,940	8.6	95.7
Total	92,868	100.0	92.0

(Note) The above amounts do not include consumption tax.

(Athletic Apparel and Related Products)

In athletic category, although sales of "DESCENTE" increased due to the opening of new directly-managed stores in Japan, "le coq sportif" increased the sales due to ladies sneakers, and "umbro" expanded sales in lifestyle category in Korea, sales of multiple other brands decreased both in Japan and overseas, resulting in a decreasing net sales as a whole compared to the same quarter from previous year.

In "DESCENTE", we made a full-scale entry into the domestic running shoe market. In November, we began selling triathlon shoes that were tested and developed at our R&D Center "DISC" in response to the requests of our contract athletes. In December, we launched new running shoe, "GENTEN" for Japanese runners, that converts the power of the runner's foot to the propulsion power stably without waste. Also, for expanding our shoe business, we made a new advisory agreement with track & field - long-distance runner Kazuya Shiojiri. In October, we announced the first fencing uniform made in Japan, which was developed at "DISC" and approved by the International Fencing Federation, and we continue our research and development efforts.

As for the "le coq sportif", we strived to increase brand recognition by supplying uniforms to the French Rugby National Team for Rugby World Cup in cooperation with le coq sportif international, which operates the brand outside Asia. Also, in connection with "Tour de France" which our company is an official sponsor, we invited Bernard Hinault, who is a hero with 5 wins total of the "Tour de France", to Japan and China for sponsoring events. Through these events, we tried to improve our sports brand image.

"arena" announced "Ultimate Aqua Force X" which was developed by opinions of top swimmers such as Daiya Seto (ANA/JSS Moroyama), and it has been on sale since January 2020. Also, he wore this swimsuit and broke the short distance world record at the new prize competition, the International Swimming League 400M individual medley held in Las Vegas, USA in December.

As for "umbro", we focus on the shoe business what we developed is first football boots in Japan that are installed with coating material "GAINA" that provides high thermal insulation and prevents player's feet by heat.

(Golf Apparel and Related Products)

In golf category, net sales decreased compared to the same quarter from previous year as a result of difficult overseas sales, despite an increase in sales of "DESCENTE" in Japan.

As a topic for the entire golf brand, we sponsored the LPGA Tour "50th DESCENTE Ladies Tokai Classic" in September with Tokai Television Broadcasting Co., Ltd. The 50th tournament rebranded from the previous "Munsingwear Ladies Tokai Classic" and not only "Munsingwear" but also our 6 golf brands. There were about 25,000 visitors participating this tournament, which was the highest in 50 years, and received a lot of attention.

As for "DESCENTE", a contracted professional golfer, Asuka Kashiwabara, won the LPGA Tour "Miyagi Television Cup Dunlop Women's Open Golf Tournament" held in September for the first time in her career.

A contracted professional golfer, Ai Suzuki, who wears "le coq sportif" apparel won 7 tournaments including LPGA Tour "Miyazato Ai Suntory Ladies Open" in June and was crowned the prize money queen for the 2nd time in 2 years.

"Munsingwear" has celebrated 1st anniversary of its flagship store in Ginza, Tokyo, in April. We will continue to offer golf apparel as well as daily wear, and message a view of the brand image from this store.

As for other topics, we have been certified as a "Sports Yell Company" by the Japan Sports Agency for 2 consecutive years as a company that is actively engaged in sports activities to promote employee health. We have also been certified as a "Tokyo Sports Promotion Company" for 5 consecutive times by the "Tokyo Metropolitan Sports Promotion Company Certification System" operated by Tokyo Metropolitan Government. Our company will continuously operate activities based on corporate philosophy of "To bring the enjoyment of sports to all". Also, our R&D center "DISC OSAKA" was awarded the 32nd "Nikkei New Office Promotion Award" as comfortable and functional office. The award was given in recognition of the facility's ability to create new products and services. The facility features an open working space with fewer pillars and walls and a highly visible glass-walled testing room where a variety of people and information can be mixed and creative ideas can be conceived. Also, the facility encourages employees to interact with each other beyond their sections through a free address system. We will continue to develop a variety of products at two "DISCs", "DISC OSAKA" for sportswear and "DISC BUSAN" for shoes, in an effort to further improve the "craftmanship".

(2) Explanation of Consolidated Financial Position (Analysis of Assets, Liabilities and Net Assets Conditions)

As of third quarter of FY ending March 31, 2020, total assets decreased by ¥1,944 million from the previous fiscal year to ¥113,812 million.

Current assets decreased by ¥6,581 million to ¥71,470 million. This was mainly due to a decrease of ¥7,130 million in cash and deposits, a decrease in notes and accounts receivable of ¥1,593 million and an increase in merchandise and finished goods of ¥3,715 million.

Fixed assets increased by ¥4,636 million to ¥42,341 million. This was mainly due to an increase in right to use assets included in other of tangible fixed assets of ¥5,172 million.

Total liabilities increased by ¥1,802 million to ¥39,113 million. This was mainly due to such as a decrease in income taxes payable of ¥1,157 million and increase in lease obligations included in other of long-term liabilities of ¥3,002 million.

Net assets decreased by ¥3,747 million to ¥74,698 million. This was mainly due to a decrease in retained earnings of ¥190 million and a decrease in translation adjustments of ¥3,859 million.

As a result, the equity ratio decreased by 2.2% to 65.6%.

(3) Explanation of Future Forecast Information such as Consolidated Performance Forecasts

Regarding the full-year consolidated earnings forecast, net sales, operating income and ordinary income are generally in line with the previous revised forecast. Net income attributable to shareholders of the headquarter is expected to be substantially lower than the previous revised forecast due to loss on sales of stocks of subsidiaries and reversal of deferred tax assets.

We have revised our year-end dividend forecast for the fiscal year ending March, 2020 to "no dividend" from "3 yen" per share, which was revised and announced on November 6, 2019, as we estimated a net loss attributable to the shareholders of the parent company for the fiscal year ending March, 2020 due to the recording of extraordinary losses as described above.

Our company will reduce the burden for our business improvement by withdrawing from the business in Europe/Americas, which have been continuously struggling in business performance, and we intend to further strengthen the competitiveness in Asian region by concentrating its management resources in Japan, China and South Korea by promoting the priority strategies set out in the Midterm Management Plan "D-Summit 2021". We believe that by steadily increasing our corporate value, we will be able to return more profits to shareholders, including early resumption of dividend payments. We sincerely ask for your continuous support.

For more details, please refer to "Notice of Extraordinary Loss, Reversal of Deferred Tax Assets, Revision to Earnings Forecast and Dividend Forecast (No Dividend)" announced on February 6, 2020.

Revision of Consolidated Performance Forecast for Fiscal Year ending March 31, 2020

(April 1, 2019 - March 31, 2020)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
	Yen in million	Yen in million	Yen in million	Yen in million	Yen
Previous forecast (A)	130,800	1,100	1,200	700	9.28
Current forecast (B)	130,800	1,100	1,200	(1,000)	(13.26)
Changes in Amount (B-A)	—	—	—	(1,700)	
Rate of Change (%)	—	—	—	—	
Performance in the previous fiscal year (Fiscal year ended March, 2019)	142,443	7,935	8,458	3,944	52.31

2. Quarterly Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Yen in millions)

	FY2018 (March 31, 2019)	3Q FY2019 (December 31, 2019)
Assets		
Current assets		
Cash and deposits	28,136	21,005
Notes and accounts receivable - trade	21,190	19,596
Merchandise and finished goods	23,860	27,576
Work in process	161	185
Raw materials and supplies	799	711
Other	4,762	3,227
Allowance for doubtful accounts	(859)	(832)
Total current assets	78,051	71,470
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,356	11,406
Other	12,554	16,917
Total current assets	24,910	28,323
Intangible assets	2,701	3,475
Investments and other assets		
Other	10,182	10,607
Allowance for doubtful accounts	(89)	(65)
Total investments and other assets	10,093	10,542
Total non-current assets	37,705	42,341
Total assets	115,756	113,812
Liabilities		
Current liabilities		
Notes and accounts payable – trade	18,448	18,295
Short-term loans payable	405	453
Current portion of long-term loans payable	254	678
Income taxes payable	1,183	25
Provision for bonuses	898	558
Provision for sales returns	883	1,240
Provision for loss on guarantees	121	121
Other	7,333	7,854
Total current liabilities	29,527	29,228
Non-current liabilities		
Long-term loans payable	4,133	3,103
Net defined benefit liability	952	1,133
Other	2,697	5,647
Total non-current liabilities	7,783	9,885
Total liabilities	37,310	39,113

(Yen in millions)

	FY2018 (March 31, 2019)	3Q FY2019 (December 31, 2019)
Net assets		
Shareholders' equity		
Capital stock	3,846	3,846
Capital surplus	25,281	25,316
Retained earnings	47,632	47,441
Treasury shares	(643)	(633)
Total shareholders' equity	76,115	75,971
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	739	975
Deferred gains or losses on hedges	(4)	(12)
Foreign currency translation adjustment	1,607	(2,252)
Remeasurements of defined benefit plans	(11)	17
Total accumulated other comprehensive income	2,330	(1,272)
Total net assets	78,446	74,698
Total liabilities and net assets	115,756	113,812

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
 Quarterly Consolidated Statements of Income
 Third Quarter of Fiscal Year ending March 31, 2020

(Yen in millions)

	3Q FY2018 (April 1, 2018-December 30, 2018)	3Q FY2019 (April 1, 2019-December 31, 2019)
Net Sales	100,915	92,868
Cost of sales	44,965	41,535
Gross profit	55,949	51,332
Reversal of provision for sales returns	377	357
Gross profit - net	55,572	50,975
Selling, general and administrative expenses	50,906	49,296
Operating profit	4,665	1,679
Non-operating income		
Interest income	232	282
Dividend income	90	83
Equity in earnings of affiliates	97	200
Foreign exchange gains	37	25
Other	136	138
Total non-operating income	594	731
Non-operating expenses		
Interest expense	98	222
Loss on retirement of non-current assets	98	72
Other	24	23
Total non-operating expenses	222	319
Ordinary profit	5,037	2,091
Provision for loss on guarantees	460	—
Loss on valuation of investment securities	343	—
Total extraordinary losses	803	—
Profit before income taxes	4,234	2,091
Corporate tax, inhabitant tax and business tax	1,526	417
Income taxes – adjusted	(124)	(96)
Total income taxes	1,401	321
Quarterly profit	2,832	1,770
Quarterly profit attributable to owners of parent	2,832	1,770

Quarterly Consolidated Statements of Comprehensive Income
Third Quarter of Fiscal Year ending March 31, 2020

(Yen in millions)

	3Q FY2018 (April 1, 2018-December 31, 2018)	3Q FY2019 (April 1, 2019-December 31, 2019)
Quarterly Profit	2,832	1,770
Other comprehensive income		
Valuation difference on available-for-sale securities	(152)	236
Deferred gains or losses on hedges	(28)	(7)
Foreign currency translation adjustment	(1,370)	(3,624)
Remeasurements of defined benefit plans, net of tax	72	28
Share of other comprehensive income of entities accounted for using equity method	(88)	(235)
Total other comprehensive income	(1,567)	(3,603)
Comprehensive income	1,264	(1,833)
(Breakdown)		
Comprehensive income attributable to owners of parent	1,264	(1,833)

(3) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumptions)

None

(Significant Changes in Shareholders' Equity)

None

(Application of Accounting Specific to the Preparation of Quarterly Consolidated Financial Statements)

Calculating Tax Expenses

For some consolidated subsidiaries, the tax expense is calculated by rationalizing the effective tax rate after the application of tax effect accounting to income before income taxes and minority interests for the fiscal year including the third quarter, and multiplying the net income before taxes by the estimated effective tax rate.

Income taxes of the consolidated subsidiaries are included in the corporate tax, inhabitant tax and business tax.

(Changes in Accounting Policies)

Subsidiaries applying International Financial Reporting Standards adopted International Financial Reporting Standards No. 16 "Leasing" ("IFRS 16") from the 1st quarter of this fiscal year. As a result, in principle, all leases are recognized as assets and liabilities on the balance sheet. IFRS 16 is applied on a transitional basis and the cumulative effect of the adoption of IFRS is recognized on the effective date.

As a result, "Other" of property, plant and equipment as of the end of the third quarter increased by ¥5,172 million, "Other" of current liabilities increased by ¥2,115 million and "Other" of non-current liabilities increased by ¥3,033 million. The effect on profit and loss for the third quarter under review was immaterial.

(Segment Information)

I Third Quarter of Fiscal Year ended March 31, 2019 (April 1, 2018-December 31, 2018)
Information about Net Sales, Profit (Loss) by Reportable Segment

(Yen in millions)

	Reportable Segments				Adjustment (Note 1)	Amount of Shown on Consolidated Income Statements (Note 2)
	Japan	Asia	Europe/Americas	Total		
Net Sales						
Sales to External Customers	44,092	54,167	2,655	100,915	—	100,915
Intersegment Sales or Transfers	3,214	385	102	3,703	(3,703)	—
Total	47,307	54,552	2,758	104,618	(3,703)	100,915
Segment Income (Loss)	938	4,169	(513)	4,594	70	4,665

(Note 1) Segment income (loss) adjustment of ¥70 million includes intersegment transaction eliminations of ¥74 million and inventory adjustment of ▲¥3 million.

(Note 2) Segment income (loss) is adjusted for operating income reported in the quarterly consolidated statements of income.

II Third Quarter of Fiscal Year ending March 31, 2020 (April 1, 2019-December 31, 2019)
Information about Net Sales, Profit (Loss) by Reportable Segment

(Yen in millions)

	Reportable Segments				Adjustment (Note 1)	Amount of Shown on Consolidated Income Statements (Note 2)
	Japan	Asia	Europe/Americas	Total		
Net Sales						
Sales to External Customers	42,975	47,257	2,636	92,868	—	92,868
Intersegment Sales or Transfers	3,415	405	125	3,946	(3,946)	—
Total	46,390	47,662	2,761	96,815	(3,946)	92,868
Segment Income (Loss)	369	1,799	(444)	1,724	(45)	1,679

(Note 1) Segment income (loss) adjustment of ▲¥45 million includes intersegment transaction eliminations of ¥29 million and inventory adjustment of ▲¥74 million.

(Note 2) Segment income (loss) is adjusted for operating income reported in the quarterly consolidated statements of income.

3. Supplemental Information

Overseas Sales

Third Quarter of Fiscal Year ended March 31, 2019 (April 1, 2018-December 31, 2018)

(Yen in millions, %)

	Asia	North America	Europe and other regions	Total
I Overseas Net Sales	55,236	1,648	2,128	59,013
II Consolidated Net Sales				100,915
III Percentage of overseas net sales in consolidated net sales	54.7	1.6	2.1	58.5

(Note) Net sales are based on the customer's location and classified into countries or regions.

Third Quarter of Fiscal Year ending March 31, 2020 (April 1, 2019-December 31, 2019)

(Yen in millions, %)

	Asia	North America	Europe and other regions	Total
I Overseas Net Sales	48,392	1,726	1,892	52,011
II Consolidated Net Sales				92,868
III Percentage of overseas net sales in consolidated net sales	52.1	1.9	2.0	56.0

(Note) Net sales are based on the customer's location and classified into countries or regions.