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**DESCENTE**  
**3Q FY2019 Earnings**  
**February 6, 2020**

# 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. 3Q FY2019

## (1) Financial Summary

## (2) Brand Review

# 2. Plan for FY2019

# Results of 3Q FY2019 (Consolidated)



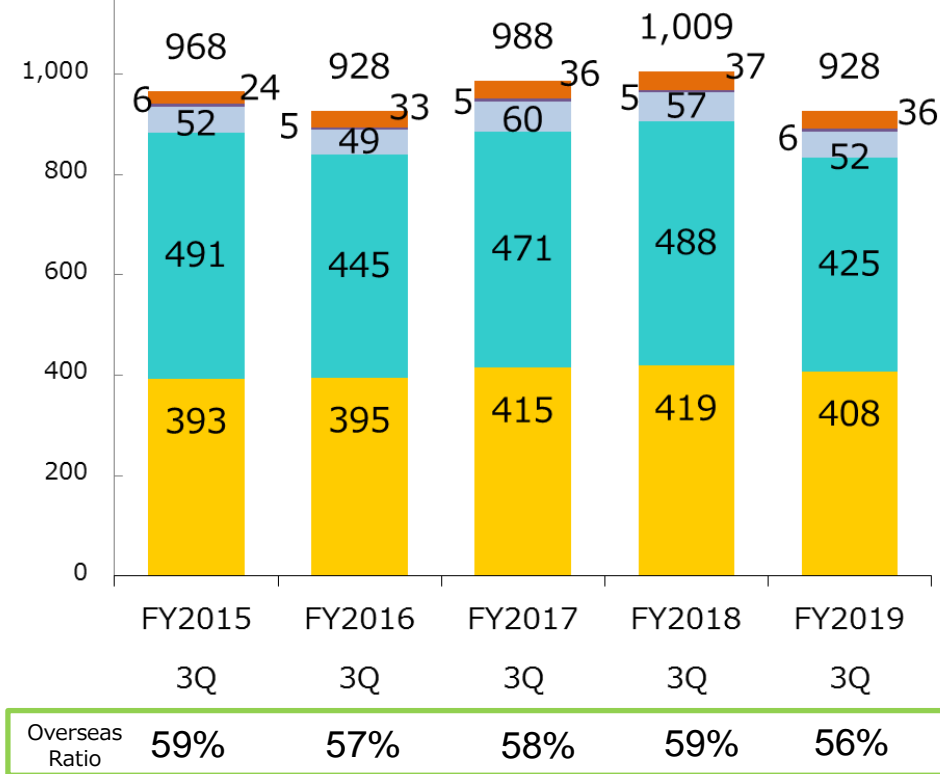
1.3Q FY2019 (1) Financial Summary

**Sales and profits declined due to sluggish sales in Japan caused by a mild winter and consumption tax hikes, and sluggish earnings in South Korea.**

(Unit: JPY million)	FY2019	FY2018		FY2019	FY2019
	3rd Quarter performance	3rd Quarter performance	YoY	Revised Guidance (As of Nov. 6, 2019)	Revised Guidance (As of Feb. 6, 2020)
Net sales	92,868	100,915	▲8%	130,800	130,800
Operating income	1,679	4,665	▲64%	1,100	1,100
(%)	1.8%	4.6%		0.8%	0.8%
Ordinary income	2,091	5,037	▲58.5%	1,200	1,200
(%)	2.3%	5.0%		0.9%	0.9%
Profit attributable to owners of parent	1,770	2,832	▲37.5%	700	▲ 1,000
(%)	1.9%	2.8%		0.5%	▲0.8%

**Sales decreased except in Other Asian Countries**

(Unit: JPY 0.1 billion)



**YoY ▲8.0 billion(▲8%)**

- Japan ▲1.04billion
- Korea ▲6.34billion
- China (Incl. Hong Kong/Taiwan) ▲0.55billion
- Other Asian Countries +0.05billion
- Europe/Americas ▲0.15billion

Note: FY2019=FY ending March 31, 2020

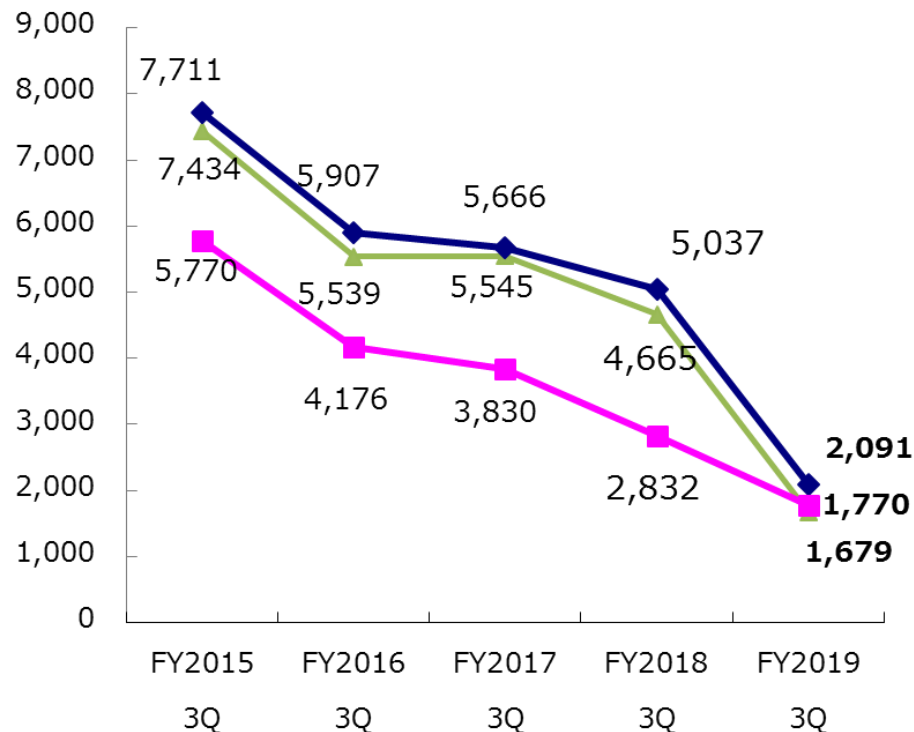
# Income (Consolidated)



1.3Q FY2019 (1) Financial Summary

**Operating income: decreased due to decline in sales**  
**Although interest expenses increased (+ JPY 120 million) due to the adoption of IFRS 16 of overseas subsidiaries, equity in earnings of affiliates increased (+ JPY 100 million) due to the increase in profit in DESCENTE (CHINA) CO., LTD, as a result non-operating income increased slightly.**

(Unit: JPY million)



— Operating income — Ordinary income — Profit attributable to owners of parent

(Unit: JPY million)	FY2019 3Q	FY2018 3Q	Change
<b>Operating income</b>	<b>1,679</b>	<b>4,665</b>	<b>▲ 2,985</b>
Non-operating income	731	594	<b>136</b>
Non-operating expenses	319	222	<b>97</b>
<b>Ordinary income</b>	<b>2,091</b>	<b>5,037</b>	<b>▲ 2,945</b>
Extraordinary income	0	0	<b>0</b>
Extraordinary loss	0	803	<b>▲ 803</b>
Total income taxes	321	1,401	<b>▲ 1,080</b>
<b>Profit attributable to owners of parent</b>	<b>1,770</b>	<b>2,832</b>	<b>▲ 1,062</b>

Note: FY2019=FY ending March 31, 2020

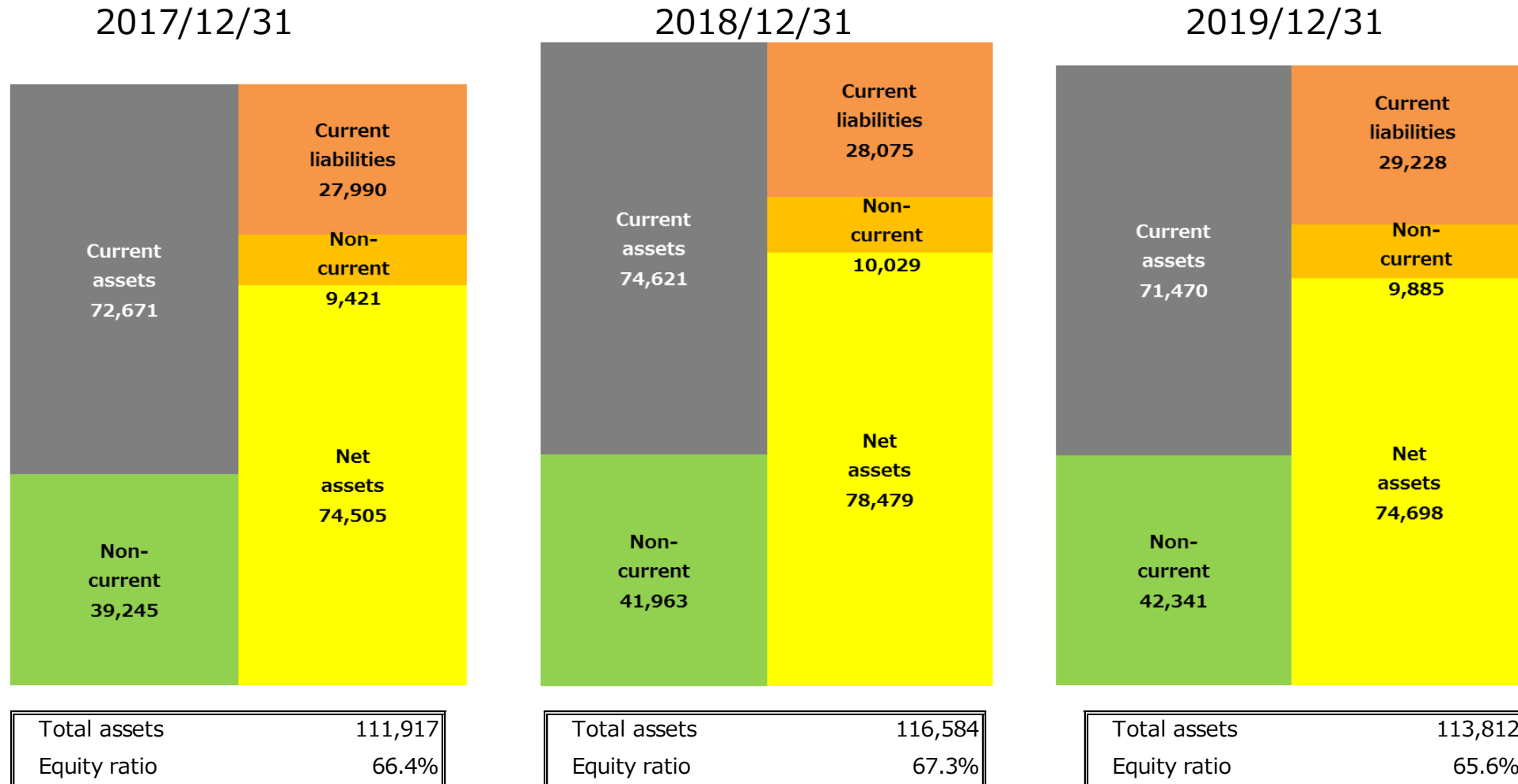
# Balance Sheets (Consolidated)



1.3Q FY2019 (1) Financial Summary

**Total assets decreased;  
Decreased in accounts receivable due to poor business performance in  
South Korea etc.**

(Unit: JPY million)



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## **1. 3Q FY2019**

**(1) Financial Summary**

**(2) Brand Review**

## **2. Plan for FY2019**



# Brand Sales (Consolidated)

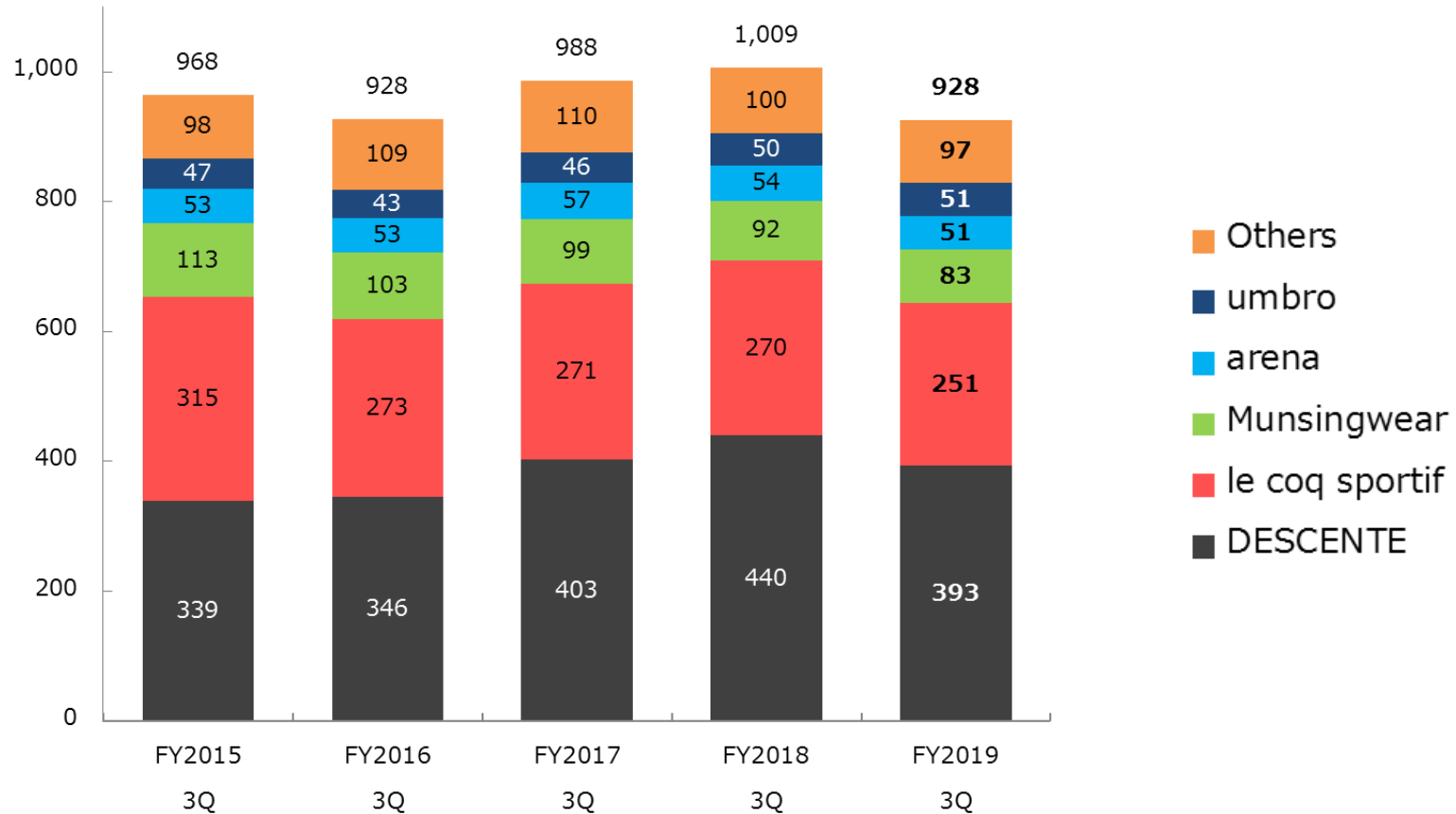


1. 3Q FY2019 (2) Brand Review

**Overall: Sales decreased**

**umbro: Sales increased steadily due to growth in South Korea**

(Unit: JPY 0.1 billion)



Note: FY2019=FY ending March 31, 2020

# Brand Sales (Japan)

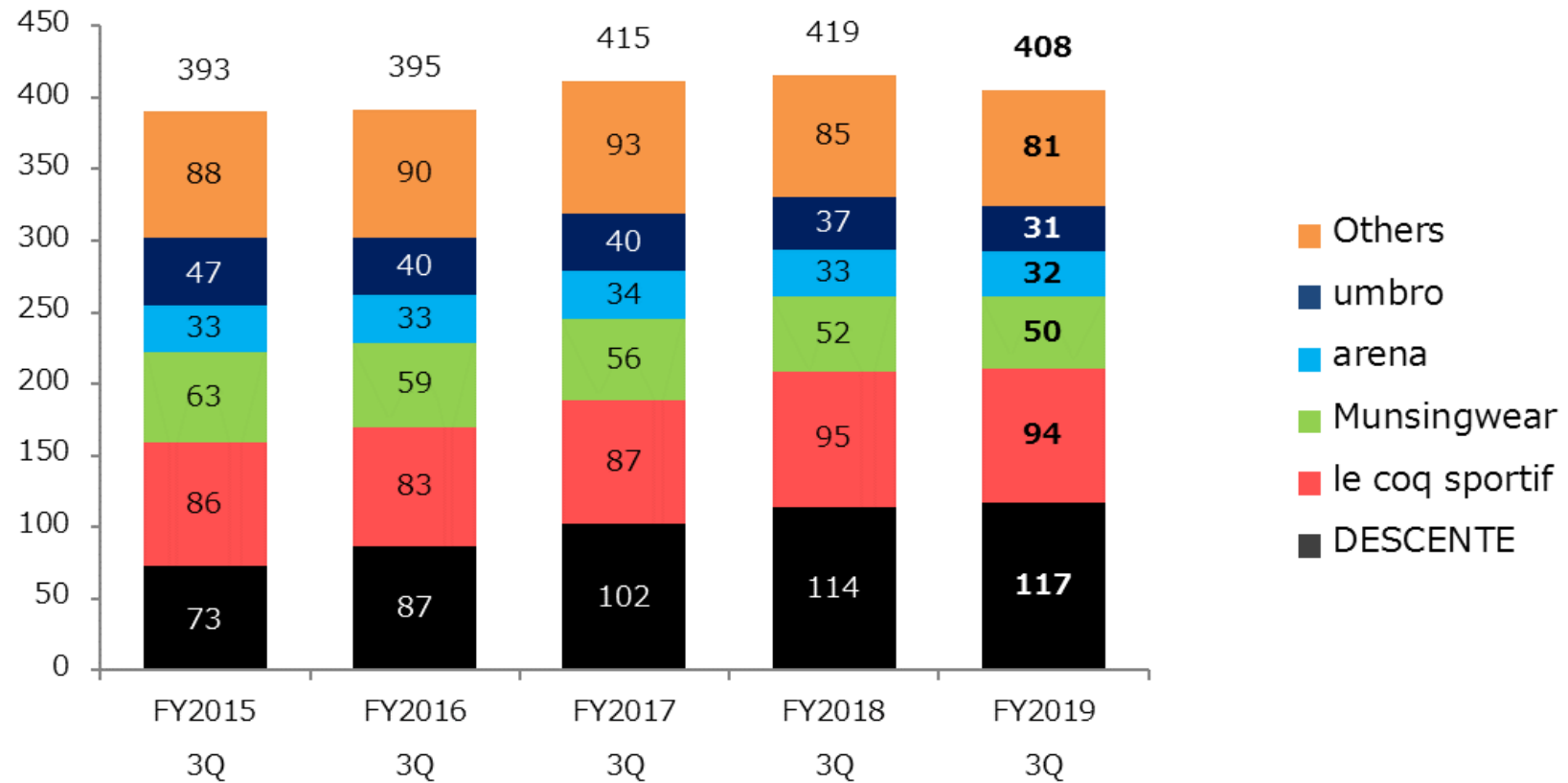


1. 3Q FY2019 (2) Brand Review

**Overall: Sales decreased**

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

(Unit: JPY 0.1 billion)



Note: FY2019=FY ending March 31, 2020

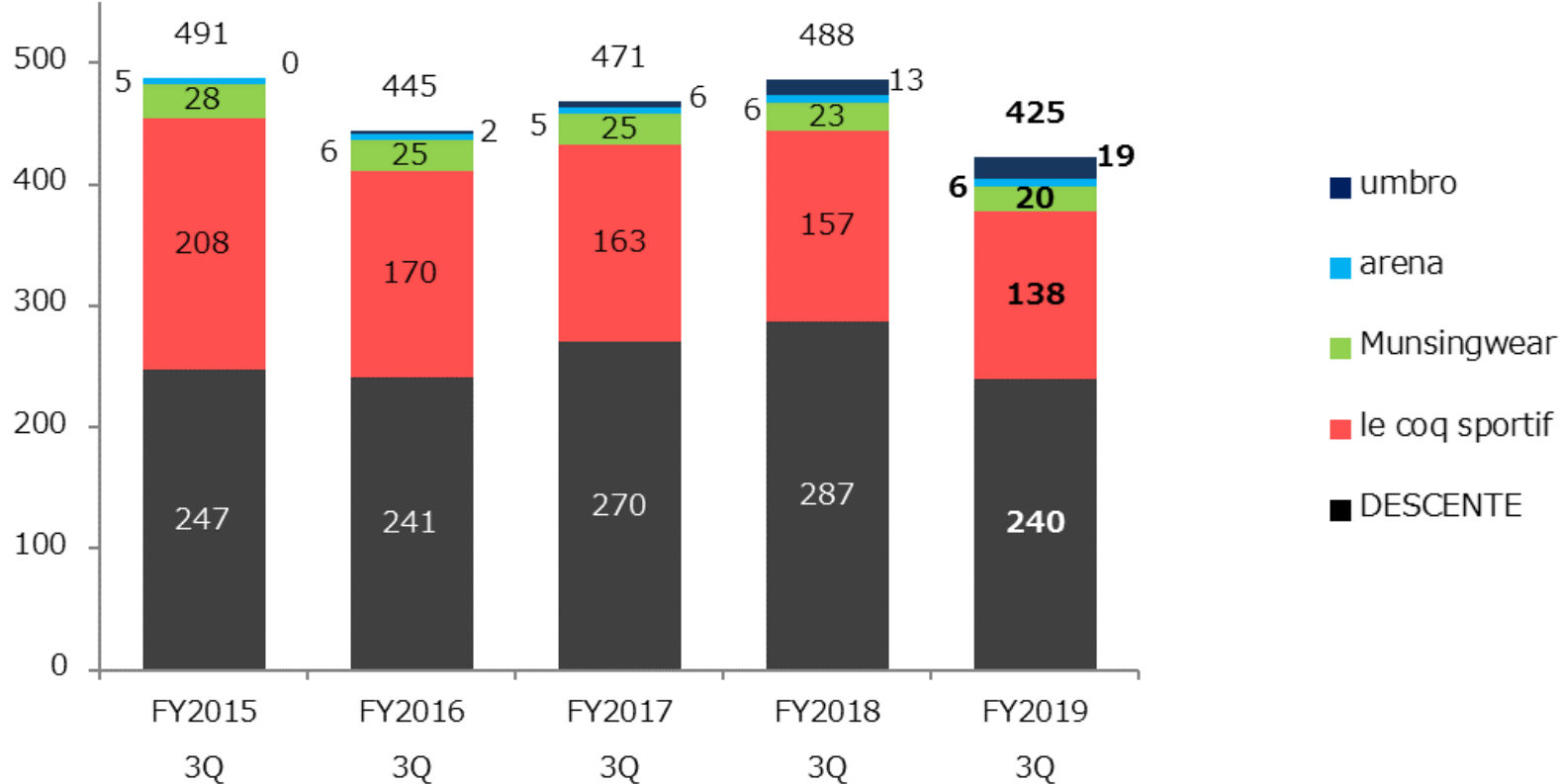
# Brand Sales (Korea)



1. 3Q FY2019 (2) Brand Review

**Overall: Sales decreased**  
**umbro: Continued to grow**

(Unit: JPY 0.1 billion)



Note: FY2019=FY ending March 31, 2020

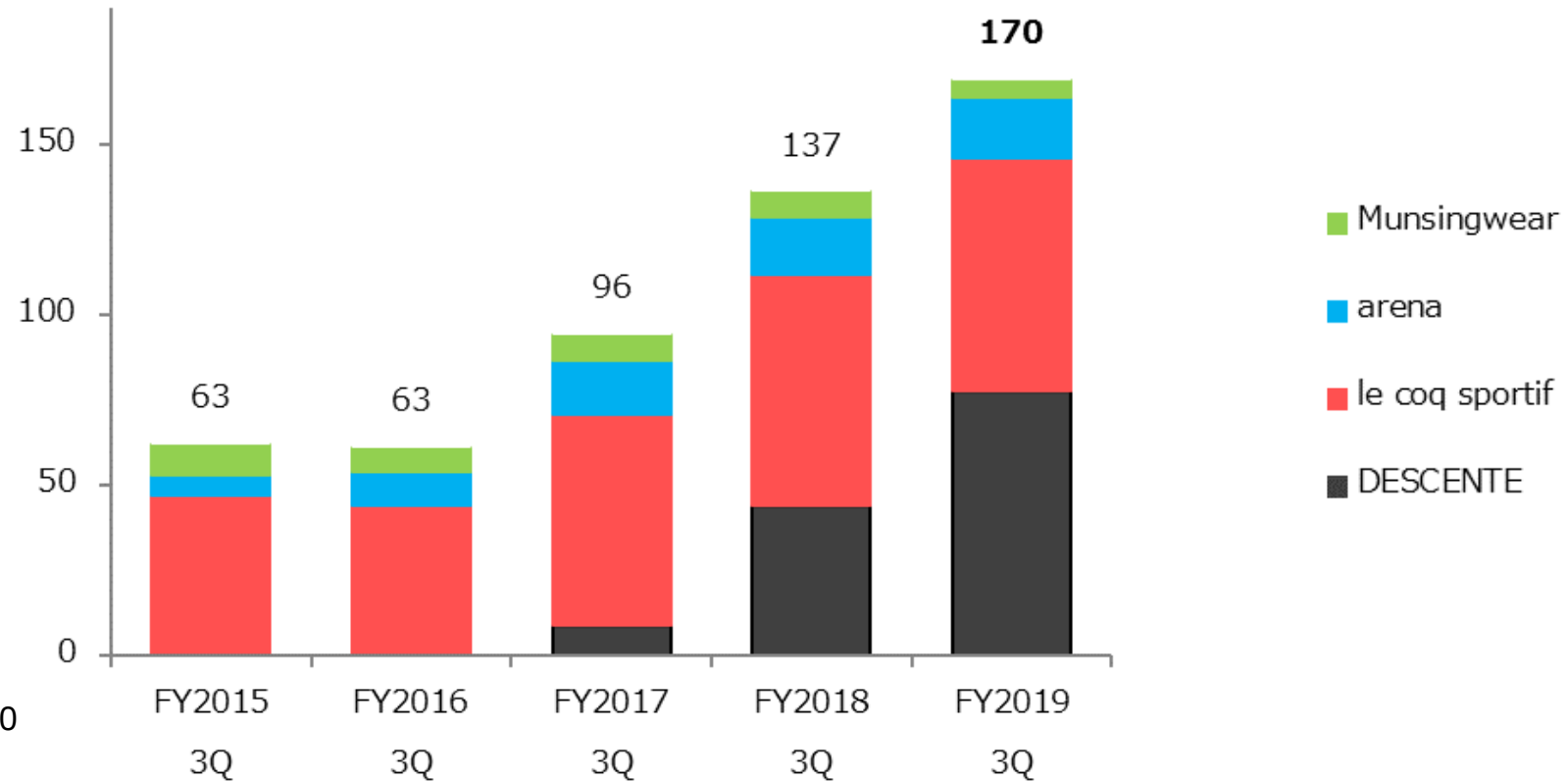
# Combined Local Sales\* (China excl. Hong Kong, Taiwan, Macau)



1. 3Q FY2019 (2) Brand Review

**DESCENTE: +75% 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. 3Q FY2019

(1) Financial Summary

(2) Brand Review

**2. Plan for FY2019**

# Plan for FY2019 (Consolidated)



2. Plan for FY2019

**Revised full-year guidance due to extraordinary losses related to the subsidiaries in the US and Europe**

(Unit: JPY million)	FY2017	FY2018	FY2019		YoY
			Revised Guidance (As of Nov. 6, 2019)	Revised Guidance (As of Feb. , 2020)	
Net sales	141,124	142,443	130,800	130,800	▲8%
Operating income	9,596	7,935	1,100	1,100	▲86%
(%)	6.8%	5.6%	0.8%	0.8%	
Ordinary income	9,698	8,458	1,200	1,200	▲86%
(%)	6.9%	5.9%	0.9%	0.9%	
Profit attributable to owners of parent	5,771	3,944	700	▲ 1,000	-
(%)	4.1%	2.8%	0.5%	▲0.8%	

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

# Plan for FY2019 (Consolidated): supplement



2. Plan for FY2019

**Records an extraordinary loss in the 4Q due to the withdrawal from inov-8 business and the liquidation and suspension of 2 North American subsidiaries**

	Net Sales	Operating income	Ordinary income	Profit attributable to owners of parent	Major factor
	JPY million	JPY million	JPY million	JPY million	
Previous forecast (A) (As of May 13, 2019)	144,000	8,000	8,200	5,300	
Previous forecast (B) (As of November 6, 2019)	130,800	1,100	1,200	700	Downward revision due to poor performance in South Korea
Current forecast (C) (As of February 6, 2020)	130,800	1,100	1,200	▲ 1,000	
Change in amount (C-B)	0	0	0	▲ 1,700	Extraordinary loss of Inov-8, DNA and DAA

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

# Major Components of Extraordinary Losses



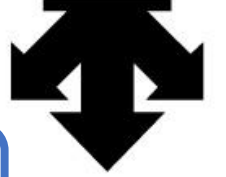
2. Plan for FY2019

Loss on withdrawal from business	Loss on withdrawal from inov-8 business in Europe (Cumulative losses from inov-8 operations over the past three years)	Approx. ▲JPY 800 million (Approx. ▲JPY 5.4 billion)
	Loss on liquidation and suspension of business in North America	Approx. ▲JPY 200 million
Reversal of deferred tax assets	Loss on withdrawal from business is expected to result in tax loss. As a result of reviewing the amount of deferred tax assets recorded, we currently expect a reduction of approximately ▲JPY 600 million.	



# Dividends and Payout Ratio

DESCENTE



2. Plan for FY2019

Set the dividend at 0 yen in a view of the revised full-year guidance

(Unit: JPY million)	FY2015	FY2016	FY2017	FY2018	FY2019 Plan
Dividends	1,280	1,732	1,733	1,960	0
Amount/share	JPY17.0	JPY23.0	JPY23.0	JPY26.0	JPY0.0
Profit attributable to owners of parent (Consolidated)	7,870	5,650	5,771	3,944	▲ 1,000
Payout ratio	16.3%	30.7%	30.0%	49.7%	-

Note: FY2019=FY ending March 31, 2020

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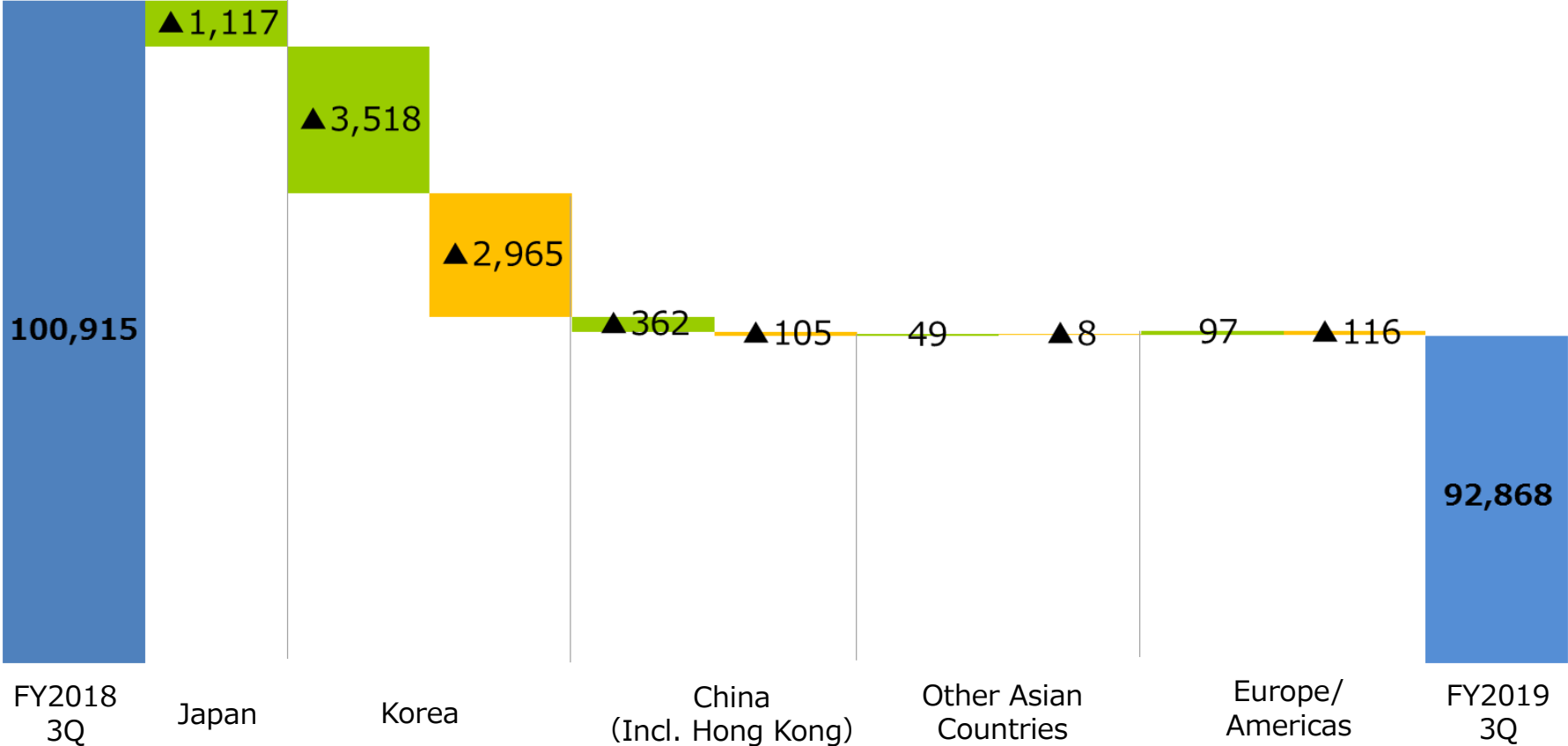
# **3Q FY2019 Reference**

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

# Net Sales (YoY)



(Unit: JPY million)



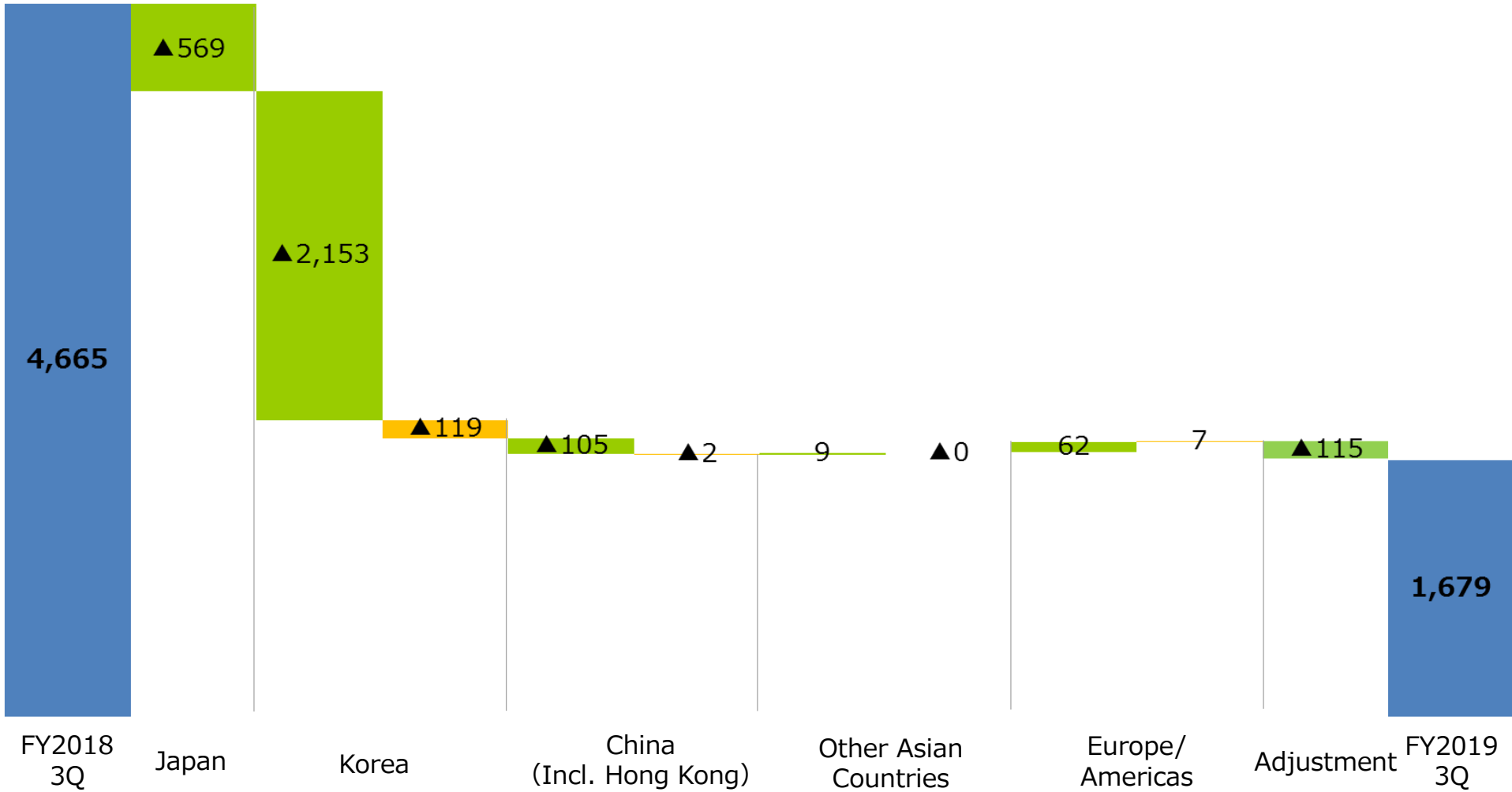
Note: FY2019=FY ending March 31, 2020

■ Net Sales    ■ Actual Gain / Loss    ■ Forex Effect

# Operating Income (YoY)



(Unit: JPY million)



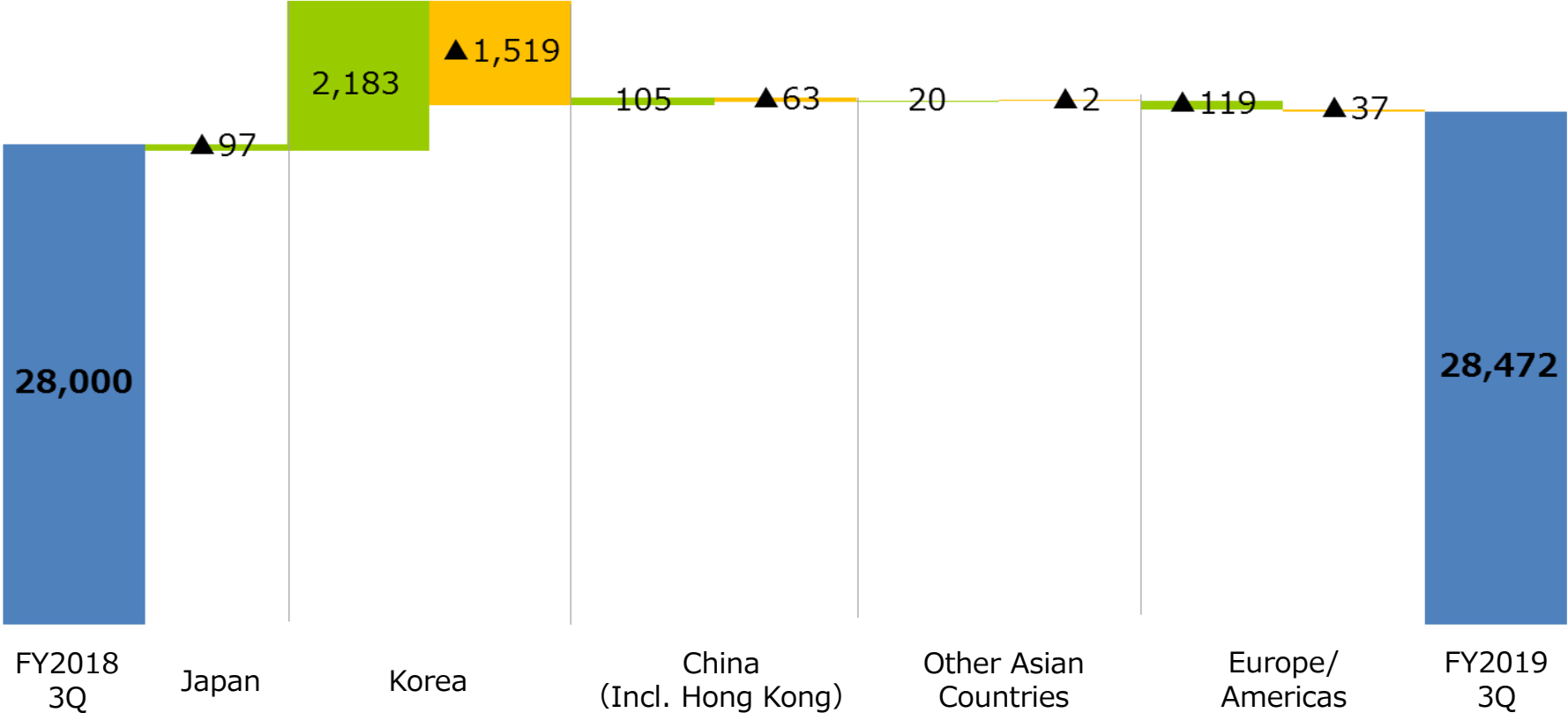
Note: FY2019=FY ending March 31, 2020

Operating income Actual Gain / Loss Forex Effect

# Inventory (YoY)



(Unit: JPY million)



■ Inventories 
 ■ Actual Profit / Loss 
 ■ Forex Effect

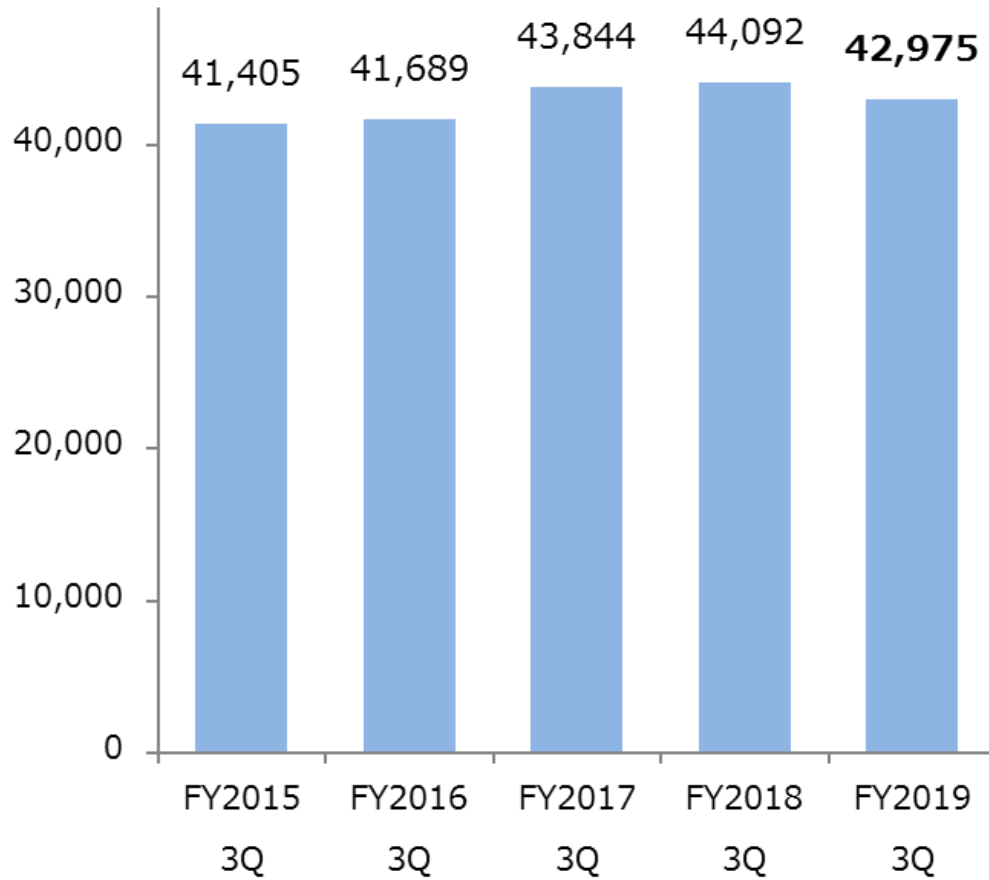
Note: FY2019=FY ending March 31, 2020

# Net Sales and Operating Income (Japan Segment)



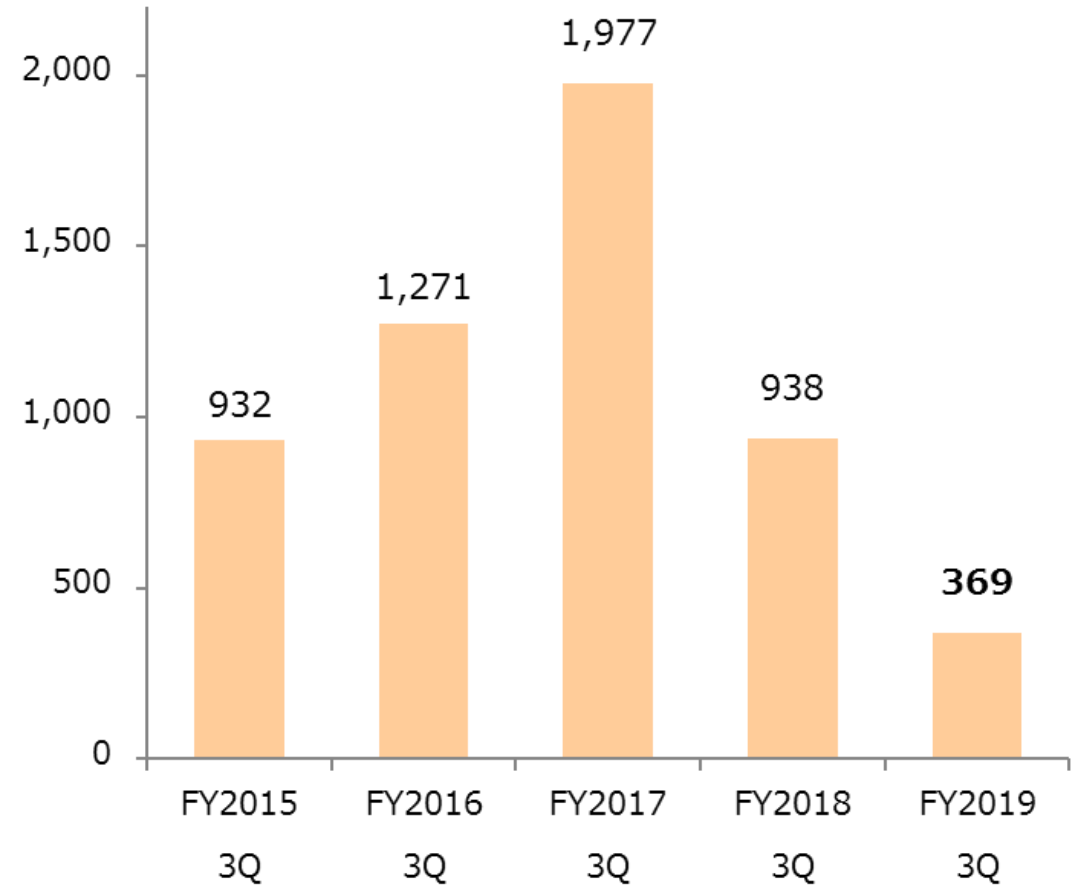
## Net Sales

(Unit: JPY million)



## Operating Income

(Unit: JPY million)



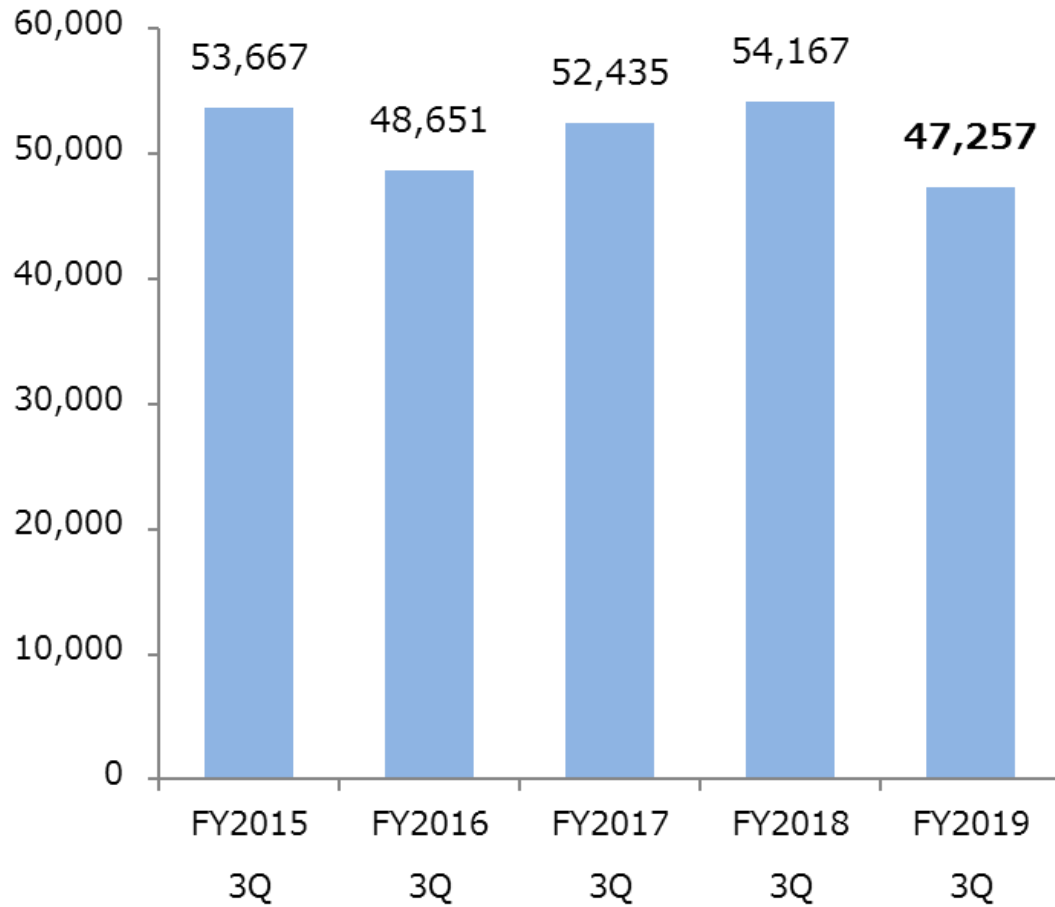
Note: FY2019=FY ending March 31, 2020

# Net Sales and Operating Income (Asia Segment)



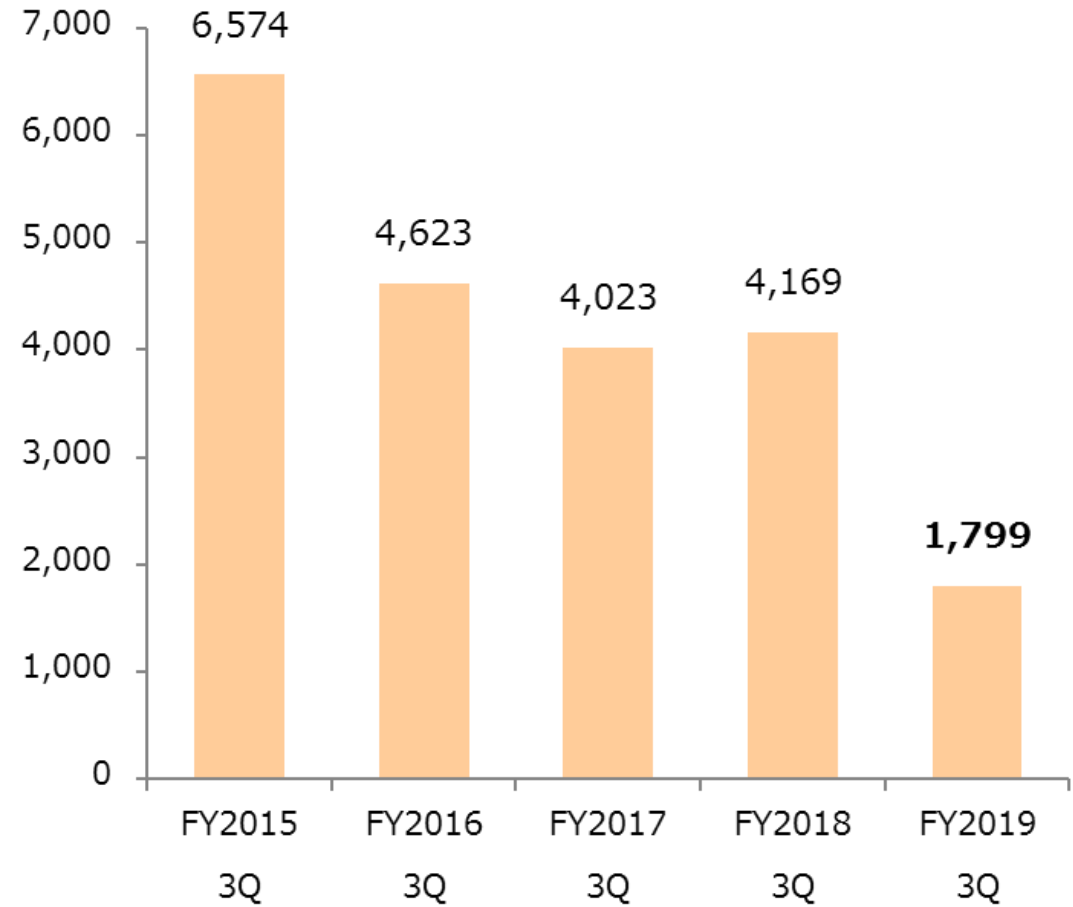
## Net Sales

(Unit: JPY million)



## Operating Income

(Unit: JPY million)

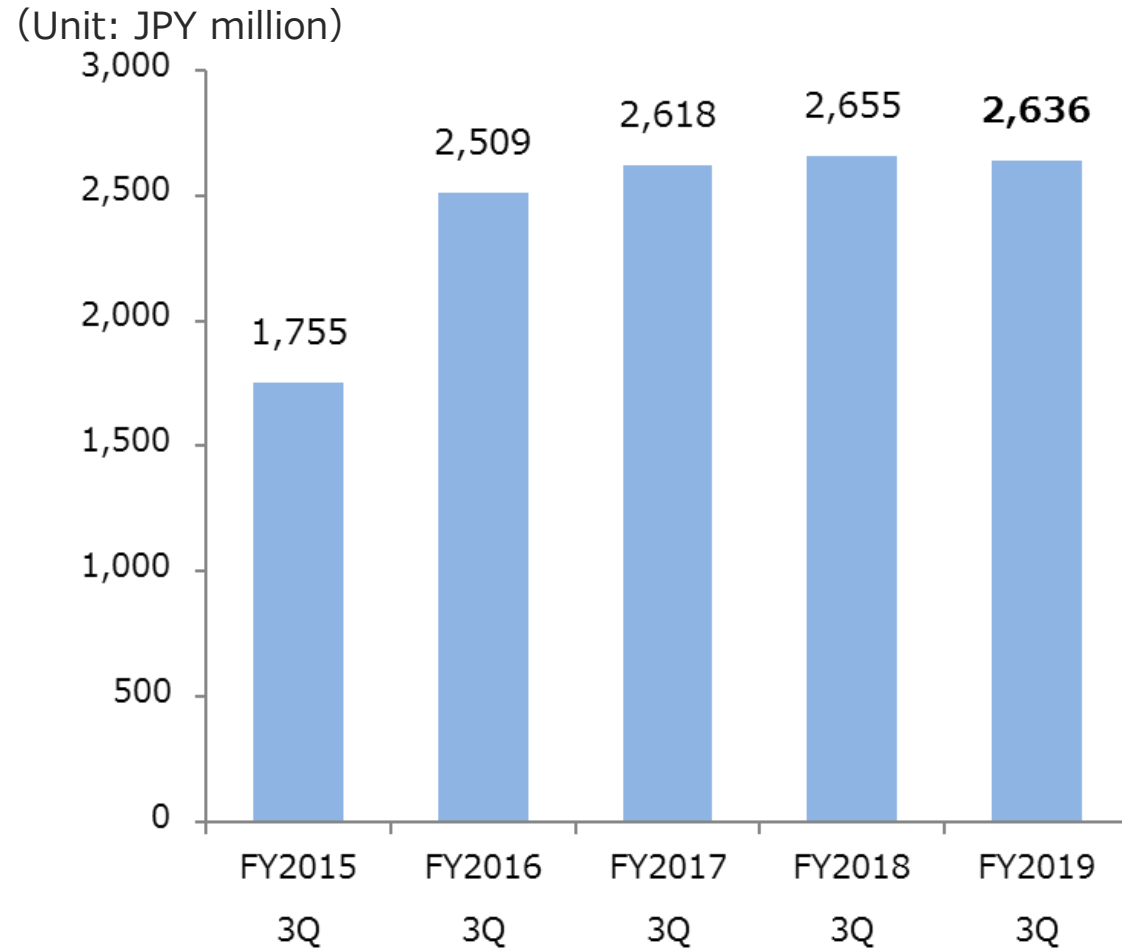


Note: FY2019=FY ending March 31, 2020

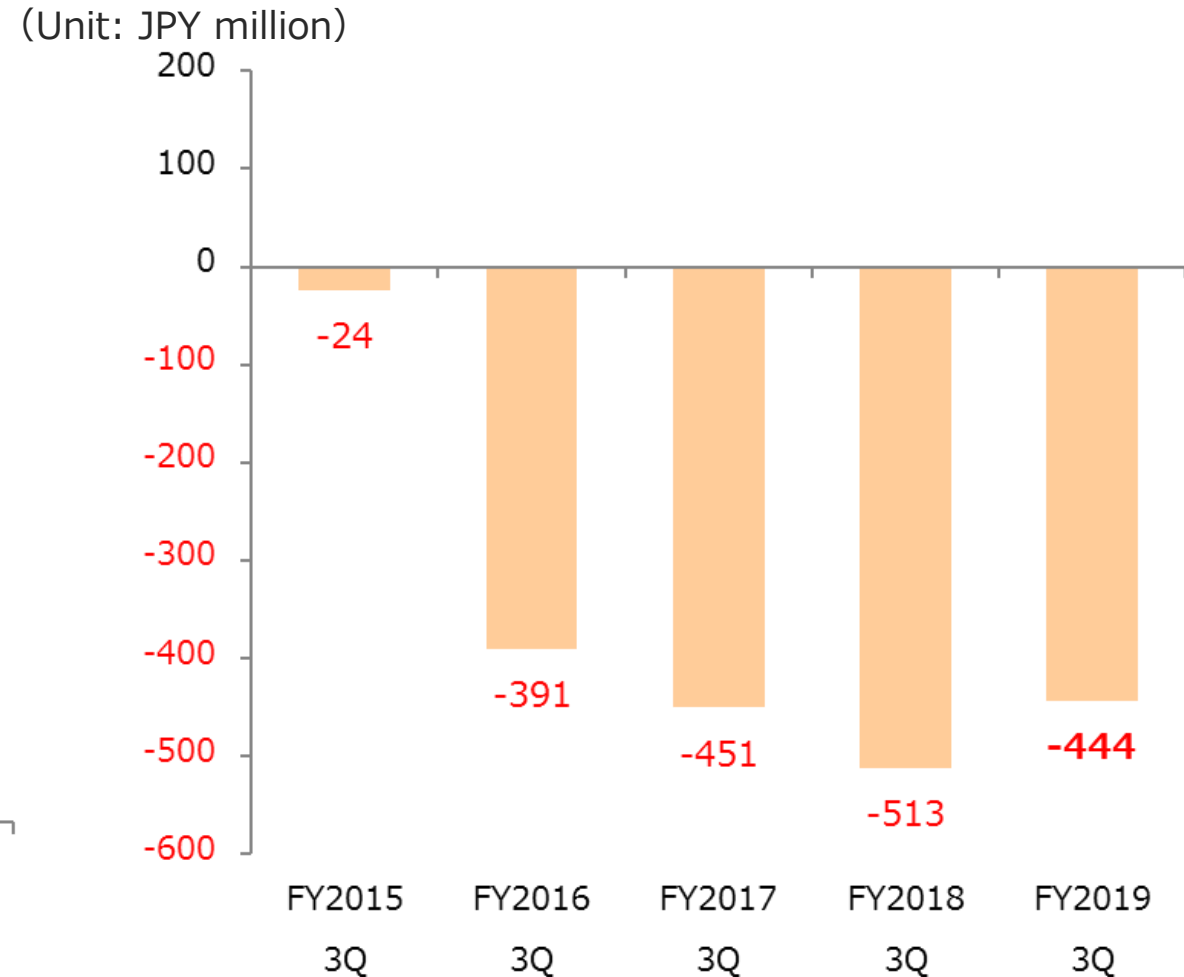
# Net Sales and Operating Income (Europe/Americas Segment)



## Net Sales



## Operating Income



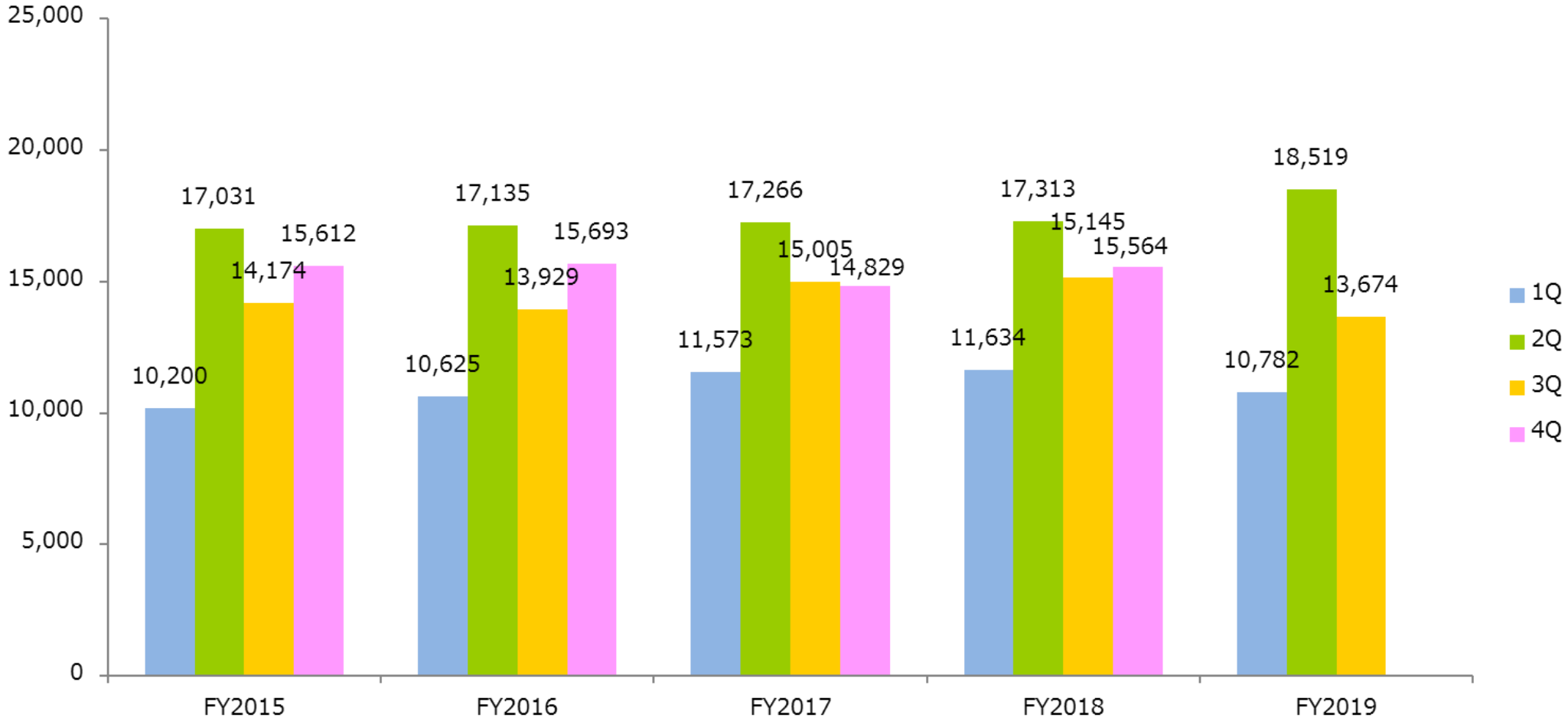
Note: FY2019=FY ending March 31, 2020



# Quarterly Sales (Japan Segment)



(Unit: JPY million)

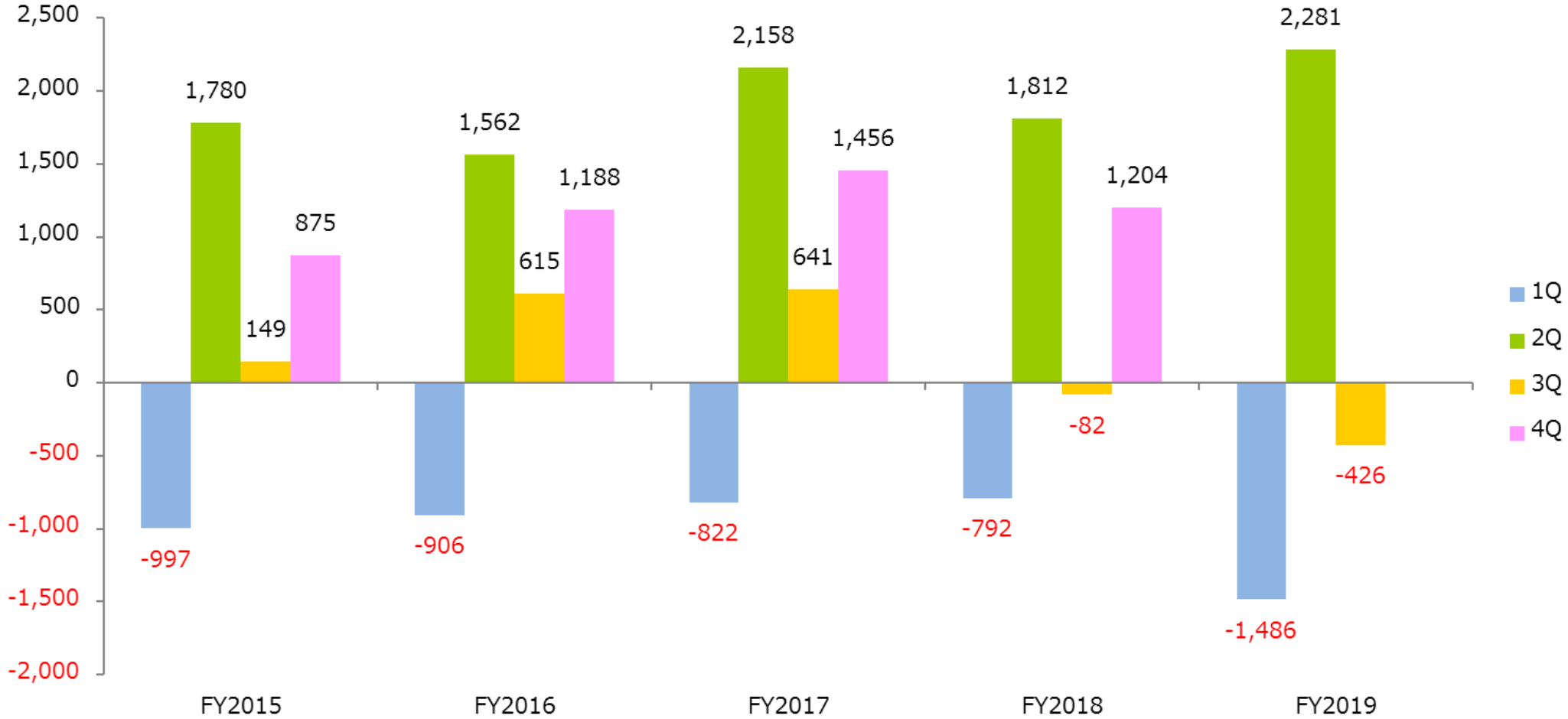


Note: FY2019=FY ending March 31, 2020

# Quarterly Operating Income (Japan Segment)



(Unit: JPY million)

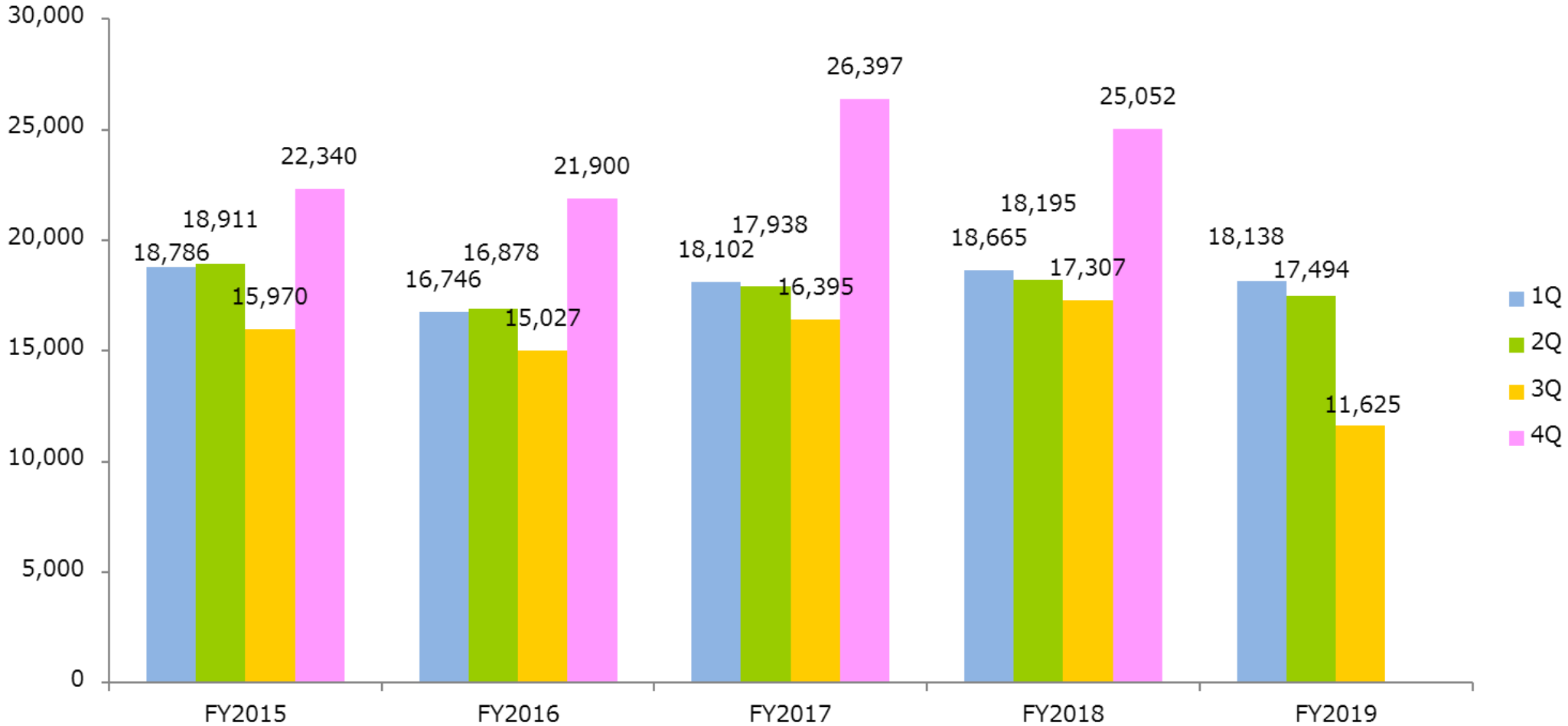


Note: FY2019=FY ending March 31, 2020

# Quarterly Sales Segment (Asia Segment)



(Unit: JPY million)

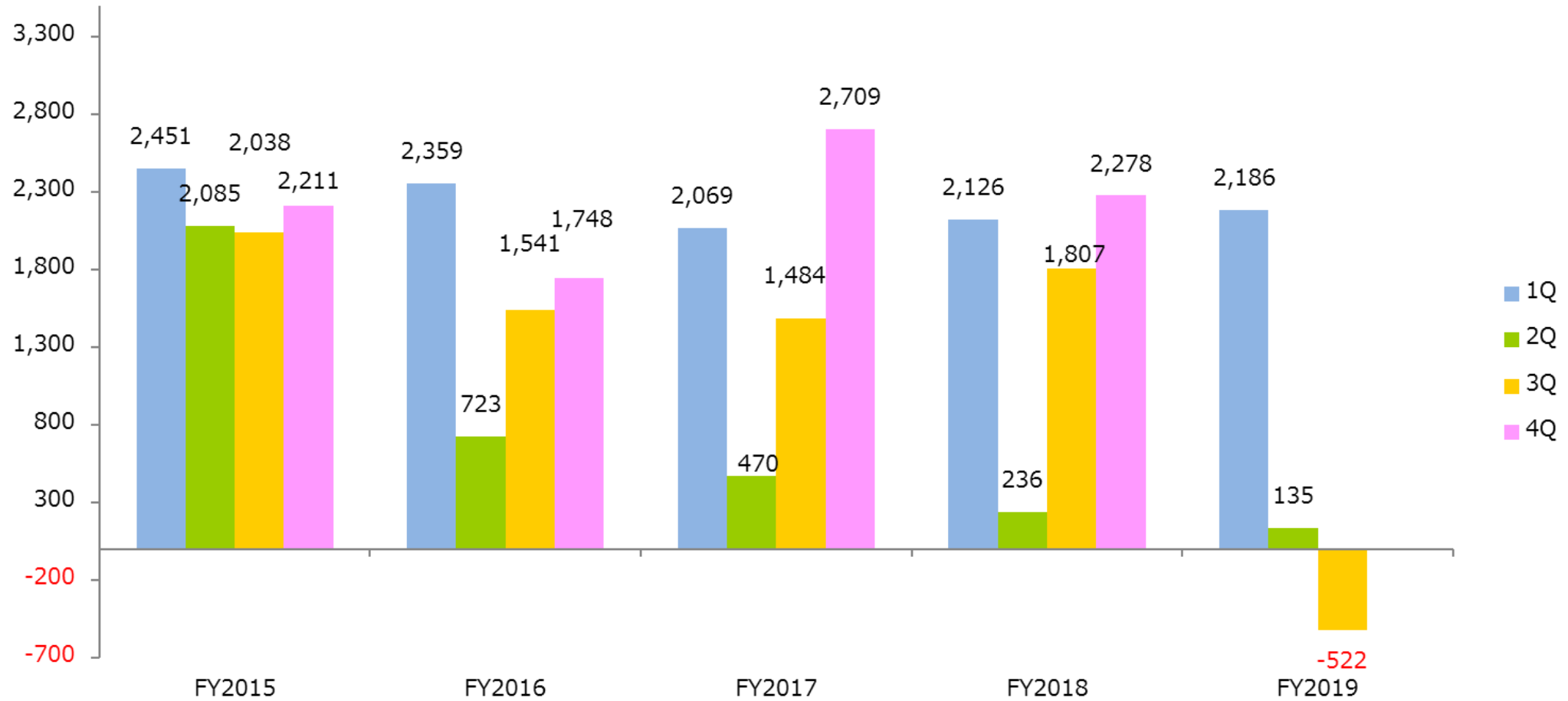


Note: FY2019=FY ending March 31, 2020

# Quarterly Operating Income (Asia Segment)



(Unit: JPY million)

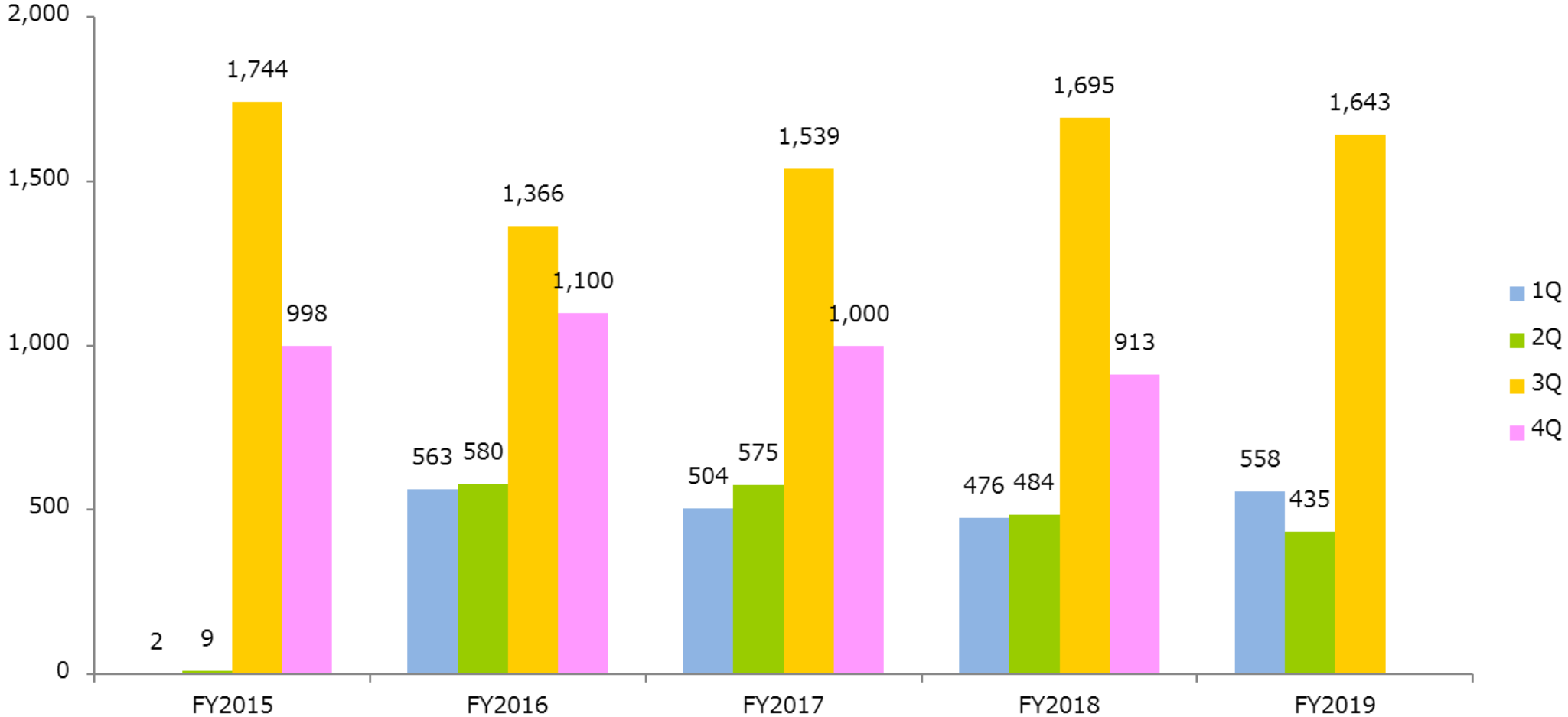


Note: FY2019=FY ending March 31, 2020

# Quarterly Sales (Europe/Americas Segment)



(Unit: JPY million)

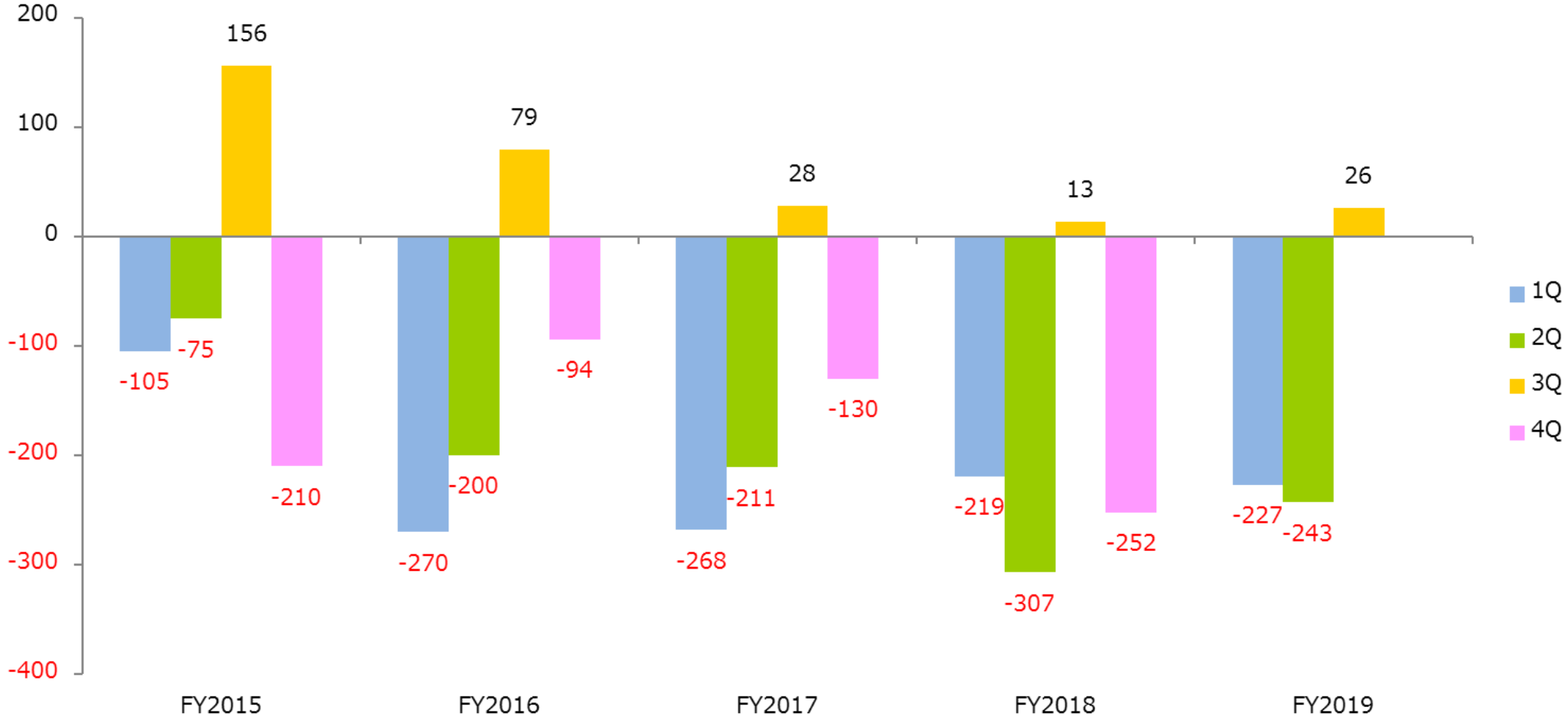


Note: FY2019=FY ending March 31, 2020

# Quarterly Operating Income (Europe/Americas Segment)



(Unit: JPY million)

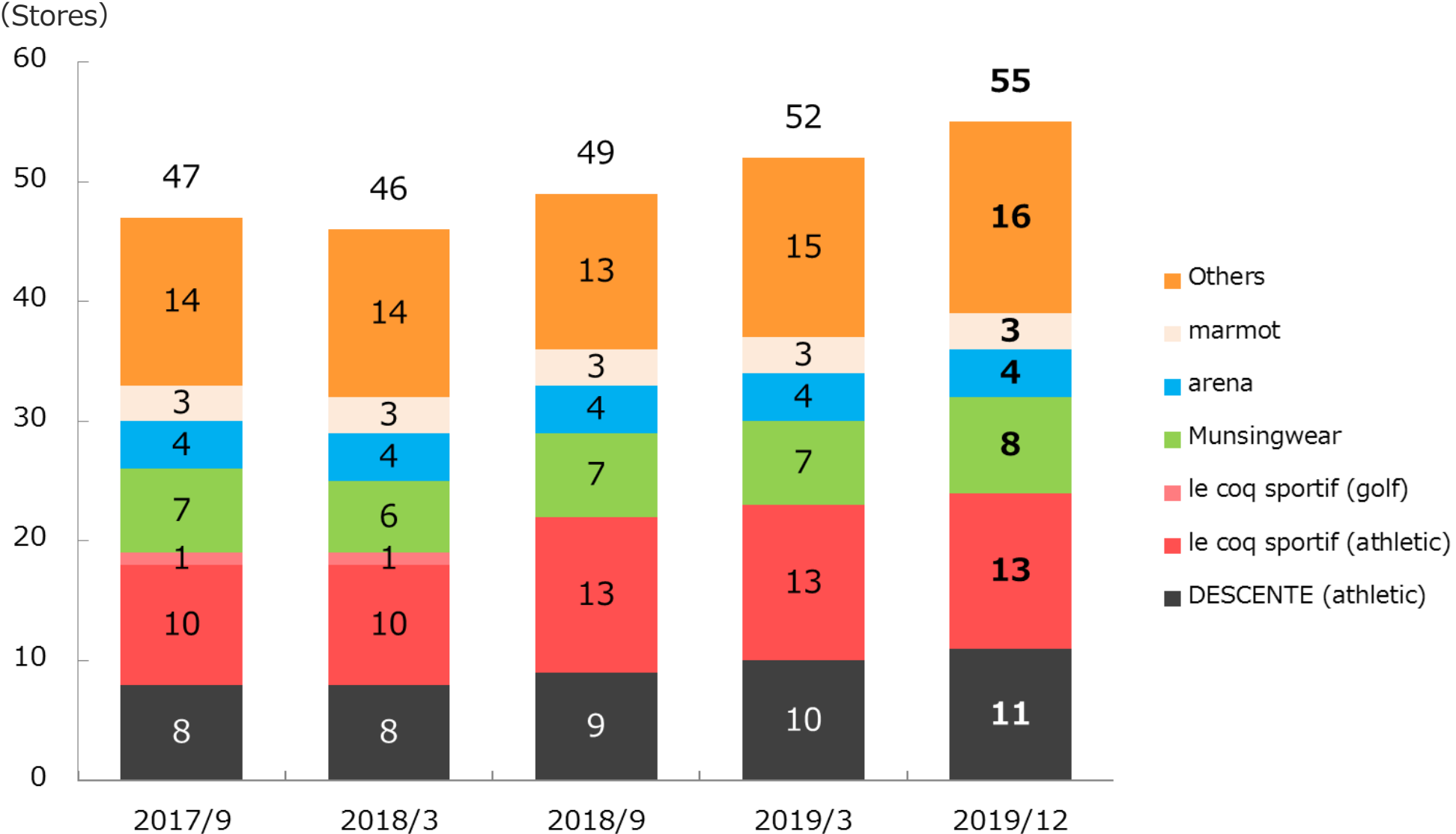


Note: FY2019=FY ending March 31, 2020

# Number of Stores in Japan (Directly Managed Stores)



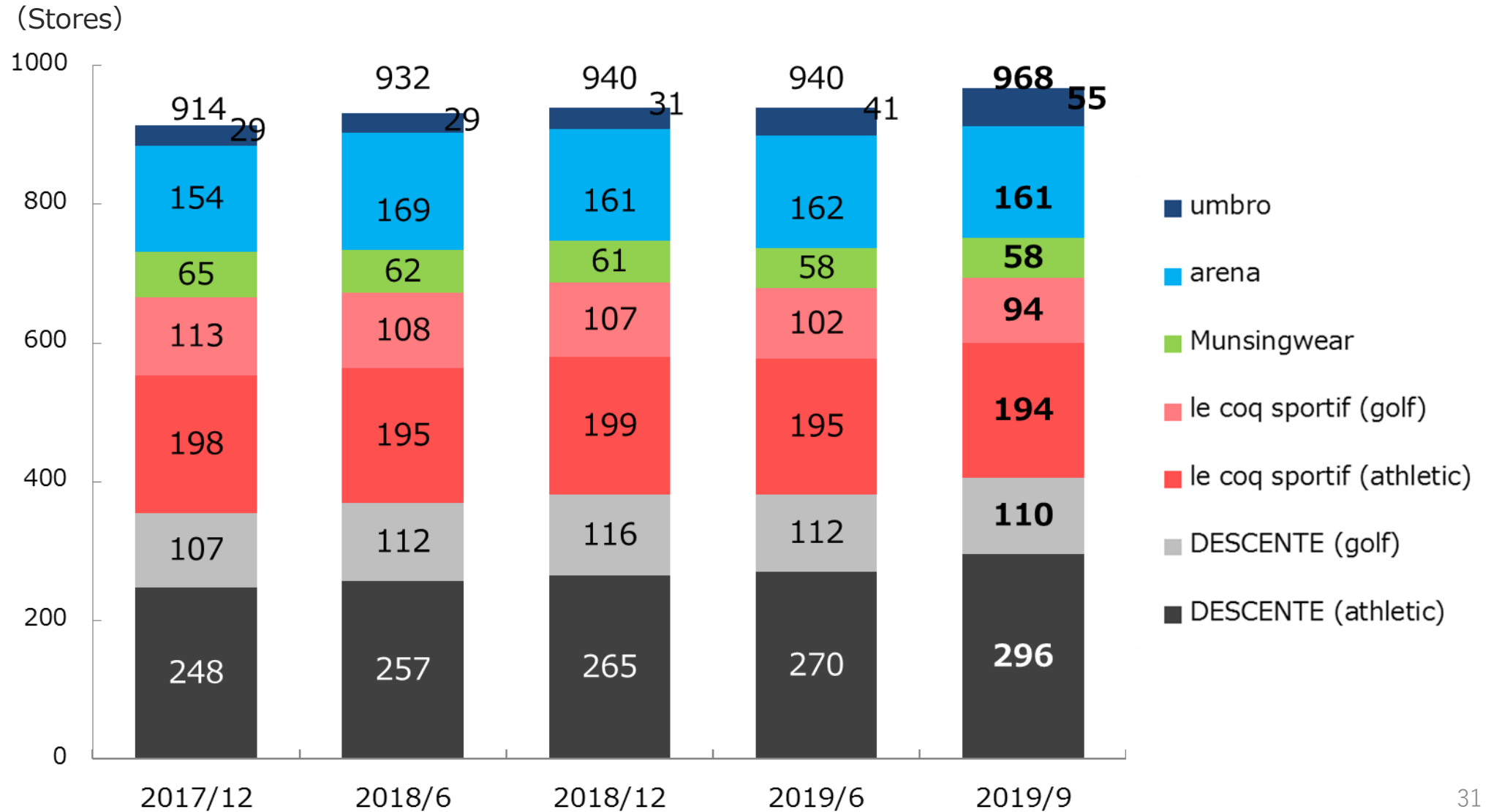
※Including outlets



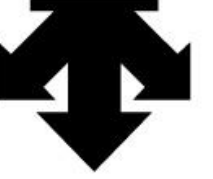
# Number of Stores in Korea



※Including stores of commercial agents and outlets

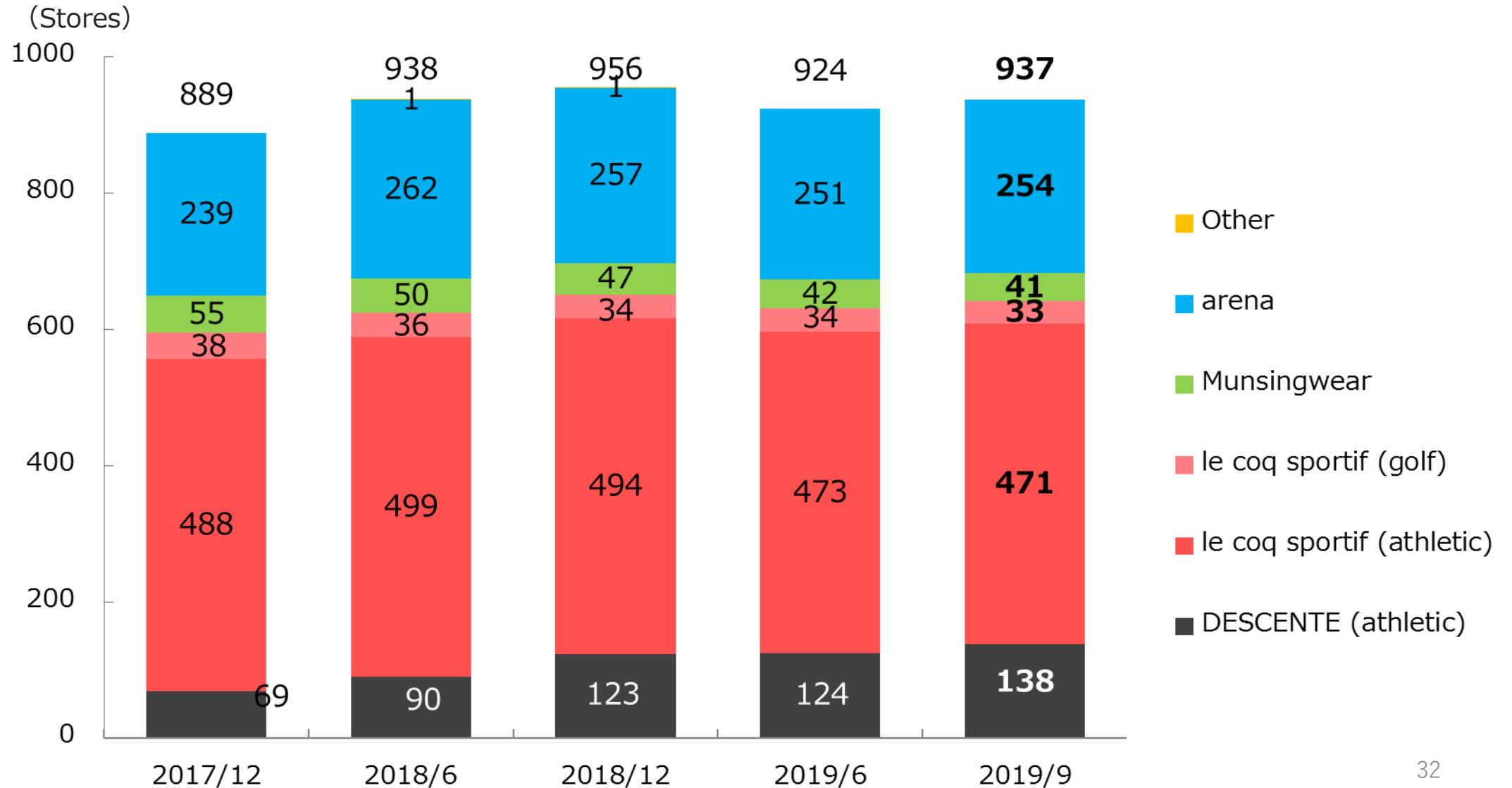

















# Numbers of Stores in China (incl. Hong Kong)

※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

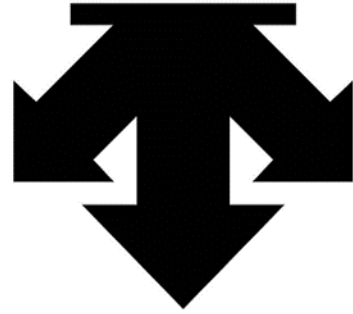
		USD	100KRW	CNY	HKD	SGD	GBP
FY2019	4Q YTD plan	109.27	9.31	15.99	13.95	80.13	137.17
	3Q YTD	109.19	9.42	15.91	13.93	80.01	138.72
	2Q YTD	109.92	9.62	16.23	14.03	81.01	142.37
	1Q YTD	111.26	9.85	16.44	14.06	81.70	145.20
FY2018	4Q YTD	110.34	10.04	16.64	14.08	81.71	146.73
	3Q YTD	110.07	10.05	16.77	13.98	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	-
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