

This is the English translation of the original Japanese-language Business Results of DESCENTE LTD. (the Company) for the 2nd quarter of fiscal year ended March 31, 2019 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 2Q Fiscal Year Ended March 31, 2019  
[Japan GAAP] (Consolidated)



October 30, 2018

Name of the Company: DESCENTE LTD.

Listed Exchange: TSE

Code No.: 8114

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

Representative: Masatoshi Ishimoto, President

Person responsible for inquiry: Kenichi Tsujimoto, Director, Managing Executive Officer, CFO

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Date of Submission of 2Q Report: November 8, 2018

Date of Dividend Payments: -

Supplementary Financial Statements: Yes

Financial Results Briefing: None

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

1. Consolidated Results for 2Q Fiscal Year 2018 (April 1, 2018 - September 30, 2018)

(1) Consolidated operating results (Percentage indicates 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	%
2Q FY ended March 31, 2019	66,768	1.2	2,873	(15.5)	3,219	(8.1)	2,291	(6.1)
2Q FY ended March 31, 2018	65,959	5.5	3,399	(1.1)	3,504	(6.4)	2,440	(8.9)

(Note) Comprehensive income: 2Q FY ended March 31, 2019: (¥528million) (-%), 2Q FY ended March 31, 2018: ¥3,195million (-%)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
2Q FY ended March 31, 2019	30.40	—
2Q FY ended March 31, 2018	32.39	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Yen in millions	Yen in millions	%
2Q FY ended March 31, 2019	110,103	76,686	69.6
FY ended March 31, 2018	117,141	78,875	67.3

(reference) Equity: 2Q FY ended March 31, 2019: ¥76,686million, FY ended March 31, 2018: ¥78,875million

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, 2018	—	0.00	—	23.00	23.00
FY ended March 31, 2019	—	0.00	—	—	—
FY ended March 31, 2019 (Forecast)	—	—	—	26.00	26.00

(Note)Revisions to dividend forecasts published most recently: No

3. Consolidated earnings forecast for the fiscal year ending March 31, 2019 (April 1, 2018 - March 31, 2019)

(The 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	148,000	4.9	9,600	0.0	10,000	3.1	6,500	12.6	86.24

(Note)Revisions to earnings forecasts published most recently: No

\*Notes

(1) Changes in significant subsidiaries during the quarterly fiscal year (Changes in specified subsidiaries resulting in changes in the scope of consolidation): No

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

(Note) See Appendix page 10 "(4) 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: None

2. Changes in accounting policy 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):	2Q FY ended Mach 31, 2019	76,924,176	FY ended March 31, 2018	76,924,176
2. Number of treasury stock at fiscal end:	2Q FY ended Mach 31, 2019	1,515,767	FY ended March 31, 2018	1,551,380
3. Average number of shares during the term:	2Q FY ended Mach 31, 2019	75,388,058	2Q FY ended March 31, 2018	75,352,679

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)

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 page 4.

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## 1. Qualitative Information on Consolidated Performance for the Second Quarter of Fiscal Year 2019

### (1) Explanation of Consolidated Operating Results

Net sales for 2Q FY ended March 31, 2019 was ¥66,768million (+1.2% YOY), operating income was ¥2,873million (-15.5% YOY), ordinary income was ¥3,219million (-8.1% YOY), and quarterly profit attributable to owners of parent was ¥2,291million (-6.1% 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	28,947 (100.4%)	1,020 (76.4%)
Asia	36,860 (102.3%)	2,362 (93.0%)
Europe/Americas	960 (89.0%)	(526) Yea on year: (479)million
Adjustments	—	17 Year on year: 3million
Total	66,768 (101.2%)	2,873 (84.5%)

#### (Japan)

In the athletic category, although “DESCENTE” and “le coq sportif” performed well, “umbro” struggled. In the golf category, “le coq sportif” remained steady. As a whole of Japan, although sales remained steady, profits declined from the previous year due to an increase in selling, general and administrative expenses.

#### (Asia)

In South Korea, “DESCENTE” performed well, and in Hong Kong and Singapore, “arena” remained steady. Although Asia as a whole remained steady, the increase in selling, general and administrative expenses led to a decline in profits.”

#### (Europe and Americas)

Sales declined from the same quarter of the previous year. Due to the increase in selling, general and administrative expenses of establishment of DESCENTE ATHLETIC AMERICAS INC., the loss increased compared to the same quarter of the previous year.

#### Net Sales by Item (Sales by Item)

Item	Amount (Yen in millions)	Composition Ratio (%)	Year on year (%)
Athletic wear and related products	46,298	69.3	103.2
Golf wear and related products	17,361	26.0	97.8
Outdoor wear and related products	3,108	4.7	93.5
Total	66,768	100.0	101.2

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

#### (Athletic Wear and Related Products)

In the athletic category, we are working to attract new customers and improve the brand image by strengthening retail environment creation ability and developing new stores. In "DESCENTE" brand, we opened its first retail store in the Tokai region, "DESCENTE BLANC NAGOYA" in Dai Nagoya Building in September. Through the opening of "DESCENTE BLANC" we are working to enhance the value of our brand by spreading our craftsmanship and manufacturing spirit that the "DESCENTE" brand has cultivated. In South Korea, we opened a new type of store "DUAL" in April to offer sports casual wear that combines the functional and lifestyle elements of running. In addition, in September, we opened the fourth "le coq sportif avant" store in the NIHOMBASHI Takashimaya S.C. ANNEX, which is providing urban life style to urban residents by taking advantage of the unique functionality and high fashion characteristics of sports brands that the "le coq sportif" brand has cultivated.

In "arena" brand, as a gold partner, we supported the "Pan Pacific Swimming Championships 2018" held in August, and promoted the brand through various marketing activities, including a campaign to liven up the event and sales of related products. Also, at the event, a contract athlete Daiya Seto (ANA / JSS Moroyama) won the gold medal in the 200 meter butterfly, which led to an improvement of brand value. In Hong Kong, we launched a collaboration product with the "Sport b" which is the sports casual line of French fashion brand "agnes b" to attract new fans and improve the brand image. In "umbro" brand, we are expanding our shoes business. The "U by GAKU" collection which was jointly developed with contract player Gaku Shibasaki, who was also active as a member of the Japanese national soccer team was good in sales and the "Ugly" shoes "BUMPY" in Korea also performed well.

#### (Golf Wear and Related Products)

In the golf category, we opened "Munsingwear" flagship store in Ginza, Tokyo, in April. In addition to golf wear, we are also introducing new clothing that can be worn in everyday situations, offering a high-quality clubhouse style for golf lovers. In Vietnam, following the opening of the first store of Hanoi Lotte Department Store in April, we opened the second store in Hanoi in July to expand our business in Southeast Asia. We also held the "49th Munsingwear Ladies Tokai Classic" in September, and contracted player Hina Arakaki tied for second place, and contracted player Kaori Ohe won the "Miyagi TV Cup Dunlop Women's Open Golf Tournament" for the third time in two years. In "le coq sportif", the "SUNDAY" series for young people in South Korea performed well. "DESCENTE" opened its first golf store in China in July at Shanghai's Jiu-Guang Department Store.

As other topics, we launched the Sports Apparel R&D Center (DISC OSAKA) in Ibaraki City, Osaka Prefecture, in July. A shoes R&D center (DISC BUSAN) in Busan, South Korea, has also been operating since October. The two R&D centers have established a common concept and will continue to work to improve our "craftmanship" as one of the key strategies starting from DISC, by simultaneously developing high-dimensional functionality to draw out user performance in various sports scenes and establishing quality standards to stably realize it.

On August 30, we entered into a comprehensive business alliance agreement with Wacoal Holdings, Corp. Wacoal, which pursues "Beauty, health and comfort" and continues to provide innerwear that is favored by many women, and DESCENTE, which has a high level of expertise in the field of sports cultivated through joint development with many athletes. By mutually utilizing their management resources and striving to strengthen, expand and develop their business foundations, and create new business value that transcends the fields of fashion and sports.

## (2) Explanation of Consolidated Financial Position

### (Analysis of Assets, Liabilities and Net Assets Conditions)

As of second quarter of FY ended March 31, 2019, total assets decreased ¥7,037 million from the previous fiscal year to ¥110,103 million.

Current assets decreased ¥8,264 million to ¥69,803 million. This was mainly due to a decrease of ¥4,839 million in cash and deposits, a decrease in notes and accounts receivable of ¥1,683 million and a decrease in goods and products of ¥1,266 million.

Fixed assets increased ¥1,226 million to ¥40,300 million.

Total liabilities decreased ¥4,848 million to ¥33,417 million. This was mainly due to a decrease in notes and accounts payable of ¥2,635 million.

Net assets decreased ¥2,189 million to ¥76,686 million. This was mainly due to an increase in retained earnings of ¥558 million and a decrease in translation adjustments of ¥2,832 million.

As a result, the equity ratio increased 2.3% to 69.6%.

### (Analysis of Cash Flow Conditions)

The balance of cash and cash equivalents at the end of the second quarter FY ended March 31, 2019 under review decreased ¥5,449 million from the end of the previous fiscal year to ¥21,920 million.

Cash flow from operating activities was ¥2,324 million in excess of revenues (¥3,451 million in excess of revenue in the previous second quarter). This was mainly due to such as decrease in notes and accounts payable of ¥2,307 million and income tax payment of ¥1,370 million, but there are also increasing factor of posting income before income taxes of ¥3,219 million, depreciation expenses of ¥1,709 million, and a decrease in notes and accounts receivable-trade of ¥1,173 million.

Cash flow from investing activities was ¥4,766 million in excess of expenditures (¥3,551 million in excess of expenditures in the previous second quarter). This was mainly due to purchases of property, plant and equipment of ¥3,174 million.

Cash flow from financing activities was ¥2,109 million in excess of expenditures (¥1,286 million in excess of expenditures in the previous second quarter). This was mainly due to dividend payments of ¥1,733 million.

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

DESCENTE Group reorganized its Group organization and set DESCENTE Ltd. as the Global Head Office and divided the Japan business into DESCENTE Japan Ltd. and started the operation in April, 2017. At the global headquarter, we will promote our business expansion across the entire group by promoting improvement of the brand value at the global level and localized globalization cooperated with operating company in each area and setting as vision of "Growing into global sports company by expanding business in Asia by expanding the number of high value-added brands" throughout "VISION 2020".

There is no change in the consolidated performance forecast for the fiscal year ending March 31, 2019 from the performance forecast in the financial statements released on May 14, 2018.

## 2. Quarterly Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheets

(Yen in millions)

	FY2017 (March 31, 2018)	2Q FY2018 (September 30, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	27,954	23,115
Notes and accounts receivable - trade	21,852	20,168
Merchandise and finished goods	24,933	23,666
Work in process	140	147
Raw materials and supplies	885	879
Other	2,391	1,889
Allowance for doubtful accounts	(90)	(64)
Total current assets	78,068	69,803
Non-current assets		
Property, plant and equipment	22,156	23,607
Intangible assets		
Goodwill	905	802
Other	4,172	4,023
Total intangible assets	5,078	4,826
Investments and other assets		
Other	11,941	11,958
Allowance for doubtful accounts	(102)	(91)
Total investments and other assets	11,838	11,866
Total non-current assets	39,073	40,300
Total assets	117,141	110,103
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	17,705	15,070
Short-term loans payable	521	257
Current portion of long-term loans payable	359	367
Income taxes payable	1,269	792
Provision for bonuses	901	808
Provision for sales returns	849	943
Other	7,508	6,089
Total current liabilities	29,116	24,328
Non-current liabilities		
Long-term loans payable	4,659	4,339
Provision for loss on guarantees	413	413
Net defined benefit liability	995	1,134
Other	3,082	3,202
Total non-current liabilities	9,149	9,089
Total liabilities	38,266	33,417

(Yen in millions)

	FY2017 (March 31, 2018)	2Q FY2018 (September 30, 2018)
Net assets		
Shareholders' equity		
Capital stock	3,846	3,846
Capital surplus	25,223	25,281
Retained earnings	45,421	45,979
Treasury shares	(658)	(643)
Total shareholders' equity	73,832	74,463
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	822	812
Deferred gains or losses on hedges	13	(22)
Foreign currency translation adjustment	4,301	1,469
Remeasurements of defined benefit plans	(95)	(36)
Total accumulated other comprehensive income	5,042	2,222
Total net assets	78,875	76,686
Total liabilities and net assets	117,141	110,103



(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income  
 Quarterly Consolidated Statements of Income  
 Second Quarter of Fiscal Year ending March 31, 2019

(Yen in millions)

	2Q FY2018 (April 1, 2017-September 30, 2017)	2Q FY2019 (April 1, 2018-September 30, 2018)
Net Sales	65,959	66,768
Cost of sales	29,586	29,342
Gross profit	36,373	37,426
Reversal of provision for sales returns	142	93
Gross profit - net	36,230	37,332
Selling, general and administrative expenses	32,831	34,459
Operating profit	3,399	2,873
Non-operating income		
Interest income	129	152
Dividend income	47	72
Equity in earnings of affiliates	—	85
Foreign exchange gains	—	111
Other	67	97
Total non-operating income	243	518
Non-operating expenses		
Interest expense	59	64
Loss on retirement of non-current assets	18	82
Equity in losses of affiliates	12	—
Foreign exchange losses	35	—
Other	12	24
Total non-operating expenses	138	171
Ordinary profit	3,504	3,219
Profit before income taxes	3,504	3,219
Corporate tax, inhabitant tax and business tax	883	998
Income taxes - adjusted	180	(70)
Total income taxes	1,063	928
Quarterly profit	2,440	2,291
Quarterly profit attributable to owners of parent	2,440	2,291

Quarterly Consolidated Statements of Comprehensive Income  
 Second Quarter of Fiscal Year ending March 31, 2019

(Yen in millions)

	2Q FY2018 (April 1, 2017-September 30, 2017)	2Q FY2019 (April 1, 2018-September 30, 2018)
Quarterly Profit	2,440	2,291
Other comprehensive income		
Valuation difference on available-for-sale securities	63	(10)
Deferred gains or losses on hedges	14	(35)
Foreign currency translation adjustment	539	(2,732)
Remeasurements of defined benefit plans, net of tax	67	58
Share of other comprehensive income of entities accounted for using equity method	70	(99)
Total other comprehensive income	755	(2,820)
Comprehensive income	3,195	(528)
(Breakdown)		
Comprehensive income attributable to owners of parent	3,195	(528)

## (3) Consolidated Statements of Cash Flow

(Yen in millions)

	2Q FY2018 (April 1, 2017-September 30, 2017)	2Q FY2019 (April 1, 2018-September 30, 2018)
<b>Cash flows from operating activities</b>		
Profit before income taxes	3,504	3,219
Depreciation	1,448	1,709
Amortization of goodwill	134	59
Increase (decrease) in allowance for doubtful accounts	1	(26)
Increase (decrease) in provision for bonuses	(88)	(93)
Increase (decrease) in provision for sales returns	142	93
Increase (decrease) in net defined benefit liability	97	170
Interest and dividend income	(176)	(224)
Interest expenses	59	64
Decrease (increase) in notes and accounts receivable-trade	1,204	1,173
Decrease (increase) in inventories	(610)	332
Increase (decrease) in notes and accounts payable-trade	(1,574)	(2,307)
Other	151	(635)
Subtotal	4,294	3,535
Interest and dividend income received	176	224
Interest expenses paid	(59)	(64)
Income taxes paid	(959)	(1,370)
Net cash provided by (used in) operating	3,451	2,324
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	791	352
Payments into time deposits	(712)	(996)
Purchase of property, plant and equipment	(2,991)	(3,174)
Purchase of intangible assets	(217)	(416)
Purchase of investment securities	(5)	(99)
Payments for investments in capital of subsidiaries and associates	—	(178)
Other	(415)	(254)
Net cash provided by (used in) investing activities	(3,551)	(4,766)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	602	(293)
Proceeds from long-term loans payable	—	10
Repayment of long-term loans payable	(127)	(127)
Cash dividends paid	(1,732)	(1,733)
Purchase of treasury shares	(0)	(0)
Other	(29)	34
Net cash provided by (used in) financing activities	(1,286)	(2,109)
Effect of exchange rate change on cash and cash equivalents	82	(898)
Net increase (decrease) in cash and cash equivalents	(1,304)	(5,449)
Cash and cash equivalents at beginning of period	21,907	27,369
Net increase (decrease) in cash and cash equivalents to changes in accounting period of consolidated subsidiaries	(172)	—
Cash and cash equivalents at end of period	20,430	21,920

(4) 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 second 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.

(Segment Information)

I Second Quarter of Fiscal Year ending March 31, 2018 (April 1, 2017-September 30, 2017)  
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	28,839	36,040	1,079	65,959	—	65,959
Intersegment Sales or Transfers	2,456	179	70	2,707	(2,707)	—
Total	31,296	36,220	1,150	68,667	(2,707)	65,959
Segment Income (Loss)	1,336	2,539	(479)	3,396	3	3,399

(Note 1) Segment income (loss) adjustment of ¥3 million includes intersegment transaction eliminations of ¥13 million and inventory adjustment of ¥(10) million.

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

II Second Quarter of Fiscal Year ending March 31, 2019 (April 1, 2018-September 30, 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	28,947	36,860	960	66,768	—	66,768
Intersegment Sales or Transfers	2,934	227	59	3,221	(3,221)	—
Total	31,881	37,088	1,020	69,990	(3,221)	66,768
Segment Income (Loss)	1,020	2,362	(526)	2,855	17	2,873

(Note 1) Segment income (loss) adjustment of ¥17 million includes intersegment transaction eliminations of ¥17 million and inventory adjustment of ¥(0) million.

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

(Additional Information)

(Application of "Partial revision of 'Accounting Standards for Tax Effect Accounting'", etc.)

"Partial revision of 'Accounting Standards for Tax Effect Accounting'" (Corporate Accounting Standard No. 28, February 16, 2018), etc., has been applied from the beginning of the first quarter of this year, and deferred tax assets are displayed in the categories of investments and other assets, and deferred tax liabilities are indicated in the categories of fixed liabilities.

### 3. Supplemental Information

#### Overseas Sales

Second Quarter of Fiscal Year ending March 31, 2018 (April 1, 2017-September 30, 2017)

(Yen in millions, %)

	Asia	North America	Europe and other regions	Total
I Overseas Net Sales	37,185	422	1,345	38,953
II Consolidated Net Sales				65,959
III Percentage of overseas net sales in consolidated net sales	56.4	0.6	2.0	59.1

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

Second Quarter of Fiscal Year ending March 31, 2019 (April 1, 2018-September 30, 2018)

(Yen in millions, %)

	Asia	North America	Europe and other regions	Total
I Overseas Net Sales	37,707	303	1,357	39,368
II Consolidated Net Sales				66,768
III Percentage of overseas net sales in consolidated net sales	56.5	0.5	2.0	59.0

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