



DESCENTE

FY2020 Earnings

May 14th, 2021

Disclaimer: This is an AI English translation of the original Japanese-language Consolidated Financial Summary of DESCENTE LTD. (the Company) for the fiscal year ended March 31, 2021 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.

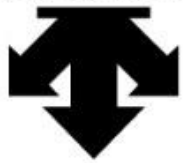
Matters Related to Changes in Reportable Segments



In recent years, the importance of our business in South Korea and China has increased, therefore the Company has changed its reportable segments up to FY2019 “Asia” to “South Korea”, “China” and “Others” from the 1Q of FY2020.

According to the resolution to liquidate all U.S. and European subsidiaries that were included Europe/Americas segment until FY2019, the importance of the business of Europe/Americas subsidiaries has declined. As a result, the business of Europe/Americas has been included in “Others”.

Segment information for the FY2019 is prepared by the segment classification method after the change.



Description of the Terms

Definitions of Terms

Segment: Classified according to country and area of a company.

Example: Net sales from DESCENTE LTD. to JV in China is counted in Japan segment.

***Segment changed from [Japan-Asia-Europe/Americas] to [Japan-South Korea-China-Others] from FY2020.**

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

Example: Net sales from DESCENTE LTD. to JV in China is counted in China area.

Business Year:

<Japan> April-March *Example: 1Q=April-June*

<Overseas Subsidiaries/Affiliates> January-December *Example: 1Q=January-March*

***Group internal sales is eliminated in either of these cases. (Not Counted)**

Rules for Numerical Description

The number is truncated and percentage is rounded off.

1 . FY2020

(1)Financial Summary

(2)Brand Review

(3)Area Review

(4)Number of Stores

2 . Plan for FY2021

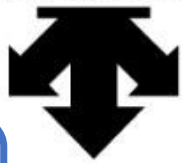
Results of FY2020 (Consolidated)



1. FY2020 (1) Financial Summary

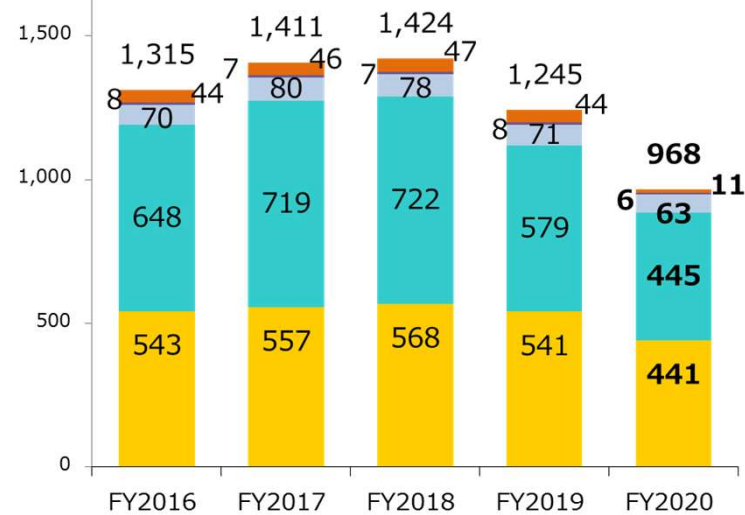
- Sales decreased in FY2020 due to the spread of COVID-19. Recovery trend on a quarterly basis.
- Net income increased significantly due to extraordinary income of ¥6.4 billion from the reorganization of equity-method affiliate Descente China Holding LTD. ("DCH")

(Unit: JPY million)	FY2020 Full Year Performance	FY2019		FY2021 Full Year Earnings Forecast
		Full Year Performance	YoY	
Net sales	96,862	124,561	▲ 22.2%	96,000
Operating income	▲ 1,806	379	-	▲ 2,000
(%)	▲ 1.9%	0.3%	-	▲ 2.1%
Ordinary income	▲ 584	456	-	▲ 1,200
(%)	▲ 0.6%	0.4%	-	▲ 1.3%
Profit attributable to owners of parent	5,039	▲ 2,481	-	5,000
(%)	5.2%	-2.0%	-	5.2%



Sales declined in all regions, but recovered in the 4th quarter.

Yen in 0.1 billions



Overseas ratio	FY2016	FY2017	FY2018	FY2019	FY2020
Overseas ratio	59%	60%	60%	57%	54%

YoY ▲¥27.6 billion (78%)

Japan	▲¥9.9 billion
South Korea (Currency Factor of ▲¥1.7 billion)	▲¥13.3 billion
China (Incl. Hong Kong / Taiwan)	▲¥0.7 billion
Other Asian Countries	▲¥0.1 billion
Europe / Americas	▲¥3.3 billion

Note : FY2020 = FY ending March 21, 2021



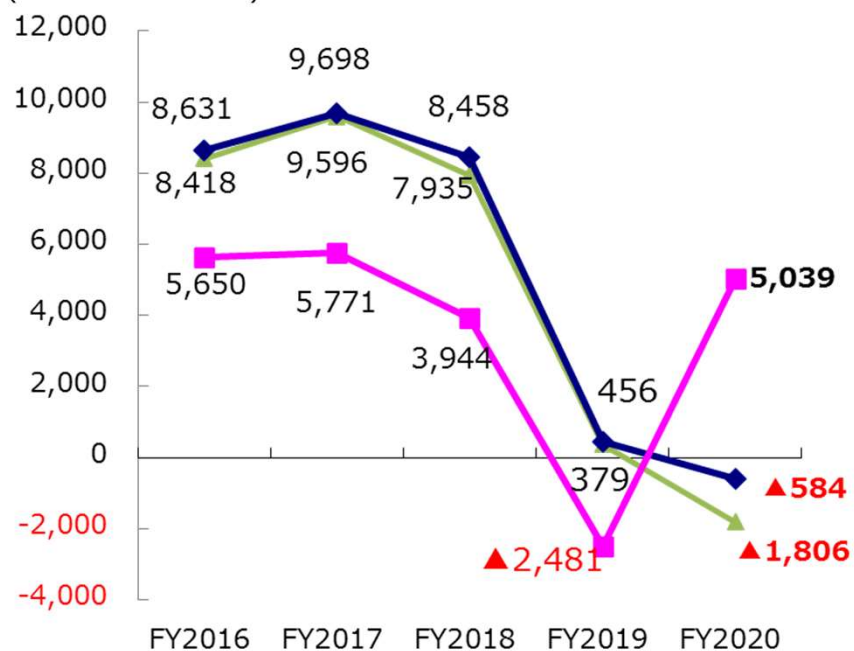
Income (Consolidated)



1. FY2020 (1) Financial Summary

Net income increased significantly due to extraordinary income such as share of profit of entities accounted for using equity method(+¥6.4 billion), despite extraordinary losses from voluntary retirement offers at Japan and the transfer of business of a subsidiary (▲¥1.3 billion).

(Yen in millions)



(Yen in millions)

	FY2020	FY2019	Impact in Profit*
Operating income	▲ 1,806	379	▲ 2,185
Non-operating income	1,720	978	+ 742
Non-operating expenses	498	901	+ 22
Ordinary income	▲ 584	456	▲ 1,040
Extraordinary income	8,060	173	+ 7,887
Extraordinary loss	1,910	1,815	▲ 95
Total income taxes	525	1,296	+ 771
Profit attributable to owners of parent	5,039	▲ 2,481	+ 7,520

Increase (decrease) in profit and loss*

+ ▲ contributes to increased earnings, while those contributing to decreased earnings

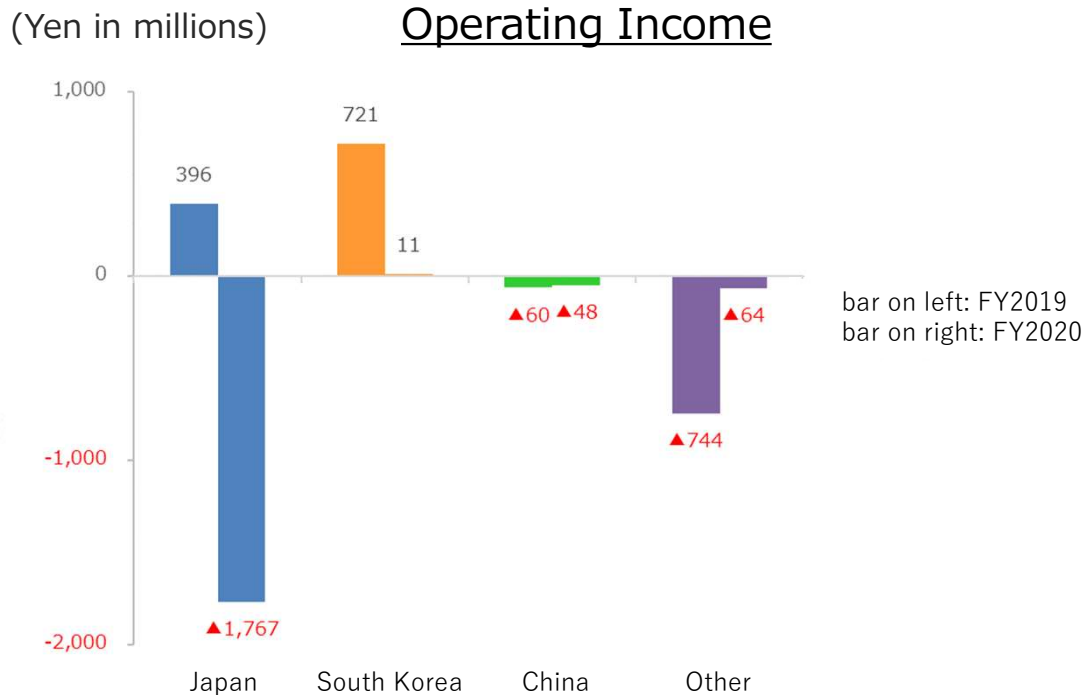
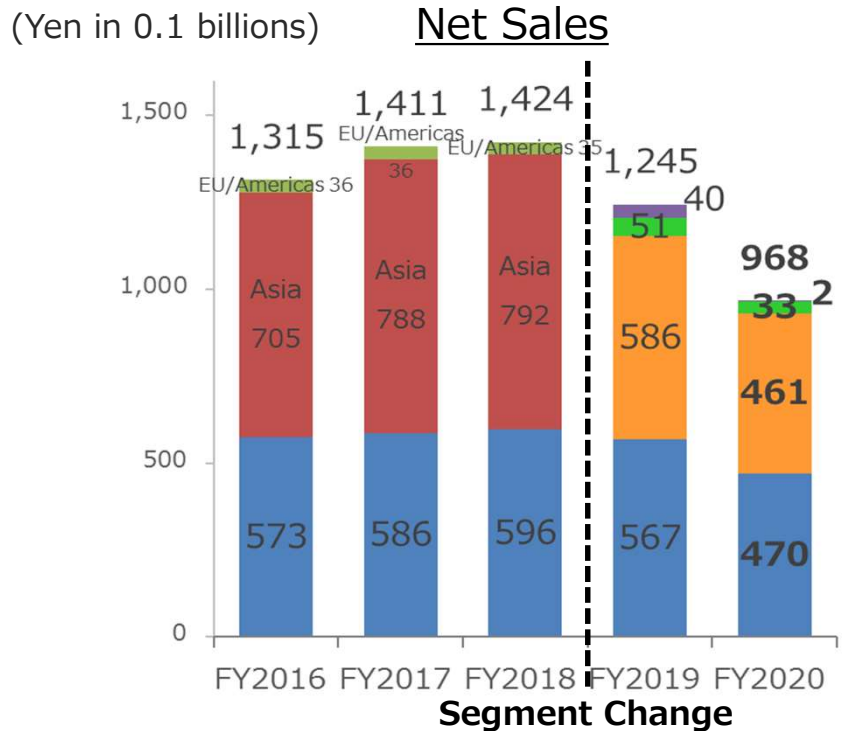
Note : FY2020 = FY ending March 21, 2021

Sales and Operating Income by Segments (Consolidated)



1. FY2020 (1) Financial Summary

- Changed reportable segments from fiscal year ended March 31, 2021
- Japan, South Korea and China decreased sales and profits, however in Japan and Korea, profits increased in the 3Q and 4Q year on year.
- Losses generally disappeared in the Other (incl. Europe/Americas).



Note : FY2020 = FY ending March 21, 2021

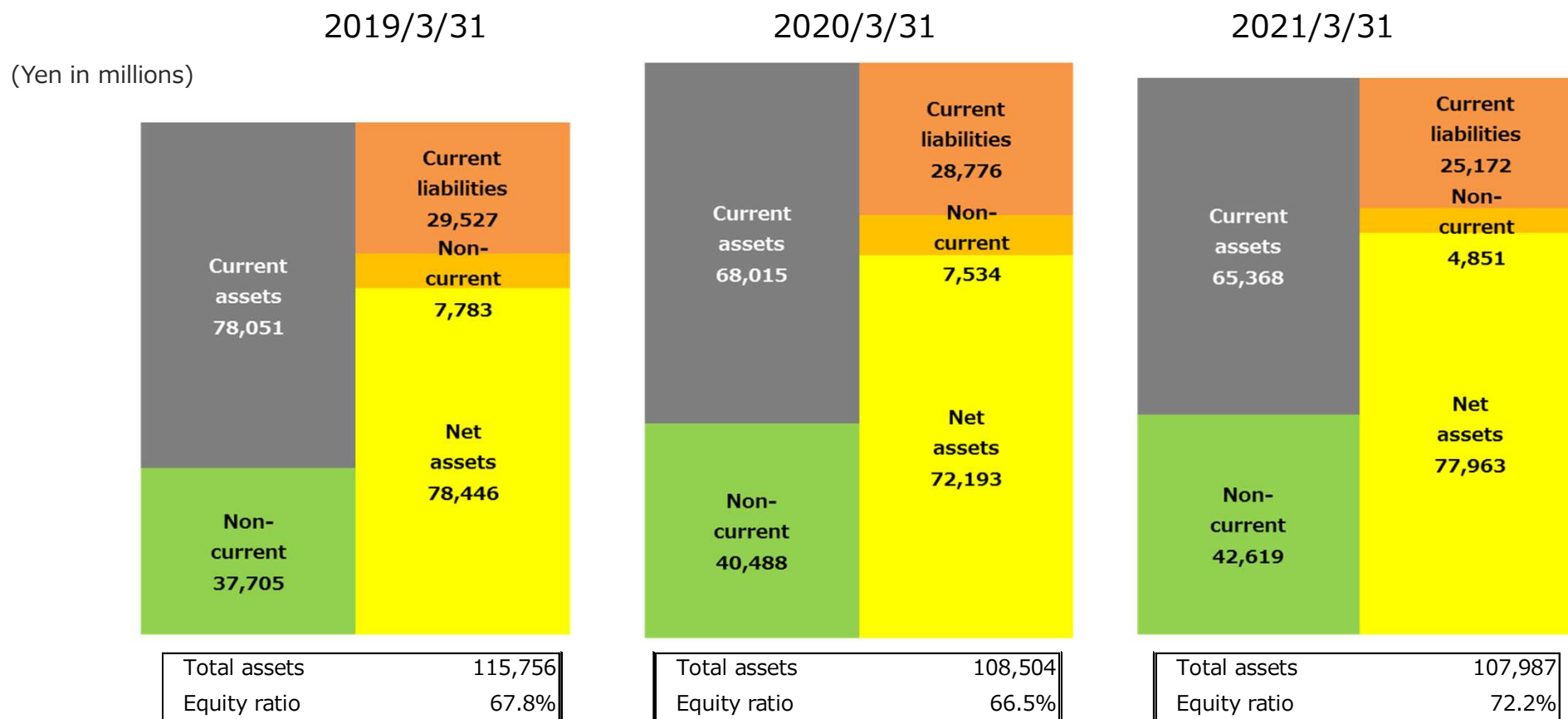
Note : No applicable data of FY2018 due to segment change from FY2020

Balance Sheet (Consolidated)



1. FY2020 (1) Financial Summary

Investment securities (non-current assets) increased due to the reorganization of DCH, but current assets decreased due to a decrease in cash and deposits and trade receivables due to decrease in net sales and inventory control.



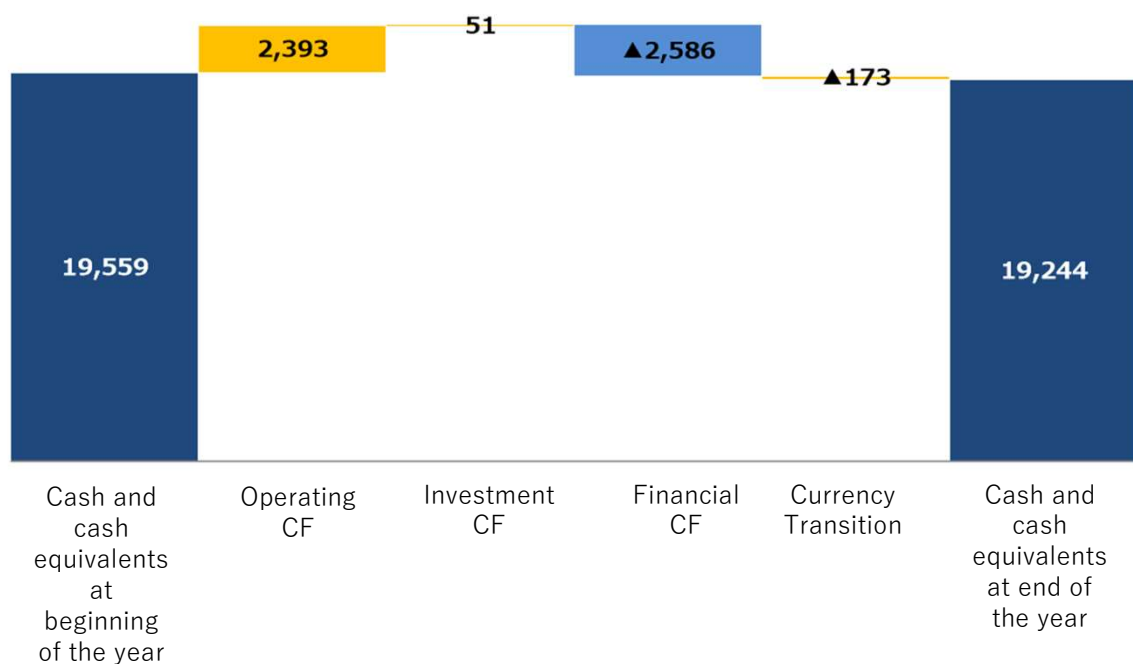
Cash Flow (Consolidated)



1. FY2020 (1) Financial Summary

**Operating CF recovered to the level of previous fiscal year.
Investment CF increased (¥0.05b) due to sales of securities (+¥2.4b).
In Financial CF payments exceeded borrowings (short/long-term borrowings in beginning of term ¥1.9b→¥1.4b) .**

(Yen in millions)



YoY ▲315 (Yen in millions)

Operating CF	2,393
(Previous fiscal year)	2,371)
EBITDA ^{※1}	+10,767
Changes in working capital ^{※2}	▲706
Extraordinary income or loss	▲6,173
Investment CF	51
(Previous fiscal year)	▲5,949)
Purchase of property, plant and equipment	▲1,739
Sales of securities	+2,436
Financial CF	▲2,586
(Previous fiscal year)	▲4,128)
Repayments of lease obligations	▲2,130
Repayments of loans payable	▲455

※1 EBITDA=Income before income taxes + depreciation

※2 Working capital is the change in notes and accounts receivable-trade, inventories and notes and accounts payable-trade

1. FY2020

(1) Financial Summary

(2) Brand Review

(3) Area Review

(4) Number of Stores

2. Plan for FY2021

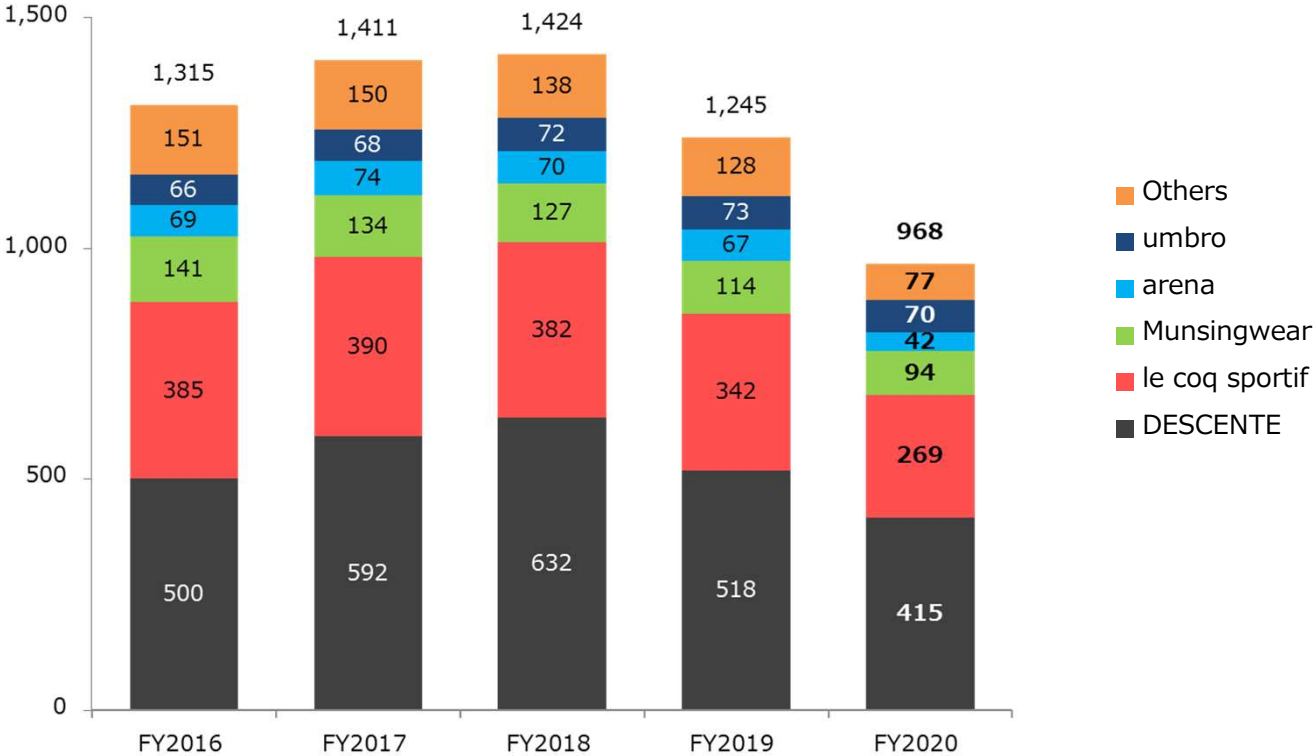
Brand Sales (Consolidated)



1. FY2020 (2) Brand Review

Sales of all brands decrease due to the spread of COVID-19

(Yen in 0.1 billions)



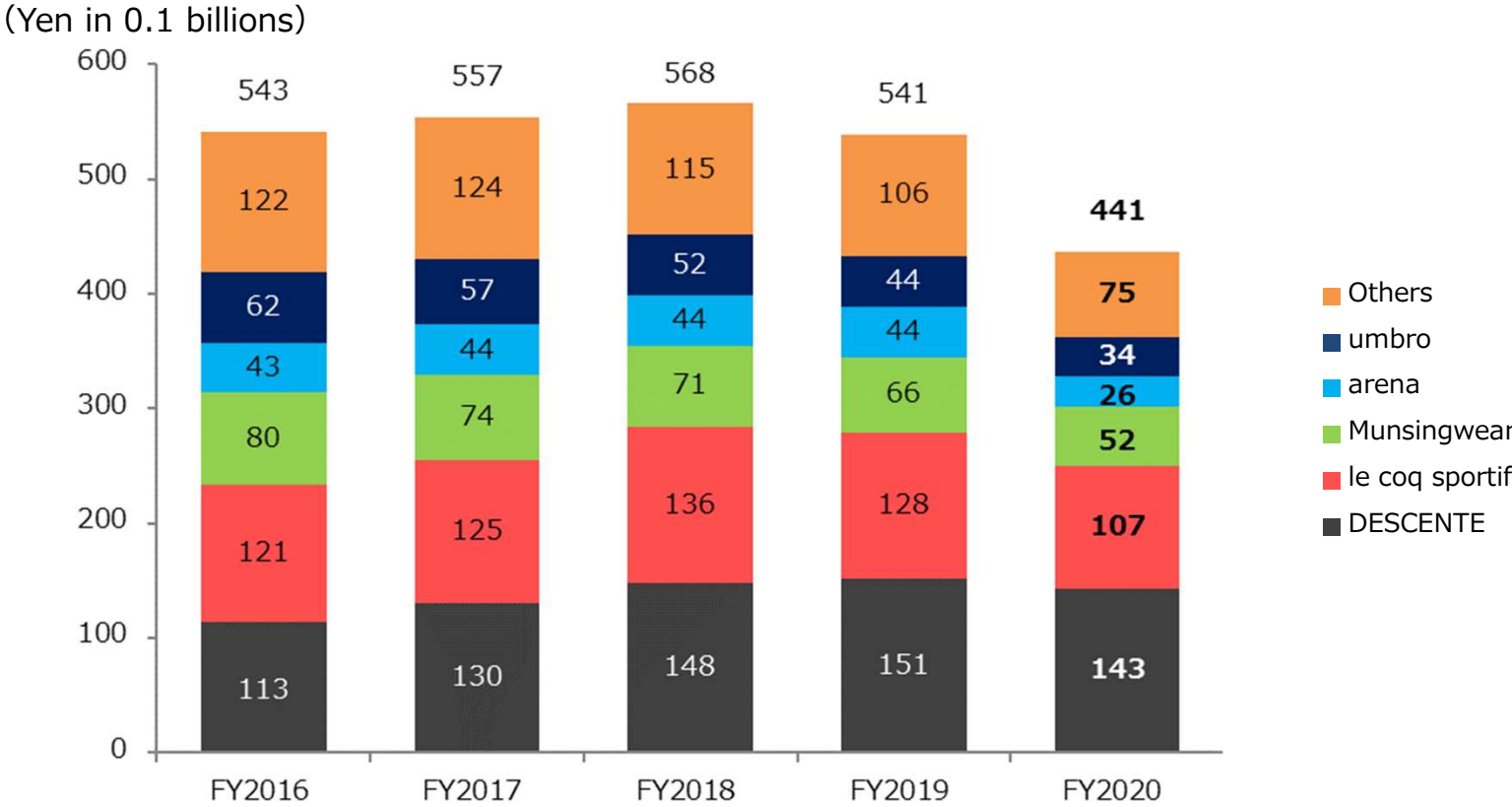
Note : FY2020 = FY ending March 21, 2021

Brand Sales (Japan)



1. FY2020 (2) Brand Review

- Golf category in "DESCENTE" increased 130% year on year.
- "DESCENTE" "le coq sportif" increased in the 4Q.



Note : FY2020 = FY ending March 21, 2021

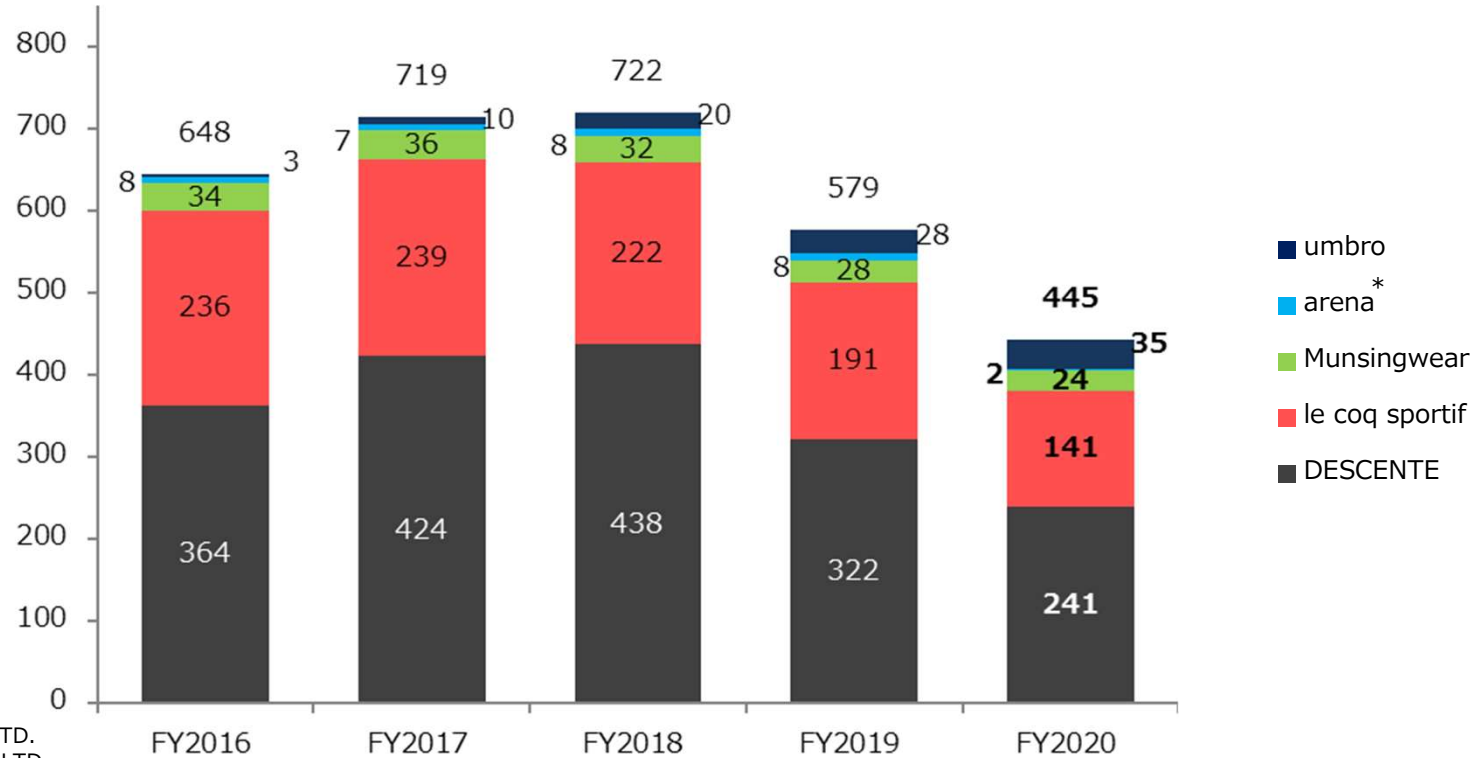
Brand Sales (South Korea)



1. FY2020 (2) Brand Review

- Sales decreased due to the spread of COVID-19 and boycotts of Japanese products. "umbro" continue to grow, 120% year on year.
- Recovery trend in the 4th quarter.

(Yen in 0.1 billions)



Sales of "arena"
 = sales from DESCENTE LTD. to ARENA KOREA LTD.
 - Royalty from ARENA KOREA LTD. to DESCENTE LTD

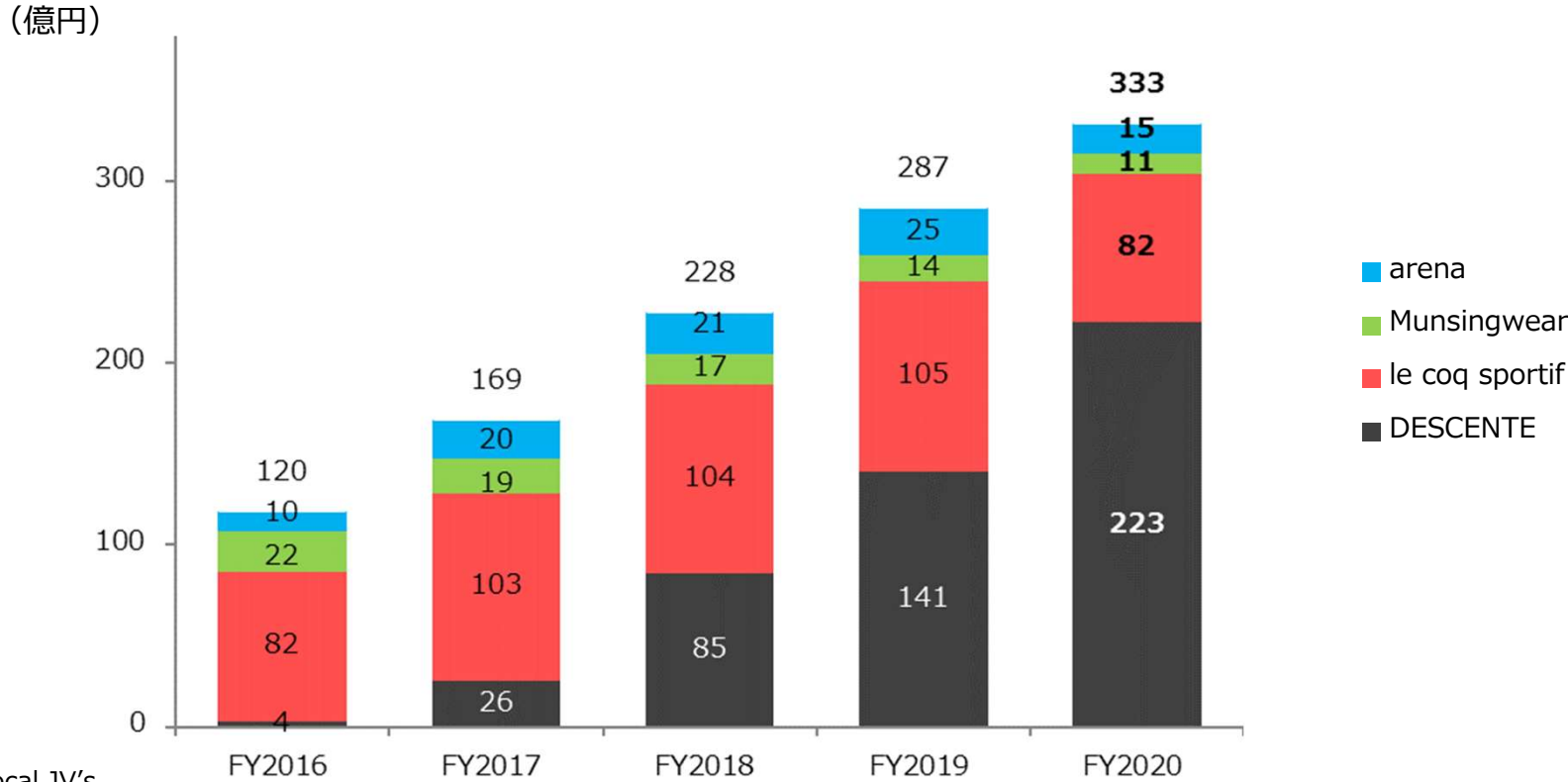
Note : FY2020 = FY ending March 21, 2021

Combined Local Sales in China* (excl. Taiwan)



1. FY2020 (2) Brand Review

Despite the spread of COVID-19, sales grew significantly. "DESCENTE" increased 165% year on year.








*Note: Combined Local Sales
 = sales of local subsidiary
 + sales of local JV's
 - Sales from local subsidiary to local JV's
 FY 2020 = FY ending March 31, 2021

Affiliated Companies in China: Summary



At the end of 4Q of overseas subsidiary (As of end of DEC 2020)

CompaL2:Q13ny 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	July, 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	China	Not included	Not included	Not included	China
Area	China	Not included	Not included	Not included	China, Other Asia

1. FY2020

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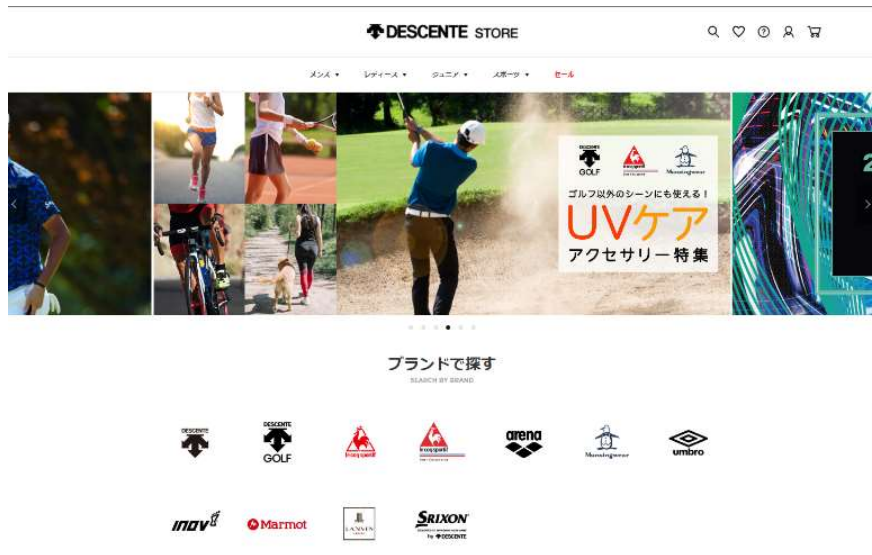
2. Plan for FY2021

Japan: Promote DTC Business Expansion



1. FY2020 (3) Area Review

- Sales of in-house e-commerce remained strong, 170% year on year.
- Number of stores that can use CLUB DESCENTE membership service doubled as the service is introduced to department stores



Renewal of in-house e-commerce was done to expand DTC business

Expansion of the membership service, which was only in directly managed stores and in-house e-commerce, to department stores also. 17

South Korea: Continuing Topical Activities and Events



1. FY2020 (3) Area Review

- Held online running events to expand awareness of running shoes and cultivate new customers.



Summary of the Event

Apply through social media



Pay participating fees and achieve "DESCENTE" shoes and number bib



Post the running results with the DESCENTE shoes on social media



Medal and sports towel is awarded for completion of more than 10km run

Promoting "DESCENTE" running shoes by holding online running events utilizing social media

China: Aiming to Expand Earnings as a Focused Market



1. FY2020 (3) Area Review

- Opened first overseas DESCENTE BLANC store in Beijing.
- E-commerce sales of “DESCENTE”, “le coq sportif” and “Munsingwear” increased.



In addition to 170 “DESCENTE” stores, opened first overseas DESCENTE BLANC store in Beijing



Munsingwear



Sales of singles' day were 200% year on year in “DESCENTE”, 170% in “Munsingwear”

Japan: Manufacturing

1. FY2020 (3) Area Review



- "DESCENTE" jointly developed ski wear with "DIOR"
- "arena" implemented global unified promotion



Manufactured DIOR Ski Collections at DESCENTE APARELL LTD. Mizusawa Factory.

Launched ARENA BISHAMON, a globally unified design collection to promote recognition as a global swimwear brand.

Manufacturing (South Korea)



1. FY2020 (3) Area Review



- Following the cushioning running shoes, also developed golf shoes utilizing the know-hows achieved by analyzing the foot type of South Korean at DISC BUSAN, the R&D base for shoes.



「ENERZITE GT」
Equipped with the cushioning developed jointly with manufacturers and DISC BUCAN

「R90」
Following the running shoes, also developed golf shoes.



- Implemented #DREAM campaign, a campaign to fulfill users' dream with contract athletes in "Team DESCENTE" project.
- Gradually switching electricity use derived from renewable energy.



Gaku Shibasaki (soccer), Yukiko Ueno (softball), Yuki Ishikawa (volleyball) participated in the campaign.



Starting with Mizusawa Factory of DESCENTE APARELL LTD., all domestic business sites will be switched to renewable energy sources. Reduce CO2 emissions by approx. 30%
※Actual figures will be announced after verification by the third party.

1. FY2020

(1) Financial Summary

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(4) Number of Stores

2. Plan for FY2021

Number of Stores in Japan (Directly Managed Stores)

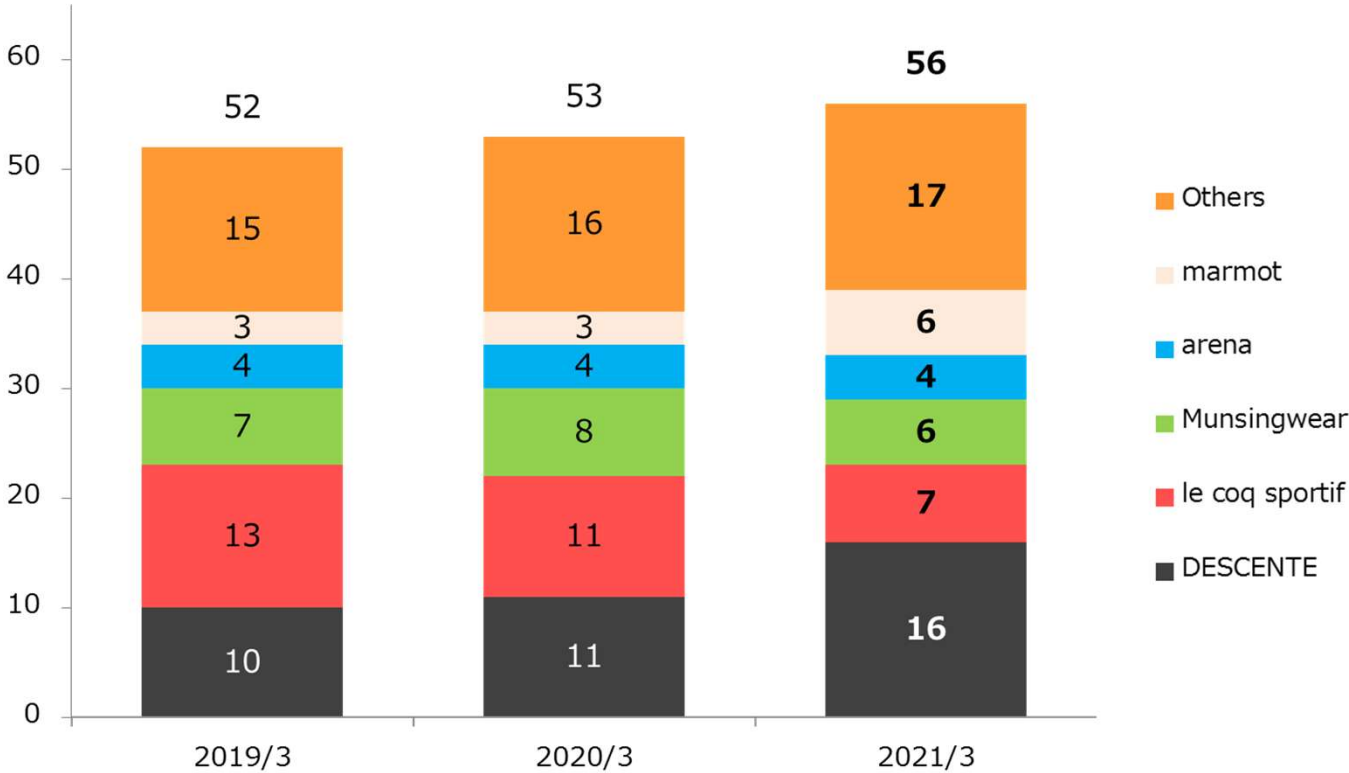


1 . FY2020 (4) Number of Stores

• Continue to open "DESCENTE" stores

※Including outlets

(number of stores)

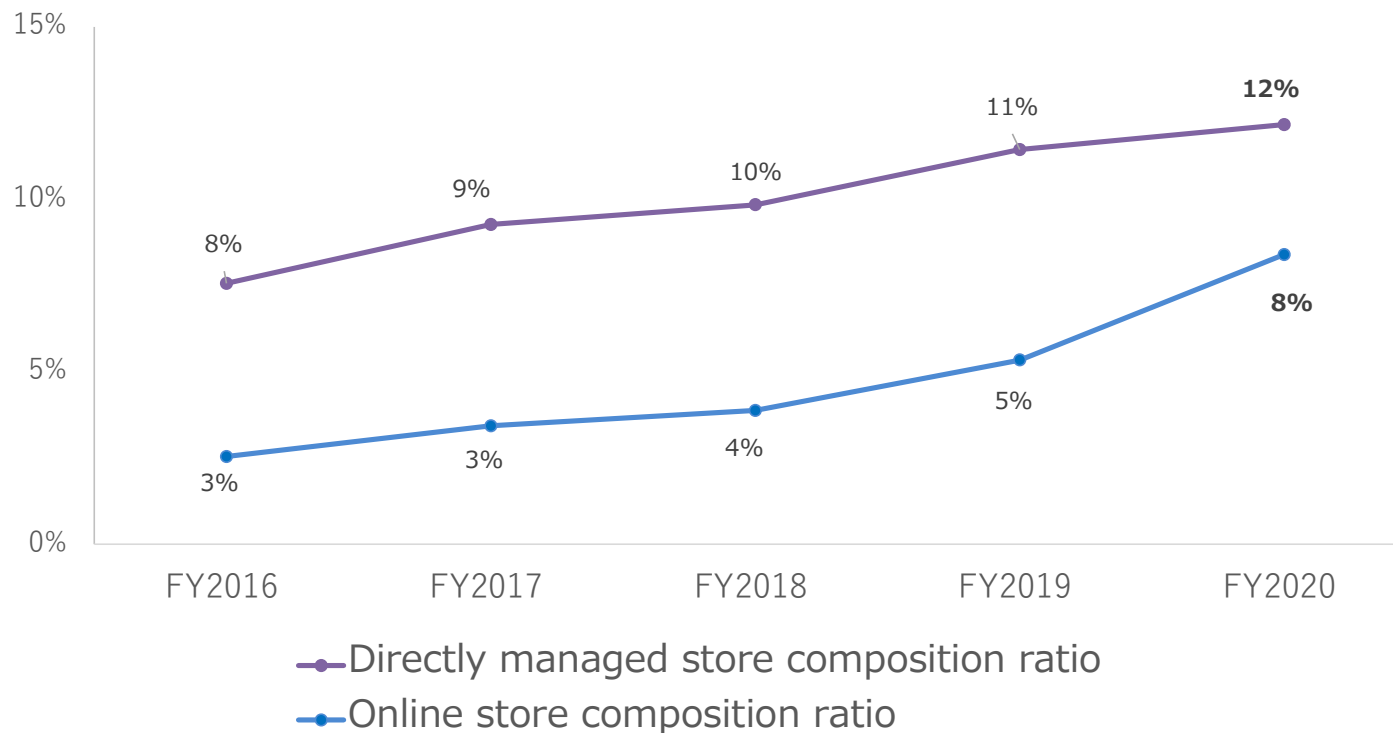


Directly managed stores / Online stores sales composition ratio in Japan



1 . FY2020 (4) Number of Stores

- Sales grow steadily with the renewal of in-house e-commerce in November 2020.
- Continue to expand sales ratio of directly managed stores/ online store.



Note: FY2020 = FY ended March 31 2021

Number of Stores in South Korea

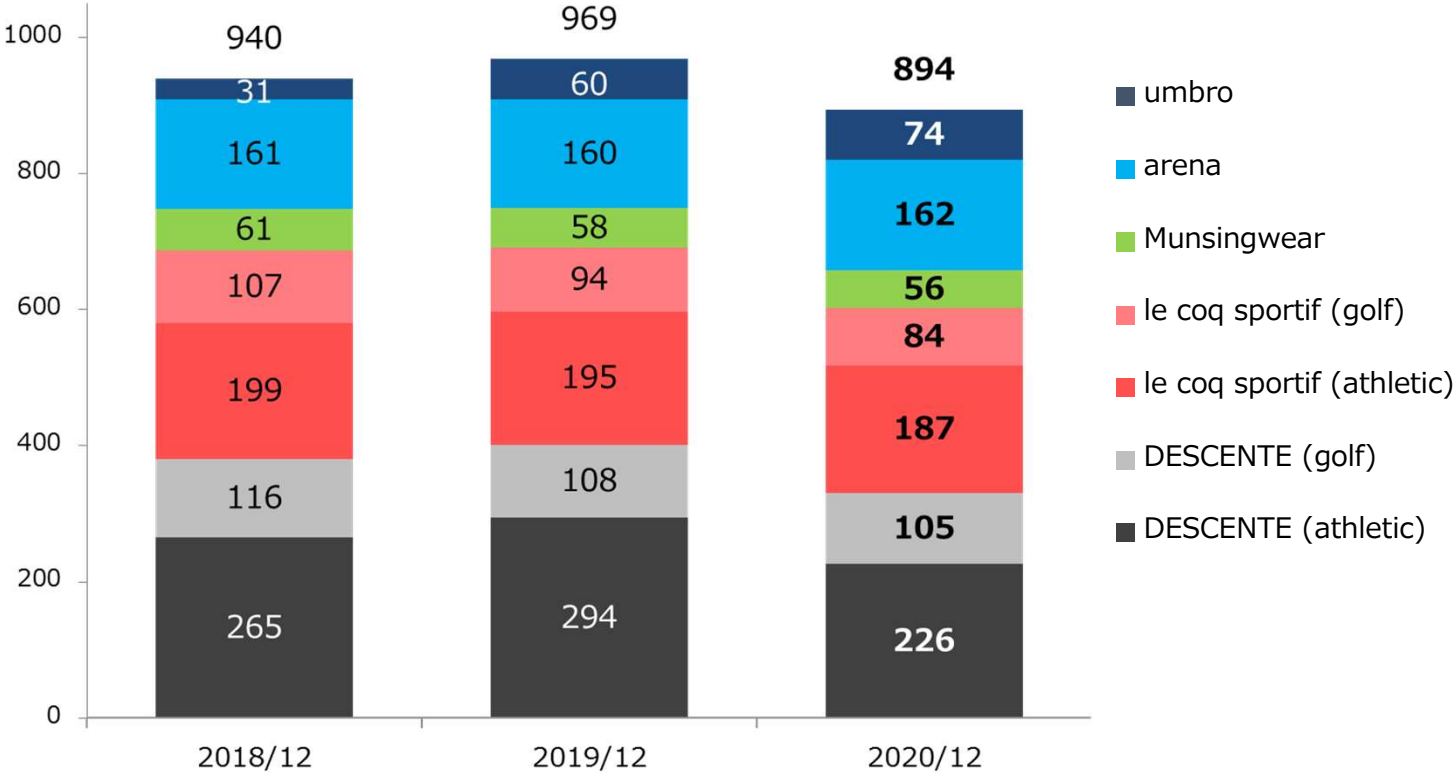


1. FY2020 (4) Number of Stores

- “umbro” continue to open stores
- Total number declined due to reorganization of unprofitable stores

※Including stores of commercial agents and outlets

(number of stores)



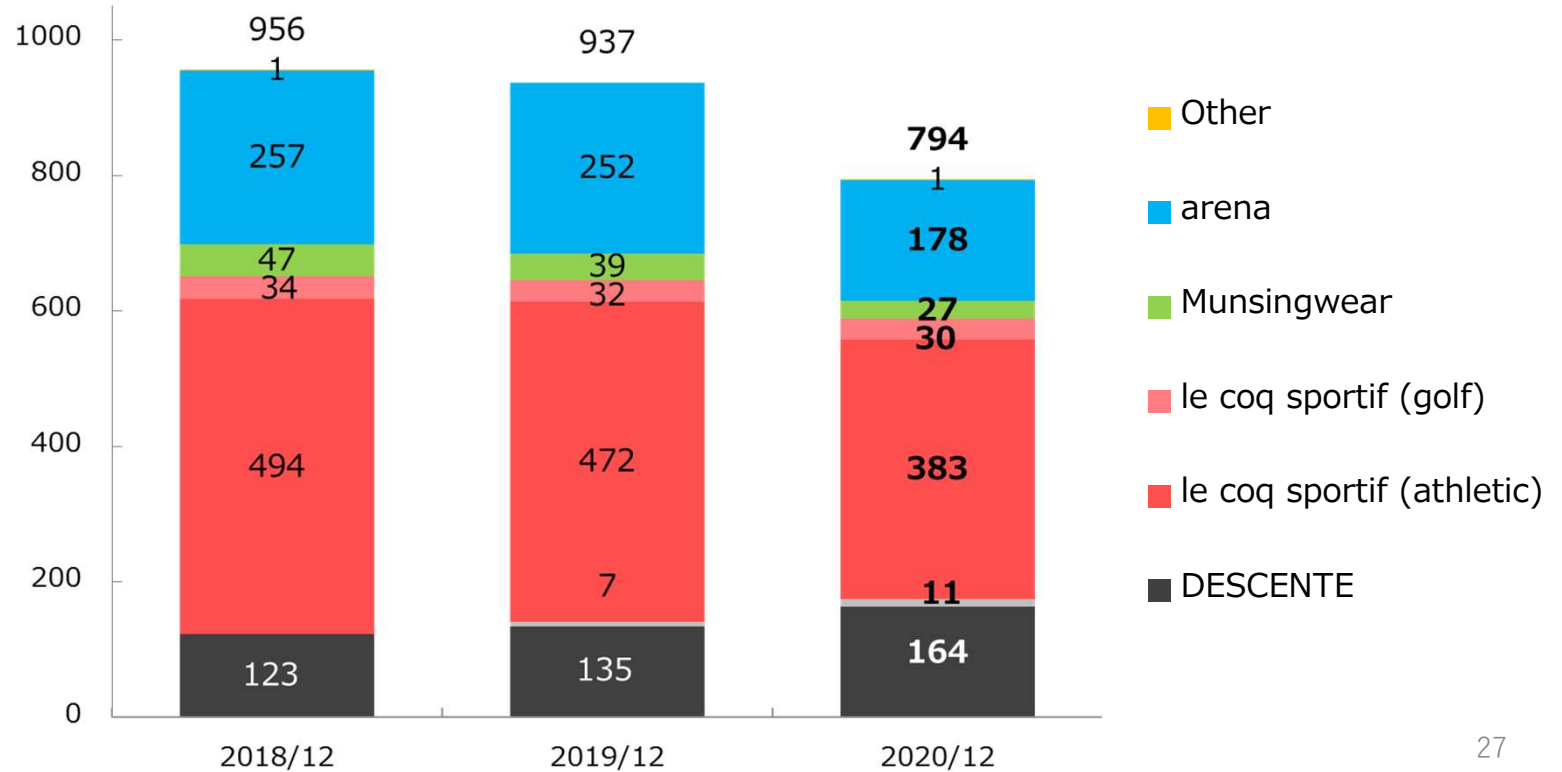
Number of Stores in China (incl. Hong Kong)



1. FY2020 (4) Number of Stores

- **“DESCENTE”**: Slowing the pace of store opening due to the expansion of e-commerce sales. Sales per store increased significantly.
- **“le coq sportif”**: Closed unprofitable stores.

※Including stores of commercial agents and outlets. DESCENTE athletic and DESCENTE golf stores are separated since December 2019 (number of stores)



1. FY2020

(1) Financial Summary

(2) Brand Review

(3) Area Review

(4) Number of Stores

2. Plan for FY2021

FY2021 Earnings Forecast



2. Plan for FY2021

Operating income : Significant growth since sales growth due to the mitigation of COVID-19 and continue cuts in SG&A expenses.

Ordinary income: Significant increase due to increase of operating income and also profit from equity in China.

Net income : Decrease due to a reaction to the recording of extraordinary income in FY2020.

(Unit: JPY million)	FY2018	FY2019	FY2020	
			Revised Forecast	YoY
Net sales	124,561	96,862	103,000	+6,138 (106.3%)
Operating income	379	▲ 1,806	3,100	+4,906 (-)
(%)	0.3%	-	3.0%	-
Ordinary income	456	▲ 584	4,300	+4,884 (-)
(%)	0.4%	▲ 0.6%	4.2%	-
Profit attributable to owners of parent	▲ 2,481	5,039	3,000	▲ 2,039 (59.5%)
(%)	▲ 2.0%	5.2%	2.9%	-

Predicted Exchange Rate : USD105.70、100KRW8.90、CNY15.40、HKD13.60

FY2021 Earnings Forecast in Segments and Area (Consolidated)

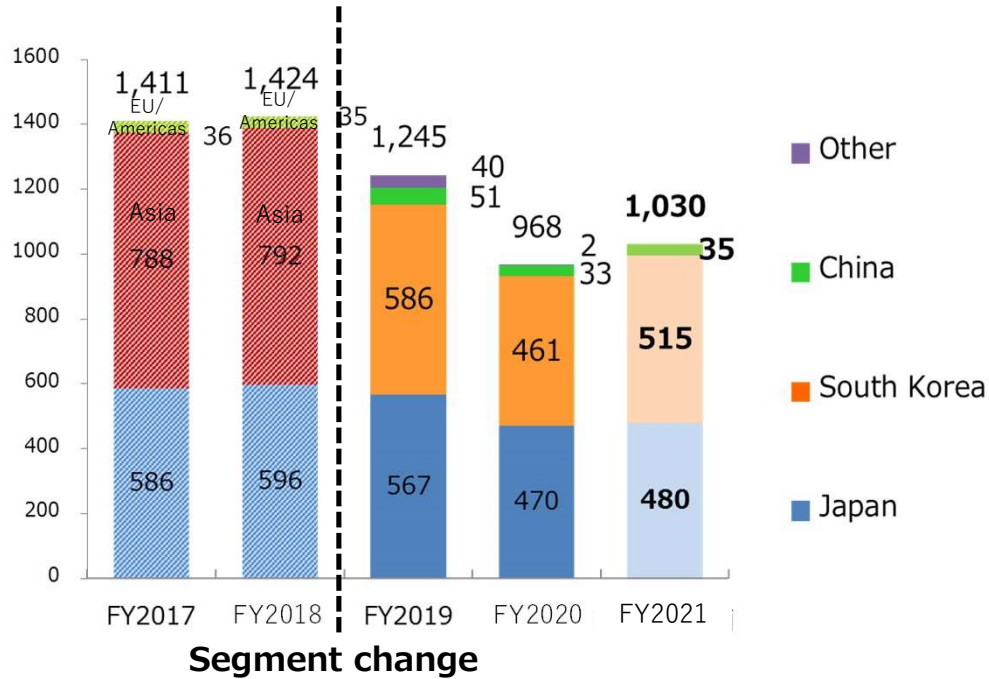


2. Plan for FY2021

Sales of segments : Forecasting increase in all segments
Sales of brands : Forecasting increase, mainly by "DESCENTE"

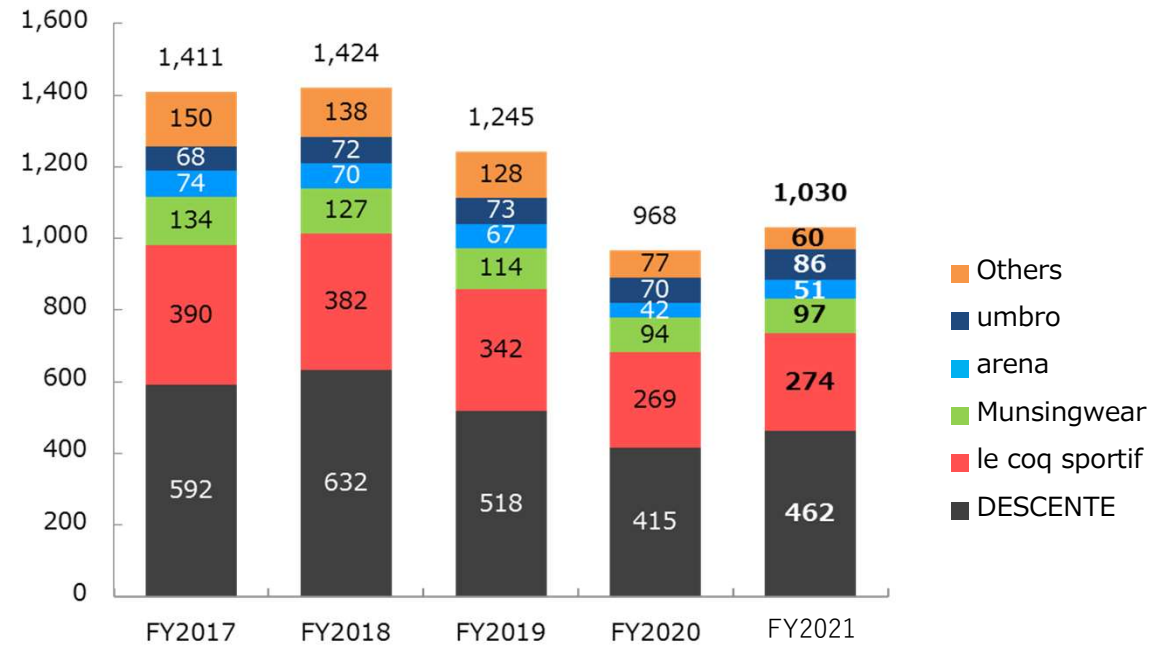
Segment Sales Forecast

(Yen in 01 billions)

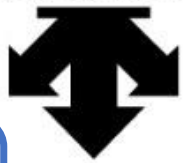


Brand Sales Forecast

(Yen in 0.1 billions)



Note: FY2020 = FY ended March 31 2021



FY2021 Dividend Forecast

2. Plan for FY2021

Dividends based on 30% payout ratio policy.

(Unit: JPY million)	FY2017	FY2018	FY2019	FY2020	FY2021 Plan
Dividends	1,733	1,960	-	-	905
Amount/share	JPY23.0	JPY23.0	-	-	JPY12.0
Profit attributable to owners of parent (Consolidated)	5,771	3,944	▲ 2,481	5,039	3,000
Payout ratio	30.0%	49.7%	-	-	30.2%

Note: FY2020 = FY ended March 31 2021

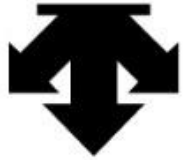
Exchange Rate

		USD	100KRW	CNY	HKD	SGD	GBP
FY2021	4Q YTD plan	105.70	8.90	15.40	13.60	-	-
FY2020	4Q YTD	106.04	9.06	15.42	13.72	77.27	-
	3Q YTD	106.74	8.94	15.31	13.82	77.22	-
	2Q YTD	107.48	8.95	15.32	13.95	77.30	-
	1Q YTD	108.36	9.05	15.53	14.04	78.32	139.10
FY2019	4Q YTD	109.24	9.41	15.82	13.95	80.12	139.49
	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

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.

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

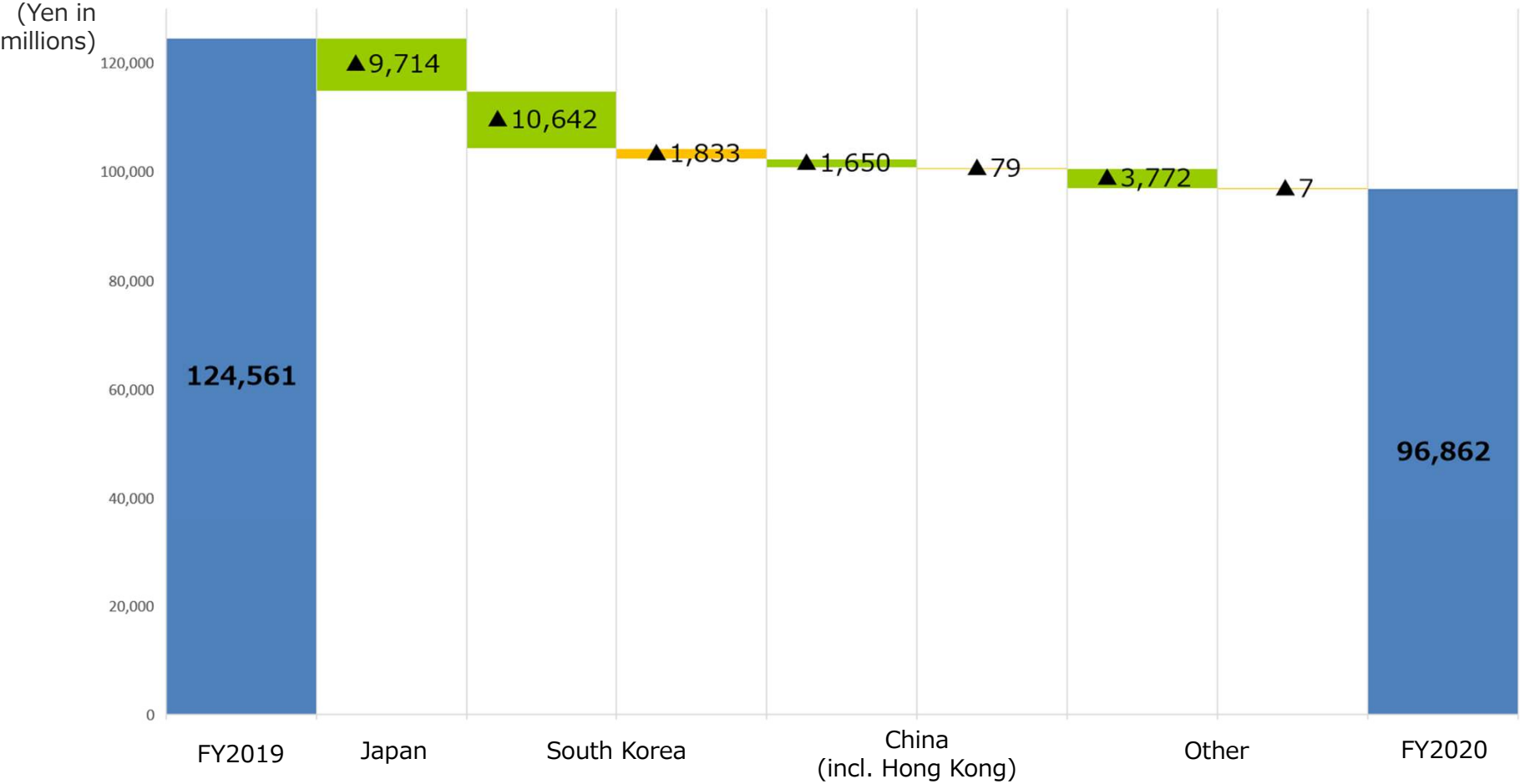
FY2020 = FY ended March 31 2020



FY2020 Reference

(Quarterly Sales and Operating Income by segment)

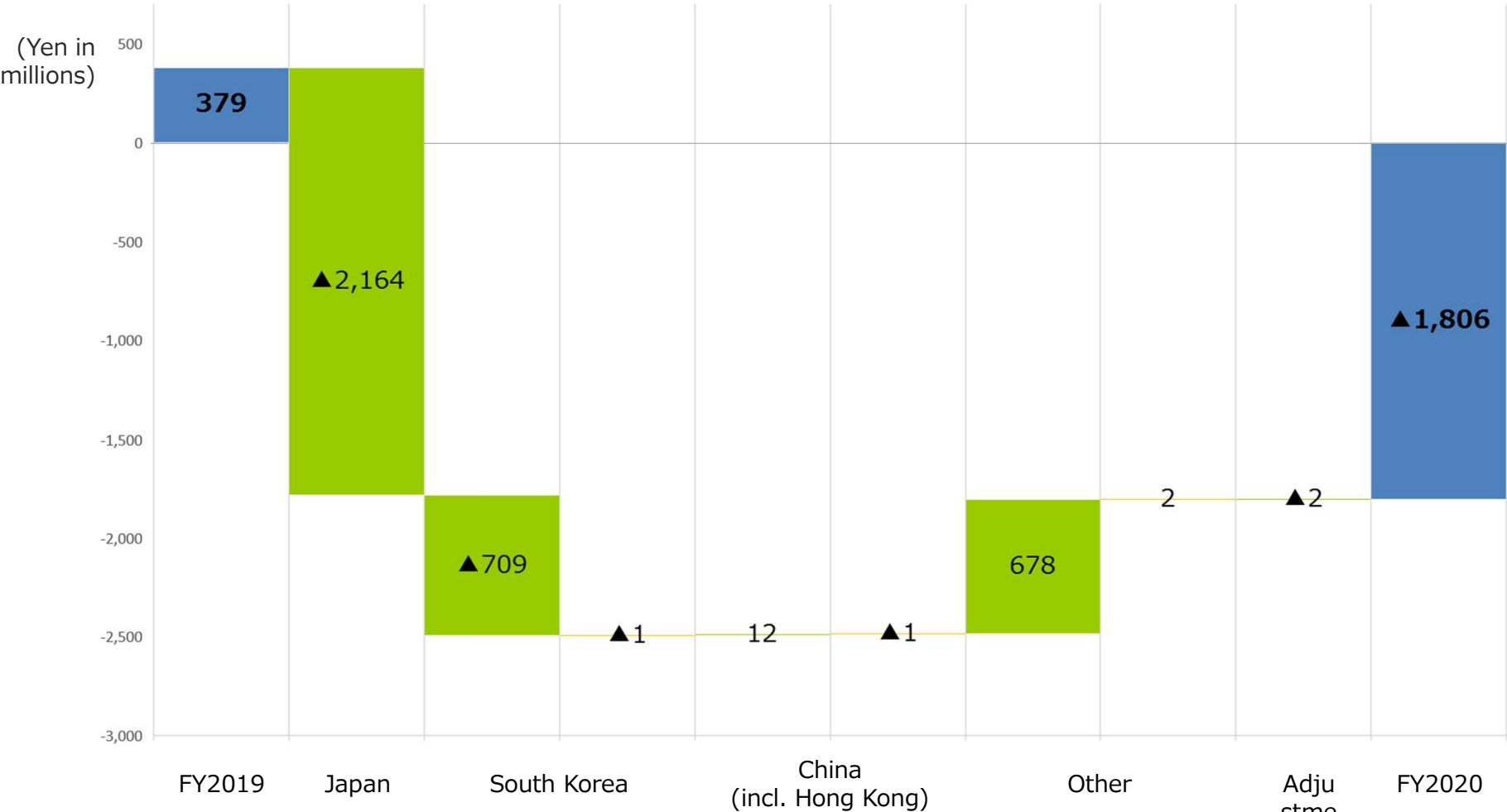
Net Sales (YoY)



Note: FY2020 = FY ended March 31 2021

■ Net Sales
 ■ Actual Gain / Loss
 ■ Forex Effect

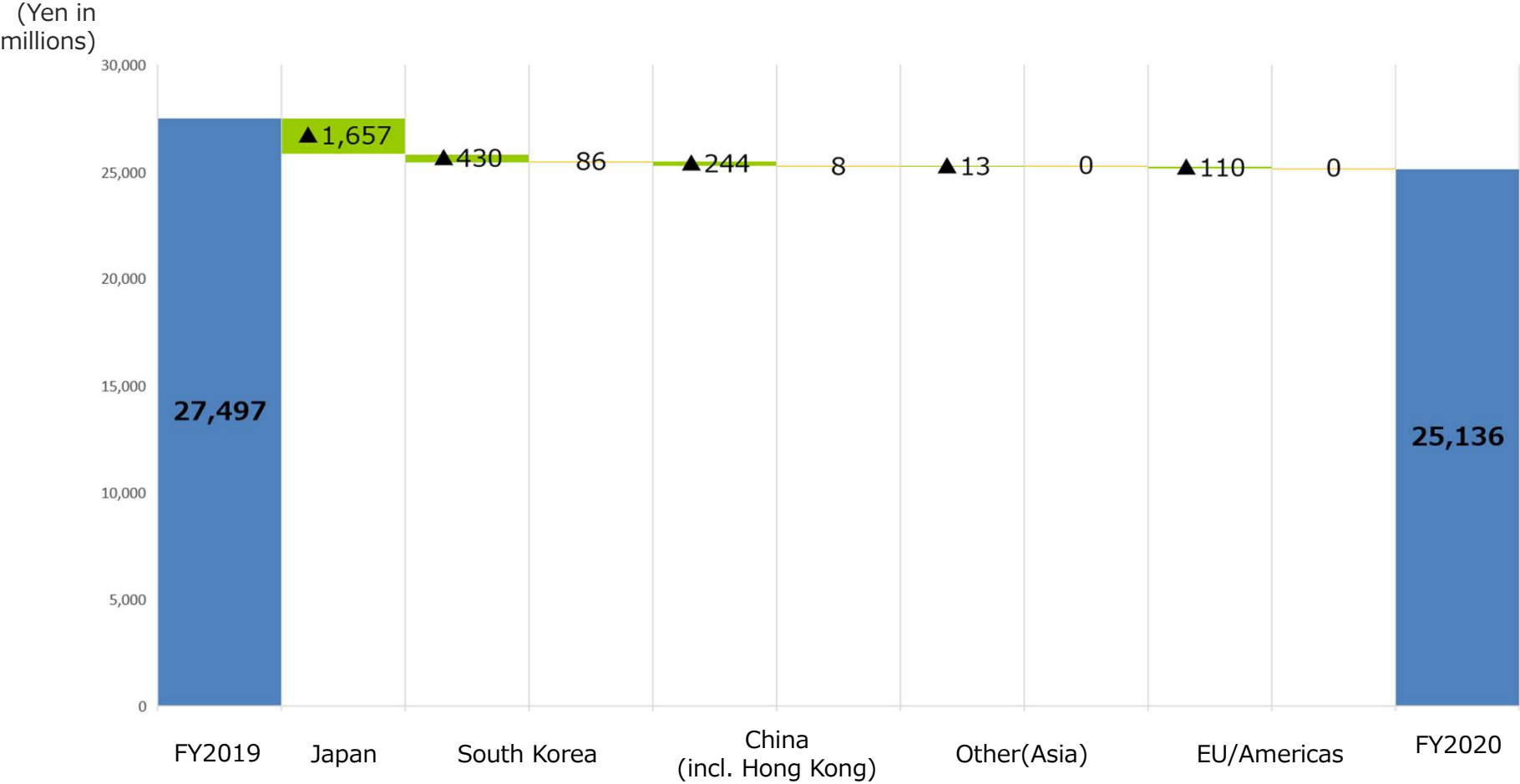
Operating Income (YoY)



Note: FY2020 = FY ended March 31 2021

Operating income Actual Gain / Loss Forex Effect

Inventory (YoY)



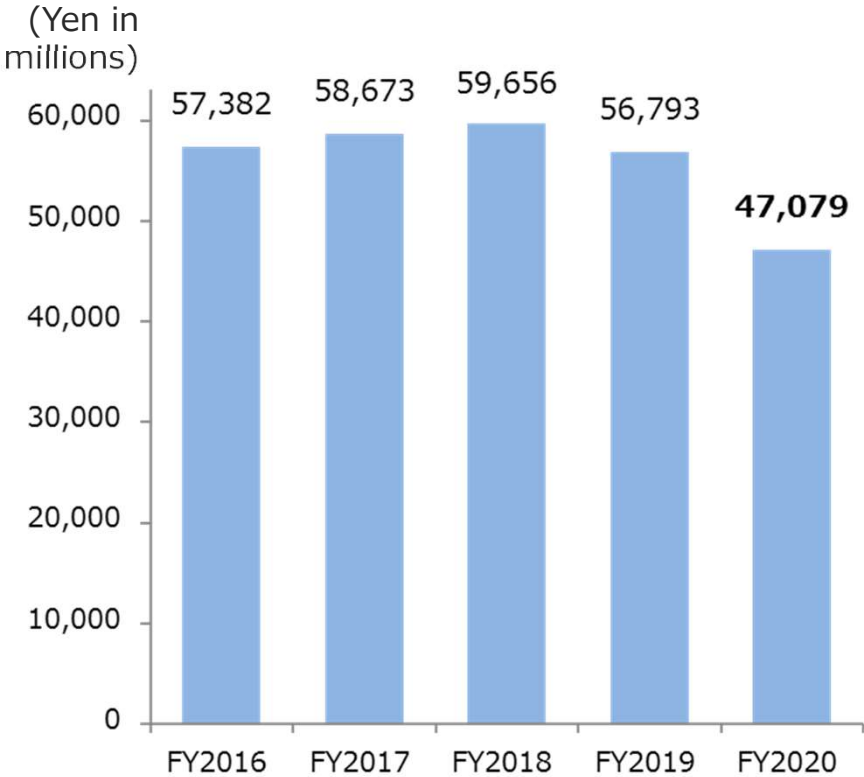
Note: FY2020 = FY ended March 31 2021

■ Inventories
 ■ Actual Gain / Loss
 ■ Forex Effect

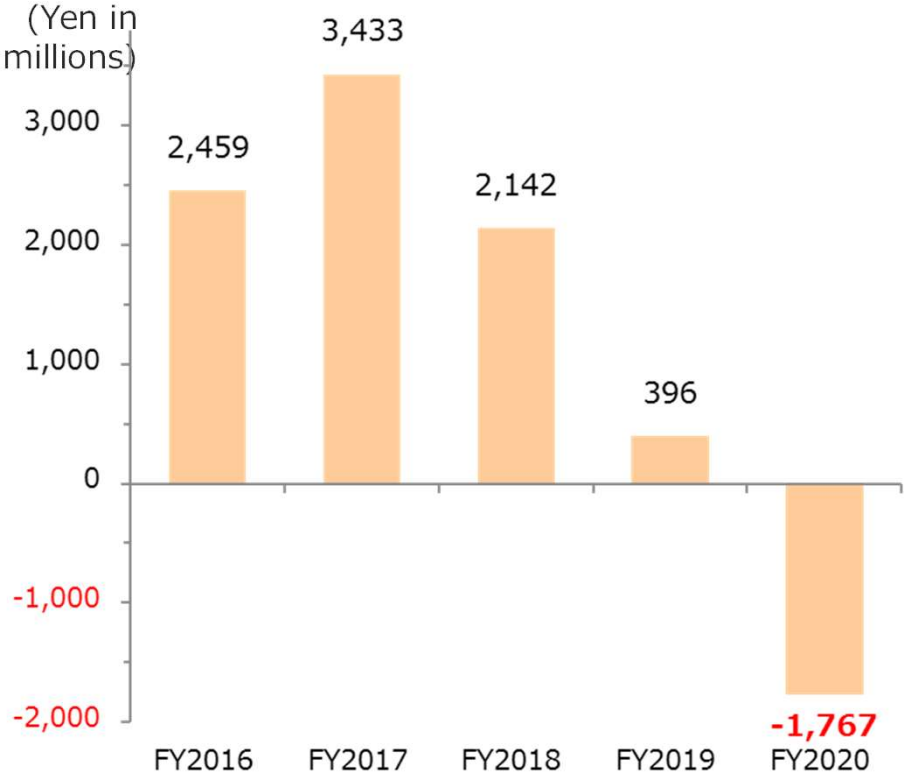
Net Sales and Operating Income (Japan)



Net Sales



Operating Income

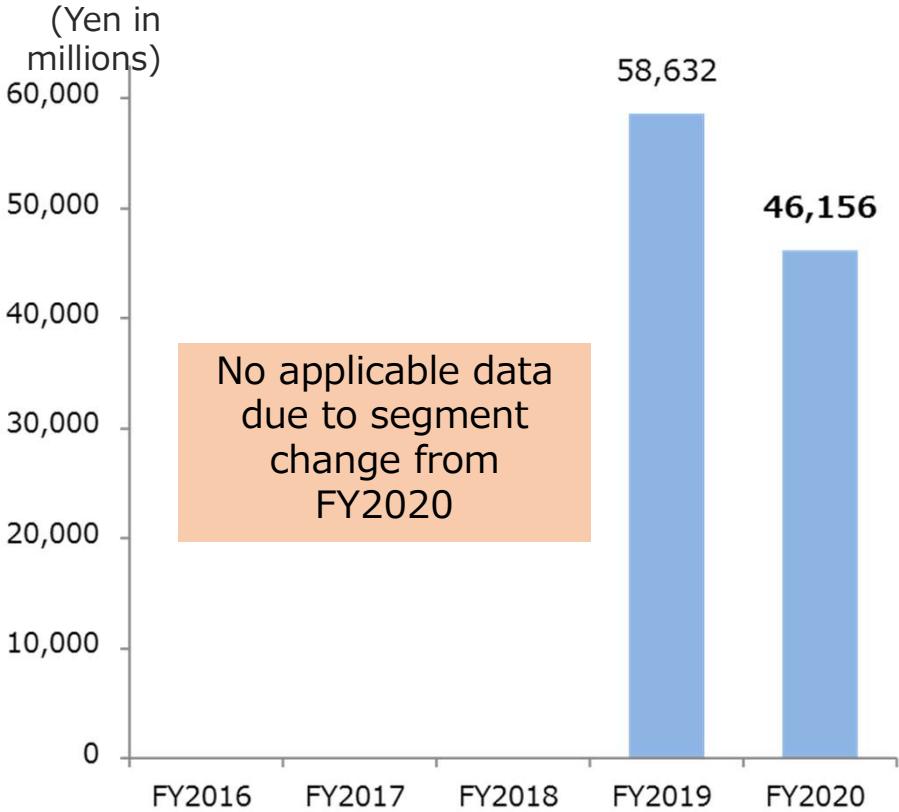


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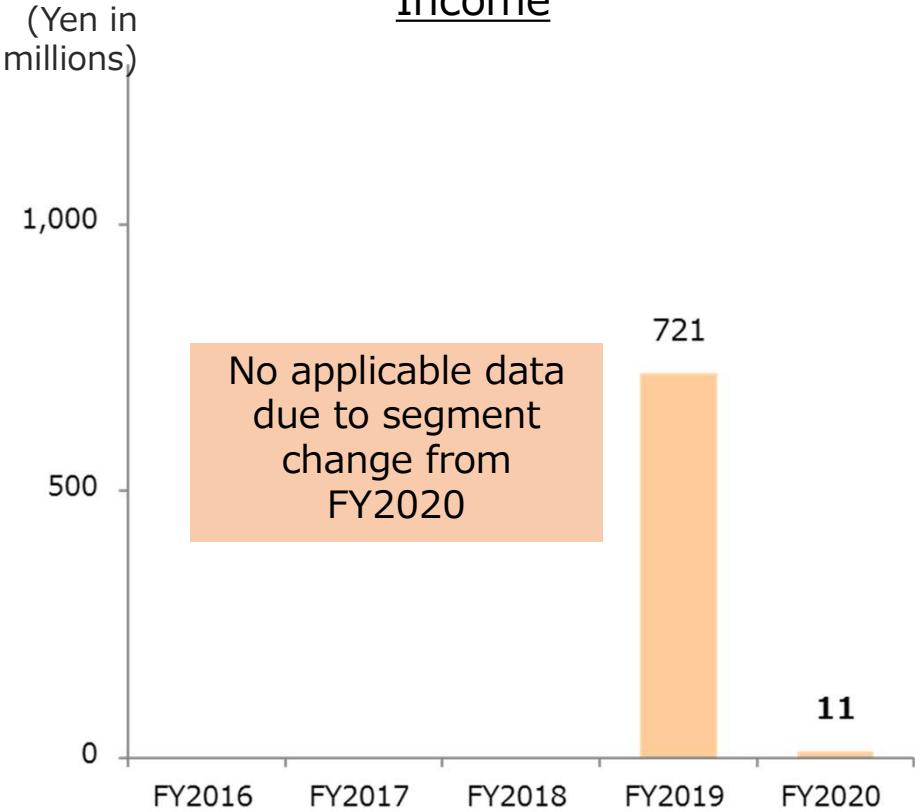
Net Sales and Operating Income (South Korea)



Net Sales



Operating Income

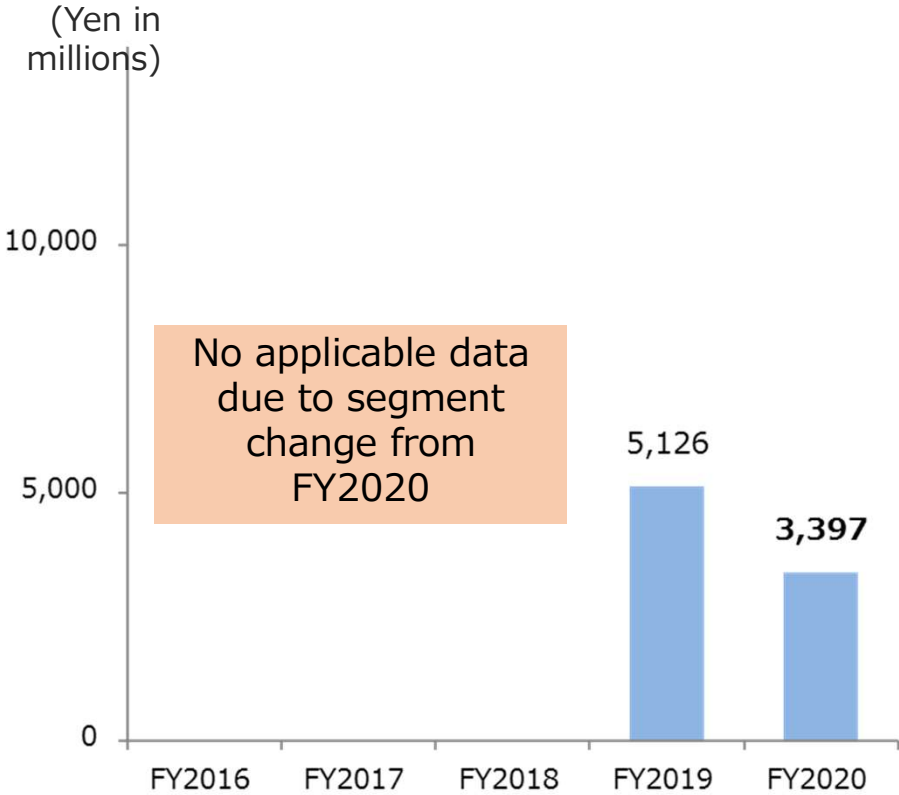


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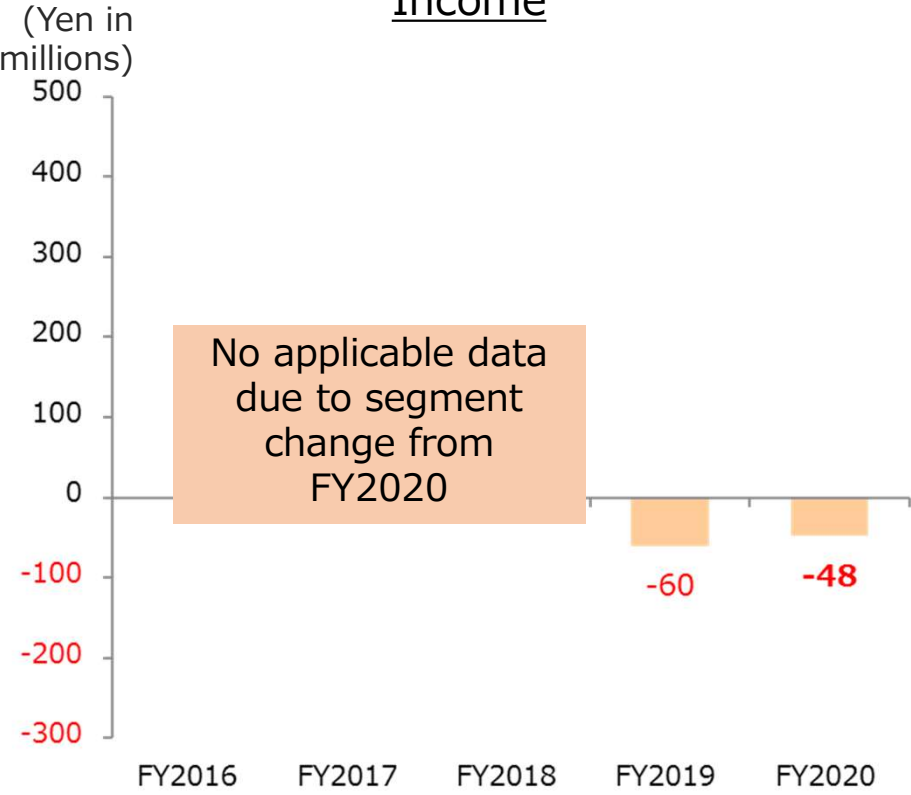
Net Sales and Operating Income (China)



Net Sales

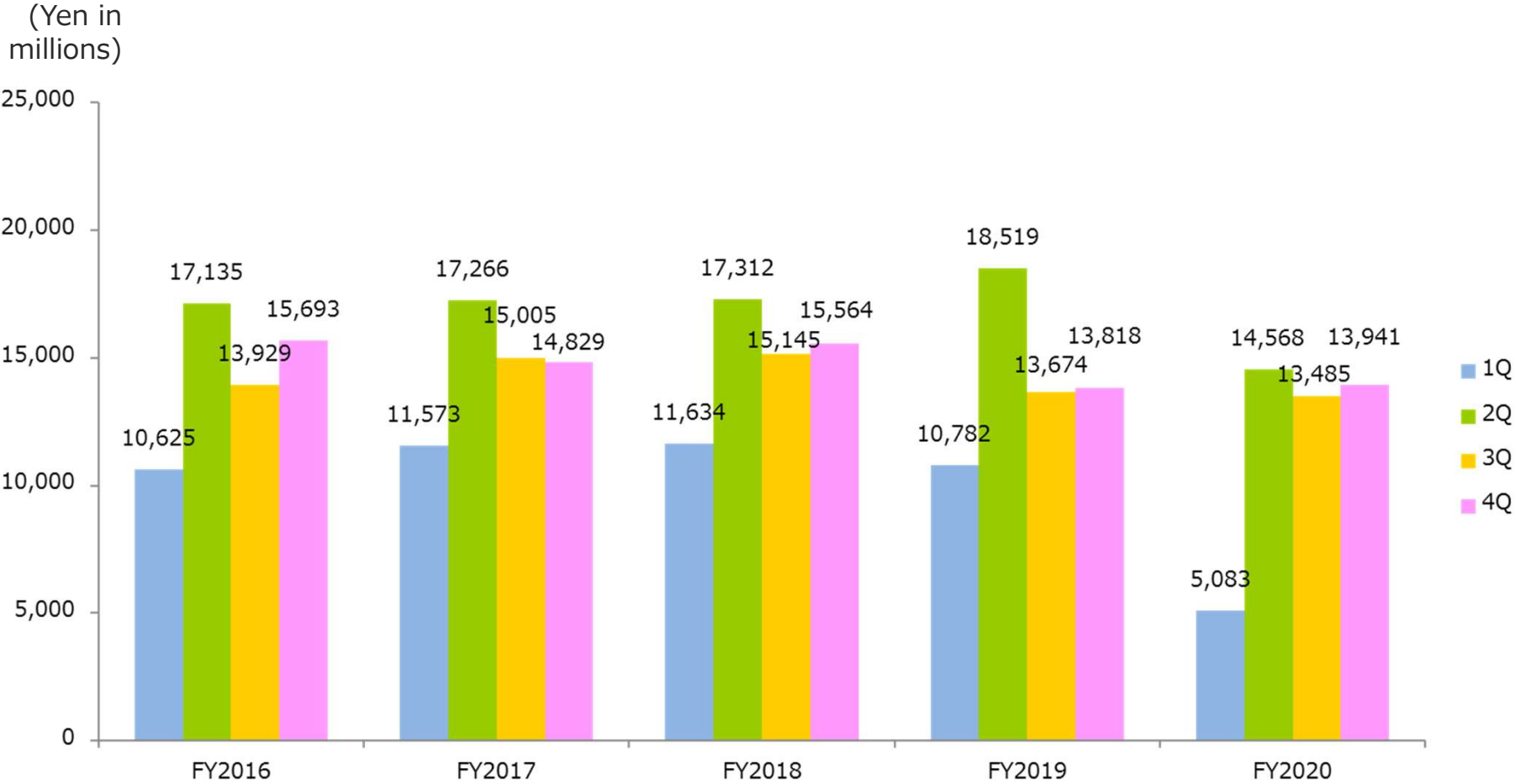


Operating Income



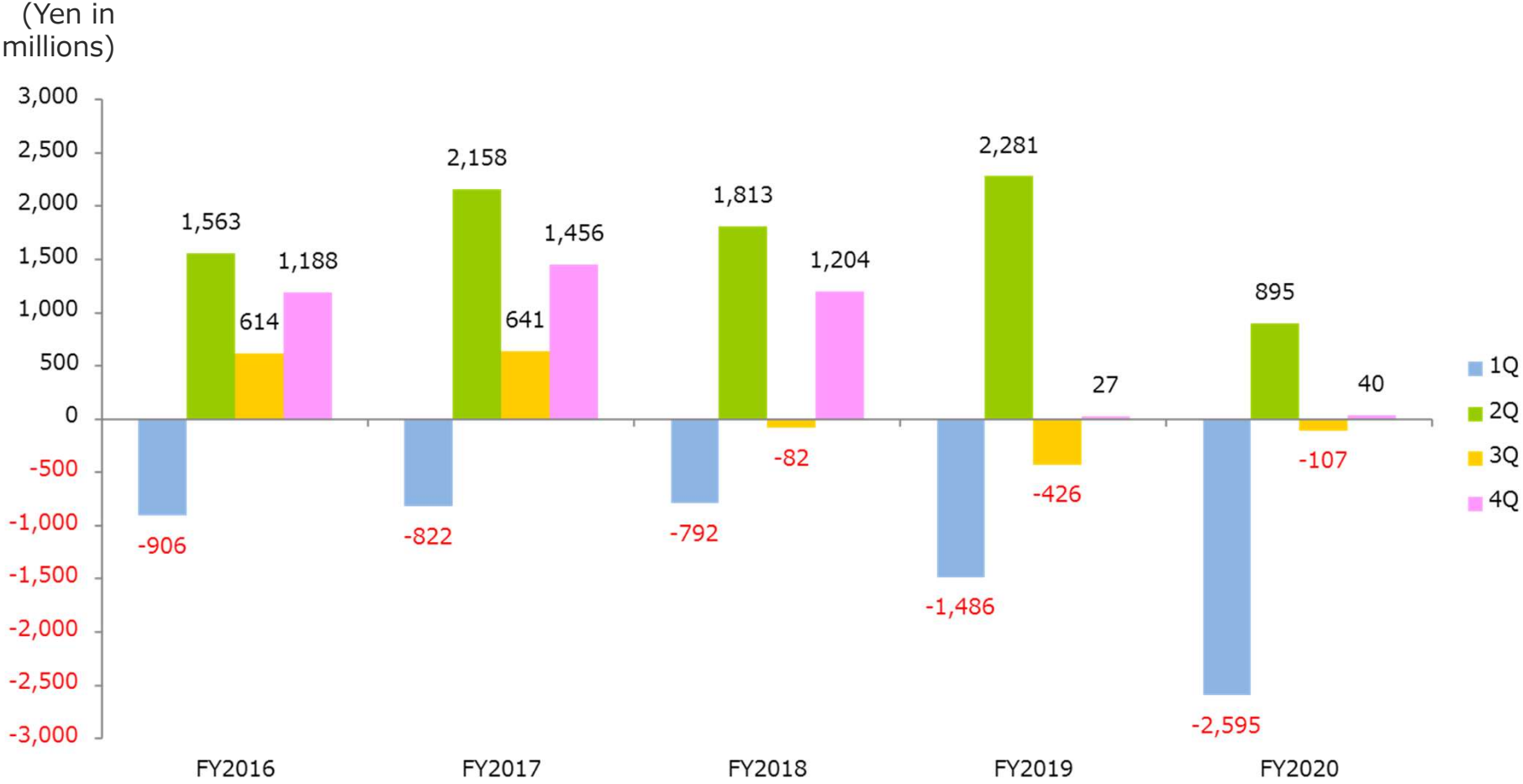
Note: FY2020 = FY ended March 31 2021

Quarterly Sales (Japan)



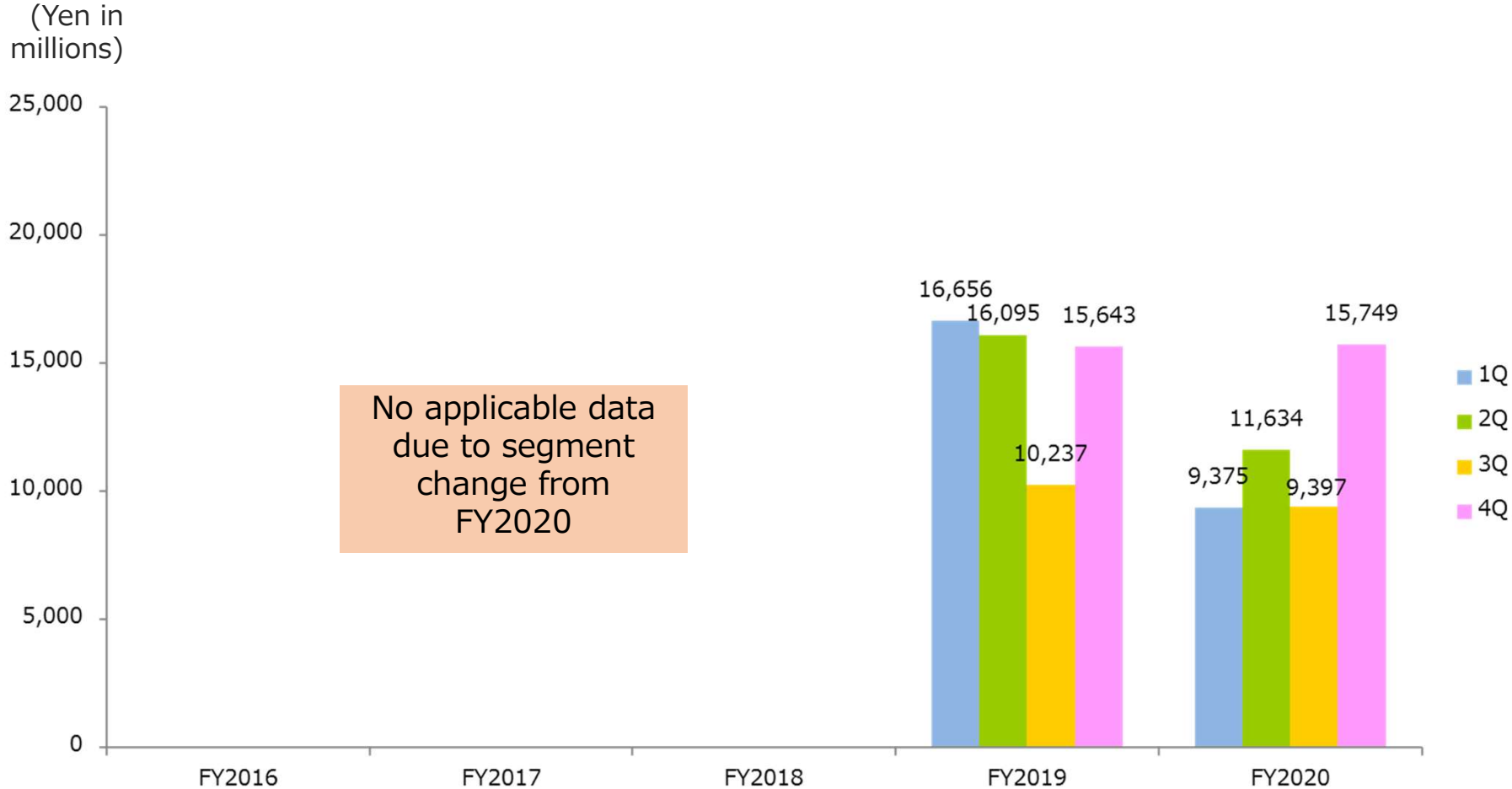
Note: FY2020 = FY ended March 31 2021

Quarterly Operating Income (Japan)



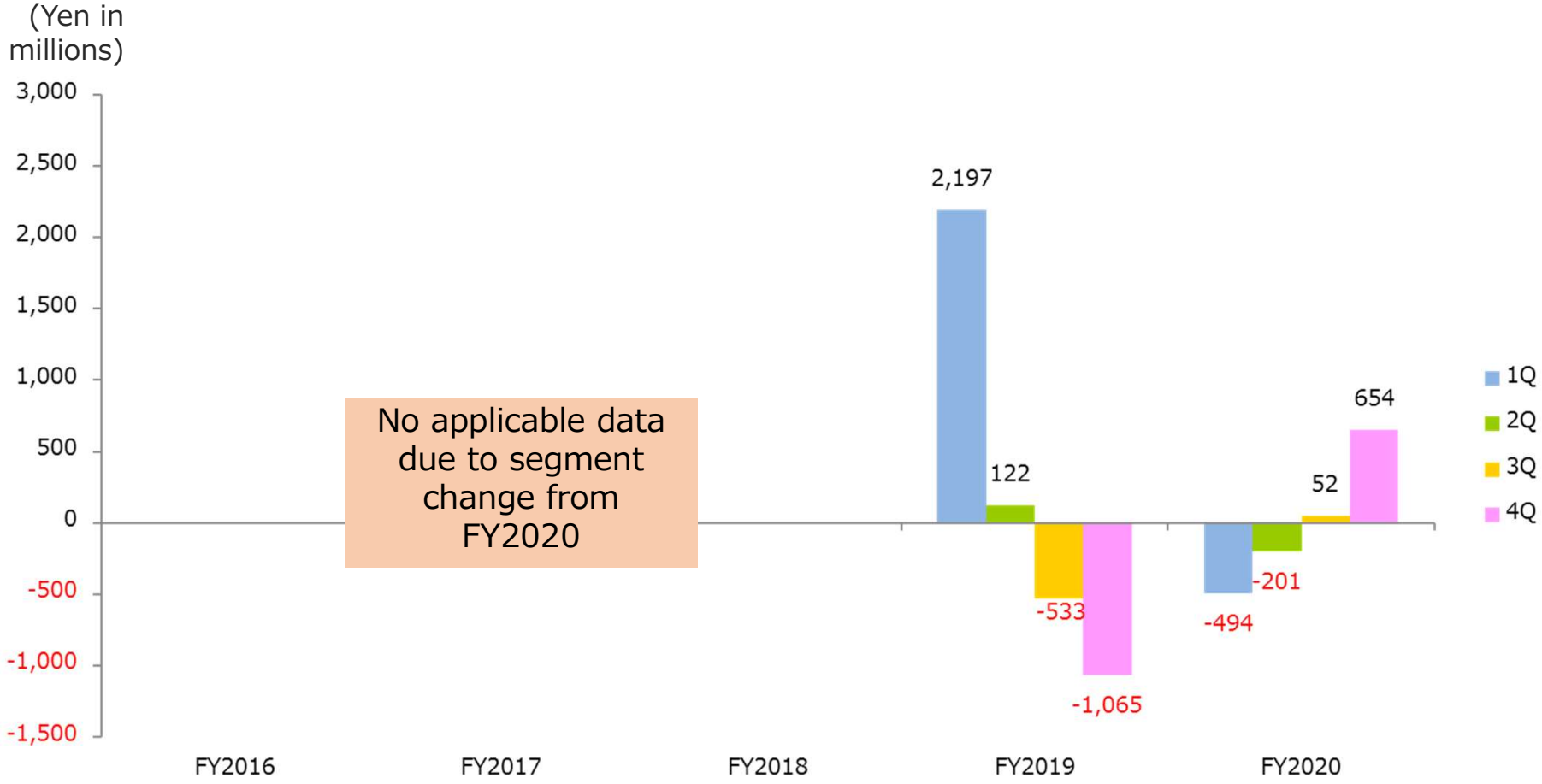
Note: FY2020 = FY ended March 31 2021

Quarterly Sales (South Korea)



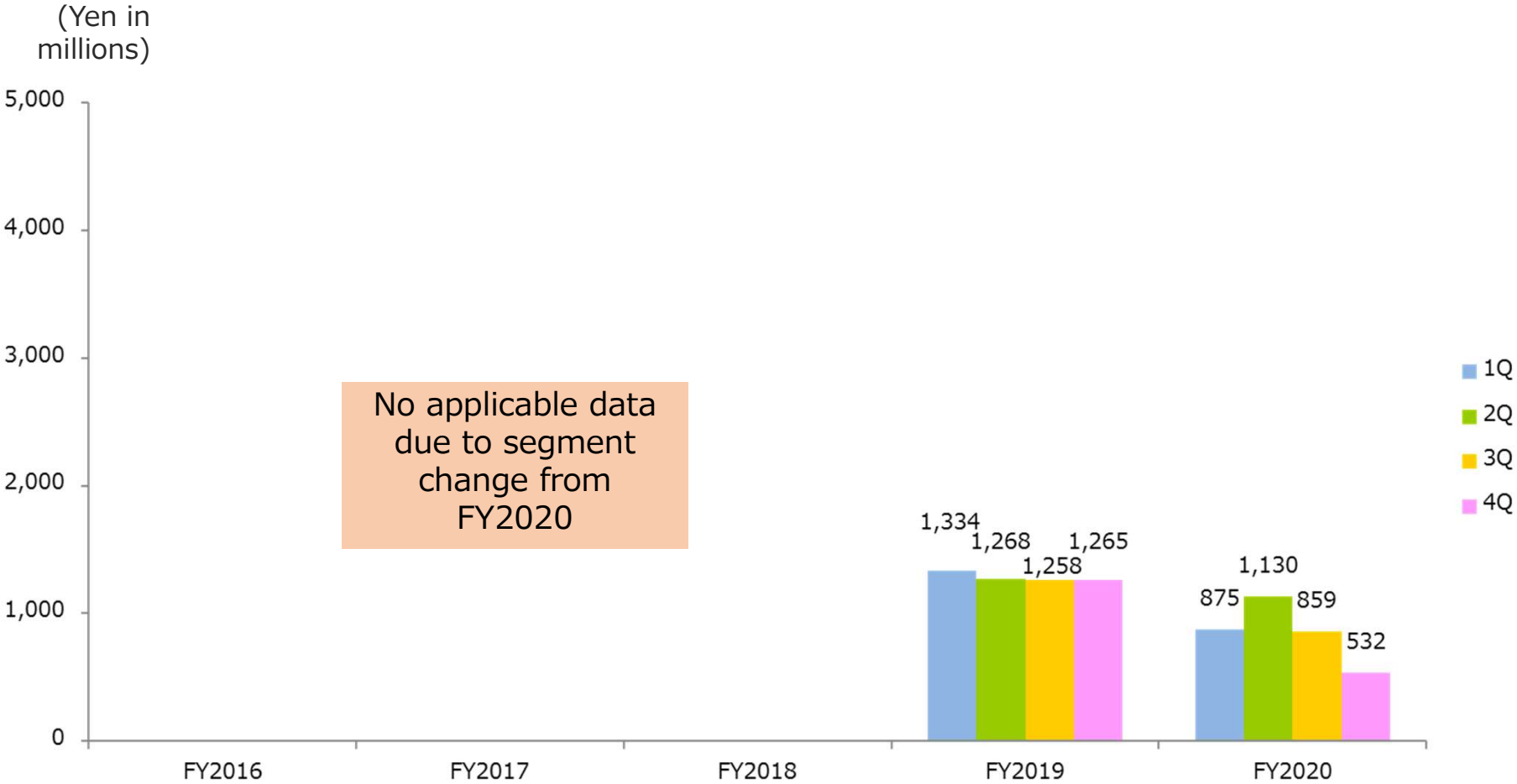
Note: FY2020 = FY ended March 31 2021

Quarterly Operating Income (South Korea)



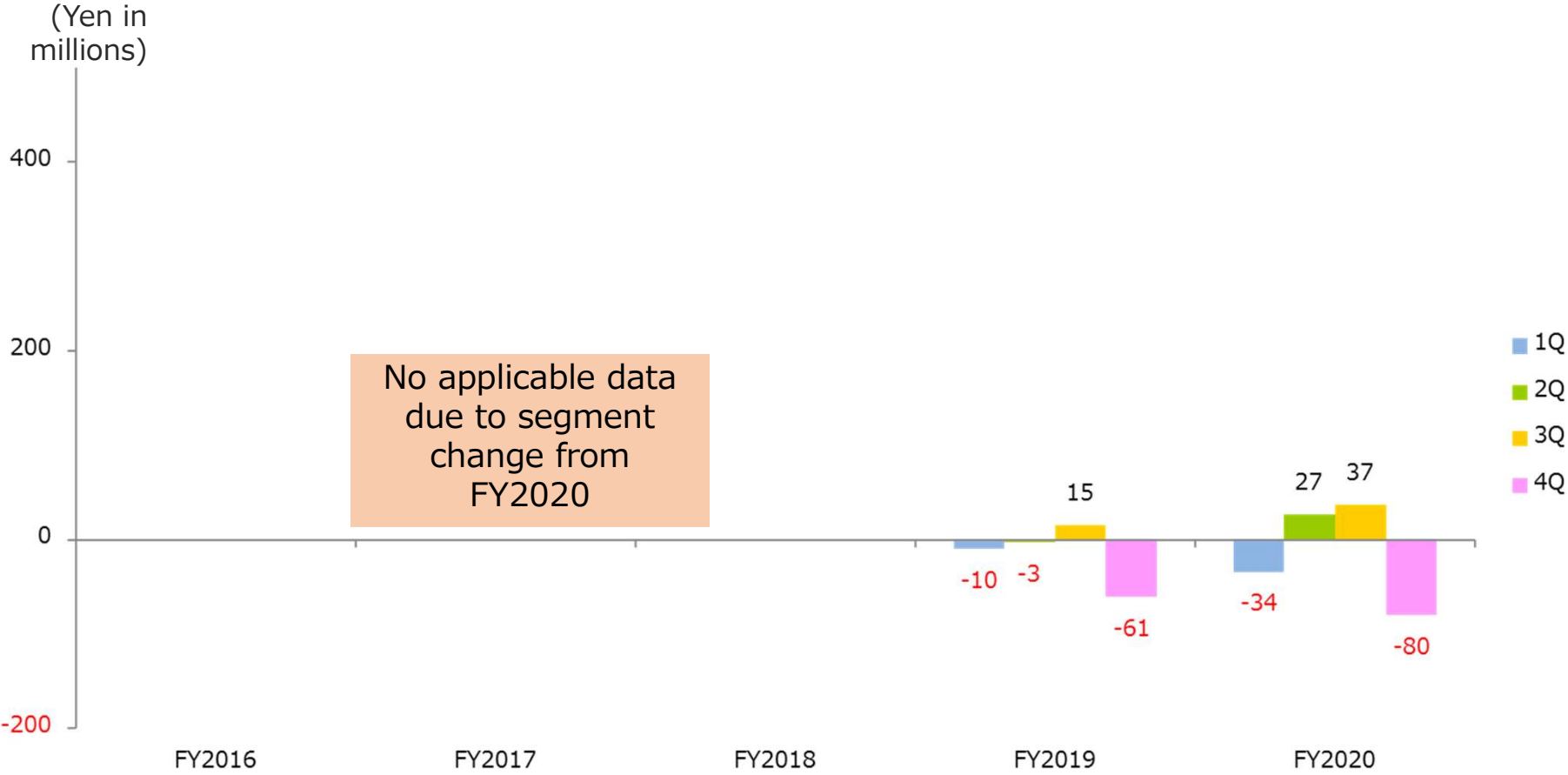
Note: FY2020 = FY ended March 31 2021

Quarterly Sales (China)



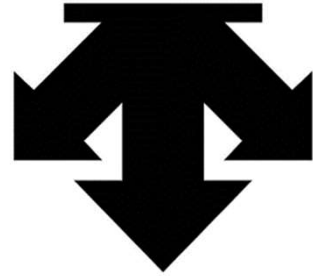
Note: FY2020 = FY ended March 31 2021

Quarterly Operating Income (China)



Note: FY2020 = FY ended March 31 2021

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