



Design for Sports

# **Consolidated Financial Summary for the Second Quarter of Fiscal Year Ending March 31,2018**

**October 30, 2017  
DESCENTE LTD.**

(TSE 1<sup>st</sup> Section: 8114)



**By Segment:** Based on the location of the company, and classified according to country and area.  
**Example:** Net sales from DESCENTE LTD. to Distributor in Spain is counted in Japan segment.

**By Area:** Based on the location of the customer, and classified according to country and area.  
**Example:** Net sales from DESCENTE LTD. to Distributor in Spain is counted in Europe/Americas segment.

\* Group internal sales is eliminated in neither of these cases.(Not Counted)



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# **1. 2<sup>nd</sup> Quarter of FY ending March 31,2018**

## **i . Overview**

ii . Review by Segment

iii . Review by Brand

iv . Topics

## **2. Objectives and plan for the FY ending March 31, 2018**

# Results for 2<sup>nd</sup> Quarter FY ending March 31, 2018(Consolidated)



1.2<sup>nd</sup> Quarter of FY ending March 31, 2018

i . Overview

Design for Sports

**Net sales increased as the guidance.  
Operating income in Japan made up for those in Asia and  
achieved the guidance.**

(Unit: JPY Million)

	FY2018 2nd Quarter performance	FY2017		FY2018		FY2018	
		2nd Quarter performance	Year- on-year	2nd Quarter Guidance	VS guidance	Full Year Guidance	VS guidance
Net sales	65,959	62,528	105.5%	66,000	99.9%	139,000	47.5%
Operating income	3,399	3,438	98.9%	3,100	109.6%	8,400	40.5%
( % )	5.2%	5.5%		4.7%		6.0%	
Ordinary income	3,504	3,743	93.6%	3,200	109.5%	8,600	40.7%
( % )	5.3%	0		4.8%		6.2%	
Profit attributable to owners of parent	2,440	2,678	91.1%	2,000	122.0%	5,700	42.8%
( % )	3.7%	4.3%		3.0%		4.1%	

# Net Sales Transition (consolidated : by area)



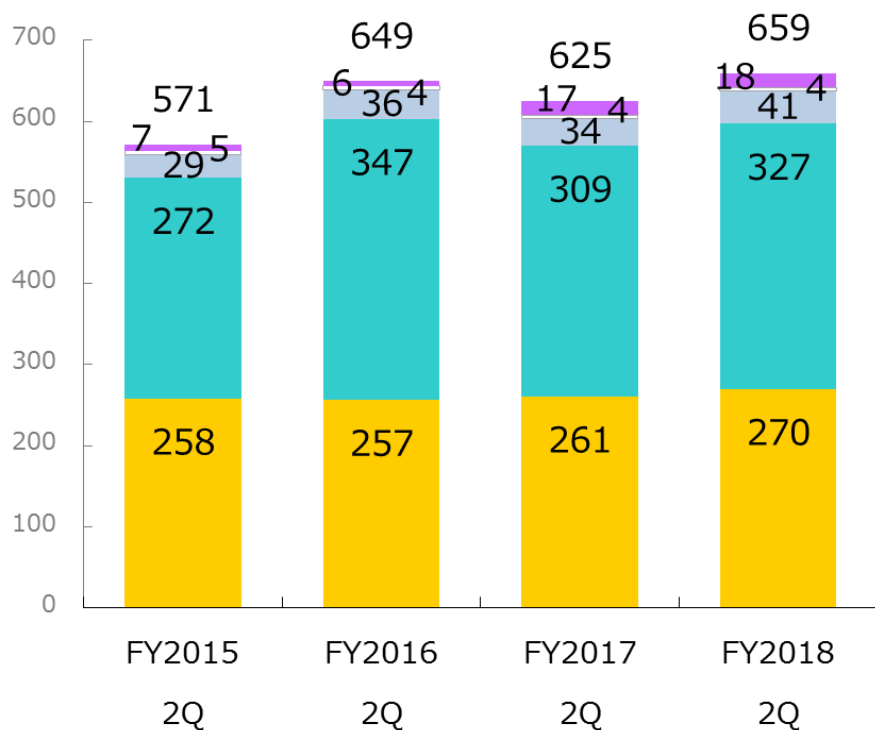
1.2<sup>nd</sup> Quarter of FY ending March 31, 2018

i . Overview

Design for Sports

**Sales increased in three principal countries (Japan, Korea and China), and Europe/Americas.**

(Unit: JPY 0.1Billion)



**YoY +34 billion (105%)**

Japan +0.9 billion  
 Korea: +1.8 billion  
 China (incl. Hong Kong and Taiwan) +0.7 billion  
 Other Asian countries ▲0.0 billion  
 Europe/Americas +0.0 billion

Overseas Ratio	FY2015 2Q	FY2016 2Q	FY2017 2Q	FY2018 2Q
Overseas Ratio	55%	60%	58%	59%

■ Japan  
■ Korea  
■ China (incl. Hong Kong and Taiwan)  
■ Other Asian Countries  
■ Europe/North America

# Net Sales by item (consolidated)



1.2<sup>nd</sup> Quarter of FY ending March 31, 2018

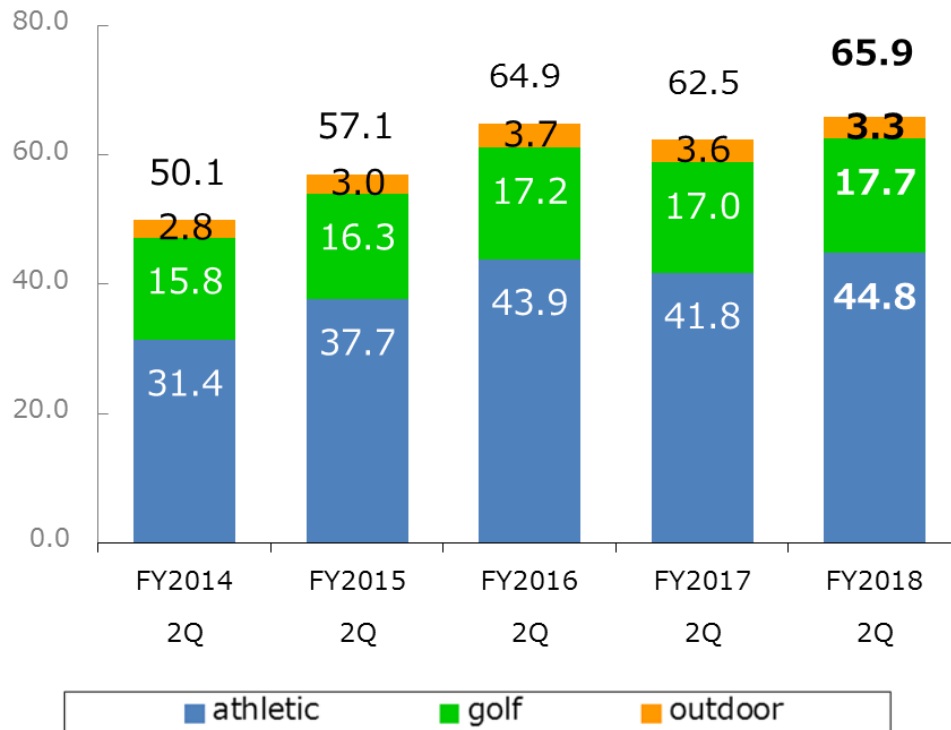
i . Overview

Design for Sports

**Sales in athletic category especially DECENTE brand increased both in domestic and overseas.**

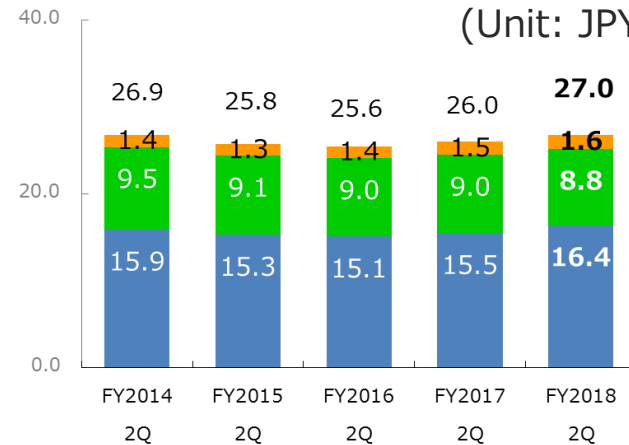
## Consolidated

(Unit: JPY Billion)



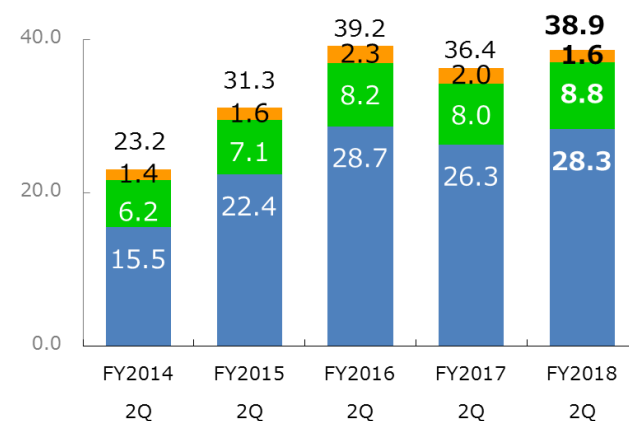
## Domestic

(Unit: JPY Billion)



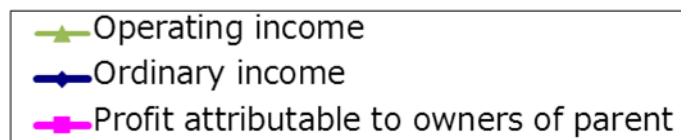
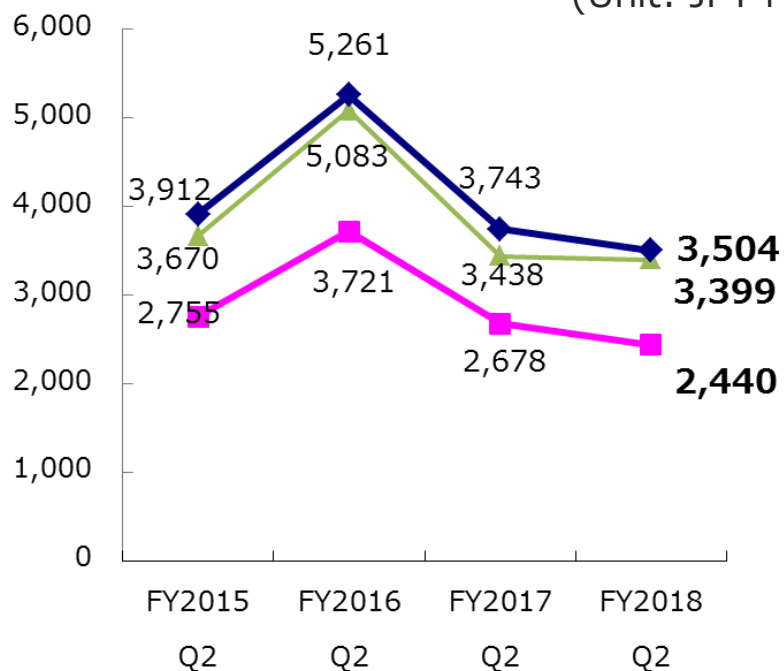
## Overseas

(Unit: JPY Billion)



**Operating income is almost the same as last year.  
Non-operating income is decreased by 199m because of losses of affiliates by Descente China(149m) and FX. (+113m YoY)**

(Unit: JPY Million)



(Unit: JPY Million)

	Current period	Prev. period	Change
<b>Operating income</b>	<b>3,399</b>	<b>3,438</b>	<b>▲ 39</b>
Non-operating income	243	403	▲ 160
Non-operating expenses	138	98	40
<b>Ordinary income</b>	<b>3,504</b>	<b>3,743</b>	<b>▲ 239</b>
Extraordinary income	0	0	0
Extraordinary loss	0	0	0
Total income taxes	1,063	1,064	▲ 1
<b>Profit attributable to owners of parent</b>	<b>2,440</b>	<b>2,678</b>	<b>▲ 238</b>

# Balance Sheets Transition (consolidated)



1.2<sup>nd</sup> Quarter of FY ending March 31, 2018

i . Overview

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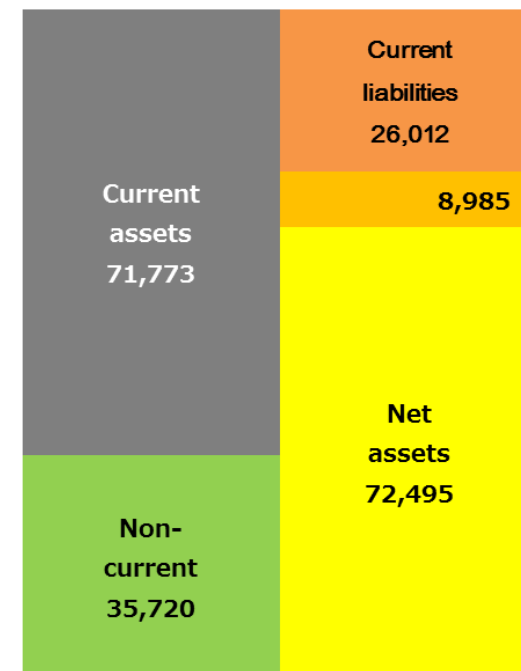
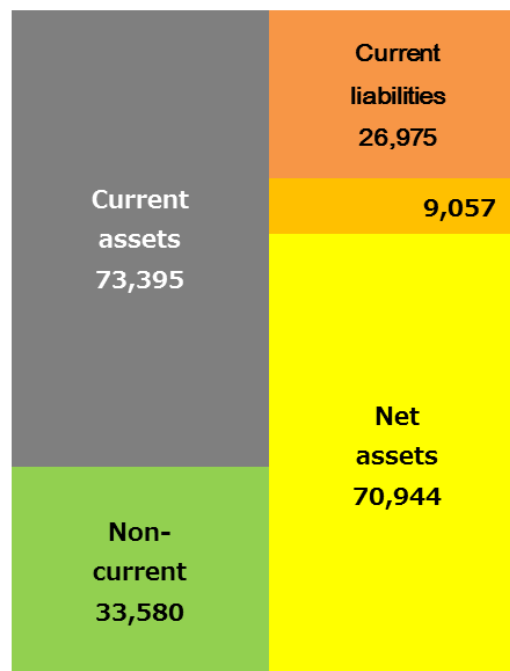
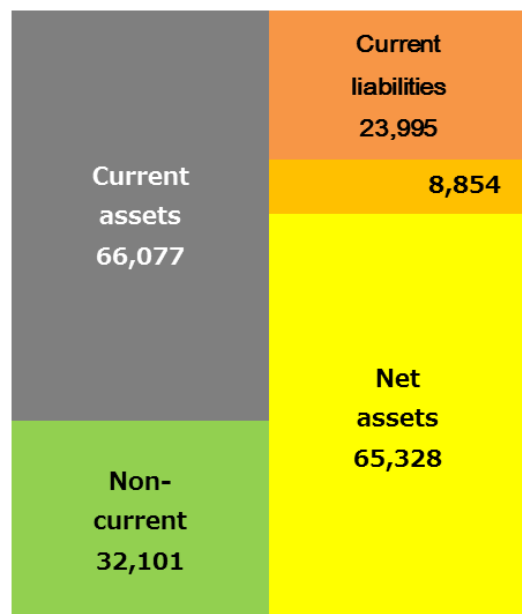
**Total assets increased by 9,315m YoY by FX (+4,053m) etc.  
Non-current assets increased by investment on R&D centers (+1,328m) and so on.**

(Unit: JPY Million)

2016/9/30

2017/3/31

2017/9/30



Total assets	98,178
Equity ratio	66.5%

Total assets	106,976
Equity ratio	66.3%

Total assets	107,493
Equity ratio	67.4%



# Cash Flow (consolidated)

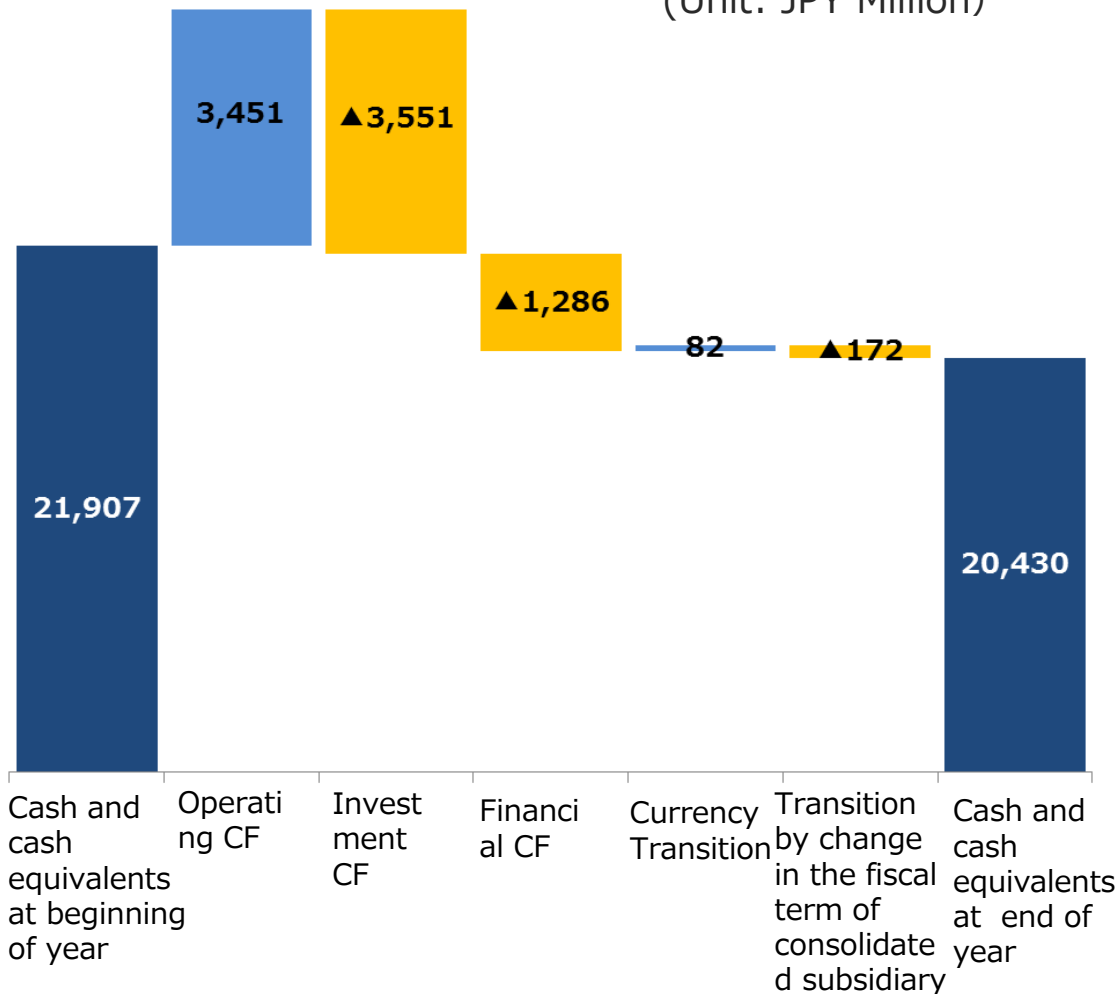


1.2<sup>nd</sup> Quarter of FY ending March 31, 2018  
i . Overview

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**Free cash flow excluding the investment for R&D centers (1,328m) is 1,228m**

(Unit: JPY Million)



**Beginning of year compared to last year ▲1,477m**

<b>CF from operating activities</b>	<b>+3,451m</b>
Income before income taxes	+3,504m
Depreciation	+1,582m
Trade receivables	+1,204m
Trade notes	▲1,574m
<b>CF from investing activities</b>	<b>▲3,551m</b>
Gain on tangible assets	▲2,991m
(Investment for R&D center:	
Japan	▲657m
Korea	▲671m
Investment for stores :	
Japan	▲108m
Korea	▲974m)
<b>CF from financing activities</b>	<b>▲1,286m</b>
Dividend	▲1,732m

# Local Net Sales Transition of Major Countries in China

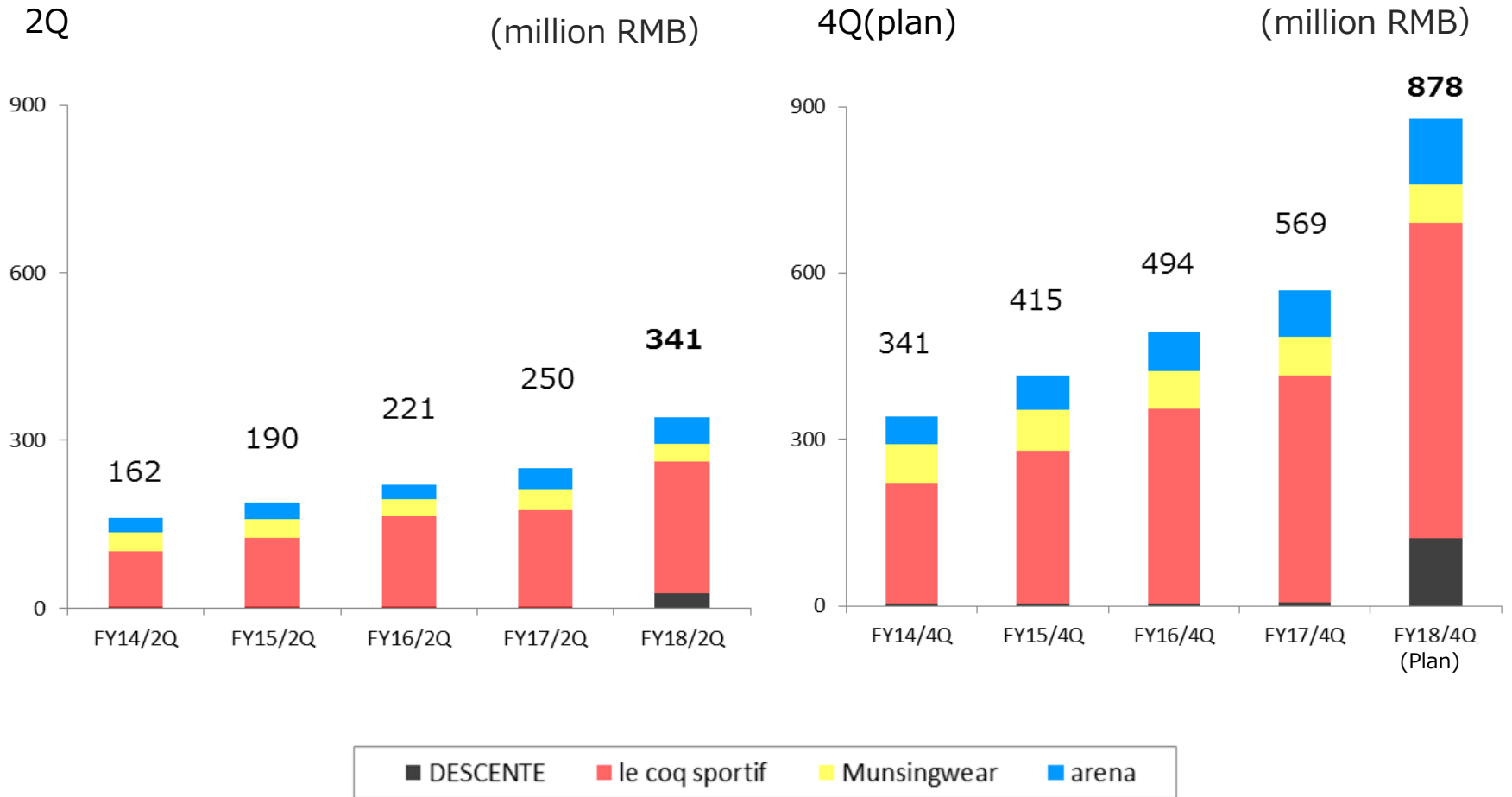
1.2<sup>nd</sup> Quarter of FY ending March 31, 2018

i . Overview



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**Local net sales increased a lot in this term.**



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# **1. 2<sup>nd</sup> Quarter of FY ending March 31,2018**

i . Overview

**ii . Review by Segment**

iii . Review by Brand

iv . Topics

# **2. Objectives and plan for the FY ending March 31, 2018**

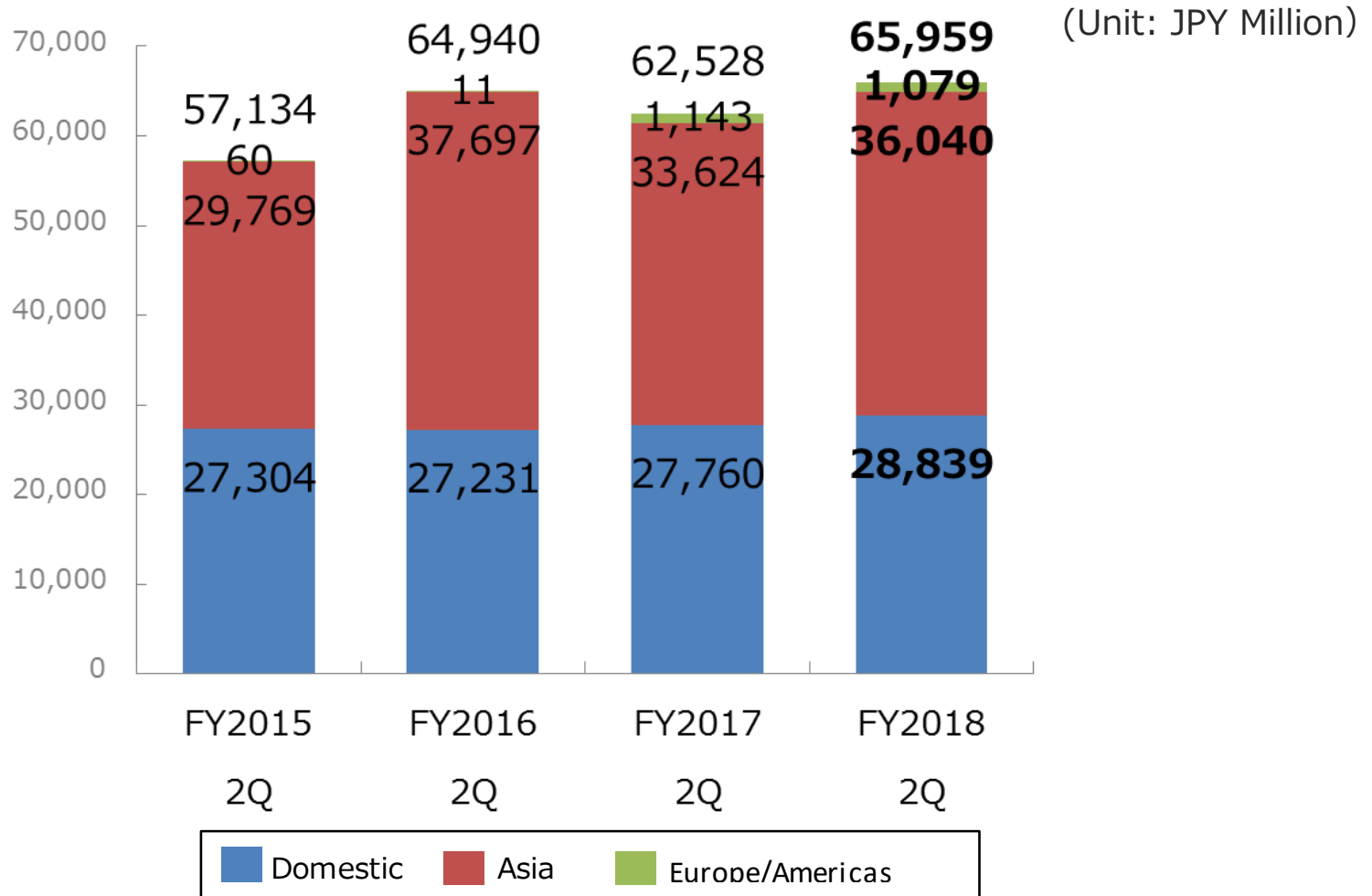
# Net Sales Fluctuations (by Segment: consolidated)



1.2<sup>nd</sup> Quarter of FY ending March 31, 2018  
ii . Review by Segment

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**Net sales increased both in domestic and overseas.**



# Net Sales Fluctuations (by Segment : YoY)

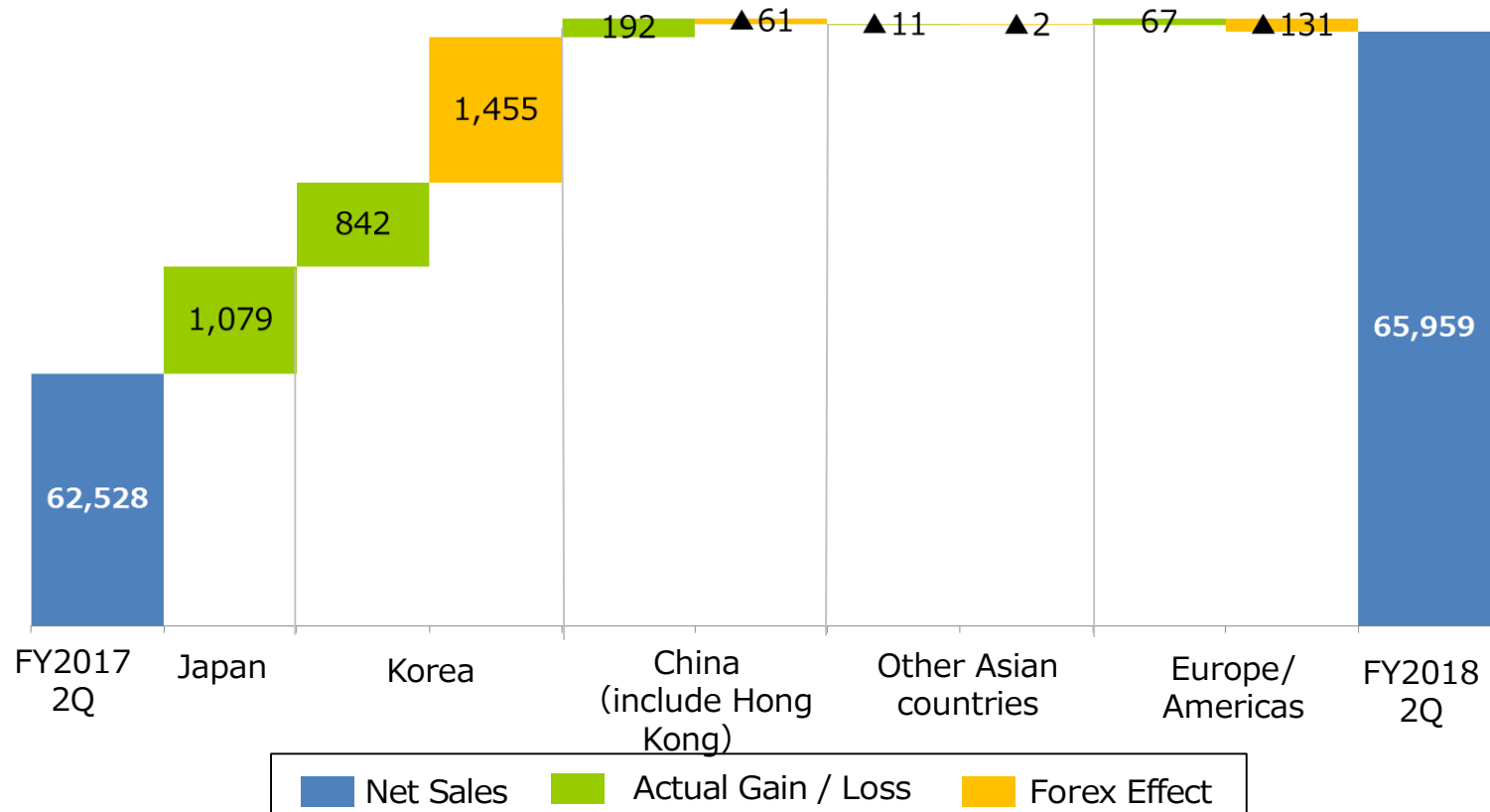


1.2<sup>nd</sup> Quarter of FY ending March 31, 2018  
ii . Review by Segment

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**Sales in major countries (Japan, Korea and China) increased by both local currency and after currency translation, and also those in Europe/Americas increased by local currency.**

(Unit: JPY Million)



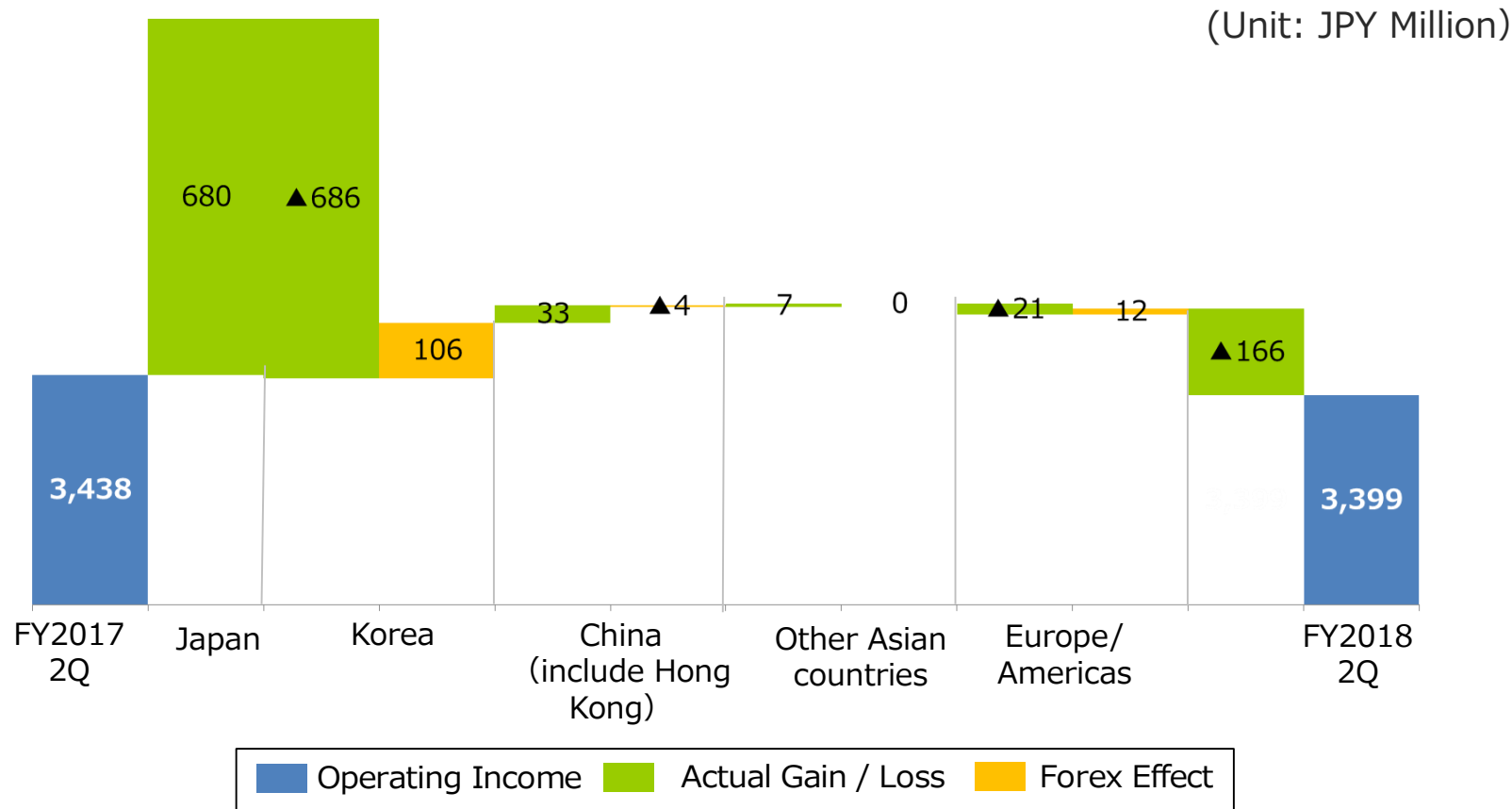
# Operating Income Fluctuations (by Segment : YoY)



1.2<sup>nd</sup> Quarter of FY ending March 31, 2018  
ii . Review by Segment

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**Although the operating income in Korea decreased by lowered store sales, that in Japan and China made up for the losses.**



# Inventory Fluctuations (by Segment : YoY)

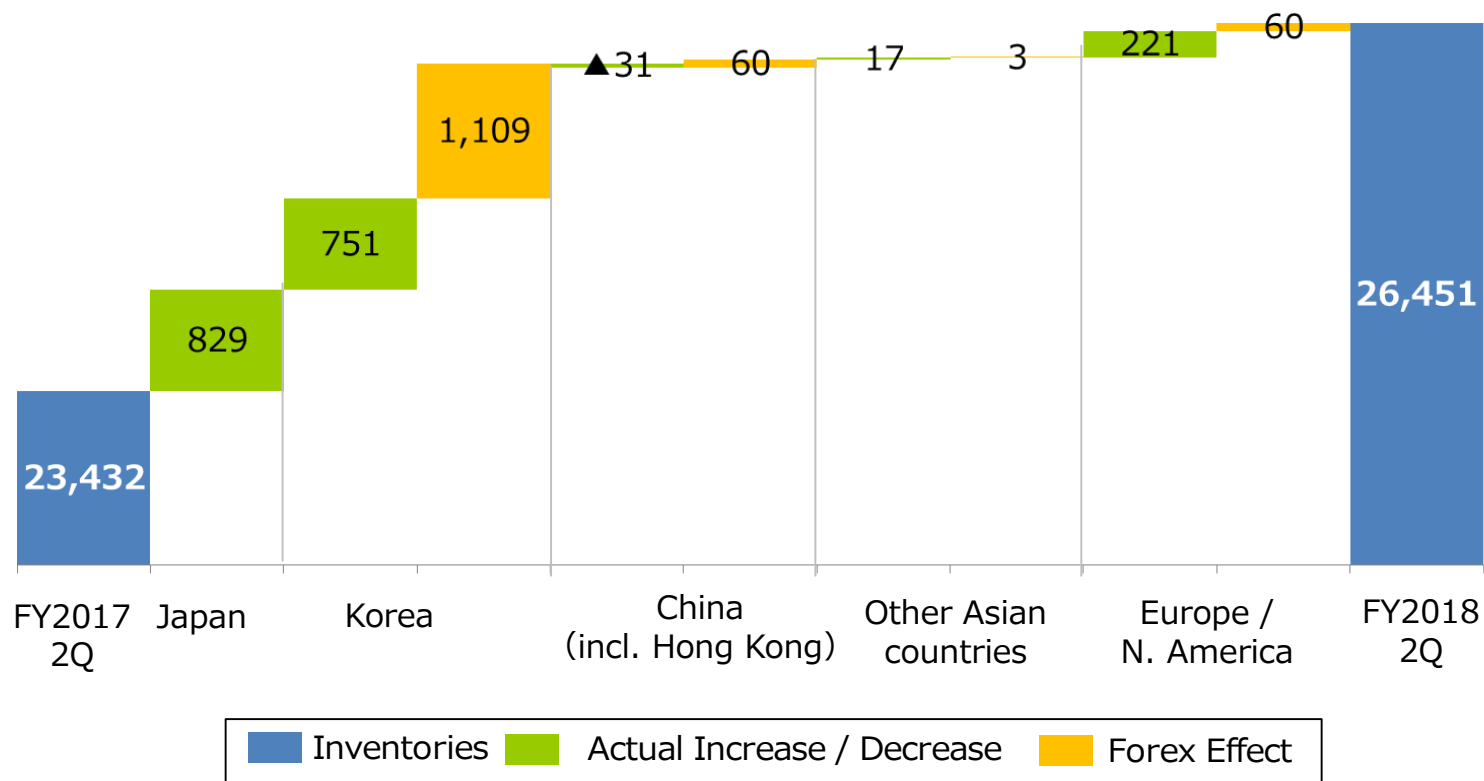


1.2<sup>nd</sup> Quarter of FY ending March 31, 2018  
ii . Review by Segment

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**Inventory increased by seasonal effect of fiscal term change of a subsidiary in Japan (+372m) and effects of FX (+1,109m) and increase of stores (from 699 to 766) in Korea. (Inventory per store in Korea decreased by 2.5%)**

(Unit: JPY Million)



# Changes in Net Sales and Operating Income by Segment (Japan)



1.2<sup>nd</sup> Quarter of FY ending March 31, 2018

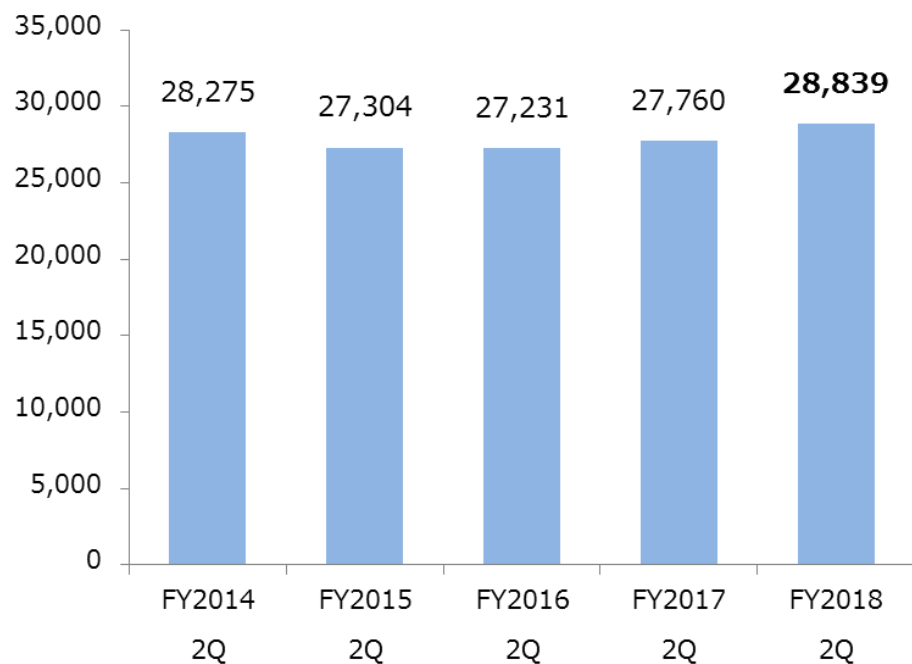
ii . Review by Segment

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**Sales increased for two years in a row in Japan driven by DESCENTE brand. Also, operating income in athletic category led by DESCENTE brand was a big increase.**

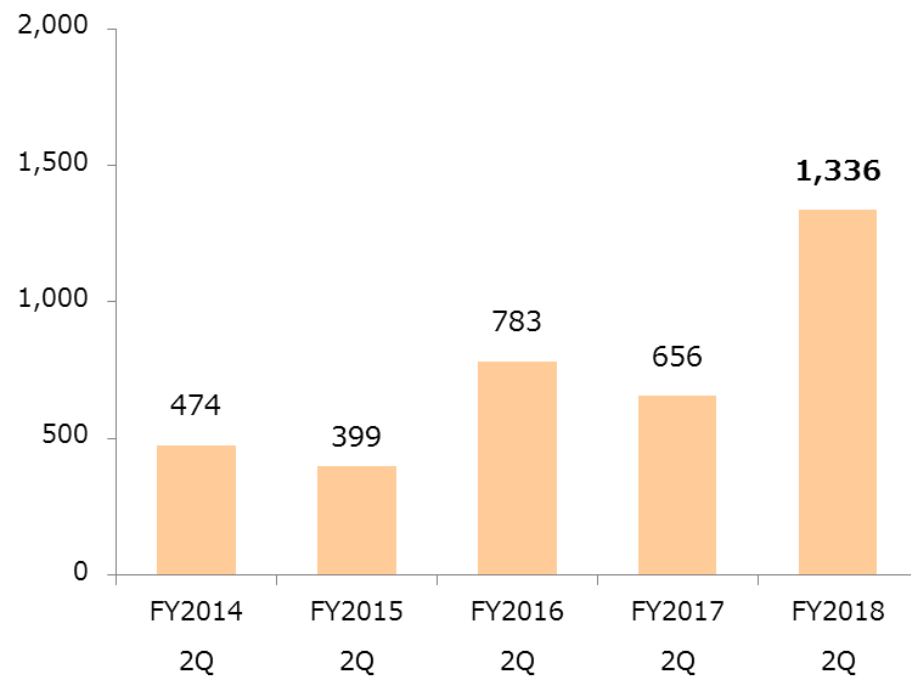
(Unit: JPY Million)

## Net Sales



(Unit: JPY Million)

## Operating Income





# Changes in Net Sales and Operating Income by Segment (Asia)

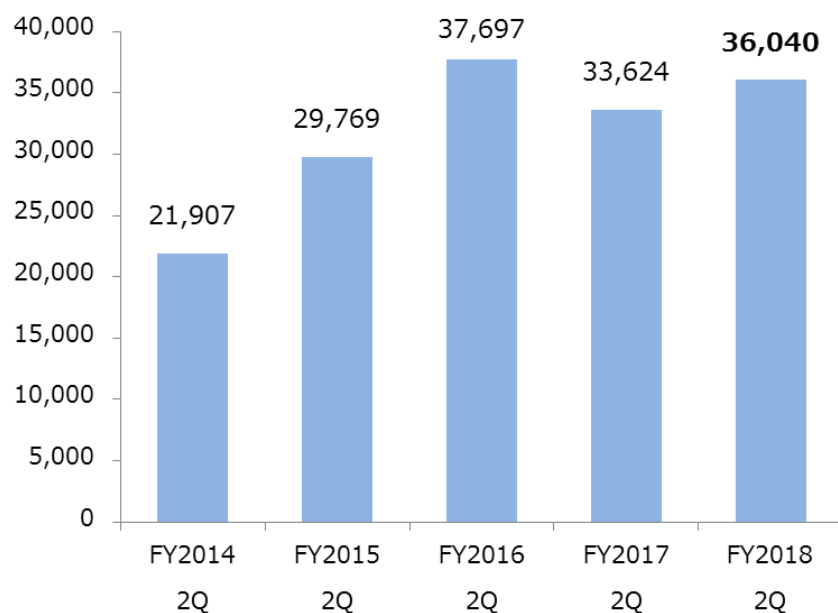


1.2<sup>nd</sup> Quarter of FY ending March 31, 2018  
ii . Review by Segment

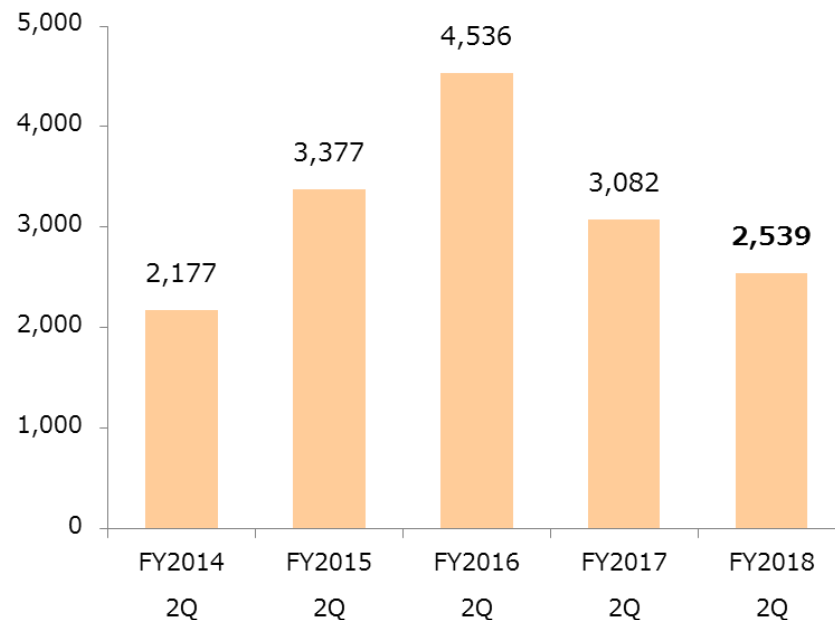
Design for Sports

Although net sales increased in Asia, operating income decreased for two years in a row because of the lower-than-expected store sales in Korea.

**Net Sales** (Unit: JPY Million)



**Operating Income** (Unit: JPY Million)



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



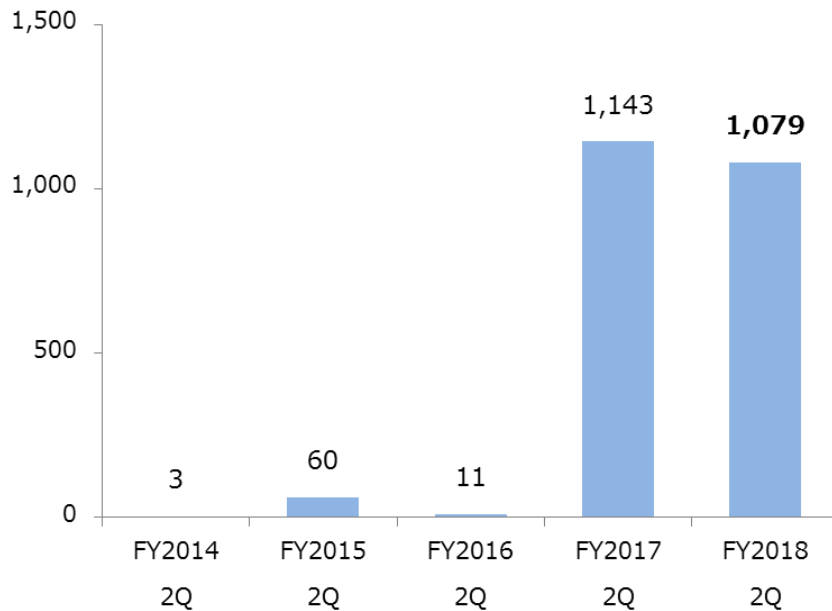
1.2<sup>nd</sup> Quarter of FY ending March 31, 2018  
ii . Review by Segment

Design for Sports

**Sales in Europe/Americas increased by local currency, however it was less than last year after FX translation.**

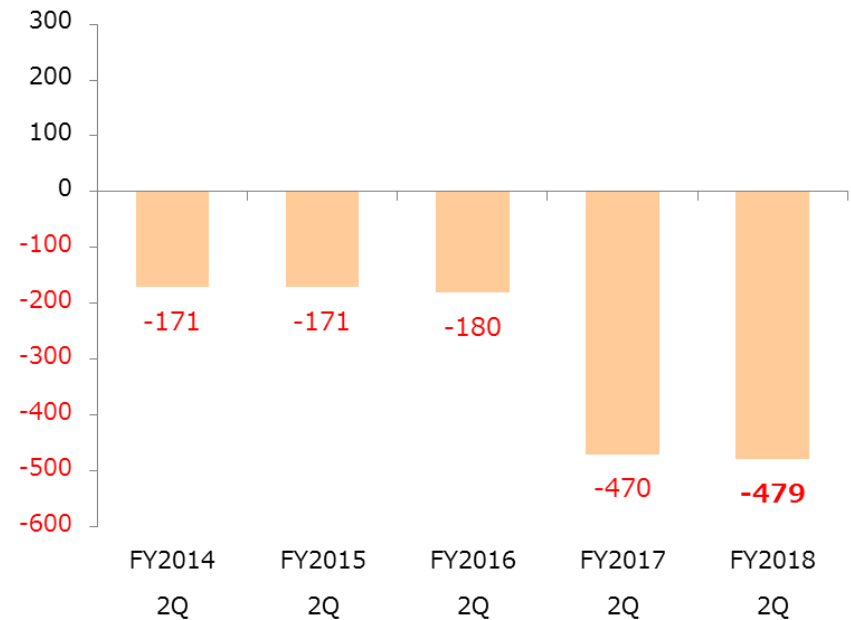
(Unit: JPY Million)

## Net Sales



(Unit: JPY Million)

## Operating Income





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# **1. 2<sup>nd</sup> Quarter of FY ending March 31,2018**

i . Overview

ii . Review by Segment

**iii. Review by Brand**

iv. Topics

# **2. Objectives and plan for the FY ending March 31, 2018**

# Net Sales Transition of Major Brand (consolidated)

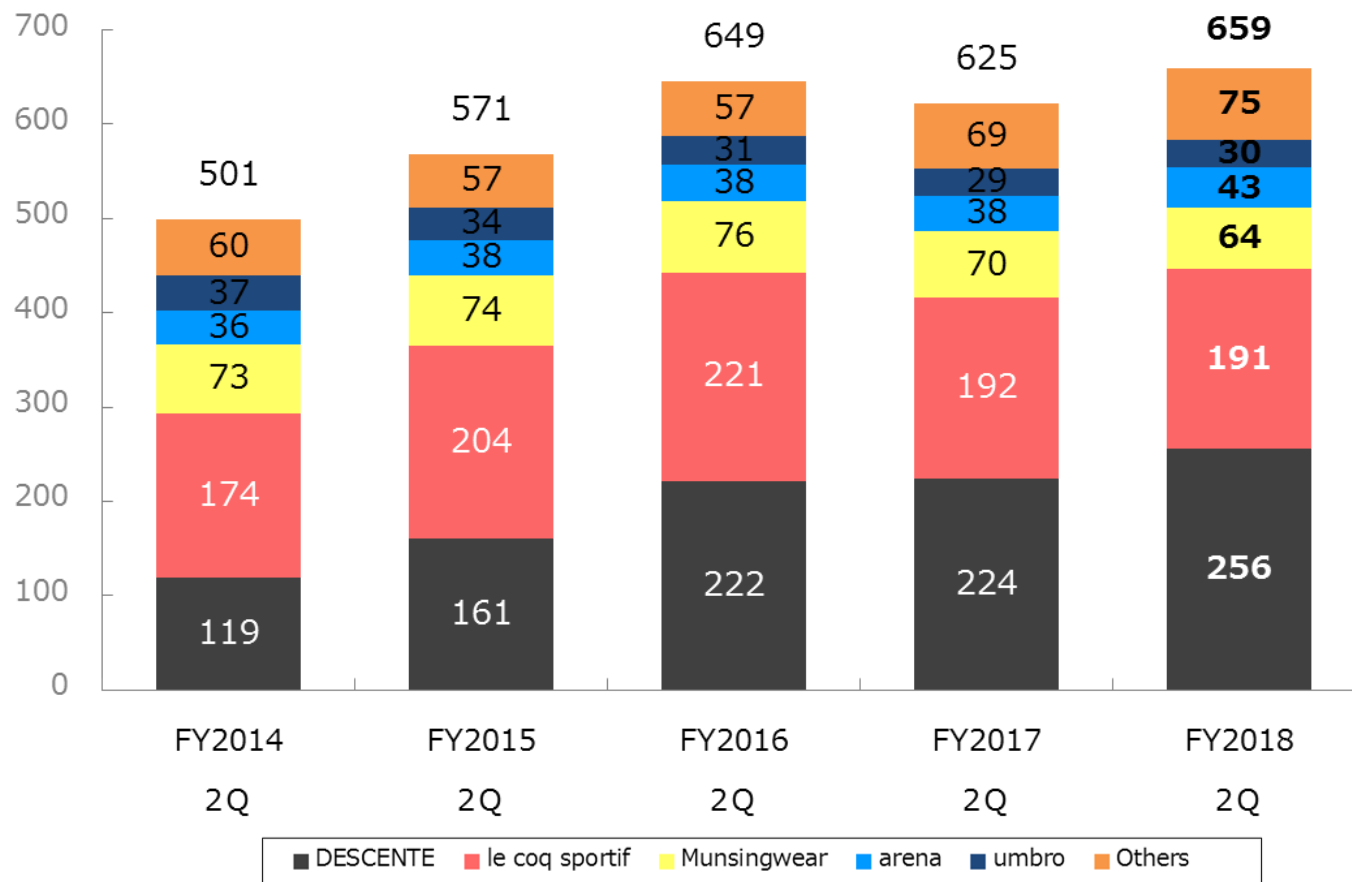


1.2<sup>nd</sup> Quarter of FY ending March 31, 2018  
iii. Review by Brand

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**Consolidated results in Japan, Korea, and China driven by DESCENTE brand. Sales of le coq sportif and arena increased in China.**

(Unit: JPY 0.1 Billion)



# Share of Sales by Brand and Ownership Structure (consolidated)



1.2<sup>nd</sup> Quarter of FY ending March 31, 2018  
iii . Review by Brand

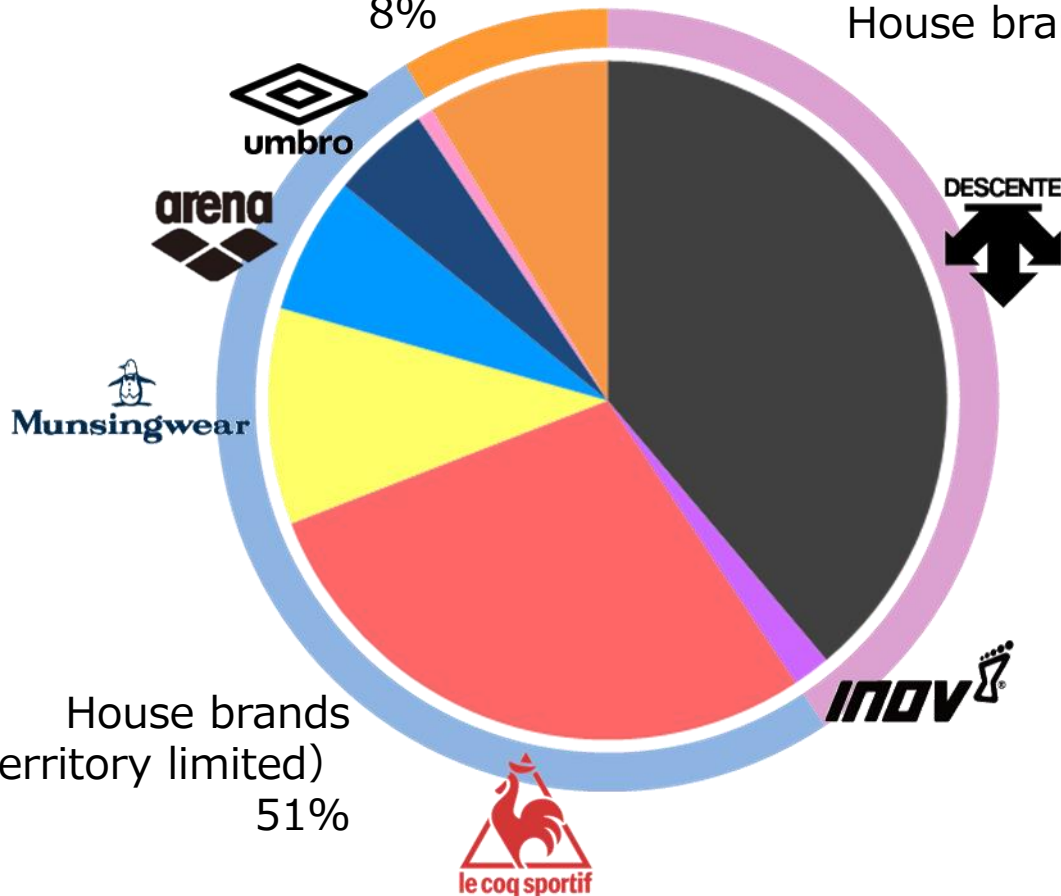
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**More than 90% of turnover is by house brands (including territory limited brands).**

Licensed brands/Misc.

8%

House brand 41%





**Net Sales 25.6b (YoY 114%) (domestic: 5.6b /overseas: 200b)**

- Pursuit the value of brand by supplying each national team.
- Started business in China in earnest.
- In golf category, continue opening stores both in Japan and Korea, and try to expand the business.



**Net Sales 18.7b (YoY 97%) (domestic: 5.9b /overseas: 12.8b)**

- Sales increased in China, and shoes is selling well in Japan.
- Sales increased in Japan thanks partly to the good performance of contract professional players.



## Munsingwear

Net Sales 6.8b (YoY 97%) (domestic: 3.9b /overseas: 2.9b)

- Selling Korea collection in addition to Japan collection in Asia.



Net Sales 4.3b (YoY 111%) (domestic : 2.6b / overseas : 1.7b)

- Contract Players was active in World Swimming Championship. Sales in China increased by powerful selling force of JV established in 2016.



## umbro

Net Sales 3.1b (YoY 104%) (domestic: 2.7b /overseas: 0.4b)

- Expanded both in Japan and Korea as a football brand.



- Enter into a contract with Kyouko Fukada as a Band Ambassador.



- High rates of wearing inov-8at competition of Trail run

## <Licensed brands>



- Expanding LANVIN SPORT Avenir Line



- Well-selling pants started 17FW





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# **1. 2<sup>nd</sup> Quarter of FY ending March 31,2018**

- i . Overview
- ii . Review by Segment
- iii . Review by Brand
- iv . Topics**

## **2. Objectives and plan for the FY ending March 31, 2018**



## <Performance for Global Branding>

### Proceeding global branding for the corporate brand **DESCENTE.**

- New tag line of DESCENTE brand for developing globally coherent brand strategies
- Unification of the design of internet site of DESCENTE brand

## <Improvement of “Craftsmanship”>

### Products utilizing development capacity which is the very source of differences.



- Mizusawa Down won the Senken Prize.



- Cycle Tailored Jacket won the Descente Design Award.

## <Openings of directly run stores and shop-in shop formats>

**Openings of shop-in-shops and directly run stores in Japan.**

- Events held at le coq sportif avant Harajuku regularly.

## <HR development enhancing organization strength>

**Conducted group training for members of affiliates (Japan, China and Korea) and programs to develop member's abilities and skills.**

- Conducted a lecture for developing next global human resources
- Took place a Shoes consultant lecture

## <Regional Strategy (Japan: Development for new sales channel) >

**Developed new B-to-B sales channel enhancing corporate value.**



- 
1. 2<sup>nd</sup> Quarter of FY ending March 31,2018
    - i . Overview
    - ii . Review by Segment
    - iii . Review by Brand
    - iv . Topics
  2. Objectives and plan for the FY ending March 31, 2018

# Objectives and plan for the FY ending March 31, 2018 (consolidated)



2 Objectives and plan for the  
FY ending March 31, 2018.

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**Consolidated net sales is plan to be 139b (YoY +6%), and 5.7b for Profit attributable to owners of parent (YoY +1%).**

(Unit: JPY Million)

	FY2016	FY2017	FY2018	
			Plan	YoY
Net sales	135,778	131,543	139,000	106%
Operating income	10,376	8,418	8,400	100%
(rate)	7.6%	6.4%	6.0%	
Ordinary income	11,053	8,631	8,600	100%
(rate)	8.1%	6.6%	6.2%	
Profit attributable to owners of parent	7,870	5,650	5,700	101%
(rate)	5.8%	4.3%	4.1%	

## Annual dividends of FY 2018 (Plan): JPY 23.0

(Unit: JPY Million)

	FY2014	FY2015	FY2016	FY2017	FY2018 Plan
Dividends	753	1,130	1,280	1,732	1,732
Amount/share	JPY10.0	JPY15.0	JPY17.0	JPY23.0	JPY23.0
Profit attributable to owners of parent (Consolidated)	4,470	6,563	7,870	5,650	5,700
Payout ratio	16.9%	17.2%	16.3%	30.7%	30.4%

**Taking into consideration the performance and payout ratio, we will properly return profits to our shareholders to secure internal reserves necessary for future business development and strengthening of our management structure while aiming for stable dividends.**

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.

## Exchange Rates Used

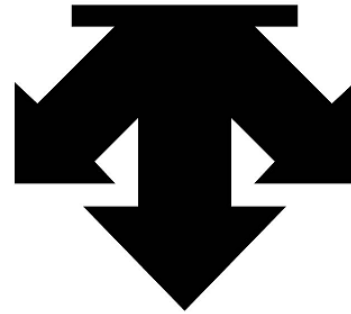
		USD	100KRW	CNY	HKD	SGD	GBP
FY2018	4Q YTD Plan	113.00	10.00	16.00	14.50	80.50	146.50
	2Q YTD	111.51	9.89	16.37	14.41	80.22	142.26
	1Q YTD	111.95	9.91	16.43	14.53	80.13	140.73
FY2017	4Q YTD	108.82	9.41	16.38	14.10	79.04	147.28
	3Q YTD	107.02	9.39	16.46	14.01	79.29	150.70
	2Q YTD	109.02	9.46	16.98	14.39	81.14	158.89
	1Q YTD	112.00	9.63	17.57	14.89	82.83	164.26
FY2016	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	-
FY2015	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	-
FY2014	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	-
FY2013	4Q YTD	81.34	7.15	12.73	10.33	64.29	-
	3Q YTD	79.58	6.98	12.54	10.21	63.11	-
	2Q YTD	80.07	7.00	12.65	10.28	63.22	-
	1Q YTD	81.33	7.08	12.66	10.28	63.57	-

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

• "2Q" means first half.  
 Example: "17/2Q" means the first half on the FY ending March 31, 2017.

Figures in the "Financial Results" are in units of JPY1M. Otherwise figures are in units of JPY1B.

**DESCENTE**



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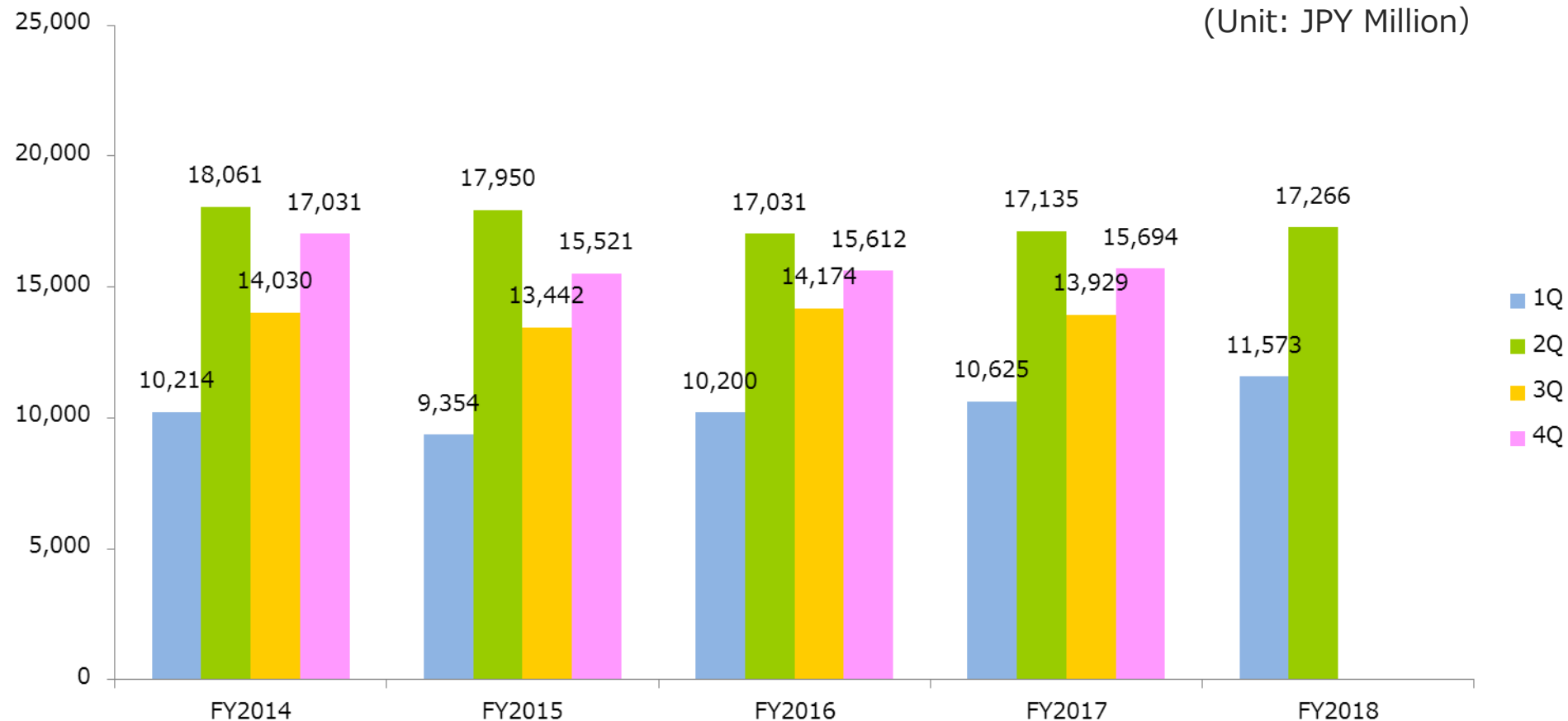
# **FY ending March 31, 2018 Q2 Results Reference Materials**

**(Quarterly Changes to Turnover and Operating Profit  
by Segment / Transition in Performance of Major  
Overseas Subsidiaries)**

# Quarterly Turnover Transition by Segment (Japan)



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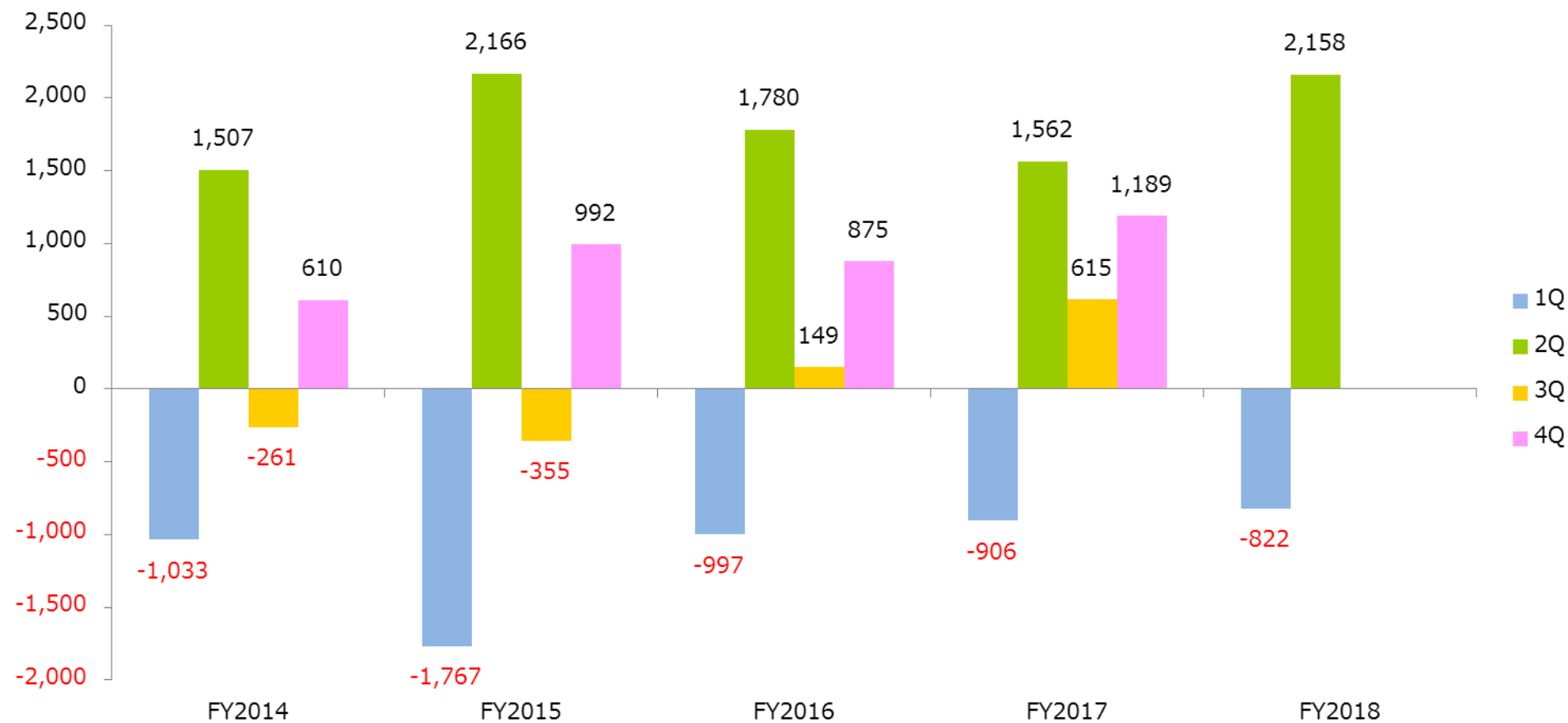
\*FY2018 = FY ending March 31, 2018

# Quarterly Operating Profit Transition by Segment (Japan)



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(Unit: JPY Million)



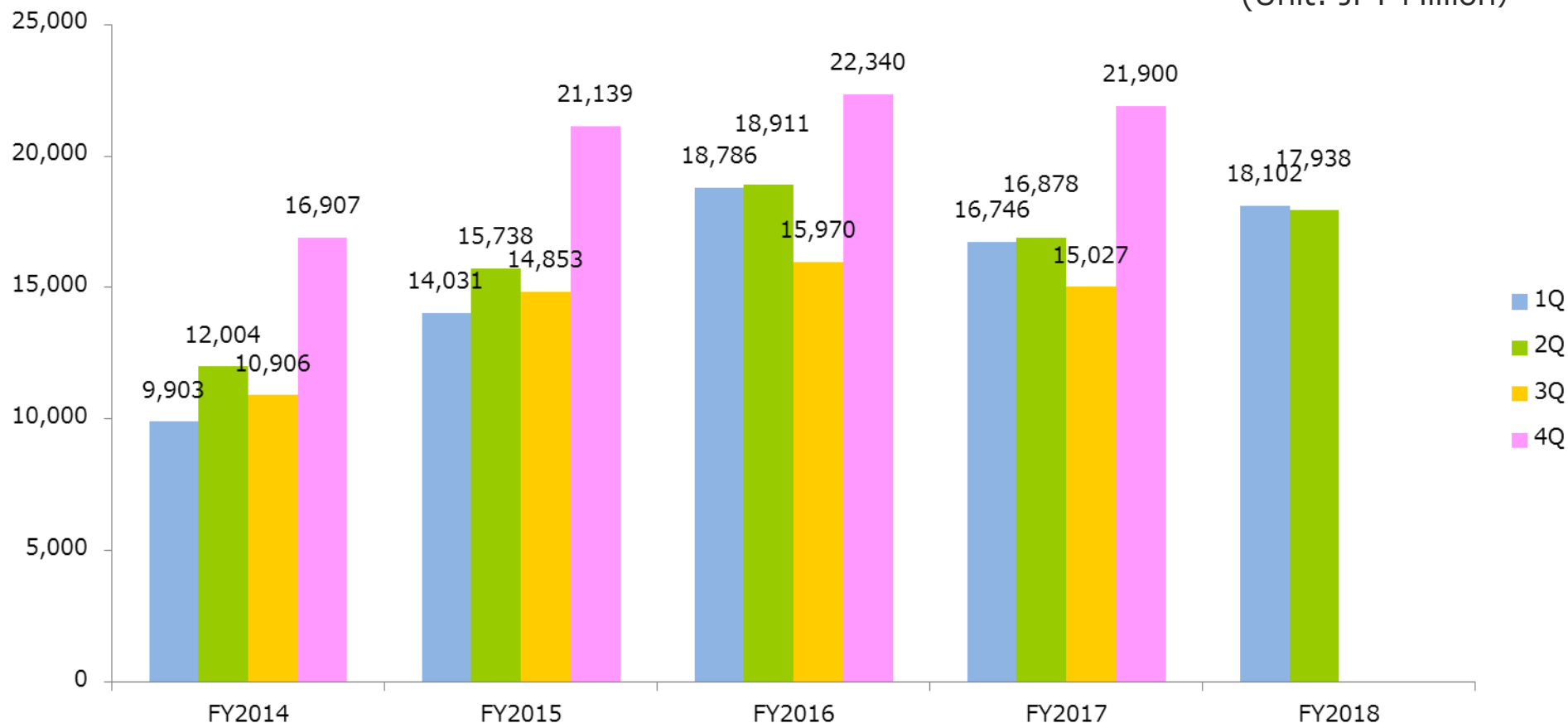
\*FY2018 = FY ending March 31, 2018

# Quarterly Turnover Transition by Segment (Asia)



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(Unit: JPY Million)



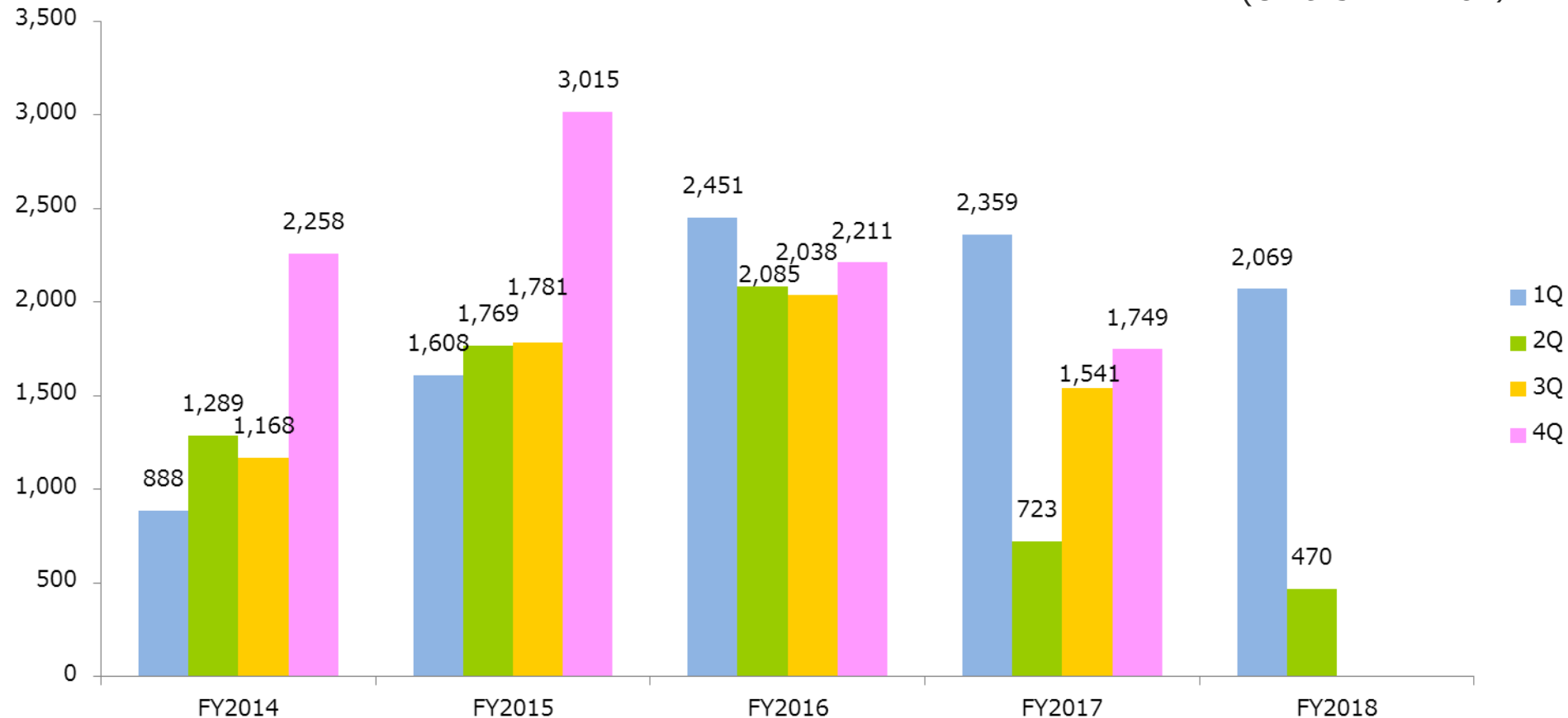
\*FY2018 = FY ending March 31, 2018

# Quarterly Operating Profit Transition by Segment (Asia)



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(Unit: JPY Million)



\*FY2018 = FY ending March 31, 2018

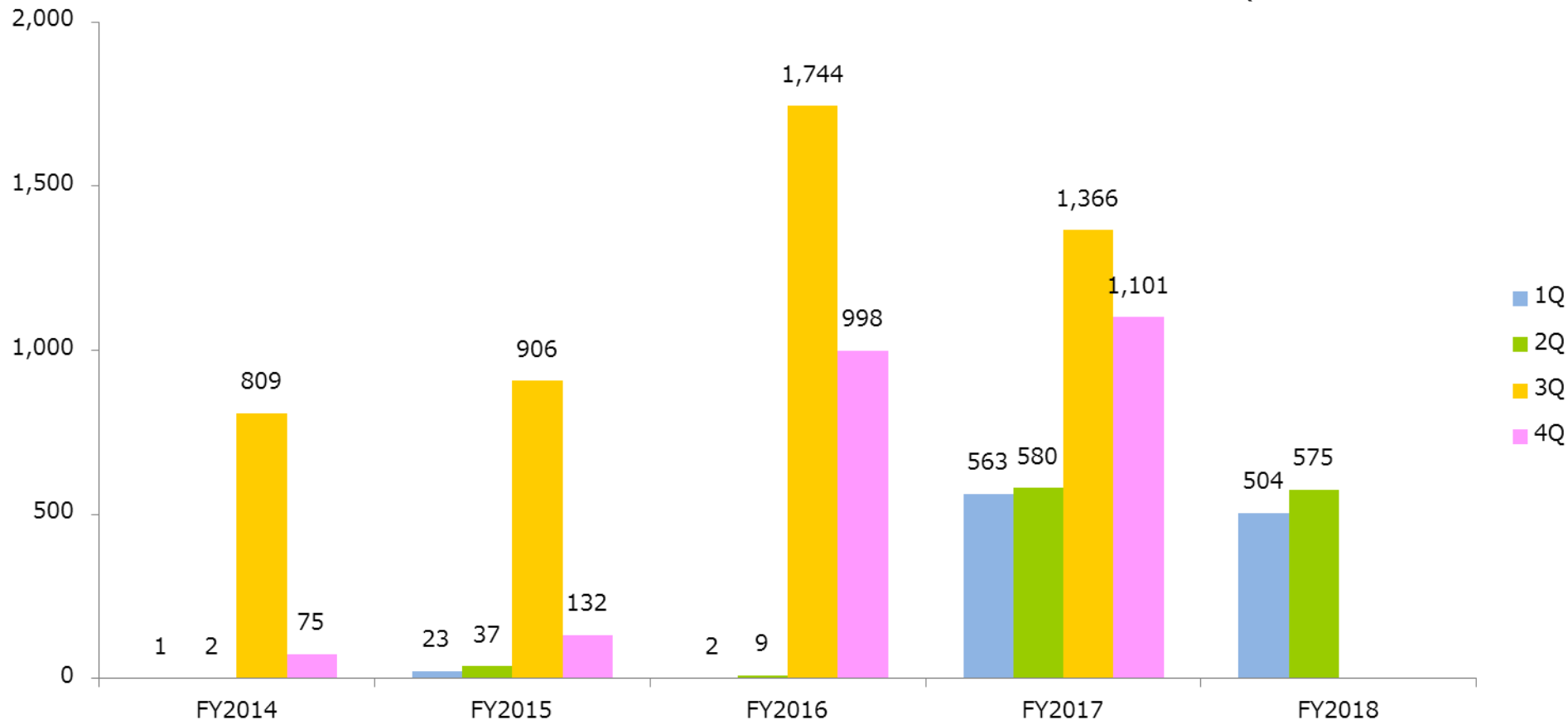
# Quarterly Turnover Transition by Segment (Europe/Americas)



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\*taking in Inov-8 group since Third Quarter of FY ending March 31,2016

(Unit: JPY Million)



\*FY2018 = FY ending March 31, 2018

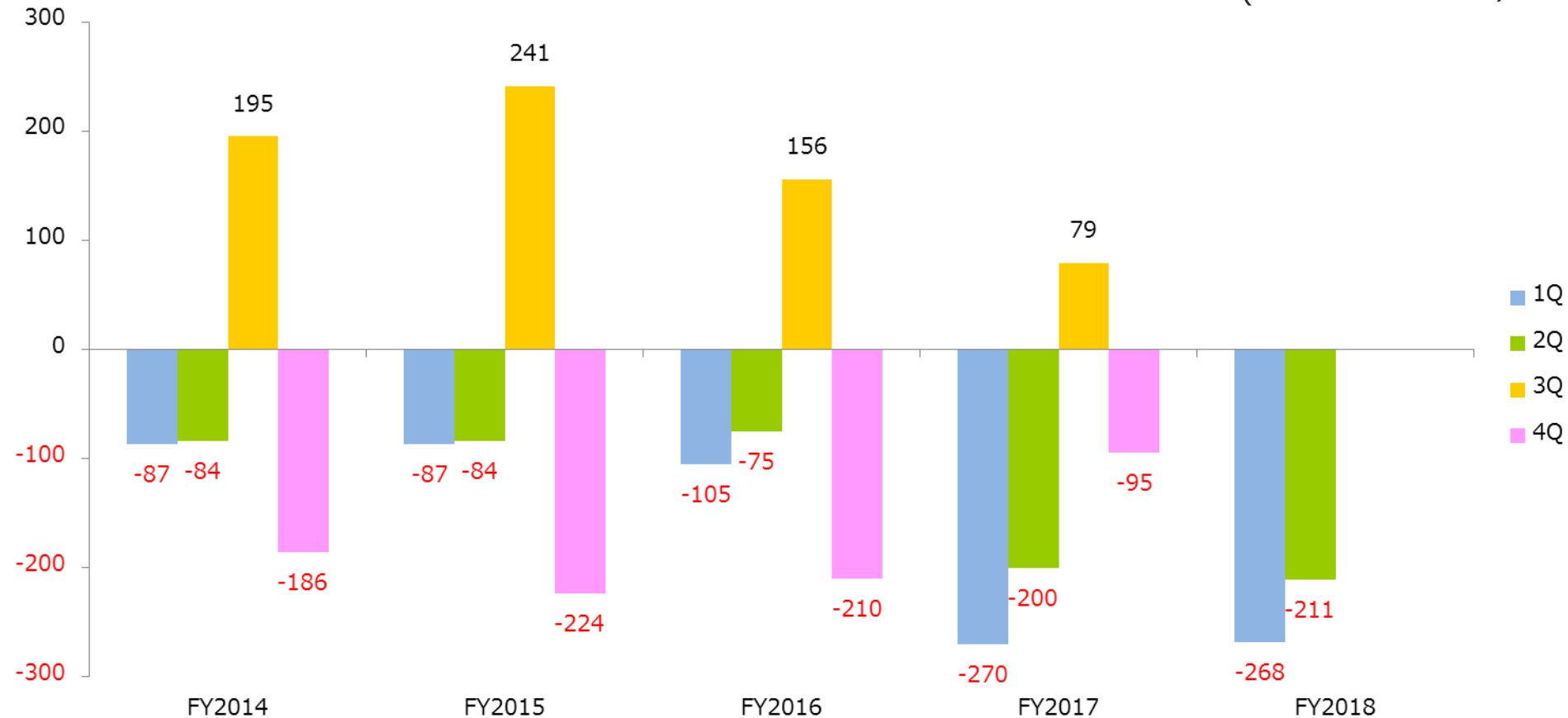
# Quarterly Operating Profit Transition by Segment (Europe/Americas)



Design for Sports

\*taking in Inov-8 group since Third Quarter of FY ending March 31,2016

(Unit: JPY Million)

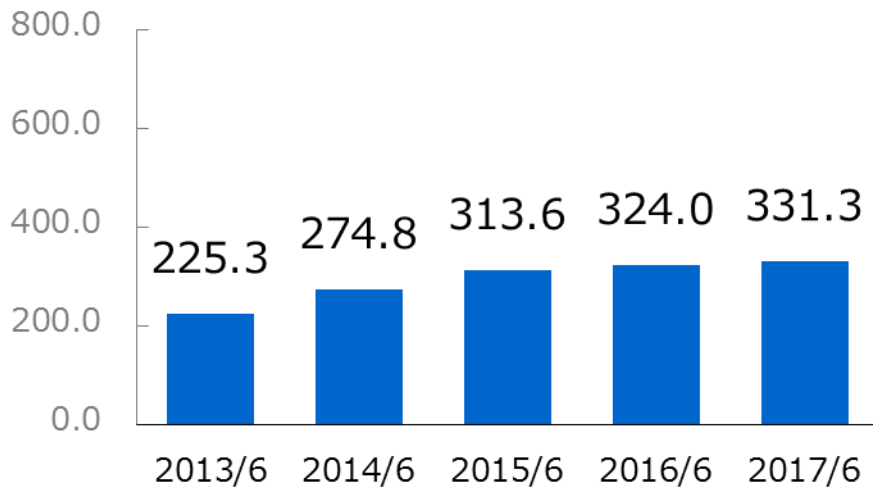


\*FY2018 = FY ending March 31, 2018



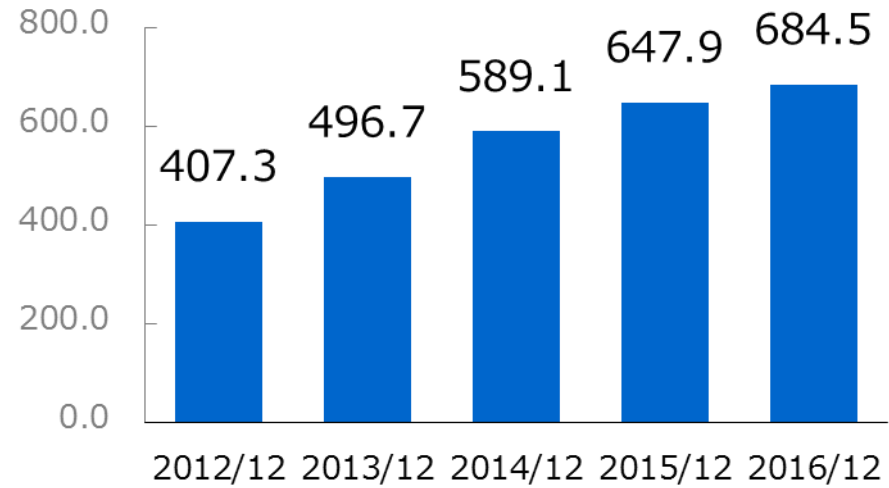
## 2<sup>nd</sup> Quarter

(KRW 100 million)



## Full Year

(KRW 100 million)



\*2017/6 = The first Half of FY ending December 31, 2017  
2016/12 = FY ending December 31, 2016

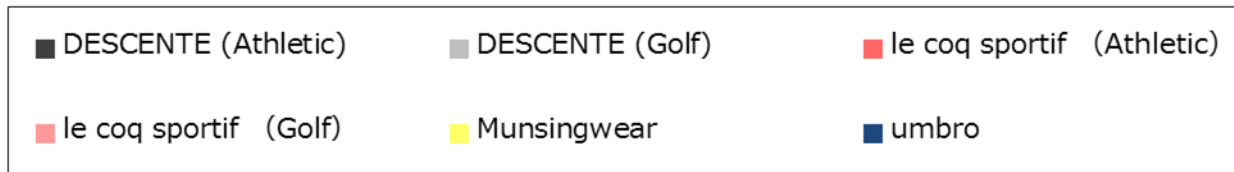
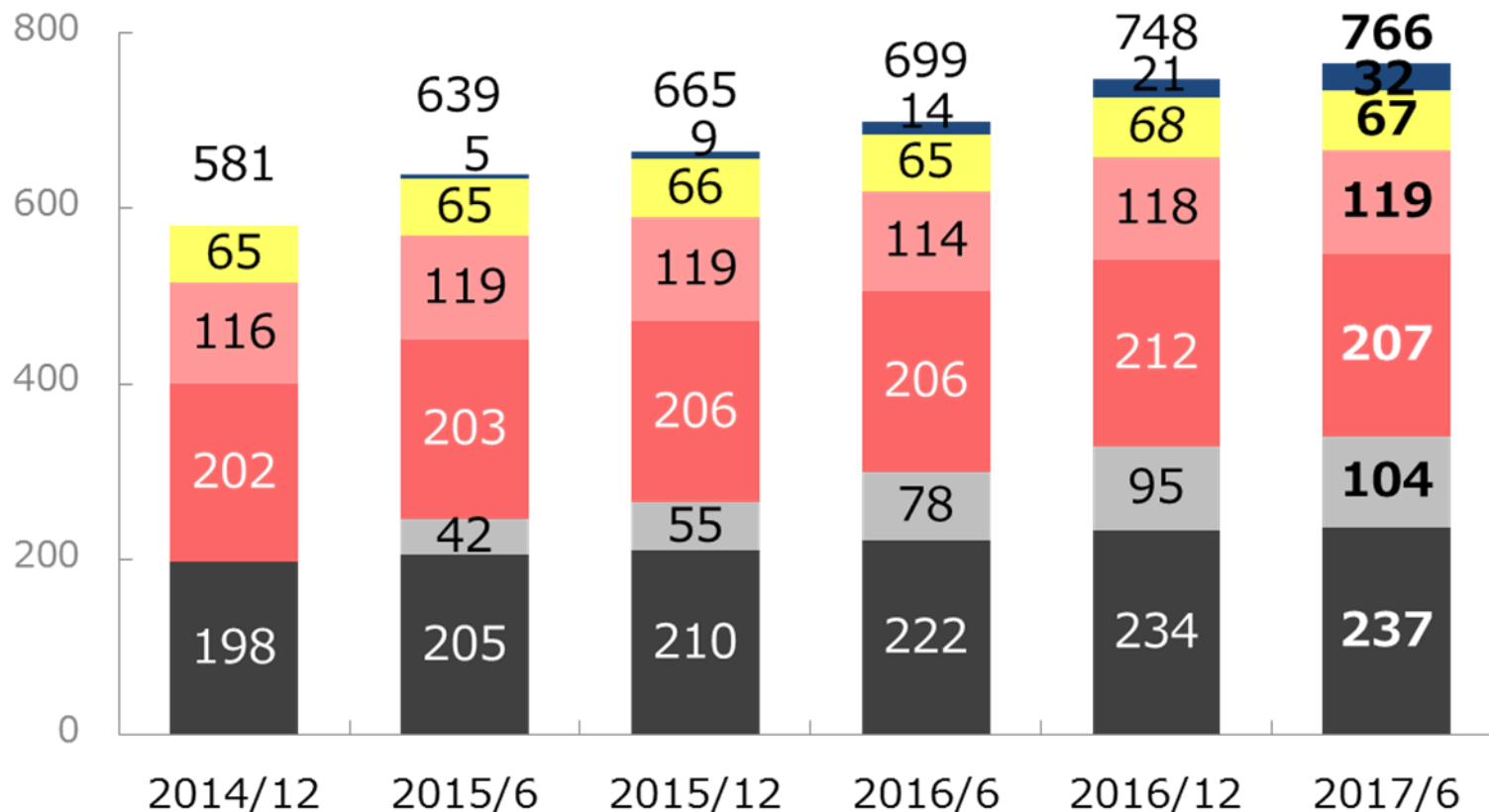


# Number of Stores in Korea



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\* Including stores of commercial agents and outlets



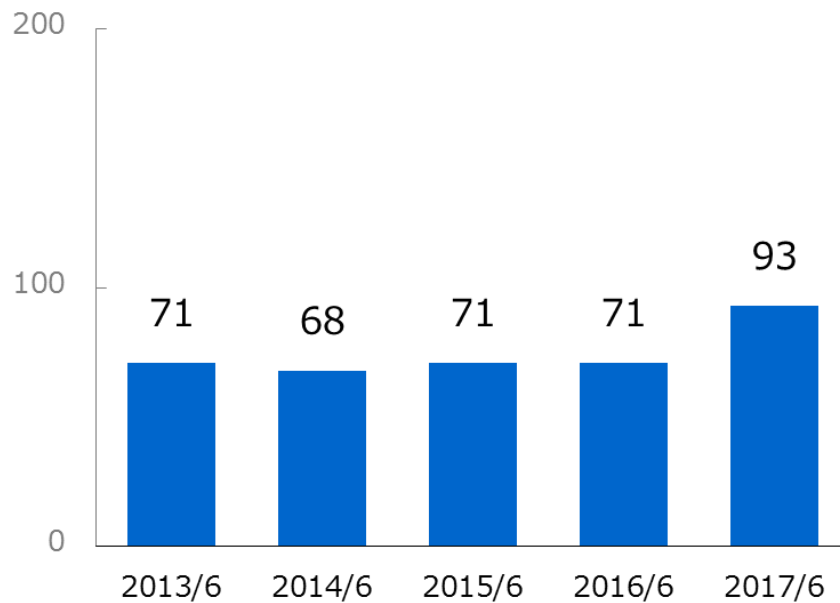
\*2017/6= The first Half of FY ending December 31, 2017

2016/12=FY ending December 31, 2016



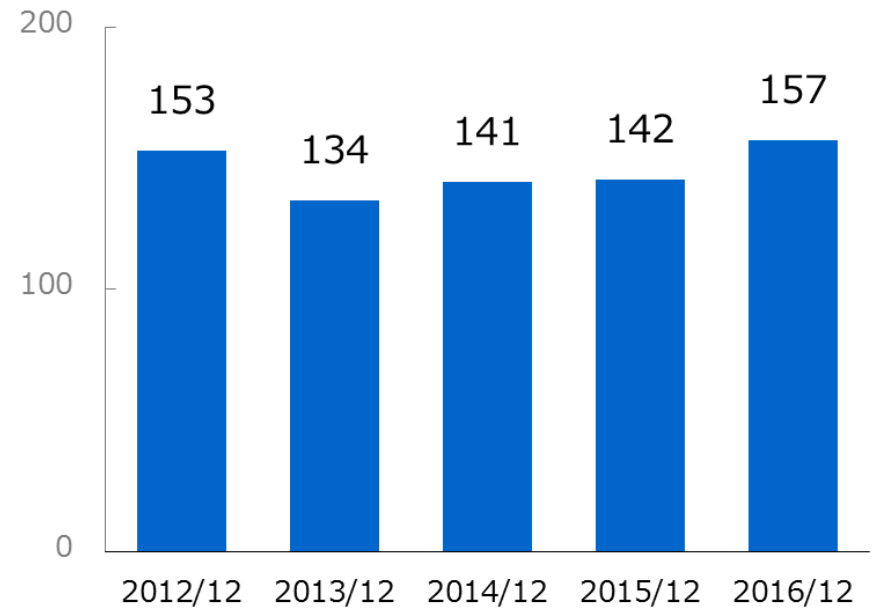
## 2<sup>nd</sup> Quarter

(million CNY )



## Full Year

(million CNY)



# Sales Trend of LE COQ SPORTIF (NINGBO) CO., LTD.

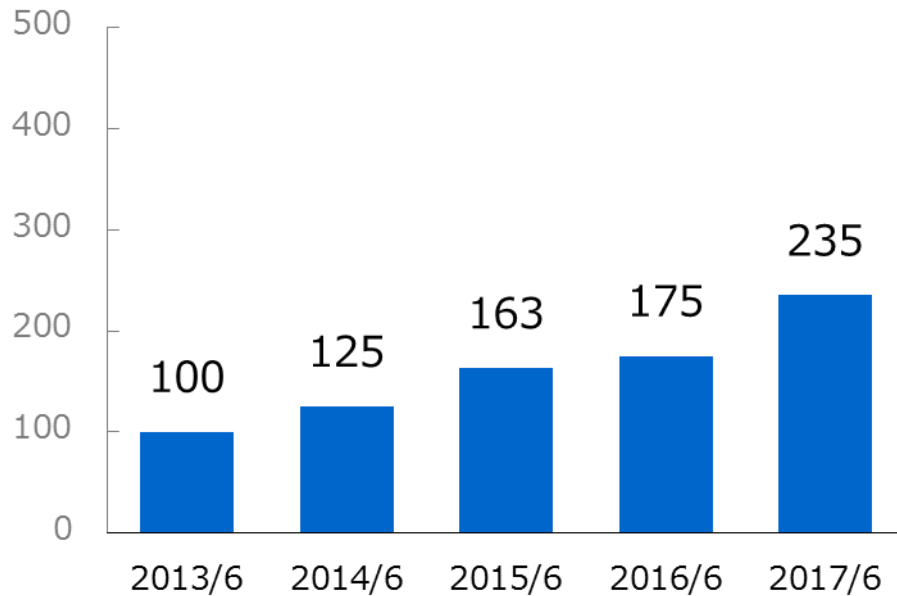
\*Affiliated Company Accounted for under the Equity Method



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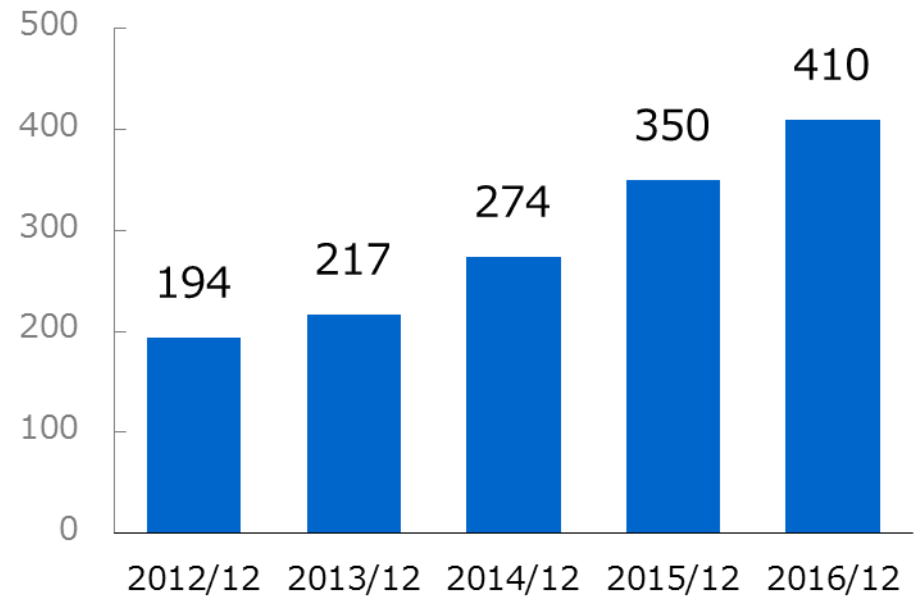
## 2<sup>nd</sup> Quarter

(Million CNY)



## Full Year

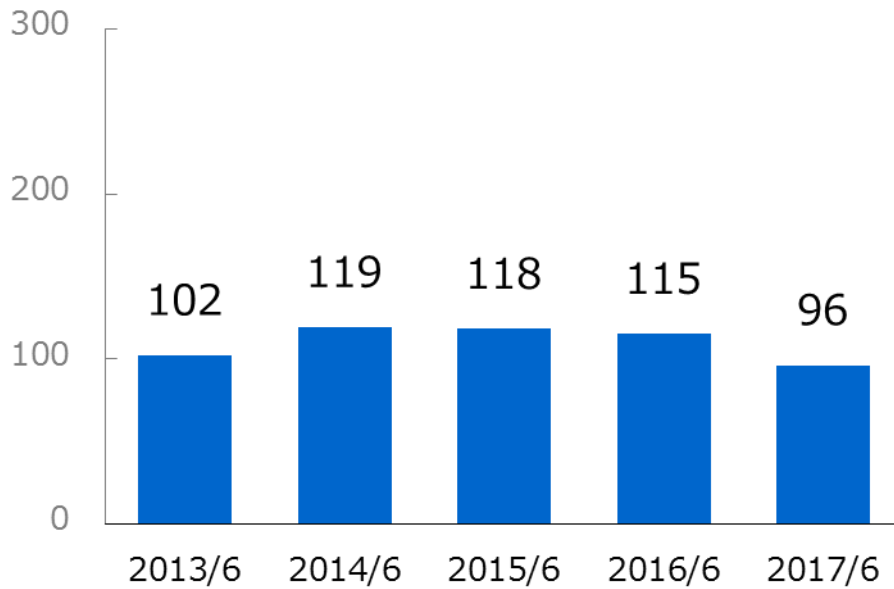
(Million CNY)





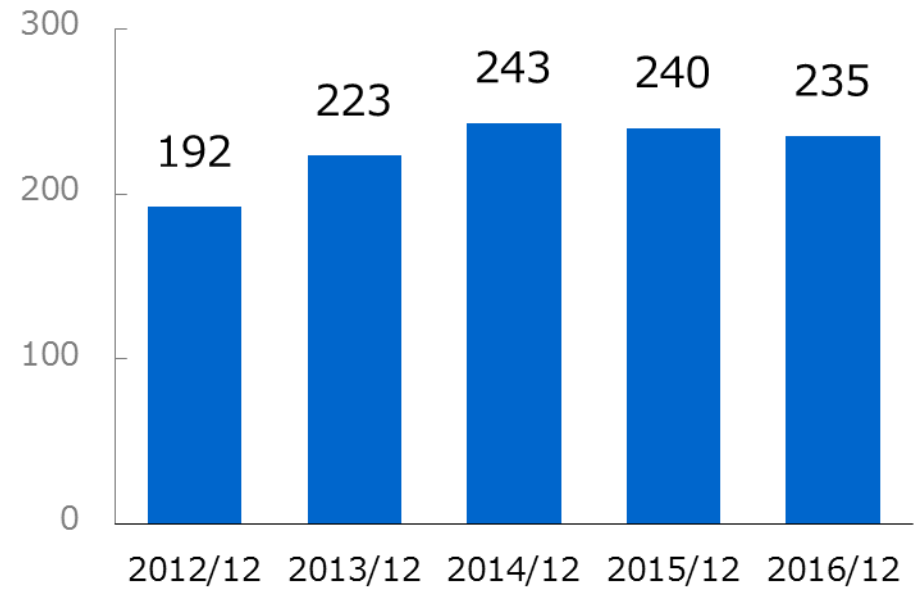
## 2<sup>nd</sup> Quarter

(million HKD)



## Full Year

(million HKD)

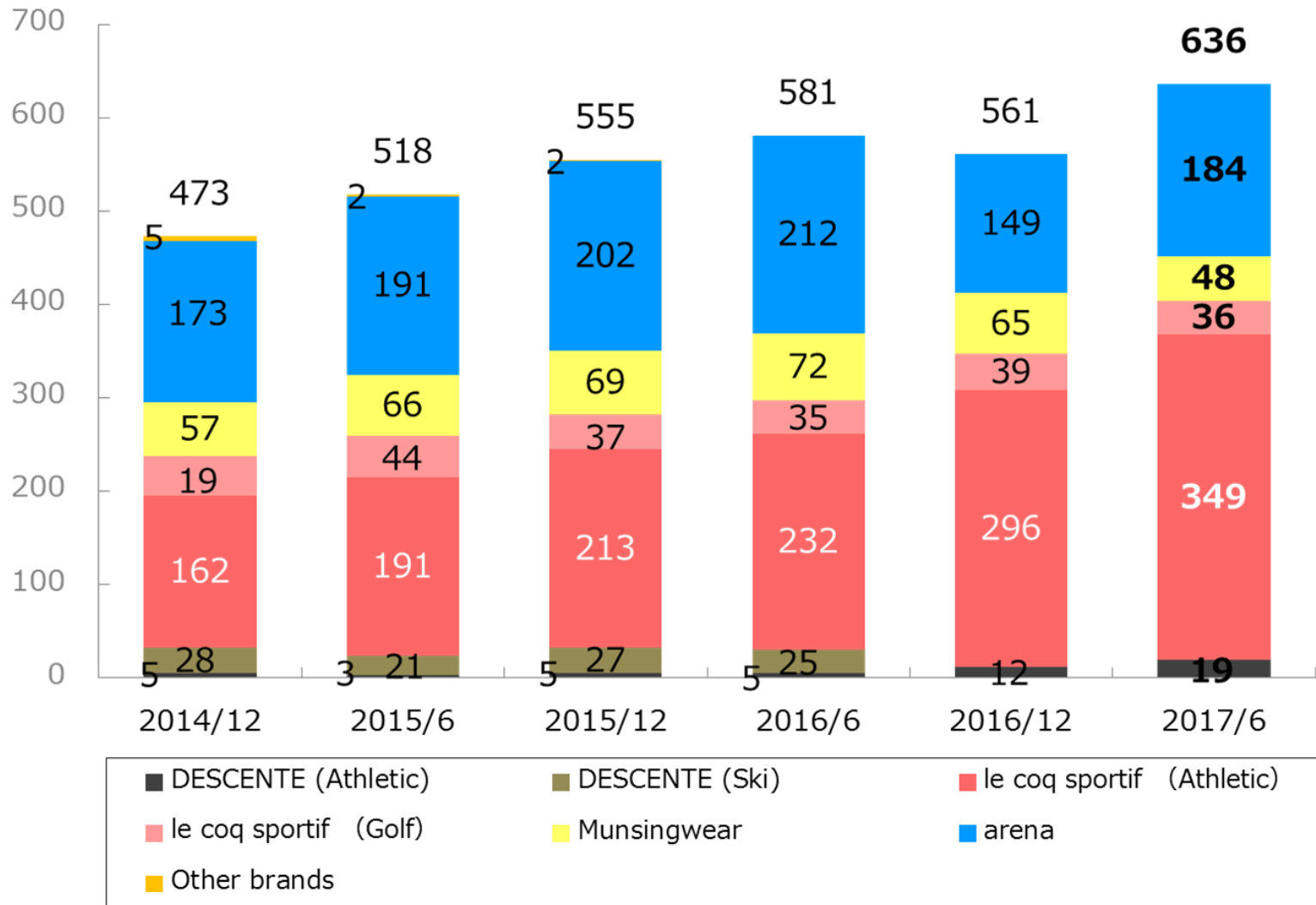


# Number of Retail Stores in China (incl. Hong Kong)



Design for Sports

\* Including stores of commercial agents and outlets














\*2017/6= The first Half of FY ending December 31, 2017  
 2016/12=FY ending December 31, 2016

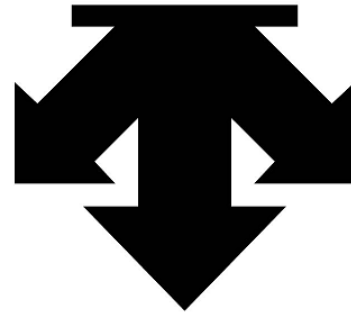
# Chinese Commercial Subsidiary Companies : Outline



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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	August, 2005
Fiscal Year	end of December	end of December	end of December	end of December	end of 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%
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.		
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)

**DESCENTE**



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