



Design for Sports

Consolidated Financial Summary For the Fiscal Year Ending March 31, 2018

**May 14, 2018
DESCENTE LTD.**

(TSE 1st 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 area.

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



Design for Sports

1. FY Ending March 31, 2018

① Summary

② Review by Brand or Item

③ Topics

2. Objectives and plan for the FY Ending March, 2018

3. Progress of Medium Term Management Plan

Results for FY Ending March 31, 2018 (Consolidated)



1.FY Ending March 31, 2018 ①Summary

Design for Sports

Japan led consolidated results, and both sales and profits exceed the guidance and achieved higher sales and profits in YoY.

(Unit: JPY Million)

	FY2017 Full year performance	FY2016		FY2017	
		Full year performance	Year-on- year	Full Year Guidance	VS Guidance
Net sales	141,124	131,543	107.3%	139,000	101.5%
Operating income	9,596	8,418	114.0%	8,400	114.2%
(%)	6.8%	6.4%		6.0%	
Ordinary income	9,698	8,631	112.4%	8,600	112.8%
(%)	6.9%	6.6%		6.2%	
Profit attributable to owners of parent	5,771	5,650	102.1%	5,700	101.2%
(%)	4.1%	4.3%		4.1%	

Net Sales Transition (Consolidated: by Area)

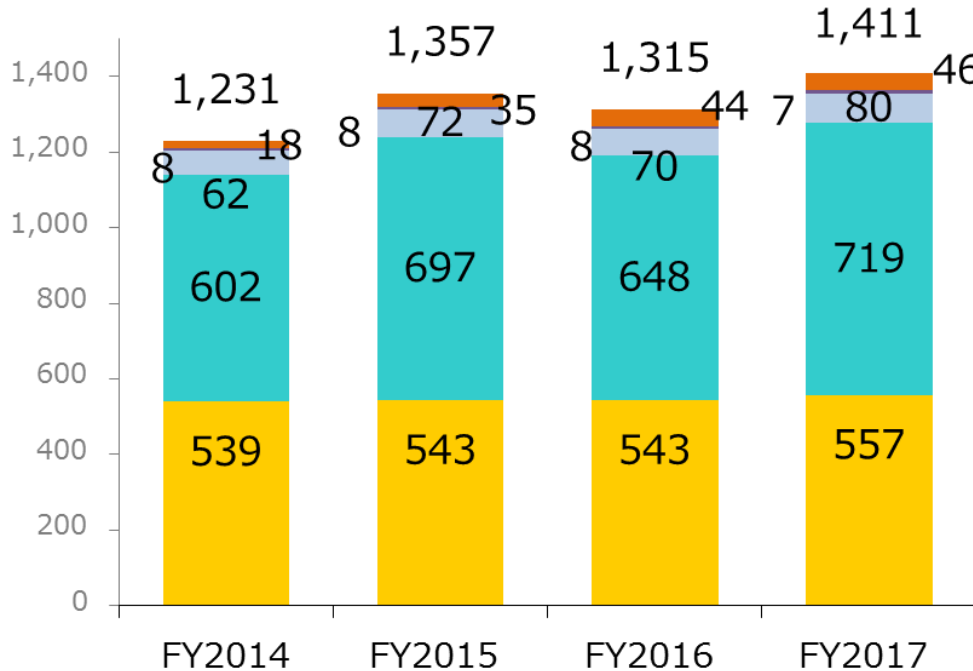


1.FY Ending March 31, 2018 ①Summary

Design for Sports

Sales increased in Japan, Korea and China led by DESCENTE brand.

(Unit: JPY 0.1 billion)



YoY +9.5billion (107%)

Japan	+1.3billion
Korea	+7.1billion
China(Incl. Hong Kong/Taiwan)	+1billion
Other Asian countries	▲0billion
Europe/Americas	+0.1billion

Overseas Ratio	56%	60%	59%	60%
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- Japan
- Korea
- China (incl.Hong Kong/Taiwan)
- Other Asian Countries
- Europe/North America

Note:FY2017 = FY ending March 31, 2018

Net Sales by Item (Consolidated)



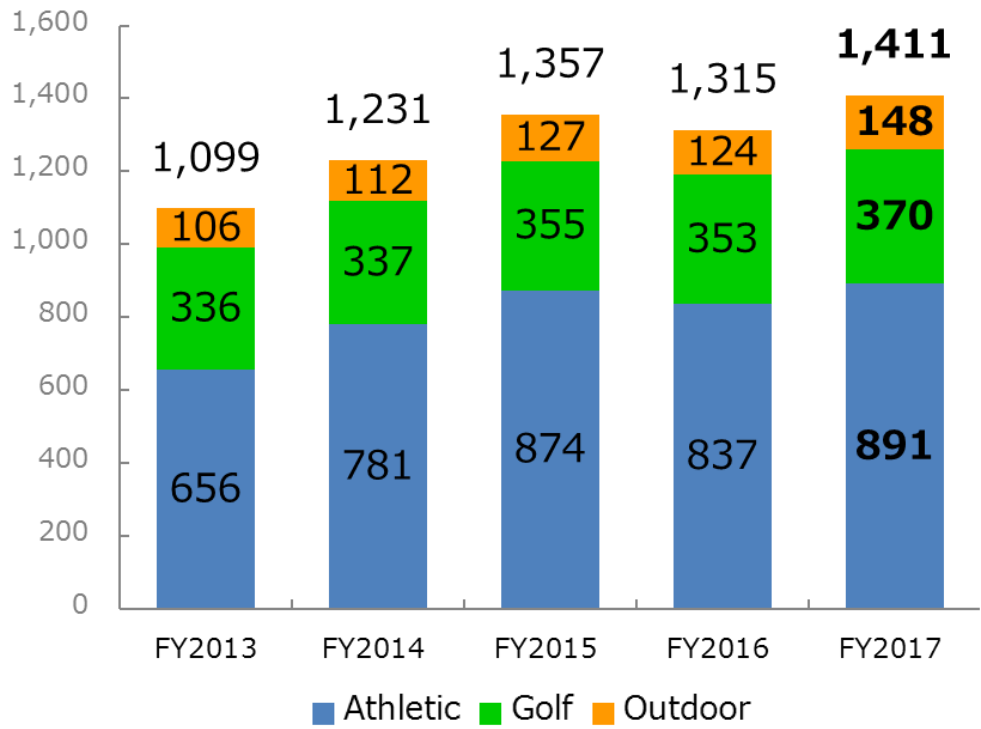
1.FY Ending March 31, 2018 ①Summary

Design for Sports

Sales in all categories, mainly DESCENTE brand, increased in overseas, and Athletic category increased in domestic.

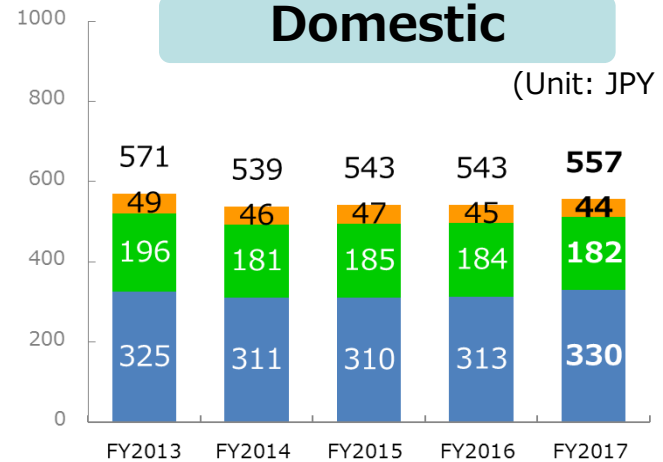
Consolidated

(Unit: JPY 0.1 billion)



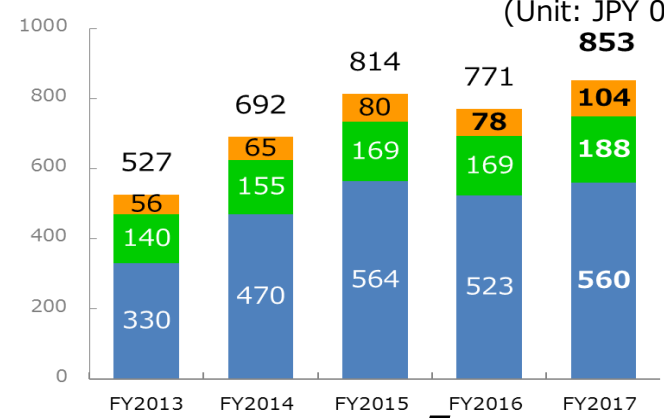
Domestic

(Unit: JPY 0.1 billion)



Overseas

(Unit: JPY 0.1 billion)



Note: FY2017 = FY ending March 31, 2018

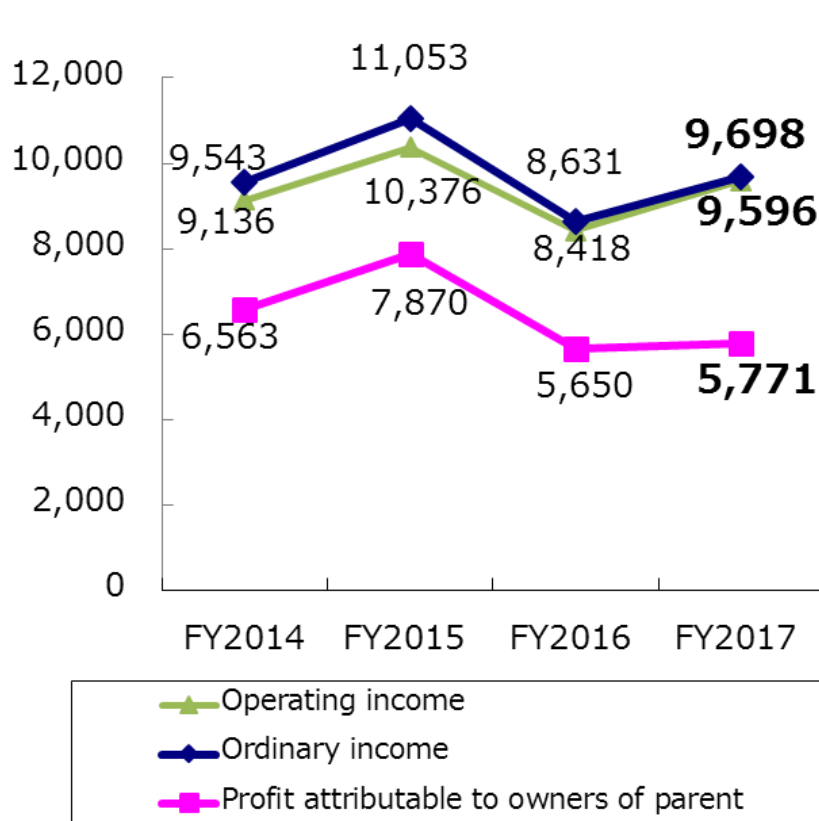
Income Transition (Consolidated)



1.FY Ending March 31, 2018 ①Summary

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Operating income increased due to improved business performance in Japan, covering upfront investment in China and impairment loss of goodwill etc.(special expenses), and net income also increased in YoY.



	FY2017	FY2016	Change
Operating income	9,596	8,418	1,178
Non-operating income	542	549	▲ 7
Non-operating expense	439	335	104
Ordinary income	9,698	8,631	1,067
Extraordinary income	566	0	566
Extraordinary loss	1,659	98	1,561
Total income taxes	2,834	2,882	▲ 48
Profit attributable to owners of parent	5,771	5,650	121

Note: FY2017 = FY ending March 31, 2018

Balance Sheets Transition (Consolidated)



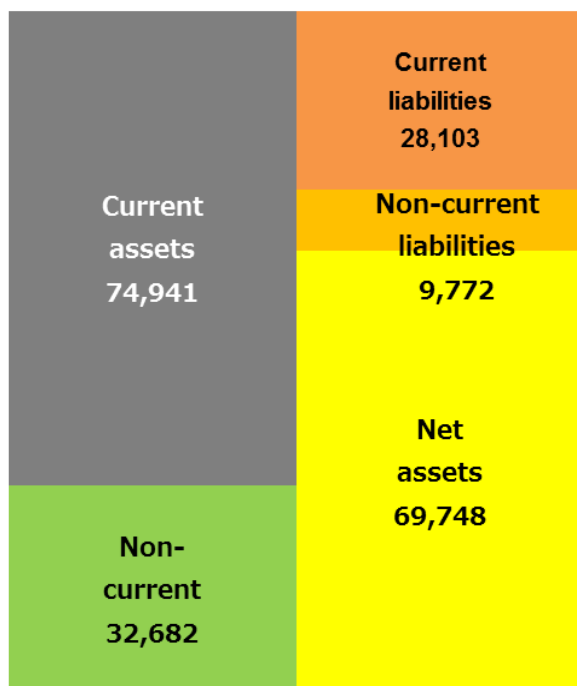
1.FY Ending March 31, 2018 ①Summary

Design for Sports

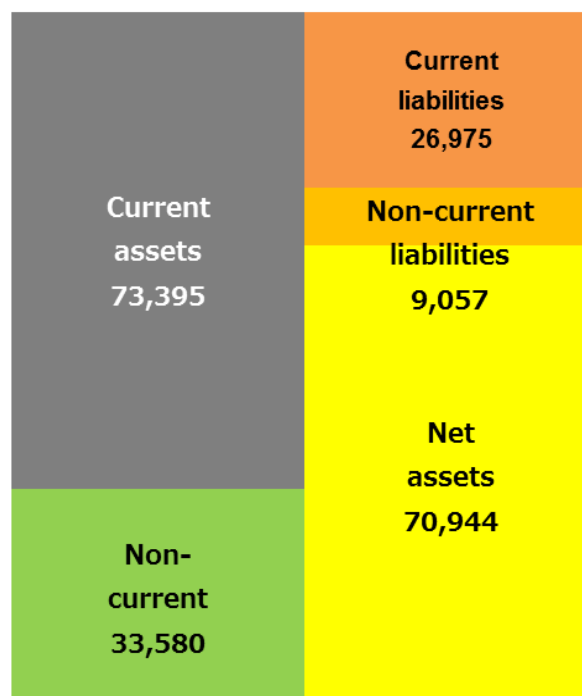
Total assets increased by 10.8 billion yen due to increase in fixed assets by investment for R&D centers in Japan and Korea etc.(+3.8billion) and FX translation effect (+4.4billion)etc.

(Unit: JPY Million)
2018/3/31

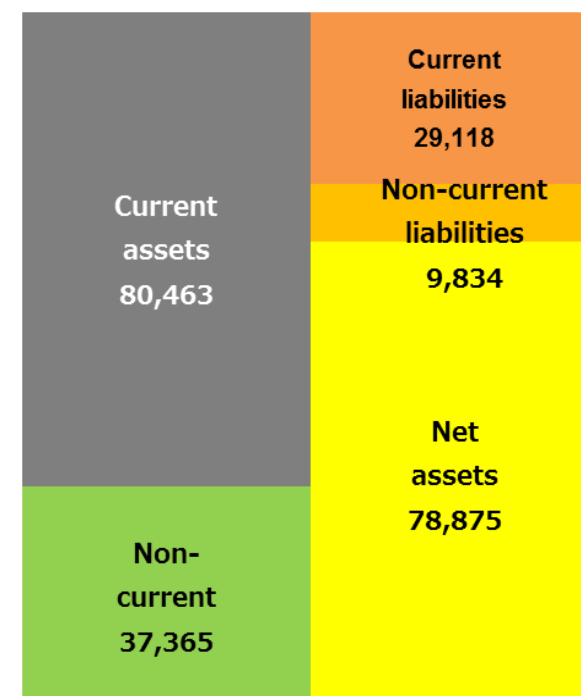
2016/3/31



2017/3/31



(Unit: JPY Million)
2018/3/31



Total assets	107,623
Equity ratio	64.8%

Total assets	106,976
Equity ratio	66.3%

Total assets	117,828
Equity ratio	66.9%

Cash Flow (Consolidated)

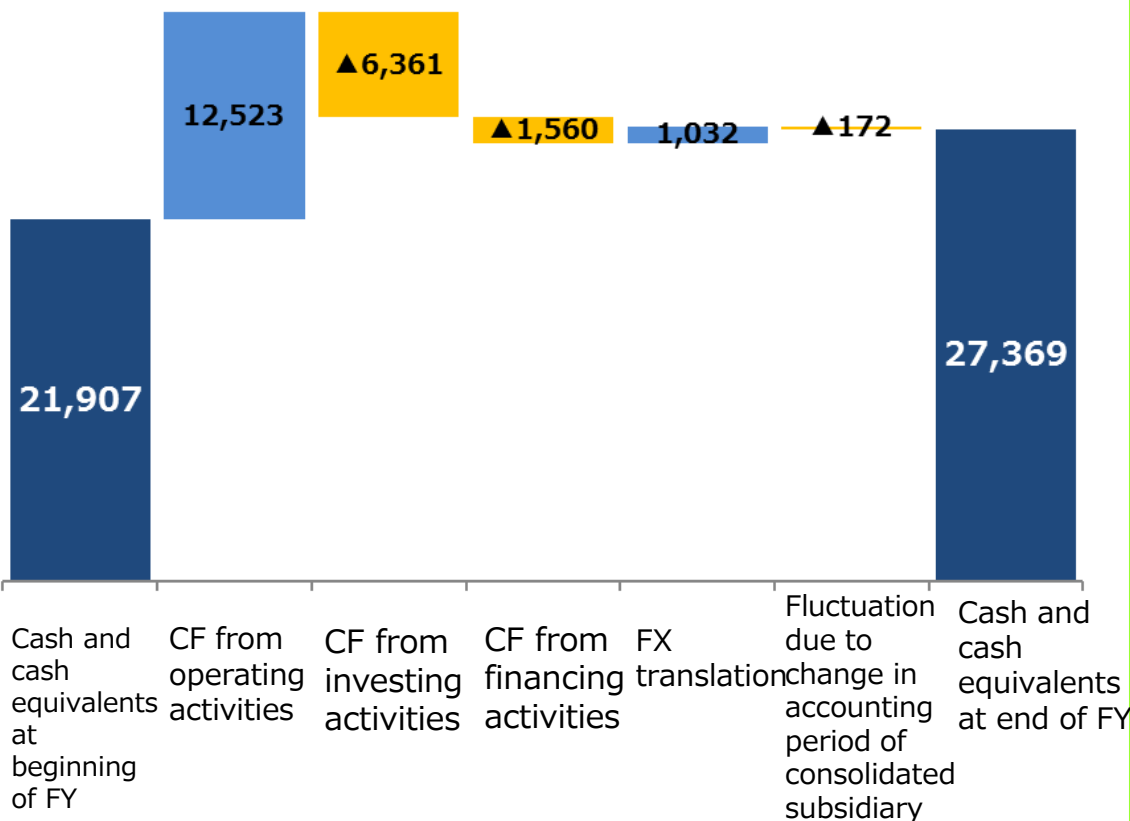


1.FY Ending March 31, 2018 ①Summary

Design for Sports

Continue aggressive investment toward further growth in the future.

(Unit: JPY Million)



**Compared to beginning of year
+5,462million**

CF from operation activities +12,523million

Net profits after tax	+8,606m
Depreciation	+3,181m
Accounts receivables	▲808m
Accounts payables	+295m

CF from investing activities ▲6,361m

Gain on tangible assets	▲6,344m
(Investment for R&D center:	
Japan	▲1,204m
Korea	▲1,355m

Investment for Logistics warehouse:	
Korea	▲200m
Investment for store: Japan	▲100m
Korea	▲1,348m

CF from financing activities ▲1,560m

Dividends ▲1,732m



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1. FY Ending March 31, 2018

① Summary

② **Review by Brand or Item**

③ Topics

2. Objectives and plan for the FY
Ending March, 2018

3. Progress of Medium Term
Management Plan

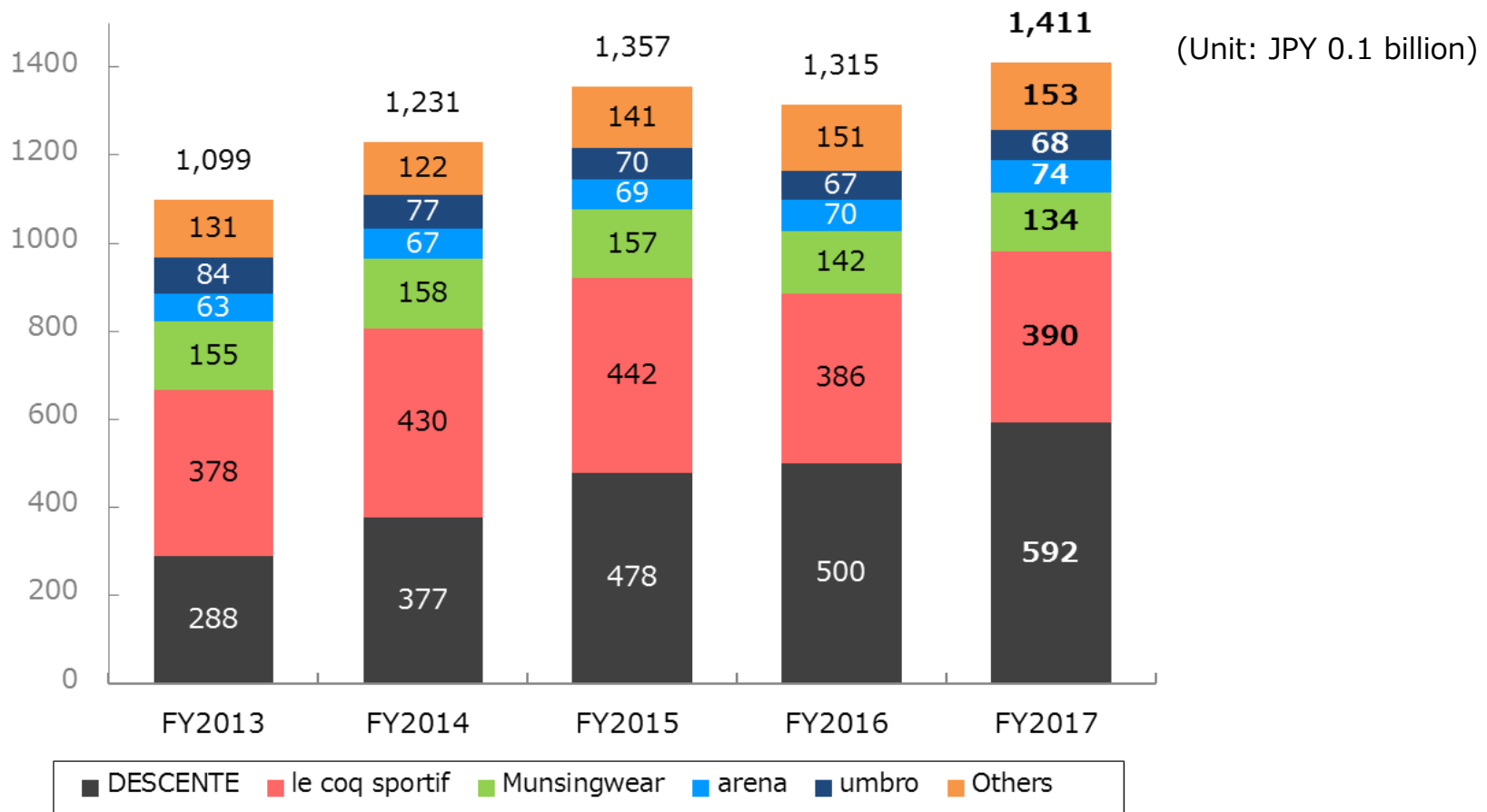
Net Sales Transition by Brand (Consolidated)



1.FY Ending March 31, 2018 ②Review by Brand or Item

Design for Sports

Sales of DESCENTE brand increased in Japan, Korea, and China. le coq sportif, arena, and umbro also performed well.



Note: FY2017 = FY ending March 31, 2018

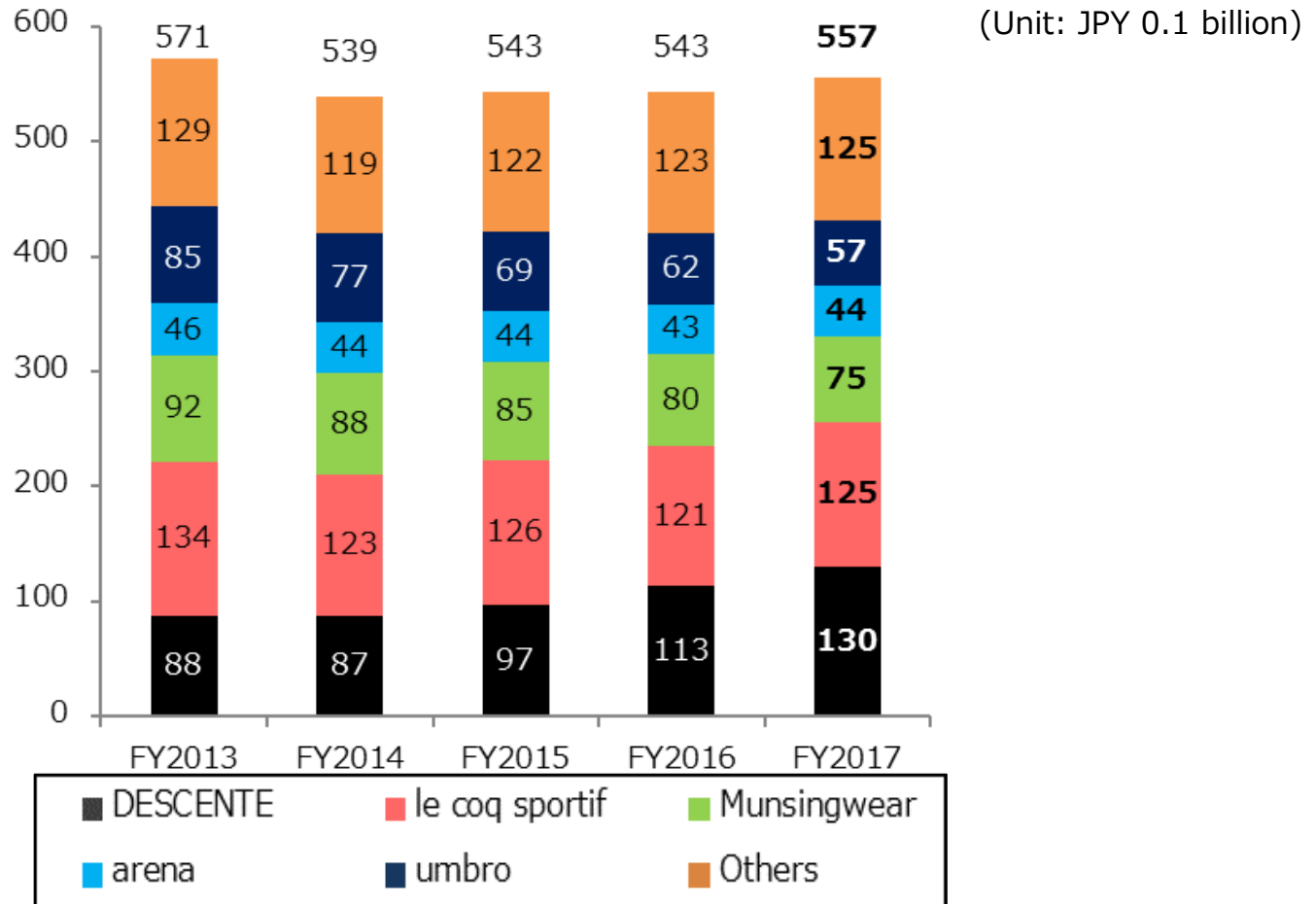
Net Sales Transition by Brand (Japan)



1.FY Ending March 31, 2018 ②Review by Brand or Item

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**Sales in DESCENTE brand has grown for 3 consecutive years.
le coq sportif expanded sales in women's training wear from 17FW season.**



Note: FY2017 = FY ending March 31, 2018

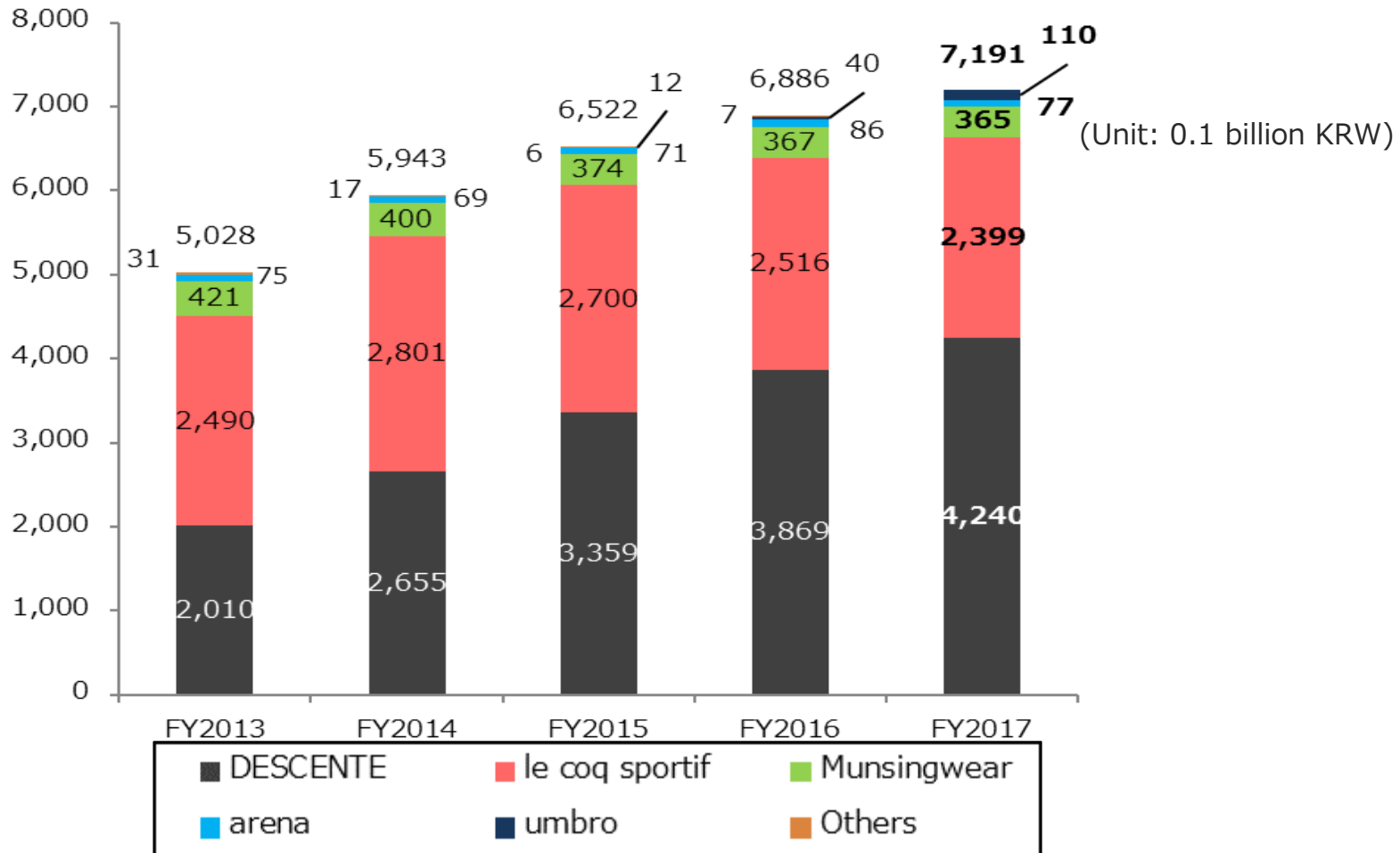
Net Sales Transition by Brand (Korea)



1.FY Ending March 31, 2018 ②Review by Brand or Item

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DESCENTE brand continued to increase in sales and led the results. Umbro has grown as well.



Note: FY2017 = FY ending March 31, 2018

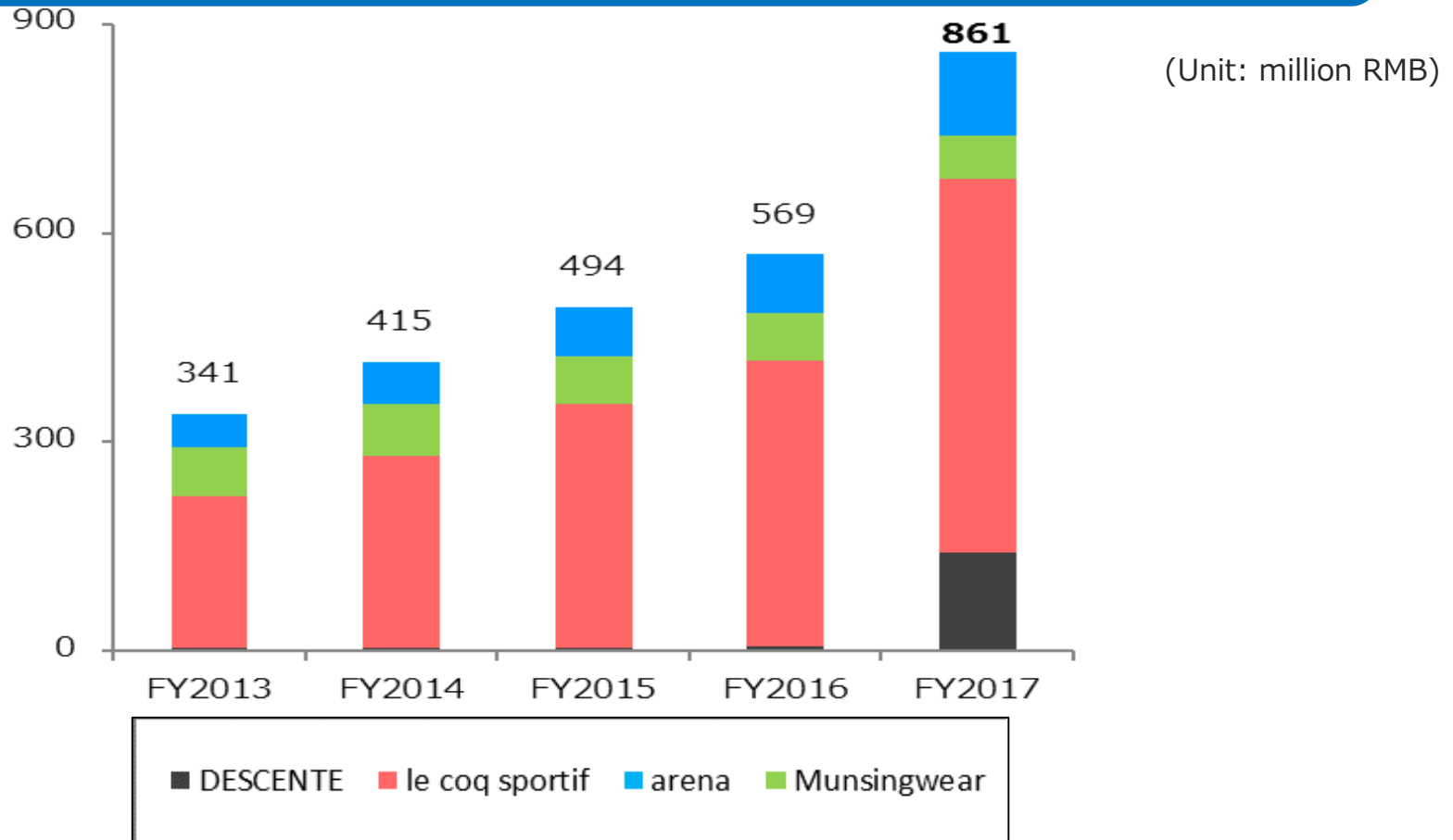
Combined JV Sales Transition by Brand (China excl. Hong Kong and Taiwan)



1.FY Ending March 31, 2018 ©Review by Brand or Item

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In addition to DESCENTE and arena which JVs started full-fledged business from this term, le coq sportif also performed steadily.



Note: Including local sales of equity-method affiliates
 FY2017 = FY ending March 31, 2018
 Munsingwear is operated by 100% subsidiary.

Net Sales by Item (Consolidated)

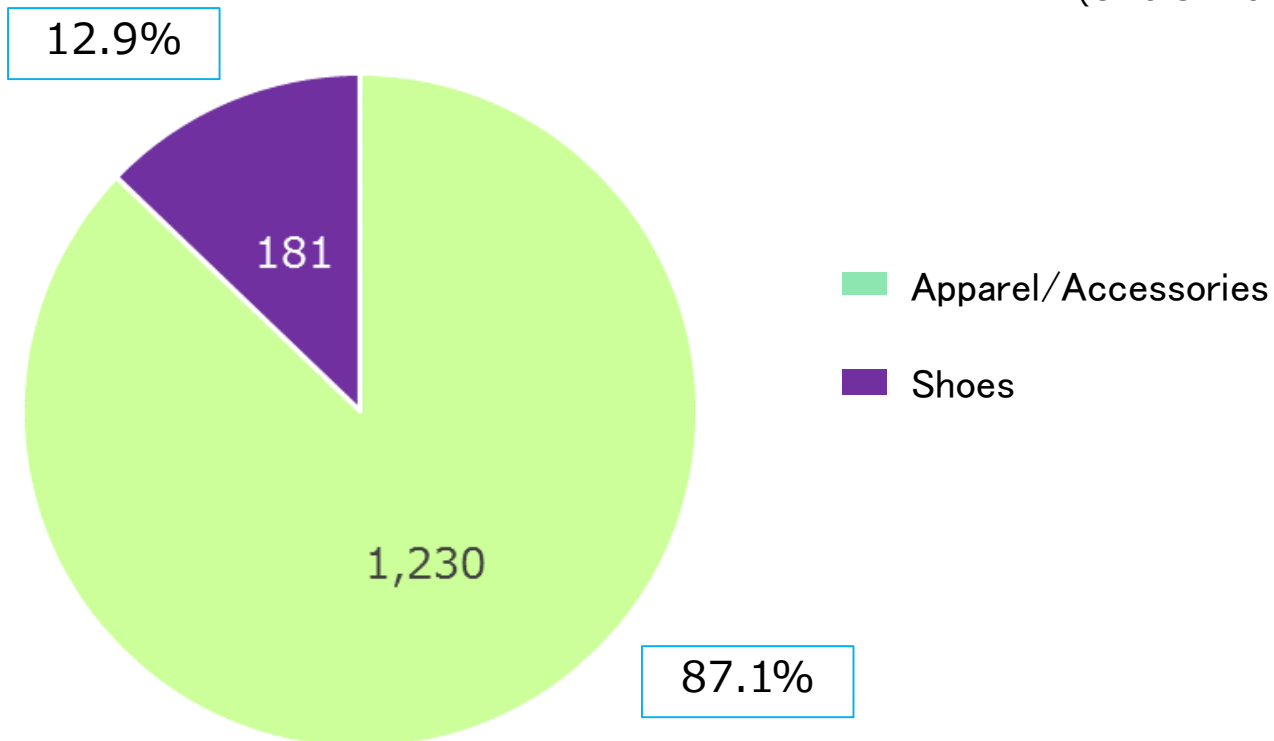


1.FY Ending March 31, 2018 ②Review by Brand or Item

Design for Sports

Strengthen the development and selling capabilities to enhance each comprehensive strength.

(Unit: JPY 0.1 billion)





Net Sales 59.2b (YoY 118%)(Domestic : 13b/Overseas : 46.2b)

- **Carried out development of global products with “craftsmanship” as the source of differentiation and global promotion**
- **Long down jacket got popularity in Korea.**
- **58 new stores opened in China, and it became 64 stores in total.**
- **Local marketing focused on athletic events was also held in each country.**



Net Sales 39b (YoY101%) (Domestic:12.5b/Overseas:26.5b)

- Sales in Japan and Korea increased.
- Developed products taking in fashion element.
- Global product planning and marketing that focused on cycling competition was developed in each country.



Munsingwear

Net Sales 13.4b (YoY94%) (Domestic:7.5b/Overseas:59b)

- A flagship store was opened in Japan to appeal brand image.
- Started business in Vietnam.



Net Sales 7.4b (YoY 106%) (Domestic:4.4b/Overseas:2.9b)

- **Following China, Korea also started JV business.**
- **Team order items are performing well in Japan.**



Net Sales 6.8b (YoY102%) (Domestic:5.7b/Overseas:1.1b)

- **Sales in Korea doubled.**
- **Shoes, mainly spike, is selling well in Japan.**



Design for Sports

1. FY Ending March 31, 2018

- ① Summary
- ② Review by Brand or Item
- ③ Topics**

2. Objectives and plan for the FY Ending March, 2018

3. Progress of Medium Term Management Plan



<Improvement of “Craftsmanship”>

Improved the strength of product development which is a source of differentiation by joint research between industry and universities.



Cycling wear under development using original mannequin



Announce G-Series which uses Nobel Prize winning material “Graphene” (joint development with The University of Manchester)



<New professional golf players contracted with our company>

Contracted with 5 new Japanese women professional golfers; Momoka Miura, Hina Aragaki, Sakura Koiwai, Aya Tamura, and Nozomi Uetake.

<Strategy of “O2O”>

In Japan, “CLUB DESCENTE”, a new common membership service between directly run shops and online shop was started, and also redesigned the online shop.

<Grass roots promotion>

Increased chance to communicate with end users and gained brand fans.

- Held an event gathered women members in each golf course (Singapore)
- Implemented “I love golf campaign” which can get a chance to take a round lesson with ten professional players contracted with our company. (Japan)

<Communication with local society and employees>

- **Got a “Tokyo Sports Promotion Company” in the program of Mejiro Road Race for the third successive year.**
- **Certified as an Excellent Enterprise of Health and Productivity Management – White 500 for 2 years in a row.**



Design for Sports

1. FY Ending March 31, 2018

① Summary

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**Net sales aim to increase by 5% YoY to a record high.
Net income is expected to increase by 13% from the previous year.**

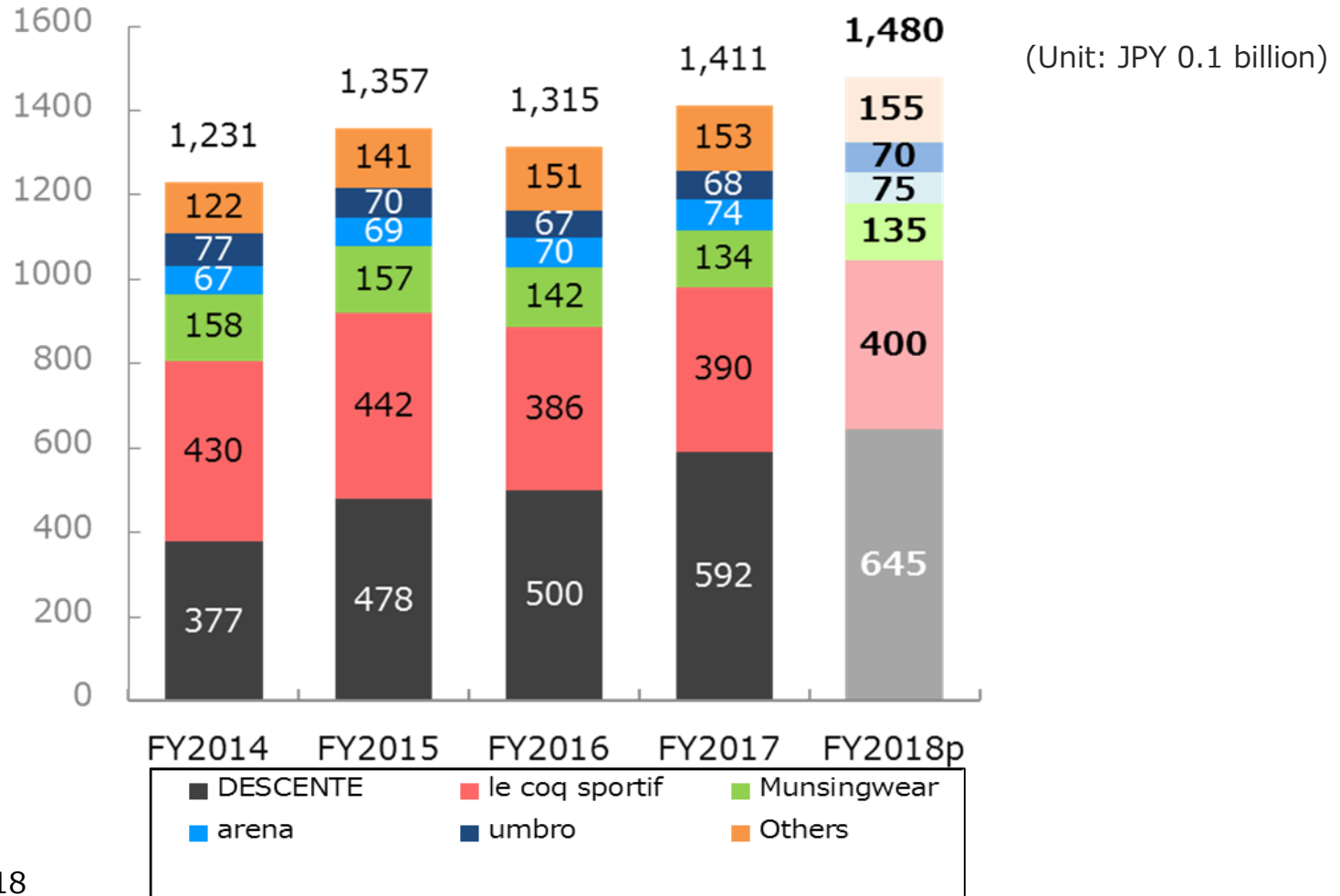
(Unit: JPY Million)

	FY2016	FY2017	FY2018		Mar/'19 Compass 2018
			Guidance	YoY	
Net sales	131,543	141,124	148,000	105%	170,000
Operating income	8,418	9,596	9,600	100%	-
(rate)	6.4%	6.8%	6.5%		-
Ordinary income	8,631	9,698	10,000	103%	14,000
(rate)	6.6%	6.9%	6.8%		8.2%
Profit attributable to owners of parent	5,650	5,771	6,500	113%	10,000
(rate)	4.3%	4.1%	4.4%		5.9%

Predicted rate: USD112.60, 100KRW10.40, RMB17.10, HKD14.30, SGD84.00, GBP152.00



Aim for increase of sales especially by DESCENTE



Note: FY2017 =
FY ending March 31, 2018

Dividends and Payout Ratio



2.Objectives and plan for the FY Ending March, 2018

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Annual dividends of FY2018:JPY 23.0
Annual dividends of FY2019(Plan):JPY 26.0

(Unit: JPY Million)

	FY2014	FY2015	FY2016	FY2017	FY2018 Plan
Dividends	1,130	1,280	1,732	1,733	1,959
Amount/share	JPY15.0	JPY17.0	JPY23.0	JPY23.0	JPY26.0
Profit attributable to owners of parent (Consolidated)	6,563	7,870	5,650	5,771	6,500
Payout ratio	17.2%	16.3%	30.7%	30.0%	30.1%

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.

Note:FY2017 = FY ending March 31, 2018



(Unit: JPY 0.1 billion)

	Mar/'16	Mar/'17	Mar/'18	Mar/'19 plan	Compass 2018	Mar/'21 VISION2020
Net Sales	1,357	1,315	1,411	1,480	1,700	2,000
Operating income	110	86	97	100	140	160
Prpfit attributable to owners of parent	78	57	58	65	100	-

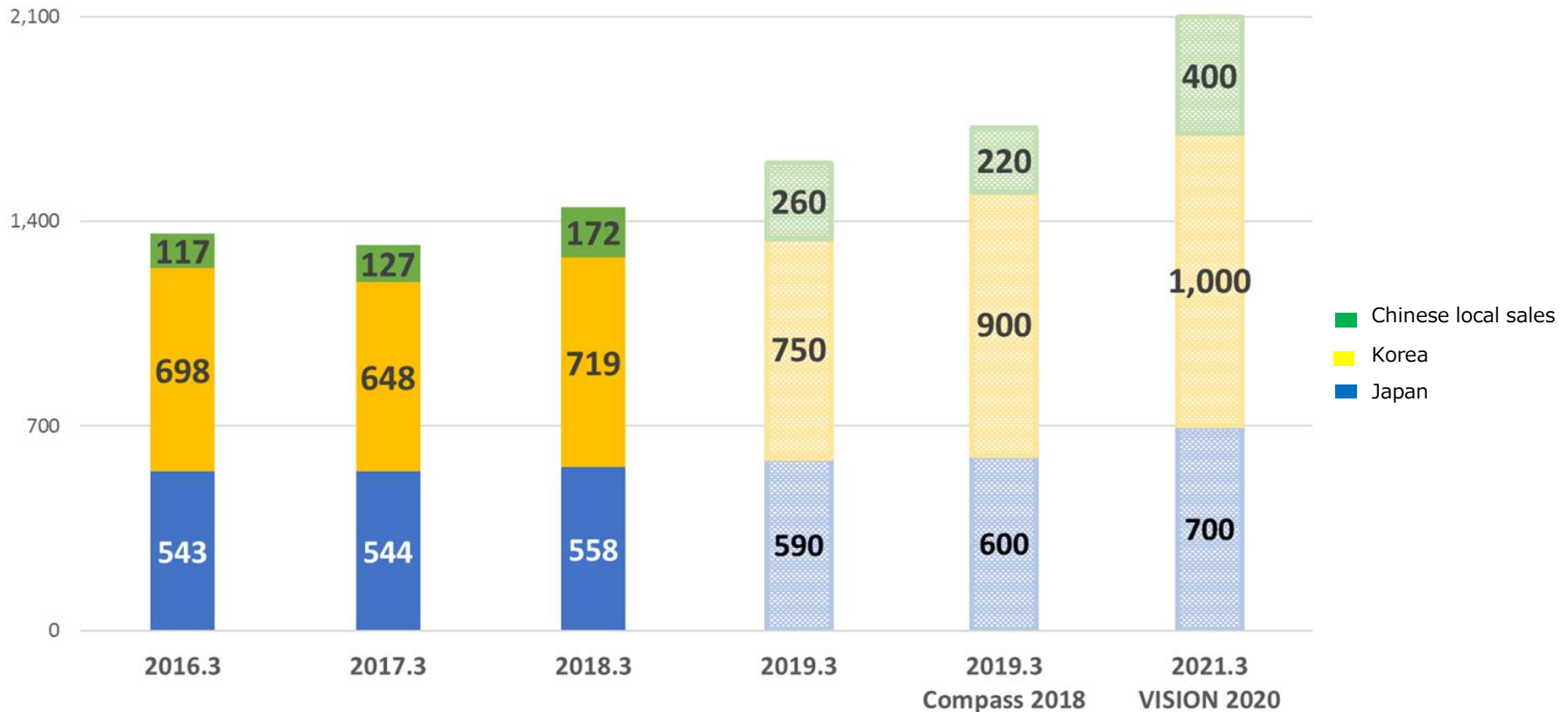
Sales Comparison (Japan, China, South Korea)



3. Progress of Medium Term Management Plan

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(Unit: JPY 0.1 billion)



Note: Including local sales of equity-method affiliates



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1. FY Ending March 31, 2018

① Summary

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3. Progress of Medium Term Management Plan



1. Construct a consistent brand strategy at the global level

- Create a brand manual of DESCENTE brand
- Renovate a DESCENTE's tagline for the consistent branding at the global level

2. Improvement of "Craftsmanship"

- Establish R&D center in Japan and Korea
- Announce G-Series used Nobel Prize winning material "Graphene"



3. Promoting opening directly run stores and self-managed stores

“le coq sportif”

- Open directly run stores of new style in Japan

“arena”

- T-mall is in good performance in China

4. Improve a management infrastructure and logistics system

- Clarification of each company’s responsibility and role by company split-up
- Digital transformation of business by installing ERP, PLM, CRM



5. Enhance organizational strength by developing individual skill

- Company members trained abroad producing results in each areas
- Work for penetration of “Spirit of Descente” to create sense of unity for the improvement of organizational strength

Achievements and Challenges

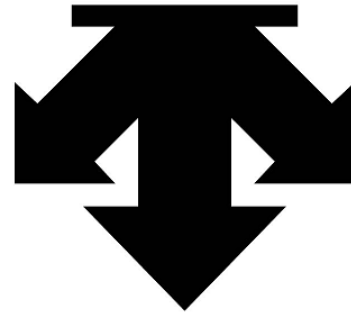


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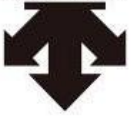
- + Increased sales in domestic business and improved profitability
- + Chinese business became the third pillar
- + Rapid growth of the DESCENTE brand
- + Smooth start as a first year of company's spin-off

- Recover profitability in Korean business
- Rebuild business of Inov8
- Expand shoes business

DESCENTE



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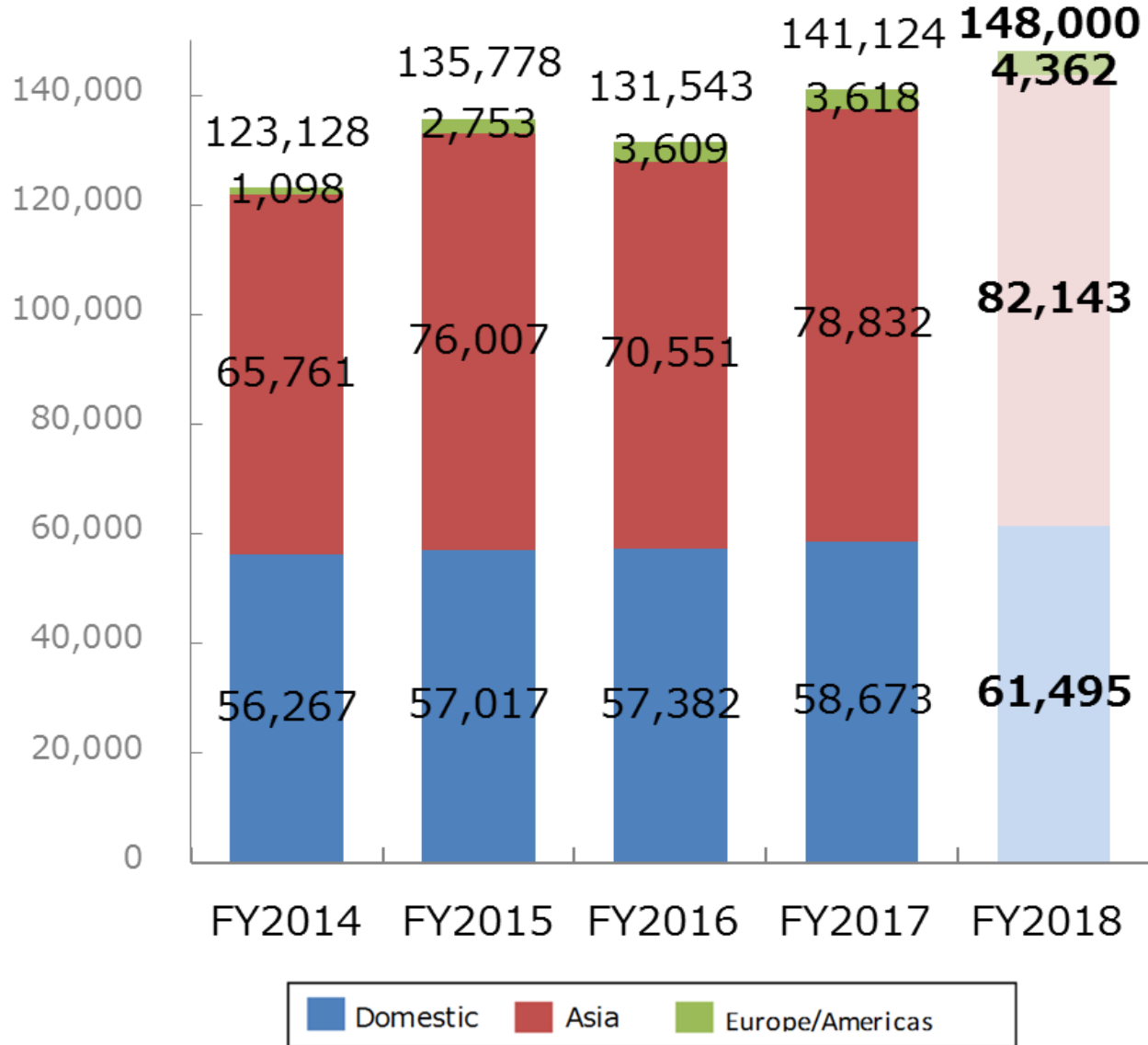
FY ending March 31, 2018 Reference Material

**(Transition of Quarterly Sales and
Operating Income by Segment)**



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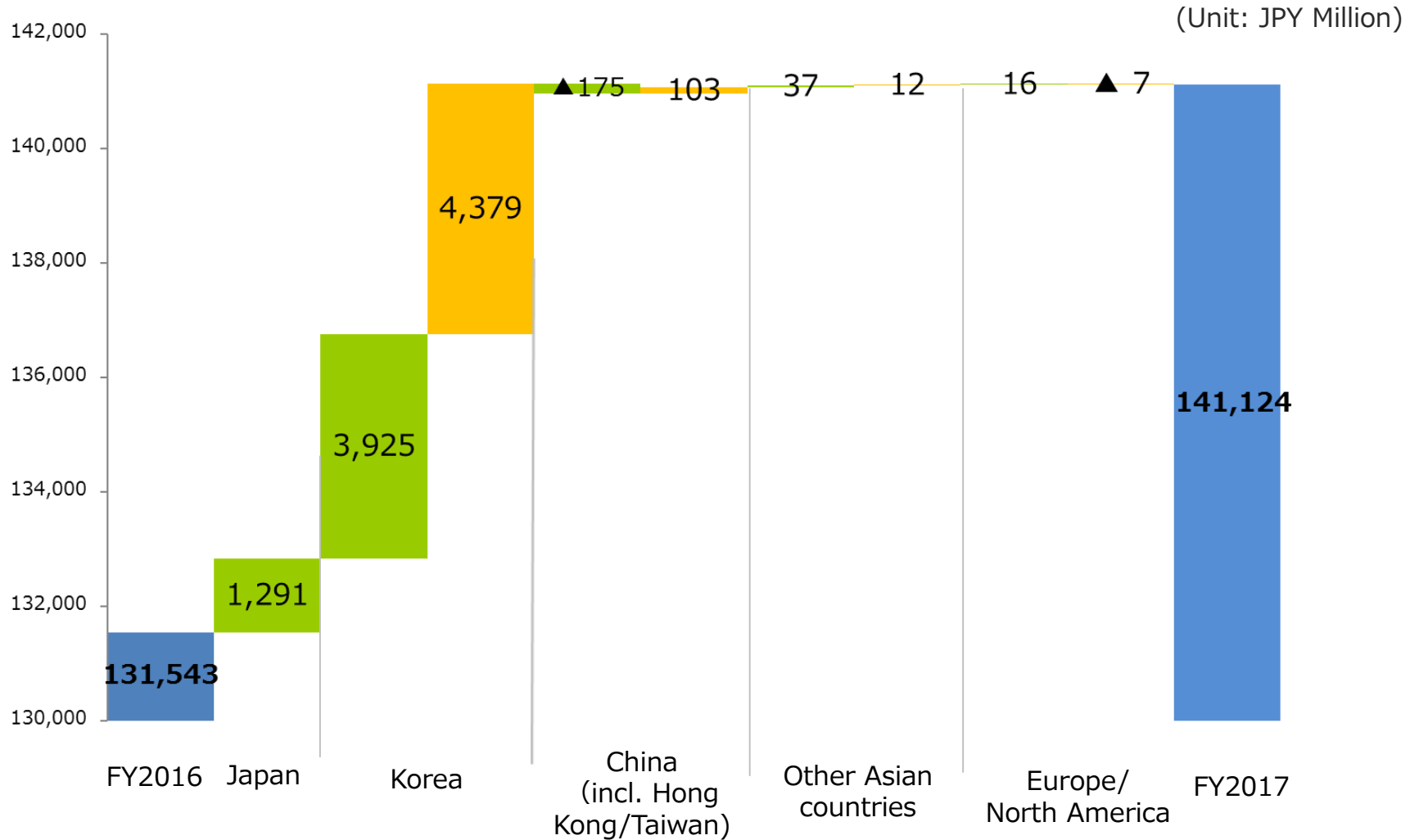
(Unit: JPY Million)



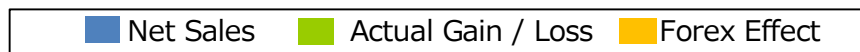
Net Sales Fluctuations (by Segment: YoY)



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Note: FY2017 = FY ending March, 31 2018

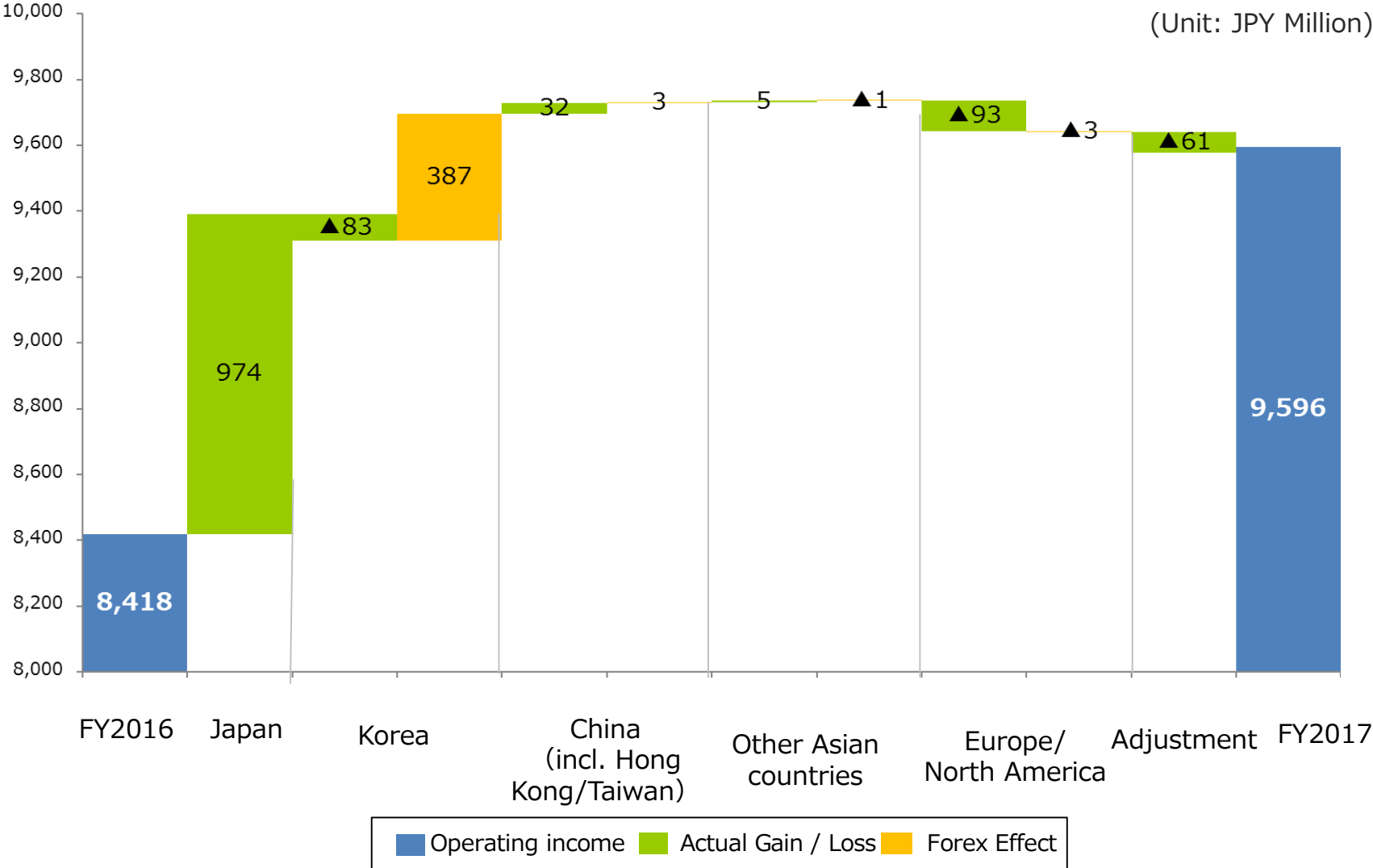


Operating Income Fluctuation (by Segment: YoY)



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(Unit: JPY Million)



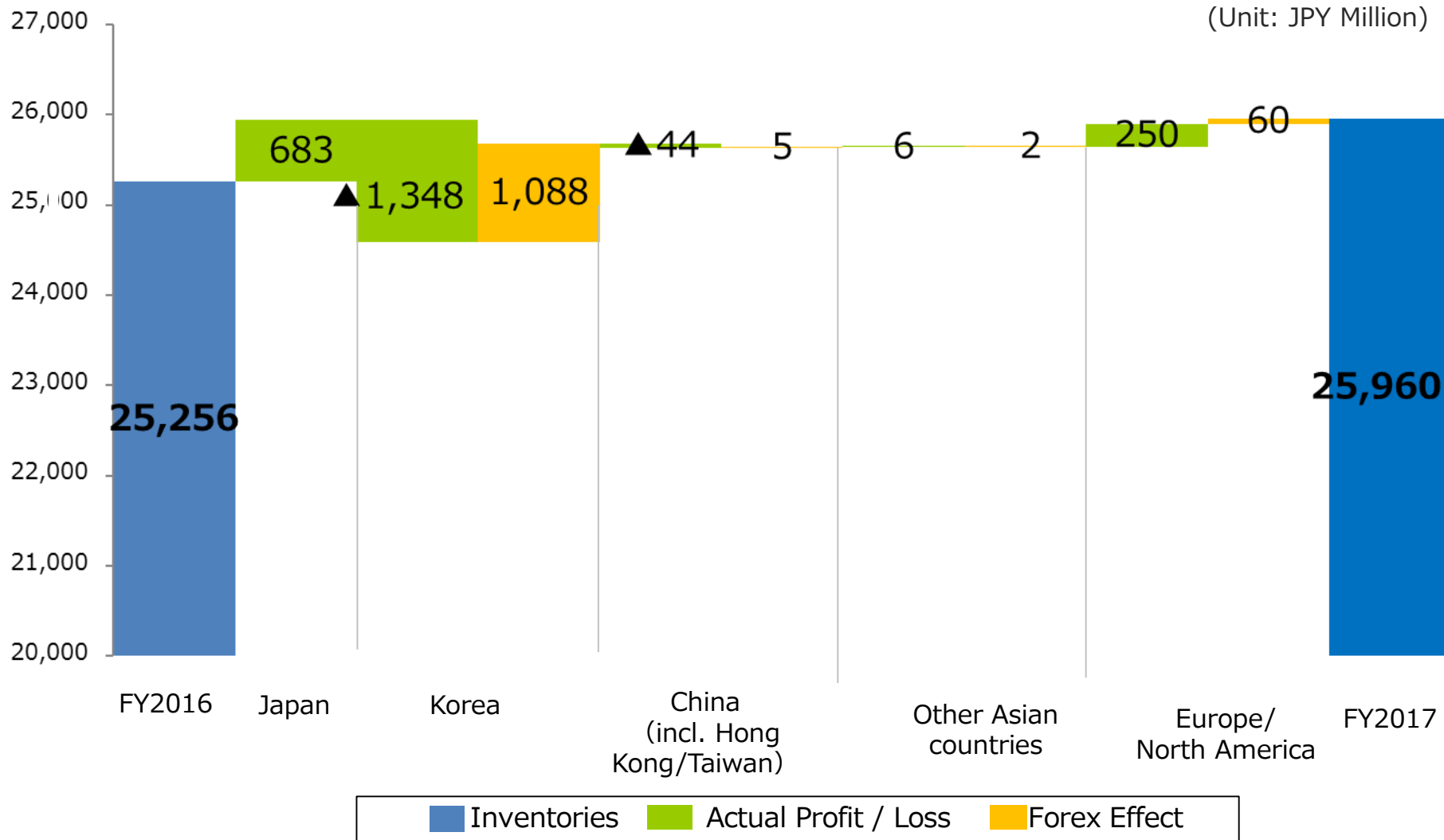
Note: FY2017 = FY ending March, 31 2018

Inventory Fluctuations (by Segment : YoY)



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(Unit: JPY Million)



Note: FY2017 = FY ending March, 31 2018



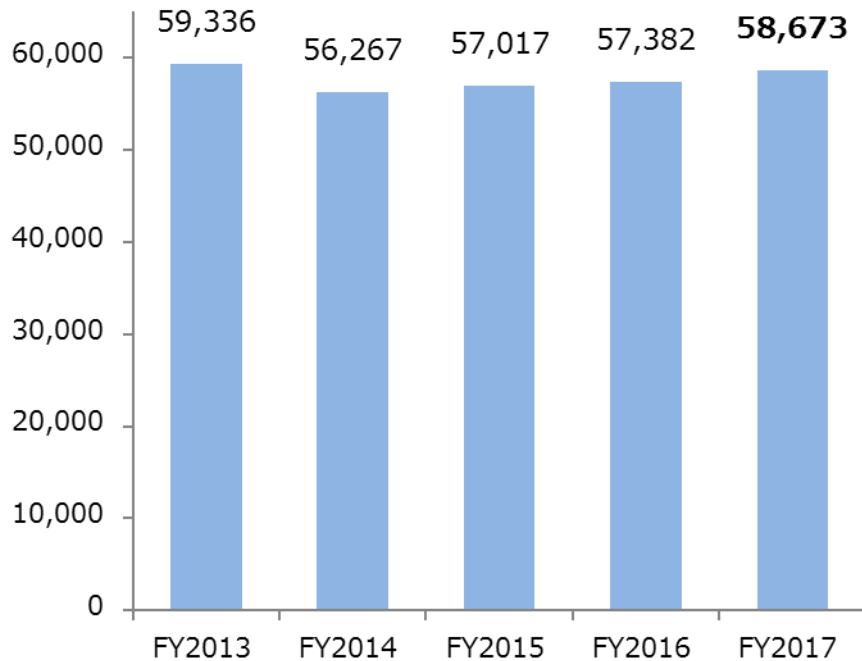
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Net Sales and Operating Income Transition by Segment(Japan)

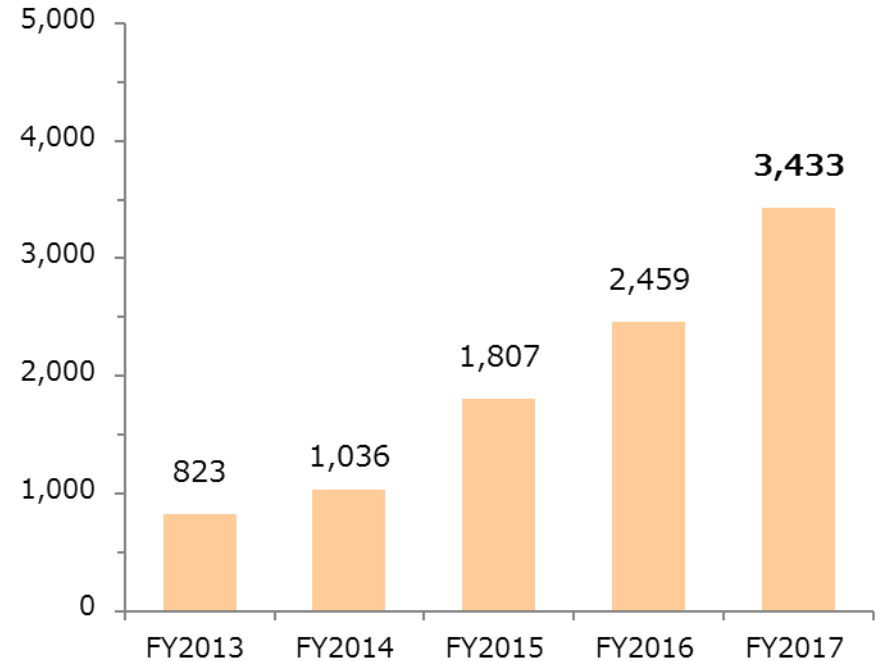
(Unit: JPY Million)

(Unit: JPY Million)

Net Sales



Operating Income



Note: FY2017 = FY ending March, 31 2018

Net Sales and Operating Income Transition by Segment(Asia)

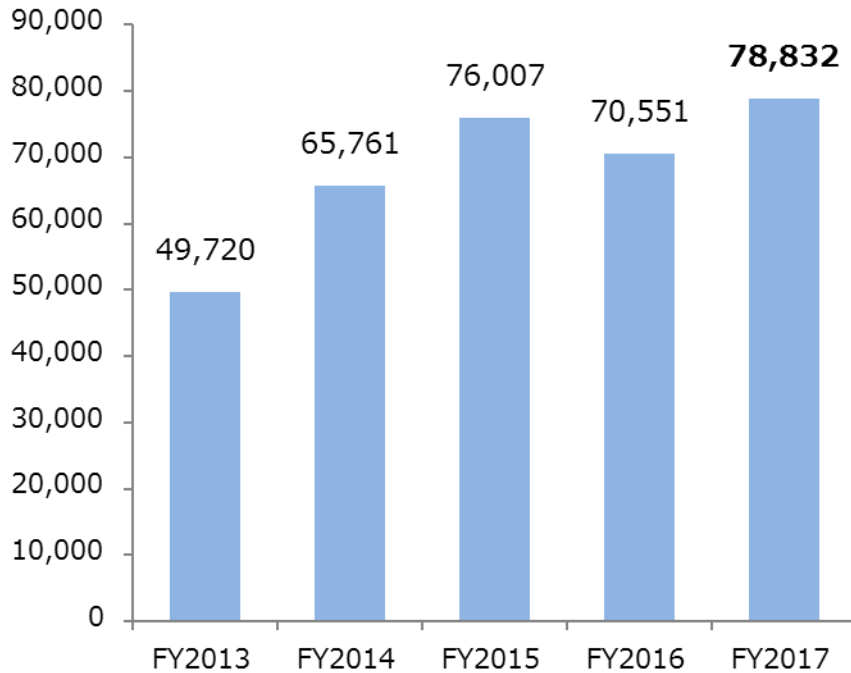


Design for Sports

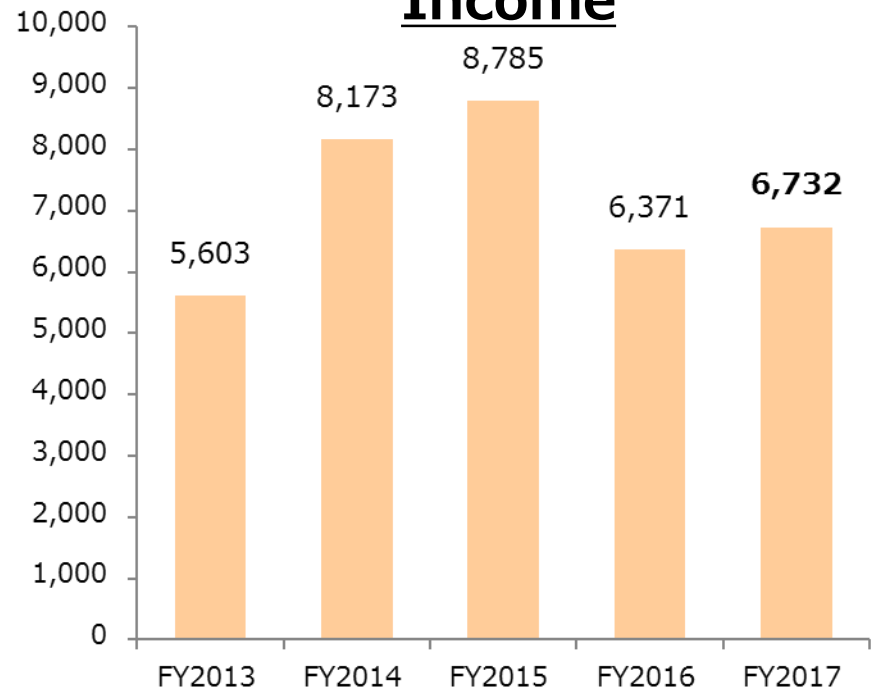
(Unit: JPY Million)

(Unit: JPY Million)

Net Sales



Operating Income



Note: FY2017 = FY ending March, 31 2018

Net Sales and Operating Income Transition by Segment (Europe/North America)

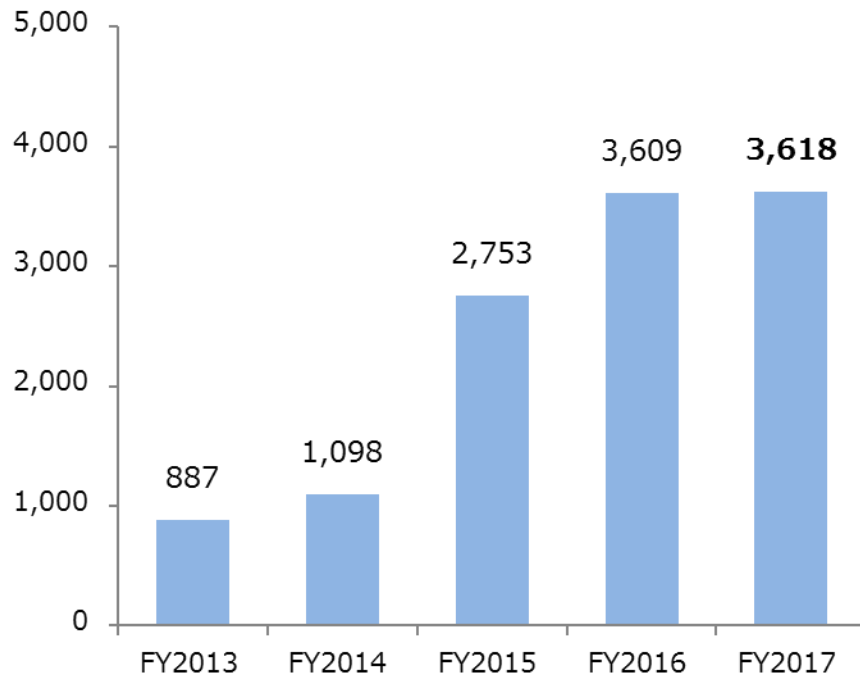


Design for Sports

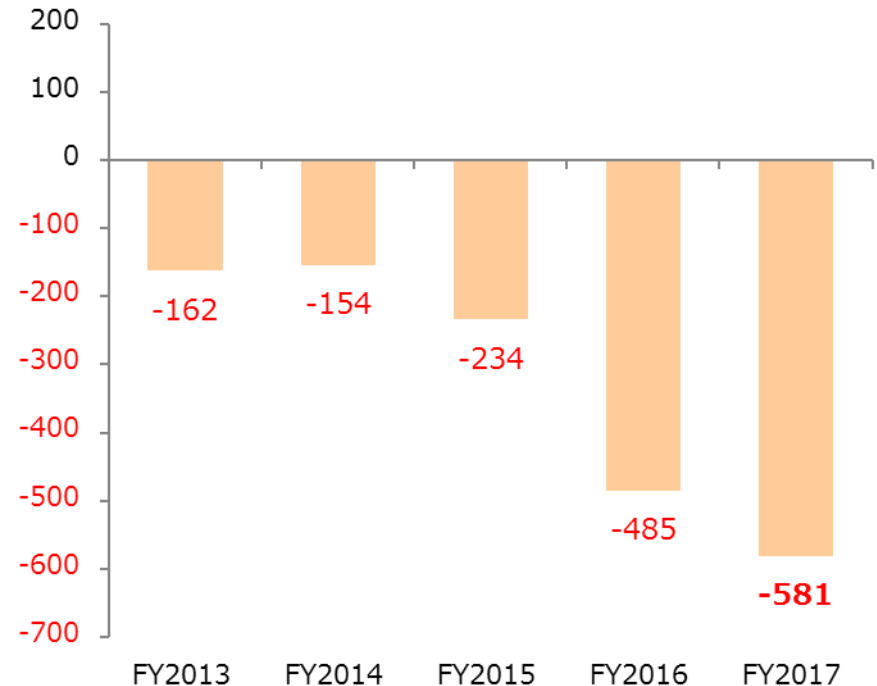
(Unit: JPY Million)

(Unit: JPY Million)

Net Sales



Operating Income



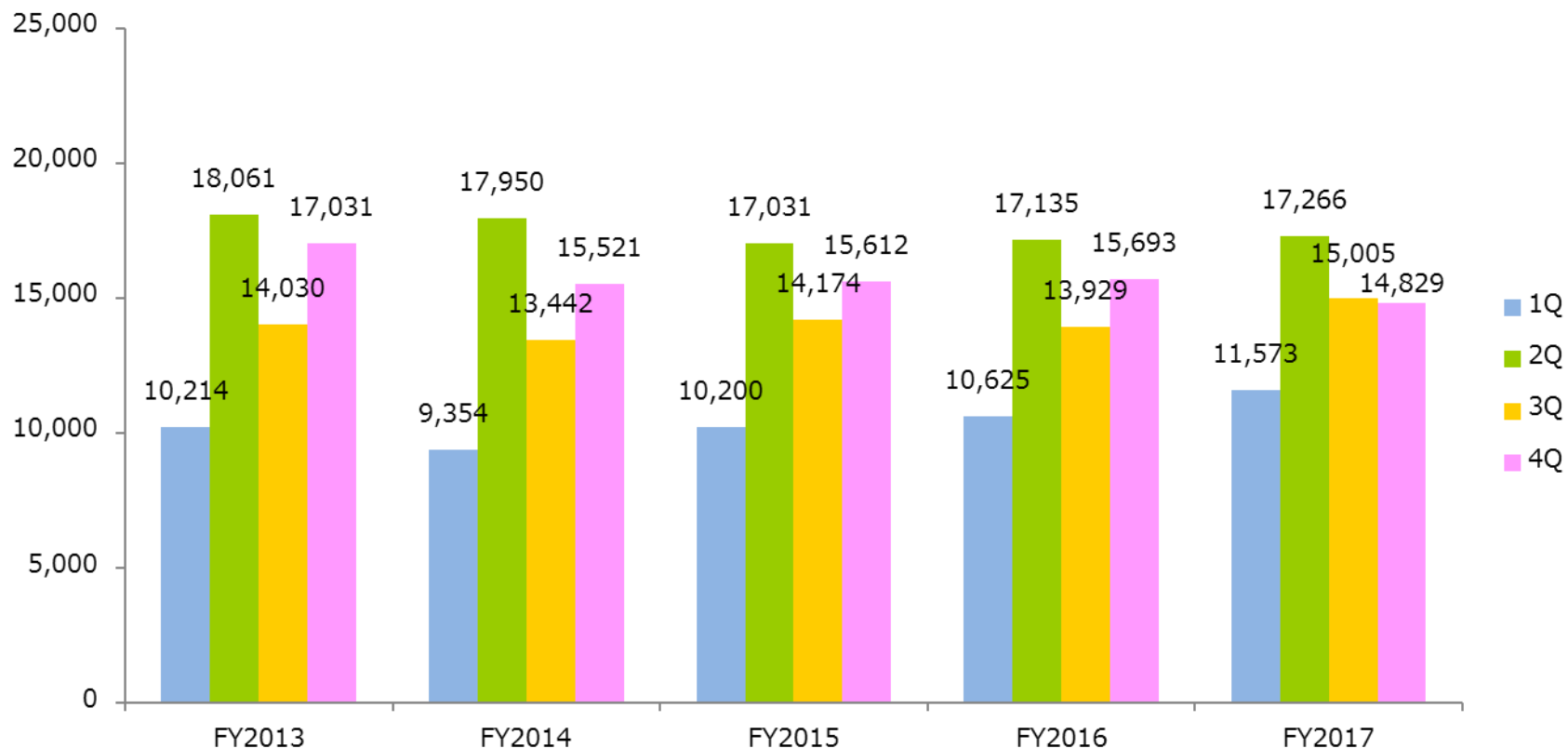
Note: FY2017 = FY ending March, 31 2018

Quarterly Sales Transition by Segment (Japan)



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(Unit: JPY Million)



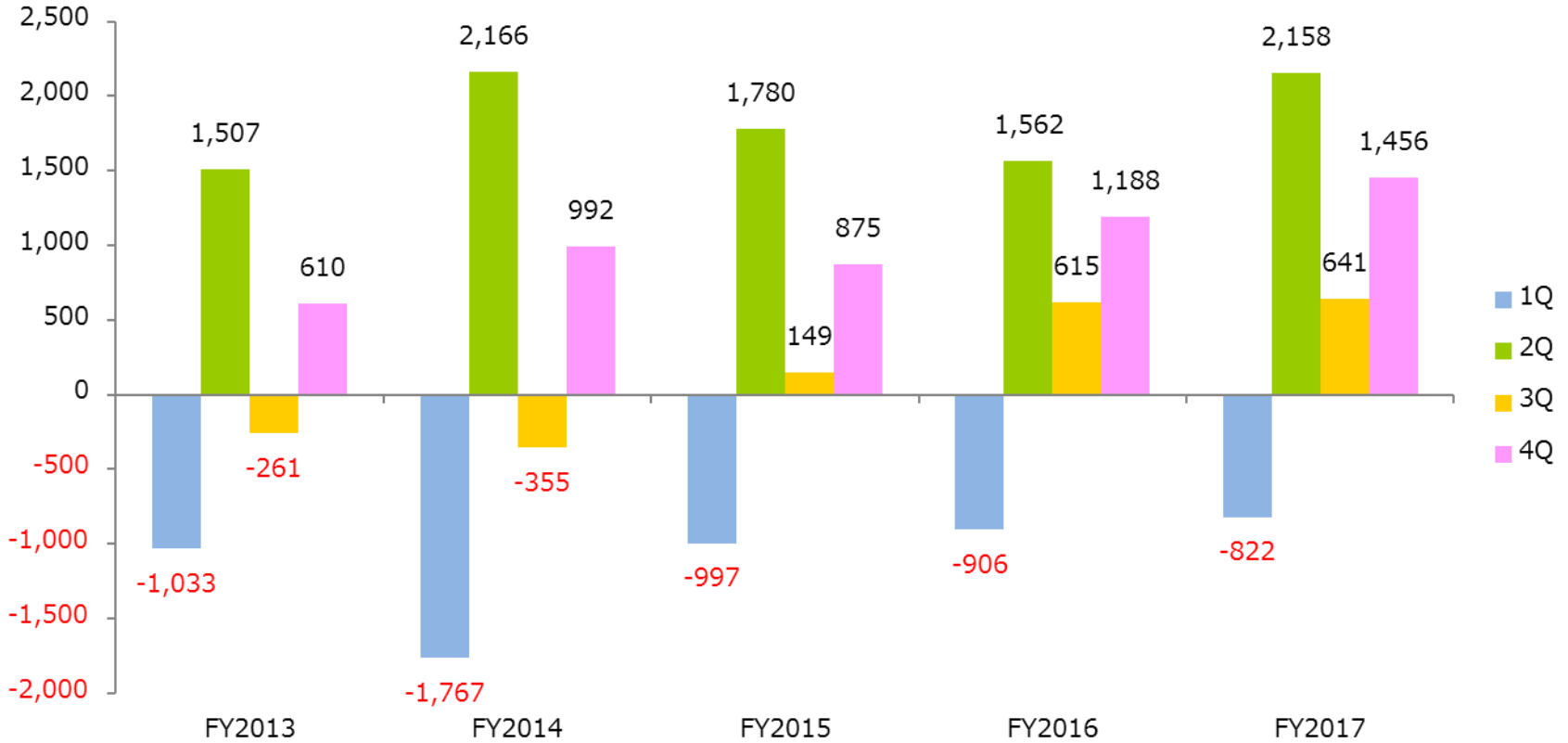
Note: FY2017 = FY ending March, 31 2018



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Quarterly Operating Income Transition by Segment (Japan)

(Unit: JPY Million)

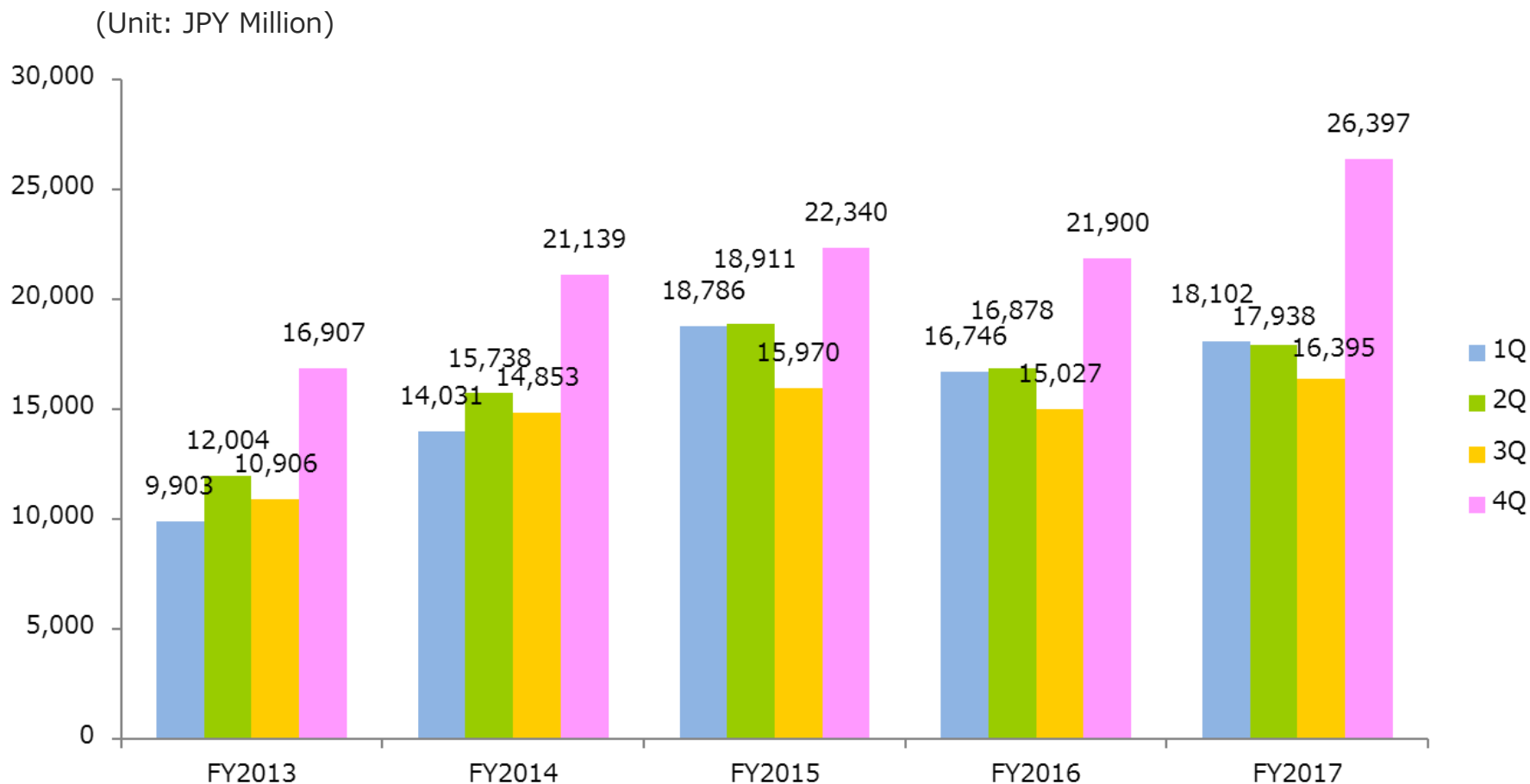


Note: FY2017 = FY ending March, 31 2018

Quarterly Sales Transition by Segment (Asia)



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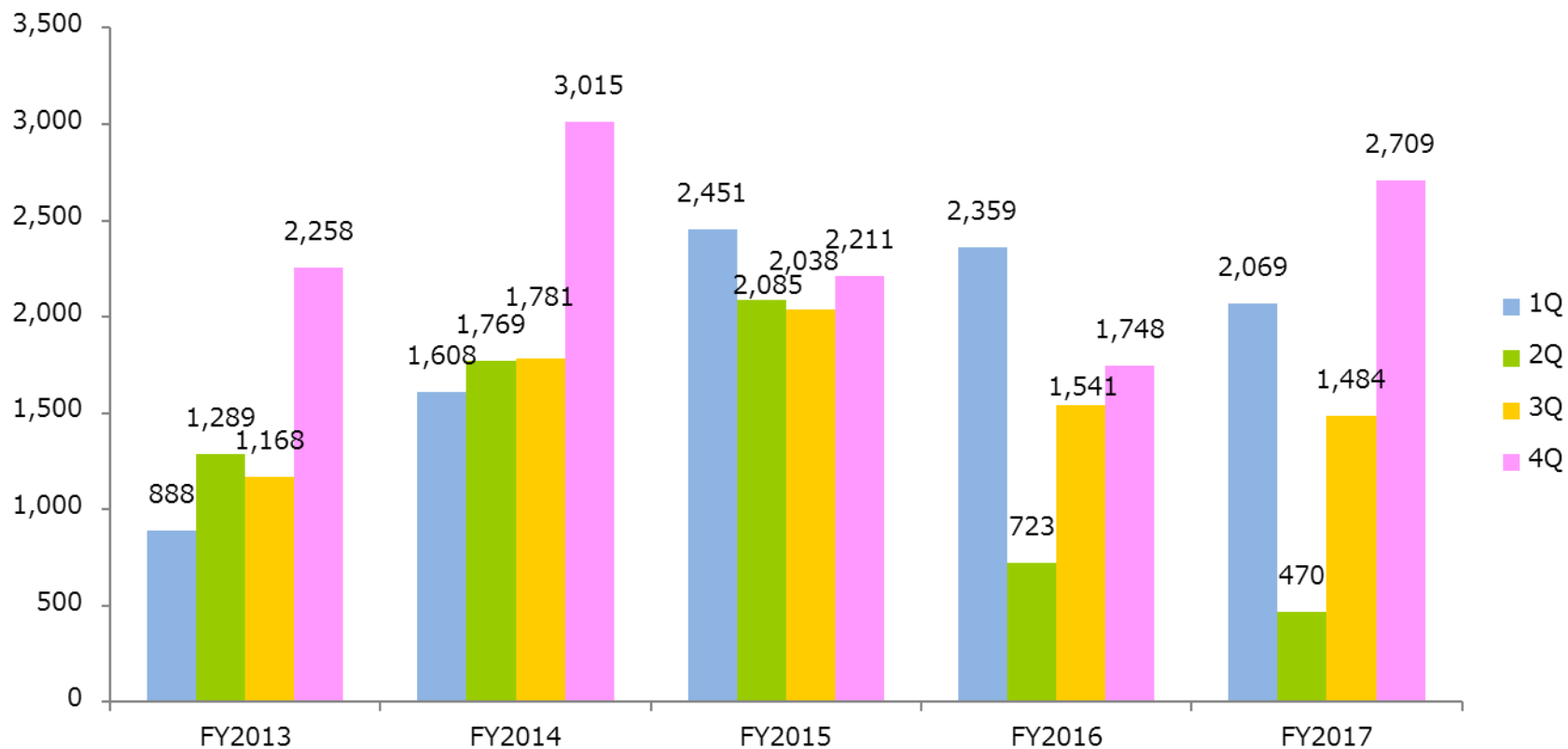
Note: FY2017 = FY ending March, 31 2018

Quarterly operating Income Transition by Segment (Asia)



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(Unit: JPY Million)



Note: FY2017 = FY ending March, 31 2018

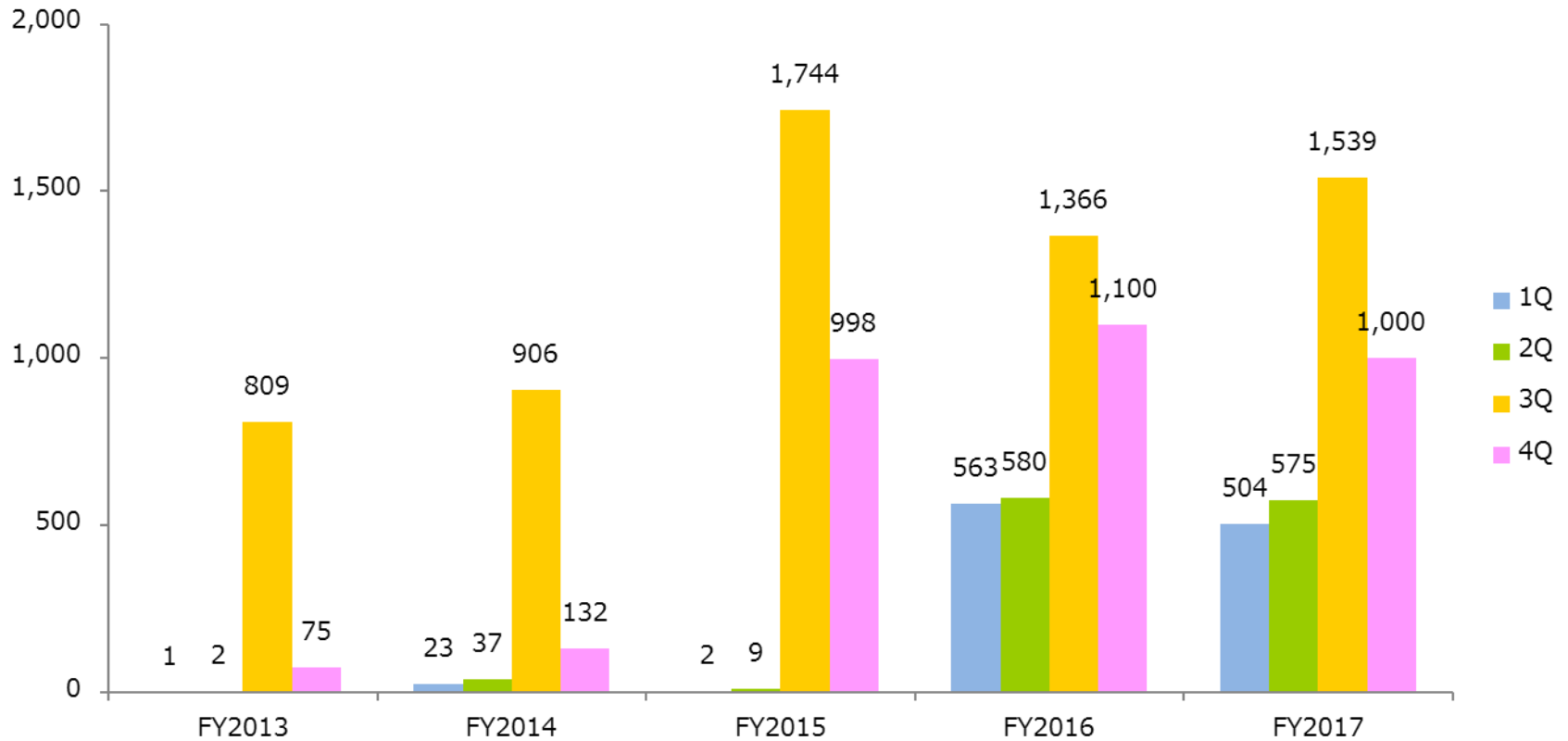
Quarterly Sales Transition by Segment (Europe/North America)



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

(Unit: JPY Million)



Note: FY2017 = FY ending March, 31 2018

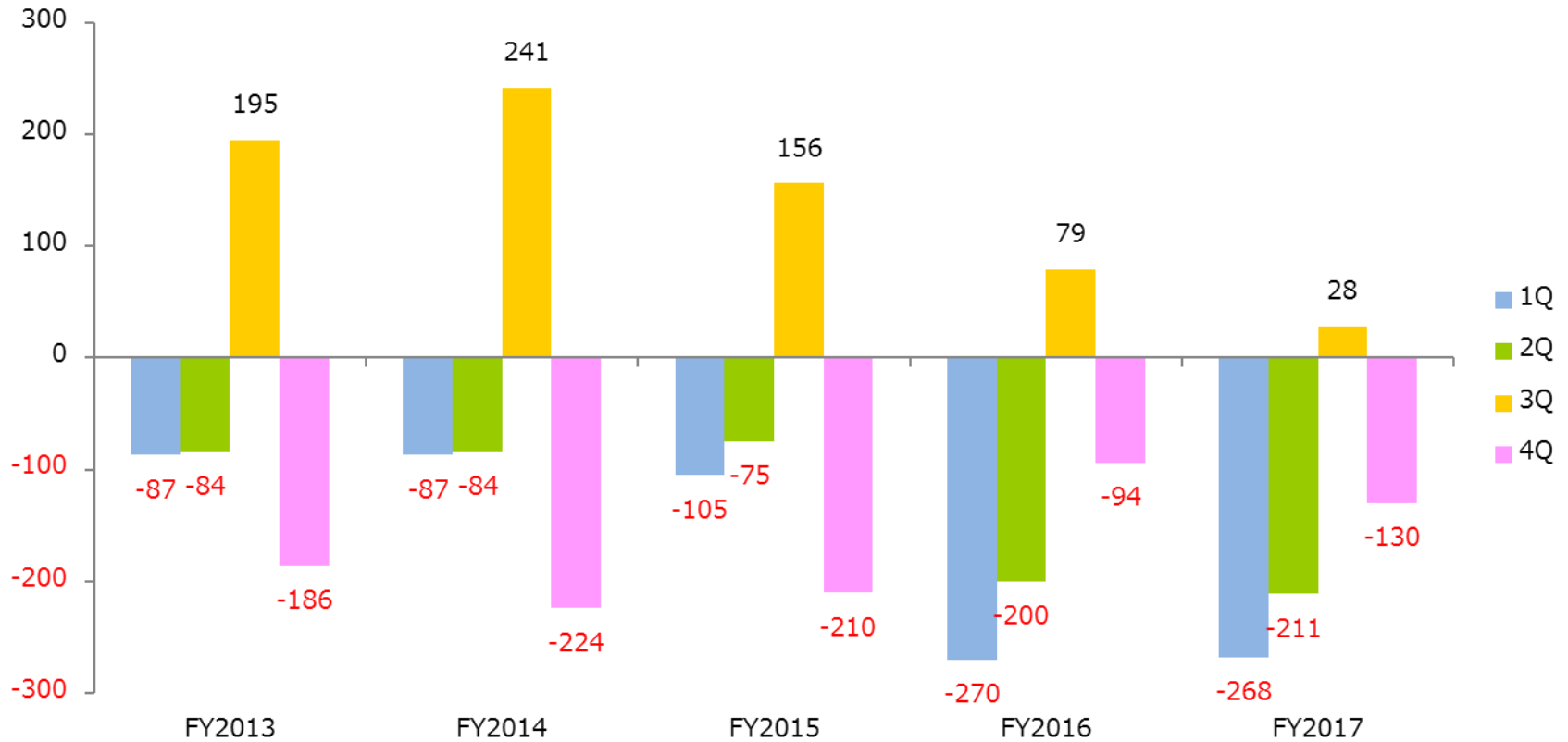
Quarterly operating Income Transition by Segment (Europe/North America)



Design for Sports

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

(Unit: JPY Million)



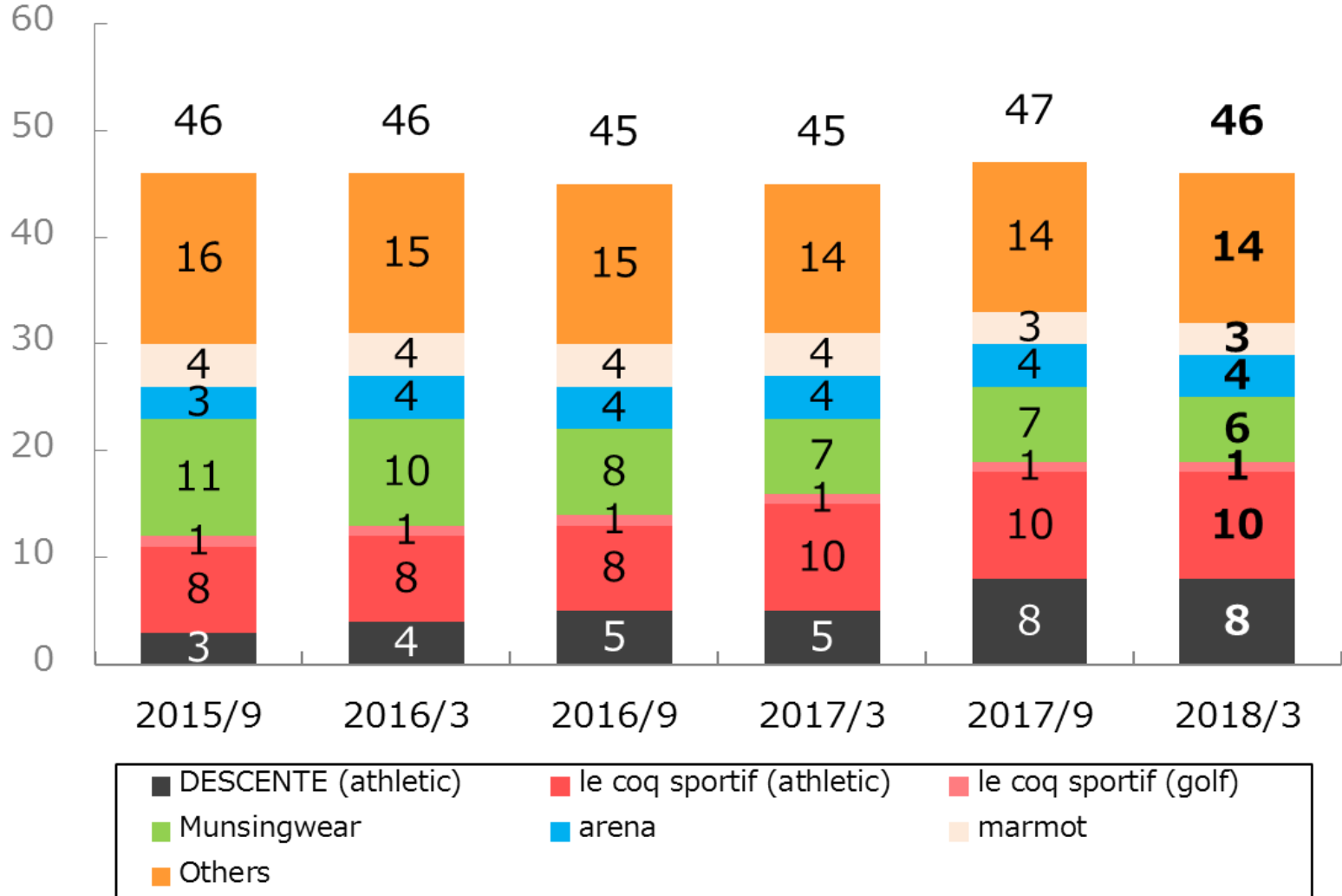
Note: FY2017 = FY ending March, 31 2018

Number of stores in Japan



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* Including outlets

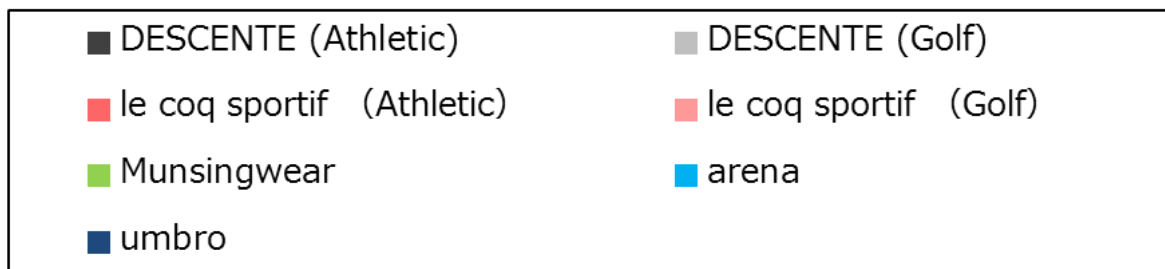
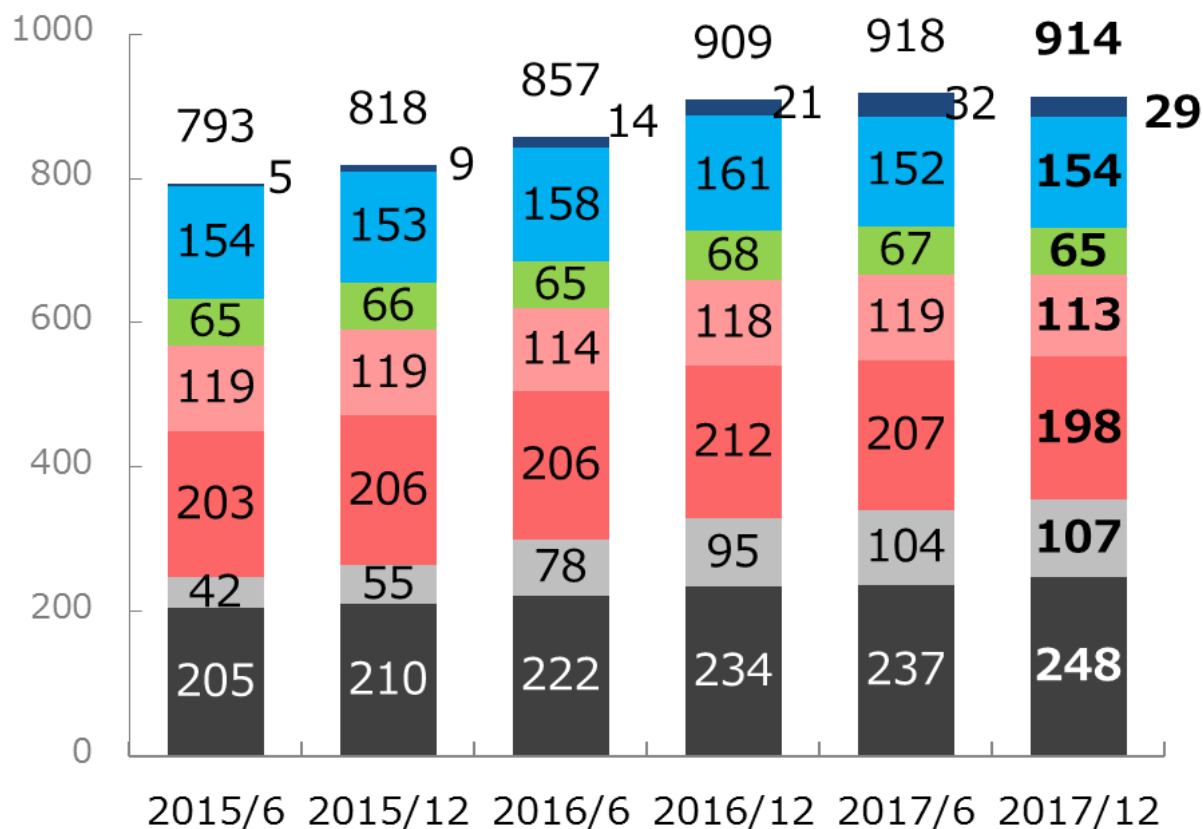


Number of Stores in Korea



* Including stores of commercial agents and outlets

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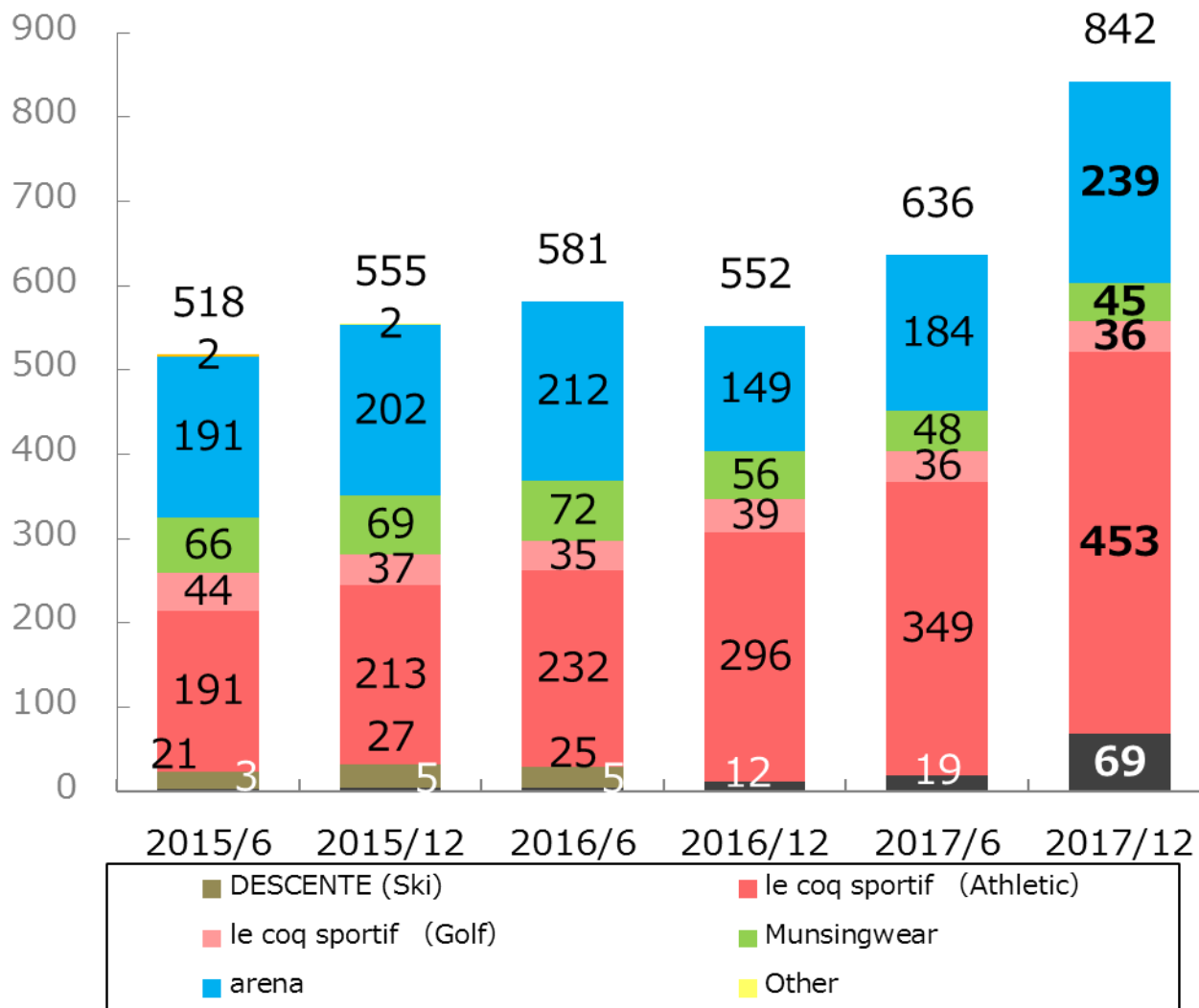


Number of Stores in China (incl. Hong Kong)



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* Including stores of commercial agents and outlets














*Changed store counting method from December, 2016

Affiliated Companies in China: Summery



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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%
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.		
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)



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
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	140.73
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	-
FY2012	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

Example: "16/2Q" means
 the first half on the FY
 ending March 31, 2016.

Note: FY2017 = FY ending March, 31 2018