

DESCENTE

FY2020 Earnings Forecast Supplemental Material

This is an English translation of the original Japanese-language FY2020 Earnings Forecast Supplemental Material of DESCENTE LTD. (the Company) 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.

1. FY2020 Earnings Forecast

① Summary

② Business Conditions

2. Reorganization of JV in China

The number is truncated and percentage is rounded off.

FY2020 Earnings Forecast



1. FY2020 Earnings Forecast ①Summary

- Expect that the impact of COVID-19 infection will continue for a certain period of time
- Plan to return to profitability in the second half of the fiscal year by recovering sales to a certain level from the third quarter

| (Unit: JPY million) | FY2018 | FY2019 | FY2020 Earnings Forecast | | | |
|---|---------|---------|--------------------------|-------------|-----------|-------|
| | | | First Half | Second Half | Full Year | YoY |
| Net sales | 142,443 | 124,561 | 41,000 | 60,000 | 101,000 | ▲ 19% |
| Operating income | 7,935 | 379 | ▲ 4,000 | 4,500 | 500 | +32% |
| (%) | 5.6% | 0.3% | ▲ 9.8% | 7.5% | 0.5% | - |
| Ordinary income | 8,458 | 456 | ▲ 4,100 | 4,650 | 550 | +21% |
| (%) | 5.9% | 0.4% | ▲ 10.0% | 7.8% | 0.5% | - |
| Profit attributable to owners of parent | 3,944 | ▲ 2,481 | ▲ 2,000 | 7,000 | 5,000 | - |
| (%) | 2.8% | ▲ 2.0% | ▲ 4.9% | 11.7% | 5.0% | - |

Predicted Exchange Rate : USD107.71、 100KRW8.79、 CNY15.14、 HKD13.91、 SGD76.46

- Net Sales: Decrease
 - We expect the impact of COVID-19 infection in Japan and overseas will continue over a certain period of time.
 - Sales decrease due to suspension or transfer of subsidiaries in the United States and Europe.

- Operating Income/Ordinary Income: Increase
 - Decrease in fixed costs due to suspension or transfer of the loss-prone subsidiaries in the United States and Europe
 - Reduction of SG & A expenses such as advertising promotion through continuous efforts

- Profit attributable to owners of parent: Increase
 - Increase in operating income and ordinary income
 - Extraordinary profit of about JPY 4 billion due to reorganization of a joint venture company in China

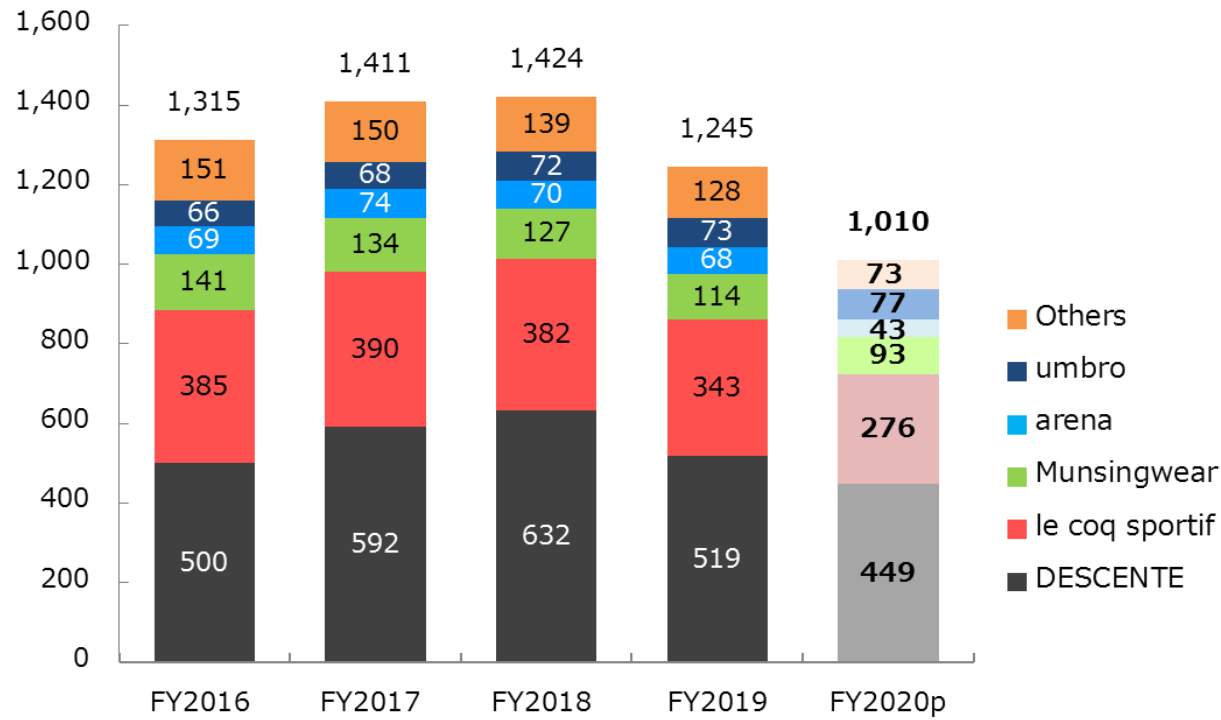
Sales Plans by Brand and Segment



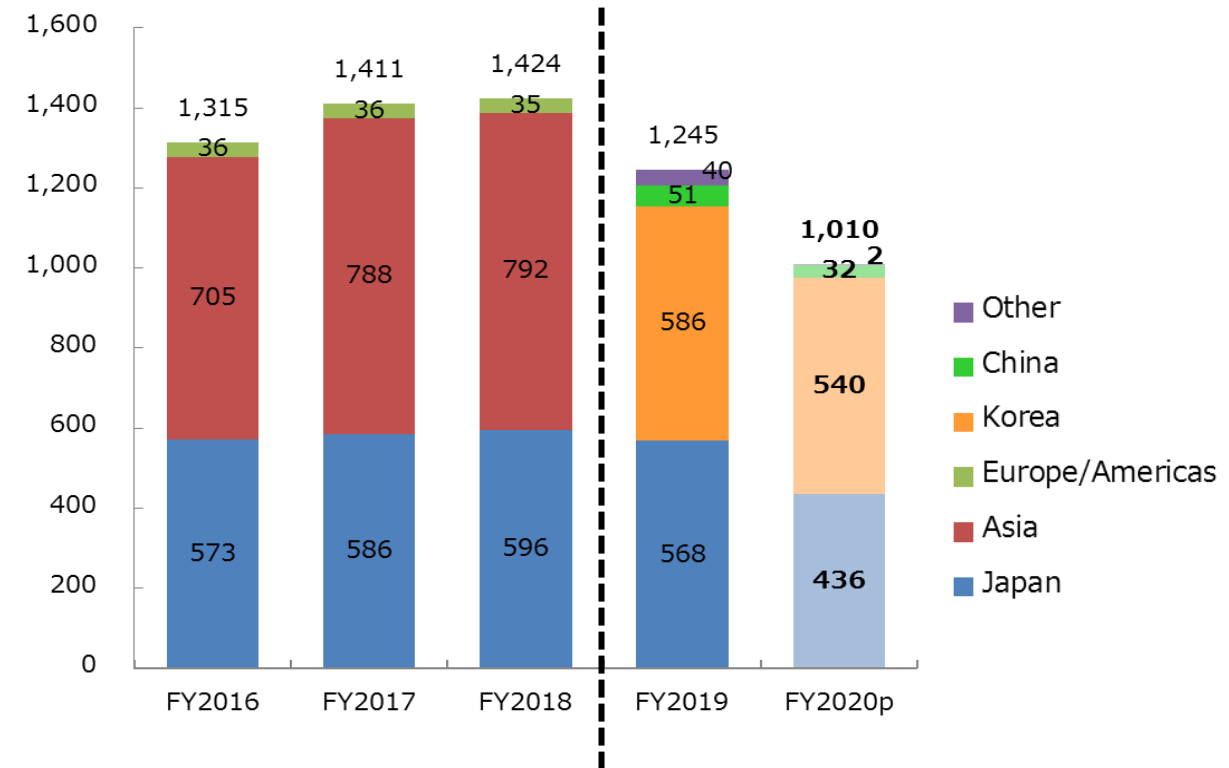
1. FY2020 Earnings Forecast ①Summary

Sales decreases in each brand other than the “umbro” brand and segments other than the “umbro” brand due to COVID-19 infection.

Unit: JPY 0.1 billion



Unit: JPY 0.1 billion



Segment has changed

Note: FY2020 = FY ending March 31, 2021

FY2020 Dividends and Payout Ratio Forecast



1. FY2020 Earnings Forecast ①Summary

Considering the situation of borrowing from financial institutions due to COVID-19 infection, dividends are undecided at this time and will be announced promptly after making decision.

| (Unit: JPY Million) | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 Plan |
|---|---------|---------|---------|---------|-------------|
| Dividends | 1,732 | 1,733 | 1,960 | — | TBD |
| Amount/share | JPY23.0 | JPY23.0 | JPY26.0 | — | TBD |
| Profit attributable to owners of parent (Consolidated) | 5,650 | 5,771 | 3,944 | ▲ 2,481 | 5,000 |
| Payout ratio | 30.7% | 30.0% | 49.7% | — | TBD |

Note: FY2020 = FY ending March 31, 2021

1. FY2020 Earnings Forecast

① Summary

② **Business Conditions**

2. Reorganization of JV in China



- Japan
 - Sales decreased due to store closures following the COVID-19 state of emergency after April 7.
 - All stores reopened in June, but the growth in the number of customers is slow and recovery is in progress.

- Korea
 - Sales decreased due to COVID-19 infection from February to March, but almost recovered from April.
 - The influence of the boycott movement is becoming smaller than last year.

- China
 - Although stores were closed due to COVID-19 infection in January and February, the “DESCENTE” brand continued to grow.
 - Other brands have also been recovering since April.

1. FY2020 Earnings Forecast

① Summary

② Business Conditions

2. Reorganization of JV in China

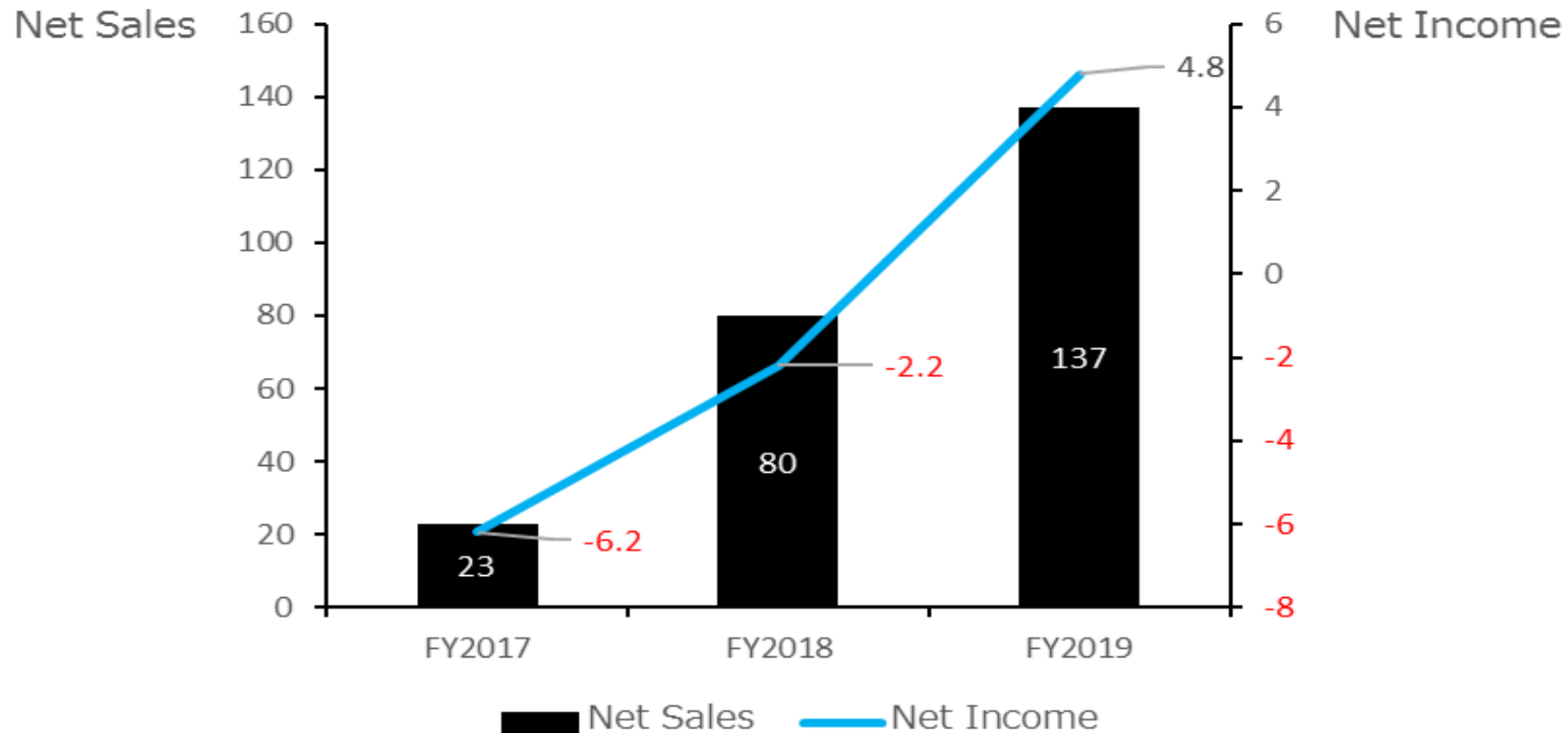
Net Sales/Net Income of DESCENTE (CHINA) CO., LTD.



2. Reorganization of JV in China

- Grown steadily for three years since the start of JV with ANTA
- Achieved profitability in the third year (FY2019)

Unit: JPY 0.1 billion



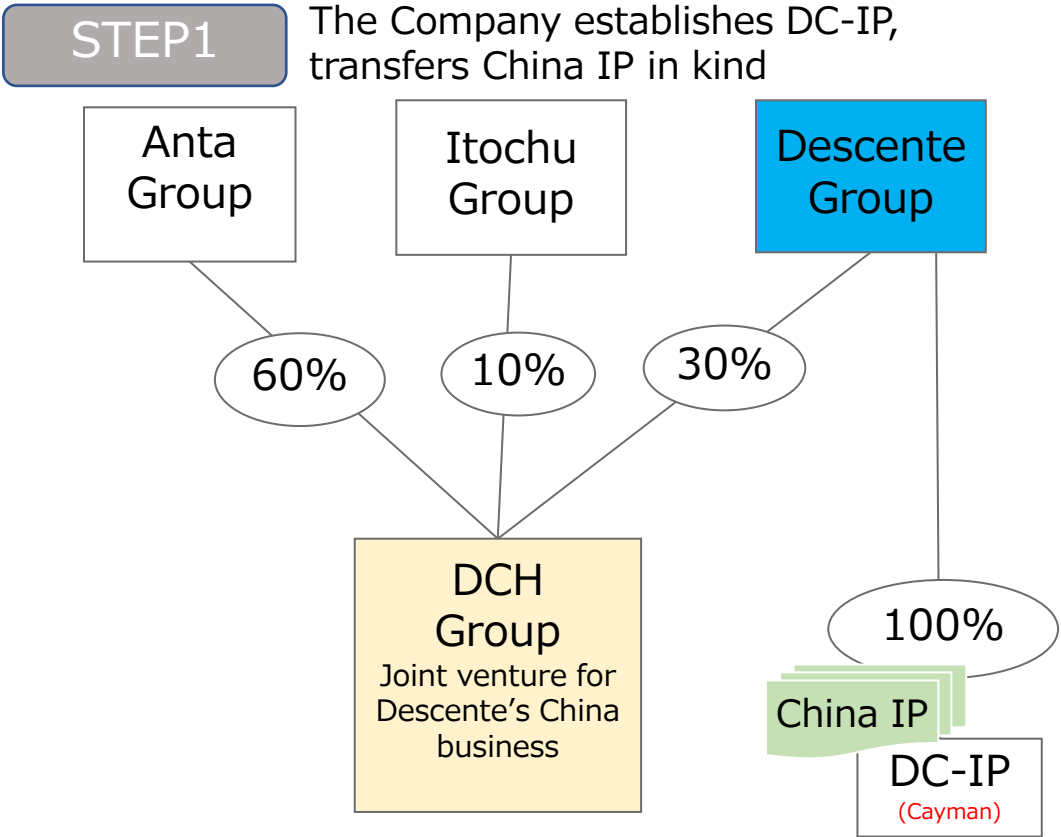
Note: FY2019 = FY ended March 31, 2020

Outline of the Reorganization



2. Reorganization of JV in China

«STEP 1 »
DC-IP was established on May 27, 2020 as a wholly owned subsidiary of DESCENTE LTD. (the "Company"). Following the signing of the final agreements, the Company will transfer the intellectual property rights etc. ("IP") relating to the DESCENTE brand in China to DC-IP in kind.



Outline of the Reorganization



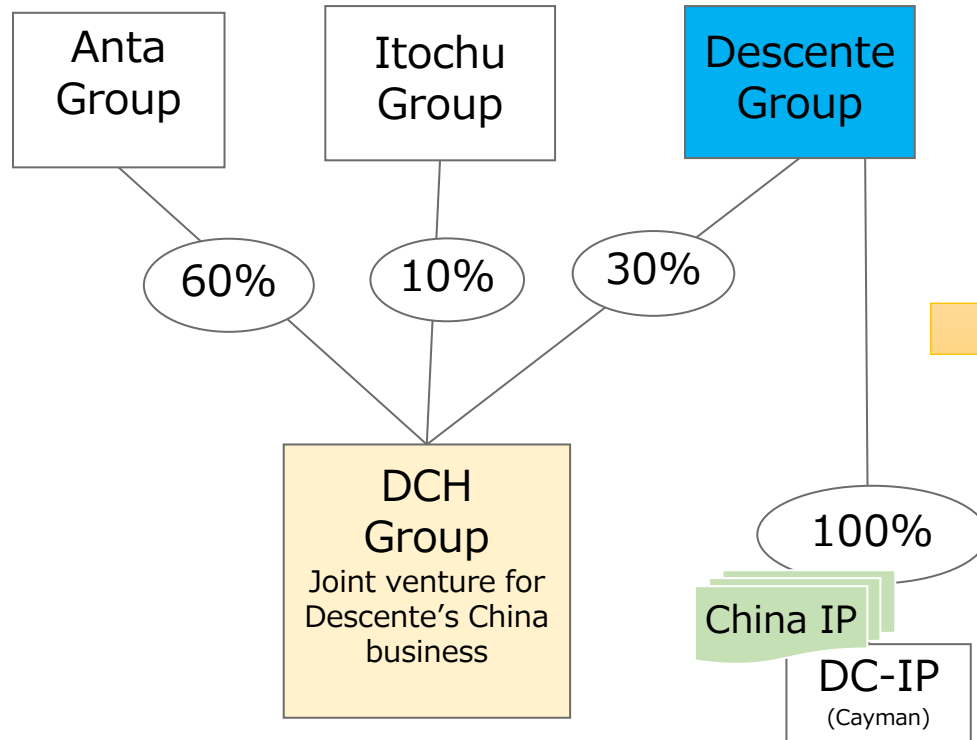
2. Reorganization of JV in China

«STEP 2 »

- (1) The Company will transfer 90% of the total outstanding shares in DC-IP to Descente China Holding Limited ("DCH") in kind, and acquire additional DCH shares.
- (2) Anta Group will acquire DCH shares through private placement (third-party allotment of shares), and also acquire a portion of DCH shares from Descente Group and Itochu Group.

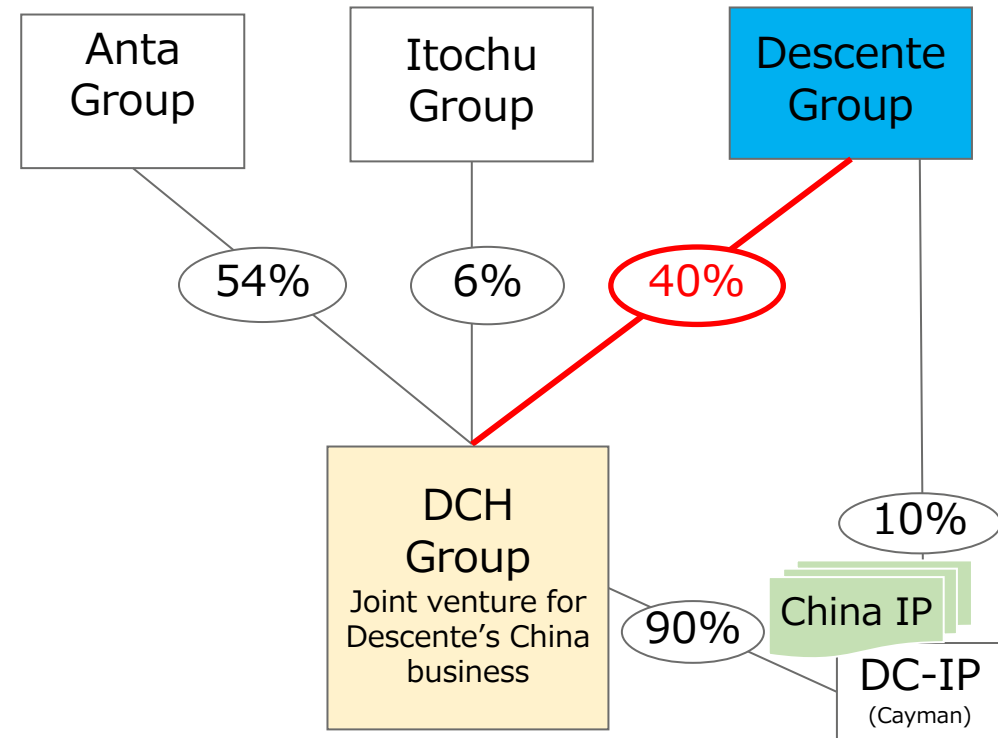
STEP1

The Company established DC-IP, transfers China IP in kind



STEP2

The Company acquires DCH shares, transfers China IP in kind

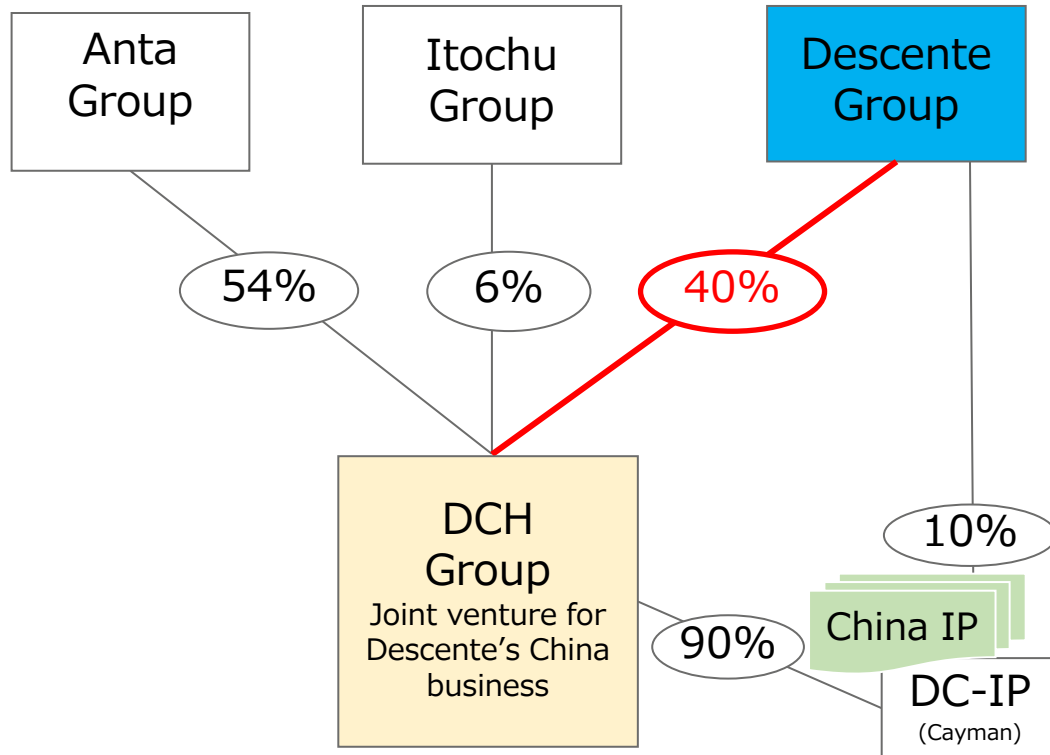


The Impact of the Reorganization



2. Reorganization of JV in China

After Reorganization



- DCH Group accelerates business growth by holding trademark rights of the “DESCENTE” brand in China
- Record a change in equity (extraordinary income) of approximately JPY 4 billion (after tax deduction) in 3Q of FY ending March 31, 2021.
- After FY2021 (FY ending March 31, 2022) financial results
Income (loss) on equity method will increase (30%→40%)
- With additional investment, it is expected that the financial CF (dividend income) DESCENTE LTD. (non-consolidated) will increase.

(References)



Exchange Rate Used

| | | USD | 100KRW | CNY | HKD | SGD | GBP |
|--------|-------------|--------|--------|-------|-------|-------|--------|
| FY2020 | 1Q YTD Plan | 107.71 | 8.79 | 15.14 | 13.91 | 76.46 | - |
| 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 |
| 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 | - |

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

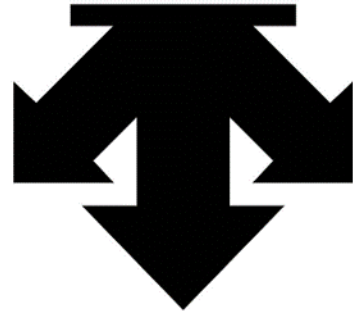
2Q YTD = First 6 months of FY

3Q YTD = First 9 months of FY

4Q YTD = Full FY

Note: FY2020 = FY ending March 31, 2021

DESCENTE



Design for Sports