

DESCENTE



Design for Sports

# Financial Report

*1<sup>st</sup> Half FY ending March 31. 2017*



**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
2017	4Q YTD	105.00	9.30	16.10	13.80	78.00	145.00
	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
2016	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	-
2015	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	-
2014	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	-
2013	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 JPY0.1B.

# 1. The First Half of FY ending March 31, 2017

## ① Summary

## ② Review by Segment

## ③ Review by Brand

## ④ Topics

# 2. Objectives and plan for the

FY ending March 31, 2017

# Results for 1H of FY ending March 31, 2017



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Forex movements have been a factor in negative impact on sales.  
Forex movements and increased overheads have affected profits negatively.

(Unit; JPY Million)

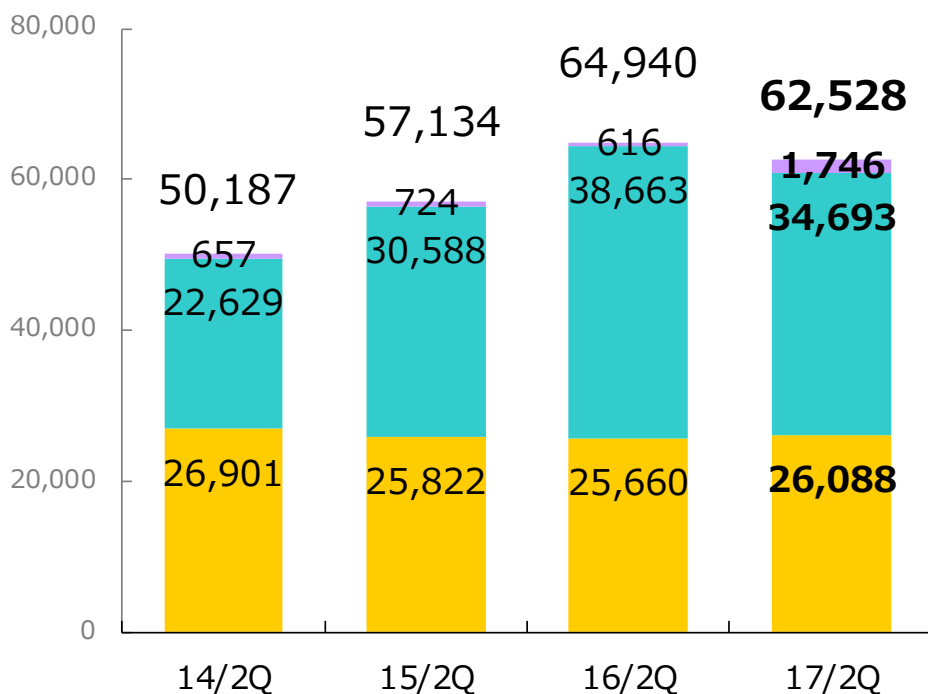
	Mar/'17 First Half performance	Mar/'16		Mar/'17	
		First Half performance	Year- on-year	First Half announced plan	VS plan
Net sales	62,528	64,940	96.3%	65,000	96.2%
OP income	3,438	5,083	67.6%	3,600	95.5%
( % )	5.5%	7.8%		5.5%	
Ordinary income	3,743	5,261	71.2%	3,700	101.2%
( % )	6.0%	8.1%		5.7%	
Profit attributable to owners of parent	2,678	3,721	72.0%	2,400	111.6%
( % )	4.3%	5.7%		3.7%	

# Net Sales Transition(consolidated)



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Topline increased in Japan with strong athletics sales. Forex movement , particularly JPY vis a vis KRW, resulted in lower sales from Asian markets. Inclusion of the inov-8 Group's turnover in EU/USA has resulted in additional sales.



(Unit; JPY Million)



**Year on Year**  
▲ **2,412 million (96%)**

Domestic +427m(102%)

Overseas ▲2,840m(93%)

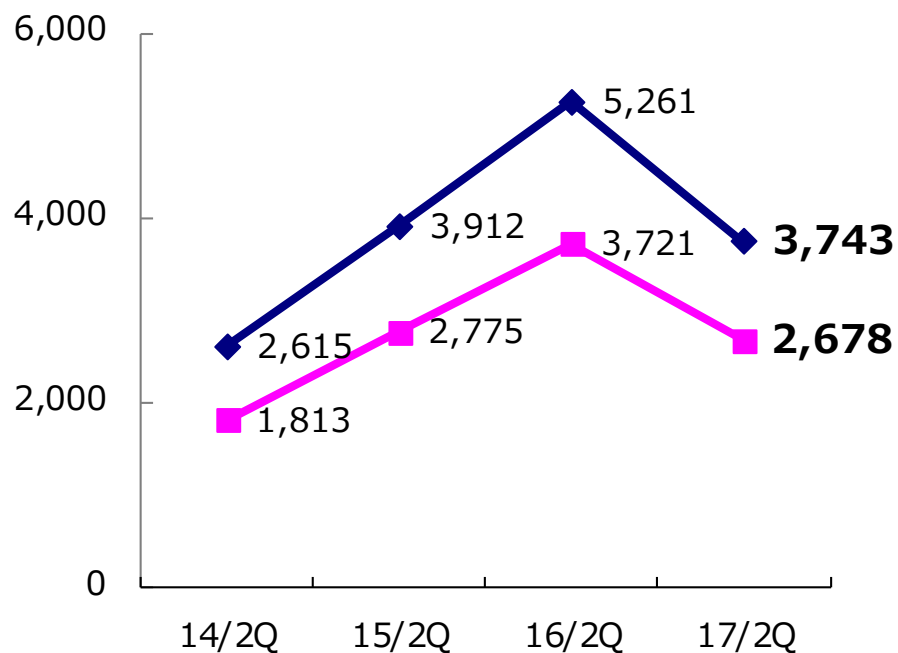
Korea	▲3,739m
China(including HK)	▲197m
Other Asian countries	▲58m
Europe / USA	+1,154m

# Income Transition (consolidated)



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The impact of forex movements and an increase in overheads has resulted in a decline in operating income, ordinary income and net income attributable to shareholders of the parent company.



(Unit; JPY Million)

	Current period	Prev. period	Change
<b>Operating income</b>	<b>3,438</b>	<b>5,083</b>	<b>▲ 1,645</b>
Non-operating income	403	474	▲ 71
Non-operating expenses	98	297	▲ 199
<b>Ordinary income</b>	<b>3,743</b>	<b>5,261</b>	<b>▲ 1,518</b>
Extraordinary income	0	0	
Extraordinary loss	0	0	
Total income taxes	1,064	1,539	▲ 475
<b>Profit attributable to owners of parent</b>	<b>2,678</b>	<b>3,721</b>	<b>▲ 1,043</b>

◆ Ordinary income  
■ Profit attributable to owners of parent

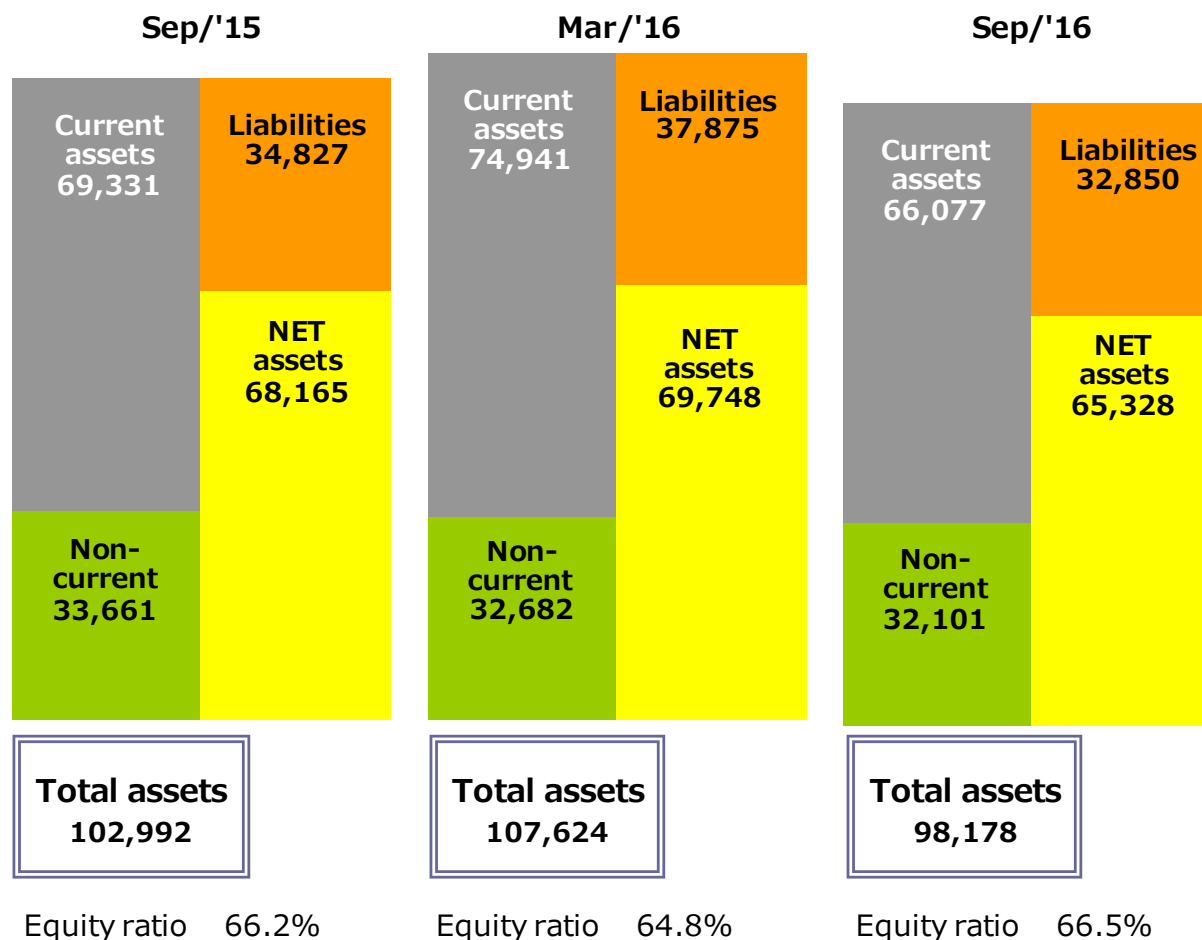
(Unit; JPY Million)

# Balance Sheets Transition (consolidated)



Design for Sports

Compared to the same period last year total assets decreased significantly under the influence of forex.

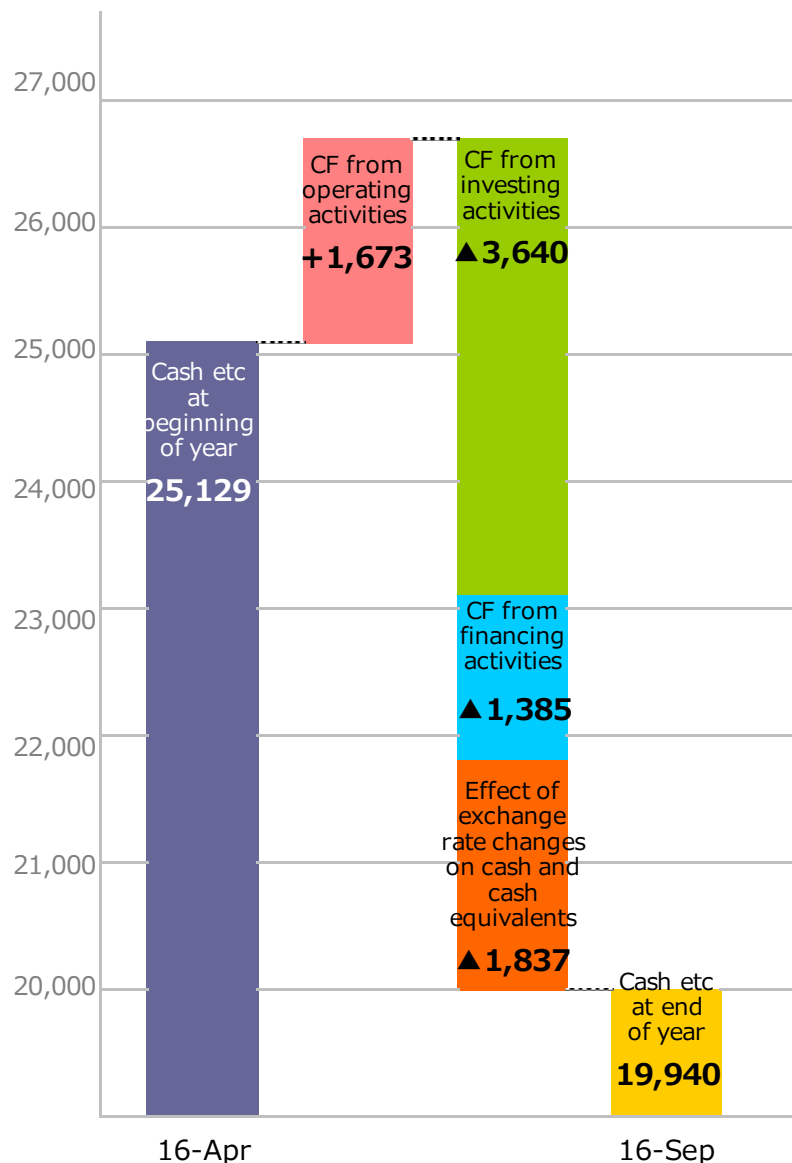


(Unit; JPY Million)

# Cash flow(consolidated)



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(Unit; JPY Million)

## CF from operating activities(+1,673m)

Income before income taxes and minority interests	+ 3,743 m
Depreciation and amortization	+ 1,260 m
Increase in trade notes and receivables	+ 2,022 m
Increase in inventories	▲ 1,879 m
Decrease in trade notes and accounts payable	▲ 1,527 m
Income taxes paid	▲ 1,920 m
Etc	▲ 26 m

## CF from investing activities (▲3,640m)

Fixed assets	▲ 2,396 m
Acquisition of stocks	▲ 1,143 m
Etc	▲ 101 m

## CF from financing activities (▲1,385m)

Debt loan	▲ 127 m
Dividend	▲ 1,280 m
Etc	+ 22 m



# **1. The First Half of FY ending March 31, 2017**

① Summary

② **Review by Segment**

③ Review by Brand

④ Topics

# **2. Objectives and plan for the FY ending March 31, 2017**



**= Terminology =**

**By Segment: Recorded as sales at the point of origin.**

→ **Ex: Sales by Descente Ltd (Japan) to our Spanish distributor are recorded as Sales of Descente Ltd.**

**By Area: Recorded as sales at the point of destination.**

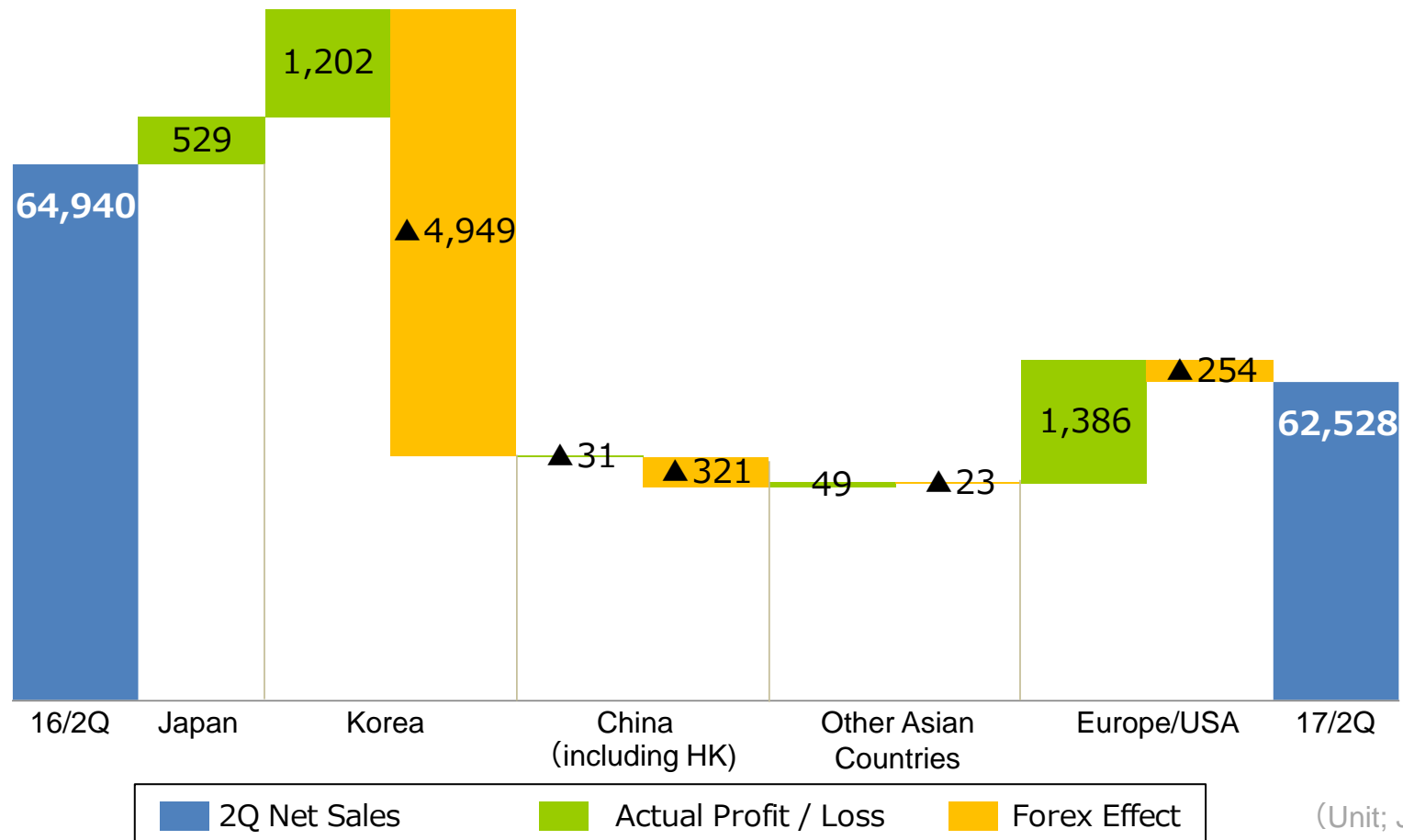
→ **Ex: Sales by Descente Ltd (Japan) to our Spanish distributor are recorded as EU/USA sales.**

# Turnover Fluctuations (By Segment: YoY)



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Asian sales, in local currencies, are consistent with the previous year but forex movement has resulted in a decline in sales when converted to JPY.  
 EU/USA turnover has increased with the inclusion of inov-8 Group's sales.

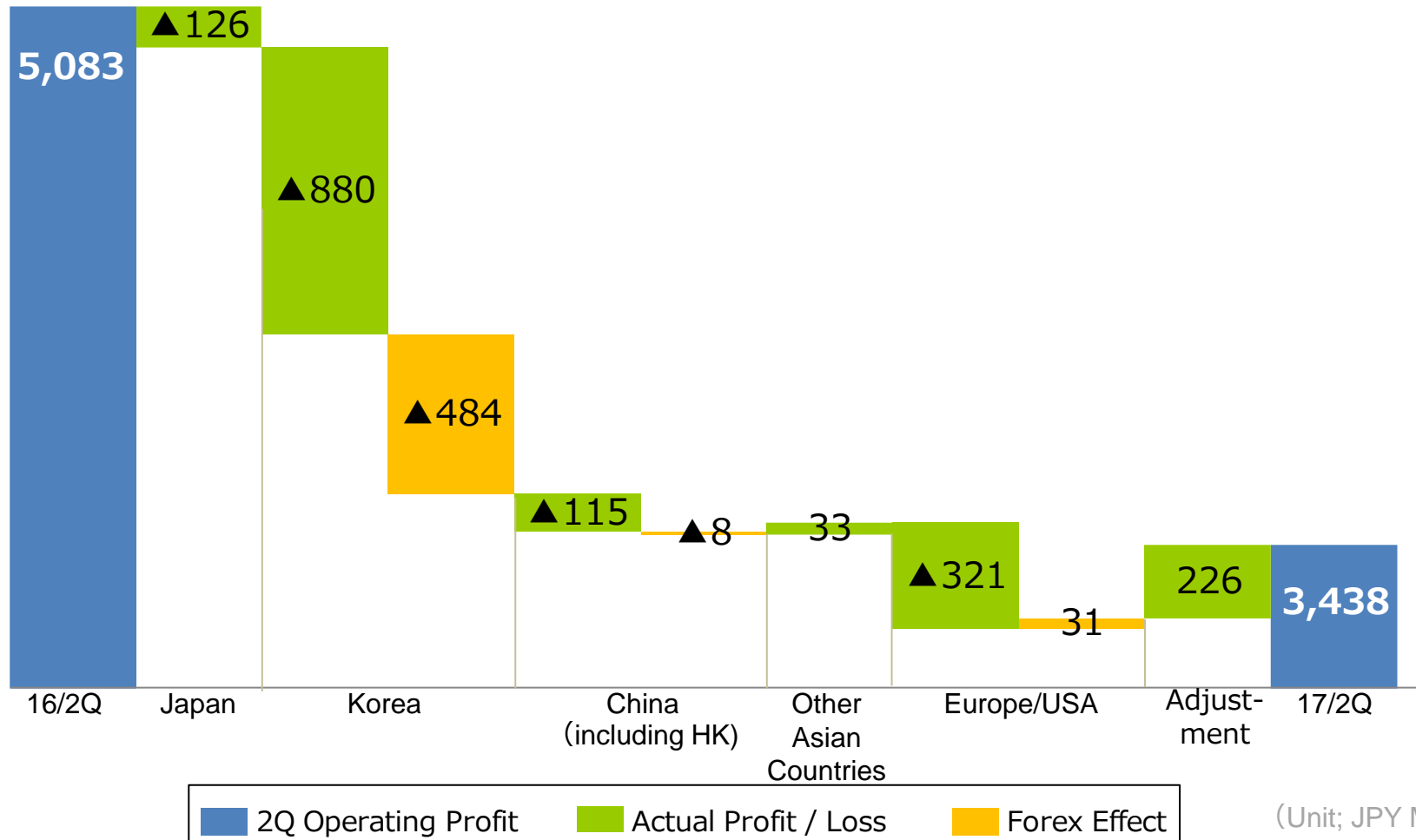


# Operating Profit Fluctuations (By Segment: YoY)



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Forex movement has negatively impacted profitability in major overseas markets



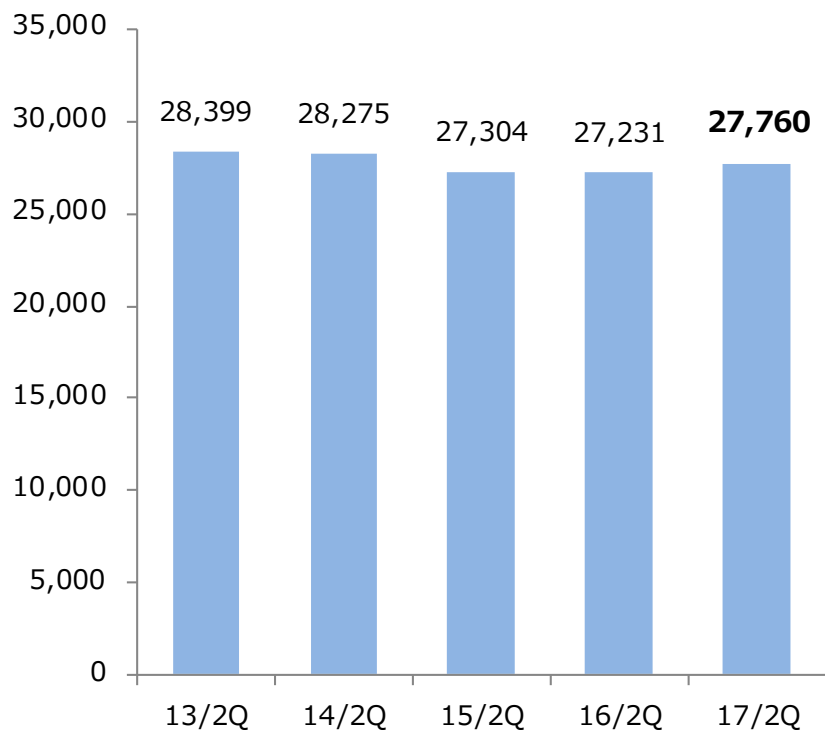


# Changes in Turnover and Operating Profit by Segment (Japan)

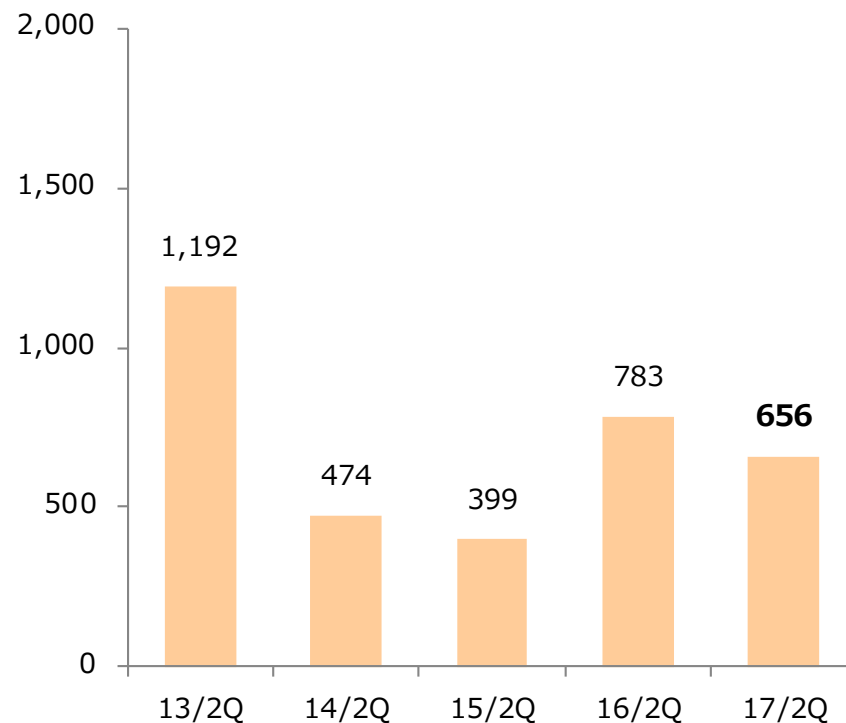
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Sales of Descente brand products increased. However operating profit decreased as a result of increased investment in digital marketing and direct retail.

### Net Sales



### Operating income



(Unit; JPY Million)

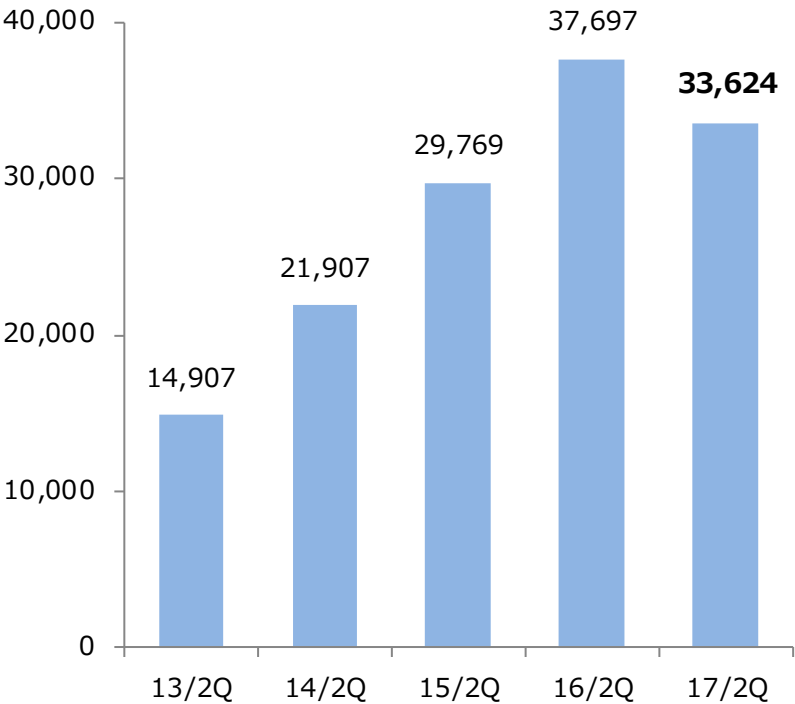
# Changes in Turnover and Operating Profit by Segment (Asia)



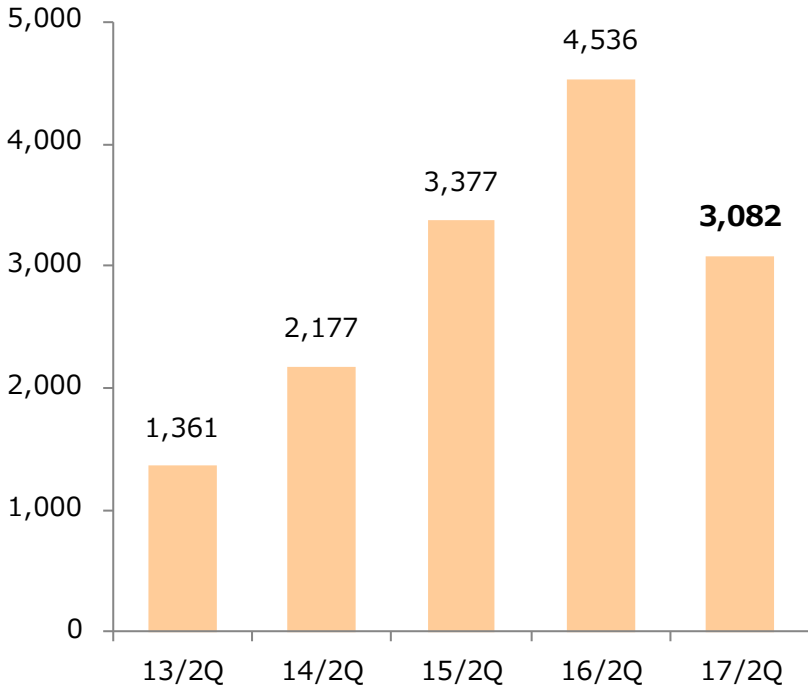
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Heightened JPY value, particularly vis a vis KRW has resulted in lower YoY sales and operating income.

## Net Sales



## Operating income



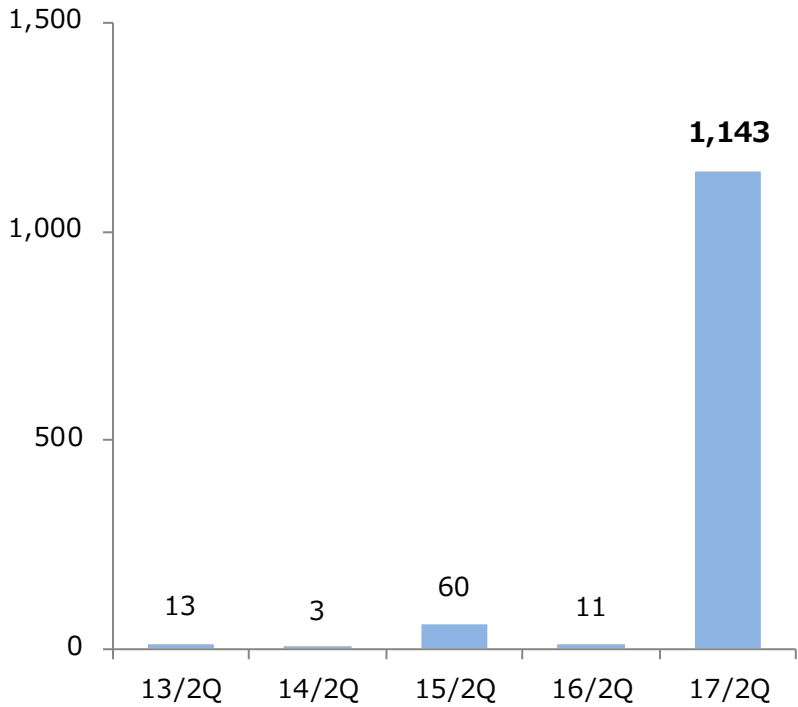
(Unit; JPY Million)



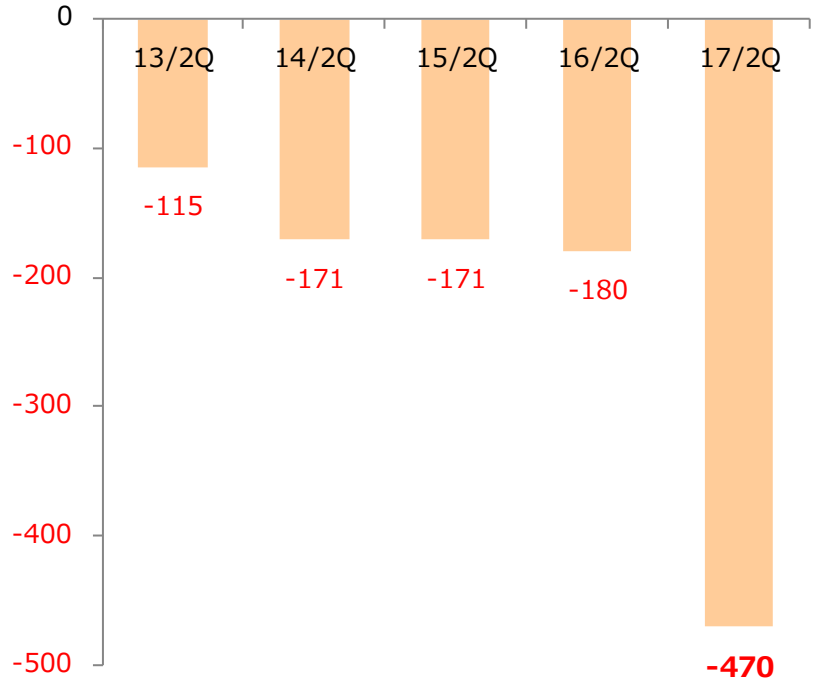
# Changes in Turnover and Operating Profit by Segment (Europe/North America)

Inclusion of inov-8 Group has contributed to topline. Amortization of goodwill has contributed to increased operating losses.

### Net Sales



### Operating income



(Unit; JPY Million)

# 1. The First Half of FY ending March 31, 2017

① Summary

② Review by Segment

③ **Review by Brand**

④ Topics

# 2. Objectives and plan for the FY ending March 31, 2017

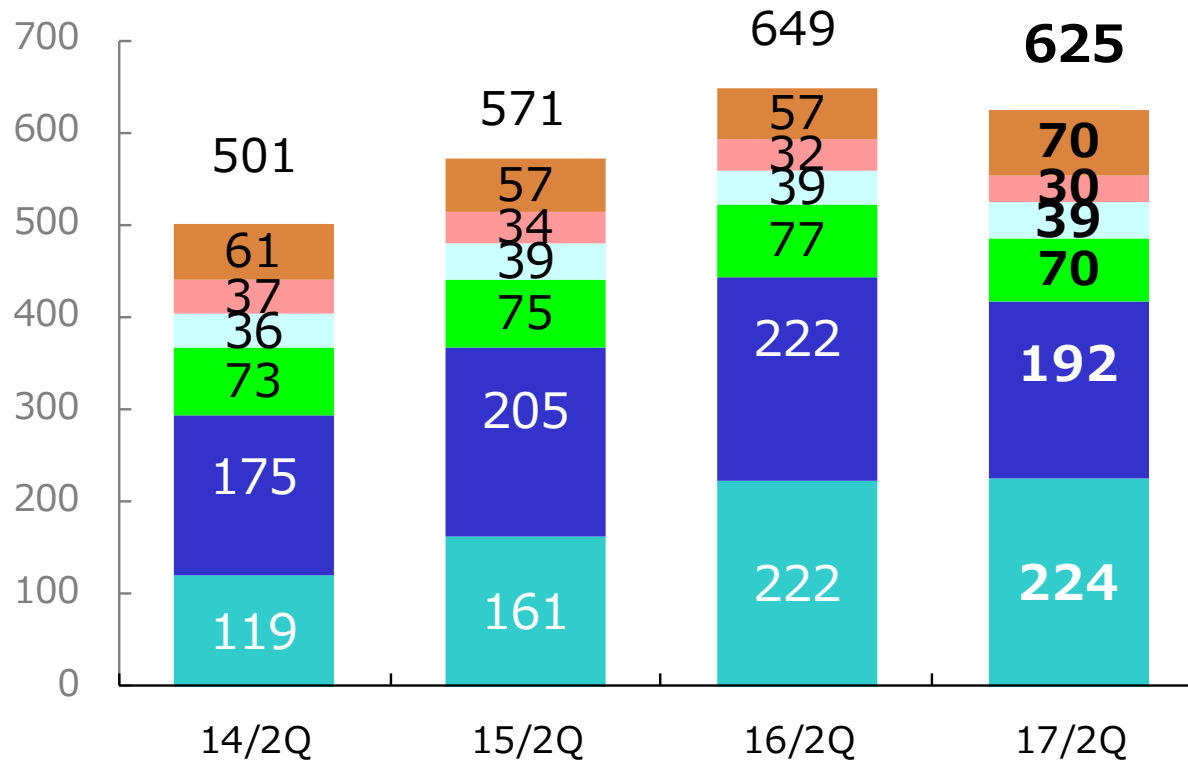


# Net Sales Transition per BRAND (consolidated)

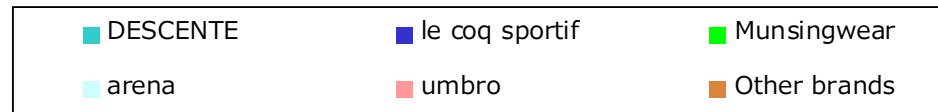


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In the golf category Descente sales increased and by area sales of Descente brand products increased in Japan. Sales of le coq sportif slowed in Korea.



(Unit; JPY 0.1Billion)



# Consolidated Sales by Brand and Ownership Structure



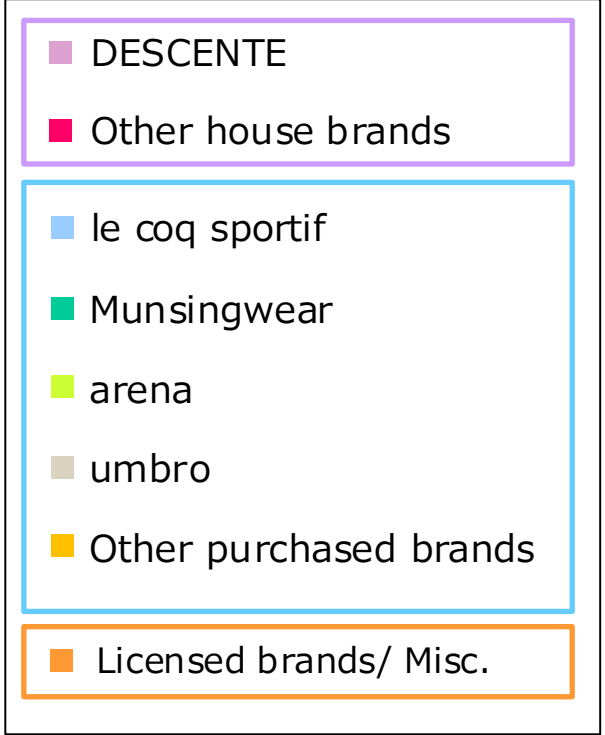
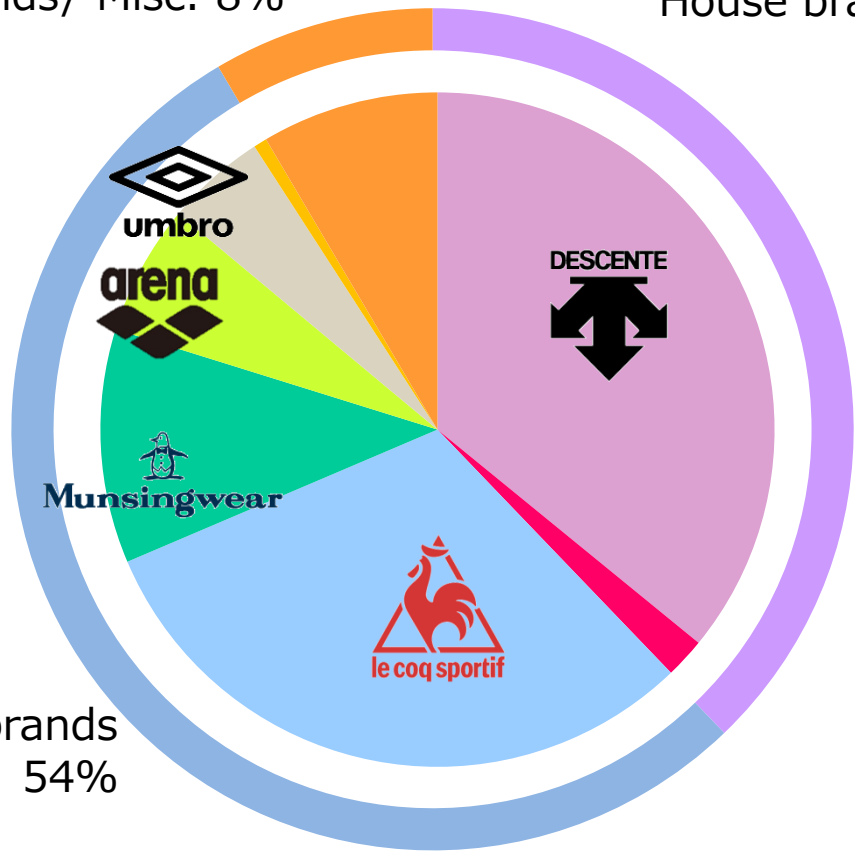
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(consolidated)

**More than 90% of turnover is in house or purchased brands.**

Licensed brands/ Misc. 8%

House brand 38%



Purchased brands  
54%



## DESCENTE

Continued rollout of Descente retail stores in Japan to enhance brand visibility.

Baseball items sales favorably impacted by pro team uniform supply contracts and player endorsements.



## le coq sportif (athletic)

“Aim to be the top cycling wear brand in 3 targeted Asian markets”  
Emphasis on strengthening the cycling wear category to achieve this target.



## le coq sportif (golf)

Activated marketing activities focused on the competition aspect of golf.



## Munsingwear

Emphasis on global marketing with related design and promotional activities.



## arena

Core development of high performance products for world class swimmers leading to raised recognition as a leading global brand.



## umbro

The complete football brand in Japan and Korea for top players, children and those in between.



## inov-8

Aiming to be the Number 1 offroad shoe brand, improved brand recognition in the trail running market.

# 1. The First Half of FY ending March 31, 2017

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④ **Topics**

# 2. Objectives and plan for the FY ending March 31, 2017

**Established Descente (China) Co., Ltd to  
open stores from 2016FW season.**



Shanghai Office of  
Descente (China) Co., Ltd



The first Descente Shop in China opened on August 5.  
(Descente Shop Changchun Charter Shopping Center)

# Honing “manufacturing creativity”

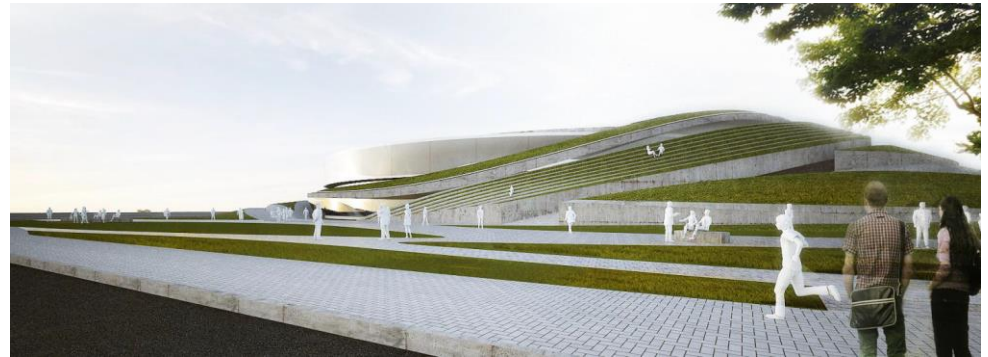


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Apparel R&D Center  
planned to start operation  
from summer 2018.  
(Ibaraki, Osaka)

Footwear R&D Center  
planned to start operation  
from summer 2018.  
(Busan, Korea)



Relocated Yoshino Factory of  
DESCENTE APPAREL LTD. planned  
to start operation from spring 2017.  
(Moved to Oyodo-cho, Nara)



**Started to change employment contracts of retail staff  
from fixed-term to permanent from June 1.  
Made a factory study tour for retail staff.**



Spinning factory tour



Sewing buttons on polo shirts



# 1. The First Half of FY ending March 31, 2017

- ① Summary
- ② Review by Segment
- ③ Review by Brand
- ④ Topics

# 2. Objectives and plan for the FY ending March 31, 2017

# Business Plan Mar/'17 (consolidated)



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**The projected results of Japan will be stable, but turnover and profits are expected to decline in Asia.**

(Unit; JPY Million)

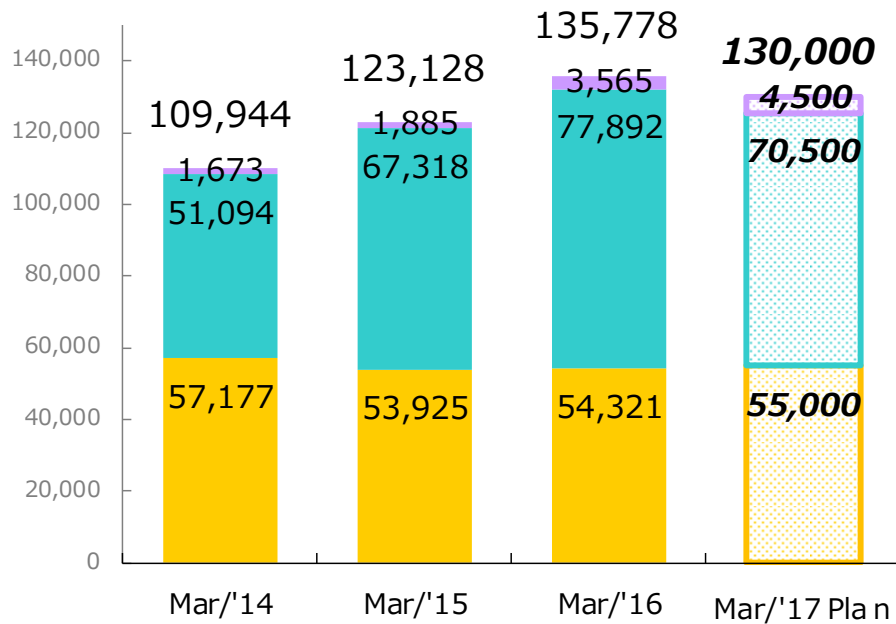
	Mar/'16	Mar/'17 original plan (May)	Mar/'17		Mar/'19 3 year
			Revised plan	previous year	
Net sales	135,778	138,000	130,000	95.7%	170,000
OP income	10,376	10,400	8,000	77.1%	-
(rete)	7.6%	7.5%	6.2%		-
Ordinary income	11,053	10,500	8,100	73.3%	14,000
(rete)	8.1%	7.6%	6.2%		8.2%
Profit attributable to owners of parent	7,870	7,500	5,500	69.9%	10,000
(rete)	5.8%	5.4%	4.2%		5.9%
Net income per share	104.47	99.55	73.00		-

# Brand and Market specific Sales (Consolidated)



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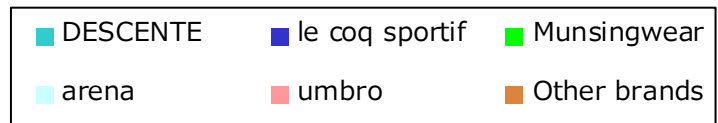
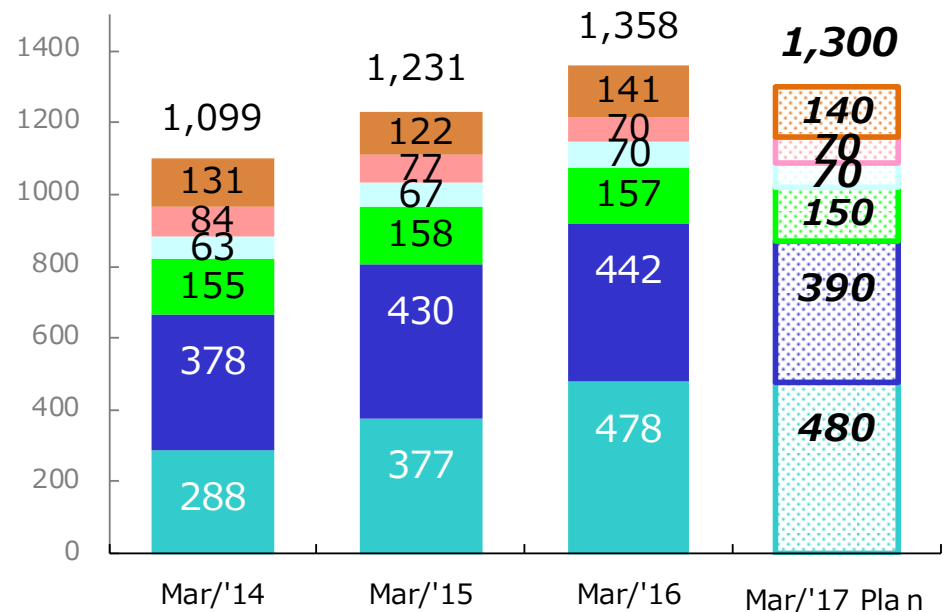
Overall sales projected to decline due to sluggish “le coq sportif” in Korea, while acquisition of inov-8 contributes to increased sales in Europe / North America.



Overseas Ratio	Mar/'14	Mar/'15	Mar/'16	Mar/'17 Plan
	48%	56%	60%	59%



(Unit; JPY Million)



(Unit; JPY 0.1 Billion)

# Dividends Transition (consolidated)



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(Unit; JPY Million)

	Mar/'14	Mar/'15	Mar/'16	Mar/'17 Plan
Dividends	753	1,130	1,280	1,280
Amount/share	JPY10.0	JPY15.0	JPY17.0	JPY 17.0
Profit attributable to owners of parent (Consolidated)	4,470	6,563	7,870	5,500
Payout ratio	16.9%	17.2%	16.3%	23.3%

Additional focus will be on strengthening the corporate structure from a long-term and comprehensive perspective, earning the ability to invest in future growth areas by enhancing reserves, and implementing a stable dividend.

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# **FY ending March 31, 2017**

## **Q2 Results additional Materials**

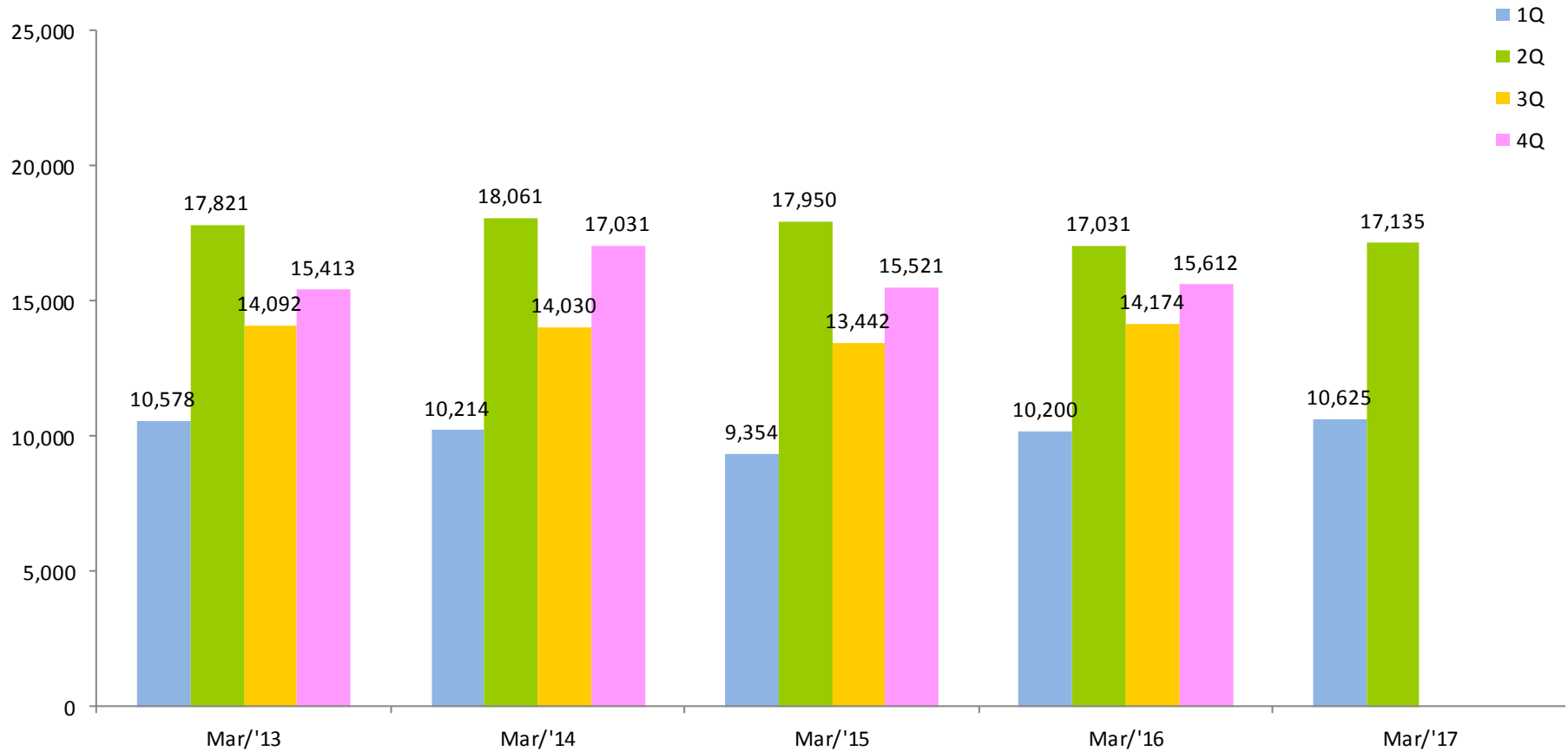
### **[Reference Materials]**

**(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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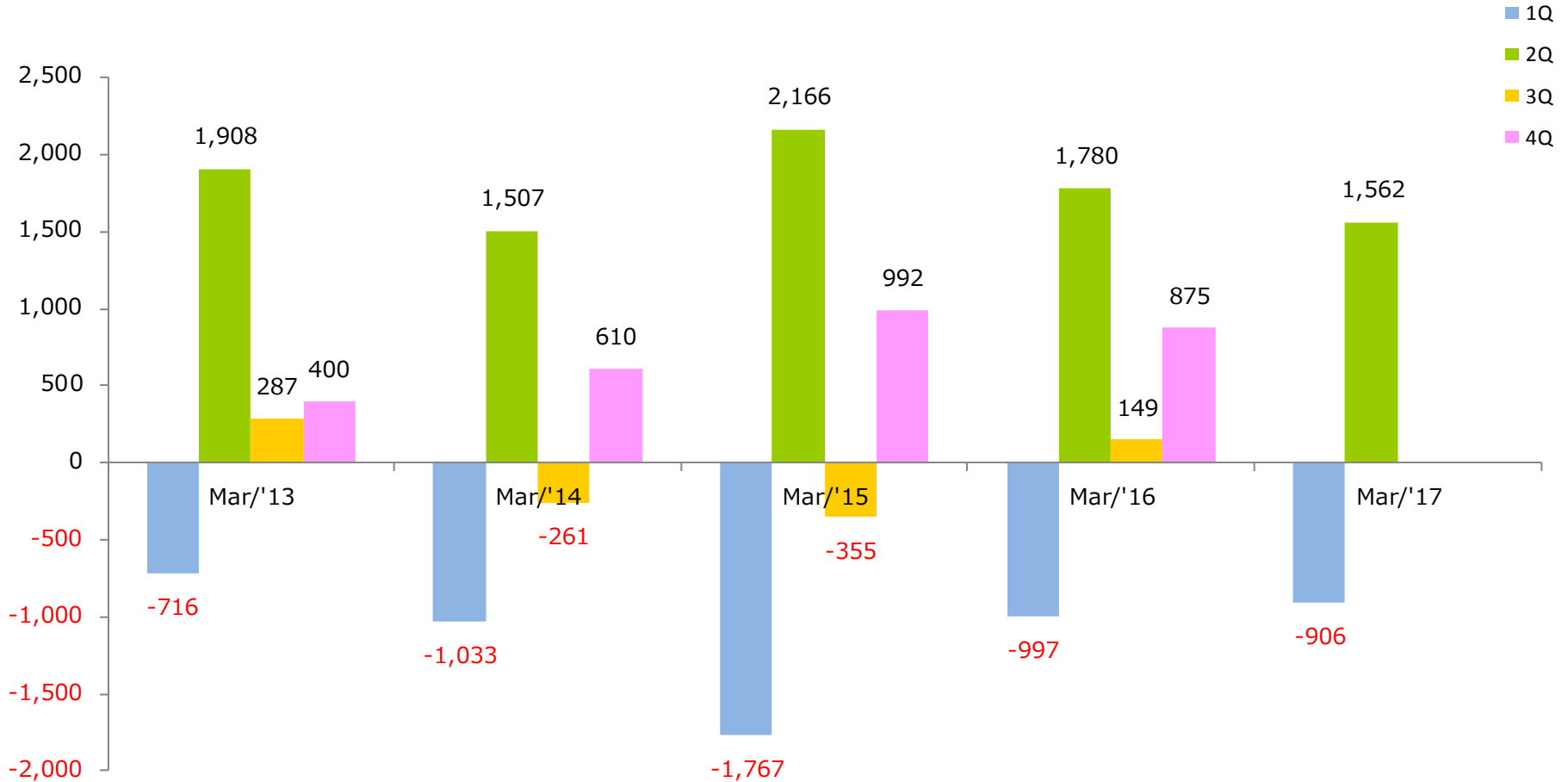
(Unit; JPY Million)

# Quarterly Operating Profit Transition by Segment



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(Japan)

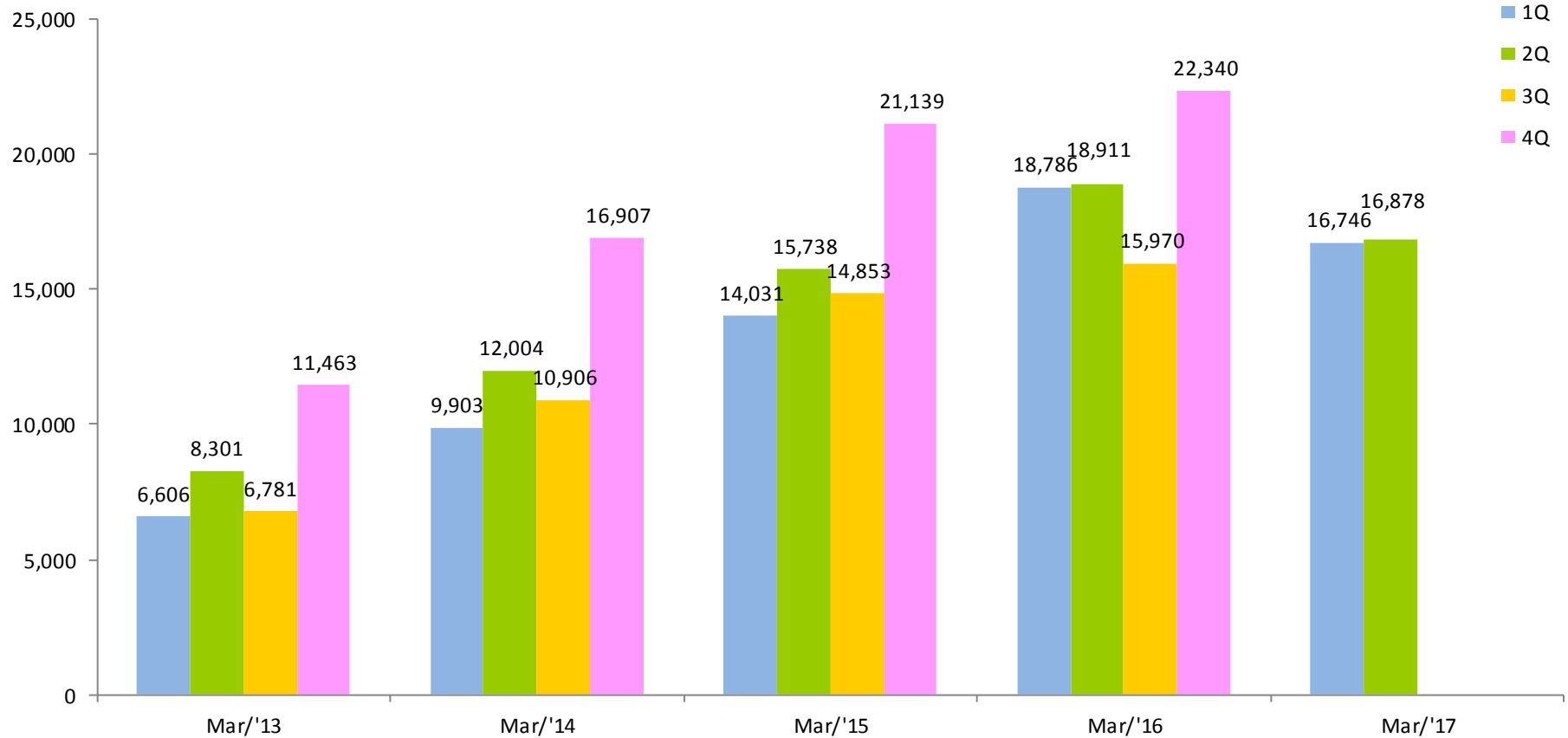


(Unit; JPY Million)

# Quarterly Turnover Transition by Segment (Asia)



Design for Sports



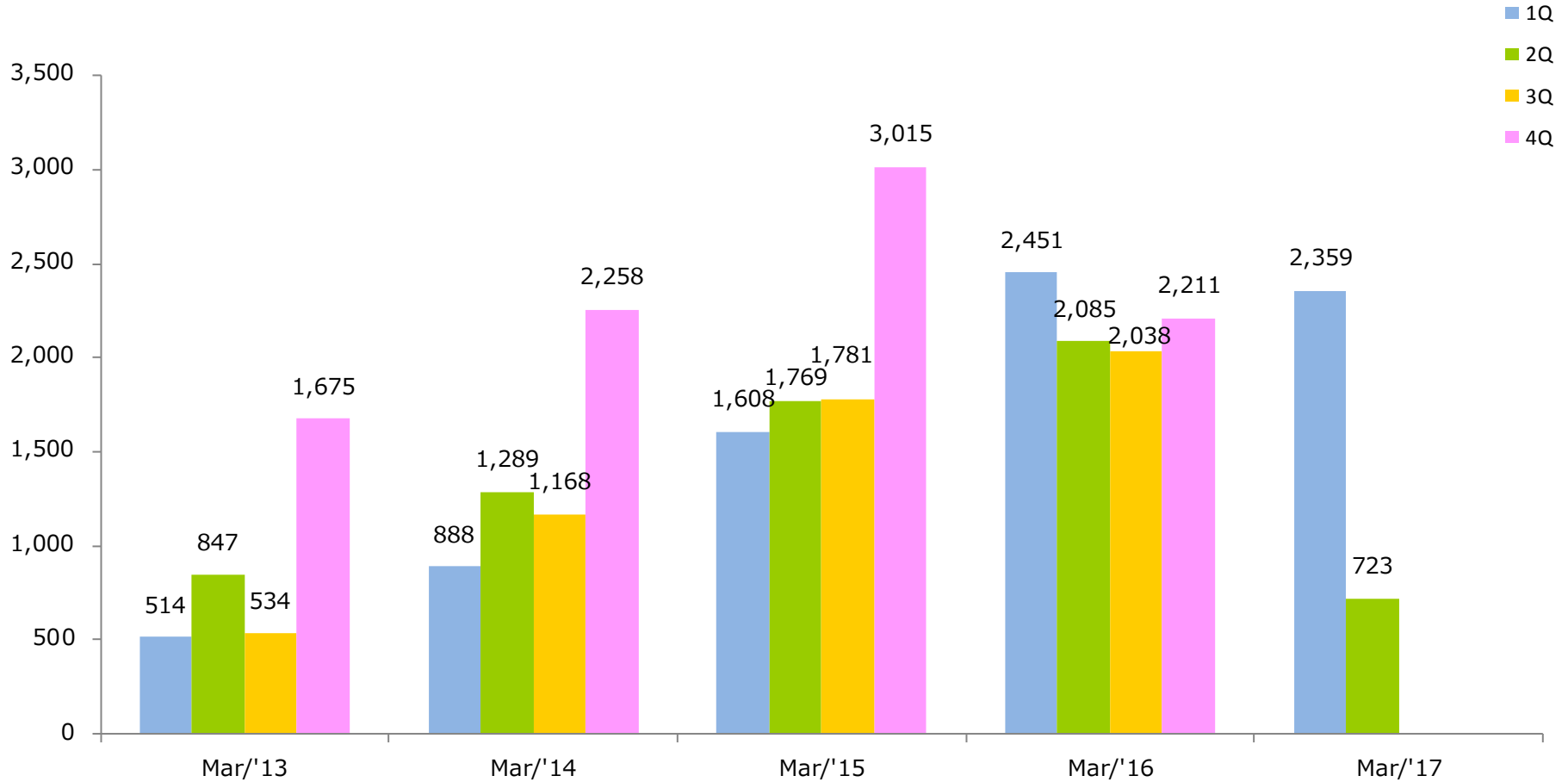
(Unit; JPY Million)



# Quarterly Operating Profit Transition by Segment (Asia)



Design for Sports



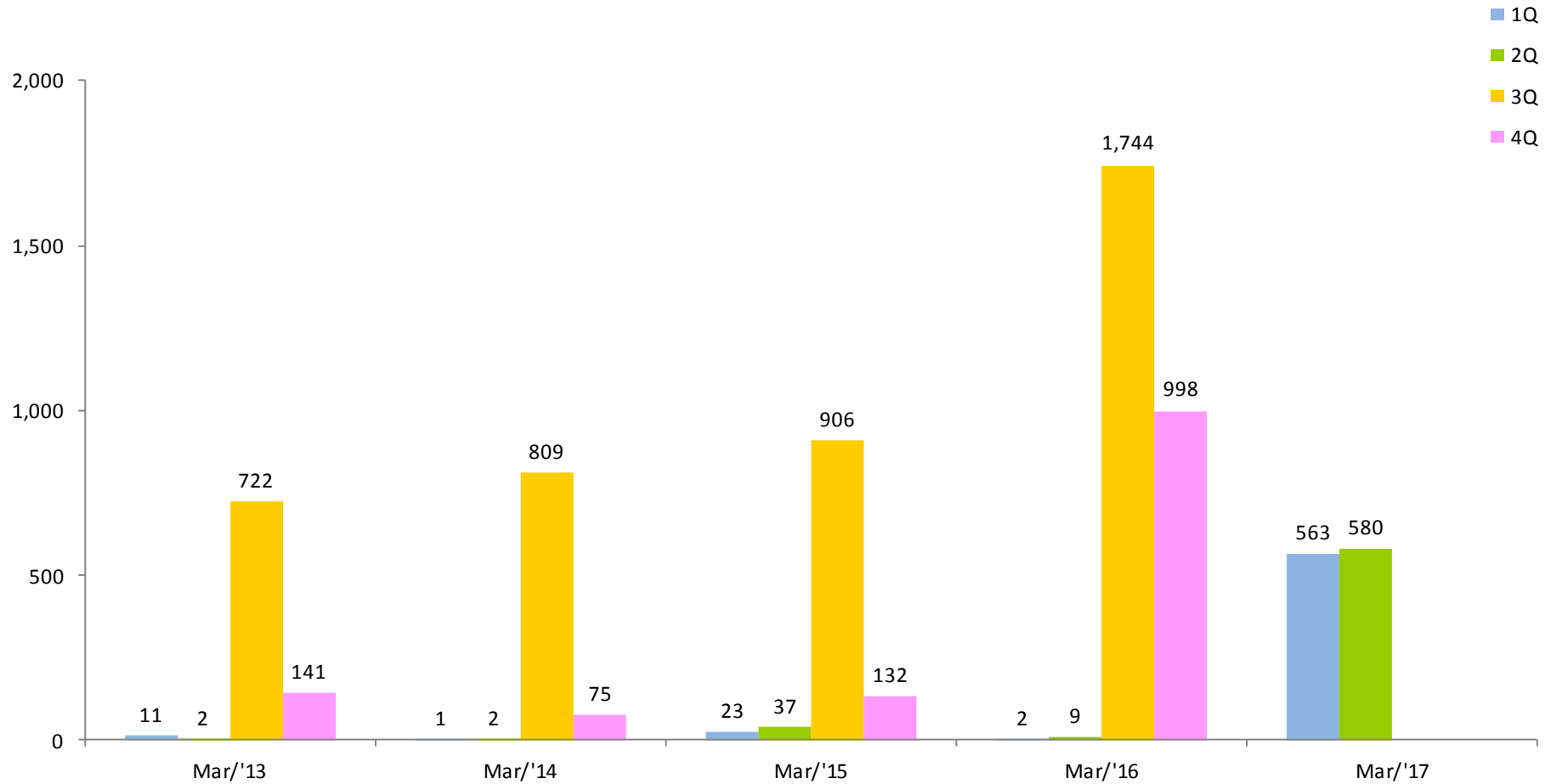
(Unit; JPY Million)

# Quarterly Turnover Transition by Segment

(Europe / North America)



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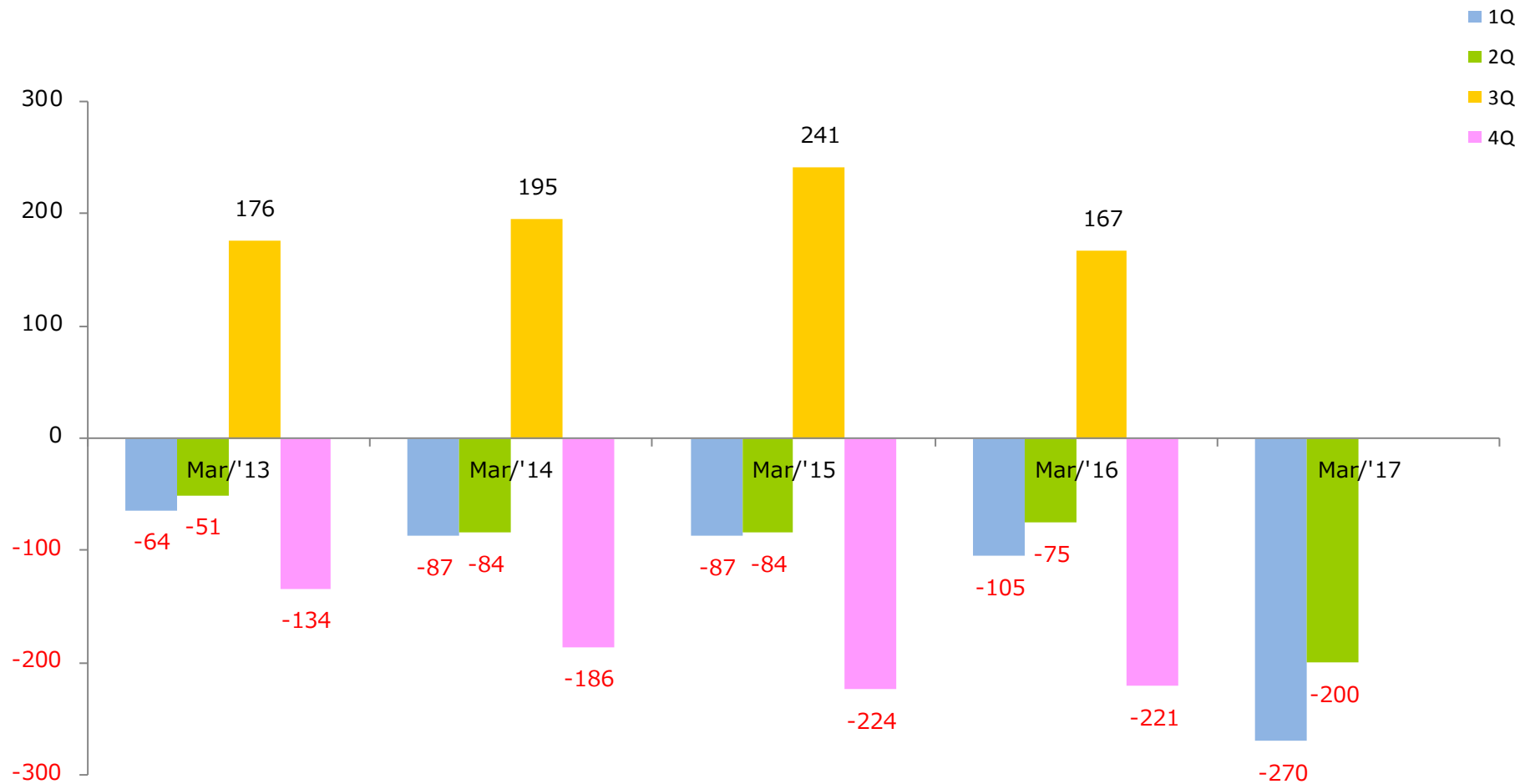


(Unit; JPY Million)

# Quarterly Operating Profit Transition by Segment (Europe / North America)



Design for Sports



(Unit; JPY Million)

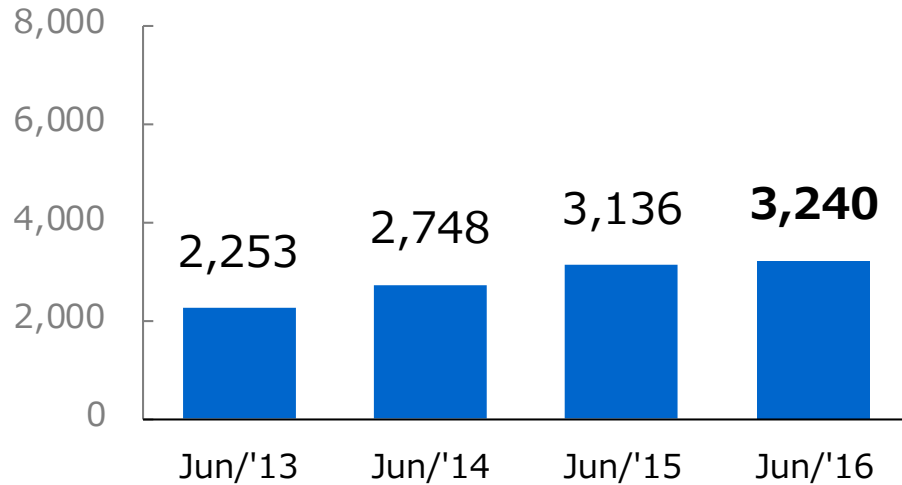
# Sales Trend of DESCENTE KOREA LTD.



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

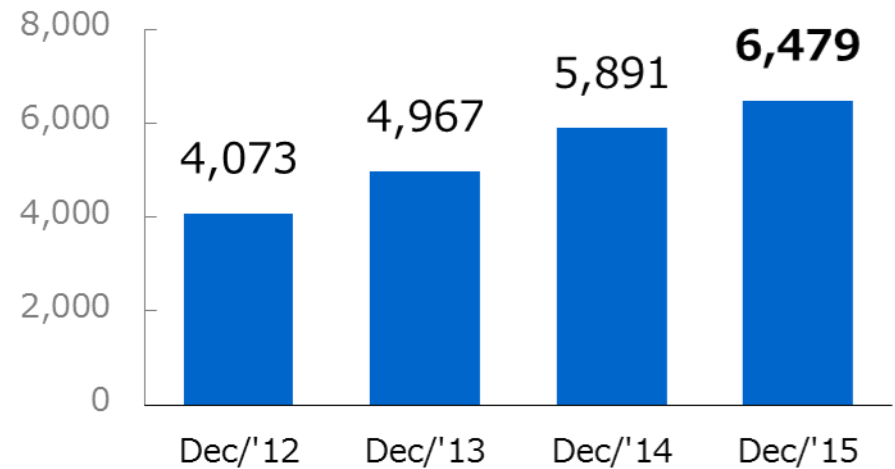
(KRW 100 million)



JPY Equivalent (Billion)	Jun/'13	Jun/'14	Jun/'15	Jun/'16
	19.5	26.9	34.4	30.6

## Full Year

(KRW 100 million)



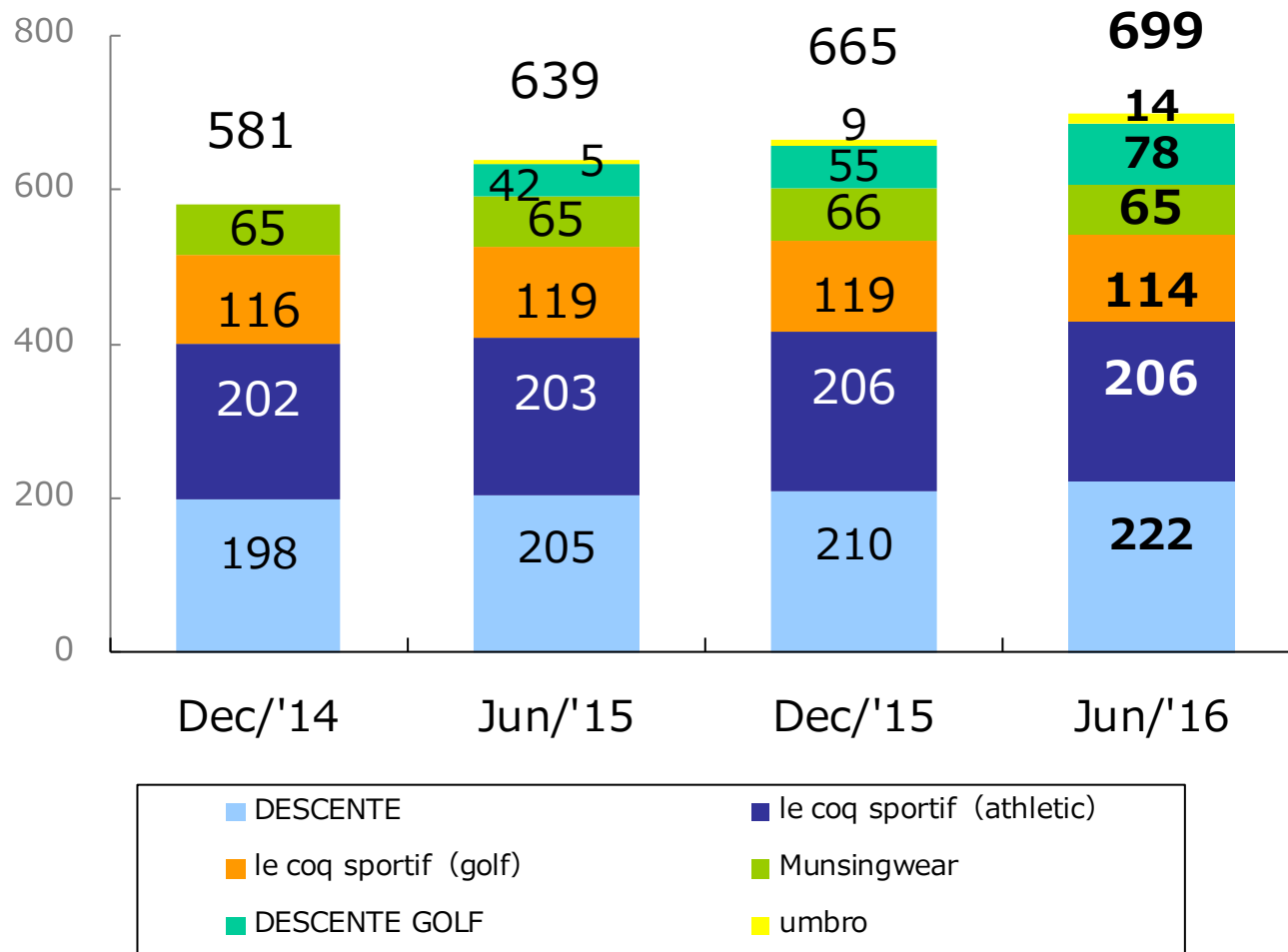
JPY Equivalent (Billion)	Dec/'12	Dec/'13	Dec/'14	Dec/'15
	29.1	44.6	59.6	69.3

# Number of Stores in Korea



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※Number of stores revised to include outlets retroactive to 2012.



(\*includes stores operated by commercial agents and outlets)

# Sales Trend of SHANGHAI DESCENTE COMMERCIAL CO., LTD



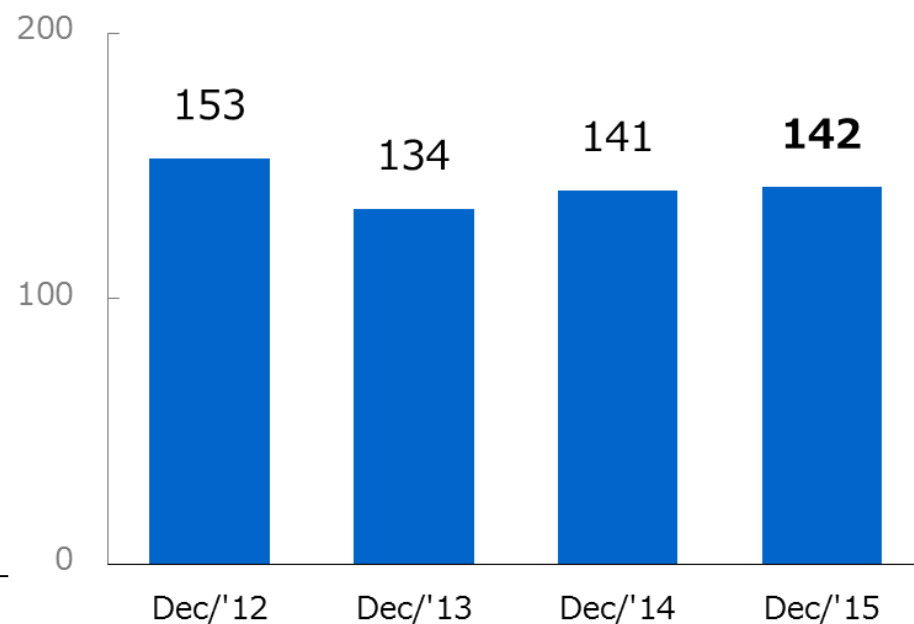
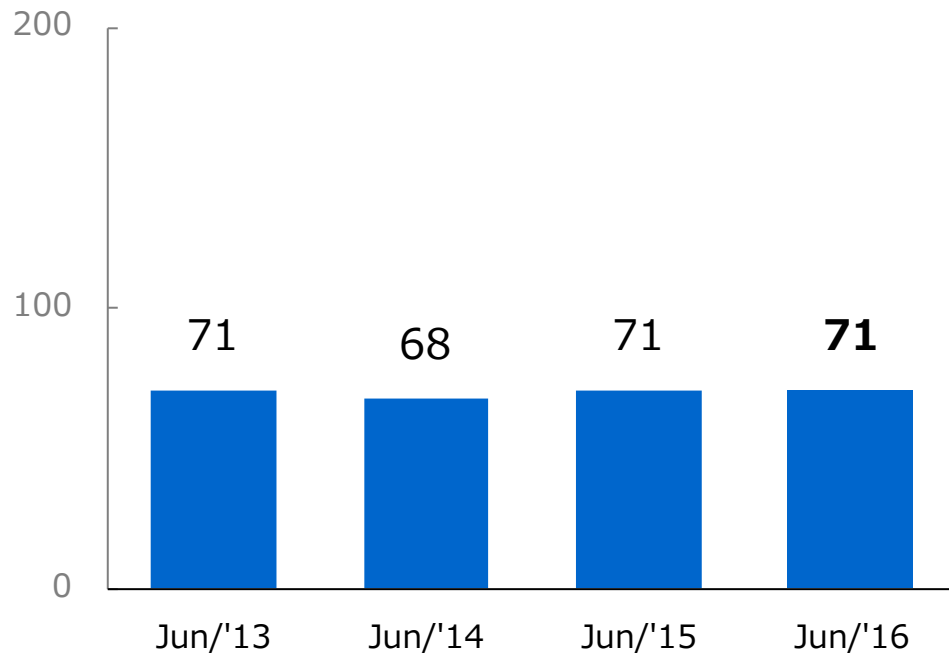
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## 2<sup>nd</sup> Quarter

## Full Year

(million RMB)

(million RMB)



Period	JPY Equivalent (Billion)
Jun/'13	1.1
Jun/'14	1.1
Jun/'15	1.3
Jun/'16	1.2

Period	JPY Equivalent (Billion)
Dec/'12	1.9
Dec/'13	2.1
Dec/'14	2.4
Dec/'15	2.7

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



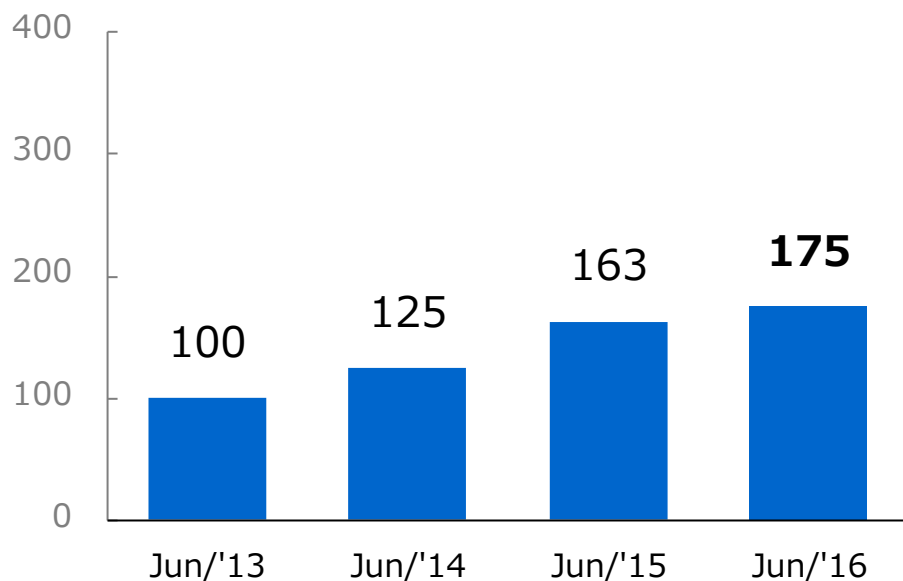
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\* Affiliated Company Accounted for under the Equity Method

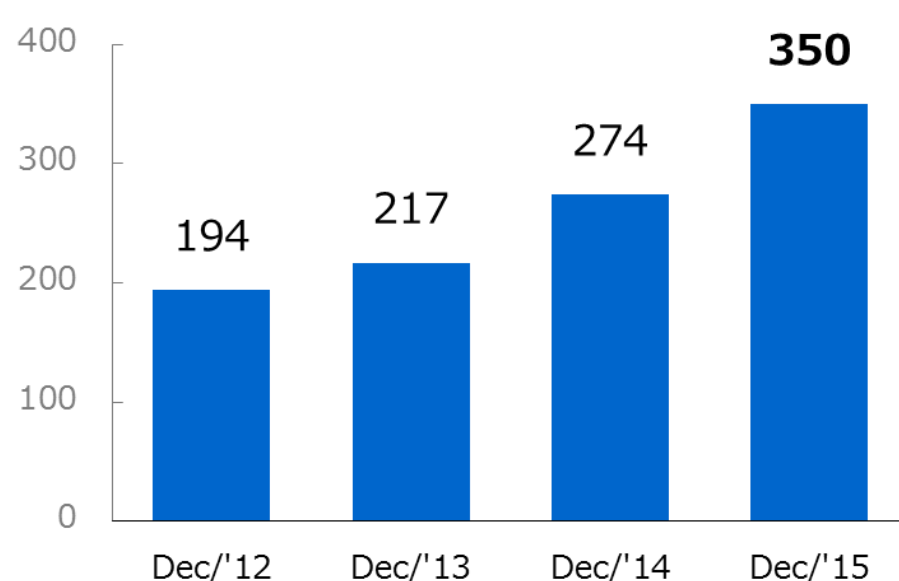
## 2<sup>nd</sup> Quarter

## Full Year

(million RMB)



(million RMB)



JPY Equivalent (Billion)	Jun/'13	Jun/'14	Jun/'15	Jun/'16
	1.5	2.0	3.1	2.9

JPY Equivalent (Billion)	Dec/'12	Dec/'13	Dec/'14	Dec/'15
	2.4	3.4	4.7	6.7

# Sales Trend of HONG KONG DESCENTE TRADING, LTD.



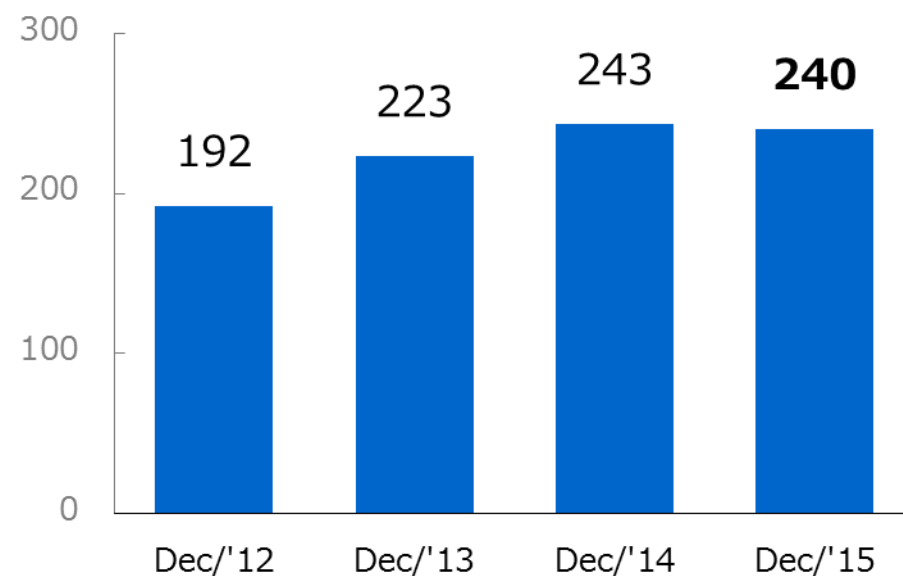
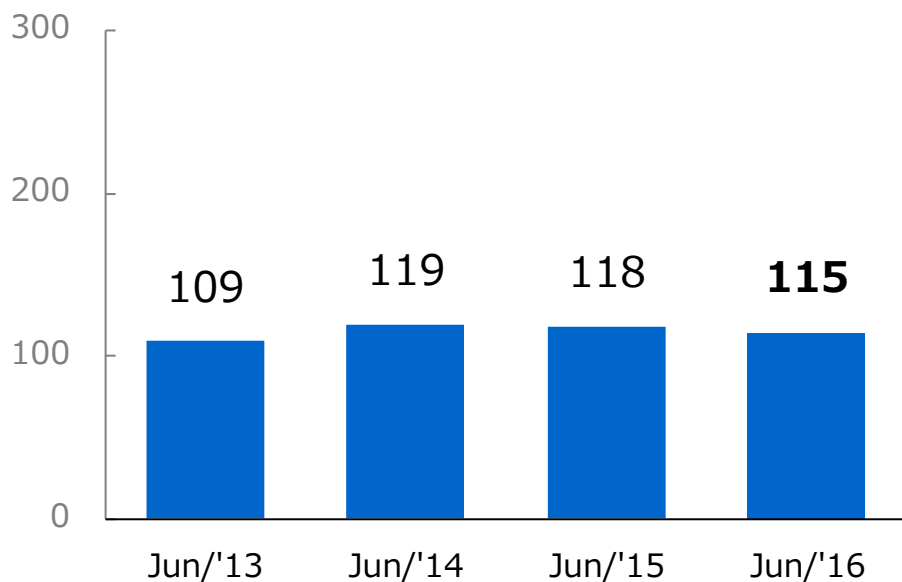
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## 2<sup>nd</sup> Quarter

## Full Year

(million HKD)

(million HKD)



Period	JPY Equivalent (Billion)
Jun/'13	1.3
Jun/'14	1.7
Jun/'15	1.8
Jun/'16	1.6

Period	JPY Equivalent (Billion)
Dec/'12	2.4
Dec/'13	2.8
Dec/'14	3.3
Dec/'15	3.7

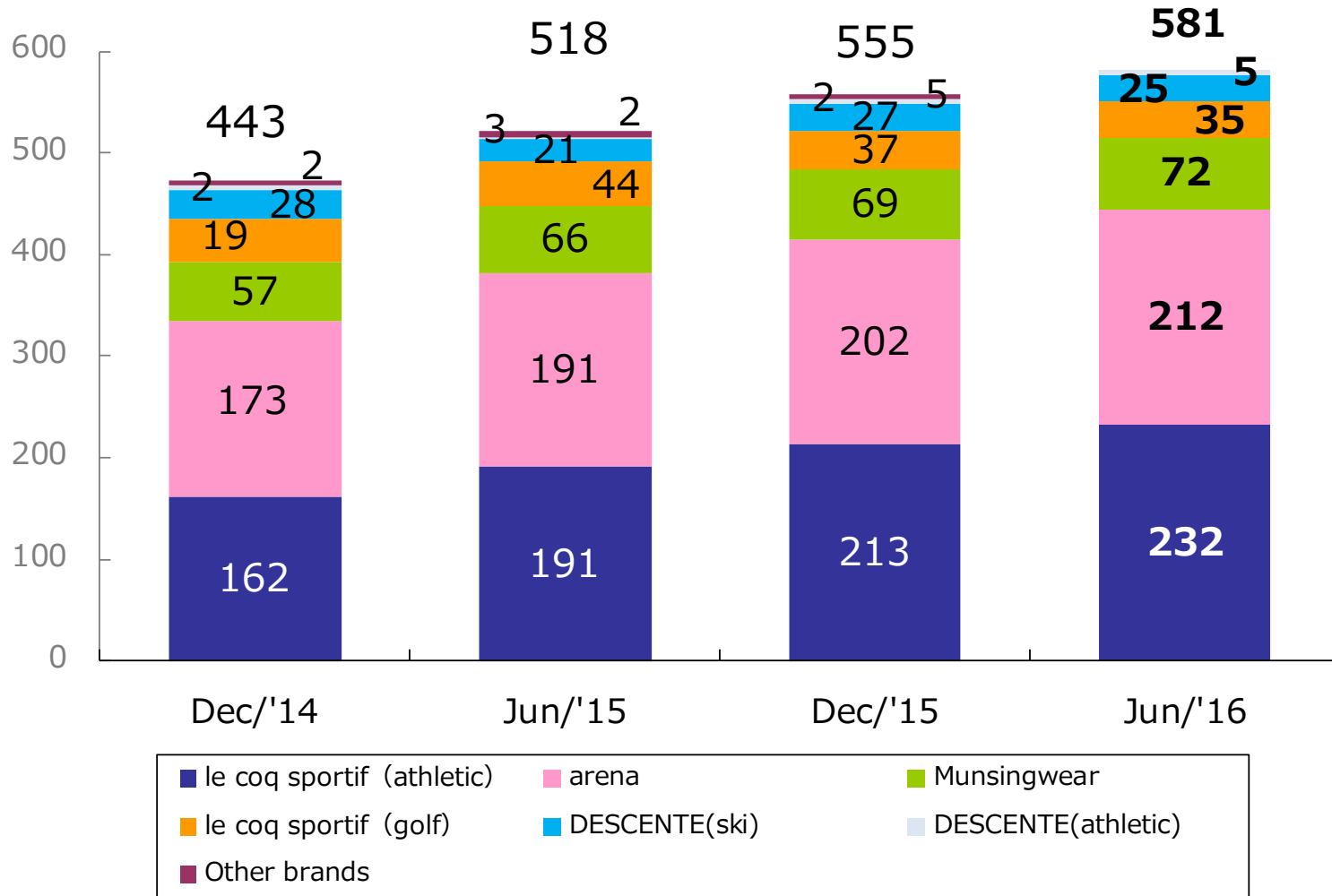


# Number of Retail Stores in China

(incl. Hong Kong)

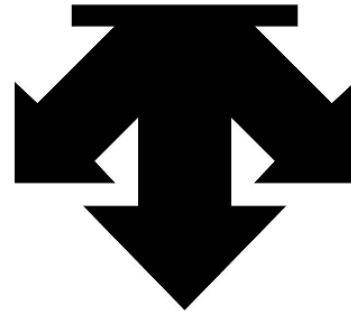


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(\* including stores of commercial agents)

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