

Summary of Financial Statements for the Fiscal Year Ended March 31, 2022 [Japan GAAP, Consolidated]

May 12, 2022

Name of the Company: DESCENTE LTD. Listed Exchange: TSE
 Code No.: 8114 URL: <http://www.descente.co.jp>
 Representative: Shuichi Koseki, President and Representative Director
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 Date of Annual General Meeting of Shareholders: June 16, 2022 Date of Dividend Payments: June 17, 2022
 Date of Submission of Securities Report: June 16, 2022
 Preparation of Supplementary Financial Statements: Yes
 Holding of Financial Results Briefing: Yes (For institutional investors and securities analysts)

(Notes: Amounts less than one million yen are rounded down)

1. Consolidated Results for the Fiscal Year 2021 (April 1, 2021 to March 31, 2022)

(1) Consolidated operating results

(% , YoY)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
FY ended March 31, 2022	108,892	12.4	5,138	-	7,556	-	6,229	23.6
FY ended March 31, 2021	96,862	(22.2)	(1,806)	-	(584)	-	5,039	-

(note) Comprehensive income: FY ended March 31, 2022: ¥9,518 million (66.0%), FY ended March 31, 2021: ¥5,734 million(-%)

	Net income per share	Diluted net income per share	Return on Equity	Return on assets	Operating income ratio
	Yen	Yen	%	%	%
FY ended March 31, 2022	82.54	-	7.6	6.7	4.7
FY ended March 31, 2021	66.80	-	6.7	(0.5)	(1.9)

(Reference) Equity in earnings of affiliates: FY ended March 31, 2022: ¥2,155 million, FY ended March 31, 2021: ¥791 million

(2) Consolidated financial position

	Total assets	Net assets	Equity Ratio	Net assets per share
	Yen in millions	Yen in millions	%	Yen
FY ended March 31, 2022	116,375	86,658	74.5	1,148.11
FY ended March 31, 2021	107,987	77,963	72.2	1,033.22

(Reference) Equity: FY ended March 31, 2022: ¥86,658 million, FY ended March 31, 2021: ¥77,963 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Yen in millions	Yen in millions	Yen in millions	Yen in millions
FY ended March 31, 2022	13,515	3,152	(3,520)	32,757
FY ended March 31, 2021	2,393	51	(2,586)	19,244

2. Dividends

	Annual cash dividend per share					Dividend amount (Total)	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
	End of the 1 st quarter	End of the 2 nd quarter	End of the 3 rd quarter	End of the 4 th Quarter	Total			
	Yen	Yen	Yen	Yen	Yen	Yen in millions	%	%
FY ended March 31, 2021	-	0.00	-	0.00	0.00	-	-	-
FY ended March 31, 2022	-	0.00	-	25.00	25.00	1,886	30.3	2.3
FY ended March 31, 2023 (Forecast)	-	0.00	-	28.00	28.00		30.2	

3. Consolidated earnings forecast for the Fiscal year ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% , YoY)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income Per share
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen
First half of fiscal year	53,000	6.2	2,800	3.2	4,500	12.3	3,000	20.6	39.75
Full-year	114,000	4.7	6,000	16.8	10,000	32.3	7,000	12.4	92.75

*Notes

(1) Changes in significant subsidiaries during the fiscal year (Changes in specified subsidiaries : None resulting in changes in the scope of consolidation):

New: None

Exclude: None

(2) Changes in accounting policies, accounting estimates, and restatement

1. Changes in accounting policies associated with revision of accounting standards : Yes
2. Changes in accounting policy other than 1 : None
3. Changing in accounting estimates : None
4. Restatement : None

(3) Number of shares issued and outstanding (common stock)

1. Number of shares issued and outstanding at the end of fiscal year (including treasury stock)
2. Number of treasury stock at fiscal end
3. Average number of shares during the term

FY 2021	76,924,176	FY 2020	76,924,176
FY 2021	1,444,610	FY 2020	1,467,517
FY 2021	75,472,487	FY 2020	75,449,746

(Reference) Summary of non-consolidated results

1. Non-consolidated results for the fiscal year ended March 31, 2022 (April 1, 2021 - March 31, 2022)

(1) Non-consolidated operating results (% , YoY)

	Net sales		Operating income		Ordinary income		Net income	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
FY ended March 31, 2022	10,667	18.7	636	(0.5)	3,705	264.9	4,429	-
FY ended March 31, 2021	8,987	(14.7)	640	(60.4)	1,015	(46.1)	(829)	-
	Net income per share		Diluted Net income per share					
	Yen		Yen					
FY ended March 31, 2022	58.69		-					
FY ended March 31, 2021	(11.00)		-					

(2) Non-consolidated financial position

	Total assets	Net assets	Equity Ratio	Net assets per share
	Yen in millions	Yen in millions	%	Yen
FY ended March 31, 2022	24,965	20,601	82.5	272.94
FY ended March 31, 2021	23,890	16,023	67.1	212.35

(Reference)

Equity: FY ended March 31, 2022: ¥20,601 million, FY ended March 31, 2021: ¥16,023 million

2. Non-consolidated earnings forecast for the fiscal year ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(%, YoY)

	Net sales		Ordinary income		Net income		Net income per share
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen
First half of fiscal year	2,700	-	100	-	100	-	1.33
Full-year	7,000	(34.4)	1,000	(73.0)	800	(81.9)	10.60

(Note) In the year ended March 31, 2023, we shifted to a pure holding company structure.

(Note) Summary of financial statement is not subject to auditing procedures by independent auditors or auditing firms

(Note) Explanation of appropriate use of business performance forecasts and other special items

(Notes on future descriptions)

Descriptions about future such as the earnings forecasts in this document are based on the current information and certain assumptions that are considered reasonable, therefore, it is not intended to state or imply any commitment by the company to achieve. Actual results may vary greatly depending on various factors. Prerequisites for earnings forecast or notes for using it, please refer to "1. Overview of Consolidated Operating Results" on page 2.

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1. Overview of Consolidated Operating Results

(1) Overview of Consolidated Operating Results

In our midterm management plan "D-Summit 2023", we have identified the following as key strategies: "I. Implement strategies by region for Japan, Korea and China," "II. Improve profitability of Japan business," and "III. Enhance our manufacturing capabilities," with the aim of generating stable earnings in the three markets.

In the fiscal year under review, the first year of the plan, we focused on strengthening the DTC business to improve profitability of business in Japan. We changed Internal KPI from sales into profitability indicator, such as operating profit and inventory stock days in order to promote the change of employees' mindset, and as a result, we curbed sales losses, returns and discounts, throughout the year and segment income in Japan improved significantly.

Meanwhile, in terms of the implementation of regional strategies in Japan, South Korea and China, one of the key strategies, sales and earnings in South Korea are recovering mainly due to shoes sales increase. In China as well, both our consolidated subsidiaries and equity-method affiliates increased sales and profits in an effort to expand the scale of their operations. As a consequence, our net sales increased in Japan, South Korea and China. In the fourth quarter, sales of heavy apparel were sluggish due to the warm winter in South Korea and the closure of retail stores occurred by the spread of COVID-19 in China, but the impact on sales was insignificant. Consequently, net sales increased by 12.4% over previous year to ¥108,892 million.

In addition to the increase in net sales, the Company focused on Japan business as described above and significantly improved the profitability of Japan segment. As a result, gross profit increased 18.8% over previous year to ¥60,578 million.

SG&A expenses increased by 5.0% over previous year to ¥55,440 million due to aggressive sales promotion activities in Japan, such as the promotional activity starring the baseball player Shohei Ohtani, with whom we have concluded advisory contracts, sales promotion expenses for reopening DESCENTE GOLF COMPLEX GINZA ("DGCG") in March, 2022, land rent increase by opening new stores for the expansion of DTCs in Japan, and sales commissions increase by higher sales in South Korea. However, gross profit increase covered SG&A expenses increase, resulting in operating income increase by ¥6,944 million over previous year to ¥5,138 million (previous year operating loss of ¥1,806 million).

Ordinary income increased by ¥8,140 million over previous year to ¥7,556 million (previous year ordinary loss of ¥584 million), by the increase in profits taken from equity-method affiliate DESCENTE CHINA HOLDING LIMITED ("DCH").

Extraordinary gains and losses for the fiscal year under review were ¥1,744 million, including the gain on the sale of the office of Osaka Head Office recorded in the third quarter. In contrast, extraordinary gains and losses for the previous year were ¥6,150 million, including gain on change in equity associated with the reorganization of DCHs.

Net income increased by 23.6% over previous year to ¥6,229 million, reflecting ordinary income increase exceeded a decline in extraordinary gain.

The business results of the reportable segment are as follows. The fiscal year end of major overseas subsidiaries is December, and the business results for each segment do not include figures for equity method affiliates.

(Net Sales by Segments)

Segment	Net sales (Yen in millions) (YoY)	Segment Income (Loss) (Yen in millions) (YoY)
Japan	51,133 (108.6%)	3,262 (previous year: (1,767))
South Korea	53,726 (116.4%)	1,476 (previous year: (11))
China	4,032 (118.7%)	384 (previous year: (48))
Others	- -%	(0) (previous year: (64))
Adjustments	-	15 (previous year: 63)
Total	108,892 (112.4%)	5,138 (previous year: (1,806))

(Japan)

Sales of heavy apparel remained firm due to low temperatures from January onward, and in-store sales of "MIZUSAWA DOWN", our flagship product were strong, which we promoted by holding exhibitions on the new model "ALPINE" and collaboration events in the third quarter of the fiscal year. In addition, spring and summer items were successfully launched owing to the steady in-store sales of winter items and effective control of product volume, and sales of in-house e-commerce also grew.

As to our brands, sales of "DESCENTE" continued to grow. And "arena" products have also acquired strong trust from top swimmers and more and more swimmers have selected to wear our products at international tournaments, contributing the progress of brand recognition and significant growth of sales. As a consequence, net sales by segments increased by 8.6% over previous year to ¥51,133 million.

In addition, gross profit margin improved significantly by sales losses improvement as a result of efforts throughout the year to reduce returns and discounts. SG&A expenses increased mainly due to land rent increase with the expansion of DTCs. Segment income, however, increased by ¥5,030 million over previous year to ¥3,262 million (previous year segment loss of ¥1,767 million) because the increase in sales and gross profit exceeded the increase in SG&A expenses.

(South Korea)

Sales of “ENERZITE” running shoes and “R-90” golf shoes, which were developed at our R&D base in DISC BUSAN, remained strong, and “umbro” continued to grow recording 86.0% sales increase over previous year. Long sleeves and long-pants setup were particularly popular. Segment net sales increased by 16.4% over previous year to ¥53,726 million despite a severe condition in sales of heavy apparel, main products in this segment, due to the warm winter. Segment income improved significantly to ¥1,476 million. (previous year segment income of ¥11 million).

(China)

Sales of “arena” recovered significantly in SHANGHAI DESCENTE COMMERCIAL CO., LTD, and sales of each brands in e-commerce were strong in "Single Day". Segment net sales increased by 18.7% over previous year to ¥4,032 million, in spite of pushing down sales by the local closure of stores due to the spread of COVID-19 and transferring the HONG KONG DESCENTE TRADING LTD wholesale business in First Quarter.

In addition to net sales growth, profitability improvement at HONG KONG DESCENTE TRADING LTD contributed to segment profit increase by ¥433 million over previous year to ¥384 million (previous year segment loss of ¥48 million).

Although not included in segment income (loss), DCH, an equity-method affiliate, continued to perform well as sales per store grew thanks to the growing popularity of “DESCENTE” brand.

Net sales by Item are as follows.

(Net sales by Item)

Item	Amount (Yen in millions)	Composition Ratio (%)	Year on Year (%)
Athletic wear and related products	65,100	59.8	107.7
Golf wear and related products	34,383	31.6	121.0
Outdoor wear and related products	9,408	8.6	117.4
Total	108,892	100.0	112.4

(Athletic wear and related products)

Net sales in the category increased by 7.7% over previous year to ¥65,100 million, due to steady growth of our brands, especially the growth of “DESCENTE” sales by the development of new-style directly managed stores in Japan, “arena” sales increase by favorable impact of information dissemination from the top swimmers in Japan, demand recovered by opening pools in South Korea, e-commerce sales in single-person day in China and new goggles sales were strong.

(Golf wear and related products)

Golf is still more and more popular in all segments in the COVID-19 crisis. Sales of “DESCENTE (golf)” and “Munsingwear” increased in Japan, South Korea and China. In Japan, the sales of golf category increased by 31.7% over previous year as “le coq sportif (golf)” was also strong. As a whole, net sales increased by 21.0% over previous year to ¥34,383 million.

(Other Topics)

We continue to promote our priority strategies under “D-Summit 2023” as mentioned above and work to further expand earnings and achieve sustainable growth.

In terms of implementing regional strategies, as separately we set the priority to improve profitability in Japan, we are steadily promoting product planning and distribution reforms, which are essential parts of strengthening the DTC business based on profit-oriented strategy.

As part of our efforts to strengthen our DTC business, in March 2022 we opened our first golf complex store DGCG in Ginza. Ladies wear has become popular in the store. As for product planning reforms, in order to develop “MoveWear”, which incorporates sportswear functionality, employees are offering a wide range of wearing scenes in our e-commerce platform and inhouse digital media, “ULLR MAG”. “MoveWear” is a main product of the new-style directly managed “DESCENTE” stores, and especially, sales in “ZERO Style” category, which mitigates stress while wearing, have been firm.

Aiming for stable growth in South Korea, we continue to invest in shoes development in “DISC BUSAN”, and at the same time, promote digital marketing and work to create new customers and strengthen communications with existing customers. These efforts are establishing the foundation to recover income.

In China, the winter sports marketplace, where “DESCENTE” brand is strong, has been brisk, and the number of players has increased significantly. In November 2021, equity-method affiliate DCH opened the world's first “DESCENTE” experience-based store in Beijing. It also held press conferences in ski resorts to further expand its brand exposure, and is expanding its business results.

In manufacturing, following on Japanese and South Korea's representative sportswear at the Tokyo Olympics held in July 2021, at the Beijing Olympic and Paralympic Games in February 2022, sportswear developed at our development base “DISC OSAKA” was adopted for the official wear of Japan. At the Beijing Olympics, we supply the wear developed in our own plants to Japan representatives and all foreign contract teams, not only wearing as the official wear, and they have won a total of 35 medals.

We are also working to resolve material issues as part of our SDGs initiatives. In 2021, we worked with “NEW MAKE”, a fashion community that aims to realize a recycling-oriented fashion, to work on an up-cycle for clothing to be discarded, as one of our materiality initiatives "Challenge for Sustainable Manufacturing of Products and Systems."

In addition, in the sustainability activities "RE: DESCENTE", performed by "DESCENTE", we have newly launched the new

series "RE: DESCENTE BUILD" from the autumn/winter season with the theme of resource reuse.

In order to realize sustainable manufacturing, we will formulate a policy to prohibit newly planning, manufacturing, and purchasing of products that use real furs after the 2022 autumn/winter season. The demand of fur-free apparel is world-widely growing, and we DESCENTE Group have decided this policy in order to endorse this opinion and contribute to the society.

As part of our efforts to enforce the environmental protection activities, we are striving to review our ordering process and strengthen purchasing controls in order to curb production volumes and reduce wasteful disposal. In addition, we introduced a recycling system to recycle a portion of the waste into recycled polyester. We will continue to promote the creation of sustainable products and systems.

Besides, our Japan business is promoting work style innovations. Osaka Office, which was relocated in December 2021, has an interior for realizing a new way of working. Employees who are publicly recruited within the company arranged the project team and exchanged opinions to realize the innovations, and we have installed working spaces with free addresses and layout easy to change. We are also continuing our efforts to realize a variety of working styles based on teleworking and to create an environment for employees work actively with diversity. In DESCENTE LTD and DESCENTE JAPAN LTD, the number of male employees taking childcare leave has begun to increase, and 100% of employee returned to work after taking childcare leave. We will continue our efforts to realize a sustainable society based on materiality.

(2) Overview of Consolidated Financial Position (Analysis of the status of assets, liabilities, and net assets)

Total assets at the end of the fiscal year under review were ¥116,375 million, an increase of ¥8,387 million from the end of the previous fiscal year.

Current assets increased by ¥8,299 million from the end of previous fiscal year to ¥73,667 million. This was mainly due to an increase in cash and deposits by ¥13,200 million and a decrease in Merchandise and finished goods by ¥5,279 million.

Non-current assets increased by ¥88 million from the end of previous fiscal year to ¥42,708 million. This was primarily due to an increase in investment securities by ¥3,698 million, a decrease in buildings and improvements by ¥1,901 million, a decrease in right-of-use asset by ¥949 million, a decrease in Land by ¥225 million, a decrease in trademarks included in intangible assets others by ¥208 million and a decrease in software by ¥155 million.

Total liabilities decreased by ¥307 million from the end of previous fiscal year to ¥29,716 million. This was mainly due to an increase in notes and accounts payable - trade by ¥475 million and a decrease in lease obligations by ¥1,086 million.

Net assets increased by ¥8,695 million from the end of previous fiscal year to ¥86,658 million. This was mainly due to an increase in retained earnings by ¥5,364 million and an increase in foreign currency translation adjustment by ¥3,076 million.

As a result, the equity ratio increased by 2.3% from the end of the previous fiscal year to 74.5%.

(3) Overview of Consolidated Cash Flows (Analysis of Cash Flow Status)

Cash and cash equivalents at the end of fiscal year under review increased by ¥13,513 million from the end of previous fiscal year to ¥32,757 million.

Cash flows from operating activities recorded a net-cash-inflow of ¥13,515 million (a net-cash-inflow of ¥2,393 million for previous fiscal year). This was attributable to an increase of ¥9,300 million in income before income taxes and a decrease of ¥4,520 million in depreciation and a decrease of ¥5,498 million in inventories.

Cash flows from investing activities recorded a net-cash-inflow of ¥3,152 million (a net-cash-inflow of ¥51 million for previous fiscal year). This was mainly attributable to revenues of ¥3,867 million from the sale of property, plant and equipment, disbursements of ¥1,575 million in purchase of property, plant and equipment, revenues of ¥290 million in proceeds from sales of investment securities, and revenues of ¥415 million in proceeds from collection of guarantee deposits.

Cash flows from financing activities recorded a net-cash-outflow of ¥3,520 million (a net cash out-flow of ¥2,586 million for previous fiscal year). This was mainly due to the repayment of short-term loans payable of ¥1,000 million and repayment of lease obligation payable of ¥2,021 million.

(Reference) Cash Flow Related Indicators

	FY ended March 31, 2018	FY ended March 31, 2019	FY ended March 31, 2020	FY ended March 31, 2021	FY ended March 31, 2022
Equity Ratio (%)	67.3	67.8	66.5	72.2	74.5
Equity Ratio based on Market Value (%)	108.0	188.9	88.3	131.5	200.7
Cash Flow/Liabilities Interest Ratio (Years)	0.5	0.5	1.1	0.9	0.0
Interest Coverage Ratio (Times)	135.8	82.5	8.1	27.0	230.4

(NOTE) Equity Ratio: Shareholders' equity/Total assets

Equity Ratio based on Market Value = Market Capitalization /Total Assets

$\text{Cash Flow} / \text{Liabilities with Interest Ratio} = \text{Liabilities with Interest} / \text{Operating Cash Flow}$

$\text{Interest Coverage Ratio} = \text{Operating Cash Flow} / \text{Interest Payments}$

1. Each indicator is calculated based on consolidated financial figures.
2. Market capitalization is calculated based on closing share prices at year end multiple the number of shares issued and outstanding at year end excluding treasury shares.
3. Operating cash flows refers to cash flows from operating activities of the consolidated cash flow statements. Liabilities with Interest includes all liabilities on which we pay interest shown on the consolidated balance sheet. Interest payments refers to payments of interest paid on the consolidated cash flow statement.

(4) Consolidated Performance Forecast

The business environment is undergoing dramatic change, as the spread of COVID-19 infections is still occurring locally, and there are also major changes in the external environment, such as the entrenchment of new norms due to the COVID-19.

Since the formulation of midterm management plan "D-Summit 2023" in May 2021, we have restructured our company to improve profitability, particularly in Japan business. In South Korea, we are working to achieve stable growth. In China, we are working to expand our business development, with the aim of generating stable earnings in the three markets. D-Summit 2023's second year, consolidated business results for the year ending March 2023, are planned to be net sales of ¥114,000 million, operating income of ¥6,000 million, ordinary income ¥10,000 million, and profit attributable to owners of parent of ¥7,000 million.

2. Basic Approach of Selection of Accounting Standards

Over the near term, the Group will prepare its consolidated financial statements based on Japanese GAAP. Regarding the application of International Financial Reporting Standards (IFRS), we plan to appropriately respond to the situation in Japan and abroad.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Yen in millions)

	Previous fiscal year (ended March 31, 2021)	Current Fiscal Year (ended March 31, 2022)
Assets		
Current assets		
Cash and deposits	21,913	35,113
Notes and accounts receivable - trade	15,585	15,028
Merchandise and finished goods	24,372	19,093
Work in process	174	159
Raw materials and supplies	588	533
Others	2,791	3,796
Allowance for doubtful accounts	(58)	(56)
Total current assets	65,368	73,667
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,906	9,005
Land	8,612	8,387
Right-of-use asset	3,543	2,594
Construction in progress	28	-
Other, net	2,196	1,938
Total property, plant and equipment	25,289	21,925
Intangible assets		
Others	2,206	1,822
Total intangible assets	2,206	1,822
Investments and other assets		
Investments in securities	9,946	13,645
Deferred tax assets	732	719
Others	4,494	4,643
Allowance for doubtful accounts	(50)	(48)
Total investments and other assets	15,122	18,960
Total non-current assets	42,619	42,708
Total assets	107,987	116,375

(Yen in millions)

	Previous fiscal year (ended March 31, 2021)	Current Fiscal Year (ended March 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,773	12,249
Short-term loans payable	1,000	-
Current portion of long-term loans payable	93	-
Accounts payable - other	4,793	3,725
Income taxes payable	1,427	546
Provision for bonuses	841	1,477
Lease obligations	1,842	1,801
Provision for sales returns	868	-
Others	2,531	5,708
Total current liabilities	25,172	25,508
Non-current liabilities		
Long-term loans payable	373	-
Net defined benefit liability	237	-
Lease obligations	1,920	875
Deferred tax liabilities	1,472	2,419
Others	846	912
Total non-current liabilities	4,851	4,208
Total liabilities	30,024	29,716
Net assets		
Shareholders' equity		
Capital stock	3,846	3,846
Capital surplus	25,344	25,377
Retained earnings	48,230	53,594
Treasury stock	(624)	(615)
Total shareholders' equity	76,796	82,202
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	199	289
Deferred gains or losses on hedges	(21)	(5)
Foreign currency translation adjustment	561	3,637
Remeasurements of defined benefit plans	427	535
Total accumulated other comprehensive income	1,167	4,456
Total net assets	77,963	86,658
Total liabilities and net assets	107,987	116,375

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Yen in millions)

	Previous fiscal year (April 1, 2020 - March 31, 2021)	Current Fiscal Year (April 1, 2021 - March 31, 2022)
Net sales	96,862	108,892
Cost of sales	45,851	48,313
Gross profit	51,010	60,578
Provision for sales returns	31	-
Gross profit - net	50,979	60,578
Selling, general and administrative expenses	52,785	55,440
Operating income (loss)	(1,806)	5,138
Non-operating income		
Interest income	160	186
Dividends income	133	56
Equity in earnings of affiliates	791	2,155
Foreign exchange gains	73	-
Others	561	325
Total non-operating income	1,720	2,723
Non-operating expenses		
Interest expenses	88	58
Loss on retirement of noncurrent assets	287	105
Foreign exchange losses	-	15
Others	122	124
Total non-operating expenses	498	305
Ordinary income (loss)	(584)	7,556
Extraordinary gains		
Gain (loss) on change in equity	6,419	-
Gain on sales of stock of affiliates	460	-
Gain on sales of investment securities	930	-
Gain on sales of noncurrent assets	249	2,007
Profit on disposal of business	-	50
Total extraordinary income	8,060	2,057
Extraordinary losses		
Special retirement benefit	1,347	-
Impairment loss	289	312
Loss on disposal of business	148	-
Loss on settlement of subsidiaries	124	-
Total extraordinary loss	1,910	312
Income before income taxes	5,565	9,300
Income taxes - current	1,566	2,073
Income taxes - deferred	(1,040)	997
Total income taxes	525	3,071
Net income	5,039	6,229
Profit attributable to owners of the parent	5,039	6,229

Consolidated Statement of Comprehensive Income

(Yen in millions)

	Previous fiscal year (April 1, 2020 - March 31, 2021)	Current Fiscal Year (April 1, 2021 - March 31, 2022)
Net income	5,039	6,229
Other comprehensive income		
Valuation difference on available-for-sale securities	(173)	89
Deferred gains or losses on hedges	(34)	15
Foreign currency translation adjustment	250	1,650
Remeasurements of defined benefit plans	559	107
Share of other comprehensive income (loss) of entities accounted for using equity method	92	1,425
Total other comprehensive income	694	3,288
Comprehensive income	5,734	9,518
(breakdown)		
Comprehensive profit attributable to owners of the parent	5,734	9,518

(3) Consolidated Statements of Changes in Net Assets
Previous fiscal year (From April 1, 2020 - March 31, 2021)

(Yen in millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	3,846	25,316	43,190	(633)	71,719
Changes of items during the period					
Profit attributable to owners of the parent			5,039		5,039
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		27		9	37
Net change of items during the period except for items under shareholders' equity					
Total changes of items during the period	-	27	5,039	9	5,076
Balance at end of the period	3,846	25,344	48,230	(624)	76,796

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sales securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Defined benefit plans remeasurements	Total accumulated other comprehensive income	
Balance at beginning of the period	373	13	218	(131)	473	72,193
Changes of items during the period						
Profit attributable to owners of the parent						5,039
Purchase of treasury stock						(0)
Disposal of treasury stock						37
Net change of items during the period except for items under shareholders' equity	(173)	(34)	342	559	694	694
Total changes of items during the period	(173)	(34)	342	559	694	5,770
Balance at end of the period	199	(21)	561	427	1,167	77,963

Current Fiscal Year (From April 1, 2021 - March 31, 2022)

(Yen in millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	3,846	25,344	48,230	(624)	76,796
Cumulative effect of changes in accounting policies			(864)		(864)
Balance at beginning of the period reflecting changes in accounting policies	3,846	25,344	47,365	(624)	75,931
Changes of items during the period					
Profit attributable to owners of parent			6,229		6,229
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		58		9	68
Changes in Consolidated Scope		(25)			(25)
Net change of items during the period except for items under shareholders' equity					
Total changes of items during the period	-	33	6,229	8	6,271
Balance at end of the period	3,846	25,377	53,594	(615)	82,202

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sales securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Defined benefit plans remeasurements	Total accumulated other comprehensive income	
Balance at beginning of the period	199	(21)	561	427	1,167	77,963
Cumulative effect of changes in accounting policies						(864)
Balance at beginning of the period reflecting changes in accounting policies	199	(21)	561	427	1,167	77,098
Changes of items during the period						
Profit attributable to owners of parent						6,229
Purchase of treasury stock						(1)
Disposal of treasury stock						68
Changes in Consolidated Scope						(25)
Net change of items during the period except for items under shareholders' equity	89	15	3,076	107	3,288	3,288
Total changes of items during the period	89	15	3,076	107	3,288	9,560
Balance at end of the period	289	(5)	3,637	535	4,456	86,658

(4) Consolidated Statements of Cash Flows

(Yen in millions)

	Previous fiscal year (April 1, 2020 - March 31, 2021)	Current Fiscal Year (April 1, 2021 - March 31, 2022)
Cash flows from operating activities		
Income before income taxes	5,565	9,300
Depreciation	5,201	4,520
Impairment loss	289	312
Loss (gain) on sales of investment securities	(930)	(21)
Increase (decrease) in allowance for doubtful accounts	(64)	(5)
Increase (decrease) in provision for bonuses	(123)	635
Increase (decrease) in provision for sales returns	31	-
Increase (decrease) in net defined benefit liability	(714)	(239)
(Gain) loss on sales of Non-current assets	(257)	(2,017)
Interest and dividends income	(294)	(242)
Interest expenses	88	58
(Increase) or decrease in notes and accounts receivable-trade	1,720	694
(Increase) or decrease in inventory taking	2,413	5,498
(Decrease) in notes and accounts payable-trade	(4,840)	372
(Gain) or loss on change in equity	(6,419)	-
(Gain) or loss on transfer of business	-	(50)
Gain on sales of stock of affiliates	(460)	-
Special retirement benefit	1,347	-
Share of (profit) loss of entities accounted for using equity method	(791)	(2,155)
Others	80	993
Subtotal	1,842	17,655
Interest and dividends income received	294	216
Interest expenses paid	(88)	(58)
Income taxes (paid) refunded	345	(3,007)
Special retirement benefit payments	-	(1,290)
Cash flows from operating activities	2,393	13,515
Cash flow from investing activities		
Business transfer gains	-	297
Payments into time deposits	(2,209)	(5,173)
Proceeds from withdrawal of time deposits	387	5,575
Purchase of property, plant and equipment	(1,541)	(1,575)
Proceeds from sales of Property, plant and equipment	276	3,867
Purchase of intangible assets	(198)	(244)
Proceeds from sale of related subsidiaries	643	-
Purchase of investment securities	(29)	(7)
Proceeds from sales and redemption of investment securities	1,822	290
Payment on guaranty money deposited	(88)	(485)
Collection of fixed leasehold deposits	985	415
Others	2	192
Cash flow from investing activities	51	3,152
Cash flow from financing activities		
Net increase (Δ) in short-term borrowings	(424)	(1,000)
Proceeds from long-term debt	96	-
Repayment of long-term loans payable	(127)	(497)
Purchase of treasury stock	(0)	(1)
Repayments of lease obligations	(2,130)	(2,021)
Cash flow from financing activities	(2,586)	(3,520)
Effect of exchange rate change on cash and cash equivalents	(173)	366
Net increase (decrease) in cash and cash equivalents	(315)	13,513
Cash and cash equivalents at beginning of period	19,559	19,244
Cash and cash equivalents at end of period	19,244	32,757

(5) Notes on Consolidated Financial Statements

(Going Concern Assumptions)

None

(Important Matter of Basis for preparing Consolidated Financial Statements)

Scope of consolidation

(Change in scope of consolidation)

2 companies, BEN-GENERAL Corp. and SINGAPORE DESCENTE PTE, were excluded from the scope of consolidation due to the completion of liquidation of these companies during the fiscal year under review.

(Change in scope of equity method)

In Current Fiscal Year, MITAKA SOKO Co., Ltd., which was an affiliate not accounted for by the equity method, is no longer an affiliate due to the transfer of shares.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the "Accounting Standard for Revenue Recognition") and other standards are applied from the beginning of the first quarter of Consolidated fiscal year to recognize revenue when control of promised goods or services is transferred to customers in an amount that is expected to be received in exchange for those goods or services.

In addition, the alternative treatment stipulated in article 98 of the Accounting Standard for Revenue Recognition is applied. When the period from the time of shipment to the time when control of the product is transferred to the customer is normal in the domestic sales of the product, the revenue is recognized at the time of shipment.

Major changes due to the adoption of the Accounting Standard for Revenue Recognition are as follows:

① Revenue recognition on discounts

For Merchandise and finished goods for which future sales discounts are expected, the amount of discounts is deducted from net sales and the contract liability is recorded. The contract liability is included in "others" in current liabilities.

② Revenue Recognition for Returns

"Provision for sales returns" which was previously recorded as a current liability based on the amount of gross profit, has been changed to a method of not recognizing the amount of net sales and cost of sales for goods and products expected to be returned, and refund liabilities are included in "others" under current liabilities and returned assets are included in "others" under current assets.

③ Revenue Recognition for Principal Transactions

Revenues related to digestion transactions, mainly for department stores, were previously recognized as revenues based on the amount of consideration received from wholesalers. However, after judging the role in providing goods or services to customers (principal or agent), the Company has changed to a method of recognizing sales prices at stores as revenues.

④ Revenue recognition related to the in-house point system

With regard to points granted according to the amount of members' purchases, etc. under the in-house point system, in the past, the amount expected to be used in the future was recorded in "Others" under current liabilities as a provision for points and the amount of provision for reserves was recorded in selling, general and administrative expenses. However, the Company has changed to a method of identifying points granted as performance obligations and deducting them from net sales in consideration of expected future forfeitures, etc.

With regard to the Accounting Standard for Revenue Recognition, in accordance with the transitional treatment stipulated in the provisions of article 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the current fiscal year was added to or deducted from retained earnings at the beginning of the current fiscal year, and a new accounting policy was applied from the beginning balance of the current fiscal year. However, the new accounting policy has not been applied retrospectively to contracts for which the method set forth in article 86 of the Accounting Standard for Revenue Recognition has been applied and substantially all revenue amounts have been recognized in accordance with previous treatment prior to the beginning of the first quarter of the current fiscal year.

As a result, net sales increased by ¥2,146 million and cost of sales increased by ¥62 million. Gross profit increased by ¥2,084 million, SG&A expenses increased by ¥1,931 million, and operating income, ordinary income and income before taxes increased by ¥153 million. In addition, the balance of retained earnings at the beginning of the fiscal year has decreased by ¥864 million.

In accordance with the transitional treatment set forth in paragraph 89-2 of the Revenue Recognition Accounting Standards, the Company has not reclassified previous fiscal year under the new presentation method.

(Application of Accounting Standard for Calculation of Fair Market value)

The Accounting Standard for Fair Value Measurement, etc. (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the “Accounting Standard for Fair Value Measurement”) have been applied from the beginning of the current fiscal year, and in accordance with the transitional treatment stipulated in article 19 of the Accounting Standard for Fair Value Measurement and article 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy stipulated by the Accounting Standard for Fair Value Measurements will be applied in the future. This change had no impact on the consolidated financial statements for the first quarter of the fiscal year under review.

(Segment information, etc.)
[Segment Information]

1. General Information about Reportable Segments

A reportable segment is a component of the group of which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess its performance.

The Group manufactures and sells sportswear and its related products, and has established comprehensive strategies for each brand in each region (Japan, Korea, China and others) based on the group company's location (Japan, Korea, China and others) and conducts business activities.

Therefore, the group consists of regional segment of the group company's location based on the headquarters and its consolidated subsidiaries, with four reporting segments: "Japan", "Korea", "China" and "Others".

2. Calculation Method for Net Sales, Profit (Loss), Assets, Liabilities and Other Items by Reportable Segment

The accounting method for the Group's reportable business segments is generally the same as "Basis for Preparation of Consolidated Financial Statements".

3. Information about Net Sales, Profit (Loss), Assets, Liabilities and Other Items by Reportable Segment

Previous fiscal year (From April 1, 2020 - March 31, 2021)

(Yen in millions)

	Reportable segments					Adjustment (Note 1)	Amount of shown on Consolidated Financial Statements (Note 2)
	Japan	South Korea	China	Others	Total		
Net sales							
Sales to External Customers	47,079	46,156	3,397	229	96,862	-	96,862
Intersegment Sales or Transfers	3,606	391	31	2	4,031	(4,031)	-
Total	50,686	46,547	3,429	231	100,894	(4,031)	96,862
Segment Income (loss)	(1,767)	11	(48)	(64)	(1,869)	63	(1,806)
Segment Assets	55,611	46,346	3,885	10	105,852	2,134	107,987
Other Items							
Depreciation	1,423	3,496	280	-	5,201	-	5,201
Equity in earnings (losses) of affiliates	-	(164)	913	-	748	42	791
Investments on entities accounted for using equity method	-	184	9,489	-	9,673	-	9,673
Property, plant and equipment Increase in intangible assets	654	1,074	10	-	1,739	-	1,739

(Note 1) 1. Segment income (loss) adjustment ¥63 million includes intersegment transaction eliminations of ¥8 million and inventory adjustment of ¥55 million.

2. Segment assets of ¥2,134 million includes adjustments for equity method investment of ¥6,038 million and intersegment transaction eliminations of ¥3,969 million and inventory adjustment of ¥66 million.

(Note 2) Segment income (loss) is adjusted for operating income reported in the consolidated statements of income.

Current Fiscal Year (From April 1, 2021 - March 31, 2022)

(Yen in millions)

	Reportable segments					Adjustment (Note 1)	Amount of shown on Consolidated Financial Statements (Note 2)
	Japan	South Korea	China	Others	Total		
Net sales							
Sales to External Customers	51,133	53,726	4,032	-	108,892	-	108,892
Intersegment Sales or Transfers	4,095	430	40	-	4,566	(4,566)	-
Total	55,229	54,156	4,072	-	113,458	(4,566)	108,892
Segment Income (loss)	3,262	1,476	384	(0)	5,122	15	5,138
Segment Assets	59,619	45,288	3,513	-	108,421	7,954	116,375
Other Items							
Depreciation	1,129	3,261	129	-	4,520	-	4,520
Equity in earnings (losses) of affiliates	-	(161)	2,394	-	2,232	(76)	2,155
Investments on entities accounted for using equity method	-	53	13,671	-	13,725	-	13,725
Property, plant and equipment Increase in intangible assets	553	1,077	52	-	1,683	-	1,683

(Note 1) 1. Segment income (loss) adjustment ¥15 million includes intersegment transaction eliminations of ¥0 million and inventory adjustment of ¥14 million.

2. Segment assets adjustment of ¥7,954 million includes adjustment for equity method investment of ¥12,192 million, intersegment transaction eliminations of ¥4,289 million and inventory adjustment of ¥51 million.

(Note 2) Segment income (loss) is adjusted for operating income reported in the consolidated statements of income.

4. Matters concerning changes in reporting segments, etc.

As described in the changes in accounting policy, Accounting Standard for Revenue Recognition will be applied from the beginning of the current consolidated fiscal year, and revenue recognition will be related. Due to the change in the accounting method, the method for calculating profit or loss in the segment has also changed. As a result of this change, sales in the “Japan” segment for the current consolidated fiscal year increased by ¥2,146 million compared to the conventional method. Segment profit increased by ¥153 million.

(Information per Share)

Net assets per share, net income per share and basis of calculation for them are as follows.

	End of previous fiscal year (ended March 31, 2021)	End of current fiscal year (ended March 31, 2022)
(1) Net assets per share amount (yen)	1,033.22	1,148.11
(Basis of calculation)		
Total net assets (yen in millions)	77,963	86,658
Amount deducted from total net assets (yen in millions)	-	-
Year-end net assets associated with common stock (yen in millions)	77,963	86,658
Year-end number of shares of common stock used in the calculation of net assets per share (1,000 shares)	75,456	75,479

	Previous fiscal year (April 1, 2020 - March 31, 2021)	Current Fiscal Year (April 1, 2021 - March 31, 2022)
(2) Net income per share amount (yen)	66.80	82.54
(Basis of calculation)		
Profit attributable to owners of parent (yen in millions)	5,039	6,229
Amount not attributable to shareholders of common stock (yen in millions)	-	-
Profit attributable to owners of parent related to common shares (yen in millions)	5,039	6,229
Weighted average number of shares of common stock during the fiscal year (1,000 shares)	75,449	75,472

(NOTE) Diluted net income per share has not been presented since there is no dilutive potential of the shares of common stock, issuable upon conversion of the convertible debts.

(Important Subsequent Events)

None

4.Others

Overseas sales

Previous fiscal year (From April 1, 2020 - March 31, 2021)

(Yen in millions, %)

	South Korea	China	Others	Total
I Overseas sales	44,574	6,337	1,796	52,708
II Consolidated net sales				96,862
III Percentages of overseas net sales in Consolidated net sales	46.0	6.5	1.9	54.4

(NOTE)Net sales are based on the customer's location and classified into countries or regions.

Current Fiscal Year (From April 1, 2021 - March 31, 2022)

(Yen in millions, %)

	South Korea	China	Others	Total
I Overseas sales	51,512	8,421	1,269	61,204
II Consolidated net sales				108,892
III Percentages of overseas net sales in Consolidated net sales	47.3	7.7	1.2	56.2

(NOTE)Net sales are based on the customer's location and classified into countries or regions.