

# **DESCENTE**

## **FY2021 Earnings**

### **May 12 , 2022**

Disclaimer: This is an AI English translation of the original Japanese-language Consolidated Financial Summary of DESCENTE LTD. (the Company) for the fiscal year ended March 31, 2022 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.

# Description of the Terms

## Definition of Terms

**Segment: Classified according to country and area of the location of the company**

*Example: Net sales from DESCENTE LTD. to JV in China is counted in Japan segment*

**\*Segment changed from [Japan-Asia-Europe/Americas] to [Japan-South Korea-China] from FY2020.**

**Area: Classified according to country and area of the location of the customer**

*Example: Net sales from DESCENTE LTD. to JV in China is counted in China area*

**Business Year:**

**<Japan> April–March** *Example: 1Q = April-June*

**<Overseas subsidiaries / Affiliate> January-December** *Example: 1Q=January-March*

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

## Rules for Numerical Description

The number is truncated and percentage is rounded off.

# Matters Related to changes in Reportable Segments



In recent years, the importance of our business in South Korea and China has increased, therefore the Company has changed its reportable segments up to FY2019 Asia to South Korea, China and Others from the FY2020. As a result of the resolution to liquidate all U.S. and European subsidiaries that were included Europe/Americas segment until FY2019 the importance of the business of Europe/Americas subsidiaries has declined. As a result, the business of Europe/Americas have been included in Others. Segment information for each quarter of FY2020 is prepared by the segment classification method after the change.

## Japan Segment

### Sales

Sales of DESCENTE LTD. and consolidated subsidiaries in Japan

#### Including the following

- Sales royalties for overseas locally planned products
- Product sales to overseas consolidated subsidiaries and equity method affiliates

## South Korea Segment

### Sales

Sales of DESCENTE KOREA LTD. and DESCENTE GLOBAL RETAIL LTD.

#### Including the following

- Product sales to overseas consolidated subsidiaries and equity method affiliates

### Non-operating income and loss

Gain or loss on investment of an equity method affiliate in South Korea, etc.

## China Segment

### Sales

Sales of consolidated subsidiaries in China

### Non-operating income and loss

Gain or loss on investment of an equity method affiliate in China, etc.

## **1. FY2021**

### **① Financial Summary**

### ② Brand Review

### ③ Number of Stores

### ④ Topics

## **2. Plan for FY2022**

# Results of FY2021 (Consolidated))



1. FY2021 ①Financial Summary

- Both sales and profits increased from previous year

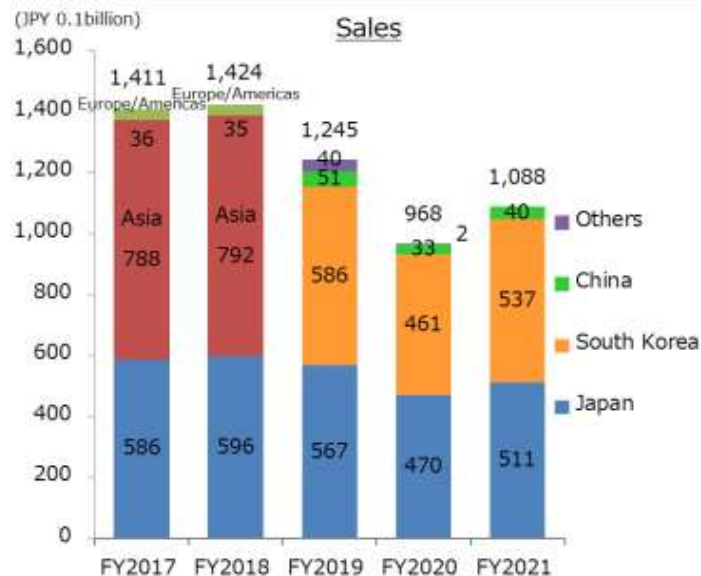
(Unit: JPY million)	FY2021 end year Performance	FY2020		FY2021 Full Year Earnings Forecast
		end year Performance	YoY	
Net sales	108,892	96,862	+12.4%	105,000
Operating income	5,138	▲ 1,806	-	4,600
( % )	4.7%	▲ 1.9%	-	4.4%
Ordinary income	7,556	▲ 584	-	6,800
( % )	6.9%	▲ 0.6%	-	6.5%
Profit attributable to owners of parent	6,229	5,039	+23.6%	6,200
( % )	5.7%	5.2%	-	5.9%

# Segment (based on the company location) Sales (Consolidated)



1. FY2021 ①Financial Summary

- Sales increased in main segments (Japan, South Korea and China)



**YoY +¥12 billion(112%)**

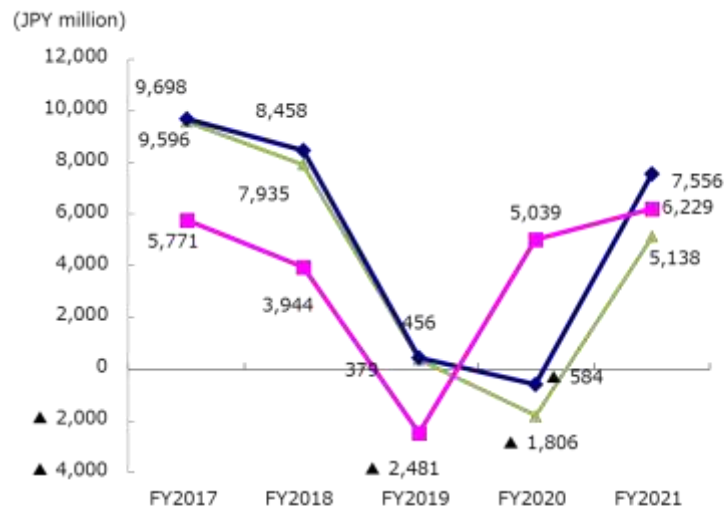
Japan +¥4.05 billion  
South Korea +¥7.57 billion  
(Currency Factor of +¥3.3 billion)  
China (incl. Hong Kong/Taiwan) +0.64 billion  
Others -¥0.23 billion

# Income (Consolidated)



1. FY2021 ①Financial Summary

- Profit increased due to higher sales and improved profitability at group companies, including equity-method affiliates
- ※Extraordinary profit/loss was 6.1 billion yen (FY2020) to 1.7 billion yen (FY2021), down 4.4 billion yen from the previous year



(JPY Million)	FY2021	FY2020	Impact in Profit*
<b>Operating income</b>	<b>5,138</b>	<b>▲ 1,806</b>	<b>+ 6,944</b>
Non-operating income	2,723	1,720	<b>+ 1,003</b>
Non-operating expenses	305	498	<b>+ 193</b>
<b>Ordinary income</b>	<b>7,556</b>	<b>▲ 584</b>	<b>+ 8,140</b>
Extraordinary income	2,057	8,060	<b>▲ 6,003</b>
Extraordinary loss	312	1,910	<b>+ 1,598</b>
Total income taxes	3,071	525	<b>▲ 2,546</b>
<b>Profit attributable to owners of parent</b>	<b>6,229</b>	<b>5,039</b>	<b>+ 1,190</b>

Operating Income Ordinary Income Profit attributable to owners of parent

Impact in profit\*  
 + contributes to increased earnings,  
 ▲ contribute to decreased earnings

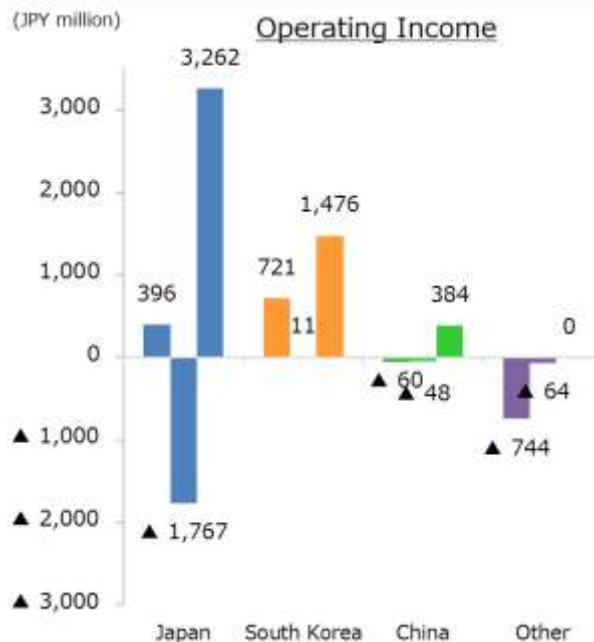
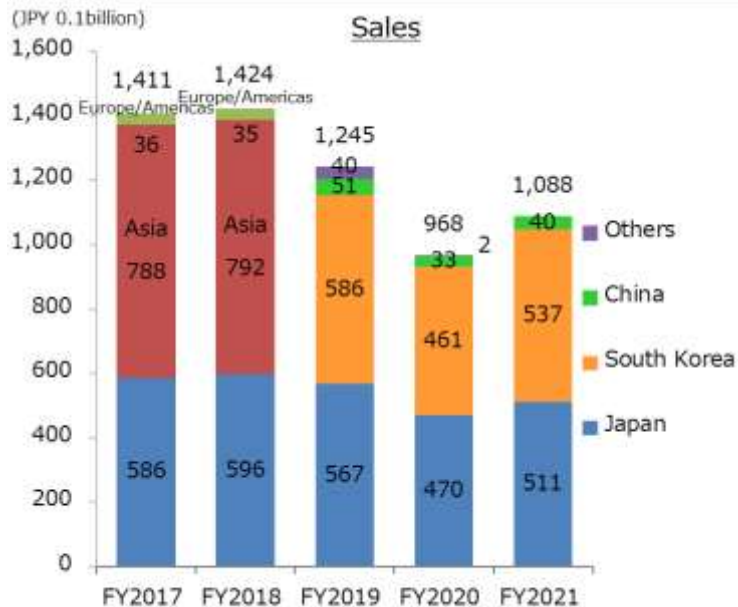
NOTES: FY2021 = FY ending March, 2022

# Sales and Operating Income by Segments (Consolidated)



1. FY2021 ①Financial Summary

- Reducing sales losses by reducing discounts and returns significantly improved profitability in Japan segment
- South Korea recovers from bought-out and corona effects



bar on left: FY2019  
bar on middle: FY2020  
bar on right: FY2021

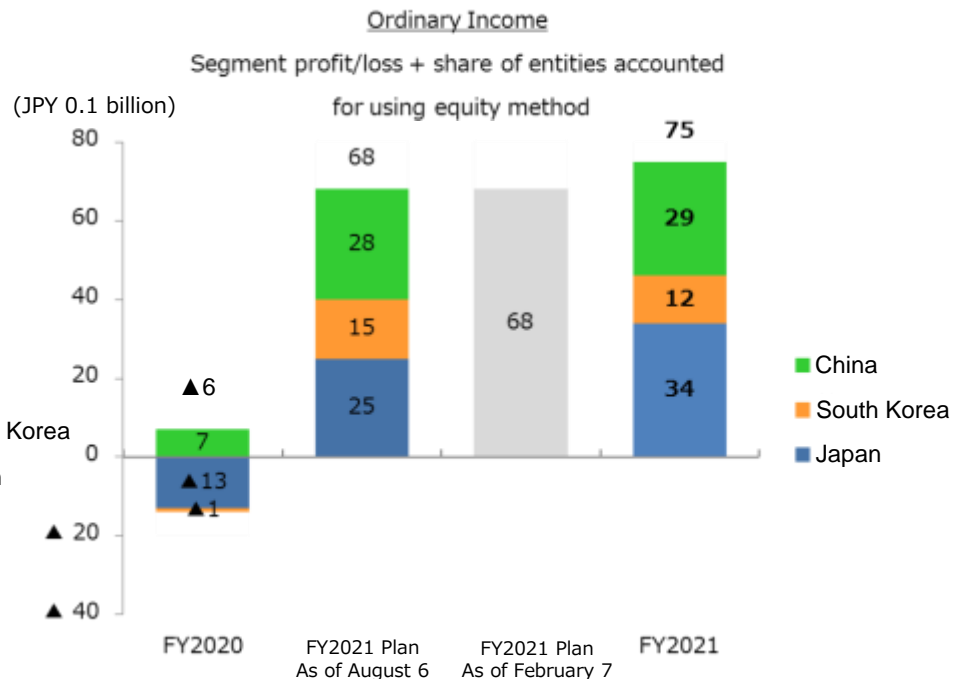
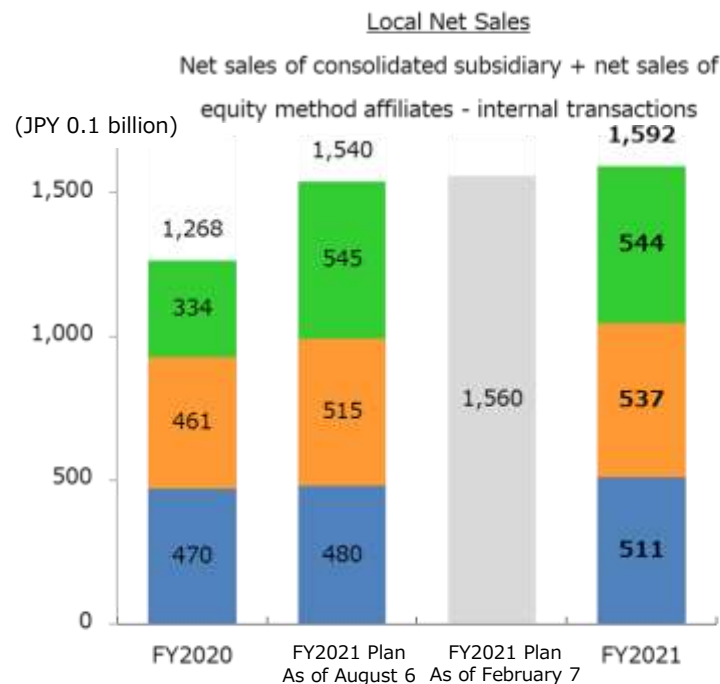


# Forecast Sales and Profit in Japan / South Korea / China (≠Consolidated profit/loss)



1. FY2021 ①Financial Summary

- Steady implementation of strategies based on midterm management plan, achieving targets for both sales and earnings



NOTES: FY2021 = FY ending March, 2022

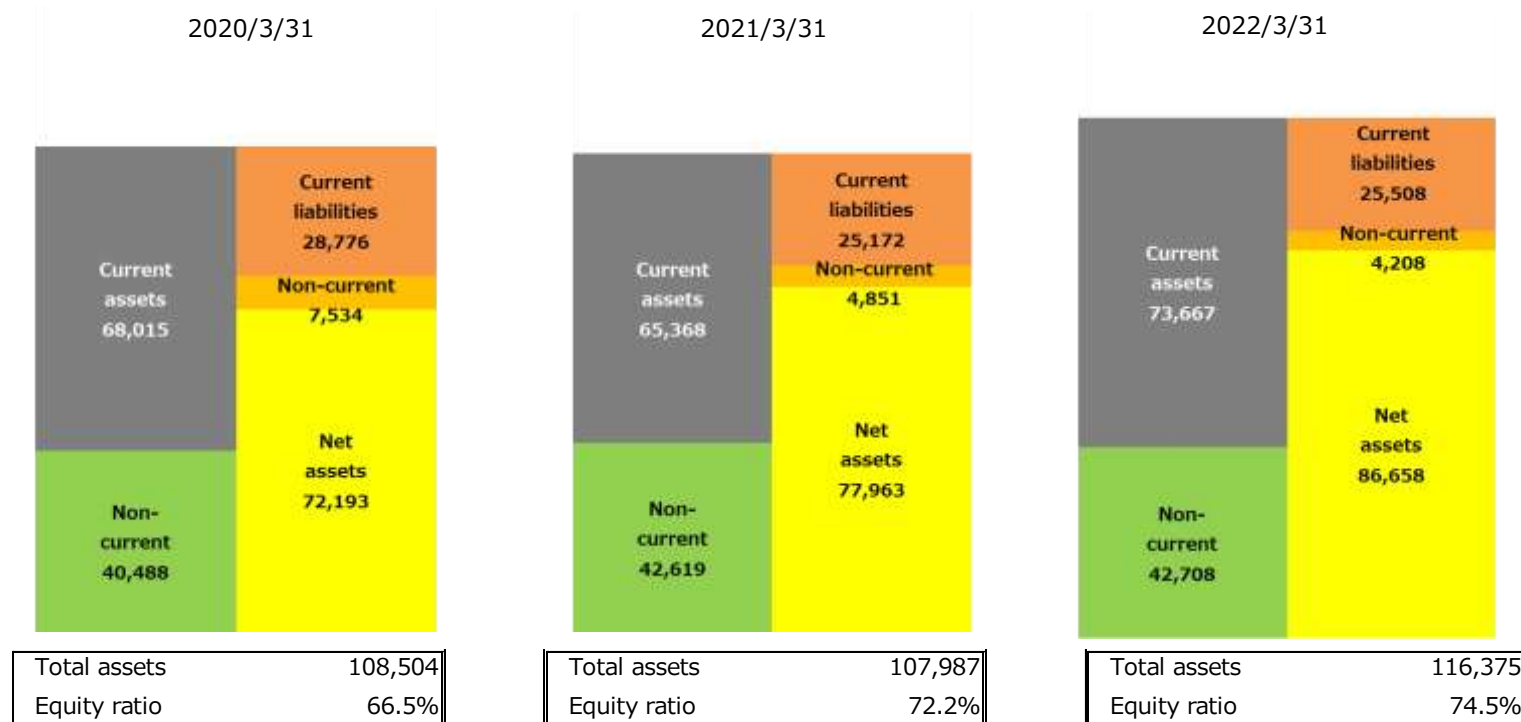
# Balance Sheet (Consolidated)



1. FY2021 ①Financial Summary

- Inventories increased by 5.3 billion yen due to improved business performance, and cash and deposits increased by 13.2 billion yen, resulting in an increase in Current assets
- Equity Ratio rose 2.3% to 74.5% due to higher Retained earnings and foreign exchange adjustments

(JPY million)



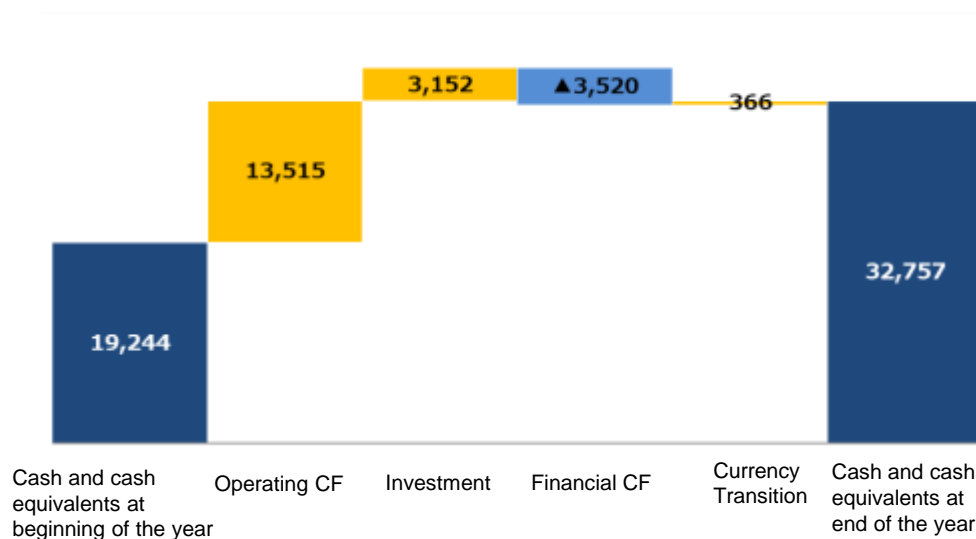
# Cash Flow(Consolidated))



1. FY2021 ①Financial Summary

- Operating CF improved significantly to 13.5 billion yen (2.3 billion yen in the previous fiscal year) due to the contribution of the increase in net income and the decrease in inventories. Investing CF was 3.1 billion yen. Financing CF was 3.5 billion yen, partly due to the repayment of Short-term loans payable.

(Yen in millions)



**YoY +13,513** (Yen in millions)

## Operating CF 13,515

(Previous fiscal year 2,393)

EBITDA※1 +13,820

Equity in earnings of affiliates ▲2,155

Corporate tax ▲3,007

Changes in working capital ※2 +6,566

## Investment CF 3,152

(Previous fiscal year 51)

Acquisition of tangible and intangible assets ▲1,819

Sale of tangible assets +3,867

## Financial CF ▲3,520

(Previous fiscal year ▲2,586)

Repayments of lease obligations ▲2,021

Borrowing/Repayment of Borrowings ▲1,497

※1 EBITDA=Income before income taxes + depreciation ※2 Working capital is the change in notes and accounts receivable-trade, inventories and notes and accounts payable-trade

## 1. FY2021

① Financial Summary

② **Brand Review**

③ Number of Stores

④ Topics

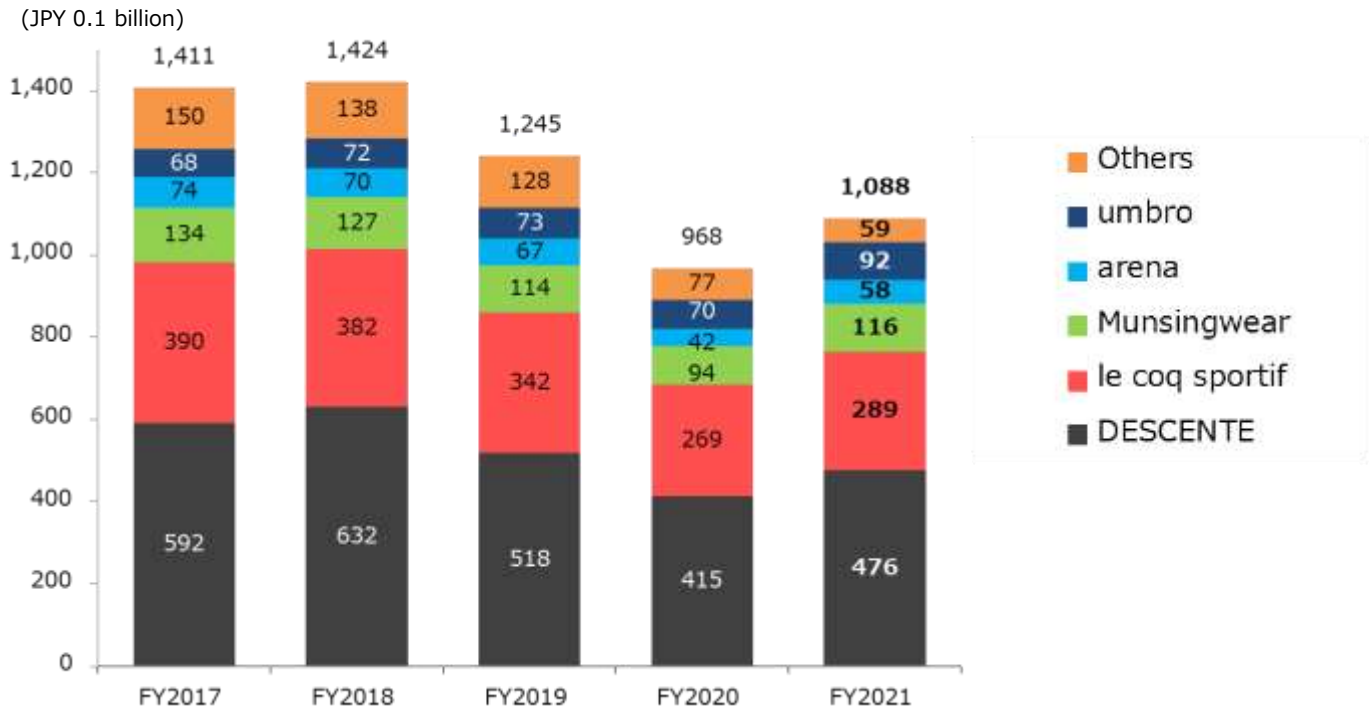
## 2. Plan for FY2022

# Brand Sales (Consolidated)



1. FY2021 ②Brand Review

- All main 5 brands increased sale, "umbro" has the highest sales in the last 5 years



NOTES: FY2021 = FY ending March, 2022

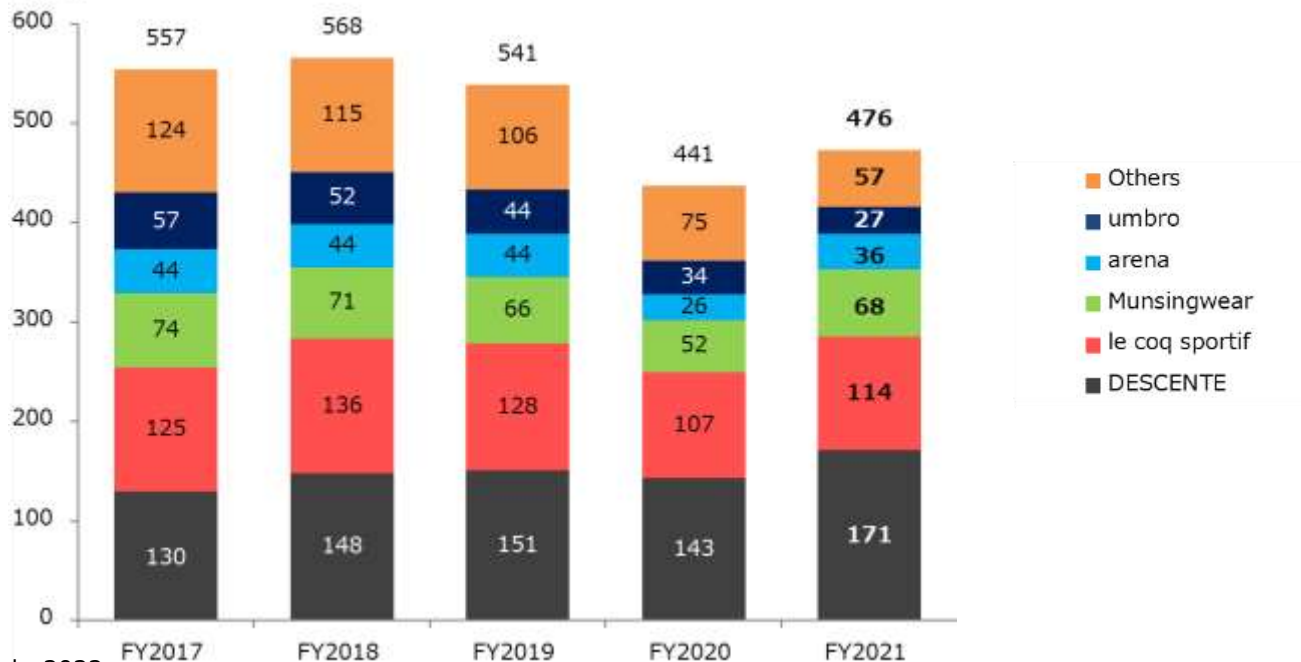
# Brand Sales (Japan)



1. FY2021 ②Brand Review

- “DESCENTE” grew , net sales exceed the pre-COVID-19 level
- Golf category grew, 131% compared to the previous year

(JPY 0.1 billion)



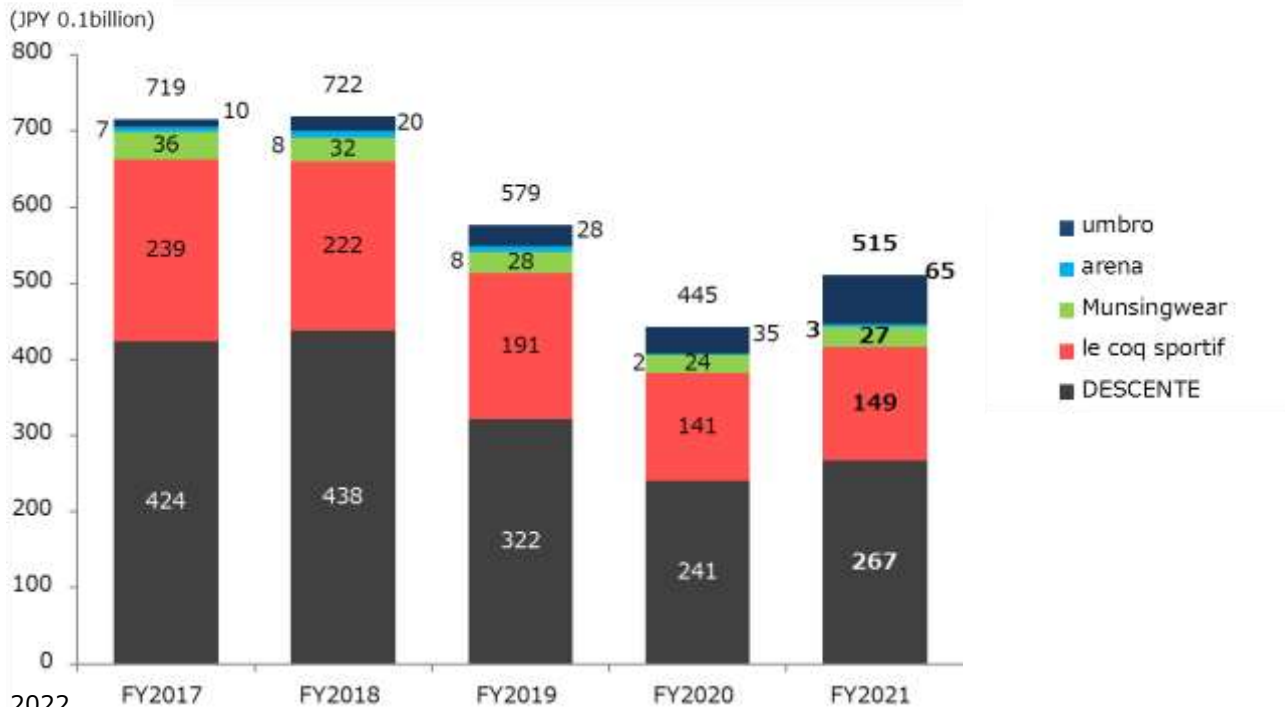
NOTES: FY2021 = FY ending March, 2022

# Brand Sales (South Korea)



1. FY2021 ②Brand Review

- All main 5 brands increased sales, significant growth in "umbro" at 185% compared to the previous year



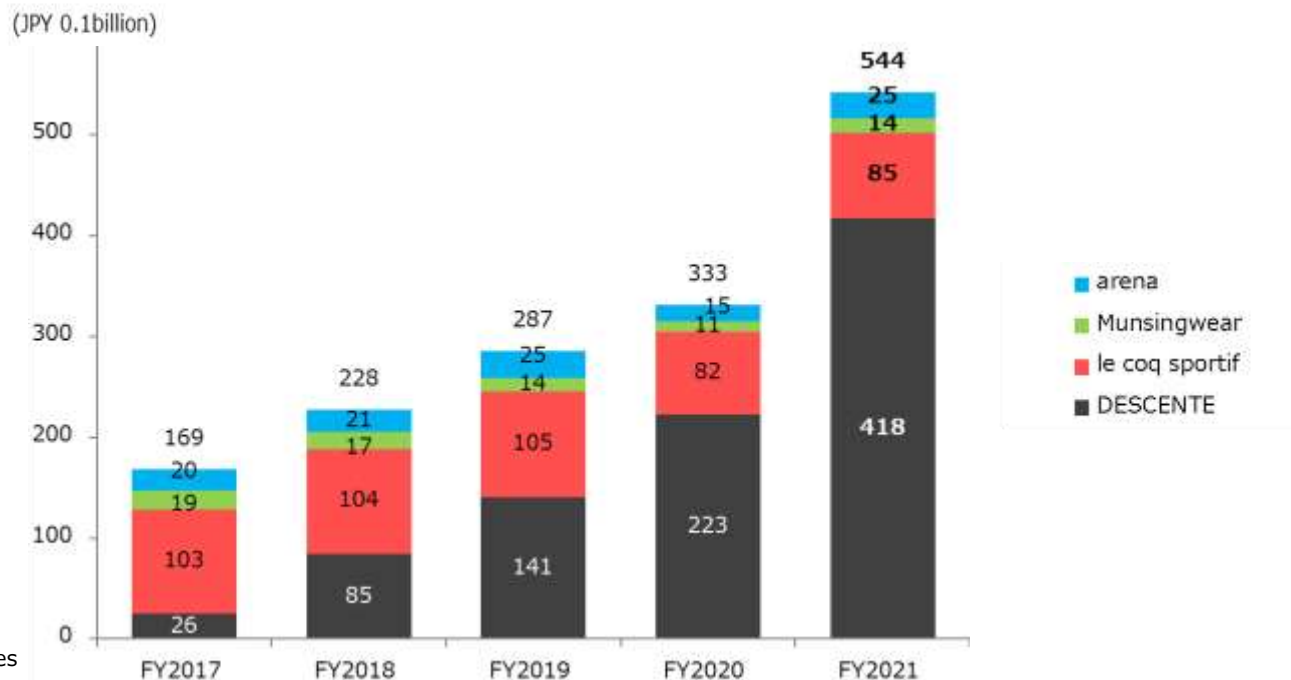
NOTES: FY2021 = FY ending March, 2022

# Combined Local Sales in China (incl. Hong Kong)



1. FY2021 @Brand Review

- “DESCENTE”, which is operated by an equity-method affiliate, expanded due to an increase in sales per store
- “arena” recovered to pre-COVID-19 level



\*Note: Combined Local Sales = sales of local subsidiary + sales of local equity-method affiliates' – Sales from local subsidiary to local equity-method affiliates

NOTES: FY2021 = FY ending March, 2022



## 1. FY2021

① Financial Summary

② Brand Review

③ **Number of Stores**

④ Topics

## 2. Plan for FY2022

# Number of Stores in Japan (directly Managed Stores)

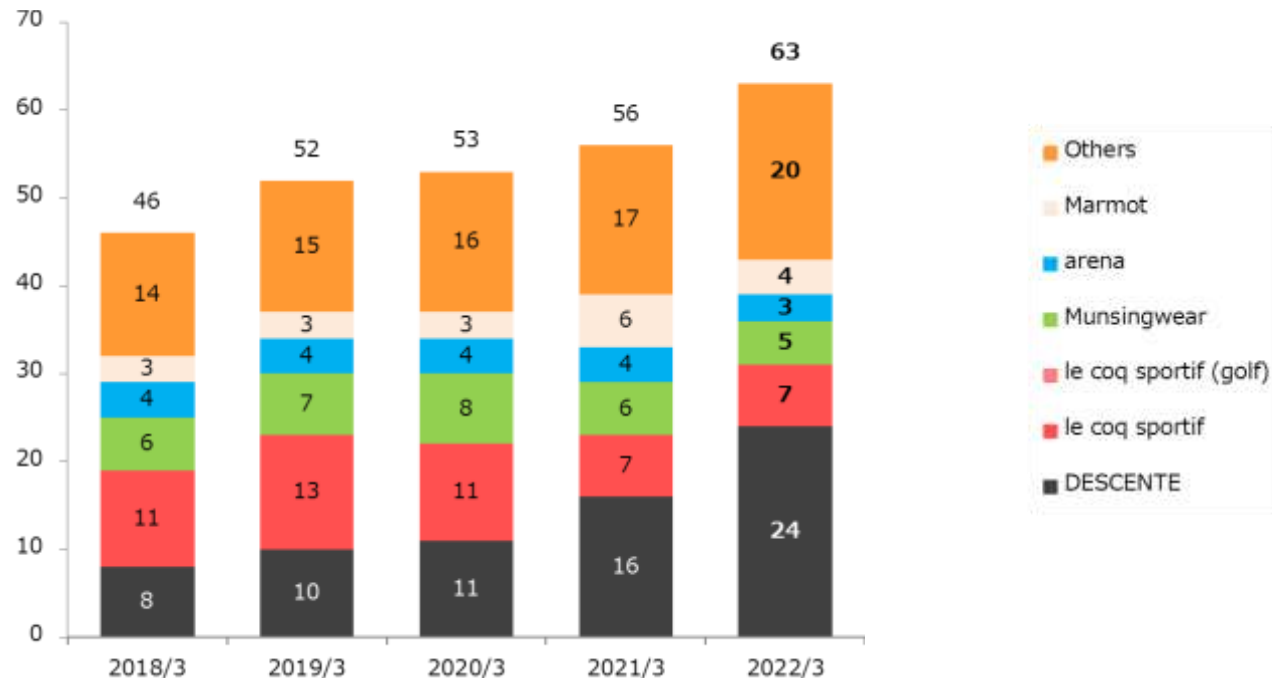


1. FY2021 ©Number of Stores

- In addition to opening stores in “DESCENTE”, in March 2022 we opened our first golf-brand complex, DESCENTE GOLF COMPLEX GINZA

\*Incl. outlet stores

Number of stores



# Directly managed stores / Online stores sales composition ratio in Japan



1. FY2021 ③Number of Stores

- Strong growth in the proportion of directly managed stores and e-commerce in the last 5 years in order to expand the DTC business

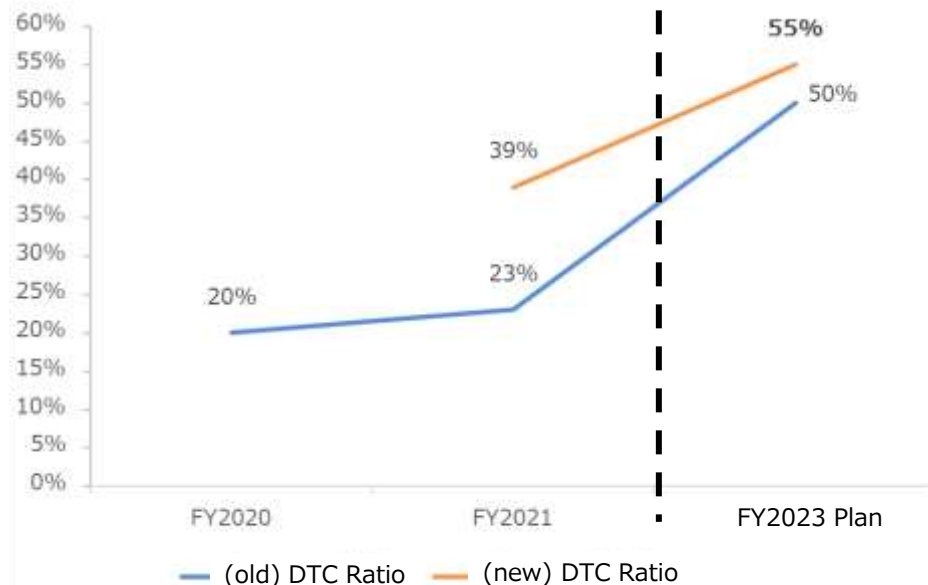
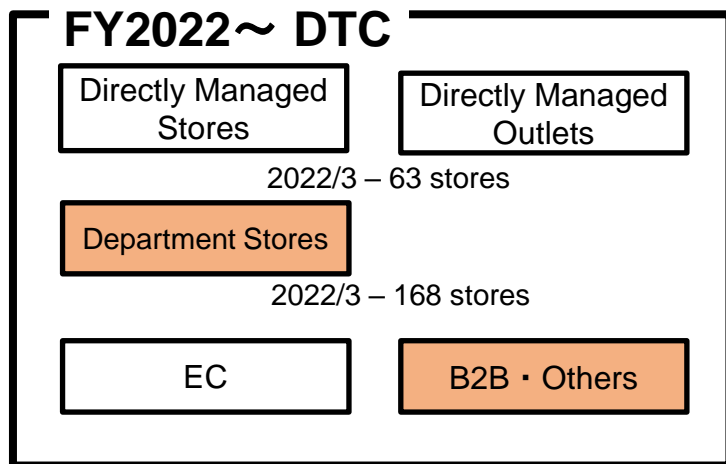
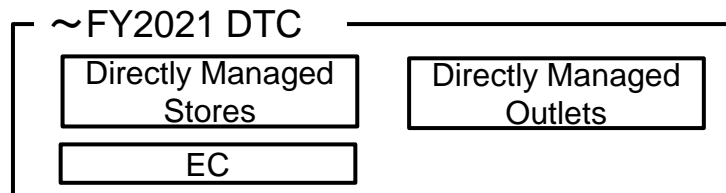


NOTES: FY2021 = FY ending March, 2022

# DCT Ratio in Japan – change in base figure

1. FY2021 ③Number of Stores

- Calculation base is changed to sales of products in only (23%⇒26%)
- Some sales channels added as DTC as CRM/inventory management in-sourced (26%⇒39%)
- DTC Composition plan of FY2023 is pulled up from 50% to 55%



NOTES: FY2021 = FY ending March, 2022  
FY2023 = FY ending March, 2024

# Number of Stores in South Korea

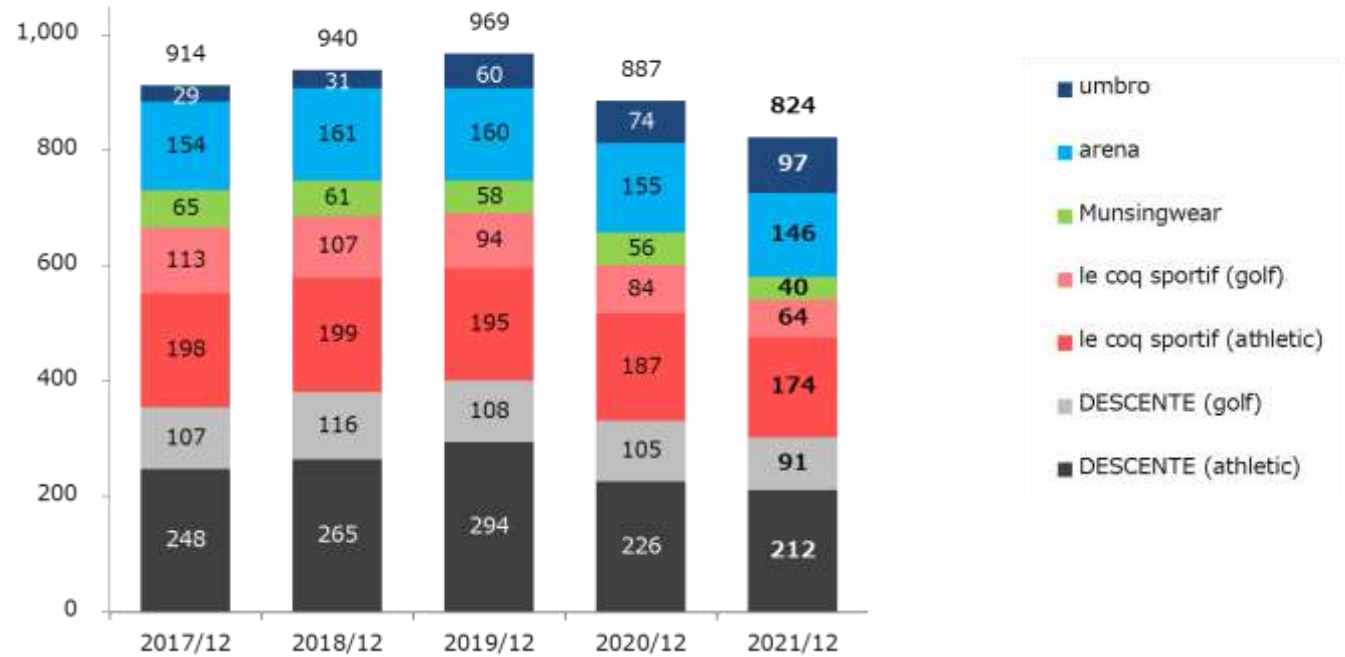


1. FY2021 ③Number of Stores

- Total store numbers declined from the end of the previous fiscal year, but umbro stores opened continuously

※Incl. stores of commercial agents and outlets

Number of stores



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

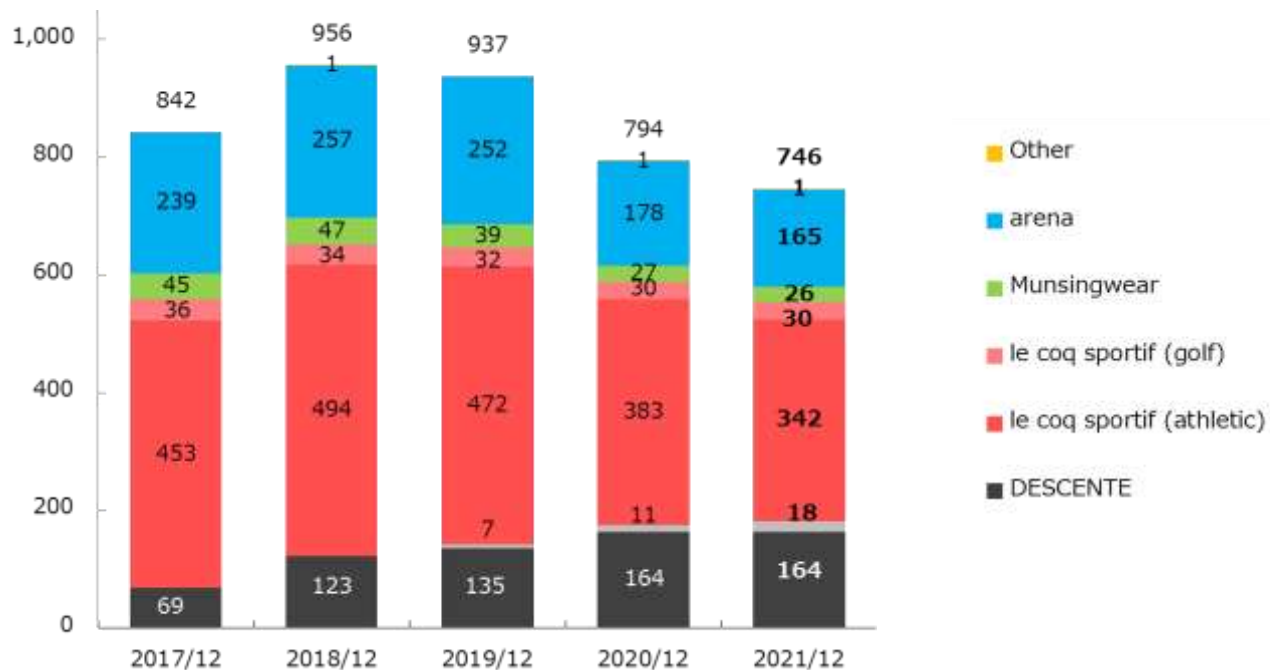


1. FY2021 ③Number of Stores

- DESCENTE: Expand sales per store by renovating existing stores and opening large-scale stores

※Incl. stores of commercial agents and outlets

Number of stores



## 1. FY2021

① Financial Summary

② Brand Review

③ Number of Stores

④ **Topics**

## 2. Plan for FY2022

# Japan: Promote DTC Business Expansion



1.FY2022 ④Topics

- Owned media "ULLR MAG.", achieved 1 million PV in a single month in March 2022
- Expanded customer reach outs by appointing influencers as ambassadors for each brand

## ULLR MAG.



"ULLR MAG." became powerful media  
recording 1 million PV in a single month



[@asumi\\_naa](#)



[@a0456\\_i](#)

Appointing influencers  
as brand ambassadors



# Japan: Promote DTC Business Expansion



1.FY2022 ④Topics

- First golf-complex store “DESCENTE GOLF COMPLEX GINZA” has strong sales in ladies wear
- Promoting OMO by sharing inventories in “DESCENTE STORE ONLINE” and real stores



Opening DESCENTE GOLF COMPLEX GINZA store to fulfill diversity needs



Expanding services that links offline and online

# Japan: Efforts to improve brand value of "DESCENTE"



1.FY2022 ④Topics

- Actively develop marketing with Shohei Ohtani to expand brand awareness



MIZUSAWA DOWN FOR SHOHEI OHTANI is flooded with more than 50,000 applications for the limited sale number (46 jackets)



Campaigns are held in conjunction with the new brand movie "WE MOVE ON."

# South Korea: Marketing linked with brand characteristics



1.FY2022 ④Topics

- Replica products of the Swiss national ski team "Swiss-Ski" contracted with "DESCENTE" are performing well
- Collaboration with influencers in "umbro" targeting young people in their teens to 20s



Selling replicas of the Swiss-Ski team with the concept of "MoveWear"



Developing products in collaboration with influencer "AIKI", which is popular among teens and 20s



# China: Expanding business



1.FY2022 ④Topics

- Opened the brand's largest flagship store of "DESCENTE" in Sanlitun, Beijing
- Arena Shanghai Co., Ltd., a sales company of "arena" products, became a wholly owned subsidiary from the fiscal year ending March 2023



Experience-based store of 1,200 square meters  
DKL Global Experience Center



Event to raise brand awareness of "arena"  
Product introductions and fashion shows by  
contract players

- Many national teams adopt winter sports competition wear developed by DISC OSAKA / our own factory



Including “ALPINE”, the highest-end model of MIZUSAWA DOWN (photo left),  
Supplied products developed at DISC OSAKA and our own factory to the Japanese national  
team and overseas national teams



- Sales of “R-90” golf shoes developed in DISC BUSAN stayed strong

2021 NEW R90  
한국인의 발에 맞춘다.

한국인의 발을 위한 신발 개발을 위해  
한국 골프 선수들의 발을 직접 측정하고  
한국인의 발에 맞는 신발을 개발하는 데  
많은 노력을 기울였습니다. 한국인의 발에  
맞는 신발을 만들기 위해 많은 노력을 기울였습니다.



R90 또 다른 이야기. 리뷰



Sales of golf shoes "R-90" developed by DISC BUSAN are strong

- Hired 8 new employees in 2021 and 12 new employees in 2022 at our own domestic factory
- Implemented upcycling initiatives at DESCENTE APPARELL Saito Factory (Miyazaki, Japan)



4 domestic factories actively hire local employee  
Promote manufacturing that leads to regional  
revitalization



RE: DESCENTE BUILD developed by "DECSNTE"  
Upcycled products at DESCENTE APPARELL

- Collaboration with "Trash Busters" (a rental company specializing in recycled products) in South Korea and implemented a user-participation-type SNS campaign with the theme of recycling activities
- Established a repair service window at the Sanlitun store (Beijing)



Users who participated in the SNS campaign will receive a fleece "FLEECO" made from recycled materials and collaboration goods (South Korea)



In-store repair service (China)



- Donations to DESCENTE SPORTS FOUNDATION, which has been ongoing since 2013
- Promote the creation of a work environment and system that enables "diversified work styles"



Returned employees  
from childcare leave

**100%**

Continued donation of a certain percentage of sponsorship to DESCENTE SPORTS FOUNDATION (South Korea)

Since 2018, the percentage of employees returning from childcare leave is 100%  
The rate of male employees taking childcare leave is also on the rise (Japan)

## **1. FY2021**

① Financial Summary

② Brand Review

③ Number of Stores

④ Topics

## **2. Plan for FY2022**

- Steadily Promoting Strategies Based on D-Summit 2023 and Planning Higher Sales and Profits

(Unit: JPY million)	FY2020	FY2021	FY2022	
			Plan	YoY
Net sales	96,862	108,892	114,000	+ 5,108 (104.7%)
Operating income	▲ 1,806	5,138	6,000	+ 862 (116.8%)
(%)	-1.9%	+4.7%	5.3%	-
Ordinary income	▲ 584	7,556	10,000	+ 2,444 (132.3%)
(%)	-0.6%	0.1	8.8%	-
Profit attributable to owners of parent	5,039	6,229	7,000	+771 (112.4%)
(%)	0.1	5.7%	6.1%	-

Exchange Rate : 100KRW9.50、CNY17.50、HKD14.50

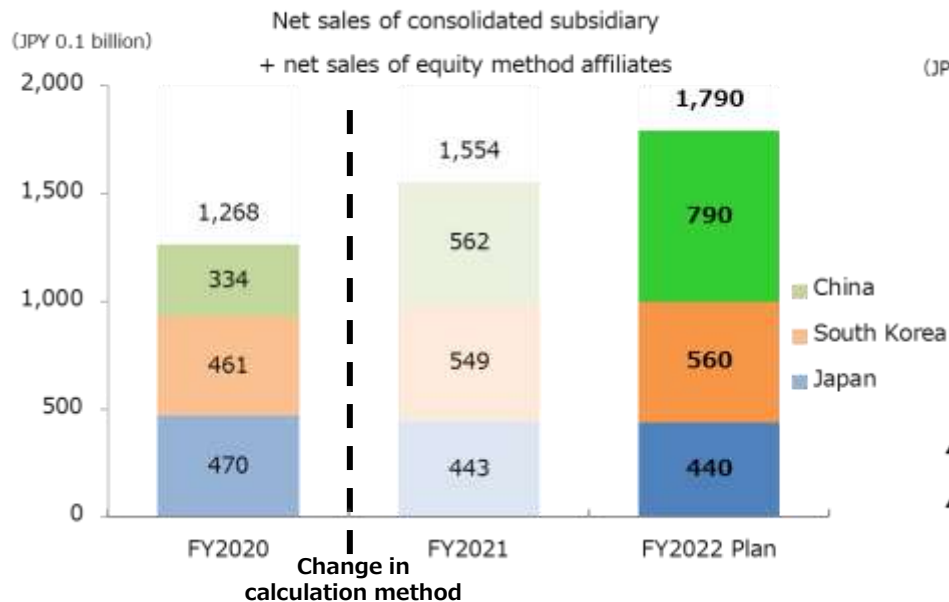
# FY2022 Earnings Forecast in Segments and Area (Consolidated)



2. Plan for FY2022

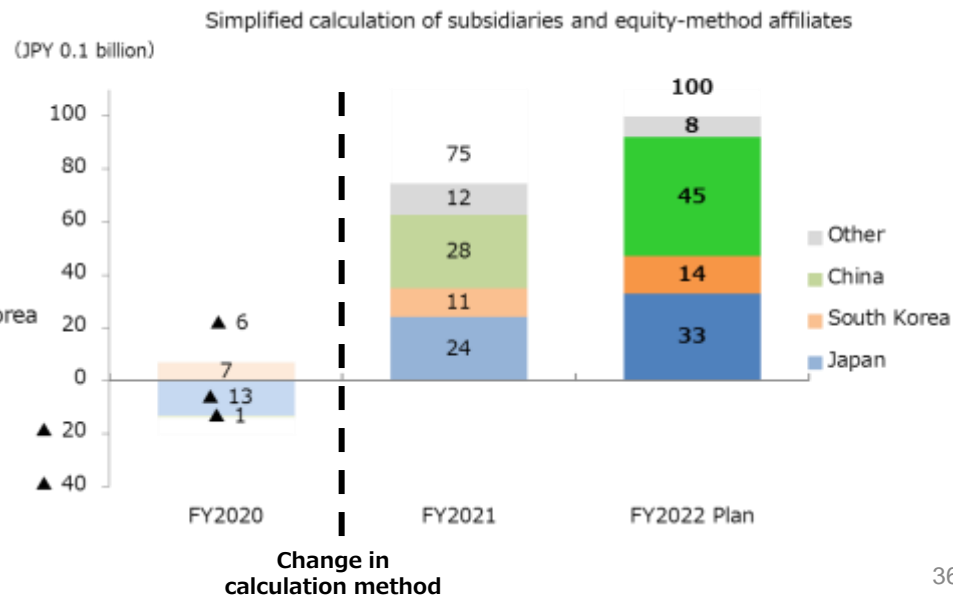
- Steadily Promoting Strategies Based on D-Summit 2023 and Planning Higher Sales and Profits

## Local Net Sales



NOTES: FY2022 = FY ending March, 2023

## Income based on actual business



- Plan dividends based on 30% payout ratio policy

(Unit: JPY million)	FY2018	FY2019	FY2020	FY2021	FY2022 Plan
Dividends	1,960	-	-	1,886	2,113
Amount/share	JPY26.0	-	-	JPY25.0	JPY28.0
Profit attributable to owners of parent (Consolidated)	3,944	▲ 2,481	5,039	6,229	7,000
Payout ratio	49.7%	-	-	30.3%	30.2%

# Affiliated Companies in China: Summary



As of end of December 2022

Relations	Consolidated Subsidiaries		Affiliated Companies Accounted for under the Equity Method		
Company Name	SHANGHAI DESCENTE COMMERCIAL CO., LTD.	HONG KONG DESCENTE TRADING, LTD.	DESCENTE (CHINA) CO., LTD.	LE COQ SPORTIF (NINGBO) CO., LTD.	ARENA (SHANGHAI) INDUSTRIAL CO., LTD.
Location	Shanghai	Hong Kong	Shanghai	Ningbo	Shanghai
Incorporated	August, 2005	November, 2003	July, 2016	February, 2004	October, 2016
Fiscal Year	December				
Investment Ratio	<b>DESCENTE GROUP 100%</b>	<b>DESCENTE GROUP 100%</b>	<b>DESCENTE GROUP 40%</b> ANTA Group 54% Itochu Group 6%	<b>DESCENTE GROUP 40%</b> ShanShan Group 50% Itochu Group 10%	<b>DESCENTE GROUP 30%</b> Symphony Holdings Limited 70%
Brands	 	   			
Sales royalty for locally planned products Payment to	DESCENTE LTD.	DESCENTE LTD.	-	DESCENTE LTD.	No royalty payment (Buying all products from SHANGHAI DESCENTE COMMERCIAL CO., LTD.)
Segment (Company location base)	China		Not included		
Area (Customer location base)	China	China, Other Asia	Not included		

※ ARENA (SHANGHAI) INDUSTRIAL CO., LTD. will be a subsidiary of Consolidated in FY2022

## Exchange Rate

		USD	100KRW	CNY	HKD	SGD	GBP
FY2021	4Q YTD	-	9.64	17.12	14.20	82.17	-
	3Q YTD	-	9.62	16.86	14.05	81.46	-
	2Q YTD	-	9.69	16.76	13.98	81.36	-
	1Q YTD	-	9.55	16.45	13.81	80.26	-
FY2020	4Q YTD	106.04	9.06	15.42	13.72	77.27	-
	3Q YTD	106.74	8.94	15.31	13.82	77.22	-
	2Q YTD	107.48	8.95	15.32	13.95	77.30	-
	1Q YTD	108.36	9.05	15.53	14.04	78.32	139.10
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	-

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

FY2021 = FY ended March 31 2022

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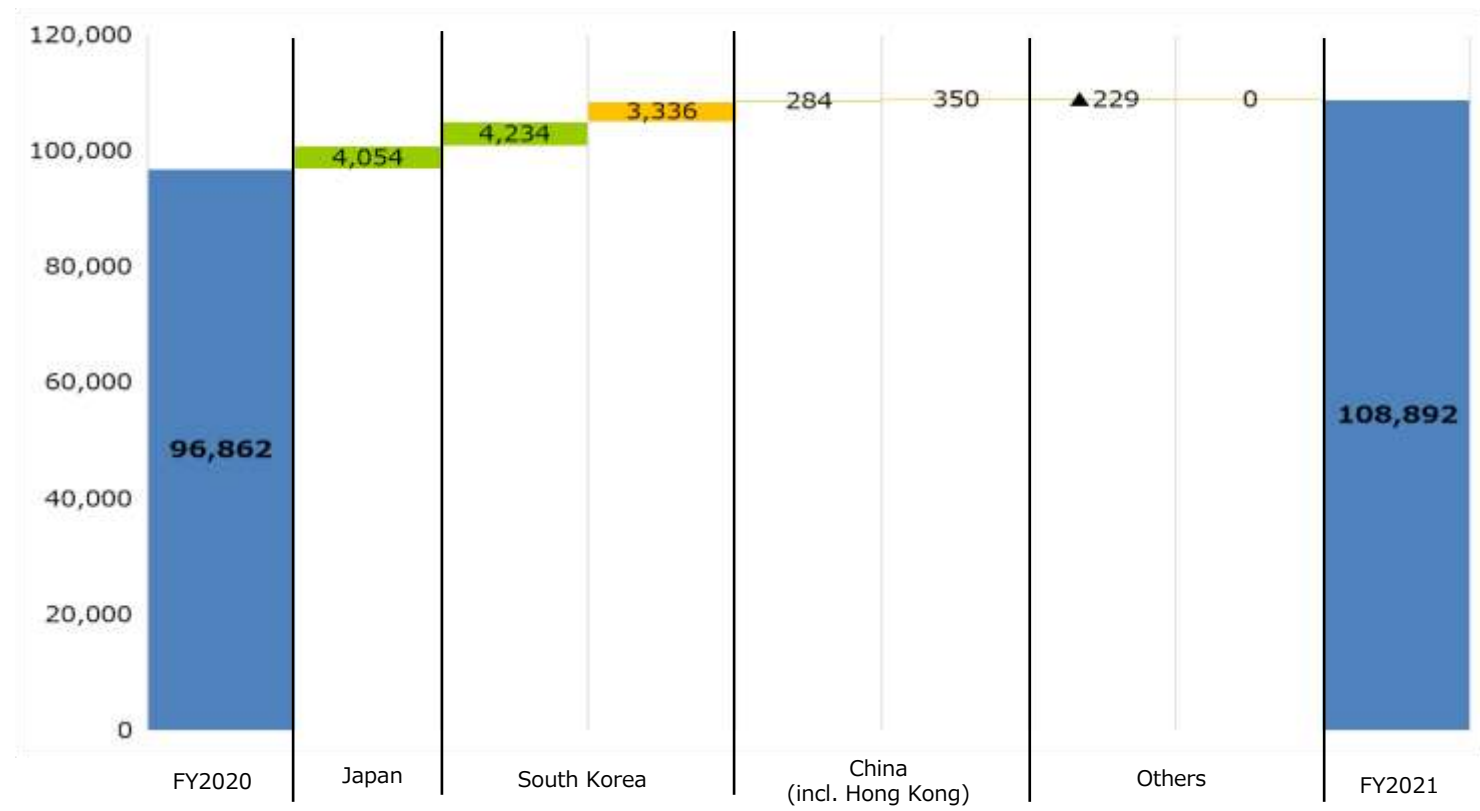
## **FY2022 Reference (Quarterly Sales and Operating Income by Segment)**



# Net Sales (YoY)



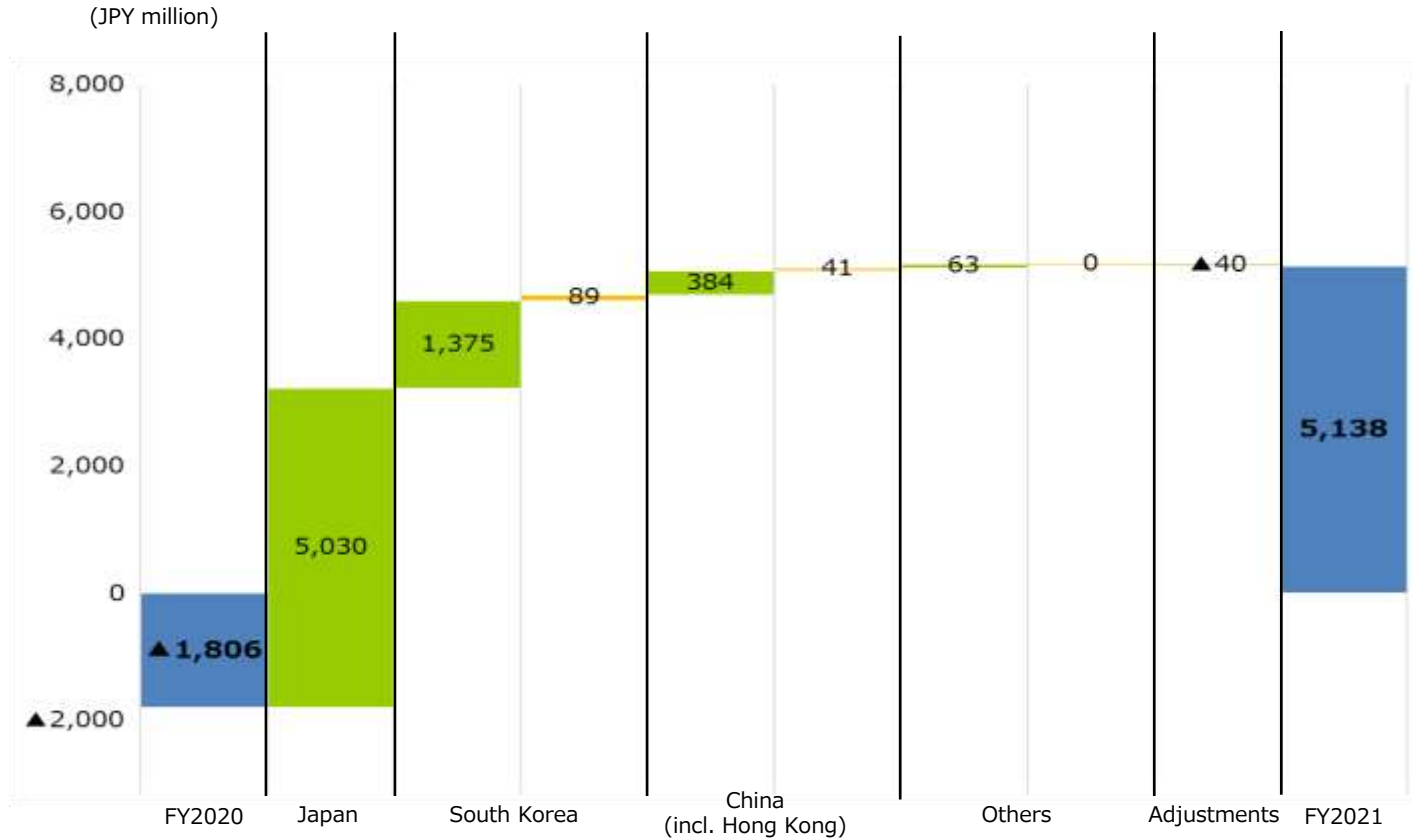
(JPY million)



NOTES: FY2021 = FY ending March, 2022

■ Net Sales   ■ Actual Gain / Loss   ■ Forex Effect

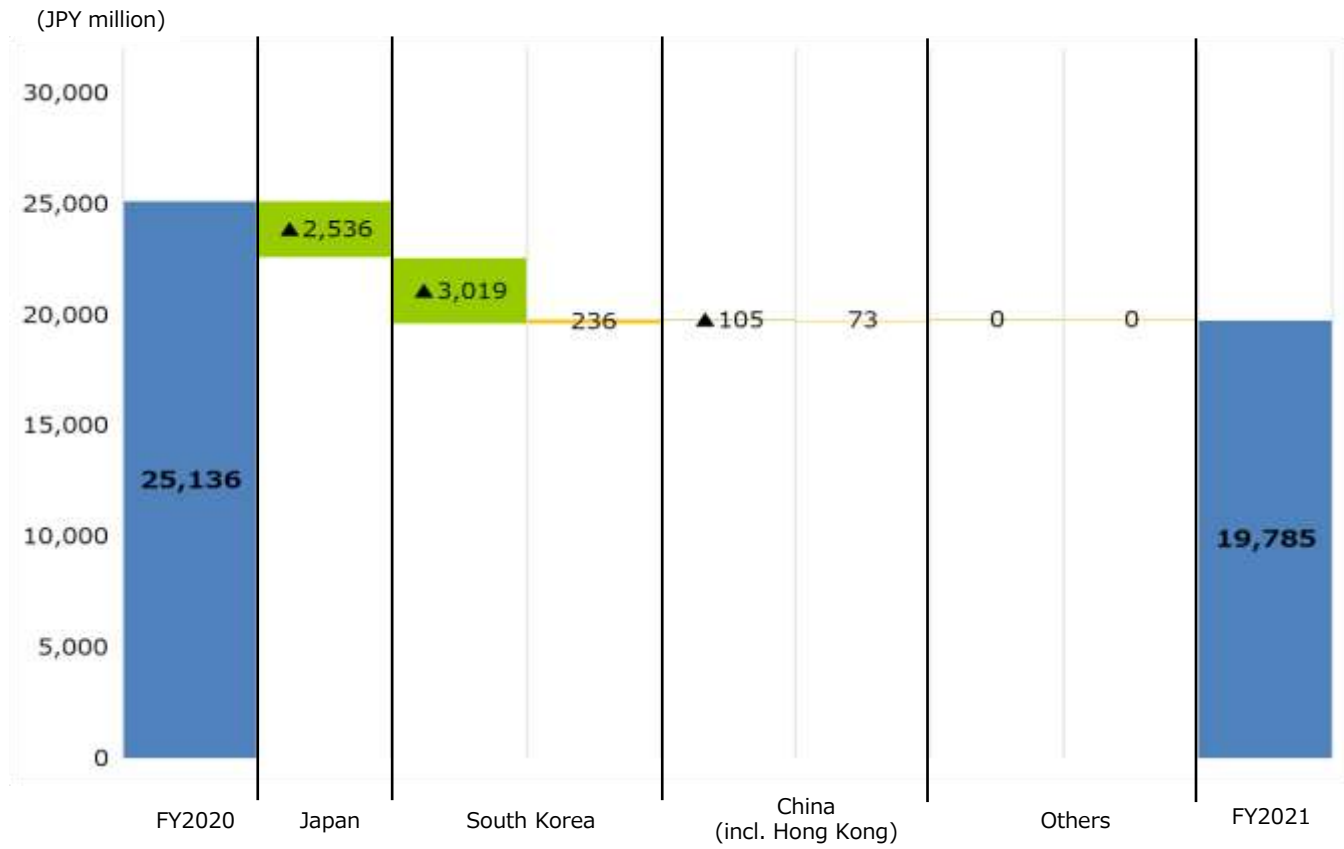
# Operating Income (YoY)



NOTES: FY2021 = FY ending March, 2022

■ Operating income 
 ■ Actual Gain / Loss 
 ■ Forex Effect

# Inventory (YoY)

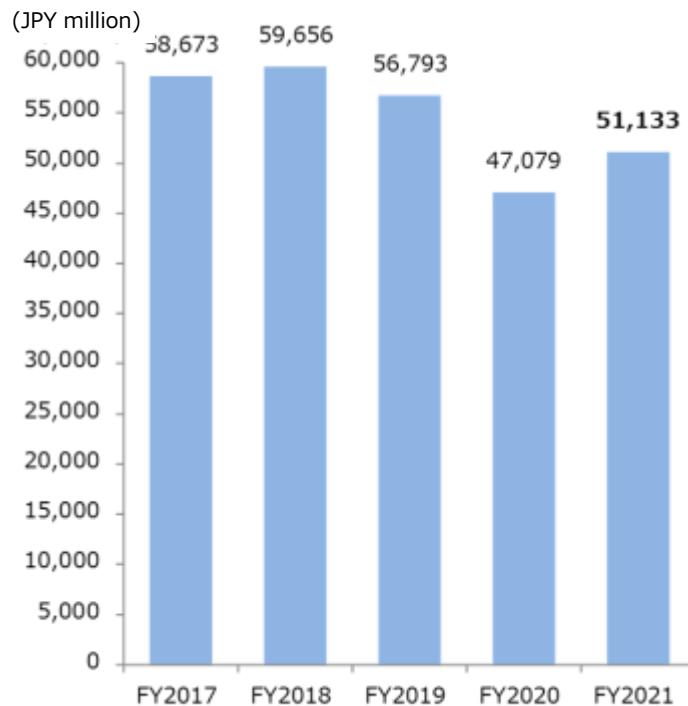


NOTES: FY2021 = FY ending March, 2022

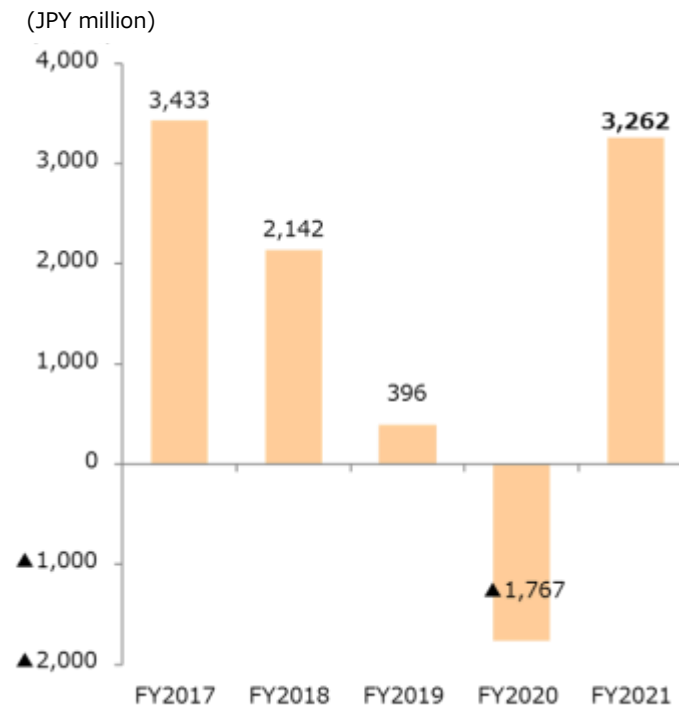
# Net Sales and Operating Income (Japan)



Net Sales



Operating Income



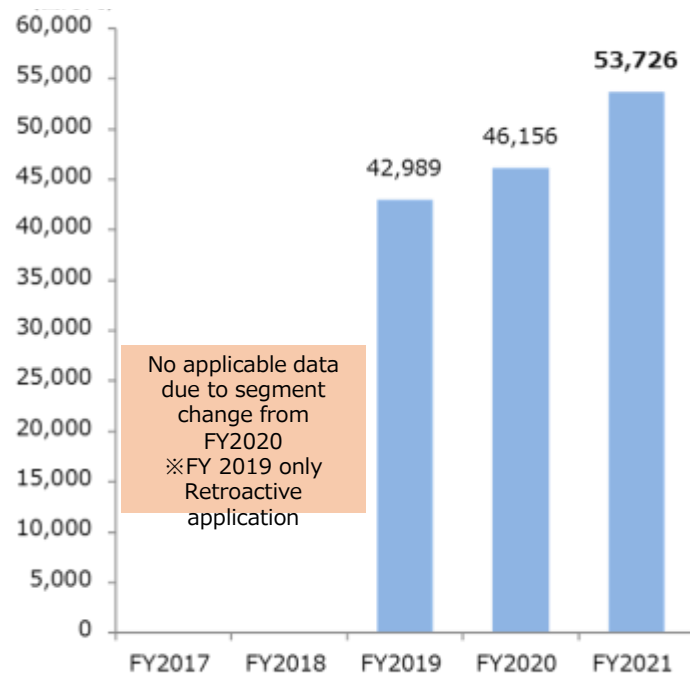
NOTES: FY2021 = FY ending March, 2022

# Net Sales and Operating Income (South Korea)



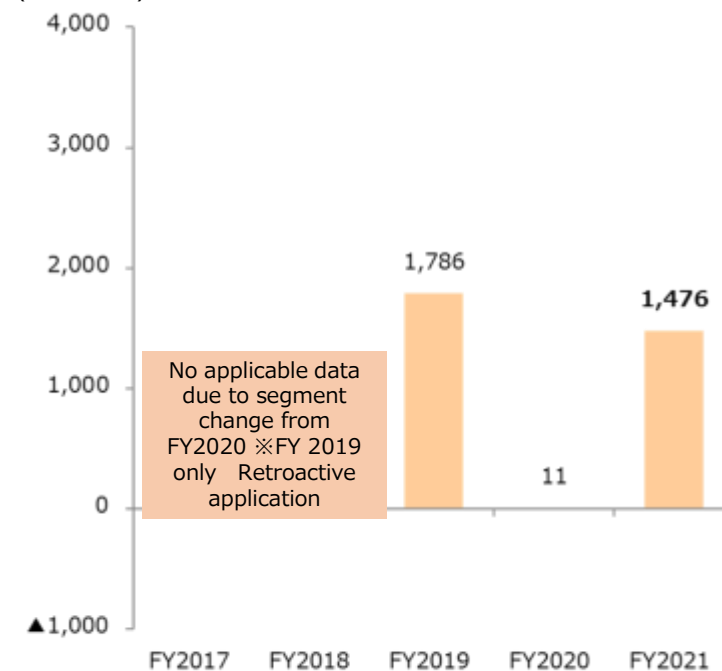
## Net Sales

(JPY million)



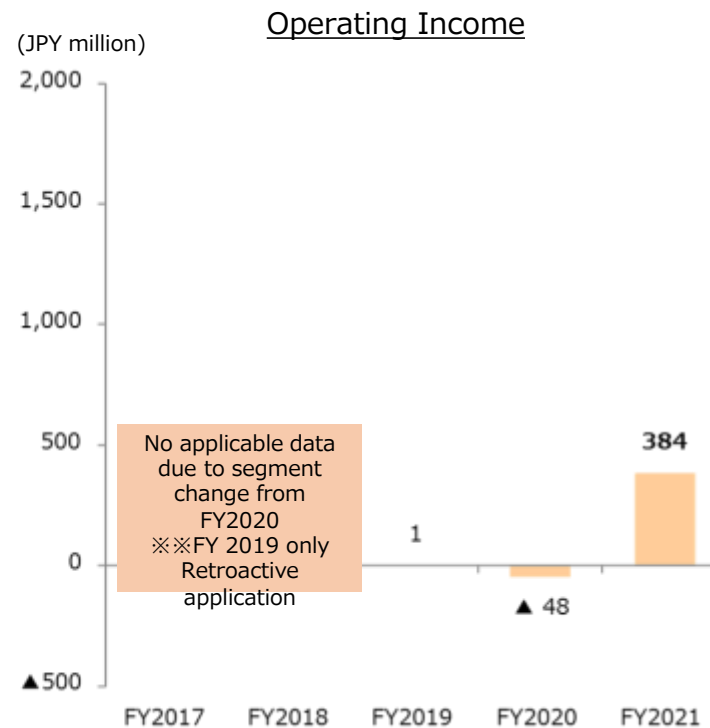
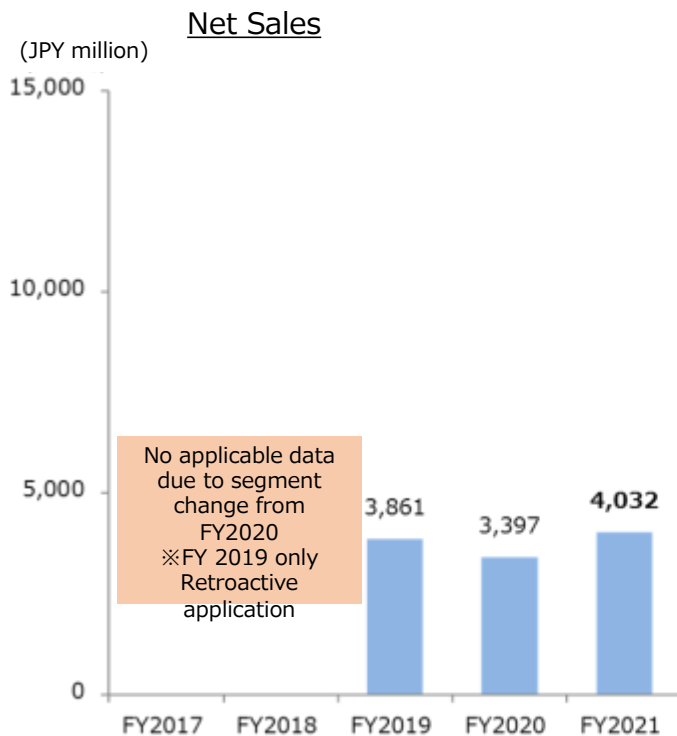
## Operating Income

(JPY million)



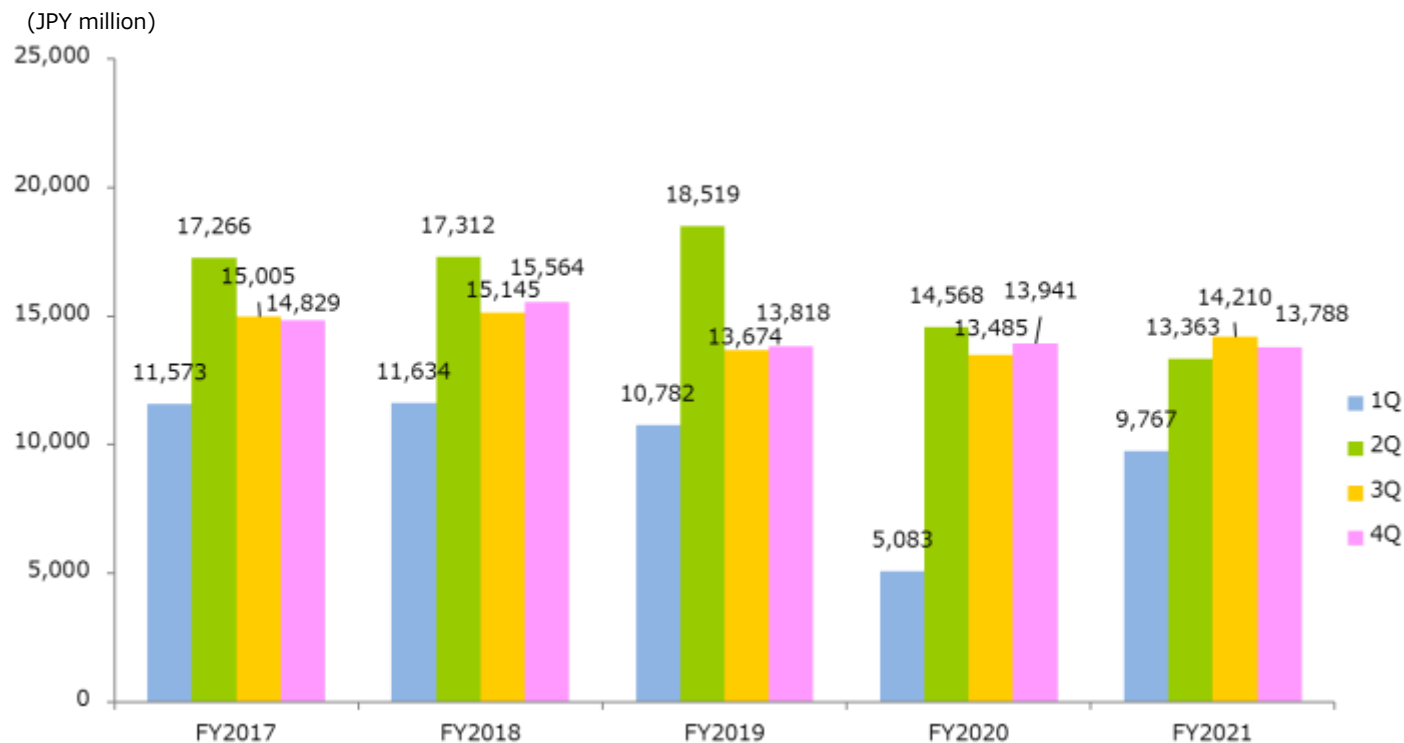
NOTES: FY2021 = FY ending March, 2022

# Net Sales and Operating Income (China)



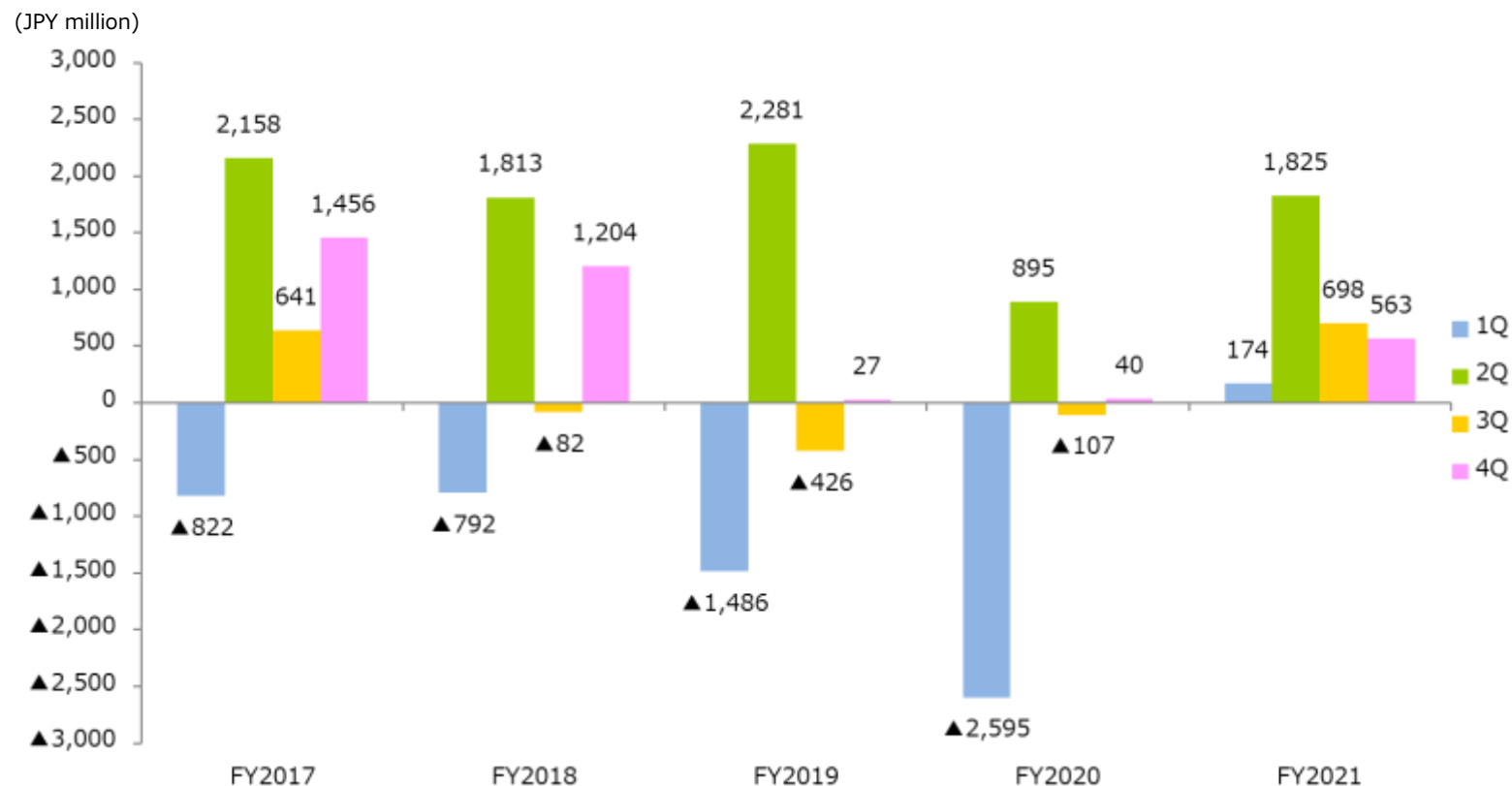
NOTES: FY2021 = FY ending March, 2022

# Quarterly Sales (Japan)



NOTES: FY2021 = FY ending March, 2022

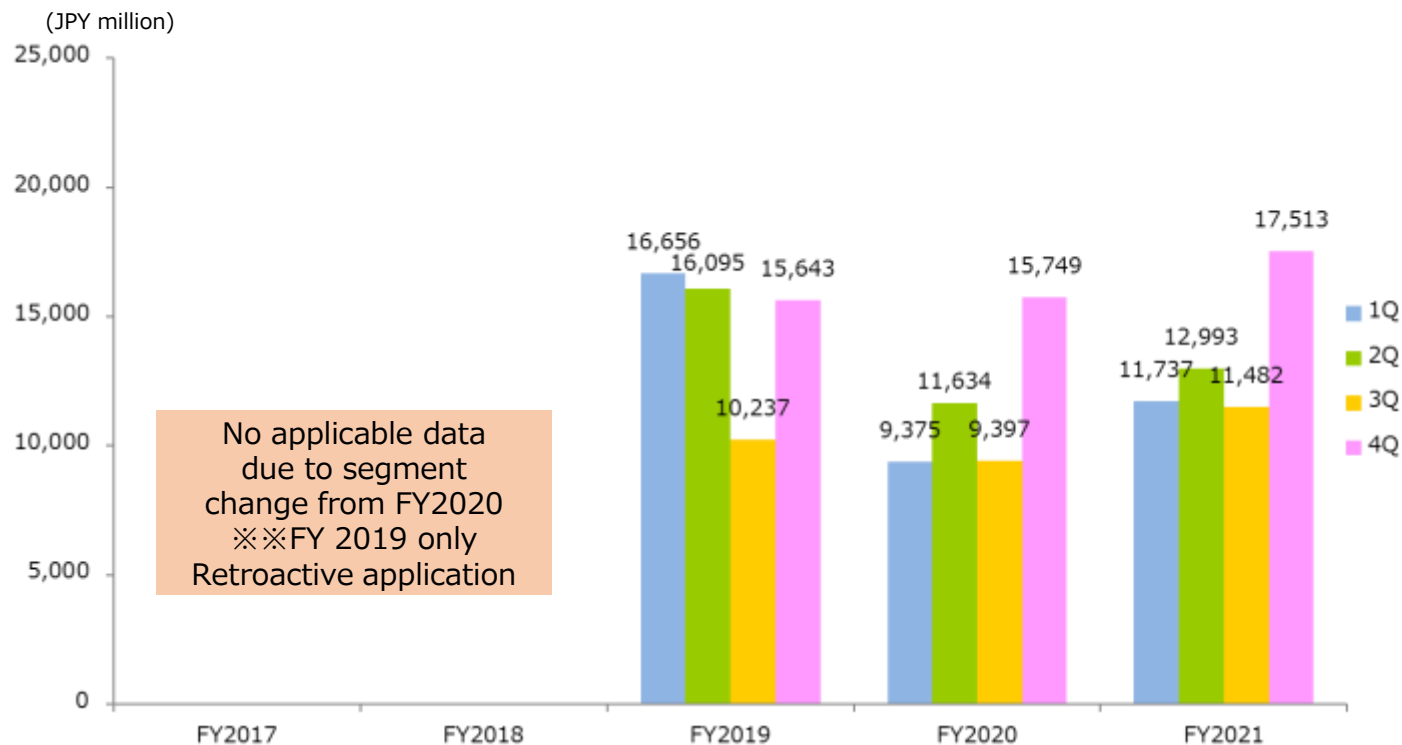
# Quarterly Operating income (Japan)



NOTES: FY2021 = FY ending March, 2022

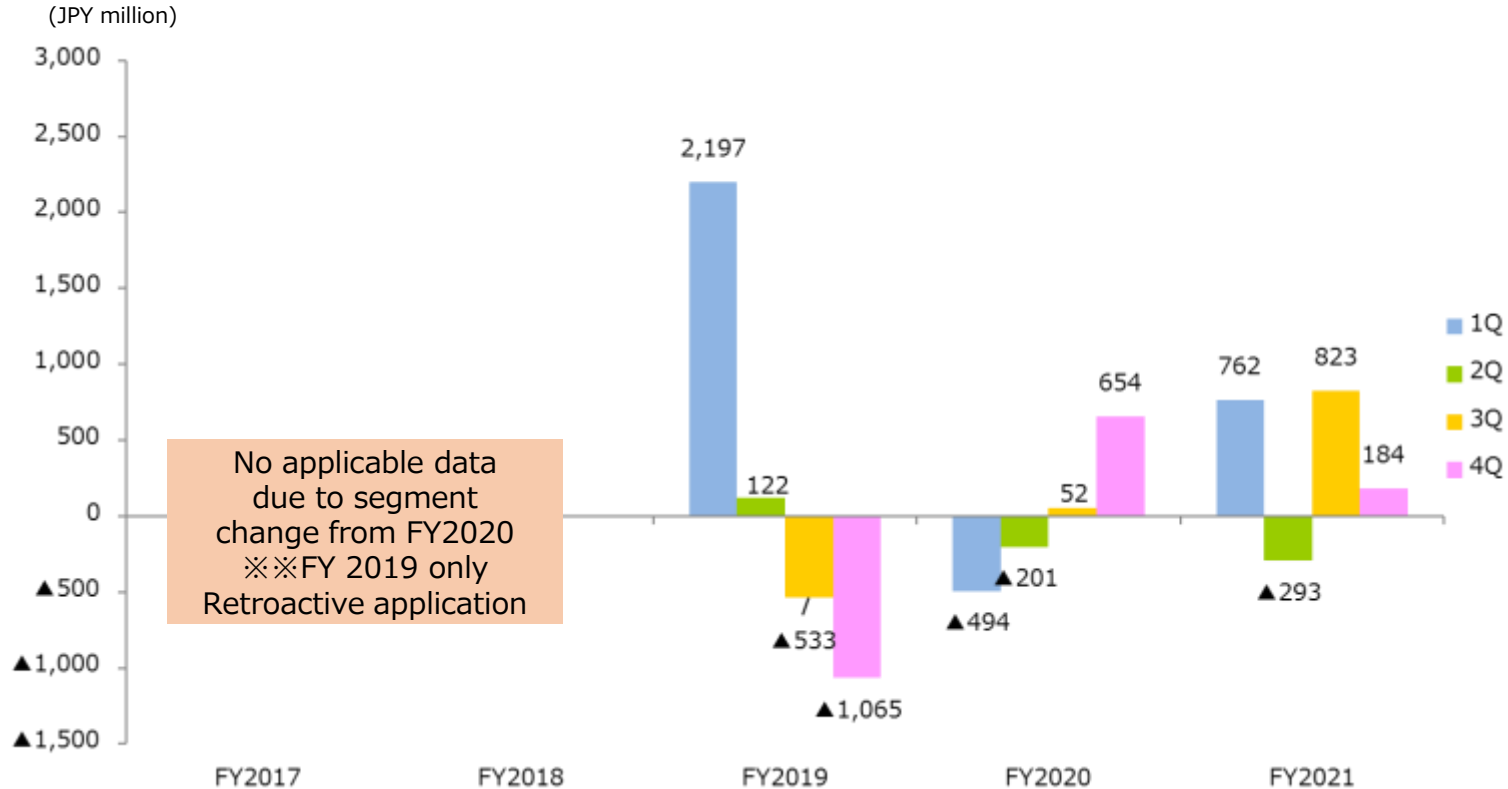


# Quarterly Sales (South Korea)



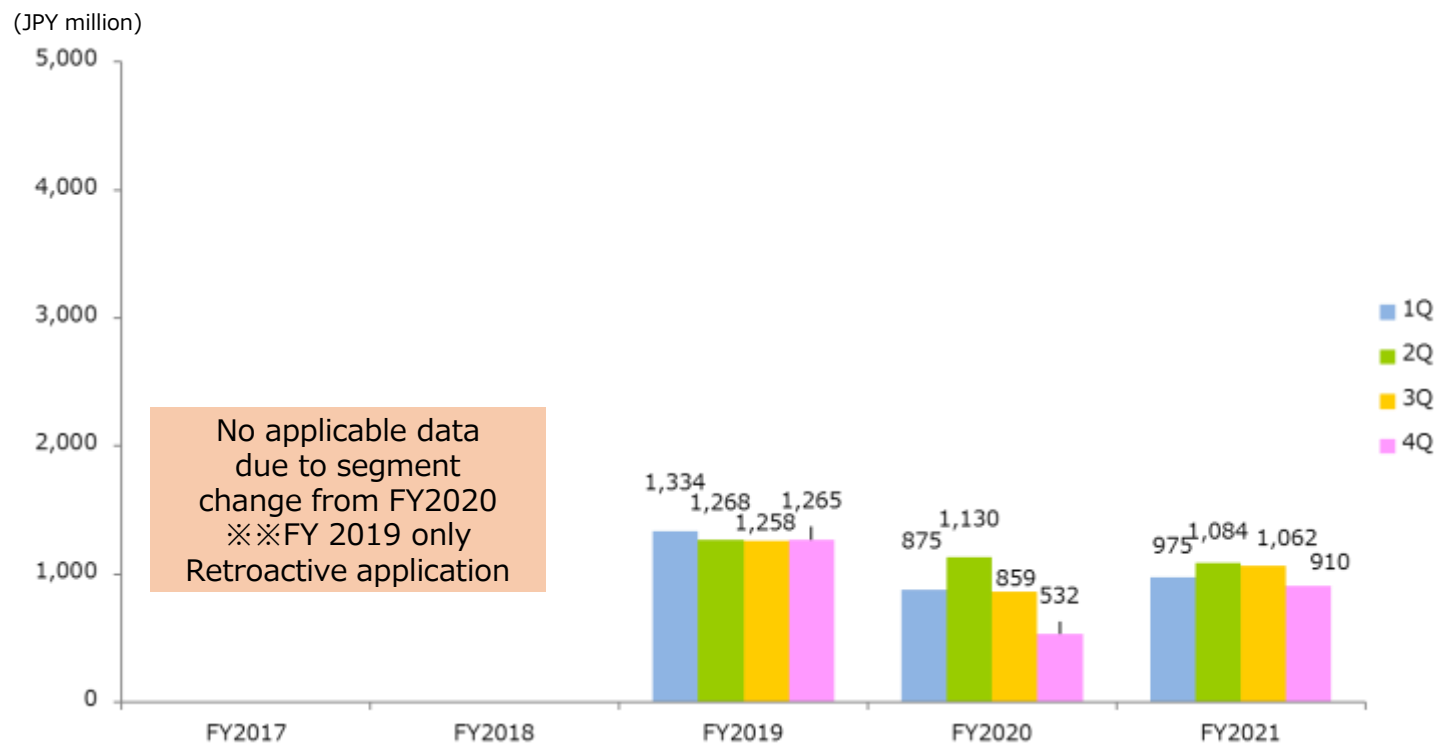
NOTES: FY2021 = FY ending March, 2022

# Quarterly Operating income (South Korea)



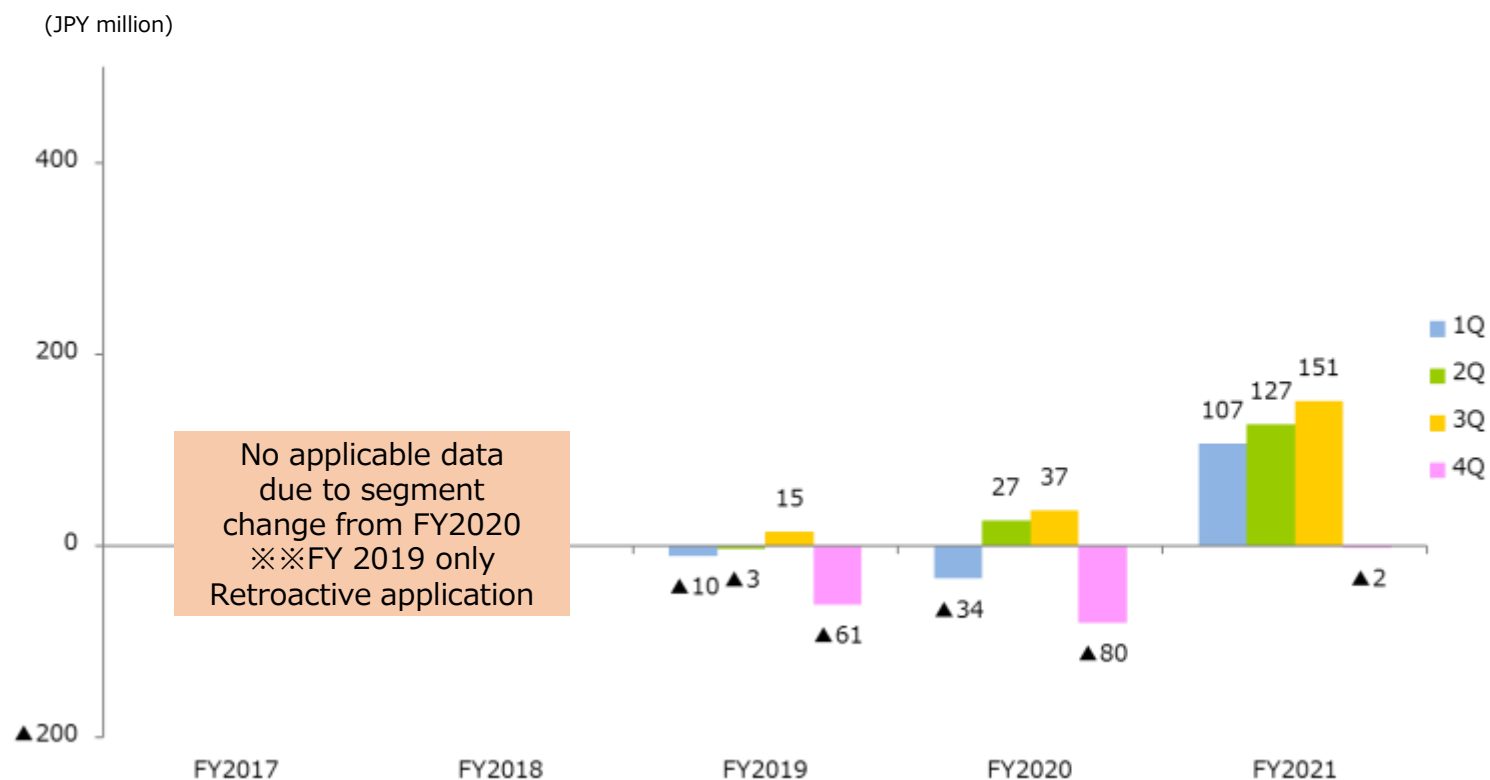
NOTES: FY2021 = FY ending March, 2022

# Quarterly Sales (China )



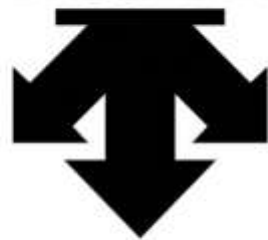
NOTES: FY2021 = FY ending March, 2022

# Quarterly Operating income (China )



NOTES: FY2021 = FY ending March, 2022

**DESCENTE**



Design for Sports