

DESCENTE

1Q FY2022 Earnings

August 8, 2022

Disclaimer: This is an English translation of the original Japanese-language Consolidated Financial Summary of DESCENTE LTD. (the Company) for 1Q of the fiscal year ended March 31, 2023 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.

Definition of Terms

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

Example: Net sales from DESCENTE JAPAN LTD. to affiliates in China is counted in Japan segment

***Segment of “Japan” breakdown changed from FY2022 *next page for more information.**

Area: Classified according to country and area of the location of the customers

Example: Net sales from DESCENTE JAPAN LTD. to affiliates 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



【Segment breakdown】

From 1Q FY 2022, as the Company has become a pure holding company, the segment changed as below.

Japan	DESCENTE JAPAN LTD.	DESCENTE APPAREL LTD.	intra-segment eliminations		
South Korea	DESCENTE KOREA LTD.	DESCENTE GLOBAL RETAIL LTD.	intra-segment eliminations		
China	BEIJING DESCENTE CO., LTD	SHANGHAI DESCENTE COMMERCIAL CO., LTD	HONG KONG DESCENTE TRADING, LTD	ARENA (SHANGHAI) INDUSTRIAL CO., LTD. (from 2Q)	intra-segment eliminations
Adjustments	DESCENTE LTD.	Adjustments			

Japan Segment

Sales

Sales of the companies above

+

◆ Overseas Sales of products to Consolidated subsidiaries/affiliates accounted for by the equity method

South Korea Segment

Sales

Sales of the companies above

+

◆ Sales of products to Consolidated affiliates and equity-method affiliates outside South Korea

Other Income and Expenses

Gains (losses) on investments in equity-method affiliates of South Korea, etc.

China segment

Sales

Sales of the companies above

Other Income and Expenses

Gains (losses) on investments in equity-method affiliates of China, etc.

Adjustments

As described above

1. 1Q FY 2022

(1) Financial Summary

(2) Brand Review

(3) Number of Stores

2. Plan for FY 2022

Results of 1Q FY2022(Consolidated)



1.1Q FY 2022 (1) Financial Summary

In the first quarter (Japan :April - June, Overseas :January - March), both sales and profits increased significantly year on year.

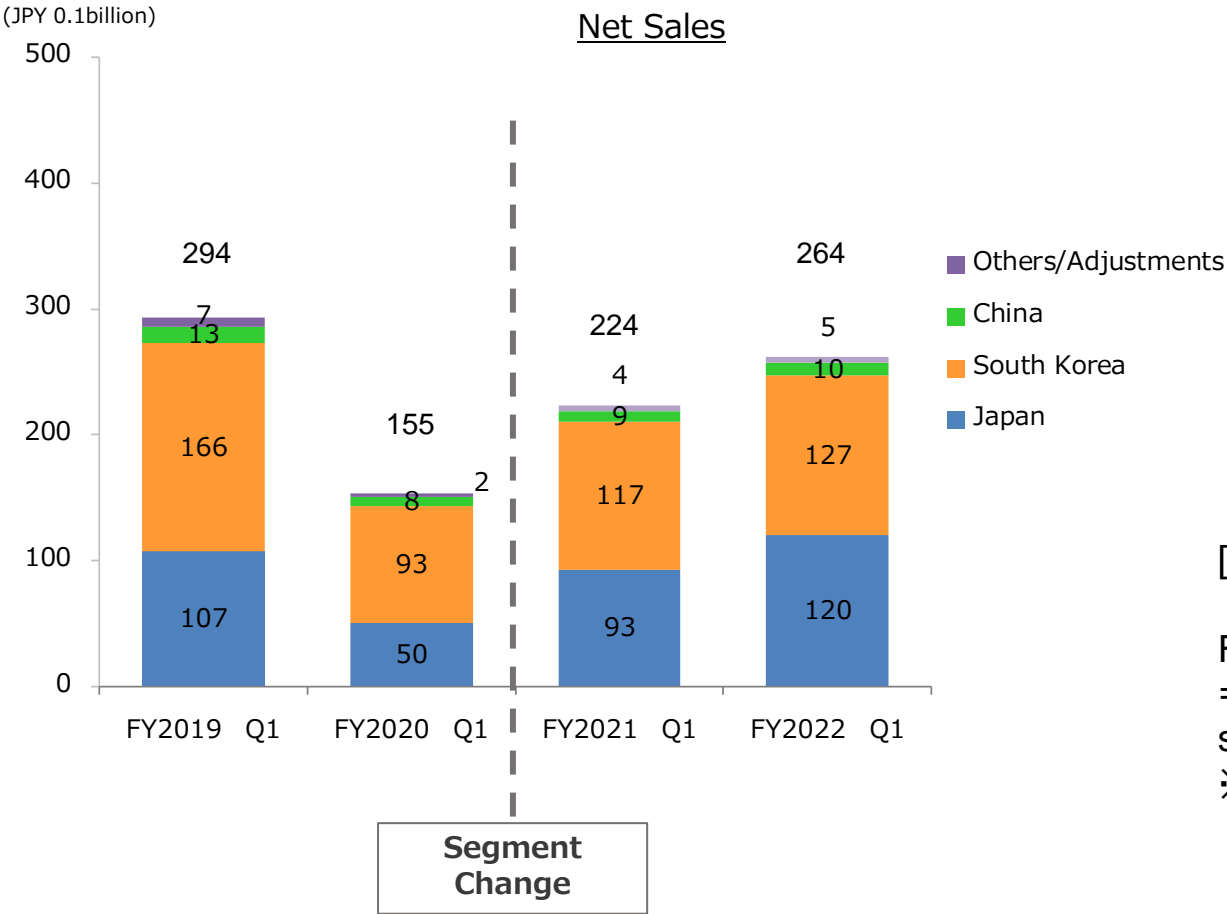
(Unit: JPY million)	FY2022	FY2021		FY2022	FY2022
	1st Quarter performance	1st Quarter performance	YoY	Previous Forecast (as of May. 12. 2022)	Revised Forecast (as of Aug. 8. 2022)
Net sales	26,425	22,481	117.5%	114,000	116,500
Operating income	2,531	1,032	245.3%	6,000	6,700
(% to Net sales)	9.6%	4.6%	-	5.3%	5.8%
Ordinary income	3,342	1,561	214.0%	10,000	10,700
(% to Net sales)	12.6%	6.9%	-	8.8%	9.2%
Profit attributable to owners of parent	2,353	1,133	207.6%	7,000	9,500
(% to Net sales)	8.9%	5.0%	-	6.1%	8.2%

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



1.1Q FY 2022 (1) Financial Summary

Sales increased in main segments, Japan, South Korea and China segments.



YoY +¥3.9 billion(117%)

Japan	+¥2.7B
South Korea	+¥1.0B
(currency factor +¥0.3B)	
China	+ ¥0.1B
Adjustments	+ ¥0.1B

[Segment change]

FY2022 changed the breakdown of Japan to the following
⇒ "DESCENTE JAPAN LTD/DESCENTE APPARELL LTD./intra-segment eliminations"
※For year-on-year comparisons, FY2021 is based on the same criteria.

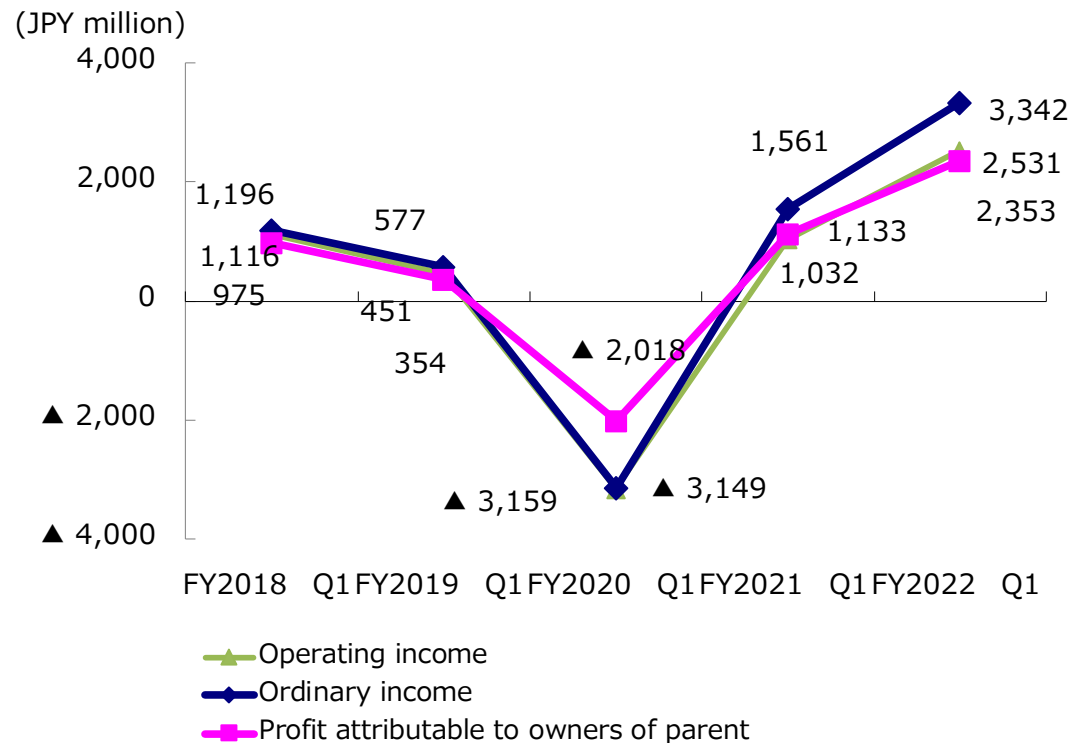
Note : FY2022=FY ending March 31, 2023

Income(Consolidated)



1.1Q FY 2022 (1) Financial Summary

Operating income and Ordinary income increased due to higher sales and improved profitability at Group companies, including equity-method affiliates.



(JPY Million)	FY2021	FY2022	Impact in Profit*
Operating income	1,032	2,531	+ 1,499
Non-operating income	569	831	+ 262
Non-operating expenses	39	20	+ 19
Ordinary income	1,561	3,342	+ 1,780
Extraordinary income	50	127	+ 77
Extraordinary loss	0	0	0
Total income taxes	477	1,116	▲ 639
Profit attributable to owners of parent	1,133	2,353	+ 1,219

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

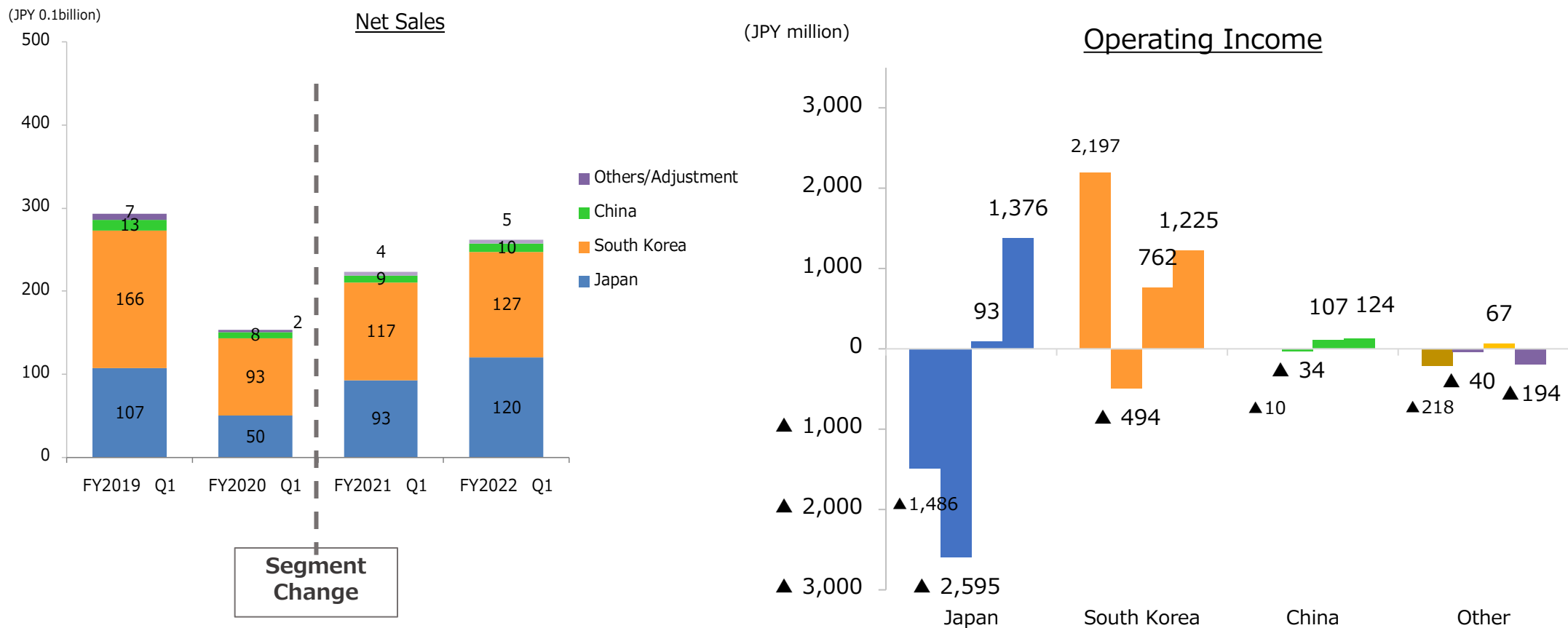
Note : FY2022=FY ending March 31, 2023

Sales and Operating Income by Segments(Consolidated)



1.1Q FY 2022 (1) Financial Summary

- Following on the previous fiscal year, profitability in Japan segment improved further by reducing sales losses, discounts and returns.
- Higher sales and profits at South Korea due to the strong contribution of umbro.



Note : FY2022=FY ending March 31, 2023

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

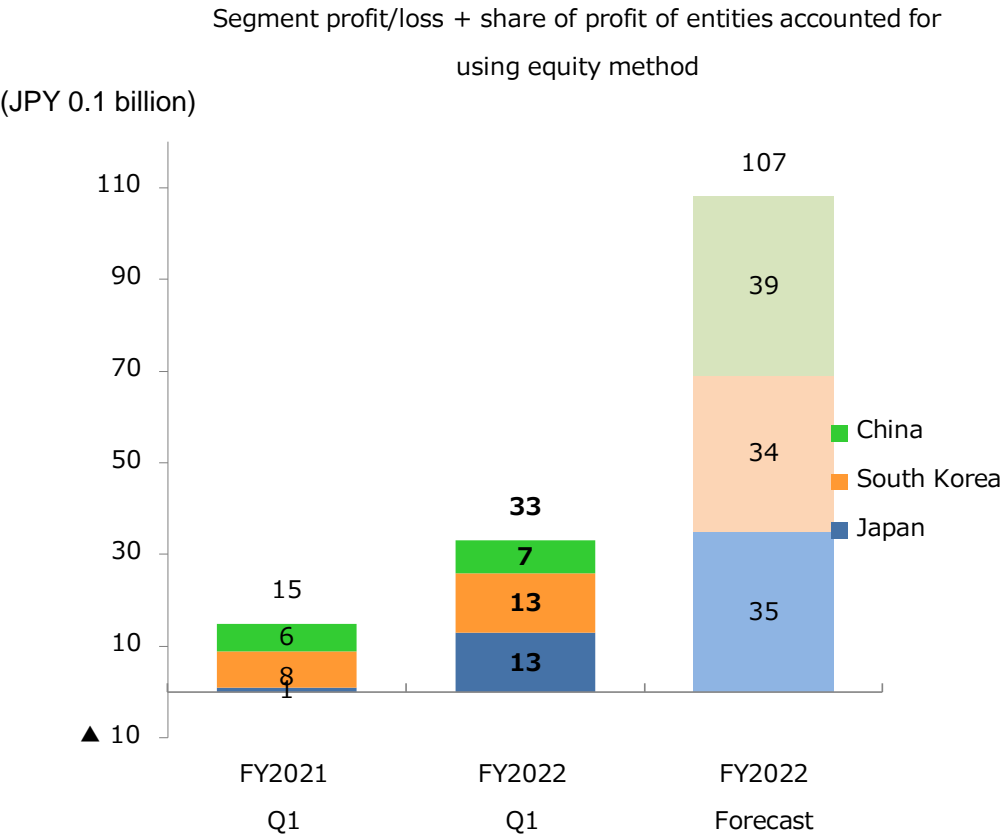
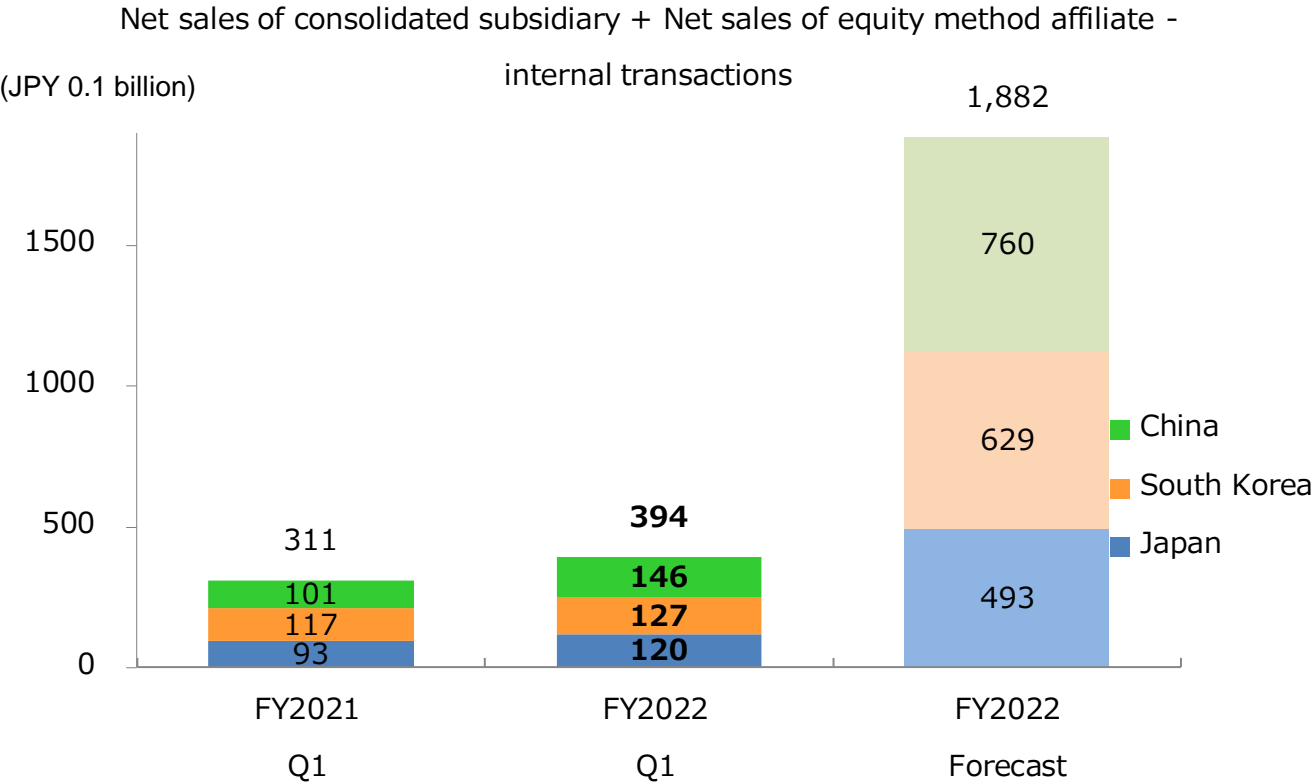


1.1Q FY 2022 (1) Financial Summary

Steady implementation of “D-Summit 2023” improved profit balance within Japan, South Korea and China.

Local Net Sales

Ordinary Income



Note : FY2022=FY ending March 31, 2023

Balance Sheets (Consolidated)

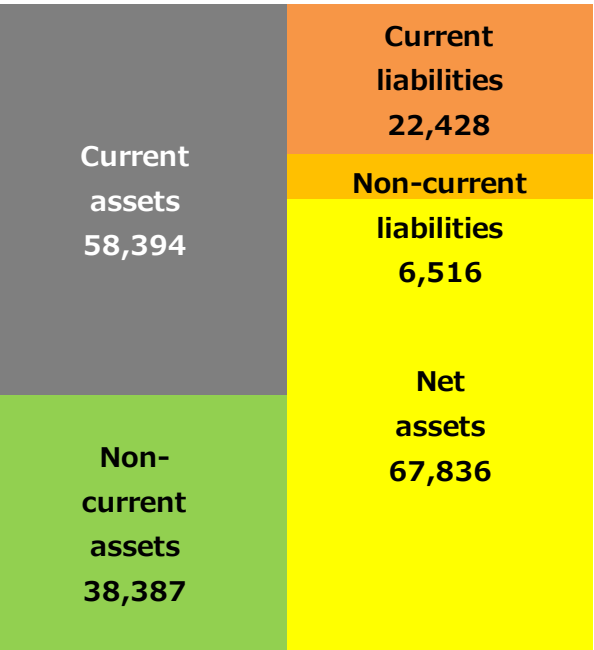


1.1Q FY 2022 (1) Financial Summary

- Current assets increased due to a rise in cash and deposits as inventories were consumed well.
- Total assets is ¥9 billion (currency factor +¥2.1 billion) compared to previous year to ¥115.6 billion.

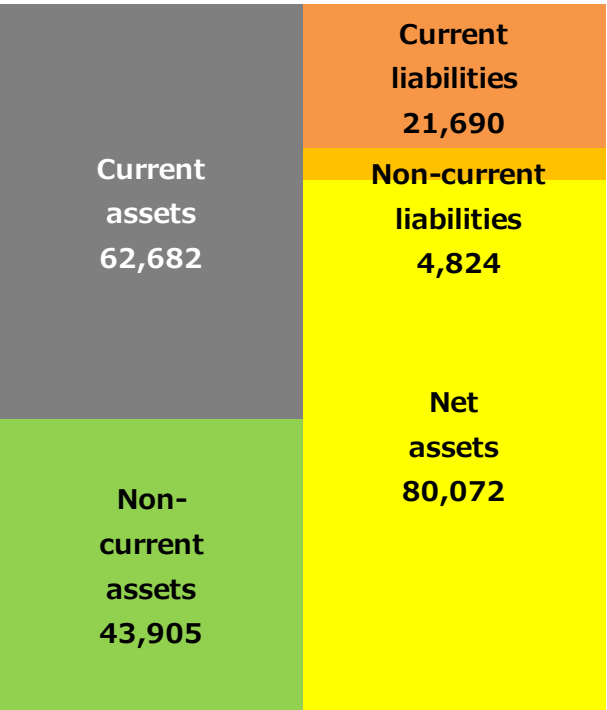
(JPY million)

2020/6/30



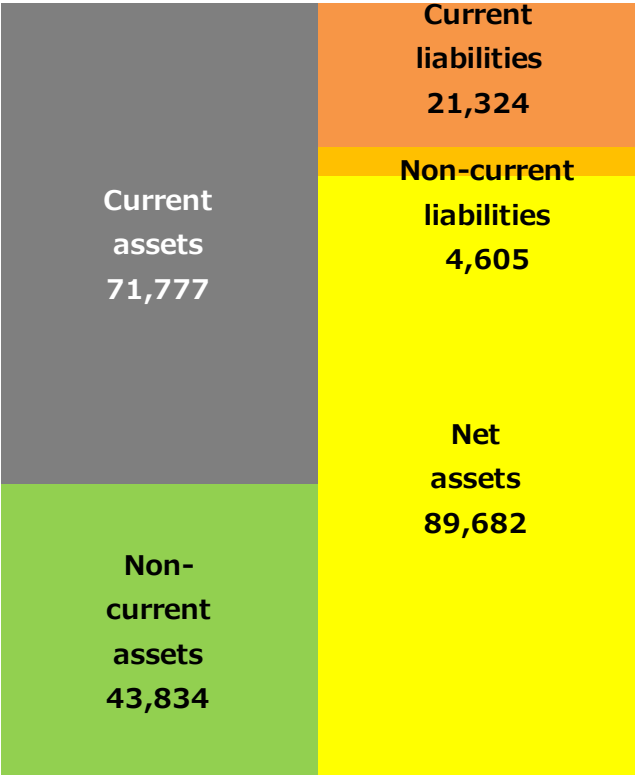
Total assets	96,781
Equity ratio	70.1%

2021/6/30



Total assets	106,588
Equity ratio	75.1%

2022/6/30



Total assets	115,612
Equity ratio	77.6%

1. 1Q FY 2022

(1) Financial Summary

(2) Brand Review

(3) Number of Stores

2. Plan for FY 2022

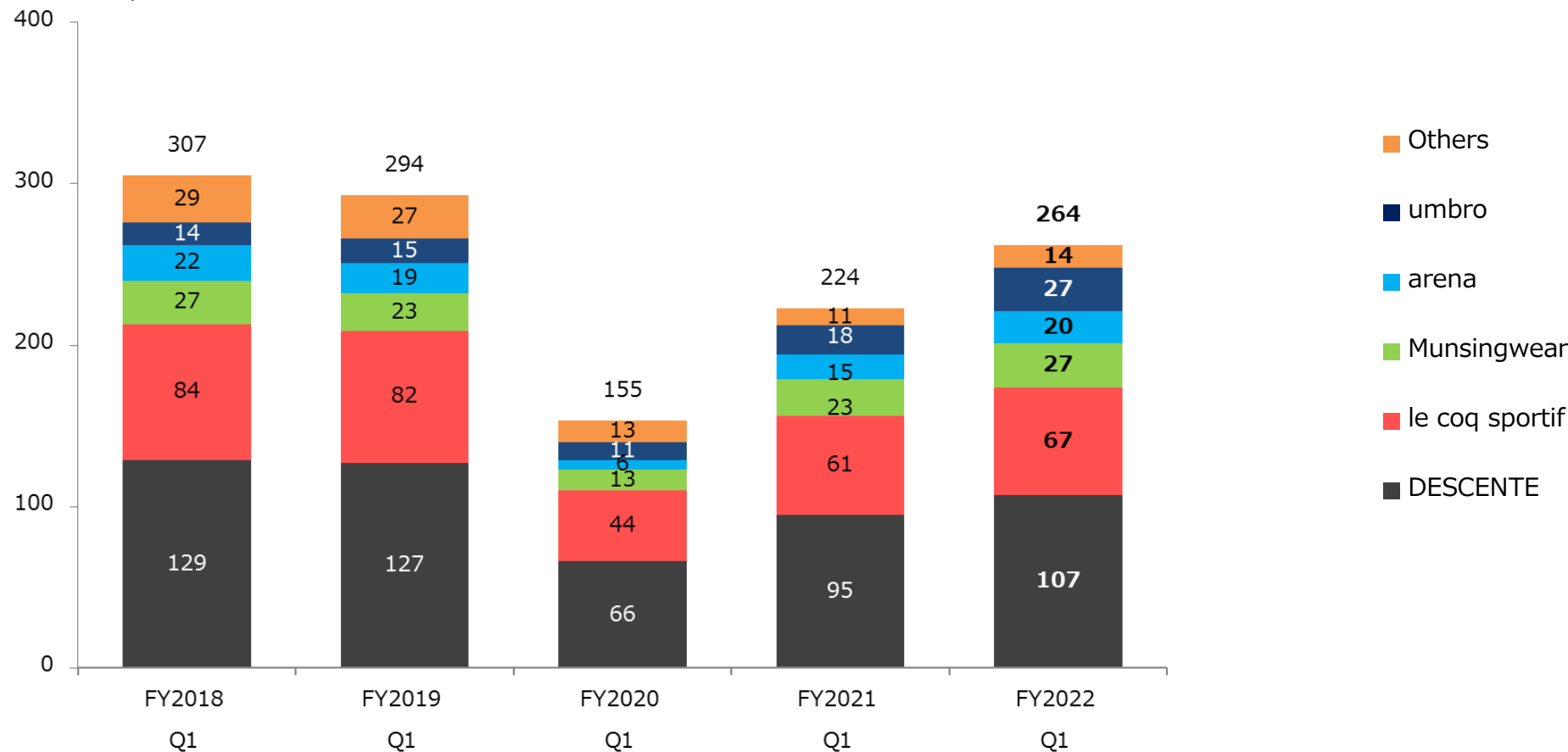
Brand Review (Consolidated)



1.1Q FY 2022 (2) Brand Review

Sales increased in 5 major brands.

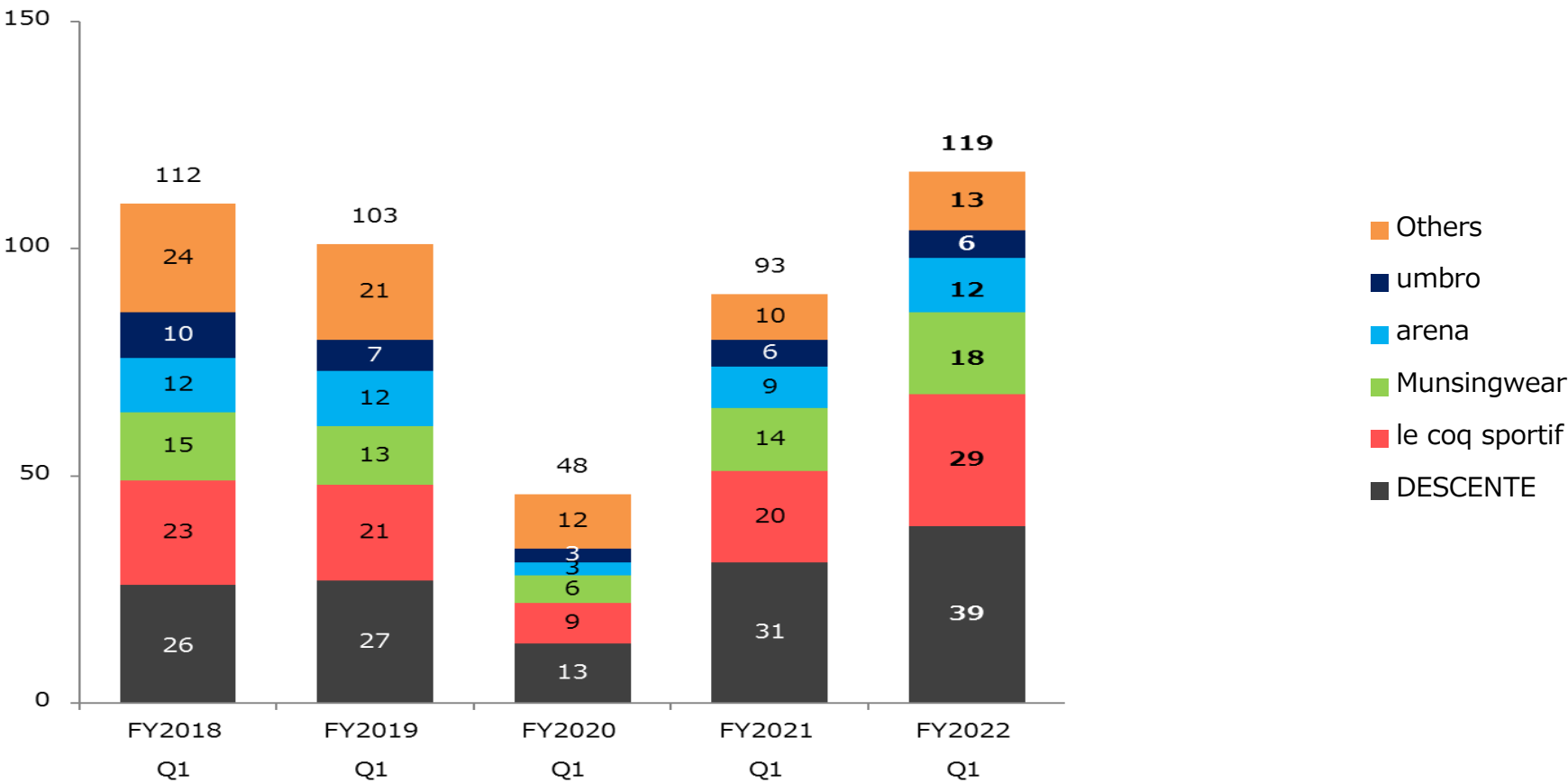
(JPY 0.1billion)



Note : FY2022=FY ending March 31, 2023

Net Sales is the largest in the last 5 years by 4 major brands growth.

(JPY 0.1billion)



Note : FY2022=FY ending March 31, 2023

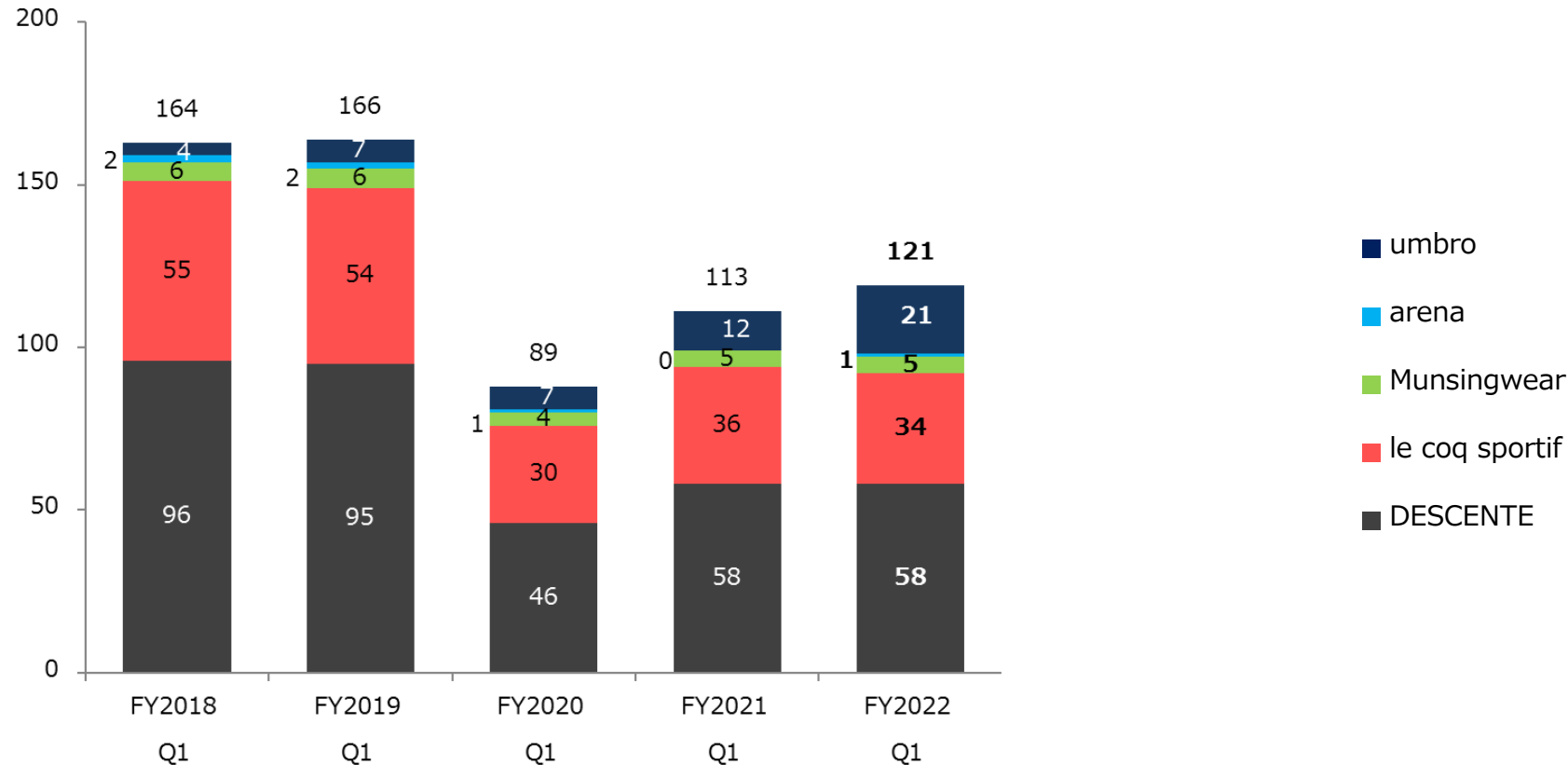
Brand Sales (South Korea)



1.1Q FY 2022 (2) Brand Review

umbro continued growing significantly, and the net sales increased by 72% year on year.

(JPY 0.1billion)



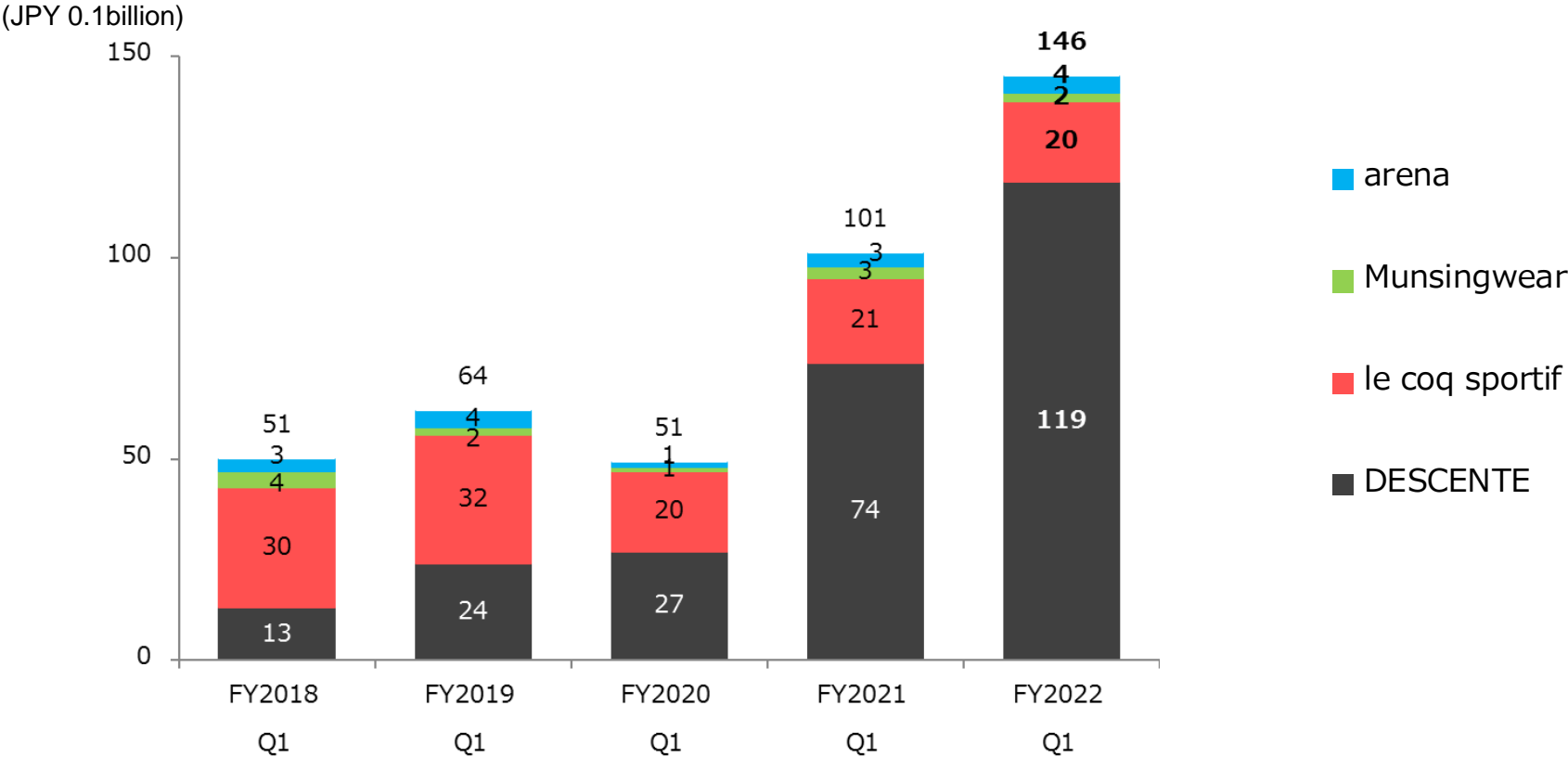
Note : FY2022=FY ending March 31, 2023

Combined Local Sales (China)



1.1Q FY 2022 (2) Brand Review

DESCENTE brand, operated by an equity-method affiliate, drove sales despite the closure of stores by Corona in March.



*Note: Combined Local Sales = sales of local subsidiary + sales of local equity-method affiliates' – Sales from local subsidiary to local equity-method affiliates
Note : FY2022=FY ending March 31, 2023

1. 1Q FY 2022

(1) Financial Summary

(2) Brand Review

(3) Number of Stores

2. Plan for FY 2022

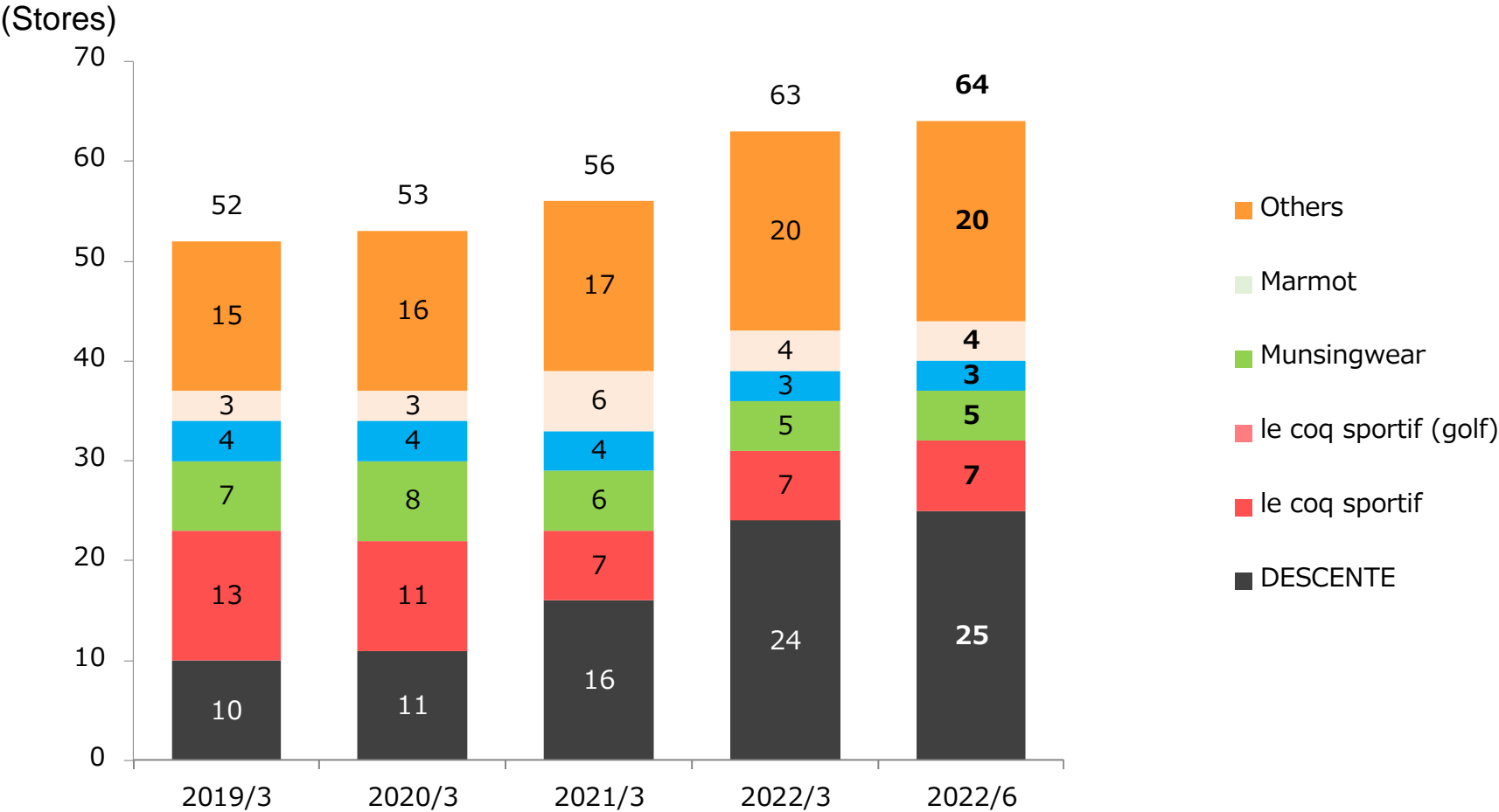
Number of Stores in Japan (directly managed stores)



1.1Q FY 2022 (3) Number of Stores

“DESCENTE MARK IS MINATO MIRAI”, a directly managed DESCENTE brand store, opened in April

*Including outlet stores.

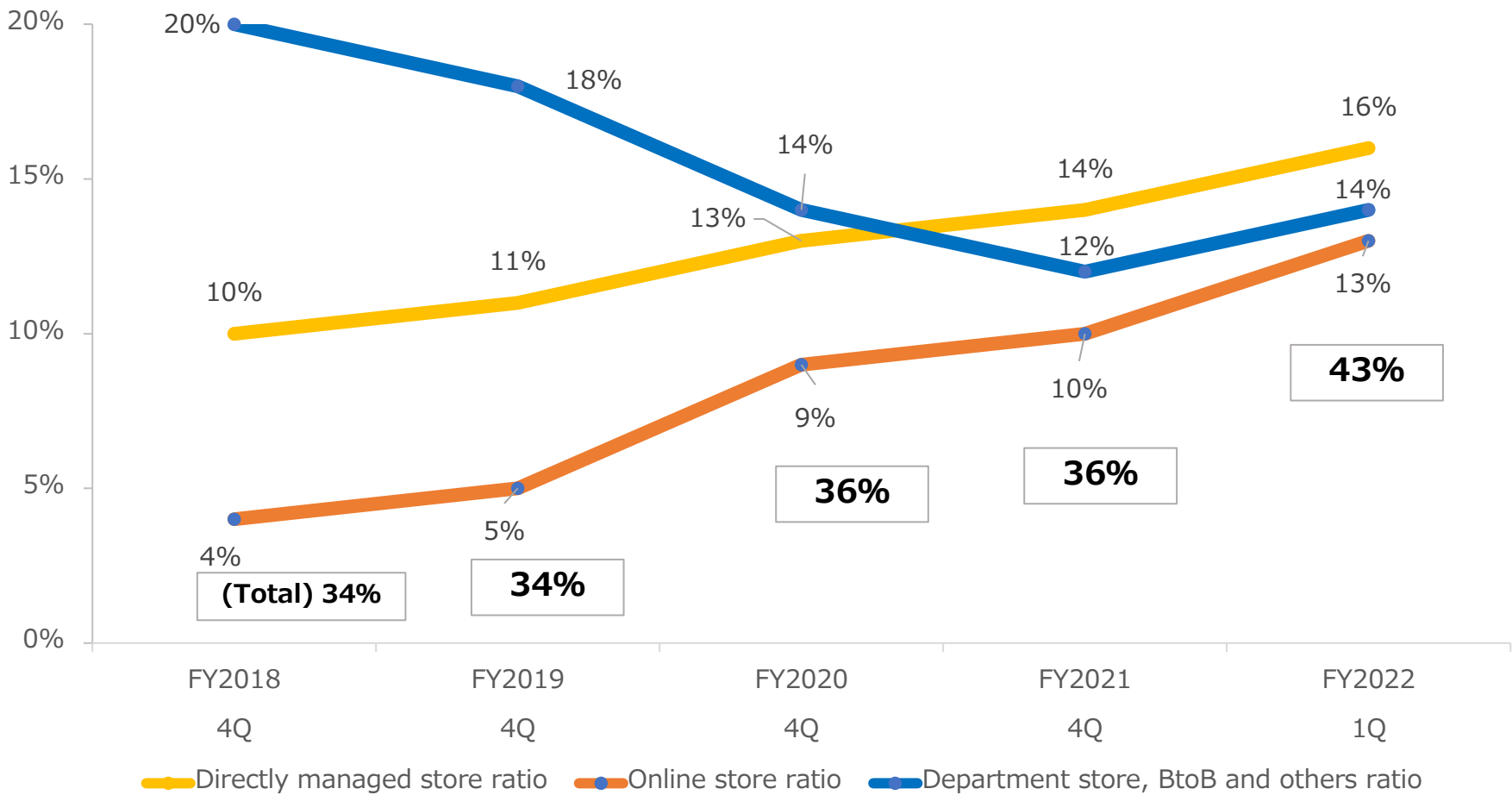


Directly managed stores / Online stores sales composition ratio in Japan



1.1Q FY 2022 (3) Number of Stores

Steady expansion of DTC business and solid growth in DTC composition ratio



Note : FY2022=FY ending March 31, 2023

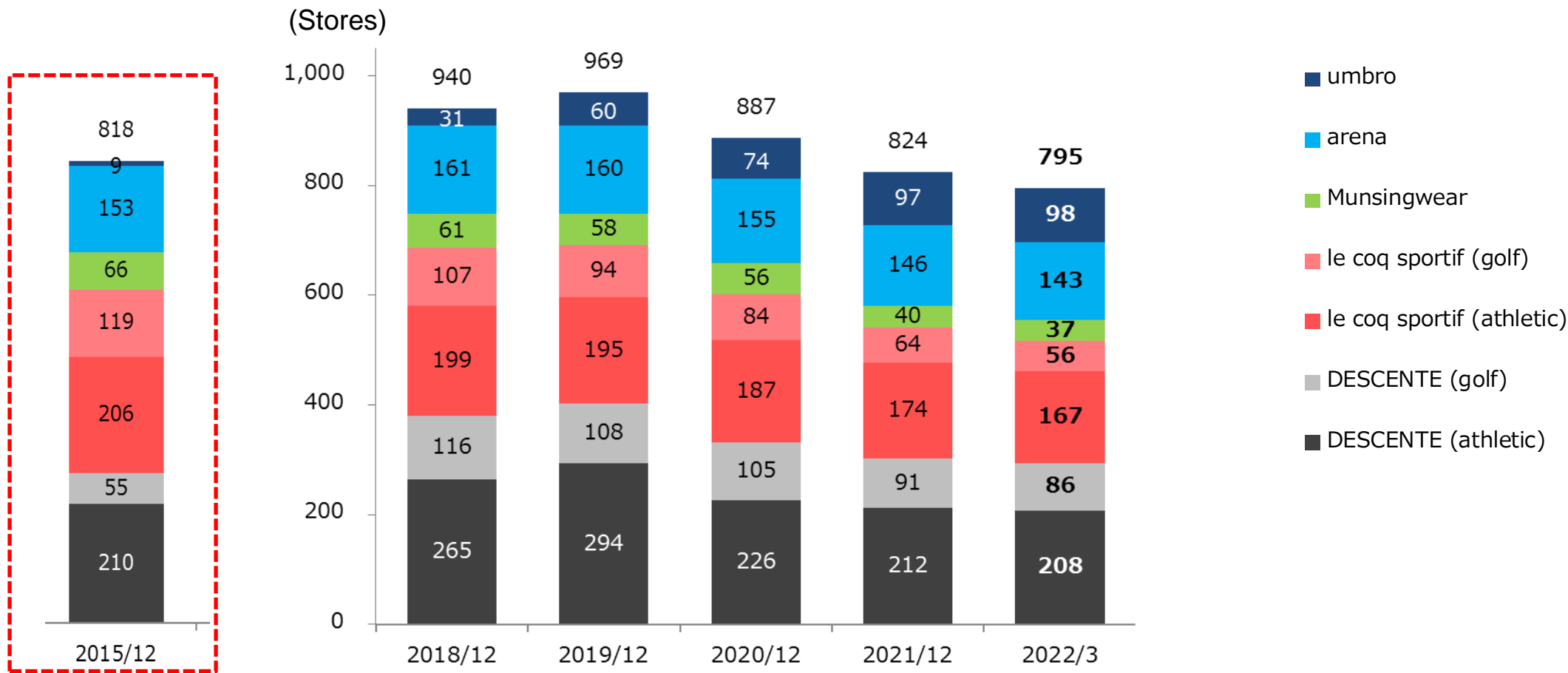
Number of Stores in South Korea



1.1Q FY 2022 (3) Number of Stores

Decreased from the previous fiscal year-end, the number of stores was similar to in 2015, when earnings level was strong .

*Including stores of commercial agents and outlets



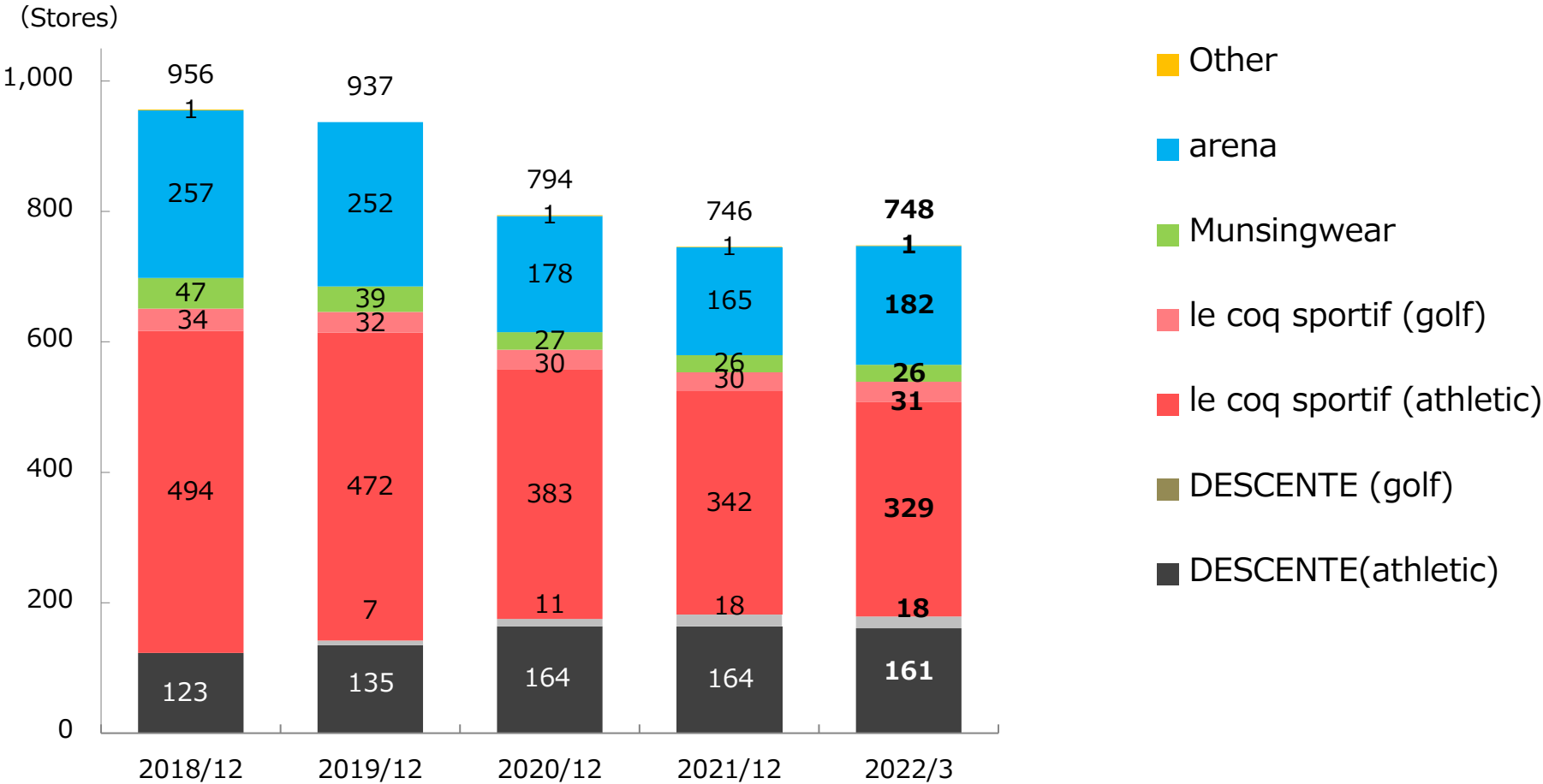
Number of Stores in China



1.1Q FY 2022 (3) Number of Stores

Le coq sportif continues to restructure stores, but arena stores increased as earnings recovered.

*Excluding Taiwan
*Including stores of commercial agents and outlets



1. 1Q FY 2022

(1) Financial Summary

(2) Brand Review

(3) Number of Stores

2. Plan for FY 2022

FY2022 Earnings Forecast



2. Plan for FY 2022

With steady implementation of “D-Summit 2023”, the forecast was revised upwardly.

(Unit: JPY million)	FY2020	FY2021	FY2022 Previous Forecast	FY2021	
				Revised Forecast (as of Aug.8.2022)	YoY
Net sales	96,862	108,892	114,000	116,500	+ 7,608 (107.0%)
Operating income	▲ 1,806	5,138	6,000	6,700	+ 1,562 (130.4%)
(% to Net sales)	▲ 1.9%	4.7%	5.3%	5.8%	-
Ordinary income	▲ 584	7,556	10,000	10,700	+ 3,144 (141.6%)
(% to Net sales)	▲ 0.6%	6.9%	8.8%	9.2%	-
Profit attributable to owners of parent	5,039	6,229	7,000	9,500	+3,271 (152.5%)
(% to Net sales)	5.2%	5.7%	6.1%	8.2%	-

Revised Forecast Foreign exchange rates: 100KRW10.06, CNY19.13, HKD15.90

FY2022 Dividend Forecast



2. Plan for FY 2022

Dividend planning keep left unchanged.









(Unit: JPY million)	FY2018	FY2019	FY2020	FY2021	FY2022 Plan	FY2022 Forecast
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	9,500
Payout ratio	49.7%	-	-	30.3%	30.2%	*

(*) Decide according to future earnings forecasts.

Affiliated Companies in China: Summary



As of end of June 2022

	Consolidated Subsidiaries			Affiliated Companies (Equity Method)	
Company Name	SHANGHAI DESCENTE COMMERCIAL CO., LTD.	HONG KONG DESCENTE TRADING, LTD.	*ARENA (SHANGHAI) INDUSTRIAL CO., LTD.	DESCENTE(CHINA) Co., LTD.	LE COQ SPORTIF (NINGBO) CO., LTD.
Location	Shanghai	Hong Kong	Shanghai	Shanghai	Ningbo
Incorporated	August, 2005	November, 2003	October, 2016	July, 2016	February, 2004
Fiscal Year	January – December				
Investment Ratio	DESCENTE GROUP 100%	DESCENTE GROUP 100%	DESCENTE GROUP 100%	DESCENTE GROUP 40% ANTA Group 54% Itochu Group 6%	DESCENTE GROUP 40% SUGIEI 50% Itochu Group 10%
Brands	 	  			
Sales royalty for locally planned products Payment to	DESCENTE LTD.	DESCENTE LTD.	No royalty payment (Buying products from SHANGHAI DESCENTE COMMERCIAL CO., LTD.)	—	DESCENTE LTD.
Segment (Company location base)	China			Not included	
Area (Customer location base)	China			Not included	

※ARENA (SHANGHAI) INDUSTRIAL CO., LTD. became a subsidiary of 1Q FY2022 and incorporated into Consolidated results from 2Q FY2022.

Foreign Exchange rate

		USD	100KRW	CNY	HKD	SGD	GBP
FY2022	4Q YTD plan	-	10.06	19.13	15.90	-	-
	1Q YTD	-	9.77	18.56	15.08	-	-
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

Disclaimer: The contents of the business plan and the future objectives described in this document are base 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

FY2022 = FY ended March31 2023

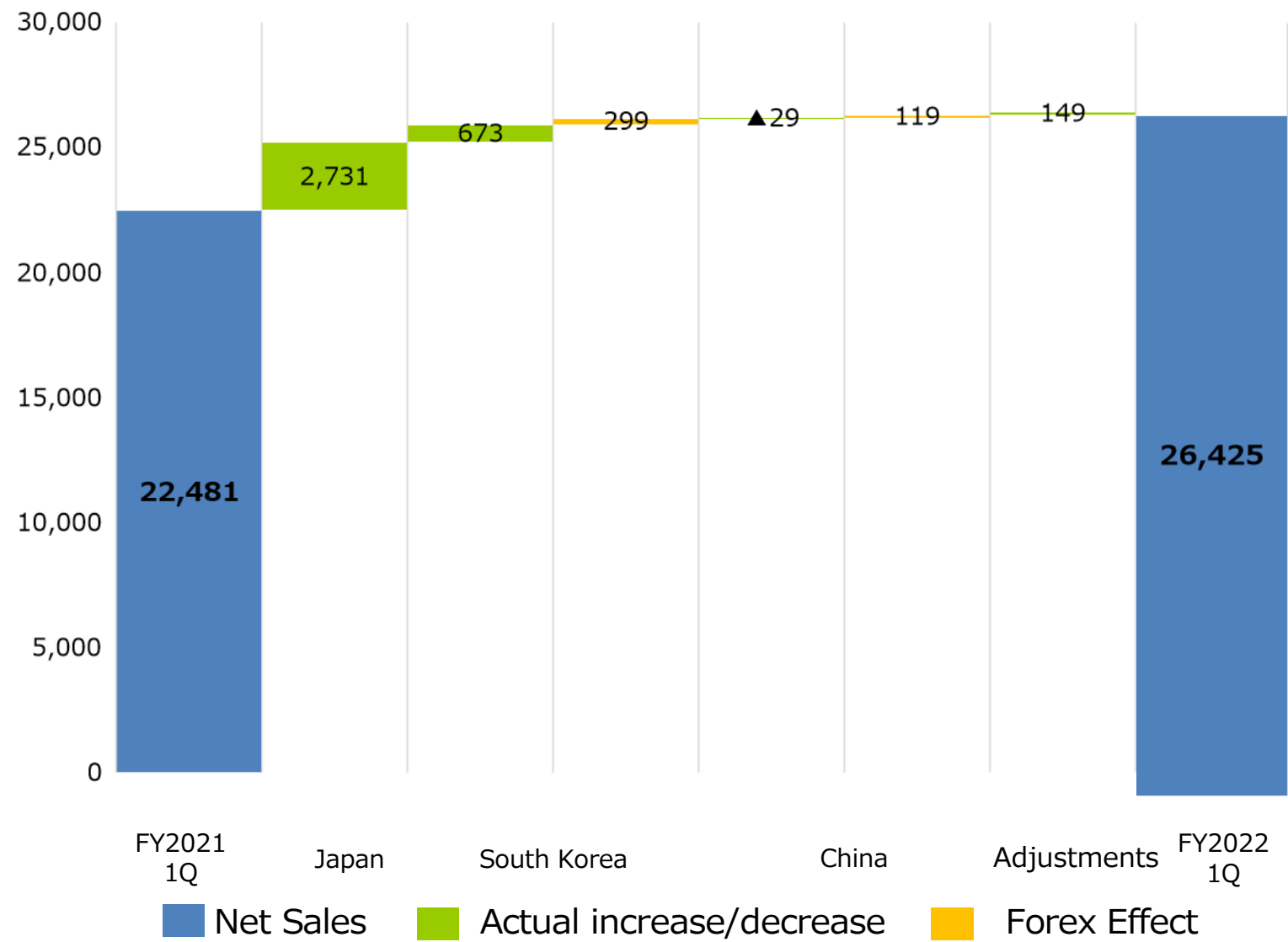
1Q FY 2022 Reference

(Quarterly Sales and Operating Income by segment)

Net Sales (YoY)

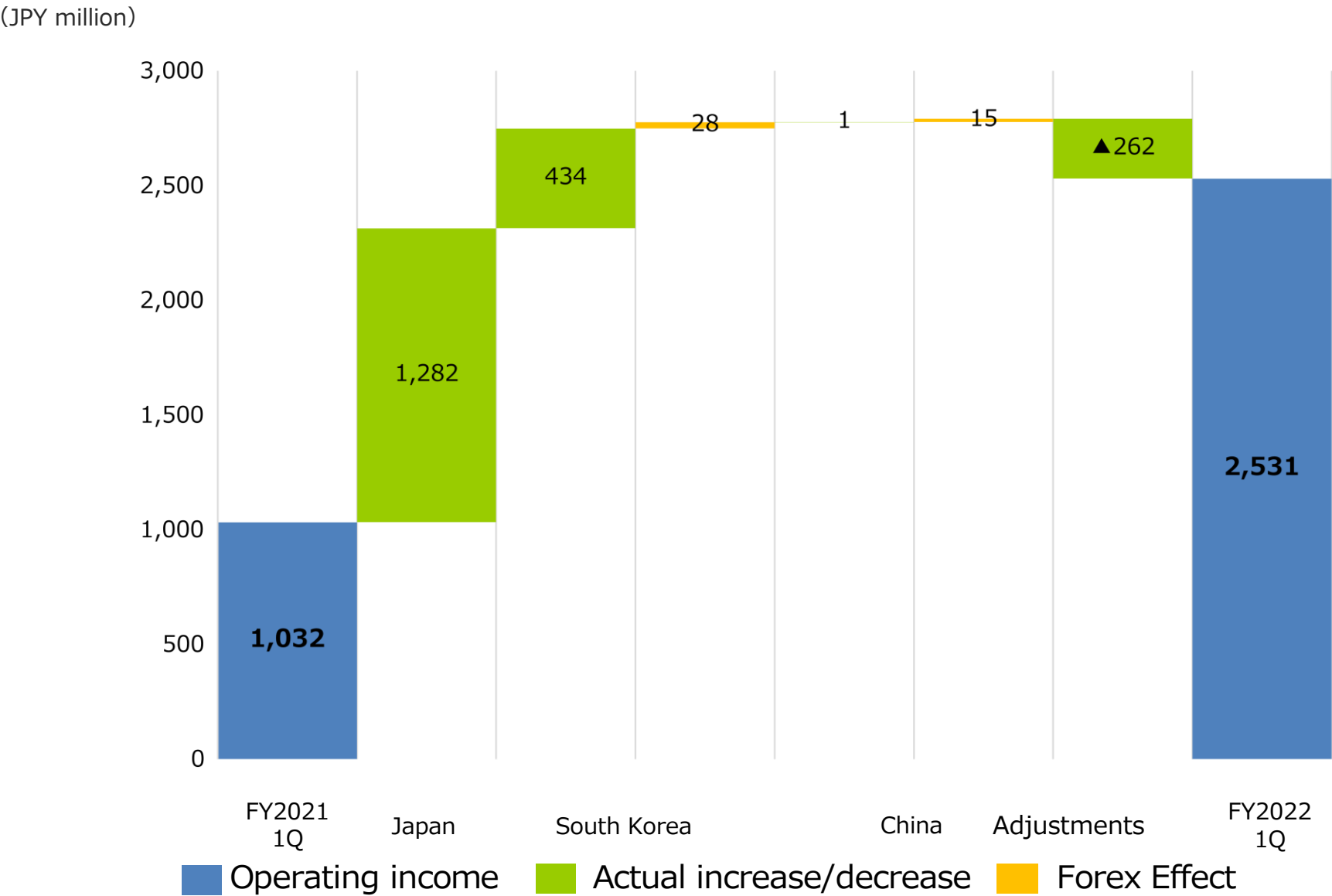


(JPY million)



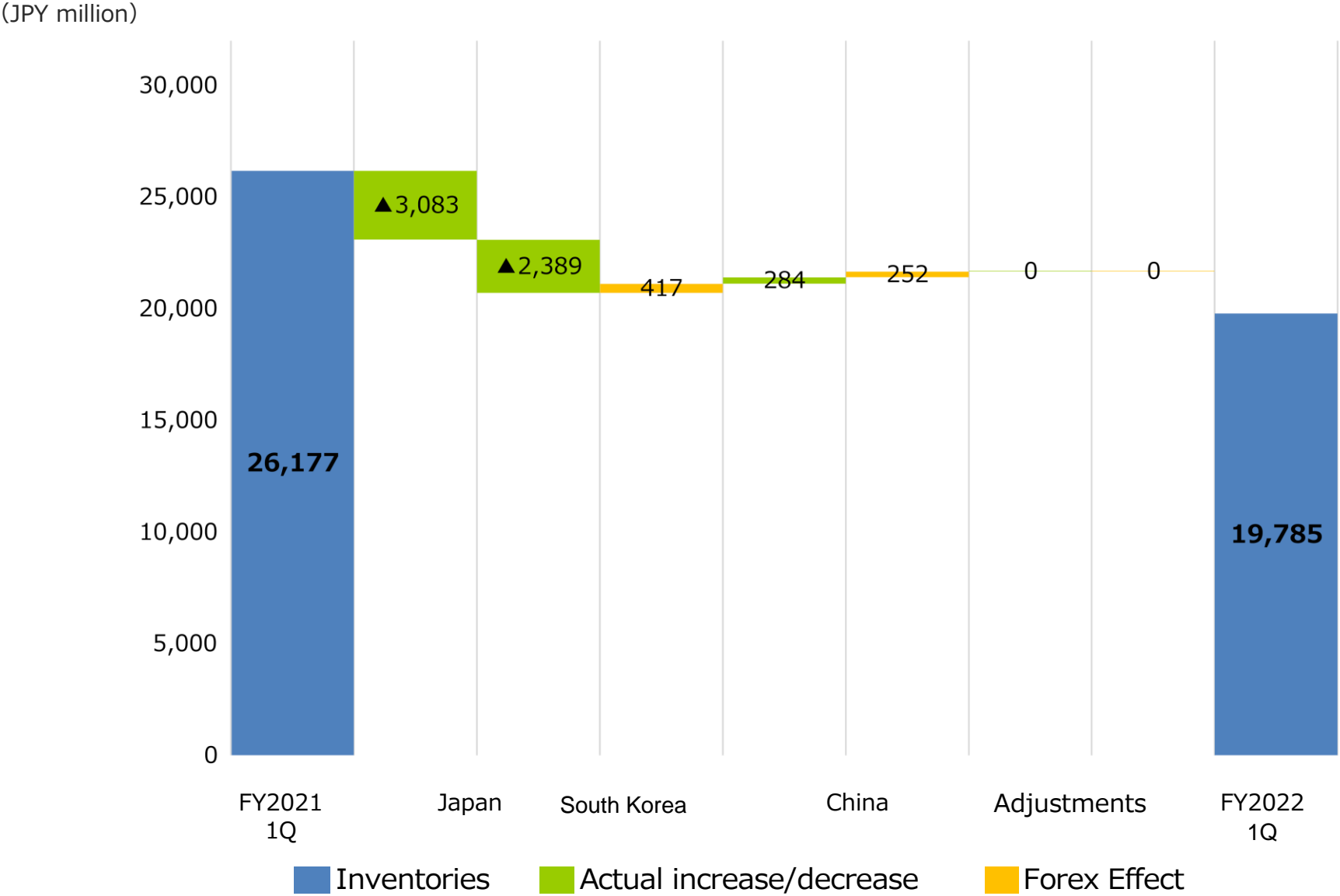
Note : FY2022=FY ending March 31, 2023

Operating Income (YoY)



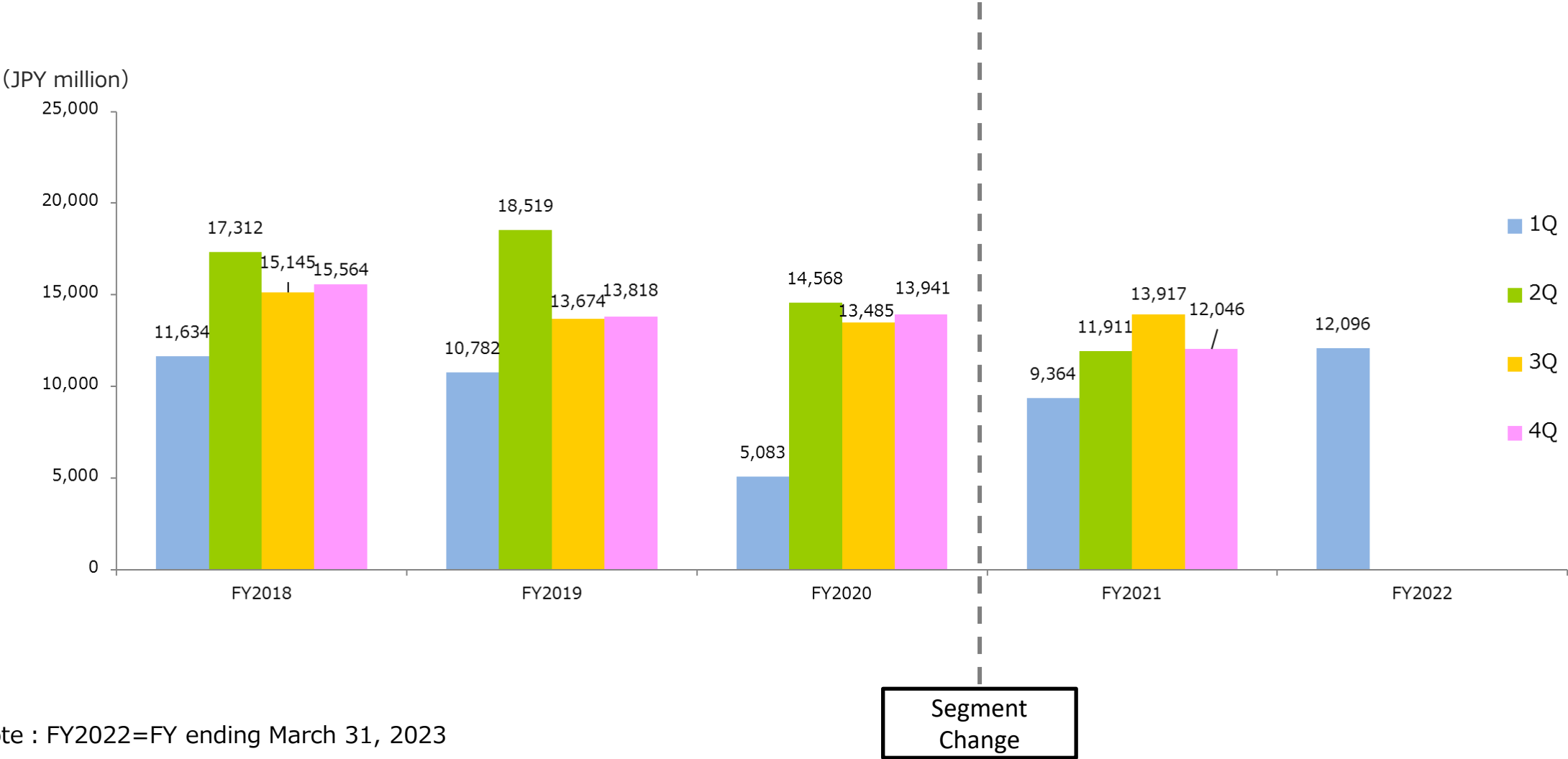
Note : FY2022=FY ending March 31, 2023

Inventory (YoY)

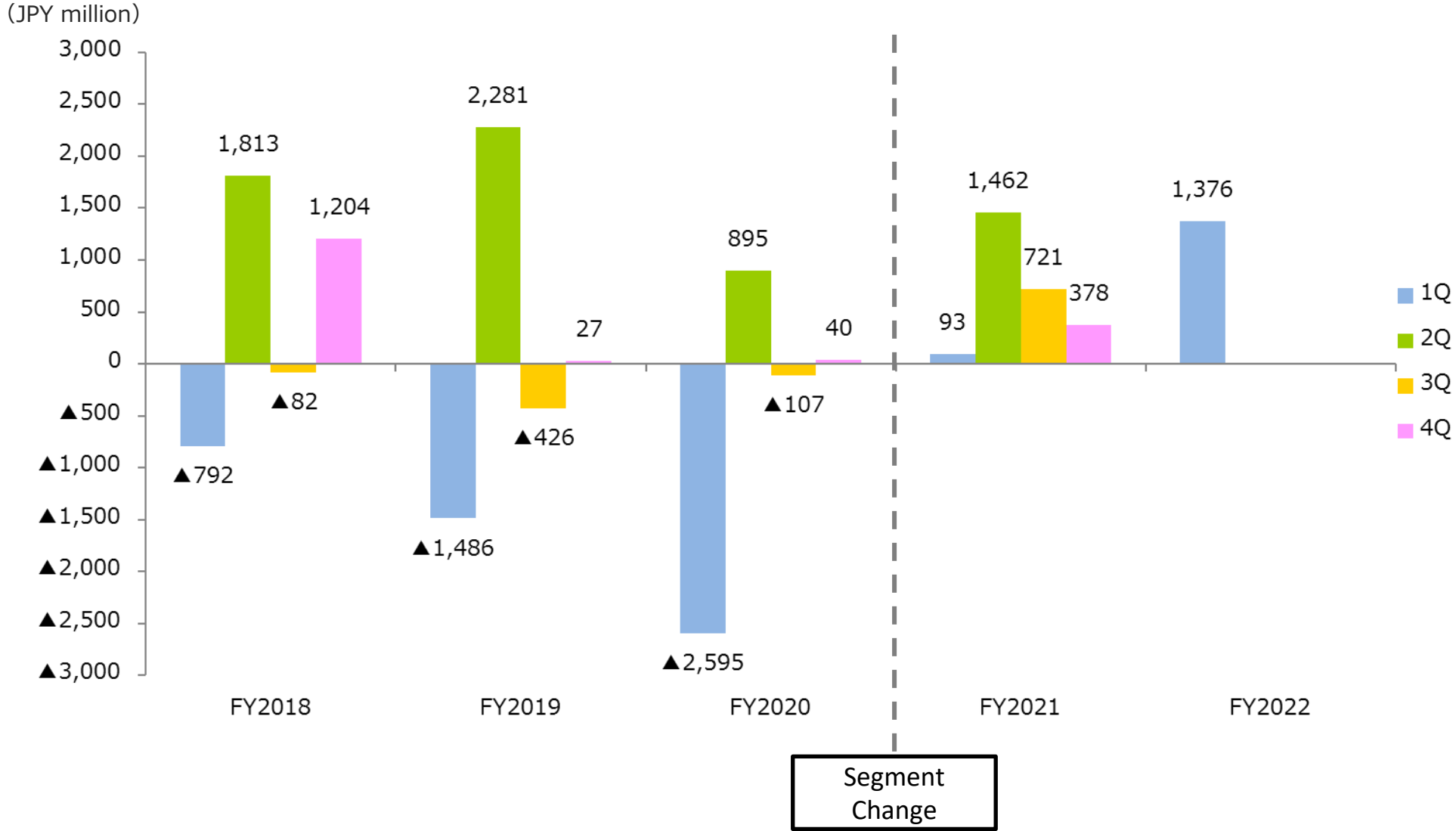


Note : FY2022=FY ending March 31, 2023

Net Sales (Japan)

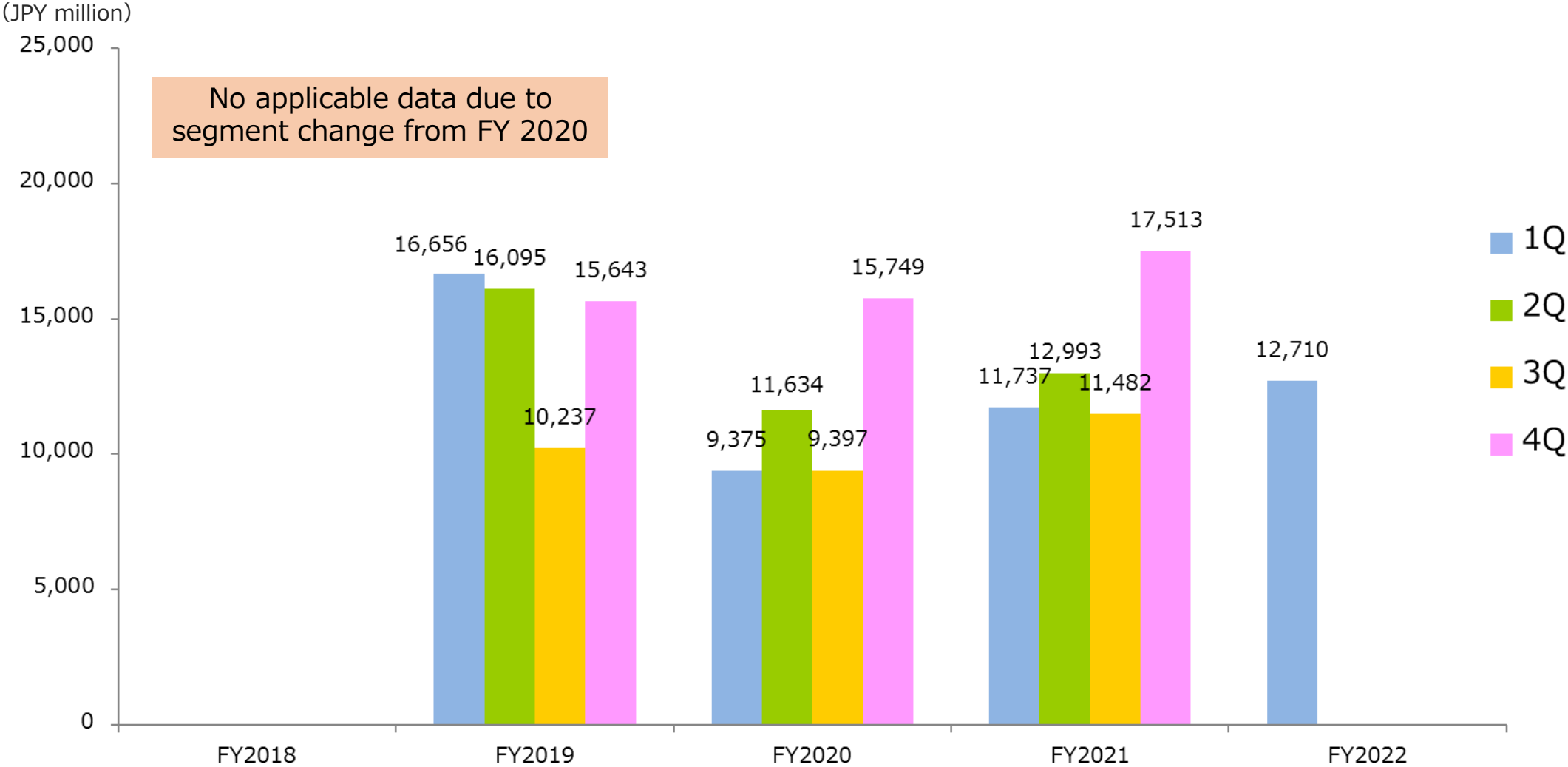


Operating Income (Japan)



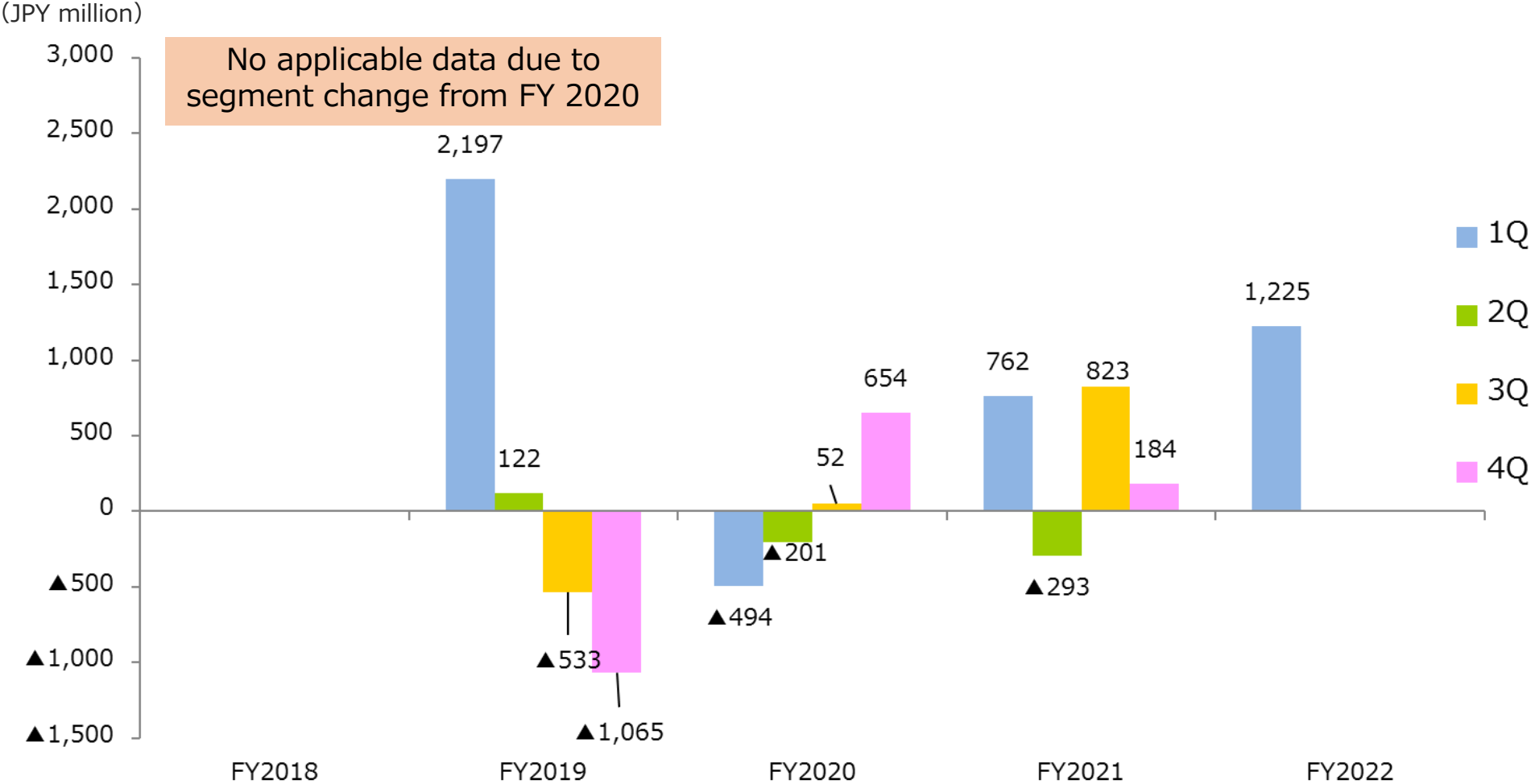
Note : FY2022=FY ending March 31, 2023

Net Sales (South Korea)



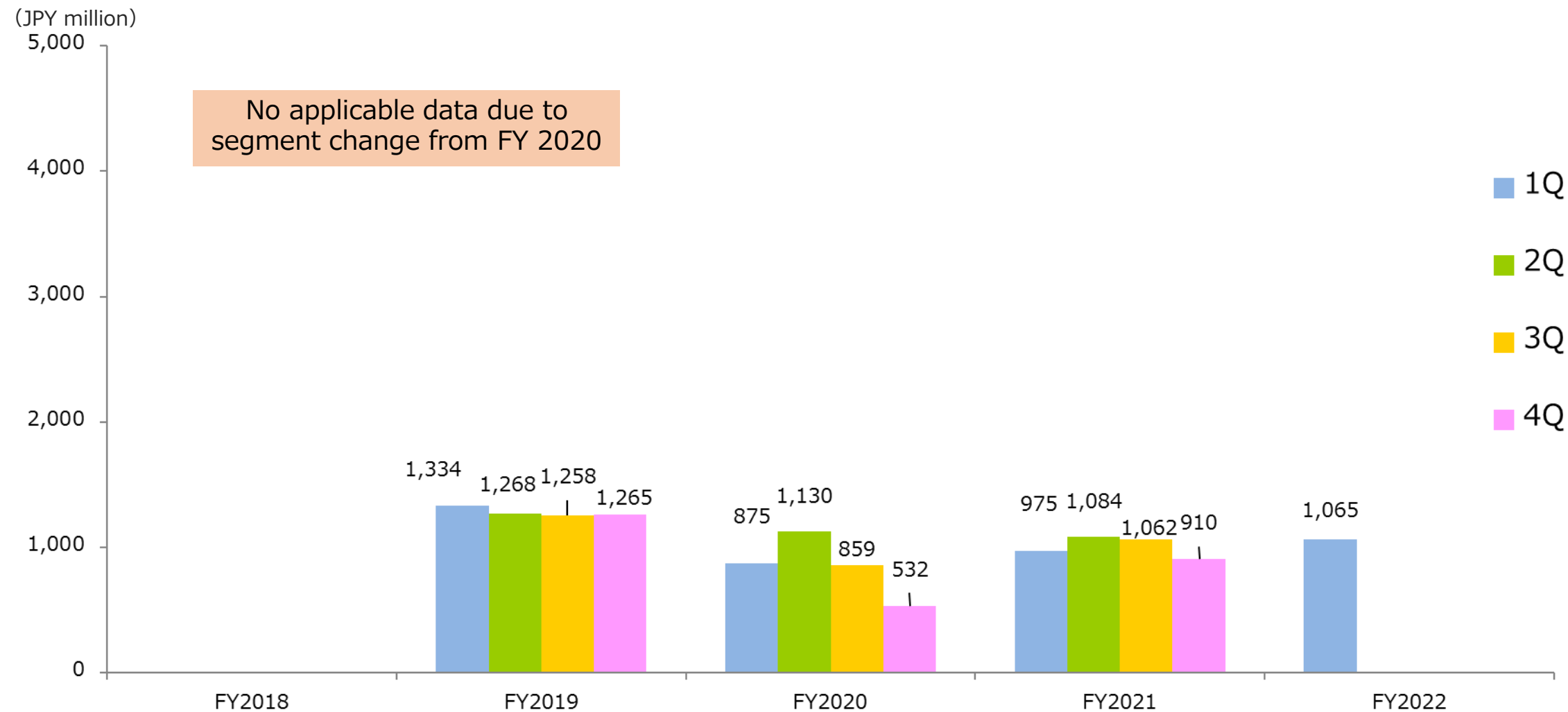
Note : FY2022=FY ending March 31, 2023

Operating Income (South Korea)



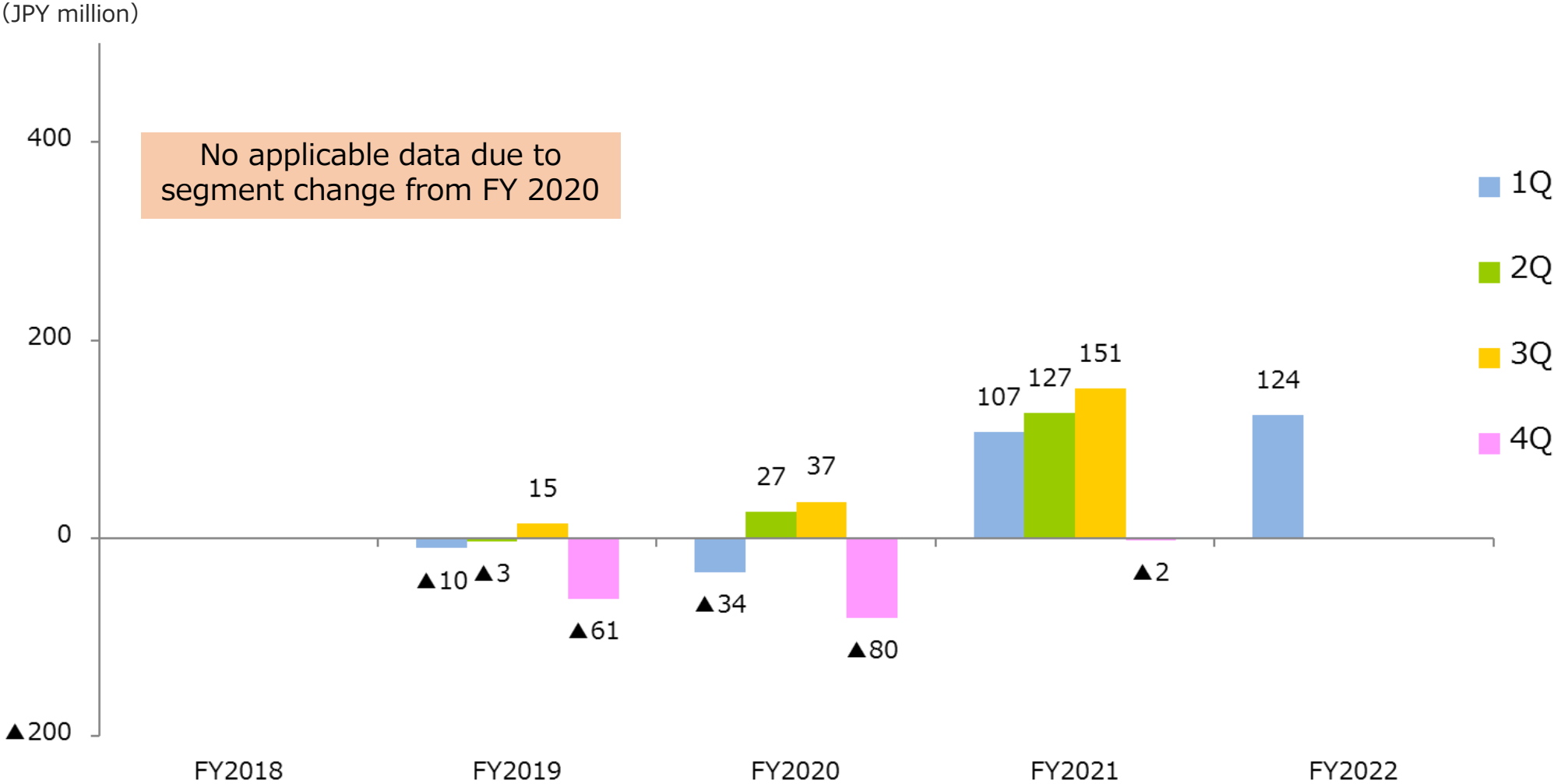
Note : FY2022=FY ending March 31, 2023

Net sales (China)



Note : FY2022=FY ending March 31, 2023

Operating Income (China)



Note : FY2022=FY ending March 31, 2023