



February 6, 2023

Summary of Financial Statements of the Third Quarter Ending March 31, 2023(FY2022)
[Japan GAAP, Consolidated]

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
Person responsible for inquiry: Akira Tsuchihashi Managing Executive Officer, CFO (TEL) +81-3-5979-6110
Date of Submission of Quarterly Report: February 8, 2023 Date of Dividend Payments: —
Quarterly Preparation of Supplementary Financial Statements: Yes
Quarterly 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 third quarter(Q3) of the fiscal year ended March 31, 2023 (April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (Cumulative) (Percentages represent changes from the same quarter of the previous year.)

	Net sales		Operating income		Ordinary income		Net profit attributable to owners of parent	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
Q3 of FY 2022	86,099	12.3	7,300	66.7	10,445	79.1	10,172	105.4
Q3 of FY 2021	76,681	15.1	4,380	-	5,832	-	4,952	2.6

(NOTE) Comprehensive income Q3 of FY 2022 14,486million Yen (140.1%)Q3 of FY2021 6,032million Yen (84.8%)

	Net Profit per share	Diluted Net Profit per share
	Yen	Yen
Q3 of FY 2022	134.74	-
Q3 of FY 2021	65.62	-

(2) Consolidated financial position

	Total assets	Net assets	Equity Ratio
	Yen in millions	Yen in millions	%
Q3 of FY 2022	135,907	100,615	73.1
Year ended March 31, 2022	116,375	86,658	74.5

(Reference)Equity Q3 of FY 2022 99,326million Yen Q3 of FY 2021 86,658million Yen

2. Dividends

	Annual cash dividend per share				
	End of the 1st quarter	End of the 2nd quarter	End of the 3rd quarter	End of the 4th Quarter	Total
FY ended March 31, 2022	Yen -	Yen 0.00	Yen -	Yen 25.00	Yen 25.00
FY ending March 31, 2023	-	0.00	-		
FY ending March 31, 2023 (Forecast)				40.00	40.00

(NOTE) Revisions to the most recently announced dividend forecasts : Yes

3. Consolidated Forecast for the Year Ending March 3, 2023 (April 1, 2022, to March 31, 2023)

(%, YoY)

	Net sales		Operating income		Ordinary income		Net profit attributable to owners of parent		Net Profit per share
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen
Full year	118,000	8.4	8,100	57.6	12,300	62.8	10,000	60.5	132.47

(NOTE) Revisions to the most recently announced consolidated earnings forecasts : None

※ Notes

(1) Changes in Significant Subsidiaries during the period : Yes

(Changes in specified subsidiaries accompanied by changes in the scope of Consolidated)

New 2Companies (Company name) ARENA(SHANGHAI)INDUSTRIAL CO., LTD. Exclude —Company (Company name)—
LE COQ SPORTIF (NINGBO)CO., LTD

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements : Yes

(NOTE) For details, please refer to "(3) Explanation of Consolidated Performance Forecasts" on page 9 of the Appendix.

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

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

(4) Number of shares issued and outstanding common stock

① Number of shares issued and outstanding at the end of fiscal year (including treasury stock)	Q3 of FY 2022	76,924,176	Year ended March 31, 2022	76,924,176
② Number of treasury stock at fiscal end	Q3 of FY 2022	1,419,986	Year ended March 31, 2022	1,444,610
③ Average number of shares during the term (quarterly consolidated cumulative period)	Q3 of FY 2022	75,494,339	Q3 of FY 2021	75,470,364

※ Quarterly Summary of Financial Statements is not subject to quarterly review by a certified public accountant or auditing firm.

※ Explanation of appropriate use of business performance forecasts and other special items

(Notes on future descriptions)

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and on certain assumptions that we believe reasonable, and do not constitute guarantees for the result of the forecasts. Actual results may differ materially from the forecast depending on a range of factors. Please refer to "(3) Explanation of Consolidated Performance Forecasts " on page 4 of the quarterly Summary of Financial Statements Appendix for the assumptions on which the forecasts are based and notes on the use of the forecasts.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

In the third quarter consolidated of the fiscal year under review, both sales and profits increased compared with the same quarter of the previous fiscal year.

In Japan, DESCENTE JAPAN LTD. has maintained low return rates and discount rates, and “DESCENTE” brand drove sales. Continuing from the first half consolidated, we achieved record-high profits in all income items, including Operating income, and contributed significantly to our consolidated profits. In South Korea, the athletic category has continued to perform well in the third quarter Consolidated fiscal year (July - September). In China, sales increased compared with the same quarter of the previous fiscal year due to the contribution of incorporating ARENA(SHANGHAI)INDUSTRIAL CO., LTD. (ASH) into Consolidated results from the second quarter of the fiscal year under review, despite the impact of lockdowns that occurred from the expansion of COVID-19 in various regions since August. Consequently, Net Sales increased by 12.3% year on year to 86,099 million yen.

Gross profit increased by 14.2% year on year, to 49,599 million yen, despite the impact of rising costs on certain products. Selling, general and administrative expenses rose by 8.3% year on year to 42,298 million yen due to increases in variable costs such as sales commissions and advertising and sales promotion expenses, but the increase in gross profit outpaced the increase in SG&A expenses. As a result, Operating income increased by 66.7% year on year to 7,300 million yen, continuing the increase in first half Consolidated. Ordinary income increased by 79.1% year on year to 10,445 million yen due to an increase in Operating income and an increase in Equity in earnings of affiliates resulting from growth in the performance of South Korea's equity-method affiliate ARENA KOREA LTD. (AK) and China's equity-method affiliate DESCENTE CHINA HOLDNIG LIMITED. (DCH).

As announced in the " Notice of Changes in Equity-Method Affiliates and Transfer of Specified Subsidiaries." on August 8, 2022, the Company recorded extraordinary income 2,132 million yen of purchases on step acquisitions of shares of LE COQ SPORTIF(NINGBO)CO., LTD (NLCS) in the third quarter, and etc. of the current fiscal year.

Consequently, Net Sales for the third quarter of the fiscal year Consolidated was 86,099 million yen (+ 12.3% year on year), Operating income was 7,300 million yen (+ 66.7% year on year), Ordinary income was 10,445 million yen (+ 79.1% year on year) and Profit attributable to owners of parent was 10,172 million yen (+ 105.4% year on year).

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) (Year-on-year)	Segment Income or Loss (Yen in millions) (Year-on-year)
Japan	39,934 (110.0%)	4,437 (2,186 million yen)
South Korea	40,948 (113.1%)	3,251 (1,292 million yen)
China	3,637 (116.5%)	261 (386 million yen)
Others	- -%	- (△ 0 million yen)
Adjustments	1,579	△650 (514 million yen)
Total	86,099 (112.3%)	7,300 (4,380 million yen)

※ Segment income (loss) is Operating income or loss of the Company.

(Japan)

During the third quarter of the fiscal year under review, sales of “DESCENTE” continued to increase due in part to the robust performance of “Mizusawa Down” with its new product in November. In addition, sales of “arena” have been steady in each distribution channel, and the top-swimmer model has been particularly strong at directly managed stores. In addition, segment Net Sales was 39,934 million yen as a result of maintaining a low return and discount rate as a whole, an increase in sales compared with the same quarter of the previous fiscal year. The yen continued to depreciate, but the impact on cost of sales was limited. As a result, gross profit and segment income increased to 4,437 million yen. Consequently, Japan segment achieved record-high profit.

(South Korea)

Net Sales was 40,948 million yen, reflecting strong sales of summer products in July and August and steady sales of fall products in September compared with the usual year. In particular, “umbro” grew significantly, increased by 63.1% from the same quarter of the previous year as sales of street fashion goods and shoes have continued to be strong. Consequently, segment income increased to 3,251 million yen. Although not included in this segment income, the “arena” brand, which is operated by AK, an equity-method

affiliate, has a particularly high market share in South Korea, and its results grew significantly due to increased demand for swimsuits in response to the higher reopen rate of swimming pools compared to the same quarter of the previous year.

(China)

Net sales increased due to the incorporation of ASH's business results in China segment from the second quarter of Consolidated fiscal year. However, profits declined significantly due to the temporary closure of stores and shortening of operating hours as well as restrictions on going outside due to the re-expansion of COVID-19 around China from August onward. Consequently, segment Net Sales was 3,637 million yen and segment income was 261 million yen. Although not included in this segment income, DCH, an equity-method affiliate that operates "DESCENTE" brand., also grew its results in the third quarter of the fiscal year Consolidated.

Net sales by Item is as follows.

(Net sales by Item)

Item	Amount	Composition Ratio	YoY change
Athletic wear and related products	Yen in millions 53,483	% 62.1	% 115.2
Golf wear and related products	25,941	30.1	107.0
Outdoor wear and related products	5,095	5.9	102.7
Adjustment	1,579	1.8	149.5
Total	86,099	100.0	112.3

(Athletic wear and related products)

Net Sales increased by 15.2% year on year to 53,483 million yen, driven by continued sales growth in "DESCENTE" across regions, strong sales of "arena", and robust sales of "umbro" in South Korea.

(Golf wear and related products)

In Japan, sales of the high-end categories "DESCENTE", "le coq sportif", and "LANVIN SPORT" were strong. In addition, "DESCENTE GOLF COMPLEX GINZA" of golf-complex shops in Ginza showed growth compared to the same quarter of the previous year. Growth in the golf-market, which had shown remarkable growth since the COVID-19 crisis, has slowed, but as a whole, Net Sales in this category increased by 7.0% from the same quarter of the previous year to 25,941 million yen.

(Other Topics)

In the third quarter of the fiscal year under review, the Company acquired shares of NLCS and made it a Consolidated subsidiary. NLCS financial performance will be incorporated into Consolidated results from the fourth quarter of Consolidated fiscal year. We will reorganize our business, including rebranding, such as by reviewing "le coq sportif" brand positions in China with the aim of returning back to a growth track.

We are making steady progress in improving profitability in Japan and implementing a variety of initiatives to raise brand awareness with the aim of expanding our DTC business further. In "DESCENTE", we launched "DESCENTE×SHOHEI OHTANI 2022 Anniversary Collection" in early December to commemorate the achievement of the "3 first in histories". In early December, there were more than 4,000 applications for the 49-piece "MIZUSAWA DOWN FOR SHOHEI OHTANI," enabling us to create new approaches with customers. "DESCENTE LUMINE Shinjuku", a limited-time store opened in Lumine Shinjuku, is also attracting a number of new customers who have had little contact with our stores.

"arena" got a chance to appeal the brand to a lot of people as Tomoru Honda (in Nihon University/arena Tokimino Sports Club), contracted newly in this season as an advisory on sportswear related to swimsuits and other sportswear, established a new short-channel global record at the 64th Japan Championship swimming competition men's 200m butterfly. "arena" is also increasing its trust as a swimwear brand, with the highest wearing share in the Japan Open 2022.

To realize the SDGs, we are implementing initiatives to foster healthy bodies and minds for "playing" sports. In October, we held the School of Urban Sports in Ikesan Park, a park in Toshima-ku, where our Tokyo Office is located, where visitors, as well as performers, can enjoy Urban Sports together. It had such performance as "Double Dutch", while performing 2 ropes in line with DJ music, and "free-style football", showing lifting using various parts of the body. They showcased the world's top-class skills and also provided an opportunity for approximately 500 people from children to adults to experience these sports.

In South Korea, DESCENTE KOREA LTD. has continued to make donations to support DESCENTE Sports Foundation's efforts since its establishment in 2013 to promote sports by continuing to make donations. DESCENTE Sports Foundation provides grants for training and mental support to high school athletes in the difficult conditions to devote themselves to sports primarily because

of financial reasons. The Foundation has enabled some of these athletes to participate in national tournaments. We will continue our efforts to realize a sustainable society based on materiality.

(2) Explanation of Financial Position

(Analysis of the status of assets, liabilities, and net assets)

Total assets at the end of the third quarter of the fiscal year under review was 135,907 million yen, increased by 19,532 million yen from the end of Previous fiscal year.

Current assets increased by 11,989 million yen from the end of Previous fiscal year to 85,656 million yen. This was mainly due to an increase in Cash and deposits of 2,665 million yen, an increase in Notes and accounts receivable - trade of 2,919 million yen, and an increase in Merchandise and finished goods of 6,104 million yen.

Non-current assets increased by 7,542 million yen from the end of Previous fiscal year to 50,250 million yen. This was mainly due to an increase of 3,084 million yen in goodwill.

Total liabilities increased by 5,575 million yen from the end of Previous fiscal year to 35,291 million yen. This was mainly due to an increase in Notes and accounts payable - trade of 3,148 million yen and an increase of 2,360 million yen in Lease obligations included in Non-current liabilities and Others.

Net assets increased by 13,956 million yen from the end of Previous fiscal year to 100,615 million yen. This was mainly due to an increase in Retained earnings by 8,285 million yen and an increase in Foreign currency translation adjustment by 4,350 million yen.

Consequently, Equity Ratio decreased by 1.4% to 73.1% compared to the end of Previous fiscal year.

(3) Explanation of Consolidated Performance Forecasts

The full-year Consolidated earnings forecasts are unchanged from the earnings forecasts announced on November 7, 2022 in the " Notice of the Gap between Earnings Forecast and Actual Results for the Consolidated first-half of Fiscal Year Ending March 2023 and the Revision to Earning Forecasts."

The forecast of dividends is 40 yen per share as announced today on February 6, 2023 in the " Notice of Revision of Dividend Forecast (Dividend Increase)".

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Yen in millions)

	Previous fiscal year (As of March 31, 2022)	Q3 of FY 2022 (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	35,113	37,778
Notes and accounts receivable - trade	15,028	17,947
Merchandise and finished goods	19,093	25,197
Work in process	159	635
Raw materials and supplies	533	539
Others	3,796	3,624
Allowance for doubtful accounts	(56)	(66)
Total current assets	73,667	85,656
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,005	8,933
Others	12,919	14,713
Total property, plant and equipment	21,925	23,646
Intangible assets		
Goodwill	-	3,084
Others	1,822	1,609
Total intangible assets	1,822	4,694
Investments and other assets		
Investments in securities	13,645	18,269
Retirement benefit assets	69	-
Others	5,293	3,684
Allowance for doubtful accounts	(48)	(44)
Total investments and other assets	18,960	21,910
Total non-current assets	42,708	50,250
Total assets	116,375	135,907
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,249	15,397
Short-term loans payable	-	590
Income taxes payable	546	947
Provision for bonuses	1,477	861
Others	11,235	10,187
Total current liabilities	25,508	27,985
Non-current liabilities		
Retirement benefit liabilities	-	127
Others	4,208	7,179
Total non-current liabilities	4,208	7,306
Total liabilities	29,716	35,291

(Yen in millions)

	Previous fiscal year (As of March 31, 2022)	Q3 of FY 2022 (As of December 31, 2022)
Net assets		
Shareholders' equity		
Capital stock	3,846	3,846
Capital surplus	25,377	25,436
Retained earnings	53,594	61,879
Treasury stock	(615)	(605)
Total shareholders' equity	82,202	90,556
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	289	334
Deferred gains or losses on hedges	(5)	(17)
Foreign currency translation adjustment	3,637	7,987
Remeasurements of defined benefit plans	535	465
Total accumulated other comprehensive income	4,456	8,770
Non-controlling shareholders' equity	-	1,288
Total net assets	86,658	100,615
Total liabilities and net assets	116,375	135,907

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

Quarter Consolidated Statements of Income

(Yen in millions)

	Previous Q3 (April 1, 2021 to December 31, 2021)	Current Q3 (April 1, 2022 to December 31, 2022)
Net sales	76,681	86,099
Cost of sales	33,257	36,500
Gross profit	43,424	49,599
Selling, general and administrative expenses	39,044	42,298
Operating income	4,380	7,300
Non-operating income		
Interest income	126	261
Dividends income	55	78
Equity in earnings of affiliates	1,363	2,381
Foreign exchange gains	17	414
Others	136	128
Total non-operating income	1,699	3,263
Non-operating expenses		
Interest expenses	47	58
Loss on retirement of noncurrent assets	62	41
Others	136	19
Total non-operating expenses	247	118
Ordinary income	5,832	10,445
Extraordinary gains		
Profit on disposal of business	50	-
Gain on step acquisitions	-	2,097
Gain on sales of noncurrent assets	1,819	-
The gain from negative goodwill	-	35
Total extraordinary income	1,869	2,132
Extraordinary losses		
Impairment loss	62	-
Total extraordinary loss	62	-
Profit before income taxes	7,639	12,577
Income taxes - current	1,066	1,433
Income taxes - deferred	1,621	971
Total income taxes	2,687	2,405
Net profit	4,952	10,172
Net profit attributable to owners of parent	4,952	10,172

Quarter Consolidated Statement of Comprehensive Income

(Yen in millions)

	Previous Q3 (April 1, 2021 to December 31, 2021)	Current Q3 (April 1, 2022 to December 31, 2022)
Net Profit	4,952	10,172
Other comprehensive income		
Valuation difference on available-for-sale securities	1	45
Deferred gains or losses on hedges	(22)	(11)
Foreign currency translation adjustment	321	3,019
Remeasurements of defined benefit plans	(71)	(69)
Share of other comprehensive income (loss) of entities accounted for using equity method	851	1,330
Total other comprehensive income	1,080	4,314
Comprehensive income	6,032	14,486
(Allocation of Comprehensive income)		
Comprehensive income attributable to owners of parent	6,032	14,486

(3) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumptions)

None

(Notes on Significant Changes in the Amount of Shareholders' equity)

None

(Application of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements)

Calculation of tax expenses

For certain Consolidated subsidiaries, tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to Profit before income taxes for Consolidated fiscal year, including the third quarter under review, and multiplying Profit before income taxes by such estimated effective tax rate.

Income taxes of Consolidated subsidiaries are included in Income taxes - current.

(Changes in accounting policies)

None

(Segment information, etc.)

I Previous Q3 (From April 1, 2021 to December 31, 2021)

1. Net Sales and Income (Loss) by reportable segments

(Yen in millions)

	Reportable segments					Adjustment (NOTE1,2)	Amount shown recorded on consolidated income statements (NOTE 3)
	Japan	South Korea	China	Others	Total		
Net sales							
Sales to External Customers	36,289	36,213	3,122	-	75,625	1,056	76,681
Intersegment Sales or Transfers	3,528	344	26	-	3,900	(3,900)	-
Total	39,818	36,558	3,149	-	79,525	(2,843)	76,681
Segment Income (loss)	2,186	1,292	386	(0)	3,865	514	4,380
Other Items							
Equity in earnings(losses) of affiliates	-	(43)	1,497	-	1,454	(90)	1,363
Investments in equity-method affiliates	-	148	12,074	-	12,222	-	12,222

(NOTE)

- 1 Adjustment of Sales to External Customers was recorded by the Company as a pure holding company.
- 2 Adjustment of segment income (loss) is the elimination of intersegment transactions, Adjustment of unrealized gains on inventories, and our income (loss) not allocated to the respective Reportable segments.
- 3 Segment income (loss) is adjusted with Operating income of quarterly Consolidated Statements of Income.

II Third Quarter Consolidated (From April 1, 2022 to December 31, 2022)

1. Net Sales and Profit Amounts by Reportable segments

(Yen in millions)

	Reportable segments					Adjustment (NOTE 1,2)	Amount shown recorded on consolidated income statements (NOTE 3)
	Japan	South Korea	China	Others	Total		
Net sales							
Sales to External Customers	39,934	40,948	3,637	-	84,520	1,579	86,099
Intersegment Sales or Transfers	3,319	747	93	-	4,160	(4,160)	-
Total	43,254	41,695	3,730	-	88,680	(2,581)	86,099
Segment profit	4,437	3,251	261	-	7,950	(650)	7,300
Other Items							
Equity in earnings of affiliates	-	321	2,059	-	2,381	-	2,381
Investments in equity-method affiliates	-	335	16,455	-	16,790	-	16,790

(NOTE)

- 1 Adjustment of Sales to External Customers was recorded by the Company as a pure holding company.
- 2 Adjustment of segment income (loss) is the elimination of intersegment transactions, Adjustment of unrealized gains on inventories, and our income (loss) not allocated to the respective Reportable segments.
- 3 Segment income (loss) is adjusted with Operating income of quarterly Consolidated Statements of Income.

2. Changes in Reportable Segments

From the first quarter of the fiscal year under review, as the Company changed to a pure holding company structure in April 2022, which was included in "Japan". Accordingly, the method of inclusion in "Adjustments" has been changed. The segment data for the Q3 Consolidated of the previous year has been prepared using the new classification method.

3. Supplementary information

Overseas sales

Previous Q3 Consolidated (From April 1, 2021 to December 31, 2021)

(Yen in millions, %)

	South Korea	China	Others	Total
I Overseas sales	34,408	6,291	966	41,666
II Consolidated net sales				76,681
III. Percentage of overseas net sales in consolidated net sales	44.9	8.2	1.3	54.3

Current Q3 Consolidated (From April 1, 2022 to December 31, 2022)

(Yen in millions, %)

	South Korea	China	Others	Total
I Overseas sales	38,758	8,043	2,092	48,895
II Consolidated net sales				86,099
III Percentage of overseas net sales in consolidated net sales	45.0	9.3	2.4	56.8

(NOTE) Net Sales is classified by country/region based on the location of customers.

- end -