

# DESCENTE

## Q3 FY2022 Financial Summary

### February 6, 2023

Disclaimer: This is an English translation of the original Japanese-language Consolidated Financial Summary of DESCENTE LTD. (the Company) for Q3 of the fiscal year ending 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: Q3 = October - December*

**<Overseas subsidiaries / Affiliate> January-December** *Example: Q3=July–September*

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

## Numerical rule

**The number is truncated and percentage is rounded off.**

# Matters Related to Changes in Reportable segments



## [Segment breakdown]

From Q1 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 Q2)	LE COQ SPORTIF (NINGBO) CO., LTD (from Q4)	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. Q3 of FY2022

① **Financial Summary**

② Brand Review

③ Number of stores

Plan for FY2022

# Results of Q3 FY2022 (Consolidated)



1. Q3 of FY2022 ①Financial Summary

- Q3 (Japan: April - December, Overseas: January - September) saw year-on-year growth in sales and profits, continuing from Q2.

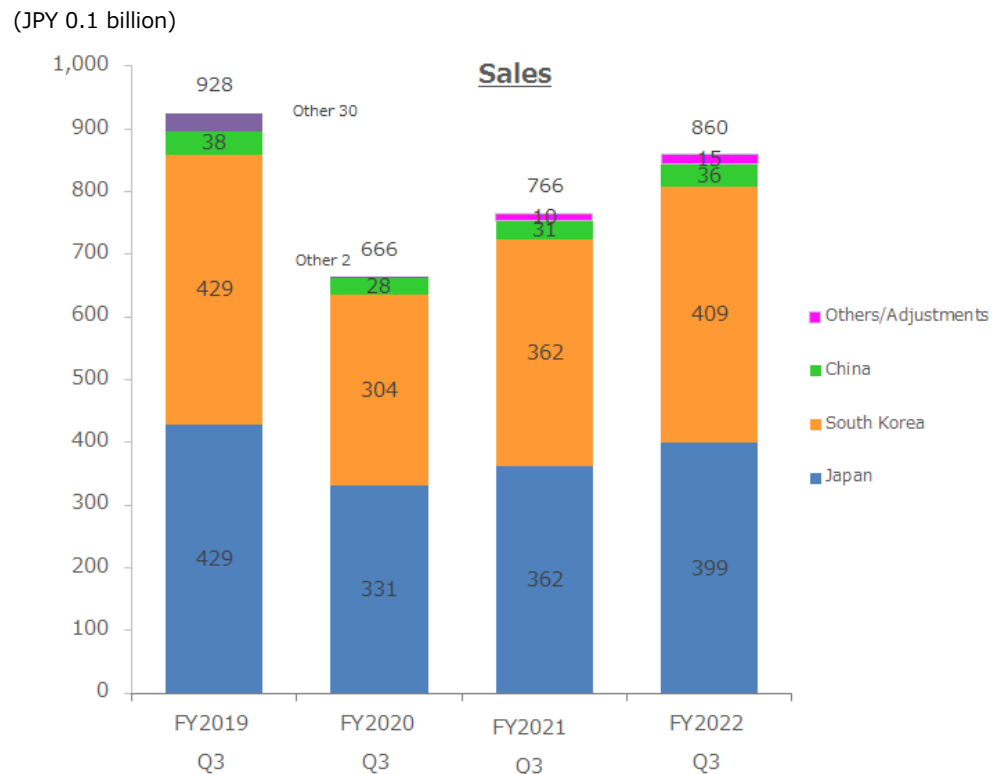
(Unit: JPY million)	FY2022 3rd Quarter performance	FY2021		FY2022 Forecast (as of Nov. 7. 2022)
		3rd Quarter performance	YoY	
Net sales	86,099	76,681	112.3%	118,000
Operating income	7,300	4,380	166.7%	8,100
( % to Net sales)	8.5%	5.7%	-	6.9%
Ordinary income	10,445	5,832	179.1%	12,300
( % to Net sales)	12.1%	7.6%	-	10.4%
Profit attributable to owners of parent	10,172	4,952	205.4%	10,000
( % to Net sales)	11.8%	6.5%	-	8.5%

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



1. Q3 of FY2022 ①Financial Summary

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



**YoY +9.4 billion yen  
(112%)**

Japan	+¥3.7 billion
South Korea	+¥4.7 billion
(Currency factor +¥2.1 billion)	
China	+¥0.5 billion
(Currency factor +¥0.4 billion)	
Adjustment	+¥0.5 billion

[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.

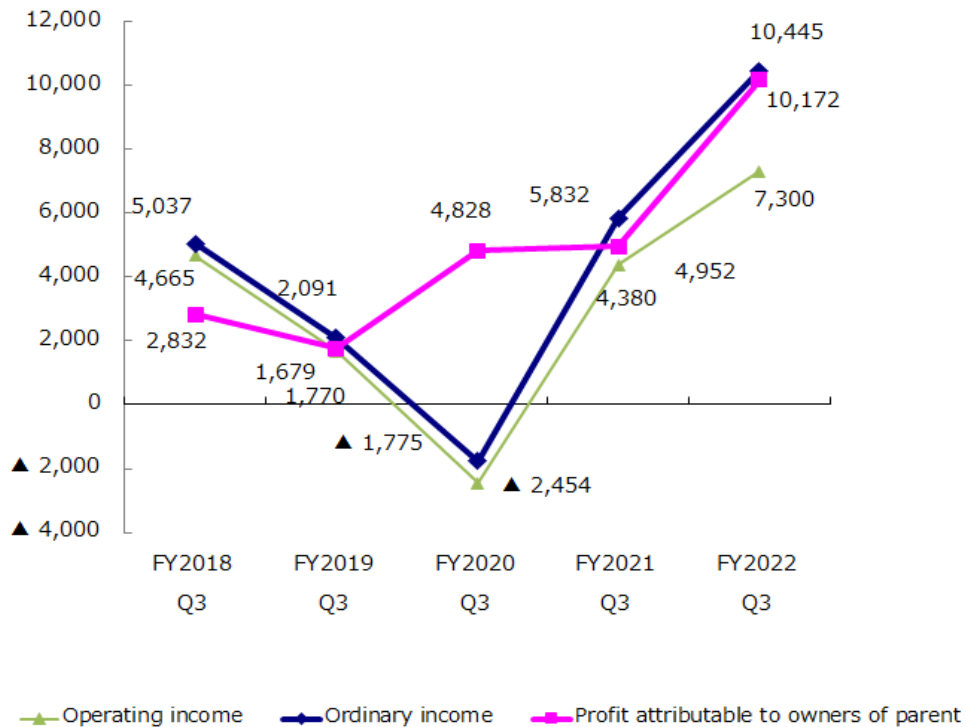
# Earnings (Consolidated)



1. Q3 of FY2022 ①Financial Summary

- Significant increase in Operating income due to increase in Net Sales and gross profit.
- Ordinary income increased substantially due to growth in the “arena” business of South Korea and DESCENTE business of China, which are developed by equity affiliates.
- Recorded 2,132(JPY million) of gain on step acquisitions of LE COQ SPORTIF (NINGBO)CO., LTD. in extraordinary income, etc. in Q3.

(JPY million)



(JPY million)	FY2022	FY2021	Impact in Profit*
<b>Operating income</b>	<b>7,300</b>	<b>4,380</b>	<b>+ 2,920</b>
Non-operating income	3,263	1,699	<b>+ 1,563</b>
Non-operating expenses	118	247	<b>+ 128</b>
<b>Ordinary income</b>	<b>10,445</b>	<b>5,832</b>	<b>+ 4,613</b>
Extraordinary income	2,132	1,869	<b>+ 263</b>
Extraordinary loss	0	62	<b>+ 62</b>
Total income taxes	2,405	2,687	<b>+ 282</b>
<b>Profit attributable to owners of parent</b>	<b>10,172</b>	<b>4,952</b>	<b>+ 5,220</b>

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

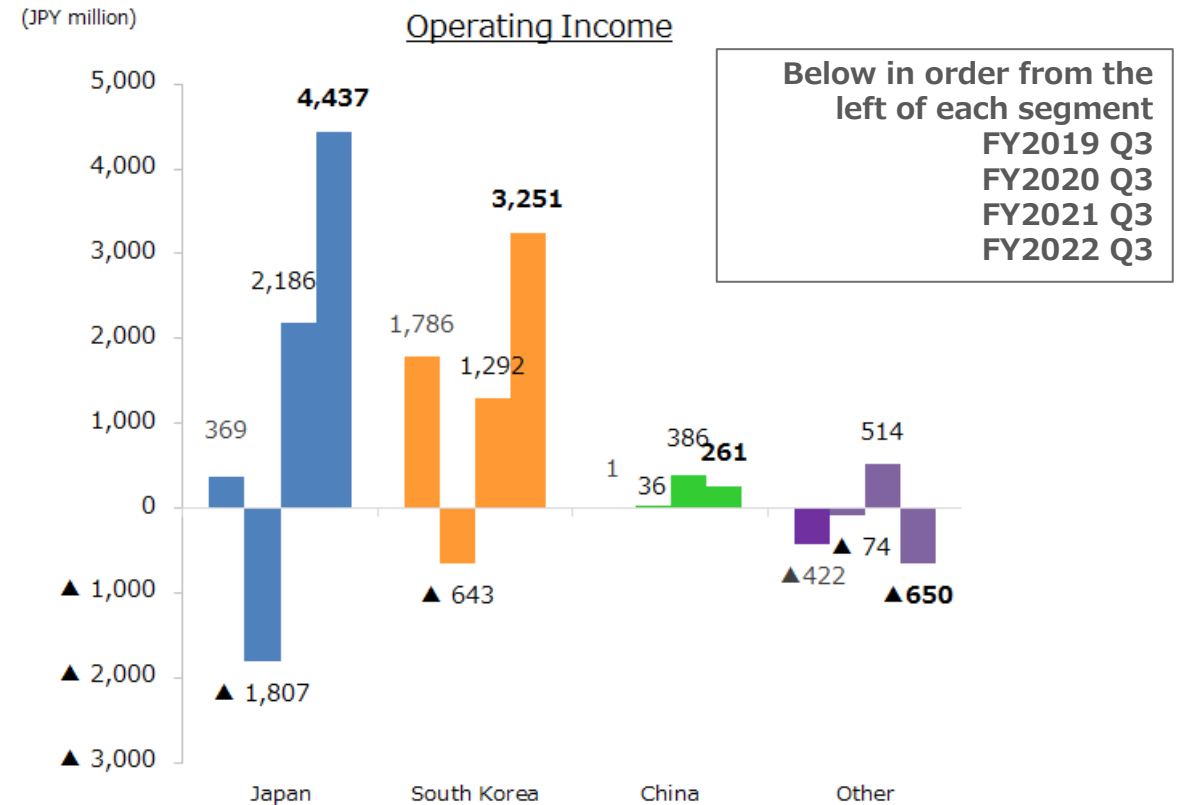
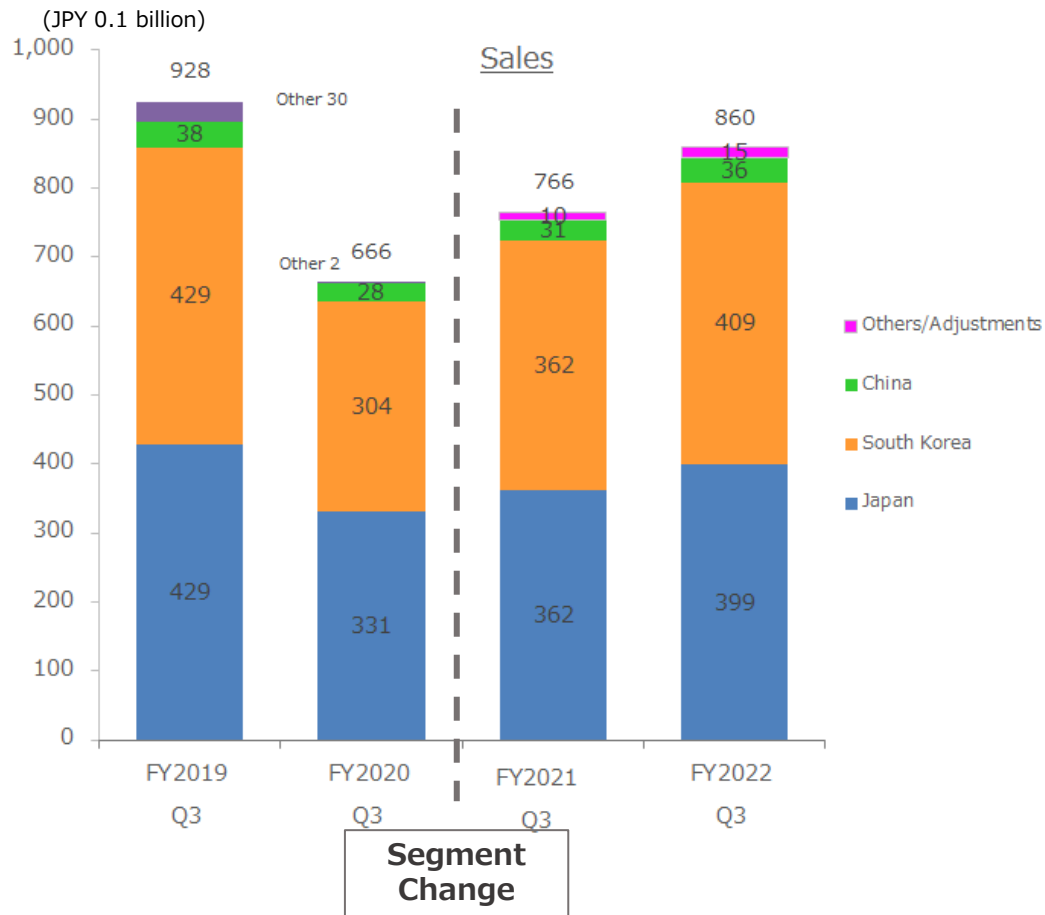
NOTES: FY2022 = FY ending March, 2023

# Sales and Operating Income by Segments(Consolidated)



1. Q3 of FY2022 ①Financial Summary

- Higher sales and profits at Japan due to lower product returns and discount rates and higher sales at various brands/lines
- Higher sales and profits at “umbro” drove South Korea business
- China sales increased due to ARENA (SHANGHAI) INDUSTRIAL CO., LTD.'s Consolidated acquisition from Second quarter, but profit decreased from August onwards due to frequent lockdowns by COVID-19.



NOTES: FY2022 = FY ending March, 2023

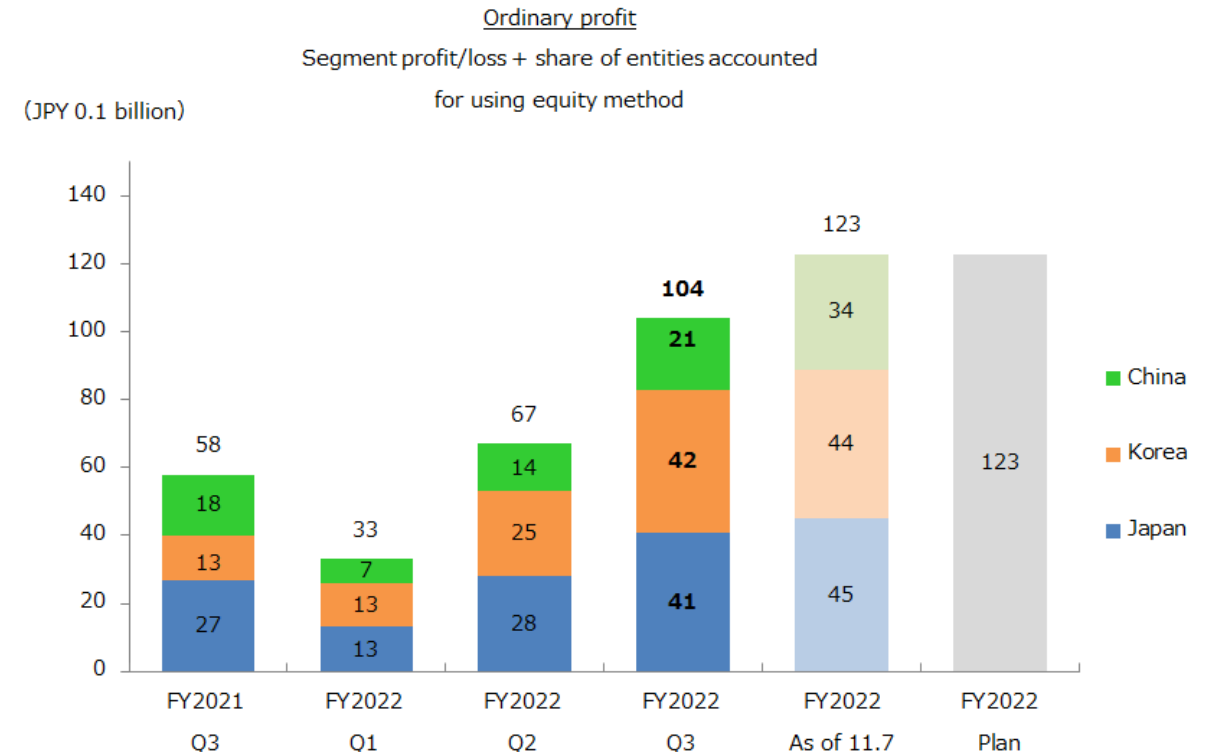
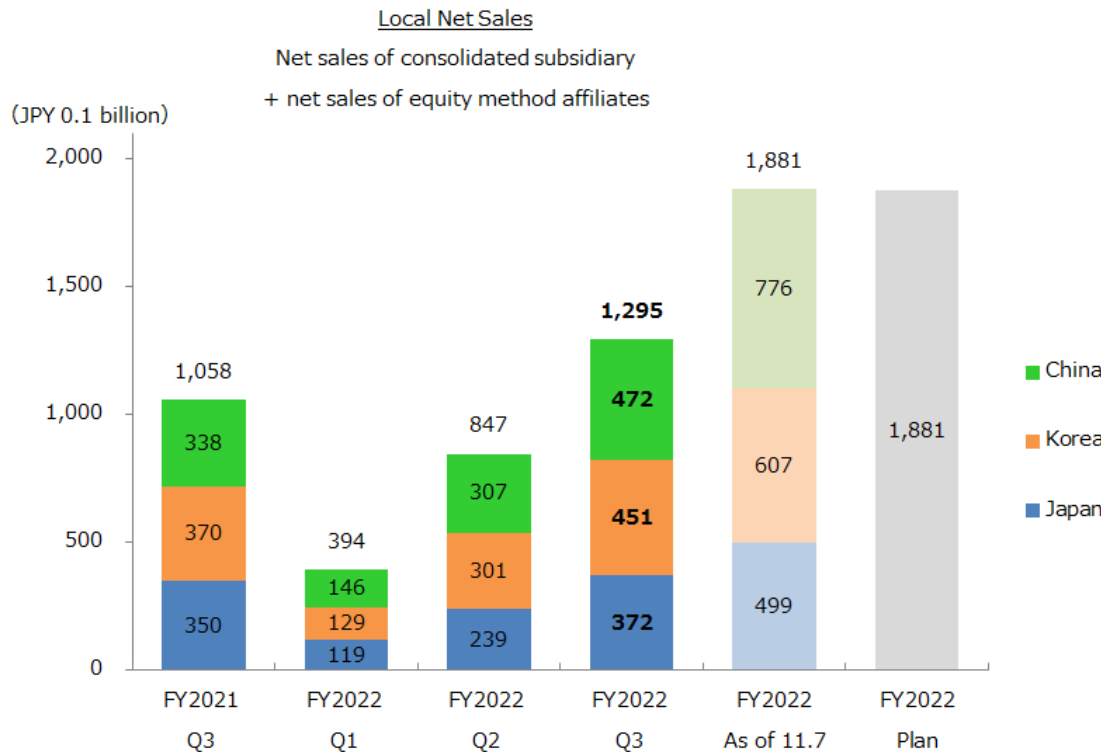


# Forecast Sales and Profit in Japan / South Korea / China (≠Consolidated profit/loss)



1. Q3 of FY2022 ①Financial Summary

- China is slowing due to the COVID-19, but Japan and South Korea sales and earnings are both steady.
- The fourth quarter (October-December) of the overseas subsidiaries has been finalized, but the segment breakdown of the full-year outlook is not disclosed.



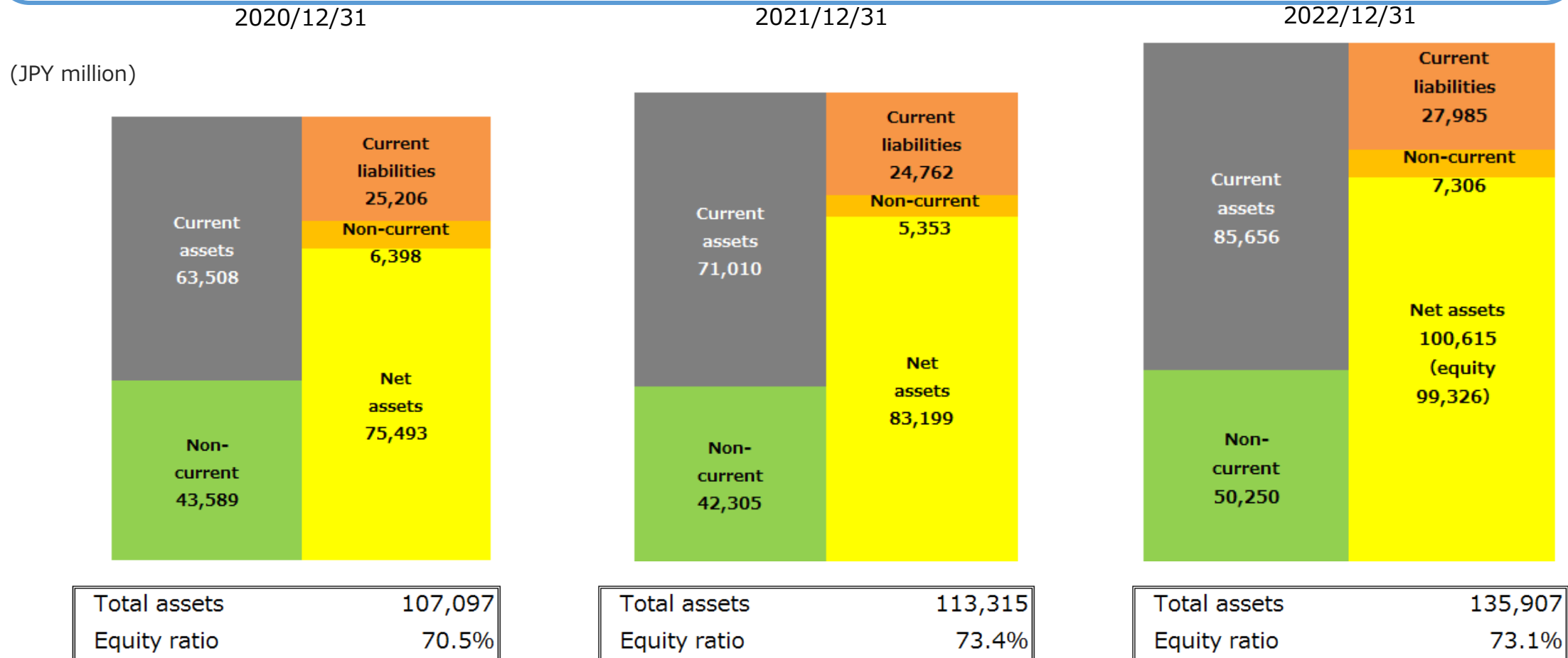
NOTES: FY2022 = FY ending March, 2023

# Balance Sheet Trends (Consolidated)



1. Q3 of FY2022 ①Financial Summary

- Current assets increased due to an increase in cash and deposits resulting from strong performance and an increase in inventories resulting from the conversion of ARENA (SHANGHAI) INDUSTRIAL CO., LTD. and LE COQ SPORTIF (NINGBO) CO., LTD. into Consolidated subsidiaries. (Currency exchange factor: +4.4 billion yen)
- Net assets increased due to increase in Retained earnings and Foreign currency translation adjustment.
- Total assets is 135.9 billion yen, an increase of 22.5 billion yen compared to previous year (Currency exchange factor: +5.8 billion yen).



## **1. Q3 of FY2022**

① Financial Summary

② Brand review

③ Number of stores

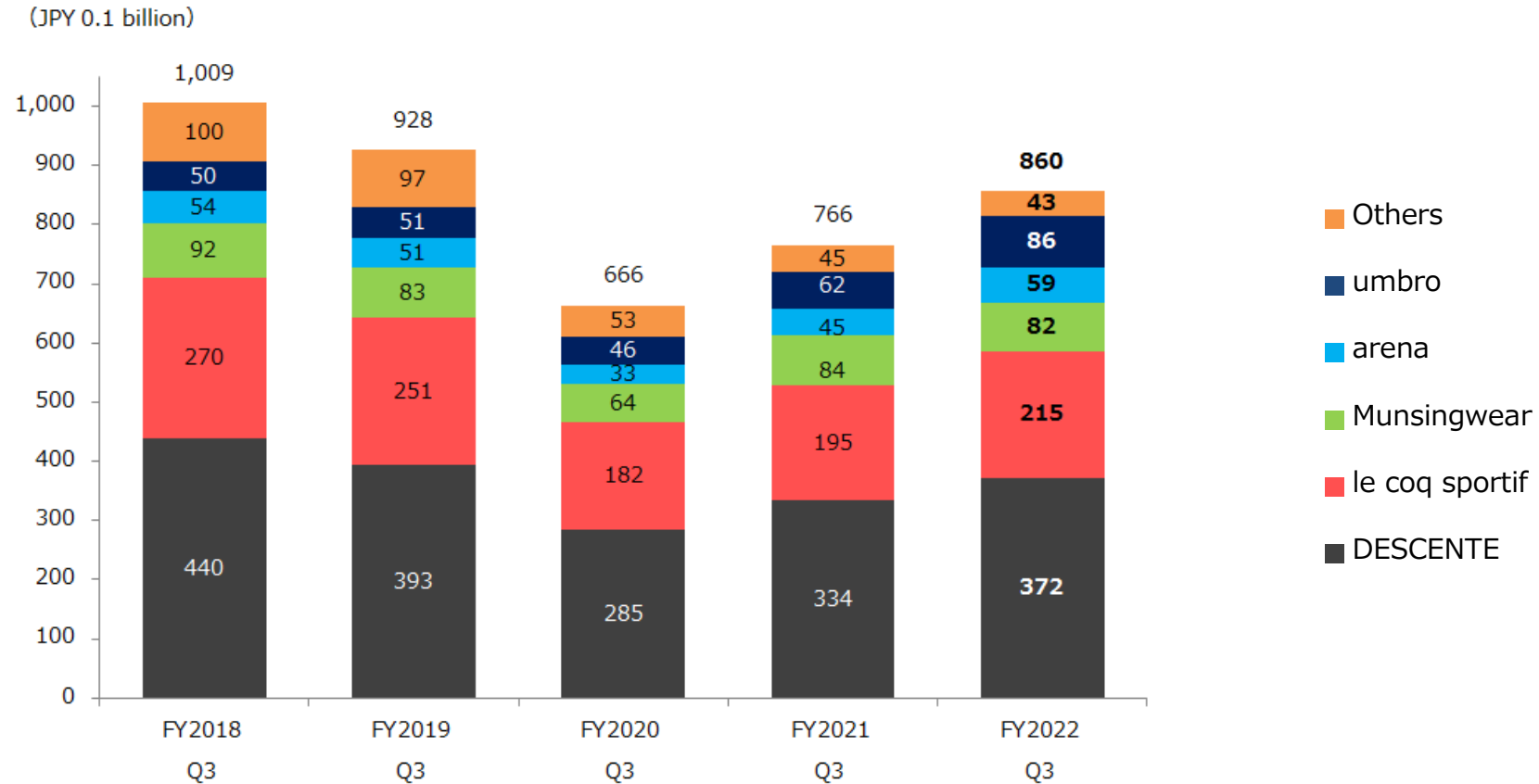
## **2. Plan for FY2022**

# Brand Review-Net sales (Consolidated)



1. Q3 of FY2022 ②Brand review

- Sales increased for the main brands "DESCENTE" and "le coq sportif"



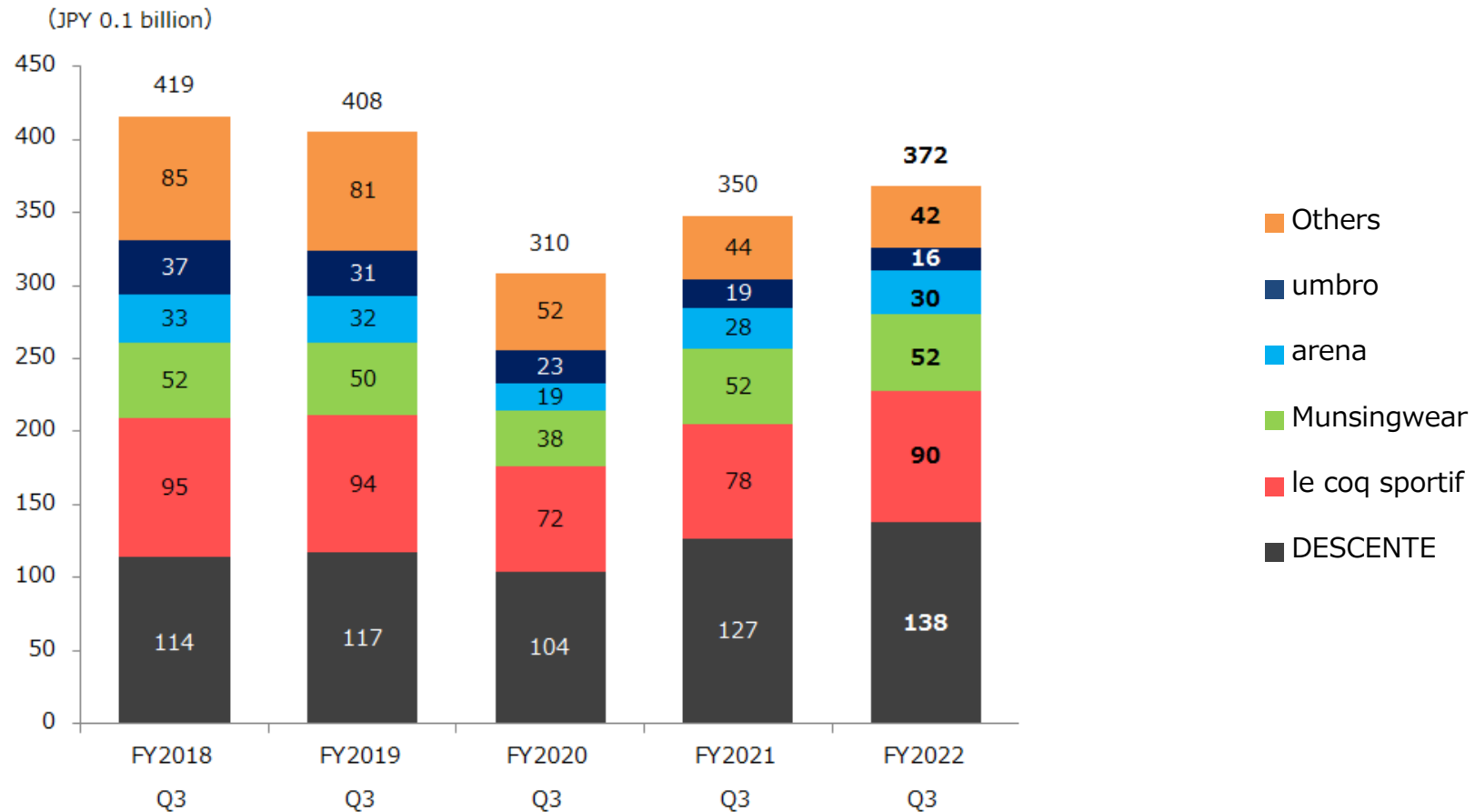
NOTES: FY2022 = FY ending March, 2023

# Brand Sales(Japan)



1. Q3 of FY2022 ②Brand review

- Sales of “DESCENTE” increased in DTC such as directly managed stores and e-commerce, while sales in the winter and golf categories were strong, and sales in the golf category were strong in “le coq sportif”, contributing to higher sales.



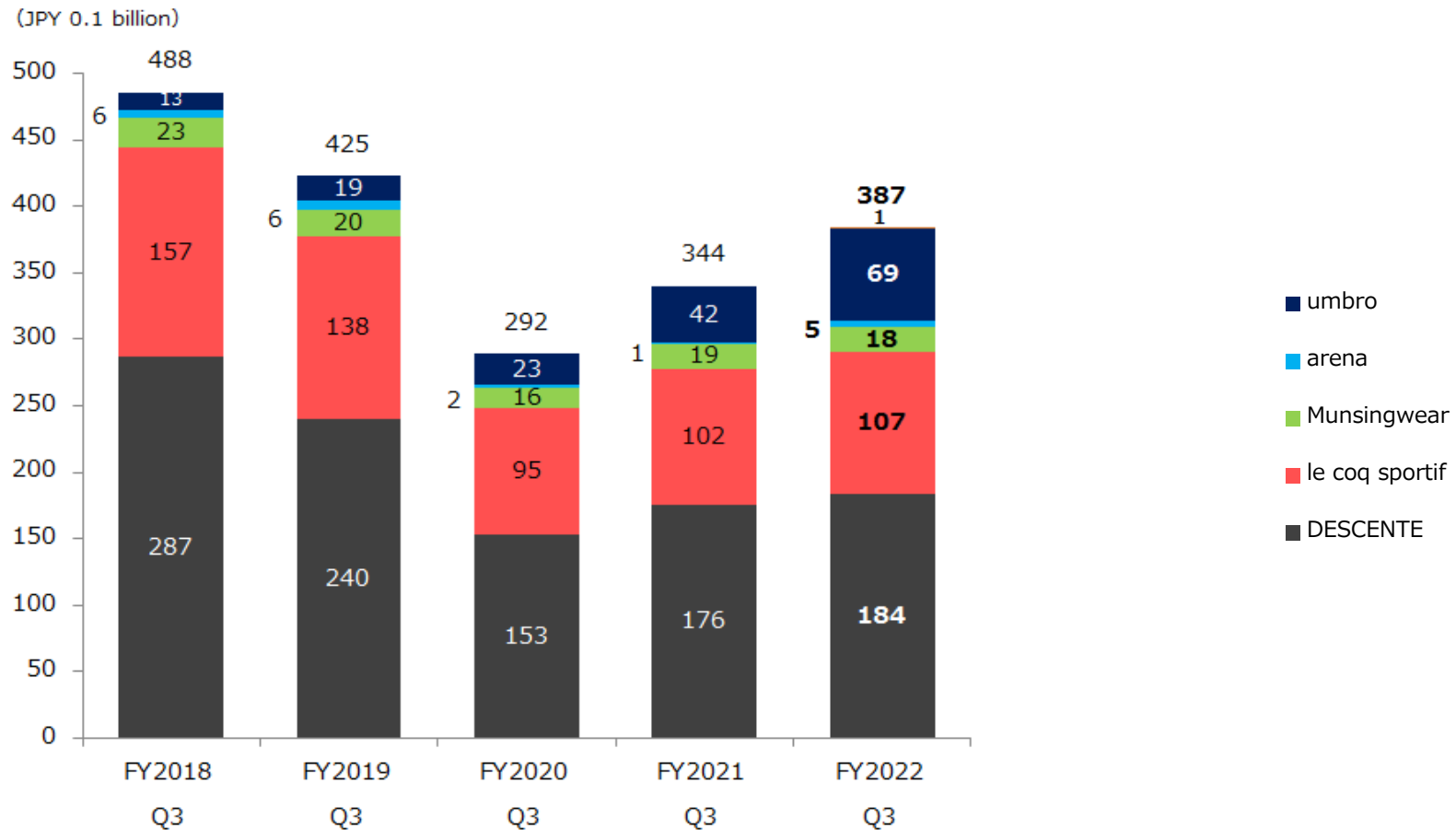
NOTES: FY2022 = FY ending March, 2023

# Brand Sales (South Korea)



1. Q3 of FY2022 ②Brand review

- Strong performance of “umbro” has continued to drive sales



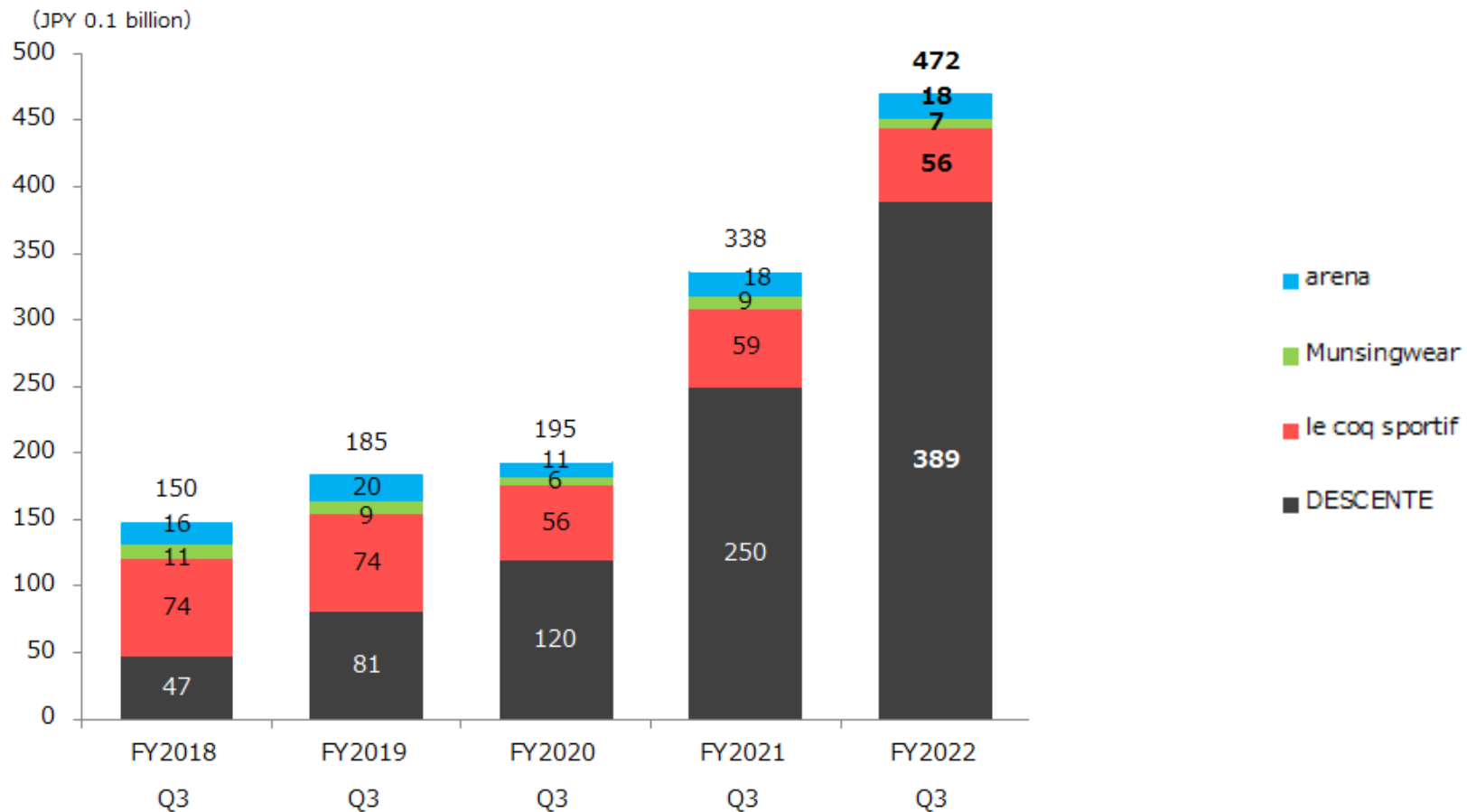
NOTES: FY2022 = FY ending March, 2023

# Trends in local Net Sales in China



1. Q3 of FY2022 ②Brand review

- In Third Quarter, despite the intermittent implementation of COVID-19 lockdowns, equity-method affiliate “DESCENTE” grew significantly, and “arena” also performed strongly.



※ Local Net Sales  
 = Local subsidiary Net Sales  
 + Net Sales of local equity-  
 method affiliates  
 -Net Sales for local affiliates  
 accounted for by the equity  
 method

※Excluding Taiwan

NOTES: FY2022 = FY ending March, 2023

## **1. Q3 of FY2022**

① Financial Summary

② Brand Reviews

③ **Number of stores**

## **2. Plan for FY2022**



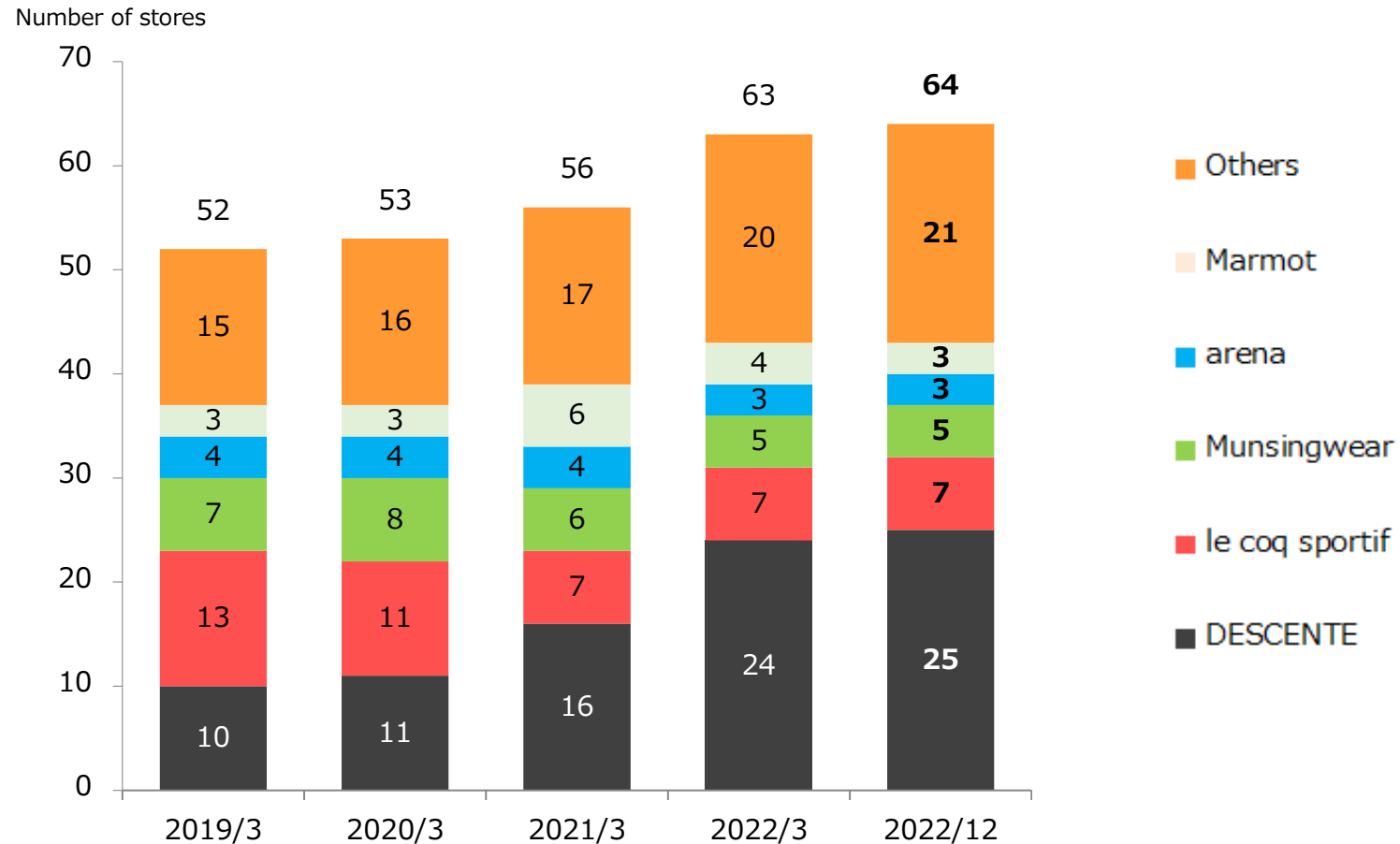
# Number of stores in Japan (directly managed stores)



1. Q3 of FY2022 ③Number of stores

- No significant change in the number of stores

※Including outlet stores.

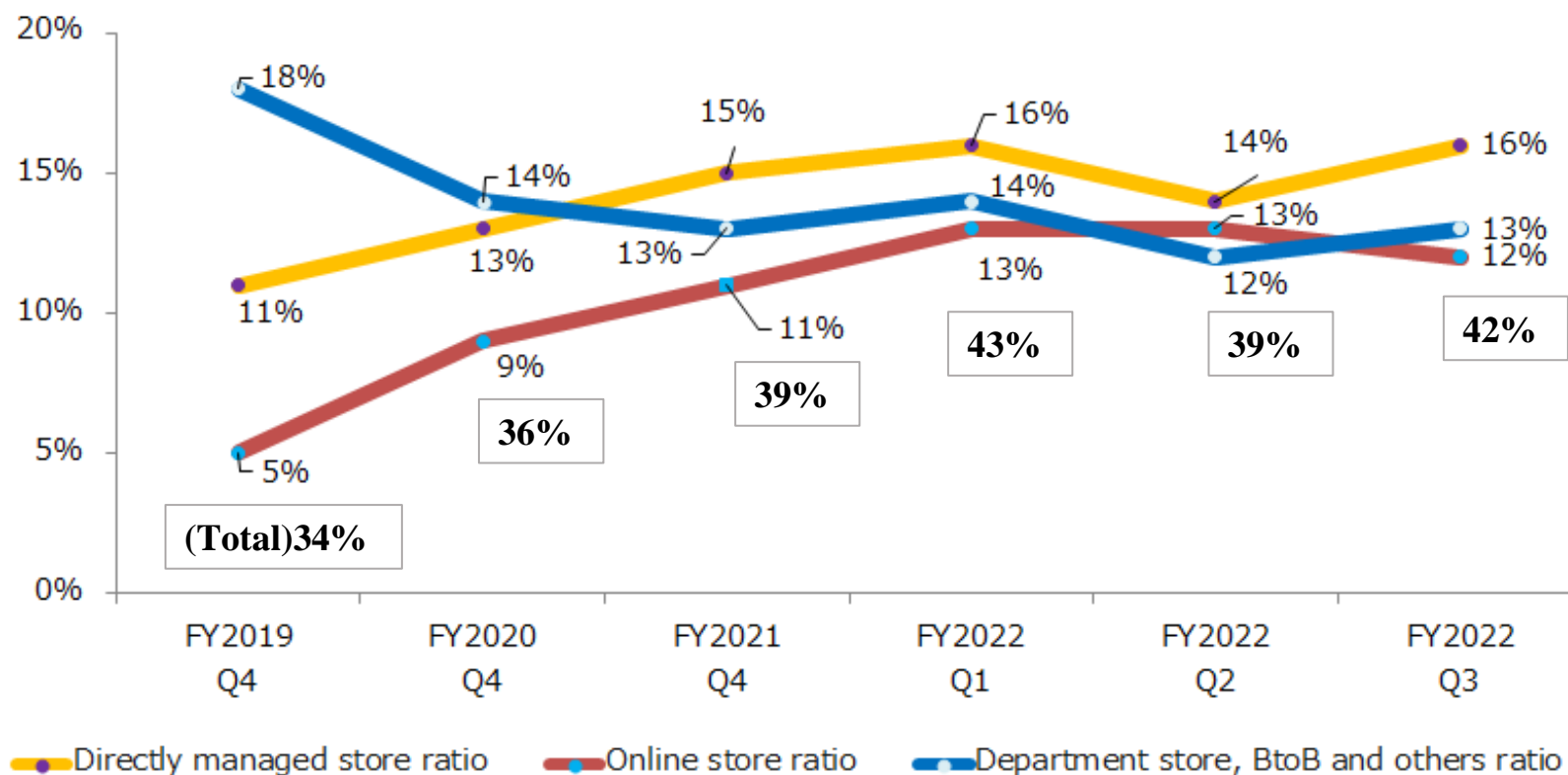


# Directly managed stores / Online stores sales composition ratio in Japan



1. Q3 of FY2022 ③Number of stores

- Solid DTC composition ratio



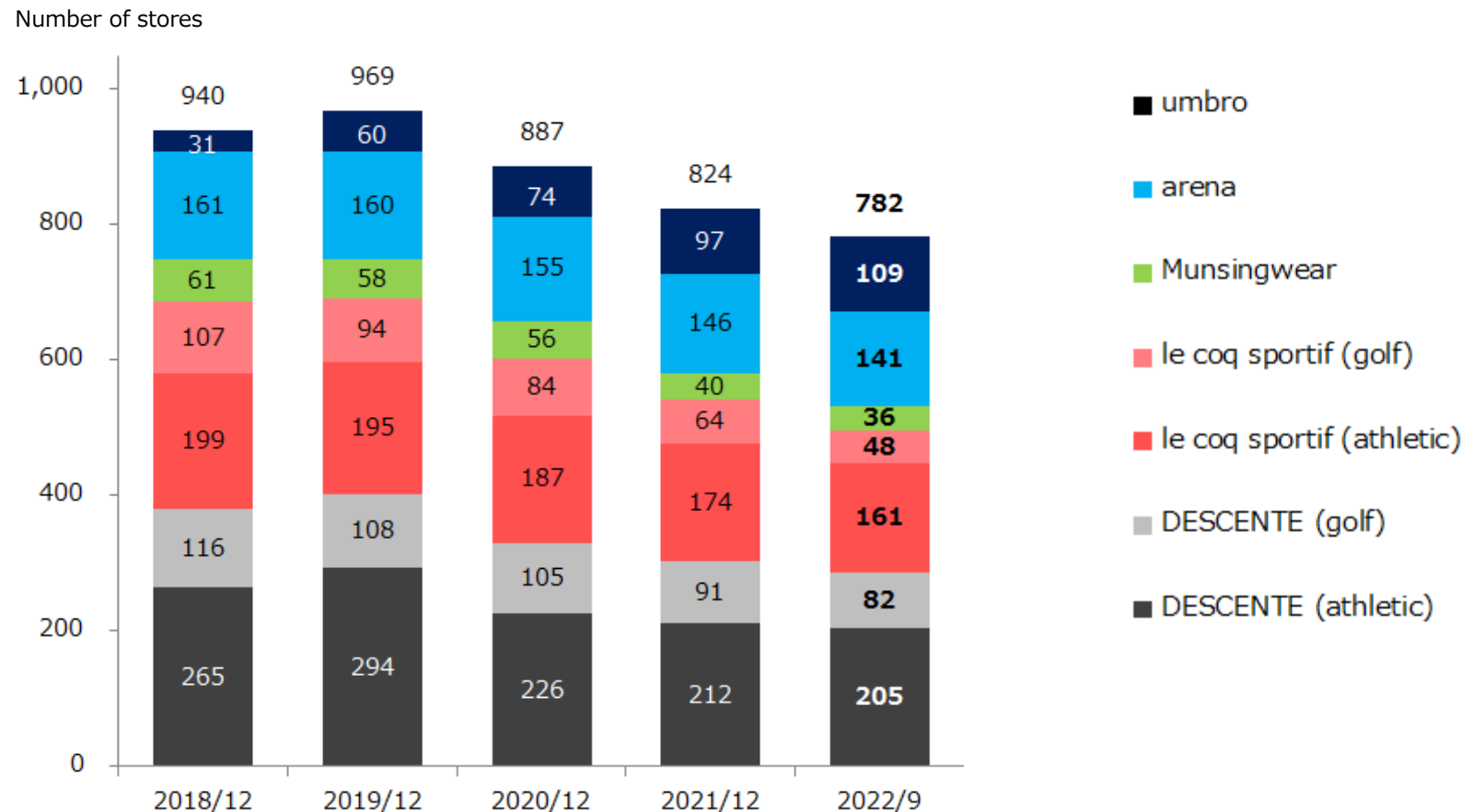
# Number of Stores in South Korea



1. Q3 of FY2022 ③Number of stores

- Continue to open “umbro” , which is performing well, and aim to increase efficiency by further streamlining other brands.

※Includes agency merchants and outlet stores.



# Number of Stores in China



1. Q3 of FY2022 ③Number of stores

- “DESCENTE” expands store floor space per store by opening stores focused on large-scale stores and relocating to better locations.

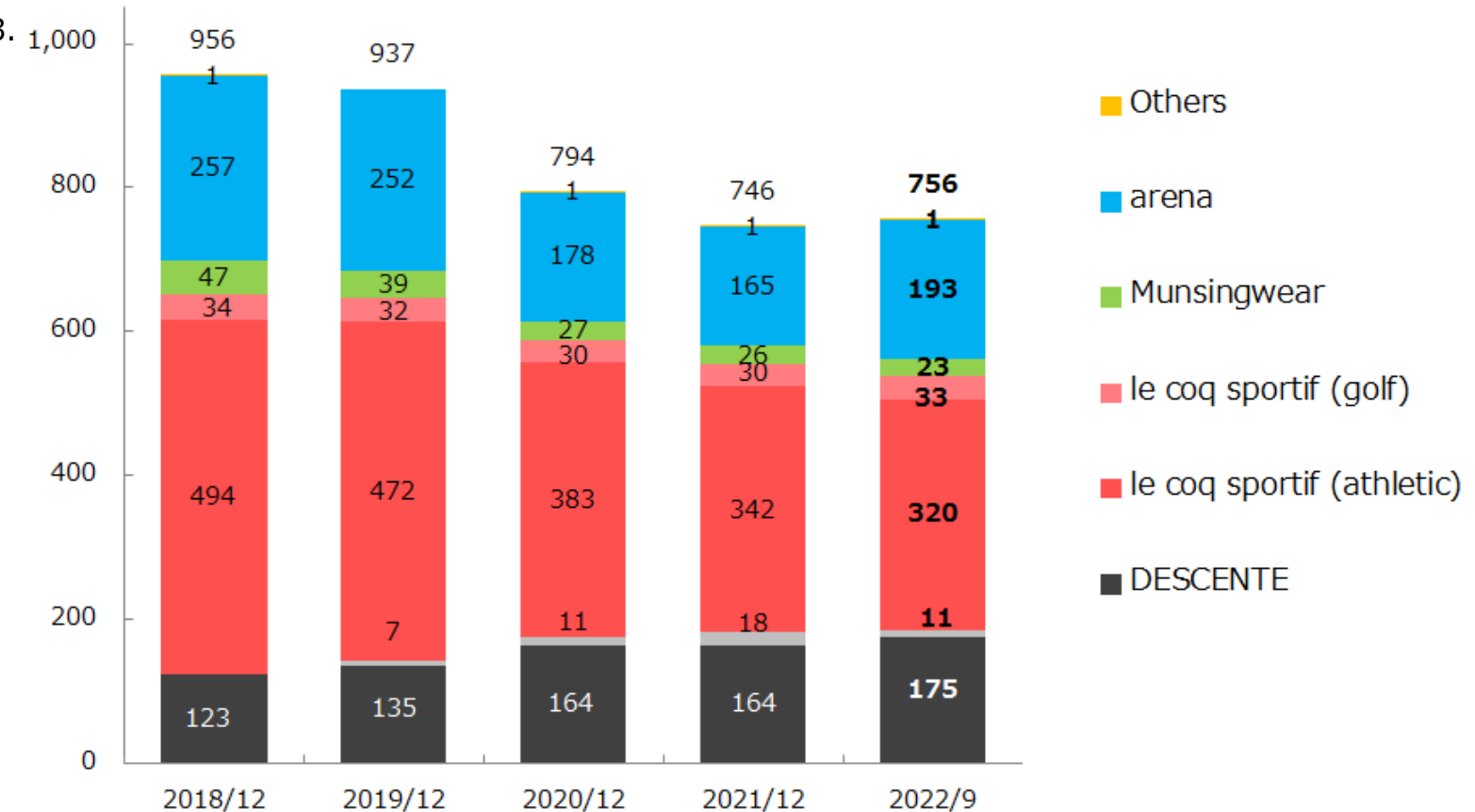
※Excluding Taiwan

※Including stores of commercial agents and outlets

※The aggregation method for

DESCENTE (athletic) and DESCENTE (golf) has been partially changed from FY2022 Q3.

Number of stores



## 1. Q3 of FY2022

① Summary

② Review by Brand

③ Number of stores

## 2. Plan for FY2022

# FY2022 Consolidated Earnings Forecast



1. Plan for FY2022

- Based on the anticipated implementation of brand restructuring in China and the fact that the Q4 remains, Japan will remain unchanged from the announced plan on November 7, 2022

(Unit: JPY million)	FY2020	FY2021	FY2022	
			Forecast (as of Nov.7.2022)	YoY
Net sales	96,862	108,892	118,000	+ 9,108 (108.4%)
Operating income	▲ 1,806	5,138	8,100	+ 2,962 (157.6%)
( % to Net sales)	▲ 1.9%	4.7%	6.9%	-
Ordinary income	▲ 584	7,556	12,300	+ 4,744 (162.8%)
( % to Net sales)	▲ 0.6%	6.9%	10.4%	-
Profit attributable to owners of parent	5,039	6,229	10,000	+3,771 (160.5%)
( % to Net sales)	5.2%	5.7%	8.5%	-

Planned rates: 100KRW:10.13, CNY:19.69, HKD:17.00

# FY2022 Dividend Forecast



## 1. Plan for FY2022









- Based on Payout ratio 30% guideline for the full-year Consolidated earnings forecast announced on November 7, 2022, the dividend per share was raised to a record high of 40 yen.

(Unit: JPY million)	FY2018	FY2019	FY2020	FY2021	FY2022 Plan (as of May.12.2022)	FY2022 Plan (as of Feb.6.2023)
Dividends	1,960	-	-	1,886	2,113	<b>3,020</b>
Amount/share	JPY26.0	-	-	JPY25.0	JPY28.0	<b>JPY40.0</b>
Profit attributable to owners of parent (Consolidated)	3,944	▲ 2,481	5,039	6,229	7,000	<b>10,000</b>
Payout ratio	49.7%	-	-	30.3%	30.2%	<b>30.2%</b>

# Affiliated Companies in China: Summary



As of end of Feb. 2023

	Consolidated Subsidiaries				Affiliated Companies (Equity Method)
Company Name	SHANGHAI DESCENTE COMMERCIAL CO., LTD.	HONG KONG DESCENTE TRADING, LTD.	*ARENA (SHANGHAI) INDUSTRIAL CO., LTD.	LE COQ SPORTIF (NINGBO) CO., LTD.	DESCENTE(CHINA) Co., LTD.
Location	Shanghai	Hong Kong	Shanghai	Ningbo	Shanghai
Incorporated	August, 2005	November, 2003	October, 2016	February, 2004	July, 2016
Fiscal Year	January – December				
Investment Ratio	<b>DESCENTE GROUP</b> <b>100%</b>	<b>DESCENTE GROUP</b> <b>100%</b>	<b>DESCENTE GROUP</b> <b>100%</b>	<b>DESCENTE GROUP</b> <b>75%</b> Itochu Group 25%	<b>DESCENTE GROUP</b> <b>40%</b> ANTA Group 54% Itochu Group 6%
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 Q1 (Consolidated) in FY 2022 and incorporated into Consolidated results from Q2.

※LE COQ SPORTIF (NINGBO) CO., LTD. became a subsidiary of Q3 (Consolidated) in FY 2022 and incorporated into Consolidated results from Q4.



## Foreign Exchange rate

		USD	100KRW	CNY	HKD	SGD	GBP
FY2022	Q4 YTD plan	-	10.22	19.50	16.86	-	-
	Q3 YTD	-	10.13	19.46	16.52	-	-
	Q2 YTD	-	10.06	19.13	15.90	-	-
	Q1 YTD	-	9.77	18.56	15.08	-	-
FY2021	Q4 YTD	-	9.64	17.12	14.20	82.17	-
	Q3 YTD	-	9.62	16.86	14.05	81.46	-
	Q2 YTD	-	9.69	16.76	13.98	81.36	-
	Q1 YTD	-	9.55	16.45	13.81	80.26	-
FY2020	Q4 YTD	106.04	9.06	15.42	13.72	77.27	-
	Q3 YTD	106.74	8.94	15.31	13.82	77.22	-
	Q2 YTD	107.48	8.95	15.32	13.95	77.30	-
	Q1 YTD	108.36	9.05	15.53	14.04	78.32	139.10
FY2019	Q4 YTD	109.24	9.41	15.82	13.95	80.12	139.49
	Q3 YTD	109.19	9.42	15.91	13.93	80.01	138.72
	Q2 YTD	109.92	9.62	16.23	14.03	81.01	142.37
	Q1 YTD	111.26	9.85	16.44	14.06	81.70	145.20
FY2018	Q4 YTD	110.34	10.04	16.64	14.08	81.71	146.73
	Q3 YTD	110.07	10.05	16.77	13.98	81.66	147.94
	Q2 YTD	108.81	10.05	17.01	13.84	81.54	148.83
	Q1 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 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.

- "FY2022" represents the fiscal year ended March 2023.
- "Q1 YTD" represents 3-month cumulative period up to the first quarter
- "Q2 YTD" represents 6-month cumulative period up to the second quarter.



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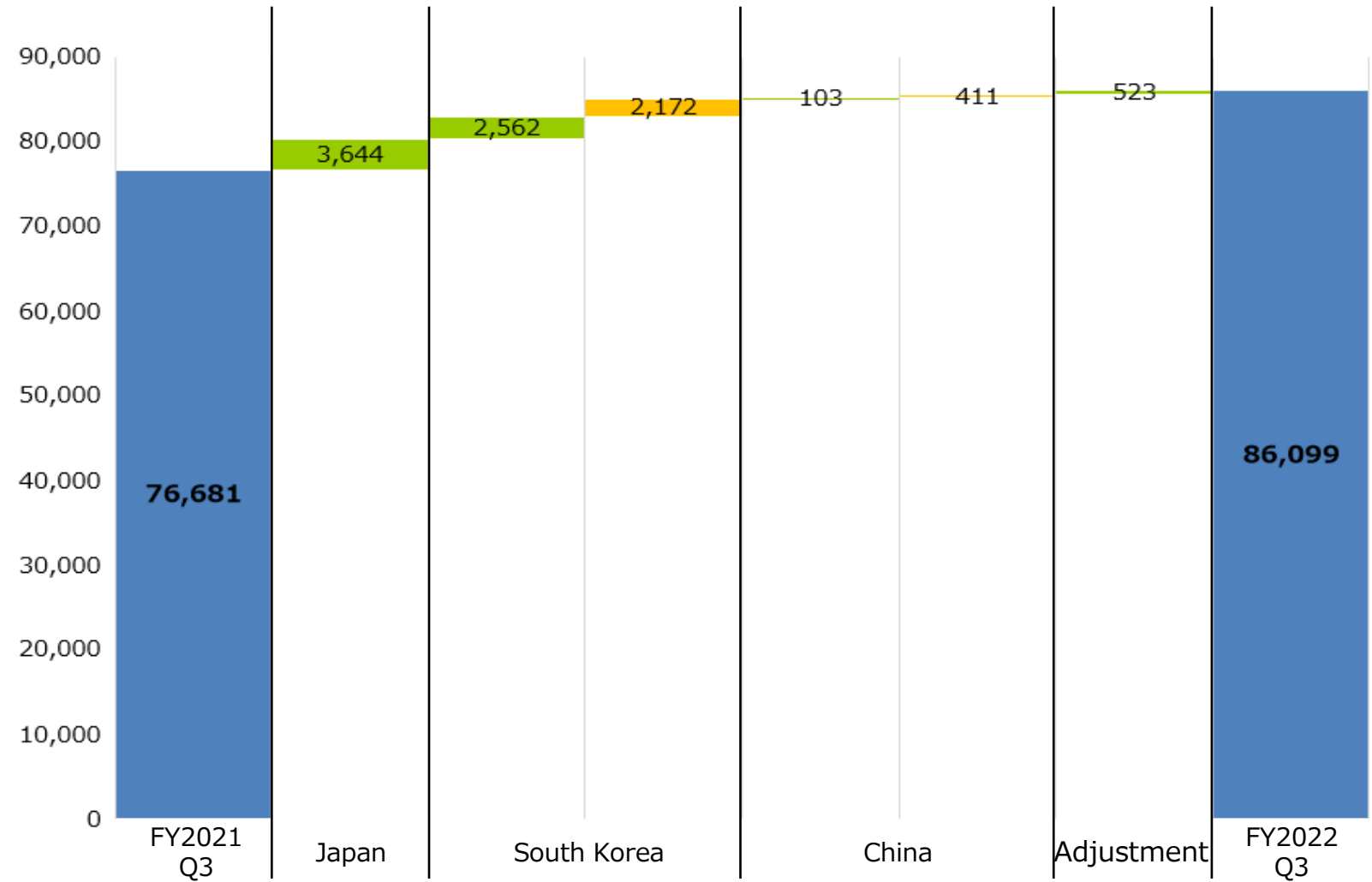
# **Q3 FY 2022 Reference**

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

# Changes in Net Sales by Segment (YoY)



(Yen in millions)



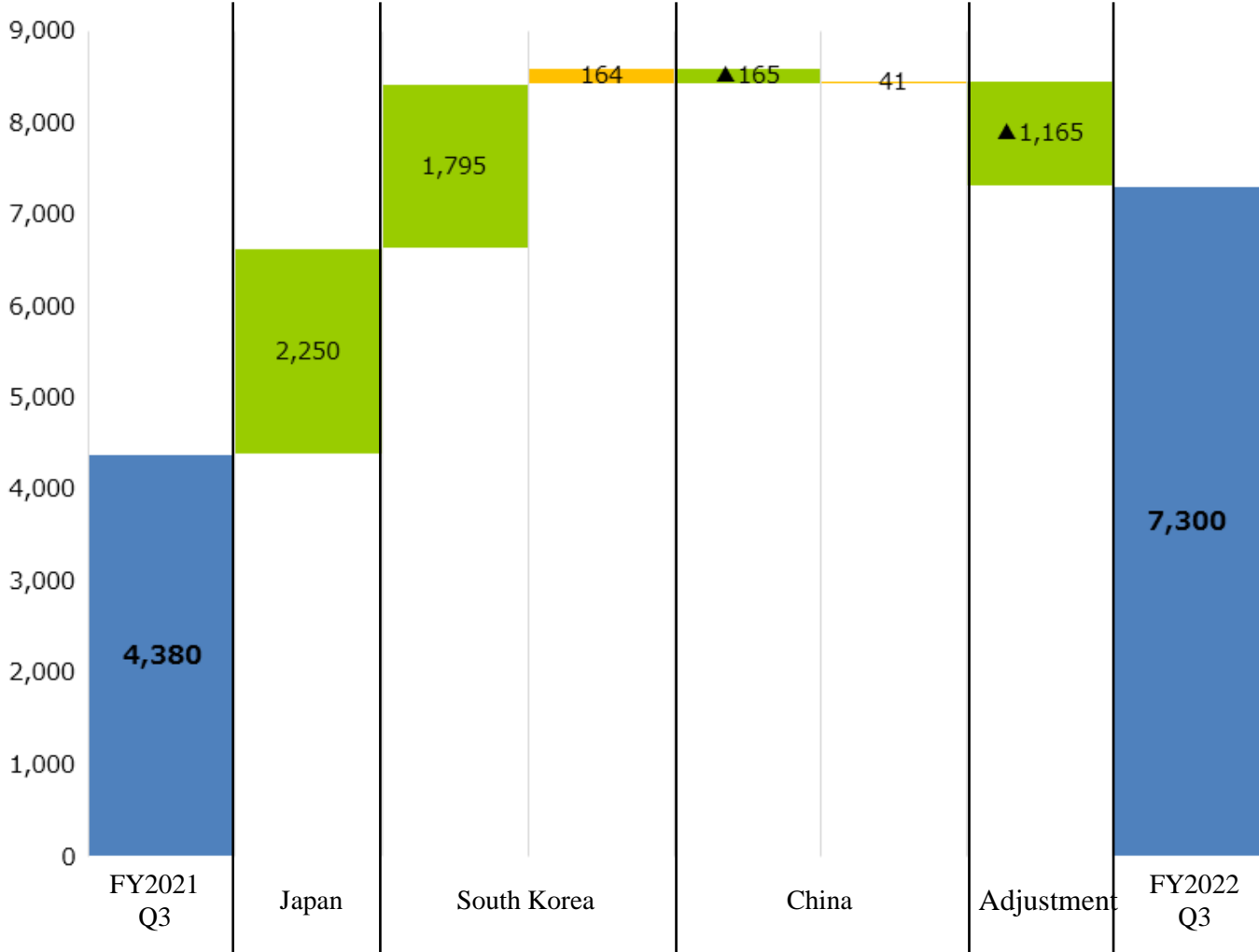
NOTES: FY2022 = FY ending March, 2023

■ Net Sales   
 ■ Actual Gain / Loss   
 ■ Forex Effect

# Changes in Operating income by Segment (YoY)



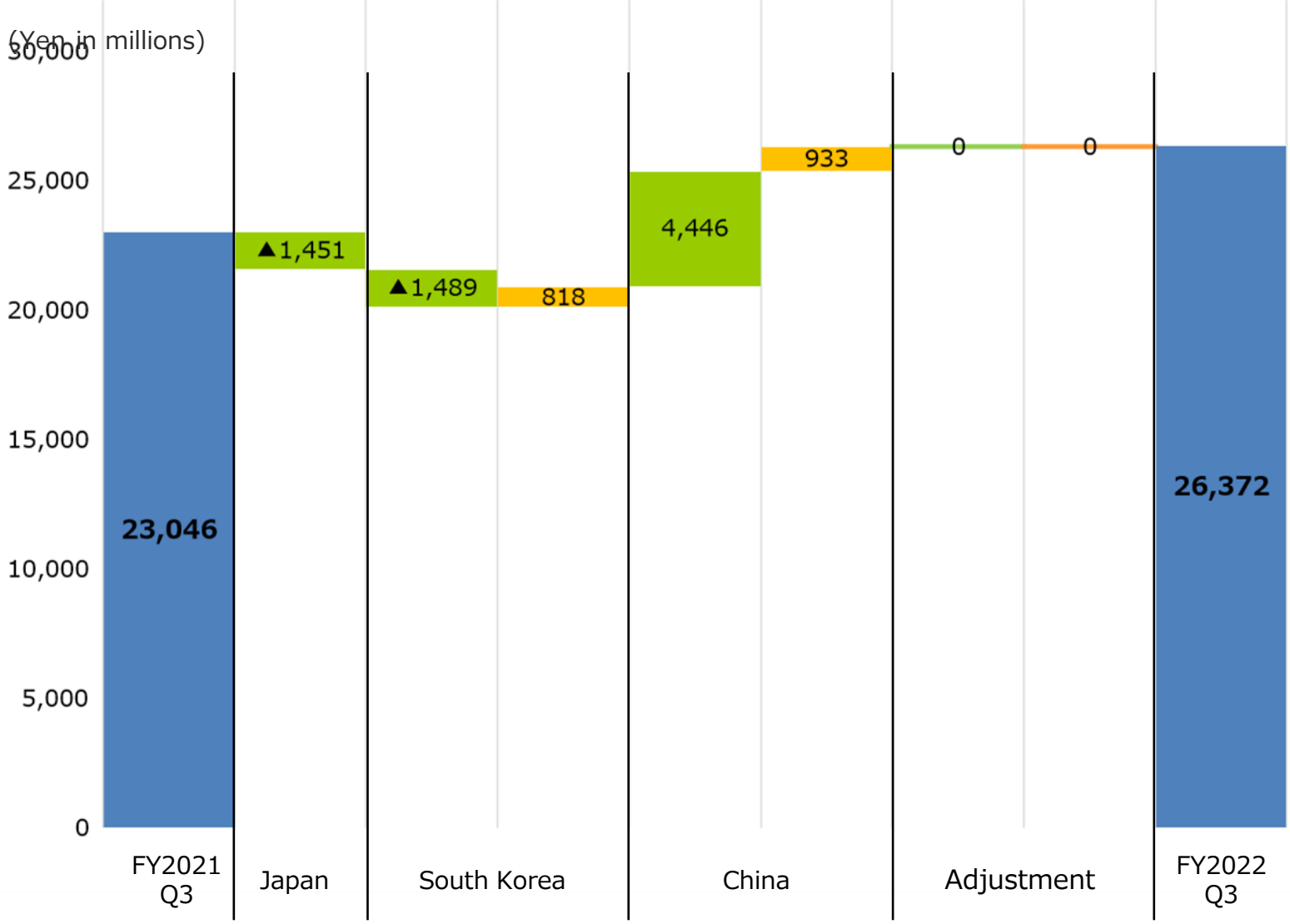
(Yen in millions)



NOTES: FY2022 = FY ending March, 2023

■ Operating income   
 ■ Actual Gain / Loss   
 ■ Forex Effect

# Changes in Inventories by Segment (YoY)



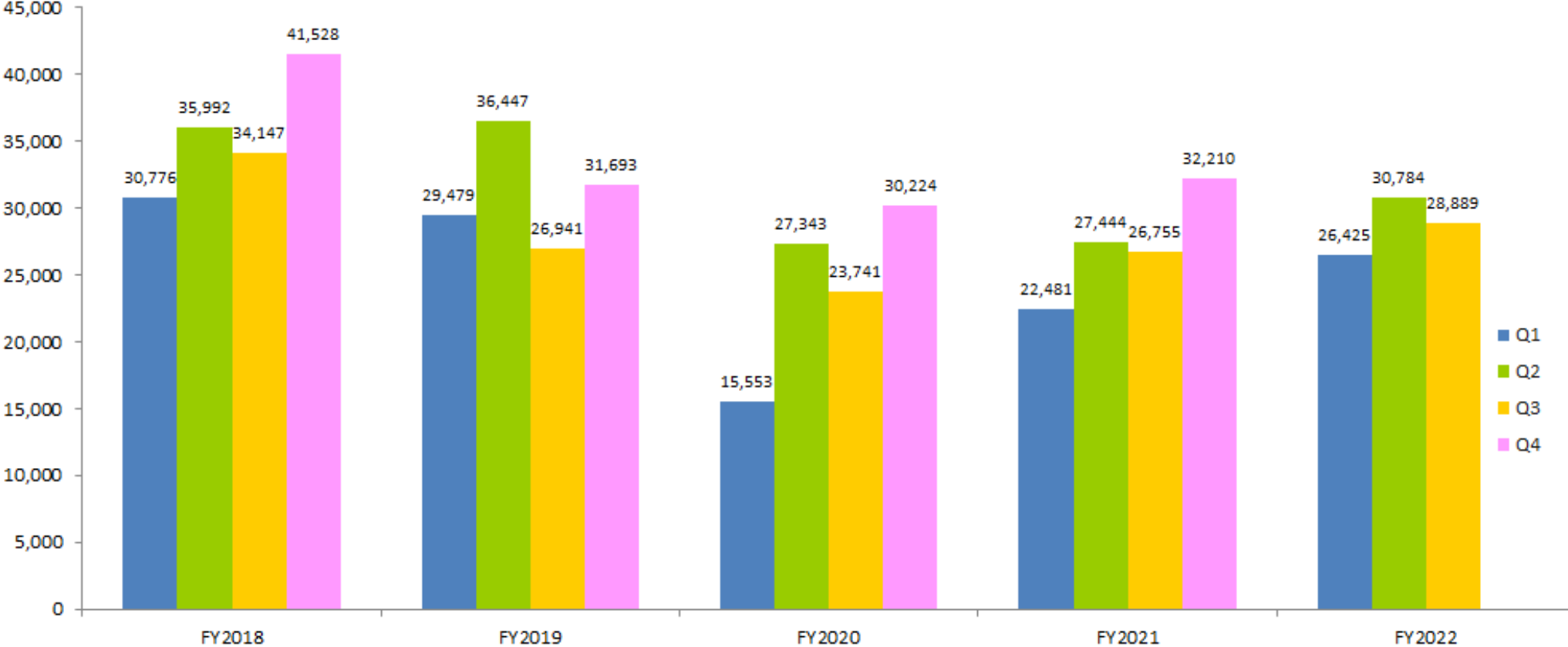
NOTES: FY2022 = FY ending March, 2023

■ Inventories    
 ■ Actual Gain / Loss    
 ■ Forex Effect

# Quarterly Net Sales Trends (Consolidated)



(Yen in millions)



NOTES: FY2022 = FY ending March, 2023

# Quarterly Operating income Trends (Consolidated)



(Yen in millions)

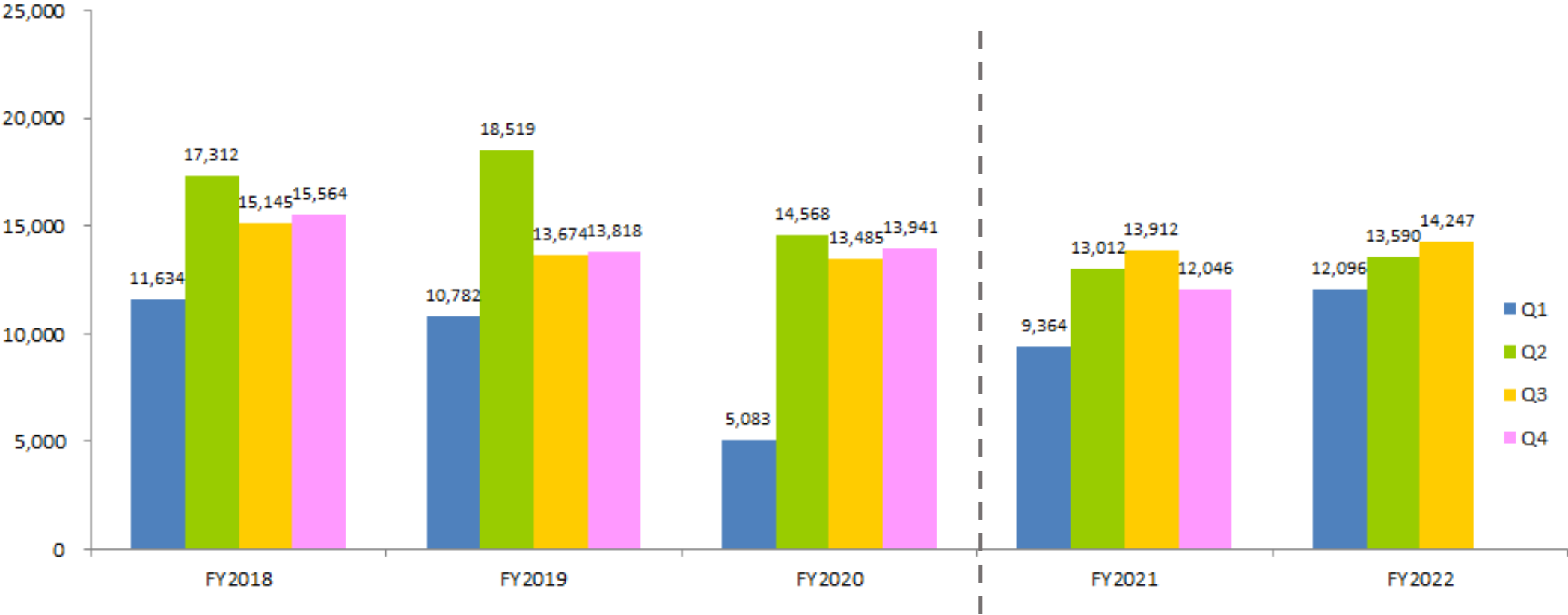


NOTES: FY2022 = FY ending March, 2023

# Quarterly Net Sales Transition by Segment (Japan)



(Yen in millions)



Segment Change

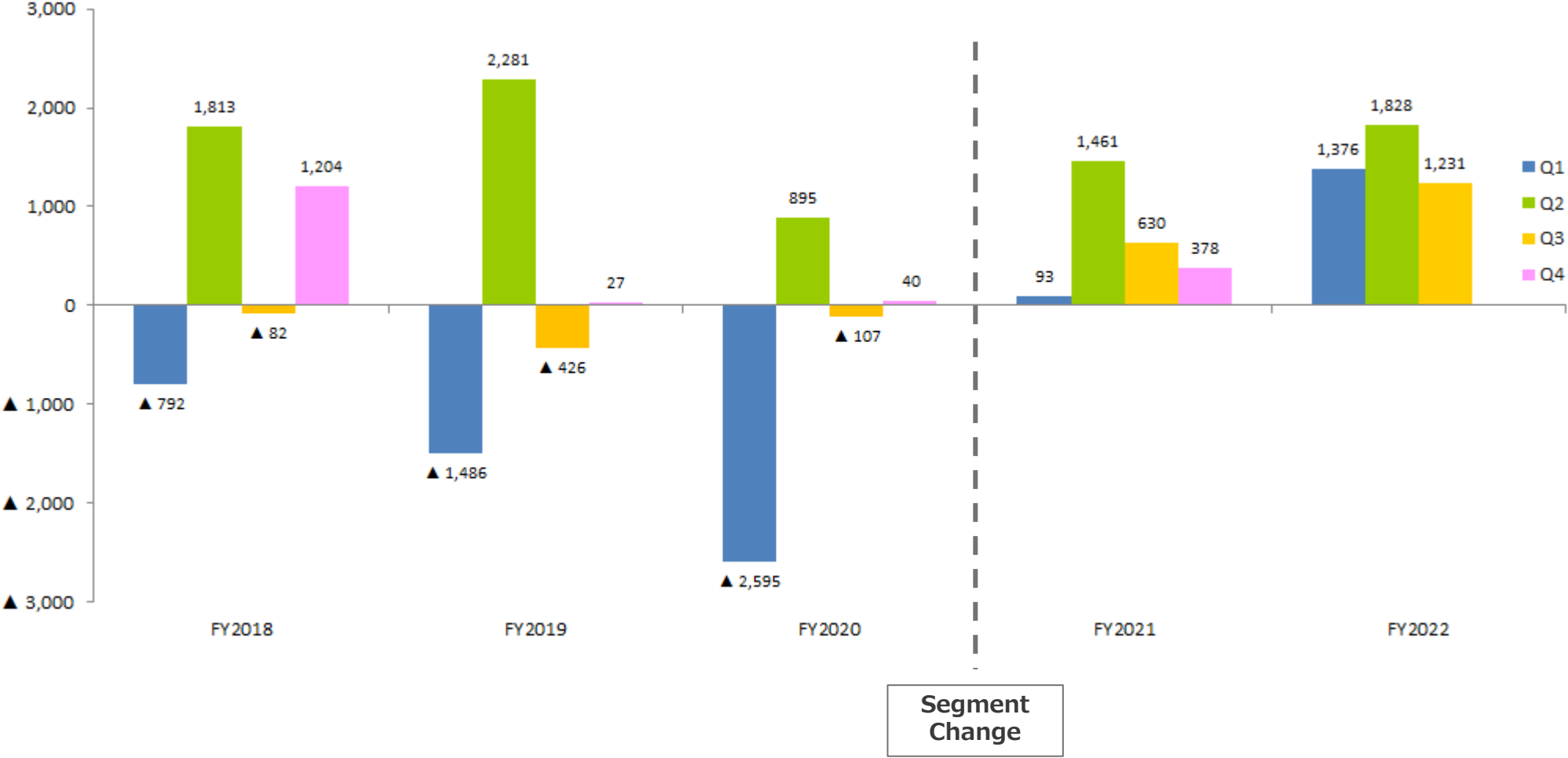
NOTES: FY2022 = FY ending March, 2023



# Quarterly Operating income Trends (Japan)



(Yen in millions)

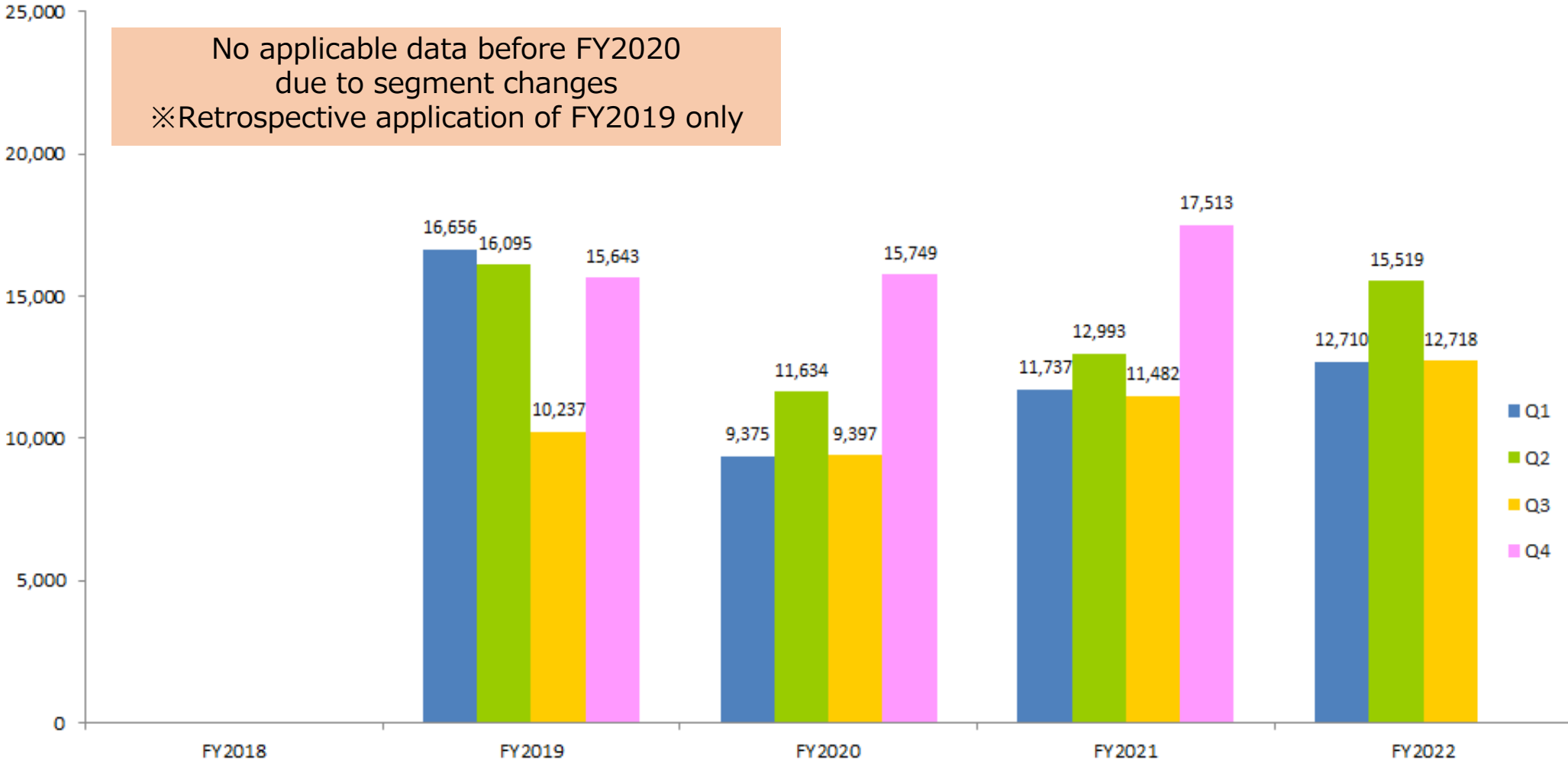


NOTES: FY2022 = FY ending March, 2023

# Quarterly Net Sales Trends (South Korea)



(Yen in millions)



No applicable data before FY2020 due to segment changes  
 ※Retrospective application of FY2019 only

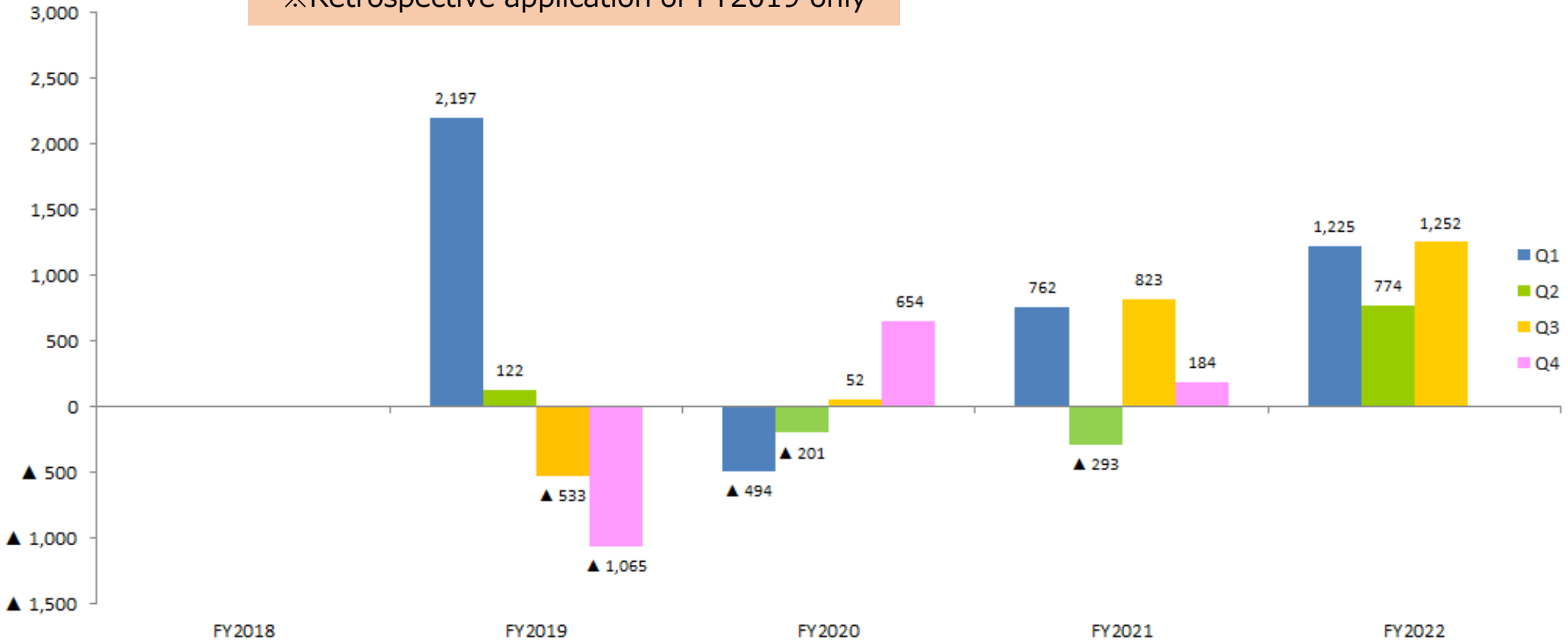
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# Quarterly Operating income Trends (South Korea)



(Yen in millions)

No applicable data before FY2020  
due to segment changes  
※Retrospective application of FY2019 only

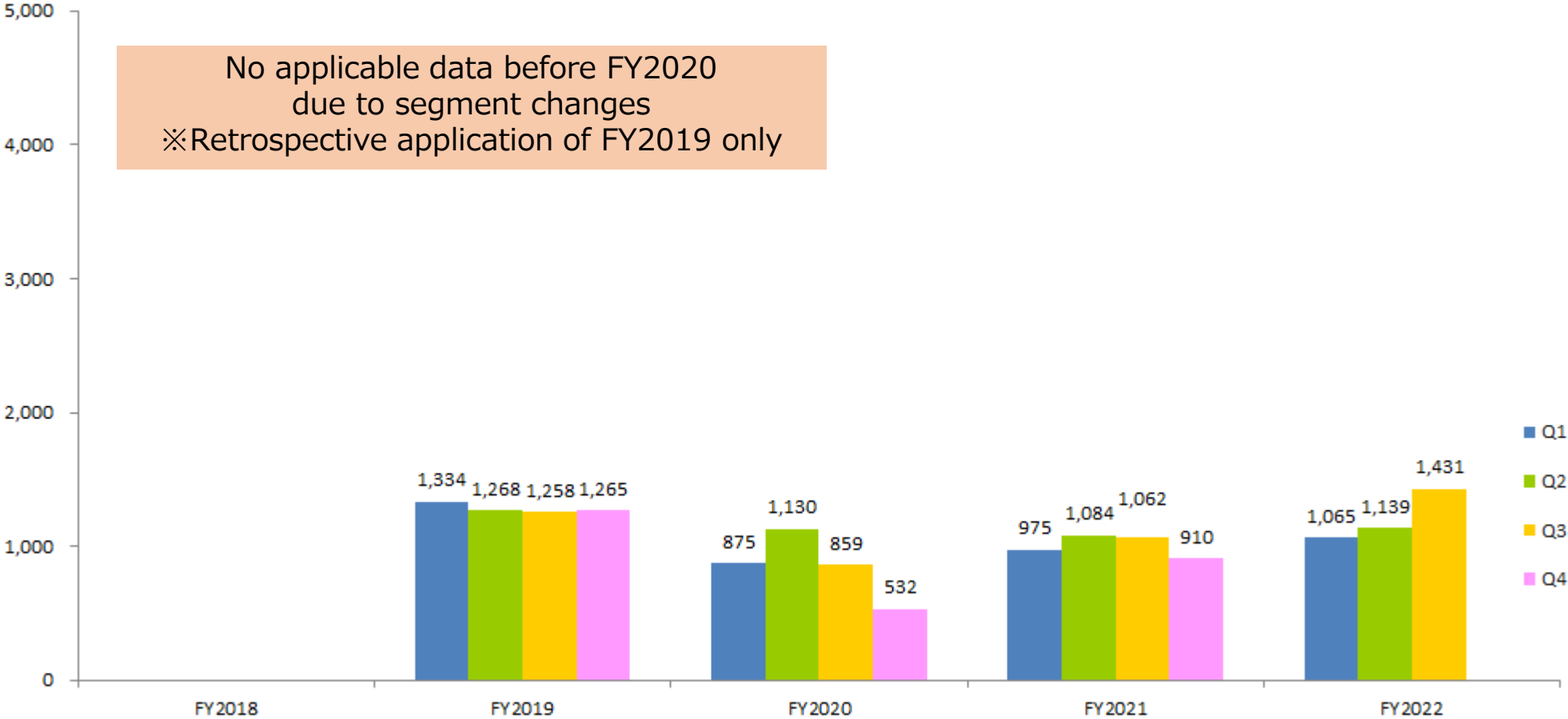


NOTES: FY2022 = FY ending March, 2023

# Quarter Net Sales Trends (China)



(Yen in millions)

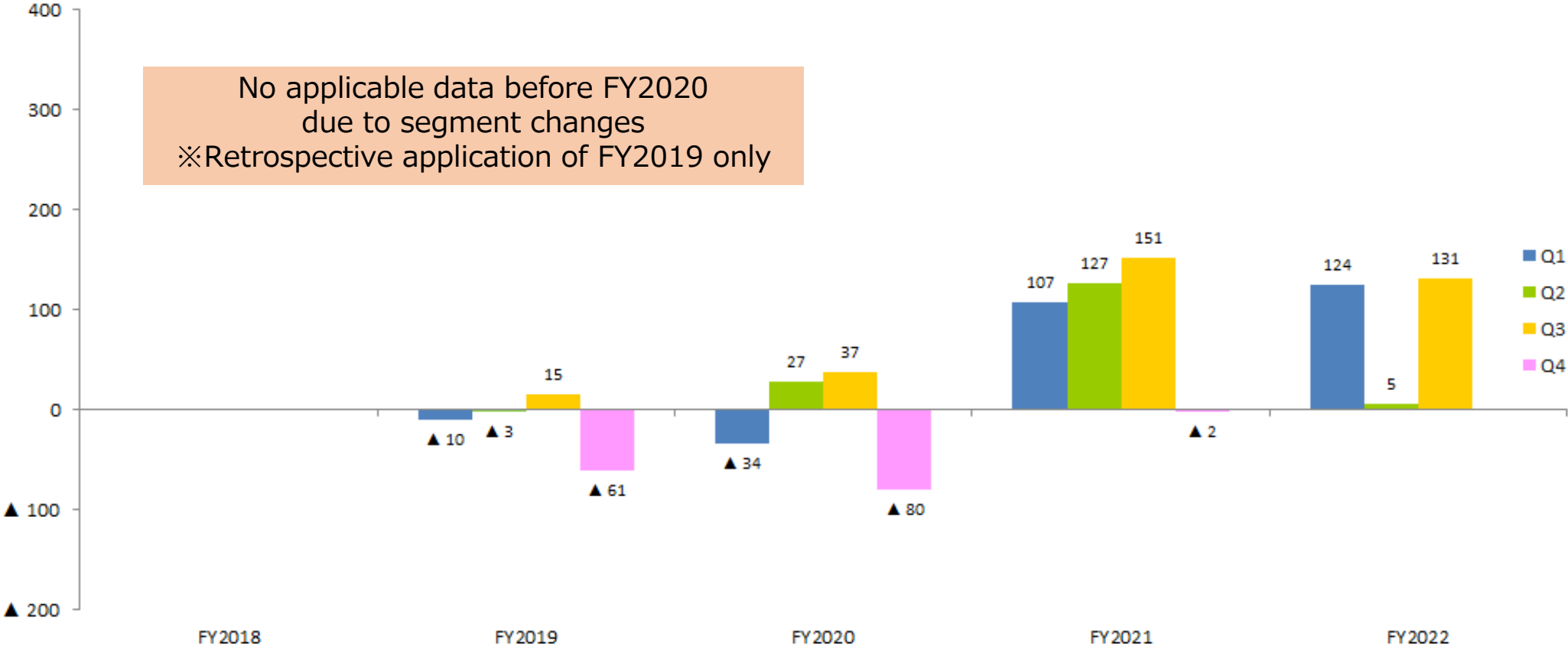


NOTES: FY2022 = FY ending March, 2023

# Quarterly Operating income Trends (China)



(Yen in millions)

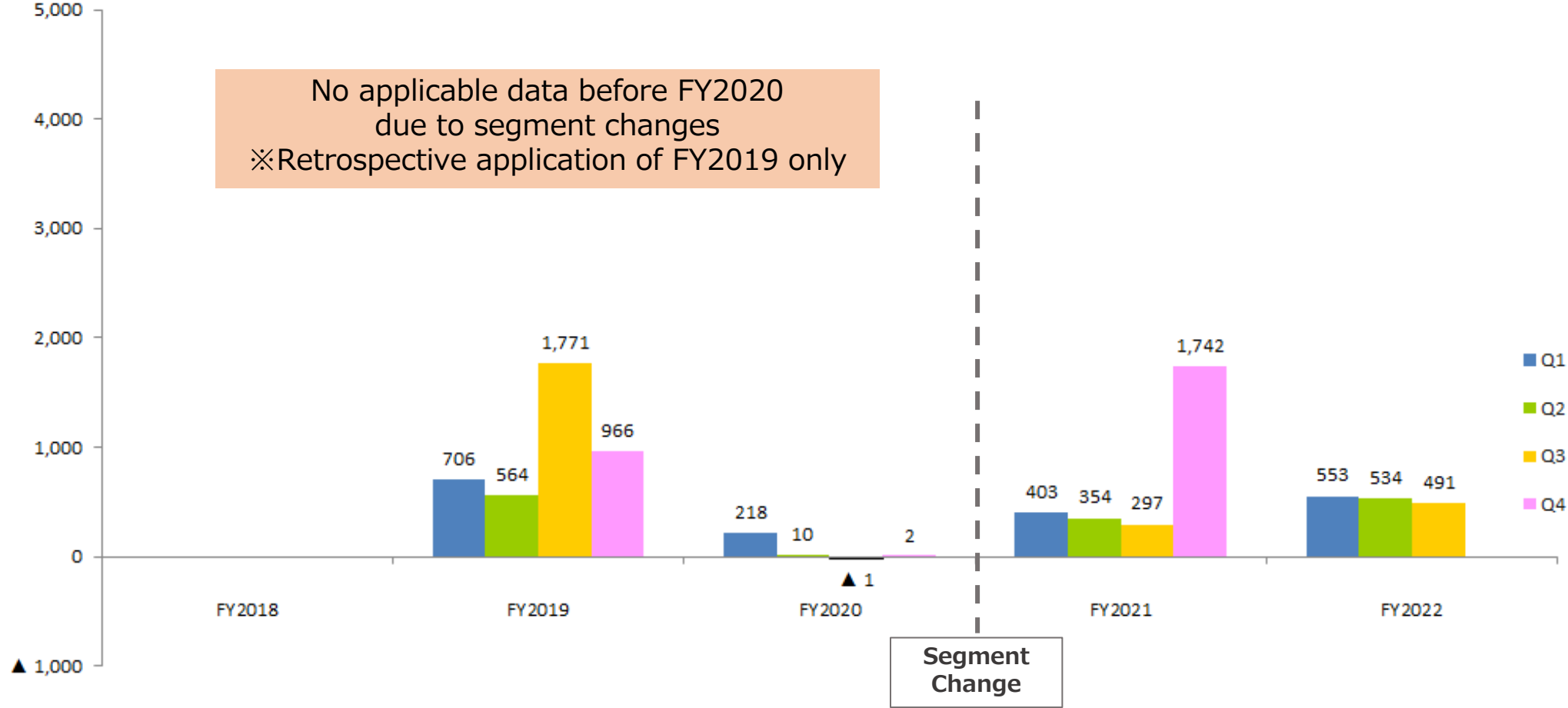


NOTES: FY2022 = FY ending March, 2023

# Quarterly Net sales Trends (Adjustments)



(Yen in millions)

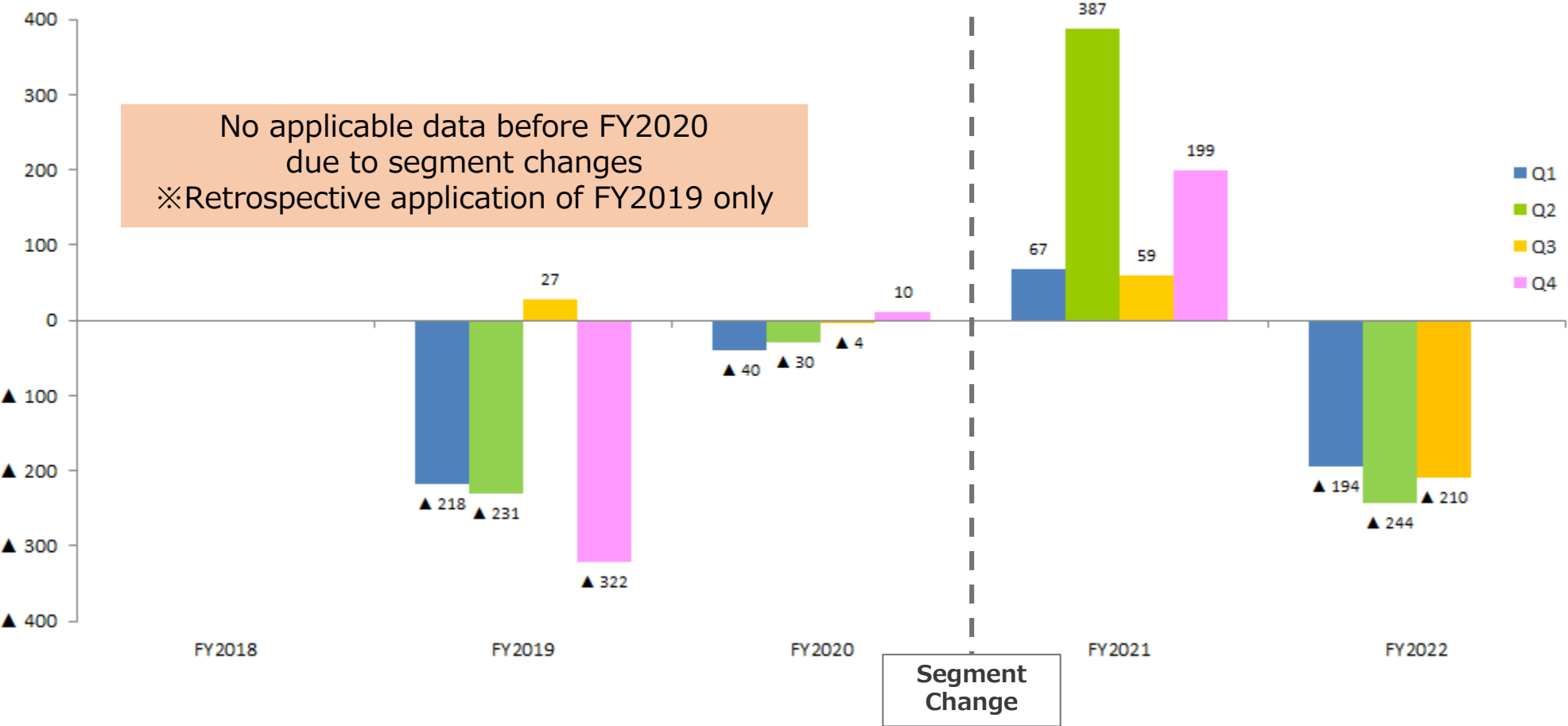


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# Quarterly Operating income Trends (Adjustments)

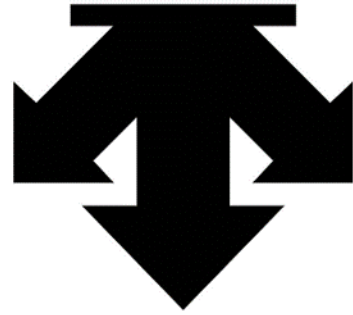


(Yen in millions)



NOTES: FY2022 = FY ending March, 2023

**DESCENTE**



Design for Sports