



DESCENTE

Consolidated Financial Results for the Fiscal Year ended March 31, 2023 [Japan GAAP]

May 15, 2023

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, Senior Managing Executive Officer, CFO (TEL) +81-3-5979-6110
 Date of Annual General Meeting of Shareholders June 15, 2023 Date of Dividend Payments June 16, 2023
 Date of Submission of Securities Report June 15, 2023
 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)

Consolidated results for the FY ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Consolidated operating results (% YoY)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended March 31, 2023	120,614	10.8	7,793	51.7	11,664	54.4	10,550	69.4
FY ended March 31, 2022	108,892	12.4	5,138	-	7,556	-	6,229	23.6

(NOTE): Comprehensive income FY ended March 31, 2023 ¥14,432 million (51.6%) FY ended March 31, 2022 ¥9,518 million (66.0%)

	Net income per share	Diluted net income per share	Return on equity	Return on Assets	Operating Income Ratio
	Yen	Yen	%	%	%
FY ended March 31, 2023	139.74	-	11.3	9.3	6.5
FY ended March 31, 2022	82.54	-	7.6	6.7	4.7

(Reference): Equity in earnings of affiliates FY ended March 31, 2023 ¥3,416 million FY ended March 31, 2022 ¥2,155 million

(2) Consolidated financial position

	Total assets	Net assets	Equity Ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY ended March 31, 2023	133,562	100,300	74.6	1,319.63
FY ended March 31, 2022	116,375	86,658	74.5	1,148.11

(Reference) Equity: FY ended March 31, 2023 ¥99,637 million FY ended March 31, 2022 ¥86,658 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
	Million yen	Million yen	Million yen	Million yen
FY ended March 31, 2023	12,906	(8,013)	(3,963)	34,744
FY ended March 31, 2022	13,515	3,152	(3,520)	32,757

2.Dividends

	Annual cash dividend per share					Dividend amount (Total)	Payout ratio (Consolidated)	Dividend on Equity (Consolidated)
	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	Million yen 1,886	% 30.3	% 2.3
FY ended March 31, 2023	-	0.00	-	40.00	40.00	3,020	28.6	3.2
FY ended March 31, 2024 (Forecast)	-	0.00	-	44.00	44.00		30.2	

Consolidated Forecast for the FY Ended March 2024 (April 1, 2023 to March 31, 2024)

(%, YoY)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	127,000	5.3	8,500	9.1	13,000	11.4	11,000	4.3	145.70

※ Notes

(1) Changes in significant subsidiaries during the fiscal year (Changes in specified subsidiaries resulting in changes in the scope of consolidation): Yes

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

(2) 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

(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)	FY ended March 31, 2023	76,924,176Shares	FY ended March 31, 2022	76,924,176Shares
② Number of treasury stock at fiscal end	FY ended March 31, 2023	1,420,092Shares	FY ended March 31, 2022	1,444,610Shares
③ Average number of shares during the term	FY ended March 31, 2023	75,496,596Shares	FY ended March 31, 2022	75,472,487Shares

(Reference) Summary of non-consolidated results

Non-consolidated results for the FY Ended March 31, 2023 (April 1, 2022-March 31, 2023)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended March 31, 2023	9,873	(7.4)	2,836	345.5	3,353	(9.5)	3,214	(27.4)
FY ended March 31, 2022	10,667	18.7	636	(0.5)	3,705	264.9	4,429	-

	Net income per share	Diluted Net income per share
	Yen	Yen
FY ended March 31, 2023	42.57	-
FY ended March 31, 2022	58.69	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity Ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY ended March 31, 2023	25,902	22,290	86.1	295.22
FY ended March 31, 2022	24,965	20,601	82.5	272.94

(Reference) Equity FY ended March 31, 2023 22,290Million yen FY ended March 31, 2022 20,601Million yen

Non-consolidated results forecasts for the FY ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(% , YoY)

Full year	Net sales		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
	9,000	(8.9)	2,500	(25.4)	2,400	(25.3)	31.79

※ Summary of financial statement is not subject to auditing procedures by independent auditors or auditing firms

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

(Notes on future descriptions) Descriptions about the 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 medium-term management plan "D-Summit 2023," we are promoting strategies such as "I. Implement strategies by regions for Japan, Korea, and China", "II. Improve profitability of Japan business", and "III. Enhance our manufacturing capabilities". In the current period, due to the relaxation of restrictions and the normalization of economic activities which were affected by COVID-19, net profit for the current period was record-high, 10,550 million yen (69.4% increase from the same period last year).

In Japan, with the aim of strengthening the DTC business, we are carrying out branding to clarify our corporate brand "DESCENTE" as a premium sports brand. "DESCENTE" is driving sales, in addition, Japan business maintained the return and discount rates at low levels, and so the profits have increased significantly. We are aiming for stable growth in Korea. With the strong growth of "umbro", Korea business resulted increase in revenue and profits. In China, to expand its business, we have incorporated ARENA (SHANGHAI) INDUSTRIAL CO., Ltd. (ASH) and LE COQ SPORTIF (NINGBO) CO., Ltd. (NLCS) as consolidated subsidiaries, which resulted increase in revenue. As a result, sales for the current consolidated fiscal year rose 10.8% year-on-year to 120,614 million yen.

Due to the increase in sales, gross profit rose 14.2% year-on-year to 69,188 million yen. Sales administrative expenses rose 10.7% from the same period last year to 61,395 million yen due to increased sales commissions linked to sales and advertising promotion costs for branding. On the other hand, the increase in gross profit exceeded the increase in sales administrative expenses, and operating profit increased significantly year-on-year to 7,793 million yen, up 51.7% from the same period last year.

In addition to the increase in operating profit, due to the growth of our equity-method affiliate companies, ARENA KOREA LTD. (AK) and DESCENTE CHINA HOLDING LTD. (DCH), ordinary profit increased 54.4% year-on-year to record-high 11,664 million yen.

Extraordinary profit amounted to 1,306 million as a result of extraordinary loss of 825 million, including restricting charges of NLCS business and other losses, while 2,132 million was recorded in extraordinary profit related to gain on step acquisition of NLCS shares, etc.

As a result, the net profit attributable to owners of parent for the current period was record-high, rose 69.4% from the same period last year to 10,550 million yen.

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 (million yen) (YoY)	Segment income or loss (million yen) (YoY)
Japan	52,753 (106.4%)	4,541 (171.1%)
South Korea	57,866 (107.7%)	4,383 (296.9%)
China	7,663 (190.1%)	(632) (Previous year: 384 million yen)
Others	- -%	- (Previous year: (0) million yen)
Adjustments	2,330	(498) (Previous year: 623 million yen)
Total	120,614 (110.8%)	7,793 (151.7%)

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

(Japan)

In Japan, we are making company-wide reforms to improve profitability. We strictly assess the quantity of products and keep them to the appropriate standard, and maintain the return or refund rate, discount rate, and inventory levels low from the previous year. As a brand, "DESCENTE" continues to grow. In the current period, especially supported by the revitalization of the sports market, team businesses have exceeded sales year-on-year. The collaboration items with brand ambassador Elaiza Ikeda are doing well in "le coq sportif", and golf wear such as RIJOUME, which utilizes our sportswear manufacturing capabilities, is growing vigorously. "arena" is also doing well, and sales of products for top swimmers continue to grow. The share of players wearing the our brand was highest at major domestic competitions. In addition, we are implementing the marketing "You made arena" to commemorate the 50th anniversary of the brand's birth, and we are carrying out branding aimed at becoming the overwhelming No.1 brand in the swimming world by strengthening new customers and communication with existing customers. As a result, segment sales rose 6.4% year-on-year to 52,753 million yen.

In addition to increased revenue, the company continued to curb sales losses, resulting in increased gross profit. In terms of sales administration costs, advertising promotion costs for branding and payment fees to improve customer experience in e-commerce are increasing, but total sales profit increased more than sales administration costs. As a result, segment income increased 71.1% year-on-year to 4,541 million yen.

(South Korea)

In South Korea, the first quarter (January - March) saw an explosive increase in the number of people affected by COVID-19, which also affected economic activity, but the impact was subsequently mitigated. At "DESCENTE", which is driving sales, we are

trying to renew our stores by changing coloring from black to gray with the intention of creating stores that are easy for young people to enter, and this has led to an increase in the number of new customer segment visiting our stores. In the fiscal year under review, sales of “le coq sportif” grew, with particularly strong sales of tennis wears and light down jackets. “umbro” continues to grow strongly, street fashion category gaining popularity. We have strengthened branding for the younger generation for “umbro”, such as launching collaboration with KANGHYUK, an apparel brand characterized by innovative designs, and received a major response in social media. Golf wear is struggling with the stabilization of the golf boom, but athletic wear performed well. Segment net sales increased 7.7% compared to previous year to 57,866 million yen. Segment income increased 196.9% compared with previous year to 4,383 million yen as a result of increase in net sales, higher sales rate of full-price items, and optimizing inventory levels.

Although not included in segment income, “arena”, which is operated by AK, an equity-method affiliate, posted significant growth in results due to increased demand for swimsuits as a result of a higher entry rate for pools.

(China)

In China, segment net sales increased 90.1% compared with previous year to 7,663 million yen due to higher revenues from the consolidation of ASH and NLCS. To expand the size of China business, we are re-branding “le coq sportif” and “Munsingwear”. In order to rebuild the image of “le coq sportif” as a sports brand, we have switched, from the 2023 autumn/winter product category to product planning with a core category of tennis, golf, cycling and training. In addition, we are actively implementing rebranding initiatives, such as rebuilding communications in distribution strategies and streamlining inventory. Segment loss was 632 million yen, a decrease of 1,017 million yen compared with previous year, due to higher sales administrative expenses, inventory write-downs, local store shutdowns associated with the spread of COVID-19 and distribution disruptions. Although not included in segment earnings, DCH, an equity-method affiliate that launches “DESCENTE” in China, continues to increase strongly due to increased recognition through aggressive marketing, the growing size of its stores and the growing number of loyal customers.

Net sales by Item is as follows.

(Net sales by Item)

Item	Amount (million yen)	Composition Ratio (%)	YoY (%)
Athletic wear and related products	74,816	62.0	117.0
Golf wear and related products	35,523	29.5	103.7
Others	7,944	6.6	86.7
Adjustment	2,330	1.9	150.9
Total	120,614	100.0	110.8

(Athletic wear and related products)

In Japan, South Korea and China, “DESCENTE” drove sales, while street fashion merchandise contributed to sales in “umbro” in South Korea. “arena” also gaining a larger share of the major athletes' wear in Japan, net sales of athletic wear category increased 17.0% compared to previous year to 74,816 million yen.

(Golf wear and related products)

In Japan, sales of “DESCENTE” and “le coq sportif” are strong. Especially in DESCENTE GOLF COMPLEX GINZA, our golf-flagship store that opened in Tokyo on March 2022, inbound demand increased, and sales grew. In South Korea, we struggled with the stabilization of the golf boom. However, net sales in the golf wear category increased 3.7% compared to previous year to 35,523 million yen.

(Other Topics)

We redesigned the concepts of each brand and are working on branding in order to further expand earnings. In the spring/summer season of 2023, “DESCENTE” has divided its product lineup into “DESCENTE” and “MOVESPORT”. We will develop “DESCENTE” primarily through in-house distribution, and expand our ALLTERRAIN collection which focuses on high value-added products, to clarify its position as a premium sports brand. On the other hand, “MOVESPORT” was launched as a new label centered on wholesale distribution, and we will focus on marketing-communication in social media with the concept of “more like sports in everyday life”.

As announced on April 10, 2023, we will revamp our main domestic plant, Mizusawa Factory, as an enhancement of our manufacturing capabilities that continues to create high-quality, high-performance products, which are one of the pillars of our midterm management plan and the source of our competitiveness. In addition to position Mizusawa Factory, a dedicated plant for Mizusawa Down, a high-value-added product, as a mother factory of 3 domestic plants, we will also work to realize environmental considerations, harmony with local communities, and job satisfaction by the revamp. Following Mizusawa Factory's Mizusawa Down, other 2 factories will work on its branding by dedicating its role. Yoshino Factory focus on polo shirts, and Saito Factory concentrate on adhesive sewing represented by "arena" swimwear to enhance its manufacturing capabilities. As a first step in this effort, we began producing 10 YEARS POLO SHIRTS for “Munsingwear” at Yoshino Factory. These polo shirts is a high-quality product that meet our own quality standards such as 200-times laundry tests, etc.

As one of the pillars of the midterm management plan, implementing regional strategies, South Korea is strengthening its efforts to develop new products in DISC BUSAN to improve sales composition ratio of shoes. Also, as part of marketing initiatives that leverages the characteristics of the brand, in October 2022, we co-sponsored Seoul Race, a marathon event with more than 10,000 participants. In this way, we are working to approach new customers and strengthen communications with established customers.

DCH, which sells “DESCENTE” in China, has steadily established its position as a premium brand. This includes implementing Technology Conference, which highlights high-quality performance wear and technologies, and rolling out premium ski wear collections in collaboration with Japanese designer Kazuki Kuraishi. Through the consolidation of ASH and NLCS as consolidated subsidiaries, we are strengthening hands-on management in China, such as active communicating, expanding synergies with the brand strategy formulating in Japan, to rebuild our brands and increase earnings.

As another pillar of midterm management plan, we are working to strengthen our DTC business in Japan to improve profitability. As part of these efforts, we are redesigning our directly managed stores throughout the year. Also in December 2022, we began using CLUB DESCENTE, our membership service, as a tie-up with LINE ID. In February 2023, we opened a web magazine called DESCENTE magazine on the “DESCENTE” brand page for interviews with celebrities. In these ways, we are enhancing our reach outs to potential customers.

As for sustainability initiatives, we disclosed our first integrated report on October 3, 2022. The Integrated Report contains sustainability information and ESG data based on midterm management plan "D-Summit 2023". We are also working to resolve materiality (key issues) to achieve our SDGs, and as part of our efforts to create an organizational culture and utilize human resources, we held DESCENTE SC OF THE YEAR as a contest to compete for the customer service skills of sales staff nationwide. Through these efforts, we are working to raise the level of motivation of sales staff and service offerings, and to further improve customer satisfaction. In addition, we have renovated the layout of the conference room and other facilities in the Tokyo office as an effort to improve the working environment for office employees.

We are also implementing other initiatives to foster a healthy body and mind through the promotion of sports. On January 9, 2023, we held a special talk event with our contract athlete Ryosuke Irie (Itoman Toshin) at our Tokyo office. The event was held in cooperation with Ajinomoto Co., Inc. and was organized by Team DESCENTE, which consists of our contracted athletes. This event invited parents and children living in Toshima Ward to give participants a chance to think about SDGs together with themes such as "environmental issues" related to sports and food, environmental issues such as food loss and disposal of clothes, and manufacturing in an environmentally friendly manner. 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)

At the end of current fiscal year, total assets were 133,562 million yen, up 17,187 million yen from the end of previous fiscal year.

Current assets increased 8,838 million yen from the end of previous fiscal year to 82,505 million yen. This was mainly due to an increase in cash and deposits of 6,298 million yen and an increase in merchandise and finished goods of 1,564 million yen.

Non-current assets increased 8,349 million yen from the end of previous fiscal year to 51,057 million yen. This was mainly due to an increase in investment securities of 4,572 million yen and an increase in goodwill of 3,516 million yen.

Total liabilities increased 3,545 million yen from the end of previous fiscal year to 33,262 million yen. This was mainly due to an increase in Accounts payable - another of 2,273 million yen and an increase in Lease obligations of 1,827 million yen.

Net assets increased 13,641 million yen from the end of previous fiscal year to 100,300 million yen. This was mainly due to an increase in retained earnings of 8,663 million yen and an increase in foreign currency translation adjustment of 3,760 million yen.

As a result, the equity ratio increased 0.1% from the end of the previous fiscal year to 74.6%.

(3) Overview of Consolidated Cash Flows

(Analysis of Cash Flow Status)

Cash and cash equivalents at end of period at current fiscal year was 34,744 million yen, up 1,986 million yen from the end of previous fiscal year.

Cash flows from operating activities was net-cash-inflow of 12,906 million yen (Previous fiscal year was net-cash-inflow of 13,515 million yen). This was mainly due to the increase in income before income taxes of 12,971 million yen, increase in depreciation of 4,558 million yen, and decrease of notes and accounts payable of 2,986 million yen.

Cash flows from investing activities was net-cash-outflow of 8,013 million yen (Previous fiscal year was net-cash-inflow of 3,152 million yen). This was mainly due to the time deposits-trade of 3,994 million yen, the purchase of shares of subsidiaries resulting in a change in the scope of consolidated of 1,961 million yen, and purchase of property, plant and equipment of 1,255 million yen.

Cash flows from financing activities was net-cash-outflow of 3,963 million yen (Previous fiscal year net-cash-outflow of 3,520 million yen). This was mainly due to repayment of lease obligation payable of 2,075 million yen, and cash dividends paid of 1,886 million yen.

(Reference) Cash Flow Related Indicators

	FY 2018	FY2019	FY2020	FY2021	FY2022
Equity Ratio (%)	67.8	66.5	72.2	74.5	74.6
Equity Ratio based on Market Value (%)	188.9	88.3	131.5	200.7	234.0
Cash Flow/Liabilities Interest Ratio (Years)	0.5	1.1	0.9	0.0	0.1
Interest Coverage Ratio (Times)	82.5	8.1	27.0	230.4	120.2

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

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

Cash Flow / Liabilities with Interest Ratio = Liabilities with Interest / Operating Cash Flow

Interest Coverage Ratio = Operating Cash Flow / 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

In May 2021, we formulated D-Summit 2023, a midterm management plan that focuses on improving profitability through business restructuring in Japan, steadily growing earnings in South Korea, and expanding earnings in China. In the fiscal year ended March 31, 2023, there was an impact on earnings locally from the spread of COVID-19 infections, but we have built a well-balanced revenue structure. In the fiscal year ended March 2024, the final year of D-Summit 2023, we will continue our efforts to stabilize our earnings base, and we plan to net sales 127,000 million yen, operating income 8,500 million yen, ordinary income 13,000 million yen, and profit attributable to owners of parent 11,000 million yen.

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

(Million yen)

	Previous fiscal year (As of March 31, 2022)	Current Fiscal Year (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	35,113	41,412
Notes and accounts receivable - trade	15,028	15,698
Merchandise and finished goods	19,093	20,657
Work in process	159	387
Raw materials and supplies	533	536
Others	3,796	3,875
Allowance for doubtful accounts	(56)	(62)
Total current assets	73,667	82,505
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,005	9,178
Land	8,387	8,612
Right-of-use asset	2,594	4,586
Construction in progress	-	49
Other, net	1,938	1,681
Total property, plant and equipment	21,925	24,107
Intangible assets		
Goodwill	-	3,516
Others	1,822	1,491
Total intangible assets	1,822	5,008
Investments and other assets		
Investments in securities	13,645	18,218
Deferred tax assets	719	671
Retirement benefit Assets	69	487
Others	4,573	2,608
Allowance for doubtful accounts	(48)	(44)
Total investments and other assets	18,960	21,941
Total non-current assets	42,708	51,057
Total assets	116,375	133,562

(Million yen)

	Previous fiscal year As of March 31, 2022	Current Fiscal Year (As of March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,249	11,592
Short-term loans payable	-	551
Accounts payable - other	3,725	5,998
Income taxes payable	546	1,428
Provision for bonuses	1,477	1,283
Lease obligations	1,801	1,278
Others	5,708	3,811
Total current liabilities	25,508	25,944
Non-current liabilities		
Lease obligations	875	3,226
Deferred tax liabilities	2,419	3,019
Others	912	1,072
Total non-current liabilities	4,208	7,318
Total liabilities	29,716	33,262
Net assets		
Shareholders' equity		
Capital stock	3,846	3,846
Capital surplus	25,377	25,436
Retained earnings	53,594	62,257
Treasury stock	(615)	(606)
Total shareholders' equity	82,202	90,933
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	289	609
Deferred gains or losses on hedges	(5)	(3)
Foreign currency translation adjustment	3,637	7,397
Remeasurements of defined benefit plans	535	699
Total accumulated other comprehensive income	4,456	8,703
Non-controlling shareholders' equity	-	662
Total net assets	86,658	100,300
Total liabilities and net assets	116,375	133,562

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

Consolidated Statements of Income

(Million yen)

	Previous fiscal year (April 1, 2021 To March 31, 2022)	Current Fiscal Year (April 1, 2022 To March 31, 2023)
Net sales	108,892	120,614
Cost of sales	48,313	51,425
Gross profit	60,578	69,188
Selling, general and administrative expenses	55,440	61,395
Operating income	5,138	7,793
Non-operating income		
Interest income	186	327
Dividends income	56	79
Equity in earnings of affiliates	2,155	3,416
Foreign exchange gains	-	56
Others	325	246
Total non-operating income	2,723	4,126
Non-operating expenses		
Interest expenses	58	107
Loss on retirement of noncurrent assets	105	82
Foreign exchange losses	15	-
Others	124	64
Total non-operating expenses	305	254
Ordinary income	7,556	11,664
Extraordinary gains		
Gain on step acquisitions	-	2,097
Gain on sales of noncurrent assets	2,007	-
Profit on disposal of business	50	-
The gain from negative goodwill	-	35
Total extraordinary income	2,057	2,132
Extraordinary losses		
Impairment loss	312	237
Restructuring charges	-	588
Total extraordinary loss	312	825
Income before income taxes	9,300	12,971
Income taxes - current	2,073	2,126
Income taxes - deferred	997	587
Total income taxes	3,071	2,714
Net income	6,229	10,257
Net loss attributable to non-controlling shareholders	-	(292)
Profit attributable to owners of parent	6,229	10,550

Consolidated Statement of Comprehensive Income

(Million yen)

	Previous fiscal year (April 1, 2021 To March 31, 2022)	Current Fiscal Year (April 1, 2022 To March 31, 2023)
Net income	6,229	10,257
Other comprehensive income		
Valuation difference on available-for-sale securities	89	320
Deferred gains on hedges	15	2
Foreign currency translation adjustment	1,650	2,641
Remeasurements of defined benefit plans	107	164
Share of other comprehensive income of entities accounted for using equity method	1,425	1,046
Total other comprehensive income	3,288	4,175
Comprehensive income	9,518	14,432
(breakdown)		
Comprehensive profit attributable to owners of the parent	9,518	14,797
Comprehensive profit related to non-controlling shareholders	-	(364)

(3) Consolidated Statements of Changes in Net Assets
 Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Million yen)

	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					
Dividends from surplus					-
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)
Increase in non-controlling interests due to increase in consolidated subsidiaries					-
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					Non-controlling shareholder's equity	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							
Dividends from surplus							-
Profit attributable to owners of parent							6,229
Purchase of treasury stock							(1)
Disposal of treasury stock							68
Changes in consolidated scope							(25)
Increase in non-controlling interests due to increase in consolidated subsidiaries							-
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

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	3,846	25,377	53,594	(615)	82,202
Cumulative effect of changes in accounting policies					-
Balance at beginning of the period reflecting changes in accounting policies	3,846	25,377	53,594	(615)	82,202
Changes of items during the period					
Dividends from surplus			(1,886)		(1,886)
Profit attributable to owners of parent			10,550		10,550
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		58		10	68
Changes in consolidated scope					-
Increase in non-controlling interests due to increase in consolidated subsidiaries					-
Net change of items during the period except for items under shareholders' equity					
Total changes of items during the period	-	58	8,663	9	8,730
Balance at end of the period	3,846	25,436	62,257	(606)	90,933

	Accumulated other comprehensive income					Non-controlling shareholders' equity	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	289	(5)	3,637	535	4,456	-	86,658
Cumulative effect of changes in accounting policies							-
Balance at beginning of the period reflecting changes in accounting policies	289	(5)	3,637	535	4,456	-	86,658
Changes of items during the period							
Dividends from surplus							(1,886)
Profit attributable to owners of parent							10,550
Purchase of treasury stock							(0)
Disposal of treasury stock							68
Changes in consolidated scope							-
Increase in non-controlling interests due to increase in consolidated subsidiaries						1,288	1,288
Net change of items during the period except for items under shareholders' equity	320	2	3,760	164	4,247	(626)	3,621
Total changes of items during the period	320	2	3,760	164	4,247	662	13,641
Balance at end of the period	609	(3)	7,397	699	8,703	662	100,300

(4) Consolidated Statements of Cash Flows

(Million yen)

	Previous fiscal year (April 1, 2021 To March 31, 2022)	Current Fiscal Year (April 1, 2022 To March 31, 2023)
Profit before income taxes		
Income before income taxes	9,300	12,971
Depreciation	4,520	4,558
Amortization of goodwill	-	92
Gain (loss) on step acquisitions	-	(2,097)
Loss (gain) on sales of non-current assets	(2,017)	(1)
Gain (loss) on transfer of business	(50)	-
The gain from negative goodwill	-	(35)
Impairment loss	312	237
Restructuring charges	-	588
Increase (decrease) in allowance for doubtful accounts	(5)	(1)
Increase (decrease) in provision for bonuses	635	(193)
Increase (decrease) in net defined benefit liability	(239)	(301)
Interest and dividends income	(242)	(406)
Share of profit (loss) of entities accounted for using equity method	(2,155)	(3,416)
Loss (gain) on sales of investment securities	(21)	-
Interest expenses	58	107
Decrease in notes and accounts receivable-trade	694	994
(Increase) decrease in inventory	5,498	4,265
Increase (decrease) in notes and accounts payable-trade	372	(2,986)
Others	993	(799)
Subtotal	17,655	13,574
Interest and dividends income received	216	986
Interest expenses paid	(58)	(107)
Income taxes refunded (paid)	(3,007)	(1,547)
Special retirement benefit payments	(1,290)	-
Profit before income taxes	13,515	12,906
Cash flow from investing activities		
Decrease (increase) in time deposits-trade	401	(3,994)
Purchase of property, plant and equipment	(1,575)	(1,255)
Proceeds from sale of Property, plant and equipment	3,867	7
Purchase of intangible assets	(244)	(383)
Purchase of investment securities	(7)	(8)
Proceeds from sales and redemption of investment securities	290	1
Business transfer gains	297	-
Payment on guaranty money deposited	(485)	(272)
Collection of fixed leasehold deposits	415	339
Payments for purchase of investments in subsidiaries resulting in change in scope of Consolidated	-	(1,961)
Others	192	(485)
Cash flow from investing activities	3,152	(8,013)

(Million yen)

	Previous fiscal year (April 1, 2021 To March 31, 2022)	Current Fiscal Year (April 1, 2022 To March 31, 2023)
Cash flow from financing activities		
Net increase (decrease) in short-term borrowings	(1,000)	-
Repayment of long-term loans payable	(497)	-
Cash dividends paid	-	(1,886)
Purchase of treasury stock	(1)	(0)
Repayments of lease obligations	(2,021)	(2,075)
Cash flow from financing activities	(3,520)	(3,963)
Effect of exchange rate change on cash and cash equivalents	366	1,057
Net increase (decrease) in cash and cash equivalents	13,513	1,986
Cash and cash equivalents at beginning of period	19,244	32,757
Cash and cash equivalents at end of period	32,757	34,744

(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)

ARENA(SHANGHAI)INDUSTRIAL CO., LTD., which was an equity-method affiliate, has been included in the consolidated scope of current fiscal year as we acquired all the equity interests of Tian Feng (Shanghai) Apparel and Accessory Trading Co., Ltd.

In addition, LE COQ SPORTIF (NINGBO) CO., LTD., which was an equity-method affiliate, has been included in the consolidated scope of current fiscal year as we acquired all the equity interests of 浙江自貿區杉榮服飾有限公司.

(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, South Korea, China and others) based on the group company's location (Japan, South Korea, China and others) and conducts business activities.

Therefore, the group consists of a regional segment of the group company's location based on the headquarters and its consolidated subsidiaries, with four reporting segments: "Japan", "South 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 "Important Matter of Basis for Preparing consolidated financial statements".

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

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Million yen)

	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	49,589	53,726	4,032	-	107,348	1,544	108,892
Intersegment Sales or Transfers	5,911	430	40	-	6,381	(6,381)	-
Total	55,500	54,156	4,072	-	113,730	(4,837)	108,892
Segment Income (loss)	2,654	1,476	384	(0)	4,514	623	5,138
Segment Assets	40,735	44,321	3,649	-	88,706	27,669	116,375
Other Items							
Depreciation (Note 3)	632	3,261	129	-	4,023	496	4,520
Amortization of goodwill	-	-	-	-	-	-	-
Equity in earnings (loss) of affiliates (Note 4)	-	(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 (Note 5)	416	1,077	52	-	1,546	137	1,683

(Note 1) 1. Adjustment of sales to external customers is recorded by the Company, a pure holding company.

2. Adjustment of segment income (loss) is the elimination of inter-segment transactions, adjustment of unrealized gains on inventories, and our income (loss) not allocated to the respective reportable segments.

3. Segment assets' adjustments are adjustable journalizing of companies with equity-method investments, elimination of inter-segment transactions, adjustment of unrealized gains on inventories, and our assets not allocated to the respective reportable segments.

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

(Note 3) Adjustment of depreciation is our amount that has not been allocated to the respective reportable segments.

(Note 4) Equity in earnings or losses of affiliates' adjustment is adjustment of the unrealized gain on inventory.

(Note 5) Adjustment of the increase in property, plant and equipment and Intangible assets is our increase that is not allocated to the respective reportable segments.

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

(Million yen)

	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	52,753	57,866	7,663	-	118,284	2,330	120,614
Intersegment Sales or Transfers	5,014	844	103	-	5,962	(5,962)	-
Total	57,768	58,710	7,767	-	124,246	(3,632)	120,614
Segment Income (loss)	4,541	4,383	(632)	-	8,291	(498)	7,793
Segment Assets	40,605	49,930	13,614	-	104,149	29,413	133,562
Other Items							
Depreciation (Note 3)	600	3,133	347	-	4,081	476	4,558
Amortization of goodwill	-	-	92	-	92	-	92
Equity in earnings (loss) of affiliates	-	249	3,166	-	3,416	-	3,416
Investments on entities accounted for using equity method	-	304	16,072	-	16,376	-	16,376
Property, plant, and equipment							
Increased amount of intangible assets (Note 4)	324	4,235	200	-	4,759	248	5,007

(Note 1) 1. Adjustment of sales to external customers is recorded by us, a pure holding company.

2. Adjustment of segment income (loss) is the elimination of inter-segment transactions, adjustment of unrealized gains on inventories, and our income (loss) not allocated to the respective reportable segments.

3. Segment assets' adjustments are adjustable journalizing of companies with equity-method investments, elimination of inter-segment transactions, adjustment of unrealized gains on inventories, and our assets not allocated to the respective reportable segments.

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

(Note 3) Adjustment of depreciation is our amount that has not been allocated to the respective reportable segments.

(Note 4) 1. The increase in property, plant and equipment and Intangible assets does not include the increase associated with new Consolidated.

2. Adjustment of the increase in property, plant and equipment and Intangible assets is our increase that is not allocated to the respective reportable segments.

4 Changes in Reportable Segments

From the beginning of current fiscal year, we included in "Japan" and changed to a pure holding company structure in April 2022. Therefore, we have changed to a method that is included in "Adjustment."

Segment information for the previous fiscal year is based on the new classification method.

(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 (As of March 31, 2022)	End of Current Fiscal Year (As of March 31, 2023)
(1) Net assets per share amount (yen)	1,148.11	1,319.63
(Basis of calculation)		
Total net assets (million yen)	86,658	100,300
Amount deducted from total net assets (million yen)	-	662
Year end net assets associated with common stock (million yen)	86,658	99,637
Year end number of shares of common stock used in the calculation of net assets per share (1,000 shares)	75,479	75,504

	Previous Fiscal Year (April 1, 2021 To March 31, 2022)	Current Fiscal Year (April 1, 2022 To March 31, 2023)
(2) Net income per share amount (yen)	82.54	139.74
(Basis of calculation)		
Profit attributable to owners of parent (million yen)	6,229	10,550
Amount not attributable to shareholders of common stock (million yen)	-	-
Profit attributable to owners of parent related to common shares (million yen)	6,229	10,550
Weighted average number of shares of common stock during the fiscal year (1,000 shares)	75,472	75,496

(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, 2021 to March 31, 2022)

(Million yen, %)

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

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

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

(Million yen, %)

	South Korea	China	Others	Total
I Overseas sales	55,401	13,462	2,701	71,565
II Consolidated net sales				120,614
III Consolidated net sales Percentages of overseas net sales	45.9	11.2	2.2	59.3

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