

DESCENTE
FY2022 Earnings
May 15, 2023

Disclaimer: This is an English translation of the original Japanese-language Consolidated Financial Summary of DESCENTE LTD. (the Company) for Q4 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.

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: Q4 = January - March*

<Overseas subsidiaries / Affiliate> January - December *Example: Q4 = October - December*

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

Numerical rule

The numbers are truncated, and percentages are rounded off

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

South Korea Segment

Sales of the companies above
+
◆ Sales of products to Consolidated affiliates and equity-method affiliates outside South Korea

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

China segment

Sales of the companies above

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

Adjustments

As described above

1. FY2022

① Financial Summary

② Brand Review

③ Topics

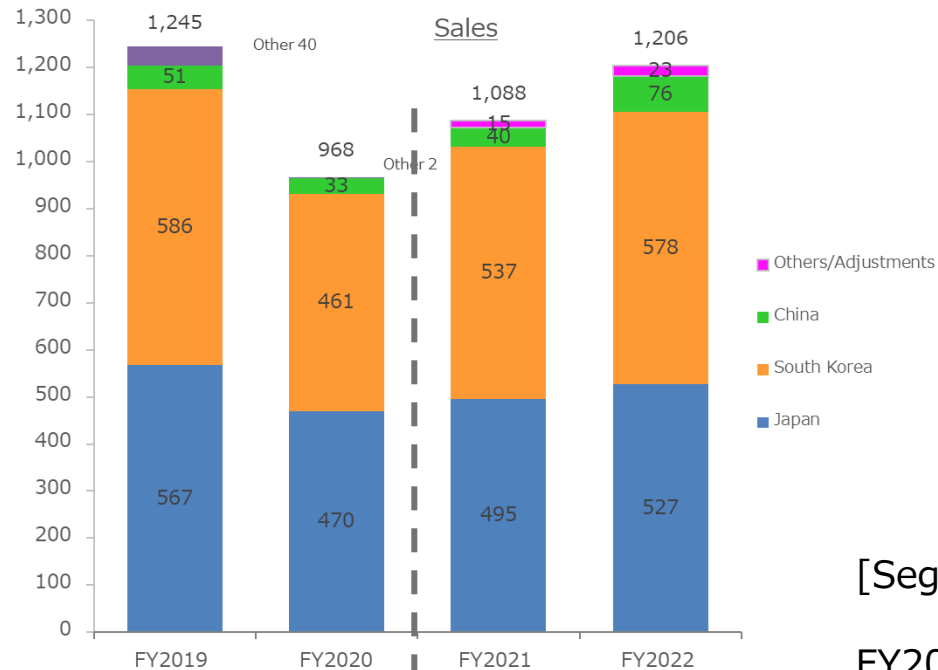
2. Plan for FY2023

- Record-high Ordinary Income and Profit attributable to owners of parent

(Unit: JPY million)	FY2021	FY2022		FY2022
			YoY	Revised Forecast (as of Nov. 7. 2022)
Net sales	108,892	120,614	110.8%	118,000
Operating income	5,138	7,793	151.7%	8,100
(% to Net sales)	4.7%	6.5%	-	6.9%
Ordinary income	7,556	11,664	154.4%	12,300
(% to Net sales)	6.9%	9.7%	-	10.4%
Profit attributable to owners of parent	6,229	10,550	169.4%	10,000
(% to Net sales)	5.7%	8.7%	-	8.5%

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

(JPY 0.1 billion)



Segment Change

YoY +¥11.8 billion (111%)

Japan	+¥3.2 billion
South Korea	+¥4.1 billion
(Currency Factor +¥3.4billion)	
China	+¥3.6 billion
(Currency Factor +¥0.5 billion)	
Adjustments	+¥0.8 billion

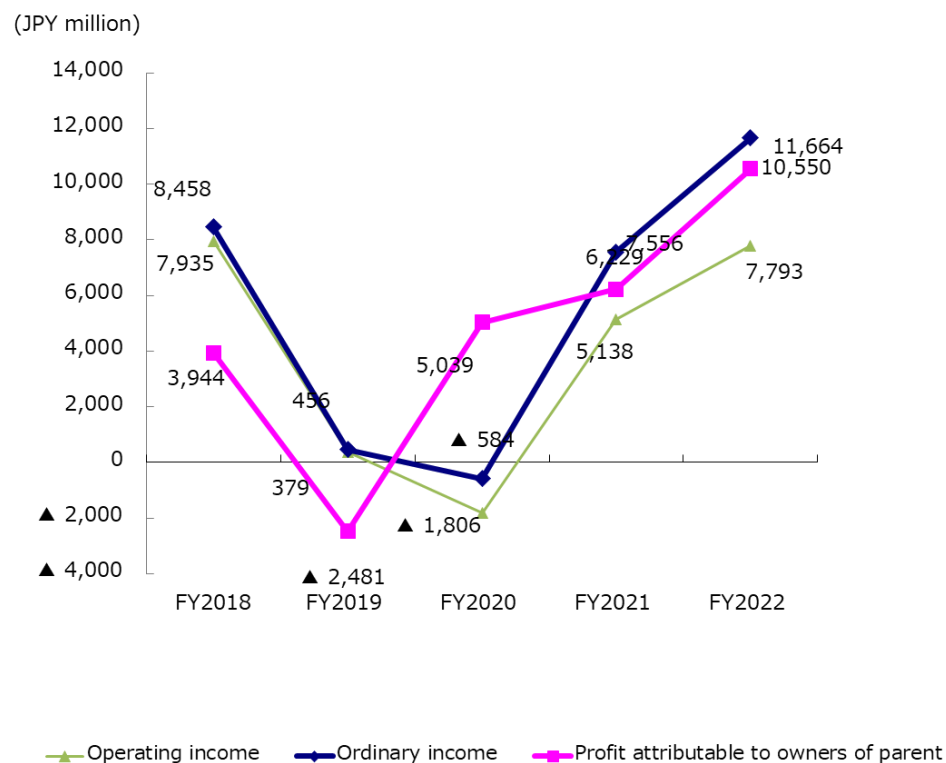
[Segment change]

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)

- Operating income increased significantly due to increase in net sales and gross profit
- Ordinary income increased as our equity-method affiliates also increased earnings
- Due to above, net income excluding non-recurring gains (extraordinary gain/loss after-tax basis) increased significantly

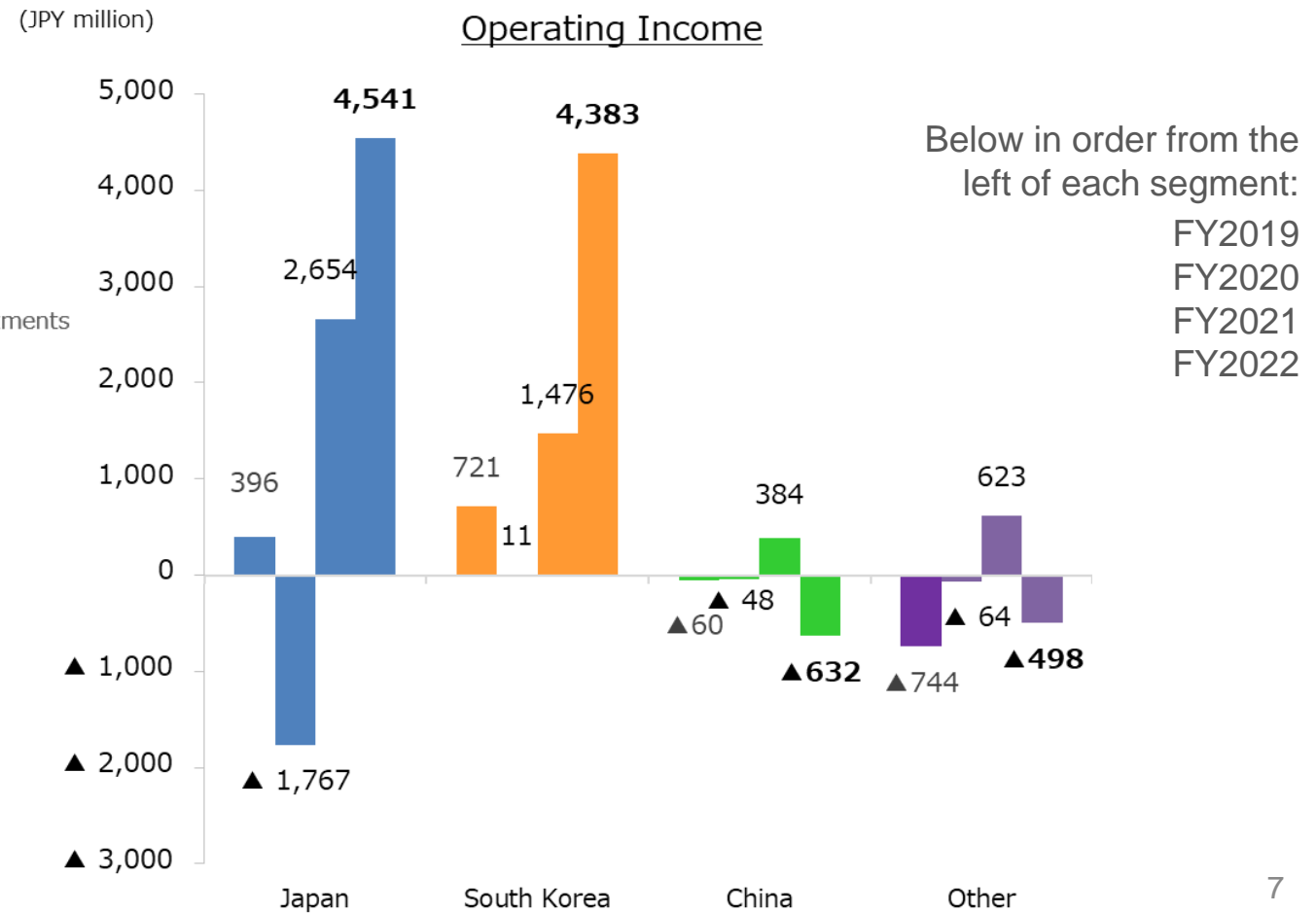
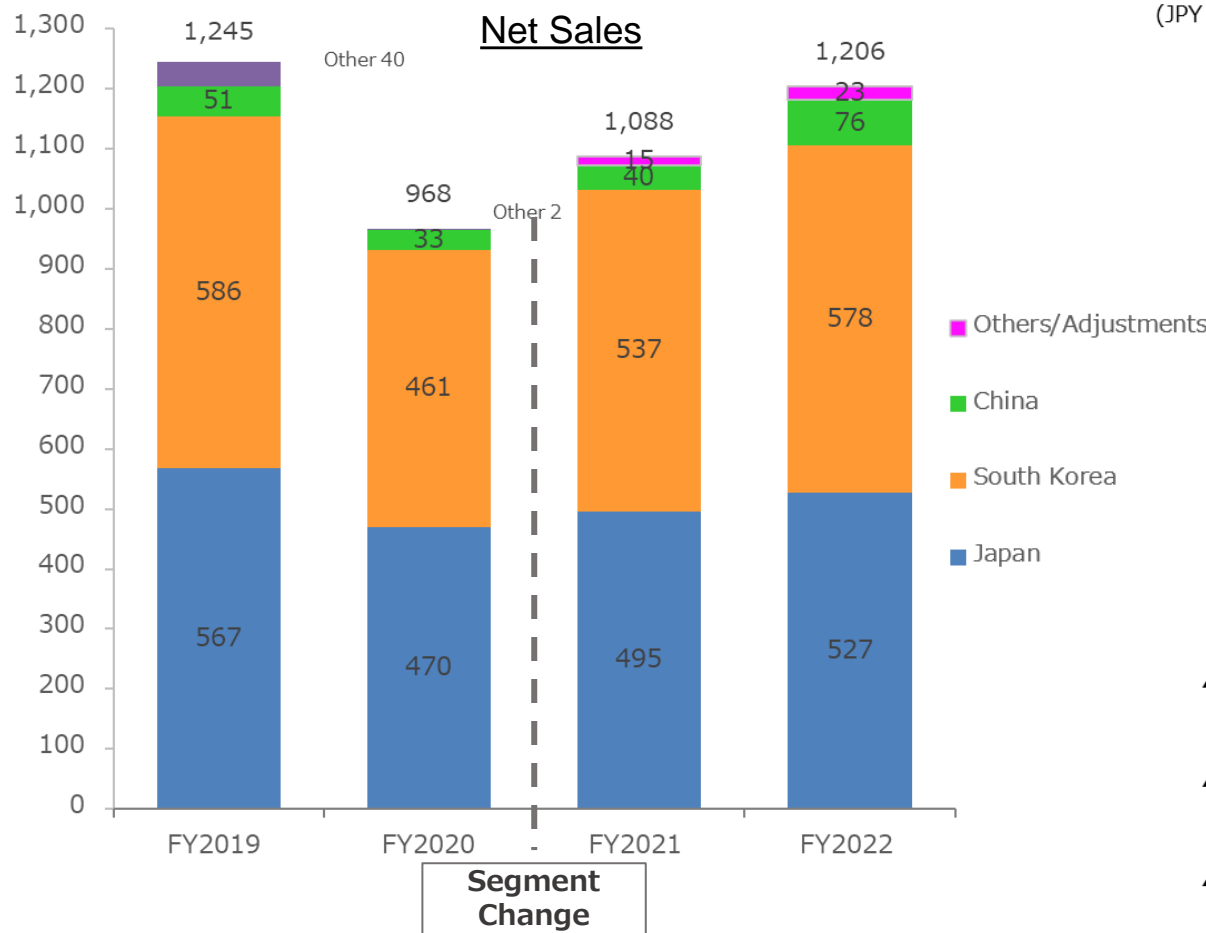


(JPY Million)	FY2021	FY2022	Impact in Profit*
Operating income	5,138	7,793	+ 2,655
Non-operating income	2,723	4,126	+ 1,403
Non-operating expenses	305	254	+ 51
Ordinary income	7,556	11,664	+ 4,108
Extraordinary income	2,057	2,132	+ 75
Extraordinary loss	312	825	▲ 513
Total income taxes	3,071	2,714	+ 357
Profit attributable to owners of parent	6,229	10,550	+ 4,321
non-recurring gains	1,230	1,360	+ 130
Net profits excluding non-recurring gains and losses	4,999	9,190	+ 4,191

Impact in profits*
 + contributes to increased earnings,
 ▲ contributes to decreased earnings

Sales and Operating Income by Segments(Consolidated)

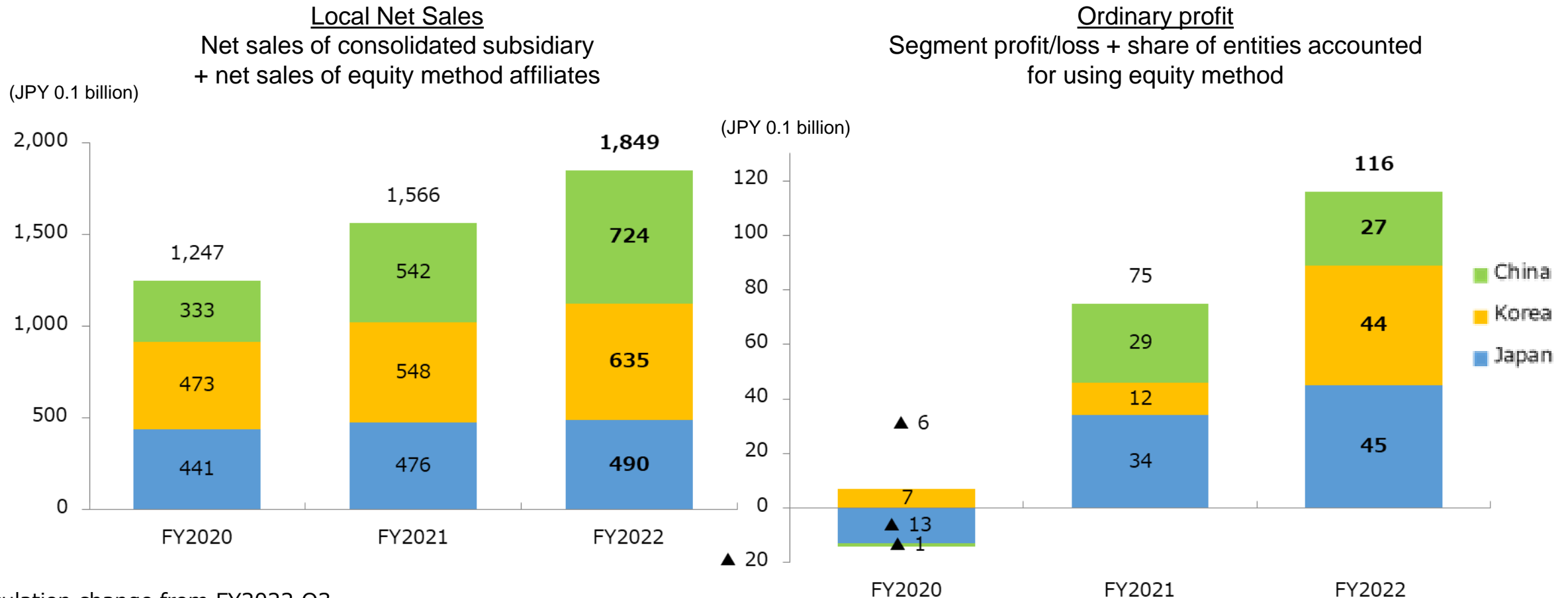
- Significant improvement in profitability in Japan and South Korea
- Profit decreased in China due to higher SG&A expenses and write-down of inventories for rebranding.



NOTES: FY2022 = FY ended March, 2023

Earnings in Japan / South Korea / China (≠Consolidated profit/loss)

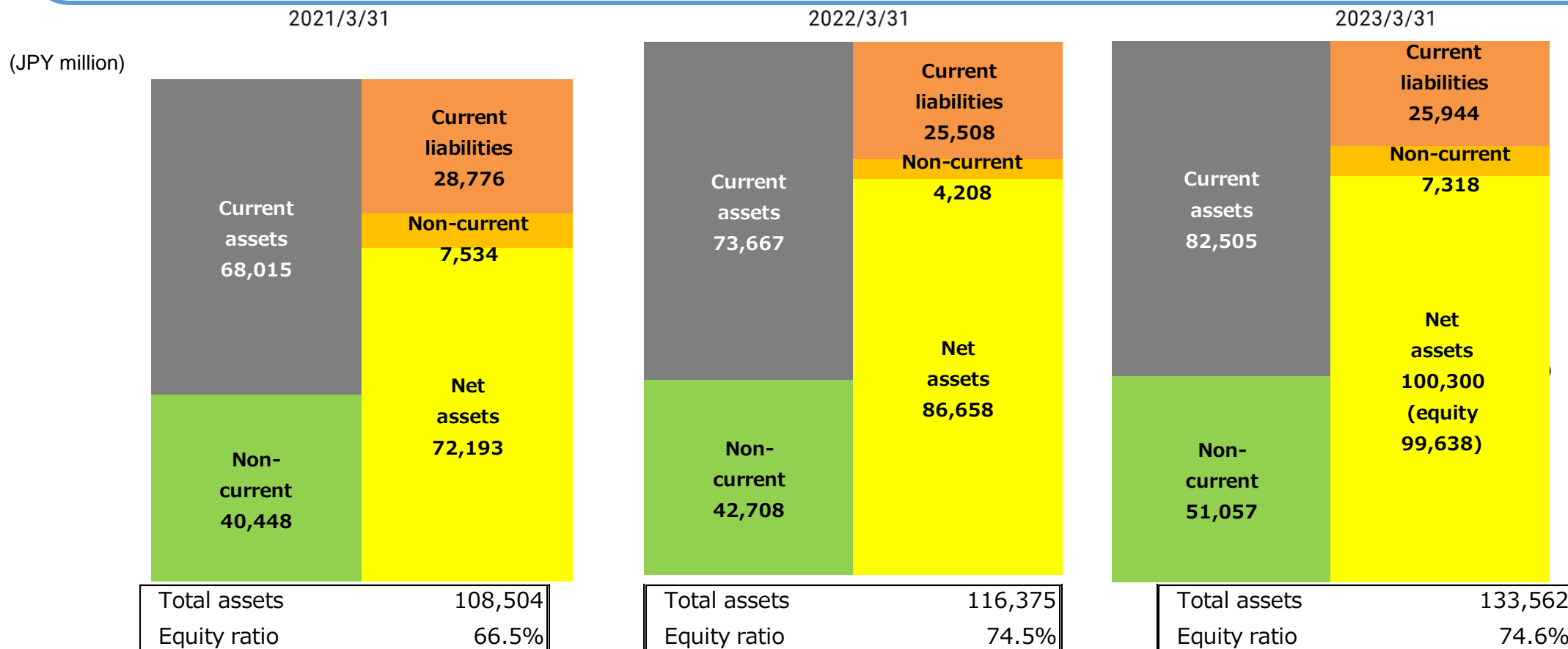
- Sales and profits increased in Japan and South Korea, but profit decreased in China due to COVID-19 and write-down of inventories associated with rebranding.
- Established a well-balanced profit structure in 3 markets (Japan/South Korea/China)



※Calculation change from FY2022 Q3
NOTES: FY2022 = FY ended March, 2023

Balance Sheet (Consolidated)

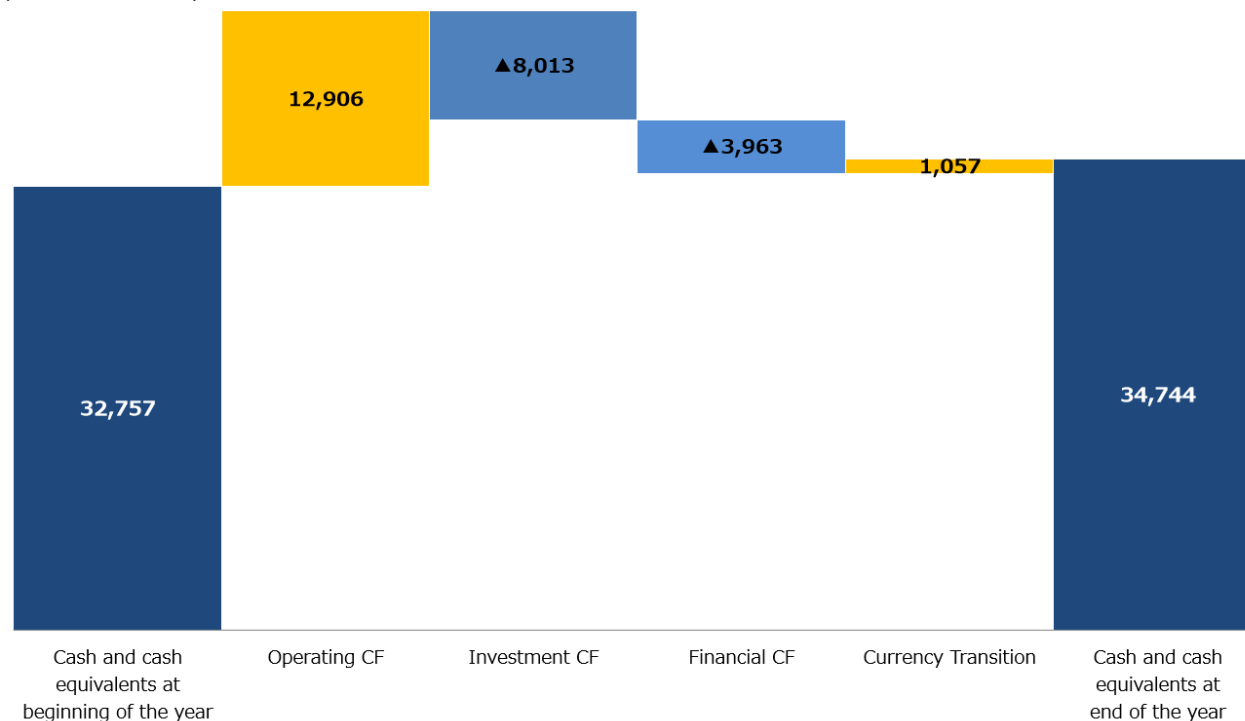
- Current assets increased due to an increase in cash and cash equivalents resulting from strong performance and increase in inventories from consolidation of 2 companies in China
- Fixed Assets also increased due to increase in goodwill and investment securities resulting from the consolidation of the companies as above
- Net assets increased due to an increase in retained earnings and foreign currency translation adjustments



Cash Flow (Consolidated)

- Operating CF: Net-cash–inflow by ¥12.9 billion due to improved profitability
- Investing CF: Net-cash–outflow by ¥8.0 billion due to time deposits and acquisition of subsidiary shares, etc.
- Financial CF: Net-cash–outflow ¥3.9 billion due to dividend payments, etc.

(Yen in millions)



**Cash and cash equivalents:
increased by 1,986 million yen**
(+ = net-cash-inflow, ▲ = net-cash-outflow)

Operating CF	+12,906
(Previous fiscal year	+13,515)
EBITDA※1	+17,529
Equity in earnings of affiliates	▲3,416
Corporate tax	▲1,547
Changes in working capital※2	+2,273
Gain on step acquisitions	▲2,097
Investment CF	▲8,013
(Previous fiscal year	+3,152)
Acquisition of tangible and intangible assets	▲1,638
Time deposits/reimbursement	▲3,994
Acquisition of shares from subsidiaries	▲1,961
Financial CF	▲3,963
(Previous fiscal year	▲3,520)
Repayments of lease obligations	▲2,075
Borrowing/Repayment of Borrowing	▲1,886

※1 EBITDA=Income before income taxes + depreciation

※2 Working capital is the change in notes and accounts receivable-trade, inventories and notes and accounts payable trade.

1. FY2022

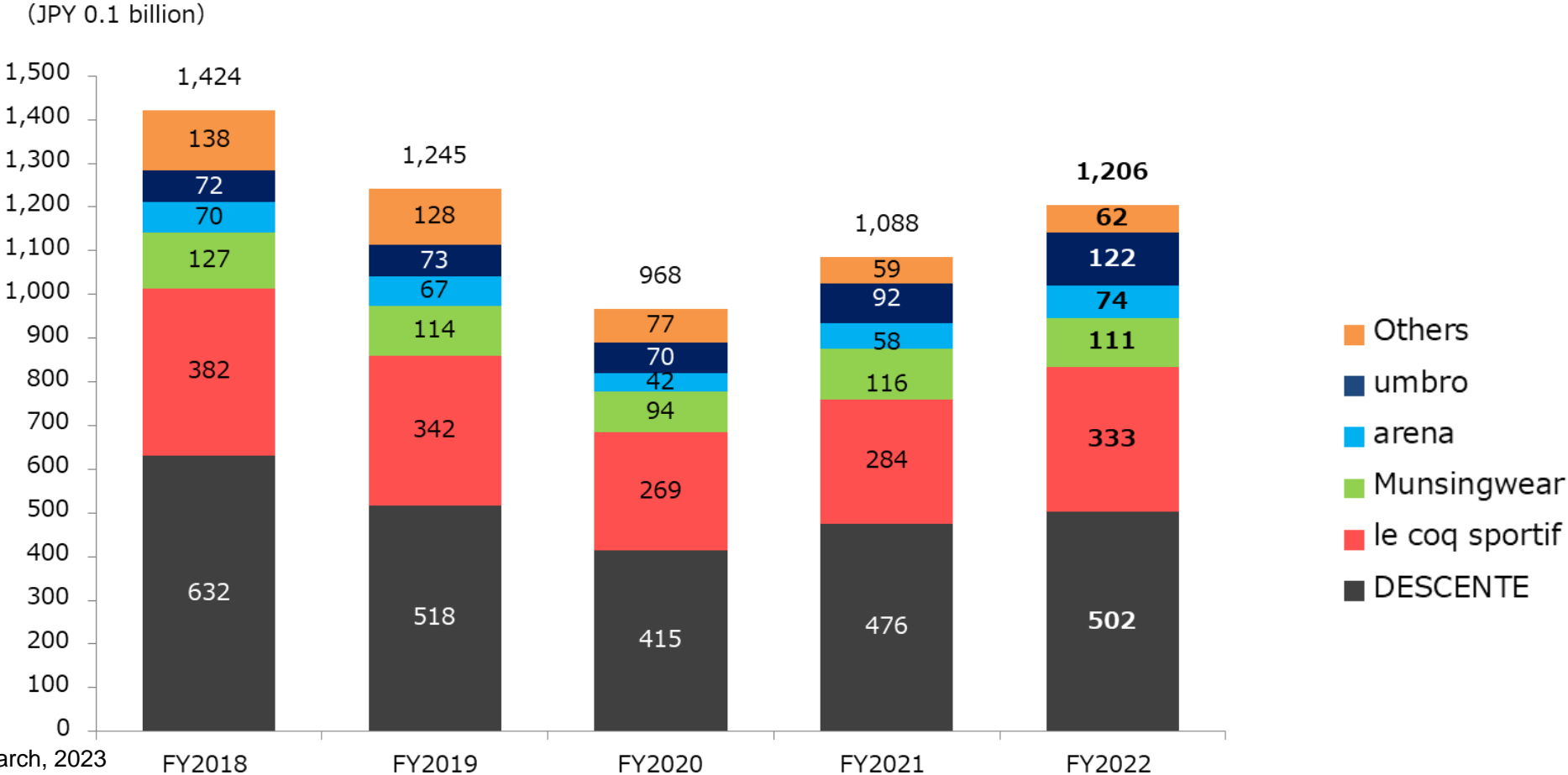
① Financial Summary

② **Brand Review**

③ Topics

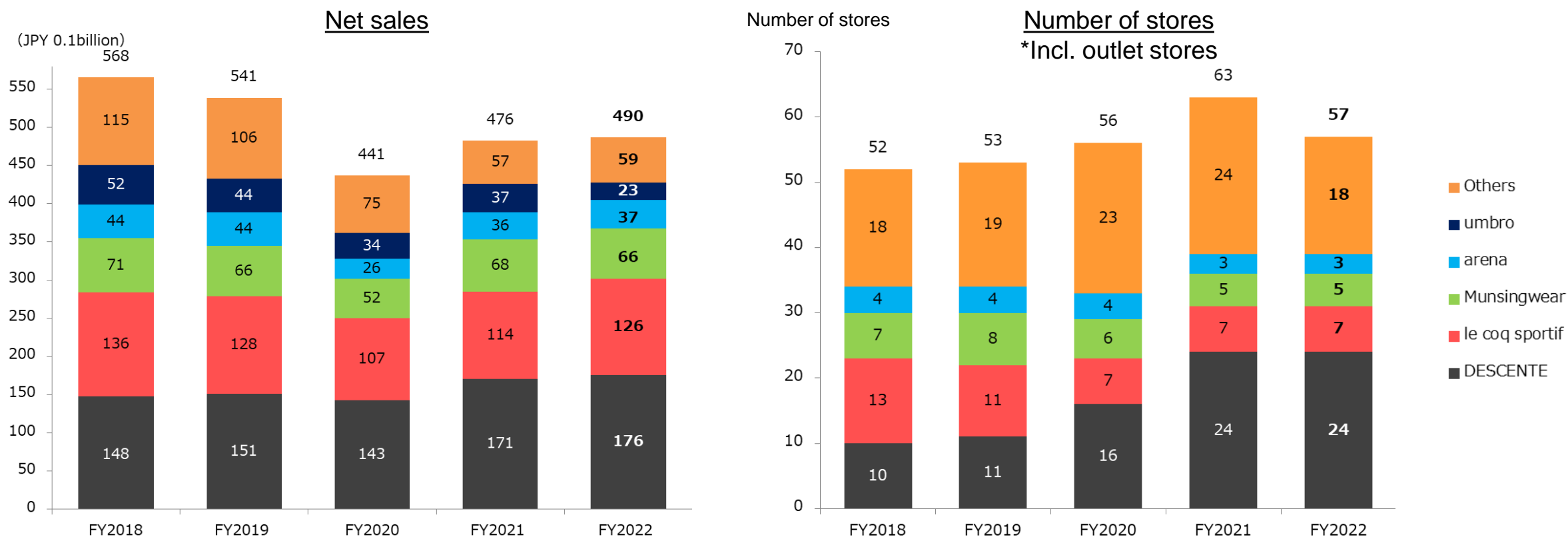
2. Plan for FY2023

• Sales increased in our main brand “DESCENTE” and “le coq sportif”



Brand Sales and Number of Stores (Japan)

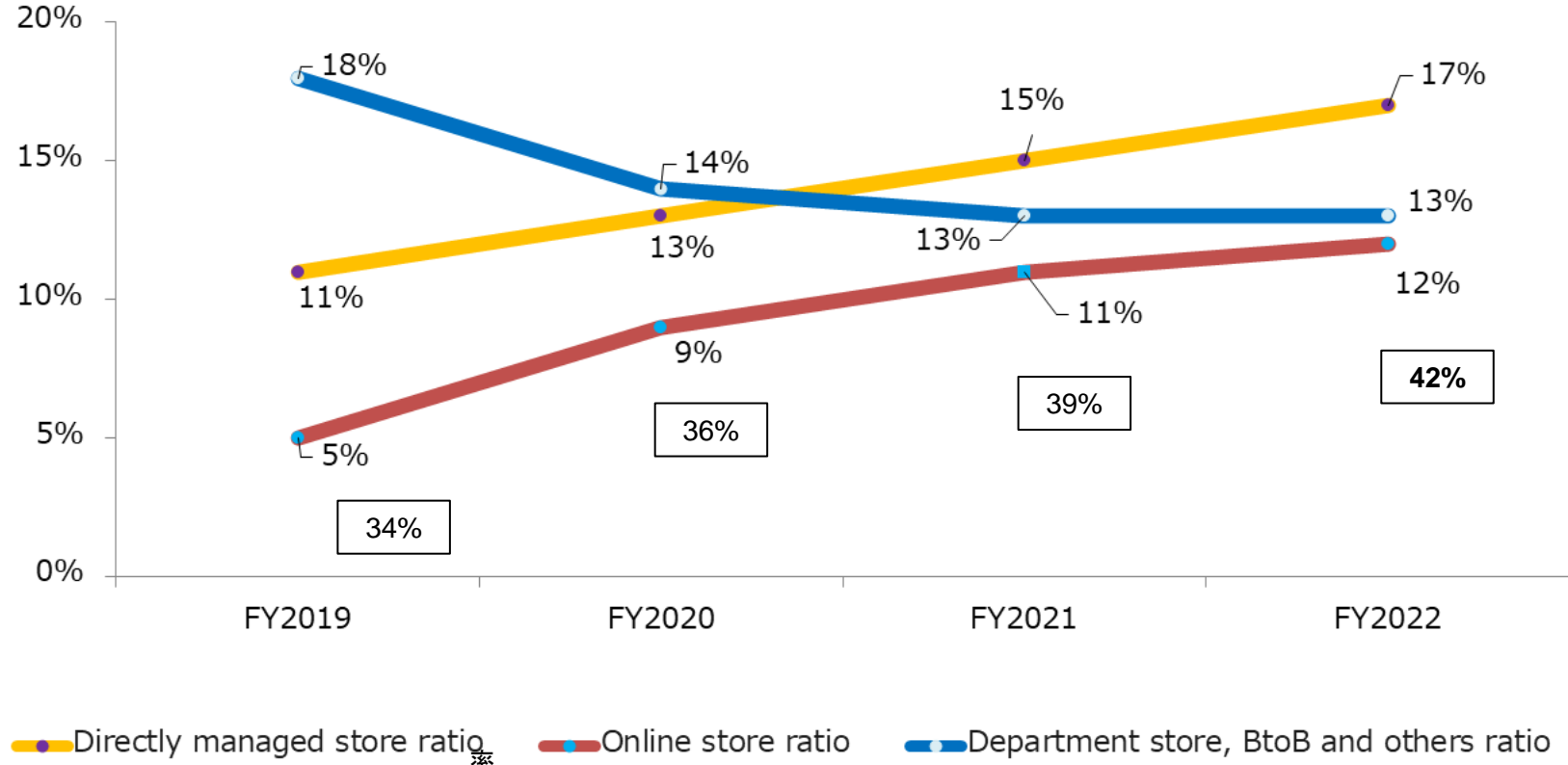
- “DESCENTE” “le coq sportif” increased sales
- Number of stores of “others” decreased



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

1. FY2022 ②Brand Review

• Sales composition ratio of directly managed stores improved by 6pt, online sales improved by 7pt since FY2019

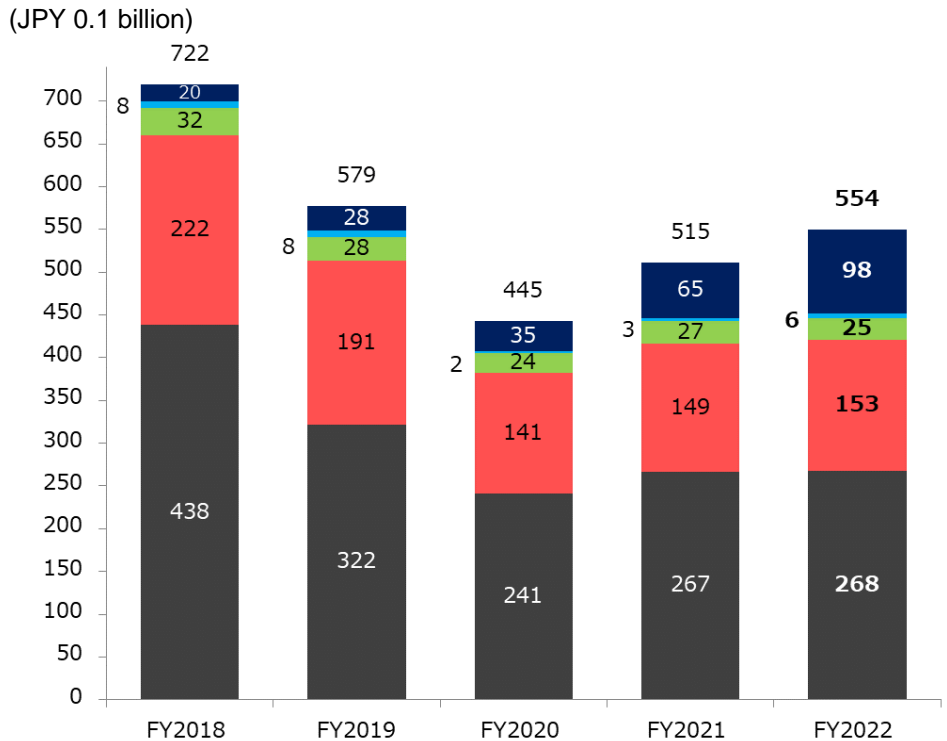


NOTES: FY2022 = FY ended March, 2023

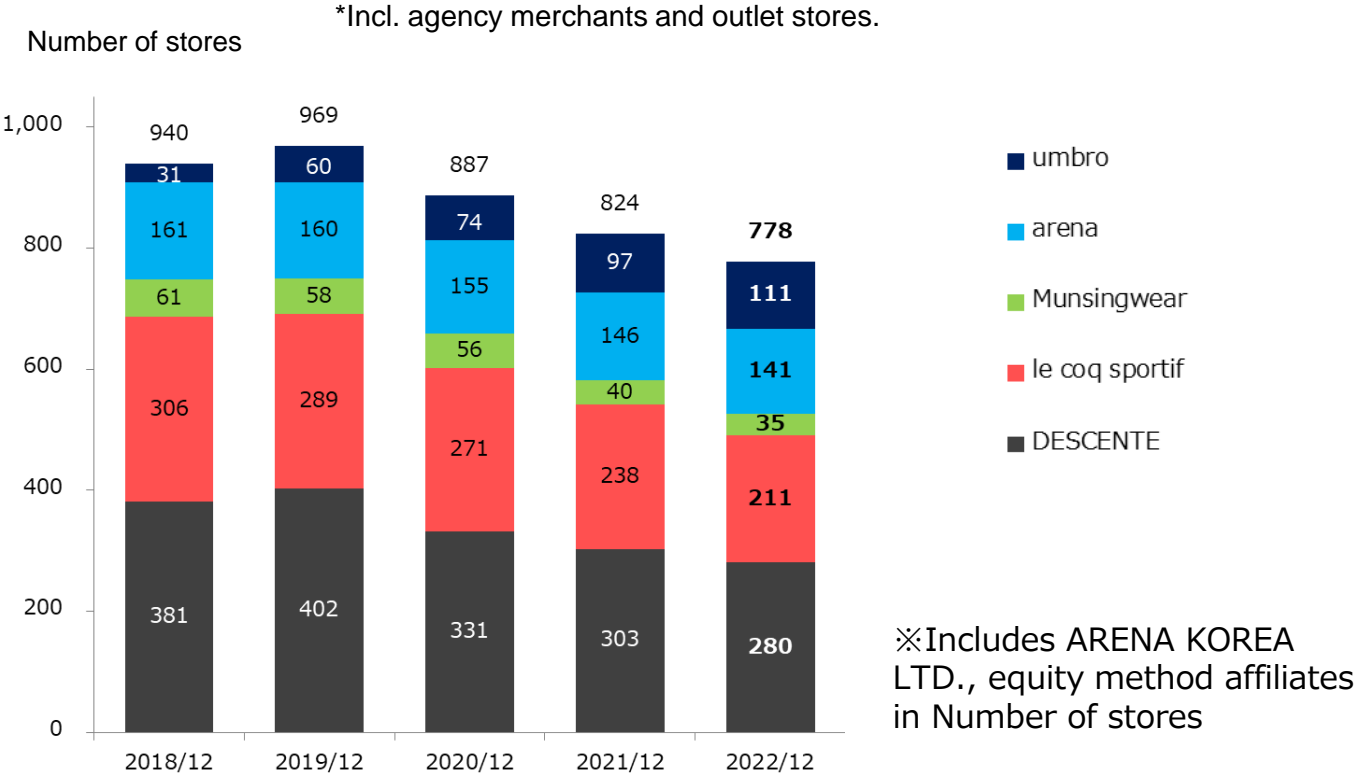
Brand Sales and Number of Stores (South Korea)

- Significant growth in “umbro”
- “DESCENTE” “le coq sportif” decreased the number of stores but increased sales

Sales



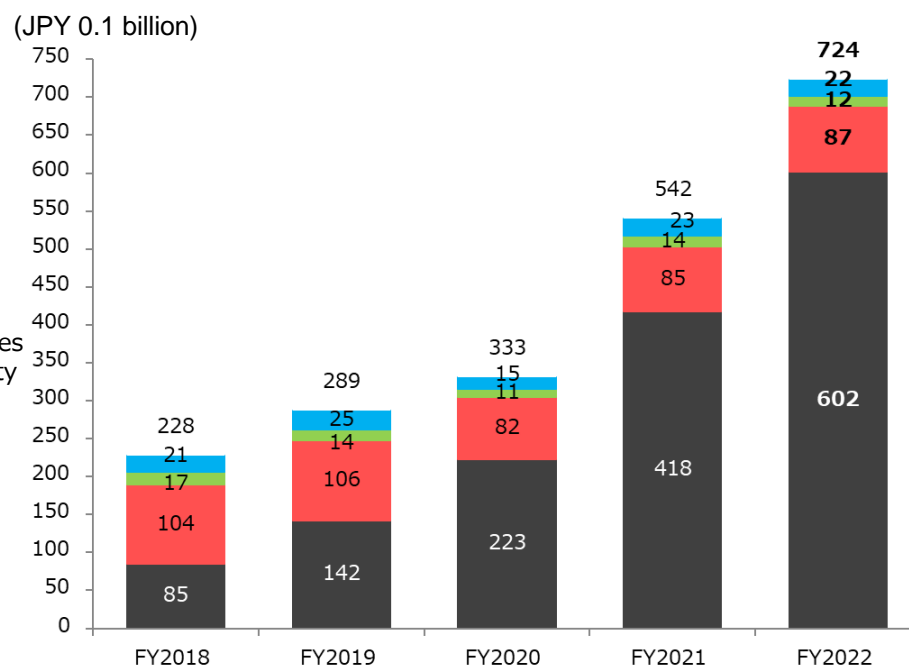
Number of stores



NOTES: FY2022 = FY ended March, 2023

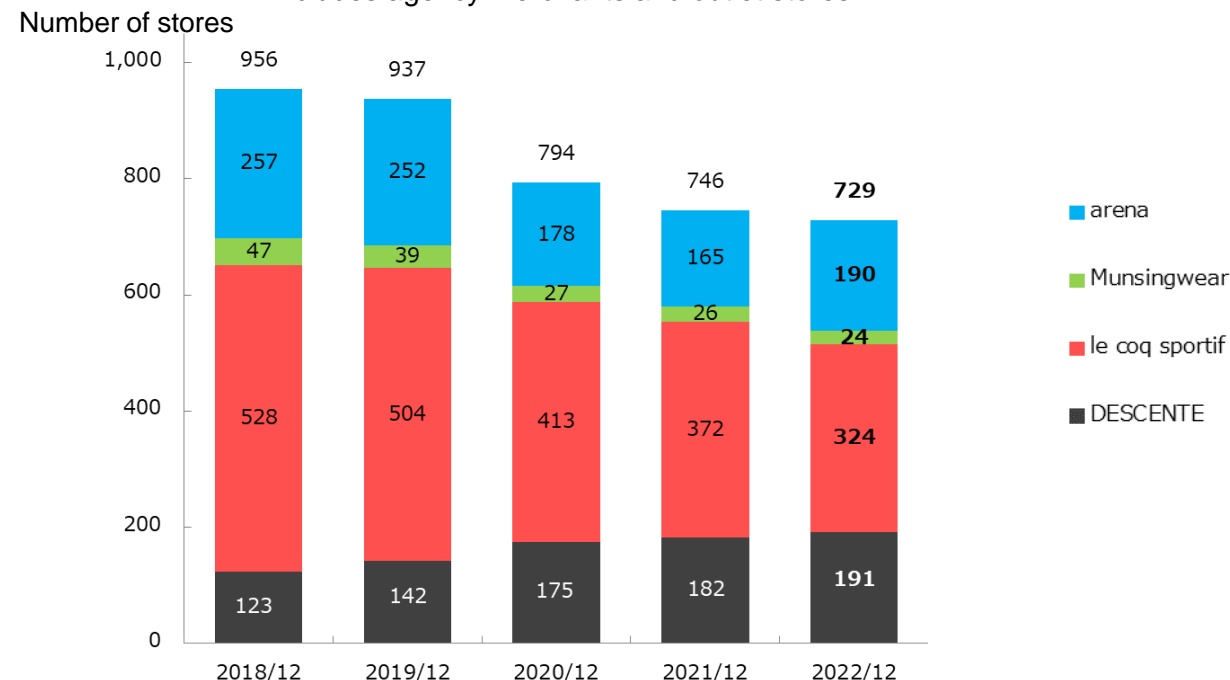
- “DESCENTE” increased sales per store due to larger stores and store renewals

Sales



Number of stores

※Excludes Combined store(1 store)
Includes agency merchants and outlet stores.



※ Excluding Taiwan
 ※ Local net sales
 = Local subsidiaries
 + Net Sales of local equity
 -method affiliates
 - Net sales for local affiliates
 accounted for by the equity
 method

1. FY2022

① Financial Summary

② Brand Review

③ **Topics**

2. Plan for FY2023

• In “DESCENTE”, the product lineup was bifurcated into “DESCENTE”, which aims to become a premium sports brand, and “MOVESPORT”, which focuses on the wholesale business.



“DESCENTE”, as a premium sports brand, Expanded high-quality collection “ALLTERRAIN”

MOVESPORT



“MOVESPORT” was launched as a new label With a concept of “more like sports in everyday life”

- Implement branding that clarifies the value provided to customers and areas to focus for each brand.



To be a brand that accompanies golf lovers and their families in their daily lives



To be a brand that accompanies your own playful way of life in sports and any other scenes



To be the dominant No.1 brand in swimming

- DESCENTE magazine, which features interviews with celebrities, has been opened to strengthen information dissemination
- “DESCENTE” opened a POP-UP store in LUMINE Shinjuku to sell “ALLTERRAIN” series
- “umbro” developed "Protect Headband" to protect the heads of junior players



Launched “DESCENTE magazine” and posted interviews of celebrities
Attracted new customers



POP-UP store in LUMINE SHINJUKU contributed to new customer traffic



Developed a soccer headband that reduces impact to the head

- "DESCENTE": Co-sponsored the "Seoul Race," a marathon in which more than 10,000 people participated, as an official sponsor
- "umbro": Collaboration with KANGHYUK, an apparel brand with a unique and innovative design
- "le coq sportif": Marketing of tennis using popular actresses



Co-sponsored the "Seoul Race" on October 9, 2022.



Collaboration with the apparel brand KANGHYUK
Strengthening marketing to the younger generation



Using Popular Actress Moon Ga-young to increase brand awareness through marketing

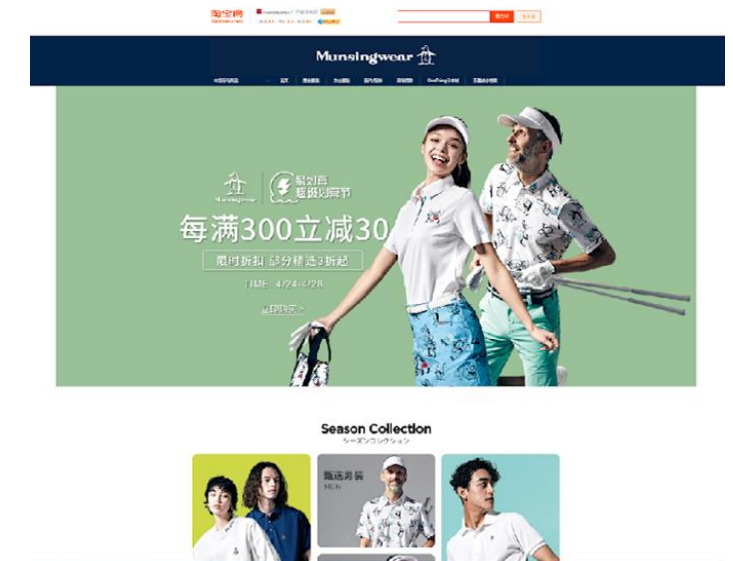
- Continued collaboration projects for “DESCENTE” to establish its image as a premium sports brand
- Implemented rebranding of “le coq sportif” and “Munsingwear”.



Collaboration with Japanese designer Kazuki Kuraishi for premium ski wear



Revision of product lineup aiming for a new image appeal (2023 Autumn/Winter Exhibition)



Rebuilding a sophisticated brand image (From the top page of the T-mall flagship store (E-commerce site))

- Branding of three domestic factories dedicated to high value-added products

水沢



Plan to revamp the Mizusawa Factory which produces “Mizusawa Down”

吉野



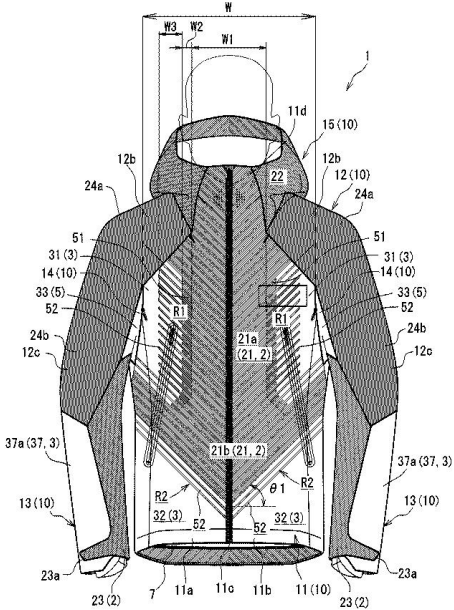
Yoshino Factory specializing in polo shirts

西都



Saito Factory producing swimsuits and other products using adhesive sewing technology

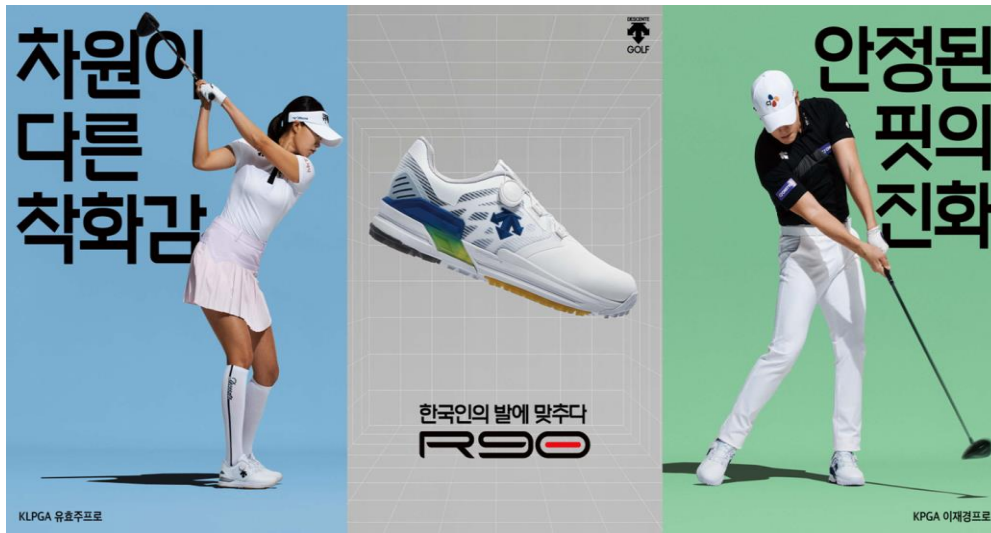
- Yoshino Factory started production of high-quality polo shirt "10 YEARS POLO SHIRTS"
- Enhanced product development capability. "Schematech" and other patents are registered.



Developed "10 YEARS POLO SHIRTS" that can be worn for a long time after clearing original test standards such as 200 washing tests

"Schematech", a high-quality, patented jacket that is being sold globally

- Shoes developed/planned by DISC BUSAN are performing well



Selling a new model of "R90" featuring a good fit using TPU mesh, popular among professional golfers



"CHRON RACER" is popular among young people modified midsole for comfort during the day

- “DESCENTE SC OF THE YEAR”, an event in which sales staff compete on their customer service skills was held in TOKYO tower
- An SDGs talk show was held on the theme of environmental issues and manufacturing with Ryosuke Irie, an “arena” contract player



"DESCENTE SC OF THE YEAR" adopts new customer service methods such as Instagram live customer service at the final stage



With Ryosuke Irie, we held a talk show to think about SDGs with parents and children living in Toshima Ward (TOKYO)

- Descente Sports Foundation, established in 2013, provides sporting goods to junior teams
- In China, "Munsingwear" sells products using environmentally friendly materials



The Descente Sports Foundation for junior teams offer sporting goods (South Korea)



Implemented "SAVE THE PENGUIN Campaign" and sold products using environmentally friendly materials (China)



1. FY2022

① Financial Summary

② Brand Review

③ Topics

2. Plan for FY2023

- Plan to increase sales and profits by stabilizing profit structure
- Forecasts 19.7% increase in net income excluding non-recurring gain/loss

(Unit: JPY million)	FY2020	FY2021	FY2023	
			Forecast	YoY
Net sales	108,892	120,614	127,000	+6,386 (105.3%)
Operating income	5,138	7,793	8,500	+ 707 (109.1%)
(% to Net sales)	+4.7%	6.5%	6.7%	+0.2pt
Ordinary income	7,556	11,664	13,000	+ 1,336 (111.5%)
(% to Net sales)	6.9%	9.7%	10.2%	+0.6pt
Profit attributable to owners of parent	6,229	10,550	11,000	+450 (104.3%)
(% to Net sales)	5.7%	8.7%	8.7%	▲0.0pt
non-recurring gains	1,230	1,360	-	-
Net profit excluding non-recurring gains	4,999	9,190	11,000	+1,810 (119.7%)

Earnings Forecast in Japan / South Korea / China (≠Consolidated profit/loss)

▪ Planning higher earnings in each segments

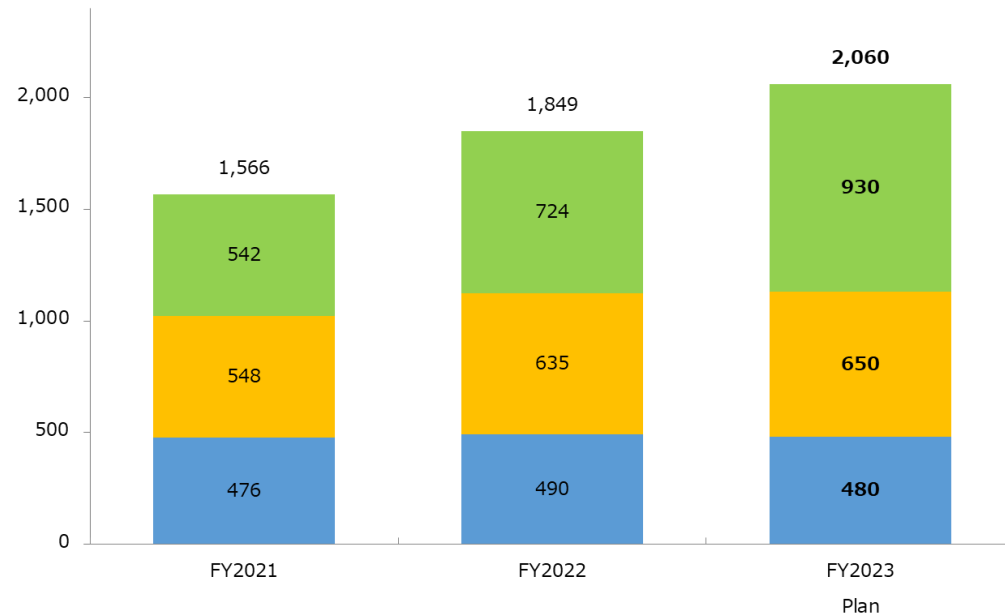
Local Net Sales

Net sales of consolidated subsidiary
+ net sales of equity method affiliates

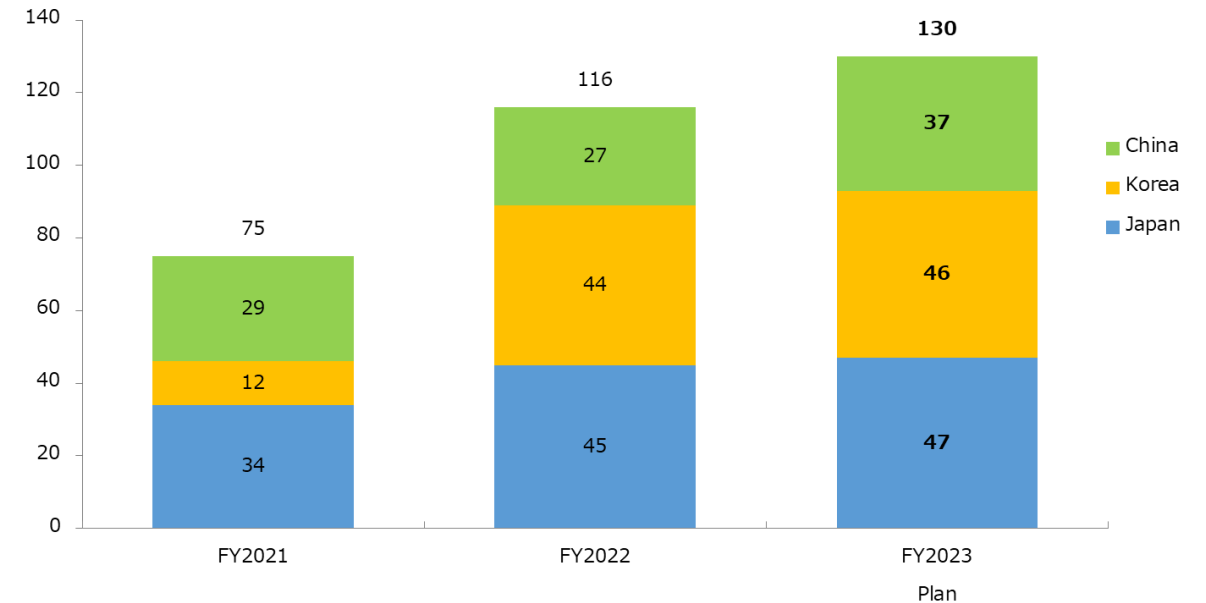
Ordinary profit

Segment profit/loss + share of entities accounted
for using equity method

(JPY 0.1 billion)



(JPY 0.1 billion)



※Calculation change from FY2022 Q3

- Dividend on FY2022 is record-high
- Planning FY2023 dividends based on 30% payout ratio policy

(Unit: JPY million)

	FY2019	FY2020	FY2021	FY2022	FY2023 Plan
Dividends	-	-	1,886	3,020	3,322
Amount/share	-	-	-	JPY40.0	JPY44.0
Profit attributable to owners of parent	▲2,481	5,039	6,229	10,550	11,000
Payout ratio	-	-	30.3%	28.6%	30.2%

FY2022 Reference

**Exchange Rate, Affiliated Companies in China,
Quarterly Sales and Operating Income by Segment**

Exchange Rate

		USD	100KRW	CNY	HKD	SGD	GBP
FY2022	Q4 YTD	-	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 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 2022

Affiliated Companies in China: Summary

DESCENTE

As of end of December 2022

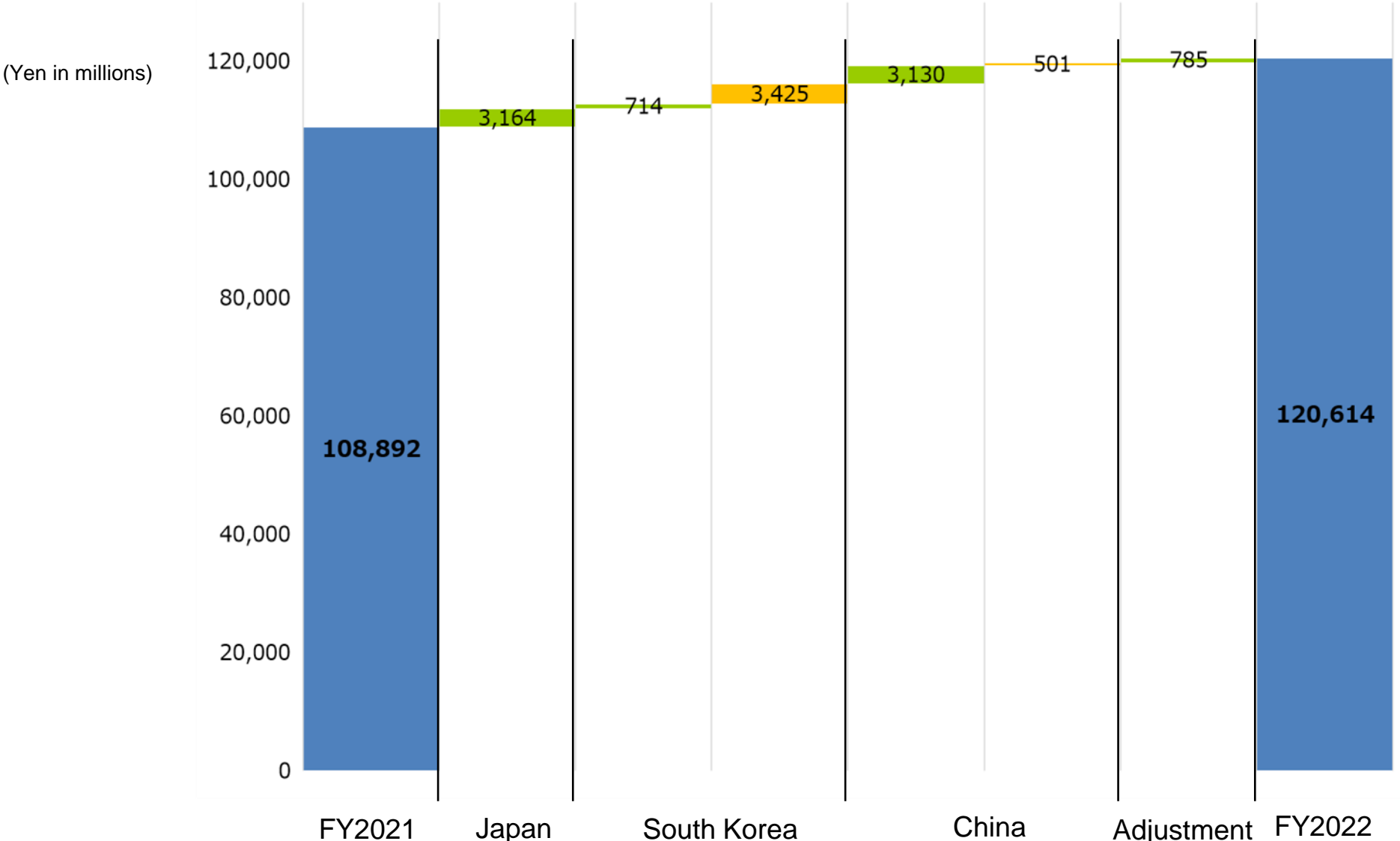
	Consolidated Subsidiaries				Affiliated Companies (Equity Method)
Company Name	SHANGHAI DESCENTE COMMERCIAL CO., LTD.	HONG KONG DESCENTE TRADING, LTD.	*ARENA (SHANGHAI) INDUSTRIAL CO., LTD.	LE COQ SPORTIF (NINGBO) CO., LTD.	DESCENTE(CHINA) Co., LTD.
Location	Shanghai	Hong Kong	Shanghai	Ningbo	Shanghai
Incorporated	August, 2005	November, 2003	October, 2016	February, 2004	July, 2016
Fiscal Year	January - December				
Investment Ratio	DESCENTE GROUP 100%	DESCENTE GROUP 100%	DESCENTE GROUP 100%	DESCENTE GROUP 75% Itochu Group 25%	DESCENTE GROUP 40% 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.

Net Sales (YoY)

DESCENTE

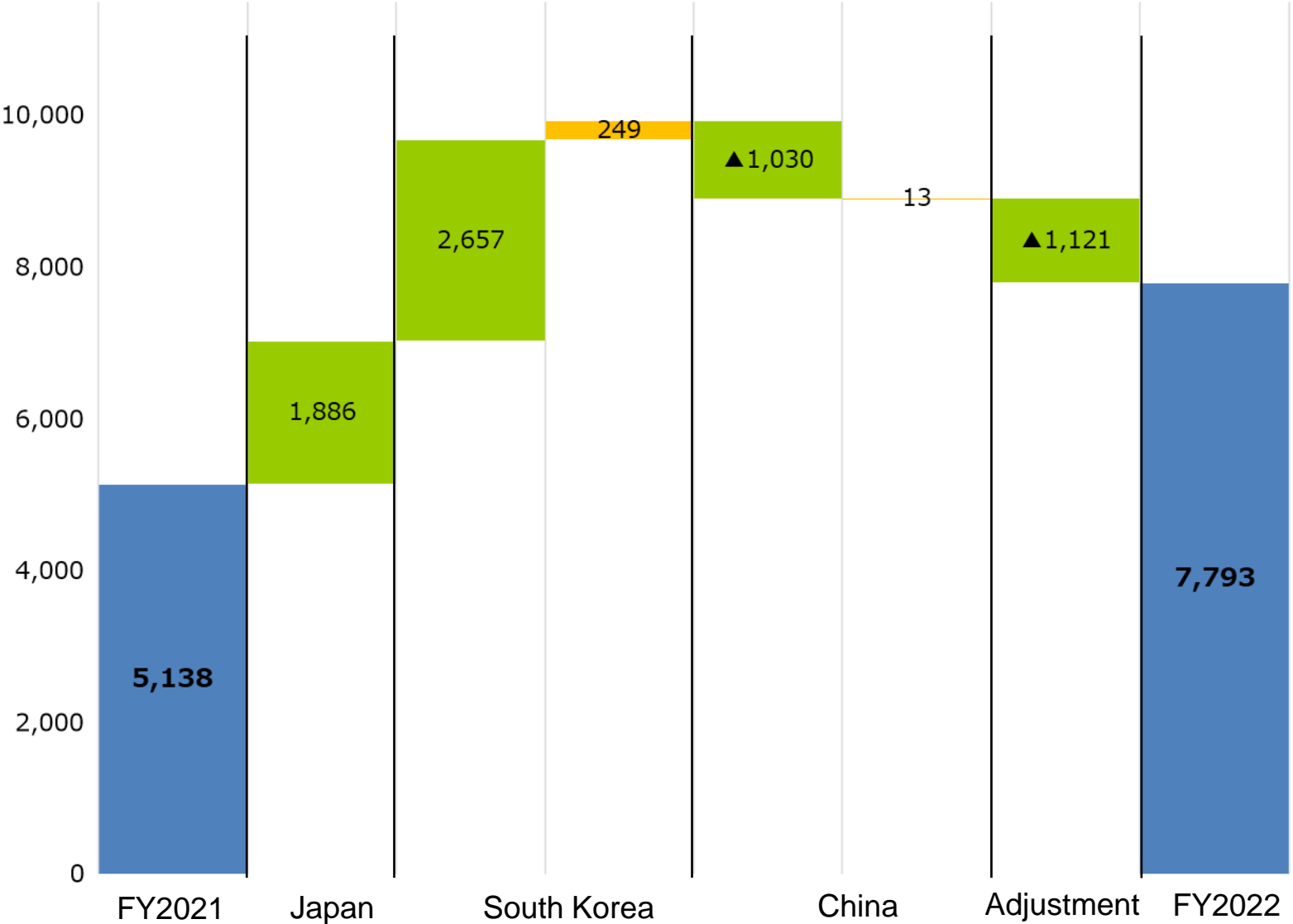


NOTES: FY2022 = FY ended March, 2023

Net Sales Actual Gain / Loss Forex Effect

Operating Income (YoY)

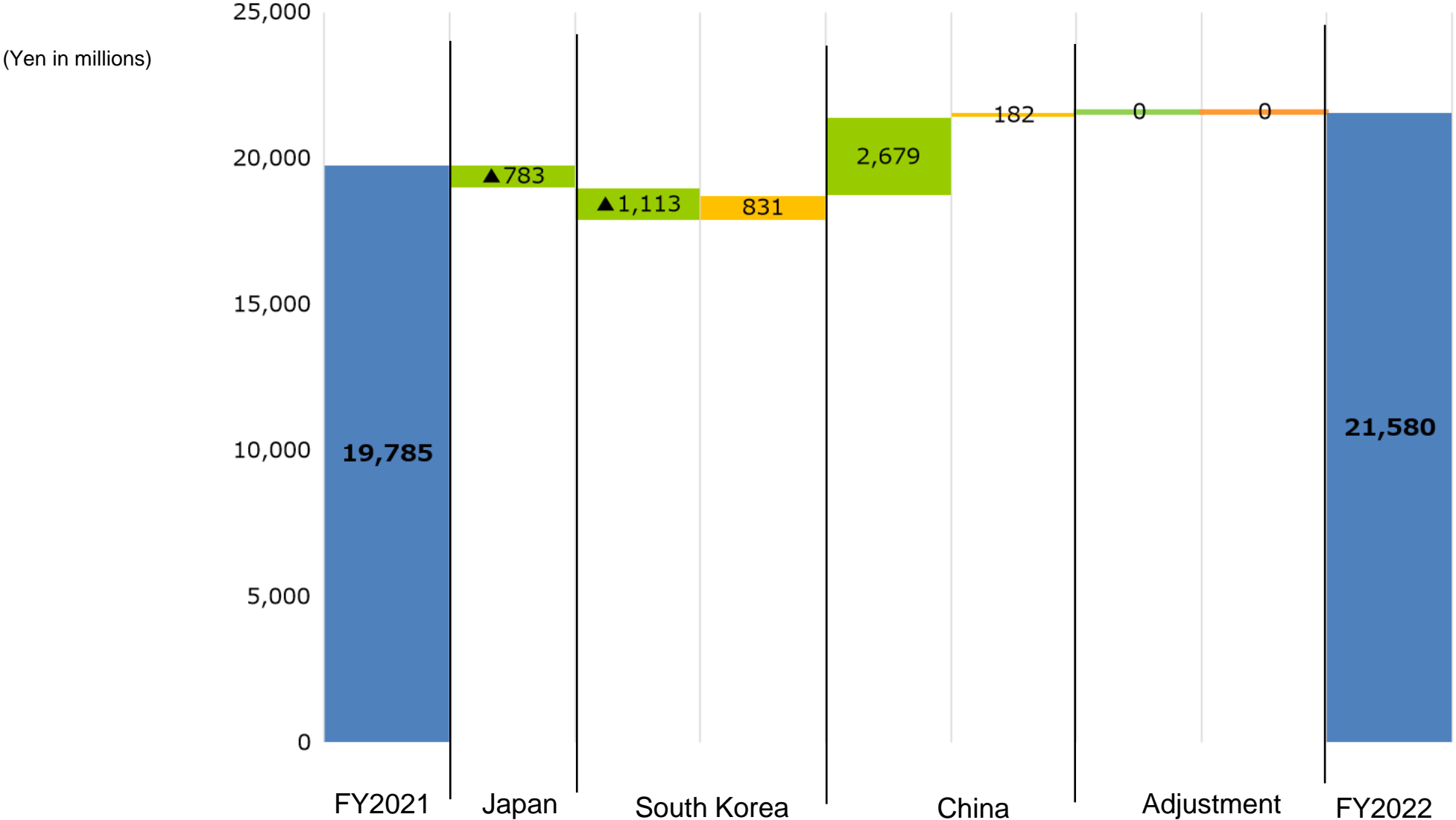
(Yen in millions)



NOTES: FY2022 = FY ended March, 2023

Operating income Actual Gain / Loss Forex Effect

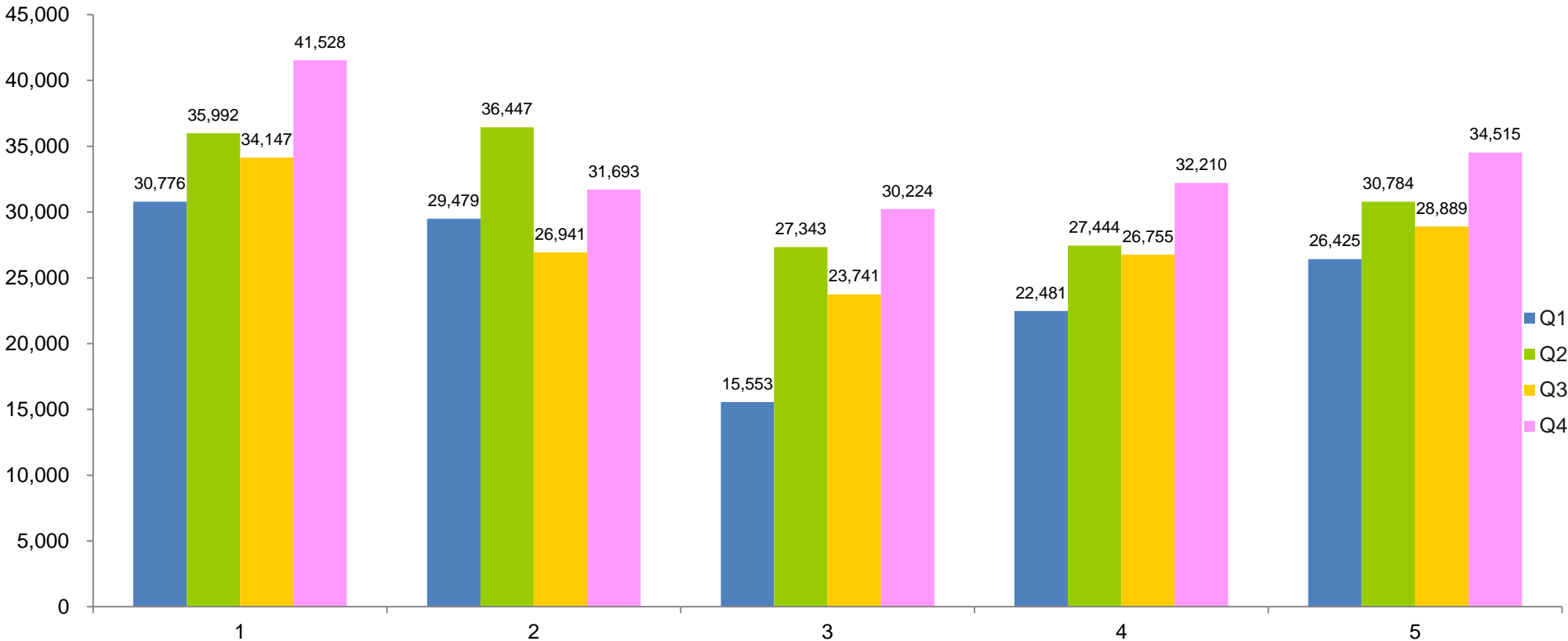
Inventory (YoY)



NOTES: FY2022 = FY ended March, 2023

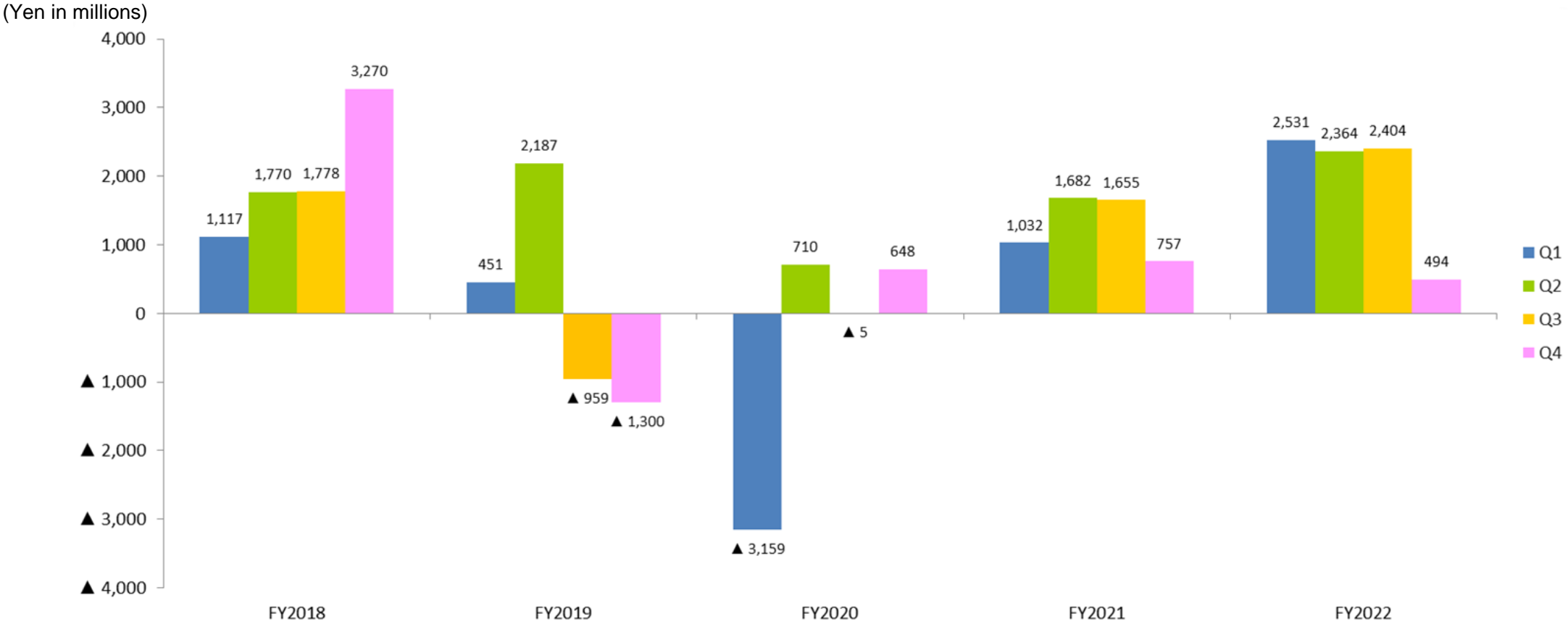
Quarterly Sales (Consolidated)

(Yen in millions)



NOTES: FY2022 = FY ended March, 2023

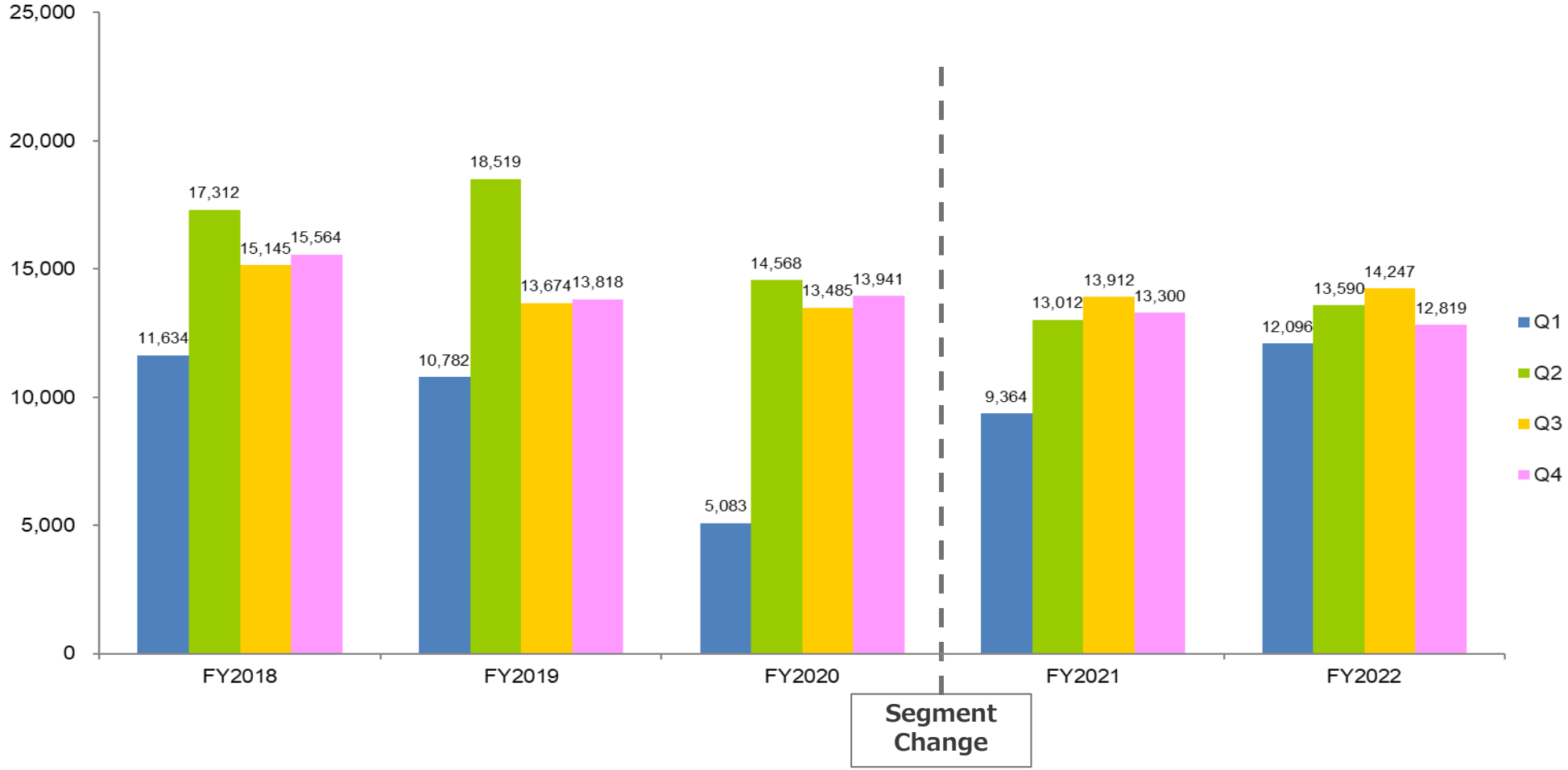
Quarterly Operating Income (Consolidated)



NOTES: FY2022 = FY ended March, 2023

Quarterly Sales (Japan)

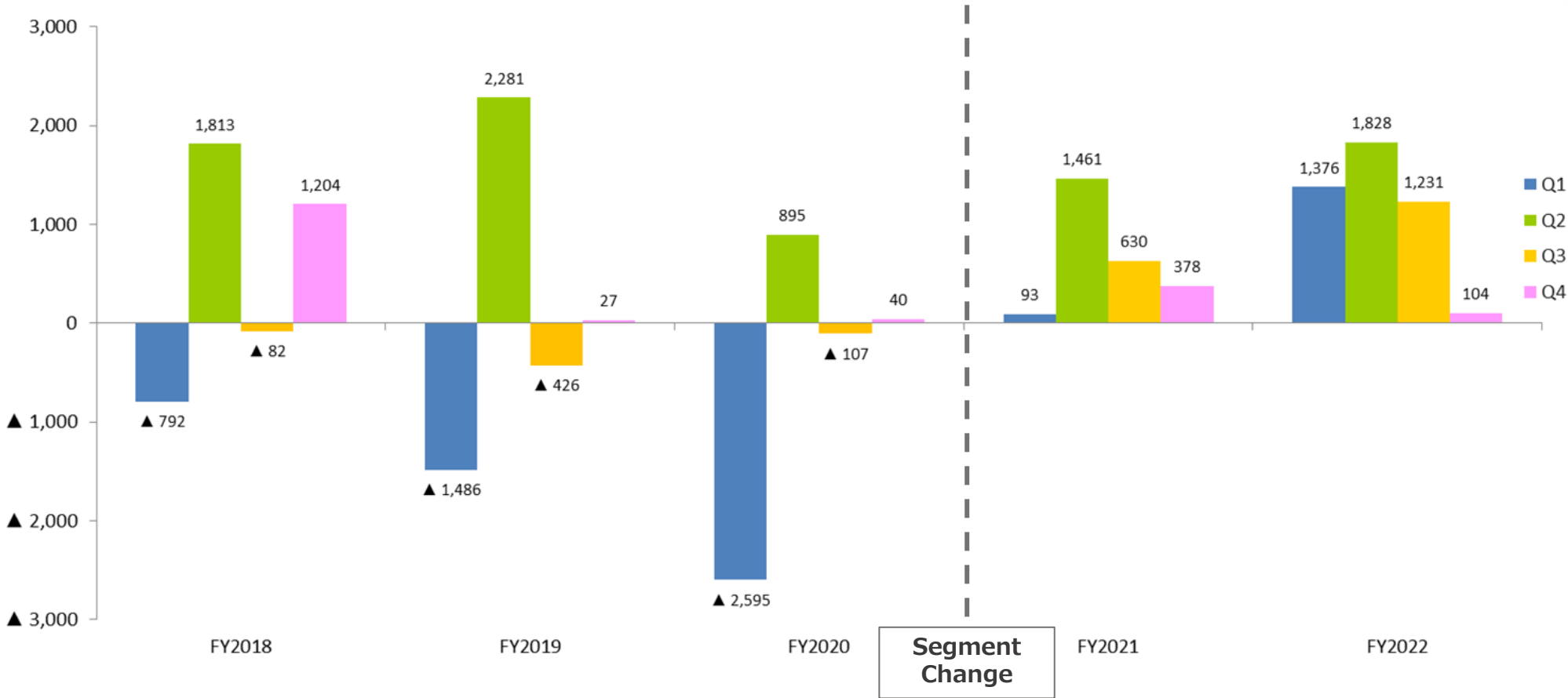
(Yen in millions)



NOTES: FY2022 = FY ended March, 2023

Quarterly Operating Income (Japan)

(Yen in millions)

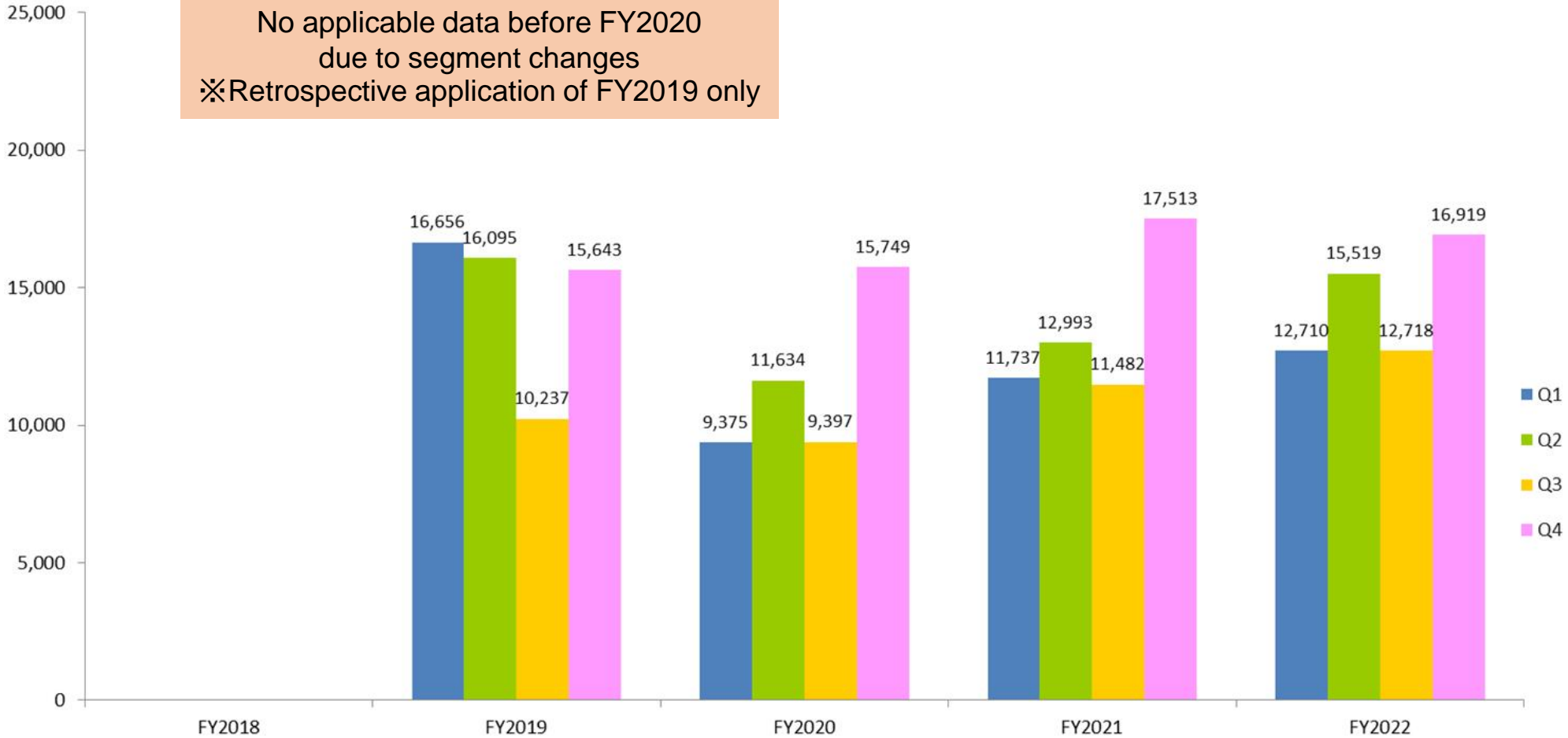


NOTES: FY2022 = FY ended March, 2023

Quarterly Sales (South Korea)

(Yen in millions)

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

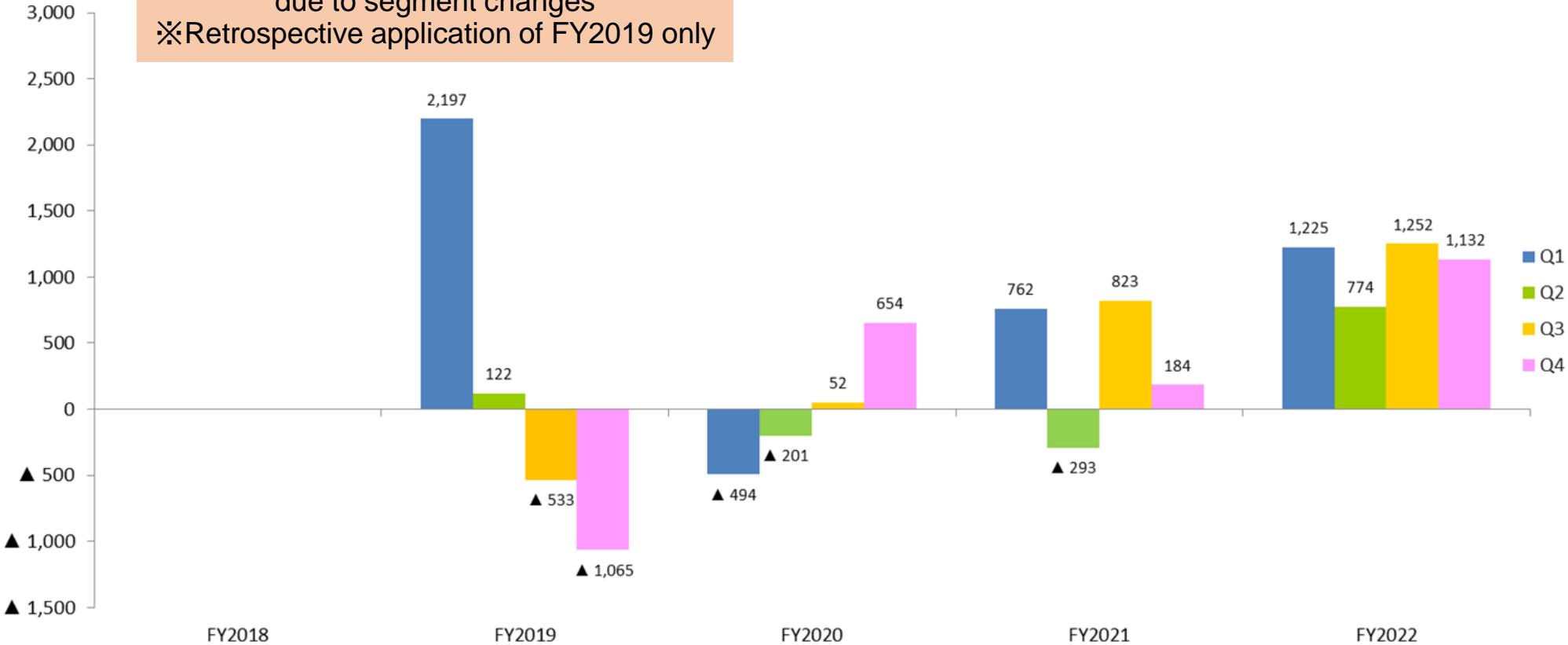


NOTES: FY2022 = FY ended March, 2023

Quarterly Operating Income (South Korea)

(Yen in millions)

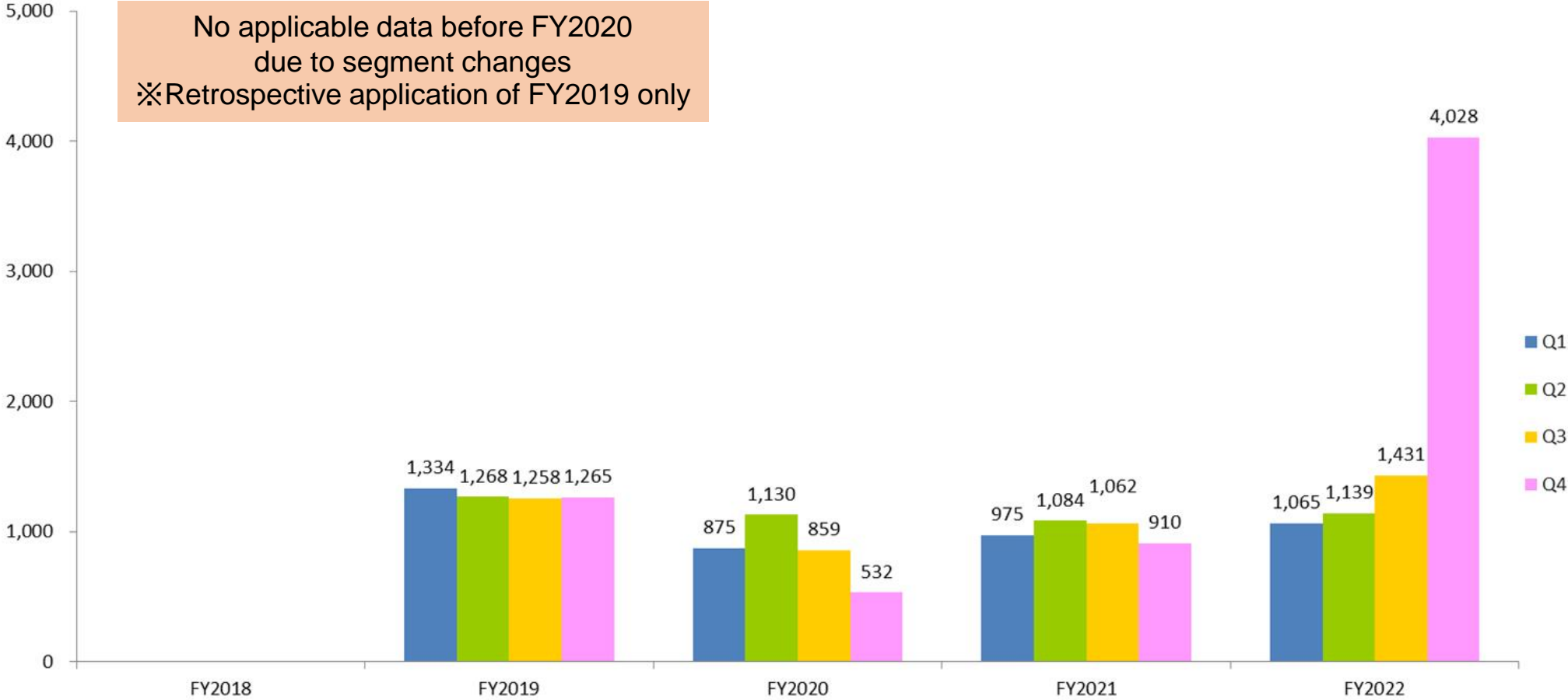
No applicable data before FY2020 due to segment changes
 ※Retrospective application of FY2019 only



NOTES: FY2022 = FY ended March, 2023

Quarterly Sales (China)

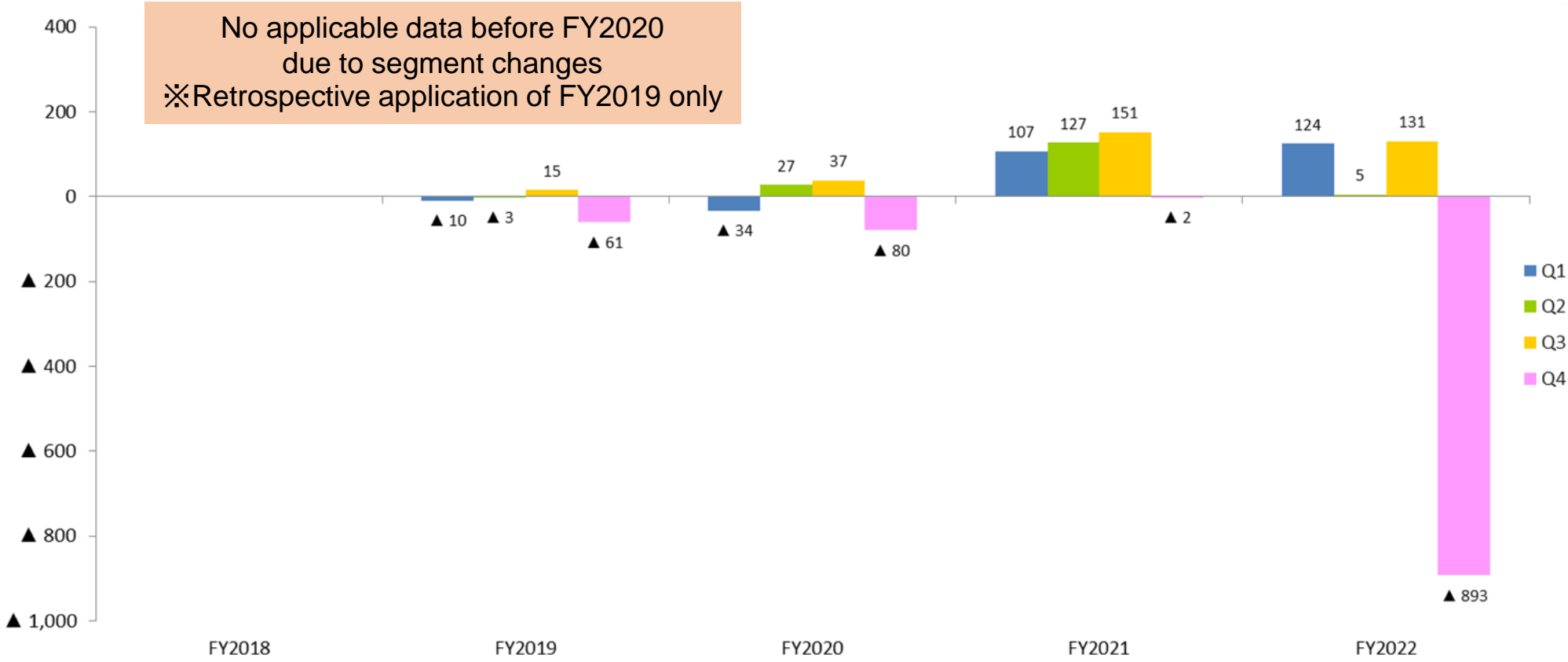
(Yen in millions)



NOTES: FY2022 = FY ended March, 2023

Quarterly Operating Income (China)

(Yen in millions)

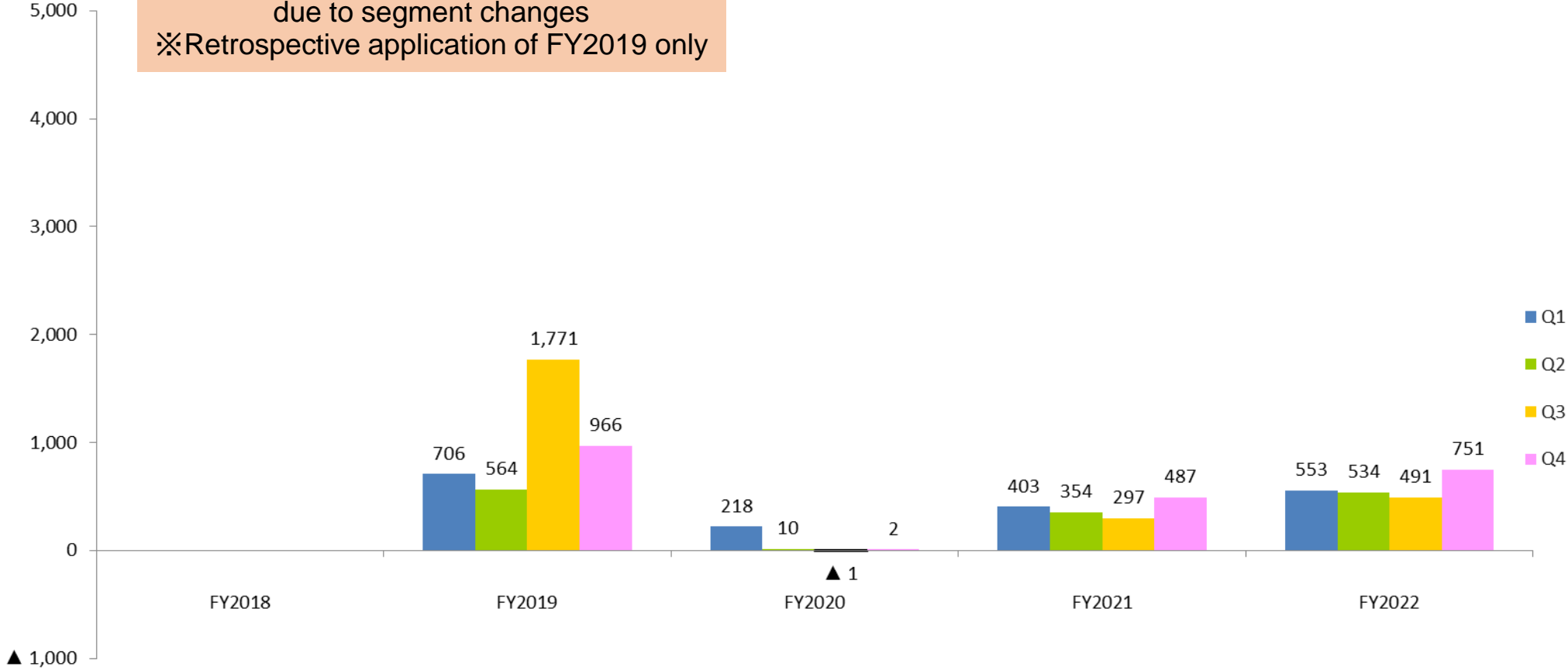


NOTES: FY2022 = FY ended March, 2023

Quarterly Sales (Adjustments)

(Yen in millions)

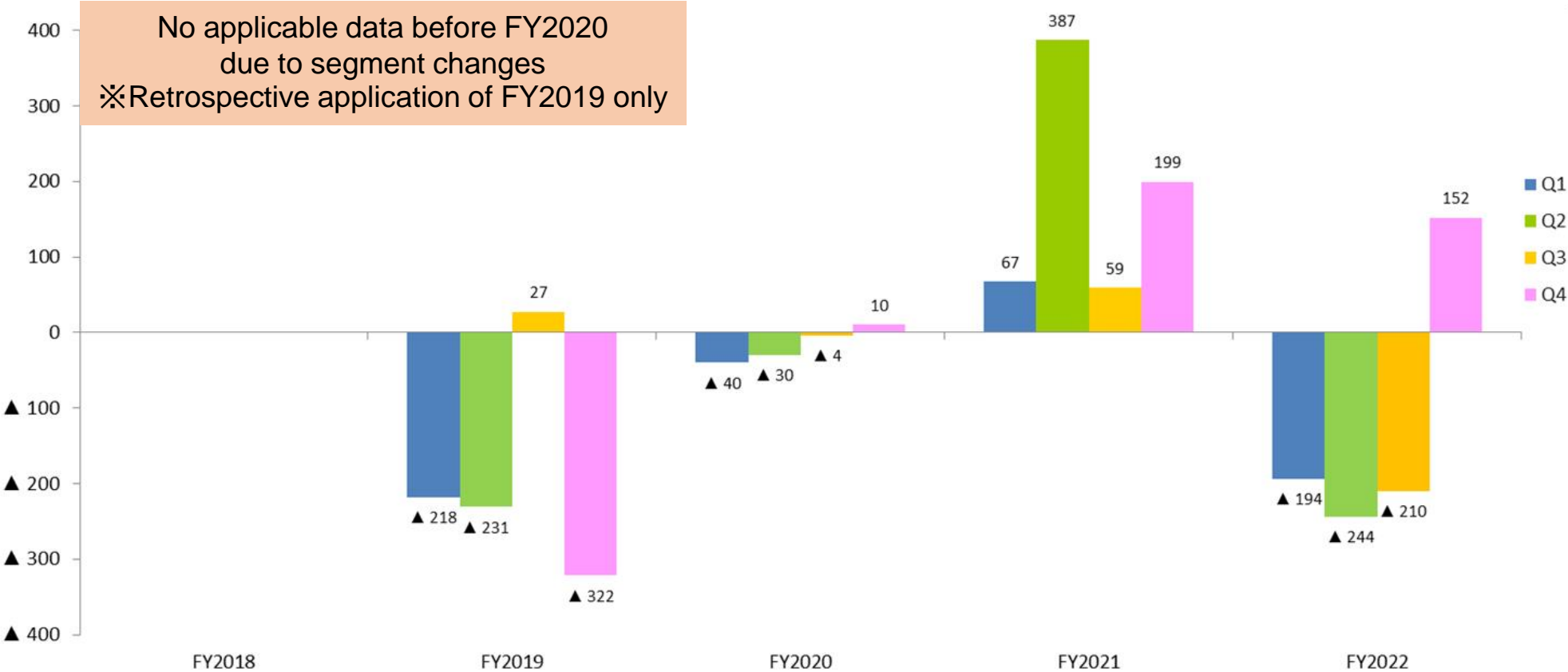
No applicable data before FY2020
due to segment changes
※ Retrospective application of FY2019 only



NOTES: FY2022 = FY ended March, 2023

Quarterly Operating Income (Adjustments)

(Yen in millions)



NOTES: FY2022 = FY ended March, 2023

DESCENTE