

Q1 FY 2023 Financial Summary

DESCENTE LTD.

August 10, 2023

Securities Code: 8114

TSE Prime

Disclaimer: This is an English translation of the original Japanese-language Consolidated Financial Summary of DESCENTE LTD. (the Company) for Q1 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

Results of Q1 FY 2023 (Consolidated)

DESCENTE

(Million yen)	FY2022 Q1	FY2023 Q1	YoY	FY2023 Forecast
Net Sales	26,425	27,162	102.8%	127,000
Gross Profit	15,588	16,512	105.9%	
Operating Income	2,531	1,951	77.1%	8,500
Non-operating income	831	2,627		
Non-operating expense	20	88		
Ordinary Income	3,342	4,490	134.3%	13,000
Extraordinary income	127	–		
Extraordinary expense	–	181		
Quarterly Net Income	2,353	3,191	135.6%	11,000
Gross Profit Ratio	59.0%	60.8%	+1.8pt	–
Operating Income Ratio	9.6%	7.2%	▲2.4pt	6.7%
Net Income Ratio	8.9%	11.7%	+2.8pt	8.7%

【Net Sales】

Increased due to the consolidation of ASH※₁ and NLCS※₂

【Gross Profit】

Increased due to the consolidation of above 2 companies and improvement in gross profit ratio in South Korea

【Operating Income】

Decreased due to absence of a one-time gain (approx. ¥470M) in the same quarter of the previous fiscal year which occurred due to a gain on reversal of allowances associated with improved product returns, etc.

【Ordinary Income】

Increased due to strong performance of AK※₃ and DCH※₄. Equity in earnings of affiliates was ¥2,271M, quadruple from previous Q1 (¥565M), record-high as a Q1

【Quarterly Net Income】

Increased due to increase in ordinary income and a record-high as a Q1, despite the extraordinary expense of ¥181M

※₁ ARENA (SHANGHAI) INDUSTRIAL CO., LTD.

※₂ LE COQ SPORTIF (NINGBO) CO., LTD.

※₃ ARENA KOREA LTD.

※₄ DESCENTE CHINA HOLDING LTD.

Balance Sheet of Q1 FY 2023 (Consolidated)

DESCENTE

(Million yen)	FY2022 Q1	FY2023 Q1	YoY
Current Assets	71,777	75,673	+3,896
Cash and Deposits	30,373	31,535	+1,162
Inventory	21,659	23,779	+2,120
Other	19,745	20,359	+614
Non-Current Assets	43,834	53,452	+9,618
PP&E	21,713	23,579	+1,866
Intangible Assets	1,733	4,995	+3,262
Other	20,388	24,878	+4,490
Current Liabilities	21,324	21,028	▲296
Non-Current Liabilities	4,605	7,678	+3,073
Net Assets	89,682	100,419	+10,737
Total Assets	115,612	129,126	+13,514
ROE*	10.7%	12.8%	+2.1pt
ROA*	8.1%	9.7%	+1.6pt
Equity Ratio	77.6%	77.2%	▲0.4pt

【Current Assets】

Increase in each item due to consolidation of ASH^{※1} and NLCS^{※2}

【Non-Current Assets】

Increase due to consolidation mentioned above. Includes ¥21,518M of Investments and securities (+¥6,232M from previous Q1) in “Other”

【Liabilities】

Includes ¥2,848M of Lease obligations (+¥2,090M from previous Q1) in “Non-Current Liabilities”

【Net Assets】

Retained earnings increased due to strong performance

【ROE / ROA*】

Estimated ROE is 12.8%, ROA is 9.7%, in a high-standard due to strong performance

*Calculation of ROE (ROA is also based on the calculation)
 =(Quarterly Net Income ×4) ÷ ((Equity in Beginning of Q1 + Equity in End of Q1) ÷2)

※1 ARENA (SHANGHAI) INDUSTRIAL CO., LTD.

※2 LE COQ SPORTIF (NINGBO) CO., LTD.

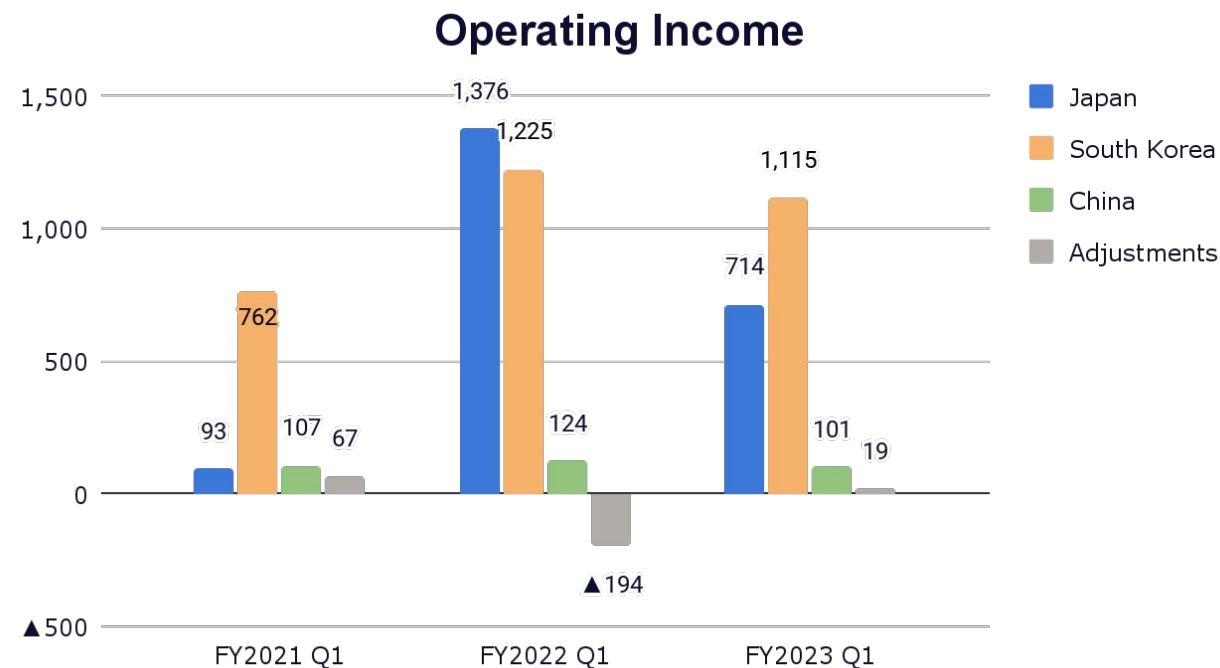
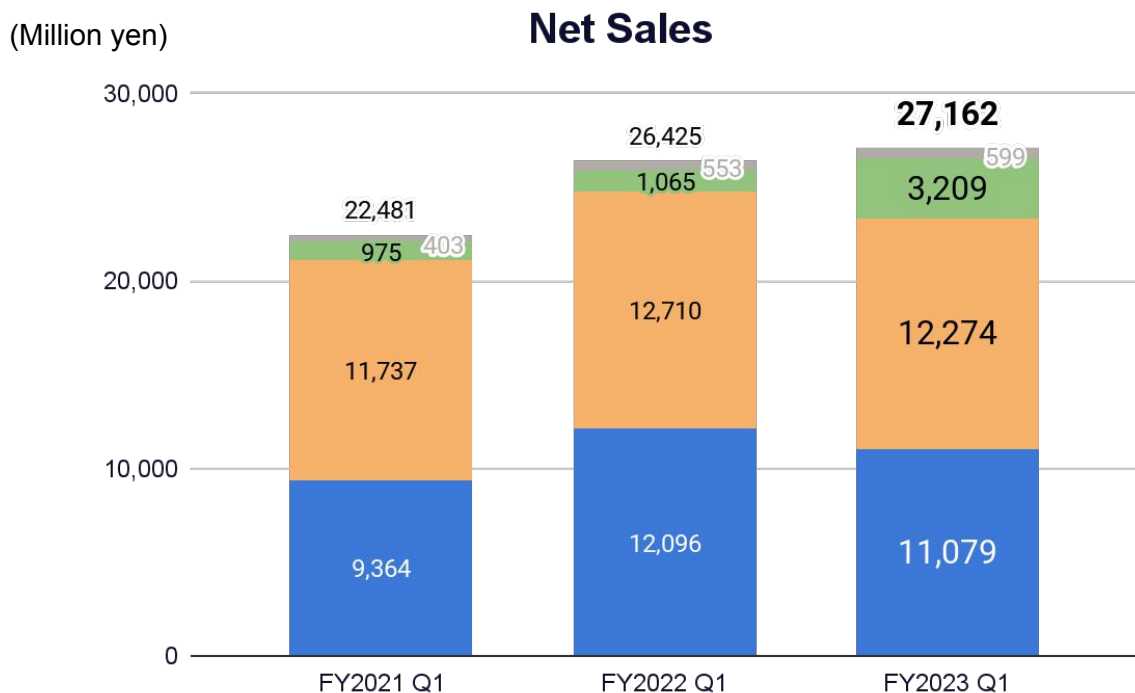
Segment Review (Classified according to country and area of the location of the company) DESCENTE

Sales of the athletic category in Japan and South Korea increased, but sales of the golf category slowed down as expected due to the diversification of leisure demand. Overall sales increased due to the effect of consolidation of an equity-method affiliates in China, but income decreased as below

Japan: Profitability in the first quarter has become the norm, however, income decreased due to the absence of one-time factors that boosted profits in the previous Q1, such as gain on reversal of allowance for doubtful accounts, and increased expenses related to branding

South Korea: Decrease in sales and income

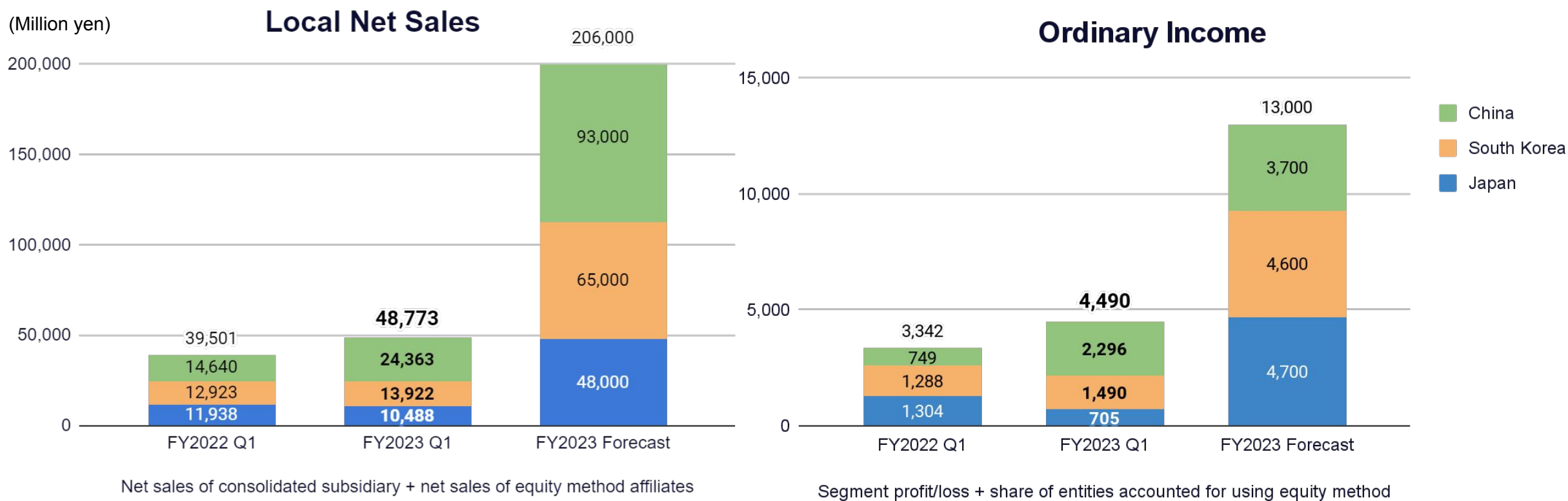
China: Income decreased due to the amortization of goodwill related to consolidation of affiliates and other expense



Area Review

(Classified according to the location of the customers)

Japan and South Korea progressed as expected
 China's performance expanded significantly due to revenge consumption following the re-opening in January



In addition to an increase in inbound sales at directly managed stores in metropolitan areas, the athletic category increased its sales. "arena" performed well related with World Swimming Championships. Overall net sales decreased due to the slowdown in the golf boom from the previous Q1 and the termination of the license agreement of "Marmot" in December 2022, but remained in line with the plan

Japan (million yen)	FY2021 Q1	FY2022 Q1	FY2023 Q1	YoY
DESCENTE	3,108	3,978	3,805	95.7%
le coq sportif	2,060	2,905	2,485	85.5%
Munsingwear	1,401	1,860	1,525	82.0%
arena	997	1,208	1,298	107.5%
umbro	631	614	615	100.2%
Other	1,094	1,373	760	55.4%
Total	9,291	11,938	10,488	87.9%

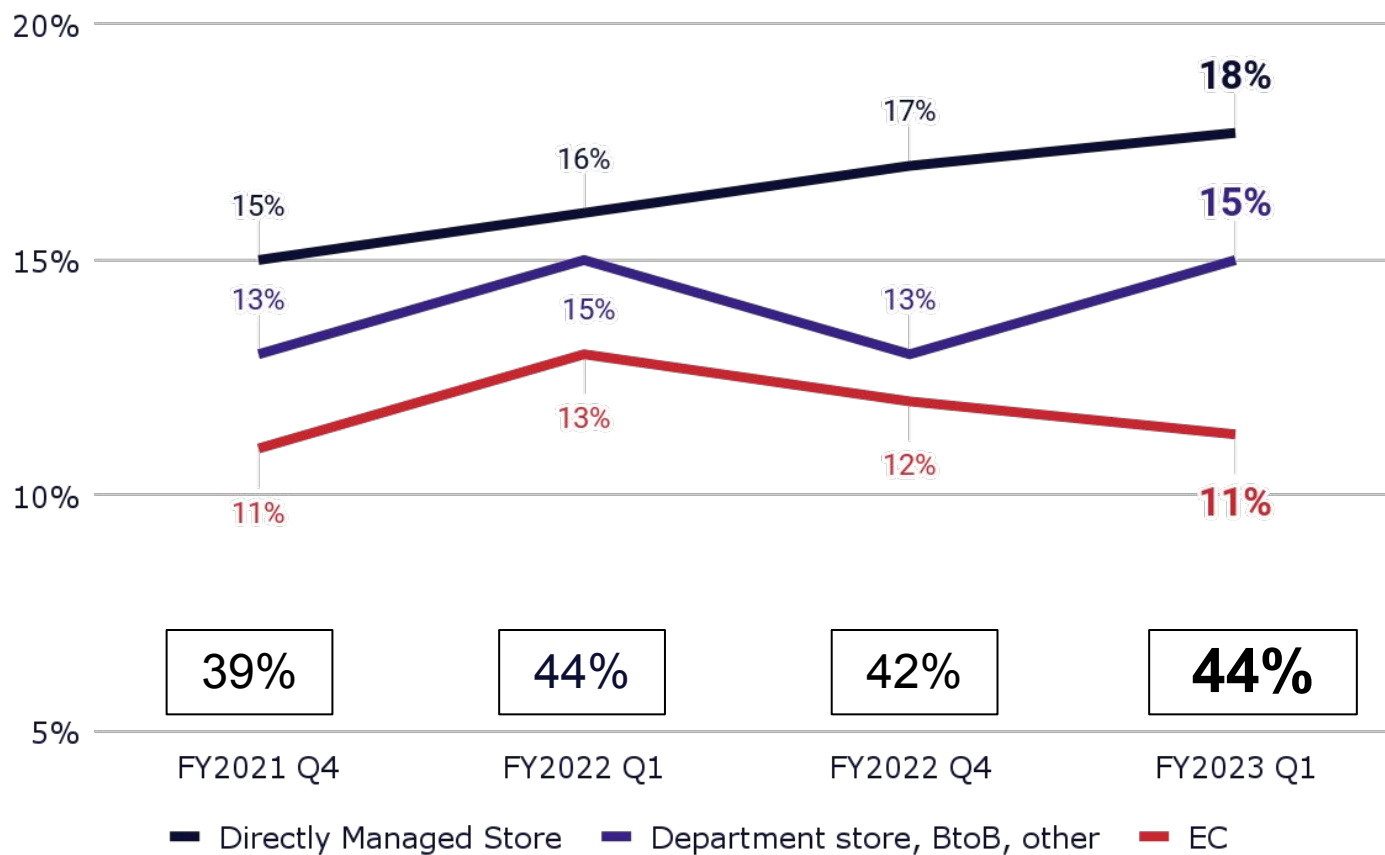


Inbound sales increased mainly at directly managed stores in central Tokyo (Left - DESCENTE GOLF COMPLEX GINZA, Right - DESCENTE TOKYO)

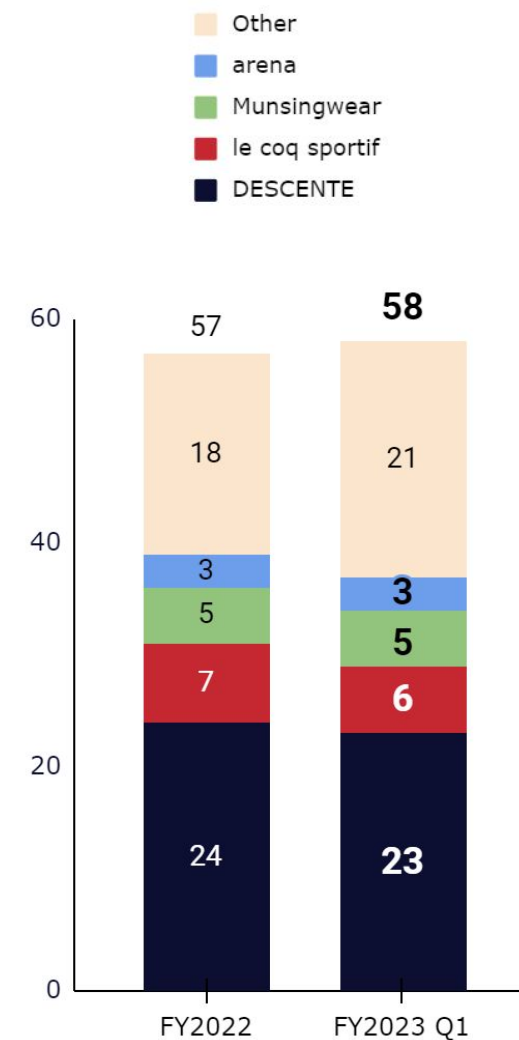


Sponsoring the World Swimming Championships and implemented marketing measures related with the event

DTC composition ratio increased by 2 pt from the end of the previous fiscal year due to increased inbound demand as well as seasonality



Number of Directly Managed Stores in Japan (Excluding pop-up stores)



South Korea Brand Review (Classified according to the location of the customers) DESCENTE

"umbro" grew due to high reputation by Generation Z. Gross profit margin improved in the athletic category as a result of improved sales ratio of regular price items. The golf category decreased due to the slowdown of the golf boom, but the golf shoes developed by DISC BUSAN performed well. Sales of "arena", which is operated by an equity-method affiliate, recovered as the impact of pool closures disappeared

South Korea (million yen)	FY2021 Q1	FY2022 Q1	FY2023 Q1	YoY
DESCENTE	5,809	5,888	5,471	92.9%
le coq sportif	3,618	3,431	3,131	91.3%
umbro	1,224	2,103	2,412	114.7%
Munsingwear	585	544	440	80.9%
arena*	458	957	2,468	257.9%
Total	11,694	12,923	13,922	107.7%

*Operated by equity-method affiliate



Strengthen branding to Generation Z, the core target customers



"CONDOR" (DISC-developed golf shoes), following "R90," sold well

Sales of "le coq sportif" increased due to a boost in revenue consumption following the re-opening in January 2023. "DESCENTE" operated by an equity-method affiliate continued to perform well

China (million yen)	FY2021 Q1	FY2022 Q1	FY2023 Q1	YoY
le coq sportif	2,176	2,056	2,425	117.9%
arena	342	448	444	99.1%
Munsingwear	306	235	334	142.1%

DESCENTE*	7,405	11,901	21,160	177.8%
Total	10,229	14,640	24,363	166.4%

*Operated by equity-method affiliate



le coq sportif

Clarifying target customers and rebuilding brand image



Foster customer loyalty by offering exclusive events through "D-MOVER" (membership program)

South Korea continues to open "umbro" stores
In China, sales per store for "DESCENTE" expanded

Number of Shops	Japan			South Korea*			Cihna*		
	FY2021	FY2022	FY2023 Q1	FY2021	FY2022	FY2023 Q1	FY2021	FY2022	FY2023 Q1
DESCENTE	24	24	23	303	280	274	182	191	188
le coq sportif	7	7	6	238	211	205	372	324	301
Munsingwear	5	5	5	40	35	35	26	24	32
arena	3	3	3	146	141	140	165	190	187
umbro	–	–	–	97	111	112			
Other	24	18	21						
Total	63	57	58	824	778	766	745	729	708

Includes outlet stores in the above figures

*Includes stores of agency merchants

Topics

Japan: Launching directly-managed stores where customers can experience the brand image and its value



Renewal underway with new store manual
(DESCENTE MARK IS minatomirai)



Opened a pop-up store in YURAKUCHO MARUI
with the aim of developing directly-managed store

Solving problems through newly developed items and promoting sports in Japan



Developed protective headband that eases impact when heading. Providing children safer gears which leverages our manufacturing capabilities



DESCENTE Implemented urban sports event @IKE-SUNPARK
Over 1,000 participants experienced the joy of sports

Reference – Quarterly Net Sales and Income by Segments

DESCENTE

Segment Quarterly Net Sales (Million yen)

FY2020	Q1	Q2	Q3	Q4	Cumulative
Japan	5,083	14,568	13,485	13,941	47,079
South Korea	9,375	11,634	9,397	15,749	46,156
China	875	1,130	859	532	3,397
Other	218	10	0	1	229
Adjustments	0	0	▲1	0	0
Total	15,553	27,343	23,741	30,224	96,862

FY2021	Q1	Q2	Q3	Q4	Cumulative
Japan	9,364	13,012	13,912	13,300	49,589
South Korea	11,737	12,993	11,482	17,512	53,726
China	975	1,084	1,062	909	4,032
Adjustments	403	354	297	487	1,544
Total	22,481	27,444	26,755	32,210	108,892

FY2022	Q1	Q2	Q3	Q4	Cumulative
Japan	12,096	13,590	14,247	12,819	52,753
South Korea	12,710	15,519	12,718	16,917	57,866
China	1,065	1,139	1,431	4,026	7,663
Adjustments	553	534	491	750	2,330
Total	26,425	30,784	28,889	34,514	120,614

FY2023	Q1	Q2	Q3	Q4	Cumulative
Japan	11,079				
South Korea	12,274				
China	3,209				
Adjustments	599				
Total	27,162				

Segment Quarterly Income (Million yen)

FY2020	Q1	Q2	Q3	Q4	Cumulative
Japan	▲2,595	895	▲107	39	▲1,767
South Korea	▲494	▲201	52	654	11
China	▲34	28	41	▲77	▲41
Other	▲40	▲30	▲4	21	▲64
Adjustments	5	17	11	10	55
Total	▲3,159	710	▲5	648	1,806

FY2021	Q1	Q2	Q3	Q4	Cumulative
Japan	93	1,461	630	378	2,654
South Korea	762	▲293	823	183	1,475
China	107	127	151	▲2	384
Adjustments	67	387	59	199	623
Total	1,032	1,682	1,655	757	5,137

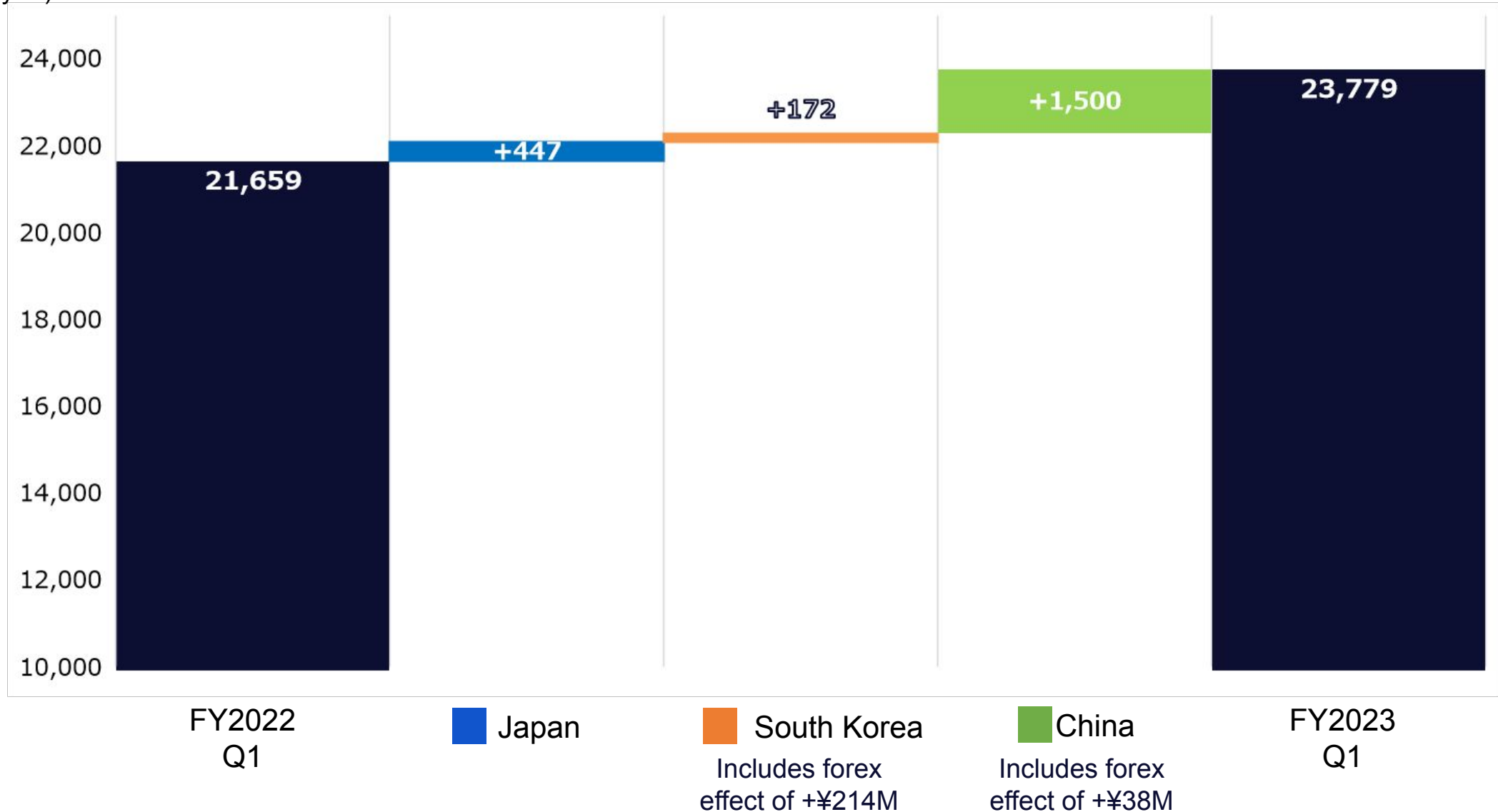
FY2022	Q1	Q2	Q3	Q4	Cumulative
Japan	1,376	1,828	1,231	104	4,541
South Korea	1,225	774	1,252	1,131	4,383
China	124	5	131	▲894	▲632
Adjustments	▲194	▲244	▲210	152	▲498
Total	2,531	2,364	2,404	492	7,793

FY2023	Q1	Q2	Q3	Q4	Cumulative
Japan	714				
South Korea	1,115				
China	101				
Adjustments	0				
Total	1,951				

Reference – Changes in Inventories by Segments

DESCENTE

(Million yen)



Reference - Terms, Reportable Segments, Exchange Rates

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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 (refer below)

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

Note: Group internal sales is eliminated in neither of above (Not Counted)

Business Year:

<Japan> April–March

Example: Q1 = April - June

<Overseas subsidiaries / Affiliates> January–December

Example: Q1=January–March

		USD	100KRW	CNY	HKD
FY2020	Q1 YTD	108.36	9.05	15.53	14.04
	Q2 YTD	107.48	8.95	15.32	13.95
	Q3 YTD	106.74	8.94	15.31	13.82
	Q4 YTD	106.04	9.06	15.42	13.72
FY2021	Q1 YTD	107.15	9.55	16.45	13.81
	Q2 YTD	108.47	9.69	16.76	13.98
	Q3 YTD	109.13	9.62	16.86	14.05
	Q4 YTD	110.39	9.64	17.12	14.20
FY2022	Q1 YTD	117.82	9.77	18.56	15.08
	Q2 YTD	124.53	10.06	19.13	15.90
	Q3 YTD	129.48	10.13	19.46	16.52
	Q4 YTD	132.10	10.22	19.50	16.86
FY2023	Q1 YTD	133.45	10.43	19.43	17.02
	Q4 YTD PLAN	132.00	10.20	19.20	17.00

1Q YTD = First 3 months
2Q YTD = First 6 months
3Q YTD = First 9 months
4Q YTD = Full Year

FY2023 = Financial Year ending March 31, 2024

Reportable Segments: From Q1 FY 2022, as the Company has become a pure holding company, the segment changed as below

Segments	Breakdown					
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.	LE COQ SPORTIF (NINGBO) CO., LTD.	intra-segment eliminations
Adjustments	DESCENTE LTD.	Adjustments				

NOTE) ARENA KOREA LTD. and DESCENTE CHINA HOLDING LTD., which are not listed above, are equity-method affiliates and equity in earnings of affiliated is included in non-operating income of the Company based on the percentage of the ownership

DESCENTE

Disclaimer: The contents of the business plan and the future objectives described in this document are base on the information currently available and therefore contain an element of uncertainty and potential risk. Readers are advised there is a possibility that actual results may be affected by a number of factors and may differ materially from what is described