

Q2 of FY 2023 Financial Summary

DESCENTE LTD.
November 7, 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 Q2 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 Q2 FY 2023 (Consolidated)

DESCENTE

(Million Yen)	FY2022 Q2	FY2023 Q2	YoY	FY2023 Forecast
Net Sales	57,210	59,985	104.9%	127,000
Gross Profit	33,275	35,897	107.9%	
Operating Income	4,895	4,151	84.8%	8,500
Non-operating income	1,902	4,030		
Non-operating expense	58	174		
Ordinary Income	6,740	8,007	118.7%	13,000
Extraordinary income	127	-		
Extraordinary expense	-	303		
Quarterly Net Income	5,132	5,672	110.5%	11,000
Gross Profit Ratio	58.2%	59.8%	+1.7pt	-
Operating Income Ratio	8.6%	6.9%	-1.6pt	6.7%
Net Income Ratio	9.0%	9.5%	+0.5pt	8.7%

【Net Sales】

Incorporation of NLCS※₁ and increase of sales in the athletic wear category were larger than the decrease of sales in the golf wear category, resulting increase in net sales

【Gross Profit】

In addition to incorporation of NLCS which has relatively high gross profit margin, DTC business in Japan performed well, improving the gross profit margin

【Operating Income】

In addition to the absence of the one-time gain (approx ¥470M) which occurred in the Q1 of previous year, SG&A expense increased due to the branding in Japan and South Korea, resulted decrease in operating income

【Ordinary Income】

Increased due to the strong performance of AK※₂ and DCH※₃, reaching record high continuing from Q1.

【Quarterly Net Income】

Although extraordinary loss of ¥303M occurred, reached record high due to the increase in ordinary income

※₁ LE COQ SPORTIF (NINGBO) CO., LTD.

※₂ ARENA KOREA LTD.

※₃ DESCENTE CHINA HOLDING LTD.

Balance Sheet of Q2 FY 2023 (Consolidated)

DESCENTE

(Million Yen)	FY2022 Q2	FY2022 Q4	FY2023 Q2	Changes in Q2
Current Assets	79,180	82,505	81,221	-1,284
Cash and Deposits	37,522	41,412	36,873	-4,539
Inventory	20,439	21,581	22,965	+1,384
Other	21,219	19,512	21,383	+1,871
Non-Current Assets	47,998	51,057	55,951	+4,894
PP&E	24,219	24,107	24,273	+166
Intangible Assets	1,688	5,008	5,290	+282
Other	22,090	21,941	26,387	+4,446
Current Liabilities	24,252	25,944	22,518	-3,426
Non-Current Liabilities	7,020	7,318	7,866	+548
Net Assets	95,905	100,300	106,788	+6,488
Total Assets	127,178	133,562	137,172	+3,610
ROE*	11.2%	11.3%	11.0%	-0.3pt
ROA*	8.4%	8.4%	8.4%	-0.1pt
Equity Ratio	75.4%	74.6%	77.3%	+2.7pt

【Current Assets】

Cash and Deposits decreased due to the dividends payment and others

(Reference) Break down of inventory increase/loss (from end of the previous fiscal year):

Japan: +¥862M

South Korea: +¥731M (incl. forex of +¥264M)

China: - ¥210M (incl. forex of +¥155M)

【Non-Current Assets】

Investment securities (incl. in the Other) increased

【Liabilities】

Decrease in Notes and accounts payable - trade due to shortening the payment period, and current liabilities - other

【Net Assets】

Increase due to a increase in retained earnings due to strong result, and increase in foreign currency translation adjustments

【Quarterly ROE / ROA*】

Both ROE・ROA are in high level

*Calculation of ROE (ROA is also based on the calculation)

= (Quarterly Net Income ×2) ÷ ((Equity in Beginning of Q2 + Equity in End of Q2) ÷2)

Cash Flow of Q2 FY 2023 (Consolidated)

DESCENTE

(Million Yen)	FY2022 Q2	FY2023 Q2	Changes
Cash Flow from Operating Activities	4,710	237	-4,473
Income before Income Taxes	6,867	7,704	837
Depreciation	2,176	1,934	-242
Share of Entities Accounted for Using Equity Method Affiliates	-1,560	-3,404	-1,844
Changes in Working Capital※1	-1,366	-3,886	-2,520
Other	-1,407	-2,111	-704
Cash Flow from Investing Activities	-7,338	-6,078	1,260
Decrease (increase) in Time Deposits-Trade	-6,730	-4,704	2,026
Purchase of PP&E and/or Intangible Assets	-525	-1,505	-980
Other	-83	131	214
Cash Flow from Financing Activities	-3,026	-4,204	-1,178
Cash Dividends Paid	-1,886	-3,020	-1,134
Other	-1,140	-1,184	-44

【Cash Flows from Operating Activities】

Net-cash-inflow of ¥237M due to the income before income taxes

【Cash Flows from Investing Activities】

Net-cash-outflow of ¥6,078M due to increase in time deposits-trade and purchase of PP&E and/or intangible assets

【Cash Flows from Financing Activities】

Net-cash-outflow of ¥4,204M due to the dividend payment

【Free Cash Flow※2】

Net-cash-outflow of ¥5,841M due to the changes in the working capital and purchase of PP&E and/or intangible assets

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

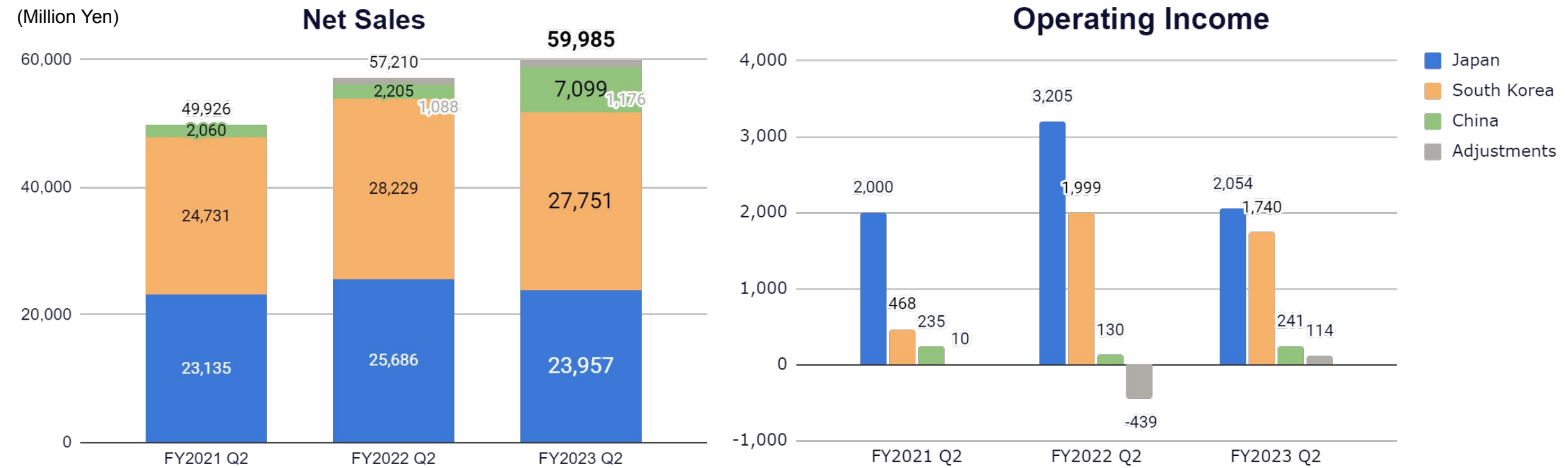
※2: FCF = CF from Operating Activities + CF from Finance Activities

Sales of Japan and South Korea increased since FY 2021, however decreased YoY due to the downtrend in golf boom. Sales in China increased due to the incorporation of affiliate companies.

Japan: Gross profit margin increased in directly managed stores, although the income decreased due to the renovation of stores and other branding expenses

South Korea: Slight decrease in both sales and income

China: Increase in both sales and income



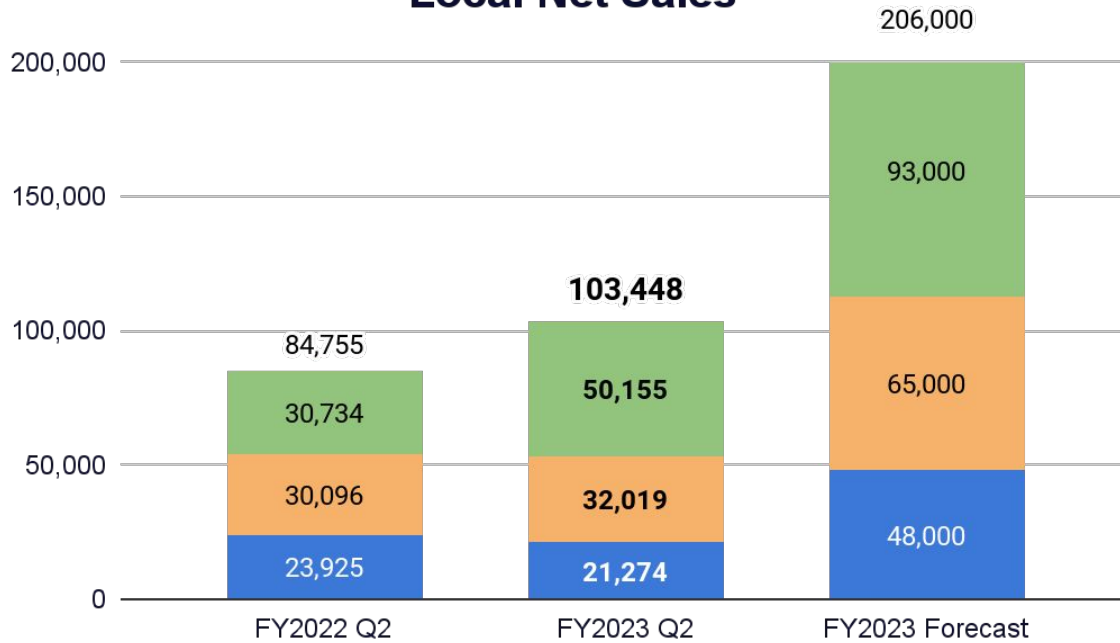
Area Review

(Classified according to the location of the customers)

Since business in China expand, both local net sales and ordinary income passed 50% of the forecast

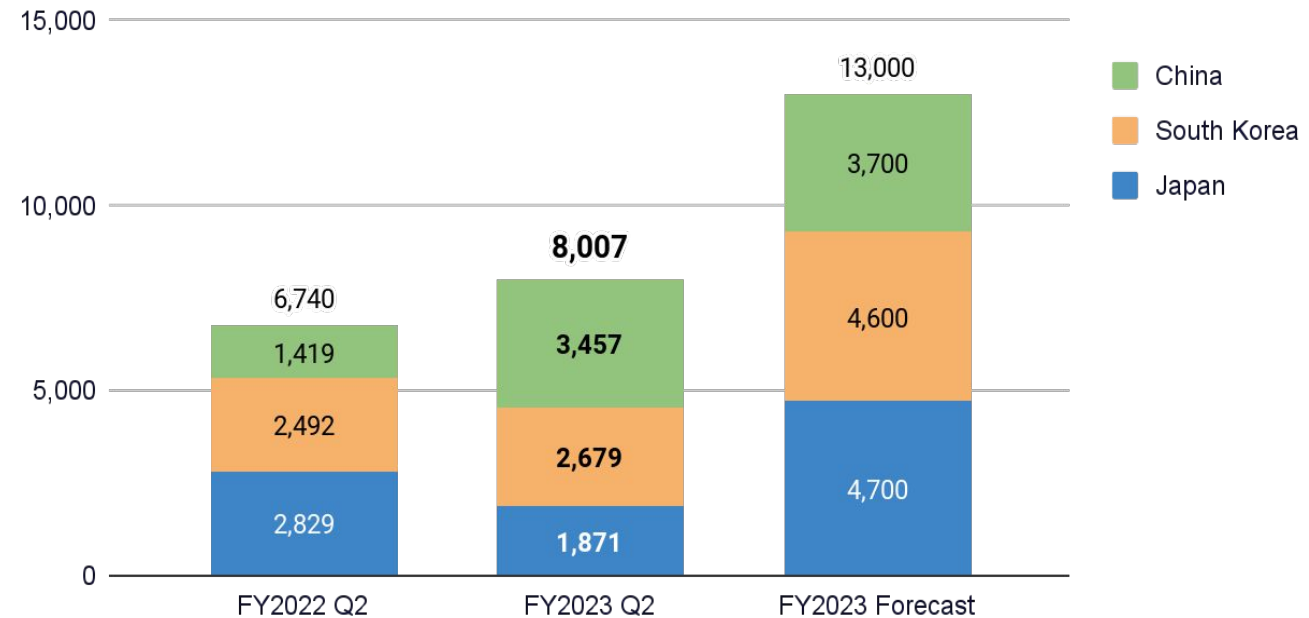
(Million Yen)

Local Net Sales



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

Ordinary Income



Simplified Calculation using Segment income/loss and share of entities accounted for equity method

Since 2023 S/S season, we have divided product lineup of “DESCENTE” into “DESCENTE”, positioned as premium sports brand and distributed through in-house channel, and “MOVESPORT”, mainly for wholesale channel
Sales decreased YoY due to the stabilization of golfboom and termination of “Marmot”

Japan (Million Yen)	FY2021 Q1	FY2022 Q2	FY2023 Q2	YoY
DESCENTE	7,204	5,190	4,880	94.0%
MOVERSPO	(incl. in DESCENTE)	2,713	2,691	99.2%
le coq sportif	5,267	6,286	5,702	90.7%
Munsingwear	3,036	3,417	2,864	83.8%
arena	1,997	2,232	2,263	101.4%
umbro	1,293	1,171	1,217	103.9%
Other	2,776	2,916	1,657	56.8%
Total	21,573	23,925	21,274	88.9%

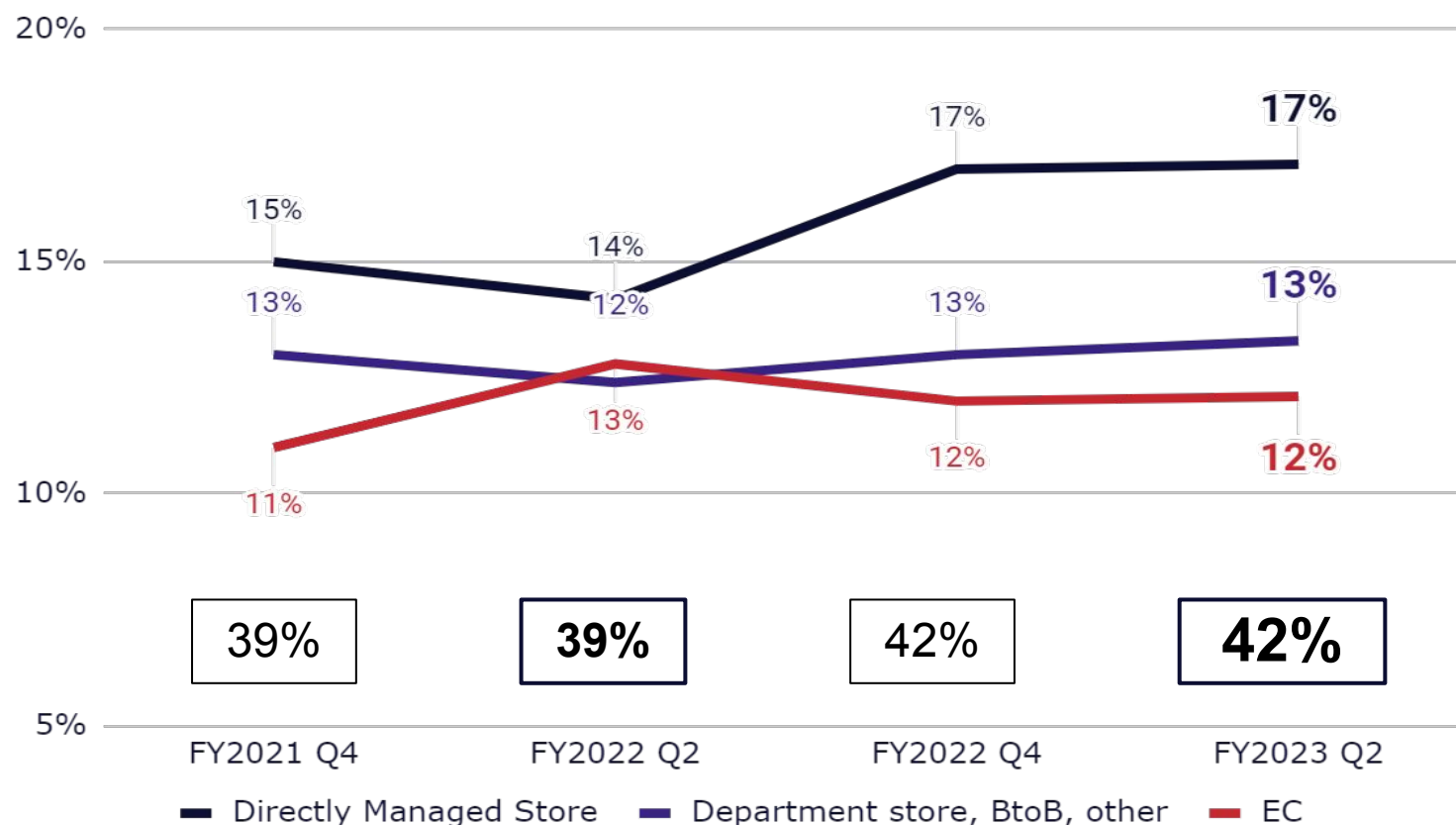


Within the 17 proper-stores, 5 of them were renewed in July-September.
Net sales and gross profit of directly managed stores increased 150% YoY

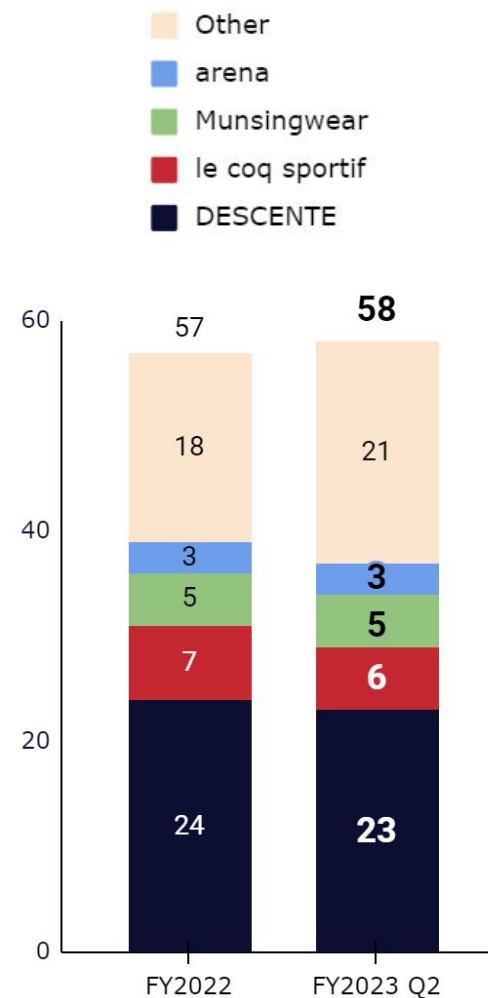


Branding focused on kids is highly favored
Junior products are performing strong

Due to the strong performance of the renovated “DESCENTE” directly managed stores, sales at existing stores also increased by approximately 10%
Driven by the directly managed stores, DTC sales ratio increased by 3pt compared to the same period of the previous year



Number of Directly Managed Stores in Japan
(Excl. pop-up store)



"umbro", which is popular among Generation Z, continues to grow. Although the golf category was struggling, "DESCENTE" shoes, including the *CHRON* series and DISC BUSAN's newly developed golf shoes *CONDOR*, performed well. Sales of "arena", which is operated by our equity method affiliate, is strong with beach category sales exceeding 200% compared YoY

South Korea (Million Yen)	FY2021 Q2	FY2022 Q2	FY2023 Q2	YoY
DESCENTE	12,252	13,111	12,544	95.7%
le coq sportif	7,191	7,381	6,797	92.1%
umbro	2,860	4,768	5,962	125.0%
Munsingwear	1,387	1,327	1,066	80.3%
arena*	1,494	3,509	5,650	161.0%
Total	25,184	30,096	32,019	106.4%

*Operated by equity method affiliate



CHRON series has been praised for its design and sales are steady



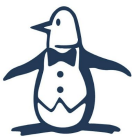
Collaboration with local designer brand *Mardi Mercredi* performed well

China Brand Review (Classified according to the location of the customers)

DESCENTE

Business performance has recovered from the impact of the lockdown that occurred in the same quarter of the previous year. Especially in Hong Kong, the flow of people from mainland China has recovered and sales from tourists are increasing. “DESCENTE”, developed by our equity method affiliate, has established its position as a premium sports brand and is growing

China (Million Yen)	FY2021 Q2	FY2022 Q2	FY2023 Q2	YoY
le coq sportif	4,140	3,906	4,966	127.1%
arena	1,180	967	1,473	152.3%
Munsingwear	705	508	757	149.0%
DESCENTE*	16,986	25,353	42,959	169.4%
Total	23,011	30,734	50,155	163.2%



Sales in Hong Kong increased approx. 800% YoY, due to the tourists from mainland China (Ocean Terminal store in Hong Kong)



In addition to skiing, we aim to further expand recognition and establish our position as a top sports brand, focusing on triathlon and golf

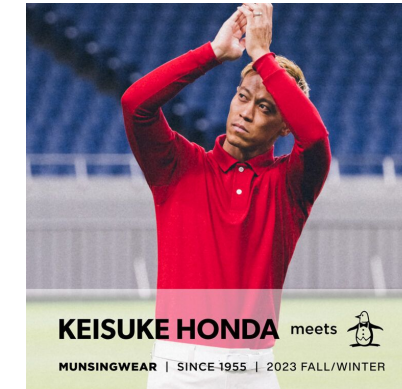
*Operated by equity method affiliate

Although the number of stores in Japan is flat, we are implementing renewal of the stores for more efficient directly-store management
 South Korea aims to improve profitability by reducing the ratio of outlet stores

Number of Stores	Japan			South Korea*			China*		
	FY2021	FY2022	FY2023 Q2	FY2021	FY2022	FY2023 Q2	FY2021	FY2022	FY2023 Q2
DESCENTE	24	24	23	303	280	277	182	191	188
le coq sportif	7	7	6	238	211	203	372	324	314
Munsingwear	5	5	5	40	35	35	26	24	32
arena	3	3	3	146	141	143	165	190	191
umbro	0	0	0	97	111	117			
Other	24	18	21						
Total	63	57	58	824	778	775	745	729	725

Includes outlet stores in the above figures
 *Includes stores of agency merchants

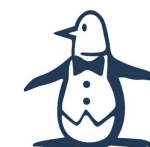
Clarifying the value of each brand and working to establish its position and renew its image



Launched new premium sports category *PRO* from this August



Announced new swimsuit model for 2024 season
Establishing a position as a top swimsuit brand in the world



Keisuke Honda and Eita Nagayama are appointed as new brand ambassadors from this term to renovate brand image

Implementing efforts to solve issues through sports and newly developed products



New baby shoes *LCS Charles* and *LCS Arles*, which support the underdeveloped arches of children's' foot around 1 year old, won KIDS DESIGN AWARD



MOVESPORT

Urban sports trial sessions held. Members of the next-generation athlete *MOVESPORT UNIT* serve as special instructors and provide participants the fun of sports

Reference - Quarterly Net Sales and Income by Segments

DESCENTE

Segment Quarterly Net Sales (Million Yen)

FY2020	Q1	Q2	Q3	Q4	Full-Year
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	Full-Year
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	Full-Year
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	Full-Year
Japan	11,079	12,878			
South Korea	12,274	15,477			
China	3,209	3,889			
Adjustments	599	577			
Total	27,162	32,822			

Segment Quarterly Income (Million Yen)

FY2020	Q1	Q2	Q3	Q4	Full-Year
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	Full-Year
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	Full-Year
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	Full-Year
Japan	714	1,340			
South Korea	1,115	624			
China	101	140			
Adjustments	19	95			
Total	1,951	2,200			

Reference - Terms, Reportable Segment, Exchange Rates

DESCENTE

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: Q2 = April - September

<Overseas> January-December Example: Q2 = January – June

		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
	Q2 YTD	136.54	10.49	19.55	17.41
	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 = Fiscal 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