

Q3 of FY2023 Financial Summary

DESCENTE LTD.

February 5, 2024

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 Q3 of the fiscal year ending March 31, 2024 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

Profit and Loss of Q3 FY2023 (Consolidated)

DESCENTE

(Million Yen)	FY2022 Q3	FY2023 Q3	YoY	FY2023 Forecast
Net Sales	86,099	90,100	+4,001	127,000
Gross Profit	49,599	54,059	+4,460	
Operating Income	7,300	6,434	△866	8,500
Non-operating income	3,263	5,475		
Non-operating expense	118	247		
Ordinary Income	10,445	11,662	+1,217	13,000
Extraordinary income	2,132	-		
Extraordinary expense	-	358		
Quarterly Net Income	10,172	8,344	△1,828	11,000
Gross Profit Rate	57.6%	60.0%	+2.4pt	-
Operating Income Rate	8.5%	7.1%	△1.3pt	6.7%
Net Income Rate	11.8%	9.3%	△2.6pt	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 in increase of net sales (incl. forex of +¥2.2B)

【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 by 2.4pt to 60%

【Operating Income】

SG&A expense increased due to the promotion of branding, resulting in decrease of operating income

【Ordinary Income】

Increased due to the strong performance of DCH_{※2}, reaching record high for the Q3

【Quarterly Net Income】

Decreased due to the impact of minus ¥2.5B as a rebound of extraordinary income occurred previous Q3 related to consolidation of NLCS, etc and extraordinary loss of this year related to reconstructing of NLCS

※1 LE COQ SPORTIF (NINGBO) CO., LTD.

※2 DESCENTE CHINA HOLDING LTD.

Balance Sheet of Q3 FY2023 (Consolidated)

DESCENTE

(Million Yen)	FY2022 Q3	FY2022 Q4	FY2023 Q3	Changes in Q3
Current Assets	85,656	82,505	84,524	+2,019
Cash and Deposits	37,778	41,412	35,363	△6,049
Inventory	26,371	21,581	26,895	+5,314
Other	21,507	19,512	22,266	+2,754
Non-Current Assets	50,250	51,057	57,336	+6,279
PP&E	23,646	24,107	24,059	△48
Intangible Assets	4,694	5,008	5,445	+437
Others	21,910	21,941	27,831	+5,890
Current Liabilities	27,985	25,944	22,852	△3,092
Non-Current Liabilities	7,306	7,318	8,141	+823
Net Assets	100,615	100,300	110,867	+10,567
Total Assets	135,907	133,562	141,860	+8,298
ROE*	14.6%	11.3%	10.6%	△0.7pt
ROA*	10.8%	8.4%	8.1%	△0.4pt
Equity Ratio	73.1%	74.6%	77.7%	+3.1pt

【Current Assets】

Inventory increased since the end of FY2022 due to the purchasing timing, maintaining same level YoY

(Reference) Breakdown of inventory increase (from end of previous fiscal year)

Japan : +¥1,016M

South Korea : +¥3,377M (incl. forex of +¥709M)

China : +¥921M (incl. forex of +¥320)

【Non-Current Assets】

Investment securities (incl. in the Others) increased

【Liabilities】

Decrease in accounts payable - other (included in others) of ¥2,025M and provision for bonus of ¥751M

【Net Assets】

Increase in retained earnings and foreign currency translation adjustment

【Quarterly ROE / ROA*】

ROE stayed 2-digit, ROA maintained 8% level

*Calculation of ROE (ROA is also based on the below calculation)
 =(Quarterly Net Income ×4÷3)÷((Equity in Beginning of Q3+Equity in End of Q3) ÷2)

Segment Review (Classified according to the location of the Company) DESCENTE

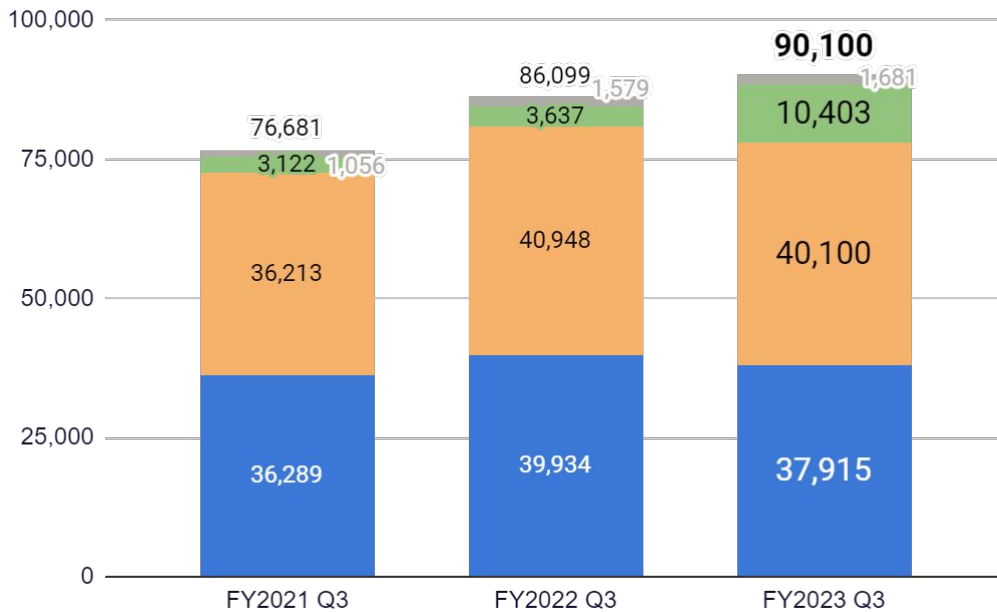
Japan: DTC business increased, however, total net sales decreased YoY due to the rebound of golf boom. Segment income decreased due to the absence of one-time gain which occurred in the previous year and also increase in expense to promote branding

South Korea: Athletic wear category increased sales, however, total net sales stayed flat due to the rebound of golf boom

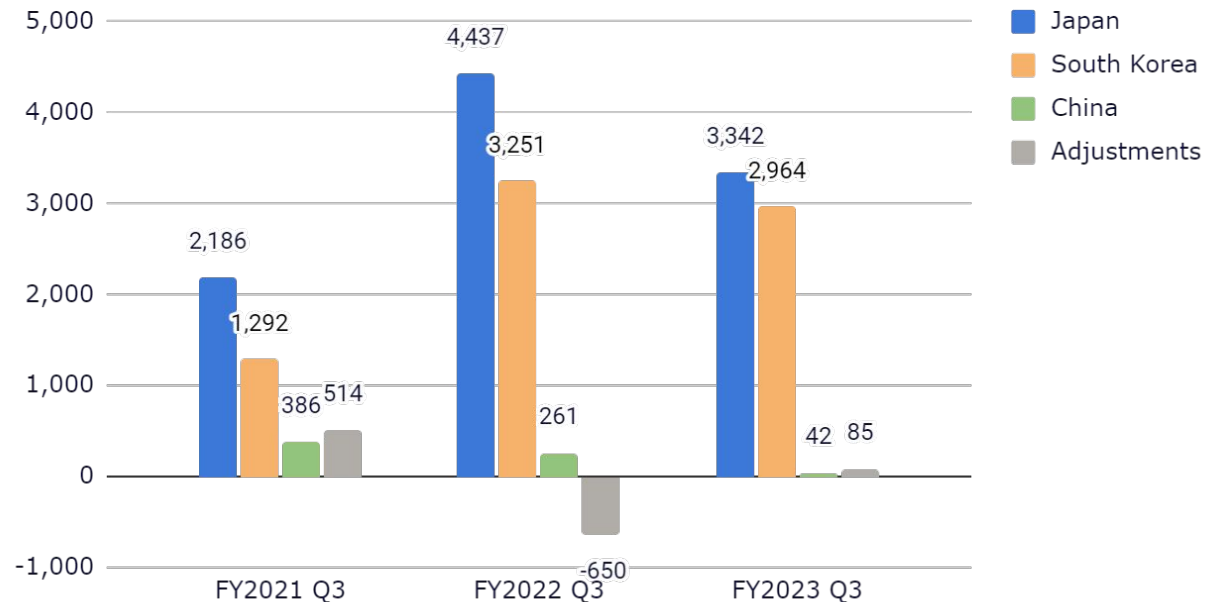
China: Net sales and gross profit increased strongly mainly due to the consolidation of NLCS. Segment income decreased due to the increase in expense due to rebranding and also by recording depreciation of goodwill related to NLCS

(Million Yen)

Net Sales



Operating Income



Area Review

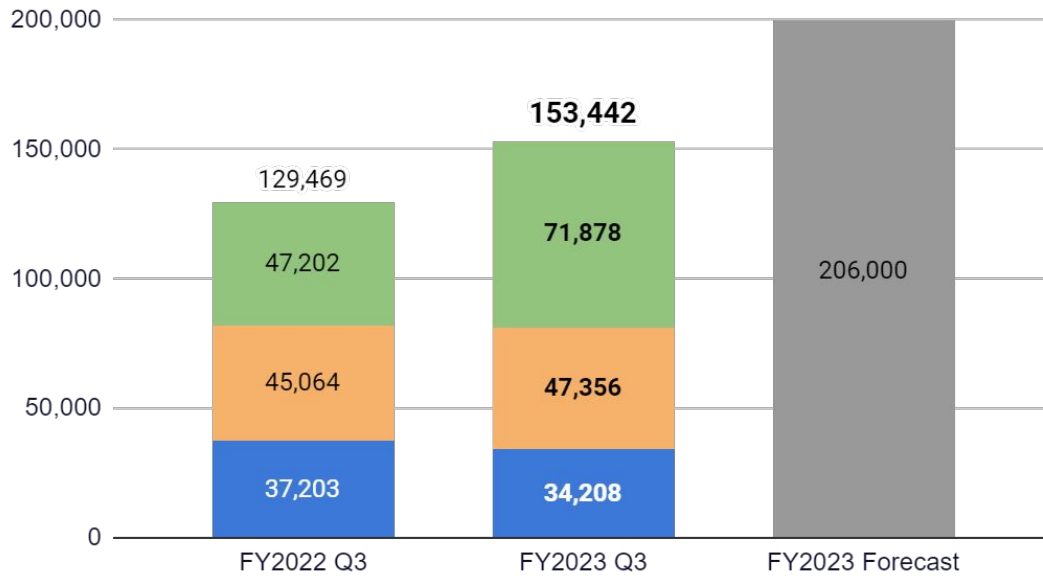
(Classified according to the location of the customers)

Composition ratio of China is expanding in both local net sales and ordinary income

(The Q4 (October-December) of the overseas subsidiaries has passed, but the segment breakdown of the full-year outlook is not disclosed)

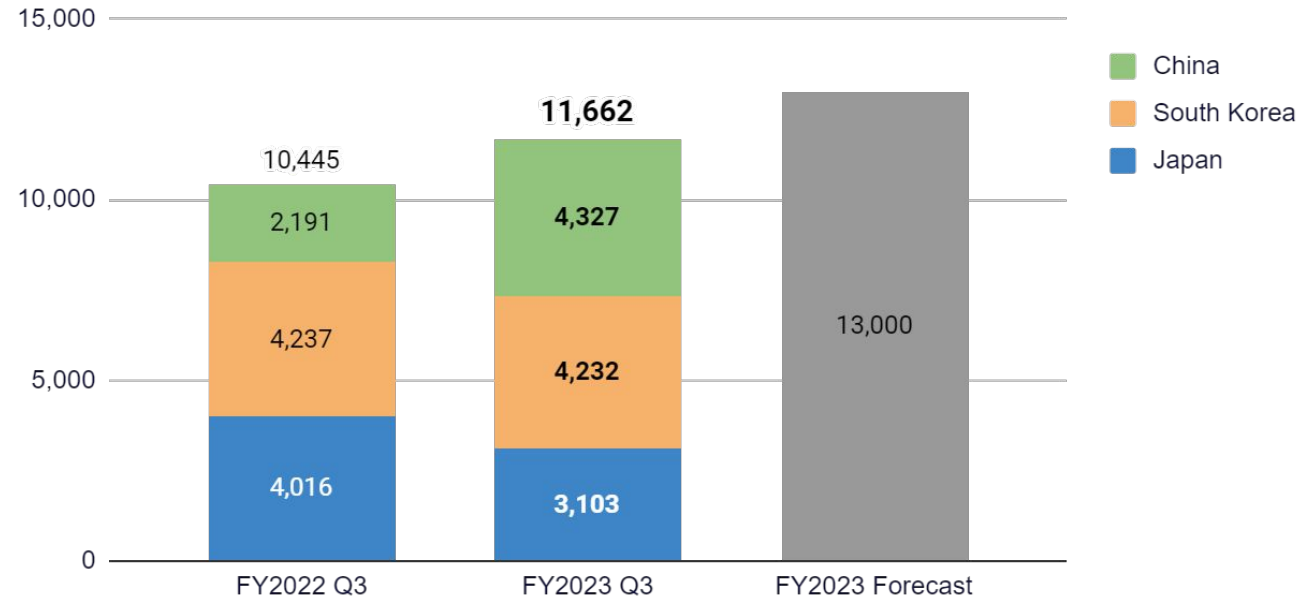
(Million Yen)

Local Net Sales



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

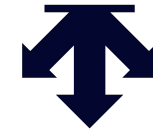
Ordinary Income



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

Sales of high-value added products of “DESCENTE” such as *MIZUSAWA DOWN* and *CREAS* are performing well, as well as new developed shoes *VERTHER*
 Total net sales are in line with the plan despite the rebound of golf boom and the termination of license agreement of “Marmot”

Sales (Million Yen)	FY2021 Q3	FY2022 Q3	FY2023 Q3	YoY
DESCENTE	12,711	9,695	9,601	99.0%
MOVERSPORT	(incl. in DESCENTE)	4,136	3,941	95.3%
le coq sportif	7,894	9,089	8,536	93.9%
Munsingwear	5,234	5,234	4,571	87.3%
arena	2,807	3,087	3,133	101.5%
umbro	1,936	1,661	1,770	106.6%
Other	4,425	4,301	2,656	61.8%
Total	35,007	37,203	34,208	91.9%

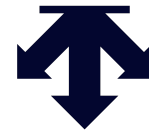
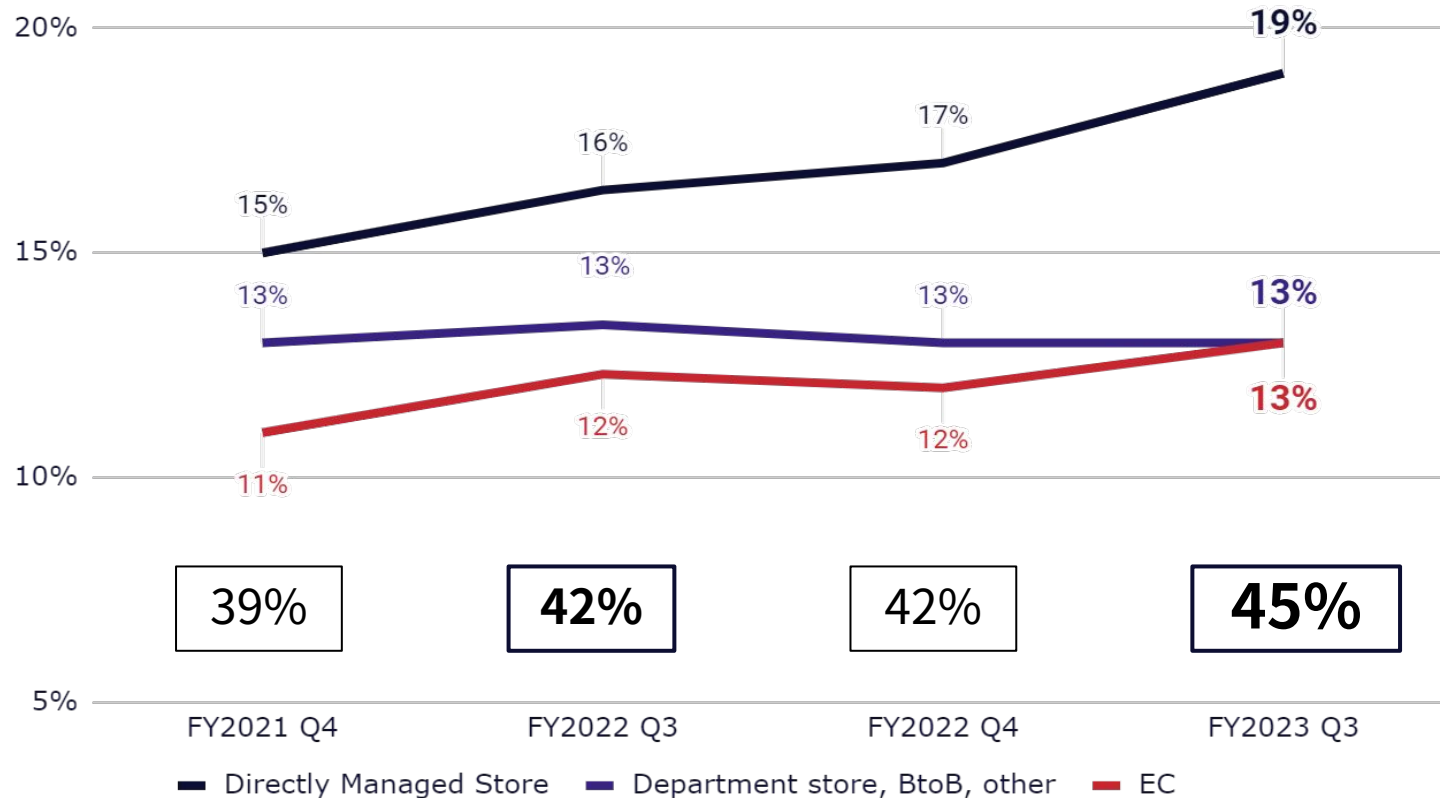


Sales of *VERTHER* (left) is performing well as a shoes of high-function category *ALLTERRAIN*, together with *CREAS* (right) from the same category



THE THIRD by UMBRO, a collection of products with high design, function and comfort is performing well

Number of stores are flat YoY. Sales of full-priced stores of “DESCENTE”, which we are focusing to expand, is improving by 160% YoY, driving sales of directly managed stores. EC business is on improving trend, resulting increase in DTC ratio of +3pt YoY to 45%



Our high-functionality products representing “DESCNETE” such as *MIZUSAWA DOWN* (right top) are performing well in full priced store and pop-up stores(bottom: DESCENTE POP UP SHOP in MATSUZAKAYA NAGOYA)

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

DESCENTE

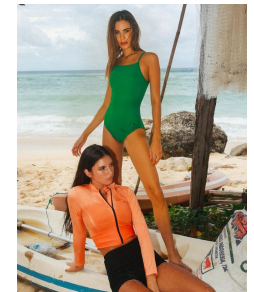
Impact of downtrend in golf boom continues, however athletic category of “DESCENTE” is increasing its sales, “umbro” continue to show strong sales due to the high reputation of its street fashon branding by Generation Z

Sales of “arena”, operated by an equity method affiliate showed strong sales in beach category products

South Korea (Million Yen)	FY2021 Q3	FY2022 Q3	FY2023 Q3	YoY
DESCENTE	17,688	18,481	18,176	98.3%
le coq sportif	10,274	10,747	9,639	89.7%
umbro	4,288	6,994	8,595	122.9%
Munsingwear	1,928	1,897	1,509	79.5%
arena*	2,810	6,945	9,437	135.9%
Total	36,988	45,064	47,356	105.1%



Implemented store renovation in the Q3 (July-Sept)
Sales of full-priced stores increased



Sales of beach category are strong as the number of tourists going abroad increase

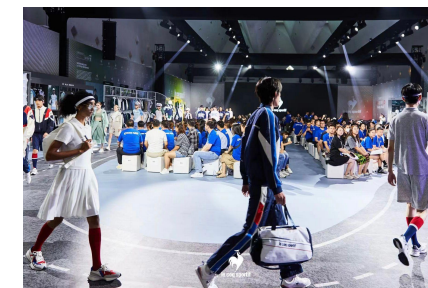
*Operated by equity method affiliate

Sales of each brand recovered from the impact of lockdown occurred previous year. “le coq sportif” is under rebranding by strengthening image of sports. A convention of 24SS products held July received high reputation

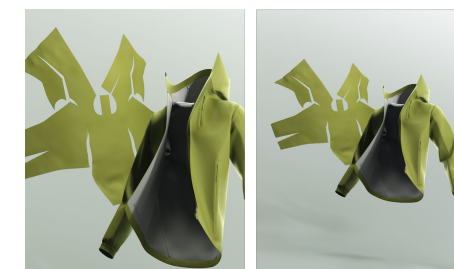
Sales of “DESCENTE” continue to expand sales and area per store, such as renewing its store in Sichuan to 930m²

Sales (Million Yen)	FY2021 Q3	FY2022 Q3	FY2023 Q3	YoY
le coq sportif	5,986	5,630	7,046	125.2%
arena	1,979	1,843	2,529	137.2%
Munsingwear	949	794	993	125.1%

DESCENTE*	25,115	38,935	61,310	157.5%
Total	34,029	47,202	71,878	152.3%



Held 24SS convention in July and shoed new image of “le coq sportif”



New developed product *DESCENTE One-stroke Design* is performing well

*Operated by equity method affiliate

Implementing renewal of stores in each area

Number of Stores	Japan			South Korea*			China*		
	FY2021	FY2022	FY2023 Q3	FY2021	FY2022	FY2023 Q3	FY2021	FY2022	FY2023 Q3
DESCENTE	24	24	23	303	280	273	182	191	187
le coq sportif	7	7	6	238	211	203	372	324	311
Munsingwear	5	5	5	40	35	35	26	24	38
arena	3	3	3	146	141	143	165	190	198
umbro	0	0	0	97	111	118			
Other	24	18	21						
Total	63	57	58	824	778	772	745	729	734

Includes outlet stores in the above figures

*Includes stores of agency merchants

Launched collaboration to promote branding of “DESCENTE” as a premium sports brand



Launched 4th season of collaboration with DIOR
From this season the products are distributed
through our in-house channel

Launched collaboration with Lamborghini
in Japan, China and Europe in November

Contributing to the development of young people and regional revitalization through sports



Held “DESCENTE” booth in Challespo Oshu held in Oshu City, which we have concluded comprehensive collaboration agreement on regional revitalization



Invited volleyball player Yuki Ishikawa for technical guidance and Q&A session with high school and university students

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	12,878	13,958		
South Korea	12,274	15,477	12,348		
China	3,209	3,889	3,304		
Adjustments	599	577	504		
Total	27,162	32,822	30,115		

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	1,340	1,287		
South Korea	1,115	624	1,223		
China	101	140	▲198		
Adjustments	19	95	▲30		
Total	1,951	2,200	2,282		

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: Q3 = April - December
 <Overseas> January-December Example: Q3 = January – September

		USD	100KRW	CNY	HKD	
FY2020	Q1 YTD	108.36	9.05	15.53	14.04	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
	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	
	Q3 YTD	139.55	10.69	19.72	17.81	
	Q4 YTD INITIAL PLAN	132.00	10.20	19.20	17.00	

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