

# DESCENTE

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## Financial Summary for the First Quarter of FY2024

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DESCENTE LTD. (Securities Code : 8114)

Disclaimer: This is an English translation of the original Japanese-language Consolidated Financial Summary of DESCENTE LTD. (the Company) for the first quarter of fiscal year ended June 30, 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.

**August 5, 2024**

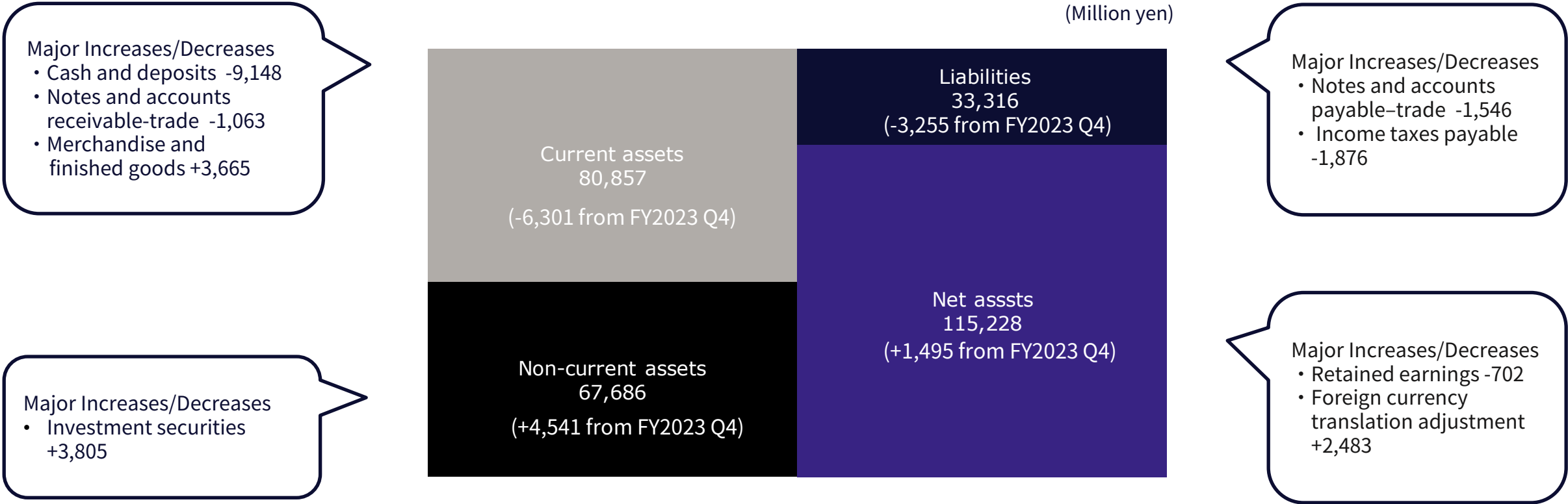
# PL Summary for the First Quarter of FY2024

DESCENTE

Net sales increased due to growth of “DESCENTE” and foreign exchange effects  
Gross profit increased due to revenue growth, but SG&A expenses increased due to upfront investment, resulting in lower operating income  
Ordinary income and net income decreased despite increase in equity in earnings of affiliates

(Million Yen)	FY2023 Q1	FY2024 Q1	Changes		FY2024 Plan
Net Sales	27,162	27,482	+320	Gross profit margin increased by +1.5pt due to strengthened full-price sales	130,000
Gross Profit	16,512	17,110	+598		-
SG&A	14,561	16,427	+1,866	SG&A expenses increased due to branding costs	-
Operating Income	1,951	683	-1,268		9,000
Non-operating Income	2,627	2,891			-
Non-operating expense	88	118			-
Ordinary Income	4,490	3,455	-1,035	Equity in earnings of affiliates in non-operating income increased +11%	17,000
Extraordinary income	-	-			-
Extraordinary expense	181	-			-
Income tax	1,114	715			-
Net Income	3,191	2,739	-452		12,500

Total assets decreased since the end of FY2023, mainly due to the payment of dividends and income taxes, etc



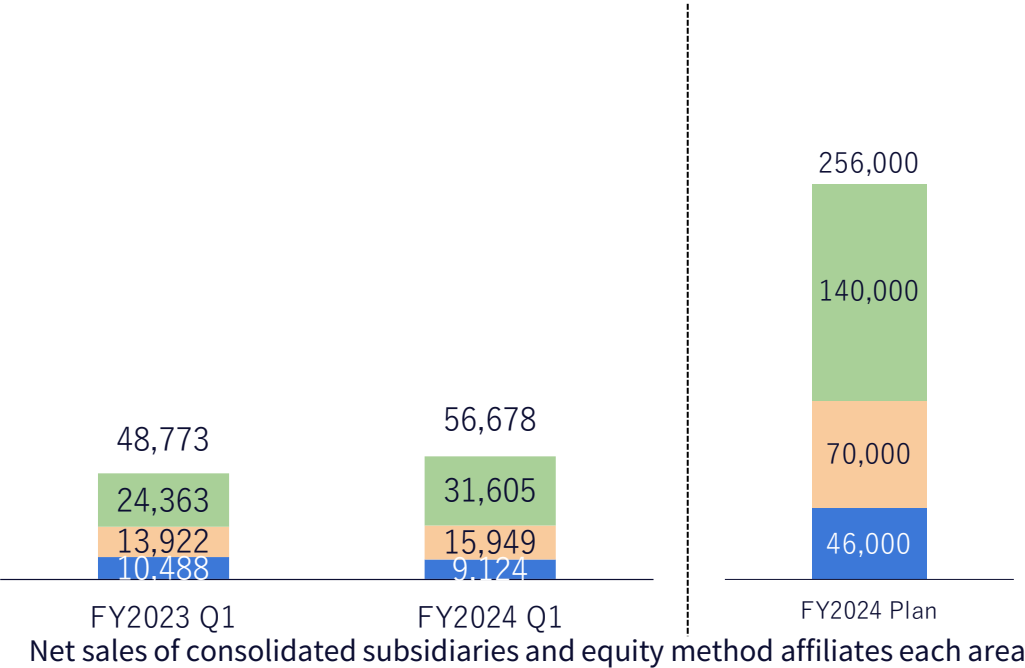
ROE : 9.6% (-3.2 pt YoY)      ROA : 7.3% (-2.4 pt YoY)  
Equity ratio: 77.1% (+1.8pt vs FY2023 Q4)  
Total assets: 148,544 (-1,760 vs FY2023 Q4)

# Area Review (according to the location of the customers)

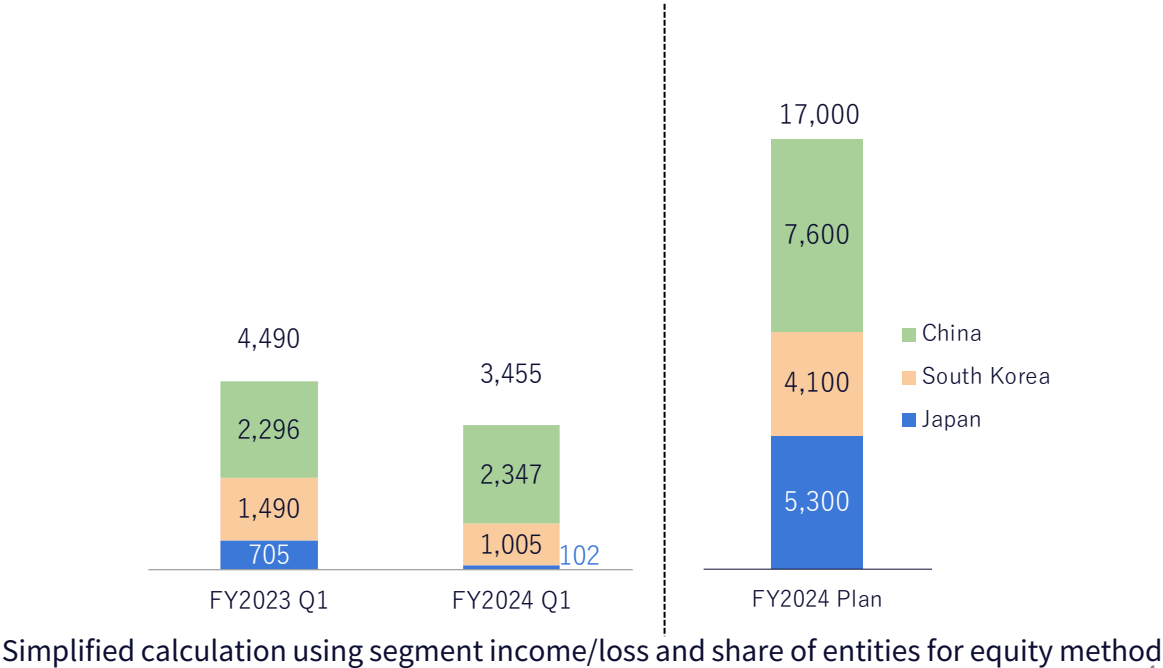
- ✓ In Japan, operating income declined YoY due to lower sales in the wholesale category and higher SG&A expenses
- ✓ In South Korea, despite strong performance in the athletic category, operating income decreased due to the continued impact of the sluggish golf market
- ✓ In China, despite continued up-front investment in rebranding expenses at consolidated subsidiaries, income increased on an actual income basis due to the growth of equity-method affiliates

(million yen)

Local Net Sales



≡ Ordinary Income



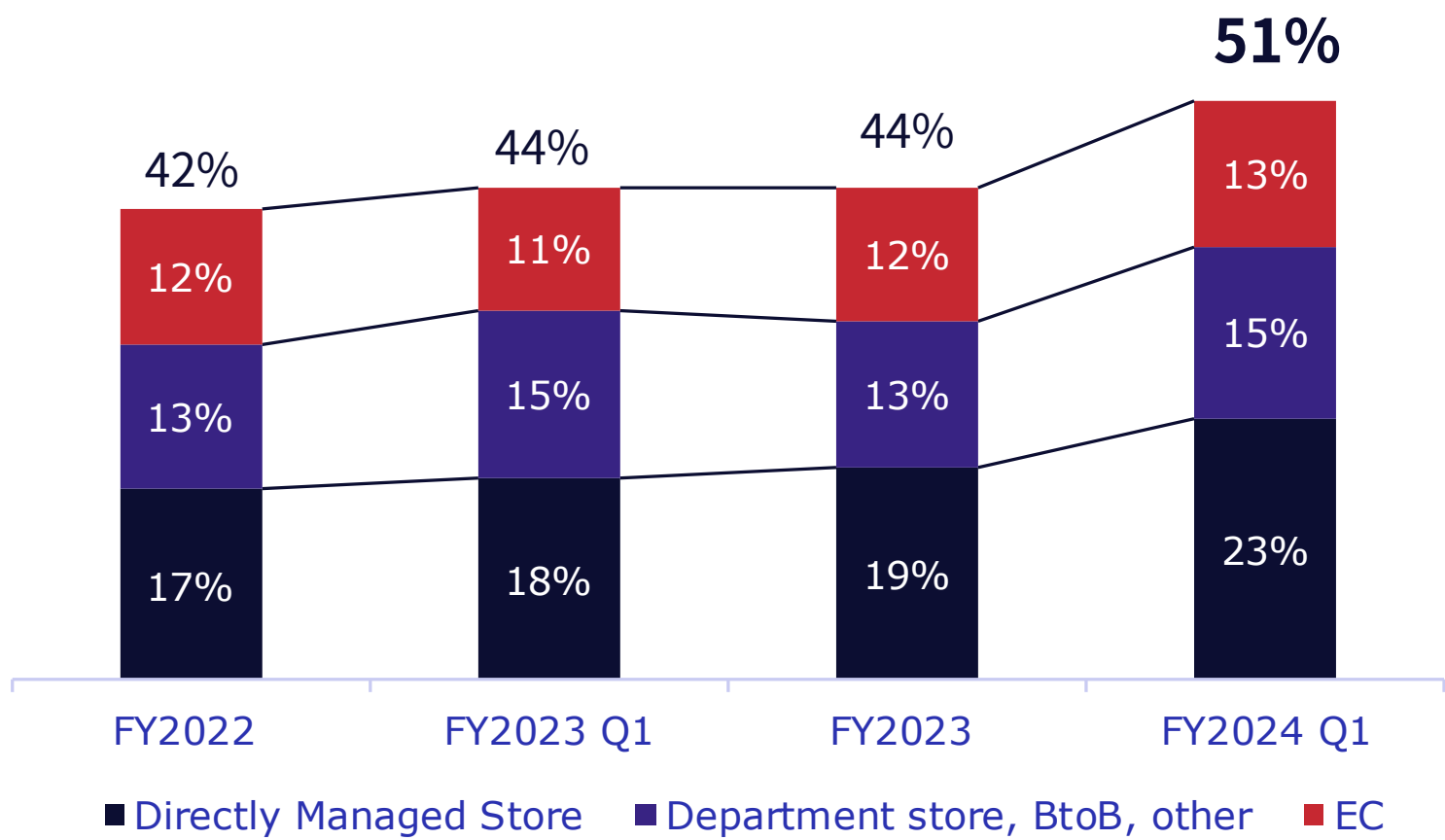
### Focus on branding for further earnings growth

- ✓ “DESCENTE” grew by focusing on high-value-added products as a premium sports brand
- ✓ Sales of “le coq sportif” and “MOVESPORT”, etc. declined due to struggling wholesale business

Japan (Million Yen)	FY2022 Q1		FY2023 Q1		FY2024 Q1		Changes	
	Sales	No. of Stores	Sales	No. of Stores	Sales	No. of Stores	Sales	No. of Stores
DESCENTE	3,978	25	2,592	23	2,643	24	+51	+1
MOVESPORT	(incl. in DESCENTE)		1,212	-	674	-	-538	-
le coq sportif	2,905	7	2,485	6	1,880	6	-605	-
Munsingwear	1,860	5	1,525	5	1,394	4	-131	-1
arena	1,208	3	1,298	3	1,221	3	-77	-
umbro	614	-	615	-	565	-	-50	-
Other	1,373	24	760	21	747	21	-13	-
Total	11,938	64	10,488	58	9,124	58	-1,364	-

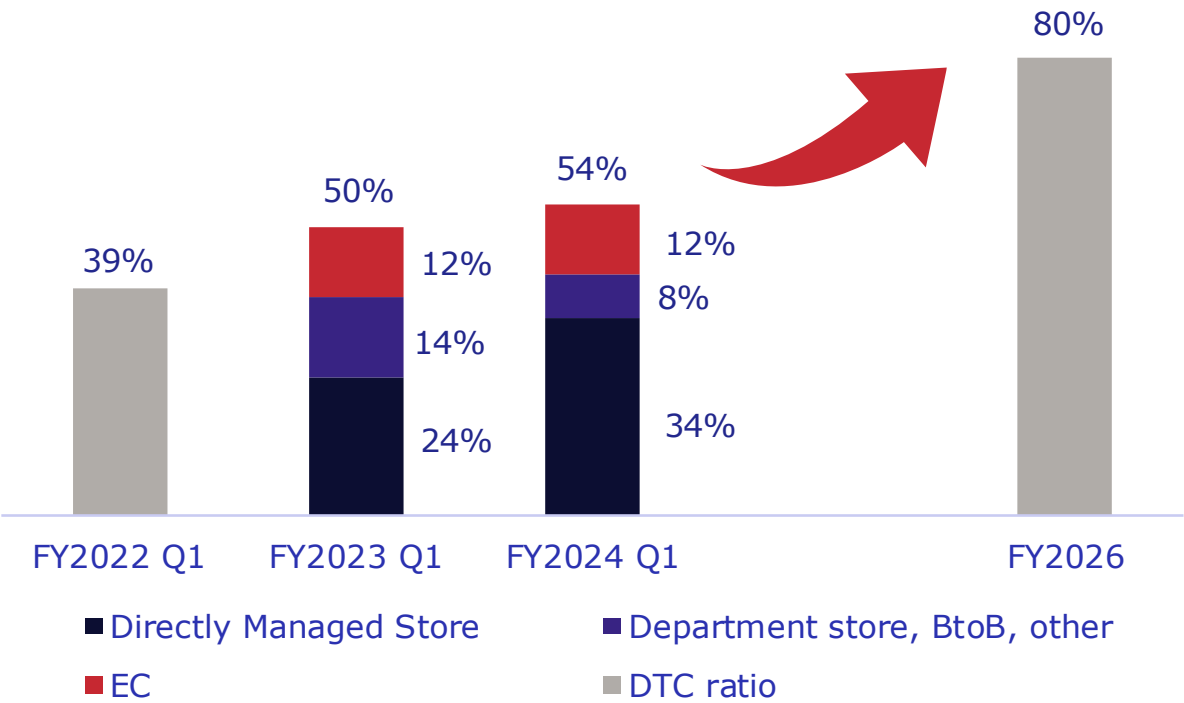
Improved profitability due to DTC business

- ✓ Gross profit margin ratio of Japan operations increased by 2.2 percentage points YoY due to an increase in directly managed stores and a decrease in wholesale sales

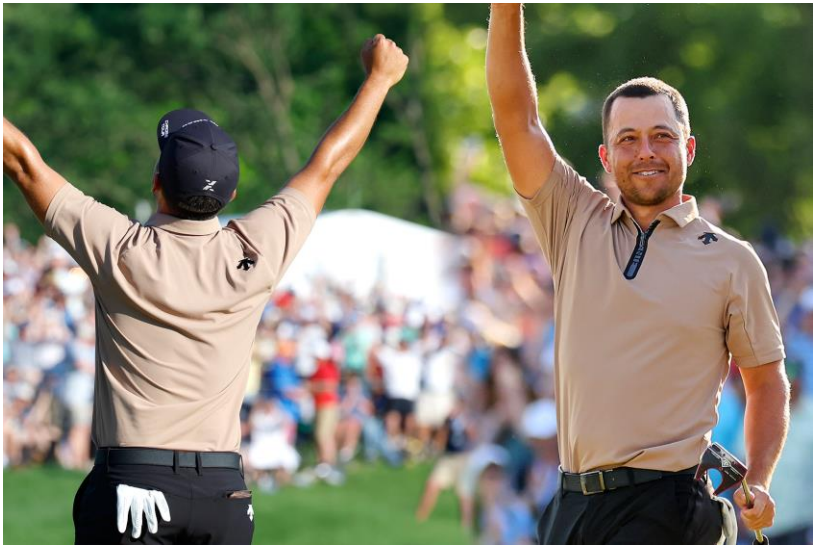


## Favorable full-price sales at directly-managed stores

- ✓ High-value-added products such as shell jackets CREAS and the PRO series which is a condensed of our sports technology, sold well
- ✓ By distribution, directly-managed store business increased by 61% YoY, driven by the impact of increased inbound sales. DTC composition ratio increased as the effects of business model reforms began to emerge
- ✓ Branding as premium sports brand was successful with exposure of contract athletes, eg; Xander Schauffele



FY2022 Q1 includes MOVESPORT



Xander Schauffele “DESCENTE” advisory player, won the British Open Championships, following the U.S. PGA Championships in May  
(Image of him winning the U.S. Championship)

Increase in sales due to strengthened full-price sales

- ✓ Despite the continued impact of the sluggish golf market, sales of “DESCENTE” increased due to the effect of renewal of directly-managed stores.
- ✓ Athletic category grew due to strong sales of “DESCENTE”'s lifestyle shoes *CHRON* series and “umbro” products commemorating the 100th anniversary of the brand

South Korea (Million Yen)	FY2022 Q1		FY2023 Q1		FY2024 Q1		Changes	
	Sales	No. of Stores	Sales	No. of Stores	Sales	No. of Stores	Sales	No. of Stores
DESCENTE	5,888	294	5,471	274	6,637	282	+1,166	+8
le coq sportif	3,431	223	3,131	205	3,056	201	-75	-4
umbro	2,103	98	2,412	112	2,955	123	+543	+11
Munsingwear	544	37	440	35	461	37	+21	+2
arena*	957	143	2,468	140	2,840	136	+372	-4
Total	12,923	795	13,922	766	15,949	779	+2,027	+13

\*Developed by equity-method affiliate



## Continued strong growth of “DESCENTE”

- ✓ Sales of “DESCENTE”, which is developed by an equity-method affiliate, increased due to the success of the strategy to increase sales per store
- ✓ Sales of “le coq sportif” rose slightly, partly due to the impact of foreign exchange rates

China (Million Yen)	FY2022 Q1		FY2023 Q1		FY2024 Q1		Changes	
	Sales	No. of Stores	Sales	No. of Stores	Sales	No. of Stores	Sales	No. of Stores
le coq sportif	2,056	360	2,425	301	2,619	<b>287</b>	+195	-14
arena	448	182	444	187	486	<b>197</b>	+42	+10
Munsingwear	235	26	334	32	250	<b>23</b>	-85	-9
DESCENTE*	11,901	179	21,160	188	28,133	<b>191</b>	+6,973	+3
Total	14,640	747	24,363	708	<b>31,488</b>	<b>698</b>	+7,126	-10

- “DESCENTE” : In addition to providing the Japanese National Golf Team with clothing featuring the Thirty-six Views of Mt. Fuji design, we also provide clothing for the Swiss Triathlon Team and other overseas teams, athletes
- “arena” : We have adopted the globally unified “ARENA FIREFLOW” design for the top model swimming suit “Aqua Force Storm” and other items worn by our athletes.



Left : Wear model provided to the Japan Golf National Team  
Right: Image of the Swiss Triathlon Team



Unite global brand image with the items designed to promote competitiveness and concentration

# Reference - Quarterly Net Sales and Income by Segments

DESCENTE

Quarterly sales by segment  
(Millions of yen)

<b>FY2022</b>	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
Adjustment	553	534	491	750	2,330
Total	26,425	30,784	28,889	34,514	120,614

<b>FY2023</b>	Q1	Q2	Q3	Q4	Full Year
Japan	11,079	12,878	13,958	13,722	51,638
South Korea	12,274	15,477	12,348	18,402	58,502
China	3,209	3,889	3,304	4,294	14,698
Adjustment	599	577	504	469	2,150
Total	27,162	32,822	30,115	36,888	126,989

<b>FY2024</b>	Q1	Q2	Q3	Q4	Full Year
Japan	9,665	-	-	-	9,665
South Korea	13,907	-	-	-	13,907
China	3,346	-	-	-	3,346
Adjustment	564	-	-	-	564
Total	27,482	-	-	-	27,482

Quarterly operating income by segment  
(Millions of yen)

<b>FY2022</b>	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)
Adjustment	(194)	(244)	(210)	152	(498)
Total	2,531	2,364	2,404	492	7,793

<b>2,023</b>	Q1	Q2	Q3	Q4	Full Year
Japan	714	1,340	1,287	1,565	4,907
South Korea	1,115	624	1,223	1,599	4,564
China	101	140	(198)	(292)	(249)
Adjustment	19	95	(30)	(567)	(482)
Total	1,951	2,200	2,282	2,306	8,740

<b>2,024</b>	Q1	Q2	Q3	Q4	Full Year
Japan	105	-	-	-	105
South Korea	971	-	-	-	971
China	(45)	-	-	-	(45)
Adjustment	(349)	-	-	-	(349)
Total	683	-	-	-	683

# 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

Area net sales includes the sales of equity method affiliates

**Note: Group interna sales are eliminated in neither of above(Not Counted)**

Business Year:

<Japan> April – March

<Overseas> January – December

Example: Q1 = April – June

Example: Q1 = January – May

		USD	100KRW	CNY	HKD
FY2022	Q1	117.82	9.77	18.56	15.08
	Q2	124.53	10.06	19.13	15.90
	Q3	129.48	10.13	19.46	16.52
	Q4	132.10	10.22	19.50	16.86
FY2023	Q1	133.45	10.43	19.43	17.02
	Q2	136.54	10.49	19.55	17.41
	Q3	139.55	10.69	19.72	17.81
	Q4	141.20	10.81	19.87	18.03
FY2024	Q1	149.86	11.21	20.74	19.15
	Q4 PLAN	143.00	11.50	20.50	17.50

Q1 = First 3 months  
Q2 = First 6 months  
Q3 = First 9 months  
Q4 = Full Year

FY2024  
= Fiscal Year end  
March 2025

**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 APPARELL 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 CO., 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 affiliates is included in non-operating income of the Company based on the percentage of ownership.