

DESCENTE

Q2 FY2022 Financial Summary

November 7, 2022

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.

Description of the Terms

Definition of Terms

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: Q2 = July - September*

<Overseas subsidiaries / Affiliate> January-December *Example: 2Q=April–June*

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

Numerical rule

The number is truncated and percentage is rounded off.

Matters Related to Changes in Reportable segments



[Segment breakdown]

From 1Q 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)	intra-segment eliminations
Adjustments	DESCENTE LTD.	Adjustments			

Japan Segment

Sales

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

South Korea Segment

Sales

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

Other Income and Expenses

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

China segment

Sales

Sales of the companies above

Other Income and Expenses

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

Adjustments

As described above

1. 2Q of FY2022

① Financial Summary

② Brand Review

③ Number of stores

④ Topics

Plan for FY2022

Results of first-half FY2022 (Consolidated)



1. 2Q of FY2022 ①Financial Summary

- Ordinary income and Profit attributable to owners of parent recorded the highest.
- In the First half (Japan: April-September, Overseas: January - June), both sales and profits increased year-on-year.

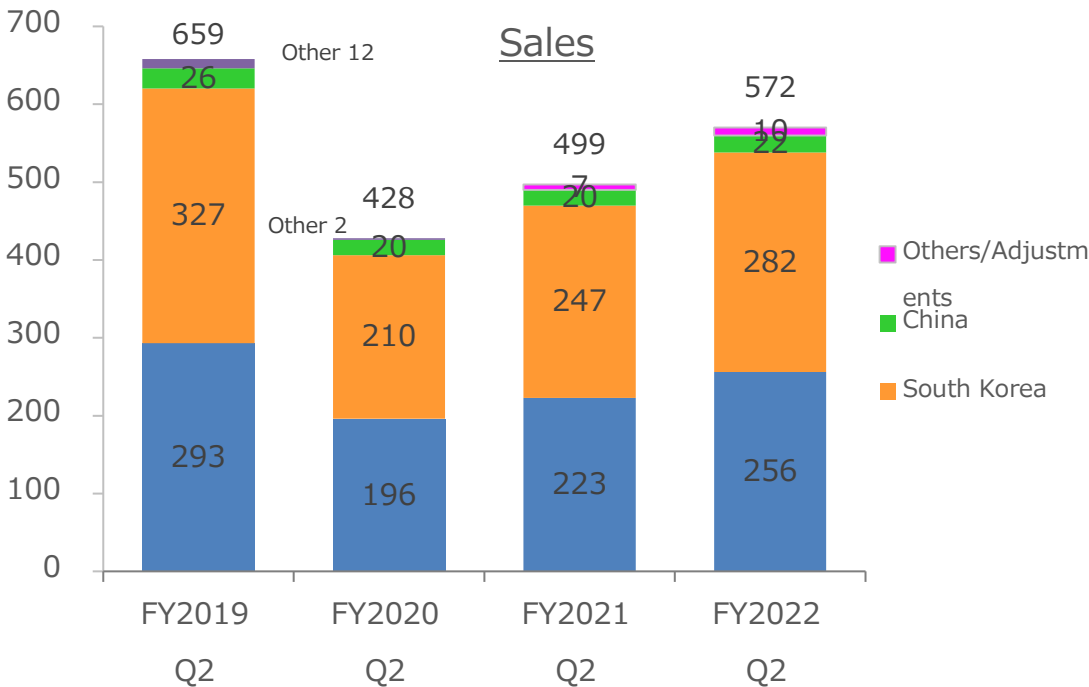
(Unit: JPY million)	FY2022 First-half performance	FY2021 First-half performance	YoY	FY2022 Previous Forecast (as of Aug. 8. 2022)	FY2022 Revised Forecast (as of Nov. 7. 2022)
Net sales	57,210	49,926	114.6%	116,500	118,000
Operating income	4,895	2,714	180.4%	6,700	8,100
(% to Net Sales)	8.6%	5.4%	-	5.8%	6.9%
Ordinary income	6,740	4,005	168.3%	10,700	12,300
(% to Net Sales)	11.8%	8.0%	-	9.2%	10.4%
Profit attributable to owners of parent	5,132	2,487	206.3%	9,500	10,000
(% to Net Sales)	9.0%	5.0%	-	8.2%	8.5%

Segment (based on the company location) Sales(Consolidated)



1. 2Q of FY2022 ①Financial Summary

Sales increased in all main segments, Japan, South Korea and China segments.



**YoY +7.3 billion yen
(114%)**

Japan	+¥3.3 billion
South Korea	+¥3.5 billion
(Currency factor +¥1 billion)	
China	+¥0.1 billion
Adjustment	+¥0.3 billion

[Segment change]

FY2022 changed the breakdown of Japan to the following
⇒ "DESCENTE JAPAN LTD./DESCENTE APPARELL LTD./intra-segment eliminations"

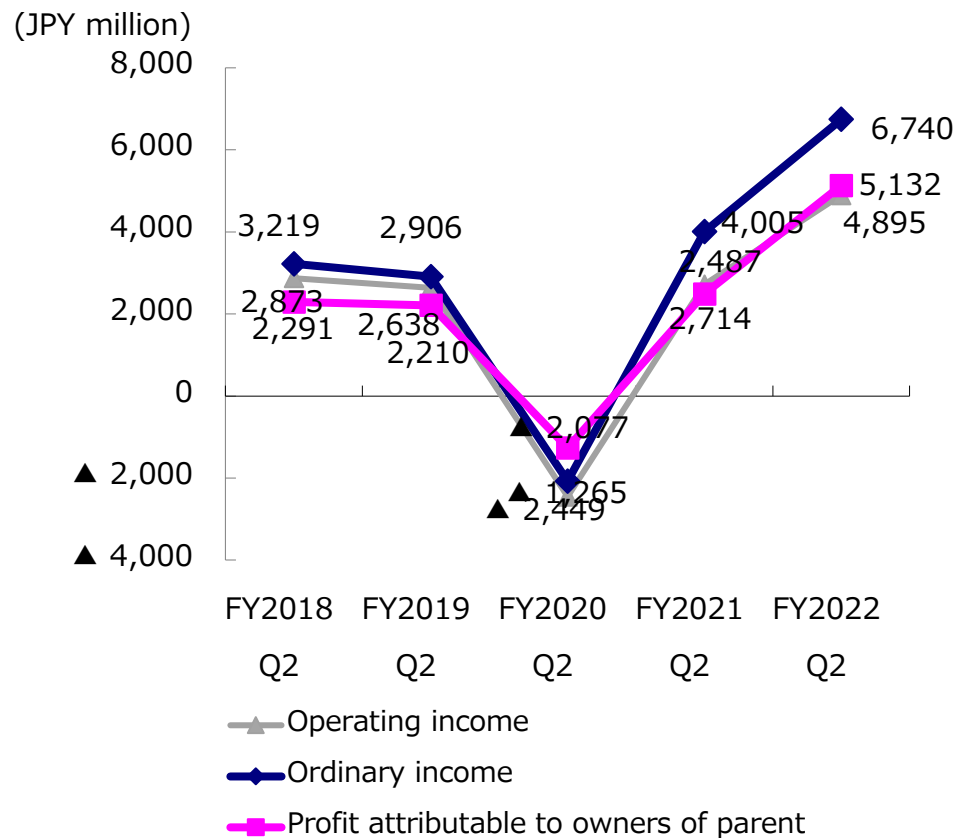
※For year-on-year comparisons, FY2021 is based on the same criteria.

Earnings (Consolidated)



1. 2Q of FY2022 ①Financial Summary

- Continuous growth in all income items



(JPY Million)	FY2022	FY2021	Impact in Profit*
Operating income	4,895	2,714	+ 2,181
Non-operating income	1,902	1,475	+ 427
Non-operating expenses	58	183	+ 125
Ordinary income	6,740	4,005	+ 2,735
Extraordinary income	127	50	+ 77
Extraordinary loss	0	62	+ 62
Total income taxes	1,734	1,504	▲ 230
Profit attributable to owners of parent	5,132	2,487	+ 2,645

Impact in profit*
 + contributes to increased earnings,
 ▲ contribute to decreased earnings

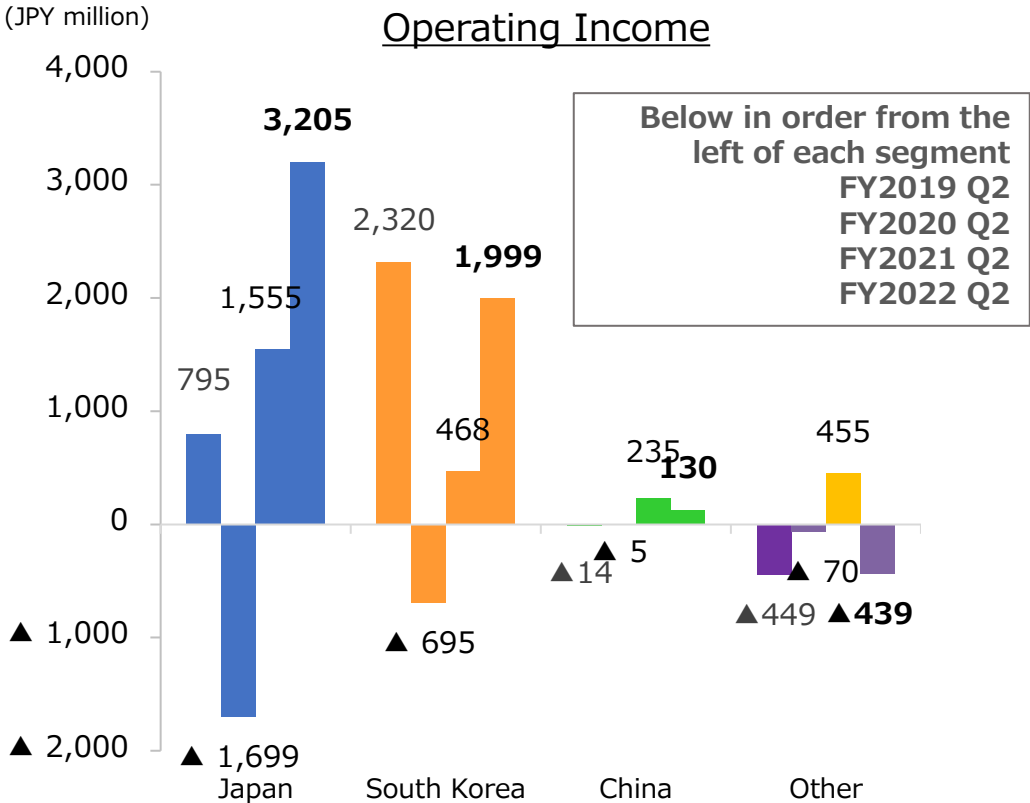
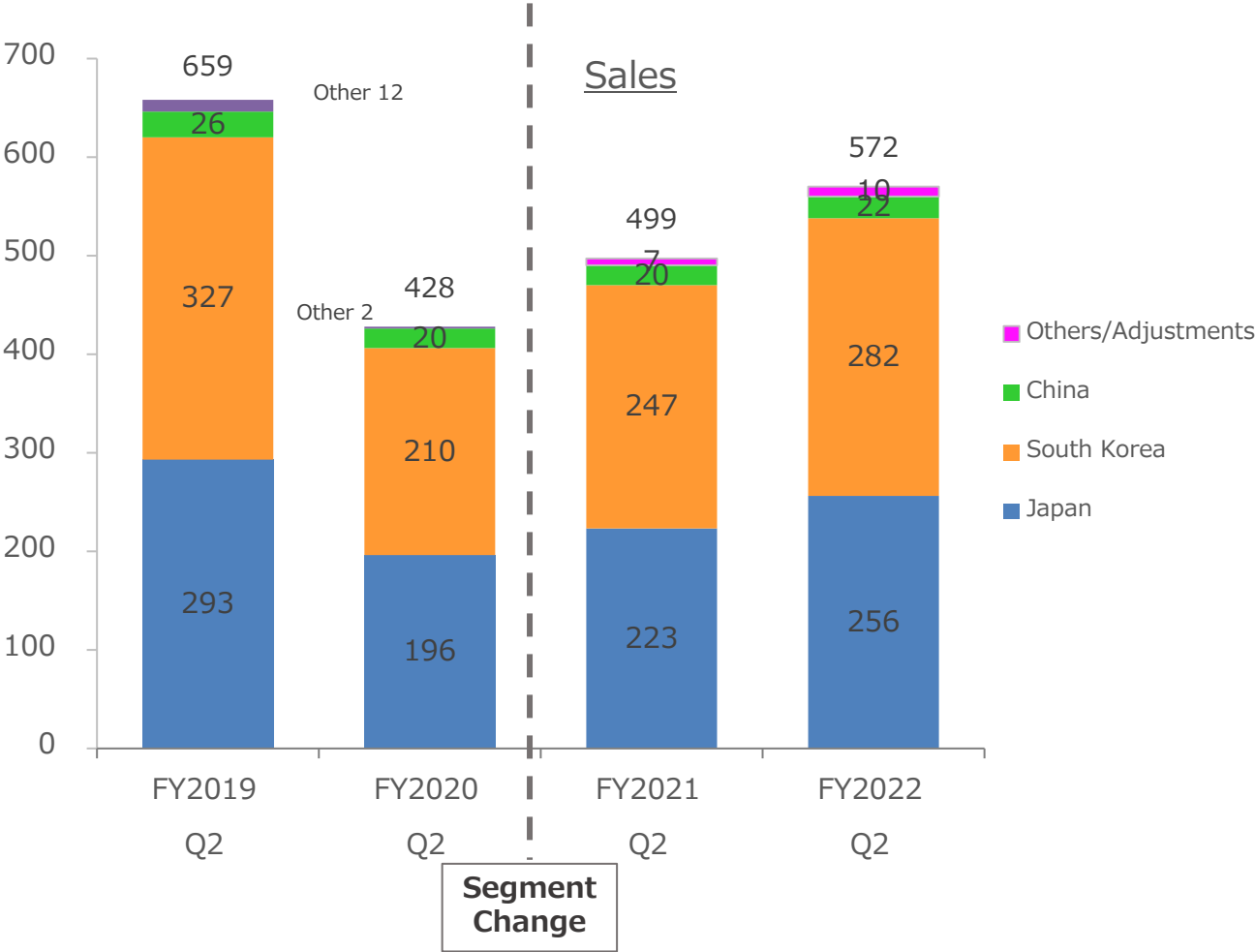
NOTES: FY2022 = FY ending March, 2023

Sales and Operating Income by Segments(Consolidated)



1. 2Q of FY2022 ①Financial Summary

- Japan achieved record-high profits due to ongoing business restructuring and increased sales of all brands/lines
- Higher sales and profits at “umbro” drove South Korea business
- China sales increased at Consolidated in Arena Shanghai, but profits declined due to the impact of lockdowns



NOTES: FY2022 = FY ending March, 2023

Forecast Sales and Profit in Japan / South Korea / China (≠Consolidated profit/loss)



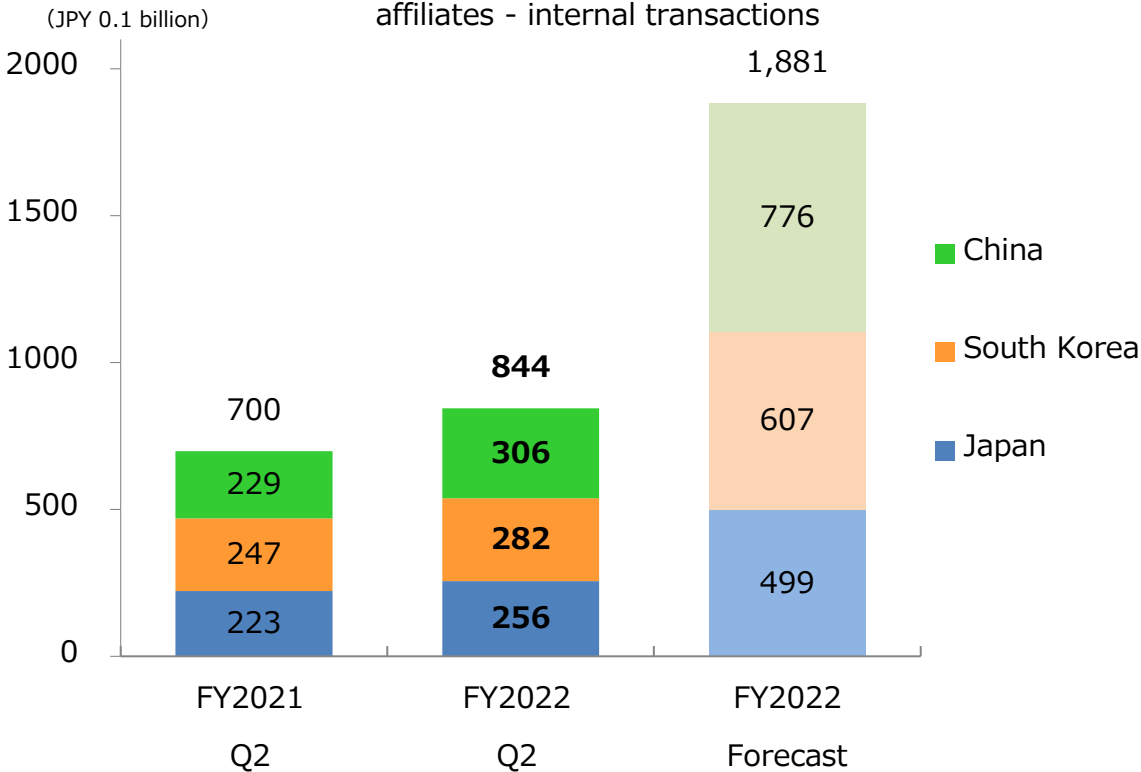
1. 2Q of FY2022 ①Financial Summary

Steady earnings growth with maintaining a good balance between Japan, South Korea, and China

Local Net Sales

Net sales of consolidated subsidiary + net sales of equity method

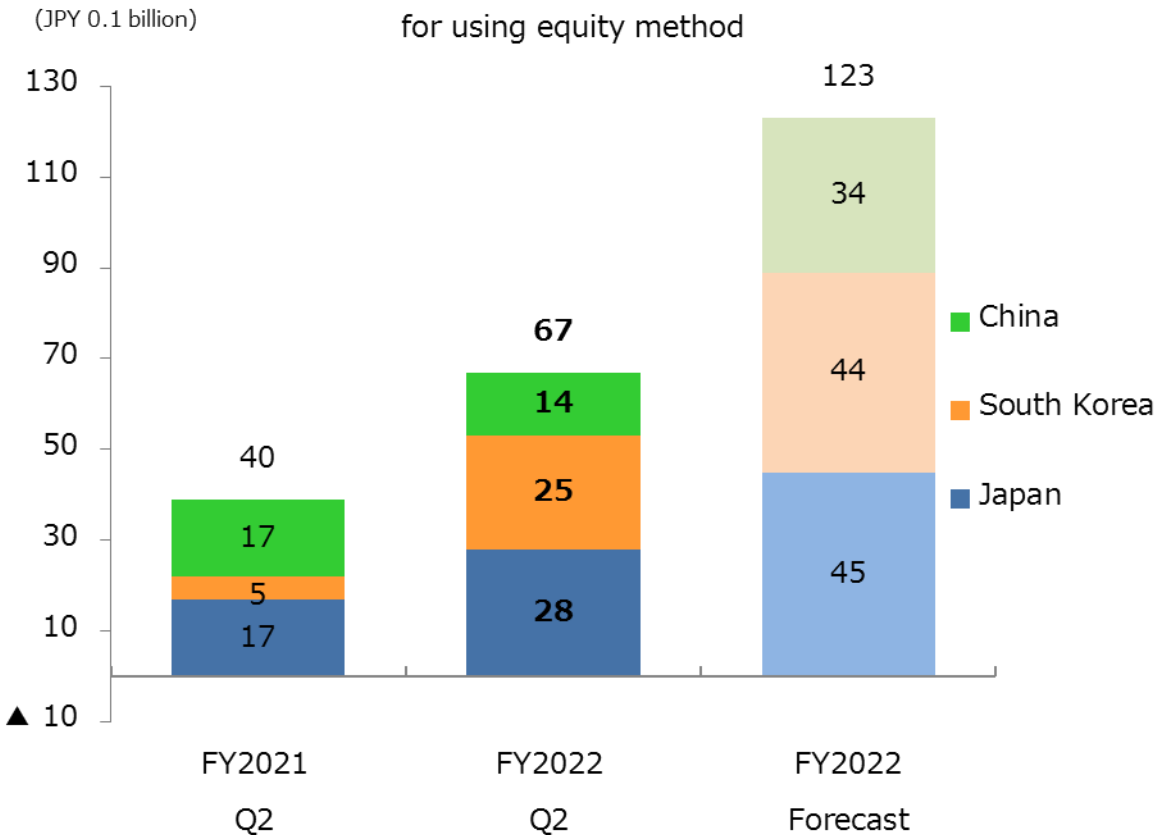
affiliates - internal transactions



Ordinary Income

Segment profit/loss + share of entities accounted

for using equity method



NOTES: FY2022 = FY ending March, 2023

Balance Sheet Trends (Consolidated)

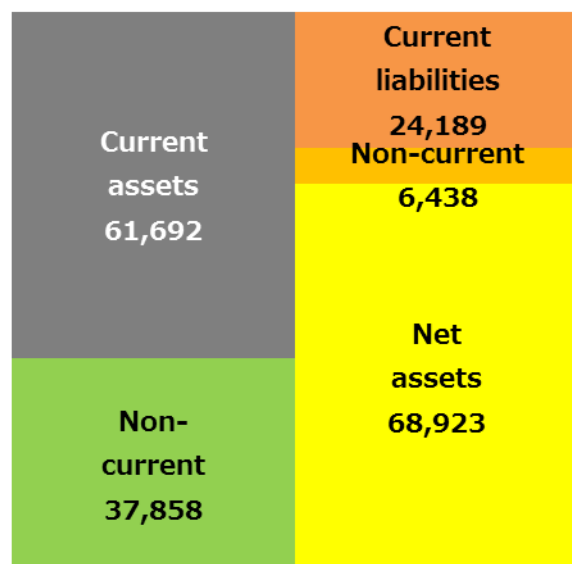


1. 2Q of FY2022 ①Financial Summary

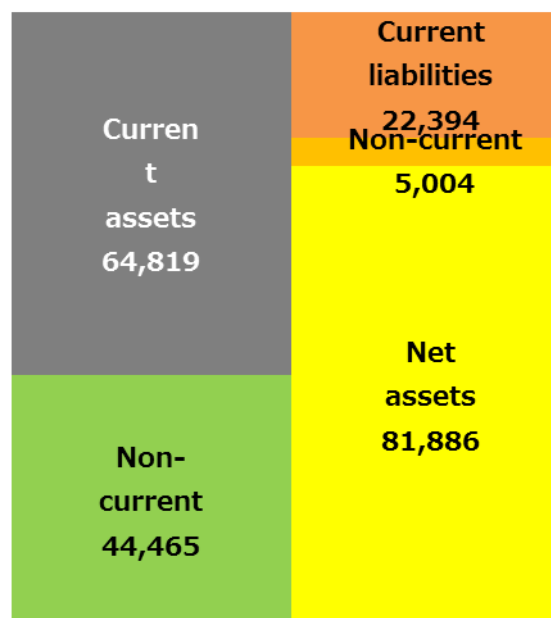
- Current assets increased due to a further reduction in inventories and an increase in cash and deposits.
- Total assets is +17.8 billion yen (with foreign exchange impact +4.5 billion yen) compared to year on year to 127.1 billion yen.

(JPY million)

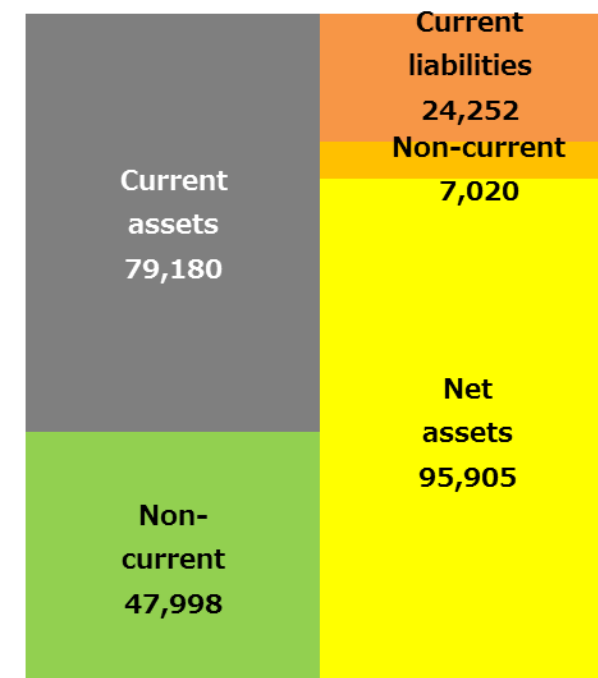
2020/9/30



2021/9/30



2022/9/30



Total assets	99,551
Equity ratio	69.2%

Total assets	109,285
Equity ratio	74.9%

Total assets	127,178
Equity ratio	75.4%

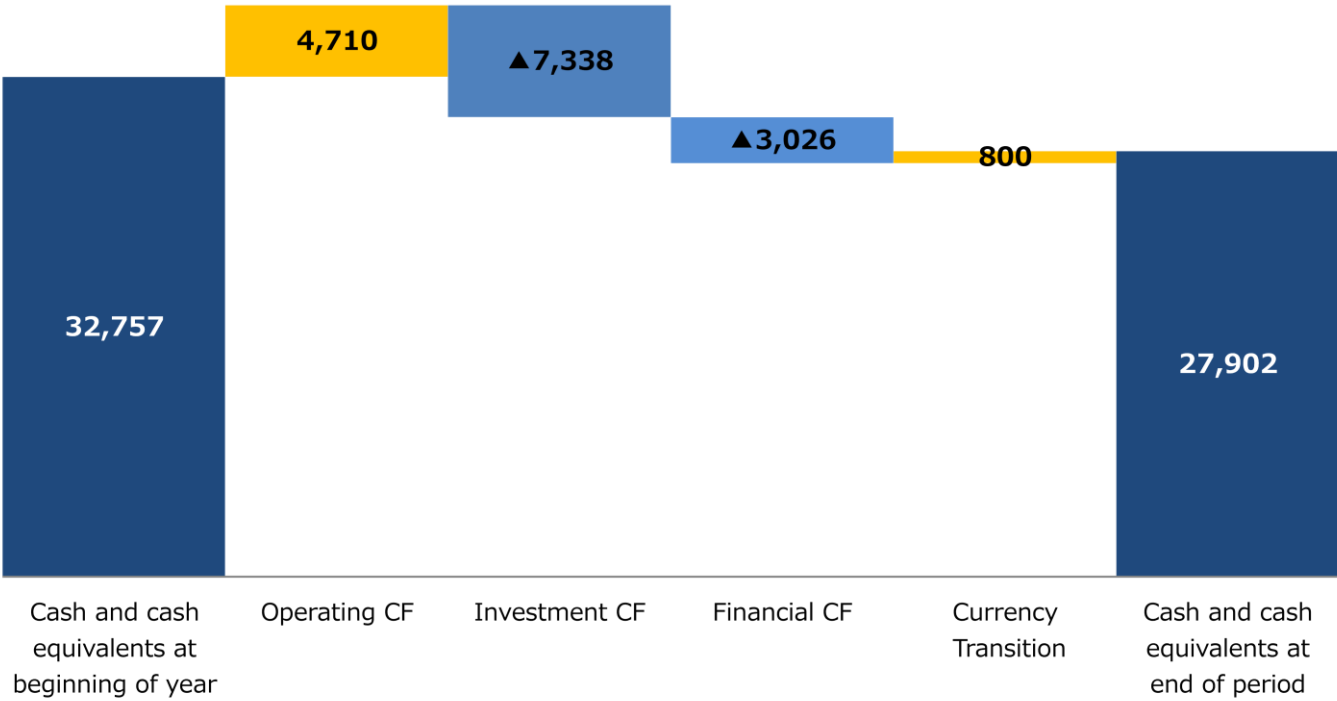
Cash flows Transition (Consolidated)



1. 2Q of FY2022 ①Financial Summary

- Operating CF is net-cash-inflow by 4.7 billion yen due to increased income.
- Investing CF is net-cash-outflow 7.3 billion yen, and financial CF is net-cash-outflow 3 billion yen.

(JPY million)



Cash and cash equivalents: decreased by 4,855

Operating CF 4,710 net-cash-in (Yen in millions)
(Previous first half 4,924 net-cash-in)
EBITDA※1 9,043
Equity in earnings of affiliates (1,560)
Corporate Tax (646)
Changes in working capital*2 (1,366)

Investment CF 7,338 net-cash-out
(Previous first half 579 net-cash-out)
Acquisition of tangible and intangible assets (525)
Increase of term deposits (6,730)

Financial CF (3,026) net-cash-out
(Previous first half 2,058 net-cash-out)
Lease obligations repayment (1,139)
Cash dividends paid (1,886)

※1 EBITDA = Income before income taxes + Depreciation
※2 Working capital is the change in trade receivables, inventories, and trade payables.

1. 2Q of FY2022

①Financial Summary

②Brand review

③Number of stores

④Topics

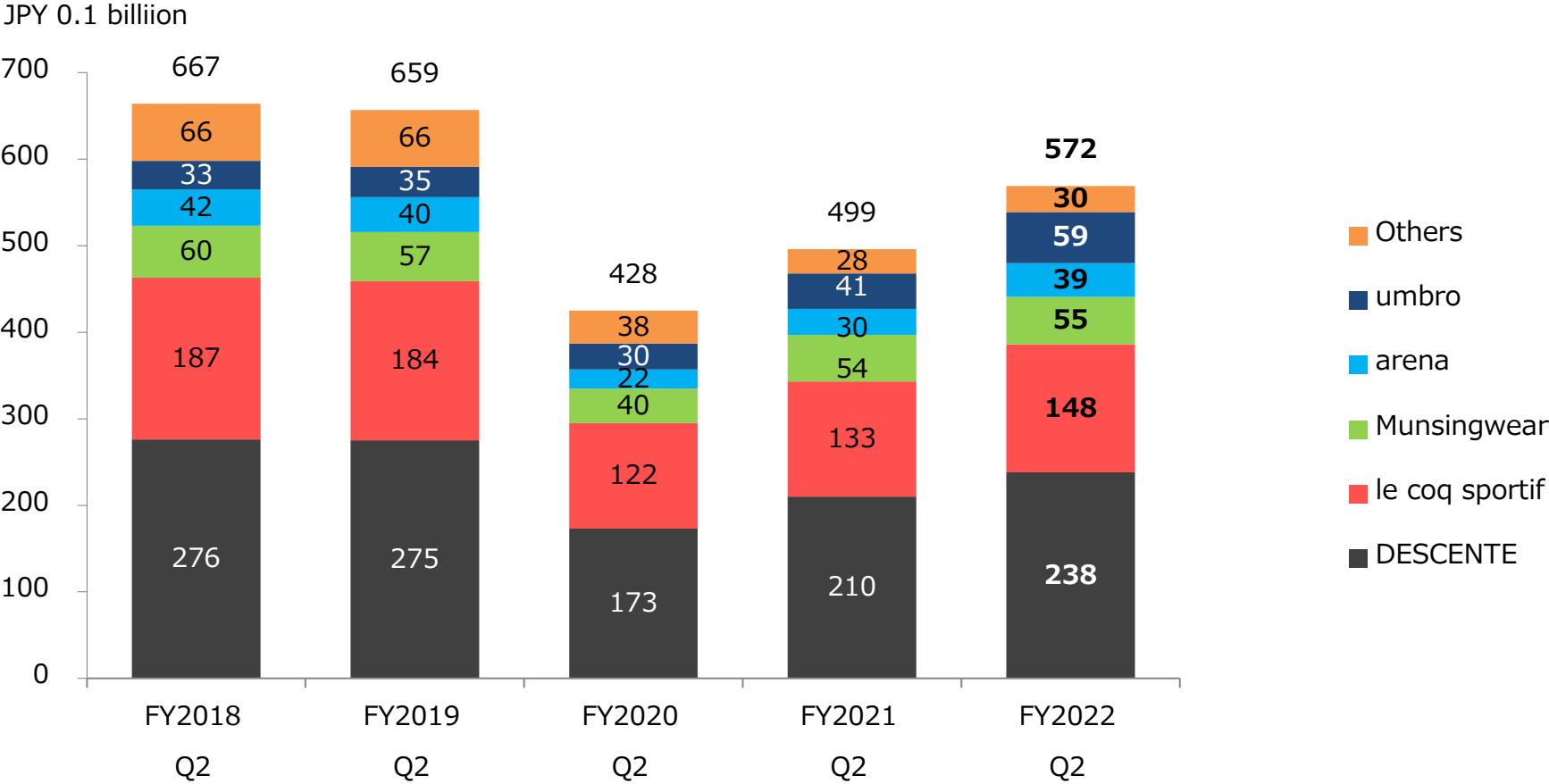
2. Plan for FY2022

Brand Review-Net sales (Consolidated)



1. 2Q of FY2022 ②Brand review

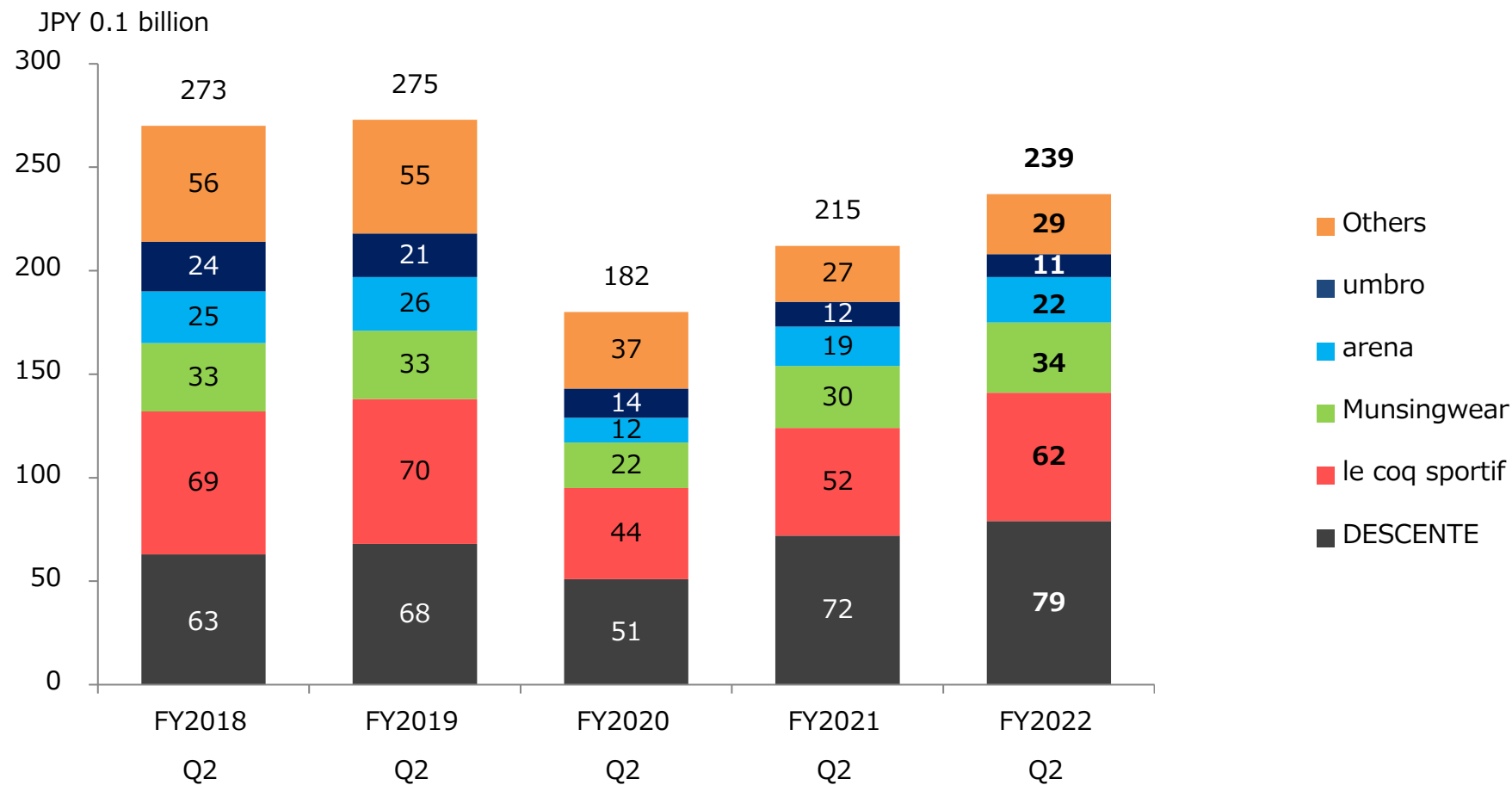
- 5 Major Brands Maintain Sales Growth



NOTES: FY2022 = FY ending March, 2023



- Growth in 4 major brands



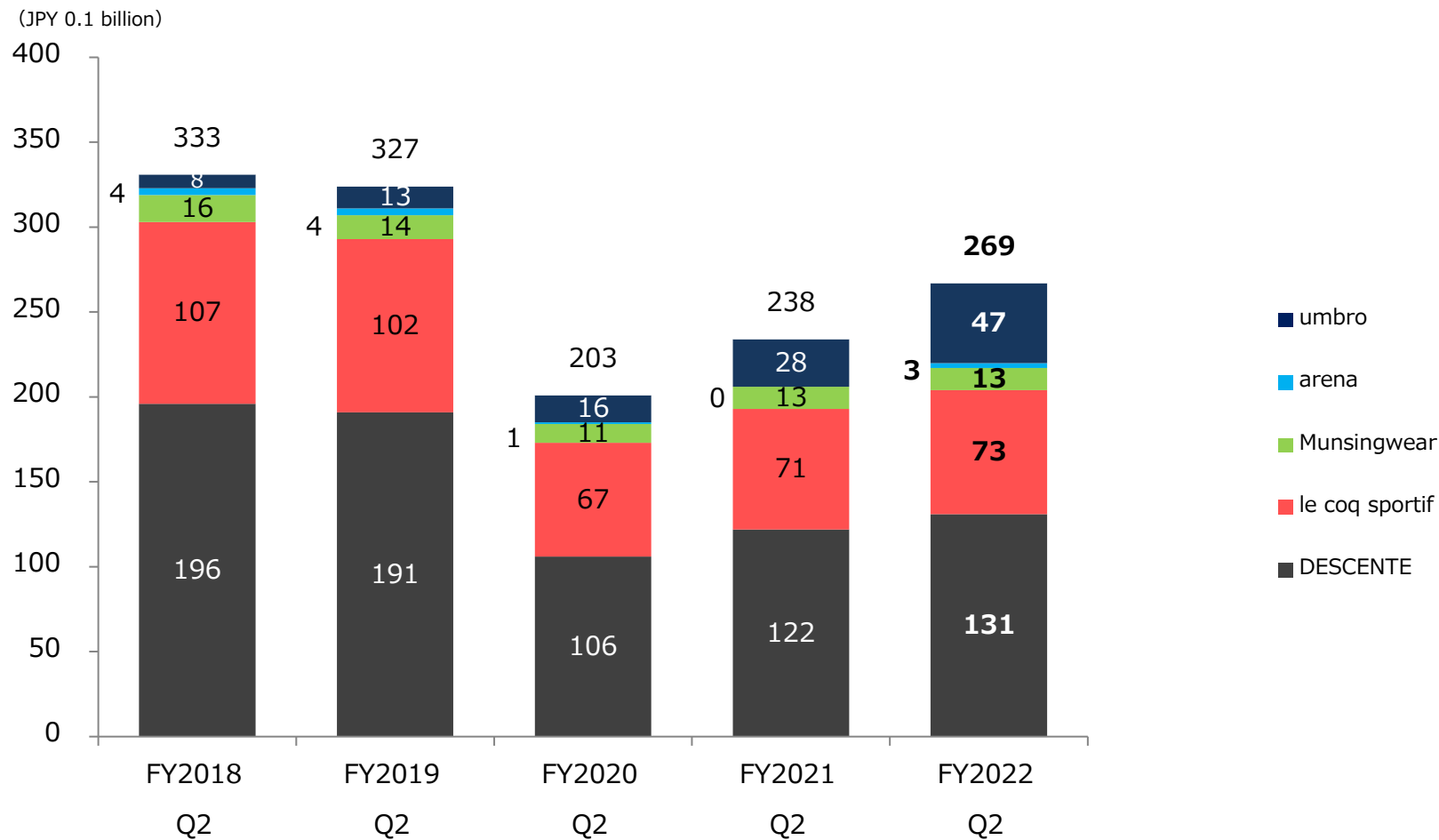
NOTES: FY2022 = FY ending March, 2023

Brand Sales (South Korea)



1. 2Q of FY2022 ②Brand review

Umbro, a 66% year-on-year increase, maintained its strong performance and drove sales



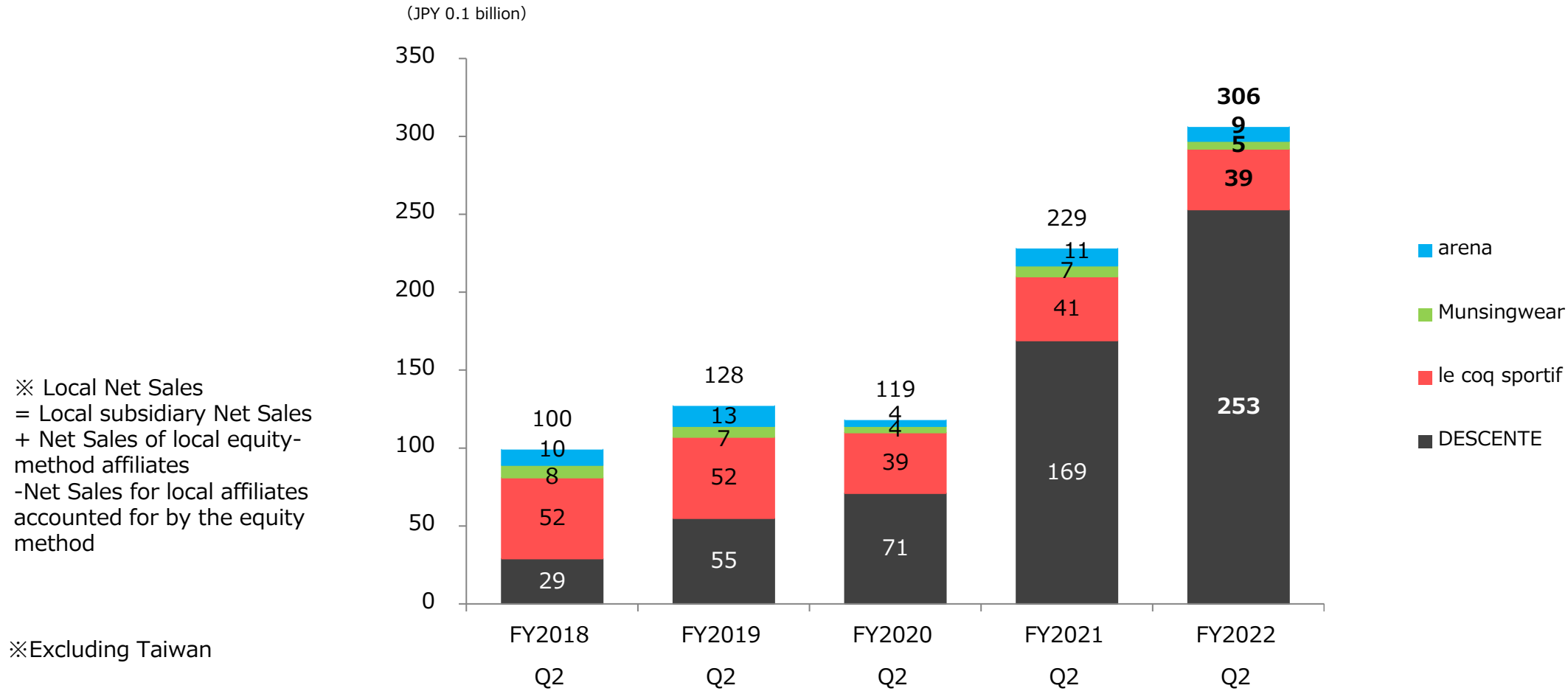
NOTES: FY2022 = FY ending March, 2023

Trends in local Net Sales in China



1. 2Q of FY2022 ②Brand review

Despite the impact of lockdowns and other factors, DESCENTE brand, which is operated by equity-method affiliates, grew significantly.



NOTES: FY2022 = FY ending March, 2023

1. 2Q of FY2022

① Financial Summary

② Brand Reviews

③ **Number of stores**

④ Topics

2. Plan for FY2022

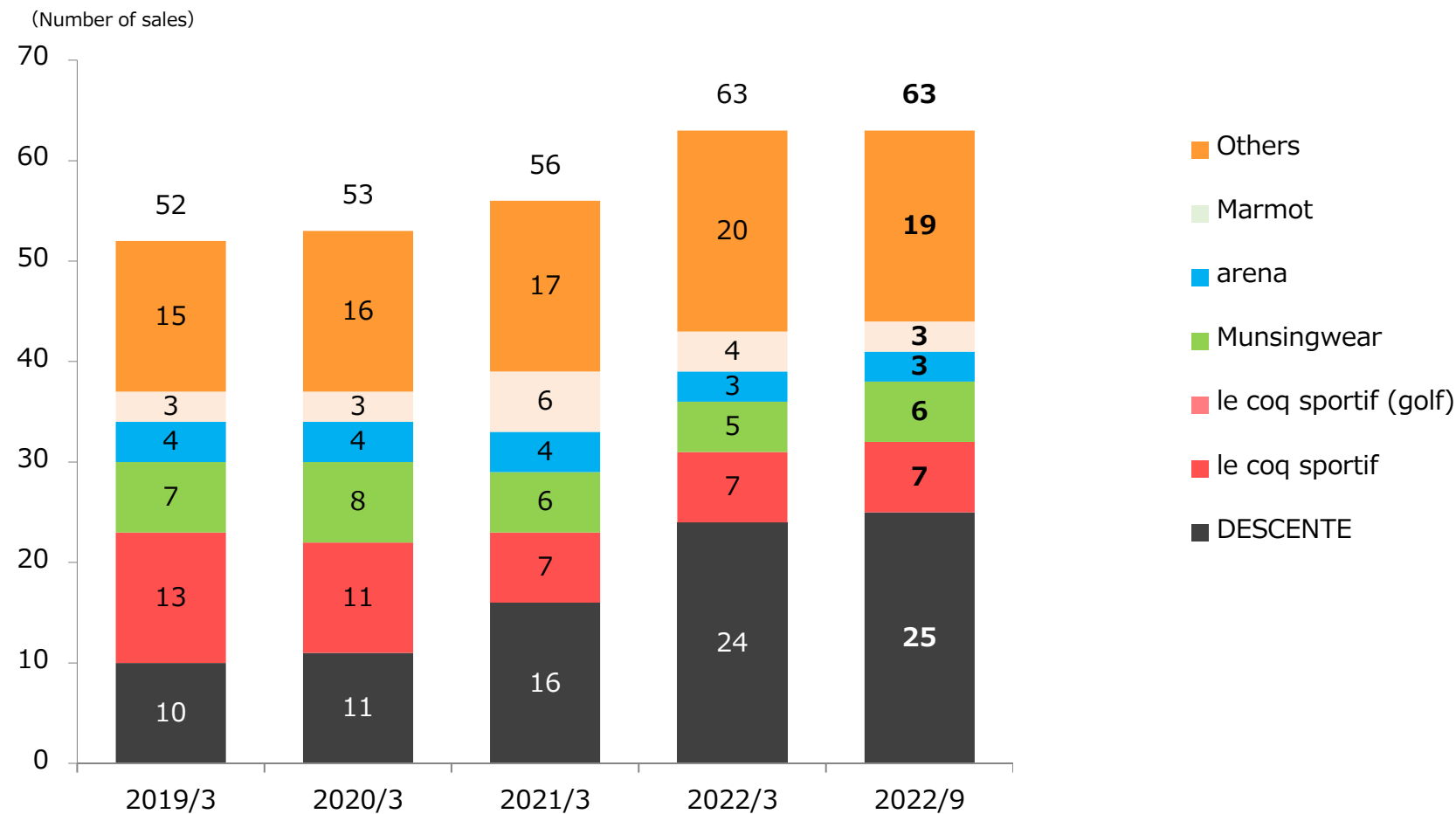
Japan Store Numbers (directly managed stores)



1. 2Q of FY2022 ③Number of stores

- No significant change in the number of stores

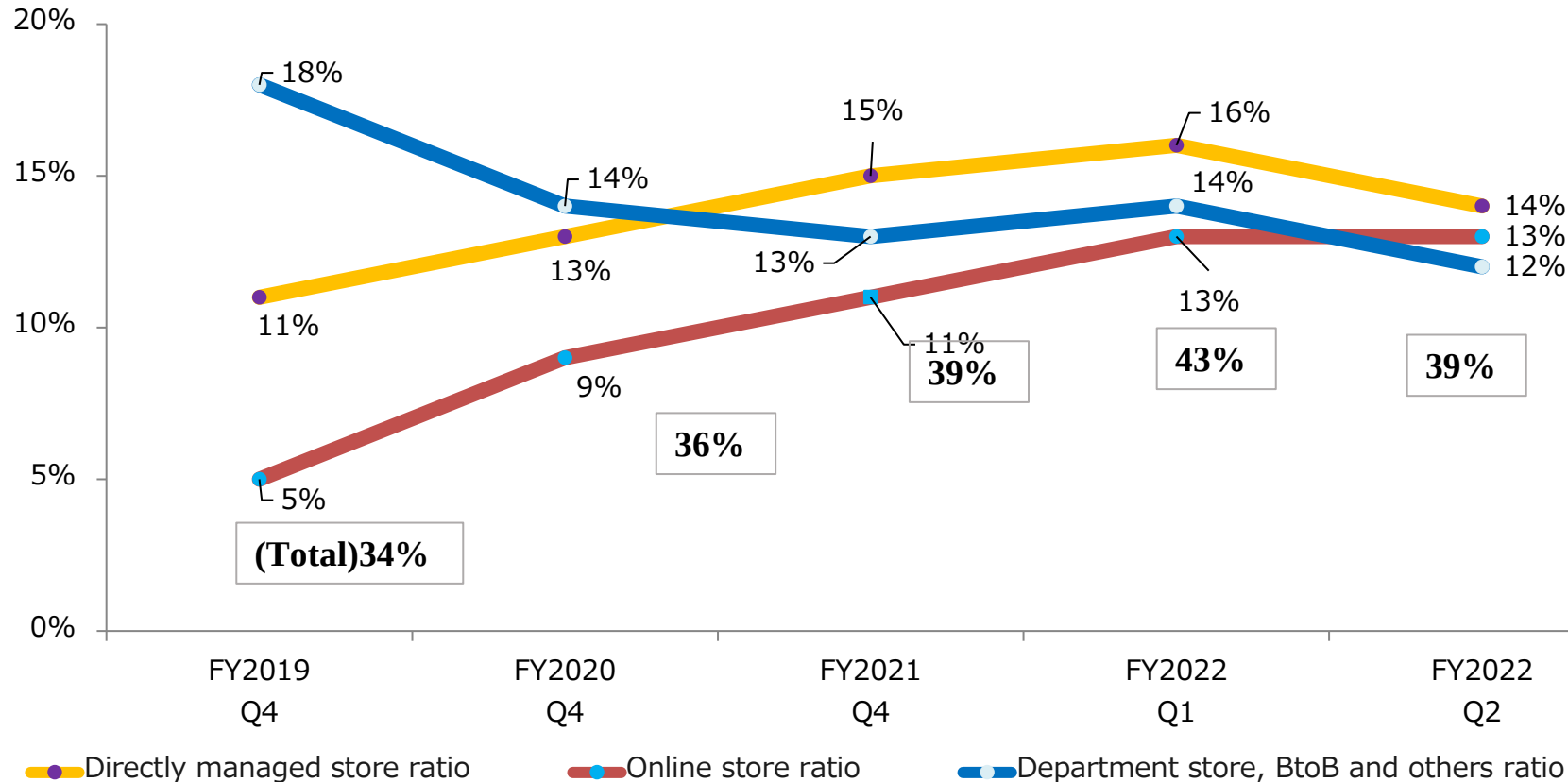
※Including outlet stores.



Directly managed stores / Online stores sales composition ratio in Japan

1. 2Q of FY2022 ③Number of stores

- Although DTC composition ratio declined due to seasonal reasons, DTC business continues to expand, and it is trending as planned for the year.



NOTES: FY2022 = FY ending March, 2023

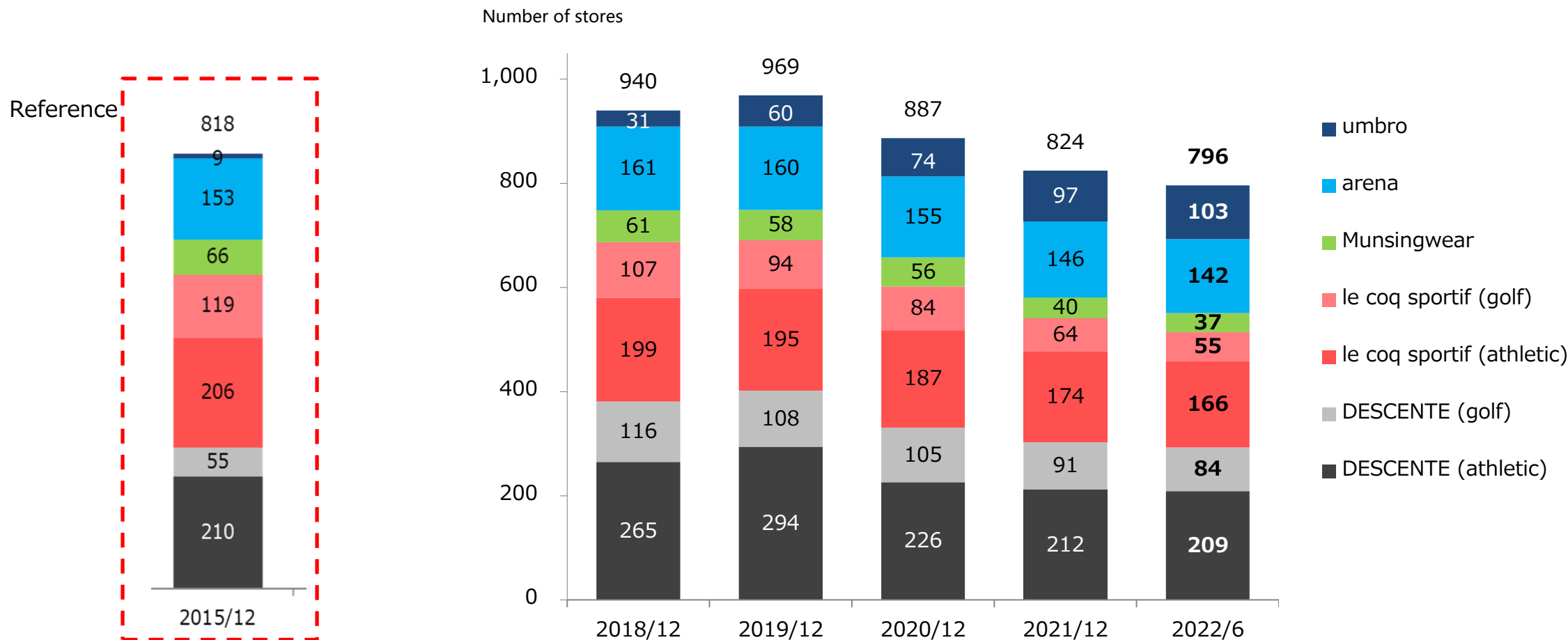
Number of Stores in South Korea



1. 2Q of FY2022 ③Number of stores

- Maintained stores count at the level of 2015, when earnings level was strong.
- "umbro" stores increased.

※Includes agency merchants and outlet stores.



Number of Stores in China

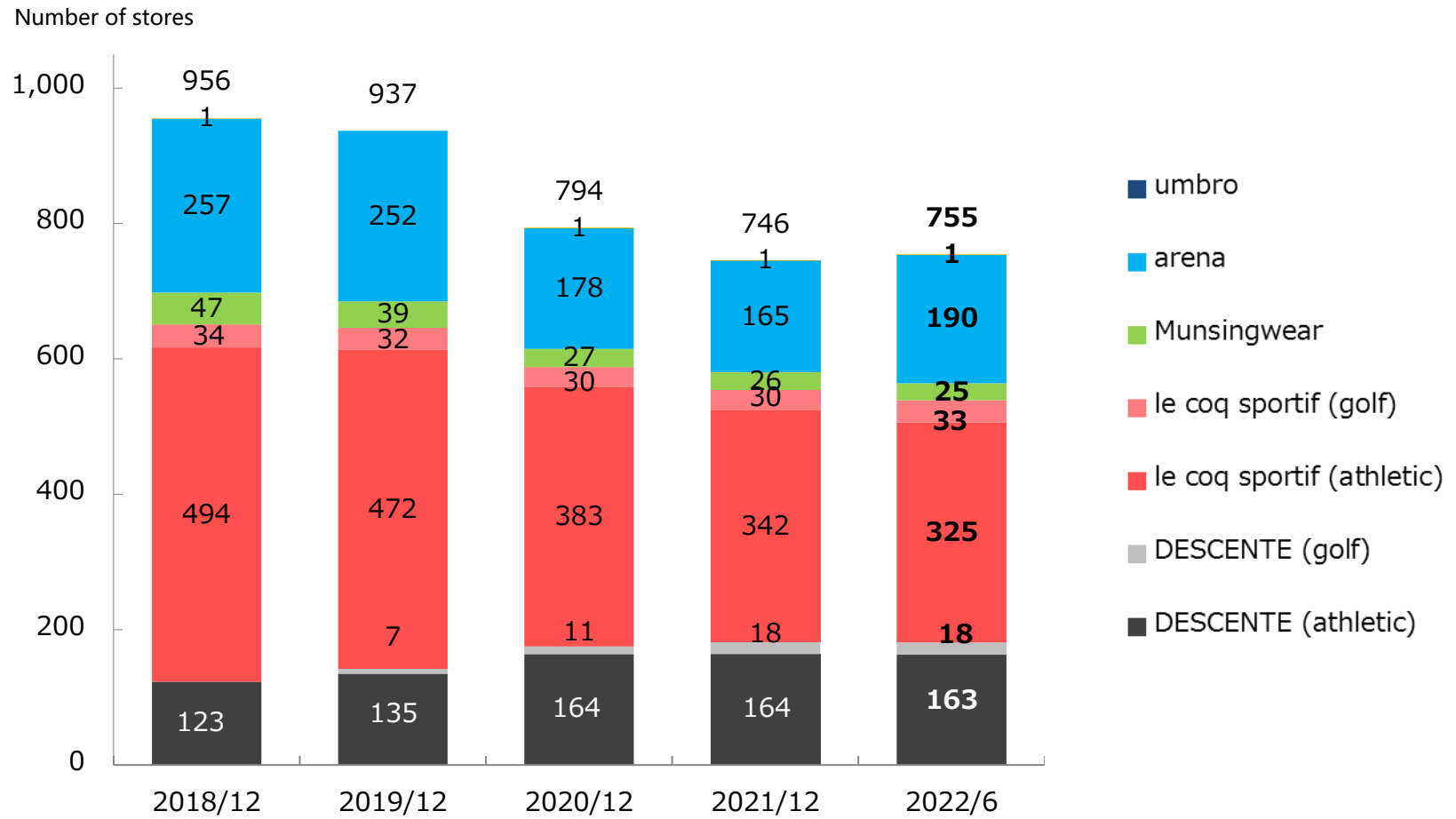


1. 2Q of FY2022 ③Number of stores

- "DESCENTE" expands floor space based on scrap-and-build.
- "Le coq sportif" continues to restructure stores, and "arena" stores continues to increase.

※Excluding Taiwan

※Including stores of commercial agents and outlets



1. 2Q of FY2022

① Summary

② Review by Brand

③ Number of stores

④ **Topics**

2. Plan for FY2022

Japan-Promoting Expansion of Japan DTC Businesses- Improving Customer Experience and Satisfaction

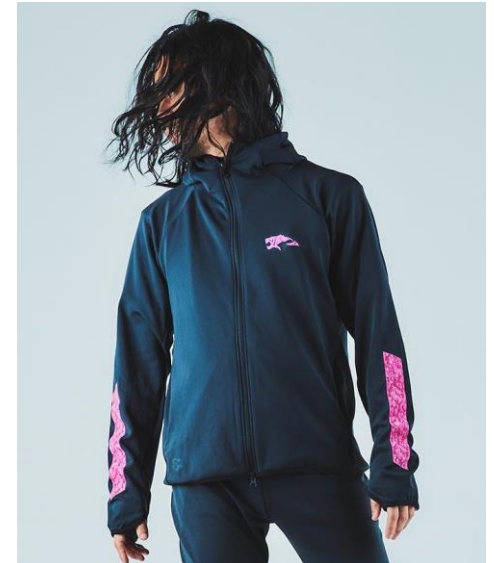


1. 2Q of FY2022 ④Topics

- In-house e-commerce produces designable seasonal products for customers to enjoy the package itself.
- Collaborative products and store decoration with TIGER & BUNNY 2, a popular anime, attracted customer attentions and the products were sold out.



For your family to enjoy stay-home at the end of the year,
we produced seasonal package designed like board-game.
-Japan Package Design Award 2023 Received Silver Award-



『TIGER & BUNNY 2』
In response to customer requests,
immediately set up displays at the Mejiro Store of Descente

Japan - Initiatives to Expand Brand Value and Awareness



1. 2Q of FY2022 ④Topics

- "arena": Concluded an advisory contract with butterfly medalist Tomoru Honda
- "Munsingwear": Strong performance of STANDARD COLLECTION launched in spring/summer season 22



Tokyo Olympic Men's 200m Butterfly Silver Medalist
Expectations for further success of Tomoru Honda



STANDARD COLLECTION aims for the
coexistence of basic innovation and features
simple design and beautiful silhouettes

Japan and South Korea - Initiatives to Expand Brand Value and Awareness



1. 2Q of FY2022 ④Topics

- "DESCENTE": Produced collaborative products with luxury sports car brand "Maserati"



Japan: Launched on July 15th in directly managed stores and our own e-commerce



South Korea: VMD image modeled after MC20 super sports car (HYUNDAI Department store Trade Center)

South Korea - Implementation of marketing that features the brand characteristics



1. 2Q of FY2022 ④Topics

- "umbro": Continued strong sales of highly sensitive coordination proposals as street fashion
- "Le coq sportif": Strong performance in tennis category



Developed street-fashion taste coordination.



Following tennis boom, the trending sophisticated design has been highly evaluated.

China - Expanding Profits as high-profile market



1. 2Q of FY2022 ④Topics

- "DESCENTE": Collaboration with Kazuki Kuraishi, a famous Japanese designer
- "DESCENTE": Further awareness through high performance by contracted players

DESCENTE



Collaboration with Mr. Kazuki Kuraishi
Strong sales of winter sports products

DESCENTE



Li Haotong, a contracted professional golfer, won the
European Men's Tour BMW International Open (Munich, June)

Japan - Enhance our craftsmanship



1. 2Q of FY2022 ④Topics

Product development that leverages the technologies and know-how of our own factories

- "arena" : Easy-to-detach and pleasant touch swimsuits that utilizes our adhesive sewing technology
- "DESCENTE" : Collaborative leather shoes with Regal, utilizing compression processing technologies



By leveraging Saito Factory's strengths in adhesive sewing, developed swimming suits using special fasteners without tape



Adopted Mizusawa Factory's thermo-compression processing for the upper. Reducing the number of sewing spots improves the comfortability.

Japan - Initiatives for Sustainability



1. 2Q of FY2022 ④Topics

Team DESCENTE

- Implemented "a zero-litter campaign in Haga-Machi" to consider marine litter issues with Naoki Mizunuma (swimmer)
- Implemented a special class to think about SDGs with Megumi Kurihara (former volleyball player) at Toyo Eiwa Jogakuin University



Team
DESCENTE



Learning about the marine litter problem through
picture-card shows and lectures
Special swimming classes for Mizunuma players also held



Discussed the theme of "What can be done for women to
take necessary nutrition or to habit exercise"

DESCENTE Sports Foundation

- Sporting promotion support: Implementation of “MOVE SPORT Campaign”
- Sports scientific research support: Supporting the 2022 Sports Week Commemorative Scientific Conference



For children and adolescents who have moved away from physical activity for a variety of reasons
Supporting Programs to Enhance Healthy Physical Strength



School physical education, elite sports, physically challenged sports, etc.
Supporting Academic Research on a Wide Range of Themes

1. 2Q of FY2022

- ① Summary
- ② Review by Brand
- ③ Number of stores
- ④ Topics

2. Plan for FY2022

FY2023 Consolidated Earnings Forecast



1. Plan for FY2022

With steady implementation of “D-Summit 2023”, the forecast was revised upwardly.

(Unit: JPY million)	FY2020	FY2021	FY2022 Previous Forecast (as of Aug.8.2022)	FY2022	
				Revised Forecast (as of Nov.7.2022)	YoY
Net sales	96,862	108,892	116,500	118,000	+ 9,108 (108.4%)
Operating income	▲ 1,806	5,138	6,700	8,100	+ 2,962 (157.6%)
(%)	▲ 1.9%	4.7%	5.8%	6.9%	-
Ordinary income	▲ 584	7,556	10,700	12,300	+ 4,744 (162.8%)
(%)	▲ 0.6%	6.9%	9.2%	10.4%	-
Profit attributable to owners of parent	5,039	6,229	9,500	10,000	+3,771 (160.5%)
(%)	5.2%	5.7%	8.2%	8.5%	-

Revised planned rates: 100KRW:10.13, CNY:19.69, HKD:17.00

FY2022 Dividend Forecast



1. Plan for FY2022

- Dividend will be determined and announced at the release of the Q3 financial results in light of future performance trends.

(Unit: JPY million)	FY2018	FY2019	FY2020	FY2021	FY2022 Plan (as of Aug.8.2022)	FY2022 Plan (as of Nov.7.2022)
Dividends	1,960	-	-	1,886	Determined at the announcement of the third quarter financial results	
Amount/share	JPY 26.0	-	-	JPY 25.0		
Profit attributable to owners of parent (Consolidated)	3,944	▲ 2,481	5,039	6,229	9,500	10,000
Payout ratio	49.7%	-	-	30.3%		

NOTES: FY2022 = FY ending March, 2023

Affiliated Companies in China: Summary



As of end of Sep. 2022

	Consolidated Subsidiaries			Affiliated Companies (Equity Method)	
Company Name	SHANGHAI DESCENTE COMMERCIAL CO., LTD.	HONG KONG DESCENTE TRADING, LTD.	*ARENA (SHANGHAI) INDUSTRIAL CO., LTD.	DESCENTE(CHINA) Co., LTD.	LE COQ SPORTIF (NINGBO) CO., LTD.
Location	Shanghai	Hong Kong	Shanghai	Shanghai	Ningbo
Incorporated	August, 2005	November, 2003	October, 2016	July, 2016	February, 2004
Fiscal Year	January – December				
Investment Ratio	DESCENTE GROUP 100%	DESCENTE GROUP 100%	DESCENTE GROUP 100%	DESCENTE GROUP 40% ANTA Group 54% Itochu Group 6%	DESCENTE GROUP 40% SUGIEI 50% Itochu Group 10%
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.

Foreign Exchange rate

		USD	100KRW	CNY	HKD	SGD	GBP
FY2022	Q4 YTD plan	-	10.13	19.69	17.00	-	-
	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

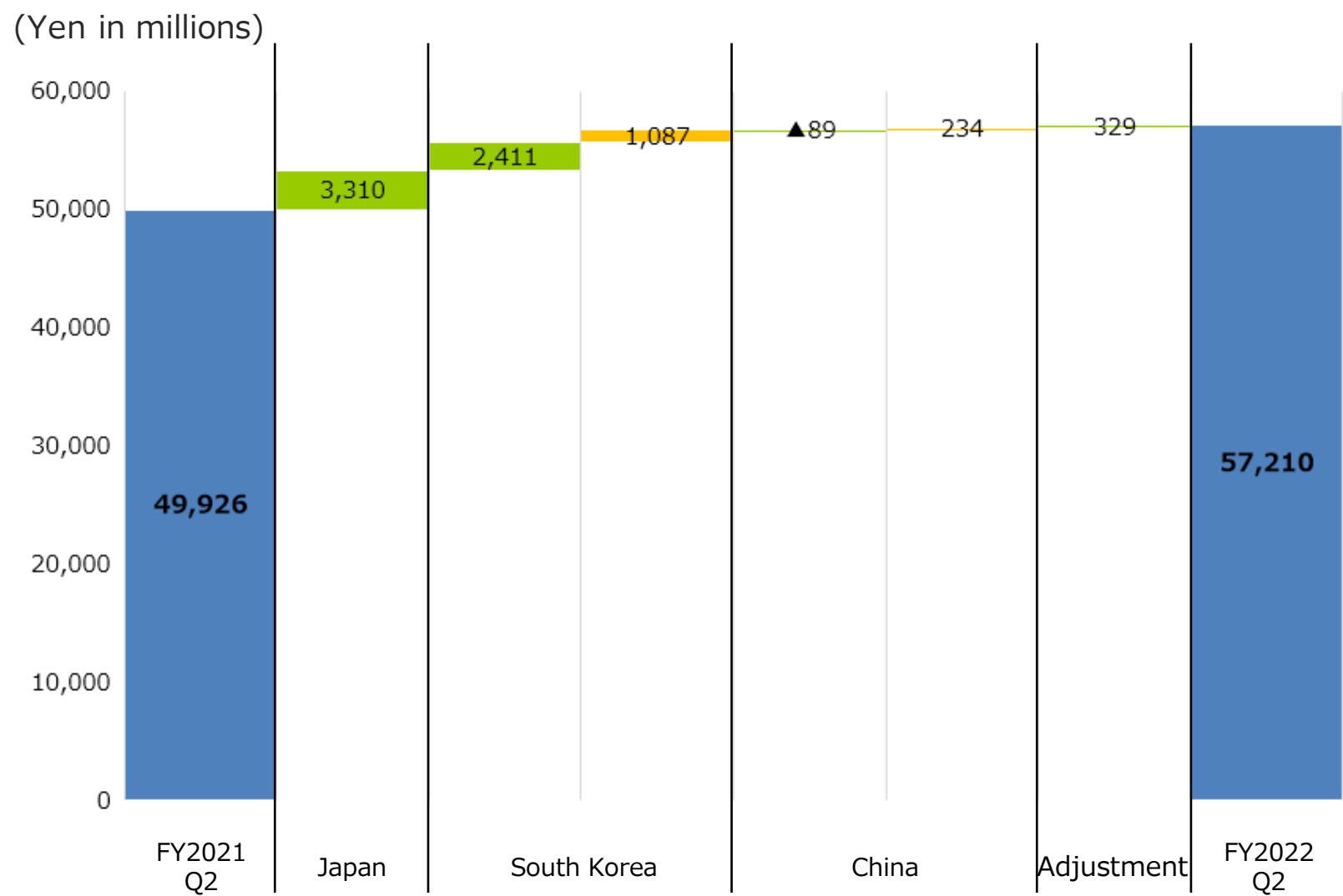
Disclaimer: The contents of the business plan and the future objectives described in this document are based on information currently available and therefore contain an element of uncertainty and potential risk. Please be advised there is a possibility that actual results may be affected by a number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

- "FY2022" represents the fiscal year ended March 2023.
- "Q1 YTD" represents 3-month cumulative period up to the first quarter
- "Q2 YTD" represents 6-month cumulative period up to the second quarter.

Q2 FY 2022 Reference

(Quarterly Sales and Operating Income by Segment)

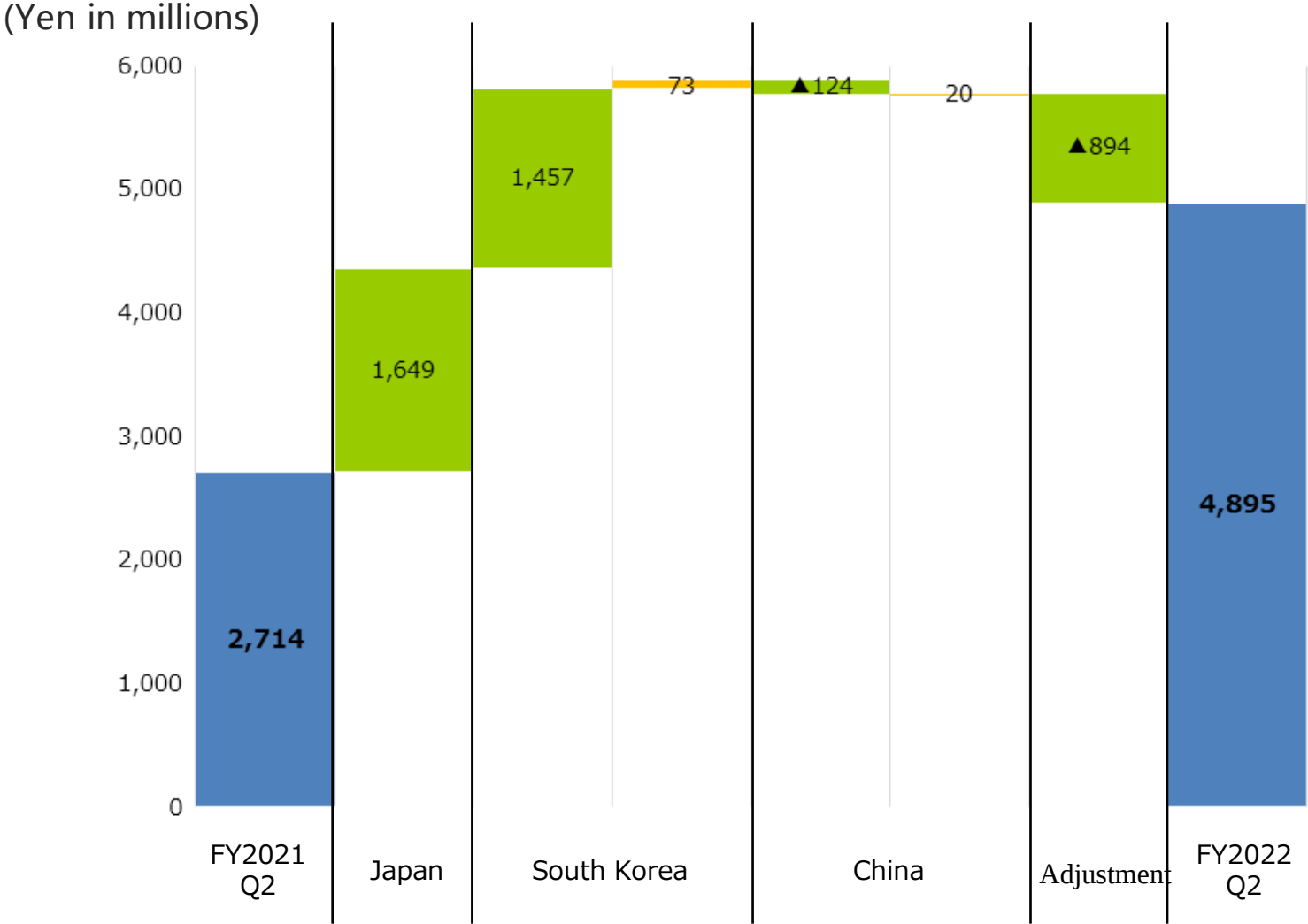
Changes in Net Sales by Segment (YoY)



NOTES: FY2022 = FY ending March, 2023

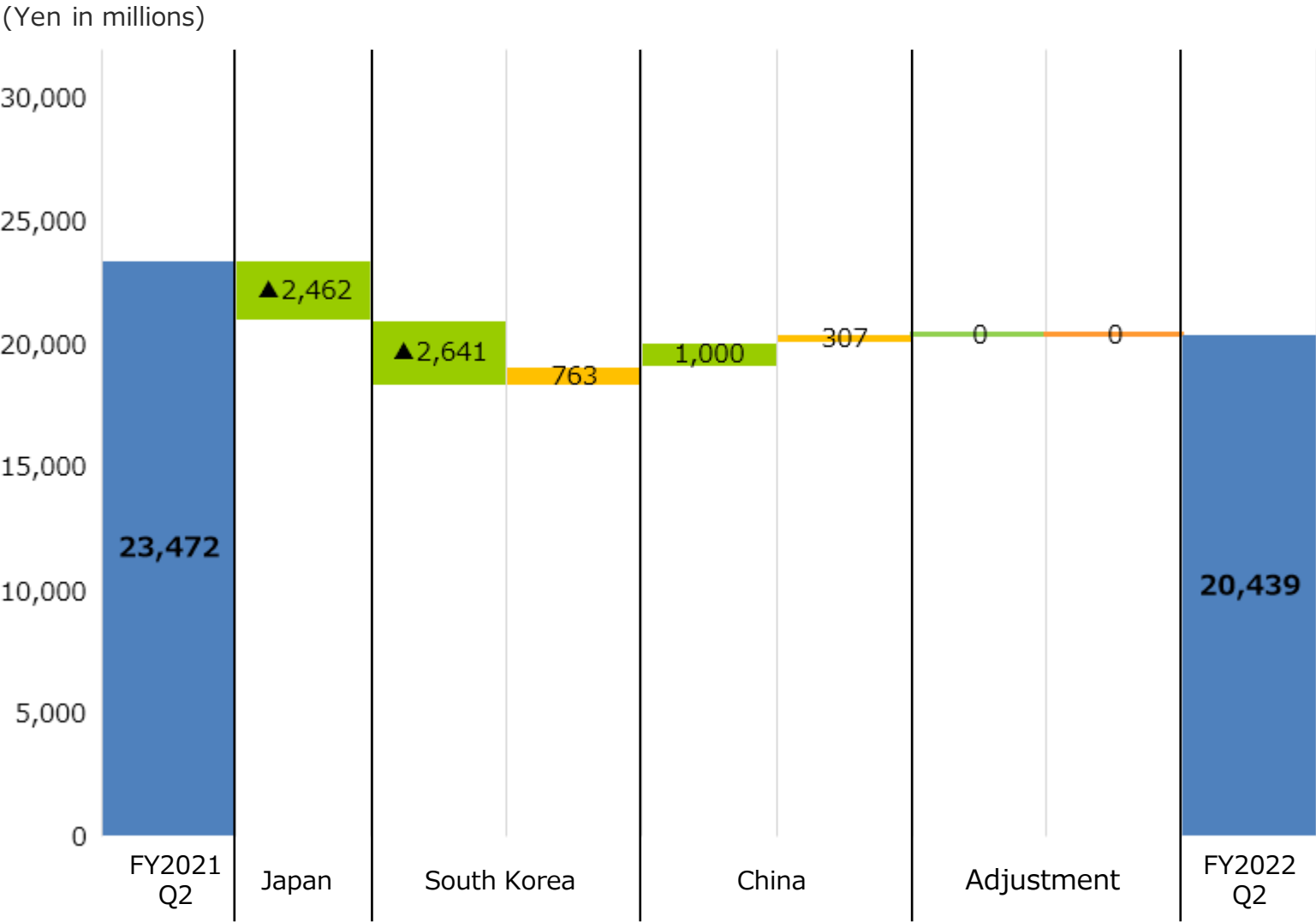
Net Sales Actual Gain / Loss Forex Effect

Changes in Operating income by Segment (YoY)



NOTES: FY2022 = FY ending March, 2023

Changes in Inventories by Segment (YoY)



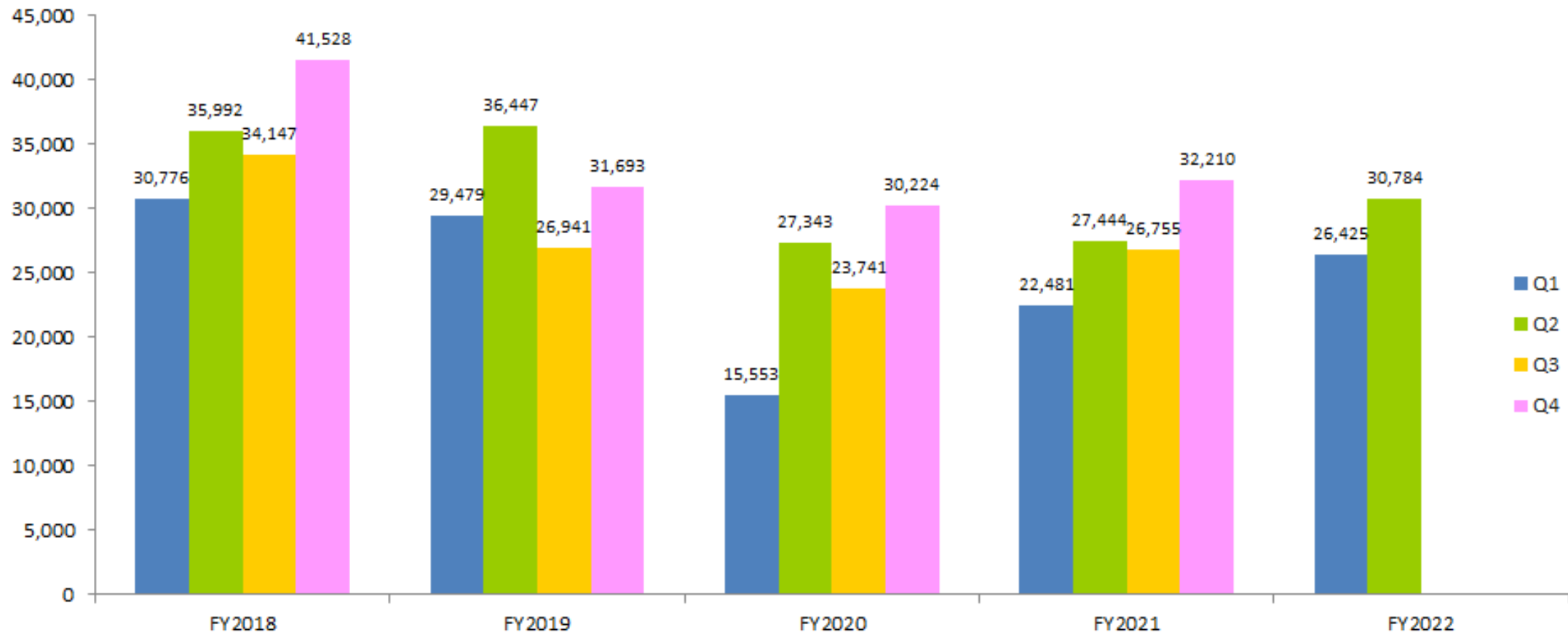
NOTES: FY2022 = FY ending March, 2023

■ Inventories ■ Actual Gain / Loss ■ Forex Effect

Quarterly Net Sales Trends (Consolidated)

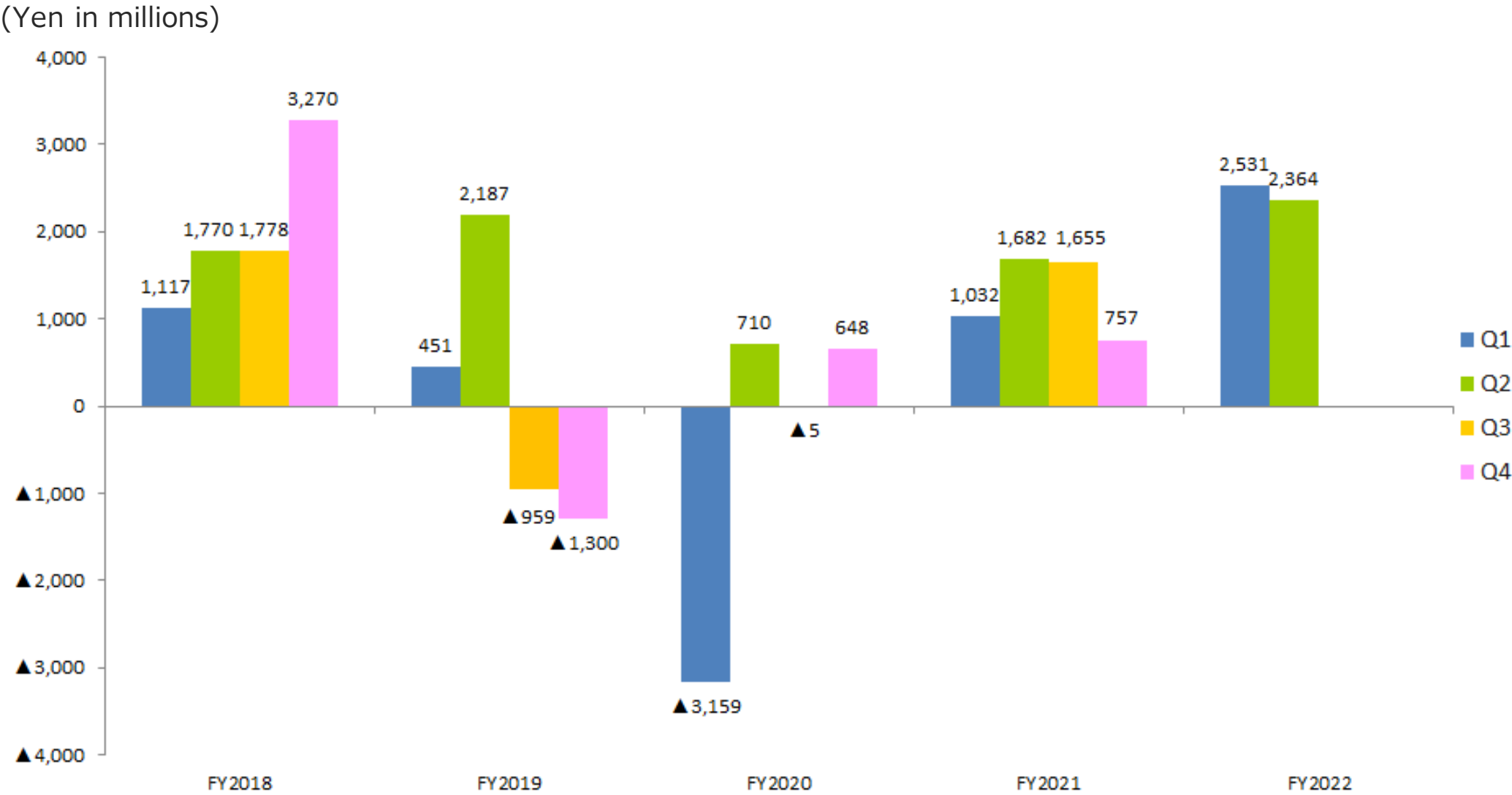


(Yen in millions)



NOTES: FY2022 = FY ending March, 2023

Quarterly Operating income Trends (Consolidated)

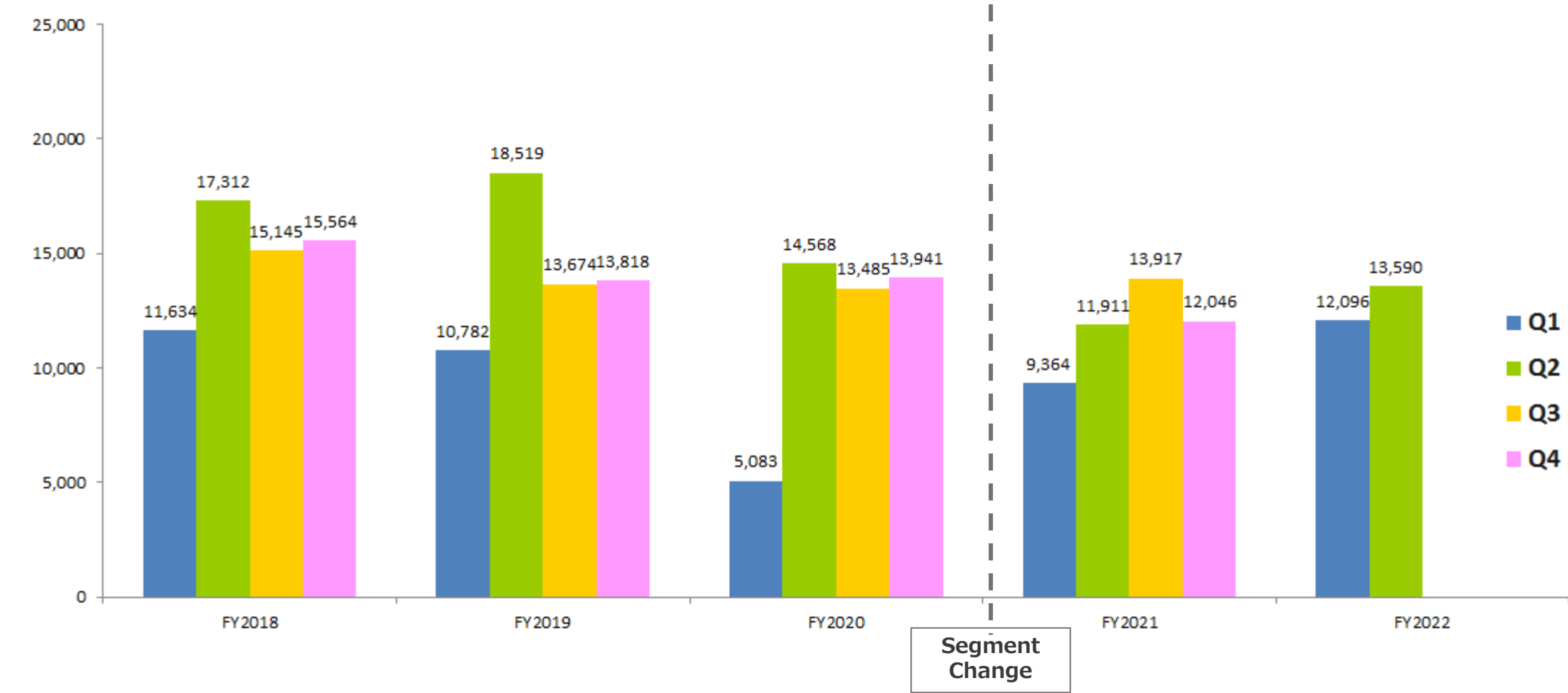


NOTES: FY2022 = FY ending March, 2023

Quarterly Net Sales Transition by Segment (Japan)

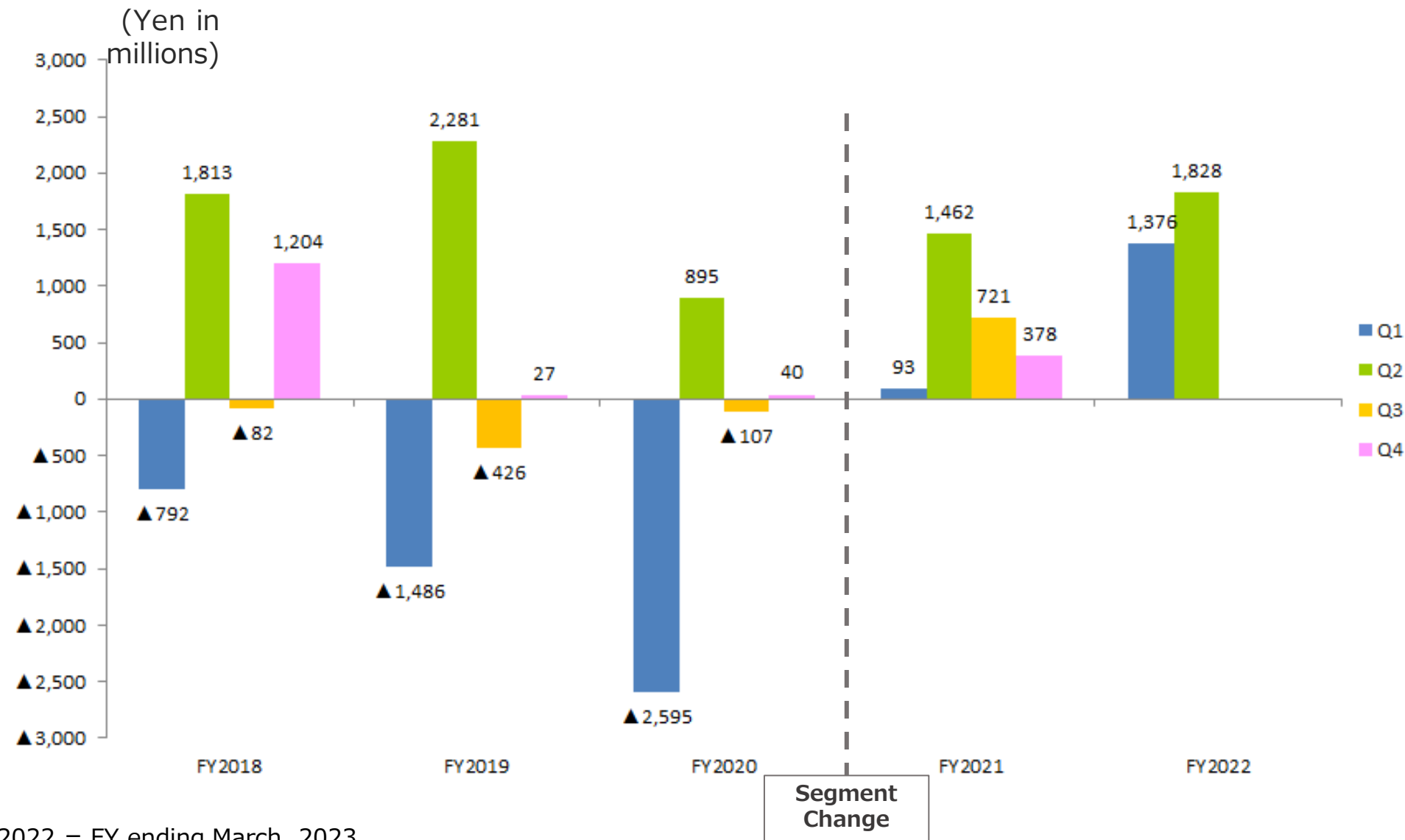


(Yen in millions)



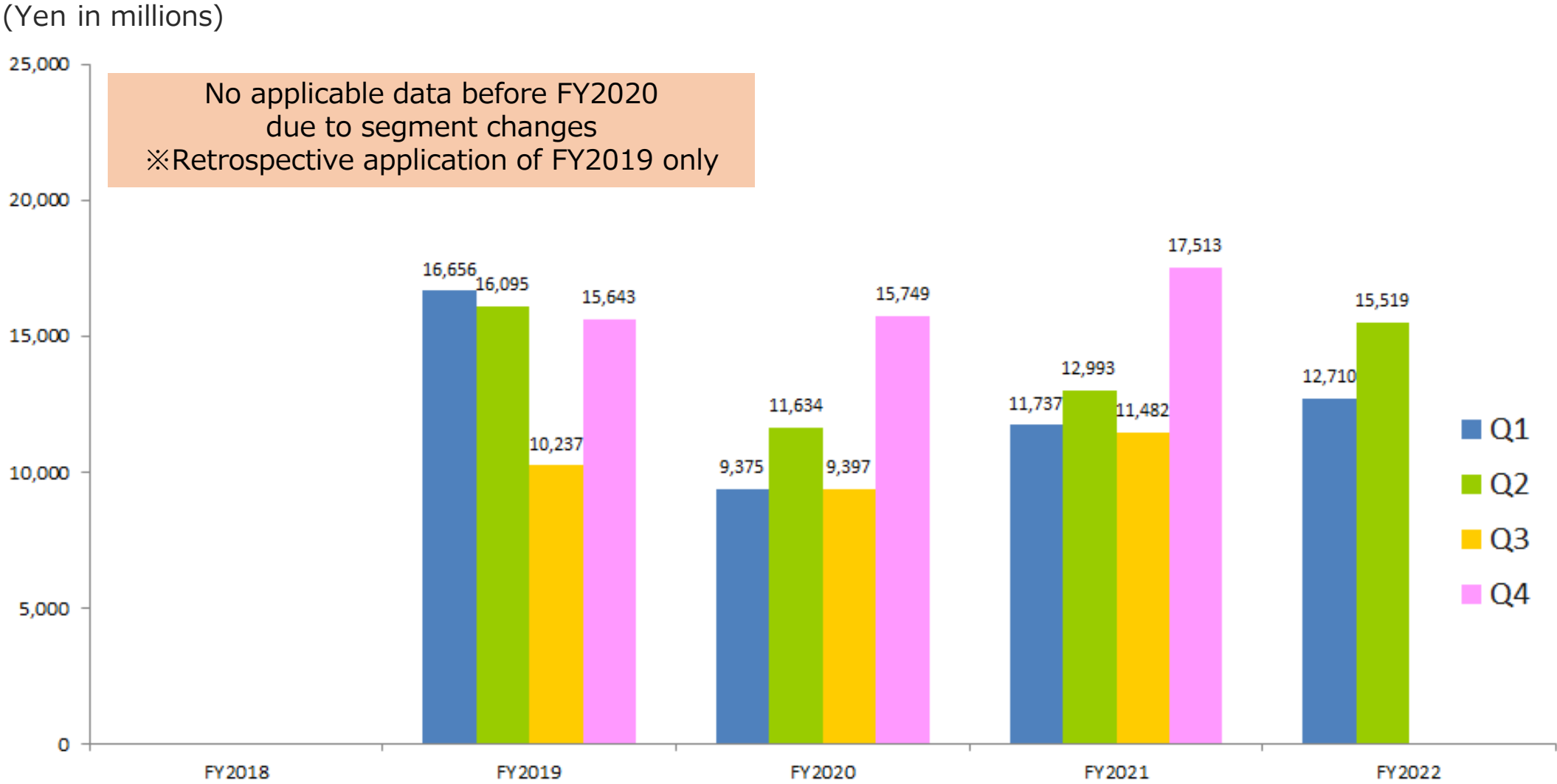
NOTES: FY2022 = FY ending March, 2023

Quarterly Operating income Trends (Japan)



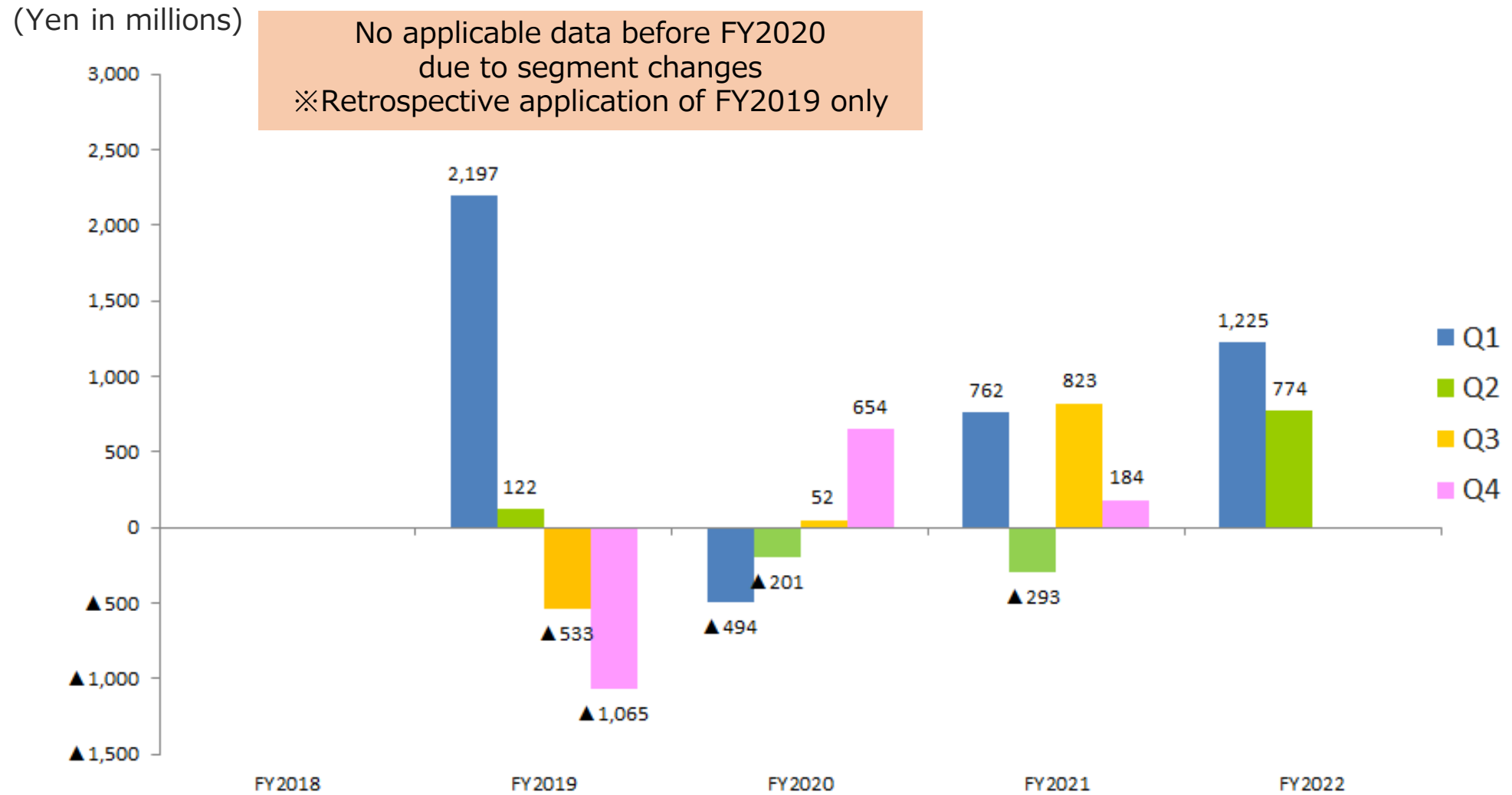
NOTES: FY2022 = FY ending March, 2023

Quarterly Net Sales Trends (South Korea)



NOTES: FY2022 = FY ending March, 2023

Quarterly Operating income Trends (South Korea)

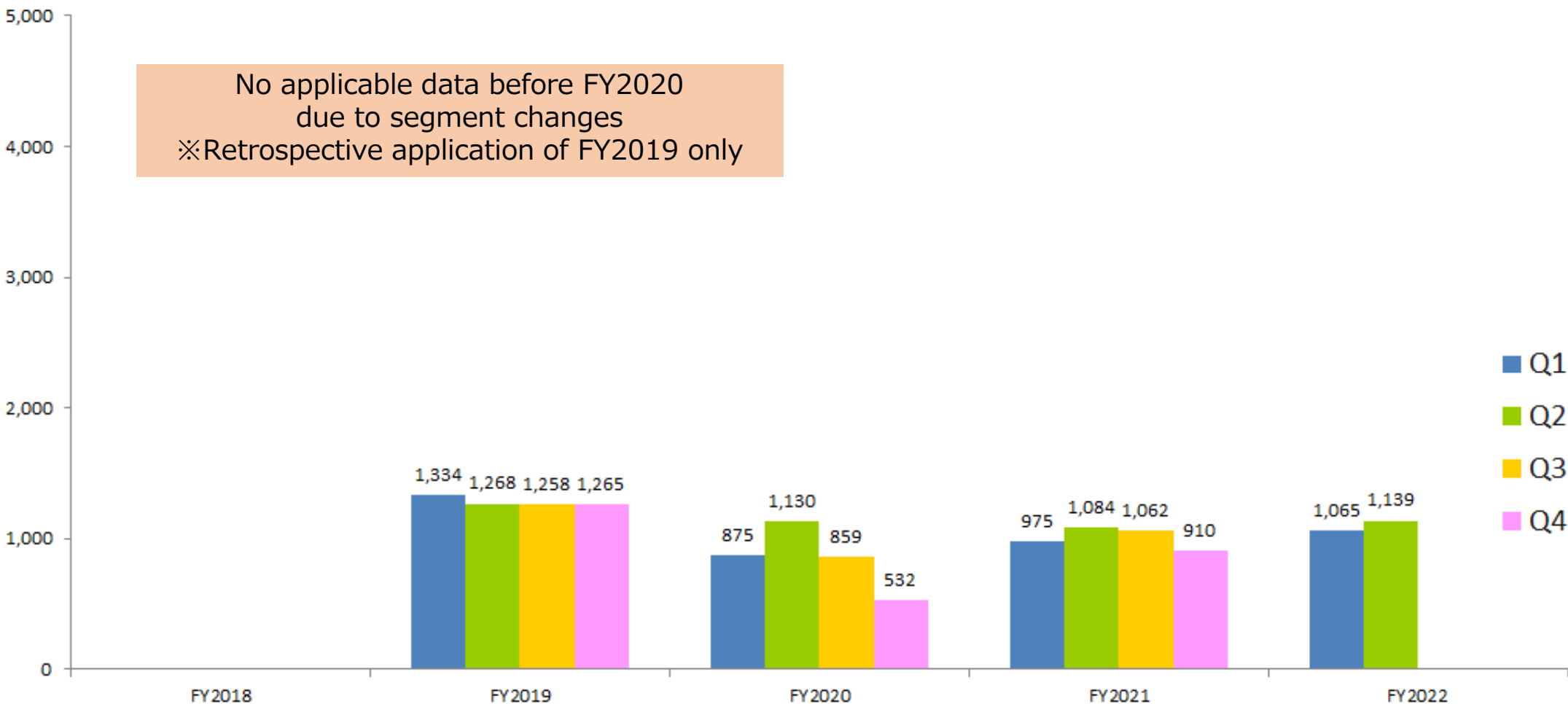


NOTES: FY2022 = FY ending March, 2023

Quarter Net Sales Trends (China)

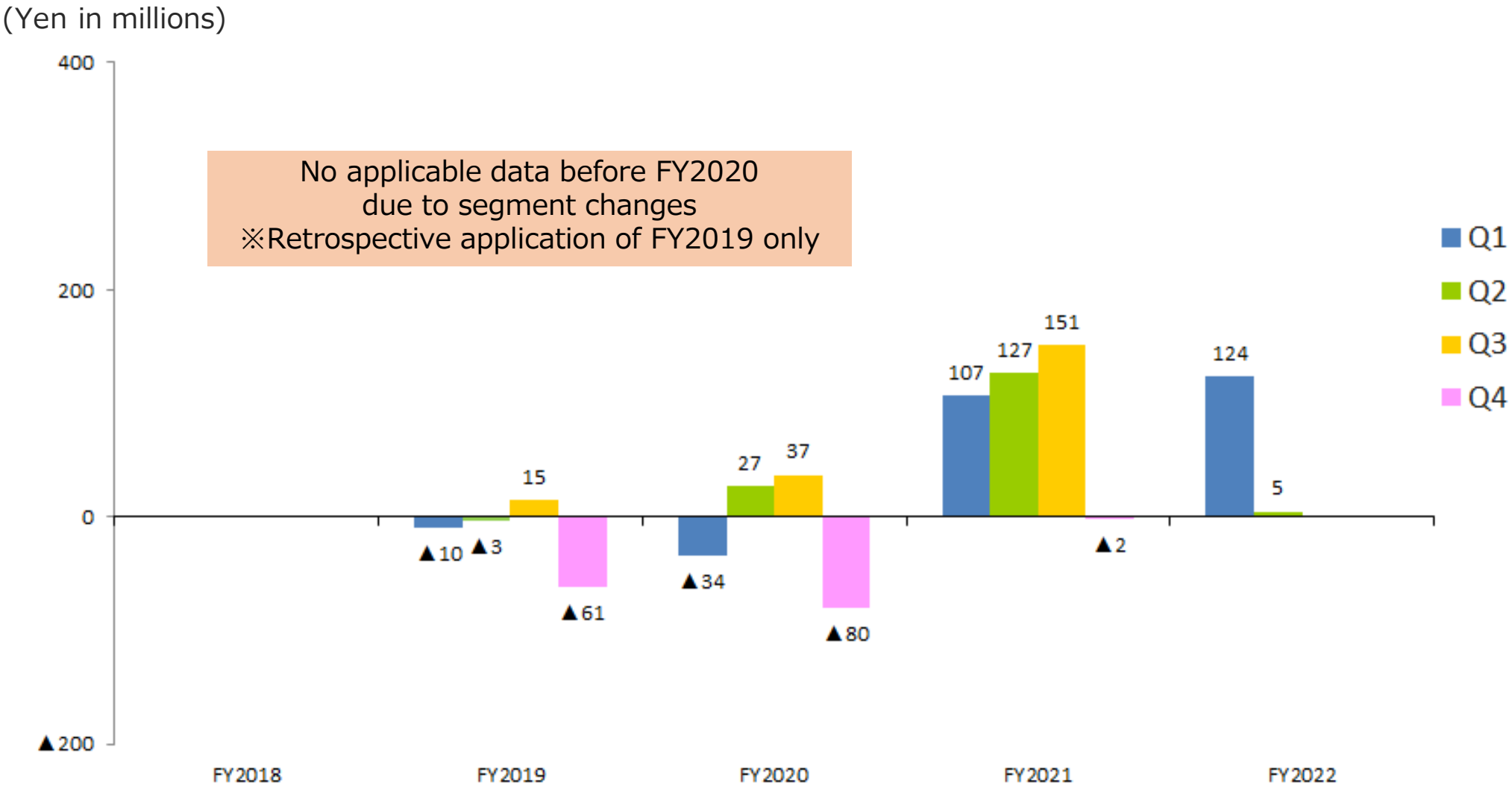


(Yen in millions)



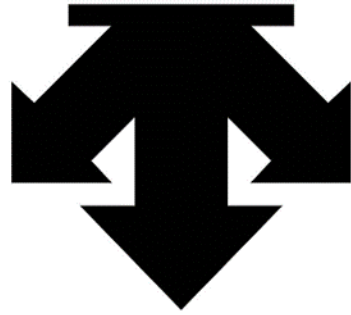
NOTES: FY2022 = FY ending March, 2023

Quarterly Operating income Trends (China)



NOTES: FY2022 = FY ending March, 2023

DESCENTE



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