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DESCENTE



# Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

August 5, 2024

Company name: DESCENTE,LTD.

Listing: Tokyo

Securities code: 8114

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Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: None

President and Representative Director

Senior Managing Executive Officer, CFO

(Yen amounts are rounded down to millions, unless otherwise noted.)

## 1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 to June 30, 2024)

### (1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	27,482	1.2	683	(65.0)	3,455	(23.0)	2,739	(14.2)
June 30, 2023	27,162	2.8	1,951	(22.9)	4,490	34.3	3,191	35.6

(Note) Comprehensive income: Three months ended June 30, 2024: ¥ 4,936 million [ 57.2%]  
Three months ended June 30, 2023: ¥ 3,140 million [ (36.1)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	36.27	-
June 30, 2023	42.28	-

### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	148,544	115,228	77.1
March 31, 2024	150,304	113,733	75.3

(Reference) Equity: As of June 30, 2024: ¥ 114,572 million  
As of March 31, 2024: ¥ 113,116 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2024	Yen -	Yen 0.00	Yen -	Yen 48.00	Yen 48.00
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025 (Forecast)		0.00	-	0.00	0.00

(Note) Revision to the forecast for dividends announced most recently: Yes

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	130,000	2.4	9,000	3.0	17,000	8.1	12,500	4.0	165.50

(Note) Revision to the financial results forecast announced most recently: None

### \* Notes:

(1) Significant changes in the scope of consolidation during the period: None

Newly included: - (Company name: - )  
Excluded: - (Company name: - )

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- 1) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- 2) Changes in accounting policies due to other reasons: None
- 3) Changes in accounting estimates: None
- 4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2024: 76,924,176 shares  
March 31, 2024: 76,924,176 shares

2) Number of treasury shares at the end of the period:

June 30, 2024: 1,388,839 shares  
March 31, 2024: 1,388,780 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2024: 75,535,351 shares  
Three months ended June 30, 2023: 75,504,073 shares

\* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes(voluntary)

\* Proper use of earnings forecasts, and other special matters

(Notes on future descriptions)

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and on certain assumptions deemed to be reasonable, and do not constitute guarantees by the Company of future performance.

Actual results may differ materially from the forecast depending on a range of factors.

Please refer to "(3) Explanation of Performance Forecasts" on page 3 of the Appendix for the assumptions upon which the forecasts are based and the cautionary statements regarding the use of the forecasts.

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## Overview of Consolidated Operating Results

### (1) Overview of Consolidated Operating Results for the First Quarter of the Fiscal Year

Since the current fiscal year, we have been implementing various strategies in our major business segments to achieve our new medium-term management plan, “D-Summit 2026”. In Japan, we are increasing the DTC sales composition ratio of “DESCENTE”; in South Korea, we are investing in growth brands and promoting rebranding with a view to further business expansion; and in China, we are rebranding brands developed by consolidated subsidiaries to build a solid revenue base while maintaining the expansion trend of “DESCENTE”.

In the first quarter of the current fiscal year, net sales increased by 1.2% year on year to 27,482 million yen, due to the positive effect of yen’s depreciation, strong sales of “DESCENTE”, and “umbro” in South Korea.

Gross profit increased by 3.6% year on year to 17,110 million yen because of the above-mentioned sales increase. The gross profit margin increased by 1.5 percentage points to 62.3% due to an increase in the DTC sales composition ratio, strengthened full-price sales and the implementation of discount restraint.

SG&A expenses increased by 1,866 million yen to 16,427 million yen, up 12.8% year on year, due to aggressive upfront investments in global promotions, store remodeling, and a review of distribution strategies.

Operating income decreased by 65.0% year on year to 683 million yen due to the above.

Ordinary income decreased by 23.0% year on year to 3,455 million yen due to a decrease in operating income, despite an increase in equity in earnings of affiliated companies because of the growth in performance of DESCENTE CHINA HOLDING LTD. (“DCH”).

As a result of the above, net income attributable to owners of the parent decreased by 14.2% year on year to 2,739 million yen.

The business results of the reportable segment are as follows. The fiscal year end of major overseas subsidiaries is December, and the business results for each segment do not include figures for equity method affiliates.

#### (Net Sales by Segments)

Segment	Net sales (million yen) (YoY)	Segment income (loss)* (million yen) (YoY)
Japan	9,665 (87.2%)	105 (14.8%)
South Korea	13,907 (113.3%)	971 (87.1%)
China	3,346 (104.3%)	△45 —
Adjustments	564	△349
Total	27,482 (101.2%)	683 (35.0%)

\*Segment income (loss) is Operating income or loss of the Company

#### (Japan)

While sales of high-value-added products such as shell jacket *CREAS* and the *PRO* series sold well at directly managed “DESCENTE” stores, sales at “le coq sportif” and “MOVESPORT”, the mainstays of the wholesale business, declined from the same period of the previous fiscal year. Although the gross profit margin rose 2.2 percentage points due to an increase in the DTC sales composition ratio, gross profit declined year-on-year due to the decrease in sales. Segment income fell 85.2% year on year to 105 million yen due to the decrease in gross profit as well as an increase in personnel expenses resulting from an increase in employee basic wages.

#### (South Korea)

Segment sales increased by 13.3% year-on-year to 13,907 million yen due to strong sales of “DESCENTE” lifestyle shoes *CHRON* series, continued growth in sales of “umbro” products commemorating the brand's 100th anniversary, and the impact of foreign exchange rates. Segment income decreased by 12.9% year-on-year to 971 million yen due to the opening cost of the global flagship store *DESCENTE SEOUL* for “DESCENTE” and an increase in SG&A expenses associated with branding for “umbro” pop-up stores and other activities.

#### (China)

Segment sales increased by 4.3% year-on-year to 3,346 million yen due to foreign exchange impacts, despite a reaction to the reopening demand in the post-pandemic that occurred in the same quarter of the previous year. While gross profit margin improved due to curbing price discounts, segment loss amounted to 45 million yen due to increased expenses associated with rebranding at LE COQ SPORTIF (NINGBO) CO., LTD. including store remodeling and revision of distribution strategy. Although not included in segment income/loss, DCH, an equity-method affiliate that develops “DESCENTE”, continued to perform well.

Net sales by items is as follows.

(Net Sales by Item)

Item	Amount (million yen)	Composition Ratio (%)	YoY (%)
Athletic wear and related products	20,091	73.1	104.7
Golf wear and related products	6,107	22.2	90.1
Others	719	2.6	122.2
Adjustments	564	2.1	94.2
Total	27,482	100.0	101.2

(Initiatives of Sustainability)

Our Sustainability Committee, chaired by the Senior Managing Executive Officer, formulates activity strategies and manages the status of activities for the promotion of sustainability throughout the Group. The committee has formulated a slogan for the human resource strategy, which adopted in April 2024. In line with this slogan, we will strive to expand the human capital of the Group through the optimization of recruitment, training, and personnel allocation by revising the performance appraisal and other measures. This committee is also promoting the calculation of domestic and overseas GHG emissions. Under domestic SCOPE 1 and 2, we have set a goal of carbon neutrality for domestic business sites by 2030, and we are currently working on the calculation of SCOPE 3. In overseas, we will begin calculating SCOPE 1 and 2 in fiscal 2023. We will continue our efforts to reduce environmental burdens through the production of appropriate amounts of products to break away from excessive production and disposal, which have become major environmental problems in the apparel industry.

## (2) Overview of Consolidated Financial Position

(Analysis of the status of assets, liabilities, and net assets)

At the end of current period of FY2024, total assets was 148,544 million yen, down 1,760 million yen from the end of previous fiscal year. Current assets decreased by 6,301 million yen from the end of previous fiscal year to 80,857 million yen. This was mainly due to decrease in cash and deposits of 9,148 million yen, decrease in notes and accounts receivable - trade of 1,063 million yen, and an increase in merchandise and finished goods of 3,665 million yen.

Non-current assets increased 4,541 million yen from the end of previous fiscal year to 67,686 million yen. This was mainly due to an increase in investment securities of 3,805 million yen.

Total liabilities decreased 3,255 million yen from the end of previous fiscal year to 33,316 million yen. This was mainly due to decrease in notes and accounts payable - trade of 1,546 million yen and decrease in income taxes payable of 1,876 million yen.

Net assets increased 1,495 million yen from the end of previous fiscal year to 115,228 million yen. This was mainly due to decrease in retained earnings of 702 million yen and an increase in foreign currency translation adjustment of 2,483 million yen.

Consequently, equity ratio increased by 1.8 percentage points to 77.1% compared to the end of previous fiscal year.

## (3) Explanation of Forecasts and Forward-looking Statements

The Company resolved at the meeting of its board of directors held today (August 5, 2024) to revise its dividend forecasts, released on May 13, 2024, for the fiscal year ending March 31, 2025, and not to pay a year-end dividend for that fiscal year on the condition that the tender offer for the common shares of the Company by a subsidiary of ITOCHU Corporation is successfully completed.

For details, please refer to the “Notice Regarding Revision of Dividend Forecast (No Dividend) for the Fiscal Year Ending March 31, 2025” released today (August 5, 2024).

The performance forecast released on May 13, 2024 has not been changed at present.

Quarterly Consolidated Financial Statements  
Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	42,660	33,511
Notes and accounts receivable - trade	16,864	15,800
Merchandise and finished goods	22,059	25,725
Work in process	565	789
Raw materials and supplies	659	561
Other	4,414	4,540
Allowance for doubtful accounts	(63)	(71)
Total current assets	87,159	80,857
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,347	9,361
Other	16,932	17,694
Total property, plant and equipment	26,279	27,056
Intangible assets		
Goodwill	3,308	3,359
Other	2,621	2,705
Total intangible assets	5,929	6,065
Investments and other assets		
Investment securities	26,272	30,078
Retirement benefit asset	1,290	1,000
Other	3,416	3,531
Allowance for doubtful accounts	(44)	(44)
Total investments and other assets	30,935	34,565
Total non-current assets	63,145	67,686
Total assets	150,304	148,544
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	11,769	10,222
Short-term borrowings	-	729
Current portion of long-term borrowings	358	374
Income taxes payable	2,134	258
Provision for bonuses	1,059	426
Other	11,209	11,001
Total current liabilities	26,531	23,012
Non-current liabilities		
Long-term borrowings	1,434	1,499
Other	8,604	8,803
Total non-current liabilities	10,039	10,303
Total liabilities	36,571	33,316

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Net assets		
Shareholders' equity		
Share capital	3,846	3,846
Capital surplus	25,552	25,514
Retained earnings	71,251	70,549
Treasury shares	(594)	(594)
Total shareholders' equity	100,056	99,315
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,528	1,402
Deferred gains or losses on hedges	(16)	(79)
Foreign currency translation adjustment	10,774	13,257
Remeasurements of defined benefit plans	771	675
Total accumulated other comprehensive income	13,059	15,257
Non-controlling interests	616	655
Total net assets	113,733	115,228
Total liabilities and net assets	150,304	148,544

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	27,162	27,482
Cost of sales	10,649	10,372
Gross profit	16,512	17,110
Selling, general and administrative expenses	14,561	16,427
Operating profit	1,951	683
Non-operating income		
Interest income	172	230
Dividend income	4	4
Share of profit of entities accounted for using equity method	2,271	2,519
Foreign exchange gains	88	104
Other	90	31
Total non-operating income	2,627	2,891
Non-operating expenses		
Interest expenses	33	82
Loss on retirement of non-current assets	46	27
Other	8	8
Total non-operating expenses	88	118
Ordinary profit	4,490	3,455
Extraordinary losses		
Business restructuring expenses	181	-
Total extraordinary losses	181	-
Profit before income taxes	4,308	3,455
Income taxes - current	256	126
Income taxes - deferred	858	589
Total income taxes	1,114	715
Profit	3,193	2,740
Profit attributable to non-controlling interests	2	0
Profit attributable to owners of parent	3,191	2,739

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	3,193	2,740
Other comprehensive income		
Valuation difference on available-for-sale securities	499	(126)
Deferred gains or losses on hedges	(86)	(62)
Foreign currency translation adjustment	(798)	1,129
Remeasurements of defined benefit plans, net of tax	(37)	(96)
Share of other comprehensive income of entities accounted for using equity method	369	1,352
Total other comprehensive income	(53)	2,196
Comprehensive income	3,140	4,936
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,123	4,936
Comprehensive income attributable to non-controlling interests	16	(0)

( 3 ) Notes on Consolidated Financial Statements

(Going Concern Assumptions)

None

(Notes on Significant Changes in the Amount of Shareholders' equity)

None

(Application of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements)

Calculation of tax expenses for certain consolidated subsidiaries, tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to income before income taxes for consolidated fiscal year, including the first quarter under review, and multiplying quarterly net income before income taxes by this estimated effective tax rate. Income taxes of consolidated subsidiaries are included in income taxes - current.

(Changes in accounting policies)

None

(Notes regarding quarterly consolidated cash flow statement)

A quarterly consolidated cash flow statement for the current first quarter consolidated cumulative period has not been prepared. Depreciation expenses (including amortization expenses related to intangible fixed assets other than goodwill) and goodwill amortization amounts for the first quarter consolidated cumulative period are as follows.

	FY 2023 Q1 (April 1, 2023 – June 30, 2023)	FY2024 Q1 (April 1, 2024 – June 30, 2024)
Depreciation	940 Million yen	1,111 Million yen
Amortization	92 Million yen	98 Million yen

(Segment information, etc.)  
Previous fiscal year (from April 1, 2023 to June 30, 2023)

(Million yen)

	Reportable segments				Adjustment (Note 1,2)	Amount shown on Quarterly Consolidated Financial Statements (Note 3)
	Japan	South Korea	China	Total		
Net sales						
Sales to External Customers	11,079	12,274	3,209	26,562	599	27,162
Intersegment Sales or Transfers	599	228	76	905	△905	—
Total	11,678	12,503	3,286	27,468	△305	27,162
Segment Income (loss)	714	1,115	101	1,932	19	1,951
Other Items						
Equity in earnings (loss) of affiliates	—	143	2,128	2,271	—	2,271
Investments on entities accounted for using equity method	—	425	18,553	18,978	—	18,978

(Note 1) Adjustment of sales to external customers is recorded by the Company, a pure holding company.

(Note 2) Adjustment of segment Income (loss) is amount not allocated to intersegment transaction eliminations, adjustments for unrealized gains on inventories, and segment income.

(Note 3) Segment income (loss) is adjusted for operating income reported in the consolidated statements of income.

Current Fiscal Year (From April 1, 2024 to June 30, 2024)

(Million yen)

	Reportable segments				Adjustment (Note 1,2)	Amount shown on Quarterly Consolidated Financial Statements (Note 3)
	Japan	South Korea	China	Total		
Net sales						
Sales to External Customers	9,665	13,907	3,346	26,918	564	27,482
Intersegment Sales or Transfers	517	159	150	827	△827	—
Total	10,182	14,066	3,496	27,745	△262	27,482
Segment Income (loss)	105	971	△45	1,032	△349	683
Other Items						
Equity in earnings (loss) of affiliates	—	62	2,457	2,519	—	2,519
Investments on entities accounted for using equity method	—	793	26,424	27,218	—	27,218

(Note 1) Adjustment of sales to external customers is recorded by the Company, a pure holding company.

(Note 2) Adjustment of segment Income (loss) is amount not allocated to intersegment transaction eliminations, adjustments for unrealized gains on inventories, and segment income.

(Note 3) Segment income (loss) is adjusted for operating income reported in the consolidated statements of income.

#### 4.Others

##### Overseas sales

Previous Fiscal Year (From April 1, 2023 to June 30, 2023)

(Million yen, %)

	South Korea	China	Others	Total
I Overseas sales	11,784	4,522	359	16,666
II Consolidated net sales				27,162
III Consolidated net sales Percentages of overseas net sales	43.4	16.7	1.3	61.4

Current Fiscal Year (From April 1, 2024 to June 30, 2024)

(Million yen, %)

	South Korea	China	Others	Total
I Overseas sales	13,496	4,624	236	18,357
II Consolidated net sales				27,482
III Consolidated net sales Percentages of overseas net sales	49.1	16.8	0.9	66.8

(NOTE)Net sales is classified by country/region based on the location of customers.

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