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MEMBERSHIP

November 7, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 (Based on Japanese GAAP)

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 Stock exchange listing: Tokyo
 Securities code: 8111
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Scheduled date to file Quarterly Securities Report: November 14, 2023
 Scheduled date to commence dividend payments: December 4, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	51,096	12.8	6,070	15.0	9,180	23.2	7,323	25.3
September 30, 2022	45,309	18.6	5,277	60.0	7,452	94.3	5,844	122.0

Note: Comprehensive income Six months ended September 30, 2023: ¥9,093 million [16.2%]
 Six months ended September 30, 2022: ¥7,826 million [131.6%]

	Earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	162.48	—
September 30, 2022	129.70	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	121,817	85,366	70.0
March 31, 2023	118,517	80,056	67.4

Reference: Equity
 As of September 30, 2023 ¥85,242 million
 As of March 31, 2023 ¥79,914 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	–	25.00	–	85.00	110.00
Year ending March 31, 2024	–	30.00			
Year ending March 31, 2024 (Forecast)			–	85.00	115.00

Note: Revisions to the forecast of cash dividends most recently announced: No

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	123,000	6.9	22,600	3.2	28,200	0.4	21,700	3.4	481.72

Note: Revisions to the forecast of consolidated financial results most recently announced: No

*** Notes**

- (1) Changes in significant subsidiaries during the six months ended September 30, 2023 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: No
 - (ii) Changes in accounting policies due to other reasons: No
 - (iii) Changes in accounting estimates: No
 - (iv) Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of September 30, 2023	47,448,172 shares
As of March 31, 2023	47,448,172 shares

(ii) Number of treasury shares at the end of the period

As of September 30, 2023	2,340,382 shares
As of March 31, 2023	2,405,807 shares

(iii) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2023	45,070,992 shares
Six months ended September 30, 2022	45,059,559 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of financial forecasts, and other special matters

Descriptions of the above financial forecasts and other data are based on information currently available to the Company and certain assumptions that we consider to be reasonable. Actual financial results may differ significantly from the forecasts for various reasons. Please refer to “1. Qualitative Information on Financial Results for the Period under Review, (3) Explanation of consolidated financial results forecasts and other forward-looking statements” on page 3 of the attached material for the suppositions that form the assumptions for the financial forecasts and cautions regarding the use of the financial forecasts.

Attached Material

Index

- 1. Qualitative Information on Financial Results for the Period under Review 2
 - (1) Explanation of operating results 2
 - (2) Explanation of financial position 2
 - (3) Explanation of consolidated financial results forecasts and other forward-looking statements 3
- 2. Quarterly Consolidated Financial Statements and Significant Notes Thereto 4
 - (1) Quarterly consolidated balance sheet 4
 - (2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income 6
 - Quarterly consolidated statement of income (cumulative) 6
 - Quarterly consolidated statement of comprehensive income (cumulative) 7
 - (3) Quarterly consolidated statement of cash flows 8
 - (4) Notes regarding quarterly consolidated financial statements 9
 - (Notes regarding assumptions of going concern) 9
 - (Notes on significant changes in the amount of shareholders' equity) 9
 - (Segment information) 9

1. Qualitative Information on Financial Results for the Period under Review

(1) Explanation of operating results

During the six months ended September 30, 2023, the Japanese economy showed progress toward the settling down of the COVID-19 pandemic both in Japan and abroad, and personal consumption was on an increasing trend. At the same time, with depreciation of the yen and rising prices continuing, uncertainties are posing concerns in some areas.

In this environment, the resumption of various events and an increase in the number of travelers contributed to higher sales for many of the Group's brands. In particular, demand from inbound tourists recovered, and sales in all months during the six months ended September 30, 2023 increased year on year. The record-breaking heat wave also resulted in strong sales of functional items, including quick-drying T-shirts, and items possessing deodorant and antibacterial functions, UV protection, etc., from the beginning of August. Furthermore, during the switch to the items for the autumn-winter season taking place in September onwards, the first mass-produced models using "Brewed ProteinTM fiber," which was jointly developed with Spiber, was released. The promotional event for the launch of these items attracted many customers to our flagship stores in Harajuku and Ginza, giving a boost to the start of the autumn-winter season. Consequently, net sales were ¥51,096 million (up 12.8% year on year). In consideration of the impact of rising prices and foreign exchange rate trends, we have revised our selling prices by 5-10% for approximately 30% of our product lineup for the autumn-winter season of 2023.

Gross profit was ¥25,959 million (up 12.9% year on year). In the first quarter, the gross profit margin declined 2.1 percentage points year on year to 50.6% due to factors such as higher raw material prices. In the second quarter, sales of summer items referred to above remained strong in the second half of the season, with the gross profit margin improving 0.1 percentage points year on year to 50.8%. Normally, clearance sales in the second quarter cause a decline in gross profit margin, but in the second quarter under review, the gross profit margin improved as the number of items targeted for clearance sales was narrowed down and the rate of discount was also kept low.

Selling, general and administrative expenses increased 12.3% year on year, but operating profit rose 15.0% year on year to ¥6,070 million as gross remained firm. Ordinary profit was ¥9,180 million (up 23.2% year on year), due to continued strong sales of YOUNGONE OUTDOOR Corporation, an equity-method affiliate in South Korea. Also, profit attributable to owners of parent was ¥7,323 million (up 25.3% year on year), owing to the contribution of share of profit of entities accounted for using equity method.

(2) Explanation of financial position

Total assets at the end of the period under review amounted to ¥121,817 million, up ¥3,299 million from the end of the previous fiscal year. The main factors were a ¥5,371 million increase in merchandise and finished goods, a ¥2,766 million increase in notes and accounts receivable - trade, and contract assets and a ¥2,625 million increase in investment securities, despite a ¥9,316 million decrease in cash and deposits.

Total liabilities at the end of the period under review amounted to ¥36,450 million, down ¥2,010 million from the end of the previous fiscal year. The main factors were a ¥3,419 million increase in notes and accounts payable - trade, offset by a ¥2,934 million decrease in electronically recorded obligations - operating, a ¥1,391 million decrease in income taxes payable and a ¥606 million decrease in long-term borrowings.

Total net assets at the end of the period under review amounted to ¥85,366 million, up ¥5,310 million from the end of the previous fiscal year. This was mainly due to a ¥3,369 million increase in retained earnings. As a result, equity ratio was 70.0%.

(Analysis of cash flows)

Cash and cash equivalents at the end of the period under review amounted to ¥24,819 million, down ¥9,388 million from the end of the previous fiscal year. The status of each cash flow and their factors are as follows.

(Cash flow from operating activities)

Cash flow used as a result of operating activities amounted to ¥4,790 million (up ¥1,360 million in expenses compared with the same period of the previous fiscal year). This was mainly due to a ¥5,820 million increase in inventories and ¥3,585 million of income taxes paid, despite ¥9,630 million in profit before income tax.

(Cash flow from investing activities)

Cash flow gained as a result of investing activities amounted to ¥102 million (¥1,112 million used in the same period of the previous fiscal year). This was mainly due to ¥967 million proceeds from sale of investment securities, despite expenses of ¥642 million for the purchase of property, plant and equipment and intangible assets.

(Cash flow from financing activities)

Cash flow used as a result of financing activities amounted to ¥4,822 million (down ¥989 million in expenses compared with the same period of the previous fiscal year). This was mainly due to ¥3,953 million in dividends paid and a net decrease of ¥606 million in borrowings.

(3) Explanation of consolidated financial results forecasts and other forward-looking statements

Regarding our full-year consolidated financial results forecasts for the fiscal year ending March 31, 2024, we will not revise the full-year consolidated financial results forecasts announced on May 12, 2023 at this time because sales of the products for the autumn-winter season, which account for a high percentage of our sales, will peak in the third quarter and thereafter. If we determine that revisions are necessary in light of future market conditions and performance trends, we will disclose them promptly.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	35,654	26,338
Notes and accounts receivable - trade, and contract assets	11,999	14,766
Electronically recorded monetary claims - operating	4,302	4,157
Merchandise and finished goods	13,550	18,921
Work in process	352	663
Raw materials and supplies	725	875
Other	2,610	3,897
Allowance for doubtful accounts	(11)	(16)
Total current assets	69,184	69,603
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,160	2,152
Land	4,691	4,691
Other, net	1,991	2,179
Total property, plant and equipment	8,844	9,023
Intangible assets		
Trademark right	1,205	1,070
Other	2,085	2,178
Total intangible assets	3,290	3,248
Investments and other assets		
Investment securities	28,895	31,521
Guarantee deposits	2,849	2,753
Other	5,589	5,804
Allowance for doubtful accounts	(137)	(137)
Total investments and other assets	37,197	39,941
Total non-current assets	49,332	52,213
Total assets	118,517	121,817

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,116	8,535
Electronically recorded obligations - operating	15,717	12,783
Current portion of long-term borrowings	940	940
Income taxes payable	3,544	2,153
Provision for bonuses	889	856
Other	7,873	6,788
Total current liabilities	34,082	32,057
Non-current liabilities		
Long-term borrowings	1,645	1,038
Retirement benefit liability	229	229
Provision for share awards	1,074	1,680
Other	1,429	1,444
Total non-current liabilities	4,378	4,393
Total liabilities	38,461	36,450
Net assets		
Shareholders' equity		
Share capital	7,079	7,079
Capital surplus	297	347
Retained earnings	78,129	81,498
Treasury shares	(7,127)	(6,960)
Total shareholders' equity	78,379	81,965
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	728	1,363
Deferred gains or losses on hedges	55	104
Foreign currency translation adjustment	1,855	2,807
Remeasurements of defined benefit plans	(1,105)	(999)
Total accumulated other comprehensive income	1,534	3,277
Non-controlling interests	141	123
Total net assets	80,056	85,366
Total liabilities and net assets	118,517	121,817

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	45,309	51,096
Cost of sales	22,321	25,137
Gross profit	22,987	25,959
Selling, general and administrative expenses	17,710	19,888
Operating profit	5,277	6,070
Non-operating income		
Interest income	4	8
Dividend income	41	54
Share of profit of entities accounted for using equity method	2,080	3,015
Other	137	79
Total non-operating income	2,264	3,157
Non-operating expenses		
Interest expenses	22	19
Loss on sale of notes receivable - trade	4	-
Loss on cancellation of insurance policies	8	-
Other	53	27
Total non-operating expenses	89	47
Ordinary profit	7,452	9,180
Extraordinary income		
Gain on sale of investment securities	5	491
Gain on liquidation of subsidiaries	80	-
Total extraordinary income	85	491
Extraordinary losses		
Loss on disposal of non-current assets	91	21
Loss on valuation of investment securities	-	19
Loss on store closings	7	-
Other	6	-
Total extraordinary losses	104	40
Profit before income taxes	7,433	9,630
Income taxes - current	1,165	2,358
Income taxes - deferred	398	(78)
Total income taxes	1,564	2,280
Profit	5,868	7,350
Profit attributable to non-controlling interests	24	27
Profit attributable to owners of parent	5,844	7,323

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	5,868	7,350
Other comprehensive income		
Valuation difference on available-for-sale securities	66	635
Deferred gains or losses on hedges	18	29
Foreign currency translation adjustment	252	123
Remeasurements of defined benefit plans, net of tax	84	105
Share of other comprehensive income of entities accounted for using equity method	1,536	849
Total other comprehensive income	1,958	1,742
Comprehensive income	7,826	9,093
Comprehensive income attributable to:		
Owners of parent	7,802	9,065
Non-controlling interests	24	27

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	7,433	9,630
Depreciation	891	893
Decrease (increase) in retirement benefit asset	(202)	(79)
Increase (decrease) in retirement benefit liability	(21)	(0)
Increase (decrease) in allowance for doubtful accounts	(1)	4
Interest and dividend income	(46)	(62)
Interest expenses	22	19
Share of loss (profit) of entities accounted for using equity method	(2,080)	(3,015)
Loss (gain) on disposal of non-current assets	91	21
Decrease (increase) in trade receivables	(1,701)	(2,619)
Decrease (increase) in inventories	(2,695)	(5,820)
Increase (decrease) in trade payables	1,715	470
Decrease (increase) in accounts receivable - other	(1,610)	626
Increase (decrease) in accounts payable - other	(352)	(183)
Increase (decrease) in accrued consumption taxes	(1,102)	(1,657)
Decrease (increase) in prepaid expenses	(328)	(250)
Other, net	(630)	775
Subtotal	(619)	(1,248)
Interest and dividends received	484	62
Interest paid	(22)	(19)
Income taxes paid	(3,273)	(3,585)
Net cash provided by (used in) operating activities	(3,430)	(4,790)
Cash flows from investing activities		
Payments into time deposits	(46)	(440)
Proceeds from withdrawal of time deposits	30	421
Purchase of property, plant and equipment and intangible assets	(919)	(642)
Purchase of investment securities	(200)	(31)
Proceeds from sale of investment securities	8	967
Payment of reservation deposit based on lease agreement	-	(124)
Payments of guarantee deposits	(73)	(55)
Proceeds from refund of guarantee deposits	77	139
Other, net	12	(133)
Net cash provided by (used in) investing activities	(1,112)	102
Cash flows from financing activities		
Repayments of long-term borrowings	(1,074)	(606)
Repayments of lease liabilities	(312)	(295)
Purchase of treasury shares	(1,428)	(2)
Dividends paid	(3,041)	(3,953)
Other, net	46	36
Net cash provided by (used in) financing activities	(5,811)	(4,822)
Effect of exchange rate change on cash and cash equivalents	195	123
Net increase (decrease) in cash and cash equivalents	(10,158)	(9,388)
Cash and cash equivalents at beginning of period	25,036	34,207
Cash and cash equivalents at end of period	14,877	24,819

(4) Notes regarding quarterly consolidated financial statements
(Notes regarding assumptions of going concern)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Segment information)

Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022) and six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)

This information is omitted because the Group operates a single segment of sporting goods-related business.