

GOLDWIN INC. (8111)

**2Q Results Briefing for the Fiscal
Year Ending March 31, 2021**

Aug 6, 2020

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I. 2Q Results Briefing for the Fiscal Year Ending March 31, 2021

After the state of emergency was lifted, both directly managed stores and wholesale sales continued to perform well, and as a result of the conversion to a highly profitable structure, the company returned to profitability in the first half of the year.

Exceeds the revised plan and moves into the black from the deficit forecast in the first half financial results

- According to the outlook at the beginning of the term, all directly managed stores were closed during the first quarter, but all stores resumed operations in early June. It continued to perform well even in the second quarter, surpassing the initial forecast and turning into the black from the deficit forecast.

In the second quarter, outdoor-related sales recovered by more than 90%

- Outdoor-related sales recovered 73.7% from the previous quarter in the first quarter (April to June) and 96.5% from the previous quarter in the second quarter (July to September). Even though activities such as mountain climbing still face restrictions, customer development has progressed through a wide range of channels such as directly managed stores, wholesale stores, and EC, centered on THE NORTH FACE.

Athletic-related sales are in line with the initial forecast, although there is a reactionary decline after the Rugby World Cup.

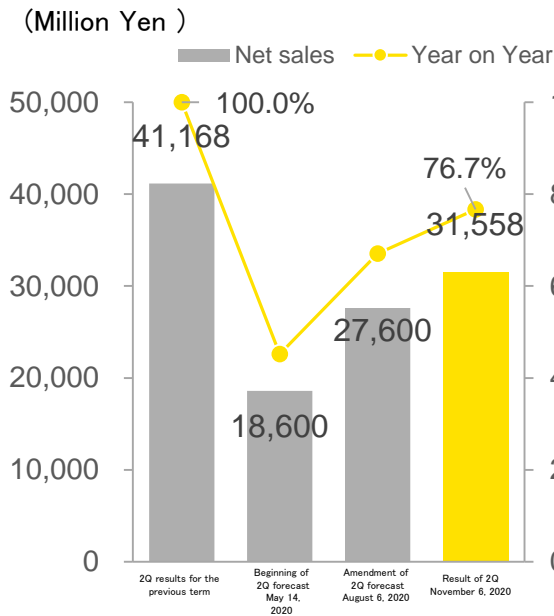
- Athletic-related sales fell sharply from the previous quarter due to a reactionary decline in Canterbury due to the holding of the Rugby World Cup last year and withdrawal from the sales floor due to the rebranding of Ellesse; however, sales stayed at the same level as was announced at the beginning of the fiscal year in May.

Summary of 2Q Results Briefing for the Fiscal Year Ending March 31, 2021

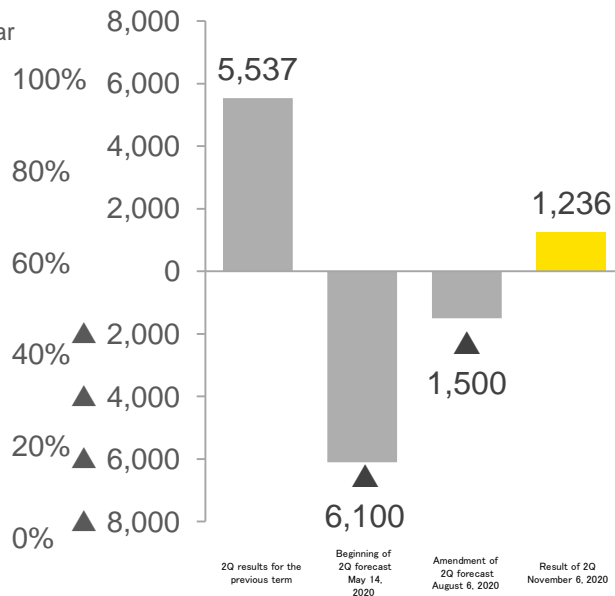
Financial results for the second quarter of the fiscal year ending March 2021 (million yen)

	Net sales	Gross profit	Operating income	Ordinary income	Net income
Result	31,558	16,129	1,236	1,395	623
Year-on-year	76.7%	74.8%	22.3%	26.4%	17.3%
Profit margin (): March/2020 results	—	51.1% (52.3%)	3.9% (13.5%)	4.4% (12.9%)	2.0% (8.7%)

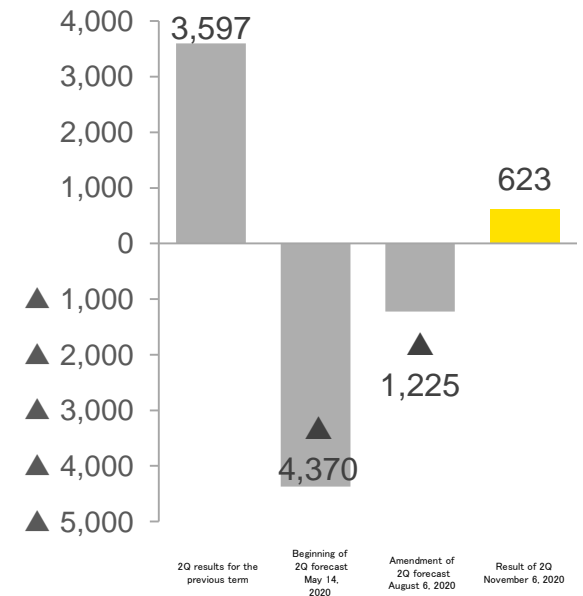
Net sales



Operating income (loss)



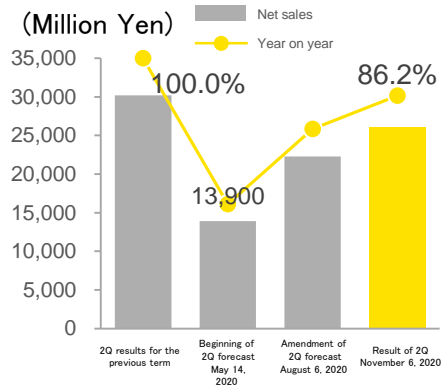
Net income (loss)



Sales by brand business (million yen)

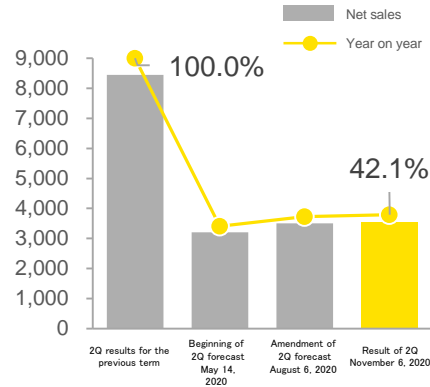
	Outdoor	Athletic	Winter	Other
Result	26,052	3,561	615	1,329
Year-on-year	86.2%	42.1%	76.1%	78.2%
Sales composition	82.6%	11.3%	1.9%	4.2%

Outdoor



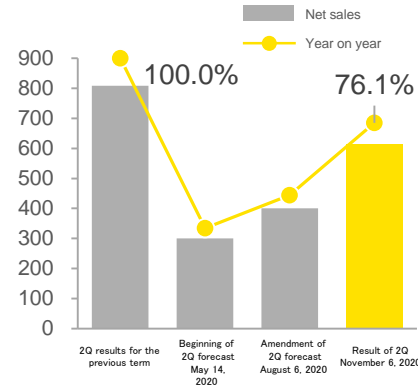
Increasing demand for camping and expanding outdoor needs

Athletic



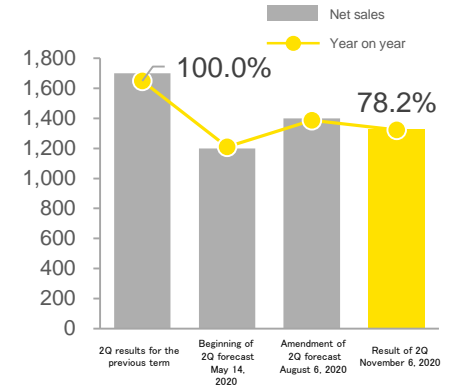
Assuming that demand after the Rugby World Cup would fall, the transition is almost in line with the initial forecast

Winter



Demodulation effect on Goldwin's new Harajuku store and Marunouchi store

Other



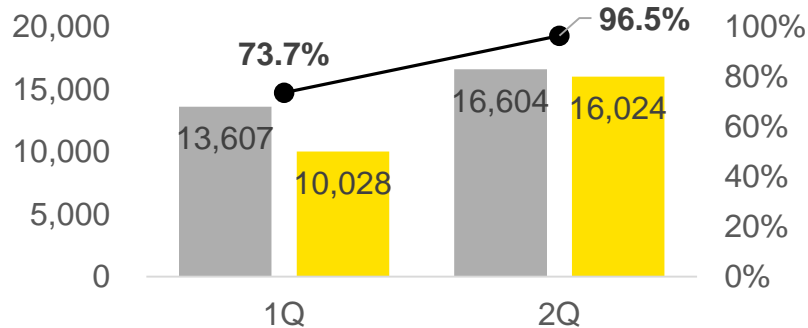
High-tech business remains strong

In the second quarter, outdoor activities recovered to the same level as the previous quarter. Except for special athletic factors, others are on a recovery trend

(Million Yen)

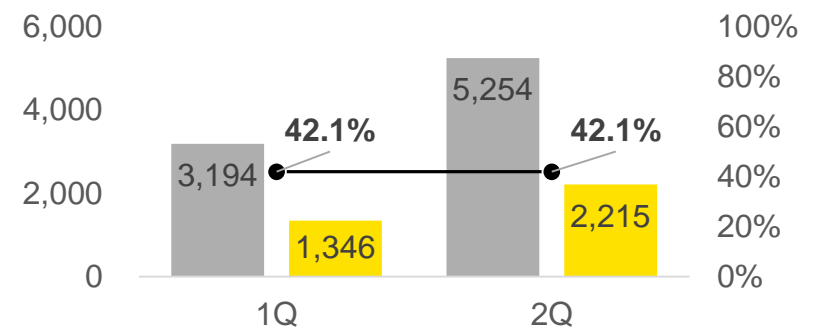
Outdoor first half (6 months) 86.2% year on year

2nd quarter (3 months) recovered to 96.5%



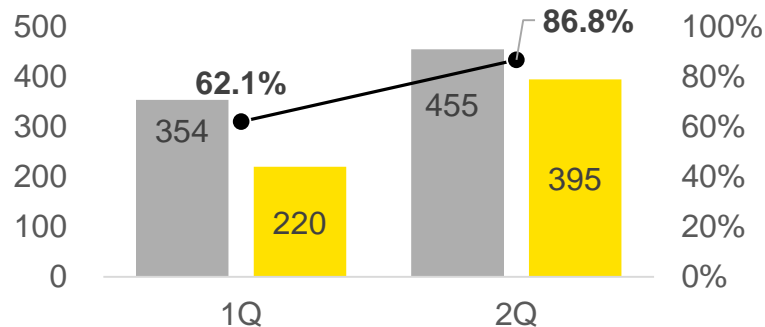
Athletic 1st half (6 months) 42.1% year on year

Canterbury decline due to end of World Cup
Revenue decline due to Ellesse rebranding



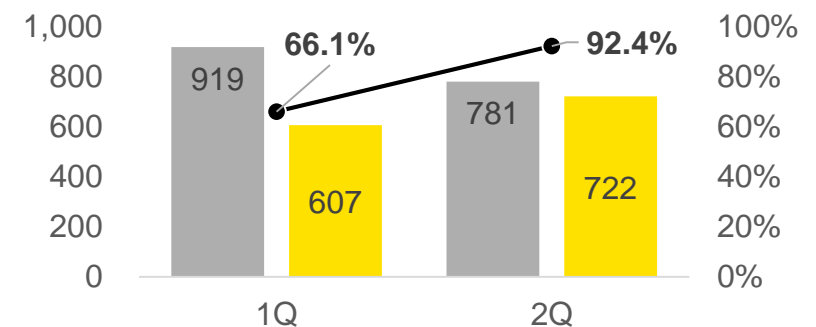
Winter 1st half (6 months) 76.1% year on year

After reopening the store, it is on a recovery trend and has recovered to 86.8%



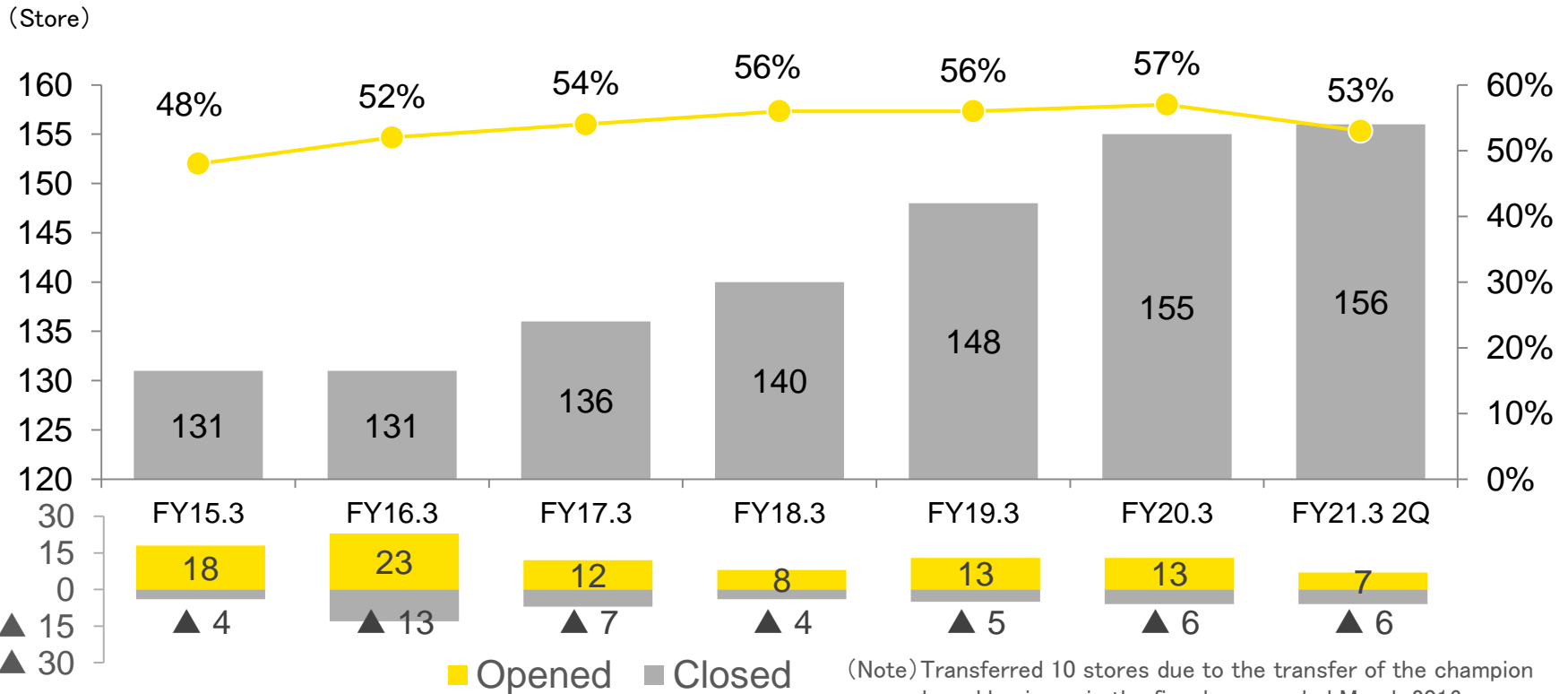
Others 1st half (6 months) 78.2% year on year

2nd quarter (3 months) recovered to 92.4%



Wholesale is doing as well as the self-managed sales floor.
Establish a well-balanced sales system

Changes in self-managed sales ratio and number of directly managed stores

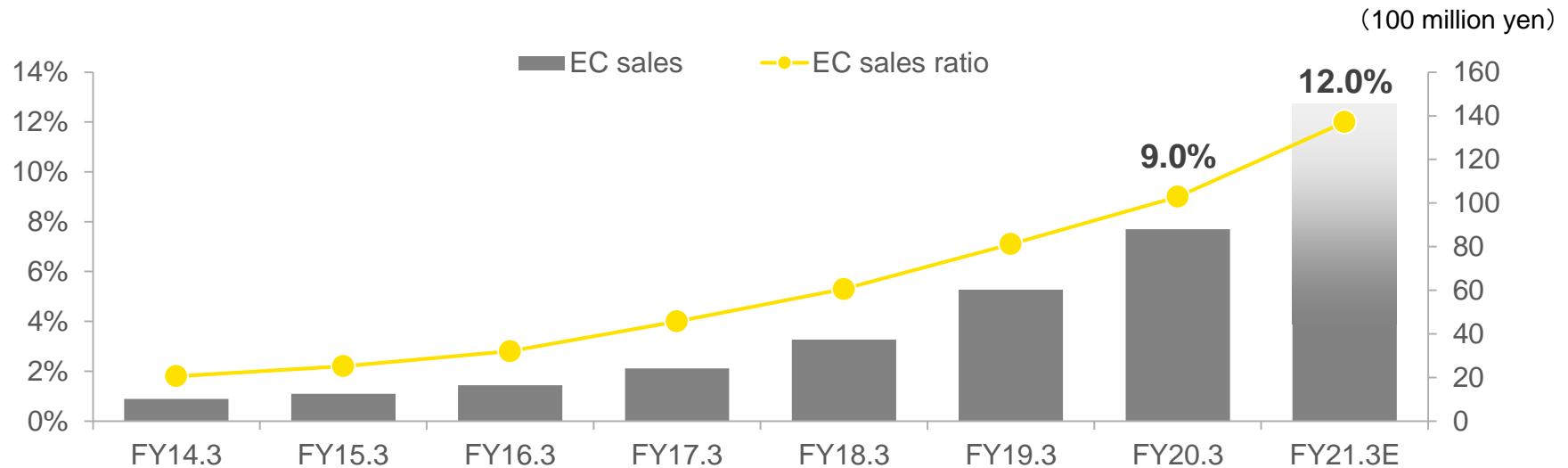


The total number of directly managed stores up to the second quarter was 156; 7 stores opened, 6 stores closed, for a net increase of 1.

The self-managed sales ratio is 53%, 4 percentage points down from the previous quarter due to the closure of directly managed stores.

The change in buying method is remarkable due to the coronavirus pandemic. Promote customer development with site renewal.

Changes in EC sales and EC sales ratio



Current progress

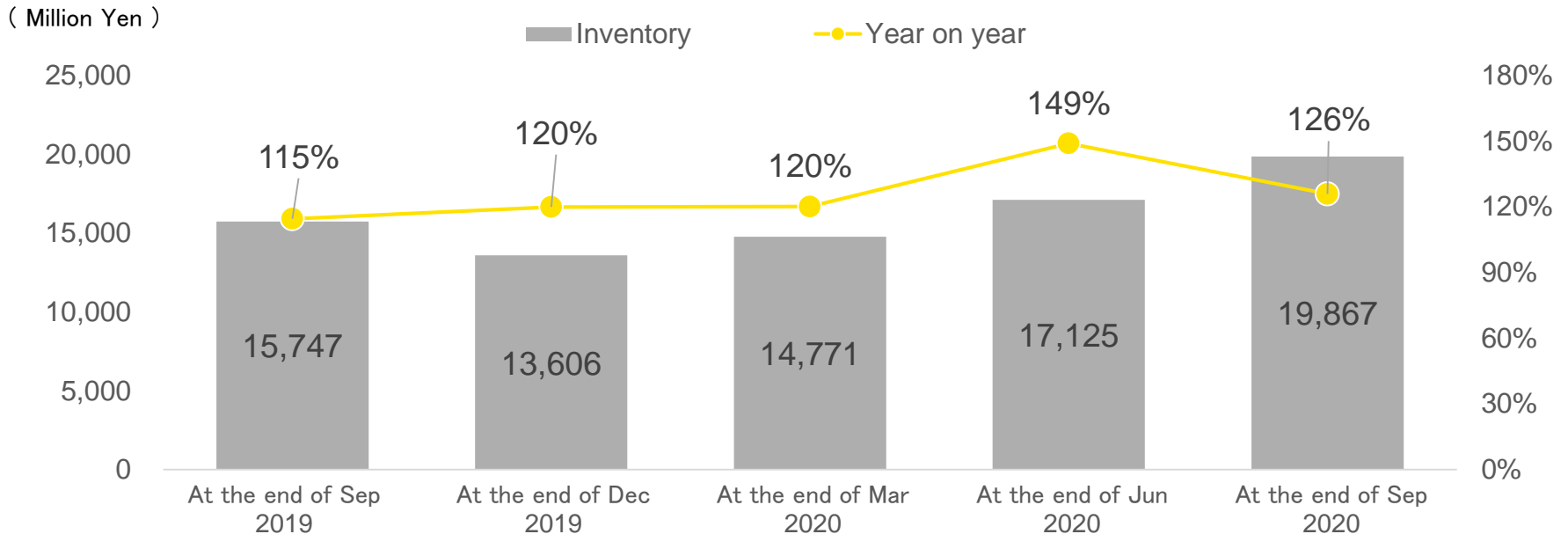
In August 2017, HP and its own EC site were integrated, and sales of its own EC site expanded steadily. Aiming for a well-balanced sales system on the company's website and the wholesale website.

Future outlook and challenges

The EC site will be renewed in June, and efforts will be made to improve customer convenience by strengthening cooperation with self-managed sales floors such as directly managed stores.

Purchasing of autumn / winter items has started, and although the actual amount will increase, it will gradually decrease from the previous quarter.

Quarterly inventory balance trends



Inventory sales policy

Continuation of brand value

In the second quarter, we did not offer significant discounts on spring / summer merchandise, but sold inventory at self-managed sales floors centered on outlet stores with expanded sales floors so as not to damage the brand value.

Control inventory

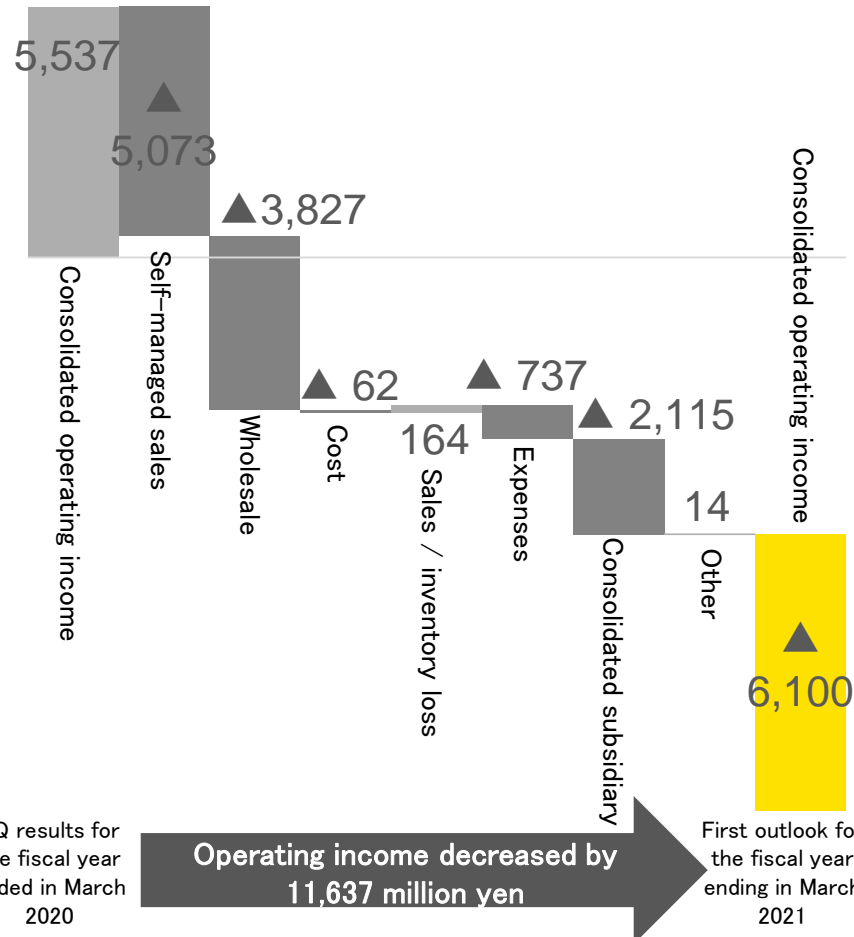
Although the inventory balance has increased compared to the previous fiscal year, the standard ratio of outdoor-related products is high at over 50%, and the inventory balance at the end of the fiscal year is leveled by promoting over-the-counter sales in the fall and winter and adjusting the order quantity for the next fiscal year, which is a policy to standardize year end inventory.

Factors of increase / decrease in operating income Q2 results **GOLDWIN**

Although they were expected to be in the red at the beginning of the term, the recovery of directly managed stores was quick, and profits were secured through the contribution of EC, etc.

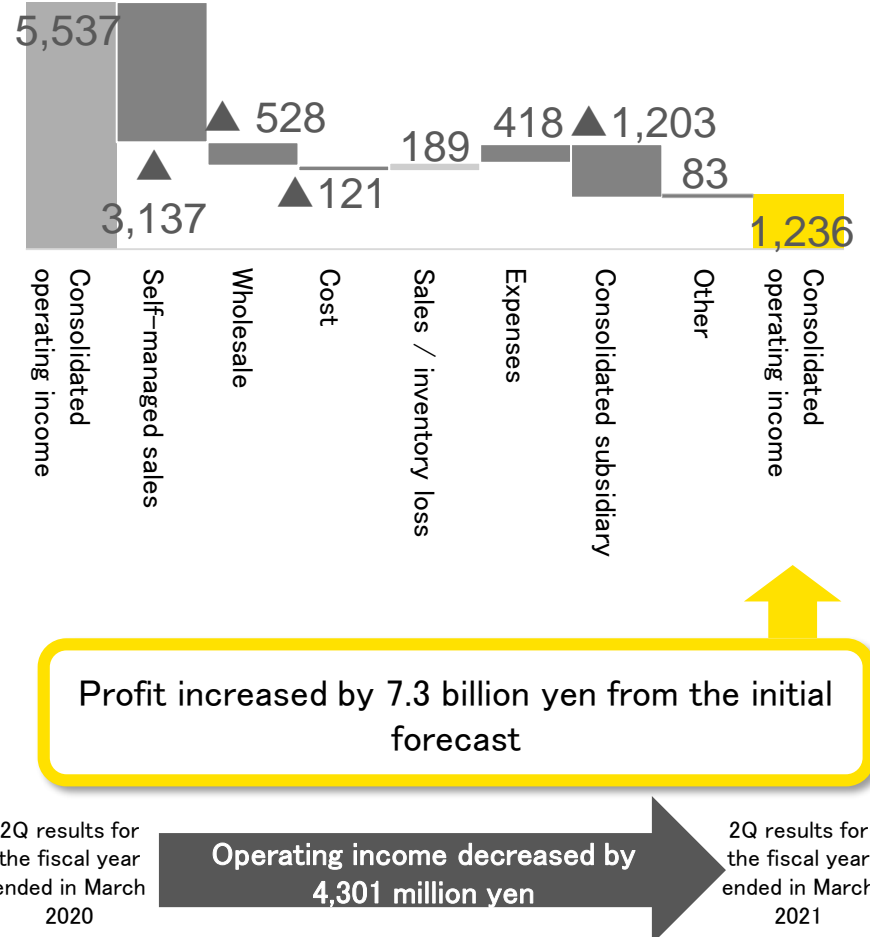
Initial outlook

(Million Yen)



Performance

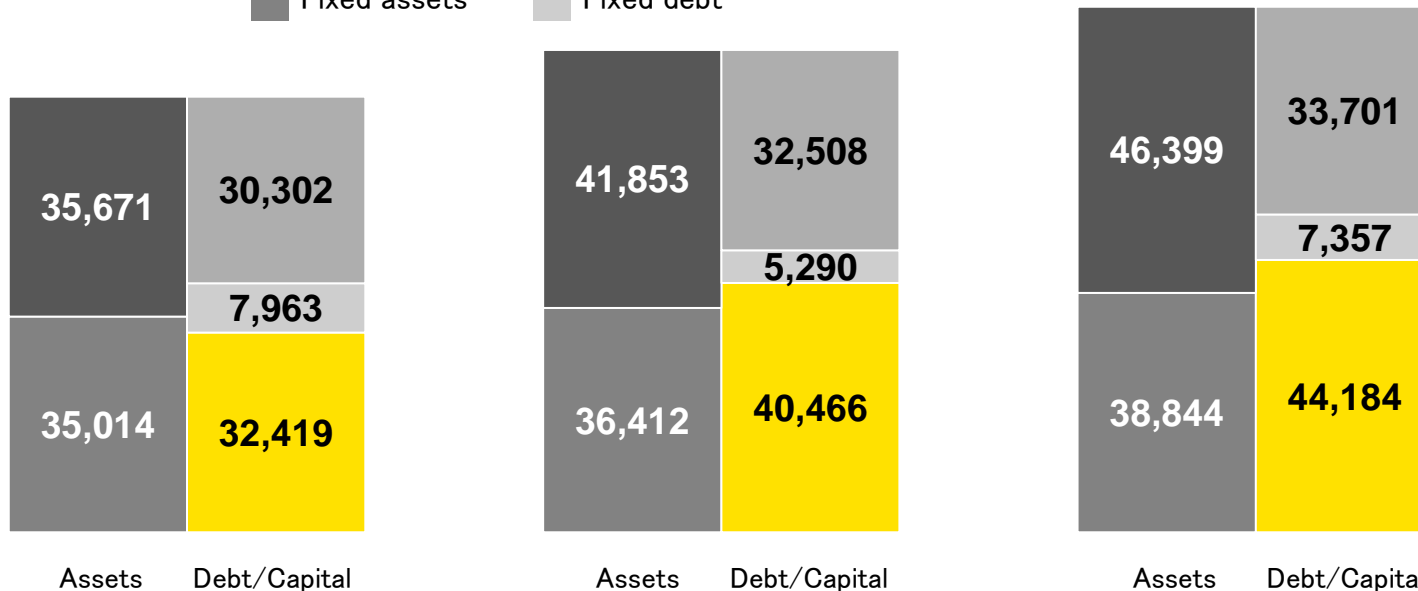
(Million Yen)



Increased cash and deposit balance by 2.7 billion yen from the previous fiscal year in consideration of flexible cash flow due to coronavirus pandemic.

(Million Yen)

Current assets
 Current liabilities
 Net assets
 Fixed assets
 Fixed debt






	FY2019.3 2Q	FY2020.3 2Q	FY2021.3 Q2
Net Assets	32,419	40,466	44,184
Equity Ratio	45.8%	51.6%	51.7%

II. Timely disclosure associated with novel coronavirus pandemic

Three changes due to coronavirus pandemic

Assumptions for quarterly performance formulation

New lifestyle	Impact on our company due to coronavirus pandemic		Our response
	Business opportunity	Business risk	
<p>Changes in lifestyle</p> 	<p>Increasing health consciousness for safety and security</p> <p>Social phenomenon of camping (unusual in everyday life)</p> <p>Expanding running, fitness and self-care expenditure</p>	<p>Decrease in new wearing opportunities due to lifestyle changes</p> <p>Decrease in mountaineering demand due to the closure of mountain lodges</p> <p>Loss of demand for sporting events due to tournament cancellations</p>	<ul style="list-style-type: none"> ■ The North Face's new camping equipment (Fildens series) and athletic line products ■ Strengthen sales of Danskin yoga and fitness lines
<p>Changes in working style</p> 	<p>Increased functional apparel orientation associated with telework</p>	<p>Declining demand for fashion apparel while refraining from going out</p>	<ul style="list-style-type: none"> ■ Enhancement of self-care products such as C3fit relaxation products and functional T-shirts of each brand
<p>Changes in buying</p> 	<p>Ethical consumption oriented with an emphasis on sustainability</p> <p>Rapid shift to EC sales</p>	<p>Increasing tendency to refrain from spending without wasting money</p> <p>Refrain from going out / Reduced visits to stores</p>	<ul style="list-style-type: none"> ■ Enhancement of sustainable products such as green down ■ Renewal of the site to strengthen the link between directly managed stores and EC

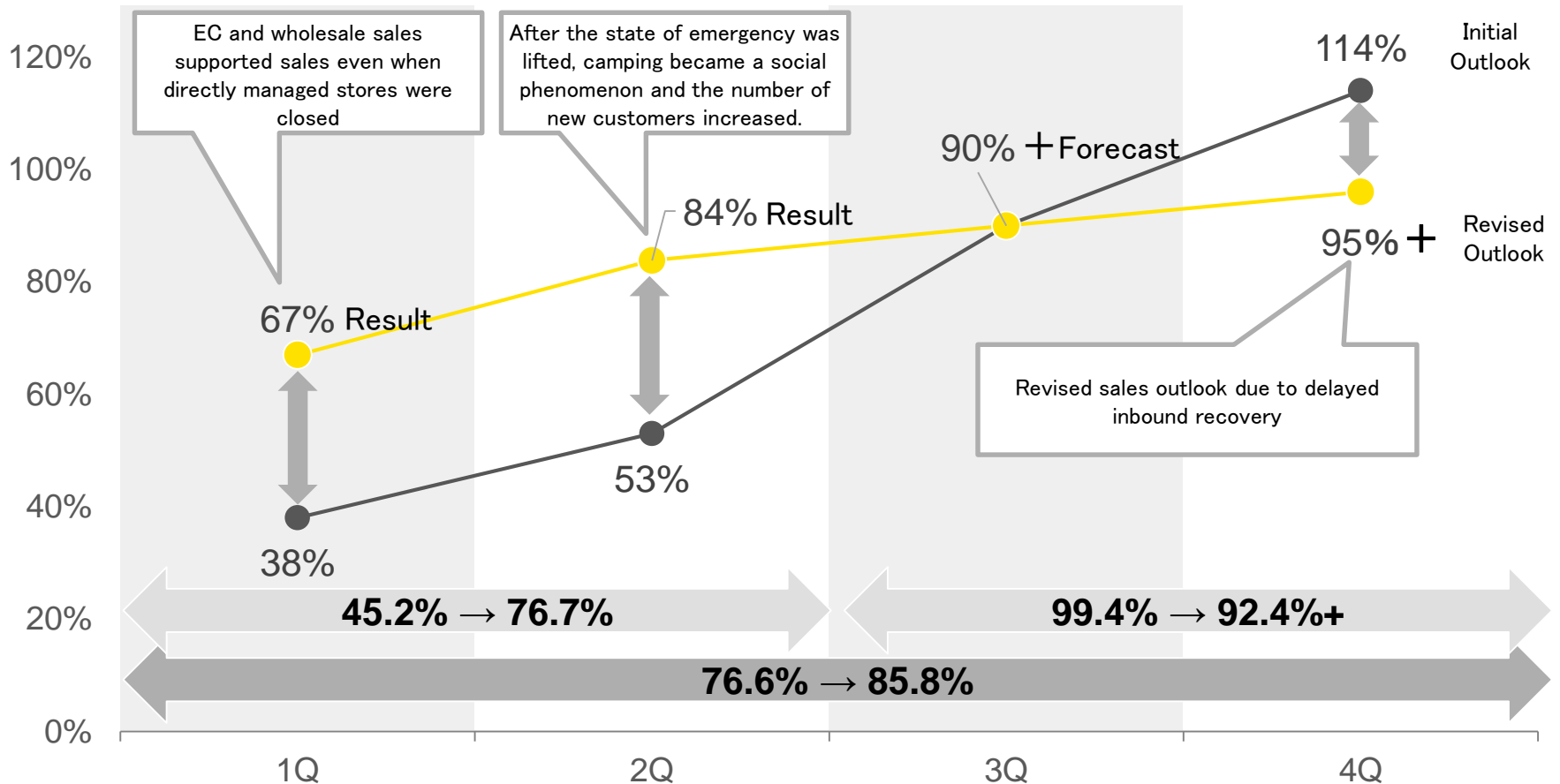
Changes in business outlook due to the impact of the novel coronavirus

In the initial outlook, we expected a recovery in inbound demand at the end of the year, but changed to the outlook for the next and subsequent years

		First outlook (May 14)	Out look	Announced this time (November 6)	Performance
Performance	First quarter (Apr-Jun)	Directly managed stores remain closed from April to June	38%	In early June, all directly managed stores will resume operations. Wholesale and EC are doing well.	67%
	Second quarter (Jul-Sep)	Directly managed stores will reopen, but it will take time to recover consumption trends	53%	Although it is on a nationwide recovery trend, recovery in city centers has been slightly delayed.	84%
Outlook	Third quarter (Oct-Dec)	Directly managed stores will recover to almost the same level as the previous year, but inbound (9-10%) will not recover	90%	As expected at the beginning of the term, tourists to city centers are on a recovery trend due to the Go To campaign.	90%+
	Fourth quarter (Jan-Mar)	Directly managed stores are on par with the previous fiscal year, inbound recovery is gradual, and decline in FY March 2020 recovered	114%	Domestic demand recovers steadily, but inbound demand is difficult to recover	95%+

Review Q4 due to delay in recovery of inbound demand

Quarterly sales trends from the previous quarter



III. Full-year outlook for the fiscal year ending March 2021

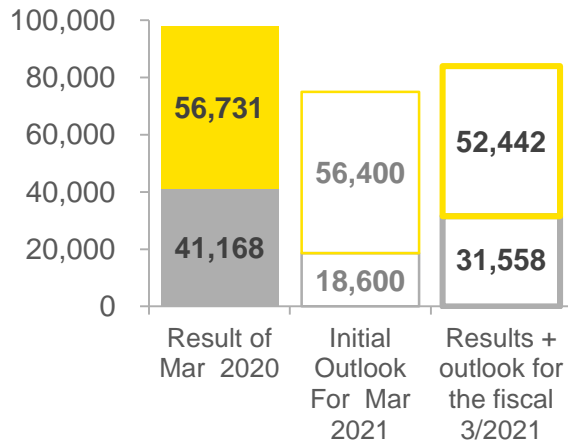
The full-year outlook remains unchanged. Policy to promptly disclose if necessary after assessing the results of the third quarter

Forecast of financial results for the fiscal year ending March 2021 (million yen)

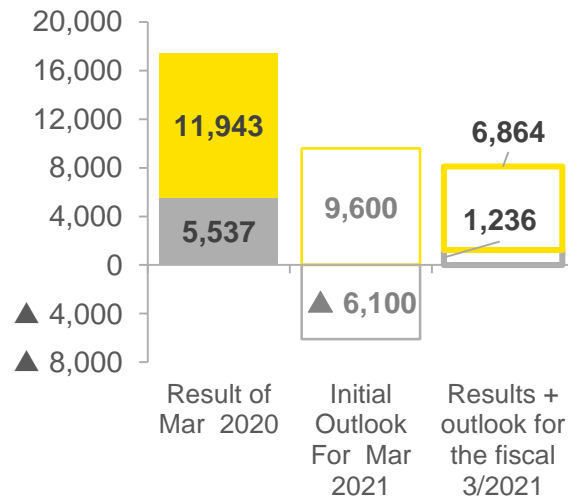
	Net sales	Operating income	Ordinary income	Net income
Outlook	84,000	8,100	9,600	6,400
Year-on-year	85.8%	46.3%	58.6%	59.4%
Net sales profit ratio	—	9.6%	11.4%	7.6%

Net sales

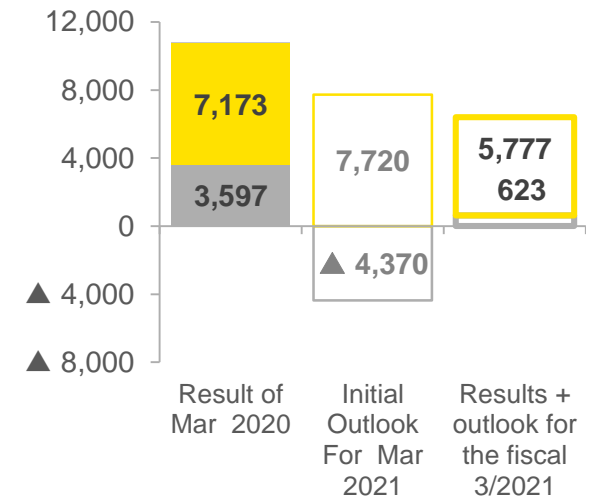
(Million Yen)



Operating income



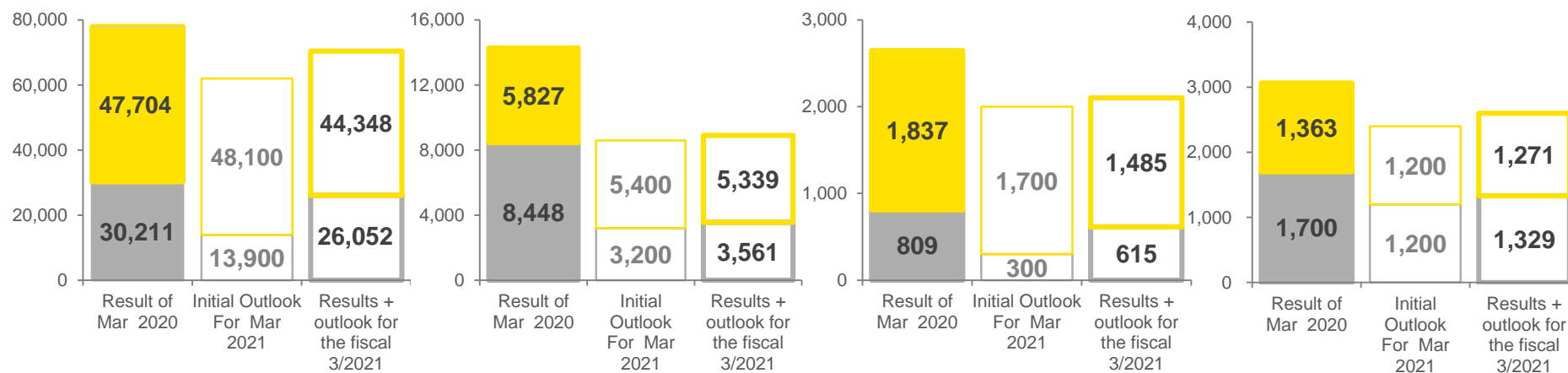
Net income



Sales forecast by brand business (million yen)

	Outdoor	Athletic	Winter	Other
Outlook	70,400	8,900	2,100	2,600
Year-on-year	90.4%	62.3%	79.4%	84.9%
Sales composition	83.8%	10.6%	2.5%	3.1%

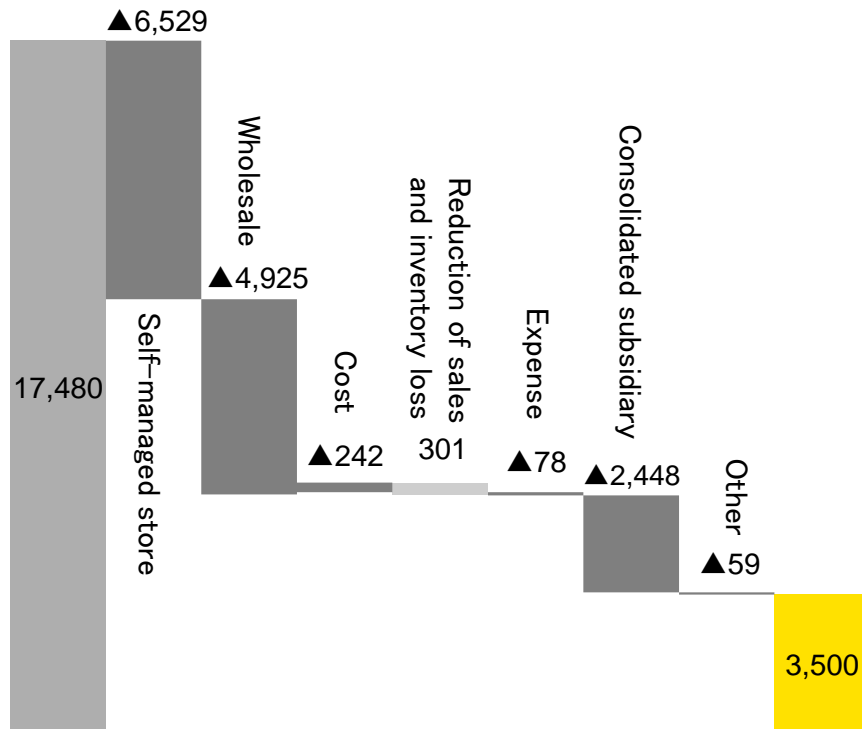
(Million Yen)



Expected to be 4.6 billion yen higher than the initial forecast due to recovery at directly managed stores and wholesale stores

First outlook for the fiscal year ending March 2021

(Million Yen)



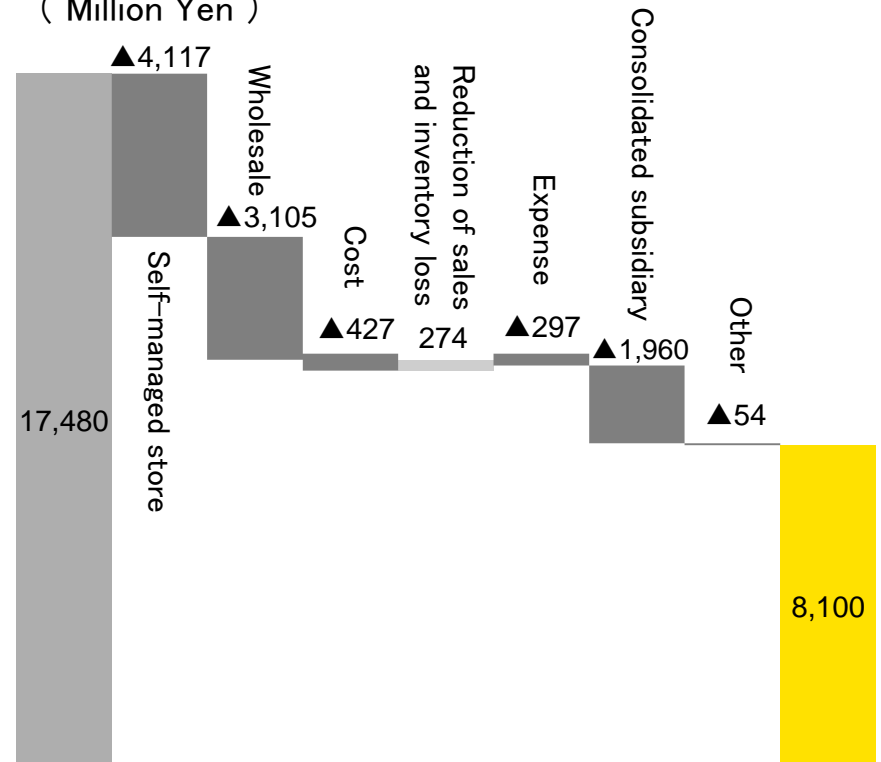
Result of
March
2020

Operating income decreased by
13,980 million yen

Initial
Outlook for
Mar 2021

Revised outlook for the fiscal year ending March 31, 2021 (disclosed on August 6)

(Million Yen)

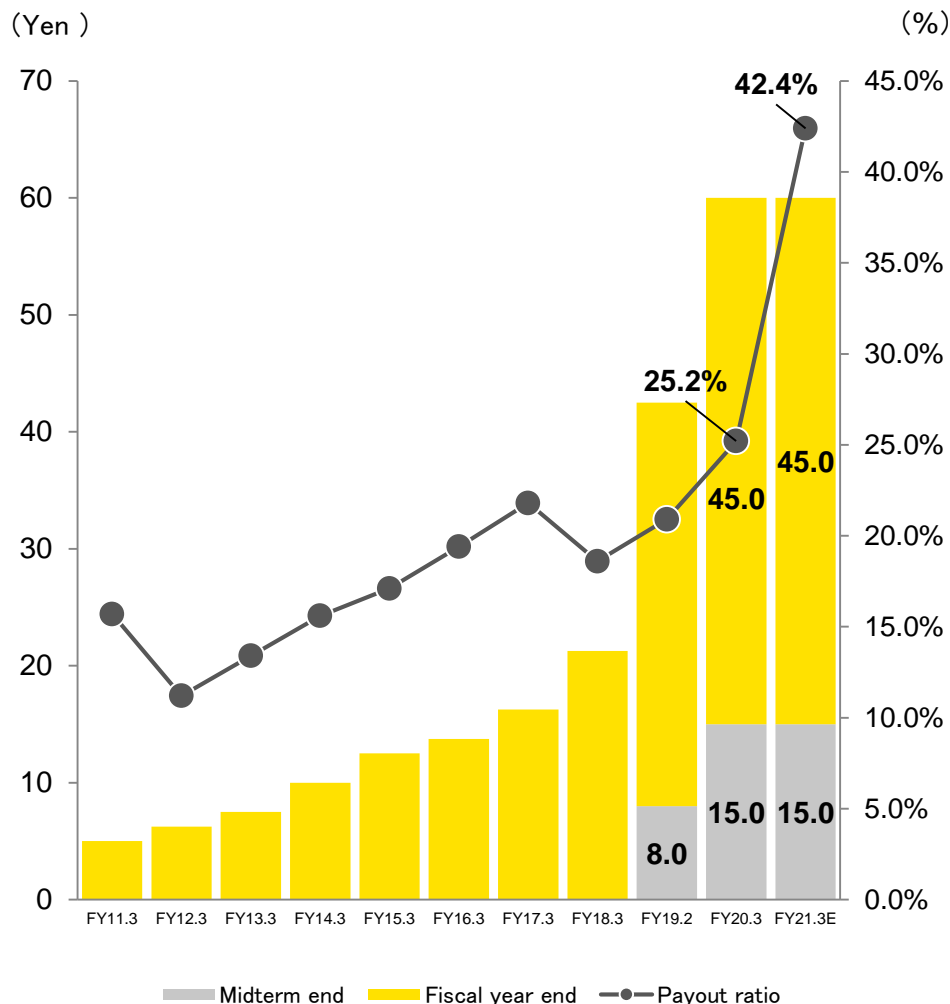


Result of
March
2020

Operating income decreased by
9,380 million yen

Initial
Outlook for
Mar 2021

The annual dividend for the fiscal year ended in March 2020 increased from the forecast of 50 yen to 60 yen (from 100 yen to 120 yen before the stock split). We will maintain the annual dividend and implement sustainable shareholder returns in the fiscal year ending March 2021.



(Note) Displayed as dividend per share based on the year ended March 2020

Basic policy

We will always recognize that returning profits to shareholders is one of the most important issues for the company, and will strive to strengthen our financial position and management base while continuing to pay stable dividends.

Dividend results

Interim dividend paid from the fiscal year ended March 2019. In the fiscal year ended March 31, 2020, we increased the dividend for the 9th consecutive year (a 17.5 yen increase from the previous fiscal year).

Dividend forecast

In the fiscal year ending March 2021, in addition to the interim dividend of 15 yen, the year-end dividend will be 45 yen. We plan to pay the same amount as the previous fiscal year.

Stock consolidation/split

On October 1, 2015, five shares were consolidated into one share, and the share unit number changed from 1,000 to 100. Split 1 share into 2 shares as of March 31, 2018. Split 1 share into 2 shares as of September 30, 2019.

IV. Initiatives for Sustainable Growth

Started overseas expansion under our own Goldwin brand. The third sustainable product using "Brewed Protein™"

"The Sweater" will be available for lottery sales from November 20.

The third "The Sweater" is a strategic product for global expansion under the Goldwin brand.



"The Sweater" will start accepting lottery sales from November 20. It is 60% wool, 10% cashmere, 30% Brewed Protein™

History of "Brewed Protein™"

August 2019

Released the first "Planetary Equilibrium Tee"

December 2019

Released the second "MOON PARKA"

November 2020

VISION QUEST special content that explores sustainable manufacturing starting from "The Sweater" was released

Future outlook

Goldwin	Aiming for "recycling sports apparel" with a view to building a renewable system for clothing raw materials	Currently, our sales of environmentally friendly products account for only about 13% of total sales. In the future, we are aiming to offer "circulating sports apparel", assuming that various materials such as the front material, lining, down and fasteners that make up clothing will be replaced with "Brewed Protein™"
Spiber	Thai plant as the starting point for commercial production	Proceeding with plant construction toward the start of commercial production from 2021
Spiber	Partnership with ADM (Archer Daniels Midland: US grain major) for mass production in the US	Following Thailand, expand partnership to build mass production system in the United States.

(Note) Sales target countries are Japan, Denmark, France, Germany, Italy, Netherlands, Portugal, Spain, Sweden, United Kingdom, and the United States.

Opened in Munich, the fourth directly managed store and the second overseas store (first store in Europe)



October 2020 Opened Goldwin Munich

History of Goldwin store development



November 2018
Goldwin Marunouchi open

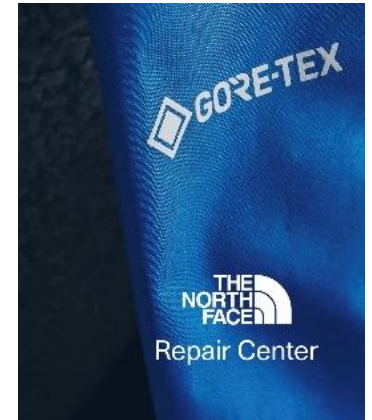
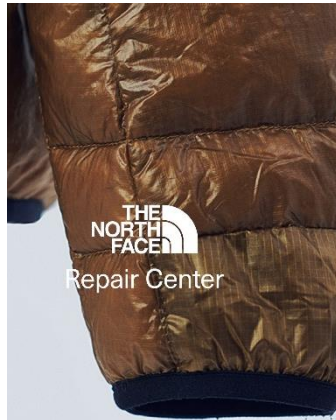


November 2019
Goldwin San Francisco open



February 2020 Opened Goldwin Harajuku

Through repair services, we can deepen attachment to the product and explore the possibilities of future product development



Implemented two repair services: "Online Repair" and "Repair Shop"

Proposing product repair and appealing long-life value as THE NORTH FACE

Provided clothing for the “Vendée Globe 2020” around-the-world yacht race competitor and marine adventurer Kojiro Shiraishi



PHOTO: Yoichi Yabe



PHOTO: Yoichi Yabe

The round-the-world yacht race “Vendée Globe,” considered to be the ultimate race for solo racers, will start on November 8, 2020 in Les Sables-Dronnes, France. This race, in which only one person sails a 60-foot (about 18.3m) open-sea race boat, circuits the earth without any resupplying and without stopping at any ports. It will take about 80 days to complete the cruising distance of 40,075km (21,638 nautical miles).

Major development products



Kojiro Offshore Sailing Jacket

Kojiro Offshore Salopette



The clothing for the previous tournament was also made to order, and in preparation for Mr. Shiraishi's challenge this time, the balance between robustness and ease of movement has been reviewed and the weight has been reduced to further update functionality and comfort. Since this race has no port calls and no replenishment of supplies, it is important to prepare before the start, so we have repeated meetings with Mr. Shiraishi, and the HH team is working together to develop the clothing and support Mr. Shiraishi.

The results for the second quarter of the fiscal year ending March 2021 will move into the black after the deficit forecast for the previous quarter.

In the second quarter, after the state of emergency was lifted, both directly managed stores and wholesale sales continued to perform well, and by shifting to a highly profitable structure for some time, we were able to achieve an operating surplus in the first half of the year.

The full-year outlook for the fiscal year ending March 2021 will be disclosed after assessing the third quarter.

Demand from tourists will resume after October, and the outlook for recovery will begin at stores in central Tokyo. In addition, the full year outlook is based on the results of the third quarter, which has a large composition ratio of sales and profits. If necessary, we will disclose the results promptly.

The recovery of the outdoor-related business is clear, and we plan to expand the base of camping demand in the future.

Outdoor-related business recovered to over 90% in the second quarter (3 months). October is above the previous year's level, and we will work to expand our customer base in order to put this recovery trend on a full-scale track.

Company name	GOLDWIN INC.
Location	Tokyo Head Office 150-8517, Japan 2-20-6 Shoto, Shibuya-ku, Tokyo 03-3481-7201 (Representative) Toyama Head Office Kiyozawa 210, Oyabe-shi, Toyama 932-0112, Japan 0766-61-4800 (Representative)
Establishment	December 22, 1951
Capital stock	¥7,079 million
Net sales	Consolidated: ¥97,800 million, Non-consolidated: ¥82,900 million
Employee	1,878 (2,679 group-wide)
Offices	Tokyo Head Office, Toyama Head Office, Osaka Branch, Sapporo Sales Office, and Fukuoka Sales Office (As of March 31, 2020)
Stock listings	Tokyo Stock Exchange, First Section (Stock Code: 8111)

	First quarter				Second quarter				Cumulative first half year			
	April–end of June 2020				July–end of September 2020				April–end of September 2020			
	FY20.3	FY21.3	Increase/ Decrease	YoY	FY20.3	FY21.3	Increase/ Decrease	YoY	FY20.3	FY21.3	Increase/ Decrease	YoY
Net sales	18,074	12,200	▲ 5,874	67.5%	23,094	19,358	▲ 3,736	83.8%	41,168	31,558	▲ 9,610	76.7%
Gross profit	9,531	6,330	▲ 3,201	66.4%	12,020	9,799	▲ 2,221	81.5%	21,551	16,129	▲ 5,422	74.8%
(Sales ratio)	52.7%	51.9%	▲ 0.8	–	52.0%	50.6%	▲ 1.4	–	52.3%	51.1%	▲ 1.2	–
SG&A	7,499	6,770	▲ 728	90.3%	8,514	8,098	▲ 416	95.1%	16,014	14,868	▲ 1,146	92.8%
(Sales ratio)	41.5%	55.5%	14.0	–	36.9%	41.8%	4.9	–	38.9%	47.1%	8.2	–
Operating income	1,902	▲ 479	▲ 2,381	–	3,635	1,715	▲ 1,920	47.2%	5,537	1,235	▲ 4,301	22.3%
(Sales ratio)	10.5%	–	–	–	15.7%	8.9%	▲ 6.9	–	13.4%	3.9%	▲ 9.5	–
Ordinary income	1,946	▲ 76	▲ 2,022	–	3,346	1,471	▲ 1,875	44.0%	5,292	1,395	▲ 3,897	26.4%
(Sales ratio)	10.8%	–	–	–	14.5%	7.6%	▲ 6.9	–	12.9%	4.4%	▲ 8.4	–
Net income	1,375	▲ 292	▲ 1,667	–	2,222	915	▲ 1,307	41.2%	3,597	623	▲ 2,974	17.3%
(Sales ratio)	7.6%	–	–	–	9.6%	4.7%	▲ 4.9	–	8.7%	2.0%	▲ 6.8	–

This document contains plans and outlooks related to the future performance of the Group, such as sales and profits. Please note that these are based on the assumptions that the Group has made, judged from available information and based on assumptions, and actual business results may differ significantly.