



# **Financial Results Briefing for the First Quarter of the Fiscal Year Ending March 2023**

**Goldwin Inc. (8111)**

**August 5, 2022**

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# **I. First quarter results for the fiscal year ending March 2023**

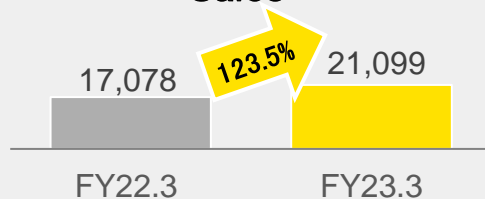
Both sales and profits hit record highs for the first quarter, absorbing the negative factors such as high raw material prices and rising logistics costs through operational improvements.

	Soaring raw material prices	Exchange rate	Logistics cost rise
<b>Full year outlook at the beginning of the period</b>	<ul style="list-style-type: none"> <li>By building and promoting joint research and development relationships with material manufacturers, the immediate impact of soaring raw material prices will be limited.</li> <li>Minimize the impact of soaring prices of spring and summer products.</li> </ul>	<ul style="list-style-type: none"> <li>Due to seasonal exchange contracts, the impact of short-term exchange rate fluctuations is limited.</li> </ul>	<ul style="list-style-type: none"> <li>Many spring/summer products arrived in Japan before the impact of the Shanghai lockdown, avoiding a significant increase in distribution costs.</li> <li>Partial use of air transportation. The impact will be limited to tens of millions yen.</li> </ul>
	<b>Full year impact amount tens of millions yen</b>	<b>Full year impact amount tens of millions yen</b>	<b>Logistics cost increase tens of millions yen</b>
<b>1Q progress</b>	<b>The impact in the first quarter was limited to tens of millions yen</b>	<b>The impact of yen depreciation due to forward exchange contracts was limited to tens of millions yen</b>	<b>Some delivery delays were recognized, but the increase in logistics costs was within the initial forecast due to air transportation.</b>
<b>Current full year outlook</b>	<ul style="list-style-type: none"> <li>Due to the impact of exchange rates and soaring raw material prices, we plan to change the sales price of about 200 autumn/winter products, mainly TNF.</li> <li>In addition to the above, we aim to secure the final gross profit by increasing the consumption rate during the season.</li> </ul>	<ul style="list-style-type: none"> <li>Exchange rate fluctuations are expected to reduce profits by several hundred million yen.</li> </ul>	<ul style="list-style-type: none"> <li>Start of construction of logistics base in Kanto is progressing as expected.</li> <li>Aim to reduce store inventories and logistics costs while improving the delivery system.</li> </ul>
	<b>Full year impact amount tens of millions yen</b>	<b>Full year impact amount several hundred million yen</b>	<b>Rise in logistics costs tens of millions yen</b>

## Minimize the impact of the external environment, a record high for the first quarter results.

(Million yen)

### Sales

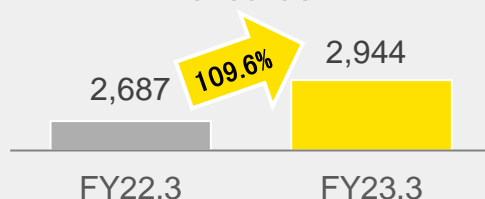


- Both sales and profits reached record highs for the first quarter. Mainstay THE NORTH FACE continued to perform well in both apparel and goods
- In addition to strong demand for outdoor activities due to relaxation of movement restrictions, Overall recovery in demand for sports progressed, and business segment performance grew 30.7% year-on-year

## A well-balanced sales system of directly managed stores, wholesalers, and EC underpins business performance

(Million yen)

### EC sales

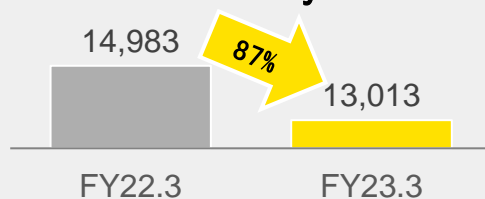


- EC sales were 109.6% year-on-year, and the EC sales ratio was 14.0%. E-commerce sales continue to grow steadily as physical store sales recover.
- Self-managed sales ratio is 62%, progressing according to plan.
- Among wholesalers, mass retailers of sporting goods performed well, sustaining double-digit growth.

## Stayed within plan due to strong sales of outdoor products

(Million yen)

### Inventory



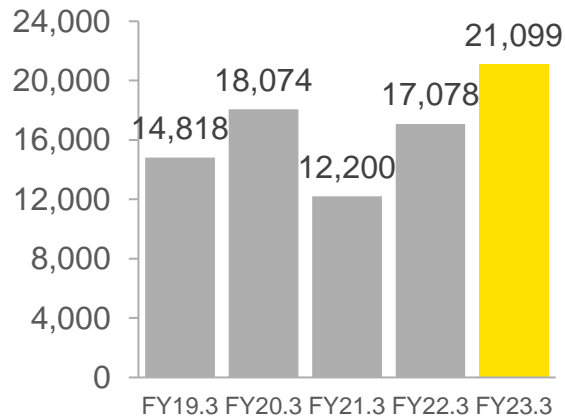
- Inventory balance was 87% year-on-year and controlled within plan
- Mainly due to strong sales of outdoor products

## First quarter results for the fiscal year ending March 2023 (Million yen)

	Net sale	Gross profit	Operating income	Ordinary income	Net income
Result	21,099	11,122	2,266	3,368	2,603
Year-on-year	123.5%	123.8%	199.6%	198.5%	210.8%
Profit margin on sales <small>( ) is the same period of the previous year</small>	—	52.7% (52.6%)	10.7% (6.6%)	16.0% (9.9%)	12.3% (7.2%)

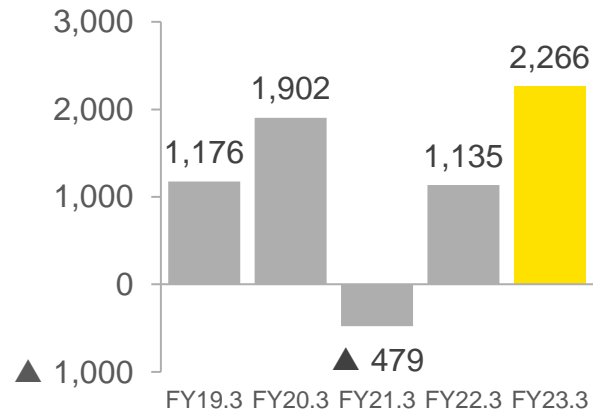
### Net sale

(Million yen)



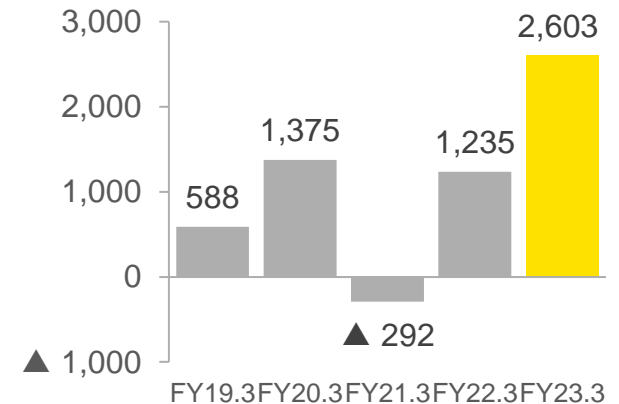
Climbing, running, and camping-related sales grew due to increased opportunities to go out

### Operating income



Gross profit margin increased by 0.1pt year-on-year, reaching a record high for 1Q due to increased sales

### Net income

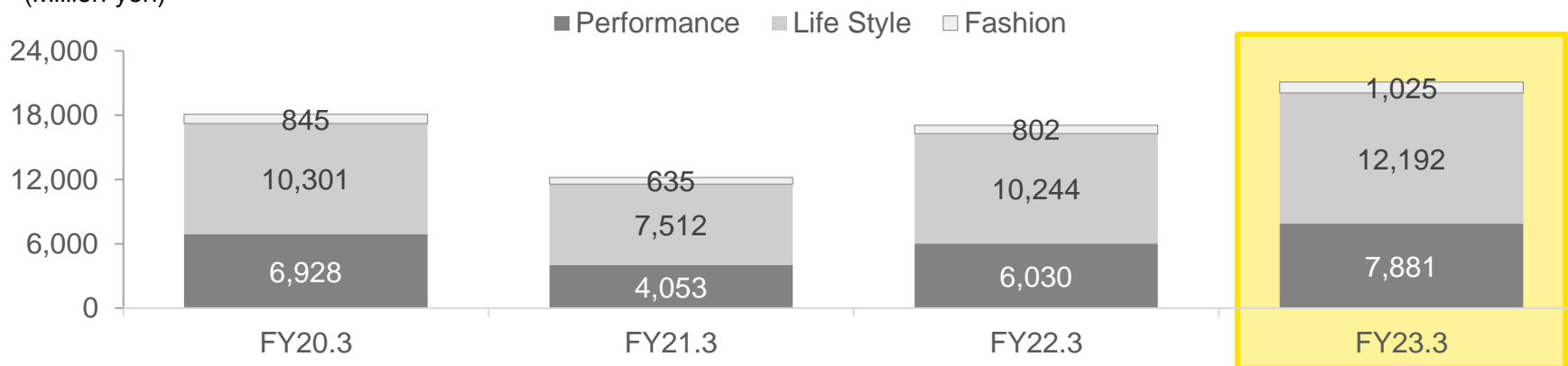


Doubled year-on-year mainly due to the contribution of the equity interest in YOUNGONE OUTDOOR Corporation in South Korea

## Sales by business segment (Million yen)

	Performance	Lifestyle	Fashion
Result	7,881	12,192	1,025
Year-on-year comparison	130.7%	119.0%	127.8%
Year-on-year amount	+1,850	+1,947	+223
Sales composition ratio	37.3%	57.8%	4.9%

(Million yen)



### Performance

Demand for mountaineering and running remained strong, and the end of the rainy season earlier than usual was a tailwind for sportswear, resulting in significant growth.

### Lifestyle

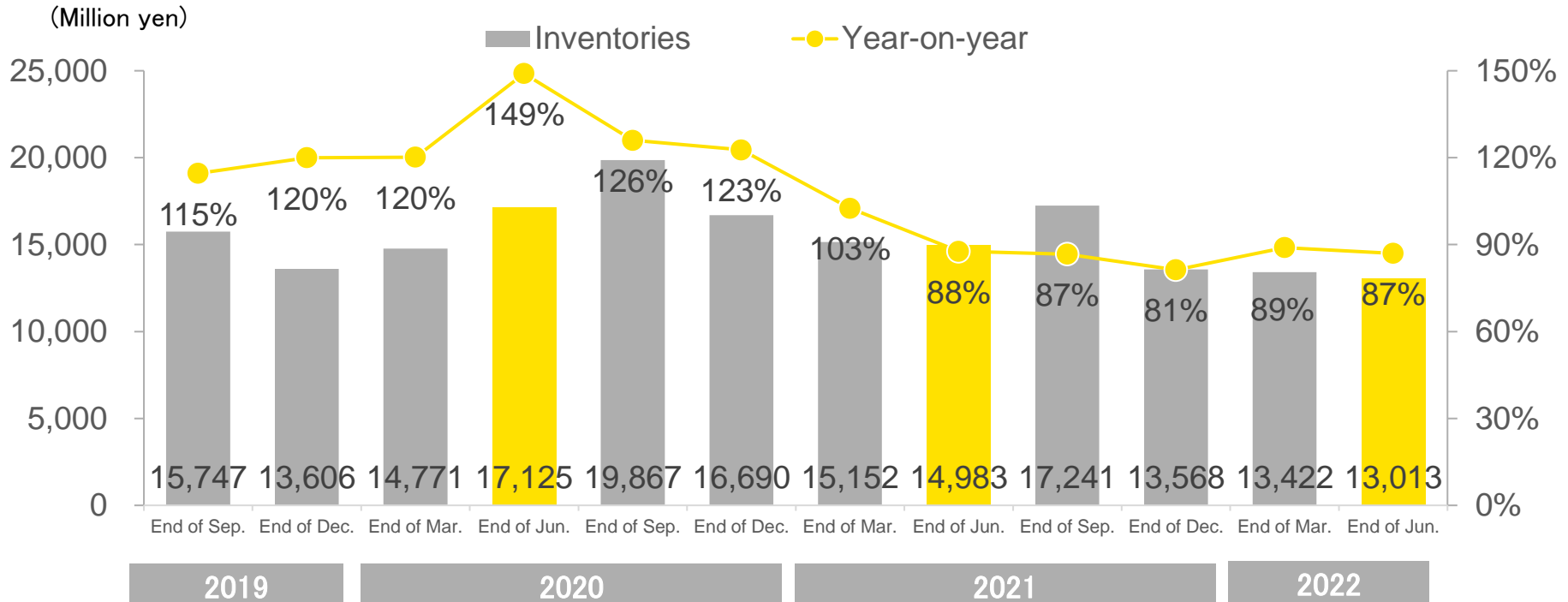
Driven by demand for camping. Developing new customers by expanding product lineup for kids and ladies

### Fashion

THE NORTH FACE PURPLE LABEL, in addition to men's products, showed growth in women's products.

Inventory balance at the end of June 2022 is 87% of the same period last year, which is within the plan. Limited impact of supply chain delays. Mainly due to strong sales of outdoor products

## Inventory Balance by Quarter



### Impact on 2022 spring/summer products due to lockdown in Vietnam

Due to the impact of the lockdown in Vietnam from July to October 2021, the amount of inventory reduction for 2022 spring/summer products will be limited to several hundred million yen.

### Management policy for inventory management

Sales trend has been strong even in the second quarter, and the inventory balance is expected to remain at around 90% of the same period last year.

(Note) Inventory is the total balance of merchandise and finished products, work-in-progress, raw materials and supplies.



## **II. Outlook for the second quarter of the fiscal year ending March 2023**

Second quarter outlook adds first quarter deviation

Although there are concerns about the impact of the rapid spread of the corona crisis, there is no change in the forecast for the second quarter (July to September) from the initial forecast

Progressed in line with initial forecasts. From the second half onwards, we will overcome profit-declining factors such as high raw material prices and logistics costs by improving operations.

## Assumptions for the full year outlook at the beginning of the period

1. Inbound demand	Recovery of inbound demand is not factored in.
2. Temporary closure of directly managed stores	The impact of the temporary closure of directly managed stores is expected to be on par with fiscal year of March 2022
3. Overseas sewing factories	The impact of the closure of overseas sewing factories is expected to be minor as we continue to diversify our suppliers.
4. New store opening	Thorough profitability management for new store openings, prioritizing floor expansion.
5. Selling, general and administrative expenses	The implementation of the postponed events in the last two periods is expected to recover to the pre-corona level.
6. Capital investment	Renewal of logistics bases and core systems is scheduled to start operations in the second half of 2022. Depreciation expenses are scheduled to be recorded from the second half.

## As of the end of the first quarter

Do not continue to incorporate	Although the acceptance of foreign tourists is progressing, it will not be factored into the earnings forecast, considering the situation of the corona crisis.
No change	No change from initial forecast. As of the end of July, 0 directly managed stores were closed.
Support for air transport	Despite delays in delivery of some products, we still assume that the impact of plant closures will be minor. If there is a delay in delivery, we will respond by air transportation.
As expected	The number of new store openings during the fiscal year is expected to be in the single digits. The policy is to open large complex stores in central Tokyo.
Eliminate delays	In the first quarter, some advertising expenses have not yet been spent, but mainly due to delays, we plan to spend during the period.
As expected	The progress of core systems and logistics bases will be explained at the time of disclosure of interim financial results in November.

Earnings forecasts for the cumulative second quarter include the first quarter's deviation.

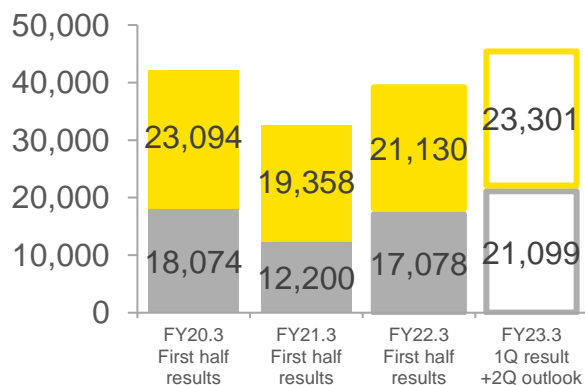
## Second quarter outlook for fiscal year ending March 2023 (Million yen)

(Note) Figures on the left are initial forecasts, figures on the right are revised forecasts

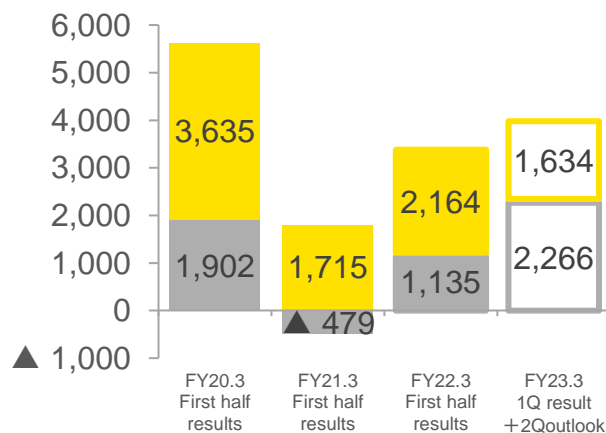
	Net sale		Operating income		Ordinary income		Net income	
Outlook	42,400	44,400	3,000	3,900	3,800	5,900	2,660	4,130
Year-on-year	116.2%		118.2%		153.8%		156.9%	

### Net sale

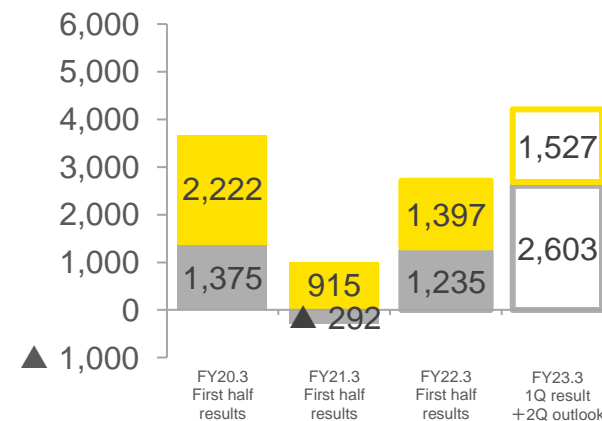
(Million yen)



### Operating income



### Net income



■ 1Q ■ 2Q

### **III. Full-year outlook for the fiscal year ending March 31, 2023**

Sales trend is trending higher than the initial forecast.

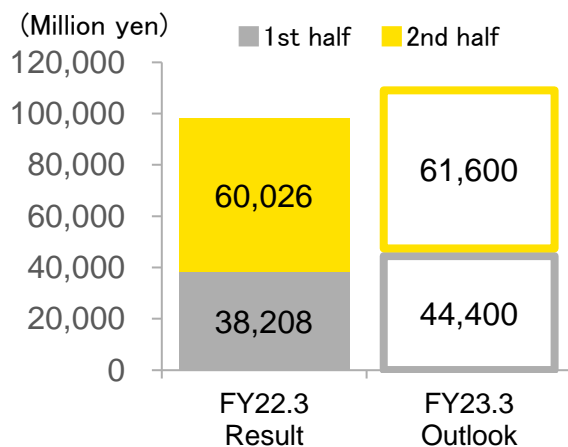
The full-year outlook will be disclosed after assessing trends in the third quarter, which will have a large contribution to earnings.

We plan to revise the full-year forecast once we have ascertained trends in the third quarter, which will have a large contribution to earnings.

## Full-year outlook for the fiscal year ending March 2023 (Million yen)

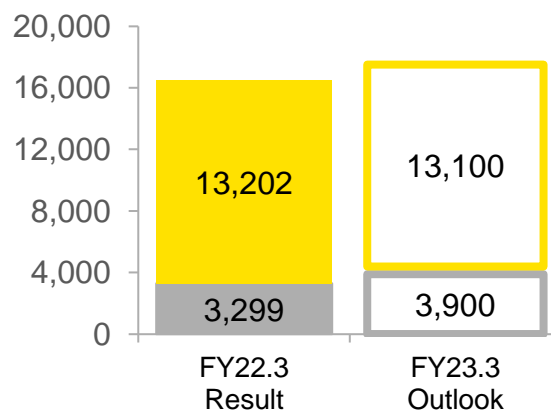
	Net sale	Operating income	Ordinary income	Net income
Plan	106,000	17,000	21,400	16,000
Year-on-year	107.9%	103.0%	105.5%	111.5%
Sales composition ratio	—	16.0%	20.2%	15.1%

### Net sale



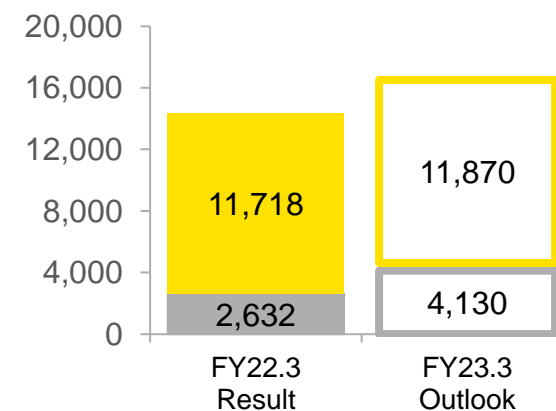
7.8 billion yen increase from FY2020.3

### Operating income



500 million yen increase from FY2022.3

### Net income



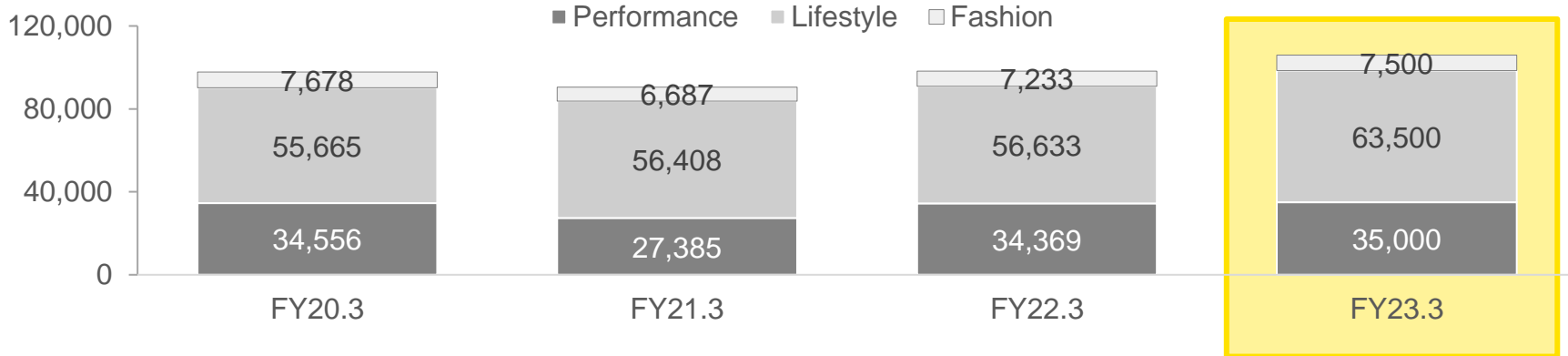
1.7 billion yen increase from FY2022.3

Sales are expected to increase in all business categories. Efforts to strengthen proposal capabilities for fall/winter products such as down jackets and fleece

## Sales by business segment (Million yen)

	Performance	Lifestyle	Fashion
Outlook	35,000	63,500	7,500
Year-on-year	101.8%	112.1%	103.7%
Sales composition ratio	33.0%	59.9%	7.1%

(Million yen)



### Performance

Expansion of outdoor population and strengthening of promotion  
Expansion of services provided by flagship stores

### Lifestyle

Reactionary increase from Vietnam lockdown  
Started a special camping EC site and rebuilt the brand image of the camping market

### Fashion

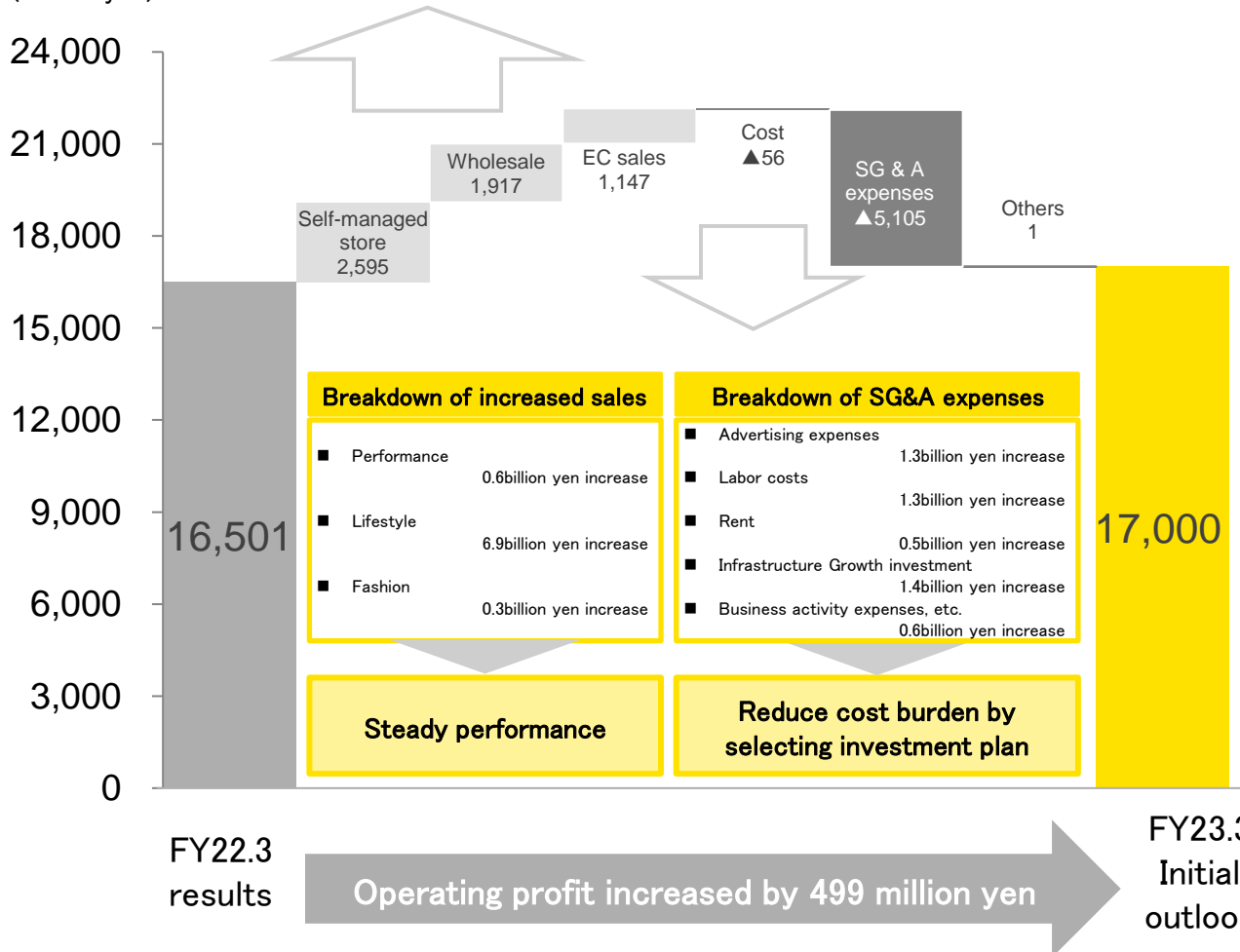
Strengthen digital content for EC expansion  
Continued development of collaborations with fashion brands

The effect of increased sales offsets the negative factors such as soaring exchange rates and raw material prices, and rising logistics costs.

**Operating income forecast for the fiscal year ending March 2023**

※Arrows indicate fluctuation factors from the beginning of the period

(Million yen)



**Change factors from the beginning of the period**

**Net sales**

In addition to outdoor-related demand, the overall recovery in sports demand has exceeded expectations.

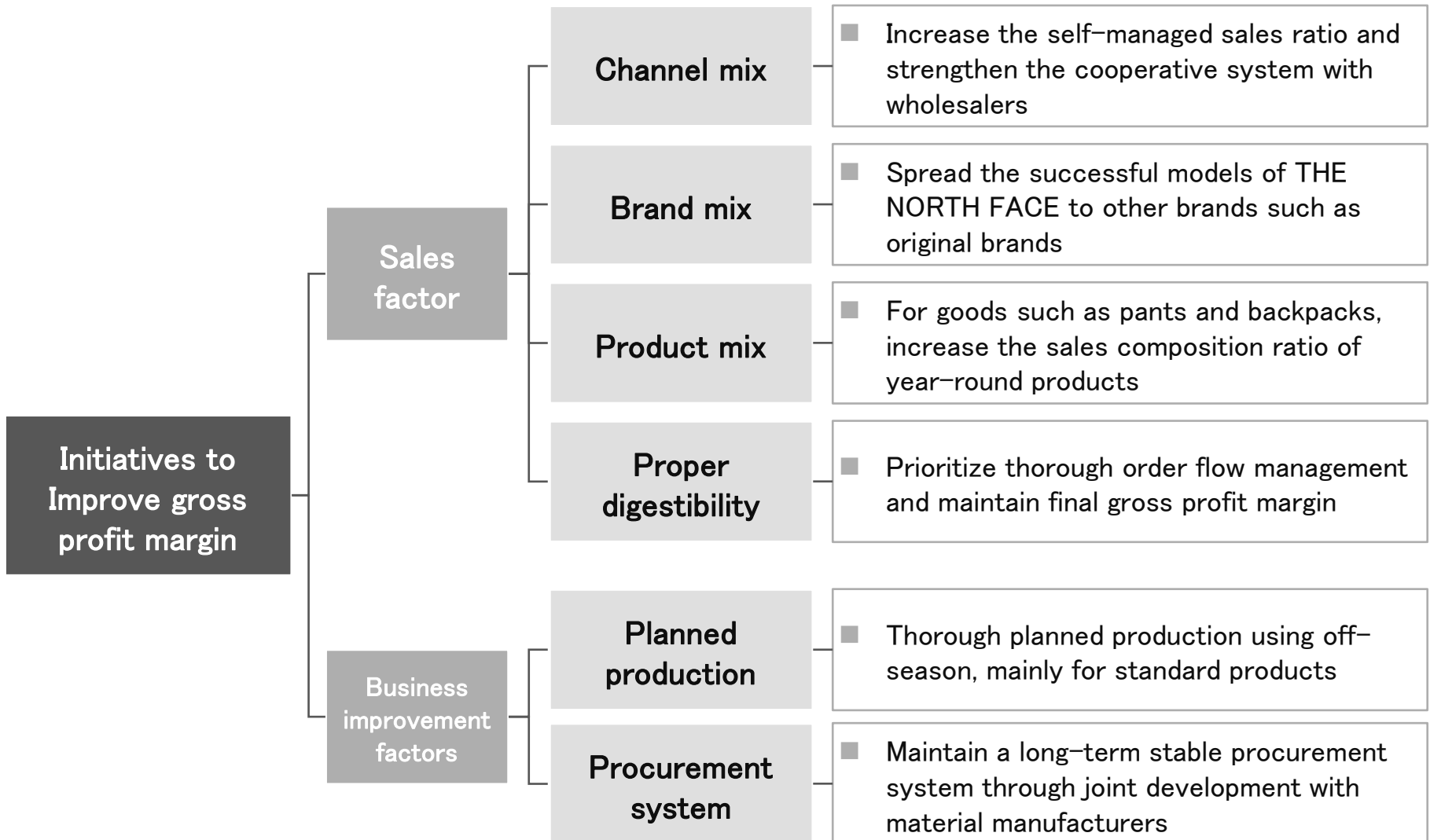
**Cost price**

Higher costs than at the initial forecast stage, and lower profit factors due to yen depreciation

**SG&A expenses**

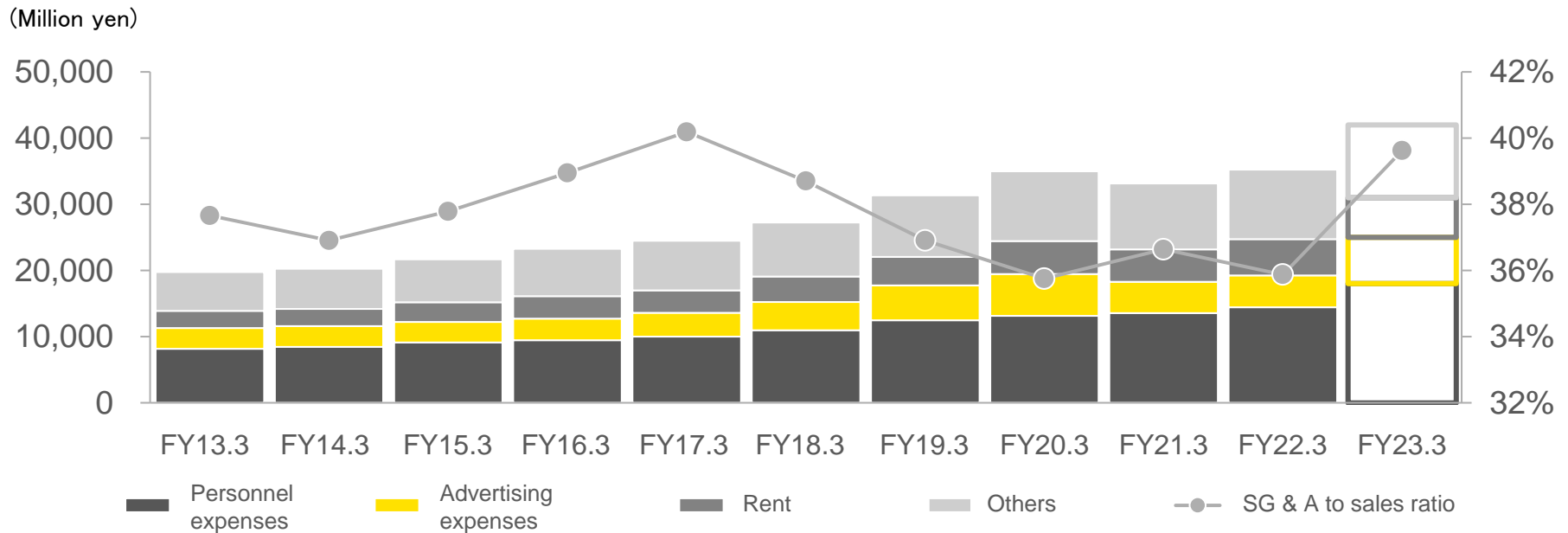
Delayed portion will be executed during the period. It is expected that the investment amount for the core system can be reduced more than the initial forecast

Policy to improve gross profit margin by combining sales factors and business improvement factors





Although there is a delay in some of the advertising expenses, it is scheduled to be carried out within the fiscal year. Promoting execution with cost-effectiveness in mind



## Breakdown of SG&A expenses

- Advertising expenses 1.3 billion yen increase
- Personnel expenses 1.3 billion yen increase
- Rent 500 million yen increase
- Infrastructure/growth investment 1.4 billion yen increase
- Business activity expenses, etc. 600 million yen increase

## First quarter progress

Personnel expenses and rent are trending as expected. Advertising expenses, infrastructure/growth investments, and business activity expenses have not been spent due to delays, but are scheduled to be spent within the fiscal year.

## Cost-effectiveness

Implemented PLAY EARTH PARK in Tokyo Midtown. Also held in Toyama. While keeping an eye on the infection situation, hold events and promote the development of customers such as kids

(Note) Personnel expenses are the sum of salaries, welfare expenses, and provision for retirement benefits.

**Net sales for the first quarter is 123.5% of the same period of the previous year, and all levels of profit reached record highs.**

Increased sales offset negative factors such as foreign exchange rates, high raw material prices, and rising logistics costs, and achieved record-high sales and profits in the first quarter of the fiscal year ending March 31, 2020, the highest before corona crisis

**Second quarter outlook includes First quarter upside.**

Sales trends continue Q1 momentum. However, due to concerns about the impact of the rapid expansion of the “7th wave” during the second quarter (July–September), the cumulative total for the second quarter added only for the first quarter

**The full-year forecast remains unchanged, and will be disclosed after assessing the trends in the third quarter**

While the company saw an increase in sales and an increase in equity interest in South Korea, which surpassed the initial forecast, it also recognized factors for lower profits due to higher raw material costs, exchange rates, and logistics costs. At this point, we have decided not to revise the full-year forecast and plan to disclose it when we have determined the trends in the third quarter, which will have a large contribution to earnings

(Million yen)	1Q				
	FY20.3	FY21.3	FY22.3	FY23.3	Year-on year
<b>Net sale</b>	18,074	12,200	17,078	<b>21,099</b>	<b>123.5%</b>
<b>Gross profit</b>	9,531	6,330	8,986	<b>11,122</b>	<b>123.8%</b>
(%)	52.7%	51.9%	52.6%	<b>52.7%</b>	<b>0.1pt</b>
<b>SG&amp;A expenses</b>	7,499	6,770	7,851	<b>8,855</b>	<b>112.8%</b>
(%)	41.5%	55.5%	46.0%	<b>42.0%</b>	<b>▲4.0pt</b>
<b>Operating income</b>	1,902	<b>▲479</b>	1,135	<b>2,266</b>	<b>199.6%</b>
(%)	10.5%	-	6.6%	<b>10.7%</b>	<b>4.1pt</b>
<b>Ordinary income</b>	1,946	<b>▲76</b>	1,696	<b>3,368</b>	<b>198.5%</b>
(%)	10.8%	-	9.9%	<b>16.0%</b>	<b>6.1pt</b>
<b>Net income</b>	1,375	<b>▲292</b>	1,235	<b>2,603</b>	<b>210.8%</b>
(%)	7.6%	-	7.2%	<b>12.3%</b>	<b>5.1pt</b>

Following Roppongi's Tokyo Midtown, we offer a new playground with special cooperation from Toyama Prefecture, the birthplace



During the period, the tram that runs in the center of Toyama City Wrapped to "GOLDWIN PLAY EARTH PARK TOYAMA" specifications



## "GOLDWIN PLAY EARTH PARK TOYAMA" Outline

- Implementation period July 23, 2022 – August 14, 2022
- Place Toyama Prefecture Fugan Canal Kansui Park  
Toyama Prefectural Museum of Art
- Organizer GOLDWIN INC.  
THE NORTH FACE  
HELLY HANSEN  
CANTERBURY  
Speedo  
Goldwin
- special cooperation Toyama Prefecture

During the period, free workshops will be held to stimulate children's curiosity and imagination

- As part of nurturing the next generation, an event that provides a "playground" for children to deepen their connection with the earth.
- Five groups of architects set up "playground equipment" to create primitive play with the five elements "earth", "water", "fire", "wind", and "sky" that make up the earth.

## Impact of cost increase on performance

- Although many raw materials related to our products, such as polyester, nylon, and cotton, are rising, in order to minimize the impact, continuous product numbers, etc. We are working on lowering wages. However, if exchange rates or raw material market conditions rise above expectations, we are considering revising the prices of some products. In response to these price increases, we plan to make efforts to ensure that our brand value is recognized more than ever, so that we can provide value that matches the price.

## Gross profit margin outlook for the fiscal year ending March 2023

- Despite the impact of high raw material costs and increased labor costs, we are reviewing operations and are aiming for a higher gross profit margin than the previous term. Currently, the sales ratio of self-managed stores such as directly managed stores where we deliver products to final consumers, our own e-commerce, shop-in-shops, etc. is increasing, and this is the driver for increasing the gross profit margin. These efforts require collaboration not only with the company but also with wholesalers, and the company plans to strengthen these efforts.

## About the situation in South Korea

- In the previous term, South Korea experienced the coldest weather in several years, and there was actual demand for down jackets. I think there was a boom in the past, but now we have a wide range of customers as actual demand, just like in Japan. In addition, it will be recorded as equity income in the Company's financial statements.

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 yen
Net sales	Consolidated: 98.2 billion yen, Non-consolidated: 85.8 billion yen
Employee	2,451 people (2,996 people for the entire group)
Offices	Tokyo Head Office, Toyama Head Office, Osaka Branch, Sapporo Sales Office, and Fukuoka Sales Office
Stock listings	Tokyo Stock Exchange Prime Market (Securities Code: 8111)

(As of March 31, 2022)

Precautions regarding business outlook

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 assumption that the Group has grasped, judged from the available information and the outlook based on assumptions, and the actual business results may differ significantly.