Financial Results Briefing for the second Quarter of the Fiscal Year Ending March 2023

Goldwin Inc. (8111)

November 8, 2022

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Dealing with high raw material prices

While the impact of material costs and distribution costs is recognized, about 10% of the 2022 autumn / winter products will be raised by 5 to 10%.The company plans to consider raising prices for spring/summer 2023 products in the future.

Full year impact

Hundreds of millions of yen per year

Exchange rate

The impact of the depreciation of the yen has expanded since the first quarter. As a countermeasure, the company plans to avoid country risk and consolidate factories by reorganizing the countries of origin and production factories.

Full year impact

1 billion yen or less per year

Product supply system

Due to the lockdown in China from mid-August, there was a delay in delivery of some products, however In the first half result, there were no delays compared to the purchase plan due to delivery management including man-hour adjustment and partial air transportation.

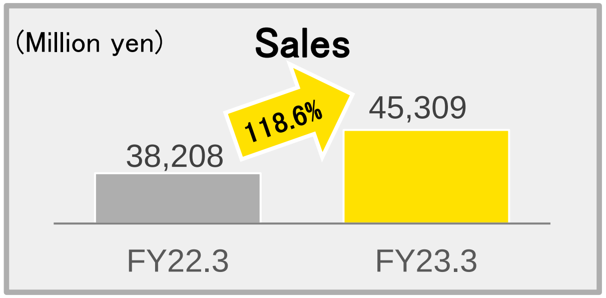
Full year impact

Hundreds of millions of yen per year

Ⅰ. Second quarter results for the fiscal year ending March 2023

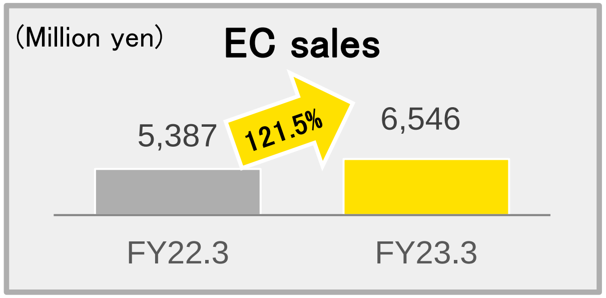
Net sales, ordinary income, and net income all hit record highs due to an increase in combined sales of not only apparel products, but also backpacks and shoes, due to an increase in demand not only for camping but also for outings such as travel.

Renewed a record high for cumulative second quarter sales



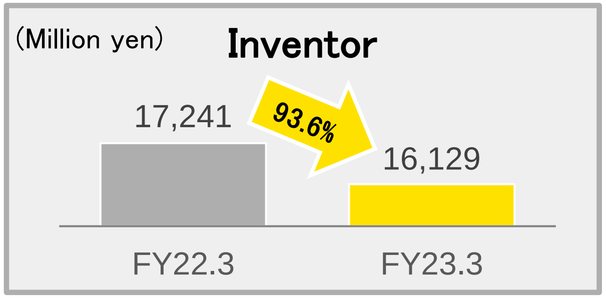
- THE NORTH FACE saw double-digit growth in not only apparel, but gear such as backpacks and shoes.
- Although some directly managed stores were affected by the "7th wave" of the corona crisis, demand for a wide range of products was stimulated not only by camping demand but also by the relaxation of behavioral restrictions.

E-commerce sales continue to grow steadily at 121.5% year-on-year



- Sales increased year-on-year in all sales channels directly managed stores, wholesalers, and EC. Sales at directly managed stores and EC sales were particularly strong.
- The self-managed sales ratio was 56% (58% in the same period last year).

Inventory balance continues to be within plan

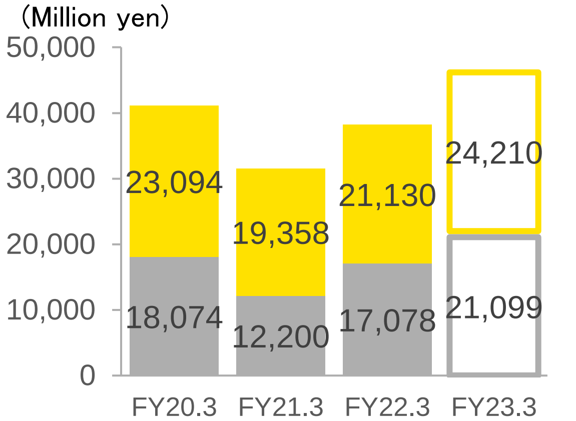


- Inventory balance was 93.6% year-on-year, down 1.1 billion yen year-on-year, and down 3.7 billion yen year-on-year, remaining within the initial forecast.
- The sales loss rate was 1.2%, down 0.2 points year-on-year. Progress is being made in inventory grasping with high precision that grasps the actual needs.

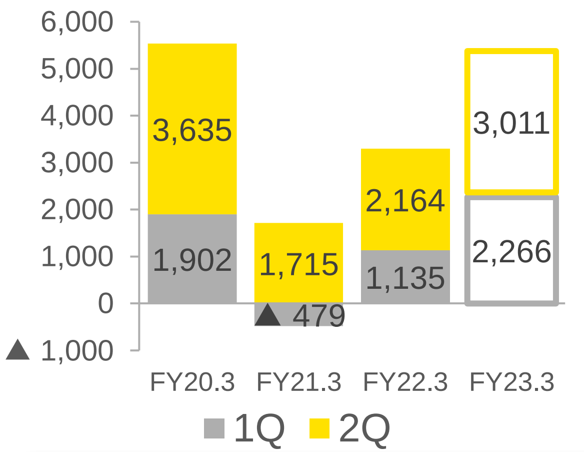
Second quarter results for the fiscal year ending March 2023.(Million yen)

	Net sale	Gross profit	Operating income	Ordinary income	Net income
Result	45,309	22,987	5,277	7,452	5,844
Year-on-year	118.6%	117.9%	160.0%	194.3%	222.0%
Profit margin on sales ( ) indicates previous year results	–	50.7% (51.0%)	11.6% (8.6%)	16.4% (10.0%)	12.9% (6.9%)

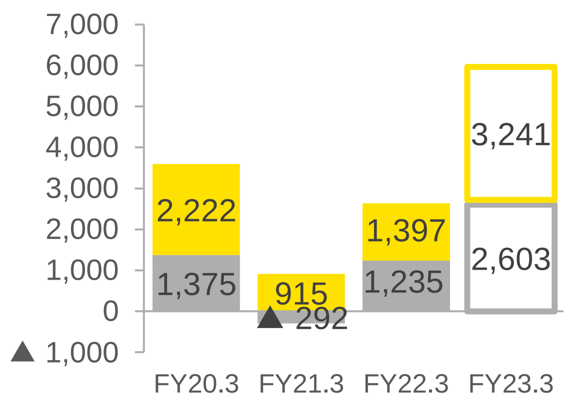
Net sale



Operating income



Net income



Best ever. Relaxation of restrictions on behavior stimulates demand for a wide range of products

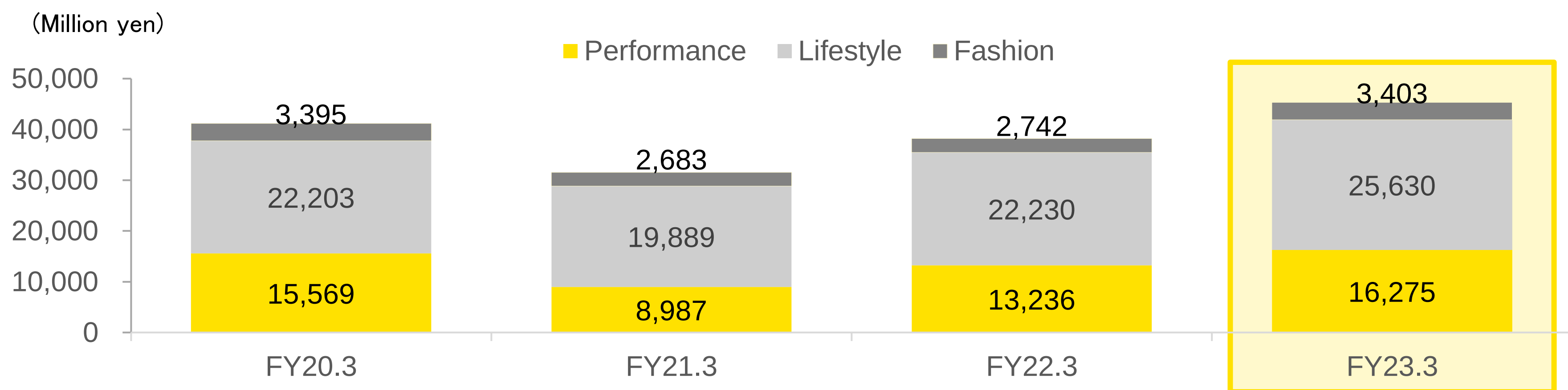
2nd in the past. Sales efficiency absorbs the factors that reduce profits due to high raw material prices and weaker yen

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

Second quarter performance trends by business category

Sales by business segment (Million yen)

	Performance	Lifestyle	Fashion
Result	16,275	25,630	3,403
Year-on-year comparison	123.0%	115.3%	124.1%
Year-on-year amount	+3,038	+3,401	+660
Sales composition ratio	35.9%	56.6%	7.5%



Performance

Climbing and running demand remains strong23% year-on-year increase due to the high level of trust in high-spec products such as the Summit series

Lifestyle

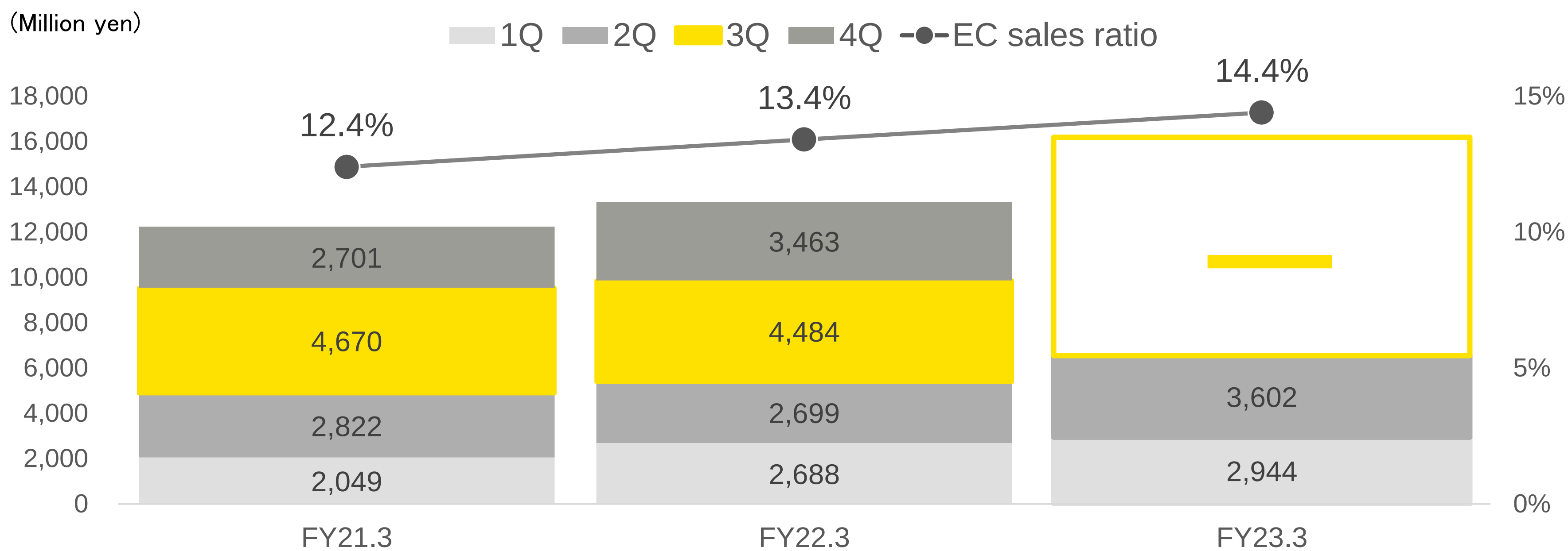
Camping demand continues to drive demand. Furthermore, we have acquired a wide range of demand such as travel accompanying the relaxation of restrictions on going out.

Fashion

THE NORTH FACE PURPLE LABEL grew for women in addition to men's Merchandise shows solid growth

Changes in EC sales by quarter

Policy to quickly build a supply chain that can respond to the EC sales ratio of 30%



Efforts to increase EC sales ratio to 30%

- Unification of directly managed stores and EC inventory, opening of brand sites for specific categories
- Accelerate use of OMO tools (EC collect, staff order)
- Renewal of core system, establishment of distribution bases in the Kanto region

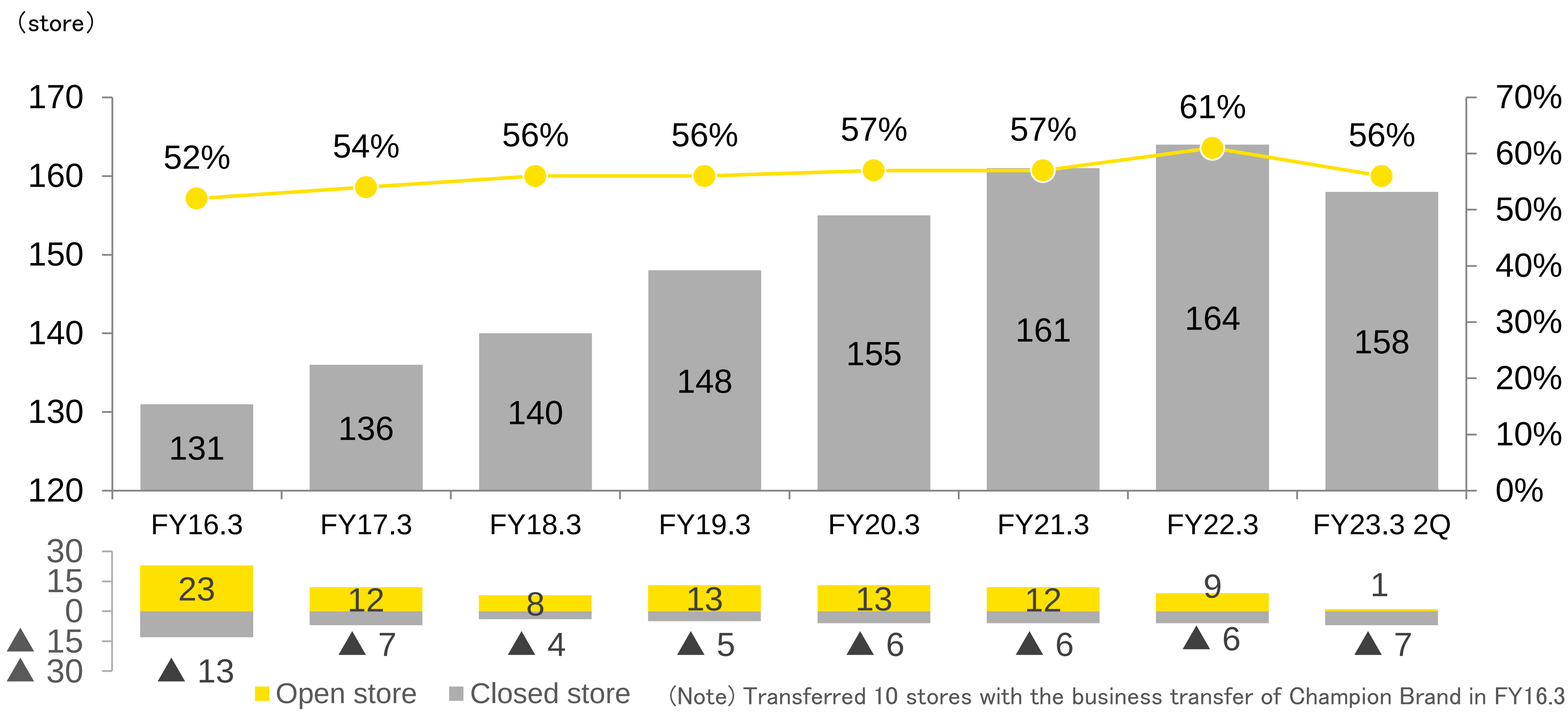
Acknowledged

Accelerate utilization

2023/4～

Maintain a stable trend in line with the self-managed sales ratio of 60%, which is the target of the medium-term management plan

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



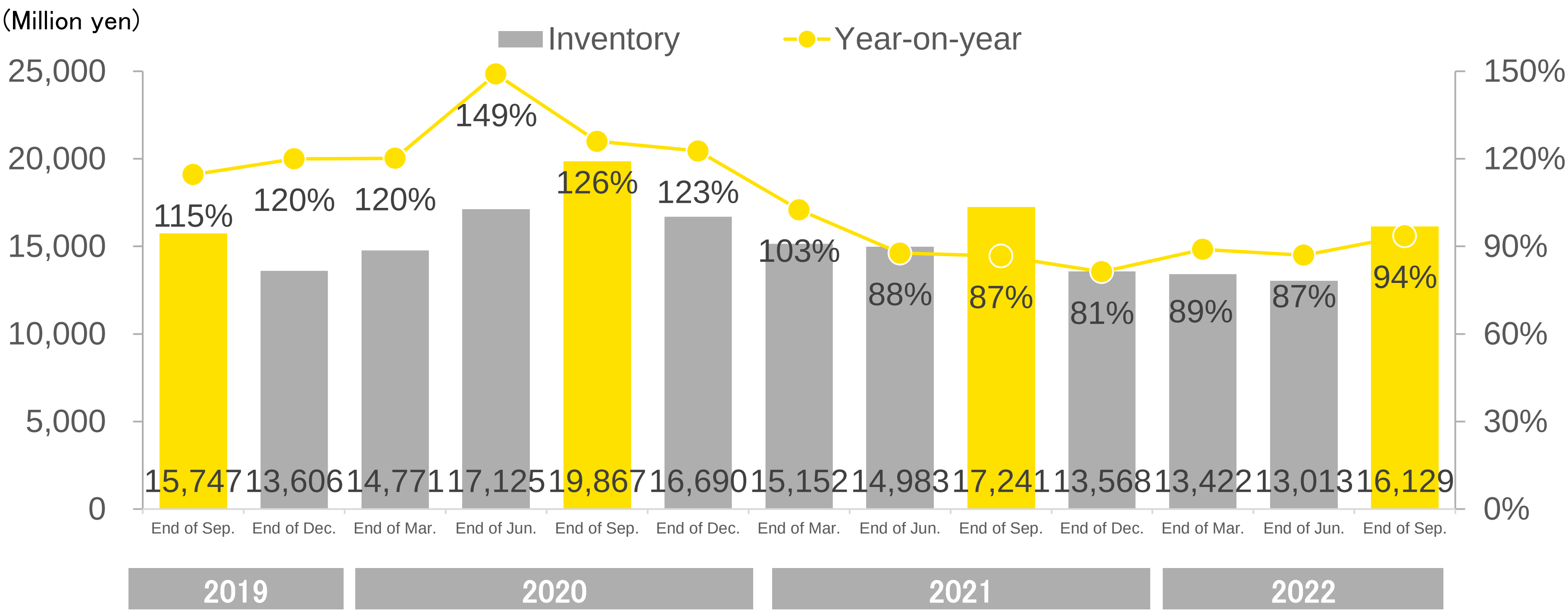
(Note) Transferred 10 stores with the business transfer of Champion Brand in FY16.3

- The number of directly managed stores by the second quarter was 158, with 1 store opening and 7 closings
- Open 3 stores in Yebisu Garden Place in the second half

- Self-managed sales ratio in the second quarter was 56%
- Self-managed sales ratio is maintained at a standard level

Inventory balance at the end of September 2022 will be 94% year-on-year and within the plan

Inventory Balance by Quarter

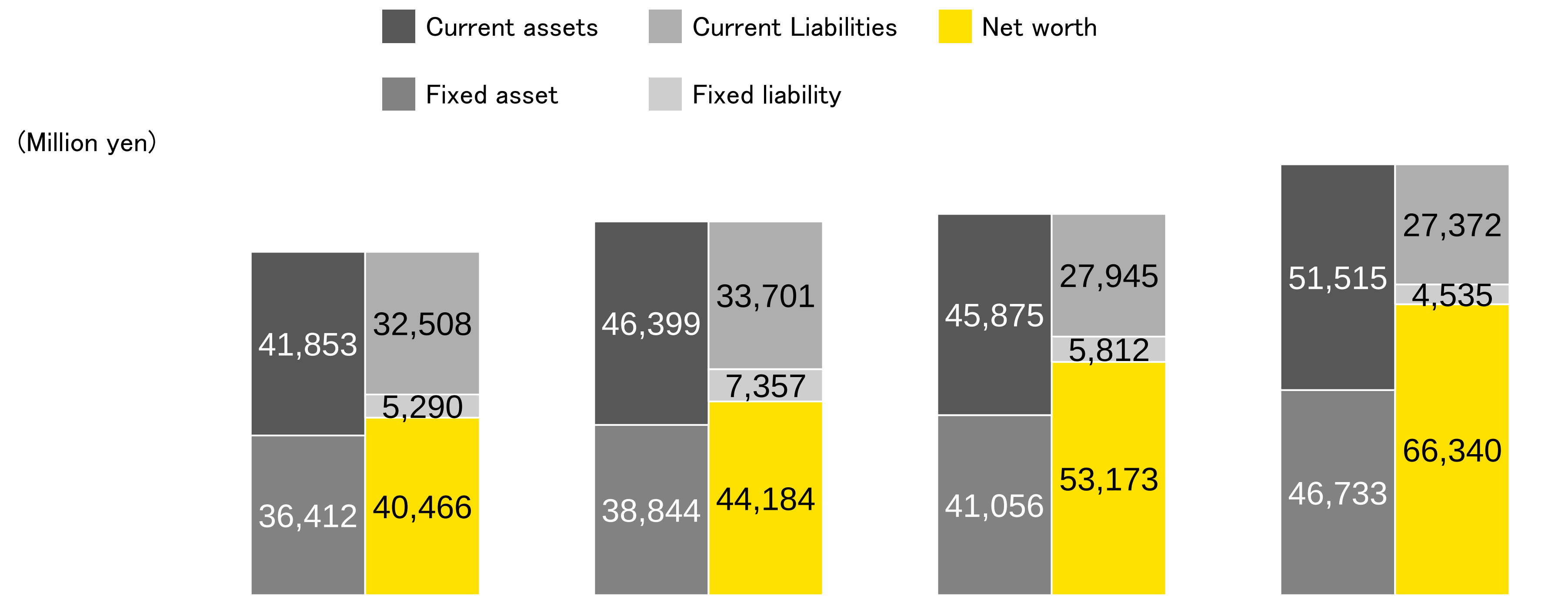


Current supply chain situation	Management policy for inventory management
There was a delay in the delivery of some products due to the impact of China's response to the coronavirus, but no delay in the delivery of autumn/winter products.	Sales trend has remained strong even in the second quarter, and the inventory balance is expected to remain in the 90% range compared to the same period in the previous year.

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

Second Quarter Balance Sheet

Equity ratio increased by 6.4 points year-on-year as a result of efforts to reduce interest-bearing debt



	FY20.3 2Q	FY21.3 2Q	FY22.3 Q2	FY23.3 2Q
Net worth (Million yen)	40,466	44,184	53,173	66,340
Capital adequacy ratio(%)	51.6	51.7	61.0	67.4

Ⅱ. Full-year outlook for the fiscal year ending March 2023

The full-year outlook remains unchanged.

Solid start to the third quarter.

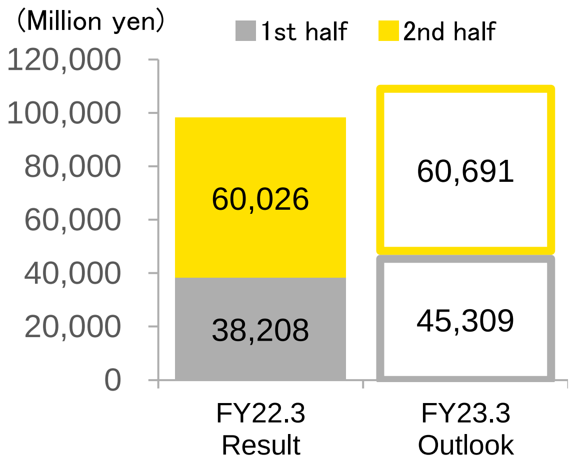
(No revision) Fiscal Year Ending March 2023 Earnings Forecast Summary

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.

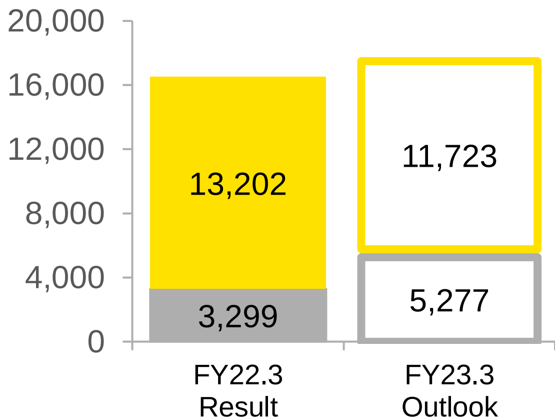
Financial Results Forecast for the Fiscal Year Ending March 2023 (Million yen)

	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%

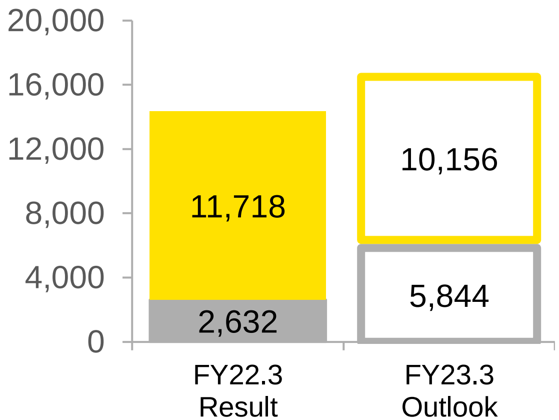
Net sale



Operating income



Net income

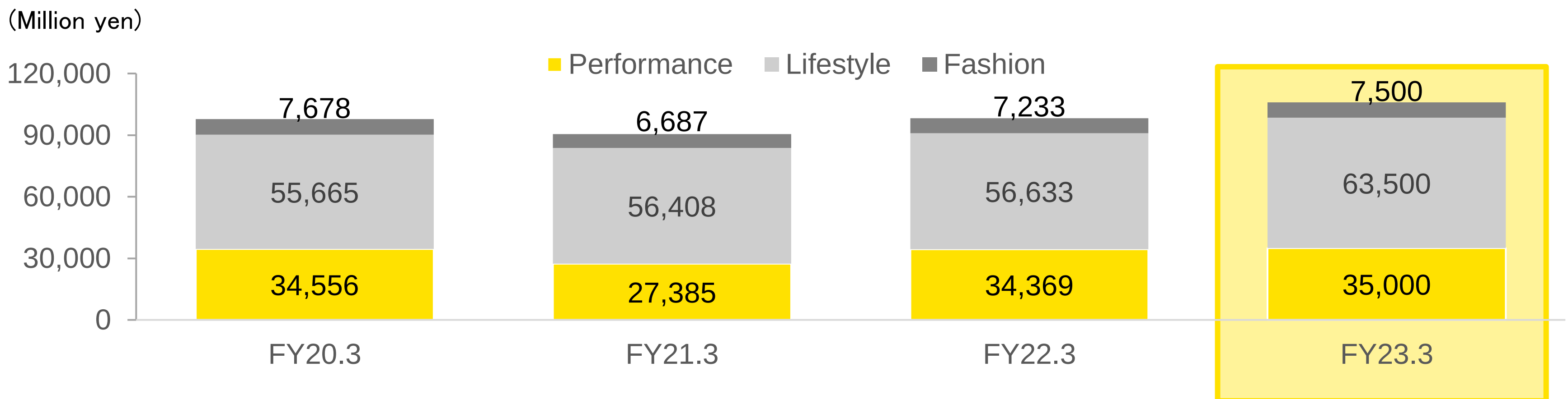


(No revision) Earnings forecast by business segment

In response to rising inbound demand, it plans to accept customers from a wide range of areas

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%



Performance

Demand for high-value-added products such as the Summit series remained firm.

Lifestyle

Rebound from Vietnam lockdown
Sales of backpacks and shoes remained strong as restrictions on movement eased.

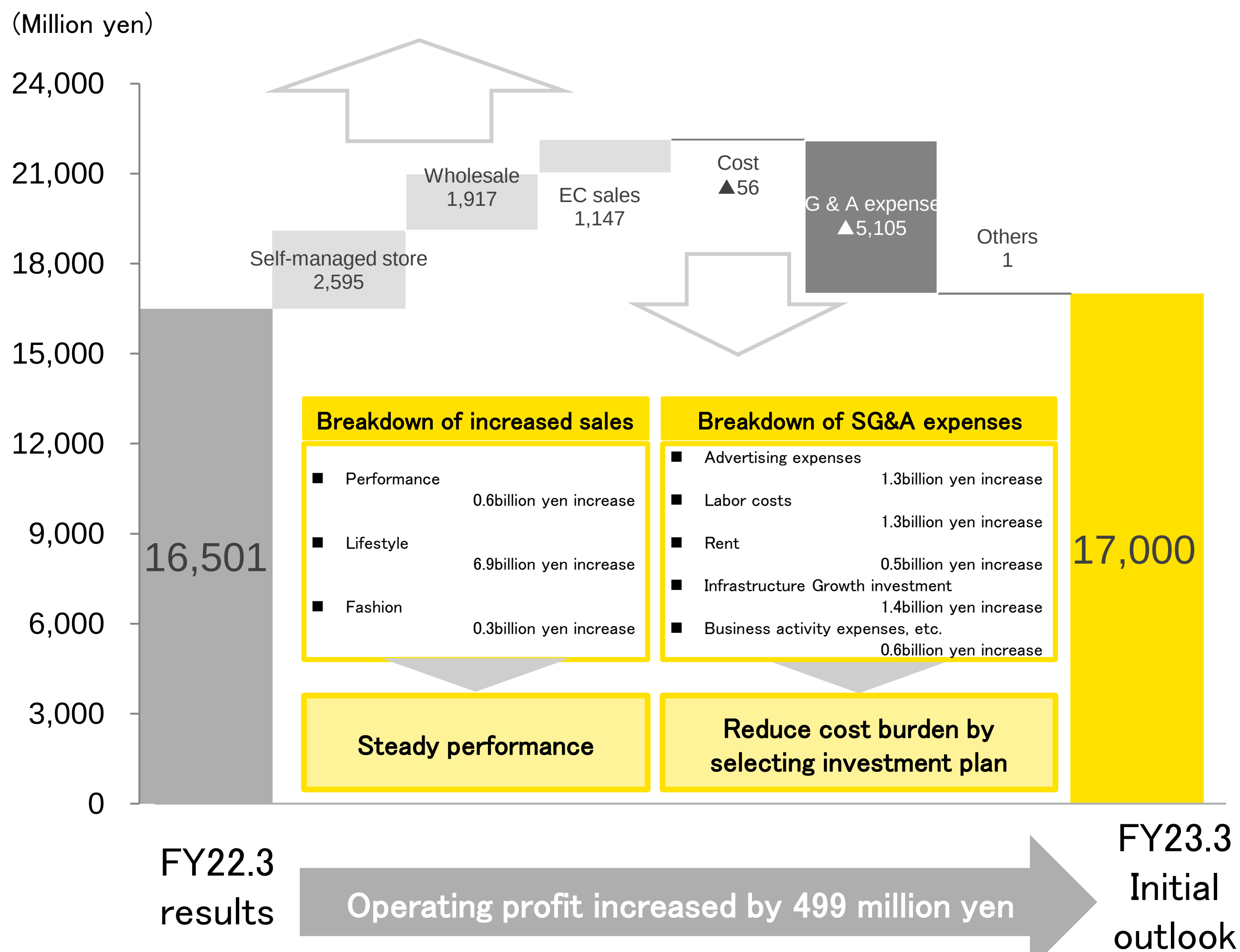
Fashion

THE NORTH FACE PURPLE LABEL adapted to inbound demand and performed well

Changes from the initial forecast in the graph of factors behind changes in operating income

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 in the graph indicate fluctuation factors from the beginning of the period



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.

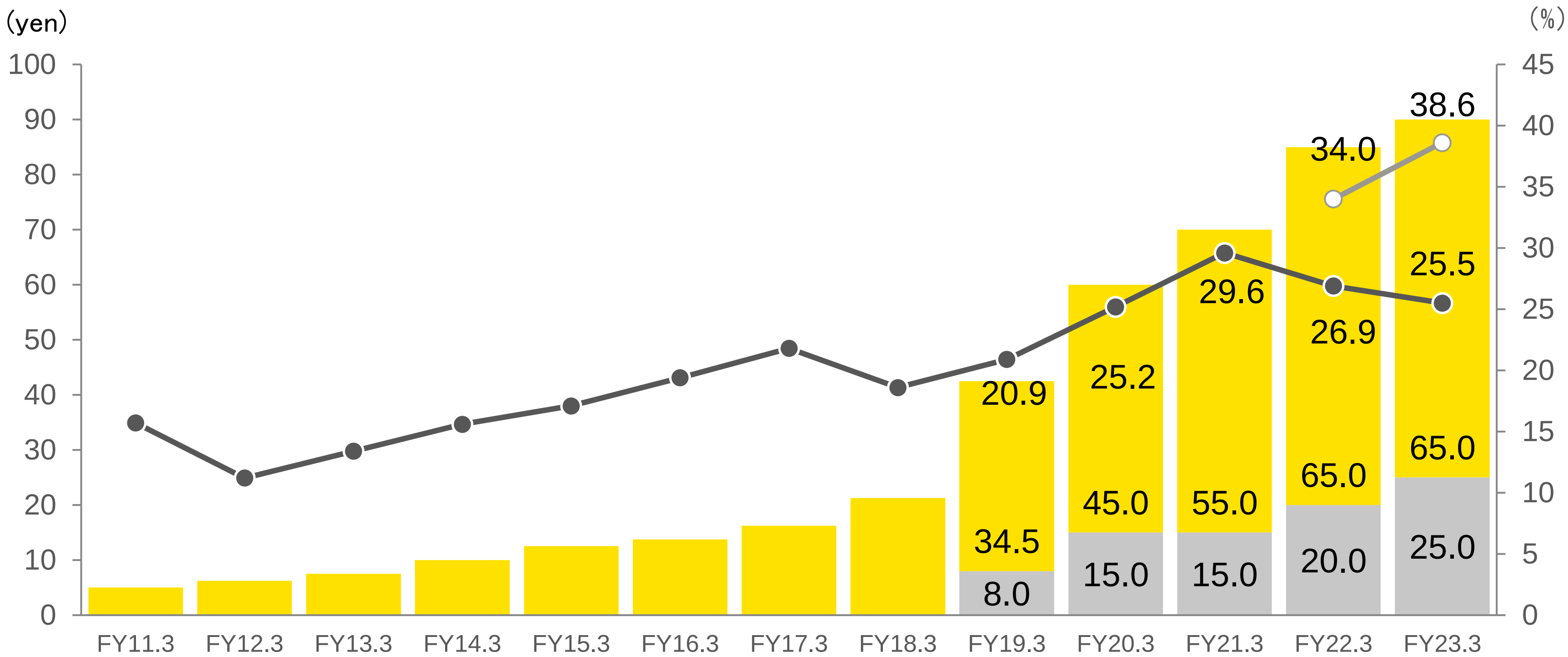
Cost price

Higher costs than at the initial forecast stage and depreciation of the yen are factors for lower profits

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

For FY2023.3, we plan to pay an interim dividend of 25 yen, a year-end dividend of 65 yen, and a full-year dividend of 90 yen, for a dividend payout ratio of 25.5%.



(Note) Dividend per share based on FY20.3

Dividend policy

Always recognizing that returning profits to shareholders is one of the most important issues as a company, we will continue to pay stable dividends while working to strengthen our financial structure and management foundation.

Stock consolidation/split

On October 1, 2015, 5 shares were consolidated into 1 share, and the number of shares constituting one unit was changed from 1,000 shares to 100 shares.
Split 1 share into 2 shares on March 31, 2018 as the record date.
Split 1 share into 2 shares on September 30, 2019 as the record date.

III. Key measures to achieve the full-year forecast

Taking advantage of changes in external factors, we will build a supply chain that maximizes our competitive advantage.

Assumptions at the end of the second quarter

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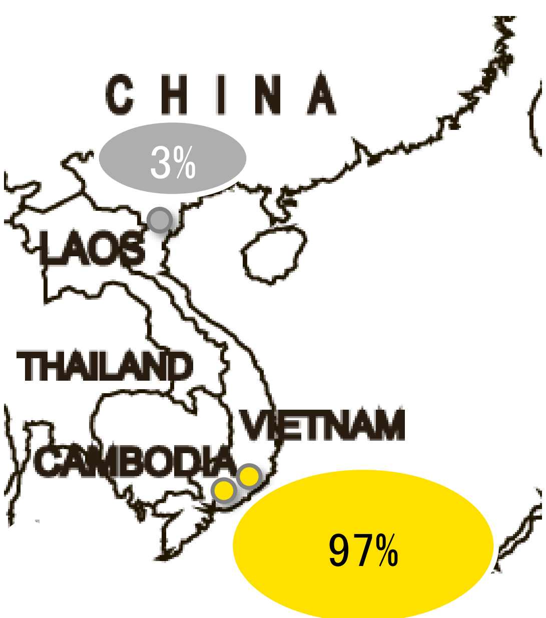
Progress in the first half was generally in line with expectations. From the second half onwards, we will overcome profit-declining factors such as high raw material prices and distribution costs by improving operations.

Prerequisite for the full-year outlook at the beginning of the period		As of the end of the second quarter	
① Inbound demand	Recovery of inbound demand is not factored in.	Expect but do not incorporate	Although the acceptance of foreign tourists is progressing, considering the situation of the corona crisis, the second half will not be factored into the earnings forecast as in the first half.
② Temporary closure of directly managed stores	The impact of the temporary closure of directly managed stores is expected to be on par with FY22.3	No change	No change from initial forecast. As of the end of September, no directly managed stores were temporarily closed.
③ Overseas sewing factory	The impact of the closure of overseas sewing factories is expected to be minor as we continue to diversify our suppliers.	Air transport ready	Currently, there are no delivery delays. The standardization of container fares will also progress.
④ New store opening	For new store openings, we will thoroughly manage profitability and give priority to increasing floor space.	As expected	On November 8th, we opened the largest Kanto store in Yebisu Garden Place with 3 brands.
⑤ Selling, general and administrative expense	The implementation of events that have been postponed in the last two periods is expected to recover to the level before the corona crisis.	Compression and reduction	In the 2nd quarter, due to the impact of the "7th wave", advertising expenses at stores were not spent and there was a delay.
⑥ Capital investment	The renovation of the logistics base and core system is scheduled to start operation from the second half of 2022.Depreciation expenses are scheduled to be recorded from the second half.	Postpone to best time	The core system and logistics base are currently underway with the project scheduled to transition to April 2023.

Affected by the lockdown in Vietnam in 2021, decentralization of production bases concentrated in southern Vietnam

Fall/Winter results 2022

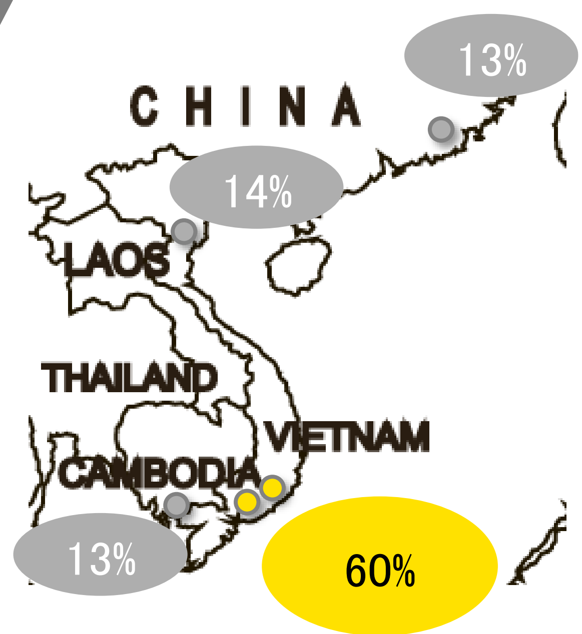
Year-on-year 126%



Southern Vietnam 97%
Northern Vietnam 3%

Fall/Winter outlook 2023

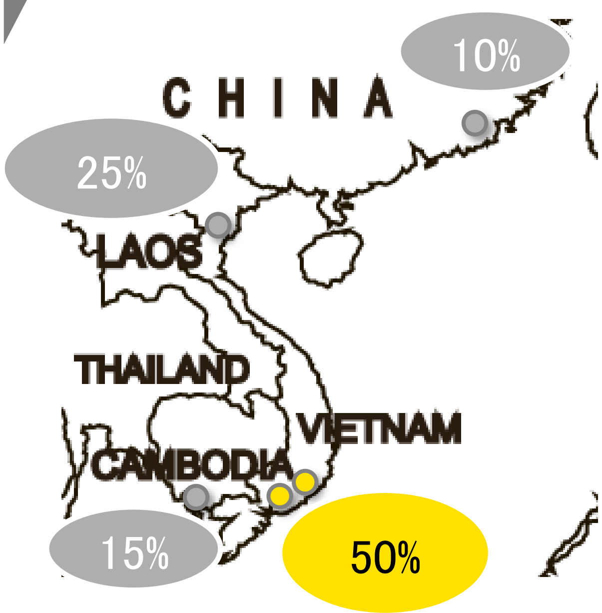
Year-on-year 130%



Southern Vietnam 60%
Northern Vietnam 14%
China 13%
Cambodia 13%

Fall/Winter outlook 2024

Year-on-year 130%



Southern Vietnam 50%
Northern Vietnam 25%
Cambodia 15%
China 10%

Establishment of distribution bases in the Kanto region

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Operations will begin in January 2023, and full-scale operations are scheduled to begin in April 2023, with the aim of strengthening delivery systems to the Tokyo metropolitan area, which accounts for more than 50% of sales from directly managed stores.

1 Overview of Kanto Logistics Base

Place	Ichikawa City, Chiba Prefecture
Area	21,000 ㎡ (including our affiliated companies)
Investment amount	Initially Plan capital investment Current Business consignment contract with 3PL company → change from capital investment

2 Impact on income statement due to delay in operation

Scheduled to open

Operation will start in January 2023, and full-scale operation will begin in April

Impact on the fiscal year ending March

Rent, system renovation, transportation costs, etc.: Increased by about 100 million yen

3 Investment effect and future schedule

Shipment volume composition ratio	Toyama100%	→ Toyama 75% Kanto 25%
Enhancement	Streamline inventory management by reducing store inventory (reduce opportunity loss)Promoting backyard sales floor space	
	EC sales ratio to 30% Strengthen response (Fiscal year ending March , 2026)	
	Toyama area venous logistics support Strengthening collection, recycling and reproduction	

Although external factors are unclear, the amount of impact is limited

Due to the depreciation of the yen, the full-year impact of the exchange rate is expected to be higher than the first quarter forecast, but the impact is expected to remain in the 1 billion yen range for the following three items.

	Dealing with raw material prices	Exchange rate	Product supply system
Full year outlook at the beginning of the period	■ By building and promoting joint research and development relationships with material manufacturers, the immediate impact of soaring raw material prices will be limited. ■ Minimize the impact of price hikes on spring/summer products.	■ The impact of short-term exchange rate fluctuations is limited due to seasonal exchange contracts.	■ Many spring/summer products arrived in Japan before the impact of the Shanghai lockdown, avoiding a significant increase in logistics costs. ■ Partially use air transportation. The impact will be limited to tens of millions of yen.
	Full year impact tens of millions of yen	Full year impact tens of millions of yen	Logistics cost increaseTens of millions of yen
1Q progress	The impact in the first quarter was limited to tens of millions of yen	The impact of yen depreciation due to forward exchange contracts was limited to tens of millions of yen	Some delivery delays were recognized, but the increase in logistics costs was within the initial forecast due to air transportation.
2Q progress	**Full year impact Tens of millions of yen → Hundreds of millions of yen (Hundreds of millions of yen even when combined with the increase in logistics costs)**	**Full year impact Several hundred million yen → 1 billion yen or less**	**Full year impact Tens of millions of yen → Hundreds of millions of yen (Hundreds of millions of yen even when combined with the increase in raw materials)**
Current full year outlook	■ Regarding autumn/winter products, we will revise sales prices by 5-10% for about 10% of all products (200 product numbers). ■ Aiming for absorption by improving sales efficiency at directly managed stores.	■ Although the impact of the rapid depreciation of the yen will increase over the full year, it is not expected to reach 1 billion yen.	■ Rising logistics costs are expected to have a small impact for the full year as the shortage of containers is converging.

Regarding the progress of the medium-term management plan

- Starting in May 2021, we are still at the stage of finishing one year, but I think we are making good progress at present
- If the current trend continues, we may consider revising the medium-term management plan. THE NORTH FACE has more customers than we think.
 On the other hand, overseas expansion will be in the future.
 Overseas expansion is an important point in the medium-term management plan.
 It will be required to set it as a KPI.

Outlook for inbound demand

- Before the corona crisis, most of them were from China, Taiwan, Hong Kong, and South Korea.
 However, the popularity of THE NORTH FACE is not limited to Japan, but is spreading worldwide.
 THE NORTH FACE by Goldwin is gaining recognition overseas as street wear and fashion.
 We hear that THE NORTH FACE PURPLE LABEL is gaining popularity not only from China and South Korea, but also from Southeast Asia, in terms of inbound popularity compared to before corona crisis.

About stock status

- Inventory remains low. We think this level is very low compared to other companies. In the past few years, while sales have grown so rapidly, the inventory balance has remained constant. While operations are becoming more difficult, it is difficult to keep inventory balances almost constant while engaging direct management, wholesale, and shop-in-shop. We think we are progressing to a higher level. Improvements are underway. We recognize that selling out the products we make is the heart of the brand business.

Summary

Fiscal year ending March 2023 2Q results, each profit is above the target in a difficult environment

Not only camping demand, but also demand for outings such as travel has increased, and combined sales of not only apparel products but also backpacks and shoes have increased, and both sales and each profit have reached record highs.

Full year outlook for the fiscal year ending March 31, 2023 will be disclosed after assessing the third quarter

The full year outlook remains unchanged. Solid start to the third quarter. We will continue to capture inbound demand toward the year–end and New Year holidays.

Key measures to achieve the full year forecast

With changes in external factors as a tailwind, we will build a product development and sales system that can maximize our competitive advantage.

Second Quarter Income Statement Summary

	1Q				2Q				1st half cumulative			
	FY20.3	FY21.3	FY22.3	**FY23.3**	FY20.3	FY21.3	FY22.3	**FY23.3**	FY20.3	FY21.3	FY22.3	**FY23.3**
Net sale	18,074	12,200	17,078	**21,099**	23,094	19,358	21,130	**24,210**	41,168	31,558	38,208	**45,309**
Gross profit	9,531	6,330	8,986	**11,122**	12,019	9,799	10,514	**11,865**	21,550	16,129	19,500	**22,987**
(%)	52.7%	51.9%	52.6%	**52.7%**	52.0%	50.6%	49.8%	**49.0%**	52.3%	51.1%	51.0%	**50.7%**
SG&A expenses	7,499	6,770	7,851	**8,855**	8,514	8,098	8,349	**8,855**	16,013	14,868	16,200	**17,710**
(%)	41.5%	55.5%	46.0%	**42.0%**	36.9%	41.8%	39.5%	**36.6%**	38.9%	47.1%	42.4%	**39.1%**
Operating income	1,902	▲479	1,135	**2,266**	3,635	1,715	2,164	**3,011**	5,537	1,236	3,299	**5,277**
(%)	10.5%	-	6.6%	**10.7%**	15.7%	8.9%	10.2%	**12.4%**	13.4%	3.9%	8.6%	**11.6%**
Ordinary income	1,946	▲76	1,696	**3,368**	3,346	1,471	2,139	**4,084**	5,292	1,395	3,835	**7,452**
(%)	10.8%	-	9.9%	**16.0%**	14.5%	7.6%	10.1%	**16.9%**	12.9%	4.4%	10.0%	**16.4%**
Net income	1,375	▲292	1,235	**2,603**	2,222	915	1,397	**3,241**	3,597	623	2,632	**5,844**
(%)	7.6%	-	7.2%	**12.3%**	9.6%	4.7%	6.6%	**13.4%**	8.7%	2.0%	6.9%	**12.9%**

Corporate data

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.