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MEMBERSHIP

August 5, 2022

Consolidated Financial Results for the Three Months Ended June 30, 2022 (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: August 12, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(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	%
Three months ended June 30, 2022	21,099	23.5	2,266	99.6	3,368	98.5	2,603	110.8
June 30, 2021	17,078	40.0	1,135	–	1,696	–	1,235	–

Note: Comprehensive income Three months ended June 30, 2022: ¥3,636 million [99.6%]
 Three months ended June 30, 2021: ¥1,821 million [–%]

	Earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	57.74	–
June 30, 2021	27.23	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2022	94,125	62,008	65.8
March 31, 2022	99,085	63,411	63.9

Reference: Equity
 As of June 30, 2022 ¥61,914 million
 As of March 31, 2022 ¥63,278 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, 2022	–	20.00	–	65.00	85.00
Year ending March 31, 2023	–				
Year ending March 31, 2023 (Forecast)		25.00	–	65.00	90.00

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

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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
Six months ending September 30, 2022	44,400	16.2	3,900	18.2	5,900	53.8	4,130	56.9	91.58
Full year	106,000	7.9	17,000	3.0	21,400	5.5	16,000	11.5	354.79

Note: Revisions to the forecast of consolidated financial results most recently announced: Yes

*** Notes**

(1) Changes in significant subsidiaries during the three months ended June 30, 2022 (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: Yes

(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 June 30, 2022	47,448,172 shares
As of March 31, 2022	47,448,172 shares

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

As of June 30, 2022	2,450,606 shares
As of March 31, 2022	2,202,276 shares

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

Three months ended June 30, 2022	45,096,981 shares
Three months ended June 30, 2021	45,365,674 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 materials for the suppositions that form the assumptions for the financial forecasts and cautions regarding the use of the financial forecasts.

Attached Material

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

(1) Explanation of operating results

During the three months ended June 30, 2022, amid a trend of decline in the number of novel coronavirus disease (COVID-19) cases, the Japanese economy experienced a nationwide move to reopen economic activities with the easing of COVID-19-related restrictions. However, the impact of Russia's invasion of Ukraine, which started in February 2022, led to a global surge in raw materials prices and resulted in broad-based price increases. In the foreign exchange market, import costs increased with the progressing sharp deterioration in the Japanese yen, and the approximately two-month-long lockdown in the global trading port of Shanghai starting at the end of March had a large impact on the supply chain. As such, the future of the economy remains uncertain overall.

Amid these conditions, in the first quarter (April to June), the Group saw a move toward recovery in private consumption with more opportunities to leave home as no state of emergency declarations, etc. were issued. Outdoor-related products offered by THE NORTH FACE and other brands enjoyed strong sales of lifestyle wear for kids, ladies, etc. in addition to high-performance wear. With solid growth in a wide range of goods-related products such as backpacks and shoes, net sales were ¥21,099 million (up 23.5% from the previous year), a record for the highest net sales ever in the first quarter.

In terms of operating profit, as described above, factors of increase in selling, general and administrative expenses such as rising manufacturing costs and distribution costs began to impact a wide range of products. Amid these conditions, in terms of procurement, as we have built long-standing relationships over many years in joint development with materials manufacturers, we concluded long-term agreements for many of our mainstay materials, working to minimize the impact on prices for spring and summer goods. Furthermore, in terms of production, for our annual mainstay products centered on outdoor wear, we worked to reduce manufacturing costs through planning and production that took advantage of the off season. The Shanghai lockdown led to an increase in distribution costs due to the airborne shipping of certain goods. However, as we had already received shipments to Japan for many spring and summer goods prior to the lockdown, the increase in our distribution costs was limited. As a result, our gross profit margin improved by 0.1 percentage points year-on-year to 52.7%, absorbing the increase in expenses and leading operating profit to rise by 99.6% year-on-year to ¥2,266 million and setting an all-time record for the first quarter. In this way, even during unpredictable conditions, our actual demand-oriented business model that we have worked for many years to develop with materials manufacturers, wholesalers, etc. demonstrated its strength in facilitating a "chain of value" from the procurement of raw materials all the way to sales to our customers.

Ordinary profit was ¥3,368 million (up 98.5% year on year), mainly due to the strong performance of YOUNGONE OUTDOOR Corporation, an equity-method affiliate in South Korea, in addition to an increase in operating profit.

Profit attributable to owners of parent also reached ¥2,603 million (up 110.8% year on year) thanks to the success of the above efforts, and both ordinary profit and profit attributable to owners of parent reached new record highs for the first quarter.

Furthermore, during the approximately one month from April 23, 2022 through May 29, 2022 in the first quarter, we ran the PLAY EARTH PARK event at Roppongi's Tokyo Midtown on the theme of enjoying the earth and having formative sports experiences. At this event, we installed playground equipment designed with the collaboration of architects. PLAY EARTH PARK saw more than 34,000 visitors, succeeding in realizing the concept of PLAY EARTH put forth in our Medium-Term Management Plan. We moved the playground equipment used in the PLAY EARTH PARK event to Toyama Prefecture, the region where the Company was founded, and hold events at Fugan Unga Kansui Park and the Toyama Prefectural Museum of Art and Design from July 23, 2022 to August 14, 2022. We had postponed many customer events like these for approximately two years due to the COVID-19 pandemic, and we plan to continue promoting similar events while being mindful of COVID-19 conditions.

(2) Explanation of financial position

Total assets at the end of the period under review amounted to ¥94,125 million, down ¥4,960 million from the end of the previous fiscal year. The main factors were a ¥5,672 million decrease in cash and deposits, a ¥2,483 million decrease in notes and accounts receivable - trade, and contract assets, despite

a ¥1,926 million increase in investment securities and a ¥1,353 million increase in accounts receivable - other.

Total liabilities at the end of the period under review amounted to ¥32,117 million, down ¥3,556 million from the end of the previous fiscal year. The main factors were a ¥1,450 million increase in electronically recorded obligations - operating, offset by a ¥2,668 million decrease in income taxes payable and a ¥1,762 million decrease in notes and accounts payable - trade.

Total net assets at the end of the period under review amounted to ¥62,008 million, down ¥1,403 million from the end of the previous fiscal year. The main factors were a ¥2,603 million profit attributable to owners of parent, offset by a ¥1,951 million increase in treasury shares, and ¥3,041 million paid for dividends. Equity ratio was 65.8%.

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

We have upwardly revised our net sales and profit forecasts in our consolidated financial results forecasts for the six months of the fiscal year ending March 31, 2023 from our initial forecasts due to projected strong sales of outdoor-related goods centered on THE NORTH FACE.

Furthermore, as stated above, sales trends are exceeding our initial forecasts, but in addition to surging foreign exchange rates and raw materials prices and rising distribution costs, the rapid increase in COVID-19 cases numbers from the “seventh wave” starting in mid-July mean that the second half of the fiscal year under review is still extremely challenging to predict. As such, regarding our full-year consolidated financial results forecasts, we have made no changes from our initial projections and will promptly disclose any revisions where deemed necessary based on our future financial results trends or other factors.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	26,406	20,734
Notes and accounts receivable - trade, and contract assets	11,032	8,548
Electronically recorded monetary claims - operating	2,797	3,069
Merchandise and finished goods	12,554	12,194
Work in process	326	247
Raw materials and supplies	542	571
Other	1,841	3,059
Allowance for doubtful accounts	(13)	(8)
Total current assets	55,486	48,417
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,718	2,304
Land	4,691	4,691
Other, net	2,231	1,803
Total property, plant and equipment	8,642	8,799
Intangible assets		
Trademark right	1,490	1,420
Other	1,602	1,690
Total intangible assets	3,093	3,110
Investments and other assets		
Investment securities	24,060	25,986
Guarantee deposits	2,708	2,692
Other	5,282	5,308
Allowance for doubtful accounts	(188)	(188)
Total investments and other assets	31,862	33,798
Total non-current assets	43,598	45,707
Total assets	99,085	94,125

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,904	3,141
Electronically recorded obligations - operating	12,223	13,673
Current portion of long-term borrowings	1,437	1,183
Income taxes payable	3,112	443
Provision for bonuses	1,648	2,107
Other	7,060	6,542
Total current liabilities	30,386	27,093
Non-current liabilities		
Long-term borrowings	2,751	2,490
Retirement benefit liability	217	200
Provision for share awards	947	958
Other	1,371	1,373
Total non-current liabilities	5,287	5,024
Total liabilities	35,673	32,117
Net assets		
Shareholders' equity		
Share capital	7,079	7,079
Capital surplus	276	276
Retained earnings	61,356	60,918
Treasury shares	(5,377)	(7,329)
Total shareholders' equity	63,335	60,945
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	480	521
Deferred gains or losses on hedges	98	186
Foreign currency translation adjustment	196	1,052
Remeasurements of defined benefit plans	(830)	(790)
Total accumulated other comprehensive income	(56)	969
Non-controlling interests	132	93
Total net assets	63,411	62,008
Total liabilities and net assets	99,085	94,125

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

Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	17,078	21,099
Cost of sales	8,091	9,976
Gross profit	8,986	11,122
Selling, general and administrative expenses	7,851	8,855
Operating profit	1,135	2,266
Non-operating income		
Interest income	1	1
Dividend income	35	41
Share of profit of entities accounted for using equity method	558	1,080
Other	31	34
Total non-operating income	627	1,157
Non-operating expenses		
Interest expenses	23	9
Loss on sale of notes receivable - trade	8	4
Loss on cancellation of insurance policies	17	-
Other	17	41
Total non-operating expenses	66	55
Ordinary profit	1,696	3,368
Extraordinary income		
Gain on sale of non-current assets	0	-
Gain on sale of investment securities	14	5
Gain on liquidation of subsidiaries	-	80
Total extraordinary income	15	85
Extraordinary losses		
Loss on store closings	0	1
Other	0	-
Total extraordinary losses	0	1
Profit before income taxes	1,711	3,452
Income taxes - current	449	658
Income taxes - deferred	16	182
Total income taxes	466	841
Profit	1,244	2,610
Profit attributable to non-controlling interests	9	6
Profit attributable to owners of parent	1,235	2,603

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	1,244	2,610
Other comprehensive income		
Valuation difference on available-for-sale securities	(179)	41
Deferred gains or losses on hedges	(8)	47
Foreign currency translation adjustment	157	72
Remeasurements of defined benefit plans, net of tax	127	44
Share of other comprehensive income of entities accounted for using equity method	479	820
Total other comprehensive income	576	1,025
Comprehensive income	1,821	3,636
Comprehensive income attributable to:		
Owners of parent	1,811	3,629
Non-controlling interests	9	6

(3) Notes regarding quarterly consolidated financial statements

(Notes regarding assumptions of going concern)

Not applicable.

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

Acquisition of treasury shares

At the Board of Directors meeting held on February 8, 2022, the Company resolved to acquire treasury shares in accordance with the provisions of Article 459, paragraph 1 of the Companies Act and Article 36 of its Articles of Incorporation, and by June 30, 2022, it has completed the acquisition of 293,000 shares of treasury shares. As a result, in the three months ended June 30, 2022, treasury shares increased by ¥1,951 million.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the first quarter under review, and it has applied the new accounting policy provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. The application has no impact on the quarterly consolidated financial statements.

(Segment information)

Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021) and three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)

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