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November 25, 2020

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## Notice of the Business Restructuring to Improve Profitability in Japan

DESCENTE LTD. (the “Company”) decided to execute business restructuring to ensure the stable profitability of our business in Japan, which is one of the pillars of us, at the board of directors’ meeting held on November 25, 2020. The Company would like to inform you of the main contents as follows.

### I. Background of Business Restructuring in Japan

According to one of the Company’s key strategies, “Consolidate in Asia” of our midterm management plan “D-Summit 2021” announced in August 2019, during the fiscal year ended March 2020 the Company liquidated three subsidiaries in Europe and North America and completed a refocusing of our regions and brands, putting in place a structure that allows us to concentrate on markets in Japan, South Korea and China. To further expand the "Descente" brand business in China and thereby increase the Company's included profits, the Company will conduct a restructuring in the year ending March 2021 to increase its stake in the joint venture, Descente China Holdings Limited(“DCH”). In order to achieve “Improving profitability of Japan business”, the Company has been continuously implementing initiatives based on the three strategies of “Improve profitability by expanding sales of independently managed stores”, “Further expand the sales ratio of e-commerce”, “Strategically review expenses by a taskforce under the umbrella of CFO”. The Company executes the following business restructuring to ensure stable earnings in Japan from the next fiscal year.

## II. Outline of Business Restructuring

(1) Product planning and distribution reforms aimed to expand DTC (Direct to Consumer) business, (2) Clarification of management indicators for improving profitability, (3) Replacing major information system and (4) Call for voluntary retirements are more specific actions to implement the above three strategies. The outline of these four actions is as follows.

### (1) Product planning and distribution reforms aimed to expand DTC business

Currently, the Company is concentrating its human resources in DTC business and renovating its inhouse online store platform. The Company promotes expansion of DTC business by aiming to establish omnichannel business model through inventory linkage between real stores and inhouse online stores, and doing digital marketing such as launching our inhouse digital medeia "ULLR MAG." Especially for its corporate brand "DESCENTE", the Company will make maximum use of "DISC", our R&D center, to plan products that are more conscious of customer needs, such as new needs arising from changes in customer behavior, and will open directly managed stores including new type of stores and expansion of outlet stores.

### (2) Clarification of management indicators for improving profitability

The Company will rectify its management strategy of increasing sales and personnel on the premise of sales growth, which the Company set forth before FY2018, and will clarify its shift to a management policy aimed at improving profitability. By reducing the total volume and number of products to be manufactured, the Company will increase sales at full retail price and eliminate unnecessary discount sales. As a result, the Company aims to improve gross profit (ratio) and profit (ratio). In order to measure "earning power" the Company will establish clear company-wide indicators related to operating income ratio. Also it reduces costs with low cost-effectiveness and prevent non-current expenses from becoming current expenses for example, replacing multi-year contracts with outside companies, athletes and teams etc. to one-year contracts.

### (3) Replacing major information systems

The Company plans to invest in ERP systems which will be launched in 2023 to improve supply chain efficiency and operational efficiency and to increase their effectiveness. The speed and accuracy of management decisions will improved by integrating our internal database, eliminating waste in business processes, and standardizing business operations.

#### (4) Call for voluntary retirements

Based on the above management strategies, in order to conduct business operations with the number of employees commensurate with the scale of sales, the Company has entered into discussions with the labor union to call for approximately 110 voluntary retirees for full-time employees and contract employees. The outline of the voluntary retirement program is as follows.

1. Eligible Applicants : full-time employees and contract employees  
(However, as of March 31, 2021, full-time employees must be 40 years of age or older. Also, full-time sales persons at our stores are not included.)
2. Number of Applicants: Approximately 110 employees
3. Application period: January 18, 2021 - February 1, 2021
4. Date of retirement (scheduled) : March 31, 2021 (or the day of until March 31, 2021 as specified by the Company)
5. Other: Those who retire will be provided with retirement allowances as stipulated in the retirement allowance regulations and extraordinary retirement allowances. In addition, support for re-employment will be provided upon request.

### III. Other Measures

#### (1) Shift to a new personnel system based on the “Pay for performance”

The Company plans to revise its personnel system to raise employees’ awareness of contributing to the Company’s business performance. Under the planning new personnel system, employees will be encouraged a spirit of challenge through the treatment that is tailored to their results achieved by the concept of “Pay for performance” and the total amount of employees' bonuses will be adjusted in line with the business performance of the Company. In addition, the knowledge and experience which employees are required has changed in line with structural changes such as the strengthening of the DTC business and digital marketing, therefore the Company will strengthen the development of human resources capable of responding to such changes.

#### (2) Sale of assets

Considering that the telecommuting ratio of office workers is increasing and that the number of employees will decrease due to voluntary retirement, the Company will consider to reduce the size of offices, sell off assets and cross-shareholdings.

(3) Transfer of wholesale business of the consolidate subsidiary BEN-GENERAL CORPORATION

At the board of directors' meeting of the Company held on November 25, 2020, it was resolved to transfer the wholesale business of BEN-GENARAL CORPORATION, a consolidated subsidiary of the Company, to ZETT Corporation. April 1, 2021 is designated as the date of business transfer (schedule). For details, please refer to the "Notice of the Business Transfer of the Consolidated Subsidiary" disclosed on November 25, 2020.

IV. Future Prospects

The Company plans to record approximately 1 billion yen in costs related to voluntary retirement, but the number of applicants for voluntary retirement has not yet been determined. A one-time expenses for this restructuring as an extraordinary loss in the fiscal year ending March 2021 will be recorded, but because the Company also expects an extraordinary profit from the sale of assets, etc., it has not changed the full-year consolidated earnings forecast announced in "Notice of Earnings Forecast for Fiscal Year Ending March 31, 2021" on July 15, 2020.

(Note) The above forecasts are based on information currently available. Consequently, actual results may differ depending on various factors.

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