

To our stakeholders

BUSINESS REPORT 2022

April 1, 2021 - March 31, 2022

DESCENTE LTD.

Security code : 8114



Team
DESCENTE

Innovating Your Sport with
"Product Excellence"

SHOHEI OHTANI
DESCENTE

YUKI ISHIKAWA
DESCENTE

YUKIKO UENO
DESCENTE



HIDEKI MATSUYAMA
SRIXON



RYOSUKE IRIE
ARENA



GAKU SHIBASAKI
UMBRO



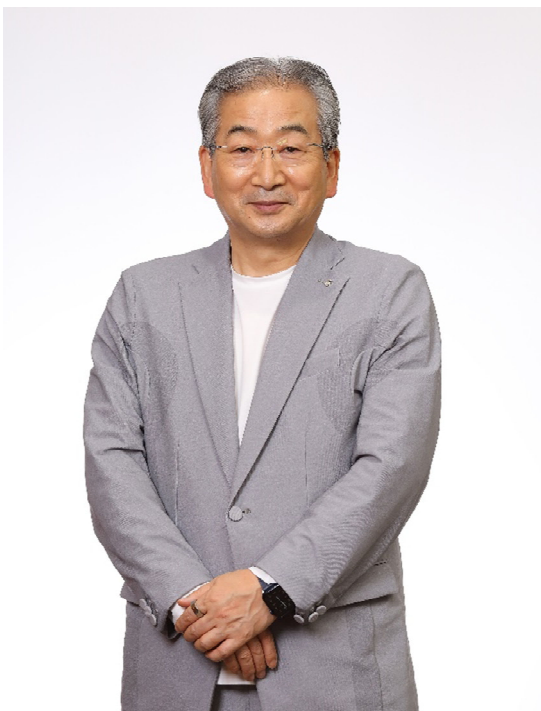
AI SUZUKI
LE COQ SPORTIF



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PRESIDENT'S MESSAGE



DESCENTE LTD.
President and Representative Director
Shuichi Koseki

PRESIDENT'S MESSAGE

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Please tell us about the progress of the mid-term management plan "D-Summit 2023" in Japan, South Korea, and China.

The profitability of Japan business, which we are focusing on as a key strategy, has improved more than expected. Based on our policy of "raising profits without pursuing sales," we have been able to greatly reduce product inventory, returns, and discounts by not making wasteful products, which has become a healthy product cycle. In Direct to Consumer business ("DTC"), which we are working to improve profitability, we have also started with omni-channel initiatives and the integration of offline stores and online stores in some areas. However, we anticipate that it will take 3 years to convert to DTC from the time of planning, and we have seen many things that we have to do in the past year's initiatives, so we will continue to improve them in the future.

South Korea is still recovering, despite the impact of COVID-19, as the impact of Japanese goods boycotts that began in 2019. We are becoming a well-balanced structure, and we expect to recover further this year. Compared to the period in which sales and profits grew from 2014 to 2016, the momentum has stabilized, but we are working to return to an appropriate market size. DESCENTE KOREA LTD. is sensitive to the market and has the ability to quickly incorporate well-selling products and to coordinate well. For example, we have proposed "umbro", which has a strong image of soccer in Japan, as a street fashion, and it is now growing very much.

Until last year, China business grew steadily, largely unaffected by COVID-19. However, although sales of "DESCENTE" were strong, some brands were struggling, so we are adding some hand in hand. "arena" is one of the struggling brands, but it is a strong brand worn by many top athletes. We decided that we would be able to grow this further, so from the current fiscal year we will dissolve the JV in China and make it a subsidiary, and we will develop it under our control of 100%. On the other hand, it is the impact of COVID-19 that must be watched closely. In April and May 2022, some stores were not opened, and logistics and factory operations were also suspended. China has been experiencing difficulties since the beginning of 2022, but we will overcome this situation as a DESCENTE Group.

The Summer and the Winter Olympics & Paralympics were held in FY2021. How was the impact?

We believe that it was positive for us that the Olympic and Paralympic games attracted the attention of sports amid a challenging situation around the world.

"DESCENTE" wear was worn as a "competitive clothing" for top athletes to compete, and I feel that it was not just exposure effect of "DESCENTE" but brand's presence in the sports field appealing to the world. At the Winter Olympics, athletes wearing "DESCENTE" won as many as 35 medals, proving that the winter is the season for "DESCENTE." China has declared an increase of winter sports population, and there is a great increase in the number of people who start skiing and snowboarding. Without missing this opportunity, we are firmly presenting "DESCENTE" at ski conventions and other events, and putting it on a good track.

During the Summer Olympics, we were able to demonstrate our presence in golf and other strong competitions. Particularly in golf, Hideki Matsuyama and Mone Inami were active and were able to expose many "DESCENTE" logos. Due in part to this, golf wear is a category with a large number of new entries, but our sales in Japan grew by 31% year-on-year.



In-house developed "DESCENTE" wears are supplied to National Teams

You often mention that DESCENTE is "good at making" and "not good at selling" but what about this point?

For example, it's a good thing that baseball players we have a contract with play an active role, but that's not the original purpose for us. It is crucial for DESCENTE to circulate by developing and delivering performance wear that supports the players' success, linking it to business to make profit, and then investing it to the players' supporting product development.

The base of the shirt I am wearing now is the undershirt for the performance improvement of baseball developed together with Shohei Ohtani. We formulate the opinions of athletes and develop products with a commitment. The next thing we need to do is to create "MoveWear" that do not restrict the wearing scenes to sports by getting ideas from the wear that we have jointly developed with top athletes. This shirt has been made into a "MoveWear" by changing its material from baseball undershirt, and partially improving it by raising the back collar a little so that it can also be worn under the jacket. The original wear has been devised to improve performance in sports, so it has the basic performance of being comfortable and easy to move. As a manufacturer, we shall not limit our products to sports when we show our products to customers, but we need to devise sales methods so that customers can decide when and how to wear our products. We will refine both how we improve our products and how we communicate that value to our customers.



Please tell us what improvements have been made to the selling method.

First, we kept down the production amount so that large-scale discounted items would not be listed. Initially, some employees were confused by significantly reducing the volume of products from a typical year, but as a result, we were able to reduce product returns and discounts. We have been able to achieve an appropriate balance between supply and demand, and I believe that the effects of this initiatives have begun to appear.

In addition, until now we have been accumulating sales gradually by increasing the number of items, but from this fiscal year we have adopted a policy of minimizing the effort required for product planning by keeping the overall volume constant but increasing the number of items manufactured per item while reducing the number of items. In other words, when creating a single item, they are prepared to "sell out" and we have responsibility to generate profits by selling out. Since we have been engaged in wholesale-oriented business for a long time, we have little retail experience, and we are still in the process of creating our retail stores, accumulate sales staff know-hows, in-store presentation, and product selection. The sales staff of directly managed stores, who play a part in store development, are in an important position to communicate directly with customers, enabling them to communicate the value of their products directly to customers and to engage them in ways that expand the image of wearing scenes. We listen to the opinions of our customers and propose products that meet their needs. We are also committed to fostering sales staff who can return customers' opinions to product development. We are prepared that it will take 3 years to change the way we sell, so we will steadily solve the issues that are becoming visible one by one.

Another key point in store development is product development. Our products are functional, and our sportswear is highly regarded for functionality and dedication, so we are confident in that point as well. I communicate with the chief designers in each category to "continue to commit to functionality." By adding a little fashion sense to this commitment, we believe that our products will be a "MoveWear", that brings in more scenes with highly functional and fashionable features. Our core product, Mizusawa Down, was developed for the Japan teams in Vancouver Olympics, and was launched as a "non-sewn down jacket" ahead of the market. Now, non-sewing down jackets itself, including those sold by apparel companies, has become common. This example shows that we have the development ability to create products that other companies want to imitate. In order to maximize the characteristics and functionality of our apparel, from selection of materials to sewing, we spend a great deal of time on each process to create products of particular interest, so we will expand our commitment and ingenuity beyond sports scenes. It is undoubtedly our strength that we can do this first, so we will create attractive sales floors with products that our customers feel excited about.



DESCENTE MARK IS minatomirai
opened April 2022.

Could you tell us about the brands and categories you are focusing on in particular?

For Business in Japan, our focus is on the DTC business, which is centered on “DESCENTE”, while our own brands include “le coq sportif”, “Munsingwear”, “arena”, “umbro”, and “inov-8”. While each brand has its own characteristics, “DESCENTE”, the corporate brand that pursues functionality, became our No.1 brand in sales in not only Japan but China and South Korea.

“le coq sportif” is also becoming profitable. In Japan, as Eliza Ikeda wearing our products, we match our products, which feels comfort when worn cultivated through sports wear development, well with the market for young people and women who are fashionable. In the past, we had developed many numbers of products, but now we are focused on manufacturing that respond to customers' needs, and so “le coq sportif” have become a brand that generates solid earnings. As a result, I feel that the motivation of staff related to the brand is rising. “le coq sportif” will continue to improve in the future.

We are also putting effort into reviewing the supply chain that supports product development. Process management is conducted with even more granularity than in the past, such as the consolidation of materials, the selection of plants and suppliers, purchase values, and delivery date management. We have also changed our partners in logistics and are working with companies that can take on long-term initiatives to change the scheme to firmly manage costs. In this way, we also cut into manufacturing and logistics costs, and I feel that these initiatives not only improve profitability, but also lead to improvements in the dignity and quality of our products.

Do you have a message for our shareholders?

As “D-Summit 2023” is proceeding as planned, we resumed dividend payments and were able to return profits promised. “D-Summit 2023” has three main objectives, but we are making steady progress at this point. While doing what we need to do, we are looking to new investment. We have the option of re-expanding into the European and North American markets as well as Japan, South Korea and China if there is an opportunity, as well as into businesses related to sports in general. We will consider a wide range of new investment options, focusing on both businesses and markets with sports in focus.

Click here for details of financial results-related information

<https://www.descente.co.jp/en/ir/library>

ABOUT US

Company Profile

DESCENTE LTD.

Founded	February, 1935
Incorporated	February, 1958
President	Shuichi Koseki
Capital	¥3.8 billion
Turnover	¥108.9billion (FY ended March 2022, Consolidated)
Employees	Consolidated 2,712 / Non-consolidated 22 (As of March 31, 2022)
Business	Manufacture and sales of sportswear and related articles
Office	
Tokyo Office	1-4-8 Mejiro, Toshima-ku, Tokyo 171-8580 TEL. +81-3-5979-6006 (HR/Administration)
Osaka Office	Maruito Namba Building 13F, 1-2-3 Minatomachi Naniwa-ku, Osaka 556-0017 Japan TEL. +81-6-6633-4201 (HR)

Executives

President and Representative Director Shuichi Koseki	Director (outside) Tomonori Azuma*
Director and Senior Managing Executive Officer Motonari Shimizu	Director (outside) Seiji Sato*
Director and Managing Executive Officer Norio Ogawa	Director (outside) Yasuyo Kasahara*
	Auditor (full-time) Mikio Nakajima
	Auditor (outside) Koichi Yoshioka*
	Auditor (outside) Akira Matsumoto*

* All Directors (outside) and Auditors (outside) are designated as independent Directors or independent Auditors specified by the TOKYO Stock Exchange in Japan.

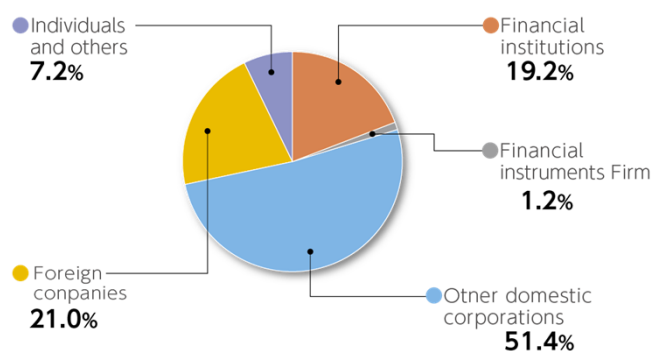
Brand Lineup



Number of shares and shareholders

(As of March 31, 2022)

Number of shares authorized for issuance	160,000,000
Number of shares issued	76,924,176
	(including 1,444,610 own shares)
Number of shareholders	4,742



Principal shareholder

(As of March 31, 2022)

Name	Shareholdings (Thousands)
BS Investment Corporation	30,164
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,094
Nippon Life Insurance Company	3,238
UBS AG HONG KONG	3,165
TEIJIN FRONTIER Co., Ltd.	2,465
SSBTC CLIENT OMNIBUS ACCOUNT	2,353
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	2,226
Sumitomo Mitsui Banking Corporation	2,110
THE DESCENTE AND ISHIMOTO MEMORIAL FOUNDATION FOR THE PROMOTION OF SPORTS SCIENCE	1,652
TOYOBO STC CO., LTD.	1,594