

To our shareholders

DESCENTE LTD.

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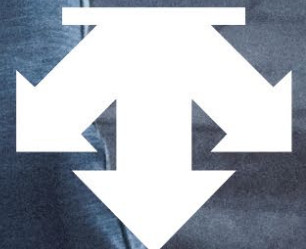
INTERIM BUSINESS REPORT 2017

April 1, 2017 - September 30, 2017



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DESCENTE



PRESIDENT'S MESSAGE

Business is on track in China, our third pillar, and we are prepared to strengthen business expansion as a global firm.

In the second quarter of the fiscal year ending March 31, 2018, business expansion in China began to take off, and sales increased as DESCENTE succeeded in steadily growing net sales in both Japan and Korea. Meanwhile, profits fell as a result of upfront investment activity in China and struggling in-store sales in Korea.

By further expanding its business in Japan and Korea, and by strengthening expansion across four brands in China, DESCENTE's third pillar, the Group will continue to maintain an accelerated pace of growth.



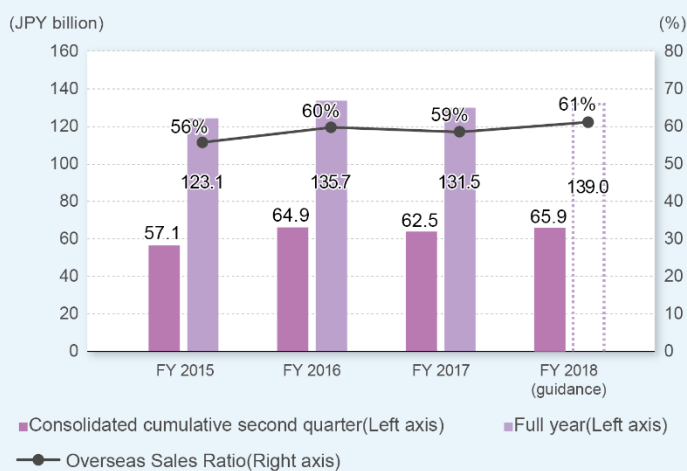
Start by telling us about the Group's second quarter results.

Results for the second quarter of the fiscal year ending March 31, 2018, included a 5.5% year-on-year increase in net sales, to JPY65.959 billion, with operating income of JPY3.399 billion (down 1.1% year-on-year), ordinary income of JPY3.504 billion (down 6.4%) and profit attributable to owners of parent at JPY2.440 billion (a drop of 8.9%). Sales in Japan and Korea, the core of our business, and in China, where we have established a third pillar, all exceeded the previous year's results. Profits, meanwhile, showed steady growth in Japan, but in-store sales in Korea continued to struggle in the face of ongoing economic uncertainty, while in China, upfront investments in new store openings and the like also had an impact, and profits fell year-on-year in both countries as a result. At the same time, on an individual brand basis the DESCENTE brand is performing particularly well. By item, footwear has been a major contributing factor in sales growth. Construction is proceeding on a new footwear R&D center as part of our medium-term management plan, and as we place even greater focus on product development, we expect footwear to be a key item in future growth.



The DESCENTE brand flagship store opened in Hong Kong

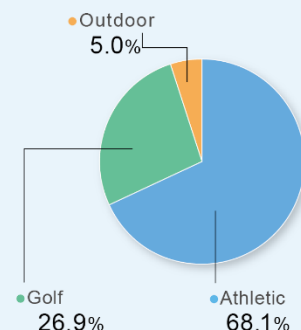
◆ Net Sales Transition and Overseas Sales Ratio



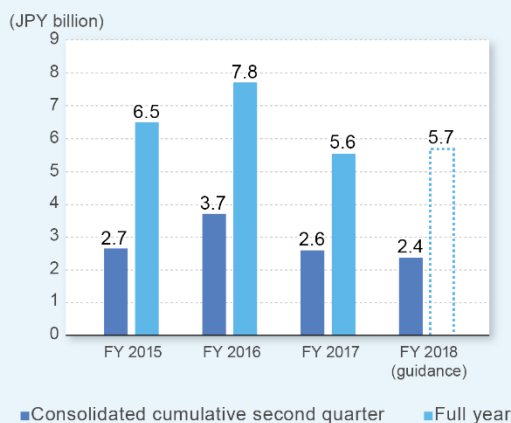
*Net sales is based on the location of the customer, and classified according to country and area

◆ Net Sales by Item

(Consolidated cumulative second quarter)



◆ Profit Attributable to Owners of Parent



◆ Full-year Consolidated Financial Result Forecast

	FY 2018 (Plan)	FY 2017
Net sales (JPY billions)	139.0	131.5
Operating income (JPY billions)	8.4	8.4
Ordinary income (JPY billions)	8.6	8.6
Profit attributable to owners of parent (JPY billions)	5.7	5.6
EPS (JPY)	75.66	75.00

Tell us about the state of your business in China, which you established as a third pillar under the Group medium-term management plan.

We are rolling out four brands in China—DESCENTE, le coq sportif, arena and Munsingwear—and have established a total of four subsidiary and equity method companies there to handle product planning, production and sales for each brand. In the second quarter, total net sales in China for those four companies were up more than 30% compared to the previous fiscal year; for the full year, they are expected to grow 50% year-on-year.

While we will continue making upfront investments in the next fiscal year, we believe we will be able to post a profit in China in a few years. In addition, growth in China not only in sales, but in brand value will, we hope, have an impact that ripples out across the Asia region.








The Beijing Raffles arena store that opened in April

What do you think DESCENTE's business strengths are in China?

I feel our strength in China lies in the fact that each of the four brands we offer there has established a distinctive, solid appeal. The design of our DESCENTE products, backed by functionality and quality, have been well-received by Chinese consumers. An unflagging effort to develop new functionality will, I think, be key to differentiating the brand from competitors. The le coq sportif brand, meanwhile, not only

◆ Profile of Group Companies in China

Company Name	SHANGHAI DESCENTE COMMERCIAL CO., LTD.		LE COQ SPORTIF (NINGBO) CO., LTD	DESCENTE (CHINA) CO., LTD	ARENA (SHANGHAI) INDUSTRIAL CO., LTD
Location	Shanghai, China		Ningbo, China	Shanghai, China	Shanghai, China
Incorporated	August, 2005		February, 2004	April, 2016	December, 2016
Fiscal Year	End of December		End of December	End of December	End of December
Relations	Consolidated subsidiary		Affiliated companies Accounted for under the equity method	Affiliated companies Accounted for under the equity method	Affiliated companies Accounted for under the equity method
Shareholding Ratio	100%		40%	30%	30%
Brands					
Functions	Product planning, development, production, selling	Product planning, development, production	Product planning, development, production, and selling	Product planning, development, production, and selling	Selling

features functionality, but also has the fashionable appeal of a brand born in France, and has grown into a much-loved brand as we have worked to further refine the products in terms of materials, use of color, and design. Our arena swimwear brand is recognized by users for offering a high degree of functionality and product appeal that comes from being worn by some of the world's top swimmers. Munsingwear, meanwhile, not only offers brand value backed by its history as the world's first knit golf apparel, but is, I think, also appreciated for its excellent quality, reflected in our manufacturing technology and other features unique to a brand coming out of Japan.

For the joint venture companies we have established with partners in China, we particularly look forward to their ability to sell based on leveraging local strengths. For example, we are engaged in joint business with Symphony Holdings Limited, which has a strong track record in internet sales—important in a country as large as China.

DESCENTE (CHINA) CO., LTD. staff have also been quick to learn about our origins and our strengths, and have been very effective in actively spreading that message in China. This has also contributed to the growth of the business.

Tell us about the progress you are making with the current medium-term management plan.

While the hurdles to achieving our quantitative targets have risen due to the fact that economic conditions across Asia as a whole are not as favorable as foreseen at the time we formulated the plan, we are making progress in becoming “First in the Market”, the strategy laid out for each brand. Business is growing in China, which we have established as a third pillar following Japan and Korea. We have also begun work to develop our next markets in Europe, North America and Southeast Asia.

In April 2017, we split off DESCENTE JAPAN LTD. With that move, the most important role for DESCENTE LTD. as the Group headquarters is to enhance the value of each core brand at the global level. Because each of our brands has a distinctive identity, we will focus on communicating that branding and developing products that meet the expectations of top athletes. To put those products in the hands of our customers, we will also roll out a global promotion strategy, further building brand value. In addition, we will also provide our subsidiaries in each region with support and management, putting in place the infrastructure needed to sustain growth on a global basis.

For DESCENTE to grow as a group, I believe our employees need to not only strive to accomplish the work given to them, but should endeavor to raise the value of the Group as a whole by providing feedback about the work of those around them. This is why this fiscal year we launched our Corporate Philosophy Promotion Committee, the start of an effort to re-instill our corporate philosophy across the Group as a whole with the goal of changing individual behavior.



DESCENTE has introduced a revamped “Design that Moves” tagline to support consistent branding on a global level.
(Photo: The British national triathlon team)

Finally, what message do you have for your shareholders?

In the second half of the fiscal year, we look forward to success in winter sports competition by world-class teams we have under contract, including the Swiss National Alpine Ski Team and the German Bobsled, Luge and Skeleton National Team. By supplying these teams, we hope to expose spectators at world-level competitions to the appeal of our brand.

This year, the DESCENTE brand has also entered into a sponsorship agreement with the JAL Honolulu Marathon, which is extremely popular in Japan. Forty percent of the Honolulu Marathon's runners are Japanese, and it enjoys strong recognition across the Asia region as a whole. We hope our support for the marathon will provide an opportunity for even more people to learn about DESCENTE, which in turn we hope will lead to growth for the entire DESCENTE running category.

With a number of international sports competitions scheduled to take place in Japan, interest in sports is growing. With our global headquarters located in Japan, we believe this will provide a strong tailwind, and we will continue to hoist strong, flexible sails to take advantage of that wind. We look forward to your ongoing guidance and support.



The German Bobsled, Luge and Skeleton National Team

FEATURE

The DESCENTE Corporate Brand Introduces DESCENTE BLANC, a New Directly Run Store Format

DESCENTE BLANC

DESCENTE BLANC, a new directly run store format aimed at suggesting a comfortable lifestyle as conceived by a sports brand, was launched in 2015 under the DESCENTE corporate brand, and to date six stores (as of November 2017) have opened in Japan.

In addition to offering DESCENTE ALLTERRAIN products, a sportswear category that brings together all of DESCENTE's technology, it also carries products from DESCENTE PAUSE, a utility wear category aimed at making everyday life more comfortable. The new stores have garnered strong support from highly fashion-sensitive consumers.



We asked Yoshihiro Ueki, who was involved in the launch of the first DESCENTE BLANC store and is currently in charge of overall direction for the store; and Naomi Kamiyama, in charge of PAUSE merchandising, about their hopes for DESCENTE BLANC.

Background of the DESCENTE BLANC Launch

What are your thoughts on the concept behind DESCENTE BLANC?

Ueki : Personally, I was really impressed by the level of design and quality in the original Mizusawa Down Jacket released by DESCENTE in 2008. While I wasn't in charge of the product at the time, I worked to expand sales channels by communicating the quality of the product to specialty stores and other outlets. As a result, orders started coming in from those stores in 2010, and in 2012, we secured distribution of the ALLTERRAIN line, including Mizusawa Down, into better specialty stores. At that point, I was convinced the ALLTERRAIN line included products containing all the elements needed to compete successfully against other brands.

Later, the 2013 opening of the DESCENTE SHOP Tokyo marked our first foray into directly run stores, and being late to market, we believed we needed to make a strong impact. Initially, we decided to sell products centered around the ALLTERRAIN line. Considering our plans to open stores in urban commercial facilities, we realized a conventional sportswear store would be challenging, so although we were a sports brand, we came up with the idea of developing a store that also offered a lifestyle. To suggest that lifestyle, we tried to imagine the day-to-day lives of customers who wear ALLTERRAIN, and asked ourselves specific questions: What kind of homes do they live in? How do they spend their time at home? What kind of arts do they interact with? We decided the DESCENTE BLANC concept would embody DESCENTE's idea of a "somewhat richer everyday life."

What do you think is the value of buying everyday apparel at DESCENTE?

Ueki : I think the value lies in products that successfully balance an attractive appearance with functionality, and I think it is our high level of manufacturing creativity that makes this possible. ALLTERRAIN customers are primarily men in their 30s and 40s. Just as with other long-appreciated masterpieces that adult men prefer, we believe our products should be something only DESCENTE could create, and that uniqueness should be communicated in everything about DESCENTE BLANC, including the store design. Jo Nagasaka of Schemata Architects, who was in charge of store design, had a good understanding of the quality of ALLTERRAIN, and designed the store space to show off the products to their best advantage. At the store itself, we offer not only our own products, but also work with collaborators, displaying products procured from outside DESCENTE, which not only emphasizes the quality of our own products, but helps create a unique DESCENTE BLANC worldview.



DESCENTE Brand
Merchandiser

Yoshihiro Ueki

From Sports to Lifestyle

DESCENTE BLANC also features the **PAUSE** line.
How is it different from **ALLTERRAIN**?

Kamiyama : While there are some similarities, the two are also completely different. **ALLTERRAIN** is sportswear, while **PAUSE** offers lifestyle apparel. The concept behind **PAUSE** is, as the name implies, to “pause, and take a breath.” Rather than supporting the full-speed dash of sports, the brand creates utility wear designed to offer the comfort we seek in our leisure hours. The goal of the brand is to incorporate the technology and advanced materials developed by **DESCENTE** for top athletes in everyday clothing, making day-to-day life more comfortable. For example, the popular **PAUSE** packable jacket features four-way stretch, as well as excellent water repellency, giving it a reputation for holding up in bad weather and remaining comfortable even when worn for long periods of time, such as extended travel. These functional aspects are what typify the **DESCENTE** brand, but the use of textures and designs more appropriate to everyday apparel is, I think, unique to the **PAUSE** brand, which can be worn at just about any time.

What in particular did you focus on with the PAUSE brand?

Kamiyama : Since this was our first attempt at designing for the lifestyle category, we dealt with a great number of creative labor pains. Selecting a highly functional fabric was particularly difficult. Because the fabric manufacturers were already aware of our strict quality standards, they presented us only with the most carefully selected fabrics, but because we demanded the same quality standards we apply to our sportswear even in this everyday apparel, initially only about 20% of the fabrics were adopted. Still, because we can't manufacture an attractive product based solely on fabrics that meet those standards, it's a repeated back-and-forth process as we work to manufacture products without compromise. Customers familiar with the competitive wear created for athletes by **DESCENTE**, and the quality of the **ALLTERRAIN** line, accept our refusal to compromise, and that is why I think **DESCENTE BLANC**, with its focus on the clothing, is an excellent match for the customers who come into our stores.



Lifestyle apparel
“DESCENTE PAUSE”

Future Plans for DESCENTE BLANC

How would you like to see DESCENTE BLANC develop going forward?

Ueki : According to research among buyers in Western countries, awareness of the DESCENTE BLANC brand is already growing, so we would like to take a look at opening stores in fashion-forward European countries and North America. As we continue engaging in a variety of collaborative projects and developing products with originality, my hope is to see DESCENTE BLANC grow into something that enhances the DESCENTE brand as a whole.

Kamiyama : Today, consumer tastes are increasingly refined, so I get that sense that, at this point, we are not mistaken in developing products that make the everyday life we think of as familiar a little richer. I hope to make our branded stores a place where people shop for DESCENTE products because they're attractive, because they come from DESCENTE.



DESCENTE Brand
Merchandiser

Naomi Kamiyama

TOPICS

DESCENTE Provides Ski Racing Suits to the Special Olympics Swiss Team Accredited by SPORT FOR TOMORROW as an International Contribution Project

For approximately 40 years, DESCENTE has worked to build a relationship of trust with the Swiss Ski Association. Under our corporate philosophy “To bring the enjoyment of sports to all,” we hope to offer the enjoyment of movement of the body and competition, and contribute to creating a positive, fulfilling lifestyle for everyone on the supply team. That aspiration was behind our decision to donate ski racing suits to the Swiss national ski team for the 2017 Special Olympics. This project was accredited by SPORT FOR TOMORROW, an initiative promoted by the Japanese government, as an international contribution project.



The Swiss national ski team for Special Olympics

Signs UMBRO Brand Advisory Contract with Getafe CF's Gaku Shibasaki

In July 2017, we entered into a brand advisory contract with Gaku Shibasaki, who plays in Spain's first division football league; the contract covers UMBRO brand footwear, training apparel and other sporting goods. We support Shibasaki, who was also selected for the Japan national team, by supplying UMBRO Accerator Pro spikes, and we also plan to work with him in developing new products. Under the slogan "OUR BIG CHALLENGE", UMBRO hopes to grow alongside Shibasaki as a football brand that enjoys wide customer support.



Getafe CF's Gaku Shibasaki

Kyoko Fukada Named SKINS Brand Ambassador

SKINS is a compression wear brand that brings out superior performance in every individual, using dynamic gradient compression to apply the optimal amount of compression to each part of the body, allowing the body to recover from strain. Active as an actress, Kyoko Fukada maintains an ideal figure despite her busy life, and always performs at the highest level. By having Fukada act as our SKINS brand ambassador, communicating a brand message targeting women and joining us in product development, we hope to further strengthen its efforts to engage with entry-level sports enthusiasts and work to enhance brand awareness.



Kyoko Fukada

Six Golf Brands Jointly Announce the "I LOVE GOLF!" Campaign

With the goal of providing opportunities for even more people to learn the enjoyment of golf and reinvigorating the golf market, we are conducting an "I LOVE GOLF!" campaign, a joint effort among our six golf brands, including Munsingwear, le coq sportif (Golf), CUTTER & BUCK, LANVIN SPORT, DESCENTE (Golf) and SRIXON. Customers selected in the first phase of the campaign in September were invited to play a special round on the course set up for the final day of the 48th Munsingwear Ladies Tokai Classic.



Winners selected in the campaign's first phase enjoy their prize—a special round of golf

Financial Information

(JPY: Million)

Quarterly Consolidated Balance Sheet

Subject	2017/3/31	2017/9/30
Assets		
Current assets	73,395	71,773
Fixed assets	33,580	35,720
Tangible fixed assets	17,732	19,571
Intangible fixed assets	6,624	6,349
Investments and other assets	9,223	9,799
TOTAL ASSETS	106,976	107,493
Liabilities		
Current liabilities	26,975	26,012
Fixed liabilities	9,057	8,985
TOTAL LIABILITIES	36,032	34,997
Net assets		
Equity	69,706	70,502
Capital stock	3,846	3,846
Capital surplus	25,184	25,223
Earned surplus	41,348	42,090
Own Shares	△672	△657
Accumulated other comprehensive income	1,237	1,993
Valuation difference on available-for-sale securities	895	959
Deferred gains or losses on hedges	△26	△12
Foreign currency translation reserve	602	1,211
Remeasurements of defined benefit plans	△232	△165
TOTAL NET ASSETS	70,944	72,495
TOTAL LIABILITIES AND NET ASSETS	106,976	107,493

Quarterly Consolidated Profit and Loss Statement

Subject	2016/4/1 ~2016/9/30	2017/4/1 ~2017/9/30
Sales	62,528	65,959
Cost of goods sold	27,409	29,586
Gross profit	35,119	36,373
Provision for sales returns	58	142
Gross profit after provision	35,060	36,230
Administrative expenses	31,621	32,831
Operating income	3,438	3,399
Non-operating income	403	243
Non-operating expenses	98	138
Ordinary income	3,743	3,504
Income before income taxes	3,743	3,504
Income taxes-current	943	883
Income taxes-deferred	121	180
Net income	2,678	2,440
Profit attributable to owners of parent	2,678	2,440

Quarterly Consolidated Cash Flow

Subject	2016/4/1 ~2016/9/30	2017/4/1 ~2017/9/30
Cash flow from operating activities	1,673	3,451
Cash flow from investment activities	△3,640	△3,551
Cash flow from financing activities	△1,385	△1,286
Effect of exchange rate changes on cash and cash equivalents	△1,837	82
Changes in cash and cash equivalents	△5,189	△1,304
Cash and cash equivalents at beginning of the financial year	25,129	21,907
Changes in cash and cash equivalents by changing financial term of consolidated subsidiary	-	△172
Cash and cash equivalents at the end of the period	19,940	20,430

ABOUT US

DESCENTE group offer high-quality and high-performance sporting goods by 15 brands, including the house brand "DESCENTE".

Each brand is conducting their own marketing and challenging the improvement of brand's value for the pleasure of everyone from top athletes to recreational and leisure enthusiasts.

Corporate Philosophy

To bring the enjoyment of sports to all

Sport is based on the idea of enjoyment through movement of the body and competing; and it is through sports that DESCENTE contributes to life being lived -by everyone- to the full.

Corporate Slogan

Design for Sports

Origin of the Corporate Name and Logo

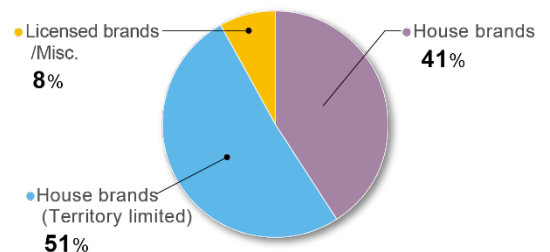


Descente is the French term for downhill skiing. The logo represents the three basic skiing techniques of schussing, traversing and sliding. It embodies our quest to be the best in all we do and our focus on the future.

Brand Lineup

(As of September 30, 2017)

[Share of Sales by Brand and Ownership Structure]



House Brands (No Territory Limitation)

Brands that Descente group is the owner of the trademark



House Brands (Territory Limited)

Brands that Descente group is the owner of the trademark in limited country and area



Licensed Brands

Brands that Descente develop based on the license agreement



Company Profile

DESCENTE LTD.

Founded	February, 1935
President	Masatoshi Ishimoto
Capital	¥3.8 billion
Turnover	¥131.5billion (FY ended March 2017, Consolidated)
Employees	Consolidated 2,166 / Non-consolidated 223 (As of September 30, 2017)
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, Tokyo) FAX. +81-3-5979-6107 (HR/Administration, Tokyo)
Osaka Office	1-11-3 Dogashiba, Tennoji-ku, Osaka 543-8921 TEL. +81-6-6774-0365 (HR/Administration, Osaka) FAX. +81-6-6774-0367 (HR/Administration, Osaka)

Executives

Chairman Ichiro Nakamura	Director and Managing Executive Officer Hoon-Do Kim
President and Representative Director Masatoshi Ishimoto	Director Motonari Shimizu
Director and Senior Managing Executive Officer Yoshikazu Tanaka	Outside Director Masako Ii *
Director and Managing Executive Officer Hisashi Mitsui	Outside Director Ungyong Shu *
Director and Managing Executive Officer Hitoshi Haneda	Auditor (full-time) Masatsugu Morimitsu
Director and Managing Executive Officer Kenichi Tsujimoto	Auditor (outside) Seiji Higaki *
	Auditor (outside) Katsumi Ota *

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

Subsidiary Companies

- ◆ Commercial Subsidiary Companies
 - DESCENTE JAPAN LTD.** (Osaka)
Sales of sporting goods and related articles
 - DESCENTE APPAREL LTD.** (Osaka)
Manufacture of sporting goods and related articles
 - BEN-GENERAL CORPORATION** (Higashi Osaka)
Sales of sporting goods and related articles
 - BEIJING DESCENTE CO., LTD.** (Beijing, China)
Manufacture of sporting goods and related articles
 - SHANGHAI DESCENTE COMMERCIAL CO., LTD.** (Shanghai, China)
Sales of sporting goods and related articles
 - HONG KONG DESCENTE TRADING, LTD.** (Hong Kong, China)
Sales of sporting goods and related articles
 - DESCENTE KOREA LTD.** (Seoul, South Korea)
Sales of sporting goods and related articles
 - DESCENTE GLOBAL RETAIL LTD.** (Seoul, South Korea)
Sales of sporting goods and related articles
 - SINGAPORE DESCENTE PTE. LTD.** (Singapore)
Sales of sporting goods and related articles
 - DESCENTE NORTH AMERICA, INC.** (British Columbia, Canada)
Sales of sporting goods and related articles
 - INOVEIGHT LTD.** (Cumbria, England)
Sales of sporting goods and related articles
- ◆ Affiliated Companies Accounted for under the Equity Method
 - LE COQ SPORTIF (NINGBO) CO., LTD.** (Ningbo, China)
Sales of sporting goods and related articles
 - DESCENTE (CHINA) CO., LTD.** (Shanghai, China)
Sales of sporting goods and related articles
 - ARENA (SHANGHAI) INDUSTRIAL CO., LTD.** (Shanghai, China)
Sales of sporting goods and related articles

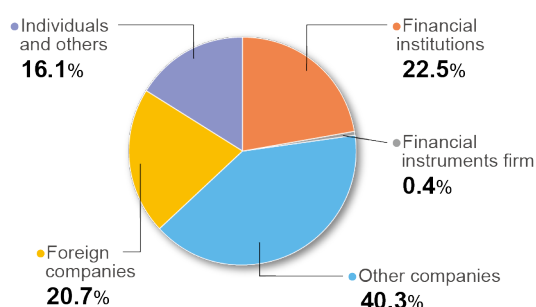
SHAREHOLDER INFORMATION

Number of shares and shareholders

(As of September 30, 2017)

Number of shares authorized for issuance	160,000,000
Number of shares issued	76,924,176
	(including 1,551,090 own shares)
Number of shareholders	5,073

[Distribution of shareholders]



Principal shareholder

(As of September 30, 2017)

Name	Shareholdings (Thousands)
ITOCHU Corporation	19,235
UBS AG HONG KONG	3,465
Nippon Life Insurance Company	3,238
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,606
Sumitomo Mitsui Banking Corporation	2,110
TEIJIN FRONTIER Co., Ltd.	2,034
Japan Trustee Services Bank, Ltd. (Trust Account)	1,745
THE DESCENTE AND ISHIMOTO MEMORIAL FOUNDATION FOR THE PROMOTION OF SPORTS SCIENCE	1,652
Kazuyuki Ishimoto	1,600
TOYOBO STC CO., LTD.	1,594

About the Photo on the cover : Shohei Otani (Hokkaido Nippon-Ham Fighters) who made an advisory contract

Mr. Shohei Otani who is one of the best known Japanese baseball player signed an advisory contract with our company, and wear DESCENTE brand's underwear and training wear, compression wear of SKINS. In this season, he continued playing an active part as a two-way player of pitcher and batter.

