



# DESCENTE group Mid-term Management Plan D-Summit 2023

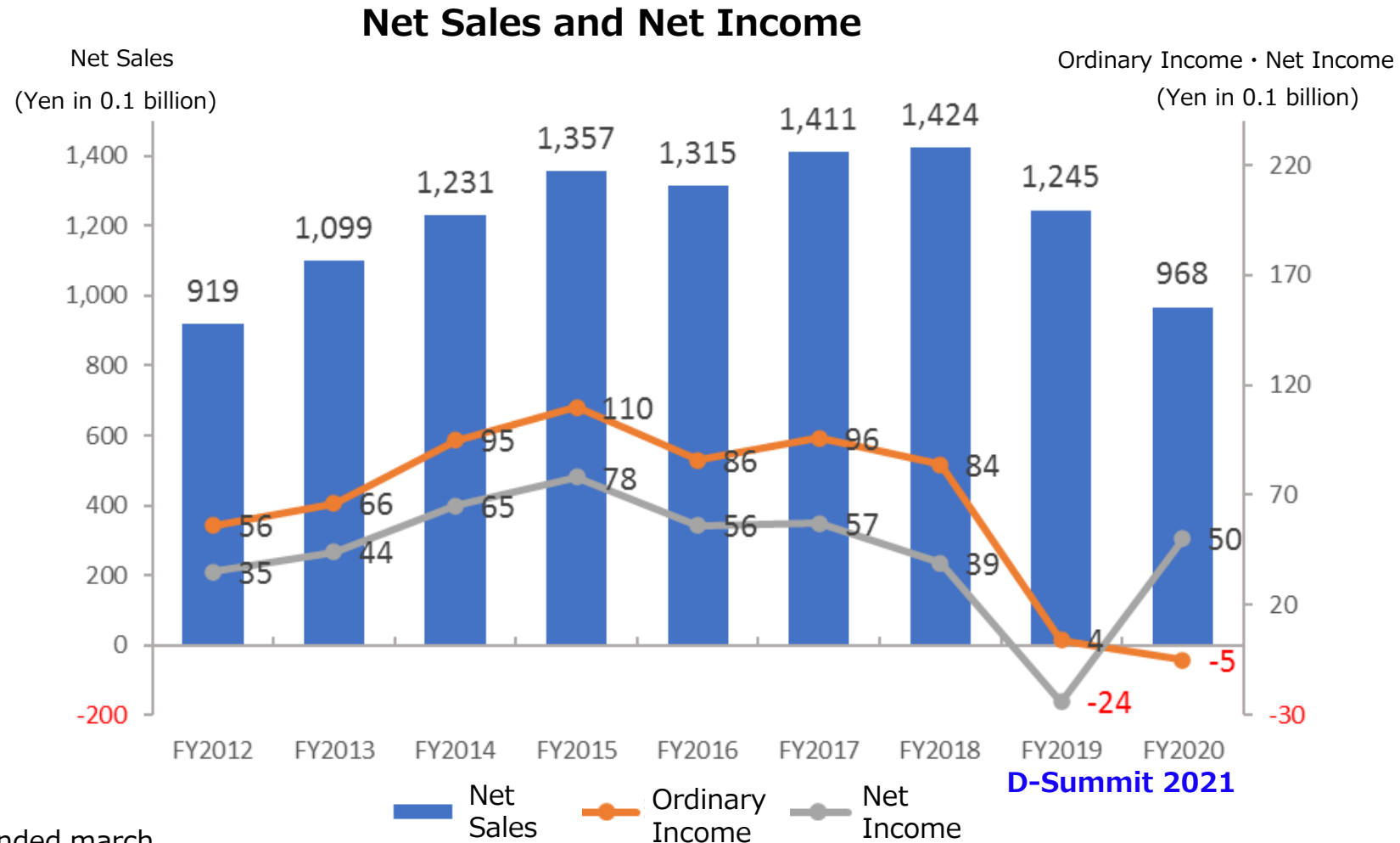
**March 14<sup>th</sup>, 2021**

**DESCENTE LTD.**

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- 1. Review of D-Summit 2021**
- 2. Next mid-term plan D-Summit 2023**
  - (1) Strength of DESCENTE**
  - (2) Key Strategies**
  - (3) Quantitative Goal**

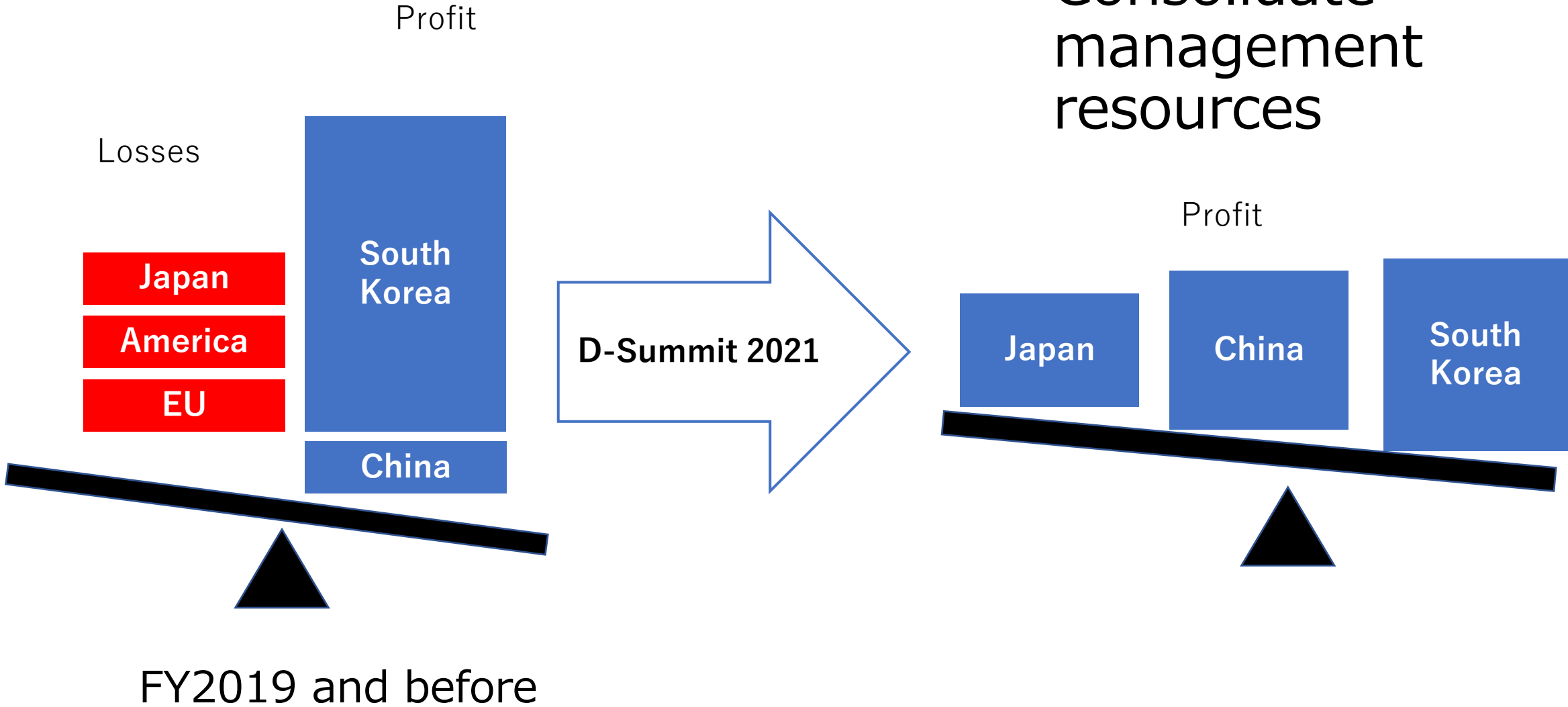
## Implemented business restructuring of Japan business



Note: FY2020 = FY ended march 31 2021



## Business areas and profit structure

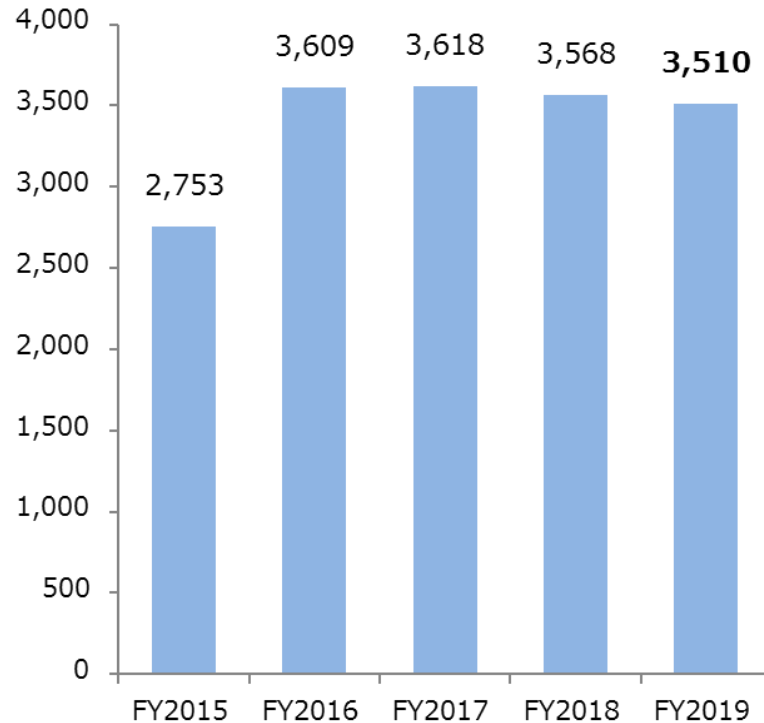


### Consolidate management resources

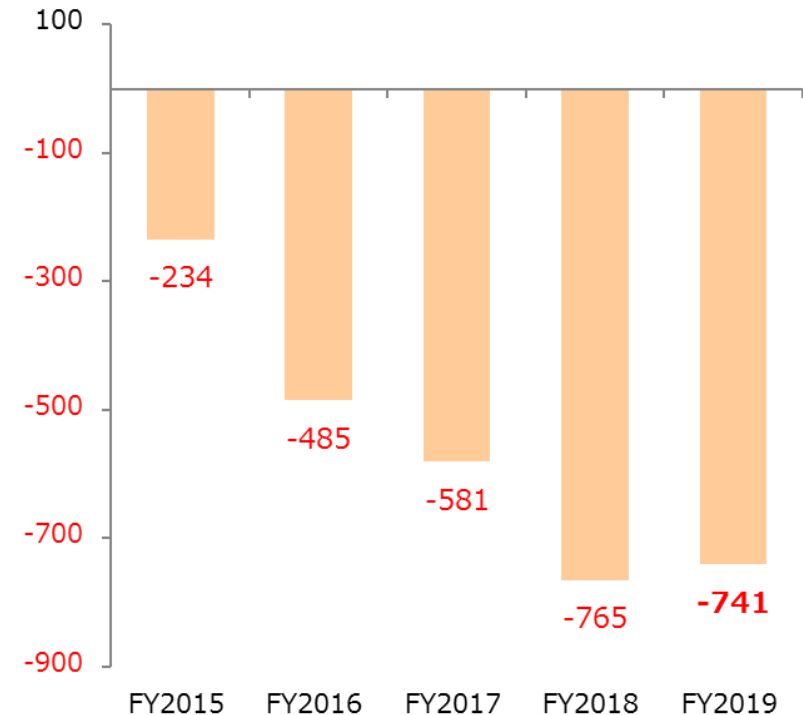
**Consolidate management resources:  
Liquidation / Settlement of EU/Americas subsidiaries/affiliates  
which were in red (2 companies in Americas / 1 in EU)**

## EU/Americas segment Net Sales / Operating income

Net sales (Yen in millions)



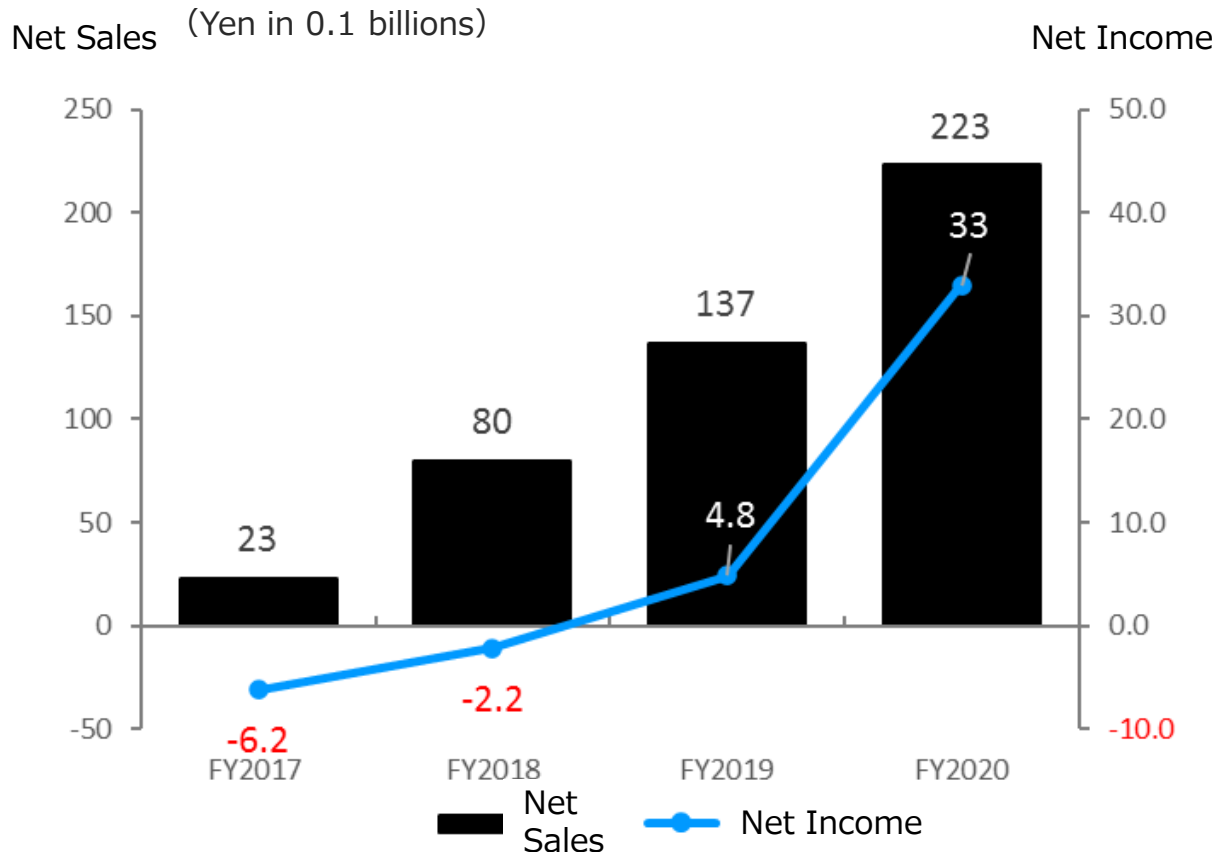
Operating income (Yen in millions)



Note: FY2019 = FY ended March 31 2020

## Restructured “DESCENTE” business in China for expansion of profits.

### Net Sales / Net Income of Descente China Holding Ltd.



Note: FY2020 = FY ended march 31 2021

### Changes in FY2020 4Q:

- Descente China group will hold the trademark for “DESCENTE” in China to accelerate business.
- Income/loss from equity increased due to additional investment (30%⇒40%).

## Implemented business restructuring in Japan

### Japan business in recent 5 years

Net sales ⇒ flat

Gross profit ⇒ flat

SG&A ⇒ increased

Inventory ⇒ increased

### Summary of restructuring

- Reforming product planning and sales channels focusing on strengthening DTC business
- Clarifying KPI for improving profitability
- Renewal of ERP
- New Personnel system for “Pay for performance” (Actions implemented in FY2020)
- Voluntary retirement
- Transfer of wholesale business subsidiary (BEN-GENERAL CORP.)
- Sales of cross-shareholdings

**Achieve manufacturing to fulfill consumer needs/ Control production amount to mitigate sales returns and/or discounts / SG&A cuts**

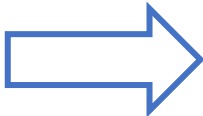


## Settlement of brands to consolidate management resources

FY2019

FY2020

14 brands



9 brands

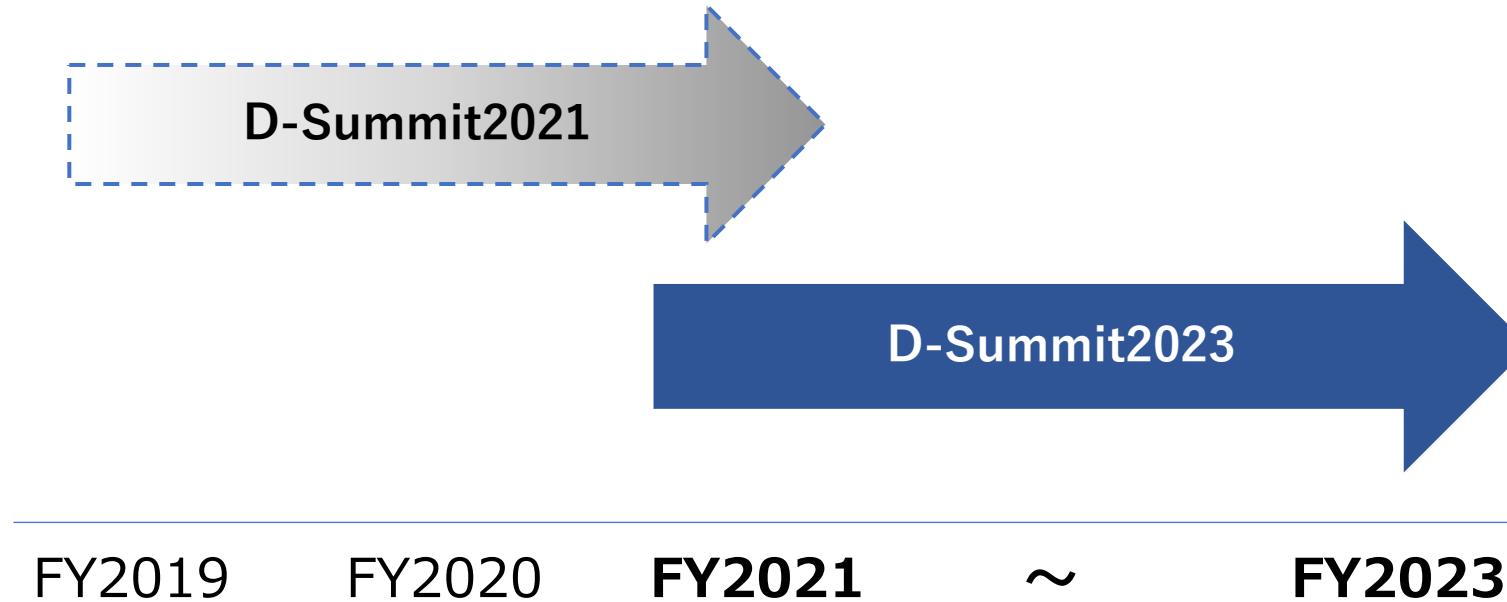
Brands finished selling:

- SKINS
- Cutter & Buck
- Babolat
- Avia
- ryka





- Transformation of management environment
- Implementing management restructuring



“D-Summit 2021” will end a year ahead of plan and start new mid-term plan “D-Summit 2023”

1. Review of D-Summit 2021
2. Next mid-term plan D-Summit 2023
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# Change in business environment and strength of DESCENTE

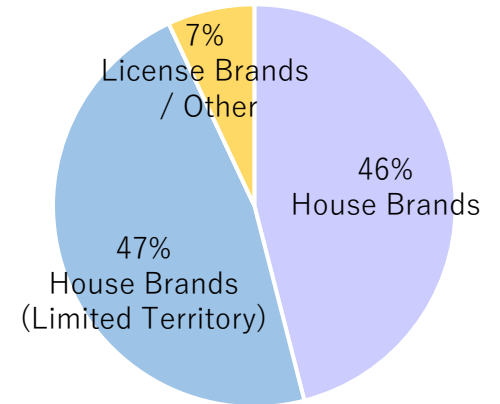


2 . Next mid-term plan D-Summit 2023 (1) Strength of DESCENTE

**Strength: responding to diversifying consumer needs and sudden changes in the external environment**

## ▼ High ratio of house brand sales

- Having 6 house brand secures a wide range of sports activities and customer segments can be covered.
- sales of house brands (including brands with limited territory) are more than 90% of total sales.



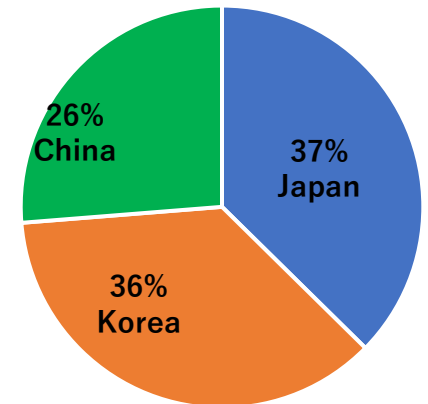
(Sales Ratio in brands)

## ▼ 2 Research & Development center (DISC)

- Apparel: DISC OSAKA (Osaka), Shoes: DISC BUSAN (Busan)

## ▼ 5 own factories (Japan : 4、China : 1)

- Excellent capabilities for manufacturing to meet consumer needs



(Sales ratio in areas)

## ▼ Growth speed and potential in China market

- Net sales in local area improved 30% YoY. Established as third largest pillar after Japan and South Korea. Expected to exceed Japan and South Korea in the near future.

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## Key Strategies

### **I . Implement strategies by regions for Japan, Korea, and China**

- ✓ Japan : Improve profitability
- ✓ South Korea : Steadily growth
- ✓ China : Sales expansion

### **II . Improve profitability of Japan business**

- ✓ Reforming product planning and sales channels focusing on strengthening DTC business
- ✓ Clarifying KPI for improving profitability
- ✓ Renewal of ERP
- ✓ New Personnel System for “Pay for performance”

### **III . Enhance our manufacturing capabilities**

- ✓ Launch “MoveWear” (refer p.17-18) to strength appearance as premium sports wear
- ✓ Utilize R&D center (DISC) and own factories to fulfill consumer needs
- ✓ Manufacturing capabilities to solve materiality

## I. Implement strategies by regions for Japan, Korea, and China

### Sales expansion

- Expand sales and profit
- Aim net sales of ¥50 billion in “DESCENTE” brand

China

### Improve profitability

- Focus on profit
- Implement restructuring to increase operating income

Japan

South Korea

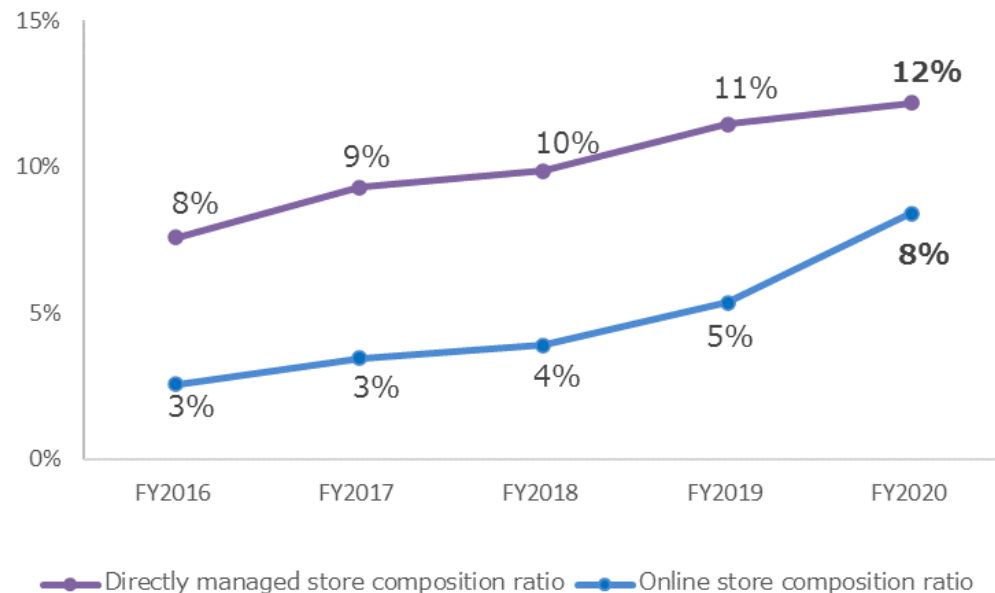
### Steadily Growth

- Optimize the balance of sales and income
- Enhance brand value by launch of new shoes developed by DISC

## II. Improve profitability of Japan business

### ✓ Reforming product planning and sales channels focusing on strengthening DTC business

- Aim sales ratio of 50% in DTC business (30% Directly managed store / 20% E-commerce)
- Open 3 “DESCENTE” stores in April 2021
- Promote development of “MoveWear” (p17-p18)



New “DESCENTE” store in Saitama

## II . Improve profitability of Japan business

### ✓ Clarifying KPI for improving profitability

#### Focus on profit, not sales

- Set KPI of operating income, operating income rate, inventory turnover months, sell-through rate for each brand / sales channels and monitor
- Renewal of ERP (2021 – Confirm which system to use / Activate in 2023)
- Clarify profitability of each item, improve inventory management and implement auto-restock system and achieve data-driven business for higher profitability

### ✓ New Personnel system for “Pay for performance”

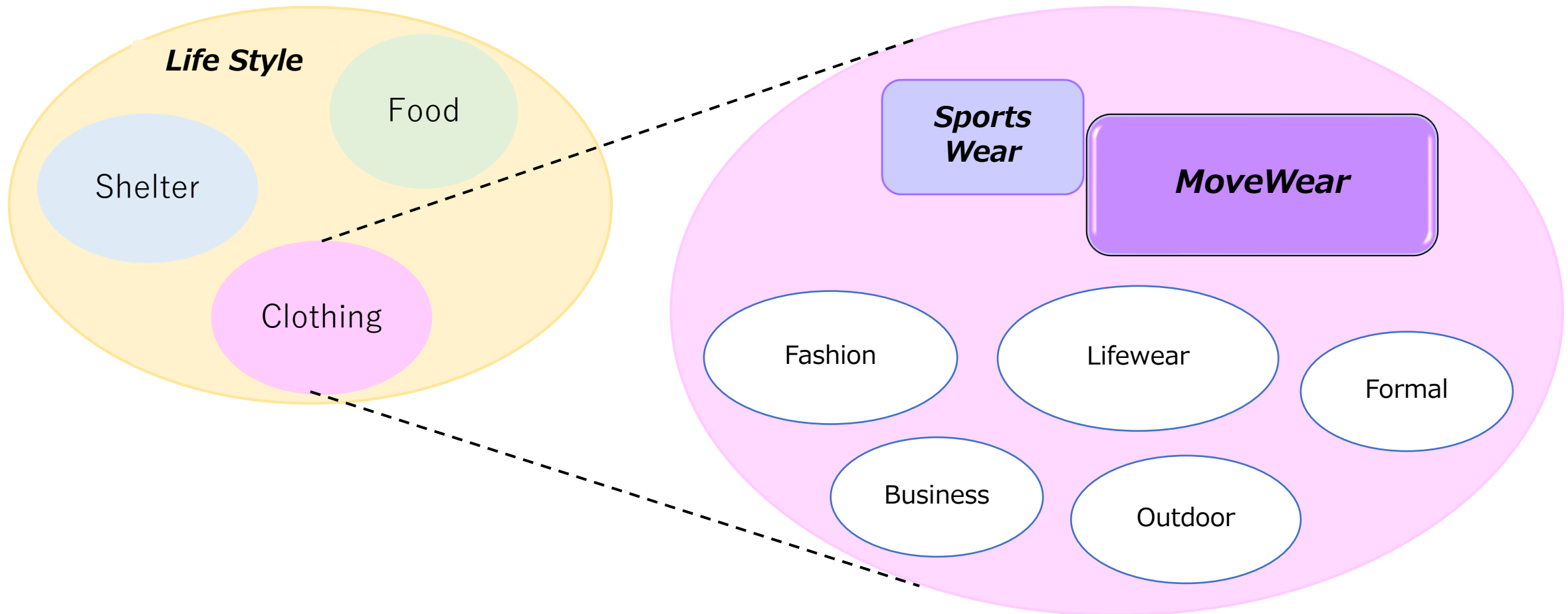
- Transfer to new personnel system in April 2021

**Achieve manufacturing to fulfill consumer needs/ Control production amount to mitigate sales returns and/or discounts / SG&A cuts**



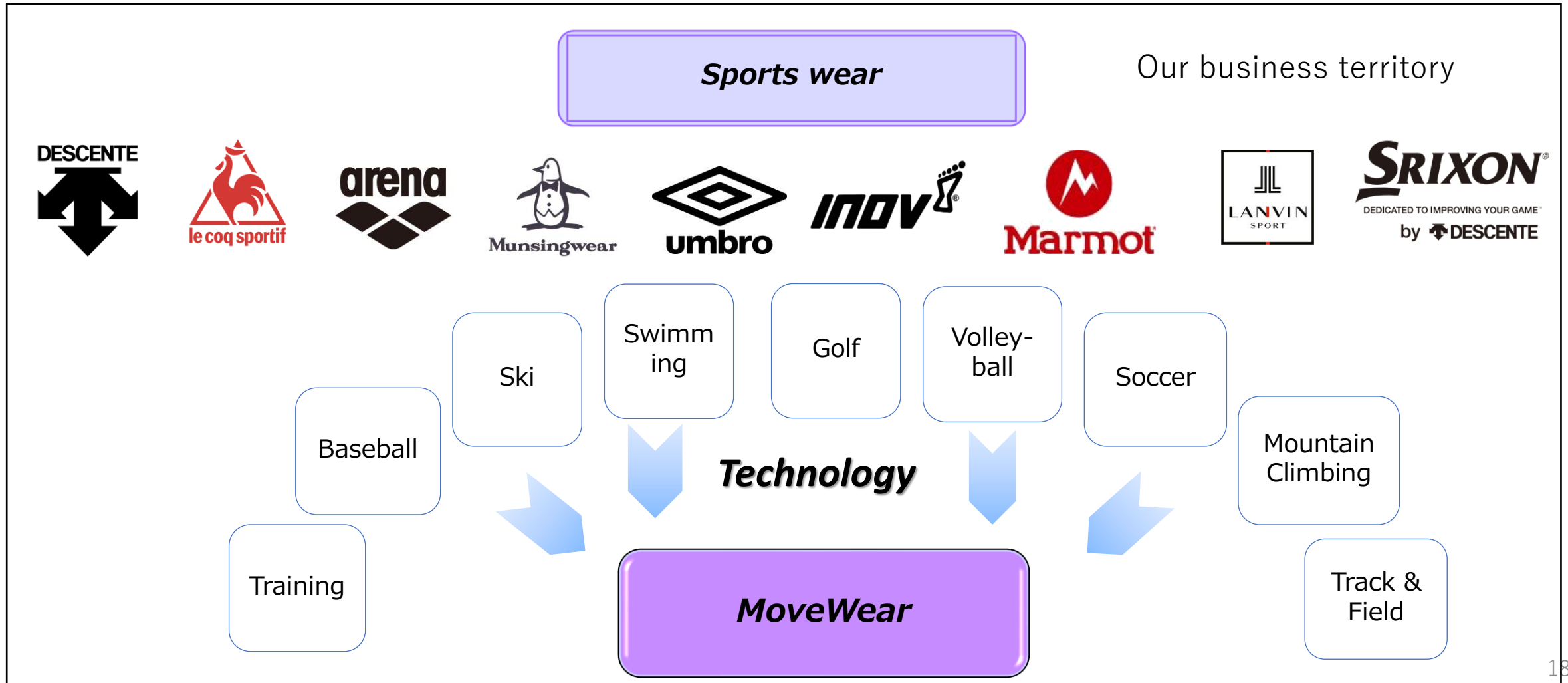
## III. Enhance our manufacturing capabilities

- ✓ Define new category **“MoveWear”**, the sportswear to “move the body, move the spirit” . It features our sportswear manufacturing technologies and not limited in sports scenes.



## III. Enhance our manufacturing capabilities

- ✓ Expand territory from sportswear to **“MoveWear”**



## Ⅲ. Enhance our manufacturing capabilities

- ✓ Utilize R&D center (DISC) and own factories to fulfill consumer needs



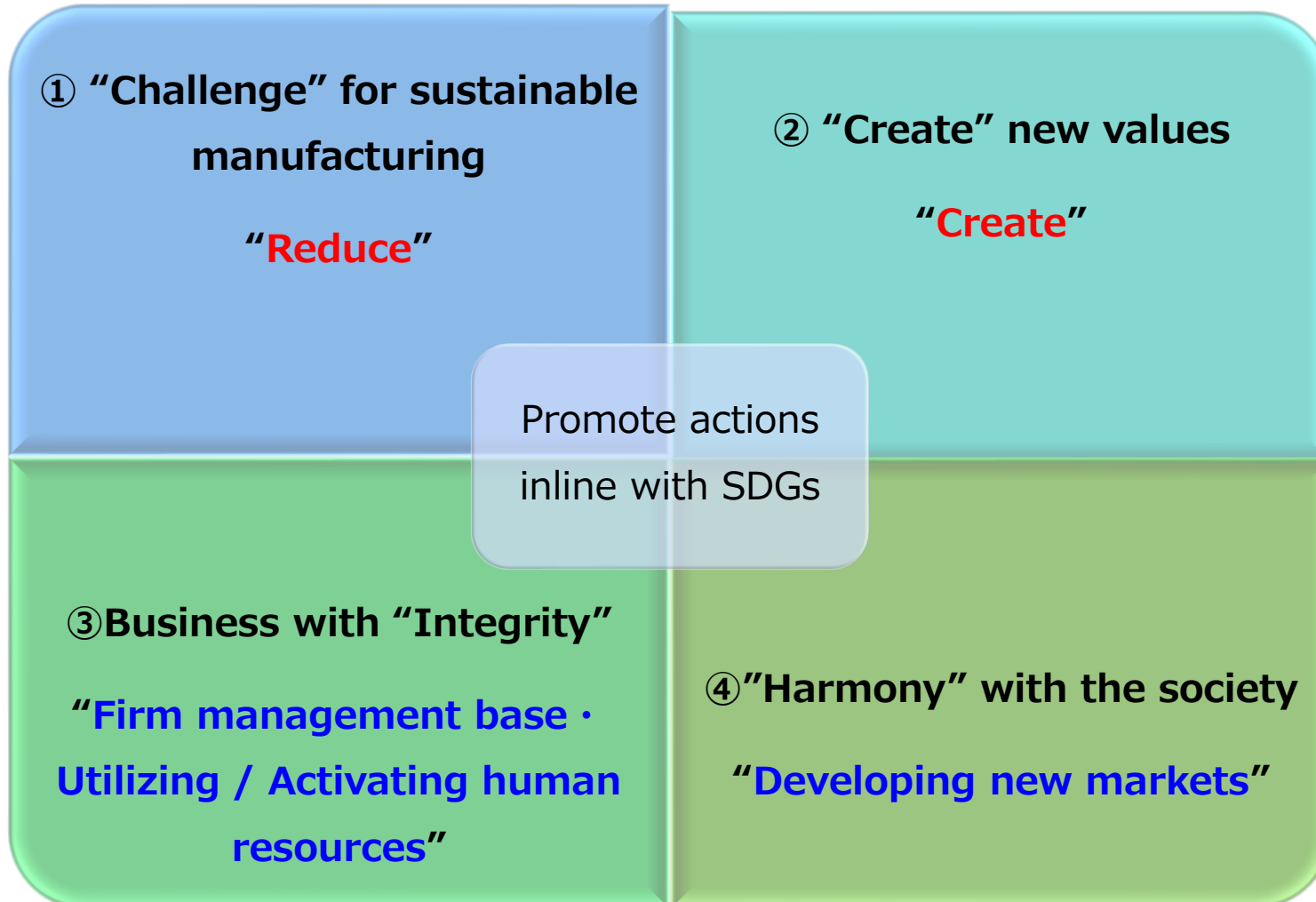
“DESCENTE” Golf shoes by  
DISC BUSAN (South Korea)



DESCENTE APPREL LTD.  
Mizusawa Factory (Japan)

## III. Enhance our manufacturing capabilities

✓ Manufacturing capabilities to solve materiality



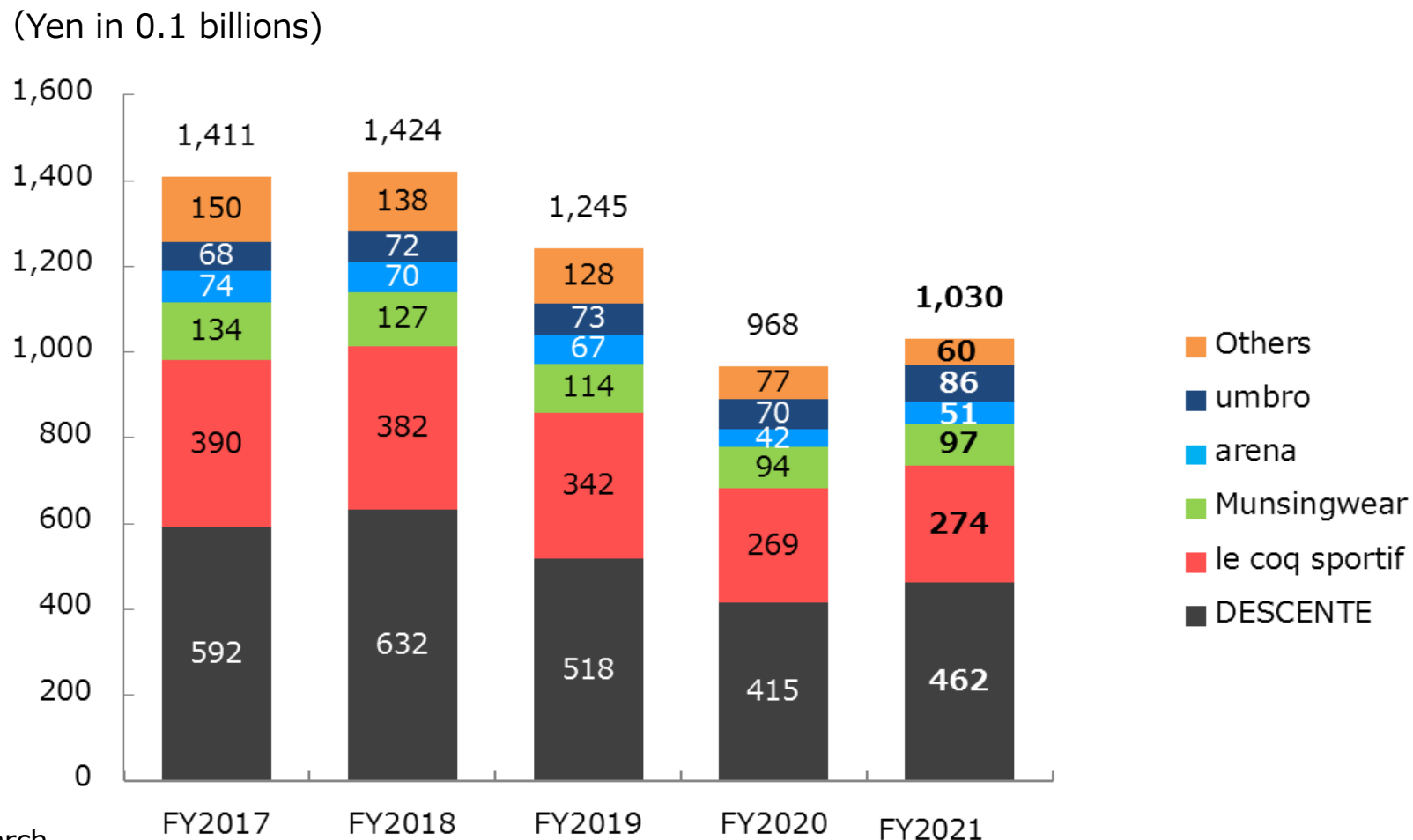
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# Forecast Brand Sales for FY2021 (Consolidated)



2. Next mid-term plan D-Summit 2023 (3) Quantitative Goal

Forecasting increase , mainly by “DESCENTE”



Note: FY2021 = FY ended March 31, 2022

# Forecast Sales and Profit in Japan / South Korea / China (≠Consolidated profit/loss)



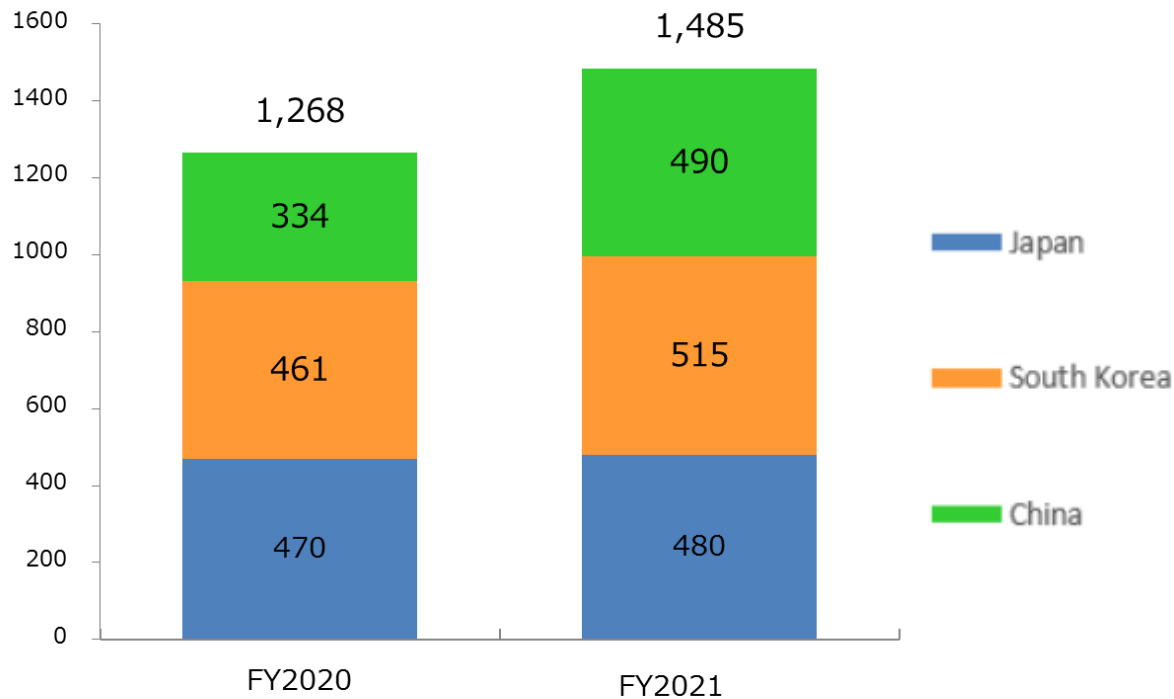
2. Next mid-term plan D-Summit 2023 (3) Quantitative Goal

## Achieve well balanced profit structure due to expansion in China

### (Local Net Sales\*)

\*Net sales of consolidated subsidiary + Net sales of equity method affiliate - internal transactions

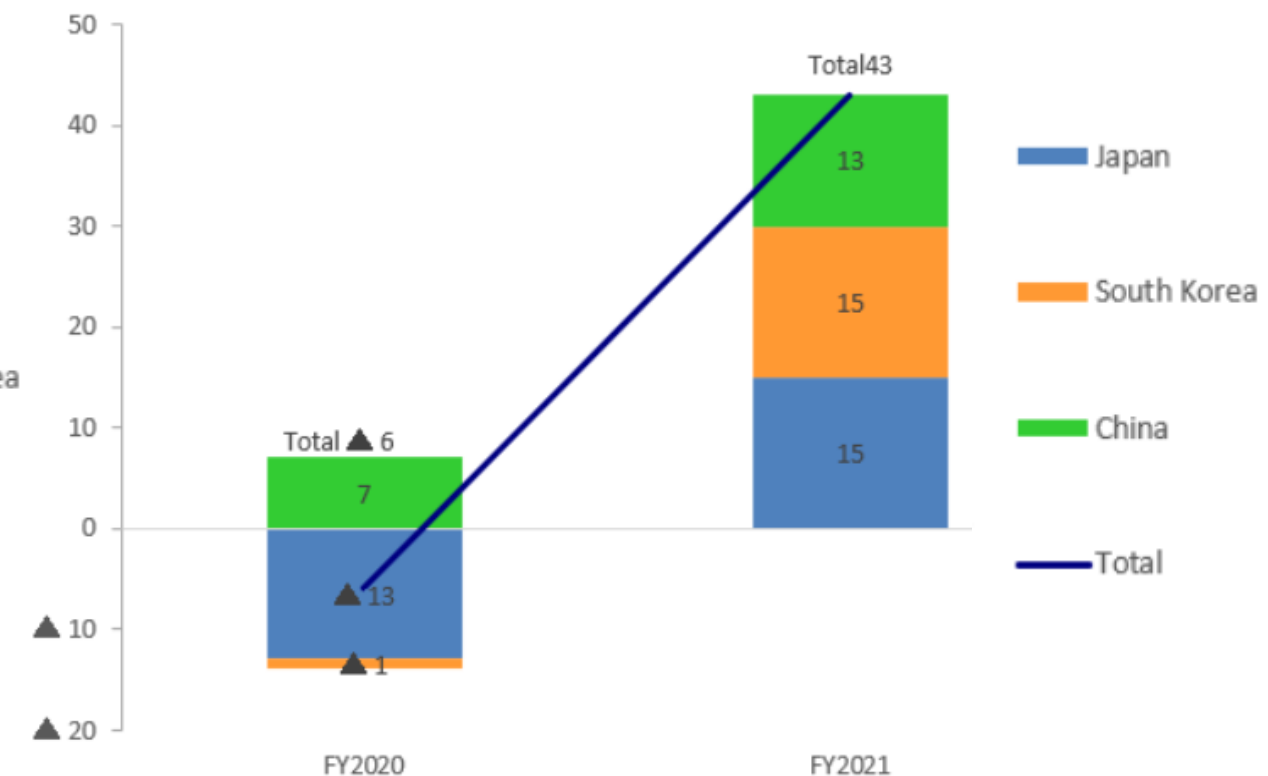
(Yen in 0.1 billions)



### (Ordinary Income)

Segment profit/loss + share of profit of entities accounted for using equity method (Note : Simple calculation such as excluding interest rate balance)

(Yen in 0.1 billions)



Note: FY2021 = FY ended March 31, 2022

# Forecast of Earnings for FY2021 (Consolidated)



2. Next mid-term plan D-Summit 2023 (3) Quantitative Goal

**Operating income :** Significant growth since sales growth due to the mitigation of COVID-19 and continue cuts in SG&A expenses.

**Ordinary income:** Significant increase due to increase of operating income and also profit from equity in China.

**Net income :** Decrease due to a reaction to the recording of extraordinary income in FY2020.

(Unit: JPY million)	FY2018	FY2019	FY2020	
			Revised Forecast	YoY
Net sales	124,561	96,862	103,000	+6,138 (106.3%)
Operating income	379	▲ 1,806	3,100	<b>+4,906</b> (-)
(%)	0.3%	-	3.0%	-
Ordinary income	456	▲ 584	<b>4,300</b>	+4,884 (-)
(%)	0.4%	▲ 0.6%	4.2%	-
Profit attributable to owners of parent	▲ 2,481	5,039	3,000	▲ 2,039 (59.5%)
(%)	▲ 2.0%	5.2%	2.9%	-

Predicted Exchange Rate : USD105.70、100KRW8.90、CNY15.40、HKD13.60



# FY2021 Dividend Forecast



2. Next mid-term plan D-Summit 2023 (3) Quantitative Goal

**Dividends based on 30% payout ratio policy.**

(Unit: JPY million)	FY2017	FY2018	FY2019	FY2020	FY2021 Plan
Dividends	1,733	1,960	-	-	905
Amount/share	JPY23.0	JPY23.0	-	-	JPY12.0
Profit attributable to owners of parent (Consolidated)	5,771	3,944	▲ 2,481	5,039	3,000
Payout ratio	30.0%	49.7%	-	-	30.2%

Note: FY2020 = FY ended March 31 2021