



= DESCENTE Group Medium Term Management Plan =

VISION 2020 & Compass 2018

First in the Market

May 10, 2016

DESCENTE LTD.

(TSE 1st Section, Code: 8114)

Disclaimer: The contents of this plan and the future expected earnings forecast described in this document are based on information currently available and therefore contain an element of uncertainty and potential risk. Please be advised there is a possibility that actual results may be affected by a number of factors and may differ materially from what is described.

Exchange Rates Used	Mar/'16	Mar/'19
USD	121.22	109.00
100KRW	10.70	9.50
CNY	19.19	16.50
HKD	15.61	14.00
SGD	87.88	80.00
GBP	185.10	155.00

- 1 . Compass 2015 in Review**
- 2 . Operating Environment**
- 3 . Founding Spirit and Corporate Philosophy**
- 4 . VISION 2020**
- 5 . Compass 2018**



1. Compass 2015 in Review

- ◆ We achieved the targets laid out in the Medium Term Management Plan one year early.
- ◆ All numbers were record highs for two consecutive years.

(Unit; JPY Billion)

	'Mar/'13	"Mar/'16 3 Year plan	'Mar/'16 result
Net sales	91.9	120.0	135.8
OP income	5.4	8.0	10.3
(%)	5.9%	6.7%	7.6%
Profit attributable to owners of parent	3.5	5.0	7.8
(%)	3.8%	4.2%	5.7%



1. Compass 2015 in Review

- ◆ Net sales by geographical region
Significant growth in Asia, particularly South Korea.
The overseas sales ratio reached 60%.

(Unit; JPY Billion)

	'Mar/'13	"Mar/'16 3 Year plan	'Mar/'16 result
Japan	55.8	59.0	54.3
Asia	34.5	58.0	78.0
EU/USA	1.6	3.0	3.5
Overseas Ratio	39.3%	50.8%	60.0%



1. Compass 2015 in Review

Main Strategies of Compass 2015

1. To leverage our strengths as a multi-brand manufacturer and offer the optimal product mix in each market. Designated the DESCENTE brand as our top priority with focus on expanding its global presence.
2. Identifying Asia as our highest-priority region, work to increase sales in each of its markets while also seeking to develop new markets in other regions.
3. Use the Group's core strength as an innovator in sportswear performance and design to establish a unique market position.
4. Reinforce our retail operations as part of efforts to improve overall sales capabilities.
5. Strive to develop new strengths and expand our business domain.



1. Compass 2015 in Review

Main Strategies of Compass 2015

Results

1. Rapid growth of the DESCENTE brand
2. Expansion of sales in Asia
3. Expansion of the retail business

Ongoing Challenges

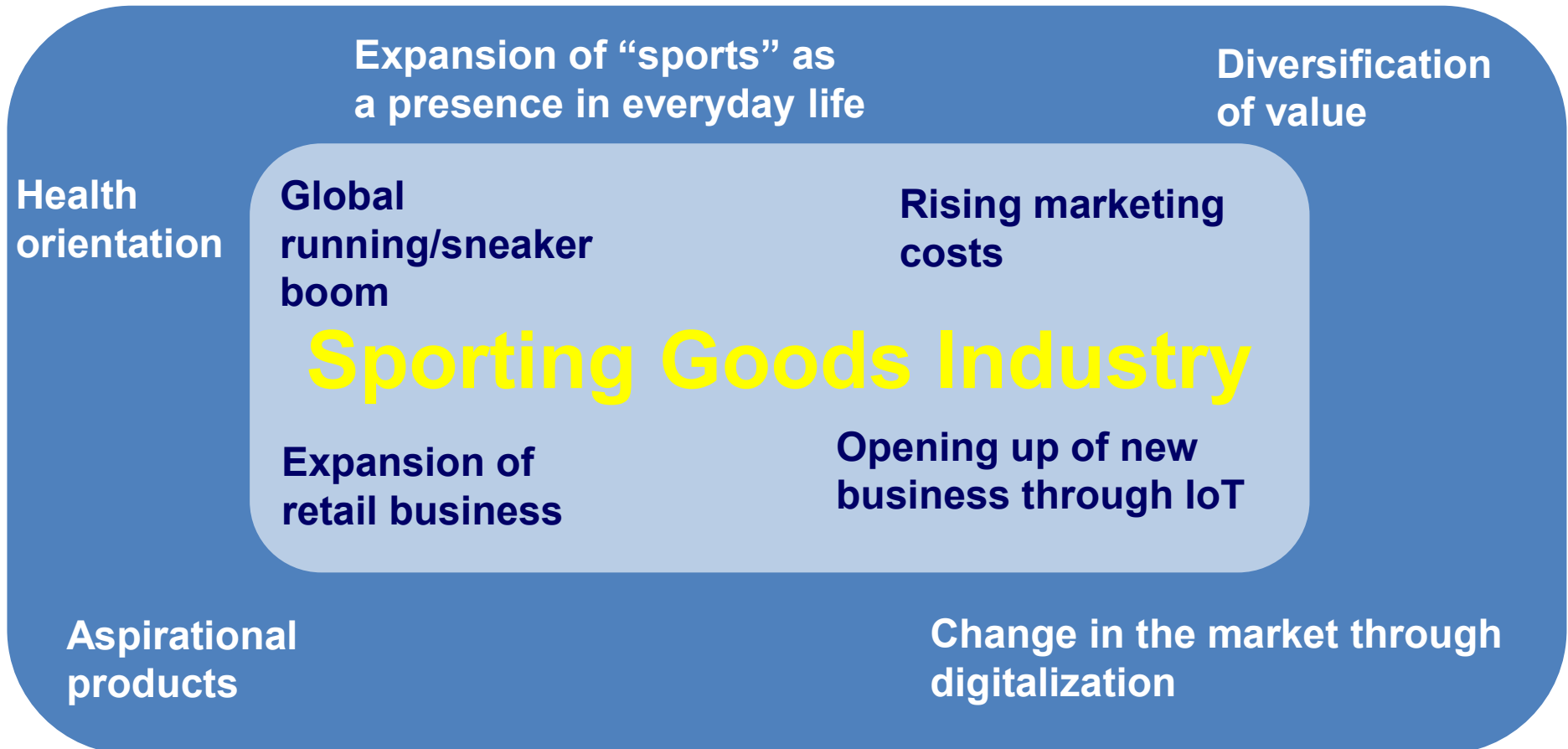
1. Further improvement of Japan business earnings
2. Establishment of the third pillar after Japan and South Korea
3. Acceleration of new brand growth



1. **Compass 2015 in Review**
2. **Operating Environment**
3. **Founding Spirit and Corporate Philosophy**
4. **VISION 2020**
5. **Compass 2018**



2. Operating Environment

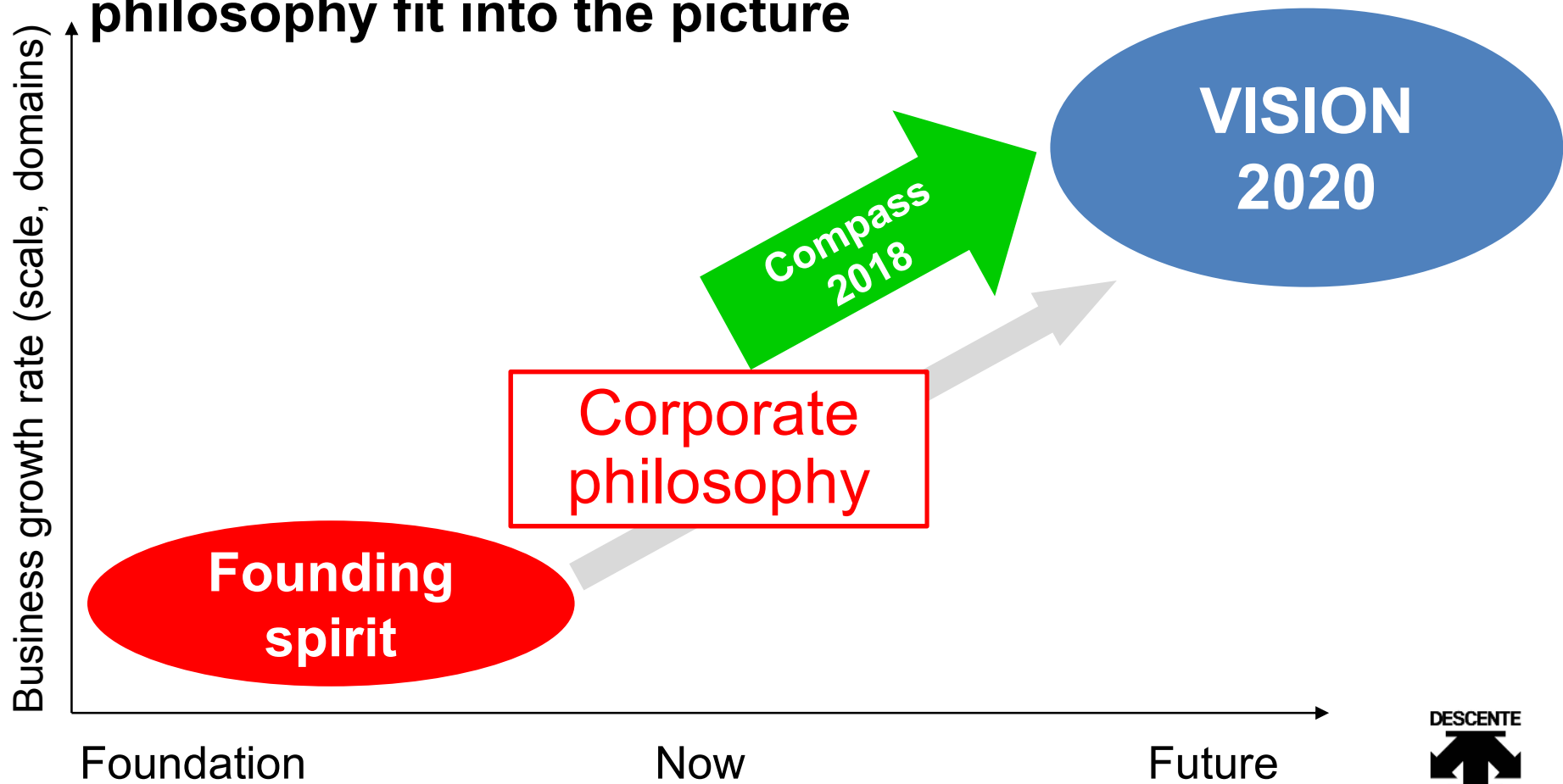


1. **Compass 2015 in Review**
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3. Founding Spirit and Corporate Philosophy

How the founding spirit and corporate philosophy fit into the picture



3. Founding Spirit and Corporate Philosophy

Founding Spirit

「SPIRIT OF DESCENTE」

Now, as the group is about to embark on a major expansion plan it is time to reflect on the vision of the company's founder 80 years ago and to reaffirm the "SPIRIT OF DESCENTE".

Instilling this as the guiding principle for all Group employees is an important aspect of our implementation of VISION 2020 and our future growth.



3. Founding Spirit and Corporate Philosophy

「SPIRIT OF DESCENTE」

Creation

A rich imagination is the driving force of creativity in any age – honing the senses helps to develop the power to make the right everyday business decisions.

Challenge

In times of change there are always opportunities, which must be taken. There are no failures – simply missteps on the road to success.

Integrity

Give responsibility to those who can be trusted with it and reward sincerity with sincerity.

Harmony

In business, understanding the human psyche is fundamental. Harnessing their joint strength is paramount to success.



3. Founding Spirit and Corporate Philosophy

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.



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First in the market

- Utilizing unique product development capabilities each brand will focus on becoming No 1 in a specific market segment.
- Expansion in Asian markets and growth into a global sports company by offering multiple lifestyle enhancing, premium value-added brands.

Group targets	Sales	200 billion yen
	Ordinary Income	16 billion yen

※2020 = FY2020 (Year Ending March 31, 2021)



4. VISION 2020 ■ DESCENTE



Brand Vision

A premium sports brand that comprehensively covers running, training, skiing, and golfing

Go for No. 1

A sports brand of Asian origin aiming for the top selling position in the Asian sports apparel market



4. VISION 2020 ■ le coq sportif / arena



Brand Vision

A global sports brand featuring style, function and comfort, coupled with a history of characteristic French refined fashion sensibility.

Go for No. 1

The top-selling cycling wear brand in three key markets in Asia



Brand Vision

A high-performance global swimwear brand developed under the “water instinct” concept for everyone from top athletes to water sports enthusiasts

Go for No. 1

The top-selling swimwear brand in more than 10 countries in Asia
Highest use rate by Olympic swimmers and most medals won



4. VISION 2020 ■ Munsingwear / inov-8



Brand Vision

A brand for a golfing lifestyle that combines American sports taste, comfortable functionality and fashion for golfers, and the high quality/integrity of Japanese manufacturing

Go for No. 1

The top-selling golf wear brand in five key markets in Asia



Brand Vision

All terrain performance footwear for multiple disciplines from trail to ultra marathon

Go for No. 1

The top-selling brand in the off-road (trail running) market



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5. Compass 2018

1. Main Strategies

2. Regional Strategies

3. Numerical Targets for the Group



5. Compass 2018

1. Main Strategies

1. Developing globally coherent brand strategies
2. Honing “manufacturing creativity,” which is the very source of our competitiveness
3. Accelerating new openings of directly run stores and shop-in-shop formats
4. Developing a management infrastructure and logistics system that support global growth
5. Improving the Group’s collective strength by developing the potential of individuals



5. Compass 2018 ■ 1. Main Strategies

1. Developing globally coherent brand strategies

- Promoting the “One Global Brand” policy by developing/spreading the branding strategy of core brands
- Launching marketing both globally and regionally based on the basic strategies of each brand

2. Honing “manufacturing creativity,” which is the very source of our competitiveness

- Enhancing high-performance product development capabilities for the global market with a new apparel R&D center in Japan and a new footwear R&D center in South Korea
- Ramping up capacity at our own factories to improve our development prowess and productivity



5. Compass 2018 ■ 1. Main Strategies

3. Accelerating new openings of directly run stores and shop-in-shop formats
 - Enhancing our retail environment creation abilities, such as product planning, VM and face-to-face sales, under the assumption that retail stores provide the most important point of contact between our brands and customers
 - Changing our employee mentality and operations to spread the “retail-store-sales-first” principle
 - Building an EC platform in each region to drive sales expansion
4. Developing a management infrastructure and logistics system that support global growth
 - Implementing management that balances centripetal and centrifugal force by establishing a global headquarters
 - Innovation in supply chain management



5. Compass 2018 ■ 1. Main Strategies


5. Improving the Group's collective strength by developing the potential of individuals

- Recruiting/developing global-minded people and actively encouraging diversity
- Rebuilding personnel systems in tandem with the globalization of business
- Promoting personnel exchanges within the Group



5. Compass 2018

2. Regional Strategies

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- Pursuing globalization and localization simultaneously by following strategies drawn up by the global headquarters
 - Developing the third pillar after Japan and South Korea while expanding business in different countries



5. Compass 2018 ■ 2. Regional Strategies

- Japan** With the goal of reengineering and driving anew the Japan business,
- Establishing “DESCENTE JAPAN LTD.” to transfer the Japan business
Reestablishing an organizational setup for making profits in Japan
 - Improving margins by increasing the percentage of sales from self-managed stores (target: over 50% by 2020)
 - Empowering the sales force at stores by making salespeople fulltime employees.

- South Korea** In order to become South Korea’s leading sportswear company,
- Increasing existing brands’ penetration of the market and expanding business for new brands
 - Developing a globally competitive infrastructure

- China** As a top-priority region, or the third pillar,
- Initiating a full-fledged rollout of the DESCENTE brand
 - Expanding business for mainstay brands (le coq sportif, arena, and Munsingwear)



5. Compass 2018 ■ 2. Regional Strategies

Southeast Asia

Increasing our presence through partnerships with local companies

North America

Generating profits from the skiing business and fully launching the year-round business of the DESCENTE brand.

Developing diversified distribution channels for the Inov-8 brand

Europe

Expanding the DESCENTE brand business in the U.K. and elsewhere and proactively promoting the inov-8 brand



5. Compass 2018

3. Numerical Targets for the Group

(Unit; JPY Billion)

	Mar/'19	'Mar/'16
Net sales	170.0	135.8
Ordinary income	14.0	11.0
Profit attributable to owners of parent	10.0	7.8
ROE	12% or higher	11.7%



5. Compass 2018

■ 3. Numerical Targets for the Group

(Unit; JPY Billion)

Sales by region

	Mar/'16	(%)	Mar/'19	(%)
Japan	54.3	40%	60.0	35%
Korea	69.8	51%	90.0	53%
China (including HK)	6.0	4%	9.5	6%
<i>*Local Sales in China</i>	11.7		22.0	
Other Asian Countries and Areas	2.2	2%	2.5	1%
North America	1.7	1%	3.0	2%
Europe, etc	1.8	1%	5.0	3%
Total	135.8		170.0	

Sales by main brand

	Mar/'16	Mar/'19
DESCENTE	47.8	70.0
le coq sportif	44.2	47.0
Munsingwear	15.7	16.0
arena	7	8.0
umbro	7	9.0
inoveight	1.7	4.5
Other brands	12.4	15.5
Total	135.8	170.0

* Total sales generated in China by Chinese subsidiaries



First in the market

DESCENTE



Design for Sports