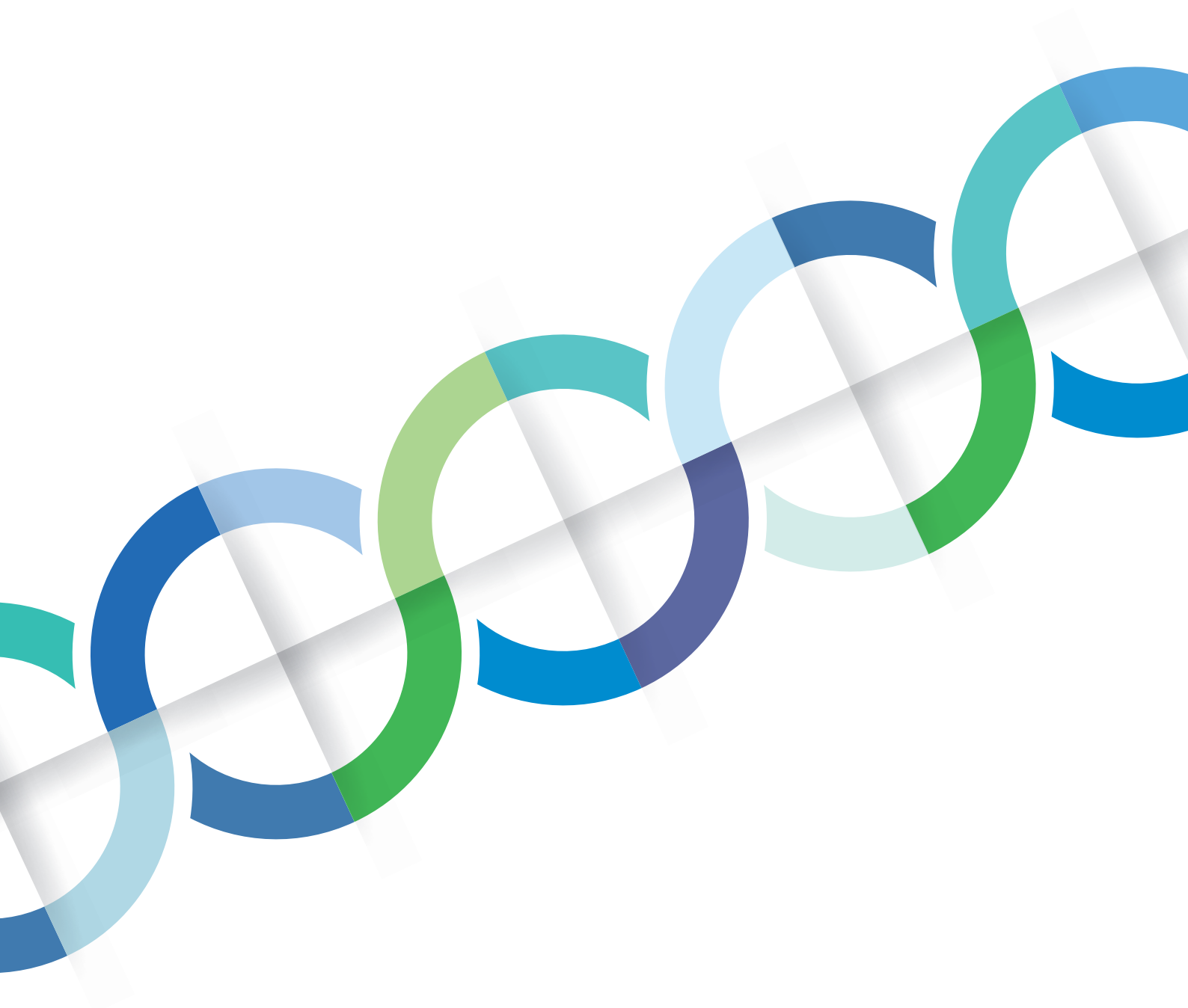




DESCENTE Group  
CSR Report 2019



# Introduction

The DESCENTE Group has prepared this CSR Report and separate CSR website with the goal of giving our stakeholders an understanding of our approach to CSR and related initiatives, which are intended to help us attain sustainable, synergistic growth along with society.

The website provides comprehensive information about our CSR activities in general, and is designed with searchability in mind.

The DESCENTE Group CSR Report references ISO 26000 (the international standard on the social responsibility of organizations, as stipulated by the International Organization for Standardization) to report on matters deemed to be of high importance by the company, while also covering topics we would like a large audience to read on our approach, efforts and trials in relation to the Sustainable Development Goals (SDGs).

We hope this text will help to further the interest and understanding of stakeholders reading this report on the CSR carried out by the DESCENTE Group.

## Corporate Philosophy

The corporate philosophy provides the *raison d'être* for DESCENTE and provides a vision for the Group's relationship with society.

# To bring the enjoyment of sports to all

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

## DESCENTE CSR Policy

- 1. To contribute to the physical and emotional well-being of people by supporting sports and promoting healthy lifestyles.
- 2. To engage in activities that benefit the community economically, socially and environmentally.
- 3. In line with our Code of Ethics, to respect human rights worldwide, comply with all local, national and international laws and regulations, and act ethically and with high integrity.

## DESCENTE CSR Activities

Doing business in good faith

Respect for human rights

Our relationship with our employees

One with the environment

Fair business practices

Our relationship with our customers

Our relationship with the community

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**Period Covered by this Report**  
This report covers the period from April 2018 to June 2019.

### Participation in the United Nations Global Compact



DESCENTE supports the philosophy of the United Nations Global Compact (UNGC), with its Ten Principles covering the four areas of human rights, labor, the environment and anti-corruption, and works to exert responsible leadership as a good corporate citizen. At the same time, we regard these principles as basic guidelines for action as the DESCENTE Group moves toward greater globalization. We will continue to be even more proactive in our efforts to contribute to achieving a sustainable global society.

Shuichi Koseki  
President, Descente Ltd.

# Message from the President

## Let's Make a Sustainable Society with the Fun of Sports and the Joy of Exercise!



**Shuichi Koseki**

President  
DESCENTE Ltd.

The DESCENTE Group has always offered to a large customer base of sports enthusiasts appealing sportswear founded on our product development capabilities. While further refining our manufacturing creativity and ability to create retail environments, we will pick up the pace in taking on new challenges of sustainability the world asks of us.

By providing a greater range of customers with the fun of sports and the joy of exercise in accordance with our corporate philosophy, we contribute to achieving enriched lifestyles that are healthy and happy both physically and mentally. Meanwhile, in addition to our efforts to address human rights, labor, the environment and fighting corruption, four areas under the United Nations global compact signed in 2015, we aspire for the DESCENTE Group to reaffirm the company's status as a public institution and to continue contributing to solutions for the many problems which society faces. Moving forward our executives and employees will all think about, take action toward and implement sustainability.

## Sustainable Products and Services with “Cool Japan” Flair for the World!



**Norio Ogawa**

President  
DESCENTE JAPAN Ltd.

The allure of sports transcends borders. It gives many people dreams, hope, excitement and courage, expanding circles of interaction with other members of humanity. During the so-called Golden Sports Years beginning in 2019, numerous people will visit Japan from overseas.

Through the fun of sports, we have always contributed to creating healthy and enriched sports lifestyles for people here in Japan, a country with abundant natural surroundings brimming with greenery. To create a society and environment where more people can have fun with sports for longer in their lives, we must reaffirm and understand the importance of this and take the initiative to speak out and act.

The worldwide praise for “Cool Japan” received during the 2018 FIFA World Cup, when Japanese players cleaned up their locker rooms and fans tidied the stands after matches, also instilled pride in us as fellow Japanese for their sensitivity and action in support of our culture's aesthetic sensibilities. We shall reconsider our approach to our work—our craftsmanship and how we supply customers—so that we, too, can further maintain the sustainability of society. Every executive and employee shall contemplate and act as we show the world just how cool Japan is.

## We Promote Active Lifestyles and Aim to Contribute to Society through Sports



**Hoon-do Kim**

President  
DESCENTE KOREA LTD.

We promote active lifestyles and aim to contribute to society through sports.

Under the DESCENTE Group motto of “To bring the enjoyment of sports to all”, Descente Korea is creating new sports lifestyles. We are leaders in the Korean sports market and introduce new sports trends with innovative products developed to the highest quality standards. We are realizing the value of shared growth, forming fair trade relations with business partners and encouraging cooperation for co-prosperity.

In addition, Descente Korea focuses on the development of products with sustainability in mind. Hazardous materials management standards have been established and the use of eco-friendly materials has been gradually increasing. We also sponsor environmental and ecological research as well as collaboration with KOPRI (Korea Polar Research Institutes), UNEP and WWF through the “SAVE THE PENGUIN”, an environmental campaign that has been active since 2009. The Descente Sports Foundation's social contributions are creating an environment where more people can enjoy sports.

Descente Korea will continue to create trends and promote new lifestyles through sports and do its best to contribute to society.

# Proactive Environmental Initiatives

As guidelines for environmental management, DESCENTE has established both the DESCENTE Basic Environmental Philosophy and the DESCENTE Environmental Policy, as well as an Environmental Committee primarily comprised of company directors. The Environmental Committee is the basis for implementing environmental preservation activities as we mitigate our environmental impact and environmental risks, while also taking ongoing, proactive actions to prevent their causes.

## Basic Environmental Philosophy and Policy

### ►DESCENTE Basic Environmental Philosophy

Recognizing that preserving the environment is a globally important issue, DESCENTE will engage in proactive, ongoing actions to take environmental preservation into consideration across all of our business activities. ◦

### ►DESCENTE Environmental Policy

Based on the DESCENTE Basic Environmental Philosophy, we have set forth the following items to promote environmental preservation activities, and to take proactive, ongoing actions to reduce and prevent impact and risk.

1. We will establish an Environmental Committee to promote environmental preservation activities.
2. We will work to preserve the environment, complying with all related laws, regulation and treaties.
3. We will work to conserve resources and energy, recycle, and reduce waste across all fields of business.
4. We will work to accurately grasp the impact our business activities have on the environment, and will, to the extent technically and economically possible, establish objectives and goals toward which all of us will strive, regularly reviewing the results and working to continually improve and enhance our efforts.
5. We will develop and manufacture low environmental impact products.
6. We will conduct monitoring and work to maintain and improve our environmental management.
7. We will conduct environmental education, ensuring all employees understand these policies and work to raise awareness.
8. We will disclose our Basic Environmental Philosophy, Environmental Policy and the status of their implementation as required.

## A Stronger Organization for Environmental Action

In accordance with the DESCENTE Basic Environmental Philosophy and the DESCENTE Environmental Policy, we have established the Environmental Committee and are cooperating with the ISO Subcommittee working to implement EMS\* and the E-Challenge Subcommittee to reduce activities that produce CO<sub>2</sub>.

In FY2018, we started up an effort to ascertain CO<sub>2</sub> emissions in all places of business for group companies in Japan. Next, we hope to gradually roll out the scope of this initiative to overseas group companies as we endeavor to combat global warming throughout the Group.

\* EMS: Environmental Management System

## Reduction Targets for CO<sub>2</sub> Emissions

Our target for CO<sub>2</sub> emissions in FY2018 was 720t-CO<sub>2</sub>. This represented a target of reducing emissions by 6t-CO<sub>2</sub> from FY2017, a target that was achieved, with actual emissions of 655t-CO<sub>2</sub>. Emissions decreased by a total of 437t-CO<sub>2</sub> between FY2008 and FY2018. In FY2018, our primary effort to reduce CO<sub>2</sub> emissions came from lower electric power use thanks to an upgrade to the air conditioning equipment at the Tokyo office in the previous year. Our goal to reduce our day-to-day emissions remains unchanged, and we will continue to invest in energy-efficient equipment.

### FY2018 CO<sub>2</sub> Emissions by Domestic Office

(Unit: t-CO<sub>2</sub>)

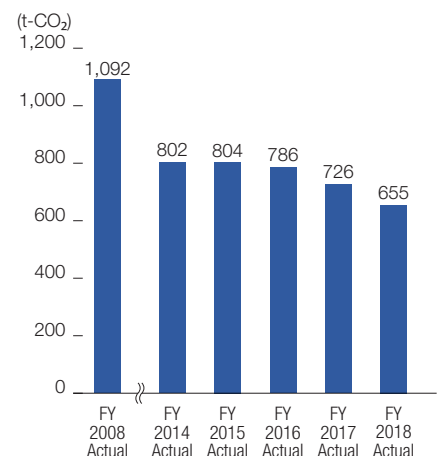
Office	Actual Emissions
Osaka Office	280.2
Tokyo Office	349.0
Sapporo Branch Office	5.2
Sendai Branch Office	4.8
Nagoya Branch Office	10.4
Hiroshima Branch Office	1.8
Fukuoka Branch Office	4.0
Company Total	655.4

### Emissions by Source

(Unit: t-CO<sub>2</sub>)

Source	Actual Emissions
Electricity	460.9
Gas	178.0
Water	4.7
Waste	11.8
Total	655.4

### Change in CO<sub>2</sub> Emissions





## Examples of Environmental Preservation Efforts

### ►Swimming Goggle Recycling with arena Brand

In July 2018, we started up a recycling drive to collect used swimming goggles from the arena brand. The gathered goggles are recycled by TerraCycle Japan, the Japanese subsidiary of U.S.-based TerraCycle Inc., which collects various kinds of waste materials for reuse as new products. Meanwhile, depending on the number of goggles, we make a matching contribution to WaterAid Japan, a specified nonprofit corporation that operates in developing countries so that the people of the world can use clean water and live in sanitary environments.

### ►“Save the Penguin” Campaign with the Munsingwear Brand

To protect the penguin, the icon, for our Munsingwear brand, from the threat of extinction, we have been running the “Save the Penguin” campaign since the spring-summer 2019 season. We are selling items in collaboration with the World Wide Fund for Nature (WWF),\*<sup>1</sup> an NGO that carries out environmental preservation activities. A portion of the proceeds from the sale of products goes toward the organization’s efforts to preserve the Earth’s environment.

\*1. WWF: An organization preserving the Earth’s environment and operating in over 100 countries for a future in which people and nature can live in harmony.

### ►“Save the Penguin” Campaign by DESCENTE KOREA

With the slogan of “Saving the penguins for the sake of a healthier planet,” DESCENTE KOREA ran a campaign across all brands in May and June 2019. In partnership with the WWF and operating under a theme of reducing the use of plastic in our daily lives, DESCENTE KOREA has run the Relay Challenge, a fund-raising drive utilizing social media, as well as producing environmentally-friendly T-shirts for all brands at an OEKO-TEX®-certified\*<sup>2</sup> factory in promotions suited to our brand identity. In addition, during this campaign, as we have done every year since 2009, all employees join a street cleanup operation, and in FY2018, around 150 employees participated in a tree-planting activity. These are examples of our proactive initiatives.

\*2. OEKO-TEX® certification: A certification organization that stipulates world-class safety standards for textiles with the aim of sustainable production. In addition to headquarters in Switzerland, it has 18 certification bodies across the world, including in Japan.



▲Kosuke Kitajima (left) called on people to collect used goggles in July 2018 at the 1st Asian Masters, which incorporated the 35th Japan Masters.



▲Products produced in collaboration with the WWF (cut-and-sewn top, short-sleeved shirt and cap on the male model, cut-and-sewn top and bag on the female model)



▲Campaign T-shirts and bags for different brands



▲ARunner who joined Plogging promotion of DESCENTE.



▲Riding bicycles allowed them to cover a wider area.



©1986 Panda Symbol WWF  
®“WWF” is a WWF Registered Trademark

▶The WWF panda logo on product tags



▲Munsingwear eco-friendly bag

# Supply Chain Management

DESCENTE aims to build mutually beneficial and sustainable equitable partnerships with its suppliers, improving human rights and working conditions and cooperating in environmental preservation. To do this, we ask all of our suppliers to enter into the DESCENTE Supplier Code of Conduct (COC), and also engage in CSR monitoring of their factories.

## Results of Third Party CSR Monitoring in FY2018

In FY2018, CSR monitoring was conducted at 6 factories. In each case, we collaborated with both the agent and the factory in addressing the findings, working to prepare a plan of correction and institute improvements. We also conducted our own audits of three factories in Japan.

### ► Items Monitored

- |                             |                   |                           |
|-----------------------------|-------------------|---------------------------|
| 1. Child and underage labor | 2. Forced labor   | 3. Health and safety      |
| 4. Freedom of association   | 5. Discrimination | 6. Disciplinary practices |
| 7. Hours of work            | 8. Wages          | 9. The environment        |
| 10. Compliance              |                   |                           |

### ► Factories monitored by country

Thailand 2 / Myanmar 2 / Bangladesh 1 / Cambodia 1

### ► Non-conformance Rates by Item

Production Item	FY2018 No. of factories monitored	No. with fewer than 10% non-conforming items	No. with between 10-19% non-conforming items	No. with 20% or more non-conforming items
Apparel	4	3	1	0
Shoes	0	0	0	0
Accessories	2	1	1	0
Total	6	4	2	0

## DESCENTE Supplier Code of Conduct

Based on the Code of Conduct of the World Federation of the Sporting Goods industry (WFSGI), the DESCENTE Supplier Code of Conduct sets forth the following

### 1. Legal Compliance

### 2. Working Conditions

- ① Forced Labor
- ② Discrimination
- ③ Freedom of Association and Collective Bargaining
- ④ Wages
- ⑤ Hours of Work
- ⑥ Rights and Breaks
- ⑦ Child Labor
- ⑧ Health and Safety
- ⑨ Harassment or Abuse

### 3. The Environment

### 4. Community Involvement

### 5. Company-specific Standards

### 6. Verification

### 7. Compliance

## Cumulative totals for FY2011~FY2018

### ► Factories monitored by country

China 68 / Vietnam 21 / Myanmar 13 / Indonesia 8 / Thailand 4 / Bangladesh 2 / Cambodia 1 / Japan 4      Total: 121

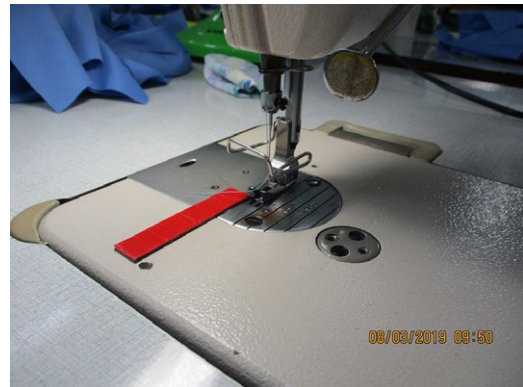
### ► Non-conformance Rates by Item

Production Items	No. of Factories by FY									No. with fewer than 10% non-conforming items	No. with between 10-19% non-conforming items	No. with 20% or more non-conforming items
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018				
Apparel	11	19	11	14	10	11	12	4		51	29	14
Shoes	1	2	4	1	1	1	1	0		3	3	5
Accessories	0	5	4	1	2	1	1	2		10	5	1
Total	12	26	19	16	13	13	14	6		64	37	20

## Numerous Equipment to Protect Employee Health and Safety at Factories



▲Time clocks



▲Sewing machines with safety devices



▲Infirmarys



▲Fire extinguishers and emergency evacuation flags



▲Drinking water



▲Employee cafeterias



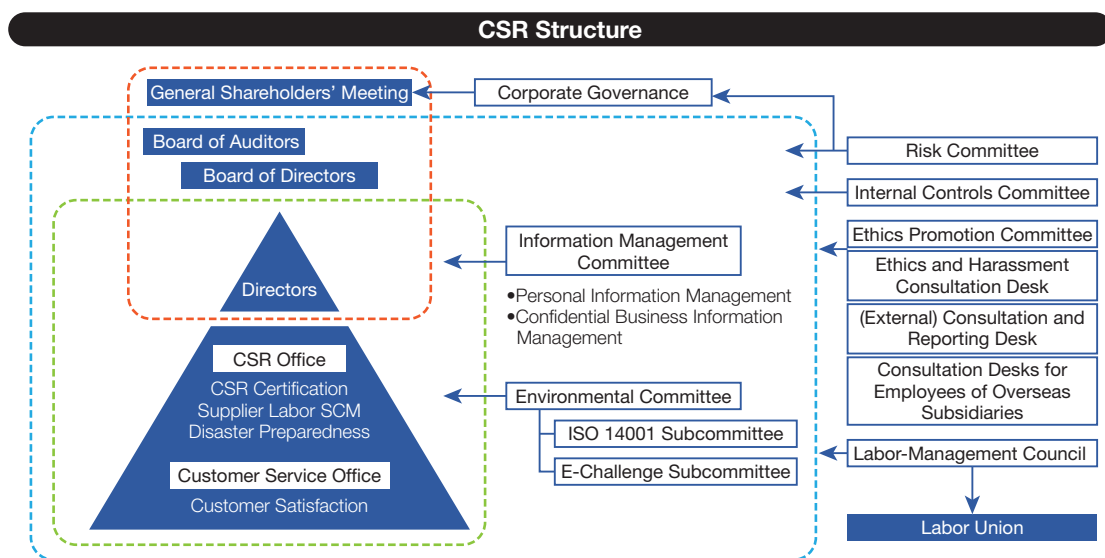
# Corporate Governance and Compliance

To respond to the trust given us by our stakeholders, DESCENTE has built a structure for corporate governance and internal controls, advancing efforts to both maintain the sustainability of the company and enhance corporate value, while ensuring a mutual relationship between the two.

## Corporate Governance

"To bring the enjoyment of sports to all." In line with this corporate philosophy, and in accordance with law and corporate ethics, we recognize that our social responsibility as a corporate citizen is to conduct an honest, fair and transparent business. Through our efforts to enhance corporate governance, we have positioned the continual improvement of corporate value as one of the most important issues for management.

To achieve this, we have established the DESCENTE Code of Ethics and the DESCENTE Standards of Ethical Behavior, working to build a positive relationship with stockholders, suppliers, communities, employees and a variety of other stakeholders. We also actively take a variety of other steps to enhance corporate governance, in addition to the legally stipulated functions of the general shareholders' meetings, Board of Directors, Board of Auditors, and financial auditors.



## Risk Management

The Risk Management Regulations and Risk Management Operating Rules have been written to prevent risk that could have a significant impact upon the company, minimize any damage or impact should such a situation occur, as well as to ensure business continuity and suitability. Accordingly, the Risk Committee identifies general risks and conducts an annual review of preventive measures and responses. Meanwhile, the director responsible monitors the state of implementation for

measures against particularly critical risks deemed to require monitoring, and reports to the Board of Directors.

There were 43 risks identified in FY2018, of which three were monitored. None led to serious incidents. In addition, risks at subsidiaries are identified in a similar manner on an annual basis, in an effort to strengthen risk management throughout the Group.

## Information Management

In addition to formulating its Confidential Business Information Management Regulations and Confidential Business Information Management Standards, DESCENTE offers orientation to all management staff through a concise "Confidential Business Information Guidebook," intended to ensure the proper management of information. In addition, to ensure the protection of personal information and specific personal information we hold, DESCENTE has set forth those policies in its Personal Information Protection Regulations and Personal Information Protection Rules. Each year, we perform a company-wide inventory of personal information, which provides us with an understanding of the number and attributes

of personal information files, who manages them and how they are stored. With the enactment of the EU General Data Protection Regulation, \* we have updated our Privacy Policy.

While there were no incidents of leaked confidential information in FY2018, two incidents arose involving the leak of customer information from a retail store, while another involved the loss of customer information from a retail store. While no word has been received regarding misuse of that information, we are communicating closely with the customers involved, and working to prevent a recurrence.

\* The EU General Data Protection Regulation (GDPR) is a law concerning the protection of personal data within the European Union. It has been in force since May 2018. Under the law, large fines may be levied for violation.



## Compliance

While the DESCENTE Group Code of Ethics sets forth our fundamental approach to our business activities, the DESCENTE Standards of Ethical Behavior has been established to provide a guideline for each of our employees in their work. To promote compliance with the Code and Standards, we have established an Ethics Promotion Committee, and work to nurture a sound corporate culture. In addition, to respond to problems that may be difficult to resolve within the organization and to handle employee requests in Japan for advice regarding unethical behavior by other employees, we have established an Ethics and Harassment Consultation Desk whose personnel include public health nurses for easier consultation, while outside the company we have engaged a legal office offering consultations. Furthermore, we have established new outside, multilingual consultation desks for employees of overseas subsidiaries, and we have strengthened our internal whistleblower system. In addition to these initiatives, newly hired employees undergo CSR training with a compliance focus.

These training sessions are held once every three months at DESCENTE LTD and DESCENTE JAPAN and once a month at DESCENTE KOREA.



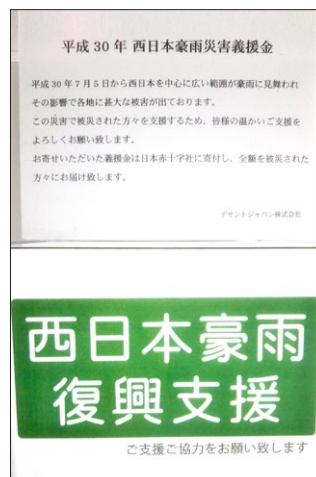
▲Compliance training held on January 28, 2019

### ►FY2018 Ethics Promotion Committee Activities

Sessions:	May, July, August
Main Activities:	Preparation of rules for handling ethical problems in each department, and drafting of proposals for company-wide training.
Current FY Theme:	How to eliminate harassment—building a welcoming working environment
Subcommittee:	Divided into two groups, each of which considered different themes. Meetings were held as needed.
Oct:	Provide “Cases of Harassment” for salespeople
Nov – Jan 2019:	Hold compliance training for employees

## Disaster Response

In response to the torrential rain and flooding that struck western Japan in July 2018, DESCENTE Ltd. donated 5 million yen to the Japanese Red Cross Society that year. That month, we also gathered donations through an in-house sale for employee families and engaged in support activities to speed the disaster zone’s reconstruction.



▲A donation box and panel for the western Japan floods

## Confirming Employee Safety

The DESCENTE Group uses the Secom Safety Confirmation System in Japan. The system automatically sends a safety confirmation email in the event of an earthquake with a seismic intensity of 5-upper or higher, and sends an email as needed in the event of a typhoon, localized torrential rain or other natural disaster. The system makes early confirmation of safety, assists with necessary initial support, and sends an emergency email to all designated recipients. We have adopted this system because even when employees are not at work, their safety and

security are our number-one concern.

This system is also usable as an emergency contact tool which we can use to send an emergency email to all designated recipients or get in touch with managers or other specific groups within the company hierarchy. In consideration of recent developments in countries overseas, preparations are underway to expand the system for employees on assignment in other countries or traveling overseas on business.

# Our Relationship with our Employees

DESCENTE is working on new measures centered on addressing human resource development and diversity, focusing on developing personnel compatible with increased globalization, promoting a more active role for women through our *Saishoku Kenbi* Promotion Committee and other measures.

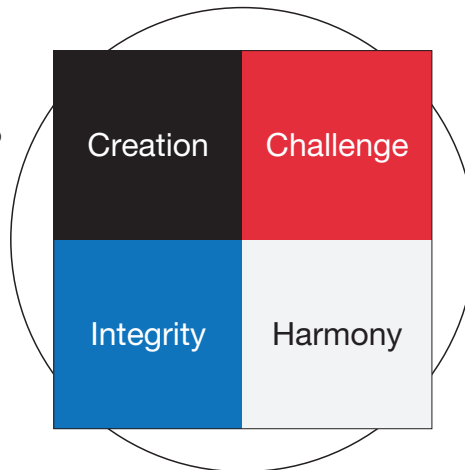
## Code of Conduct Based on the Founding SPIRIT OF DESCENTE

### 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.

### Integrity

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



### Challenge

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

### Harmony

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

## FY2018 Training

In FY2018, we shored up our training program for three purposes: ushering in a new generation of managers, providing a boost to overseas businesses, and increasing expertise and cognitive ability. Furthermore, we support employees in their independent study efforts and career advancement.

The key facets of our training regimen include: 1) management skills reinforcement training (fourth session), 2) cultivation of global professionals, 3) business reinforcement (professional skills) training, 4) female empowerment (for employees charged with promoting diversity) and 5) mini MBA courses at DESCENTE Academy.

### ►FY2018 DESCENTE Academy (Mini MBA) Overview

In FY2018, four instructors who were among the first students to complete the program at the Graduate School of Management, Globis University served as instructors to teach eight courses, whose topics included "Marketing & Operations Strategy" and "Accounting." Each instructor made the knowledge they had gained (i.e. their new perspectives and ideas) the knowledge of the entire company, which will be used for future sales, marketing and other activities.



▲Some of the materials used in "Marketing & Operations Strategy"

## Sports Yell Company Certification

DESCENTE Japan

On December 20, 2018, DESCENTE JAPAN Ltd. was certified as a FY2018 Sports Yell Company. This certification issued by the Japan Sports Agency is intended to widely publicize companies that support and encourage employee sports activities, to increase sport participation by businesspeople, as well as to raise the public approval of companies endeavoring to manage employee health.

DESCENTE JAPAN was commended for taking proactive action with improving employee health in mind. Examples include: employee athletic meets, the "extra station walk" (to encourage employees to embark and disembark at train stations one extra stop away from home or work to increase daily walking), encouraging employees to measure themselves (i.e. to reassess daily habits like diets and exercise, and check

daily changes in body weight), and providing programs for employees at fitness lounges.



▲Certification logo mark

## DESCENTE Recognized as a “White 500” Health & Productivity Management Outstanding Organization for the Third Consecutive Year

DESCENTE

On February 21, 2019, DESCENTE JAPAN was certified as a Health & Productivity Management Outstanding Organization for the third consecutive year by the Health & Productivity Management Outstanding Organizations Recognition Program (organized by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi) in recognition of the company's efforts to bring a management perspective to promoting employee health. The main actions the company took are provided below.

1. The Tokyo and Osaka offices set up health management rooms permanently staffed by five public health nurses and one health manager, along with four industrial physicians (of which two are psychiatrists). Together, these teams help manage the health of all employees.
2. Health examinations are conducted for all employees, regardless of their working hours or length of employment. In particular, the company has placed a greater emphasis on cancer screenings for early detection and treatment.

3. The company encourages employees to walk an extra station on their commutes and to measure their bodies as projects for improving health, and also holds company-wide athletic meets. These efforts are also intended to encourage communication between employees.



▲Certification logo mark



▲The certificate

## Ongoing DESCENTE Group Athletic Meets

The DESCENTE Group Athletic Meet, held for the first time in 20 years in FY2017, is a sports event organized entirely by employees, including the planning, administration and preparations, with a steering committee that includes the Corporate Philosophy Promotion Committee under the direct supervision of the President, as well as newly hired employees. In FY2018, there were 305 participants, many more than in the previous year, and they included employees, their family members and others from Group companies across Japan. It was a day when everybody shared in the fun of sports and the joy of exercise.



▲Children and adults, including employees and their family members, play the Japanese ball-toss game “tamaire.”



▲Teams compete together for a victory in tug of war.



## Our Relationship with our Employees

### Diversity

To become a stronger and more competitive company, it is essential that we raise the skill levels of all of our employees. We are working to build and put in place human resource programs and a workplace environment that will enable everyone, regardless of gender or age, to play an active role. Following is a description of our diversity training and some of the other measures we have implemented.

#### •The Saishoku Kenbi Promotion Committee

This committee promotes the participation of women in the workplace, in accordance with our target of having at least 15 women in management positions (15%) and at least 30 women in core management positions by 2020. The objective for FY2018 was to review, propose and publicize internally concrete actions to develop women as candidates for management positions.

#### •Mentor/mentee System

This system is designed to prepare employees being promoted to core management positions for the responsibilities of management.

Through periodic one-on-one interviews, they receive advice from mentors on the knowledge and mindset needed to take on the responsibilities of section head.

#### •Leadership Development Training

To enable female employees working in specific regions to aim for higher-level positions, this training is offered to give them an awareness of the positions expected and the capabilities required, leading to the ability to develop their own skills and careers through their work.

The training consists primarily of exercises, aptitude assessments by the instructors and the development of action plans.

#### •1UP Training

For the purpose of skills development, in FY2018 we sent women hired for career-track positions in specific regions to attend publicly available training outside the company, where they took courses on job preparation skills and productivity improvement.

#### •Senior Staff Restart Training

This training offers senior employees an understanding of the company's situation at the start of their re-employment, and gives them deeper knowledge of issues such as mandatory retirement and re-employment systems and social insurance programs after the age of 60.

#### •Support for Work-Life Balance

##### <Female Employees>

Our emphasis has switched from helping employees to raise children to supporting their careers. By providing prenatal guidance and offering access to CACHATTO (a telework platform service) to prepare for a return to the workplace, and through consultations before returning to work on how to adjust on-the-job routines, we put greater emphasis on supporting women's careers.

##### <Male Employees>

To encourage men to take paternity leave, we revised the paternity leave rules in October 2018 and now offer five days of paid paternity leave.

### 10th Annual Nationwide SC Role-Playing Tournament

DESCENTE Japan

DESCENTE JAPAN Ltd. currently has about 1,000 retail sales coordinators (SCs) who provide an important touchpoint with customers in their daily work. This year the tournament, which has been held since 2009, addressed the theme of "Customer Service that Connects: Creating Fun Times for You and Me." The preliminary round featured 43 participants selected from stores nationwide, of whom 16 went on to the championship round held in Osaka on November 14, 2018. In the end, there was one champion, one runner-up, two special award winners and one newcomer award winner.



▲Sixteen championship-round participants received commendations.

### Initiatives at Shanghai DESCENTE

Every year, Shanghai DESCENTE commends outstanding employees, who take tours of factories in Japan, where DESCENTE's craftsmanship begins, and exposes them to Japanese culture. These efforts boost their loyalty as DESCENTE Group employees.

On the first day, we toured the Yoshino Factory operated by DESCENTE APPAREL Ltd. The plant of around 50 employees, which was relocated and rebuilt two years ago, has a floor space of nearly 4,000 m<sup>2</sup>. The relocation gave the factory greater capacity to handle small-lot production, such as custom orders and rush orders for swimwear and sweatshirts. During the factory tour, we received detailed explanations on processes ranging from sewing pattern production, cutting and sewing to final quality inspection. We saw for ourselves how complex the production processes are. For example, just to produce one item, many machines are used to meet delivery deadlines. It was a great learning experience.

The four days were an incredibly important, unforgettable opportunity. I hope all other employees will also keep doing their best and that the next winners of the outstanding employee award will enjoy a valuable experience.

April 23, 2019

Lianli Yiyou, Shanghai DESCENTE



▲Outstanding employee award winners joined a four-day tour that included DESCENTE Apparel's Yoshino Factory (left).



# Our Relationship with our Customers

## Tackling Sustainability: Manufacturing Creativity and the Ability to Create Retail Environments

The source of DESCENTE's competitiveness lies in our sportswear development capabilities. We listen to our customers, responding to their requests using technology and inventiveness to constantly develop new products. The retail environments that deliver our products are more than just sales floors. They are an important point of contact with the customer, and our base for disseminating information from DESCENTE. We focus on creating fresh and surprising retail environments that make the buying experience fun. By enhancing our manufacturing creativity and our ability to offer these retail environments, we seek to enrich customers' lifestyles.

### Manufacturing Creativity

#### ISPO Award Gold Winner for Third Year Running

DESCENTE

In January 2019, at ISPO in Munich, two DESCENTE brand products were rewarded, one with an ISPO Award Gold Winner and the other an ISPO Award Winner. This is the third consecutive year, beginning in 2017, the brand has had a Gold Winner.

The ISPO Gold Winner was "Variant", a new Mizusawa Down Jacket model for the Fall/Winter 2019 season. This unusual cotton touch jacket has excellent waterproofing and is also moisture permeable. This is also the third time that a Mizusawa Down Jacket has won an award. The ISPO Award Winner was the Swiss Ski Team Replica Lightweight Jacket, which is 30% lighter than a regular insulated jacket.

#### ▶ About the ISPO Awards

ISPO is the world's largest international sporting goods trade fair, with about 2,800 exhibitors from companies around the world. The ISPO awards are conferred during this event on outstanding products selected after strict judging based on items such as concept, design, technology and environmental friendliness.



◀DESCENTE  
Mizusawa Jacket, Variant  
(Urban Section, Outer Layer,  
Insulated Category)



◀DESCENTE  
Swiss Ski Team Replica  
Lightweight Jacket  
(Snow Sports Section, Outer Layer,  
2-Layer Concept Category)

#### The DESCENTE Design Awards Program Continues

DESCENTE

The DESCENTE Design Awards, an in-house contest intended to improve development and design capabilities, was held for the seventh time in July 2018 and then the eighth time that December. A dozen or so items are selected for nomination by each brand then exhibited at the DESCENTE Press Event for fashion and sports magazine editors and stylists. Attendees of the Press Event vote on the sports items with the most outstanding designs in terms of functionality, novelty and trendiness to determine the Grand Prize and Award of Excellence.

##### Seventh Contest Award Winners

(held in July 2018)

##### Grand Prize



- Designer: Kuniko Horiuchi
- Brand: le coq sportif
- Product name:  
le coq sportif+ NAO OKAWA  
Reversible Gillet Poncho

##### Award of Excellence



- Designer: Toshio Kondo
- Brand: DESCENTE
- Product name:  
ISOLATION BOA  
INSULATED JACKET

##### Eighth Contest Award Winners

(held in December 2018)

##### Grand Prize



- Designer: Hidenori Sato
- Brand: DESCENTE (Golf)
- Product name:  
g-arc pants X-type

##### Award of Excellence



- Designer: Ryota Ito
- Brand: le coq sportif
- Product name:  
3in1 Spring Coat



▲The 8th DESCENTE Design Awards during the DESCENTE Press Event



▲Winners at the 8th DESCENTE Design Awards.  
From left: Ryota Ito and Hidenori Sato

**Kozo Oishi**

Manager, R&D Center  
DESCENTE Ltd.

## Second Quality Incident Information Exhibit Held What Incidents Have to Teach Us

DESCENTE Ltd. and DESCENTE JAPAN Ltd. held the second Quality Incident Information Exhibit on October 25-26, 2018 at the Osaka Office and on November 1-2 at the Tokyo Office. As in 2017, this information exhibit looked back on the background, causes and responses to recent incidents involving the company's products, with the actual products displayed alongside explanatory panels. These were designed to offer lessons, with the goal of encouraging everyone to work together to prevent similar occurrences and further improve product quality.

Once again, the exhibit was aimed at those involved in our manufacturing processes, including individuals from partners such as trading companies and materials manufacturers, as well as our own in-house merchandisers (MDs), designers and buyers. Kozo Oishi, a Section Manager at our DISC R&D Center, who was involved in organizing the exhibit, was interviewed for this project.

### What was the purpose of holding the exhibit?

We can group the causes of quality incidents into four broad categories: planning and design defects; production defects; technological limits; and misunderstandings between customer and producer. DESCENTE handles many brands. Brand managers only share information about their brands' incidents with their own teams to make improvements, but we're trying to share information about incidents between brands to help raise quality across the Group.

We also solicit involvement by individuals at trading companies and materials manufacturers because we want to work together to improve quality through a shared understanding of quality control's importance.

### What improvements to the exhibit did you make after reflecting on the first one?

We made improvements on running the exhibit, display methods and the content.

To improve the running of the exhibit, we held it on separate days for our in-house audience and our business partners. We held more in-depth meetings with the business partners to work on mitigating the second cause of incidents, which is production defects.

To display the content in a better way, we categorized the incidents according to the four causes I mentioned earlier and analyzed them to facilitate our attempts at preventing recurrences. To improve on the exhibit's content, we added information on the third and fourth causes, technological limits and misunderstandings between customer and producer, which the previous exhibit didn't cover. The intent here was to create a stronger connection with the customer's perspective of craftsmanship and on ways to communicate product traits and product handling methods.

In addition, we added information on the new "silent changes"<sup>\*1</sup> happening recently in the industry, as well as beefed up monitoring of fine print disclaimers<sup>\*2</sup> by the Consumer Affairs Agency, to share the risks we face in the future.

### Toward zero quality incidents

To eliminate quality incidents arising from production defects, we are asking suppliers to establish checkpoints for each production process and to conduct quality control audits as necessary. For this year's exhibit, we displayed these checkpoints and shared concrete techniques for improving quality control.

### What was the feedback from attendees?

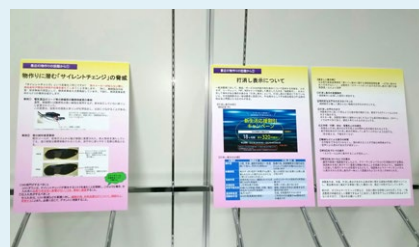
It's unusual for a quality incident information exhibit to also display cases from other companies, but since many of these examples are occurrences that could also happen at their company, attendees said they were very informative and could help them prevent making these same mistakes. We also had many attendees urging us to keep holding the exhibit.

\*1. This refers to the supplying company making unannounced, unauthorized changes to material composition or specifications at some point, unknown to the purchasing manufacturer. This can lead to serious incidents.

\*2. This refers to a disclaimer concerning selling points, such as quality or price, which are heavily emphasized when advertising a product.



▲ Attendees carefully examine explanatory panels.



▲ Panels on new risks posed by "silent changes" (left panel) and fine print disclaimers (right panel).

## Creating the Fastest Apparel in the World at DISC Osaka

DESCENTE



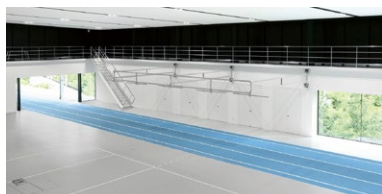
▲Outside of DISC OSAKA

We opened Descente Innovation Studio Complex Osaka (DISC Osaka) in Ibaraki, Osaka Prefecture in July 2018 as a sports apparel R&D center. The concept is: “Creating the Fastest Apparel in the World.” By being fast, we mean apparel to give athletes the speed to beat their competitors, as well

as developing pioneering apparel that is a step ahead of our competition in the global market. That’s the kind of R&D center we want DISC Osaka to be.

DISC Osaka’s role encompasses: basic development, developing global strategic materials, product development, quality development and intellectual property strategy. With facilities including the Climart artificial weather room and the artificial rain room, our aims are to: build on the R&D capabilities previously undertaken at the Osaka Office; fully connect the processes of product feature development, commercialization and product evaluation/verification; and to create products with advanced features and quality at great speed.

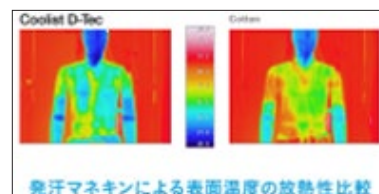
The facility has already developed Coolist D-Tec, a new, original cooling material that utilizes heat of vaporization and is being rolled out in products from multiple brands beginning in April 2019.



▲The Sports Performance Studio



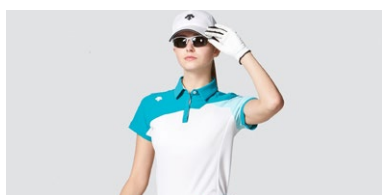
▲Climart (artificial weather room)



▲A test at DISC Osaka’s Climart shows that the surface temperature of a new material, Coolist (left), is lower than a cotton polo shirt’s (right).



▲An artificial rain room



▲DESCENTE Coolist Short-Sleeved Shirt (ladies)

## Ability to Create Retail Environments

### Archives in Action at the Flagship Store

DESCENTE Japan

On February 6, 2019, DESCENTE TOKYO, the DESCENTE brand’s flagship store, opened on Meiji Dori in Tokyo’s Shibuya district. On the second floor, DESCENTE BLANC offers DESCENTE’s AllTerrain and Pause brands. The floor also makes use of our archives to exhibit award plaques along with Mizusawa Down Jackets over the years, and more, to present the story of how DESCENTE’s craftsmanship has developed.



▲Mizusawa Down Jackets, first created in 2008, are on display along with ISPO Awards and other honors.

### 31st Annual Nationwide Outstanding Store Awards Ceremony

DESCENTE Japan

This awards ceremony is held every year to improve the skills and increase the motivation of the approximately 1,000 retail sales coordinators (SCs) at DESCENTE JAPAN Ltd., with the goal of creating retail spaces that fully satisfy all customers. Fourteen outstanding retail environments were selected and awarded from about 350 stores nationwide, along with one newcomer award, based on each store’s net sales, sales-to-budget ratio, way of approaching and making suggestions for customers, customer feedback and other criteria.



▲The awards ceremony held on May 24, 2018



# Our Relationship with Local Communities

By holding events and providing career education through sports, we provide physical and mental enrichment to the children and students of today who will lead us tomorrow, as well as contributing to healthy lifestyles for local communities.

## Experiential Sports Programs

### Sports School for Healthy Kids 2018 Activities



In 2018, with education in mind, we introduced a series of new classroom-style lessons. The schoolchildren who joined these classroom-style lessons also participated in an overnight camp. The introduction of these programs for partnership and development created further opportunities to experience the joy of sports. The overnight camp addressed harmonious coexistence between nature in human society. For this, we added to the program opportunities for interactive learning, which we carried out in partnerships with NPOs and other organizations, and with the assistance of senior staff members who joined as volunteers.

Moving forward, we will continue to raise corporate value through these activities as we evaluate and update to adapt to circumstances.

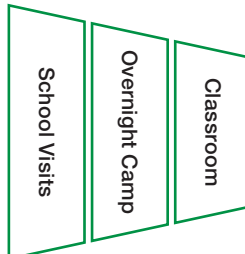
Until 2017

## Teaching

We taught many children about fun and showed them the appeal of exercise.

Short-term instruction

In 2018



## From Teaching to Nurturing

We continue to encourage all sports lovers.

## Nurturing

We supported the process of children's growth through various physical activities.

Medium-term instruction

## Classroom: Field Hockey Lessons



▲Principal Naoko Matsubara

### Overview

Sponsored by: Toshima City Kodomo Skip, The Sports School for Healthy Kids Executive Committee  
Supported by: Toshima City  
Sponsors: Tokyo Hockey Association, DESCENTE JAPAN Ltd.  
Principal: Naoko Matsubara (Japan women's hockey player at the Athens Olympics)

### When & Where

Ikebukuro Honcho Elementary School:  
5 times from May 9 to June 13; 57 students signed up  
Ikebukuro Elementary School:  
5 times from June 20 to July 18; 25 students signed up  
Total participating students: 324

### ►General Comments

To support athletic organizations that wish to get more people involved in sports and offer an opportunity to experience sports, we held this event in partnership with the Tokyo Hockey Association, which wants to popularize field hockey, a sport that will be played at the Tokyo 2020 Olympic Games. The events were held as part of the Kodomo Skip after-school program run by Toshima City. A total of 324 students participated as an after-school activity. The association will take the lead in holding this event again in the future.



▲Ikebukuro Honcho Elementary School



▲Ikebukuro Elementary School



## Overnight Camp: 2019 Summer Camp Minakami

### Overview

Sponsored by: The Sports School for Healthy Kids Executive Committee  
 Supported by: Japan Sports Agency, Toshima City (Tokyo), Minakami (Gunma Prefecture), Minakami Board of Education, Tokyo Hockey Association, Gunma Field Hockey Association, Minakami Field Hockey Association  
 Supported by: DESCENTE JAPAN Ltd.  
 Organizing Support: Camping Association of Tokyo  
 Principal: Naoko Matsuhara (Japan women's hockey player at the Athens Olympics)

### When & Where

July 28-30: Minakami, Gunma Prefecture  
 Field hockey ground at Tsukiyono Ryokuchi Athletic Ground  
 Participating students: 43

### ► General Comments

We produced a program that would provide opportunities to learn the rules of organized activities through recreation, in partnership with the Camping Association of Tokyo. Working with local children's sports associations and receiving support from instructors, the participants experienced the fun of competition under various weather conditions at the expansive field hockey ground, which was used for the annual National Sports Festival of Japan in 1983. There were also many other quality learning opportunities, including some fun, adventurous rafting on the clear waters of the Tone River, hiking around Lake Akaya, a lecture on the nearby UNESCO Eco Park, and a tour of the Yamaki Minakami Factory, which makes use of the town's water resources.



▲ Team-building



▲ A field hockey lesson



▲ Rafting



▲ A camp fire



▲ Fieldwork



▲ Tour of the Yamaki Minakami Factory

## School Visits



▲ Hikaru Tanaka

### Overview

Sponsored by: The Sports School for Healthy Kids Executive Committee  
 Supported by: Japan Sports Agency, Kami (Mikata County, Hyogo Prefecture), Kami Board of Education  
 Sponsor: DESCENTE JAPAN Ltd.  
 Principal: Hikaru Tanaka (Japan gymnast at the Athens Olympics)

### When & Where

Dec 3: Kami Municipal Uzuka Elementary School, Kami Municipal Muraoka Elementary School  
 Dec 4: Kami Municipal Iso Elementary School, Kami Municipal Ojiro Elementary School  
 Total participating students: 163

### ► General Comments

Due to population decline in Japan's rural areas, there are often few children to participate in activities, organized for them but when an athlete visits, this is often considered a special event, and again we received a warm welcome when visiting schools. Hikaru Tanaka offered the 163 students fun lessons that included a fine display of acrobatics, a rare sight, along with continuous encouragement for the students to not give up on their dreams.



▲ Uzuka Elementary School



▲ Muraoka Elementary School



▲ Iso Elementary School



▲ Ojiro Elementary School

## Our Relationship with Local Communities

### Remote Learning in Hilly and Mountainous Areas (ICT + Career Education Project)

Our company participated in a project to provide career education for children in hilly and mountainous areas in the city of Fujieda, Shizuoka Prefecture, who have little interaction with adults. The project was organized by the Fujieda Board of Education and assisted by Shingo Shiota Laboratory at the Shizuoka University Faculty of Education. Our R&D center, DISC Osaka, connected with a Fujieda junior high school using ICT (i.e. a videoconferencing system). Under the theme of “thinking about how to enjoy and get involved with sports,” the students presented ideas which they had prepared in advance in class on “events where many people can enjoy sports and the sportswear and goods suitable for such events.” Company employees provided their comments and impressions on the

presentations and conveyed to the students the appeal of the sports business. In the future, we will engage in activities for addressing similar social issues in the community.



▲ Remote learning via a videoconferencing system



▲ A presentation on sportswear based on student ideas

### Initiatives by HONG KONG DESCENTE

Since FY2018, HONG KONG DESCENTE employees have been visiting senior citizen homes, where they communicate with the residents through games involving simple exercise. This is the beginning of an initiative toward sustainable harmony with the local community.



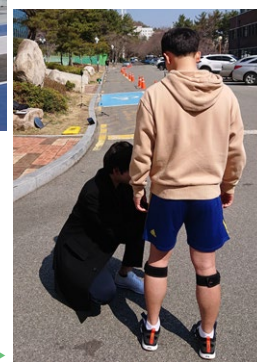
### Development of Globally Competitive Shoes at DISC Busan



▲ Outside of DISC Busan



◀ 3D motion analysis system



Measuring human body movement during exercise, in a joint project with PNU ▶

On October 17, 2018, DESCENTE Innovation Studio Complex Busan (DISC Busan) was opened in Busan, South Korea.

Based on the concept of “Innovate For Your Best,” DISC Busan is developing globally competitive shoes. Through scientific experiments and R&D, DISC Busan is developing new techniques that are central to product development and building reliability for running shoes and other high-performance shoes.

In addition, we have kicked off an initiative to construct a portable database with Pusan National University (PNU) as part of a joint project between industry and academia. This project will take measurements on exercise performed by some 250 PNU students and study how they walk, run and jump. The results will be converted into a database and we will collaborate with PNU research team members on analyzing the data while also gathering basic data for various R&D on running shoes.



## Initiatives by DESCENTE KOREA

The DESCENTE Sports Foundation, which was established in 2013, is the first nonprofit organization in South Korea to specialize in sports. The foundation's mission is to create a setting where everyone can enjoy sports, so as to offer citizens sustainable and genuine sports services. Following this mission, the foundation is engaged in diverse projects benefiting the community by utilizing sports content, such as support for aspiring athletes, construction of sports facilities and support for sports activities.

### ► MOVE SPORT PARK

The creation of these sports facilities is a project to improve the environment for more people to enjoy sports. So far, six facilities have been constructed, including a baseball field, a futsal field and a general athletic facility. Now, anyone can easily enjoy a nearby location for safe sports activities in Gapyeong-gun, Yongin-si and Seoul's Jamsil district.



### ► MOVE SPORT

Through support of school sports activities, this project's purpose is to promote physical health and develop mental health among juveniles. The project develops new sports programs and assists with instructor training and coaching. In 2018, we ran programs to provide more opportunities to experience physical education for 130 junior high schools and high schools in the Seoul and Gyeonggi-do areas.



### ► MOVE KIDS

This project provides opportunities for children to enjoy sports and, through sports, aims to facilitate their healthy physical and mental development. In 2018, we held soccer clinics for 100 children from social welfare facilities at Move Futsal Park, which was built by the DESCENTE Sports Foundation. The Move FC Soccer Clinic offered children the opportunity to watch a professional soccer match and meet with soccer players.



### ► MOVE SHARE

Working through social welfare facilities and nonprofit sports organizations across South Korea, this project helps younger and older children with little opportunity to enjoy sports by equalizing this disparity and helping them to develop social skills. The project offers support by providing sports equipment and opportunities to learn about and experience professional sports. In 2018, there were 20,555 participants who joined 1,340 programs organized through 25 social welfare facilities.





### Origin of the Corporate Symbol Mark

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.



COMMUNICATION ON  
PROGRESS

This is our **Communication on Progress**  
in implementing the principles of the  
**United Nations Global Compact** and  
supporting broader UN goals.

We welcome feedback on its contents.

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