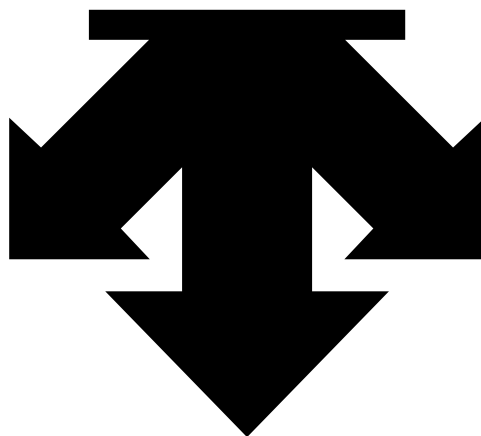


DESCENTE



DESCENTE GROUP

Integrated Report 2022

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DESCENTE GROUP

The DESCENTE Group operates nine brands, including DESCENTE. The Group develops, manufactures, and sells high-quality, high-performance sporting goods, and is taking on the challenge of further increasing the value of its brands by implementing brand-specific marketing activities so that people around the world—from members of the public to top athletes—can enjoy sports.

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

The corporate slogan encapsulates DESCENTE's commitment to the finest designs for current and future generations of sportspeople, promoting healthy lifestyles and enriching body and soul. With flexible and creative designs backed by cutting-edge technology, we will help athletes to challenge their performance limits, and encourage all sports enthusiasts to share their passion, creating excitement and hope. The slogan's silver color conveys an image of clean, sharp sophistication, symbolizing a brightly shining future.



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.

The History of Our Technological Development

Since our founding in 1935, DESCENTE, LTD. has continuously developed performance products across multiple brands for a wide variety of competitive sports. We will continue in our efforts to bring the enjoyment of sports to more people than ever before.



1979

Downhill Suit

During the FIS Alpine Ski World Cup season, DESCENTE's "magic downhill suit" dominates the winners' podium. The suit, which reduces air resistance to the lowest acceptable limits, causes a sensation by shaving up to two seconds off the winners' times.



2008

MIZUSAWA DOWN JACKET

A down jacket line based on a non-quilting manufacturing process, the product uses materials that achieve superior water resistance and moisture permeability, thereby providing a high level of wearer comfort. The jacket is named after our Company-owned factory, located in the town formerly known as Mizusawa (now Oshu City), where it was produced.

1935

Founding

1953

Cream-Colored Baseball Uniforms

DESCENTE successfully develops cream-colored baseball uniforms and training pants made from pre-shrunk cotton fabric with a wool-like finish. Capitalizing on a baseball boom, these items become hit products.



2004

arena, Aile Bleue

Aile Bleue swimwear—which takes its inspiration from kingfishers—is launched by the swimwear brand, arena. The design applies biomimetics to manufacturing to achieve smart performance based on principles derived from nature. At the 2004 Athens Olympics, Ai Shibata wins gold in the 800m women's freestyle wearing Aile Bleue.



2021

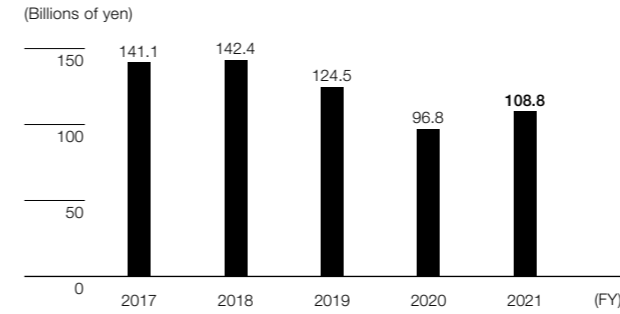
ALPINE

Produced at our Company-owned factory in Mizusawa, this down jacket is designed for athleticism and thermal comfort in all- mountain conditions. The jacket is popular as a high-performance item for athletes that can be worn comfortably while skiing or on snowy mountains.

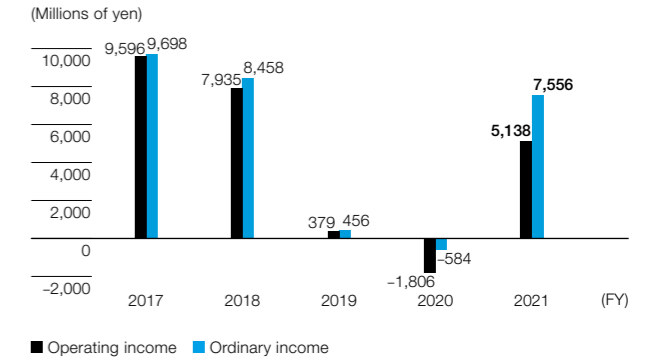


Business Performance Highlights

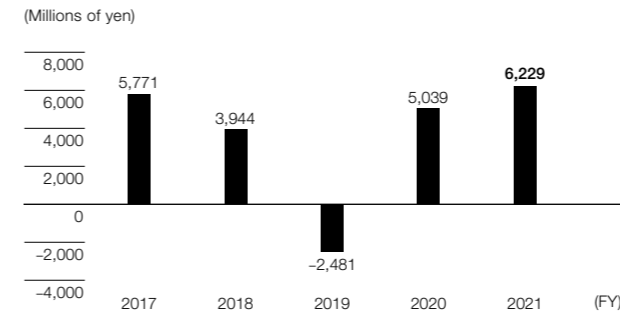
Consolidated Net Sales



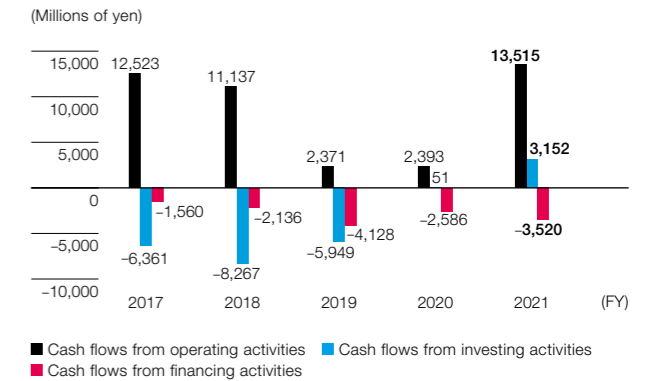
Operating Income and Ordinary Income



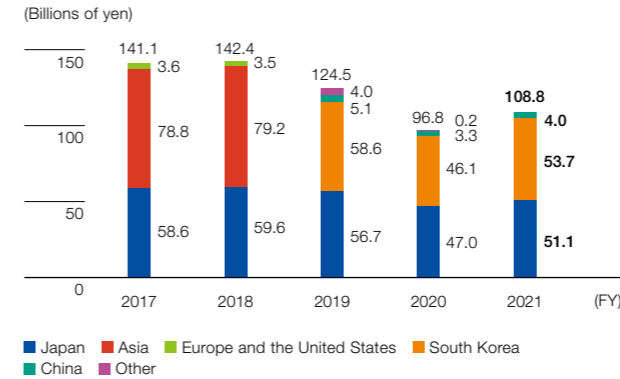
Profit Attributable to Owners of Parent



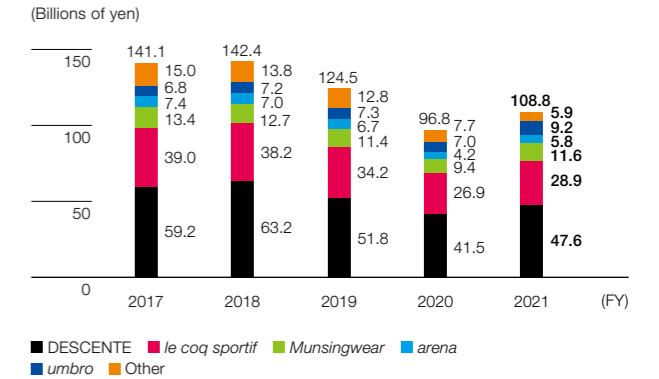
Cash Flows



Sales by Region



Brand Sales



E CO₂ Emissions Reduction Rate

approximately **9%** ↓
compared to fiscal 2020 figures

* Certified in accordance with the verification criteria of SGS Japan Inc.

S Women in Key Managerial Positions

DESCENTE LTD. / DESCENTE JAPAN LTD.

15%
(20/133)

* Figures extracted from major group companies DESCENTE LTD. and DESCENTE JAPAN LTD.

G Ratio of Outside Directors

50%

Three outside directors out of a total of six directors

Value Creation Process


We aim to realize our corporate philosophy—to bring the enjoyment of sports to all—through the continuous provision of high-performance, high-quality, exceptionally designed sporting goods that leverage our four strengths.

Input

-  **Intellectual capital**
 - Two research and development sites

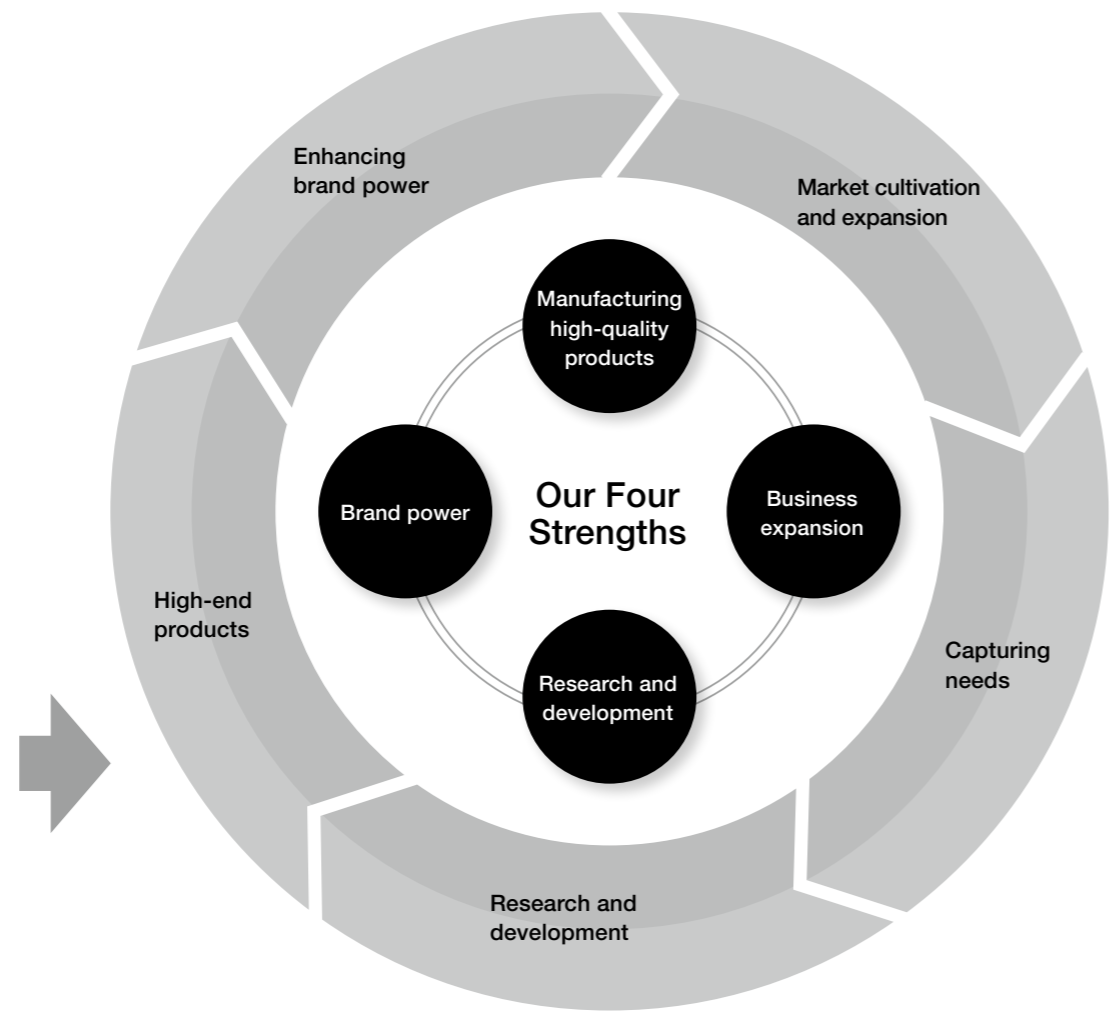
-  **Manufactured capital**
 - Five Company-owned factories

-  **Human capital**
 - Consolidated employees: 2,712 (as of March 31, 2022)

-  **Brand capital**
 - Six proprietary or owned brands
 - Three licensed brands

-  **Natural capital**
 - Basic Environmental Philosophy
 - Environmental Policy

-  **Financial capital**
 - Equity Ratio: 74.5% (as of March 31, 2022)



Material issues	
1 Taking on the Challenge of realizing sustainable manufacturing, products, and systems	3 Integrity in our organizations, systems, and employees
2 Create new value	4 Harmony with local communities and society at large

Guidelines for action

Creation Challenge Integrity Harmony

Output

High-performance, high-quality, exceptionally designed sporting goods

- 
- 
- 
- 
- 
- 
- 
- 
- 

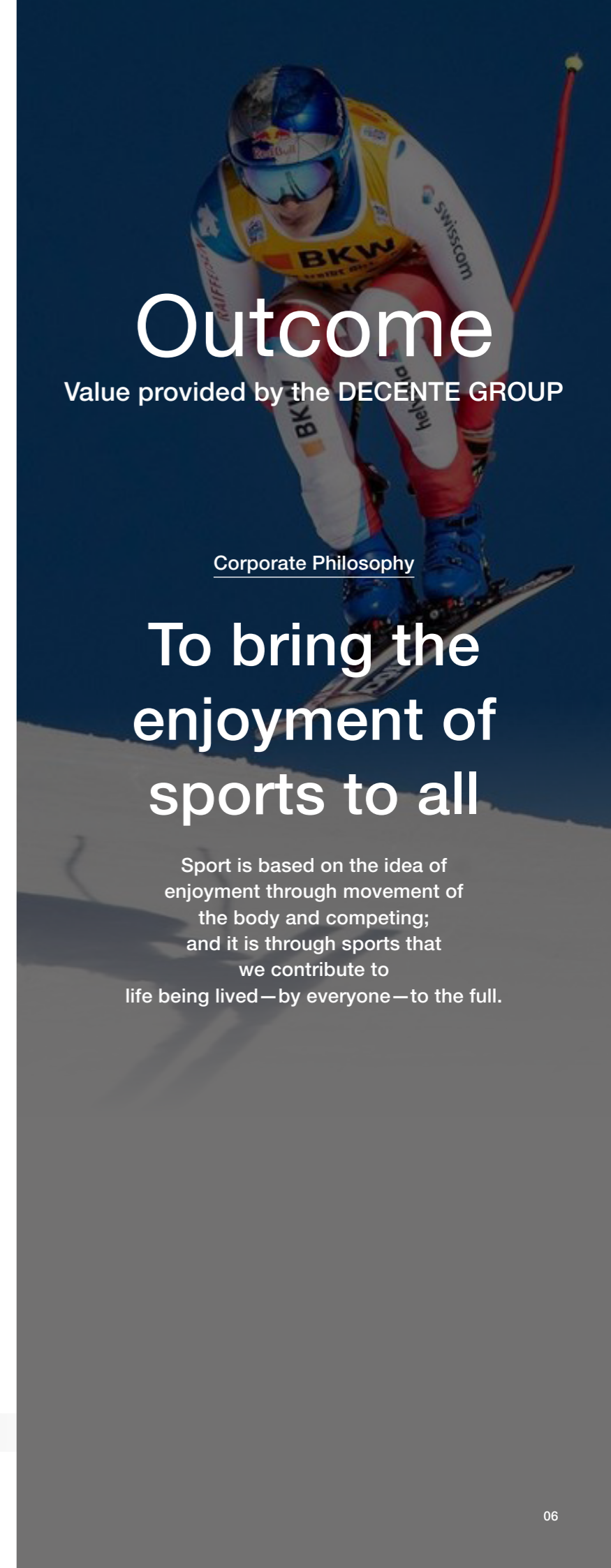
Outcome

Value provided by the DECENTE GROUP

Corporate Philosophy

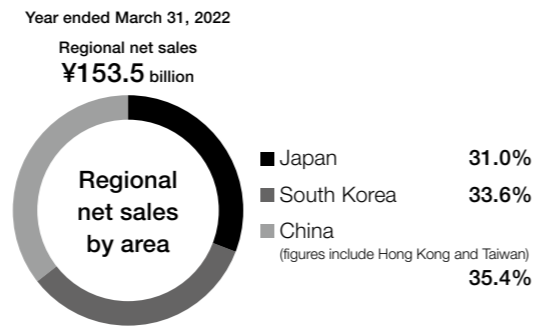
To bring the enjoyment of sports to all

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



Business Overview

The DESCENTE Group operates nine brands, including DESCENTE. The Group develops, manufactures, and sells high-quality, high-performance sporting goods, and is taking on the challenge of further increasing the value of its brands by implementing brand-specific marketing activities so that people around the world—from members of the public to top athletes—can enjoy sports.



Proprietary Brands (Worldwide)

Brands for which the DESCENTE Group holds trademark rights

Ratio of net sales
56%



Since commencing operations in 1957, DESCENTE has been developing products in collaboration with top athletes, with the constant aim of creating innovative, new products. We offer to the world high-performance, high-quality, exceptionally designed sporting goods with a sense of functional beauty.



Owned Brands (Limited Countries and Regions)

Brands for which the DESCENTE Group holds trademark rights in limited countries and regions

Ratio of net sales
40%



Beginning with the acquisition of the trademark rights for *Munsingwear* in 1984, the Company acquired the trademark rights for *arena*, *le coq sportif*, *umbro*, and *inov-8*. We support enthusiasts of a wide range of sports including golf, swimming, mountain climbing, soccer, and tennis.

Licensed Brands / Others

Ratio of net sales
4%



We operate three licensed brands in Japan: *Marmot*, *LANVIN SPORT*, and *SRIXON*. In our *MoveWear* range, we develop products designed for all occasions, both on and off the sports field.





CEO MESSAGE

Through the steady implementation of each of the strategies set forth in our current medium-term management plan, **D-Summit 2023**, we will continue to excel through the craftsmanship that is our pride.

Demonstrating the True Value of the Spirit of DESCENTE

The COVID-19 pandemic gave rise to a period of reduced exposure to sports. Recently, however, I truly feel that sports are helping to restore vitality to society. Golf courses are thriving, Shohei Ohtani's stunning performance on the baseball field is bringing joy and excitement to many, reminding me of the vital role that sports play in energizing people.

Since our founding in 1935, we have been consistently involved with sports, and have supported athletes who compete for records at the highest levels—where even one hundredth of a second counts—through the care and attention to detail we invest in our craftsmanship. The spirit of DESCENTE, with which we constantly anticipate the demands of the times by creating products with functionality that responds to the needs of top athletes, lives on in every item we produce to this day. Our care and attention to detail is also demonstrated in our *MoveWear* range of clothing, which has been developed for ease of movement in situations beyond the realm of sports, and we continue to take on new challenges by leveraging the technologies we have refined through the development of sportswear. By striving to differentiate ourselves through functionality, we will establish a distinctive presence and unique position in the highly competitive apparel industry.

Pursuing Profit under the Medium-Term Management Plan: D-Summit 2023

Under the previous medium-term management plan, we concentrated management resources on Japan, Korea, and China by selling shares and liquidating European and U.S. subsidiaries that had been persistently posting deficits. D-Summit 2023, the medium-term management plan in effect from fiscal 2021 to fiscal 2023, was launched with the major objective of significantly strengthening the profit structure of our businesses in Japan through the implementation of various structural reforms.

The key to improving profitability—a priority strategy for our business in Japan—is product planning and distribution reforms centered on the Direct-to-Consumer (DTC) Business which consists of e-commerce, directly managed stores, and department stores. In the current medium-term management plan, we aim to strengthen marketing activities while increasing sales from the DTC Business by 55% or more. If we can eliminate waste by producing appropriate volumes of products and selling each item ourselves, while at the same time enabling our customers to experience the high performance and

quality of our products in our stores, we believe we will be able to implement craftsmanship that directly addresses customer needs and enhances our profitability.

The DTC business model is well established in South Korea and China. In South Korea, we aim to achieve steady revenue growth by leveraging the foundation of the existing business model. On the other hand, in China, where we are aiming for quantitative expansion, we are harnessing the respective strengths of DESCENTE, which produces products that leverage its planning and development capabilities, and our joint venture partners in China, who have strong sales capabilities, to promote business expansion.

Pursuing Sustainability Unique to DESCENTE

We have incorporated sustainability into our management strategy in pursuit of the simultaneous creation of social and economic value. For many years, mass production and mass consumption have been issues for the apparel industry globally. Producing appropriate volumes of high-quality goods that are all sold, however, can help to resolve such social issues. In addition, we are promoting sustainability-related initiatives such as the repair of *MIZUSAWA DOWN* jackets and the creation of a system to ensure that our customers will continue to use their favorite items, which are made with care and attention to detail, for a long time. We also believe that harmonious coexistence with local communities is important, and our Company-owned factories strive to contribute to such communities by creating local employment and coexisting with local governments.

Addressing Immediate Challenges and Producing Solid Results

I was appointed president of DESCENTE, LTD. three years ago. The reforms we have implemented to date paid off in fiscal 2021, and we achieved vast improvements in revenues. However, we are still only at the starting point in terms of growth. We will meet the expectations of our shareholders and various other stakeholders by carefully addressing each immediate challenge we face and producing solid results. We will earnestly continue our pursuit of craftsmanship with sports at the core, supporting everyone who enjoys sports, and realizing the sustainable enhancement of corporate value.

Shuichi Koseki

President and Representative Director

Medium-Term Management Plan: D-Summit 2023

We concluded our previous medium-term management plan, D-Summit 2021, one year ahead of schedule and are now leveraging its achievements to promote our current plan, D-Summit 2023, which is due to end in fiscal 2023. Guided by the following three key strategies, we will further promote management reforms in Japan and overseas.

The Three Key Strategies of D-Summit 2023

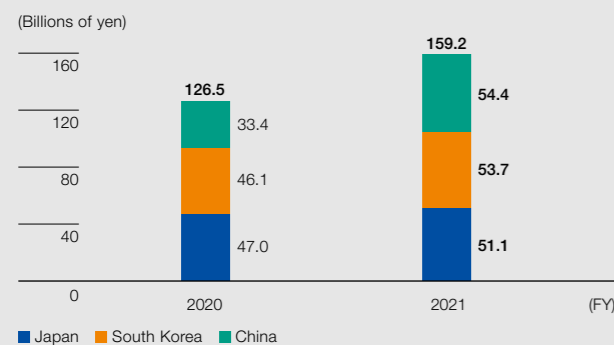
Key Strategies

- 1 Implement strategies by regions for Japan, Korea, and China**
 - Japan: Improve profitability
 - South Korea: Achieve steady growth
 - China: Expand sales
- 2 Improve profitability of the Japan Business**
 - Reform product planning and sales channels with a focus on strengthening DTC Business
 - Clarify key performance indicators (KPIs) for improving profitability
 - Renew enterprise resources planning (ERP) system
 - Implement new pay for performance human resources system
- 3 Enhance craftsmanships**
 - Launch *MoveWear* to strength appearance as premium sportswear
 - Utilize R&D center (DISC) and own factories to fulfill consumer needs
 - Utilize craftsmanships to address material issues

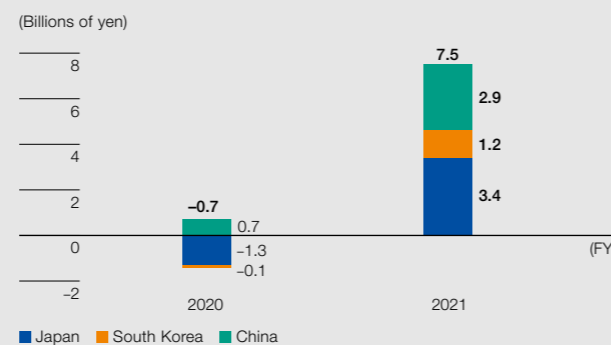
1 Progress Made on Profit Plan for Japan, Korea, and China

In fiscal 2021, we achieved a balanced portfolio with sales of ¥50 billion in each country. Ordinary income was ¥3.4 billion in Japan, ¥1.2 billion in South Korea, and ¥2.9 billion in China. Although our operations in South Korea experienced a more challenging year than anticipated in the plan, the Company achieved well-balanced profit growth overall.

Local Net Sales (≠ Consolidated Profit/Loss)



Income based on Actual Business (≠ Consolidated Profit/Loss) (Simplified Calculation of Subsidiaries and Equity-Method Affiliates)

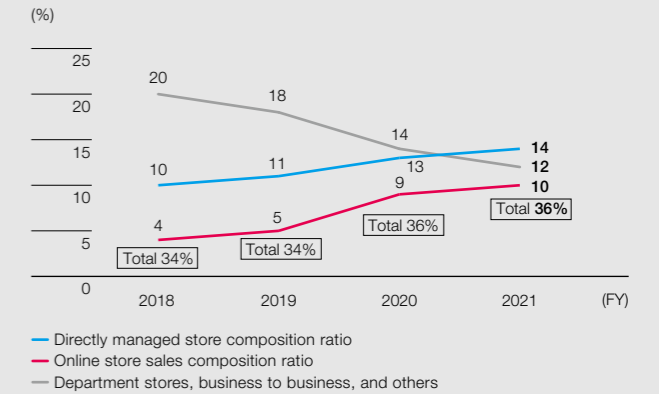


TOPIC 1

Japan: Expanding our DTC Business

To expand our DTC Business, we have been increasing the ratio of directly managed stores and online stores over the past five years. We opened the DESCENTE GOLF COMPLEX GINZA store in Ginza, Tokyo to promote an improved customer experience, and are enhancing publicity through initiatives such as publishing articles and appointing ambassadors for *ULLR MAG.*, the Company's owned media, which serves as an interface with customers. We are continuing our efforts to improve brand value and awareness.

DTC Sales Ratio in Japan



TOPIC 2

South Korea: Implementing marketing that leverages the unique characteristics of brands

In 2021 DESCENTE launched a range of replica products in collaboration with Swiss-Ski, the Swiss national skiing team sponsored by DESCENTE, which was well-received. In addition, *umbro*, which is seeing increased sales mainly among 20- to 30-year-olds, is developing street fashion-inspired products. New initiatives include the opening of stores on *MUSINSA*, an online store popular among young people, and collaborations with influencers.



TOPIC 3

China: Working to expand revenues as the Company's focus market

With China's government encouraging sports activities, the country's sporting population is expected to grow further in the future, which we anticipate will have a favorable effect on the Company's business. In Sanlitun, Beijing, DESCENTE opened the Descente Kinetic Lab Beijing Sanlitun, which boasts an area of 1,200m²—the largest store in the brand's history. We are also implementing initiatives aimed at expanding brands other than DESCENTE, including making Arena Shanghai Industrial Co. Ltd., a consolidated subsidiary with a view to expanding the *arena* brand.



Descente Kinetic Lab Beijing Sanlitun

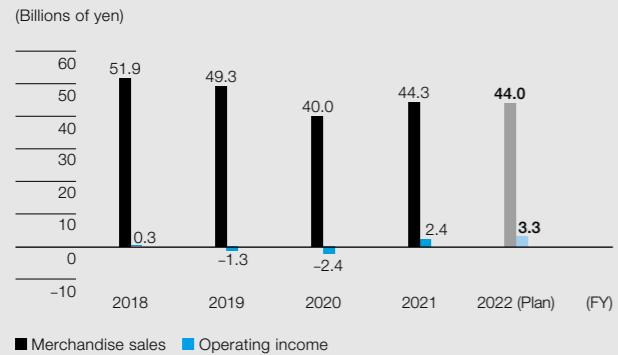
2 Improving the Profitability of the Japan Business

In addition to the increase in revenues, measures to increase the profitability of the Japan Business centered on strengthening the DTC Business proved effective, leading to a rise in profits. We are making efforts to shift the focus of our strategy from sales to operating income. Over the past four years, we have reduced inventory by 26%, curbed returns and discount rates by 4%, and increased operating income in our merchandise sales businesses in Japan by ¥2.1 billion.

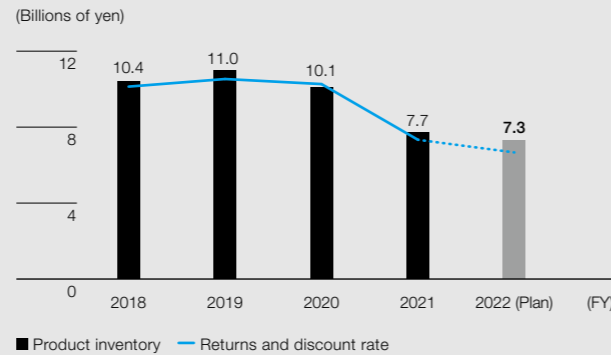
Shift from a sales-focused strategy to an operating income-focused strategy
Increase in operating income of ¥2.1 billion yen from 2018
 (achieved ¥2.4 billion yen in fiscal 2021)

Thorough production and inventory management (rate of improvement from 2018 to fiscal 2021)
Reduced inventory by 26%
Curbed return and discount rates by 4%

Sales and Operating Income of Japan Business



Inventory, Returns and Discount Rate for Japan Business



3 Enhancing Our Manufacturing Capabilities

DISC OSAKA

DESCENTE INNOVATION STUDIO COMPLEX OSAKA (DISC OSAKA) in Ibaraki City, Osaka Prefecture is developing products with the aim of achieving innovative craftsmanship. Strengthening product development is a priority strategy in D-Summit 2023, and includes the development of apparel for many top athletes, including the latest model of the DESCENTE MIZUSAWA DOWN JACKET, ALPINE, along with clothing for competitive BMX racing and swimwear for competitive swimming. DISC OSAKA will continue to develop high-performance products that support athletes in competition, as well as new, market-leading MoveWear products that offer new values.



DESCENTE MIZUSAWA DOWN JACKET ALPINE



DISC OSAKA

DISC BUSAN

DESCENTE INNOVATION STUDIO COMPLEX BUSAN (DISC BUSAN), opened in Busan, South Korea in October 2018 as a research and development (R&D) center for shoes. Through scientific experimentation and R&D, the center is developing new technologies that underpin world-class product development of high-performance footwear, with a focus on running shoes. It is one of the largest facilities in Busan, where a large number of shoe R&D centers are located, and is equipped with an extensive range of experimental verification facilities and equipment. With their excellent fit and cushioning, the ENERZITE running shoes and R90 golf shoes developed by DISC BUSAN have gained popularity not only in Korea but also in Japan and China.



DESCENTE's ENERZITE Z+ running shoes equipped with a unique cushioning system



DISC BUSAN

Sustainability Initiatives

Sustainable craftsmanship

In fiscal 2022, we are promoting further enhancement of our supply chain management. We will review the products manufactured at our four Company-owned factories, and develop products that leverage the unique characteristics of each factory. We will also strengthen coordination with our partner factories to initiate further improvements in quality and reduce product costs by focusing our efforts on products that can take advantage of each factory's strengths.

In addition, the Group has banned all new planning, production, and outside purchasing of products using real fur, effective from products for the 2023 spring/summer season, with the aim of achieving sustainable craftsmanship. We will continue to review our ordering processes and strengthen purchasing controls to reduce wastage.

Enhancing Intellectual Capital and Expanding Value

Our basic policy for product development is to create products that enable top athletes to achieve peak performance, and we are constantly pushing the limits of our manufacturing capabilities. We view our ability to plan and develop high performance, high quality, exceptionally-designed sportswear as the source of our competitive strength, and we are working to enhance these capabilities.

Research and Development

We develop products over long-term, medium-term, and seasonal time frames, while uncovering both the immediate and potential needs of athletes and sports enthusiasts, who are the source of our ideas. We develop functions to meet those needs, and have quality assurance processes in place to ensure the safety and comfort of those products. Our strength in research and development (R&D) is in combining all of these elements in the creation of our products. We are also focusing our efforts on acquiring industrial property (patents, designs, utility models, and trademarks) to protect our proprietary technologies for ensuring customer comfort.

R&D Centers and Production Sites That Shape Our Technologies

We carry out fundamental development, global strategic material development, product development, quality development, and intellectual property strategy at DISC OSAKA, our R&D center in Osaka, and DISC BUSAN, our sports shoe R&D center in Busan, South Korea.

We have four Company-owned factories in Japan, and one in Beijing, China. By taking the innovative products created at our R&D centers and subjecting them to rigorous internal quality control, we are able to deliver high quality products to the world. Our R&D centers also contribute to the transfer of know-how, reduction of risk, and the creation of employment and stable human resources in local communities.

Mizusawa Factory

Our long-cultivated expertise in ski suit and other outerwear production is evident in the manufacture of MIZUSAWA DOWN jackets, which utilize unique sewing processes developed at this factory. Pattern design and sample production are also carried out here.



MIZUSAWA DOWN Jacket STRATUM

Muraoka Factory

This factory focuses on the production of high-quality baseball clothing worn by both professional and amateur players.



Orix Buffaloes uniform

Yoshino Factory

This factory can handle flexible delivery schedules and varying production lots for a range of products from track and field to swimming. Pattern design and sample production are also carried out here.



Asahi Kasei Track & Field Club uniform

Saito Factory

This factory specializes in swimwear designed for elite swimmers, applying special sewing (adhesion) technologies. It also produces Japan Professional Football League team uniforms.



ULTIMATE AQUAFORCE X CP

Development of Materials that Accentuate Athletes' Performance

MISUZAWA DOWN is a long-selling item that has been a firm favorite of many wearers since its launch in 2008 more than a decade ago. It is a water-resistant, warm down that uses thermocompression-bonded down packs and materials with excellent waterproofing and breathability. The evolved version, DESCENTE MISUZAWA DOWN JACKET ALPINE, features SCHEMATECH®, our proprietary material development technology that changes the function of each part of the garment without the need to use different fabrics, and which is based on the concept of "clothing with a 'skin.'" Human skin covers the body in a single seamless piece, and differs in elasticity and strength depending on which part of a person's body it is on. We have replicated this characteristic functionality of skin in our clothing. We have reduced the number of seams and increased stretch by incorporating S.I.O., our proprietary pattern design technology with which fabrics are knitted to create different degrees of elasticity designed for different levels of movement, and then elaborately formed to wrap around the wearer's body. This gives the wearer increased performance without the feeling of wearing a garment.



Takao Maruyama, Skier



MIZUSAWA DOWN Schematech Sky

Market Cultivation and Sales Expansion

Utilizing the same SCHEMATECH® material as ALPINE, we have developed and marketed MOUNTAINEER SKY as part of our MoveWear range, which has been designed with more of a focus on everyday use. We are also using SCHEMATECH® in the planning and development of apparel designed to suit the Korean and Chinese markets.

Capturing Needs

When athletes tell us that they want clothing that is so light and easy to move around in, it doesn't feel like they aren't wearing anything, or that they want clothes that are breathable without the need to open and close zippers, suggested revision we listen, and try to grasp the underlying reasons for athletes' requests.



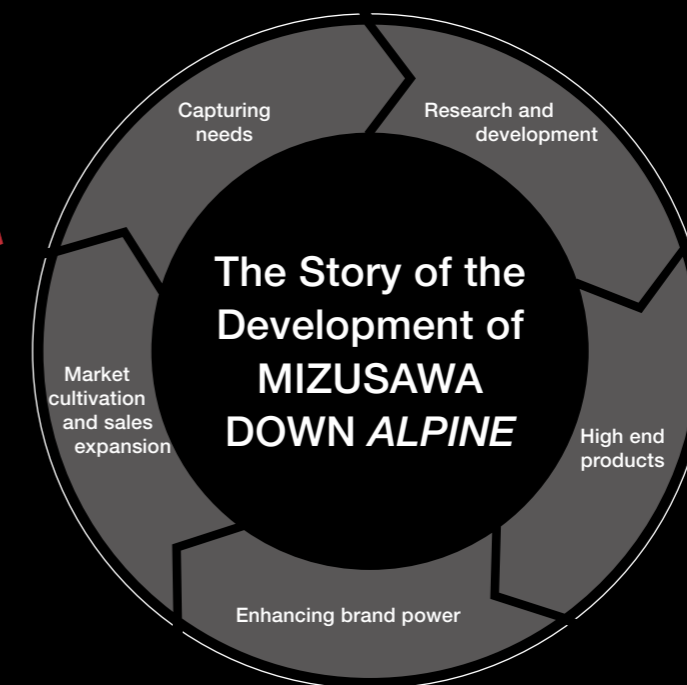
Skiwear design team (Merchandiser, designer, patternmaker)

Research and Development

We create and test real samples at DISC OSAKA, drafting multiple tentative plans for how we can respond to athletes' demands with the functionality of our clothing.

Toshio Kondo, Designer

When developing ALPINE, we made maximum use of our in-house development and pattern-making technologies, and kept in mind our determination to complete the entire process in-house. Moreover, because the function of SCHEMATECH® is contained within the knitted fabric itself, it was very difficult to determine how to arrange and cut the knitted fabric as a single piece.



MIZUSAWA DOWN ALPINE

High End Products

The samples developed by the design team through a process of trial and error are used as the basis for full-scale production.

Comment from an Employee of Misuzawa Factory

Since the knitted fabric's function is contained within the fabric itself, it took much longer than usual to carefully cut and sew each garment so that the pattern would appear in the same place on each item.



The Swiss national ski team



Enhancing Brand Power

We have heard from athletes, including the Swiss Ski Team, that our products were even better than they had hoped for. We deliver sportswear that reflects the opinions of athletes, and the success of athletes who wear our clothing will inspire other people.

The DESCENTE Group's Human Resources Strategy

The DESCENTE Group has identified integrity in its organizations, systems, and employees as one of its material issues, and the Group aims to continuously enhance corporate value through the promotion of a human resources strategy that is integrated with its management strategies.

As a manufacturer whose strength lies in craftsmanship capabilities, we consider investment in people to be an important management issue. We have been cultivating our corporate culture since day one, and the founding SPIRIT OF DESCENTE—driven by Creation, Challenge, Integrity, and Harmony—provides the basis for our employees' guidelines for action and behavior. As an example of DESCENTE's corporate culture, we always greet clients and other visitors to our offices with a warm and cheerful "welcome!" This is an expression of our humble approach to business—never forgetting that only with the cooperation of those outside the Company can our products reach our customers.

Although there are certain things that we have valued since our founding, we are implementing bold changes where necessary to keep up with a dramatically changing business environment and society. Our Pay for Performance human resources system is one of the best examples of this approach.

Securing human resources—the source of our competitiveness—is extremely important. To ensure diversity in our workforce, we utilize two recruitment routes. The first is hiring new graduates as generalists, and the second is hiring career professionals who are ready to make an immediate contribution to the Company. As set forth in our medium-term management plan, we are shifting the focus of our business model in Japan from wholesale to the Direct-to-Consumer (DTC) Business, and we are actively hiring new graduates, along with career professionals, who have the expertise to deliver our products to customers through our own distribution channels as well as having e-commerce know-how. In addition, we are looking to secure human resources who can play an active role in South Korea and China—the core of our overseas business. For example, we are seeking personnel who can understand—or

are willing to understand the values of a diverse range of people overseas, and who can identify the essence of what our business partners are looking for and build win-win relationships with them. In order to maintain our high quality craftsmanship—our strength—we are also actively working to promote the fair treatment of employees working in our Company-owned factories.

Our business structural reform calls for a higher-than-ever level of productivity from each of our employees, and to this end we are focusing on training younger talent. New employees gain frontline experience in sales, in-store visual merchandising, and other DTC services by spending time on the sales floors of department stores and directly managed stores. Additionally, we support employees who are proactively seeking to take on new challenges by offering transfers through open recruitment. Many employees are promoted to management positions through career recruitment, creating opportunities for employees to gain diverse values through the sharing of knowledge attained from their experience at other companies with fellow employees.

It is also necessary to create a system that supports the workstyles of employees with a variety of circumstances, such as balancing nursing care or childcare while working, and it must be a system that enables them to perform well and achieve results. All office-based employees are able to work from home, which, together with our super-flex system of no core hours, has given rise to a comfortable work environment. The diversity of human resources is an important theme directly related to the enhancement of corporate value, and as such we will continue to focus on efforts to support a diverse workforce, including for employees balancing personal circumstances such as childcare or nursing care, as well as for mid-career hires.

We will support human resources who can embody our founding spirit by implementing systems in line with the times.



Shohei Tosuji

Executive Officer, DESCENTE JAPAN LTD.
Head of Staffing Unit

SPIRIT OF DESCENTE

In order to practice the founding spirit of Creation, Challenge, Integrity, and Harmony in our daily operations, each and every employee of the DESCENTE Group embodies our Corporate Philosophy—To bring the enjoyment of sports to all—under the SPIRIT OF DESCENTE, a more concrete set of guidelines to facilitate the steady promotion of management strategies and the enhancement of our corporate value.



Recruitment

Basic policy

To promote our strategies, we are making efforts to secure the necessary human resources who have a direct-to-consumer (DTC) mindset and can actively take on the challenge of overseas business, particularly in South Korea and China. In accordance with our basic human resources policy, we conduct people-centered recruitment regardless of gender, nationality, age or whether the candidate is a new graduate or a new career hire.

Post-hire support

In line with our aim to expand our DTC Business, we conduct training for new graduates for several months at our stores to enable them to listen to customers' opinions first-hand while gaining experience in customer service, understanding customer needs, and store development. Following training, new graduates are assigned to the department that best suits their aptitude. After their assignment, the Human Resources and General Affairs Department provides opportunities for consultation, and in the third year of employment, meetings are held to discuss individual employees' career paths. We have also introduced a mentoring system in which senior employees from other divisions are assigned as advisors to junior employees to help them expand their network of contacts within the Company. These measures have also contributed to fewer new graduates leaving the Company within the first three years of employment.

Development

Training and development

We continue to conduct structured training in accordance with employees' positions and grades. Additionally, we are focusing our efforts on addressing the pressing need to secure and develop human resources who can contribute to e-commerce expansion and digital transformation (DX) and who have the capability to provide solutions. As we operate a large number of brands with a small workforce, the corporate culture is one in which tasks that carry responsibility are entrusted to younger employees, who are trained and developed under the guidance of their managers and senior employees. We have held the DESCENTE SC OF THE YEAR role-playing competition every year for our permanently employed sales coordinators (SC) since 2009, with the aims of improving customer service skills and customer satisfaction and providing opportunities to learn from the expertise of talented employees at other stores.

Career support

We have established a system for supporting employees as they take on new challenges. Training opportunities are available through an open application system, and motivated employees are encouraged to participate in various programs such as foreign language training, retail enhancement training, store management, and DX promotion through candidacy and presentations. In addition, there are yearly opportunities for employees to self-report on the department or position in which they would like to work, thereby allowing them to communicate their personal career aspirations to department leaders and officers and creating a system that makes it easier for them to achieve the transfers they desire. We provide support to employees in thinking about their career development plans and taking the first steps.

Evaluation and remuneration

Under the concept of Pay for Performance, we link the Company's performance to the total amount of employee bonuses, and return profits to employees.

We aim to improve employee engagement through the various measures outlined above.

The DESCENTE Group's Human Resources Strategy

Health Promotion and Workstyle Reforms to Improve Job Satisfaction

As a company that enriches people's bodies and minds through sports and contributes to the creation of healthy lifestyles, we believe that the health of our employees is our driving force. With this in mind, we have set forth the DESCENTE Health Statement and support our employees' participation in sports activities by holding events to promote health, such as the *Minna-de Arukatsu*, walking initiative in which employees can take part via a smartphone app, and by supporting club activities. Furthermore, we are taking various steps to provide an environment that supports diverse workstyles so that our employees can fully demonstrate their individual talents and deliver results. In 2016, we established the Labor Management Committee for workplace reform, and since then we have been actively engaged in managing issues such as overtime. We began a trial of remote working in 2017, and we have been expanding the remote-working system with a focus on employees who are unable to work on-site full time due to personal circumstances such as childcare and nursing care. We have also introduced a flextime system, which allows employees to freely choose their working hours and location.

The DESCENTE Health Statement

In line with its Corporate Philosophy, DESCENTE believes that as a company that enriches people's bodies and minds through sports and that contributes to the creation of healthy lifestyles, the health of its employees is its driving force.

To this end, we declare that we will provide a safe and comfortable workplace, implement reforms in workstyles to achieve a healthy work-life balance, and provide support as an organization for the health of each and every employee by promoting various health management initiatives. At the same time, we aim to create an energizing workplace filled with happy employees.

In fulfilling this commitment to our employees, we will conduct health management with the mindset of taking on new challenges each year without being bound by convention.

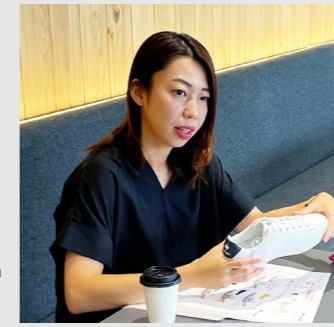


Diversity

We consider the diversity of our human resources to be an important topic. In particular, support for the success of women in our workforce is a key management issue. While the Human Resources and General Affairs Department provides support for balancing childcare, nursing care, and other commitments, we established a dedicated department for women's advancement in 2016. We take into account the views of female employees, and support their careers by providing training for those who wish to advance to managerial positions. We have also introduced a mentoring system. We are working to increase the number of women in managerial positions in our businesses in Japan, and as of March 2022, we had 20 women in managerial positions, an increase of 9 compared with 11 as of the end of fiscal 2016, when we began stepping up our efforts. We also employ more people with disabilities than is legally mandated.

We are focusing on creating an environment where employees with disabilities are able to work with enthusiasm while leveraging their individual strengths.

We will continue to implement various initiatives so that each and every one of our diverse employees can be an asset to the Company and deliver results.



Meiko Saito

Equipment and Footwear Division
Footwear Marketing Department
Footwear Marketing Section

I am in charge of women's footwear design for the le coq sportif brand. Designing footwear that is comfortable to wear requires millimeter precision. While this can be challenging, I find it rewarding to put together the many parts that create the finished product.

The Company's flexible work schedule, which allows me to start my job earlier in the morning and finish earlier in the evening, has enabled me to both work and take care of my 2-year-old child, and I feel that I have achieved a better work-life balance as I can now bathe my child at in the early evening. It is often necessary for me to come into the office to check samples in person, but I now work remotely on days when there are no such meetings.

When designing delicate products such as footwear, I believe it is important to think of how to satisfy the customer. In addition to lightness and cushioning, we hope to offer better products by paying attention to features such as which materials are used and water resistance.

As a patternmaker, my role is to act as a bridge between the designer and the factory to facilitate the design of products. In order for the factory to be able to mass-produce the products conceived by the designers, we make patterns on paper and adjust the specifications to turn a flat design drawing into a three-dimensional product—a challenging task—and we repeatedly go through a process of trial and error every day. The triathlon suit was particularly challenging in terms of how to achieve a balance between maximizing performance and ensuring maneuverability and comfort while taking air and water resistance into account. Striking this balance was challenging but very rewarding. DISC OSAKA is an environment that enables ideas to take shape immediately, with sewing machines, testing rooms to verify sample performance, and other equipment and facilities. The free address system has made it easier to discuss product development with designers, and I feel there is now more frequent interaction and exchange of information with colleagues who are not directly involved in the business.



Masashi Kamio

R&D Unit, Innovation and
Future Technology Section

Employee
interviews

Employees who underpin DESCENTE's craftsmanship

I am the leader of the adhesive sewing line for the arena's swimwear. I play a key role in taking on board the thoughts of all team members and operators, who are in charge of sewing. It can be challenging to realize the ideas conveyed by the product planning team, and there are also difficult specifications and designs that other companies' factories invariably refuse to sew. I take great pleasure in giving shape to our swimwear products and getting them into the hands of customers for them to wear. I was particularly excited when I saw our products being worn at the Tokyo Olympics.

As a leader, I believe it is important to create an environment in which team members can work comfortably. To this end, I take great care to do the basic things necessary for developing each member's skills and reducing the number of defective products. Since the Company already offers a variety of high-value-added items, we would like to utilize the skills we have developed to take on the challenge of making an even wider range of products.



Noriko Eto

DESCENTE Apparel Saito
Factory
Leader

Daichi Koshimaeda

DESCENTE COCOON CITY Store
Store Manager

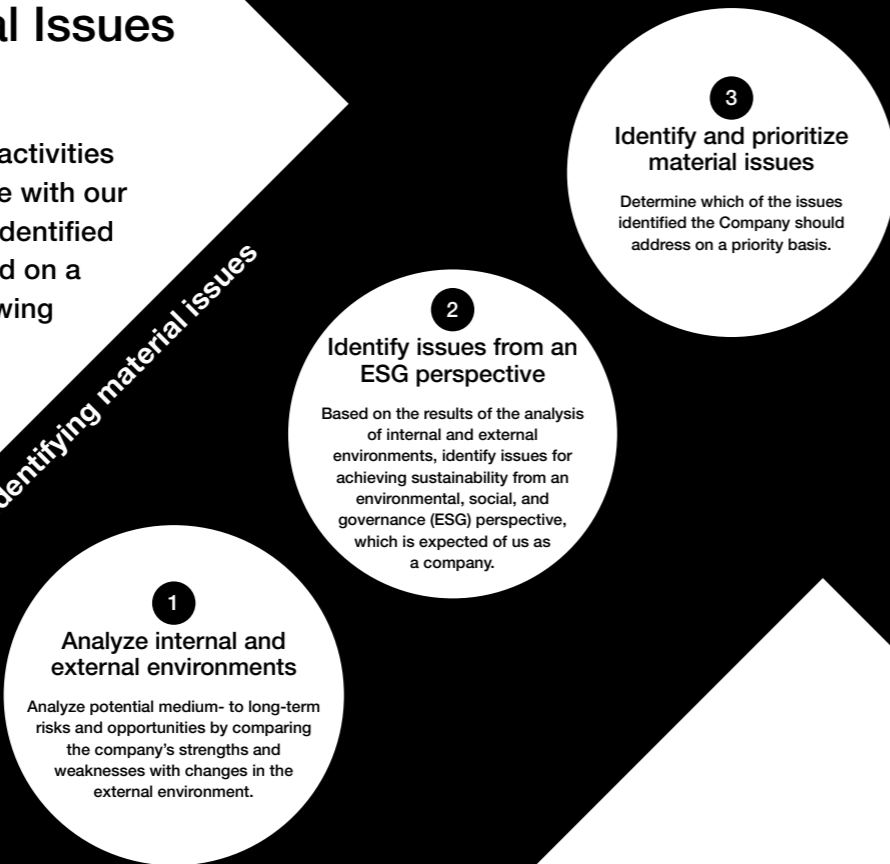
As the manager of the DESCENTE COCOON CITY Store, I perform a wide range of duties, including not only customer service but also merchandising, product display and management, and store presentation. I also play an important role as a bridge between our store and the product development team at headquarters by delivering customer feedback collected during daily sales activities. At the same time, I greatly value communication with our sales staff. I am mindful of creating a vibrancy in our store that is unique to sports brands. I do this by creating a comfortable working environment, and I encourage the team to share everything from trivial conversations to work-related issues in our twice-monthly interviews. The best part of working in a physical store is that it enables us to talk to each and every one of our customers in person, and we take pleasure in delivering polite and courteous customer service. Together with my team, I will continue to strive to provide customers with a store that delivers excellent service.



Identifying Material Issues

In order to make our business activities more viable and effective in line with our Sustainability Policy, we have identified material issues to be addressed on a priority basis through the following process. We will reflect these material issues in our management strategies to help resolve them across the DESCENTE Group.

The process of identifying material issues



DESCENTE's Four Material Issues



Taking on the challenge of realizing sustainable manufacturing, products, and systems **Reduce and innovate**

A business model based on sales expansion can result in overproduction, which is not only harmful to the environment, but can also have a negative impact on the business in the form of excess inventory. By curbing overproduction and meeting the needs of our customers more accurately, we will strive for timely delivery of the right products, and minimize price discounting and the disposal of unsold products, enabling us to take on the challenge of realizing sustainable manufacturing that reduces our environmental impacts. We will also implement sustainable systems by leveraging technology to improve operational efficiency.



Create new value **Create and innovate**

We aim to contribute to life being lived—by everyone—to the full, by providing them with enjoyment both through movement of the body and competing. Our strength in craftsmanship enables us to anticipate social and environmental changes, and to create new value through innovation that also leads to the resolution of issues faced by our customers.



Business with Integrity **Firm management base and utilize and activate human resources**

Well-governed organizations and employee motivation are the foundation for realizing sustainability as a company. As a sports company, we will not only conduct sound business activities in keeping with the concept of sportsmanship but also aim to create an organizational structure that facilitates high output, nurture employees that are healthy in body and mind, and improve productivity through the encouragement of participation in sports activities and the use of our products.



Harmony with society **Develop new markets**

In order to realize a sustainable society, we will host sports-related educational events and activities to enrich the bodies and minds of children, who are the future of our society, as well as students and local communities, and to encourage people to live healthy lifestyles. We are also working with nonprofit organizations and providing support for areas affected by disasters.

Initiatives to Address Material Issues

Among the four material issues the Company identified in fiscal 2021, **Reduce and innovate**, and **Create and innovate** are directly related to craftsmanship—the DESCENTE Group's strength. As such, we are paying particular attention to these two material issues with a view to resolving them. Our major initiatives in this regard are as follows.



Taking on the challenge of realizing sustainable manufacturing, products, and systems **Reduce and innovate**

- Breaking away from overproduction
- Thorough implementation of **Reduce**, one of the three Rs

One of the key strategies in our medium-term management plan D-Summut 2023, **Reduce and Innovative** is directly related to and forms part of our efforts to strengthen our manufacturing capabilities.

▶ Promoting the three Rs (Reduce, Reuse and Recycle)

In accordance with the DESCENTE Basic Environmental Philosophy and the DESCENTE Environmental Policy, we are taking on the challenge of sustainable manufacturing from the perspective of the three Rs in DESCENTE-branded products. In addition to reducing inventory volume, we have set key performance indicators, including ecological product standards and the number of product recalls at directly managed stores, and we are promoting initiatives that will lead to corporate value in terms of both opportunity and risks.

As one of such efforts, in fiscal 2021 we launched RE:DESCENTE, a line of various categories of eco-friendly products. RE:DESCENTE SEED is a series of products made using biodegradable materials that decompose and return to nature. RE:DESCENTE BIRTH is a range of products made of polyester recovered from recycled clothing that aims to curb the use of new synthetic fibers derived from fossil fuels. RE:DESCENTE BUILD is also being developed with the **reduce** element of the three Rs in mind. In this range, we are working to reduce waste resources generated in manufacturing by using our proprietary pattern-making technologies to create products with more efficient pattern placement, thereby reducing the amount of leftover fabric. In addition, we are expanding the scope of our activities, replacing the arena brand's conventional packaging with lower environmental impact biomass and working with NEW MAKE, a community that aims to create recycling-oriented fashion by upcycling clothing that would otherwise be discarded.

▶ Formulating our policy to ban the use of real fur

The DESCENTE Group has formulated a policy to ban all new planning, production, and external purchasing of products using real fur, beginning with products for the 2023 spring/summer season, in order to meet growing worldwide demand to eliminate real fur from apparel products. In addition to reviewing the ordering process and strengthening purchasing controls to curb overproduction and reduce waste, we also introduced a circulation system to recycle a certain amount of previously discarded clothing and reuse it as recycled polyester as part of our efforts to strengthen our environmental protection activities.

▶ Conducting independent audits in our supply chain

Since fiscal 2022, we have been promoting direct trade with our product manufacturing factories. We have established a code of conduct for direct trade and implemented independent audits to improve our trade partners' operations. If a trade partner is outsourcing to a major supplier, a contract that incorporates the contents of the code of conduct is established with that supplier.

Initiatives to address material issues

2

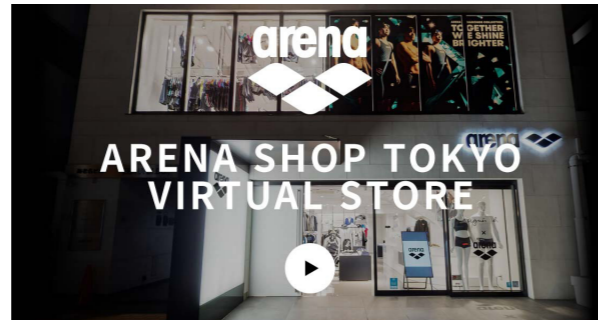
Create new value Create and innovate

- Customer relations
- Material issues directly linked to craftsmanship

Create and Innovate is also one of the key strategies of D-Summit 2023 and forms part of our efforts to strengthen craftsmanship.

▶ Accelerating the fusion of real and virtual worlds

We aim to increase the percentage of sales achieved through directly managed stores and e-commerce in Japan to 55% from the current level of approximately 40%. The key to achieving this target is omni-channel retailing, in which real and virtual worlds converge. To realize omni-channel retailing, we have implemented inventory sharing between our physical stores and online stores. Such inventory sharing enables smaller stores to simultaneously increase sales and reduce inventory, as it allows them to deliver products from their e-commerce inventory to customers in sizes and colors not available in stores, without having to carry large amounts of top-selling colors and sizes in their store inventory. Additionally, ARENA SHOP TOKYO, the flagship store of the arena brand, has launched the ARENA SHOP TOKYO VIRTUAL STORE, through which customers can virtually experience the store in 360 degrees without physically having to visit, thereby promoting the fusion of real and virtual worlds. Moving forward, we will strive to form links between various customer contact points, such as e-commerce, directly managed stores, and sports events, and promote sales reforms that leverage real contact with consumers, such as utilizing collected data to further improve customer convenience.



Entrance image of ARENA SHOP TOKYO VIRTUAL STORE

▶ Developing products for resolving social issues

We are working to develop a variety of products to resolve issues that help people enjoy their daily lives and participate in sports with peace of mind. One such product is DESCENTE's PIECLEX MASK. This face mask uses *PIECLEX*, a new material that utilizes the piezoelectric effect of plant-derived polylactic acid fiber to generate electricity from the wearer's facial movements, such as speaking, chewing, and smiling, and incorporates the novel concept of providing an antibacterial function without the use of chemicals. In addition, we have developed several other products to support women who actively engage in sports, such as sanitary underwear that was developed based on feedback from female employees, as well as marathon relay race uniforms that use anti-infrared ray fabric.



PIECLEX MASK

3

Business with integrity Firm management base and utilize and activate human resources

- Employee relations

The DESCENTE Group is promoting diversity through measures such as support for the advancement of women in the workplace, and it strives to create a working environment in which diverse human resources can flourish.

▶ Promoting diversity

As well as providing longer childcare leave than legally required and shorter working hours for employees with childcare commitments, we have established various other systems to support employees in balancing work with childcare and nursing care. In addition, we are striving to create a workplace that promotes the advancement of women by conducting training aimed at preparing female candidates for managerial positions and working to increase the number of women in key managerial positions. We have also introduced a variety of workstyles, including remote work and flextime systems, and have created a comfortable, employee-friendly office layout. Additionally, we have established a specialist course to enable professional career advancement. Through this course, we are promoting the recruitment and development of human resources

with diverse experience and skills and appointing them to senior positions such as sales, designing, or pattern-making.



Osaka office

4

Harmony with society Develop new markets

- Relations with local communities

The DESCENTE Group hosts sports-related educational events and activities to enrich the bodies and minds of children, who are the future of its society, as well as students and local communities, and to encourage people to live healthier lifestyles.

▶ Promoting regional development through an agreement with Oshu City, Iwate Prefecture

In October 2021, we signed an agreement with Oshu City in Iwate Prefecture to promote regional development.

We produced our signature MIZUSAWA DOWN jacket at the Mizusawa Factory, in Oshu City. Through our manufacturing activities at the Mizusawa Factory, we are also contributing to the revitalization of Oshu City by creating employment. In addition, Shohei Ohtani, a major league baseball player born in the city, is an advisor to the DESCENTE brand. We have been globally promoting Oshu City as a manufacturing hub through our marketing activities for MIZUSAWA DOWN, which has been a firm favorite every year as a tax return gift under Japan's hometown tax program.

Under the agreement with Oshu City, we will collaborate to achieve sustainable manufacturing while further contributing to local development, such as creating branding for the city, promoting sports, and providing opportunities for children's educational development.

Corporate Governance

Overview of the Corporate Governance Structure

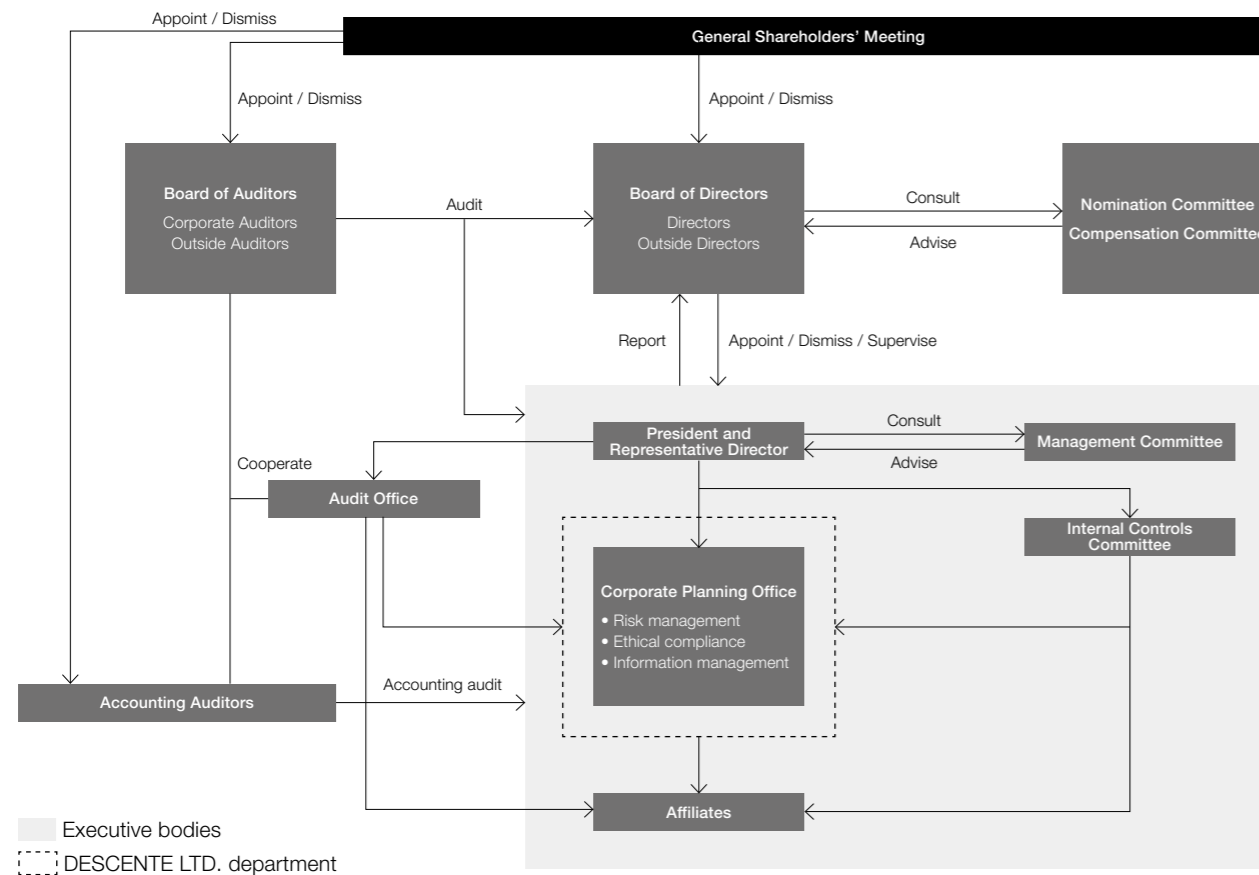
The Company has adopted a corporate auditor system.

The Board of Directors, which consists of six directors (three of whom are outside directors), convenes once a month, in principle, in the presence of corporate auditors, to decide on matters stipulated by law and important matters pertaining to the Company's management strategies as well as to supervise the execution of duties by directors. Moreover, the Company has appointed three outside directors to strengthen its supervisory function and corporate governance, enhance management transparency, and increase shareholder value. In addition, the Company's Articles of Incorporation stipulates that the Board of Directors shall consist of no more than 10 directors.

As an advisory body to the Board of Directors, the Nomination Committee works to strengthen the independence, objectivity, and accountability of the board's functions related to the nomination of director candidates. In addition, the Compensation Committee serves as an advisory body for the executive remuneration system to ensure the fairness and transparency of performance evaluations and the granting of shares. To ensure that they fulfill their respective roles, the Nomination Committee and the Compensation Committee consist of and operate under the direction of the president and representative director, outside directors, outside auditors, a managing executive officer (CFO), and the head of the executive officer staffing division of DESCENTE JAPAN LTD. Led by the managing executive officers, the Management Committee serves as an advisory body to the president and representative director and convenes once a month to make prompt decisions on important matters concerning business operations and business execution overall.

The Board of Auditors consists of three corporate auditors. Outside auditors with expert knowledge comprise the majority (two out of three corporate auditors) of the Board of Auditors in order to ensure the transparency and fairness of management decision-making.

Corporate Governance Structure



Policies and Procedures for the Appointment and Dismissal of Executive Management and the Nomination of Director and Corporate Auditor Candidates

Upon taking into account the nature and scale of the Company's business as well as business environment and strategies, the Company appoints to executive management positions individuals with a global mindset and the knowledge, experience, and credentials related to corporate management that enable them to contribute to fulfilling the functions of the Board of Directors. Independence (in the case of outside directors and auditors); experience as a company president or CEO; knowledge of finance and accounting, the apparel industry, sales and marketing, international business, legal affairs, risk and compliance, and retail sales; and diversity, including ethnicity, gender, and nationality, are also considered in order to ensure an overall balance of knowledge, experience, and ability as well as the diversity of the Board of Directors. Moreover, in order to strengthen the independence, objectivity, and accountability of the functions of the Board of Directors, decisions on the appointment and dismissal of executive management are made by the Board of Directors upon deliberations held by the voluntary Nomination Committee, which includes the president and representative director, outside directors, and outside auditors. Upon taking into account the nature and scale of the Company's business as well as business environment and strategies, candidates for corporate auditor are appointed by the Board of Directors after carefully examining the experience and attributes of each candidate and upon the recommendations of such candidates made by the president and representative director and the consent of the Board of Auditors based on the Auditing Standards of Corporate Auditors. The candidates are appointed on the basis of their ability to audit directors' execution of duties from a fair and objective standpoint and contribute to improving the soundness and transparency of management; their knowledge and experience in a vast range of fields, such as finance, accounting; and law, and their ability to provide valuable advice and recommendations to the Board of Directors.

Outside Directors

Name	Tenure	Attendance at Board of Directors' Meetings*	Reasons for Appointment
Tomonori Azuma	Two years	15/15	Mr. Azuma has served as president and representative director at a number of companies, including Craft Japan, K.K., Santa Fe Natural Tobacco Company Japan K.K., Galderma K.K., and Bacardi Japan Ltd. He has experienced the management methods of global excellent companies headquartered in Europe and the United States and has demonstrated outstanding management skills. As the Company's outside director, he provides appropriate advice regarding the Company's management and supervises business execution appropriately from the standpoint of global standards based on his extensive experience and deep insight as a corporate manager. For these reasons, Mr. Azuma has been re-elected as an outside director.
Seiji Sato	Two years	15/15	Mr. Sato gained extensive experience in the financial sector before serving as Director at Mitsui-Soko Holdings Co., Ltd. in the logistics sector and later, in April 2017, as president of Tokyo Star Bank, Ltd., where he has demonstrated outstanding management skills. Since his election to the Board of Directors in June 2020, he has provided appropriate advice regarding the Company's Group management from his wide perspective and has supervised business execution appropriately based on his extensive experience as a corporate manager and deep insight into the financial industry. For these reasons, Mr. Sato has been re-elected as an outside director.
Yasuyo Kasahara	Newly appointed	-	Ms. Kasahara was a buyer assistant and involved in sales and sales promotion of women's apparel at Daimaru Matsuzakaya Department Store Co., Ltd. After three years stationed in Milan, she worked as a central buyer of women's apparel and goods. Since then, she has worked at World Co., Ltd. as a senior buyer for select shop Aqua Girl and has been involved in the branding and management business of multi-brand stores through which she has deepened her insight. Currently, she works independently and performs apparel branding, buying direction, and other functions as a fashion director, which includes involvement in the planning and operation of the women's fashion floor in SIXIEME GINZA. She is an expert member of the Japan Fashion Color Association, Ladies' Wear Section. We believe her extensive experience and knowledge in the women's apparel and retail business can be expected to provide appropriate advice and supervision of business execution in the expansion of the DTC Business that we are aiming for in our Japan business. For these reasons, Ms. Kasahara has been newly appointed elected as an outside director.

Skills Matrix

Name	Position	Independence (for outside directors and outside auditors only)	Experience as CEO and/or President	Finance and Accounting	Industry Knowledge	Sales and Marketing	International Business	Legal Affairs	Risk and Compliance	Retail Business	Diversity and Inclusion
Shuichi Koseki	Director		●		●	●	●		●		
Motonari Shimizu	Director		●		●	●	●		●		
Norio Ogawa	Director		●		●	●	●		●	●	
Tomonori Azuma	Director	●	●			●	●		●		
Seiji Sato	Director	●	●	●		●	●		●		
Yasuyo Kasahara	Director	●			●	●	●		●	●	●
Mikio Nakajima	Corporate auditor		●		●		●	●	●		
Koichi Yoshioka	Corporate auditor	●					●	●	●		
Akira Matsumoto	Corporate auditor	●	●	●			●		●		

Remuneration

The Group has established the Compensation Committee, which includes outside directors and outside auditors, for the purpose of ensuring objectivity and transparency in the procedures for determining director compensation. The Compensation Committee receives advice from the Board of Directors and deliberates and reports on the status of the Compensation Program. Moreover, based on the reports from the Compensation Committee, the Board of Directors determines the Compensation Program. However, the Board of Directors does not engage in decisions on the reappointment of directors, neither in part nor as a whole.

The remuneration of the Company's directors consists of basic compensation, which is based on position; performance-linked compensation, which is provided specifically to the Company's directors (excluding outside directors); and restricted stock compensation, which is based on position and granted at a specific period each year.

Remuneration amounts are allocated by type to provide incentives to improve not only the Company's single-year performance but also medium- to long-term results.

Fiscal 2021

Position	Total Amount of Remuneration, Etc. (Millions of Yen)	Total Amount of Remuneration, Etc. by Type (Millions of Yen)				Number of Applicable Officers
		Basic compensation	Restricted stock compensation	Performance-linked compensation	Of the amounts on the left, non-monetary compensation, etc.	
Directors	194	108	31	54	31	6
(of whom, outside directors)	(14)	(14)	(—)	—	(—)	(2)
Corporate auditors	33	33	—	—	—	4
(of whom, outside auditors)	(14)	(14)	—	—	—	(2)
Total number of directors and corporate auditors	227	141	31	54	31	10
(of whom, outside directors and outside auditors)	(28)	(28)	(—)	—	(—)	(4)

Executive Compensation System (Performance-Linked Compensation)

The amount of performance-linked compensation for executives of the Company and its major domestic Group companies is determined by multiplying a predetermined base amount by a payout ratio of 50% to 150% based on the target for the Group's consolidated net income for each fiscal year. For the fiscal year ending March 31, 2023, the base amount is ¥70.3 million and the maximum amount payable is ¥156.4 million.

Moreover, for directors who concurrently or exclusively serve as directors of major domestic Group companies, an amount that is commensurate with their individual evaluation (pertaining to a quantitative evaluation that is based on the performance of the Group company of which the director is in charge) is included, in addition to those amounts related to consolidated results, which are paid by the respective Group companies.

Base amount for individual officer:

Base amount × Allocation index for individual officer ÷ Total allocation index

Maximum amount payable for individual officer:

Maximum amount payable × Allocation index for individual officer ÷ Total allocation index

Payment amount for individual officer:

Base amount for individual officer × Payout ratio

Allocation Index and Rate of Business Contribution of Directors Eligible for Compensation

Position	Allocation Index	Rate of Contribution to DESCENTE LTD.	Rate of Contribution to DESCENTE JAPAN LTD.
President and Representative Director	25.00	100%	—
Director and Senior Managing Executive Officer	12.19	90%	10%
Director and Managing Executive Officer	14.06	10%	90%
Managing Executive Officer (CFO)	11.56	90%	10%
Director and Senior Executive Officer of DESCENTE JAPAN LTD.	10.42	—	100%
Total Allocation Index	73.23		

Addressing Business Risks

Our risk management system focuses on countermeasures to avoid the occurrence of serious risks and to minimize their impact if they do occur, by carrying out regular progress reports on risks of high importance to the Company. The following risks are particularly relevant to the Company's business strategies.

Risks	Overview of Risks	Countermeasures
Geopolitical risks	Risk of difficulties in production and sales in countries and regions affected by trade frictions, regional conflicts, or other geopolitical factors	Disperse geopolitical risks by shifting to a well-balanced profit structure through the implementation of region-specific strategies in Japan, South Korea, and China
Risks associated with business investments	Risk of a decline in profitability or in the possibility of recovery of investments in consolidated subsidiaries or equity-method affiliates	Introduce criteria for business investments and establish mechanisms for deciding on and reviewing investments in consolidated subsidiaries and equity-method affiliates
Risks related to product safety	Risk of direct impact on products and damage to brand reputation due to serious problems caused by poor quality or defects	Improve the quality and safety of our products by establishing our own quality standards Enroll in product liability insurance
Risks related to intellectual property	Risk of damage to brand image as a result of intellectual property rights infringements	Establish systems to strategically avoid infringements of the intellectual property rights of other companies and to facilitate new applications by the Company
Risks related to procurement planning and inventory	Risk of surplus inventory or loss of sales opportunities as a result of failure to adopt flexible procurement strategies that meet actual demand	Continue to implement measures to control production volume as a key strategy of D-Summit 2023
Risks related to the supply chain	Risk of non-compliance with labor standards at contractor factories, which could lead to issues such as damage to corporate image	Require contractor factories to sign a code of conduct and submit their own self-audit sheets at the time of contract signing
Risks related to the Company's business model in Japan	Risk of a decline in profitability as a result of business models based on conventional wholesale methods, leading to insufficient understanding of needs and loss of brand appeal	As a key strategy of D-Summit 2023, promote the Company's product planning and distribution reforms, with a focus on strengthening the DTC Business

ESG Data

Type	Category	Fiscal 2019	Fiscal 2020	Fiscal 2021
E	GHG emissions (scope 1) (t)	212	272	239
	GHG emissions (scope 2) (t)	1,364	825	760
	Water consumption (m ³)	—	16,025	12,697
	Industrial waste (kg)	37,660	64,490	554,660
	Percentage of products with eco-friendly design	—	—	7%
	Volume of products recycled at directly managed stores, etc. (kg)	—	318.7	252.1
S ^{*4}	Number of Group consolidated employees	3,452	3,148	2,712
	Number of DESCENTE JAPAN LTD. employees	2,201	2,158	1,819
	Number of office employees (excluding those in sales and part-time positions)	911	898	716
	Of whom, female employees	376	376	302
	Percentage of female employees	41%	42%	42%
	Number of permanently contracted office employees	674	658	521
	Of whom, career-track employees	434	421	347
	Percentage of career-track employees	64%	64%	67%
	Of whom, regional career-track employees	190	184	135
	Percentage of regional career-track employees	28%	28%	26%
	Of whom, in creative positions	50	53	39
	Percentage of employees in creative positions	7%	8%	7%
	Number of employees in managerial positions	156	161	133
	Of whom, female employees	21	22	20
	Percentage of female employees	13%	14%	15%
	Average continuous employment (years)	14.8	15.9	12.9
	Average monthly overtime (hours)	7.2	7.0	8.2
	Average annual leave taken (days)	12.3	13.0	10.3
	Percentage of male employees taking childcare leave	8%	12%	30%
	Average number of days taken by male employees for childcare leave	5	8	10
	Percentage of female employees taking childcare leave	100%	100%	100%
	Average number of days taken by female employees for childcare leave	535	533	594
Percentage of employees who return to work following childcare leave (both male and female employees)	100%	100%	100%	
Number of recognized labor accidents	12	6	9	
Percentage of employees with disabilities	1.8%	2.2%	2.3%	
G	Number of product recalls related to quality	4	3	3
	Number of participants in the Sukoyaka Kids Sports School Program	1,013	52,742	10,046
	Of whom, participated via online classes	—	52,348	8,500
	Percentage of outside directors	33%	33%	50%
	Number of whistleblowing incidents	7	5	4

*1 Figures until fiscal 2020 are for distribution centers only.

*2 Spring/Summer 2021 and Fall/Winter 2021 production volume basis. Definition of eco-friendly: Use of biomass and recycled materials and utilization of recycling and eco-friendly processes

*3 Items collected prior to fiscal 2020 are included in the total for fiscal 2020.

*4 Calculated as of the Company's fiscal year-end of March 31

*5 Figures refer to male employees whose partner has given birth.

Corporate Data

Company Profile

Name	DESCENTE LTD.
Founded	February 1935
Capital	¥3.8 billion
Number of employees	Consolidated 2,712 / Non-consolidated 22 (As of March 31, 2022)
Number of shares authorized for issuance	160,000,000
Number of shares issued and outstanding	76,924,176 (As of March 31, 2022) (including 1,444,610 shares of treasury stock)
Number of shareholders	4,742 (As of March 31, 2022)

Executives (As of June 2022)

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

Main Affiliates (As of March 31, 2022)

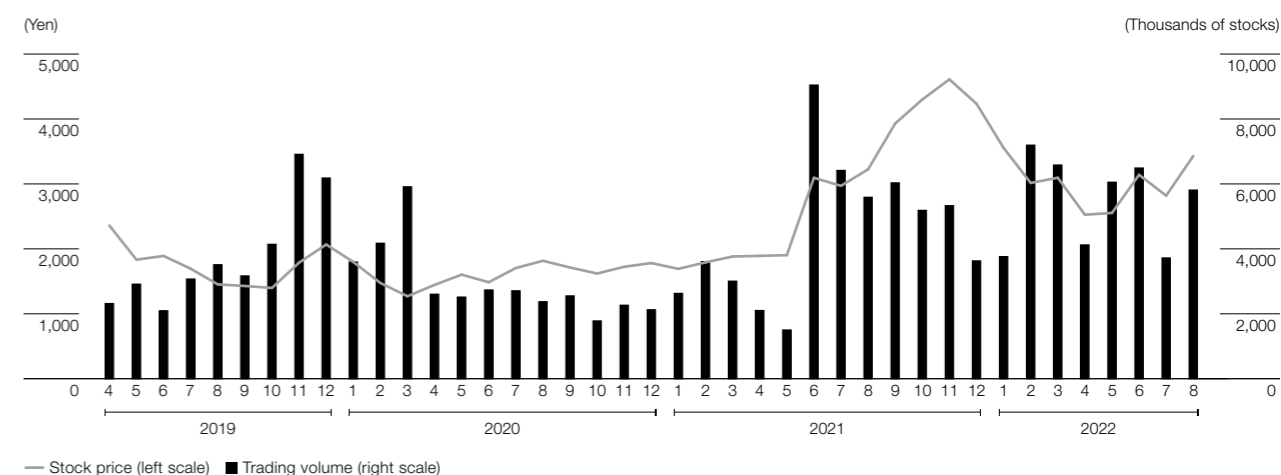
Consolidated Subsidiary Companies

DESCENTE JAPAN LTD.
DESCENTE APPAREL LTD.
BEIJING DESCENTE CO., LTD.
SHANGHAI DESCENTE COMMERCIAL CO., LTD.
HONG KONG DESCENTE TRADING, LTD.
DESCENTE KOREA LTD.
DK LOGISTICS LTD.
DESCENTE GLOBAL RETAIL LTD.

Equity-Method Affiliates

LE COQ SPORTIF (NINGBO) CO., LTD.
(Became a consolidated subsidiary in the third quarter of the fiscal year ending March 31, 2023)
DESCENTE (CHINA) CO., LTD.
ARENA (SHANGHAI) INDUSTRIAL CO., LTD.
(Becoming a consolidated subsidiary from the second quarter of the fiscal year ending March 31, 2023.)
ARENA KOREA LTD.

Stock Price



— Stock price (left scale) ■ Trading volume (right scale)