

DESCENTE

# DESCENTE GROUP

Integrated Report 2023



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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.

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### 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.

### 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.

At a Glance

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.



Fiscal 2022

Japan	¥ 49 billion	27%
South Korea	¥ 63.5 billion	34%
China <small>(figures include Hong Kong and Taiwan)</small>	¥ 72.4 billion	39%

Fiscal 2022

Local Net Sales in Japan, South Korea, China

¥184.9 billion

Simplified calculation of sales of consolidated subsidiary companies and equity-method affiliates in each region

Number of stores

Japan	57 stores	Year ended March 31, 2023
South Korea	778 stores	Year ended December 31, 2022
China	729 stores	Year ended December 31, 2022

Business Overview

Proprietary Brands  
(Worldwide)

Brands for which the DESCENTE Group holds trademark rights

fiscal 2022  
Ratio of net sales  
**57%**

Since commencing operations in 1957, “DESCENTE” has been developing products in collaboration with top athletes. We offer the world high-performance, high-quality, exceptionally designed sporting goods with a sense of functional beauty. “MOVESPORT” offers products with enhanced designs that are easy to wear in everyday life, in addition to functionality that supports performance.



MOVESPORT



Owned Brands  
(Limited Countries and Regions)

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

fiscal 2022  
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

fiscal 2022  
Ratio of net sales  
**3%**

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







**Shuichi Koseki**  
President and  
Representative Director

DESCENTE

**In the final year of our mid-term management plan, D-Summit 2023, we aim to steadily implement our strategies and taking steps beyond them.**

### **No Construction Without Destruction**

After three years of chaos worldwide, the COVID-19 pandemic is now mostly within control, allowing various sporting events to be held like before the outbreak. At the 5th World Baseball Classic held in March 2023, Japan became the world champion after three tournaments falling behind. We were all thrilled by the dynamic performance of the Japanese national team. Once again, I realized that top athletes active on the sports fields inspire and energize many people.

DESCENTE, which has supported the performance of these athletes with cutting-edge technology, is currently working on structural reform. In China, there is a saying that “without destroying the old things of the past, new things cannot be created.” Since assuming the position of President in 2019, I have managed the Company with these words in mind, ready to change everything except the corporate philosophy and the SPIRIT OF DESCENTE (spirit of the Company’s founding).

At the time of my appointment in 2019, DESCENTE depended on its South Korea business for the majority of its revenue, while its Europe and U.S. businesses were constantly in the red, and its Japan business were also in the red when royalty income from the South Korean subsidiaries were excluded. With this in mind, during our mid-term management plan D-Summit 2021 from fiscal 2019 to fiscal 2020, we first sold and liquidated shares of our subsidiaries in Europe and the U.S. and concentrated our management resources in Japan, South Korea, and China. In particular, we planned to expand our business in China, where the market is extremely large, and we prepared our business foundation by restructuring the capital of our joint venture, which is the main business entity of the DESCENTE brand. In addition, the Japan business had 14 brands as of 2019 but has now been reorganized into 9 brands, has implemented structural reforms such as reducing fixed costs, and has decisively improved management efficiency.

Although a boycott in South Korea occurred during my first year at my post, and COVID-19 broke out into the world in 2020, I believe that, because of a series of structural reforms, the Group was able to avoid a serious crisis.

The step after moving various measures ahead of schedule is the current mid-term management plan, D-Summit 2023 (fiscal 2021 to 2023), which focuses on drastic reform of the profit structure of the Japan business.

### **Don’t manufacture anything Pointless, Improve Quality, Sell it All**

In the past, our Japan business disposed of a large amount of excess inventory each year. What lay behind this was the idea that sales were more important than anything else. Pursuing short-term sales resulted in unsold products, leading to massive returns and frequent inventory clearance. It could be said that the Company was damaging its brand value as it continued to experience a phenomenon whereby sales increased only slightly while profits decreased. To break this vicious cycle, I set out a policy that “We do not chase sales but focus on profits” and thoroughly implemented business activities in line with this policy.

First, we restrained the amount of production. The objective was to achieve a healthy product cycle by curbing returns and discounts by optimizing the supply-demand balance. Many employees were puzzled by the policy, which was the opposite of what they had been used to. Through changes in employee awareness, the Company has steadily produced results faster than planned, with the amount of returned goods reduced to approximately one-fifth and our price reductions halved.

In addition to optimizing production volume, we need to manufacture products that accurately meet customer needs. However, DESCENTE, which had long been engaged in a wholesale-centered business, lacked a consumer-oriented mindset. Under D-Summit 2023, we decided to promote product planning and distribution reforms centered on the Direct-to-Consumer (DTC) Business, which includes e-commerce, directly managed stores, and department stores, as a pillar of improving the profitability of our Japan business. We have set a target of 55% DTC sales ratio in Japan, and we are transforming our business processes with an emphasis on sales through our own stores and e-commerce.



Since we ourselves would be taking on more risk than ever before, I kept telling all employees involved in planning, purchases, and sales to be “ready to sell out of stock.” As a result of these efforts, structural reforms are making great progress, with the DTC sales ratio increasing from 34% in fiscal 2019 to 42% in fiscal 2022.

### South Korea and China Business: Established Brand Positions

In our brands business, rapid growth is often followed by a major trough. To this end, our South Korea business also experienced significant growth around 2015, followed by a gradual decline in profitability and a sharp drop in profitability due to a boycott in fiscal 2019. Since this is a market where DTC had been successful in the past, we have been sensitive to market needs, and as a result of reviewing product planning and devising marketing methods, the market has been on a recovery trend since fiscal 2021, seeing steady growth again. “umbro,” which has gained popularity as a street casual brand with soccer as its origin, is a typical example of our success. We are also focusing on the development and marketing of our shoes to establish a unique position. Although growth has not returned to peak levels, we assess that the growth is sustainable.

“DESCENTE” has established itself as a premium sports brand in the China business. In addition to leveraging our successful know-how in South-Korea, our collaboration with ANTA (ANTA Sports Products Limited) since 2017 has been successful. We have a great teal to learn from their business know-how, and this year, we will allow many of our employees to travel to China to observe and experience their stores, absorb their know-how, and apply it to our Japan business.

On the other hand, we have run into some issues with brands outside of “DESCENTE.” “le coq sportif” and “arena,” operating as joint ventures in China, had struggled since the COVID-19 pandemic. Concerning “le coq sportif,” we decided to make LE COQ SPORTIF (NINGBO) CO., LTD. a subsidiary due to our judgment that a management reform was necessary as soon as possible. Under the leadership of talented Chinese executives, we are rebranding the brand, emphasizing that it is a historical sports brand originating from France. “arena” has likewise switched to its own management by making ARENA (SHANGHAI) INDUSTRIAL CO., LTD. a wholly-owned subsidiary. The management team has been replaced, and the branding is being developed to capitalize on its

strengths as a top swimming brand. This year, I visited China for the first time in three and a half years, and I am growing confident that we are going in the right direction with two brands that have started anew.

### “DESCENTE” as a Premium Sports Brand in Japan

In fiscal 2022, all three of our pillars—Japan, South Korea, and China—increased revenues, and consolidated results showed a significant increase in profits at each stage, with ordinary income and net income reaching record highs.

On the other hand, our business in the headquartered country of Japan still leaves something to be desired and needs to be strengthened. While structural reforms are progressing faster than expected, we are only at the beginning of the process. In fiscal 2023, the final year of D-Summit 2023, branding is positioned as the most important issue.

Despite the good manufacturing capabilities of each brand, there are many areas for improvement in marketing, such as the way of presenting logos on products and the way of expressing brand value, and we feel that the value of the brand is not being communicated sufficiently. We are working to strengthen our branding so that our customers can be excited about purchasing and wearing our products.

Specifically, we first bifurcated the “DESCENTE” brand. The “DESCENTE” will be used to develop high-value-added and high-functionality products distributed mainly by the Company itself. We will make the “DESCENTE” logo, the spirit mark, stand out on products so that it is visible and grows into a premium sports brand that customers want to reach for. On the other hand, “MOVESPORT” will be developed mainly through wholesale distribution to reach more customers as clothing designed for easy wearing in daily life and to provide performance support in the sports scene. In both cases, we are developing MoveWear, a line of clothing that can be worn by a wide range of customers for movement that is not limited to sports. In addition to the branding of these products, we are also renovating “DESCENTE” brand directly-managed stores, to create stores where customers will have the opportunity to see the world view of “DESCENTE.”

### Sustainability with Feet on the Ground

Customers demand the apparel industry to take appropriate actions as an industry with high environmental and



human rights risks. We view our response to these risks as a management strategy in itself and pursue the simultaneous creation of social and economic value. We believe that breaking the industry’s evil of short product life cycles and overproduction is an effective way to solve environmental problems. Optimizing production volume creates economic value as well as environmental value. Like our 10 YEARS POLO SHIRTS under our “Munsingwear” brand, which were developed with the expectation of being worn for ten years, we believe that developing products that can be used for a long time is our Company’s unique approach to sustainability.

We are also taking strategic responses to human rights risks. The amount of Japanese apparel that is produced domestically has now shrunk to less than 2%, and issues have been raised regarding the treatment of technical intern trainees from overseas in many of the current domestic factories concerning their employment. We believe that it is the essence of DESCENTE to protect Japanese manufacturing and local employment and differentiate ourselves through the high-quality products produced here. We employ local people at all three domestic factories and are committed to creating a comfortable working environment for women who comprise most of our workforce. Still, we cannot continue by simply repeating what we have been doing. To this end, we have embarked on branding our factories. Our Mizusawa Factory in Iwate Prefecture is branded as the MIZUSAWA DOWN factory.

Our Yoshino Factory in Nara Prefecture is a polo shirts factory, producing the aforementioned 10 YEARS POLO SHIRTS. Lastly, our Saito Factory in Miyazaki Prefecture is a factory with adhesive sewing technology, used in the top racing swimsuits for “arena” and the adhesive golf pants for “Munsingwear.” We will continue to promote branding by producing products that take advantage of the unique characteristics of each factory. We believe that a factory exclusive to a certain product ultimately leads to improving its efficiency and technical level of sewing, creates local employment, and secures a stable labor force, creating social and economic value at the same time.

### Meeting Stakeholder Expectations

We continue to hire new college graduates at our sewing factories in Japan, which is rarely seen elsewhere in the industry. It is truly a pleasure to have young people joining our Company who will carry on DESCENTE’s tradition of manufacturing. In addition to these young employees, including those who work in the offices and those who are responsible for sales, we will continue to pursue “No Construction Without Destruction” in the final year of D-Summit 2023 to respond to the expectations of our shareholders, business partners, and other stakeholders who have supported us through difficult times and have high expectations for the future of DESCENTE. We believe that we will see a completely difference landscape beyond the completion of our plan.

Our History

Creation and Challenge

Since our founding in 1935, DESCENTE, LTD. has continuously developed performance products across multiple brands. Our DNA, to always challenge to create values ahead of the times, has been carried on from generation to generation.

1935  
Founding

1950s – 1960s  
High-Quality and High-Performance  
Product Manufacturing

Beginning with baseball items, we have strived to research and develop high-quality, high-performance products with the primary objective of manufacturing and selling sportswear. The Company expanded its growth in 1964 by introducing licensed brands.

1970s – 1980s  
Supplying and Working with  
Top Athletes

We started to develop technologies to support top athletes. Top athletes wearing “DESCENTE” downhill suits and other racing suits provided by “DESCENTE” graced the podium one after another.

- Main offerings
- Ski wear
  - Speed skating suits
  - Climbing suits
  - Cycling suits

1990s – 2000s  
Progress Toward  
Globalization

With a desire to bring high-quality, high-function sportswear to broader audiences, the Company established sites in South Korea and China and began full-scale expansion into Asia. This was when we took a big step toward globalization.

2010s – 2020s  
Development of Products  
that People Love

Utilizing our expertise in developing sportswear for top athletes, we began developing products in areas not limited to sports. This was when we established DISC OSAKA, a sports apparel R&D base in Osaka Prefecture, and DISC BUSAN, a footwear development base in South Korea.

Brand Development

Brand Trademark Rights

1957 Launched “DESCENTE” brand

1964 Launched “Munsingwear” brand

1977 Launched “arena” brand

1980 Launched “le coq sportif” brand

1999 Launched “umbro” brand

2013 Launched “Inov-8” brand

2023 Launched “MOVESPORT” brand

1984 “Munsingwear”  
Obtained trademark rights for Japan and other Asian countries

1998 “umbro”  
Obtained trademark rights for Japan

1990 “arena”  
Obtained trademark rights for Japan and other Asian countries

“le coq sportif”  
Obtained trademark rights for Japan and other Asian countries

2013 “umbro”  
Obtained trademark rights for South Korea

Technological Development of DESCENTE

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.



1979  
Downhill Suit

During the FIS Alpine Ski World Cup season, “DESCENTE”’s MAGIC DOWNHILL SUIT dominates the winners’ podium.

1986  
Cycling Wear for  
Koichi Nakano

A track cyclist, Koichi Nakano won his 10th consecutive World Cycling Championships in the Men’s Sprint. His cycling wear was based on the MAGIC DOWNHILL SUIT we have used for skiing and skating and was created using proprietary technology.



2004  
“arena,”  
AILE BLEUE

AILE BLEUE swimwear—which takes its inspiration from kingfishers—is launched by the swimwear brand, “arena.” The design applied biomimetics to manufacturing to achieve smart performance based on principles derived from nature. At the 2004 Athens Olympics, Ai Shibata won gold wearing AILE BLEUE.

2008  
MIZUSAWA  
DOWN JACKET

Began development on a down jacket that used a non-quilting manufacturing using thermo-compression processing technology. The product uses materials that achieve superior water resistance and moisture permeability, thereby providing a high level of wearer comfort.



2021  
MISUZAWA  
DOWN 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.



## Product Development with Top Athletes

Through joint development with the world's top athletes, our basic policy for product development is to create products that enable top athletes to achieve peak performance. We have refined our research and development capabilities in the course of our history of pushing the limits of manufacturing.



## R&D Bases in Japan and South Korea as a Source of Development Capability

DISC OSAKA is sports apparel R&D base in Osaka, and DISC BUSAN is sports shoes R&D base in Busan, South Korea. They carry out fundamental development, global strategic material development, product development, quality development, and intellectual property strategy and new products through joint development with athletes.



DISC BUSAN, our sports shoe R&D center in Busan, South Korea

## Development of Seven Owned Brands

DESCENTE offers a wide range of products to help people enjoy sports from amateur to top athletes through its seven owned brands. We are challenging ourselves to further enhance the value of our brands by implementing unique marketing along with branding that takes advantage of the characteristics of each brand.



## Building on Our Four Strengths

Research and development

Brand power

Our Four Strengths

Business expansion

Manufacturing high-quality products

## Use of Regional Strategies in Japan, South Korea, and China

We build a unique position by developing products and strengthening our brands to meet the needs of local markets and by leveraging the strengths of each country. "DESCENTE" brand, which has developed in Japan over many years, has established itself as a premium sports brand in South Korea and China.



Development of "umbro" as street-style brand in South Korea

## Development of Products for General Users Utilizing Technology

We differentiate our products with functionality and design that only a company with its origins in sports can offer and we are expanding the scope of our products with MoveWear, which is not limited to sports. "DESCENTE" brand has expanded its high-spec premium category, DESCENTE ALLTERRAIN, and has begun to offer two new collections—utility outdoor sportswear and daily wear.

## Our Desire for Product Manufacture

Many professionals support DESCENTE's product manufacture. Our desire to support all people who love sports in all of our processes including research and development, designs, patterns, sewing, marketing, and aftercare has been entrusted and passed on like a baton. We deliver products with high functionality and high quality that only our Company can provide.

## Guarantee of Quality and Safety

To maintain quality standards at a level that exceeds customer expectations, we have put in place a thorough quality control system that includes sharing examples of quality incidents with all employees and suppliers, analyzing customer feedback to develop our own testing methods and

quality standards and developing products that customers can use with confidence over the long term.

## P17 Long-Life Product Manufacturing

## Keeping Japanese Product Manufacturing Alive


At the three owned plants in Japan, we work to generate Japanese product manufacturing and local employment, employing local people to enhance their sewing skills and sew high-value-added products. We work to sustainably create social and economic value by creating a comfortable working environment for female employees who support the factory and the branding of our factories.




# 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**

  - Four Company-owned factories
- 


**Human capital**

  - Consolidated employees: 2,924 (as of March 31, 2023)
- 

**Brand capital**

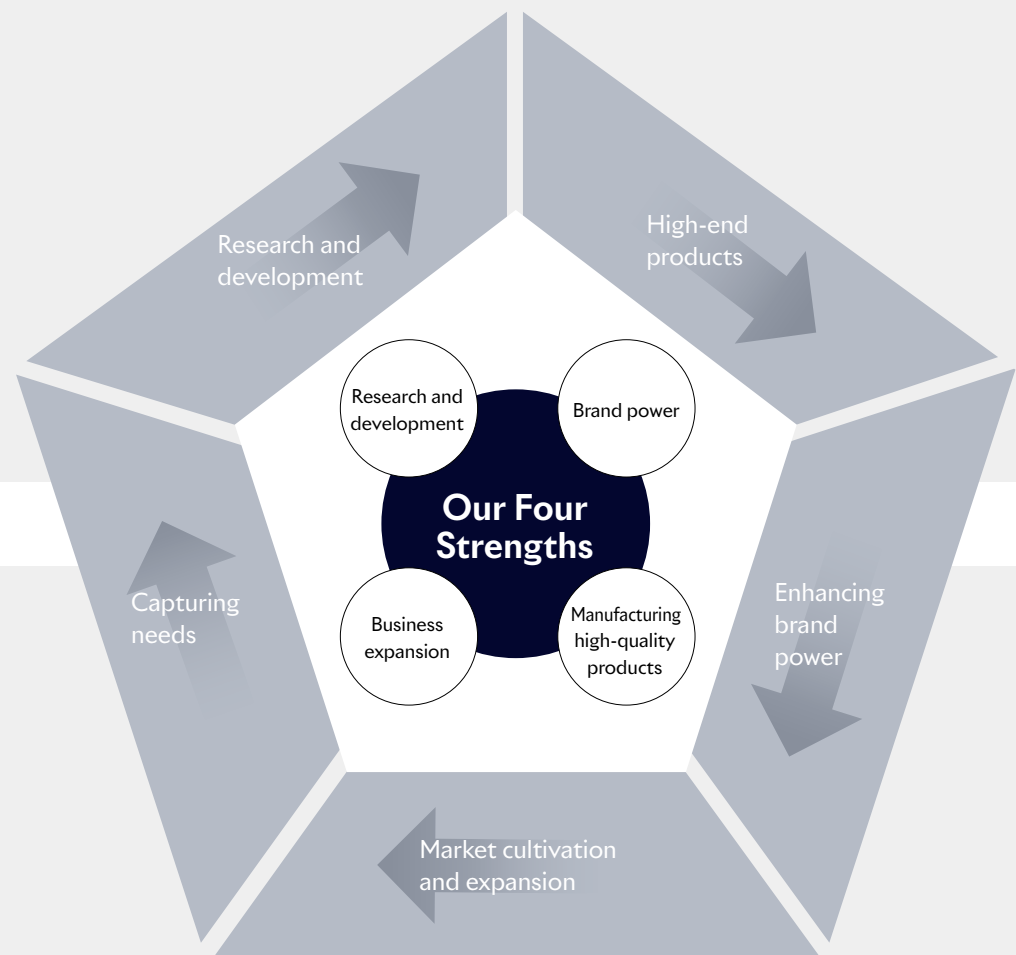
  - Seven proprietary or owned brands
  - Two licensed brands
- 

**Natural capital**

  - Basic Environmental Philosophy
  - Environmental Policy
- 

**Financial capital**

  - Equity Ratio: 74.6% (as of March 31, 2023)



### Material issues

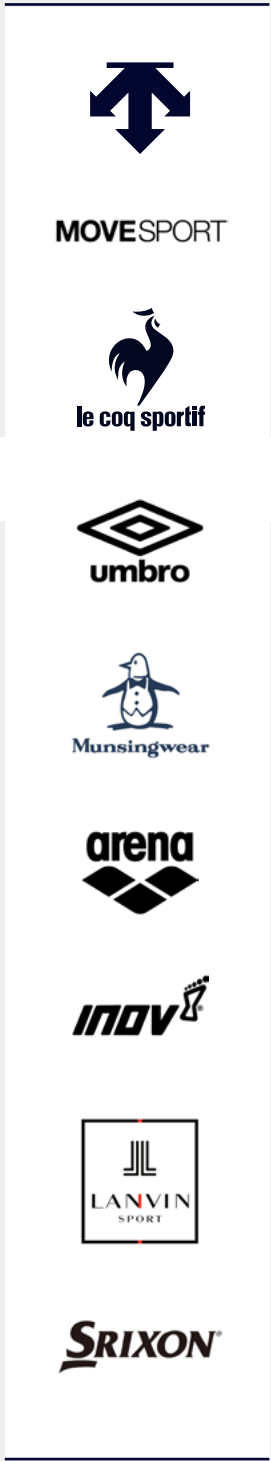
- 1** **Taking on the Challenge** of realizing sustainable manufacturing, products, and systems
- 2** **Create** new value
- 3** **Integrity** in our organizations, systems, and employees
- 4** **Harmony** with local communities and society at large

### SPIRIT OF DESCENTE

**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.

### Providing Value to Stakeholders

- Customers**

Providing high-quality, high-grade products that can be cherished for a long time
- Shareholders**

Long-term improvement of corporate value through stable profit generation
- Business Partners**

Fairtrade and building relationships of shared development
- Employees**

Easy-to-work system design, remuneration commensurate with results, and equal career advancement opportunities
- Local Communities**

Creating healthy lifestyles for local residents through events and career education



## Long-Life Product Manufacturing Mechanisms for Creating Competitive Products

# Innovate For Your Best

### Overview of DISC BUSAN

DESCENTE INNOVATION STUDIO COMPLEX BUSAN (DISC BUSAN) carries out basic research, material development, product development, quality development and intellectual property strategy as a global competitiveness sports shoes development base with a focus on the South Korean market and an eye toward expansion in Japan and China. We also conduct joint development with athletes to new products based on this research and development.

Many sports shoes brands have their research centers in Europe and the United States and the data on which their development is based is primarily from Western users. On the other hand, at DISC BUSAN, data is collected mainly from Asian people and development is tailored to the characteristics of users in the focus markets of South Korea, Japan, and China. The basis of our research and development is to derive and solve our customers' latent and apparent needs.

### Features of DISC BUSAN

DISC BUSAN has four major divisions.

The Performance Research Division conducts basic research on body movement, demonstrative testing of product functionality and research and analysis of the needs of athletes and consumers. Based on the information and data from this process, the Product Division develops ideas and samples to create products. This information is then shared with the Design Studio Division, where innovative designs are created using research findings.

In addition, the Materials Division develops materials and checks the quality of materials and products so that the four divisions always work in tandem to implement the PDCA cycle during product development.

There are a total of nine labs that function under these divisions. To implement the PDCA cycle, each lab shares its research and the excellent engineers in each lab give shape to the development happening there. A significant feature of DISC BUSAN is that through these divisions and labs, all the necessary equipment, materials, and technicians are available to create shoes samples so that the tentative designs can be verified immediately.

The research developed at DISC is shared with the marketing team to further evolve the product into a market-leading product through marketing activities.

### Proprietary Golf Shoes R90

DISC BUSAN's representative research and development product is the R90 golf shoes for the "DESCENTE" brand.

DISC BUSAN has been developing Asian-fit running shoes since before the development of the R90 and we used this data to build an original shoe last\* for golf, where movement is different from running. We have also focused on the development of the sole, analyzing issues during the golf swing based on user surveys and focusing on strengthening the grip and heel rotation of the outsole.

\* Wooden pattern form for shaping shoes



### Capturing Needs and R&D

We analyzed the ground contact surface deviation shift applied to the heel during the golf swing and hypothesized how this would affect the stability of the swinging experience. We created proto samples to test this hypothesis using the footprint data of approximately 2,000 Asian people stored at DISC BUSAN. We interviewed professionals and elite golfers about how they felt wearing the product and conducted wearing tests. Based on the results and data analysis from the lab, we solved problems and incorporate ideas for improvement in the following sample to increase stability during the swing. We then worked through further feedback and verification to repeatedly improve the product. Experiments and feedback were conducted at DISC BUSAN and by accompanying athletes on tour or at their training facilities.



Global Footwear  
Senior Managing Director  
**Daisuke Furuya**

### Market Cultivation and Sales Expansion

We sell three models based on the R90 line developed to suit golfers' playing styles. This allows us to meet the needs of more players, leading to increased market sales from top athletes to entry-level players.



### Enhancing Brand Power

We repeatedly ask professional golfers to help us evaluate and improve our prototypes in our development process. This has led to the development of products that satisfy professional golfers. The success of athletes wearing these shoes has become a topic of discussion, increasing the product's value.

### High-end Products

Based on the results of surveys of professional golfers and others, we thoroughly analyzed the issues they faced during the golf swing and worked to commercialize shoes that solve those issues. The "R" in the name of "R90" was named from "Rotation," and the rotational structure placed on the outsole was designed to prevent the heel shift caused by body rotation at the top of the backswing, enabling a stable swing. We determined the placement of studs on the sole after understanding the direction of the propulsive force generated by the grip on the ground needed during the downswing and analyzing that an angle of 90 degrees was necessary to reduce that friction. The results of this analysis and the design are the origin of the name of R90.



the rotational structure

### Designer's Voice

We place great importance on the fact that functionality is translated into iconic design through commercialization. The circular design of the heel of the R90 is an integral part of the rotation function. If the rotation grip is too thick, there will be insufficient grip. If the rotation grip is too thin, it would cause the shoes to bite into the turf too much. Because of this, we needed to devise a way to make the grip the most effective. It was undoubtedly a challenge to design a sole with an iconic circular design while accurately expressing functionality and maintaining a good overall balance. This is the type of design that designers cannot create without wearing it out in the field and constantly thinking of new ideas. We also went to the factory daily and tested the product many times. Working as a team including the factory is very important to create good products.



Designer  
**Lee, Jae-Ik**



# Long-Life Product Manufacturing

DESCENTE's Unique Sustainable Manufacturing

Related Materiality

1 Taking on the challenge of realizing sustainable manufacturing, products, and systems

At DESCENTE, we are committed to our proprietary sustainable manufacturing practices so that our products can be used for as long as possible. We are working to develop high quality products by using these quality control systems as the basis for product development, including sharing information on quality incidents that have occurred with our products with all employees to prevent recurrence, and managing our products using our own testing methods and standards. We have also established a Repair Center to ensure our customers can wear our products for a long time. Furthermore, we are constantly improving our products by utilizing the information from the repair process to improve quality and product development.

## 10 YEARS POLO SHIRTS

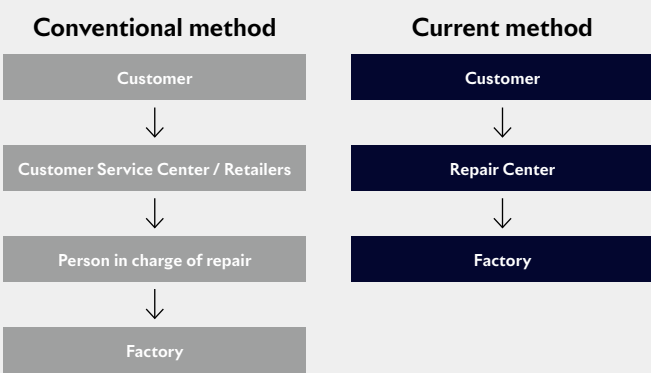
At “Munsingwear”, we have developed the 10 YEARS POLO SHIRT, which is made in Japan, with the hope that great products come with excellent wear longevity. By applying special chemical treatment and special resin coating from body to the collar and sleeve ribs, we have developed a product that can be used for 10 years and, even after 200 washes\*, has less shrinkage, loss of shape, and discoloration than conventional products. In addition, the knitting method and thickness of the collar parts are designed to be more resistant to turning up. We completed the production process for 10 YEARS POLO SHIRTS with our commitment to quality that allows longevity in use by experimenting with various combinations of yarn and fabric selection, dyeing methods, and design to achieve a satisfactory quality.

\* Assuming the polo shirt to be worn 20 times per year  
Note 1: While the 10 YEAR POLO SHIRTS can last 10 years under the conditions as set by the Company, and does not mean that these shirts can withstand 10 years of wear under any conditions.  
Note 2: DESCENTE does not assume any 10-year contractual nonconformity or quality warranty liability for this product.



## Repair Center

We opened the Repair Center in April 2023 to ensure our customers can use their purchased products for a long time. Previously, repair requests were accepted at the Customer Service Center and our retailers, but we have created a dedicated inquiry form on our website to make it more visible to customers. This allows immediate and direct communication between the customer and the person in charge of repair, enabling a shorter time to initiate repairs than before.



### Comment from the director of the Repair Center, Yasutaka Ichikawa

We would like our customers to become more attached to our products and use them for a long time. Through this mindset, we strive to eliminate any defects in our products sent in before returning them to our customers. We will continue accumulating know-how while conducting repairs at our own factories in Japan and apply that knowledge to quality improvement and product development.

## Quality Control System

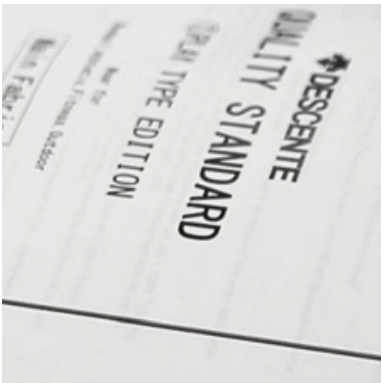
To achieve the quality, functionality, and safety required of sportswear, we practice consistent quality control from planning samples to finished products based on the DESCENTE Quality Standards and Quality Control Manual. We strive to avoid problems in the production phase by checking material properties and functional data of fabrics at the sample stage and conducting safety reviews to examine the safety of products. If necessary, we also check the management system of suppliers and production capacity at sewing factories. This allows us to implement production control for DESCENTE's unique, sustainable manufacturing.



Quality inspection

## Original Quality Standards and the DESCENTE Method

Based on official standards such as ISO and JIS standards, we set original quality standards based on quality accidents and defect cases that have occurred in the Company and strive to create sustainable manufacturing to allow longevity in the use of our products. In quality tests, we are striving to maintain and improve quality by establishing our original testing method, the DESCENTE Method, to address quality issues that cannot be evaluated by official standards or that arise from wearing in sports scenes which can be described as a more demanding environment.



Quality standards

## Exhibitions of Quality Incident Information

We regularly hold exhibitions of quality incident information that display past quality incident cases that occurred with our products, using actual products and explanatory panels. We strive to prevent recurrence and further improve quality by sharing case studies of various genres and customer inquiries and requests within the Company.



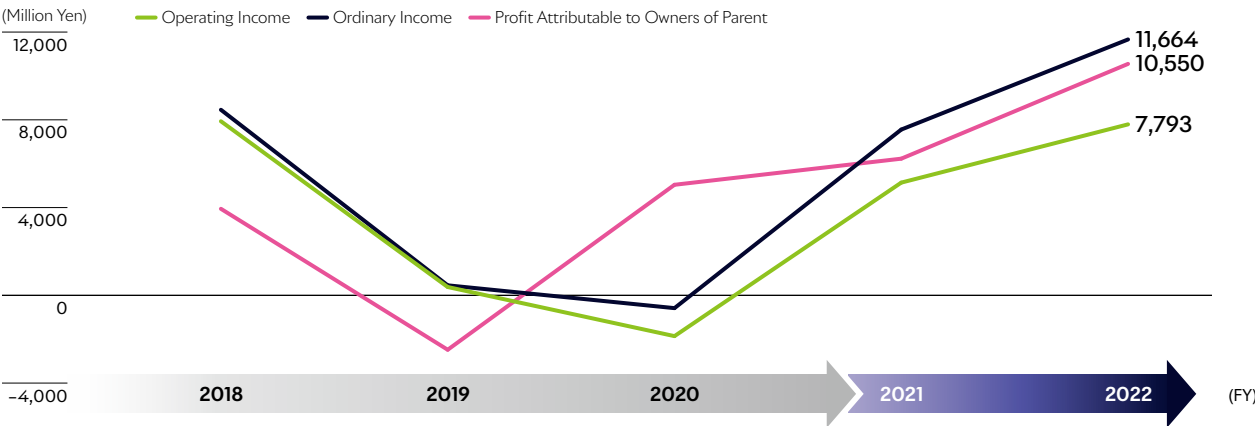
Example of a quality incident information exhibition



# Mid-term Management Plan D-Summit 2023

The Company completed its previous mid-term management plan, D-Summit 2021 one year ahead of schedule. As we take advantage of its achievements as a foothold, we are promoting D-Summit 2023, which will end in fiscal 2023.

While continuing business structure reforms, we have positioned the strengthening of branding as our most important issue in fiscal 2023, the final year of our plan, and are implementing efforts to achieve this goal.



## Achievements from D-Summit 2021

### Business Areas and Profit Structure Reforms

Under the previous mid-term management plan, D-Summit 2021, we decisively implemented management reforms both in Japan and overseas. With a basic policy of concentrating management resources in the three segments of Japan, South Korea, and China, we focused on business expansion in China, where we pointed out that the market is the most significant, in addition to the liquidation of U.S. subsidiaries. We also implemented structural reforms in our operations in the Japan segment, pursuing a healthy product cycle through optimization of the supply-demand balance and building a profitable structure.

## Basic Policies of D-Summit 2023

### Three Key Strategies

After starting the new mid-term management plan D-Summit 2023 in fiscal 2021, the next step after concentrating on Japan, South Korea, and China, includes the basic policy of implementing further management reforms in Japan and overseas by focusing on the three strategies of “implementing strategies by regions for Japan, Korea, and China,” “improving the profitability of the Japan business,” and “enhancing our manufacturing capabilities.” With branding at the core, we are pushing forward with product planning and distribution reforms, with the DTC Business at the core as the pillar of fundamental profit structure reforms, especially in Japanese business.

## Earnings Trends and Forecast for Fiscal 2023

In fiscal 2021 and 2022, we steadily increased sales and profits, and in fiscal 2022, we achieved record-high profits in both ordinary income and net income. In fiscal 2023, we aim to continue growth of sales and profits by

promoting further growth of our China business, stable growth of our South Korea business and continuous structural reforms and branding reinforcement in our Japan business.

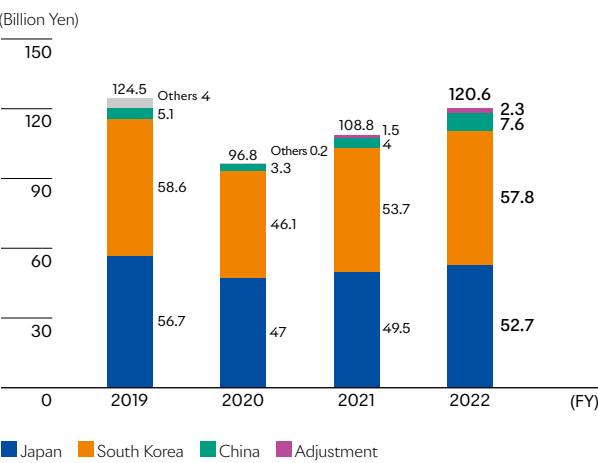
(Million Yen)	FY2021	FY2022	FY2023	
			Forecast	YoY
Net sales	108,892	120,614	127,000	+6,386 +5.3%
Operating income	5,138	7,793	8,500	+707 +9.1%
(% to net sales)	4.7%	6.5%	6.7%	+0.2pt
Ordinary income	7,556	11,664	13,000	+1,336 +11.5%
(% to net sales)	6.9%	9.7%	10.2%	+0.6pt
Profit attributable to owners of parent	6,229	10,550	11,000	+450 +4.3%
(% to net sales)	5.7%	8.7%	8.7%	0pt

## Consolidated Net Sales and Operating Income (Loss) by Segment

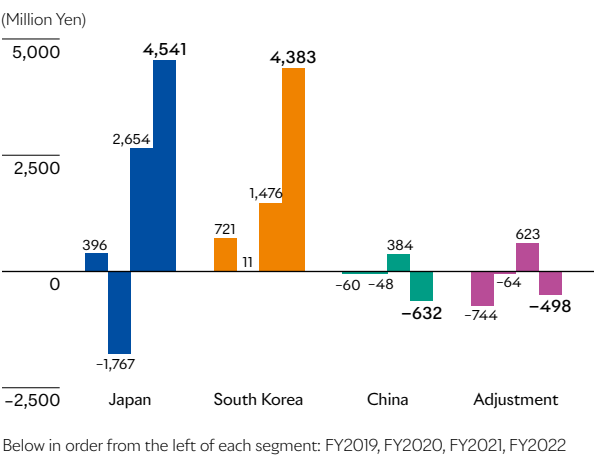
In fiscal 2022, we improved profitability in Japan and South Korea significantly. In China, earnings declined due to one-time factors such as increased SG&A expenses for the rebranding of “le coq sportif” and “Munsingwear” and

inventory write-downs. However, we built a balanced profit structure in the three markets: Japan, South Korea, and China.

### Net Sales



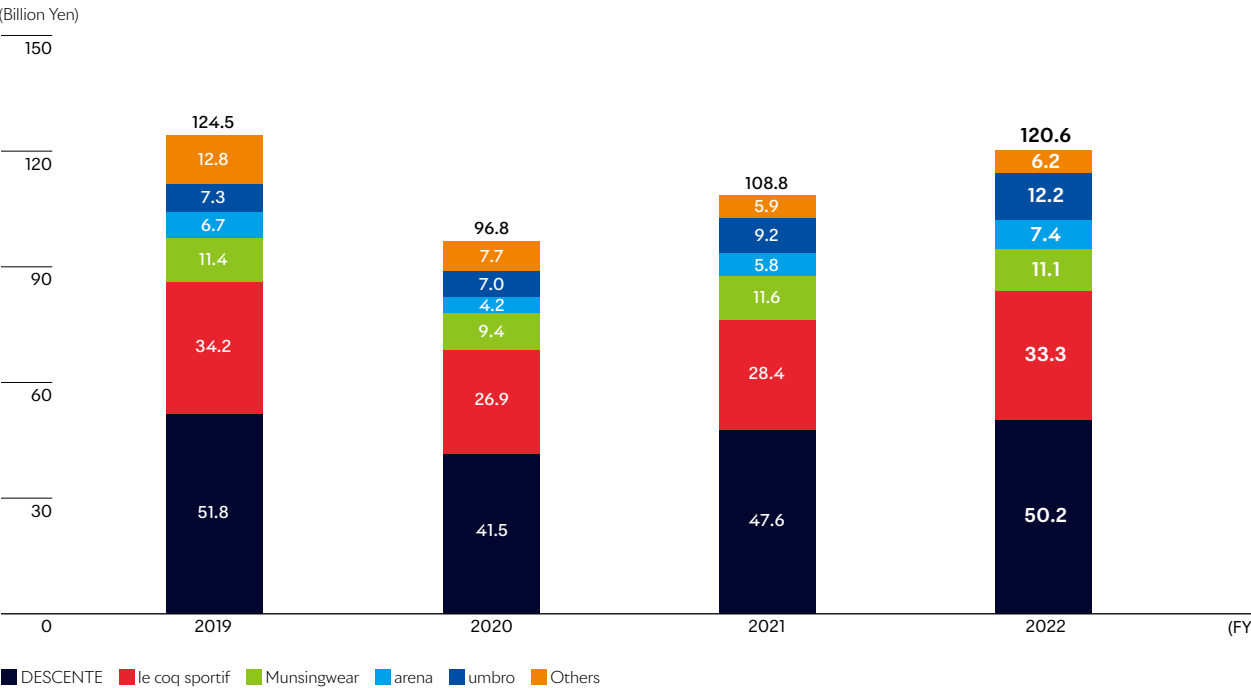
### Operating Income



## Consolidated Sales by Brand (Excluding Sales of Equity-Method Affiliates)

“DESCENTE” has established itself as a premium sports brand in South Korea and China, with increased sales over fiscal 2022. In our Japan business, we will promote strengthening our branding as a premium sports brand and aim for stable growth. “umbro” is

continuously increasing its revenue as a street fashion brand in South Korea. Until now, “le coq sportif” and “arena” had been operated by two equity-method affiliates in China. In fiscal 2022, those two companies were made consolidated subsidiaries.

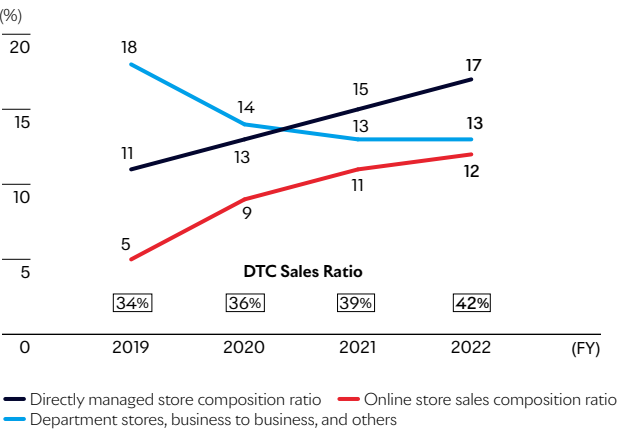


Japan

Expansion of the DTC Business

In Japan, we are transforming our business, with the goal of achieving a 55% share of our domestic sales by our DTC Business, growing the sales ratio of directly managed stores by +6 pts and the ratio of EC by +7 pts over the four-year period from fiscal 2019 through 2022. As we transform the business from wholesale to DTC, we continue to reform our branding, marketing communications, sales price points, and purchasing policies. We opened limited-time pop-up stores for “DESCENTE” in LUMINE SHINJUKU and “le coq sportif” in Yurakucho Marui to increase interactions with new customers. In addition, we have been working hard to hire new staff who have much experience with DTC Business and undertaking organizational reforms.

DTC Sales Ratio in Japan



Strengthening the Branding of Each Brand

We are implementing branding that clarifies the value each brand provides to customers and the areas of focus. In Japan, “DESCENTE” aims to establish itself as a premium sports brand with distribution mainly to its directly managed stores by increasing the visibility of the spirit mark of the brand logo as a highly functional, high-value-added product. We have clarified the targets for each brand, such as “MOVESPORT” being developed through wholesale distribution for a broader range of customers.

In other brands, we are working to capture the needs and review concepts according to the persona of each brand. We are also working to strengthen branding by leveraging each brand’s characteristics and making the value provided to customers easier to understand.

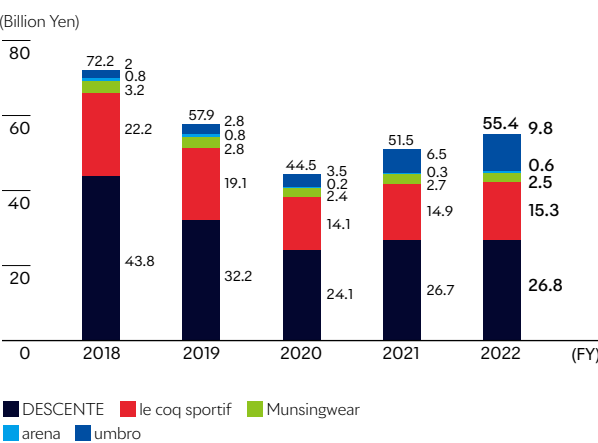
South Korea

Marketing Strategy Based on Brand Characteristics

In the South Korea business, “umbro” continued to grow with solid sales of street fashion merchandise and shoes. “DESCENTE” and “le coq sportif” increased sales through reducing the number of stores and improving efficiency.

In other promotional activities, these include co-sponsoring the Seoul Race marathon for “DESCENTE” and marketing featuring famous actresses for “le coq sportif” to increase brand awareness based on brand characteristics.” South Korea is one of our focus markets, and we are pursuing various initiatives to achieve stable earnings growth.

Segment Sales

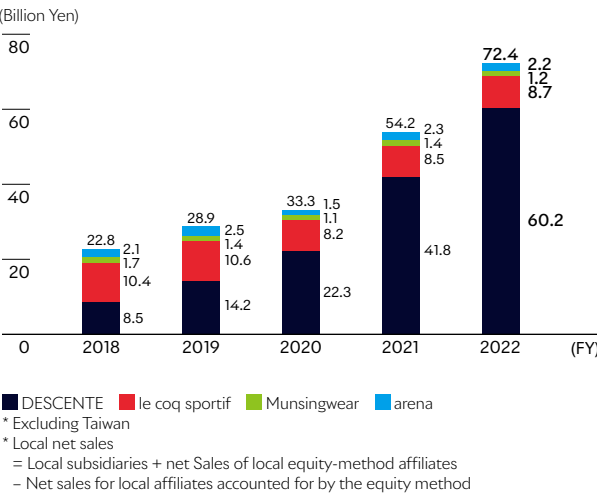


China

Aiming to Increase Revenue Through Rebranding

In the China business, “DESCENTE” achieved sales growth per store by opening large stores and renovating current stores. The “DESCENTE” brand has already established its position as a premium sports brand, but strengthening other brands has become the challenge at hand, prompting us to move forward with structural reforms. To expand the scale of our China business, we are rebranding “le coq sportif” and “Munsingwear.” To rebuild its image as a sports brand, we have switched our product planning for “le coq sportif” based on the core categories of tennis, golf, cycling, and training starting from the fall/winter 2023 product lineup. In addition, we have restructured communication in the brand’s distribution strategy and cleared / sorted its inventory.

Local Net Sales (Including Sales of Equity-Method Affiliates)



TOPIC

Enhancing Our Manufacturing Capabilities

We are branding our three domestic factories (Mizusawa, Yoshino, and Saito) to transform them into dedicated factories for producing high-value-added products. By producing specialized products at each factory, we are able to improve sewing efficiency and technology. Also, products developed by our R&D centers (DISC) both in Japan and South Korea, have also been highly evaluated.



ORIERI, a beautiful, collared polo shirt developed by DISC OSAKA



R90, designed and developed by DISC BUSAN are popular among professional golfers



MIZUSAWA DOWN jackets produced at the Mizusawa Factory



10 YEARS POLO SHIRTS produced at the Yoshino Factory



Swimsuits for competitive swimming produced using the adhesive sewing technology at the Saito Factory





As CFO, I will fulfill my responsibilities with an eye toward completing the goals of D-Summit 2023 and beyond.

**Akira Tsuchihashi**  
Senior Managing Executive Officer,  
Chief Financial Officer

# CFO MESSAGE

## State of D-Summit 2023

We are in the final year of our mid-term management plan, D-Summit 2023. In fiscal 2022, while the Japan, South Korea, and China segments were affected by COVID-19 and other factors, each achieved well-balanced revenue growth. As a result, we have recorded the highest ordinary income and net income in its history and is on track to continue to re-record the highest income in fiscal 2023.

In the Japan business, we concentrated on measures to improve profitability, focusing on thorough inventory control and reduction of return and discount rates. This resulted in a dramatic improvement in our gross profit margin. With continued declines in SG&A expenses, the operating income ratio improved significantly from chronic deficits before the start of D-Summit 2023 to 8.6%. We expect even more improvement in fiscal 2023.

## Restructuring

In 2019, the first thing I worked on after I took this post was to break away from a loss-making business and loss-making structure. We have reorganized our U.S. and European businesses, which were losing money, to continue via distributors rather than through our operating companies and concentrated our management resources in the three segments mentioned above. In Japan, in addition to improvements in inventory control, return rates, and other parameters, we also worked to streamline the number of products and reduced production volume. We were prepared that narrowing down production volume would invariably increase sales opportunity loss after a certain period. We received earfuls of comments internally and externally for a while, but this has resulted in lower inventory levels and a significant improvement in gross margins.

Someone in the Company must take responsibility for inventory levels and other KPIs and indicate them

repeatedly at meetings and other occasions. To this end, I introduced a flow in which the person responsible for each brand reports KPIs at monthly management meetings, at which I repeatedly and persistently asked about their inventory turnover months and return / discount rates. I believe that one of the roles of the CFO is to willingly take on the role of being disliked amid structural reforms.

We also try to present management indicators, such as ROE, to employees in the most digestible manner possible.

## Priority Measures for Fiscal 2023

In fiscal 2023, the final year of D-Summit 2023, factors that push up product costs, such as soaring raw material prices in all business areas and the weak yen in Japan, are still in place. However, we will respond by thoroughly reviewing our cost structure, improving logistics efficiency, and then passing the cost onto the sales price as necessary. We will also certainly aim to achieve our quantitative target of ¥11 billion in consolidated net income by focusing on “well-balanced growth in our three segments” and “improving the profitability of the Japan business.”

For the Japan business, the operating income ratio is approaching double digits, and we hope to build a foundation to set a target of double-digit operating income ratio in the next mid-term management plan. Beginning in fiscal 2023, we will concentrate our efforts on branding in three segments, with adjustments tailored to each market, by ensuring that we stay within the brand’s core values. To grow in the highly competitive sports apparel field, we believe it is vital to establish our brand by carefully promoting new high-value-added products to consumers through branding. While sales will not grow significantly due to the time it takes to replace old products with new products for rebranding, we expect an increase in gross profit margin due to replacing old products with high-value-added products.

ROE on a consolidated basis for fiscal 2022 was 11.3% (7.6% in fiscal 2021), and ROA was 8.4% (5.6% in fiscal 2021). We will continuously improve asset efficiency by promoting further efficiency in inventory management and other methods.

## Investment Policy

Our investments are broadly divided into capital, business, and human capital investments. Among them, the Company decided to renovate the Mizusawa Factory in fiscal 2022 (scheduled to be completed in July 2025). The factory, which produces MIZUSAWA DOWN jackets (one of the Company’s principal products), has been in operation for nearly 50 years, and some parts of the factory have become dilapidated. Because of this, we are planning a

renovation of the factory with an investment of over ¥3 billion. The Yoshino and Saito Factories are also seeing investments in branding.

As for business investments, we promote hands-on management by the consolidation of ARENA (SHANGHAI) INDUSTRIAL CO., LTD. and LE COQ SPORTIF (NINGBO) CO., LTD. In our Japan business, we also invest in systems to improve management efficiency and sophistication. We are working on the promotion of ERP projects, including the upgrading of SAP systems and peripheral systems.

We are also looking to increase our investment in the human capital that underpins our operations. From time to time, we also revised the remuneration of regular sales staff in Japan, and in April 2023, we raised our wages for young to mid-career employees.

## Dividend Policy

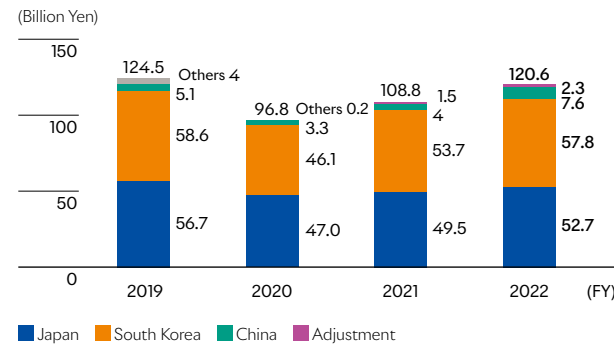
The Company’s policy is to secure the necessary internal reserves for future business development and strengthen the management structure while aiming to provide shareholders with stable dividends and to return profits to shareholders appropriately considering the Company’s business performance and dividend payout ratio. During the period of D-Summit 2023, we have set a dividend payout ratio of 30%, and we intend to maintain this dividend payout ratio at a minimum while considering further measures to return profits to shareholders as performance improves.

## Investor Relations

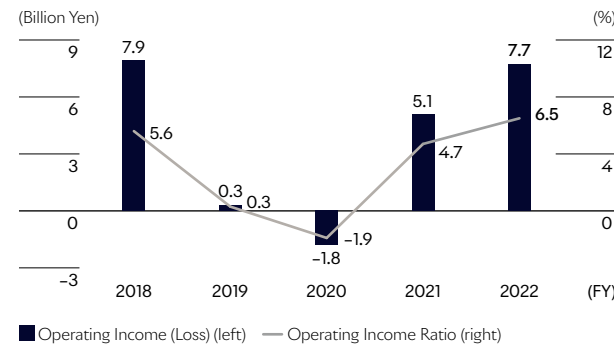
Since fiscal 2019, the Company has experienced turbulent times, including a management shakeup through TOB, a boycott in South Korea, and the COVID-19 pandemic. On the other hand, the world of sports is moving forward regardless of the trends of a single company. Athletes are moving from one challenge to another, going from the Tokyo Olympics to the Paris Olympics, and for winter sports, from the Beijing Olympics to the Milano and Cortina Olympics. There are always athletes and many sports enthusiasts worldwide, and there is no end to our efforts to create products they can fall in love with, products with manufacturing as the source of our competitiveness. As CFO, I intend to fulfill my responsibility to promptly share with management the “quantitative compass” that supports the company’s economic growth.

## Financial Highlights

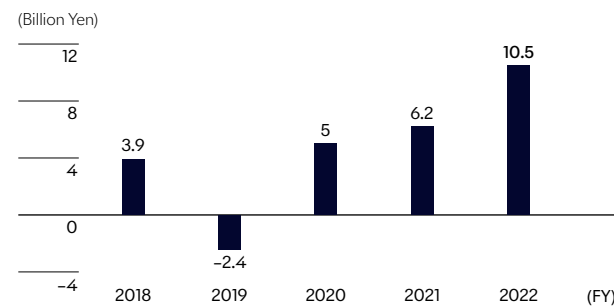
### Consolidated Net Sales by Segments



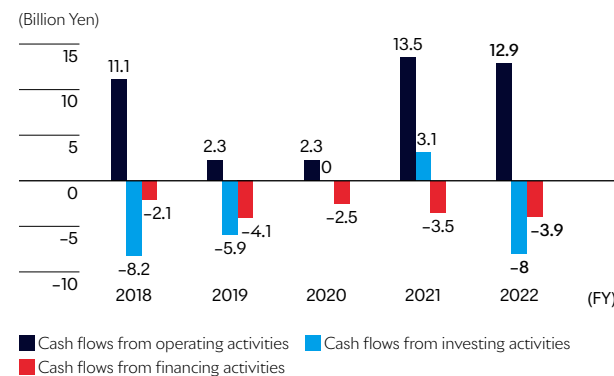
### Operating Income (Loss) and Operating Income Ratio



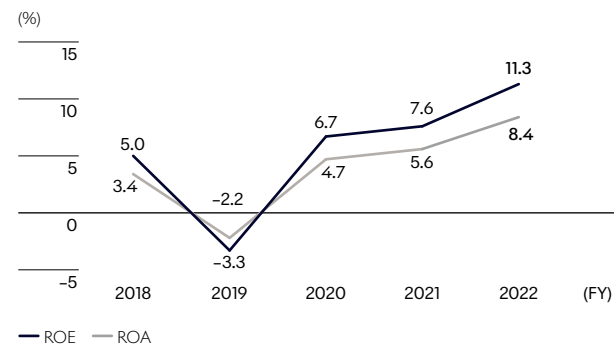
### Profit or Loss Attributable to Owners of the Parent



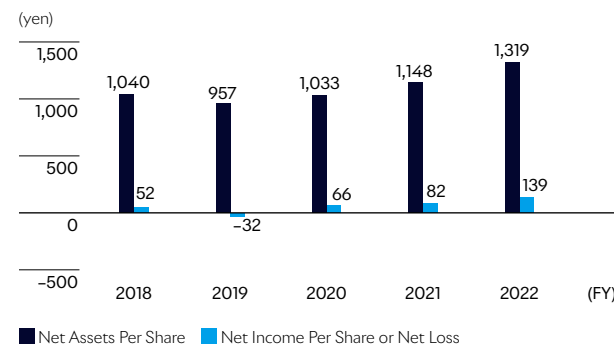
### Cash Flows



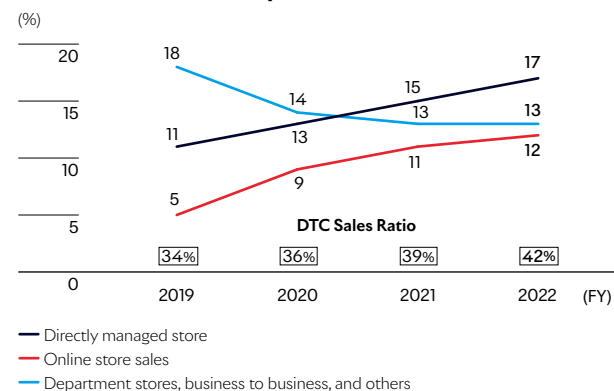
### ROE・ROA



### Net Assets Per Share and Net Income or Loss Per Share



### DTC Sales Ratio in Japan

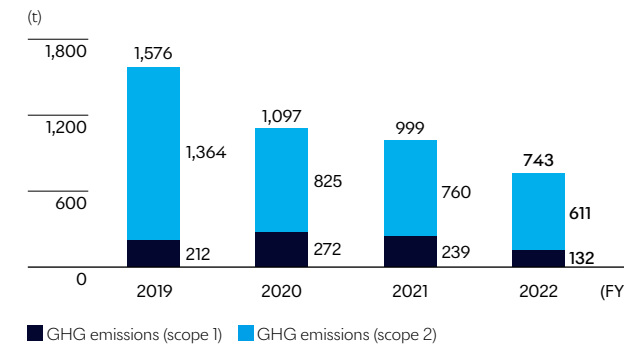


### Sales Loss Ratio in Japan Business

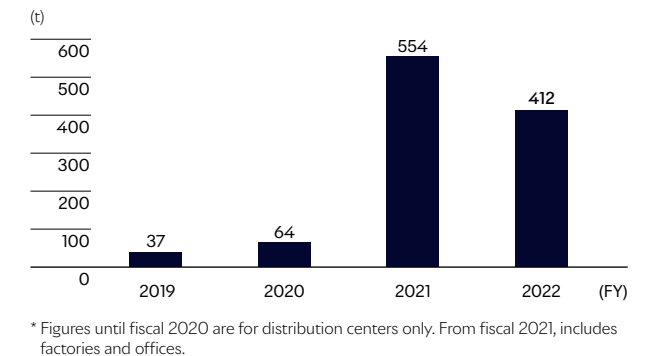


## Non-Financial Highlights

### GHG emissions (scope 1, 2) (Japan only)



### Amount of Wastes \* (Japan only)



	Segment / Operating Companies	Fiscal 2022
Number of Consolidated employees	Japan	1,665
	South Korea	628
	China	631
	Total	2,924
Percentage of female workers in management positions*1	DESCENTE LTD.	16.7%
	DESCENTE JAPAN LTD.	15.4%
	DESCENTE APPAREL LTD.	—
Percentage of male employees taking childcare leave*2	DESCENTE LTD.	100.0%
	DESCENTE JAPAN LTD.	47.6%
	DESCENTE APPAREL LTD.	—
Wage differential between men and women for all worker*1, 3, 4 (Women's wages as a percentage using 100% as the base for men's wages)	DESCENTE LTD.	71.0%
	DESCENTE JAPAN LTD.	56.8%
	DESCENTE APPAREL LTD.	74.7%
Average annual salary	DESCENTE LTD.	7,262 thousand yen

\*1 Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of September 4, 2015)

\*2 Based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of May 15, 1991), the percentage of employees taking childcare leave and leave for childcare purposes was calculated per Article 71, paragraph (4), (i) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of October 15, 1991)

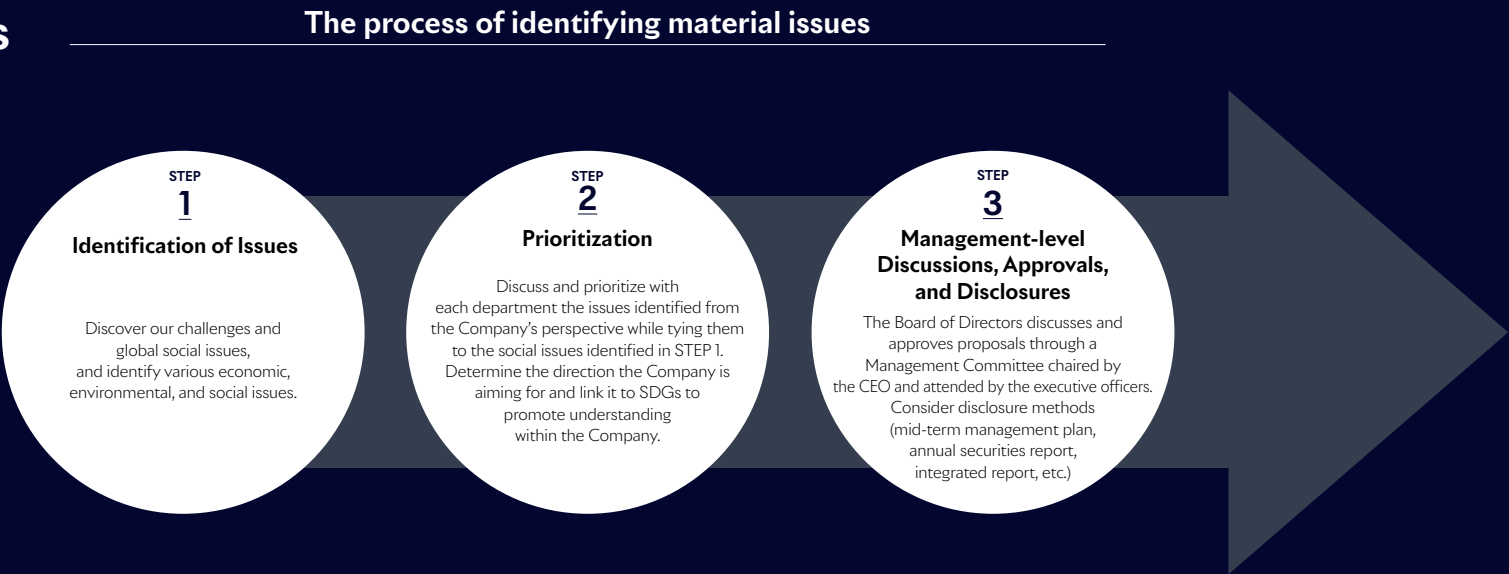
\*3 Number of workers is calculated based on working hours

\*4 DESCENTE JAPAN LTD. employs a grading system that defines the abilities and requirements required for each job level, and implements fair promotion and evaluation based on individual abilities, regardless of gender or other attributes. The difference in wages between men and women at the Company is due to the composition of the number of employees by job type and grade, including the large number of women in retail positions that support store operations and the small number of women in management positions. The difference in wages between men and women by job type and grade is 85.2% for management level, 83.7% for non-management level, and 85.4% for retail.



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.



DESCENTE's Four Material Issues

- 1 Taking on the challenge of realizing sustainable manufacturing, products, and systems  
"Reduce and innovate"
- 2 Create new value  
"Create and innovate"
- 3 Business with integrity  
"Firm management base and utilize and activate human resources"
- 4 Harmony with society  
"Develop new markets"

Material Issues

Among the four material issues the Company identified in fiscal 2021, Reduce and innovate, and Create and innovate are directly related to manufacturing—the DESCENTE Group's strength. As such, we are paying particular attention to these two material issues with a view to resolving them.

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

Based on DESCENTE's sustainability philosophy of manufacturing products that can be used for a long time, we have launched 10 YEARS POLO SHIRTS by "Munsingwear," which was developed with the expectation that they will be worn for ten years. We have established a new repair center to ensure that the DESCENTE products consumers use can be used for a long time, and to create a sustainability cycle. We have also introduced a circular system by reviewing the ordering process and strengthening purchasing controls to reduce waste and reuse some of the wear. In materials procurement, in order to respond to the growing worldwide demand for the non-use of real fur in apparel products,

we have prohibited new planning, production, and external purchasing of products using real fur, starting with products for the autumn/winter 2023 season. We are further promoting the use of traceable down with DOWNPASS\*1 and RDS\*2 certifications for down wear, represented by MIZUSAWA DOWN, and will continue to practice sustainable manufacturing.

\*1 DOWNPASS: - A standard that guarantees that the feathers are ethically raised and harvested based on animal protection systematized by DOWNPASS e.V. in Germany and that high-quality standards are maintained.  
\*2 RDS: An international certification standard that guarantees through traceability audits that feathers come from ducks and geese that have not been subjected to inhuman treatment, such as the collection of feathers from live birds or force-feedings.

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

As part of our efforts to create a workplace in which a diverse workforce can thrive, we provide extensive childcare support. In addition to institutionalizing childcare leave and shorter working hours for childcare commitments than legally mandated periods, a new system to subsidize extended childcare fees was established in fiscal 2023 to support the development of women's careers.

The Company also supports men taking childcare leave, with some employees taking leave for several months at a time. Our goal as a Company is to actively incorporate diverse values and ensure fairness while at the same time allowing each and every employee to continue to grow and maximize performance while maintaining a sense of fulfillment.

4 Harmony with society  
"Develop new markets"

Based on our corporate philosophy—To bring the enjoyment of sports to all—we contribute to the creation of vibrant lifestyles for children, students, and local communities, who bear the future, by providing enjoyment through movement of the body and competing, which are the starting points of sports. As a part of these contributions, we invited Megumi Kurihara, a former Japanese women's national volleyball team member, as a lecturer to Oshu City, Iwate Prefecture, where we have a comprehensive partnership agreement with the city. We held an event with Ms. Kurihara and 35 pairs of parents and children to enjoy sports. We will continue to provide opportunities to enjoy sports.



Megumi Kurihara's "First Time" Volleyball Experience & Special Lecture held in Oshu City

TCFD Disclosures

We support the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) and conduct disclosures based on these recommendations.



Governance

The Corporate Planning Office formulates strategies for activities towards the promotion of sustainability and manages operational status throughout the Group. For key sustainability issues including climate change and environmental issues, we have established measures to minimize business impact as well as countermeasures to implement in the event that such issues occur and also developed a monitoring system which includes regularly reporting the status of our efforts to the Board of Directors. In addition, we are expanding the scope of these efforts to our overseas

companies starting in fiscal 2023. We have established the Sustainability Committee chaired by the Senior Managing Executive Officer and in principle, the committee meets four times annually and the content of these meetings is reported to the Board of Directors. We also set up the Working Groups of Sustainability Promotion under this committee as the task force for the practical implementation of climate change response where discussions are held approximately twice a month on various sustainability themes.

Strategy

We work to resolve issues across the Group by identifying material issues from ESG perspective based on our mid-term management plan, D-Summit 2023. The emerging climate change and other environmental issues are expected to have a particular impact on our production, resulting in soaring purchasing prices and disruptions to our supply chain and changes in both consumer behavior and the environment in which sports can be played so it will

have a direct impact on our financial strategy. For these reasons, we obtain objective information on the future of parameters related to risks and opportunities from our partner companies and examine climate-related factors and its financial impact that we expect to affect to the Group. The identified risks and opportunities (P30) will be one of the issues in our next mid-term management plan, which is currently under consideration.

Risk Management

We established Risk Management Regulations and Risk Management Operating Rules to prevent situations that could have a significant impact on business, minimize damage and impact in the event of occurrence and ensure the continuity of business and appropriate operations. In accordance with these regulations and rules, the Corporate Planning Office handles the overall visual tracking of these risks and the person in charge of risk management then sets and manages measures to prevent such risks and respond to them in the event of occurrence. The person in charge of risk management reports the results of reviews to the Corporate Planning Office once or twice annually and this information is then reported to the Board of Directors. We set risks related to climate change and other environmental issues as the most important to monitor in fiscal 2022 and continue to implement the measures described above.

We have set the occurrence of risks related to climate change and other environmental issues for both 2030 and 2050, and long-term management is needed so the Working Groups of Sustainability Promotion consider countermeasures in addition to our normal risk management. Progress on these endeavors is regularly reported to the Sustainability Committee and then reports to the Board of Directors for further discussion.

We focus on countermeasures taken for serious risks to both avoid the occurrence of such issues and minimize their impact in the event of occurrence through regular progress reports on key risks. We continue to obtain information through analysis and evaluation of the risks surrounding us and build a system to manage them within a comprehensive risk management framework.

Metrics and Goals

Since fiscal 2023, we have been working to expand the range of both Scope 1 and 2 in terms of GHG emissions measurements at overseas sites and have also been working to gather Scope 3 emissions in our domestic sites. We follow government declaration and further aim to achieve

carbon neutrality by reducing overall GHG emissions to zero by 2050, setting mid-term goals to promote initiatives to resolve important sustainability issues such as climate change and other environmental issues (see P26 for further information).

Strategy: Climate Change Risks and Opportunities

Scenarios

We conducted scenario analysis based on the two following scenarios:  
2°C Scenario (IPCC SSP1-2.6)\*: Transitioning to a low-carbon economy  
4°C Scenario (IPCC SSP5-8.5)\*: Increased environmental risks due to climate change  
The timeline is 2030 for the first, and 2050 for the second.  
  
\* Scenario used in the Sixth Assessment Report published by the Intergovernmental Panel on Climate Change (IPCC)

Range of Application

A total of seven companies were selected for analysis: DESCENTE JAPAN LTD., DESCENTE APPAREL LTD., BEIJING DESCENTE CO., LTD., SHANGHAI DESCENTE COMMERCIAL CO., LTD., HONG KONG DESCENTE TRADING, LTD., DESCENTE KOREA LTD. and DK LOGISTICS LTD. These companies covers the segments that we focus on.

Type	Category	Global change	Details
2°C scenario Risks	Policies / regulations	Introduction of carbon tax and GHG emissions regulations	<ul style="list-style-type: none"><li>• Cost increases proportional to GHG emissions due to introduction of carbon tax</li><li>• Increase in industrial waste disposal costs</li><li>• Cost increases for raw materials derived from fossil fuel resources</li></ul>
		Changes in energy mix	<ul style="list-style-type: none"><li>• Restrictions on electricity use due to reduced coal-based power generation in China and shutdown of factories due to blackouts</li></ul>
	Technology development	Utilization of environmentally-friendly materials	<ul style="list-style-type: none"><li>• Increase in procurement costs due to transition to new and recycled materials with reduced environmental impact, etc.</li></ul>
	Market trends	Decrease in the number of domestic people playing sports	<ul style="list-style-type: none"><li>• Decrease in sales due to deterioration of the environment in which winter sports are played</li></ul>
		Reduction in frequency of replacement	<ul style="list-style-type: none"><li>• Decrease in apparel sales due to longer time between gear replacement, etc.</li></ul>
2°C scenario Opportunities	Market reputation	Customer reputation	<ul style="list-style-type: none"><li>• Decrease in existing and new customers who are especially concerned about sustainability due to passive efforts to address decarbonization, etc.</li></ul>
	Products and services	Increased need for sustainable products	<ul style="list-style-type: none"><li>• Technology and product development aimed at long-term use manufacturing through proprietary materials, functional improvements, etc.</li><li>• Capture of demand for sustainable products through use of materials with reduced environmental impact, etc.</li></ul>
	Market	Transition to a circular economy	<ul style="list-style-type: none"><li>• Capture of new markets through market development such as after-sales service, resale / subscription and recycling</li></ul>

Type	Category	Global change	Details
4°C scenario Risks	Chronic	Increase in average temperature	<ul style="list-style-type: none"><li>• Decrease in sales due to deterioration of the environment in which winter sports are played as a result of global warming</li><li>• Decrease in sales of products for summer sports due to intensified summer heat</li><li>• Increase in air conditioning costs</li><li>• Decrease in labor productivity due to illness as the result of high temperatures</li></ul>
	Acute	Increase in severity of abnormal weather	<ul style="list-style-type: none"><li>• Damage to tangible assets and inventory due to typhoons, hurricanes and floods</li><li>• Productivity delays, supply chain disruptions and loss of sales opportunities due to typhoons, hurricanes and floods.</li></ul>
2°C scenario Opportunities	Chronic	Increase in average temperature	<ul style="list-style-type: none"><li>• Increase of e-commerce sales due to reduced opportunities to visit brick and mortar stores</li><li>• Expansion of market share through enhanced R&amp;D activities</li><li>• Increased sales of functional apparel</li></ul>
	Acute	Increase in severity of abnormal weather	<ul style="list-style-type: none"><li>• Prevention of sales loss by diversifying suppliers</li></ul>



# Human Resources Strategy in Japan

Based on the SPIRIT OF DESCENTE, the DESCENTE Group is striving to sustainably enhance its human capital by promoting diversity, including the advancement of women, while promoting to recruit talents and develop the human resources necessary to promote its growth strategies, including the DTC business.

## ► Basic Concept—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.

## ► Basic Human Resources Strategy

We flexibly revise our human resources strategy in response to changes in the society and business environment. Our main focus right now is to fill the gap and set up the necessary human resources profile in line with the transformation of our business model, especially the DTC

business. Based on the SPIRIT OF DESCENTE, we are implementing specific human resources strategies and strive to create an attractive work environment where employees can maximize their potential.

## The Big Picture and Current Challenges

Expansion of Human Resources Integrated with Management Strategy	As we continue our transformation from our wholesale-centric business model to DTC business, our challenge is to expand human resources with DTC know-how to think from the consumer's perspective and execute product planning, store development, and customer service provision. In addition, we are working to hire talent who can play an active role in South Korea and China, the centers of our overseas operations.
Diversity and Inclusion (D&I)	We consider that the support on advancement of women as a key management issue and are aiming to increase the number of women in management positions. Creating an environment where women can pursue career advancement, including in factories, is an issue that must be addressed on an ongoing basis.

Employee Interviews

I have been working for DESCENTE for 26 years, taking childcare leave twice. I got to the position where I am today, sometimes feeling a little lost in where to go, but each time I was supported by my supervisors and colleagues to help me progress. I was able to pass my advancement into a managerial position, especially with the advice and encouragement of many people. I feel that I can work in my own way regardless of my life stage and that I can take on challenges if I wish to do so.

Assistant Section Manager, Marketing Section 2, Arena Marketing Department, Brand Marketing Division

Mio Horikoshi

Encouraged by the fact that a lot of my male colleagues were taking the childcare leave, I took childcare leave for three months when my second child was born. At first, I was reluctant to take three months off, but with the encouragement and support of my department, I was able to make it happen. Since returning to work, I've been able to utilize remote work, which keeps me highly motivated to work while maintaining a good work-life balance.

Business Planning, Corporate Planning

Masafumi Fujikawa

## Specific Human Resources Strategies Based on Issues

### ■ Recruitment

In addition to a consumer-oriented mindset for our DTC business with our offline stores and e-commerce, we are working to hire people who can actively take on the challenges of overseas business and who are necessary for the promotion of our management strategy. Our basic policy is to hire people based on their character regardless of gender, nationality, or age, for both new graduates and mid-career hires alike. In order to expand our DTC business, we conduct training for new graduates for several months at our directly

managed stores to enable them to gain experience in selling to customers. Following the training, new graduates are assigned to the departments that best suits their aptitude. After assignment, the Human Resources and General Affairs Department provides regular opportunities for communication, and senior employees from other divisions are assigned as advisors to provide consultation and support in expanding personal networks within the company.

### ■ Education and Training

We continue to conduct reskilling of all employees through e-learning and structured training in accordance with employees' positions and grades. Additionally, we are focusing our efforts on developing human resources who can provide solutions for e-commerce expansion and digital transformation (DX) promotion. We support career planning by providing opportunities for employees to participate in

training and various projects through an open application system, as well as opportunities for employees to self-report the departments and positions they would like to work in. Under the concept of Pay for Performance, we visualize the link between the Company's performance to the total amount of employee bonuses and return profits to employees.

### ■ Diversity

We consider the diversity of our human resources to be an important topic. In particular, support for the advancement of women in our workforce is a key management issue. We provide support for balancing childcare, nursing care, and other commitments, and support women's careers by providing training and introducing a mentoring system for those who wish to advance to managerial positions.

We are working to increase the number of women in managerial positions in our Japan business, and as of March 2022, we have had an increase of 9 women in managerial positions from the end of fiscal 2016, when we began stepping up our efforts. Since the working environment differs from employee to employee, we are focusing on creating an environment in which more employees can work with enthusiasm.

### ■ 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. We provide medical check-ups for lifestyle-related diseases and hold events to promote health, such as the Minna-de Arukatsu, a walking initiative using a smartphone app, and developing an environment that allows diverse work styles. In 2016, we established the Labor

Management Committee for workplace reform, and we have taken the lead in introducing trials for remote work in the workplace since 2017, which were not commonplace at that time, all to create a better working environment. We have also introduced a flextime system, which allows employees to freely choose their working hours and location while maintaining good communication with other members of the team.

健康経営優良法人 2023  
Health and productivity

SPORTS YELL COMPANY 2023

TOKYO 東京都スポーツ推進企業 2022 認定

Corporate Website—Sustainability—Overview of Activities—Our Relationship With Our Employees  
Visit this link for DESCENTE's health statement.  
<https://www.descente.co.jp/en/csr/activities/employees/>

Human Resources Strategy in Japan

► Basic Employee Engagement Policy

We regard investment in human capital as an important management issue. We strive to improve employee engagement along with the creation of a workplace environment that allows employees to perform at their best in both physical and mental health. As a manufacturer whose

strength lies in manufacturing capabilities, we are working to create an organization in which each and every employee can embody our management philosophy while expanding their own potential and experiencing growth.

Engagement Score

We conduct activities to improve employee engagement in each organization by utilizing the Wevox engagement survey as a tool for visualizing the state of employee engagement and implementing the PDCA cycle.

By conducting an engagement survey, the state of the organization, which was based on feelings and conjecture up

to that point, can now be quantified. Now, any discrepancies from the benchmark of typical Japanese companies (daily necessities group) can be used to determine our state.

We recognize the following as issues that we need to improve in the future, and we will strive to resolve these issues and promote measures to improve engagement.

Tasks for Future Improvement

- There is a need for improvement in “Self-growth,” “Recognition,” and “Organizational culture.”
- While there is little fluctuation in values at the company-wide or divisional (next layer after company) level, there are changes at the sectional (smallest organization) level, with some organizations showing a downward trend or remain stable at lower levels.

Measures to Improve Engagement

It is necessary to have both Human Resources and General Affairs Department-led effort and field-led effort to improve the situation. We believe it is important to increase communication at the section level in both initiatives.

Sectional Level Measures

- Have managers hold one-on-one meetings with members to understand their feelings and provide any necessary feedback.
- When communicating upper-level policies, communicate them in the words of the managers, incorporating the policies into their own department and/or section. Provide individual follow-up for members who have a low level of understanding.
- Assign a leader who will connect managers and members and work in unison.

Supply Chain Management

The DESCENTE Group is committed to supply chain management through appropriate management of environment, human rights, and other risks, as well as building relationships of co-existence and co-prosperity with the communities in which our product manufacturing factories and production bases are located.

► Direct Trade with Product Manufacturing Factories

Since fiscal 2022, we have been promoting direct trade with our product manufacturing factories. We enhance mutual understanding with factories by accurately conveying to them DESCENTE’s ideas on manufacturing and what we intend through our product planning. Direct trade has also further developed our knowledge of trade, international transportation, and customs, and has given us a better understanding of the sequence of events in production.

These efforts also reduce costs through reduction in the payment of intermediary margins and allows the company to plan the annual production of its own products directly with the factory. In order to promote direct trade, the factory and DESCENTE will sign a Code of Conduct (CoC), and the content of voluntary audits by the factory will be monitored, confirmed, and on-site inspections will be conducted.

► Relations with Local Communities

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

We produce our signature product MIZUSAWA DOWN at the Mizusawa Factory in Oshu City. 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 from Oshu City under Japan’s hometown tax program.

In 2023, looking ahead to the next 50 years, the Company has decided to revamp the Mizusawa Factory into a mother factory for its three Japanese factories that produce competitive products. The Mizusawa Factory Project was launched as a promotion project. In addition to this factory, Yoshino Factory and Saito Factory are also making efforts to recruit locally and contribute to job creation in their communities.

Voices from Mizusawa Factory worker

I have been working as a sewing leader since April 2023. My superiors treat me like their daughter or grandchild and help me every day.

For myself, I value sewing carefully and smiling above all else.

With the belief that “good manufacturing comes from a good heart,” I would like to continue to absorb more and more things and do my best with cheer and joy.



Operator Misato Ogata

Voices from Mizusawa Factory Project Member

In renovating the factory, we are focusing on all issues to further refine our manufacturing capabilities, which is the source of our competitiveness. Especially in the Mizusawa Factory, which is located in a cold region and handles down, controlling room temperature and humidity in winter is an important measure. In addition to improving the quality of high-value-added products and employee satisfaction, we would like to make the Mizusawa Factory a factory that the local community can be proud of, a factory that the locals would love to work for.

Mizusawa Factory Project Leader,  
Section Manager, Group Business Management /  
IR Section, Corporate Planning Office

Yujiro Ezure



Corporate Governance

Basic Stance on Corporate Governance

Our corporate philosophy is “To bring the enjoyment of sports to all.” Sport is based on the idea of enjoyment through exercising the body and competing; and it is through sports that DESCENTE contributes to life being lived—by everyone—to the full. We recognize that it is our social responsibility to conduct our business activities honestly, fairly, and transparently in accordance with this philosophy, the law, and our corporate ethics. In addition, flexibly evolving our systems and initiatives in response to our corporate governance code and changes in the external environment to improve corporate governance is one of the important management issues in continuously enhancing corporate value.

To achieve this, we have established the SPIRIT OF DESCENTE (spirit of the Company’s founding) as our action guideline and spread it to all Group companies as the starting point of the Group, as well as the DESCENTE Group Code of Ethics to build good relationships with stakeholders, including shareholders, customers, business partners, local communities, and employees. In addition to the legal functions of the General Shareholders’ Meeting, Board of Directors, Board of Auditors, and Accounting Auditors, we are taking various measures to enhance corporate governance.

History of Governance Enhancement

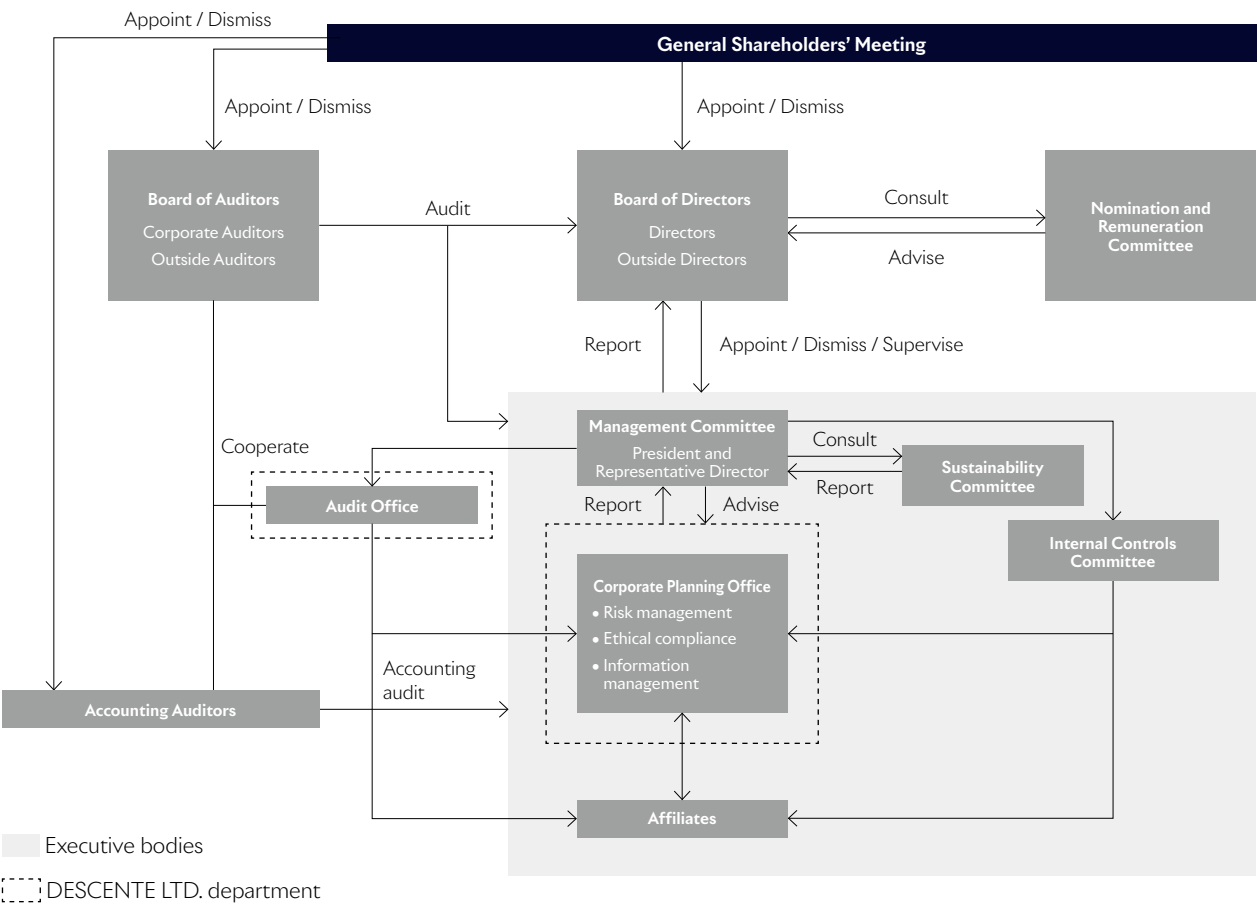
	2013	2015	2017	2018	2019	2021	2022	2023
Directors	Directors: 9 (including 1 woman as an outside director)		Directors: 10 (including 1 woman and 1 man as outside directors)		Directors: 6 (including 2 men as outside directors)		Directors: 6 (including 1 woman and 2 men as outside directors)	Directors: 7 (including 1 woman and 2 men as outside directors)
Evaluation of Board of Directors Effectiveness	Conduct the evaluation of the Board of Directors' effectiveness							
Committee			Establishment of Nomination Committee and enactment of Nomination Committee stipulations					Consolidation of the Nomination Committee and Remuneration Committee into the Nomination and Remuneration Committee
			Remuneration Committee established					
Remuneration System			Introduction of restricted stock remuneration plan					
								Introduction of performance-linked remuneration

Overview of the Corporate Governance Structure

The Board of Directors, which consists of seven directors (including three 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. The three outside directors are responsible for strengthening corporate governance by supervising decision-making by the Board of Directors from an objective standpoint, increasing management transparency, and enhancing shareholder value. In addition, the Company has adopted a corporate auditor system, consisting of one full-time auditor and two outside auditors as the majority with specialized knowledge in accounting and law. They attend Board of Directors, and supervise execution of duties by directors from a fair and objective standpoint. Please note that the Company’s Articles of Incorporation stipulate that the

Board of Directors shall consist of no more than ten directors and no more than four corporate auditors. As an advisory body to the Board of Directors, the Nomination and Remuneration Committee works to strengthen the independence, objectivity, and accountability of the board’s functions related to the nomination of director candidates. The committee, consisting of the president and representative director, a managing executive officer (CFO), outside directors, and outside auditors, also ensures the fairness and transparency of procedures related to executive remuneration. The Management Committee, led by full-time directors and executive officers, 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.

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 and Remuneration 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 professional knowledge and experience in 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	Three years	16/16	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.
Seiji Sato	Three years	16/16	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.
Yasuyo Kasahara	One years	13/13	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. She provides appropriate advice and supervision of business execution based on her extensive experience and knowledge in the women's apparel and retail business in the expansion of the DTC Business that we are aiming for in our Japan business.

\* Note: April 2022 - March 2023

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		●		●	●	●		●		
Masahiro Morofuji	Director		●		●	●	●		●		
Motonari Shimizu	Director		●		●	●	●		●		
Takeshi Shimada	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 Nomination and Remuneration Committee, which includes outside directors and outside auditors, for the purpose of ensuring objectivity and transparency in the procedures for determining director remuneration. The Committee receives advice from the Board of Directors and deliberates and reports on the status of the Remuneration Program.

Based on the reports from the Nomination and Remuneration Committee, the Board of Directors determines the Remuneration Program.

The Board of Directors does not reappoint decisions to directors, neither in part nor as a whole.

The remuneration of the Company's directors consists of basic remuneration, which is based on position; restricted stock remuneration, which is based on position and granted at a specific period each year; and performance-linked remuneration.

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

Fiscal 2022

Position	Total Amount of Remuneration, Etc. (Millions of Yen)	Total Amount of Remuneration, Etc. by Type (Millions of Yen)				Number of Applicable Officers
		Basic remuneration	Restricted stock remuneration	Performance linked remuneration	Of the amounts on the left, non-monetary remuneration, etc.	
Directors	171	81	35	53	35	7
(of whom, outside directors)	(19)	(19)	(-)	(-)	(-)	(3)
Corporate auditors	35	35	-	-	-	3
(of whom, outside auditors)	(14)	(14)	-	-	-	(2)
Total number of directors and corporate auditors	206	116	35	53	35	10
(of whom, outside directors and outside auditors)	(34)	(34)	(-)	(-)	(-)	(5)

Executive Remuneration System (Performance-Linked Remuneration)

On April 26, 2023, the Nomination and Remuneration Committee discussed, and the Board of Directors decided on the base amount, the maximum amount to be paid, and the allocation index for performance-linked remuneration for fiscal 2023. The Company and its domestic core Group companies have established three indicators for determining the pay ratio: ordinary income, net income, and ROA. The pay ratio is determined based on the sum of the points calculated from each indicator. Regarding profit indicators,

focusing on profit more than sales, net income is an important indicator but is affected by extraordinary gains and losses. So to avoid an undue bias toward a short-term management perspective, we have decided to adopt both ordinary income and net income. ROA is also used to determine the payment rate because inventory reduction is an important management issue, and asset efficiency is an important management indicator.

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

Position	Allocation Index	Rate of Contribution to DESCENTE LTD.	Rate of Contribution to DESCENTE JAPAN LTD.
President and Representative Director	25.00	100%	-
Vice President, Executive Officer	14.65	90%	10%
Director and Senior Managing Executive Officer	10.71	90%	10%
Senior Managing Executive Officer	10.71	90%	10%
Director and Managing Executive Officer	10.07	10%	90%
Director and Managing Executive Officer of DESCENTE JAPAN LTD.	9.16	-	100%
Total Allocation Index	80.31		



# Board of Directors and Auditors



June 2019 President and Representative Director, DESCENTE LTD. (current position)



May 2021 Director, DESCENTE JAPAN LTD. (current position)  
April 2022 Chairman, DESCENTE KOREA LTD. (current position)  
June 2022 Director, Senior Managing Executive Officer, DESCENTE LTD. (current position)  
April 2023 President and Representative Director, DESCENTE GLOBAL RETAIL LTD. (current position)



June 2021 Full-time Auditor, DESCENTE LTD. (current position)  
June 2021 Full-time Auditor, DESCENTE JAPAN LTD. (current position)



April 2003 Representative Director, MIT CORPORATE ADVISORY SERVICES CO., LTD. (current position)  
June 2020 Outside Auditor, DESCENTE LTD. (current position)



June 2023 Vice President, Director, DESCENTE LTD. (current position)



June 2023 Director and Managing Executive Officer, DESCENTE LTD. (current position)  
President and Representative Director, DESCENTE JAPAN LTD. (current position)



July 2001 Ozawa & Akiyama  
June 2019 Outside Auditor, DESCENTE LTD. (current position)

## Tomonori Azuma Outside Director

July 1983 Joined Dainichi Kiko, Inc.  
August 1984 Joined AZUMA Industrial Co. LTD. as Plant Manager  
August 1989 Joined Sanwa Technology Research Institute in Management Strategy Department I (Consulting for large enterprises)  
February 1995 Joined Coca-Cola (Japan) Company, Limited as member of Brand Marketing Team  
July 2000 Asia-Pacific Chief Marketing Officer, Gallo Japan Co., Ltd.  
October 2006 President and Representative Director, Craft Japan K.K.  
February 2009 President and Representative Director, Santa Fe Natural Tobacco Company Japan K.K.  
April 2017 President and Representative Director, Galderma K.K.  
April 2020 Management Strategy Partner (Freelance Consultant) (current position)  
June 2020 Outside Director, DESCENTE LTD. (current position)  
January 2021 President and Representative Director, Bacardi Japan LTD. (current position)

## Seiji Sato Outside Director

April 1982 Joined Tokyo Boeki Ltd. (Now Tokyo Boeki Holdings Corporation)  
January 1989 Joined Mitsui Bank, Ltd. (Now Sumitomo Mitsui Banking Corporation)  
April 2001 Business Alliance Dept., Daiwa Securities SMBC Co., Ltd. (Now Daiwa Securities Co., Ltd.)  
April 2006 Executive Officer (responsible for M&A), Daiwa Securities Co., Ltd.  
April 2008 Branch Manager, Bangkok Branch, Sumitomo Mitsui Banking Corporation  
April 2010 Executive Officer and General Manager of Tokyo Corporate Banking Division III, Sumitomo Mitsui Banking Corporation  
April 2013 Managing Executive Officer responsible for Tokyo Corporate Banking Division III, IV, V And VI, Sumitomo Mitsui Banking Corporation  
June 2015 Director, Senior Executive Officer and Deputy Financial Officer, Mitsui-Soko Holdings Co., Ltd.  
April 2016 Vice President and Representative Director, responsible for Corporate Communications Office, Tokyo Star Bank, Ltd.  
April 2017 President, Tokyo Star Bank, Ltd.  
April 2020 Senior Advisor, Tokyo Star Bank, Ltd.  
June 2020 Outside Director, DESCENTE LTD. (current position)  
August 2020 Senior Advisor, Apollo Management Japan LTD. (current position)  
June 2022 Outside Director, TOKYO BOEKI HOLDINGS CORPORATION (current position)

## Yasuyo Kasahara Outside Director

April 1984 Joined Daimaru Matsuzakaya Department Stores Co., Ltd. (Formerly Daimaru Department Stores Co., Ltd.)  
November 1999 Joined World Co., Ltd.  
November 2005 President, artemis Inc. (current position)  
April 2017 Expert member of Japan Fashion Color Association, Ladies Wear Section (current position)  
June 2022 Outside Director, DESCENTE LTD. (current position)

## Message from Outside Directors

DESCENTE's management team made drastic choices and concentrated efforts, resulting in a V-shaped recovery in business performance. The Board of Directors is committed to transparency and accountability and candidly shares its opinions to deliver real value to customers and achieve sustainable growth and value creation. DESCENTE's business situation is improving, and the foundation for growth is in place. At the same time, as a company, we must not only thoroughly adhere to transparency, ethics, and responsibility, but we must also place greater emphasis on diversity and inclusiveness, sustainability, and risk management in light of growing global geopolitical risks, societal demands for the SDGs, and labor shortages.

I work with the internal management team to develop a vision for further growth and discuss aggressive strategies. I contribute and fulfill my responsibilities by providing advice for the benefit of all shareholders and stakeholders. I will continue to learn and provide management with perspectives from outside objective standpoint.

### MESSAGE 01

#### Tomonori Azuma Outside Director

See p. 39 for more on their background.



### MESSAGE 02

#### Seiji Sato Outside Director



See p. 39 for more on their background.

I have been an outside director with DESCENTE for three years. When I first took office, the Company had many issues in marketing, inventory management, overseas business, and profitability. Still, over the past three years, precise measures to address these issues have been taken one after another. I am impressed by the speed with which the internal management team has been able to respond. During this period, the Board of Directors has also engaged in wide-ranging and in-depth discussions on essential issues such as management structure and individual issues in the field. The Company is operating in a sound and appropriate manner regarding governance.

Corporate governance expected by the Corporate Governance Code is to orient companies toward a sustainable balance between social responsibility and economic value creation. On the other hand, modern society is undergoing drastic changes, such as the reversal of globalization, declining birthrate, aging population, and climate change. The customer value we must create is also changing accordingly. Under these circumstances, it is increasingly essential for companies to correctly identify changes and respond appropriately to new challenges to balance social responsibility and sustainability in value creation. As an outside director with an outside perspective, I want to increase my sensitivity to change and be constructively involved in our response to new challenges.

Our corporate slogan, "Design for Sports," translates into realizing "wellness," which is strongly demanded in present society. As a company that enriches people's bodies and minds through sports and contributes to the creation of healthy lifestyles, we expect to be close to people, set an example inside and outside the Company, inspire society, and always lead the industry.

Improving profitability by promoting product planning and distribution reforms with the Direct-to-Consumer (DTC) Business as a pillar; developing a system and environment for sustainable and sincere manufacturing and systems that can simultaneously create social and economic value; and creating and fostering human resources to realize these goals. Management must resolve these challenges swiftly while keeping their boots on the ground. I will be agile and flexible in responding to various social current events and environmental changes from my retail experience and network, and a gender and diversity perspective, to make recommendations and monitor, and strive to recognize and share management issues and continuously resolve them correctly.

### MESSAGE 03

#### Yasuyo Kasahara Outside Director

See p. 39 for more on their background.



ESG Data (Japan only)

Type	Category		Fiscal 2020	Fiscal 2021	Fiscal 2022
E	GHG emissions (scope 1) (t)	*1	272	239	132
	GHG emissions (scope 2) (t)	*1	825	760	611
	Water consumption (m <sup>3</sup> )	*1	16,025	12,697	10,156
	Industrial waste (t)*2	*1	64	554	412
S*3	Number of employees	Group consolidated	3,148	2,712	2,924
	Percentage of female workers in management positions*4	DESCENTE LTD.	22.2%	20.0%	16.7%
		DESCENTE JAPAN LTD.	13.9%	15.4%	15.4%
		DESCENTE APPAREL LTD.	0.0%	0.0%	0.0%
	Percentage of employees with disabilities	*1	2.1%	2.4%	2.2%
	Number of New Graduate Hires	*1	48	39	44
	Number of Mid-Career Hires	*1	100	73	80
	Average continuous employment (years)	*1	14.2	13.8	14.1
	Wage differential between men and women for all workers	DESCENTE LTD. Total	—	—	71.0%
		Permanent employment	—	—	63.4%
		Fixed term employment	—	—	—
		DESCENTE JAPAN LTD. Total	—	—	56.8%
		Permanent employment	—	—	54.2%
		Fixed term employment	—	—	71.1%
		DESCENTE APPAREL LTD. Total	—	—	74.7%
		Permanent employment	—	—	72.7%
		Fixed term employment	—	—	74.6%
	Number of recognized labor accidents	*1	8	16	12
	Percentage taking childcare leave	DESCENTE LTD. Total			
		Male	0.0%	0.0%	100.0%
		Female	—	100.0%	100.0%
		DESCENTE JAPAN LTD. Total			
		Male	5.6%	34.6%	47.6%
		Female	100.0%	95.0%	100.0%
		DESCENTE APPAREL LTD. Total			
		Male	0.0%	0.0%	0.0%
		Female	100.0%	100.0%	100.0%
	Average monthly overtime (hours)	*1	3.6	5.2	6.0
	Average annual leave taken (days)	*1	12.8	12.7	13.0
G	Number of product recalls related to quality	DESCENTE JAPAN LTD.	3	3	3
	Percentage of outside directors	DESCENTE LTD.	33%	50%	50%
	Number of Board of Directors' Meetings	DESCENTE LTD.	15	15	16
	Number of whistleblowing incidents	*1	5	4	6

\*1 Total of DESCENTE LTD., DESCENTE JAPAN LTD., and DESCENTE APPAREL LTD.  
\*2 Figures until fiscal 2020 are for distribution centers only. From fiscal 2021, includes factories and offices.  
\*3 Calculated as of the Company's fiscal year-end of March 31  
\*4 Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of September 4, 2015)

Corporate Data

Company Profile

Name	DESCENTE LTD.
Founded	February 1935
Capital	¥3.8 billion
Number of employees	Consolidated 2,924 / Non-consolidated 23 (As of March 31, 2023)
Number of shares authorized for issuance	160,000,000
Number of shares issued and outstanding	76,924,176 (As of March 31, 2023) (including 1,420,092 shares of treasury stock)
Number of shareholders	4,863 (As of March 31, 2023)

Executives (As of June 2023)

Title	Name
President and Representative Director	Shuichi Koseki
Vice President, Director	Masahiro Morofuji
Director and Senior Managing Executive Officer	Motonari Shimizu
Director and Managing Executive Officer	Takeshi Shimada
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, 2023)

Consolidated Subsidiary Companies	LE COQ SPORTIF (NINGBO) CO., LTD.	Equity-Method Affiliates
DESCENTE JAPAN LTD.	HONG KONG DESCENTE TRADING, LTD.	DESCENTE (CHINA) CO., LTD.
DESCENTE APPAREL LTD.	BEIJING DESCENTE CO., LTD.	ARENA KOREA LTD.
SHANGHAI DESCENTE COMMERCIAL CO., LTD.	DESCENTE KOREA LTD.	
ARENA (SHANGHAI) INDUSTRIAL CO., LTD.	DESCENTE GLOBAL RETAIL LTD.	

Stock Price

