

# DESCENTE

**I n t e g r a t e d   R e p o r t   2 0 2 4**



## 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.

SAJ 2025 Approval No. 00005

## Editorial Policy

The DESCENTE Group has released Integrated Report since fiscal 2022, after releasing CSR Report until fiscal 2020, and Sustainability Report in fiscal 2021. This report aims to provide a comprehensive report on our strengths and business model based on the mid-term management plan, as well as our strategies, achievements and initiatives from financial and non-financial perspective for all stakeholders. For more information, please refer to our website.

## The period covered

Fiscal 2023 (April 1, 2023 to March 31, 2024) The report includes some information from other than this fiscal year.

● Company's website  
<https://www.descente.co.jp/en/>

● Annual securities report, consolidated financial results, and supplementary references regarding financial results  
<https://www.descente.co.jp/en/ir/library/>

● Sustainability information  
<https://www.descente.co.jp/en/csr/>

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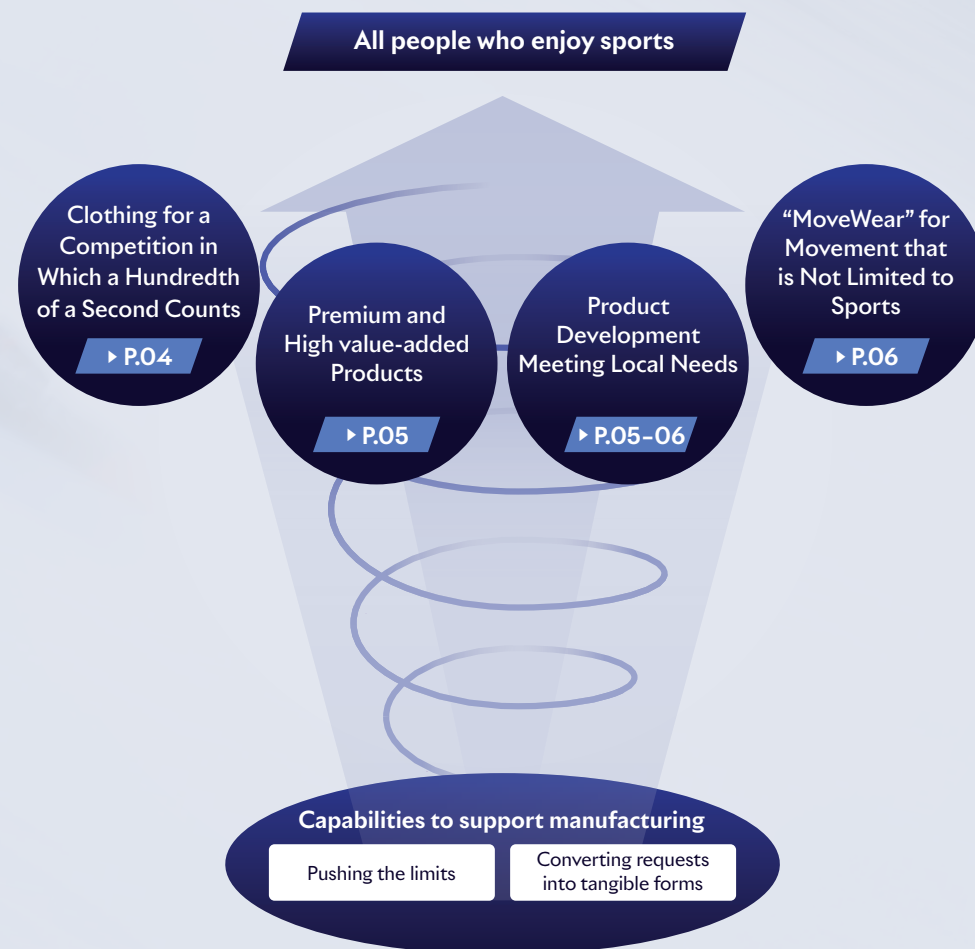
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# Our Strengths

## Creating Values that Will Never Change, No Matter How Times May Change

Driven by our corporate philosophy—"To bring the enjoyment of sports to all"—we leverage our superior manufacturing capabilities to develop products for all people from top athletes to those who enjoy sports activities. We push the limits of product manufacturing to realize the demands from athletes and utilize our expertise cultivated in that process to create premium and high value-added products. Moreover, through providing high-quality and high-grade products to a broad range of customers in Japan and overseas, we are creating values that will never change no matter how much the times change, such as the thrill of sports and the excitement of wearing favorite clothes.

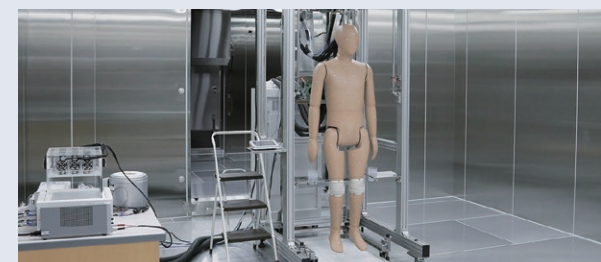


## Clothing for a competition in which a hundredth of a second counts

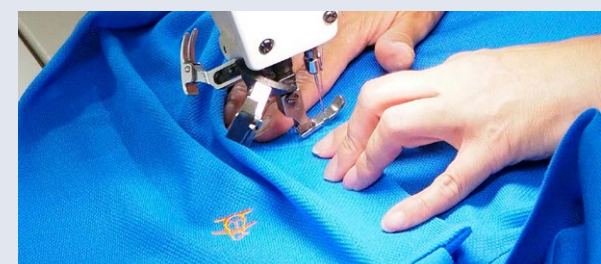
DESCENTE's history of development is the history of supplies to top athletes and teams. Holding up "producing products that enable athletes to show maximum performances" as the basis of our product development, we have continued to work on the development of sportswear with high-performance and high-quality that is exceptionally designed.

### Pushing the limits of manufacturing

What are the key elements for athletes to give good performances? As there are many factors such as easy-to-move patterns, stretchability and lightness of materials, as well as wearability to reduce athletes' stress and adaptability to changes in temperature, which vary depending on types of competitions and scenes, we pursue functionality from every angle and produce prototypes and verify them again and again. By combining ideas with technologies, we constantly push the limits of product manufacturing unique to DESCENTE.



DESCENTE INNOVATION STUDIO COMPLEX, a research and development base incorporating state-of-the-art equipment (DISC)



Expert skills of the domestic own factories



DESCENTE's superior expertise for developing patterns (paper templates)

### Realizing demands of top athletes

In addition to meeting athletes' specific clothing demands understanding the sport and proactively suggesting support is required to help them achieve good results. Additionally, in order to make fine adjustments in response to athletes' sensations and their delicate needs, not only cutting edge devices and data analyses, but also accumulated knowledge, pattern making experience, and expert skills of the Company-owned factories play great roles.

In a triathlon, since athletes move their bodies in different ways under different environments for swimming, riding and running with single wear, triathlon wear needs to be amphibious and have superior fitting property flexibly responding to the movements and postures of wearers. In response to demands and ideas from teams and athletes that we contracted, including the powerful triathlon national team of Switzerland, we have applied our expertise cultivated in other sports such as competitive swimming, cycling, speed skating, and running to develop racing suits that support efficient movements.



It is necessary to develop swimsuits for competitive swimming in conformity with rules on materials and shapes established by World Aquatics, and swimmers are only allowed to wear approved swimsuits at official competitions. In addition, in order to develop new swimsuits every four years under many restrictions, such as one stating that swimsuits for competitive swimming supplied for competitors have to be the same as those offered commercially, it is necessary to have a flexible mindset and be creative to satisfy their needs. We have solved many issues and released arena AQUAFORCE STORM, a swimsuit incorporating a new initiative of "twist when wearing," and our persistence to mobility and wearability in 2023.



For details, please see Special Feature on Page 17. ►►►



## Premium and High Value-added Products

MIZUSAWA DOWN JACKET, a product named after the Mizusawa Factory developed in 2008, stands as a symbol of DESCENTE's manufacturing. The MIZUSAWA DOWN JACKET is the one with waterproof and water-resistant properties that has overcome the weakness of down jackets with the new concept of reducing the number of seams on the surface of a down jacket to prevent water from seeping through seams and thereby retaining warmed air. The simple appearance of this down jacket with ultimate functionality is appreciated in Japan and overseas not only as sportswear.

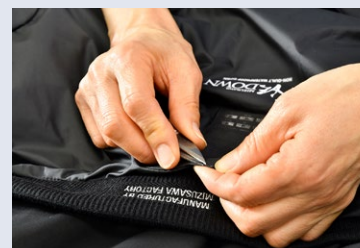
### Reflecting Needs into Products: Ideas and Technologies

Since feathers used in down jackets are weak against rain and snow, traditional down jackets have a weakness: If water seeps in through the seams and wets the down(feathers), the jacket loses its ability to retain heat, allowing warm air to escape and causing down to leak.

To completely solve these problems, we have adopted not traditional sewing but a special adhesive sewing technology for making down packs and eliminating stitches. By applying seam-sealing tapes at the backside of places where stitching is unavoidable, such as where sleeves are attached, we have succeeded in dramatically improving water-resisting and heat-retaining properties. Nowadays, seamless down jackets are produced by many brands. However, since they are disadvantageous in that bonded surfaces applied with adhesive sewing process are easy to peel, we determine an adhesive condition of adhesive processing for MIZUSAWA DOWN jacket with extreme caution. Moreover, experienced craftspeople at the Mizusawa Factory are involved in all processes including cutting, down pack forming, adhesive sewing processing and down filling, to create products one by one.

### For the Best Possible Products

Since the Mizusawa Factory has a history of producing ski wear and water-proof jackets, both of which have complicated structure and require many manufacturing processes, the craftspeople there understand that dedicated machines and special skills to handle them are necessary for their creation. The Mizusawa Factory was equipped with both of them, which led to the creation of products with a new concept. However, the creation of MIZUSAWA DOWN jacket, whose production process includes more than 250 steps, 2.5 times more than those for ordinary down jackets, requires accurate and arduous work. Craftspeople who continue to sharpen their skills and make extra efforts to pursue elegance are delivering products that convey timeless value to the world transcending generations and genders. On the frontline of manufacturing, craftspeople at the Mizusawa Factory have been striving for quality and exploring the possibility of sportswear.



## “MoveWear” for Movement that is Not Limited to Sports

Defining clothing that can be worn for movement that is not limited to sports as MoveWear, we propose wearing clothing with functionality for sports in everyday lives. Products incorporating materials and patterns developed for the movements of athletes such as walking and sitting that provide movableness and comfort are catching on as clothing for business and everyday lives.



For example, we have created pants incorporating know-how which was cultivated in the development of baseball pants, and jackets utilizing materials and patterns for sportswear. These products allow wearers to move their knees and shoulders more freely with pockets designed in a way that is less likely to hinder arm movement. Thus, ideas unique to sports-goods manufacturers enable wearers to feel movableness and comfort in everyday lives.

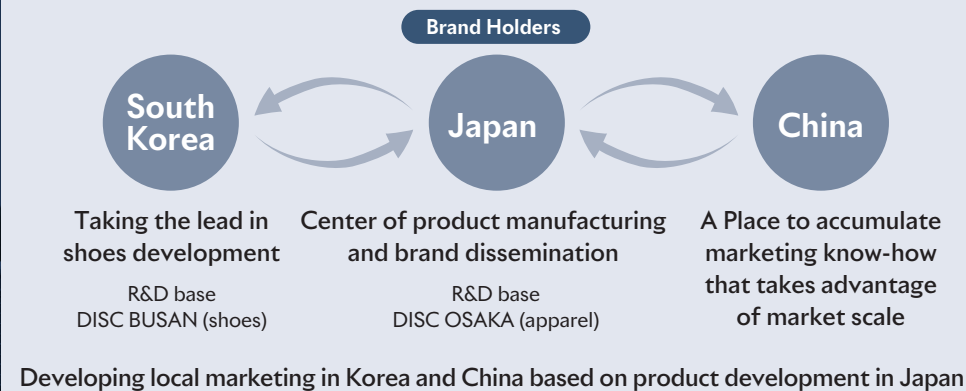


## Product Development Meeting Local Needs

In Japan, South Korea and China, where the DESCENTE Group is developing its businesses, we are offering products meeting local needs.

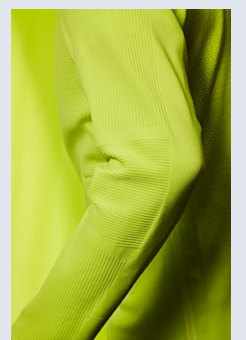
The Group in Japan takes the lead in advancing research and development, and extends the lineup by localizing materials and designs preferred in South Korea and China based on technologies and products from Japan.

[Feedback on marketing information from South Korea and China to help enhance product manufacturing in Japan]



### Japan's ability to produce one from zero, and South Korea and China's ability to expand that one up to 100

The “FUSIONKNIT” series offers knitted items incorporating various technologies and know-how that the Company has cultivated, such as special materials with different functions for each part of a single piece of fabric, adhesive sewing technology, and original patterns that make use of them. In China, “FUSIONKNIT” is being applied to down jackets, pants, and other products, leading to a broader range of product offerings. In addition, in South Korea and China, items with designs of logos or country names inspired by models worn by top athletes are offered in local projects, gaining popularity.



FUSIONKNIT



# CEO MESSAGE

Shuichi Koseki

DESCENTE LTD.

President and  
Representative Director

Start New Mid-term Management Plan,  
D-Summit 2026, to establish a unique status  
with premium product manufacturing only  
our Company can offer

## Management Philosophy, the Spirit of “No Construction Without Destruction”

In my past business experience, I found myself in a critical situation several times where I changed my judging criterion or values. In every situation, I strongly felt I couldn't go on like this, and that I had to change myself in order to go ever further. In China, there is a saying “No Construction without Destruction,” which means that without destroying old things of the past, new things cannot be created. To destroy old things of the past and create new things, we need skills and sufficient experience to carry that out. In my past business experience, I have always used my best judgment at all times and persuaded others. The idea of “No Construction without Destruction” has always been my driving force, and with that firmly in mind, I have taken on new challenges every year, given thorough consideration to what should be changed and what should be evolved, and what should be done that year to achieve what I had not able to achieve in the previous year, and carried them out.

## Recovery From the Third Financial Difficulties

In the long history of our Company, we have faced a financial difficulties three times. In 1983, we got into red due to an excessive inventory of “Munsingwear,” in 1998, the license agreement with Adidas (Germany) abruptly terminated, and the third one in 2019, when we experienced sluggish sales due to a boycott of Japanese products in South Korea.

The third crisis occurred just after I assumed the position of president. Those days, the Company depended heavily on its South Korea business for revenue, which I saw as a problem before becoming president. Therefore, risk occurrence itself was within the scope of my assumption, but as it was necessary to carry out many reforms to get over the crisis, I began to work on various reforms with the very spirit of “No Construction without Destruction” thinking that we couldn't go on like this.

First of all, I began to thoroughly reduce any sort of loss. We sold and liquidated shares of our subsidiaries in



Europe and the U.S, whose businesses were constantly in the red, made the shift to distribution business, and concentrated our management resources in Japan, South Korea, and China. In the Japan business, where profitability was particularly low, we quit the strategy of increasing sales. Since it was necessary to change our mind-set from sales-oriented to income-oriented, we thoroughly implemented a sales strategy of selling out all products instead of pursuing sales and selling them at bargain prices, and directed our efforts to increasing profits. If we produce too many products, it can lead to massive returns and frequent stock clearance sales. We broke this negative cycle of damaging our brand value by ourselves.

In South Korea, the “DESCENTE” brand severely affected by the boycott came back into form in a few years due to its original high brand value, and “umbro” also showed business growth. In China, due to the steady growth of the “DESCENTE” business, in the previous mid-term management plan, D-Summit 2023, we could steadily advance reform to make the shift to income-oriented approach. We succeeded in breaking the dependence on South Korea, and achieved surplus in all businesses in Japan, South Korea, and China, and in fiscal 2023, the final year of the previous mid-term management plan, we achieved record-high profits for two consecutive terms in both ordinary income and net income.

Review of D-Summit 2023

● Japan

The key to improving the profitability of the Japan business lies in the expansion of the direct-to-consumer (DTC) business centered on “DESCENTE”, which mainly



DESCENTE LaLaport EXPOCITY after renewal

is composed of e-commerce (EC), directly managed stores, and department stores. Since our Company had long been engaged in a wholesale-centered business, we lacked a consumer-oriented mindset. By expanding the DTC business and increasing opportunities to contact with customers, we can directly convey our brand’s strengths and hear customers’ feedback, based on which we can create a cycle leading to product development.

Of the 17 directly-managed “DESCENTE” stores, where we can contact with consumers, eight stores were renovated in 2023. To embody a premium sports brand, we are renovating those stores with their interior decorations, store fixtures, and product range from previously operated DESCENTE BLANC, ones handling products in the fashion category only, to DESCENTE STORE handling products in all categories including sportswear.

After repeating a lot of trial and error, we came to have a clear view of the points of a store development strategy and the method of increasing product appeal along the direction of the brand that our Company is aiming for. In addition, we have stopped offering discount rates at official stores since autumn and winter in 2022. When we stop selling “DESCENTE” products at discount prices even in selling seasons, customers’ response was not positive in the first year, but we came to be recognized as a brand that does not offer a discount and that translated into trust in our brand in the second year, which gave confidence to the Company. As a result of these efforts, DTC sales ratio in Japan has steadily increased and reached 44% even though we failed to achieve the target for fiscal 2023.

● South Korea

The South Korea business experienced significant growth until around 2015, which was followed by a gradual decline in profitability, and a sharp drop in profitability due to the boycott of Japanese products in 2019. We continued to struggle due to the COVID-19 pandemic coming afterward, but under such circumstances, we enhanced our brand power and did all kinds of things in a step-by-step fashion in order to revive our corporate brand “DESCENTE,” reviewed product planning while sensitively exploring market needs, and engaged in marketing to convey our brand value. In addition, “umbro,” a casual brand with football as its origin, has become part of street fashion among Generation MZ, and is showing steady growth. As a result of support from these two brands, the South Korea business has shown a recovery trend since fiscal 2021, and we assess that its business has returned to a stable growth track.



● China

The China business has increased its scale due to the growth of the “DESCENTE” business being operated in collaboration with ANTA Sports Products Limited (ANTA). ANTA is good at recreating products competitive in China and increasing variations based on our product development, and their business know-how deserves a special mention. In China, “DESCENTE” has been more highly recognized as a premium sports brand than in Japan, and we have a great deal to learn from their sales capabilities. Therefore, we allowed about 100 Japanese employees from various types of jobs to visit China for training from August to November in 2023 to see how DESCENTE products are sold and purchased at local stores. They must have learned a lot to observe and experience differences from Japan including the scale of their stores.

**New Mid-term Management Plan, D-Summit 2026**

We have achieved record-high profits for two consecutive terms since fiscal 2022, which has enabled us to establish a system to stably make profits and promote active investment. In D-Summit 2026, our new three-year mid-term management plan starting in fiscal 2024, in addition to branding investment in Japan, South Korea and China, we have declared our entry to the fields of wellness business and service business as new initiatives, aiming to achieve sustainable growth by creating a virtuous cycle of making investments and earning profits. We will take on the challenge of expanding the KOUNOE brand, the one offering products for preventing injuries in sports and improving performance, into the field of the wellness business to solve physical disorders that people experience in daily lives, as well as participating in the



service business to provide opportunities to freely enjoy sports. Thus, we will develop new businesses based on traditional sports.

Also, there is no end in the pursuit of product manufacturing, the source of our competitiveness. We will further improve our sewing technologies and know-how cultivated in our apparel development, and extend such know-how to the field of shoes and accessories, and establish unique status that will differentiate ourselves from our competitors with the high-level of manufacturing.

● Japan

In D-Summit 2026, we will direct our efforts to increase DTC sales ratio of “DESCENTE.” We set a target of increasing it from 48.8% of fiscal 2023 to 80% in fiscal 2026. Presently, we have established a successful model of a profitable store for small stores with a floor space of about 60 to 100 square meters. For the next three years, we will increase sales by improving medium-sized stores’ efficiency so as to further increase profitability. To expand store floor areas, we need products coming next to our flagship product, MIZUSAWA DOWN jacket. Now, shell jackets of CREAS and shoes have begun to enjoy good sales regardless of the season, but it is urgent to develop more year-round products. If these initiatives advance, I believe the number of stores will increase naturally.

● South Korea

In March 2024, DESCENTE KOREA LTD. opened DESCENTE SEOUL, one of the largest flagship stores in South Korea, expressing the “DESCENTE’s” vision of the world in the Gangnam area in Seoul. Supported by “DESCENTE” and ever growing “umbro,” we will return “le coq sportif” and “Munsingwear,” which seemed to stuck in a rut, to their starting lines, and have been engaging in rebranding. In the past, “DESCENTE” was by far the strongest in our brand, but sales composition has gradually changed. Through continuing to allow brands with solid sales to grow and rebuilding struggling brands, the South Korea business as a whole has been maintaining a healthy state, aiming to boost sales to ¥70 billion in fiscal 2026.

● China

Despite sluggish local economy, the “DESCENTE” business has been enjoying successful business with its contribution to earnings ever increasing, but I feel it is still possible to further expand its business scale by cooperating with ANTA. We will continue to communicate well with ANTA to further expand business. As for

other brands such as “le coq sportif,” “arena,” and “Munsingwear,” we wish to promote rebranding while “DESCENTE” is still enjoying momentum and put them on a track for further growth.

DESCENTE’s Product Manufacturing Unique

The center of product manufacturing, the source of our Company’s competitiveness, lies in Japan. While developing products with top athletes and teams competing in high level events where a hundredth of a second counts, we aim to achieve a high level of product manufacturing beyond our competitors by always addressing the development of products in a highly challenging level, based on the concept of our product development, “producing products that enable athletes to show maximum performances.”

Of the three Company-owned factories in Japan, the Mizusawa Factory in Iwate Prefecture produces down jackets (MIZUSAWA DOWN jacket of “DESCENTE,”), the Yoshino Factory in Nara Prefecture produces polo shirts (10 YEARS POLO SHIRTS of “Munsingwear,”), and the Saito Factory in Miyazaki Prefecture produces items utilizing its special adhesive technology (swimsuits for competitive swimming for top athletes of “arena,” etc.). Thus, these factories have been engaged in manufacturing in their specialized fields. It is our strength that we can sell items produced in our Company-owned factories as high-value-added proprietary-brand products.

98% or more of the apparel products sold in Japan are imported ones, while ones made in Japan account for only slightly more than 1%. Treasuring this “1%,” we are promoting the branding of the Company-owned factories. As a symbol of such efforts, we are renovating the Mizusawa Factory with an investment of about ¥3 billion, and the renewed factory will begin its operation in 2025. Unlike ordinary down jackets, whose production includes 100 steps at most, the production of our MIZUSAWA DOWN jackets requires more than 250 steps. They are created by hand work of skilled craftspeople. I believe they are more valuable than luxury fashion brand down jackets. Thus, we will continue to place much importance on product manufacturing that can be done only in Japan, and produce products that we can offer to the world with confidence and pride.

Aiming to Be an Excellent Company in Sports Business

Since its establishment, our Company has devoted itself to product manufacturing with the motto of delivering high-quality and high-grade products to customers. With a desire to provide the pleasure of sports not only to top athletes but also to a lot of customers by supporting a wide variety of sports scenes by developing a number of brands, we hold up the words—to bring the enjoyment of sports to all— as our corporate philosophy. To realize this philosophy, we will continue to increase revenue in Japan, South Korea and China as a means to make the next leap and take on new challenges such as the expansion of areas and the development of new businesses with the spirit of “No Construction without Destruction.”

Our Company has grown to report a current net income of ¥10 billion or more constantly. Therefore, we are increasing forward-looking investments, and as part of such efforts, in January 2024, we made a contract with Xander Schauffele, a top professional golf player who won the gold medal at the men’s individual golf event of the Summer Olympics in Tokyo and is ranked

2nd in the world (as of August 2, 2024), and have been developing athletic clothing for top athletes including Japan’s representative swimmers and golf players, and Switzerland’s representative skiers and triathletes. To generate revenue in the field of sports and contribute that to athletes and society, which I believe is what we are supposed to do. All athletes are fighting. Instead of simply giving applause to their performances with joy, we will also fight like athletes, compete with each other, and try to improve ourselves by learning from others.

Through creating a virtuous cycle of making further investments with the next growth in mind and expanding revenue without being satisfied about the present, we are beginning to see a landscape that we have never seen before spreading in front of our eyes. I would like to encourage young and mid-career employees of our Company to improve skills by themselves, persuade their supervisor to seize an opportunity to take on a challenge, and generate a driving force through competing with each other with the spirit of “No Construction without Destruction,” instead of just doing what the Company or supervisors said. I am confident that each and every employee’s constant effort to create changes will lead the DESCENTE Group to be an excellent company.





## History of Value Creation

### Technological Development of DESCENTE



**1953**

#### Cream-Colored Baseball Uniforms

DESCENTE successfully developed cream-colored baseball uniforms and training pants made from pre-shrunk cotton fabric with a wool-like finish.

**1957**

#### RWSB

Based on advice from Japan's first professional skier, Kazuyoshi Nishimura, DESCENTE launched the RWSB (pronounced "rausbee"), a windbreaker jacket that was compact for carrying. The name RWSB is an acronym for "Rain-Wind-Snow-Break." It is DESCENTE's first product that received a utility model patent.



**1979**

#### Downhill Suit

During the FIS Alpine Ski World Cup season, DESCENTE's downhill suit, which was called "magic suit" to shave up to two seconds off the winners' times, dominated the winners' podium, creating a sensation.

**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**

#### AILE BLEUE

AILE BLEUE swimwear, which takes its inspiration from kingfishers, was launched from "arena." It was developed based on biomimetics that applies exquisite functions found in organisms in the natural world into product manufacturing. At the 2004 Athens Olympics, Ai Shibata won gold in the 800m women's freestyle wearing AILE BLEUE.



**2008**

#### MIZUSAWA DOWN JACKET

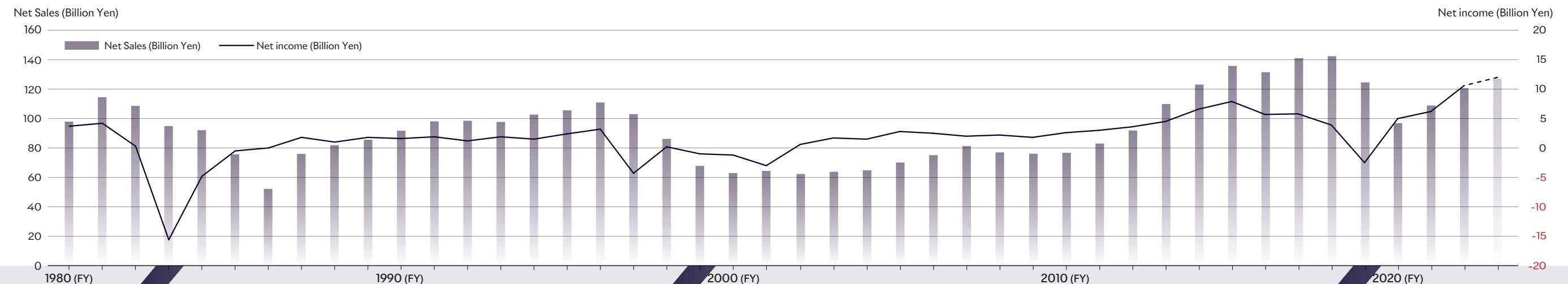
We succeeded in developing down jackets adopting processing technology by adhesive sewing (non-quilting manufacturing). In addition to having a new feature to prevent down feather loss (sewing and adhesive bonding), the product uses materials achieving superior water resistance and moisture permeability, thereby providing a high level of wearer comfort. It was named after the Mizusawa Factory (Oshu City, Iwate Prefecture [former Mizusawa City]) producing the jackets.



**2021**

#### MIZUSAWA DOWN ALPINE

Produced at the factory in Mizusawa of DESCENTE APPAREL LTD., 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.



**1983**

#### Got into red due to an excessive inventory of "Munsingwear" for three consecutive terms

In the 1970s, "Munsingwear" took the lead in the one-point boom of polo shirts, and expanded its scale as a golf wear brand through product development and contracts with professional golfers. However, the brand image declined due to a large-scale sale to reduce inventory.

**1986**

#### Achieved a V-shaped recovery by turning around the business

The Company strove to turn around its business by enhancing inventory management, and cutting back on advertising and promotional costs and compensation for directors, as well as by reducing selling, general and administrative expenses, and successfully recovered its brand image.

**1999**

#### Adidas License Termination: Company Sales Plummet, Workforce Halved, Three Consecutive Losses

The business collaboration with Adidas that had been operating since 1970 was abruptly dissolved in 1998, which resulted in losing 40% of the sales at that time. This greatly affected the performance, resulting in a major restructuring and the reduction in workforces by half.

**2002**

#### Business Model Transformation Leads to Revival

Recognizing the risks inherent in licensing, we directed our efforts to nurturing proprietary brands including "DESCENTE," and began to undertake a full-scale rollout of our business to Asian countries.

**2019**

#### Boycott of Japanese products in South Korea

In 2019, political dispute led to a boycott of Japanese products in South Korea, which was followed by the COVID-19 pandemic with restrictions on outings, resulting in a sales decline in South Korea.

**2020**

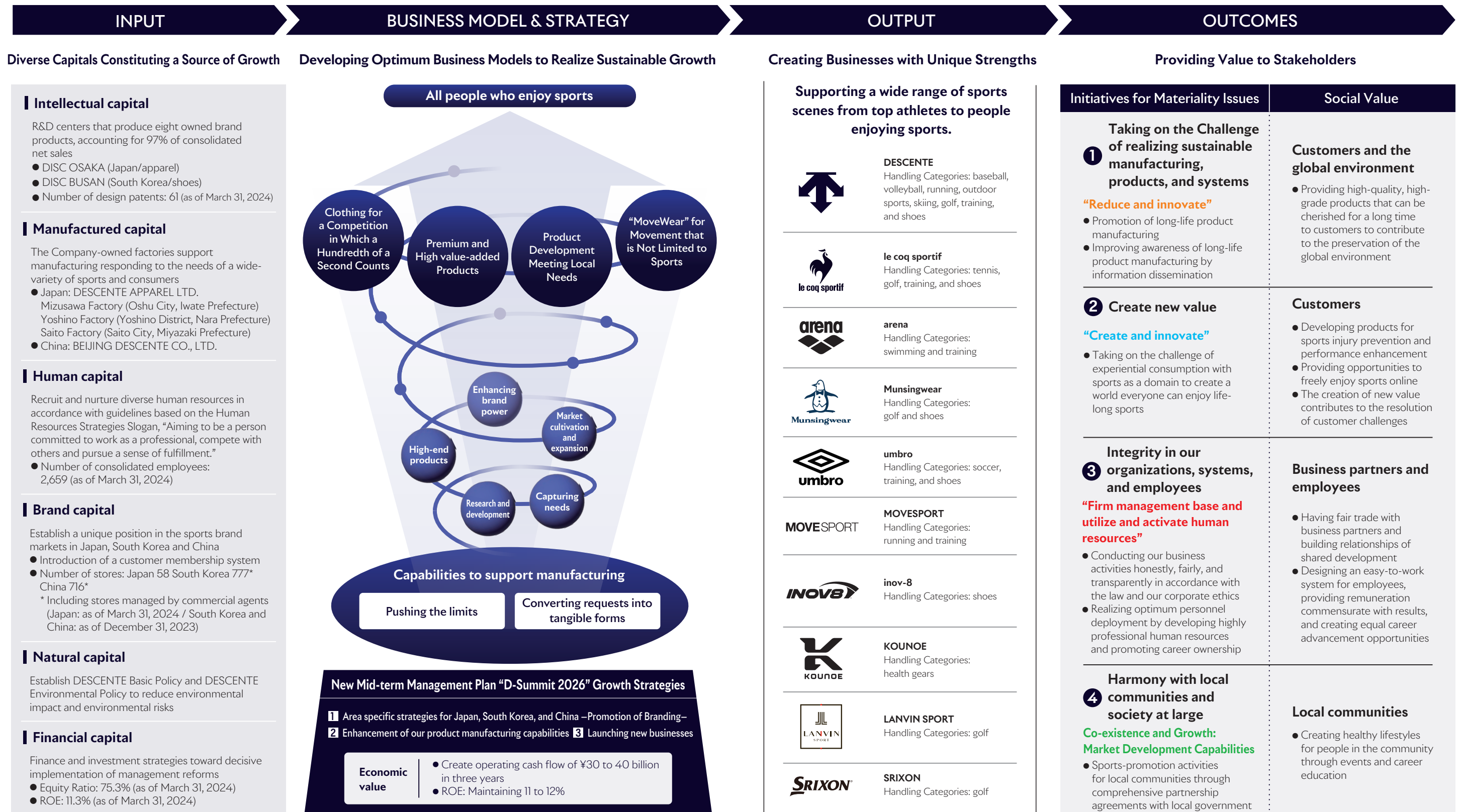
#### Practiced branding to clarify the value of brands

In order to transform the business model heavily dependent on South Korea, structural reform of the Japan business was accelerated. By practicing branding to clarify the value of brands and differentiate them, we have achieved a balanced profit structure in the three countries, Japan, South Korea, and China.



## Value Creation Process

Driven by a commitment to “create the world’s fastest wear,” we invest in diverse resources and streamlined business models to fulfill our mission: “To bring the enjoyment of sports to all”.

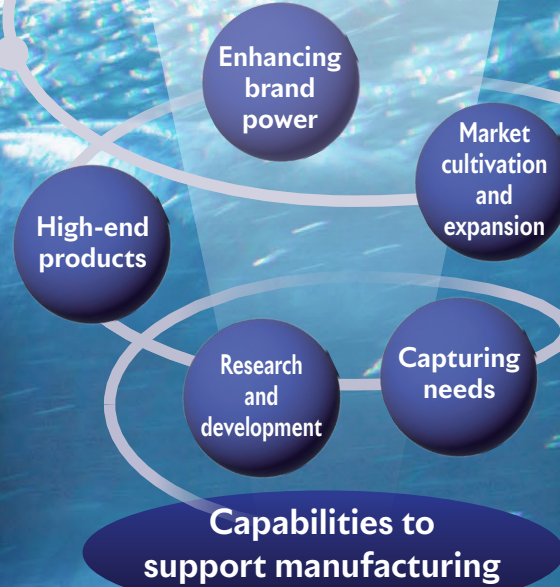


Corporate Philosophy To bring the enjoyment of sports to all ▶ P.01



Special  
FeatureFrom Top Swimmers to People Enjoying  
Swimming at Their Own Pace

Swimsuits worn by athletes representing countries at competitions are top racing swimsuits among functional ones for competitive swimming. The DESCENTE Group released AQUAFORCE STORM, the newest model from the “arena” brand, in August 2023. The development that supports top swimmers who compete on the global stage forms the foundation of the brand’s development capabilities, leading to the creation of comfortable swimwear for people who enjoy swimming at various levels.

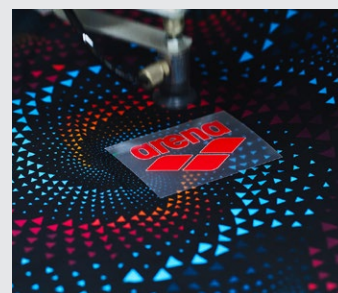
Capturing  
needsResearch  
and  
developmentUnderstanding Athletes’  
Feelings to Embody Their  
Requests

What types of swimsuits are best for athletes to maximize their performance? We inspect materials and conduct experiments on body movements while listening to comments from top swimmers, before determining the concept of swimsuits. The “AQUAFORCE STORM” aims to support internal rotation of the hip joint (inward twisting

motion) for efficient kicking by focusing on a “twist structure” that involves twisting the inner thigh area when worn. We received feedback from a total of more than 100 athletes, and produced as many as 170 prototypes while making improvements repetitively to embody their sensation of the “twisting strength” and leg movability. It is because of an advantage of having DISC OSAKA, our R&D base, and the Saito Factory that has engaged in the production of swimsuits for top swimmers for years in the company that enables us to make samples and improvements in a speedy manner while reflecting athletes’ voices.

High-end  
productsTop Grade Swimsuits for  
Competitive Swimming  
Maximizing the Strength of the  
DESCENTE Group’s

Top racing swimsuits are packed not only with cutting-edge technologies but also with thoughts and techniques of professionals who engaged in making products in many ways such as concept development, material selection, communication with athletes and production. “arena” continues development to support athletes’ best performances on a four-year cycle, and AQUAFORCE STORM



is a swimsuit for competitive swimming, maximizing the DESCENTE Group’s strengths through the collaboration with DISC OSAKA, having the know-how to create elaborate patterns and the Saito Factory with a specialized technique for adhesive sewing.

Enhancing  
brand  
powerAiming to be a Trusted Brand  
Through Top Swimmers’  
Performances on the World Stage

At the Paris Olympics, held in the end of July 2024, Japan’s ten representatives including Tomoru Honda and Mizuki Hirai and swimmers from other countries were wearing an AQUAFORCE STORM. Siobhán Bernadette Haughey from Hong Kong won bronze in the 100-meter freestyle and the 200-meter freestyle. We believe that great performances of athletes wearing our swimsuits on the world stage will lead to the enhancement of our brand



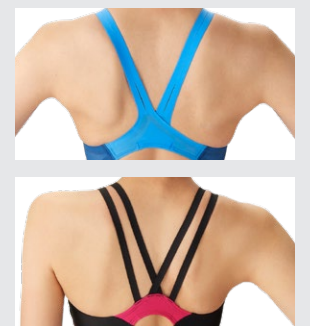
power. Swimsuits provided from arena offer evidence for performance improvement and wearability, which makes the brand trusted by swimmers at every level.

Market  
cultivation  
and  
expansionSolving Challenges Faced by  
Top Swimmers to Provide  
Comfort to Various Swimmers

For female swimmers, the compression of the shoulder straps constitutes as one of the stresses experienced when swimming.

To respond to this issue, arena adopted shoulder straps with partial cutouts applying the Double-Strap Theory to disperse pressure on one point to two points by using two shoulder straps. This was incorporated to AQUAFORCE STORM, and achieved the reduction of the burden to the shoulders (patent pending).

In addition, arena is offering items using the same Double-Strap Theory with two shoulder straps for fitness swimmers, for who wear swimsuits to enjoy walking in the swimming pool or swimming at their own pace. We are expanding our sales by utilizing the know-how cultivated in the process of solving challenges faced by top swimmers, to provide comfort to a wide range of swimmers.

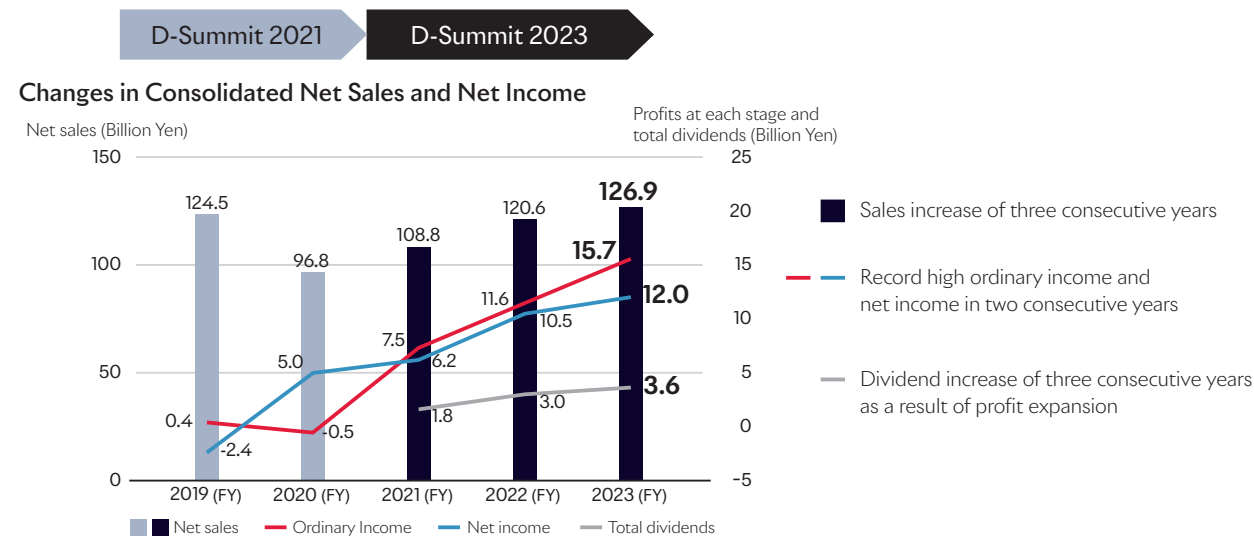




## Review of Mid-term Management Plan, D-Summit 2023

### The Management Plan Went Well, Achieving Record-high Profits In Two Consecutive Terms

In the mid-term management plan, D-Summit 2023, from fiscal 2021 to fiscal 2023, following D-Summit 2021, we implemented further management reforms in Japan and overseas by focusing on the three strategies of “implementing strategies in Japan, South Korea, and China on a regional basis,” “improving the profitability of the Japan business,” and “enhancing our manufacturing capabilities”. As the management progressed smoothly, we enjoyed surplus in all businesses in Japan, South Korea, and China, achieving record-high profits for two consecutive terms.



#### Japan Business

##### Focus on “Profit,” not “Sales”

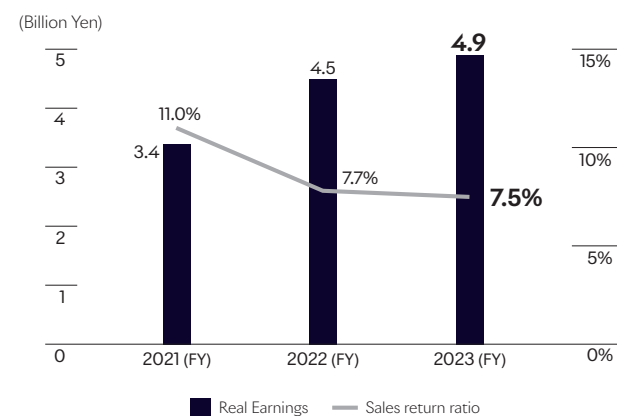
In the Japan business, we have changed our mindset from sales-oriented to profit-oriented, thoroughly implemented a sales strategy for profit increase, and directed our efforts to branding toward further profit expansion.

More specifically, we carried out sales tactics focused on profitability such as by adjusting order amounts, balancing inventories according to channel, increasing full-priced sales, and improving returns/discount rates. In addition, we enhanced the DTC business with a focus on directly-managed stores by changing business type of retail stores of “DESCENTE,” our corporate brand, and renewing their sales floors. As a result, DTC sales ratio reached 44%, although

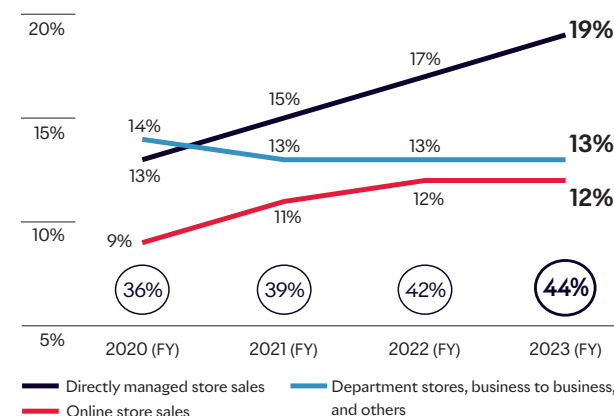
failing to achieve the target of 55%. The EC business also enjoyed increase in sales due to efforts to improve the EC website managed in-house.

In the strengthening of branding, we emphasized the characteristics of individual brands such as by newly developing “MOVESPORT,” which used to be included in the “DESCENTE” category, as a brand targeting different customers. Thus, we differentiated our brands by clarifying their distribution channels and targets. In particular, we directed efforts to increasing the recognition of “DESCENTE” as a premium sports brand.

##### Real Earnings\* / Returns/Discount Rates



##### DTC Sales Ratio



\* Values obtained by calculating operating income/loss and equity in net income of affiliates of consolidated subsidiary companies simplified manner after dividing adjustment amount proportionally

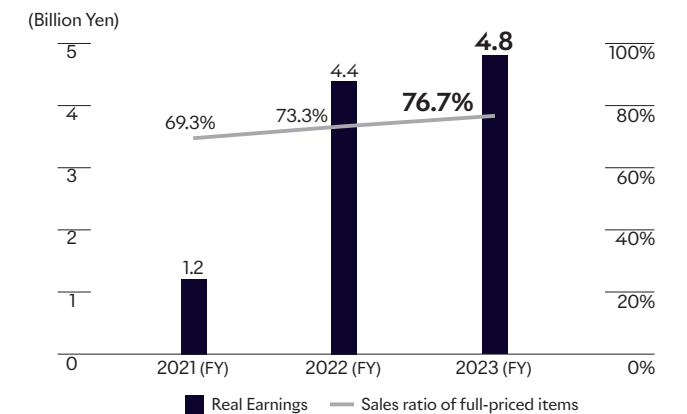
#### South Korea Business

##### Rapid Recovery from External Factors, and the Improvement of Full-priced Sales

The South Korea business took advantage of the existing business model aiming at achieving stable revenue growth.

The South Korea business was affected by the boycott and the COVID-19 pandemic in fiscal 2021, the first year of the mid-term management plan. However, we made steady and continuous efforts to enhance the brand power even while suffering stagnant sales, as a result of which our core brand “DESCENTE” started to show a recovery trend in fiscal 2023. In addition, “umbro” has been accepted as a street fashion brand mainly among Generation MZ, and is showing steady growth. “arena” operated by ARENA KOREA LTD., an equity-method affiliate, also showed a recovery trend corresponding to the re-opening of pools after the settling down of COVID-19, resulted in an increase in sales ratio of full-priced items mainly those of the athletic category. The golf category steadily increased profits even though it struggled for a while after its boom that lasted during the COVID-19 pandemic had ended, and we assess that its business has entered the phase of steady growth.

##### Real Earnings\* / Sales Ratio of Full-priced Items



\* Values obtained by calculating operating income/loss and equity in net income of affiliates of consolidated subsidiary companies simplified manner after dividing adjustment amount proportionally

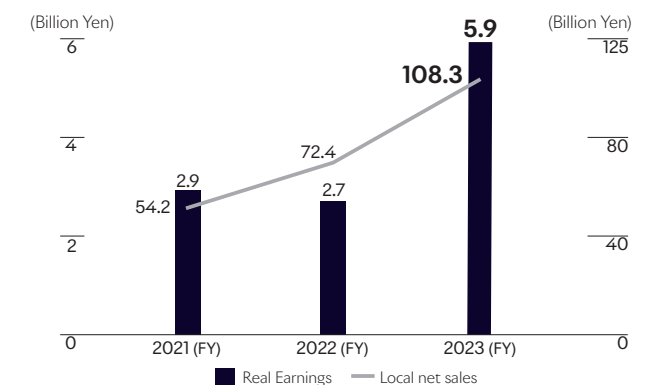
#### China Business

##### Business Expansion

The China business aimed to expand its business with a focus on “DESCENTE,” which has been more highly recognized as a luxury premium sports brand than in Japan. DESCENTE CHINA HOLDING LTD. (DESCENTE CHINA), playing a role of the backbone for the China business, has been operating highly efficient stores pursuing customer satisfaction and increasing net sales and net income year by year, greatly contributing to an increase in real earnings.

With brands other than “DESCENTE” also aiming to make further growth, we incorporated the affiliate company which operate “le coq sportif” and “arena,” directing efforts to hands-on management and rebranding. In 2023, we made efforts to increase the brand recognition of “arena” as one providing high-value-added swimwear globally by holding an event for the 50th anniversary of the “arena” brand. “le coq sportif” is promoting rebranding as a traditional and authentic sports brand from France focusing on tennis, cycling and training.

##### Real Earnings\* / Local Net Sales



\* Values obtained by calculating operating income/loss and equity in net income of affiliates of consolidated subsidiary companies simplified manner after dividing adjustment amount proportionally

#### Enhancing Our Manufacturing Capabilities

##### Focusing on Research and Development of High-Value-Added Products

With a focus placed on the research and development of high-value-added products, we are working on the development of proprietary technology, materials and products based on basic research and conduct quality verification in order to create highly novel products in our R&D bases (DISC) in Japan and South Korea. Moreover, we utilize our three domestic factories (Mizusawa Factory, Yoshino Factory, and Saito Factory) to develop and produce high-value-added products serving as a symbol of differentiation.

Based on apparel products developed in Japan and shoes developed in South Korea, we will localize products and expand product development in each country to realize further growth.



DISC OSAKA



DISC BUSAN



## Summary of New Mid-term Management Plan, “D-Summit 2026”

### Continue and Accelerate the Growth Strategies of the Previous Mid-term Management Plan and Step into New Fields to Realize Further Growth

In D-Summit 2026, our new three-year mid-term management plan that started in fiscal 2024, we will continue and accelerate the growth strategies of the previous mid-term management plan, and work on “area specific strategies for Japan, South Korea, and China—Promotion of Branding—” and “enhancement of our manufacturing capabilities” as well as “launch of new businesses” with the aim of realizing further growth.



#### Growth Strategy 1

#### Area specific strategies for Japan, South Korea, and China –Promotion of Branding–

##### ● Japan Business

We will aim to expand our DTC business by concentrating on the corporate brand “DESCENTE”. We set an aggressive target of increasing “DESCENTE” DTC sales ratio from 48.8% of fiscal 2023 to 80% in fiscal 2026. By increasing its DTC sales ratio, we will try to understand more about customer needs and realize product development to deliver greater satisfaction to customers.

Of the 17 directly-managed “DESCENTE” stores, the ones with a floor space of about 66 to 100 square meters are establishing successful model. From now on, through the expansion of store floor areas and the improvement of operation quality, we will work to increase sales per store. In order to expand store floor areas, it is vital to increase main products. We will work on the development of many year-round products as ones coming after MIZUSAWA DOWN jacket, and also start selling local products planned in South Korea and China.

In addition, by selling products at full prices as established in D-Summit 2023, we will maintain a system to earn money properly and expand sales volume.

##### ● South Korea Business

In the South Korea business, we will accelerate a shift to proactive measures through brand value enhancement and rebranding. Although its business has returned to a stable growth track since fiscal 2023, some brands are not as successful as others. Therefore, we will direct our efforts to rebranding by updating images of struggling brands and reviewing their designs while brands with momentum are leading others. On the other hand, we will invest in holding events to increase contacts with customers and in opening new stores of growing brands. We are planning to open the

largest flagship store of the “DESCENTE” brand in Gangnam in March 2024, and the “umbro” brand’s first flagship store in April 2025.

In addition, we aim to achieve a 17% share of our sales by the EC business by integrating the Company-owned EC websites operated independently by individual brands and build an integrated EC mall to increase our revenue. At the same time, we will increase the sales ratio of shoes, aiming for the entire South Korea business to boost sales to ¥70 billion, equivalent to the pre-COVID level.

##### ● China Business

In the China business, in addition to expanding the scale of “DESCENTE” serving as our growth driver, we will aim to expand the scale of three brands developed by consolidated subsidiary companies, and promote branding. “DESCENTE”, a pillar to the China business, is planning to increase the number of stores by 40 from the previous year to more than 220 in fiscal 2024 by the development of new products for kids and the expansion of sales of golf-related products, aiming to achieve further growth through strengthening product collaboration with Japan and South Korea.

On the other hand, “le coq sportif” and “Munsingwear” will, considering that the value provided by each of these brands is getting unclear, renovate their product line-ups, rebuild brand images, and work for their penetration.

##### ● Others

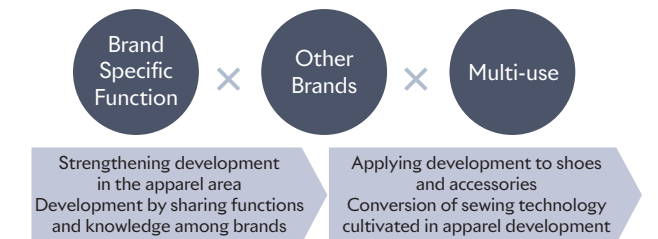
We will also advance the expansion of overseas market targeting south-eastern Asia. Taking advantage of our strength of holding many trademark rights in Asia, we will develop our business with a focus on golf-related products based on a lot of know-how cultivated in South Korea and China.

#### Growth Strategy 2

#### Enhancement of Manufacturing Capabilities

We will further refine our product development capacity, the source of competitiveness. We will promote the sharing of functions and knowledge among brands and the conversion of sewing technology and know-hows cultivated in the apparel area to the development of shoes and accessories with a view to launching new development. We have created opportunities for marketing members of individual brands and their development teams to share information, and started projects to develop new products.

Applying development to shoes and accessories



#### Growth Strategy 3

#### Launching New Businesses

By combining achievements and knowledge accumulated in the field of sports with new elements such health and information, we will launch new businesses responding

to experience-oriented needs, instead of traditional ones responding to product-oriented needs.

#### Development of the Wellness Business Supporting Various Body Movements From Those in Sports Scenes To Ones In Everyday Lives

By offering products and services of the “KOUNOE” brand that we have co-developed with Hisao Kounoe, an athlete consultant, we will support a variety of body movements from those in sports scenes to ones in everyday lives.

The Kounoe Theory advocated by him focuses on a left-right difference in the way people’s pelvic bones open, classifying human bodies into two types, the hunched back “Arm-Type” and the arched waist “Leg-Type.” According to the theory, selecting ways of moving

a body, training methods, and tools according to classification will help people to improve their performances in sports scenes, prevent injuries, and live more energetically in their daily lives, which is supported by various athletes, including Yukiko Ueno (softball) and Kodai Senga (baseball).

Based on this theory, we have developed and marketed Kounoe Belt that totally supports body balance. We will provide various products and services while promoting the spread of the theory.

#### Participation in the Service Business

Based on our corporate philosophy—To bring the enjoyment of sports to all—, we will create a world everyone can enjoy life-long sports. We will launch a sports platform to provide people

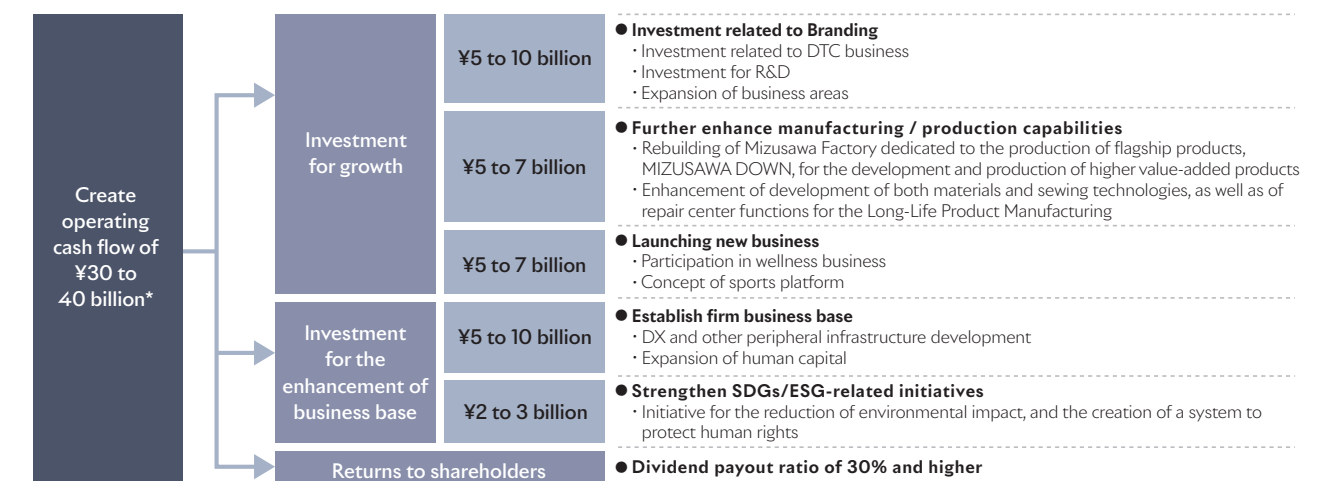
opportunities to casually apply for training and games online even if they do not belong to any teams in order to increase contacts with people who are highly interested in sports.

#### Fund and Investment Strategies

#### Creating Operating Cash Flow From Investing Activities to Maintain a Level of ROE at Around 11 to 12%

Based on the three growth strategies, we will make a commitment to create operating cash flow of ¥30 to ¥40 billion in three years from fiscal 2024 to fiscal 2026. While allocating funds to investments for promoting growth and

strengthening the business base such as the rebuilding of Mizusawa Factory and the extension or reconstruction of stores, we will stably maintain a level of ROE at around 11 to 12%.



\* Cash flow from operating activities during the new mid-term management plan period announced on May 13, 2024



## Japan-South Korea CFOs' Dialogue

### Finance Strategy in D-Summit 2026

The new mid-term management plan, D-Summit 2026, is designed to operate centering around the growth strategies and strengthening of the business base. We interviewed Akira Tsuchihashi, CFO of DESCENTE LTD., and Yi Jung-Ho, CFO of DESCENTE KOREA LTD. (DESCENTE KOREA) to hear about finance strategies toward achieve its goals.

— In D-Summit 2026, DESCENTE Group has set a target of maintaining ROE at the current level of 11 to 12%.

**Tsuchihashi** Since the sports apparel industry is involved in various big events such as Olympic Games, it is a fiercely competitive industry, and we cannot survive if we do not always brush up current approaches and try something new. D-Summit 2026 also includes a lot of challenges to address such as branding, product manufacturing, R&D, strengthening of the shoes business, and new businesses. Of course, we would like to aim at a higher level of ROE, but we think it is important for us to solve problems just in front of us at first, instead of simply pursuing numerical targets. We will work on the substantial improvement of our business while maintaining ROE of between 11 and 12% in consideration of capital efficiency.

— What are the roles of CFO in the DESCENTE Group?

**Tsuchihashi** Sports apparel products are made in a cycle of about one year, which is four times longer compared to



**Yi Jung-Ho**  
DESCENTE KOREA LTD.  
Senior Manager,  
Chief Financial Officer (CFO)

**Akira Tsuchihashi**  
DESCENTE LTD.  
Senior Managing Executive Officer,  
Chief Financial Officer (CFO)

the cycle of fashion apparel products, which is about three-month long. Therefore, it is important to control inventory. CFO plays an important role in constantly monitoring inventory status as well as cash flow and giving pertinent advice about business strategies. So, I am keenly aware of a Cash Conversion Cycle (CCC), which shows speed and efficiency of collecting cash used for the procurement of raw materials with sales.

**Yi** I also think inventory control is very important. Until now, we haven't had staff responsible for playing that role in DESCENTE KOREA. We had financial officers, but their responsibility was included up to settling financial accounts and helping to formulate business plans. Other tasks including the formulation of business strategies and finance strategies are what I have been working on since I became CFO. The sports apparel market in South Korea has a lot of ups and downs, in which even a brand that has enjoyed solid sales can experience a drop in performance, so we need to make a quick response accordingly. To respond to such quick changes, we have established an organization that allows us to promptly analyze the situation at stores and increase purchasing budget based on the request of sales in response to their trends and make strategic judgment toward achieving targets. We have already been committed to analyzing situations weekly and monthly and identifying

problems to propose improvement measures. CFO is originally responsible for taking charge of a management division, but I think it is important to stand on the frontline as necessary.

**Tsuchihashi** The characteristics of the DESCENTE Group is that it handles various brands. Having multi-brands gives more freedom for individual brands to exert their superiority and enable us to perform risk-hedging in response to changes of economic conditions and consumer trends. On the other hand, however, having many brands poses a problem of requiring a lot of personnel resources and making the organization complicated. I suppose CFO is expected to play key roles in balancing these strengths and weaknesses, and especially in the area of properly allocating resources. I think CFO is required to analyze trends of various brands and make proposals to other managements.

**Yi** The situation is the same in DESCENTE KOREA. The growth rate of the sports brand market in South Korea is about 5%, and even though the brands operated by our Company are growing as planned basically as a whole, golf brands are in a tough situation. When deciding how to utilize resources, I try to make right decisions in light of circumstances each time and execute them.

— What are key points in sales strategy?

**Tsuchihashi** Japan's channel consists of wholesale and retail (retail = Direct To Consumer: DTC). DESCENTE in Japan used to be wholesale-oriented, but in D-Summit 2023, we changed direction and began to enhance our DTC business. In D-Summit 2026, we will work to increase DTC ratio while continuing our wholesale business. In particular, we intend to increase DTC ratio of the DESCENTE brand up to 80%. In the Japanese market, if we do not evolve ourselves to establish DTC-oriented structure, we will be delayed in responding to economic trends and consumer needs. Since DESCENTE KOREA has originally focused on the DTC business, we sincerely would like to absorb their know-how.

**Yi** In South Korea, we have a saying like "We are in the same boat, sharing the same destiny," which is true of DESCENTE in Japan and South Korea. As the partnership between Japan and South Korea is very important, we should cooperate with each other to generate even greater synergy. DESCENTE KOREA is operating with a focus on the DTC business, in which department stores are playing a main role in channels. Going forward, however, we will pour a lot of effort in the EC business, whose operating income ratio is high, as well as in the department store business, and actively make investment toward opening an integrated EC mall to sell products of all the brands handled by the Company, aiming for the EC business to achieve 17% in terms of channel-type-based sales ratio by fiscal 2026.

As competitor brands are achieving the EC sales ratio of 15% or higher, I think we can make it. In addition, since it is said that in the EC market, about 80% of the customers enter into malls via apps, we are going to consider the upgrading of apps and the creation of products only available online. Since if we realize an integrated EC brand mall, it can be a competitor to the EC mall operated by department stores, we are considering various measures.

As DESCENTE LTD. and DESCENTE KOREA are partners in the same boat, sharing the same destiny, cooperate with each other to generate greater synergy.



CFO plays an important role in constantly monitoring cash flow, inventory and giving pertinent advice.





— Could you tell us about product development target?

**Yi** DESCENTE KOREA has set a company-wide target of achieving a 30% share of shoes sales. At this point, “DESCENTE” has already achieved 20%, so 30% seems to be a realistic figure, but since sales ratios of other brands, such as “le coq sportif,” “umbro,” and “Munsingwear” are small, in order to achieve the company-wide target, “DESCENTE” needs to achieve more than 30%. To this end, we have reorganized DISC BUSAN, our sports shoe R&D base, and greatly changed our targets. We used to conduct research with a focus on the functionality of shoes genuinely contributing to performance improvement, but we came to undertake research from the viewpoints of how to make products leading to more sales and how to contribute to profits. We have also reviewed the list of development programs, and focused on promising projects. Additionally, as merchandising members of the brands used to belong to the Seoul Office, and designers and researcher belonged to DISC BUSAN, we transferred the designers to the Seoul Office. As a result, a collaboration between the designers and the merchandising members became closer, which has made it possible to directly understand and analyze needs.

**Tsuchihashi** In Japan, we are conducting research and development with a focus on apparel. Of course, we are conducting basic research, but presently, we are directing our efforts to compiling our adhesive sewing technology in a manual, and directing our attention to applying the Company’s strengths in research and development. We are taking an approach of expanding and developing the current strengths, instead of studying potential needs. A study on thermally fusible yarn for adhesive sewing is one of those examples. We wish to develop products that will enable us to say: “This is what DESCENTE’s apparel is all about.”

— Could you tell us about future investment plans?

**Tsuchihashi** The largest among branding-related investments will be one into stores. It is vital to actively make new investment in stores serving as a stage to convey the appeal of our products. In addition, we intend to make investment in south-eastern Asia as well as in Japan, South Korea and China toward area expansion. To enhance manufacturing capabilities, we are planning the rebuilding of Mizusawa Factory, one of the Company-owned factory. We will make capital investment toward manufacturing MIZUSAWA DOWN jackets and shell jackets with higher added value, and also plan to make investment in the Saito Factory and the Yoshino Factory as factory branding. As a new business, we are considering launching a platform business. In the context of digital transformation (DX), we will actively respond to experiential consumption in various ways such as by launching a sports platform to provide services for sports lovers to more easily enjoy team sports. In the wellness business, we will launch the “KOUNOE”

brand, and work to provide various services from the sales of gears for improving athletes’ performances, which we have already started, to the sales of products with multiple uses such as for rehabilitation and training of sports lovers who got injured and for alleviating physical disorders that people experience in daily lives, as well as the provision of training programs. Moreover, within the Company, we will address the renovation of the core system, and work on the improvement of systems for Customer Relationships Management (CRM) and purchase at the same time, and also make investment in the growth of human resources. In investments in initiatives related to SDGs and ESG, we will place a focus on the realization of manufacturing long-life sports apparel products.

**Yi** DESCENTE KOREA is operating business focusing on brand shop development at department stores, but I think directly-managed stores will also play important roles from now on. “umbro” is planning to analyze the results of a concept store opened in Seongsu in the eastern part of Seoul for a limited time only, and open several similar concept stores. The other brands will, first of all, work on the improvement of products, and focus on rebranding in 2024 while making prior investment. After making sure of its successful outcomes, we will direct our efforts to promotion and store development. Also at the same time, we are considering investing in the core systems and offices.

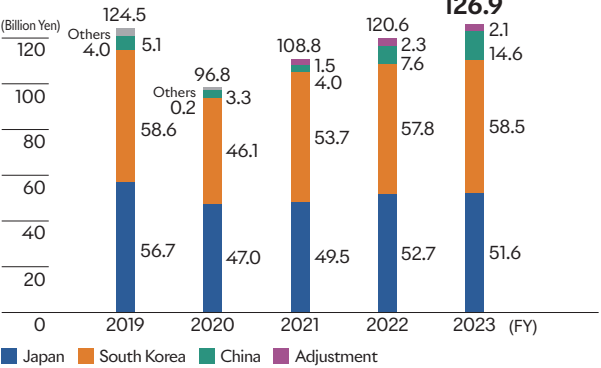
— Could you tell us about your expectation for area-based profit ratio? Also, what kind of growth path is DESCENTE KOREA going to draw?

**Tsuchihashi** In D-Summit 2023, Japan, South Korea and China made well-balanced profits , but we expect that China’s share will become larger in D-Summit 2026. It does not mean that profit will decline in Japan and in South Korea, but that China is showing a better-than-expected growth. Our intention is to enhance individual strengths of Japan, South Korea and China in order to stably and actively expand our area in the future.

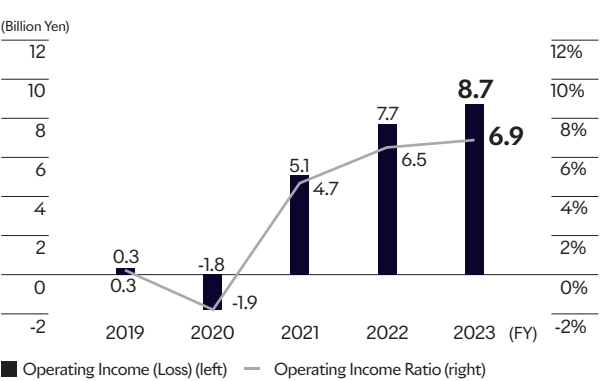
**Yi** Since DESCENTE KOREA will focus on rebranding and spend expenses antecedently in 2024, we have set a lower target for operating income. Since 2025 is the period when we will make “DESCENTE” and “umbro” grow and launch other brands on a full scale after rebranding, we will set higher targets. With the results of these initiatives in mind, we would like to set even higher targets in 2026. At managers’ meetings of individual organizations held monthly, participants conduct intensive review with a high level of awareness for the improvement of operating income. Due to the escalation of fixed costs, it is difficult to sharply increase the operating income ratio, but since it will become possible if the EC sales ratio reaches about 20%, we would like to increase the operating income ratio to 10% at an early stage.

Financial Highlights

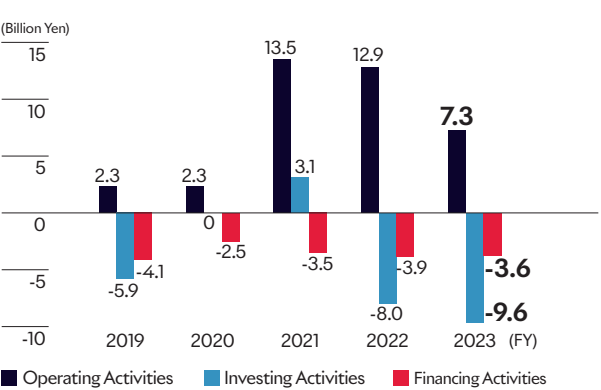
Net Sales by Segment



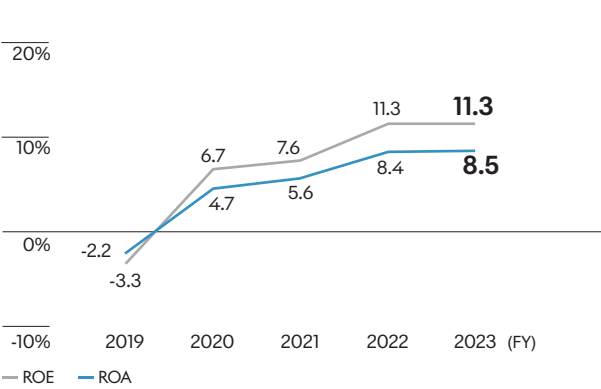
Operating Income (Loss) and Operating Income Ratio



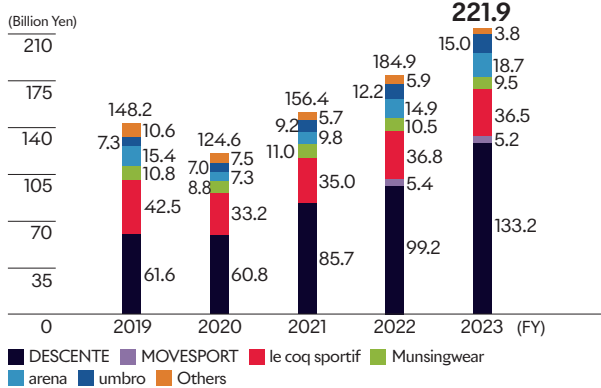
Cash Flows



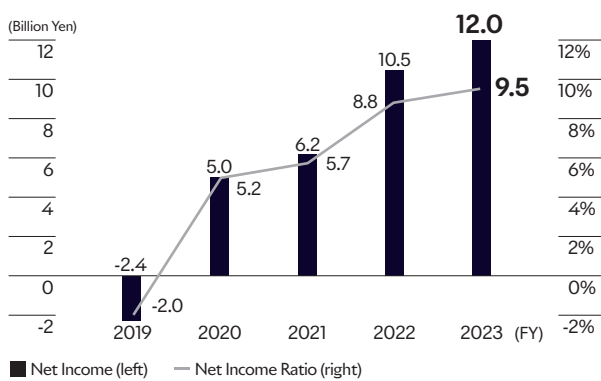
ROE and ROA



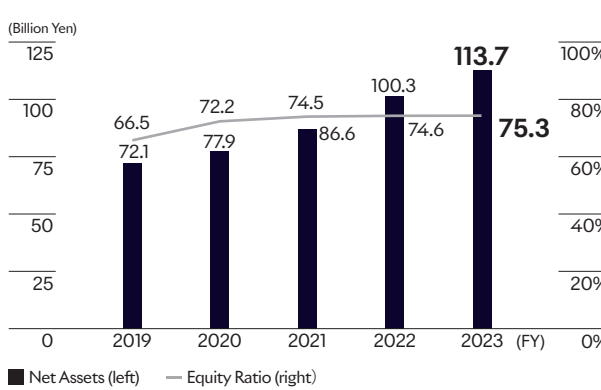
Net Sales by Brand (Including Sales of Equity-Method Affiliates)



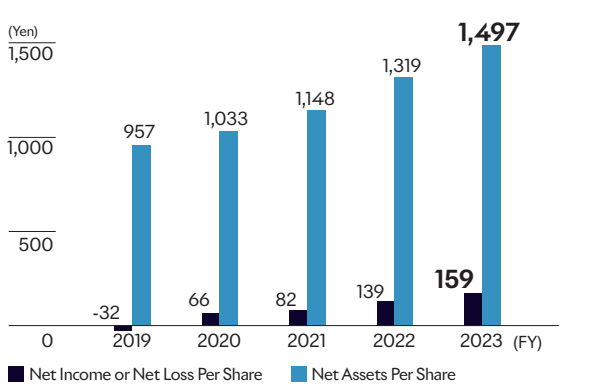
Net Income and Net Income Ratio



Net Assets and Equity Ratio



Net Income or Net Loss per Share, and Net Assets per Share





**Toward further revenue increase, we will refine our manufacturing capabilities, and direct our efforts to promoting the growth of the DTC business and enhancing branding.**

### Takeshi Shimada

DESCENTE JAPAN LTD.  
President and Representative Director



### Rigorously Placing Profit Above Anything Else Resulted in Increase in Profitability

In D-Summit 2023, we positioned “profit-oriented transformation” as one of the key strategies of the Japan business, and promoted “reduction of sales loss by controlling returns and discounts,” “enhancement of the DTC business,” and “practice of branding” as measures.

In any strategy, we give first priority to the improvement of brand value and, as a result, we experience business growth in the transformation. It was not easy for us who had been involved in the sales-oriented business for a long time to make the shift to profit-oriented however our effort to change our long-held attitude, we are gradually changing our mindset. From here, we will press on the accelerator toward making further growth. As for the sales, composition ratio of the DTC business, which was an unachieved numerical target, we will continue to address it in D-Summit 2026 after identifying issues.

In addition, after the convergence of COVID-19 pandemic, the temporary golf boom calmed down, causing a declined income in the golf category, which we view as a regression to the original market size. We will continue to work on the development of products according to customer needs with a right-time and right-product approach. At the same time, during and after the COVID-19 pandemic, we have seen a clothing trend changing in business scenes and needs for comfortable, easy moving clothes growing. I believe this led to increased recognition for high functional apparel products, such as Techwear. This is the very field that we are good at, and our brands including the “DESCENTE” brand are offering products meeting customers’ needs.

“DESCENTE” has strengthened the line-up of high functional products, and reviewed its marketing strategies to become a brand selected by target customers. Our other brands, “arena,” continuing to develop swimsuits for competitive swimming to top swimmers, and “umbro” focusing on products for junior football players, are also actively making efforts to establish brand image and improve their recognition and value.

### Aiming to Increase DTC Sales Ratio of “DESCENTE” to 80%

In D-Summit 2026, we hold up “promotion of branding,” “enhancement of our manufacturing capabilities,” and “launching new businesses” as growth strategies. In Japan, the key focus is expanding our corporate brand DESCENTE’s DTC business, targeting an 80% contribution ratio by FY2026 (currently 48.8% in FY2023). As measures to achieve this, we are working on the establishment of a successful model of mid-sized “DESCENTE” stores (from 132 to 165 square meters), the improvement of profitability by increasing sales per store, and the expansion of scale by increasing the number of stores.

By selecting products, devising new ideas for display at mid-sized stores, and utilizing SNS, we are working to increase customer traffic. Some stores are now achieving successful model. The other stores are also proactively changing business styles and renewing their sales floors, working to increase sales and improve profitability. To expand store size and increase sales, it is necessary for products to have commercial value. In addition to making an investment in rebuilding the Mizusawa Factory producing MIZUSAWA DOWN jacket, standing as a symbol of DESCENTE’s product manufacturing, we will direct our efforts to producing distinctive high-quality and high-grade products at the Saito Factory and the Yoshino Factory as well. Manufacturing of high-quality products will lead to manufacturing of long-life products. We will achieve sustainability unique to our Company by choosing materials, improving our sewing technology and also enhancing the function of the repair center. Moreover, in D-Summit 2026, we will take on the challenge of launching new business based on sports utilizing the relationship with athletes and our product development. The new brand “KOUNOE” will provide products and services that help people to lead more energetic daily lives, in addition to prevent injuries and improve performances in sports. In addition, we will take on the challenge of offering opportunities for playing sports by building online platform to provide services for people to make opportunities to enjoy sports easily. Our aim is creating a world where everyone can enjoy life-long sports.

We interviewed managers steering the Retail Business Department controlling DESCENTE brand’s direct stores, and persons in charge of store management and marketing who are active in the front lines of the sales to hear about how they review D-Summit 2023 and challenges for the future.

### Developing a One-stop System to Cover Various Areas From the Enhancement of Product Development Capacity to Customer Service Methods

Led by MIZUSAWA DOWN jacket, the “DESCENTE” brand and stores bearing its brand name came to be more recognized, gaining an increasing number of customers, in which we have aimed at establishing our image as a premium sports brand and expanding our customer base during the past three years. Mainly, we are implementing three initiatives. The first initiative is about creating a hit product coming next to MIZUSAWA DOWN jacket. We have been developing a one-stop system that enables us from advance product development collaborating with DISC OSAKA and factories through compilation of a customer service manual, which is making the shell jacket of “CREAS” into the second pillar. The second one is about the renovation of stores. Learning



DESCENTE Retail Business Department, DESCENTE Marketing Division

**Shota Fujihara**  
(Left)  
Management Section  
Section Manager

**Yusuke Tsukada**  
(Right)  
Department Manager

through trial and error adopting successful store management techniques from DESCENTE KOREA and DESCENTE CHINA, we have renovated eight stores in order to be recognized as a premium sports brand by more customers. Third is to stop discount sales. At first, we were concerned about left of customers and a sales decline, but now we have been recognized as a brand offering no discounts, which has led to the improvement of brand value. As a result of spending three years to accumulate know-how about product assortment, sales techniques, how to present items at stores and so on while being conscious of branding, we were able to increase sales as planned in fiscal 2023. In order to increase “DESCENTE” DTC sales ratio further in the future, it is necessary to expand sales floor spaces and display a greater variety of products there. Centering our efforts on the three pillars of products, store VMD and marketing, we will work hard to achieve our targets aiming to be a premium sports brand.

### Working With Store Staff to Implement Measures Leading to Attracting Customers and Increased Sales

Stores in metropolitan areas are acquiring nearly 20% more new customers, mainly men in their 30s and 40s, compared to fiscal 2022. In our opinion, one of the reasons for an increase in customer traffic is attributed to the impact from targeted information dissemination by influencers starting in 2023. Besides, there are some stores whose customer traffic has doubled after renovation that resulted in a sharp and bright atmosphere. We felt a certain response in these results of our efforts. In addition to these initiatives, changes in the attitudes of store managers are making a positive contribution. Changing the form of a monthly store manager meeting from an input-oriented one to an occasion where store managers share successful and failure cases has significantly increased the awareness



DESCENTE Retail Business Department, DESCENTE Marketing Division

**Haruka Matsumoto**  
(Left)  
Management Section  
Responsible for marketing

**Azusa Gibo**  
(Right) Management Section  
Responsible for store management

among managers of the importance of profitability and branding, shifting the focus from individual store performance to overall brand success. We will continue to improve our store management method by standardizing certain aspects, such as brand messaging and customer service language used across all locations, as well as by changing commodity composition depending on the location and the type of customers. We are also strengthening the ties among stores by encouraging the store managers to hear initiatives carried out by others and try ideas they think are good at their own stores.

From now on, we would like to expand the sales of accessories such as backpacks and shoes, and offer a wider selection of items for women. We believe that there are many more things to do in order to expand stores and increase customers. We will continue to work together with store staff, to create stores with a bustling atmosphere.



## Refine the “DESCENTE” and “umbro” brands, aiming for the sales of ¥70 billion, equivalent to the pre-COVID level

### Ku, Jae-Hoy

DESCENTE KOREA LTD.

Vice President

Chief Operating Officer (COO)



## Steadily Increase Operating Income

During D-Summit 2023, even though there was a sign of recovery from the boycott of Japanese product in 2019, we faced other various challenges such as the spread of COVID-19. Therefore, instead of aiming for significant growth, we were directing our efforts to stably and steadily recover our business performance.

We reviewed our management system, and under the lead of Motonari Shimizu, Chief Executive Officer (CEO), we carried out organizational change, in which the Chief Operating Officer (COO) was appointed as the top officer responsible for sales-related matters, and the Chief Financial Officer (CFO) was appointed as the top officer responsible for matters related to back office.

I am supervising our brand business as the COO. During the past three years, the share of full-priced sales has increased in the athletic category, with operating income showing steady growth. At the same time, however, we focused on increasing profit and did not actively promote investment, which lowered the competitiveness of some brands. To tackle this challenge and remedy the situation, we will promote rebranding during the D-Summit 2026 period.

Even though the sales of the “DESCENTE” brand grew up to about ¥40 billion in fiscal 2017 and fiscal 2018, its sales sharply decreased due to the boycott and the COVID-19 pandemic. After the convergence of COVID-19 pandemic, the brand showed recovery with its sales reaching ¥27 billion in fiscal 2023, planning to increase the sales by about 5% from the previous year in fiscal 2024. However, this level of recovery is still insufficient. We can only claim a “recovery” once we reach ¥30 billion in sales. We aim to achieve “recovery” as early as possible.

“umbro” is popular among young people wearing football wear in a casual scene. By disseminating various information to Generation MZ (generation born in 1980 to around 2010) while skillfully incorporating the trends of street fashion, “umbro” has gained support from a lot of customers and achieved stable growth. On the other hand, our golf brand enjoyed temporary sales increase due to an uptick in golf’s popularity as a sport that can be enjoyed even during the COVID-19 pandemic, but it struggled after the convergence of the pandemic.

The fashion and luxury market are under tough conditions in the South Korean market, but the sports and outdoor market is growing. Additionally, online business became popular with the spread of the COVID-19 pandemic. Online business service was used mainly by young people in the past, but it has been used by an increasing number of people in their 40s to 60s, becoming popular among a wider age group. Even though our EC sales is

growing, its composition ratio is still limited, and there is still plenty of room for improvement. Since I have the experience of handling online platform business for a golf brand in another company, I will exploit the know-how I learned there, and make a push to promote EC sales.

## Expand the Field of Shoes Centering Around “DESCENTE”

The fashion apparel market in South Korea has shown a polarized tendency, with one for SPA (specialty store retailer of private label apparel)-type mass-produced and low-priced merchandise, and the other one for premium high-priced merchandise. In addition, since the waves of trends in the market are very high, if we do not assert the identity of our brands, they will disappear after a short-term campaign.

Sports apparel we handle is highly functional and professional, and its high value and strength lies in the brand’s long history. We will aim to achieve sales of ¥70 billion by fiscal 2026, equivalent to the pre-COVID level, while maintaining unwavering identities of individual brands including “DESCENTE” and “umbro.”

We have set DESCENTE’s sales target for fiscal 2026 at ¥30 billion. In recent years, since we have tended to direct too much attention to fast-selling products, the product lineup is leaning toward basic products and those following trends, and we do not have enough signature items (characteristic items). Besides, with the average age of our customers getting higher, it is hard to say that we have already acquired a sufficient number of customers in the younger generation. To achieve our sales target, I believe it is necessary to tackle these challenges one by one at first.

How to increase the sales ratio of shoes is also a major theme to address on a company-wide level. While “DESCENTE” achieves a 20% sales ratio of shoes, some brand’s sales remain at approximately 10%. We will make company-wide efforts to raise them to 30%. We are going to advance the development of performance shoes such as running and golf shoes and also lifestyle shoes in a brand-based manner, with “DESCENTE” aiming for over 30%. In our channel strategy, we will expand the sales floor spaces for “DESCENTE” and “umbro” products at department stores, the main distribution channel in South Korea, to expand our sales. Moreover, we are planning to open an integrated EC mall handling our brands in 2025, toward which we are proceeding with various preparations, such as the unification of services, the development of the line up of products only available online, and the provision of rewards to customers.

“DESCENTE” and “umbro,” the core brands of DESCENTE KOREA. As topics of the two brands, the following provides an overview of the newly reopened DESCENTE’s flagship store, DESCENTE SEOUL, and the current status of “umbro,” which is undertaking further branding initiatives at its 100th anniversary.

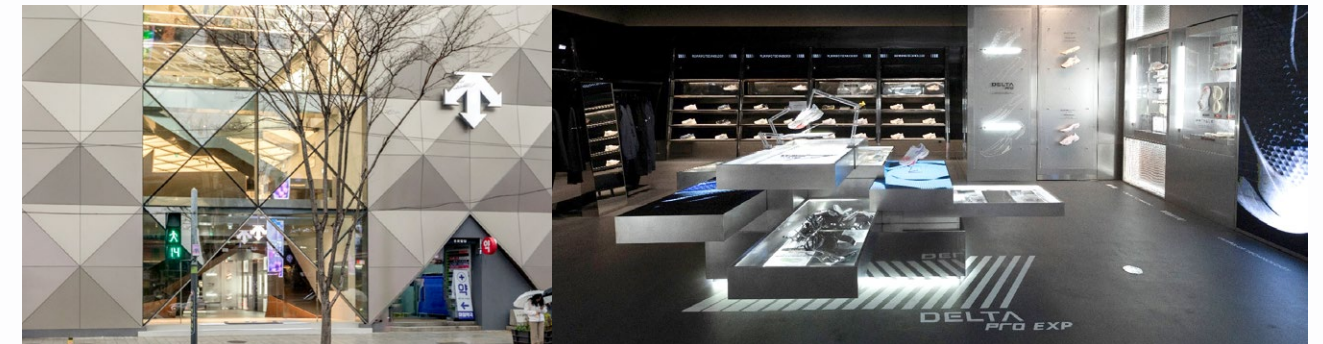
## Aiming to Become a Comprehensive Multi-Sports Brand of “DESCENTE”

In March 2024, the DESCENTE’s flagship store, DESCENTE SEOUL, was reopened in the Gangnam district in Seoul, where high-brand shops are standing side-by-side. The store representing our brand has a variety of products displayed.

At TECH GALLERY on the first floor, it displays performance apparel and shoes for sports while regularly replacing products to convey the authentic feeling of sports and the core concept of the brand. At Global Zone on the

second floor in addition to DESCENTE KOREA’s products, it carries ALLTERRAIN (high functional products leveraging know-how cultivated through many years of research and development) which is going to be presented as global line in combination with golf products designed in Japan from autumn and winter season in 2024. On the third floor, in addition to women’s products and shoes. It offers service for custom-printed T-shirts and experience-based products.

The store’s exterior projects a modern image, while the interior offers customers surprising and exciting experiences such as an LED monument featuring the spirit logo of “DESCENTE” and a custom T-shirt printing service.



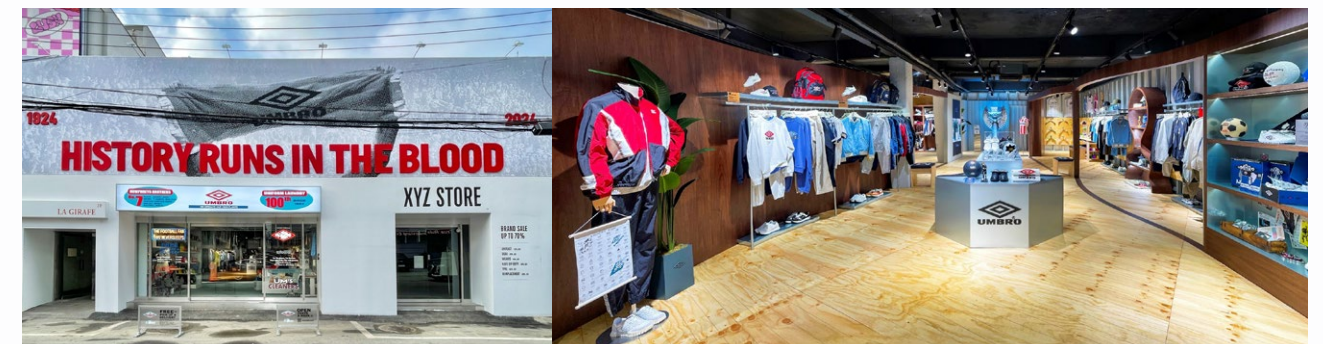
DESCENTE SEOUL

## Planning to Open the First Flagship Store of “umbro” in 2025.

Based on the identity of the football brand that has supported powerful teams and players around the world, “umbro” is offering products by incorporating the elements of street fashion as culture rebranding for Generation MZ. From February in 2024, we have opened our brand concept store in Seongsu, the forefront of trends in South Korea as a limited-time pop-up store. As “umbro” actually has its origin

in a laundry shop, the appearance of the store is designed in the image of the shop at that time, and its interior expresses the past and the future of the brand. This concept store was operated as a trial store toward launching a flagship store in the future, and we gained significant insights from its operation.

We are planning to open the first flagship store of “umbro” as an advanced version of this concept store in 2025. We will develop an interior design manual that blends traditional football brand heritage with current MZ generation trends.



Concept store of “umbro”



## Developing Strategy Leveraging the Characteristics of Four Brands Based on the Achievement of Improving Sales Efficiency

### Motonari Shimizu

DESCENTE LTD.

Director and Senior

Managing Executive Officer



## Business Expansion Leading to the Improvement of Sales Efficiency

During D-Summit 2023, the China business positioned business expansion as a key strategy, and aimed at expanding sales and profits, as well as achieving ¥50 billion in the local net sales of the “DESCENTE” brand.

In China, the luxury sportswear market is showing double-digit growth, and market expansion is continuing. Amid demands for high-performance clothing for skiing, golf and outdoor activities increasing, DESCENTE successfully increased its sales by offering high-performance and high-quality sportswear and responding to customer needs as a premium sports brand. In addition to enjoying an increase in the number of customers and an annual average purchase price per person, we are acquiring an increasing number of customers in the younger generation. In the field of store management, we are proceeding with a plan to open up various types of stores suited for each location and type of customers in most high-class areas of first tier and second tier cities.

As a result, we were able to achieve about ¥93 billion in the local net sales, far exceeding the original target of ¥50 billion, in fiscal 2023, the final year of D-Summit 2023.

“le coq sportif” and “arena” incorporated affiliate companies operating their business, promoted hands-on management and implemented rebranding.

“le coq sportif” appealed the essence of a sports brand as a historical and authentic sports brand from France focusing on tennis, cycling and training.

“arena” held a memorial event to commemorate the brand’s 50th anniversary, and raised the profile of the brand providing high functional swimwear loved by world’s top swimmers through the collaboration with the Zhejiang team, with which we signed a sponsorship agreement.

We carried out the strategy through expanding the business of “DESCENTE,” and promoted the rebranding of “le coq sportif” and “arena” as planned. As a result, in fiscal 2023, we doubled the real earnings of China segment from fiscal 2021, and also achieved the expansion of sales and profits.

## Developing Strategy Leveraging the Characteristics of Four Brands

In D-Summit 2026, we will develop a strategy leveraging the characteristics of the four brands. “DESCENTE” will maintain its expansion trend, “le coq sportif” and “arena” will reap the benefits of rebranding, and “Munsingwear” will promote the creation of the image of an American golf brand.

Under the vision of developing “DESCENTE” into a premium and high-performance sportswear brand, we are planning to set a business target of achieving 20 to 25% in the compound annual growth rate of sales during the period D-Summit 2026. What is most important in achieving this target is to always provide high-performance and high-quality products. This is the very source of value as a premium brand. We believe it is important to continue to pursue innovations in the product development of “DESCENTE.” In addition to aiming to improve product quality and create innovative products, we promise our customers to carry out activities contributing to the realization of a sustainable society from the viewpoint of sustainability, which we view as the mission of “DESCENTE.” We will also work on product collaboration among Japan, South Korea and China as one of the measures for enhancement. We are going to strengthen the collaboration with the Mizusawa Factory in Japan, which is being rebuilt, and R&D bases (DISC) both in Japan and South Korea, as well as the partnership with suppliers including manufacturing factories to improve the quality and grade of long-life products.

“le coq sportif” and “arena” will spread their new brand images created by renewing product designs and renovating stores, and limit the offering of discount rates toward reaping the benefits of rebranding implemented during the period of D-Summit 2023, with the aim of increasing sales and profits.

“Munsingwear” will launch a joint venture with local partners, examine its marketing and store development, and engage in rebranding toward making further growth.

Activity of “DESCENTE” developing business utilizing unique services, and “le coq sportif” working on rebranding in the Chinese market.

## Introduce Unique Services for Further Growth

“DESCENTE” has advanced product development attracting the genuine sports lover based on the correct understanding of customer needs, and established the position of premium sports brand in China. For further growth, we are directing efforts to provide not only products, but also services to raise customers’ brand loyalty.

In addition to offering attentive service and effective

product recommendations in our stores, we are developing a membership service, D-MOVER Club.

Through offering special sports experience to D-MOVER Club members and exclusive services for members such as maintenance of purchased products, we are working to improve customer satisfaction and nurture customer loyalty.

In addition, by disseminating information about its activities via social media, we will intensively appeal our image as a premium sports brand.



(left) “DESCENTE” Shanghai Xintiandi store newly opened in January 2024 (right) The area for introducing maintenance service for members

## “le coq sportif” Advancing Through Rebranding

LE COQ SPORTIF (NINGBO) CO., LTD. is an incorporated affiliate company we launched with a local partner in 2004, which has been playing a role in raising the profile of the “le coq sportif” brand in China for years. In recent years, since the company experienced sluggish sales affected by various elements including the COVID-19 pandemic, we purchased its equity shares from the local partner for the rebuilding of its management system during D-Summit 2023, and

restarted it as a subsidiary company. In China “le coq sportif” used to be a brand popular mainly among people in their 40s and 50s, but in order for the brand to be recognized by a wider range of people including young ones as a sports brand from France, we have renovated products, designs, and its store image. By rebranding, we are starting to have customers who aroused new interest in the reborn “le coq sportif.” Since we have not completely spread its image after the rebranding, we will continue to make efforts to convey our brand’s charm to customers while communicating with them through products, with the aim of establishing our brand position in China.



(Left) “le coq sportif” Chengdu Binjiang Tianjie store (right) Products appealing the charm of an authentic sports brand



## Sustainability

The DESCENTE Group renamed the traditional CSR Basic Policy to Sustainability Basic Policy in fiscal 2021 to carry out social responsibilities while promoting the sustainable growth of our business.

Basic Policy on Sustainability	
<b>1</b>	The DESCENTE Group is committed to enriching people's physical and mental well-being through sports, contributing to the creation of healthy lifestyles as outlined in its corporate philosophy.
<b>2</b>	The DESCENTE Group aims to achieve sustainable synergetic development with society by responding to expectations through business activities in interactions with economy, society and the environment.
<b>3</b>	The DESCENTE Group respects human rights complying with the DESCENTE Group Human Rights Policy and the DESCENTE Group Code of Ethics in accordance with the spirit of fair play supporting sports constituting the bedrock of our business activities. Furthermore, all business activities will be conducted with high ethical standards and a commitment to continuous improvement, while ensuring compliance with all relevant laws and international regulations.

- DESCENTE Group Human Rights Policy <https://www.descente.co.jp/en/csr/policy/>
- DESCENTE Group Code of Ethics <https://www.descente.co.jp/en/csr/policy/ethics/>

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

Four Material Issues	
<p><b>Taking on the Challenge of Realizing Sustainable Manufacturing, Products, and Systems</b></p> <p><b>“Reduce and Innovate”</b></p> <p>We are committed to sustainable manufacturing practices. This includes accurately identifying customer needs, implementing just-in-time production to minimize final waste, and reducing our environmental impact.</p> <p>► <b>P.35-38</b></p>	<p><b>Create New Value</b></p> <p><b>“Create and Innovate”</b></p> <p>Leveraging our strengths of manufacturing capabilities, we capture social and environmental changes and create new value contributing to the resolution of customer challenges through innovation.</p> <p>► <b>P.35-38</b></p>
<p><b>Integrity in Our Organizations, Systems, and Employees</b></p> <p><b>“Firm Management Base and Utilize and Activate Human Resources”</b></p> <p>We aim to build a productive and healthy work environment through ethical business practices that embody the spirit of sportsmanship, promoting employee sports participation, and leveraging our products to improve employee physical and mental well-being, ultimately boosting productivity.</p> <p>► <b>P.39- 40</b></p>	<p><b>Harmony With Local Communities and Society at Large</b></p> <p><b>“Coexistence and Growth: Market Development Capabilities”</b></p> <p>We contribute to building a sustainable society by enriching the minds and bodies of children, students, and community members through sports-related events and career education programs, fostering healthy lifestyles.</p> <p>► <b>P.41- 42</b></p>

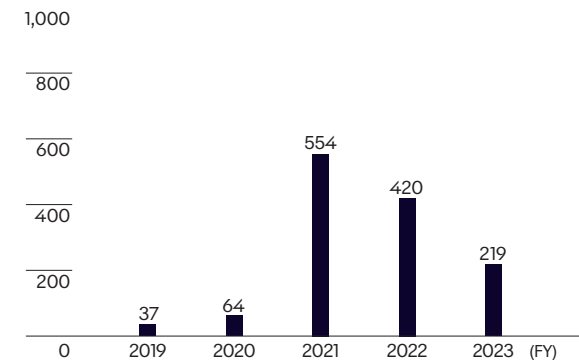
## Non-Financial Highlights

GHG emissions (t-CO <sub>2</sub> ) <sup>*1</sup>		Fiscal 2022	Fiscal 2023
Scope1	Domestic	132	157
	Overseas	-	239
Scope2	Domestic (market-based)	611	2,040
	Overseas (location-based)	-	2,988
Scope 3 (domestic) <sup>*2</sup>	Category 1	-	94,519
	Category 2	-	8,767
	Category 12	-	4,170
	Others	-	3,829
	Total	-	111,285

<sup>\*1</sup> For details, please refer to our website.

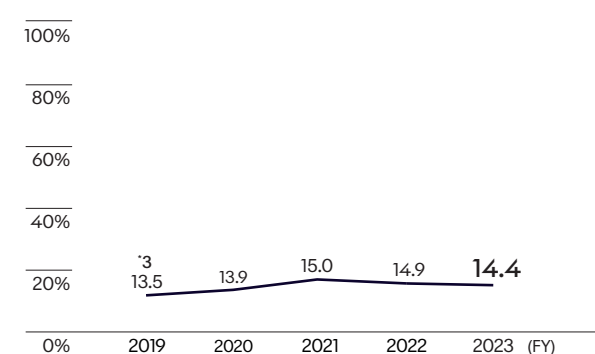
<sup>\*2</sup> Calculated by using IDEAv2.3, the emissions basic unit database for the calculation of an organization's greenhouse gas emissions generated by the supply chain (Ver.3.4)

### Amount of Industrial Waste (t) (Japan only)



<sup>\*</sup> Figures until fiscal 2020 are for distribution centers only.  
From fiscal 2021, includes factories and offices.

### Percentage of Female Workers in Management Positions (%) <sup>\*1,\*2</sup> (Japan only)

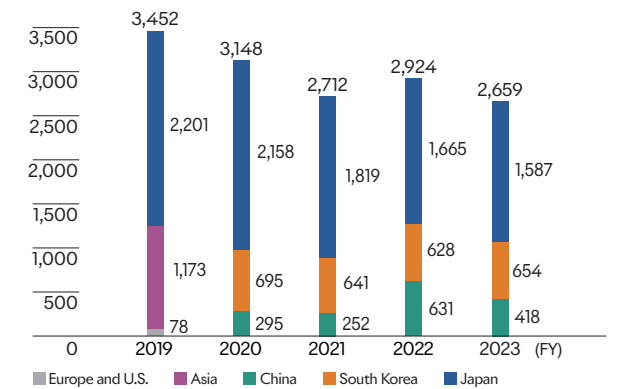


<sup>\*1</sup> Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of September 4, 2015)

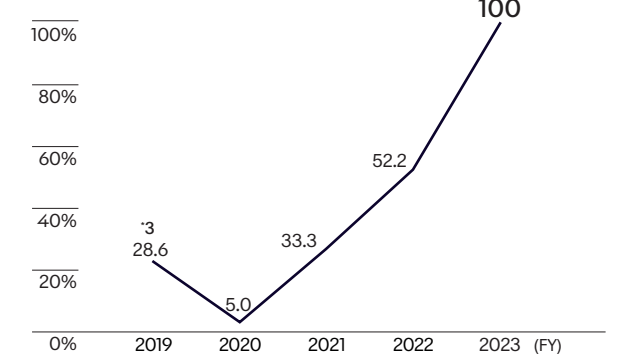
<sup>\*2</sup> Average of the three companies, DESCENTE LTD., DESCENTE JAPAN LTD., and DESCENTE APPAREL LTD.

<sup>\*3</sup> The result of fiscal 2019 does not include DESCENTE APPAREL LTD.

### Number of Employees by Segment



### Percentage of Male Employees Taking Childcare Leave (%) <sup>\*1,\*2</sup> (Japan only)



<sup>\*1</sup> 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), (II) 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 Labour No. 25 of October 15, 1991)

<sup>\*2</sup> Average of the three companies, DESCENTE LTD., DESCENTE JAPAN LTD., and DESCENTE APPAREL LTD.

<sup>\*3</sup> The result of fiscal 2019 does not include DESCENTE APPAREL LTD.

Wage differential between men and women for all worker <sup>*1,*2</sup> (Women's wages as a percentage using 100% as the base for men's wages)	Fiscal 2022	Fiscal 2023
DESCENTE LTD.	71.0%	104.4%
(Permanent employment)	63.4%	102.6%
(Fixed term employment)	-	-
DESCENTE JAPAN LTD. <sup>*3</sup>	56.8%	58.1%
(Permanent employment)	54.2%	56.9%
(Fixed term employment)	71.1%	66.6%
DESCENTE APPAREL LTD.	74.7%	71.6%
(Permanent employment)	72.7%	72.1%
(Fixed term employment)	74.6%	70.5%

<sup>\*1</sup> 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)

<sup>\*2</sup> Number of workers is calculated based on working hours.

<sup>\*3</sup> 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 89.5% for management level, 88.0% for non-management level, and 83.6% for retail.



## 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 takes charge of formulating strategies for activities towards the promotion of sustainability and managing operational status throughout the Group. For key sustainability issues including climate change and environmental issues, the Sustainability Committee has established measures to minimize business impact as well as countermeasures to implement in the

event of such issues, and also implemented monitoring of sustainability promotion activities including those by our overseas companies, regularly reporting the status of such efforts to the Board of Directors. (See p. 11 of the Annual Securities Report for details on the operation of the Sustainability Committee)

### Strategy

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, changes consumer behavior, and a decrease in opportunities to enjoy outdoor sports, which will have a direct impact on our Company's business strategies and finances. In fiscal 2022, we identified risks and opportunities for businesses related to climate change, conducted scenario analysis, and worked on the estimation of financial impact, and then, reported findings to the Board of Directors. In fiscal 2023, we developed specific countermeasures and established KPIs based on the scenario analysis. (See p. 36 for item-by-item financial impact)

After understanding risks and opportunities, we ensure the

Working Groups of the Sustainability Committee examine and deal with them. In particular, as a countermeasure for risks that can cause significant damage to our domestic business, we hold up the promotion of “Long-Life Product Manufacturing” as a measure to provide new value, working on that in our new mid-term management plan, D-Summit 2026, as one of the important measures. In the apparel industry, mass production and mass disposal cause environmental problems, which we recognizing as a critical challenge, and hope to contribute to the achievement of sustainability for our customers as well as for the Company by enhancing the development and deployment of long-life products, toward realizing a sustainable society. (See p. 37 for details on the promotion of “Long-Life Product Manufacturing”)

### 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 of DESCENTE LTD. handles the overall visualization of each risk by its consolidated subsidiaries, and the personnel in charge of risk management set and manage

measures to prevent such risks and respond to them in the event of occurrence. In addition, we position risks related to climate change and other environmental issues as the most important ones to monitor, and implement measures with a focus on serious risks while reporting progress on a regular basis. Thus, we are striving to avoid the occurrence of risks and minimize their impact in the event of risk occurrence. (See p. 12 of the Annual Securities Report for details on the operation of risk management)

### Indicators and Goals

To promote “Long-Life Product Manufacturing,” which is set out as a countermeasure for risks and opportunities, we have set goals for fiscal 2030, with the sales of long-life products and the number of repairs handled\* established as KPIs, advancing efforts toward achieving them. We have been working to expand the scope of both Scope 1 and 2 in terms of GHG emissions measurements to include overseas sites, and have also been working to capture Scope 3 emissions in our domestic sites. With the aim of achieving carbon neutrality by 2050, first of all, we will accelerate measures toward realizing carbon neutrality at our domestic facilities by 2030, and promote initiatives to resolve important sustainability issues such as climate change and other environmental issues.

#### KPIs for countermeasures against risks and opportunities

Long-Life Product Manufacturing	Result in fiscal 2022	Target for fiscal 2030
Sales of long-life products	1.0 times	2.0 times
Number of repairs handled*	1.0 times	5.0 times

\* Number of fare-paying repairs handled

GHG emissions (t-CO <sub>2</sub> )		Result in fiscal 2023	Target for fiscal 2030
Domestic	Scope1	157	Domestic facilities Carbon neutrality
	Scope2	2,040	
	Scope3	111,285	
Overseas	Scope1	239	
	Scope2	2,988	

For details on GHG emissions and their calculation, please refer to our website.

### Strategy: Climate Change Risks and Opportunities

Scenario	We have conducted scenario analysis based on the two following scenarios: 2°C Scenario (IPCC SSP1-2.6)*: Scenario with transition to a low-carbon economy 4°C Scenario (IPCC SSP5-8.5)*: Scenario with increased physical risks of climate change Incidentally, the timeline for the analysis of transition risks (2°C Scenario) is based on 2030, and that for the analysis of physical risks (4°C Scenario) is based on 2050. * Scenario used in the Sixth Assessment Report published by the Intergovernmental Panel on Climate Change (IPCC)
Scope	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. / DK LOGISTICS LTD.

#### 2°C scenario [Legends for the amount of impact on operating income] --- (+++): ¥1 billion or more, -- (+): ¥0.3 billion or more but less than ¥1 billion, - (+): less than ¥0.3 billion

Type	Category	Global change	Details	Impact on the operating income of the DESCENTE Group (including overseas subsidiaries)	Countermeasures (Domestic subsidiaries only)
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>	—	<ul style="list-style-type: none"><li>• Reducing GHG emissions toward carbon neutrality (domestic)</li></ul>
		Changes in energy mix	<ul style="list-style-type: none"><li>• Restrictions on electricity use due to reduced coal-based power generation and shutdown of factories due to blackouts in China</li></ul>	—	<ul style="list-style-type: none"><li>• Disperse of risks by supply chain management that balances the locations of factories</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>	—	<ul style="list-style-type: none"><li>• Promotion of Long-Life Product Manufacturing</li><li>Improving awareness of long-life product manufacturing by information dissemination</li><li>Enhancement of repair service</li></ul>
	Market trends	Decrease in the number of people playing sports in Japan	<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>	—	
	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>	—	
Opportunities	Products and services	Increased need for sustainable products	<ul style="list-style-type: none"><li>• Technology and product development aimed at Long-Life Product Manufacturing through proprietary materials, functional improvements, etc.</li><li>• Use of materials with reduced environmental impact, etc.</li></ul>	++	<ul style="list-style-type: none"><li>• Manufacturing that responds to consumer needs by utilizing R&amp;D centers (DISC) and Company-owned factories</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>		

#### 4°C scenario

Type	Category	Global change	Details	Impact on the operating income of the DESCENTE Group (including overseas subsidiaries)	Countermeasures
Risks	Chronic	Increase in average temperature	• Decrease in sales due to deterioration of the environment in which winter sports are played as a result of global warming • Decrease in sales of products for summer sports due to intensified summer heat • Increase in air conditioning costs • Decrease in labor productivity due to illness as the result of high temperatures	Determine countermeasures in fiscal 2025 (Domestic)	
	Acute	Increase in severity of abnormal weather	• Damage to tangible assets and inventory due to typhoons, hurricanes and floods • Productivity delays, supply chain disruptions and loss of sales opportunities due to typhoons, hurricanes and floods		
Opportunities	Chronic	Increase in average temperature	• Increase of e-commerce sales due to reduced opportunities to visit brick and mortar stores • Expansion of market share through enhanced R&D activities • Increased sales of functional apparel		
	Acute	Increase in severity of abnormal weather	• Realization of stable supply by diversifying suppliers		



## Long-Life Product Manufacturing

### —DESCENTE's Unique Sustainable Manufacturing—

As shown in the previous page, we have held up the promotion of “Long-Life Product Manufacturing” as domestic countermeasures for the four risk items of “utilization of environmentally-friendly materials,” “decrease in the number of people playing sports in Japan,” “reduction in frequency of replacement” and “customer reputation,” and the opportunity items of “increased need for sustainable products” and “transition to a circular economy,” in particular, among the risk and opportunity categories of 2°C Scenario. Believing that manufacturing long-life products will greatly contribute to the solution of climate change and environmental problems, we have been committed to our proprietary sustainable manufacturing practices, and we have reconfirmed that enhancing the development and deployment of long-life products is positioned as our important initiative to be addressed as countermeasures

of the risks and opportunities. In addition to preventing the early deterioration of products by developing products with functionalities such as durability and an anti-fouling property, we share information on quality incidents that have occurred with our products with all employees to prevent recurrence, and control our products using our own testing methods and quality standards, on the basis of which we are working to develop high-quality and high-grade products. We also offer repair service such as by repairing holes of products at our Repair Center to ensure our customers can use or wear our products for a long time. Furthermore, we are constantly working to improve our products by utilizing the information from the repair process to improve quality and product development. We have set KPI targets for our repair service (see p. 35), and we will further strengthen our countermeasures.

#### What Are Long-Life Products?

In line with the following definition for “Long-Life Product Manufacturing” we have formulated, we will enhance their development and deployment from now on.

- 1 High-quality products designed for long use:** Development of long-lasting materials, and specifications and functions
- 2 Handling of repair service:** Offering repair service at the Repair Center
- 3 Circulation of materials:** Reuse of product materials and products using offcuts or remnants
- 4 Circulation of products:** Recycle, upcycle, selling of used products, etc.
- 5 Standard products:** Products that stand the test of time and never lose their luster

#### Disseminating More Information on “Long-Life Product Manufacturing”

In addition to working on the enhancement of long-life product development and the promotion of initiatives for that, we will strive to disseminate information on our products and activities for customers to know the merits of our products and our activities. More specifically, we will share more information with customers via our website and a social media service to deepen their understanding of long-life products, as well as to gain customers' approval for our initiatives and invite them to join us, with the aim of realizing a sustainable society with our customers.

#### An Example of Long-Life Products, 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, with the knitting method and adjusting thickness, the collar parts have been designed to be more resistant to turning up. Through experimenting with various combinations of yarn and fabric selection, dyeing methods, etc., we have completed the product with satisfying quality and design of which a wearer never get tired of. It is a creation of our commitment to details that allows longevity.

\* 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 condition.  
 Note 2: The Company does not assume any 10-year contractual nonconformity or quality warranty liability for this product.



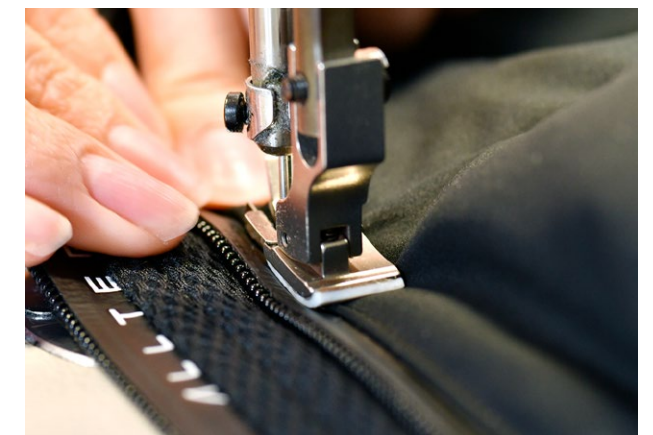
#### An Example of Long-Life Products: MIZUSAWA DOWN jacket

MIZUSAWA DOWN jackets, flagship products of the “DESCENTE” brand, are designed to differentiate themselves in a new way, in addition to having functions expected of traditional down jackets such as “lightness” and “quality of down itself.” To develop this product, we took the approach of seeing down jackets from the viewpoint of users to improve their weaknesses, in addition to securing the traditional functionality. The adoption of “adhesive technology” to make down packs, instead of sewing technology, has made it possible to prevent water from seeping through seams even on a rainy or snowy day (= waterproof property), and thereby retain warmed air (= heat-retaining property). We conduct functionality verification in an artificial rainfall room, which can create rain artificially, and an artificial meteorological room, which can control the room temperature and humidity, at our R&D base (DISC), and produce these down jackets at the Company-owned factory with highly specialized adhesive technology. Years have passed since the product was released, but we are still working on its improvement. In order for MIZUSAWA DOWN jackets produced with our unique technology to be used even longer by our customers as their beloved basic items, we will improve repair service offered at the Mizusawa Factory.



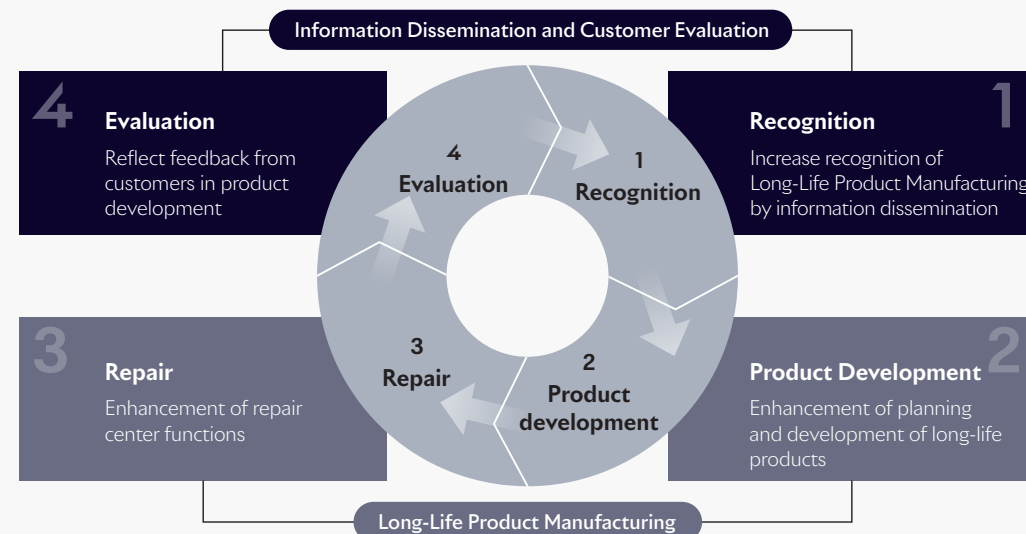
#### Repair Center

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 customers and the person in charge of repair, enabling a shorter time to initiate repairs than before. Since we position “Long-Life Product Manufacturing” as one of the countermeasures to risks and opportunities due to climate change, we will further enhance our repair service related to that.



#### Flow of Long-Life Product Manufacturing Development

Promote and expand Long-Life Product Manufacturing by following the cycle of 1 to 4







# Human capital

The DESCENTE Group has newly established Human Resources Strategies Slogan and Action Guidelines, advancing initiatives for the development of diverse human resources toward the expansion of human capital.

## Initiatives by the DESCENTE Group

### Human Resource Strategy

As an expert of product manufacturing, the DESCENTE Group positions investment in people as an important part of our management strategies. To carry out growth strategies specified in D-Summit 2026, we need personnel with a high level of professional competence. Therefore, we have newly established the Human Resources Strategies Slogan (key message), as fundamental requirements of personnel

necessary for future business growth, and the Action Guidelines (essential sense of values). Since the expansion of human capital is vital for strengthening the business base of the DESCENTE Group, we are promoting various initiatives related to personnel management in addition to those related to diversity.

Human Resources Strategies Slogan:  
**Aiming to be a person committed to work as a professional, compete with others and pursues a sense of fulfillment**  
Action Guidelines:  
**Defy stereotype to bring profits / Create beyond customers' expectations / Stick to it to the end without quitting through friendly competition**

### Promotion of Diversity

In addition to directing efforts to promote women's active participation in work places, we fairly adopt personnel possessing skills necessary for the sustainable growth of our business regardless of nationality or gender, with 1,072 local employees actively working at our overseas subsidiaries. The percentage of female workers in management positions in the entire Group is approximately 34% (domestic Group

companies: approximately 14%, overseas Group companies: approximately 48%). Additionally, the ratio of local employees taking up managerial positions in the overseas Group companies was approximately 96%. To promote local marketing strategies in Japan, South Korea and China, we are training local employees in South Korea and China for them to advance into managerial positions.

## Initiatives Taken in Japan

### Recruitment Policy

With the aim of hiring people needed for our business growth, such as ones that carry out office work and sales work to promote retail business serving as a driving force to advance the growth strategies of the Japan business, those specialized in IT and digital skills, and people who can actively take on the challenges of overseas business, we are utilizing various channels and actively promoting recruiting

campaign. In the recruitment of new graduates, we adopt people with potential to become senior staff members or develop highly specialized capabilities in the future, and in the recruitment of mid-career workers, we adopt people with highly specialized capabilities who have accumulated various experiences in environments different from ours, and can be immediately useful.

### Development of Employees and Career Support

#### Training and Education

We continue to provide structured training in accordance with employees' positions and grades. Additionally, we have placed importance on education to improve professional

competence. As part of reskilling programs, we provide educational video contents that employees can choose by themselves to learn, as well as opportunities to learn at

schools or seminars outside the Company. Thus, we are working on the development of employees' capabilities. Since it is also important to enhance the creativity of employees, we held a hands-on workshop three times for designers in 2023, in which a lot of designers joined and actively discussed. At the workshops, through trying to

### Strengthening Capabilities for Overseas Business

To develop human resources who can promote the Area-Specific Strategies in Japan, South Korea and China, we dispatched young employees selected among the applicants to Taiwan and Vietnam in fiscal 2023. The selected employees received language training locally and learned local business practices and culture, and after

come up with the unique brand philosophy of the brands they are working for, participants were able to deepen their understanding of their brands, which offered opportunities for them to improve abilities to proactively exercise their creativity.

completing the training, they have been playing active roles at departments related to overseas business while leveraging their experience. In addition to sending employees selected among applicants, we dispatch our employees to overseas subsidiaries as temporarily transferred ones.

Footwear Marketing Department  
Marketing Section/Designer

**Hideyuki Takahashi**  
(Participant in workshop)



I had only limited opportunities to talk with workers in categories different from mine, but through the workshop, I was exposed to various ideas and inspired by them so much that I realized once again that it is important to see things objectively from various angles. I was also able to build horizontal connections, and now I am happy that I have more people that I can consult with around me.

Brand Marketing Division  
Global Sales Section

**Moe Yoshikawa**  
(Participant in overseas language training)



I was interested in overseas business, so I applied for a language training program in Taiwan. At first, I had trouble communicating every day when shopping, but I studied hard, and finally achieved my goal of passing the level 5 of Chinese Proficiency Test, HSK. Presently, I belong to the Global Sales Section, and am assigned to take care of business in Greater China. I have continued to study to improve my Chinese proficiency.

### Encouragement for Employees to Take Ownership of Their Careers

While creating a system to support employees who take on new challenges, we are encouraging our employees to take ownership of their careers. Every year, we prepare self-assessment sheets, and make arrangements for them to consult with supervisors about their career plans. We have

established a job posting system and a FA system to provide opportunities to transfer to another department, and are providing support in such a way as to encourage each and every employee to consider his or her career plan and take one step forward.

### Engagement

We regard investment in human capital as an important management issue, and strive to improve employee engagement along with the creation of workplace environments that allow employees to perform at their best in both physical and mental health. 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. Currently, we conduct a survey every three months, using the fixed point observation method. To further promote improvement activities, we

pay special attention to the two items of "corporate culture to encourage employees to try something new" and "sense of fulfillment," and encourage individual departments to propose solutions to problems and implement them, aiming to make numerical improvements. Since it is not only highly-engaged employees but also those who can work with energy and enthusiasm that become a driving force for the Company, we have set up DESCENTE Health Statement and 10 Goals for DESCENTE Employees, working to further improve employees' health.

### Reform for Improved Job Satisfaction and Office Environment Improvement

Aiming to increase our corporate value by improving labor productivity, we have introduced a super flextime system that does not have core working hours, and a telework system. At the same time, in order to increase incidental communication as a way of promoting in-person communication, the Tokyo Office has also implemented

a free-address system, following DISC OSAKA and the Osaka Office. At the Tokyo Office, in addition to installing booths suitable for drastically increasing web meetings and expanding space for business meetings, we have renovated the employee cafeteria, an important place for the employees to refresh themselves and the rest rooms of all buildings, and newly established a cafe space.



## 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 Dealings with Product Manufacturing Factories

Since fiscal 2022, we have been promoting direct dealings (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, with the aim of promoting the manufacturing of higher-quality and higher-grade products. These efforts also reduce costs

through reduction in the payment of intermediary margins and allow 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.

### Roles of Company-owned Factories

The three domestic factories of DESCENTE APPAREL LTD. (Mizusawa Factory, Yoshino Factory and Saito Factory) each utilize specialized skills and the benefits of being company-owned facilities. Through close collaboration with marketing, product planning, and our R&D center, DISC, they produce distinctive products. Since high-level expertise and sewing techniques are required at each factory, recruitment is conducted locally by each factory, where workers accumulate know-how through many years of work, and pass on such know-how to younger workers. In addition, experienced workers also serve as instructors at partner factories, which contributes to raising the overall level of product manufacturing of DESCENTE.

To secure stable employment and foster factories that employees are proud of and that are beloved by the local community, we prioritize our ties with the region. This included entering into a comprehensive partnership agreement with the city where one of those factories is located, and supporting local sports events. We are proceeding with the construction of the Mizusawa Factory's

new building, which is scheduled to begin operating in 2025, with a view to realizing a better working environment for employees, environmental friendliness, and close relationship with the local people. The Mizusawa Factory also assumes a role as the mother factory of the three domestic factories for the promotion of development, manufacturing and sustainability. Positioning these factories as the platform for our manufacturing of products with high added value, we will continue to make investments in the Company-owned factories and promote branding.



Conceptual drawing of Mizusawa Factory new building

### Voice from Mizusawa Factory worker

The Mizusawa Factory was established in Isawa Town, Isawa District, Iwate Prefecture (presently Isawa, Oshu City) in 1970, and started its operation as the first enterprise invited to the area. Among the current employees, there are some workers who are grandchildren of its founding members, which reminds me that the factory has been able to continue operating for 54 years supported by the local people and their understanding.

Our new factory, currently under construction, will begin operations in July 2025, our 55th anniversary. All of us are really looking forward to it.

**Mitsuki Saito**  
Mizusawa Factory, DESCENTE APPAREL LTD.  
Section Manager of Production Section,  
Production Control Section



In front of the new factory under construction

## Coexistence with Local Communities: Market Development Capabilities

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 by providing enjoyment through movement of the body and competing, which are the starting points of sports.

In addition to creating opportunities for top athletes and children to interact with each other and encouraging children to think about their goals and future through playing sports, we conduct various activities to contribute to local communities, such as by holding sports events mainly in Toshima Ward, Tokyo, which is home to the Tokyo Office, and Oshu City, Iwate Prefecture, which is home to the Mizusawa Factory of DESCENTE APPAREL LTD.

### Competitive Swimsuit Press Conference Experience: Meet the Athlete & Create a Newspaper

“arena” announced the development of top racing swimsuits for athletes competing on the global stage at a press conference in August 2023. Twenty-two elementary school swimmers were invited to the press conference, which was attended by numerous reporters and featured the participation of athletes who are candidates for the Japanese national team. Following a firsthand experience observing television filming and reporters' serious questions, the children heard from swimsuit developers, and actually interviewed Tomoru Honda (Itoman Tokyo/Nihon University), Ryosuke Irie (Itoman Toshin), and Runa Imai (Valor Holdings). Each child then completed a newspaper about swimsuits. After learning how to exercise and how to relax the tension before races from them, the children were surprised and delighted to have their ceremonial photos taken with Honda's world championships medal around their

neck. They were excited and their eyes shone throughout the entire event. The children's newspapers were displayed at the arena Shop Tokyo, showcased the characteristics of the swimsuits and conveyed the joy of swimming to people who visited the store.

\* The athletes belonged to these teams, school or company as of August 2023.



### Employees Joining Toshima Ward After-School Programs for Children as Instructors

We have provided opportunities for children to enjoy sports through participating in activities at a workshop-type sports school in Toshima Ward since 2018. In fiscal 2023, we engaged in the After-School Programs of Toshima Ward and held events for children from first to third grades of an elementary school joining the “After-School Programs for Children.” We designed programs that children who are not sporty can also enjoy, and our employees participated in the programs as instructors. This provided an opportunity to convey the enjoyment of sports beyond mere physical activity, through enthusiastic cheering and teamwork.



### Providing Opportunities for Feeling Enjoyment Through Movement of the Body to Children

We held School of Urban Sports in TOSHIMA, an experience-based urban sports event designed for participants, their friends and spectators to have fun together, in Toshima Ward. Children attended lectures given by world's top performers of six disciplines such as dance, double-dutch, and parkour, expressing their excitement with cheers and applause throughout the instructors' performances. We will continue to provide opportunities to feel enjoyment through movement of the body, the starting points of sports.





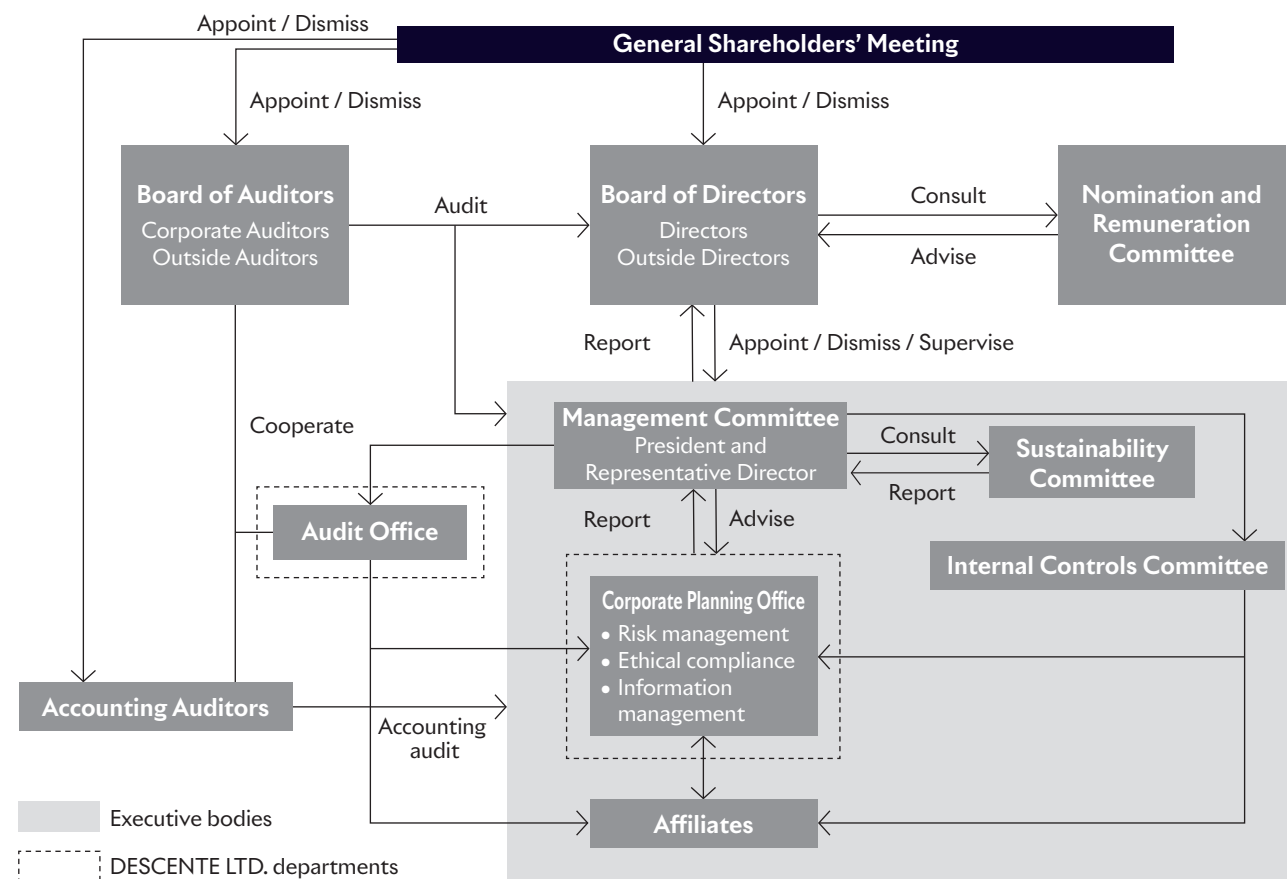
# Corporate Governance

## 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 movement of 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 the 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, in addition to supporting our Action Guidelines, which consists of “defy stereotype to bring profits,” “create beyond customers’ expectations,” and “stick to it to the end without quitting through friendly competition,” we will spread them to all Group companies as the starting point of the Group, as well as establish 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.

### Corporate Governance Structure (as of June 13, 2024)



## Overview of the Corporate Governance Structure

The Board of Directors Meeting, 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, and supervise execution of duties by directors. 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, adopting a corporate auditor system, the Company has selected one full-time auditor and two outside auditors with specialized knowledge in accounting and law. They attend Board of Directors meeting, and supervise execution of duties by directors from a fair and objective standpoint. 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.

Matters to be resolved by directors are reported at a Management Committee meeting attended by inside directors, and then presented to the Board of Directors. We

provides explanations on items on the agenda to the outside directors, and if there is something unclear, they clarify them before the Board of Directors convenes. After this process, participants at Board of Directors meeting engage in constructive discussion and exchange opinions freely and vigorously to make rational decisions.

As an advisory body to the Board of Directors, the Nomination and Remuneration Committee is chaired by an outside director and composed and operated by the president and representative director, senior managing executive officer and chief financial officer (CFO), outside directors, and outside auditors in order to strengthen the independence, objectivity, and accountability of the board's functions related to the nomination of director candidates, as well as to ensure fairness and transparency related to performance evaluation. 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.

## Status of Development of Internal Control System and Risk Management Structure

To promote the separation of management and execution, and maintain flexible management structure, we have defined the roles of directors and executive officers. Directors are in charge of the operation and supervision of the entire Group, and executive officers are classified into “executive officers with special titles,” who are in responsible of business execution, and “executive officers,” who are in charge for a core business, or assigned to operate equivalent duties, in terms of the scope they are responsible for, with the aim of clarifying the scope of their work, responsibilities and authority. In addition, the Board of Directors and the Board of Auditors exercise supervision to always ensure the effectiveness and efficiency of operations.

As a framework for compliance with laws and regulations, a legal team administered by the chief administrative officer (CAO) plays a key role in promoting strict compliance with the DESCENTE Group Code of Ethics. We have also set up a section for consultations concerning ethical issues and harassment inside and outside the Company to raise the awareness of all officers and employees as well as affiliate companies for compliance with laws and regulations. We have also developed a risk management structure that is designed to prevent the occurrence of events that greatly affect the Company, and minimize adverse effects and the amount of financial impact in the case of unexpected circumstances, as well as to ensure the business

continuation under the lead of the Corporate Planning Office as a supervising department. To secure the reliability and transparency of financial reporting, staff of individual departments monitor their business operations on a daily basis, and receive guidance or advice from outside experts as needed. In addition, with the purpose of enhancing and improving internal controls, we have established the Internal Controls Committee, working on the construction, development and operation of a management structure necessary to ensure the adequacy of financial reporting.

Regarding the development of an information management structure, we have assigned the legal team to ensure the appropriate management and utilization of confidential corporate information as a supervising department in order to make sure proper protection of personal information. Execution status of duties including those by affiliate companies is monitored and checked independently by the Audit Office (consisted of three persons), which is under the direct control of the president.

For the timely and appropriate disclosure of the Company data, we have developed a company structure based on the Insider Trading Striction Rules, in which internal information supervisory managers take charge of disclosing the Company data according to information categories such as incidents, decisions, and account settlement information.



Policies and Procedures for the Nomination and Dismissal of Directors and Corporate Auditors

Upon taking into account the nature and scale of the Company's business as well as business environment and strategies, the Company appoints to director 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), knowledge and understanding of corporate management, finance and accounting, industry knowledge, sales and marketing, international business, legal affairs, risk and compliance, and retail business, as well as our society and environments and human resource development 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 directors are

made by the Board of Directors upon deliberations held by the Nomination and Remuneration Committee. Upon taking into account the nature and scale of the Company's business as well as business environment and the auditing structure, the appointment of auditors is conducted in the following procedure: After the execution status of duties of individual directors is carefully examined from a fair and objective standpoint, the president and representative director recommends competent personnel with credentials contributing to the improvement of the soundness and transparency of management, and professional knowledge and experience in fields, such as finance, accounting, and legal affairs, as well as the ability to provide valuable advice and recommendations to the Board of Directors, and then, the Board of Directors carefully deliberates and makes decisions upon the consent of the Board of Auditors on the recommendation of such candidates based on the Auditing Standards of Corporate Auditors.

Skills Matrix

(● refers to a field that he/she has built through his/her professional career and possesses knowledge)

Name	Position	Independence (for outside directors and outside auditors only)	Corporate Management	Finance and Accounting	Industry Knowledge	Sales and Marketing	International Business	Legal Affairs	Risk and Compliance	Retail Business	Society and Environment	Human Resource Development
Shuichi Koseki	Director		●	●	●	●	●		●		●	●
Masahiro Morofuji	Director		●		●	●	●		●		●	●
Motonari Shimizu	Director		●	●	●	●	●		●	●		●
Takeshi Shimada	Director		●	●	●	●	●		●	●	●	●
Yasuyo Kasahara	Director	●			●	●	●		●	●		
Koichi Yoshioka	Director	●					●	●	●			
Miho Takizawa	Director	●		●					●		●	●
Mikio Nakajima	Corporate auditor		●		●		●	●	●			
Akira Matsumoto	Corporate auditor	●	●	●			●		●			
Norihiro Kakita	Corporate auditor	●						●	●		●	

Remuneration of Officers, etc.

The Nomination and Remuneration Committee has been established for the purpose of ensuring objectivity and transparency in the procedures for determining director remuneration, and the Committee receives request for 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 re-entrust 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 allocated by type are provided as incentives that reflect his or her contribution not only to the Company's single-year performance but also to medium- to long-term results.

Total amount of remuneration, etc., total amount of remuneration, etc. by type, and number of applicable officers, according to positions (fiscal 2023)

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 (of whom, outside directors)	251 (24)	115 (24)	66 (-)	69 (-)	66 (-)	7 (3)
Corporate auditors (of whom, outside auditors)	37 (16)	37 (16)	- (-)	- (-)	- (-)	3 (2)
Total number of directors and corporate auditors (of whom, outside directors and outside auditors)	288 (40)	152 (40)	66 (-)	69 (-)	66 (-)	10 (5)

Executive Remuneration System (Performance-Linked Remuneration)

On April 26, 2024, 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 2024. 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, we view net income as an important indicator. However, considering that it can be affected by extraordinary gains and losses, we have decided to adopt both ordinary income and net income to avoid an undue bias toward a short-term management perspective. 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 (fiscal 2024)

Position	Allocation Index	DESCENTE LTD.	DESCENTE JAPAN LTD.
		Rate of Contribution	Rate of Contribution
President and Representative Director	25.00	100%	-
Director and 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)



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



June 2021 Full-time Auditor, DESCENTE LTD. (current position)  
June 2021 Full-time Auditor, DESCENTE JAPAN LTD. (current position)  
October 2023 Auditor, DESCENTE APPAREL LTD. (current position)



April 2012 Co-Partner, Keyakisougou Law Office (current position)  
June 2024 Outside Auditor, DESCENTE LTD. (current position)



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



June 2023 Director and Managing Executive Officer, DESCENTE LTD. (current position)  
President and Representative Director, 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)  
Outside Director, FANCL CORPORATION (current position)  
June 2023 Outside Director, POPLAR CO., LTD. (current position)

### Yasuyo Kasahara Outside Directors

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)

### Koichi Yoshioka Outside Directors

April 1995	Registered as a lawyer (belonging to the Tokyo Bar Association) and joined Ozawa & Akiyama
May 2000	Registered as a lawyer in New York State
July 2000	Worked at Paul Hastings LLP
July 2001	Returned to Ozawa & Akiyama (current position)
June 2019	Outside Auditor, DESCENTE LTD.
June 2024	Outside Director, DESCENTE LTD. (current position)

### Miho Takizawa Outside Directors

April 2007	Research Fellowship for Young Scientists (PD), JSPS (Japan Society for the Promotion of Science)
April 2008	Senior Lecturer, Faculty of Economics, Toyo University
April 2017	Professor, Faculty of Economics, Toyo University
April 2019	Associate Professor, Faculty of Economics, Gakushuin University
April 2020	Professor, Faculty of Economics, Gakushuin University (current position)
April 2023	Outside Director, Human Technologies, Inc. (current position)
June 2024	Outside Director, DESCENTE LTD. (current position)

## Message from Outside Directors



Yasuyo Kasahara  
Outside Directors

See p. 47 for more on their background.

I recognize that DESCENTE is facing the following two challenges. First, the scale of the sports apparel market has been decreasing in Japan, South Korea and China due to the acceleration of both the decline in birthrate and the aging of society, causing intensified competition for market share. Under such circumstances, it has become urgently necessary to reinforce a business infrastructure that can generate revenue continually and clarify our distinctive characteristics. Second, it is essential to steadily promote sustainability management that considers human rights and the environment while valuing our stakeholders. To address the former challenge, further promoting the clear-cut branding strategy and the DTC strategy is crucial. For the second, I believe it is important to maintain a good conscience as a manufacturer that views “Long-Life Product Manufacturing” as a solution, and to develop a distribution environment that covers from the procurement of materials to after-purchase servicing.

Based on New Mid-term Management Plan, D-Summit 2026, I am determined to perform my work responsibility through making accurate recommendations and giving advice by leveraging knowledge that I have cultivated in the fields of distribution and retailing business handling fashion commodities and clothing, from the perspective of the sound and deep cultivation of the DTC business in Japan, and the proposal of attractive fashion styling from head to toe incorporating not only apparel but also shoes, bags, accessories, as well as the provision of high-quality customer service, with the aim of contributing to corporate growth and the improvement of corporate value.

I have a high degree of expectation that energetic human capital management that incorporates the utilization of diverse human resources and subverts received ideas to create innovations will bring about the growth and development of the Company.

I served as an outside auditor for five years from 2019, and was appointed as an outside director in June 2024. Despite facing adverse challenges such as the boycott in South Korea and the spread of COVID-19, the management made tireless efforts to advance reform, and achieved record-high profits in two consecutive terms by demonstrating their remarkable management talent. Our Company, which has developed its business mainly in the three countries of Japan, South Korea and China, works to clarify challenges for the future in individual markets and addresses the resolution of such challenges. Since it is expected that the Company will take on the challenge of advancing into other markets in the medium- and long-term, I hope the universal brand image of “DESCENTE” will be established, and that the Japan business will serve as a control center of the brand strategy.

At Board of Directors meetings, participants engage in productive discussion, in which outside directors and outside auditors vigorously express their views and make recommendations concerning important matters related to management. As a lawyer, I have given advice and expressed my views mainly from a legal perspective. Going forward, I aim to improve myself so as to provide adequate and reasonable opinions from a business perspective as an outside director, in addition to offering legal advice utilizing my expertise as a lawyer.



Koichi Yoshioka  
Outside Directors

See p. 47 for more on their background.



Miho Takizawa  
Outside Directors

See p. 47 for more on their background.

I was appointed as an outside director in June 2024. I specialize in macroeconomics, which is a study to analyze the economic situation from a higher perspective, and, in particular, have been conducting a study on corporate productivity and intangible assets including human capital for about 20 years. Labor productivity, simply put, is gross margin divided by labor input. However, in Japan’s declining-population economy, improving labor productivity is a key element for raising wages and, eventually, driving economic growth. Since our Company’s approach of “focusing on profit, instead of pursuing sales” contributes to the improvement of productivity, I have high expectations of the Company’s continuous efforts to carry out relentless profit-oriented business activities based on this policy. As an outside director, I believe my role is to offer objective advice that enhances corporate value through proposing missions beneficial for customers and the entire society, and encouraging actions to pursue the maximization of benefits. In addition to this, I will work to determine whether the Board of Directors is handling matters according to judgment based on an economic principle, and whether members raise questions as necessary or develop a risk-taking attitude properly. I will take advantage of my expertise and do my best to make proposals with consideration for the improvement of our Company’s productivity.



Financial and Non-Financial Data

			Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
■ Financial Information							
Items of consolidated income statement (million yen)	Net sales		124,561	96,862	108,892	120,614	126,989
	Operating income and operating loss		379	-1,806	5,138	7,793	8,740
	Ordinary income and ordinary loss		456	-584	7,556	11,664	15,729
	Profit or Loss Attributable to Owners of the Parent		-2,481	5,039	6,229	10,550	12,014
Items of consolidated balance sheet (million yen)	Total assets		108,504	107,987	116,375	133,562	150,304
	Net assets		72,193	77,963	86,658	100,300	113,733
Items of consolidated statement of cash flows (million yen)	Cash flows from operating activities		2,371	2,393	13,515	12,906	7,392
	Cash flows from investing activities		-5,949	51	3,152	-8,013	-9,611
	Cash flows from financing activities		-4,128	-2,586	-3,520	-3,963	-3,628
	Balance of cash and equivalents at year-end		19,559	19,244	32,757	34,744	29,243
Other financial indices	Debt with interest (million yen)		7,159	5,228	2,676	5,055	8,185
	Interest coverage ratio (times)		8.1	27.0	230.4	120.2	45.6
	Cash dividends per share (yen)		-	-	25.00	40.00	48.00
	Dividend payout ratio (%)		-	-	30.3	28.6	30.2
	Total shareholder return (TSR) (%)		43.8	64.9	107.6	145.0	123.0
	Number of issued shares (thousand shares)		76,924	76,924	76,924	76,924	76,924
■ Non-Financial Information							
GHG emissions (t-CO2) <sup>*1</sup>			1,576	1,097	999	743	116,709
Amount of industrial wastes (Japan) (t) <sup>*2</sup>			37	64	554	420	219
Water consumption (m <sup>3</sup> ) <sup>*3</sup>			-	16,025	12,697	10,156	11,340
Number of employees <sup>*4</sup>			3,452	3,148	2,712	2,924	2,659
Percentage of female workers in management positions (Japan) <sup>*5</sup>	DESCENTE LTD.		20.4%	22.2%	20.0%	16.7%	25.0%
	DESCENTE JAPAN LTD		10.1%	13.9%	15.4%	15.4%	13.7%
	DESCENTE APPAREL LTD.		0.0 %	0.0%	0.0%	0.0%	0.0%
Percentage of employees with disabilities <sup>*3</sup>			1.8%	2.1%	2.4%	2.2%	2.4%
Number of new graduate hires <sup>*3</sup>			53	48	39	44	30
Number of mid-career hires <sup>*3, *6</sup>			120	100	73	80	111
Average continuous employment (years) <sup>*3, *6</sup>			18.0	14.2	13.8	14.1	15.9
Average monthly overtime (hours) <sup>*3, *6</sup>			6.1	3.6	5.2	6.0	6.4
Average annual leave taken (days) <sup>*3, *6</sup>			12.5	12.8	12.7	13.0	12.3
Percentage taking childcare leave (Japan) <sup>*7</sup>	DESCENTE LTD.	Male	80.0%	0.0%	0.0%	100.0%	100.0%
		Female	100.0%	-	100.0%	100.0%	100.0%
	DESCENTE JAPAN LTD	Male	12.5%	5.6%	34.6%	47.6%	100.0%
		Female	100.0%	100.0%	95.0%	100.0%	100.0%
	DESCENTE APPAREL LTD.	Male	-	0.0%	0.0%	0.0%	-
		Female	-	100.0%	100.0%	100.0%	100.0%
Number of recognized labor accidents <sup>*3, *6</sup>			16	8	16	12	15

\*1 Figures until fiscal 2022 include the results of Scope 1 and 2 only in Japan. Since fiscal 2023, the calculation scope has been expanded to include Scope 1, 2, and 3 (Japan)/Scope 1 and 2 (overseas).  
\*2 Figures until fiscal 2020 are for distribution centers only. From fiscal 2021, figures include waste generated in factories and offices.  
\*3 Figures represent the combined consumption by DESCENTE LTD., DESCENTE JAPAN LTD., and DESCENTE APPAREL LTD.  
\*4 Figures represent the Group's consolidated number of employees.  
\*5 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)  
\*6 The results of DESCENTE APPAREL LTD. are not included in figures for fiscal 2019.  
\*7 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), percentages of employees taking childcare leave and leave for childcare purposes were calculated as per Article 71, paragraph (4), (II) 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)

Company Profile

Company Profile

Name	DESCENTE LTD.
Founded	February 1935
Capital	¥3,846.2 million
Location	Tokyo Office 1-4-8 Mejiro, Toshima-ku, Tokyo 171-8580 JAPAN
	Osaka Office Maruito Namba Building 13F, 1-2-3 Minatomachi, Naniwa- ku, Osaka 556-0017 Japan
Number of employees	Consolidated: 2,659
	Non-consolidated: 34 (as of March 31, 2024)

Main Affiliates (as of March 31, 2024)

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

External evaluation



Editor's postscript

Thank you for reading the Integrated Report 2024 to the end. We have formulated D-Summit 2026, our mid-term management plan, this fiscal year. We have tried to convey the growth strategies and finance strategies in D-Summit 2026, as well as the strengths and the financial and non-financial information of our Group's business to stakeholders in an understandable manner through this integrated report. We hope that you will find this integrated report helpful for understanding the sustainability of our business. We are very happy if the publication of the integrated report will lead to more opportunities to have deeper dialogues with our stakeholders and deepen their understanding of business of our Group.



Kitazawa, Kaneko, Nohara, and Kimura, Corporate Planning Sect. DESCENTE LTD.