

DESCENTE



DESCENTE Group
CSR Report 2017



DESCENTE LTD.

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

The website provides comprehensive information about our CSR activities in general, and is designed with searchability in mind. Meanwhile, the DESCENTE Group CSR Report contains content the Company has deemed particularly important, prepared with reference to ISO26000 standards, and also includes featured sections on subjects we hope many people will be interested in reading about. As a means of deepening our dialog with our stakeholders, these feature pages also emphasize the voices of the individuals involved and those who participate in our CSR activities, with the goal of making them enjoyable, approachable reading for everyone.

We will be most happy if this report helps provide you, our stakeholders, with a greater interest in, and understanding of, the role of CSR at DESCENTE.

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; it is through sports that DESCENTE contributes to life being lived—by everyone—to the full.

SPIRIT OF DESCENTE

Creation

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

Challenge

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

Integrity

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

Harmony

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

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Period Covered by this Report

In principle, this report covers the period between April 2016 and March 2017, but may include content regarding activities taking place before and after those dates.

Participation in the United Nations Global Compact



Network Japan WE SUPPORT

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

Masatoshi Ishimoto
President



“The source of the DESCENTE Group’s competitiveness lies in our manufacturing creativity and our ability to create retail environments.”

**Masatoshi Ishimoto,
President**

By not only manufacturing and selling better products, but offering customers the sense of pleasure and excitement that comes from wearing them, the DESCENTE Group believes it affords even more people the opportunity to participate in, and share the enjoyment of sports. We also believe that communicating our corporate philosophy to a wider audience to “bring the enjoyment of sports to all” is a CSR activity each and every one of our employees can engage in. Given our involvement in sports, I think many employees of the DESCENTE Group enjoy sports and exercise in general. Outside of their work, some of them also take the initiative to exercise and convey the enjoyment of sports across generations. It pleases me to know that through this kind of independent effort, the number of people engaged in sports continues to grow. The implementation of our hands-on Sports School for Healthy Kids program is intended to expand opportunities for children to enjoy sports, and is one of the ways we are working to see sports take root nationwide over the long term as we communicate the enjoyment of sports to even more children. In the future, we hope to expand those activities by collaborating with companies, athletes and sports associations that share similar aspirations.

To better oversee the CSR activities of our individual Group companies, from April 2017 the CSR Office reports directly to the president, bringing a global perspective to establishing plans for Group company activities and allowing us to offer advice on a broad spectrum. In fiscal 2016, we also worked to identify risks at each of our operating companies and prepared a Code of Ethics for each company, and in fiscal 2017 will work to ensure compliance with those Codes. CSR activities are our point of contact

with society, and our operating companies, which take the lead in promoting those activities, must place importance on even closer involvement with their local communities. We will work to share information across the Group as a whole, and ensure that we communicate precise guidelines for CSR activities.

My hope is that the DESCENTE Group will continue to thrive through the trust of our stakeholders. To accomplish that, we must first establish a solid source of competitiveness to serve as our Group strength. I believe that source lies in our manufacturing creativity and our ability to create retail environments. We will listen to the wishes of our customers and respond to those wishes through our technology and inventiveness, constantly developing new products, creating retail environments that are fresh, surprising, and that make shopping a fun experience, and allowing us to deliver products our customers will appreciate. It is also important that all of our Group employees bring a similar motivation to their work. We will continue to ensure that our Group philosophy of bringing the enjoyment of sports to all is instilled throughout the Group, and that our employees are able to move forward with their business activities based on that philosophy.

In the future, our Group companies will continue to value our ongoing communication with our stakeholders, offering people everywhere the enjoyment of sports, and pushing ahead to ensure the sustainable development of society as well as our own continued growth.

DESCENTE CSR Policy

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

April 1, 2012

CSR at DESCENTE

To DESCENTE, CSR is a set of principles that form the foundation of all Group activities, and ensure that we contribute to the well-being of both local communities and society at large.

Sustainable Mission

Based on the seven core subjects of ISO 26000, the DESCENTE Group incorporates sustainable development goals (SDGs) into its CSR activities.

1. Doing business in good faith

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

2. Respect for human rights

As set forth in our Code of Ethics, DESCENTE works to ensure that our employees and all other people we have tangible contact with will not be harassed or discriminated against because of their place of birth, gender, age, physical disability or any other factors which are not directly related to carrying out their jobs.

3. Our relationship with our employees

In order to establish a safe and healthy working environment, DESCENTE works to ensure that all pre-established rules are strictly observed, prevent industrial accidents, promote health management and establish a corporate culture where our employees can embrace a wide range of ideas and handle challenges positively.

4. One with the environment

DESCENTE has formulated a Basic Environmental Philosophy and Environmental Policy, which serve as management guidelines, engages in environmental preservation efforts intended to reduce environmental impacts and risk, and also takes proactive, ongoing action to prevent such impacts and risks.

5. Fair business practices

DESCENTE aims to build mutually beneficial, sustainable and equitable partnerships with its suppliers, improving human rights and working conditions and cooperating in environmental preservation.

6. Our relationships with our customers

To offer support to its customers—sports enthusiasts the world over—DESCENTE is on a constant quest to create safe, high-performance sportswear of the highest quality.

7. Our relationship with the community

DESCENTE contributes to the creation of a healthy lifestyle, improving the physical and mental well-being of the children who represent our future, students and local citizens through sports-related events and career education.



As the scale of the DESCENTE Group's business grows, so do society's expectations. Given these circumstances, we asked the head of DESCENTE's CSR Office about effective ways to engage in CSR.

Since its establishment, DESCENTE has imbued its founding spirit with its social responsibilities as a good corporate citizen, and acted accordingly. As the company's business grew in scale, and as the scope of its activities began to shift overseas, it was met with an even greater level of expectations and demands from society. I believe that happened around the start of Compass 2015, our medium-term management plan, as the company was approaching ¥100 billion in consolidated sales, with sales outside of Japan representing 50% of that amount.

Today's stakeholders pay attention not only to the performance of the companies they are concerned with, but also whether those companies show an interest in and respond adequately to the expectations of society. They look at whether companies are aware of conditions in the workplaces where their products are manufactured, whether they have built a value chain optimized in every respect, and whether their employees are doing work they find rewarding. Stakeholders also emphasize whether companies assess the environmental impacts that arise in the course of their business activities, and whether they give back to the local communities and society in general in the places where they do business. These and other factors have become criteria for measuring corporate value.

To respond to these expectations and demands, I think it is desirable that our approach to and initiatives involving CSR incorporate global CSR trends. In our disclosure of information, it is also important that we be able to offer objective proof of the effectiveness of our CSR activities. Some of the ways we have done this include our ongoing ISO 14001 certification; our signing of the United Nations Global Compact; our participation in the Sports For Tomorrow Consortium and other social activities; a reconsideration of our activities in accordance with the ISO 26000 standard; and our communication with the World Federation of the Sporting Goods Industry, The Japanese Federation of Textile, Chemical, Food, Commercial, Service and General Workers' Unions, and various NPOs. Because these efforts have just begun, by no means do we have all the necessary pieces in place; our various initiatives still lack depth, and our efforts to communicate and inform, both inside and outside the company, are as yet inadequate. Digging deeper into these areas will be an important issue in the future.

Looking at those companies that are considered to be at the forefront of CSR, it is clear they have devoted considerable time and energy to building internal understanding of, and firmly establishing, their CSR programs. It can be difficult to explain just what CSR is, and difficult to understand as well. If those who do have a grasp of the issues move ahead on their own, it only widens the gap with those who have yet to gain a full understanding. I believe that instilling a widespread understanding of CSR within the company requires a strong awareness on the part of management, the ability to leverage that awareness to promote CSR from the



Yoshiyuki Kato
Manager
Corporate Social Responsibility
DESCENTE Ltd.

bottom up, and an approach that involves not simply educating the employees, but thinking and learning along with them.

In this age of sustainability, as we deal with our day-to-day work it is important that we bring not only a conventional business perspective, but also a CSR-focused viewpoint to discussions with suppliers, to the proposals we make and to our own way of thinking. Companies that are successful in doing so are, I think, the companies that will achieve sustained growth.

It is also said that, in the future, continuing to engage in conventional CSR based on value protection, but with the addition of CSR initiatives based on value creation, can lead to enormous leaps forward for a company as a whole. We must thus aim to achieve this kind of value creation CSR, creating new business opportunities that will enable us to solve social issues through our own strengths.

► Priority CSR Goals ◀

- Promote CSR activities from a global perspective
- Develop CSR in supply chain labor
- Promote risk management and compliance structures throughout the Group
- Expand environmental protection activities
- Centralize CSR activities and create new initiatives
- Work with overseas subsidiaries to engage in international contributions through sports
- Shift the direction of CSR from value protection to value creation (CSV)

To offer support to its customers, sports enthusiasts the world over, DESCENTE is on a constant quest to create safe, high-performance sportswear of the highest quality.

The Source of Competitiveness: Manufacturing Creativity and the Ability to Create Retail Environments

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

Manufacturing Creativity

DESCENTE's strength lies in our ability to develop high-performance, high-quality sportswear of outstanding design. Today, we are bringing high-performance products to the global market while ramping up the capacity of our factories in Japan, improving our development prowess and expanding productivity to further enhance our manufacturing creativity.

'One Thing by Munsingwear' Spring/Summer Polo Shirt Gains J ∞QUALITY Certification

The spring/summer polo shirt that went on sale in June 2016, part of our 'One Thing by Munsingwear' series, represents the culmination of advanced Japanese technology across every step of production, offering meticulous fabrication and ensuring ease of movement using a 3D pattern that takes the needs of golfers into account. For spring/summer, it features a treatment that keeps the fabric cool, and also uses material that offers UV protection.

The product has gained J ∞QUALITY certification*, an indication of a genuinely made-in-Japan article and a product that, in its detailed finish and quality, offers the buyer peace of mind. Other polo shirts in this series, made with different materials, also obtained the same certification in September 2015.



One Thing by Munsingwear Spring/Summer Polo Shirt (Left: Men's; Right: Women's)

*J∞QUALITY Certification: Under the guidance of Japan's Ministry of Economy, Trade and Industry, this nationwide project aims to create demand for Japanese apparel and revitalize textile and garment manufacturing regions. It was launched in February 2015, primarily through the efforts of the Japan Apparel Fashion Industry Council.



T16S15AW000117 Approved by J∞Q Promotion office.

The DESCENTE Design Award Program Continues

Intended to enhance our development and design capabilities, the DESCENTE Design Awards is an in-house contest launched in June 2015 and held every six months. The most outstanding designs in terms of functionality, novelty and trend are selected for consideration by vote. The third contest, held in July, 2016, targeted fall/winter 2016 products, while the fourth contest in December 2016 was for spring/summer 2017 products. Grand Prize and Award of Excellence winners were decided by votes from about 130 fashion and sports magazine editors, stylists and others.

We will continue to conduct this in-house contest in addition to our participation in outside award programs, as we work to further enhance our product development and design capabilities and delight as many of our customers as possible.



Products on display at the DESCENTE press conference

▼ 3rd Contest Award Winners (held July, 2016)



Grand Prize
Brand: le coq sportif
Product name: CHARI&CO x le coq sportif
Team bib pants and team jerseys
Designer: Ryota Ito



Award of Excellence
Brand: Marmot
Product name: 1000 Restar Down Parka
Designer: Fumiyo Sato

▼ 4th Contest Award Winners (held December, 2016)



Grand Prize
Brand: le coq sportif
Product name: Cycle Tailored Jacket
Designer: Ryota Ito



Award of Excellence
Brand: DESCENTE
Product Name: Tough Denim WB Long Pants
Designer: Tetsuta Okano

The Ability to Create Retail Environments

In accordance with efforts to accelerate new openings of directly run stores and shop-in-shop formats, a priority strategy under Compass 2018, our medium-term management plan, we are working to enhance our expressive capabilities through product planning, face-to-face sales and visual merchandising, strengthening our ability to create retail environments which serve as the most important point of contact between our brands and our customers.

New Stores Offers a Strategic, Attractive Retail Environment

► The DESCENTE Brand's First Store in China

In 2016 our Group affiliated company Descente (China) Co., Ltd. opened China's first DESCENTE brand store, in Changchun in northeastern China. This store opening is in line with the brand vision outlined in VISION 2020, our goals for 2020, of a sports brand of Asian origin aiming for the top selling position in the Asian sports apparel market. The area features ski resorts and other outdoor tourist attractions, and DESCENTE will be positioned to appeal to that market as a premium performance brand.



DESCENTE Shop
Changchun Charter Shopping Center
Open August 5, 2016

► DESCENTE BLANC Marunouchi

The fourth directly operated DESCENTE BLANC store opened in Tokyo's Marunouchi district. Targeting highly fashion-conscious people in one of the city's primary business centers, store offerings center on DESCENTE ALLTERRAIN sportswear, as well as DESCENTE PAUSE, Inov-8 and other lines that communicate the appeal of DESCENTE BLANC. On the day of the opening, a running event was held in collaboration with other boutiques.



DESCENTE BLANC Marunouchi
Shin-Marunouchi Bldg.
4th floor Marunouchi,
Chiyoda-ku, Tokyo
Opened September 16, 2016

arena Shop Tokyo
Ebina Building
Jingu-mae, Shibuya-ku,
Tokyo
Opened March 16, 2017

► arena Brand Global Flagship Store

arena Shop Tokyo, the brand's global flagship store, opened in Tokyo's Harajuku and is designed around seasonal visual merchandising themes. To support the lifestyles of watersports enthusiasts, the store offers casual sportswear in addition to swimwear, and will also host talk shows and other events around the theme of water, along with a variety of other activities.

Initiatives Aimed at Improving Employee Skills

► 29th Annual Nationwide Outstanding Store Awards Ceremony

To improve the skills and increase the motivation of our approximately 1,000 sales coordinators (SCs) at about 500 retail environments nationwide, we select and offer awards to outstanding stores based both on quantitative measures, including revenue, performance to budget and performance versus the previous year, and on qualitative measures such as in-store displays, teamwork and customer reviews. At the 29th awards ceremony, CEO Masatoshi Ishimoto also announced that in June 2016, 550 contract SCs would become full status sales employees.



Awards ceremony held on May 25, 2016

► 8th Annual Nationwide SC Role-playing Tournament

This tournament, which was first held in 2009, is intended to offer an opportunity for SCs to present their customer service achievements, improve their skills and enhance their ability to achieve customer satisfaction. The 2016 tournament addressed the theme of "Customer Service that Connects: Promoting the Customer Card (mobile membership, etc.) as a Way of Capturing Customers." The preliminary round featured 36 participants from directly owned stores, department stores and specialty stores nationwide, of whom 14 went on to the championship round in Osaka. We will continue working to improve our sales employees' skills and to refine our retail environments aiming for enhanced customer satisfaction levels.



Championship round held November 10, 2016 in Osaka

► Factory Tour Training for SCs

We hold factory tours for sales coordinators (SCs) as a way of deepening their knowledge of the brands they handle day-to-day and enhancing their face-to-face sales ability. In 2016, a group of 20 visited three partner factories in Japan that make J ∞ QUALITY certified products, where they saw for themselves the complexity and precision of the production process and interacted with factory staff, whose passion for delivering great products deepened the participants' feelings for the products as well, renewing their determination to treat each item they sell with care. We will use this kind of training to improve employee skills and enhance our ability to improve retail environments.



Employees tried their hand at attaching buttons on polo shirts as part of the tours held on September 13-14, 2016

In accordance with our goal of enriching sports opportunities for children, the DESCENTE Group continues its Sports School for Healthy Kids program where elementary school children, who typically do not get enough exercise, can experience first-hand the enjoyment of exercise.

Sports School for Healthy Kids 2016

Feature

Supported by: Japan Sports Agency and Regional Boards of Education



The Sports School for Healthy Kids is a hands-on sports program for children intended to encourage fitness by teaching children to enjoy sports. Children today have fewer opportunities to participate in sports, and their physical strength and athletic ability have declined as a result. We call on top athletes, including former Olympians, to serve as instructors, and provide opportunities for the children to experience sports at a high level. Participation is free.

The DESCENTE Group set the direction of its fiscal 2015 activities by establishing a goal of enriching sports experiences for children, and has actively promoted this goal through efforts to increase such opportunities, conducting this program at elementary schools nationwide. In fiscal 2016, sessions were held at a total of 18 schools, including 10 in Iwate, Miyagi and Fukushima prefectures and 8 in Osaka Prefecture and Tokyo.

Program Description

School Visits Instructor: Hikaru Tanaka

Doctor of Education, Professor at Ryutsu Keizai University

A gymnast, Hikaru Tanaka competed in the Atlanta Olympics, performing an original technique on the parallel bars (with an F degree of difficulty), and was a silver and bronze medalist at the World Championships.

He currently conducts research and mentors students in the fields of early childhood and health education.



At the schools Dr. Tanaka visited, his rhythmic calisthenics program, as well as mat and the vaulting box exercises were conducted, in accordance with requests from the schools. For the rhythmic calisthenics, Dr. Tanaka started by getting up on stage and doing a light warmup while explaining to the children key points of the exercise. Once the music started, the children followed along with his movements, exercising for about 20 minutes. Through this program, Dr. Tanaka helped the children to understand the enjoyment of exercise and the importance of working hard without giving up. At the end of each program, the schools were provided with a DVD to use as instructional manual, so that they can continue implementing the program on their own. DESCENTE plans to continue these kinds of activities so that as many children as possible can participate in the program and have the opportunity to experience for themselves the enjoyment of sports.



Oshu, Iwate Prefecture

School	Date	Program
Wakayanagi Elementary School	Nov. 14, 2016 (Mon.)	Posture exercises*
Natsuta Elementary School		Posture exercises
Isawa Daiichi Elementary School	Nov. 15, 2016 (Tue.)	Rhythmic calisthenics, mat exercises, vaulting box
Isawa Atago Elementary School		Rhythmic calisthenics, mat exercises

Sendai, Miyagi Prefecture

School	Date	Program
Haranomachi Elementary School	Nov. 28, 2016 (Mon.)	Rhythmic calisthenics, vaulting box
Katahiracho Elementary School		Rhythmic calisthenics, mat exercises
Matsumori Elementary School	Nov. 29, 2016 (Tue.)	Rhythmic calisthenics, mat exercises
Saiwaicho Elementary School		Rhythmic calisthenics, mat exercises

Minamisoma, Fukushima Prefecture

School	Date	Program
Haramachi Daini Elementary School	Dec. 13, 2016 (Tue.)	Rhythmic calisthenics, mat exercises
Omika Elementary School		Rhythmic calisthenics, mat exercises

Osaka, Osaka Prefecture

School	Date	Program
Chikko Elementary School	Feb. 2, 2017 (Thu.)	Rhythmic calisthenics, mat exercises, vaulting box
Nagayoshideto Elementary School		Rhythmic calisthenics, mat exercises, vaulting box
Uriwari Elementary School	Feb. 3, 2017 (Fri.)	Rhythmic calisthenics, mat exercises, vaulting box
Meiji Elementary School		Rhythmic calisthenics, mat exercises

Nakano, Tokyo

School	Date	Program
Heiwanomori Elementary School	Feb. 13, 2017 (Mon.)	Rhythmic calisthenics
Ehara Elementary School		Rhythmic calisthenics, mat exercises
Momozono Elementary School	Feb. 14, 2017 (Tue.)	Rhythmic calisthenics, mat exercises, vaulting box
Mukodai Elementary School		Mat exercises, vaulting box

*Posture Exercises

As more children develop poor posture due to a lack of exercise and bad sitting and standing habits, this exercise program was developed to overcome this problem, with consequential benefits to concentration.



Voices:

Teachers



026

Host Elementary School
Keiji Nagano

Principal
Oshu Municipal Wakayanagi
Elementary School

DESCENTE APPAREL has its Mizusawa Factory here in Oshu, so our children are familiar with DESCENTE as a manufacturer. Under the wonderful guidance of their instructor, the children and their teachers both had a good time learning about the importance of posture as they exercised. The connection between the Sports School and the importance of having a dream did seem a little weak, though, so maybe that could be explained a little bit better to the children.



027

Host Elementary School
Osamu Nishidate

Principal
Oshu Municipal Isawa Atago
Elementary School

Even when they are lucky enough to live in the countryside, children are playing outside less these days, so one of the goals for childhood development at our school is strong minds and bodies. Since it is rare that we have the opportunity for personal instruction from a top athlete, this experience left a strong impression. I hope that in the future, our children will also have the opportunity to hear from athletes about their passions, how they recover from disappointments, and other stories and personal episodes that the children can identify with and look up to.



028

Host Elementary School
Kazuya Hasegawa

Principal
Sendai Municipal Haranoma-
chi Elementary School

As a school designated for the promotion of Olympic and Paralympic education, we are engaged in those efforts and also have as our goal the development of our children's bodies, minds and morals ("Sweat, use your brains, be brave!") as the foundation of intellectual and moral education, and health education is something we focus on as part of that. The Sports School is a casual way for children to get the hang of exercise, and seeing them take the initiative to move around for themselves gave me much to think about in terms of how we teach physical education.



029

Host Elementary School
Tadao Narita

Principal
Sendai Municipal Katahira-
cho Elementary School

Not only did Dr. Tanaka provide instruction at just the right tempo to draw the children in, but I suspect that even the teachers who participated learned something about a different method of instruction. The majority of our children only play sports in physical education classes. Looking at sports as a lifetime pursuit, I think our society needs to allow children to learn about the fun of exercise from a young age, so that they can continue exercising throughout their lives.

Supporters



030

Manaka Nishikado

Sponsor staff (new employee)
Overseas Operation Department,
Overseas Operation Section 1
DESCENTE Ltd.

After exercising alongside the children, I have a better understanding of our company's CSR initiatives. More of the children than I had imagined had an everyday familiarity with sports, which also left an impression. There were also many children in other grades at the schools we visited who wanted to exercise, too. That made me think that, since this is a program for children, it would be great if it could be opened up to any child who wished to participate.



031

Yoshie Saito

Sponsor staff (new employee)
Accounting and Administrative
Office, Accounting Section
DESCENTE Ltd.

The Sports School has an objective in terms of CSR of encouraging children to enjoy sports. I also sensed its significance in terms of allowing us to fulfill our role as a sports manufacturer, while enabling children to learn more about DESCENTE and at the same time strengthening relationships with those involved in sports such as Dr. Tanaka. These CSR activities do more than simply fulfill a corporate obligation; I think it is important that we give them multiple objectives and meaning.

Organizer



032

Etsuko Yamakawa

Sponsor staff
Sports Marketing Department,
Sports Marketing Section 1
DESCENTE Ltd..

A review of Sports School for Healthy Kids 2016, and a Vision Forward

Response to Reactions from Front-line Educators

It always makes us happy when we visit the schools and see signs that say "Welcome!" and hear the children's enthusiastic greetings, which tell us just how much they look forward to the Sports School. While in principle the Boards of Education assist us in selecting the schools, in some cases we have to resort to a lottery-type draw, which shows how popular the program is. Dr. Tanaka has suggested collaborating with the Japan Gymnastics Association to expand the program further, and instructors who led our posture exercise program also expressed interest in continuing to participate, so we hope to work to further enhance the program's content. This

was the first time we had new employees participate in a supporting role, and going forward we will continue to include participation in the Sports School for Healthy Kids as part of our training for new hires.

Creating Programs that Incorporate Society's Needs

The Sports School for Healthy Kids is an embodiment of DESCENTE's corporate philosophy. We will look at enhancing the program further by holding not only live instruction for children, but classes for teachers and family members as well. Our goal is to incorporate society's needs, cooperating with those involved to build an even better program, conducted under the guidance of quality instructors.

As a sports-related company, DESCENTE has put into practice the DESCENTE Health Statement, the goal of which is to create healthy, lively workplaces for our employees. The organization also supports health management at the individual level, setting forth our 10 Goals for DESCENTE Employees as a way for employees to take the initiative in maintaining their own health.

Feature

The DESCENTE Health Statement

Based on its Corporate Philosophy, DESCENTE endeavors to contribute to the physical and emotional well-being of people by supporting sports and promoting healthy lifestyles, and our business is managed in the belief that employee health is the driving power behind the company. To accomplish this, we not only provide safe, comfortable workplaces, but are promoting reforms in the way we work designed to achieve work-life balance. By encouraging health management through its various support programs, the organization will help sustain the health of each individual employee, with the goal of creating a lively, happy workplace environment.

September 16, 2016
Masatoshi Ishimoto, President
DESCENTE Ltd.

On Creating the DESCENTE Health Statement

As a company involved with sports, we as employees must be healthy.

To promote awareness of our own health, we have set out 10 Goals for DESCENTE Employees. I hope that everyone will work to attain as many as possible, e.g. those who have reached five of those goals will work to reach eight or nine. Current initiatives the company is advancing to support the DESCENTE Health Statement largely involve passive measures for preventing poor health, or for addressing ill health when it does occur. In the future, however, we hope to implement more active efforts to build good health, as with our “Let’s Walk One Station” campaign.



Masatoshi Ishimoto, President
DESCENTE Ltd.

Interview



Kenichi Tsujimoto
Managing Executive Officer, Director
Chief Health Officer (CHO)
DESCENTE Ltd.

Company System and Outline of Initiative

A health management system and work style reforms are both important points in promoting a healthy company. In 2008, we announced our Work Style Reform Statement, and in 2010 we hired our first health outreach worker, the start of building a health management system. Today, five health outreach workers and one health administrator are responding to the health management needs of our Group’s 2,300 employees.

Status Quo and Objective

Our ultimate objective is to raise productivity while maintaining good employee health. Employees who may have some kind of illness are first encouraged to get treatment, and then supported in getting well. In the past, many employees went to the hospital only after growing seriously ill, so we recommend that they seek early treatment.

Work style reforms are still underway, but we believe it is important to promote a sound way of working that balances reforms with health management. Since our employees listen seriously to the advice and warnings offered by our health outreach workers, we are leveraging this advantage to create a system by which we can provide precise support for employee health management needs.

Areas we Hope to Focus On

“No Overtime Wednesdays,” one of the measures included in our Work Style Reform Statement, is finally being adopted more widely within the organization, but there are many other things we still need to work on. We will hold meetings between labor and management to discuss work styles by division, as we endeavor to initiate changes in the way our employees work.

The ultimate goal of work style reforms is a situation in which employees can deliver results without working overtime, while the goal of health management is to make absolutely sure the worst never happens—that no employees die on the job. Rather than

leaving health management up to our employees, we are in the process of building a system to support them in a healthy workplace.

Enthusiasm in Moving Forward

Since 2015, DESCENTE has applied for inclusion in the list of Health & Productivity Stocks selected by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE). Preparing to apply has given us a systematic indication of the elements we require. Recognizing those issues was extremely significant.

We can be proud of the fact that 100% of our employees and sales staff take their annual physical, and our employees are both quite serious and positive in their response to the fitness for work determinations the company makes based on the results of those physicals. A healthy company benefits not only the management of the company, but also is intended to promote employees’ own health management by changing the way they think. We hope to continue pursuing this policy for the sake of all of our employees.

10 Goals for Descente Employees

Goal 1	Eat balanced meals	Goal 6	Keep teeth clean
Goal 2	Exercise moderately	Goal 7	Be sure to take the annual physical
Goal 3	Get enough sleep	Goal 8	Comply with the results of the physical
Goal 4	Don’t smoke	Goal 9	Make use of cancer screening
Goal 5	Drink moderately	Goal 10	Utilize advice from specialist workplace physicians and health outreach workers

Voices:

Health Manager



033

Rie Ichiguchi
Health Manager
Human Resources and General Affairs Office Human Resources Section, Health Outreach Worker

Creating a System by Which Employee Health Management Becomes a Management Priority

I joined DESCENTE in 2010 as its first health outreach worker. At the time, many of the components of our health management system were not yet in place, including annual physicals and work regulations. My goal then was to support each individual employee in correctly managing their health.

The ideal for health management within a company is not the complete elimination of illness, but rather conditions in which a health management system is in place that enables us to quickly offer support to employees who need it, allowing them peace of mind in selecting the right treatment. It is also important that their duties can be covered while they are on leave, and that there is a support

system in place to ensure they can move forward with their work upon their return. We also need to aim toward a health management system in which health outreach workers and employees share a common direction and can work together.

Accomplishing that requires introducing a health management system that can be centrally managed, and building a system that benefits both the company and its employees and offers appropriate health management. Ideally, this should result in a system under which employee health management becomes an important component of corporate management priorities.

Planners



034

The "Let's Walk One Station" Campaign
Drafted by: The Revitalization Committee
(From left in photo)

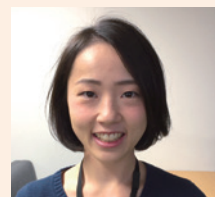
Emiko Kawakami, Aya Yabuki, Masaaki Takano, Tomoya Hino

Further Instilling the Corporate Philosophy With a Plan that is Easy and Fun for Employees

The Revitalization Committee, responsible for revitalizing the company in terms of business, operations, organization and culture, proposed this "Let's Walk One Station" campaign. In the hopes of further instilling among employees the Corporate Philosophy to "Bring the enjoyment of sports to all," they came up with the plan as something that as many employees as possible could easily participate in and continue while having fun. Working with the Health Management offices in the Tokyo and Osaka offices, they also adopted a method of tabulation using a simple Excel spreadsheet that allows employees to track their progress once they have entered. The committee's aim is to use the campaign as a catalyst for increasing opportunities for employees to engage in sports, experience for themselves the true enjoyment through movement of the body that sports provides, get healthy and revitalize their work.

"Let's Walk One Station" campaign spreadsheet

Participants



035

Employee Entrant in the "Let's Walk One Station" Campaign

le coq sportif
ABM Golf
Ayako Watanabe

Learning to Watch What I Eat, and Incorporating Exercise

Since I was already walking between Ikebukuro and Mejiro on my commute prior to the start of the "Let's Walk One Station" campaign, and since it would allow me to log how far I walked, I decided to enter. It lets me refresh myself every morning and evening. Our Health Statement says that as a sporting goods manufacturer, our employees first need to be healthy, and I think it is important that "healthy" means not only watching what you eat, but incorporating exercise into your lifestyle. With our 10 Goals for Employees, I'm more aware of eating balanced meals, but sometimes I end up reaching for whatever I feel like eating. I hope to not only eat three proper meals a day, but meals that are nutritionally balanced.



036

Employee Entrant in the "Let's Walk One Station" Campaign
Sales Promotion Department, Business Promotion Section 2
Masato Kimura

Employee Good Health and Smiles are the Company's Driving Power

Parts of town I used to simply pass through on the train offer new discoveries when I'm walking as part of the "Let's Walk One Station" campaign. I always walked on the weekends, so I was open to the idea. Once the campaign is over, I hope to walk along various sections of my usual commuting route. As far as our Health Statement goes, I understand the concept that, since DESCENTE is in the sports and health industry, employee health is the driving power behind the company, and remaining healthy and smiling will continue to provide the driving power for the company as its employees age. Regarding the 10 Goals for Employees, I am careful about diet, exercise and sleep, but I have yet to stop smoking or cut down on my drinking. Cancer screening is another area I would like to pay more attention to.

Offering of Ski Racing Suits Accredited by SPORT FOR TOMORROW as a Certified International Contribution Project

Overview of SPORT FOR TOMORROW Certified International Contribution Project

Project Term: October 2016 – March 2017

Benefiting Organization: Special Olympics Switzerland

Project Description: DESCENTE Ltd. donated 18 ski racing suits to the Swiss team for the 2017 Special Olympics. DESCENTE Ltd. has built a decades long relationship of trust with the Swiss Ski, Swiss Olympic and Swiss Paralympic Associations. Through these organizations, we have supported the endeavors of athletes as they pushed their limits, and the passion of all people who love sports. For the racing suits supplied under this project, the company concentrated all the manufacturing know-how it has gained from its experience to manufacture custom fitted suits.

About SPORT FOR TOMORROW (SFT)

SPORT FOR TOMORROW is an international contribution through sport initiative led by the Japanese government since 2014, which promotes sport to more than 10 million people in over 100 developing and other nations through 2020, the year in which Tokyo will host the Summer Olympic and Paralympic Games. DESCENTE became a member of the SFT Consortium, run by SFT, in 2015.



The Swiss Special Olympics

Interview

Takaharu Anzai

DESCENTE BM / Branding
DESCENTE Ltd.



● What led to this donation of skiwear?

We were introduced to the Swiss Special Olympics team by a local partner company we work with to develop ski racing suits. We met with the team officials directly to confirm what they required, and due in part to our long-time, positive relationship with the Swiss national team, we decided to offer the racing suits.

● In making the donation, was there something you did differently than when you worked with the regular team?

The way we took individual measurements was basically the same as with the Swiss alpine skiing team, but since there were several athletes with physiques different from those of national team alpine skiers, we asked our local partner to take detailed measurements for the racing suits. Then for their additional warm training ski wear, our design team used that data to alter the patterns to fit as we do for athletes in Japan with special physiques.

The Special Olympics is a competition for those with intellectual disabilities, and because physiques varied from those of national team athletes, small adjustments were required. The measurement numbers alone did not provide sufficient information to give a good picture of the fit, which made grading—the process of creating the patterns—more difficult. Even the smallest details needed to be taken into consideration, including creating special patterns for athletes whose physiques did not match the standard patterns, to ensure that the athletes would be satisfied with the apparel they were supplied with.

● Was there anything you were particularly careful about, or that proved especially challenging?

Communication with our partner in Switzerland. Given that we were unable to meet directly with the athletes, we went back and forth with the staff there to make sure there was no miscommunication about details of sizes or specifications for the suits. There were also some challenges in communicating information internally to those involved in design and production, but thankfully everyone followed through.

● How did the team react to the suits you provided?

After they were delivered, our partner sent us photos of the athletes wearing the apparel, along with comments that the athletes were extremely satisfied with their quality and fit.

● Do you have plans for other projects similar to this one?

Nothing specific, but going forward we do plan to align this with company policy and with actions by SFT based on the Olympic movement, and work to gain public recognition of our efforts as a global sports brand.

● Is there anything else you took away from this experience?

While the Special Olympics are by no means widely known, I hope more people learn about the existence of this kind of competition. It also renewed my awareness that people everywhere find a purpose in life and gain enjoyment through sports. I am very grateful to everyone who was involved in this project to supply the Swiss team with outfits.



Project Participants' Voice

Message from the Special Olympics Swiss Team

Special Olympics is the world's largest sports organization for children and adults with intellectual disabilities, and provides year-round training and competitions. Special Olympics Switzerland is dedicated to enriching their lives through sport. Our vision is appreciation, acceptance and equality for persons with intellectual disabilities. We are recognized as an integral and valued part of the sport delivery system by working in partnership with sport organizations. This helps us to provide our athletes opportunities for integration through sport. The world's largest sports and humanitarian event in 2017 was the Special Olympics World Winter Games in Austria from 14th – 25th March.

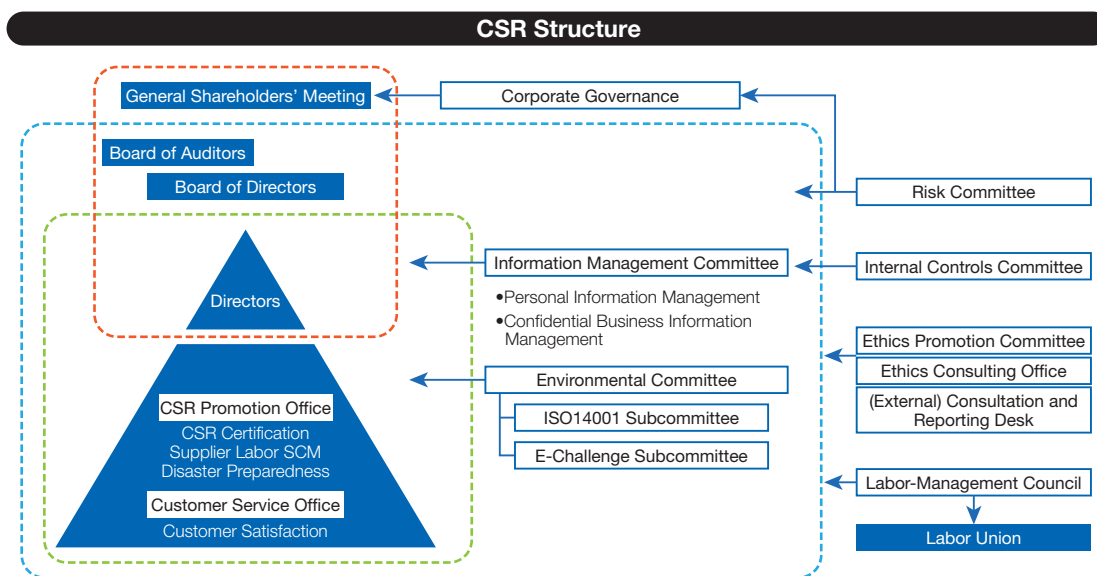
To offer our athletes the same sports equipment as our Swiss Olympics athletes, Special Olympics Switzerland is very happy and grateful to have formed a cooperation with the official Swiss-Ski supplier DESCENTE Ltd. We highly appreciate the support of DESCENTE Ltd. for equipping our team with high-quality ski suits and alpine racing suits. This is a great way of showing our society that our athletes deserve to represent Switzerland with high-quality equipment and are part of the Swiss sport system.

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

Corporate Governance

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

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



Compliance

While the DESCENTE Code of Ethics sets forth our fundamental approach to our business activities, the DESCENTE Standards of Ethical Behavior has been established to provide a guideline for each of our employees in their work. To promote compliance with the Code and Standards, we have established an Ethics Promotion Committee, and work to nurture a sound corporate culture. In addition, to respond to problems that may be difficult to resolve within the organization and to handle employee requests for advice regarding unethical behavior by other employees, we have also put in place an in-house DESCENTE Ethics Consulting Office, and have designated an external attorney’s office to act as an independent consultation desk.

FY2016 Ethics Promotion Committee Activities

Held in May, July, and September, 2016 and in January 2017

Main Activities: Preparation of rules for handling ethical problems in each department, and drafting of proposals for company-wide training.

Subcommittee: Divided into three groups, each of which considered different themes. Meetings were held as needed, with a general review held in February 2016.

April: Compliance training held for management.
 October: Company-wide compliance training held.
 As needed: Sales force compliance training.

Risk Management

To prevent the occurrence of situations which could have a significant impact on the Company, to minimize any damage or impact in the event such situations do occur, and to ensure the sustainability and appropriate nature of our business, DESCENTE has established a set of Risk Management Regulations and Risk Management Operating Rules. In accordance with these, the Risk Committee works to visualize overall risk, put in place preventive

measures and countermeasures, and monitor and review the implementation of those measures by the director responsible, before reporting to the Board of Directors.

In FY2016, items considered material risks for DESCENTE on a non-consolidated basis numbered 46, with actual risk evident for two of those items, in response to which countermeasures and improvements were implemented.

Information Management

In addition to formulating its Confidential Business Information Management Regulations and Confidential Business Information Management Standards, DESCENTE offers orientation to all management staff through a concise “Confidential Business Information Guidebook,” intended to encourage and ensure the proper management of information. In addition, to ensure the protection of personal information and specific personal information we hold, DESCENTE has set forth those policies in its Personal Information Protection Regulations and Personal Information Protection Rules.

Each year, we perform a company-wide inventory of personal information, which provides us with an understanding of the number and attributes of personal information files, who manages them and how they are stored.

While there were no incidents of leaked confidential information in FY2016, one incident arose involving loss of customer information from a retail store. While no word has been received regarding misuse of that information, we are communicating sincerely with the customers involved, and working to prevent a recurrence.

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

Results of Third Party CSR Monitoring in FY2016

In FY2016, CSR monitoring was conducted at 13 factories. In each case, we collaborated with both the agent and the factory in addressing the findings, working to prepare a plan of correction and institute improvements.

► Items Monitored

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

► Factories monitored by country

China 5, Myanmar 3, Vietnam 2, Indonesia 1, Bangladesh 1, Japan 1

► Non-conformance Rates by Item

Production Item	FY2016 No. of factories monitored	No. with fewer than 10% non-conforming items	No. with more than 10% non-conforming items	No. with 20% or more non-conforming items
Apparel	11	6	4	1
Shoes	1	0	0	1
Accessories	1	1	0	0
Total	13	7	4	2

Cumulative totals for FY2011~FY2016

► Factories monitored by country

China 64, Vietnam 17, Myanmar 9, Indonesia 7, Thailand 2, Bangladesh 1, Japan 1

► Non-conformance Rates by Item

Production Items	No. of Factories by FY						No. with fewer than 10% non-conforming items	No. with between 10-19% non-conforming items	No. with 20% or more non-conforming items
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016			
Apparel	11	19	11	14	10	11	41	25	12
Shoes	1	2	4	1	1	1	3	3	4
Accessories	0	5	4	1	2	1	8	4	1
Total	12	26	19	16	13	13	52	32	17

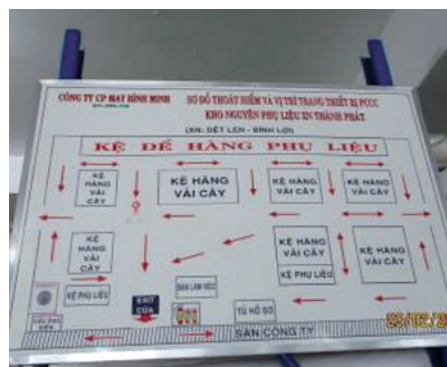
DESCENTE Supplier Code of Conduct (COC)

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

1. Legal Compliance
2. Working Conditions
 - ① Forced Labor
 - ② Discrimination
 - ③ Freedom of Association and Collective Bargaining
 - ④ Wages
 - ⑤ Hours of Work
 - ⑥ Rights and Breaks
 - ⑦ Child Labor
 - ⑧ Health and Safety
 - ⑨ Harassment or Abuse
3. The Environment
4. Community Involvement
5. Company-specific Standards
6. Verification
7. Compliance



Wearing appropriate personal protective gear when cutting fabric



Evacuation routes displayed in each area of the factory



Sign reminding workers to wear personal protective gear



Clothing factory's clean, safe employee cafeteria

As guidelines for environmental management, DESCENTE has established both the DESCENTE Basic Environmental Philosophy and the DESCENTE Environmental Policy, as well as an Environmental Committee primarily comprised of company directors. To promote environmental preservation activities, under that Committee we have put in place an ISO 14001 Subcommittee and an E-Challenge Subcommittee. These are part of our proactive and ongoing actions to reduce and prevent environmental impact and risk.

Basic Environmental Philosophy and Policy

▶ DESCENTE Basic Environmental Philosophy

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

▶ DESCENTE Environmental Policy

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

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

CO₂ Emissions Reduction Targets

Our target for CO₂ emissions in FY2016 was 791 t-CO₂. This represented a target of reducing emissions by 13 t-CO₂ from FY2015, a target that was achieved, with actual emissions of 786 t-CO₂. Emissions decreased by a total of 306 t-CO₂ between FY2008 and FY2016. In FY2016, air conditioning equipment at the Tokyo office was upgraded, and the resulting reduction in electric power use was primarily responsible for the reduction in CO₂ emissions. Our goal to reduce our day-to-day emissions remains unchanged, and we will continue to invest in energy-efficient equipment.

Examples of Environmental Preservation Activities

▶ Optimum running of solar power generation system installed at Saito Factory

The amount of electricity generated by the solar power system installed at DESCENTE APPAREL LTD.'s Saito Factory was approximately 60,800 kWh (101% versus FY2015). This represents about 13.5% of the total electric power consumed by the Saito Factory in a year.

▶ Waste fiber being recycled and reused as lightweight soil

Fabric remnants and discontinued cloth from DESCENTE APPAREL's factories are collected as part of our participation in an effort to recycle them for use as lightweight soil for growing plants. In FY2016, we recycled a total of approximately eight tons into soil.



Solar panels installed on the grounds of the Saito Factory



A planter with lightweight soil made from recycled fabric remnants from our factories

FY2016 CO₂ Emissions by Domestic Office

(Unit: t-CO₂)

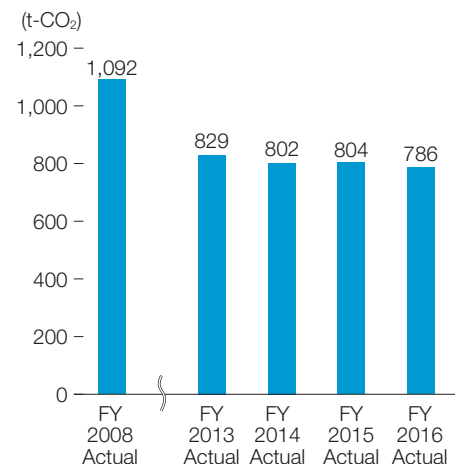
Office	Actual Emissions
Osaka Office	309.0
Tokyo Office	446.9
Sapporo Branch Office	5.3
Sendai Branch Office	5.0
Nagoya Branch Office	13.0
Hiroshima Branch Office	1.8
Fukuoka Branch Office	5.2
Company Total	786.2

Emissions by Source

(Unit: t-CO₂)

Source	Actual Emissions
Electricity	540.9
Gas	221.7
Water	5.0
Waste	18.6
Total	786.2

Change in CO₂ Emissions



DESCENTE



Origin of the Corporate Symbol Mark

DESCENTE is the French term for downhill skiing. The logo represents the three basic skiing techniques of schussing, traversing and sliding. It embodies our quest to be the best in all we do, and our focus on the future.



COMMUNICATION ON
PROGRESS

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

We welcome feedback on its contents.

For inquiries regarding this report:
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<http://www.descente.co.jp/en/csr/>