

DESCENTE



DESCENTE Group
CSR Report 2018

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 ISO 26000 standards, and also

includes featured sections on subjects we hope many people will be interested in reading about. As a means of deepening our dialogue 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 delighted 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.

DESCENTE Group CSR Report 2018: Contents

| | |
|---|----|
| ■ Top Message | 2 |
| ■ Relationship with our Customers | |
| The source of Competitiveness: Manufacturing Creativity and the Ability to Create Retail Environments | 3 |
| Feature: First Quality Incident Information Exhibit Held | 5 |
| ■ Relationship with Local Communities | |
| Joint Industry/Academia Project | 6 |
| Sports School for Healthy Kids 2017 Activities | 7 |
| ■ Relationship with our Employees | 9 |
| ■ Initiatives Outside Japan | |
| DESCENTE KOREA Ltd. Environmental Protection Activities | 11 |
| ■ Corporate Governance and Compliance | 12 |
| ■ Supply Chain Management | 13 |
| ■ Proactive Environmental Protection Efforts | 14 |

Period Covered by this Report

In principle, this report covers the period between April 2017 and March 2018, but may include content regarding activities taking place before and after those dates.

DESCENTE CSR Policy

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

DESCENTE CSR Activities

Doing business in good faith

Respect for human rights

Our relationship with our employees

One with the environment

Fair business practices

Our relationship with our customers

Our relationship with the community

Participation in the United Nations Global Compact

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

“Having all employees embrace the corporate philosophy, is the motivation for the DESCENTE Group.”



Masatoshi Ishimoto
President

Advancing Efforts to Boost Manufacturing Creativity

Over the past year, the DESCENTE Group has boosted its manufacturing creativity. We began construction of new R&D centers in Japan and South Korea in an effort to improve our product development capabilities. We also conducted joint projects between industry and academia, working with multiple universities and vocational schools to develop products that will differentiate us from others. To improve production capacity, we relocated our Yoshino factory and expanded both our ability to produce small lots with short turn-around times and our design development capabilities. We added production lines at our Mizusawa Factory, while reinstating hiring of new college graduates at all four of our own factories. All of the Group's own R&D sites and factories work to enhance R&D, technology and skills and practice quality control, and play a role in refining our unique DESCENTE Standard. Factories outside of Japan to which we outsource production are visited by training teams from our own factories, who provide knowledge and guidance where needed in areas such as fabrication, quality control methods, and efficient production line assembly and repair methods. Communicating the DESCENTE Standard to affiliated factories inside and outside Japan leads to an improved level of quality for all products under each of our brands. Japanese manufacturing has come to be recognized both at home and abroad, and no doubt our own factories will play an increasingly important role in production overall.

To provide opportunities for young people to experience for themselves the excitement and challenges of manufacturing, we also conducted a joint project with vocational school students. This was a practical class set up around the theme of developing a shoe that allows the wearer to run for long periods of time while remaining pain- and injury-free. The students were responsible for everything from product planning and creation to the final presentation to our employees. They not only brought a unique flexibility to their perceptions and viewpoints, using them to incorporate bold ideas into their designs and product concepts, but also took an academic approach backed by ergonomics and science, offering us an opportunity to gain a truly new perspective. Going forward, we will continue to actively participate in these kinds of initiatives.

Building a Sense of Group Unity around our Corporate Philosophy

In engaging in activities based on our corporate philosophy, it is important that all of our Group employees be driven by the same motivation. In April 2017, DESCENTE Ltd. created a spin off, with our business in Japan set up as a separate entity under DESCENTE JAPAN LTD. We believe, however, that seeing our employees' loyalties also divided between the two companies would represent an unacceptable risk. This is why, as we divided the companies, we took a variety of

steps to ensure an even greater sense of unity within the Group. We reaffirmed that the Group was moving forward with our corporate philosophy at its axis, and established a Corporate Philosophy Promotion Committee, which is charged with instilling the Spirit of DESCENTE—Creation, Challenge, Integrity and Harmony—throughout the Group, thus allowing all of our employees to base their own actions around that same axis. The wallpaper design that appears when employees start up their computer, with its motif based on the Spirit of DESCENTE, has been well-received even by new hires, who take it as a sign that DESCENTE is an interesting place to work. We also built awareness through an in-house athletic meet, held for the first time in 20 years, where teams were named after each of the four keywords that make up our founding spirit. In 2018, these efforts will move from the dissemination stage to the action level. One of those moves will be to incorporate lessons on our corporate philosophy and founding spirit into our stratified employee training for FY 2018. We are also considering commending employees—nominated by their colleagues—who put our corporate philosophy and founding spirit into practice, and reflecting those commendations in our personnel evaluations.

Mixing Company and Brand Names

The DESCENTE brand, also the company name, has come to be recognized the world over, as products branded under the company name generate their own centripetal force. By mixing the company name DESCENTE with the brand name DESCENTE, we hope to further enhance that driving force. Reorganizing the role of the global headquarters following the company division has enabled us to also sort out what each company should do versus what the global headquarters should be doing. As the global headquarters builds its own centripetal force, we also need to elevate our manufacturing creativity and ability to strengthen our brands globally, and improve our ability to respond to the expectations of each of our group companies. This, I think, will allow everyone in the Group to be proud of the fact that they are members of the DESCENTE Group.

The Objective of Work is to Make Customers Happy

While Japanese manufacturing is recognized inside and outside Japan, its reputation in terms of governance and compliance has been shaken by a number of scandals. It is the company's responsibility to ensure that each and every employee understands our corporate philosophy, and that everyone in the Group shares the answers to questions such as why their company exists, how they can contribute to their company, and why and for whom they work. Working for the DESCENTE Group means being part of a chain that connects everything from product manufacture to final delivery to the customer. To complete that chain, it is important that everyone understands their individual roles, the roles of those around them, and the entire process, and brings the same set of aspirations to their work. If we keep in mind that we are working to make our customers happy, lying to benefit corporate profits should not happen. While profits are important to the company, they are a driver of business and not our reason for being. The company's reason for being is to fulfill the tenets of our corporate philosophy. The DESCENTE Group will share with all of its employees its corporate philosophy of bringing the enjoyment of sports to all, as we continue to engage in honest business activities.

Our Relationship 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.

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. To enhance our manufacturing creativity, we have rebuilt our Yoshino Factory in Nara Prefecture, expanding its production capacity and development capabilities, and we also continue to offer and participate in a variety of award programs both internally and outside the company.

DESCENTE APPAREL LTD. Relocates its Yoshino Factory, Expanding Production, Design and Development Capabilities

DESCENTE Japan

In April 2017, operations commenced at the relocated, rebuilt Yoshino Factory in Nara Prefecture. The factory, which primarily produces swimwear and running wear, is notable for its ability to bring flexibility to production, responding to a variety of needs in terms of delivery times and production lot size. The new factory offers an expanded floor area, along with a boost in the number of sewing machines and operators, and has strengthened its multi-product, small-lot production capabilities. The factory's other feature is its "atelier" function, which handles everything from making paper patterns for product samples to actual sewing. This function allows the factory to more efficiently develop high-performance competitive apparel for top athletes, including bobsled and luge racing suits and running wear.



▲ Exterior of the Yoshino Factory



▲ The sewing floor has no pillars, allowing for the flexible layout of sewing machines

The DESCENTE Design Award Program Continues

DESCENTE

The DESCENTE Design Awards, an in-house contest intended to improve development and design capabilities, was held again this year. The fifth contest, held in May 2017, targeted fall/winter 2017 products, while the sixth contest in December 2017 was for spring/summer 2018 products. Items are nominated by each brand, and selection takes place from the designs that are exhibited at the DESCENTE Press Event held for sports magazine editors, stylists and others. On the day of the awards, those in attendance vote on the most outstanding designs in terms of functionality, novelty and trendiness to determine the Grand Prize and Award of Excellence winners.



▲ From left, Takehiro Kajimura, Ryota Ito and Masatoshi Ishimoto, president, at the fifth contest awards

Fifth Contest Award Winners

(held in May 2017)

Grand Prize



Designer: Ryota Ito
Brand: le coq sportif
Product name: No-collar jacket and ankle-length pants

Award of Excellence



Designer: Takehiro Kajimura
Brand: Munsingwear
Product name: Swing top

Sixth Contest Award Winner

(held in December 2017)

Grand Prize



Designer: Takehiro Kajimura
Brand: Munsingwear
Product name: SODEKAHO art print shirt



▲ From left, Masatoshi Ishimoto, president and Takehiro Kajimura at the sixth contest awards

ISPO Award Gold Winner for Second Year Running

DESCENTE

At the ISPO Munich 2018 awards held in January 2018, the DESCENTE brand was named a Gold Winner in the athletic category for its CLICK Fusion Knit Parahem jacket. This was the second year in row that DESCENTE was named a Gold Winner.

At the ISPO awards, which were held for the seventh time in 2018, the DESCENTE brand has won consecutive awards since 2013, including six Gold Winner products and eight Winner awards. This year a record-high total of four products for were selected for awards, including one each in the athletic and all-terrain categories, and two products in the ski category. The award in the ski category was the brand's first in four years, and demonstrated an expansion of eligible items with awards going to gloves as well as ski wear.

▶ About the ISPO Awards

ISPO is the world's largest international sporting goods trade fair, with about 2,700 exhibitors from companies around the world. The ISPO awards are conferred during this event on outstanding products selected after strict judging based on items such as concept, design, technology and environmental friendliness.



DESCENTE
CLICK Fusion Knit
Parahem Jacket
(Health & Fitness Division, Lifestyle
Category)



DESCENTE
MOUNTAINEER
Mizusawa Down Jacket
(Outdoor Division, Down Layer
Category)



DESCENTE
S.I.O x SCHEMATECH Inner
Surface Shell Jacket
(Snow Sports Division, Outer Layer
Hybrid Category)



DESCENTE
S.I.O. Gloves
(Snow Sports Division, Glove
Category)

The Ability to Create Retail Environments

A pivotal part of our ability to create retail environments is improving our customer service capabilities. We have hired new college graduates as sales coordinators (SCs) since 2005, and these efforts have helped them to grow; our factory tours for SCs have also been effective. In parallel with these initiatives, we continue working on a variety of measures designed to improve customer service skills in our retail environments.

9th Annual Nationwide SC Role-playing Tournament

DESCENTE Japan

DESCENTE JAPAN LTD. currently has about 1,000 in-store sales coordinators (SCs) nationwide. This year the tournament, which was first held in 2009, addressed the theme of "Customer Service that Connects: Learning about Customers to Ensure Your Service is Memorable." The preliminary round featured 42 participants from directly owned stores, department stores and specialty stores nationwide, of whom 13 went on to the championship round held in Tokyo on November 15, 2017. One champion, two runners-up and one newcomer award winner were selected.



▲ Akimo Sato (left), Championship Winner

30th Annual Nationwide Outstanding Store Awards Ceremony

DESCENTE Japan

This awards ceremony, held for the 30th time this year, is designed to improve the skills and increase the motivation of the approximately 1,000 sales coordinators (SCs) at DESCENTE JAPAN LTD. Nine outstanding retail environments were selected from about 350 stores nationwide, along with one newcomer award. A special award was also established to mark the 30th anniversary of the ceremony, and was conferred on one sales coordinator and one retail environment.



▲ The Awards Ceremony held on May 25, 2017

Feature

First Quality Incident Information Exhibit Held What Incidents Have to Teach Us



Shigeiki Sano
Manager, R&D Center
DESCENTE LTD.

DESCENTE LTD. and DESCENTE JAPAN LTD. held their first Quality Incident Information Exhibit on October 24-25, 2017 at the Tokyo office and on November 1-2 at the Osaka office. The exhibits used past examples of incidents that occurred involving the company’s products, with the actual products displayed alongside explanatory panels. These were designed to offer lessons, with the goal of encouraging everyone to work together to prevent similar occurrences and to further improve quality.

This first round of exhibits was aimed at those involved in our manufacturing process, including individuals from partners such as trading companies and materials manufacturers, as well as our own in-house merchandisers, designers and buyers. Shigeiki Sano, head of the DESCENTE LTD. R&D Center, who was involved in organizing the exhibits, answered some questions.

How did these exhibits come about?

Until 2016, we had conducted small-scale briefings aimed only at those in charge of the brand involved in the incident, but with similar types of quality incidents arising in-house, we decided to hold these events as a way of sharing information across the other brands in the company. At the same time, we also shared information with our suppliers.

What did you keep in mind in holding these events?

We worked to ensure that the exhibits covered incidents across every genre in order to attract broad interest from those who attended. To eliminate quality incidents, it is important to clarify their causes as well as their ownership. We selected from the most recent examples we could find, and created the displays in a way that makes clear where the causes and responsibility lie. They were designed to allow our employees and suppliers to reaffirm the importance of quality assurance.

How were the events received within and outside of the company?

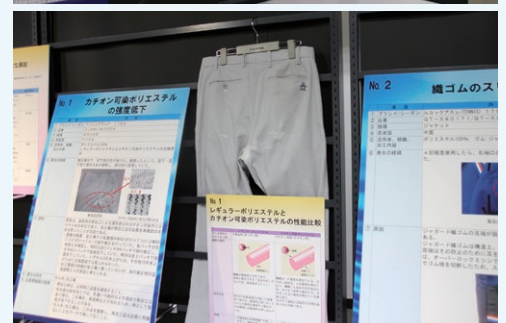
Rather than simply having managers explain the various examples, we circulated throughout the venue exchanging information with employees and suppliers. This style of briefing, which allows for that kind of interaction, was well-received, and we hope to hold similar events on an ongoing basis. Some in-house attendees requested that we drill down a little further in explaining the individual examples, so we are also considering other formats for future events.

How do you regard the issue of quality assurance?

Normally, a company’s R&D center is primarily charged with new product development, but DESCENTE has intentionally given its R&D center the added role of quality assurance. This is because quality control is essential in developing high-performance products. We will continue our focus on ensuring quality while developing functionality, as we work to enhance customer satisfaction even further.



▲ Briefing being held at the exhibit venue



▲ A quality incident display

Working with Students to Create a Pain- and Injury-free Shoe

A Joint Industry/Academia Project with Hiko Mizuno College of Jewelry

Developing a DESCENTE Branded Running Shoe

DESCENTE JAPAN LTD. and the Hiko Mizuno College of Jewelry (Shibuya-ku, Tokyo) teamed up for a joint industry/academia project to create a running shoe, from initial design to final presentation.

The theme of the project was the development of a DESCENTE branded shoe that allows the wearer to run for long periods of time while remaining pain- and injury-free. Participants were drawn from the college's shoemaker master course, with 10 students divided into five teams. They began in September 2017 by conducting research, and were joined for practical classes by DESCENTE JAPAN's manager in charge of shoe development planning. On the final day, November 13, the teams held a presentation where they briefed DESCENTE JAPAN staff on their development concepts and the features of their designs. Staff judged the shoes created by the students on six criteria, including concept novelty and target accuracy, with commendations going to the team with the highest point total.

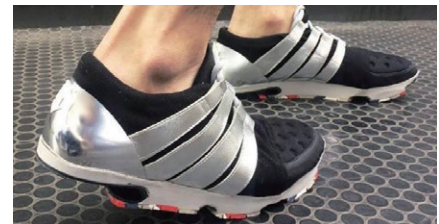
Through these kinds of activities, DESCENTE JAPAN will provide students the opportunity to experience for themselves the excitement and challenges of craftsmanship, and will utilize the flexible thinking and fresh approach offered by these students in its own product planning.

Hiko Mizuno Jewelry College

Founded in 1966 originally as the first jewelry specialist school approved in Japan. Students in the shoemaker course, established in 2004, learn to design and produce shoes in all fields, developing into world-class shoemakers.



▲Creating and reviewing multiple mock-ups



▲Running shoe developed by the winning team



▲The winning team with Hisashi Mitsui (right), president of DESCENTE JAPAN LTD.

Description of the Winning Team's Plan

●**Development theme:**

Runner's High: A running shoe that reduces the load on the knees

●**Key development points:**

Focusing on knee injuries, a common concern for runners, the team worked to shorten the time between midfoot (sole) landing and kick-out, reducing the load on the knees by making the heel portion of the sole thinner and adding a groove to the toe portion.

DESCENTE JAPAN LTD. Project Manager Interview

How did this project get started?

The college has conducted similar joint industry/academia projects alongside a variety of top global brands. The objective of this project was to work with Hiko Mizuno Jewelry College to secure talented human resources and develop new business partnerships as we significantly expand our footwear business.

How did you decide on a development theme?

While our in-house proposals included shoes for athletes, shoes designed to meet the needs of specific sports and shoes for seniors, for this project, we selected a broad theme that would apply to just about everyone.

What did the judging focus on?

We looked at how faithfully the teams kept to the theme, as well as the accuracy of their targeting and the completeness of the finished shoe. Still, I would have liked to see a little more of the kind of new approaches and ideas that students can offer.

How was the project appraised by the college?

Usually, presentations are held at the college only for those involved in a project, but this time we held it at DESCENTE JAPAN with more than 50 employees in attendance. The college was grateful that we arranged the opportunity for a different kind of presentation, where the students could present in an unfamiliar location and in front of a large audience.

How was it received internally, and what is the outlook for future events?

I think by holding the final presentation for our employees, we drew their interest in the footwear category, where our business has yet to expand. I think the students' product development efforts, based on novel, painstaking research, proved very stimulating. We will continue working with the college to develop new projects.



▲Presentation for DESCENTE JAPAN employees



Sports School for Healthy Kids 2017 Activities

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 to serve as instructors and provide new programs to meet current needs, and for over 10 years now, the program has allowed children to experience sports at a high level nationwide.



The concept behind the Sports School for Healthy Kids

Overview of 2017 Program

2017 Minakami Summer Camp A Three-day Sports Training Camp

In addition to offering a variety of sports, this camp gives participants a chance to learn the importance of ingenuity and teamwork through activities unique to an overnight training camp, including crafts and rice cooked in mess kits. At the June 2017 camp held in the great outdoors of Minakami-cho, in Gunma Prefecture—a registered UNESCO Eco Park—participants also got to try new activities, including lake canoeing and slacklining.

| Outline of the Sports School for Healthy Kids 2017 Minakami Summer Camp | Itinerary | | | | | | |
|---|---|-------|--|-------|---|-------|---|
| Sponsored by: The Sports School for Healthy Kids Executive Committee With cooperation from: DESCENTE JAPAN LTD. Supported by: Japan Sports Agency; Minakami-cho, Gunma Prefecture Dates held: August 22 – 24, 2017 Location: Fujiwara and Tsukiyono districts, Minakami-cho, Gunma Prefecture No. of participants: 21 (7 boys, 14 girls) | <table border="1"> <tr> <td>Day 1</td> <td> <ul style="list-style-type: none"> •Team-building workshop •Star-gazing (due to rain, moved indoors for an astronomy lesson and viewing of night scene photos) </td> </tr> <tr> <td>Day 2</td> <td> <ul style="list-style-type: none"> •Lake canoeing and slacklining •Mess kit rice and dinner prep (curry and skewered trout) </td> </tr> <tr> <td>Day 3</td> <td> <ul style="list-style-type: none"> •Crafts (painting on glasses) •Seasonal fruit picking (grapes) •Lunch (BBQ) </td> </tr> </table> | Day 1 | <ul style="list-style-type: none"> •Team-building workshop •Star-gazing (due to rain, moved indoors for an astronomy lesson and viewing of night scene photos) | Day 2 | <ul style="list-style-type: none"> •Lake canoeing and slacklining •Mess kit rice and dinner prep (curry and skewered trout) | Day 3 | <ul style="list-style-type: none"> •Crafts (painting on glasses) •Seasonal fruit picking (grapes) •Lunch (BBQ) |
| Day 1 | <ul style="list-style-type: none"> •Team-building workshop •Star-gazing (due to rain, moved indoors for an astronomy lesson and viewing of night scene photos) | | | | | | |
| Day 2 | <ul style="list-style-type: none"> •Lake canoeing and slacklining •Mess kit rice and dinner prep (curry and skewered trout) | | | | | | |
| Day 3 | <ul style="list-style-type: none"> •Crafts (painting on glasses) •Seasonal fruit picking (grapes) •Lunch (BBQ) | | | | | | |

Day One: August 22 (Tuesday)

After arriving at the hotel and eating lunch, a representative from the Minakami-cho town hall gave a lecture on the UNESCO Eco Park. Next, the group moved to the lawn on the hotel grounds (the Fujiwara ski resort) for team-building and recreational activities, including a



▲ Learning about the constellations at the hotel



▲ Recreation helps break the ice with new friends

jump-rope dash and a game of tag. When it started raining, the activities continued in the hotel. After a bath and dinner, star-gazing that had been planned for outdoors was again moved inside because of rain, and switched to a slide show presenting a description of the night skies, along with photos of Minakami in different seasons.



▲After the rain stopped, Ayumi Okada, the instructor, demonstrated slacklining in the birch forest



▲Pairs of students synchronized their paddling



▲The students listened intently to instructions for painting on glasses

Day Two:

August 23 (Wednesday)

In the morning, the students visited the shore of Lake Naramata, where a guide showed them how to use their paddles before they paired up for a canoe ride. Once they got used to paddling, they went back and forth across the lake. It rained again in the afternoon, so the group moved to the local gymnasium where they tried slacklining. Under the guidance of Ayumi Okada, their instructor (a pro slackliner with GIB-BON), some of the kids were able to make it several meters along the line. After a full day of activities, it was then time to prepare dinner. First, the group went to a river at the ski resort to catch some trout. They

washed the rice and cooked it in mess kits, then chopped some vegetables, started a fire and cooked a pot of curry. The trout were grilled on skewers.

Day Three:

August 24 (Thursday)

On the last morning, the group said goodbye to their hotel before visiting Tsukiyono Vidro Park, a glass-themed park where they spent about an hour doing crafts, using brushes to paint pictures on glasses—whatever their imaginations came up with. The students then traveled to Dole Land Minakami, where they enjoyed picking seasonal fruit—in this case, Delaware



▲Each student was given three bunches of grapes to take with them

grapes. At the final lunch for all of the camp participants, the students divided into groups for a barbecue lunch. After the meal, a closing ceremony was held at the adjacent fountain, marking the completion of the camp.

General Comments: Thanks to plans to include unusual experiences such as canoeing and slacklining, this was a very fulfilling camp. The various sports offered a chance to watch the children grow, as those who caught on quickly showed the other kids what to do so that everyone could have a good time. Interacting with nature, the students also learned about the importance of protecting water and the environment, things that are directly connected with their own lives. After the camp, parents commented that it allowed the children to learn the fun of spending time with people other than their families. In future, we plan to create new opportunities to experience sports—including horseback riding, for which there have been many requests.

School Visits

With the cooperation of regional municipal bodies and boards of education, the DESCENTE Group conducts programs at elementary schools nationwide. With top athletes like former Olympic gymnast Hikaru Tanaka serving as instructors, we provide new programs that meet current needs, offering children guidance at a high level.

2017 Programs

| Region | No. of schools | Dates | Program |
|--|----------------|---------------|-----------------------|
| Edogawa-ku, Tokyo | 4 | December 2017 | Rhythmic calisthenics |
| Osaka City, Osaka Prefecture | 2 | December 2017 | Rhythmic calisthenics |
| Oyodo, Yoshino-gun, Nara Prefecture | 2 | December 2017 | Posture exercises |
| Kawauchi, Futaba-gun, Fukushima Prefecture | 1 | January 2018 | Rhythmic calisthenics |

General Comments



In rhythmic calisthenics, the children seemed to feel, by moving their bodies, the message the instructor was trying to convey: Have a dream, don't give up, and take responsibility. In posture exercises, awareness-building skits, dance elements and movement focused on the joints fostered an understanding of posture among many of the children. These school visits, which have built a track record over many years, continue to impress the local communities where they are held, and we will actively arrange for visits wherever there is a request.



Instructor Profiles

•Rhythmic Calisthenics: Hikaru Tanaka

Competed as a gymnast at the 1996 Atlanta Olympics. A silver and bronze medalist at the World Championships. Currently a professor in the Faculty of Health & Sport Sciences at Ryutsu Keizai University. Holds a doctorate in education.



•Posture Exercises: TEAM NEXT

Kanako Ito

Along with instruction in KaQiLa, which focuses on exercises for the ribs, is also qualified in posture exercise, and is active in reaching a wide audience.

Akiyo Otsu

Involved in instructing children at a kids' dance studio since 2009, and is currently expanding coaching in health to reach people regardless of age.

Akiko Yamazaki

Formerly an office worker, has gained many fans with her cheerful personality, charisma and positive energy. Is devoted to giving children a better tomorrow through posture exercise.

Makiko Sugitani

Began performing as a singer for children in 1992, and appears in about 150 performances a year, including visits to kindergartens and nursery schools as well as on stage.

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

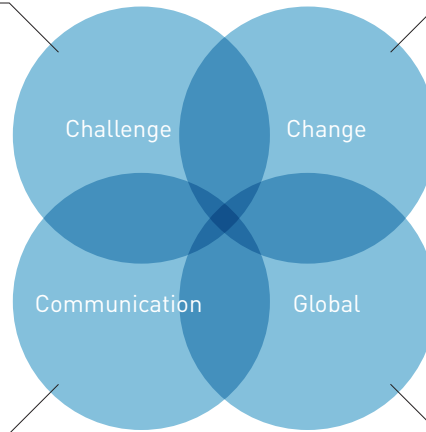
The Type of People DESCENTE Seeks

People willing to take on challenges

Those who are customer-centric, set high goals for themselves, have a strong sense of responsibility and contribute to enhancing corporate value.

Those who are able to change

Those who are sensitive to changing times and conditions, are constantly aware of the need for reform and improvement without fear of failure, and who bring a sense of urgency to creating or changing mechanisms to strengthen the organization.



People who work to communicate

Those who work to understand others' thoughts and feelings, to respect them while conveying their own intentions, and who can engage in essential dialogue.

People who can perform globally

Those who value a global perspective, are interested in and willing to learn about other languages and cultures, who exhibit curiosity, energy and ambition, and who can fulfill their potential anywhere, at home or abroad.

Human Resource Development at DESCENTE

Stratified Career Training

We conduct training designed to give employees the knowledge they need at each level, including training for new hires, second year follow-up training, career design training for mid-level employees, and training for managers.

Skill Training

This training helps strengthen the capabilities needed according to occupation, including quality assurance reinforcement training, marketing training and others. Other kinds of company-wide training are also conducted.

Training by Subject

This includes training intended to enhance standards in quality assurance, information technology and other areas.

Training for Work Overseas

DESCENTE encourages employees wishing to make an even greater contribution, supporting their efforts to improve themselves in areas such as language ability and business skills, obtaining professional certifications, and gaining higher-quality expertise and a broader perspective.

Project to Obtain Certification as a Textiles Evaluation Specialist

Since 2007, DESCENTE has engaged in a project to help employees gain certification as Textiles Evaluation Specialists (TES), with the goal of enhancing the knowledge of textile products among our merchandisers, designers and buyers.

The TES certification program began in 1981 based on a notification issued by what was then the Ministry of International Trade and Industry (now METI). It was intended to drive customer satisfaction by improving the quality, integrity and performance of textile products offered to consumers, and to develop specialists to work within companies responsible for manufacturing and selling such products as a way of preventing consumer complaints about quality.

Members taking the test for the first time undergo the coursework listed in the table below, working on their own with the support of their supervisors to pass the test within two years.

Thanks to this ongoing project, DESCENTE now has 127 TES-certified employees, a number that puts it in the top ranks of the apparel industry.

| | |
|---|---|
| (1) Classes with an in-house instructor | 10 – 15 two-hour classes during business hours |
| (2) Classes with an outside instructor | A total of about six days outside working hours |
| (3) Self-directed study | Texts are distributed for self-study |

DESCENTE Group Athletic Meet Held



The DESCENTE Group held its first company athletic meet in almost 20 years. The event was held in Tokyo, and with attendance centering on employees working in the Tokyo area, a total of about 220 Group employees and their families participated. They competed in four teams, each named after one of the four key words of our founding spirit: Creation, Challenge, Integrity and Harmony.

Employees who participated commented that it felt great to go all-out on the field for the first time since becoming working adults, and that competing to win as teammates was a natural way to close the distance, even between employees meeting for the first time. The event turned out to be a good opportunity for employees to communicate with one another.

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



DESCENTE was certified as an Outstanding Health & Productivity Management Organization in recognition of its efforts to bring a management perspective to promote employee health.

1. We have established a health management office staffed with five full-time health outreach workers and one health administrator, along with four part-time occupational physicians, who together manage the health of all of our employees.
2. Health outreach workers also make regular rounds to visit sales staff nationwide, as well as employees posted overseas and their families.
3. Annual physicals are conducted regardless of working hours or length of employment, with 100% compliance.

Diversity

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

Following is a description of our diversity training and some of the other measures we have implemented.

•The Saishoku Kenbi Promotion Committee

This committee works to promote the participation of women in the workplace under our declared target of having 20 or more women in core management positions by 2020.

Its objective for 2017 was to draft, promote and publicize internally various measures to promote the participation of women hired for career-track positions in specific regions.

•Mentor/mentee System

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

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

•Leadership Development Training

To enable female employees working in specific regions to aim for higher-level positions, this training is offered to give them an awareness of the positions expected and the capabilities

required, leading to the ability to develop their own skills and careers through their work.

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

•1UP Training

Targeting female career-track employees hired to work in specific regions, this training incorporates lectures and tours of logistics centers to enable the women to learn about logistics structures, the position of the logistics centers, the type of work done and its relationship to other relevant departments.

•Senior Staff Restart Training

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

DESCENTE Korea, Ltd. Environmental Protection Activities

SAVE THE PENGUIN Campaign

The SAVE THE PENGUIN campaign was begun by DESCENTE Korea Ltd. in 2009 as a way to contribute to environmental protection, one of our social responsibilities as a sporting goods manufacturer.

It began as a brand promotion for Munsingwear, which has a penguin as its symbol. In 2013, the campaign was expanded to

encompass all of DESCENTE Korea. That year, they also entered into an agreement with the UNEP National Committee of Korea, an environmental organization under the auspices of the United Nations Environment Programme, to offer support for the UNEP Grid-Christchurch team's ecological research in Antarctica.

The penguin has suffered significant habitat damage as a result of global warming. DESCENTE Korea has used the protection of penguins as a way of communicating the severity of environmental destruction, and to call for the need for environmental protection. They have worked to convey the message that environmental protection is not just someone else's problem, but something that is important even in sports, which are a part of all of our daily lives.

Between March 31 and June 11, 2017, the campaign featured a tie-up with the Disney/Pixar movie "Toy Story." Sales of five limited edition t-shirt designs were offered during the campaign period, with profits donated to the Antarctic penguin survey and to other environmental protection activities related to sports.

DESCENTE Korea also worked to increase recognition of the campaign by using Facebook and other social media, outdoor advertising, online pamphlet distribution and NAVER Happybean*.



▲UNEP/GRID-Christchurch team members

*About NAVER Happybean

Happybean is an online donation system run by NAVER, South Korea's largest portal site. Users who contribute questions or answers to the site's Q&A section, or who use NAVER Mail to send messages are awarded "happy beans." These beans are converted at a rate of 100 won each, money which can then be donated to a variety of social contribution organizations as designated by the user.

<http://happybean.naver.com>

Interview with the Manager of DESCENTE Korea's SAVE THE PENGUIN Campaign

Why did you decide to participate in the campaign?

In part to help fulfill DESCENTE Korea's mission of protecting the environment for the good of sports, while at the same time attracting more peoples' interest in environmental protection through the campaign.

What do you think of these activities so far?

I think activities like this campaign do more than their part to spread DESCENTE Korea's core values. Companies need to meet certain social contribution obligations, including job creation. I think these activities will have a positive impact on our business in many respects.

What kind of activities do you have planned for the future?

Our hope is that people will understand the need for environmental protection and get involved in experiencing it for themselves. In 2018, we will hold an exhibition designed to raise awareness of environmental protection, working with the Korean Polar Research Institute to spread the word about conditions in the Antarctic and the status of the penguins who live there. We will also continue utilizing NAVER Happybean to increase the number of campaign participants.



▲2017 campaign poster

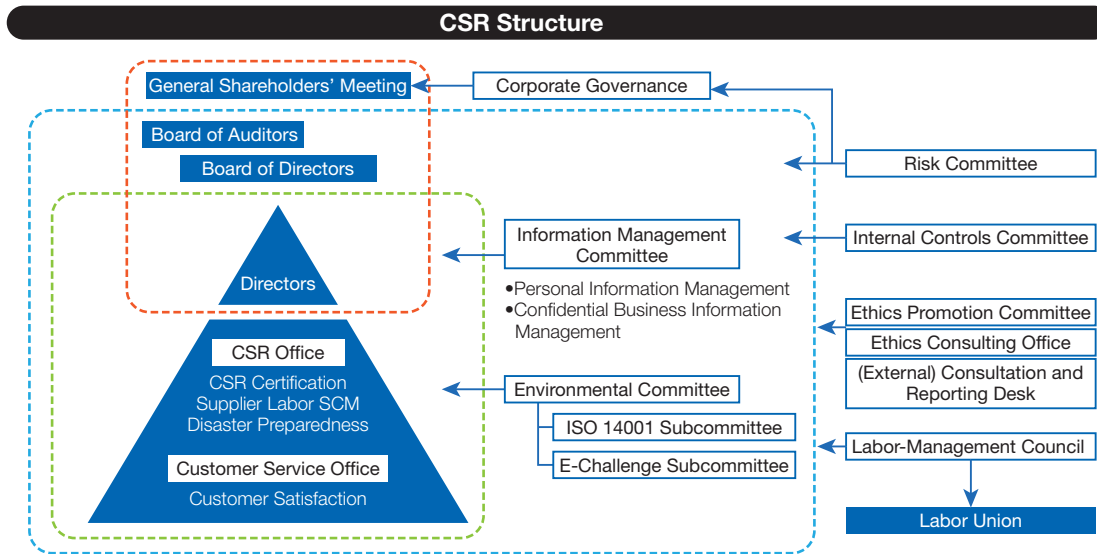
Corporate Governance and Compliance

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

Corporate Governance

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

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



Compliance

While the DESCENTE Group Code of Ethics sets forth our fundamental approach to our business activities, the DESCENTE Standards of Ethical Behavior has been established to provide a guideline for each of our employees in their work. To promote compliance with the Code and Standards, we have established an Ethics Promotion Committee, and work to nurture a sound corporate culture. In addition, to respond to problems that may be difficult to resolve within the organization and to handle employee requests 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.

FY2017 Ethics Promotion Committee Activities

Held in June and August, 2017 and in January 2018

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.

Training Orientation: Four days in September

October – November: Company-wide compliance training held.

October: 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 FY2017, items considered material risks for DESCENTE on a non-consolidated basis numbered 42, none of which were subject to audit.

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 FY2017, 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 FY2017

In FY2017, CSR monitoring was conducted at 11 factories. In each case, we collaborated with both the agent and the factory in addressing the findings, working to prepare a plan of correction and institute improvements. We also conducted our own audits of three factories in Japan.

► Items Monitored

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

► Factories monitored by country

China 4, Myanmar 2, Vietnam 4, Indonesia 1, Japan 3

► Non-conformance Rates by Item

| Production Item | FY2017 No. of factories monitored | No. with fewer than 10% non-conforming items | No. with between 10-19% non-conforming items | No. with 20% or more non-conforming items |
|-----------------|-----------------------------------|--|--|---|
| Apparel | 12 | 7 | 3 | 2 |
| Shoes | 1 | 0 | 0 | 1 |
| Accessories | 1 | 1 | 0 | 0 |
| Total | 14 | 8 | 3 | 3 |

Cumulative totals for FY2011~FY2017

► Factories monitored by country

China 68, Vietnam 21, Myanmar 11, Indonesia 8, Thailand 2, Bangladesh 1, Japan 4, total 115

► Non-conformance Rates by Item

| Production Items | No. of Factories by FY | | | | | | | No. with fewer than 10% non-conforming items | No. with between 10-19% non-conforming items | No. with 20% or more non-conforming items |
|------------------|------------------------|---------|---------|---------|---------|---------|---------|--|--|---|
| | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | | | |
| Apparel | 11 | 19 | 11 | 14 | 10 | 11 | 12 | 48 | 28 | 14 |
| Shoes | 1 | 2 | 4 | 1 | 1 | 1 | 1 | 3 | 3 | 5 |
| Accessories | 0 | 5 | 4 | 1 | 2 | 1 | 1 | 9 | 4 | 1 |
| Total | 12 | 26 | 19 | 16 | 13 | 13 | 14 | 60 | 35 | 20 |

DESCENTE Supplier Code of Conduct

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

1. Legal Compliance

2. Working Conditions

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

3. The Environment

4. Community Involvement

5. Company-specific Standards

6. Verification

7. Compliance



▲ Safety protection equipment and safety goggles



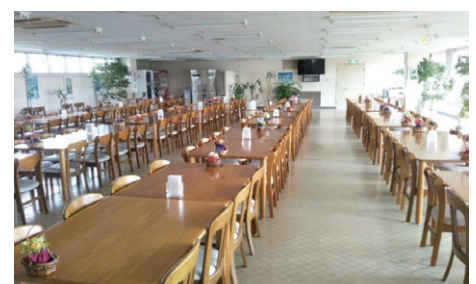
▲ Fire hydrants and fire extinguishers



▲ Evacuation routes of sufficient width



▲ Fire alarms and evacuation route maps



▲ Clean, safe cafeteria for clothing factory employees

Proactive Environmental Initiatives

As guidelines for environmental management, DESCENTE has established both the DESCENTE Basic Environmental Philosophy and the DESCENTE Environmental Policy, as well as an Environmental Committee primarily comprised of company directors. 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 FY2017 was 760 t-CO₂. This represented a target of reducing emissions by 26 t-CO₂ from FY2016, a target that was achieved, with actual emissions of 726 t-CO₂. Emissions decreased by a total of 366 t-CO₂ between FY2008 and FY2017. In FY2017, 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 60,266 kWh (99% versus FY2016). This represents about 13.4% 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 FY2017, we recycled a total of approximately nine 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

FY2017 CO₂ Emissions by Domestic Office

(Unit: t-CO₂)

| Office | Actual Emissions |
|-------------------------|------------------|
| Osaka Office | 317.9 |
| Tokyo Office | 379.3 |
| Sapporo Branch Office | 5.0 |
| Sendai Branch Office | 5.6 |
| Nagoya Branch Office | 11.3 |
| Hiroshima Branch Office | 2.0 |
| Fukuoka Branch Office | 4.7 |
| Company Total | 725.8 |

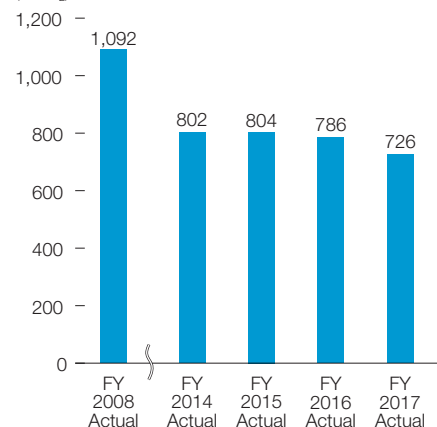
Emissions by Source

(Unit: t-CO₂)

| Source | Actual Emissions |
|-------------|------------------|
| Electricity | 508.0 |
| Gas | 197.7 |
| Water | 4.7 |
| Waste | 15.4 |
| Total | 725.8 |

Change in CO₂ Emissions

(t-CO₂)



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:

DESCENTE LTD. CSR Office

TEL: 81-6-6774-0327 / FAX: 81-6-6774-2605

DESCENTE CSR website:

<http://www.descente.co.jp/en/csr/>