

This is an English translation of the original Japanese-language press release dated February 6, 2020 and is provided for reference purposes only.

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February 6, 2020

Company Name: DESCENTE LTD.
Representative Name: President and Representative Director:
Shuichi Koseki
(Code Number: 8114 First Section of Tokyo Stock Exchange)
Contact: Director, Managing Executive Officer:
Akira Tsuchihashi
(TEL : 06-6774-0365)

Notice of Transfer of Shares and Change in Specified Subsidiaries

DESCENTE LTD. (the “Company”) announced that it had decided to transfer all shares of PEDES INVESTMENTS LTD., a subsidiary in which the Company holds a 80% stake, and 4 other subsidiaries of the Group (the “INOVEIGHT Group”) at the Board of Directors ’ meeting held on February 6, 2020. Prior to the transfer of shares, the Company would make a capital increase to INOVEIGHT Group, temporarily making it a specified subsidiary, and then transferring the shares.

1. Reason for the Share Transfer

The Company began selling inov-8 brand shoes, wear, and equipment in Japan, South Korea, and Hong Kong in 2013, and acquired 80% share of the INOVEIGHT Group and made it subsidiary in August, 2015. Utilizing the high-level development capabilities of the INOVEIGHT Group, which develops off-road shoes for trail running in approximately 60 countries around the world, the Company has been conducting business with the aim of expanding the overall shoe business.

4 years have passed since the acquisition, the business of the INOVEIGHT Group has continued to fall far short of the business plan at the time of the acquisition by the Company. As mentioned in the “Descente Group Midterm Management Plan D-Summit 2021” dated

August 28, 2019, this was one of the reasons why the Company could not achieve the sales target of the previous midterm management plan (Compass 2018).

As described above, after reviewing the business viability of the INOVEIGHT Group and examining various options based on the consideration of compatibility with the Key Strategies set out in the “Descente Group Midterm Management Plan D-Summit 2021.” As a result at the Board of Directors’ meeting held on February 6, 2020, the Company resolved to transfer all its shares of the INOVEIGHT Group to the new company to be established by Wayne Edy, the founder of the INOVEIGHT Group, who holds 20% of shares. The Company believes that this would be the best option for both the Company and the INOVEIGHT Group to grow.

The Company will be able to concentrate more management resources to Asia (Japan, China and South Korea) as stated in the Key Strategy II of the “Descente Group Midterm Management Plan D-Summit 2021”, and we will continue to focus on further strengthening our competitiveness in Asian markets.

2. Outline of the Subsidiary to be Transferred

(1) Name	PEDES INVESTMENTS LTD and four subsidiaries of the Group		
(2) Address	Isle of Man (the British Crown Dependent Country with autonomy)		
(3) Title and Name of the Representative	Hiroaki Kobayashi; Chairman and CEO		
(4) Business Profile	Manufacture and sale of inov-8 brand products		
(5) Capital Stock	Capital before capital increase: GBP 14,000 (Approximately JPY 3 million) Capital after capital increase: GBP 25,014,000 (Approximately JPY 3,575 million)		
(6) Date of Establishment	April 4, 2012		
(7) Major Shareholders and Shareholding Ratio	Company: 80% Wayne Edy: 20%		
(8) Relationship between the Company and the Subsidiary	Capital Relationship	Shareholding ratio: 80%	
	Personal Relationship	3 employees from the Company serve concurrently as directors of the subsidiary.	
	Business Relationship	None	
	Related Party Status	Consolidated subsidiaries and related parties of the Company	
(9) Operating Results and Financial Position over the last three years (GBP in thousand)			
Accounting Period	FY ended December, 2016	FY ended December, 2017	FY ended December, 2018
Net Assets	GBP (3,256) (JPY (465) million)	GBP (5,019) (JPY (762) million)	GBP (10,001) (JPY (1,404) million)
Total Assets	GBP 24,856 (JPY 3,554 million)	GBP 25,051 (JPY 3,807 million)	GBP 19,254 (JPY 2,704 million)
Net Sales	GBP 18,578 (JPY 2,736 million)	GBP 18,006 (JPY 2,616 million)	GBP 16,021 (JPY 2,350 million)

Operating Income	GBP 183 (JPY 26 million)	GBP (845) (JPY (122) million)	GBP (427) (JPY (62) million)
Ordinary Income	GBP (975) (JPY (143) million)	GBP (1,697) (JPY (246) million)	GBP (5,112) (JPY (750) million)
Net Income	GBP (1,153) (JPY (169) million)	GBP (1,689) (JPY (245) million)	GBP (5,005) (JPY (734) million)

3. Outline of the Party to whom the transfer is to be made

(1) Name	Wayne Edy
(2) Address	United Kingdom
(3) Relationship between the Listed Company and the Individual	None
(4) Other	The individual is a 20% owner of PEDES INVESTMENTS LTD. and a director of PEDES INVESTMENTS LTD.

Note: However, the party to whom the transfer is to be made is the new company established by Wayne Edy.

4. Number of Shares Transferred by the Company and Status of Shares Held before and after the Transfer

(1) Number of shares held before the change	2,502,500 shares
(2) Number of transferred shares (schedule)	2,502,500 shares
(3) Number of shares held after the change (schedule)	0 share (Ownership: 0.0%)
(4) Contract amount	GBP 7,050,000 (JPY 1,008 million)

5. Future Plans

(1) Date of the share transfer agreement	February 6, 2020 (schedule)
(2) Date of the capital increase decision	February 6, 2020 (schedule)
(3) Date of capital increase	February 14, 2020 (schedule)
(4) Date of share transfer	February 14, 2020 (schedule)

6. Impact on Future Business Operating Results

The impact of this sale transaction on consolidated business operating results of operations is reflected in the "Announcement of recording of extraordinary loss and reversal of deferred tax assets, revision of full-year earnings forecast and dividend forecast (no dividend)" announced February 6, 2020.