

This is English Translation of original Japanese-language press release dated July 15, 2020 and is provided for reference purpose only. Readers are advised that the Company does not gurantee the accuracy of content contained in this report. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.



July 15, 2020

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

Notice regarding Agreement relating to the Reorganization of the Joint Venture Company in China and posting of extraordinary income

Descente Ltd. (headquartered in Osaka City, Osaka Prefecture, Japan, President and Representative Director: Shuichi Koseki, hereinafter the “Company”), announces that its board of directors resolved to enter into an agreement to transfer shares of its newly established wholly owned subsidiary that manages intellectual property rights etc. (“IP”) for the DESCENTE brand in China (hereinafter “DC-IP”) to Descente China Holding Limited (hereinafter “DCH”), a joint venture company established in 2016 for DESCENTE’s business in China, in kind, as part of the reorganization plan to increase ownership in DCH (the “Reorganization”) following discussions with ANTA Sports Products Limited (headquartered in Xiamen, Fujian Province, China, Chairman and CEO: Ding Shizhong, hereinafter “ANTA”) and ITOCHU Corporation (headquartered in Minato-ku, Tokyo, Japan, President & COO: Yoshihisa Suzuki, hereinafter “ITOCHU”).

DCH was established as a joint venture among the Company’s subsidiary DESCENTE GLOBAL RETAIL LTD. (headquartered in Seoul, South Korea, Representative Director and CEO: Hoon-Do Kim, hereinafter “DGR”), ANDES Sports Products Limited (“ANDES”), a subsidiary of ANTA, and ITOCHU Textile Prominent (Asia) Limited (headquartered in Hong Kong, China; Managing Director: Hiroshi Morita; hereinafter “IPA”), a subsidiary of ITOCHU.

1. Purpose and background to the Reorganization

Please refer to the press release “Notice Regarding the Reorganization of the Joint Venture Company in China” of May 22, 2020.

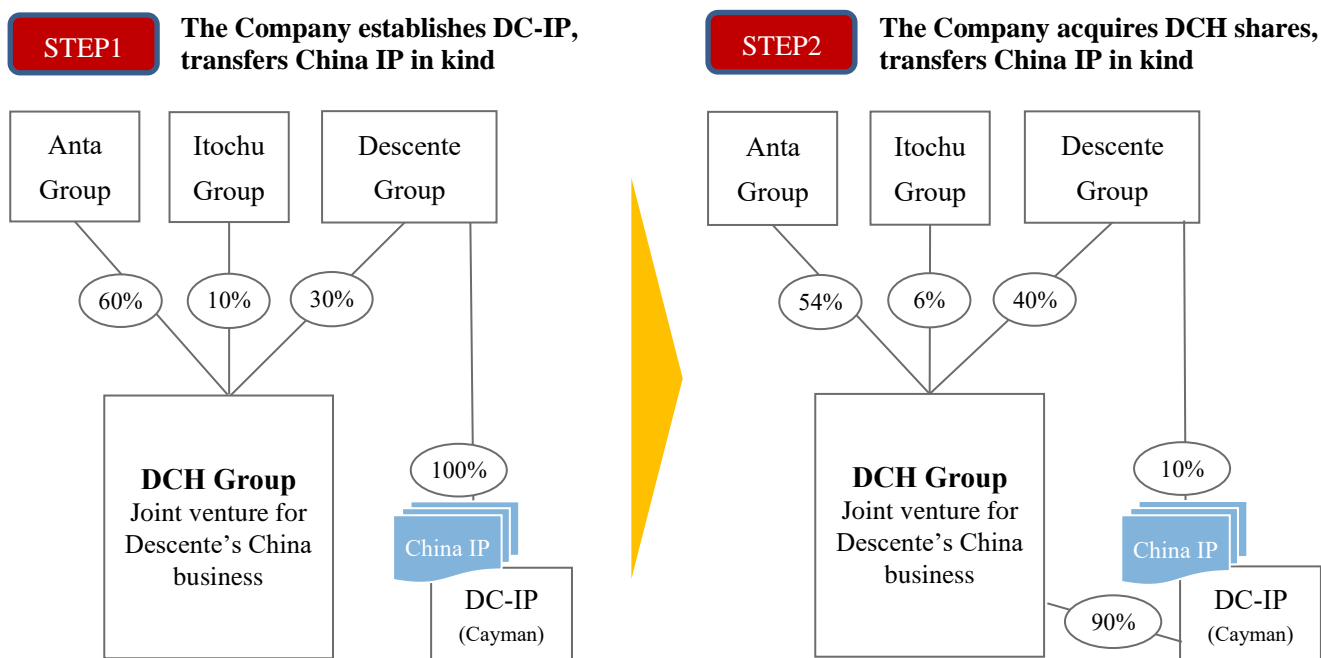
2. Outline of steps

Step 1: DC-IP established a wholly owned subsidiary on May 27, 2020 (refer to 4. below for details). Following the signing of the definitive agreement, the Company will transfer the IP relating to the DESCENTE brand in China to DC-IP in kind.

Step 2:

1. The Company will transfer 90% of the total outstanding shares in DC-IP to DCH in kind, and acquire additional DCH shares
2. ANDES will acquire DCH shares through private placement (third-party allotment of shares), and also acquire a portion of DCH shares from DGR and IPA

As a result of the above, ANTA will own 54.0%, Descente Group 40.0%, and Itochu Group 6.0% of DCH.



3. About DCH

(1) Name	Descente China Holding Limited	
(2) Address	Cayman Islands	
(3) Title and Name of the Representative	Ding Shizhong, Chairman and CEO	
(4) Business Profile	Sale of sportswear	
(5) Capital Stock	RMB 250 million	
(6) Date of establishment	April 22, 2016	
(7) Major shareholders and shareholding ratio	Andes: 60%, DGR: 30%, IPA: 10% (as of July 15, 2020)	
(8) Relationship with the Company	Capital relationship	The Company owns 30% of DCH
	Personnel relationship	Two of the Company's directors concurrently serve as Directors of DCH

	Business relationship	DCH sell the Company's products	
	Applicability to related parties	Equity-method affiliate of the Company and a related party	
(9)	Consolidated Operating Result and Financial Position over the last three years (RMB million)		
	FYE	Dec 2017	Dec 2018
	Net Assets	191	177
	Total Assets	327	395
	Revenue	141	481
	Operating income	(54)	(15)
	Ordinary income	(51)	(19)
	Net income	(37)	(13)

*negative amounts in parentheses

4. About DC-IP

(1)	Name	Descente China IP Limited	
(2)	Address	Cayman Islands	
(3)	Title and Name of the Representative	Hoon-Do Kim, Director	
(4)	Business Profile	Ownership and management of intellectual property rights including trademark rights	
(5)	Capital Stock	Approximately US\$ 99,000	
(6)	Date of establishment	May 27, 2020	
(7)	Major shareholders and shareholding ratio	At the time of establishment: The Company 100% Post-Reorganization: DCH 90%, The Company 10% (expected December 2020) (DCH is an equity method-affiliate of the Company)	
(8)	Relationship with the Company	Capital relationship	At the time of establishment, DC-IP is a wholly owned consolidated subsidiary of the Company. Post-Reorganization, the Company will own 10%
		Personnel relationship	One of the Company's directors serves as director
		Business relationship	Not applicable
		Applicability to related parties	At the time of establishment, DC-IP is a wholly owned consolidated subsidiary of the Company
(9)	Business performance and financial status of the company over the last three years		
	Full financial year information is unavailable as DC-IP was established in May 2020		

5. About the JV partner companies

(1) ANTA

- Company name: ANTA Sports Products Limited
- Head office location: Xiamen, Fujian Province, China
- Representative: Ding Shizhong, Chairman and CEO
- Main business: branding, production, design, procurement, supply chain management, wholesale and retail of branded sporting goods including footwear, apparel and accessories
- Issued share capital: RMB 260 million
- Established date: February 8, 2007

(2) IPA

- Company name: ITOCHU Textile Prominent (Asia) Limited
- Head office location: Hong Kong, China
- Representative: Hiroshi Morita, Managing Director
- Main business: Production management of textile products and sales of textile raw materials, fabrics, products, etc.

(3) DGR

- Company name: DESCENTE GLOBAL RETAIL LTD.
- Head office location: Seoul, South Korea
- Representative: Hoon-Do Kim, Representative Director and CEO
- Business: Global retail and wholesale of "DESCENTE" brand products
- Capital: KW 10 billion
- Investment ratio: Descente Ltd. 60%, Descente Korea Ltd. 40%
- Established date: January 16, 2015

6. Group ownership of DCH shares before and after the Reorganization

(1) Number of shares owned before transfer	75,000 shares (Voting rights: 30%)
(2) Number of shares underwritten by investment in kind	52,632 shares
(3) Purchase price	Approximately JPY 6 billion (Approximately USD 57 million)
(4) Number of shares to be transferred	3,421 shares (*Part of the DCH shares held will be transferred to Andes)
(5) Number of shares ultimately owned after transfer	124,211 shares (voting rights: 40%)

7. Schedules of definitive agreement and Reorganization

(1) Signing of the definitive agreement	July 15, 2020 (plan)
(2) Closing 1. Contributions in kind of DC-IP shares to DCH, acquisition of DCH shares by the Company 2. Subscription of DCH's shares by ANDES 3. Transfer of a portion of DCH shares from DGR and IPA to ANDES	Late December 2020 (plan)

8. Accounting treatment

Based on the Accounting Standards Board of Japan, Statement No. 7, Accounting Standard for Business Divestitures (September 13, 2013), the change in equity holdings (extraordinary income) and goodwill will be reflected on the Company's consolidated financial statements on the day the DCH shares are acquired. As DCH is an equity-method affiliate of the Company, goodwill will be recognized as investment securities.

9. Future outlook

Due to the series of transactions associated with the Reorganization, approximately 4 billion yen in equity will be added to the consolidated financial results for the fiscal year ending March 2021 from the change in equity holdings (extraordinary income), which has been reflected in the consolidated business forecast for that year. It should be noted that this is an estimated amount that may be adjusted according to the market price and foreign exchange rates in the future. Please refer to the "Notice of Earnings Forecast for Fiscal Year Ending March 31, 2021" announced today for details.

-ends-