

This is English Translation of original Japanese-language press release dated May 22,2020 and is provided for reference purpose only.

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May 22, 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:  
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### **Notice Regarding the Reorganization of the Joint Venture Company in China**

Descente Ltd. (headquartered in Osaka City, Osaka Prefecture, Japan, President and Representative Director: Shuichi Koseki, hereinafter the "Company"), announces that the Company plans to reorganize its structure by increasing stakes in Descente China Holding Limited (hereinafter "DCH"), a joint venture company established in 2016 for the DESCENTE brand business in China, through the transfer of stakes in its newly established IP management company for the Descent brand including that for China (hereinafter "JV-IP") to DCH in kind (the "Reorganization"). Details were reported at the board meeting today, and discussions are currently progressing with Anta with the final contract scheduled to be agreed by the end of June.

DCH was established as a joint venture among the Company's subsidiary Descente Global Retail (headquartered in Seoul, South Korea, Representative Director and CEO: Hoon-Do Kim, hereinafter "DGR"), Andes Sports Products Limited ("Andes"), a subsidiary of Anta Sports Products Limited (headquartered in Xiamen, Fujian Province, China, Chairman and CEO: Ding Shizhong, hereinafter "Anta"), and Itochu Textile Prominent (Asia) Limited (headquartered in Hong Kong, China; Representative Director and CEO: Hiroshi Morita; hereinafter "IPA"), a subsidiary of Itochu Corporation (headquartered in Minato-ku, Tokyo, Japan, President: Yoshihisa Suzuki, hereinafter "ITOCHU").

#### 1. Purpose and background to the Reorganization

As the Company's flagship brand, "DESCENTE" is the Company's most focused brand, and

expanding its global reach is one of its medium-term priority strategies. As part of this, the Company established DCH in June 2016, with Anta (through Andes) owning 60%, DGR 30% and IPA 10% to develop the brand in Mainland China. Since then, DCH has succeeded in expanding direct sales of the brand in China under the leadership of Anta, and as of December end 2019, opened 136 stores across Mainland China, achieving profitability in FY2019, a year earlier than initially planned.

While the Company aims to expedite growth in China as a key pillar following its South Korean business, and in view of Anta's track record of expanding and developing multiple brands, it was decided that DCH's ownership of "DESCENTE" trademark rights for China through JV-IP would further promote acceleration and expansion of the business in China. As such, the Company will raise its stake in DCH by 10%, from 30% to 40%.

2. Outline of steps

Step1: The Company will establish JV-IP as its wholly-owned subsidiary and transfer the "DESCENTE" trademark rights for China in kind

Step2: The Company will invest 90% of JV-IP's shareholding to DCH in kind, with allotment of shares by 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 May 22, 2020)	
(8) Relationship with the Company	Capital relationship	The Company owns 30% of DCH
	Personnel relationship	Two of the Company's employees concurrently serve as Directors of DCH
	Business relationship	DHC 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)		
We cannot disclose based on confidentiality with joint venture partners		

#### 4. About JV-IP

(1) Name	JV-IP (tentative name)	
(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	US\$ 100,000	
(6) Date of establishment	Late June 2020 (plan)	
(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, JV-IP is a wholly-owned consolidated subsidiary of the Company. Post-Reorganization, the Company will own 10%
	Personnel relationship	A Company employee serves as director
	Business relationship	Not applicable
	Applicability to related parties	At the time of establishment, JV-IP is a wholly-owned consolidated subsidiary of the Company
(9) Business performance and financial status of the company over the last three years		
JV-IP is scheduled to be established in late June 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, Representative Director and CEO
- Main business: Production management of textile products and sales of textile raw materials, fabrics, products, etc.

(3) DGR

- Company name: Descente Global Retail Co., 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 Co., Ltd. 60%, Descente Korea Co., 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) Number of shares to be transferred	3,421 shares (*Part of the DCH shares held will be transferred to Andes)
(4) Number of shares ultimately owned after transfer	124,211 shares (voting rights: 40%)
(5) Deal value	Contribution in kind (valuation): TBD Stock transfer (value): TBD

7. Schedules of definitive agreement and Reorganization

(1) Signing of the definitive agreement	Late June 2020 (plan)
(2) Establishment of JV-IP	Late June 2020 (plan)
(3) Closing 1. Contributions in kind of JV-IP shares to DCH and the acquisition of DCH shares by the Company 2. Underwriting 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. Future outlook

We are currently assessing the impact of the execution of the series of transactions following the Reorganization on the consolidated business results of the Company for the current fiscal year.

The consolidated business forecast for the fiscal year ending March 2021 is undecided as the outlook is highly uncertain at this time due to the ongoing spread of new coronavirus infection. We will promptly announce our forecast when a reasonable estimate is possible.

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