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January 7, 2022

Company Name: DESCENTE LTD.
 Representative Name: President and Representative Director
 Shuichi Koseki
 (Code: 8114 First Section of the Tokyo Stock Exchange)
 Contact: Director, Executive Managing Officer
 Akira Tsuchihashi
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Notice of Changes in Equity-Method Affiliates and Transfer of Selected Subsidiaries

DESCENTE LTD. (hereinafter the “Company”) hereby announces that the board of directors' meeting have resolved to acquire all of the equity interests of ARENA(SHANGHAI) INDUSTRIAL CO, LTD. ("ASH"), an equity-method affiliate of the Company, by Tian Feng (Shanghai)Apparel and Accessory Trading Co, Ltd. ("TFS") and make it a consolidated subsidiary.

ASH is classified as a specified subsidiary because capital stock of ASH is more than 10/100 of our capital stock.

Notes

1. Background and Purpose of Acquisition of Equity Interests

ASH was formed in 2016 upon the execution of a joint venture between our Chinese subsidiary SHANGHAI DESCENTE COMMERCIAL CO, LTD ("SHD"), and TFS, Chinese subsidiary of Symphony Holdings Limited ("SHL"), with the objective of increasing awareness and value of the arena brand in China and expanding retail and wholesale businesses.

Since its establishment, we have sought to expand sales of the arena brand by leveraging the SHL Group's expertise in marketing, e-commerce sales, management of directly managed stores, and the development of sales agents in the China marketplace. In order to further expand its business in China, we have decided to acquire all of the equity interests in TFS and make ASH a Consolidated subsidiary.

ASH is expected to become profitable from the fiscal year ending December 2021, and we will aim to further grow the arena brand in China.

2. Overview of the subsidiary to be transferred (ASH)

(1) Name	ARENA(SHANGHAI)INDUSTRIAL CO., LTD.	
(2) Address	Room 310-3 Section A, No.1718 Daduhe Road, Putuo District, Shanghai, PRC	
(3) Job Title/Name of Representative	Executive Director, Chief Operating Officer: Mr. Chan Kar Lee Gary	
(4) Business Activities	Retail/wholesale sales and local marketing of arena branded products in China (excluding Hong Kong, Macao and Taiwan areas)	
(5) Capital stock	RMB 30,000,000.00 (Approx. JPY 508 million) *1	
(6) Date of Incorporation	October 24, 2016	
(7) Ownership ratio	TFS:70% SHD:30%	
(8) Relationship between a listed company and the company	Capital relationship	This is an equity-method affiliate of the Company.
	Personnel relationship	2 employees of us and our subsidiaries concurrently serve as directors.

	Business relationship	No items to be stated.	
	Relevant status to the relevant Party	This is an equity-method affiliate of the Company and corresponds to an affiliated party.	
(9) Operating results and financial position of the company for the past 3 years			
Fiscal year	Fiscal Year ending DEC 2018	Fiscal Year ending DEC 2019	Fiscal Year ending DEC 2020
Net assets	34,459,000 RMB (JPY 556 million)	39,470,000 RMB (JPY 618 million)	36,613,000 RMB (JPY 581 million)
Total assets	81,987,000 RMB (JPY 1,324 million)	65,488,000 RMB (JPY 1,026 million)	68,425,000 RMB (JPY 1,086 million)
Net sales	132,790,000 RMB (JPY 2,209 million)	145,172,000 RMB (JPY 2,296 million)	94,098,000 RMB (JPY 1,450 million)
Operating income	▲ 5,363,000 RMB (▲ JPY 89 million)	7,690,000 RMB (JPY 121 million)	▲ 1,381,000 RMB (▲ JPY 21 million)
Ordinary income	▲ 5,722,000 RMB (▲ JPY 95 million)	6,426,000 RMB (JPY 101 million)	▲ 2,856,000 RMB (▲ JPY 44 million)
Net income	▲ 5,722,000 RMB (▲ JPY 95 million)	5,011,000 RMB (JPY 79 million)	▲ 2,856,000 RMB (▲ JPY 44 million)

※ Converted at 1 RMB = approx. 16.95 (exchange rates at the time of acquisition)

3. Overview of the Counterparty to the Stock Purchase

(1) Name	Tian Feng (Shanghai) Apparel and Accessory Trading Co., Ltd.		
(2) Address	Room 231 Bld. 112-113, No.960 Zhongxing Road, Zhabei District, Shanghai, PRC		
(3) Relationship between a listed company and that company	Capital relationship	No items to be stated.	
	Personnel relationship		
	Business relationship		
	Relevant status to the relevant Party		

4. Status of equity interest before and after the acquisition

(1) Equity interest before the transfer	30% (SHD 30%)	
(2) Equity interest to be acquired	70% (Our Company 70%)	
(3) Acquisition cost	Acquisition cost (planned)	Approx. 393 million yen
	Advisory expenses	Approx. 32 million yen
	Total (planned amount)	Approx. 425 million yen
	The purchase price is determined by consultation with the counterparty based on the valuation calculated by a third party based on the book value net assets method, etc.	
(4) Equity interest after the transfer	100% (Our Company 70%, SHD 30%)	

5. Schedule of the transfer

(1) The board of directors' meeting resolution date	January 7, 2022
(2) Date of the stock transfer agreement	January 7, 2022
(3) Effective date of the stock transfer	April 1, 2022 (planned)

(NOTE) Schedule is planned in order to conduct the final application process for approval with the relevant authorities.

6.Consolidated Performance Forecast

ASH is scheduled to become our consolidated subsidiary on April 1, 2022. However, the deemed accounting acquisition date of ASH will be acquired on March 31, 2022, and we plan to incorporate it into our consolidated performance from the second quarter of the fiscal year ending March 2023.

This acquisition has no effect on consolidated performance in the year ending March 2022, and the effect on consolidated performance in the year ending March 2023 is insignificant.

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