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August 8, 2022

Company Name: DESCENTE LTD.
Representative Name: President and Representative Director:
Shuichi Koseki
(Code Number: 8114 Prime Market of Tokyo Stock Exchange)
Contact: Managing Executive Officer:
Akira Tsuchihashi
(TEL: 03-5979-6110)

Notice of Changes in Equity-Method Affiliates and Transfer of Specified Subsidiaries

DESCENTE LTD. (hereinafter “the Company”) hereby announces that the board of directors' meeting has made the following resolutions with respect to LE COQ SPORTIF (NINGBO) CO., LTD. (“NLCS”), an equity-method affiliate of the Company, 浙江自貿区杉榮服飾有限公司 (“SUGIEI”) and ITOCHU TEXTILE (CHINA) CO., LTD. (“ITS”), a subsidiary of ITOCHU Corporation.

- (i) Acquire all of SUGIEI's equity interest in NLCS
- (ii) At the same time of (i), implement a recapitalization to underwrite NLCS shareholders' equity financing by ITS

Following the Recapitalization, NLCS's Capital stock will be more than 10/100 of the Company's capital stock and therefore NLCS will be classified as a specified subsidiary.

Notes

1. Background and Purpose of Acquisition of Equity Interests

NLCS was established by the Company, SUGIEI and ITS in 2004 to develop this brand of business in China. Since the establishment, the main investor, SUGIEI, has led the marketing and on-line sales of “le coq sportif” brand in China marketplace, managing directly managed stores and developing sales agents. In recent years, however, sales and earnings have been sluggish due in part to the impact of the spread of COVID-19 infectious diseases. In order to restructure the brand's position in China marketplace and expand its business again, the Company has decided to make NLCS a Consolidated subsidiary. We will acquire all of the equity interests of SUGIEI and at the same time implement a capital reorganization to underwrite capital increases for NLCS by our partner, ITS.

Under the new management structure, we will aim for further growth of “le coq sportif” brand in China.

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

Overview of the subsidiary to be transferred (NEOS)

(1) Name	LE COQ SPORTIF (NINGBO) CO., LTD.		
(2) Address	19F, Ningbo Center Building, No.288, Jiahui Street, Yinzhou District Ningbo, Zhejiang, 315100		
(3) Job Title/Name of Representative	Chairman and Chief Executive Officer: Wang Ke		
(4) Business Activities	Retail/wholesale sales of athletic wear and golf wear in China		
(5) Capital stock	RMB 117,241,240.00 (Approx. JPY 2,258 million) *1		
(6) Date of Incorporation	February 4, 2004		
(7) Ownership ratio	SUGIEI: 50%, ITS :10%, the Company: 40%		
(8) Relationship between a listed company and the company	Capital relationship	This is an equity-method affiliate of the Company.	
	Personnel relationship	1 employee of us concurrently serves as a director.	
	Business relationship	We sell our products.	
	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 end	Fiscal Year ended Dec. 2019	Fiscal Year ended Dec. 2020	Fiscal Year ended Dec. 2021
Net assets	177,129,000 RMB (JPY 2,775 million)	177,220,000 RMB (JPY 2,814 million)	187,825,000 RMB (JPY 3,392 million)
Total assets	428,674,000 RMB (JPY 6,717 million)	415,671,000 RMB (JPY 6,600 million)	374,594,000 RMB (JPY 6,765 million)
Net sales	619,830,000 RMB (JPY 9,805 million)	496,987,000 RMB (JPY 7,663 million)	466,157,000 RMB (JPY 7,980 million)
Operating income	13,617,000 RMB (JPY 215 million)	2,359,000 RMB (JPY 36 million)	16,142,000 RMB (JPY 276 million)
Ordinary income	8,836,000 RMB (JPY 139 million)	324,000 RMB (JPY 5 million)	16,718,000 RMB (JPY 286 million)
Net income	5,295,000 RMB (JPY 83 million)	90,000 RMB (JPY 1 million)	12,605,000 RMB (JPY 215 million)

※ Converted at 1RMB = approx. 19.26 (exchange rates as of March 31, 2022)

3. Overview of the Counterparty to the Stock Purchase

(1) Name	浙江自貿區杉榮服飾有限公司		
(2) Address	Room-101-12, No. 727 Seaview Road, Dinghai Street China (Zhejiang) Free Trade Pilot Zone Zhoushan City Dinghai District Funshan Ocean Science City Lincheng		
(3) Relationship between the listed company and that company	Capital relationship	No items to be stated.	
	Personnel relationship		
	Business relationship		
	Relevant status to the relevant Party		

4. Our Group-owned status of NLCS stocks before and after the Reorganization

(1) Equity interest before the transfer	40%
(2) Equity interest to be acquired	50%
(3) Acquisition cost	Acquisition cost: JPY 3,500 million Advisory expenses: JPY 50 million Total (approximate amount): JPY 3,550 million The purchase price is determined by consultation with counterparties based on the valuation calculated by a third-party based on the DCF method and other methods.
(4) Equity interest after the transfer (After ITS capital increase)	75%

※ITS's equity interest after the Reorganization is 25%

5. Schedule of the transfer

(1) The board of directors' meeting Resolution Date	August 8, 2022
(2) Date of the share transfer agreement	August 10, 2022(planned)
(3) Effective date of the stock transfer	October 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

As a result of this stock acquisition, we expect to record a gain of JPY 1,500 million by step acquisition as Extraordinary income in Consolidated performance for the third quarter of the fiscal year ended March 2023. We will promptly announce any matters necessary to be public.

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