

# Deckers Group

## DAP Hong Kong Warehouse DC-to-DC Transfers

Tax Considerations  
July 23, 2025

DECKERS  
BRANDS

UGG®

KOOLABURRA  
by UGG®

HOKA

TeVa

ΛHNU



# 1: Background



## Background

### Proposal

- Enable DC-to-DC transfers of goods from DAP HK warehouse for Japan DC, China DC, and US DC
  - Added function important to optimize stock in the region
  - Allows APAC Distributors (Japan and China) the opportunity to place orders from DAP HK DC stock, in cases of excess/buffer stock in warehouse (APB operated) inventory which HK retailers are not willing to purchase
- DAP does not have closeout route as DAP HK DC can only sell via wholesale channel at full price
  - Majority of product would go through China's closeout routes

### Expected Volume

in \$USD	DAP HK Warehouse Volume	Expected DC-to-DC Shipments			DC-to-DC as % of HK Volume
		Japan	China	Total	
FY26				0	#DIV/0!
FY27				0	#DIV/0!
FY28				0	#DIV/0!

### Conclusions

- China and Japan destination DC-to-DC Transfers
  - Permitted for tax purposes
  - Tax to be updated quarterly on quantities
- US destination DC-to-DC Transfers
  - Not recommended by Tax
  - Prior approval needed (e.g., Tax) and must be *de minimis* quantities



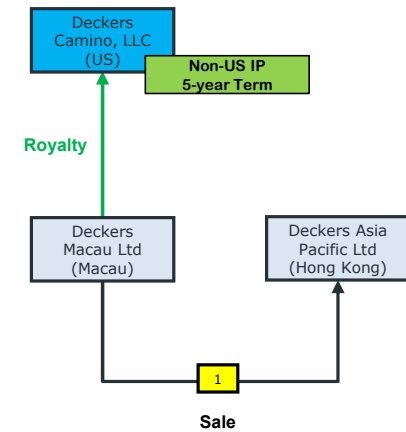
## 2: Non-US Distribution Channel (DC-to-DC Transfer from Hong Kong)



## DML Sale to DAP

### Step 1

- DML sells finished products to DAP
- DAP warehouses the goods in Hong Kong



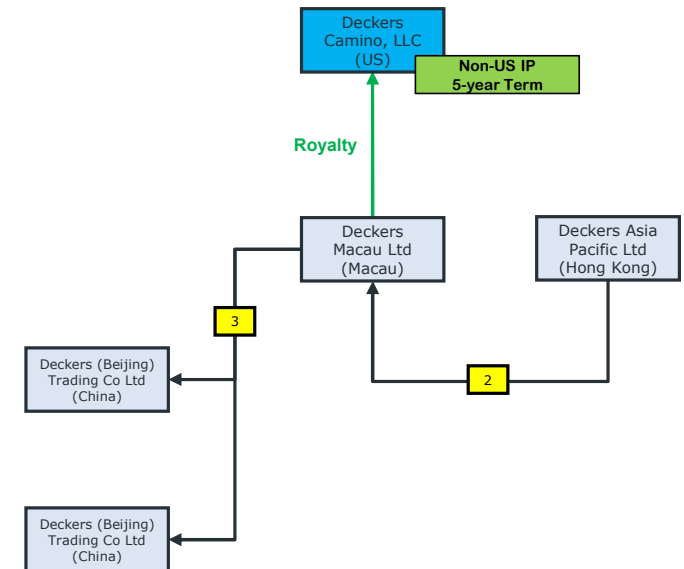


## Step 2: DAP Return of Good to DML

- DAP must first return the goods to DML
- Flash title to DML
- See I.C.500.00 Sales, Distribution and License Agmt, DML-DAP [EFFECTIVE 2021.10.22]
  - 3.3 Ordering Procedure
  - (c) **Returns.** Distributor shall have the right to return all Licensed Products which are unsold for any reason, including obsolete, delisted or slow-moving goods. Such Licensed Products will be returned at Distributor's expense, and upon receipt of such Licensed Products, Company will credit Distributor with the amount originally charged for the Licensed Products including any customs duties paid for the original sale from Company to Distributor.
  - NOTE: No customs duties to consider for import into Hong Kong.

### Step 3: DML Sells to Deckers Japan or Deckers Beijing

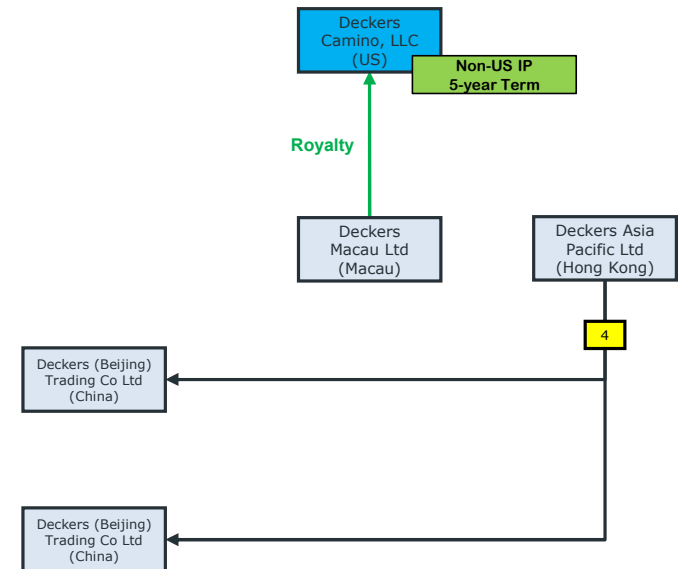
- DML sells products to Deckers Japan or Deckers Beijing
- Flash title from DML to Deckers Japan or Deckers Beijing
- See I.C.506.00 Sales Distribution and License Agmt, DML-DJ [EFFECTIVE 02.25.2022] & I.C.501.00 Sales Distribution and License Agreement (Term Sheet + T&C's), DML-DBJ [2022.02.25]
- *Question: Check if Incoterms are accurate in agreements for this situation*



## DAP DC Transfer to Non-US DC Shipments

### Step 4: DAP Shipments Directly to Deckers Japan or Deckers Beijing

- Shipments made directly from DAP Hong Kong DC to with Deckers Japan DC or Deckers Beijing DC



# Transfer Pricing and Customs Considerations

## Transfer Pricing Considerations

- Tax to be provided on a quarterly basis the following data:
  - Percentage of DAP warehouse inventory shipped to Deckers Japan DC and Deckers Beijing DC
- Potential transfer pricing concerns if DAP Hong Kong DC is transferring large percentage of overall warehoused goods
  - Separate compensation potentially needed for the warehouse expenses borne by DAP

## Japan and China Customs Considerations

- FTAAplication
  - In consideration that the goods are manufactured in the countries (e.g. Vietnam) which have FTA with China or Japan, with relevant documents (e.g. FORE – E) submitted, in general the import products could enjoy the FTA rate.
  - However, 1) FTA documents on shipment level may hardly match between original import into HK DC and reimport into China or Japan; 2) Transfer CO is hardly to apply and/or meet applicable FTA requirements.
  - In this regard, the FTA application could be in question and may lead to higher import duties.
- Import Price Consistency
  - Customs is leveraging the big data system in performing the auto monitoring of the import prices fluctuation on identical/similar goods. Abnormal frequency or intensity on the fluctuation of import price on identical goods would draw the attention of the Customs and may trigger their further inquiries/review.
  - In this regard, for the products reimported into China and Japan from HK DC, import pricing shall keep the same as normal import goods to avoid unnecessary inquiry from Customs.
  - Exceptional cases to be discussed with Tax on a case-by-case basis.





### **3: US Distribution Channel (DC-to-DC Transfer from Hong Kong)**



## US Distribution Channel (DC Transfer from Hong Kong)

### Not Recommended

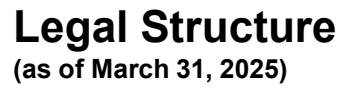
- Contrary to intercompany agreements
- Only would be permitted for *de minimis* quantities

### Approval Process

- Any DC transfers from HK Warehouse to US DC requires advance approval from:
  - Tax
  - Legal
  - CFO
- Information required
  - Size of transfer



## 4: Legal Structure



The diagram illustrates the corporate ownership structure of Deckers Outdoor Corporation (US). The structure is as follows:

- Deckers Outdoor Corporation (US) (US IP)
  - Deckers Pacific Corporation (US)
    - Deckers HK Holdings, Limited (Hong Kong)
      - Deckers Outdoor International Limited (Hong Kong)
        - Deckers International Limited (Bermuda) (96% to Deckers Macau Ltd (Macau))
          - Deckers Macau Ltd (Macau)
            - Deckers Macau Ltd (NL Branch)
        - DBrands SGP Pte Ltd (Singapore)
          - Deckers Coromar, LLC (US) (Non-US IP Remainder Term)
        - Deckers UK Ltd (UK)
          - Deckers Japan GK (Japan)
        - 99.99% to Deckers Dutch Coop UA (Netherlands)
          - 0.01% to Deckers Europe Ltd (UK)
            - 99.99% to Deckers Benelux BV (Netherlands)
              - 0.01% to Deckers Benelux BV (Belgium)
          - Deckers Outdoor Canada ULC (Canada)
          - Deckers Switzerland GmbH (Switzerland)
            - Deckers Benelux BV (Belgium Branch)
          - Deckers France SAS (France)
            - Deckers Germany GmbH (Germany)
          - Deckers Italy S.r.l. (Italy)
            - Deckers Austria GmbH (Austria)
      - Deckers Consumer Direct Corporation (US)
      - Deckers Cabrillo, LLC (US)
      - Deckers Cabrillo II, LLC (US)
      - Deckers Retail LLC (US)
        - Deckers America, LLC (US)

Non-US IP 5-year Term

Non-US IP Remainder Term