

[Translation]

TENDER OFFER EXPLANATORY STATEMENT

January 2019

BS Investment Corporation
(Target Company: DESCENTE LTD.)

TENDER OFFER EXPLANATORY STATEMENT

The tender offer referenced in this Statement is subject to the provisions of Chapter II-2, Section 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended). This Statement is prepared in accordance with Article 27-9 of the Financial Instruments and Exchange Act of Japan.

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(Note 1) In this Statement, the term “Tender Offeror” means BS Investment Corporation.

(Note 2) In this Statement, the term “Target Company” means DESCENTE LTD.

(Note 3) Where figures in this Statement are rounded up or down, the amount indicated in the total column may not always coincide with the sum of the relevant figures.

(Note 4) In this Statement, the term “Act” means the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended).

(Note 5) In this Statement, the term “Enforcement Order” means the Financial Instruments and Exchange Act Enforcement Order (Cabinet Order No. 321 of 1965, as amended).

(Note 6) In this Statement, the term “TOB Ordinance” means the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, Etc. by Person Other Than Issuer (Ministry of Finance Ordinance No. 38 of 1990, as amended).

(Note 7) In this Statement, the term “share certificates, etc.” means the rights pertaining to the shares.

- (Note 8) In this Statement, unless otherwise provided, any indication of the number of days, date or time refers to such number of days, date or time in Japan.
- (Note 9) In this Statement, the term “business day” means any day other than the days prescribed in each item of Article 1, Paragraph 1 of the Act on Holidays of Administrative Organs (Act No. 91 of 1988, as amended).
- (Note 10) In this Statement, the term “Tender Offer” means the tender offer pertaining to the filing of this Statement.
- (Note 11) The Tender Offer is to be conducted in accordance with the procedures and information disclosure standards prescribed in the Financial Instruments and Exchange Act of Japan. However, such procedures and standards are not necessarily the same as the procedures and information disclosure standards in the U.S. In particular, Sections 13(e) and Section 14(d) of the U.S. Securities Exchange Act of 1934, as amended, (the “U.S. Securities Exchange Act of 1934”), and the rules prescribed thereunder do not apply to the Tender Offer, and the Tender Offer does not conform to such procedures and standards. All financial statements contained in this Statement have been prepared in accordance with Japanese accounting standards and have not been prepared in accordance with the accounting standards of the U.S. Therefore, the content of the financial statements may not necessarily be comparable to those prepared in accordance with the accounting standards of the U.S. Moreover, as the Tender Offeror is a corporation incorporated outside of the U.S. and its directors are non-U.S. residents, it may be difficult to enforce any rights or requests arising under the U.S. federal securities laws. In addition, shareholders may not be able to commence legal proceedings against such a corporation incorporated outside the U.S., or any of such corporation’s directors, in a non-U.S. court on the grounds of a violation of the U.S. securities laws. Furthermore, a corporation incorporated outside the United States and its subsidiaries and affiliates may not necessarily be permitted to submit to the jurisdiction of U.S. courts.
- (Note 12) Unless otherwise provided, all procedures for the Tender Offer shall be conducted entirely in the Japanese language. All or a portion of the documents relating to the Tender Offer is prepared in the English language. However, should there be any inconsistency between any document written in English and that written in Japanese, the Japanese document shall prevail.
- (Note 13) This Statement contains “forward-looking statements” as defined in Section 27A of the U.S. Securities Act of 1933, as amended and Section 21E of the U.S. Securities Exchange Act of 1934. Due to any known or unknown risks, uncertainties, or any other factors, it is possible that actual results may substantially differ from the projections, etc. as expressly or implicitly indicated in any “forward-looking statements.” Neither the Tender Offeror nor any of its affiliated companies guarantees that such projections, etc., expressly or implicitly indicated in any “forward-looking statements” will result in being correct. The “forward-looking statements” in this Statement have been prepared based on the information held by the Tender Offeror as of the filing date of this Statement, and, unless otherwise required by applicable laws and regulations or rules of financial instruments exchanges, neither the Tender Offeror nor any of its affiliated companies is obliged to update or modify such statements in order to reflect any events or circumstances in the future.
- (Note 14) The Tender Offeror and its affiliates, and the respective affiliates of financial advisors to the Tender Offeror may, within their ordinary course of business, and to the extent permitted under the related Japanese financial instruments and exchange laws and regulations and other applicable laws and ordinances, purchase, or take actions to purchase, common stock of the Target Company for themselves or for their customers’ accounts outside the Tender Offer prior to the commencement of, or during, the tender offer period for purchasing and engaging in other related activities in the Tender Offer (the “Tender Offer Period”) in accordance with the requirements of Rule 14e-5(b) of the U.S. Securities Exchange Act of 1934. If any information concerning such purchase is disclosed in Japan, disclosure of such information will also be made in English on the website of the person who has conducted such purchase.

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I. 【Terms and Conditions of the Tender Offer】

1. 【Name of the Target Company】

DESCENTE LTD.

2. 【Class of Share Certificates, Etc. to be Purchased, Etc.】

Common stock

3. 【Purpose of the Purchase, Etc.】

(1) Overview of the Tender Offer

As of the filing date of this Statement, the Tender Offeror is a stock company, whose issued shares are all held by ITOCHU Corporation (“ITOCHU”). As of the filing date of this Statement, the Tender Offeror does not hold any shares of common stock of the Target Company (the “Target Company Shares”) listed on the First Section of the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”). However, ITOCHU, the wholly-owning parent company of the Tender Offeror, is the largest shareholder among the major shareholders of the Target Company, holding 22,954,300 Target Company Shares (shareholding percentage (see Note): 30.44%) as of the filing date of this Statement, and the Target Company is an affiliate of ITOCHU under the equity method of accounting.

(Note) “Shareholding percentage” means the percentage of shares relative to 75,408,409 shares, which is equal to the total number of issued shares of the Target Company as of September 30, 2018 (i.e., 76,924,176 shares), as set forth in the “62nd Business Period Second Quarterly Report” (the “Target Company’s 62nd Business Period Second Quarterly Report”), as submitted by the Target Company on November 8, 2018, less the number of treasury shares held by the Target Company as of the same date (i.e., 1,515,767 shares) (rounded to two decimal places; hereinafter, the same shall apply in all percentage calculations). Hereinafter, the same shall apply.

The ITOCHU Group (as defined in “(2) Background to and Reason of the Company’s Decision to Implement the Tender Offer” below) has provided longstanding cooperation necessary to enhance the corporate value of the Target Company, under the judgement that enhancing the corporate value of the Target Company would contribute to enhancing the group-wide corporate value of the ITOCHU Group. However, as detailed in “(2) Background to and Reason of the Company’s Decision to Implement the Tender Offer” below, the ITOCHU Group has concluded that it is questionable whether the corporate value of the Target Company will be enhanced in the future due to issues regarding the recent management structure, including the corporate governance structure, and the management policy of the Target Company. Therefore, the ITOCHU Group decided that, in order to further enhance the Target Company’s corporate value, it is necessary to further strengthen the capital relationship between the ITOCHU Group and the

Target Company, reform the management structure and restructure the existing corporate governance system to make it sound, and construct a relationship whereby the ITOCHU Group and the Target Company can constructively discuss the Target Company's growth strategy and measures. In addition, the ITOCHU Group has considered that it is necessary to make more specific proposals to the current management team of the Target Company regarding reform to the management structure and management policy of the Target Company, and also, to discuss with stakeholders of the Target Company (e.g., shareholders, officers, employees and business partners of the Target Company) to seriously consider measures to enhance the corporate value of the Target Company. From such perspective, the ITOCHU Group reconsidered its policy regarding its holding of Target Company Shares and decided that it is desirable to purchase additional Target Company Shares in the ITOCHU Group, on the basis that: (i) if the ITOCHU Group is to make more specific proposals to the Target Company, it would be desirable to purchase a certain amount of additional Target Company Shares in order to have more responsibility over the management of the Target Company; (ii) on the other hand, at this stage, it is not necessary to make the Target Company a subsidiary from the perspective of maintaining the unique identity of the Target Company, to ensure that the employees of the Target Company are able to demonstrate their excellent planning and developing skills; and (iii) if the management structure and management policy of the Target Company are reformed, the corporate value of the Target Company would be enhanced and the investment value of the Target Company Shares would also be enhanced (for additional information, see "(2) Background to and Reason of the Company's Decision to Implement the Tender Offer" below). As a specific method to purchase additional shares, purchase through market transactions would be a potential option; however, after comprehensive consideration of the recent stock price performance of the Target Company and market environments, etc., the ITOCHU Group has decided that, in order to provide all of the shareholders of the Target Company who desire to sell the Target Company Shares (depending on the share price) an appropriate opportunity to sell their Target Company Shares, implementing the Tender Offer at a price that consists of appropriate premiums added to the most recent market price will be the best method for ensuring the transparency of the ITOCHU Group's procedure for purchasing the Target Company Shares, and for gaining the understanding of general investors. It was difficult for the ITOCHU Group to specifically determine the shareholding percentage necessary to attain (i) through (iii) above. However, for the implementation of the Tender Offer, it is required by laws and regulations to set the specific maximum number of shares to be purchased; therefore, after comprehensive consideration from the perspective of the prospect of shareholders of the Target Company who support the ITOCHU Group's decision and from the perspective of maintaining the independence of the management of the Target Company to ensure that the Target Company is able to fully utilize its employees' excellent skills and its brand power, the ITOCHU Group set the maximum number of shares to be purchased for the Tender Offer to such number that the shareholding percentage is to be 40.00%.

Given the considerations above, ITOCHU decided to purchase additional Target Company Shares by establishing the Tender Offeror as its wholly-owned subsidiary (hereinafter, ITOCHU and the Tender Offeror are collectively referred to as “ITOCHU, Etc.”) in order for the ITOCHU Group to purchase additional Target Company Shares as stated above in a swift and flexible manner. ITOCHU, Etc. resolved to implement the Tender Offer at their respective meetings of the board of directors held on January 31, 2019.

The purpose of the Tender Offer is as described above, and ITOCHU, Etc. does not intend to acquire a majority of the voting rights of the Target Company, together with those to be held by the Tender Offeror, in order to make the Target Company a subsidiary. Therefore, the maximum number of shares to be purchased is set at 7,210,000 shares (shareholding percentage: 9.56%), which is equal to the number of Target Company Shares that will be held by ITOCHU, Etc. after completion of the Tender Offer, which will be equivalent to a shareholding percentage of 40.00% of the Target Company Shares (30,164,300 shares), less the number of Target Company Shares held by ITOCHU as of the filing date of this Statement (22,954,300 shares).

If the total number of share certificates, etc. that are offered for sale in response to the Tender Offer (the “Tendered Share Certificates, Etc.”) exceeds the maximum number of shares to be purchased (7,210,000 shares), all or part of that excess number of shares will not be purchased; and delivery and other settlement with respect to the purchase, etc. of share certificates, etc. will be handled on a pro rata basis as provided in Article 27-13, Paragraph 5 of the Act and Article 32 of the TOB Ordinance. In addition, since the purpose of the Tender Offer is to provide all of the shareholders of the Target Company with an appropriate opportunity to sell their Target Company Shares, a minimum number of shares to be purchased is not set for the Tender Offer. Therefore, if the total number of the Tendered Share Certificates, Etc. is equal to or less than the maximum number of shares to be purchased (7,210,000 shares), all the Tendered Share Certificates, Etc. will be purchased.

By strengthening the capital relationship between the ITOCHU Group and the Target Company and reasserting the responsibility and determination of ITOCHU as the largest shareholder to the management team of the Target Company, ITOCHU, Etc., will encourage the current management team of the Target Company to have serious discussions regarding reforms to its management structure and the restructuring of its existing corporate governance system to make it sound, and expects the Target Company to respond appropriately to the issues identified by ITOCHU, Etc. stated below. As described in “(3) Management Policy after the Completion of the Tender Offer” below, with respect to reforms to the management structure of the Target Company, ITOCHU, Etc. plans to discuss this with the Target Company after completion of the Tender Offer, and if ITOCHU, Etc. and the Target Company do not reach an agreement through these discussions, given the result of the Tender Offer, ITOCHU, Etc. may submit proposals regarding the appointment of directors of the Target Company to reshuffle the Target Company’s

management structure at the ordinary general meeting of shareholders of the Target Company that will be held in June this year (the “Ordinary General Meeting of Shareholders”). As described above, since ITOCHU, Etc. does not intend to acquire a majority of the voting rights of the Target Company in order to make the Target Company a subsidiary, the maximum number of shares to be purchased is set as 7,210,000 shares (shareholding percentage: 9.56%), and the shareholding percentage of the Target Company Shares to be held by ITOCHU, Etc. after completion of the Tender Offer will be no more than 40.00%. Therefore, ITOCHU, Etc. considers that it is necessary to proceed with reforms to the management structure of the Target Company with the support from other shareholders of the Target Company at the Ordinary General Meeting of Shareholders.

ITOCHU, Etc. has decided to implement the Tender Offer in accordance with the principal procedures which are contemplated to be taken by the Financial Instruments and Exchange Act and expects that the Target Company will consider its opinion on the Tender Offer after the commencement of the Tender Offer. In other words, ITOCHU, Etc. has not had prior discussion with the Target Company regarding the implementation of the Tender Offer, taking into account the fact that (i) since ITOCHU, Etc. is not implementing the Tender Offer for the purpose of obtaining control over the Target Company and considers the Tender Offer as a transaction in lieu of carrying out market transactions to acquire up to 40.00% of the Target Company Shares, as stated above, ITOCHU, Etc. believes that, similar to the case of market transactions, having prior discussions with the Target Company is not a prerequisite for the Tender Offer; (ii) as described in “(2) Background to and Reason of the Company’s Decision to Implement the Tender Offer” below, even if ITOCHU, Etc. has prior discussions with the Target Company regarding the implementation of the Tender Offer, ITOCHU, Etc. does not believe that such discussions would be constructive on the basis that the management team of the Target Company has not responded seriously to the issues identified by ITOCHU; and (iii) if ITOCHU, Etc. has prior discussions, there is even a possibility that it would cause a sudden rise in the market price of the Target Company Shares and confusion in the market due to information leakage, etc., and that this may have a large impact on the decisions of the shareholders of the Target Company regarding the Tender Offer. Therefore, as of the filing date of this Statement, ITOCHU, Etc. has not been able to confirm whether the Target Company supports the Tender Offer. However, ITOCHU, Etc. believes that the purposes of the Tender Offer, which are to reform the management structure and restructure the existing corporate governance system to make it sound, and construct a relationship whereby the ITOCHU, Etc. and the Target Company can constructively discuss the Target Company’s growth strategy and measures, will enhance the corporate value of the Target Company and contribute to the interests of all stakeholders, including shareholders, employees and business partners of the Target Company. Moreover, since the Tender Offer will provide all the shareholders of the Target Company with an appropriate opportunity to sell their Target Company Shares, ITOCHU, Etc. expects the Target Company to support the Tender Offer, by re-acknowledging the importance of maintaining

constructive dialogue with shareholders and not unreasonably restricting opportunities to sell listed shares based on each investor's judgement.

The Target Company Shares are not intended to be delisted through the Tender Offer and they will remain listed after completion of the Tender Offer.

(2) Background to and Reason of the Company's Decision to Implement the Tender Offer

ITOCHU, a wholly-owning parent company of the Tender Offeror listed its shares on the Osaka Securities Exchange and the Tokyo Stock Exchange in July 1950. ITOCHU is part of a corporate group consisting of ITOCHU, its 210 consolidated subsidiaries and 88 affiliates under the equity method of accounting (as of September 30, 2018), including the Target Company (the "ITOCHU Group"); and, through its domestic and overseas networks, the Textile Company, the Machinery Company, the Metal & Minerals Company, the Energy & Chemicals Company, the Food Company, the General Products & Realty Company and the ICT & Financial Business Company respectively undertake diversified businesses in areas that include everything comprehensively from raw materials, etc. (upstream) to retail sales, etc. (downstream), in order to provide various products and services supporting people's lives.

Among other things, the Textile Company consists of three divisions, the "Apparel Division," the "Brand Marketing Division 1" and the "Brand Marketing Division 2," and is expanding its business in various areas, from raw materials to final products, and from fashion to non-textile, and is contributing to the enhancement of the corporate value of ITOCHU.

The trade name of the Tender Offeror is BS Investment Corporation, and it was incorporated on January 9, 2019, as a wholly-owned subsidiary of ITOCHU, for the purpose of making investments into and giving loans to companies that conduct businesses relating to the manufacture and sale of textile products, etc. and their holding companies and carrying out any businesses that are incidental thereto.

On the other hand, according to information on the Target Company's website, the Target Company was founded as "Tsuruya," the predecessor company of the Target Company, in Osaka in February 1935 by Mr. Takeo Ishimoto (the grandfather of Mr. Masatoshi Ishimoto, the current President and representative director of the Target Company). After World War II ended, Ishimoto Shoten, which was the successor company to Tsuruya, commenced the manufacturing of sporting goods focusing on baseball which was becoming popular and, in 1957, the brand "DESCENTE," which is the French term for downhill skiing, was launched and commenced to develop skiwear. Thereafter, Ishimoto Shoten was reorganized in February 1958 to become "Ishimoto Shoten Co., Ltd.," which specialized in the manufacture and sale of sportswear, and changed its name to "DESCENTE LTD." in September 1961. The Target Company expanded its business focusing on the development and manufacture and sale of sportswear, beginning with baseball uniforms and skiwear, and then expanding into skating suits, cycling wear, competition swimwear,

golf wear, training wear and triathlon suits; now, the Target Company has extended its business not only in Japan but also in Asia and Western countries. The Target Company Shares became listed on the Second Section of the Osaka Securities Exchange in March 1977, moved to the First Section of the Osaka Securities Exchange in January 1980, and then became listed on the First Section of the Tokyo Stock Exchange in March 1980. The cash equity market of the Osaka Securities Exchange was integrated into that of the Tokyo Stock Exchange in July 2013 and, as a result, the Target Company's shares are currently listed on the First Section of the Tokyo Stock Exchange.

In October 1964, the Target Company commenced the sale of golf apparel under the brand name "Munsingwear", as the sole sales agency in Japan, forming an alliance with ITOCHU, Toyo Boseki Kabushiki Kaisha (currently, Toyobo Co., Ltd.) ("Toyobo") and Munsingwear of the U.S. In November 1984, the Target Company, ITOCHU and Toyobo obtained trademark rights for the "Munsingwear" brand for Japan and other Asian countries, and a business alliance agreement was entered into by and between those three companies. Then, through the acquisition of trademark rights for the "arena" and "le coq sportif" brands from Saragan, a Swiss corporation, for the Far East, including Japan, and Southeast Asia in December 1990, and the acquisition of trademark rights for the "umbro" brand from Umbro International, a U.S. corporation, in July 1998, the Target Company has developed world-famous sports brands in addition to the Target Company's original brand ("DESCENTE"), and develops, manufactures and sells sporting goods that pursue quality and functionality. The Target Company incorporated a local corporation that is responsible for the Target Company's manufacturing function in China in December 1994, and then, starting with the incorporation of a local corporation that is responsible for the Target Company's sales function in South Korea in November 2000 and the incorporation of a local corporation that is responsible for the Target Company's sales function in China in November 2003, the Target Company is also expanding its business, including sales in South Korea and China.

Based on the business alliance described above, ITOCHU and the Target Company have a collaborative relationship whereby ITOCHU supports the Target Company to make progress in pursuing a foreign expansion strategy and supports the Target Company's logistics and production operations. Furthermore, by making use of its global network, ITOCHU has contributed to the business growth of the Target Company, such as by acting as a mediator between the Target Company and a partner of a joint venture in China. As described below, the Target Company experienced significant financial difficulties twice in the past, and ITOCHU supported the Target Company through the dispatch of officers, the provision of business cooperation, etc.

The first financial difficulty occurred in 1984, when the Target Company fell into financial difficulty due to an overstock of golf apparel with the brand name "Munsingwear". Mr. Yoshikazu Ishimoto, the then President and Representative Director, (the father of Mr. Masatoshi Ishimoto, the current President and Representative Director of the Target Company) requested ITOCHU, which was a major business partner,

to provide support. ITOCHU hastily dispatched its officers, and in the following year, dispatched Mr. Yozo Iida from ITOCHU's then Textile Division (the current Textile Company), and ITOCHU, together with Mr. Iida's efforts, contributed to turning around the operating results of the Target Company.

The second financial difficulty occurred in 1998 due to the termination of a license agreement between the Target Company and adidas, a global sporting goods manufacturer, as a result of the incorporation of a Japanese subsidiary of adidas (now adidas Japan K.K.). Before such termination, the Target Company had licenses to develop and sell adidas products in Japan; however, due to the termination, the Target Company exited from the "adidas" brand business (the total sales of which were JPY 39.3 billion (rounded up or down to the nearest JPY 100 million), representing approximately 40% of the Target Company's sales for the fiscal year ended March 31, 1998), while the ITOCHU Group continued to dispatch its officers and enhanced its cooperation with the Target Company in the business value chain, including the procurement of raw materials, product planning, manufacturing and sales, and has endeavored to expand the business of the Target Company.

Since ITOCHU's equity participation in the Target Company in 1971, ITOCHU has deepened its relationship with the Target Company by strengthening the equity relationship, specifically, through becoming the largest shareholder in the 1980s, and ITOCHU held 8,768,000 Target Company Shares (representing 11.40% of the total number of issued shares, or 11.55 % of the total number of voting rights of all shareholders as of the end of March 2000) in May 2000. ITOCHU resolved at a meeting of its Board of Directors that was held on January 31, 2008 to strengthen its business and equity relationship and to further develop the Target Company and ITOCHU. After that, ITOCHU acquired further Target Company Shares through both market and off-market transactions, bringing the number of Target Company Shares held by ITOCHU to 14,987,000 (representing 19.48% of the total number of issued shares, or 20.01% of the total number of voting rights of all shareholders as of the end of March 2008) as of May 2008, compared to 11,787,000 (representing 15.32% of the total number of issued shares, or 15.74% of the total number of voting rights of all shareholders as of the end of September 2007) as of January 31, 2008, and the Target Company became an affiliate of ITOCHU under the equity method.

Additionally, ITOCHU acquired 2,750,000 Target Company Shares (representing 3.57% of the total number of issued shares) through both market and off-market transactions up to November 2009, and thereafter, purchased additional Target Company Shares, including the acquisition of 1,168,000 Target Company Shares (representing 1.52% of the total number of issued shares) in December 2009 through an off-market transaction in order to promote various kinds of strategic measures, including the promotion of foreign strategies and providing support for logistics and production, and to construct a stronger partnership. As of the end of March 2010, ITOCHU owned 19,235,000 shares of the Target Company Shares (representing 25.01% of the total number of issued shares and 25.67% of the total voting rights of all shareholders as of the end of March 2010).

After Mr. Yozo Iida, who was dispatched from ITOCHU in 1985, assumed the office of President and Representative Director of the Target Company in June 1994, persons who originated from ITOCHU served as the Representative Director until June 2013, and during such period, ITOCHU and the Target Company developed a trusting relationship. However, at the meeting of the Board of Directors of the Target Company held on February 26, 2013, resolutions were adopted for the promotion of Mr. Masatoshi Ishimoto (who was then a Director of the Board) to President, without giving any prior notice to the Directors who had been dispatched from ITOCHU. Among the current Directors of the Target Company, Mr. Masatoshi Ishimoto (the current President and Representative Director), Mr. Yoshikazu Tanaka (the current Director and Senior Managing Executive Officer), Mr. Hisashi Mitsui (the current Director and Managing Executive Officer), Mr. Hitoshi Haneda (the current Director and Managing Executive Officer) and Mr. Kenichi Tsujimoto (the current Director and Managing Executive Officer) have been serving as Directors since 2013.

Since Mr. Masatoshi Ishimoto assumed office as the President and Representative Director of the Target Company in June 2013, the Directors of the Target Company who have been dispatched from ITOCHU have been limited to the Chairman and Director, and part-time Directors, who do not have representative authority, and more than five years have passed since the management team became mainly comprised of Directors who originate from the Target Company. If the business results of the fiscal year ended March 31, 2013, which was immediately prior to Mr. Masatoshi Ishimoto's assumption of office as the President and Representative Director, are compared to those of the fiscal year ended March 31, 2018, which is the most recent fiscal year, on a consolidated basis: net sales have increased by approximately 1.5 times (for the fiscal year ended March 31, 2013: JPY 91.9 billion; for the fiscal year ended March 31, 2018: JPY 141.1 billion (figures have been rounded up or down to the nearest JPY 100 million)); operating income has increased by approximately 1.8 times (for the fiscal year ended March 31, 2013: JPY 5.4 billion; for the fiscal year ended March 31, 2018: JPY 9.6 billion (figures have been rounded up or down to the nearest JPY 100 million)); and ordinary income has increased by approximately 1.7 times (for the fiscal year ended March 31, 2013: JPY 5.6 billion; for the fiscal year ended March 31, 2018: JPY 9.7 billion (figures have been rounded up or down to the nearest JPY 100 million)). This shows that a certain level of business results has been achieved by the Target Company; on the other hand, these results are largely dependent upon the increase in revenue of the South Korea business from the fiscal year ended March 31, 2013 to the fiscal year ended March 31, 2016 (according to statements in past Securities Reports filed by the Target Company, the net sales of DESCENTE KOREA LTD. ("DESCENTE KOREA"), which is mainly in charge of the South Korea business as a consolidated subsidiary of the Target Company, increased from JPY 29.1 billion (rounded up or down to the nearest JPY 100 million) for FY2012 to JPY 69.4 billion (rounded up or down to the nearest JPY 100 million) for FY2015, ordinary income increased from JPY 3.7 billion (rounded up or down to the nearest JPY 100 million) for FY2012 to JPY 9 billion (rounded up or down to the nearest JPY 100 million) for FY2015), and it is believed that such revenue increase was realized due to the

competence of Mr. Gyonghe Kim, the President of DESCENTE KOREA. Therefore, ITOCHU and a part-time Director dispatched from ITOCHU raised issues regarding the Target Company's business strategy, stating that the Target Company should pursue revenue increases in Japan and other regions (especially China) instead of excessively expecting the growth of the South Korea business, which had been achieving sufficient growth until the fiscal year ended March 31, 2016, and demanded that the Target Company reconsider its business policy. However, the Target Company has yet to demonstrate that it has the intention to sincerely consider such demand, the degree of cooperation with the ITOCHU Group in relation to the business has decreased, and only minimal information is shared with the part-time Director dispatched from ITOCHU for him to provide his opinion as a Director at meetings of the Board of Directors.

Under these circumstances, in June 2018, ITOCHU once again raised issues with respect to the Target Company's business strategy and strongly demanded that the Target Company reconsider its policy, examine measures to improve the situation and implement such measures as it was unavoidable for ITOCHU to conclude that the risk that the corporate value of the Target Company would be impaired had increased due to a deterioration of the business results forecast, which was caused by the sluggish market conditions for the South Korea business under circumstances where the business results of the Target Company were excessively dependent upon the South Korea business, as detailed in "(i) Not achieving the targets in the Medium Term Management Plan (Compass 2018) and excessive dependence on the South Korea business" below; however, the management of the Target Company did not demonstrate any intention to sincerely consider these issues. Therefore, ITOCHU, Etc., purchased additional Target Company Shares from July to October 2018, with the hope that the management of the Target Company would become aware of the risks and sincerely respond to the points indicated by ITOCHU. Specifically, prior to the filing date hereof, ITOCHU acquired 769,300 shares through an off-market transaction in July 2018 to bring its shareholding to 20,004,300 shares (representing 26.56% of the total voting rights of all shareholders as of the end of March 2018), 1,300,000 shares through an off-market transaction in August 2018 to bring its shareholding to 21,304,300 shares (representing 28.28% of the total voting rights of all shareholders as of the end of March 2018) and 1,650,000 shares through both market and off-market transactions in October 2018 to bring its shareholding to 22,954,300 shares (representing 30.46% of the total voting rights of all shareholders as of the end of September 2018).

However, the management of the Target Company has not responded clearly to the points indicated by ITOCHU. In addition, as stated below, the proposal with respect to the execution of a comprehensive business alliance agreement with Wacoal Holdings Corp. ("Wacoal") was brought before the meeting of the Board of Directors of the Target Company on August 30, 2018 as an emergency motion without any prior communication with or explanation to the part-time Director of the Target Company who had been dispatched from ITOCHU, which shows that ITOCHU, Etc., no longer has a relationship with the Target

Company to have constructive discussions with respect to the growth strategy and measures of the Target Company.

ITOCHU, Etc., believes that the Target Company currently has the management issues listed below and has significant concerns about the management structure of the Target Company.

- (i) Not achieving the targets in the Medium Term Management Plan (Compass 2018) and excessive dependence on the South Korea business

In “Compass 2018” (the “Target Company’s Medium Term Management Plan”), the medium-term plan for the three-year period from the fiscal year ended March 31, 2017 to the fiscal year ending March 31 2019, which was disclosed on May 10, 2016, the Target Company set forth JPY 170 billion in consolidated net sales, JPY 14 billion in consolidated ordinary income and JPY 10 billion in consolidated profit attributable to owners of parent as the group’s numerical targets for the fiscal year ending March 31, 2019, and in “VISION 2020,” which is management’s goal for FY2020 (the fiscal year ending March 31, 2021), the Target Company set forth JPY 200 billion in consolidated net sales and JPY 16 billion in consolidated ordinary income as the group’s numerical targets for FY2020 .

However, according to the Securities Report for the 61st Fiscal Year (from April 1, 2017 to March 31, 2018), which was filed by the Target Company on June 21, 2018, the Target Company thought that achievement of the numerical targets in the Target Company’s Medium Term Management Plan had become difficult due to the sluggish market conditions in the South Korea business since the fiscal year ended March 31, 2017, which was the first fiscal year of the Target Company’s Medium Term Management Plan, and they downwardly revised the consolidated business results forecast and numerical targets for the current fiscal year (the fiscal year ending March 31, 2019), which is the last fiscal year of the Target Company’s Medium Term Management Plan, to JPY 148 billion in the consolidated net sales, JPY 10 billion in the consolidated ordinary income and JPY 6.5 billion in the consolidated profit attributable to owners of parent; based on these facts, ITOCHU, Etc., has doubts about whether the group’s numerical targets for FY2020 set forth in “VISION 2020” can be achieved under the current management of the Target Company.

Based on their analysis, ITOCHU, Etc., determined that the results of the Target Company are excessively dependent upon the South Korea business and that the increase in consolidated net sales and consolidated ordinary income for these five years was largely attributable to the growth of the South Korea business (The net sales of DESCENTE KOREA increased from JPY 29.1 billion (rounded to the nearest JPY 100 million) for FY2012 to JPY 72.5 billion (rounded to the nearest JPY 100 million) for FY2017, ordinary income increased from JPY 3.7 billion (rounded to the nearest JPY 100 million) for FY2012 to JPY 6.9 billion (rounded to the nearest JPY 100 million) for FY2017.). On the other hand, with respect to the Japan business, according to the regional segment

information as stated in past Securities Reports filed by the Target Company (information on the amount of net sales, income or loss, assets, liabilities and other items for each reporting segment), it appears that net sales and segment income have both increased for the recent five years as the net sales and segment income for the Japan segment in the fiscal year ended March 31, 2013 were JPY 60.6 billion (rounded to the nearest JPY 100 million) and JPY 1.9 billion (rounded to the nearest JPY 100 million), respectively, while the net sales and segment income for the Japan segment in the fiscal year ended March 31, 2018 were 63.7 billion (rounded to the nearest JPY 100 million) and JPY 3.4 billion (rounded to the nearest JPY 100 million), respectively. However, these net sales include internal net sales and amounts transferred among segments (the “Internal Transaction Volume”) (for the fiscal year ended March 31, 2013: JPY 2.7 billion (rounded to the nearest JPY 100 million); for the fiscal year ended March 31, 2018: JPY 5.0 billion (rounded to the nearest JPY 100 million)) and the net sales to external customers in the Japan segment only increased slightly (for the fiscal year ended March 31, 2013: JPY 57.9 billion (rounded to the nearest JPY 100 million); for the fiscal year ended March 31, 2018: JPY 58.7 billion (rounded to the nearest JPY 100 million)). Additionally, ITOCHU presumes that the Internal Transaction Volume includes revenues from the royalties for trademark rights, etc., from overseas subsidiaries, which belong to reporting segments other than the Japan segment and net product sales to such overseas subsidiaries; therefore, the segment income in Japan based on transactions with external customers, excluding such revenues from royalties and net product sales, is significantly less than the aforementioned disclosed segment income and the results actually indicate a state closer to an operational deficit.

With respect to the fact that the Target Company ultimately announced a consolidated results forecast for the current fiscal year (the fiscal year ending March 31, 2019) that contained figures falling below the numerical targets for the last fiscal year in the Target Company’s Medium Term Management Plan, ITOCHU, Etc., believes that the Target Company’s excessive expectation for the growth of the South Korea business, which had been achieving sufficient growth until the fiscal year ended March 31, 2016, was itself a problem and found that a primary factor for not achieving the numerical targets was the fact that the current management of the Target Company had not sincerely considered the points indicated by ITOCHU and the Director who had been dispatched from ITOCHU, which were that the Target Company should pursue a revenue increase in Japan and other areas (especially in China) instead of excessively expecting the growth of the South Korea business, and they did not sufficiently deal with these points. Although ITOCHU and the Director who had been dispatched from ITOCHU repeatedly raised these issues to the Target Company and recommended that the Target Company should consider measures to improve the situation and implement such measures, the Target Company did not demonstrate an intention to sincerely consider such issues.

In circumstances where a revenue increase is also expected in business areas other than South Korea

due to the expansion of the sportswear market toward the 2020 Summer Olympics in Tokyo and the 2022 Winter Olympics in Beijing, ITOCHU, Etc., has demanded that the management of the Target Company show (i) its measures to improve the situation where the results are not expected to meet the numerical targets in the Target Company's Medium Term Management Plan and (ii) a new and rapid growth strategy toward or beyond FY2020; however, the Target Company has yet to respond clearly thereto.

(ii) Weakness of Corporate Governance System

Under the circumstances where the management of the Target Company has not made any clear response with respect to specific action plans responding to the situation where the results are not expected to achieve the numerical targets in the Target Company's Medium Term Management Plan as stated in "(i) Not achieving the targets in the Medium Term Management Plan (Compass 2018) and excessive dependence on the South Korea business" above, and a growth strategy without excessive dependence on the South Korea business, the Target Company decided to execute a comprehensive business alliance agreement with Wacoal and made an announcement with respect thereto on August 30, 2018. The Target Company had adopted a practice in which prior to each meeting of the Board of Directors, an explanation was provided to the Director of the Target Company dispatched from ITOCHU and Director who originated from ITOCHU, with respect to the proposals to be brought before, and matters to be reported at, each meeting of the Board of Directors, and, with respect to the meeting of the Target Company's Board of Directors held on the same date, such explanation was provided prior to the meeting for the matters to be reported at such meeting. However, with respect to such prior explanation, no explanation was provided for the execution of such agreement and not even a mention was provided to imply the possibility that the proposal with respect to the execution of such agreement would be brought before the meeting. As above, although there were no rational reasons for not providing any prior explanations only for the execution of such agreement, the execution of such agreement was brought before the meeting of the Board of Directors of the Target Company held on the date of resolution as an emergency motion without any prior explanation of the outline or review status with respect thereto only to the Director of the Target Company who had been dispatched from ITOCHU and the Director who originated from ITOCHU among the Directors of the Target Company. Although the part-time Director who had been dispatched from ITOCHU as stated above repeatedly pointed out that the discussion was not sufficient with respect to the execution of such agreement and further discussion was required, the resolution was adopted without sufficient deliberation by a majority vote, including the affirmative votes by two Outside Directors who received explanation in advance on the proposal with respect to such business alliance, but excluding the part-time Director dispatched from ITOCHU as stated above. ITOCHU believes that the aforementioned method of managing the Target Company's Board of Directors in which a resolution is made in the manner in which constructive

and active deliberation is not secured, impedes the Board of Directors from being able to appropriately perform its roles and responsibilities, and that it is a material problem in terms of corporate governance. Although all Corporate Auditors (three persons) of the Target Company attended the aforementioned meeting of the Board of Directors, they went along with such inappropriate management, etc., of the Board of Directors without providing any objection.

In addition, ITOCHU and the Director dispatched from ITOCHU have been making efforts to enhance the corporate value of the Target Company by (x) specifically indicating the points and raising issues to the current management and Corporate Auditors of the Target Company about the doubts arising with respect to the Target Company's governance, including the fact that (i) as stated above, no prior explanation was provided to the Director of the Target Company who had been dispatched from ITOCHU and the Director who originated from ITOCHU when the comprehensive business alliance agreement was executed with Wacoal, (ii) the Directors in charge, and Corporate Auditors of the Target Company, inappropriately and insincerely dealt with the request for the inspection and copying of the shareholder register of the Target Company, which was conducted by ITOCHU pursuant to Article 125, Paragraph 2 of the Companies Act (the Act No. 86 of 2005, as amended; hereinafter the same shall apply) on November 6, 2018 and (iii) there is a possibility that the content of constructive dialogue between the Target Company and its shareholders was leaked, and, thereafter, (y) repeatedly requesting the Target Company to investigate relevant facts and (z) taking other measures. However, despite the specific issues raised and points indicated by the Target Company's shareholders and the part-time Director, the current management and Corporate Auditors of the Target Company always made abstract responses without providing specific grounds, and there was not an attitude to sincerely consider such raised issues and points, and take measures to enhance the corporate value of the Target Company. ITOCHU has misgivings about the attitude of the Target Company's current management and Corporate Auditors whose intention seems to treat lightly the shareholders and the part-time Director, which seems to go against the recent trend of listed companies that place strong focus on corporate governance, and impedes the enhancement of the Target Company's corporate value.

ITOCHU, Etc., believes that such situation means that the management/supervisory functions of the Board of Directors have already ceased to function and further indicates that the audit function of the Corporate Auditors, who are in a position to properly audit the execution of the duties of Directors, has been dysfunctional and it is a material problem in light of corporate governance.

(iii) Possibility of the Current Management's Disregarding Employees

Around the middle of November 2018, ITOCHU was informed that Mr. Masatoshi Ishimoto ("Mr. Ishimoto"), who is the President and Representative Director of the Target Company, was discussing

matters regarding the privatization (the “Privatization”) of the Target Company with a certain investment fund (the “Fund”). Since the Fund took the stance that the support of ITOCHU is indispensable for the Privatization, ITOCHU was explained by the Fund on details of the Privatization. In substance, the Privatization was a scheme where an entity belonging to the Fund implements the Privatization upon borrowing a large amount of funds from an external source, and ultimately, the Target Company would bear a large amount of debts as a result of the merger between such entity and the Target Company, which means that by the Privatization, the employees of the Target Company, who are currently in the position of employees belonging to a listed company in good standing, will be changed to employees belonging to a private company, the financial status of which would be extremely unstable. ITOCHU, which held the view that the existence of the excellent employees of the Target Company to be the source of the enhancement of the Target Company’s corporate value, reached a conclusion that the Privatization would substantially lower the motivation of the employees of the Target Company and as a result, the Target Company’s corporate value would substantially decrease. Therefore, ITOCHU objected to the Privatization. The Privatization is based on the assumption that the current management by the Target Company, including Mr. Ishimoto, continues to operate the Target Company. ITOCHU holds the view that the Privatization is likely a scheme that the current management may protect themselves and disregard the employees of the Target Company.

ITOCHU formally notified the Fund on January 30, 2019 to the effect that it objected to the Privatization, and, on January 31, 2019, ITOCHU received a report from the Fund to the effect that it will discontinue its consideration of the Privatization.

In the textile industry, which ITOCHU develops businesses that cater to a diverse range of needs by doing everything from proposing materials and planning products through to sewing and distributing garments in the textile industry, believes that the situation of the Target Company as explained from (i) through (iii) above could decrease the corporate value of the Target Company, one of its important affiliates, and that ITOCHU is required and has responsibility to solve at an early stage such situation. From such perspective, it is urgent business and the responsibility of ITOCHU as the largest shareholder to restructure and strengthen the corporate governance including, among others, the reconsideration of the Directors of the Target Company.

ITOCHU decided that, in order to break away from the present situation and further enhance the Target Company’s corporate value, it is urgent business to further strengthen the capital relationship between ITOCHU, Etc., and the Target Company, reform the management structure and restructure the existing corporate governance system to make it sound, and construct a relationship whereby ITOCHU and the Target Company can constructively discuss the Target Company’s growth strategy and measures. As stated above, at this point, ITOCHU does not intend to acquire a majority of the

voting rights of the Target Company, together with those to be held by the Tender Offeror, in order to make the Target Company a subsidiary.

(3) Management Policy after the Completion of the Tender Offer

In order to reform the management structure and restructure the existing corporate governance system to make it sound for further enhancement of the Target Company's corporate value, and construct a relationship whereby ITOCHU and the Target Company can constructively discuss the Target Company's growth strategy and measures, ITOCHU, Etc., believes that it is necessary to promote competent, next-generation personnel from the Target Company and substantially reform the structure of the Board of Directors, including Outside Directors.

With respect to the Target Company's management structure, ITOCHU, Etc., considers it desirable to establish a management structure that is balanced from a functional perspective in order to promote rapid decision-making as well as to fulfill checking and supervisory functions through decreasing the number of Directors from ten, the current number, to approximately six, as the core of its policy, and to newly appoint two persons as Directors from among the personnel of the Target Company, dispatch two persons from ITOCHU as Directors (one of whom is to be a full-time Director) and appoint as Outside Directors two persons who are independent from both ITOCHU, Etc., and the Target Company. ITOCHU, Etc., plans to have discussions with the Target Company after the completion of the Tender Offer, and if the discussions with the Target Company do not result in any agreement, it is possible for ITOCHU, Etc., to submit to the Ordinary General Meeting of Shareholders a proposal with respect to the appointment of Directors of the Target Company, etc. (the "Shareholder Proposal"), taking into consideration the results of the Tender Offer. The detailed selection of the personnel is planned to be determined after the Tender Offer, taking into consideration the results of the discussions with the Target Company.

As of the filing date of this Statement, the outline of the measures which ITOCHU, Etc., believes that it can realize under a new cooperative relationship with the management of the Target Company is as follows. As stated above, since ITOCHU, Etc., did not have any prior discussion with the Target Company with respect to the Tender Offer, and the information which is shared with the Director who have been dispatched from ITOCHU is limited to the minimum, the information on the Target Company which ITOCHU, Etc., can acquire at this point of time is limited. Therefore, ITOCHU, Etc., plan to implement the measures after the reform of the management structure and upon sufficient discussions with the management of the Target Company with respect to the details of such measures, including time and method thereof.

A Rebuilding of the Japan business

ITOCHU will implement an organizational reform to create an environment in which talented

employees of the Target Company can play more active roles.

(i) Improvement of marketing operations through organizational reform

- Reviewing of work sharing and streamlining operations in the marketing and product planning through organizational reform between the Target Company and DESCENTE JAPAN LTD. (a wholly-owned subsidiary of the Target Company)

(ii) Conversion from the current business model mainly consisting of wholesaling centering on sports chain stores and department stores

- Further expansion of sales channels, including those to multi-brand stores, SPA, etc. through the network of ITOCHU.
- Increasing of revenues through the increase in strengthening/expanding the number of directly managed stores, including self-managed stores and EC (electronic commerce), and streamlining management through thorough inventory management
- Taking market shares from competing competitors through enriching of item assortment and pricing revision in directly managed stores

B Strengthening of the business in foreign countries

ITOCHU will work on improving and increasing overseas revenues through providing support for the development of overseas business by taking advantage of its status as a general trading company. In particular, ITOCHU will absorb the growth in the China/Asia markets where ITOCHU can take maximum advantage of its strengths, and aim at constructing a stable revenue base.

(i) Strengthening the China business by accelerating the development of the China market

- Strengthening of winter sportswear sales which is expected to rapidly increase toward the 2022 Winter Olympics in Beijing (ITOCHU, which has a production background and has produced actual results with respect to winter sportswear for not less than 20 years, and the Target Company will cooperatively promote the product development for the China market)
- Strengthening the sourcing system by utilizing the ASEAN production base (investment in and strategic business alliance with VINATEX, etc.) of ITOCHU, which has a global network.

(ii) Sustainable growth of the South Korea business

- Construction of an eco-friendly business model based on medium to long term perspective by utilizing the value-chain centered on eco-friendly raw materials, etc. which ITOCHU is actively promoting.

(4) Measures to Ensure Transparency of Procedures for Additional Purchase of the Target Company Shares through the Tender Offer

In order to ensure the transparency of the procedures for the additional purchase of the Target Company Shares through the Tender Offer, ITOCHU, Etc. took the following measures in setting the terms of the Tender Offer.

(i) Determination of Tender Offer Price with Appropriate Premium

As stated in “(1) Overview of the Tender Offer” above, after comprehensive consideration of the recent stock price performance of the Target Company and market environments, etc., ITOCHU Group has determined that, in order to give all of the shareholders of the Target Company who desire to sell the Target Company Shares an appropriate opportunity to sell their Target Company Shares, implementing the Tender Offer at a price which adds appropriate premiums to the most recent market price will be the best method for ensuring transparency of the procedure for the additional purchase of the Target Company Shares by ITOCHU Group and that gain the general investors’ understanding. Therefore, for determining the tender offer price, etc. per Target Company Share in the Tender Offer (the “Tender Offer Price”), ITOCHU, Etc. requested GCA Corporation (“GCA”), a financial advisor as a third-party institution that is independent from ITOCHU, Etc. and the Target Company, to evaluate the value of the Target Company Shares and ITOCHU obtained the share valuation report from GCA as of January 30, 2019 (“Share Valuation Report”). Based on the details and results of the calculation stated in the Share Valuation Report, ITOCHU, Etc. took several factors into account comprehensively, such as the trend of the market price of the Target Company Shares, the premiums added to the tender offer prices in some precedent tender offers conducted in the past by parties other than the issuer, and the estimate of shares to be tendered in the Tender Offer, and the fact that it is relatively likely that it would be necessary to propose a price which is persuasive to the Target Company and its shareholders because ITOCHU, Etc. did not obtain the support of the management of the Target Company prior to the Tender Offer. ITOCHU, Etc. then reached a conclusion that it is reasonable to propose a price to which an appropriate premium had been added to the market price of the Target Company Shares, and as of January 31, 2019, ITOCHU, Etc. ultimately decided that the Tender Offer Price would be JPY 2,800 per share. For details of the calculation of the Tender Offer Price, please see “4. Period for Purchase, Etc., Price for Purchase, Etc., and Number of Share Certificates, Etc., to be Purchased” “(2) Price for Purchase, Etc.” “Basis of Calculation” and “Background of Calculation” below.

(ii) Determination of Tender Offer Period

While the shortest Tender Offer Period is stipulated to be twenty (20) business days by the relevant laws and regulations, the Tender Offeror sets the Tender Offer Period to be thirty (30) business days. By setting a relatively long Tender Offer Period, the Tender Offeror ensure that shareholders of the Tender Offeror are provided a reasonable opportunity to decide on their participation in the Tender Offer and further that persons other than shareholders of the Tender Offeror are provided with an opportunity to participate in the purchase, etc., and thereby ensuring the transparency of the

additional purchase of the Target Company Shares by ITOCHU Group through the Tender Offer.

(5) Plan for Additional Acquisition of the Target Company Shares

As stated in “(1) Overview of the Tender Offer” above, as of the filing date of this Statement, ITOCHU, Etc., determined that it is desirable to purchase up to 40.00% of the Target Company Share in the ITOCHU Group. Therefore, if the number of tendered shares is equal to the maximum number of shares to be purchased in the Tender Offer and the shareholding percentage of the ITOCHU Group reaches 40.00%, ITOCHU, Etc., does not plan, at this point in time, to additionally acquire share certificates, etc., of the Target Company after the Tender Offer. On the other hand, if the number of tendered shares is less than the maximum number of shares to be purchased in the Tender Offer and as a result, the shareholding percentage of the ITOCHU Group does not reach 40.00%, ITOCHU, Etc. plans to additionally acquire the Target Company Shares through market transactions or other means in light of market trends, etc. to the extent that the number of purchased shares falls below the maximum number of shares to be purchased (until the shareholding percentage of the ITOCHU Group reaches 40.00%) although it is possible that the policy will be changed based on the results of the Tender Offer and the content of the opinion of the Target Company’s shareholders regarding the policy of ITOCHU, Etc. and at this point in time, a specific policy to handle this issue has not been determined.

(6) Possibility of Delisting and Reasons Therefor

As of the filing date of this Statement, the Target Company Shares are listed on the First Section of the Tokyo Stock Exchange. As the Target Company Shares are not intended to be delisted through the Tender Offer and they will remain listed after completion of the Tender Offer, the Company has set the maximum number of shares to be purchased (7,210,000 shares), and the number of the Target Company Shares which will be held by the Tender Offeror after the Tender Offer will remain a maximum of 30,164,300 shares (shareholding percentage: 40.00%). Therefore, the Target Company Shares will remain listed on the First Section of the Tokyo Stock Exchange after the completion of the Tender Offer.

(7) Matters concerning Material Agreements Related to the Tender Offer between ITOCHU, Etc., and Shareholders of the Target Company

N/A

4. 【Period for Purchase, Etc., Price for Purchase, Etc., and Number of Share Certificates, Etc., to be

Purchased】**(1) 【Period for Purchase, Etc.】**a. **【Period as of the time of filing of this Statement】**

Period for Purchase, Etc.	From January 31, 2019 (Thursday) through March 14, 2019 (Thursday) (30 business days)
Date of Public Notice	January 31, 2019 (Thursday)
Name of Newspaper for Public Notice	Public disclosure will be made electronically, and a notice of such disclosure will be published in the <i>Nihon Keizai Shimbun</i> . EDINET (electronic disclosure for investors' network): (http://disclosure.edinet-fsa.go.jp/)

b. **【Possible extension of the Tender Offer Period based on the Target Company's request】**

N/A

c. **【Contact information for confirmation of extension of Tender Offer Period】**

N/A

(2) 【Price for Purchase, Etc.】

Share Certificates	JPY 2,800 per share of the Target Company's Common Stock
Certificates of Stock Acquisition Rights	—
Bonds with Stock Acquisition Rights	—
Trust Beneficiary Certificates for Share Certificates, etc.	—
Depository Receipts for Share Certificates, etc.	—
Basis of Calculation	For determining the Tender Offer Price, ITOCHU, Etc. requested GCA, a financial advisor as a third-party institution that is independent from ITOCHU, Etc. and the Target Company, to evaluate the value of the Target Company Shares. With respect to the Target Company Shares, GCA conducted calculations by performing an average market price analysis, a comparable company analysis and a discounted cash flow analysis (the "DCF analysis") and ITOCHU obtained the share valuation report from GCA as of January 30, 2019. ITOCHU has not obtained an opinion concerning the fairness of the Tender Offer Price (a fairness opinion) from GCA.

	<p>The range of the values per Target Company Share, which were analyzed by each of the above-mentioned analysis methods, are as follows:</p> <p style="padding-left: 40px;">Average market price analysis: JPY 1,862 to JPY 2,142 Comparable company analysis: JPY 2,108 to JPY 2,277 DCF analysis: JPY 2,506 to JPY 3,399</p> <p>The average market price analysis, with the reference date on January 30, 2019, which is the business day immediately preceding the date of resolution at the Board of Directors' meeting of ITOCHU, Etc. regarding the Tender Offer, showed that the value per Target Company Share was in the range of JPY 1,862 (rounded off to the nearest JPY 1; hereinafter the same applies to calculation of the simple average closing price of the market share value hereafter) to JPY 2,142, based on the following prices of the Target Company Shares on the First Section of the Tokyo Stock Exchange: the simple average closing price for the past one (1) month to said date (from January 4, 2019 to January 30, 2019) (JPY 1,862) and the simple average closing price for the past three (3) months to said date (from October 31, 2018 to January 30, 2019) (JPY 2,142).</p> <p>For the comparable company analysis, the value of the Target Company Shares was calculated by comparing the market prices and financial indicators showing profitability, etc., of some listed companies engaged in business similar to those that was conducted by the Target Company. This analysis showed that the value per Target Company Share was in the range of JPY 2,108 to JPY 2,277.</p> <p>For the DCF analysis, based on the knowledge held by ITOCHU, Etc. in respect of the business of the Target Company, and based on various factors, such as the business plan of the Target Company for the period from the fiscal year ending March 2020 through the fiscal year ending March 2024, which was established by ITOCHU, Etc., by considering various factors, such as the trend of the Target Company's business results to date and publicly disclosed information, the corporate value and the share value of the Target Company were calculated by analyzing the amount of the free cash flow that the Target Company is expected to generate in and after the fiscal year ending March 2020, and then deriving the present value of that amount using a certain discount rate. This analysis showed that the value per Target Company Share was in the range of JPY 2,506 to JPY 3,399. The above-mentioned business plan includes the synergies to be generated by the Tender Offer. Furthermore, in the financial projections based on the business plan, fiscal years, in which a large increase or decrease in income is expected, are not included.</p> <p>Based on the details and results of the calculation stated in the Share Valuation Report, ITOCHU, Etc. took several factors into account comprehensively, such as the trend of the market price of the Target Company Shares, the premiums added to the tender offer prices in some precedent tender offers conducted in the past by parties other than the issuer, and the estimate of shares to be tendered in the Tender Offer, and the fact that it is relatively likely that it would be necessary to propose a price which is persuasive to the Target Company and its shareholders because ITOCHU, Etc. did not obtain the support of the management of the Target Company prior to the Tender Offer.</p>
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	<p>ITOCHU, Etc. then reached a conclusion that it is reasonable to propose a price to which an appropriate premium had been added to the market price of the Target Company Shares, and as of January 31, 2019, ITOCHU, Etc. ultimately decided that the Tender Offer Price would be JPY 2,800 per share.</p> <p>The Tender Offer Price of JPY 2,800 represents (a) a premium of 49.65% (rounded to the second decimal place; hereinafter the same applies to calculation of premiums) to JPY 1,871, which is the closing price of the Target Company Shares on the First Section of the Tokyo Stock Exchange on January 30, 2019, which is the business day immediately preceding the announcement date of the Tender Offer; (b) a premium of 49.17% to JPY 1,877, which is the simple average closing price of the Target Company Shares for the past one (1) week to said date (from January 24, 2019 to January 30, 2019); (c) a premium of 50.38% to JPY 1,862, which is the simple average closing price of the Target Company Shares for the past one (1) month to said date (from January 4, 2019 to January 30, 2019); (d) a premium of 30.72% to JPY 2,142, which is the simple average closing price of the Target Company Shares for the past three (3) months to said date (from October 31, 2018 to January 30, 2019); and (e) a premium of 27.45% to JPY 2,197, which is the simple average closing price of the Target Company Shares for the past six (6) months to said date (from July 31, 2018 to January 30, 2019).</p> <p>The Company ITOCHU acquired 769,300 Target Company Shares (representing 1.00% of the total number of issued shares) through an off-market transaction in July 2018 for JPY 1,975 per share (rounded off to the nearest JPY 1), and acquired 1,300,000 shares (representing 1.69% of the total number of issued shares) through an off-market transaction in August 2018 for JPY 1,944 per share. In October 2018, the Company acquired 88,400 Target Company Shares (representing 0.11% of the total number of issued shares) through a market purchase (Note) and acquired 1,561,600 Target Company Shares (representing 2.03% of the total number of issued shares) through an off-market transaction for JPY 2,411 per share. The acquisition prices in the above-mentioned transactions were determined upon agreement among the parties based on the market value as of the acquisition, and therefore, unlike the Tender Offer, in which premiums were added to the market price, the acquisition prices of the off-market transaction in July 2018, August 2018, and October 2018 were lower than that in the Tender Offer by JPY 825, JPY 856 and JPY 389 respectively.</p> <p>(Note)The Company purchased the Target Company Shares by way of market transactions at the market price at the time; provided that such market transactions were conducted by way of auction at the First Section of the Tokyo Stock Exchange, and, premiums were not added unlike the Tender Offer.</p>
<p>Background of Calculation</p>	<p>(Background to the determination of the Tender Offer Price)</p> <p>As stated in “3. Purpose of the Purchase, Etc.” above, ITOCHU continued purchase of additional Target Company Shares several times in July, August and October 2018, expecting that the Target</p>

	<p>Company would faithfully address the matters pointed out by ITOCHU in response to the deterioration of the business results forecast of the Target Company or the increase in the risk that the corporate value of the Target Company would be impaired. However, the management of the Target Company did not respond clearly to the points indicated by ITOCHU, and ITOCHU, Etc., no longer had the relationship with the Target Company to constructively discuss with each other on the growth strategy and measures of the Target Company.</p> <p>Based on such circumstances, ITOCHU decided that, in order to further enhance the Target Company's corporate value, it is necessary to further strengthen the capital relationship between the ITOCHU Group and the Target Company, reform the management structure and restructure the existing corporate governance system to make it sound, and construct a relationship whereby the ITOCHU Group and the Target Company can constructively discuss the Target Company's growth strategy and measures, and therefore, in early December 2018, ITOCHU started considering the details of the Tender Offer.</p> <p>Based on the policy of the current management of the Target Company and their actions up to date, and considering the possibility of the leakage of information concerning the Tender Offer, ITOCHU, Etc. decided not to discuss with the Target Company prior to the Tender Offer, the implementation thereof.</p> <p>ITOCHU, Etc. considered possible measures that may be realized under the constructive cooperative relationship with the Target Company after the Tender Offer and reached a conclusion that it is possible to enhance the medium to long term corporate value of the Target Company by promoting such measures. Therefore, ITOCHU, Etc. has determined, by the resolution of the meeting of the Board of Directors of ITOCHU, Etc. held on January 31, 2019, to implement the Tender Offer and to set the Tender Offer Price as JPY 2,800.</p> <p>i. Obtaining the Share Valuation Report from a Third-party Institution</p> <p>In determining the Tender Offer Price, ITOCHU, Etc. requested GCA, a financial advisor as a third-party institution independent from ITOCHU, Etc. and the Target Company, to evaluate the share of the Target Company, and ITOCHU, Etc. obtained the Share Valuation Report from GCA as of January 30, 2019. GCA is not a related party to ITOCHU, Etc. and has no material interest to be stated in relation to the Tender Offer.</p> <p>ii. Outline of Advice from Nomura Securities</p> <p>According to the Share Valuation Report, analysis methods that were implemented and the ranges of the value per Target Company Share calculated based on said implemented analysis method are as follows:</p> <p style="padding-left: 40px;">Average market price analysis: JPY 1,862 to JPY 2,142 Comparable company analysis: JPY 2,108 to JPY 2,277 DCF analysis: JPY 2,506 to JPY 3,399</p>
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	<p>iii. Background to Determination of the Tender Offer Price Based on the Advice</p> <p>Based on the details and results of the calculation stated in the Share Valuation Report, ITOCHU, Etc. took several factors into account comprehensively, such as the trend of the market price of the Target Company Shares, the premiums added to the tender offer prices in some precedent tender offers conducted in the past by a party other than the issuer, the estimate of shares to be tendered in the Tender Offer, and the fact that it is relatively likely that it would be necessary to propose a price which is persuasive to the Target Company and its shareholders because ITOCHU, Etc. did not obtain the support of the management of the Target Company prior to the Tender Offer. ITOCHU, Etc. then reached a conclusion that it is reasonable to propose a price to which an appropriate premium had been added to the market price of the Target Company Shares, and as of January 31, 2019, ITOCHU, Etc. ultimately decided that the Tender Offer Price would be JPY 2,800 per share.</p>
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(3) 【Number of Share Certificates, Etc., to be Purchased】

Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
7,210,000 (shares)	— (shares)	7,210,000 (shares)

(Note 1) If the total number of the Tendered Share Certificates, Etc. is the maximum number of shares to be purchased (7,210,000 shares) or less, all of the Tendered Share Certificates will be purchased. If the total number of the Tendered Share Certificates, Etc. exceeds the maximum number of shares to be purchased (7,210,000 shares), all or part of that excess number of shares will not be purchased; and delivery and other settlement procedures with respect to the purchase of share certificates, etc., will be handled on a pro rata basis as provided in Article 27-13, Paragraph 5 of the Act and Article 32 of the TOB Ordinance.

(Note 2) Shares constituting less than a unit will also be subject to purchase through the Tender Offer. The Target Company may purchase its own shares in accordance with procedures stipulated in the law during the Tender Offer Period from any shareholder who exercises the right to require the Target Company to purchase shares constituting less than a unit under the Companies Act.

(Note 3) The Tender Offeror does not intend to acquire, through the Tender Offer, any treasury shares held by the Target Company.

5. 【Ownership Percentage of Share Certificates, Etc., after the Purchase, Etc.】

Category	Number of Voting Rights
(a) Number of Voting Rights Represented by Share Certificates, Etc., to be Purchased	72,100
(b) Number of Voting Rights Represented by Potential Share Certificates, Etc., Included in Item (a)	—
(c) Number of Voting Rights Represented by Trust Beneficiary Certificates for Share Certificates, Etc., and Depositary Receipts for Share Certificates, Etc., Representing Share Certificates Included in Item (b)	—
(d) Number of Voting Rights Represented by Share Certificates, Etc., Owned by Tender Offeror (as of January 31, 2019)	
(e) Number of Voting Rights Represented by Potential Share Certificates, Etc., Included in Item (d)	—
(f) Number of Voting Rights Represented by Trust Beneficiary Certificates for Share Certificates, Etc., and Depositary Receipts for Share Certificates, Etc., Representing Share Certificates Included in Item (e)	—
(g) Number of Voting Rights Represented by Share Certificates, Etc., Owned by Special Related Parties (as of January 31, 2019)	229,543
(h) Number of Voting Rights Represented by Potential Share Certificates, Etc., Included in Item (g)	—
(i) Number of Voting Rights Represented by Trust Beneficiary Certificates for Share Certificates, Etc., and Depositary Receipts for Share Certificates, Etc., Representing Share Certificates Included in Item (h)	—
(j) Total Number of Voting Rights of All Shareholders, Etc. of the Target Company (as of September 30, 2018)	753,665
Percentage of Voting Rights Represented by Share Certificates, Etc., to be Purchased out of Total Number of Voting Rights of All Shareholders, Etc. (a/j) (%)	9.56
Ownership Percentage of Share Certificates, Etc., after Tender Offer, Etc. $((a+d+g)/(j+(b-c)+(e-f)+(h-i))\times 100)$ (%)	40.00

(Note 1) The “(a) Number of Voting Rights Represented by Share Certificates, Etc., to be Purchased” is the number of voting rights represented by the share certificates, etc., to be purchased in the Tender Offer.

(Note 2) The “(j) Total Number of Voting Rights of All Shareholders, Etc. of the Target Company (as of September 30, 2018)” represents the total number of voting rights of all shareholders of the Target Company as of September 30, 2018, as described in the Second Quarterly Report for the 62nd fiscal year of the Target Company (described on the basis that 1 unit is 100 shares). However, as shares constituting less than a unit are also subject to the Tender Offer, in calculating the “Percentage of Voting Rights Represented by Share Certificates, Etc., to be Purchased out of Total Number of Voting Rights of All Shareholders, Etc.” and “Ownership Percentage of Share Certificates, Etc., after Tender Offer, Etc.,” “(j) Total Number of Voting Rights of All Shareholders, Etc. of Target Company (as of September 30, 2018)” is made 754,084 by adding thereto the number of voting rights represented by shares constituting less than a unit (419 voting rights corresponding to the number of shares (41,909 shares) obtained by deducting (i) the number of treasury shares constituting less than a unit held by the Target Company as of September 30, 2018 (67 shares) from (ii) the number of shares constituting less than a unit of the Target Company as of September 30, 2018 (41,976 shares) described in the Second Quarterly Report for the 62nd fiscal year of the Target Company).

(Note 3) The “Percentage of Voting Rights Represented by Share Certificates, Etc., to be Purchased out of Total Number of Voting Rights of All Shareholders, Etc.” and the “Ownership Percentage of Share Certificates, Etc., after Tender Offer, Etc.” are rounded to two decimal places.

6. 【Approvals, Etc. with respect to Acquisition of Share Certificates, Etc.】

N/A

7. 【Method of Application for the Tender Offer and Contract Cancellation】

(1) 【Method of Application for the Tender Offer】

a. Tender Offer Agent

Nomura Securities Co., Ltd.

1-9-1 Nihonbashi, Chuo-ku, Tokyo

- b. Shareholders wishing to tender their shares in the Tender Offer (the “Tendering Shareholders, Etc.”) are requested to apply for the Tender Offer by completing the “Tender Offer Application Form (*kokai kaitosuke oubomoushikomisho*)” and submitting the form to the head office or any branch office in Japan of the Tender Offer Agent by 15:30 on the last day of the Tender Offer Period. In some cases, a personal seal, My

Number (individual number) or Corporate Number, and identification documents, etc. may be required for the application (See Note 1 below).

Shareholders wishing to tender their shares via online service (a service that is available exclusively to customers who have accounts with the Tender Offer Agent) are requested to follow the procedures set forth on the website for the online service (<https://hometrader.nomura.co.jp/>) and submit the application by 15:30 on the last day of the Tender Offer Period. In order to submit applications via the online service, the Tendering Shareholders, Etc. are requested to first subscribe to the online service using the account that they have set up with the Tender Offer Agent under their names (the “Tendering Shareholders’ Account”) (See Note 2 below).

- c. In order for an application for the Tender Offer to be accepted, it is required that the share certificates, etc., to be tendered are recorded in the Tendering Shareholders’ Account. Therefore, in cases where the share certificates, etc., to be tendered are recorded in any account opened with any financial instruments business operators other than the Tender Offer Agent (including the case where such share certificates, etc. are recorded in a special account opened with Mitsubishi UFJ Trust and Banking Corporation, which is the account manager for a special account of the Target Company), the Tendering Shareholders, Etc. must complete the process of transferring such share certificates, etc. to the Tendering Shareholders’ Account prior to tendering the share certificates, etc.
- d. Any application for the Tender Offer that is made through any financial instruments business operator other than the Tender Offer Agent will not be accepted in the Tender Offer.
- e. Shareholders who reside outside Japan and do not hold an account with the Tender Offer Agent (including corporate shareholders, the “Foreign Shareholders”) shall apply through their standing proxy residing in Japan. Foreign Shareholders who reside outside Japan cannot apply for the Tender Offer via the online service.
- f. For individual shareholders who reside in Japan, the difference between the purchase price for the shares sold through the tender offer and the acquisition cost thereof will in principle be subject to separate self-assessment taxation concerning capital gains from the transfer of shares (See Note 3).
- g. If all or part of the Tendered Share Certificate, Etc. are not purchased by the Tender Offeror, such share certificates, etc. will be returned to the Tendering Shareholders, Etc.

(Note 1) Personal seal, My Number (individual number) or Corporate Number, and identification documents, etc.

The Tendering Shareholders, Etc. who open a new account with the Tender Offer Agent, Nomura Securities Co., Ltd., must submit their My Number (individual number) or Corporate Number, and identification documents in addition to a personal seal (*inkan*). In certain cases, the

Tendering Shareholders, Etc. who already have an account with the Tender Offer Agent may need to submit their My Number (individual number) or Corporate Number and identification documents, etc. each time they change their address or trading office or perform tax procedures. Moreover, the identification documents required vary depending on the type of documents used to verify My Number (individual number). For details of the combinations of the documents used to verify My Number (individual number) or Corporate Number and the identification documents required, please contact the Tender Offer Agent.

- In the case of individual shareholders

Documents to be submitted along with My Number (individual number)

When providing My Number (individual number), both [1] the documents to verify My Number (individual number) and [2] identification documents must be submitted in addition to the prescribed “My Number Provision Form.”

[1] Documents to verify My Number (individual number)

Any one of the following documents: an individual number card, a notification card, a copy of a resident card containing My Number (individual number) or a certificate of entry in a resident card containing My Number (individual number)

[2] Identification documents

Documents used to verify one’s My Number (individual number)	Identification documents required
Individual number card	Not required
Notification card	One of the documents listed in [A] below, or two of the documents listed in [B] below
A copy of a resident card containing My Number (individual number)	Out of [A] and [B] below, one of the documents other than a “copy of a resident card” and a “certificate of entry in a resident card”
A certificate of entry in a resident card containing My Number (individual number)	

[A] Identification documents with a face photo

- Submission of a copy of the original document within its validity period is required

A passport, a driver's license, a certificate of driving history, a certificate of physical disability (*shintaiishogaisha techo*), a certificate of mental disability (*seishinshogaisha hokenfukushi techo*), a rehabilitation certificate (*ryoiku techo*), a residence card (*zairyu card*), or a special permanent resident certificate

[B] Identification documents without a face photo

- Submission of the original document issued within six months or a copy thereof is required

A copy of a resident card, a certificate of entry in a resident card, or a certificate of registered seal impression

- Submission of a copy of the original document within its validity period is required

Any type of health insurance card (*kenkou-hoken-sho*), a national pension book (*kokumin-nenkin-techo*) (documents must contain your name, address, and date of birth), any type of welfare certificate (*fukushi-techo*)

* Identification documents must allow confirmation of: (i) the validity of the identification documents; and (ii) the address, name and date of birth filled in the application form.

* If a copy is submitted, the original may be additionally required to be presented, if necessary.

* Nomura Securities Co., Ltd. will mail (by post) a "Letter with respect to the Transaction" to the address registered in the identification documents to confirm identification.

* When the identification documents are submitted as part of the procedures for opening a new account, changing an address, etc., such identification documents may concurrently serve as the documents required to be submitted along with My Number (individual number), provided that such identification documents are under the name of the account holder above (it is not necessary to submit two (2) or more identical documents).

- In the case of corporate shareholders

Identification documents such as a certified copy of corporate registry (*toukibo-tohon*) or other documents issued by governmental authorities are required.

* Information used to identify the corporate entity: (i) name; and (ii) location of the head office or principal office.

* Besides the identification of the corporate entity, identifications of its representative or its proxy and the person in charge of the Transaction (who is responsible for executing the agreement to tender shares) are also required.

In providing the corporate number, a printout of the webpage obtained as a result of searching for the corporate number on the “Corporate Number Announcement Site of National Tax Agency” or a copy of the “Notification of Corporate Number” is required as the document to verify the corporate number. In addition, the prescribed “Corporate Number Provision Form” may be required.

- In the case of foreign shareholders (excluding those residing in Japan) and corporations with their head offices or principal offices outside Japan

Identification documents such as the documents issued by a foreign government recognized by the Japanese government or a competent international organization, which are equivalent to the identification documents for Japanese residents, are required.

(Note 2) Use of the online service requires prior subscription. Since it will take about one week from the date of subscription to the delivery of the password for the online service to the shareholder’s registered address, shareholders are recommended to subscribe to the service as early as possible. When applying to participate in the Tender Offer on any day near the end of the Tender Offer Period, it would be quicker to submit the application directly to an office of the Tender Offer Agent.

- In the case of individual shareholders: Application can be submitted through the login screen of the online service; otherwise, please contact the office of the Tender Offer Agent you have an account with or call the online support number.
- In the case of corporate shareholders: Please contact the office of the Tender Offer Agent with whom you have an account. Corporate shareholders can submit applications via the online service, provided that their proxy, etc. has not been registered.

(Note 3) Separate self-assessment taxation concerning capital gains from the transfer of shares, etc. (for individual shareholders):

Individual shareholders will be subject to separate self-assessment taxation with respect to capital gains from the transfer of shares, etc. Please consult with a tax accountant or other expert on taxation matters and make decisions on your own as to such tax matters.

(2) 【Method of Contract Cancellation】

Tendering Shareholders, Etc. may cancel a contract related to the tender offer at any time during the Tender Offer Period. In order to cancel the contract, Tendering Shareholders, Etc. must personally deliver or mail (by post) a written request for the cancellation of the contract related to the tender offer (the “Cancellation Documents”) to the head office or a branch office in Japan of the entity designated below that received the application from such Tendering Shareholders, Etc., by 15:30 on the last day of the Tender Offer Period. If cancellation is made by postal mail, the cancellation will not be effective unless the Cancellation Documents are delivered by 15:30 on the last day of the Tender Offer Period.

A contract executed via the online service can be canceled either via the online service (<https://hometrade.nomura.co.jp/>) or by personally delivering or mailing (by post) the Cancellation Documents. To cancel a contract via the online service, Tendering Shareholders, Etc. must complete the cancellation procedures in the manner prescribed on that website by 15:30 on the last day of the Tender Offer Period. Tendering Shareholders, Etc. may not cancel via the online service the contract executed at the office of the Tender Offer Agent they have an account with. To cancel a contract by personally delivering or mailing (by post) the Cancellation Documents, Tendering Shareholders, Etc. must request the form of the Cancellation Documents in advance from the office of the Tender Offer Agent they have an account with and then personally deliver or mail (by post) the completed form to such office by 15:30 on the last day of the Tender Offer Period. If cancellation is made by postal mail, the cancellation will not be effective unless the Cancellation Documents are delivered by 15:30 on the last day of the Tender Offer Period.

Entity authorized to receive the Cancellation Documents:

Nomura Securities Co., Ltd.

1-9-1, Nihonbashi, Chuo-ku, Tokyo (and branch offices of Nomura Securities Co. Ltd. located in Japan)

(3) 【Method of Returning Share Certificates, Etc.】

If Tendering Shareholders, Etc. give notice of cancellation of the contract related to the tender offer through a method described in “(2) Method of Contract Cancellation” above, the Tendered Share Certificates, Etc. will be returned, promptly after the completion of the cancellation procedures, by the method indicated in “(4) Method of Returning Share Certificates, Etc.” of “10. Method of Settlement” below.

(4) 【Name and Location of the Head Office of Financial Instrument Business Operators / Banks in Charge of Holding and Returning Share Certificates, Etc.】

Nomura Securities Co., Ltd.

1-9-1, Nihonbashi, Chuo-ku, Tokyo

8. 【Funds Required for the Purchase, Etc.】

(1) 【Funds, etc. Required for the Purchase, Etc.】

Aggregate Tender Offer Price (yen) (a)	20,188,000,000
Type of Consideration other than Cash	—
Total amount of Consideration other than Cash	—
Commission (b)	200,000,000
Others (c)	6,000,000
Total (a)+(b)+(c)	20,394,000,000

(Note 1) The “Aggregate Tender Offer Price (yen) (a)” is calculated by multiplying the number of shares to be purchased (7,210,000 shares) by the Tender Offer Price (2,800 yen).

(Note 2) “Commission (b)” is the estimated amount of commission to be paid to the Tender Offer Agent.

(Note 3) “Others (c)” is the estimated fees and expenses pertaining to the public notice regarding the Tender Offer, for printing this Statement and other necessary documents, and other fees and expenses.

(Note 4) Other fees and expenses including the amount of expenses to be paid to the Tender Offer Agent and fees for the legal counsel have yet to be determined.

(Note 5) Consumption tax and similar charges are not included in the above amounts.

(2) 【Deposits or Loans Available as Funds for the Purchase, Etc.】

a. 【Deposits as of one or two days preceding the submission date of this Statement】

Type of Deposits	Amount (thousand yen)
Ordinary deposit	—
Total (a)	—

b. 【Loans as of the day preceding the submission date of this Statement】

A. 【Financial Institutions】

Category of Business Lender	Name of Lender	Terms of contract	Amount (thousand yen)

1	—	—	—	—
2	—	—	—	—
Total				—

B. 【Non-Financial Institutions】

Category of Business of Lender	Name of Lender	Terms of contract	Amount (thousand yen)
—	—	—	—
—	—	—	—
Total			—

c. 【Funds to be borrowed on or after the submission date of this Statement】

A. 【Financial Institutions】

	Category of Business of Lender	Name of Lender	Terms of contract	Amount (thousand yen)
1	—	—	—	—
2	—	—	—	—
Total (b)				—

B. 【Non-Financial Institutions】

Category of Business of Lender	Name of Lender	Terms of contract	Amount (thousand yen)
Financial business	Itochu Treasury Corporation (5-1, Kitaaooyama 2-chome, Minato-ku, Tokyo)	—Borrowing of funds required for purchase, etc. (Note)	17,000,000

Total (c)	17,000,000
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(Note) Itochu Treasury Corporation is a subsidiary of ITOCHU Corporation, which is the parent company of the Tender Offeror and 100% of the voting rights of Itochu Treasury Corporation is held by ITOCHU Corporation. As evidence of the above-mentioned amount of loan, the Tender Offeror obtained from ITOCHU Corporation, a loan certificate (attached hereto) to the effect that Itochu Treasury Corporation is ready to provide a loan in the maximum amount of 17,000,000,000 yen under the specific lending terms (the interest rate, lending period, etc.) to be determined upon separate consultations with the Tender Offeror, as of January 30, 2019. The terms and conditions of the loan are stated in the loan certificate.

d. **【Other methods of financing】**

Description	Amount (thousand yen)
Financial contribution by ITOCHU Corporation (Note)	4,000,000
Total (d)	4,000,000

(Note) As evidence of the above-mentioned amount of financial contribution, the Tender Offeror obtained from ITOCHU Corporation, which is the parent company of the Tender Offeror, a certificate to the effect that Itochu Treasury Corporation is ready to make a financial contribution in the maximum amount of 4,000,000,000 yen by two (2) Business Days prior to the date of commencement of the settlement of the Tender Offer, as of January 30, 2019.

e. **【Total of deposits or loans available as funds for the Purchase, etc.】**

JPY 21,000,000 thousand ((a) + (b) + (c) + (d))

(3) **【Relationship between the Tender Offeror and the Company Issuing Securities to be Used as Consideration for the Purchase, Etc.】**

N/A

9. **【Condition of the Company Issuing Securities to be Used as Consideration for the Purchase, Etc.】**

N/A

10. **【Method of Settlement】**

(1) **【Name and Address of the Head Office of the Financial Instruments Business Operators / Banks in Charge of Settlement for Purchase, Etc.】**

Nomura Securities Co., Ltd.
1-9-1, Nihonbashi, Chuo-ku, Tokyo

(2) **【Settlement Commencement Date】**

March 22, 2019 (Friday)

(3) **【Method of Settlement】**

A notice of purchase by way of the tender offer will be mailed (by post) to the address of each of the Tendering Shareholders, Etc. (or the standing proxy in the case of foreign shareholders) without delay after the end of the Tender Offer Period.

Payment of the purchase price will be made in cash. The Tendering Shareholders, Etc. are entitled to receive the purchase price for the shares under the tender offer without delay after the commencement date of settlement in a manner designated by the Tendering Shareholders, Etc., such as remittance (a remittance fee may be charged).

(4) **【Method of Returning Share Certificates, Etc.】**

If all or part of the shares are not purchased in accordance with the terms described in “(i) Conditions set forth in each Item of Article 27-13, Paragraph 4 of the Act and Details thereof” and “(ii) Conditions of Withdrawal, Etc. of the Tender Offer, Details thereof and Method of Disclosure of Withdrawal, Etc.” of “11. Other Conditions and Methods of the Purchase, Etc.” below, the Tendered Share Certificates, Etc. that are required to be returned will be returned to the Tendering Shareholders, Etc. promptly after two (2) business days following the last day of the Tender Offer Period (the day of the withdrawal, etc. if the tender offer is withdrawn, etc.) by restoring the record of the shares in the Tendering Shareholders’ Account to the state that existed immediately prior to the relevant tender (If the Tendering Shareholders, Etc. wish their share certificates, etc., to be transferred to their accounts established with other financial instruments business operators, they are asked to confirm with the head office or domestic branch office of the Tender Offer Agent at which the relevant tender was accepted.).

11. **【Other Conditions and Methods of the Purchase, Etc.】**

(1) **【Conditions Set Forth in Each Item of Article 27-13, Paragraph 4 of the Act and Details Thereof】**

If the total number of the Tendered Share Certificates, Etc., is equal to or less than the maximum number of shares to be purchased (7,210,000 shares), all the Tendered Share Certificates, Etc. will be purchased.

If the total number of the Tendered Share Certificates, Etc., exceeds the maximum number of shares to be purchased (7,210,000 shares), all or part of that excess number of shares will not be purchased; and delivery and other settlement procedures with respect to the purchase of share certificates, etc., will be handled on a pro rata basis as provided in Article 27-13, Paragraph 5 of the Act and Article 32 of the TOB Ordinance. (If any Tendered Share Certificate, Etc., contains fractional shares of less than one unit (100

shares), the number of shares to be purchased that is calculated on a pro rata basis will be limited to the number of shares contained in such Tendered Share Certificate, Etc.)

If the total number of shares to be purchased from each of the Tendering Shareholders, Etc., which is obtained by rounding off amounts of less than one unit resulting from the calculation on a pro rata basis, is less than the maximum number of shares to be purchased, one more unit of the Tendered Share Certificates, Etc. (or up to the number of the Tendered Share Certificates, Etc., in the case where purchasing one unit causes an excess of the number of the Tendered Share Certificates, Etc.) will be purchased from each of the Tendering Shareholders, Etc., in descending order beginning with the one who owns the largest number of rounded-down shares until the total number of shares purchased is equal to or greater than the maximum number of shares to be purchased. However, if purchasing from all the Tendering Shareholders, Etc., who own an equal number of rounded-down shares by this method, causes an excess of the maximum number of shares to be purchased, a lottery system will be used to decide from which shareholder the shares will be purchased among the relevant Tendering Shareholders, Etc., to the extent where the resultant total number of shares purchased is equal to or greater than the maximum number of shares to be purchased.

If the total number of shares to be purchased from each of the Tendering Shareholders, Etc., which is obtained by rounding off amounts of less than one unit resulting from the calculation on a pro rata basis, exceeds the maximum number of shares to be purchased, one unit of shares (or a portion of shares of less than one unit if the number of shares to be purchased that was calculated on a pro rata basis has such a portion) will be decreased from the number of shares to be purchased from each of the Tendering Shareholders, Etc., in descending order beginning with the one who owns the largest number of rounded-up shares until the total number of shares to be purchased is equal to or greater than the maximum number of shares to be purchased. However, if decreasing from all the Tendering Shareholders, Etc., who own an equal number of rounded-up shares causes the number to fall below the maximum number of shares to be purchased, a lottery system will be used to decide from which shareholder the number of shares to be purchased will be decreased among the relevant Tendering Shareholders, Etc., to the extent where the resultant total number of shares purchased is equal to or greater than the maximum number of shares to be purchased.

(2) 【Conditions for Withdrawal, Etc., of the Tender Offer, Details thereof and Method of Disclosure of Withdrawal, Etc.】

The Tender Offer may be withdrawn upon the occurrence of any event listed in Article 14, Paragraph 1, Items 1.1 through 1.9 and Items 1.12 through 1.19, Items 3.1 through 3.8 and Item 3.10, as well as Article 14, Paragraph 2, Items 3 through 6 of the Enforcement Order. The Tender Offer may be withdrawn for any case falling under the “matters equivalent to the matters listed in Items 1.1 through 1.18” set forth in Article 14, Paragraph 1, Item 1.19 of the Enforcement Order if (i) the organ which is responsible for making decisions on the execution of operations of the Target Company has made a decision to pay

dividends of surplus with the record date being the day preceding the commencement date of settlement for the Tender Offer (excluding dividends where the amount of cash and other assets to be distributed to shareholders is expected to be less than the amount equivalent to 10% (JPY 1,639,200,000 (Note 2)) of the book value of the net assets stated in the non-consolidated balance sheet as of the last day of the most recent fiscal year of the Target Company) separately from the dividends of surplus no larger than those of JPY 26 per share as of March 31, 2019 (Note 1) or (ii) the organ which is responsible for making decisions on the execution of operations of the Target Company has made a decision to repurchase its own shares (excluding stock repurchases where the amount of cash and other assets to be distributed in exchange of the stock repurchase is expected to be less than the amount equivalent to 10% (JPY 1,639,200,000 (Note 2)) of the book value of the net assets stated in the non-consolidated balance sheet as of the last day of the most recent fiscal year of the Target Company). With respect to Article 14, Paragraph 1, Item 3.10 of the Enforcement Order, the “matters equivalent to the matters listed in Items 3.1 through 3.9” means (i) any case where it is found that there is a false statement regarding a material matter, or an omission of a material matter required to be stated in the statutory disclosure documents submitted by the Target Company in the past, and (ii) any case where any of the events listed in Items 3.1 through 3.7 occurs with respect to any of the important subsidiaries of the Target Company.

Should the Tender Offeror intend to withdraw the Tender Offer, it will give public notice thereof through electronic disclosure and make an announcement with respect thereof in the Nihon Keizai Shimbun; provided, however, that if it is difficult to give such notice within the Tender Offer Period, the Tender Offeror will make an official announcement pursuant to Article 20 of the TOB Ordinance and give public notice immediately thereafter.

(Note 1) According to the dividend forecasts described in “2. Dividends” of the “Consolidated Financial Result of 2Q Fiscal year ending March 2019” as of December 30, 2018, the estimated cash dividend per share as of the fiscal year ending March 31, 2019 is JPY 26.

(Note 2) For reference: If any dividends of surplus are paid with respect to which the amount of cash and other assets to be distributed to shareholders is the amount equivalent to 10% of the book value of the net assets stated in the non-consolidated balance sheet as of the last day of the most recent fiscal year of the Target Company and it is assumed that the total number of issued shares and the number of treasury shares of the Target Company as of the record date with respect to such dividends are consistent with the numbers thereof described herein, the amount of per-share dividend will be equivalent to JPY 22 (specifically, this amount was calculated by dividing (x) JPY 1,639,200,000, which is equal to 10% of the amount of net assets (JPY 16,392 million, calculated by cutting off the digits below 1 million) stated in the non-consolidated balance sheet of the Target Company as of March 31, 2018, as set forth in the Securities Report for the 61st Fiscal Year filed by the

Target Company on June 21, 2018, by (y) the number of the shares (75,408,409 shares) as calculated by deducting the number of treasury shares (1,515,767 shares) owned by the Target Company as of September 30, 2018 from the total number of issued shares of the Target Company (76,924,176 shares) as of September 30, 2018, as set forth in the Target Company's quarterly report for the 2nd quarter of the 62nd Fiscal Year, and rounding up any fraction less than JPY 1).

(3) 【Conditions for Reduction of Price for the Purchase, Etc., Details Thereof and Method of Disclosure for Reduction】

Pursuant to Article 27-6, Paragraph 1, Item 1 of the Act, if the Target Company takes any action set forth in Article 13, Paragraph 1 of the Enforcement Order during the Tender Offer Period, the Tender Offeror may reduce the price for the purchase, etc. pursuant to the standards set forth in Article 19, Paragraph 1, of the TOB Ordinance. Should the Tender Offeror intend to reduce the price for the purchase, etc., it will give public notice thereof through an electronic disclosure and make an announcement with respect thereof in the Nihon Keizai Shimbun; provided, however, that if it is difficult to give such notice within the Tender Offer Period, the Tender Offeror will make an official announcement pursuant to Article 20 of the TOB Ordinance and give public notice immediately thereafter. If the price for the purchase, etc., is reduced, the Tender Offeror will also purchase the Tendered Share Certificates, Etc., tendered on or prior to the date of such public notice at the reduced price for the purchase, etc.

(4) 【Matters concerning the Right of Contract Cancellation of the Tendering Shareholders, Etc.】

Tendering Shareholders, Etc. may cancel a contract related to the tender offer at any time during the Tender Offer Period. The method of cancellation shall be pursuant to “(2) Method of Contract Cancellation” of “7. Method of Application for the Tender Offer and Contract Cancellation” above. No compensation for damages or penalty payments will be demanded of any Tendering Shareholder, Etc., by the Tender Offeror even if the Tendering Shareholder, Etc., cancel a contract. The cost of returning the Tendered Share Certificates, Etc., will be borne by the Tender Offeror.

(5) 【Method of Disclosure if Terms of the Purchase, Etc. Are Changed】

The Tender Offeror may change the terms of the purchase, etc. during the Tender Offer Period, except in cases where such change is prohibited by Article 27-6, Paragraph 1 of the Act and Article 13, Paragraph 2 of the Enforcement Order. Should any terms of the purchase, etc., be changed, the Tender Offeror will give public notice thereof through electronic disclosure and make an announcement with respect thereof in the Nihon Keizai Shimbun; provided, however, that if it is difficult to make such notice within the Tender Offer Period, the Tender Offeror will make an official announcement pursuant to Article 20 of the TOB Ordinance and give public notice immediately thereafter. Should any terms of the purchase, etc., be

changed, the purchase, etc., of the Tendered Share Certificates, Etc., tendered on or prior to the date of such public notice will also be made in accordance with the changed terms of the purchase, etc.

(6) 【Method of Disclosure if Amendment Is Submitted】

If the Tender Offeror submits an amendment to this Statement to the Director-General of the Kanto Local Finance Bureau (except in the case prescribed in the proviso of Article 27-8, Paragraph 11 of the Act), the Tender Offeror will, in respect of the details of such amendment, immediately make an official announcement to the extent relevant to the contents of the public notice in respect of the Tender Offer pursuant to the method set forth in Article 20 of the TOB Ordinance. The Tender Offeror will also immediately amend the explanatory statement and provide the amended explanatory statement to the Tendering Shareholders, Etc., who received the original explanatory statement. However, if the extent of the amendments is limited, the Tender Offeror will convey the changes to the Tendering Shareholders, Etc., by way of preparing and delivering to the Tendering Shareholders, Etc., a document stating the reason for the amendments, the matters amended and the details thereof.

(7) 【Method of Disclosure of Results of the Tender Offer】

The Tender Offeror will announce the results of the Tender Offer in accordance with the methods stipulated in Article 9-4 of the Enforcement Order and Article 30-2 of the TOB Ordinance on the day following the last day of the Tender Offer Period.

II. 【Information on the Tender Offeror】

1. 【In the Case of Company】

(1) 【Outline of the Tender Offeror】

a. 【History of the Tender Offeror】

Date	Outline
January 2019	The company was incorporated as a stock company. The trade name of the company is BS Investment Corporation, the location of the head office is 5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo and the amount of the paid-in capital is JPY 1,000,000.

b. 【Business Purpose of the Tender Offeror and Details of Its Business】

Business Purpose of the Company

The purpose of the Company shall be to operate the following businesses:

1. Investment in, and providing financing to, companies whose business is to manufacture/sell, etc., textile products, and hold companies thereof; and
2. Any business incidental or related to the preceding item.

Tender Offeror's Business

The Tender Offeror's main business is to acquire and hold the Target Company's share certificates, etc.

c. 【Amount of Paid-in Capital and Total Number of Issued Shares】

(as of January 31, 2019)

Amount of Paid-in Capital	Total Number of Issued Shares
JPY 1,000,000	20 shares

d. 【Major Shareholders】

(as of January 31, 2019)

Name	Address	Number of Shares Owned (shares)	Ratio of Number of Shares Owned to Total Number of Issued Shares (excluding treasury shares) (%)
------	---------	---------------------------------	--

ITOCHU Corporation	1-3, Umeda 3-chome, Kita-ku, Osaka	20	100.00
Total	—	20	100.00

(Note) The Tender Offeror will accept an investment from ITOCHU in the maximum amount of 4,000,000,000 yen by two (2) business days prior to the date of commencement of the settlement of the Tender Offer as set forth in “d. Other methods of financing” of “(2) Deposits or Loans Available as Funds for the Purchase, Etc.” of “8. Funds Required for the Purchase, Etc.” of “I. Terms and Conditions of the Tender Offer.”

e. 【Business Experiences and the Number of Shares Owned by Officers】

(as of January 31, 2019)

Title	Position	Name	Date of Birth	Business Experiences		Number of Shares Owned (shares)
Representative Director	—	Ken Watanabe	May 22, 1963	April 1987	Joined ITOCHU Corporation	—
				April 2010	Deputy General Manager, Apparel Department 2; Manager, Apparel Section 2, Apparel Department 2	
				April 2011	Deputy General Manager, Apparel Department 2	
				April 2012	General Manager, Itochu Corporation Ho Chi Minh Office	
				August 2012	Deputy Chief Officer for Vietnam; General Manager, Itochu Corporation Ho Chi Minh Office	
				April 2016	General Manager, Apparel Department 4	
				April 2018	Deputy Chief Operating Officer, Apparel Division; General Manager, Apparel Department 2	
				January 2019	Representative Director of the Tender Offeror (current position)	
Director	—	Yasuo Takakura	February 20, 1969	April 1992	Joined ITOCHU Corporation	—

				May 2005	Specialty Knitted Goods Section, Textile Department 2	
				April 2007	Uniform & Apparel Section, Fabric & Apparel Department	
				March 2010	Seconded to ITOCHU PROMINENT USA LLC	
				April 2016	Deputy Manager, Sportswear Section, Apparel Department 4	
				April 2017	Manager, Sportswear Section, Apparel Department 4	
				April 2018	Manager, Sportswear Section, Apparel Department 2	
				January 2019	Director of the Tender Offeror (current position)	
Director	—	Katsuhisa Yamamoto	September 10, 1967	April 1992	Joined ITOCHU Corporation	—
				April 2007	Deputy Manager, Textile Trade & Jeans Section, Textile Material & Fabric Department	
				April 2009	Deputy Manager, Jeans Section, Textile Material & Fabric Department	
				October 2009	ITOCHU (Thailand) Ltd.	
				April 2012	ITOCHU Corporation Yangon Branch	
				April 2014	Seconded to TI Garment Co., Ltd. MANAGING DIRECTOR	
				April 2016	Textile Company Affiliate Administration Section	
				October 2017	Apparel Division 2; Assistant to CFO, Textile Company	
				April 2018	Apparel Division; Assistant to CFO, Textile Company	
				January 2019	Director of the Tender Offeror (current position)	
Corporate		Takeshi Kanaoka	August 24, 1968	April 1993	Joined ITOCHU Corporation	—

Auditor				October 2007	Deputy Manager, Industrial Machinery & System Section 2, Industrial Machinery & System Department	
				April 2009	Deputy Manager, VMI Systems Section, Industrial Machinery & Electronic Systems Department	
				April 2010	Team Leader, Planning Office, ICT Aero Space & Electronics Planning & Coordination Department	
				April 2011	ICT & Machinery Company Planning & Administration Department	
				April 2012	Textile Company Affiliate Strategy Section, Textile Company Planning & Administration Department	
				June 2016	Corporate Auditors	
				May 2018	Deputy Manager of Textile Company Affiliate Administration Section	
				January 2019	Corporate auditor of the Tender Offeror (current position)	
Total						—

(2) 【Financial Condition of the Tender Offeror】

The Tender Offeror is a company that was established on January 9, 2019, and since there has been no fiscal year closing after its establishment, financial statements have not been prepared.

(3) 【Matters Concerning the Tender Offeror That Is an Ongoing Disclosure Company】

a. 【Documents Filed by the Tender Offeror】

A 【Securities Reports and Attachments Thereto】

B 【Quarterly Report or Semi-annual Report】

C **【Amendment Report】**

b. **【Place Where Copies of Documents above Are Kept for Public Inspection】**

2. **【In the Case of Entity Other Than Company】**

N/A

3. **【In the Case of Individual】**

N/A

III. 【Share Certificates, Etc. Owned and Traded by the Tender Offeror and Special Related Parties】

1. 【Ownership of Share Certificates, Etc.】

(1) 【Total Number of Share Certificates, Etc. Owned by the Tender Offeror and Special Related Parties】

(as of January 31, 2019)

	Number of Share Certificates, Etc., Owned	Number of Share Certificates, Etc., Provided for in Article 7, Paragraph 1, Item 2 of the Enforcement Order	Number of Share Certificates, Etc., Provided for in Article 7, Paragraph 1, Item 3 of the Enforcement Order
Share Certificates	229,543 (units)	— (units)	— (units)
Stock Acquisition Rights Certificates	—	—	—
Bond Certificates with Stock Acquisition Rights	—	—	—
Trust Beneficiary Certificate for Share Certificates, Etc. ()	—	—	—
Depositary Receipts for Share Certificates, Etc. ()	—	—	—
Total	229,543	—	—
Total Number of Share Certificates, Etc., Owned	229,543	—	—
(Total Number of Potential Share Certificates, Etc., Owned)	(—)	—	—

(2) 【Number of Share Certificates, Etc., Owned by the Tender Offeror】

(as of January 31, 2019)

	Number of Share Certificates, Etc., Owned	Number of Share Certificates, Etc., Provided for in Article 7, Paragraph 1, Item 2 of the Enforcement Order	Number of Share Certificates, Etc., Provided for in Article 7, Paragraph 1, Item 3 of the Enforcement Order
Share Certificates	— (units)	— (units)	— (units)
Stock Acquisition Rights Certificates	—	—	—
Bond Certificates with Stock Acquisition Rights	—	—	—
Trust Beneficiary Certificate for Share Certificates, Etc. ()	—	—	—
Depository Receipts for Share Certificates, Etc. ()	—	—	—
Total	—	—	—
Total Number of Share Certificates, Etc., Owned	—	—	—
(Total Number of Potential Share Certificates, Etc., Owned)	(—)	—	—

(3) 【Number of Share Certificates, Etc., Owned by Special Related Parties (in aggregate)】

(as of January 31, 2019)

	Number of Share Certificates, Etc., Owned	Number of Share Certificates, Etc., Provided for in Article 7, Paragraph 1, Item 2 of the Enforcement Order	Number of Share Certificates, Etc., Provided for in Article 7, Paragraph 1, Item 3 of the Enforcement Order
Share Certificates	229,543 (units)	— (units)	— (units)
Stock Acquisition Rights	—	—	—

Certificates			
Bond Certificates with Stock Acquisition Rights	—	—	—
Trust Beneficiary Certificate for Share Certificates, Etc. ()	—	—	—
Depository Receipts for Share Certificates, Etc. ()	—	—	—
Total	229,543	—	—
Total Number of Share Certificates, Etc., Owned	229,543	—	—
(Total Number of Potential Share Certificates, Etc., Owned)	(—)	—	—

(4) 【Ownership of Share Certificates, Etc., by Each Special Related Party (breakdown of each special related party)】

a. 【Special Related Party】

(as of January 31, 2019)

Name	ITOCHU Corporation
Address	1-3, Umeda 3-chome, Kita-ku, Osaka-shi, Osaka
Occupation or Contents of Business	General trading company
Contact Information	Contact Person: Apparel Department 2 of ITOCHU Corporation Place to Contact: 5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo Telephone: 03-3497-2116
Relationship with the Tender Offeror	Legal entity with which the Tender Offeror has a special capital relationship.

b. 【Number of Share Certificates, Etc., Owned】

ITOCHU Corporation

(as of January 31, 2019)

	Number of Share Certificates, Etc., Owned	Number of Share Certificates, Etc., Provided in Article 7, Paragraph 1, Item 2 of the Enforcement Order	Number of Share Certificates, Etc., Provided in Article 7, Paragraph 1, Item 3 of the Enforcement Order
Share Certificates	229,543 (units)	— (units)	— (units)
Stock Acquisition Rights Certificates	—	—	—
Bond Certificates with Stock Acquisition Rights	—	—	—
Trust Beneficiary Certificate for Share Certificates, Etc. ()	—	—	—
Depository Receipts for Share Certificates, Etc. ()	—	—	—
Total	229,543	—	—
Total Number of Share Certificates, Etc., Owned	229,543	—	—
(Total Number of Potential Share Certificates, Etc.)	(—)	—	—

2. 【Trading of Share Certificates, Etc.】

(1) 【Trading During the Sixty-day Period Prior to the Submission Date of this Statement】

N/A

3. 【Material Contracts Executed Concerning Share Certificates, Etc.】

N/A

4. 【Contracts for Purchase, Etc., of Share Certificates, Etc., on or after the Submission Date of this Statement】

N/A

IV. 【Transactions between the Tender Offeror and the Target Company】

1. 【Transactions between the Tender Offeror and the Target Company or its Officers, and Details Thereof】

N/A. However, the Target Company made product purchase transactions in the amount of JPY 8,370 million with ITOCHU, the wholly-owning parent company of the Tender Offeror, in the 61st business period of the Target Company.

2. 【Agreements between the Tender Offeror and the Target Company or its Officers, and Details Thereof】

N/A. Since the Tender Offer provides all of the shareholders of the Target Company with an appropriate opportunity to sell their Target Company Shares, ITOCHU, Etc. expects the Target Company to support the Tender Offer, by re-acknowledging the importance of having a constructive dialogue with shareholders and not unreasonably restricting the opportunity to sell listed shares based on each investor's judgement.

V. 【Information on the Target Company】

1. 【Profit & Loss and Other Financial Data for the Three Most Recent Years】

(1) 【Profit & Loss】

Fiscal Year	—	—	—
Net sales	—	—	—
Cost of sales	—	—	—
Selling, general and administrative expenses	—	—	—
Non-operating income	—	—	—
Non-operating expenses	—	—	—
Net income (loss)	—	—	—

(2) 【Per Share Information】

Fiscal Year	—	—	—
Net profit/loss per share	—	—	—
Amount of cash dividends per share	—	—	—
Net assets per share	—	—	—

2. 【Share Price Information】

(in yen)

Name of Financial Instruments Exchange or Authorized Financial Instruments Firms Association	Tokyo Stock Exchange, First Section							
	Month	7/2018	8/2018	9/2018	10/2018	11/2018	12/2018	1/2019
Share Price	High	2,193	2,332	2,427	2,962	2,877	2,251	1,948
	Low	1,808	1,821	1,973	2,301	2,148	1,646	1,775

(Note) The high and low share prices for January 2019 represent those up to and including January 30, 2019.

3. 【Information on Shareholders】

(1) 【Ownership Status】

(as of [Month] [Date], [Year])

Description	Status of Shares (one unit of shares consists of [Number] shares)							Status of Shares Constituting Less Than One Unit (shares)	
	National and Local Governments	Financial institutions	Financial Instruments Business Operators	Other Corporate Entities	Foreign Entities, Etc.		Individuals or Others		Total
					(Non-individuals)	(Individuals)			
Number of shareholders	—	—	—	—	—	—	—	—	
Number of shares owned (units)	—	—	—	—	—	—	—	—	
Percentage of number of shares owned (%)	—	—	—	—	—	—	—	—	

(2) 【Number of Shares Owned by Major Shareholders and Officers】

a. 【Major Shareholders】

(as of [Month] [Date], [Year])

Name	Address	Number of Shares Owned (shares)	Shareholding Percentage of the Total Shares Outstanding (excluding treasury shares) (%)
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
Total	—	—	—

b. **【Officers】**

(as of [Month] [Date], [Year])

Name	Title	Position	Number of Shares Owned (shares)	Shareholding Percentage of the Total Shares Outstanding (excluding treasury shares) (%)
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
Total	—	—	—	—

4. **【Matters Concerning the Target Company that is an Ongoing Disclosure Company】**

(1) **【Documents Filed by the Target Company】**

a. **【Securities Reports and Attachments Thereto】**

For the 61st Fiscal Year (from April 1, 2017 to March 31, 2018):

Filed with the Director-General of the Kinki Local Finance Bureau on June 21, 2018

For the 60th Fiscal Year (from April 1, 2016 to March 31, 2017):

Filed with the Director-General of the Kinki Local Finance Bureau on June 22, 2017

b. **【Quarterly Report or Semi-annual Report】**

For the 2nd quarter of the 62nd Fiscal Year (from July 1, 2018 to September 30, 2018):

Filed with the Director-General of the Kinki Local Finance Bureau on November 8, 2018

For the 3rd quarter of the 62nd Fiscal Year (from October 1, 2018 to December 31, 2018):

To be filed with the Director-General of the Kinki Local Finance Bureau in around early February, 2018

c. **【Extraordinary Report】**

N/A

d. **【Amendment Report】**

N/A

(2) **【Place Where Copy of Above Documents Is Kept for Public Inspection】**

DESCENTE LTD.

(11-3, Dogashiba 1-Chome, Tennoji-ku, Osaka City)
DESCENTE LTD., Tokyo Branch
(4-8, Mejiro 1-Chome, Toshima-ku, Tokyo)

Tokyo Stock Exchange, Inc.
(2-1, Nihonbashi, Kabuto-cho, Chuo-ku, Tokyo)

5. 【Details, Etc., of Received Information on a Fact Concerning Launch of the Tender Offer】

N/A

6. 【Others】

N/A

【Key Financial Data of the Target Company】

【Key Financial Data】

(1) Consolidated Financial Data, Etc.

(Note)

Business Period	57th	58th	59th	60th	61st
Fiscal Year ended	March 2014	March 2015	March 2016	March 2017	March 2018
Net sales (JPY million)	109,944	123,128	135,778	131,543	141,124
Ordinary income (JPY million)	6,643	9,543	11,053	8,631	9,698
Profit attributable to owners of parent (JPY million)	4,470	6,563	7,870	5,650	5,771
Comprehensive income (JPY million)	7,957	9,744	5,600	2,476	9,576
Net assets (JPY million)	56,309	65,278	69,748	70,944	78,875
Total assets (JPY million)	83,830	95,396	107,624	106,976	117,828
Net assets per share (JPY)	747.37	866.48	925.81	941.68	1,046.47
Net income per share (JPY)	59.33	87.12	104.47	75.00	76.59
Net income per share after adjustment of potential shares (JPY)	—	—	—	—	—
Equity ratio (%)	67.2	68.4	64.8	66.3	66.9
Return on Equity (%)	8.5	10.8	11.7	8.0	7.7
Price Earnings Ratio (Times)	13.7	17.1	15.9	17.6	21.9
Cash flows from operating activities (JPY million)	3,976	10,310	9,883	5,520	12,523
Cash flows from investing activities (JPY million)	(4,767)	(4,313)	(5,245)	(6,165)	(6,361)
Cash flows from financing activities (JPY million)	(1,228)	(961)	(925)	(1,643)	(1,560)
Cash and cash equivalents at end of year (JPY million)	16,266	22,070	25,129	21,907	27,369
Number of Employees (Persons)	1,725 (1,469)	1,839 (1,447)	1,992 (1,431)	3,523	3,469

1. Net sales do not include consumption tax and similar charges.
2. Net income per share after adjustment of potential shares is not disclosed because there are no potential shares.
3. The numbers in parentheses in the column for the number of employees for the 57th, 58th and 59th fiscal years indicate the annual average number of employees of the sales staff, etc., which is not included in the total.
The number of employees increased in the 60th fiscal year due to the placement of the sales staff of the Target Company on the regular payroll.

(2) Financial Data, Etc. of the Target Company

Business Period	57th	58th	59th	60th	61st
Fiscal Year ended	March 2014	March 2015	March 2016	March 2017	March 2018
Net sales (JPY million)	57,750	56,228	57,235	57,310	11,046
Ordinary income (JPY million)	855	1,773	3,766	3,982	4,143
Net income (JPY million)	301	1,043	2,987	3,009	1,062
Capital amount (JPY million)	3,846	3,846	3,846	3,846	3,846
Number of shares issued (Thousand shares)	76,924	76,924	76,924	76,924	76,924
Net assets (JPY million)	39,733	40,470	42,189	44,025	16,392
Total assets (JPY million)	57,116	59,173	61,927	63,256	28,312
Net assets per share (JPY)	527.37	537.18	560.01	584.38	217.49
Dividends per Share (Interim Dividends per Share) (JPY)	10.00 (—)	15.00 (—)	17.00 (—)	23.00 (—)	23.00 (—)
Net income per share (JPY)	4.01	13.85	39.65	39.95	14.10
Net income per share after adjustment of potential shares (JPY)	—	—	—	—	—
Equity ratio (%)	69.6	68.4	68.1	69.6	57.9
Return on Equity (%)	0.8	2.6	7.2	7.0	3.5
Price Earnings Ratio (Times)	202.5	107.7	41.8	33.1	119.1
Dividend payout ratio (%)	249.4	108.3	42.9	57.6	163.1
Number of Employees (Persons)	807 (1,020)	834 (981)	839 (936)	1,769	219

(Note)

1. Net sales do not include consumption tax and similar charges.
2. Net income per share after adjustment of potential shares is not disclosed because there are no potential shares.
3. The dividend of JPY 15 per share in the fiscal year ended March 31, 2015 includes a dividend of JPY 3 for the 80th anniversary of business. The dividend of JPY 23 per share for the fiscal year ended March 31, 2017 includes a dividend of JPY 6 to commemorate the 60th fiscal year of the Target Company.

4. The numbers in parentheses in the column for the number of employees for the 57th, 58th and 59th fiscal years indicate the annual average number of employees of the sales staff, etc., which is not included in the total. The number of employees increased in the 60th fiscal year due to the placement of the sales staff of the Target Company on the regular payroll.
5. A part of the financial data, etc. for the 61st fiscal year was changed as compared to that for the 60th fiscal year. This change mainly resulted from the transfer of the Target Company's Japan business, etc. to DESCENTE JAPAN LTD. due to the company split conducted on April 1, 2017.

(End of Document)