August 5, 2024

This document is an English translation of a statement written originally in Japanese. The Japanese original should be considered as the primary version.

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(Code No. 8001, Prime Market)
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BS Investment Corporation
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Announcement of Scheduled Commencement of Tender Offer for Shares in DESCENTE LTD. (Code No. 8114)

ITOCHU Corporation ("ITOCHU") and BS Investment Corporation, a wholly-owned subsidiary of ITOCHU (the "Tender Offeror" or "BS Investment", and ITOCHU and the Tender Offeror are collectively referred to as the "Tender Offeror, Etc.") (headquartered in Minato-ku, Tokyo; Representative Director: Takayoshi Tsuji) hereby announce that the Tender Offeror, Etc. has decided today to acquire the common shares of DESCENTE LTD. (which is listed on the Prime Market of the Tokyo Stock Exchange Inc., (the "TSE"), Code No. 8114; the "Target Company") (the "Target Company Shares") by BS Investment through a tender offer (the "Tender Offer") in accordance with the Financial Instruments and Exchange Act (Act No.25 of 1948, as amended; the "Act"), as described below.

Since it is expected to take a certain period of time to complete the necessary procedures and actions under the competition laws of Japan and China, the Tender Offeror intends to promptly conduct the Tender Offer subject to the completion of such relevant procedures and actions or other certain conditions precedent (For details, please see "(1) Overview of the Tender Offer" of "2. Purpose of the Purchase, Etc." below. Such conditions precedent are hereinafter referred to as the "Conditions Precedent.") (or when the Tender Offeror waives the Conditions Precedent). As of today, the Tender Offeror aims to commence the Tender Offer by around early November 2024 based on, among other things, discussions with a local law firm in China; however, since it is difficult to accurately predict the time period required for the procedures, etc. in relation to Chinese competition authority, the specific schedule of the Tender Offer will be notified as soon as it is determined. The Tender Offeror will promptly make an announcement if there is any change in the expected timing of the commencement of the Tender Offer.

This document is disclosed by ITOCHU in accordance with the Securities Listing Regulations, and is also an official public announcement based on the Tender Offeror's request to ITOCHU (the wholly-owning parent company of the Tender Offeror) pursuant to the provisions of Article 30, Paragraph 1, Item 4 of the Order for Enforcement of the Financial Instruments and Exchange Act (Act No. 321 of 1965, as amended).

1. Outline of BS Investment Corporation

(1) Name	BS Investment Corporation
(2) Location	5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo
(3) Title/Role and Name of Representative	Representative Director: Takayoshi Tsuji
(4) Business Activities	1. Financing to and investments in companies engaged in the manufacture and sale, etc. of textile products and their holding companies; 2. Surveys, research and consulting services related to the manufacture and sale, etc. of textile products; and 3. All related operations incidental to the business described in 1 and 2 above.
(5) Capital	JPY 100,000,000 (as of August 5, 2024)

2. Purpose of the Purchase Etc.

(1) Overview of the Tender Offer

The Tender Offeror was established on January 9, 2019, as a wholly-owned subsidiary of ITOCHU for the purpose of investing in and financing companies engaged in the manufacture and sale, etc. of textile products and their holding companies, as well as all related operations incidental thereto. As of today, the Tender Offeror is a stock company, whose issued shares are all held by ITOCHU. As of today, the Tender Offeror holds 33,584,300 Target Company Shares (Shareholding Percentage (see Note 1): 44.44%) listed on the Prime Market of the TSE. ITOCHU does not hold any Target Company Shares as of today.

(Note 1) The term “Shareholding Percentage” means the percentage of shares relative to 75,567,037 shares, which is obtained by deducting the number of treasury shares held by the Target Company as of June 30, 2024 (i.e., 1,388,839 shares) from the total number of issued shares as of the same date (i.e., 76,924,176 shares), as stated in “Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2025 (Japanese GAAP)” (the “Target Company’s Quarterly Financial Results”) published by the Target Company today, and adding the number of treasury shares disposed of as of July 12, 2024 (i.e., 31,700 shares) as stated in “Notice Concerning the Disposal of Treasury Shares as Restricted Stock Compensation” published by the Target Company on June 13, 2024 (rounded to two decimal places; the same shall apply hereinafter in all references related to Shareholding Percentage). Due to changes, etc. on or after the above date, the Shareholding Percentage calculated based on the latest information available prior to the commencement of the Tender Offer may differ from the above figure. The same shall apply hereinafter.

On August 5, 2024, the Tender Offeror decided to implement the Tender Offer at a purchase price per Target Company Share at JPY 4,350 (the “Tender Offer Price”) in order to acquire all of the Target Company Shares (excluding the Target Company Shares held by the Tender Offeror and the treasury shares held by the Target Company) as part of a series of transactions aimed at making the Tender Offeror the sole shareholder of the Target Company and privatizing the Target Company Shares (the “Transactions”), subject to the satisfaction (or waiver by the Tender Offeror) of the Conditions Precedent set forth in a. to g. below:

a. The clearances required under the competition laws necessary for executing the Transactions have been obtained (see Note 2);

b. The Target Company's board of directors has resolved to express an opinion in favour of the Tender Offer and to recommend that the shareholders of the Target Company tender their shares to the Tender Offer, and such resolution remains in effect at the time of the commencement of the Tender Offer without any subsequent change, addition or amendment;

c. The Special Committee (as defined below) that reviewed the Transactions has provided an affirmative opinion to the Target Company's board of directors concerning the support of the Tender Offer, the recommendation to the shareholders of the Target Company to tender their shares in the Tender Offer and the execution of the Transactions, and such opinion is valid at the time of the commencement of the Tender Offer without any subsequent change, addition or amendment;

d. None of the Transactions violates any laws and regulations, etc., and no petition, lawsuit or proceeding seeking to restrict or prohibit any of the Transactions is pending before any judicial or administrative agencies, and there is no judgment, etc. by any judicial or administrative agencies to restrict or prohibit any of the Transactions and there is no specific possibility thereof;

e. There are no material facts about the business, etc. (Article 166, Paragraph 2 of the Act) of the Target Company that have not been made public (Article 166, Paragraph 4 of the Act) by the Target Company;

f. No material changes have occurred in the business or property of the Target Company or its subsidiaries, as referred to in the proviso to Article 27-11, Paragraph 1 of the Act, or any other circumstances that would significantly hinder the Tender Offeror's ability to achieve the purpose of the Tender Offer; and

g. No other circumstances have arisen or become known which would make it objectively impossible or extremely difficult to carry out the Transactions.

(Note 2) This refers to the receipt of approvals or the expiration of the waiting period pertaining to the notification under the competition laws in Japan and China.

As of today, the Tender Offeror is not aware of any event that would significantly hinder the satisfaction of the Conditions Precedent. In addition, based on legal advice from domestic and overseas law firms, the Tender Offeror will carry out the necessary procedures and actions required under the competition laws in Japan and China in order to satisfy Condition Precedent a. above. The Tender Offeror has already made the necessary preparation for the relevant procedures and actions, including starting prior consultations with the judicial and administrative agencies on the competition laws in Japan and China. The Tender Offeror aims to complete these procedures and actions by around late October 2024, based on the advice of the domestic and overseas law firms. The Tender Offeror does not intend to waive Condition Precedent a. above and commence the Tender Offer.

Since the Tender Offeror intends to make the Tender Offeror the sole shareholder of the Target Company through the Tender Offer, the Tender Offeror has set 16,793,700 shares as the minimum number of shares to be purchased in the Tender Offer (Shareholding Percentage: 22.22 %) (see Note 3). If the total number of share certificates, etc. tendered in the Tender Offer (the "Tendered Share Certificates, Etc.") is less than the minimum number of shares to be purchased as set out above, the Tender Offeror will not purchase any of the Tendered Share Certificates, Etc. Conversely, since the Tender Offeror intends to acquire all of the Target Company Shares (excluding the Target Company Shares held by the Tender Offeror and the treasury shares held by the Target Company) through the Tender Offer, there is no maximum number of shares to be purchased, and if the total number of Tendered Share Certificates, Etc. meets or exceeds the minimum number of shares to be purchased (16,793,700 shares), the Tender Offeror will purchase all of the Tendered Share Certificates, Etc.

In order to ensure that the total number of voting rights of the Target Company that the Tender Offeror will hold if the Tender Offer is successfully completed equals to two-thirds (2/3) or more of the total voting rights of the Target Company, the minimum number of shares to be purchased (16,793,700 shares) is: the product of (i) the number of voting rights (167,937 voting rights), which is obtained by subtracting (x) the number of voting rights (335,843 voting rights) represented by the Target Company Shares (33,584,300 shares) held by the Tender Offeror from (y) the number of voting rights (503,780 voting rights), which is obtained by multiplying the number of the Target Company's voting rights (755,670 voting rights) by two-thirds (2/3), and (ii) the share unit of the Target Company (100). The number of the Target Company's voting rights as stated above (755,670 voting rights) is the number of voting rights represented by the number of shares (75,567,037 shares) calculated by the following formula: (a) – (b) + (c) (76,924,176 shares – 1,388,839 shares + 31,700 shares = 75,567,037 shares), where (a) is the total of the issued and outstanding shares of the Target Company as of June 30, 2024 (76,924,176 shares), which total is stated in the Target Company's Quarterly Financial Results; (b) is the number of treasury shares held by the Target Company as of June 30, 2024 (1,388,839 shares); and (c) is the number of treasury shares disposed of as of July 12, 2024 (31,700 shares) as stated in "Notice Concerning the Disposal of Treasury Shares as Restricted Stock Compensation" published by the Target Company on June 13, 2024. The reason for setting such a minimum number of shares to be purchased is that the Transactions are intended to make the Tender Offeror the sole shareholder of the Target Company and to privatize the Target Company Shares, and, in the case where the Tender Offer is successfully completed but the Tender Offeror is unable to acquire all of the Target Company Shares (excluding the Target Company Shares held by the Tender Offeror and the treasury shares held by the Target Company) through the Tender Offer, and consequently the Tender Offeror implements the procedures for consolidation of the Target Company Shares stated in "(4) Policies for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to So-Called Two-Step Acquisition" below, a special resolution of a general meeting of shareholders, as provided for in Paragraph 2 of Article 309 of the Companies Act (Act No. 86 of 2005, as amended; the same shall apply hereinafter) is required. Therefore, in order to ensure the implementation of such procedures, the Tender Offeror needs to hold two-thirds (2/3) or more of the total voting rights of all shareholders of the Target Company after the Tender Offer for the purpose of the special resolution.

(Note 3) The minimum number of shares to be purchased is a tentative figure based on the information available as of today, and the actual minimum number of shares to be purchased in the Tender Offer may differ from the above figure due to changes, etc. in the number of treasury shares held by the Target Company on or after the said date. The final minimum number of shares to be purchased will be determined prior to the commencement of the Tender Offer, based on the information available at the time of the commencement of the Tender Offer.

In the case where the Tender Offer is successfully completed but the Tender Offeror is unable to acquire all of the Target Company Shares (excluding the Target Company Shares held by the Tender Offeror and the treasury shares held by the Target Company) through the Tender Offer, the Tender Offeror plans to take series of procedures necessary to make the Tender Offeror the sole shareholder of the Target Company (the "Squeeze-Out Procedure") after the completion of the Tender Offer. (Please see "(4) Policies for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to So-Called Two-Step Acquisition)" below.

The Target Company Shares are listed on the Prime Market of the TSE as of today; however, depending on the results of the Tender Offer, the Target Company Shares may be delisted after the prescribed procedures are completed, as stated in "(5) Possibility of Delisting and Reasons Therefor" below. In addition, if, after the completion of the Tender Offer, the procedures set forth in "(4) Policies for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to So-Called Two-Step Acquisition)" below are to be implemented, the Target Company Shares will be delisted after the prescribed procedures are completed.

According to the Target Company's press release titled "Notice Concerning the Opinion in Support of the Planned Commencement of the Tender Offer for the Shares of the Company by BS Investment Corporation, a subsidiary of ITOCHU Corporation, and Recommendation for the Tender Offer" published as of August 5, 2024 (the "Target Company's Press Release"), the Target Company resolved at its board of directors meeting held on August 5, 2024 that as the current opinion of the Target Company, if the Tender Offer is commenced, the Target Company will express an opinion in support of the Tender Offer and recommend that its shareholders tender the Target Company Shares in the Tender Offer.

In addition, at the board of directors meeting referred to above, the Target Company also resolved (a) that when the Tender Offer is commenced, the Target Company will request the special committee established by the Target Company's board of directors in relation to the Tender Offer (the "Special Committee") to consider whether or not there has been any change in the opinion expressed by the Special Committee to the Target Company's board of directors on August 5, 2024 and either to report to the Target Company's board of directors that there is no change in the previous opinion or, if there is any change, to express the new opinion thereto and (b) that based on such opinion of the Special Committee, the Target Company will express its opinion again regarding the Tender Offer at the time of commencement of the Tender Offer.

For details of the Target Company's decision-making, please see the Target Company's Press Release and "(ii) Target Company's Decision-Making Process" of "a. Background, Purpose and Decision-Making Process Leading to the Decision to Conduct the Tender Offer" of "(2) Background, Purpose and Decision-Making Process Leading to the Decision to Conduct the Tender Offer, and Management Policy Following the Tender Offer" below.

(2) Background, Purpose and Decision-Making Process Leading to the Decision to Conduct the Tender Offer, and Management Policy Following the Tender Offer

a. Background, Purpose and Decision-Making Process Leading to the Decision to Conduct the Tender Offer

(i) Background, Purpose and Decision-Making Process Leading to the Tender Offeror's Decision to Conduct the Tender Offer

ITOCHU, which is the parent company of the Tender Offeror, listed its shares on the former Osaka Securities Exchange, Inc. and the TSE in July 1950. ITOCHU is a part of the ITOCHU Group (a corporate group consisting of ITOCHU and its 189 subsidiaries and 75 affiliates, including the Target Company (as of June 30, 2024); the same shall apply hereinafter); and, through its domestic and overseas networks, the Textile Company, the Machinery Company, the Metals & Minerals Company, the Energy & Chemicals Company, the Food Company, the General Products & Realty Company, the ICT & Financial Business Company and The 8th Company (see Note 1) (see Note 2), engage in diversified businesses in areas that include everything comprehensively from raw materials, etc. (upstream) to consumer business (downstream), in order to provide various products and services supporting people's lives.

Among such Companies, the Textile Company consists of the "Apparel Division" and the "Brand Marketing Division" and is expanding its business in various areas, from textile raw materials to final products, and from fashion to industrial textile materials and interior products, and is also contributing to the enhancement of the corporate value of ITOCHU.

(Note 1) A "Company" refers to a business division within ITOCHU that is deemed to be one highly independent unit. By delegating management resources and authority to each Company, the Companies take responsibility for prompt and flexible management and develop businesses that meet the needs of their respective fields.

(Note 2) The 8th Company refers to a business unit that collaborates with the other seven Companies to fully leverage various business platforms, particularly in the consumer sector which is an area of strength of ITOCHU and through which, ITOCHU accelerates initiatives that combine different industries and extend across the boundaries of Companies and create new businesses and develop new customers from a market-oriented perspective to meet market and consumer needs.

On the other hand, as of June 30, 2024, the Target Company constituted a corporate group consisting of the Target Company, 11 consolidated subsidiaries, and seven affiliates (excluding the Tender Offeror, Etc.) (the "Target Company Group"), and the Target Company Group conducted its business activities mainly relate to the manufacture and sale of sportswear and related products. Under the Target Company's corporate philosophy, "To bring the enjoyment of sports to all," in order to contribute to the creation of an active lifestyle for each individual, it has provided people with the enjoyment of physical activity and competition inherent in sports by promoting product development rooted in a variety of competitive scenes through its development of diversified brands that include Descente, its corporate brand, as well as le coq sportif, arena, and Munsingwear.

The Target Company was founded in 1935 and began developing the Descente brand in 1957. In February 1958, it reorganized itself as Ishimoto Shoten Co., Ltd. with its main purpose being the manufacture and sale of sportswear. Following that, the Target Company registered the trademark of the Descente brand in 1961 and changed its name to DESCENTE LTD. in September of that year. In March 1980, the Target Company Shares were listed on the First Section of the TSE. Subsequently, the Target Company established a Chinese subsidiary, BEIJING DESCENTE CO., LTD., in December 1994 and a South Korean subsidiary, KOREA DESCENTE CO., LTD. (currently DESCENTE KOREA LTD.), in November 2000 and promoted the development of its manufacturing, sales, and research and development locations in both countries through to the 2010s. At the same time, in order to restructure and strengthen its Japan business, the Target Company transferred the Japan business to DESCENTE JAPAN LTD., its wholly-owned subsidiary, through a company split in April 2017 and transferred its overseas sales business thereto in April 2022, thereby becoming a pure holding company, which it remains at present. Additionally, due to the reorganization of the market classifications of the TSE in April 2022, the Target Company Shares were transferred from the First Section to the Prime Market of the TSE.

Under the Target Company's medium-term management plan formulated in May 2021, D-Summit 2023, the Target Company promoted its strategies of implementing region-specific strategies for Japan, South Korea, and China, improving the profitability of the Japan business, and enhancing manufacturing capabilities, and it thereby increased its profitability in Japan, South Korea, and China, as a result of which the Target Company achieved its highest-ever consolidated ordinary income and net income attributable to owners of parent for two consecutive years.

Following that, in order to further increase profits and enhance corporate value, the Target Company formulated and announced its new medium-term management plan, D-Summit 2026 (the "Target Company's Medium-Term Management Plan") on May 13, 2024.

Under the Target Company's Medium-Term Management Plan, the Target Company has set out fundamental strategies of investing for growth, which includes area-specific strategies for Japan, South Korea, and China, and investing to strengthen foundations, such as by establishing business bases, and the Target Company Group thereby aims to achieve sustainable growth through active investment. An outline of the strategies under the Target Company's Medium-Term Management Plan is as follows.

I. Growth strategies

1. Strategies by Japan, South Korea, and China – Promote Branding

   In Japan, the Target Company will work to concentrate on the expansion of the direct-to-consumer (DTC) (see Note 3) business in the Descente brand and aim to achieve an 80% DTC ratio for that brand. In South Korea, the Target Company will open a flagship store to further increase brand value and expand brand awareness for the successful Descente and Umbro brands and will take rebranding measures for the le coq sportif and Munsingwear brands by reviewing product planning and marketing. In China, the Target Company will aim to expand its scale through four of its brands: Descente, which has continued to grow, as well as le coq sportif, Arena, and Munsingwear.

   (Note 3) "DTC" means the sale of products planned and manufactured by a company directly to consumers through its own directly managed stores or its own e-commerce site, without selling through retailers or wholesalers.

2. Enhancing manufacturing capabilities

   In addition to further refining the Target Company Group's apparel development capabilities, which is both its strength and source of competitiveness, it will apply the know-how gained through apparel development to shoes and accessories and work to offer total coordination options linked to the style of apparel.

3. Launching new businesses

   In order to achieve further growth as a group, the Target Company will take measures for the wellness business through its new brand, Kounoe, and will aim to participate in the service business of providing information on people, products, and places for enjoying sports.

II. Strengthening business base

1. Expanding human capital

   In April 2024, the Target Company established a new human resources strategy slogan expressing the core requirements of the human resources necessary for the growth of the Target Company Group. Moving forward, the Target Company will work to enhance its human capital in Japan by developing human resources with a high degree of expertise and optimally allocating personnel using metrics such as the ratio of management positions filled by women and engagement scores.

2. Establishing digital business base

In order to establish digital management foundations to respond to current digital needs, the Target Company will promote digital transformation (DX) (Note 4) measures such as enterprise resource planning (ERP) (Note 5) innovations in the Japan and South Korea businesses.

(Note 4) "DX (Digital Transformation)" means the transformation of business models and organizations through digital technology.

(Note 5) "ERP (Enterprise Resource Planning)" means a system for centrally managing a company's management resources and improving operational efficiency.

3. Implementing sustainable business

The Target Company will promote the above growth strategies while working to reduce the environmental impact thereof and will achieve sustainable growth through measures such as promoting the manufacture of long-lasting products, limiting greenhouse gas (GHG) (Note 6) emissions, and forming mutually beneficial relationships with multi-stakeholders.

(Note 6) "GHG (Greenhouse Gas)" means a greenhouse gas that is a causative agent of global warming.

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, by becoming the largest shareholder in the 1980s, and by becoming a major shareholder of the Target Company when ITOCHU held 8,768,000 Target Company Shares (representing 11.55% (rounded to two decimal places; the same shall apply hereinafter in all percentage calculations) 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 and 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 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 15.74% 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 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 in December 2009 through an off-market transaction in order to promote various strategic initiatives, such as the implementation of overseas strategies and providing support for logistics and production, and to further strengthen the partnership. As of the end of March 2010, ITOCHU owned 19,235,000 Target Company Shares (representing 25.67% of the total voting rights of all shareholders as of the end of March 2010).

Further, ITOCHU purchased additional Target Company Shares from July to October 2018. Specifically, at each point in time, 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 direct 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 in-market purchases and off-market direct 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).

Subsequently, ITOCHU conducted a tender offer for the Target Company Shares (the "Previous Tender Offer") through BS Investment, a wholly-owned subsidiary of ITOCHU, with a tender offer period from January 31, 2019 to March 14, 2019, with the aim of building a cooperative relationship between the ITOCHU Group and the Target Company to hold constructive discussions on the Target Company's growth strategy and measures, through strengthening the capital relationship between the ITOCHU Group and the Target Company, reforming the Target Company's management structure and restructuring the existing corporate governance to make it sound for further enhancement of the Target Company's corporate value. For the details of the Previous Tender Offer, please see "Announcement Relating to Commencement of Tender Offer for Shares in DESCENTE LTD. (Code No. 8114)" dated January 31, 2019.

Upon the completion of the Previous Tender Offer, BS Investment acquired 7,210,000 Target Company Shares on March 22, 2019, bringing the total number of the Target Company Shares held by ITOCHU and BS Investment to 30,164,300 (representing 40.02% of the total number of voting rights of all shareholders as of the end of September 2018). In June 2019, the Target Company's management structure was reformed with the approval of the Target Company's shareholders at the ordinary general meeting of shareholders. Subsequently, ITOCHU reviewed the Target Company's business policies with the Target Company under its new management structure led by Shuichi Koseki, a former ITOCHU officer or employee who assumed the position of President and Representative Director of the Target Company. Accordingly, ITOCHU rebuilt the Japanese business of the Target Company, which had been presumed/analyzed to be close to an operational deficit but started to show earnings by developing and improving its operational processes, following which the Target Company was able to move away from the excessive dependence on the Korean business. ITOCHU also took the lead in the Chinese business of the Target Company, and ITOCHU believes that, in cooperation with its business partners, ANTA Sports Products Limited and its subsidiary ANDES Sports Products Limited (collectively, the "ANTA Group"), the Target Company was able to achieve significant growth unparalleled in the industry. In this way, ITOCHU has been supporting the improvement of the corporate value of the Target Company's business regions. In March 2020, with respect to the 22,954,300 Target Company Shares that were held by ITOCHU, BS Investment acquired all such shares through an off-market direct transaction, and BS Investment came to hold 30,164,300 Target Company Shares. Subsequently, BS Investment acquired the Target Company Shares through in-market purchases between May 2023 and November 2023, resulting in BS Investment holding 33,584,300 shares (Shareholding Percentage: 44.44%), which is the number of the Target Company Shares that BS Investment holds as of today.

Since the Previous Tender Offer, ITOCHU has been committed to serving the interests of all stakeholders, including the Target Company's shareholders, employees and business partners, etc., by increasing the number of employees from the ITOCHU Group employed to the Target Company Group and also increasing the number of employees seconded from the ITOCHU Group to the Target Company Group in order to deepen mutual understanding both in management and operations and to build a cooperative relationship that enables constructive discussions with the Target Company. As of today, eight employees from the ITOCHU Group are currently employed by the Target Company Group, and fourteen employees have been seconded from the ITOCHU Group to the Target Company Group

Since the completion of the Previous Tender Offer, it has become the norm for the Target Company to make requests to the ITOCHU Group for staffing. ITOCHU recognizes that for further growth and development of the Target Company, it is necessary to deepen cooperation between the Target Company Group companies and the ITOCHU Group companies, including further personnel reinforcement, funding, and sharing of operational and digital-related know-how, etc. from the ITOCHU Group; however, under the circumstances where ITOCHU and the Target Company each exist as independent listed companies, and, based on the current capital structure of the Target Company, more than half of the value and profits generated by the Target Company belong to shareholders other than ITOCHU, there is a possibility that the costs and returns associated with investment in the Target Company Group may be perceived as unbalanced from the perspective of ITOCHU shareholders. Therefore, ITOCHU believes that there are certain limitations to implementing flexible and effective measures to maximize the corporate value of the Target Company Group.

In addition to the value and profit outflows mentioned above, given the analyses from the perspective of sales growth rate and sales profit margin prior to the COVID-19 pandemic, ITOCHU believes that the Target Company has not been able to respond to the market at the speed at which its competing companies grow since ITOCHU and the Target Company have taken a very cautious approach to transactions and information sharing, etc. between them given that the current situation where the Target Company is an affiliate of ITOCHU under the equity method but remains listed has structural challenges, such as the risk of conflicts of interest between the Target Company's general shareholders and ITOCHU.

ITOCHU believes that the size of the Japanese domestic market for apparel, etc. has remained broadly flat and it also believes that the market size is likely to shrink in the future due to the declining population in Japan. On the other hand, the size of the global apparel market is estimated to expand and is expected to grow thereafter. In contrast, it is highly likely that the competition among brands/apparel companies to capture markets across countries, especially in the sports apparel industry, which is the Target Company's main market, will become more intense due to the further development of globalization.

In addition, it is becoming increasingly important to respond to the advent of the digital society and societal demands for SX (Sustainability Transformation) (see Note 7), and unprecedented flexibility is required to survive in global competition. ITOCHU believes that our response to such demands should not be transitory or short-term in nature, but need to be addressed from a medium- to long-term perspective and, especially for SX, a certain period of time will be necessary for the market penetration of the brand's values and approach to SX and the value generated by such approach.

ITOCHU recognizes that the Target Company has employees with excellent planning and development skills, and strong brand power, and, at the time of the Previous Tender Offer, it was ITOCHU's policy to continue to maintain the listing of the Target Company Shares from the perspective of maintaining the uniqueness of the Target Company, comprehensively taking into account the Target Company's ability to fully demonstrate such strengths. However, in the process of deepening mutual understanding and enhancing a cooperative relationship between ITOCHU and the Target Company after the Previous Tender Offer, ITOCHU concluded that if the Target Company's Japanese, Korean, and Chinese businesses are linked globally and organically, such as through deepening mutual information sharing and developing cooperative relationships among organizations and regions, focusing on branding and craftsmanship (*monozukuri*), resulting in synergies between regions being achieved, it will be possible to further promote the values and products created by Target Company Group's "commitment to craftsmanship (*monozukuri*)" in Japan, Korea, China, and other regions. ITOCHU also recognizes that the Target Company's business in China has been rapidly increasing its presence in recent years, but there is a sense of uncertainty about the future of the Chinese market, and ITOCHU believes that an agile and integrated response by ITOCHU and the Target Company is essential in the event of unforeseen circumstances, and that both companies must work closely together to make careful preparations.

(Note 7) The term "SX (Sustainability Transformation)" refers to a company's management and operations in order to improve such company's ability to generate sources of long-term and sustainable growth and to create further values through the delivery of long-term value that contributes to social sustainability.

In order to promptly and flexibly implement the initiatives and measures to address the above situation, ITOCHU considered that it was necessary for the Tender Offeror, through the privatization of the Target Company Shares, to increase ITOCHU's involvement in the Target Company's management, which is limited under the current capital relationship with the Target Company as described above, and to further strengthen the cooperation between the Target Company Group and the ITOCHU Group under the circumstances where general shareholders' request for short-term profit improvement is vetoed, and that this was the best option for the sustained improvement of the corporate value of the Target Company. After the privatization of the Target Company, the Tender Offeror will be the sole shareholder of the Target Company. Therefore, the Tender Offeror believes that it will be able to (i) make investments for medium- to long-term benefits, such as establishing a digital management platform and promoting SX, which have not been easy to implement promptly thus far due to, inter alia, the risk of a conflict of interest between the Target Company's general shareholders and ITOCHU, and (ii) proactively implement measures for collaboration between the Target Company Group companies and the ITOCHU Group companies, including the provision of funds from the ITOCHU Group, sharing of operational and digital-related know-how, etc., and further staffing, which have not been easy to implement because a part of the increase in profits of the Target Company belongs to general shareholders of the Target Company.

As mentioned above, ITOCHU has concluded that making the Target Company a wholly-owned subsidiary of ITOCHU will contribute to enhancing the corporate value of both the Target Company and ITOCHU from the perspective of pursuing cross-border collaboration and synergies and promptly responding to unforeseen circumstances and uncertainties.

Specifically, while the Transactions are not expected to cause any disadvantage or adverse effect to the ITOCHU Group or the Target Company Group, ITOCHU believes that by making the Target Company a wholly-owned subsidiary of ITOCHU through the Transactions and by maximizing the utilization of ITOCHU's functions, the following initiatives and synergies can be expected.

(a) Strengthen Brand Management and Production Collaboration by Utilizing ITOCHU's Strength in Brands and Clothing Production Operations Expertise

ITOCHU recognizes that ITOCHU has exceptional strengths in non-resource businesses among general trading companies. In particular, the Textile Company is engaged in a wide range of textile-related businesses, from textile raw materials to apparel, brands, accessories, cosmetics, and textile materials. In addition, ITOCHU recognizes that ITOCHU has experience and expertise in the operation of a wide range of brands for various occasions, including casual and sportswear, men's and women's clothing, and high-end and price-conscious clothing, and, furthermore, has high operational capabilities in clothing production overseas and in material development in Japan and overseas, which is particularly important in the field of sports, given ITOCHU recognizes that the majority of clothing in Japan is supplied by imports. ITOCHU recognizes that the Target Company provides highly functional, high-quality, and well-designed sports items mainly in Japan, Korea, and China, and ITOCHU further recognizes that the Target Company's “commitment to craftsmanship (*monozukuri*)” has penetrated into all regions of Japan, Korea, and China, providing superior value and products to the world.

On the other hand, ITOCHU believes that the Target Company’s local characteristics remain strong in each country partly due to the history of business growth in Korea and China to date, and the fact that brand marketing policies, product planning, development, production information, and sales information, including hot selling trends and customer trends, are not being shared sufficiently and in a timely manner between business regions, and that there is room for improvement in the brand’s promotion in Japan, the brand’s home country, and in the coordination of product planning, development, and production systems. In particular, with regard to product planning, development, and production systems, ITOCHU recognizes that there is room for improving commonization and efficiency in terms of product launch timing, customer preferences and quality standards since coordination between each region has been inadequate, leading to ordering decisions having been made based on inadequate information as a result of inconsistencies in planning and development schedules between regions, thus resulting in unnecessary risks being taken by the Target Company.

While continuing to take advantage of the Target Company’s locally rooted activities in Japan, Korea and China, ITOCHU will create synergies by infusing its operational expertise, including taking of measures for collaboration between the Target Company Group companies and the ITOCHU Group companies, including (i) investments for medium- to long-term benefits, such as establishing a digital management platform and promoting SX, (ii) the provision of funds from the ITOCHU Group, (iii) sharing of operational and digital-related know-how, etc., and (iv) further staffing, etc., all of which would be difficult to implement under the current limited capital relationship with the Target Company as described above, to strengthen the Target Company’s brand management capabilities, especially in Japan, as the brand’s home country, and by enhancing collaboration among the regions in which the Target Company operates in the each stage of brand marketing, product planning and development, production, and sales.

(b) Strengthen and Expand Overseas Businesses

ITOCHU recognizes that, through the rapid growth of DESCENTE KOREA LTD. in South Korea, mainly from the fiscal years ended March 2013 to March 2016, and the rapid growth of DESCENTE CHINA HOLDING LTD. (“DCH”), which was established in July 2016, the Target Company has grown from a pure Japanese sports brand to a sports brand with a strong presence in East Asia. However, ITOCHU also recognizes that the potential for growth in each business region is limited in some respects. As a general trading company, ITOCHU has a global network of approximately 90 bases in 61 countries around the world and business experience cultivated through trade, as well as capital and business alliances. In particular, ITOCHU recognizes that the Textile Company has strong connections with prominent European and U.S. brands and major Chinese corporate groups that could be beneficial to the Target Company. However, ITOCHU’s investment of management resources, including the sharing of such global business experience and connections with the Target Company, is subject to certain constraints, due to the fact that a part of any increase in the Target Company’s profits would belong to the Target Company’s general shareholders. After the privatization of the Target Company Shares through the Transactions, by more actively investing ITOCHU’s management resources in the Target Company, ITOCHU will be able to further utilize its global business experience and connections in the Target Company, and ITOCHU will not only strengthen collaboration between the Target Company's business regions, but also implement flexible and agile measures to contribute to the further growth of the Target Company, taking into account the characteristics of each business region, as described below.

a. South Korea

Currently, in South Korea, ITOCHU has been providing business support and an organizational structure under the leadership of former ITOCHU employees and seconded employees. However, although the Korean business has been managed by former ITOCHU employees and seconded employees, ITOCHU has been unable to secure sufficient access to management information from the perspective of ensuring an appropriate distance between listed companies, and as a result, ITOCHU is not in a position to provide agile support in accordance with the business situation. After the Transactions and the Target Company becoming a wholly-owned subsidiary of ITOCHU, ITOCHU will not only provide individual-level support through former ITOCHU employees and second employees, but will also put into place a management and reporting system for DESCENTE KOREA LTD. and its subsidiaries, incorporating ITOCHU's expertise in overseas subsidiary governance, and at the same time, improving the capabilities of the Target Company's personnel in managing overseas subsidiaries. Through such measures, while former ITOCHU employees and second employees will take the lead for the time being, in the medium- to long-term, ITOCHU plans to enable the Target Company to develop into an organization that exerts a stable grip from the head office in Japan and to steadily implement the rebranding that the Target Company has set forth in its medium-term management plan and coordination among the business regions mentioned above.

b. China

In China, given that DCH is making great strides and its sales in China exceed those of Japan and Korea, ITOCHU will sustain and develop a cordial and healthy competitive relationship with its business partner, ANTA Group.

c. Europe, the U.S., Others

Since the Previous Tender Offer, the Target Company has adopted a policy of concentrating on Japan, Korea, and China due to lack of management resources, and with the exception of its distribution businesses, it discontinued its European and U.S. businesses in the fiscal year ended March 2020. On the other hand, the Target Company's medium-term management plan sets forth a policy of operating businesses in Japan, Korea, and China + α, and, after the Transactions, ITOCHU will accelerate the Target Company's re-entry into European, U.S., and other regions by utilizing ITOCHU's overseas offices and distribution network. Since, especially in Europe, business practices may differ depending on the country and the origin of the business partner, ITOCHU's personnel who are well versed with the business practice of each country will support the Target Company's entry into the market. In general, it takes a considerable amount of time and money to build trust with local retailers and to invest in a Japanese brand before it can penetrate the European and U.S. markets and grow to a reasonable scale and become profitable; however, the European and U.S. markets are ahead in many areas especially in the fields of sports business and sports marketing, and it can be expected that the global brand value will increase through qualitative brand exposure in Europe and the U.S. Therefore, with the privatization of the Target Company Shares and precluding general shareholders' request for short-term profit improvement, ITOCHU will focus on profit improvement from a medium- to long-term perspective.

(c) Creating New Commercial Channels, Customer Experiences and Businesses by Utilizing the Comprehensive Capabilities of the ITOCHU Group

The ITOCHU Group conducts business operations from an integrative point of view by maximizing the utilization of the entire corporate group's network and business infrastructure while enhancing the independence of each company to ensure prompt and flexible management for each business area . As described above, in the current relationship with the Target Company, given the presence of general shareholders, the Target Company is inevitably restricted to utilize the comprehensive capabilities of the ITOCHU Group. By achieving a state in which the Target Company can maximize the utilization of ITOCHU's functions through the Transactions, ITOCHU believes that the creation of new commercial channels, customer experiences, and businesses can be accelerated, as described below.

a. ITOCHU will enhance the Target Company's competitiveness by utilizing the ITOCHU Group's value chain (see Note 8) related to eco-friendly materials. ITOCHU will further utilize sustainable materials, build an eco-friendly business model from a medium- to long-term perspective, develop sustainable products, and promote environmentally cautious businesses. ITOCHU and its partners hold technology licenses for polyester chemical recycling technology, which ITOCHU considers to be extremely difficult to commercialize, and ITOCHU has extensive track record in the development of textile raw materials into fabrics utilizing such technology, as well as a production base and sales track record in Japan and overseas, mainly in China and Southeast Asia. ITOCHU also has abundant knowledge in other areas, such as the development of reverse logistics to support textile product collection services in Japan and overseas, the diffusion of gasification treatment technology for used plastics from households and businesses, and the development of advanced nylon and cellulose fiber technology in partnership with European companies. The Target Company will be able to promote eco-friendly businesses by taking advantage of ITOCHU's supply chain and will also be able to expand access to information on advanced technologies in Europe and the U.S., which are leading countries in this field.

b. ITOCHU will leverage its value chain in the footwear business to enhance the Target Company's competitiveness. ITOCHU will utilize its existing expertise in planning, development, supply chain management and sales, and will promote the strengthening of the Target Company's product development capabilities and the expansion of items offered thereby. The ITOCHU Group has long track record in the planning, development and sales of shoes and also has a leading track record in sales to major Japanese and overseas shoe brands as well as in purchasing from manufacturing plants located mainly in Southeast Asia, and it sells its products through various brands determined by customer segment and needs. In addition to enabling the Target Company to utilize ITOCHU's supply chain and to gain access to a wide variety of factories, especially in Japan, the Target Company will make consumers more strongly aware of the value of the product by utilizing ITOCHU's expertise in VMD (visual merchandising) (see Note 9) to improve customer experience and enhance sales capabilities. Furthermore, the Target Company will utilize consumer needs captured through sales in research and development of shoes at its sports shoes research and development base, "DISC (DESCENTE INNOVATION STUDIO COMPLEX) BUSAN," and this will create a virtuous circle from research and development to sales, which will enable the Target Company to diversify its earnings which are currently heavily weighted on the side of apparel.

c. ITOCHU is expanding its digital value chain and accumulating superior technology, know-how and data based on the concept of "Digital Transformation (DX) starting from business issues and consumer contacts." Based on its corporate philosophy of "to bring the enjoyment of sports to all", the Target Company is contributing to the creation of a vibrant lifestyle for each and every individual through activities that provide the inherent "joy of physical exercise" and the "joy of competition", which are the essence of sports. Going forward, ITOCHU intends to go beyond the framework of sales of clothing, which is the Target Company's strength, to increase the value of the brands held by the Target Company and generate new revenue by providing high-quality customer experiences through the development and provision of digital tools and hands-on event management, etc., with a focus on sports in general.

(Note 8) "Value chain" refers to a complex intertwined chain of values, rather than simply the sum of values, with a focus on how each business activity in a company creates added value.

(Note 9) "VMD (visual merchandising)" refers to creating a sales floor that appeals to customers' visual senses in stores.

In the case if the Transactions are successfully completed, the Target Company Shares will be delisted, and, as general disadvantages associated with delisting, the Target Company will not be able to procure funds from the capital market and will not be able to enjoy the advantages of being a listed company such as gaining social credibility from the outside, including from business partners, and maintaining popularity. However, since the abundant cash of the ITOCHU Group (cash and cash equivalent of JPY 600,435 million (as of the end of March 2024, consolidated)) may be utilized in terms of procurement of funds, ITOCHU does not consider that delisting of the Target Company would have any impact upon its ability to precure funds. In addition, since (i) the relationship of trust between the Target Company and its business partners is already established to a certain degree and it is considered that there will be no material loss in existing business relationships due to delisting, and (ii) it is considered that the delisting will not result in any immediate loss of the social trust and popularity accumulated by the Target Company through its previous business operations, but rather such social trust and popularity is expected to be maintained or even enhanced both in Japan and overseas by becoming a wholly-owned subsidiary of ITOCHU, ITOCHU considers that the impact of such disadvantages will be limited after the Transactions and that it would not outweigh the advantages of the prospected increase of the Target Company's corporate value above.

With the above background, objectives and expected synergies in mind, in February 2024, ITOCHU reached the conclusion that, in order to further enhance the corporate value of the Target Company and ITOCHU, it would be best to establish, by privatizing the Target Company Shares, a structure that enables the Target Company and ITOCHU to align their interests at an even higher level and to utilize each other's management resources promptly and flexibly, and thus commenced an initial review regarding the privatization of the Target Company Shares.

In late February 2024, ITOCHU appointed Nomura Securities Co., Ltd. ("Nomura Securities") as the Tender Offeror's financial advisor and third-party valuation institution independent of the Tender Offeror, Etc. and the Target Company, and Nagashima Ohno & Tsunematsu as its legal advisor, and established a structure for discussions and negotiations regarding the privatization of the Target Company Shares. On March 5, 2024, ITOCHU notified the Target Company in writing that it had commenced the review regarding the privatization of the Target Company Shares.

Subsequently, during the period from late April 2024 to the middle of July of the same year, ITOCHU conducted due diligence on the Target Company for the purpose of examining the feasibility of the Transactions, and, in parallel, based on a multifaceted and comprehensive analysis of the Target Company's businesses, finances, and future plans, held several discussions with the Target Company and the Special Committee regarding the significance and purpose of the Transactions, the synergies expected to be created through the Transactions, the management structure and business policies after the Transactions, and industry prospects. Specifically, on April 19, 2024, ITOCHU received written questions from the Target Company and the Special Committee regarding the significance and purpose of the Transactions as described in the notice dated March 5, 2024 above, and on May 10, 2024, ITOCHU submitted written responses to such questions. Furthermore, on May 17, 2024, ITOCHU received additional written questions from the Target Company and the Special Committee mainly regarding the future vision of the Target Company after the Transactions, and in response, at a meeting of the Special Committee held on May 27, 2024, ITOCHU provided the Target Company and the Special Committee with its responses to the additional questions and explained the significance and purpose of the Transactions as considered by ITOCHU once again, and held a Q&A session with the Target Company and the Special Committee regarding these matters. In addition, ITOCHU received additional questions from the Target Company and the Special Committee mainly regarding the future vision of the Target Company after the Transactions based on the ITOCHU's explanations and Q&A session regarding the significance and purpose of the Transactions at the meeting of the Special Committee held on May 27, 2024 above, for the purpose of further understanding the correlation between the significance and purpose of the Transactions and the business strategies of the entire ITOCHU Group, and in response, at a meeting of the Special Committee held on July 12, 2024, ITOCHU provided the Target Company and the Special Committee with its responses to the additional questions and explained the significance and purpose of the Transactions as considered by ITOCHU once again, and then held another Q&A session with the Target Company and the Special Committee regarding these matters.

In addition, ITOCHU has conducted several negotiations with the Target Company regarding the Tender Offer Price since June 17, 2024. Specifically, ITOCHU comprehensively considered , among others, the information obtained through the due diligence conducted by ITOCHU on the Target Company, the initial analysis of the value of the Target Company Shares conducted by Nomura Securities, the Tender Offeror's financial advisor based on such information, and the initial analysis of the value of the Target Company Shares conducted by ITOCHU based on such information, and, on June 17, 2024, ITOCHU submitted a proposal regarding the Transactions (the "Initial Proposal"), which included setting the Tender Offer Price at JPY 3,600 (which is the amount obtained by adding up the following premiums: (i) a premium of 7.14% (rounded to the second decimal places; the same shall apply hereinafter to the calculation of the ratio of the premium (%)) on JPY 3,360, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 5.85% on JPY 3,401 (rounded to the nearest JPY 1; the same shall apply hereinafter to the calculation of the simple average of the closing prices), which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 5.11% on JPY 3,425, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 3.69% on JPY 3,472, which was the simple average of the closing prices for the past six-month period ending on the same date.). In response, on June 19, 2024, ITOCHU received a request from the Target Company in writing demanding ITOCHU to reconsider the details of the proposal on the grounds that the Tender Offer Price in the First Proposal (JPY 3,600) was far from reflecting the interests of the Target Company's general shareholders, given the initial analysis of the value of the Target Company Shares conducted by the third-party valuation institutions of the Target Company and of the Special Committee.

In response to such request, on June 27, 2024, ITOCHU submitted to the Target Company a proposal (the "Second Proposal") regarding the Transactions, which included setting the Tender Offer Price at JPY 3,800 (which is the amount obtained by adding up the following premiums: (i) a premium of 11.11% on JPY 3,420, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 12.09% on JPY 3,390, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 11.47% on JPY 3,409, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 10.11% on JPY 3,451, which was the simple average of the closing prices for the past six-month period ending on the same date.). In response, on June 28, 2024, ITOCHU received a request from the Target Company in writing demanding ITOCHU to reconsider the details of the proposal on the grounds that the Tender Offer Price in the Second Proposal (JPY 3,800) was far from reflecting the interests of the Target Company's general shareholders, even after reexamining the initial analysis of the value of the Target Company Shares conducted by the third-party valuation institutions of the Target Company and of the Special Committee.

In response to such request, on July 2, 2024, ITOCHU submitted to the Target Company a proposal (the "Third Proposal") regarding the Transactions, which included setting the Tender Offer Price at JPY 3,900 (which is the amount obtained by adding up the following premiums: (i) a premium of 17.12% on JPY 3,330, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 14.57% on JPY 3,404, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 14.50% on JPY 3,406, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 13.31% on JPY 3,442, which was the simple average of the closing prices for the past six-month period ending on the same date). In response, on July 9, 2024, ITOCHU received a request from the Target Company in writing demanding ITOCHU to consider setting the Tender Offer Price at around JPY 4,800 on the grounds that the Tender Offer Price in the Third Proposal (JPY 3,900) was still far from reflecting the interests of the Target Company's general shareholders, given among other reasons, the Target Company's recent business performance, the closing price of the Target Company Shares on the same date, and the level of premiums in comparable transactions.

In response to such request, on July 11, 2024, ITOCHU informed the Target Company that, based on its belief that the Tender Offer Price should be considered based on the intrinsic value of the Target Company Shares rather than the level of premiums added to the market share price, it would be difficult to set the Tender Offer Price at around JPY 4,800 and also submitted to the Target Company a proposal (the "Fourth Proposal") regarding the Transactions, which included setting the Tender Offer Price at JPY 4,000 (which is the amount obtained by adding up the following premiums: (i) a premium of 6.10% on JPY 3,770, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 16.58% on JPY 3,431, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 16.89% on JPY 3,422, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 16.45% on JPY 3,435, which was the simple average of the closing prices for the past six-month period ending on the same date). In response, on July 12, 2024, ITOCHU received a request from the Target Company in writing demanding ITOCHU to reconsider the details of the proposal on the grounds that the Tender Offer Price in the Fourth Proposal (JPY 4,000) was far from reflecting the interests of the Target Company's general shareholders, even considering, among other reasons, the status regarding the recent stock prices of the Target Company Shares.

In response to such request, on July 16, 2024, ITOCHU submitted to the Target Company a proposal (the "Fifth Proposal") regarding the Transactions, which included setting the Tender Offer Price at JPY 4,050 (which is the amount obtained by adding up the following premiums: (i) a premium of 3.71% on JPY 3,905, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 16.65% on JPY 3,472, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 17.66% on JPY 3,442, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 17.94% on JPY 3,434, which was the simple average of the closing prices for the past six-month period ending on the same date). In response, on July 18, 2024, ITOCHU received a request from the Target Company in writing demanding ITOCHU to reconsider the details of the proposal on the grounds that the Tender Offer Price in the Fifth Proposal (JPY

4,050) was far from reflecting the interests of the Target Company's general shareholders, even considering, among other reasons, the status of the recent stock prices of the Target Company Shares.

In response to such request, on July 25, 2024, ITOCHU submitted to the Target Company a proposal (the "Sixth Proposal") regarding the Transactions, which included setting the Tender Offer Price at JPY 4,180 (which is the amount obtained by adding up the following premiums: (i) a premium of 6.36% on JPY 3,930, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 14.36% on JPY 3,655, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 18.72% on JPY 3,521, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 21.34% on JPY 3,445, which was the simple average of the closing prices for the past six-month period ending on the same date). In response, on July 26, 2024, ITOCHU met Mr. Koichi Yoshioka, the Chairperson of the Special Committee, and Mr. Takeshi Shimada, the director in charge of the negotiations for the Transactions at the Target Company, and was directly and orally requested to consider setting the Tender Offer Price at JPY 4,600. Furthermore, on July 29, 2024, ITOCHU received a request from the Target Company in writing demanding ITOCHU to reconsider the details of the proposal, claiming that it could not accept the Tender Offer Price (JPY 4,180) in the Sixth Proposal because from the standpoint of considering the interests of the Target Company's general shareholders, it had to take into account the market share price of the Target Company and other conditions.

In response to such request, on July 31, 2024, ITOCHU submitted to the Target Company a proposal (the "Seventh Proposal") regarding the Transactions, which included setting the Tender Offer Price at JPY 4,300 (which is the amount obtained by adding up the following premiums: (i) a premium of 8.31% on JPY 3,970, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 14.21% on JPY 3,765, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 21.02% on JPY 3,553, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 24.35% on JPY 3,458, which was the simple average of the closing prices for the past six-month period ending on the same date) as the final proposal. In response, on July 31, 2024, ITOCHU received a request from the Target Company in writing demanding ITOCHU to consider raising the Tender Offer Price at JPY 4,400, a further increase from the final proposal of JPY 4,300, from the standpoint of considering the interests of the Target Company's general shareholders.

In response to such request, on August 1, 2024, although it is difficult to raise the Tender Offer Price further from the Seventh Proposal, based on the strategic importance of the Tender Offer for both the Target Company and ITOCHU and the Target Company's belief that further consideration is necessary for the interests of its general shareholders, ITOCHU submitted to the Target Company a proposal (the "Eighth Proposal") regarding the Transactions, which included a further increase of the Tender Offer Price from the final proposal of JPY 4,300 in the Seventh Proposal, and set the Tender Offer Price at JPY 4,350 (which is the amount obtained by adding up the following premiums: (i) a premium of 9.16% on JPY 3,985, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 15.23% on JPY 3,775, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 22.19% on JPY 3,560, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 25.61% on JPY 3,463, which was the simple average of the closing prices for the past six-month period ending on the same date) again as the final proposal. In response, on August 1, 2024, ITOCHU received a written response from the Target Company to the effect that it accepts the proposal in the Eighth Proposal, subject to its Board of Directors' resolution on August 5, 2024 approving the expression of an opinion in support of the Tender Offer and the recommendation that the Target Company's shareholders tender their shares in the Tender Offer, and reached an agreement. Following these discussions and negotiations, ITOCHU decided today to conduct the Tender Offer at the Tender Offer Price of JPY 4,350 to acquire all of the Target Company Shares (excluding the Target Company Shares held by the Tender Offeror and the treasury shares held by the Target Company) as part of the Transactions, subject to the satisfaction (or waiver by the Tender Offeror) of the Conditions Precedent.

(ii) Target Company's Decision-Making Process

(A) Establishment of a Deliberation Framework

The Target Company received a written proposal from ITOCHU on March 5, 2024 stating that ITOCHU wished to begin discussions with the Target Company regarding the Transactions. In response, given that the Tender Offeror, which is a major shareholder and the largest shareholder of the Target Company, is a wholly-owned subsidiary of ITOCHU, that ITOCHU indirectly holds 33,584,300 Target Company Shares (Ownership Ratio: 44.44%) through the Tender Offeror and has made the Target Company its equity-method affiliate, and that three of the Target Company's directors (Mr. Shuichi Koseki, Mr. Masahiro Morofuji, and Mr. Motonari Shimizu) have held positions as officers or employees of ITOCHU in the past, the Transactions constitutes transactions that typically involve issues of structural conflicts of interest and information asymmetry, and in consideration thereof, the Target Company promptly established a framework for deliberating and negotiating the Transactions from a standpoint independent from the Tender Offeror, Etc. in order to ensure the fairness of the entire process of negotiating and making decisions regarding whether to implement the Transactions and the reasonableness of the transaction terms and conditions.

Specifically, at the Target Company's meeting of its board of directors held on March 28, 2024, the Target Company resolved to appoint Mori Hamada & Matsumoto as its legal advisor independent from the Target Company and the Tender Offeror, Etc. and to appoint Daiwa Securities Co. Ltd. ("Daiwa Securities") as its financial advisor and third-party valuation agent independent from the Target Company and the Tender Offeror, Etc.

At the same time, taking into consideration legal advice received from Mori Hamada & Matsumoto, the Target Company resolved that when internally deliberating, negotiating, and making decisions regarding the Transactions, as three directors who have held positions at ITOCHU in the past stated above may have special interests in the Transactions, they would not be allowed to participate in any way in discussions and resolutions by the Target Company's board of directors or to participate in any way in deliberations and negotiations regarding the Transactions. Mr. Akira Tsuchihashi, a senior managing executive officer of the Target Company, also serves as CFO of the Target Company, is familiar with the quantitative deliberations at the Target Company, and is essential for the formulation of the Target Company's business plan and the calculation of the Target Company's corporate value based thereon; therefore, although he has held a position as an officer or employee of ITOCHU in the past, the Target Company resolved by its board of directors dated April 17, 2024 to approve Mr. Tsuchihashi being involved in the formulation of the Target Company's business plan on the conditions that measures to ensure fairness, such as the establishment of an independent special committee, have been taken, that Mr. Tsuchihashi will not be involved in negotiations with ITOCHU and will only be involved in formulating the business plan necessary for negotiations, that the business plan is separately to be approved by the Special Committee, that Mr. Tsuchihashi currently has no relationship with ITOCHU, and that there are no other issues in regard to the independence of the deliberation framework for the Transactions internally established by the Target Company (including the scope and duties of the officers and employees of the Target Company involved in deliberating, negotiating, and making decisions regarding the Transactions).

Furthermore, by a resolution at the meeting of its board of directors held on March 28, 2024 stated above, the Target Company established the Special Committee, which consists of three members, namely Mr. Koichi Yoshioka (an independent outside auditor of the Target Company (currently an outside director of the Target Company), Mr. Akira Matsumoto (an independent outside auditor of the Target Company), and Ms. Yasuyo Kasahara (an independent outside director of the Target Company), for the purposes of (a) deliberating whether or not the Target Company's board of directors should approve the Transactions (including whether or not the Target Company's board of directors should support the Tender Offer and recommend that the Target Company's shareholders tender their shares therein) and making a recommendation in regard thereto to the Target Company's board of directors and (b) deliberating whether or not the Target Company's board of directors deciding to implement the Transactions (including the Target Company's board of directors expressing an opinion in support of the Tender Offer and recommending that the Target Company's shareholders tender their shares therein) is detrimental to the Target Company's general shareholders and expressing an opinion in regard thereto to the Target Company's board of directors. (For the background to the establishment of the Special Committee, the background to its deliberations, and the details of its decisions, please refer to "c. The Target Company's Establishment of an Independent Special Committee and Obtainment of a Report from the Special Committee" in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below.)

As stated in "d. The Special Committee's Obtainment of a Share Valuation Report and a Fairness Opinion from an Independent Third-Party Valuation Institution" and "e. Advice Obtained by the Special Committee from an Independent Law Firm" in "(3) Measures to Ensure the Fairness of the Tender Offer, Including to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below, under the authority granted to the Special Committee, on April 18, 2024, it appointed Anderson Mori & Tomotsune ("AMT")as its own legal advisor and Plutus Consulting Co., Ltd. ("Plutus Consulting") as its own financial advisor and third-party valuation agent.

The Special Committee has approved the appointment of Daiwa Securities as the Target Company's financial advisor and third-party valuation agent and of Mori Hamada & Matsumoto as the Target Company's legal advisor after confirming their level of independence, expertise, past achievements, and other such matters. Additionally, Mr. Akira Tsuchihashi, a senior managing executive officer of the Target Company, also serves as CFO of the Target Company, is familiar with the quantitative deliberations at the Target Company, and is essential for the formulation of the Target Company's business plan and the calculation of the Target Company's corporate value based thereon; therefore, although he has held a position as an officer or employee of ITOCHU in the past, on the condition that other measures to ensure fairness have been taken, the Special Committee approved Mr. Tsuchihashi being involved in the formulation of the Target Company's business plan after confirming that he will not be involved in negotiations with ITOCHU and will only be involved in formulating the business plan necessary for negotiations, that the business plan is separately to be approved by the Special Committee, that he currently has no relationship with ITOCHU, and that there are no other issues in regard to the independence and fairness of the deliberation framework for the Transactions internally established by the Target Company (including the scope and duties of the officers and employees of the Target Company involved in deliberating, negotiating, and making decisions regarding the Transactions). Furthermore, when the Target Company prepared the business plan for the Transactions, the Special Committee received explanations from the Target Company regarding the policy for preparing the business plan in advance and received explanations on multiple occasions during the preparation process regarding matters such as the details of business plan drafts, important underlying assumptions, and the state of progress, in addition to which the Special Committee confirmed and approved the rationality of matters such as the details, important underlying assumptions, and preparation process of the final business plan while taking into consideration advice from a financial perspective received from Plutus Consulting.

(B) Background of Deliberation and Negotiation

After establishing the deliberation framework set out above, based on the negotiation policy confirmed in advance by the Special Committee and opinions, instructions, and requests from the Special Committee at important stages of the negotiations, such as when the Target Company received proposals from ITOCHU regarding the terms and conditions of the Transactions, including the Tender Offer Price, the Target Company has carefully deliberated on whether to implement the Transactions and the reasonableness of the transaction terms and conditions while receiving advice from a financial perspective, including a report on the result of the valuation of the Target Company Shares and advice on the negotiation policy with ITOCHU, from Daiwa Securities and receiving legal advice, including guidance on measures to ensure the fairness of the procedures in the Transactions, from Mori Hamada & Matsumoto.

Specifically, through the Special Committee’s written questions to and interviews with ITOCHU, the Target Company received explanations from ITOCHU regarding matters such as the purpose of, circumstances leading to, and background of the Transactions, the anticipated merits, demerits, and other effects of the Transactions, the specific measures for creating synergies between the Target Company and ITOCHU, and the management structure and growth strategies of the Target Company anticipated by ITOCHU after the Transactions, in response to which the Target Company asked questions and received responses thereto, thereby deepening its deliberation regarding the significance and purpose of the Transactions for the Target Company and whether or not it is possible to enhance its corporate value thereby. Specifically, on April 19, 2024, the Target Company and the Special Committee sent written questions to ITOCHU regarding the significance and purpose of the Transactions stated in the above written proposal dated March 5, 2024, and received a written response to those questions from ITOCHU on May 10, 2024. Furthermore, on May 17, 2024, the Target Company and the Special Committee sent additional written questions to ITOCHU, primarily regarding the Target Company’s vision for the future after the Transactions and requested a response and explanation at the meeting of the Special Committee in order to deepen their deliberation of the Transactions. At the meeting of the Special Committee held on May 27, 2024, the Target Company and the Special Committee received a response to those additional questions from ITOCHU and an explanation regarding what ITOCHU considered to be the significance and purpose of the Transactions again, and also engaged in questions and answers with ITOCHU regarding those matters. The Target Company and the Special Committee examined the answers and explanations provided by ITOCHU at the Special Committee meeting held on May 27, 2024. However, in order to further deepen their understanding of the correlation between what ITOCHU considered to be the significance and purpose of the Transactions and the business strategy of the ITOCHU Group as a whole, the Target Company and the Special Committee sent additional written questions to ITOCHU, primarily regarding the Target Company's vision for the future after the Transactions and requested a response and explanation at the meeting of the Special Committee based on the above explanation and questions and answers at the meeting of the Special Committee held on May 27, 2024 above. At the meeting of the Special Committee held on July 12, 2024, the Target Company and the Special Committee received a response to those additional questions and an explanation regarding what ITOCHU considered to be the significance and purpose of the Transactions again, and also engaged in questions and answers with ITOCHU regarding those matters.

At the same time as the above deliberations, the Target Company engaged in continual discussions and negotiations with ITOCHU regarding the terms and conditions of the Transactions, including the Tender Offer Price. On June 17, 2024, as a result of the comprehensive consideration of the information obtained through the due diligence conducted by ITOCHU on the Target Company, the initial analysis of the value of the Target Company Shares conducted by Nomura Securities, the financial advisor of ITOCHU, on the basis of such information, and the details of the initial analysis of the value of the Target Company Shares conducted by ITOCHU on the basis of such information, the Target Company received the First Proposal regarding the Transactions from ITOCHU that included setting the Tender Offer Price in the Tender Offer at JPY 3,600 (which is the amount obtained by adding up the following premiums: (i) a premium of 7.14%) on JPY 3,360, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 5.85% on JPY 3,401, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 5.11% on JPY 3,425, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 3.69% on JPY 3,472, which was the simple average of the closing prices for the past six-month period ending on the same date.). In response, on June 19, the Target Company requested ITOCHU to reconsider the details of the proposal on the grounds that taking into account the initial analyses by the third-party valuation agents of the Target Company and the Special Committee regarding the value of the Target Company Shares, the proposed price (JPY 3,600) could not possibly be said to give due consideration to the interests of the Target Company's general shareholders.

In response to such request, on June 27, 2024, the Target Company received the Second Proposal from ITOCHU regarding the Transactions, which included setting the Tender Offer Price at JPY 3,800 (which is the amount obtained by adding up the following premiums: (i) a premium of 11.11% on JPY 3,420, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 12.09% on JPY 3,390, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 11.47% on JPY 3,409, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 10.11% on JPY 3,451, which was the simple average of the closing prices for the past six-month period ending on the same date.). In response, on June 28, 2024, the Target Company requested ITOCHU to reconsider the details of the proposal on the grounds that the Tender Offer Price in the Second Proposal (JPY 3,800) was far from reflecting the interests of the Target Company's general shareholders, even after reexamining the initial analysis of the value of the Target Company Shares conducted by the third-party valuation institutions of the Target Company and of the Special Committee.

In response to such request, on July 2, 2024, the Target Company received the Third Proposal from ITOCHU regarding the Transactions, which included setting the Tender Offer Price at JPY 3,900 (which is the amount obtained by adding up the following premiums: (i) a premium of 17.12% on JPY 3,330, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 14.57% on JPY 3,404, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 14.50% on JPY 3,406, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 13.31% on JPY 3,442, which was the simple average of the closing prices for the past six-month period ending on the same date). In response, on July 9, 2024, the Target Company requested ITOCHU to consider setting the Tender Offer Price at around JPY 4,800 on the grounds that the Tender Offer Price in the Third Proposal (JPY 3,900) was still far from reflecting the interests of the Target Company's general shareholders, given among other reasons, the Target Company's recent business performance, the closing prices of the Target Company Shares ending on the same date, and the level of premiums in comparable transactions.

In response to such request, on July 11, 2024, the Target Company was informed from ITOCHU that, based on its belief that the Tender Offer Price should be considered based on the intrinsic value of the Target Company Shares rather than the level of premiums added to the market share price, it would be difficult to set the Tender Offer Price at around JPY 4,800 and also received the Fourth Proposal from ITOCHU regarding the Transactions, which included setting the Tender Offer Price at JPY 4,000 (which is the amount obtained by adding up the following premiums: (i) a premium of 6.10% on JPY 3,770, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 16.58% on JPY 3,431, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 16.89% on JPY 3,422, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 16.45% on JPY 3,435, which was the simple average of the closing prices for the past six-month period ending on the same date). In response, on July 12, 2024, the Target Company requested ITOCHU to reconsider the details of the proposal on the grounds that the Tender Offer Price in the Fourth Proposal (JPY 4,000) was far from reflecting the interests of the Target Company's general shareholders, even considering, among other reasons, the status regarding the recent stock prices of the Target Company Shares.

In response to such request, on July 16, 2024, the Target Company received the Fifth Proposal regarding the Transactions, which included setting the Tender Offer Price at JPY 4,050 (which is the amount obtained by adding up the following premiums: (i) a premium of 3.71% on JPY 3,905, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 16.65% on JPY 3,472, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 17.66% on JPY 3,442, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 17.94% on JPY 3,434, which was the simple average of the closing prices for the past six-month period ending on the same date). In response, on July 18, 2024, the Target Company requested ITOCHU to reconsider the details of the proposal on the grounds that the Tender Offer Price in the Fifth Proposal (JPY 4,050) was far from reflecting the interests of the Target Company's general shareholders, even considering, among other reasons, the status of the recent stock prices of the Target Company Shares.

In response to such request, on July 25, 2024, the Target Company received the Sixth Proposal regarding the Transactions, which included setting the Tender Offer Price at JPY 4,180 (which is the amount obtained by adding up the following premiums: (i) a premium of 6.36% on JPY 3,930, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 14.36% on JPY 3,655, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 18.72% on JPY 3,521, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 21.34% on JPY 3,445, which was the simple average of the closing prices for the past six-month period ending on the same date). In response, on July 26, 2024, Mr. Koichi Yoshioka, the Chairperson of the Special Committee, and Mr. Takeshi Shimada, the director in charge of the negotiations for the Transactions at the Target Company met with a person in charge of ITOCHU, and directly and orally requested to consider setting the Tender Offer Price at JPY 4,600. Furthermore, on July 29, 2024, the Target Company requested ITOCHU to reconsider the details of the proposal on the grounds that it could not accept the Tender Offer Price in the Sixth Proposal (JPY 4,180) because it had no choice but to consider the Target Company’s market share price and other conditions from the standpoint of considering the interests of the Target Company's general shareholders.

In response to such request, on July 31, 2024, the Target Company received the Seventh Proposal regarding the Transactions, which included setting the Tender Offer Price at JPY 4,300 (which is the amount obtained by adding up the following premiums: (i) a premium of 8.31% on JPY 3,970, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 14.21% on JPY 3,765, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 21.02% on JPY 3,553, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 24.35% on JPY 3,458, which was the simple average of the closing prices for the past six-month period ending on the same date) as the final proposal. In response, on the same day, the Target Company requested ITOCHU to consider raising the Tender Offer Price at JPY 4,400, a further increase from the final proposal of JPY 4,300, from the standpoint of considering the interests of the Target Company’s general shareholders.

In response to such request, on August 1, 2024, although it is difficult to raise the Tender Offer Price further from the Seventh Proposal, based on the strategic importance of the Tender Offer for both the Target Company and ITOCHU and the Target Company’s belief that further consideration is necessary for the interests of its general shareholders, the Target Company received the Eighth Proposal regarding the Transactions, which included a further increase of the Tender Offer Price from the final proposal of JPY 4,300 in the Seventh Proposal, and set the Tender Offer Price at JPY 4,350 (which is the amount obtained by adding up the following premiums: (i) a premium of 9.16% on JPY 3,985, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 15.23% on JPY 3,775, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 22.19% on JPY 3,560, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 25.61% on JPY 3,463, which was the simple average of the closing prices for the past six-month period ending on the same date) again as the final proposal. In response, on the same day, the Target Company accepted the proposal in the Eighth Proposal, in consideration of the negotiations to date, the results of the calculation of the equity value of the Target Company Shares by the third-party valuation agent, the level of the Target Company Shares price, and other factors, considering that the Tender Offer Price secures the benefits to be enjoyed by the Target Company’s general shareholders and provides an opportunity to sell the Target Company’s shares under reasonable terms and conditions subject to the resolution of the Target Company's board of directors on August 5, 2024 approving the expression of an opinion in support of the Tender Offer and the recommendation that the Target Company's shareholders tender their shares in the Tender Offer, and reached an agreement.

(C) Decisions

Based on the above background, at the meeting of the board of directors of the Target Company held today, the Target Company carefully discussed and deliberated whether the Transactions would contribute to enhancing the corporate value of the Target Company and whether the terms and conditions of the Transactions, including the Tender Offer Price, are reasonable while giving maximum respect to the details of a written report ("Report") obtained on August 5, 2024 from the Special Committee and while taking into account legal advice from Mori Hamada & Matsumoto, advice from a financial perspective from Daiwa Securities, the details of the valuation report regarding the value of the Target Company Shares obtained on August 2, 2024 from Daiwa Securities (the "Valuation Report (Daiwa Securities)"), and the valuation report regarding the value of the Target Company Shares (the "Valuation Report (Plutus Consulting)") and the fairness opinion stating that the Tender Offer Price of JPY 4,350 per share is fair to the general shareholders of the Target Company from a financial perspective (the "Fairness Opinion") obtained on August 2, 2024 by the Special Committee from Plutus Consulting.

As a result, the Target Company has concluded as follows that the Transactions would contribute to enhancing the corporate value of the Target Company.

Since the Previous Tender Offer, ITOCHU and the Target Company have taken measures to reduce costs and increase profits in each business under the leadership of a president and a CFO both from ITOCHU.

Specifically, ITOCHU and the Target Company worked to reduce losses by liquidating unprofitable European and American subsidiaries. Furthermore, in order to further increase profits in the China business, they conducted a capital restructuring of DCH in July 2020 and raised the Target Company's shareholding ratio in DCH from 30% to 40% while transferring Chinese trademarks of the "Descente" brand to Descente China IP Limited (a joint venture between DCH and the Target Company), due to which the amount of profit attributed by the Target Company is continually increasing. Additionally, profit in the Japan business is improving due to decisive business structure reforms, a review of advertising and promotion costs, reforms to the wholesale business by means such as reducing product volumes and reviewing returns and discount rates, and achieving profitability in the directly-operated Descente brand stores opened with the aim of increasing the DTC ratio. Moreover, in the South Korea business, despite profit declining due to the boycott on Japanese goods from July 2019 and the COVID-19 pandemic from March 2020, profit has been recovering since the fiscal year ended March 31, 2023 due to thorough branding for the Descente and Umbro brands. Through these measures, in the five years since the Previous Tender Offer, a framework that generates stable profits with a good balance between Japan, South Korea, and China has been established, and the Target Company achieved its highest-ever consolidated ordinary income and consolidated net income attributable to owners of parent for two consecutive years.

In this way, although there are measures that have succeeded to some extent under the current relationship in which the Target Company is an equity-method affiliate of ITOCHU through the Tender Offeror and has maintained its listing, the Target Company still faces issues such as increasing sales of non-apparel goods such as accessories and shoes, increasing the percentage of net sales generated by the DTC business in Japan, and achieving profitability for new businesses combined with existing businesses in Japan, South Korea, and China, and it believes that resolving these issues is essential to the further enhancement of its corporate value.

In addition, the manifestation of environmental issues, including climate changes such as recent warm winters and extreme heat, may cause increased purchasing costs and supply chain confusion in regard to the Target Company's production as well as changes in consumer behavior and changes in the environment in which people can participate in sports, and the Target Company recognizes that these issues may directly impact the business strategies and finances of the Target Company. The Target Company is also facing an environment of constant, intense competition as the apparel industry in which it operates has low barriers to entry and sees rapid changes in brands. Furthermore, the overseas sales ratio of the Target Company is over 50%, and although the Target Company develops its business mainly in Japan, South Korea, and China, the aging and declining of populations in these regions has become severe, with the total fertility rate for 2023 being 1.20 in Japan and 0.72 in South Korea, both all-time lows, and with China experiencing a decrease in population for the past two years consecutively. Due to these factors, the Target Company anticipates shrinking market sizes in the future as well as more intense competition to capture market share.

In contrast, among the global sporting goods markets, the Target Company recognizes that the North American market is the largest in the world due to an increase in health awareness and consciousness, fashion trends, and high levels of disposable income, while the Target Company also recognizes that the European market is also a region with strong demand for sporting goods and high profit generation capabilities. However, DESCENTE NORTH AMERICA INC., established in August 1982 mainly for the purpose of selling ski wear in North America, saw stagnant performance for many years, and DESCENTE ATHLETIC AMERICAS INC., established in March 2018 for the purpose of expanding the athletic wear business and newly developing the golf wear business of the Descente brand in North America, was unable to expand its business; therefore, the Target Company liquidated both companies in March 2021 and withdrew from the retail business in Europe and America. Given the acceleration of the market shrinkage in the East Asia region stated above, the Target Company recognizes that expanding into markets other than Japan, South Korea, and China, where the Target Company currently operates, and bringing in demand from those markets is an urgent issue, and as the presence of the European and American markets is becoming increasingly difficult to ignore, the Target Company is at a stage at which it must once again consider the possibility of reentering those regions.

At present, five years have passed since the Previous Tender Offer, and the Target Company believes that becoming a wholly-owned subsidiary of ITOCHU through the Transactions will lead to strengthening the Target Company's personnel and business relationships with ITOCHU and enabling the smooth sharing of its management resources, such as its networks and connections consisting of its many locations in Japan and overseas as well as its business partners and the information it possesses, and its human resources that are skilled in overseas business. The Target Company believes that these benefits can be achieved by privatizing the Target Company Shares through the Transactions and thereby eliminating obstacles that impede close cooperation between the ITOCHU Group and the Target Company, including limitations that still exist on the sharing of information between the two, while at the same time, doing so will accelerate measures to address the above issues and to achieve the goals stated in the Target Company's Medium-Term Management Plan and will aid in overcoming the increasingly severe business environment detailed above, thereby contributing to the Target Company's sustainable growth and the enhancement of its corporate value over the medium to long term. In particular, the Target Company recognizes that the ITOCHU Group possesses strengths in its know-how and knowledge on overseas business development and strategy and its human resources with a thorough understanding of overseas business customs and local negotiation and bargaining practices developed through its approximately 90 locations in 61 countries throughout the world. The Target Company believes that its withdrawal of the retail business from Europe and America stated above was partly due to a lack of management resources, mainly human resources, and that in the future, when it enters new countries or regions, the above strengths and management resources of the ITOCHU Group will be a strong support in building firm business foundations that can create stable profits in those countries or regions.

Additionally, the Target Company understands that the concerns that ordinarily arise in relation to privatization of shares include a decline in corporate creditworthiness, an impact on hiring human resources, and the loss of the ability to procure funds through the capital market. The Target Company is proud to have established a certain degree of name recognition and position in the apparel market in Japan and overseas as a Japanese sports apparel maker producing brands such Descente, its corporate brand, and to have thereby built a strong business foundation, and the Target Company believes that by becoming a wholly-owned subsidiary of ITOCHU through the Transactions, ITOCHU's management resources, including its name value as one of the leading general trading companies in Japan, will strongly aid the Target Company in creating added value and thereby achieving sustainable growth moving forward. Therefore, the Target Company expects that no generally particular concerns relating to privatization such as those above will arise. As stated in "(B) Background of Deliberation and Negotiation" above, the Target Company has considered points that should be better understood, including the significance and purpose of the Transactions, in the course of discussions with ITOCHU, through Q&A sessions with ITOCHU, and has therefore not individually considered concerns specific to the Transactions or dis-synergies.

Furthermore, the Target Company believes that it can expect enhanced corporate value through the creation of the synergies in (a) through (d) below by becoming a wholly-owned subsidiary of ITOCHU through the Transactions.

(a) Strengthening human capital by means such as developing personnel that can excel overseas and engaging in personnel exchanges in Japan

In the development of the Target Company's overseas business, the Target Company has maintained its brand image while expanding and growing its business by localizing product planning for each country to fit the needs of local consumers. However, the Target Company recognizes that in order to continually grow its business overseas over the medium to long-term moving forward, it is necessary to hire and develop personnel that can excel as management at overseas locations. Recently, the Target Company has strengthened its human resources framework by focusing on mid-career hires and the hiring of newly graduated non-Japanese employees, but it believes that actively promoting personnel exchanges with the ITOCHU Group, which has many personnel with a thorough knowledge of overseas business, and dispatching employees on secondment to the overseas locations of the ITOCHU Group will lead to maximizing the opportunities for the Target Company's employees to deepen their knowledge of overseas business.

Furthermore, the Target Company is focusing efforts not only on hiring overseas personnel as stated above, but also on developing human resources that can excel overseas by means such as regularly sending personnel to South Korea, China, and other countries to conduct overseas training. In addition to that, by introducing the talent management process developed by the ITOCHU Group in order to hire, develop, utilize, and promote outstanding personnel who will support the increase of overseas revenue all over the world, and utilizing the ITOCHU Group's training systems and know-how regarding personnel development, such as its training programs that include a global development program for developing global management personnel and a short-term business school dispatch program, it will become possible to develop personnel who not only have a thorough knowledge of the Target Company's business and a high degree of expertise but are also able to excel overseas, which the Target Company expects will contribute to the effective utilization of existing personnel and the continual growth of the Target Company.

Additionally, not only overseas but in Japan as well, by actively promoting personnel exchanges, including seconding and accepting employees on secondment, between ITOCHU and its group companies and the Target Company, the Target Company believes it will be able to offer new career paths to its employees and promote the creation of a diverse range of careers. The Target Company also believes that the above personnel exchanges will promote a more active exchange of opinions and the acquisition of knowledge and skills not limited by the frameworks of the Target Company's existing businesses, thereby contributing to employee-driven innovations and product development based on a flexible way of thinking. In addition, the Target Company is aware that ITOCHU has successfully developed personnel with a high degree of expertise in its management division, as evidenced in ways such as media reports regarding the high level of capabilities of ITOCHU's legal affairs personnel. By implementing the personnel exchanges and development methods of ITOCHU stated above, the Target Company intends to raise the standard of skills of the Target Company's personnel responsible for its corporate functions and thereby strengthen the Target Company's management foundations.

(b) Strengthening procurement and product development capabilities utilizing the networks of the ITOCHU Group

As stated in "(i) Background, Purpose and Decision-Making Process Leading to the Tender Offeror's Decision to Conduct the Tender Offer" above, ITOCHU recognizes that it is a general trading company that has developed business experience through trade as well as capital and business alliances using its global network of approximately 90 locations in 61 countries throughout the world, and its textile company in particular has strong connections with famous European and American brands and major Chinese corporate groups. By using the connections and reputation of ITOCHU to acquire new suppliers, the Target Company believes it will be able to more quickly procure a larger number and wider range of clothing and accessory materials and textiles with a variety of characteristics and qualities that it cannot obtain through its own supply routes. The Target Company will also examine the possibilities of measures such as the reduction of procurement costs through volume discounts by purchasing materials together with other brands developed by the ITOCHU Group as well as the increased efficiency of logistics for the Target Company's e-commerce with the cooperation of ITOCHU LOGISTICS CORP, one of the core companies of the ITOCHU Group.

Additionally, by utilizing ITOCHU's connections and negotiating capabilities to increase points of contact with other brands and engage in joint planning and product development therewith, the Target Company believes it will also be possible to promote the acquisition of new customer segments and measures to increase brand value.

The Target Company believes that deepening its collaboration with the ITOCHU Group in these ways will contribute not only to increasing management efficiency but also to promoting the sharing of functions and knowledge between brands, which is one of the measures set out in the Target Company's Medium-Term Management Plan, as well as improving the product development and realization capabilities that the Target Company has achieved thus far by creating products that meet the demands of top athletes for apparel functionality, which is one of the Target Company's strengths.

In addition, within the category of sporting goods, apparel has been the main focus of the Target Company's business up to the present, but the Target Company wants to expand its product lineup and thereby increase its sales by applying the know-how and sewing technology of apparel research and development locations such as DISC OSAKA and promoting the development of products other than apparel, such as shoes and accessories linked to the style of the Target Company's apparel. ITOCHU is engaged in developing many brands that include not only apparel but also shoes, handbags, and other miscellaneous products, and the Target Company recognizes that ITOCHU has thereby gained a thorough knowledge of the market trends for each type of product and a deep understanding of advertising and marketing strategies. In order for the Target Company to create synergy with its existing apparel and increase the value of its brands as a whole as it actively produces shoes and accessories, market analysis and sales strategies based not only on trends in the overall sports apparel industry but also trends for each type of product will be required, and the Target Company believes that by using the above knowledge developed by the ITOCHU Group through its handling of a variety of product types and brands, it will be possible to conduct more effective and strategic marketing and to expand the Target Company's product lineup and increase sales while maintaining and improving the Target Company's brand value.

(c) Strengthening collaboration with companies in the ITOCHU Group

By becoming part of the ITOCHU Group through the Transactions and sharing a wider range of information and other resources without being hindered by issues concerning conflicts of interest, the Target Company believes that it can expect an increase in brand value and presence that is effective not only in Japan, China, and South Korea, where the Target Company currently focuses its efforts, but globally, including in Europe and America, through taking the know-how and successful experiences relating to the business and brand strategies of foreign brands, particularly those in Europe and America, accumulated through the sales and licensing rights held by the ITOCHU Group and applying that know-how and experience to the brands developed by the Target Company, and the Target Company believes that doing so will contribute to strengthening the condition and foundations of its brands. Moreover, in addition to the mutual personnel exchanges set out in "(a) Strengthening human capital by means such as developing personnel that can excel overseas and engaging in personnel exchanges in Japan" above, the Target Company wants to deepen collaboration with companies in the ITOCHU Group and engage in planning and product development across brands. Additionally, the Target Company believes that each group company sharing its understanding of the issues it faces in its business and the solutions for those issues will aid in measures to implement the Target Company's growth strategies and enhance its corporate value and that as part of a single group led by ITOCHU, the Target Company will be able to endeavor to implement and innovate on its business strategies in a way suited to the business environment and trends surrounding the sports apparel industry on a greater scale than the Target Company would be able to work on independently.

Additionally, excessive production and disposal has become a major environmental problem for the apparel industry, as seen in ways such as the enactment of a clothing anti-disposal law in France in January 2022 that prohibits corporations from disposing of unsold new clothing by incineration or in landfills. In order to escape from the cycle of excessive production and disposal, the Target Company is also taking measures to produce appropriate volumes of products and promoting reductions in industrial waste, through which it succeeded in reducing the amount of its industrial waste (including waste from its distribution centers, factories, and offices) in Japan from 554 tons in the fiscal year ended March 31, 2022 to 412 tons in the fiscal year ended March 31, 2023, a reduction of approximately 25%. In regard to the ITOCHU Group as well, as an initiative for sustainability to resolve the problem of mass disposal of clothing faced by the fashion industry, it has launched the RENU® Project, which aims to achieve a circular economy (Note 10) that makes effective use of textiles that would be unused and disposed of in a traditional "take, make, and waste" linear economy. The project produces recycled polyester fabric using clothing that was disposed of and leftover and scrap fabric arising from the production process. Through collaboration with the ITOCHU Group, in parallel to the Target Company's own initiatives, the Target Company wants to further strengthen its management structure with an awareness of sustainability and promote the manufacture of long-lasting products as set out in the Target Company's Medium-Term Management Plan by integrating the Target Company's business flow into the framework of the circular economy advocated under the RENU Project and promoting production that uses recycled materials.

(Note 10) "Circular Economy" means an economic system that conserves and maintains the value of resources for a long time, minimizes resource inputs and waste, and circulates resources efficiently.

Furthermore, outside of the apparel industry as well, the Target Company wants to promote the further strengthening of its sales capabilities and the expansion of its customer contact points through ITOCHU's know-how for utilizing purchasing and customer data. ITOCHU Group company FamilyMart Co., Ltd. is expanding its digital customer base and strengthening marketing, as evidenced by the fact that Famipay, an application with barcode payment functionality, reached a cumulative total of 20 million downloads in April 2024. ITOCHU and FamilyMart Co., Ltd. are also developing a digital advertising distribution business that uses purchasing data from the 16,270 real FamilyMart convenience stores (as of the end of May 2024) in Japan to distribute advertising per ID in line with consumer needs. The Target Company recognizes that the ITOCHU Group has expertise in the utilization of purchasing and customer data obtained through direct contact with consumers as described above. The Target Company considers bringing in new members to its membership program "CLUB DESCENTE" to be an issue to be addressed, and it believes that by becoming a wholly-owned subsidiary of ITOCHU through the Transactions, it will be possible to share its know-how for data utilization and digital marketing, thereby leading to expanding its consumer contact points by applying such know-how to its marketing strategies as well as attracting new members to the membership program.

(d) Expanding the Target Company's DTC business by promoting DX

The Target Company is promoting the development of its DTC business in Japan centered mainly around the Descente brand. Specifically, the directly-operated Descente brand store business has grown by 70% year-on-year due to changes to the business style of stores and the remodeling of sales floors. In addition, the Target Company actively worked to improve the convenience of its e-commerce services by means such as increasing the size of product detail images, and the ratio of the Target Company's net sales generated by DTC sales was 44% in the fiscal year ended March 31, 2024, an increase of approximately 8% from the fiscal year ended March 31, 2021, but it remains short of the 55% DTC ratio that the Target Company has set as a target.

Foreign sports brands are actively introducing digital technology to physical stores, including by linking services with smartphone apps, and are working to strengthen their DTC business models, and the Target Company recognizes that promoting DX in response to increasing digital needs is essential in order to achieve further growth in the DTC business. The Target Company is aware that the ITOCHU Group possesses thorough knowledge regarding all types of problems that can arise in regard to DX as well as a high level of technological capabilities to resolve those problems, as evidenced in ways such as the ITOCHU Group providing IT solutions and services to approximately 10,000 customers, mainly telecommunications carriers and major corporations, through ITOCHU Techno-Solutions Corporation, a systems integrator responsible for the core of ICT & Financial Business Company of ITOCHU. By becoming part of the ITOCHU Group through the privatization of the Target Company Shares, the Target Company wants to utilize the above knowledge and technological capabilities to work together as a group to resolve the DX issues that the Target Company cannot resolve independently. Additionally, the Target Company wants to accelerate measures to expand its DTC business while searching for possibilities for the Target Company to create a seamless customer experience between digital services and physical stores by sharing ideas within the ITOCHU Group for providing a better customer experience through DX, such as enhancing the benefits offered to online members who visit physical stores and updating the products displayed for sale at physical stores and replenishing inventory while taking into account real-time data such as customer attributes and purchase trends based on physical store locations.

Additionally, in regard to the terms and conditions of the Transactions, including the Tender Offer Price, after comprehensively considering the matters such as the negotiation process regarding the Tender Offer Price, the results of the calculation of the equity value of the Target Company Shares by the third-party valuation agent, the submission of the Report by the Special Committee and the level of the price of the Target Company Shares stated in (a) to (e) below, the Target Company has determined that the Tender Offer Price (JPY 4,350) secures the interests that should be enjoyed by the general shareholders of the Target Company and provides the shareholders of the Target Company with an opportunity to sell their shares under reasonable terms and conditions.

(a) As stated in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below, it is deemed that sufficient measures to ensure the fairness of the terms and conditions of the Transactions, including the Tender Offer Price, have been taken and the interests of general shareholders are secured.

(b) The Tender Offer Price is a price increased from JPY 3,600, the initial offer price proposed by ITOCHU, based on earnest and continual negotiations conducted on multiple occasions with ITOCHU after the Target Company took the measures stated in (a) above and with the substantial involvement of the Special Committee independent from the Target Company and the Tender Offeror, Etc.

(c) As stated in "c. The Target Company's Establishment of an Independent Special Committee and Obtainment of a Report from the Special Committee" in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below, in the Report obtained from the Special Committee independent from the Target Company and the Tender Offeror, Etc., the Special Committee determined that the appropriateness of the terms and conditions of the Transactions, including the Tender Offer Price, has been ensured.

(d) Of the results of the calculation of the value of the Target Company Shares by Daiwa Securities stated in "b. The Target Company's Obtainment of a Share Valuation Report from an Independent Third-Party Valuation Institution" in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below, the Tender Offer Price exceeds the upper limit of the calculation results using the market price method and is with the range of the calculation results using a discounted cash flow analysis (the "DCF method").

(e) The Tender Offer Price represents (i) a premium of 16.62% on JPY 3,730, the closing price of the Target Company Shares on the Prime Market of the TSE on August 2, 2024, which is the business day preceding the announcement date of the Tender Offer and (ii) a premium of 13.96% on JPY 3,817, the simple average closing price for the preceding one-month period (from July 3, 2024 to August 2, 2024). However, the closing market price of the Target Company Shares has always tended to be highly volatile, with repeated rises and falls in a short period of time, as can be seen from the fact that, the price was JPY 4,480 on November 21, 2023, subsequently declined to JPY 3,085 on February 15, 2024, soared briefly to JPY 3,640 on March 18, 2024, fell to JPY 3,030 on April 17, 2024, and then soared again to JPY 3,810 on May 13 of the same year, but soon thereafter settled in the JPY 3,200 to JPY 3,300 range. With regard to the current price of the Target Company Shares, after the ANTA Group, the joint venture partner holding 54% of the outstanding shares of DCH, which is an equity-method affiliate of the Target Company, announced on July 8, 2024 the preliminary sales growth rate for the second quarter of fiscal year 2024 (the quarter from April 1, 2024 to June 30, 2024), the market share price of Target Company Shares continued to rise since the closing price of JPY 3,430 on the day before the said announcement (the average closing price for the period of one month back from that day was JPY 3,396), leading to the above share price trend. The Target Company believes that the market share price of the Target Company Shares since July 9, 2024 has been influenced by speculative buying in anticipation of a turnaround in the Target Company's consolidated performance due to the preliminary sales growth rate announced by the ANTA Group on the same day, and the price is also not based on the contents of financial announcement for the first quarter of fiscal year 2024 released by the Target Company today (in addition, when ANTA Group released preliminary sales growth figures for the second quarter of fiscal year 2023 (the quarter from April 1, 2023 to June 30, 2023) in July 2023, there was a similar surge and decline in the following weeks in the market price of the Target Company Shares). Therefore, the Target Company believes that it is appropriate to consider the level of the premium in comparison with the share price over a longer period of time in order to exclude the impact of rapid share price fluctuations over a short period of time, and that a comparison with the share price on the business day preceding the announcement of date of the Tender Offer and over the preceding one-month period alone does not impair the validity of the Tender Offer Price.

On the other hand, the Tender Offer Price represents (i) a premium of 21.95% on JPY 3,567, the simple average closing price for the preceding three-month period (from May 7, 2024 to August 2, 2024) and (ii) a premium of 25.40% on JPY 3,469, the simple average closing price for the preceding six-month period (from February 5, 2024 to August 2, 2024). While, in general, stocks with high P/B ratios tend to have low premium ratios to the market price in tender offer and M&A transactions because their corporate value is already highly evaluated in the stock market, the Target Company's P/B ratio on June 30, 2024 was approximately 2.2 times. Of the 17 cases of tender offer deals for listed subsidiaries and MBO deals for the purpose of going private that were announced after June 28, 2019, when the Ministry of Economy, Trade and Industry published the "Fair M&A Guidelines" and were completed by May 31, 2024, and in which the PBR of the target company was over 2.0 times, six cases were at the highest frequency with a premium level of 20-30% from the average share price over the preceding three months, and similarly, five cases were at the highest frequency with a premium level of 20-30% from the average share price over the preceding six months. Therefore, the Target Company believes that the Tender Offer Price is at a reasonable premium level from the price of the Target Company Shares for the preceding three months and for the preceding six months.

Based on the above, at the Target Company's meeting of its board of directors held today, the Target Company has resolved that as the current opinion of the Target Company, if the Tender Offer is commenced, the Target Company will express an opinion in support of the Tender Offer and recommend that its shareholders tender the Target Company Shares in the Tender Offer.

In the event that the Conditions Precedent are satisfied (or when the Tender Offeror waives the Conditions Precedent), the Tender Offeror intends to promptly commence the Tender Offer. As of today, the Tender Offeror aims to commence the Tender Offer by around early November 2024; however, since it is difficult to accurately predict the time period required for the procedures and other necessary responses in relation to foreign competition authorities, the specific schedule of the Tender Offer will be notified as soon as it is determined.

Therefore, at the board of directors meeting referred to above, the Target Company also resolved (a) that when the Tender Offer is commenced, it will request the Special Committee to consider whether or not there has been any change in the opinion expressed by the Special Committee to the Target Company's board of directors on August 5, 2024 and either to report to the Target Company's board of directors that there is no change in the previous opinion or, if there is a change, to express the new opinion thereto and (b) that based on such opinion of the Special Committee, the Target Company will express its opinion again regarding the Tender Offer at the time of commencement of the Tender Offer.

For the details of the above-mentioned resolution at the relevant meeting of the Target Company's board of directors, please see "h. Unanimous Approval of All of the Non-Interested Directors and No Dissenting Opinion of All of the Non-Interested Statutory Auditors of the Target Company" of "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below.

b. Management Policy after the Tender Offer

The Tender Offeror, Etc. intends to steadily realize synergies and enhance the corporate value of ITOCHU and the Target Company by implementing the measures described above in “a. Background, Purpose and Decision-Making Process Leading to the Decision to Conduct the Tender Offer”. The executive structure of the Target Company after the Transactions has not yet been determined as of today, and the Tender Offeror, Etc. plan to discuss with the Target Company the optimal structure for implementing the above measures and further strengthening the management base.

With respect to the employees of the Target Company after the completion of the Tender Offer, it is planned that, in principle, they will continue to be employed and the current terms and conditions of employment will not be changed to the disadvantage of the employees. Regarding the management policy of the Target Company after the completion of the Tender Offer, while basically maintaining and respecting the autonomy of the Target Company’s management, the Tender Offeror, Etc. plan to determine the details of the Target Company’s management policy upon discussion with the Target Company after the completion of the Tender Offer.

(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest

The Target Company is not a subsidiary of ITOCHU, which is the parent company of the Tender Offeror, and the Tender Offer does not constitute a tender offer by a controlling shareholder. In addition, it is also not anticipated that all or a part of the management of the Target Company will invest directly or indirectly in the Tender Offeror, and the Transactions, including the Tender Offer, does not constitute a so-called management buyout (MBO) (see Note). However, as stated in “(1) Overview of the Tender Offer” above, considering that (i) the Tender Offeror, which is a major shareholder and the largest shareholder of the Target Company, is a wholly owned subsidiary of ITOCHU, and ITOCHU indirectly holds 33,584,300 Target Company Shares (Shareholding Percentage: 44.44%) through the Tender Offeror, making the Target Company an affiliate of ITOCHU under the equity method, and (ii) among seven directors of the Target Company, there are three directors who held the positions of director or employee at ITOCHU in the past (Mr. Shuichi Koseki, Mr. Masahiro Morofuji and Mr. Motonari Shimizu), the Target Company and the Tender Offeror have taken the following measures to ensure the fairness of the Transactions including the Tender Offer, from the perspective of ensuring the fairness of the Tender Offer Price, eliminating arbitrariness in the decision-making process leading to the Tender Offer, and avoiding conflicts of interest.

(Note) “Management Buyout (MBO)” refers to a transaction in which a tender offeror is an officer of a target company or in which a tender offeror conducts a tender offer pursuant to an agreement with officers of a target company and in which the tender offeror shares common interests with the officers of the target company.

The Tender Offeror holds 33,584,300 Target Company Shares (Shareholding Percentage: 44.44%) as of today, and therefore, setting a minimum number of shares to be purchased by the so-called “Majority of Minority” in the Tender Offer would make the likelihood of the completion of the Tender Offer rather uncertain and may not contribute to the interests of general shareholders of the Target Company who wish to tender their shares in the Tender Offer. Therefore, the minimum number of shares to be purchased by the “Majority of Minority” has not been set for the Tender Offer. However, since the Tender Offeror, Etc. and the Target Company have taken the following measures to ensure the fairness of the Tender Offer, the Tender Offeror, Etc. and the Target Company believe that the interests of the Target Company’s general shareholders have been adequately taken into consideration.

In addition, in the Report, the Special Committee determined that, although a "majority of minority" condition has not been established, it is considered that a considerable degree of consideration is given to general shareholders of the Target Company, given that other proper measures to ensure fairness are in place. The Target Company has the same view.

The following descriptions of the measures taken by the Target Company are based on the explanations received from the Target Company.

a. The Tender Offeror's Obtainment of a Share Valuation Report from an Independent Third-Party Valuation Institution

The Tender Offeror received the Tender Offeror Share Valuation Report (defined in "a. Basis of Calculation" in "(4) Background of Calculation of Price for Purchase, Etc." of "3. Outline of the Purchase, Etc." below) from Nomura Securities on August 5, 2024 regarding the results of the calculation of the value of the Target Company Shares. For details, please see "a. Basis of Calculation" in "(4) Background of Calculation of Price for Purchase, Etc." of "3. Outline of the Purchase, Etc." above.

b. The Target Company's Obtainment of a Share Valuation Report from an Independent Third-Party Valuation Institution

(i) Name of Valuation Agent and its Relationship with the Target Company and the Tender Offeror

When expressing its opinion on the Tender Offer, in order to ensure the fairness of the decision-making process regarding the Tender Offer Price proposed by ITOCHU, the Target Company requested Daiwa Securities, as its financial advisor and third-party valuation agent independent from the Target Company and the Tender Offeror, Etc., to calculate the share value of the Target Company Shares and obtained the Valuation Report (Daiwa Securities) from Daiwa Securities on August 2, 2024.

Daiwa Securities is not a related party of any of the Target Company, the Tender Offeror, or ITOCHU and does not have any material interest in connection with the Tender Offer. Further, since the Target Company and the Tender Offeror have implemented measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest, the Target Company has not obtained from Daiwa Securities any opinion concerning the fairness of the Tender Offer Price (fairness opinion). Remuneration for Daiwa Securities pertaining to the Transactions includes contingency fees to be paid subject to conditions such as the completion of the Transactions, but the Target Company appointed Daiwa Securities as its financial advisor and third-party valuation agent based on this remuneration system after taking into consideration customary practices in similar kinds of transactions.

(ii) Outline of Valuation Pertaining to the Target Company Shares

After considering which methods should be applied to calculate the value of the Target Company Shares among various share value calculation methods available, and assuming that the Target Company is a going concern and keeping in mind that it is appropriate to evaluate the value of the Target Company Shares from various perspectives, Daiwa Securities analyzed the value per share of the Target Company Shares using both (i) the market price method in order to take trends of the Target Company's share price in the market into account and (ii) the DCF Method so as to reflect in the evaluation the current and expected business results of the Target Company. The Target Company obtained from Daiwa Securities the Valuation Report (Daiwa Securities) on August 2, 2024.

The following are the ranges of values per share of the Target Company Shares that were calculated based on each calculation method mentioned above.

Market price method:	JPY 3,469 – JPY 3,817
DCF Method:	JPY 3,373 – JPY 4,851

Under the market price method, using August 2, 2024 as the valuation reference date, the value per share of the Target Company Shares was evaluated to range from JPY 3,469 to JPY 3,817, based on the closing price of the reference date (JPY 3,730), the simple average closing price for the most recent one month (JPY 3,817), the simple average closing price for the most recent three months (JPY 3,567) and the simple average closing price for the most recent six months (JPY 3,469) of the Target Company Shares on the Prime Market of the TSE.

Under the DCF Method, the value per share of the Target Company Shares was evaluated to range from JPY 3,373 to JPY 4,851, after analyzing the enterprise value and the share value of the Target Company calculated by discounting to the current value at a certain discount rate the free cash flow that the Target Company is expected to generate from the fiscal year ending March 31, 2025 based on the Target Company's estimated future earnings and investment plan in the business plan for a period of five fiscal years from the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2029 prepared by the Target Company, publicly disclosed information, and other information. The discount rate used was 8.17% to 10.17% for the Target Company's consolidated business and 11.10% to 13.10% for the equity method business in China. The perpetuity growth rate method is adopted for the calculation of continuous value, with perpetuity growth rate of 1.0% to 2.0% for the Target Company's consolidated business and 4.5% to 5.5% for the equity method business in China.

The business plan used by Daiwa Securities for the analysis by DCF Method does not include fiscal years during which a significant increase or decrease in revenue is expected, but it includes fiscal years during which a significant increase or decrease in free cash flow is expected. Specifically, free cash flow is expected to increase significantly (JPY 13,345 million for the fiscal year ending March 31, 2026, 62.2% increase from the previous year; JPY 20,702 million for the fiscal year ending March 31, 2027, 55.1% increase from the previous year) as a result of new office contracts in Korea, domestic system investments and the completion of reconstruction work at the Mizusawa Plant. The synergies expected by the Transactions being completed are not reflected in the above evaluation because it is difficult to specifically estimate those synergies at present.

The figures of the Target Company's financial forecasts used as the basis for calculation by the DCF Method are as follows.

(Unit: JPY in million)

	FY ending March 31, 2025	FY ending March 31, 2026	FY ending March 31, 2027	FY ending March 31, 2028	FY ending March 31, 2029

Sales Revenue	133,066	138,904	144,582	150,474	155,711
Operating Profit	8,574	8,971	9,785	11,169	12,258
EBITDA	12,744	13,330	14,565	15,950	17,038
Free Cash Flow	8,226	13,345	20,702	22,428	24,148

c. The Target Company's Establishment of an Independent Special Committee and Obtainment of a Report from the Special Committee

(i) Process of the Establishment of the Special Committee

As stated in "(ii) Target Company's Decision-Making Process" of "a. Background, Purpose and Decision-Making Process Leading to the Decision to Conduct the Tender Offer" in "(2) Background, Purpose and Decision-Making Process Leading to the Decision to Conduct the Tender Offer, and Management Policy Following the Tender Offer" above, the Target Company established the Special Committee by a resolution at the meeting of the board of directors of the Target Company held on March 28, 2024. Prior to the establishment of the Special Committee, since early March 2024, in order to establish a system to deliberate, negotiate, and make decisions regarding the Tender Offer from the perspective of improving the Target Company's corporate value and ensuring the interests of the Target Company's general shareholders from a position independent from the Tender Offeror, Etc., the Target Company individually explained to the independent outside directors and independent outside auditors of the Target Company who do not have any significant interest in the Tender Offeror, Etc. based on advice from Mori Hamada & Matsumoto that (a) it received a written proposal about commencing deliberations and negotiations on the implementation of the Transactions from ITOCHU on March 5, 2024 and (b) it is necessary to take full measures, including establishing the Special Committee, in the course of conducting discussions and negotiations on the Transactions to ensure the fairness of the terms and conditions of the Transactions. At the same time, the Target Company verified the independence and competence of its independent outside directors and independent outside auditors who were to be nominated as Special Committee members with the advice from Mori Hamada & Matsumoto, and confirmed that each of those candidate Special Committee members had no significant interest in the Tender Offeror, Etc. and no significant interest in whether the Transactions will be successfully completed that is different from the general shareholders. Thereafter, as a result of discussions with the advice from Mori Hamada & Matsumoto, the Target Company confirmed that there was no objection among them and appointed three people as candidate members of the Special Committee: Mr. Koichi Yoshioka (an independent outside auditor of the Target Company (currently an outside director of the Target Company)), who has abundant experience and broad knowledge as a lawyer, Mr. Akira Matsumoto (an independent outside auditor of the Target Company), who has abundant experience and expertise as a certified public accountant and Ms. Yasuyo Kasahara (an independent outside director of the Target Company), who has considerable knowledge with respect to business operations.

Thereafter, as stated in "(ii) Target Company's Decision-Making Process" of "a. Background, Purpose and Decision-Making Process Leading to the Decision to Conduct the Tender Offer" in "(2) Background, Purpose and Decision-Making Process Leading to the Decision to Conduct the Tender Offer, and Management Policy Following the Tender Offer" above, the Target Company established the Special Committee by a resolution at the meeting of its board of directors held on March 28, 2024, and the Target Company commissioned the Special Committee to (i) deliberate on and determine regarding (a) whether the Transactions should be implemented from the perspective of enhancing the corporate value of the Target Company and (b) the reasonableness of the transaction terms and conditions and the fairness of the procedures from the viewpoint of securing the interests of the general shareholders of the Target Company, and then deliberate on and provide the Target Company's board of directors with advice regarding whether or not the Target Company's board of directors should approve the Transactions (including whether or not it should support the Tender Offer and whether or not it should recommend that shareholders of the Target Company tender their shares in the Tender Offer), and (ii) to deliberate on and provide the Target Company's board of directors with an opinion regarding whether the decision by the Target Company's board of directors on the implementation of the Transactions (including the expression by the Target Company's board of directors of an opinion in support of the Tender Offer and the recommendation to the Target Company's shareholders to tender their shares in the Tender Offer) is not disadvantageous to the minority shareholders of the Target Company (collectively, the "Inquired Matters"). Further, the Target Company's board of directors passed a resolution upon establishing the Special Committee that (i) the decision of the board of directors regarding the Transactions, including a decision on whether to support the Tender Offer, shall give the highest degree of respect to the contents of the decisions of the Special Committee and (ii) if the Special Committee determines that the terms and conditions of the Transactions are not appropriate, the Target Company's board of directors shall not approve the Transactions under those terms and conditions. Moreover, the Target Company's board of directors has resolved that it will authorize the Special Committee (i) to be substantially involved in the process of negotiations between the Target Company and ITOCHU (including, as necessary, giving instructions or requests about the Target Company's negotiation policy of negotiations with ITOCHU), (ii) to appoint or nominate its own financial advisors or third-party valuation agents and legal advisors if necessary when deliberating and making decisions regarding the Inquired Matters (any expenses incurred in this case are to be borne by the Target Company), or nominate or approve (including ex post facto approval) the Target Company's financial advisors, legal and other advisors and (iii) to receive from the Target Company's officers and employees and other persons whom the Special Committee considers necessary any information reasonably necessary for deliberations and decisions regarding the Inquired Matters as necessary.

Of the seven directors of the Target Company, Mr. Shuichi Koseki, Mr. Masahiro Morofuji, and Mr. Motonari Shimizu formerly worked at ITOCHU, so, in consideration of the fact that the Transactions fall under a transaction that typically involves structural conflict of interests and asymmetry of information, from the perspective of eliminating the possibility of the deliberations and resolutions by the board of directors of the Target Company being affected by such issues, the four directors excluding these three directors deliberated and passed the above resolutions with the unanimous approval at the above meeting of the board of directors of the Target Company. In addition, all of the auditors who attended the meeting expressed an opinion that they had no objection to the above resolutions.

Further, in consideration of the fact that the Transactions fall under a transaction that typically involves structural conflict of interests and asymmetry of information, from the perspective of eliminating the possibility of being affected by such issues, Mr. Shuichi Koseki, Mr. Masahiro Morofuji, and Mr. Motonari Shimizu did not participate in any deliberations and resolutions by the board of directors regarding the Transactions including the above board of directors meeting and did not participate in any discussions and negotiations on the Transactions on behalf of the Target Company.

It was also decided that a fixed fee is to be paid to each Special Committee member as compensation for his or her duties regardless of whether the Transactions are successfully completed.

(ii) Process of Review

The Special Committee held a total of 19 meetings during the period from March 28, 2024 to August 2, 2024. In addition, the members of the Special Committee performed their duties regarding the Inquired Matters by, among other actions, reporting to and sharing information with other members as well as deliberating and making decisions on the relevant matters through e-mails from time to time as necessary between those meetings. Specifically, the Special Committee first deliberated on matters such as the independence, expertise, accomplishments, and other matters, and it then made a decision to appoint AMT as its own legal advisor independent from the Tender Offeror, Etc. and the Target Company and appoint Plutus Consulting as its own financial advisor and third-party valuation agent independent from the Tender Offeror, Etc. and the Target Company on April 18, 2024. The Special Committee confirmed that each of AMT and Plutus Consulting is not a related party of the Tender Offeror, Etc. or the Target Company and does not have any significant interest in relation to the Transactions including the Tender Offer and that there is not any other concern with respect to the independence in the transactions.

The Special Committee confirmed that there was no problem in terms of the independence, expertise, accomplishments, and other matters of Daiwa Securities, which is the Target Company's financial advisor and third-party valuation agent, and Mori Hamada & Matsumoto, which is the Target Company's legal advisor, and approved the appointment of Daiwa Securities and Mori Hamada & Matsumoto.

Furthermore, Mr. Akira Tsuchihashi, a senior managing executive officer of the Target Company, also serves as CFO of the Target Company, is familiar with the quantitative deliberations at the Target Company, and is essential for the formulation of the Target Company's business plan and the calculation of the Target Company's corporate value based thereon; therefore, although he has held a position as an officer or employee of

ITOCHU in the past, on the condition that other measures to ensure fairness have been taken, the Special Committee approved Mr. Tsuchihashi being involved in the formulation of the Target Company's business plan after confirming that he would not be involved in negotiations with ITOCHU and would only be involved in the formulation of the business plan necessary for negotiations, that the business plan is separately to be approved by the Special Committee, that he currently has no relationship with ITOCHU, and that there is no problem, from the perspective of independence and fairness, with the internal system established by the Target Company for deliberations on the Transactions (including the scope and duties of officers and employees of the Target Company who will be involved in deliberations, negotiations, and decisions on the Transactions).

The Special Committee then deliberated on measures that need to be taken to ensure the fairness of the procedures in the Transactions based on the legal advice received from AMT and opinions heard from Mori Hamada & Matsumoto.

The Special Committee received explanations from and conducted Q&A sessions with ITOCHU about the background of decision-making on the proposal of the Transactions, the significance and purpose of the Transactions, management structure and policies after the Transactions, and other matters.

Moreover, the Special Committee obtained the Target Company's opinion and related information from the Target Company about the significance and purpose of the Transactions, the impact that the Transactions may have on the Target Company's businesses, management structure and policies after the Transactions, and other matters, and the Special Committee held a Q&A session on those matters.

In addition, the Special Committee was given an explanation from the Target Company on matters such as the contents, material conditions precedent, and the preparation progress of the business plan prepared by the Target Company and held a Q&A session on those matters, and the Special Committee confirmed and approved the reasonableness of those matters based on advice from a financial perspective from Plutus Consulting. Thereafter, as stated in "b. The Target Company's Obtainment of a Share Valuation Report from an Independent Third-Party Valuation Institution" above and "d. The Special Committee's Obtainment of a Share Valuation Report and a Fairness Opinion from an Independent Third-Party Valuation Institution" below, Plutus Consulting and Daiwa Securities conducted valuations of the Target Company Shares based on the content of the business plans of the Target Company. The Special Committee received explanations from Plutus Consulting and Daiwa Securities about the calculation methods used in the valuation of the Target Company Shares by Plutus Consulting and Daiwa Securities, the reasons for using those calculation methods, the details of the calculation made using each of those calculation methods, and material conditions precedent for the valuation of the Target Company Shares conducted by Plutus Consulting and Daiwa Securities, and confirmed the reasonableness of those matters after holding Q&A sessions and discussing and deliberating on those matters. In addition, as stated in "b. The Target Company's Obtainment of a Share Valuation Report from an Independent Third-Party Valuation Institution" above and "d. The Special Committee's Obtainment of a Share Valuation Report and a Fairness Opinion from an Independent Third-Party Valuation Institution" below, the Special Committee received the Fairness Opinion from Plutus Consulting on August 2, 2024. Upon the receipt, the Special Committee received explanations from Plutus Consulting about the details of and material conditions precedent for the Fairness Opinion and confirmed those matters.

Furthermore, the Special Committee received reports from the Target Company and the Target Company's advisors about the negotiations between the Target Company and ITOCHU from time to time and stated its necessary opinions with respect to the negotiation policy of the Target Company after deliberations and discussions based on advice from a financial perspective from Plutus Consulting and advice from a legal perspective from AMT as necessary. Specifically, after the Target Company received each of the proposals for the Tender Offer Price from ITOCHU, the Special Committee received reports from the Target Company on matters such as the process and details of discussions and negotiations regarding the Tender Offer Price and discussed and deliberated the details of each proposal in order to obtain from the Tender Offeror the most favorable transaction terms and conditions, and the Special Committee stated its opinions to the Target Company on seven occasions to the effect that the Target Company should request ITOCHU to increase the Tender Offer Price. The Special Committee was substantially involved in the discussion and negotiation process between the Target Company and the Tender Offeror through the Target Company holding negotiations with ITOCHU in accordance with such opinions.

As a result, the Target Company received from ITOCHU a proposal that included a Tender Offer Price of JPY 4,350 per share on August 1, 2024. Consequently, the Tender Offer Price has been increased to JPY 4,350 from the initial offer price (JPY 3,600) proposed by ITOCHU.

In addition, the Special Committee received several explanations from Daiwa Securities about the details of the draft of this press release concerning the Tender Offer to be released by the Target Company, and the Special Committee confirmed that information will be fully disclosed while obtaining advice from AMT.

(iii) Decisions by the Special Committee

Under the above circumstances, the Special Committee submitted the Report mainly stating the matters set out below on August 5, 2024 to the board of directors of the Target Company with the unanimous agreement of its members as a result of careful and repeated discussions and deliberations about the Inquired Matters based on the details of the advice from a legal perspective from AMT, advice from a financial perspective from Plutus Consulting, and the Valuation Report (Plutus Consulting) and the Fairness Opinion submitted on August 2, 2024.

(a) Contents of the Decisions by the Special Committee

1. The Special Committee considers it is appropriate for the board of the directors of the Target Company to express its opinion in support of the Tender Offer and recommend that the Target Company's shareholders tender their Target

Company Shares in the Tender Offer at the time of disclosure of the planned commencement of the Tender Offer.

2. It is believed that the decision by the board of directors of the Target Company on the implementation of the Transactions (including expressing an opinion in support of the Tender Offer by the Target Company's board of directors and recommending to the Target Company's shareholders to tender their Target Company Shares in the Tender Offer) would not be disadvantageous to the minority shareholders of the Target Company.

(b) Report Rationale

i. Enhancement of Corporate Value and Reasonableness of Purpose

Based on the following points: (i) it is deemed that the synergies expected through the Transactions can be said to be reasonable, that there are no contradictions or inconsistences between the expectations of ITOCHU and those of the Target Company, and that the execution of the Transactions will contribute to solving the management issues of which the Target Company is aware; (ii) it is deemed that the details explained as the reasons for why the Transactions should be executed as opposed to other methods, such as implementing bold business reforms while keeping the Target Company listed, are reasonable, and it is believed that implementing the Transactions is appropriate; and (iii) nothing deemed to be a circumstance that would significantly hinder the corporate enhancement of the Target Company as a result of the implementation of the Transaction has been seen, it is deemed that the Transactions, including the Tender Offer, will contribute to enhancing corporate value and that the purposes of the Transactions are reasonable.

- The Target Company still faces issues such as increasing sales of non-apparel goods such as accessories and shoes, increasing the percentage of net sales generated by the DTC business in Japan, and achieving profitability for new businesses combined with existing businesses in Japan, South Korea, and China, and it believes that resolving these issues is essential to the further enhancement of its corporate value. In addition, the manifestation of environmental issues, including climate changes such as recent warm winters and extreme heat, may cause increased purchasing costs and supply chain confusion in regard to the Target Company's production as well as changes in consumer behavior and changes in the environment in which people can participate in sports, and the Target Company recognizes that these issues may directly impact the business strategies and finances of the Target Company. The Target Company is also facing an environment of constant, intense competition as the apparel industry in which it operates has low barriers to entry and sees rapid changes in brands. Furthermore, the overseas sales ratio of the Target Company is over 50%, and although the Target Company develops its business mainly in Japan, South Korea, and China, the aging and declining of populations in these regions has become severe. Due to these factors, the Target Company anticipates shrinking market sizes in the future as well as more intense competition to capture market share.

- In contrast, the Target Company recognizes that due to an increase in health awareness and health consciousness, fashion trends, and high levels of disposable income, the North American market is the largest sporting goods market in the world, while the European market, is also a region with strong demand for sporting goods and high profit generation capabilities. The Target Company withdrew from the retail business in Europe and America, but given the acceleration of the market shrinkage in the East Asia region stated above, the Target Company recognizes that expanding into markets other than Japan, South Korea, and China, where the Target Company currently operates, and bringing in demand from those markets is an urgent issue, and as the presence of the European and American markets is becoming increasingly difficult to ignore, the Target Company is at a stage at which it must once again consider the possibility of reentering those regions.

- It can be said that implementing the measures the Target Company considers to be optimal as a part of the strategy towards resolving the abovementioned management issues and realizing such resolution will, in general terms, contribute to the enhancement of the corporate value of the Target Company.

- ITOCHU believes that the Target Company's local characteristics remain strong in each country partly due to the history of business growth in Korea and China to date, and the fact that brand marketing policies, product planning, development, production information, and sales information, including hot selling trends and customer trends, are not being shared sufficiently and in a timely manner between business regions, and that there is room for improvement in the brand's promotion in Japan, the brand's home country, and in the coordination of product planning, development, and production systems. While continuing to take advantage of the Target Company's locally rooted activities in Japan, Korea and China, ITOCHU will create synergies by infusing its operational expertise, including measures related to collaboration between the Target Company Group companies and ITOCHU Group companies that would be difficult to implement under the current limited capital relationship with the Target Company, such as investments for medium- to long-term benefits for establishing a digital management platform and promoting SX, the provision of funds from the ITOCHU Group, the sharing of operational and digital-related know-how, and further dispatch of human resources to strengthen the Target Company's brand management capabilities, especially in Japan, as the brand's home country, and by enhancing collaboration among the regions in which the Target Company operates in the respective stages of brand marketing, product planning, and development, production and sales.

- ITOCHU is aware that there is also limited room for growth in each of regions in which the Target Company operates will be limited. By more actively investing its management resources in the Target Company, ITOCHU will not only strengthen collaboration between the Target Company's business regions, but also implement flexible and agile measures to contribute to the further growth of the Target Company, taking into account the characteristics of each business region.

- In addition, ITOCHU believes that in the current relationship with the Target Company, given the presence of general shareholders, the Target Company is inevitably restricted in utilizing the comprehensive capabilities of the ITOCHU Group. By achieving a state in which the Target Company can maximize its utilization of ITOCHU's functions through the Transactions, ITOCHU believes that the creation of new commercial channels, customer experiences, and businesses can be accelerated.

- Furthermore, according to the Target Company, it expects that through the Transactions, it can expect to create synergies such as (i) strengthening human capital by means such as developing personnel that can excel overseas and engaging in personnel exchanges in Japan, (ii) strengthening procurement and product development capabilities utilizing the networks of the ITOCHU Group, (iii) strengthening collaboration with companies in the ITOCHU Group, and (iv) expanding the Target Company's DTC business by promoting DX.

- The contents of the expected synergies stated above are believed to be reasonable, and no points of contradiction between the Target Company and ITOCHU or points that are clearly contrary to objective facts have been found therein. In addition, the synergies that ITOCHU and the Target Company expect are largely in agreement in terms of strengthening brand management and development as well as production utilizing the expertise and networks of the ITOCHU Group, and strengthening personnel development and the overseas businesses. Neither ITOCHU nor the Target Company have found any contradictions or inconsistencies in these expected synergies.

- In addition, ITOCHU recognizes that for the further growth and development of the Target Company, it is necessary to deepen cooperation between the Target Company Group and each company within the ITOCHU Group, including further personnel reinforcement, funding from the ITOCHU Group, and sharing of operational and digital-related know-how, etc. However, under the circumstances where ITOCHU and the Target Company each exist as independent listed companies and more than half of the value and profits generated by the Target Company belong to shareholders other than ITOCHU, under the current capital structure of the Target Company, there is a possibility that the costs and returns associated with investment in the Target Company Group may be perceived as unbalanced from the perspective of ITOCHU shareholders. Therefore, ITOCHU believes that there are certain limitations to implementing flexible and effective measures to maximize the corporate value of the Target Company Group. Furthermore, ITOCHU recognizes that given the analyses from the perspective of sales growth rate and sales profit margin prior to the COVID-19 pandemic, the Target Company has not been able to respond to the market at the speed at which competing companies grow since ITOCHU and the Target Company have taken a very cautious approach to transactions and information sharing, etc. between them, given that the current situation where the Target Company is an affiliate of ITOCHU under the equity method but remains listed has structural challenges such as the risk of conflicts of interest between the Target Company's general shareholders and ITOCHU. ITOCHU also recognizes that the Target Company's business in China has been rapidly increasing its presence in recent years, but there is a sense of uncertainty about the future of the Chinese market, and ITOCHU believes that an agile and integrated response by ITOCHU and the Target Company is essential in the event of unforeseen circumstances, and that both companies must work closely together to make careful preparations.

- As mentioned above, ITOCHU has concluded that making the Target Company a wholly owned subsidiary of ITOCHU will contribute to enhancing the corporate value of both the Target Company and ITOCHU from the perspective of pursuing cross-border collaboration and synergies and promptly responding to unforeseen circumstances and uncertainties.

- Furthermore, if the Target Company were to begin bold business reforms while remaining listed, share prices could fall due to a temporary deterioration in business performance or other factors, which may impose a burden on the general shareholders. However, if the Target Company becomes a wholly owned subsidiary of ITOCHU, such concerns would be eliminated, and it would become easier to implement speedy policies based on industry trends and drastic policies and reforms from the perspective of mid- to long-term growth, and the Target Company would be able to build a system which allowed for rapid decision making under a single shareholder.

- In light of the points stated above, it is believed that the decision to realize enhanced corporate value by executing the Transactions as opposed to other methods, such as implementing bold business reforms while keeping the Target Company listed, is reasonable.

- According to ITOCHU and the Target Company, following the Transactions, large changes such as changes to the current management system of the Target Company, a reduction of the Target Company's employees, changes in treatment, and employee assignments to other group companies of ITOCHU are not expected, nor are reorganizations to the business portfolio of the Target Company or reallocations of its management resources. Furthermore, the Target Company is proud of the fact that it has already gained a certain level of name recognition and of its position in the apparel market both in Japan and overseas as a Japanese sports apparel manufacturer, including the corporate brand DESCENTE, and of having built a strong management base along with this recognition. The Target Company believes that by becoming a wholly owned subsidiary of ITOCHU through the Transactions, the management resources, including the name value of ITOCHU, one of Japan's leading general trading companies, will add value to the Target Company and, by extension, provide strong support for the Target Company to achieve sustainable growth going forward, and the Target Company does not expect any particular concerns to arise in connection with going private, such as any decline in corporate credibility, impact on recruitment, or the loss of any means of fundraising through capital markets. Since the abundant cash of the ITOCHU Group may be utilized in terms of procurement of funds, ITOCHU does not consider that delisting of the Target Company would have any impact upon its ability to precure funds. In addition, since (i) the relationship of trust between the Target Company and its with business partners is already established to a certain degree and it is considered that there will be no material loss in existing business relationships due to delisting, and (ii) it is considered that the delisting will not result in any immediate loss of the social trust and popularity accumulated by the Target Company through its previous business operations, but rather such social trust and popularity is expected to be maintained or even enhanced both in Japan and overseas by becoming a wholly-owned subsidiary of ITOCHU, ITOCHU considers that the impact of such disadvantages will be limited after the Transactions and that it would not outweigh the advantages of the prospected increase of the Target Company's corporate value. Therefore, the Target Company does not see any particular circumstance that could be recognized as a significant obstacle to the improvement of the Target Company's corporate value through the Transactions.

ii. Fairness of Procedures

Based on the following points, it is deemed that, in the Transactions, (i) a situation substantially equivalent to an arm's length transaction has been ensured in the process of forming transaction terms and conditions, and (ii) from the perspective of ensuring opportunities for general shareholders to make an appropriate decision based on sufficient information, proper measures to ensure fairness have been adopted and are being effectively applied, and as a result, it is deemed that the fairness of the procedures for the Transactions, including the Tender Offer, has been ensured.

(A) Establishment of the Special Committee and Obtainment of the Report from Special Committee

- The members of the Special Committee consist of three independent officers of the Target Company, and a special committee comprised of independent outside directors of the Target Company, who are independent from the Tender Offeror, Etc. and have no special interest in whether the Transactions is successfully completed, was comprised each member of the Special Committee. In light of the timing of establishment and authorities of the Special Committee, it is considered that the Special Committee validly functions as a measure to ensure fairness.

(B) Establishment of an Independent Deliberation Framework at the Target Company

- After the Target Company received a written proposal from ITOCHU on March 5, 2024, stating that ITOCHU wished to begin discussions with the Target Company regarding the Transactions, it established a project team to examine the Tender Offer (including preparation of a business plan to serve as the basis for the valuation of shares of the Target Company) and hold discussions and negotiations with the Tender Offeror, Etc. The project team only consists of officers and employees of the Target Company who do not concurrently serve as officers and employees of companies of the ITOCHU Group, and that treatment is continuing.

- In establishing the team, the Target Company resolved at the meeting of its board of directors held on March 28, 2024, that because Mr. Shuichi Koseki, Mr. Masahiro Morofuji, and Mr. Motonari Shimizu from among the Target Company's directors had held positions as officers or employees of ITOCHU in the past and are considered to have special interests in the Transactions, they would not participate in any deliberations or resolutions at meetings of its board of directors, nor in any discussions or negotiations, regarding the Transactions. Mr. Akira Tsuchihashi, a senior managing executive officer of the Target Company who also serves as CFO of the Target Company, is familiar with the quantitative deliberations within the Target Company, and is essential for the formulation of the Target Company's business plan and the calculation of the Target Company's corporate value based thereon; therefore, although he has held a position as an officer or employee of ITOCHU in the past, the Target Company resolved at its meeting of the board of directors dated April 17, 2024 to approve of Mr. Tsuchihashi being involved in the preparation of the Target Company's business plan on the conditions that measures to ensure fairness, such as the establishment of an independent Special Committee, would be taken, that Mr. Tsuchihashi will not be involved in negotiations with ITOCHU and will only be involved in formulating the business plan necessary for the negotiations, that the business plan is to be separately approved by the Special Committee, that Mr. Tsuchihashi currently has no kind of relationship with ITOCHU, and that there are no other issues in regard to the independence of the deliberation framework for the Transactions internally established by the Target Company (including the scope and duties of the officers and employees of the Target Company involved in deliberating, negotiating, and decision making regarding the Transactions).

(C) Decision-Making Process

- With respect to the Target Company, a resolution will be adopted with unanimous approval at the meeting of its board of directors to be held on August 5, 2024 by all of the Target Company's directors (of the total of seven directors, the four directors excluding Mr. Shuichi Koseki, Mr. Masahiro Morofuji, and Mr. Motonari Shimizu) who participated in the deliberations and resolution to the effect that, as the current opinion of the Target Company, the Target Company will express its opinion in support of the Tender Offer and recommend that its shareholders tender their Target Company Shares in the Tender Offer if the Tender Offer is commenced. All of the three auditors of the Target Company will attend the abovementioned meeting of the board of directors, and all of the auditors in attendance will express an opinion that they have no objection to the above resolutions. Among the Target Company's directors, Mr. Shuichi Koseki, Mr. Masahiro Morofuji, and Mr. Motonari Shimizu held positions as officers or employees of ITOCHU in the past, so, from the perspective of eliminating the possibility of being affected by any issues of structural conflicts of interest, they will not participate in the deliberations and resolution at the above meeting of the board of directors or participate in the discussions and negotiations for the Transactions on behalf of the Target Company. Based on the fact that it has been decided that the decision of the board of directors regarding the Transactions, including a decision on whether to support the Tender Offer, shall give the highest degree of respect to the contents of the decisions of the Special Committee and if the Special Committee determines that the terms and conditions of the Transactions are not appropriate, the Target Company's board of directors shall not approve the Transactions under those terms and conditions, it can be said that the arbitrariness in the Target Company's decision-making regarding the Transactions has been eliminated, and that the fairness, transparency, and objectivity of the decision-making process have been ensured.

(D) Obtainment by the Special Committee of Advice from an Independent Law Firm

- In considering the Inquired Matters, the Special Committee appointed AMT as its own legal advisor independent from the Target Company and the Tender Offeror, Etc., and obtained advice from a legal perspective concerning the discussions and deliberations by the Special Committee regarding the Inquired Matters from AMT.

(E) Obtainment by the Target Company of Advice from an Independent Law Firm

- In order to ensure the fairness and appropriateness of the process of decision-making by the Target Company's board of directors regarding the Tender Offer, the Target Company appointed Mori Hamada & Matsumoto as its legal advisor independent from the Target Company and the Tender Offeror, Etc. and obtained from Mori Hamada & Matsumoto the necessary legal advice concerning matters such as measures to be taken to ensure the fairness of the procedures in the Transactions, various procedures of the Transactions, and the method and process of decision-making or other matters to be noted in relation to decision-making by the Target Company regarding the Transactions.

(F) Obtainment by the Special Committee of a Share Valuation Report and a Fairness Opinion from an Independent Third-Party Valuation Agent

- In considering the Inquired Matters, the Special Committee requested Plutus Consulting, as its own financial advisor and third-party valuation agent independent from the Target Company and the Tender Offeror, Etc., to calculate the share value of the Target Company Shares and to express an opinion on the fairness to the general shareholders of the Target Company, from a financial perspective, of the terms and conditions of the Transactions and obtained from Plutus Consulting the Valuation Report (Plutus Consulting) and the Fairness Opinion on August 2, 2024.

The Fairness Opinion was issued by Plutus Consulting, which was appointed by the Special Committee after confirming that there was no issue regarding its independence from the Target Company and the Tender Offeror, Etc. and its expertise in financial matters, after having taking actions, such as considering information provided by the Target Company on its business, operations, and future prospects and confirming with the management team of the Target Company the past and current status of the business, operations, and financial standing of the Target Company as well as future prospects therefor, which was then followed by a review process by a review committee that was independent from the persons handling the Tender Offer at Plutus Consulting, and no unreasonable points were found in the methods of calculation of share value which was used by Plutus Consulting as a reference when submitting the Fairness Opinion or the content of the Fairness Opinion. Accordingly, no unreasonable points were found in the process of issuing the Fairness Opinion or its content.

(G) Obtainment by the Target Company of a Share Valuation Report from an Independent Third-Party Valuation Agent

- When expressing its opinion on the Tender Offer, in order to ensure the fairness of the process of decision-making regarding the Tender Offer Price proposed by ITOCHU, the Target Company requested Daiwa Securities, as its financial advisor and third-party valuation agent independent from the Target Company and the Tender Offeror, Etc., to calculate the share value of the Target Company Shares and obtained the Valuation Report (Daiwa Securities) from Daiwa Securities on August 2, 2024.

(H) Market Checks

- The Tender Offeror intends to ensure the fairness of the Tender Offer through the following measures: ensuring an opportunity for general shareholders of the Target Company to make an appropriate decision on whether or not to tender their shares in the Tender Offer by setting a relatively long purchase period with respect to the Tender Offer (the "Tender Offer Period") compared to the shortest tender offer period of 20 business days specified in laws and regulations, because it is estimated that over two months will be necessary from the announcement of the planned commencement of the Tender Offer to its actual commencement; and ensuring an opportunity for acquisition offerors other than the Tender Offeror ("Competing Acquisition Offerors") to make a competing offer to purchase or otherwise acquire the Target Company Shares.

- Furthermore, the Tender Offeror and the Target Company have not agreed to any transaction protection clause that prohibits the Target Company from contacting Competing Acquisition Offerors or made any other agreement on any matter that would restrict Competing Acquisition Offerors from contacting the Target Company.

(I) Majority of Minority

- While the Tender Offeror has not set a minimum number of shares to be purchased that is equivalent to the "majority of minority" in the Tender Offer, given that, if a minimum number of shares to be purchased that is equivalent to the "majority of minority" were to be set, that would make the successful completion of the Tender Offer uncertain, which, in turn, may be disadvantageous for the Target Company's general shareholders that wish to tender their shares in the Tender Offer (i.e., shareholders who wish to have an opportunity to sell their Target Company Shares), it is deemed that the Tender Offeror has given consideration to the general shareholders of the Target Company to a considerable degree based on the fact that the Tender Offeror has also taken other proper measures to ensure the fairness of the Tender Offer.

(J) Substantial Information Provision to General Shareholders and Enhanced Transparency in the Process of the Transactions

- In the process of the Transactions, the Tender Offeror and the Target Company plan to make substantial information provision regarding the Transactions in their respective disclosure materials, including the details of the authority granted to the Special Committee, the status of involvement of the Special Committee in the process of considerations and negotiations, the content of the Report, the composition of compensation for the members of the Special Committee, outlines of the Valuation Report (Daiwa Securities), the Valuation Report (Plutus Consulting), and the Fairness Opinion, and the process and details of the negotiations leading to the execution of the Transactions, and therefore it is deemed that important materials have been provided to the Target Company's shareholders that are helpful for them in making a decision on matters such as the reasonableness of the transaction terms and conditions.

(K) Elimination of Coercion Pressure

- If the Tender Offeror fails to acquire all of the Target Company Shares through the Tender Offer, the Tender Offeror will be recognized to have given consideration to avoid placing coercive pressure on the Target Company's shareholders by (i) planning to make a demand to the Target Company to convene the Extraordinary Shareholders' Meeting (as defined below) at which the agenda items will include proposals for the Demand for Share Cash-Out (defined in "(4) Policies for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to So-Called Two-Step Acquisition" below, hereinafter the same shall apply) or the Share Consolidation (as defined below, hereinafter the same shall apply) of the Target Company Shares and a partial amendment to the Target Company's articles of incorporation to abolish the provisions on share units on the condition that the Share Consolidation takes effect and clarifying that the amount of money to be delivered to the Target Company's shareholders as consideration for each Target Company Share in the Demand for Share Cash-Out or the Share Consolidation will be calculated to be equal to the price obtained by multiplying the Tender Offer Price by the number of the Target Company Shares owned by each of those Target Company's shareholders and (ii) by ensuring the right of the Target Company's shareholders to petition for a determination of the price of shares to the court in the case of the Demand for Share Cash-Out, and the right of the Target Company's shareholders to request the purchase of shares and the right to petition for a determination of the price of shares to the court attached thereto in the case of the Share Consolidation, respectively.

iii. Appropriateness of Transactions Terms and Conditions

Based on the following points, since the Tender Offer Price is deemed to be appropriate and it is ensured that the general shareholders will receive consideration equal to the Tender Offer Price per Target Company Share in the Tender Offeror, regardless of whether they receive consideration through the Tender Offer or the Squeeze-out Procedures, the appropriateness of the terms and conditions of the Transactions, including the Tender Offer, are deemed to be ensured, assuming the appropriateness of the negotiation and the scheme of the Transactions.

(A) Ensuring Negotiations

- Based on the Tender Offer Price initially quoted by ITOCHU (JPY 3,600 per share), by considering the provisional results of the share valuations obtained from Daiwa Securities and Plutus Consulting and the request by the Special Committee to increase the purchase price based on the deliberations and discussions by the Special Committee, and as a result of the multiple negotiations with the ITOCHU while receiving advice from Daiwa Securities and Plutus Consulting, the Target Company and the Special Committee drafted a proposal to increase the purchase price from the ITOCHU on seven occasions and reached a final agreement on the Tender Offer Price (JPY 4,350 per share). With respect to the series of negotiations, the process thereof was shared and explained to the Special Committee by the Target Company or Daiwa Securities in a timely manner at meetings of Special Committee or via e-mail and implemented while the Special Committee confirmed the policies thereof as required. As a result, the final Tender Offer Price has been substantially increased from the price initially quoted by ITOCHU and it has been recognized as the background that the Target Company has entered into negotiations with the intention of effecting the Transactions on terms and conditions as favorable as possible to the general shareholders. Based on the above, it can be inferred that the agreement on the Tender Offer Price for the Transactions was reached as a result of negotiations between the Target Company and ITOCHU based on objective and consistent discussions that are equivalent to those at arm's length, and no circumstances have been found that raise doubts about the transparency and fairness of the agreement process.

(B) Relationship Between Share Valuation and the Tender Offer Price

- The business plan prepared by the Target Company which serves as a basis of the valuation (the "Business Plan") has been prepared on a standalone basis without assuming the implementation of the Transactions as the Target Company's financial forecasts for the period from the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2029, and there are no implications of involvement or influence on the preparation thereof by the Tender Offeror, Etc. or any of their affiliates. Furthermore, although the Target Company has provided certain explanations to the Tender Offeror, Etc. with respect to the Business Plan during its negotiations with the Tender Offeror, Etc., there can be no doubt that the Business Plan was developed or revised under the Tender Offeror, Etc.'s instructions or with their intentions. Based on the foregoing, there were no findings that any pressure by the Tender Offeror, Etc. was exerted in the formulation process of the Business Plan, and there are no facts that suggest the contents thereof are unreasonable predictions.

- No unreasonable points were found with respect to the selection of the corporate value evaluation methods implemented by Daiwa Securities and Plutus Consulting, nor with respect to either the calculation methods or calculation basis thereof. In considering the share value of the Target Company Shares, the Special Committee evaluated that it may rely on both the Valuation Report (Daiwa Securities) prepared by Daiwa Securities and the Valuation Report (Plutus Consulting) prepared by Plutus Consulting.

- Since it is deemed that the Tender Offer Price of JPY 4,350 per share exceeds the upper limit of the calculation range calculated based on the market price method used by both Daiwa Securities and Plutus Consulting and the comparable company comparison method used by Plutus Consulting, is above and within the medium of the range (JPY 4,112) of the results of the DCF Method by Daiwa Securities, and is well below the lower limit of and falls within the calculation range calculated based on the DCF Method used by both Daiwa Securities and Plutus Consulting, it is considered that the Tender Offer Price is at a level not unfavorable to the general shareholders when viewed in comparison to the value of the Target Company Shares calculated by Daiwa Securities and Plutus Consulting.

- In the Transactions, the market share price of the Target Company Shares has traditionally tended to be highly volatile, and it is appropriate to consider the level of the premium in comparison with the share price over a longer period of time in order to exclude the impact of rapid share price fluctuations over a short period of time with respect to the current share price, and a comparison with the share price on the business day preceding the announcement of date of the Tender Offer and over the preceding one-month period alone does not impair the validity of the Tender Offer Price. In addition, given that the Tender Offer Price is at a reasonable premium to the price of the Target Company Shares for the preceding three months and the price of the Target Company's shares for the preceding six months in comparison with tender offer deals for listed subsidiaries and MBO deals for the purpose of going private in which the P/B ratio of the target company is over 2.0 times, the level of the Tender Offer Price is not unreasonable.

(C) Appropriateness of Scheme, Etc.

- The Transactions, in which a tender offer is made in the first step and a demand for share cash-out or share consolidation is made in the second step, are expected. That is a method generally employed for this type of non-public transaction, and a petition for the determination of the sale price to the court or a petition by pricing following the exercise of appraisal rights can be made in any of the procedures in the second step, and the consideration to be received by the shareholders is cash, so the method of the Transactions is desirable in the light of the fact that it is easy to understand the consideration and has high stability and objectivity of the value. It is also more desirable than, in particular, an organizational restructuring such as a share exchange in exchange for shares, etc. in the light of the fact that the Target Company may request to promptly become a wholly owned subsidiary and may secure opportunities and time for general shareholders to make adequate judgments based on sufficient information at the same time. In addition, it has been clarified that in the event of the Demand for Share Cash-Out or the Share Consolidation, the amount of money delivered to the shareholders of the Target Company as consideration will be calculated to become equivalent to the Tender Offer Price multiplied by the number of the Target Company Shares held by each shareholder. Based on the above, it is deemed reasonable to adopt the two-step acquisition method with a tender offer as a method for acquisition and to provide cash for the purchase price.

iv. Summary

As stated above, the Special Committee considers that the Transactions will contribute to enhancing the corporate value of the Target Company and that the purpose of the Transactions is reasonable, that fair procedures have been taken in the Transactions from the perspective of securing the interests of the Target Company's general shareholders, and that the appropriateness of the terms and conditions of the Transactions such as the Tender Offer Price has been ensured. Therefore, it is believed that (i) it is appropriate for the board of the directors of the Target Company to express an opinion to endorse the Tender Offer and recommend that the Target Company's shareholders tender their shares in the Tender Offer at the time of disclosure of the planned commencement of the Tender Offer and (ii) the decisions by the board of directors of the Target Company on the implementation of the Transactions (including expressing an opinion in support of the Tender Offer by the board of directors of the Target Company and recommending that the Target Company's shareholders tender their shares in the Tender Offer) would not be disadvantageous to the general shareholders of the Target Company.

d. The Special Committee's Obtainment of a Share Valuation Report and a Fairness Opinion from an Independent Third-Party Valuation Institution

(i) Name of Valuation Agent and its Relationship with the Target Company and the Tender Offeror

When considering the Inquired Matters, the Special Committee requested Plutus Consulting, its financial advisor as a third-party valuation agent independent from the Target Company and the Tender Offeror, Etc., to calculate the share value of the Target Company Shares and to express an opinion on the fairness to the general shareholders of the Target Company, from a financial perspective, of the terms and conditions of the Transactions. The Special Committee obtained the Valuation Report (Plutus Consulting) and the Fairness Opinion on August 2, 2024.

Plutus Consulting is not a related party of any of the Target Company, the Tender Offeror, or ITOCHU and does not have any material interest in connection with the Transactions needing to be disclosed. Also, renumeration for Plutus Consulting in connection with the Transactions includes only a fixed amount of remuneration, which is payable regardless of whether the Transactions succeed, and no contingency fees, which are payable subject to completion of the Transactions, including the Tender Offer, and other conditions, will be paid.

(ii) Outline of Valuation pertaining to the Target Company Shares

After considering which methods should be applied to calculate the value of the Target Company Shares among various share value calculation methods available, and assuming that the Target Company is a going concern and keeping in mind that it is appropriate to evaluate the value of the Target Company Shares from various perspectives, Plutus Consulting analyzed the value per share of the Target Company Shares using both (i) the market price method in order to take trends of the Target Company's share price in the market into account, (ii) the comparable company comparison method because there are several listed companies that engaged in relatively similar businesses to the Target Company and it is possible to make an analogical inference of the share value of the Target Company Shares by comparing similar companies, and (iii) the DCF Method so as to reflect in the evaluation the current and expected business results of the Target Company. The Special Committee obtained from Plutus Consulting the Valuation Report (Plutus Consulting) on August 2, 2024.

The following are the ranges of values per share of the Target Company Shares that were calculated based on each calculation method mentioned above.

Market price method:	JPY 3,469 – JPY 3,817
Comparable company comparison Method:	JPY 3,244 – JPY 3,394
DCF Method:	JPY 3,594 – JPY 5,353

Under the market price method, using August 2, 2024 as the valuation reference date, the value per share of the Target Company Shares was evaluated to range from JPY 3,469 to JPY 3,817, based on the closing price of the reference date (JPY 3,730), the simple average closing price for the most recent one month (JPY 3,817), the simple average closing price for the most recent three months (JPY 3,567) and the simple average closing price for the most recent six months (JPY 3,469) of the Target Company Shares on the Prime Market of the TSE.

Under the comparable company comparison method, Mizuno Corporation, Goldwin Inc., Yonex Co., Ltd. and FILA Holdings Corp. were selected as comparable listed companies that are considered to be similar to the Target Company, and the value per share of the Target Company Shares was calculated using multiples of EBIT and EBITDA to enterprise value and was evaluated to range from JPY 3,244 to JPY 3,394.

Under the DCF Method, the value per share of the Target Company Shares was evaluated to range from JPY 3,594 to JPY 5,353, after analyzing the enterprise value and the share value of the Target Company calculated by discounting to the current value at a certain discount rate the free cash flow that the Target Company is expected to generate from the fiscal year ending March 31, 2025 based on the Target Company's estimated future earnings and investment plan in the business plan for a period of five fiscal years from the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2029 prepared by the Target Company, publicly disclosed information, and other information. The discount rate used was 9.8% to 13.8%, and the multiple method are adopted for the calculation of continuous value, and the multiple of EBIT to the enterprise value is used to calculated as 8.6-12.9 times the enterprise value.

The business plan used by Plutus Consulting for the analysis by DCF Method does not include fiscal years during which a significant increase or decrease in revenue is expected, but it includes fiscal years during which a significant increase or decrease in free cash flow is expected. Specifically, free cash flow is expected to increase 56.7% from the fiscal year ending March 31, 2026 to the fiscal year ending March 31, 2027 as a result of domestic system investments and the completion of reconstruction work at the Mizusawa Plant. The synergies expected by the Transactions being completed are not reflected in the above evaluation because it is difficult to specifically estimate those synergies at present.

The figures of the Target Company's financial forecasts used as the basis for calculation by the DCF Method are as follows.

(Unit: JPY in million)

	FY ending March 31, 2025	FY ending March 31, 2026	FY ending March 31, 2027	FY ending March 31, 2028	FY ending March 31, 2029
Sales Revenue	133,066	138,904	144,582	150,474	155,711
Operating Profit	8,574	8,971	9,785	11,169	12,258
EBITDA	19,715	22,324	25,184	27,814	29,684
Free Cash Flow	13,113	12,584	19,720	21,939	23,660

In calculating the equity value of the Target Company Shares, Plutus Consulting, in principle, used the information provided by the Target Company and publicly available information as is, and assumed that all such materials and information were accurate and complete, and did not independently verify their accuracy and completeness. In addition, Plutus Consulting has not conducted any independent evaluation or appraisal of the Target Company's assets or liabilities (including off-balance-sheet assets and liabilities and other contingent liabilities), nor have they requested any third-party institution to appraise or assess them. Furthermore, it is assumed that the information regarding the Target Company's financial forecasts has been reasonably prepared based on the best forecasts and judgment of the Target Company's management available at the time of calculation. Plutus Consulting analyzed and reviewed the contents of the Target Company's business plan, which was used as the basis for the calculation, by conducting multiple interviews. In addition, as stated in "c. The Target Company's Establishment of an Independent Special Committee and Obtainment of a Report from the Special Committee" above, the Special Committee has confirmed the rationality of the content, material assumptions, and preparation process of the business plan.

(iii) Outline of the Fairness Opinion

The Special Committee obtained the Fairness Opinion from Plutus Consulting on August 2, 2024, which states that the Tender Offer Price of JPY 4,350 per share is fair to the Target Company's general shareholders from a financial perspective.

(Note 1) The Fairness Opinion expresses the opinion that the Tender Offer Price of JPY 4,350 per share is fair to the Target Company's general shareholders from a financial perspective based on the results of calculation of the value of the Target Company Shares based on the business plan.

The Fairness Opinion was issued by Plutus Consulting based on the result of valuation of the Target Company Shares conducted by Plutus Consulting based on disclosure and explanation by the Target Company on the current situation and outlook of business of the Target Company Group, as well as Q&A sessions with the Target Company pertaining to the outline, background and purpose of the Tender Offer, examination of the Target Company Group's business environment, economy, market, and financial situation, to the extent deemed necessary by Plutus Consulting, and the review procedures of the Fairness Opinion by a review committee independent of the engagement team at Plutus Consulting.

(Note 2) In preparing and submitting the Fairness Opinion and calculating the share value underlying it, Plutus Consulting relied on information that was furnished by, or discussed with, the Target Company and base materials, and publicly available materials, assuming that they were accurate and complete, and that there was no fact that might have a material impact on the analysis and calculation of the share value of the Target Company Shares, which has not been disclosed to Plutus Consulting, and Plutus Consulting has not independently investigated or verified such facts, nor is it obligated to investigate or verify them.

Plutus Consulting has assumed that the Target Company's business outlook and other materials used as the basis for the Fairness Opinion were reasonably prepared by the management of the Target Company based on the best estimates and judgments at that time, and Plutus Consulting does not guarantee their feasibility and expresses no view as to the analysis or forecasts on which preparation is based or the premises on which they are based.

Plutus Consulting did not conduct an independent assessment or valuation of any assets or liabilities (including off-balance sheet assets and liabilities and other contingent liabilities) of the Target Company and its affiliates, including any analysis or evaluation of individual assets and liabilities and did not receive any assessment report or valuation report relating to the foregoing matters, nor did Plutus Consulting assess the creditworthiness of the Target Company and its affiliates.

Plutus Consulting is not an agency specialized in law, accounting, or tax. Therefore, Plutus Consulting expresses no view as to any legal, accounting, or tax issues concerning the Tender Offer, nor has any obligation to do so.

The Fairness Opinion expresses an opinion on the fairness of the Tender Offer Price from a financial point of view for the purpose of the Special Committee's consideration in making its report on the matters entrusted to it by the Target Company. Accordingly, the Fairness Opinion does not state any opinion as to the superiority or inferiority of the Tender Offer to any alternative transaction, the benefits to be derived from the implementation of the Tender Offer, or whether the Tender Offer should be implemented.

The Fairness Opinion states an opinion as of its preparation date regarding whether the Tender Offer Price is fair from a financial perspective to the Target Company's general shareholders based on the financial and capital markets, economic conditions, and other circumstances as of its preparation date, and the information that Plutus Consulting obtained until its preparation date, and the contents of the Fairness Opinion may be influenced by subsequent changes in the situation. However, even in that case, Plutus Consulting has no obligation to modify, change, or supplement the contents of the Fairness Opinion. Furthermore, the Fairness Opinion does not make any inference on or suggest any opinion on any matters other than those expressly stated in it or any matters on and after its submission date of the Fairness Opinion.

Plutus Consulting does not solicit investments in the Target Company or the like and has no authority to do so. The Fairness Opinion only expresses an opinion that the Tender Offer Price is not disadvantageous to the Target Company's general shareholders from a financial perspective and is fair, does not express an opinion or make any recommendation regarding whether the Tender Offer should be implemented or whether the Target Company's shareholders should tender shares or take any action in the Tender Offer, and does not state any opinion to holders of securities issued by the Target Company, creditors or other stakeholders. Therefore, Plutus Consulting assumes no responsibility to any shareholder or third party who relies on this Fairness Opinion.

The Fairness Opinion was provided by Plutus Consulting for use as a basic material for the Target Company's board of directors and the Special Committee to make a decision on the Tender Offer Price, and other persons cannot rely on it.

e. Advice Obtained by the Special Committee from an Independent Law Firm

The Special Committee appointed AMT as its legal advisor independent from the Target Company and the Tender Offeror, Etc. and has obtained legal advice therefrom concerning the discussions and deliberations by the Special Committee with respect to the Inquired Matters. AMT is not a related party of the Target Company, the Tender Offeror, or ITOCHU and does not have any significant interest in relation to the Transactions, including the Tender Offer. Also, the renumeration for AMT will be calculated by multiplying the working hours by an hourly rate regardless of whether the Transactions succeed, and no contingency fees, which are payable subject to completion of the Transactions, will be paid.

f. The Target Company's Establishment of an Independent Examination System

As described in "(ii) Target Company's Decision-Making Process" in "a. Background, Purpose and Decision-Making Process Leading to the Tender Offeror's Decision to Conduct the Tender Offer" of "(2) Background, Purpose and Decision-Making Process Leading to the Tender Offeror's Decision to Conduct the Tender Offer, and Management Policy Following the Tender Offer" above, given that (i) the Tender Offeror, which is a major shareholder and the largest shareholder of the Target Company, is a wholly-owned subsidiary of ITOCHU, and ITOCHU indirectly owns 33,584,300 shares of the Target Company

Shares (Ownership Ratio: 44.44%) through the Tender Offeror and has made the Target Company its equity-method affiliate and (ii) three directors of the Target Company (Mr. Shuichi Koseki, Mr. Masahiro Morofuji, and Mr. Motonari Shimizu) formerly held positions as officers or employees of ITOCHU, in consideration of the fact that the Transactions falls under a transaction that typically involves structural conflict of interests and asymmetry of information, the Target Company internally established a system for deliberations, negotiations, and decisions on the Transactions from a position independent of the Tender Offeror, Etc.

Specifically, after the Target Company received a written proposal from the Tender Offeror on March 5, 2024 to the effect that the Tender Offeror wished to commence discussions on the Transactions with the Target Company, it has established a project team that implements deliberations on the Transactions (including preparation of a business plan that is to be the basis for the valuation of shares of the Target Company) and discussions and negotiations with the Tender Offeror and ITOCHU. The project team only consists of officers and employees of the Target Company who do not concurrently serve as officers and employees of companies of the Tender Offeror Group, and that treatment is continuing.

When establishing the project team, the Target Company resolved at the meeting of its board of directors held on March 28, 2024 that the above three directors, who formerly worked at ITOCHU, will not participate in any deliberations or resolutions by the board of directors of the Target Company or any discussions or negotiations on the Transactions since those directors are considered to have special interests in the Transactions. Mr. Akira Tsuchihashi, a senior managing executive officer of the Target Company, also serves as CFO of the Target Company, is familiar with the quantitative deliberations at the Target Company, and is essential for the formulation of the Target Company’s business plan and the calculation of the Target Company’s corporate value based thereon; therefore, although he has held a position as an officer or employee of ITOCHU in the past, the Target Company resolved at its board of directors meeting dated April 17, 2024 to approve Mr. Tsuchihashi being involved in the preparation of the Target Company’s business plan on the conditions that measures to ensure fairness, such as the establishment of an independent special committee, have been taken, that Mr. Tsuchihashi will not be involved in negotiations with ITOCHU and will only be involved in formulating the business plan necessary for negotiations, that the business plan is separately approved by the Special Committee, that Mr. Tsuchihashi currently has no relationship with ITOCHU, and that there are no other issues in regard to the independence of the deliberation framework for the Transactions internally established by the Target Company (including the scope and duties of the officers and employees of the Target Company involved in deliberating, negotiating, and making decisions regarding the Transactions).

Further, the approval of the Special Committee has been obtained with respect to the internal system established by the Target Company for deliberation on the Transactions (including the scope and duties of the officers and employees of the Target Company involved in deliberations, negotiations, and decisions on the Transactions) after confirming the fact that there is no problem from the perspective of independence and fairness with the system.

g. Advice Obtained by the Target Company from an Independent Law Firm

The Target Company appointed Mori Hamada & Matsumoto as its legal advisor independent from the Target Company and the Tender Offeror, Etc. and obtained legal advice concerning matters such as measures to be taken to ensure the fairness of the procedures in the Transactions, various procedures of the Transactions, the method and process of decision-making, and other matters to be noted in relation to decision-making by the Target Company on the Transactions.

Mori Hamada & Matsumoto is not a related party of the Target Company, the Tender Offeror, or ITOCHU, and does not have any significant interest in relation to the Transactions, including the Tender Offer. Also, the renumeration to Mori Hamada & Matsumoto for Transactions is only based on the time charge method, and does not include contingency fees which are payable subject to completion of the Transactions, and thus it is considered independent from whether the Transactions succeed.

h. Unanimous Approval of All of the Non-Interested Directors and No Dissenting Opinion of All of the Non-Interested Statutory Auditors of the Target Company

The Target Company carefully discussed and deliberated on whether the Transactions will contribute to the improvement of the corporate value of the Target Company and whether the terms and conditions of the Transactions including the Tender Offer Price are appropriate based on (a) legal advice received from Mori Hamada & Matsumoto, (b) advice from a financial perspective from Daiwa Securities, (c) the contents of the Valuation Report (Daiwa Securities), and (d) the Valuation Report (Plutus Consulting) and the Fairness Opinion submitted to the Target Company through the Special Committee, and while respecting to the maximum extent possible the contents of the Report obtained from the Special Committee. Consequently, as stated in "(ii) Target Company's Decision-Making Process" in "a. Background, Purpose and Decision-Making Process Leading to the Decision to Conduct the Tender Offer" in "(2) Background, Purpose and Decision-Making Process Leading to the Decision to Conduct the Tender Offer, and Management Policy Following the Tender Offer" above, the Target Company resolved at the meeting of its board of directors held today that as the current opinion of the Target Company, if the Tender Offer is commenced, it will express an opinion in support of the Tender Offer and recommend that its shareholders tender the Target Company Shares in the Tender Offer.

Of the seven directors of the Target Company, three (Mr. Shuichi Koseki, who is a representative director, Mr. Masahiro Morofuji, who is a director, and Mr. Motonari Shimizu, who is a director), formerly held positions as officers or employees of ITOCHU, so, from the perspective of eliminating the possibility of being affected by any structural conflict of interests, the four directors excluding these three directors deliberated and passed the above resolutions with unanimous approval at the above meeting of the board of directors of the Target Company. Further, all of the auditors who attended the meeting (three auditors (including two outside auditors)) expressed an opinion that they have no objection to the above resolutions. At the Audit & Supervisory Board meeting held on August 3, 2024 prior to the above resolutions, it resolved with the unanimous consent of the auditors present (three auditors (including two outside auditors)) that it has no objection to the Target Company's board of directors resolving that as the current opinion of the Target Company, if the Tender Offer is commenced, it will express an opinion in support of the Tender Offer and recommend that its shareholders tender the Target Company Shares in the Tender Offer.

In the event that the Conditions Precedent are satisfied (or when the Tender Offeror waives the Conditions Precedent) as described above, the Tender Offeror intend to promptly commence the Tender Offer. As of today, the Tender Offeror aims to commence the Tender Offer by around early November 2024; however, since it is difficult to accurately predict the time period required for the procedures and other necessary responses in relation to Chinese competition authority, the details of the schedule of the Tender Offer will be notified as soon as they are determined.

Therefore, at the board of directors meeting referred to above, the Target Company also resolved (a) that when the Tender Offer is commenced, it will request the Special Committee to consider whether or not there has been any change in the opinion expressed by the Special Committee to the Target Company's board of directors on August 5, 2024 and either to report to the Target Company's board of directors that there is no change in the previous opinion or, if there is a change, to express the new opinion thereto and (b) that based on such opinion of the Special Committee, the Target Company's opinion regarding the Tender Offer at the time of commencement of the Tender Offer.

i. Measures to Secure Opportunities for Other Parties to Propose Competing Offers

Although the Tender Offeror has set the Tender Offer Period as 20 business days, the Tender Offeror expects that it will take at least two months from the announcement of the scheduled commencement of the Tender Offer to the actual commencement of the Tender Offer, and therefore believes that the opportunity for the general shareholders of the Target Company to appropriately decide whether to tender their shares in the Tender Offer and for parties other than the Tender Offeror to purchase the Target Company Shares will be ensured. The Tender Offeror, Etc. have not entered into any agreement with the Target Company that would restrict any Competing Acquisition Offerors from contacting the Target Company, such as an agreement containing a transaction protection clause prohibiting the Target Company from contacting the Competing Acquisition Offerors. Thus, in conjunction with the above period until the commencement of the Tender Offer, the Tender Offeror has taken into account the need to ensure the fairness of the Tender Offer by securing opportunities for competing offers.

j. Measures to Ensure that Shareholders of the Target Company Have an Appropriate Opportunity to Decide Whether or Not to Tender Their Shares in the Tender Offer

As described in "(4) Policies for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to So-Called Two-Step Acquisition" below, the Tender Offeror has made it clear that (i) promptly after the completion of the settlement of the Tender Offer, the Tender Offeror plans to request the Target Company to hold an extraordinary meeting of shareholders of the Target Company (the "Extraordinary Shareholders' Meeting"), the agenda items of which will include a Demand for Share Cash-Out or conducting a share consolidation of the Target Company Shares pursuant to the provisions of Article 180 of the Companies Act (the "Share Consolidation"), in proportion to the number of shares to be acquired by the Tender Offeror upon the completion of the Tender Offer and to partially amend the Articles of Incorporation to abolish the stipulation on the number of shares constituting one unit of shares subject to the Share Consolidation becoming effective, and the Tender Offeror will not adopt methods that do not ensure the Target Company's shareholders' appraisal rights or rights to petition for the determination of the price of the Target Company's shares; and (ii) in the event of the Demand for Share Cash-Out or the Share Consolidation, the cash amount to be delivered to the Target Company's shareholders as consideration shall be calculated so as to be equal to the Tender Offer Price multiplied by the number of Target Company Shares held by each such shareholder (excluding the Target Company and the Tender Offeror). Thus, the Tender Offeror has ensured that the shareholders of the Target Company will have an opportunity to make an appropriate decision as to whether or not to tender their shares in the Tender Offer, and that there will be no coercion as a result of the Tender Offer.

(4) Policies for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to So-Called Two-Step Acquisition)

As described in "(1) Overview of the Tender Offer" above, if the Tender Offeror fails to acquire all of the Target Company Shares (excluding the Target Company Shares held by the Tender Offeror and the treasury shares held by the Target Company) through the Tender Offer, the Tender Offeror plans to implement the following Squeeze-Out Procedures after the completion of the Tender Offer:

a. Demand for Share Cash-Out

In the event that the Tender Offeror comes to hold 90% or more of the voting rights of all shareholders of the Target Company as a result of the completion of the Tender Offer and the Tender Offeror becomes a special controlling shareholder as defined in Article 179, Paragraph 1 of the Companies Act, the Tender Offeror plans to demand that all shareholders (excluding the Tender Offeror and the Target Company) of the Target Company (the "Shareholders Subject to Cash-Out") sell all of their Target Company Shares ("Demand for Share Cash-Out") promptly after the completion of the settlement of the Tender Offer in accordance with the provisions of Part II, Chapter 2, Section 4-2 of the Companies Act. With respect to the Demand for Share Cash-Out, the Tender Offeror plans to provide the Shareholders Subject to Cash-Out with a cash amount equal to the Tender Offer Price as consideration for each Target Company Share. In such case, the Tender Offeror will notify the Target Company of such fact and request the Target Company to approve the Demand for Cash-Out. If the Target Company approves the Demand for Share Cash-Out by resolution of its board of directors, the Tender Offeror will acquire all of the Target Company Shares held by the Shareholders Subject to Cash-Out on the acquisition date designated in the Demand for Share Cash-Out, in accordance with the procedures prescribed by the relevant laws and regulations, without the need for the individual approval of Shareholders Subject to Cash-Out. The Tender Offeror plans to deliver to each Shareholder Subject to Cash-Out a cash amount equal to the Tender Offer Price per Target Company Share as consideration for the Target Company Shares held by the Shareholders Subject to Cash-Out. According to the Target Company's Press Release, if the Target Company receives notice from the Tender Offeror that it intends to make the Demand for Share Cash-Out and the matters set forth in each Item of Article 179-2, Paragraph 1 of the Companies Act, the Target Company's board of directors plans to approve the Demand for Share Cash-Out by the Tender Offeror. As a procedure under the Companies Act for the purpose of protecting the rights of general shareholders in connection with the above procedures, it is provided that if a Demand for Share Cash-Out is made, the Shareholders Subject to Cash-Out may file a petition with the court for a determination of the purchase price of the Target Company Shares in accordance with Article 179-8 of the Companies Act and other relevant laws and regulations. The court will make the final determination as to the purchase price of the Target Company Shares in the event that such a petition is filed.

b Share Consolidation

If the total number of voting rights of the Target Company held by the Tender Offeror is less than 90% of the voting rights of all shareholders of the Target Company after the Tender Offer is completed, the Tender Offeror plans to request, promptly after the completion of the settlement of the Tender Offer, that the Target Company conduct the Share Consolidation and hold the Extraordinary Shareholders' Meeting by February 2025. According to the Target Company's Press Release, the Target Company intends to hold the Extraordinary Shareholders' Meeting at the request of the Tender Offeror. In addition, the Tender Offeror will vote in favor of these proposals at the Extraordinary Shareholders' Meeting.

In the event that the proposed Share Consolidation is approved at the Extraordinary Shareholders' Meeting, the shareholders of the Target Company will hold a proportionate number of the Target Company Shares in accordance with the Share Consolidation ratio approved by the Extraordinary Shareholders' Meeting. The shareholders of the Target Company will be paid for the fractional shares that they will be allocated as a result of the Share Consolidation, if any, with the cash to be paid for the sale of the Target Company Shares in a number equivalent to the total number of such fractional shares (any fractions of the total number will be rounded down; the same applies hereinafter) to the Target Company or the Tender Offeror, in accordance with the procedure prescribed in Article 235 of the Companies Act and other relevant laws and regulations. With regard to the sale price of the Target Company Shares corresponding to the total number of such fractional shares, the Tender Offeror plans to request that the Target Company file a motion with the court to permit a voluntary sale, after determining the amount to be paid to the shareholders of the Target Company who do not tender their shares in the Tender Offer (excluding the Tender Offeror and the Target Company) at the price obtained by multiplying the Tender Offer Price by the number of the Target Company Shares held by each such shareholder.

While the ratio of the Share Consolidation has not yet been determined as of the date hereof, the Tender Offeror plans to request that the number of the Target Company Shares to be held by the shareholders of the Target Company who do not tender their shares in the Tender Offer (excluding the Tender Offeror and the Target Company) be less than one share so that only the Tender Offeror will hold all of the Target Company Shares (excluding the treasury shares held by the Target Company) after the Share Consolidation.

The Companies Act has a provision which intends to protect the rights of general shareholders relating to the Share Consolidation. Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations provide that, in the event of the Share Consolidation, if there are any fractional shares resulting from the Share Consolidation, the shareholders of the Target Company who do not tender their shares in the Tender Offer (excluding the Tender Offeror and the Target Company) may demand that the Target Company purchase all of their fractional shares at fair prices and may file a motion with the court to determine the fair price of the Target Company Shares. If such a motion is filed, the purchase price per share will be ultimately determined by the court.

Depending on the relevant matters such as the revisions and enforcement of the relevant laws and regulations and their interpretation by the authorities, the above procedures may require a longer time or there may be changes in the method of implementation. However, even in such cases, if the Tender Offer is completed, the Tender Offeror intends to take a measure to eventually pay cash to shareholders of the Target Company who do not tender their shares in the Tender Offer (excluding the Tender Offeror and the Target Company). In such case, the amount of cash to be paid to the respective shareholders of the Target Company is planned to be equal to the amount calculated by multiplying the Tender Offer Price by the number of the Target Company Shares each shareholder of the Target Company holds. Specific procedures and the schedule thereof in the above cases shall be determined upon consultation between the Tender Offeror and the Target Company and announced by the Target Company as soon as they are determined.

Please note that the Tender Offer is not at all intended to solicit votes or support from the shareholders of the Target Company for the proposals in the Extraordinary Shareholders' Meeting. In addition, the shareholders of the Target Company are advised to consult with their certified tax accountants and other experts on their own responsibility regarding the tax treatment in respect of the Tender Offer or any of the above procedures.

(5) Possibility of Delisting and Reasons Therefor

The Target Company Shares are presently listed on the Prime Market of the TSE as of the date hereof, but the Tender Offeror has not set the maximum number of shares to be purchased through the Tender Offer. Accordingly, depending on the results of the Tender Offer, the Target Company Shares may be delisted after the prescribed procedures are completed, in accordance with the delisting criteria of the TSE. Even if the requirements of the delisting criteria are not met as of the time of completion of the Tender Offer, the Tender Offeror plans to implement the Squeeze-Out Procedures after the completion of the Tender Offer as stated in "(4) Policies for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to So-Called Two-Step Acquisition" above. If such procedures are implemented, the Target Company Shares will be delisted through prescribed procedures in accordance with the delisting criteria of the TSE. The Target Company Shares cannot be traded on the Prime Market of the TSE after they are delisted.

(6) Matters concerning Material Agreements Related to the Tender Offer

N/A

3. Outline of the Purchase, Etc.

(1) Outline of the Target Company

(1) Name		DESCENTE LTD.
(2) Location		Maruito Namba Building 13th Floor, 1-2-3 Minato-machi, Naniwa-ku, Osaka
(3) Name and Title of Representative		Shuichi Koseki, President and Representative Director
(4) Description of Business Activities		Manufacture/sales of sporting goods and articles related thereto
(5) Capital		JPY 3,846 million
(6) Date of Establishment		March 18, 1949
(7) Major Shareholders and Shareholding Percentages (as of March 31, 2024)		BS Investment Corporation 44.46% The Master Trust Bank of Japan, Ltd. (Trust Account) 7.53% Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.) 4.29% Custody Bank of Japan, Ltd. (Trust Account) 2.98% TEIJIN FRONTIER CO., LTD. 2.96% Sumitomo Mitsui Banking Corporation 2.53% The Descente and Ishimoto Memorial Foundation for the Promotion of Sports Science 2.19% MSIP CLIENT SECURITIES (Standing Proxy: Morgan Stanley MUFG Securities Co., Ltd.) 2.01% UBS AG HONG KONG (Standing Proxy: Citibank, N.A., Tokyo Branch) 1.85% DESCENTE KYOUEIKAI 1.00%
(8) Relationship between the Listed Company and the Target Company		
	Capital Relationship	As of today, the Tender Offeror holds 33,584,300 shares of the Target Company Shares (Shareholding Percentage: 44.44%). As of today, ITOCHU, which is the wholly-owning parent company of the Tender Offeror, does not hold any Target Company Shares.
	Personnel Relationship	As of today, three of the seven directors of the Target Company, one executive officer of the Target Company and four employee of the Target Company Group were from ITOCHU. In addition, 14 employees of ITOCHU Group are seconded to the Target Company Group.
	Business Relationship	There are transactions concerning the sales of merchandise, etc., between ITOCHU, which is the wholly-owning parent company of the Tender Offeror, and the Target Company Group.
	Status as Related Party	The Target Company is an affiliate accounted for by the equity method of ITOCHU, the wholly owning parent company of the Tender Offeror.

(Note) "Major Shareholders and Shareholding Percentages (as of March 31, 2024)" is stated based on the "Status of Major Shareholders" in the Securities Report for 67th Fiscal Year, which was filed by the Target Company on June 13, 2024.

(2) Schedule, Etc.

The Tender Offeror intends to promptly commence the Tender Offer when the Conditions Precedent are satisfied (or when the Tender Offeror waives the Conditions Precedent). As of today, the Tender Offeror aims to commence the Tender Offer by around early November 2024; however, since it is difficult to accurately predict the time period required for the procedures and other necessary responses in relation to Chinese competition authority, the specific schedule of the Tender Offer will be notified as soon as they are determined.

The Tender Offer Period is scheduled to be 20 business days. Under the relevant laws and regulations, if the Tender Offer Period is shorter than 30 business days, the Target Company has the right to request the Tender Offeror to extend the Tender Offer Period to 30 business days. However, as described in "c. The Target Company's Establishment of an Independent Special Committee and Obtainment of a Report from the Special Committee" of "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" of "2. Purpose of the Purchase, Etc.," the Special Committee determined that although the Tender Offer Period is set to the statutory minimum period of 20 business days, since it is expected to take at least two months from the announcement of the scheduled commencement of the Tender Offer to the actual commencement of the Tender Offer, the Tender Offeror believes that it has ensured that the general shareholders of the Target Company will have an opportunity to make an appropriate decision as to whether or not to tender their shares in the Tender Offer, and that it has ensured that any Competing Acquisition Offerors have an opportunity to make a competing offer for the Target Company Shares. Therefore, at this stage, the Tender Offeror does not believe that it will receive a request for an extension of the Tender Offer Period from the Target Company.

(3) Price for Purchase, Etc.

JPY 4,350 per share of the Target Company's Common Stock

(4) Background of Calculation of Price for Purchase, Etc.

a. Basis of Calculation

In order to ensure the fairness of the Tender Offer Price, and in determining the Tender Offer Price, the Tender Offeror requested Nomura Securities, the financial advisor of the Tender Offeror, to calculate the value of the Target Company Shares as a third-party valuation institution independent of the Tender Offeror, Etc. and the Target Company.

Nomura Securities considered it appropriate to evaluate the value of the Target Company Shares from multiple perspectives after examining the Target Company's financial situation, trends in the market price of the Target Company Shares and other factors, and considered the calculation method to be adopted in calculating the Target Company Shares from among various share value calculation methods, and carried out the calculation of the value of the Target Company Shares by using the average market price analysis given that the market price of the Target Company Shares exists, the comparable company analysis due to the fact that there exist listed companies comparable to the Target Company and it is possible to analogize the share value of the Target Company Shares by comparable company analysis, and the DCF analysis in order to reflect the future business activities in the valuation. The Tender Offeror received the share valuation report (the "Tender Offeror Share Valuation Report") from Nomura Securities on August 5, 2024. Nomura Securities is not a related party of the Tender Offeror, Etc. or the Target Company and has no material interest in the Tender Offer. The Tender Offeror has not obtained an opinion with regard to the fairness of the Tender Offer Price (a fairness opinion) from Nomura Securities since the Tender Offeror has comprehensively considered the various factors set out in "(Background to the determination of the Tender Offer Price)" in "b. Background of Calculation" below, and believes that the interests of the Target Company's general shareholders have been adequately considered.

The ranges of the values per Target Company Share, which were calculated by each of the above-mentioned analysis methods by Nomura Securities, are as follows:

Average market price analysis: from JPY 3,469 to JPY 3,930

Comparable company analysis: from JPY 3,211 to JPY 3,985

DCF analysis: from JPY 3,589 to JPY 4,607

Under the average market price analysis, using August 2, 2024 as the valuation reference date, the value per share of the Target Company Shares was evaluated to range from JPY 3,469 to JPY 3,930 based on the closing price of the reference date (JPY 3,730), the simple average closing price for the most recent five business days (JPY 3,930), the simple average closing price for the most recent one month (JPY 3,817), the simple average closing price for the most recent three months (JPY 3,567) and the simple average closing price for the most recent six months (JPY 3,469) of the Target Company Shares on the Prime Market of the TSE.

Under the comparable company analysis, the value of the Target Company Shares was evaluated by comparing the market prices and financial indicators showing profitability, etc., of some listed companies engaged in business that is similar to that conducted by the Target Company. This analysis showed that the value per share of the Target Company Shares was in the range from JPY 3,211 to JPY 3,985.

Under the DCF analysis, the value per share of the Target Company Shares was evaluated to range from JPY 3,589 to JPY 4,607, after analyzing and evaluating the enterprise value and the share value of the Target Company calculated by discounting to the current value at a certain discount rate the free cash flow that the Target Company is expected to generate in the future, based on the Target Company's future earnings forecasts for the fiscal years ending March 31, 2025 and thereafter, taking into account various factors, including the Target Company's estimated future earnings and investment plan in the business plan for the five year fiscal period from the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2029, which were obtained from the Target Company (free cash flow was not included in the business plan obtained from the Target Company) and revised and provided by the Tender Offeror, Etc., and the Target Company's recent performance trends and publicly disclosed information. The business plan of the Target Company that was the premise for the DCF analysis does not include any fiscal year in which a significant increase or decrease in profit is expected. In addition, the business plan is not premised on the execution of the Transactions, and the synergies expected from the Transactions being completed are not reflected in the business plan because it would be difficult to specifically estimate those synergies at present.

On August 5, 2024, based on the results of discussions and negotiations with the Target Company, the Tender Offeror finally determined that the Tender Offer Price would be JPY 4,350, comprehensively taking into account: (i) the valuation results of the Target Company Share in the Tender Offeror Share Valuation Report obtained from Nomura Securities; (ii) the result of the due diligence on the Target Company that was carried out during the period from late April 2024 to the middle of July 2024; (iii) whether the board of directors of the Target Company would support the Tender Offer; and (iv) expected levels of tendering in the Tender Offer.

In addition, the Tender Offer Price JPY 4,350 represents (i) a premium of 16.62 % on the closing price of the Target Company Shares of JPY 3,730 on the Prime Market of the TSE on August 2, 2024, which is the business day immediately preceding the day (today) on which the scheduled commencement of the Tender Offer is publicly announced by the Tender Offeror, Etc., (ii) a premium of 13.96 % on the simple average of closing price of JPY 3,817 for the one-month period ending on that day, (iii) a premium of 21.95% on the simple average of closing price of JPY 3,567 for the three-month period ending on that day, and (iv) a premium of 25.40% on the simple average of closing prices of JPY 3,469 for the six-month period ending on that day.

The Tender Offeror acquired some Target Company Shares at the then market share price through in-market purchases during the period from May 2023 to November 2023 (the average purchase price of such acquisition of the Target Company Shares implemented from May 2023 to November 2023 was JPY 3,905), and the Tender Offer Price (JPY 4,350) is JPY 445 higher than the average purchase price for the above acquisition (JPY 3,905). This is because a premium of 16.62% on the closing price of JPY 3,730 on August 2, 2024, the business day immediately preceding August 5, 2024, on which the Tender Offeror, Etc. decided to acquire the Target Company Shares through the Tender Offer is added for the Tender Offer Price, while such closing price was 4.48% lower than the average purchase price for the above acquisition based on the then market price (JPY 3,905).

The Tender Offer Price (JPY 4,350) is JPY 1,550 higher than the tender offer price in the Previous Tender Offer (JPY 2,800). This is due to the fact that the market share price of the Target Company Shares increased after the Previous Tender Offer (the closing price on August 2, 2024, the business day immediately preceding the announcement date (August 5, 2024) of the scheduled commencement of the Tender Offer, was JPY 3,730, while the closing price of the Target Company Shares on January 30, 2019, the business day immediately preceding the announcement date of the Previous Tender Offer, was JPY 1,871), and that the Target Company's business plan and the share valuation results regarding the Target Company Shares based on such plan for the Tender Offer have changed since the Previous Tender Offer.

(Note) In evaluating the value of the Target Company Shares, Nomura Securities assumed that the existing public information and all information provided to Nomura Securities were accurate and complete, and did not independently verify the accuracy and completeness of such information. Nomura Securities did not independently conduct evaluation, appraisal or assessment of the assets or liabilities (including derivative financial instruments, off-balance-sheet assets and liabilities, and other contingent liabilities) of the Target Company or its affiliates, including analysis and evaluation of their individual assets and liabilities, nor did it make any request to a third party institution to perform any valuation for appraisal or assessment of such assets or liabilities. Nomura Securities assumed that the management of Tender Offeror, Etc. reasonably reviewed and revised information regarding the financial forecasts (including profit planning and other information) of the Target Company, which were obtained from the Target Company and revised and provided by the Tender Offeror, Etc., based on the best and sincere estimates and judgments currently available. The calculation by Nomura Securities reflected information and economic conditions obtained by Nomura Securities by August 2, 2024. The sole purpose of Nomura Securities' calculation is to serve as a reference for the Board of Directors of the Tender Offeror in its consideration of the value of the Target Company Shares.

b. Background of Calculation

(Background to the determination of the Tender Offer Price)

As stated in "a. Background, Purpose and Decision-Making Process Leading to the Tender Offeror's Decision to Conduct the Tender Offer" of "(2) Background, Purpose and Decision-Making Process Leading to the Decision to Conduct the Tender Offer, and Management Policy Following the Tender Offer" of "2. Purpose of the Purchase, Etc." above, in February 2024, ITOCHU reached the conclusion that, in order to further enhance the corporate value of the Target Company and ITOCHU, it would be best to establish, by privatizing the Target Company Shares, a structure that enables the Target Company and ITOCHU to align their interests at an even higher level and to utilize each other's management resources promptly and flexibly, and thus commenced an initial review regarding the privatization of the Target Company Shares. On March 5, 2024, ITOCHU notified the Target Company in writing that it had commenced the review regarding the privatization of the Target Company Shares. Subsequently, during the period from late April 2024 to the middle of July of the same year, ITOCHU conducted due diligence on the Target Company for the purpose of examining the feasibility of the Transactions, and, in parallel, based on a multifaceted and comprehensive analysis of the Target Company's businesses, finance, and future plans, held several discussions with the Target Company and the Special Committee regarding the significance and purpose of the Transactions, the synergies effects expected to be created through the Transactions, the management structure and business policies after the Transactions, and industry prospects. ITOCHU has conducted several negotiations with the Target Company regarding the Tender Offer Price since June 17, 2024.

Specifically, ITOCHU comprehensively considered, among others, the information obtained through the due diligence conducted by ITOCHU on the Target Company, the initial analysis of the value of the Target Company Shares conducted by Nomura Securities, the Tender Offeror's financial advisor based on such information, and the initial analysis of the value of the Target Company Shares conducted by ITOCHU based on such information, and, on June 17, 2024, ITOCHU submitted the First Proposal, which included setting the Tender Offer Price at JPY 3,600 (which is the amount obtained by adding up the following premiums: (i) a premium of 7.14% on JPY 3,360, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 5.85% on JPY 3,401, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 5.11% on JPY 3,425, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 3.69% on JPY 3,472, which was the simple average of the closing prices for the past six-month period ending on the same date.). In response, on June 19, 2024, ITOCHU received a request from the Target Company in writing demanding ITOCHU to reconsider the details of the proposal on the grounds that the Tender Offer Price in the First Proposal (JPY 3,600) was far from reflecting the interests of the Target Company's general shareholders, given the initial analysis of the value of the Target Company Shares conducted by the third-party valuation institutions of the Target Company and of the Special Committee.

In response to such request, on June 27, 2024, ITOCHU submitted to the Target Company the Second Proposal, which included setting the Tender Offer Price at JPY 3,800 (which is the amount obtained by adding up the following premiums: (i) a premium of 11.11% on JPY 3,420, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 12.09% on JPY 3,390, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 11.47% on JPY 3,409, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 10.11% on JPY 3,451, which was the simple average of the closing prices for the past six-month period ending on the same date). In response, on June 28, 2024, ITOCHU received a request from the Target Company in writing demanding ITOCHU to reconsider the details of the proposal on the grounds that the Tender Offer Price in the Second Proposal (JPY 3,800) was far from reflecting the interests of the Target Company's general shareholders, even considering again the initial analysis of the value of the Target Company Shares conducted by the third-party valuation institutions of the Target Company and of the Special Committee.

In response to such request, on July 2, 2024, ITOCHU submitted to the Target Company the Third Proposal, which included setting the Tender Offer Price at JPY 3,900 (which is the amount obtained by adding up the following premiums: (i) a premium of 17.12% on JPY 3,330, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 14.57% on JPY 3,404, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 14.50% on JPY 3,406, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 13.31% on JPY 3,442, which was the simple average of the closing prices for the past six-month period ending on the same date). In response, on July 9, 2024, ITOCHU received a request from the Target Company in writing demanding ITOCHU to consider to set the Tender Offer Price at around JPY 4,800 on the grounds that the Tender Offer Price in the Third Proposal (JPY 3,900) was still far from reflecting the interests of the Target Company's general shareholders, given among other reasons, the Target Company's recent business performance, the closing prices of the Target Company Shares of the same date, and the level of premiums in comparable transactions.

In response to such request, on July 11, 2024, ITOCHU informed the Target Company that, based on its belief that the Tender Offer Price should be considered based on the intrinsic value of the Target Company Shares rather than the level of premiums added to the market share price, it would be difficult to set the Tender Offer Price at around JPY 4,800 and also submitted to the Target Company the Fourth Proposal, which included setting the Tender Offer Price at JPY 4,000 (which is the amount obtained by adding up the following premiums: (i) a premium of 6.10% on JPY 3,770, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 16.58% on JPY 3,431, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 16.89% on JPY 3,422, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 16.45% on JPY 3,435, which was the simple average of the closing prices for the past six-month period ending on the same date). In response, on July 12, 2024, ITOCHU received a request from the Target Company in writing demanding ITOCHU to reconsider the details of the proposal on the grounds that the Tender Offer Price in the Fourth Proposal (JPY 4,000) was far from reflecting the interests of the Target Company's general shareholders, even considering, among other reasons, the status regarding the recent stock prices of the Target Company Shares.

In response to such request, on July 16, 2024, ITOCHU submitted to the Target Company the Fifth Proposal, which included setting the Tender Offer Price at JPY 4,050 (which is the amount obtained by adding up the following premiums: (i) a premium of 3.71% on JPY 3,905, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 16.65% on JPY 3,472, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 17.66% on JPY 3,442, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 17.94% on JPY 3,434, which was the simple average of the closing prices for the past six-month period ending on the same date). In response, on July 18, 2024, ITOCHU received a request from the Target Company in writing demanding ITOCHU to reconsider the details of the proposal on the grounds that the Tender Offer Price in the Fifth Proposal (JPY 4,050) was far from reflecting the interests of the Target Company's general shareholders, even considering, among other reasons, the status regarding the recent stock prices of the Target Company Shares.

In response to such request, on July 25, 2024, ITOCHU submitted to the Target Company the Sixth Proposal, which included setting the Tender Offer Price at JPY 4,180 (which is the amount obtained by adding up the following premiums: (i) a premium of 6.36% on JPY 3,930, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 14.36% on JPY 3,655, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 18.72% on JPY 3,521, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 21.34% on JPY 3,445, which was the simple average of the closing prices for the past six-month period ending on the same date). In response, on July 26, 2024, ITOCHU met with Mr. Koichi Yoshioka, the Chairperson of the Special Committee, and Mr. Takeshi Shimada, the director in charge of the negotiations for the Transactions at the Target Company, and was directly and orally requested to consider setting the Tender Offer Price at JPY 4,600. Furthermore, on July 29, 2024, ITOCHU received a request from the Target Company in writing demanding ITOCHU to reconsider the details of the proposal, claiming that it could not accept the Tender Offer Price (JPY 4,180) in the Sixth Proposal because from the standpoint of considering the interests of the Target Company's general shareholders, it had to take into account the market share price of the Target Company and other conditions.

In response to such request, on July 31, 2024, ITOCHU submitted to the Target Company the Seventh Proposal, which included setting the Tender Offer Price at JPY 4,300 (which is the amount obtained by adding up the following premiums: (i) a premium of 8.31% on JPY 3,970, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 14.21% on JPY 3,765, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 21.02% on JPY 3,553, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 24.35% on JPY 3,458, which was the simple average of the closing prices for the past six-month period ending on the same date) as the final proposal. In response, on July 31, 2024, ITOCHU received a request from the Target Company in writing demanding ITOCHU to consider raising the Tender Offer Price at JPY 4,400, a further increase from the final proposal of JPY 4,300, from the standpoint of considering the interests of the Target Company's general shareholders.

In response to such request, on August 1, 2024, although it is difficult to raise the Tender Offer Price further from the Seventh Proposal, based on the strategic importance of the Tender Offer for both the Target Company and ITOCHU and the Target Company's belief that further consideration is necessary for the interests of its general shareholders, ITOCHU submitted to the Target Company the Eighth Proposal, which included a further increase of the Tender Offer Price from the final proposal of JPY 4,300 in the Seventh Proposal, and set the Tender Offer Price at JPY 4,350 (which is the amount obtained by adding up the following premiums: (i) a premium of 9.16% on JPY 3,985, which was the closing price of the Target Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; (ii) a premium of 15.23% on JPY 3,775, which was the simple average of the closing prices for the past one-month period ending on the same date; (iii) a premium of 22.19% on JPY 3,560, which was the simple average of the closing prices for the past three-month period ending on the same date; and (iv) a premium of 25.61% on JPY 3,463, which was the simple average of the closing prices for the past six-month period ending on the same date) again as the final proposal. In response, on August 1, 2024, ITOCHU received a written response from the Target Company to the effect that it accepts the proposal in the Eighth Proposal, subject to a board of directors' resolution on August 5, 2024 approving the expression of an opinion in support of the Tender Offer and the recommendation that the Target Company's shareholders tender their shares in the Tender Offer, and reached an agreement.

Following these discussions and negotiations, ITOCHU today decided to conduct the Tender Offer at the Tender Offer Price of JPY 4,350 to acquire all of the Target Company Shares (excluding the Target

Company Shares held by the Tender Offeror and the treasury shares held by the Target Company) as part of the Transactions, subject to the satisfaction (or waiver by the Tender Offeror) of the Conditions Precedent.

The outline of the Tender Offeror Share Valuation Report and the reasons leading to the determination of the Tender Offer Price based thereon are as follows:

(i) Outline of the Tender Offeror Share Valuation Report
Nomura Securities calculated the value of the Target Company Shares using the average market price analysis, the comparable company analysis and the DCF analysis, and the ranges of the value per Target Company Share calculated based on respective analysis method are as follows:

Average market price analysis: from JPY 3,469 to JPY 3,930
Comparable company analysis: from JPY 3,211 to JPY 3,985
DCF analysis: from JPY 3,589 to JPY 4,607

(ii) Reasons leading to Determination of the Tender Offer Price Based on the Tender Offeror Share Valuation Report
In addition to the result of the calculation of the value of the Target Company Shares stated in the Tender Offeror Share Valuation Report obtained from Nomura Securities, Tender Offeror comprehensively took into consideration factors such as the results of due diligence on the Target Company that was carried out during the period from late April 2024 to the middle of July 2024, whether the board of directors of the Target Company would support the Tender Offer, and the expected levels of tendering in the Tender Offer, as well as the outcome of the discussion and negotiation with the Target Company, and eventually, on August 5, 2024, the Tender Offeror finally determined on the Tender Offer Price of JPY 4,350.

c. Relationship with Valuation Institution
Nomura Securities, a financial advisor and third-party valuation institution of the Tender Offeror, is not a related party to the Tender Offeror, Etc. and the Target Company, and has no material interest in relation to the Transactions, including the Tender Offer.

(5) Number of Share Certificates, Etc., to be Purchased

Class of share certificates, etc.	Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
Common stock	41,982,737 (shares)	16,793,700 (shares)	- (shares)
Total	41,982,737 (shares)	16,793,700 (shares)	- (shares)

(Note 1) If the total number of the Tendered Share Certificates, Etc. does not reach the minimum number of shares to be purchased (i.e., 16,793,700 shares), the Tender Offeror will not purchase any of the Tendered Share Certificates, Etc. If the total number of the Tendered Share Certificates, Etc. is equal to or more than the minimum number of shares to be purchased (i.e., 16,793,700 shares), the Tender Offeror will purchase all of the Tendered Share Certificates, Etc.

(Note 2) Since the maximum number of shares to be purchased is not set in the Tender Offer, the number of shares to be purchased indicates the number of the Target Company Shares, which is the maximum number of share certificates, etc., to be acquired by the Tender Offeror through the

Tender Offer (i.e., 41,982,737 shares). The said maximum number is the number of shares (i.e., 75,567,037 shares), which is obtained by deducting the number of treasury shares held by the Target Company as of June 30, 2024 (i.e., 1,388,839 shares) from the total number of issued shares of the Target Company as of the same date (i.e., 76,924,176 shares), as stated in the Target Company's Quarterly Financial Results, and adding the number of treasury shares disposed of as of July 12, 2024 (i.e., 31,700 shares), as stated in "Notice Concerning the Disposal of Treasury Shares as Restricted Stock Compensation" published by the Target Company on June 13, 2024, less the number of Target Company Shares that the Tender Offeror holds (i.e., 33,584,300 shares).

(Note 3) 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 by 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 4) The Tender Offeror does not intend to acquire, through the Tender Offer, any treasury shares held by the Target Company.

(Note 5) The "number of shares to be purchased" and the "minimum number of shares to be purchased" stated above are tentative figures based on the information available as of today, and the actual figures in the Tender Offer may differ from the above figures due to changes, etc., in the number of treasury shares held by the Target Company on or after the said date. The final "number of shares to be purchased" and "minimum number of shares to be purchased" will be determined prior to the commencement of the Tender Offer, based on the information available at the time of the commencement of the Tender Offer.

(6) Change of Ownership Percentage of Share Certificates, Etc., after the Purchase, Etc.

Number of Voting Rights Represented by Share Certificates, Etc., Owned by Tender Offeror prior to the Tender Offer, Etc.	335,843 units	(Ownership Percentage of Share Certificates, Etc., prior to Tender Offer, Etc. 44.44 %)
Number of Voting Rights Represented by Share Certificates, Etc., Owned by Special Related Parties prior to the Tender Offer, Etc.	890 units	(Ownership Percentage of Share Certificates, Etc., prior to Tender Offer, Etc. 0.12 %)
Number of Voting Rights Represented by Share Certificates, Etc., Owned by Tender Offeror after the Tender Offer, Etc.	755,670 units	(Ownership Percentage of Share Certificates, Etc., after Tender Offer, Etc. 100.00%)
Number of Voting Rights Represented by Share Certificates, Etc., Owned by Special Related Parties after the Tender Offer, Etc.	0 units	(Ownership Percentage of Share Certificates, Etc., after Tender Offer, Etc. 0.00%)
Number of Voting Rights of All Shareholders, Etc. of the Target Company	754,945 units	

(Note 1) The "Number of Voting Rights Represented by Share Certificates, Etc., Owned by Special Related Parties prior to the Tender Offer, Etc." and the "Ownership Percentage of Share Certificates, Etc., prior to Tender Offer, Etc." thereof are stated based on the total numbers of the voting rights represented by the share certificates, etc., held by each of the special related parties (however, among the special related parties, the parties that are excluded from the special related parties, pursuant to Article 3, Paragraph 2, Item 1 of the Cabinet Office Order on Disclosure Required for Tender Offer for Share Certificates, etc. by Persons Other than Issuer (Ministry of Finance Order No. 38 of 1990, as amended), in calculating the ownership percentage of share certificates, etc., pursuant to each of the Items of Article 27-2, Paragraph 1 of the Act, are excluded). Since each of the share certificates, etc., owned by special related parties (excluding treasury shares held by the Target Company) will also be subject to purchase through the Tender Offer, the "Number of Voting Rights Represented by Share Certificates, Etc., Owned by Special Related Parties after the Tender Offer, Etc." is set at 0 units.

(Note 2) The "Number of Voting Rights Represented by Share Certificates, Etc., Owned by Tender Offeror after the Tender Offer, Etc." is indicated as the number of voting rights represented by the number of shares (i.e., 75,567,037 shares), which is obtained by deducting the number of treasury shares held by the Target Company as of June 30, 2024 (i.e., 1,388,839 shares) from the total number of issued shares of the Target Company as of the same date (i.e., 76,924,176 shares), as stated in the Target Company's Quarterly Financial Results, and adding the number of treasury shares disposed of as of July 12, 2024 (i.e., 31,700 shares), as stated in "Notice Concerning the Disposal of Treasury Shares as Restricted Stock Compensation" published by the Target Company on June 13, 2024.

(Note 3) The “Total Number of Voting Rights of All Shareholders, Etc. of the Target Company” represents the total number of voting rights of all shareholders as of March 31, 2024, as described in the Securities Report for the 67th Fiscal Year, which was filed by the Target Company on June 13, 2024. However, as shares constituting less than a unit will also be subject to purchase through the Tender Offer, in calculating the “Ownership Percentage of Share Certificates, Etc., prior to Tender Offer, Etc.” and “Ownership Percentage of Share Certificates, Etc., after Tender Offer, Etc.,” the number of voting rights (i.e., 755,670 units) represented by the number of shares (i.e., 75,567,037 shares), which is obtained by deducting the number of treasury shares held by the Target Company as of June 30, 2024 (i.e., 1,388,839 shares) from the total number of issued shares as of the same date (i.e., 76,924,176 shares), as stated in the Target Company’s Quarterly Financial Results, and adding the number of treasury shares disposed of as of July 12, 2024 (i.e., 31,700 shares), as stated in “Notice Concerning the Disposal of Treasury Shares as Restricted Stock Compensation” published by the Target Company on June 13, 2024, is used as the denominator.

(Note 4) The “Ownership Percentage of Share Certificates, Etc., prior to Tender Offer, Etc.” and the “Ownership Percentage of Share Certificates, Etc., after Tender Offer, Etc.” are rounded to two decimal places.

(7) Purchase Price (Estimated) JPY 182,625 million

(Note) The “Purchase Price (Estimated)” is the amount obtained by multiplying the number of shares to be purchased in the Tender Offer (41,982,737 shares) by the Tender Offer Price (JPY 4,350). The purchase price may vary if the actual number in respect of the number of shares to be purchased in the Tender Offer differs due to any fluctuations after today.

(8) Other Conditions and Methods of the Purchase, Etc.

a. 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., does not reach the minimum number of shares to be purchased (i.e., 16,793,700 shares), the Tender Offeror will not purchase any of the Tendered Share Certificates, Etc. If the total number of the Tendered Share Certificates, Etc. is equal to or more than the minimum number of shares to be purchased (i.e., 16,793,700 shares), the Tender Offeror will purchase all of the Tendered Share Certificates, Etc.

(Note) The minimum number of shares to be purchased is a tentative figure based on the information available as of today, and the actual minimum number of shares to be purchased in the Tender Offer may differ from the above figure due to changes, etc. in the number of treasury shares held by the Target Company on or after the said date. The final minimum number of shares to be purchased will be determined prior to the commencement of the Tender Offer, based on the information available at the time of the commencement of the Tender Offer.

b. Other
The method of settlement of the Tender Offer, the date of public notice of the commencement of the Tender Offer, and other conditions and methods of the purchase, etc. will be announced as soon as they are determined. Nomura Securities will be appointed as the tender offer agent.

4. Policies After the Tender Offer and Future Outlook

With respect to the policies after the Tender Offer, etc., please see "(2)Background, Purpose and Decision-Making Process Leading to the Tender Offeror's Decision to Conduct the Tender Offer, and Management Policy Following the Tender Offer," "(4) Policies for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to So-Called Two-Step Acquisition," and "(5) Possibility of Delisting and Reasons Therefor" of "2. Purpose of the Purchase, Etc." above.

5. Other Information

(1) Agreements between the Tender Offeror and the Target Company or its Officers, and Details Thereof

According to the Target Company's Press Release, the Target Company resolved at the meeting of its board of directors held today that as the current opinion of the Target Company, if the Tender Offer is commenced, it will express an opinion in support of the Tender Offer and recommend that its shareholders tender the Target Company Shares in the Tender Offer. For details of the decision-making process of The Target Company's board of directors, please see "h. Unanimous Approval of All of the Non-Interested Directors and No Dissenting Opinion of All of the Non-Interested Statutory Auditors of the Target Company" of "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" of "2. Purpose of the Purchase, Etc." above.

(2) Other Information Deemed Necessary for Investors to Determine Whether to Tender Their Shares in the Tender Offer

a. Release of "Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2025 (Japanese GAAP)"

The Target Company released the Target Company's Quarterly Financial Results today. The Target Company's profit and loss for the said period based on the announcement is as follows. Please note that the quarterly review by an auditing firm pursuant to Article 193-2, Paragraph 1 of the Act has not been conducted on the details thereof. In addition, the following outline of the announcement is an excerpt from the announcement made by the Target Company and the Tender Offeror has not independently verified the accuracy and truthfulness thereof. Please refer to the announcement itself for the details.

a. Profit and Loss (Consolidated)

Fiscal Period	First Quarter of Fiscal Year Ending March 31, 2025
Net sales	JPY 27,482 million
Operating income	JPY 683 million
Ordinary income	JPY 3,455 million
Quarterly net income attributable to owners of the parent	JPY 2,739 million

b. Per-share Information (Consolidated)

Fiscal Period	First Quarter of Fiscal Year Ending March 31, 2025
Quarterly net income per share	JPY 36.27
Dividends per share	JPY -

b. Release of "Notice Concerning the Revision of Dividend Forecast for the Fiscal Year Ending March, 2025 (No Dividend) and Abolition of Shareholder Benefit Plan"

According to "Notice Concerning the Revision of Dividend Forecast for the Fiscal Year Ending March, 2025 (No Dividend) and Abolition of Shareholder Benefit Plan" published by the Target Company today, the Target Company has resolved at the meeting of its board of directors held on the same date, in light of the fact that the Tender Offer is scheduled to be launched, not to implement a shareholder benefit plan for its shareholders holding one or more units of the Target Company Share as recorded in the shareholders' register as of September 30, 2024, to revise its year-end dividend forecast for the fiscal year ending March 31, 2025 disclosed on May 13, 2024, and not to pay year-end dividends for the fiscal year ending March 31, 2025, and to abolish the shareholder special benefit plan on the condition that the Tender Offer is successfully completed. For details, please see "Notice Concerning Revision of Dividend Forecast (No Dividend) for the Fiscal Year Ending March 31, 2025 and Abolishment of Shareholder Benefit Plan" published by the Target Company today.

(Reference Information)

ITOCHU's outlook of consolidated operating results for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025) (announced on May 8, 2024) and consolidated operating results for the previous fiscal year

	Net profit attributable to ITOCHU	Basic earnings per share attributable to ITOCHU
Outlook of consolidated operating results for the fiscal year ending March 31, 2025	JPY 880,000 million	JPY 614.63
Consolidated operating results for the fiscal year ending March 31, 2024	JPY 801,770 million	JPY 553.00

End

[Solicitation restrictions]

This press release is intended to publicly announce the Tender Offer to the general public and was not prepared for the purpose of soliciting the sale of share certificates and other securities. In applying for the sale of share certificates and other securities, each shareholder is requested to make his/her own judgment to do so, in any event, after reading the Tender Offer Explanatory Statement concerning the Tender Offer. This press release does not fall under or constitute any part of, application or solicitation for the sale of, or solicitation of application for the purchase of, any securities. This press release (or any part thereof) or the fact of its distribution should not be the basis of any agreement concerning the Tender Offer; nor should they be relied upon in entering any agreement.

[Future prospects]

This press release contains the prospects regarding the schedule and conditions of the Tender Offer, as well as the outlook for business development based on the view of the management of the Tender Offeror, Etc. in case of acquiring the Target Company Shares. Actual results may differ materially from these projections due to a number of factors.

[Regulations of the United States]

The Tender Offer is not and will not be made, directly or indirectly, in or to the U.S., or by using the U.S. postal service or any other means or instruments of interstate or foreign commerce (including, but not limited to, telephone, telex, facsimile, e-mail, and internet communication), or through any facilities of a securities exchange in the U.S. No one can tender shares in the Tender Offer by any means or instruments above, or through any facility above, or from the U.S. In addition, the press releases regarding the Tender Offer or any related documents are not and may not be sent or delivered by the postal service or any other means in, to, or from the U.S. Any tender of shares in the Tender Offer that directly or indirectly breaches any of the restrictions above may not be accepted.

No solicitation for the purchase of securities or their equivalents may be made to residents of the U.S. or in the U.S., and no securities or their equivalents may be sent to the Tender Offeror, Etc. from residents of the U.S. or from the U.S.

[Other countries]

In some countries or regions, the release, publication or distribution of this press release might be legally limited or restricted. In such countries and regions, care should be taken with respect to those limits and regulations, and such national and local regulations adhered to. In such cases, the release or distribution of this press release shall not be deemed as soliciting the application or sale of share certificates and other securities related to the Tender Offer, but for information only.