

## DESCENTE



September 30, 2024

Company Name: DESCENTE LTD.  
Representative Name: President and Representative Director:  
Shuichi Koseki  
(Code Number: 8114 Prime Market of Tokyo Stock Exchange)  
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### **Notice Concerning the Opinion in Support 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**

As announced in the press release dated August 5, 2024 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” (the “**August 5, 2024 Company Press Release**”), DESCENTE LTD. (the “**Company**”) resolved at the meeting of its board of directors held on August 5, 2024 that, as the opinion of the Company as of that time, if the tender offer (the “**Tender Offer**”) for the common shares of the Company (the “**Company Shares**”) by BS Investment Co., Ltd. (Head office: located at Minato-ku, Tokyo; Representative Director: Takayoshi Tsuji) (the “**Tender Offeror**” or “**BS Investment**”), which is a wholly-owned subsidiary of ITOCHU Corporation (“**ITOCHU**”; the Tender Offeror and ITOCHU are hereinafter collectively referred to as the “**Tender Offerors**”) were to be commenced, the Company would express an opinion in support of the Tender Offer and recommend that its shareholders tender the Company Shares in the Tender Offer.

According to “Announcement of Commencement of Tender Offer for Shares in DESCENTE LTD. (Code No. 8114)” announced by the Tender Offerors dated today, given that the necessary procedures and actions under the competition laws of Japan and China have been completed, the Tender Offeror (i) confirmed today that all of the Conditions Precedent (as defined in “A. Outline of the Tender Offer” in “(2) Grounds and Reasons for the Opinion” in “3. Details of and Grounds and Reasons for the Opinion on the Tender Offer” below) have been satisfied, and (ii) decided on the same day to commence the Tender Offer on October 1, 2024. There are no changes to the details and conditions of the Tender Offer from those stated in the press release dated August 5, 2024 titled “Announcement of Scheduled Commencement of Tender Offer for Shares in DESCENTE LTD. (Code No. 8114)” (the “**August 5, 2024 ITOCHU Press Release**”), announced by ITOCHU, the wholly-owning parent company of the Tender Offeror.

Accordingly, the Company hereby announces that it has considered the Tender Offer again, and

as a result, resolved at the meeting of its board of directors held today to express an opinion in support of the Tender Offer and recommend that its shareholders tender the Company Shares in the Tender Offer.

The resolutions at each of the abovementioned meetings of the board of directors held on August 5, 2024 and today have been adopted based on the assumption that the Tender Offeror intends to privatize the Company Shares and that the Company Shares will be delisted through the Tender Offer and a series of subsequent procedures.

## 1. Overview of the Tender Offeror

(1) Name	BS Investment Co., Ltd.
(2) Location	2-5-1, Kita-Aoyama, Minato-ku, Tokyo
(3) Name and title of representative	Takayoshi Tsuji, Representative Director
(4) Description of business	<ol style="list-style-type: none"> <li>Investments and loans for companies engaged in the business of manufacturing and selling, etc. textile products and holding companies of such companies</li> <li>Surveys, research, and consulting relating to the business of manufacturing and selling, etc. textile products</li> <li>All functions incidental to 1 and 2 above</li> </ol>
(5) Capital	100,000,000 yen (as of September 30, 2024)
(6) Date of incorporation	January 9, 2019
(7) Major shareholders and shareholding ratios (as of September 30, 2024)	<div>ITOCHU Corporation</div> <div>100.00%</div>
(8) Relationship between the Company and the Tender Offeror	
Capital relationship	As of today, the Tender Offeror holds 33,584,300 Company Shares (Ownership Ratio (Note 1): 44.44%) and has thereby made the Company its equity-method affiliate. ITOCHU is the wholly-owning parent company of the Tender Offeror.
Personnel relationship	There is no personnel relationship to be stated between the Company and the Tender Offeror. As of today, three of the seven directors of the Company and one executive officer and four employees of the Company Group (meaning the Company, its consolidated subsidiaries, and its affiliates; the same applies below), are from ITOCHU. Additionally, 14 employees of the ITOCHU Group (as defined below) have been seconded to the Company Group.

Business relationship	There is no business relationship to be stated between the Company and the Tender Offeror. DESCENTE JAPAN LTD., a wholly-owned subsidiary of the Company, purchases products from ITOCHU.
Status as related party	The Tender Offeror is a major shareholder and the largest shareholder of the Company, holding 33,584,300 Company Shares (Ownership Ratio: 44.44%) and has made the Company its equity-method affiliate, and it is therefore a related party of the Company.

(Note 1) “**Ownership Ratio**” means the percentage (rounded up or down to the nearest two decimal places) of shares held by a shareholder to the number of shares (75,567,037 shares) obtained by deducting the number of shares of treasury stock held by the Company as of June 30, 2024 (1,388,839 shares) from the total number of issued shares of the Company as of June 30, 2024 (76,924,176 shares) stated in the “Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2025 (Japanese GAAP)” released on August 5, 2024 by the Company (the “**Company’s Quarterly Financial Results**”) and adding to the number of shares of treasury stock disposed on July 12, 2024 (31,700 shares) stated in the “Notice Concerning the Disposal of Treasury Shares as Restricted Stock Compensation” released on June 13, 2024. The same applies for all ownership ratios stated hereinafter.

## 2. Tender Offer Price

4,350 yen per share of common stock

## 3. Details of and Grounds and Reasons for the Opinion on the Tender Offer

### (1) Details of the Opinion

The Company resolved at the meeting of its board of directors held on August 5, 2024 that, as the opinion of the Company as of that time, if the Tender Offer is commenced, the Company will express an opinion in support of the Tender Offer and recommend that its shareholders tender the Company Shares in the Tender Offer based on the grounds and reasons stated in “(2) Grounds and Reasons for the Opinion” below.

When making the aforementioned resolution, the Company also resolved (a) that when the Tender Offer is commenced, the Company would request the special committee established by the Company’s board of directors in connection with 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 Company’s board of directors on August 5, 2024 and either to report to the Company’s board of directors that there had been no change in the previous opinion or, if there had been any change, to express the new opinion thereto and (b) that based on such opinion of the Special Committee, the Company would once again express its opinion regarding the Tender Offer at the time of commencement of the Tender Offer. Subsequently, ITOCHU informed the Company on August 29, 2024 that it was expected that the clearances required under the competition laws of Japan and China would be obtained in late September, 2024,

respectively, and therefore ITOCHU was intending to commence the Tender Offer on October 1, 2024. Accordingly, the Company commenced preparations to once again consider the terms and conditions of the Tender Offer. Following that, the Company requested the Special Committee to consider whether or not there had been any change in the opinion stated in the report the Company obtained from the Special Committee on August 5, 2024 (the “**August 5, 2024 Report**”) and either to report to the Company’s board of directors that there had been no change in the previous opinion or, if there had been any change, to express the new opinion thereto. Subsequently, on September 19, 2024, the Company was informed by ITOCHU that the procedures and actions required pursuant to the competition laws of Japan and China had been completed, and therefore, ITOCHU was intending to commence the Tender Offer on October 1, 2024, subject to the satisfaction of the Conditions Precedent. In response to such information, the Special Committee confirmed the facts regarding whether any change in circumstances, material event had occurred that might affect the Transaction (as defined in “A. Outline of the Tender Offer” in “(2) Grounds and Reasons for the Opinion” below) after August 5, 2024 and considered the requested matters stated above. As a result, the Special Committee confirmed that there had been no circumstances that would require a change to the content of the August 5, 2024 Report, and on September 30, 2024, submitted to the Company’s board of directors a report stating that there had been no change in the previous opinion (the “**September 30, 2024 Report**”; for an outline of the August 5, 2024 Report and the September 30, 2024 Report and the specific details of the Special Committee’s activities, please refer to “C. Establishment of an Independent Special Committee by the Company and Obtainment of a Report from the Special Committee” in “(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below).

In addition, while respecting to the maximum extent possible the contents of the September 30, 2024 Report submitted by the Special Committee, the Company again carefully considered the terms and conditions of the Tender Offer based on the Company’s business conditions and the environment surrounding the Transaction and determined that there were no factors as of today that would require a change in the opinion regarding the Tender Offer as of August 5, 2024.

Based on the above, the Company resolved, with unanimous approval at the meeting of its board of directors held today by all of the Company’s directors (of the total of seven directors, the four directors excluding Mr. Shuichi Koseki, Mr. Masahiro Morofuji, and Mr. Motonari Shimizu), to the effect that the Company will once again express its opinion in support of the Tender Offer and recommend that its shareholders tender their Company Shares in the Tender Offer.

The resolutions at each of the abovementioned meetings of the board of directors held on August 5, 2024 and today were adopted by the method stated in “H. Approval of All Disinterested Directors of the Company and Opinion of All Disinterested Auditors That They Had No Objection” in “(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below.

## **(2) Grounds and Reasons for the Opinion**

### **A. Outline of the Tender Offer**

The Company has received the following explanations from the Tender Offeror regarding

the outline 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 Company Shares (Ownership Ratio: 44.44%) listed on the Prime Market of the Tokyo Stock Exchange, Inc. (“TSE”). As of today, ITOCHU does not hold any Company Shares.

As announced by ITOCHU, the wholly-owning parent company of the Tender Offeror, in the August 5, 2024 ITOCHU Press Release, on August 5, 2024, the Tender Offeror decided to implement the Tender Offer at a purchase price per Company Share at 4,350 yen (the “**Tender Offer Price**”) in order to acquire all of the Company Shares (excluding the Company Shares held by the Tender Offeror and the treasury shares held by the Company) as part of a series of transactions aimed at making the Tender Offeror the sole shareholder of the Company and privatizing the Company Shares (the “**Transaction**”), subject to the satisfaction (or waiver by the Tender Offeror) of the conditions precedent set forth in a. to g. below (the “**Conditions Precedent**”) and aimed to commence the Tender Offer by around early November 2024:

- a. The clearances required under the competition laws necessary for executing the Transaction have been obtained (Note 1);
- b. The meeting of the board of directors of the Company has resolved to express an opinion in support of the Tender Offer and recommend that its shareholders tender the Company Shares in 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 that reviewed the Transaction has provided an affirmative opinion to the meeting of the board of directors of the Company concerning the support of the Tender Offer, the recommendation to the shareholders of the Company to tender the Company Shares in the Tender Offer and the execution of the Transaction, 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 Transaction violates any laws and regulations, etc., and no petition, lawsuit or proceeding seeking to restrict or prohibit any of the Transaction 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 Transaction 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 Company that have not been made public (Article 166, Paragraph 4 of the Act) by the Company;
- f. No material changes have occurred in the business or property of the 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 Transaction.

(Note 1) 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.

Given that the necessary procedures and actions under the competition laws of Japan and China have been completed, today, the Tender Offeror confirmed that all of the Conditions Precedent have been satisfied, and decided to commence the Tender Offer on October 1, 2024. There are no changes to the details and conditions of the Tender Offer from those stated in the August 5, 2024 ITOCHU Press Release.

Since the Tender Offeror intends to make the Tender Offeror the sole shareholder of the 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 (Ownership Ratio: 22.22 %). If the total number of shares tendered in the Tender Offer (the "Tendered Shares") 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 Shares. Conversely, since the Tender Offeror intends to acquire all of the Company Shares (excluding the Company Shares held by the Tender Offeror and the treasury shares held by the Company) through the Tender Offer, there is no maximum number of shares to be purchased, and if the total number of Tendered Shares meets or exceeds the minimum number of shares to be purchased (16,793,700 shares), the Tender Offeror will purchase all of the Tendered Shares.

In order to ensure that the total number of voting rights of the 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 Company, the minimum number of shares to be purchased (16,793,700 shares) is: the product of (i) the number of voting rights (16,793,700 voting rights), which is obtained by subtracting (x) the number of voting rights (335,843 voting rights) represented by the 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 Company's voting rights (755,670 voting rights) by two-thirds (2/3), and (ii) the share unit of the Company (100). The number of the 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 Company as of June 30, 2024 (76,924,176 shares), which total is stated in the Company's Quarterly Financial Results; (b) is the number of treasury shares held by the 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 Company on June 13, 2024. The reason for setting such a minimum number of shares to be purchased is that the Transaction are intended to make the Tender Offeror the sole shareholder of the Company and to privatize the Company Shares, and, in the case where the Tender Offer is successfully completed but the Tender Offeror is unable to acquire all of the Company Shares (excluding the Company Shares held by the Tender Offeror and the

treasury shares held by the Company) through the Tender Offer, and consequently the Tender Offeror implements the procedures for consolidation of the Company Shares stated in “(5) Policy for Reorganization After the Tender Offer (Matters Concerning the 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; hereinafter the same shall apply) 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 Company after the Tender Offer for the purpose of the special resolution.

In the case where the Tender Offer is successfully completed but the Tender Offeror is unable to acquire all of the Company Shares (excluding the Company Shares held by the Tender Offeror and the treasury shares held by the 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 Company (the “Squeeze-Out Procedure”) after the completion of the Tender Offer. (Please refer to “(5) Policy for Reorganization After the Tender Offer (Matters Concerning the So-Called “Two-Step Acquisition”)” below. As of today, the Company Shares are listed on the Prime Market of the TSE, but as stated in “(4) Prospects of and Reasons for Delisting” below, the Company Shares might be delisted through designated procedures depending on the results of the Tender Offer. Additionally, if the procedures stated in “(5) Policy for Reorganization After the Tender Offer (Matters Concerning the So-Called “Two-Step Acquisition”)” below are implemented after the successful completion of the Tender Offer, the Company Shares will be delisted through designated procedures.

## **B. Background, Purpose, and Decision-Making Process Leading to the Decision by the Tender Offeror 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 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 Metal & Minerals Company, the Energy & Chemicals Company, the Food Company, the General Products & Realty Company, the ICT & Financial Business Company and The 8th Company (Note 1) (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**” means 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”** means 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.

As of June 30, 2024, the Company constituted a corporate group consisting of the Company, 11 consolidated subsidiaries, and seven affiliates (excluding the Tender Offerors), and the Company Group conducted its business activities mainly relate to the manufacture and sale of sportswear and related products. Under the 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 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 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 Company Shares were listed on the First Section of the TSE. Subsequently, the 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 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 Company Shares were transferred from the First Section to the Prime Market of the TSE.

Under the Company’s medium-term management plan formulated in May 2021, D-Summit 2023, the 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 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 Company formulated and announced its new medium-term management plan, D-Summit 2026 (the **“Company’s Medium-Term Management Plan”**) on May 13, 2024.

Under the Company’s Medium-Term Management Plan, the 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 Company Group thereby aims to achieve sustainable growth through active investment. An outline of the strategies under the 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 Company will work to concentrate the expansion of the direct-to-consumer (DTC) (Note 3) business in the Descente brand and aim to achieve an 80% DTC ratio for that brand. In South Korea, the 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 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 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 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 Company established a new human resources strategy slogan expressing the core requirements of the human resources necessary for the growth of the Company Group. Moving forward, the 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 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**” means the transformation of business models and organizations through digital technology.

(Note 5) “**ERP**” means a system for centrally managing a company's management resources and improving operational efficiency.

### 3. Implementing sustainable business

The 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**” means a greenhouse gas that is a causative agent of global warming.

Since ITOCHU’s equity participation in the Company in 1971, ITOCHU has deepened its relationship with the Company by strengthening the equity relationship, specifically, by becoming the largest shareholder in the 1980s, and by becoming a major shareholder of the Company when ITOCHU held 8,768,000 Company Shares (representing 11.55 % (rounded to two decimal places; hereinafter, the same shall apply 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 Company and ITOCHU and acquired further Company Shares through both market and off-market transactions, bringing the number of 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 Company became an affiliate of ITOCHU under the equity method.

Additionally, ITOCHU acquired 2,750,000 Company Shares through both market and off-market transactions up to November 2009, and thereafter, purchased additional Company Shares, including the acquisition of 1,168,000 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 Company Shares (representing 25.67% of the total voting rights of all shareholders as of the end of March 2010).

Furthermore, ITOCHU purchased additional Company Shares from July 2018 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 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 strengthening the capital relationship between the ITOCHU Group and the Company, and building a cooperative relationship between the ITOCHU Group and the Company to hold constructive discussions on the Company’s growth strategy and measures, through reforming the Company’s management structure and restructuring the existing corporate governance to make it sound for further enhancement of the Company’s corporate value. For the details of the Previous Tender Offer, please refer to “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 Company Shares on March 22, 2019, bringing the total number of the 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 Company’s management structure was reformed with the approval of the Company’s shareholders at the ordinary general meeting of shareholders. Subsequently, ITOCHU reviewed the Company’s business policies with the 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 Company. Accordingly, ITOCHU rebuilt the Japanese business of the 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 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 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 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 Company’s business regions. In March 2020, with respect to the 22,954,300 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 Company Shares. Subsequently, BS Investment acquired the 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 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 Company’s shareholders, employees and business partners, etc., by increasing the number of employees from the ITOCHU Group employed to the Company Group and also increasing the number of employees seconded from the ITOCHU Group to the 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 Company. As of today, eight employees from the ITOCHU Group are currently

employed by the Company Group, and 14 employees have been seconded from the ITOCHU Group to the Company Group.

According to ITOCHU, since the completion of the Previous Tender Offer, it has become the norm for the Company to make requests to the ITOCHU Group for staffing. ITOCHU recognizes that for further growth and development of the Company, it is necessary to deepen cooperation between the 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 Company each exist as independent listed companies and, based on the current capital structure of the Company, more than half of the value and profits generated by the Company belong to shareholders other than ITOCHU, there is a possibility that the costs and returns associated with investment in the 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 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 Company has not been able to respond to the market at the speed at which its competing companies grow since ITOCHU and the Company have taken a very cautious approach to transactions and information sharing, etc. between them given that the current situation where the 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 Company's general shareholders and ITOCHU.

ITOCHU believes that the size of the Japanese domestic market for apparel 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, ITOCHU believes that 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 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) (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.

(Note 7) “**SX**” means 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.

ITOCHU recognizes that the 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 Company Shares from the perspective of maintaining the uniqueness of the Company, comprehensively taking into account the 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 Company after the Previous Tender Offer, ITOCHU has concluded that if the 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 Company Group's "commitment to craftsmanship (*monozukuri*)" in Japan, Korea, China, and other regions. ITOCHU also recognizes that the 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 Company is essential in the event of unforeseen circumstances, and that both companies must work closely together to make careful preparations.

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 Company Share, to increase ITOCHU's involvement in the Company's management, which is limited under the current capital relationship with the Company as described above, and to further strengthen the cooperation between the Company Group and the ITOCHU Group under the circumstances where general shareholders' request for short-term profit improvement is vetoed disregarded,, and that this was the best option for the sustained improvement of the corporate value of the Company. After the privatization of the Company, the Tender Offeror will be the sole shareholder of the 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 Company's general shareholders and ITOCHU, and (ii) proactively implement measures for collaboration between the 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 Company belongs to general shareholders of the Company.

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

Specifically, while the Transaction are not expected to cause any disadvantage or adverse effect to the ITOCHU Group or the Company Group, ITOCHU believes that by making the Company a wholly-owned subsidiary of ITOCHU through the Transaction 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 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 Company provides highly functional, high-quality, and well-designed sports items mainly in Japan, Korea, and China, and ITOCHU further recognizes that the 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 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 Company.

While continuing to take advantage of the 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 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 Company as described above, to strengthen the Company's brand management capabilities, especially in Japan, as the brand's home country, and by enhancing collaboration among the regions in which the Company operates in the stages of brand marketing, product planning and development, and respective

production.

(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 31, 2013 to March 31, 2016, and the rapid growth of DESCENTE CHINA HOLDING LTD. (“DCH”), which was established in July 2016, the 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 Company. However, ITOCHU’s investment of management resources, including the sharing of such global business experience and connections with the Company, is subject to certain constraints, due to the fact that a part of any increase in the Company’s profits would belong to the Company’s general shareholders. After the privatization of the Company Shares through the Transaction, by more actively investing ITOCHU’s management resources in the Company, ITOCHU will be able to further utilize its global business experience and connections in the Company, and ITOCHU will not only strengthen collaboration between the Company’s business regions, but also implement flexible and agile measures to contribute to the further growth of the 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 Transaction and the 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 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 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 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 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 31, 2020. On the other hand, the Company's medium-term management plan sets forth a policy of operating businesses in Japan, Korea, and China +  $\alpha$ , and, after the Transaction, ITOCHU will accelerate the 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 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 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 Company, given the presence of general shareholders, the Company is inevitably restricted to utilize the comprehensive capabilities of the ITOCHU Group. By achieving a state in which the Company can maximize the utilization of ITOCHU's functions through the Transaction, ITOCHU believes that the creation of new commercial channels, customer experiences, and businesses can be accelerated, as described below.

a. ITOCHU will enhance the Company's competitiveness by utilizing the



ITOCHU Group's value chain (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 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.

(Note 8) “**Value chain**” means 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.

- b. ITOCHU will leverage its value chain in the footwear business to enhance the Company's competitiveness. ITOCHU will utilize its existing expertise in planning, development, supply chain management and sales, and will promote the strengthening of the 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 Company to utilize ITOCHU's supply chain and to gain access to a wide variety of factories, especially in Japan, the Company will make consumers more strongly aware of the value of the product by utilizing ITOCHU's expertise in VMD (visual merchandising) (Note 9) to improve customer experience and enhance sales capabilities. Furthermore, the 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 Company to diversify its earnings which are currently heavily weighted on the side of apparel.

(Note 9) “**VMD** (visual merchandising)” means creating a sales floor that appeals to customers' visual senses in stores.

- 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 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 Company’s strength, to increase the value of the brands held by the Company and generate new revenue by providing high-quality customer experiences through the development and provision of digital tools and hands-on event management, with a focus on sports in general.

In the case if the Transaction are successfully completed, the Company Shares will be delisted, and, as general disadvantages associated with delisting, the 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 600,435 million yen (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 Company would have any impact upon its ability to procure funds. In addition, since (i) the relationship of trust between the 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 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 Transaction and that it would not outweigh the advantages of the prospected increase of the 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 Company and ITOCHU, it would be best to establish, by privatizing the Company Shares, a structure that enables the 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 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 Offerors and the Company, and Nagashima Ohno & Tsunematsu as its legal advisor, and established a structure for discussions and negotiations regarding the privatization of the Company Shares. On March 5, 2024, ITOCHU notified the Company in writing that it had commenced the review regarding the privatization of the 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 Company for the purpose of examining the feasibility of the Transaction, and, in parallel, based on a multifaceted and comprehensive

analysis of the Company's businesses, finances, and future plans, held several discussions with the Company and the Special Committee regarding the significance and purpose of the Transaction, the synergies expected to be created through the Transaction, the management structure and business policies after the Transaction, and industry prospects. Specifically, on April 19, 2024, ITOCHU received written questions from the Company and the Special Committee regarding the significance and purpose of the Transaction 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 Company and the Special Committee mainly regarding the future vision of the Company after the Transaction, and in response, at a meeting of the Special Committee held on May 27, 2024 above, ITOCHU provided the Company and the Special Committee with its responses to the additional questions and explained the significance and purpose of the Transaction as considered by ITOCHU once again, and held a Q&A session with the Company and the Special Committee regarding these matters. In addition, ITOCHU received additional questions from the Company and the Special Committee mainly regarding the future vision of the Company after the Transaction based on the ITOCHU's explanations and Q&A session regarding the significance and purpose of the Transaction at the meeting of the Special Committee held on May 27, 2024, for the purpose of further understanding the correlation between the significance and purpose of the Transaction 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 Company and the Special Committee with its responses to the additional questions and explained the significance and purpose of the Transaction as considered by ITOCHU once again, and then held another Q&A session with the Company and the Special Committee regarding these matters.

In addition, ITOCHU has conducted several negotiations with the 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 Company, the initial analysis of the value of the 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 Company Shares conducted by ITOCHU based on such information, and, on June 17, 2024, ITOCHU submitted a proposal regarding the Transaction (the **"Initial Proposal"**), which included setting the Tender Offer Price at 3,600 yen (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 rates of the premiums and discounts (%)) on 3,360 yen, which was the closing price of the 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 3,401 yen (rounded to the nearest 1 yen; 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 3,425 yen, 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 3,472 yen, 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 Company in writing demanding ITOCHU to reconsider the details of the proposal on the grounds that the Tender Offer Price in the First Proposal (3,600 yen) was far from reflecting the interests of the Company's general shareholders,

given the initial analysis of the value of the Company Shares conducted by the third-party valuation institutions of the Company and of the Special Committee.

In response to such request, on June 27, 2024, ITOCHU submitted to the Company a proposal (the “**Second Proposal**”) regarding the Transaction, which included setting the Tender Offer Price at 3,800 yen (which is the amount obtained by adding up the following premiums: (i) a premium of 11.11% on 3,420 yen, which was the closing price of the 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 3,390 yen, 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 3,409 yen, 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 3,451 yen, 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 Company in writing demanding ITOCHU to reconsider the details of the proposal on the grounds that the Tender Offer Price in the Second Proposal (3,800 yen) was far from reflecting the interests of the Company’s general shareholders, even after reexamining the initial analysis of the value of the Company Shares conducted by the third-party valuation institutions of the Company and of the Special Committee.

In response to such request, on July 2, 2024, ITOCHU submitted to the Company a proposal (the “**Third Proposal**”) regarding the Transaction, which included setting the Tender Offer Price at 3,900 yen (which is the amount obtained by adding up the following premiums: (i) a premium of 17.12% on 3,330 yen, which was the closing price of the 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 3,404 yen, 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 3,406 yen, 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 3,442 yen, 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 Company in writing demanding ITOCHU to consider setting the Tender Offer Price at around 4,800 yen on the grounds that the Tender Offer Price in the Third Proposal (3,900 yen) was still far from reflecting the interests of the Company’s general shareholders, given among other reasons, the Company’s recent business performance, the closing price of the 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 Company that, based on its belief that the Tender Offer Price should be considered based on the intrinsic value of the 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 4,800 yen and also submitted to the Company a proposal (the “**Fourth Proposal**”) regarding the Transaction, which included setting the Tender Offer Price at 4,000 yen (which is the amount obtained by adding up the following premiums: (i) a premium of 6.10% on 3,770 yen, which was the closing price of the 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 3,431 yen, 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 3,422 yen, 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 3,435 yen, 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 Company in writing demanding ITOCHU to reconsider the details of the proposal on the grounds that the Tender Offer Price in the Fourth Proposal (4,000 yen) was far from reflecting the interests of the Company's general shareholders, even considering, among other reasons, the status regarding the recent stock prices of the Company Shares.

In response to such request, on July 16, 2024, ITOCHU submitted to the Company a proposal (the **"Fifth Proposal"**) regarding the Transaction, which included setting the Tender Offer Price at 4,050 yen (which is the amount obtained by adding up the following premiums: (i) a premium of 3.71% on 3,905 yen, which was the closing price of the 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 3,472 yen, 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 3,442 yen, 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 3,434 yen, 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 Company in writing demanding ITOCHU to reconsider the details of the proposal on the grounds that the Tender Offer Price in the Fifth Proposal (4,050 yen) was far from reflecting the interests of the Company's general shareholders, even considering, among other reasons, the status of the recent stock prices of the Company Shares.

In response to such request, on July 25, 2024, ITOCHU submitted to the Company a proposal (the **"Sixth Proposal"**) regarding the Transaction, which included setting the Tender Offer Price at 4,180 yen (which is the amount obtained by adding up the following premiums: (i) a premium of 6.36% on 3,930 yen, which was the closing price of the 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 3,655 yen, 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 3,521 yen, 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 3,445 yen, 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 Transaction at the Company, and was directly and orally requested to consider setting the Tender Offer Price at 4,600 yen. Furthermore, on July 29, 2024, ITOCHU received a request from the Company in writing demanding ITOCHU to reconsider the details of the proposal, claiming that it could not accept the Tender Offer Price (4,180 yen) in the Sixth Proposal because from the standpoint of considering the interests of the Company's general shareholders, it had to take into account the market share price of the Company and other conditions.

In response to such request, on July 31, 2024, ITOCHU submitted to the Company a proposal (the **"Seventh Proposal"**) regarding the Transaction, which included setting the Tender Offer Price at 4,300 yen (which is the amount obtained by adding up the following premiums: (i) a premium of 8.31% on 3,970 yen, which was the closing price of the 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 3,765 yen, 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 3,553 yen, 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 3,458 yen, 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 Company in writing demanding ITOCHU to consider raising the Tender Offer Price at 4,400 yen, a further increase from the final proposal of 4,300 yen, from the standpoint of considering the interests of the 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 Company and ITOCHU and the Company's belief that further consideration is necessary for the interests of its general shareholders, ITOCHU submitted to the Company a proposal (the “**Eighth Proposal**”) regarding the Transaction, which included setting the Tender Offer Price at 4,350 yen (which is the amount obtained by adding up the following premiums: (i) a premium of 9.16% on 3,985 yen, which was the closing price of the 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 3,775 yen, 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 3,560 yen, 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 3,463 yen, 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 Company to the effect that it accepts the proposal in the Eighth Proposal, subject to the resolution of the 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 Company's shareholders tender their shares in the Tender Offer, and reached an agreement.

Following these discussions and negotiations, ITOCHU decided on August 5, 2024 to conduct the Tender Offer at the Tender Offer Price of 4,350 yen to acquire all of the Company Shares (excluding the Company Shares held by the Tender Offeror and the treasury shares held by the Company) as part of the Transaction, subject to the satisfaction (or waiver by the Tender Offeror) of the Conditions Precedent.

Subsequently, on August 29, 2024, ITOCHU notified the Target Company that ITOCHU was intending to commence the Tender Offer on October 1, 2024 because ITOCHU was expecting to obtain the clearances required under the competition laws of Japan and China in late September 2024. On September 19, 2024, ITOCHU notified the Target Company that ITOCHU was intending to commence the Tender Offer on October 1, 2024 on the assumption that the Conditions Precedent would be satisfied, because the necessary procedures and actions under the competition laws of Japan and China had been completed.

As described in “(1) Outline of the Tender Offer” above, today, 2024, the Tender Offeror confirmed that all of the Conditions Precedent have been satisfied, and decided to commence the Tender Offer on October 1, 2024.

In the process of confirming whether the Conditions Precedent have been satisfied, the Tender Offeror determined that there have been no material changes in the Target Company's

business conditions or the environment surrounding the Transactions and there have been no events that have had a material impact on the corporate value of the Target Company, since the publication of the Press Release Dated August 5, 2024 and as of today, and therefore, the Tender Offeror decided not to change the Tender Offer Price, which was decided on August 5, 2024.

## **C. Decision-Making Process by the Company's Board of Directors**

### **(i) Establishment of a Deliberation Framework**

The Company received a written proposal from ITOCHU on March 5, 2024 stating that ITOCHU wished to begin discussions with the Company regarding the Transaction. In response, given that the Tender Offeror, which is a major shareholder and the largest shareholder of the Company, is a wholly-owned subsidiary of ITOCHU, that ITOCHU indirectly holds 33,584,300 Company Shares (Ownership Ratio: 44.44%) through the Tender Offeror and has made the Company its equity-method affiliate, and that three of the 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 Transaction constitutes a transaction that typically involves issues of structural conflicts of interest and information asymmetry, and in consideration thereof, the Company promptly established a framework for deliberating and negotiating the Transaction from a standpoint independent from the Tender Offerors in order to ensure the fairness of the entire process of negotiating and making decisions regarding whether to implement the Transaction and the reasonableness of the transaction terms and conditions.

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

At the same time, taking into consideration legal advice received from Mori Hamada & Matsumoto, the Company resolved that when internally deliberating, negotiating, and making decisions regarding the Transaction, as three directors who have held positions at ITOCHU in the past stated above may have special interests in the Transaction, they would not be allowed to participate in any way in discussions and resolutions by the Company's board of directors or to participate in any way in deliberations and negotiations regarding the Transaction. Mr. Akira Tsuchihashi, a senior managing executive officer of the Company, also serves as CFO of the Company, is familiar with the quantitative deliberations at the Company, and is essential for the formulation of the Company's business plan and the calculation of the Company's corporate value based thereon; therefore, although he has held a position as an officer or employee of ITOCHU in the past, the Company resolved by its board of directors dated April 17, 2024 to approve Mr. Tsuchihashi being involved in the formulation of the 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 Transaction internally established by the Company (including the scope and duties of the officers and employees of the Company involved in deliberating, negotiating, and making decisions regarding the Transaction).

Furthermore, by a resolution at the meeting of its board of directors held on March 28, 2024 stated above, the Company established the Special Committee, which consists of three members, namely Mr. Koichi Yoshioka (an independent outside auditor of the Company (currently an outside director of the Company)), Mr. Akira Matsumoto (an independent outside auditor of the Company), and Ms. Yasuyo Kasahara (an independent outside director of the Company), for the purposes of (a) deliberating whether or not the Company's board of directors should approve the Transaction (including whether or not the Company's board of directors should support the Tender Offer and recommend that the Company's shareholders tender their shares therein) and making a recommendation in regard thereto to the Company's board of directors and (b) deliberating whether or not the Company's board of directors deciding to implement the Transaction (including the Company's board of directors expressing an opinion in support of the Tender Offer and recommending that the Company's shareholders tender their shares therein) is detrimental to the Company's general shareholders and expressing an opinion in regard thereto to the 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. Establishment of an Independent Special Committee by the Company and Obtainment of a Report from the Special Committee" in "(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below.)

As stated in "(D) Obtainment by the Special Committee of a Share Valuation Report and a Fairness Opinion from an Independent Third-Party Valuation Agent" and "(E) Advice Obtained by the Special Committee from an Independent Law Firm" in "(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures 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 Company's financial advisor and third-party valuation agent and of Mori Hamada & Matsumoto as the 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 Company, also serves as CFO of the Company, is familiar with the quantitative deliberations at the Company, and is essential for the formulation of the Company's business plan and the calculation of the Company's corporate value based thereon; therefore, 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 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 Transaction internally established by the Company (including the scope and duties of the officers and employees of the Company involved in deliberating, negotiating, and making decisions regarding the Transaction). Furthermore, when the Company prepared the business plan for the Transaction, the Special Committee received explanations from the 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.

(ii) 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 Company received proposals from ITOCHU regarding the terms and conditions of the Transaction, including the Tender Offer Price, the Company has carefully deliberated on whether to implement the Transaction 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 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 Transaction, from Mori Hamada & Matsumoto.

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

At the same time as the above deliberations, the Company engaged in continual discussions and negotiations with ITOCHU regarding the terms and conditions of the Transaction, 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 Company, the initial analysis of the value of the 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 Company Shares conducted by ITOCHU on the basis of such information, the Company received the First Proposal regarding the Transaction from ITOCHU that included setting the Tender Offer Price in the Tender Offer at 3,600 yen (which is the amount obtained by adding up each of the following premiums: a premium of 7.14% on 3,360 yen, which was the closing price of the Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; a premium of 5.85% on 3,401 yen (rounded to the nearest 1 yen; hereinafter the same shall apply 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; a premium of 5.11% on 3,425 yen, which was the simple average of the closing prices for the past three-month period ending on the same date; and a premium of 3.69% on 3,472 yen, 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 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 Company and the Special Committee regarding the value of the Company Shares, the proposed price (3,600 yen) could not possibly be said to give due consideration to the interests of the Company's general shareholders.

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

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

In response to such request, on July 11, 2024, the 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 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 4,800 yen and also received the Fourth Proposal from ITOCHU regarding the Transaction, which included setting the Tender Offer Price at 4,000 yen (which is the amount obtained by adding up each of the following premiums: a premium of 6.10% on 3,770 yen, which was the closing price of the Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; a premium of 16.58% on 3,431 yen, which was the simple average of the closing prices for the past one-month period ending on the same date; a premium of 16.89% on 3,422 yen, which was the simple average of the closing prices for the past three-month period ending on the same date; and a premium of 16.45% on 3,435 yen, 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 Company requested ITOCHU to reconsider the details of the proposal on the grounds that the Tender Offer Price in the Fourth Proposal (4,000 yen) was far from reflecting the interests of the Company's general shareholders, even considering, among other reasons, the status regarding the recent stock prices of the Company Shares.

In response to such request, on July 16, 2024, the Company received the Fifth Proposal regarding the Transaction, which included setting the Tender Offer Price at 4,050 yen (which is the amount obtained by adding up each of the following premiums: a premium of 3.71% on 3,905 yen, which was the closing price of the Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; a premium of 16.65% on 3,472 yen, which was the simple average of the closing prices for the past

one-month period ending on the same date; a premium of 17.66% on 3,442 yen, which was the simple average of the closing prices for the past three-month period ending on the same date; and a premium of 17.94% on 3,434 yen, 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 Company requested ITOCHU to reconsider the details of the proposal on the grounds that the Tender Offer Price in the Fifth Proposal (4,050 yen) was far from reflecting the interests of the Company's general shareholders, even considering, among other reasons, the status of the recent stock prices of the Company Shares.

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

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

of the Tender Offer Price to 4,300 yen from the final proposal in the Seventh Proposal, and set the Tender Offer Price at 4,350 yen (which is the amount obtained by adding up each of the following premiums: a premium of 9.16% on 3,985 yen, which was the closing price of the Company Shares on the Prime Market of the TSE on the business day immediately preceding the same date; a premium of 15.23% on 3,775 yen, which was the simple average of the closing prices for the past one-month period ending on the same date; a premium of 22.19% on 3,560 yen, which was the simple average of the closing prices for the past three-month period ending on the same date; and a premium of 25.61% on 3,463 yen, 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 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 Company Shares by the third-party valuation agent, the level of the Company Shares price, and other factors, the Tender Offer Price secures the benefits to be enjoyed by the Company's general shareholders and provides an opportunity to sell the Company's shares under reasonable terms and conditions, subject to the resolution of the 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 Company's shareholders tender their shares in the Tender Offer, and reached an agreement.

Subsequently, ITOCHU informed the Company on August 29, 2024 that ITOCHU was intending to commence the Tender Offer on October 1, 2024 because it was expected that the clearances required under the competition laws of Japan and China in late September, 2024. Subsequently, on September 19, 2024, the Company was informed by ITOCHU was intending to commence the Tender Offer on October 1, 2024 on the assumption that the Conditions Precedent would be satisfied, because the necessary procedures and actions under the competition laws of Japan and China had been completed.

### (iii) Decisions

Based on the above background, at the meeting of the board of directors of the Company held on August 5, 2024, the Company carefully discussed and deliberated whether the Transaction would contribute to enhancing the corporate value of the Company and whether the terms and conditions of the Transaction, including the Tender Offer Price, are reasonable while giving maximum respect to the details of the August 5, 2024 Report obtained 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 Company Shares obtained on August 2, 2024 from Daiwa Securities (the “**Valuation Report (Daiwa Securities)**”), and the valuation report regarding the value of the Company Shares (the “**Valuation Report (Plutus Consulting)**”) and the fairness opinion stating that the Tender Offer Price of 4,350 yen per share is fair to the general shareholders of the Company from a financial perspective (the “**Fairness Opinion**”) obtained on August 2, 2024 by the Special Committee from Plutus Consulting.

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

Since the Previous Tender Offer, ITOCHU and the 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 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 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 Company), due to which the amount of profit attributed by the 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 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 Company is an equity-method affiliate of ITOCHU through the Tender Offeror and has maintained its listing, the 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 Company's production as well as changes in consumer behavior and changes in the environment in which people can participate in sports, and the Company recognizes that these issues may directly impact the business strategies and finances of the Company. The 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 Company is over 50%, and although the 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 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 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 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 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 Company recognizes that expanding into markets other than Japan, South Korea, and China, where the 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 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 Company believes that becoming a wholly-owned subsidiary of ITOCHU through the Transaction will lead to strengthening the 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 Company believes that these benefits can be achieved by privatizing the Company's Shares through the Transaction and thereby eliminating obstacles that impede close cooperation between the ITOCHU Group and the 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 Company's Medium-Term Management Plan and will aid in overcoming the increasingly severe business environment detailed above, thereby contributing to the Company's sustainable growth and the enhancement of its corporate value over the medium to long term. In particular, the 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 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 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 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 as Descente, its corporate brand, and to have thereby built a

strong business foundation, and the Company believes that by becoming a wholly-owned subsidiary of ITOCHU through the Transaction, ITOCHU's management resources, including its name value as one of the leading general trading companies in Japan, will strongly aid the Company in creating added value and thereby achieving sustainable growth moving forward. Therefore, the Company expects that no generally particular concerns relating to privatization such as those above will arise. As stated in “(ii) Background of Deliberation and Negotiation” above, the Company has considered points that should be better understood, including the significance and purpose of the Transaction, in the course of discussions with ITOCHU, through Q&A sessions with ITOCHU, and has therefore not individually considered concerns specific to the Transaction or dis-synergies.

Furthermore, the 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 the ITOCHU through the Transaction.

- (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 Company's overseas business, the 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 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 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 Company's employees to deepen their knowledge of overseas business.

Furthermore, the 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 Company's business and a high degree of expertise but are also able to excel overseas, which the Company expects will contribute to the effective utilization of existing personnel and the continual growth of the 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 Company, the 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 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 Company's existing businesses, thereby contributing to employee-driven innovations and product development based on a flexible way of thinking. In addition, the 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 Company intends to raise the standard of skills of the Company's personnel responsible for its corporate functions and thereby strengthen the Company's management foundations.

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

As stated in "B. Background, Purpose, and Decision-Making Process Leading to the Decision by the Tender Offeror 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 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 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 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 Company believes it will also be possible to promote the acquisition of new customer segments and measures to increase brand value.

The 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 Company's Medium-Term Management Plan, as well as improving the product development and realization capabilities that the Company has achieved thus far by creating products that meet the demands of top

athletes for apparel functionality, which is one of the Company's strengths.

In addition, within the category of sporting goods, apparel has been the main focus of the Company's business up to the present, but the 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 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 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 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 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 Company's product lineup and increase sales while maintaining and improving the Company's brand value.

(c) Strengthening collaboration with companies in the ITOCHU Group

By becoming part of the ITOCHU Group through the Transaction and sharing a wider range of information and other resources without being hindered by issues concerning conflicts of interest, the 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 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 Company, and the 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 Company wants to deepen collaboration with companies in the ITOCHU Group and engage in planning and product development across brands. Additionally, the 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 Company's growth strategies and enhance its corporate value and that as part of a single group led by ITOCHU, the 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 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 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 1) 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 Company’s own initiatives, the 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 Company’s Medium-Term Management Plan by integrating the Company’s business flow into the framework of the circular economy advocated under the RENU Project and promoting production that uses recycled materials.

(Note 1)     **“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 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 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 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 the ITOCHU through the Transaction, 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 Company's DTC business by promoting DX

The 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 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 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 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 Company recognizes that promoting DX in response to increasing digital needs is essential in order to achieve further growth in the DTC business. The 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 Company Shares, the Company wants to utilize the above knowledge and technological capabilities to work together as a group to resolve the DX issues that the Company cannot resolve independently. Additionally, the Company wants to accelerate measures to expand its DTC business while searching for possibilities for the 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 Transaction, 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 Company Shares by the third-party valuation agent, the submission of the August 5, 2024 Report by the Special Committee and the level of the price of the Company Shares stated in (a) to (e) below, the Company has determined that the Tender Offer Price (4,350 yen) secures the interests that should be enjoyed by the general shareholders of the Company and provides the shareholders of the Company with an opportunity to sell their shares under reasonable terms and conditions.

- (a) As stated in “(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below, it is deemed that sufficient measures to ensure the fairness of the terms and conditions of the Transaction, 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 3,600 yen, the initial offer price proposed by ITOCHU, based on earnest and continual negotiations conducted on multiple occasions with ITOCHU after the Company took the measures stated in (a) above and with the substantial involvement of the Special Committee independent from the Company and the Tender Offerors.
- (c) As stated in “C. Establishment of an Independent Special Committee by the Company and Obtainment of a Report from the Special Committee” in “(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below, in the August 5, 2024 Report obtained from the Special Committee independent from the Company and the Tender Offerors, the Special Committee determined that the appropriateness of the terms and conditions of the Transaction, including the Tender Offer Price, has been ensured.
- (d) Of the results of the calculation of the value of the Company Shares by Daiwa Securities stated in “B. Obtainment by the Company of a Share Valuation Report from an Independent Third-Party Valuation Agent” in “(3) Matters Related to the Valuation” 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 method (the “**DCF Method**”).
- (e) The Tender Offer Price represents (i) a premium of 16.62% on 3,730 yen, the closing price of the 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, (ii) a premium of 13.96% on 3,817 yen, 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 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 4,480 yen on November 21, 2023, subsequently declined to 3,085 yen on February 15, 2024, soared briefly to 3,640 yen on March 18, 2024, fell to 3,030 yen on April 17, 2024, and then soared again to 3,810 yen on May 13 of the same year, but soon thereafter settled in the 3,200 to 3,300 yen range. With regard to the current price of the 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 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

Company Shares continued to rise since the closing price of 3,430 yen on the day before the said announcement (the average closing price for the period of one month back from that day was 3,396 yen), leading to the above share price trend. The Company believes that the market share price of the Company Shares since July 9, 2024 has been influenced by speculative buying in anticipation of a turnaround in the 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 Company on August 5, 2024 (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 Company Shares). Therefore, the 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 a premium of 21.95% on 3,567 yen, the simple average closing price for the preceding three-month period (from May 7, 2024 to August 2, 2024) and a premium of 25.40% on 3,469 yen, 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 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 Company believes that the Tender Offer Price is at a reasonable premium level from the Company's share price for the preceding three months and for the preceding six months.

Based on the above, at the Company's meeting of its board of directors held on August 5, 2024, the Company resolved that, as the opinion of the Company as of that time, if the Tender Offer were to be commenced, the Company would express an opinion in support of the Tender Offer and recommend that its shareholders tender the Company Shares in the Tender Offer .

At the board of directors meeting referred to above, the 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 Company's board of directors on August 5, 2024 and either to report to the 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 Company will express its opinion again regarding the Tender Offer at the time of commencement of the Tender Offer.

Subsequently, ITOCHU informed the Company on August 29, 2024 that it was expected that the clearances required under the competition laws of Japan and China would be obtained in late September, 2024, respectively, and therefore ITOCHU was intending to commence the Tender Offer on October 1, 2024. Accordingly, the Company commenced preparations to once again consider the terms and conditions of the Tender Offer. On September 19, 2024, the Company requested the Special Committee to consider whether or not there had been any change in the opinion stated in the August 5, 2024 Report and either to report to the Company's board of directors that there had been no change in the previous opinion or, if there had been any change, to express the new opinion thereto. Subsequently, on September 30, 2024, the Company was informed by ITOCHU that the procedures and actions required pursuant to the competition laws of Japan and China had been completed, and therefore, ITOCHU was intending to commence the Tender Offer on October 1, 2024, subject to the satisfaction of the Conditions Precedent. In response to such information, the Special Committee confirmed the facts regarding whether any change in circumstances, material event had occurred that might affect the Transaction after August 5, 2024 and considered the requested matters stated above. As a result, the Special Committee confirmed that there had been no circumstances that would require a change to the content of the August 5, 2024 Report, and on September 30, 2024, submitted to the Company's board of directors the September 30, 2024 Report.

In addition, while respecting to the maximum extent possible the contents of the September 30, 2024 Report submitted by the Special Committee, the Company again carefully considered the terms and conditions of the Tender Offer based on the Company's business conditions and the environment surrounding the Transaction and determined that there were no factors as of today that would require a change in the opinion regarding the Tender Offer as of August 5, 2024.

Based on the above, the Company resolved, with unanimous approval at the meeting of its board of directors held today by all of the Company's directors (of the total of seven directors, the four directors excluding Mr. Shuichi Koseki, Mr. Masahiro Morofuji, and Mr. Motonari Shimizu), to the effect that the Company will once again express its opinion in support of the Tender Offer and recommend that its shareholders tender their Company Shares in the Tender Offer.

For the details of the method of the resolutions at each of the abovementioned meetings of the Company's board of directors held on August 5, 2024 and today, please refer to "H. Approval of All Disinterested Directors of the Company and Opinion of All Disinterested Auditors That They Had No Objection" in "(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest."

#### **D. Management Policy After the Tender Offer**

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

With respect to the employees of the 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 Company after the completion of the Tender Offer, while basically maintaining and respecting the autonomy of the Company’s management, the Tender Offerors plan to determine the details of the Company’s management policy upon discussion with the Company after the completion of the Tender Offer.

### **(3) Matters Related to the Valuation**

#### **A. Obtainment by the Tender Offeror of a Share Valuation Report from an Independent Third-Party Valuation Agent**

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 Company Shares as a third-party valuation institution independent of the Tender Offerors and the Company.

Nomura Securities considered it appropriate to evaluate the value of the Company Shares from multiple perspectives after examining the Company’s financial situation, trends in the market price of the Company Shares and other factors, and considered the calculation method to be adopted in calculating the Company Shares from among various share value calculation methods, and carried out the calculation of the value of the Company Shares by using the average market price analysis given that the market price of the Company Shares exists, the comparable company analysis due to the fact that there exist listed companies comparable to the Company and it is possible to analogize the share value of the Company Shares by comparable company analysis, and the DCF Method 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 Offerors the 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 stated in “B. Background, Purpose, and Decision-Making Process Leading to the Decision by the Tender Offeror to Conduct the Tender Offer,” in “(2) Grounds and Reasons for the Opinion” above, and believes that the interests of the Company’s general shareholders have been adequately considered. For



details of the Tender Offeror Share Valuation Report, please refer to “A. Obtainment by the Tender Offeror of a Share Valuation Report from an Independent Third-Party Valuation Agent” in “(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below.

**B. Obtainment by the Company of a Share Valuation Report from an Independent Third-Party Valuation Agent**

**(i) Name of Valuation Agent and its Relationship with the 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 Company requested Daiwa Securities, as its financial advisor and third-party valuation agent independent from the Company and the Tender Offerors, to calculate the share value of the 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 Company, the Tender Offeror, or ITOCHU and does not have any material interest in connection with the Tender Offer. Further, since the Company and the Tender Offeror have implemented measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest, as stated in “(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below, the 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 Transaction includes contingency fees to be paid subject to conditions such as the completion of the Transaction, but the 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 Company Shares**

After considering which methods should be applied to calculate the value of the Company Shares among various share value calculation methods available, and assuming that the Company is a going concern and keeping in mind that it is appropriate to evaluate the value of the Company Shares from various perspectives, Daiwa Securities analyzed the value per share of the Company Shares using both (i) the market price method in order to take trends of the 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 Company. The 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 Company Shares that were calculated based on each calculation method mentioned above.

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

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

Under the DCF Method, the value per share of the Company Shares was evaluated to range from 3,373 yen to 4,851 yen, after analyzing the enterprise value and the share value of the Company calculated by discounting to the current value at a certain discount rate the free cash flow that the Company is expected to generate from the fiscal year ending March 31, 2025 based on the 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 Company, publicly disclosed information, and other information. The discount rate used was 8.17% to 10.17% for the Descente 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 Descente 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 (13,345 million yen for the fiscal year ending March 31, 2026, 62.2% increase from the previous year; 20,702 million yen 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 Transaction being completed are not reflected in the above evaluation because it is difficult to specifically estimate those synergies at present.

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

(Unit: million yen)

	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

The Company's board of directors believes that, even taking into consideration the circumstances since the meeting of the board of directors held on August 5, 2024 until today, there has been no significant change in the assumptions affecting the Valuation Report (Daiwa Securities) and that, based on the advice received from Daiwa Securities and Mori Hamada & Matsumoto, the Valuation Report (Daiwa Securities) remains valid.

### **C. Obtainment by the Special Committee of a Share Valuation Report and a Fairness Opinion from an Independent Third-Party Valuation Agent**

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

When considering the Inquired Matters (as defined in “(i) Process of the Establishment of the Special Committee” in “C. Establishment of an Independent Special Committee by the Company and Obtainment of a Report from the Special Committee” in “(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest”), the Special Committee requested Plutus Consulting, its financial advisor as a third-party valuation agent independent from the Company and the Tender Offerors, to calculate the share value of the Company Shares and to express an opinion on the fairness to the general shareholders of the Company, from a financial perspective, of the terms and conditions of the Transaction. 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 Company, the Tender Offeror, or ITOCHU and does not have any material interest in connection with the Transaction needing to be disclosed. Also, remuneration for Plutus Consulting in connection with the Transaction includes only a fixed amount of remuneration, which is payable regardless of whether the Transaction succeeds, and no contingency fees, which are payable subject to completion of the Transaction, including the Tender Offer, and other conditions, will be paid.

#### **(ii) Outline of Valuation pertaining to the Company Shares**

After considering which methods should be applied to calculate the value of the Company Shares among various share value calculation methods available, and assuming that the Company is a going concern and keeping in mind that it is appropriate to evaluate the value of the Company Shares from various perspectives, Plutus Consulting analyzed the value per share of the Company Shares using both (i) the market price method in order to take trends of the 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 Company and it is possible to make an analogical inference of the share value of the 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 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 Company Shares that were calculated based on each calculation method mentioned above.

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

Under the market price method, using August 2, 2024 as the valuation reference date, the value per share of the Company Shares was evaluated to range from 3,469 yen to 3,817 yen, based on the closing price of the reference date (3,730 yen), the simple average closing price for the most recent one month (3,817 yen), the simple average closing price for the most recent three months (3,567 yen) and the simple average closing price for the most recent six months (3,469 yen) of the 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 Company, and the value per share of the Company Shares was calculated using multiples of EBIT and EBITDA to enterprise value and was evaluated to range from 3,244 yen to 3,394 yen.

Under the DCF Method, the value per share of the Company Shares was evaluated to range from 3,594 yen to 5,353 yen, after analyzing the enterprise value and the share value of the Company calculated by discounting to the current value at a certain discount rate the free cash flow that the Company is expected to generate from the fiscal year ending March 31, 2025 based on the 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 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 Transaction being completed are not reflected in the above evaluation because it is difficult to specifically estimate those synergies at present. The figures of the Company's financial forecasts used as the basis for calculation by the DCF Method are as follows.

(Unit: million yen)

	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 Company Shares, Plutus Consulting, in principle, used the information provided by the 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 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 Company's financial forecasts has been reasonably prepared based on the best forecasts and judgment of the Company's management available at the time of calculation. Plutus Consulting analyzed and reviewed the contents of the Company's business plan, which was used as the basis for the calculation, by conducting multiple interviews. In addition, as stated in "C. Establishment of an Independent Special Committee by the Company and Obtainment of a Report from the Special Committee" in "(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below, 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 4,350 yen per share is fair to the Company's general shareholders from a financial perspective (Note). The Fairness Opinion expresses the opinion that the Tender Offer Price of 4,350 yen per share is fair to the Company's general shareholders from a financial perspective based on the results

of calculation of the value of the Company Shares based on the business plan.

The Fairness Opinion was issued by Plutus Consulting based on the result of valuation of the Company Shares conducted by Plutus Consulting based on disclosure and explanation by the Company on the current situation and outlook of business of the Company Group, as well as Q&A sessions with the Company pertaining to the outline, background and purpose of the Tender Offer, examination of the 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) 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 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 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 Company's business outlook and other materials used as the basis for the Fairness Opinion were reasonably prepared by the management of the 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 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 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 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 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 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 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 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 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 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.

The Special Committee believes that, even taking into consideration the circumstances since the date of the submission of the August 5, 2024 Report until today, there has been no significant change in the assumptions affecting the Valuation Report (Plutus Consulting) or the Fairness Opinion and that, based on the advice received from Plutus Consulting and AMT, the Valuation Report (Plutus Consulting) and the Fairness Opinion remain valid.

#### **(4) Prospects of and Reasons for Delisting**

As of today, the Company Shares are listed on the Prime Market of the TSE, but since the Tender Offeror has not set a maximum number of share certificates, etc. to be purchased in the Tender Offer, the Company Shares might be delisted through designated procedures depending on the results of the Tender Offer in accordance with the delisting criteria established by the TSE. According to the Tender Offeror, even in the event that the delisting criteria does not apply to the Company Shares at the time of the successful completion of the Tender Offer, the Squeeze-out Procedures will be implemented as described in "(5) Policy for Reorganization After the Tender Offer (Matters Concerning the So-Called "Two-Step Acquisition")" below after the successful completion of the Tender Offer. Therefore, if such procedures are implemented, the Company Shares will be delisted through designated procedures in accordance with the delisting criteria established by the TSE. Further, the Company Shares will no longer be traded on the Prime Market of the TSE after the delisting.

#### **(5) Policy for Reorganization After the Tender Offer (Matters Concerning the So-Called**

## **“Two-Step Acquisition”)**

As described in “A. Outline of the Tender Offer” in “(2) Grounds and Reasons for the Opinion” above, if the Tender Offeror fails to acquire all of the Company Shares (excluding the Company Shares held by the Tender Offeror and the treasury shares held by the 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 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 Company) of the Company (the **“Shareholders Subject to Cash-Out”**) sell all of their Company Shares (the **“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 Company Share. In such case, the Tender Offeror will notify the Company of such fact and request the Company to approve the Demand for Cash-Out. If the Company approves the Demand for Share Cash-Out by resolution of its board of directors, the Tender Offeror will acquire all of the 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 Company Share as consideration for the Company Shares held by the Shareholders Subject to Cash-Out. If the 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 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 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 Company Shares in the event that such a petition is filed.

### **b Share Consolidation**

If the total number of voting rights of the Company held by the Tender Offeror is less than 90% of the voting rights of all shareholders of the 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 Company holds a extraordinary shareholders’ meeting (the **“Extraordinary Shareholders’ Meeting”**) of the Company around December 2024. at which proposals for a share consolidation with respect to the Company Shares (the **“Share**



**Consolidation**”) in accordance with Article 180 of the Companies Act and a partial amendment to the articles of incorporation to abolish provisions on share unit numbers on the condition that the Share Consolidation becomes effective will be submitted. If the Company receives these requests from the Tender Offerors, it will comply with them. The Tender Offerors intend to approve the proposals described above at the Extraordinary Shareholders’ Meeting.

In the event that the proposed Share Consolidation is approved at the Extraordinary Shareholders’ Meeting, the shareholders of the Company will hold a proportionate number of the Company Shares in accordance with the Share Consolidation ratio approved by the Extraordinary Shareholders’ Meeting. The shareholders of the 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 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 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 Company Shares corresponding to the total number of such fractional shares, the Tender Offeror plans to request that the Company file a motion with the court to permit a voluntary sale, after determining the amount to be paid to the shareholders of the Company who do not tender their shares in the Tender Offer (excluding the Tender Offeror and the Company) at the price obtained by multiplying the Tender Offer Price by the number of the 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 Company Shares to be held by the shareholders of the Company who do not tender their shares in the Tender Offer (excluding the Tender Offeror and the Company) be less than one share so that only the Tender Offeror will hold all of the Company Shares (excluding the treasury shares held by the 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 Company who do not tender their shares in the Tender Offer (excluding the Tender Offeror and the Company) may demand that the 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 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 Company who do not tender their shares in the Tender Offer (excluding the Tender Offeror and the Company). In such case, the amount of cash to be paid to the respective shareholders of the Company is planned to be equal to the amount calculated by multiplying the Tender Offer Price by the number of the Company Shares each shareholder of the Company holds. Specific procedures and the schedule thereof

in the above cases shall be determined upon consultation between the Tender Offeror and the Company and announced by the 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 Company for the proposals in the Extraordinary Shareholders' Meeting. In addition, the shareholders of the 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.

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

The Company is not a subsidiary of ITOCHU, which is a parent company of the Tender Offeror, and the Tender Offer does not constitute a tender offer by a controlling shareholder. It is not planned that all or part of the Company's management will directly or indirectly invest in the Tender Offeror, and the Transaction, including the Tender Offer, does not constitute a so-called management buyout (MBO) (Note). However, based on the fact that, (i) as stated in "A. Outline of the Tender Offer" in "(2) Grounds and Reasons for the Opinion" above, the Tender Offeror, which is a major shareholder and the largest shareholder of the Company, is a wholly-owned subsidiary of ITOCHU, and ITOCHU indirectly holds 33,584,300 Company Shares (Ownership Ratio: 44.44%) through the Tender Offeror and has made the Company its equity-method affiliate and (ii) of the seven directors of the Company, three directors (Mr. Shuichi Koseki, Mr. Masahiro Morofuji, and Mr. Motonari Shimizu) have held positions as officers or employees of ITOCHU in the past, the Company and the Tender Offeror have implemented the following measures in order to ensure the fairness of the Transaction, including the Tender Offer, from the perspective of ensuring the fairness of the Tender Offer Price as well as of eliminating arbitrariness in the decision-making process leading to the decision to conduct the Tender Offer, and avoiding conflicts of interest.

(Note) **"Management buyout (MBO)"** means a transaction in which the tender offeror is an officer of the target company, or in which the tender offeror conducts a tender offer under an agreement with the officers of the target company and in which the tender offeror shares common interests with the officers of the target company.

The Tender Offeror has not set a minimum number of shares to be purchased by the so-called "majority of minority" in the Tender Offer because, as described in "A. Outline of the Tender Offer" in "(2) Grounds and Reasons for the Opinion" above, ITOCHU directly owns 33,584,300 shares of the Company Shares (Ownership Ratio: 44.44%) as of today, due to which the setting of a minimum number of shares to be purchased at the so-called "majority of minority" in the Tender Offer may make the successful completion of the Tender Offer uncertain, which, in turn, may be disadvantageous for the Company's general shareholders that wish to tender their shares in the Tender Offer. However, the Company and the Tender Offerors have implemented the following measures as the measures to ensure the fairness of the tender offer, and thus the Company and the Tender Offeror believe that the interests of general shareholders of the Company are fully considered. The Special Committee determined in the August 5, 2024 Report 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 Company, given that other proper measures to ensure fairness are

in place, and the Company has come to the same determination.

Of the measures set out below, statements regarding the measures that have been implemented by the Tender Offeror are based on the explanations given by the Tender Offeror.

#### **A. Obtainment by the Tender Offeror of a Share Valuation Report from an Independent Third-Party Valuation Agent**

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 Company Shares as a third-party valuation institution independent of the Tender Offerors and the Company.

Nomura Securities considered it appropriate to evaluate the value of the Company Shares from multiple perspectives after examining the Company's financial situation, trends in the market price of the Company Shares and other factors, and considered the calculation method to be adopted in calculating the Company Shares from among various share value calculation methods, and carried out the calculation of the value of the Company Shares by using the market price method given that the market price of the Company Shares exists, the comparable company comparison method due to the fact that there exist listed companies comparable to the Company and it is possible to analogize the share value of the Company Shares by comparable company comparison method, and DCF Method in order to reflect the future business activities in the valuation. The Tender Offeror received the share valuation report from Nomura Securities on August 5, 2024. Nomura Securities is not a related party of the Tender Offerors or the 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.

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

Market price method:	3,469 yen – 3,930 yen
Comparable company comparison Method:	3,211 yen – 3,985 yen
DCF Method:	3,589 yen – 4,607 yen

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

Under the comparable company comparison method, the value of the 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 Company. This method showed that the value per share of the Company Shares was in the range from 3,211 yen to 3,985 yen.

Under the DCF Method, the value per share of the Company Shares was evaluated to range from 3,589 yen to 4,607 yen after analyzing and evaluating the enterprise value and the share value of the Company calculated by discounting to the current value at a certain discount rate the free cash flow that the Company is expected to generate in the future, based on the Company's future earnings forecasts for the fiscal years ending March 31, 2025 and thereafter, taking into account various factors, including the 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 Company (free cash flow was not included in the business plan obtained from the Company) and revised and provided by the Tender Offerors and the Company's recent performance trends and publicly disclosed information. The business plan of the Company that was the premise for the DCF methods 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 Transaction, and the synergies expected from the Transaction 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 Company, the Tender Offeror finally determined that the Tender Offer Price would be 4,350 yen, comprehensively taking into account: (i) the valuation results of the Company Shares in the Tender Offeror Share Valuation Report obtained from Nomura Securities; (ii) the result of the due diligence on the 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 Company would support the Tender Offer; and (iv) expected levels of tendering in the Tender Offer. The Tender Offer Price of 4,350 yen remains unchanged.

Subsequently, the Tender Offeror determined today that there have been no material changes in the Company's business conditions or the environment surrounding the Transactions and that there have been no events that have had a material impact on the corporate value of the Company, and therefore, the Tender Offeror decided not to change the Tender Offer Price.

In addition, the Tender Offer Price of 4,350 yen represents a premium of 16.62 % on the closing price of the Company Shares of 3,730 yen on the Prime Market of the TSE on August 2, 2024, which is the business day immediately preceding the day (August 5, 2024) on which the scheduled commencement of the Tender Offer was publicly announced by the Tender Offerors, a premium of 13.96 % on the simple average of closing price of 3,817 yen for the one-month period ending on that day, a premium of 21.95% on the simple average of closing price of 3,567 yen for the three-month period ending on that day, and a premium of 25.40% on the simple average of closing prices of 3,469 yen for the six-month period ending on that day.

The Tender Offer Price of 4,350 yen represents a discount of 0.34% on the closing price of the Company Shares of 4,365 yen on the Prime Market of the TSE on September 27, 2024, which is the business day immediately preceding the day (September 30, 2024) on which the commencement of the Tender Offer was publicly announced by the Tender Offerors.

The Tender Offeror acquired some 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 Company Shares implemented from May 2023 to November 2023 was 3,905 yen), and the Tender Offer Price (4,350 yen) is 445 yen higher than the average purchase price for the above acquisition (3,905 yen). This is because a premium of 16.62% on the closing price of 3,730 yen on August 2, 2024, the business day immediately preceding August 5, 2024, on which the Tender Offerors decided to acquire the 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 (3,905 yen).

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

(Note) In evaluating the value of the 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 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 ITOCHU reasonably reviewed and prepared information regarding the financial forecasts (including profit planning and other information) of the Company 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 Company Shares.

## **B. Obtainment by the Company of a Share Valuation Report from an Independent Third-Party Valuation Agent**

As stated in “B. Obtainment by the Company of a Share Valuation Report from an Independent Third-Party Valuation Agent” in “(3) Matters Related to the Valuation” above, 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 Company requested Daiwa Securities, as its financial advisor and third-party valuation agent independent from the Company and the Tender Offerors, to calculate the share value of the 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 Company, the Tender Offeror, or ITOCHU and does not have any significant interest to be disclosed in relation to the Tender Offer.

## **C. Establishment of an Independent Special Committee by the Company and Obtainment of a Report from the Special Committee**

### **(i) Process of the Establishment of the Special Committee**

As stated in “C. Decision-Making Process by the Company’s Board of Directors” in “(2) Grounds and Reasons for the Opinion” above, the Company established the Special Committee by a resolution at the meeting of the board of directors of the 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 Company’s corporate value and ensuring the interests of the Company’s general shareholders from a position independent from the Tender Offerors, the Company individually explained to the independent outside directors and independent outside auditors of the Company who do not have any significant interest in the Tender Offerors based on advice from Mori Hamada & Matsumoto that (a) it received a written proposal about commencing deliberations and negotiations on the implementation of the Transaction 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 Transaction to ensure the fairness of the terms and conditions of the Transaction. At the same time, the 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 Offerors and no significant interest in whether the Transaction 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 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 Company (currently an outside director of the Company)), who has abundant experience and broad knowledge as a lawyer, Mr. Akira Matsumoto (an independent outside auditor of the company), who has abundant experience and expertise as a certified public accountant, and Ms. Yasuyo Kasahara (an independent outside

director of the Company), who has considerable knowledge with respect to business operations,.

Thereafter, as stated in “C. Decision-Making Process by the Company’s Board of Directors” in “(2) Grounds and Reasons for the Opinion” above, the Company established the Special Committee by a resolution at the meeting of its board of directors held on March 28, 2024, and the Company commissioned the Special Committee to (i) deliberate on and determine regarding (a) whether the Transaction should be implemented from the perspective of enhancing the corporate value of the 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 minority shareholders of the Company, and then deliberate on and provide the Company’s board of directors with advice regarding whether or not the Company’s board of directors should approve the Transaction (including whether or not it should support the Tender Offer and whether or not it should recommend that shareholders of the Company tender their shares in the Tender Offer), and (ii) to deliberate on and provide the Company’s board of directors with an opinion regarding whether the decision by the Company’s board of directors on the implementation of the Transaction (including the expression by the Company’s board of directors of an opinion in support of the Tender Offer and the recommendation to the Company’s shareholders to tender their shares in the Tender Offer) is not disadvantageous to the minority shareholders of the Company (collectively, the “**Inquired Matters**”). Further, the Company’s board of directors passed a resolution upon establishing the Special Committee that (i) the decision of the board of directors regarding the Transaction, 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 Transaction are not appropriate, the Company’s board of directors shall not approve the Transaction under those terms and conditions. Moreover, the 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 Company and ITOCHU (including, as necessary, giving instructions or requests about the 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 Company), or nominate or approve (including ex post facto approval) the Company’s financial advisors, legal and other advisors and (iii) to receive from the 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 Company, Mr. Shuichi Koseki, Mr. Masahiro Morofuji, and Mr. Motonari Shimizu formerly worked at ITOCHU, so, in consideration of the fact that the Transaction falls 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 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 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 Transaction falls 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 Transaction including the above board of directors meeting and did not participate in any discussions and negotiations on the Transaction on behalf of the 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 Transaction is 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 Offerors and the Company Group and appoint Plutus Consulting as its own financial advisor and third-party valuation agent independent from the Tender Offerors and the Company on April 18, 2024. The Special Committee confirmed that each of AMT and Plutus Consulting is not a related party of the Tender Offerors or the Company and does not have any significant interest in relation to the Transaction 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 Company's financial advisor and third-party valuation agent, and Mori Hamada & Matsumoto, which is the 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 Company, also serves as CFO of the Company, is familiar with the quantitative deliberations at the Company, and is essential for the formulation of the Company's business plan and the calculation of the 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 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 Company for deliberations on the Transaction (including the scope and duties of officers and employees of the Company who will be involved in deliberations, negotiations, and decisions on the Transaction).

The Special Committee then deliberated on measures that need to be taken to ensure the fairness of the procedures in the Transaction 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 Transaction, the significance and purpose of the Transaction, management structure and policies after the Transaction, and other matters.

Moreover, the Special Committee obtained the Company's opinion and related information from the Company about the significance and purpose of the Transaction, the impact that the Transaction may have on the Company's businesses, management structure and policies after the Transaction, 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 Company on matters such as the contents, material conditions precedent, and the preparation progress of the business plan prepared by the 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. Obtainment by the Company of a Share Valuation Report from an Independent Third-Party Valuation Agent" and "C. Obtainment by the Special Committee of a Share Valuation Report and a Fairness Opinion from an Independent Third-Party Valuation Agent" in "(3) Matters Related to the Valuation" above, Plutus Consulting and Daiwa Securities conducted valuations of the Company Shares based on the content of the business plans of the Company. The Special Committee received explanations from Plutus Consulting and Daiwa Securities about the calculation methods used in the valuation of the 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 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. Obtainment by the Company of a Share Valuation Report from an Independent Third-Party Valuation Agent" and "C. Obtainment by the Special Committee of a Share Valuation Report and a Fairness Opinion from an Independent Third-Party Valuation Agent" in "(3) Matters Related to the Valuation" above, 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 Company and the Company's advisors about the negotiations between the Company and ITOCHU from time to time and stated its necessary opinions with respect to the negotiation policy of the 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 Company received each of the proposals for the Tender Offer Price from ITOCHU, the Special Committee received reports from the 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 Company on seven occasions to the effect that the Company should request ITOCHU to increase the Tender Offer Price. The Special Committee was substantially involved in the discussion and negotiation process between the Company and the Tender Offeror through the Company holding negotiations with ITOCHU in accordance with such opinions.

As a result, the Company received from ITOCHU a proposal that included a Tender Offer Price of 4,350 yen per share on August 1, 2024. Consequently, the Tender Offer Price has been increased to 4,350 yen from the initial offer price (3,600 yen) 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 August 5, 2024 Company Press Release, 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 August 5, 2024 Report mainly stating the matters set out below on August 5, 2024 to the board of directors of the 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 Company to express its opinion in support of the Tender Offer and recommend that the Company's shareholders tender their 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 Company on

the implementation of the Transaction (including expressing an opinion in support of the Tender Offer by the Company's board of directors and recommending to the Company's shareholders to tender their Company Shares in the Tender Offer) would not be disadvantageous to the minority shareholders of the 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 Transaction can be said to be reasonable, that there are no contradictions or inconsistencies between the expectations of ITOCHU and those of the Company, and that the execution of the Transaction will contribute to solving the management issues of which the Company is aware; (ii) it is deemed that the details explained as the reasons for why the Transaction should be executed as opposed to other methods, such as implementing bold business reforms while keeping the Company listed, are reasonable, and it is believed that implementing the Transaction is appropriate; and (iii) nothing deemed to be a circumstance that would significantly hinder the corporate enhancement of the Company as a result of the implementation of the Transaction has been seen, it is deemed that the Transaction, including the Tender Offer, will contribute to enhancing corporate value and that the purposes of the Transaction are reasonable.

- The 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 Company's production as well as changes in consumer behavior and changes in the environment in which people can participate in sports, and the Company recognizes that these issues may directly impact the business strategies and finances of the Company. The 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 Company is over 50%, and although the 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 Company anticipates shrinking market sizes in the future as well as more intense competition to capture market share.
- In contrast, the 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 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 Company recognizes that expanding into markets other than Japan, South Korea, and China, where the 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 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 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 Company.
- ITOCHU believes that the 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 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 Company Group companies and ITOCHU Group companies that would be difficult to implement under the current limited capital relationship with the 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 Company's brand management capabilities, especially in Japan, as the brand's home country, and by enhancing collaboration among the regions in which the Company operates in the respective stages of brand marketing, product planning development, production and sale.
- ITOCHU is aware that there is also limited room for growth in each of regions in which the Company operates will be limited. By more actively investing its management resources in the Company, ITOCHU will not only strengthen collaboration between the Company's business regions, but also implement flexible and agile measures to contribute to the further growth of the Company, taking into account the characteristics of each business region.
- In addition, ITOCHU believes that in the current relationship with the

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

- Furthermore, according to the Company, it expects that through the Transaction, 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 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 Company and ITOCHU or points that are clearly contrary to objective facts have been found therein. In addition, the synergies that ITOCHU and the 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 Company have found any contradictions or inconsistencies in these expected synergies.
- In addition, ITOCHU recognizes that for the further growth and development of the Company, it is necessary to deepen cooperation between the 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 Company each exist as independent listed companies and more than half of the value and profits generated by the Company belong to shareholders other than ITOCHU under the current capital structure of the Company, there is a possibility that the costs and returns associated with investment in the 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 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 Company has not been able to respond to the market at the speed at which competing companies grow since ITOCHU and the Company have taken a very cautious approach to transactions and information sharing, etc. between them, given that the current situation where the 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 Company's general shareholders and ITOCHU. ITOCHU also recognizes that the 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 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 Company a wholly owned subsidiary of ITOCHU will contribute to enhancing the corporate value of both the Company and ITOCHU from the perspective of pursuing cross-border collaboration and synergies and promptly responding to unforeseen circumstances and uncertainties.
- Furthermore, if the 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 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 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 Transaction as opposed to other methods, such as implementing bold business reforms while keeping the Company listed, is reasonable.
- According to ITOCHU and the Company, following the Transaction, large changes such as changes to the current management system of the Company, a reduction of the 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 Company or reallocations of its management resources. Furthermore, the 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 Company believes that by becoming a wholly owned subsidiary of ITOCHU through the Transaction, the management resources, including the name value of ITOCHU, one of Japan's leading general trading companies, will add value to the Company and, by extension, provide strong support for the Company to achieve sustainable growth going forward, and the 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 Company would have any impact upon its ability to procure funds. In addition, since (i) the relationship

of trust between the 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 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 Transaction and that it would not outweigh the advantages of the prospected increase of the Company's corporate value. Therefore, the Company does not see any particular circumstance that could be recognized as a significant obstacle to the improvement of the Company's corporate value through the Transaction.

ii Fairness of Procedures

Based on the following points, it is deemed that, in the Transaction, (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 Transaction, 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 Company, and a special committee comprised of independent outside directors of the Company, who are independent from the Tender Offerors and have no special interest in whether the Transaction 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 Company

- After the Company received a written proposal from ITOCHU on March 5, 2024, stating that ITOCHU wished to begin discussions with the Company regarding the Transaction, 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 Company) and hold discussions and negotiations with the Tender Offerors. The project team only consists of officers and employees of the 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 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 Company's directors had held positions as officers or employees of ITOCHU in the past and are considered to have special interests in the Transaction, they would not participate in any deliberations or resolutions at meetings of its board of directors, nor in any discussions or negotiations, regarding the Transaction. Mr. Akira Tsuchihashi, a senior managing executive officer of the Company who also serves as CFO of the Company, is familiar with the quantitative deliberations within the Company, and is essential for the formulation of the Company's business plan and the calculation of the Company's corporate value based thereon; therefore, although he has held a position as an officer or employee of ITOCHU in the past, the 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 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 Transaction internally established by the Company (including the scope and duties of the officers and employees of the Company involved in deliberating, negotiating, and decision making regarding the Transaction).

(C) Decision-Making Process

With respect to the 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 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 opinion of the Company as of that time, the Company will express its opinion in support of the Tender Offer and recommend that its shareholders tender their Company Shares in the Tender Offer if the Tender Offer is commenced. All of the three auditors of the 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 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 Transaction on behalf of the Company. Based on the fact that it has been decided that the decision of the board of directors regarding the Transaction, 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 Transaction are not appropriate, the Company's board of directors shall not approve the Transaction under those terms and conditions, it can be said that the arbitrariness in the Company's decision-making regarding the Transaction 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 Company and the Tender Offerors, 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 Company of Advice from an Independent Law Firm

- In order to ensure the fairness and appropriateness of the process of decision-making by the Company's board of directors regarding the Tender Offer, the Company appointed Mori Hamada & Matsumoto as its legal advisor independent from the Company and the Tender Offerors 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 Transaction, various procedures of the Transaction, and the method and process of decision-making or other matters to be noted in relation to decision-making by the Company regarding the Transaction.

(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 Company and the Tender Offerors, to calculate the share value of the Company Shares and to express an opinion on the fairness to the general shareholders of the Company, from a financial perspective, of the terms and conditions of the Transaction 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 Company and the Tender Offerors and its expertise

in financial matters, after having taking actions, such as considering information provided by the Company on its business, operations, and future prospects and confirming with the management team of the Company the past and current status of the business, operations, and financial standing of the 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 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 Company requested Daiwa Securities, as its financial advisor and third-party valuation agent independent from the Company and the Tender Offerors, to calculate the share value of the 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 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 Company Shares.
- Furthermore, the Tender Offeror and the Company have not agreed to any transaction protection clause that prohibits the Company from contacting Competing Acquisition Offerors or made any other agreement on any matter that would restrict Competing Acquisition Offerors from contacting the 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 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 Company Shares), it is deemed that the Tender Offeror has given consideration to the general shareholders of the 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 Transaction

- In the process of the Transaction, the Tender Offeror and the Company plan to make substantial information provision regarding the Transaction 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 August 5, 2024 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 Transaction, and therefore it is deemed that important materials have been provided to the 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 Company Shares through the Tender Offer, the Tender Offeror will be recognized to have given consideration to avoid placing coercive pressure on the Company’s shareholders by (i) planning to make a demand to the Company to convene the Extraordinary Shareholders’ Meeting at which the agenda items will include proposals for the Demand for Share Cash-Out or the Share Consolidation of the Company Shares and a partial amendment to the 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 Company’s shareholders as consideration for each 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 Company Shares owned by each of those Company’s shareholders and (ii) by ensuring the right of the 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 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 Transaction 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 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 Transaction, including the Tender Offer, are deemed to be ensured, assuming the appropriateness of the negotiation and the scheme of the Transaction.

(A) Ensuring Negotiations

- Based on the Tender Offer Price initially quoted by ITOCHU (3,600 yen 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 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 (4,350 yen per share). With respect to the series of negotiations, the process thereof was shared and explained to the Special Committee by the 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 the ITOCHU and it has been recognized as the background that the Company has entered into negotiations with the intention of effecting the Transaction 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 Transaction was reached as a result of negotiations between the Company and the 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 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 Transaction as the 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 Offerors or any of their affiliates. Furthermore, although the Company has provided certain explanations to the Tender Offerors with respect to the Business Plan during its negotiations with the Tender Offerors, there can be no doubt that the Business Plan was developed or revised under the Tender Offerors'

instructions or with their intentions. Based on the foregoing, there were no findings that any pressure by the Tender Offerors 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 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 4,350 yen 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 (4,112 yen) 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 Company Shares calculated by Daiwa Securities and Plutus Consulting.
- In the Transaction, the market share price of the 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 Company Shares for the preceding three months and the price of the 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 Transaction, 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, is 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 Transaction 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 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 Company as consideration will be calculated to become equivalent to the Tender Offer Price multiplied by the number of the Company Shares held by each shareholders. 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 Transaction will contribute to enhancing the corporate value of the Company and that the purpose of the Transaction is reasonable, that fair procedures have been taken in the Transaction from the perspective of securing the interests of the Company's general shareholders, and that the appropriateness of the terms and conditions of the Transaction 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 Company to express an opinion to endorse the Tender Offer and recommend that the 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 Company on the implementation of the Transaction (including expressing an opinion in support of the Tender Offer by the board of directors of the Company and recommending that the Company's shareholders tender their shares in the Tender Offer) would not be disadvantageous to the minority shareholders of the Company.

ITOCHU informed the Company on August 29, 2024 that it was expected that the clearances required under the competition laws of Japan and China would be obtained in late September, 2024, respectively, and therefore ITOCHU was intending to commence the Tender Offer on October 1, 2024. Accordingly, the Company commenced preparations to once again consider the terms and conditions of the Tender Offer. Following that, the Company requested the Special Committee to consider whether or not there had been any change in the opinion stated in the August 5, 2024 Report and either to report to the Company's board of directors that there had been no change in the previous opinion or, if there had been any change, to express the new opinion thereto. Subsequently, on September 19, 2024, the Company was informed by ITOCHU that the procedures and actions required pursuant to the competition laws of Japan and China had been completed, and therefore, ITOCHU was intending to commence the Tender Offer on October 1, 2024, subject to the satisfaction of the Conditions Precedent. In response to such

information, the Special Committee confirmed the facts regarding whether any change in circumstances, material event had occurred that might affect the Transaction after August 5, 2024 and considered the requested matters stated above. As a result, the Special Committee confirmed that there had been no circumstances that would require a change to the content of the August 5, 2024 Report, and on September 30, 2024, submitted to the Company's board of directors the September 30, 2024 Report.

#### **D. Obtainment by the Special Committee of a Share Valuation Report and a Fairness Opinion from an Independent Third-Party Valuation Agent**

As stated in “C. Obtainment by the Special Committee of a Share Valuation Report and a Fairness Opinion from an Independent Third-Party Valuation Agent” in “(3) Matters Related to the Valuation” above, in considering the Inquired Matters, the Special Committee requested Plutus Consulting, which is its financial advisor as a third-party valuation agent independent from the Company and the Tender Offerors, to calculate the share value of the Company Shares and to express an opinion on the fairness to the general shareholders of the Company, from a financial perspective, of the terms and conditions of the Transaction, and it obtained the Valuation Report (Plutus Consulting) and the Fairness Opinion. Plutus Consulting is not a related party of any of the Company, the Tender Offeror, or ITOCHU and does not have any significant interest to be disclosed in relation to the Tender Offer.

#### **E. Advice Obtained by the Special Committee from an Independent Law Firm**

The Special Committee appointed AMT as its legal advisor independent from the Company and the Tender Offerors 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 Company, the Tender Offeror, or ITOCHU and does not have any significant interest in relation to the Transaction, including the Tender Offer. Also, the remuneration for AMT will be calculated by multiplying the working hours by an hourly rate regardless of whether the Transaction succeeds, and no contingency fees, which are payable subject to completion of the Transaction, will be paid.

#### **F. Establishment of an Independent Deliberation Framework by the Company**

As stated in “C. Decision-Making Process by the Company's Board of Directors” in “(2) Grounds and Reasons for the Opinion” above, given that (i) the Tender Offeror, which is a major shareholder and the largest shareholder of the Company, is a wholly-owned subsidiary of ITOCHU, and ITOCHU indirectly owns 33,584,300 shares of the Company Shares (Ownership Ratio: 44.44%) through the Tender Offeror and has made the Company its equity-method affiliate and (ii) three directors of the 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 Transaction falls under a transaction that typically involves structural conflict of interests and asymmetry of information, the Company internally established a system for deliberations, negotiations, and decisions on the Transaction from a position independent of the Tender

Offerors.

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

When establishing the project team, the 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 Company or any discussions or negotiations on the Transaction since those directors are considered to have special interests in the Transaction. Mr. Akira Tsuchihashi, a senior managing executive officer of the Company, also serves as CFO of the Company, is familiar with the quantitative deliberations at the Company, and is essential for the formulation of the Company's business plan and the calculation of the Company's corporate value based thereon; therefore, although he has held a position as an officer or employee of ITOCHU in the past, the Company resolved at its board of directors meeting dated April 17, 2024 to approve Mr. Tsuchihashi being involved in the preparation of the 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 Transaction internally established by the Company (including the scope and duties of the officers and employees of the Company involved in deliberating, negotiating, and making decisions regarding the Transaction).

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

#### **G. Advice Obtained by the Company from an Independent Law Firm**

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



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

#### **H. Approval of All Disinterested Directors of the Company and Opinion of All Disinterested Auditors That They Had No Objection**

The Company carefully discussed and deliberated on whether the Transaction will contribute to the improvement of the corporate value of the Company and whether the terms and conditions of the Transaction 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 Company through the Special Committee, and while respecting to the maximum extent possible the contents of the August 5, 2024 Report obtained from the Special Committee. Consequently, as stated in “C. Decision-Making Process by the Company’s Board of Directors” in “(2) Grounds and Reasons for the Opinion” above, the Company resolved at the meeting of its board of directors held on August 5, 2024, that as the opinion of the Company as of that time, if the Tender Offer is commenced, it will express an opinion in support of the Tender Offer and recommend that its shareholders tender the Company Shares in the Tender Offer.

Of the seven directors of the 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 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 all three auditors present (of the three auditors, two (including two outside auditors) attended the meeting) that it has no objection to the Company’s board of directors resolving that as the opinion of the Company on August 5, 2024, if the Tender Offer is commenced, it will express an opinion in support of the Tender Offer and recommend that its shareholders tender the Company Shares in the Tender Offer.

At the board of directors meeting referred to above, the 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 Company’s board of directors on August 5, 2024 and either to report to the 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 Company’s opinion regarding the Tender Offer at the time

of commencement of the Tender Offer.

Subsequently, ITOCHU informed the Company on August 29, 2024 that it was expected that the clearances required under the competition laws of Japan and China would be obtained in late September 2024, respectively, and therefore ITOCHU was intending to commence the Tender Offer on October 1, 2024. Accordingly, the Company commenced preparations to once again consider the terms and conditions of the Tender Offer. Following that, the Company requested the Special Committee to consider whether or not there had been any change in the opinion stated in the August 5, 2024 Report and either to report to the Company's board of directors that there had been no change in the previous opinion or, if there had been any change, to express the new opinion thereto. On September 19, 2024, the Company was informed by ITOCHU that the procedures and actions required pursuant to the competition laws of Japan and China had been completed, and therefore, ITOCHU was intending to commence the Tender Offer on October 1, 2024, subject to the satisfaction of the Conditions Precedent. In response to such information, the Special Committee confirmed the facts regarding whether any change in circumstances, material event, or the like had occurred that might affect the Transaction after August 5, 2024 and considered the requested matters stated above. As a result, the Special Committee confirmed that there had been no circumstances that would require a change to the content of the August 5, 2024 Report, and on September 30, 2024, submitted to the Company's board of directors the September 30, 2024 Report.

In addition, while respecting to the maximum extent possible the contents of the September 30, 2024 Report submitted by the Special Committee, the Company again carefully considered the terms and conditions of the Tender Offer based on the Company's business conditions and the environment surrounding the Transaction and determined that there were no factors as of today that would require a change in the opinion regarding the Tender Offer as of August 5, 2024. Based on the above, the Company resolved, with unanimous approval at the meeting of its board of directors held today by all of the Company's directors (of the total of seven directors, the four directors excluding Mr. Shuichi Koseki, Mr. Masahiro Morofuji, and Mr. Motonari Shimizu), to the effect that the Company will once again express its opinion in support of the Tender Offer and recommend that its shareholders tender their Company Shares in the Tender Offer.

Further, all of the auditors who attended the aforementioned 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 September 30, 2024 prior to the above resolutions, it resolved with the unanimous consent of the all three auditors present (of the three auditors, two (including two outside auditors) attended the meeting) that it has no objection to the Company's board of directors resolving that it would once again express an opinion in support of the Tender Offer and recommend that its shareholders tender the Company Shares in the Tender Offer.

#### **I. Measures to Secure an Opportunity for Other Offerors to Carry Out a Tender Offer**

Although the Tender Offer Period is 20 business days, the period from the announcement of the planned commencement of the Tender Offer to its actual commencement has reached approximately two months, and therefore, the Tender Offeror believes that an

opportunity for general shareholders of the Company to make an appropriate decision on whether or not to tender their shares in the Tender Offer and an opportunity for a person other than the Tender Offeror to purchase the Company Shares are ensured. Furthermore, the Tender Offerors and the Company have not executed any agreement that restricts Competing Acquisition Offerors from contacting the Company, such as an agreement containing a transaction protection clause that prohibits the Company from contacting Competing Acquisition Offerors. As stated above, the Tender Offerors have given consideration to ensure fairness in the Tender Offer by ensuring an opportunity for a competing offer as well as the period before the commencement of the Tender Offer stated above.

**J. Measures to Ensure Opportunities for the Company's Shareholders to Appropriately Determine Whether to Tender Shares in the Tender Offer**

As stated in “(5) Policy for Reorganization After the Tender Offer (Matters Concerning the So-Called “Two-Step Acquisition”)” above, the Tender Offerors ensure an opportunity for the Company's shareholders to properly decide whether or not to tender their shares in the Tender Offer and give consideration to avoid placing coercive pressure on the Company's shareholders by (i) planning to make a demand to the Company to convene the Extraordinary Shareholders' Meeting at which the agenda items will include proposals for the Demand for Share Cash-Out or the Share Consolidation, in accordance with the number of shares acquired by the Tender Offeror through the successful completion of the Tender Offer, promptly after the completion of the settlement of the Tender Offer, and a partial amendment to the Company's articles of incorporation to abolish the provisions on share units on the condition that the Demand for Share Cash-Out or the Share Consolidation takes effect, and employing methods ensuring the right of the Company's shareholders to request purchase of shares or to petition for a determination of the price of shares and (ii) clarifying that the amount of money to be delivered to the Company's shareholders as consideration for each 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 Company Shares owned by each of those shareholders (excluding the Company and the Tender Offerors).

**4. Details of Material Agreements Between the Tender Offeror and the Shareholders of the Company Concerning Tendering Shares in the Tender Offer**

None.

**5. Details of Benefits Received from the Tender Offeror or Any of Its Specially Related Parties**

None.

**6. Response Policy with Respect to Basic Policies Relating to the Control of the Company**

None.

**7. Questions to the Tender Offeror**

None.

**8. Requests for Extension of the Tender Offer Period**

None.

**9. Future Prospects**

Please refer to the sections titled “B. Background, Purpose, and Decision-Making Process Leading to the Decision by the Tender Offeror to Conduct the Tender Offer,” “C. Decision-Making Process by the Company’s Board of Directors,” and “D. Management Policy After the Tender Offer” in “(2) Grounds and Reasons for the Opinion” as well as “(4) Prospects of and Reasons for Delisting” and “(5) Policy for Reorganization After the Tender Offer (Matters Concerning the So-Called “Two-Step Acquisition”)” in “3. Details of and Grounds and Reasons for the Opinion on the Tender Offer” above.

**10. Other Matters Necessary for Investors to Properly Understand the Information of the Company and Make an Appropriate Decision**

The Company has resolved at the meeting of its board of directors held on August 5, 2024 to not to implement a shareholder benefit plan for its shareholders holding one or more units of the 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 refer to the press release released by the Company dated August 5, 2024 and titled “Notice Concerning the Revision of Dividend Forecast for the Fiscal Year Ending March, 2025 (No Dividend) and Abolition of Shareholder Benefit Plan.”

end

**Reference**

Announcement of Commencement of Tender Offer for Shares in DESCENTE LTD. (Code No. 8114)

### **Restrictions on Solicitation**

This press release is to announce the Tender Offer to the public, and has not been prepared for the purpose of soliciting an offer to sell shares. If shareholders wish to make an offer to sell their shares, they should first carefully read the Tender Offer Explanatory Statement for the Tender Offer and make their own independent decision. This press release does not constitute, nor form part of, any offer to sell, solicitation of a sale of, or any solicitation of any offer to buy, any securities. In addition, neither this press release (or any part of it) nor the fact of its distribution shall form the basis for any agreement on the Tender Offer or be relied on when executing such an agreement.

### **Future Prospects**

This press release, including the descriptions regarding the future business of the Company, other companies, may contain expressions indicating future prospects such as the words “expect,” “forecast,” “intend,” “plans,” “believe,” and “assume.” These expressions are based on the Company’s current expectations as to the businesses, and may change depending on the future circumstances. The Company assumes no obligation update the statements regarding future prospects in order to reflect the actual business performance, circumstances, and changes in conditions, or the like.

### **US Regulations**

The Tender Offer will be implemented in compliance with the procedures and information disclosure standards provided under the Financial Instruments and Exchange Act of Japan, and those procedures and standards are not necessarily the same as those applicable in the United States. In particular, neither Section 13(e) nor Section 14(d) of the U.S. Securities Exchange Act of 1934 (as amended; the same shall apply hereinafter) nor the rules under these sections apply to the Tender Offer; therefore, the Tender Offer is not implemented in accordance with those procedures or standards. Unless otherwise specified, all procedures relating to the Tender Offer are to be implemented entirely in Japanese. All or part of the documents regarding the Tender Offer will be prepared in English. However, if there is any discrepancy between the documents in English and those in Japanese, the documents in Japanese shall prevail. This press release and the reference documents for this press release include “forward-looking statements” as defined in Section 27A of the U.S. Securities Act of 1933 (as amended) and Section 21E of the U.S. Securities Exchange Act of 1934. Actual results might be substantially different from the express or implied predictions set forth herein as “forward-looking statements” due to known or unknown risks, uncertainties, or any other factors. None of the Tender Offeror and the Company or their affiliates assures that such express or implied predictions included as “forward-looking statements” will be correct in the end. The “forward-looking statements” contained in this press release or the reference documents for this press release have been prepared based on the information held by the Tender Offeror and the Company as of the date hereof, and unless otherwise required under applicable laws and regulations, none of the Tender Offeror and the Company or their affiliates assumes any obligation to update or revise those documents to reflect any future events or circumstances. The financial information contained in this press release and the reference documents for this press release have been prepared in accordance with Japanese

accounting standards, and such accounting standards may be substantially different from GAAP of U.S. or other countries. It may be difficult to exercise any rights or claims under the U.S. securities laws because the Tender Offeror and the Company are incorporated outside the United States and all or some of their officers are non-U.S. residents. It may not be possible to commence legal proceedings against any non-U.S. corporation or its officers in a non-U.S. court for violations of the U.S. securities laws. In addition, it may not be possible for a U.S. court to subject any non-U.S. corporation or such corporation's subsidiaries or affiliates to its jurisdiction.

Before the commencement of the Tender Offer or during the tender offer period of the Tender Offer, the Tender Offeror, the financial advisor of each of the Tender Offeror and the Company, and the tender offer agent (including their affiliates) might purchase the Company Shares listed on the TSE Prime Market by means other than the Tender Offer, or conduct an act aimed at such a purchase, on their own account or the account of their client to the extent permitted by Japanese laws and regulations related to financial instruments transactions and other applicable laws and regulations in the ordinary course of their business and in accordance with the requirements of Rule 14e-5(b) of the U.S. Securities Exchange Act of 1934. If information regarding such a purchase is disclosed in Japan, that information will also be disclosed in the English language on the website of the person that conducted that purchase (or by other disclosure method).

### **Other Countries**

Some countries or regions may impose legal restrictions on the announcement, issue, or distribution of this press release. In such cases, please take note of such restrictions and comply with them. The announcement, issue, or distribution of this press release shall not constitute an offer to buy or a solicitation of an offer to sell shares relating to the Tender Offer and shall be deemed to be a distribution of materials for informative purposes only.