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DESCENTE



Consolidated Financial Results
for the Six Months Ended September 30, 2024
[Japanese GAAP]

November 8, 2024

Company name: DESCENTE LTD.

Listing: Tokyo

Securities code: 8114

URL: <http://www.descente.co.jp>

Representative: Shuichi Koseki

President and Representative Director

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Scheduled date to file semi-annual securities report:

November 8, 2024

Scheduled date to commence dividend payments:

-

Preparation of supplementary material on financial results:

Yes

Holding of financial results briefing:

None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024, to September 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|-------------------------------------|-----------------|-----|------------------|--------|-----------------|------|---|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended September 30, 2024 | 62,818 | 4.7 | 3,134 | (24.5) | 9,145 | 14.2 | 6,238 | 10.0 |
| September 30, 2023 | 59,985 | 4.9 | 4,151 | (15.2) | 8,007 | 18.8 | 5,672 | 10.5 |

(Note) Comprehensive income: Six months ended September 30, 2024: ¥ 11,729 million [25.1%]

Six months ended September 30, 2023: ¥ 9,378 million [(15.2)%]

| | Basic earnings per share | Diluted earnings per share |
|-------------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Six months ended September 30, 2024 | 82.57 | - |
| September 30, 2023 | 75.11 | - |

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio |
|--------------------------|-----------------|-----------------|------------------------|
| | Millions of yen | Millions of yen | % |
| As of September 30, 2024 | 158,520 | 121,943 | 76.6 |
| March 31, 2024 | 150,304 | 113,733 | 75.3 |

(Reference) Equity: As of September 30, 2024: ¥ 121,475 million

As of March 31, 2024: ¥ 113,116 million

2. Dividends

| | Annual dividends | | | | |
|---|--------------------|--------------------|--------------------|--------------|--------------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| Fiscal year ended March 31, 2024 | Yen - | Yen 0.00 | Yen - | Yen 48.00 | Yen 48.00 |
| Fiscal year ending March 31, 2025 | - | 0.00 | | | |
| Fiscal year ending March 31, 2025 (Forecast) | | | - | 0.00 | 0.00 |

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-----------------|-----|------------------|-----|-----------------|-----|--|-----|-----------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 130,000 | 2.4 | 9,000 | 3.0 | 17,000 | 8.1 | 12,500 | 4.0 | 165.50 |

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

Newly included: - (Company name:)
Excluded: - (Company name:)

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- 1) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- 2) Changes in accounting policies due to other reasons: None
- 3) Changes in accounting estimates: None
- 4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2024: 76,924,176 shares
March 31, 2024: 76,924,176 shares

2) Number of treasury shares at the end of the period:

September 30, 2024: 1,357,498 shares
March 31, 2024: 1,388,780 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2024: 75,548,854 shares
Six months ended September 30, 2023: 75,517,643 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

(Notes on future descriptions)

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and on certain assumptions deemed to be reasonable, and do not constitute guarantees by the Company of future performance.

Actual results may differ materially from the forecast depending on a range of factors.

Please refer to "(3) Explanation of Forecasts and Forward-looking Statements" on page 4 of the Appendix for the assumptions upon which the forecasts are based and the cautionary statements regarding the use of the forecasts.

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1. Overview of Consolidated interim Qualitative Information

(1) Explanation of Operating Results

In the interim period under review, ordinary income and net income attributable to owners of the parent reached record highs for the third consecutive year.

Net sales increased by 4.7% year-on-year to 62,818 million yen, due largely to the positive effect of yen's depreciation, as well as growth in sales of "DESCENTE" and "umbro" in Japan and South Korea.

Gross profit increased by 6.9% year-on-year to 38,382 million yen because of the above-mentioned revenue growth. The gross profit margin increased by 1.3 percentage points year-on-year to 61.1%, due to the strengthening of full-price sales, the implementation of a discount restraint, and an increase in the percentage of DTC sales in Japan.

SG&A expenses increased by 11.0% year-on-year to 35,247 million yen due to the yen's depreciation in addition to higher advertising and promotional expenses for global promotions and branding.

Operating income decreased by 24.5% year-on-year to 3,134 million yen as the increase in SG&A expenses exceeded the increase in gross profit.

Ordinary income increased by 14.2% year-on-year to 9,145 million yen because of an increase in equity in earnings of affiliates due to the growing performance of DESCENTE CHINA HOLDING LTD. (hereinafter referred to as DCH).

As a result of the above, net income attributable to owners of the parent increased by 10.0% year-on-year to 6,238 million yen.

The business results of the reportable segment are as follows. The fiscal year end of major overseas subsidiaries is December, and the business results for each segment do not include figures for equity method affiliates.

(Net sales and income by Segments)

| Segment | Net sales (million yen) (YoY) | Segment income (loss)* (million yen) (YoY) |
|-------------|----------------------------------|---|
| Japan | 23,633 (98.6%) | 2,059 (100.2%) |
| South Korea | 31,102 (112.1%) | 2,110 (121.2%) |
| China | 6,978 (98.3%) | △446 — |
| Adjustments | 1,102 | △588 |
| Total | 62,818 (104.7%) | 3,134 (75.5%) |

*Segment income(loss) is Operating income or loss of the Company

(Japan)

While sales of high-functional products such as shell jacket *CREAS* were strong at directly managed "DESCENTE" stores, sales of "le coq sportif" and "MOVESPORT", both of which are mainstream wholesale businesses, declined year on year. Net sales decreased by 1.4% year on year to 23,633 million yen. Gross profit increased year-on-year due to an increase in the ratio of DTC sales, and the gross profit margin improved by 1.0 percentage point. As a result, segment profit increased by 0.2% year on year to 2,059 million yen.

(South Korea)

Net sales increased by 12.1% year-on-year to 31,102 million yen due to the strong performance of "DESCENTE"'s line of products featuring designs from the British Triathlon Team and "umbro"'s Classic Collection, as well as the positive effect of yen's depreciation. Gross profit increased because of the higher sales, and the gross profit margin improved by 0.5 percentage points year on year. Segment income increased by 21.2% year-on-year to 2,110 million yen, as the increase in gross profit exceeded the increase in SG&A expenses due to promotional costs for *DESCENTE SEOUL*, the global flagship store of the "DESCENTE" brand.

(China)

Segment sales decreased by 1.7% year-on-year to 6,978 million yen. While the gross profit margin improved by 4.2 percentage points year-on-year due to the strengthening of full-price sales following the rebranding of "le coq sportif", the segment loss amounted to 446 million yen due to an increase in SG&A expenses from store remodeling and a review of distribution strategies for the above mentioned brand. Although not included in segment income/loss, DCH, an equity-method affiliate that develops "DESCENTE", continued to perform well.

Net sales by items are as follows
(Net sales by Items)

| Item | Amount (million yen) | Composition Ratio (%) | YoY (%) |
|------------------------------------|-------------------------|--------------------------|---------|
| Athletic wear and related products | 45,422 | 72.3 | 108.4 |
| Golf wear and related products | 14,293 | 22.8 | 93.5 |
| Others | 1,999 | 3.2 | 124.0 |
| Adjustments | 1,102 | 1.8 | 93.7 |
| Total | 62,818 | 100.0 | 104.7 |

(Initiatives of Sustainability)

As part of our commitment to sustainability, we have been promoting sports with the contracted athletes of *Team DESCENTE* to contribute to the development of youth through sports. In the current interim consolidated accounting period, we invited contracted athletes as lecturers such as Yuki Ishikawa and Masato Kai (volleyball) and Tomoru Honda (swimming) etc. to hold a multi-sports experience event *Team DESCENTE Special Event* for junior high school students in Toshima Ward, Tokyo, at the Minami-Nagasaki Sports Center. The event provided junior high school students with an opportunity to experience new sports through volleyball, swimming, and breaking as well as a talk show. In addition, in September 2024, we issued an integrated report, disclosing our progress in sustainability as well as domestic and overseas GHG emissions.

(2) Explanation of Financial Position

(Analysis of the status of assets, liabilities, and net assets)

At the end of the consolidated interim accounting period under review, total assets were 158,520 million yen, increased by 8,216 million yen from the end of the previous fiscal year.

Current assets increased by 2,508 million yen from the end of the previous fiscal year to 89,667 million yen. This was mainly due to a 3,243 million yen decrease in cash and deposits, a 1,596 million yen increase in notes and accounts receivable-trade, a 1,803 million yen increase in merchandise and finished goods, and a 2,283 million yen increase in accounts receivable-other included in other current assets.

Non-current assets increased 5,707 million yen from the end of previous fiscal year to 68,852 million yen. This was mainly due to an increase of 4,437 million yen in investment securities included in investments and other assets.

Total liabilities increased 5 million yen from the end of the previous fiscal year to 36,576 million yen. This was mainly due to a decrease in notes and accounts payable - trade of 1,698 million yen and an increase in short-term borrowing of 1,553 million yen and an increase in deferred tax assets included in other of non-current assets of 817 million yen.

Net assets increased 8,210 million yen from the end of the previous fiscal year to 121,943 million yen. This was mainly due to an increase in retained earnings of 2,612 million yen and an increase in foreign currency translation adjustment of 6,292 million yen.

As a result, the equity ratio increased 1.3 points from the end of the previous fiscal year to 76.6%.

(Analysis of Cash Flow Status)

Cash and cash equivalents at the end of the consolidated interim accounting period under review decreased by 2,755 million yen from the end of the previous fiscal year to 26,487 million yen.

Cash flows from operating activities recorded a net-cash-inflow of 2,294 million yen (a net-cash-inflow of 237 million yen for the previous interim period). This was mainly due to the increase by income before income taxes of 8,782 million yen, interest and dividend income of 2,208 million yen and a decrease by payments of income taxes, etc. of 2,362 million yen, decrease of notes and accounts payable trade of 2,142 million yen.

Cash flows from investing activities recorded a net-cash-outflow of 1,882 million yen (a net-cash-outflow of 6,078 million yen for the previous interim period). This was mainly due to the acquisition of PP&E assets of 2,063 million yen.

Cash flows from financing activities recorded a net-cash-outflow of 3,278 million yen (a net-cash-outflow of 4,204 million yen for the previous interim period). This was mainly due to cash dividends paid of 3,625 million yen.

(3) Explanation of Forecasts and Forward-looking Statements

As announced in the “Notice Concerning the Revision of Dividend Forecast for the Fiscal Year Ending March, 2025 (No Dividend) and Abolition of Shareholder Benefit Plan” released on August 5, 2024, the Board of Directors, at a meeting held on the same day, resolved that, subject to the completion of a tender offer for the Company's common stock by a subsidiary of ITOCHU Corporation, the Company will not pay a year-end dividend, as announced on May 13, 2024. The Board of Directors has resolved not to distribute a year-end dividend, as revised from the announcement of May 13, 2024, on the condition that the tender offer for the Company's common stock by a subsidiary of ITOCHU Corporation is completed.

At this time, the Company has not changed its earnings forecast announced on May 13, 2024.

2. Consolidated interim Financial Statements and Notes

(1) Consolidated interim Balance sheets

(Millions of yen)

| | As of March 31, 2024 | As of September 30, 2024 |
|---|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 42,660 | 39,416 |
| Notes and accounts receivable - trade | 16,864 | 18,460 |
| Merchandise and finished goods | 22,059 | 23,863 |
| Work in process | 565 | 494 |
| Raw materials and supplies | 659 | 849 |
| Other | 4,414 | 6,651 |
| Allowance for doubtful accounts | (63) | (67) |
| Total current assets | 87,159 | 89,667 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 9,347 | 9,587 |
| Other | 16,932 | 17,839 |
| Total property, plant and equipment | 26,279 | 27,426 |
| Intangible assets | | |
| Goodwill | 3,308 | 3,449 |
| Other | 2,621 | 2,636 |
| Total intangible assets | 5,929 | 6,086 |
| Investments and other assets | | |
| Investment securities | 26,272 | 30,710 |
| Retirement benefit asset | 1,290 | 948 |
| Other | 3,416 | 3,726 |
| Allowance for doubtful accounts | (44) | (44) |
| Total investments and other assets | 30,935 | 35,340 |
| Total non-current assets | 63,145 | 68,852 |
| Total assets | 150,304 | 158,520 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 11,769 | 10,070 |
| Short-term borrowings | - | 1,553 |
| Current portion of long-term borrowings | 358 | 198 |
| Income taxes payable | 2,134 | 1,529 |
| Provision for bonuses | 1,059 | 845 |
| Other | 11,209 | 11,779 |
| Total current liabilities | 26,531 | 25,977 |
| Non-current liabilities | | |
| Long-term borrowings | 1,434 | 1,586 |
| Other | 8,604 | 9,012 |
| Total non-current liabilities | 10,039 | 10,599 |
| Total liabilities | 36,571 | 36,576 |

(Millions of yen)

| | As of March 31, 2024 | As of September 30, 2024 |
|---|----------------------|--------------------------|
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 3,846 | 3,846 |
| Capital surplus | 25,552 | 25,608 |
| Retained earnings | 71,251 | 73,864 |
| Treasury shares | (594) | (582) |
| Total shareholders' equity | 100,056 | 102,737 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,528 | 1,076 |
| Deferred gains or losses on hedges | (16) | 4 |
| Foreign currency translation adjustment | 10,774 | 17,067 |
| Remeasurements of defined benefit plans | 771 | 590 |
| Total accumulated other comprehensive income | 13,059 | 18,738 |
| Non-controlling interests | 616 | 467 |
| Total net assets | 113,733 | 121,943 |
| Total liabilities and net assets | 150,304 | 158,520 |

(2) Consolidated interim Statements of Income and Consolidated interim Statements of Comprehensive Income
Consolidated interim Statements of Income

(Millions of yen)

| | For the six months ended September 30, 2023 | For the six months ended September 30, 2024 |
|---|--|--|
| Net sales | 59,985 | 62,818 |
| Cost of sales | 24,087 | 24,435 |
| Gross profit | 35,897 | 38,382 |
| Selling, general and administrative expenses | 31,745 | 35,247 |
| Operating profit | 4,151 | 3,134 |
| Non-operating income | | |
| Interest income | 352 | 425 |
| Dividend income | 100 | 140 |
| Share of profit of entities accounted for using equity method | 3,404 | 5,393 |
| Foreign exchange gains | - | 139 |
| Other | 172 | 138 |
| Total non-operating income | 4,030 | 6,238 |
| Non-operating expenses | | |
| Interest expenses | 63 | 175 |
| Loss on retirement of non-current assets | 51 | 37 |
| Foreign exchange losses | 40 | - |
| Other | 18 | 14 |
| Total non-operating expenses | 174 | 227 |
| Ordinary profit | 8,007 | 9,145 |
| Extraordinary income | | |
| Gain on sale of investment securities | - | 53 |
| Total extraordinary income | - | 53 |
| Extraordinary losses | | |
| Business restructuring expenses | 303 | - |
| Tender offer related expenses | - | 417 |
| Total extraordinary losses | 303 | 417 |
| Profit before income taxes | 7,704 | 8,782 |
| Income taxes - current | 1,230 | 1,722 |
| Income taxes - deferred | 801 | 966 |
| Total income taxes | 2,031 | 2,688 |
| Profit | 5,672 | 6,093 |
| Profit (loss) attributable to non-controlling interests | 0 | (144) |
| Profit attributable to owners of parent | 5,672 | 6,238 |

Consolidated interim Statements of Comprehensive Income

(Millions of yen)

| | For the six months ended September 30, 2023 | For the six months ended September 30, 2024 |
|--|--|--|
| Profit | 5,672 | 6,093 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 396 | (452) |
| Deferred gains or losses on hedges | (8) | 20 |
| Foreign currency translation adjustment | 2,168 | 2,910 |
| Remeasurements of defined benefit plans, net of tax | (41) | (180) |
| Share of other comprehensive income of entities accounted for using equity method | 1,192 | 3,338 |
| Total other comprehensive income | 3,706 | 5,636 |
| Comprehensive income | 9,378 | 11,729 |
| (breakdown) | | |
| Comprehensive income attributable to owners of parent | 9,345 | 11,917 |
| Comprehensive income attributable to non-controlling interests | 32 | (187) |

(3) Consolidated interim Statements of Cash Flows

(Millions of yen)

| | For the six months ended September 30, 2023 | For the six months ended September 30, 2024 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 7,704 | 8,782 |
| Depreciation | 1,934 | 2,224 |
| Amortization of goodwill | 185 | 201 |
| Increase (decrease) in allowance for doubtful accounts | (3) | 0 |
| Increase (decrease) in provision for bonuses | (477) | (214) |
| Increase (decrease) in retirement benefit liability | 107 | 142 |
| Interest and dividend income | (453) | (566) |
| Share of loss (profit) of entities accounted for using equity method | (3,404) | (5,393) |
| Loss (gain) on sale of investment securities | - | (53) |
| Interest expenses | 63 | 175 |
| Decrease (increase) in trade receivables | (976) | (1,103) |
| Decrease (increase) in inventories | (734) | (823) |
| Increase (decrease) in trade payables | (2,176) | (2,142) |
| Other, net | (1,166) | 1,390 |
| Subtotal | 602 | 2,618 |
| Interest and dividends received | 1,064 | 2,208 |
| Interest paid | (63) | (170) |
| Income taxes refund (paid) | (1,366) | (2,362) |
| Net cash provided by (used in) operating activities | 237 | 2,294 |
| Cash flows from investing activities | | |
| Decrease (increase) in time deposits | (4,704) | 1,202 |
| Purchase of property, plant and equipment | (1,026) | (2,063) |
| Purchase of intangible assets | (479) | (457) |
| Payments of guarantee deposits | (78) | (94) |
| Proceeds from refund of guarantee deposits | 258 | 42 |
| Other, net | (49) | (511) |
| Net cash provided by (used in) investing activities | (6,078) | (1,882) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (566) | 1,498 |
| Repayments of long-term borrowings | - | (191) |
| Dividends paid | (3,020) | (3,625) |
| Purchase of treasury shares | (0) | (1) |
| Repayments of lease liabilities | (617) | (958) |
| Net cash provided by (used in) financing activities | (4,204) | (3,278) |
| Effect of exchange rate change on cash and cash equivalents | 265 | 111 |
| Net increase (decrease) in cash and cash equivalents | (9,780) | (2,755) |
| Cash and cash equivalents at beginning of period | 34,744 | 29,243 |
| Cash and cash equivalents at end of period | 24,964 | 26,487 |

(4) Notes on Consolidated Financial Statements

(Going Concern Assumptions)

None

(Notes on Significant Changes in the Amount of Shareholders' equity)

None

(Application of Special Accounting Methods for Preparation of Consolidated interim Financial Statements)

Calculation of tax expenses

For certain consolidated subsidiaries, tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to income before income taxes for consolidated fiscal year, including the second quarter under review, and multiplying quarterly net income before income taxes by this estimated effective tax rate.

Income taxes of consolidated subsidiaries are included in income taxes - current.

(Changes in accounting policies)

None

(Segment information, etc.)

I Previous fiscal year (from April 1, 2023, to September 30, 2023)

1. Information on sales and profit by reportable segment

(Million yen)

| | Reportable segments | | | | Adjustment (Note 1,2) | Amount shown on Consolidated interim Financial Statements (Note 3) |
|--|---------------------|----------------|--------|--------|--------------------------|--|
| | Japan | South Korea | China | Total | | |
| Net sales | | | | | | |
| Sales to External Customers | 23,957 | 27,751 | 7,099 | 58,808 | 1,176 | 59,985 |
| Intersegment Sales or Transfers | 2,674 | 441 | 259 | 3,376 | (3,376) | — |
| Total | 26,632 | 28,192 | 7,358 | 62,184 | (2,199) | 59,985 |
| Segment Income(loss) | 2,054 | 1,740 | 241 | 4,037 | 114 | 4,151 |
| Other Items | | | | | | |
| Equity in earnings (loss) of affiliates | — | 233 | 3,171 | 3,404 | — | 3,404 |
| Investments on entities accounted for using equity method | — | 554 | 19,772 | 20,326 | — | 20,326 |

(Note)1 Adjustment of sales to external customers is recorded by the Company, a pure holding company.

2 Adjustment of segment Income is amount not allocated to intersegment transaction eliminations, adjustments for unrealized gains on inventories, and segment income.

3 Segment income is adjusted for operating income reported in the consolidated statements of income.

II Current fiscal year (from April 1, 2024, to September 30, 2024)

1. Information on sales and profit by reportable segment

(Million yen)

| | Reportable segments | | | | Adjustment (Note 1,2) | Amount shown on Consolidated interim Financial Statements (Note 3) |
|--|---------------------|----------------|--------|--------|--------------------------|--|
| | Japan | South Korea | China | Total | | |
| Net sales | | | | | | |
| Sales to External Customers | 23,633 | 31,102 | 6,978 | 61,715 | 1,102 | 62,818 |
| Intersegment Sales or Transfers | 2,265 | 285 | 254 | 2,805 | (2,805) | — |
| Total | 25,899 | 31,388 | 7,233 | 64,521 | (1,702) | 62,818 |
| Segment Income(loss) | 2,059 | 2,110 | (446) | 3,722 | (588) | 3,134 |
| Other Items | | | | | | |
| Equity in earnings (loss) of affiliates | — | 151 | 5,242 | 5,393 | — | 5,393 |
| Investments on entities accounted for using equity method | — | 797 | 27,283 | 28,080 | — | 28,080 |

(Note)1 Adjustment of sales to external customers is recorded by the Company, a pure holding company.

2 Adjustment of segment Income (loss) is amount not allocated to intersegment transaction eliminations, adjustments for unrealized gains on inventories, and segment income.

3 Segment income (loss) is adjusted for operating income reported in the consolidated statements of income.

(Significant subsequent events)

Setting of the Record date for Convening an Extraordinary General Meeting of Shareholders

At the meeting of the Board of Directors held on October 31, 2024, the Company decided to set the record date to convene an extraordinary general meeting of shareholders to be held December 2024 (the “**Extraordinary Shareholders’ Meeting**”).

1. Record Date of the Extraordinary Shareholders’ Meeting

The Company has set the record date as November 18, 2024, in order to determine the shareholders who may exercise their voting rights at the Extraordinary Shareholders’ Meeting, and the shareholders listed or recorded in the last shareholder register on that day will be entitled to exercise their voting rights at the Extraordinary Shareholders’ Meeting.

2. About the Extraordinary Shareholders’ Meeting

As announced in the press release published by the Company on September 30, 2024, titled “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 a result of the tender offer (the “**Tender Offer**”) for all of the common shares of the Company (the “**Company Shares**”), which BS Investment Corporation (the “**Tender Offeror**”), a wholly-owned subsidiary of ITOCHU Corporation conducted from October 1, 2024, to October 29, 2024, the Tender Offer was completed and ITOCHU Corporation and the Tender Offeror became parent companies of the Company as of November 6, 2024. However the Tender Offeror was unable to acquire all the Company's shares (excluding the Company's shares held by the Tender Offeror and the Company's treasury shares). Therefore, at the request of the Tender Offeror, the Company plans to propose resolutions at the Extraordinary Shareholders’ Meeting to conduct a consolidation of the Company Shares pursuant to Article 180 of the Companies Act (Act No. 86 of 2005, as amended) (the “**Share Consolidation**”) and to partially amend the Articles of Incorporation to abolish the provision regarding the number of shares constituting one unit of shares subject to the effectuation of the Share Consolidation, and other matters.

The Company's shares are scheduled to be delisted through prescribed procedures in accordance with the delisting standards of the Tokyo Stock Exchange. Trading of the Company's shares will become unavailable on the Tokyo Stock Exchange after the delisting.

3.Others

Overseas sales

Previous Fiscal Year (From April 1, 2023 to September 30, 2023)

(Million yen, %)

| | South Korea | China | Others | Total |
|---|-------------|-------|--------|--------|
| I Overseas sales | 27,087 | 9,822 | 1,795 | 38,704 |
| II Consolidated net sales | | | | 59,985 |
| III Consolidated net sales Percentages of overseas net sales | 45.2 | 16.4 | 3.0 | 64.5 |

Current Fiscal Year (From April 1, 2024 to September 30, 2024)

(Million yen, %)

| | South Korea | China | Others | Total |
|---|-------------|--------|--------|--------|
| I Overseas sales | 30,675 | 10,882 | 1,289 | 42,847 |
| II Consolidated net sales | | | | 62,818 |
| III Consolidated net sales Percentages of overseas net sales | 48.8 | 17.3 | 2.1 | 68.2 |

(Note) Net sales are classified by country/region based on the location of customers