

To whom it may concern

Company name: Ten-Arrows Co., Ltd.  
 Representative: Katsuya Hayashi,  
 Director and Representative Executive  
 Officer  
 (Code Number 9885:  
 Second Section of Osaka Securities  
 Exchange)  
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### **Announcement of An Affirmative View Regarding a Tender Offer in the Company Shares**

Ten-Arrows Co., Ltd. (the “Company”) is pleased to announce that the Company, at a meeting of its Board of Directors held on September 19, 2008, resolved that it expresses an affirmative view regarding a tender offer (the “Tender Offer”) for shares of common stock of Ten-Arrows by Southern Eagle Inc. (“Southern Eagle”) and Otto Inc. (“Otto”) (each individually a “Tender Offeror” and collectively the “Tender Offerors”), in the following manner.

This resolution expressing an affirmative view is based on the assumption that the Tender Offerors will make the Company a wholly-owned subsidiary thereof and the Company shares will be delisted subsequently if the Tender Offer comes into effect.

#### **1. Outline of the Tender Offerors**

(1) Southern Eagle

(As of September 19, 2008)

(1) Trade name	Southern Eagle Inc.	
(2) Description of business	Its major business is to hold shares of the Company as well as other assets, and to acquire and hold shares of the Company through the Tender Offer	
(3) Date of incorporation	December 21, 1988	
(4) Address of head office	6-6, Jurinji-minamimachi, Nishinomiya, Hyogo	
(5) Name and title of the representative	Hideki Furusho, Representative Director	
(6) Capital	¥25,102,000	
(7) Major shareholders and shareholding ratio	Tomorrow Co., Ltd.: 100%	
(8) Relationship between the Tender Offeror and the Company	Capital relationship	Southern Eagle holds 3,802,432 issued and outstanding shares (approximately 18.08%) of the Company.
	Personnel relationship	None applicable
	Transaction relationship	None applicable
	Status as a related party	Southern Eagle is a major shareholder of the Company.

		approximately 18.08% or 3,802,432 shares.
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(2) Otto (As of September 19, 2008)

(1) Trade name	Otto Inc.	
(2) Description of business	Its major business is to hold shares of the Company as well as other assets, and to acquire and hold shares of the Company through the Tender Offer	
(3) Date of incorporation	August 25, 1986	
(4) Address of head office	6-6, Jurinji-minamimachi, Nishinomiya, Hyogo	
(5) Name and title of the representative	Hideki Furusho, Representative Director	
(6) Capital	¥31,162,000	
(7) Major shareholders and shareholding ratio	Tomorrow Co., Ltd. (76.0%) and Clematis Inc. (24.0%) (Note)	
(8) Relationship between the Tender Offeror and the Company	Capital relationship	Otto holds 1,581,050 issued and outstanding shares (approximately 7.52%) of the Company.
	Personnel relationship	None applicable
	Transaction relationship	None applicable
	Status as a related party	None applicable

(Note) As of today, because Tomorrow Co., Ltd. holds 49.00% of the issued and outstanding shares of Clematis Inc. and Southern Eagle, a wholly-owned subsidiary of Tomorrow Co., Ltd. holds 51.00% of the issued and outstanding shares of Clematis Inc., Tomorrow Co., Ltd. holds 100% of the issued and outstanding shares of Clematis Inc.

**2. Substance of and Grounds and Reasons for the Affirmative View Regarding the Tender Offer**

(1) Substance of the affirmative view regarding the Tender Offer

The Company, at the meeting of its Board of Directors held on September 19, 2008, resolved that it expresses an affirmative view with respect to the implementation of the Tender Offer, based on the grounds and reasons as described in (2) below.

Katsuya Hayashi, Director and Representative Executive Officer of the Company, intends to indirectly make an investment into Tomorrow, the parent company of the Tender Offerors, after completion of the Tender Offer. As a special interested party, he therefore refrained from participating in discussions and the subsequent voting on the resolution at the Board of Directors' meeting relating to the above. Hiroko Hayashi also refrained from participating in discussions and the subsequent voting on the resolution in order to avoid potential conflicts of interest in view of her status as a member of the Founding Family. All of the directors (excluding Katsuya Hayashi and Hiroko Hayashi), all of whom are outside directors, attended the meeting of the Company's Board of Directors in which the affirmative resolution to agree to the Tender Offer was unanimously adopted.

(2) Grounds and Reasons for the Affirmative View Regarding the Tender Offer

① Outline of the Tender Offer

According to the press release issued by the Tender Offerors regarding the Tender Offer, both Tender Offerors are as of today special companies with limited liability, all of whose issued and outstanding

shares are held, directly or indirectly, by Tomorrow Co., Ltd. (“Tomorrow”). Tomorrow is controlled by an investment fund to whom Morgan Stanley’s private equity advisors in Asia (“Morgan Stanley Private Equity Asia” or “MSPEA”, investment funds and companies to whom MSPEA provides financial advisory services collectively the “MSPEA Group”), which is the private equity division for Asia of the Morgan Stanley Group (“Morgan Stanley Group”) headed by the New York Stock Exchange-listed Morgan Stanley, provide financial advisory services and which was established for the purpose of conducting the Tender Offer. Due to the transfer from the founding family (the “Founding Family”, as defined below) of the issued and outstanding shares of the Tender Offerors and those of Clematis Inc. (“Clematis”), a shareholder of the Tender Offerors, prior to the Tender Offer to Tomorrow, Tomorrow now holds all the issued and outstanding shares of the Tender Offerors, either directly or indirectly. As of today, Southern Eagle holds 3,802,432 shares (ratio of voting rights to the total voting rights of the Company: 19.63%) and Otto holds 1,581,050 shares (ratio of voting rights to the total voting rights of the Company: 8.16%) of the Company. Clematis does not directly hold any Company shares.

The Tender Offerors intend to conduct the Tender Offer through a so-called management buyout (MBO)<sup>1</sup> technique (the “Transactions”) and thus acquire, excluding the shares of the Company held by them (5,383,482 shares in total; voting rights ratio to the total voting rights of the Company: 27.80%), all the issued and outstanding shares of the Company (exclusive of the treasury stock), as part of a series of transactions to discontinue public trading of the Company’s shares.

Katsuya Hayashi, Director and Representative Executive Officer of the Company; Hiroko Hayashi, a founder and Director of the Company; Masaharu Hayashi, a founder of the Company; and Tatsuya Hayashi and Itsuha Sezaki, members of the Hayashi Family (these five persons collectively the “Founding Family”) hold the Company shares as indicated below. The Tender Offerors have obtained an agreement from the Founding Family that they will tender all shares of the Company held by the Founding Family in the Tender Offer.

<u>Founding family</u>	<u>Number of shares held</u>	<u>Ratio of voting rights held to the total voting rights</u>
Katsuya Hayashi	957,100 shares	4.94%
Hiroko Hayashi	1,037,699 shares	5.36%
Masaharu Hayashi	1,508,925 shares	7.79%
Tatsuya Hayashi	954,700 shares	4.93%
Itsuha Sezaki	954,700 shares	4.93%

Prior to the Tender Offer, Tomorrow, which holds substantially all the issued and outstanding shares of the Tender Offerors; MSPE Tanya Holdings BVBA (“MSPETH”), a corporation which is Tomorrow’s shareholder and was established under Belgian law and is controlled by an investment fund to which MSPEA provides financial advisory services; a fund called K&H L.P. (whose general partner is Bianco Capital Ltd.) to which Hayate Investments Co., Ltd. (“Hayate”) gives advice for investment activities (the “Hayate Vehicle”) and the Founding Family entered into a management buyout master agreement (the “MBO master agreement”) regarding various conditions related to the execution of the Transactions.

Upon the fulfillment of certain procedures stipulated in the MBO master agreement, several members of the Founding Family, including Katsuya Hayashi, Director and Representative Executive Officer of the Company, will make investments as limited partners in the Hayate Vehicle, and the Hayate Vehicle shall use ¥3.1 billion of the investments by the Founding Family in its investment into Tomorrow, by accepting a capital increase through third-party allocation, that Tomorrow intends to conduct after the settlement of the Tender Offer. After the capital increase through third-party allocation is executed, MSPETH and the Hayate Vehicle will respectively hold 50.8% and 49.2% of the issued and outstanding shares of Tomorrow.

Furthermore, it is assumed that, if the settlement of the Tender Offer is completed, the Tender Offerors will conduct the procedure that allows the Tender Offerors to acquire all the issued and outstanding shares of the Company exclusive of the treasury stock (the “Procedure for Making a Wholly-Owned Subsidiary”), which is described in (4) below. Then, after the Procedure for Making a Wholly-Owned Subsidiary is completed, it is also assumed that Tomorrow, the Tender Offerors and Clematis will conduct a management integration through merger or another organizational restructuring method in the future.

The MSPEA Group and Hayate will support the mid-to-long-term business reforms to be made by the Company not only on a Japanese but also an international level by establishing close cooperative working relationships with the Company’s management after the execution of the Transactions. Meanwhile, Katsuya Hayashi, a member of the Founding Family who will participate in management of the Company after the execution of the Transactions, views the Transactions as a corporate innovation for the purpose of creating favorable tension across the management that will strengthen corporate capabilities. The

Company understands from Katsuya Hayashi that he intends to vigorously carry out the task of raising the corporate value of the Company through the process of business reforms by taking maximum advantage of the resources made available through the support from the MSPEA Group and Hayate.

② Grounds for our decision to express an affirmative view with respect to the Tender Offer

Since the Company's establishment in 1975, Ten Arrows and its group companies (the "Ten-Arrows Group") have contributed to female beauty and health, as well as to women's social advancement, by supplying quality goods centering on ladies' functional innerwear and door-to-door sales services, under the founding spirit of "All the people should have rich lives and all the people who have relations with the Company should be enriched with us." In the course of its corporate growth, the Company registered its stock for over-the-counter transactions at the Japan Securities Dealers Association in October 1990 and also listed on the Second Section of the Osaka Securities Exchange in November 1998. Furthermore, the Company conducted an incorporation-type company split (*shinsetsu-bunkatsu*) by which Charle Co., Ltd. was established in June 2006, and later adopted a holding company system to expand its business. (At the time of the shift to a holding company system, the trade name of the holding company was changed from Charle Co., Ltd. to Ten-Arrows Co., Ltd., and the trade name of the newly established company for the ladies' innerwear business became Charle Co., Ltd. In October 2008, the Company will succeed the ladies' innerwear wholesale business currently engaged in by Charle through an absorption-type company split (*kyushu-bunkatsu*) of Charle, and become an operating holding company with the trade name Charle Co., Ltd., again.)

However, net sales of Charle, the core operating company in the Ten-Arrows Group, has shown a declining trend for the past 11 years, mainly due to the recent tendency to avoid door-to-door sales among consumers, intensifying competition in the functional innerwear sales market, and an aging distributor base. Although the shift to the holding company system was directed toward expanding the scope of businesses of the Ten-Arrows Group, the profitability of a group company engaged in the wholesale gifts business also deteriorated due to changes in the custom of gift-giving and intensifying competition with other business industries. In November 2007, this group company sought to revitalize its business through integration with a peer company in the same industry and the generation of synergies. Ultimately, however, business operations of this group company were sold, and business development within the Ten-Arrows Group has stalled.

To break through such a deadlock, since the current management assumed leadership, the Company has implemented radical business reforms to revitalize the core ladies' innerwear wholesale business and restructure the corporate group to focus management resources on the businesses which focus around the concept of "contributing to female beauty and health" (collectively the "Business Reform").

In the course of promoting such reforms and restructuring, because the Company will incur operating expenses in advance in order to implement initiatives such as new purchasing channels and improvements to the business environment of distributors of ladies' innerwear across Japan, there is a business risk of a decrease in profits in the mid-term as well as not achieving financial results as planned. Moreover, because investment costs for new business development will also be necessary for the locally-affiliated company in China operating a ladies' innerwear business, it will require a period of time to restore profitability. In addition, to develop new businesses other than the ladies' innerwear business, marketing costs will also be incurred, and it is anticipated that the Company will suffer deficits in the initial stages. Despite these adverse financial factors that may affect short-term operating performance even to a loss, management judged that it must recognize the necessity of consistent and resolute reforms and that the Company is in a situation where negative effects in the mid-to-long-term may be a possibility depending on the success or failure of the Business Reform. Further, in order to overcome such a harsh operating environment and conduct resolute reforms based on a consistent management philosophy, not only is it necessary for shareholders, management executives and employees to concentrate their efforts on renewal of the Company, but management executives must also focus on risk management and take full responsibility for establishing an effective management system that allows for more agile and swift decision making. These measures are considered indispensable to maximize the corporate value of the Company from the mid-to-long-term perspective.

On the other hand, it is necessary to conduct resolute reforms based on a consistent management philosophy without being influenced by short-term operating performance in order to successfully carry out the Business Reform. In other words, the Company's businesses are at a transitional stage of structural change in the process of the Business Reform. Consequently, it is expected that there will be a temporary scale-down of net sales and/or deterioration of earnings and/or cash flows due to the required increase in investment and growing uncertainty over future performance, along with a possible decline in the stock price caused by these negative effects. Although the Business Reform might not be favorably evaluated in the capital markets, which have recently tended to conduct business evaluations according to a short-term perspective, the Business Reform must be implemented consistently on an ongoing basis in order to raise

the mid-to-long-term corporate value of the Company.

The Business Reform might be exposed to certain risks. Although the Business Reform has considered the introduction of various schemes to revitalize our distributors (the “Business Members”), for example, there is a danger that the implementation of such measures may temporarily confuse the business fields and thus cause stagnation of activities of the Business Members, leading to a decline in net sales of the Company. Furthermore, we intend to invest a relatively large sum in information systems, etc. to implement a more convenient product purchasing channel; however, earnings and cash flows of the Company might be negatively affected by the relevant expenses if anticipated results cannot be successfully achieved.

Given these circumstances, Katsuya Hayashi, Director and Representative Executive Officer of the Company, continued to discuss and deliberate the best possible management measures to be taken with the MSPEA Group and Hayate to raise the mid-to-long-term corporate value of the Company.

As a result, Katsuya Hayashi confirmed anew that the implementation of the Business Reform is necessary for raising the mid-to-long-term corporate value of the Company. He subsequently concluded that (i) the Business Reform must be executed regardless of short-term operating performance and/or stock price fluctuations; (ii) an agile and swift business-executing system should be established through concerted efforts among shareholders, management executives and employees under clear corporate governance that will be realized against a backdrop of core stable shareholders who will support the Company during the mid-to-long-term after the discontinuance of public trading of the Company’s shares via a MBO to prevent ordinary shareholders from being exposed to the risks involved in the Business Reform; and (iii) it would be best to demonstrate a clear resolve regarding the Business Reform to all the stakeholders, including management executives and employees, in order to promote its acceptance. Furthermore, during the consultations and deliberations with Katsuya Hayashi, the MSPEA Group and Hayate indicated their interest in the potential for improvement in the management of and improved corporate value of the Company through the Business Reform, and each agreed to work on improving the mid-to-long-term corporate value of the Company. Specifically, by drawing on their broad networks in Japan and overseas, the MSPEA Group and Hayate will endeavor to recruit personnel at both the executive and operational levels that would reinforce the Company’s businesses, support business alliance projects, introduce industrial best practices, and support the growth strategy of the Company’s China business. In addition, the Company understands from the MSPEA Group and Hayate that they will actively support the Company with implementing management controls and standards and the preparation and execution of business strategies based on such standards by fully utilizing their management and financial expertise.

Having received the proposal on the Tender Offer from the Tender Offerors, the Company comprehensively considered the circumstances surrounding the Company as described above, and studied the issue. As a result, the Company reached the conclusion that making the Company a wholly-owned subsidiary of the Tender Offerors through the execution of the Transactions would effectively ensure swifter decision making by management and would be the most effective way to raise the corporate value of the Company.

In addition, as described in (3) below, the Company judged that the offer price in the Tender Offer is fair and reasonable for shareholders of the Company and that the Tender Offer provides the shareholders with an opportunity to sell their shares at a fair and reasonable price. Consequently, the Board of Directors determined to agree with the Tender Offer.

The Company, at the meeting of the Board of Directors held on September 19, 2008, resolved that it will not submit a proposal to a general meeting of shareholders regarding the dividends from surplus to be distributed to shareholders whose names are registered or recorded in the list of shareholders and beneficiary shareholders as of March 31, 2009, if the Tender Offer comes into effect. In addition, the Company, at the same meeting of the Board of Directors, also resolved that shareholder benefits programs shall be abolished if the Tender Offer comes into effect. For details, refer to the “Announcement of Revisions to Year-End Dividend Projection for the Year Ending March 2009 and Abolition of Shareholder Benefits Programs” released today.

Note 1: MBO generally means a transaction in which all or several management executives of a company make investments therein by purchasing the shares thereof on the premise of continued business activities of the company.

(3) Measures to ensure the fairness of the Tender Offer, such as measures taken to ensure fairness in the evaluation of the offer price and measures taken to prevent conflicts of interest

The Tender Offerors have taken the following measures to ensure the fairness of and prevent conflicts

of interest in the Transactions, which include the Tender Offer, based on the fact that the Tender Offer will be conducted as part of the MBO to be conducted centered on Katsuya Hayashi, Director and Representative Executive Officer of the Company.

① Disclosure of sufficient information to shareholders

The Tender Offerors have specifically disclosed information regarding the background of and reasons for the Tender Offer, as well as the details about the calculation of the offer price (“Offer Price”) in the Tender Offer, in a tender offer notification regarding the Tender Offer, so that shareholders of the Company can make appropriate judgments as to whether or not to accept the Tender Offer.

② Valuation statement obtained from an independent third-party assessor

The Tender Offerors referred to the valuation statement regarding the stock value of the Company shares (the “Valuation Statement”) submitted by Ernst & Young Transaction Advisory Services Co., Ltd. (“EYTAS”) and made the final decision on the Offer Price (of ¥800 per share) based on the results of discussions and negotiations with the Company.

In evaluating the Company’s stock value, EYTAS decided that it would be appropriate to evaluate the stock value in a multi-faceted manner on the assumption of continued business activities of the Company by verifying the business plan, etc. of the Company submitted by the Tender Offerors. EYTAS therefore calculated the valuations of the Company’s stock value according to the method used, such as the market share price method, the comparable peer company method (EBITDA multiple method) and the Discounted Cash Flow method (the “DCF method”).

I. Market share price method

EYTAS adopted the market share price method, which is considered to provide the most objective results in evaluating the stock value of publicly traded companies, to evaluate the stock value of the Company on the basis of the Company’s current stock price in the market.

Using September 16, 2008 as the reference date for evaluation, EYTAS calculated the range of the Company’s stock value to be between ¥498 and ¥600 per share, based on the closing prices of the Company’s stock for the three month period up to September 16, 2008, with the record-low closing price within that period as the minimum limit and the record-high closing price as the maximum limit.

II. Comparable peer company method

EYTAS adopted the comparable peer company method because it is considered to allow for empirical evaluation of stock value through the use of stock prices and financial data of comparable peer companies.

EYTAS calculated the range of the Company’s stock value to be between ¥599 and ¥855 per share based on the EBITDA (earnings before interest, taxes, depreciation and amortization) multiple method, which was calculated for the listed companies that engage in businesses similar to that of the Company.

III. DCF method

EYTAS adopted the DCF method, which is considered to be an appropriate method for evaluating corporate value as a going concern of the targeted corporation based on its predicted future cash flows (profitability capability).

EYTAS calculated the range of the Company’s stock value to be between ¥646 and ¥908 per share by discounting the predicted future cash flows to be created by the Company, which were calculated based on financial projections submitted by the Company in view of the feasibility from the viewpoint of a purchaser, using a discount rate employing the capital cost assumed using a generally-used capital asset pricing model, to the present value.

The Tender Offerors carefully examined the Offer Price of the Tender Offer while referring to the calculation results that ranged between ¥498 and ¥908 per share as above and the past trading prices of the Company’s shares. The Tender Offerors made the final decision on the Offer Price by taking into consideration the possibility of delisting of the Company’s stock after the implementation of the Transactions including the Tender Offer, which would have a significant impact on the Company’s shareholders, considerations of whether or not the Company would accept the Tender Offer, the prospects for the Tender Offer, the results of discussions and negotiations with the Board of Directors of the Company, etc.

The Offer Price (of ¥800 per share) represents a premium of 54.8%, 50.7%, 49.6% and 41.7% over the simple arithmetic average of ¥517, ¥531, ¥535 and ¥565, the respective closing stock prices of the

Company at the Osaka Securities Exchange during the past 1-month period, 3-month period, 6-month period and 12-month period ending September 18, 2008.

For its part, the Board of Directors of the Company selected and requested KPMG FAS Co., Ltd. (“KPMG FAS”), which is a third-party assessor independent from the Tender Offerors and the Company, to evaluate the stock value of its shares to avoid an unfair and arbitrary judgment in the process of decision-making on the judgment of the fairness and appropriateness of the Offer Price proposed by the Tender Offerors.

In evaluating the Company’s stock value, KPMG FAS received materials and explanations on current and future business plans, etc.<sup>2</sup>, from the Company and collected and reviewed information necessary for the valuation and calculated the Company’s stock value based on such information. KPMG FAS calculated and reported the following results of its valuations to the Board of Directors.

#### I. Market price method

As the shares of the Company are listed on the second section of the Osaka Securities Exchange, KPMG FAS adopted the market price method for the Company’s stock value, as it is a highly-objective indicator for companies listed on a market.

Using September 17, 2008 as the reference date for evaluation, KPMG FAS calculated the range of the Company’s stock value to be between ¥518 and ¥535 per share based on the average stock prices of the Company for the past one month and six month periods up to September 17, 2008, with the average stock price for the past one month period as the minimum limit and the average stock price for the past six month period as the maximum limit, after calculating the average stock price for the past one month, three-months and six-month periods, respectively.

#### II. DCF method

KPMG FAS adopted valuation using this method as it is the most rational method for the calculation of theoretical value, because excess return and business risks can be reflected in the evaluation of the targeted corporation based on its predicted future cash flows.

KPMG FAS calculated the range of the Company’s stock value to be between ¥681 and ¥1,010 per share by discounting the predicted future cash flows to be created by the Company, which were calculated based on the business plan submitted by the Company, by a certain discount rate to the present value.

#### III. Market multiple method

KPMG FAS adopted the market multiple method, which identifies comparable listed companies with similar business descriptions, financial situations and earnings conditions as those of the Company and valuation target companies, as a highly-objective value indicator similar to the market price method, and in which stock market valuation is well reflected.

KPMG FAS calculated that the range of the Company’s stock value to be between ¥976 and ¥1,259 per share through data comparison of the EBITDA multiple method and ordinary margin of the comparable listed companies.

#### IV. Adjusted net asset method

Highly convertible assets, such as cash and deposits, and securities and investment securities, for which objective market prices can be calculated, account for relatively high levels on the Company’s balance sheet. As such, KPMG FAS conducted its valuation of the Company’s stock value using this method as it was considered that market-price-based static valuation of assets and liabilities would allow it to obtain objective and stable valuation results.

KPMG FAS calculated the Company’s stock value to be ¥929 per share based on the adjusted net assets that were computed after adjusting for additions/deductions resulting from a market price valuation of assets and liabilities on the net asset amount on the consolidated balance sheet as of June 30, 2008.

Referring to the results of the KPMG FAS valuation report above and based on the results of discussions and negotiations with Tender Offerors, the Board of Directors carefully examined various conditions of the Tender Offer from the viewpoints of financial conditions, business climate and fairness between shareholders, as well as other factors. As a result, the Company, at the meeting of Board of Directors held on September 19, 2008, judged that that the Offer Price and other various conditions in the Tender Offer are appropriate and that the Tender Offer provides the shareholders with an opportunity to sell their shares at a fair and reasonable price. Consequently, the Board of Directors determined to agree with the Tender Offer and all the directors present thereat unanimously adopted the

affirmative resolution to agree with the Tender Offer.

Note 2: Although the Company prepared a business plan in July 2008 based on the Medium-Term Management Plan that was approved at the Board of Directors' meeting held in April 2008, this business plan was not presented to the Board of Directors. The outside directors continued to examine the feasibility of this business plan in August and September 2008. Consequently, the Board of Directors passed a resolution approving the business plan with revised figures.

#### Valuation Statement of the Tender Offerors

Calculation Method	Calculation Results
Market share price method	¥498 - ¥600
Comparable peer company method	¥599 - ¥855
DCF method	¥646 - ¥908

#### Valuation Report of the Company

Calculation Method	Calculation Results
Market price method	¥518 - ¥535
DCF method	¥681 - ¥1,010
Stock value magnification method	¥976 - ¥1,259
Adjusted net asset method	¥929

#### ③ Approval by all of the directors present

As a result of careful discussions on the Tender Offer from the standpoint of raising the corporate value of the Company, based on the information obtained by its information collection activity including the results of the valuation report described above, at the Board of Directors' meeting held on September 19, 2008, the Board of Directors judged the various conditions of the Tender Offer to be appropriate and that the Tender Offer would present its shareholders with an opportunity to sell their shares at a fair and reasonable price. Consequently, all three directors present (i.e. all directors excluding Katsuya Hayashi and Hiroko Hayashi) unanimously adopted the resolution approving the Tender Offer.

In addition, since June 2008 the Company has received explanation about legal issues related to the Transactions from the Ohebashi Law Office.

Katsuya Hayashi, the Director and Representative Executive Officer of the Company, intends to make an investment through the Hayate Vehicle into Tomorrow, which holds all issued and outstanding shares of the Tender Offerors. As a special interested party, he therefore refrained from participating in discussions and the subsequent voting on the resolution concerning the Transactions at the Board of Directors' meeting described above. Hiroko Hayashi, Director, also refrained from participating in discussions and the subsequent voting on the resolution in order to avoid potential conflicts of interest in view of her status as a member of the Founding Family. Excluding Katsuya Hayashi and Hiroko Hayashi, three directors attended the meeting of the Company's Board of Directors in which the resolution concerning the Transactions was adopted, and unanimously adopted the resolution to agree to the Tender Offer.

#### ④ Relatively longer tender offer period

The applicable laws and ordinances stipulate the shortest duration of a tender offer for purchases (the "Tender Offer Period") to be 20 business days. The Tender Offerors have set the Tender Offer Period in the Tender Offer to be 30 business days. The relatively longer term established for the Tender Offer Period is intended to ensure that the Company's shareholders have appropriate opportunities with respect to the decision to subscribe for the Tender Offer and also to ensure that those other than the Tender Offerors who wish to make counter purchases have such opportunities with the aim of ensuring fairness and appropriateness in the Offer Price. Moreover, the Tender Offerors have set a minimum limit of the number of share certificates, etc., to be purchased, indicating a level below which the Tender Offer will not come into effect unless subscriptions above the majority (4,291,865 shares) are made regarding the difference after subtracting from the issued and outstanding shares of the Company exclusive of the treasury stock (19,380,335 shares) the number of shares held by the Tender Offerors (5,383,482 shares) and the number of shares held by the Founding Family (5,413,124 shares), for which subscription for the Tender Offer is agreed. With this measure, the Transactions shall not come into effect if the majority of shareholders other than the Tender Offerors and the Founding Family choose not to subscribe to the Tender Offer, thereby strongly respecting the intent of the Company's shareholders.



The Tender Offerors have not concluded an accord with the Company that prohibits the Company from making contacts with any opponents of the Tender Offer. This should also serve to ensure fairness and appropriateness in the Offer Price, together with the relatively longer term of the Tender Offer Period mentioned above.

(4) Policies on corporate restructuring anticipated after the Tender Offer (Matters relating to the so-called ‘Two-Step Acquisition’)

If the Tender Offer comes into effect, the Tender Offerors will acquire more than approximately 77.85% of the issued and outstanding shares of the Company exclusive of the treasury stock. If the Tender Offerors cannot acquire all the issued and outstanding shares of the Company exclusive of the treasury stock, they plan to implement a procedure in order to hold all the issued and outstanding shares of the Company exclusive of the treasury stock in the following manner as part of the Transactions after the completion of the Tender Offer, while providing shareholders of the Company other than the Tender Offerors with the opportunity to sell shares of the Company.

Specifically, after the Tender Offer has come into effect, the Tender Offerors intend to request the Company to hold an extraordinary general meeting of shareholders which includes in the agenda items 1) through 3) below and to hold a general meeting of shareholders for ordinary shareholders with class shares (*futsu-kabunushi-niyoru shurui kabunushisokai*) which includes in the agenda item 2) below: 1) the Company shall be converted into a corporation issuing class shares (*shurui kabushiki hakkou kaisha*) under the Companies Act (Law No. 86 of 2005, including subsequent versions as amended; hereinafter the same shall apply) by partially amending the Articles of Incorporation of the Company; 2) all of the common shares of the Company to be issued by the Company shall be appended with a call provision (a provision regarding the matter stipulated in Article 108, Paragraph 1, Item 7 of the Companies Act; hereinafter the same shall apply) by further amending a part of the Articles of Incorporation of the Company after amending as above; and 3) a different class of common stock shall be issued by the Company in exchange for all of such shares of the Company (exclusive of the treasury stock). As for the extraordinary general meeting of shareholders and the general meeting of shareholders for ordinary shareholders with class shares to be held as stipulated above, the Tender Offerors have analyzed the issue and requested the Company to submit matters 1) through 3) to the same extraordinary general meeting of shareholders and to discuss matter 2) at a general meeting of shareholders for ordinary shareholders with class shares. Having received such request, the Company has started examining the possibility of holding an extraordinary general meeting of shareholders and a general meeting of shareholders for ordinary shareholders with class shares.

If the Tender Offer comes into effect, the Tender Offerors will acquire more than approximately 77.85% of the issued and outstanding shares of the Company, exclusive of the treasury stock. If it is decided that such procedures shall be adopted, the Tender Offerors intend to express approval of each of the proposals to be put to the extraordinary general meeting of shareholders and the general meeting of shareholders for ordinary shareholders with class shares. If all of the above procedures are completed, all the shares of common stock issued by the Company will be subject to the call provision and shall be wholly acquired by the Company (exclusive of the treasury stock). Meanwhile, a different class of shares shall be issued to all of the Company’s shareholders as compensation for such acquisition by the Company<sup>3</sup>. Shareholders who would receive fractional shares of less than one share will receive cash obtained from the sale of shares corresponding to the aggregate number of such fractional shares (fractions of the aggregate number to be truncated) in accordance with Article 234 of Companies Act and other applicable ordinances. The selling price of the aggregate number of fractional shares (and the resulting cash amount to be delivered to each of relevant shareholders) will be calculated on the basis of the Offer Price unless any circumstance otherwise requires, but may differ from the Offer Price due to different timing of computation. In addition, the class and number of shares of the Company to be issued in compensation for the acquisition of shares of the Company’s common stock subject to the call provision which must be delivered to the Company’s shareholders other than the Tender Offerors such that the Tender Offerors will hold all issued and outstanding shares of the Company exclusive of the treasury stock shall result in fractions of less than one share.

To protect the rights of minority shareholders regarding the Procedure for Making a Wholly-Owned Subsidiary, the Companies Act stipulates that (i) in the case that the Articles of Incorporation are amended to the effect that shares of common stock shall be subject to the call provision as stated in Item 2) above, any shareholder may request of the Company the purchase of shares held thereby in accordance with Articles 116 and 117 of the Companies Act and other applicable ordinances and that (ii) if a resolution to acquire all the shares of the Company subject to the call provision is adopted by the extraordinary general meeting of shareholders as stated in Item 3) above, any shareholder may file a claim regarding the decision of the acquisition price of such shares in accordance with Article 172 of the Companies Act and other applicable ordinances. In making such request or claim according to any of these methods, shareholders

are requested to make decisions according to their own judgment, at their own risk with regard to the necessary procedures and so on. The Procedure for Making a Wholly-Owned Subsidiary may be replaced with a method having equivalent effects, depending on the interpretation etc., of applicable laws and regulations of the relevant authorities, the shareholding status of the Tender Offerors after the Tender Offer, or the shareholding situation of shareholders other than the Tender Offerors. Even in such cases, however, a cash delivery method for other shareholders is planned such that the Tender Offerors will ultimately hold all issued and outstanding shares of the Company exclusive of the treasury stock. In such cases, the cash amount to be delivered to relevant shareholders will be calculated on the basis of the Offer Price, but it may differ from the Offer Price.

The details and timing of the Procedure for Making a Wholly-Owned Subsidiary are, at present, undetermined. Owing to circumstances concerning relevant procedures, the Tender Offerors have requested the Company to cooperate with them, for example, by making public announcements about the record date for the extraordinary general meeting of shareholders and the general meeting of shareholders for ordinary shareholders with class shares prior to the settlement of the Tender Offer. The proposals to be submitted and details of the procedures thereon will be announced as soon as a decision is made.

The Tender Offer does not have the intent of soliciting shareholders of the Company to vote in favor of the proposals to be put to the extraordinary general meeting of shareholders and the general meeting of shareholders for ordinary shareholders with class shares above. Furthermore, shareholders are kindly requested to consult with tax specialists individually at their own responsibility with respect to the tax consequences of the aforementioned procedures.

Note 3: The Tender Offerors have requested the Company to retire its shares of treasury stock before the extraordinary general meeting of shareholders and the general meeting of shareholders for ordinary shareholders with class shares, and the Company has started examining the possibility of complying with such a request.

(5) Likelihood of the delisting of shares of common stock of the Company and reasons thereof

As the Tender Offerors have not set a maximum limit regarding the number of share certificates, etc., to be purchased in the Tender Offer, shares of the Company may be subject to delisting upon the fulfillment of certain procedures if, as a result of this Tender Offer, the delisting standards of the Osaka Securities Exchange are met. In addition, even if the delisting standards are not met at upon completion of the Tender Offer, shares of the Company will be delisted because the Tender Offerors intend to hold all issued and outstanding shares of the Company exclusive of the treasury stock in accordance with the procedures set forth in (4) Policies on corporate restructuring anticipated after the Tender Offer (Matters relating to the so-called 'Two-Step Acquisition') above. Shares of the Company will cease to be traded on the Osaka Securities Exchange after the delisting.

The Company resolved at the meeting of Board of Directors held on September 19, 2008, that it will not distribute year-end dividends to shareholders whose names are registered or recorded in the list of shareholders and list of beneficiary shareholders as of March 31, 2009, on the condition that the Tender Offer comes into effect. In addition, a resolution was also adopted to abolish the shareholder special benefit plan if the Tender Offer comes into effect.

(6) Significant agreement between the Tender Offerors and shareholders of the Company regarding subscriptions for the Tender Offer

In conducting the Tender Offer, the Tender Offerors have agreed with the Founding Family that they will subscribe to the Tender Offer for all the shares of the Company held by the Founding Family as described above.

(7) Prospects of the Company

As aforementioned, Katsuya Hayashi, Director and Representative Executive Officer of the Company, will indirectly make investments in Tomorrow, substantially the parent company of the Tender Offerors, and will continue to assume the position of Director and Representative Executive Officer of the Company even after the Transactions come into effect.

### **3. Favors Given by the Tender Offerors or Specially Related Parties thereof**

None applicable

### **4. Guidelines to Address the Basic Policy Regarding Control of the Company**

None applicable

**5. Questions to the Tender Offerors**

None applicable

**6. Request for Prolongation of the Tender Offer Period**

None applicable

\*Attachment: ANOUNCEMENT OF COMMENCEMENT OF TENDER OFFER FOR SHARES OF TEN-ARROWS CO., LTD. issued by the Tender Offerors

• **Method for public announcement**

- Press release (September 19, 2008)
- Submission of the Statement of Opinion (scheduled for September 22, 2008)
- Website of Ten-Arrows Co., Ltd.: <http://www.ten-arrows.com>

• **Contact**

Toll-free call service for shareholders: 0120-81-4860

Business hours: 9:30 a.m. —5:30 p.m.

※Toll-free calls become available on Friday, September 19.

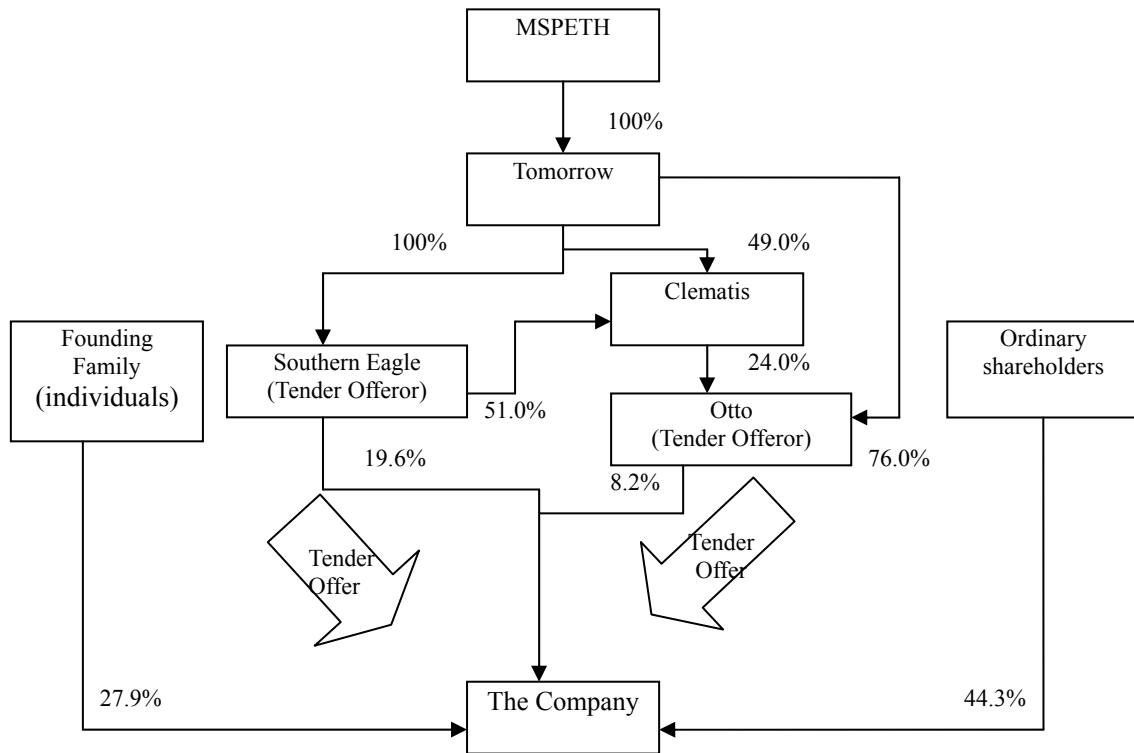
※The service is not available on Saturdays, Sundays and national holidays.

※However, the telephone service will be available on Saturday, September 20, Sunday, September 21 and a national holiday of September 23, 2008. The service period will be available from Friday, September 19, to Wednesday, November 5, 2008.

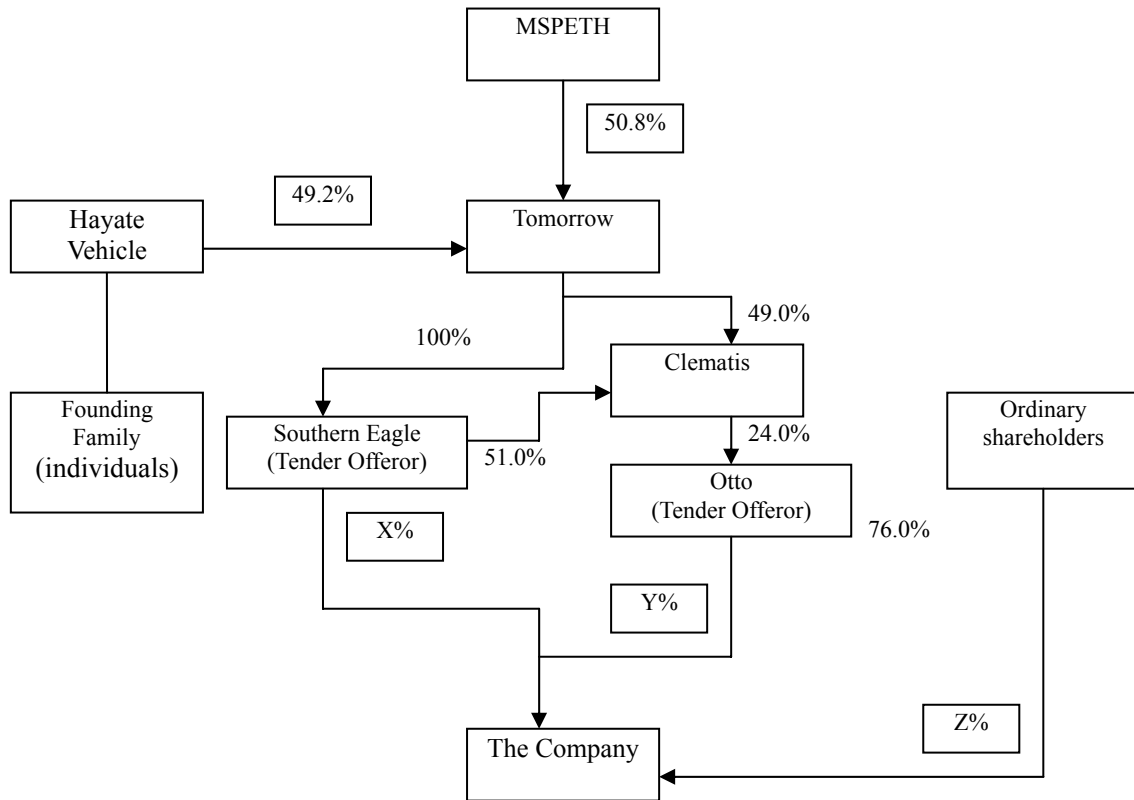
For consultation and inquiries about the Tender Offer, please review the attached ANOUNCEMENT OF COMMENCEMENT OF TENDER OFFER FOR SHARES OF TEN-ARROWS CO., LTD. issued by the Tender Offerors.

**<Outline of Structure> (Note 4)**

1. Execution of the Tender Offer



2. Capital structure after the Tender Offer and re-investments



Note 4: The percentages in the charts represent ratio of voting rights held to the total voting rights

September 19, 2008

To whom it may concern:

Company name Southern Eagle Inc.

Representative Hideki Furusho, Representative Director

Company name Otto Inc.

Representative Hideki Furusho, Representative Director

## **ANNOUNCEMENT OF COMMENCEMENT OF TENDER OFFER FOR SHARES OF TEN-ARROWS CO., LTD.**

Southern Eagle Inc. (“Southern Eagle”) and Otto Inc. (“Otto”) (hereinafter, each individually a “Tender Offeror” and collectively the “Tender Offerors”) are pleased to announce that they will commence a tender offer (the “Tender Offer”) to acquire shares of common stock of Ten-Arrows Co., Ltd. (the “Target”) as described below.

### **1. Purpose of the Tender Offer**

#### **(1) Tender Offerors**

The Tender Offerors, Southern Eagle and Otto, are special companies with limited liability, all of whose issued and outstanding shares are currently held, directly or indirectly, by Tomorrow Co., Ltd. (headquartered at 56-15, Kameido 6-chome, Koto-ku, Tokyo; “Tomorrow”). Tomorrow is owned and controlled by an investment fund to whom Morgan Stanley’s private equity advisors in Asia (“Morgan Stanley Private Equity Asia” or “MSPEA”<sup>1</sup>), which is the private equity division for Asia of the Morgan Stanley Group (“Morgan Stanley Group”) headed by the New York Stock Exchange-listed Morgan Stanley, provide financial advisory services and which was established for the purpose of conducting the Tender Offer. Pursuant to the transfer to Tomorrow by the founding family (the “Founding Family”, as defined below) of their issued and outstanding shares of the Tender Offerors and those of Clematis Inc. (“Clematis”), a shareholder of the Tender Offerors, prior to the Tender Offer, Tomorrow is the holder of all issued and outstanding shares of the Tender Offerors, either directly or indirectly.<sup>2</sup> (For information on the transfer of shares of the Tender Offerors and of Clematis, refer to subsection (4) ② Agreement with the Founding Family.)

Currently, Southern Eagle holds 3,802,432 Target shares (ratio of voting rights to the total voting rights of the Target: 19.63%) and Otto holds 1,581,050 Target shares (ratio of voting rights to the total voting rights of the Target: 8.16%). Clematis does not directly hold any Target shares. In addition, Hideki Furusho has currently assumed the Representative Director’s position of each of the Tender Offerors and Clematis, in accordance with appointment by Tomorrow.

Notes:

1. Since MSPEA began operations in 1993, funds to whom MSPEA provides financial advisory services have made an aggregate of over US\$1,350 million (approx. ¥125.0 billion yen) in investments in more than 25 projects in Asian countries, particularly China and South Korea. MSPEA actively assists portfolio companies in raising their corporate value through management expertise acquired through its investment activities, effective utilization of professionals who are experts in the businesses of the portfolio companies and through the creation of business opportunities by leveraging the network of the Morgan Stanley Group. Furthermore, currently MSPEA has bases in Hong Kong, South Korea, Japan and India, and the private equity division of Morgan Stanley Capital K.K. serves as the base for MSPEA in Japan. MSPEA, as well as the investment funds and companies to whom MSPEA provides financial advisory services, shall be collectively called the “MSPEA Group.”
2. Currently, Tomorrow holds all the issued and outstanding shares of Southern Eagle. Currently, Tomorrow holds approximately 76.00% of the issued and outstanding shares of Otto, whereas Clematis holds approximately 24.00% thereof. Currently, Tomorrow holds 49.00% of the issued and outstanding shares of Clematis whereas Southern Eagle, Tomorrow’s wholly-owned subsidiary, holds 51.00% thereof. Consequently, Tomorrow holds all the issued and outstanding shares of Clematis. Furthermore, Tomorrow holds all the issued and outstanding shares of Otto.

## (2) Target

Currently, the Target is a holding company and its business operations are conducted through its wholly-owned subsidiary Charle Co., Ltd. (“Charle”) and other subsidiaries.

However, effective October 1, 2008, which is during the tender offer period of the Tender Offer, the Target intends to 1) conduct an absorption-type company split (*kyushu-bunkatsu*) jointly with the Target’s wholly-owned subsidiary Charle in which the Target will succeed to the rights and obligations of Charle in its ladies’ innerwear wholesale business, and 2) assuming the completion of the absorption-type company split, change its trade name to Charle Co., Ltd. (In association with this change, the current Charle intends to change its trade name to BC Co., Ltd.) (The processes described in 1) and 2) above shall be collectively referred to herein as the “Procedure To Become An Operating Company”). The absorption-type company split agreement with regard to the Procedure To Become An Operating Company and revisions to the Articles of Incorporation with regard to the trade name change were approved by the ordinary general meeting of shareholders of the Target held on June 25, 2008.

## (3) Outline of the Tender Offer

The Tender Offer will be conducted as part of a series of transactions to make the Target privately owned through a so-called management buyout (MBO)<sup>3</sup> technique (the “Transactions”). In the

Tender Offer, the Tender Offerors are seeking to acquire all of the issued and outstanding shares of the Target (exclusive of treasury stock), excluding the Target’s shares held by the Tender Offerors (a total of 5,383,482 shares; ratio of voting rights against the total voting rights of the Target: 27.80%).

Katsuya Hayashi, Director and Representative Executive Officer of the Target; Hiroko Hayashi, a founder and Director of the Target; Masaharu Hayashi, a founder of the Target; and Tatsuya Hayashi and Itsuha Sezaki, (these five persons shall be collectively called the “Founding Family”) hold the Target’s shares as indicated below. The Tender Offerors have obtained an agreement from the Founding Family that they will tender all of their shares of the Company held by the Founding Family in the Tender Offer.

<u>Founding Family</u>	<u>Number of shares held</u>	<u>Ratio of voting rights held to the total voting rights</u>
Katsuya Hayashi	957,100 shares	4.94%
Hiroko Hayashi	1,037,699 shares	5.36%
Masaharu Hayashi	1,508,925 shares	7.79%
Tatsuya Hayashi	954,700 shares	4.93%
Itsuha Sezaki	954,700 shares	4.93%

As described in “(5) Measures to ensure the fairness of the Tender Offer, such as measures taken to assure the fairness in the evaluation of the offer price and measures taken to prevent conflicts of interest” below, a precondition to the Tender Offerors’ purchase obligations in the Tender Offer relating to the minimum limit of the number of share certificates, etc., to be purchased (the “Minimum Limit to Be Purchased”) has been established from the standpoint of placing importance on ascertaining the will of shareholders. The Tender Offerors will not purchase all the share certificates, etc., tendered for purchases in the Tender Offer if the number of share certificates, etc., tendered for purchases (the “Share Certificates for Purchases”) is below 9,704,989 shares. On the other hand, if the number of the Share Certificates for Purchases is equal to or above the Minimum Limit to Be Purchased of 9,704,989 shares, the Tender Offerors will purchase all the Share Certificates for Purchases. In such case, 1) Southern Eagle shall purchase 3,741,803 shares and Otto shall purchase 5,963,186 shares, respectively, of the Share Certificates for Purchases until the Minimum Limit to Be Purchased (9,704,989 shares) is reached and 2) in principle, Southern Eagle and Otto shall purchase on a fifty-fifty basis all subsequent shares tendered in excess of the Minimum Limit to Be Purchased (9,704,989 shares), provided, however, that the resulting fractions of less than one share shall be purchased by Southern Eagle.

As described in “(4) ② Agreement with the Founding Family,” upon settlement for the transfer of the Tender Offerors’ shares (defined hereinafter) and settlement of the Tender Offer, several of the Founding Family’s members including Katsuya Hayashi, Director and Representative Executive Officer of the Target, will make investments as limited partners in a fund called K&H L.P. (whose



general partner is Bianco Capital Ltd.) (the “Hayate Vehicle”) to which Hayate Investments Co., Ltd. (“Hayate”)<sup>4</sup> provides financial advice for investment activities, and the Hayate Vehicle shall invest ¥3.1 billion of the investments described above in Tomorrow. Katsuya Hayashi shall continue to participate in the management of the Target following completion of the Tender Offer.

The Target resolved to express agreement with the Tender Offer at the meeting of its Board of Directors held on September 19, 2008. In addition, the Target has agreed that it will not tender treasury shares in the Tender Offer.

Notes:

3. MBO generally refers to a transaction in which all or several directors who execute the business and affairs of a targeted corporation acquire the shares thereof in cooperation with financial investors and/or others.
4. Hayate is a Japanese investment bank established in 2005 for the purpose of raising the corporate value of and supporting managers of Japanese corporations. Since its founding, Hayate has contributed to raising earnings capability and long-term growth of its clients by continuing to provide a wide range of listed and unlisted enterprises and their managers with capital policy plans and financial consulting services and solutions, such as providing support as to business strategies or advice on M&A projects.

#### (4) Background of and Reason for Conducting the Tender Offer, as well as Intended Management and other Policies for the Target after Completion of the Tender Offer

- ① Background of and reason for conducting the Tender Offer, as well as management policy, etc., after completion of the Tender Offer

The Target (which was renamed Charle Co., Ltd. (“Charle”) after becoming a holding company as described below) was established in 1975 and has contributed to female beauty and health by supplying quality goods, primarily ladies’ innerwear and cosmetics, that meet customer needs. The Target’s operations have been guided by the founding spirit of “customers first”. The Target currently sells products to Mates (consumer members) and ordinary consumers through a network of independent entrepreneurs, referred to as Business Members (composed of agents, special agents and Business Mates). Sales are conducted by way of “fitting sessions in the style of home parties”. It can also be said that the Target has contributed to women’s social advancement, as most of the Business Members are ordinary housewives who themselves are consumers of the Target’s products. In the course of such corporate growth, the Target registered its stock for over-the-counter transactions at Japan Securities Dealers Association (currently Jasdax Securities Exchange, Inc.) in October 1990 and also listed on the Second Section of the Osaka Securities Exchange in November 1998. Furthermore, in January 2003 the Target 1) acquired a majority of issued and outstanding shares of Shinwa Co., Ltd. (which changed its trade name to Enicil Co., Ltd. (“Enicil”) in March 2005), which engages in the gift wholesale business and 2) in June 2006 established a new company (currently

Charle) through an incorporation-type company split (*shinsetsu-bunkatsu*). The Target later adopted a holding company system by having the newly established company succeed the ladies' innerwear wholesale business, while conducting business development with the aim of further diversification such as ventures into new business, etc. (The trade name of the Target was changed from Charle Co., Ltd. to Ten-Arrows Co., Ltd. when the Target became a holding company.)

Nevertheless, the business environment became increasingly severe for the Target, which conducted sales through fitting session meetings, and whose main sales channel and target was housewives, in view of 1) intensifying competition in the ladies' innerwear market, especially regarding functional underwear, which is the Target's core product, 2) the decline of social links in local communities due to the advancement of urbanization, 3) the tendency to seek stable income among women, especially ordinary housewives, as well as the declining rate of stay-at-home women due to women's social advancement and 4) an increase in restrictions on the door-to-door sales industry, which also apply to the Target. As a consequence, net sales of wholesale ladies' innerwear, the Target's primary business, has been on a downward trend since 11 years ago. Although the Target aimed at business expansion by shifting to a holding company system, the profitability of the second main business of wholesale gifts also deteriorated due to changes in the custom of gift-giving and intensifying competition with other business industries.

To break through this deadlock, the Target established the current management team at its ordinary general meeting of shareholders held in June 2007, and implemented radical business reforms to revitalize the core ladies' innerwear wholesale business. The Target further restructured its corporate group to focus management resources on the business field of "contributing to female beauty and health" (collectively the "Business Reform"). Specifically, measures taken have focused on Charle and have included the strengthening of the Charle brand, the development of attractive products via enhanced branding, revitalization of the Business Members, implementation of a convenient product purchasing channel that matches the times and social circumstances, and further cost reductions. Moreover, Enicil's wholesale gifts business described above was transferred to Shaddy Co., Ltd. ("Shaddy") as of November 30, 2007, (through a procedure according to which the rights and obligations regarding the wholesale gifts business engaged in by Enicil were succeeded to by a new company established through an incorporation-type company split (*shinsetsu-bunkatsu*), and then the issued and outstanding shares of the newly established company were transferred to Shaddy. In association with this incorporation-type company split (*shinsetsu-bunkatsu*), Enicil changed its trade name to BE Co., Ltd.). In order to facilitate swifter decision making and to reduce corporate administrative expenses, the Target has decided to modify the holding company system and execute the Procedure To Become An Operating Company.

At the same time, in order to successfully carry out the Business Reform, the Target recognizes that it is necessary to conduct resolute reforms based on a consistent management philosophy without being influenced by short-term operating performance. In other words, the Target's businesses are at a transitional stage of structural change in the process of the Business Reform.

Consequently, it is expected that there will be a temporary decline in net sales and/or deterioration of earnings and/or cash flows due to the required increase in investment and growing uncertainty over future management, along with a possible decline in the stock price caused by these negative effects. Although the Business Reform may not be viewed favorably in the capital markets, which have recently increasingly evaluated business performance based on a short-term perspective, the Business Reform must be implemented consistently on an ongoing basis in order to raise the mid- and long-term corporate value of the Target.

The Business Reform may be subject to certain risks. For example, although one element of the Business Reform contemplates the introduction of various methods to revitalize the Business Members, for example, there is the danger that the implementation of such measures may temporarily cause confusion in the field and thus cause stagnation of activities of the Business Members, leading to a decline in net sales of the Target. Furthermore, the Target intends to invest a relatively large sum in information systems, etc. to implement a more convenient product purchasing channel; however, earnings and cash flows of the Target could be negatively affected by the relevant expenses if anticipated results cannot be successfully achieved.

Given these circumstances, since the Target established the current management team, Katsuya Hayashi, Director and Representative Executive Officer of the Target, continued to discuss with the MSPEA Group and Hayate the best possible management measures to be taken to raise the mid- and long-term corporate value of the Target.

As a result, Katsuya Hayashi confirmed anew that the implementation of the Business Reform is necessary for raising the mid- and long-term corporate value of the Target. He subsequently concluded that (i) the Business Reform must be executed regardless of short-term operating performance and/or stock price fluctuations; (ii) an agile and swift business-executing system should be established through concerted efforts among shareholders, management executives and employees under transparent corporate governance that will be realized against a backdrop of stable shareholders who will support the Target during the mid- to long-term upon making the Target privately owned via a MBO to prevent ordinary shareholders from being exposed to the risks involved in the Business Reform; and (iii) it would be best to demonstrate a clear resolve regarding the Business Reform to all the stakeholders, including management executives and employees, in order to promote its acceptance. Furthermore, during consultations and deliberations between Katsuya Hayashi, the MSPEA Group and Hayate (together with Tomorrow, collectively the “Funds”) indicated their interest in the potential for improvement in the management of and improved corporate value of the Target through the Business Reform, and each agreed to work on improving the mid- to long-term corporate value of the Target. Specifically, by drawing on their broad networks in Japan and overseas, the MSPEA Group and Hayate will endeavor to recruit personnel at both the executive and operational levels to reinforce the Target’s businesses, support business alliance projects, introduce industrial best practices, and support the growth strategy of the Target’s China business. In addition, the MSPEA Group and Hayate will actively support the Target in

implementing management controls and standards and the preparation and execution of business strategies based on such standards by fully utilizing their management and financial expertise.

Prior to the Tender Offer, as described in item “② Agreement with the Founding Family” below, on September 18, 2008, Tomorrow (as holder of all issued and outstanding shares of the Tender Offerors); MSPE Tanya Holdings BVBA (“MSPETH”), a corporation which is Tomorrow’s shareholder and was established under Belgian law; the Hayate Vehicle; and the Founding Family entered into a master agreement on the management buyout regarding various conditions related to execution of the Transactions (the “MBO Master Agreement”).

As valuable partners who can contribute to reinforcing the Target’s growth and competitiveness and raising its corporate value, the MSPEA Group and Hayate will support the Target’s mid- and long-term Business Reform not only from a Japanese but also international viewpoints by establishing closer cooperative relationships with management executives after the execution of the Transactions. Meanwhile, Katsuya Hayashi, a member of the Founding Family who will participate in the management of the Target after the execution of the Transactions, views the Transactions as reform necessary to strengthen the quality of the Target by creating a sense of tension in the management. He intends to vigorously carry out the task of raising the corporate value of the Target through the process of the Business Reform by taking maximum advantage of the resources provided by the MSPEA Group and Hayate.

#### ② Agreement with the Founding Family

Tomorrow, MSPETH, the Hayate Vehicle and the Founding Family have agreed on the following points regarding various conditions for the execution of the Transactions in the MBO Master Agreement, and have already partly executed thereof.

First, the Founding Family has transferred shares of the Tender Offerors and of Clematis (the “Transfer of Tender Offerors’ Shares”) held thereby prior to the Tender Offer in accordance with the MBO Master Agreement, and upon the designation of Tomorrow, Hideki Furusho has been appointed as Director of the Tender Offerors and of Clematis. In the MBO Master Agreement, it is expected that payment for the Transfer of the Tender Offerors’ Shares will be made just before the settlement of the Tender Offer, and it is agreed that the transfer of shares will be cancelled in case the Tender Offer does not come into effect. In calculating the above price for the Transfer of Tender Offerors’ Shares, the Target’s shares held by the respective companies is valued at a price less than the offer price stated in the Tender Offer.

Each member of the Founding Family has made an agreement with the Tender Offerors in which each shall tender all held shares of the Target in the Tender Offer (please refer to (3) Outline of the Tender Offer for details). If the settlement for the Transfer of Tender Offerors’ Shares and the settlement of the Tender Offer are completed, 1) several members of the Founding Family, including Katsuya Hayashi, will make investments as limited partners in the Hayate Vehicle, and 2) the Hayate Vehicle shall use ¥3.1 billion of the investments by the Founding Family in its investment into

Tomorrow by accepting a capital increase through third-party allocation that Tomorrow intends to conduct after the settlement of the Tender Offer. After the capital increase through third-party allocation is executed, MSPETH and the Hayate Vehicle will respectively hold 50.8% and 49.2% of the issued and outstanding shares of Tomorrow.

Furthermore, the parties of the MBO Master Agreement assume that, if the settlement involved in the Tender Offer is completed, the Tender Offerors will conduct, as required, the procedure that allows the Tender Offerors to acquire all the issued and outstanding shares of the Target (the “Procedure for Making a Wholly-Owned Subsidiary”), as described in (6) Policies on corporate restructuring anticipated after the Tender Offer (Matters relating to the so-called ‘Two-Step Acquisition’). Thereafter, after the Procedure for Making a Wholly-Owned Subsidiary is completed, Tomorrow, the Tender Offerors and Clematis will conduct a management integration (the “Management Integration”) through merger or other organizational restructuring method.

Further, Tomorrow intends to conduct both a capital increase through a third-party allocation of ¥3.2 billion with MSPETH being the party to be allocated and to enter into a loan for a maximum of ¥11.6 billion from the Bank of Tokyo-Mitsubishi UFJ, Ltd. (the “Loan for Acquisition”; in addition, of this, ¥3.1 billion is expected to be repaid with the money invested by the Hayate Vehicle, as described above), in each case to procure funds necessary for the settlement of the Transfer of Tender Offerors’ Shares and the Tender Offer by the Tender Offerors, and then lend the funds necessary for the settlement of the Tender Offer to the Tender Offerors. In connection with the Loan for Acquisition, the lender will be given a security interest in the issued and outstanding shares of Tomorrow held by MSPETH (including those held as of the date of filing this Notification, those shares to be obtained by MSPETH via the capital increase through third-party allocation above, and those to be obtained by the Hayate Vehicle); the issued and outstanding shares of the Tender Offerors and Clematis (25,102 Southern Eagle shares, 23,684 Otto shares and 98 Clematis shares held by Tomorrow; 102 Clematis shares held by Southern Eagle; and 7,478 Otto shares held by Clematis); the Target’s shares currently held by the Tender Offerors or to be obtained by them via the Tender Offer; and certain other assets. Furthermore, if the Tender Offerors hold all the issued and outstanding shares of the Target after completion of the Procedure for Making a Wholly-Owned Subsidiary, the Tender Offerors, Clematis, the Target and several subsidiaries of the Target will jointly and severally guarantee the Loan for Acquisition and provide certain assets thereof as collateral for the Loan for Acquisition.

MSPETH and the Hayate Vehicle have, as of September 18, 2008, additionally entered into an agreement among themselves as shareholders of Tomorrow (the “Shareholders’ Agreement”). The Shareholders’ Agreement states that certain important affairs regarding Tomorrow or the Target, as well as certain matters regarding handling of shares, the organizational structure and the structure of management executives and other matters of the Target shall require an agreement between MSPETH and the Hayate Vehicle.

(5) Measures to Ensure the Fairness of the Tender Offer, such as Measures Taken to Ensure Fairness in the Evaluation of the Offer Price and Measures Taken to Prevent Conflicts of Interest

The Tender Offerors have taken the following measures to ensure the fairness of the Transactions, including the Tender Offer, given the fact that the Tender Offer will be conducted as part of the MBO transaction.

① Elimination of arbitrariness in the decision-making process before conducting the Tender Offer

As described in subsection (4) ① “Background of and reason for conducting the Tender Offer, as well as management policy, etc., after completion of the Tender Offer,” the Funds and Katsuya Hayashi started consultations and discussions on how to raise corporate value of the Target, appointed Mori Hamada Matsumoto Law Firm as their legal advisor and carefully continued discussions while receiving legal advice therefrom.

In addition, in determining the offer price in the Tender Offer (the “Offer Price”), the Funds requested Ernst & Young Transaction Advisory Services Co., Ltd. (“EYTAS”), which is a third-party assessor, in June 2008 to evaluate the Target’s stock value as a means of reference for its decision on the Offer Price, and discussed and negotiated with the Board of Directors of the Target by referring to EYTAS’ valuation results. The Funds decided upon the Offer Price of ¥800 based on the final valuation statement (the “Valuation Statement”) obtained from EYTAS on September 16, 2008. The Valuation Statement was submitted to Tomorrow, and it has been used as a reference by the Funds and the Tender Offerors.

In evaluating the Target’s stock value, EYTAS determined that it would be most appropriate to evaluate the stock value in a multi-faceted manner by verifying the business plan, etc. of the Target submitted by the Funds. EYTAS therefore calculated the valuations of the Target’s stock value according to the method used, such as the market price method, the comparable peer company method and the Discounted Cash Flow method (the “DCF method”).

The Valuation Statement states that the valuation per share of the Target’s stock value is ¥498—¥600 based on the market price method, ¥599—¥855 based on the comparable peer company method and ¥646—¥908 based on the DCF method. The Funds carefully examined the Offer Price by referring to the range of valuations from ¥498 to ¥908 per share in the Valuation Statement and the previous transaction prices of the Target’s stock in the market. The Funds also took into consideration the possibility of delisting of the Target’s stock after the implementation of the Transactions including the Tender Offer, which would have a significant impact on the Target’s shareholders, considerations of whether the Target would accept the Tender Offer, the prospects for the Tender Offer, trends in the operating performance and financial conditions of the Target and other factors. Consequently, the Funds determined that it would be reasonable to propose to the Target’s shareholders an offer price in which a sufficient premium is granted over the market price of the Target’s shares and made the final decision on the Offer Price with reference to the results of the discussions and negotiations with the Target.

The Offer Price represents a premium of 54.8%, 50.7%, 49.6% and 41.7% over the simple arithmetic average of ¥517, ¥531, ¥535 and ¥565 for the closing stock prices of the Target at the Osaka Securities Exchange during the past 1-month period, 3-month period, 6-month period and 12-month period ending September 18, 2008.

As part of its efforts, the Target's Board of Directors selected KPMG FAS Co., Ltd. ("KPMG FAS"), which is a third-party assessor independent from the Funds, the Tender Offerors and the Target to evaluate the Target's stock value to avoid an unfair and arbitrary judgment and ensure fairness in the process of making a decision on the Offer Price proposed by the Funds.

In evaluating the Target's stock value, KPMG FAS received materials and explanations on current and future business plans<sup>5</sup>, etc., from the Target's Board of Directors and collected and reviewed information necessary for the valuation and calculated the Target's stock value based on such information. The Target's Board of Directors received a valuation report (the "Valuation Report") regarding the Target's stock value from KPMG FAS on September 17, 2008. The Valuation Report states that the valuation per share of the stock value is ¥518—¥535 based on the market price method, ¥681—¥1,010 based on the DCF method, ¥976—¥1,259 based on the market multiples method and ¥929 based on the adjusted net asset method.

Since June 2008 the Target's Board of Directors has also received explanation about legal issues relating to the Transactions from the Ohebashi Law Office.

The Target's Board of Directors judged that, based on the calculation results in the Valuation Report by KPMG FAS and explanation provided by the Ohebashi Law Office, and taking into account discussions and negotiations with the Funds with respect to the adequacy of the Offer Price and other conditions of the Tender Offer, as a result of careful review from the perspective of the Target's financial situation, business environment and fairness among shareholders, the Offer Price and other various conditions of the Tender Offer are adequate and that the Tender Offer would present its shareholders with an opportunity to sell their shares at a reasonable price. Consequently, at the meeting of the Board of Directors held on September 19, 2008, the Target's Board of Directors expressed an affirmative view regarding the Tender Offer, and the resolution was unanimously adopted by all the directors excluding Katsuya Hayashi and Hiroko Hayashi.

In addition, Katsuya Hayashi, Director and Representative Executive Officer of the Target, intends to make an investment through the Hayate Vehicle into Tomorrow, which holds all issued and outstanding shares of the Tender Offerors. As a special interested party, he therefore refrained from participating in discussions and the subsequent voting on the resolution concerning the Transactions at the Board of Directors' meeting of the Target. Hiroko Hayashi also refrained from participating in discussions and the subsequent voting on the resolution in order to avoid potential conflicts of interest in view of her status as a member of the Founding Family. All of the directors excluding Katsuya Hayashi and Hiroko Hayashi attended the meeting of the Target's Board of Directors in which the resolution concerning the Transactions

was adopted, and the affirmative resolution to agree to the Tender Offer was unanimously adopted.

Note:

5. Although the Target prepared the business plan in July 2008 based on the Medium-Term Management Plan that was approved at the Board of Directors' meeting held in April 2008, this business plan was not presented to the Board of Directors at that time. The outside directors continued to examine the feasibility of this business plan in August and September 2008. Consequently, the Board of Directors passed a resolution approving the business plan.

② Ensuring objectivity for the purpose of securing the appropriateness of the price

The Financial Instruments and Exchange Law (Law No. 25 of 1948; including subsequent versions as amended, the "Law") stipulates the shortest duration of a tender offer for purchases (the "Tender Offer Period") to be 20 business days. The Tender Offerors have set the Tender Offer Period in the Tender Offer to be 30 business days. The relatively long term established for the Tender Offer Period is intended to ensure that the Target's shareholders have appropriate opportunities with respect to the decision to subscribe for the Tender Offer and also to ensure that those other than the Tender Offerors who wish to make counter purchases have such opportunities with the aim of ensuring fairness and appropriateness in the Offer Price. Moreover, the Tender Offerors have set a minimum number of share certificates, etc., to be purchased, indicating a level below which the Tender Offer will not come into effect unless subscriptions above the majority (4,291,865 shares) are made, taking into account the difference after subtracting from the issued and outstanding shares of the Target exclusive of treasury stock (19,380,335 shares) the number of shares held by the Tender Offerors (5,383,482 shares) and the number of shares held by the Founding Family (5,413,124 shares), for which subscription for the Tender Offer has already been agreed. With this measure, the Transactions shall not come into effect if the majority of shareholders other than the Tender Offerors and the Founding Family choose not to subscribe to the Tender Offer, thereby strongly respecting the intent of the Target's shareholders. The Funds and the Tender Offerors have not concluded an accord with the Target that prohibits the Target from making contact with the Funds or with any opponents of the Tender Offer.

(6) Policies on corporate restructuring anticipated after the Tender Offer (Matters relating to the so-called "Two-Step Acquisition")

If the Tender Offer comes into effect, the Tender Offerors will acquire more than approximately 77.85% of the issued and outstanding shares of the Target exclusive of the treasury stock. If the Tender Offerors cannot acquire all the issued and outstanding shares of the Target exclusive of the treasury stock, they plan to implement a procedure in order to hold all the issued and outstanding shares of the Target exclusive of the treasury stock in the following manner as part of the



Transactions after the completion of the Tender Offer, while providing shareholders of the Target other than the Tender Offerors the opportunity to sell shares of the Target.

Specifically, after the Tender Offer has come into effect, the Tender Offerors intend to request the Target to hold an extraordinary general meeting of shareholders which includes in the agenda items 1) through 3) below and to hold a general meeting of shareholders for ordinary shareholders with class shares (*futsu-kabunushi-niyoru shurui kabunushisokai*) which includes in the agenda item 2) below: 1) the Target shall be converted into a corporation issuing class shares (*shurui kabushiki hakkou kaisha*) under the Companies Act (Law No. 86 of 2005, including subsequent versions as amended; hereinafter the same shall apply) by partially amending the Articles of Incorporation of the Target; 2) all of the common shares of the Target to be issued by the Target shall be appended with a call provision (a provision regarding the matter stipulated in Article 108, Paragraph 1, Item 7 of the Companies Act; hereinafter the same shall apply) by further amending a part of the Articles of Incorporation of the Target after amending as above); and 3) a different class of common stock shall be issued by the Target in exchange for all of such shares of the Target (exclusive of the treasury stock). As for the extraordinary general meeting of shareholders and the general meeting of shareholders for ordinary shareholders with class shares to be held as stipulated above, the Tender Offerors have analyzed the issue and requested the Target to submit matters 1) through 3) to the same extraordinary general meeting of shareholders and to discuss matter 2) at a general meeting of shareholders for ordinary shareholders with class shares. Having received such request, the Target has started examining the possibility of holding an extraordinary general meeting of shareholders and a general meeting of shareholders for ordinary shareholders with class shares.

If the Tender Offer comes into effect, the Tender Offerors will acquire more than approximately 77.85% of the issued and outstanding shares of the Target, exclusive of the treasury stock. If it is decided that such procedures shall be adopted, the Tender Offerors intend to express approval of each of the proposals to be put to the extraordinary general meeting of shareholders and the general meeting of shareholders for ordinary shareholders with class shares. If all of the above procedures are completed, all the shares of common stock issued by the Target will be subject to the call provision and shall be wholly acquired by the Target (exclusive of the treasury stock). Meanwhile, a different class of shares shall be issued to all of the Target's shareholders as compensation for such acquisition by the Target<sup>6</sup>. Shareholders who would receive fractional shares of less than one share will receive cash obtained from the sale of shares corresponding to the aggregate number of such fractional shares (fractions of the aggregate number to be truncated) in accordance with Article 234 of Companies Act and other applicable ordinances. The selling price of the aggregate number of fractional shares (and the resulting cash amount to be delivered to each of relevant shareholders) will be calculated on the basis of the Offer Price unless any circumstance otherwise requires, but may differ from the Offer Price due to different timing of computation. In addition, the class and number of shares of the Target to be issued in compensation for the acquisition of shares of the Target's common stock subject to the call provision which must be delivered to the Target's shareholders

other than the Tender Offerors such that the Tender Offerors will hold all issued and outstanding shares of the Target exclusive of the treasury stock shall result in fractions of less than one share.

To protect the rights of minority shareholders regarding the Procedure for Making a Wholly-Owned Subsidiary, the Companies Act stipulates that (i) in case that the Articles of Incorporation are amended to the effect that shares of common stock shall be subject to the call provision as stated in Item 2) above, any shareholder may request of the Target the purchase of shares held thereby in accordance with Articles 116 and 117 of the Companies Act and other applicable ordinances and that (ii) if a resolution to acquire all the shares of the Target subject to the call provision is adopted by the extraordinary general meeting of shareholders as stated in Item 3) above, any shareholder may file a claim regarding the decision of the acquisition price of such shares in accordance with Articles 172 of the Companies Act and other applicable ordinances. In making such request or claim according to any of these methods, shareholders are requested to make decisions according to their own judgement, at their own risk with regard to the necessary procedures and so on. The Procedure for Making a Wholly-Owned Subsidiary may be replaced with a method having equivalent effects, depending on the interpretation etc., of applicable laws and regulations of the relevant authorities, the shareholding status of the Tender Offerors after the Tender Offer, or the shareholding situation of shareholders other than the Tender Offerors. Even in such cases, however, a cash delivery method for other shareholders is planned such that the Tender Offerors will ultimately hold all issued and outstanding shares of the Target exclusive of the treasury stock. In such cases, the cash amount to be delivered to relevant shareholders will be calculated on the basis of the Offer Price, but it may differ from the Offer Price.

The details and timing of the Procedure for Making a Wholly-Owned Subsidiary are at present, undetermined. Owing to circumstances concerning relevant procedures, the Tender Offerors have requested the Target to cooperate with them, for example, by making public announcements about the record date for the extraordinary general meeting of shareholders and the general meeting of shareholders for ordinary shareholders with class shares prior to the settlement of the Tender Offer. The proposals to be submitted and details of the procedures thereon will be announced as soon as a decision is made.

The Tender Offer does not have the intent of soliciting shareholders of the Target to vote in favor of the proposals to be put to the extraordinary general meeting of shareholders and the general meeting of shareholders for ordinary shareholders with class shares above. Furthermore, shareholders are kindly requested to consult with tax specialists individually at their own responsibility with respect to the tax consequences of the aforementioned procedures.

(7) Likelihood of the delisting of shares of common stock of the Target and reasons thereof

As the Tender Offerors have not set a maximum limit regarding the number of share certificates, etc., to be purchased in the Tender Offer, shares of the Target may be subject to delisting upon the fulfillment of certain procedures if, as a result of this Tender Offer, the delisting standards of the

Osaka Securities Exchange are met. In addition, even if the delisting standards are not met at upon completion of the Tender Offer, shares of the Target will be delisted because the Tender Offerors intend to hold all issued and outstanding shares of the Target exclusive of the treasury stock in accordance with the procedures set forth in (6) Policies on corporate restructuring anticipated after the Tender Offer (Matters relating to the so-called 'Two-Step Acquisition') above. Shares of the Target will cease to be traded on the Osaka Securities Exchange after the delisting.

The Target resolved at the meeting of the Board of Directors held on September 19, 2008, that subject to the completion of the Tender Offer it will not distribute year-end dividends or provide shareholder benefits programs to shareholders whose names are registered or recorded in the list of shareholders and the list of beneficiary shareholders as of March 31, 2009.

Note:

6. The Tender Offerors have requested the Target to retire its shares of treasury stock before the extraordinary general meeting of shareholders and the general meeting of shareholders for ordinary shareholders with class shares, and the Target has started examining the possibility of complying with such request.

## 2. Outline of the Tender Offer and Other Information

### (1) Outline of the Target

①	Trade name	Ten-Arrows Co., Ltd.	
②	Description of business	Management and operation of a corporate group engaged in clothing and cosmetics wholesale business, Internet-based mail order business, etc.	
③	Date of incorporation	November 19, 1975	
④	Address of head office	7-1, Minatoshima Nakamachi 7-chome, Chuo-ku, Kobe, Hyogo	
⑤	Name and title of the representative	Katsuya Hayashi, Director and Representative Executive Officer	
⑥	Capital (as of March 31, 2008)	¥3,600 million	
⑦	Major shareholders and shareholding ratio (as of March 31, 2008)	Southern Eagle Inc.	18.08%
		Ten-Arrows Co., Ltd.	7.87%
		Otto Inc.	7.52%
		Masaharu Hayashi	7.17%
		Hiroko Hayashi	4.93%
		Katsuya Hayashi	4.55%
		Itsuha Sezaki	4.54%
		Tatsuya Hayashi	4.54%
		Tatsuzo Hayashi	2.40%
Tomie Hayashi	2.25%		
⑧	Relationship between the Tender Offeror and the Target	Capital relationship	Southern Eagle Inc. holds 18.08% (3,802,432 shares) and Otto Inc. holds 7.52% (1,581,050 shares) of the total number of issued and outstanding shares of the Target, respectively.
		Personnel relationship	None applicable
		Transaction relationship	None applicable
		Status as a related party	None applicable

(2) Duration of the Tender Offer

① Initial period of the Tender Offer in the Notification

From Monday, September 22, 2008 to Wednesday, November 5, 2008 (30 business days)

② Possibility of the extension of the above period upon request of the Target

None applicable

(3) Offer price                    ¥800 per share

(4) Basis of calculation of the offer price, etc.

① Basis of calculation

In determining the Offer Price in the Tender Offer, the Funds requested EYTAS, which is a third-party assessor, in June 2008 to evaluate the Target's stock value as a means of reference for its decision on the Offer Price, and obtained the Valuation Statement in September 16, 2008. The Valuation Statement was submitted to Tomorrow, and it has been used as a reference by the Funds and the Tender Offerors. The result of each method used was as follows:

(i) Market price method

In view of the current trading conditions of the Target's shares, EYTAS calculated that the range of the valuation of the Target's stock value per share would be between ¥498 and ¥600. The valuation was based on the closing prices of the Target's stock for a period of three months starting from September 16, 2008 as the reference date, with the record-low closing price as the minimum limit and the record-high closing price as the maximum limit.

(ii) Comparable peer company method

EYTAS calculated that the range of the valuation of the Target's stock value per share would be between ¥599 and ¥855. The valuation was based on the analysis of the multiple of business value against EBITDA (earnings before interest, taxes, depreciation and amortization), which was calculated for the stock prices of comparable listed companies that engage in businesses relatively similar to those of the Target. The multiple level of the similar companies is applied to the Target.

(iii) DCF method

In view of the future business plan and current financial conditions of the Target, EYTAS calculated that the range of the valuation of the Target's stock value per share would be between ¥646 and ¥908. The valuation was based on the business value and stock value of the Target which were evaluated with the present value by discounting the predicted free cash flows to be created by the Target by a certain discount rate.

The Funds compared and examined these valuation methods based on these calculation results. In addition to the market price method, the Funds took into account the DCF method that factors in the impact of the business plan, that is, the future-oriented profit-gaining capability of the Target in the valuation. The Funds also decided that the Target should be additionally evaluated using the comparable peer company method because the Target's stock prices may not necessarily reflect its intrinsic stock value due to its relatively smaller trading volume in the stock market compared with average listed companies. Furthermore, the Funds also took into consideration the possibility of delisting of the Target's stock after the implementation of the Transactions, including the Tender Offer, which would have a significant impact on the Target's shareholders, considerations of whether the Target would accept the Tender Offer, the prospects for the Tender Offer, trends in the operating performance and financial conditions of the Target and other factors. Consequently, the Funds determined that it would be reasonable to propose to the Target shareholders an offer price in which a sufficient premium is granted over the market price of the Target's shares and made the final decision on the Offer Price with reference to the results of the discussions and negotiations with the Target.

The Offer Price represents a premium of 54.8%, 50.7%, 49.6% and 41.7% over the simple arithmetic average of ¥517, ¥531, ¥535 and ¥565 for the closing stock prices of the Target at the Osaka Securities Exchange during the past 1-month period, 3-month period, 6-month period and 12-month period ending September 18, 2008.

## ② Background of the valuation

(Process until reaching the decision of the Offer Price)

Since the Target established the current management team, the Funds and Katsuya Hayashi have been discussing and deliberating the best possible management measures to take in order to raise the mid- to long-term corporate value of the Target. As a result, these parties shared the recognition that a pressing task for the Target amidst the difficult business environment was the execution of radical business reforms, including the rebuilding of new business models in the pursuit of mid- to long-term corporate growth, without being influenced by short-term fluctuations in operating performance. They also agreed that it would be best to make the Target privately owned via the Transactions, or a MBO process to that end. The Funds and Katsuya Hayashi therefore proposed the Transactions to the Board of Directors of the Target in June 2008 and have subsequently consulted with the Target on the Transactions.

Consequently, as above described, the Funds requested EYTAS, which is a third-party assessor, in June 2008 to evaluate the Target's stock value as a means of reference for its decision on the Offer Price in studying the discontinuation of public trading of the Target's

shares and obtained the Valuation Statement in September 16, 2008. The Valuation Statement was submitted to Tomorrow and the Funds and Tender Offerors also referred to it.

Referring to the valuation results submitted by EYTAS, the Funds also took into account considerations of whether the Target would accept the Tender Offer, the prospects for the Tender Offer, trends in the operating performance and financial conditions of the Target and other factors. The Funds then made the final decision on the Offer Price with reference to the results of the discussions and negotiations with the Target.

(Measures to ensure fairness of the Offer Price)

As part of its efforts, the Target's Board of Directors selected and requested KPMG FAS Co., Ltd. ("KPMG FAS"), which is a third-party assessor independent from the Funds, the Tender Offerors and the Target, to evaluate the Target's stock value to avoid an unfair and arbitrary judgment and to ensure fairness in the process of making a decision on the Offer Price proposed by the Funds.

In evaluating the Target's stock value, KPMG FAS received materials and explanations on current and future business plans (see the Note below), etc., from the Target's Board of Directors and collected and reviewed information necessary for the evaluation and calculated the Target's stock value based on such information.

Since June 2008, the Target's Board of Directors has received explanation about legal issues relating to the Transactions from the Ohebashi Law Office.

Furthermore, the Target's Board of Directors judged that based on the results in the Valuation Report by KPMG FAS and the explanation provided by the Ohebashi Law Office, and taking into account the discussions and negotiations with the Funds, with respect to the adequacy of the Offer Price and other various conditions of the Tender Offer, as a result of careful review from the perspective of the Target's financial situation, business environment and fairness among shareholders, that the Offer Price and other various conditions of the Tender Offer are adequate and that the Tender Offer would present its shareholders with an opportunity to sell their shares at a reasonable price. Consequently, at the meeting of the Board of Directors held on September 19, 2008, the Target's Board of Directors expressed an affirmative view regarding the Tender Offer, and the resolution was unanimously adopted by all the directors excluding Katsuya Hayashi and Hiroko Hayashi.

In addition, Katsuya Hayashi, who is currently serving as Director and Representative Executive Officer of the Target, intends to make an investment through the Hayate Vehicle into Tomorrow, which holds all issued and outstanding shares of the Tender Offerors. As a special interested party, he therefore refrained from participating in discussions and the subsequent voting on the resolution concerning the Transactions at the Board of Directors of the Target. Hiroko Hayashi also refrained from participating in discussions and the subsequent

voting on the resolution in order to avoid potential conflicts of interest in view of her status as a member of the Founding Family. All the directors excluding Katsuya Hayashi and Hiroko Hayashi attended the meeting of the Board of Directors of the Target in which the resolution concerning the Transactions was adopted, and they unanimously adopted the affirmative resolution to agree with the Tender Offer.

Note: Although the Target prepared the business plan in July 2008 in conformity with the Medium-Term Management Plan that was approved at the Board of Directors' meeting held in April 2008, this business plan was not presented to the Board of Directors. The outside directors continued to examine the feasibility of this business plan in August and September 2008. Consequently, the Board of Directors passed a resolution approving the business plan.

③ Relationship with the third-party assessor

EYTAS is not a related party to the Tender Offerors.



## (5) Number of share certificates, etc., to be purchased

Class of share certificates, etc.	① Number of shares to be purchased	② Minimum limit of the number of the shares to be purchased	③ Maximum limit of the number of the shares to be purchased
Share certificates	9,704,989 shares	9,704,989 shares	-
Stock acquisition right certificates	-	-	-
Bonds with stock acquisition rights	-	-	-
Trust beneficiary certificates such as share certificates	-	-	-
Depository receipts such as share certificates	-	-	-
Total	9,704,989 shares	9,704,989 shares	-

## Notes:

1. The Tender Offerors will not purchase all the Share Certificates for Purchases in the Tender Offer if the number of the Share Certificates for Purchases is below the minimum limit of the number of the shares to be purchased (9,704,989 shares) (the "Minimum Limit To Be Purchased"). If the number of the Share Certificates for Purchases is equal to or above the Minimum Limit To Be Purchased (9,704,989 shares), the Tender Offerors will purchase all the Share Certificates for Purchases.
2. The Tender Offerors do not plan to acquire shares of treasury stock of the Target.
3. Shares constituting less than one unit are also eligible for the Tender Offer, provided, however, that submission of the share certificates is necessary (If such share certificates are kept in custody by the Japan Securities Depository Center, Inc. (the "JASDEC") through the tender offer agent or the specially-designated agent (*fukudairinin*) (both defined in "(11) Tender offer agent" below), there is no need for such submission). In addition, it should also be noted that the Target may purchase fractional portions of shares in the Target (constituting less-than-one-unit portions) even during the Tender Offer Period, in response to requests from shareholders of such fractional portions, in accordance with the relevant provisions of the Companies Act. In this case, the Target will purchase such fractional shares at the market price, provided that such purchase is made in accordance with the relevant laws and regulations.
4. The maximum number of shares to be acquired by the Tender Offerors through the Tender Offer, 13,996,853 shares (the "Maximum Shares To Be Purchased"), is calculated by deducting from the 21,034,950 issued and outstanding shares (according to the Quarterly Report below) of the Target as of June 30, 2008 (based on the figures as described in the 33rd Fiscal Term Annual Securities Report (*yukashoken-hokokusho*) filed on June 26, 2008, and the Quarterly Report of the 34th Fiscal Term (*shihanki-hokokusho*) filed on August 13, 2008) the 1,654,615 shares (according to the Annual Securities Report above) of treasury stock that the Target held as of June 26, 2008, which are not planned to be acquired in the Tender Offer, and the 5,383,482 shares that the Tender Offerors hold as of the date of filing of the Notification.

5. Of the Share Certificates for Purchases, 1) Southern Eagle shall purchase 3,741,803 shares and Otto shall purchase 5,963,186 shares, respectively, with regard to the Share Certificates for Purchases until reaching the Minimum Limit To Be Purchased (9,704,989 shares), and 2) in principle, Southern Eagle and Otto shall purchase on a fifty-fifty basis with regard to the Share Certificates for Purchases after exceeding the Minimum Limit To Be Purchased (9,704,989 shares), provided, however, that the resulting fractions of less than one share shall be purchased by Southern Eagle.

(6) Changes in shareholding ratio through completion of the Tender Offer

Number of voting rights represented by share certificates, etc., held by the Tender Offeror before commencement of the Tender Offer	53,834 units	(Shareholding ratio before commencement of the Tender Offer: 27.78%)
Number of voting rights represented by share certificates, etc., held by the specially related parties before commencement of the Tender Offer	25,074 units	(Shareholding ratio before commencement of the Tender Offer: 12.94%)
Number of voting rights represented by share certificates, etc., to be purchased in the Tender Offer	97,049 units	(Shareholding ratio after completion of the Tender Offer: 77.85%)
Total number of voting rights held by all the shareholders in the Target	193,670 units	

Notes:

1. The number of voting rights represented by share certificates, etc., held by the Tender Offeror used in the calculation of “Number of voting rights represented by share certificates, etc., held by the Tender Offeror before commencement of the Tender Offer” and “Shareholding ratio after completion of the Tender Offer,” is the total of the voting rights represented by share certificates, etc., held by Southern Eagle and Otto, respectively.
2. The “Number of voting rights represented by share certificates, etc., held by the specially related parties before commencement of the Tender Offer” is the total of the voting rights represented by share certificates, etc., held by the respective specially related parties (exclusive of the shares held by Southern Eagle and Otto, or the Tender Offerors, and the shares of treasury stock held by the Target). As the share certificates, etc., held by the specially related parties (exclusive of the shares held by Southern Eagle and Otto, the Tender Offerors, and shares of treasury stock held by the Target) are also subject to the Tender Offer, the “Number of voting rights represented by share certificates, etc., held by the specially related parties before commencement of the Tender Offer” is not included in the numerator in the calculation of the “Shareholding ratio after completion of the Tender Offer.”
3. The “Number of voting rights represented by share certificates, etc., to be purchased in the Tender Offer” indicates the number of voting rights corresponding to the “Number of shares to be purchased (9,704,989 shares).”
4. The “Total number of voting rights held by all the shareholders in the Target” (each 100 shares represent one unit (1 *tangen*)) indicates the number of voting rights of all the shareholders of the Target as of June 30, 2008, reported in the Quarterly Report of the 34th Fiscal Term. (*shihanki-hokokusho*) filed on August 13, 2008). However, because shares of less than one unit (*tangen-miman-kabushiki*) also fall within the scope of the Tender Offer, the denominator is the number of voting rights (193,803 units) corresponding to 19,380,335 shares in the calculation of

“Shareholding ratio before commencement of the Tender Offer” and “Shareholding ratio after completion of the Tender Offer”: The number of 19,380,335 shares is calculated by deducting from 21,034,950 issued and outstanding shares as of June 30, 2008, which was stated in the Quarterly Report, the 1,654,615 shares of treasury stock that the Target held as of March 31, 2008, which was stated in the 33rd Annual Securities Report of the Target filed on June 26, 2008.

5. The “Number of voting rights represented by share certificates, etc., to be purchased in the Tender Offer” may reach 100.00% at maximum because the Tender Offerors will purchase all the Share Certificates for Purchases if the number of the Share Certificates for Purchases is equal to or above the Minimum Limit To Be Purchased.
6. The figures in the “Shareholding ratio before commencement of the Tender Offer” and the “Shareholding ratio after completion of the Tender Offer” were rounded off to the nearest hundredth.

(7) Purchase price: ¥7,763,991,200 (planned)

Note: The purchase price is calculated by multiplying the Minimum Limit To Be Purchased (9,704,989 shares) by the Offer Price. In case of purchasing the Maximum Shares To Be Purchased (13,996,853 shares), the purchase price would be ¥11,197,482,400 and total amount of the necessary funds for purchasing would be ¥11,333,482,400.

(8) Method of settlement

① Name and location of head office of the financial instrument traders and/or banks, etc. in charge of settlement

Daiwa Securities SMBC Co., Ltd.	9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Daiwa Securities Co., Ltd.	9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo

② Commencement date of settlement

Thursday, November 13, 2008

③ Method of settlement

A notice of purchase in the Tender Offer will be mailed to the address of persons who approve the application for purchase of share certificates, etc., or apply for sales of share certificates, etc., regarding the Tender Offer (the “Tendering Shareholder(s)”) (or of the standing proxy in case of non-Japanese residents (including corporate shareholders); the “Non-Resident Shareholder(s)”) without delay after the end of the Tender Offer Period.

Payment of the purchase price will be made in cash. The tender offer agent or the specially-designated agent will, pursuant to the Tendering Shareholder’s instructions, remit the purchase price without delay after the commencement date of settlement to the account designated by the Tendering Shareholders (or to the address of the standing proxy in case of Non-Resident Shareholders), or pay at the head office or any branch offices nationwide of the tender offer agent or the specially-designated agent by whom the application was accepted.

④ Method of returning share certificates, etc. held

In case it is decided not to purchase share certificates, etc. in a tender offer based on

subsection ② Conditions of withdrawal of a tender offer, details thereof and method of disclosure of withdrawal of (9) Other conditions and methods of purchase, etc., below, share certificates, etc. that should be returned shall be, pursuant to the Tendering Shareholder's instructions, delivered without delay the business day after next after the close of the Tender Offer Period (or the date of cancellation in case tendering was cancelled) in the following manner:

(a) In case share certificates, etc., are submitted to the tender offer agent or the specially-designated agent at the time of tendering, the non-purchased share certificates, etc., shall be delivered to the Tendering Shareholders or mailed to the address of the Tendering Shareholders (or to the address of the standing proxy in case of non-Japanese residents).

(b) In case share certificates, etc., are held in custody by the tender offer agent or the specially-designated agent (or by JASDEC through the intermediary of the tender offer agent or the specially-designated agent) at the time of tendering, they shall be restored to the initial state in custody.

(9) Other conditions and methods of purchase, etc.

① Conditions set forth in each item of Article 27-13, Paragraph 4, of the Law

The Tender Offerors will not purchase all the Share Certificates for Purchases in the Tender Offer if the total number of the Share Certificates for Purchases is below the Minimum Limit To Be Purchased (9,704,989 shares). If the total number of the Share Certificates for Purchases is equal to or above the Minimum Limit To Be Purchased (9,704,989 shares), the Tender Offerors will purchase all the Share Certificates for Purchases.

② Conditions of withdrawal of tender offer, details thereof and method of disclosure of withdrawal

Upon the occurrence of any event listed in Article 14, Paragraph 1, Items 1.1 through 1.9 and 1.12 through 1.18, Item 2, Items 3.1 through 3.8, Item 5, and Article 14, Paragraph 2, Items 3 through 6, of the Financial Instruments and Exchange Act Cabinet Order (Cabinet Order No. 321 of 1965; including subsequent versions as amended; the "Cabinet Order"), the Tender Offerors may withdraw the Tender Offer.

In the event that the Tender Offerors decide to withdraw the Tender Offer, they must make a public notice electronically, and publish a notice in the *Nihon Keizai Shimbun*. Provided, however, that, if it is deemed impractical to make such a public notice by the last day of the Tender Offer Period, the Tender Offerors shall make a public announcement pursuant to Article 20 of the Cabinet Office Regulations with regard to disclosure of a tender offer of share certificates, etc., by entities other than the issuer (Ministerial Order No. 38 of 1990; including subsequent versions as amended; the "Cabinet Office Regulations") and forthwith make the public notice.

③ Conditions of reduction of the offer price, details thereof and method of disclosure of reduction

Should the Target conduct any of the acts listed in Article 13, Paragraph 1, of the Cabinet Order during the Tender Offer Period in accordance with provisions under Article 27-6, Paragraph 1, Item 1, of the Law, the Tender Offerors may reduce the offer price in accordance with the criteria under Article 19, Paragraph 1, of the Cabinet Office Regulations.

In the event that the Tender Offerors decide to reduce the offer price, they must make a public notice electronically, and publish a notice in the *Nihon Keizai Shimbun*. Provided, however, that, if it is deemed impractical to make such a public notice by the last day of the Tender Offer Period, the Tender Offerors shall make a public announcement pursuant to Article 20 of the Cabinet Office Regulations and forthwith make the public notice. If any reduction of the offer price is made, the purchase will be made in accordance with the revised conditions, with regard to the Share Certificates for Purchases before the date when such public notice is made.

④ Matters concerning Tendering Shareholders' right to cancel the agreement

Any Tendering Shareholder may cancel agreements relating to a tender offer at any time during the Tender Offer Period. The Tendering Shareholders who intend to cancel the agreement shall deliver or send a cancellation statement (a statement stating an intention to cancel the receipt of the tender offer application form and the agreement relating to a tender offer) to the head office or any branch offices nationwide of the tender offer agent (or the specially-designated agent if received thereby) by whom the application is accepted no later than 4:00 p.m. on the last day of the Tender Offer Period. Provided, however, that if sent by courier, the cancellation statement must reach the office no later than 4:00 p.m. on the last day of the Tender Offer Period.

Further, the Tender Offerors will not make any claim for payment of damages or penalties to any tendering shareholder(s) in relation to the cancellation of the agreement. In addition, the cost of returning the Share Certificates for Purchases will be borne by the Tender Offerors. If such a cancellation is requested, the Share Certificates for Purchases will be returned as soon as possible in the method prescribed in subsection ④ Method of returning share certificates, etc. held in (8) Method of settlement.

⑤ Method of disclosure in the event the purchase conditions, etc., are changed

Except in the case of prohibition by Article 27-6, Paragraph 1, of the Law, the Tender Offerors may change the purchase conditions of a tender offer.

In the event that the Tender Offerors decide to change the purchase conditions of a tender offer, they must make a public notice electronically, and publish a notice in the *Nihon Keizai Shimbun*. Provided, however, that, if it is deemed impractical to make such a public notice by the last day of the Tender Offer Period, the Tender Offerors shall make a public announcement

pursuant to Article 20 of the Cabinet Office Regulations and forthwith make the public notice. The purchase will be made in accordance with the revised conditions, etc., with regard to the Share Certificates for Purchases before the date when such public notice is made.

⑥ Method of disclosure if an amendment statement is filed

In the event an amendment statement is filed with the Director of the Kanto Finance Bureau in Japan, the Tender Offerors must publicly and promptly announce the contents of the amendment statement regarding the Public Notice of the Commencement of the Tender Offer in the manner prescribed in Article 20 of the Cabinet Office Regulations. The Tender Offerors shall also promptly amend the Tender Offer Explanatory Statement and deliver the amended Tender Offer Explanatory Statement to the Tendering Shareholders. However, if the amendments are limited to minor sections in the Tender Offer Explanatory Statement, the Tender Offerors will amend the Tender Offer Explanatory Statement by delivering to the Tendering Shareholders a document stating the reasons for such amendments, the items that have been amended and the contents of the amendments.

⑦ Method of disclosure of results of a tender offer

The results of a tender offer will be publicly announced in accordance with the procedures prescribed in Article 9-4 of the Cabinet Order and in Article 30-2 of the Cabinet Office Regulations on the date immediately following the last day of the Tender Offer Period.

(10) Date of public notice of commencement of the Tender Offer

Monday, September 22, 2008

(11) Tender offer agent

Daiwa Securities SMBC Co., Ltd. 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo

The tender offer agent above has designated a specially-designated agent below to re-entrust a part of its operations.

Daiwa Securities Co., Ltd. 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo

### **3. Management Policy and Prospects after Completion of the Tender Offer**

For the policy after completion of the Tender Offer, please refer to “(4) Background of and reason for conducting the Tender Offer, as well as management policy, etc., after completion of the Tender Offer” in

1. Purpose of the Tender Offer.

#### 4. Other Information

(1) Agreement between the Tender Offerors and the Target or its directors

At the meeting of its Board of Directors held on September 19, 2008, the Target resolved that it agrees with the Tender Offer. The Target has also agreed to not subscribe any of its treasury stock in the Tender Offer.

As described in the subsection ② Agreement with the Founding Family of (4) Background of and reason for conducting the Tender Offer, as well as management policy, etc., after completion of the Tender Offer in 1. Purpose of the Tender Offer, prior to the Tender Offer, a MBO Master Agreement regarding various conditions for the execution of the Transactions was entered into on September 18, 2008 by Tomorrow, which holds all the issued and outstanding shares of the Tender Offerors; MSPE Tanya Holdings BVBA, a corporation which is Tomorrow's shareholder and was established under Belgian law; the Hayate Vehicle; and the Founding Family. In the MBO Master Agreement, the Founding Family agreed that it will subscribe for the Tender Offer for all the shares of the Target held by each member of the Founding Family. It also agreed that after the settlement of the price for the Transfer of Tender Offerors' Shares and the settlement involved in the Tender Offer are completed, several members of the Founding Family, including Katsuya Hayashi, will make investments in Tomorrow through the Hayate Vehicle.

(2) Other information judged to be necessary for investors to determine whether to subscribe in the Tender Offer

The Target publicly announced the "Announcement Regarding the Extraordinary Gains Accrued and Revisions to the Performance Projections" as of August 12, 2008, at the Osaka Securities Exchange. The summary of the extraordinary gains accrued, as well as the revisions to the performance projections and the reasons for the revisions, are as follows: The summary described below is only an excerpt of the public announcement made by the Target, and the Tender Offerors are in no position to verify independently its accuracy and credibility and it has not conducted such verification.

The contents of the respective items below were reflected in the valuation of the Target's stock value.

① Extraordinary gains accrued

(Accrual of income taxes-deferred that may have effects on consolidated performance projections)

As announced in the "Announcement of the Shift to an Operating Holding Company through a Company Split and Change in Trade Name" dated April 30, 2008, the Company (or the Target) will conduct an absorption-type company split as of October 1, 2008 jointly with Charle Co., Ltd., our wholly-owned subsidiary, in which the Company will be the successor company and Charle the split company. The Company will succeed the ladies' innerwear wholesale



business currently engaged in by Charle, and become an operating holding company. After examining effects on the consolidated operating performance due to the shift to the operating holding company, the Company determined to record a loss of ¥1,156 million in income taxes-deferred for the third quarter consolidated fiscal period.

(Accrual of extraordinary gains and income taxes-deferred that may have effects on non-consolidated performance projections)

After examining effects on non-consolidated operating performance due to the afore-mentioned reason, the Company determined to record ¥1,362 million in gain on disappearance of combined stocks and a loss of ¥1,074 million in income taxes-deferred for the third quarter fiscal period.

- ② Revisions to the consolidated performance projections for the year ending March 2009 (April 1, 2008 – March 31, 2009)

(Millions of yen: %)

	Net sales	Operating income	Ordinary income	Net income of current term	Net income per share of current term
Previous projections released (A)	29,460	1,910	2,030	1,440	Yen 74.30
Revised projections(B)	28,100	1,900	2,030	2,600	134.16
Amount of change (B-A)	(1,360)	(10)	-	1,160	-
Rate of change	(4.6)	(0.5)	-	80.6	-
Results for the previous fiscal year ended March 2008	46,363	2,548	2,809	(1,971)	(101.74)

③ Revisions to the non-consolidated performance projections for the year ending March 2009  
(April 1, 2008 – March 31, 2009)

(Millions of yen: %)

	Net sales	Operating income	Ordinary income	Net income of current term	Net income per share of current term
Previous projections released (A)	1,390	660	770	1,020	Yen 52.63
Revised projections(B)	15,780	1,680	1,750	3,830	197.62
Amount of change (B-A)	14,390	1,020	980	2,810	-
Rate of change	1,035.3	154.5	127.3	275.5	-
Results for the previous fiscal year ended March 2008	1,653	802	951	(2,023)	(104.39)

④ Reasons for revisions

(Reasons for revisions to the consolidated performance projections)

Full-year:

In view of recent trends in operating performance, the Company revised net sales to ¥28,100 million, as announced on May 15, 2008.

Operating income and ordinary income are estimated to be as previously planned, due to the improvement of gross margin rate and a decline in selling, general and administrative expenses.

The Company revised net income to ¥2,600 million by taking into account the recording of income taxes-deferred as the effect on the consolidated performance from the Company's shift to an operating holding company on October 1.

(Reasons for revisions to the non-consolidated performance projections)

Full-year:

The Company revised net sales, operating income and ordinary income to ¥15,780 million, ¥1,680 million and ¥1,750 million, respectively, taking into consideration the succession of the ladies' innerwear wholesale business through an absorption-type company split, effective from the third quarter of the current fiscal year.

The Company revised net income to ¥3,830 million by taking into account the succession of the ladies' innerwear wholesale business, as well as the accrual of extraordinary gains and income taxes-deferred as mentioned above.

Note: The performance projections in this report are estimated based on the information available at the present moment. Actual results may differ from these projections due to uncertainty and various factors.

<Cautionary Statement>

- \* This press release is intended to publicly announce the Tender Offer in the Target by the Tender Offerors and was not prepared for the purpose of soliciting the sale of share certificates, etc. related to the Tender Offer or subscription for purchase of the Tender Offer.
- \* Although this press release contains prospects of business development after the acquisition of shares in the Target based on the estimates and vision of the Tender Offerors, actual results may significantly differ from such prospects due to various factors.
- \* This press release does not fall under or constitute a subscription or a solicitation (or any part thereof) for the sale or subscription for the purchase of any securities. Any contract should not be concluded relying on this press release (or any part thereof) or the fact of its distribution, which should not be the basis of any contract concerning the Tender Offer.
- \* In some countries and regions, the release or distribution of this press release is legally limited or restricted. In such countries and regions, care should be taken with respect to those limits or regulations, and to conform to the laws and regulations of the relevant countries and regions. In countries and regions in which execution of the Tender Offer is illegal, this press release or its translation shall serve as information only and you cannot apply for selling and tendering share certificates, etc., related to the Tender Offer.
- \* Please note that those who have viewed the information in this document are considered as primary information recipients regarding the so-called insider trading restrictions under Article 167, Paragraph 3, of the Law, and Article 30 of the Cabinet Order thereof. Such viewers may possibly be prohibited to purchase share certificates, etc. of Ten-Arrows Co., Ltd. until 12 hours pass after the public announcement of this press release (the time when it is posted on the Timely Information Disclosure Service of the Osaka Securities Exchange on September 19, 2008). Please be forewarned that the Company will not assume responsibility for your being accused or charged of any criminal, civil or administrative punishment due to your purchase action.