



June 19th, 2024

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| Company Name | Integral Corporation |
| Name of Representative | Reijiro Yamamoto, Representative Director and Partner (Securities code : 5842 Growth Market of the Tokyo Stock Exchange) |
| Inquiries | Yasuaki Sumikawa, CFO & Controller (TEL. 03-6212-6100) |

Notice of Transfer of Fund Interests in Itokin through Recapitalization Transaction

Integral Corporation is pleased to announce that our affiliated funds, Integral 2 Limited Partnership and Integral Fund II (A) L.P (hereinafter referred to as “Fund II Series”) are going to implement an exit scheme (hereinafter referred to as “the Transaction”) on Itokin Co., Ltd. (hereinafter referred to as “Itokin”). Under the contemplated scheme, as part of the recapitalization transaction (a transaction to redeem stocks by restructuring the issuer's equity and debt structure. Hereinafter referred to as “Recap”), Fund II Series will transfer all of the common shares that it owns to a special purpose company that Integral Group newly established (hereinafter referred to as the “SPC”).

1. Background of the Transaction

Founded in 1950 by Kingo Tsujimura, Itokin is a prestigious leading apparel company that has been developing import brands and major domestic brands in the Japanese market. As a comprehensive apparel manufacturer that manufactures and sells mainly women's wear, but also men's wear, children's wear, and other apparel, Itokin currently operates 18 brands and over 500 stores in Japan and overseas (Taiwan).

Following the execution of the investment in 2016, Integral has restructured its business and further improved its profitability through the FY20/01. Unfortunately, its business was strongly affected by COVID-19 from 2020 onward, resulting in operating losses for three consecutive fiscal years through FY23/01. However, in FY24/01, the business environment recovered due to the shift of COVID-19 to Category V Infectious Disease and further structural reforms were successful. As a result, Itokin returned to operating profitability in the year.

Considering both financial situation such as its robust balance sheet of Itokin and the end of the term of Fund II Series on August 31, 2024, as a result of discussions with management, we decided to proceed with the exit of the fund investment in advance through the Recap.

2. Expected schedule

The Transaction is expected to be executed in early August 2024.

3. Future outlook

Since the hurdle rate for the Fund II Series has already been exceeded due to several investment collections and distributions, we expect to receive carried interest from Fund II Series on this share transfer, the impact by the share transfer and the receipt of carried interest on the consolidated financial results of Integral Corporation for the fiscal year ending December 2024 is expected to be insignificant. After the share transfer, we will hold Itokin shares as a principal investment.