

This is an English translation of the original Japanese-language “Announcement Regarding Expression of Opinion Opposing the Tender Offer for Descente Shares by BS Investment Corporation” dated February 7, 2019 and is provided for reference purposes only.

Readers are advised that the Company does not guarantee the accuracy of the content contained in this report. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.



March 8, 2019

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(Amendments) Announcement Regarding Amendments to “Announcement Regarding Expression of Opinion Opposing the Tender Offer for Descente Shares by BS Investment Corporation”

As announced in the Announcement Regarding Expression of Opinion Opposing the Tender Offer for Descente Shares by BS Investment Corporation (the “Press Release for Opposing Opinion”) dated February 7, 2019, the Company opposes the tender offer for the Company’s shares (the “Tender Offer”) by BS Investment Corporation (the “Tender Offeror”), which is a wholly-owned subsidiary of ITOCHU Corporation (“ITOCHU”; together with the Tender Offeror, the “Tender Offerors”), and expresses its opinion to request that the Company’s shareholders do not tender their shares in the Tender Offer (the “Opposing Opinion”).

The grounds for the Opposing Opinion are substantially as follows (for details, please refer to the Press Release for Opposing Opinion).

Coercive Measures: With a limitation on the number of shares to be purchased, the Tender Offer is an attempt by ITOCHU to obtain substantial control of the Company for the minimum amount of capital, and causes general shareholders to bear the risk of ITOCHU’s management of the Company without offering proper benefit.

Concerns regarding conflicts of interests: If the management structure and the management policy is changed in accordance with ITOCHU’s intention as a result of the Tender Offer, there is a high possibility that the Company’s corporate value will be

damaged and the common interests of shareholders will be harmed including through recurrence of the same situation as past forced purchases.

Loss of checking function: If a management structure is created in accordance with ITOCHU's intention after the Tender Offer, it will become difficult to establish a corporate governance system for the common interests of the shareholders, and the checking function regarding conflicts of interest with ITOCHU will no longer be in effect.

Inappropriate disclosure: The Tender Offer is an insincere proposal conducted through inappropriate information disclosure, including factual errors and distortion of fact by the Tender Offerors.

Opinion of independent outside directors and outside statutory auditors: As a result of sincere discussions only among themselves, the four outside directors and outside statutory auditors independent from the Tender Offerors and the Company have expressed an opinion that they support the Opposing Opinion, considering issues from the point of view of equal and fair treatment of shareholders, and the lack of reasonableness or necessity to demand a change to the management structure using overbearing and coercive means beyond discipline through dialogue.

After announcing the Opposing Opinion, the Company received proposals from a third party with a connection to both ITOCHU and the Company for mediation. Therefore, we discussed the matters such as the Company's management structure and the management policy after the Tender Offer with the intention of constructive dialogue with ITOCHU. However, the Tender Offerors ended its discussions with the Company and issued the (Amendments) Announcement Relating to Amendments to "Announcement Relating to Commencement of Tender Offer for Shares in DESCENTE LTD. (Code No. 8114)" and "Public Notice of Commencement of Tender Offer" in Connection with the Filing of the Amendment to the Tender Offer Notification Statement (the "Amendment Press Release") on February 28, 2019.

The Tender Offerors asserted in the Amendment Press Release that, in the period during which the above discussions were held, ITOCHU continued to be in a situation under which it had no choice but to doubt the integrity of the attitude of negotiation of the Company's current management and the credibility of the statements of the Company's President and Representative Director in the discussions, and the Company did not present any specific course

of action for its management structure after the Tender Offer.

However, those assertions by the Tender Offeror are contrary to the actual details and facts of the discussions between the Company and ITOCHU. In order to avoid any decision by the Company's shareholders and investors based on false information, the Company is giving the following explanation of the details and substance of discussions between the Company and ITOCHU, and making supplementary amendments to part of the Press Release for Opposing Opinion.

For clarity, these amendments do not change the Company's Opposing Opinion to the Tender Offer, and the Company continues to express its opinion to oppose the Tender Offer and request that the Company's shareholders do not tender their shares in the Tender Offer.

I. Details and substance of discussions between the Company and ITOCHU

As detailed above, discussions between the Company and ITOCHU commenced upon a proposal from a third party that is connected to ITOCHU and the Company for mediation. Discussions were carried out between the Company's President and Representative Director and ITOCHU's senior managing executive officer and textile company president, Shuichi Koseki. The Company decided to carry out those discussions based on the judgment that the resolution of differences of opinions through constructive dialogue with ITOCHU would contribute to the Company's corporate value and the common interests of shareholders.

After that, both companies carried out further discussions a number of times. However, the compromise proposal regarding the Company's management structure after the Tender Offer asserted by ITOCHU assumes that the Company will withdraw or change its Opposing Opinion, and the details of that proposal did not sufficiently dispel the Company's concerns regarding the Tender Offer, such as conflicts of interest with ITOCHU and the weakening of the corporate governance system for the common interests of the shareholders, including the checking of those conflicts of interest. Therefore, the Company decided after hearing the opinion of its two outside directors and two outside statutory auditors who are independent from the Tender Offerors and the Company's management that it could not accept the above compromise proposal by ITOCHU.

In response, as announced in the Press Release for Opposing Opinion, the Company proposed a management structure for the Company after the Tender Offer that the Company believed was appropriate from the point of view of further improving corporate governance, including management oversight function, to be more advanced and transparent, taking into account the past events between ITOCHU and the Company, but ITOCHU and the Company could not come to an agreement.

Based on the above details, ITOCHU and the Company were not able to reach an agreement on the Company’s management structure after the Tender Offer at the moment, and the Company has decided that it cannot withdraw or change its Opposing Opinion.

As detailed above, the Company sincerely considered matters in discussions with ITOCHU from the perspective of securing the common interests of shareholders and responded in good faith by presenting a specific course of action. After the Tender Offer ends, the Company will commence a dialogue again with ITOCHU. The Company hopes to hold constructive discussions that are not simply about the number of directors and composition of the board, with the aim of formulating and entering into a written agreement that incorporates both the functions of the Nominating Committee to select future candidates for directors of the Company in a just and fair manner and the system to train next-generation leaders and to reinforce the Company’s management base.

Further, the Tender Offerors assert in the Amendment Press Release that the Company’s management repeatedly made statements in interviews with the news media that went beyond the contents disclosed in the Company’s position statement dated February 7, 2019 filed by the Company (the “Position Statement”), or that were partially inconsistent with the facts, during the above discussion period.

However, the assertions by the Tender Offerors do not reveal any specific details of such statements and are extremely abstract and vague. The Company has determined that the statements in the Position Statement and the Press Release for Opposing Opinion are based on the details sincerely deliberated and resolved at the board of directors meeting taking into account the discussion to date at the Company, and contain appropriate details in accordance with laws and regulations.

The Company will exhaustively explain the content of the Position Statement and the Press Release for Opposing Opinion in accordance with laws and regulation so that shareholders and all other parties involved do not make an inadvertent decision based on mistakes in facts or misguided explanations.

**II. Content of the Amended Announcement Regarding Expression of Opinion
Opposing the Tender Offer for Descende Shares by BS Investment Corporation**

Considering Section I above, the Company has concluded that some of the matters detailed in the Press Release for Opposing Opinion should be amended. Therefore, we are amending the Press Release for Opposing Opinion as follows (amended sections are underlined).

3. Content of and Background and Reasons for the Opinion Regarding the Tender Offer
- (3) Reasons for the Opinion

(iii) Difficulty of Establishing Corporate Governance System for the Common Interests of the Shareholders after the Tender Offer

(Pre-amendment)

C. Possibility of Inhibiting Further Reforms of the Company's Corporate Governance System

As detailed in (iii)A above, the Company has improved its corporate governance system including the management supervisory functions by adopting, among other things, a Board of Directors structure that includes two independent outside directors. In addition, the Company has been considering a more effective management structure to further reinforce its corporate governance. As a result, the Company intends to substantially reinforce the supervisory function of the Board of Directors by reforming the Company's management structure and making the majority of its directors independent outside directors from the perspective of making the corporate governance system including management supervisory functions more advanced and transparent. Specifically, the Company intends to appoint one executive director and four independent outside directors, and it will make a proposal at a meeting of shareholders of the Company on the appointment of those directors.

The Company believes that such reform of the corporate governance system will make it possible to further improve the checks and balances function regarding conflicts of interest with ITOCHU and to create a corporate governance system that contributes to the common interests of the shareholders. The details of that reform are scheduled to be announced once they have been determined.

(Post-amendment)

C. Possibility of Inhibiting Further Reforms of the Company's Corporate Governance System

As detailed in (iii)A above, the Company has improved its corporate governance system including the management supervisory functions by adopting, among other things, a Board of Directors structure that includes two independent outside directors. In addition, the Company has been considering a more effective management structure to further reinforce its corporate governance. As a result, the Company has decided to substantially reinforce the supervisory function of the Board of Directors by reforming the Company's management structure and making the majority of its directors independent outside directors from the perspective of making the corporate governance system including

management supervisory functions more advanced and transparent. Specifically, the Company intended to appoint one executive director and four independent outside directors, and to make a proposal at a meeting of shareholders of the Company on the appointment of those directors.

The Company received a proposal from a third party with a connection to both ITOCHU and the Company for mediation. Therefore, discussions commenced between the Company and ITOCHU regarding the Company's management structure and the management policy after the Tender Offer. Discussions were carried out between the Company's President and Representative Director and ITOCHU's senior managing executive officer and textile company president, Shuichi Koseki. The Company decided to carry out those discussions based on the judgment that the resolution of differences of opinions through constructive dialogue with ITOCHU would contribute to the Company's corporate value and the common interests of shareholders.

After that, both companies carried out further discussions a number of times. However, the compromise proposal regarding the Company's management structure after the Tender Offer asserted by ITOCHU assumes that the Company will withdraw or change its opinion regarding the Tender Offer (the "Opposing Opinion") announced in the Announcement Regarding Expression of Opinion Opposing the Tender Offer for Descente Shares by BS Investment Corporation (the "Press Release for Opposing Opinion") dated February 7, 2019, and the details of that proposal did not sufficiently dispel the Company's concerns regarding the Tender Offer, such as conflicts of interest with ITOCHU and the weakening of the corporate governance system for the common interests of the shareholders, including the checking of those conflicts of interest. Therefore, the Company decided after hearing the opinion of its two outside directors and two outside statutory auditors who are independent from the Tender Offerors and the Company's management that it could not accept the above compromise proposal by ITOCHU.

In response, as announced in the Press Release for Opposing Opinion, the Company proposed a management structure for the Company after the Tender Offer that the Company believed was appropriate from the point of view of further improving corporate governance, including management oversight function, to be more advanced and transparent, taking into account the past events between ITOCHU and the Company, but ITOCHU and the Company could not come to an agreement.

Based on the above details, ITOCHU and the Company were not able to reach an agreement on the Company's management structure after the Tender Offer at the moment, and the Company has decided that it cannot withdraw or change its Opposing Opinion.

The Tender Offerors asserted in (Amendments) Announcement Relating to Amendments to “Announcement Relating to Commencement of Tender Offer for Shares in DESCENTE LTD. (Code No. 8114)” and “Public Notice of Commencement of Tender Offer” in Connection with the Filing of the Amendment to the Tender Offer Notification Statement dated February 28, 2019 that, in the period during which the above discussions were held, ITOCHU continued to be in a situation under which it had no choice but to doubt the integrity of the attitude of negotiation of the Company’s current management and the credibility of the statements of the Company’s President and Representative Director in the discussions, and the Company did not present any specific course of action for its management structure after the Tender Offer. However, as detailed above, the Company sincerely considered matters in discussions with ITOCHU from the perspective of securing the common interests of shareholders and responded in good faith by presenting a specific course of action. After the Tender Offer ends, the Company will commence a dialogue again with ITOCHU. The Company hopes to hold constructive discussions that are not simply about the number of directors and composition of the board, with the aim of formulating and entering into a written agreement that incorporates both the functions of the Nominating Committee to select future candidates for directors of the Company in a just and fair manner and the system to train next-generation leaders and to reinforce the Company’s management base.

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