

**[Translation]**

**AMENDMENT TO TENDER OFFER EXPLANATORY  
STATEMENT**

**February 2019**

**BS Investment Corporation**  
**(Target Company: DESCENTE LTD.)**

THIS ENGLISH TRANSLATION OF AMENDMENT TO TENDER OFFER EXPLANATORY STATEMENT HAS BEEN PREPARED SOLELY FOR THE CONVENIENCE OF NON-JAPANESE SPEAKING SHAREHOLDERS OF DESCENTE LTD. WHILE THIS ENGLISH TRANSLATION IS BELIEVED TO BE GENERALLY ACCURATE, IT IS SUBJECT TO, AND QUALIFIED BY, IN ITS ENTIRETY, THE OFFICIAL JAPANESE-LANGUAGE ORIGINAL FILED WITH THE DIRECTOR-GENERAL OF THE KANTO LOCAL FINANCE BUREAU. SUCH JAPANESE-LANGUAGE ORIGINAL SHALL BE THE CONTROLLING DOCUMENT FOR ALL PURPOSES. THE TENDER OFFER IS BEING CONDUCTED IN ACCORDANCE WITH THE PROCEDURES AND INFORMATION DISCLOSURE STANDARDS PRESCRIBED BY JAPANESE LAW.

## **AMENDMENT TO TENDER OFFER EXPLANATORY STATEMENT**

The tender offer concerning this Amendment to the Tender Offer Explanatory Statement (the “Amendment”) is subject to the provisions of Chapter II-2, Section 1 of the Financial Instruments and Exchange Law of Japan (Law No.25 of 1948, as amended). This Amendment is prepared in accordance with Article 27-9, Paragraph 3 of the Financial Instruments and Exchange Law of Japan.

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[Location at Which Statement Is Available to Public]	BS Investment Corporation (5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1, Nihonbashi, Kabuto-cho, Chuo-ku, Tokyo)

(Note 1) In this Amendment, the term “Tender Offeror” means BS Investment Corporation.

(Note 2) In this Amendment, the term “Target Company” means DESCENTE LTD.

(Note 3) In this Amendment, the term “Act” means the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended).

(Note 4) In this Amendment, unless otherwise provided, any indication of the number of days, date or time refers to such number of days, date or time in Japan.

(Note 5) In this Amendment, the term “Tender Offer” means the tender offer pertaining to the filing of this Amendment.

(Note 6) The Tender Offer is to be conducted in accordance with the procedures and information disclosure standards prescribed in the Financial Instruments and Exchange Act of Japan. However, such procedures and standards are not necessarily the same as the procedures and information disclosure standards in the U.S. In particular, Sections 13(e) and Section 14(d) of the U.S. Securities Exchange Act of 1934, as amended, (the “U.S. Securities Exchange Act of 1934”), and the rules prescribed thereunder

do not apply to the Tender Offer, and the Tender Offer does not conform to such procedures and standards. All financial statements contained in this Amendment have been prepared in accordance with Japanese accounting standards and have not been prepared in accordance with the accounting standards of the U.S. Therefore, the content of the financial statements may not necessarily be comparable to those prepared in accordance with the accounting standards of the U.S. Moreover, as the Tender Offeror is a corporation incorporated outside of the U.S. and its directors are non-U.S. residents, it may be difficult to enforce any rights or requests arising under the U.S. federal securities laws. In addition, shareholders may not be able to commence legal proceedings against such a corporation incorporated outside the U.S., or any of such corporation's directors, in a non-U.S. court on the grounds of a violation of the U.S. securities laws. Furthermore, a corporation incorporated outside the United States and its subsidiaries and affiliates may not necessarily be permitted to submit to the jurisdiction of U.S. courts.

- (Note 7) Unless otherwise provided, all procedures for the Tender Offer shall be conducted entirely in the Japanese language. All or a portion of the documents relating to the Tender Offer is prepared in the English language. However, should there be any inconsistency between any document written in English and that written in Japanese, the Japanese document shall prevail.
- (Note 8) This Amendment contains “forward-looking statements” as defined in Section 27A of the U.S. Securities Act of 1933, as amended and Section 21E of the U.S. Securities Exchange Act of 1934. Due to any known or unknown risks, uncertainties, or any other factors, it is possible that actual results may substantially differ from the projections, etc. as expressly or implicitly indicated in any “forward-looking statements.” Neither the Tender Offeror nor any of its affiliated companies guarantees that such projections, etc., expressly or implicitly indicated in any “forward-looking statements” will result in being correct. The “forward-looking statements” in this Amendment have been prepared based on the information held by the Tender Offeror as of the filing date of this Amendment, and, unless otherwise required by applicable laws and regulations or rules of financial instruments exchanges, neither the Tender Offeror nor any of its affiliated companies is obliged to update or modify such statements in order to reflect any events or circumstances in the future.
- (Note 9) The Tender Offeror and its affiliates, and the respective affiliates of financial advisors to the Tender Offeror may, within their ordinary course of business, and to the extent permitted under the related Japanese financial instruments and exchange laws and regulations and other applicable laws and ordinances, purchase, or take actions to purchase, common stock of the Target Company for themselves or for their customers' accounts outside the Tender Offer prior to the commencement of, or during, the tender offer period for purchasing and engaging in other related activities in the Tender Offer in accordance with the requirements of Rule 14e-5(b) of the U.S. Securities Exchange Act of 1934. If any information concerning such purchase is disclosed in Japan, disclosure of such information will also be made in English on the website of the person who has conducted such purchase.

## **1. 【Reason for Amending Tender Offer Explanatory Statement】**

Under Article 27-8, Paragraph 2 of the Act, the Tender Offeror filed an amendment to its tender offer notification statement filed on January 31, 2019, due to the occurrence of an event that requires amending certain statements in the tender offer notification statement. Following the filing of such amendment, the Tender Offeror hereby amends certain statements in the Tender Offer Explanatory Statement, under Article 27-9, Paragraph 3 of the Act and Article 24, Paragraph 5 of the Cabinet Ordinance Concerning the Disclosure of Tender Offers for Shares, etc., by Persons Other Than Issuers (Ministry of Finance Ordinance No. 38 of 1990, as amended).

## **2. 【Amended Items】**

### **I. 【Terms and Conditions of the Tender Offer】**

#### **3. 【Purpose of the Purchase, Etc.】**

##### **(3) Management Policy after the Completion of the Tender Offer**

## **3. 【Statements Before and After Amendment】**

Amended parts are underlined.

# I. 【Terms and Conditions of Tender Offer】

## 3. 【Purpose of the Purchase, Etc.】

(Before amendment)

### (3) Management Policy after the Completion of the Tender Offer

In order to reform the management structure and restructure the existing corporate governance system to make it sound for further enhancement of the Target Company's corporate value, and construct a relationship whereby ITOCHU, Etc. and the Target Company can constructively discuss the Target Company's growth strategy and measures, ITOCHU, Etc., believes that it is necessary to promote competent, next-generation personnel from the Target Company and substantially reform the structure of the Board of Directors, including Outside Directors.

With respect to the Target Company's management structure, ITOCHU, Etc., considers it desirable to establish a management structure that is balanced from a functional perspective in order to promote rapid decision-making as well as to fulfill checking and supervisory functions through decreasing the number of Directors from ten, the current number, to approximately six, as the core of its policy, and to newly appoint two persons as Directors from among the personnel of the Target Company, dispatch two persons from ITOCHU as Directors (one of whom is to be a full-time Director) and appoint as Outside Directors two persons who are independent from both ITOCHU, Etc., and the Target Company. ITOCHU, Etc., plans to have discussions with the Target Company after the completion of the Tender Offer, and if the discussions with the Target Company do not result in any agreement, it is possible for ITOCHU, Etc., to submit to the Ordinary General Meeting of Shareholders a proposal with respect to the appointment of Directors and Corporate Auditors of the Target Company, etc. (the "Shareholder Proposal"), taking into consideration the results of the Tender Offer. The detailed selection of the personnel is planned to be determined after the Tender Offer, taking into consideration the results of the discussions with the Target Company.

As of today, the outline of the measures which ITOCHU, Etc., believes that it can realize under a new cooperative relationship with the management of the Target Company is as follows. As stated above, since ITOCHU, Etc., did not have any prior discussion with the Target Company with respect to the Tender Offer, and the information which is shared with the Director who has been dispatched from ITOCHU is limited to the minimum, the information on the Target Company which ITOCHU, Etc., can acquire at this point of time is limited. Therefore, ITOCHU, Etc., plan to implement the measures after the reform of the management structure and upon sufficient discussions with the management of the Target Company with respect to the details of such measures, including time and method thereof.

< Remainder omitted >

(After amendment)

**(3) Management Policy after the Completion of the Tender Offer**

In order to reform the management structure and restructure the existing corporate governance system to make it sound for further enhancement of the Target Company's corporate value, and construct a relationship whereby ITOCHU, Etc, and the Target Company can constructively discuss the Target Company's growth strategy and measures, ITOCHU, Etc., believes that it is necessary to promote competent, next-generation personnel from the Target Company and substantially reform the structure of the Board of Directors, including Outside Directors.

With respect to the Target Company's management structure, as of the commencement of the Tender Offer, ITOCHU, Etc., considered it desirable to establish a management structure that is balanced from a functional perspective in order to promote rapid decision-making as well as to fulfill checking and supervisory functions through decreasing the number of Directors from ten, the current number, to approximately six, as the core of its policy, and to newly appoint two persons as Directors from among the personnel of the Target Company, dispatch two persons from ITOCHU as Directors (one of whom is to be a full-time Director) and appoint as Outside Directors two persons who are independent from both ITOCHU, Etc., and the Target Company. ITOCHU, Etc., plans to have discussions with the Target Company after the completion of the Tender Offer, and considers that if the discussions with the Target Company do not result in any agreement, it is possible for ITOCHU, Etc., to submit to the Ordinary General Meeting of Shareholders a proposal with respect to the appointment of Directors and Corporate Auditors of the Target Company, etc. (the "Shareholder Proposal"), taking into consideration the results of the Tender Offer. The detailed selection of the personnel was planned to be determined after the Tender Offer, taking into consideration the results of the discussions with the Target Company.

On the other hand, on February 7, 2019, the Target Company filed a position statement (the "Position Statement") to express its opinion opposing the Tender Offer, while it provided the news media with a statement showing that it desired to have constructive discussions with ITOCHU, Etc. ITOCHU, Etc., believed that it would be appropriate to have discussions with the Target Company after the Tender Offer; however, as ITOCHU received a formal request from the Target Company to have discussions through a third party who is connected with both the Target Company and ITOCHU, ITOCHU, Etc. considered that it was not appropriate to refuse such a request, and therefore decided to accept the request to have a preliminary discussion to confirm the Target Company's position. ITOCHU commenced a discussion with Mr. Ishimoto, the President and Representative Director of the Target Company, from February 11, 2019. As a substantial change to the Target Company's directors was a prerequisite for Mr. Ishimoto's proposal, ITOCHU considered that there was a possibility to construct a relationship whereby ITOCHU, Etc. and the Target Company can have constructive discussions. Therefore, ITOCHU once decided to start holding

specific discussions with the Target Company from the same date, with respect to the Target Company's management issues, the Target Company's management structure after the completion of the Tender Offer and other matters. In these discussions, in good faith, ITOCHU tried to have constructive discussions with the Target Company for the purpose of the sustainable enhancement of the Target Company's corporate value, such as by considering the Target Company's management structure after the completion of the Tender Offer in a way that would show respect for the Target Company's intention. Such discussions were repetitively held on February 11, 13, 15 and 20, 2019. ITOCHU expected to find a certain course of action that could be agreed upon with the Target Company with respect to the management structure after the completion of the Tender Offer and other matters.

However, in the period during which such discussions were held, it was continuously reported by the news media that the Target Company's current management, including Mr. Ishimoto, criticized the actions of ITOCHU, Etc., and repeatedly stated that they opposed the Tender Offer, in interviews, etc. with the news media. Moreover, the contents of such statements went beyond the contents disclosed in the Position Statement, or were partly inconsistent with the facts. Accordingly, ITOCHU continued to be in a situation under which ITOCHU had no choice but to doubt the integrity of the attitude of negotiation of the Target Company's current management and the credibility of Mr. Ishimoto's statements in these discussions. Furthermore, in the discussions stated above, the Target Company did not present any specific course of action, and discussions were limited to superficial ones regarding the number of Outside Directors. Therefore, ITOCHU had no choice but to conclude that it would be difficult to achieve a consensus with the Target Company during the Tender Offer Period, in relation to a specific course of action with respect to the Target Company's management structure after the completion of the Tender Offer, and for the Target Company to decide on and disclose a management structure in accordance with such course of action.

Taking into account the above circumstances, ITOCHU decided to end the discussions stated above on February 22, 2019 and in accordance with its original plan at the commencement of the Tender Offer, ITOCHU, Etc. will reopen dialogues with the Target Company's management after the completion of the Tender Offer, in order to aim for a sustainable enhancement of the Target Company's corporate value.

However, the impression that ITOCHU, Etc. has received from the Target Company's response during the discussions stated above is that serious problems in the Target Company's current management structure are beginning to be revealed. Therefore, if ITOCHU, Etc. determines that the Target Company's corporate value is likely to decrease during the period until the Ordinary General Meeting of Shareholders, there is a possibility that ITOCHU, Etc. may consider requesting the Target Company to convene an extraordinary general meeting of shareholders in accordance with the Companies Act, after comprehensively considering the results of the Tender Offer and other matters.



As of today, the outline of the measures which ITOCHU, Etc., believes that it can realize under a new cooperative relationship with the management of the Target Company is as follows. As stated above, since ITOCHU, Etc., did not have any prior discussion with the Target Company with respect to the Tender Offer, and the information which is shared with the Director who has been dispatched from ITOCHU is limited to the minimum, the information on the Target Company which ITOCHU, Etc., can acquire at this point of time is limited. Therefore, ITOCHU, Etc., plan to implement the measures after the reform of the management structure and upon sufficient discussions with the management of the Target Company with respect to the details of such measures, including time and method thereof.

< Remainder omitted >