

August 7, 2015

To All

Company name	Toray Industries, Inc.
Representative	President Akihiro Nikkaku (Code number:3402 First Section of the Tokyo Stock Exchange)
Contact	Corporate Communications Department General Manager Yoshiaki Nakayama (TEL. 03－3245－5178)

Notice Regarding Commencement of Tender Offer for Shares of Japan Vilene Company, Ltd. (Securities Code: 3514)

As of the date hereof, Freudenberg SE ("**Freudenberg**") and Toray Industries, Inc. (Code number:3402, listed on the First Section of the Tokyo Stock Exchange,; "**Toray**") executed a memorandum of understanding between Freudenberg and Toray ("**MOU**") and pursuant to the MOU have decided to acquire the shares etc., of Japan Vilene Company, Ltd. ("**Company**"), through FT Holdings K.K. ("**Acquirer**"), and further, as of the date hereof, the Acquirer decided to make a tender offer ("**Tender Offer**") pursuant to the Financial Instruments and Exchange Law (Act No. 25 of 1948;as amended; "**Act**") and therefore we hereby announce as follows.

1 Purposes of the Purchase

(1) Outline of the Tender Offer

As of the date hereof, Freudenberg SE holds 17,647, 412 common shares of the Company (the "**Common Shares of the Company**", shareholding ratio (Note 1) 33.40%) and is the largest shareholder and other related company of the Company. As of the date hereof, Toray holds 9,242,083 of the Common Shares of the Company (shareholding ratio 17.49%) and is one of the major shareholders of, and the second largest shareholder of, the Company. The Acquirer has decided to commence the Tender Offer for the Common Shares of the Company and the Share Options (as defined in "(3) Tender Offer Price" of "2. Summary of Tender Offer") so that the Acquirer, Freudenberg and Toray will become the only shareholders of the Company, and ultimately Freudenberg and Toray will

respectively own 75% and 25% of the Common Shares of the Company.

While the Acquirer is a wholly owned subsidiary of Freudenberg as of the date hereof, Freudenberg is planning to transfer a part of its Acquirer's shares to Toray during the period of the Tender Offer (the "**Tender Offer Period**") pursuant to the MOU, and consequently thereof Freudenberg and Toray will respectively own 75% and 25 % of the voting rights of the Acquirer(Note 2).

(Note 1) The "**shareholding ratio**" means the percentage of the owned shares to the number of issued and outstanding common shares (52,840,945 shares) as of June 30, 2015, as described in the Company's Financial Results for the first quarter of the year ending March 2016 announced by the Company on August 7, 2015 (any fraction less than a thousandth is rounded off to the closest hundredth).

(Note 2) Prior to the acquisition of Acquirer's shares by Toray (the "**Toray Initial Contribution**"), Toray is required to file a prior notification with respect to the Toray Initial Contribution with the Korea Fair Trade Commission (the "**KFTC**") pursuant to the Monopoly Regulation and Fair Trade Act of Korea. The KFTC will decide whether or not to approve the Toray Initial Contribution within the 30-day review period from the date of acceptance of such notification (such review period may be extended up to 120 days from the date of acceptance of such notification at the KFTC's discretion). If the KFTC approves the Toray Initial Contribution within such review period, Toray will be able to proceed with the Toray Initial Contribution.

The prior notification with respect to the Toray Initial Contribution to the KFTC will be filed on August, 7, 2015 (local time). Furthermore, if the KFTC approves the Toray Initial Contribution within such review period, the Acquirer will immediately file the Amendment to the Tender Offer Registration Statement pursuant to Article 27-8(2) of the Act. If such review period does not complete by the day immediately preceding the last day of the Tender Offer Period (as extended), and the Toray Initial Contribution is not approved, the Tender Offer Period and the commencement date of the settlement may be extended.

The Tender Offer is made as part of a series of transactions which contemplates the delisting of Common Shares of the Company by acquiring all Common Shares of the Company (excluding treasury shares owned by the Company and the Common Shares not Subject to Acceptance under the Tender Offer (as defined below)) and thereby causing the Acquirer, Freudenberg and Toray to become the only shareholders of the Company by the Acquirer's acquisition of all of the Common Shares of the Company (the "**Transaction**").

Freudenberg and Toray have executed a memorandum of understanding as of August 7, 2015. The MOU primarily sets forth the matters with respect to the acceptance of the Tender Offer and the operation of the Company after the Tender Offer as follows:

- (i) Freudenberg shall not tender any of the 17,647,412 shares of the Common Shares of the Company it owns to the Tender Offer;
- (ii) Toray shall not tender 5,882,471 shares out of the 9,242,083 shares of the Common Shares of the Company it owns to the Tender Offer, and shall tender the remaining 3,359,612 shares to the Tender Offer (as a result, the ratio of the number of Common Shares of the Company directly owned by Freudenberg to that of Toray immediately after the Tender Offer becomes 75 to 25. Those Common Shares of the Company that Freudenberg and Toray will not tender (23,532,883 shares in total) shall be referred to as the "**Common Shares not Subject to Acceptance under the Tender Offer**");
- (iii) after consummation of the Tender Offer, Freudenberg and Toray will enter into a shareholders' agreement with respect to the operation of the Company, which will require Freudenberg to obtain Toray's prior consent when making decisions on certain material matters of the Company

(i.e., (i) amendment of the articles of association, (ii) transfer of the entire business or an important part of the business, (iii) acquisition of the entire business of another company, (iv) reorganization such as merger, (v) entries into any new lines of business, (vi) any increase or decrease of the stated capital, (vii) approval of the annual business plan and budget, (viii) appointment of the members of the Board of Directors etc. and (ix) dissolution of the Company); and

(iv) transfer of the shares of the Company requires consent of the other party, and each party has the preemptive right in proportion to its shareholding ratio when the Company issues new shares.

In the Tender Offer, as stated in “(vii) *Setting a Minimum Number of Shares to be Purchased*” of “(4) *Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Purchase Price and Measures to Avoid Conflict of Interests*” below, the minimum number of shares to be purchased is 16,324,174 shares, and if the aggregate number of the shares tendered in the Tender Offer (“**Tendered Shares**”) falls below the above minimum number of shares to be purchased, no Tendered Shares will be purchased. The Acquirer does not set an upper limit on the number of Tendered Shares to be purchased in the Tender Offer, and therefore if the number Tendered Shares equals to or exceeds the minimum number of shares to be purchased, the Acquirer will purchase all the Tendered Shares.

In addition, if the Tender Offer successfully completes, the Acquirer plans to accept an investment of JPY 10,140 million from Freudenberg and JPY 3,380 million from Toray in addition to a loan of up to JPY 26,000 million from Sumitomo Mitsui Banking Corporation (“**SMBC**”), and plans to apply these funds for the settlement of the Tender Offer. With regard to the loan from SMBC, each of Freudenberg and Toray contemplates to provide joint and several guarantee to SMBC, and, after the Acquirer, Freudenberg and Toray becoming the only shareholders of the Company through the series of procedures stated in “(5) *Policies on the Organizational Restructuring, etc. after the Tender Offer (Matters Concerning “Two-Step Acquisition”)*” below, the Company will also provide joint and several guarantee.

If the Tender Offer is successfully completed but fails to acquire all of the issued and outstanding common shares of the Company (excluding treasury shares owned by the Company and the Common Shares not Subject to Acceptance under the Tender Offer), the Acquirer intends to cause the Acquirer, Freudenberg and Toray to become the only shareholders of the Company by conducting the procedures stated in “(4) *Policies on the Organizational Restructuring, etc. after the Tender Offer (Matters Concerning “Two-Step Acquisition”)*” below.

After consummation of the Transaction, a merger between the Company, being the surviving company, and the Acquirer, being the dissolving company (the “**Merger**”) is contemplated to be undertaken and, as a result of the Merger, the voting rights in the Company directly owned by Freudenberg and Toray will respectively become 75% and 25 %.

According to the “Notice Regarding Assent to and the Tender Offer for the Shares of the Company and Recommendation of Acceptance of Tender Offer for the Common Shares of the Company by FT Holdings K.K.” issued by the Company on August 7, 2015 (the “**Company’s Press Release**”), the Company drew a conclusion that the Company’s corporate value is expected to be further enhanced through the Transaction, and determined that the Tender Offer provides reasonable opportunity for the shareholders of the Company to sell the shares, and has resolved at the Board of Directors meeting at the Company held on August 7, 2015, to express an opinion in favor of the Tender Offer, and resolved to recommend the shareholders of the Company to accept the Tender Offer, and to defer to the holders of the Share Option on whether to accept the Tender Offer, considering that: (i) the purchase price per Common Shares of the Company in the Tender Offer (the “**Purchase Price**”) exceeds the highest value of the price range valued under the market price method and the comparable company method, and is

within the price range valued under the discounted cash flow method, each as calculated by Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (“MUMSS”) (ii) the Purchase Price accounts for an approximately 36.83 % premium (rounded to the nearest one hundredth, the same shall apply hereinafter for the calculation of the premium) over the closing price of the Company’s shares at the First Section of the Tokyo Stock Exchange on August 6, 2015 (which is the business day immediately preceding the announcement of the Tender Offer) (JPY 877); an approximately 47.60 % premium over the simple arithmetic average of the closing prices for the latest month (July 7, 2015 to August 6, 2015) (JPY 813); an approximately 49.63 % premium over the simple arithmetic average of the closing prices for the latest three months (May 7, 2015 to August 6, 2015) (JPY 802); and an approximately 69.73 % premium over the simple arithmetic average of the closing prices for the latest six months (February 9, 2015 to August 6, 2015) (JPY 707), and appropriate premium is added compared to the same type of transactions in the past, (iii) measures have been taken to ensure the fairness of the Tender Offer and the interest of the shareholders minority shareholders has been taken into the account, and (iv) the price was determined through series of consultations and negotiations between the Company and Freudenberg and Toray, which were equivalent to arms-length consultations and negotiations.

For more details of the above resolution by the Board of Directors meeting, please see “(v) *Consent of All Directors without Conflicts of Interest and Opinion of All Auditors of the Company Not to Dissent*” of “(4) *Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Purchase Price and Measures to Avoid Conflict of Interests.*”

(2) Background and Purposes of the Tender Offer and Decision-making Process Leading to the Consummation of the Tender Offer

Freudenberg is a holding company, established in May 2012, to manage the operations of the Freudenberg Group (as defined hereafter), a global leader in the nonwoven fabric market. (the amount of sales of the nonwoven fabric in 2013: USD 1,650 million (according to Nonwovens Industry. Sep., 2014)). Freudenberg, its subsidiaries and its affiliated companies (collectively, the “**Freudenberg Group**”) is comprised of 12 business groups in over 30 market segments and handles products for thousands of product applications. The Freudenberg Group offers tailor-made, innovative technological products and services to its customers in the passenger car and commercial vehicle industries, as well as in mechanical and plant engineering, textile and apparel, construction, mining and heavy industry, energy, chemical, and oil and gas sectors. The customer base of the Freudenberg Group also includes companies in the medical technology, civil aviation, rail vehicles and semiconductor sectors.

Freudenberg Performance Materials (“FPM”), one of the business groups comprising the Freudenberg Group, develops and produces nonwoven products for a wide range of applications at twenty manufacturing hubs around the world, and has a worldwide sales network. These products are used as interlinings for garments, battery separators (materials which separate positive and negative electrodes in batteries and ensure ion conductivity between positive and negative electrodes by maintaining electrolyte), sound absorption materials, fire blockers and cable insulation. The nonwovens products from FPM are also widely used in the medical sector. The Freudenberg Group has been serving a leading role in the nonwoven market since it has started to sell nonwoven products in 1936 and this has continued up to the present day.

In the field of air and liquid filtration related technologies, Freudenberg Filtration Technologies (“FFT”) develops and produces high-performance, energy-efficient filtration solutions which improve the efficiency of industrial processes, conserve resources, protect people and the environment and thus enhance the quality of life. FFT offers customers innovative filter elements and systems for the energy, health, and transport (automotive, rail, marine and aviation) sectors, general ventilation and cleanroom technology, and for highly-specialized applications.

Both FPM and FFT, as part of the Freudenberg Group, have enjoyed very close cooperation with the

Company, a Japanese market leader in nonwovens (the amount of sales of the nonwoven fabric in 2013: USD 204 million (according to Nonwovens Industry. Sep., 2014)).

Toray was founded as Toyo Rayon Co., Ltd. in 1926, through the investment by MITSUI & CO., LTD. It has listed its shares on Tokyo Stock Exchange since 1949, and has changed its corporate name to Toray in 1970. Toray, and the subsidiaries and affiliated companies of Toray (collectively, the “**Toray Group**”), operate their business under the corporate philosophy of “Contributing to society through the creation of new value with innovative ideas, technologies and products.” Based on the core technologies of organic synthetic chemistry, polymer chemistry, biotechnology, and nanotechnology as the sources of value creation, the Toray Group has developed the following businesses in 26 countries and regions around the world: (i) Core Growth Driving Business (fibers & textiles and plastics & chemicals); (ii) Strategically Expanding Businesses (IT-related materials and equipment and carbon fiber composite materials); and (iii) Intensively Developing and Expanding Businesses (environment & engineering and life science). Toray offers all three major synthetic fibers (i.e. or nylon, polyester and acrylic) through its Fibers and Textiles Business (one of Toray’s core businesses), with their product types ranging from filament yarns, staple fibers, textiles and garments to industrial materials including car airbags, seat belts, and bag filters used in thermal power stations. In its fabrics business portfolio, Toray is also pursuing some non-woven fabrics business, such as non-woven fabric composed of 100% polyester filament and non-woven fabrics of long-fiber polypropylene.

The Company was established in 1960 as a joint venture among Dainippon Printing Ink Manufacturing Co. Ltd. (currently known as DIC Corporation; “**DIC**”), Freudenberg Group and Toray, as a manufacturer dedicated to non-woven fabrics. The three founding partners were complementing each other: DIC provided management support and chemical supplies, while Freudenberg Group provided the nonwovens technology with Toray supplying raw material fibers. Since the establishment, the Company continuously enjoyed the supports from its founding partners and smooth expansion of its business. The Company went public during the period of high economic growth and became listed on the Second Section of TSE in 1970; the shares were transferred to the First Section of TSE in 1984. While DIC exited from its investment in the Company in 2010 (Note), Freudenberg Group and Toray kept their substantial shareholdings as the founding partners and maintained the close business relationship with the Company.

Starting in the 1980’s, the Company set up a long-term strategic joint venture partnership with Freudenberg Group in the development of nonwoven and filtration business in the Asia Pacific region which led to the establishment of numerous production and sales operations in the Asia Pacific region.

(Note) Following the receipt of notice from DIC, the second largest shareholder and other related company at that time, informing its intention to sell all of the Common Shares of the Company it owns, and after the discussions and negotiations between DIC and the Company, the Company has commenced tender offer for its own shares in December 2009, DIC has tendered all of the 14,849,130 shares it owned to the such tender offer and sold 14,796,000 shares (22.71% of the issued and outstanding shares of the Company (65,140,945) at that time) to the Company.

For financing of the Company’s capital expenditures, the Company implemented a capital increase by third-party allotment to Freudenberg and Toray (at 576 yen per common share) in August 2014 which further enhanced the capital alliance among the parties. As a result, Freudenberg’s ownership increased from 16,647,412 shares (voting rights ownership ratio: 33.64%) to 17,647,412 shares (voting rights ownership ratio: 33.62%), and Toray’s ownership increased from 7,242,083 shares (voting rights

ownership ratio: 14.63%) to 9,242,083 shares (voting rights ownership ratio: 17.61%), whereby the aggregate of the voting rights of the Common Shares of the Company owned by each of Freudenberg and Toray accounts for the majority (voting rights ownership ratio: 51.23%) (voting rights ownership ratio are calculated based on the numbers set out in the annual securities report filed by the Company on August 7, 2014).

In June 2010, the Company announced the “Mid-Term Management Vision” (the “**Management Vision**”), which aims at the consolidated sales of 70 billion yen by fiscal 2014 and set (i) Promoting New Business, (ii) Expanding Overseas Business, (iii) Rapidly Commercializing New Developments, (iv) Setting the Direction for Existing Business, (v) Optimizing Production Sites, (vi) Improving Operating and Administrative Efficiency (vii) Cultivating the Necessary Talent, and (viii) Committing to CSR and Environmental Management as its 8 basic strategies and endeavored in executing them.

The Company, however, further announced the “3 Year Mid-Term Plan 2013-2015” (the “**3 Year Mid-Term Plan**”) in August 2013, deliberately taking into consideration changes in the business environment surrounding the Company such as the macro-economic environment and the market conditions, the Company, making further enhancements to the 8 basic strategies upheld in the Management Vision and has been undertaking to fulfill the 3 Year Mid-Term Plan, focusing on the following “4 Key Challenges”.

- (i) New Business Development:
Create new businesses and new products driven by new technology and know-how. Expand businesses of the Company group by entering new regions and leveraging synergies of M&A and other activities.
- (ii) Core Business Growth:
Target stable business growth in core businesses focusing on profitability improvement. Evaluate and turn around existing businesses that have low profitability and sales growth.
- (iii) Operational Excellence:
Promote operational excellence beyond production floor and supply chain. Execute lean work flow and push operational streamlining mindset (“Muda-dori”) in all work places.
- (iv) Human Capital Management:
Approach human resources as “Human Capital.” Pro-actively invest in talent pool and system to develop high potential people who are able to excel in management and operations anywhere.

In the fiscal year ended March 31, 2014, the first year under the 3 Year Mid-Term Plan, the Company achieved the principal targeted figures (such as consolidated net sales, consolidated operating profit, consolidated net income for the year). However, in the next fiscal year ended March 31, 2015, the Company failed to achieve the targeted figures set under the 3 Year Mid-Term Plan due to the poor sales in electrical and industrial materials, the deterioration of the domestic business environment, and the increase of selling, general and administrative expenses related to the business expansion. In the consolidated forecasts for the fiscal year ending in March 31, 2016 released on May 14, 2015, the Company is expecting improved sales due to a good sales performance of automotive floor mats business in North America as well as steady sales in Japan. On the other hand, despite the improvements since the fiscal year ended March 31, 2015, the operating profit is still forecasted to be below the targeted figures.

As above, while the Company has been driving its business development in line with the Mid-Term Plan, its domestic businesses, having strategically importance, are facing increased pressure, as the number of market participants and the competition with the peripheral materials are increasing and as the competition over pricing and innovation is accelerating. The Overseas business, leading the growth

of the Company's businesses, are also facing severe competition on pricing and innovation, and are required to adjust to the changes and continuously implement improvement plans. Under these circumstances, the Company is facing business issues such as (i) needs to deal with the severe pricing competition in the domestic market, (ii) needs for business model improvement, market development and technological innovation due to the change in the market environment (such as via the globalization of key customer groups), (iii) needs for enhancing the management capacities and human resources for marketing/selling, R&D and corporate functions in international business.

Under the current situation of the Company, in late November 2014, Freudenberg, the largest shareholder of the Company, commenced discussions with Toray on possible measures that would fundamentally solve the above business issues surrounding the Company.

Freudenberg and Toray concluded that: (i) in order for the Company to accelerate profitable growth and enhance corporate value on a mid- to long-term basis, it is important to achieve a much closer coordination and aligned strategy between Freudenberg and the Company which will be beneficial in order to efficiently and fully utilize each party's capabilities together with the support of Toray as a strategic partner of the Company, (ii) a change in the ownership structure will also contribute to much less complexity in decision making process which enables much speedier decision makings and (iii) it is preferable that minority shareholders will not bear those risks such as, decrease in profit level, or the shortage of cash-flow in short-term period due to the aggressive business operations from the medium-to long- term perspective, as well as risks that that aggressive business operation eventually becomes unsuccessful because of change in government policies, technological development, market environment or otherwise. Accordingly, Freudenberg and Toray made a proposal (the "**Proposal**") to the Company in the end of February 2015 stating that the Company would be in the best position to accelerate profitable growth by (i) strengthening the current cooperation with Freudenberg and Toray under which Freudenberg provides technologies related to nonwoven fabric to the Company and Toray provides fibers (as raw materials) to the Company, and (ii) operate its business as the third business group within the Freudenberg Group in addition to FPM and FFT. Thereafter, Freudenberg, Toray and the Company had continuous discussions and consultations regarding the transaction timeframe and scheme on the execution of the Proposal

As a result, on August 7, 2015, Freudenberg, Toray and the Acquirer determined to implement the Transaction and the Tender Offer as a part of the Transaction.

The Company's Press Release stipulates that the decision-making process leading to and grounds for the opinion in favor of the Tender Offer are as follows:

As stated above, the Company received the Proposal from Freudenberg and Toray at the end of February 2015, and MUMSS was retained as its financial advisor and third party evaluation institution, and Mori Hamada & Matsumoto was retained as its legal advisor, as being independent from the Company, Freudenberg, Toray and the Acquirer, and further, in order to carefully deliberate the Proposal. To ensure the fairness, transparency and objectivity of the Company's decision-making process, the Company established a third party committee on May 28, 2015 as an advisory body of the Board of Directors of the Company for carefully considering the Proposal, and the Company has negotiated and considered with Freudenberg and Toray over multiple occasions with respect to the purpose of the Transaction, the management system and policies after the Transaction, and the terms and conditions of the Transaction. Among the terms and conditions of the Transaction, the Company held continuous negotiations between Freudenberg and Toray especially on the purchase price, and ultimately led to receiving a proposal of 1,200 yen per Common Share of the Company.

The Company has carefully discussed and considered the Transaction in the light of enhancing its corporate value, taking into consideration (i) the legal advice received from Mori Hamada & Matsumoto, and (ii) the descriptions and explanations of the stock valuation report on the Common Shares of the

Company obtained on August 6, 2015 from MUMSS (“**Company Stock Valuation Report**”), and (iii) among others, with utmost consideration given to the opinion of third party committee submitted on August 6, 2015, from the aforementioned (“**Written Opinion**”) (for details, please see “(iii) *Establishment of an Independent Third Party Committee of the Company*” of “(4) *Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Purchase Price and Measures to Avoid Conflict of Interests*”).

Consequently, the Company has reached to the conclusion that the Transaction would contribute to the further improvement of the Company’s corporate value.

The Company understands that there are constant competitions over price and technologies in the nonwoven fabrics industry, and the market conditions surrounding the Company is getting increasingly severe, as a result of the expansion of globalization of principal customers including finished vehicle manufacturers, the demands for cost reduction in recent years, or the rise of Asian enterprises including China. The Company further recognizes that, to win and survive in this severe market competition and to sustain itself in the market, it needs to tighten business cooperation with Freudenberg and Toray further than that it currently has under the current capital relationship.

In addition, with the manufacturers of raw materials for unwoven fabrics withdrawing from business in recent years, the Company is facing the increasing needs for maintaining a stable procurement system for raw materials.

After having received the Proposal from Freudenberg and Toray and having deliberated the Proposal, the Company decided changing the current capital relationships with both companies, each being one of the world’s leading manufacturers of the unwoven or general textile industries, and further considers that by wholly-owned by the two shareholders, the Company may be able to enjoy following effects, and the Transaction will therefore contribute to enhance its corporate value.

- (i) Acceleration of global expansion by strengthening collaborations with Freudenberg and Toray
In business areas where the Company independently conducts overseas business, the Company can expect sales growth utilizing infrastructure, sales networks and information networks of Freudenberg and Toray’s overseas bases.
- (ii) Support in the development of human resources from Freudenberg and Toray
With the support for human resources from Freudenberg and Toray, the Company will be able to enhance the capability for globalization, and to develop many manager level staffs capable to cope with the global business through accelerating the use of the human resources development program within the Freudenberg Group.
- (iii) Joint product development
By mutually utilizing supplemental research and development capabilities of Freudenberg and Toray, the Company will be able to pursue joint development of products and accelerate development of new raw materials through joint research and development.
- (iv) Maintenance of a stable system for procurement of raw materials
With the support from Toray, the Company will be able to maintain stable procurement system of raw materials and eliminate future concerns of the supply of raw materials.
- (v) Strengthening of domestic business base
Through alliance with Freudenberg and Toray, the Company could expand domestic sales channels by utilizing Toray’s sales network and customer base and well as introducing products from the portfolio from Freudenberg.

In addition, the Company has concluded that, through the Transaction, the Company will be able to make substantial management decisions such as significant capital expenditures or mergers and acquisitions in flexible and prompt manner in mid- to long-term perspective,, and the Transaction would lead to the reduction of the cost maintenance of listing of shares and downsizing back-office divisions.

By taking into consideration the above deliberations and negotiations, the Company reached to the conclusion that the Transaction is expected to lead to further enhancement of the corporate value of the Company, and decided to issue an opinion in favor of the Tender Offer.

In addition, the Company determined that the Tender Offer provides reasonable opportunity for the shareholders of the Company to sell their shares, and at the Board of Directors meeting at the Company held on August 7, 2015, the Company has expressed an opinion in favor of the Tender Offer, and resolved to recommend the shareholders of the Company to accept the Tender Offer, considering that (i) the Purchase Price exceeds the highest value of the price range valued under the market price method and the comparable company method, and is within the price range valued under the discounted cash flow method, such as calculated by MUMSS, as set out in “(ii) *Procurement of a Share Valuation Report from an Independent Third Party Valuator retained by the Company*” of “(4) *Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Purchase Price and Measures to Avoid Conflict of Interests*” below, (ii) the Purchase Price accounts for an approximately 36.83 % premium over the closing price of the Company’s shares at the First Section of the Tokyo Stock Exchange on August 6, 2015 (which is the business day immediately preceding the announcement of the Tender Offer) (JPY 877); an approximately 47.60 % premium over the simple arithmetic average of the closing prices for the latest month (July 7, 2015 to August 6, 2015) (JPY 813); an approximately 49.63 % premium over the simple arithmetic average of the closing prices for the latest three months (May 7, 2015 to August 6, 2015) (JPY 802); and an approximately 69.73 % premium over the simple arithmetic average of the closing prices for the latest six months (February 9, 2015 to August 6, 2015) (JPY 707), and appropriate premium is added compared to the same type of transactions in the past, (iii) measures have been taken to ensure the fairness of the Tender Offer stated in “(4) *Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Purchase Price and Measures to Avoid Conflict of Interests*” below and the interest of the shareholders minority shareholders has been taken into the account, and (iv) upon taking measures to secure the fairness of the Tender Offer, it is a price that was determined through series of consultations and negotiations between the Company and Freudenberg and Toray, which were equivalent to arms-length consultations and negotiations. As for the Share Options, the Company has resolved at its Board of Directors meeting to defer to the holders of the Share Option on whether to accept the Tender Offer, considering that the Company did not obtain any valuation of Share Options from a third party appraiser given that the Share Options has been issued as stock options for its directors, and that while their exercise period has already commenced, the conditions on the exercise of Share Options provide that the Share Options shall be exercised within 10 days from the day immediately after the day the holder of Share Options loses their positions as the director of the Company, and as a consequence thereof, the Acquirer will not be able to exercise the Share Options even if it acquires them through the Tender Offer.

At the above mentioned Board of Directors Meeting, the above matters were unanimously resolved by all directors out of 10 directors of the Company (except for Mr. Yasuhiro Esaki, Mr. Thomas Seidel and Mr. Shogo Masuda) who have participated in the deliberation and resolution. Please see “(v) *Consent of All Directors without Conflicts of Interest and Opinion of All Auditors of the Company Not to Dissent*” of “(4) *Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Purchase Price and Measures to Avoid Conflict of Interests*” below for details on the Company’s decision-making process.

(3) Management Policy after the Tender Offer

After completion of the Tender Offer and the consummation of the Transaction, Freudenberg and Toray

plan to implement below measures jointly with the Company so that 4 Key Challenges in the 3 Year Mid-Term Plan will be enhanced and the Company may enhance its corporate value in a prompt manner.

- (i) While the Company will continue to operate under the current corporate name, the Company will develop new business opportunities through collaborative marketing, joint product development, and joint investment with FPM and FFT under the global and uniform strategies of FPM/FFT's nonwoven and filtration business.
- (ii) In the fast growing markets such as medical, battery separators, filtration products and the nonwoven for the automotive industries, Freudenberg and the Company will endeavor to enhance the market share, through joint approach to new customers, intensifying technology transfer and increasing focus on new applications.
- (iii) Toray will support the Company through the supply and development of fibers. In addition, as a domestic strategic partner for the Company, Toray will provide advice on their HR, HSE, IT and operations, as necessary.

Once the Tender Offer is successfully completed, Freudenberg and Toray contemplates, appoint necessary number of directors for the Company, with the directors appointed by Freudenberg occupy a majority of the director seats of the Company after the Merger, as described in *"(5) Policy for Organizational Restructuring, etc. after the Tender Offer (Matters concerning "Two-Step Acquisition"* below. The numbers and the names of the director candidates to be appointed are yet to be determined as of the date hereof. The number of directors of the Company as of the date hereof is ten (10).

(4) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Purchase Price and Measures to Avoid Conflict of Interests

As of the date hereof, Freudenberg and Toray hold a majority of the voting rights of the common shares in the aggregate (26,889 voting rights; 51.22% of the voting rights as of March 31, 2015 (52,492)). Of the directors of the Company, Mr. Shogo Masuda concurrently serves as a director of Toray while Mr. Thomas Seidel concurrently serves as the Japan representative of Freudenberg Group and the representative director of the Acquirer, thus some of the directors of the Company have certain conflicts of interest with Toray or Freudenberg or Acquirer.

The Acquirer and the Company have therefore implemented the following measures in order to ensure the fairness of the Purchase Price of the Common Shares and the Share Options of the Company and to avoid any possible conflicts of interest.

- (i) Procurement of a Share Valuation Report from an Independent Third Party Valuator
In order to ensure the fairness of the Purchase Price, when determining the Purchase Price, the Acquirer requested SMBC Nikko Securities Inc. ("**SMBC Nikko Securities**"), the financial advisor also acting as a third-party appraisal institution independent from Freudenberg, Toray, the Acquirer and the Company, to value the Company's Common Shares. For the avoidance of doubt, SMBC Nikko Securities is not a relevant party of any of Freudenberg, Toray, the Acquirer or the Company and does not have any material interest in the Tender Offer.
For more details, please refer to "*i. Basis of calculation*" and "*ii. Process of calculation*" of "*2. Summary of the Tender Offer*" "*(4) Basis of calculation of the Tender Offer Price.*"
- (ii) Procurement of a Share Valuation Report from an Independent Third Party Valuator retained by the Company
 - a. Common Shares
According to the Company's Press Release, upon determining its opinion on the Tender Offer,

in order to ensure the fairness of the Purchase Price, the Company requested MUMSS to analyze the value of the Company's shares as a third party evaluation institution independent from the Company, Freudenberg, Toray, and the Acquirer. MUMSS is not a related party of Freudenberg, Toray, the Company or the Acquirer, and has no material interest that should be mentioned in relation to the Tender Offer.

MUMSS has considered the methods to be used in valuing the value of shares of the Company among multiple share valuation methods, and based on the premise that the Company is a going concern and pursuant to the idea that it is appropriate to evaluate the value of the shares of the Company from multiple perspectives, analyzed the value of the Company's shares by using each of the market price method, the comparable company method, and the DCF Method, and the Company has obtained the Company Stock Valuation Report from MUMSS. The Company has not obtained from MUMSS an opinion as to the fairness of the Purchase Price (a fairness opinion).

The ranges of per share value of the Common Shares of the Company analyzed using the above methods are as follows:

Market Price Method	JPY705 to JPY810
Comparable Company Method	JPY813 to JPY1,161
DCF Method	JPY1,124 to JPY1,376

Under the market price method, the range of per share value of the Common Shares of the Company was analyzed to be JPY705 to JPY810, based on the simple arithmetic average of the regular trade closing stock prices of the Common Shares of the Company at the First Section of the Tokyo Stock Exchange for the latest-month (JPY 810), , latest three months (JPY 801) and latest six months (JPY 705) with the reference date as of August 5, 2015.

Under the comparable company method, MUMSS has selected Hogen Medical Co., Ltd., Seiren Co., Ltd., Fujibo Holdings Inc., Maeda Kosen Co., Ltd., Suminoe Textile Co., Ltd., Kyowa Leather Cloth Co., Ltd., Nippon Felt Co., Ltd., among the nonwoven fabric manufacturers listed on domestic stock exchange as listed companies engaged in businesses similar to those of the Company (the “**Comparable Companies**”) comparable companies considering the , and have used PER for the valuation, and has analyzed the range of per share value of the Common Shares of the Company was analyzed to be JPY813 to JPY1,161.

Under the DCF Method, the range of per share value of the Common Shares of the Company was analyzed to be JPY1,124 to JPY1,376, through the analysis of the corporate value and share value of the Company by discounting a free cash flow amount expected to be generated in the future by the Company at a fixed discount rate, based on the Company's profit forecasts in or after the fiscal year ending in March 2016 which takes into account various factors, including the Company's business plans for the years ending March 2016 to March 2019, recent performance, and information available to the public. The discount rates applied in the analysis are 4.25% to 6.25%. Upon calculating the going concern value, the comparable multiple valuation method was applied and after taking into consideration the return on investment accounted for by equity method, EV/EBITDA multiple of 5.5 to 6.5 was used for the analysis.

The projected financials based on the business plans of the Company as the assumption of the DCF Method are as set out below. These projected financials are prepared on the assumption that the Transaction is executed, and taking into account the expected reduction of listing costs as a consequence thereof. Other effects of contemplated measures have not been taken into account in the projection of financials, as specific effects on the revenue are difficult to evaluate at this stage. In addition, the business plan forecasts substantial increase in profit in the

year ending March 2017, compared to the year ending March 2016. This is mainly the result of the growth of medical materials segment and the apparel/daily life materials segment in the industrial materials business, as well as the growth of automobile materials business primarily in North America.

Years ending	March 2016	March 2017	March 2018	March 2019
Amount of Sales	61,700	64,032	66,666	69,883
Operating Income	3,250	4,260	4,900	5,516
EBITDA	6,329	7,467	8,207	8,906
Free Cash Flow	2,668	3,456	3,870	4,410

(Note) The analysis by MUMSS and the underlying analysis of the value of Common Shares of the Company are addressed only to the Board of Directors of the Company solely for the purpose of their reference. The analysis does not constitute an opinion or recommendation on financial matters by MUMSS or its affiliates, and does not express an opinion or make recommendation to any action by any of the addresses of the Tender Offer or the shareholders of Acquirer. MUMSS has relied on information already made public or obtained through the Company and has assumed that such documents and information were all accurate and complete and it did not independently verify the accuracy and completeness of such documents and information. In addition, MUMSS presumed that the information relating to financial forecasts of the Company was reasonably prepared reflecting the currently best available forecast and decisions by the Company's management based on the financial forecasts including the strategic, financial and operational benefits. MUMSS did not conduct independent valuation or appraisal of the assets and debts of the Company and its affiliates, and did not receive any valuation or appraisals. The analysis of MUMSS is based on the financial, economic, currency rates, market and other conditions as of the date of the Company Stock Valuation Report, and other information available to the MUMSS as of the same date. While any events subsequent to such date may affect the analysis or the assumptions used in the preparation of the Company Stock Valuation Report, MUMSS does not owe any obligation to update, amend or reconfirm such report of the analysis therein. The Company Stock Valuation Report and the underlying analysis has been prepared through complicated process, and are not suited for partial analysis or summarized descriptions. Any range of value under specific analysis may not be perceived as the valuation of the actual value of the Company by MUMSS.

MUMSS provides services to the Company as its financial advisor with respect to this matter, and will receive fee in consideration of such services. Considerable part of such fee is payable subject to the completion of the Tender Offer.

b. Share Options

According to the Company's Press Release, while the Share Options are included as the scope of the Tender Offer, the Company has not obtained any valuation on Share Options from a third party appraiser, given that the Share Options have been issued as stock options for its directors, and that while their exercise period has already commenced, the conditions on the exercise of Share Options provide that the Share Options shall be exercised within 10 days from the day immediately after the day the holder of Share Options loses their positions as the director of the Company, and as a consequence thereof, the Acquirer will not be able to exercise the Share

Options even if it acquires them through the Tender Offer.

(iii) Establishment of an Independent Third Party Committee of the Company

According to the Company's Press Release, the Company with the intention for prudent deliberation and for the purpose of maintaining fairness, transparency, and objectivity within its decision-making process regarding the Transaction by its Board of Directors, established the Third Party Committee on May 28, 2015 consisting of a third party independent from the Company, the Acquirer, Freudenberg, and Toray (as the members of the Third Party Committee, 3 persons i.e. Mr. Tetsutarou Wakatsuki, attorney-at-law (Murata & Wakatsuki Law Office), Mr. Toru Nakamura, certified public accountant and certified tax accountant (Corporate Advisers Accounting Inc.), and Mr. Kennichi Saito, certified tax accountant (Sank & Associates Tax Corporation) have been appointed.)

The Company, upon considering the content of the opinion to be announced, commissioned to the Third Party Committee to evaluate and consider (a) whether the Company should express its opinion in favor of the Tender Offer and if so, whether it should recommend the shareholders and the holders of the share options to tender their shares or share options to the Tender Offer; and (b) whether the Transaction is not detrimental to the minority shareholders of the Company other than Freudenberg, Toray and the Acquirer (the "**Consultative Matters**") and deliver its opinion to the Company's Board of Directors.

The Third Party Committee has been held 6 times in total from June 15, 2015 through August 4, 2015 and the Consultative Matters have been discussed and considered prudently. More specifically, the Third Party Committee received explanations from the Board of Directors of the Company on the outline of the Proposal of the Transaction as well as the purpose of the Transaction, the business plan of the Company, the management policy subsequent to the Transaction, and the terms and conditions of the Transaction, in the course of its consideration on the Consultative Matters. Also, on other occasions, the Third Party Committee has received reports from the Directors of the Company regarding the content of the discussion and negotiation held with the Acquirer as well as supplementary explanation as to the status of Company's business, the business plan it had prepared along with the actual results, the status of the consideration within the Company and the business forecast of the Company etc. Further, the Third Party Committee interviewed Freudenberg and Toray to clarify the rationales of the Transaction, the management etc. of the Company subsequent to the Transaction, the synergy of the Transaction, the purchase price of the tender offer, etc.

Consequently, the Third Party Committee discussed and considered prudently fully taking into account the content of the explanation it received and the Q&A session with each party, and on August 6, 2015, under certain premises such as the given facts of the explanation and the written content of the materials submitted to the Third Party Committee are true, submitted by an unanimous decision among the members to the Board of Directors of the Company which sets out that the members have unanimously resolved each of the following: (a) it is reasonable for the Board of Directors of the Company to (i) express an opinion in favor of the Tender Offer, and (ii) to express an opinion recommending the shareholders of the Company to accept the Tender Offer; and (b) it is not detrimental to minority shareholders of the Company other than Freudenberg, Toray and the Acquirer to decide proceeding with the transaction under which Freudenberg and Toray acquired directly or indirectly all of the issued common shares of the Company and Share Options, through the series of transactions including the Tender Offer followed by the two step acquisition. In addition, according to the Written Opinion, while the Company has also consulted with the Third Party Committee as to the Share Options, since it was uncertain at the time the Company how Freudenberg and Toray would like to treat the Share Options and how

they will be valued, matters with respect to Share Options are not within the scope of the opinion since as of the date of the opinion, it is expected that the purchase price for the Share Options will be JPY 1 per share given that the Share Options has been issued as stock options for its directors, and that the conditions on the exercise of Share Options provide that the Share Options shall be exercised within 10 days from the day immediately after the day the holder of Share Options loses their positions as the director of the Company, and as a consequence thereof, the Acquirer will not be able to exercise the Share Options even if it acquires them through the Tender Offer, and that neither the Acquirer nor the Company has obtained valuation report from a third party appraiser for the Share Options.

According to the Written Opinion, primary reasons for the above opinion by the Third Party Committee are as set out below:

- (a) The execution of the Transaction may be considered to improve the corporate value of the Company, in the light of those facts including that (i) limiting the shareholders of the Company to Freudenberg and Toray after the completion of the Transaction will enable the Company to make prompt and flexible business decisions, and will enable stable management of business through enhanced support by Freudenberg and Toray; (ii) once the Company becomes a member of Freudenberg group subsequent to the completion of the Transaction, it can be expected that the Company will become easier to expand its business in its strong business area, and the Company may expand its business globally by expanding its area of operation outside North America and Asia; (iii) it can be expected that once the Company becomes a member of Freudenberg group subsequent to the completion of the Transaction, it will be able to train its next generation leaders through have its mid to senior level executive employees join the training system of Freudenberg; (iv) as Freudenberg and Toray engage in wide range of research and developments, it can be expected that the Company will enjoy huge benefit through deepening the relationship with Freudenberg and Toray whereby makes the Company possible to mutually exchange information; (v) it can be expected that enhancing capital ties with Toray, the leading fiber material manufacturer in the domestic market will enable the Company to achieve stable procurements of raw materials; and (iv) it can be expected that the delisting through the Transaction will reduce the listing cost and efficient use of human resources assigned to the back office;
- (b) The Purchase Price may be considered to have maintained fairness reflecting improvement of corporate value of the Company through the Transaction, in the light of those facts including that the Purchase Price (i) the Purchase Price corresponds to 36.83 % premium (rounded to the nearest one hundredth, the same shall apply hereinafter in this (b)) over the closing price (JPY 877) of the Company's shares at the First Section of the Tokyo Stock Exchange on August 6, 2015 (which is the business day immediately preceding the announcement of the Tender Offer); 47.60 % premium over the simple arithmetic average of the closing prices (JPY 813 for the latest month; 49.63% premium over the simple arithmetic average of the closing prices (JPY 802) for the latest three months; and 69.73% premium over the simple arithmetic average of the closing prices (JPY 707) for the latest six months; (ii) exceeds the highest value of the price range valued under the market price method and the comparable company method by the third party appraiser (MUMSS), and is close to the intermediate value of the price range valued under the DCF Method; and (iii) has been determined by the Company through consideration and negotiation under fair procedures independently from Freudenberg, Toray and the Acquirer;
- (c) The Transaction may be considered to have maintained fair terms in the light of those

facts including the Acquirer has: (i) ensured opportunity for other acquirers to purchase, which ensures the adequacy of purchase price from that aspect; (ii) set the minimum number of shares to be purchased, which will not allow the Acquirer to purchase unless the majority of the voting rights of general shareholders (excluding the treasury shares held by the Company, shares held by Freudenberg, Toray and Mr. Thomas Seidel, serving concurrently as the Japan Representative of Freudenberg Group), which ensures the fairness of the terms of Transaction; (iii) has announced in the Tender Offer Registration Statement the terms of squeeze out, and that shareholders against the squeeze out may file a motion with the court to have the purchase price determined, through which the Acquirer gives consideration the Transaction will not have coercive effects;

- (d) The Transaction may be considered to have maintained fair procedures in the light of those facts including that Company has: (i) established a third party committee in the early stage of the negotiations for the Transaction to ensure fairness of the Transaction; (ii) retained MUMSS as its independent third party appraiser and considered the Transaction based on MUMSS's valuation on the Common Shares of the Company; (iii) retained Mori Hamada & Matsumoto as its legal advisor and received their advice on negotiations and other issues when proceeding with the Transaction; (iv) excluded those officers and employees concurrently serving as officers or employees of both of Freudenberg or Toray and the Company; and
- (e) The decisions to consummate the Transaction will not be detrimental to the minority shareholder other than Freudenberg, Toray and the Acquirer in the light of the fact that (i) the business of the Company is not guaranteed to remain unchanged or to improve in the future if the Company chooses not to consummate the Transaction, and even if the Company should desire to consummate a transaction similar to the Transaction in the future, the offer price may become lower or the Acquirer may have changed the target from the Company to other company; (ii) a hypothetical situation where minority shareholders will be entitled to stay in the Company without being squeezed-out may cause such minority shareholders worse off, because, in such situation, the minority shareholders who refuses to tender their shares may only be eligible to receive dividends, and if the Acquirer makes capital investments after the completion of the Tender Offer, a mid- to long- term period is likely to be required until the outcome of such investments will be reflected to the business results, and in a short-time period, the financial conditions of the Company may even become worse as a result of such investments; (iii) the series of transactions including the second-step squeeze-out subsequent to the Tender Offer ensures those minority shareholders who remains as the shareholders of the Company the right to recoup their investments for the considerations with premium; and (iv) although the shares held by the minority shareholders will become fractional shares less than 1 share as a result of the Reverse Stock Split, each shareholder will have the right to put all their shares against the Company in a fair price (Article 182-4 of the Companies Act), and if a shareholder exercises such right, such shareholder may file the case with the court, demonstrate various valuation methods that such shareholder thinks appropriate and seek the court decision to appraise the appropriate value of the shares (Article 182-4 of the Companies Act).

(iv) Advice from an Independent Law Firm retained by the Company

According to the Company's Press Release, the Company has retained Mori Hamada & Matsumoto, a legal advisor independent from the Company, Freudenberg, Toray and the Acquirer,

to provide legal advice on the decision-making process, the decision-making method and any other issues to be taken heed of, with regard to the Transaction, including the Tender Offer in order to ensure fairness and properness in the decision making-process etc. regarding the Transaction including the Tender Offer.

- (v) Consent of All Directors without Conflicts of Interest and Opinion of All Auditors of the Company Not to Dissent

According to the Company's Press Release, and as stated in "(2) Background and Purposes of the Tender Offer and, Decision-making Process Leading to the Consummation of the Tender Offer" above, the Company came to a conclusion that further improvement of corporate value can be expected through the Transaction, based on the consideration and negotiations, and has determined to express its opinion in favor of the Tender Offer, and that the Tender Offer offers the shareholders of the Company a reasonable opportunity to sell their shares, and has resolved at its Board of Directors meeting at the Company held on August 7, 2015 to recommend the shareholders of the Company to accept the Tender Offer. As for the Share Options, the Company has resolved at its Board of Directors meeting to defer to the holders of the Share Option on whether to accept the Tender Offer, considering that the Company did not obtain any valuation reports of Share Options from a third party appraiser given that the Share Options have been issued as stock options for its directors, and that while their exercise period has already commenced, the conditions on the exercise of Share Options provide that the Share Options shall be exercised within 10 days from the day immediately after the day the holder of Share Options loses their positions as the director of the Company, and as a consequence thereof, the Acquirer will not be able to exercise the Share Options even if it acquires them through the Tender Offer..

At the above mentioned Board of Directors Meeting, the above matters were unanimously resolved by all directors out of 10 directors of the Company (except for Mr. Yasuhiro Esaki, Mr. Thomas Seidel and Mr. Shogo Masuda) who have participated in the deliberation and resolution.

Of the Directors of the Company, Mr. Thomas Seidel and Mr. Shogo Masuda are directors dispatched from either of Freudenberg or Toray and Mr. Yasuhiro Esaki had been a director at a subsidiary of Toray until the end of December 2011. Therefore, to ensure fairness, transparency and objectivity and to eliminate any possible conflict of interest in the decision-making process of the Board of Directors Meeting of the Company regarding the Transaction including the Tender Offer, these Directors have not participated in any of the deliberations or the resolutions at the Board of Directors Meetings of the Company held in connection with the Transaction, including the Tender Offer. It is further noted that they have not participated in any of the discussions or negotiations with the Acquirer in their capacity as Directors of the Company.

Furthermore, of the 3 Statutory Auditors of the Company, Mr. Noriyuki Aoki participated in the Board of Directors Meeting above and stated the opinion of no objections. As, of the Statutory Auditors of the Company, Mr. Minoru Tamatsukuri had been employed by Toray in the past and Mr. Heinrich Menkhaus executes a consultancy agreement with Freudenberg, both Statutory Auditors have not participated in any of the deliberations regarding the Transaction at the Board of Directors Meetings above, to ensure fairness, transparency and objectivity and to eliminate any possible conflict of interest in the decision-making process regarding the Transaction.

- (vi) Measures to Ensure Opportunities for Other Acquirers to Purchase

While the minimum tender offer period under the laws and regulations is 20 business days, the Acquirer has set the Tender Offer Period to be 31 business days. By setting a relatively longer tender offer period, the shareholders of the Company will have an opportunity to appropriately determine whether to tender his shares to the Tender Offer. Further this relatively longer tender

offer period may provide an opportunity for a third party other than the Acquirer to purchase or otherwise acquire the shares of the Company. As such, by setting the tender offer period relatively longer the fairness of the Purchase Price is being ensured.

In addition, the Acquirer and the Company have never concluded any agreement which may restrict communications with potential competing acquirer (including deal protection agreement or any other agreement which could bar contact with a potential competing acquirer by the Company). In addition to the establishment of relatively long Tender Offer Period, the Acquirer intends to ensure fieriness of the Tender offer by securing the opportunity for competitive bid.

(vii) Setting a Minimum Number of Shares to be Purchased

The Acquirer has set a minimum number of shares to be purchased. If the total number of the Tendered Shares falls below 16,324,174 shares, all of the Tendered Shares will not be purchased. On the other hand, the Acquirer has not set an upper limit on the number of shares to be purchased, all of the Tendered Shares will be purchased if the number of the Tendered shares is equal to or exceed the minimum number.

The minimum number of shares to be purchased is calculated taking into consideration of the number of shares that accounts for the majority of the 25,926,347 shares (i.e., 12,963,174 shares; this is the number of the Commons Shares of the Company that corresponds to the majority of the number of the Common Shares of the Company held by the non-interested party of the Acquirer; so-called the “majority of the minority.”). This 25,926,347 shares are calculated by following formula: (i) 52,840,945 shares, which is the total number of issued common shares as of June 30, 2015 as shown in the Company’s Financial Results for the first quarter of the year ending March 2016 announced on August 7, 2015; minus (ii) the treasury shares held by the Company as of June 30, 2015, as shown in the “Financial Results for the First Quarter Ending March 2016” announced by the Company on August 7, 2015 (24,103 shares); (iii) the number of Common Shares of the Company held by Toray (9,242,083 shares); (iv) the number of Common Shares of the Company held by Freudenberg (17,647,412 shares); and (v) the number of Common Shares of the Company held by Mr. Thomas Seidel, the Representative Director of the Company and concurrently serving as the Japan representative of the Freudenberg Group (1,000 shares).

Upon setting the minimum number of shares to be purchased (16,324,174 shares), the Acquirer has added to the 12,963,174 shares, (a) the number of shares to be tendered by Toray (3,360,000 shares) and (b) the number of Common Shares of the Company held by Mr. Thomas Seidel (1,000 shares). Unless the majority of shareholders other than the Acquirer’s interested parties tender their shares, the Acquirer will not consummate the Transaction including the Tender Offer, whereby the intention of the minority shareholders of the Company is highly respected.

(5) Policies on the Organizational Restructuring, etc. after the Tender Offer (Matters Concerning “*Two-Step Acquisition*”)

As set out in “(1) *Outline of the Tender Offer*” above, if the Tender Offer successfully completes but the Acquirer fails to acquire all of the issued and outstanding Common Shares of the Company (excluding the treasury shares held by the Company and the Common Shares not Subject to Acceptance under the Tender Offer) through the Tender Offer, the Acquirer intends to undertake following procedures so that the Acquirer, Freudenberg and Toray will be the only shareholders of the Company.

Specifically, the Acquirer is expected to request the Company to convene an extraordinary shareholders’ meeting (the “**Extraordinary Shareholders’ Meeting**”), which includes proposals to consolidate the Common Shares of the Company (the “**Reverse Stock Split**”) and to amend a part of the Articles of Incorporation to abolish the provision on share units subject to the Reverse Stock Split

coming into effect. Furthermore, the Acquirer, as well as Freudenberg and Toray, are expected to agree to each of the aforementioned proposals in the Extraordinary Shareholders' Meeting. If the proposal for the Reverse Stock Split is approved in the Extraordinary Shareholders' Meeting, as of the date the Reverse Stock Split comes into effect, the shareholders of the Company will come to hold a number of the Common Shares of the Company which corresponds to the proportion of the Reverse Stock Split for which approval was obtained at the Extraordinary Shareholders' Meeting. When there is a fraction of less than one share in the number of shares due to the Reverse Stock Split, cash that will be attained by selling the Common Shares of the Company equivalent to the total number of such fraction (If there is a fraction less than one share in the total number, such fraction will be rounded off.) to the Company or the Acquirer will be delivered, pursuant to the procedures set forth in Article 235 of the Companies Act (Act No. 86 of July 26, 2005, as amended) and other relevant laws and regulations. With respect to the considerations of the Common Shares of the Company equivalent to the total number of such fraction, after the amount of cash delivered to each shareholder of the Company (excluding the Acquirer, Freudenberg and Toray) that were not accepted in the Tender Offer as a result of such sale is calculated so that it will be the same as the price of the Purchase Price multiplied by the number of the Common Shares of the Company held by each such shareholder, a notification of voluntary permission of sale will be made to the court. In addition, although the proportion of the consolidation of the Common Shares of the Company is undecided as of the date hereof, it is expected to be decided so that the number of the Common Shares held by the shareholders of the Company (excluding the Acquirer, Freudenberg, Toray and the Company) who did not accept the Tender Offer will be a fraction less than one share, so that only the Acquirer, Freudenberg and Toray will hold all of the Common Shares of the Company.

If the Reverse Stock Split is made, when there is a fraction less than one share due to the Reverse Stock Split being made, it is set forth in the Companies Act that the shareholders of the Company may exercise appraisal rights against the Company for all of the shares they hold that will be fractions less than one share at the fair market price and may file a petition for a determination of the price of the Common Shares of the Company, pursuant to the provisions of Article 182-4 and Article 182-5 of the Companies Act and other relevant laws and regulations.

There is a possibility that changes to the execution method and time period will occur with respect to the above procedures, depending on the status of revision, enactment, interpretation of the authorities, etc. with respect to the relevant laws and regulations, the proportion of shares held of the Acquirer after the Tender Offer and the ownership status of the Common Shares of the Company, etc. However, even in such instance, a method of delivering cash to each shareholder of the Company (excluding the Acquirer, Freudenberg and Toray) who did not accept the Tender Offer is ultimately expected to be adopted, and the amount of money to be delivered to each such shareholder in that instance is expected to be calculated so that it will be the same as the price of the Purchase Price multiplied by the number of the Common Shares of the Company held by each such shareholder. Moreover, even if a petition for a determination of the price concerning the exercise of appraisal rights with respect to the Reverse Stock Split, the price concerning the exercise of appraisal rights for the Common Shares of the Company will ultimately be determined by the court.

If the Acquirer is unable to acquire all of the Share Options through the Tender Offer, the Acquirer is expected to request to the Company, or execute, the acquisition and cancellation of the Share Options and execution of other reasonable procedures.

In addition, after the Acquirer, Freudenberg and Toray become the only shareholders of the Company, the Merger where the Company will be the surviving company and the Acquirer will be the dissolving company is expected to be executed promptly, and as a result of the Merger, the proportion of directly-held voting rights to the Company is expected to be 75% for Freudenberg and 25% for Toray.

Furthermore, the Tender Offer is not intended to solicit the approval of the shareholders of the

Company at the Extraordinary Shareholders' Please consult your own tax advisors at your own responsibility with respect to the tax treatment for the acceptance of the Tender Offer and any other procedures set out above.

(6) Possibility of Delisting and Reason therefor

Although the Common Shares of the Company are listed on the First Section of the Tokyo Stock Exchange, as of the date hereof, since an upper limit on the number of shares to be purchased in the Tender Offer has not been set, depending on the result of the Tender Offer, the Common Shares of the Company may be delisted through prescribed procedures, pursuant to the delisting standards of the Tokyo Stock Exchange. In addition, even if it does not fall under such delisting standard at the conclusion of the Tender Offer, if the Tender Offer is successfully completed, and thereafter the shareholders of the Company are expected to be only the Acquirer, Freudenberg and Toray, as indicated in “(5) Policies on the Organizational Restructuring, etc. after the Tender Offer (Matters Concerning “Two-Step Acquisition”)” above, in such instance, the Common Shares of the Company will be delisted through prescribed procedures, pursuant to the delisting standards of the Tokyo Stock Exchange. After the delisting, the Common Shares of the Company cannot be traded on the First Section of the Tokyo Stock Exchange.

(7) Matters concerning Material Agreements between the Acquirer and the Shareholders of the Company regarding the Application to the Tender Offer

As set out in “(1) Outline of the Tender Offer” above, Freudenberg and Toray has entered into the MOU and have agreed that (i) Freudenberg shall not tender any of the 17,647,412 shares of the Common Shares of the Company it owns to the Tender Offer; and (ii) Toray shall not tender 5,882,471 shares out of the 9,242,083 shares of the Common Shares of the Company it owns to the Tender Offer, and shall tender the remaining 3,359,612 shares to the Tender Offer.

2 Summary of Tender Offer

(1) Summary of the Company

i	Name	Japan Vilene Company, Ltd.
ii	Location	5-6-4 Tsujiki, Chuo-ku, Tokyo
iii	Name and Title of Representative	President Toshio Yoshida
iv	Contents of Business	Manufacturing, Processing and Sales of Nonwovens, and Automobile Related Products
v	Capital	JPY10,680 million
vi	Date of Establishment	June 1, 1960 (Note)
vii	Major Shareholder and Shareholding Ratio (as of March 31, 2015)	Freudenberg SE (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division) 33.40%

	Toray Industries, Inc. 17.49% Japan Vilene Customers' Shareholding Association 2.95% Nissei Real Estate Co., Ltd. 1.89% Japan Trustee Services Bank, Ltd.(Trust Account) 1.64% Japan Vilene Employees' Shareholding Association 1.49% State Street Bank and Trust Company 505223 1.47% (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division) CBNY-GOVERNMENT OF NORWAY 1.23% (Standing Proxy: Citibank Japan Ltd.) The Dai-ichi Life Insurance Company, Limited 1.12% (Standing Proxy: Trust & Custody Services Bank Ltd.) The Master Trust Bank of Japan, Ltd. (Trust Account) 1.03%
viii Relationship between the Acquirer and the Company	
Capital Relationship	There is no capital relationship between the Acquirer and the Company. Freudenberg, a parent of the Acquirer, owns 17,647,412 common shares (33.40%) in the Company, and Toray, which is planned to become a major shareholder of the Acquirer, owns 9,242,083 common shares in the Company (17.49%).
Personal Relationship	Mr. Thomas Seidel, serving as the representative director of the Acquirer and the Japan Representative of Freudenberg Group, concurrently serves as the director of the Company. Mr. Shogo Masuda, serving as the director of Toray, concurrently serves as the director of the Company.
Business Relationship	There is no business relationship between the Acquirer and the Company which needs to be set out herein. While Freudenberg, a parent of the Acquirer, is a holding company and therefore has no business relationship with the Company, its group companies such as Freudenberg Vliesstoffe SE & Co. KG have business relationships with the Company with regard to the sale and purchase of products and raw materials. Further, Toray, which is to become a major shareholder of the Acquirer, has a business relationship with the Company with regard to the procurement of raw materials and products, and sale etc., of goods and products.

Status as Related Party	Not applicable. Freudenberg, a parent of the Acquirer, is a other related company to the Company, and its voting rights ownership ratio in the Company is 33.62%. Toray, which is to become a major shareholder of the Acquirer, is a other related company to the Company, and its voting rights ownership ratio in the Company is 17.61%.
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(Note) The date of the start of the business is June 1, 1960; however, the date of establishment of the Company as a legal entity is April 4, 1946.

(2) Schedule Etc.

(i) Schedule

Director Decision (Acquirer)	Friday, August 7, 2015
Date of Tender Offer Public Notice	Monday, August 10, 2015 Public notice will be made electronically and a notification of such public notice will be published in the Nihon Keizai Shimbun. (URL of the public notice: http://disclosure.edinet-fsa.go.jp/)
Filing Date of Tender Offer Registration Statement	Monday, August 10, 2015

(ii) Initial Tender Offer Period

From August 10, 2015 (Monday) to September 24, 2015 (Thursday) (31 Business Days)

(iii) P Possibility of Extension upon Request of the Company

Not applicable.

(3) Tender Offer Price

Common Shares JPY1,200 per share

Share Options

- (i) Share options issued pursuant to the resolutions of the 59th Annual General Meeting of Shareholders held on June 29, 2005 and the Board of Directors Meeting held on July 28, 2005 (the “**2005 Share Options**”) JPY 1 per share option
- (ii) Share options issued pursuant to the resolutions of the 60th Annual General Meeting of Shareholders held on June 29, 2006 and the Board of Directors Meeting held on August 30, 2006 (the “**2006 Share Options**”, and the 2005 Share Options and 2006 Share Options shall collectively be referred to as the “**Share Options**”) 1 per share option

(4) Basis of Calculation of the Tender Offer Price

(i) Basis of Calculation

a. Common Shares

In order to ensure the fairness of the Purchase Price, when determining, the Purchase Price the Acquirer asked SMBC Nikko Securities, the financial advisor acting as a third-party appraisal institution independent of Freudenberg, Toray, the Acquirer and the Company, to assess the

value of the Company's Common Shares. For the avoidance of doubt, SMBC Nikko Securities is not a relevant party of Freudenberg, Toray, the Acquirer or the Company and does not have any material interest in the Tender Offer.

SMBC Nikko Securities reviewed multiple calculation methods in order to determine the methods to be employed to assess the value of the Company's Common Shares. Considering that multimodal assessment will be appropriate for valuation of the Common Shares of the Company which is an ongoing business, SMBC Nikko Securities assessed the value of the Company's Common Shares using the market price method, the comparable company analysis, and the Discount Cash Flow method ("**DCF Method**"). The Acquirer obtained from SMBC Nikko Securities the share valuation report ("**Share Valuation Report**") as of August 6, 2015. Note that the Acquirer has not obtained any fairness opinion on the Purchase Price from SMBC Nikko Securities.

The per-share value of the Company's Common Share calculated based on each of the foregoing methods is as follows:

Market Price Method: JPY802 to JPY813

Comparable Listed Company Analysis: JPY963 to JPY1,181

DCF Method: JPY967 to JPY1,232

Under the market price method, using August 6, 2015 as the record date, the per-share value of the Company's Common Share has been assessed as between JPY802 to JPY813 based on (i) JPY813, i.e., the average of the closing prices of the first section of the Tokyo Stock Exchange in the past one month up to the record date; and (ii) JPY802 i.e., the average of the closing prices of the First Section of the Tokyo Stock Exchange in the past three months up to the record date.

Under the comparable company analysis, the per-share value of the Company's Common Share has been assessed as between JPY963 to JPY1,181, based on the valuation of the shares by first selecting Comparable Companies, and second by analyzing share values of the Company through application of a certain financial rate derived from financial values of shares of such Comparable Companies to the financial values of the Company's shares.

Under the DCF method, the per-share value of the Company's Common Share has been assessed as between JPY967 to JPY1,232, through analysis of the Company's corporate value and stock value, by discounting, at a certain discount rate, the future cash flow expected to be generated by the Company, based on the Company's forecasted earnings in the fiscal years ending on March 31, 2016 and thereafter, to their present value, taking into account various factors such as profits and investment plans in the Company's business plans and other information of the Company disclosed to the general public.

The Acquirer determined on August 7, 2015, based on the consultation and negotiation with the Company, the per-share price of the Purchase Price to be JPY1,200, comprehensively taking into account (A) the calculation results specified in the Share Valuation Report obtained from SMBC Nikko Securities, (B) the results of due diligence regarding the Company, (C) the ranges of premiums attached in the past tender offer cases similar to the Tender Offer, (D) whether the Board of Directors of the Company support the Tender Offer, (E) the market price trend of the Company's Common Shares in the past 12 months, and (F) the number of Shares expected to be tendered in the Tender Offer.

The Purchase Price of JPY 1,200 per-share represents a premium of (i) 36.83% over the closing price of the Company's Common Shares of JPY 877 in ordinary trading on the first section of the Tokyo Stock Exchange on August 6, 2015, which is the day immediately preceding the day on which the Acquirer announced the commencement of the Tender Offer, (ii) 47.60% over the simple average closing price of JPY 813 in ordinary trading in the previous one-month period (from July 7, 2015 to August 6, 2015), (iii) 49.63% over the simple average closing price of JPY 802 in ordinary trading in the previous three-month period (from May 7, 2015 to August 6, 2015), and (iv) 69.73% over the simple average closing price of JPY 707 in ordinary trading in the previous six-month period (from February 7, 2015 to August 6, 2015).

b. Share Options

All of the Share Options has been issued to the directors of the Company. While the period of exercise for the Share Options has commenced, the exercise is restricted such that the holder may exercise his/her Share Options only up until ten (10) days have passed from the day after losing his/her status as a director of the Company. In addition, acquisition of the Share Options by transfer requires approval by resolution of the Board of Directors of the Company. Under these circumstances, the Acquirer will not be able to exercise the Share Options acquired through the Tender Offer. Accordingly, the Acquirer determined that the purchase price per Share Option to be JPY 1. Note that the Acquirer has not obtained any valuation report from a third-party appraisal institution independent of the Acquirer and the Company in determining the purchase price of the Share Options.

(ii) Process of Calculation

(Process to Determine the Purchase Price)

Under the current situation of the Company, in late November 2014, Freudenberg, the largest shareholder of the Company, commenced discussions with Toray on possible measures that would fundamentally solve business issues surrounding the Company. Freudenberg and Toray concluded that: (i) in order for the Company to accelerate profitable growth and enhance corporate value on a mid- to long-term basis, it is important to achieve a much closer coordination and aligned strategy between Freudenberg and the Company which will be beneficial in order to efficiently and fully utilize each party's capabilities together with the support of Toray as a strategic partner of the Company, (ii) a change in the ownership structure will also contribute to much less complexity in decision making process which enables much speedier decision makings and (iii) it is preferable that minority shareholders will not bear those risks such as, decrease in profit level, or the shortage of cash-flow in short-term period due to the aggressive business operations from the medium- to long- term perspective, as well as risks that that aggressive business operation eventually becomes unsuccessful because of change in government policies, technological development, market environment or otherwise.

Accordingly, Freudenberg and Toray made the Proposal to the Company in the end of February 2015 stating that the Company would be in the best position to accelerate profitable growth by (i) strengthening the current cooperation with Freudenberg and Toray under which Freudenberg provides technologies related to nonwoven fabric to the Company and Toray provides fibers (as raw materials) to the Company, and (ii) operate its business as the third business group within the Freudenberg Group in addition to FPM and FFT.

Thereafter, Freudenberg, Toray and the Company had continuous discussions and consultations regarding the transaction timeframe and scheme on the execution of the Proposal

As a result, on August 7, 2015, Freudenberg, Toray and the Acquirer determined to implement

the Transaction and the Tender Offer as a part of the Transaction and has determined the Purchase Price through the processes described below.

a. Name of Third Party who Issued Opinion in connection with Calculation

In determining the Purchase Price, the Acquirer requested SMBC Nikko Securities, the financial advisor acting as a third-party appraisal institution independent from Freudenberg, Toray, the Acquirer and the Company, to assess the value of the Company's Common Shares. For the avoidance of doubt, SMBC Nikko Securities is not a relevant party of any of Freudenberg, Toray, the Acquirer or the Company and does not have any material interest in the Tender Offer. Note that the Acquirer has not obtained any fairness opinion on the Purchase Price from SMBC Nikko Securities.

b. Summary of the Valuation

SMBC Nikko Securities assessed the value of the Company's Common Shares using the average market price method, the comparable company analysis, and the DCF method. The per-share value of the Company's Common Share calculated based on each of the foregoing methods is as follows:

Market Price Method:	JPY802 to JPY813
Comparable Company Analysis:	JPY963 to JPY1,181
DCF Method:	JPY967 to JPY1,232

c. Process for the Determination of the Purchase Price based on the Valuation

(a) Common Shares

The Acquirer determined on August 7, 2015, based on the consultation and negotiation with the Company, the per-share price of the Purchase Price to be JPY1,200, comprehensively taking into account (A) the calculation results specified in the Share Valuation Report obtained from SMBC Nikko Securities, (B) the results of due diligence regarding the Company, (C) the ranges of premiums attached in the past tender offer cases similar to the Tender Offer, (D) whether the Board of Directors of the Company support the Tender Offer, (E) the market price trend of the Company's Common Shares in the past 12 months, and (F) the number of Shares expected to be tendered in the Tender Offer.

(b) Share Options

As described in “(i) Basis of Calculation” above, the purchase price per Share Option has been determined to be JPY1.

(iii) Relationship with the Appraisal Institution

SMBC Nikko Securities, which is the financial advisor of the Acquirer, is not a relevant party of any of Freudenberg, Toray, the Acquirer or the Company, and does not have any material interest in the Tender Offer.

(5) Number of Shares to be Purchased

Number of Shares to be Purchased	Minimum Number of Shares to be Purchased	Maximum Number of Shares to be Purchased
29,295,247 shares	16,324,174 shares	— shares

(Note 1) If the total number of Tendered Shares does not meet the Minimum Number of Shares to be Purchased (16,324,174 shares), the Acquirer will not purchase any Tendered Shares. If the total number of the Tendered Shares equal to the Minimum Number of Shares to be Purchased (16,324,174 shares) or more, the Acquirer will purchase all of the Tendered Shares.

(Note 2) The Number of Shares to be Purchased represents the maximum number of Shares to be acquired by the Acquirer in the Tender Offer. Such maximum number is calculated as follows:

$$[(a) - (b1+b2)] + (c)$$

Where:

(a) is the aggregate number of issued shares as of June 30, 2015, as shown in the Company's Financial Results for the first quarter of the year ending March 2016 announced on August 7, 2015 (52,840,945 shares);

(b1) is the number of treasury shares held by the Company as of June 30, 2015 as shown in the Company's Financial Results for the first quarter of the year ending March 2016 announced on August 7, 2015 (24,103 shares);

(b2) is the number of Common Shares not Subject to Acceptance under the Tender Offer (23,529,495 shares);

(c) is 7,900 shares, which is the number of shares subject to the Share Options as of March 31, 2015 as described in the securities report for the 69th term filed on June 26, 2015 (79 Share Options (2005 Share Options: 43; and 2006 Share Options: 36) (according to the Company, there is no change in the numbers of Share Options as of June 30, 2015).

(Note 3) Shares less than one unit will also be purchased in the Tender Offer. If a shareholder exercises the right to demand the purchase of shares less than one unit pursuant to the Companies Act, the Company may purchase its own shares during the Purchase Period pursuant to the procedures required under the applicable laws and regulations.

(Note 4) The Acquirer does not plan to purchase treasury shares held by the Company through the Tender Offer.

(Note 5) The Common Shares of the Company that are issued or transferred by exercise of the Share Options by the expiration of the Tender Offer Period will also be purchased in the Tender Offer.

(6) Change in Shareholding Ratio After the Purchase

Number of Voting Rights Represented by the Shares Held by the Acquirer before the Purchase	—	(Shareholding Ratio before the Purchase -%)
Number of Voting Rights Represented by the Shares Held by Special Related Parties before the Purchase	26,889	(Shareholding Ratio before the Purchase 50.90%)

Number of Voting Rights Represented by the Shares Held by the Acquirer after the Purchase	29,295	(Shareholding Ratio before the Purchase 55.46%)
Number of Voting Rights Represented by the Shares Held by Special Related Parties after the Purchase	23,529	(Shareholding Ratio before the Purchase 44.54%)
Total Number of Voting Rights of All Shareholders of the Company	52,492	

(Note 1) The number entered as the “Number of voting rights represented by the Shares held by Special Related Parties before the Purchase” is the total number of voting rights represented by the Shares held by each special related party (however, among the special related parties, shares held by those excluded from the category of special related parties in accordance with Article 3, Paragraph 2, Item 1 of the Cabinet Office Ordinance on the Disclosure of Tender Offer for Shares by Offerors other than the Issuer ("**Cabinet Office Ordinance**") ("**Small Lot Holders**") are not included when calculating the shareholding ratios as set forth in the respective items of Article 27-2, Paragraph 1 of the Act. The same shall apply in this Note 1.). In addition, as the shares owned by each special related party except for the Common Shares not Subject to Acceptance under the Tender Offer are subject to the Tender Offer, the number entered as the "Number of Voting Rights Represented by the Shares Held by Special Related Parties after the Purchase"(23,529) is the number of voting rights represented by the Common Shares not Subject to Acceptance under the Tender Offer held by special related parties (23,529,495 shares).

(Note 2) The number entered as the "Total Number of Voting Rights of All Shareholders of the Company" is the total number of voting rights of all shareholders of the Company as of March 31, 2015 as described in the securities report for the 69th term filed by the Company on June 26, 2015; provided, however, that since the shares less than one unit and Share Options will also be purchased in the Tender Offer, in calculating the “Percentage of Number of Voting Rights to be Purchased Pursuant to the Tender Offer to Total Number of Voting Rights of All Shareholders” and the “Share Holding Ratio after the Tender Offer,” the denominator is the number of voting rights (52,824) for the number of shares (52,824,742 shares) obtained by the following calculation:

$$(a) - (b) + (c)$$

where (a) is the aggregate number of issued shares as of June 30, 2015, as described in the quarterly report for the first quarter of the for the first quarter of the term ending on March 31, 2016 that was submitted by the Company on August 7, 2015 (52,840,945 shares);

(b) is the number of treasury shares of the Company held by the Company as of June 30, 2015 as described in the quarterly report for the first quarter of the term ending on March 31, 2016 submitted by the Company on August 7, 2015 (24,103 shares); and

(c) is 7,900 shares, which is the number of shares subject to the Share Options as of March 31, 2015 as described in the securities report for the 69th term filed by the Company on June 26, 2015 (79 Share Options (Fiscal Year 2005 Share Options: 43; and Fiscal Year 2006 Share Options: 36) (according to the Company, there is no change in the numbers of Share Options as of June 30, 2015).

(Note 3) The “Shareholding ration before the Purchase” and the “Share Holding Ratio after the Purchase” are rounded to the second decimal place.

(7) Purchase Price JPY 35,154,296,400

(Note) “Purchase Price” is the amount obtained by multiplying the number of shares to be purchased in the Tender Offer (29,295,247 shares) by the Purchase Price per share (JPY 1,200).

(8) Method of Settlement

(i) Name and Addresses of Principal Office of Financial Instruments Business Operators / Banks, etc., in Charge of Settlement

SMBC Nikko Securities Inc.
3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo

(ii) Commencement Date of Settlement
Wednesday, September 30, 2015

(iii) Method of Settlement

Promptly after expiration of the Tender Offer Period, a notice of purchase will be mailed to the addresses or location of each Tendering Shareholders (or the address of the Standing Proxies in the case of Non-Japanese Shareholders) without delay after the end of the Tender Offer Period.

The purchase will be made in cash. Following instructions from the tendering securities holders, the proceeds from the sale of securities will be remitted by the Tender Offer Agent to the place designated by the tendering securities holders (or their standing proxies in the cases of the foreign securities holders).

(iv) Method of Returning the Shares

In the event that the Acquirer does not acquire Tendered Shares pursuant to the terms and conditions set forth in “i. Conditions Provided in Article 27-13(4) of the Act and Details thereof” or “ii. Conditions for Withdrawal of Tender Offer, Details thereof, and Method of Disclosure of Withdrawal” under “(9) Other Conditions and Method of the Purchase”, the shares required to be returned will be returned without delay, on the day which is two (2) business days after the last day of the Tender Offer Period (or the day of the withdrawal, if the Tender Offer is withdrawn), by reverting the conditions of the Tendering Shareholders’ Accounts opened at the Tender Offer Agent to the conditions at the time of tendering of the shares (“the conditions at the time of tendering of the shares” means the condition in which the execution of applications for the Tender Offer is terminated). As for the share options, the documents which have been submitted at the time of application, will be mailed or delivered to the Tendering Shareholders (or the Standing Proxies in the case of share option holders who are foreign residents).

(9) Other Conditions and Method of the Purchase

(i) Conditions Provided in Article 27-13(4) of the Act and the Details thereof

If the total number of the Tendered Shares does not meet the minimum number of shares to be purchased in the Tender Offer (16,324,174 shares), none of the Tendered Shares will be purchased by the Acquirer. If the total number of the Tendered Shares is equal to or greater than the minimum number of shares to be purchased in the Tender Offer (16,324,174 shares), all of the Tendered Shares will be purchased by the Acquirer.

(ii) Conditions for Withdrawal of Tender Offer, Details thereof, and Method of Disclosure of Withdrawal

Upon the occurrence of any of the events listed in Article 14(1)(i)(i) through (*ri*) and (*wo*) through (*so*), Article 14(1)(iii)(i) through (*chi*) and (*nu*), (iv) and Article 14(1)(v) and Article 14(2)(iii) through (vi) of the Enforcement Order of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965; including any amendments thereafter) ("**Cabinet Order**"), the Acquirer may withdraw the Tender Offer. In the Tender Offer, "any fact equivalent to the facts listed in (i) through (*ri*)" as stipulated in Article 14(1)(iii)(*nu*) of the Cabinet Order means a discovery of the fact that the mandatory disclosure documents previously submitted by the Company contain any false statement on material matters or lack any statement on material matters that should have been stated.

If, by the day immediately preceding to the last day of Tender Offer Period (or any extension of the Tender Offer Period), an injunction order to restrain the purchase of the Company's shares by the Acquirer is issued in response to the request by the U.S. Antitrust Authorities with respect to the filing by the Acquirer with the U.S. Antitrust Authorities pursuant to the U.S. Antitrust Law, or the waiting period or any extended waiting period does not expire, the Acquirer may withdraw the Tender Offer for the ground that it was unable to obtain "approvals" as set forth in Article 14(iv) of the Cabinet Order.

If the Acquirer is to withdraw the Tender Offer, public notice will be made electronically, and the fact that such public notice has been made will be published in the Nihon Keizai Shimbun. However, if it is difficult to make such public notice by the last day of the Tender Offer Period, an announcement will be made in a manner prescribed in Article 20 of the Cabinet Office Ordinance, and the public notice will be made immediately thereafter.

(iii) Conditions for the Reduction of the Purchase Price, Details thereof, and the Method of Disclosure of Reduction

Under Article 27-6(1)(i) of the Act, if the Company commits any of the acts listed in Article 13(1) of the Cabinet Order during the Tender Offer Period, the purchase price may be reduced in accordance with the criteria under Article 19(1) of the Cabinet Office Ordinance.

If the Acquirer is to reduce the purchase price, public notice will be made electronically, and the fact that such public notice has been made will be published in the Nihon Keizai Shimbun. However, if it is difficult to make such public notice by the last day of the Tender Offer Period, the announcement will be made in a manner prescribed in Article 20 of the Cabinet Office Ordinance, and the public notice will be made immediately thereafter.

If the purchase price is reduced, the Tendered Shares that have been tendered prior to the day of such public notice will be purchased with the reduced price.

(iv) Matters Relating to Tendering Shareholders' Right to Cancel the Agreements

Tendering Shareholders may cancel the agreement relating to the Tender Offer at any time during the Tender Offer Period. In order to cancel the agreement, a document stating the cancellation of agreement ("**Cancellation Document**") must be delivered or sent by mail to the person designated below, at or prior to 3:30 p.m. on the last day of the Tender Offer Period. (Please note that the business hours are different depending on branch offices. Please commence the procedure after you make prior confirmation on the business hours of the branch office you will use.) If the Cancellation Document is sent by mail, it must be received by the person designated below at or prior to 3:30 p.m. on the last day of the Tender Offer Period. (Please note that the business hours are different depending on branch offices. Please

commence the procedure after you make prior confirmation on the business hours of the branch office you will use.)

Person authorized to receive the Cancellation Document:

SMBC Nikko Securities Inc.

3-3-1, Marunouchi, Chiyoda-ku, Tokyo

(or any other domestic branch offices of SMBC Nikko Securities Inc.)

The Acquirer will not claim any damages or penalties against the Tendering Shareholders in connection with the Tendering Shareholders' cancellation of the agreements pertaining to the Tender Offer. Furthermore, the Acquirer will bear the cost of returning the Tendered Shares to the Tendering Shareholders.

(v) Method of Disclosure in the Event that Purchase Conditions are Changed

Except as prohibited by Article 27-6(1) of the Act and Article 13 of the Cabinet Order, the Acquirer may change the purchase conditions.

If the Acquirer is to make any change to the conditions of the purchase, public notice will be made electronically, and the fact that such public notice has been made will be published in the Nihon Keizai Shimbun. However, if it is difficult to make such public notice by the last day of the Tender Offer Period, the announcement will be made in a manner prescribed in Article 20 of the Cabinet Office Ordinance, and a public notice will be made immediately thereafter.

If the conditions of the purchase are changed, the Tendered Shares that have been tendered prior to the day of the public notice will be purchased under the changed conditions.

(vi) Method of Disclosure in the Event that an Amendment Registration Statement is Filed

If an amendment registration statement is filed with the Director of the Kanto Finance Bureau (excluding the case set forth in the proviso of Article 27-8(11) of the Act), the matters contained in the amendment registration statement that pertain to the information provided in the public notice of commencement of the Tender Offer will be announced immediately in a manner prescribed in Article 20 of the Cabinet Office Ordinance. In addition, the Acquirer will immediately amend the tender offer explanatory statement and deliver the amended tender offer explanatory statement to the Tendering Shareholders who have already received the tender offer explanatory statement. However, if the amendment is minimal, the Acquirer may amend the tender offer explanatory statement by preparing and delivering a document, containing the reason for the amendment, amended matters and details of the amendment, to the Tendering Shareholders.

(vii) Method of Disclosure of Results of the Tender Offer

The results of the Tender Offer will be announced in a manner prescribed in Article 9-4 of the Cabinet Order and Article 30-2 of the Cabinet Office Ordinance on the day immediately after the last day of the Tender Offer Period.

(viii) Others

The Tender Offer is not directly or indirectly conducted within the United States or aimed at the United States, does not use the United States Postal Service or any methods or means of interstate commerce, international commerce (including but not limited to telephone, telex,

facsimile, email, and Internet), and is not conducted through securities exchange facilities within the United States. The Tender Offer may not be tendered using the above methods and means, through the above facilities, or from within the United States.

Furthermore, the Statement and any other related purchase documents concerning the Tender Offer shall not be sent or distributed and may not be sent or distributed using postal or other methods within, to, or from the United States. Applications for the Tender Offer which directly or indirectly violate the above restrictions will not be accepted.

Each of the Tendering Shareholders (or the Standing Proxies in the case of Non-Japanese Shareholders) will be required to make the following representations and warranties upon application for the Tender Offer:

Either at the time of tendering its shares or of sending applications for the Tender Offer, (i) the Tendering Shareholder is not in the U.S.; (ii) no information or documents (including copies thereof) related to the Tender Offer have been, directly or indirectly, received or sent within, to, or from the United States; (iii) the Tendering Shareholder does not use, directly or indirectly, the United States Postal Service or any methods or means of interstate commerce, international commerce (including, without limitation, telephone, telex, facsimile, email, and Internet) or securities exchange facilities within the United States in relation to the Tender Offer, the signing of applications for the Tender Offer or the delivery thereof; and (iv) the Tendering Shareholder is not acting as an agent, trustee, or consignee without discretion on behalf of another person (excluding the case where such other person is giving all the instructions regarding the Tender Offer from outside of the United States).

(10) Date of Public Notice for Tender Offer
August 10, 2015 (Monday)

(11) Tender Offer Agent
SMBC Nikko Securities Inc.
3-3-1, Marunouchi, Chiyoda-ku, Tokyo

3 Policies after the Tender Offer and Perspectives

As set out in "1. Purposes of the Purchase", "(5) Policies on the Organizational Restructuring, etc. after the Tender Offer (Matters Concerning "*Two-Step Acquisition*")" and "(6) Possibility of Delisting and Reason therefor".

4 Others

(1) Agreements between the Acquirer and the Company or its Directors and Officers, and the Details Thereof

According to the Company's Press Release, it is noted that the Company has resolved at its Board of Directors meeting at the Company held on August 7, 2015 to recommend the shareholders of the Company to accept the Tender Offer. As for the Share Options, the Company has resolved at its Board of Directors meeting to defer to the holders of the Share Option on whether to accept the Tender Offer, considering that the Company did not obtain any valuation of Share Options from a third party appraiser

given that the Share Options has been issued as stock options for its directors, and that while their exercise period has already commenced, the conditions on the exercise of Share Options provide that the Share Options shall be exercised within 10 days from the day immediately after the day the holder of Share Options loses their positions as the director of the Company, and as a consequence thereof, the Acquirer will not be able to exercise the Share Options even if it acquires them through the Tender Offer.

At the above mentioned Board of Directors Meeting, the above matters were unanimously resolved by all directors out of 10 directors of the Company (except for Mr. Yasuhiro Esaki, Mr. Thomas Seidel and Mr. Shogo Masuda) who have participated in the deliberation and resolution.

For details, please see "(v) Consent of All Directors without Conflicts of Interest and Opinion of All Auditors of the Company Not to Dissent" of "(4) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Purchase Price and Measures to Avoid Conflict of Interests" of "1 Purpose of Purchase".

(2) Other Information necessary for investors to determine whether or not to make offers

(i) Announcement of the Financial Results for the first quarter of the year ending March 2016 [based on Japan GAAP] (consolidated)

The Company has announced on August 7, 2015 the "Financial Results for the first quarter of the year ending March 2016 [based on Japan GAAP] (consolidated)." The summary of the financial results for the first quarter is as set out below. These have not been reviewed by the accounting auditors required under 193-2(2) of the Act. In addition, the summary below is the partial excerpts from the content the Company has announced. The Acquirer is not in the position to independently verify the accuracy or truthfulness of the information, and has not made such verification thereof. For details, please see the content of such announcement by the Company.

a. Status of Profit and Loss (Consolidated)

Accounting Period	Year Ending March 2016 (First Quarter of the 70 th Fiscal year)
Amount of Sales	JPY 14,672 million
Cost of Sales	JPY 11,649 million
Selling and General Administrative Expenses	JPY 2,244 million
Non-operating Income	JPY 521 million
Non-operating Expenses	JPY 20 million
Net Income (Quarter)	JPY 842 million

b. Status of Per Share Indices (Consolidated)

Accounting Period	Year Ending March 2016 (First Quarter of the 70 th Fiscal year)
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Net Income (Quarter) per Share	JPY 15.94
Dividend per Share	-

(ii) Amendment of the Prospective Dividends for the year ending March 2016

The Company has resolved at its board of directors meeting held on August 7, 2015 that it amends the projected dividends for the year ending March 2016 announced on May 14, 2015, and it will not declare year-end dividends or interim dividends for the year ending March 2016 subject to the successful consummation of the Tender Offer. For the details, please refer to the “Announcement of the Amendment of Prospective Dividends for the year ending March 2016” announced by the company on August 7, 2015.