

INCJ to invest in Nikko Textile Corporation

Tokyo, March 5, 2013 –Innovation Network Corporation of Japan (“INCJ”) announced today its decision to invest in Nikko Textile Corporation through a third-party share allotment. The investment will provide Nikko Textile Corporation with a maximum of ¥3 billion in growth capital required for future business development.

Nikko Textile Corporation (R&D, manufacture, and sales of high-value-added natural textiles) will be established through an incorporation-type company split by the spin-off of the textile business of the existing Nikko Textile Corporation, a wholly-owned subsidiary of I.S.T Corporation (“IST”). IST will transfer the textile business to the new company, which will retain the name Nikko Textile Corporation.

The existing Nikko Textile Corporation was established in 2003 when IST acquired the textile business of 120-year-old wool spinning company, Nikko Keori Corp, with the aim of creating an innovative new Japanese textile production industry. The company is engaged in the development, manufacture and sales of innovative, high-value-added natural textiles, employing Japanese traditional textile-making craftsmanship accumulated since the days of Nikko Keori Corp., combined with the advanced development capabilities, chemical technology and ingenious manufacturing technology of parent-company IST. Utilizing these technologies and techniques, Nikko Textile Corporation has been able to produce textiles with lightweight, heat-retaining, water-repellent, deodorizing, exothermic, and other features not previously achievable with natural materials.

The materials have already begun to be adopted by apparel companies and are used by numerous consumers in Japan and overseas. As a new company, Nikko Textile Corporation will fundamentally strengthen its sales and production structure, aiming for growth in the global apparel market through investment in facilities and equipment that utilize the company’s unique new-materials development technology for clothing. Its goal is to become a leading player in the value-added natural fibers textile industry.

With a market scale of ¥110 trillion, the global apparel industry is enormous and is growing strongly against a backdrop of increased demand from emerging markets. Growth in the apparel market is expected to be accompanied by strong growth in the natural fiber materials market in which Nikko Textile Corporation operates. The appeal of products differentiated by high-added-value natural fiber materials is growing among both end

consumers and apparel companies, and the room for growth is expanding greatly in this field, which in the past has not seen a great deal of innovation.

In the face of price competition from overseas companies and a very tough operating environment in the domestic textile industry, with this investment, INCJ is aiming to strengthen Nikko Textile Corporation's global competitiveness and create a successful case of a new growth scenario. Through creation of a successful example INCJ hopes to encourage active cooperation between other Japanese textile manufacturing companies and major Japanese textile production areas, and by bringing together sophisticated technology and management resources INCJ hopes to revitalize and strengthen the domestic textile industry as a whole. The growth capital through this investment provided will be used for capital expenditure and to strengthen Nikko Textile Corporation's business base to accelerate expansion into the global market. Following completion of this investment, INCJ will dispatch external directors and provide other managerial support, such as creating strategic alliance and assisting technological development.

About Nikko Textile Corporation

Established: April, 2013 (expected date)

Outline: Production, sales, R&D of high-value-added natural fibers

Location of Headquarters: 3322 Oura, Masakicho, Hashima, Gifu 501-6224 Japan

Shareholder Composition: IST100% (Before INCJ investment)

INCJ 40% IST 60% (After INCJ investment)

About Innovation Network Corporation of Japan (INCJ)

INCJ was established in July 2009 as a public-private partnership that provides financial, technological and management support for next-generation businesses. INCJ specifically supports those projects that combine technologies and varied expertise across industries and materialize open innovation. INCJ has the capacity to invest up to ¥2 trillion (approx US\$25 billion).

To date, INCJ has invested approximately ¥600 billion in a total of 35 projects and is currently focused on a broad range of areas from green energy, electronics, IT and biotechnology to infrastructure-related sectors such as water supply. INCJ maintains a hands-on approach to investment, engaging in the business development of cutting-edge core technologies through intellectual property funds, expansion of venture companies and aggressive overseas development through initiatives such as restructuring and mergers of tech businesses and acquisitions of foreign companies.

Press contacts:

Innovation Network Corporation of Japan

Corporate Planning

Kobayashi / Ichihara / Mochizuki / Matsushima

21st Floor, Marunouchi Eiraku Building

1-4-1 Marunouchi, Chiyoda-ku Tokyo

e-mail : info127@incj.co.jp

Decision to invest in Nikko Textile Corporation

Target: Nikko Textile Corporation
 Outline: High-value-added natural textile manufacturing (engaged in development, self-manufacture, manufacturing outsourcing and sales)
 Investment: ¥3 billion (maximum)



- Establish new company by spinning off textile business
- Investment and transfer of intellectual property required for high-value-added natural textiles business



- ¥3 billion investment
- Establishment of global sales and production structure, Growth capital for investment in new-material production facilities
- Managerial support



Other natural/synthetic textile manufacturers

Major textile production areas

Peripheral industries such as spinning machinery manufacture

- Supply of new materials to a wide range of apparel businesses including global volume zone players such as SPAs* and aim to create a successful example of demand capture
- Cooperate and partner with various players in the Japanese textile industry and major textile producing areas and achieve open innovation

*Specialty retailer of Private Label Apparel. Activities are fully integrated from manufacturing through to sales, including material procurement, product development, production, distribution, inventory management, and final sales.