



December 5, 2013

JFE Engineering Corporation
Isomura Hosui Kiko Co., Ltd.

Aqua Business Merger between JFE Engineering Corporation and Isomura Hosui Kiko Co., Ltd.

On 28 November, 2013, JFE Engineering Corporation (JFE Engineering) and Isomura Hosui Kiko Co., Ltd. (Isomura Hosui Kiko) have concluded the basic agreement to spin off the waterworks plant business owned by Isomura Hosui Kiko to be merged by JFE Engineering, which will take effect starting May 2014.

1. Purpose of the merger

The coverage of water supply and sewerage systems in Japan have reached high levels of 98% for water supply and 76% for sewerage. However, after the Great East Japan Earthquake, many urgent issues have emerged; in particular, preparing for future seismic disasters and renewing facilities built during Japan's postwar economic boom, which have now reached their lifespan or have become outdated. In addition, local municipalities are increasingly outsourcing the operation of water supply and sewerage systems to the private sector as a means to solve problems caused by a decrease in revenue, such as the shortage of funds and the lack of engineers. As a result, there is unprecedented demand for the overall technical competence and management skills of private corporations.

Meanwhile, outside Japan, increasing the coverage of water supply and sewerage systems is an urgent issue for developing countries experiencing rapid urbanization such as those in Southeast Asia, and there is growing expectations to the technology and know-how of Japanese companies in the design, construction and operational management of water supply and sewerage infrastructure.

By merging their waterworks plant business under these circumstances, where comprehensive abilities in the fields of water supply and sewerage systems are needed both in Japan and abroad, JFE Engineering and Isomura Hosui Kiko will provide total solutions throughout the entire aqua business field.

The two companies have different characteristics:

JFE Engineering offers all-around engineering in sewerage systems, from water and sludge treatment to combustion technologies and biomass power generation, and has a notable record and reputation in the construction of related plants. It is also a leading company in the field of water pipeline construction, with a high domestic market share of 50%.

Isomura Hosui Kiko, on the other hand, is a company specializing in the field of water supply from over 100 years ago. It designs, constructs, maintains and manages water supply plants, and is notorious for its high-level of technical competence and wealth of experience. In particular, the company is the leading supplier of chemical dosing devices in Japan.

Henceforth, JFE Engineering will aspire to become the industry's top company in the field of water engineering by combining and leveraging the human resources and technologies of the two companies. Exercising the full synergy effect in every field of water engineering, the company will proactively participate in both overseas water supply and sewerage system projects, and large-scale domestic PFI and DBO comprehensive projects.

2. Description of the Business Merger

1. Waterworks plant business owned by Isomura Hosui Kiko will be merged into JFE Engineering by splitting it from Isomura Hosui Kiko and absorbing it into JFE Engineering.

[Company to be split and absorbed] Isomura Hosui Kiko Co., Ltd.

[Company to absorb the split company] JFE Engineering Corporation

2. Due date of spin-off and merger: May 1, 2014 (tentative)

3. General Outline of the Parties

[JFE Engineering Corporation]

- (1) Name: JFE Engineering Corporation
- (2) Address: 1-8-1 Marunouchi, Chiyoda-ku, Tokyo, Japan
- (3) Represented by: President & CEO Sumiyuki Kishimoto
- (4) Line of Business: Engineering business regarding energy, urban environment, recycling, steel structure and industrial machinery
- (5) Share Capital: 10 billion yen (as of March 31, 2013)
- (6) Foundation: April 2003
- (7) Major Shareholder and Ownership Ratio: JFE Holdings, Inc. (100%)

[Isomura Hosui Kiko Co., Ltd.]

- (1) Name: Isomura Hosui Kiko Co., Ltd.
- (2) Address: 1-1-3 Toranomom, Minato-ku, Tokyo, Japan
- (3) Represented by: Chairman Kinzo Isomura
- (4) Line of Business: Engineering business regarding waterworks plants
- (5) Share Capital: 200 million yen
- (6) Foundation: May 1983 (foundation of the parent company: February 1910)
- (7) Major Shareholder and Ownership Ratio: Isomura Sangyo Co., Ltd. (85.12%)
- (8) Address of the Plant: 90 Nito, Kakegawa-shi, Shizuoka, Japan (product lines: chemical dosing devices, etc.)

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