

(English Translation)

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To whom it may concern:

**Niigata Power Systems Co., Ltd.**

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### **Notice of Integration of IHI Group's Power Systems Business**

Niigata Power Systems Co.,Ltd. (hereinafter "Niigata") announces that at a meeting of the Board of Directors held today, it resolved to succeed the power plant engineering business centered on gas turbines for aircraft conversion split off from IHI Corporation (hereinafter "IHI" and the method to execute this split as "Company Split"), a parent company of Niigata, and in conjunction with the succession, it also resolved that Niigata would conduct an absorption-type merger of Diesel United, Ltd. (hereinafter "DU"), a wholly-owned subsidiary of IHI (hereinafter referred to as the "Absorption-Type Merger" and collectively with the Company Split as the "Integration").

#### **1. Purpose of the Integration**

Currently, the business related to power systems, which operates within the Resources, Energy and Environment Business Area is divided into engineering and sale of power plants, mainly related to gas turbines for aircraft conversion and related businesses, which are operated by IHI and the manufacture and sale of diesel engines, gas engines, dual fuel engines, gas turbines and Z-Pellers (azimuth thrusters), and related businesses under the "NIIGATA" brand, which are operated by Niigata. Meanwhile, DU conducts the manufacture and sale of marine large-scale diesel engines, dual fuel engines and diesel engines for power systems for land use.

In recent years the business environment surrounding the IHI Group's Resources, Energy and Environment Business Area has been undergoing rapidly accelerating change. IHI believes that building a system that enables the cooperative creation of solutions with customers is an essential step toward swiftly meeting the diversifying needs of customers looking to achieve a net-zero-CO<sub>2</sub>-emission and recycling-based society. The purpose of this Company Split is to unite the management resources related to power systems under Niigata in order to carry out business operations and personnel placements efficiently by building a united and seamlessly connected operational system encompassing power system products for distributed energy use while, at the same time, providing high-quality lifecycle services for the needs of customers who are looking to achieve the net-zero-CO<sub>2</sub>-emission and recycling-based society.

#### **2. Status subsequent to the Integration**

Niigata intends to change its trade name to IHI Power Systems Co., Ltd. on the same date as that of the effective date of the Integration.

- (1) Trade name IHI Power Systems Co., Ltd. (planned)
- (2) Headquarters 14-5, Sotokanda 2-chome, Chiyoda-ku, Tokyo
- (3) Title and name of representative To be determined
- (4) Business details Manufacture and sale of gas turbines, gas engines, dual fuel engines, diesel engines (power generation, marine, railway vehicle), Z-Pellers, power generators and foundry parts
- (5) Capital 3,000 million yen
- (6) Fiscal year-end March 31

#### **3. Future outlook**

In the Resources, Energy and Environment Business Area, the IHI Group, while orienting its efforts toward the realization of a net-zero-CO<sub>2</sub>-emission and recycling-based society, will set common goals

and accelerate the implementation of various measures in order to swiftly provide solutions to meet the diversifying needs of customers.

The Integration will bring about seamlessly connected operational system, which will unite the entire power systems business, including both power system products for distributed energy use, from gas turbines for aircraft conversion, diesel engines and gas engines, to dual fuel engines and gas turbines, and large to small power systems for marine use and Z-Pellers, and with the more-efficient business operations and personnel placement that results, Niigata expects to achieve greater competitiveness. The power systems business will strive to make solid progress toward realizing the goals set by the Resources, Energy and Environment Business Area while fulfilling its relevant roles.

We will continue to use the “NIIGATA” brand name. Niigata products, which have received an excellent reputation from customers throughout the world will continue to bear the NIIGATA brand and contribute to creating value for customers as core products of the IHI Group.

#### 4. Outline of the Integration

##### (1) Schedule of the Integration

Board of Directors approval of absorption-type company split agreement (IHI):	January 28, 2019
Execution of absorption-type company split agreement (Niigata):	February 1, 2019 (planned)
Execution of absorption-type merger agreement:	February 1, 2019 (planned)
General Meeting of Shareholders approval of absorption-type company split agreement (Niigata):	June 2019 (planned)
General Meeting of Shareholders approval of absorption-type merger agreement (Niigata, DU):	June 2019 (planned)
Effective date:	July 1, 2019 (planned)

\* IHI will not seek approval of a General Meeting of Shareholders regarding the absorption-type company split agreement pursuant to the provisions on simplified absorption-type company splits stipulated in Article 784, Paragraph 2 of the Companies Act.

##### (2) Outline of the Company Split

###### (i) Method of the Company Split

The Company Split will be carried out as an absorption-type company split with IHI as the splitting company and Niigata as the successor company.

###### (ii) Allotment associated with the Company Split

Niigata will issue 3,400 shares of common stock in conjunction with the Company Split, all of which are to be allotted and delivered to IHI.

###### (iii) Treatment of share acquisition rights and bonds with share acquisition rights associated with the Company Split

The splitting company will not be compelled to transfer or succeed obligations to the successor company, such that are based on the splitting company's share acquisition rights. Meanwhile, IHI does not issue bonds with share acquisition rights.

###### (iv) Increase or decrease of capital stock, etc. due to the Company Split

The Company Split will not cause decreases in IHI's capital stock or its legal capital surplus.

###### (v) Rights and obligations to be assumed by the successor company

The successor company will assume the assets, liabilities, rights and obligations, as well as contractual positions, pertaining to the target operations of the splitting company. Note, however, that Niigata shares, shares of other affiliates, and employees' employment contracts (IHI's employees will be seconded to the successor company) will be excluded from the target of succession.

In principle, the successor company will assume the financial obligations of the splitting company, and in so doing release the splitting company from such liabilities.

###### (vi) Anticipated performance of financial obligations

Both the splitting company and the successor company maintain assets exceeding liabilities and have non-exempt property sufficient to guarantee performance subsequent to the Company Split. Meanwhile in terms their earnings situations, we do not anticipate any issues at this point in time with respect to a situation where either company would face

difficulties with respect to duly performing their financial obligations. As such, we deem there to be no issues with respect to the likelihood of the splitting company and the successor company performing their respective financial obligations subsequent to the effective date of the Company Split.

(3) Outline of the Absorption-Type Merger

(i) Method of the Absorption-Type Merger

The Absorption-Type Merger will be carried out as an absorption-type merger with Niigata as the surviving company and DU as the absorbed company. DU will be dissolved.

(ii) Allotment associated with the Absorption-Type Merger

In conjunction with the Absorption-Type Merger, NPS will not allot shares or other monies to the shareholders of DU.

(iii) Treatment of share acquisition rights and bonds with share acquisition rights associated with the Absorption-Type Merger

Not applicable.

**5. Overview of the parties involved in the Integration (As of March 31, 2018)**

(1) Trade name	IHI Corporation (Splitting company)	Niigata Power Systems Co., Ltd. (Successor company) (Surviving company)	Diesel United, Ltd. (Absorbed company)
(2) Headquarters	1-1, Toyosu 3-chome, Koto-ku, Tokyo	14-5, Sotokanda 2-chome, Chiyoda-ku, Tokyo	2-8 Kanda Suda-cho, Chiyoda-ku, Tokyo
(3) Title and name of representative	Tsugio Mitsuoka, President and Chief Executive Officer	Koji Yahagi, President	Hideo Takagi, President
(4) Business details	Manufacture and sale, etc. of metalworking machinery, compressors, air blowers, superchargers for vehicles and ships, logistics equipment, boilers, components for nuclear power plants, chemical machinery, general-purpose machinery, jet engines, space development equipment, etc.	Manufacture and sale of diesel engines (marine, power generation, railway vehicle), gas engines, dual fuel engines, gas turbines, Z-Pellers, power generators and foundry parts	Manufacture and sale of marine large-scale diesel engines, dual fuel engines, diesel engines for power systems for land use, and machinery equipment and tools for industrial use
(5) Capital	107,165 million yen	3,000 million yen	153 million yen
(6) Establishment	January 17, 1889	February 3, 2003	October 1, 1988
(7) Number of shares issued	154,679,954 shares	60,000 shares	27,272 shares
(8) Fiscal year-end	March 31	March 31	March 31
(9) Major share- holders and share- holding ratio	(Note)	IHI 100%	IHI 100%
(10) Financial position and business results for the previous fiscal year			
	(Consolidated)	(Non-consolidated)	(Non-consolidated)
(i) Net assets	350,217 million yen	19,360 million yen	2,691 million yen
(ii) Total assets	1,633,662 million yen	58,190 million yen	12,198 million yen
(iii) Net assets per share	2,103.22 yen	322,667 yen	98,674 yen

(Note)

The Master Trust Bank of Japan, Ltd. (Holder in Trust)	5.45%
Japan Trustee Services Bank, Ltd. (Holder in Trust)	4.49%
Japan Trustee Services Bank, Ltd. (TOSHIBA CORPORATION Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	3.58%
The Dai-ichi Life Insurance Company, Limited	3.50%
State Street Bank And Trust Company 505001	3.07%

(11) Business details of the division to be split

Engineering and sale of power plants, mainly related to gas turbines for aircraft conversion and related businesses

(12) Business results of the division to be split

	Fiscal year ended March 31, 2018 (Operations subject to the Company Split)	Fiscal year ended March 31, 2018 (Consolidated)	Ratio (Operations subject to the Company Split/ Consolidated)
Net sales	24.8 billion yen	1,590.3 billion yen	1.6%

(13) Items and amounts of assets and liabilities to be split

Assets and liabilities subject to the Company Split amount to an estimated 13,183 million yen and 10,203 million yen, respectively, as of March 31, 2018.