

January 30, 2012
JFE Holdings, Inc.
IHI Corporation
Hitachi Zosen Corporation
Universal Shipbuilding Corporation
IHI Marine United Inc.

**Notice Regarding the Execution of Memorandum of Understanding for
Management Integration (Merger) of
Universal Shipbuilding Corporation and IHI Marine United Inc.**

JFE Holdings, Inc. (“JFE Holdings”) and IHI Corporation (“IHI”) announce that they have reached an agreement on basic matters regarding the management integration of their respective subsidiaries Universal Shipbuilding Corporation (“Universal Shipbuilding”) and IHI Marine United Inc. (“IHI Marine United”) (the “Management Integration”) after carrying out an examination of the Management Integration as announced on April 8, 2008, and that the four companies and Hitachi Zosen Corporation (“Hitachi Zosen”), a shareholder of Universal Shipbuilding, reached a basic agreement for the Management Integration (the “MOU”), as follows.

Details

1. Purpose of the Management Integration

JFE Holdings and IHI have continued to examine the expected synergy effects of the Management Integration and the future image of the new company created by this integration (“New Company”), together with Universal Shipbuilding and IHI Marine United, as well as conducting due diligence checks since they reached an agreement in April 2008 to start examining the possibility of the Management Integration.

During this examination, a review of the assumptions supporting the creation of the New Company became increasingly needed because the business environment surrounding the shipbuilding business has changed considerably as a result of the financial crisis triggered by the Lehman Shock. Consequently, our examination took longer than initially expected.

Shipbuilding industry has experienced a severe business environment. Factors in this include large demand-supply gap on a global basis resulting from the substantial capacity expansion of Chinese shipyards and a sharp decline in global demand for new ships, as well as the excessive appreciation of the Japanese yen below 80 to the US dollar. However, the four companies consolidated its recognition that the Management Integration is necessary for the shipbuilding industry in Japan to continue business under hard competition for orders with Korean and Chinese shipyards. We consequently committed ourselves wholeheartedly to the continuation of our discussions, and as a result, the four companies and Hitachi Zosen reached a basic agreement for the Management Integration.

The New Company will work to strengthen the competitiveness and profitability in a well-balanced manner among the Shipbuilding Business centering on commercial shipbuilding area, the Engineering Business, and the Life Cycle Business. This work will be carried out by seeking to enhance the design and development capabilities by gathering together the respective design engineering resources of Universal Shipbuilding and IHI Marine United, while also seeking the optimum operations of production facilities in harmony with the respective characteristics of the two companies' shipyards. The New Company aims to establish the top position in the industry in terms of collective strength, and to realize a further growth strategy.

Universal Shipbuilding owns competitive shipyards such as ARIAKE Shipyard, which is furnished by one of the largest docks in Japan, the capability to plan and market new merchant ships, and the capability to develop energy saving and eco-friendly ships such as the G-series and other next generation eco-friendly ships. In addition, Universal Shipbuilding has advanced technology for building icebreakers, offshore support vessels and mine sweeper coastal vessels.

IHI Marine United has a variety of products, from large ships to ferries and marine structures, and has advantages in technology to save energy and reduce the burden on the environment, such as e-Future series and LNG fuelled ships. In the naval/patrol vessel field, it boasts the technology to build large vessels that have prominence in Japan. The company is promoting unique businesses such as its Life Cycle Business, which aims to serve customers through maintenance bases in the major regions in the world, and the Engineering Business, which, among others, handles SPB tanks (tanks for liquefied gas originally developed by IHI Marine United).

The Management Integration is expected to have a number of synergy effects. Specifically, it is expected to expand the product line-up by combining the ship types, improve productivity at shipyards, accelerate new product development by gathering together the energy-saving and eco-friendly technologies, strengthen the ability to respond to large lot orders and increase the capability to procure equipment and materials in more competitive conditions through expansion in scale, and improve efficiency through the integration of administrative departments.

The New Company after the Management Integration will make efforts to establish a firm business base and a high level of competitiveness, and further strengthen capabilities to respond to customer requirements by maximizing these synergy effects. In addition, the company will work to capture demand for energy saving and eco-friendly ships and ships and offshore structures for LNG, the demand for which is increasing more and more due to the soaring world-wide bunker fuel price and the introduction of environmental regulations by the IMO (International Maritime Organization). It will also work to continue and realize further growth of the business amidst intense mega competition.

JFE Holdings, IHI and Hitachi Zosen intend to help the initiatives of the New Company after the Management Integration from the standpoint of its shareholders, and to respond to the expectations of their shareholders by improving the business results through pursuing the synergy effects with their respective steel plates, marine diesel engines and plant engineering businesses.

The Management Integration is conditional on permission from government authorities concerned and the approval of the respective general shareholders meetings of Universal

Shipbuilding and IHI Marine United.

2. Outline of the Management Integration

(1) Schedule of the Management Integration

| | |
|---------------------------------|---------------------------------------------------------------------------------------|
| January 30, 2012 | Execution of the MOU |
| By August 31, 2012 (planned) | Execution of final agreement |
| By September 30, 2012 (planned) | General shareholders meetings of the companies involved in the Management Integration |
| October 1, 2012 (planned) | Effective date of the Management Integration |

(2) Method of the Management Integration

Management integration through merger whereby Universal Shipbuilding will become a surviving entity

(3) Conditions including new share allotment in connection with the Management Integration

The Management Integration by Universal Shipbuilding and IHI Marine United is agreed to proceed in the spirit of equal footing basis. However, actual terms and conditions including the ratio of new share allotment in connection with the Management Integration will be decided by executing the final agreement.

3. Outline of companies involved in the Management Integration (as of March 31, 2011)

| | | |
|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) Trade name | Universal Shipbuilding Corporation | IHI Marine United Inc. |
| (2) Location of head office | 1310 Omiya-cho, Saiwai-ku, Kawasaki-shi, Kanagawa | 22-23, Kaigan 3-chome, Minato-ku, Tokyo |
| (3) Title and name of representative | President and CEO Shinjiro Mishima | President & Chief Executive Officer Shigemi Kurahara |
| (4) Business | <ul style="list-style-type: none"> • Design, manufacture, sale and repair of ships • Design, manufacture, sale and repair of floating oil storage facilities, and steel structures including mega-float • Design, manufacture, sale and repair of marine equipment, industrial robots and defense equipment • Design and supervision of and contract works for civil engineering and construction • Sale of technologies listed in the preceding items • All businesses incidental or related to the preceding items | <ul style="list-style-type: none"> • Design, manufacture, purchase and sale, lease, installation, repair, maintenance and preservation of ships, naval vessels/patrol vessels, marine floaters (LNG/LPG production system, oil drilling units, etc.), marine equipment, defense equipment, industrial robots, floating/underwater equipment, marine structures and other steel structures • Design and supervision of civil engineering and construction • Consulting and engineering in relation with the above and provision of other technical know-how • Businesses incidental or related to the above |
| (5) Capital | ¥25,000 million | ¥11,099 million |
| (6) Incorporated | October 1, 2002 | October 2, 1995 |
| (7) Number of shares issued | 750 | 843,366 |
| (8) Fiscal year end | March 31 | March 31 |
| (9) Number of employees | 3,659 (consolidated) | 3,125 (consolidated) |
| (10) Major business partners | Japan Ministry of Defense, Nippon Yusen, Mitsui O.S.K. Lines, Kawasaki Kisen, etc. | Japan Ministry of Defense, Nippon Yusen, Mitsui O.S.K. Lines, Kawasaki Kisen, Mitsubishi Corporation, Sumitomo Corporation, Marubeni Corporation, etc. |
| (11) Major trading banks | Development Bank of Japan | Mizuho Corporate Bank, Sumitomo Mitsui Banking Corporation |
| (12) Major shareholders and ratio of shareholding | JFE Holdings 84.93% Hitachi Zosen 15.07% | IHI 100.00% |
| (13) Relationships between the companies | Capital relationships (as of September 30, 2011) | None |
| | Personnel relationships | None |
| | Business relationships | None |
| | Whether or not being a related party | None |

| (14) Business performance and financial position in most recent three-year period | | | | | | |
|-----------------------------------------------------------------------------------|----------------------------------------------|-----------------------|-----------------------|-----------------------------------------|-----------------------|-----------------------|
| Accounting period | Universal Shipbuilding (non-consolidated) | | | IHI Marine United (non-consolidated) | | |
| | FY ended March '09 | FY ended March '10 | FY ended March '11 | FY ended March '09 | FY ended March '10 | FY ended March '11 |
| Net assets | 40,555 | 56,058 | 66,941 | 11,894 | 16,453 | 23,318 |
| Total assets | 230,481 | 175,847 | 175,189 | 163,016 | 147,401 | 136,420 |
| Net assets per share (yen) | 54,073,455 | 74,744,548 | 89,255,082 | 14,103 | 19,508 | 27,648 |
| Net sales | 181,413 | 283,136 | 205,521 | 161,876 | 199,924 | 176,182 |
| Operating income | (11,788) | 24,291 | 20,200 | 1,499 | 844 | 10,393 |
| Ordinary income | (11,482) | 24,849 | 20,116 | 1,088 | 3,109 | 9,526 |
| Net income | (6,887) | 14,816 | 11,178 | 910 | 3,871 | 8,639 |
| Net income per share (yen) | (9,182,797) | 19,754,720 | 14,905,166 | 1,079 | 4,589 | 10,243 |
| Dividends per share (yen) | - | - | - | - | 1,555 | 2,964 |

(Millions of yen, unless otherwise specified)

Outline of New Company after the Management Integration

(1) Trade name, location of head office, capital and fiscal year end

These details are not yet decided, and will be determined by the date of execution of final agreement on the Management Integration, upon consultation among the related parties.

(2) Chairman and President

Chairman: Shigemi Kurahara (current President & Chief Executive Officer of IHI Marine United)

President: Shinjiro Mishima (current President and CEO of Universal Shipbuilding)

(3) Major shareholders and ratio of shareholding

The following shareholders and shareholding ratios are expected. As each figure is rounded off to two decimal places, the total figure exceeds 100%.

JFE Holdings 45.93%

IHI 45.93%

Hitachi Zosen 8.15%

(4) Places of business and plants

Places of business and plants of the New Company after the Management Integration shall be all the places of business and plants currently held by Universal Shipbuilding and IHI Marine United.

(5) Employees

The New Company after the Management Integration shall succeed all the employees employed by Universal Shipbuilding and IHI Marine United as of the effective date of the Management

Integration.

4. Future prospects

JFE Holdings, IHI, Universal Shipbuilding and IHI Marine United will promptly establish an integration preparation committee at which the business structure and operations, in particular, will be discussed and decided.

The execution of the MOU on the Management Integration will have no impact on the earnings forecasts for the current fiscal year of both JFE Holdings and IHI. The impact on earnings after the current fiscal year will be released as soon as practical once it is determined.

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For further information, please contact:

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