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November 4, 2022

Company: Riken Corporation
Representative: President, CEO & COO
Yasunori Maekawa
(Code: 6462 TSE Prime Market)
Contact: General Manager, Corporate Planning Div.,
Corporate Management Head Office
Tenya Mitsuboshi
(TEL. 03-3230-3911)

Notice Regarding the Acquisition of shares in JFE Pipe Fitting Mfg. Co., Ltd.

We are pleased to announce that at the meeting of the Board of Directors held today, Riken Corporation (the “Company”) resolved that it will acquire shares of JFE Pipe Fitting Mfg. Co., Ltd. (“JFE Pipe Fitting”) (the “Share Acquisition”) and make it a subsidiary as follows.

1. Reasons for the acquisition

As the automobile industry experiences a once-in-a-century transformation in recent years, the market environment of engine parts, which is our main business, has become increasingly challenging. Under the Company’s mid-term plan “PLAN 2022”, we plan to focus on non-ICE (internal combustion engine) as our new business for the next generation, and have considered utilizing M&A as a viable strategy to expand our portfolio in areas that have a high affinity with our products.

Based on the corporate vision of “contributing to society with the world’s most innovative technology” and as a member of the JFE Group, JFE Pipe Fitting manufactures and sells a wide range of pipe fittings. They have succeeded in maintaining strong relationships with multiple customers through its long-term businesses and have positioned themselves as one of the leading players in the industry.

While JFE Pipe Fitting has a solid presence in the field of gas pipe fittings, we recognized that their main products are highly complementary to ours, and thus can expect a wide range of synergy effects from this Share Acquisition, such as product lineup, research and development, and sales growth for both companies to continue providing timely and stable supply in both manufacturing and distribution. Furthermore, by acquiring the shares, we will be able to combine the technologies, know-how and knowledge of both companies and form a sustainable system that can significantly improve productivity and supply high-quality products, as well as accelerate our efforts to address climate change issues toward carbon neutrality.

By welcoming JFE Pipe Fitting into our group, we will continue to provide customers with excellent products that leverage the strengths of both companies thereby achieving sustainable growth and improving corporate value through stable management over the medium to long term.

2. Transfer of shares

The Company plans to acquire 7,362,000 shares from the existing shareholder out of 9,616,000 issued shares of JFE Pipe Fitting. As a result, the Company will have 76.56% of the outstanding shares of JFE Pipe Fitting, and JFE Pipe Fitting will become a consolidated subsidiary of the Company. The acquisition of shares is subject to application to the relevant

authorities and other necessary approvals.

3. Outline of the target company

(1)	Name	JFE Pipe Fitting Mfg. Co., Ltd.		
(2)	Address	153-1 Tajimecho Kishiwada, Osaka, 596-8585 Japan		
(3)	Name and Title of Representative	Takumasa Terauchi President		
(4)	Description of business	Production of fittings for gas, water, and other piping, and of parts for architectural and industrial machines		
(5)	Capital	958.95 million yen		
(6)	Date of establishment	April 27, 1935		
(7)	Major shareholders and equity share	JFE Steel Corporation (86.55%), Osaka Gas Co., Ltd. (6.06%), Sompo Japan Insurance Inc. (2.50%), Shinwasangyo Co., Ltd. (1.56%), Aioi Nissay Dowa Insurance Co., Ltd. (1.25%), Furubayashi Sangyokigu Co. Ltd. (1.04%), OTEC Corporation (1.04%)		
(8)	Relationship between the Company and the target company	Capital ties	There is no capital relationship that should be stated between the Company and the relevant company. In addition, there are no notable capital ties between related parties and affiliated companies of the Company and related parties and affiliated companies of the relevant company.	
		Personnel Relationship	There is no personnel relationship that should be stated between the Company and the relevant company. In addition, there are no noteworthy personnel relationships between related parties and affiliated companies of the Company and related parties and affiliated companies of the relevant company.	
		Business Relationship	There is no business relationship that should be stated between the Company and the relevant company. In addition, there are no noteworthy business relationships between related parties and affiliated companies of the Company and related parties and affiliated companies of the relevant company.	
(9)	Consolidated operating results and consolidated financial position of the target company for the last three years (Units: 1 million yen unless otherwise specified.)			
	Fiscal year	Year ended March, 2020	Year ended March, 2021	Year ended March, 2022
	Consolidated net assets	11,433	10,046	9,840
	Consolidated total assets	16,776	15,298	15,168
	Consolidated net assets per share(yen)	1,188.95	1,044.92	1,023.29
	Consolidated sales	13,241	11,428	12,469
	Consolidated operating income	400	75	278
	Consolidated ordinary profit	450	107	293
	Net Income (Net Loss) attributable to parent company shareholders	277	▲1,335	▲50
	Consolidated net income per	28.80	▲138.83	▲5.19

share(yen)			
Dividend per share(yen)	15.50	0.00	0.00

4. Overview of the counterparty of the share acquisition

(1)	Name	JFE Steel Corporation	
(2)	Address	2-2-3 Uchisaiwaicho, Chiyoda-ku, Tokyo 100-0011, Japan	
(3)	Name and Title of Representative	Yoshihisa Kitano President and CEO	
(4)	Business	Sheets, plates, shapes, pipes and tubes, stainless and specialty steels, electrical steels bars and wire rods, and iron powders	
(5)	Capital	239,644 million yen	
(6)	Date of establishment	April 1, 2003	
(7)	Net worth	1,466,733 million yen	
(8)	Total assets	4,425,035 million yen	
(9)	Major shareholders and shareholding ratio	JFE Holdings, Inc. 100.00%	
(10)	Relationship between the Company and the counterparty	Capital ties	There is no capital relationship that should be stated between the Company and the relevant company. In addition, there are no notable capital ties between related parties and affiliated companies of the Company and related parties and affiliated companies of the relevant company.
		Personnel relationship	There is no personnel relationship that should be stated between the Company and the relevant company. In addition, there are no noteworthy personnel relationships between related parties and affiliated companies of the Company and related parties and affiliated companies of the relevant company.
		Business relationship	There is no business relationship that should be stated between the Company and the relevant company. In addition, there are no noteworthy business relationships between related parties and affiliated companies of the Company and related parties and affiliated companies of the relevant company.
		Applicability to related parties	There is no business relationship that should be stated between our company and this company, and it is not our related party.

5. Number of acquired shares, acquisition price, and status of owned shares before and after acquisition

(1)	Number of shares owned before the change	0 shares (Number of voting rights: 0) (Percentage of voting rights held: 0%)
(2)	Number of shares acquired	7,362,000 shares (Number of voting rights: 7,362,000)
(3)	Acquisition cost	Undisclosed due to the confidentiality obligation with the counterparty

(4) Number of shares owned after the change	7,362,000 shares (Number of voting rights: 7,362,000) (Voting rights ownership ratio: 76.56%)
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(Note) The acquisition price was determined after repeated discussions with the counterparty based on the results of due diligence and share valuation by third parties, and the Board of Directors of the Company resolved it as a reasonable price.

6. Expected schedule

(1)	Board resolution	November 4, 2022
(2)	Signing of the Agreement	November 4, 2022
(3)	Share transfer	March 31, 2023 (Scheduled)

*The date of the share transfer is subject to change based on application to the relevant authorities and other necessary approvals.

7. Future outlook

If this Share Acquisition is carried out as planned, JFE Pipe Fitting is expected to become a consolidated subsidiary of the Company from the fourth quarter of the fiscal year ended March 2023. We are currently examining the impact of this Share Acquisition on our consolidated results for the fiscal year ending March 31, 2023 and will promptly disclose any matters that should be disclosed.