

November 26, 2007

Company Name: NGK Insulators, Ltd.  
Representative: Shun Matsushita, President and Chief  
Executive Officer  
(Code Number: 5333, listed in 1st section of TSE, OSE and  
NSE; and SSE)  
Contact: Hiroshi Wada, Director and Senior Vice President  
Telephone Number: +81-52-872-7230

Company Name: Fuji Electric Holdings Co., Ltd.  
Representative: Haruo Ito, President and Representative  
Director  
(Code Number: 6504, listed in 1st section of TSE, OSE and  
NSE; and FSE)  
Contact: Tadayoshi Miyoshi,  
Manager of Corporate Communications  
Telephone Number: +81-3-5435-7206

**Merger between Fuji Electric Water Environmental Systems Co., Ltd (“FWS”)  
and NGK Water Environment Systems, Ltd. (“NWS”)**

As released on February 22, 2007, Fuji Electric Holdings Co., Ltd. (“FHC”) and NGK Insulators., Ltd. (“NGK”) agreed to mutually discuss the consolidation of their water environment business operations. Since then, FHC, NGK and Fuji Electric Systems Co., Ltd (“FES”), one of FHC’s operating companies, have discussed the details of the consolidation from the perspective of business and financial strategy.

FHC and NGK announced today that following the resolution of respective board meetings, FWS, a consolidated subsidiary of FHC, and NWS, a consolidated subsidiary of NGK, have signed the merger agreement on November 26, 2007.

## 1. Purpose of the merger

The merged entity (the “New Company”) will aim to be “the leading company in the water environment business area” that pursues optimal solutions for maintaining secure and safe water environment as well as solving related resource and energy problems. Specifically, in the domestic water and sewerage areas, the New Company, as a consolidated company that combines FWS’s electric technologies and NWS’s machinery and equipment technologies, will expand its operational reach and enhance development of new products and new technologies as well as aiming to develop next-generation technologies that achieve both energy saving and power saving in water-treatment facilities. In addition, the New Company will pursue the business in the private sector and business abroad considering the increasing demands in these areas for water reclamation and seawater desalination due to global water shortage.

## 2. Outline of the merger

### 1) Schedule

Resolution of board of directors (FHC)	: November 15, 2007
Resolution of board of directors (NGK)	: November 26, 2007
Signing date of the merger agreement	: November 26, 2007
Planned shareholders meeting for approval of the merger (FWS)	: December 11, 2007
Planned shareholders meeting for approval of the merger (NWS)	: December 11, 2007
Planned Effective date	: April 1, 2008

Note that the above schedule is subject to change upon consultation between the two parties in the case of unavoidable circumstances.

### 2) Merger structure

NWS will be the surviving entity, and FWS will be the dissolving entity.

3) Merger ratio

Company name	NWS (surviving entity)	FWS (dissolving entity)
Merger ratio	1	1

1. Allotment ratio of stocks

1 share of NWS common stock for each share of FWS common stock will be allocated for delivery.

2. Numbers of new shares to be issued by NWS in connection with the merger

Shares of common stock: 100,000 shares

Note that NWS's total shares are 100,000 by combination of shares executed on November 5, 2007. And since FES and NGK will hold 50 percent stake each in the New Company's stake, the New Company will not become a subsidiary of either company.

4) Calculation basis of merger ratio

a) Basis of calculation

For the sake of fairness and reasonableness, FWS and NWS appointed Mizuho Securities Co., Ltd. ("Mizuho") and Nomura Securities Co., Ltd. ("Nomura"), respectively, as financial advisors. As to the final determination of the merger ratio, it was based on the negotiation between the two companies, FWS referring to the merger ratio calculation result of Mizuho and NWS referring to the merger ratio calculation result of Nomura, and took into account the two company's financial, asset status and other factors such as their business prospects. However, note that merger ratio is subject to change upon consultation and mutual agreement between the two parties if the terms and conditions that form the basis of calculating the ratio should materially change.

b) Relationship with the financial advisors

Each of Mizuho and Nomura is not a related party of FWS and NWS, respectively.

5) Treatment of share warrant(s) and/or bond(s) with stock acquisition rights of the dissolving company

FWS does not have any outstanding share warrants or bonds with stock acquisition rights.

### 3. Outline of merging companies

(As of September 30, 2007)

1) Corporate name	NGK water environment systems, Ltd.	Fuji electric water environmental systems Co., Ltd.
2) Descriptions Of businesses	Manufacture and sale of water treatment systems and sewage treatment systems; design, construction and engineering of various plants	Manufacture and sale of water treatment systems, water environmental systems, and electric power equipment for facilities; design, construction and engineering of various plants
3) Establishment	October 1, 1973	September 28, 1990
4) Head office	2-56, Suda-cho, Mizuho-ku, Nagoya-shi, Aichi	1-11-2, Osaki, Shinagawa-ku, Tokyo
5) Representative	Haruo Matsuki, President	Hiroshi Komaki, President
6) Paid-in capital	4.5 billion yen	3.0 billion yen
7) Shares outstanding	Common shares 300,000	Common shares 100,000
8) Net asset	11.7 billion yen	2.7 billion yen
9) Total assets	23.5 billion yen	21.2 billion yen
10) Fiscal year end	March 31	March 31
11) Number of employees	478	888
12) Major customer	Government and public offices, etc.	Government and public offices, etc.
13) Major shareholder and ratio of shareholding	NGK Insulators, Ltd. owns 100 percent stake	Fuji Electric Systems Co., Ltd. owns 100 percent stake
14) Main financing bank	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Mizuho Corporate Bank, Ltd.
15) Relationship between two companies	Capital ties	None
	Personal relationships	None
	Business relationships	None to be specified
	Other related parties	None

16) Business performance for previous three fiscal years (unconsolidated)

Fiscal term	NWS (surviving entity)			FWS (dissolving entity)		
	Mar, 2005	Mar, 2006	Mar, 2007	Mar, 2005	Mar, 2006	Mar, 2007
Net sales (million yen)	6,176	6,828	6,878	634	865	794
Operating income (million yen)	186	230	263	3	4	- 12
Ordinary income (million yen)	187	233	269	3	4	- 17
Net income (million yen)	105	123	152	2	- 4	- 8
Net income per share (yen)	587	684	845	4,479	- 6,859	- 14,779
Dividend per share (yen)	111	111	111	0	0	0
Net asset per share (yen)	3,635	4,208	4,943	166,970	165,357	150,577

**Note:** NWS (former name: NGK-E solution) and FWS (former name: Keiyo FDK) acquired water environment business from NGK and FES, respectively, on April 1, 2007 by the absorption-type demerger. Above business performances are those of the two companies before the acquisitions.

4. Post-merger status

1) Corporate name	METAWATER Co., Ltd.
2) Descriptions of business	1. Manufacture and sale of treatment systems for water, sewage water and reclaimed water, and electrical machinery for facilities 2. Design, construction and engineering of various plants 3. All businesses related to things above
3) Head office	4-3-1, Toranomom, Minato-ku, Tokyo
4) Representatives	Haruo Matsuki, President (the current president of NWS) Hiroshi Komaki, Vice President (the current president of FWS)
5) Paid-in capital	7.5 billion yen
6) Net asset	14.4 billion yen (total of NWS and FWS as of September 30, 2007)
7) Total assets	44.8 billion yen (total of NWS and FWS as of September 30, 2007)
8) Fiscal year end	March 31

9) Accounting treatment

Since the merger mentioned above corresponds “Formulation of a jointly-controlled company (Kyodo-Shihai Kigyo no Keisei)” described in Accounting Standard for Business Combinations issued by Business Accounting Council of the Japanese Financial Services Agency, the appropriate accounting treatment is supposed to be applied, based on Accounting Standard for Business Combination.

10) Post-merger earnings forecast

It will be released after it is determined.