

February 4, 2014

Company: Kobe Steel, Ltd.
(Code number: 5406,
The Tokyo Stock Exchange and the
Nagoya Stock Exchange)
Representative: Hiroya Kawasaki, President, CEO
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Notice Regarding Issuance of New Shares and Disposition of Treasury Shares, and Secondary Offering of Shares

Kobe Steel, Ltd. (the “Company”) hereby announces that its board of directors has resolved matters relating to the issuance of its new shares, the disposition of its treasury shares and the secondary offering of shares at a meeting held on February 4, 2014, as set forth below.

1. Purpose of the offering

Our Group has positioned the three-year period beginning from 2013 as a period for “Rebuilding the Group’s Business Foundation” and as a time to steadily lay a “Foundation for Stable Profits and Business Growth,” looking ahead to the medium- to long-term future of fiscal year 2016 and beyond in accordance with our medium-term business plan, which was compiled in May 2013, and we are making efforts to realize the medium- to long-term business vision outlined in “KOBELCO VISION G.”

Concerning “Rebuilding the Group’s Business Foundation,” we are focusing on efforts concerned with “Strengthening the Profitability of the Iron & Steel Business,” “Securing Sales Volume in Growth Sectors and Regions,” “Improving the Competitiveness of the Company” and “Improving Financial Performance.” We are working on reducing costs at the production level and promoting a variety of cost-cutting investments, as well as maximizing sales volume in growth sectors such as the automotive, natural resources and environment, energy and infrastructure, and in growth regions such as emerging countries and North America. Recently, we have been working to steadily implement our business plan and anticipate that our business will regain profitability both on a company-wide level and at the Iron & Steel Business level.

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Furthermore, concerning the “Foundation for Stable Profits and Business Growth,” we are focusing on efforts concerned with “Reforming the Structure of the Steel Business,” “Strategically Expanding the Machinery Business” and “Expanding the Power Supply Business.”

In particular, in the steel business we anticipate a decline in demand based on domestic and international trends over the medium- to long-term future, and plan to shut down the upstream equipment at our Kobe Works and transfer it to our Kakogawa Works. In accordance with our business plan, we intend to further strengthen our cost competitiveness and strengthen high value-added products such as special steel wire rods and bars, automotive high tensile steel sheet and steel plate for energy production, as well as actively develop products by promoting the integration of diverse technologies that cover material business and machinery business which are the strength of our Group.

To steadily realize the strengthening of our business foundation and the foundation of stability and growth mentioned above, and to ensure the sustainable growth of our Group, we have decided to issue new shares and dispose of treasury shares, as well as make a secondary offering of shares.

With the proceeds of this global offering, we will make investments to address growth sectors such as the development of lighter automotive components and increasing demand in the energy and infrastructure sector, and implement strategic investments aimed at accelerating our global operational presence. We also intend to strengthen profitability by rebuilding our business foundation by focusing on reforming the structure of the steel business. In addition, we strive to promote the strengthening of our diversified business operations by further expanding the power supply business and to realize our medium- to long-term business vision.

2. Issuance of new shares by way of global offering

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|-----|--|---|
| (1) | Class and number of shares to be offered | 470,831,000 shares of common stock of the Company, the aggregate of (i) through (iii) described below: <ul style="list-style-type: none">(i) 281,081,000 shares of common stock of the Company, issued for purchase by the Japanese Joint Lead Managers in the Japanese Public Offering, described in (4)(i) below;(ii) 165,000,000 shares of common stock of the Company, issued for purchase by the International Managers in the International Offering, described in (4)(ii) below; and(iii) A maximum of 24,750,000 shares of common stock of the Company, additionally issued for purchase by the International Managers upon exercise of the option, described in (4)(ii) below. |
| (2) | Method of determining the amount to be paid in | The amount to be paid in will be determined on a day in the period between February 19, 2014 (Wed) and February 25, 2014 (Tue) (such date, the “Pricing Date”) in accordance with the method set forth in Article 25 of the Rules Concerning Underwriting, etc. of Securities, etc. promulgated by the Japan Securities Dealers Association (the “JSDA”). |

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- (3) Amount of stated capital and additional capital reserves to be increased The amount of stated capital to be increased shall be half of the maximum increase amount of stated capital, as calculated in accordance with the provisions of Article 14, Paragraph 1 of the Rules of Account Settlement of Corporations, with any fraction less than one yen resulting from the calculation being rounded up to the nearest one yen. The amount of capital reserves to be increased shall be the amount obtained by subtracting the said amount of stated capital to be increased from the maximum amount of increase of stated capital.
- (4) Method of offering The Japanese offering and the international offering shall be made simultaneously.
- (i) Japanese Public Offering:
The issuance of new shares by way of public offering to be made in Japan (collectively with the disposition of treasury shares by way of public offering as described in “3. Disposition of treasury shares by way of public offering” below, the “Japanese Public Offering”) shall be a public offering, and several Japanese underwriters (collectively, the “Japanese Joint Lead Managers”), acting as the Japanese joint lead managers and joint bookrunners, shall underwrite and purchase all of the new shares with respect to the issuance of new shares by way of public offering to be made in Japan.
- (ii) International Offering:
In the offering to be made outside of Japan (with the offering in the United States restricted to sales to “qualified institutional buyers” under Rule 144A of the United States Securities Act of 1933) (the “International Offering”), the aggregate number of shares shall be severally and not jointly purchased by several international managers (collectively, the “International Managers”), acting as the international joint lead managers and joint bookrunners. The Company shall also grant the International Managers the option to purchase additional newly issued shares of common stock, as described in (1)(iii) above.
- With regard to the number of shares to be offered in (i) and (ii) above, and (3) in “3. Disposition of treasury shares by way of public offering” below, the number of shares to be offered is planned to be 385,000,000 shares for the Japanese Public Offering (281,081,000 shares issued for purchase as described in (1)(i) above, and 103,919,000 shares offered for purchase as described in (1) in “3. Disposition of treasury shares by way of public offering” below and 189,750,000 shares for the International Offering (165,000,000 shares issued for purchase as described in (1)(i) above, and 24,750,000 shares additionally issued for purchase upon exercise of the option in (1)(iii) above). However, the final breakdown shall be determined on the Pricing Date by taking into account market demand and other conditions.
- The issue price (the offer price) with regard to each of (i) and (ii) shall be

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determined on the Pricing Date in accordance with the method stated in Article 25 of the Rules Concerning Underwriting, etc. of Securities, of the JSDA, based on the preliminary pricing terms calculated by multiplying the closing price in regular trading of the shares of common stock of the Company on the First Section of the Tokyo Stock Exchange, Inc. on the Pricing Date (or, if no closing price is quoted, the closing price of the immediately preceding date) by a number between 0.90 and 1.00 (with any fraction less than one yen being rounded down), taking into account market demand and other conditions.

The joint global coordinators for the Japanese Public Offering, the International Offering as well as the offering mentioned below in “4. Secondary offering of shares (offering by way of over-allotment)” shall be two of the Japanese Joint Lead Managers (the “Joint Global Coordinators”).

- (5) Consideration for underwriters The Company shall not pay any underwriting commissions to the underwriters, although the aggregate amount of the difference between (a) the issue price (the offer price) in the issuance of new shares by way of global offering and (b) the amount to be paid in to the Company by the underwriters shall constitute proceeds to the underwriters.
- (6) Subscription period (in Japanese Public Offering) The subscription period shall be from the business day immediately following the Pricing Date to the second business day following the Pricing Date.
- (7) Payment date The payment date shall be any day in the period from February 26, 2014 (Wed) to March 4, 2014 (Tue), provided, however, that such day shall be the fifth business day following the Pricing Date.
- (8) Subscription unit 1,000 shares
- (9) The amount to be paid in, the amount of stated capital and capital reserves to be increased, the issue price (the offer price), and any other matters necessary for this issuance of new shares by way of global offering shall be determined at the discretion of the President, CEO and Representative Director of the Company or any Executive Vice President and Representative Director appointed by him.
- (10) The issuance of new shares by way of public offering to be made in Japan shall be subject to the registration taking effect under the Financial Instruments and Exchange Act of Japan.

3. Disposition of treasury shares by way of public offering

- (1) Class and number of shares to be offered 103,919,000 shares of common stock of the Company.
- (2) Method of determining the amount to be paid in The amount to be paid in will be determined on the Pricing Date in accordance with the method set forth in Article 25 of the Rules Concerning Underwriting, etc. of Securities, promulgated by the JSDA, along with the amount to be paid in for the issuance of new shares by way of global offering.

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- (3) Method of offering A public offering in Japan shall be made, and the Japanese Joint Lead Managers shall underwrite and purchase all of the treasury shares with respect to the disposition of treasury shares by way of public offering. The disposition price (the offer price) with regard to the disposition of treasury shares by way of public offering shall be determined on the Pricing Date in accordance with the method stated in Article 25 of the Rules Concerning Underwriting, etc. of Securities of the JSDA, based on the preliminary pricing terms calculated by multiplying the closing price in regular trading of the shares of common stock of the Company on the First Section of the Tokyo Stock Exchange, Inc. on the Pricing Date (or, if no closing price is quoted, the closing price of the immediately preceding date) by a number between 0.90 and 1.00 (with any fraction less than one yen being rounded down), taking into account market demand and other conditions. The disposition price (the offer price) with regard to the disposition of treasury shares by way of public offering shall be the same as the issue price (the offer price) with regard to the issuance of new shares by way of global offering.
- (4) Consideration for underwriters The Company shall not pay any underwriting commissions to the underwriters, although the aggregate amount of the difference between (a) the disposition price (the offer price) in the disposition of treasury shares by way of public offering and (b) the amount to be paid in to the Company by the underwriters shall constitute proceeds to the underwriters.
- (5) Subscription period (in Japanese Public Offering) The subscription period shall be from the business day immediately following the Pricing Date to the second business day following the Pricing Date. The subscription period shall be the same as the subscription period (in the Japanese Public Offering) with regard to the issuance of new shares by way of global offering.
- (6) Payment date The payment date shall be any day in the period from February 26, 2014 (Wed) to March 4, 2014 (Tue), provided, however, that such day shall be the fifth business day following the Pricing Date. The payment date shall be the same as the payment date with regard to the issuance of new shares by way of global offering.
- (7) Subscription unit 1,000 shares
- (8) The amount to be paid in, the disposition price (the offer price), and any other matters necessary for this disposition of treasury shares by way of public offering shall be determined at the discretion of President, CEO and Representative Director of the Company or any Executive Vice President and Representative Director by him.
- (9) This disposition of treasury shares by way of public offering shall be subject to the registration taking effect under the Financial Instruments and Exchange Act of Japan.

4. Secondary offering of shares (secondary offering by way of over-allotment) (See “Reference” item 1. below)

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- (1) Class and number of shares to be offered 57,750,000 shares of common stock of the Company.
The number of shares mentioned above is the maximum number of shares to be sold. The above number may decrease, or this secondary offering by way of over-allotment itself may be cancelled, depending on market demand and other conditions. Furthermore, the number of shares to be sold shall be determined on the Pricing Date, taking into account market demand and other conditions in the Japanese Public Offering.
- (2) Seller A certain Japanese underwriter (the “Japanese Lead Manager”)
- (3) Selling price Undetermined (The selling price shall be determined on the Pricing Date; provided, however, that such selling price shall be the same as the issue price (the offer price) in the issuance of shares by way of global offering and disposition price (the offer price) in the disposition of treasury shares by way of public offering.)
- (4) Method of offering Taking into account market demand and other conditions for the Japanese Public Offering, the Japanese Lead Manager will make a secondary offering in Japan of the maximum of 57,750,000 shares that it borrows from a certain shareholder of the Company.
- (5) Subscription period The subscription period shall be the same as the subscription period in the Japanese Public Offering.
- (6) Delivery date The delivery date shall be the business day immediately following the payment date in the Japanese Public Offering.
- (7) Subscription unit 1,000 shares
- (8) The selling price and any other matters necessary for this secondary offering by way of over-allotment shall be approved at the discretion of President, CEO and Representative Director of the Company or any Executive Vice President and Representative Director appointed by him.
- (9) This secondary offering by way of over-allotment shall be subject to the registration taking effect under the Financial Instruments and Exchange Act of Japan.

5. Issuance of new shares by way of third-party allotment (the “Third-Party Allotment”) (See “Reference” item 1. below)

- (1) Class and number of shares to be offered 57,750,000 shares of common stock of the Company.
- (2) Method of determining the amount to be paid in The amount to be paid in shall be determined on the Pricing Date; provided, however, that such amount to be paid in shall be the same as the amount to be paid in with regard to the issuance of new shares by way of global offering and the disposition of treasury shares by way of public offering.

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- (3) Amount of stated capital and capital reserves to be increased The amount of stated capital to be increased shall be half of the maximum increased amount of stated capital, as calculated in accordance with the provisions of Article 14, Paragraph 1 of the Rules of Account Settlement of Corporations with any fraction less than one yen resulting from the calculation being rounded up to the nearest one yen. The amount of the capital reserves to be increased shall be the amount obtained by subtracting the said amount of stated capital to be increased from the maximum amount of increase of stated capital.
- (4) Allottee The Japanese Lead Manager
- (5) Subscription period March 18, 2014 (Tue)
- (6) Payment date March 19, 2014 (Wed)
- (7) Subscription unit 1,000 shares
- (8) Shares not subscribed for within the subscription period in (5) above shall not be issued.
- (9) The amount to be paid in, the amount of stated capital and capital reserves to be increased, and any other matters necessary for the Third-Party Allotment shall be determined at the discretion of President, CEO and Representative Director of the Company or any Executive Vice President and Representative Director appointed by him.
- (10) The Third-Party Allotment shall be subject to the registration taking effect under the Financial Instruments and Exchange Act of Japan.

Reference

1. The secondary offering by way of over-allotment

The secondary offering by way of over-allotment in “4. Secondary offering of shares (secondary offering by way of over- allotment)” above is a secondary offering of shares of common stock of the Company in Japan to be made in conjunction with the Japanese Public Offering in “2. Issuance of new shares by way of global offering” and “3. Disposition of treasury shares by way of public offering” in an amount not to exceed 57,750,000 shares, that will be borrowed by the Japanese Lead Manager from a certain shareholder of the Company (the “Borrowed Shares”) taking into account market demand and other conditions. The number of shares in the secondary offering by way of over-allotment is expected to be 57,750,000 shares, which indicates the maximum number of shares to be sold, and depending on market demand and other conditions such number may decrease, or the secondary offering by way of over-allotment may be cancelled.

In connection with the secondary offering by way of over-allotment, the board of directors of the Company has resolved, at the meeting held on February 4, 2014 (Tue), that the Company will issue 57,750,000 shares of common stock necessary to return the Borrowed Shares to the certain shareholder, by way of third-party allotment to the Japanese Lead Manager with the payment date set to be March 19, 2014 (Wed).

2. Change in the total number of issued shares as a result of this issuance of new shares by

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way of global offering and the Third-Party Allotment

| | |
|---|---|
| Total number of issued shares at present: | 3,115,061,100 shares (As of February 4, 2014) |
| Increase in number of shares as a result of the issuance of new shares by way of global offering: | 470,831,000 shares (Note 1) |
| Total number of issued shares after the issuance of new shares by way of global offering: | 3,585,892,100 shares (Note 1) |
| Increase in number of shares as a result of the Third-Party Allotment: | 57,750,000 shares (Note 2) |
| Total number of issued shares after the Third-Party Allotment: | 3,643,642,100 shares (Note 2) |

Notes:

1. These figures are based on the assumption that the International Managers exercise all of the options set forth in (1)(iii) of "2. Issuance of new shares by way of global offering" above.
2. These figures are based on the assumption that the number of shares to be offered set forth in (1) of "5. Issuance of new shares by way of third-party allotment" are all subscribed for by the Japanese Lead Manager and issued and thus indicates the maximum number of the shares to be issued.

3. Change in the number of treasury shares as a result of this disposition of treasury shares

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|--|---|
| Number of treasury shares at present: | 108,806,280 shares (As of January 31, 2014) |
| Number of disposed shares: | 103,919,000 shares |
| Number of treasury shares after the disposition: | 4,887,280 shares |

4. Use of proceeds

(1) Use of proceeds raised this time

With respect to the maximum net approximate total amount of 100,565,700,000 yen from the Japanese Public Offering, the International Offering and the Third-Party Allotment, by the end of March 2017, 86 billion yen is scheduled to be applied to capital expenditures with regard to "Strengthening the Profitability of the Iron & Steel Business" and "Reforming the Structure of the Steel Business," and 13.2 billion yen is scheduled to be applied to capital expenditures and investments for the automotive areas in the Iron & Steel business and the Aluminum & Copper business, and the remaining amount is scheduled to be applied to repay long-term borrowings.

Our Group has positioned the three-year period beginning from 2013 as a period for "Rebuilding the Group's Business Foundation" and as a time to steadily lay the "Foundation for Stable Profits and Business Growth" in "The Group's Fiscal 2013–2015 Medium-Term Business Plan" compiled in May 2013. By way of concrete efforts, we are pressing forward with equipment investment to strengthen the cost competitiveness of our new hot metal treatment plant, our high efficiency in-house power generation equipment (2GTCC) and our heavy plate accelerated cooling equipment,

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etc., aimed at “Strengthening the Profitability of the Iron & Steel Business”. In addition, we have decided “Reforming the Structure of the Steel Business” to take steps further strengthening our cost competitiveness, expecting to be increasingly competitive in the medium- to long-term future. We intend to strengthen the competitiveness of our main line-ups, such as special steel wire rods and bars, by shutting down the upstream equipment at our Kobe Works and transferring the upstream operations to Kakogawa Works, by newly installing a state-of-the-art continuous bloom caster and a secondary refining equipment, and by enhancing the capacity of the blooming mill. In addition, we intend to construct a global supply network in the automotive area, where the need for lighter car is increasing, to incorporate demand in developing markets. The funds from this offering are scheduled to be applied to these plans.

Furthermore, the major plans for capital expenditure with regard to strengthening the profitability of the Iron & Steel business and capital expenditure in the automotive area in the Aluminum & Copper business of our Group are as follows as of February 4, 2014 (the paid amount of the expected investment is as of the end of December 2013.)

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| Name of company Name of business office | Segment | Details of facilities, etc. | Expected investment amount (Note 1) | | Financing method | Construction schedule | |
|---|----------------------------------|--|--|------------------------------------|--|----------------------------------|--|
| | | | Total amount (million yen) | Paid amount (million yen) | | Commencement (month/ year) | Completion (Note 2) (month/ year) |
| Company Kakogawa Works Kobe Works | Iron & Steel Business | Facilities with regard to “strengthening profitability of Iron & Steel Business” (new hot metal treatment plants, high efficiency in-house power generation equipment (2GTCC) and heavy plate accelerated cooling equipment) and “reforming the structure of the Steel Business” | 118,550 | 11,928 | Funds from capital increase, own funds, borrowings, etc. | April 2011 | November 2017 |
| KOBELCO Automotive Aluminum Rolled Products (China) Co., Ltd. | Aluminum & Copper Business | Producing aluminum sheet plant for automotive panel material | 12,600 (Note 3, 4) | - | | September 2013 | April 2016 |
| Total | - | - | 131,150 | 11,928 | - | - | - |

- (Note) 1. The amount does not include consumption tax, etc.
2. The increased capacity, etc. after completion is not included because the calculation is difficult.
3. The expected investment amount is calculated based on the budgetary exchange rate (16.5 yen per 1 RMB), thus the expected investment amount may change in the future depending on exchange rate fluctuations, etc.
4. Capital expenditure in the automotive area in the Aluminum & Copper Business will be made through investment in Kobelco (China) Holding Co., Ltd. which is the operational headquarters in China.

In addition, the specific details, amount and scheduled time of payment with regard to the major investment in the automotive area in the Iron & Steel Business is as follows:

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| Details | Amount (million yen) | Scheduled time of payment |
|--|----------------------|---------------------------|
| Investment in a joint venture (KOBELCO Angang Auto Steel Co., Ltd.) to produce and sell automotive cold-rolled high-tensile steel sheet in the Iron & Steel Business | 5,700 (Note1, 2) | June 2014 |

- (Note) 1. The amount is calculated based on the budgetary exchange rate (16.5 yen per 1 RMB), thus the amount may change in the future depending on exchange rate fluctuations, etc.
2. This investment will be made through investment in Kobelco (China) Holding Co., Ltd. which is the operational headquarters in China.
3. This investment fund is planned to be applied to investment in production equipment, etc. for automotive cold-rolled high-tensile steel sheets in the above mentioned joint venture.

(2) Change in the use of proceeds raised last time
Not applicable.

(3) Expected impact on the business results

The Company believes that the issuance of new shares, the disposition of treasury shares and the Third Party Allotment will contribute to improving profit in the medium- to long-term future by strengthening financial characteristics.

5. Lock-up

In connection with the Japanese Public Offering and the International Offering, the Company has agreed with the Joint Global Coordinators that for a period beginning on the execution date of the underwriting agreements for such offering and ending on the 180th day from and including the date of delivery for such offerings (the "Lock-up Period"), without the prior written approval of the Joint Global Coordinators, it will not issue any capital stock or any securities convertible into, or exercisable or exchangeable for, or that are granted the right to acquire or receive, capital stock, etc., except, among others, that the Company may issue shares of common stock pursuant to the Japanese Public Offering, the International Offering, the Third-Party Allotment, and any stock split of common stock, and that the Company may issue stock acquisition rights by means of allotment of stock acquisition rights without contribution pursuant to "Measures on the Basis of Policy on Large-Scale Purchasing of Shares of the Company (Anti-Takeover Measures)" approved at the ordinary general meeting of shareholders of the Company held on June 26, 2013 and that the Company may deliver shares of common stock with respect to the exercise by holders of the stock acquisition rights issued by the said allotment of stock acquisition rights without contribution and to the acquisition by the Company of the stock acquisition rights from holders of the stock acquisition rights, etc.

The Joint Global Coordinators have the right to terminate all or part of such agreement at their discretion even during the Lock-up Period.

End.

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