

NIPPON STEEL CITY PRODUCE AND KOWA REAL ESTATE
TO INTEGRATE MANAGEMENT

March 26, 2012 --- Nippon Steel Corporation (NIPPON), announces the forthcoming management integration of Nippon Steel City Produce, Inc., a consolidated subsidiary of NIPPON, (voting right ratio 100%, NSCP) and Kowa Real Estate Co., Ltd. (KOWA). The two companies' respective board meetings held today passed the resolution on the management integration to take effect (tentatively) as of October 1 of this year and signed a basic integration agreement.

NSCP, inaugurated in April 2002 by the business integration of NIPPON's then Urban Development Division and Nippon Steel Life Planning Co., Ltd., has since contributed to the overall development and earnings of NIPPON's consolidated management, as part of our six business segments. Its primary task was utilizing vast land space standing idle near our integrated steel mills. NSCP has developed its strengths further, starting and expanding the "Livio" brand of urban residential construction and undertaking re-development and re-building projects in built-up areas.

On the other hand, the prospects for the real estate market point to an upcoming diminution of the market size in general, under the influence of many adverse factors, such as fast aging society, population decrease, contraction of the size of Japan's economy, and over-concentration in Tokyo. In the metropolitan area where a certain size of demand can still be anticipated, competition will be sure to grow increasingly stiff.

In this situation, combining NSCP's strengths in major-scale residential construction and urban redevelopment with KOWA's capabilities for business-office development and leasing in prime, mid-town areas of Tokyo is expected to realize a well-balanced business portfolio, while also promising synergistic effects in complex-development projects. The new company to be formed by this integration will continue, as a member of our group, to contribute to communities and society through its newly integrated and strengthened business infrastructure and its growth in a widened sphere of endeavor.

For details of this integration, refer to the two companies' announcements.

**Contact: Public Relations Center, General Administration Div.
Tel: +81-3-6867-2147**

March 26, 2012

Kowa Real Estate Co., Ltd.
Nippon Steel City Produce, Inc.

**Basic Agreement reached on Business Integration
of Kowa Real Estate and Nippon Steel City Produce**

Kowa Real Estate Co., Ltd. (Tetsuo Narukawa / President & CEO; hereinafter referred to as “Kowa Real Estate”) and Nippon Steel City Produce, Inc. (Akira Shoga / President & CEO; hereinafter referred to as “Nippon Steel City Produce”) have respectively passed resolutions at their Board of Directors meetings today concerning the integration of their businesses from October 1, 2012 and have entered into a basic agreement on business integration as summarized below. This business integration is subject to approval at the shareholders meetings of both companies.

1. Purpose of the business integration, etc.

(1) Purpose of the business integration

Through this business integration, Kowa Real Estate and Nippon Steel City Produce will bring together their excellent business resources and expertise cultivated up to this point and organically integrate their respective specialty areas so that the companies can maintain a balanced business portfolio with an emphasis on developing and leasing office and condominium buildings as well as become an integrated developer that can provide multidimensional real estate services. As a result of this integration, the companies will enhance profitability, financial stability and brand value. In addition, they will exert a strong presence in the real estate industry and pursue the realization of sustainable growth.

Based on the confidence earned from various domains, including customers, the integrated company will contribute to the development of communities and societies by providing diversified and high-quality living and working space / real estate services and expanding social infrastructure.

(2) Significance of the business integration

Kowa Real Estate mainly develops and leases office buildings in prime areas around central Tokyo and provides integrated real estate services blended with financial services through the utilization of the operations and excellent customer base of the Mizuho Financial Group. Nippon Steel City Produce, taking advantage of the know-how accumulated through the development of large-scale, idle land around steel plants, has been committed to diversified business as an integrated developer with unique strong points and an emphasis on developing and selling condominium building lots in urban regeneration areas (e.g., redevelopment of urban areas in the cities, reconstruction areas, land-space exchanges, etc.).

On the other hand, concerning the real estate market in the medium and long-term, as a result of the depopulation accompanied by the aging society and declining birthrate, along with stagnant domestic economy and overconcentration in the Tokyo area, the overall size of the market is expected to shrink while competition will intensify in the Tokyo metropolitan area, which one area where there is still projected to be a certain level of demand. Thus, the business environment will likely to become more difficult going forward.

Under these circumstances, both companies share an awareness that a new initiative beyond individual management efforts is needed to broaden a secure outlook for the future in the upcoming severe business environment. Since first sharing this awareness, the companies, based on a spirit of equality, have been diligently and sincerely engaged in discussions and negotiations concerning a variety of possible business strategies.

As a result, the companies have decided that the best possible option for all stakeholders, including customers and shareholders, is to expand the strategic business partnership that both companies have been committed to since 2006 in order to drastically enhance the business base (including scale, profitability and financial stability) as an integrated real estate company as well as to exert a strong presence in the real estate industry and continue to provide a diverse range of high-quality real estate services that are able to satisfy ever-changing customers' needs. In consequence, the companies will pursue sustainable growth of corporate value. Thus, the companies have reached an agreement to integrate their businesses.

The integrated company will not only strengthen and expand the respective business operations engaged in by both companies, but also integrally leverage all the tangible and intangible assets of the Mizuho Financial Group and the Nippon Steel Group.

2. Overview of the business integration

(1) Method

The business of the companies will be integrated through merger (hereinafter referred to as the "Merger"), and Kowa Real Estate will be the surviving company.

(2) Schedule

March 26, 2012	Execution of the basic agreement on business integration (Completed today)
June 2012	Execution of the merger agreement (to be confirmed)
June 2012	Shareholders meeting to approve the merger agreement (Nippon Steel City Produce) (to be confirmed)
July 2012	Shareholders meeting to approve the merger agreement (Kowa Real Estate) (to be confirmed)
October 1, 2012	Date of business integration (effective date) (to be confirmed)

(3) Allotment of the Merger-related shares

① Allotment ratio of shares

For the total of 15,000,003 outstanding common shares of Nippon Steel City Produce, a total of 156,527 shares of Kowa Real Estate (47,828 common shares and 108,699 Series Ko shares) will be allotted.

② Newly issued Series Ko shares as a result of the Merger

Series Ko shares to be newly issued by Kowa Real Estate as a result of the Merger will be non-voting shares that distribute surplus in the same amount and order as common shares.

③ Basis of the evaluation for the allotment ratio of shares

To ensure the fairness and validity of the share allotment ratio for the shareholders, independent third parties were appointed to conduct valuation analyses by Kowa Real Estate and Nippon Steel City Produce respectively. Based on the results of the analyses, the companies negotiated the ratio and came to an agreement.

3. Post-Merger status

(1) Company name

Nippon Steel Kowa Real Estate Co., Ltd.

(新日鉄興和不動産株式会社)

(2) Address of the head office

15-5, Minami-Aoyama 1-Chome, Minato-ku, Tokyo

(3) Representative

President and CEO Tetsuo Narukawa (to be appointed)

(4) Business description

Developing, leasing and managing of office and commercial buildings

Development, sales and leasing of condominium lots, condominiums and houses

Real estate brokering and consulting

(5) Date of fiscal year end

March 31

4. Business objectives

(1) Merger effects

The integrated company will pursue the realization of annual benefits of 2.5-billion-yen at an early stage from merger through the enhanced business opportunities gained from the expanded customer base, the creation of new development projects leveraging both companies' knowledge and experience and the streamlining of duplicate functions.

(2) Business objectives

The integrated company will promote measures to achieve the following objectives:

- Contribute to development of communities and society by providing diversified and high-quality living and working spaces / real estate services and expanding social infrastructure;
- Reinforce profitability and financial stability by conducting balanced operations with an emphasis on the development and leasing of office and condominium buildings; and
- Maintain and expand trusting relationships with all stakeholders, including customers and shareholders.

<Contact information for inquiries>

Kowa Real Estate Co., Ltd.

Corporate Planning Division

TEL: 03-6745-5049

Nippon Steel City Produce, Inc.

Management Support Division

TEL: 03-3276-8156

【Reference Data】 Company profiles

Company name	Kowa Real Estate Co., Ltd.		Nippon Steel City Produce, Inc.	
Description of main business	Owning, leasing and managing real estate. Developing, buying and selling of real estate as well as real estate brokering and consulting services. Planning and investing in real estate securitized products.		Development and sales of lots, as well as leasing and managing real estate. Consulting on the effective utilization of real estate.	
Date established	March 24, 1997 (Originally founded on October 15, 1952)		April 1, 1961	
Address of the head office	15-5, Minami-Aoyama 1-chome, Minato-ku, Tokyo		13-1, Nihonbashi 1-chome, Chuo-ku, Tokyo	
Representative	Tetsuo Narukawa / President & CEO		Akira Shoga / President & CEO	
Capital	19,824 million yen (as of the end of April 2011)		6,020 million yen (as of the end of March 2011)	
Number of outstanding shares	Common shares: 208,405 Class 1 preferred shares: 500 Class 2 preferred shares: 1,400		Common shares: 15,000,003	
Fiscal year end	April 30		March 31	
Total assets	431,509 million yen (as of the end of April 2011)		187,435 million yen (as of the end of March 2011)	
Number of employees	404 (as of the end of April 2011)		259 (as of the end of March 2011)	
Main banks	Mizuho Corporate Bank, Ltd. Mitsubishi UFJ Trust and Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Trust & Banking Co., Ltd.		Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Trust & Banking Co., Ltd.	
Major shareholders and shareholding ratios	Nippon Steel City Produce, Inc.	8.2%	Nippon Steel Corporation	100.0%
	The Dai-ichi Life Insurance Company, Limited	8.2%		
	Nippon Life Insurance Company	7.8%		
	Jowa Holdings Company, Limited	7.3%		
	Hitachi Building Systems Co., Ltd.	6.2%		
	IBJ Leasing Company, Limited	5.7%		
	Mizuho Corporate Bank, Ltd.	4.6%		
	The Kyoritsu Co., Ltd.	4.3%		
	Sekisui House, Ltd.	4.1%		
	Tokyo Tatemono Co., Ltd.	4.1%		
	Nippon Tochi-Tatemono Co., Ltd.	4.1%		

Business results and financial state for the past 3 years

	Kowa Real Estate Co., Ltd.			Nippon Steel City Produce, Inc.		
	April 2009	April 2010	April 2011	March 2009	March 2010	March 2011
Net assets	47,790	52,409	51,731	53,310	54,890	56,182
Total assets	454,905	436,162	431,509	228,868	196,614	187,435
Sales	62,484	58,934	72,363	70,137	80,069	86,556
Operating profit	9,579	11,768	14,235	3,843	2,891	9,697
Ordinary profit	5,140	7,531	7,781	2,425	1,677	9,221
Current net earnings	5,195	2,074	2,322	1,539	692	369

*Unit: million yen. The financial data is on a non-consolidated basis for Kowa Real Estate and on a consolidated basis for Nippon Steel City Produce.

Relationship between the companies

Capital ties	As of April 30, 2011, Nippon Steel City Produce held 17,094 common shares (equivalent to 8.2% of the total outstanding common shares) and 100 Class 1 preferred shares (equivalent to 20% of the total outstanding Class 1 preferred shares) of Kowa Real Estate.
Personal ties	There are no particular personal ties to be noted.
Business ties	Both companies have made several joint real-estate investments within a normal business context. Other than these investments, there are no particular business ties to be noted.
Related party disclosure	Neither the companies nor their persons concerned or affiliated companies mutually constitute "related parties."