

November 27, 2019
Kobe Steel, Ltd.

Announcement on transfer of consolidated subsidiary (share transfer)

Kobe Steel, Ltd. announces that at its Board of Directors meeting held today, the Board adopted a resolution for the company to transfer all of the shares that it holds in wholly owned consolidated subsidiary Kobelco Steel Tube Co., Ltd. to Maruichi Steel Tube Ltd.

Details

1. Reason for the share transfer

The Kobe Steel Group, under the Rolling of the Medium-Term Management Plan announced on May 15, 2019, has set two key themes in fiscal 2019 and fiscal 2020 consisting of initiatives to 1) strengthen profitability with a focus on materials and 2) make efficient use of management resources and strengthen the business foundation with attention to capital costs, in an aim to establish a business enterprise based on the three core business areas of materials, machinery and electric power.

Kobelco Steel Tube became independent of Kobe Steel in 1996 and was originally called Kobe Special Tube Co., Ltd. In 2016, it changed to its current name. Kobelco Steel Tube currently produces and sells seamless stainless steel tubes, precision tubes and specialty tubes. It also produces titanium welded tubes.

Kobe Steel gave much consideration on the optimal measures for Kobelco Steel Tube's future growth and development and on Kobelco Steel Tube utilizing its seamless stainless steel tube technology and know-how cultivated to date. Kobe Steel has now come to the decision that Kobelco Steel Tube, as a member of the Maruichi Steel Tube Group, would be able to strengthen its profitability from a new perspective and undertake global development utilizing overseas locations. The transfer would be an effective way to further expand and grow Kobelco Steel Tube's business in the future.

Maruichi Steel Tube aims to grow in the United States and Asia. As one of the leading producers of welded steel tubes, it has actively established plants overseas and is considering advancing into new product lines in Japan.

Owing to the share transfer, Kobelco Steel Tube will be excluded as a consolidated subsidiary of Kobe Steel.

2. Outline of change in subsidiary

(1) Company name	Kobelco Steel Tube Co., Ltd.		
(2) Domicile	13-1, Chofuminato-machi, Shimonoseki, Yamaguchi Prefecture, Japan		
(3) Name of representative & title	Takeshi Onishi, President		
(4) Description of business	Production and sale of seamless stainless steel tubes, precision tubes and specialty tubes. Production of titanium welded tubes.		
(5) Capital	4,250 million yen		
(6) Date of establishment	April 1, 1996 (Changed to current name in April 2016)		
(7) Major shareholders & ratio of shareholding	Kobe Steel, Ltd.: 100%		
(8) Relationship between the listed company and the company concerned	Capital relationship	Kobe Steel holds 100% of the shares of the company concerned.	
	Personnel relationship	One director and one auditor of the company concerned are concurrently employees of Kobe Steel.	
	Business relationship	The company concerned purchases raw materials from Kobe Steel. Kobe Steel outsources the production of titanium tubes to the company concerned.	
	Relationship with related party	As the company concerned is a consolidated subsidiary of Kobe Steel, it qualifies as a related party.	
(9) Operating results and financial status of the company concerned for the past 3 years			
Accounting period	Year ended March 2017	Year ended March 2018	Year ended March 2019
Net assets	11,284 million yen	11,800 million yen	12,248 million yen
Total assets	21,379 million yen	20,613 million yen	20,912 million yen
Net assets per share	107,471 yen 60 sen	112,384 yen 00 sen	116,650 yen 74 sen
Net sales	23,366 million yen	23,435 million yen	26,059 million yen
Operating income	388 million yen	1,054 million yen	1,085 million yen
Ordinary income	338 million yen	1,009 million yen	1.016 million yen
Net income	152 million yen	592 million yen	744 million yen
Net income per share	1,454 yen 54 sen	5,639 yen 73 sen	7,086 yen 63 sen
Dividend per share	727 yen 33 sen	2,819 yen 90 sen	3,543 yen 33 sen

3. Party receiving the transferred shares

(1) Company name	Maruichi Steel Tube Ltd.		
(2) Domicile	29F Namba Skyo, 1-60, 5 Chome, Namba, Chuo-ku, Osaka, Osaka Prefecture, Japan		
(3) Name of representative & title	Hiroyuki Suzuki, Chairman Representative Director and CEO		
(4) Description of business	Production and sale of various steel tubes and coated steel sheets		
(5) Capital	9,595 million yen (at March 2019)		
(6) Date of establishment	March 1, 1948		
(7) Net assets	274,935 million yen (at March 2019)		
(8) Total assets	321,019 million yen (at March 2019)		
(9) Principal shareholders & their shareholding ratios	Yoshimura Holdings Limited	5.06%	
	Japan Trustee Services Bank, Ltd. (Trust Account)	4.75%	
	Sumitomo Mitsui Banking Corporation	4.70%	
	MUFG Bank, Ltd.	4.69%	
	The Master Trust Bank of Japan, Ltd. (Trust Account)	3.87%	
	Japan Trustee Services Bank, Ltd. (JFE Steel Trust Account)	3.62%	
	JFE Steel Corporation	3.14%	
	Seiji Yoshimura	3.01%	

(10) Relationship between the listed company and the company concerned	Capital relationship	Kobe Steel holds 661,400 shares of Maruichi Steel Tube and an additional 1,201,000 shares in a retirement benefits trust account. Maruichi Steel Tube holds 1,346,600 shares of Kobe Steel.
	Personnel relationship	Not applicable
	Business relationship	Kobe Steel sells products to the company concerned.
	Status of relationship with related party	Not applicable

4. Number of shares to be transferred, transfer price, and status of shares held before and after transfer

(1) No. of shares held before transfer	105,000 shares (No. of voting rights: 105,000 units) (Ownership ratio of voting rights: 100%)
(2) No. of shares to be transferred	105,000 shares (No. of voting rights: 105,000 units)
(3) Transfer price	Approximately 13.8 billion yen (planned)
(4) No. of shares held after transfer	0 shares (No. of voting rights: 0 units) (Ownership ratio of voting rights: 0%)

5. Transfer schedule

(1) Date of Board of Directors resolution	November 27, 2019
(2) Contract date	November 27, 2019
(3) Execution date of share transfer	April 1, 2020 (planned)*

*As this transfer will be implemented after receiving approval pertaining to the Antimonopoly Act from the Japan Fair Trade Commission, the abovementioned transaction period may change in the event of a change or delay. .

6. Future outlook

The impact of the share transfer on Kobe Steel's consolidated results is currently under review. Kobe Steel will make an announcement once the impact is clear.

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