

July 28, 2015

Company Name: Kobe Steel, Ltd.
Representative: Hiroya Kawasaki, President, CEO
and Representative Director
Stock Exchange No.: 5406 (Tokyo Stock Exchange and
Nagoya Stock Exchange)

Short-form share exchange to turn consolidated subsidiary (Kobelco Construction Machinery Co., Ltd.) into a wholly owned subsidiary

Kobe Steel, Ltd. announces that at its Board of Directors meeting held on July 28, 2015, Kobe Steel passed a resolution to effect a share exchange in order for Kobe Steel as the wholly-owning parent company to turn its consolidated subsidiary, Kobelco Construction Machinery Co., Ltd., into a wholly owned subsidiary. A share exchange agreement was concluded on the same day.

1. Purpose of the Share Exchange

By turning Kobelco Construction Machinery into a wholly-owned subsidiary through a share exchange, the Kobe Steel Group, which is expanding throughout the world, will be able to accelerate decision-making in its construction machinery business and further strengthen efficiency in business management for the purpose of promoting more flexible and more efficient group management.

2. Method of Share Exchange, Allocation of Shares Related to this Share Exchange, and Contents of Other Items of the Share Exchange Agreement

(1) Schedule of the Share Exchange

Resolution at Board of Directors meeting on conclusion of share exchange agreement (Kobelco Construction Machinery)	Thursday, July 23, 2015
Resolution at Board of Directors meeting on conclusion of share exchange agreement (Kobe Steel)	Tuesday, July 28, 2015
Signing date of the agreement (both companies)	Tuesday, July 28, 2015
Effective date of share exchange	Thursday, October 1, 2015 (planned)

Note: The effective date of the share exchange may be changed by the two companies.

(2) Method of the Share Exchange

Based on the share exchange agreement concluded on July 28, 2015, with the effective date of the share exchange on October 1, 2015, Kobe Steel, the wholly-owning parent company following the share exchange, will exchange shares to turn Kobelco Construction Machinery into a wholly-owned subsidiary following the share exchange. For Kobe Steel, procedures for the short-form share exchange pursuant to the provisions in Article 796-3 of the Companies Act, and for Kobelco Construction Machinery, procedures for the simple share exchange pursuant to the provisions in Article 784-1 of the Companies Act, do not require approval from the general meeting of shareholders.

(3) Allocation of Shares Related to this Share Exchange

One share of Kobelco Construction Machinery stock will be allocated in exchange for 0.94 shares of Kobe Steel stock. However, with regard to the 307,200,000 shares of Kobelco Construction Machinery stock already held by Kobe Steel, no allocation of shares will take place in this share exchange. As for the Kobe Steel shares for exchange, Kobe Steel plans to apply its treasury shares, which consist of treasury shares currently held by the

company (5,073,591 shares at June 30, 2015) and separately purchase 9,000,000 shares of common stock as an upper limit. There are no plans to issue new shares. Details of the purchase of treasury shares are disclosed today in a separate announcement. Please refer to “Kobe Steel announces share buyback program.”

(4) Stance on Assessing the Allocation of the Share Exchange

To ensure fairness and validity in the assessment of the share exchange ratio of this share exchange, Kobe Steel and Kobelco Construction Machinery requested PricewaterhouseCoopers, an independent third-party organization, to assess their stock value. As for the stock value of Kobe Steel, a listed company, the third-party organization applied the market share price method. To determine the stock value of Kobelco Construction Machinery, an unlisted company, the comparative company analysis method and the discounted cash flow method were each used in the assessment. Using the results of the assessment of both companies as a reference and upon comprehensive consideration, Kobe Steel and Kobelco Construction Machinery, after consultation with each other, decided on the share exchange ratio.

In the event of a major change in the various conditions on the premises of the assessment, the two companies after consultation with each other may change the share exchange ratio.

3. Outline of the Companies Involved in the Share Exchange (as of March 31, 2015)

	Kobe Steel, Ltd. (wholly-owing parent company resulting from the share exchange)	Kobelco Construction Machinery Co., Ltd. (wholly-owned subsidiary resulting from the share exchange)
Head office	2-4, Wakinoama-kaigandori 2-chome Chuo-ku, Kobe	2-1, Itsukaichiko 2-chome Saeki-ku, Hiroshima
Representative	Hiroya Kawasaki President, CEO & Representative Director	Jun Fujioka President, CEO & Representative Director
Business activities	Iron & steel, welding, aluminum & copper, engineering, etc.	Manufacture, sale & servicing of construction & transport machinery
Capital	250,930 million yen	16,000 million yen
Established	June 28, 1911	October 1, 1999
No. of issued shares	3,643,642,100	320,000,000
Accounting period	Ends on March 31	Ends on March 31
Principal shareholders & shareholding ratio	The Master Trust Bank of Japan, Ltd. (Trust Account) 3.37% Japan Trustee Services Bank, Ltd. (Trust Account) 2.98% Nippon Steel & Sumitomo Metals Corporation 2.95% Nippon Life Insurance Company 2.78% Mizuho Bank, Ltd. 1.77%	Kobe Steel, Ltd. 96.00% Shinsho Corporation 4.00%
Financial Condition of Previous Business Year and Operating Results		
Net assets	851,785 million yen (consolidated)	38,424 million yen
Total assets	2,300,241 million yen (consolidated)	159,870 million yen
Net assets per share	213.70 yen (consolidated)	120.07 yen
Net sales	1,886,894 million yen (consolidated)	174,133 million yen
Operating income	119,460 million yen (consolidated)	6,950 million yen
Ordinary income	101,688 million yen (consolidated)	7,712 million yen
Net income	86,549 million yen (consolidated)	10,847 million yen
Net income per share	23.81 yen (consolidated)	33.89 yen

4. Situation after the Share Exchange

Company name	Kobe Steel, Ltd.
Head office	2-4, Wakinohama-Kaigandori 2-chome, Chuo-ku, Kobe
Representative	Hiroya Kawasaki, President, CEO and Representative Director
Business activities	Iron & steel, welding, aluminum & copper, machinery, engineering, etc.
Capital	250,930 million yen
Accounting period	Ends on March 31

5. Future Prospects

As Kobelco Construction Machinery is already a consolidated subsidiary of Kobe Steel, the share exchange will have only a negligible effect on Kobe Steel's consolidated business performance.

Note: Fiscal 2015 Consolidated Forecast and Fiscal 2014 Results

With regard to the fiscal 2015 consolidated forecast and fiscal 2014 results, please refer to "Kobe Steel's Consolidated Results for First Quarter of Fiscal 2015" and the accompanying Supplementary Information announced today.

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