

Company split (simplified incorporation-type company split) pertaining to the power generation business in Kobe, Hyogo Prefecture

Kobe Steel, Ltd. announces that at its Board of Directors meeting held today it adopted a resolution to transfer its power supply business in Kobe, Hyogo Prefecture, to a company that is planned to be established on May 11, 2018 as the effective date through an incorporation-type company split.

As this company split is a simplified incorporation-type company split involving only Kobe Steel, some disclosure items and contents are omitted.

1. Purpose of the Company Split

Aiming to construct a coal-fired electric power plant in Kobe, Hyogo Prefecture, Kobe Steel began environmental assessment procedures in 2014, and in May 2015 it concluded a contract with The Kansai Electric Power Co., Inc. to supply all the electricity generated at the new plant to Kansai Electric Power. The environmental assessment has been progressing smoothly and plans calling for construction to begin in mid-2018.

In preparation to raise funds for the power plant, Kobe Steel will establish a company for the purpose of supplying electric power through a simplified incorporation-type company split.

2. Outline of the Company Split

(1) Schedule for the Company Split

Board of Directors meeting for approval of
incorporation-type company split plan: April 4, 2018

Date of split (effective date): May 11, 2018 (planned)

As this company split meets the requirements for a simplified company split in accordance with the provisions of Article 805 of the Companies Act, Kobe Steel does not require approval at its general meeting of shareholders.

(2) Method of the Company Split

Kobe Steel is the company separating a portion of its business in this incorporation-type company split, and the newly established company will be the successor company of that business.

(3) Allocation of Shares

The successor company will issue 300,000,001 shares of common stock, and all the shares will be allocated to Kobe Steel.

(4) Treatment of Share Options in the Company Split or Bonds with Share Options

Kobe Steel has not issued share options or bonds with share options.

- (5) Decrease in Capital, etc. due to the Company Split
Kobe Steel's capital, etc. will not decrease due to the company split.
- (6) Rights and Obligations to be Assumed by the Successor Company
The successor company will assume the assets, liabilities, contractual status, and other rights and obligations with respect to the business prescribed in the incorporation-type company split plan dated April 4, 2018.
- (7) Prospects for Fulfilling Financial Obligations
Kobe Steel has determined that it will encounter no problem in fulfilling the financial obligations born by Kobe Steel or the successor company due to the company split.

3. Outline of Parties involved in the Company Split

	Splitting company	Successor company
(1) Company name	Kobe Steel, Ltd.	KOBELCO POWER KOBE No. 2, INC.
(2) Location of head office	2-4, Wakinohama-Kaigandori 2-chome, Chuo-ku, Kobe, Hyogo	2 Nadahama Higashicho, Nada-ku, Kobe, Hyogo
(3) Name & position of representative	Mitsugu Yamaguchi President, CEO and Representative Director	Soichi Kimoto President and Representative Director
(4) Business	Iron & steel, welding, aluminum & copper, machinery, engineering, construction machinery, electric power, other businesses	Power supply business, other ancillary businesses
(5) Capital	250,930 million yen	300 million yen
(6) Date of establishment	June 28, 2011	May 11, 2018 (planned)
(7) No. of issued shares	364,364,210 shares	300,000,001 shares
(8) Accounting period	March 31	March 31
(9) Principal shareholders & shareholding ratio	Japan Trustee Services Bank, Ltd. (Trust Account): 4.29% The Master Trust Bank of Japan, Ltd. (Trust Account): 4.07% Japan Trustee Services Bank, Ltd. (Trust Account 9): 3.20% Nippon Steel & Sumitomo Metal Corporation: 2.95% Nippon Life Insurance Company: 2.78%	Kobe Steel, Ltd.: 100%

(10) Consolidated Financial Position and Operating Results of the Splitting Company for the Latest Fiscal Year

Accounting period	March 2017
Net assets	729,404 million yen
Total assets	2,310,435 million yen
Net assets per share	1,860.36 yen
Net sales	1,695,864 million yen
Operating income	9,749 million yen
Ordinary income (loss)	(19,103 million yen)
Net income (loss) attributable to owners of the parent	(23,945 million yen)
Net income (loss) per share	(63.54 yen)

- (11) Contents of the Business to be Split
Of the businesses of the splitting company, the business to be separated involves the supply of electric power in Kobe, Hyogo Prefecture.
- (12) Operating Results of the Business to be Split (year ended March 2017)
The business had no sales.
- (13) Amount of Assets and Liabilities to be Succeeded (in millions of yen)

Assets		Liabilities	
Current assets	3,490	Current liabilities	0
Fixed assets	9,223	Long-term liabilities	11,000
Total	12,713	Total	11,000

4. Status of Organizations after the Company Split

	Splitting Company	Successor Company
(1) Company name	Kobe Steel, Ltd.	KOBELCO POWER KOBE No. 2, INC.
(2) Location of head office	2-4, Wakinohama-Kaigandori 2-chome, Chuo-ku, Kobe, Hyogo	2 Nadahama Higashicho, Nada-ku, Kobe, Hyogo
(3) Name & position of representative	Mitsugu Yamaguchi President, CEO and Representative Director	Soichi Kimoto President and Representative Director
(4) Business	Iron & steel, welding, aluminum & copper, machinery, engineering, construction Machinery, other businesses	Power supply business, other ancillary businesses
(5) Capital	250,930 million yen	300 million yen
(6) Accounting period	March 31	March 31

5. Future Outlook

As the successor company will be a wholly owned subsidiary of Kobe Steel, the company split will have no effect on Kobe Steel's consolidated results.

(For Reference)

Consolidated Forecast for fiscal 2017 (announced on February 1, 2018) and Previous Fiscal-year Results

(In millions of yen)	Fiscal 2017 Forecast (Ended March 2018)	Fiscal 2016 Results (Ended March 2017)
Net sales	1,890,000	1,695,864
Operating income	75,000	9,749
Ordinary income (loss)	60,000	(19,103)
Net income (loss) attributable to owners of the parent	45,000	(23,045)