

April 27, 2018

Kobe Steel, Ltd.

Partial share transfer associated with the business alliance of Shinko Real Estate Co., Ltd. and the subsequent posting of extraordinary income

Kobe Steel, Ltd. announces that at its Board of Directors meeting held on April 27, 2018, the company adopted a resolution for its consolidated subsidiary Shinko Real Estate Co., Ltd., Tokyo Century Corporation and NIPPON TOCHI-TATEMONO Co., Ltd. to build an alliance relationship and for Kobe Steel to transfer a portion of its issued shares held in Shinko Real Estate to the two companies for the purpose of strengthening its real estate business.

On the premise of receiving approval from the authorities concerned, Kobe Steel plans to carry out the share transfer on July 1, 2018. Following the share transfer, Shinko Real Estate will become an affiliated company of Kobe Steel accounted for by the equity method.

Details

1. Background of the business alliance

As a core company of the Kobe Steel Group's real estate business, Shinko Real Estate is a comprehensive real estate company involved in a range of activities from real estate development to management and other services. With over 50 years of experience, Shinko Real Estate offers an original brand represented by the "G-clef series".

Implementing the Fiscal 2016-2020 Group Medium-Term Management Plan, the Kobe Steel Group aims to establish a business enterprise consisting of the three core business areas of materials, machinery and electric power and is actively making strategic investments. For its real estate business, too, Kobe Steel has made various studies for future growth and optimum policies for further development, while leveraging the foundation that it has cultivated to date.

Tokyo Century has a customer base covering a wide business area with finance as a starting point. Under its Third Medium-Term Management Plan launched in fiscal 2016, Tokyo Century aims to create new value through the fusion of finance and business. In addition, it has achieved numerous successes in alliances with strategic partners in various business areas. With the real estate business as one of the core units of the company, Tokyo Century has a policy of active engagement.

NIPPON TOCHI-TATEMONO is a corporate group that creates new value beyond expectations through its mobility and problem-solving ability. The urban development business consisting of office building development and lease management as its core; the housing business; real estate solutions business and asset management business are the four businesses of this comprehensive real estate company. The company has stable foundation and business know-how especially in the Kanto area.

As a result of studying various options, Kobe Steel concluded that to further expand the business

operations of Shinko Real Estate in the future and improve the subsidiary's business growth and corporate value, building a strategic alliance relationship with Tokyo Century and NIPPON TOCHI-TATEMONO would be the most effective way to achieve synergy by utilizing mutual customer bases, business know-how and the ability to provide financing as well as reinforce the business.

In this business alliance, Kobe Steel plans to transfer 70 percent of the issued shares it holds in Shinko Real Estate to Tokyo Century and 5 percent to NIPPON TOCHI-TATEMONO, a total of 75 percent. In addition, Shiroyama Kaihatsu, a subsidiary of Shinko Real Estate, is not included in this share transfer.

2. Profile of company to be transferred

(1) Company name	Shinko Real Estate Co., Ltd.			
(2) Location	2-4 Wakinohama Kaigandori 2-chome, Chuo-ku, Kobe, Hyogo			
(3) Representative & title	Masahiro Hanaoka, President and Representative Director			
(4) Business	Real estate development and residential property/complex development, condominiums, detached homes, housing sites, Leasing of condominiums and detached homes, dormitories and company housing, office buildings, commercial facilities, parking lots, etc. Brokering of condominiums and detached homes, land, dormitories, company housing, office buildings, commercial facilities. Remodeling including plumbing, barrier free, exteriors, room layout changes, extensions and renovations, new construction, offices, facilities. Operation and management of public facilities. Casualty insurance for consumers and companies, life insurance.			
(5) Capital	3,037 million yen			
(6) Date of establishment	October 2005			
(7) Major shareholder & ratio of shareholding	Kobe Steel, 100%			
(8) Relationship between the listed company and the company concerned	Capital relationship	Kobe Steel holds all of the shares of the company concerned.		
	Personnel relationship	One director, one auditor and one employee of the company concerned are concurrently employees of Kobe Steel.		
	Business relationship	Kobe Steel issued some debt guarantees for borrowings by the company concerned		
(9) Consolidated operating results and consolidated financial condition for the past 3 years				
	Fiscal year	Ended March 2015	Ended March 2016	Ended March 2017
Consolidated net assets		49,660 million yen	48,352 million yen	51,373 million yen
Consolidated total assets		115,753 million yen	110,933 million yen	114,153 million yen
Consolidated net assets per share		861,119 yen	838,436 yen	890,819 yen
Consolidated net sales		38,253 million yen	34,778 million yen	37,259 million yen
Consolidated operating income		4,556 million yen	3,998 million yen	5,535 million yen
Consolidated ordinary income		3,996 million yen	3,411 million yen	4,746 million yen
Net income (loss) attributable to owners of the parent		3,036 million yen	(31 million) yen	3,097 million yen
Consolidated net income per share		52,645 yen	(544) yen	53,704 yen
Dividend per share		22,232 yen	0 yen	21,672 yen

3. Profile of parties acquiring the shares

(1) Company name	Tokyo Century Corporation	
(2) Location	3 Kanda-neribeicho, Chiyoda-ku, Tokyo	
(3) Representative & title	Shunichi Asada, President & CEO	
(4) Business	Diversified leasing business (leasing, installment sales, and other financial services for IT-related equipment, industrial equipment, and other machinery and facilities), various types of financing, and international business.	
(5) Capital	34,231 million yen (as of December 31, 2017)	
(6) Date of establishment	July 1969	
(7) Consolidated net assets	438,580 million yen (as of December 31, 2017)	
(8) Consolidated total assets	3,713,885 million yen (as of December 31, 2017)	
(9) Relationship between the listed company and the company concerned	Capital relationship	Not applicable
	Personnel relationship	Not applicable
	Business relationship	Kobe Steel has equipment and other lease agreements with the company concerned. Kobe Steel's affiliated companies have equipment and other lease agreements with subsidiaries of the company concerned and also have car leasing agreements.
	Status of related parties	Not applicable

(1) Company name	NIPPON TOCHI-TATEMONO Co., Ltd.	
(2) Location	4-1 Kasumigaseki 1-chome, Chiyoda-ku, Tokyo	
(3) Representative & title	Tetsuo Hiramatsu, President	
(4) Business	Development, leasing and management of office buildings, commercial facilities, distribution facilities, etc.; development, sales and leasing of condominiums, detached homes, etc.; consulting related to CRE (corporate real estate) strategy; consulting related to the effective utilization of real estate and investments; real estate appraisal; real estate research and analysis; due diligence	
(5) Capital	17,000 million yen (as of October 31, 2017)	
(6) Date of establishment	May 1954	
(7) Consolidated net assets	199,934 million yen (as of October 31, 2017)	
(8) Consolidated total assets	677,085 million yen (as of October 31, 2017)	
(9) Relationship between the listed company and the company concerned	Capital relationship	Not applicable
	Personnel relationship	Not applicable
	Business relationship	Not applicable
	Status of related parties	Not applicable

4. Number of shares to be transferred and situation of shares held before and after transfer

(1) No. of shares held before transfer	57,670 shares (No. of voting rights: 57,670 units) (Ownership ratio of voting rights: 100.0%)
(2) No. of shares to be transferred	43,253 shares (No. of voting rights: 43,253 units)
(3) Transfer price	Approximately 74 billion yen
(4) No. of shares held after transfer	14,417 shares (No. of voting rights: 14,417 units) (Ownership ratio of voting rights: 25.0%)

5. Share transfer schedule

(1) Date of Board of Directors resolution	April 27, 2018
(2) Contract execution date	April 27, 2018
(3) Execution date of share transfer	July 1, 2018

6. Future outlook

From this share transfer, Kobe Steel anticipates posting extraordinary income of about 30.0 billion yen on a consolidated basis for the six-month fiscal period ending in September 2018. On a nonconsolidated basis, extraordinary income is anticipated to be 35.0 billion yen.

The impact of the share transfer on Kobe Steel's business results for the fiscal year ending in March 2019 is reflected in the consolidated earnings forecast mentioned in the financial results for the fiscal year ended March 2018 to be announced today.