

December 24, 2021

Kobe Steel, Ltd.

## **Announcement on Change in Consolidated Subsidiary (Share Transfer) and Recording of Extraordinary Loss**

Kobe Steel, Ltd. announces that, at its Board of Directors meeting held today, the Board adopted a resolution to transfer all of its shares in its consolidated subsidiary Kobelco & Materials Copper Tube, Ltd. (“KMCT”) to M Cap No. 7, Co., Ltd. (“MCAP”)\*. With the share transfer, KMCT and its subsidiaries Kobelco & Materials Copper Tube (Thailand) Co., Ltd., Kobelco & Materials Copper Tube (M) Sdn. Bhd., and Hatano Pipe Center Co., Ltd. will be excluded from Kobe Steel’s consolidated subsidiaries.

As announced in the “Announcement on Change in Consolidated Subsidiary (Share Transfer)” dated September 27, 2019, Kobe Steel had been preparing for the transfer of its shares in KMCT with the aim of improving KMCT’s corporate value. However, the scheduled date of transfer was postponed due to the the novel coronavirus (COVID-19) pandemic, and the share transfer was eventually canceled as announced in the “Announcement on Cancellation of Planned Share Transfer of Consolidated Subsidiary” dated December 24, 2020. Since then, Kobe Steel has continued to study measures for the future growth of KMCT and decided to proceed with the share transfer as there are signes of recovery in the KMCT’s business environment and business performance despite the continuing impact of the COVID-19 pandemic. In addition, owing to the share transfer, it is anticipated that Kobe Steel will record an extraordinary loss.

\* MCAP is a special purpose company wholly owned by Marunouchi Capital Fund 2, which is managed by Marunouchi Capital Co., Ltd. (“Marunouchi Capital”).

### **1. Reason for the share transfer**

KMCT was established in 2004 by consolidating the copper tube businesses of Kobe Steel and Mitsubishi Materials Corporation (“Mitsubishi Materials”) in Japan and Southeast Asia. KMCT engages in the manufacture and sale of air-conditioning copper tubes, copper tubes for construction and cold/hot water supply, and other products.

In the KOBELCO Group Medium-Term Management Plan (FY2021–FY2023), the Kobe Steel Group (also known as the KOBELCO Group) places top priorities on “establishing a stable earnings base” and “taking on the challenge of realizing carbon neutrality.” Under these initiatives, the key measures concerning the materials business have been identified as the strategic investment leading to earnings contribution and the restructuring of unprofitable businesses. Kobe Steel has studied various measures to optimize the future growth and development of the copper tube business, in which KMCT is involved, while leveraging the business foundation that has been cultivated to date.

As a result, Kobe Steel came to the conclusion that the most effective way for KMCT to further expand its operations, develop its business and improve its corporate value in the future would be to promote KMCT's business operations by gaining overall support from Marunouchi Capital in the management and financial aspects.

In the share transfer, Kobe Steel will transfer 55.00% of the issued shares that it holds in KMCT, while Mitsubishi Materials will transfer 45.00% of the issued shares that it holds in KMCT.

## 2. Outline of subsidiary to be transferred

(1)	Company name	Kobelco & Materials Copper Tube, Ltd.		
(2)	Location	2-7-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan		
(3)	Name and title of representative	Hideo Sumida, President & CEO		
(4)	Business description	Manufacture and sale of air-conditioning copper tubes, copper tubes for construction and cold/hot water supply, and other products		
(5)	Capital	6 billion yen		
(6)	Date of establishment	April 1, 2004		
(7)	Major shareholders and shareholding ratio	Kobe Steel Co., Ltd.: 55.00% Mitsubishi Materials Corporation: 45.00%		
(8)	Relationship between the listed company and the company concerned	Capital relationship	Kobe Steel holds 55.00% of the shares of the company concerned.	
		Personnel relationship	Two directors of the company concerned are concurrently an executive officer and employees of Kobe Steel.	
		Business relationship	Kobe Steel has issued debt guarantees for borrowings from financial institutions by the company concerned. Kobe Steel provides research support and intellectual property support, etc. to the company concerned.	
(9)	Operating results and financial status of the company concerned for the past 3 years (non-consolidated)			
Accounting period		Year ended March 2019	Year ended March 2020	Year ended March 2021
Net assets		12,334 million yen	9,280 million yen	11,070 million yen
Total assets		28,248 million yen	27,527 million yen	28,258 million yen
Net assets per share		205,581 yen	154,673 yen	184,502 yen
Net sales		51,626 million yen	47,888 million yen	39,759 million yen
Operating income		632 million yen	459 million yen	519 million yen

Ordinary income	530 million yen	283 million yen	517 million yen
Net income	573 million yen	165 million yen	(557 million) yen
Net income per share	9,557 yen	2,761 yen	(9,284) yen
Dividend per share	4,779 yen	24,908 yen	-

### 3. Party receiving the transferred shares

(1) Company name	M Cap No. 7, Co., Ltd.
(2) Location	3-1-1 Marunouchi, Chiyoda-ku, Tokyo
(3) Name and title of representative	Kazuhiko Irie, President & CEO
(4) Business description	Business consulting as well as acquisition and holding of marketable securities and related business
(5) Date of establishment	January 13, 2021
(6) Relationship between the listed company and the company concerned	Kobe Steel and MCAP have no capital relationship, personnel relationship or business relationship that needs to be stated.

### 4. Number of shares to be transferred, enterprise value, and status of shares held before and after transfer

(1) Number of shares held before transfer	33,000 shares (Number of voting rights: 33,000) (Ownership ratio of voting rights: 55.00%)
(2) Number of shares to be transferred	33,000 shares (Number of voting rights: 33,000)
(3) Enterprise value	Approx. 12 billion yen*
(4) Number of shares held after transfer	0 shares (Number of voting rights: 0) (Ownership ratio of voting rights: 0.00%)

\* MCAP has agreed that KMCT's enterprise value will be approximately 12 billion yen. The final transfer price will be determined after making adjustments for KMCT's working capital and net debt as of the effective date of the share transfer as provided in the Share Purchase Agreement ("SPA").

### 5. Schedule for the share transfer

(1) Date of Board of Directors resolution	December 24, 2021 (today)
(2) SPA execution date	December 24, 2021 (today)
(3) Date of share transfer	March 31, 2022 (planned)*

\*As the share transfer will be implemented after receiving approval from the Japan Fair Trade Commission under the Antimonopoly Act, the above schedule may change in the event of any change or delay in the

approval process.

#### 6. Future outlook

Kobe Steel plans to record an extraordinary loss of approximately 7 billion yen for the fiscal year ending March 2022. Further announcements will be made promptly if there is a need for any revision to the consolidated financial forecasts for the fiscal year ending March 2022.