

NEWS RELEASE

December 21, 2015
Kobe Steel, Ltd.
Kobelco Construction Machinery Co., Ltd.
Kobelco Cranes Co., Ltd.

Kobelco Construction Machinery and Kobelco Cranes to merge

TOKYO, December 21, 2015 — Kobe Steel, Ltd. and its wholly owned subsidiaries, Kobelco Construction Machinery Co., Ltd. and Kobelco Cranes Co., Ltd., reached a decision today to merge the businesses of Kobelco Construction Machinery and Kobelco Cranes together effective April 1, 2016.

The Kobe Steel Group's construction equipment business saw Kobelco Construction Machinery spinning off the crane business in 2004. Following the establishment of Kobelco Cranes, these two companies have specialized in their respective fields in Japan and overseas.

Under its medium-term business plan launched in May 2013 covering fiscal years 2013 to 2015, the Kobe Steel Group said it would strategically expand its machinery-related businesses. The Kobe Steel Group has decided to merge the two companies together as it considers it necessary to further strengthen its business foundation and accelerate global development in relation to the construction equipment business.

This merger is anticipated to improve business efficiency, strengthen product development capabilities, and bolster global development. It will also enable Kobe Steel to pursue new possibilities from the synergy derived from the accumulated technologies of its excavators and cranes. Considerations will continue with regard to the consolidation of domestic and overseas locations.

The new company aims to take a new leap forward as a comprehensive construction machinery manufacturer that combines the two product menus of excavators and cranes.

1. Purpose of the merger

- (1) **Improving business efficiency and effectively utilizing management resources**
From development to procurement, manufacturing, quality and sales, the organization and business will be reviewed. Combining and rearranging common operations will increase business efficiency, while the effective utilization of management resources will strengthen management.

(2) Strengthening product development capabilities

The synergy from environmental technologies for fuel efficiency and low noise, basic technology for new materials, and other common elemental technologies will improve the technical level of the new company. New product development is anticipated from combining the technologies of excavators and cranes.

(3) Strengthening global development and response capabilities

Sharing human resources at overseas locations, combining common operations and other measures will improve efficiency and further strengthen global development.

2. Outline of the merger

(1) Schedule of the merger

Conclusion of merger agreement: December 21, 2015

Date of merger (effectuation date): April 1, 2016 (planned)

(2) Method of the merger

An absorption-type merger will be undertaken with Kobelco Construction Machinery as the continuing company and Kobelco Cranes as the absorbed company.

(3) Details of allocation related to the merger

As the merger will be between two wholly owned subsidiaries of Kobe Steel, no value for the merger is issued.

3. Profile of the companies involved in the merger

• Kobelco Construction Machinery Co., Ltd.

Established: October 1999

Location: Tokyo, Japan

Capital: 16 billion yen

Representative: Jun Fujioka, President and CEO

Ownership structure: Kobe Steel, Ltd. 100%

Sales: Approximately 311 billion yen (consolidated, in fiscal 2014, ended March 2015)

Employees: 6,745 (consolidated, as of March 31, 2015)

Description of business: Manufacture, sale and servicing of construction and transport machinery (main menu: hydraulic excavators, mini excavators, wheel loaders, building demolition machines, other machines)

● **Profile of Kobelco Cranes Co., Ltd.**

Established:	April 2004
Location:	Tokyo, Japan
Capital:	6.38 billion yen
Representative:	Akihiko Tsukamoto, President and CEO
Ownership structure:	Kobe Steel, Ltd. 100%
Sales:	Approximately 71.1 billion yen (consolidated, in fiscal 2014, ended March 2015)
Employees:	884 (consolidated, as of March 31, 2015)
Description of business:	Development, manufacture, sale, and servicing of construction machinery (main menu: crawler cranes, rough terrain cranes, civil engineering machines, work vessels, other machines)

4. Situation after the merger

● **Kobelco Construction Machinery Co., Ltd.**

Location:	Tokyo, Japan
Capital:	16 billion yen
Representative:	Undetermined
Ownership structure:	Kobe Steel, Ltd. 100%
Sales:	Approximately 382 billion yen (total of two companies)
Employees:	7,629 (total of two companies)
Description of business:	Business activities of Kobelco Construction Machinery and Kobelco Cranes

5. Future outlook

As the merger will take place between two wholly owned consolidated subsidiaries, Kobe Steel anticipates that the merger will have an insignificant impact on its consolidated results.