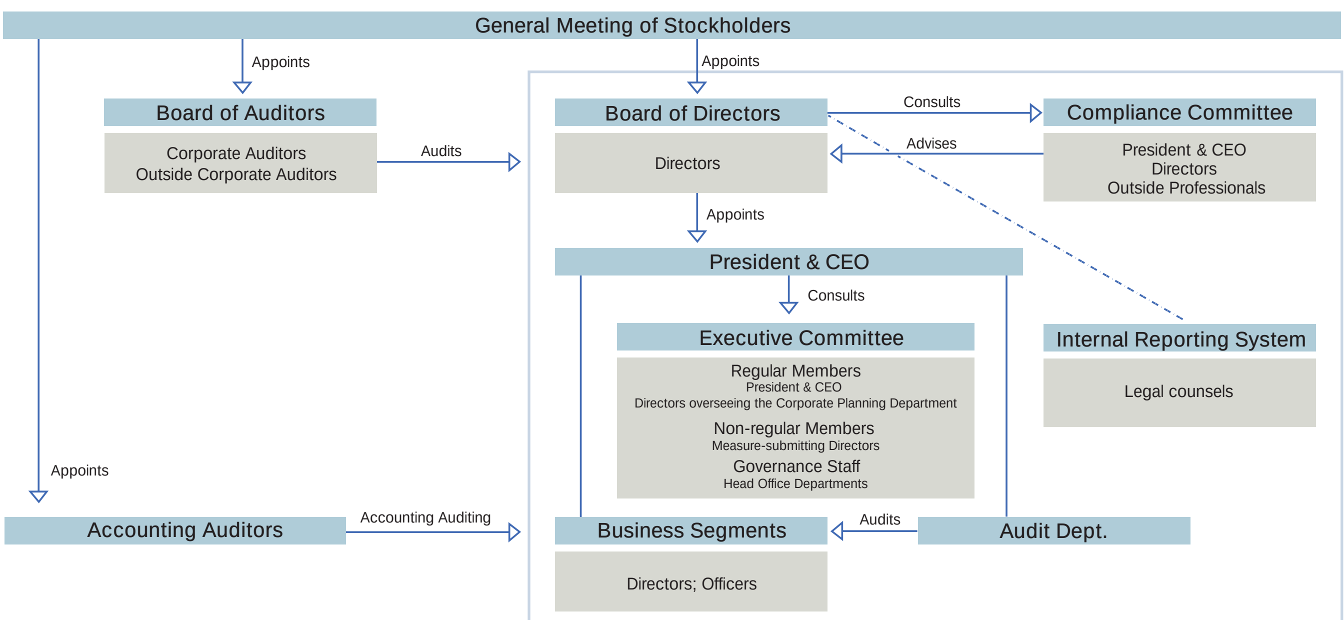
Corporate Governance

In 1999, Kobe Steel implemented a system of corporate officers to separate policy and strategy decision-making from business operations. Top management and executives responsible for key head office functions were appointed directors, while those responsible for running the businesses became officers. However, as management decision-making and day-to-day operations are closely interrelated, it became clear this system was not appropriate. As a result, the following proposal was presented and approved at the annual stockholders' meeting on June 25, 2003.

- The directors shall have legal responsibility to carry out business affairs on behalf of the shareholders and customers. This would be the optimum way for shareholders to relegate this responsibility.
- The directors shall consist of the top management and executives responsible for key head office functions, as well as important business divisions and internal companies.
- Corporate officers shall be selected by the Board of Directors and are to carry out the business affairs requested of them.

Corporate Governance Structure



Compliance Activities

Jan. 2000	Established the Corporate Ethics Committee, which included members from outside the company.
Jun. 2000	Formulated the Corporate Code of Ethics.
Oct. 2001	Established the Risk Management Framework.
Mar. 2003	Report by Special Committee on Compliance proposing the rebuilding of the compliance system is submitted to the president.
Jun. 2003	Reorganized the Corporate Ethics Committee into the Compliance Committee. (This committee has met 16 times over the year to July 2004.)