

(Translation)

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Kobe Steel, Ltd.

Hiroya Kawasaki, Chairman, President, CEO and Representative Director

Contact: Junji Yamashita, General Manager of the Legal Department

Code Number: 5406

<http://www.kobelco.co.jp>

This statement is intended to inform you of the current status of the corporate governance of Kobe Steel, Ltd. (the “Company”).

Basic Policy on Corporate Governance and Capital Structure, Corporate Data, and Other

I Basic Information

1. Basic policy Update

<Fundamental Position on Corporate Governance>

The Company Group recognizes that corporate value includes not only business results and technological capabilities, but also a position on social responsibility for all stakeholders related to its business activities such as shareholders, investors, customers, employees, local communities and others. Earnestly undertaking efforts to improve for all stakeholders is believed to lead to an improvement in corporate value.

Therefore, Corporate Governance is not merely a form of the organization, but is also a framework to realize all that the Company is undertaking. In building the framework, the Company Group recognizes the importance of establishing a system that contributes to improving corporate value by taking appropriate risks; acting in cooperation with stakeholders; promoting appropriate dialog with investors in the capital market; maintaining the rights of and fairness for shareholders; and securing transparency in business dealings.

Under such a policy, the Company has established a “Corporate Philosophy,” “Corporate Code of Ethics” and “Basic Environmental Management Policy” and seeks to improve its corporate value over the medium to long term by implementing these policies while operating its businesses.

<Management Philosophy and Other Policies of the Company

[Corporate Philosophy & Business Vision]

【Corporate Philosophy of the Company Group】

The Company Group aims to enhance the Group’s sustainable corporate value by continuing to make efforts to implement its social responsibility as a corporate group for all of its stakeholders, including shareholders, investors, customers, business partners, employees and local communities, under the following corporate philosophy.

Core Values of KOBELCO

1. We provide technologies, products and services that win the trust and confidence of our customers we serve and the society in which we live.
2. We value each employee and support his and her growth on an individual basis, while creating a cooperative and harmonious environment.
3. Through continuous and innovative changes, we create new values for the society of which we are a member.

Six Pledges of KOBELCO Men and Women

We, the men and women of KOBELCO, in the spirit of honoring Core Values of KOBELCO, make the following Six Pledges:

1. Heightened Sense of Ethics and Professionalism

We not only follow the laws, corporate rules and societal norms, but also conduct our corporate activity in a fair and sound manner with the highest sense of ethics and professionalism.

2. Providing Superior Products and Services

We provide safe, sound and innovative products and services to our customers, and thereby contribute to the well-being and advancement of the society.

3. Establishing a Comfortable but Challenging Work Environment

We provide a safe and comfortable work environment, and we value each employee' s character, personality and diversity, and provide each employee with a challenging work experience so as to allow each employee to use his and her fullest capability.

4. Living in Harmony with Local Community

We make efforts to be a good “corporate citizen” in each local community which serves as the base for our group.

5. Contribution to a Sustainable Environment

We aim to build a richer and more sustainable world, and we conduct environmentally friendly manufacturing and contribute to the betterment of the natural environment through our technologies, products and services.

6. Respect for Each Stakeholder

We respect all of our stakeholders, including customers, business associates, employees and shareholders, as our colleagues and build good and sound relationships with all of them.

[Medium-to Long-Term Business Vision]

The Company Group continues to carry out various undertakings to attain its Medium-to Long-Term Business Vision;

KOBELCO VISION “G” – Creating New Value, Aiming for Global Growth – formulated in April 2010. By further integrating the knowledge and technologies of its diverse businesses in materials and machinery, the Company Group aims to become a corporate group that:

- Has a presence in the global market;
- Maintains a stable profit structure and a strong financial foundation; and
- Prosper together with its shareholders, business partners, employees and society.

The Company Group has started initiatives for a new medium – term management plan, KOBELCO VISION “G+” (pronounced “G plus”) that follows KOBELCO VISION “G” and further strengthens and clarifies the growth strategy. The Company Group plans to focus its management resources in growing fields anticipated to expand over the medium to long term such as weight savings in transportation as well as energy and infrastructure and to increase the original added value of the Company Group. By achieving a strong competitive edge, the Company Group aims to expand and grow its businesses and contribute to society.

[Reasons for Not Implementing Each Principle of Japan’s Corporate Governance Code]

【Principle 4-1-3】

With respect to succession planning for the CEO and other top executives and its supervision, the Company provides opportunities for such executives to acquire the necessary knowledge. The Board of Directors checks on their attendance at seminars, and Directors of the Company observe such executives and their comments and business execution of their duties at meetings of the Board of Directors and the Executive Council. The Company believes that through such experiences, people capable of playing a central role in the Company’s management can be trained.

[Disclosure Based on Each Principle of the Corporate Governance Code]

The Company systematically organized various actions with respect to corporate governance, which the Company so far determined includes the “Corporate Philosophy” and “Corporate Code of Ethics,” and determined to disclose them as “Basic Policy and Initiatives on Corporate Governance of Kobe Steel, Ltd.”

The Basic Policy and Initiatives on Corporate Governance of Kobe Steel, Ltd. is published on the Company’s website below:

http://www.kobelco.co.jp/english/about_kobelco/kobesteel/governance/index.html

The Basic Policy and Initiatives on Corporate Governance of Kobe Steel, Ltd. also provides an explanation of current responses of the Company to the Corporate Governance Code stipulated in Securities Listing Regulations. Please see the attached summary for a list of current responses.

2. Capital structure

Percentage of Shares Held by Foreign Investors

Equal to or more than twenty percent (20%), less than thirty percent (30%)

[Major shareholders]

Update

| Name of Shareholders | Number of Shares Held | Ratio (%) |
|--|-----------------------|-----------|
| Japan Trustee Services Bank, Ltd. (Trust Account) | 14,349,200 | 3.94 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 12,646,400 | 3.47 |
| NIPPON STEEL & SUMITOMO METAL CORPORATION | 10,734,500 | 2.95 |
| Nippon Life Insurance Company | 10,118,942 | 2.78 |
| Japan Trustee Services Bank, Ltd. (Trust Account 9) | 9,871,600 | 2.71 |
| Japan Trustee Services Bank, Ltd. (Trust Account 5) | 6,649,000 | 1.83 |
| Mizuho Bank, Ltd. | 6,466,930 | 1.78 |
| Mitsubishi UFJ Trust and Banking Corporation | 5,232,900 | 1.44 |
| Japan Trustee Services Bank, Ltd. (Trust Account 1) | 4,962,400 | 1.36 |
| Japan Trustee Services Bank, Ltd. (Trust Account 2) | 4,852,500 | 1.33 |

Controlling shareholder (except parent company)

Parent company

None

Supplementary information

Update

In the Report of Possession of Large Volume provided for public viewing on October 21, 2016, the following shareholdings are respectively attributed to Mizuho Bank, Ltd. and its two joint holders (The date to incur need to be reported is October 14, 2016.). However, the Company is unable to confirm the actual number of shares held as of March 31, 2017. The Contents of the Report of Possession of Large Volume is as follows.

| Name | Number of shares held (Thousand shares) | Shareholding ratio (%) |
|-------------------|--|------------------------|
| Mizuho Bank, Ltd. | 6,467 | 1.77 |

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| | | |
|----------------------------------|--------|------|
| Mizuho Trust & Banking Co., Ltd. | 3,423 | 0.94 |
| Asset Management One Co., Ltd. | 13,935 | 3.82 |
| Total | 23,825 | 6.54 |

In the Report of Possession of Large Volume provided for public viewing on March 22, 2017, the following shareholdings are respectively attributed to BlackRock Japan Co., Ltd. and its five joint holders (The date to incur need to be reported is March 15, 2017.). However, the Company is unable to confirm the actual number of shares held as of March 31, 2017. The Contents of the Report of Possession of Large Volume is as follows.

| Name | Number of shares held (Thousand shares) | Shareholding ratio (%) |
|--|--|------------------------|
| BlackRock Japan Co., Ltd. | 6,401 | 1.76 |
| BlackRock Life Limited | 841 | 0.23 |
| BlackRock Asset Management Ireland Limited | 1,367 | 0.38 |
| BlackRock Fund Advisors | 4,301 | 1.18 |
| BlackRock Institutional Trust Company, N.A. | 4,782 | 1.31 |
| BlackRock Investment Management (UK) Limited | 1,105 | 0.30 |
| Total | 18,797 | 5.16 |

3. Corporate data

| | |
|--|---|
| Stock exchanges and sections where shares are listed | Tokyo Stock Exchange (1st Section) Nagoya Stock Exchange (1st Section) |
| End of fiscal year | March |
| Industry | Steelmaking |
| Number of employees (consolidated) | Not less than one thousand (1,000) employees |

| | |
|-------------------------------------|--|
| Sales (consolidated) | Not less than one (1) trillion yen |
| Number of consolidated subsidiaries | Not less than one hundred (100), but less than three hundred (300) |

4. The policy for protection of minority shareholders when the Company has dealings with a controlling shareholder

None

5. Other special factors that may significantly affect corporate governance

In accordance with the “Affiliated Company Management Regulations,” the Company obliges affiliated companies to consult with the supervisory division and the head office division of the Company and report important matters when they make important decisions. The Company also strives to manage the Group as a whole by requiring affiliated companies to obtain prior approval of the Board of Directors and the President of the Company concerning disposal of assets that surpass a certain amount in value. However, with regard to listed companies, the Company tries not to restrict the original judgment of the corporate managers of such companies, since it is necessary to ensure certain managerial independence of these companies from the Company.

Information on management control organizations for decision making, execution and monitoring, and other features of the corporate governance

1. Organizational structure and operations of the management control organizations

| | |
|---------------------|---|
| Organizational form | Company with an audit and supervisory Committee |
|---------------------|---|

[Directors]

| | |
|---|-------------|
| Number of Directors under the Articles of Incorporation | Twenty (20) |
|---|-------------|

| | |
|---|--------------|
| Term of the Company's Directors under the Articles of Incorporation | One (1) year |
|---|--------------|

| | |
|------------------------------------|--------------------------|
| Chairman of the Board of Directors | President of the Company |
|------------------------------------|--------------------------|

| | |
|---------------------|--------------|
| Number of Directors | Sixteen (16) |
|---------------------|--------------|

| | |
|----------------------------------|-----------|
| Appointment of Outside Directors | Appointed |
|----------------------------------|-----------|

| | |
|-----------------------------|----------|
| Number of Outside Directors | Five (5) |
|-----------------------------|----------|

| | |
|---|----------|
| Number of Outside Directors also appointed as independent directors | Five (5) |
|---|----------|

| Name | Background | Relationship with the Company | | | | | | | | | | | |
|-----------------|-----------------------------|-------------------------------|---|---|---|---|---|---|---|---|---|---|--|
| | | a | b | c | d | e | f | g | h | i | j | K | |
| Takao Kitabata | Other | | | | | | | | | | | | |
| Hiroyuki Banba | Joined from another company | | | | | | | | △ | | | | |
| Takashi Okimoto | Joined from another company | | | | | | | △ | | | | | |
| Yoshiiku Miyata | Joined from another company | | | | | | | | △ | | | | |
| Hidero Chimori | Attorney | | | | | | | | ○ | | | | |

* Relationship with the Company

* ○ indicates the relevant item that the person falls under as of “today or recently” . △ indicates the relevant item that the person falls under as of “previously”.

* ● indicates the relevant item that the person’s close family member falls under as of “today or recently” . ▲ indicates the relevant item that the person’s close family member falls under as of “previously”.

a A person who executes the business of the listed company or its subsidiary

b A person who executes the business or non- Executive Director of a parent company of the listed company

c A person who executes the business of a subsidiary of a parent company of the listed company

d A person who has a significant business relationship with the listed company or who executes the business of an entity that has such a significant business relationship

e A person with whom the listed company has a significant business relationship or who executes the business of an entity with whom the listed company has a significant business relationship

f A consultant, accounting expert or legal expert who receives significant remuneration or other assets from the listed company other than remuneration as a director or executive officer

g A principal shareholder of the listed company (if a principal shareholder is a legal entity, a person who executes the business of such a legal entity)

h A person who executes the business of entity with whom the listed company has a business relationship (does not fall under d, e, and f) (only with respect to the person)

i A person who executes the business of a company whose outside executive persons assume the post on a reciprocal basis with the listed company (only with respect to the person)

j A person who executes the business of an entity to whom the listed company makes a donation

k Other

| Name | Supplementary information on the items specified above | Reason for appointment as an Outside Director |
|--|--|--|
| <p>Takao Kitabata (Independent director)</p> | <p>He is concurrently serving as Outside Director of Marubeni Corporation, Outside Director of SEIREN Co., LTD., Outside Director of Zeon Corporation, and as Chairman of the board of SANDAGAKUEN Junior High School·Senior High School.</p> <p>The Tokyo Stock Exchange has been notified that he is an independent director.</p> | <p>Though he has not been involved in management of companies in any other way than as an outside director or an outside audit & supervisory board member, he has extensive experience and deep insight as an administrator and manager. We have concluded that he is well qualified to be an Outside Director of the Company in light of the Company's policy on appointments of candidates for director and standards regarding selection of an independent director.</p> <p>He does not fall under any of the matters prescribed in Item 6 of Article 211, Paragraph 4 of the Enforcement Rules for Securities Listing Regulations of the Tokyo Stock Exchange, and the Company has designated him (Outside Director) as an independent director in light of the purposes of the independent director designation system.</p> |
| <p>Hiroyuki Banba (Independent director)</p> | <p>Until March 2003, he was the Executive Officer of Sumitomo Rubber Industries, Ltd. Although the Company and Sumitomo Rubber Industries, Ltd. have business transactions, three or more years have passed since Hiroyuki Bamba's retirement as an executive person of Sumitomo Rubber Industries, Ltd., and additionally the amount of these transactions totals less than 2% of the Company's consolidated net sales.</p> <p>The Tokyo Stock Exchange has been notified that he is an independent director.</p> | <p>He has extensive experience and deep insight as a manager, and we have concluded that he is well qualified to be an Outside Director in light of the Company's policy on appointments of candidates for director and standards regarding selection of an independent director.</p> <p>Although he served as an executive of our business partner, the relationship between the Company and such executive is described at left. We believe this relationship does not affect his objective, fair and neutral judgment as outside director and there is no conflict of interest against shareholders. Therefore, the Company has designated him (Outside Director) as an independent director in light of the purposes of the independent director designation system.</p> |

| Name | Supplementary information on the items specified above | Reason for appointment as an Outside Director |
|---|--|---|
| <p>Takashi Okimoto (Independent director, the Audit & Supervisory Committee Member)</p> | <p>Concurrently serving as Outside Audit & Supervisory Board Member of Shindengen Electric Manufacturing Co., Ltd. Until April, 2007, he was the executive person of Mizuho Corporate Bank, Ltd. (currently Mizuho, Ltd.) However, as the Company makes transactions with a large number of financial institutions besides said bank, the amount of the Company's borrowings from said bank is less than 10% and not a large dependency, and he retired as an executive person of said bank more than 3 years ago.</p> <p>The Tokyo Stock Exchange has been notified that he is an independent director.</p> | <p>He has abundant experience and insight in finance, and we have concluded that he is well qualified to be an Outside Audit & Supervisory Committee Member in light of the Company's policy on appointments of candidates for Audit & Supervisory Board Member, that is applied mutatis mutandis to this case, and standards regarding selection of an independent director. Additionally, he has considerable financial and accounting knowledge. Though he was the executive person of the Company's main bank, the relationship between the Company and such executive is described at left and he retired as an executive person of said bank more than 3 years ago. These factors do not affect his objective, fair and neutral judgment as Outside Director. He has no conflict of interests with the Company's shareholders. For the above reasons, the Company appointed him as an independent director.</p> |
| <p>Yoshiiku Miyata (Independent director, the Audit & Supervisory Committee Member)</p> | <p>Concurrently serving as the Outside Director of JXTG Holdings, Inc. Until June, 2014, he was the executive person of Panasonic Corporation. Although the Company and Panasonic Corporation have business transactions, the amount of these transactions totals less than 2% of the Company's consolidated net sales and less than 2% of Panasonic Corporation's consolidated net sales.</p> <p>The Tokyo Stock Exchange has been notified that he is an independent director/auditor.</p> | <p>He has abundant experience and insight in industrial fields, and we have concluded that he is well qualified to be Outside Audit & Supervisory Committee Member in light of the Company's policy on appointments of candidates for Audit & Supervisory Board Member, that is applied mutatis mutandis to this case, and standards regarding selection of an independent director. Although he served as an executive of our business partner, the relationship between the Company and such a business partner is described at left. We believe this relationship does not affect his objective, fair and neutral judgment as an outside director and there is no conflict of interest against shareholders. Therefore, the Company has designated him as an independent director (Outside Director) in light of the purposes of the independent director designation system.</p> |
| <p>Hidero Chimori (Independent director, the Audit & Supervisory Committee Member)</p> | <p>Concurrently serving as the Representative Partner of Miyake & Partners, Outside Audit & Supervisory Board Member of NAITO Securities Co., Ltd., and Outside Company Auditor of ROHM Co., Ltd.</p> <p>He is the Representative Partner of Miyake & Partners. Although the Company and Miyake & Partners have business transactions, no retainer contract exists between the two and he is not involved in any legal affairs the Company assigns to Miyake & Partners to deal with. The amount of these transactions totals much less than 2 % (and less than 1 %) of Miyake & Partners' consolidated net sales.</p> <p>The Tokyo Stock Exchange has been notified that he is an independent director/auditor.</p> | <p>Though he has not been involved in management of companies in any other way than as an outside audit & supervisory board member, he has abundant experience and insight in legal fields, and we have concluded that he is well qualified to be Outside Audit & Supervisory Committee Member in light of the Company's policy on appointments of candidates for Audit & Supervisory Board Member, that is applied mutatis mutandis to this case, and standards regarding selection of an independent director. Although he served as the Representative Partner of the law firm as our business partner, the relationship between the Company and such a business partner is described at left. We believe this relationship does not affect his objective, fair and neutral judgment as outside director and there is no conflict of interest against shareholders. Therefore, the Company has designated him as an independent director (Outside Director) in light of the purposes of the independent director designation system.</p> |

[Audit & Supervisory Committee Members]

Committee’s Composition and Attributes of Chairperson

| | The Number of All Committee Members | The Number of Full-time Members | The Number of Inside Directors | The Number of Outside Directors | Chairperson |
|-------------------------------|-------------------------------------|---------------------------------|--------------------------------|---------------------------------|-----------------|
| Audit & Supervisory Committee | 5 | 2 | 2 | 3 | Inside Director |

Appointment of Directors and/or Staff to Support the Audit & Supervisory Committee

Appointed

Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

The Company organized the Audit & Supervisory Committee Secretariat to support the duties of Audit & Supervisory Committee. Personnel changes, performance appraisal, and other issues relating to the employees of the secretariat shall require prior discussions with Audit & Supervisory Committee in order to ensure the independence of the employees from directors (excluding those who are also Audit & Supervisory Committee Members) and the effectiveness of such instructions.

Employees of the Audit & Supervisory Committee Secretariat mainly support the audits by the Audit & Supervisory Committee based on instructions by the Audit & Supervisory Committee in accordance with the “Rule regarding Audits by the Audit & Supervisory Committee.” Directors (excluding those who are also Audit & Supervisory Committee Members), Executive Officers and employees shall avoid preventing such support activities by the Audit & Supervisory Committee Secretariat and cooperate to ensure the effectiveness of the audits by the Audit & Supervisory Committee.

Cooperation between the Audit & Supervisory Committee, Independent Accounting Auditors and the internal audit

division

Update

With regard to internal audits, the Company established the Audit Department (fourteen (14) employees including those who concurrently hold another office) as an independent audit organization. In particular, audits on issues such as compliance, the environment, and information security are implemented by the divisions respectively supervising these areas jointly with or in cooperation with the Audit Department. The Audit Department also conducts audits and confirms

the control circumstances undertaken by the internal control divisions.

Three (3) certified public accountants who belong to KPMG AZSA & Co. — Daisuke Harada, Takaharu Higashiura and Hiroyuki Matano— execute accounting audits. Eleven (11) other certified public accountants, six (6) staff members (including junior accountants) and four (4) others serve as assistants concerning accounting audits. The accounting auditors conduct audits by exchanging information with the internal audit divisions and the internal control divisions.

As linkage between internal audits, audits by the Audit & Supervisory Committee and accounting audits, the Audit & Supervisory Committee maintains close cooperation with the independent Accounting Auditors, and periodically holds meetings to exchange views about the audit structure, audit plans, the implementation status of audits and other matters. They also attend visiting audits conducted by the independent Accounting Auditors and properly receive reports on the progress in implementation of audits. In addition, the Audit & Supervisory Committee periodically listens to audit policies and plans from the internal audit division and others, and efficiently conduct their audits of the Company by closely cooperating with the internal audit division and the internal control division, properly receiving reports on the implementation status of internal control systems, including compliance and risk management, and on results of its audits.

The Meetings of Independent Directors established by the Company consist of all of Outside directors (both those who are also Audit & Supervisory Board Members and those who are not so), and they share information thereof.

[Voluntary Establishment of Nomination/Remuneration Committee]

| | |
|---|-------------|
| Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee | Established |
|---|-------------|

Committee's Name, Composition, and Attributes of Chairperson

| | Committee Corresponding to Nomination Committee | Committee Corresponding to Remuneration Committee |
|-----------------------|--|--|
| Committee's Name | The Meetings of Independent Directors | The Meetings of Independent Directors |
| All Committee Members | 5 | 5 |
| Full-time Members | None | None |
| Inside Directors | None | None |
| Outside Directors | 5 | 5 |
| Outside Experts | None | None |
| Other | None | None |
| Chairperson | None | None |

Supplementary Information on the above item

The Company has established the “Meetings of Independent Directors” as a forum where the Company appoints its executives, gives hearings to opinions from Independent Directors and provides Independent Directors with information with respect to the management of the Company’s business for the purpose of maximizing the roles of Independent Directors.

The Meetings of Independent Directors consist of Independent Directors only. A regular meeting is held every quarter and ad-hoc meetings are held, if necessary.

Executive directors of the Company attend the Meetings of Independent Directors at their discretion and furnish information to and exchange opinions with the Independent Directors thereof.

Furthermore, to encourage information sharing between the Audit & Supervisory Committee, the internal audit division and the internal control division, the Corporate Planning Department serves as the secretariat of the Meetings of Independent Directors and is supported by the Audit Department and Human Resources Department.

[Independent Directors]

Number of Independent Director

Five (5)

Other information on the major activities of the Independent Directors

The Tokyo Stock Exchange has been notified that five (5) Outside Directors (including three (3) Audit & Supervisory Committee Members) are Independent Directors of the Company.

(Standards for Independent Directors)

The Company’s Outside Directors (including those who are also Audit & Supervisory Committee Members) are Independent Directors as long as any of the following requirements are not applicable. Requirement “L” only applies to Outside Directors who are also Audit & Supervisory Committee Members.

- A) A person who currently executes or has executed businesses of the Group, which includes the Company and its subsidiaries (meaning executive directors, executive officers, officers and other employees, hereinafter the same shall apply).
- B) A person who has a close relative (spouse, relative within the second degree of kinship, hereinafter the same shall apply) who currently executes or has executed businesses of the Group within the past five years.
- C) A person who is currently or has been over the past three years a principal shareholder of the Company (a shareholder who, directly or indirectly, currently owns or has owned 10% or more of all voting rights of the Company) or who currently executes or has executed businesses of the principal shareholders’ company within the

past three years.

- D) A major business partner of the Company (when the highest payment among payments by this partner to the Company accounts for more than 2% of the Company's annual consolidated net sales in the past three fiscal years) or a person who executes businesses thereof or has executed over the past three years businesses thereof.
- E) A person who executes businesses thereof whose major business partner is the Company (when the highest payment among payments by the Company to the person accounts for more than 2 % of the person's annual consolidated net sales in last three fiscal years) or a person who executes businesses thereof or has executed over past three years businesses thereof .
- F) Persons who are or have been over the past three years financial institutions, other large creditors or those executives indispensable for the Company's financing and that the Company depends on to the degree there is no substitute.
- G) A consultant, accountant or legal professional who has received a large sum of money or other financial gain in the past three years (the larger of 10 million yen or 100 thousand U.S. dollars or more in a year if the person is an individual, or, if the person is a party such as a company or an association, the amount equal to or more than 2% of the party's annual consolidated net sales) from the Company as an individual, excluding remuneration for director/corporate auditor of the Company. (If a party including but not limited to a company or an association receives such financial gain, a person who belongs to those companies, excluding the person individually performing his or her duties without receiving any remuneration from those companies.)
- H) Certified public accountants who are Accounting Auditors of the Company or those belong to the audit corporation which is an Accounting Auditor of the Company.
- I) A representative person or the equivalent thereof of the company who receives a donation or aid (which exceeds the larger of 10 million yen, 100 thousand U.S. dollars or 30% of the total average annual cost of the company in a year) from the Company.
- J) A person who executes businesses of the companies which mutually dispatches outside directors/corporate auditors. (The person who executes the business of the Group is an outside director/corporate auditor and the person who executes the business of such a company is the Outside Director of the Company.)
- K) A person who has a close relative who falls under any of the categories C through J above. (The person who executes a business of the Company is limited to directors and executive officers and, regarding the person who belongs to a professional advisory firm such as a law firm, limited to a member or a partner of the firm.)
- L) A person who has a close relative with the person who falls under either of the following categories a) through c).
 - a) A person who is currently or has been over the past one year a non-executive director of a subsidiary of the Company.
 - b) A person who is currently or has been over the past one year an accounting advisor of a subsidiary of the Company. (If the accounting advisor is a company, it is limited to those with a certified public accountant or a certified public tax accountant.)
 - c) A person who over the past one year has been a non-executive director of the Company.

[Incentives]

Measures to grant incentives to directors

Introduction of performance-linked remuneration and others

Supplementary information on the above item

Supplementary information is also stipulated in “Disclosure of the policy to determine the amount of directors’ remunerations and these calculation methods” herein below.

Eligible persons for stock options

Supplementary information on the above item

[Compensation for Directors]

Status of disclosure regarding the sum of the remunerations for individual directors

None

Supplementary information on the above item

In the annual securities reports and operating statements at shareholders meetings, the total compensation for all the Internal Directors and for all the Outside Directors is disclosed respectively.

The policy to determine the amount of directors’ remunerations and the calculation method

Determined

Disclosure of the policy to determine the amount of directors’ remunerations and these calculation methods

[Policies Regarding the Setting of Remuneration Levels for Directors and the Method for Calculating Remuneration]

In order to improve medium- to long-term corporate value, the Company aims to have a system of remuneration that effectively acts as an incentive for its directors to carry out their expected roles in their fullest capabilities and proposes the

following director remuneration system.

(1) Fundamental Policy of Remuneration of the Company's Directors

- A) Be a system able to secure talented human resources who can be responsible for the Company's continued expansion and appropriately remunerate them.
- B) Be a system able to share values widely with stakeholders and promote not only short-term growth but also medium- to long-term growth.
- C) Create a system that incentivizes the accomplishment of consolidated business result targets while sufficiently considering the characteristics of each business so that executive persons can fully carry out their roles.
- D) Regarding the composition of the remuneration system and the necessity of its reevaluation, ensuring the objectivity and transparency of judgments regarding remuneration decisions by listening to and considering the opinions of Meetings of Independent Directors composed entirely of Independent Directors.

(2) Remuneration Framework

- A) Remuneration for the Company's directors (excluding those who are also Audit & Supervisory Committee Members) will consist of fixed compensation, performance based compensation linked to the achievement of business results targets during individual fiscal years, and medium- to long-term incentive compensation based on stock compensation with the goal of sharing values with shareholders. Taking into consideration their duties, part-time Internal Directors and Outside Directors will not be eligible for performance-based compensation, and Outside Directors will not be eligible for medium- to long-term incentive compensation.
- B) The standard amount of performance-based compensation for each rank will be at the level of 25% to 30% of fixed compensation, and the value of medium- to long-term incentives paid per fiscal year will be at the level of 25% to 30% of fixed compensation.
- C) The Company's directors who are also Audit & Supervisory Committee Members will only be paid fixed compensation as director remuneration, taking into consideration their duties.

(3) Performance-based systems

- A) The amount of performance-based compensation will be determined using net income attributable to owners of the parent (hereinafter "net income") and net income of each business division as evaluation indicators. Target standards used in evaluations will be based on the net income standard of the Company as a whole, which becomes "consolidated ROA of 5% or more" as stated in the medium-term management plan. Additionally, target standards for each business division will be based on the same net income standard for each business division of "ROA of 5% or more in each business division," and according to these targets and the accomplishment of these targets for both the Company as a whole and in each business division, a coefficient of 0-200% will be multiplied to the base amount in order to determine the amount paid.
- B) For medium- to long- term incentive compensation, a system known as Board Benefit Trust will be adopted in order to raise the consciousness for contribution from Directors regarding continuously improving corporate value. Payments

based on this system will use a base point number established for each rank and a number of points according to a coefficient of 0-100% will be provided each fiscal year based on whole-company net income and the state of dividend payment, and on a fixed date during each trust period of three years, a number of the Company's shares and a cash equivalent to the amount converted from the market price of the Company's shares will be provided according to the number of points provided.

(4) Method to Determine Remuneration Standard

Director remuneration survey data from an external specialized agency will be used as a base to determine remuneration standards commensurate with the Company's corporate scale and the duties expected of directors.

(5) Method to Determine and Examine the Policy regarding Remuneration

- A) The policy concerning remuneration for directors (excluding those who are also Audit & Supervisory Committee Members) is determined by the Board of Directors, and the policy concerning remuneration for Directors who are Audit & Supervisory Committee Members is determined by all Audit & Supervisory Committee Members.
- B) The Company receives opinions from the Meetings of Independent Directors comprised of all Independent Directors regarding ways for and necessity to revise the remuneration system. If it is necessary to revise the remuneration system, the Company will present a revised remuneration plan at a meeting of the Board of Directors and it will be resolved.

Based on the resolution at the Ordinary General Meeting of Shareholders, the total amount of remuneration for directors is determined as follows;

A) Remuneration for directors (excluding those are also Audit & Supervisory Committee Members)

The limit of fixed compensation: Within a total of 650 million yen per fiscal year

The limit of performance-based compensation: Within a total of 350 million yen per fiscal year

B) Remuneration for directors who are also Audit & Supervisory Committee Members:

The limit of remuneration (fixed compensation only) as being within a total of 132 million yen per fiscal year

With respect to a stock compensation plan for Directors, please see the press release dated April 28, 2016, "Introduction of a stock compensation plan for Directors" on the Company's web site (<http://www.kobelco.co.jp>).

[Support system for Outside Directors]

With respect to Outside Directors who are also Audit & Supervisory Committee Members, the Company has established an Audit & Supervisory Committee Members' Secretariat to support the duties of the Audit & Supervisory Committee. The secretariat handles administrative work of the Audit & Supervisory Committee; provides information to the Audit & Supervisory Committee, including prior distribution of materials on important decision-making cases; collects information requested by the Audit & Supervisory Committee; and communicates information to relevant in-house divisions.

With regard to matters to be submitted to the Board of Directors, the divisions in charge give prior explanations to the Audit & Supervisory Committee, as necessary.

Regarding Outside Directors who are not Audit & Supervisory Committee Members, the Corporate Planning Department gives prior explanations of matters to be submitted to the Board of Directors to Outside Directors.

Additionally, the Company has established the “Meetings of Independent Directors” as a forum where the Company appoints its executives, gives hearings to opinions from Outside Directors and provides Outside Directors with information with respect to the management of the Company’s business for the purpose of maximizing the roles of Outside Directors.

The Meetings of Independent Directors consist of Independent Directors only. A regular meeting is held every quarter and ad-hoc meetings are held, if necessary.

Executive directors of the Company attend the Meetings of Independent Directors at their discretion, furnish information to and exchange opinions with the Independent Directors thereof.

Furthermore, to encourage information sharing between the Audit & Supervisory Committee, the internal audit division and the internal control division, the Corporate Planning Department serves as a secretariat of the Meetings of Independent Directors, and the Audit Department and Human Resources Department provide support.

2. Information on functions including business execution, auditing and monitoring, nominations, and decisions on compensation (Summary of present corporate governance system) Update

(1) Details of organizations of the Company

1) Composition of directors (excluding those who are also Audit & Supervisory Committee Members)

The number of directors (excluding those who are also Audit & Supervisory Committee Members) shall be no more than 15 as stipulated under the Articles of Incorporation of the Company. The Board of Directors constituted of appropriate number of members in light of their diversity and to ensure that the directors are able to conduct substantial discussions at the Board of Directors..

The Board of Directors consists of the Chairman of the Board, the President, executive directors in charge of important posts in the head office division, business divisions or the technical development division.

Also, to enhance active discussion, appropriate decision making and supervision, it is necessary to take into consideration the perspectives of stakeholders, such as minority shareholders, as well to welcome those who can provide objective, fair and neutral perspectives. In principle, several outside directors are appointed to the Board. At present, the Company appointed five (5) Outside Directors, two (2) of whom are not Audit & Supervisory Committee Members. These Outside Directors (excluding those who are Audit & Supervisory Committee Members) attend Board of Directors meetings every month and provide appropriate advice, taking into account a fair and neutral viewpoint or the viewpoint of stakeholders, such as minority shareholders, as necessary for the Company’s continued growth. Outside Directors also play roles to exercise their voting rights at Board of Directors meetings, supervise the Board of Directors meetings, and supervise conflicts of interests between the Company and its executives.

2) Directors Who Are Audit & Supervisory Committee Members and the Structure of the Audit & Supervisory Committee

With regard to Audit & Supervisory Committee Members, the Companies Act requires companies to install three or more Audit & Supervisory Committee Members, more than half of whom are Outside Audit & Supervisory Committee Members. However, the Company's Audit & Supervisory Committee consists of five (5) Audit & Supervisory Committee Members, of which three (3) are Outside Audit & Supervisory Committee Members invited each from the legal, financial and industrial circles.

The Audit & Supervisory Committee — as an independent organ entrusted by shareholders that plays a role in the Company's supervisory function in cooperation with the board of directors — implement the tasks below in order to ensure the healthy and sustainable growth of the Company, including the Company's corporate group; to maintain growth that takes value creation into consideration for various stakeholders; and to establish a good corporate governance system that meets social trust.

The Audit & Supervisory Committee makes efforts to maintain the Company's internal arrangements so that the Company is capable of quick and decisive decision-making and actively express opinions on directors and employees, as well as guarantee the Company's clear and fair decision making.

Full-time Audit & Supervisory Committee Members are appointed at the Audit & Supervisory Committee for smooth business execution of the Audit & Supervisory Committee.

Full-time Audit & Supervisory Committee Members are elected as "Selected Audit & Supervisory Committee Members" actively strive to collect internal information of the Company and maintain circumstances for auditing, and daily audit the internal control system of the Company, based on the characteristics of full-time Audit & Supervisory Committee Members. In addition, full-time Audit & Supervisory Committee Members share information they acquire in the course of fulfillment of their duties with other Audit & Supervisory Committee Members.

Outside Directors who are also Audit & Supervisory Committee Members recognize that they are especially expected to objectively express opinions regarding auditing from a neutral viewpoint and make their own candid opinions on the Board of Directors, etc., based on their independence from the Company or reasons of their election. At least one Audit & Supervisory Committee Member with considerable knowledge of finance and accounting must be elected.

Audit & Supervisory Committee Members always make efforts to study diligently to properly fulfill their roles and responsibilities expected as persons in charge of part of the supervisory function of the Company. The Company supports Audit & Supervisory Committee Members to have opportunities to well understand their roles and responsibilities.

3) Mechanism for business execution

The Board of Directors is in charge of carefully discussing and resolving the Company's important business executions and other statutory matters and supervising the business executions. However, the Company determines standards for deliberation at the Board of Directors meetings so as not to obstruct quick decision-making

at the board meetings. The Company delegates authority within a certain scope to persons in charge of carrying out business executions, including the President and other executives.

Additionally, the Company has established a system that can delegate management and promptly make business decisions by appointing Executive Officers as assistants to directors that execute businesses.

The term for directors (excluding those who are Audit & Supervisory Committee Members) and Executive Officers shall be one year to enable the Company to quickly respond to drastic changes in the business environment.

4) Establishment of Independent Directors Meetings

The Company has established the “Meetings of Independent Directors” as a forum where the Company appoints its executives, gives hearings to opinions from Outside Directors and provides Outside Directors with information with respect to the management of the Company’s business for the purpose of maximizing the roles of Outside Directors. The Meetings of Independent Directors consist of Independent Directors only. A regular meeting is held every quarter and ad-hoc meetings are held, if necessary.

Executive directors of the Company attend the Meetings of Independent Directors at their discretion and furnish information to and exchange opinions with the Independent Directors thereof.

Furthermore, to encourage information sharing between the Audit & Supervisory Committee, the internal audit division and the internal control division, the Corporate Planning Department serves as the secretariat of the Meetings of Independent Directors and is supported by the Audit Department and Human Resources Department.

(2) Policy on Selecting Director Candidates

The Company has outlined and disclosed its standards for independent directors and its policy for determining the qualities a director needs in order to fulfill the mandate from shareholders. The Company selects candidates in line with this policy.

1) Fundamental policy with regard to appointment of candidates for directors (excluding those who are also Audit & Supervisory Committee Members)

The Company appoints candidates for directors (excluding those who are also Audit & Supervisory Committee Members) based on a policy that persons suitable to be the Company’s directors should have the following qualities below in order to carry out their roles in consideration of shareholders.

- A) To be able to take care of the Company’s stakeholders and fulfill the Company’s social responsibility as well as make an effort to well understand and implement the Company’s corporate vision and management vision to improve the Company’s corporate value;
- B) Based on his or her own career, to be capable to hold deep insight regarding the Company’s business and his or her duties, and make flexible and balanced judgments to fully display the synergistic effects between the Company’s various businesses, such as businesses in materials, machinery and electric power supply, in the case of determining important management issues including the distribution of management resources;
- C) To be able to make prompt and decisive decisions under circumstances of hectic change; and

- D) To be able to actively make proposals or suggestions to other directors as a member of the Board of Directors
- E) The Company wants Outside Directors to be able to back up appropriate risk-taking and support the Company's medium- to long-term growth by reflecting outside persons' fair and neutral opinions on resolutions at the meetings of the Board of Directors. The Company requires Outside Directors to meet the following requirements in addition to requirements A) to D) above:
 - a. To have extensive experience and deep insight to be able to make objective, fair and neutral judgment in light of his or her career;
 - b. Especially, to have global insight necessary for the implementation of the Company's management vision or business plan or insight regarding the Company's business areas and
 - c. To meet the standards for Independent Directors stipulated by the Company.

2) Fundamental policy with regard to appointment of candidates for directors who are also Audit & Supervisory Committee Members

The Company appoints candidates for directors who are also Audit & Supervisory Committee Members based on the policy that persons suitable as the Company's Audit & Supervisory Committee Members should have the following qualities in order to carry out their rules entrusted by shareholders:

- A) To well understand the characteristics of the Company's wide-ranging businesses and be able to audit and supervise the Company's business based on its duties and functions stipulated in the Companies Law;
- B) To be able to consider appropriateness of management to improve corporate value, in addition to auditing the legality of management, and actively make statements at meetings of the Board of Directors;
- C) To be able to appropriately exert authorities as directors considering they are also Audit & Supervisory Committee Members;
- D) At least one director who is also an Audit & Supervisory Committee Member with considerable knowledge of finance and accounting must be elected and
- E) The Company invites directors who are also Audit & Supervisory Committee Members from the legal, financial and industrial circles in order to show the functions of auditing and supervising from various angles, wants them to be able to back up appropriate risk-taking and support the Company's medium- to long-term growth, and requires outside directors who are also Audit & Supervisory Committee Members to meet the following requirements in addition to requirements A) and B) above:
 - a. To have extensive experience and deep insight and is expected to be able to make objective, fair and neutral judgment in light of his or her career and
 - b. To meet the standards for Independent Directors set by the Company.

(3) Mechanism for business execution

Directors (excluding those who are also Audit & Supervisory Committee Members) play the leading role in business execution and supervise business execution in major business divisions. Under the direction of these Directors,

Executive Officers share the execution of business. The post of Executive Officers of the Company is not an organ legally designated, but is identified as an important post as Executive Officers who are elected by the Board of Directors and execute operations commissioned by the Board of Directors.

Under such system, the Company holds meetings of the Executive Council (twice a month), where managerial directions, including business strategies, and matters presented to the Board of Directors are discussed

The Executive Council consists of regular members (who are executive directors that oversee the head office, business segments and the technical development division; an Executive Officer in charge of the Corporate Planning Department; Executive Officers appointed by the Company's President; and a director who is also a full-time Audit & Supervisory Committee Member) and ad-hoc members appointed depending on the agenda to be discussed.

These meetings are not decision making bodies, but are forums where members actively discuss the agenda in order to consider executions of businesses regarding each business segment of the Company and the Group from various angles. The agenda discussed at the Executive Council is presented at meetings of the Board of Directors as an agenda to be resolved or reported.

The Company also established the Executive Liaison Committee (held once a quarter), comprised of Directors, Executive Officers and Technical Experts who execute business and the presidents and officers of affiliated companies designated by the President of the Company, to facilitate sharing of information on important matters relating to management.

The Executive Liaison Committee is the body that shares information regarding important management issues and holds seminars taught by outside and/or inside instructors in order that attendees of this committee acquire information necessary for the Company Group's integrated management and business execution and for appropriate updates thereof. In addition, the Company may establish a committee where the persons concerned discuss matters that have a great degree of influence on the management of the Company in general, at the request of the President or officials in upper posts.

(4) Outline of Agreements Limiting Liability

Based on the resolution of the Board of Directors, the Company has concluded an agreement limiting liability with Non-executive Directors concerning the liability for damages specified in Article 423, Paragraph 1 of the Companies Act pursuant to Article 427, Paragraph 1 of the Companies Act and provisions in the Company's Articles of Incorporation. The total maximum liability under such agreements shall be an amount stipulated in laws and regulations.

(5) Special provisions concerning directors and general meetings of shareholders in the Articles of Incorporation

The Articles of Incorporation of the Company stipulates the following special provisions concerning directors:

- 1) Article 19, Paragraph 2 stipulates that the directors shall be elected by the affirmative vote of shareholders representing a half or more of the shares held by the shareholders with voting rights present at such a meeting and the quorum requirement shall be not less than one-third (1/3) of the total number of voting rights of such shareholders. Article 19, Paragraph 3 stipulates that cumulative voting shall not be used for the election of directors.

- 2) To enable directors to fully play the roles they are expected to play in the performance of their duties, Article 29, Paragraph 1 and supplemental provisions stipulate that under the provisions of Article 426, paragraph 1 of the Companies Act, the Company may, by resolution of the Board of Directors, exempt directors (including the former directors and Audit & Supervisory Board Members) from liability for damage stipulated by Article 423, paragraph 1 of the same law, within the limits permitted by law.
- 3) Companies that satisfy requirements, including setting of the term of office of directors at one (1) year, are allowed the Board of Directors to decide on matters such as dividends of surplus (including the acquisition of treasury stock) in accordance with the provisions of the Articles of Incorporation to realize adroit capital policies by allocating profits as results of business activities to shareholders in a flexible and more agile way without requiring a resolution of a general meeting of shareholders. Article 35 of the Company's Articles of Incorporation stipulates: "Except as otherwise provided in laws and regulations, the Company shall determine the matters concerning distribution of retained earnings, etc. stipulated in each item of Article 459, paragraph 1 of the Companies Act, by resolution of the Board of Directors instead of the resolution of a general meeting of shareholders."

For smooth operation of general meetings of shareholders, Article 15, Paragraph 2 of the Company's Articles of Incorporation stipulates that resolutions of general meeting of shareholders provided in Article 309, paragraph 2 of the Companies Act shall be adopted by a vote of two-thirds (2/3) or more of the shareholders with voting rights who are present and who hold one-third (1/3) or more of the voting rights of all the shareholders.

3. Reason for choosing the present corporate governance system

The Company believes the basis of its corporate value is the promotion of its diversified businesses, composed of various segments with different demand fields, business environments, sales channels and business scales, and the leveraging of that synergy. The Company believes it is impossible to pursue technical development and innovations, which form the foundation for the Company's continued growth, without integrating discussions with the shop floor. Furthermore, to advance its diversified businesses, the Company believes it is necessary to actively discuss and undertake appropriate decision-making with regard to the risk management of its various businesses and the distribution of management resources, as well as flexibly audit business executions by the Board of Directors. It is desirable that members with the correct understanding regarding the business execution side attend the Board of Directors meetings, without completely separating auditing from execution. In line with this approach and in order to ensure comprehensive audits, the Company had chosen to be a company with corporate auditors with investigation authority. Also, to further strengthen the supervisory function of the Board of Directors and to accelerate decision-making with regard to management, on June 22, 2016, the Company switched to a company with an audit and supervisory committee model, which gives those in charge of audits voting rights on the Board of Directors.

III Measures for shareholders and other stakeholders

1. Initiatives to activate general meetings of shareholders and facilitate the exercise of voting rights

| | Supplementary information |
|--|--|
| Early sending of notice of general meetings of shareholders | The Company sends out the notice of general meetings of shareholders about one (1) week earlier than the statutory deadline. |
| Selection of the date of the general meeting of shareholders avoiding the dates on which the concentration of shareholders' meetings of other companies is anticipated | Yes. |
| Exercise of voting rights by an electromagnetic method | Yes. |
| | Supplementary information |
| Measures to improve the circumstance where institutional investors exert their voting rights such as participation in the electric voting platform | The Company participates in the electric voting platform for institutional investors. |
| Summary of notices regarding general meeting of shareholders in English | Yes. |
| Other | The Company puts up the notices of general meetings of shareholders on its website. (one (1) week before the date of delivery of the Notice of the Ordinary General Meeting of Shareholders) |

2. IR activities

| | Explanation by the Company's representative | Supplementary explanations |
|--|---|---|
| Regular IR meetings for analysts and institutional investors | Yes | Regular meetings are held about four (4) times a year (coinciding with the announcements of settlements of accounts and others). |
| Disclosure of IR information on the website | — | The Company discloses its summaries of financial results, annual securities reports and quarterly reports and presentation materials used in IR briefings on its website. |
| | Explanation by the Company's representative | Supplementary explanations |
| Establishment of a division (or a person) in charge of IR | — | Corporate Planning Department |
| Others | — | <p>The Company holds briefings for individual investors, but not on a regular basis. The Company does not hold regular explanatory meetings for foreign investors. However, the Company's representatives directly and separately give explanations to such investors on demand.</p> <p>The Company holds tours of its offices and plants for shareholders about twice a year (and chooses the participants by lottery from shareholders subscribed for these factory tours).</p> <p>The Company agrees to interviews with institutional investors on demand.</p> |

3. Initiatives to pay due respect to the stakeholders of the Company

| | Supplementary explanations |
|---|--|
| Articulation in the internal rules of the corporate policy to pay due respect to the stakeholders | Under its Group Philosophy, the Company's "Corporate Code of Ethics" articulates the Company's policy to pay due respect to the stakeholders and strive to maintain sound and good relationship with its stakeholders including customers, suppliers, employees and shareholders. |
| Engagement in environmental conservation activities and CSR activities | The Company has established a CSR Committee and an Environmental Management Committee. It also prepares and opens to the public a "Sustainability Report." The Company joins forest development programs in Hyogo, Japan. |
| Establishment of corporate policies for providing information to stakeholders | The Company has established internal rules concerning a system for timely disclosure and built a system for disclosing important corporate information in a timely and properly manner. The Company discloses its initiatives for active dialogues with the capital market, the Company's policy and systems for these dialogues as "Basic Policy and Initiatives on the Corporate Governance of Kobe Steel, Ltd." on the Company's web site. http://www.kobelco.co.jp/english/about_kobelco/kobesteel/governance/index.html |

IV Matters with respect to the Internal Control System, etc.

1. Basic policy and the current status of the Company's internal control system

The systems for ensuring compliance with laws and regulations and the Company's Articles of Incorporation in the performance of duties by the Company's directors and other systems stipulated by the ordinance of the Ministry of Justice as systems that are necessary to ensure proper operations of a joint stock company are stipulated as follows.

- (1) Systems for ensuring compliance with laws and regulations and the Company's Articles of Incorporation in the performance of duties by Directors and employees

The "Corporate Code of Ethics," which stipulates a specific corporate action guideline for compliance with laws and regulations, shall be the norms and criteria of compliance. The Company shall establish a Compliance Committee — an advisory organ to the Board of Directors that has outside committee members — at the Company and principal Group companies, and build a compliance structure that incorporates checks by outside experts, including the introduction of an internal reporting system, in which outside lawyers act as designated contact points.

(2) Establishment of systems for ensuring proper financial reporting

The Company shall establish an in-house structure to ensure proper financial reporting in accordance with the “Regulations for Internal Control over Financial Reporting.”

(3) Systems regarding the retention and management of information relating to the performance of duties by Directors

The Company shall properly store and manage information relating to the performance of duties by directors in accordance with the “Regulations Relating to Retention and Management of Information Relating to Performance of Duties by Directors.”

(4) Rules and other systems for risk management

The Company shall ensure appropriateness and efficiency of operation by establishing “Risk Management Regulations.” These regulations are applied when each division extracts individual risk items concerning risks surrounding the business of the Company and formulates measures to prevent the extracted risk items and procedures for coping with the risks when they become evident. They also specify the system to monitor risk management. Details of the Risk Management Standards, stipulated in the Risk Management Regulations, shall be reviewed properly. The internal audit division shall verify the appropriateness and effectiveness of the systems for risk management.

(5) Systems for ensuring the efficient performance of duties by Directors

The Company is a company with an audit and supervisory committee. To realize a management structure for which transparency and fairness are further ensured, the Company shall elect Outside Directors who are not Audit & Supervisory Committee Members in addition to those who are also Audit & Supervisory Committee Members for the Company’s Board of Directors, which is the core of the corporate governance function of the Company Group.

The Company also adopts the Business Unit System as a management system by which to fully show our group’s total capability such as information sharing or cooperation between business units, in addition to “prompt” decision makings. Under this system, Directors shall supervise business execution in principal business divisions; and Officers, who are elected by the Board of Directors, shall execute business under the supervision of Directors.

In addition, the Company shall hold meetings of the Executive Council, where managerial directions, including business strategies, and matters presented to the Board of Directors are discussed. The Company shall also establish an Executive Liaison Committees, comprised of directors, Executive Officers and Technical Experts who execute business and the presidents and executives of affiliated companies designated by the President of the Company, to facilitate sharing of information on important matters relating to management.

(6) Systems for ensuring the proper operation of the Group, consisting of the Company and its subsidiaries

In accordance with the “Affiliated Company Management Regulations,” the Company shall oblige affiliated companies to consult with the supervisory division and the head office division of the Company and report important matters when they make important decisions. The Company shall also strive to manage the Group as a whole by requiring affiliated companies to obtain prior approval of the Board of Directors and the President of the Company concerning disposal of assets

that surpass a certain amount in value.

With respect to risks surrounding the Company's businesses, affiliated companies shall individually extract their risks, evaluate current situation of such extracted risks and draw suitable preventive maintenance policies in accordance with "Risk Management Regulations." The Company shall dispatch its employees to its affiliated companies as directors and/or audit & supervisory board members of such affiliated companies, make such directors and/or audit & supervisory board members attend the meetings of board of directors in these affiliated companies, and manage and control management of these affiliated companies. Furthermore, the Company builds its group compliance system by requiring its affiliated companies to settle their corporate code of ethics or standards of corporate conduct which determine concrete principles of corporate conducts for the purpose to observe laws and regulations, establish these compliance committees and maintain these internal reporting systems.

However, with regard to listed companies, the Company shall try not to restrict the original judgment of the corporate managers of such companies, since it is necessary to ensure certain managerial independence of the companies from the Company.

- (7) Matters regarding directors and employees assisting duties of the Audit & Supervisory Committee,, and matters regarding the independence of the said directors and employees from directors (excluding those who are also Audit & Supervisory Committee Members); and system to ensure the effectiveness of instructions from the Audit & Supervisory Committee to the said directors and employees

The Company organized the Audit & Supervisory Committee Secretariat to support the duties of Audit & Supervisory Committee. Personnel changes, performance appraisal, and other issues relating to the employees of the secretariat shall require prior discussions with the Audit & Supervisory Committee in order to ensure the independence of the employees from directors (excluding those who are also Audit & Supervisory Committee Members) and the effectiveness of such instructions.

Employees of the Audit & Supervisory Committee Secretariat mainly support the audits by the Audit & Supervisory Committee based on instructions by the Audit & Supervisory Committee in accordance with the "Rule regarding Audits by the Audit & Supervisory Committee." Directors (excluding those who are also Audit & Supervisory Committee Members), Executive Officers and employees shall avoid preventing such support activities by the Audit & Supervisory Committee Secretariat and cooperate to ensure the effectiveness of the audits by Audit & Supervisory Committee.

- (8) Systems of reporting to the Audit & Supervisory Committee by directors (excluding those who are also Audit & Supervisory Committee Members) and employees and other systems regarding reporting to the Audit & Supervisory Committee; Systems reporting to the Audit & Supervisory Committee by directors and employees of the Company's subsidiaries; and Systems to ensure that a person who has made the said report does not receive unfair treatment due to the making of the said report

Directors (excluding those who are also Audit & Supervisory Committee Members), Executive Officers and employees shall periodically report the status of performance of duties, important committees, and other matters to the Audit & Supervisor Committee, in addition to matters designated by law. They shall also report each time material risks occur in business

activities and the status of response to them, as well as the design and operational effectiveness of internal systems for ensuring proper financial reporting. Additionally, they shall report the current circumstances of their subsidiaries to the Audit & Supervisory Committee depending on the necessity to do so. The Audit & Supervisory Committee Secretariat and the internal audit division (among departments in charge of audits regarding specific operations with high specialization or peculiarity) report to the Audit & Supervisory Committee current situations regarding the Company's group compliance and risk management.

The Company stipulates prohibition to retaliate the informing employees through the internal reporting system and reporting employees to the Audit & Supervisory Committee in "Corporate Code of Ethics" and dissemination this prohibition among the Company.

(9) Policies on prepaid expenses for the execution of the duties of the Audit & Supervisory Committee, on expenses for procedures for repayment and the execution of other relevant duties, or on debt processing

If the Audit & Supervisory Committee claim for payment of expenses or debts based on the Companies Act regarding the execution of their duties, the Company will pay for such expenses or debts except that the Company confirms such claims not necessary to execute duties of the Audit & Supervisory Committee. Regarding the expenses necessary for the Audit & Supervisory Committee to execute their duties, the Company will take appropriate budgetary steps to secure a certain amount that the Audit & Supervisory Committee deem necessary each year.

(10) Other systems to ensure effective audits by the Audit & Supervisory Committee

To ensure the effectiveness of audits by the Audit & Supervisory Committee, explanations of annual audit policies and plans of the Audit & Supervisory Committee shall be made at meetings of the Board of Directors and on other occasions. The Company shall improve the audit environment by holding periodic meetings between the Audit & Supervisory Committee and the President and through cooperation with the internal audit division.

A summary of management control organizations for decision making, execution and monitoring, and other features of the corporate governance are as described in the Attachment.

2. Basic ideas about and establishment status of the systems for eliminating antisocial forces

The Company states in the "Corporate Code of Ethics" that the Company rejects all contacts with any individuals and entities that adversely affect social order and wholesome business activity, and has stipulated the following items as action standards:

- Management is expected to not be afraid of them and take the lead to reject such contacts.
- The Company rejects any *minji kainyu boryoku* (gangsters' involvement in the settlement of problems) in accordance with the principles of "not to fear," "not to pay," and "not to make use of gangs." In rejecting approaches from gangs, the company will take organized and systematic action so that employees are not required to respond to gangs by themselves. In addition, the Company will obtain as much assistance as possible from the police and legal professionals.

The Company has set up the Security and Safety Group in the General Administration Department as an in-house supervisory department. The Security and Safety Group unitarily controls information on antisocial forces. Internally, it gives counsel to employees facing problems and gives advice on how to solve those problems. In addition, it periodically implements training and other activities using the “Manual regarding extortion against companies,” prepared by the Company, as a teaching material. Externally, the Group obtains information and advice related to antisocial forces from the police, anti-violence bodies and other organizations.

The Company has also set up the Corporate Ethics Bureau, which strives to detect moral problems in early stages or prevent them as an in-house consultation contact point for moral issues. The Company has established an employee action manual for not only eliminating antisocial forces but also for compliance with laws and regulations, and is implementing training.

V Others

1. Matters concerning anti-takeover measures

Whether the anti-takeover

None

measure is adopted or not

Update

Supplemental explanation regarding this issue

Update

(1) Basic Policy on Corporate Control

The Company has formed unique business domains over its 110 year history, which extends back to its establishment in 1905. The peripheral fields of the materials and machinery businesses span especially broad areas, and the diversity of the individual businesses that comprise these business fields has enabled the Company to be the first to harness particular synergies. In addition, these businesses are supported by a wide range of stakeholders, including the Company's employees who boldly take on challenges in R&D and on the production floor, business partners and customers in Japan and abroad—mainly in the fields of transportation vehicles, energy and infrastructure—with whom the Company has nurtured relationships of trust over many years.

Furthermore, the Company supplies a wide range of customers with unique and diverse product lineups that encompass its materials businesses' difficult-to-substitute materials and components and its machinery businesses' energy efficient and eco-friendly products.

In addition, by providing electricity—a crucial component of social infrastructure—through its electric power business the Company provides services that benefit society. The Company believes it has a significant responsibility to society that it is addressing through these activities.

The Company provides unique and high-value-added products and creates synergistic effects by exchanging and combining technologies among its businesses. This practice has allowed the Company to build up relationships of trust with stakeholders, fulfill the duty of providing social infrastructure, and gain the trust of society. The Company considers these to be the bedrock of its corporate value.

The Company, as a listed company, thinks that any large-scale purchase of the Company's shares involving a change of its corporate control should be approved if such purchase facilitates the protection and enhancement of its corporate value, which is generated from the sources described above, and, ultimately, the common interests of its shareholders in the course of open stock trading.

However, the Company believes that a party which will have an impact on its financial and business policy decisions must be one that fully understands the sources of its corporate value such as the Company's management principles and the relationship of mutual trust it shares with its stakeholders, which are necessary and indispensable for the enhancement of

corporate value and, ultimately, the common interests of its shareholders. Such a party must also be able to protect and enhance the Company's corporate value and, ultimately, the common interests of its shareholders as a result.

The Company must therefore strive to secure its corporate value and the common interests of its shareholders by taking appropriate action in accordance with the relevant laws and regulations in response to persons who are engaging in or aim to engage in a large-scale purchase.

(2) Special Initiatives to Help Enforce the Basic Policy on Corporate Control

1) Initiatives to Improve Corporate Value by Carrying Out Business Strategies

In April 2016, the Company formulated the Fiscal Year 2016-2020 Group Medium-Term Management Plan and started initiatives under the new medium- to long-term business vision, KOBELCO VISION "G+" which will establish a solid business enterprise aimed at further strengthening the three core business areas of the materials businesses, machinery businesses, and the electric power business.

The Company plans to focus its management resources in growing fields anticipated to expand over the medium to long term such as weight savings in transportation as well as energy and infrastructure.

The Company plans to increase the original added value of the Kobe Steel Group. By achieving a strong competitive edge, the Company aims to expand and grow its businesses and contribute to society.

2) Initiatives to Improve Corporate Value by Strengthening Corporate Governance

The Company considers the strengthening of corporate governance a necessary part of ongoing efforts to improve corporate value.

The Company has worked to strengthen corporate governance through a variety of measures. These include transitioning to a company with an Audit & Supervisory Committee, revising the Board of Directors roster, and newly establishing the Meetings of Independent Directors, which consist of all of the Independent Directors and provide objective opinions regarding executives' appointments and remuneration.

Going forward, the Company will continue looking for ways to further strengthen corporate governance. The Company will reference opinions presented at the Meetings of Independent Directors and the results of the Board of Directors' effectiveness evaluation, which are based on an annual survey of each director and an evaluation of the survey results by the Audit & Supervisory Committee.

(3) Initiatives to Prevent Unsuitable Parties from Having an Impact on the Company's Financial and Business Policy Decisions in Light of Its Basic Policy on Corporate Control

The Company will request that persons who are engaging in or aim to engage in a large-scale purchase provide necessary and sufficient information to allow the shareholders to appropriately determine the question of the large-scale purchase in accordance with relevant laws and regulations from the viewpoint of ensuring its corporate value and the common interests of its shareholders, disclose the opinions of the Board of Directors of the Company, and endeavor to secure necessary time and information for the shareholders to consider such large-scale purchase.

Further, if it is rationally judged that there is a risk of damage to the Company's corporate value and the common interests of shareholders unless timely defensive measures are implemented, the Company will endeavor to secure its corporate

value and the common interests of its shareholders, as an obvious obligation of the Board of Directors entrusted with management of the Company by its shareholders, by promptly deciding the content of the concrete measures deemed most appropriate at the time in accordance with the relevant laws and regulations and executing such measures.

Based on the policy stipulated in (1) hereinabove, the Company believes these initiatives stipulated in (2) and (3) hereinabove meet its corporate value and the common interests of its shareholders and are not aimed at preserving the personal status of its directors.

2. Other matters concerning the corporate governance system

The situation of the Company's internal system regarding disclosure of the Company's information in the "Timely Disclosure Browsing Service" (Japanese) (the "Timely Disclosure") held by Tokyo Stock Exchange, Inc. ("TSE") is stipulated as follows.

In the Company, the Legal Department is in charge of tasks regarding the Timely Disclosure. The Company also appoints the director who is in charge of the Legal Department as the "Person Responsible for Handling Information." Under their management, the Company does maintenance on the organization with respect to the Timely Disclosure pursuant to rules of timely disclosure of corporate information stipulated in the Securities Listing Regulations made by the TSE ("Timely Disclosure Regulations").

The Company adopts the Business Unit System which is most suitable for management of our business. With regard to important information of the Company, the planning and administration department of each business unit centrally manages information regarding the business unit and subsidiary companies under its control, and the Corporate Planning Department in the Company's headquarters controls information concerning the headquarters and companywide management.

The Company has established a system whereby the Corporate Planning Department and the planning and administration department of each business unit can decide in advance whether information needs to be disclosed based on the Timely Disclosure Regulations, and then, seek from the Legal Department (as the department in charge of the Timely Disclosure) confirmation and final judgment regarding whether such matters are obligated to be disclosed. The Legal Department reports such matters to the Person Responsible for Handling Information, determines the necessity or the lack thereof of the Timely Disclosure of such matters, and then, replies the results to each department.

The Legal Department promptly takes steps, to disclose, on TDnet, information included in the "decisions made by the listed company or its subsidiaries, etc." the "details of account settlement" and so on under the Timely Disclosure Regulations at the time of internal approval made by headquarters and each unit, and information included in "Facts that have occurred" under the Timely Disclosure Regulations at the time when the Company recognizes the occurrence if the Legal Department judges that there is a necessity to do so.

The Company makes every effort to maintain the system to maintain timely and appropriate disclosure of information such as

i) to appoint the person responsible for controlling information regarding the Timely Disclosure in each unit and ii) to let the Legal Department give the widest possible publicity to standards of the Timely Disclosure by preparing manuals regarding the Timely Disclosure. The Company also makes it mandatory for departments in charge of drafting documents to be laid before internal decision-making bodies to put in writing the necessity or the lack thereof of the Timely Disclosure of such documents.

With respect to the internal system of the Timely Disclosure, the Company arranges the system so that the Audit Department, which conducts audits regarding the company-wide management of business, regularly investigates the appropriateness and effectiveness of the system and offers opinions with regard to improvements and corrections of problems depending on the necessity.

The summary of the internal control system regarding the Timely Disclosure is depicted in the attached paper.

<Current Corporate Governance System>



