

[Translation]

May 31, 2016

Dear All Shareholders and Investors,

Listed Company's Name: Kobe Steel, Ltd.
Representative: Hiroya Kawasaki
Chairman, President, CEO and Representative Director
(Stock Exchange No.: 5406)
Contact Person: Junji Yamashita,
Senior Corporate Council, Legal Department
(TEL: 03-5739-6010)

Supplementary Explanation on the Matters to be Resolved in Kobe Steel, Ltd.'s 163rd Ordinary
General Meeting of Shareholders

Regarding the matters to be resolved presented to Kobe Steel, Ltd. (the "Company")'s 163rd Ordinary General Meeting of Shareholders which is scheduled to be held on June 22, 2016 (the "163rd General Meeting of Shareholders"), we have acquired information that Glass, Lewis & Co., LLC ("Glass Lewis") is recommending voting "against" the following candidates:

Candidate No. 1 "Hiroya Kawasaki" from Item 2 (Election of eleven (11) Directors (excluding Directors who are Audit & Supervisory Committee Members)); and
Candidate No. 4 "Yoshiiku Miyata" and Candidate No. 5 "Hidero Chimori" from
Item 3 (Election of five (5) Directors who are Audit & Supervisory Committee Members).

Regarding the above, we provide supplementary explanation on these matters to be resolved, as follows. Please kindly confirm the details, we appreciate your understanding very much.

Note

1. Grounds of Glass Lewis' recommendation to vote "against"
 - (i) Item 2 of the matters to be resolved
In the 163rd General Meeting of Shareholders, the Company proposes election of eleven (11) Directors (excluding Directors who are Audit & Supervisory Committee Members) and election of five (5) Directors who are Audit & Supervisory Committee Members, in addition to the transition to being a company with an Audit & Supervisory Committee. If the candidates for the Directors presented to the 163rd General Meeting of Shareholders are approved, the number of Directors will be sixteen (16) (including five (5) Outside Directors).

Glass Lewis is requesting that the number of Outside Directors be no less than 1/3 of the Board of Directors, and therefore, based on this formalistic standard, it is recommending to vote "against" Candidate No. 1 "Hiroya Kawasaki".
 - (ii) Item 3 of the matters to be resolved
Candidate No. 5 "Hidero Chimori" is currently a Representative Partner of Miyake & Partners, and the Company is in a business relationship with Miyake & Partners although the Company does not

have a retainer agreement with the firm. The reason for recommendation to vote “against” Mr. Hidero Chimori is allegedly that the relevant business is professional service provision, and Mr. Hidero Chimori lacks independence.

On the ground that the Audit & Supervisory Committee is deemed to be not sufficiently independent because Mr. Hidero Chimori lacks independence, it is also recommended to vote “against” the proposal for election of the new Candidate No. 4, “Yoshiiku Miyata”, who is also proposed for election in Item 3 of the matters to be resolved. (The grounds for objection to the independence of Mr. Yoshiiku Miyata are not specifically stated.)

2. The Company’s Stance

(i) Item 2 of the matters to be resolved

If the candidates for the positions of Directors presented to the 163rd General Meeting of Shareholders are approved, the number of Directors in the Company will be sixteen (16) (including five (5) Outside Directors).

All of the candidates for the positions of Outside Directors of the Company have high levels of independence; and if the matter to be resolved in Item 1 (transition to a company with an Audit & Supervisory Committee) is approved and Item 2 is approved, the total number of non-executive directors, including Outside Directors, will be seven (7), including five (5) Directors who are Audit & Supervisory Committee Members (including three (3) Outside Directors) and two (2) Outside Directors who are not Audit & Supervisory Committee Members. This means that the ratio of non-executive directors in the total number of Directors (16) will be about 44%.

Consequently, the Board of Directors will have five (5) directors who are non-executive directors and Outside Directors, and the percentage of such directors of the members of the Board of Directors will be 40% or more. We consider that this will secure sufficient independence and a high supervisory function.

(ii) Item 3 of the matters to be resolved

- The reason why we consider Mr. Hidero Chimori to be a candidate for a position as an independent Outside Director who is an Audit & Supervisory Committee Member

Mr. Hidero Chimori is currently a Representative Partner of Miyake & Partners, and the Company is in business relationship with Miyake & Partners although the Company does not have a retainer agreement therewith. In addition, Mr. Hidero Chimori is not involved in any of the cases the Company has referred to Miyake & Partners.

The Company has set G) as one of the standards for Independent Directors and Auditors, on Page 20 of the “Reference Documents for the General Meeting of Shareholders” [Note: page 32 of the English translation of the “Reference Documents for the General Meeting of Shareholders”], as follows:

“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 the amount equal to or more than 2% of the party’s annual consolidated net sales if the person is a party such as a company or an association) from the Company as an individual, excluding remuneration for Director/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 any person individually performing his or her duties without receiving any remuneration from those companies.)” The content of business between the Company and Miyake & Partners is an information provision request concerning intellectual property and the like, and the amount of business accounts for less than 2% (not even reaching 1%) of the consolidated net sales of Miyake & Partners.

The above criteria G) is a strict standard which can more than sufficiently bear comparison with the standards of companies listing their stock on the New York Stock Exchange or the NASDAQ in the U.S.

From the above, the Company believes in sufficient independence of Mr. Hidero Chimori, and that Mr. Hidero Chimori is an appropriate choice for the Company's Director, who is also an Audit & Supervisory Committee Member.

- Independence of Audit & Supervisory Committee

As explained above, there is no problem at all with the independence of Mr. Hidero Chimori, not to mention the independence of Mr. Yoshiiku Miyata, and the Audit & Supervisory Committee will have three (3) Outside Directors who have high levels of independence. Therefore, we believe that sufficient independence of the Audit & Supervisory Committee is secured.

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