

(Please note that the following is an English translation of the original Japanese version, prepared only for the convenience of non-Japanese speaking shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.)

(Stock Exchange No.: 5406)

June 1, 2016

**NOTICE OF
163RD ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

Kobe Steel, Ltd. (“the Company”) would hereby like to inform you that the 163rd Ordinary General Meeting of Shareholders will be held as follows, and would be grateful if you could attend the meeting. **Those who will not be able to attend the meeting on the day are kindly requested to consider appended “Reference Documents for the General Meeting of Shareholders” and exercise your voting rights by one of the following methods no later than 5:30 p.m., Tuesday, June 21, 2016 (JST (Japan Standard Time)).**

[Voting by mail]

Please indicate on the voting form enclosed herewith your approval or disapproval of the matters to be resolved, and return it to us.

[Voting via the Internet]

Please read the “Matters related to the exercise of voting rights” on page 3 and input your approval or disapproval of the matters to be resolved in accordance with the instructions on the website.

Yours faithfully,

Hiroya Kawasaki

Chairman, President, CEO and Representative Director

Kobe Steel, Ltd.

2-4, Wakinohama-Kaigandori 2-chome, Chuo-ku, Kobe, Hyogo

1. Date and Time: **10:00 a.m., Wednesday, June 22, 2016 (JST (Japan Standard Time))**

2. Venue: Kobe International Exhibition Hall No. 2 (first floor)
11-1, Minatojima-nakamachi 6-chome, Chuo-ku, Kobe, Hyogo

3. Meeting Agenda:

Matters to be reported:

1. The business report, consolidated financial statements, and non-consolidated financial statements for the 163rd business term (from April 1, 2015 to March 31, 2016)
2. The results of audit to consolidated financial statements by Accounting Auditors and the Audit & Supervisory Board for the 163rd business term

Matters to be resolved:

- Item 1: Partial amendments to the Articles of Incorporation
- Item 2: Election of eleven (11) Directors (excluding Directors who are Audit & Supervisory Committee Members)
- Item 3: Election of five (5) Directors who are Audit & Supervisory Committee Members
- Item 4: Election of one (1) Director who is a substitute Audit & Supervisory Committee Member
- Item 5: Determination of amount of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members)
- Item 6: Determination of amount of remuneration for Directors who are Audit & Supervisory Committee Members
- Item 7: Introduction of a stock compensation plan for Directors
- Item 8: Consolidation of shares

4. Information regarding parts of consolidated financial statements and non-consolidated financial statements provided via the Internet

Based on laws and regulations and the provisions of Article 14 of the Company's Articles of Incorporation, matters that should be displayed as consolidated statements of changes in net assets, notes to consolidated financial statements, non-consolidated statements of changes in net assets, and notes to non-consolidated financial statements are posted on the Company's website (<http://www.kobelco.co.jp>). The consolidated statements of changes in net assets, notes to consolidated financial statements, non-consolidated statements of changes in net assets, and the notes to non-consolidated financial statements were audited as part of the consolidated financial statements and the non-consolidated financial statements by Accounting Auditors and the Audit & Supervisory Board Members in the course of the preparation of their audit reports.

5. Matters related to the exercise of voting rights

(1) Procedures for the exercise of voting rights over the Internet

- (a) Please access the voting exercise website (<http://www.evotote.jp>) using a computer, smartphone or a cellular phone connected to the Internet. Then, according to the instructions on the website, please enter the login ID and temporary password supplied on the voting form (you may use the password you have registered), and exercise your voting rights.

Note: Please note that the website cannot be accessed using PDA, game machine, etc.

- (b) You may exercise your voting rights from Wednesday, June 1, 2016 to 5:30 p.m., Tuesday, June 21, 2016 (JST (Japan Standard Time)). Please note that we suspend handling of the exercise of voting rights from 2:00 a.m. to 5:00 a.m. of each day.
- (c) You may exercise your voting rights by means of either mail using the voting form or the voting exercise website. Please make sure not to exercise your voting rights via both means.
In the event that your voting rights are exercised via both mail and the Internet, the vote exercised by the Internet will be regarded as valid.
- (d) In the event that multiple votes are exercised over the Internet, the last vote made will be regarded as valid.
- (e) Any fees in accessing the Internet (ISP connection fees, telephone charges, etc.) will be borne by shareholders.

(2) Electronic voting platform [for institutional investors]

In exercising voting rights at the General Meeting of Shareholders of the Company, institutional investors may use the electronic voting platform operated by ICJ Inc., a joint venture established by Tokyo Stock Exchange, Inc. and others.

(3) Notification method for the revision of the description of Reference Documents for the General Meeting of Shareholders and other attached documents

In the event that the Company revises the description of Reference Documents for the General Meeting of Shareholders, business report, and consolidated and non-consolidated financial statements, the matters to be revised will be posted on the Company's website (<http://www.kobelco.co.jp>).

(4) Exercise of voting rights by proxy

You may entrust another shareholder with voting rights to attend the meeting to act as a proxy. If you do so, please submit your proxy statement together with the voting form.

<Inquiries about the voting exercise website for the Ordinary General Meeting of Shareholders>

- (i) Please contact the following office about how to operate your computer:

Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation Tel.: 0120-173-027 (This toll-free number is available only within Japan.) (9:00 a.m. - 9:00 p.m.)
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- (ii) As for inquiries other than those covered in the item (i) above, please contact the following office:

Osaka Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation Tel.: 0120-094-777 (This toll-free number is available only within Japan.) (9:00 a.m. - 5:00 p.m., excluding Saturdays, Sundays and Japanese national holidays)

NOTE:

You are requested to submit the enclosed voting form at the reception desk in case that you attend the meeting in person. You may entrust another shareholder having the voting rights to attend the meeting to act as a proxy. If you do so, please submit your proxy statement together with the voting form.

Reference Documents for the General Meeting of Shareholders

1. Total Number of Voting Rights Held by All Shareholders: 3,609,230

2. Agenda Items and Reference Documents:

<Reference items applicable to Items 1 through 6>

Item 1 to Item 6 are related to the transition to a company with an Audit & Supervisory Committee.

Reason for Proposing the Transition to a company with an Audit & Supervisory Committee

To ensure the Kobe Steel Group's continued growth and improve its corporate value over the years, the Company has strengthened its corporate governance system with the appointment of more than one Independent Director and five Audit & Supervisory Board Members, in which the Companies Act stipulates that three or more Audit & Supervisory Board Members must be appointed. In December 2015, the Company has established the "Meeting of Independent Directors" which consists of Independent Directors as a forum where the Company conducts hearings of opinions with respect to appointment and/or remuneration of its executives 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.

Furthermore, various considerations were made together with these efforts regarding the state of the design of the Company's systems, which resulted in the conclusion that, to further strengthen the corporate governance system and the supervisory function of the Board of Directors, and to accelerate decision-making with regard to management, transitioning to a company with an Audit & Supervisory Committee was appropriate. Accordingly, it is proposed that a transition from a company with Audit & Supervisory Board be approved.

Company with an Audit & Supervisory Committee

- (1) The Act for Partial Revision of the Companies Act (Act No. 90 of 2014), which went into effect on May 1, 2015 established this new design of systems.
- (2) In a company with an Audit & Supervisory Committee, an Audit & Supervisory Committee is responsible for conducting auditing in the place of Audit & Supervisory Board Members. As a result, Audit & Supervisory Board Members as well as an Audit & Supervisory Board are not established.
- (3) An Audit & Supervisory Committee consists of three or more Directors, a majority of whom are Outside Directors.
- (4) Directors who are Audit & Supervisory Committee Members are elected in General Meetings of Shareholders separate from Directors who are not Audit & Supervisory Committee Members.
- (5) In companies with Audit & Supervisory Committees, Audit & Supervisory Committee Members not only have voting rights in the Board of Directors as Directors, but Audit & Supervisory Committee Members elected by the Audit & Supervisory Committee also have

the authority to state the Audit & Supervisory Committee's opinions at General Meetings of Shareholders regarding matters such as the election, dismissal, resignation, and remuneration of Directors who are not Audit & Supervisory Committee Members. This is an authority not possessed by Audit & Supervisory Board Members (the authority regarding supervision).

- (6) In addition to cases when a majority of Directors are Outside Directors, companies with Audit & Supervisory Committees may, when provisions to the Article of Incorporation stating that important business execution may be delegated to Director(s) by resolution of the Board of Directors, delegate the entirety or elements of important business execution (excluding matters stipulated in each item of paragraph 5 in Article 399-13 of the Companies Act) to Director(s), which enables the Company to accelerate decision-making regarding management.

Items Involving the Transition to a company with an Audit & Supervisory Committee

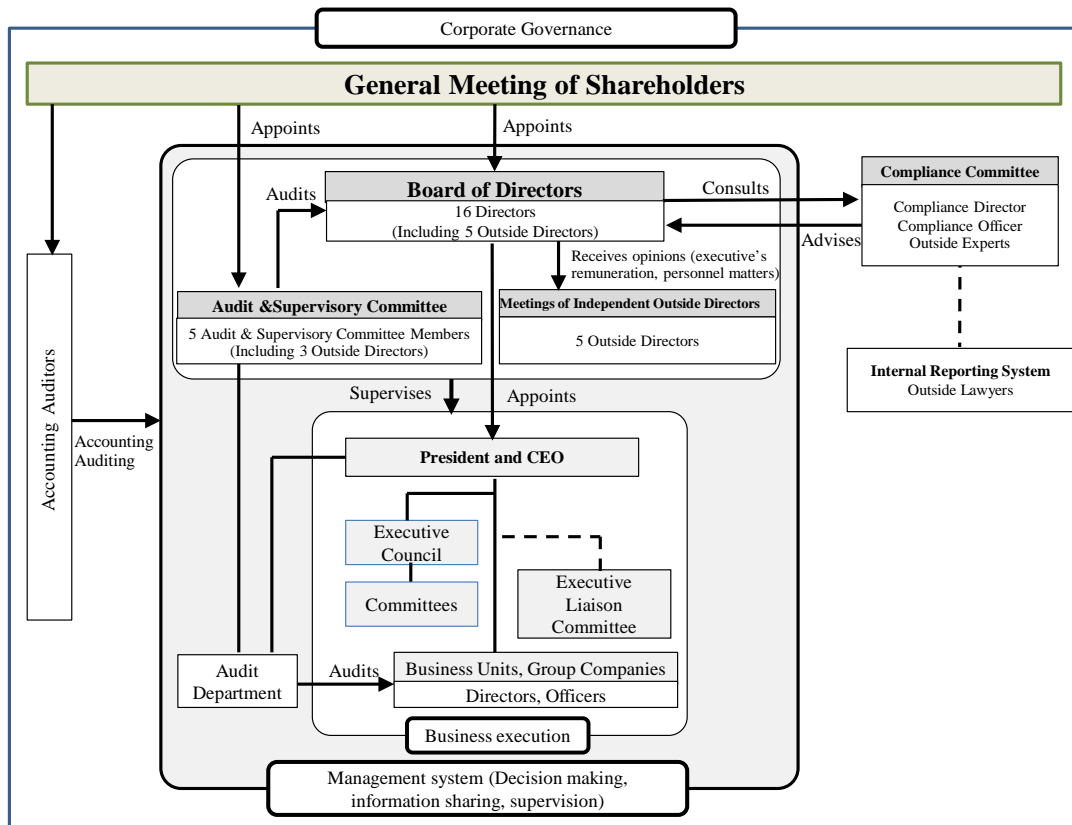
- (1) As the transition to a company with an Audit & Supervisory Committee requires certain amendments of Articles of Incorporation such as repealing of provisions relating to Audit & Supervisory Board Members and the Audit & Supervisory Board, establishing of new provisions relating to the Audit & Supervisory Committee, Item 1 will propose these necessary amendments to the Articles of Incorporation resulting from the transition to a company with an Audit & Supervisory Committee.
- (2) The election of Directors in a company with an Audit & Supervisory Committee must distinguish between Directors (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members, and as such, Item 2 will propose the election of Directors (excluding Directors who are Audit & Supervisory Committee Members) while Item 3 will propose the election of Directors who are Audit & Supervisory Committee Members.
- (3) Audit & Supervisory Committees must be composed of three or more Directors, and the majority of whom must be Outside Directors, and as such, to prepare for the case where the number of Directors who are Audit & Supervisory Committee Members falls below the number required by laws and regulations, Item 4 will propose the election of a Director who is a substitute Audit & Supervisory Committee Member.
- (4) In order to secure the independence of Audit & Supervisory Committee Members' standpoints, in a company with an Audit & Supervisory Committee, the remuneration of Directors (excluding Directors who are Audit & Supervisory Committee Members) and the remuneration of Directors who are Audit & Supervisory Committee Members must separately be proposed and resolved at the General Meeting of Shareholders, and as such, Item 5 will propose the amount of remuneration, etc., for Directors (excluding Directors who are Audit & Supervisory Committee Members) and Item 6 will propose the amount of remuneration, etc., for Directors who are Audit & Supervisory Committee Members.

Structure After the Transition to a company with an Audit & Supervisory Committee

If the Items regarding the transition to a company with an Audit & Supervisory Committee are approved, the structure will change as follows.

Current Structure		Structure after transition to a company with an Audit & Supervisory Committee		
Directors (Outside Directors)	11 (2)	⇒ Directors 16	Directors who are not Audit & Supervisory Committee Members (Outside Directors)	11 (2)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	5 (3)		Directors who are Audit & Supervisory Committee Members (Outside Directors)	5 (3)

(Corporate Governance System After Transition to a company with an Audit & Supervisory Committee)



Item 1: Partial amendments to the Articles of Incorporation

(Reasons for partial amendments to the Articles of Incorporation)

- (1) As the Company will transition from being a company with Audit & Supervisory Board to a company with an Audit & Supervisory Committee, deletion of provisions relating to Audit & Supervisory Board Members and an Audit & Supervisory Board, establishment of provisions relating to Audit & Supervisory Committee Members and an Audit & Supervisory Committee, establishment of supplemental provisions as transitional measures as a result of deleting provisions regarding liability exemption of Audit & Supervisory Board Members, and amendments to other provisions are proposed.
 - Deleting provisions relating to Audit & Supervisory Board Members and an Audit & Supervisory Board (Articles 29 to 36 of the current Articles of Incorporation).
 - Establishing provisions relating to Audit & Supervisory Committee and Audit & Supervisory Committee Members (Article 4 of the proposed amendments, the title of Chapter V of the proposed amendments, and Article 30 to Article 33 of the proposed amendments).
 - Establishing supplemental provisions as transitional measures resulting from the deletion of provisions regarding liability exemption of Audit & Supervisory Board Members (Supplemental provisions of the proposed amendments)
 - Other necessary amendments (Article 18, Article 19, Article 22, Article 23, Article 24, Article 25 and Article 28 of the proposed amendments).
- (2) In order to further separate management supervision and business execution, a provision stating that when resolved by the Board of Directors, all or part of decisions of execution of important operation may be delegated to Director(s) is being proposed (Article 26 of the proposed amendments).
- (3) In order to clarify the position and duties of Directors along with the Company's transition to a company with an Audit & Supervisory Committee, a reconsideration of provisions relating to Directors with Special Titles is being proposed (Articles 20 and 21 of the proposed amendments).

Changes to the Articles of Incorporation resulting from this Item will be effective as of the conclusion of the 163rd Ordinary General Meeting of Shareholders.

The details of the amendments are as follows:

(Underlined portions are amended.)

Current Articles of Incorporation	Proposed amendments
<p>Article 1. to Article 3. (Omitted)</p> <p>Article 4. Organizations</p> <p>The Company shall have the following organizations in addition to the General Meetings of Shareholders and Directors:</p> <ol style="list-style-type: none"> 1. Board of Directors; 2. <u>Audit & Supervisory Board Members;</u> 3. <u>Audit & Supervisory Board; and</u> 4. Accounting Auditors. 	<p>Article 1. to Article 3. (Same as the present)</p> <p>Article 4. Organizations</p> <p>The Company shall have the following organizations in addition to the General Meetings of Shareholders and Directors:</p> <ol style="list-style-type: none"> 1. Board of Directors; 2. <u>Audit & Supervisory Committee; and</u> (Deleted) 3. Accounting Auditors.
<p>Article 5. to Article 17. (Omitted)</p> <p style="text-align: center;">CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS</p>	<p>Article 5. to Article 17. (Same as the present)</p> <p style="text-align: center;">CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS</p>
<p>Article 18. Number of Directors</p> <p>The number of Directors of the Company shall be no more than fifteen (15).</p> <p>(Newly established)</p>	<p>Article 18. Number of Directors</p> <p>The number of Directors <u>(excluding Directors who are Audit & Supervisory Committee Members)</u> of the Company shall be no more than fifteen (15).</p> <p><u>The number of Directors who are Audit & Supervisory Committee Members of the Company shall be no more than five (5).</u></p>
<p>Article 19. Election of Directors</p> <p>The Directors shall be elected by resolution of a General Meeting of Shareholders.</p> <p>The Directors shall be elected by the affirmative vote of shareholders representing a majority 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. Provided, that cumulative voting shall not be used for the election of Directors.</p> <p>(Newly established)</p>	<p>Article 19. Election of Directors</p> <p>The Directors shall be elected by resolution of a General Meeting of Shareholders. <u>However, Directors who are Audit & Supervisory Committee Members shall be elected distinguishing from other Directors.</u></p> <p>The Directors shall be elected by the affirmative vote of shareholders representing a majority 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. Provided, that cumulative voting shall not be used for the election of Directors.</p> <p><u>The Company may elect Directors to be substitute Audit & Supervisory Committee Members at General Meetings of Shareholders the way of precaution against the cases where the number of Directors who are Audit & Supervisory Committee Members falls below the number required by laws and regulations.</u></p>

Current Articles of Incorporation	Proposed amendments
<p>Article 20. Representative Directors and Directors with Special Titles</p> <p>The Board of Directors may by resolution select from among <u>its members</u> one (1) Chairman of the Board, one (1) or more Vice Chairmen of the Board, one (1) President, <u>and one (1) or more Executive Vice Presidents, Senior Managing Directors, and Managing Directors.</u></p> <p>The Board of Directors shall by its resolution select the Representative Directors of the Company.</p> <p>Article 21. Division of Duties of Directors with Special Titles</p> <p>The Chairman of the Board shall preside over meetings of the Board of Directors and the Vice Chairmen of the Board shall assist the Chairman.</p> <p>The President shall carry out the resolutions of the Board of Directors and supervise the Company's business.</p> <p><u>The Executive Vice Presidents, the Senior Managing Directors and the Managing Directors shall assist the President in the supervision of the Company's business.</u> If the President is unable to act, another Director shall act for him in accordance with the order previously established by resolution of the Board of Directors.</p> <p>Article 22. Term of Directors</p> <p>The term of office of Directors shall expire at the conclusion of the Ordinary General Meetings of Shareholders for the last business year that ends within one year after their appointment.</p> <p>The term of office of Directors appointed to fill a vacancy or due to an increase in number shall be the same as the remainder of the terms of office of the remaining Directors.</p> <p>(Newly established)</p> <p>(Newly established)</p>	<p>Article 20. Representative Directors and Directors with Special Titles</p> <p>The Board of Directors may by resolution select from among <u>Directors (excluding Directors who are Audit & Supervisory Committee Members)</u> one (1) Chairman of the Board, one (1) or more Vice Chairmen of the Board, <u>and</u> one (1) President.</p> <p>The Board of Directors shall by its resolution select the Representative Directors of the Company <u>from among Directors (excluding Directors who are Audit & Supervisory Committee Members).</u></p> <p>Article 21. Division of Duties of Directors with Special Titles</p> <p>The Chairman of the Board shall preside over meetings of the Board of Directors and the Vice Chairmen of the Board shall assist the Chairman.</p> <p>The President shall carry out the resolutions of the Board of Directors and supervise the Company's business.</p> <p>If the President is unable to act, another Director shall act for him in accordance with the order previously established by resolution of the Board of Directors.</p> <p>Article 22. Term of Directors</p> <p>The term of office of Directors <u>(excluding Directors who are Audit & Supervisory Committee Members)</u> shall expire at the conclusion of the Ordinary General Meetings of Shareholders for the last business year that ends within one year after their appointment.</p> <p>The term of office of Directors <u>(excluding Directors who are Audit & Supervisory Committee Members)</u> appointed to fill a vacancy or due to an increase in number shall be the same as the remainder of the terms of office of the remaining Directors <u>(excluding Directors who are Audit & Supervisory Committee Members).</u></p> <p><u>The term of office of Directors who are Audit & Supervisory Committee Members shall expire at the conclusion of the Ordinary General Meetings of Shareholders for the last business year that ends within two years after their appointment.</u></p> <p><u>The term of office of Directors who are Audit & Supervisory Committee Members appointed to fill a vacancy shall be the same as the remainder of the terms of office of the retired Directors who are Audit & Supervisory Committee Members.</u></p>

Current Articles of Incorporation	Proposed amendments
<p data-bbox="225 280 643 304">Article 23. Remuneration, etc. of Directors</p> <p data-bbox="225 333 770 470">Remuneration, bonuses and other financial interest paid to Directors by the Company as consideration for their performance of duties (hereinafter referred to as “Remuneration, etc.”) shall be determined by resolution of General Meetings of Shareholders.</p> <p data-bbox="263 499 459 524">(Newly established)</p> <p data-bbox="225 678 750 732">Article 24. Notice for Convocation of Meetings of the Board of Directors</p> <p data-bbox="225 761 759 898">Notice of a meeting of the Board of Directors shall be issued to each Director <u>and Audit & Supervisory Board Member</u> no later than three (3) days prior to the date of the meeting. Provided, however, that in case of urgency, such period may be shortened.</p> <p data-bbox="225 943 770 996">Article 25. Person to convene and to Act as Chairman at Meetings of the Board of Directors</p> <p data-bbox="225 1025 777 1408">The Chairman of the Board shall convene and act as Chairman of Meetings of the Board of Directors. If the office of the Chairman of the Board is vacant or he is unable to act, one of the Vice Chairmen of the Board in accordance with order previously established by resolution of the Board of Directors shall convene the meeting and/or act as chairman. If all the offices of the Vice Chairmen of the Board are vacant or all of them are unable to act, the President shall convene the meeting and/or act as chairman. If the President is unable to act, the Director next in line in accordance with the order previously established by resolution of the Board of Directors shall convene the meeting and/or act as chairman.</p> <p data-bbox="263 1480 459 1505">(Newly established)</p>	<p data-bbox="805 280 1224 304">Article 23. Remuneration, etc. of Directors</p> <p data-bbox="805 333 1351 470">Remuneration, bonuses and other financial interest paid to Directors by the Company as consideration for their performance of duties (hereinafter referred to as “Remuneration, etc.”) shall be determined by resolution of General Meetings of Shareholders.</p> <p data-bbox="805 499 1358 636"><u>However, Remuneration, etc., paid to Directors who are Audit & Supervisory Committee Members shall be determined by resolution of General Meetings of Shareholders distinguishing from other Director Remuneration, etc.</u></p> <p data-bbox="805 678 1331 732">Article 24. Notice for Convocation of Meetings of the Board of Directors</p> <p data-bbox="805 761 1353 873">Notice of a meeting of the Board of Directors shall be issued to each Director no later than three (3) days prior to the date of the meeting. Provided, however, that in case of urgency, such period may be shortened.</p> <p data-bbox="805 943 1353 996">Article 25. Person to convene and to Act as Chairman at Meetings of the Board of Directors</p> <p data-bbox="805 1025 1366 1435">The Chairman of the Board shall convene and act as Chairman of Meetings of the Board of Directors <u>except as required by mandatory provisions of laws and regulations</u>. If the office of the Chairman of the Board is vacant or he is unable to act, one of the Vice Chairmen of the Board in accordance with order previously established by resolution of the Board of Directors shall convene the meeting and/or act as chairman. If all the offices of the Vice Chairmen of the Board are vacant or all of them are unable to act, the President shall convene the meeting and/or act as chairman. If the President is unable to act, the Director next in line in accordance with the order previously established by resolution of the Board of Directors shall convene the meeting and/or act as chairman.</p> <p data-bbox="805 1480 1353 1534"><u>Article 26. Delegation of Important Business Execution Decisions</u></p> <p data-bbox="805 1563 1350 1700"><u>In accordance with Article 399-13, paragraph 6 of the Companies Act, the Board of Directors may resolve to delegate all or part of decisions of execution of important operations (excluding matters listed in each item of paragraph 5 of the same Article) to Director(s).</u></p>

Current Articles of Incorporation	Proposed amendments
<p>Article <u>26</u>. Method of Resolutions of Meetings of the Board of Directors</p>	<p>Article <u>27</u>. Method of Resolutions of Meetings of the Board of Directors</p>
<p>(Omitted)</p>	<p>(Same as the present)</p>
<p>Article <u>27</u>. Minutes of Meetings of the Board of Directors</p>	<p>Article <u>28</u>. Minutes of Meetings of the Board of Directors</p>
<p>The summary of the proceedings at each meeting of the Board of Directors, the results thereof and other matters provided for by laws and regulations shall be recorded in the minutes and the Directors <u>and Audit & Supervisory Board Members</u> present shall affix their respective names and seal impressions on the minutes.</p>	<p>The summary of the proceedings at each meeting of the Board of Directors, the results thereof and other matters provided for by laws and regulations shall be recorded in the minutes and the Directors present shall affix their respective names and seal impressions on the minutes.</p>
<p>Article <u>28</u>. Liability Exemption of Directors from the Company</p>	<p>Article <u>29</u>. Liability Exemption of Directors from the Company</p>
<p>(Omitted)</p>	<p>(Same as the present)</p>
<p><u>CHAPTER V. AUDIT & SUPERVISORY BOARD MEMBERS AND AUDIT & SUPERVISORY BOARD</u></p>	<p><u>CHAPTER V. AUDIT & SUPERVISORY COMMITTEE</u></p>
<p><u>Article 29. Number of Audit & Supervisory Board Members</u></p>	<p>(Deleted)</p>
<p><u>The number of Audit & Supervisory Board Members of the Company shall be no more than five (5).</u></p>	
<p><u>Article 30. Election of Audit & Supervisory Board Members</u></p>	<p>(Deleted)</p>
<p><u>The Audit & Supervisory Board Members shall be elected by resolution of a General Meetings of Shareholders.</u></p>	
<p><u>The Audit & Supervisory Board Members shall be elected by the affirmative vote of shareholders representing a majority 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.</u></p>	
<p><u>Article 31. Term of Audit & Supervisory Board Members</u></p>	<p>(Deleted)</p>
<p><u>The term of office of Audit & Supervisory Board Members shall expire at the conclusion of the Ordinary General Meetings of Shareholders for the last business year that ends within four (4) years after their appointment.</u></p>	
<p><u>The term of office of Audit & Supervisory Board Members appointed to fill a vacancy shall be the same as the remainder of the term of office of the retired Audit & Supervisory Board Member.</u></p>	

Current Articles of Incorporation	Proposed amendments
<p><u>Article 32. Remuneration, etc. of Audit & Supervisory Board Members</u></p> <p><u>The Remuneration, etc. of Audit & Supervisory Board Members shall be determined by resolution of General Meetings of Shareholders.</u></p>	(Deleted)
<p><u>Article 33. Notice for Convocation of Meetings of the Audit & Supervisory Board</u></p> <p><u>Notice of a meeting of the Audit & Supervisory Board shall be issued to each Audit & Supervisory Board Member not less than three (3) days before the meeting; provided, however, that in case of urgency, such period may be shortened.</u></p>	(Deleted)
<p><u>Article 34. Resolutions of Meetings of the Audit & Supervisory Board</u></p> <p><u>Resolutions of meetings of the Audit & Supervisory Board shall be adopted by the affirmative vote of a majority of the number of Audit & Supervisory Board Members except as required by mandatory provisions of laws and regulations.</u></p>	(Deleted)
<p><u>Article 35. Minutes of Meetings of the Audit & Supervisory Board</u></p> <p><u>The Summary of the proceedings at each meeting of the Audit & Supervisory Board, the results thereof and other matters provided for by laws and regulations shall be recorded in the minutes and the Audit & Supervisory Board Members present shall affix their respective names and seal impressions on the minutes.</u></p>	(Deleted)
<p><u>Article 36. Liability exemption of Audit & Supervisory Board Members from the Company</u></p> <p><u>Under the provisions of Article 426, paragraph 1 of the Companies Act, the Company may, by resolution of the Board of Directors, exempt Audit & Supervisory Board Members (including the former Audit & Supervisory Board Members) from liability for damage stipulated by Article 423, paragraph 1 of the same Act, within the limits permitted by laws and regulations.</u></p> <p><u>In accordance with Article 427, paragraph 1 of the Companies Act, the Company may enter into agreements with Audit & Supervisory Board Members in order to limit the liability for damages of such Audit & Supervisory Board Members stipulated in Article 423, paragraph 1 of the Companies Act. However, the total maximum liability under such agreements shall be the amount stipulated in laws and regulations.</u></p>	(Deleted)

Current Articles of Incorporation	Proposed amendments
(Newly established)	<p><u>Article 30. Notice for Convocation of Meetings of the Audit & Supervisory Committee</u></p> <p><u>Notice of a meeting of the Audit & Supervisory Committee shall be issued to each Audit & Supervisory Committee Member no later than three (3) days prior to the date of the meeting. Provided, however, that in case of urgency, such period may be shortened.</u></p>
(Newly established)	<p><u>Article 31. Method of Resolutions of Meetings of the Audit & Supervisory Committee</u></p> <p><u>Resolutions of meetings of the Audit & Supervisory Committee shall be adopted by the affirmative vote of a majority of the number of Audit & Supervisory Committee Members who are entitled to participate at such meetings, representing a majority of all Audit & Supervisory Committee Members who are entitled to participate thereat.</u></p>
(Newly established)	<p><u>Article 32. Full-time Audit & Supervisory Committee Members</u></p> <p><u>The Audit & Supervisory Committee may by resolution select full-time Audit & Supervisory Committee Members.</u></p>
(Newly established)	<p><u>Article 33. Minutes of Meetings of the Audit & Supervisory Committee</u></p> <p><u>The summary of the proceedings at each meeting of the Audit & Supervisory Committee, the results thereof and other matters provided for by laws and regulations shall be recorded in the minutes and the Audit & Supervisory Committee Members present shall affix their respective names and seal impressions on the minutes.</u></p>
<p>CHAPTER VI. ACCOUNTS</p> <p>Article <u>37</u>. to Article <u>40</u>. (Omitted)</p>	<p>CHAPTER VI. ACCOUNTS</p> <p>Article <u>34</u>. to Article <u>37</u>. (Same as the present)</p>

Current Articles of Incorporation	Proposed amendments
(Newly established)	<p style="text-align: center;"><u>Supplemental Provisions</u></p> <p><u>Transitional Measures Regarding Liability Exemption of Audit & Supervisory Board Members Prior to Transitioning to a Company with an Audit & Supervisory Committee</u></p> <p><u>The exemption of liability of Audit & Supervisory Board Members (including prior members) stipulated in Article 423, paragraph 1 of the Companies Act prior to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2016, as well as agreements concluded with Audit & Supervisory Board Members in order to limit the liability, shall be pursuant to Article 36, paragraphs 1 and 2 of the Articles of Incorporation prior to the amendments that will come into effect at the conclusion of the aforementioned Ordinary General Meeting of Shareholders.</u></p>

Item 2: Election of eleven (11) Directors (excluding Directors who are Audit & Supervisory Committee Members)

If the Item 1: Partial amendments to the Articles of Incorporation is approved as proposed, the Company will transition to a company with an Audit & Supervisory Committee, and the terms of office of all eleven (11) incumbent Directors will expire at the time the amendments to the Articles of Incorporation take effect. Accordingly, it is proposed that eleven (11) Directors (excluding Directors who are Audit & Supervisory Committee Members) be elected. The resolution of this Item shall become effective under the condition that the amendments to the Articles of Incorporation in the Item 1: Partial amendments to the Articles of Incorporation takes effect.

The candidates for Directors (excluding Directors who are Audit & Supervisory Committee Members) are as follows.

There are no special interests between the candidates and the Company.

No. 1	Hiroya Kawasaki (Date of birth: August 4, 1954)	Reappointment/ Internal Director	Number of shares of the Company owned: 251,000 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1980:	Joined the Company		
April 2007:	Officer		
April 2010:	Senior Officer		
April 2012:	Executive Officer		
June 2012:	Senior Managing Director		
April 2013:	President, CEO and Director		
April 2016:	Chairman, President, CEO and Director (incumbent)		
Reasons for selecting the candidate	Hiroya Kawasaki has abundant experience and knowledge in the fields of iron & steel technology and in operations in the Head Office, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see pages 31).		

No. 2	Yoshinori Onoe (Date of birth: November 30, 1955)	Reappointment/ Internal Director	Number of shares of the Company owned: 146,000 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1980:	Joined the Company	Head of the Iron & Steel Business	
April 2008:	Officer		
April 2010:	Senior Officer		
April 2012:	Executive Officer		
April 2014:	Executive Vice President and Officer		
June 2014:	Executive Vice President and Director		
April 2016:	Executive Vice President and Director (incumbent)		
Reasons for selecting the candidate	Yoshinori Onoe has abundant experience and knowledge in the field of iron & steel technology, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see pages 31).		

No. 3	Akira Kaneko (Date of birth: November 3, 1954)	Reappointment/ Internal Director	Number of shares of the Company owned: 110,000 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1979:	Joined the Company	Head of the Aluminum & Copper Business	
April 2009:	Officer		
April 2011:	Senior Officer		
April 2014:	Executive Officer		
June 2014:	Senior Managing Director		
April 2015:	Executive Vice President and Director		
April 2016:	Executive Vice President and Director (incumbent)		
Reasons for selecting the candidate	Akira Kaneko has abundant experience and knowledge in the field of aluminum business and in operations in the Head Office, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see pages 31).		

No. 4	Naoto Umehara (Date of birth: April 6, 1955)	Reappointment/ Internal Director	Number of shares of the Company owned: 122,000 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1979:	Joined the Company	Oversees the Audit Department, Secretariat & Publicity Department, General Administration Department, Legal Department, Human Resources Department, Corporate Planning Department (excluding the Transportation Materials Business Planning Section), IT Planning Department, Accounting Department, Finance Department, Marketing Planning Department, Civil Engineering & Construction Technology Department, Rugby Administration Office, Electric Power Business, domestic branch offices and sales offices (including Takasago Works), and overseas locations (under the head office). Oversees companywide compliance and companywide information systems.	
April 2009:	Officer		
April 2011:	Senior Officer		
April 2014:	Executive Officer		
June 2014:	Senior Managing Director		
April 2015:	Executive Vice President and Director		
April 2016:	Executive Vice President and Director (incumbent)		
Reasons for selecting the candidate	Naoto Umehara has abundant experience and knowledge in the field of iron & steel business and in operations in the Head Office, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see pages 31).		

No. 5	Shohei Manabe (Date of birth: September 16, 1955)	Reappointment/ Internal Director	Number of shares of the Company owned: 117,000 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1978:	Joined the Company	Head of the Engineering Business	
April 2009:	Officer		
April 2011:	Senior Officer		
April 2015:	Executive Officer		
June 2015:	Senior Managing Director		
April 2016:	Director, Senior Managing Executive Officer (incumbent)		
Reasons for selecting the candidate	Shohei Manabe has abundant experience and knowledge in the field of engineering business, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see pages 31).		

No. 6	Fusaki Koshiishi (Date of birth: August 29, 1954)	Reappointment/ Internal Director	Number of shares of the Company owned: 71,000 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1984:	Joined the Company	Head of the Welding Business	
October 2010:	General Manager, Technical Development Department and General Manager, Development Planning Section, Technical Development Department, Welding Business		
July 2011:	General Manager, Technical Development Department, Welding Business		
April 2012:	Officer		
April 2014:	Senior Officer		
June 2015:	Managing Director		
April 2016:	Director, Senior Managing Executive Officer (incumbent)		
Reasons for selecting the candidate	Fusaki Koshiishi has abundant experience and knowledge in the field of welding business, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see pages 31).		

No. 7	Kazuhide Naraki (Date of birth: November 11, 1953)	Reappointment/ Internal Director	Number of shares of the Company owned: 224,000 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1977:	Joined the Company	President, CEO and Director of Kobelco Construction Machinery Co., Ltd.	
April 2008:	Officer		
April 2010:	Senior Officer		
April 2012:	Executive Officer		
June 2012:	Senior Managing Director		
April 2014:	Executive Vice President and Director		
April 2016:	Director of the Company (incumbent) President, CEO and Director of Kobelco Construction Machinery Co., Ltd. (incumbent)		
Reasons for selecting the candidate	Kazuhide Naraki has abundant experience and knowledge in the field of machinery business, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see pages 31).		

No. 8	Takao Kitabata (Date of birth: January 10, 1950)	Reappointment/ Outside Director/ Independent Director/Auditor	Number of shares of the Company owned: 36,000 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1972:	Joined the Ministry of International Trade and Industry	Chairman of the board of SANDA GAKUEN Junior High School – Senior High School Outside Director of Marubeni Corporation Outside Director of SEIREN CO., LTD. Outside Director of Zeon Corporation	
June 2004:	Director-General, Economic and Industrial Policy Bureau, the Ministry of Economy, Trade and Industry (METI)		
July 2006:	Vice-Minister of Economy, Trade and Industry		
July 2008:	Retired from METI		
June 2010:	Director of the Company (incumbent) Outside Corporate Auditor of Marubeni Corporation		
June 2013:	Chairman of SANDA GAKUEN Junior High School – Senior High School (incumbent) Outside Director of Marubeni Corporation (incumbent)		
April 2014:	Principal of SANDA GAKUEN Junior High School – Senior High School		
June 2014:	Outside Director of SEIREN CO., LTD. (incumbent) Outside Director of Zeon Corporation (incumbent)		
Reasons for selecting the candidate	Although Takao Kitabata has not participated in the management of a company in a position other than Outside Director or Outside Audit & Supervisory Board Member, he has abundant experience and deep insight as an administrative official, and we have concluded that he is well qualified to be an Outside Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors and standards for Independent Directors/Auditors (please see pages 31 through 33).		
Attendance at Board of Directors meetings during fiscal 2015: 15/15 meetings held (100%)	Term of office as Outside Director of the Company: 6 years		

- Takao Kitabata is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company registered Takao Kitabata as an Independent Director/Auditor at the financial instruments exchange. If Takao Kitabata is elected as Outside Director at the 163rd Ordinary General Meeting of Shareholders, the Company is scheduled to register Takao Kitabata again as an Independent Director/Auditor at the financial instruments exchange.
- The Company and SANDA GAKUEN Junior High School – Senior High School, for which Takao Kitabata currently serves as the chairman of the board, do not have business transactions. In addition, the Company does not make donations to the said school corporation. Therefore, he meets the Company's standards for Independent Directors/Auditors.
- The Company has entered into an agreement with Takao Kitabata that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount stipulated in laws and regulations. If he is elected as Outside Director at the 163rd Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him.

No. 9	Hiroshi Ochi (Date of birth: January 5, 1946)	Reappointment/ Outside Director/ Independent Director/Auditor	Number of shares of the Company owned: 11,000 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1968:	Joined Chubu Electric Power Co., Inc.		
June 2001:	Director of Chubu Electric Power Co., Inc.		
June 2003:	Managing Director of Chubu Electric Power Co., Inc.		
June 2005:	Executive Vice President and Director of Chubu Electric Power Co., Inc.		
June 2007:	Director and Executive Vice President of Chubu Electric Power Co., Inc.		
June 2009:	Retired from Director and Executive Vice President of Chubu Electric Power Co., Inc. President and Director and Executive Officer of TOENEC CORPORATION		
June 2011:	President, Director and Chief Executive Officer of TOENEC CORPORATION		
June 2014:	Retired from President and Director and Chief Executive Officer of TOENEC CORPORATION Director of the Company (incumbent)		
Reasons for selecting the candidate	Hiroshi Ochi has abundant experience of company management and deep insight, and we have concluded that he is well qualified to be an Outside Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors and standards for Independent Directors/Auditors (please see pages 31 through 33).		
Attendance at Board of Directors meetings during fiscal 2015: 15/15 meetings held (100%)	Term of office as Outside Director of the Company: 2 years		

- Hiroshi Ochi is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company registered Hiroshi Ochi as an Independent Director/Auditor at the financial instruments exchange. If Hiroshi Ochi is elected as Outside Director at the 163rd Ordinary General Meeting of Shareholders, the Company is scheduled to register Hiroshi Ochi again as an Independent Director/Auditor at the financial instruments exchange.
- TOENEC CORPORATION, where Hiroshi Ochi served as executive director, was found in December 2011 to have acted fraudulently with respect to applications for acquisition of qualifications and, as a result, have assigned unqualified persons to carry out expert work. In line with this, in May 2012 TOENEC CORPORATION was served with an order from the Chubu Regional Bureau of the Ministry of Land, Infrastructure, Transport and Tourism stating that the incident was a violation of the Construction Business Act and TOENEC CORPORATION was required to decide measures to prevent its recurrence, among other requirements. After this incident occurred, as Chairperson of the company's Compliance Promotion Committee, Hiroshi Ochi made his best efforts to carry out reviews of business processes and the management structure, thoroughly disseminate information on such business processes and management structure, and provide compliance training.
- Although the Company and Chubu Electric Power Co., Inc. have business transactions, three or more years have passed since Hiroshi Ochi's retirement as an executive person of Chubu Electric Power Co., Inc., and additionally the amount of these transactions totals less than 2% of the Company's consolidated net sales and less than 2% of Chubu Electric Power Co., Inc.'s consolidated net sales, and therefore it would not be classified as a "major business partner" and he meets the Company's standards for Independent Directors/Auditors.
- Although the Company and TOENEC 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 TOENEC CORPORATION's consolidated net sales, and therefore it would not be classified as a "major business partner" and he meets the Company's standards for Independent Directors/Auditors.
- The Company has entered into an agreement with Hiroshi Ochi that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount stipulated in laws and regulations. If he is elected as Outside Director at the 163rd Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him.

No. 10	Mitsugu Yamaguchi (Date of birth: January 8, 1958)	New Appointment/ Internal Director	Number of shares of the Company owned: 73,000 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1981:	Joined the Company	Head of the Machinery Business	
April 2011:	Officer		
April 2013:	Senior Officer		
April 2015:	Senior Managing Executive Officer (incumbent)		
Reasons for selecting the candidate	Mitsugu Yamaguchi has abundant experience and knowledge in the field of machinery business, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see pages 31).		

No. 11	Toshiya Miyake (Date of birth: October 17, 1959)	New Appointment/ Internal Director	Number of shares of the Company owned: 58,000 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1984:	Joined the Company	Oversees companywide technical development. Oversees the Environmental Control & Disaster Prevention Department, Corporate Planning Department (the Transportation Materials Business Planning Section), and MONODZUKURI (Production System Innovation) Planning & Promotion Department. General Manager of the Technical Development Group.	
April 2006:	General Manager, Mechanical Engineering Research Laboratory, Technical Development Group		
January 2012:	Senior General Manager, Assistant to the Officer in charge of Corporate Planning Department		
April 2013:	Officer		
April 2015:	Managing Executive Officer (incumbent)		
Reasons for selecting the candidate	Toshiya Miyake has abundant experience and knowledge in the field of technology development, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see pages 31).		

Item 3: Election of five (5) Directors who are Audit & Supervisory Committee Members

If the Item 1: Partial amendments to the Articles of Incorporation is approved as proposed, the Company will transition to a company with an Audit & Supervisory Committee. Accordingly, it is proposed that five (5) Directors who are Audit & Supervisory Committee Members be elected. As for submitting this Item, the consent of the Audit & Supervisory Board has been obtained. The resolution of this Item shall become effective under the condition that the Item 1: Partial amendments to the Articles of Incorporation takes effect.

The candidates for Directors who are Audit & Supervisory Committee Members are as follows. There are no special interests between the candidates and the Company.

No. 1	Hiroaki Fujiwara (Date of birth: November 12, 1950)	New Appointment/ Internal Director	Number of shares of the Company owned: 142,000 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1975:	Joined the Company		
April 2004:	Officer		
April 2006:	Senior Officer		
April 2009:	Executive Officer		
June 2009:	Senior Managing Director		
April 2011:	Executive Vice President and Director		
June 2014:	Audit & Supervisory Board Member (incumbent)		
Reasons for selecting the candidate	Hiroaki Fujiwara has abundant experience and knowledge in the field of iron & steel business and in operations in the Head Office, and we have concluded that he is well qualified to be a Director who is an Audit & Supervisory Committee Member of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Audit & Supervisory Board Members (please see pages 31 through 32), that is applied mutatis mutandis to this case. Additionally, he has considerable financial and accounting knowledge.		

- If Hiroaki Fujiwara is elected as Director who is an Audit & Supervisory Committee Member, the Company is scheduled to select him as a Full-time Audit & Supervisory Committee Member at the first meeting of the Audit & Supervisory Committee to be held after the conclusion of the 163rd Ordinary General Meeting of Shareholders.
- Hiroaki Fujiwara is an Audit & Supervisory Board Member of the Company and his term of office as an Audit & Supervisory Board Member will be 2 years at the conclusion of the 163rd Ordinary General Meeting of Shareholders.
- The Company has entered into an agreement with Hiroaki Fujiwara that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount stipulated in laws and regulations. If he is elected as Director who is an Audit & Supervisory Committee Member at the 163rd Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him.

No. 2	Yoshimasa Yamamoto (Date of birth: November 19, 1951)	New Appointment/ Internal Director	Number of shares of the Company owned: 45,109 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1976:	Joined the Company		
April 2010:	General Manager, Nuclear & CWD Division and General Manager, Sales Department, Nuclear & CWD Division, Natural Resources & Engineering Business		
April 2012:	Technical Expert		
June 2014:	Audit & Supervisory Board Member (incumbent)		
Reasons for selecting the candidate	Yoshimasa Yamamoto has abundant experience and knowledge in the field of engineering business, and we have concluded that he is well qualified to be a Director who is an Audit & Supervisory Committee Member of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Audit & Supervisory Board Members (please see pages 31 through 32), that is applied mutatis mutandis to this case.		

- If Yoshimasa Yamamoto is elected as Director who is an Audit & Supervisory Committee Member, the Company is scheduled to select him as a Full-time Audit & Supervisory Committee Member at the first meeting of the Audit & Supervisory Committee to be held after the conclusion of the 163rd Ordinary General Meeting of Shareholders.
- Yoshimasa Yamamoto is an Audit & Supervisory Board Member of the Company and his term of office as an Audit & Supervisory Board Member will be 2 years at the conclusion of the 163rd Ordinary General Meeting of Shareholders.
- The Company has entered into an agreement with Yoshimasa Yamamoto that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount stipulated in laws and regulations. If he is elected as Director who is an Audit & Supervisory Committee Member at the 163rd Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him.

No. 3	Takashi Okimoto (Date of birth: November 14, 1950)	New Appointment/ Outside Director/ Independent Director/Auditor	Number of shares of the Company owned: 50,000 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1973:	Joined The Dai-Ichi Kangyo Bank, Limited	Outside Audit & Supervisory Board Member of Shindengen Electric Manufacturing Co., Ltd. Audit & Supervisory Board Member of Seiwa Sogo Tatemono Co., Ltd. Chairman and Representative Director, Chuo Real Estate Co., Ltd.	
June 2001:	Executive Officer of The Dai-Ichi Kangyo Bank, Limited		
April 2002:	Executive Officer of Mizuho Corporate Bank, Ltd.		
Oct. 2002:	Managing Executive Officer of Mizuho Corporate Bank, Ltd.		
April 2005:	Deputy President of Mizuho Corporate Bank, Ltd.		
April 2007:	Retired from Deputy President of Mizuho Corporate Bank, Ltd. Advisor of Orient Corporation		
June 2007:	Representative Director, Chairman and Corporate Officer of Orient Corporation		
June 2008:	Outside Director of Daiichi Sankyo Company, Limited		
June 2011:	Retired from Representative Director, Chairman and Corporate Officer of Orient Corporation Audit & Supervisory Board Member of the Company (incumbent) External Director of Fujitsu Limited		
June 2012:	Outside Director of FUJI ELECTRIC CO., LTD. President and Representative Director, Chuo Real Estate Co., Ltd.		
June 2013:	Outside Audit & Supervisory Board Member of Shindengen Electric Manufacturing Co., Ltd. (incumbent) Audit & Supervisory Board Member of Seiwa Sogo Tatemono Co., Ltd. (incumbent)		
June 2015:	Chairman and Representative Director, Chuo Real Estate Co., Ltd. (incumbent)		
Reasons for selecting the candidate	Takashi Okimoto has abundant experience and deep insight in the financial sector, and we have concluded that he is well qualified to be an Outside Director who is an Audit & Supervisory Committee Member of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Audit & Supervisory Board Members, that is applied mutatis mutandis to this case and standards for Independent Directors/Auditors (please see pages 31 through 33). Additionally, he has considerable financial and accounting knowledge.		
Attendance at Board of Directors meetings during fiscal 2015: 14/15 meetings held (93%)			
Attendance at Audit & Supervisory Board meetings during fiscal 2015: 27/27 meetings held (100%)			

- Takashi Okimoto is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company registered Takashi Okimoto as an Independent Director/Auditor at the financial instruments exchange. If Takashi Okimoto is elected as Director who is an Audit & Supervisory Committee Member at the 163rd Ordinary General Meeting of Shareholders, the Company is scheduled to register Takashi Okimoto again as an Independent Director/Auditor at the financial instruments exchange.
- Takashi Okimoto is an Audit & Supervisory Board Member of the Company and his term of office as an Audit &

Supervisory Board Member will be 5 years at the conclusion of the 163rd Ordinary General Meeting of Shareholders.

- Orient Corporation, where Takashi Okimoto served as executive director, received administrative penalties (order for business improvement) from the Kanto Bureau of Economy, Trade and Industry in January 2014 in relation to installment sales finance business during the period that Takashi Okimoto was at office.
- Until April 2007, Takashi Okimoto was an executive person at Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.), a lender of the Company. 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 Takashi Okimoto retired as an executive person of said bank more than 3 years ago. Therefore, the Company believes that Takashi Okimoto meets the Company's standards for Independent Directors/Auditors.
- The Company has transactional relationships with Orient Corporation, however the amount of these transactions totals less than 2% of the Company's consolidated net sales, and therefore it would not be classified as a "major business partner" and he meets the Company's standards for Independent Directors/Auditors. The Company does not have any transactional relationships with Chuo Real Estate Co., Ltd.
- The Company has entered into an agreement with Takashi Okimoto that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount stipulated in laws and regulations. If he is elected as Director who is an Audit & Supervisory Committee Member at the 163rd Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him.

No. 4	Yoshiiku Miyata (Date of birth: April 24, 1953)	New Appointment/ Outside Director/ Independent Director/Auditor	Number of shares of the Company owned: 0 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1977:	Joined Matsushita Electric Ind. Co., Ltd.	Outside Director, TonenGeneral Sekiyu K.K.	
April 2007:	Executive Officer, Matsushita Electric Ind. Co., Ltd.		
April 2009:	Managing Executive Officer, Panasonic Corporation		
April 2011:	Senior Managing Executive Officer, Panasonic Corporation		
June 2011:	Senior Managing Director, Member of the Board, Panasonic Corporation		
June 2014:	Corporate Advisor, Panasonic Corporation		
March 2015:	Outside Director, TonenGeneral Sekiyu K.K. (incumbent)		
December 2015:	Retired from Corporate Advisor, Panasonic Corporation		
Reasons for selecting the candidate	Yoshiiku Miyata has abundant experience and deep insight in industry, and we have concluded that he is well qualified to be an Outside Director who is an Audit & Supervisory Committee Member of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Audit & Supervisory Board Members, that is applied mutatis mutandis to this case and standards for Independent Directors/Auditors (please see pages 31 through 33).		

- Yoshiiku Miyata is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company is scheduled to register Yoshiiku Miyata as an Independent Director/Auditor if he is elected as Director who is an Audit and & Supervisory Committee Member.
- Panasonic Corporation, where Yoshiiku Miyata served as an executive director, was fined by the European Commission regarding a violation of antitrust laws in the refrigerant compressor business in December 2011. Additionally, Panasonic Corporation agreed to pay fines in July 2013 to the US Department of Justice and in February 2014 to the Competition Bureau of Canada regarding a violation of antitrust laws in the automotive parts business.
- 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, and therefore it would not be classified as a "major business partner" and he meets the Company's standards for Independent Directors/Auditors.
- If Yoshiiku Miyata is elected as Director who is an Audit & Supervisory Committee Member at the 163rd Ordinary General Meeting of Shareholders, the Company is scheduled to enter into an agreement with him that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount stipulated in laws and regulations.

No. 5	Hidero Chimori (Date of birth: May 24, 1954)	New Appointment/ Outside Director Independent Director/Auditor	Number of shares of the Company owned: 0 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1983:	Registered as Attorney at Law	Representative Partner, Miyake & Partners Outside Audit & Supervisory Board Member, NAITO Securities Co., Ltd.	
May 2002:	Representative Partner, Miyake & Partners (incumbent)		
June 2002:	Outside Audit & Supervisory Board Member, OMRON Corporation		
June 2006	Outside Audit & Supervisory Board Member, DUSKIN CO., LTD.		
June 2011:	Outside Audit & Supervisory Board Member, NAITO Securities Co., Ltd. (incumbent)		
Reasons for selecting the candidate	Although Hidero Chimori has not participated in the management of a company in a position other than Outside Audit & Supervisory Board Member, he has abundant experience and deep insight in the legal profession, and we have concluded that he is well qualified to be an Outside Director who is an Audit & Supervisory Committee Member of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Audit and Supervisory Board Members, that is applied mutatis mutandis to this case and standards for Independent Directors/Auditors (please see pages 31 through 33).		

- Hidero Chimori is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company is scheduled to register Hidero Chimori as an Independent Auditor if he is elected as Director who is an Audit & Supervisory Committee Member.
- Although the Company and Miyake & Partners have business transactions, no retainer contract exists between the two, and as the amount of these transactions totals less than 2% of Miyake & Partners' consolidated net sales, therefore it would not be classified as a "major business partners" and he meets the Company's standards for Independent Directors/Auditors.
- Hidero Chimori is a candidate for Outside Company Auditor in the 58th Ordinary General Meeting of Shareholders of ROHM Co., Ltd., which is scheduled to be held on June 29, 2016.
- If Hidero Chimori is elected as Director who is an Audit & Supervisory Committee Member at the 163rd Ordinary General Meeting of Shareholders, the Company is scheduled to enter into an agreement with him that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount stipulated in laws and regulations.

Item 4: Election of one (1) Director who is a substitute Audit & Supervisory Committee Member

If the Item 1: Partial amendments to the Articles of Incorporation is approved as proposed, the Company will transition to a company with an Audit & Supervisory Committee. Accordingly, to prepare for the case where the number of Directors who are Audit & Supervisory Committee Members falls below the number required by laws and regulations, it is proposed that one (1) Director who is a substitute Audit & Supervisory Committee Member be elected.

As for submitting this Item, the consent of the Audit & Supervisory Board has been obtained. The resolution of this Item shall become effective under the condition that the Item 1: Partial amendments to the Articles of Incorporation takes effect.

The candidate for Director who is a substitute Audit & Supervisory Committee Member is as follows. There are no special interests between the candidate and the Company.

Takao Kitabata (Date of birth: January 10, 1950)		New Appointment/ Outside Director/ Independent Director/Auditor	Number of shares of the Company owned: 36,000 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1972:	Joined the Ministry of International Trade and Industry	Chairman of the board of SANDA GAKUEN Junior High School – Senior High School	
June 2004:	Director-General, Economic and Industrial Policy Bureau, the Ministry of Economy, Trade and Industry (METI)	Outside Director of Marubeni Corporation Outside Director of SEIREN CO., LTD. Outside Director of Zeon Corporation	
July 2006:	Vice-Minister of Economy, Trade and Industry		
July 2008:	Retired from METI		
June 2010:	Director of the Company (incumbent) Outside Corporate Auditor of Marubeni Corporation		
June 2013:	Chairman of SANDA GAKUEN Junior High School – Senior High School (incumbent) Outside Director of Marubeni Corporation (incumbent)		
April 2014:	Principal of SANDA GAKUEN Junior High School – Senior High School		
June 2014:	Outside Director of SEIREN CO., LTD. (incumbent) Outside Director of Zeon Corporation (incumbent)		
Reasons for selecting the candidate	<p>Although Takao Kitabata has not participated in the management of a company in a position other than Outside Director or Outside Audit & Supervisory Board Member, he has abundant experience and deep insight as an administrative official, and we have concluded that he is well qualified to be an Outside Director who is a substitute Audit & Supervisory Committee Member of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Audit & Supervisory Board Members, that is applied mutatis mutandis to this case and standards for Independent Directors/Auditors (please see pages 31 through 33).</p> <p>Additionally, while Takao Kitabata is a candidate for Director (excluding Directors who are Audit & Supervisory Committee Members) as proposed in Item 2, he is knowledgeable about the Company's business as an Outside Director of the Company and it has been judged that he would quickly be able to meet the duties required of an Audit & Supervisory Committee Member in the case that the number of Directors who are Audit & Supervisory Committee Members falls below the number required by laws and regulations and has thus been made a candidate for Director who is a substitute Audit & Supervisory Committee Member.</p>		
Attendance at Board of Directors meetings during fiscal 2015: 15/15 meetings held (100%)	Term of office as Outside Director of the Company: 6 years		

- Takao Kitabata is a candidate for Outside Director who is a substitute Audit & Supervisory Committee Member.
- The Company and SANDA GAKUEN Junior High School – Senior High School, for which Takao Kitabata currently serves as the Chairman of the Board, do not have business transactions. In addition, the Company does not make donations to the said school corporation. Therefore, he meets the Company's standards for Independent Directors/Auditors.
- The Company has entered into an agreement with Takao Kitabata that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount stipulated in laws and regulations. If he is elected as Director at the 163rd Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him. In addition, if this Item is approved and Takao Kitabata is elected as Director who is an Audit & Supervisory Committee Member, the Company is scheduled to newly enter into the agreement limiting liability with him.

<Reference: the Company’s fundamental policy with regard to appointment of candidates for Directors, fundamental policy with regard to appointment of candidates for Audit & Supervisory Board Members, and standards for Independent Directors/Auditors>

Members of the Board of Directors discussed and approved appointments of each candidate proposed in Item 2 through Item 4, based on whether or not he or she meets the requirements described in the Company’s fundamental policy with regard to appointment of candidates for Directors, fundamental policy with regard to appointment of candidates for Audit & Supervisory Board Members and standards for Independent Directors/Auditors. The Company applied these policies and standards mutatis mutandis to this case, considering the transition to a company with an Audit & Supervisory Committee.

The President, CEO and Director of the Company explains the appointment to and receives opinions from the Meeting of Independent Directors before these discussions.

The Company’s fundamental policy with regard to appointment of candidates for Directors

The Company appoints candidates for Directors based on a policy that person suitable to be the Company’s Directors should have the following qualities in order to carry out their roles entrusted by 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/Auditors stipulated by the Company.

The Company’s fundamental policy with regard to appointment of candidates for Audit & Supervisory Board Members

The Company appoints candidates for Audit and Supervisory Board Members based on the policy that persons suitable as the Audit and Supervisory Board Members should have the following qualities:

- 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 Act;

- 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) At least one Audit & Supervisory Board Member with considerable knowledge of finance and accounting must be elected; and
- D) The Company invites Outside Audit & Supervisory Board 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 them to meet the following requirements in addition to requirements A) and B) 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; and
 - b. To meet the standards for Independent Auditors stipulated by the Company.

The Company's standards for Independent Directors/Auditors

The Company's Outside Directors and Outside Audit & Supervisory Board Members are recognized as Independent Directors and Auditors as long as any of the following requirements are not applicable. Requirement "L" only applies to Outside Audit & Supervisory Board 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 (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 major shareholder of the Company (a shareholder who 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 shareholder company.
- 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 last 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 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 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 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 dispatch Outside Directors/Auditors. (The person who executes the business of the Kobe Steel Group is an Outside Directors/Auditors and the person who executes the business of such a company is an Outside Director/Auditor 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 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.

Item 5: Determination of amount of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members)

This Item, given the approval of Item 1: Partial amendments to the Articles of Incorporation, is consequent upon the Company's transition to a company with an Audit & Supervisory Committee, and proposes the cessation of the current amount of remuneration for Directors and the determination of a new amount of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members. This also applies hereinafter in this Item.), pursuant to the provisions of the Companies Act and the Ordinance for Enforcement of the Companies Act.

The current amount of remuneration for the Company's Directors was resolved at the 151st Ordinary General Meeting of Shareholders held on June 25, 2004 to be determined within the limit of 63 million yen per month (which does not include compensation for duties as an employee position performed by Directors who also hold an employee position), and this has continued until the present.

As part of the Company's measures to strengthen corporate governance, the Company proposes to its shareholders in this General Meeting of Shareholders the Item to amend the Articles of Incorporation relating to a transition to a company with an Audit & Supervisory Committee and has also established Meeting of Independent Directors consisting entirely of Independent Directors beginning December 2015, etc., in efforts to establish a new management structure. Also, the new medium-term management plan "Fiscal 2016-2020 Group Medium-Term Management Plan" was released this April, and measures to realize the Kobe Steel Group's ideal future image are underway.

Based on this, the Company has listened to the opinions of the Meeting of Independent Directors while reviewing the current remuneration structure for Directors. In particular, the remuneration structure for Internal Directors (Directors who are not Outside Directors. This also applies hereinafter.) has been reviewed in order to achieve increases in objectivity and transparency and further increase Directors' desire to contribute to achieving the goals of the medium-term management plan. The reviews intended that the portion of performance-based compensation to be increased, payment standards for performance-based compensation to be more transparent, and remuneration to be operated in a direction that separates fixed compensation and performance-based compensation.

As a result, regarding the current amount of remuneration for Directors, we would like to change the limit of remuneration from a monthly to a yearly limit, and upon consideration of the economic situation and other factors, would like to establish the limit of fixed compensation as being within a total of 650 million yen per fiscal year and the limit of performance-based compensation as being within a total of 350 million yen per year. Additionally, among Directors, we would like part-time Internal Directors and Outside Directors to receive only fixed compensation, taking into consideration their duties.

Regarding performance-based compensation, we plan to pay an amount calculated by multiplying the base amount by a factor between 0% and 200% computed based on the Company's performance results, etc., where the payment would be within the previously stated maximum of 350 million yen per year in the case that the maximum factor of 200% is achieved. We would like detailed matters relating to the calculation of the amount of performance-based compensation such as specific establishment and calculation method of the above factors, the amount paid to each eligible Director, and timing of payment to be considered upon hearing the opinion of the Meeting of Independent Directors and resolved in the Board of Directors.

Furthermore, the above amount of Director remuneration does not include compensation for duties as an employee position performed by Directors who also hold an employee position. Additionally, the resolution of this Item shall become effective under the condition that Item 1: Partial amendments to the Articles of Incorporation takes effect, and in the case that Item 2 is approved as originally proposed, the number of Directors who will be eligible under this Item to be paid the fixed compensation is eleven (11) (including two (2) Outside Directors) and the number of Directors who will be eligible under this Item to be paid the performance-based compensation is eight (8).

*For the Company's approach to the Director remuneration system proposed in this General Meeting of Shareholders, please see page 40.

Item 6: Determination of amount of remuneration for Directors who are Audit & Supervisory Committee Members

This Item, given the approval of Item 1: Partial amendments to the Articles of Incorporation, is consequent upon the Company's transition to a company with an Audit & Supervisory Committee, and proposes the determination of an amount of compensation for Directors who are Audit & Supervisory Committee Members, pursuant to the Companies Act and the Regulations for Implementation of the Companies Act.

Directors who are Audit & Supervisory Committee Members have as their duties the auditing duties previously conducted by Audit & Supervisory Board Members as well as participation as Directors in resolutions of the Board of Directors and supervision of business execution by Directors, and the Company would like the standard of remuneration to be commensurate with the duties performed.

As a result, the Company would like to establish the limit of remuneration for Directors who are Audit & Supervisory Committee Members as being within a total of 132 million yen per fiscal year. Additionally, from a standpoint of maintaining impartiality in supervision and auditing duties, remuneration for Directors who are Audit & Supervisory Committee Members will be paid as fixed compensation only, and not as performance-based compensation.

The resolution of this Item shall become effective under the condition that Item 1: Partial amendments to the Articles of Incorporation takes effect, and in the case that Item 3 is approved as originally proposed, the number of Directors who are Audit & Supervisory Committee Members is five (5).

*For the Company's approach to the Director remuneration system proposed in this General Meeting of Shareholders, please see page 40.

Item 7: Introduction of a stock compensation plan for Directors

At this Item, it is proposed that the introduction of a new stock remuneration plan, a Board Benefit Trust (BBT) (hereinafter the “Plan”) be adopted, in which the stock of the Company constitutes a part of Directors’ remuneration in order to encourage the Directors to contribute to improve medium- to long-term business performance and increase corporate value by sharing values with shareholders.

Specifically, the compensation, etc., of Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members, and hereinafter in this Item are the same) involved in this system is separate from the compensation requested in the Item 5: Determination of amount of compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) (fixed compensation and performance-based compensation) and will be paid to the Company’s Directors as new stock compensation. Additionally, details regarding this system will be entrusted to the Board of Directors within the boundaries of the following Outline of the Plan, etc.

The resolution of this Item shall become effective under the condition that the Item 1: Partial amendments to the Articles of Incorporation for transition to a company with an Audit & Supervisory Committee takes effect. If the Item 2 is approved as proposed, the number of Directors who fall under this system is nine (9).

Outline of the Plan, etc.

(1) Outline of the Plan

The Plan is a stock compensation plan under which money contributed by the Company is used as funds to acquire the Company’s shares through a trust (hereinafter the “Trust”). With regard to Directors and executive officers of the following (2) (hereinafter “Directors, etc.”), in accordance with Director stock benefit rules established by the Company, the Company’s shares (hereinafter the “Company’s Shares, etc.”) and the cash equivalent to the amount converted from the market price of the Company’s Shares are provided through the Trust. In addition, Directors, etc. shall receive the Company’s Shares, etc. in principle every three years on a fixed date during the trust period.

(2) Individuals Subject to the Plan

The Company’s Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members, and hereinafter in this Item are the same) and executive officers

(3) Amount of Money the Company will Contribute to the Trust

On the condition that this Item is approved, the Company shall introduce the Plan targeting the three fiscal years from the fiscal year ending March 2017 to the fiscal year ending March 2019 (Hereinafter either the period of the three fiscal years concerned or each three-fiscal year period begins after the previous three-year fiscal period is called the “Covered Period.”) and each Covered Period thereafter. With regard to the first Covered Period, in order to provide benefits to Directors, etc. based on this Plan, 1.1 billion yen (of which 570 million yen is for the Company’s Directors) as the upper limit shall be contributed to the Trust as funds to acquire the necessary shares led by the Trust.

In addition, even after the first Covered Period, and during the time until the Plan ends, the Company shall for each Covered Period make an additional contribution as funds for the

acquisition by the Trust of the aforementioned stock to the Trust of an additional 1.1 billion yen (of which 570 million yen is for the Company's Directors) as the upper limit. However, in the case when an additional contribution is made, the last day of the previous Covered Period when the aforementioned additional contribution is made, and when the remaining Company's shares (excluding Company's shares equivalent to the number of points provided to Directors, etc. on the last day of the Covered Period that have not been provided to the Directors, etc.) and money (hereinafter "Remaining Shares, etc.") are available, Remaining Shares, etc., will be allocated as principal for payments based on this system for future Covered Period, and the upper limit the Company can make as additional contributions in the applicable Covered Period will be the aforementioned limit approved in this Item after deducting an amount equal to the value of the Remaining Shares, etc. (the book value of the Company's shares on the last day of the previous Covered Period).

As a reference, on the assumption of acquiring shares of the Company at a closing price of 95 yen on April 1, 2016, with regard to the initial Covered Period, 11.578 million shares can be acquired from funds with the upper limit of funds which the Company can contribute to this trust as funds for the acquisition of the Company's shares to be paid to Directors, etc. of 1.1 billion yen.

(4) Acquisition Method of the Company's Shares

The acquisition of the Company's shares for the Trust shall be carried out through trading markets, using money contributed to provide funds as described in (3) above.

(5) Specific Contents of Company Shares, etc. Granted to Directors, etc.

The Company shall provide Directors, etc. with points, the number of which is determined in response to the level of achievement, including their ranks and business performance, etc., based on the Director stock benefit rules.

Points granted to Directors, etc. shall be converted at 1 share of common stock for 1 point when providing Company Shares, etc. as described in (6) below. (However, following approval of the resolution of this proposal, the Company's shares in the event of a share split, an allotment of shares without contribution or a stock consolidation, etc. will undergo a rational adjustment using a conversion rate based on that ratio.)

Upon provision of the Company's shares, etc. described in (6) below, the number of points for the Directors, etc., which is the standard, is the total number of points granted to the Directors, etc. until the time when the beneficiary requirements are fulfilled.

(6) Timing of Distribution of Shares, etc. to Directors, etc.

In the case of Directors, etc. who meet the beneficiary requirements established under the Director stock benefit rules, the Directors, etc. concerned shall receive the Company's Shares, etc. according to the granted points equivalent to the accumulated number of shares from the Trust in principle every three years on a fixed date during the trust period, through established procedures for the designated beneficiaries. However, in the case when Directors, etc. retire, regardless of this fixed date, through established procedures for the designated beneficiaries, they shall receive the Company's Shares etc. from the Trust after the period necessary for benefit procedures following retirement.

In addition, in the case of Directors, etc. who meet the beneficiary requirements established under the Director stock benefit rules, Directors, etc. shall receive money in place of a certain portion of the Company's stock benefit converted at the market price. For this monetary benefit

to be provided, there may be cases when the Company will sell Company shares from the Trust.

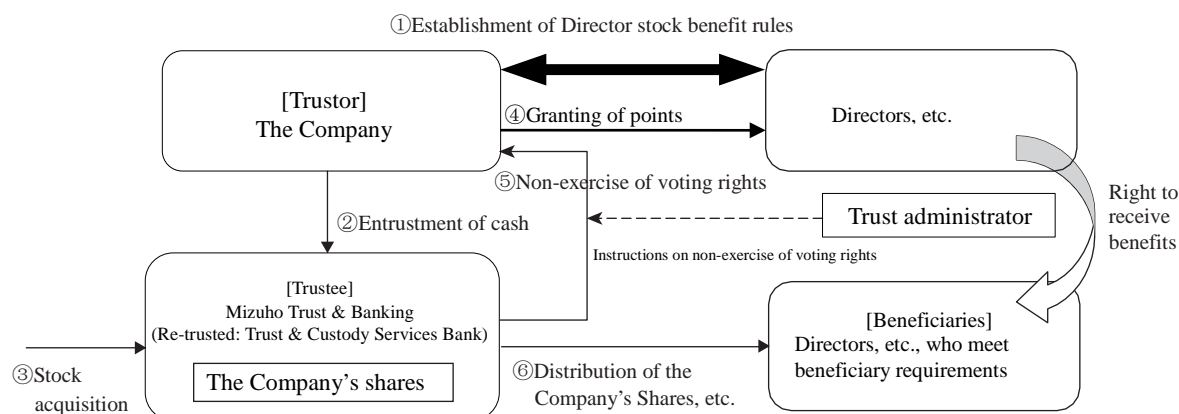
- * For the Company's approach to the Director remuneration system proposed in this General Meeting of Shareholders, please see page 40.
- * With respect to the details of this Plan, please see the press release dated April 28, 2016, "Introduction of a stock compensation plan for Directors" on the Company's web site (<http://www.kobelco.co.jp>).

<Reference: "Introduction of a stock compensation plan for Directors" (extracts) disclosed by the Company on April 28, 2016>

Outline of the Trust

1. Name of trust: Board Benefit Trust (BBT)
2. Trustor: The Company
3. Trustee: Mizuho Trust & Banking Co., Ltd. (Re-trustee: Trust & Custody Services Bank, Ltd.)
4. Beneficiaries: Directors, etc. who meet the requirements as beneficiaries as stipulated in the Director stock benefit rules
5. Trust administrator: A third party having no conflicts of interest with the Company
6. Type of trust: Money trust other than cash trust (third-party beneficiary trust)
7. Date of trust agreement: August 2016 (tentative)
8. Date when money is entrusted: August 2016 (tentative)
9. Period of trust: From August 2016 (tentative) until the trust ends. (The trust shall continue without a specific ending period, continuing as long as the Plan continues.)

Framework of the Plan



<Reference: Approach to the Director Remuneration System >

The approach to the Director remuneration system proposed in Items 5 through 7 is as follows.

Approach to Amount of Director Remuneration, Etc. and Decisions Involving its Method of Calculation

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) A system able to secure talented human resources who can be responsible for the Company's continued expansion and appropriately remunerate them.
 - B) A system able to share values widely with stakeholders and promote not only short-term growth but also medium- to long-term growth.
 - C) Creating a system that incentivizes the accomplishment of consolidated business result targets while sufficiently considering the characteristics of each business so that Directors 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 Meeting of Independent Directors composed entirely of Independent Directors.
- 2) Remuneration Framework
 - A) Remuneration for the Company's Directors (excluding Directors who are 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 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 the accomplishment of these targets for both the Company as a whole and in each business division, a coefficient of 0-200% will 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
 - A) 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 Directors who are 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 Meeting 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.

Item 8: Consolidation of shares

All Japanese securities exchanges announced and are promoting the "Action Plan for Consolidating Trading Units" under which the trading units of common shares (share unit numbers) for domestically listed companies are uniformly set at 100 shares by October 2018. In light of the intent of this action plan, the Company, whose shares are listed on the Tokyo Stock Exchange and the Nagoya Stock Exchange, decided at the Company's meeting of the Board of Directors held on May 16, 2016, to change the share unit number from the current 1,000 shares to 100 shares.

Accordingly, it is proposed that the Company carry out a consolidation of shares of the Company's shares under which every ten (10) shares will be consolidated into one (1) share as well as reduce the Company's total number of authorized shares from six billion (6,000,000,000) shares to six hundred million (600,000,000) shares according to the ratio of the said consolidation of shares, in order to maintain the price level per trading unit as the current price level, which is within the range of price level Stock Exchange states as preferable (from JPY 50,000 less than JPY 500,000 per unit), and in order to keep the number of voting rights of shareholders following the change of the unit of shares.

Under the condition that this Item is approved as originally proposed, the aforementioned change in share trading units will take effect as of October 1, 2016.

(1) Consolidation ratio

Company shares will be consolidated on a 10:1 basis.

If any fractional shares arise as a result of the consolidation of shares, pursuant to the provisions of the Companies Act, the Company will sell all such fractional shares and distribute the proceeds to shareholders having fractional shares in proportion to their respective fractions.

(2) Effective date of consolidation of shares

October 1, 2016

(3) Total number of authorized shares as of the effective date

Six hundred million (600,000,000) shares

With the consolidation of shares relating to this Item, the Articles of Incorporation related to the above total number of authorized shares will be considered amended on the effective date, pursuant to Article 182, paragraph 2 of the Companies Act.

<Reference>

(1) Partial amendments to the Articles of Incorporation

If this Item is approved as originally proposed, the Company's Articles of Incorporation will be partly amended as follows as of October 1, 2016.

Comparing the current Articles of Incorporation with the post-amendment Articles of Incorporation, the following will be amended.

Current Articles of Incorporation	Proposed amendments
Article 6. Total Number of Shares Authorized to Be Issued and Number of Shares Constituting One (1) Unit of Stock The total number of shares authorized to be issued by the Company shall be <u>six billion (6,000,000,000)</u> . The number of shares constituting one (1) unit of stock of the Company shall be <u>one thousand (1,000)</u> .	Article 6. Total Number of Shares Authorized to Be Issued and Number of Shares Constituting One (1) Unit of Stock The total number of shares authorized to be issued by the Company shall be <u>six hundred million (600,000,000)</u> . The number of shares constituting one (1) unit of stock of the Company shall be <u>one hundred (100)</u> .

(2) Effects on shareholders of the consolidation of shares

If this Item is approved, the effects to shareholders will be as follows.

- The number of shares held after the consolidation of shares will become one-tenth of the number of shares held as recorded in the final register of shareholders at the end of September 2016 (rounded down in the case of fractional shares).
- The number of voting rights after the consolidation of shares will be one (1) for every one hundred (100) shares held, and consequently there will be no change to the number of voting rights.
- If any fractional shares arise as a result of the consolidation of shares, the Company will sell all such fractional shares and pay cash to shareholders having fractional shares in proportion to their respective fractions. Payment to shareholders of these cash is scheduled to take place around December 2016.
- While the number of shares held will be one-tenth of the number prior to the consolidation of shares, the state of the Company's assets and capital will not change after the consolidation of shares, and so the asset value of each share will increase by ten times and there will be no change to the asset price of the Company's shares held by shareholders.