

June 26, 2018

Evaluation Results of the Board of Directors' Effectiveness

Kobe Steel, Ltd. (the "Company") evaluated the effectiveness of the Board of Directors by conducting a questionnaire targeting all 16 Directors who served in fiscal 2017. A summary of the results is as follows.

[Contents of implementation regarding the Evaluation of the Board of Directors]

[Target]	All 16 Directors
[Implementation Method]	Conducting a questionnaire targeting all directors and holding interviews with each of them by the Audit & Supervisory Committee
[Evaluation Items]	(1) Structure of the Board of Directors, (2) Agenda of the Board of Directors, (3) Management of the Board of Directors, (4) Documents for the Board of Directors, (5) Duties of Directors, (6) Provision of information to Independent Directors
[Evaluation Method]	Based on the aggregated results of the questionnaire and interviews, the Audit & Supervisory Committee submitted to the Board of Directors an initial evaluation and recommendations for improvements in the future. The Board of Directors then reviewed the evaluation results and analyzed current issues and deliberated future initiatives for improving effectiveness.

[Summary of Evaluation Results]

In light of the measures taken in fiscal 2017 to improve effectiveness, it was confirmed that the Company's Board of Directors functions appropriately overall and maintains its effectiveness in terms of the structure, agenda, and management of the Directors; the contents of documents; the duties of the Directors; and the provision of information to Independent Directors.

It was deemed that the misconduct of the Group does not necessarily create

concerns regarding the effectiveness of the current Board of Directors. The misconduct was discovered in fiscal 2017 through the Next 100 Project (activities focusing on the next 100 years) and requests from Head Office for audits and self-inspections. Further, the responses of the Board of Directors—from the discovery of the misconduct to the establishment of measures to prevent recurrence and public announcements—have been appropriate overall.

To heighten effectiveness further with respect to governance, the Board of Directors should implement measures to prevent a recurrence (review structure of the Board of Directors in relation to Independent Directors; review the structure appointing all heads of business divisions to Director; establish Directors overseeing compliance and quality management) and strengthen monitoring functions.

The evaluation results indicated that there is room for improvement from a management aspect mainly in relation to the points below, and the Company has shared these points as future tasks.

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| (1) Management of the Board of Directors: | Initiatives aimed at strengthening monitoring functions |
| (2) Agenda of the Board of Directors: | Enhancement of reports concerning matters to be resolved by the Board of Directors |
| (3) Documents for the Board of Directors: | Optimizing structure, content, and volume |

Responding to these issues, the Company will continue to improve its effectiveness in this regard.

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