

Basic Policies for Parties Affecting Policy Decisions of Kobe Steel's Financial and Business Affairs (hereinafter, "Basic Policies on Corporate Control")

Basic Policy

Kobe Steel, Ltd. (hereinafter, "Kobe Steel" or the "Company"), as a listed company, naturally accepts, in the course of open stock trading, large-scale purchases of its shares (hereinafter, "Large-Scale Purchases" or "Large-Scale Purchasing") that result in changes in corporate control if such purchase facilitates the protection and enhancement of its corporate value, and ultimately, the common interests of its shareholders.

However, Japanese capital markets have recently witnessed a number of instances in which corporate shares have been rapidly purchased on a massive scale without the adequate disclosure of information to public shareholders or investors. Large-scale purchases or proposals of this type may cause irreparable harm to Kobe Steel or may not provide its shareholders with needed information or sufficient time for them to determine whether to accept these large-scale purchases. Such purchases may harm Kobe Steel's corporate value and, ultimately, the common interests of its shareholders.

More specifically, Kobe Steel is engaged in a wide range of businesses, including in the materials and machinery sectors, and because the Company has broad business interests, it has numerous stakeholders and many synergies created as a result of its businesses. Kobe Steel views all of these factors as sources of its corporate value. Therefore, if Large-Scale Purchasers who lack an adequate understanding of these stakeholder relationships and synergies among businesses were to control the finances and the business policies of Kobe Steel, the corporate value of the Company and, ultimately, the common interests of its shareholders could be impaired. Accordingly, Kobe Steel believes that any party that is to have any influence over its financial and business policy decisions must be one that fully understands the Company's management principles, the sources of its corporate value, and the relationships of mutual trust it shares with its stakeholders, which are necessary and indispensable for the enhancement of corporate value and, ultimately, the common interests of shareholders. Therefore, such a party must also be able to protect and enhance Kobe Steel's corporate value and, ultimately, the common interests of its shareholders. On the contrary, Kobe Steel views any party involved in a Large-Scale Purchase or proposal described above to be an unsuitable party to have influence over its financial and business policy decisions.

In light of Kobe Steel's operating environment—with ever intensifying international competition—corporate acquisitions are quite naturally increasing. Therefore, a Large-Scale Purchase of our stock that materially impacts our management policies is undeniably possible.

On the other hand, in the takeover bid system that would be used in such Large-Scale Purchases, as long as it is at least based on the current system, there may be times when shareholders do not have sufficient information or time to review the relative merits of a Large-Scale Purchase in order to make a decision.

In light of past large merger and acquisition projects in Japan and abroad, even when conducted amicably, in many cases it has taken more than six months to negotiate an agreement. To contribute to increasing corporate value and, ultimately, the common interests of shareholders, Large-Scale Purchases, even those that are undertaken without the prior consent of management, must be ensured the same time period for information disclosure and examination and evaluation as is provided in the case of friendly acquisitions. The Company believes that procedures to ensure this are necessary when shareholders select the party who is to be in control of determining the Company's financial and business policies.

With the above in mind, Kobe Steel believes rules must be established whereby Large-Scale Purchasers are forced to provide to the Board of Directors in advance necessary and sufficient information in connection with the Large-Scale Purchase, and to initiate Large-Scale Purchases only after the expiry of a specific period of time for the examination and evaluation by the shareholders and the Board of Directors.

Initiatives to Prevent Unsuitable Parties from Influencing Kobe Steel's Financial and Business Policy Decisions in Light of Its Basic Policy on Corporate Control

At the General Meeting of Stockholders held on June 23, 2011, the following plan (hereinafter, "the Plan") to prevent Kobe Steel's financial and business policies from being controlled by parties deemed inappropriate was approved.

[Overview of the plan]

The Plan stipulates that the following procedures be taken when a Large-Scale Purchase of the Company's shares is made.

1. Providing Required Information

With respect to Large-Scale Purchasers of Kobe Steel's stock, shareholders and the Board of Directors must decide whether the proposed Large-Scale Purchase further improves corporate value as well as the common interests of shareholders. To reach that decision, information is required prior to the Large-Scale Purchase about the purpose of the share acquisition and the post-share acquisition management policy.

However, Kobe Steel shall not engage in operations that deviate from that aim, such as demanding that Large-Scale Purchasers provide information exceeding the standards necessary and sufficient for the shareholders, Board of Directors and Independent

Committee of the Company to decide whether the Large-Scale Purchase is appropriate.

2. Establishment of an Independent Committee

To prevent its Board of Directors from making arbitrary judgments and ensure that procedures under the share purchasing rules remain objective, fair, and reasonable, an Independent Committee has been established independent from the Board of Directors. The Independent Committee is composed of outside attorneys, certified public accountants, tax accountants, academic experts and outside managers as well as outside directors of the Company.

3. Examination and Evaluation

After disclosing that it has received necessary and sufficient information and secured the periods of time listed below from such disclosure date, the Independent Committee will report to the Board of Directors on whether it should initiate takeover defense measures, based on its examination and judgment of the legitimacy of the Large-Scale Purchase.

Examination and Evaluation Period

In the case of a takeover bid of all of the Company's shares with Japanese yen in cash	60 days
Other than that above	90 days

Should the Independent Committee rationally judge it is necessary for the evaluation period of the Large-Scale Purchase to be extended, the Company shall extend such period by up to 60 days, and the relevant Large-Scale Purchase shall be implemented after the extended evaluation period.

As a general rule, the resolutions of the Independent Committee shall be made by a majority vote with all members in attendance. However, should it be deemed unavoidable, the Independent Committee's resolution may be made by a majority vote of those members present at a meeting attended by a majority of Independent Committee members. However, should the Independent Committee recommend that the Board of Directors take defensive measures, the resolution of such recommendation will require at least one affirmative vote from a Committee member who serves as an outside director of the Company.

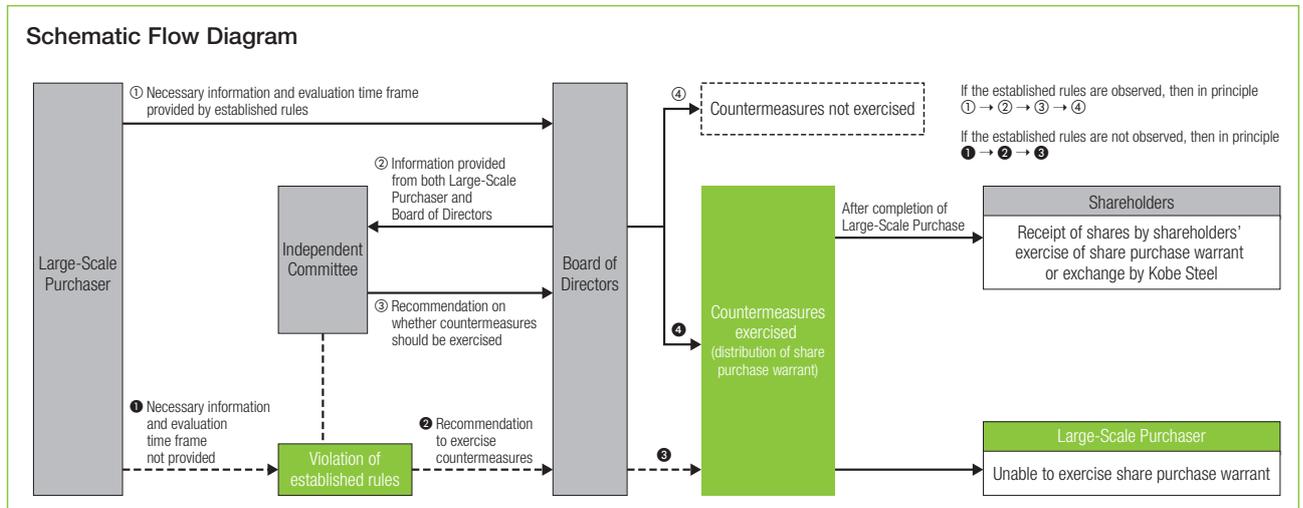
4. Initiation of Takeover Defense Measures

The Board of Directors decides whether to initiate takeover defense measures after giving serious consideration to the Independent Committee's report. The takeover defense measures involve the distribution of share purchase warrants to shareholders under certain terms and conditions, which include prohibiting the exercise of the share purchase warrants by Large-Scale Purchasers. Therefore, exercising these share purchase warrants has the effect of reducing the ratio of the aforementioned Large-Scale Purchasers' voting rights and blocking any Large-Scale Purchase feared to be detrimental to corporate value and the common interests of shareholders.

In addition, as part of the share purchase warrants' terms and conditions, the Board of Directors shall not attach any redemption clauses to the effect that the Company will provide cash as consideration for the redemption of those warrants held by the Large-Scale Purchasers.

5. Effective Term

The effective term lasts up to the time of the end of the first Board of Directors meeting to be held after the General Meeting of Stockholders, which is scheduled for June 2013.



Note: For details, please refer to the press release "Continuation of Kobe Steel, Ltd.'s Policy on Large-Scale Purchasing of its Shares (Anti-Takeover Measures)" released on April 27, 2011 on the Company's website (<http://www.kobelco.co.jp/english>).