

Internal Control System Basic Policy
(Basic Policy of Kobe Steel, Ltd. (the “Company”) Concerning the System for Ensuring the Propriety of Business Operations)

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

The Company shall adopt as the norms and standards for ensuring compliance the Corporate Philosophy of the Kobe Steel Group (also known as “the KOBELCO Group”) that sets forth in particular (a) the Core Values of KOBELCO, which are the commitments to society and the values shared by the entire Group in order to promote the sustainable development of the Group and (b) the Six Pledges of KOBELCO, which constitute a concrete code of conduct for all Group employees to follow to fulfill the said commitments. The compliance promotion activities of the Group shall be planned and implemented based on the KOBELCO Group’s Compliance Program. The Company and major Group Companies shall build a compliance structure to ensure compliance with laws, regulations, social norms, etc., subject to checks by outside experts, including the establishment of a Compliance Committee — an advisory body to the Board of Directors that has committee members from outside of the Company — and the introduction of an internal reporting (whistleblowing) system, in which outside lawyers act as designated contact points.

(ii) Establishment of systems for ensuring proper financial reporting

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

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

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

(iv) Rules and other systems for management of risk of loss

The Company shall establish the Risk Management Committee as an auxiliary body to assist the Executive Council. The committee shall undertake the task of formulating and evaluating basic policies concerning risk management in general, formulating specific policies concerning important issues in risk management, and approving and evaluating action plans for measures to reduce risk associated with top priority and important risks.

The Company also shall ensure proper and efficient operations by establishing “Risk Management

Regulations.” The Company shall develop risk management activities in conjunction with business activities to appropriately address risks that may impair corporate value. The internal audit division shall verify the appropriateness and effectiveness of the systems for risk management.

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

The Company's Board of Directors focuses on determining important management directions and monitoring of management, including risk management. Executive directors include the President and Directors who oversee key specific companywide functions.

To realize a management structure for which transparency and fairness are ensured, the Company shall appoint Independent Directors who are not Audit & Supervisory Committee Members in addition to Independent Directors who are Audit & Supervisory Committee Members.

In order to enhance the effectiveness of the monitoring function of the Board of Directors, the Company shall establish the Compliance Committee, the Nomination & Compensation Committee, the Quality Management Committee, and the Corporate Governance Committee as advisory bodies. The Company shall adopt the Business Unit System to promote prompt decision-making, as well as to fully demonstrate the Group's total capability through information sharing and cooperation across business units.

The Company shall establish the Executive Council as a forum for deliberating important management matters and matters to be discussed by the Board of Directors among the executives appointed by the Board of Directors to execute the business operation of each business division. In order to enhance the effectiveness of the deliberations at the Executive Council, the Company shall set up various committees to assist the Executive Council on important matters for the corporate strategy such as sustainability management, risk management, business portfolio management, investment and loan, etc.

The Company shall also establish the Executive Liaison Committee, comprised of Directors who execute business operations, Executive Officers, Executive Technical/Legal Officers, and the presidents and executives of affiliated companies designated by the President of the Company, to facilitate the sharing of information on important matters relating to management.

(vi) Systems for ensuring the proper operation of the corporate group, consisting of the Company and its subsidiaries

In accordance with the “Group Company Management Regulations,” the Company shall oblige its Group companies to consult with their respective supervisory divisions and the head office divisions of the Company and report important matters when they make important decisions. The Company shall also require its Group companies to obtain prior approval of the Board of Directors and the President of the Company concerning disposal of assets that surpass a certain amount in value.

In addition, the Company shall establish “Standard Practices for the Group” as ground rules to be observed by the Group. The Company shall ensure that all of its subsidiaries develop their own rules in accordance with the said standard practices, promote education/understanding and implementation of risk management, and formulate measures to carry out preventive maintenance for each company properly in accordance with “Risk Management Regulations”.

The Company shall dispatch its employees to its subsidiaries as directors and/or corporate auditors of such subsidiaries, to supervise the management of these subsidiaries.

Furthermore, the Company shall establish its Group compliance system to ensure compliance with laws, regulations, etc., by sharing with its subsidiaries the Group Corporate Philosophy that sets forth the Core Values of KOBELCO and the Six Pledges of KOBELCO, which serve as a concrete corporate code of conduct, as well as by requiring its subsidiaries to establish compliance committees and undertake other initiatives, such as developing an internal reporting (whistleblowing) system, based on the KOBELCO Group’s Compliance Program.

Notwithstanding the foregoing, the Company shall give consideration to listed subsidiaries so that the Company shall not restrict the independent judgment of the executives of such companies in order to ensure a certain degree of management independence of listed subsidiaries from the Company.

(vii) Matters regarding Directors and employees who assist in the duties of the Audit & Supervisory Committee, and matters regarding the independence of the said Directors and employees from Directors (excluding Directors who are Audit & Supervisory Committee Members); and a system to ensure the effectiveness of instructions from the Audit & Supervisory Committee to the said Directors and employees

The Company shall organize the Audit & Supervisory Committee Members’ Office to support the duties of the Audit & Supervisory Committee. The Company shall require prior discussions with the Audit & Supervisory Committee Members for personnel changes, performance appraisal, and other issues relating to the employees of the Audit & Supervisory Committee Members’ Office in order to ensure the independence of the employees from Directors (excluding Directors who are Audit & Supervisory Committee Members) and the effectiveness of such instructions.

Employees of the Audit & Supervisory Committee Members’ Office shall support the audits by the Audit & Supervisory Committee based on instructions by the Audit & Supervisory Committee in accordance with the standards for audits by the Audit & Supervisory Committee. Directors (excluding Directors who are Audit & Supervisory Committee Members), Executive Officers and employees of the Company shall not hinder such support activities and cooperate to ensure the effectiveness of audits by the Audit & Supervisory Committee.

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

Directors (excluding Directors who are Audit & Supervisory Committee Members), Executive Officers and employees of the Company shall periodically report the status of performance of duties, important committees, and other matters to the Audit & Supervisory Committee, in addition to matters designated by laws. They shall also report material risks that have occurred in business activities and the status of response to them on a case-by-case basis, as well as the design and operational effectiveness of internal systems for ensuring proper financial reporting.

Additionally, they shall report the current circumstances of their subsidiaries to the Audit & Supervisory Committee as needed. The Audit & Supervisory Committee Members' Office and the Internal Control and Audit Department shall report to the Audit & Supervisory Committee current situations regarding compliance and risk management of the entire Group as appropriate.

Under the Corporate Code of Ethics, the Company shall prohibit retaliation on whistleblowers who inform through the internal reporting system and on employees who make reports to the Audit & Supervisory Committee and shall make sure that such measures are made known to all employees of the Company.

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

If the Audit & Supervisory Committee requests payment for expenses or debts based on the Companies Act regarding the execution of its duties, the Company shall pay for such expenses or debts, except when the Company confirms that such request is not necessary for the execution of duties.

Regarding the expenses necessary for the Audit & Supervisory Committee to execute their duties, the Company will take appropriate budgetary steps to secure a certain amount that the Audit & Supervisory Committee deems necessary each fiscal year.

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

To ensure the effectiveness of audits by the Audit & Supervisory Committee, the Company shall require the Audit & Supervisory Committee to provide explanations of its annual audit policies and plans at meetings of the Board of Directors and on other occasions. The Company shall improve the

audit environment by holding periodic meetings between the Audit & Supervisory Committee and the President and through cooperation with the internal audit division.