

KOBELCO



Reflecting, Reforming, Restarting

**Kobe Steel Group
Integrated Report 2018**

KOBELCO



The Kobe Steel Group's Promise to Stakeholders

The Kobe Steel Group has created the Core Values of KOBELCO, which expresses its commitments to stakeholders as a corporate philosophy, as well as the Six Pledges of KOBELCO Men and Women, which defines a code of conduct for Group employees as they fulfill the Core Values of KOBELCO.

Based on the Core Values of KOBELCO and the Six Pledges of KOBELCO Men and Women, Kobe Steel is making every effort to restore trust with its customers, business partners, and other stakeholders while striving for sustainable corporate value enhancement through contributions to society and the environment.

Core Values of KOBELCO

The core values are the commitments of the Kobe Steel Group to society and express the values shared by the entire Kobe Steel Group.

- 1 We provide technologies, products and services that win the trust and confidence of our customers we serve and the society in which we live.**
- 2 We value each employee and support his and her growth on an individual basis, while creating a cooperative and harmonious environment.**
- 3 Through continuous and innovative changes, we create new values for the society of which we are a member.**

Six Pledges of KOBELCO Men and Women

We, the men and women of KOBELCO, in the spirit of honoring Core Values of KOBELCO, make the following Six Pledges:

<p>1</p> <p>Heightened Sense of Ethics and Professionalism</p> <p>We not only follow the laws, corporate rules and societal norms, but also conduct our corporate activity in a fair and sound manner with the highest sense of ethics and professionalism.</p>	<p>2</p> <p>Contribution to the Society by Providing Superior Products and Services</p> <p>Guided by our "Quality Charter," we provide safe, sound, and innovative products and services to our customers, and thereby ensure customer satisfaction and contribute to the advancement of the society.</p> <p>Quality Charter</p> <p>The KOBELCO Group will comply with all laws, public standards, and customer specifications, and make continuous efforts to improve quality, with the goal of providing Trusted Quality in our products and services.</p>	<p>3</p> <p>Establishing a Comfortable but Challenging Work Environment</p> <p>We provide a safe and comfortable work environment, and we value each employee's character, personality and diversity, and provide each employee with a challenging work experience so as to allow each employee to use his and her fullest capability.</p>
<p>4</p> <p>Living in Harmony with Local Community</p> <p>We make efforts to be a good "corporate citizen" in each local community which serves as the base for our group.</p>	<p>5</p> <p>Contribution to a Sustainable Environment</p> <p>We aim to build a richer and more sustainable world, and we conduct environmentally friendly manufacturing and contribute to the betterment of the natural environment through our technologies, products and services.</p>	<p>6</p> <p>Respect for Each Stakeholder</p> <p>We respect all of our stakeholders, including customers, business associates, employees and shareholders, as our colleagues and build good and sound relationships with all of them.</p>



Mitsugu Yamaguchi
President, CEO and
Representative Director

To Our Stakeholders

I am determined to make every effort to regain the trust of all our stakeholders and earn their confidence that Kobe Steel has truly changed.

I deeply and sincerely apologize once again for causing substantial trouble to our customers, business partners, and other stakeholders owing to the misconduct* of the Kobe Steel Group.

This sort of misconduct is absolutely impermissible for our Group, which calls manufacturing its livelihood. We have been profoundly reminded once again that respecting compliance is the basic foundation upon which a company exists, in addition to emphasis on safety, the environment, and disaster prevention. All Group executives and employees are working together as one to regain your trust. To this end, we must be brutally honest with ourselves on how to prevent such misconduct from occurring again, while drastically reforming our corporate culture and governance. I believe it is my foremost mission as President to ensure these reforms are made with a sense of urgency. The entire management team, including myself, is showing its commitment to these reforms by talking directly to employees about the meaning and thought that went into creating the Core Values of KOBELCO, our corporate philosophy, and the Six Pledges of KOBELCO Men and Women, our code of conduct for realizing these core values.

This Integrated Report, the inaugural edition for the Group, is a tool for conveying to our stakeholders the Company's preparedness and strong resolve to tackle these reforms with unwavering determination. While advancing measures to prevent a recurrence on the governance, management, and process fronts, Kobe Steel will continue initiatives aimed at achieving the goals in the Fiscal 2016–2020 Group Medium-Term Management Plan, under which we will establish three core business areas in materials, machinery, and electric power. I hope that as you read this Integrated Report, it will provide the information you seek, and I would appreciate any feedback you can provide.

It is my wish that this report will lead to constructive dialogue with our stakeholders. I thank you for your continued guidance and encouragement.

August 2018

M. Yamaguchi

President, CEO and Representative Director

* This refers to the act of falsifying or fabricating inspection data for products falling short of public standards or customer specifications, and shipping or delivering those products to customers as if they conformed to the public standards or customer specifications (hereinafter, "the misconduct").

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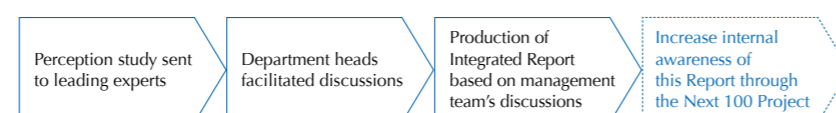
Editorial Policy

The Kobe Steel Group places importance on dialogue with all of its stakeholders, including shareholders, investors, customers, and business partners. On these lines, Kobe Steel decided to publish an Integrated Report, beginning in fiscal 2018, for the purpose of providing a comprehensive understanding of the economic and social value created by the Group through its management strategies, business activities, social activities, and environmental activities.

We hope this report will lead to a greater understanding among all our stakeholders of the Kobe Steel Group's endeavors to restore trust and sustain growth.

Integrated Report Production Process

1. A perception study was conducted with leading experts (analysts, institutional investors, ESG specialists, etc.). These experts were asked to give frank assessments and opinions on the Group.
2. Discussion was facilitated by the heads of the Corporate Planning Department and other departments. We revisited and refocused on how the Group has harnessed its existential value throughout its 100 year-plus history.
3. The Corporate Communications Department was mainly responsible for producing the Integrated Report based on discussions with the management team.



Restarting

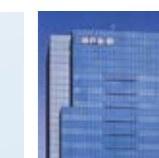
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Disclaimer Regarding Forward-Looking Statements

This Integrated Report contains forward-looking statements about the Company's forecasts, beliefs, expectations, aims, and strategies. These forward-looking statements are based on the Company's judgments and assumptions using currently available information, and these forecasts may differ substantially from actual results due to a variety of factors that may change over time, such as uncertainties within its judgments and assumptions, future business operations, and changes in conditions inside and outside the Group. Kobe Steel assumes no responsibility for revising these forward-looking statements or other content in this report.

Below is a list of factors that may contribute to these uncertainties (on the left) and cause change. This is not a complete list of such factors.

- Changes in economic conditions, demand, and prices in major markets
- Political situations in major markets and regulations, including trade regulations
- Fluctuations in foreign exchange rates
- Availability and prices of raw materials
- Products and services, price strategies of competitors, business developments including alliances and M&A
- Changes in strategies of partners with ties to the Company

Scope of Reporting

In principle, this Report covers the activities of Kobe Steel and its domestic and overseas Group companies.

Period of Reporting

This Report covers fiscal 2017, from April 1, 2017 to March 31, 2018. However, when necessary, the Report makes reference to fiscal years before and after the period.

Report on Misconduct in the Kobe Steel Group (Summary)

Background to the Misconduct

In light of discovering violations of JIS regulations at Shinko Wire Stainless Company, Ltd. in June 2016, the Kobe Steel Group initiated a quality assurance audit covering all business divisions. As a result of this audit led by the Head Office, the Aluminum & Copper Business discovered the occurrence of the misconduct* in late August 2017. Upon

discovery, the Company immediately halted shipments of products affected by the misconduct and after conducting an internal investigation using an independent law firm, it began providing explanations to customers in September 2017 and started disclosing the details of the misconduct to the public from October 8, 2017.

* This refers to the act of falsifying or fabricating inspection data for products falling short of public standards or customer specifications, and shipping or delivering those products to customers as if they conformed to the public standards or customer specifications (hereinafter, "the misconduct").

Please refer to the full *Report on Misconduct in Kobe Steel Group* (published on March 6, 2018) for details regarding analyses of causes of the misconduct and measures to prevent a recurrence, along with an explanation of the facts unearthed by the investigation of the Independent Investigation Committee.
http://www.kobelco.co.jp/english/progress/files/20180306_report_en.pdf

Analyses of Causes of the Misconduct

(1) A Management Style That Overemphasized Profitability and Inadequate Corporate Governance

- In accordance with the management's propensity to over-emphasize profitability at the Head Office, an attitude of prioritizing production over quality took hold in each business division, leading to insufficient examination of process capacity when receiving orders.
- Broad authority given to business divisions reduced the ability of the Head Office to exert control, leading to inadequate quality compliance discipline by the Head Office.
- Corporate governance factors that impaired an early detection of the misconduct included the Company's management team not taking any sweeping measures to address problems when similar incidents were discovered in the past as well as inadequate audits at each business division.

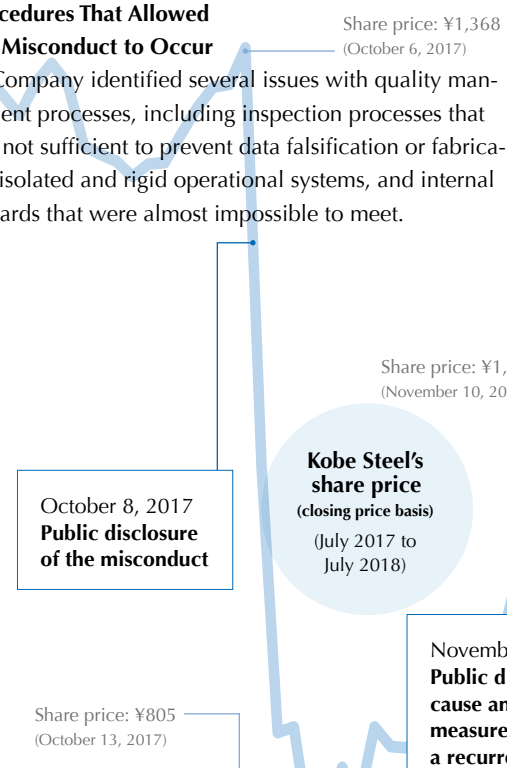
- An insular organization where employees were rarely exchanged or transferred between divisions; the absence of appropriate education, training, and disciplinary action
- Lack of awareness of quality compliance among employees; false assumptions that products falling short of customer specifications to a certain degree would not have safety issues and could be shipped

(3) Insufficient Quality Control

- Procedures That Allowed the Misconduct to Occur**
- The Company identified several issues with quality management processes, including inspection processes that were not sufficient to prevent data falsification or fabrication, isolated and rigid operational systems, and internal standards that were almost impossible to meet.

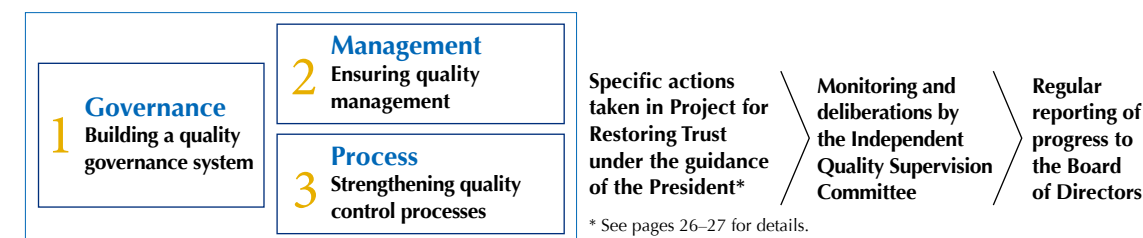
(2) Imbalanced Operation of Plants and Low Awareness of Quality Compliance among Employees

- The manufacturing of products based on customer specifications not matched to process capability; a culture that prioritized winning orders and meeting delivery deadlines over ensuring quality



Measures for Preventing a Recurrence of the Misconduct

Based on the cause analyses and taking the Independent Investigation Committee's recommendations into consideration, we have formulated the following measures to prevent a recurrence of the misconduct and are currently working on carrying them out.



The Independent Quality Supervision Committee and the Board of Directors will ascertain progress on measures to prevent a recurrence of the misconduct, and continue to publish their results on the Company's website.
<http://www.kobelco.co.jp/english/progress/index.html>

1 Governance Building a quality governance system

- 1 Penetration of the Group's corporate philosophy
- 2 Desirable state of the Board of Directors
- 3 Restructuring of the risk management system
- 4 Reforming of the insular nature of organizations
- 5 Restructuring of the quality assurance system
- 6 Restructuring of our management indicators

An explanation follows on the next page.

2 Management Ensuring quality management

- 1 Measures for quality management
 - Strengthen quality assurance management at each business location in line with the KOBELCO Quality Guidelines
 - Hold Group Quality Leader Conferences organized by the Quality Management Department
- 2 Training and development of quality assurance personnel
 - Designate quality assurance personnel as specialized personnel for the entire Company, rotate personnel and provide training across business divisions and locations
- 3 Head Office support measures
 - Audits performed by the Quality Audit Section of the Quality Management Department

3 Process Strengthening quality control processes

- 1 Review of quality control processes
 - Automate processes for recording test/inspection data and eliminate one-person data entry processes as much as possible
 - Adopt a single shipment standard to eliminate any possibilities of misconduct that result from double shipment standards (customer specifications and internal standards)
- 2 Revision of approval processes
 - Revise the authorization process for receiving new orders and update systems for understanding our process capability versus customer specifications when receiving orders
- 3 Quality risk assessment in capital investments
 - Mitigate quality risks through appropriate investments by introducing new investment standards that incorporate quality risk factors

March 6, 2018
Publication of the Report on Misconduct in Kobe Steel Group

Building a Quality Governance System

1 Penetration of the Group's Corporate Philosophy

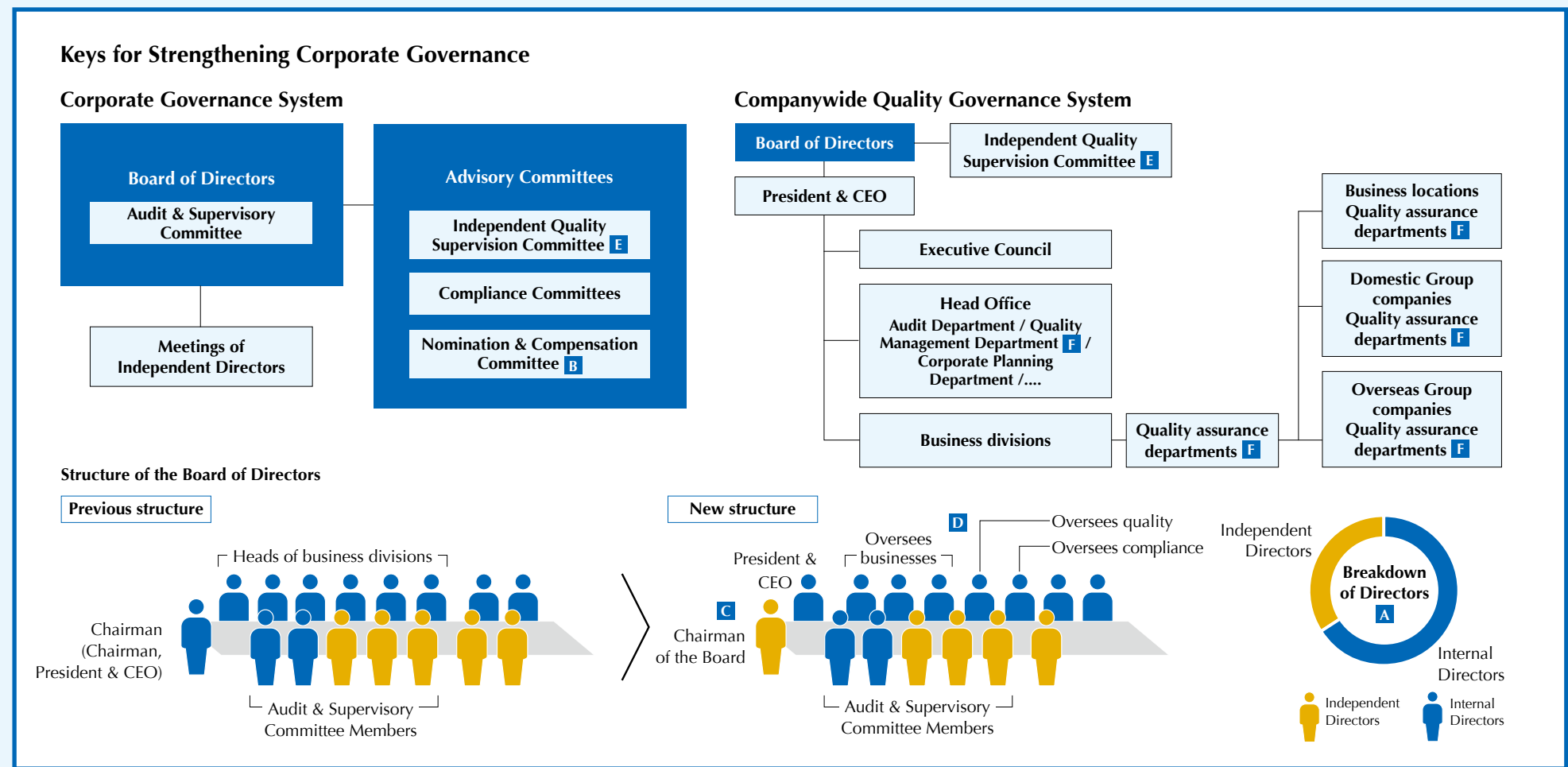
- Resolutely pursue reforms aimed at restoring trust in the Kobe Steel Group by further promoting activities for the Next 100 Project (a project to shape the Kobe Steel Group's future for the next 100 years), through which top management talks to employees face-to-face about the intent of the Core Values of KOBELCO (the Group's corporate philosophy) and the Six Pledges of KOBELCO Men and Women (the guidelines for the philosophy), along with the management's thoughts on these pledges.
- Designate every October as Core Values of KOBELCO Month to always remember the lessons learned from past incidents related to compliance, including the misconduct
- In light of the significant impact the misconduct had on society, revise the Six Pledges of KOBELCO Men and Women (pledges honored by all employees) to include expressions that emphasize customer satisfaction and contributions to society.

→ Please refer to pages 38–39 for more details and the current status.

2 Desirable State of the Board of Directors

- To improve the fairness and transparency of the Board of Directors, ensure that at least one-third of the members are Independent Directors **A**
- As a voluntary advisory body, create a Nomination & Compensation Committee that consists of a majority of Independent Directors **B**
- Abolish the office of chairman and elect a Chairman of the Board of Directors from among the Independent Directors **C**
- Revise the current structure under which all division heads are directors, and assign one Director to the materials businesses, one Director to the machinery businesses, and one Director to the electric power business. In addition, appoint a Director to oversee compliance and a Director to oversee quality. **D**
- Set up an Independent Quality Supervision Committee consisting of external experts, as an organization for discussing various issues about quality compliance **E**

→ Please refer to pages 16–23 for more details and the current status.



3 Restructuring of the Risk Management System

- Conduct a Compliance Awareness Survey on a regular basis
- Strengthen the risk management of Group companies based on Group standards
- Formulate the KOBELCO Quality Guidelines
- Establish a Compliance Management Department under the guidance of an outside Executive Officer dedicated to compliance matters

→ Please refer to pages 25–26 for more details and the current status.

4 Reforming of the Insular Nature of Organizations

- Fundamentally reinforce governance by restructuring business divisions and Group companies
- Reform the insular nature of organizations through personnel rotation among the divisions
- Take control of and resolve issues arising at worksites through the implementation of measures such as employee awareness surveys and Quality Caravan Team activities carried out by specialized personnel

→ Please refer to pages 26–27 for more details and the current status.

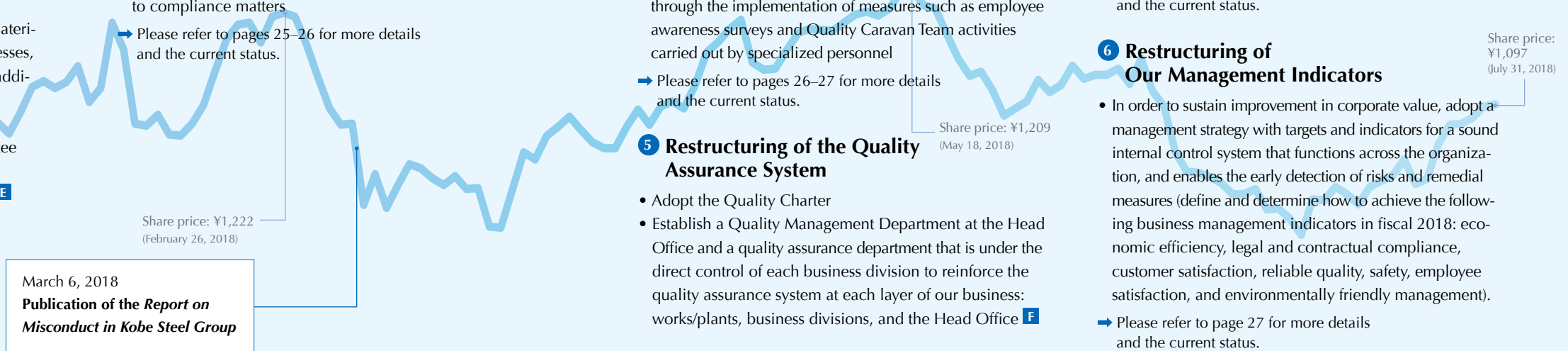
5 Restructuring of the Quality Assurance System

- Adopt the Quality Charter
- Establish a Quality Management Department at the Head Office and a quality assurance department that is under the direct control of each business division to reinforce the quality assurance system at each layer of our business: works/plants, business divisions, and the Head Office **F**

- Have the Quality Management Department oversee quality audits and the development of quality assurance personnel as well as support business divisions' quality education and training
 - Invite from outside an Executive Officer to take charge of the Quality Management Department
- Please refer to pages 24 and 28 for more details and the current status.

6 Restructuring of Our Management Indicators

- In order to sustain improvement in corporate value, adopt a management strategy with targets and indicators for a sound internal control system that functions across the organization, and enables the early detection of risks and remedial measures (define and determine how to achieve the following business management indicators in fiscal 2018: economic efficiency, legal and contractual compliance, customer satisfaction, reliable quality, safety, employee satisfaction, and environmentally friendly management).
- Please refer to page 27 for more details and the current status.



March 6, 2018
Publication of the Report on Misconduct in Kobe Steel Group

New Management Team (As of June 21, 2018)



Back row from left

Shohei Manabe

Director, Senior Managing Executive Officer

Yoshihiko Katsukawa

Director, Senior Managing Executive Officer

Jiro Kitagawa

Director, Senior Managing Executive Officer

Hiroshi Ishikawa

Director, Audit & Supervisory Committee Member

Yasushi Tsushima

Director, Audit & Supervisory Committee Member

Yoshiiku Miyata

Independent Director, Audit & Supervisory Committee Member

Hidero Chimori

Independent Director, Audit & Supervisory Committee Member

Front row from left

Koichiro Shibata

Executive Vice President and Representative Director

Takao Ohama

Executive Vice President and Representative Director

Fusaki Koshiishi

Executive Vice President and Representative Director

Yoshinori Onoe

Executive Vice President and Representative Director

Mitsugu Yamaguchi

President, CEO and Representative Director

Takao Kitabata

Chairman of the Board, Independent Director

Hiroyuki Bamba

Independent Director

Takashi Okimoto

Independent Director, Audit & Supervisory Committee Member

Directors



President, CEO and Representative Director

Mitsugu Yamaguchi

Number of Company shares owned: 11,000
 Apr. 1981 Joined the Company
 Apr. 2011 Officer
 Apr. 2013 Senior Officer
 Apr. 2015 Executive Officer
 Jun. 2016 Director, Senior Managing Executive Officer
 Apr. 2017 Executive Vice President and Representative Director
 Apr. 2018 President, CEO and Representative Director (incumbent)



Executive Vice President and Representative Director

Yoshinori Onoe

Number of Company shares owned: 19,200
 Apr. 1980 Joined the Company
 Apr. 2008 Officer
 Apr. 2010 Senior Officer
 Apr. 2012 Executive Officer
 Apr. 2014 Executive Vice President
 Jun. 2014 Executive Vice President and Representative Director
 Apr. 2016 Executive Vice President and Representative Director (incumbent)



Executive Vice President and Representative Director

Fusaki Koshiishi

Number of Company shares owned: 11,900
 Apr. 1984 Joined the Company
 Apr. 2012 Officer
 Apr. 2014 Senior Officer
 Jun. 2015 Managing Director
 Apr. 2016 Director, Senior Managing Executive Officer
 Apr. 2018 Executive Vice President and Representative Director (incumbent)



Executive Vice President and Representative Director

Takao Ohama

Number of Company shares owned: 16,900
 Apr. 1981 Joined the Company
 Apr. 2010 Officer
 Apr. 2012 Senior Officer
 Apr. 2014 Executive Officer
 Apr. 2018 Executive Vice President
 Jun. 2018 Executive Vice President and Representative Director (incumbent)



Executive Vice President and Representative Director

Koichiro Shibata

Number of Company shares owned: 10,900
 Apr. 1984 Joined the Company
 Apr. 2012 Officer
 Apr. 2014 Senior Officer
 Apr. 2016 Senior Managing Executive Officer
 Apr. 2018 Executive Vice President
 Jun. 2018 Executive Vice President and Representative Director (incumbent)



Director, Senior Managing Executive Officer

Shohei Manabe

Number of Company shares owned: 14,400
 Apr. 1978 Joined the Company
 Apr. 2009 Officer
 Apr. 2011 Senior Officer
 Apr. 2015 Executive Officer
 Jun. 2015 Senior Managing Director
 Apr. 2016 Director, Senior Managing Executive Officer (incumbent)



Director, Senior Managing Executive Officer

Jiro Kitagawa

Number of Company shares owned: 10,400
 Apr. 1982 Joined the Company
 Apr. 2014 Officer
 Apr. 2016 Managing Executive Officer
 Apr. 2018 Senior Managing Executive Officer
 Jun. 2018 Director, Senior Managing Executive Officer (incumbent)



Director, Senior Managing Executive Officer

Yoshihiko Katsukawa

Number of Company shares owned: 5,600
 Apr. 1985 Joined the Company
 Apr. 2015 Officer
 Apr. 2017 Managing Executive Officer
 Apr. 2018 Senior Managing Executive Officer
 Jun. 2018 Director, Senior Managing Executive Officer (incumbent)



Independent Director

Takao Kitabata

Number of Company shares owned: 3,800
 Apr. 1972 Joined the Ministry of International Trade and Industry
 Jun. 2004 Director-General, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry (METI)
 Jul. 2006 Vice-Minister of Economy, Trade and Industry
 Jul. 2008 Retired from METI
 Jun. 2010 Director of the Company (incumbent)
 Outside Corporate Auditor of Marubeni Corporation
 Jun. 2013 Chairman of SANDA GAKUEN Junior High School-Senior High School (incumbent)
 Outside Director of Marubeni Corporation (incumbent)
 Apr. 2014 Principal of SANDA GAKUEN Junior High School-Senior High School
 Jun. 2014 Outside Director of Seiren Co., Ltd. (incumbent)
 Outside Director of Zeon Corporation (incumbent)



Independent Director

Hiroyuki Bamba

Number of Company shares owned: 1,600
 Apr. 1976 Joined Sumitomo Rubber Industries, Ltd.
 Mar. 2000 Director of Sumitomo Rubber Industries, Ltd.
 Mar. 2003 Executive Officer of Sumitomo Rubber Industries, Ltd.
 Jul. 2003 President and Director of SRI Sports Limited (currently Sumitomo Rubber Industries, Ltd.)
 Mar. 2011 Chairman and Director of SRI Sports Limited
 Mar. 2015 Counselor to Sumitomo Rubber Industries, Ltd.
 Jun. 2015 Outside Director of Sekisui Plastics Co., Ltd. (incumbent)
 Jun. 2017 Director of the Company (incumbent)

Directors, Audit & Supervisory Committee Members



Director, Audit & Supervisory Committee Member

Hiroshi Ishikawa

Number of Company shares owned: 8,000
 Apr. 1982 Joined the Company
 Apr. 2014 Officer
 Apr. 2016 Managing Executive Officer
 Jun. 2018 Director, Audit & Supervisory Committee Member (incumbent)



Director, Audit & Supervisory Committee Member

Yasushi Tsushima

Number of Company shares owned: 6,300
 Apr. 1982 Joined the Company
 Apr. 2013 Officer
 Jun. 2015 Director, Managing Executive Officer of Kobelco Construction Machinery Co., Ltd.
 Apr. 2018 Director of Kobelco Construction Machinery Co., Ltd.
 Jun. 2018 Director, Audit & Supervisory Committee Member of the Company (incumbent)



Independent Director, Audit & Supervisory Committee Member

Takashi Okimoto

Number of Company shares owned: 7,700
 Apr. 1973 Joined The Dai-ichi Kangyo Bank, Limited
 Jun. 2001 Executive Officer of The Dai-ichi Kangyo Bank, Limited
 Apr. 2002 Executive Officer of Mizuho Corporate Bank, Ltd.
 Oct. 2002 Managing Executive Officer of Mizuho Corporate Bank, Ltd.
 Apr. 2005 Deputy President of Mizuho Corporate Bank, Ltd.
 Apr. 2007 Retired from Deputy President of Mizuho Corporate Bank, Ltd.
 Advisor of Orient Corporation
 Jun. 2007 Representative Director, Chairman and Corporate Officer of Orient Corporation
 Jun. 2008 Outside Director of Daiichi Sankyo Company, Limited
 Jun. 2011 Retired from Representative Director, Chairman and Corporate Officer of Orient Corporation
 Audit & Supervisory Board Member of the Company
 Outside Director of Fujitsu Limited
 Jun. 2012 Outside Director of Fuji Electric Co., Ltd.
 President and Representative Director, Chuo Real Estate Co., Ltd.
 Jun. 2013 Outside Audit & Supervisory Board Member of Shindengen Electric Manufacturing Co., Ltd.
 Audit & Supervisory Board Member of Seiwu Sogo Tatemono Co., Ltd.
 Jun. 2015 Chairman and Representative Director, Chuo Real Estate Co., Ltd.
 Jun. 2016 Retired from Chairman and Representative Director, Chuo Real Estate Co., Ltd.
 Director, Audit & Supervisory Committee Member of the Company (incumbent)



Independent Director, Audit & Supervisory Committee Member

Yoshiiku Miyata

Number of Company shares owned: 2,400
 Apr. 1977 Joined Matsushita Electric Industrial Co., Ltd.
 Apr. 2007 Executive Officer, Matsushita Electric Industrial Co., Ltd.
 Apr. 2009 Managing Executive Officer, Panasonic Corporation
 Apr. 2011 Senior Managing Executive Officer, Panasonic Corporation
 Jun. 2011 Senior Managing Director, Member of the Board, Panasonic Corporation
 Jun. 2014 Corporate Advisor, Panasonic Corporation
 Mar. 2015 Outside Director, TonenGeneral Sekiyu K.K.
 Dec. 2015 Retired from Corporate Advisor, Panasonic Corporation
 Jun. 2016 Director, Audit & Supervisory Committee Member of the Company (incumbent)
 Apr. 2017 Outside Director, JXTG Holdings, Inc. (incumbent)



Independent Director, Audit & Supervisory Committee Member

Hidero Chimori

Number of Company shares owned: 700
 Apr. 1983 Registered as Attorney at Law
 May 2002 Representative Partner, Miyake & Partners (incumbent)
 Jun. 2002 Outside Audit & Supervisory Board Member, OMRON Corporation
 Jun. 2006 Outside Audit & Supervisory Board Member, Duskin Co., Ltd.
 Jun. 2011 Outside Audit & Supervisory Board Member, NAITO Securities Co., Ltd. (incumbent)
 Jun. 2016 Director, Audit & Supervisory Committee Member of the Company (incumbent)
 Outside Company Auditor, ROHM Co., Ltd. (incumbent)

Executive Officers

Senior Managing Executive Officers

Yukimasa Miyashita
 Makoto Mizuguchi
 Kazuto Morisaki
 Hiroaki Matsubara
 Yoshihiro Oka
 Shoji Miyazaki

Managing Executive Officers

Kazuaki Kawahara
 Koji Yamamoto
 Yasushi Okubo
 Akira Yamamoto
 Masamichi Takeuchi
 Hajime Nagara
 Satoshi Nishimura
 Kunio Uchiyama
 Yutaka Yamaguchi

Executive Officers

Seiji Hirata
 Hiroki Iwamoto
 Shoji Nakamura
 Hiroyuki Mori
 Yuichiro Goto
 Masahiro Motoyuki
 Hideki Asada
 Shuji Kitayama

Ryosaku Kadowaki
 Yoshinori Kurioka
 Kazuhiko Kimoto



By managing the Board of Directors with stakeholders in mind, I will endeavor to restore trust and improve corporate value over the medium to long term.

Assessment of Kobe Steel's Misconduct and Measures to Prevent a Recurrence

Ever since a Group affiliate discovered JIS violations in June 2016, top management has shown strong resolve and determination to conduct quality audits and self-inspections on quality across all business divisions to ensure the conformity of products to public standards and customer specifications. At the time, Independent Auditors had sharply criticized the management, which took this criticism to heart and acted to remedy the problem.

It became clear that this misconduct had occurred repeatedly at a number of our locations, including Group companies, much to my surprise. Without disputing the facts or suppressing any information, the management disclosed its findings and subsequent measures. As an Independent Director, it is my opinion that the management has acted faithfully in this manner. The Company investigated the root causes of the misconduct and examined measures to prevent its recurrence, taking into consideration the views of Independent Directors, including Audit & Supervisory Committee Members, as well as external experts. In these efforts, the management took an exhaustive and comprehensive approach to the cause analyses of the misconduct and measures to prevent its recurrence, as detailed in the *Report on Misconduct in Kobe Steel Group*, published on March 6, 2018. In July 2018, Kobe Steel was introduced as a case study in best

Takao Kitabata

Chairman of the Board
Independent Director

practices for defensive governance at the Corporate Governance System Study Group of the Ministry of Economy, Trade and Industry. Even though our misconduct caused trouble for many of our customers, we are deeply grateful for their cooperation with our safety verification work and continued business with Kobe Steel. Although we lost their trust in terms of compliance, our customers still have expectations and appreciation for Kobe Steel's technologies. We will repay our customers for their generosity by improving quality further without taking advantage of their goodwill.

Restructuring of the Board of Directors

Measures to prevent a recurrence of this misconduct have been incorporated into governance reforms in conjunction with stringent compliance, and one key measure has been to reassess the state of the Board of Directors. Kobe Steel now places more emphasis on external viewpoints, having appointed an Independent Director as Chairman of the Board and raising the ratio of Independent Directors to over 33%. Moreover, the Company now has only three Directors, each representing the materials, machinery, and electric power sectors, replacing the previous practice where every business head was appointed a Director. It has also newly appointed Directors in charge of quality and compliance, creating a structure that facilitates Companywide discussion. The organizational structure of the Head Office has also been changed along these lines, and we are working diligently to improve governance by reinforcing the Board of Directors and Head Office functions.

In addition to discussions and resolutions on important matters, I believe these changes will translate into stronger monitoring functions for overseeing measures to prevent a recurrence and stronger functions for debating the status of the Group over the medium to long term. One of the Group's unique characteristics is its diverse array of business divisions. Potential business opportunities between a business division and other divisions can be turned into major new businesses through collaboration among multiple divisions and efforts across divisions. In this context, I believe the Group's governance has also moved forward on the offensive side.

Aiming for a Board of Directors with Effective and Vigorous Discussions

When I was appointed Chairman of the Board, I changed the voting method from "are there any objections?" to "majority decision by a show of hands." I have also pushed Internal Directors to be more assertive in voicing their opinions in order to encourage more effective and vigorous discussions.

Although we have disclosed measures to prevent a recurrence and reassessed the status of the Board of Directors, we have only just begun our work to restore trust. While steadily executing measures to prevent a recurrence, I believe one of the Board of Directors' biggest responsibilities is to monitor for any fading in the crisis mentality we had when formulating the Quality Charter. While aiming for further development of the Group, I will make every effort to ensure highly effective management of the Board of Directors so that we can regain the trust of our stakeholders, including shareholders, customers, and business partners.

The Kobe Steel Group's Corporate Governance: Supporting the Restoration of Trust and the Enhancement of Corporate Value

Basic Policy

The Kobe Steel Group recognizes that corporate value includes not only business results and technological capabilities, but also the attitude toward social responsibility for all stakeholders affected by business activities, such as shareholders, investors, customers, employees, and local communities. Earnestly undertaking efforts to improve for all stakeholders leads to an improvement in corporate value.

Therefore, corporate governance is not merely a form of the organization, but is a framework to realize all the efforts the Kobe Steel Group is undertaking. In building the framework, the Group recognizes the importance of establishing a system that contributes to improving corporate value by taking appropriate risks; acting in cooperation with stakeholders;

promoting appropriate dialogue with investors in the capital market; maintaining the rights of and fairness for shareholders; and securing transparency in business dealings.

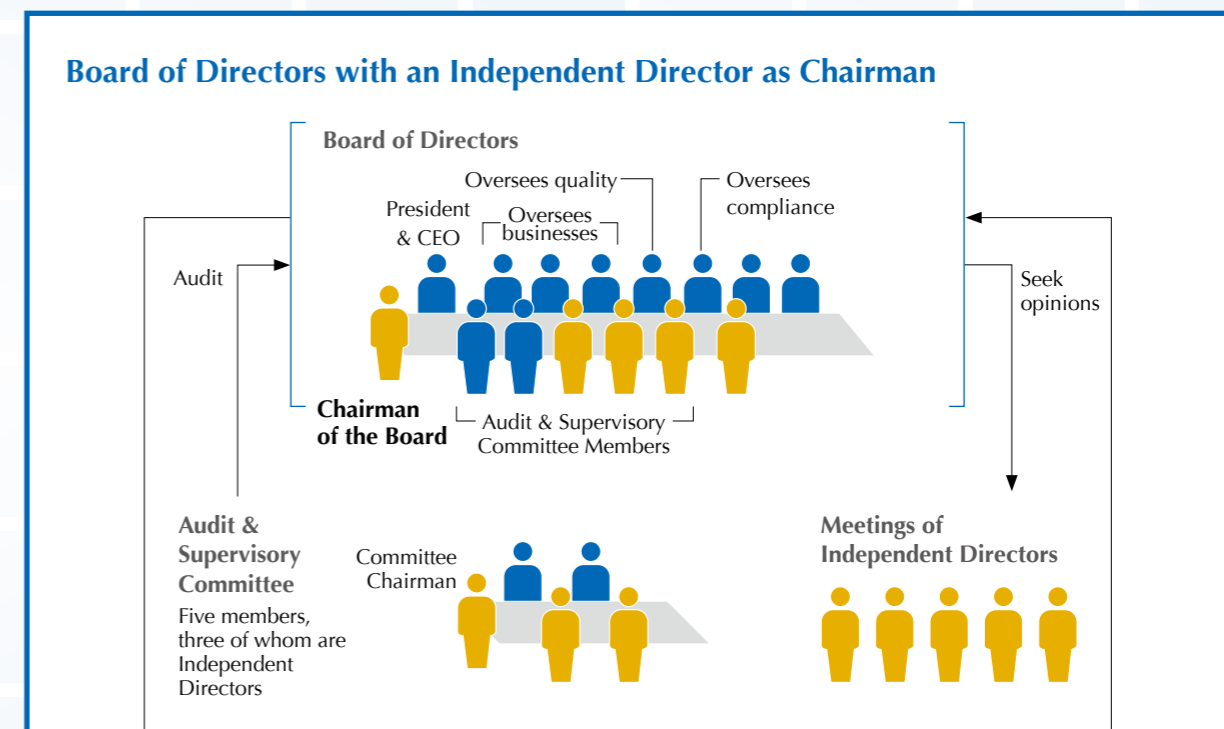
Under such a policy, the Kobe Steel Group has established the Core Values of KOBELCO, which are promises that the Group has made to society demonstrating the values shared throughout the Group, and the Six Pledges of KOBELCO Men and Women, which are concrete actions to fulfill the Core Values of KOBELCO that all employees must carry out. The Group aims to improve its corporate value over the medium to long term by implementing these policies while operating its businesses.

For information about the Company's basic policy on corporate governance and management policy, please see *Basic Policy and Initiatives on the Corporate Governance of Kobe Steel, Ltd.* http://www.kobelco.co.jp/english/about_kobelco/kobesteel/governance/index.html

Initiatives to Strengthen Corporate Governance

1999	• Introduced internal company system and adopted executive officer system
2000	• Established Corporate Code of Ethics
2003	• Established Compliance Committee as an advisory committee to the Board of Directors
2006	• Established Corporate Philosophy
2007	• Appointed two Independent Directors
2010	• Abolished internal company system and introduced business unit system
2015	• Established <i>Basic Policy and Initiatives on the Corporate Governance of Kobe Steel, Ltd.</i> • Established the Meetings of Independent Directors • Established principles on appointment of Directors/Audit & Supervisory Board Members and established standards for Independent Directors/Auditors
2016	<ul style="list-style-type: none"> Launched Kobe Steel's Fiscal 2016–2020 Group Medium-Term Management Plan Became a company with an audit and supervisory committee Revised executive remuneration system (introduced stock-type remuneration) Established training policy for executives Introduced evaluation system for the Board of Directors
2017	• Turned the Corporate Philosophy into the Core Values of KOBELCO and established Six Pledges of KOBELCO Men and Women
2018	• Reviewed and reformed the state of the Board of Directors from the standpoint of enhancing oversight

Features of the Corporate Governance System



Policy on Management Structure (Management Structure and the Range of Delegation of Management)

The Company believes the basis of its corporate value is the promotion of its diversified management covering a wide range of segments—different demand fields, business environments, sales channels, and business scales—and the leveraging of that synergy. The Company believes it is impossible to pursue technical development and innovations, which form the foundation for the Company’s continued growth, without integrating discussions with the plants.

Furthermore, to advance its diversified management, the Company believes it is necessary to actively discuss and undertake appropriate decision-making with regard to the risk management of its various businesses and the allocation of management resources, as well as to flexibly oversee business

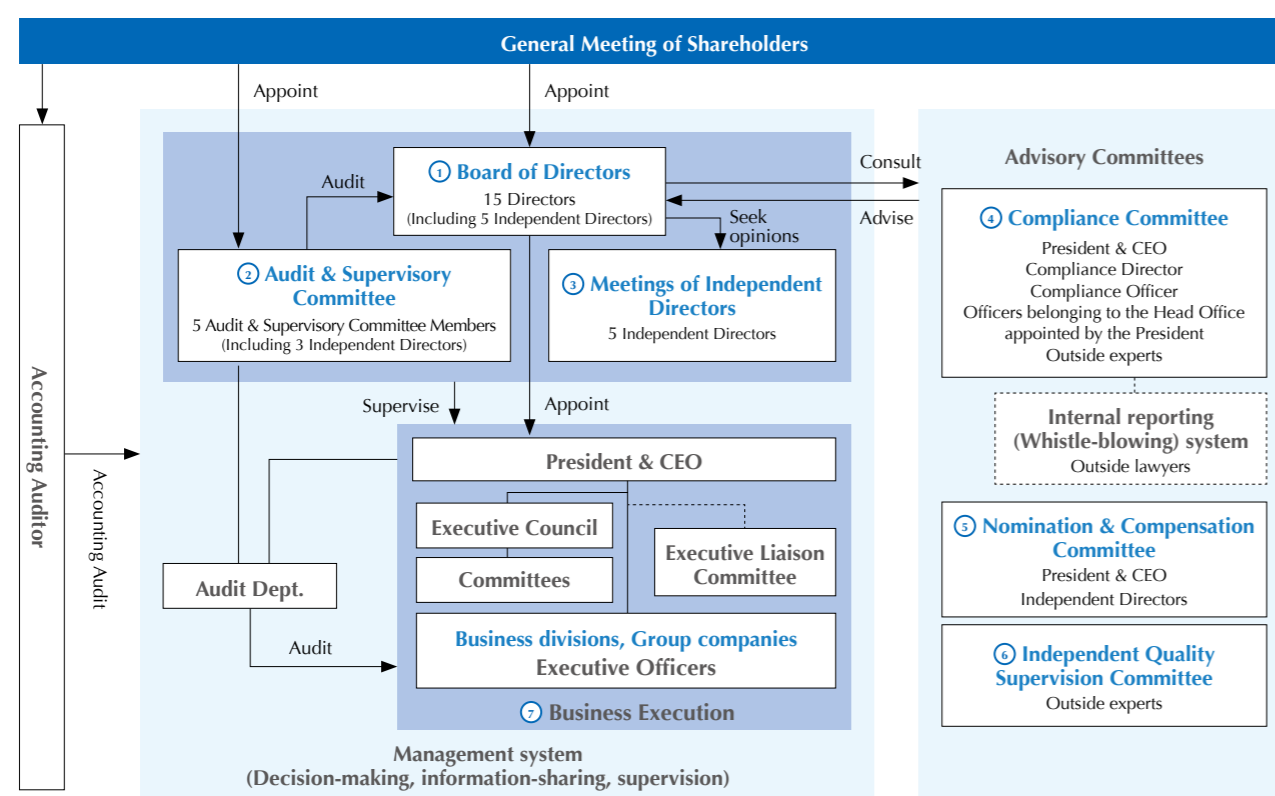
executions by the Board of Directors. It is desirable to maintain certain cohesion between execution and oversight and to have the Board of Directors served by members with a sound understanding of the Company’s business execution.

In line with this approach, the Company has shifted to adopting an Audit & Supervisory Committee whose members have voting rights on the Board of Directors. Under this new governance structure, the Company aims to enable comprehensive audits of the Company’s extensive businesses; maintain and strengthen the supervisory function of the Board of Directors; and accelerate decision-making with regard to management without completely separating the oversight and execution functions.

Outline of Corporate Governance System

Organizational form	Company with an audit and supervisory committee
Number of Directors (of whom are Independent Directors)	15 (5)
Term of Directors	One year (Two years for Audit & Supervisory Committee Members)
Number of Audit & Supervisory Committee Members (of whom are Independent Directors who are Audit & Supervisory Committee Members)	5 (3)
Accounting Auditor	KPMG AZSA LLC

Corporate Governance System



1 Board of Directors

The number of Directors (excluding Audit & Supervisory Committee Members) shall be no more than 15 pursuant to the Articles of Incorporation of the Company. While considering the diversity of the members, the Board of Directors consists of an appropriate number of Directors to ensure substantial discussions at meetings of the Board of Directors. Specifically, the Board of Directors includes the President and Directors overseeing the Head Office, materials businesses, machinery businesses, the electric power business, and the Technical Development Group. The Board also includes the Director overseeing compliance and the Director overseeing quality.

To enhance active discussion and appropriate decision-making and supervision, in principle, the Company engages two or more Independent Directors who are not Audit & Supervisory Committee Members in addition to those on the Audit & Supervisory Committee because it is essential to reflect a fair and neutral viewpoint, as well as the viewpoints of stakeholders such as minority shareholders.

Currently, two Independent Directors serve on the Board of Directors in addition to three Independent Directors who sit on the Audit & Supervisory Committee.

These Independent Directors attend monthly meetings of the Board of Directors and provide appropriate advice that is based on their diverse experience and takes into account fair and neutral perspectives, which are necessary for the Company’s continued growth, as well as the viewpoints of minority shareholders and other stakeholders. In light of these viewpoints, Independent Directors exercise their voting rights at meetings of the Board of Directors, supervise the meetings of the Board of Directors, and supervise conflicts of interests between the Company and its executives. In addition, with a view to realizing livelier, more in-depth discussions at meetings of the Board of Directors and thereby enhancing the function of the Board of Directors to monitor business activities, an Independent Director is appointed as the Chairman of the Board.

2 Audit & Supervisory Committee

In principle, the Audit & Supervisory Committee of Kobe Steel consists of five members, including two Internal Directors and three Independent Directors. This is not only in accordance with the rules on audit and supervisory committees of Japan’s Companies Act, which requires at least three non-executive directors (a majority of whom must be independent directors), but it also ensures transparency and fairness and encourages satisfactory auditing for the diversified management of a wide range of business segments. Further, the Articles of Incorporation stipulate that there shall not be more than five directors who are Audit & Supervisory Committee Members.

In addition, the Company enables thorough auditing by nominating Internal Directors as full-time Audit & Supervisory

Committee Members by resolution of the Audit & Supervisory Committee.

Full-time Internal Audit & Supervisory Committee Members are responsible for acting as liaisons between the management team and the Audit & Supervisory Committee and for directing and controlling the internal audit departments. Independent Audit & Supervisory Committee Members are responsible for providing expert knowledge with respect to auditing and for maintaining fairness. To ensure these roles are fulfilled, the Company appoints Independent Audit & Supervisory Committee Members from diverse fields, including legal, financial, and industrial circles.

3 Meetings of Independent Directors

The Company has established the Meetings of Independent Directors to maximize the roles of Independent Directors. The meetings are a platform where the Company shares information with Independent Directors regarding the Company’s businesses other than nomination and compensation of executives. The Meetings of Independent Directors consist solely of Independent Directors. Regular meetings are held every quarter and ad-hoc meetings are held when necessary.

Executive Directors of the Company attend the Meetings of Independent Directors as appropriate to share information and exchange opinions with the Independent Directors. Furthermore, to facilitate information sharing among the Audit & Supervisory Committee, the internal audit departments, and the internal control departments, the Corporate Planning Department serves as the secretariat of the Meetings of Independent Directors and is supported by the Audit Department.

4 Compliance Committee

The Company has established the Compliance Committee, which, as an independent advisory body to the Board of Directors, deliberates matters regarding compliance with laws, regulations, and ethics concerning the Company's business activities.

The Compliance Committee consists of the President, the Director overseeing Companywide compliance, the Executive Officer in charge of compliance, internal and external experts, and an attorney (without a retainer agreement with the Company and recommended by bar associations) in charge of

receiving reports via the internal reporting (whistle-blowing) system. The majority of the Committee consists of members from outside of the Company.

The Compliance Committee submits reports and recommendations on necessary actions to the Board of Directors, plans fundamental policies regarding compliance activities, and monitors the progress of compliance activities.

The Compliance Committee holds regular meetings biannually, and ad-hoc meetings when necessary.

5 Nomination & Compensation Committee

The Company has established the Nomination & Compensation Committee as an advisory body to the Board of Directors on important matters concerning nomination and compensation of Directors and Executive Officers in order to enhance fairness and transparency in the management of the Board of Directors.

The Nomination & Compensation Committee shall consist of three to five members including the President, and the majority shall be Independent Directors. Meetings shall be held at least once per fiscal year as needed. An Independent Director shall serve as Chairman of the Nomination & Compensation Committee.

The Nomination & Compensation Committee shall deliver its opinion on the following issues to the Board of Directors upon consultation with the Board.

- A) Nomination and appointment of candidates for Directors (excluding Audit & Supervisory Committee Members) and Executive Officers, and their dismissal
- B) Nomination and appointment of candidates for Representative Directors, and their dismissal
- C) Appointment or dismissal of Senior Advisers
- D) Principles regarding A) to C)
- E) Remuneration system for Directors (excluding Audit & Supervisory Committee Members), Executive Officers, and Senior Advisers

The Board of Directors shall fully respect the opinions of the Nomination & Compensation Committee and decide on the subject matters. The Human Resources Department shall serve as the secretariat of the Nomination & Compensation Committee.

6 Independent Quality Supervision Committee

The Company has temporarily established the Independent Quality Supervision Committee, which comprises outside experts and specializes in quality assurance. The Committee will continuously monitor rectifications and measures to prevent recurrence with respect to the recent misconduct from independent and objective perspectives. The Committee will also deliberate on solutions for the

various issues that the Group will face relating to quality compliance in the future.

By establishing a task force within the Quality Management Department, which serves as the secretariat of the Independent Quality Supervision Committee, the Company ensures the Committee can engage in practical and proactive activities.

7 Execution of Duties

The Board of Directors is responsible for deliberating and deciding on matters concerning execution of important business and other legal matters, as well as for overseeing business execution.

However, to ensure that prompt decision-making at meetings of the Board of Directors is not impeded, the Company has established deliberation standards for the board meetings and delegated authority, within a certain scope, to persons responsible for specific duties, including

the President and other executives. In addition, by appointing Executive Officers as assistants to Directors who execute duties, the Company has established a system that enables delegation of business management responsibilities and prompt decision-making with respect to business management. The term for Directors (excluding Audit & Supervisory Committee Members) and Executive Officers shall be one year to enable the Company to respond flexibly to a volatile business environment.

Reasons for the Appointment of Independent Directors

In accordance with its standards for Independent Directors, the Company deems that its Independent Directors (including Independent Directors on the Audit & Supervisory Committee) are fully independent and that there is no risk of conflicts of interest with general shareholders of the Company.

Further, because the Independent Directors meet the requirements for independent directors stipulated by the Tokyo Stock Exchange, the Company has registered them as independent directors with the Tokyo Stock Exchange.

Name	Reason for Appointment	No. of Meetings Attended in Fiscal 2017	
		Board of Directors Meetings	Audit & Supervisory Committee Meetings
Takao Kitabata	Takao Kitabata was appointed because he is able to make objective, fair, and neutral judgments based on his deep insight into the world of industry, backed by his broad experience as an administrative official, and his extensive knowledge as an outside director and as an audit and supervisory board member of listed companies.	Attended 20 of 21 meetings	—
Hiroyuki Bamba	Hiroyuki Bamba was appointed because he is able to make objective, fair, and neutral judgments based on his abundant experience in business fields different from those of the Company in the world of industry and his deep insight as a corporate executive.	Attended 17 of 17 meetings	—
Takashi Okimoto	Takashi Okimoto was appointed because he is able to make objective, fair, and neutral judgments based on his insight in the financial sector, which stems from his abundant experience in credit management and financial management at financial institutions and his deep insight as a corporate executive of financial institutions.	Attended 21 of 21 meetings	Attended 19 of 19 meetings
Yoshiiku Miyata	Yoshiiku Miyata was appointed because he is able to make objective, fair, and neutral judgments based on his abundant experience in business fields different from those of the Company in the world of industry and his deep insight as a corporate executive, including the post of president of overseas business entities.	Attended 19 of 21 meetings	Attended 17 of 19 meetings
Hidero Chimori	Hidero Chimori was appointed because he is able to make objective, fair, and neutral judgments based on his deep insight backed by his abundant experience in the legal profession as an attorney at law and his extensive knowledge as an outside audit and supervisory board member of listed companies.	Attended 20 of 21 meetings	Attended 19 of 19 meetings

* The Board of Directors convened 17 times after Hiroyuki Bamba became a director on June 21, 2017.

Standards for Independent Directors

The Company's Outside Directors (including Audit & Supervisory Committee Members) are recognized as Independent Directors as long as any of the following requirements are not applicable. Requirement "L" only applies to Independent Directors serving on the Audit & Supervisory Committee.

- A) A person who currently executes or has executed businesses of the Group, which includes the Company and its subsidiaries (i.e., executive directors, executive officers (consisting of *shikkoyaku* and *shikkoyakuin*) and other employees; hereinafter the same shall apply).
- B) A person who has a close relative (spouse, 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 principal shareholder of the Company (a shareholder who, directly or indirectly, 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 principal shareholders' companies within the past three years.
- 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 currently executes or has executed its business over the past three years.
- 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 the past three fiscal years) or a person who currently executes or has executed its business over the past three years.
- 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 from the Company, excluding remuneration for Director of the Company. If the person receiving such financial gain is an individual, the "large sum" means the larger of 10 million yen or 100 thousand U.S. dollars or more in a year. If the person receiving such financial gain is a party such as a company or an association, the "large sum" means the amount equal to or more than 2% of the party's annual consolidated net sales, and this condition is applicable to an individual who belongs to the party (but excluding an individual independently performing his or her duties without receiving any remuneration from the party).
- H) Certified public accountants who are Accounting Auditors of the entity or those who belong to the audit corporation that is an Accounting Auditor of the Company.
- I) A representative person or the equivalent thereof of a 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 companies that mutually dispatch independent directors/corporate auditors. (The person who executes the business of the Group is an independent director/corporate auditor and the person who executes the business of such a company is an independent director 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, the person who belongs to a professional advisory firm such as a law firm is limited to a member or a partner of the firm.
- L) A person who has a close relative who falls under any 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 those with a certified public accountant or a certified public tax accountant.)
 - c) A person who has been over the past one year a non-executive director of the Company.

Remuneration of Directors and Remuneration of Accounting Auditor

Remuneration of Directors

The Company has set forth the following remuneration system for Directors in order to improve medium- to long-term corporate value, as well as to effectively offer incentives for Directors to carry out their expected roles to their fullest capacities.

1 Fundamental Policy for Remuneration of the Company's Directors

- A) A system able to secure talented human resources who can contribute to the Company's continued growth, and appropriately compensate for such efforts.
- 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) In incentivizing the accomplishment of consolidated business result targets, the system must consider the characteristics of each business so that Directors can fully carry out their roles.
- D) Ensuring the objectivity and transparency of judgments regarding remuneration decisions by having the Nomination & Compensation Committee, the majority of which consists of Independent Directors, deliberate on the composition of the remuneration system and the necessity of its reevaluation.

2 Remuneration Framework

- A) Remuneration for the Company's Directors (excluding Audit & Supervisory Committee Members) will consist of fixed compensation, performance-based compensation linked to the achievement of business results targets for each fiscal year, 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 Independent Directors will not be eligible for performance-based compensation, and Independent 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 be 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 the entire Company's 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

Data from a director remuneration survey conducted by 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 Audit & Supervisory Committee Members) is determined by the Board of Directors, and the policy concerning remuneration for Audit & Supervisory Committee Members is determined by the Audit & Supervisory Committee.
- B) The state of the remuneration system and the necessity for its revision are deliberated by the Nomination & Compensation Committee, a majority of which consists of Independent Directors. 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 for resolution.

Remuneration and Other Amounts to Directors in Fiscal 2017

Category	Number of Directors (Persons)	Amount (Millions of Yen)	Breakdown of Total Remuneration (Millions of Yen)			
			Base Pay	Performance-Based Remuneration	Share-Based Remuneration	
Directors excluding Audit & Supervisory Committee Members (of which are Independent Directors)	12 (3)	640 (26)	415 (26)	86 (—)	138 (—)	"Number of Directors" and "Amount" include one Independent Director (who is not an Audit & Supervisory Committee Member) who retired in fiscal 2017.
Directors who are Audit & Supervisory Committee Members (of which are Independent Directors)	5 (3)	109 (43)	109 (43)	— (—)	— (—)	
Total	17	750	524	86	138	

*1 Considering the net loss in fiscal 2016 and the postponement of the annual dividend as serious matters, in the period from February 2017 to January 2018, the Company reduced the fixed remuneration for Directors (excluding Independent Directors and Audit & Supervisory Committee Members) by 5% to 10%. Furthermore, in consideration of significant losses incurred at Group companies, the Representative Director who was also Chairman, President and CEO, and certain Directors have voluntarily returned 10% of their fixed remuneration during the period from February 2017 to April 2017.

*2 The Company takes very seriously the fact that the misconduct in the Group has caused significant trouble to many people, and all Directors excluding Independent Directors and Audit & Supervisory Committee Members have voluntarily returned 10% to 50% of their fixed remuneration during the period from March 2018 to June 2018.

Remuneration of Accounting Auditor

In fiscal 2017, ended March 31, 2018, remuneration and other amounts payable to the Accounting Auditor by the Company were ¥133 million, and the total amount of money

and other financial interests payable by the Company and its subsidiaries was ¥442 million.

Evaluation of the Board of Directors

The Company's Board of Directors evaluated its effectiveness by conducting a questionnaire targeting all 16 Directors who served in fiscal 2017. 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.

A summary of the results and future initiatives are as follows.

For details about analysis and evaluation methods and evaluation items, please see the website below.
http://www.kobelco.co.jp/english/about_kobelco/kobesteel/governance/

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

Summary of Analysis and 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.

Future Initiatives

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

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

Message from the Director in Charge of Quality

Now Is the Time to Make Quality a Pillar of Management

In the new Quality Charter, the Kobe Steel Group declares that it will “make continuous efforts to improve quality.” We believe that as we promote our business activities, it will be necessary to ensure that all business divisions and Group employees maintain an awareness of “making quality the pillar of management” at all times. The quality assurance departments and sections are the linchpin of the Company’s commitment to preventing non-conforming products from being delivered to our customers, regardless of the circumstances. We will always remain aware of that responsibility and act accordingly. Moving forward, we will develop and strengthen specialist human resources, who fulfill these important responsibilities.

As Director in charge of quality, I believe that my duties include giving the highest priority to restoring the trust of customers, business partners, and other stakeholders, while working to steadily implement measures to prevent a recurrence of the misconduct. I will work together with the Managing Executive Officer in charge of quality, who was invited from outside the Group; with the Quality Management Department within the Head Office; and with members of the quality assurance departments and sections in the business divisions. Together, we will strive to advance the establishment of a quality assurance system and a work environment with an open atmosphere. By inviting specialists from outside the Group, we will not only foster renewal but also implement initiatives for quality only offered by the Group by promoting personnel rotations among different business divisions and between business divisions and the Head Office.

The Kobe Steel Group has worked to demonstrate distinctive strengths while conducting a diverse range of business activities, and these reforms will be aligned with those initiatives. By increasing the three M’s—marketing, *monozukuri*, and manpower—we will demonstrate the Kobe Steel Group’s distinctive characteristics in both business activities and quality assurance. Now is the time to establish quality as a true pillar of management.

At meetings of the Board of Directors, we will effectively utilize the functions of the Independent Quality Supervision Committee, which was established as an advisory body to the Board of Directors. I will work closely with the outside experts who are members of the Committee while sharing the objective, frank opinions of the members at meetings of the Board of Directors and holding regular deliberations.

Fusaki Koshiishi
Executive Vice
President and
Representative Director



Message from the Director in Charge of Compliance

We Must Realize That We Are Members of a Contractual Society

Following the financial Big Bang in Japan, around 2000, financing methods of enterprises were globalized, and there were significant changes in laws related to internal control. As a result, in Japan, business activities and corporate governance moved rapidly toward the practices adopted in Europe and the United States. In the midst of these historical changes, many of our customers and business partners reformed themselves to adapt to a globalized contractual society. On the other hand, the Kobe Steel Group’s response was delayed, and the Group missed opportunities for self-reform. “The Group’s confidence and pride in its distinctive technical capabilities and *monozukuri* led to overconfidence and self-indulgence.” This is my view as to the background of the recent misconduct. For the Kobe Steel Group, this is an opportunity to change the mindset of each employee. We must firmly realize that we are conducting business activities in a global contractual society. As Director in charge of compliance, I will utilize my own wide-ranging experience in overseas business activities with actual cases while demonstrating leadership in the sharing and adoption of that awareness within the Company and the Group.

Specifically, we will change from the previous framework under which the Head Office was small and we let the divisions conduct business under their own responsibility. From now on, we will clarify the authority of the Head Office and business divisions and shift to a framework under which the Head Office plays a central role in implementing governance. In addition, by promoting personnel rotations among business divisions, we will develop human resources who combine diverse experience with compliance awareness. We will also need to encourage greater familiarity with the internal reporting system and work toward its effective use. As one facet of compliance reinforcement, we began implementing employee awareness surveys in fiscal 2017. We will continue these surveys in the future, thereby tracking the changes in employee compliance awareness and reflecting the results in a wide range of activities, including risk management.

We will enhance awareness and our corporate culture by maintaining a strong sense of crisis and a forward-looking attitude in coordination with the Next 100 Project and the active involvement of our top executives. In this way, we will strive to foster a clear understanding among stakeholders that Kobe Steel has changed.

Shohei Manabe
Director, Senior
Managing Executive
Officer



Progress on Measures to Prevent Recurrence of the Misconduct (Announced on August 1, 2018)

In April 2018, the Kobe Steel Group launched the Project for Restoring Trust, led by the President, in order to steadily implement measures to prevent a recurrence of the misconduct. The Group is taking concrete action with the establishment of subcommittees and task forces, which serve as implementation units for the preventive measures. As a permanent measure, Kobe Steel has decided to make capital investments in quality, such as automating processes for the recording of test and inspection data, and is sequentially carrying out these investments.

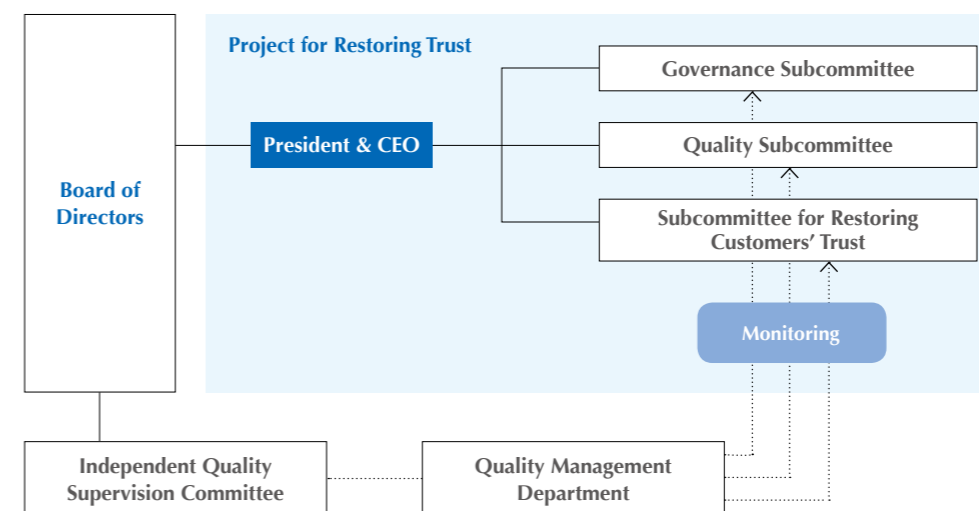
In order to monitor the progress of the preventive measures from an external, objective standpoint, Kobe Steel established an Independent Quality Supervision Committee, consisting of only members from outside the Company, as an advisory body to Kobe Steel's Board of Directors. The Committee continuously reviews the progress of the preventive measures.

The Independent Quality Supervision Committee will continue to monitor the situation as Kobe Steel strives to make viable improvements to its preventive measures.

For more details, please see "Progress of the Measures Promoted by the Kobe Steel Group to Prevent Recurrence of the Misconduct" (announced on August 1, 2018).
http://www.kobelco.co.jp/english/releases/files/20180801_progress_en.pdf

The Independent Quality Supervision Committee and the Board of Directors continue to confirm progress on the measures, and we will continue to disclose the progress of the measures on our website.
<http://www.kobelco.co.jp/english/progress/index.html>

Framework for Implementing Preventive Measures



1 Governance — Building a Quality Governance System

Restructuring of the Risk Management System

Periodically Conduct a Compliance Awareness Survey

Following the last round in fiscal 2017, a Compliance Awareness Survey, intended for all employees, was conducted in July 2018.

Strengthen the Risk Management of the Kobe Steel Group

We enforced ground rules for the Kobe Steel Group as the Standard Practices for the Group. The planning and administration department of each business division (in overseas operations, regional headquarters) plays a central role in supporting the implementation of the Standard Practices for the Group at each Group company. We created the KOBELCO Quality Guidelines and began implementing them in May 2018.

Newly Established Compliance Management Department

Kobe Steel established the Compliance Management Department on April 1, 2018 in order to strengthen risk management and compliance across the Group, as well as to improve their effectiveness. The Company is engaging in increasing awareness and training for managing risks across business divisions while administering the risk management

operations of specific audit departments and instilling and promoting risk management.*1

*1 Non-quality-related areas such as safety, environment, and IT. Quality-related audits are overseen by the Quality Management Department.

Reforming the Insular Nature of Organizations

Rotation of Personnel among Business Divisions

We are planning a new rotation system for the purposes of (1) developing employees with a wide perspective; (2) invigorating the organization through personnel mobility; and (3) enhancing mutual cooperation to achieve business strategies. We are setting up new rules to encourage personnel rotation. The new policy is slated to be drafted in November 2018 and implemented in April 2019.

Employee Awareness Survey

Kobe Steel conducted an Employee Awareness Survey in July 2018 along with the aforementioned Compliance Awareness Survey.

Formation of Quality Caravan Team

The Quality Caravan Team was formed with head office departments and divisions such as the MONODZUKURI

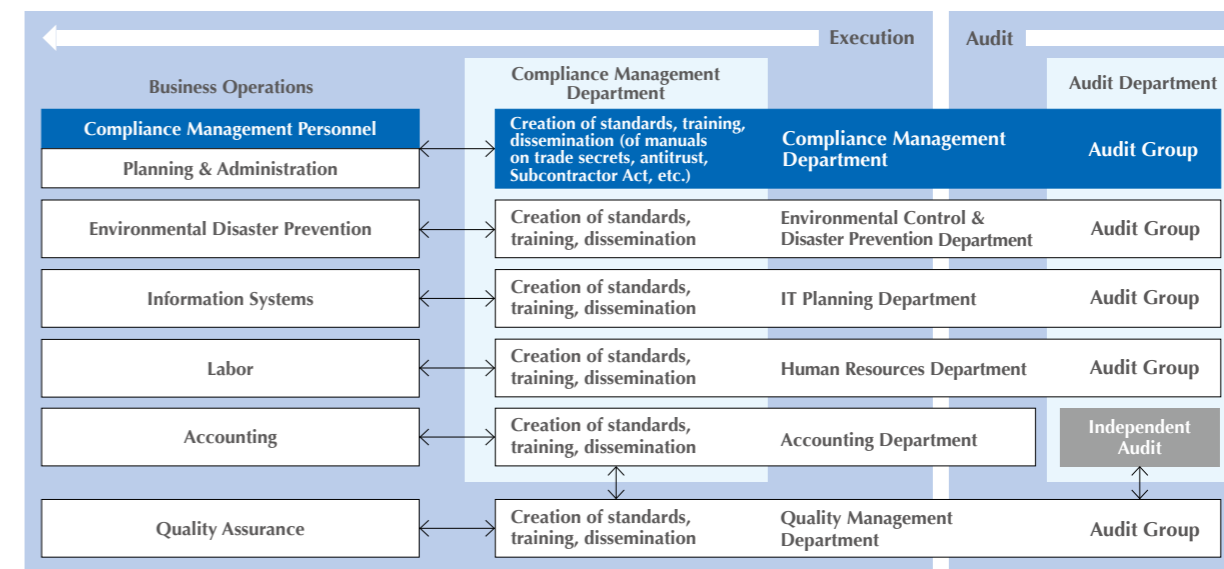
(Production System Innovation) Planning and Promoting Department, the IT Planning Department, and the Technical Development Group, and is tasked to provide consultation to business divisions on their issues.^{*2} By utilizing the Kobe Steel Group's resources, the Team supports business divisions with technical issues that arise while resolving delays in the automation of test/inspection processes and insufficient process capability.

*2 The Team has visited a total of 26 out of 132 locations as of the end of July 2018.

Restructuring of Our Management Indicators

We are creating both performance indicators (quantitative progress toward a goal) and management indicators (indicators that evaluate the process itself), and plan to introduce systems with properly functioning PDCA cycles in April 2019.

Overview of Changes to the Risk Management System



2 Management — Ensuring Quality Management

Measures for Quality Management

Strengthening Quality Assurance Management at Business Locations

Kobe Steel created guidelines to enable quality assurance departments to secure independence from manufacturing and processing departments in order to maintain unwavering independence from manufacturing and processing environments, to make proper judgments on products, and to prevent nonconforming products from being shipped.

- I Place quality assurance departments directly under the heads of business divisions and maintain independence from design (for machinery businesses) and manufacturing departments
- II The heads of the quality assurance departments will not co-serve as the heads of the design (for machinery businesses) and manufacturing departments
- III Separate the issuer of inspection certificates from design (for machinery businesses) and manufacturing departments
- IV Establish a quality management system

Group Quality Leader Conferences

From September through November 2018, Group Quality Leader Conferences will be held for quality assurance managers from Kobe Steel and Group companies. At the conferences, which will be held in Japan, the U.S., China, and Southeast Asia, the managers will evaluate proposals for various measures, follow up on the implementation status of measures, and share information related to quality control activities.

Educating and Training Quality Assurance Personnel

Rotation and Training of Quality Assurance Personnel

After creating a quality assurance personnel map for the Kobe Steel Group, we will carry out job rotations between the head office, business divisions, business locations, and Group companies. As a first step, the Quality Audit Section of the Quality Management Department at the Head Office will hire experienced individuals, educate and train them, and dispatch them to business divisions and Group companies while building a rotation system. Moreover, we plan to develop quality assurance personnel by creating a system for quality-related education, including the obtaining of qualifications, and incorporate it into our training curriculum in fiscal 2019.

In-House Quality-Related Education Programs

Kobe Steel will spread awareness of the Quality Charter among not only quality assurance departments, but also all employees of the Kobe Steel Group. Specifically, we plan to begin training compliance leaders as part of our Groupwide quality and compliance education programs (August 2018 to March 2019). We also plan to offer training to all employees through e-learning over the intranet from September 2018.

Head Office Support

The Quality Audit Section of the Quality Management Department has been auditing the following items at targeted locations.

Audit Items	
i) Check compliance status (on-site audit)	<ul style="list-style-type: none"> Inspection results of subject products are audited on-site against legal specifications and customer specifications. Disposal status of reserved and nonconforming products are also confirmed.
ii) Check quality management systems from a misconduct prevention perspective	<ul style="list-style-type: none"> Review methods of understanding laws, regulations, and customer specifications in relation to quality, and confirm the administrative departments in charge of them. Assess consistency between the instructions given to manufacturing bases and how they are actually carried out.
iii) Assessment of compliance awareness	<ul style="list-style-type: none"> Assess the level of awareness of the heads of departments as well as factory workers through interviews in order to prevent misconduct. Check whether training on quality compliance is properly provided.
iv) Check the progress and the implementation status of preventive measures	<ul style="list-style-type: none"> At locations where misconduct was identified: Review status and effectiveness of the implementation of the preventive measures. At locations where there was no misconduct: Review the implementation status and effectiveness of risk measures confirmed through quality audits.
Targeted Locations	
118 locations (Of the 118 locations subject to audits, a total of 27 locations have been audited as of July 31, 2018.)	

3 Process — Strengthening Quality Control Processes

Review of Approval Processes

Review of Approval Process for New Orders

In order to prevent our products from deviating from customers' requirements, each business division will go through a proper authorization process such as a design review ("DR") that covers each manufacturing step, from product development to mass production, before determining whether an order can be accepted. Each business division will assess conformity with customer specifications, and then evaluate manufacturing conditions, quality assurance methods, and process and manufacturing capabilities before deciding whether to accept an order. Furthermore, business divisions will assess the process capability and customer satisfaction in the post-mass production phase to improve these indicators and DR items.

Review of Approval Process for Changes in Manufacturing Processes

We aim to prevent potential defects by assessing beforehand the impact on quality when the 4Ms (manpower, machines,

materials, and methods) are changed and conformity with customer specifications. Specifically, we will reassess risks and clarify the authorization process when changing the 4Ms in the manufacturing process.

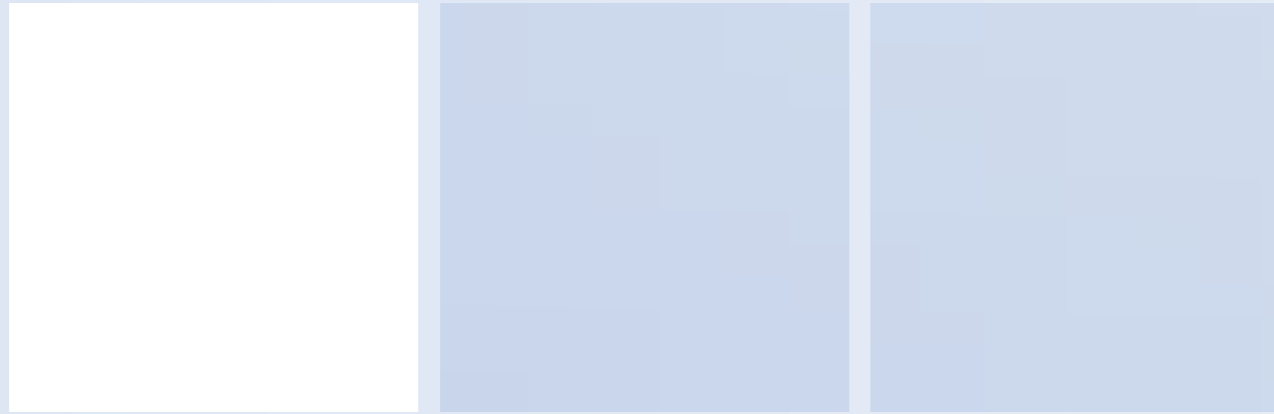
Promoting Quality Risk Assessment in Capital Investments

Introduction of Investment Standards with Quality Risk Mitigation

Previously, Kobe Steel utilized the internal rate of return (IRR) and the payback period methods to make decisions regarding capital investments. Quality-related investments with low returns (e.g., introduction of new test/inspection equipment) were less likely to be brought up for discussion. We will reduce quality risks through appropriate investments by incorporating the quality risk factor into new investment standards.

Implementation Schedule for Preventive Measures in the Aluminum & Copper Business

Aluminum & Copper Business	FY2017					FY2018		FY2019		
	Nov.	Dec.	Jan.	Feb.	Mar.	First Half	Second Half	First Half	Second Half	
Management	Organizational changes	Establish Quality Assurance Department								
	Education	Discuss contents			Education		Education		Education	
	Audit (comparison, mechanism)	Comparison & mechanism audit					Comparison & mechanism audit		Comparison & mechanism audit	
	Technical development support								Technical development support	
Emergency Measures	Compare test/inspection data with mill sheet certificates	WIP								
	Double-check manually-entered test/inspection results	WIP								
	Restrict access to databases	→								
	Adjust shipment standards (operational)	WIP								
	Compare customer specifications with standard values	WIP								
Permanent Measures	Eliminate opportunities for mishandling test/inspection data	→					Sequential automation of inspection items			
	Adjust shipment standards (system)	→					Launch operation (some plants may require additional time to set up the system)			
	Understand process capabilities	Execute sequentially					Consider PDCA scheme			
	Improve process and test/inspection capabilities	Execute sequentially					→			
	Reevaluate approval process for new orders	Consider in detail					Operation / Brush up		Launch full operation	
	Reevaluate approval process for changes in manufacturing process	Consider in detail					Operation / Brush up		Launch full operation	



For Recovery and Growth

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Message from the President and CEO



We are making every effort to implement measures to prevent a recurrence of the misconduct and enhance corporate value in order to recover our footing as a corporate group and regain the trust of our stakeholders.

Mitsugu Yamaguchi
President, CEO and
Representative Director

Responsibilities and Mission as CEO

Trust is the foundation upon which business is conducted by all companies. For the Kobe Steel Group, which calls manufacturing its livelihood, this trust is derived from quality. We truly regret that our misconduct has eroded the foundations of trust placed in this quality, a mistake that we have seriously and sincerely accepted as our fault.

As is well known by now, the Group had regrettably committed compliance violations and caused scandals in the past. Despite the cause analyses and remedial actions taken following each of the past incidents, the Company fell short of instilling the awareness that compliance is at the core of the organization and is of utmost priority for a company's existence. In other words, we did not fully appreciate how quality must be protected in order for a company to continue conducting business, and that this

is not possible without compliance. Only when these fundamental truths are realized can we begin to produce and sell products and generate profits.

The root causes of the misconduct have been thoroughly examined through our own inspections and investigation by the Independent Investigation Committee. In March 2018, management drew up measures to prevent a recurrence, but we have only just begun the arduous work of restoring trust in the Group. As CEO, it is my foremost

responsibility and mission to fully commit to implementing fundamental reforms to our corporate culture and governance as we strive to regain the trust of all our stakeholders, starting with our customers and business partners. With the understanding that another scandal will be our demise, we are determined to become a company that reveres compliance across the Group.

Message from the President and CEO

Conveying Continuity and Shared Values by Engaging with Employees

The Group's self-inspections on quality and the Independent Investigation Committee's investigation have identified a total of 688 companies to which nonconforming products were shipped. Thanks to the generous cooperation of our customers, we have conducted product safety verifications at all but one of these companies as of the end of July 2018, and we are doing our utmost to finish this last safety verification.

Our measures to prevent a recurrence of the misconduct cover aspects of governance (building a quality governance system), management (conducting thorough quality management), and processes (strengthening the quality management process). The Group will ensure the quality of its products, technologies, and services by undertaking substantial reforms of business processes and putting into place a management system that follows up on and checks these reforms. On the governance front, we reassessed the state of the Board of Directors and we are changing our corporate culture so that each and every employee of the Group gains a solid understanding of and complies with laws and regulations. In order to sustain the development of the Group, we are concentrating on the Next 100 Project (a project aimed at the next 100 years), which began in fiscal 2017, to build a compliance structure that ensures transparency and fairness while internally instilling a basic posture towards quality and compliance. Among these activities, I have focused on engaging in dialogues at business sites by visiting our locations around Japan and talking directly with employees. To begin, I engage with General Managers or their equivalent who have extensive experience and skills with a strong horizontal influence across departments, in addition to vertical influence between managers and subordinates.


In April 2018, I began visiting our business locations, and engaged in dialogues on 24 occasions by the end of July. I have repeatedly conveyed to General Managers three key points: (1) compliance with laws and

regulations, as well as emphasis on safety, the environment, work style reforms, and diversity, as the minimum requirements for our survival as a company, (2) the central role General Managers play in putting concepts into practice, and (3) the importance of regular communication between managers and their subordinates. In these conversations, I felt that the General Managers had a strong sense of urgency for fundamental reforms. I am acutely aware of the importance of continuing these dialogues so that this awareness does not fade away. With the level of commitment expressed first by the CEO and the values shared among all Group executives and employees, as well as the message of continuity throughout the Group, we will make every effort to regain trust. I hope a self-disciplined organization will emerge as an outcome of these fundamental initiatives, one that ensures the sustained development of the Group and fosters the next generation of leaders.

Proactively Incorporating External Viewpoints

In addition to these changes in awareness, another key point for preventing a recurrence on the governance front is reassessing the state of the Board of Directors. In fiscal 2016, when the Fiscal 2016–2020 Group Medium-Term Management Plan commenced, Kobe Steel switched to a company with an audit and supervisory committee in a bid to reinforce corporate governance. When the misconduct made it evident that governance needed to be strengthened further, we decided to once again reassess the state of the Board of Directors in terms of whether Kobe Steel is convincing or persuasive when seen from an external standpoint. Kobe Steel decided on a ratio of at least 33% for Independent Directors on the Board of Directors, and appointed an Independent Director as Chairman of the Board. While considering the diverse points of view from Independent Directors with abundant experience and knowledge, we will continue to debate the best way to restore trust and achieve sustained growth for the Kobe Steel Group.

Moreover, the Company established the Independent



I am acutely aware of the importance of continuing these dialogues so that we do not lose this sense of crisis.

Quality Supervision Committee, consisting of outside experts, as an advisory body to the Board of Directors to strengthen governance and monitor the status of measures to prevent a recurrence. Kobe Steel also appointed a Director in charge of quality and a Director in charge of compliance. We are moving forward with initiatives to prevent a recurrence and regain trust through reforms on frameworks, organizations, and systems, as well as changes to awareness that play the role of breathing life into these reforms.

Additionally, the Company has changed its previous structure where the heads of business divisions served as Directors, and instead appointed one Director for each of the materials, machinery, and electric power businesses. This framework makes it easier for Directors to supervise and monitor business execution from a more

comprehensive vantage point. We have begun to see signs of not only formal but substantial change, with the Directors in charge of the materials businesses and the machinery businesses finding more room for collaboration and cooperation across business divisions.

We will continue to examine the status of our organizations and personnel systems, including at Group companies. Each business division has its own unique traits and strengths rooted in history, and as we strengthened our businesses with an eye on growth, the role of the Head Office had been reduced while more authority was delegated to business divisions. We identified this setup as one factor that led to the misconduct, and have reviewed the old frameworks to clarify the separation of authority between the Head Office and business divisions in order to transition to a control structure where the

Message from the President and CEO

Head Office has cross-organizational functions. Moreover, we are simultaneously examining the appropriateness of organizational structures that span across types of materials from the standpoint of determining what is most efficient and desirable for our customers. We also reviewed the status of insular personnel systems and human resources in each business division. By encouraging the exchange of personnel across business divisions, we aim to nurture human resources with diverse backgrounds and experiences.

Increasing Added Value Unique to the Kobe Steel Group and Contributing to Society

In fiscal 2017, consolidated earnings benefited strongly from a favorable turn in external business conditions,

resulting in sharp year-on-year growth in ordinary income to ¥71.1 billion. However, the negative consequences of our misconduct have not fully materialized yet, and conditions remain uncertain with the possibility of compensation payments and lawsuits in the future.

The central thrust of our Medium-Term Management Plan has not changed in that we aim to establish our three core business areas of materials, machinery, and electric power. While taking steps to restore trust, we will pursue opportunities for growth. Amid stricter environmental regulations around the world, moves to reduce the weight of automobiles have formed an unmistakable tailwind for the Kobe Steel Group as it advances a growth strategy centered on steel, aluminum, copper, and welding. Moreover, we will target growth by aggressively proposing to customers the products, technologies, and services that only the Group can provide, including its

welding and other solutions technologies. In the machinery businesses, Kobe Steel is accelerating initiatives to prepare for future growth in demand by expanding the compressor business and strengthening the hydrogen-related business, while targeting the energy, environment, and infrastructure fields. Kobe Steel has made several strategic investments, including the recently launched large-capacity testing facility for compressors and the acquisition of Quintus Technologies AB, a leading global manufacturer of isostatic presses. In our construction machinery business, earnings have increased lately on firm demand in China. In the electric power business, which is one of our three core business areas that leverages our know-how from in-house power generation, we are steadily moving ahead on projects to create a stable source of earnings over the longer term.

Kobe Steel will continue to pursue synergies while reviewing the status of its organizations and human resources. For example, the Company is advancing its multi-material strategy, which combines its strengths in steel, aluminum, and welding, in order to help reduce the weight of transportation vehicles. The Company is also working to develop hydrogen stations by leveraging its engineering strengths with compressors in the Machinery Business. While expanding on these initiatives, the Group aims to contribute to society by increasing its unique added value and harnessing its competitive advantages.

working diligently to achieve the targets of the Medium-Term Management Plan and sustain growth, with the understanding that improving the corporate value of the Group will lead to growth for its stakeholders, including shareholders, investors, customers, business partners, and local communities.

We ask for the continued guidance and support of our stakeholders as we strive to restore trust in the Kobe Steel Group.

While taking steps to restore trust,
we will pursue opportunities for growth.



Determination to Rebuild

The Kobe Steel Group must rebuild itself into a corporate group that is trusted by all of its stakeholders. As a Group, we have taken to heart that without trust, it is impossible for a company to exist and survive on its own, and that it is extremely important to strive to coexist and cooperate with external stakeholders. From the belief that communication with stakeholders contributes to the development of the Group, Kobe Steel will continue to properly disclose information in a timely manner and work to expand opportunities to engage with stakeholders for the purpose of reflecting the frank opinions of external parties into Group management. Management is

Next 100 Project

Aiming to achieve sustainable development, in fiscal 2017 Kobe Steel launched the Core Values of KOBELCO Next 100 Project for activities covering the next 100 years. Through this project, the Kobe Steel Group intends to unite all employees and create a corporate group full of pride, confidence, passion, and hope. In starting these activities, we revised the corporate philosophy we formulated in 2006 into the Core Values of KOBELCO in order to clarify that this philosophy applies to the Group. These Core Values are promises that the Group has made to society, and they demonstrate the values that are shared throughout the Group. In addition, to help fulfill these promises, we newly formulated and are promoting within the Group the Six Pledges of KOBELCO Men and Women. These are pledges that must be followed by all employees.

The recent misconduct occurred in the midst of these initiatives, and in response, we will take steps to further strengthen our activities while reinforcing aspects that are inadequate. In this way, we aim to ensure that all Group employees share and identify with our stance on the Group's values and the recent misconduct.

1 Further Advancing the Next 100 Project

The President and other senior executives continue to visit business locations in Japan and overseas, and speak directly to employees about the meaning of the ideas incorporated into the Core Values of KOBELCO and the Six Pledges of KOBELCO Men and Women. We are actively demonstrating the earnest commitment of senior executives in regard to these initiatives and to reforms targeting the restoration of trust.



Dialogues with President Yamaguchi at Business Locations

In April 2018, we started two-way, face-to-face dialogues with General Managers at our various work locations. They are the leaders of their departments and will play central roles in the activities of the Next 100 Project. The objective is for the President to directly communicate his thoughts to the General Managers and to have them play central roles in the implementation of the activities.

A variety of opinions have been expressed by the participants. President Yamaguchi has taken the thoughts of the General Managers seriously and has responded to each opinion in his own words. As of the end of September 2018, these dialogues have been held a total of 31 times at 24 Group locations. Targeting the restoration of trust in the Group, we will work to cultivate a sense of unity as we move ahead.

We are also conducting dialogues with the heads of business divisions and other executives.



President Yamaguchi's Discussion Session Schedule

Date	Location	Categories
Apr.	11 Mumbai, India	Group companies
	18 Kobe Works	Iron & Steel Business, Electric Power Business
	25 Osaka Branch Office Kakogawa Works	Respective business units, Head Office Iron & Steel Business
May	11 Tokyo Head Office	Iron & Steel Business
	14 Moka Plant	Aluminum & Copper Business, Electric Power Business
	21 Kyushu Sales Office, Okinawa Sales Office, Chofu Works	Respective business units, Head Office, Group companies Aluminum & Copper Business
	22 Chugoku Sales Office, Shikoku Sales Office, Saijo Plant	Respective business units, Head Office, Group companies Welding Business
	25 Tokyo Head Office	Welding Business, Machinery Business, Engineering Business
	30 Nagoya Branch Office, Daian Works	Respective business units, Head Office Aluminum & Copper Business
	Jun.	1 Tokyo Head Office
7 Harima Plant Takasago Works		Machinery Business Iron & Steel Business Machinery Business
27 Fujisawa Plant		Welding Business
Jul.	3 Hokkaido Sales Office	Respective business units, Head Office, Group companies
	4 Tohoku Sales Office	Respective business units, Head Office, Group companies
	13 Ibaraki Plant Fukuchiyama Plant	Welding Business Welding Business
	23 Kobe Corporate Research Laboratories	Technical Development Group
	25 Tokyo Head Office	Head Office
Aug.	6 Bangkok, Thailand	Group companies (held twice)
	23 Hokuriku Sales Office, Niigata Sales Office	Iron & Steel Business, Head Office, Group companies
	28 Shanghai, China	Group companies (held twice)
Sep.	3 Kobe Head Office	Engineering Business
	21 Kobe Head Office	Iron & Steel Business, Head Office

2 Establishment of Core Values of KOBELCO Month (October each year)

We must remind ourselves of the misconduct, pass on the lessons learned, and maintain a strong resolve to never again commit quality or other compliance violations. To do so, we need to create opportunities for all employees to reaffirm their awareness of these issues.

In that regard, we have designated every October as Core Values of KOBELCO Month. This initiative will be used as an opportunity for all employees to consider what needs to be done to ensure that they themselves do not commit compliance violations and how they can prevent their co-workers from committing such violations.

Implementing Dialogue Platforms

In Core Values of KOBELCO Month, we will create dialogue platforms for all people working at the Company and Group companies. Our objectives will be (1) penetration of the Group's corporate philosophy, (2) prevention of a recurrence of the misconduct, and (3) two-way communication. Based on issues raised at the dialogue platforms, we intend to formulate objectives and plans at the individual and organizational levels.

Revision of the Six Pledges of KOBELCO Men and Women

The recent misconduct caused serious trouble for customers, business partners, and others, and had a significant impact on society. Accordingly, we partially revised the Six Pledges of KOBELCO Men and Women in order to strengthen our emphasis on ensuring customer satisfaction and contributing to society through the products and services provided by the Group.

Before Revision

2. Providing Superior Products and Services

We provide safe, sound and innovative products and services to our customers, and thereby contribute to the society.

After Revision

2. Contribution to the Society by Providing Superior Products and Services

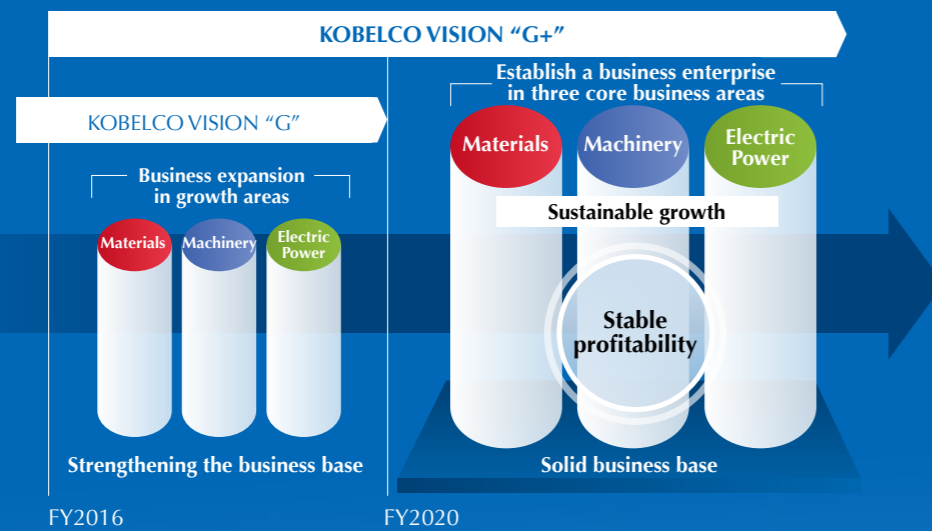
Guided by our "Quality Charter," we provide safe, sound and innovative products and services to our customers, and thereby ensure customer satisfaction and contribute to the improvement of the society.

Outline of the Fiscal 2016–2020 Group Medium-Term Management Plan

Kobe Steel Group's Medium- to Long-Term Business Vision

KOBELCO VISION "G+"

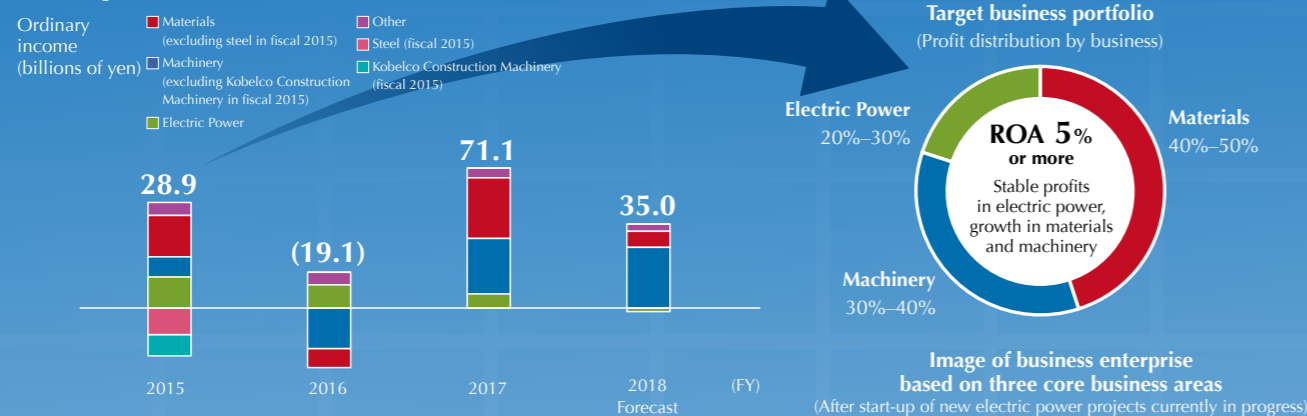
In fiscal 2016, the Kobe Steel Group launched KOBELCO VISION "G+," which combines the current Group Medium-Term Management Plan ending in fiscal 2020 with the vision of a business enterprise consisting of three core business areas. This new vision is further strengthening the Group's growth strategy centered on the three core business areas of materials, machinery, and electric power with the aim of establishing a solid business enterprise.



Growth strategies for the three core business areas

Materials	Machinery	Electric Power	Strengthening the business base
1. Initiatives for weight reduction of transportation vehicles 2. Strengthening profitability in the steel business	1. Initiatives in the fields of energy and infrastructure 2. Strengthening profitability in the construction machinery business	Initiatives to stabilize profitability in the electric power business	

Earnings forecast (As of August 1, 2018)



Materials Businesses



1 Initiatives for Weight Reduction of Transportation Vehicles

1 Automotive Field

As the sole manufacturer in the world of both steel and aluminum, Kobe Steel aims to help reduce the weight of automobiles by offering solutions such as materials supply and joining technologies. The Company intends to expand its share of the global market and solidify growth in the automotive field.

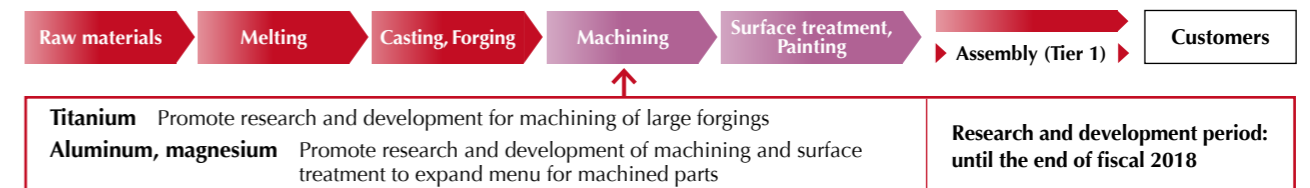
Cutting-Edge Steel Materials	Cutting-Edge Aluminum Alloys	Solution Technologies
<ul style="list-style-type: none"> Ultra-high-strength steel Special steel wire rods Steel powder 	<ul style="list-style-type: none"> Aluminum sheets for automotive closure panels Aluminum forgings Aluminum extrusions and fabricated products 	<ul style="list-style-type: none"> Forming technologies Evaluation technologies/structural proposals Joining technologies for dissimilar materials to promote multi-material applications

2 Aircraft Field

For titanium, aluminum, magnesium, and other materials, Kobe Steel is strengthening upstream processes (melting, forging/casting) while advancing R&D to enter into and expand downstream processes (machining, surface treatment, and painting).

Future Initiatives: Covering upstream and downstream processes

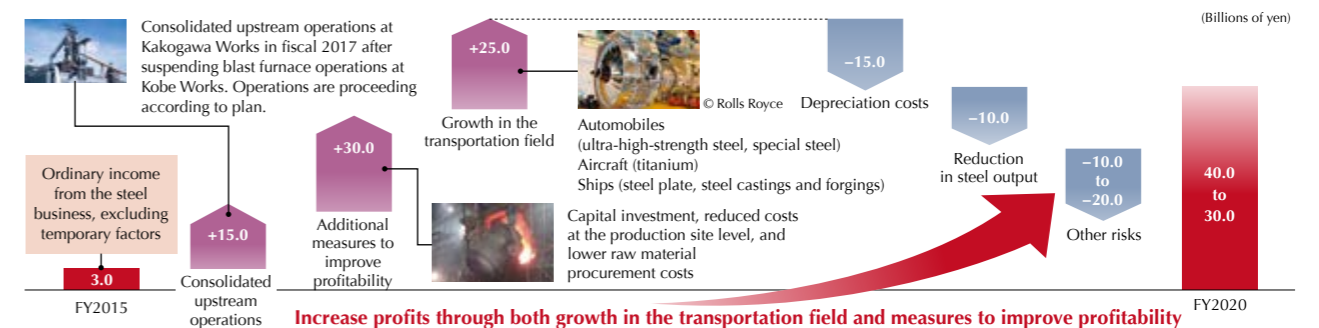
Manufacturing process of aircraft parts



2 Strengthening Profitability in the Steel Business

While realizing benefits from the consolidation of upstream operations completed at Kakogawa Works in fiscal 2017, Kobe Steel is taking additional measures to improve profitability through capital investments and cost reductions at the production level, as well as growth in the transportation field.

Forecast for Profitability Improvements in the Steel Business (As of 2016 announcement)



Capital Investment for Consolidation of Upstream Operations

- No. 6 Continuous Caster: Installation of new continuous caster to make medium cross-section blooms (semifinished steel for wire rods and bars).
- No. 2 Bloom Mill: Increase of furnaces used to heat blooms before rolling, from one furnace to two, thus creating a blooming mill with world-leading production capacity.
- Other: Expansion of secondary refining facilities, improvement of billet yard, etc.

Total investment: approx. **65.5 billion yen**
Benefit: approx. **15 billion yen/year**

Outline of the Fiscal 2016–2020 Group Medium-Term Management Plan

Machinery Businesses

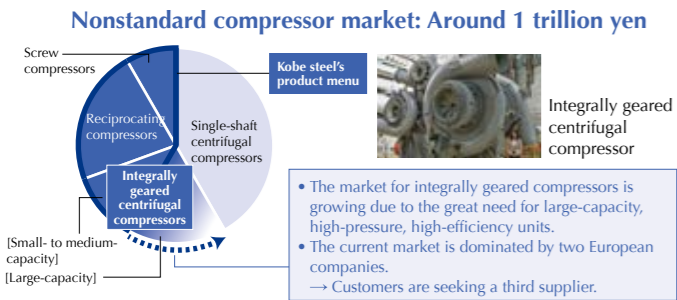


1 Initiatives in the Fields of Energy and Infrastructure

Kobe Steel is keen to expand business in both nonstandard and standard compressors by making use of its test facility, one of the largest in the world, and by launching global strategic products. In the hydrogen-related business, the Company is building up a track record around the world for the coming hydrogen-based society.

1 Expansion of the Compressor Business

Nonstandard Compressors –Entry into Large-Capacity Centrifugal Compressor Market–



Standard Compressors –Capturing Position as the Top Group in Asia–

Strengthening Sales of Globally Strategic Models

In October 2016, we began selling the new Emeraude-ALE Series oil-free standard compressors, as global strategic models produced in both Japan and overseas. We plan to continue to steadily expand the lineup in the future.

Strengthening the Production Base

We will increase productivity and shorten lead times by consolidating manufacturing at the Harima Plant.

2 Initiatives in the Hydrogen-Related Business

Creating a Track Record for the Coming Hydrogen-Based Society

Expanding Sales of Compressor Packages for Hydrogen Stations

- Compact design for compressors, refrigerators, etc.
- Total engineering capability for hydrogen stations
→ Strive to increase share in anticipation of the Tokyo Olympics (fiscal 2017 domestic fixed station share: approximately 30%)

Utilizing U.S. Base

Development and sale of all-in-one HyAC mini-A packages for U.S. hydrogen fueling stations (February 2017)



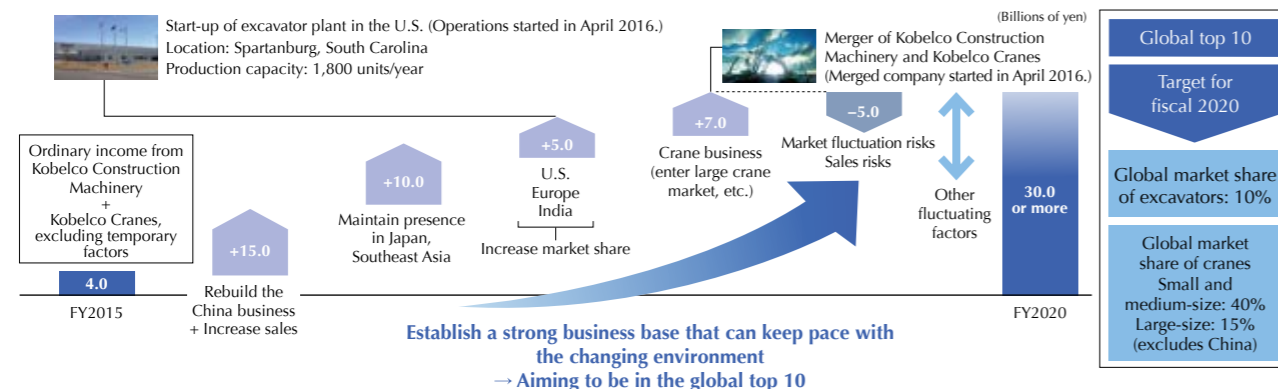
Strengthening Our Competitive Edge

- New Integrated Test Center for hydrogen stations**
 - Test station-related equipment based on various criteria
 - Product development that addresses laws and regulations as well as market needs
 - Lower costs and establishment of differentiated technologies
- Demonstration testing of renewable energy hydrogen station**
 - Manufacturing of CO₂-free hydrogen with renewable energy for use in hydrogen stations (utilizing technology from Kobelco Eco-Solutions)

2 Strengthening Profitability in the Construction Machinery Business

Kobe Steel aims to establish a robust business foundation through the merger of Kobelco Construction Machinery Co., Ltd. and Kobelco Cranes Co., Ltd. in April 2016; restructuring of the China business; and sales growth in Europe, the U.S., and India. We intend to establish a presence in global markets for hydraulic excavators and crawler cranes.

Forecast for Profitability Improvements in the Construction Machinery Business (As of 2016 announcement)

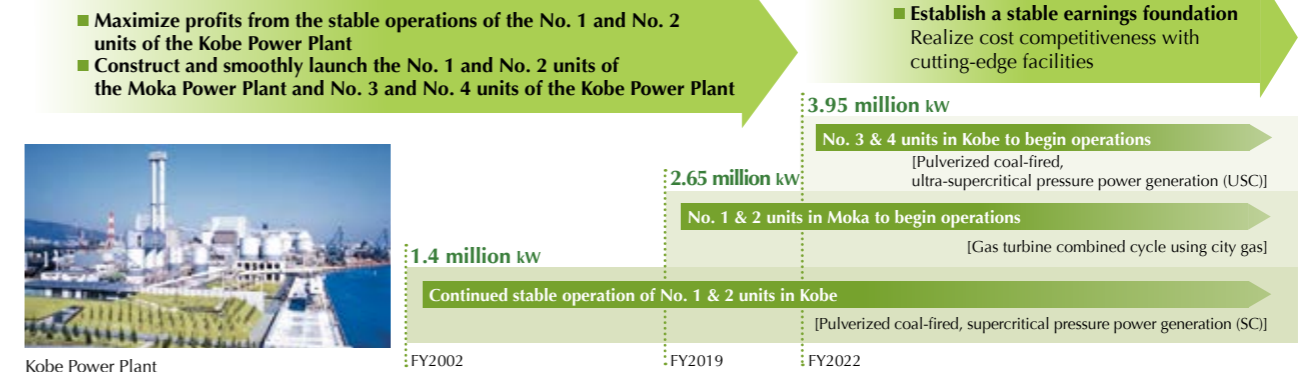


Electric Power Business

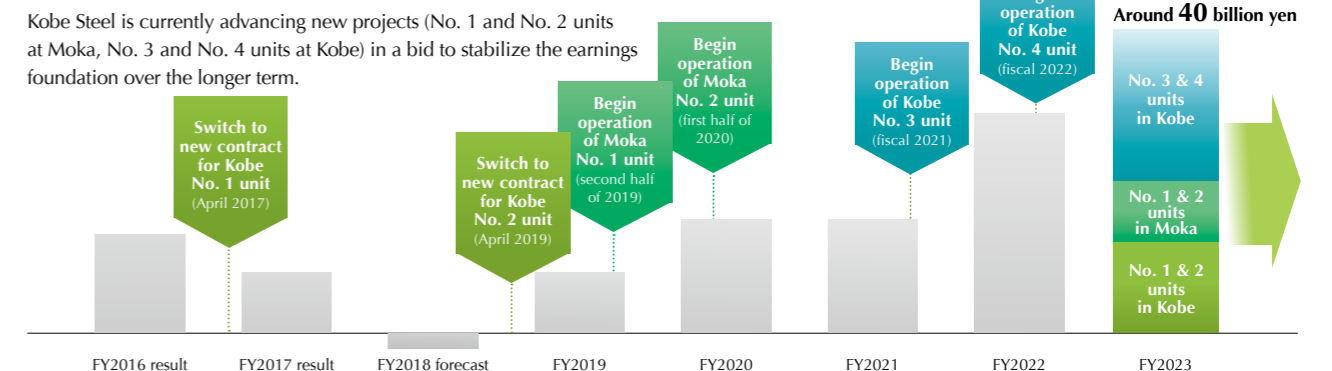


Utilizing our steelworks and other existing infrastructure as well as our accumulated know-how in the construction and operation of our own in-house power generation facilities, we aim to create a stable profit base for the Group through the construction and start-up of the No. 1 and No. 2 units of the Moka Power Plant and No. 3 and No. 4 units of the Kobe Power Plant, in addition to the existing No. 1 and No. 2 units of the Kobe Power Plant.

Initiatives to Stabilize Profitability in the Electric Power Business



Earnings Forecasts*



* This refers to the earnings forecasts that we disclosed at the "Initiatives in the Electric Power Business" briefing held in January 2017. Earnings forecasts for each fiscal year include head office expenses of around ¥2–3 billion. The Company expects one-time upfront expenses to arise until the new power generation units go into operation.

Reinforcing the Business Foundation



Financial Strategy

- Strengthening Corporate Governance → P16**
Strengthen corporate governance by reviewing the structure of the Board of Directors, etc.
- Securing and Developing Human Resources → P84**
Secure and develop human resources that will drive growth across the Kobe Steel Group by focusing on the creation of safe and motivating workplaces through diversity and work style reforms.
- Strengthening Technology Development and Manufacturing Capabilities → P75**
 - Differentiate technologies to strengthen the competitiveness of major products, create products and processes that provide value to customers in the automobile, aircraft, and energy and infrastructure fields.
 - Strengthen quality and on-site capabilities, utilize data from IoT to reinforce the production base and improve manufacturing capabilities.

- In principle, business cash flows are to be used to finance strategic investments to grow the materials and machinery businesses, as well as for regular investments that support the business foundation.
- We will implement cash generation measures, such as selling assets of up to ¥100 billion, improving working capital, and screening investments, in order to steadily invest in growth in key fields, such as weight reduction of transportation vehicles, while maintaining financial discipline.

Message from the CFO

By implementing our growth strategy and achieving financial soundness, we aim to sustain growth, enhance shareholder returns, and restore the trust of our stakeholders.

Progress of the Group Medium-Term Management Plan and the Impact from the Misconduct

The Kobe Steel Group is transitioning to the execution phase for strategic investments in line with the Medium-Term Management Plan with an eye on investment returns. Noting the need to improve margins, the Company has been strengthening the profitability of both its steel business and construction machinery business. In fiscal 2017, significant progress was made on improving earnings in the steel business, centered on the consolidation of upstream operations at Kakogawa Works. The construction machinery business improved strongly as well, supported by brisk market recovery and the absence of the negative impact of allowances previously posted for the China business.

However, earnings have yet to reach a satisfactory level, owing in part to the adverse impact from the misconduct, which depressed ordinary income by about ¥8 billion and extraordinary income by ¥4 billion in fiscal 2017. Our earnings forecast for fiscal 2018 also assumes a negative impact of ¥10 billion from the misconduct. In fiscal 2018, we will closely monitor what effect the misconduct may have on the medium to long term while reassessing the current Medium-Term Management Plan.

Yoshihiko Katsukawa
Director, Senior Managing
Executive Officer

Approach to Financial Strategy in the Group Medium-Term Management Plan

Our approach to the Group's financial strategy focuses on improving financial soundness while implementing growth strategies. The Company intends to adhere to its financial target of keeping the D/E ratio below 1.0x in order to continue investments while maintaining financial discipline, even when strategic investments take precedence in the materials businesses and machinery businesses. Kobe Steel aims to generate cash flows of around ¥100 billion. Since operating cash flow may be insufficient, such as when net losses were recorded in fiscal 2016, the Company has been selling assets, improving working capital, and taking steps to improve capital efficiency with a cash management system (CMS). The Company is already on the verge of being able to generate around ¥100 billion in cash flow. Despite the outcome from examination of growth in the real estate business, cash was also generated from the sale of stock held in Shinko Real Estate Co., Ltd. in July 2018 to build a business alliance for that company. Kobe Steel will strive to generate cash for future growth investments while continuing to review its asset holdings.

From the standpoint of asset efficiency, Kobe Steel targets ROA of at least 5%, despite achieving only 3.1% in fiscal 2017, owing in part to growth in assets from forward-looking investments. As we review our asset holdings and work to increase efficiency, we believe the quickest route to achieving our targets is the rapid monetization of strategic investments. For shareholder returns, Kobe Steel targets a dividend payout ratio that is 15%–25% of net income attributable to owners of the parent. We intend to consider a hike in the dividend payout ratio as soon as returns on strategic investments are realized and consistent production at existing facilities begins to restore trust in quality.

Identifying and Responding to Business Risks

Our basic approach is to flexibly address business risks while engaging in business activities. We are making a Groupwide effort to build a risk management structure

that works globally. While coordinating with regional headquarters in the U.S., China, and Thailand, the Company aims to reduce risk across its corporate infrastructure, including finance, accounting, taxation, and the environment. As for information security, Kobe Steel is building a security structure with redundant backups by geographically dispersing its data centers in Japan.

Lately, I feel management is being tested on how to address risks that are difficult to predict, such as natural disasters and trade tariffs imposed by the U.S. for steel and aluminum products. Although predictable risks can be prevented before they occur, we must create a system that can flexibly and swiftly respond to unforeseen risks to the best extent possible.

Reflecting Proactive Stakeholder Dialogue into Management

The Kobe Steel Group has drawn criticism over numerous issues, including its corporate culture, as a result of the misconduct. Taking the initiative, the management is implementing measures to prevent a recurrence, including reforms to the corporate culture for all Group employees. Through these and other efforts, we are working diligently so our stakeholders can see that Kobe Steel has truly changed.

As a side effect of the misconduct, we have seen an increase in opportunities to hear valuable opinions from our stakeholders, beginning with our customers, shareholders, and investors. Not letting these opportunities go to waste, we will convey accurate information about the Group in a timely and appropriate manner, and take a close internal examination of the opinions we receive while reflecting them into management as much as possible. We ask our stakeholders for their continued support as we undertake these endeavors.

The Value of Our Existence



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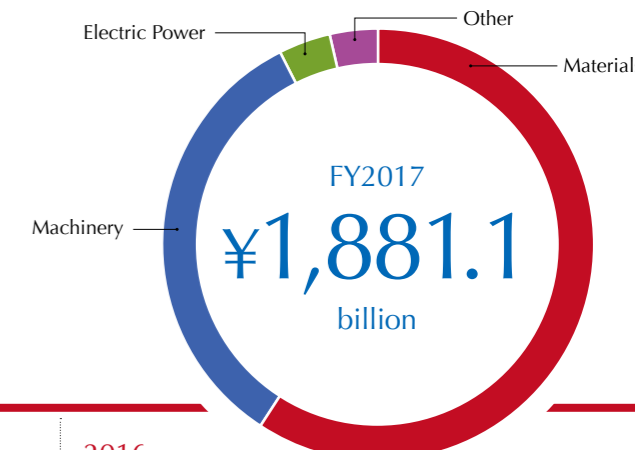
48	About the Kobe Steel Group	60	Business Strategy of the Kobe Steel Group
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About the Kobe Steel Group

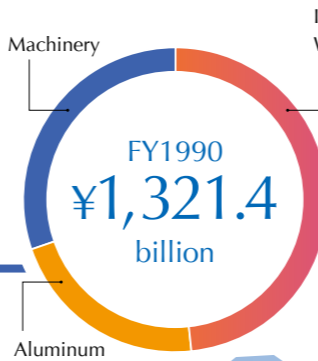
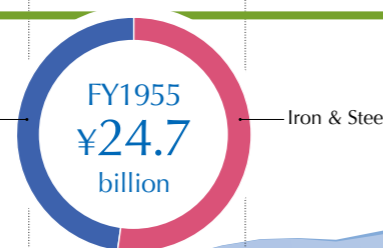
The History of the Kobe Steel Group

In 1905, general partnership trading company Suzuki Shoten acquired a steel business in Wakinohama, Kobe, called changed its name to Kobe Seikoshō. Then, in 1911 Suzuki Shoten spun off the company to establish Kobe Steel Works. Started as a steel casting and forging business, the Kobe Steel Group contributes to solving issues facing clients and manufacturing capabilities fostered in a broad range of business fields, including the Iron & Steel, Welding, Aluminum and Electric Power segments.

Kobayashi Seikoshō operated by Seiichiro Kobayashi and Ltd. with capital of ¥1.4 million at Wakinohamacho, Kobe. society by leveraging its expertise, technologies, and & Copper, Machinery, Engineering, Construction Machinery, and Electric Power segments.



Year	Materials	Machinery	Electric Power	Company wide
1905	Begins steel casting and forging business	Begins machinery business	Founded when major pre-war conglomerate Suzuki Shoten enters heavy industry field	1905
1916	Begins steel products business	Begins first domestic development of air compressors		
1917	Begins copper business			
1937	Begins aluminum business	Begins engineering business		1937
1940	Begins welding business	Begins construction machinery business		
1955	Achieves first industrial production of titanium metal in Japan			1950
1959	Establishes integrated steel production			
1962	Establishes production base in Thailand for welding electrodes	Begins overseas plant business		1950
1968	Establishes production base in Thailand for welding electrodes			
1970	Completes Kakogawa Works			1970
1979	Develops ARCMAN™ welding robot	Introduces automated guideway transit (AGT) system		1970
1983		Acquires U.S. company Midrex Technologies, Inc.		1970
1990				1990
1995				1995
1996			Launches wholesale power supply (IPP) business	1995
2000			Starts up Kobe Power Plant	2000
2002			Begins commercial operations	2000
2004				2005
2006				2005
2014				2011
2016				2016
2017				2017



■ Overseas sales
■ Domestic sales

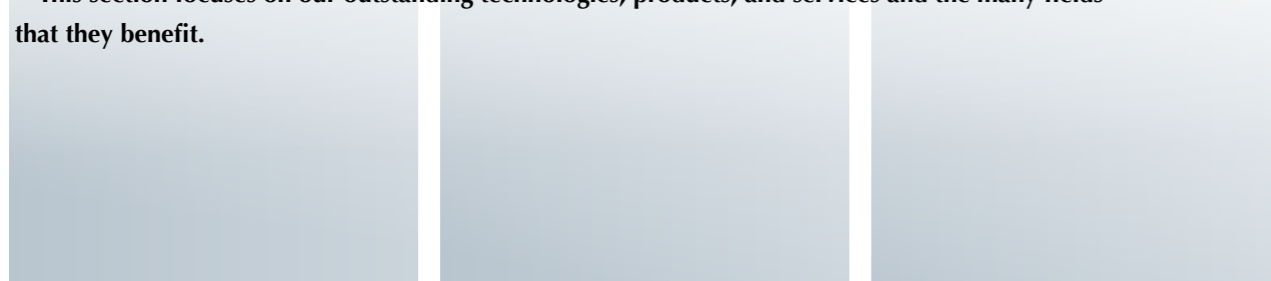
*1 Domestic sales have been calculated by deducting overseas sales (on the basis of the monetary amounts of exports until 1998 and on the basis of consolidated overseas sales from 1999 onward) from net sales (on a nonconsolidated basis until 1980 and on a consolidated basis from 1981 onward).
*2 The pie charts' net sales breakdowns have been calculated based on the simple total for each segment, which include inter-segment transactions.

About the Kobe Steel Group

Distinctive Technologies, Products, and Services

Playing vital roles in a host of different fields, the Kobe Steel Group's technologies, products, and services lower the environmental burden through weight reduction of transportation vehicles, generate energy, and make life comfortable.

This section focuses on our outstanding technologies, products, and services and the many fields that they benefit.



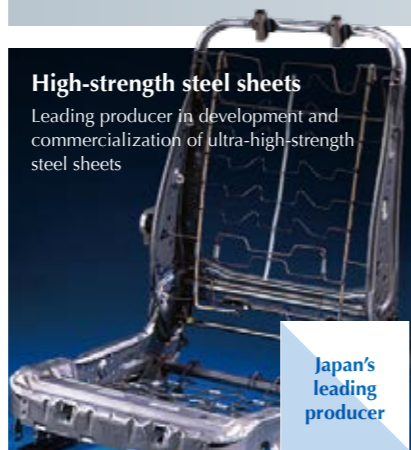
KOBELCO Reducing environmental burden

Transportation vehicles



Used in half of all cars worldwide

Wire rods for automotive engine valve springs
Kobe Steel's flagship product



High-strength steel sheets

Leading producer in development and commercialization of ultra-high-strength steel sheets

Japan's leading producer



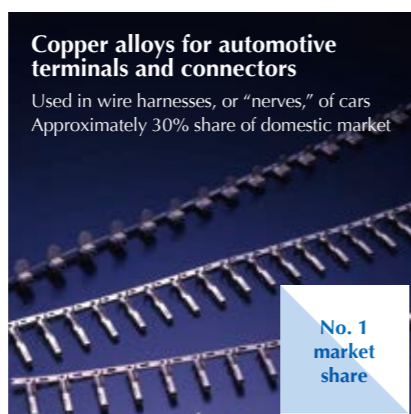
No. 1 market share

Aluminum sheets for automotive closure panels
Used for automotive engine hoods



No. 1 market share

Aluminum forgings for automotive suspensions
More than 40% lighter than conventional steel forgings



Copper alloys for automotive terminals and connectors

Used in wire harnesses, or "nerves," of cars. Approximately 30% share of domestic market

No. 1 market share



Steel powder

Used for complex-shaped automotive parts and such environmental applications as the purification of polluted soil and water

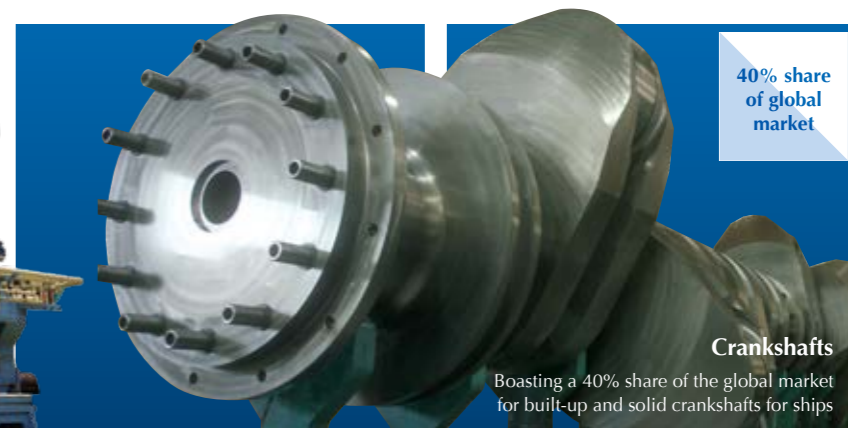
Japan's leading producer



Rubber mixers

Indispensable for the production of tires and rubber products. Offering high productivity and energy efficiency based on our leading-edge technologies

40% share of global market



40% share of global market

Crankshafts

Boasting a 40% share of the global market for built-up and solid crankshafts for ships



Aluminum shapes for rolling stock

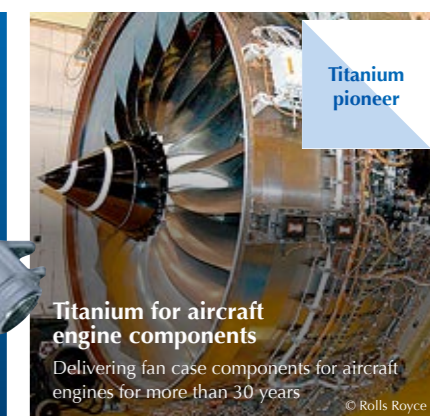
Recently used not only in Japan, but also in the U.K.

No. 1 market share in Japan



Aircraft gearboxes

Aircraft parts realized thanks to our competence in aluminum casting, forging, analysis, and alloy development



Titanium pioneer

Titanium for aircraft engine components

Delivering fan case components for aircraft engines for more than 30 years



Other



Reduces environmental impact

Non-copper coated solid wires (SE wires)

Reducing environmental burden through our original wire surface treatment technology, which eliminates need for copper plating treatment during manufacturing



Emeraude standard compressors

Oil-free compressors with highest specs and energy efficiency

High domestic market share



Industry-leading energy efficiency

Heat pumps

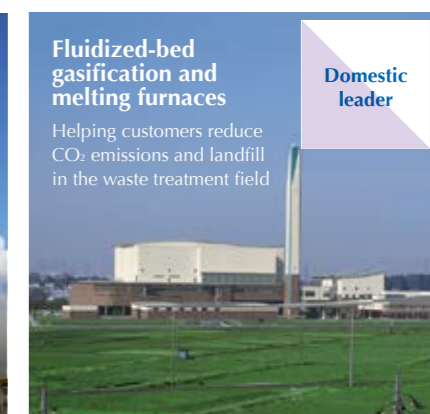
Energy-saving devices used for air conditioners and heaters in buildings and plants



World's top share

MIDREX® Process

The world's leading direct reduction process, used in over 70 plants worldwide



Fluidized-bed gasification and melting furnaces

Helping customers reduce CO₂ emissions and landfill in the waste treatment field

Domestic leader

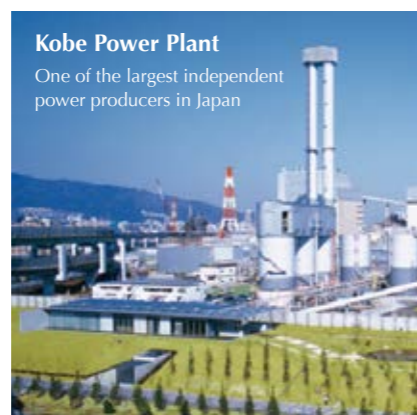
About the Kobe Steel Group

Distinctive Technologies, Products, and Services



50% share of global market

Nonstandard screw compressors
Supplying compressors to large plants since manufacturing the first domestically produced screw compressor in 1936



Kobe Power Plant
One of the largest independent power producers in Japan



KOBELCO
Generating energy



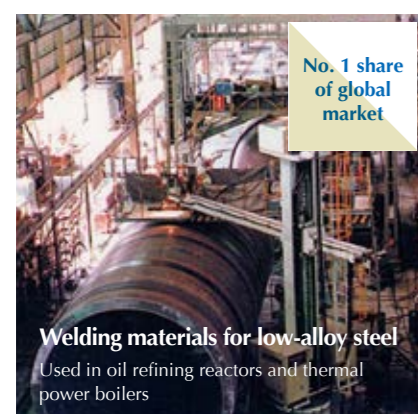
Microbinary generators
Making effective use of unused heat sources, such as factory waste heat and hot spring water

Compact and efficient



Microbinary generators
Making effective use of unused heat sources, such as factory waste heat and hot spring water

Compact and efficient



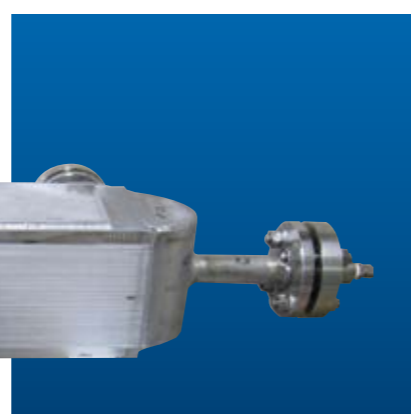
No. 1 share of global market

Welding materials for low-alloy steel
Used in oil refining reactors and thermal power boilers



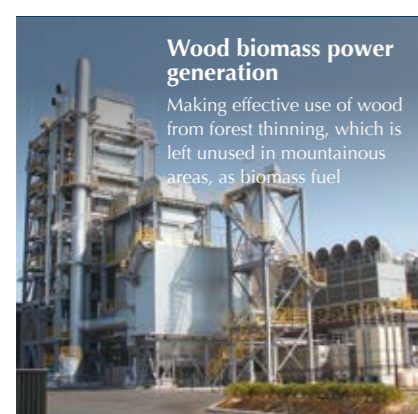
Micro channel heat exchanger (DCHE)
Used in hydrogen fueling stations and offshore facilities

Domestic leader



Micro channel heat exchanger (DCHE)
Used in hydrogen fueling stations and offshore facilities

Domestic leader



Wood biomass power generation
Making effective use of wood from forest thinning, which is left unused in mountainous areas, as biomass fuel



Sewage biogas city gas pipe injection facility
City gas facility that refines biogas from sewage sludge to same quality as city gas

Effective utilization of biogas



LNG equipment

Globally recognized reliability



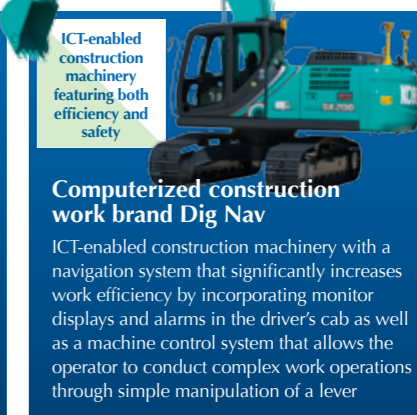
Copper tubes for air-conditioning heat exchangers
Developing copper tubes for air-conditioning heat exchangers, inner-grooved copper tubes for the EcoCute heat pump, and other high-value-added products while strengthening supply capabilities in Southeast Asia

No. 1 market share



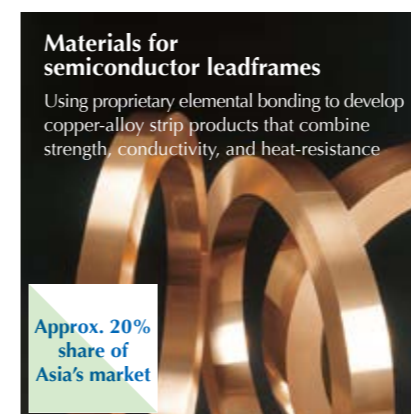
Excellent transportability

New-model TK-G Series telescopic boom crawler cranes
While being less than 3 meters wide during transport, retains the original series' sturdy structure capable of withstanding tough foundation and civil engineering work, compact layout with superior operability, and ability to lift to great heights



ICT-enabled construction machinery featuring both efficiency and safety

Computerized construction work brand Dig Nav
ICT-enabled construction machinery with a navigation system that significantly increases work efficiency by incorporating monitor displays and alarms in the driver's cab as well as a machine control system that allows the operator to conduct complex work operations through simple manipulation of a lever



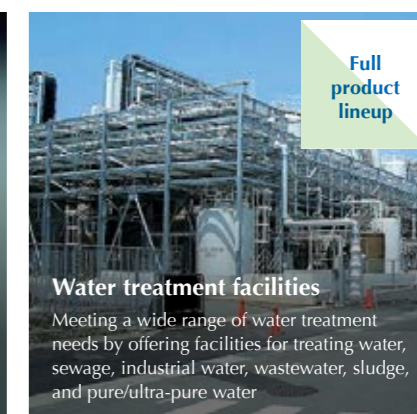
Materials for semiconductor leadframes
Using proprietary elemental bonding to develop copper-alloy strip products that combine strength, conductivity, and heat-resistance

Approx. 20% share of Asia's market



60% share of global market

Aluminum disks
Used as substrates in hard disk drives mainly for desktop computers and data centers



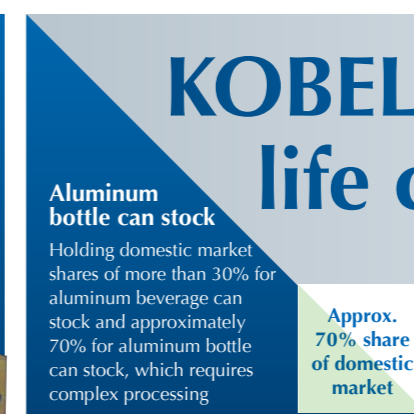
Full product lineup

Water treatment facilities
Meeting a wide range of water treatment needs by offering facilities for treating water, sewage, industrial water, wastewater, sludge, and pure/ultra-pure water



Flux-cored wires
Enabling high work efficiency and reducing spatter and fumes to improve workplace environments; used in a wide variety of applications, including shipbuilding, architectural steel frames, and bridge construction

Contributing to improved quality and efficiency



KOBELCO Making life comfortable

Aluminum bottle can stock
Holding domestic market shares of more than 30% for aluminum beverage can stock and approximately 70% for aluminum bottle can stock, which requires complex processing

Approx. 70% share of domestic market



Aluminum bottle can stock
Holding domestic market shares of more than 30% for aluminum beverage can stock and approximately 70% for aluminum bottle can stock, which requires complex processing

Approx. 70% share of domestic market



REGARC™-equipped structural steel welding systems
Enhancing quality and productivity of structural steel welding through our original REGARC™ welding process, which significantly reduces sparks and fumes during welding

Improving quality and productivity of structural steel welding



Japan's leading manufacturer

Urban transit systems
Boasting an extensive track record of supplying advanced transit systems, such as the Hiroshima Astram Line, and currently executing the Jakarta Mass Rapid Transit system project



Japan's leading manufacturer

Grid-type sabo dams for erosion control
Maintaining safety by intercepting debris and driftwood while minimizing environmental impact by allowing the passage of water and fish when conditions are normal

About the Kobe Steel Group

10-Year Financial and Non-Financial Data

		(Millions of yen)									
(Fiscal year)		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
For the fiscal year:	Net sales	¥2,177,289	¥1,671,021	¥1,858,574	¥1,864,691	¥1,685,529	¥1,824,698	¥1,886,894	¥1,822,805	¥1,695,864	¥1,881,158
	Cost of sales	1,890,317	1,475,461	1,570,779	1,635,862	1,510,511	1,537,249	1,581,527	1,548,384	1,465,577	1,595,229
	Operating income	116,934	46,015	124,550	60,555	11,234	114,548	119,460	68,445	9,749	88,913
	Ordinary income (loss)	60,876	10,258	89,082	33,780	(18,146)	85,044	101,688	28,927	(19,103)	71,149
	Net income (loss) attributable to owners of the parent	(31,438)	6,304	52,939	(14,248)	(26,976)	70,191	86,549	(21,556)	(23,045)	63,188
	Cash flows from operating activities	118,199	172,893	177,795	39,486	45,401	194,294	153,078	97,933	141,716	190,832
	Cash flows from investing activities	(127,405)	(120,324)	(96,686)	(85,267)	(123,513)	(62,105)	(73,674)	(104,618)	(137,833)	(161,598)
	Cash flows from financing activities	138,700	(29,641)	(98,196)	(40,233)	127,644	(138,501)	(156,027)	93,883	16,545	(66,598)
	Capital expenditures	118,044	128,739	91,378	96,085	114,935	101,402	103,522	109,941	160,297	128,653
	Depreciation	128,700	118,835	114,819	118,037	106,725	82,936	89,881	94,812	96,281	102,032
	Research and development expenses	31,029	28,255	29,832	31,436	30,763	28,494	29,920	29,843	30,102	32,014
At fiscal year-end:	Total assets	2,295,489	2,249,345	2,231,532	2,159,512	2,226,996	2,288,636	2,300,241	2,261,134	2,310,435	2,352,425
	Net assets	513,460	557,002	597,367	571,258	569,922	734,679	851,785	745,492	729,404	790,984
	Outside debt	855,971	837,770	769,839	746,471	907,656	748,138	650,991	776,073	789,632	726,013
	Outside debt including IPP project financing	954,790	925,119	845,483	810,172	959,179	787,246	677,447	789,493	796,927	738,865
Per-share data ^{*1} :	Net income (loss)	(104.7)	20.9	176.3	(47.4)	(89.8)	226.2	238.1	(59.3)	(63.5)	174.4
	Net assets	1,595.83	1,720.87	1,828.13	1,718.40	1,706.34	1,841.10	2,137.00	1,903.80	1,860.36	2,049.95
	Cash dividends	35.00	15.00	30.00	10.00	—	40.00	40.00	20.00	—	30.00
Financial indicators:	Operating income ratio (%)	5.4	2.8	6.7	3.2	0.7	6.3	6.3	3.8	0.6	4.7
	Ordinary income ratio (%)	2.8	0.6	4.8	1.8	(1.1)	4.7	5.4	1.6	(1.1)	3.8
	ROA (%)	2.6	0.5	4.0	1.5	(0.8)	3.8	4.4	1.3	(0.8)	3.1
	ROE (%)	(5.8)	1.3	9.9	(2.7)	(5.2)	11.9	12.0	(2.9)	(3.4)	8.9
	Equity ratio (%)	20.9	23.0	24.6	23.9	23.0	29.2	33.8	30.6	29.2	31.6
	Debt/equity ratio (times)	1.65	1.60	1.36	1.37	1.75	1.11	0.88	1.10	1.17	0.98
	Dividend payout ratio (%)	—	71.4	17.0	—	—	17.7	16.8	—	—	17.2
Number of shares issued (in thousands)		3,115,061	3,115,061	3,115,061	3,115,061	3,115,061	3,643,642	3,643,642	3,643,642	364,364	364,364
Non-financial data:	Number of employees										
	Consolidated	33,526	33,629	34,772	35,496	36,018	36,019	36,420	36,338	36,951	37,436
	Non-consolidated	9,932	10,129	9,933	10,370	10,398	10,586	10,609	10,833	11,034	11,191
	Men	9,181	9,356	9,393	9,725	9,728	9,891	9,881	10,090	10,241	10,304
	Women	751	773	540	645	670	695	728	743	793	887
	Non-Japanese	23	21	21	23	30	34	40	57	60	70
	Ratio of female managers (non-consolidated) ^{*2} (%)	0.7	0.6	0.7	0.8	1.0	1.2	1.4	1.5	1.6	1.9
	Employment rate of people with disabilities (non-consolidated) ^{*3} (%)	2.24	2.24	2.17	2.07	2.11	2.02	2.28	2.31	2.38	2.30
	(non-consolidated) ^{*3} (%)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(2.0)	(2.0)	(2.0)	(2.0)
	Number of employees taking childcare leave (non-consolidated) ^{*4}										
	Men	0	1	3	3	1	0	1	5	7	8
	Women	39	40	41	40	40	45	48	38	54	40
	Ratio of employees returning from childcare leave (non-consolidated) (%)										
		100.0	94.1	100.0	100.0	100.0	89.5	100.0	94.7	96.0	96.7
	Number of new graduates employed (non-consolidated)										
	Men	388	396	106	278	374	336	294	362	344	421
	Women	14	20	3	19	24	19	14	26	50	64
Turnover of employees within 3 years (non-consolidated) ^{*5} (%)											
	4.0	5.0	5.5	5.7	5.8	9.0	5.2	12.1	6.6	1.6	
Use of annual paid leave (non-consolidated) (days per year/person)											
	7.8	7.6	8.6	8.9	9.1	8.4	9.1	11.8	14.9	15.5	
Overtime (non-consolidated) (hours per month/person)											
	23.8	14.3	19.3	20.0	19.6	20.2	22.9	22.7	16.5	18.4	

*1 The Company carried out a 1-for-10 reverse stock split of its shares on October 1, 2016. Per-share data has been recalculated as if the reverse stock split had been carried out at the beginning of fiscal 2008.

*2 At Kobe Steel, Managers or above are considered to be managerial staff.

*3 Figures in parentheses are the statutory employment rate.

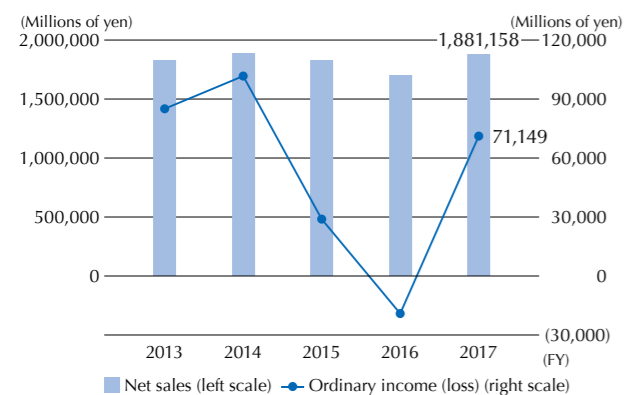
*4 The Company's childcare leave has a limit of three years, and the number of people includes those who have remained on leave from the previous year.

*5 Of the employees who joined the Company during these fiscal years through the regular hiring process, the percentage of those who retired with less than three years of continuous service.

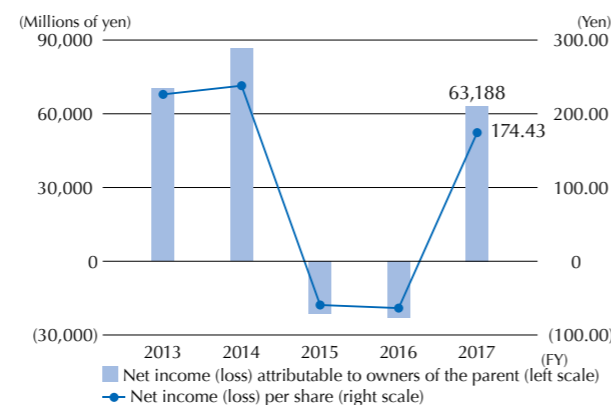
About the Kobe Steel Group

5-Year Financial and Non-Financial Highlights

Net Sales / Ordinary Income (Loss)

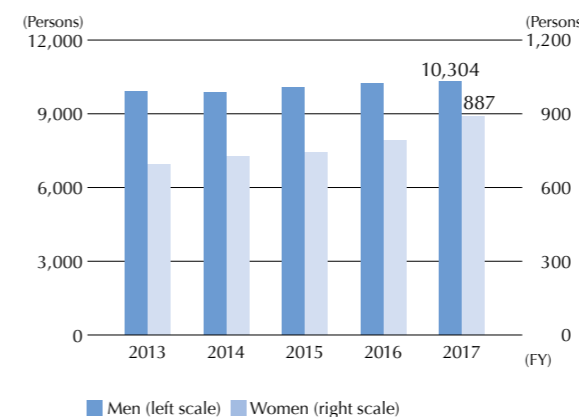


Net Income (Loss) Attributable to Owners of the Parent / Net Income (Loss) per Share (EPS)*1

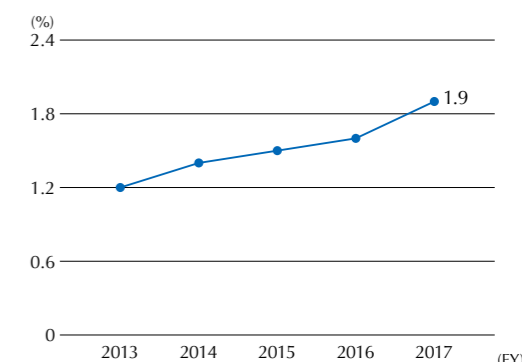


*1 The Company carried out a 1-for-10 reverse stock split of its shares on October 1, 2016. Net income (loss) per share has been recalculated as if the reverse stock split had been carried out at the beginning of fiscal 2013.

Number of Employees (Kobe Steel, Ltd.)

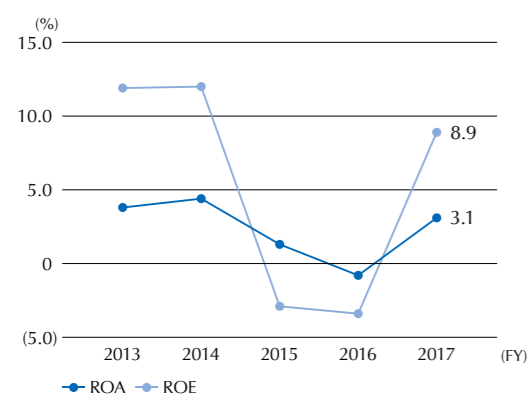


Ratio of Female Managers (Kobe Steel, Ltd.)*3

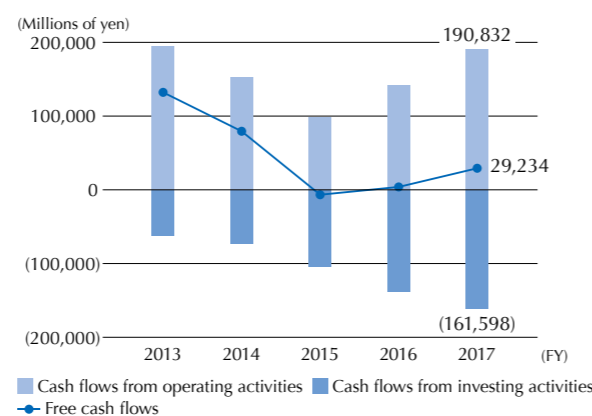


*3 At Kobe Steel, Managers or above are considered to be managerial staff.

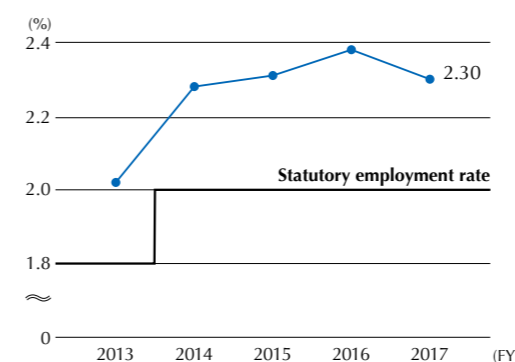
ROA / ROE



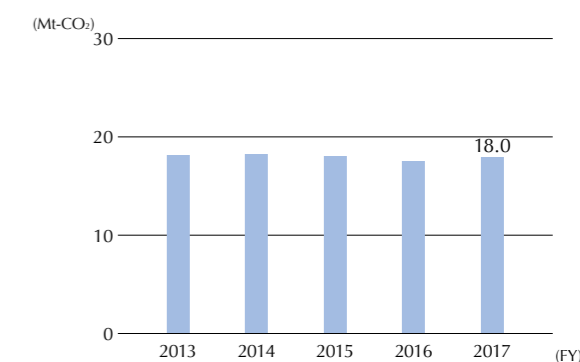
Cash Flows



Employment Rate of People with Disabilities (Kobe Steel, Ltd.)

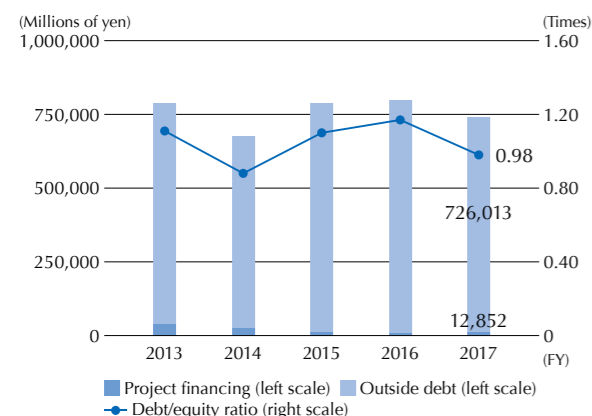


CO₂ Emissions (Kobe Steel, Ltd.)*4

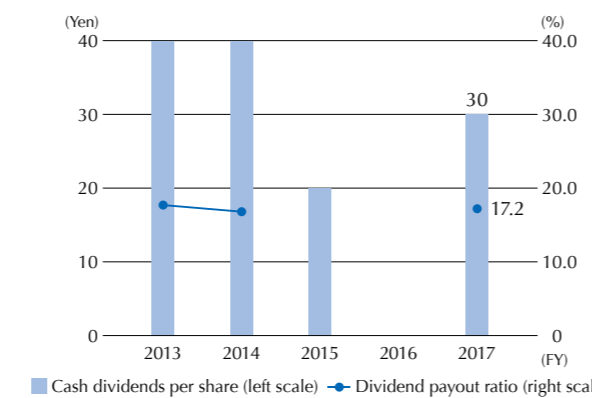


*4 As emission factors from purchased power in fiscal 2017 have yet to be announced, results for fiscal 2016 were used. Emissions for past years have been recalculated due to revisions to power coefficients, etc.

Outside Debt / Debt/Equity Ratio

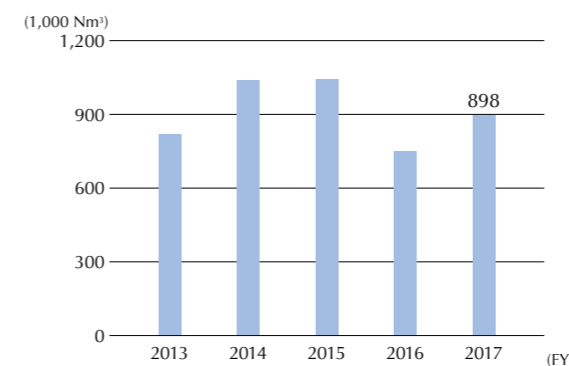


Cash Dividends per Share*2 / Dividend Payout Ratio

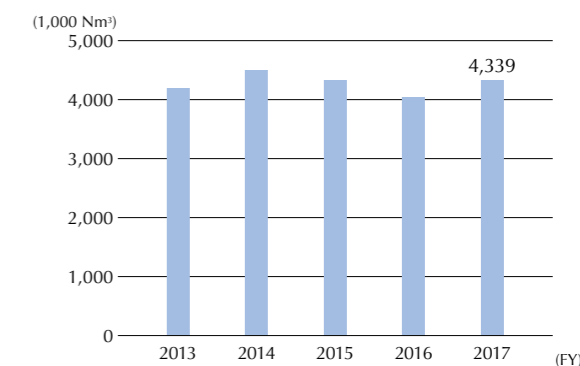


*2 The Company carried out a 1-for-10 reverse stock split of its shares on October 1, 2016. Cash dividends per share has been recalculated as if the reverse stock split had been carried out at the beginning of fiscal 2013.

SO_x Emissions (Kobe Steel, Ltd.)



NO_x Emissions (Kobe Steel, Ltd.)



The Kobe Steel Group Value Creation Story

The value creation story of the Kobe Steel Group involves our efforts to address the issues and needs of customers and communities in Japan and overseas as we strive to further increase our corporate value. To that end, we leverage our various strengths that have been cultivated over a history stretching back more than 110 years while ensuring that our corporate DNA, which has been passed down since our founding, continues to play a central role. Looking ahead, we aim to contribute to society by pursuing distinctive Group synergies while acting in accordance with the Core Values of KOBELCO and the Six Pledges of KOBELCO Men and Women.

We will continue to implement business models, business activities, and growth strategies in line with the Group's original value creation story. In this way, we will increase our corporate value while helping to resolve social issues, and we will work to steadily restore trust by addressing the expectations of our customers and other stakeholders and fulfilling our responsibilities.

Our approach to meeting the needs of customers has been passed down as our DNA, and in this way the Group has cultivated three internal strengths—knowledge of society and the environment, technical capabilities, and production capabilities (high-mix, low-volume production). On the other hand, externally the Group has established a global customer base that extends to domestic and overseas markets.

This DNA and these strengths are the starting point for our forward-looking growth strategies and differentiation strategies.

Passing Down Our Corporate DNA, Leveraging Our Strengths



Vision Increasing Corporate Value

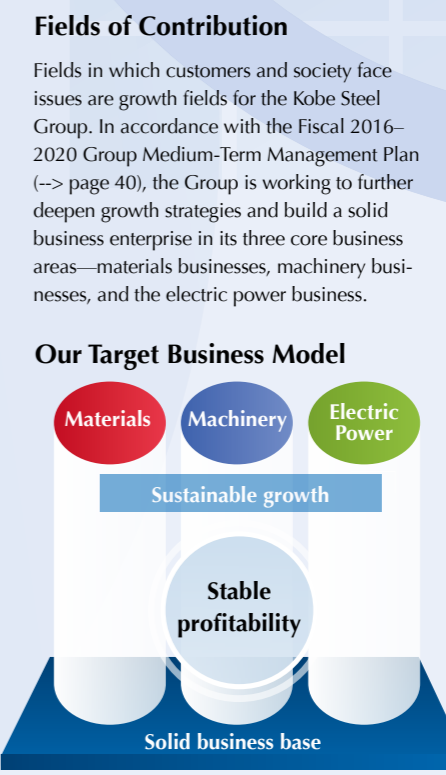


Helping to Resolve Issues Faced by Customers and Society

- Customer demands and expectations
- Environmental issues and growth fields

Pursuit and Demonstration of Distinctive Kobe Steel Group Synergies

Originality
The source of the Group's corporate value lies in the operation of a diverse range of businesses that differ in various aspects, such as demand field, business environment, distribution, and scale, and the leveraging of synergies among the various businesses.



Business Strategy of the Kobe Steel Group

At a Glance (Fiscal 2017)

Segment	Breakdown*1(%)	Major Products and Businesses	Fiscal 2017 Highlights
Materials Businesses	Iron & Steel Ordinary income: ¥17.3 billion (up ¥46.8 billion year on year) Total assets: ¥937.5 billion (up ¥1.1 billion year on year) No. of employees: 9,795	<Steel wire rods and bars> Ordinary wire rods, special wire rods, special steel wire rods, ordinary steel bars, special steel bars <Steel sheets> Heavy plates, steel sheets (hot-rolled, cold-rolled, surface-treated) <Steel billets> <Processed products & pig iron, etc.> Steel castings and forgings (ship parts, electrical parts, industrial machinery parts), titanium and titanium alloys, steel powder, foundry pig iron, pig iron for steelmaking, slag products, stainless steel tubes, building materials, other special steel products, various steel wires	<ul style="list-style-type: none"> Sales volume of steel products: Despite a decline in exports, sales volume was flat year on year, thanks to brisk demand from the domestic automobile industry. Sales prices of steel products: Prices increased compared with the previous fiscal year, reflecting higher costs for key raw materials. Sales of steel castings and forgings: Sales declined year on year, due to weaker demand from shipbuilders. Titanium product sales: Sales grew year on year, on stronger sales to the aircraft field and general industry. Ordinary income: Ordinary income was ¥17.3 billion, a year-on-year improvement of ¥46.8 billion, as there was no one-time expense such as the blast furnace refurbishment posted in the previous fiscal year.
	Welding Ordinary income: ¥4.9 billion (down ¥1.9 billion year on year) Total assets: ¥76.0 billion (up ¥3.1 billion year on year) No. of employees: 2,551	<Welding materials> Covered welding electrodes, wires for automatic and semi-automatic welding, fluxes <Welding systems> Welding robots, welding power sources, robotic welding systems <Testing and inspection> Welding-related testing, analysis, and consulting	<ul style="list-style-type: none"> Sales volume of welding materials: Sales volume declined year on year, owing to a sharp drop in demand from Korean shipbuilders, while demand recovered in Japan for architectural steel frames and energy projects. Welding system sales: Sales decreased from a high level in the previous fiscal year, despite brisk demand in the architectural steel-frame sector. Ordinary income: Ordinary income declined ¥1.9 billion, to ¥4.9 billion, despite firm demand for architectural steel frames.
	Aluminum & Copper Ordinary income: ¥11.8 billion (down ¥0.1 billion year on year) Total assets: ¥324.9 billion (up ¥66.3 billion year on year) No. of employees: 7,239	<Aluminum rolled products> Aluminum can stock, aluminum sheets for heat exchangers, automotive aluminum sheets, aluminum extrusions, aluminum disk materials for HDDs <Copper rolled products> Copper strips for semiconductors, copper strips for automotive terminals, lead frames, condenser tubes, copper tubes for air conditioners <Aluminum castings and forgings, etc.> Aluminum alloy and magnesium alloy castings and forgings (parts for aircraft and automobiles, etc.), fabricated aluminum products (parts for automobiles and rolling stock, etc.)	<ul style="list-style-type: none"> Sales volume of aluminum rolled products: Sales volume rose year on year, owing to stronger demand from automobiles, while demand for can stock for beverage cans was at the same level as the previous fiscal year. Sales volume of copper rolled products: Sales volume was unchanged from the previous fiscal year. Copper strips: Demand increased for copper strips used in automotive terminals and semiconductors. Copper tubes: Sales volume declined, due to equipment trouble at the Thailand production base. Ordinary income: Ordinary income was ¥11.8 billion, on a par with the previous fiscal year, reflecting improvement in inventory valuation owing to higher ingot prices and a deterioration in earnings at Group companies and the aftereffects of our misconduct.
Machinery Businesses	Machinery Ordinary income: ¥2.3 billion (down ¥3.5 billion year on year) Total assets: ¥182.1 billion (up ¥33.8 billion year on year) No. of employees: 4,010	<Industrial machinery> Equipment for energy and chemical fields, equipment for nuclear power plants, tire and rubber machinery, plastic processing machinery, ultra-high-pressure presses, vapor deposition systems, metalworking machinery, plants (steel rolling, nonferrous metals, etc.), internal combustion engines <Compressors> Compressors, refrigeration compressors, heat pumps, energy-saving turbine generators	<ul style="list-style-type: none"> Orders: Orders expanded 17.9% year on year, to ¥151.1 billion, on a market recovery, including the petrochemical field in China. Backlog of orders at fiscal year-end: ¥140.4 billion Ordinary income: Ordinary income fell ¥3.5 billion, to ¥2.3 billion, owing to deteriorating profitability of some compressors.
	Engineering Ordinary income: ¥6.9 billion (up ¥4.1 billion year on year) Total assets: ¥109.3 billion (up ¥4.5 billion year on year) No. of employees: 2,920	<Plants> Direct reduction ironmaking, pelletizing, petrochemical, nuclear power-related, water treatment, waste treatment, etc. <Social infrastructure> Erosion control and disaster prevention structures, civil engineering, urban transit systems <Chemical and foodstuff> Chemical and food processing equipment	<ul style="list-style-type: none"> Orders: Orders amounted to ¥119.2 billion, a 31.6% decline compared with the previous fiscal year in which several large-scale orders were posted. Backlog of orders at fiscal year-end: ¥183.4 billion Ordinary income: Ordinary income grew ¥4.1 billion, to ¥6.9 billion, on steady progress in existing projects.
	Construction Machinery Ordinary income: ¥21.9 billion (up ¥53.3 billion year on year) Total assets: ¥388.4 billion (up ¥23.7 billion year on year) No. of employees: 7,075	<Civil engineering and construction machinery> Hydraulic excavators, mini excavators, mini wheel loaders, road machines <Environmental recycling machinery> Metal recycling machines, construction recycling machines, industrial waste recycling machines, forestry machines <Crawler cranes> Lattice boom crawler cranes, telescopic boom crawler cranes <Wheel cranes> Rough terrain cranes, lattice boom wheel cranes	<ul style="list-style-type: none"> Sales volume of hydraulic excavators: Sales volume was higher than that of the previous fiscal year. Japan: Sales volume was up on a surge in demand prior to the tightening of emission regulations. Overseas: Demand increased owing to infrastructure investment in China. Sales volume of crawler cranes: Sales volume decreased year on year, owing to weaker demand mainly in Southeast Asia. Ordinary income: Ordinary income improved ¥53.3 billion year on year, to ¥21.9 billion, owing to higher sales volume of hydraulic excavators and the absence of an allowance for retained receivables in the excavator business in China.
Electric Power Business	Electric Power Ordinary income: ¥7.9 billion (down ¥5.1 billion year on year) Total assets: ¥107.1 billion (up ¥5.4 billion year on year) No. of employees: 235	Electric power supply	<ul style="list-style-type: none"> Electric power sales volume: Sales volume declined year on year, reflecting an increase in the number of days for periodic inspections. Electric power prices: Prices were higher than in the previous fiscal year, reflecting an increase in market prices for coal used to generate electric power. Ordinary income: Ordinary income decreased ¥5.1 billion, to ¥7.9 billion, reflecting the impact of transitioning to a new contract for the Unit No. 1 of the Kobe Power Plant and higher spending on maintenance during periodic inspections.
Other Businesses	Other Businesses Ordinary income: ¥5.4 billion (down ¥2.1 billion year on year) Total assets: ¥146.1 billion (down ¥11.5 billion year on year) No. of employees: 3,611	Real estate development, construction, sales, brokering, remodeling; leasing, building management; condominium management; special alloys and other new materials (target materials, etc.); material analysis and testing; high-pressure gas cylinder manufacturing; superconducting products; general trading company	<ul style="list-style-type: none"> Shinko Real Estate Co., Ltd.: Brisk business for residential property sales and leasing. Kobelco Research Institute, Inc.: Orders declined due to the impact of our misconduct on the testing and research business. Other: Consolidated subsidiary Shinko Care Life Co., Ltd.² was turned into an equity-method affiliate. Ordinary income in Other Businesses: Ordinary income decreased ¥2.1 billion, to ¥5.4 billion.

*1 The breakdown of ordinary income and total assets is the simple sum of each segment, including intersegment transactions. In the breakdown of employees, the Other Businesses segment includes employees from the management divisions at the Head Office.
 *2 Shinko Care Life Co., Ltd. changed its name to Sumirin Care Life Co., Ltd. on June 1, 2018.

Materials Businesses



Koichiro Shibata
Executive Vice President and Representative Director

Message from the Director in Charge of the Materials Businesses

Working Together to Overcome Difficulties

Since joining Kobe Steel, I have been involved in ironmaking at Kakogawa Works for many years and have worked as the head of Kakogawa Works for four years from 2014. The steelworks is a massive organization. In managing this organization, I learned the importance of not only accurately communicating my thoughts to employees, but also receiving feedback straight from the production floor in order to marshal the collective strengths of our employees.

While the Company works diligently to prevent a recurrence of the misconduct, I feel a sense of urgency in leveraging my experience and performing my duties and responsibilities as Director in charge of the materials businesses. I will continue to encourage our employees to never take their eyes off the goal, reminding them that we cannot overcome these difficulties as individuals. By combining the abilities of everyone here, we will put our full efforts into restoring trust.

I believe going “back to the basics of manufacturing” is too easy, and that we must strive to please our customers through the reliable delivery of high-quality products. While starting from scratch and with strong determination, we will spare no effort in preventing a recurrence of the misconduct and restoring trust in the Kobe Steel Group.

Turning the Trend toward Lighter Vehicles into Opportunities for Business Growth

The Kobe Steel Group has built a unique position as the only materials maker in the world that is able to provide multi-material joining technologies in addition to cutting-edge, ultra-high-strength steel and aluminum products. We provide technologies, products, and services to customers in various fields around the world. With the trend toward lighter vehicles forming a tailwind amid tightening environmental regulations around the world, the Kobe Steel Group will turn its unique strengths and advantages into business growth.

Under the Medium-Term Management Plan, Kobe Steel has decided to carry out approximately ¥160 billion* in strategic investments related to the weight reduction of automobiles. These investments include expanding supply capacity for aluminum products, constructing a new ultra-high-strength steel production facility at PRO-TEC Coating Company, our joint venture with United States Steel Corporation, and building new production facilities for high-strength automotive steel at Kakogawa Works. In the welding business, we aim to further strengthen our welding solutions capabilities.

While steadily advancing measures in the Medium-Term Management Plan, we will make every effort to generate returns on strategic investments and turn a profit.

* Please refer to page 64.

Initiatives for Weight Reduction of Automobiles

Market Environment and Business Opportunities

- Needs for lighter automobiles represent a stable long-term trend owing to moves to tighten regulations for fuel economy and CO₂ emissions around the world.
- The use of multi-materials in automobiles is likely to increase as various lightweight materials are adopted to ensure both light weight and high strength, while satisfying stricter environmental regulations and improving collision safety.

Trends in Materials Used for Automotive Bodies

Position	Required features	Approach	Small / mid-size vehicles	Large vehicles
Body frame	Collision safety / comfort	Focus on ultra-high-strength steel, which offers both increased strength and reduced weight.	Ultra-high-strength steel	Aluminum extrusions
Panels / hood	Design / rigidity	Restrictions on rigidity limit down-gauging. Greater use of aluminum and plastic.	Steel sheet	Aluminum sheet

Position for multi-material use

Strengths and Advantages

- Working to reduce the weight of automobiles as the only materials manufacturer in the world able to provide cutting-edge, ultra-high-strength steel and aluminum materials.
- Ability to propose solutions to customers through abundant data accumulated as a materials manufacturer, with joining technologies capable of joining dissimilar materials at low cost and technical support from parts design to processing.

Steel	Aluminum & Copper	Welding
<ul style="list-style-type: none"> • In ultra-high-strength steel, Kobe Steel has built a supply structure with three bases in Japan, the U.S., and China, backed by a track record and know-how as a top runner. • In special steel wire rods, Kobe Steel has a 50% share of the world market for wire rods for automotive engine valve springs. 	<ul style="list-style-type: none"> • In aluminum, Kobe Steel is highly competitive in lightweight materials such as aluminum sheets for closure panels, forged suspension products, and extrusions, owing to proprietary alloy control technology and heat treatment technology. • Kobe Steel maintains a global supply structure for aluminum sheets for closure panels in Japan and China; forged suspension products in Japan, the U.S., and China; and extrusions in Japan and the U.S. • The Company boasts the top share in copper sheets, demand for which is growing along with the electrification of automobiles. 	<ul style="list-style-type: none"> • Lineup of welding materials for materials used in automobiles such as high-strength steel, aluminum, and stainless steel. • For multi-materials, Kobe Steel has proprietary joining technologies for ultra-high-strength steel as well as dissimilar materials.

Lineup Strategy and Kobe Steel's Advantages

Common strategy: Strengthen interactions with Japanese automakers; advance initiatives for European and U.S. automakers in growth areas (North America, China)

Aluminum Sheets for Closure Panels

Respond to growing worldwide demand for closure panels

Kobe Steel's Advantages

- Technological advantages, such as alloy technology
- Advanced surface quality acquired from beverage can stock

Special Steel Wire Rods

Expand sales in growth markets overseas

Kobe Steel's Advantages

- Global supply structure for high-quality special steel
- Secondary processing bases in Japan and overseas

Ultra-High-Strength Steel

Concentrate on reducing weight of body frames with high-formability, ultra-high-strength steel

Kobe Steel's Advantages

- Experience and know-how as top runner in ultra-high-strength steel
- Global supply structure

Aluminum Extrusions and Fabricated Products

Global presence in bumpers and body frames thanks to high-strength alloys (7xxx type)

Kobe Steel's Advantages

- High-strength alloys that significantly reduce weight
- Bumper design technology

Aluminum Forged Suspension Products

Capture growing global demand

Kobe Steel's Advantages

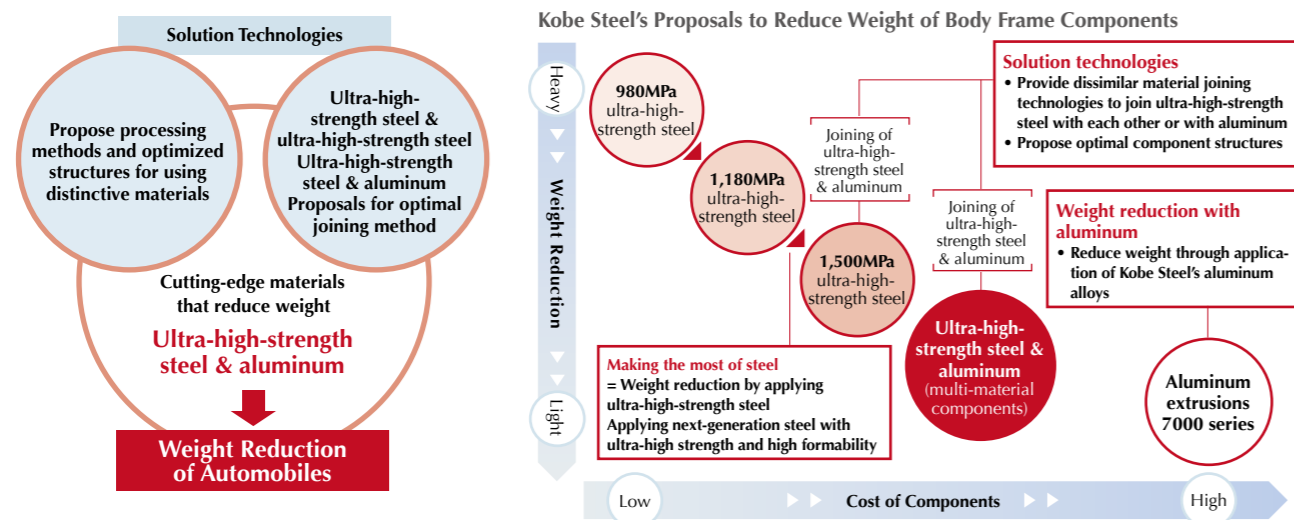
- Development, design, mold/forging technology capabilities

Business Strategy of the Kobe Steel Group

Initiatives for Weight Reduction of Automobiles

Comprehensive Proposals for Weight Reduction

Kobe Steel develops and provides solution technologies that leverage its strengths in ultra-high-strength steel, aluminum, and welding materials. By combining its cutting-edge materials (ultra-high-strength steel and aluminum) with its solution technologies, the Company is able to provide options not available at other companies and contribute to the weight reduction of automobiles.



Strategic Investments in Ultra-High-Strength Steel to Reduce Weight of Automobiles

Capital Investment for Ultra-High-Strength Steel at Kakogawa Works, the Mother Facility in Japan (April 2018)

To meet stricter regulations for fuel efficiency and collision safety around the world, automakers have been promoting the shift toward lighter and stronger body frames. Kobe Steel has decided to make capital investments centered on a new continuous annealing line at Kakogawa Works in response to growing demand for automotive ultra-high-strength steel.

Paving the way for the simultaneous production of ultra-high-strength steel with high formability in Japan and the U.S. (at PRO-TEC Coating Company)

Outline of Capital Investment

- Facilities:**
 - [New] Continuous annealing line, recoiler, and other associated equipment
 - [Expansion] Pickling and tandem cold mill (PTCM) and material handling equipment
- Production capacity:** 240,000 tons per year
- Investment amount:** Approx. ¥50 billion
- Start of operations:** February 2021
- Main product:** Automotive ultra-high-strength steel (cold-rolled and hot-dipped galvanized/galvannealed)

Investment purpose:

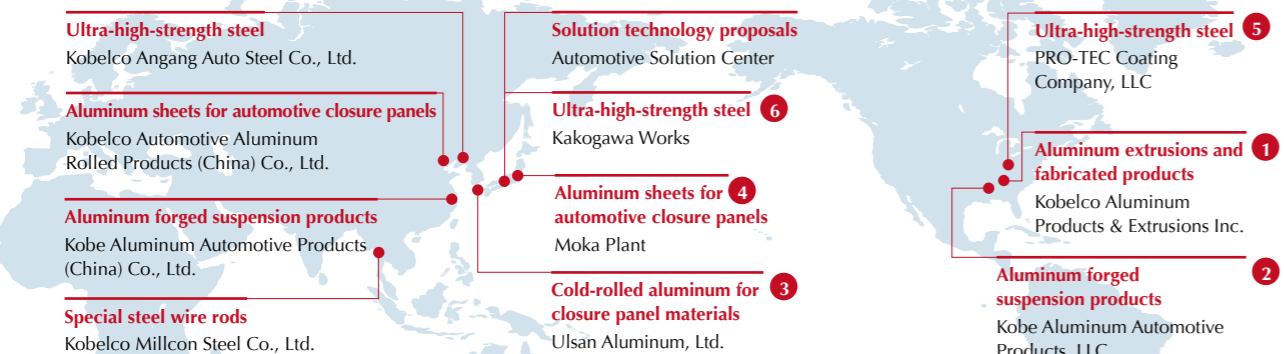
- Increase production capacity and productivity in anticipation of higher demand for automotive ultra-high-strength steel
- Readiness to meet future needs for higher strength and higher formability

Characteristics and Significance of Capital Investment

- Continuous annealing line with leading-edge heat treatment functions
- Production of ultra-high-strength steel with high formability that meets customer needs for cold-rolled steel and hot-dipped galvanized/galvannealed steel.

Establishment of Global Supply Structure

Kobe Steel is tapping into growing demand in North America and China while strengthening mother factories in Japan, the sources of its competitiveness.



Strategic investments related to automobile weight reduction strategy

No.	Decision date	Product	Remarks	Investment amount
1	Apr. 2016	Aluminum extrusions and fabricated products	Established new extrusion plant in the U.S.	US\$46.7 million
2	Apr. 2017	Aluminum forged suspension products	Expanding KAAP facilities in the U.S. (7th expansion)	Approx. US\$53 million
3	May 2017	Cold-rolled aluminum for closure panel materials	Established joint venture with Novelis in South Korea	US\$315 million*
4	May 2017	Aluminum sheets for automotive closure panels	Increasing production equipment at Moka Plant	Approx. ¥20 billion
5	Sep. 2017	Ultra-high-strength steel	Adding new production facility in the U.S.	Approx. US\$400 million ²
6	Apr. 2018	Ultra-high-strength steel	Adding new production facility at Kakogawa Works	Approx. ¥50 billion

*1 Amount for share acquisition *2 Financing arranged by PRO-TEC

Total: Approx. ¥160 billion

Increasing Production Capacity for Hot-Dipped Galvanized Ultra-High-Strength Steel at PRO-TEC (September 2017)

Kobe Steel and United States Steel Corporation have decided to expand production capacity for hot-dipped galvanized ultra-high-strength steel for automotive use at their joint venture, PRO-TEC, in response to growing demand for this material.

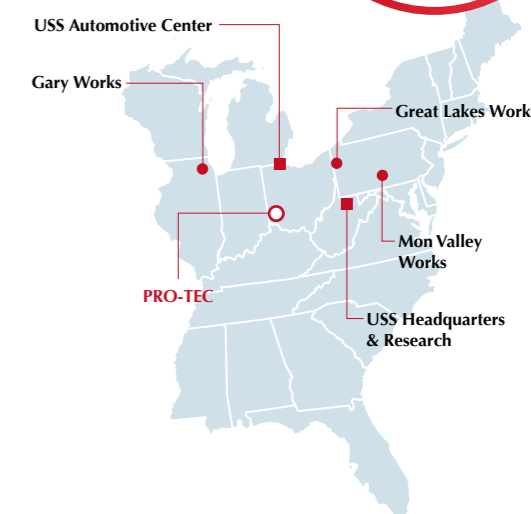
Strengthening our global supply network for ultra-high-strength steel in Japan, North America, and China.

Outline of New CGL

- Facility name:** Continuous galvanizing line (CGL)
- Production capacity:** 500,000 short tons per year
- Investment amount:** Approx. US\$400 million
- Start of operations:** July 2019
- Main product:** Hot-dipped galvanized ultra-high-strength steel for automotive use
- Source of substrate coils:** U.S. Steel

Characteristics and Significance of New CGL

- New line equipped with cutting-edge technologies
- Production of competitive, cutting-edge ultra-high-strength steel
- Broad lineup of ultra-high-strength steel for body frames in North America



Business Strategy of the Kobe Steel Group

Initiatives for Weight Reduction of Automobiles

Joint Development of Robot System to Join Dissimilar Metals

Kobe Steel and FANUC Corporation have jointly developed a robot system to join dissimilar metals, in light of the growing trend toward multi-material applications that use the optimal combination of materials. Kobe Steel aims to promote this cutting-edge system to automakers for early practical application.

- Kobe Steel has developed a robot system incorporating element arc spot welding (EASW), a unique welding method by Kobe Steel for dissimilar metals, to join ultra-high-strength steel and aluminum, together with FANUC's robot, engineering, and sensor technologies.
- This state-of-the-art robot system automatically performs a series of actions at high speed with an image sensor, such as detecting welding points, providing accurate movement of the robot, feeding and engagement of welding elements, and arc welding.

Prototype of a robot system with the highest joining strength compared with existing methods



Exterior view of the prototype

Initiatives in the Aircraft Field

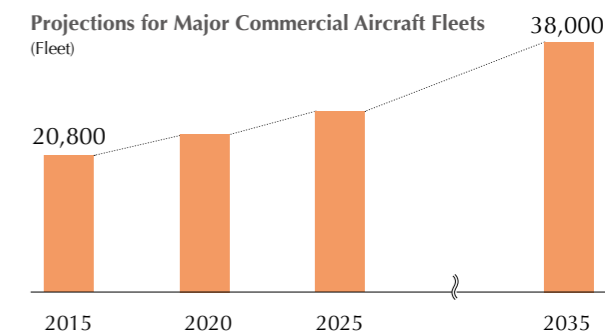
Mass Production of Titanium Alloy Forged Material for Large Jet Engine Made by GE

Kobe Steel supplies titanium alloy forged material for shafts to IHI Corporation, which has certified the material for use in a large commercial jet engine manufactured by General Electric (GE). IHI is one of the joint development partners of the engine. Kobe Steel is in charge of process design of the forged material, and its affiliate, Japan Aeroforge, Ltd., does the forging. Kobe Steel is responsible for the other processes as well as quality assurance.

The number of passenger jets in service worldwide is projected to increase from approximately 20,800 in 2015 to over 38,000 in 2035. As a result, demand is also anticipated to expand for related engine parts and materials. Kobe Steel and Japan Aeroforge plan to further grow their titanium business for passenger jet engines.



Supply of high-quality titanium alloy forged material to aircraft industry in Japan and overseas



* Source: Kobe Steel, based on data from Japan Aircraft Development Corporation

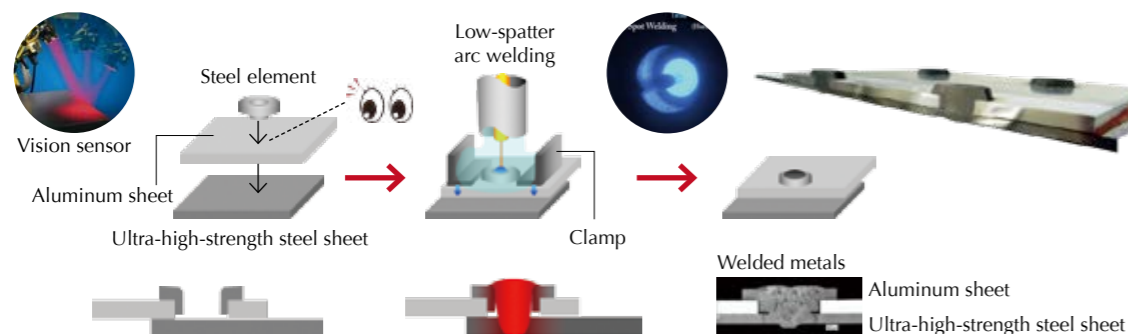
Topics Benefits of Element Arc Spot Welding (EASW)

Leveraging its full capabilities in ultra-high-strength steel, aluminum, and welding materials, Kobe Steel has developed element arc spot welding (EASW) as a proprietary dissimilar metal joining technology.

- **Effect**
 - Existing facilities used for cost effective arc welding can be used for joining ultra-high-strength steel and aluminum.
 - One-side access allows application to closed sections.



■ Steps for joining materials



* An anti-corrosive sealing agent is applied between the metals in the actual process.

Initiatives in the Shipbuilding Field

Development and Marketing of Robot Welding System for Shipbuilding

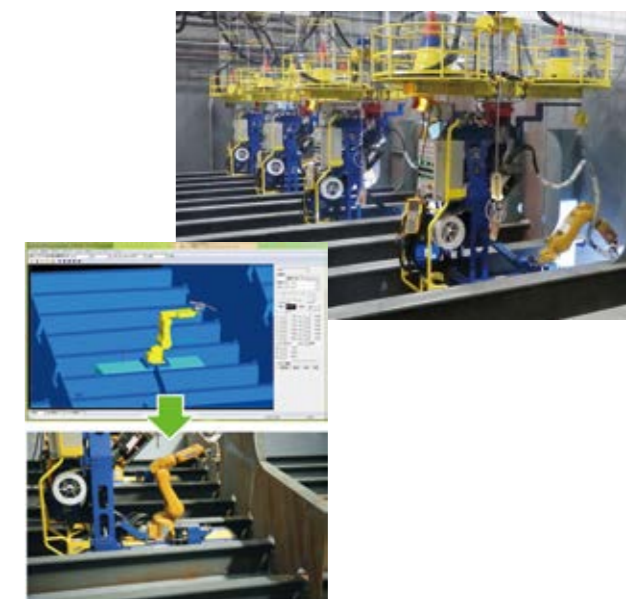
Kobe Steel has developed and is marketing a robot system for assembling large blocks during the shipbuilding process, previously known as a difficult area to apply automatic welding using robot systems.

This robot system has already been installed at one of the domestic shipbuilders, which gave the system a positive review for reducing the amount of time required for welding work by 20%. The robot system has contributed significantly to enhancing the efficiency of welding work. Under the "i-shipping" initiatives taken by Japan's Ministry of Land, Infrastructure and Transport, automatic welding at shipyards is expected to become a technology that contributes to enhanced productivity and the greater use of robots.

Contributing to the enhancement of productivity and automation of the welding process in block assembly for shipbuilding

- 1 SMART TEACHING™ automatic welding software utilizing ICT
- 2 ARCMAN™ A30S compact welding robot
- 3 FAMILIARC™ DW-100R welding wire
- 4 AP-SUPPORT™ stable production support system utilizing IoT

In addition to shipbuilding, Kobe Steel is continuously accommodating the needs of customers for automation in the architectural steel frame and industrial machinery fields through optimizing its comprehensive capabilities in welding materials, welding robot systems, and construction technology.



Machinery Businesses



Takao Ohama

Executive Vice President and Representative Director

Message from the Director in Charge of the Machinery Businesses

Enhancing Our Presence in the Fields of Energy, Environment, and Infrastructure

As head of the compressor business for eight years since 2010, I have focused on expanding the business while relying on my experience as an engineer supplying nonstandard compressors to customers in the U.S., China, and the Middle East. I have been involved in hydrogen projects and the launch of one of the world's largest test facilities for large-capacity nonstandard compressors under the Medium-Term Management Plan. As Director in charge of the machinery businesses, I will make use of my experience and strive to enhance the presence of these businesses.

As an initiative for the energy, environment, and infrastructure fields, we are expanding the compressor business, one of our main pillars. Lately, the energy market has shown signs of recovery after a period of weak capital investment due to low crude oil prices. By maximizing the use of our test facility for nonstandard compressors, we plan to tap into the Asian market, where we have a competitive advantage. As for the standard compressor business, we aim to solidify our position as a top group in Asia by introducing global strategic products with improved functionality and the world's highest levels of efficiency. In the hydrogen-related business, with an eye on the future for a hydrogen-based society, the Kobe Steel Group is steadily building up experience by conducting verification tests of hydrogen stations for renewable energy applications that bring together all of its technologies, including the development of hydrogen station units. Moreover, the Company will strengthen the waste treatment business related to the decommissioning of nuclear reactors; increase orders and strengthen profitability in the water treatment and waste treatment-related businesses; and continue to focus on creating new businesses.

Capitalizing On Business Opportunities through the Fusion of Technologies in the Machinery Businesses

In order to stabilize earnings, the management decided to restructure the construction machinery business in China, which included a review of the manufacturing and sales structure and capital relationships. In fiscal 2017, earnings improved sharply as steady progress was made in receivables collection, and demand for hydraulic excavators recovered. We are advancing both offensive and defensive measures, such as increasing market share in North America and Europe, and undertaking capital investment to expand production capacity at our excavator plant in India, where sales are brisk, while minimizing business risk in regions outside China. In addition, we will focus on the crane business, in which profitability has weakened, in a bid to stabilize earnings in the entire construction machinery business.

The machinery businesses have amassed a diverse range of menus while integrating the technologies made available by the Kobe Steel Group. In fiscal 2017, Kobe Steel acquired Quintus Technologies AB, a Swedish manufacturer and global leader in isostatic presses, as a part of efforts to further expand its existing technological domains. We are working to solidify and expand our business foundation by tapping into opportunities while responding appropriately to changes in the business environment.

Aiming to Expand Business and Strengthen Earnings Power

Market Environment and Business Opportunities

Energy	Compressors	<ul style="list-style-type: none"> In nonstandard compressors, demand has been strengthening for large-scale centrifugal compressors alongside the increasing size of air separation and chemical plants in recent years. This market is dominated by two companies in Europe. As Kobe Steel is the only manufacturer of nonstandard compressors in Asia, customers are looking forward to our entry into this field. In standard compressors, there is potential for business growth mainly in Asia. Reinforcing the production base by reducing costs and shortening lead times is key.
	Hydrogen	<ul style="list-style-type: none"> Under the Basic Hydrogen Strategy and Strategic Energy Plan announced by the Ministry of Economy, Trade and Industry, Japan's energy policy for 2030 and 2050 calls for more efforts toward the realization of a hydrogen-based society. Accordingly, demand is likely to increase for hydrogen in the mobility field, centered on fuel-cell vehicles. Overseas, the hydrogen market is projected to expand from an increase in eco-friendly vehicles in North America in particular.
Environment	Waste Treatment	<ul style="list-style-type: none"> In municipal solid waste treatment, needs are growing for basic improvements to extend the useful lives of existing facilities in Japan. On the other hand, regarding markets in the U.K. and Thailand, for example, there are business opportunities in the waste power generation field where the feed-in tariff (FIT) scheme can be used. In special waste treatment, business opportunities are anticipated to arise in the treatment of waste from decommissioned nuclear power plants.
Infrastructure	Construction Machinery	<ul style="list-style-type: none"> In hydraulic excavators, demand is projected to be brisk in China, India, and North America. In crawler cranes, demand is expected to recover in North America and Southeast Asia, and demand should remain strong in Japan.

Prerequisites for Entering Nonstandard Compressor Market

Final quality verification
Verify quality at large-capacity test facility

▶ **One of the world's largest test facilities completed**
Output: 40 MW / Completion: April 2017

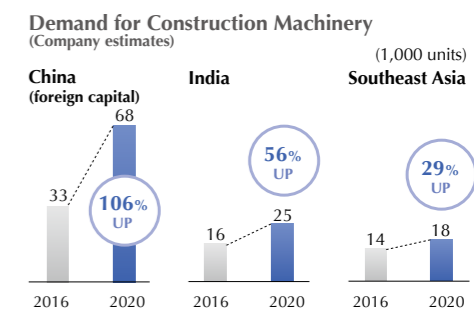
Performance Top class in the world

Manufacturing capacity 400,000 Nm³/h class Experience with large-capacity equipment

Competitiveness Reduced costs to prepare for a stronger yen

Prepared to enter market with completion of testing facility

▶▶ Focus on capturing the Asian market where Kobe Steel has a competitive advantage



Strengths and Competitive Advantages

Energy	Compressors	<ul style="list-style-type: none"> In nonstandard compressors, Kobe Steel is the only manufacturer in the world with a lineup of all three major types of nonstandard compressors, comprising screw, centrifugal, and reciprocating compressors. With the completion of one of the world's largest testing facilities, Kobe Steel has satisfied the conditions for entering into the growing market for large-capacity centrifugal compressors. In standard compressors, Kobe Steel has two types, comprising oil-free and oil-injection type compressors, both of which have the world's highest levels of energy efficiency, helping users conserve energy.
	Hydrogen	<ul style="list-style-type: none"> Kobe Steel manufactures in-house the key equipment necessary for hydrogen refueling stations, including compressors, refrigerators, and micro channel heat exchangers. The HyAC series, which integrates this equipment into a compact unit, has a 30% share of deliveries to stationary hydrogen refueling stations in Japan. In a first for a domestic manufacturer, Kobe Steel sold and delivered hydrogen compressors and other related equipment for hydrogen refueling stations overseas. Kobe Steel is moving forward on hydrogen, backed by the Group's collective technological strengths, such as the High-purity Hydrogen Oxygen Generator made by Kobelco Eco-Solutions Co., Ltd. and the total engineering capabilities of Shinko Engineering & Maintenance Co., Ltd.
Environment	Waste Treatment	<ul style="list-style-type: none"> In municipal solid waste treatment, Kobelco Eco-Solutions Co., Ltd. (KES) has the best track record in Japan for delivering fluidized-bed gasification and melting furnaces, which fulfill the needs for reducing CO₂ emissions and landfill disposal volume. Additionally, KES is able to satisfy a broad range of waste disposal needs, from municipal refuse to detoxification technology for polychlorinated biphenyl (PCB). In special waste treatment, Kobe Steel has extensive experience in delivering facilities and equipment for the treatment and disposal of radioactive waste. It also has a chemical weapons destruction (CWD) business that combines its operation know-how and proprietary technology for the controlled detonation of chemical weapons.
Infrastructure	Construction Machinery	<ul style="list-style-type: none"> Specializing in the two fields of excavators and cranes, core products comprise heavy-duty excavators, environmental recycling machines, and crawler cranes. Our product strategy takes into account needs specific to each region, such as for low noise, low fuel consumption, and high durability.

Business Strategy of the Kobe Steel Group

Aiming to Expand Business and Strengthen Earnings Power

1 Energy Field

Completion of One of the World's Largest Compressor Test Facilities



In particular, we are focusing efforts in the Asian market, where Kobe Steel has an advantage.

- Our large-capacity test facility for nonstandard compressors opened in April 2017.
- The facility, among the world's largest, can perform tests on compressors with 40-MW variable speed motors, satisfying prerequisites for entering the large-scale centrifugal compressor market.

Development of Hydrogen Refueling Station Unit



Reducing on-site adjustment work and other tasks for customers

Launched the HyAC mini-A for Stationary Hydrogen Refueling Stations in the U.S.

- In February 2017, sales commenced for the HyAC mini-A, an all-in-one compact package for stationary hydrogen refueling stations in the U.S.
- Reduced space requirements by 10% compared with the HyAC mini sold in Japan.
- Sold as a package with a dispenser made by Tatsuno Corporation, covering everything from hydrogen compression to refueling fuel-cell vehicles.

Smooth Operations at Fukui Green Power Co., Ltd.

Fukui Green Power Co., Ltd., which runs a wood biomass power generation business, has been operating smoothly since commencing operations in April 2016.

Facility Outline

- Power generation capacity:** 7,000 kW class (equivalent to electricity use of 15,000 households)
- Location:** Ono, Fukui Prefecture
- Power generation facility:** Fluidized-bed gasification and melting furnace
- Raw material use:** About 80,000 tons per year (mainly tree thinnings)
- Operator:** Fukui Green Power Co., Ltd.



Fukui Green Power Co., Ltd. Ono Power Plant

Diffusion Bonded Compact Heat Exchanger for Hydrogen Refueling Stations Receives Award

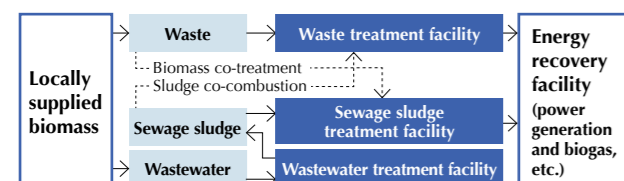


Nippon Yakin Kogyo Co., Ltd. and Kobe Steel received the Silver Award for their Diffusion Bonded Compact Heat Exchanger (DCHE) for hydrogen refueling stations in the Best New Technology category of the New Applications Awards sponsored by ISSF.* DCHE is manufactured by Kobe Steel with stainless steel provided by Nippon Yakin Kogyo. This is the second time that Nippon Yakin Kogyo has received the award, and the first time for Kobe Steel.

* ISSF: International Stainless Steel Forum
Established in 1996, ISSF is a global organization formed by 32 stainless steel producers in 25 countries and 25 related industry associations. This was the second time the New Applications Awards were held. The New Applications Awards started in 2015 to promote new applications for stainless steel. The Awards consist of two categories: Best New Technology and Best New Development.

Initiatives in Biomass

- Leveraging its strength in offering diverse options, Kobe Steel provides complete solutions in the environment and energy fields.



- Digestion gas refining equipment + power generation business (commenced in May 2018 at the Tamatsu Sewage Treatment Plant in Kobe)
- Power generation business using existing facilities for digestion gas (commenced in April 2018 at Takasago's Iho Purification Center; plans to commence in April 2019 at Shimonoseki's Sanin Disposal Plant)
- Sewage sludge + waste co-treatment (currently being proposed to local governments)

Biomass treatment linked to existing stock, energy recovery

2 Environmental Field

Establishment of Joint Venture for Radioactive Waste Treatment

In July 2016, Kobe Steel established the joint venture KOBELCO STUDSVIK Co., Ltd. with Studsvik AB, a company in Sweden that has a long history of supplying services to the nuclear industry. Kobe Steel has over 30 years of experience in radioactive waste treatment and disposal, storage facilities, and transport and storage casks for nuclear spent fuel. The joint venture, combining the knowledge and experience of Kobe Steel and Studsvik, will contribute to society by responding to issues concerning the treatment and disposal of radioactive waste generated from decommissioned nuclear power plants.

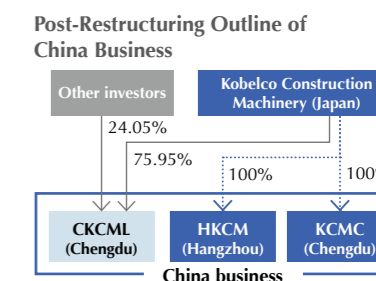
Basic Agreement Signed for Integration with IHI Enviro Corporation

In March 2018, Kobelco Eco-Solutions Co., Ltd. entered into a basic agreement with IHI Corporation and IHI Enviro Corporation to discuss the merger of their waste treatment-related businesses. The companies will proceed with discussions for the merger, examining synergies from expansion in revenue bases, stronger competitiveness by combining their sales and technology know-how, and reinforcing their R&D and proposal capabilities.

3 Infrastructure Field

Dissolution of Joint Ventures and Restructuring of Construction Machinery Business in China

Kobelco Construction Machinery Co., Ltd. dissolved its joint ventures with Chinese partners in October 2017 and fundamentally restructured operations in China under its own initiative. Previously, separate companies were responsible for production and sales. The restructuring integrates production and sales into a single business entity with the aim of smoothly sharing and recognizing issues to conduct business in a swift and efficient manner. Kobelco will establish a solid local sales network by revising and enhancing manufacturing, sales, the dealer network, and the after-sales service network, as well as by improving receivables management.



Acquisition of Quintus Technologies in Sweden

In April 2017, Kobe Steel acquired Quintus Technologies AB in a bid to strengthen its industrial machinery business. Quintus is the world's leading manufacturer of isostatic presses, widely used to make aircraft components, turbine blades for power generators, and high-performance products such as semiconductor-related materials. It has an overwhelming presence in the aerospace field in Europe and the U.S.

After constructing a temporary incinerator in fiscal 2014, the two companies were recognized for their contributions to reconstruction in the region by incinerating and reducing the volume of waste within the district administered by Iitate village. We will continue to contribute in various ways to the reconstruction of regions affected by natural disasters.

Recognized for Local Contributions from Waste Treatment Operations

In August 2017, Kobe Steel and Kobelco Eco-Solutions Co., Ltd. received an award in the local contributions category of the Fiscal 2017 Outstanding Contractor Awards from the Fukushima District Environmental Office's Work Optimization and Safety Measure Council for their involvement in local waste treatment operations for the Komiya district of Iitate village from 2015 to 2016.

Expansion of Production Capacity at Hydraulic Excavator Factory in India

In March 2018, Kobelco Construction Machinery's Indian subsidiary, Kobelco Construction Equipment India Pvt. Ltd. (KCEI), decided to expand production capacity at its local hydraulic excavator factory in order to meet brisk demand for hydraulic excavators in India. Since 2011, KCEI has expanded local production capacity for hydraulic excavators from 1,200 units to 2,000 units per year. The company now plans to expand capacity to 3,000 units per year in order to keep up with the growing demand in India and increase exports from the country.

Electric Power Business

Electric Power



Jiro Kitagawa

Director and Senior Managing Executive Officer

Message from the Director in Charge of the Electric Power Business

Leveraging Experience and Passion in the Electric Power Business

After working in equipment departments at our steelworks, I have been involved in the electric power business since 1996 as one of the members for the planning and construction of the No. 1 and No. 2 units of the Kobe Power Plant. Since April 2016, I have served as the head of the Electric Power Business, which was created as a result of the merger of the electric power supply divisions of the Head Office and the Iron & Steel Business. As Director in charge of the electric power business, I am committed to achieving our mission in the Medium-Term Management Plan by leveraging the experience and passion I have gained in this business.

Under the Medium-Term Management Plan, the Kobe Steel Group is establishing a stable revenue base in the medium to long term by carrying out new projects in addition to maintaining stable operations of the No. 1 and No. 2 units of the Kobe Power Plant. Due to one-time upfront expenses associated with the new projects, we expect earnings to be weighed down until fiscal 2019, when the No. 1 and No. 2 units of the Moka Power Plant, currently under construction, is expected to start operation. Once all the projects, including the No. 3 and No. 4 units of the Kobe Power Plant, are completed in around 2023, the Company forecasts ordinary income to reach roughly ¥40 billion.

The Social Significance of Our Electric Power Business

The operating environment surrounding the electric power business is approaching a transitional period in the wake of the 2011 Great East Japan Earthquake. Japanese government policy targets an optimal mix of power sources that simultaneously achieves safety, energy security, economic efficiency, and environmental compatibility as a new composition of power sources for 2030, a timeline that coincides with the 2015 Paris Agreement. Thermal power generation is positioned as a power source to be used on the premise of its high efficiency. The construction of new coal-fired power plants entails cutting-edge ultra-supercritical (USC) pressure power generation in order to achieve higher efficiency, while the construction of new LNG-fired power plants also requires the latest high-efficiency power generation methods. Based on the revised Energy Conservation Act, each power generation company is required to achieve an average thermal power generation efficiency of 44.3% or higher by fiscal 2030.

The Kobe Steel Group plans to construct high-efficiency thermal power plants with the latest power generation equipment based on best available technologies (BAT) determined by the Japanese government. Kobe Steel plans to strictly adhere to this standard for average power generation efficiency in the Energy Conservation Act for its power plants, including new projects. By improving the efficiency of thermal power generation facilities, we believe the electric power business aligns with the nation's energy policy and measures to combat global warming.

The Kobe Steel Group, as a wholesaler of electric power with multiple large-scale power generation facilities, intends to build stable, long-term relationships with electric power companies and gas companies with which it has supply contracts. At the same time, we will continue to make every effort to meet the expectations of our stakeholders, including local communities, while prioritizing safety, the environment, and disaster preparedness.

Toward Establishing a Stable Earnings Foundation

Market Environment and Business Opportunities

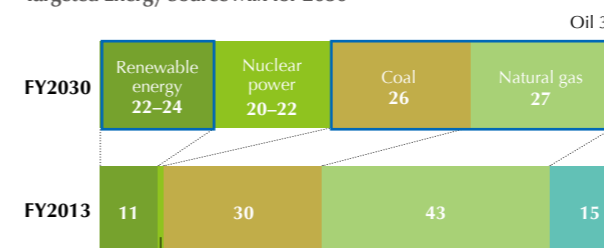
National Energy Policy

- Japan's energy policy has been undergoing many changes since wholesale electric power became a viable business following revisions to the Electricity Business Act in 1995, including the full liberalization of the retail market in 2016 after the Great East Japan Earthquake in 2011 and plans to separate power generation from transmission by 2020.
- Japanese government policy targets an energy source mix that simultaneously achieves safety, energy security (stable supply), economic efficiency, and environmental compliance by 2030.

Conversion to High-Efficiency Power Plants

- Although demand for electricity is not growing in Japan, it is projected to remain above a certain level, thereby necessitating the replacement of aging power plants with modern, high-efficiency power plants.

Targeted Energy Source Mix for 2030



* Source: Kobe Steel, based on public data from the Ministry of Economy, Trade and Industry

Strengths and Advantages

- Ability to effectively utilize the Company's business infrastructure in both tangible and intangible terms

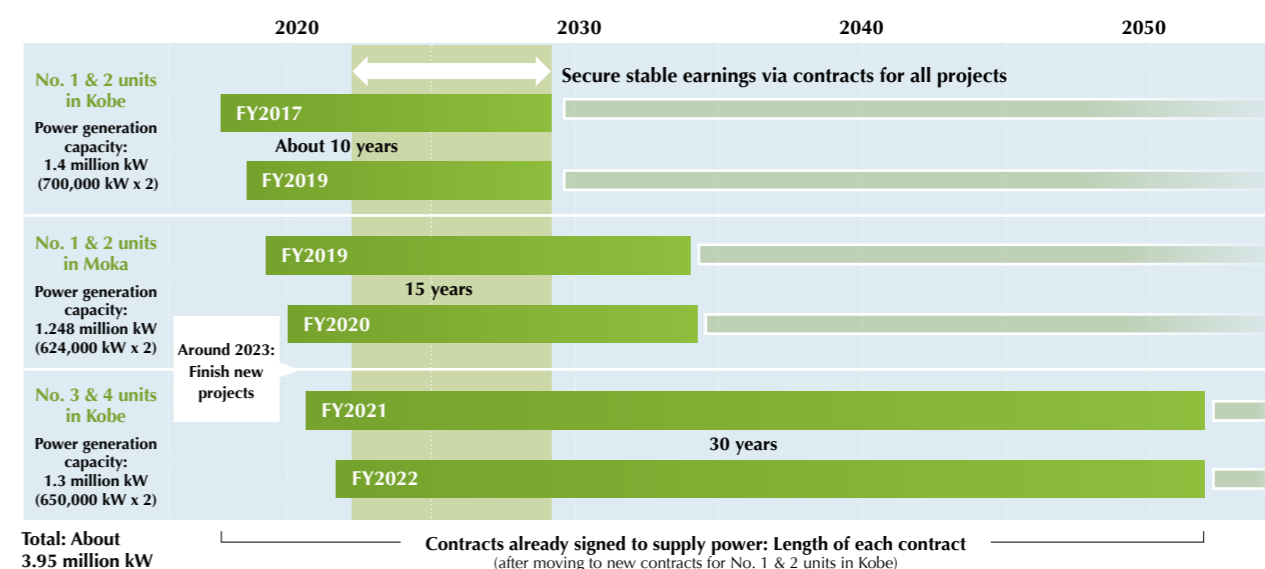
No. 1 & 2 Units and No. 3 & 4 Units in Kobe (Coal-Fired Power Plant)

- Technology and know-how gained from operating own power plants; use of land, wharfs, and unloading equipment at steelworks
- Minimal power transmission loss due to power plants being located near demand areas
- Effective use of underutilized sources of energy

No. 1 & 2 Units in Moka (Gas-Fired Power Plant)

- Technology and know-how gained from operating in-house power plants, existing infrastructure including gas trunk lines and already developed industrial parks
- Japan's first large-scale inland power plant, backup connection for Greater Tokyo
- Power plant recognized for strengthening resilience of Japan's energy infrastructure

Establishing a Stable Earnings Base for the Medium to Long Term



Business Strategy of the Kobe Steel Group

Toward Establishing a Stable Earnings Foundation

Summary of New Projects

Moka Power Plant (No. 1 & 2 Units)

Project Outline

- **Construction site:** Moka, Tochigi Prefecture
- **Land area:** About 9 hectares
- **Power generation capacity:** 1,248,000 kW (624,000 kW x 2)
- **Power generation method:** Gas turbine combined cycle power generation (GTCC, gas turbines, and steam power)
- **Fuel:** City gas
- **Power generation efficiency:** About 60%
- **Start of operations (planned):** No. 1 unit in late 2019/No. 2 unit in early 2020

Power Supply Contract (Signed in September 2014)

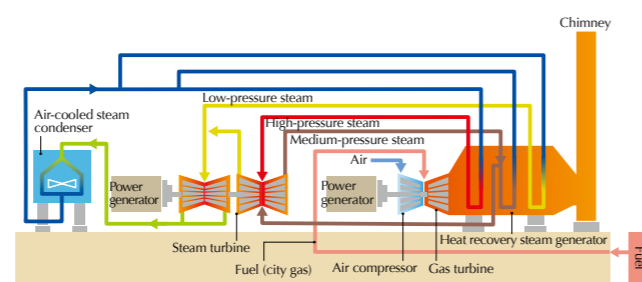
- **Contract partner:** Tokyo Gas Co., Ltd. (wholesale supply of entire amount)
- **Contract period:** 15 years

Operating Company (Established in January 2016)

- **Company name:** Kobelco Power Moka, Inc.
- **Capital:** ¥600 million (100% owned by Kobe Steel)

Features of the Gas Turbine Combined Cycle (GTCC) Power Generation Method

Combining gas turbines and steam power, this highly efficient power generation method uses the expansion force of high-temperature, high-pressure combustion gas to turn gas turbines and generate electricity, while utilizing the waste heat of exhaust gas to create steam in boilers, which is used in steam turbines to generate electricity.



First large-scale inland thermal power plant in Japan
Equivalent to about 40% of maximum power demand in Tochigi Prefecture

Kobe Power Plant (No. 3 & 4 Units)

Project Outline

- **Construction site:** Kobe, Hyogo Prefecture (On the former site of the Kobe Works' blast furnace)
- **Land area:** About 20 hectares
- **Power generation capacity:** 1,300,000 kW (650,000 kW x 2)
- **Power generation method:** Pulverized coal-fired, ultra-supercritical (USC) pressure power generation
- **Fuel:** Coal
- **Power generation efficiency:** About 43%
- **Start of operations (planned):** No. 3 unit in FY2021/No. 4 unit in FY2022

Power Supply Contract (Signed in March 2015)

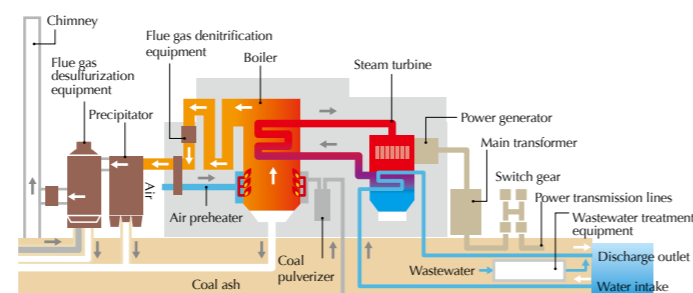
- **Contract partner:** Kansai Electric Power Co., Inc. (wholesale supply of entire amount)
- **Contract period:** 30 years

Operating Company (Established in May 2018)

- **Company name:** Kobelco Power Kobe No. 2, Inc.
- **Capital:** ¥300 million (100% owned by Kobe Steel)

Features of the Ultra-Supercritical (USC) Pressure Power Generation Method

Coal is used to heat water in a boiler to create high-temperature, high-pressure steam, which turns turbines to generate power. The higher the temperature and pressure of the steam, the greater the power generation efficiency, which helps conserve energy and reduce CO₂ emissions. Ultra-supercritical (USC) pressure power generation refers to advanced high-temperature, high-pressure systems that heat steam to temperatures of over 593°C, thereby achieving higher efficiencies while reducing the burden on the environment.



* With the aim of effectively using underutilized energy sources in the region, the Company plans to use sewage sludge for part of the fuel, and use the electricity generated from this fuel to produce hydrogen for delivery to hydrogen refueling stations.

Urban power plant with minimal power transmission loss
Improves self-sufficiency ratio for power in Kobe and surrounding areas

Technical Development



Yoshinori Onoe
Executive Vice President and Representative Director

Message from the Director in Charge of Technical Development

Focusing on Improving Technical Development Capabilities and Raising Manufacturing Standards

Ever since joining Kobe Steel, I have worked in the Iron & Steel Business through my involvement in technologies related to steelmaking and wire rod and bar products at Kobe Works and Kakogawa Works. When I was in charge of product marketing and technical services, I worked with customers to create and supply technologies, products, and services. During my four years as head of the Iron & Steel Business, the consolidation of upstream operations at Kakogawa Works was completed according to plan in fiscal 2017, a major undertaking for not only the division, but also the Kobe Steel Group. This experience taught me that the ability to develop technologies is the basis for improving productivity and creating technologies, products, and services in tune with customer needs. Moreover, I became keenly aware of the importance of having a sharp sense and adequate consideration of issues related to the environment and disaster prevention, as well as initiatives for the advanced use of ICT. As the Director in charge of technical development, I will make full use of my experience and fulfill my duties so that the Kobe Steel Group is able to regain trust and move on to the next stage of growth.

In the technical development field, Kobe Steel is focusing on two areas, namely (1) improving its technical development capabilities in the automobile, aircraft, and energy fields, and (2) strengthening its quality capabilities and on-site capabilities, reinforcing its production foundation with data utilization, and raising its manufacturing capabilities to new levels. In order to improve its technical development capabilities, the Company opened the technology showroom "KoCoLab" in 2017 for the purpose of encouraging co-creation with customers, promoting the fusion of technologies within the Group, and enhancing information dissemination. In these ways, Kobe Steel is moving initiatives forward with customers and business partners with an eye on the next stage of growth, such as weight reduction in transportation and reduction of CO₂ emissions. In order to reinforce the production base and raise manufacturing capabilities to new levels, the Company is promoting the use of ICT and AI, training personnel in data analysis, and making investments to strengthen IT security to prevent potential data breach. As initiatives to prevent a recurrence of the misconduct and restore trust, we are working to rapidly deploy ICT to achieve traceability with the aim of ensuring objectivity and reliability in quality.

Enhancing Stakeholder Trust from Environmental and Disaster Prevention Perspectives

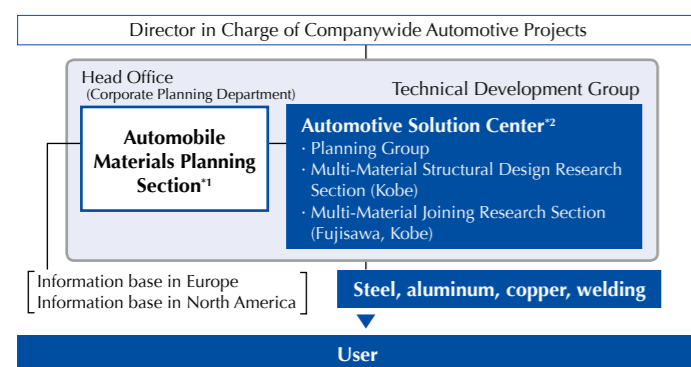
Since concern for the environment and disaster prevention are extremely important to the sustained growth of the Kobe Steel Group, we must promote environmental management and disaster preparedness. Kobe Steel's Basic Environmental Management Policy is grounded in contributing to the environment through its technologies, products, and services, pursuing environmentally friendly manufacturing activities, and coexisting and cooperating with society. Kobe Steel has also defined its basic policies for disaster prevention with regard to preventing facility accidents, strengthening preparations for natural disasters, and complying with laws and regulations related to disaster prevention. I believe it is essential that each and every employee becomes more aware of environmental preservation and disaster prevention from these perspectives. As a unified Group, we will do our utmost to regain the trust of our stakeholders, starting with our customers and local communities, from the standpoint of the environment and disaster prevention.

Business Strategy of the Kobe Steel Group

Improving Our R&D and Manufacturing Capabilities

New Automotive Solution Center Established

In April 2017, the Automotive Solution Center was newly established as a facility that specializes in reducing the weight of automobiles, with the aim of strengthening the Company's ability to propose a wide range of solutions and expand sales of materials such as ultra-high-strength steel and aluminum that help lighten the weight of vehicles. By combining new dissimilar material joining technology (welding technology, in particular) with our solutions technology, we aim to provide unique value for weight reduction solutions through the joining of multiple types of materials.



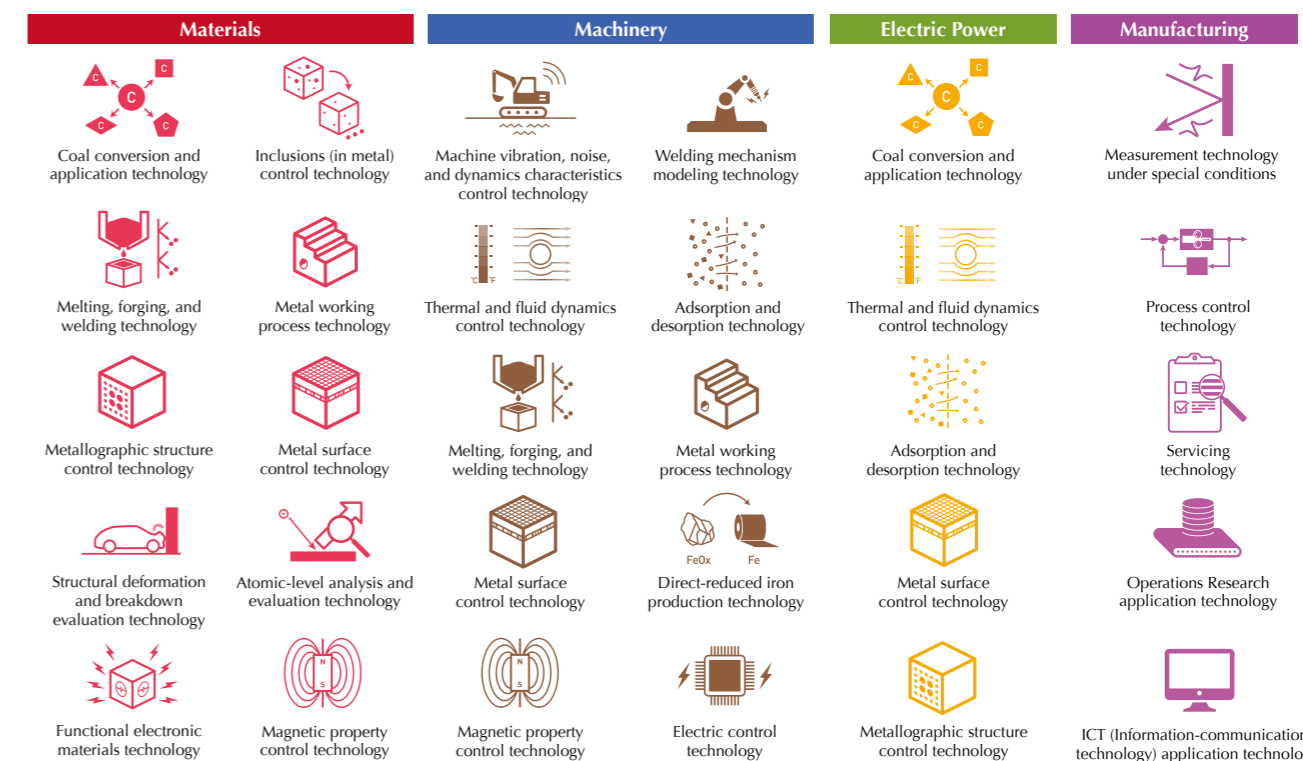
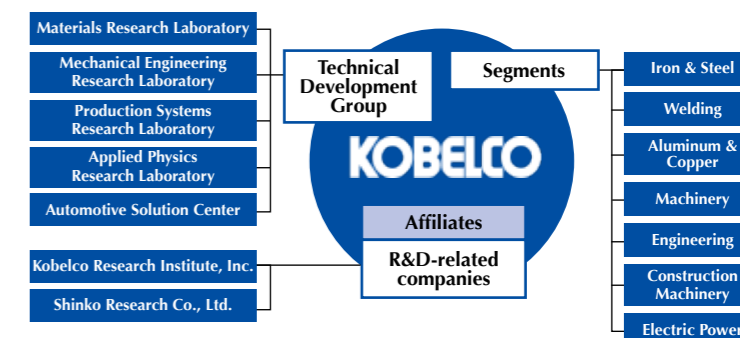
*1 Reorganization of the Transportation Materials Business Planning Section
*2 Reorganization of the Multi-Material Structural Design and Joining Research sections

At the Automotive Solution Center, we engage in discussions with automakers and auto parts manufacturers to identify issues related to fuel economy and safety of automobiles. Here, we develop technologies and propose solutions for designing and joining together components and processed parts, as well as automotive body structures using combinations of steel, aluminum, and plastic materials.

- Multi-Material Structural Design Research Section**
 - Collision analysis technology
 - Collision test evaluation technology
- Multi-Material Joining Research Section**
 - Joining technology for dissimilar materials
 - Joining technology for ultra-high-strength steel sheets

Introduction to Our Core Technologies

At the Technical Development Group, we have dedicated many years to building up a broad base of technologies through research and development activities with our diverse businesses, including materials, machinery, and electric power. The technological assets that support the creation of unique products and our advanced manufacturing capabilities can be classified into the following four fields and 21 core technologies. While working to strengthen and combine these core technologies, Kobe Steel will endeavor to create new value for its customers.



Opening of KoCoLab and Automotive Joining Technology Showroom

In May 2017, Kobe Steel opened the KOBELCO Co-creation Laboratory (KoCoLab) within Kobe Corporate Research Laboratories for the purpose of facilitating collaboration with customers, combining the technologies of the Kobe Steel Group, and enhancing information dissemination from the Company and its Technical Development Group.

Representatives from automakers and our other customers are welcome to visit the showroom to learn more about Kobe Steel's technologies and joining technologies in general. Our aim is to stimulate innovation through collaboration.

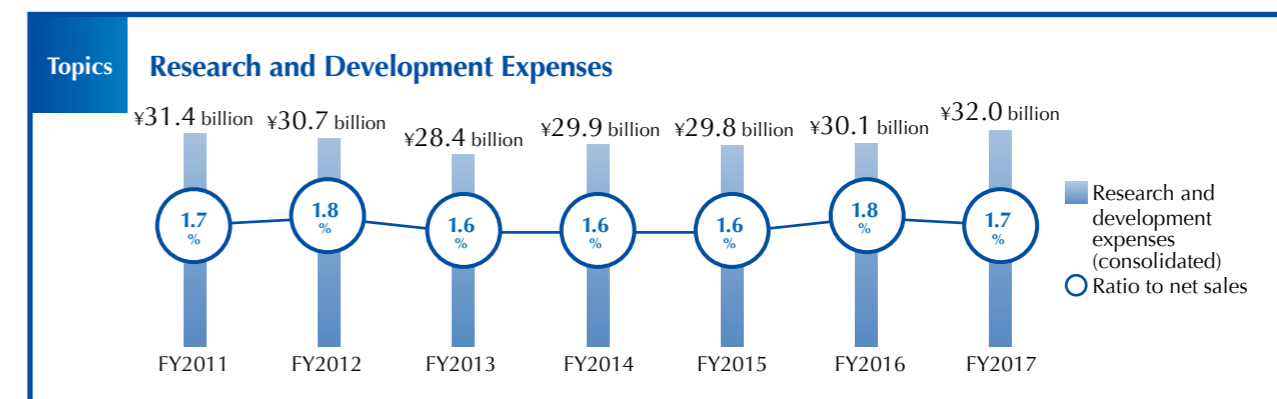
Based on the concepts of collaboration and face-to-face interaction, in addition to introducing the Company's technologies, KoCoLab has a Co-creation Zone and a Discussion Zone for the purpose of clearly identifying the needs of customers and co-creating more valuable seeds of innovation. These areas are utilized to engage in conversations with customers.

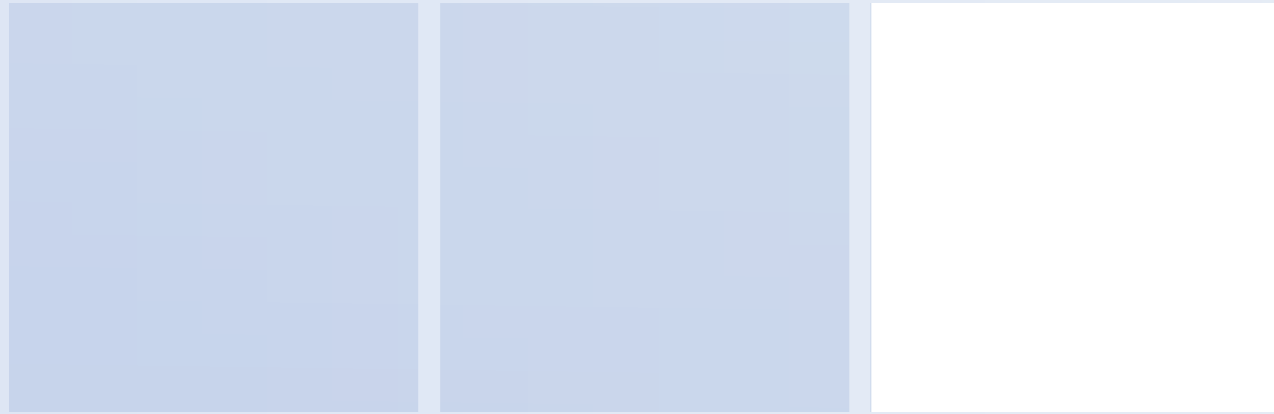


In July 2018, the Company opened the Automotive Joining Technology Showroom at the Fujisawa Plant as an R&D base for the Welding Business.

Topics Companywide Techno Forum Held

The Kobe Steel Group holds the Companywide Techno Forum once a year as an event for technology exchange. In fiscal 2018, the main theme of the forum was "challenging constant change and ensuring reliable quality to reinvigorate the KOBELCO brand." We invited outside speakers to give presentations about topics of key interest to the Kobe Steel Group, such as "The State of Industrial Applications for AI and Kobe Steel's Utilization Strategy," and made poster presentations to facilitate the exchange of technology and information across the business divisions, Group companies, and the Technical Development Group.





Our Sustainability

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Social Initiatives

Stakeholder Engagement

The Kobe Steel Group aims to deepen bonds of trust with all of its stakeholders by proactively and properly disclosing information, engaging in two-way communication, and conducting corporate activities in accordance with the Core Values of KOBELCO and the Six Pledges of KOBELCO Men and Women.



1 Shareholders and Investors

While returning profits to shareholders, the Kobe Steel Group strives to properly and quickly disclose pertinent information and publish a wide range of information, recognizing the importance of improving communication and management transparency for all stakeholders, including shareholders and investors.

In order to facilitate the exercise of voting rights by shareholders at the General Meeting of Shareholders, the Company mails out convocation notices early, discloses information on its website in advance, publishes information in English, avoids holding meetings on dates when other companies have scheduled meetings, and enables the exercise of voting rights over the Internet.

Kobe Steel engages in the following activities to communicate with institutional investors and individual investors. In addition to our previous activities, we are making concerted efforts to enhance information disclosure and increase opportunities to engage in dialogue with investors in a bid to restore their confidence in management.

Main Activities for Institutional Investors

- Financial results briefings (held four times a year)



April 2018

- Theme-based briefings (held once or twice a year)
 - Initiatives in the Electric Power Business (January 2017)
 - Initiatives to Rebuild the Construction Machinery Business in China (February 2017)
 - Initiatives for Automotive Weight Reduction Strategy (May 2017)
- Plant tours (held usually twice a year)
 - Fujisawa Plant (April 2017)
 - Kakogawa Works (October 2017)
- Meetings with institutional investors (held about 120 times a year)
- Small meetings with the President (held about once a year)



June 2018

- Individual meetings with overseas investors, overseas IR activities (held several times a year)

Main Activities for Individual Investors

- Briefings for individual investors (held about two times a year)
- Plant tours for shareholders (held about two times a year)

Takasago Works	October 2017
Kakogawa Works	February 2018
Kobelco Construction Machinery's Itsukaichi Factory	February 2018

Number of invitees since fiscal 2007: 6,135 people (including their companions)



(Top) Kakogawa Works, (bottom) Kobelco Construction Machinery's Itsukaichi Factory

- Distribution of "To Our Shareholders" and other publications
- Disclosure of information on our website
 - Information for shareholders and investors <http://www.kobelco.co.jp/english/ir/>



Social Initiatives

2 Customers and Business Partners

Providing “reliable technologies, products, and services” is one of the aims set out in the Core Values of KOBELCO. By strengthening our *monozukuri* (manufacturing) capabilities, we aim to maintain the trust and satisfaction of our customers and business partners, both in Japan and overseas, through unparalleled products and services.

Promoting *Monozukuri*

The Kobe Steel Group has been working to improve information sharing, synergy, and human resource development in order to strengthen its manufacturing capabilities. We will continue to work to strengthen quality, on-site manufacturing capabilities, and energy conservation to increase manufacturing capabilities throughout the Kobe Steel Group and provide reliable products and services.

Strengthening Groupwide Collaboration

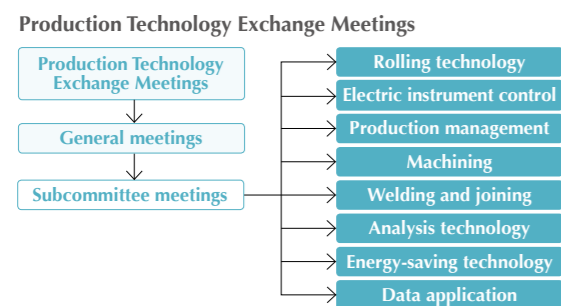
Representatives from each manufacturing facility participate in our Meetings for Monozukuri Promotion Leaders. These meetings allow participants to discuss Companywide policies, present examples of positive initiatives, and share information. Our Production Technology Exchange Meetings, meanwhile, provide opportunities for engineers to share information on elemental technologies and raise the Group’s overall technical level.

Meetings for Monozukuri Promotion Leaders

Each manufacturing facility in the Group has a monozukuri promotion leader (at the General Manager or Deputy General Manager level) who acts as a contact person for Kobe Steel Group monozukuri promotion activities. The leaders gather to attend the Meetings for Monozukuri Promotion Leaders, which are held regularly. Examples of internal and external initiatives are reported on, progress reports for ongoing initiatives are shared, and debates on new measures are carried out. Initiatives outlined during these meetings are then used as guidelines for improvement activities at each facility. When members are interested, we also arrange for on-site meetings with the facilities where improvements have been introduced.

Production Technology Exchange Meetings

The Kobe Steel Group holds Production Technology Exchange Meetings to allow engineers to interact and exchange ideas with others in the same field within the Group. The meetings currently include eight subcommittee meetings split according to technological field, as shown in the diagram below. These subcommittee meetings go beyond the organizational framework of business units and companies. Engineers participate and tackle the issues of information-sharing, human resource development, and business contributions.



Initiatives to Strengthen On-Site Manufacturing Capabilities

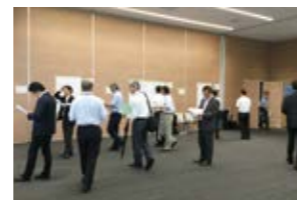
As the basis for its on-site manufacturing capabilities, the Kobe Steel Group considers 5S¹ activities to be of utmost importance, and is working to strengthen such activities for all manufacturing workplaces.

We also proactively promote on-site quality control circle activities. In particular, we hold a KOBELCO Quality Control Circle Conference once per year, aiming to improve the level of activities through Groupwide, cross-functional information sharing and education.

*1 5S stands for *seiri* (sort, classify), *seiton* (set in order, straighten up), *seiso* (shine, clean), *seiketsu* (standardize cleanups), and *shitsuke* (sustain discipline). 5S activities stress the importance of improving the work environment on the manufacturing floor.



Group discussion



Presentation of discussion outcomes



KOBELCO Quality Control Circle Conference



5S inspection

Initiatives toward Open Innovation

Creation of Framework for Advancing Open Innovation with National Institute for Materials Science and Three Steelmakers

The National Institute for Materials Science (NIMS), Nippon Steel & Sumitomo Metal Corporation, JFE Steel Corporation, and Kobe Steel signed a memorandum of understanding on June 30, 2017 for creating an open platform called Materials Open Platform (MOP), with NIMS at the center, for the purpose of advancing open innovation in the steel industry.

Under MOP, longer-term issues shared by each company that are challenging to tackle alone will be collectively addressed through an “all-Japan” system of horizontal collaboration.

While enhancing innovation and creativeness, the aim is to strengthen the core technologies that will support the international competitiveness of Japan’s steel industry into the future. By having all parties working together to advance the results of their research, MOP aims to contribute to the creation of a safe, secure society and reduce environmental impact while promoting infrastructure exports.



Signing ceremony

Field Testing of Compressed Air Energy Storage (CAES) System

NEDO, Waseda University, and the Institute of Applied Energy are validating a Compressed Air Energy Storage (CAES) system that uses control technologies based on projections of the amount of electricity generated by wind turbines, which vary in output depending on the weather conditions, in order to stabilize their use on the power grid.



Demonstration test facility

For this NEDO project,² Waseda University developed the control technology for the CAES system, the Institute of Applied Energy was in charge of constructing the system, and Kobe Steel designed and manufactured the equipment ordered by the Institute of Applied Energy. Through the establishment of control technologies for the CAES system, the project aims to contribute to the greater use of renewable energy.

*2 R&D Project on Grid Integration of Variable Renewable Energy / Enhanced Wind Power Forecast and Control Technology / Development of Output Fluctuation Control Technology Using Stored Energy Technology (Fiscal 2014–2018)

Establishment of Kobelco Mugenryoku Joint Research Center with Hiroshima University

On April 1, 2018, Kobelco Construction Machinery Co., Ltd. and Hiroshima University set up the Kobelco Mugenryoku Joint Research Center on the grounds of the university as the first project under Hiroshima University’s newly created system for research with private-sector companies and other external entities.³

The Kobelco Mugenryoku Joint Research Center is a research facility capable of supervising and managing multiple ongoing joint research projects. A higher level of research activity between organizations is made possible by the Research Center overseeing agreements regarding joint research projects, joint research, and academic guidance. This should translate into highly useful outcomes for both industry and academia.

Kobelco Construction Machinery and Hiroshima University have engaged in joint research since 2007, advancing their industry–academia relationship on multiple fronts. They subsequently concluded a cooperative agreement with Hiroshima University for comprehensive research collaboration in 2016. Kobelco Construction Machinery and Hiroshima University plan to reinforce their industry–academia relationship on various fronts including the development of new technologies, mutual training of human resources, and assistance to local communities.

*3 *Mugenryoku* is a coined word. “Mu” means “dream,” “gen” is “source,” and “ryoku” is “power” in Japanese. *Mugenryoku* stands for jointly creating a society where dreams come true, powered by strong will as the source of energy. This center was set up by utilizing a system to establish joint research organizations within Hiroshima University with private-sector companies and other external entities. Based on high mutual understanding and trust, the goal is to create new value by cooperating in joint research and promoting human resource development, with the ultimate aim of giving back to society.



Tape-cutting ceremony

Social Initiatives

3 Employees

For the Kobe Steel Group, our greatest asset is our people. Our initiatives focus on diversity, work style reforms, health and safety management, and human resource development with the aim of creating work environments where all employees mutually respect the individuality of one another and work vibrantly to their fullest potential, in accordance with the Core Values of KOBELCO and the Six Pledges of KOBELCO Men and Women.

Diversity

The Diversity Development Section, which was created in October 2014, promotes initiatives to create a company where all employees respect diversity and thriving workplaces where employees can use their skills to their fullest, based on three approaches: employment continuation support, activity support, and workplace improvement.

To support women in the workplace, we have a variety of initiatives underway, such as setting numerical targets for hiring women and creating individual career advancement plans for young female career-track employees in order to speed up their career development prior to life events.

<p>Employment Continuation Support</p> <ul style="list-style-type: none"> Extended leave for raising children (until they turn three years old) Expansion of flexible work hours for childcare (through elementary school age) Work-from-home system (four days/month, expanded for pregnant women/family nursing, care for children up to elementary school age) Extension of caregiving leave (up to three years) Paid child and family care leave Point award system for childcare items under welfare benefits program Reemployment system (reemployment within five years of quitting for reasons including a spouse's work relocation, childcare, or caregiving) Career sabbatical program (up to three years in the case of a spouse's work relocation) 	<p>Activity Support</p> <ul style="list-style-type: none"> Numerical targets set for hiring new college graduates (30% career-track positions, 10% technical positions, 10% core technical positions) Networking events for female employees and foreign employees Mentor system for female employees and foreign employees Career advancement plans for young female employees in career-track positions (growth experiences) Management training for superiors of female employees and foreign employees 	<p>Workplace Improvements for Employees to Stay Motivated and Maximize Their Skills</p> <ul style="list-style-type: none"> Support for men to help with childrearing Reduce long working hours, encourage employees to take paid vacation, and take other steps related to work style reforms Diversity training at all business sites to create pleasant work environments
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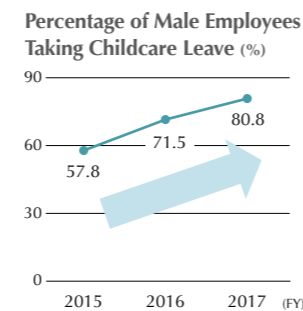
Awarded the Kurumin Mark

Kobe Steel has been recognized for its efforts to maintain work environments that are conducive to a healthy work-life balance, having twice received the government's "Kurumin Mark" certification (in 2012 and 2015), which recognizes companies that provide proactive support for childrearing.



Achieved Target for Male Employees Taking Childcare Leave

We achieved our target of 80% for the percentage of men who take days off to care for their newborn children, thanks to displaying posters calling for employees to take leaves, introducing employees who took advantage of the system on the Company's intranet, and verbally reminding new fathers and their superiors about taking days off.



Diversity Training for Creating Pleasant Work Environments

Diversity training has been implemented at all of our business locations for the purpose of learning more about gender bias. A total of 60 training sessions have been held for approximately 1,400 management-level employees.



Networking Event for Women in Career-Track Positions

This networking event has been held every year since fiscal 2014. In fiscal 2017, male managers also participated in a group discussion about the importance of communication in workplaces that respect diverse individualities and values.

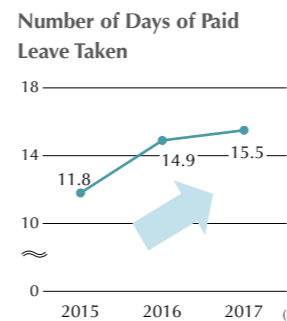
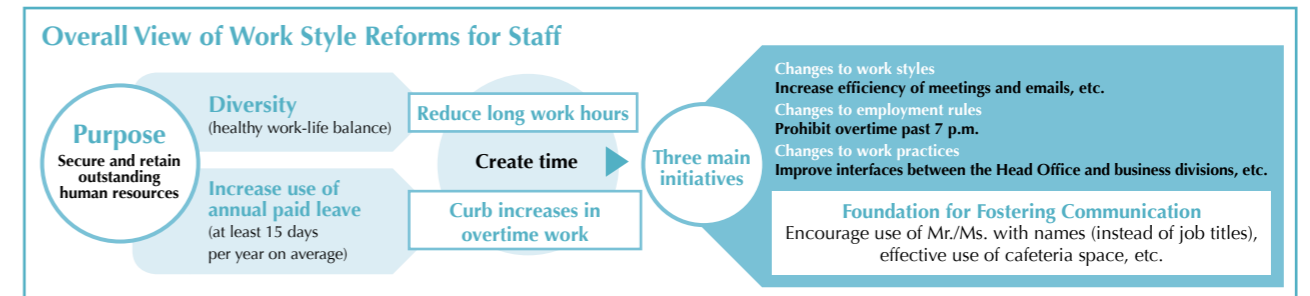


Poster Calling for Employees to Take Childcare Leave

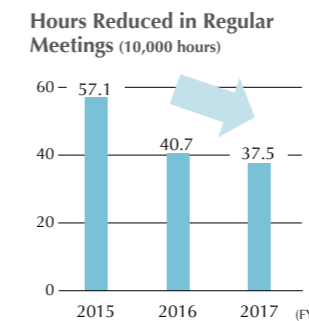


Work Style Reforms

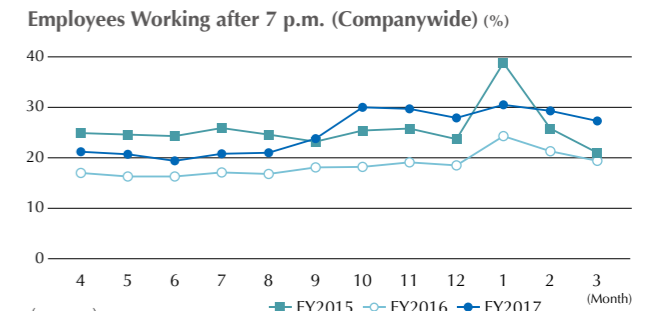
In order to secure and retain outstanding human resources, the Kobe Steel Group has been focusing on encouraging the use of paid leave among employees, the promotion of a healthy work-life balance, and other measures to improve the work environment. In fiscal 2016, we launched initiatives for work style reforms for staff, consisting of changes to work styles, changes to employment rules, and changes to work practices, with the aim of creating time for employees through more efficient work practices and improving the use of that time by all employees.



(Left graph) The number of days of paid leave taken increased to over 15 days per year (average).



(Middle graph) The number of hours spent in meetings was reduced sharply thanks to efforts to make meetings more efficient, such as creating rules for new meetings and eliminating meetings for meetings' sake.



Health and Safety Management

We believe that health and safety are fundamental to business management and take priority over all business activities. In keeping with this principle, we take various steps to create a lively workplace where employees can safely pursue their careers with peace of mind.

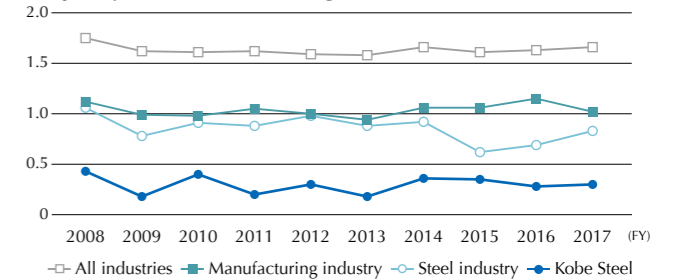
Goals of Health and Safety Management Plans

- Correctly understand relevant laws, regulations, and company rules, and build a consistently compliant organization and structure.
- Quickly respond to changes occurring in areas such as production, quality, personnel, company organization, and the environment.
- Create a corporate culture in which all employees work to protect not only their own health and safety, but also those of their fellow workers.

Safety Management

As a result of efforts to eliminate occupational accidents over the medium to long term, Kobe Steel has been able to reduce the number of accidents and maintain an overall low frequency of occurrences. Regrettably, two fatal accidents occurred in fiscal 2017.

Frequency of Accidents Resulting in Absence from Work



We recognize that protecting the lives and health of our employees is of the utmost priority in fulfilling our corporate social responsibilities. The Kobe Steel Group and its partner companies will make a unified effort, in terms of people, equipment, and supervision, to further raise the level of safety.

Social Initiatives

3 Employees

Health Management

As a basic principle, Kobe Steel strives for zero cases of work-related illness and aims to reduce the number of work days lost due to illness. Kobe Steel has been selected for the Health and Productivity Stock Selection for three years running (the first time being in fiscal 2015) by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. Additionally, Kobe Steel

was chosen as a 2017 Certified Health and Productivity Management Organization by the Ministry of Economy, Trade and Industry.



Improving Mental Health

Preventing mental health issues Target: All employees	We have taken proactive steps to assign counselors at all business locations to provide counseling services for work reassignments, promotions/raises, and other work-related changes. These counseling services are also provided to employees through a dedicated phone line.
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Reducing High-Risk Obesity (Metabolic Syndrome)

Blood testing Target: Employees aged 20, 25, and 30 years old	Employees have their blood tested at certain ages during health checkups, which are mandatory under law after the age of 35, in order to detect and address early stages of high-risk obesity (metabolic syndrome).
Health challenge activities Target: People with health insurance (excluding family members under 18 years old)	Presents are given to people who achieve goals for exercising, quitting smoking, or reducing weight over a certain period.
Helping people quit smoking Target: People with health insurance (excluding family members)	We help people quit smoking by prohibiting smoking inside factories and other spaces, putting up posters about risk of disease in smoking areas, and recommending nicotine patches. In fiscal 2015, we kicked off a smoke-free campaign and gave presents to people who quit smoking for a certain period.

Improving Physical Health for Early Detection of Cancer and Other Diseases

Kobelco Medical Check 50 Target: All employees aged 50 years old	We cover the entire cost of optional medical checkups (tumor markers, breast cancer screening, brain disease testing, etc.).
Women's Health Check 50 Target: All employees over 50 years old and their dependents	We partially offset the cost of optional medical checkups (tumor markers, breast cancer screening, brain disease testing, etc.).
Endoscopic stomach and colorectal cancer screening Target: All employees aged 35 and older	Health insurance covers the entire cost.

Human Resource Development

Human resource development at Kobe Steel aims to instill in employees a sense of pride and satisfaction in their work. To achieve this, it is important that employees have concrete goals and experience daily growth, and we fully support opportunities that enable them to grow.

Vision for Human Resources

We want all employees to share a diverse sense of values and to feel pride and enthusiasm in their daily work. To this end, we have established the following "Vision for Human Resources at Kobe Steel."

"As employees, we will continually strive to establish trust in KOBELCO on a global scale."

- Sincerity**
People who seriously accept reality and act in good faith
- Cooperation**
People who express their own views while accepting the opinions of others and also working in partnership with others
- Innovation**
People who are never satisfied, but constantly challenge and strive to innovate

Support for Career Development and Technical Skills Development

For human resource development, Kobe Steel supports the growth of its employees with training programs that complement on-the-job training, the basis of employee education, in the workplace. We have created tiered training systems for managers, career-track employees, technical workers, and administrative workers, and have revised the contents of those training modules annually. In fiscal 2018, in light of our misconduct, we revised the contents of training curriculums for each level and position in order to delve deeper into related issues.

We also support career development by providing opportunities each year from April through May for managers and their employees to discuss business objectives and future career plans.

Managers and Career-Track Employees

We focus efforts on leadership training at the management level, improving the problem-solving skills and expertise of mid-career employees, and providing young employees with a basic education on the expectation that they will become managers with advanced expertise and broad business experience.

As a framework for helping employees develop personally, we

have put in place a support system for covering the cost of online education courses for learning foreign languages. Our cafeteria plan (elective welfare benefit system) has a list of items for which the Company will reimburse employees, such as costs for acquiring qualifications, purchasing books, and taking classes at external educational institutions. We have also introduced a personnel job posting system that encourages employees to form careers on their own accord.

Training System for Managers and Career-Track Employees

		Managers	Mid-career employees	Young employees
Leadership training	Companywide common training	External training Business management school	Corporate administration and management training	
Stratified group training	Companywide common training	Kobe Steel Group general managers	Professional reports	3rd-year employees
		Managers	Pre-shusa level	New employees
		2nd-year managers Newly appointed managers		
		On-the-job training (OJT) support		
		TPAC line managers	OJT leaders	Using TPAC
	Business units/ Group companies	Training in each business unit/Group company		
	Supervisory departments with specialized functions	Training for specialized skills by field		
Selective/open training	Companywide common training	Technical/technical skills training Business training		
Problem-based training	Companywide common training	Training on compliance, environmental management, diversity, human rights, quality, etc.		
Support for personal development	Companywide common training	Foreign language training, etc.		

Technical Workers

We take a proactive role in training young technical workers. In addition to five years of required technical training after entering the Company for the technical employees who operate our manufacturing facilities, we also offer support for trade skill tests and other qualifications, and dispatch employees to the College of Industrial Technology. Training for selecting employees to supervisor positions to raise the management skills of on-site supervisors is also held at our head offices and business locations. We also carry out training, not only in regard to quality and production, but also on the knowledge required for supervisors to fulfill their duties. This includes knowledge on safety, the environment, compliance, and human rights.

Qualification/position	Stratified training	College dispatch
Head foreman	Follow-up training for new head foremen Training for newly appointed head foremen	
Foreman	Follow-up training for new foremen Training for newly appointed foremen	
Team leader	Training for newly appointed team leaders Leader development training Training for technical workers	Dispatch to College of Industrial Technology
Specialist	Technical training based on job type (operation, maintenance, processing, assembly, welding, inspection, and analysis) General technical training	

Administrative Workers

In order to support the skill development of administrative workers, in addition to on-the-job training to improve work performance, we also carry out stratified training tailored to specific job roles. Additionally, to support the further growth of specialized skills, in fiscal 2017 we also began expanding our lineup of elective offline training for individual career development and job proficiency.

Job role	Stratified training	Elective training
Shuji (Team leader)	<ul style="list-style-type: none"> Communication training to draw out collaboration Training for new team leaders 	<ul style="list-style-type: none"> Business improvement training (manual creation training, etc.)
Fukushuji (Sub-team leader)	<ul style="list-style-type: none"> Management issues formulation training WBS basic training (work arrangements and visualization) Teaching and coaching training Self-esteem training 	<ul style="list-style-type: none"> Time management training (planning capability development training, etc.)
Specialist	<ul style="list-style-type: none"> MACS (management cycle simulation) Problem-solving training (practical applications) Training for core workers Problem-solving training (basic) Business standards training 	<ul style="list-style-type: none"> Logical writing training Assertive communication training Various computer skills training

Social Initiatives

4 Contributions to Communities

The Kobe Steel Group contributes to society through sports. The Group's business locations help local communities through various activities, including supporting the next generation of athletes, community interaction, regional development, and environmental efforts.

Contributions to Society through Sports

A typical example of CSR at the Kobe Steel Group is its contributions to society through sports. We continue to take an independent approach to activities that make communities more vibrant through sports, such as assisting high school rugby clubs, which is a major force behind Japan's rugby teams, interacting with communities and society through the Kobe Steel Rugby Club, the Kobelco Steelers, and supporting other sports activities.



KOBELCO Cup 2018 group photo

KOBELCO Cup for Men's and Women's Rugby Clubs at High Schools

The Kobe Steel Group offers special support for the KOBELCO Cup (the all-Japan high school division men's rugby football tournament and all-Japan high school division women's rugby football tournament), which aims to increase the popularity of rugby and raise the next generation of athletes. In 2018, the KOBELCO Cup was held for the 14th time. The first one was held in 2005 in Yubari, Hokkaido, in connection with the 100th anniversary of the founding of Kobe Steel. Since 2008, it has been held every summer at Sugadaira Kogen near the city of Ueda in Nagano Prefecture.

The KOBELCO Cup consists of the women's club, the U17 Club of handpicked players aged 17 and under from nine blocks across the nation (Hokkaido, Tohoku, Kanto, Hokushinetsu, Tokai, Kinki, Chugoku, Shikoku, and Kyushu), and the U18 Club of high school students who did not make it to the all-Japan high school division rugby football tournament as members of individual teams. The teams play in qualifiers and finals, vying for first place. Some alumni from the Kobe Steel Rugby Club also provide instruction with the aim of boosting the skills and knowledge of these high school rugby players.

Support for Men's and Women's High School Rugby

The Kobe Steel Group is a special sponsor for the Hanazono National High School Rugby Tournament. In fiscal 2017, the 97th tournament was held with teams from 51 high schools competing in prefectural qualifiers for the crown.

The U18 Hanazono Women's 15-Player Tournament was held after the opening ceremony on December 27, 2017, to strengthen and promote 15-player women's rugby. Moreover, an East vs. West match was held with 44 female students selected from high schools across the country.

The U18 All-Star Team East Vs. West Match (known as "The Other Hanazono") was held before the finals on January 8, 2018 for high school rugby players who did not make it to Hanazono due to insufficient players. The 49 players selected from eastern and western regions of Japan faced off in a heated match.



U18 Hanazono Women's 15-Player Tournament match

Donating to the Japan Spinal Cord Foundation

On September 22, 2017, the Kobe Steel Rugby Club donated ¥246,759 to the Japan Spinal Cord Foundation (an NPO). These funds came from fundraising activities held at match venues in the 2016 season and a portion of the proceeds from the KOBELCO Rugby Festival 2017, which was held on July 9, 2017.



The Kobe Steel Rugby Club has been donating to the Foundation for 15 years, as spinal cord damage is an injury to which rugby players are particularly susceptible, and plans to continue carrying out fundraising activities to this end.

Tag Rugby Workshops Held

The Kobe Steel Rugby Club aims to introduce the joy of rugby by offering opportunities for children to become more familiar with the sport in local communities. As a part of these activities, the Kobe Steel Rugby Club has coordinated with the Kobe City Board of Education since fiscal 2015 to conduct tag rugby classes for elementary school children in Kobe. In fiscal 2017, visits were made to 21 schools, and around 1,200 students enjoyed playing tag rugby.



KOBELCO Community Contribution Fund

As part of its activities to support children, Kobe Steel established the KOBELCO Community Contribution Fund in fiscal 2006 on the occasion of its 100th anniversary.

Support for Childrearing

Kobe Works (Kobe, Hyogo Prefecture)

This all began with a parent volunteer wanting to give children opportunities to be exposed to books and to read them. Once a month, Kobe Works provides a space for parents and their children, from infants to toddlers who do not attend school yet, to participate in indoor and outdoor book reading and listening events.



Chofu Works

(Shimonoseki, Yamaguchi Prefecture)

For children whose parents are not home during the day, we donated children's books to centers that provide after-school care and play areas for children at empty school classrooms. Adventure books, picture books, and puzzles are quite popular, helping children gain creativity and knowledge.



Daian Works (Inabe, Mie Prefecture)

To help parents raise their children in the city, Daian Works donated indoor toys for infants and toddlers and disaster prevention hoods to five facilities located in Inabe, where parents can seek advice and their preschool children can play safely.



Daycare Centers

Kobelco Engineered Construction Materials Co., Ltd. (Amagasaki, Hyogo Prefecture)

The KAPLA wooden construction sets we donated are safe and pleasant to the touch. They are much loved by children. Children work on ideas to build things together and mix the blocks up with other toys for inventive play.



Elementary and Junior High Schools

Moka Plant (Moka, Tochigi Prefecture)

We promote ICT Classrooms in Moka with the aim of improving the communication and presentation skills of children. The projectors we donated are being used in science research and to improve classroom instruction.



Libraries

Japan Superconductor Technology, Inc. (Kitakyushu, Fukuoka Prefecture)

In light of the current trend of children losing interest in science, we donated science-related books to libraries again in fiscal 2017. Picture books are popular among elementary school students because they are easier to read with lots of pictures and diagrams. Junior high and high school students like to read self-guided research books.



Social Initiatives

Projects Supported by the KOBELCO Community Contribution Fund in Fiscal 2017

Location	Recipient	Type of Support
Kobe Head Office	Maternal and child living support facility	Electric vehicles with child seats, rentable DVD players, etc.
	Children's centers	Craft materials for events, etc.
Kobe Corporate Research Laboratories	Sports associations	Event costs
Kobe Works	Women's associations	Materials for events, etc.
	Volunteer organizations	Picture books, picture-story shows, etc.
Kakogawa Works	Certified centers for early childhood education and care	Toys
	Volunteer organizations	Cleanup of waterways
	Softball association	Operational costs for softball events
Takasago Works	Childcare support centers	Toys
	Daycare service for children	Toys
Harima Plant	Volunteer organizations	Exhibition panels, etc.
	Support groups for children with disabilities	Event equipment

Location	Recipient	Type of Support
Fujisawa Plant	Youth centers	Benches, plants, etc.
Fukuchiyama Plant	Child development support centers	Balance beams, etc.
Ibaraki Plant	Daycare centers	Educational toys
Saijo Plant	Elementary schools	Drum sets
Moka Plant	Elementary and junior high schools	Projectors
Daian Works	Childcare support centers	Toys
Chofu Works	After-school care for children	Children's books

Group Companies	Recipients	Type of Support
Shinko Engineering Co., Ltd.	Preschools, daycare centers	Playhouses
Kobelco Engineered Construction Materials Co., Ltd.	Daycare centers	Wooden blocks
Japan Superconductor Technology, Inc.	Libraries	Science-related books

Social Contributions in Japan and Overseas

The Kobe Steel Group's domestic business locations proactively clean up surrounding areas and roads as a way of giving back to the local community. At overseas business locations, we contribute to society as a member of that country and region, while respecting local cultures and customs. Below, we introduce some of the social contribution activities we undertook in Japan and overseas.

■ Kakogawa Works (Hyogo Prefecture)

Cleaning Up Roads in Front of Kakogawa Works, Conducting Plant Tours for Neighboring Schools

We have been cleaning the roads in front of Kakogawa Works for over 10 years. Every month, about 10 employees participate in the cleanup. In fiscal 2017, we welcomed 1,310 students from neighboring schools on our plant tours.

■ Nadahama Science Square (Hyogo Prefecture)

Nature Classrooms Held to Familiarize Students with Nature and Science

At the Nadahama Science



Square, a community exchange facility operated by the Kobe Steel Group, we hold nature classrooms for children, such as biotope walks and nature craft classes, in order to nurture their minds and foster sensitivity toward the importance of the environment in natural areas nearby. These classrooms have been held for 14 years since the opening of the Science Square in 2004. In fiscal 2017, around 1,700 people participated in the classrooms.

■ Kobe Aluminum Automotive Products, LLC (USA)

Volunteering at a Horse Therapy Facility

We help clean up and maintain a rehabilitation facility that offers interactions with horses and horse riding experiences to people with disabilities for therapeutic purposes. This initiative began when an employee's family used the facility, and 15 people participated this year. We plan to continue this volunteer work in the years to come.

■ Thai Escorp Ltd. (Thailand)

Donations of School Uniforms, Supplies, and Sports Equipment

In June 2017, Thai Escorp Ltd., Shinsho Corporation's local affiliate in Thailand, donated school uniforms, supplies, and sports equipment to elementary schools attended by less fortunate local children.



■ Kobe CH Wire (Thailand) Co., Ltd. (Thailand)

Visits to Local Schools and Support Activities

Employees, mainly from the in-house welfare committee, have sought donations from within and outside their company every year since fiscal 2009 to support visits to local schools and provide school supplies. In fiscal 2017, the ninth year of the initiative, we visited preschools and elementary schools in Ban Non Pho in the suburbs of Bangkok.

■ Kobe Precision Technology Sdn. Bhd. (Malaysia)

Visits to Hospitals and Shoreline Cleaning Activities

As part of our CSR activities, in fiscal 2017 we visited hospitals and cleaned up the shoreline during Hari Raya Puasa, an important Muslim religious holiday that marks the end of Ramadan (fasting). Moreover, we made donations to help people affected by flood damage.

Environmental Initiatives

Through environmental management based on three corporate visions, Kobe Steel aims to be a leading environmental corporate group.

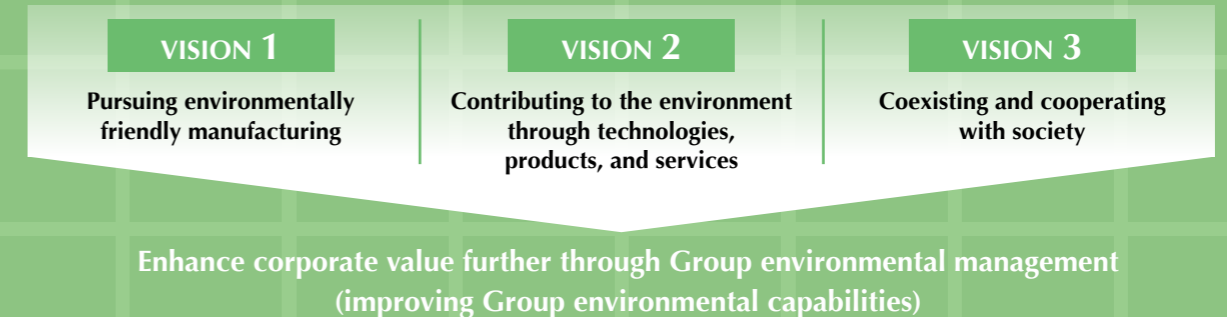
The Kobe Steel Group believes that it is its duty to pass on to future generations a healthy global environment in which all forms of life can thrive. To this end, we have established a Basic Environmental Management Policy as well as six initiatives for implementation. We strive to implement environmental management that takes the environment into consideration at every stage of our operations, and have set up a dedicated Environmental Management Committee to explore and make recommendations on these six areas. With the participation of all Group employees, we are dedicated to becoming a leading environmental corporate group.

Group Environmental Management System



Basic Environmental Management Policy

As a leading environmental corporate group, the Kobe Steel Group will fulfill its social responsibilities as described in this policy, improve its environmental capabilities, and enhance its corporate value.



Six Pledges of KOBELCO Men and Women and Six Initiatives for Environmental Management

Based on its Basic Environmental Management Policy, the Kobe Steel Group has identified the following initiatives for environmental management that align with the Six Pledges of KOBELCO Men and Women, which embody its standard of conduct.

Six Pledges of KOBELCO Men and Women	Six Initiatives for Environmental Management
1 Heightened Sense of Ethics and Professionalism	Comprehensive risk management procedures In addition to thorough compliance with environmental laws and regulations, properly implement environmental management by identifying environmental risks in business activities and striving to mitigate these risks.
2 Contribution to the Society by Providing Superior Products and Services	Contributing to the environment through technologies, products, and services Contribute to the environment by providing environmentally friendly technologies, products, and services.
3 Establishing a Comfortable but Challenging Work Environment	Promoting environmental initiatives with full employee participation Initiatives are taken to foster a workplace culture where all employees participate in environmental education and study to ensure that they always conduct themselves by taking the environment into consideration, and eco-office activities are undertaken to create work environments that conserve energy and are conducive to work.
4 Living in Harmony with Local Community	Coexisting and cooperating with society Through forest preservation activities and the KOBELCO Forest Fairy Tale Prize, we engage in activities to contribute to the environment in each region and contribute to local communities by cleaning up areas near business locations.
5 Contribution to a Sustainable Environment	Environmentally friendly manufacturing We take a comprehensive approach to environmentally friendly manufacturing, including reducing environmental load, preventing global warming, and promoting resource recycling.
6 Respect for Each Stakeholder	Disclosure of environmental information Activities related to environmental management are accurately conveyed to stakeholders through the disclosure of environmental information and facilitation of communication with local communities and customers.

Please visit our website for a list of organizations subject to reporting under our "Environmental Initiatives."

Environmental Initiatives

Medium- to Long-Term Environmental Objectives and Initiatives

	Initiatives for Implementation	Long-Term Policies	Medium-Term Targets	
VISION 1	Environmentally friendly manufacturing	Measures against global warming	To save energy, reduce CO ₂ emissions and combat global warming in every aspect of the Group's operations.	<ul style="list-style-type: none"> To continue implementing energy-saving initiatives, working toward achievement of each industry's Commitment to a Low Carbon Society.
		Promoting resource recycling	To continue activities aimed at zero landfill waste.	<ul style="list-style-type: none"> To continue reducing the amount of waste disposed and achieve the industry's newly established voluntary action plan targets. To carry out appropriate disposal in accordance with the Guidelines Related to Management of Iron and Steel Slag Products.
		Appropriate management of chemical substances	To reduce hazardous substances in accordance with the "Kobe Steel Group Policy on Controlling Hazardous Chemical Substances."	<ul style="list-style-type: none"> To properly manage and reduce or replace chemical substances, and to properly comply with the PCB Special Measures Law and the Law Concerning the Discharge and Control of Fluorocarbons.
		Reducing environmental impact	To make continuous efforts toward reducing the impact on the environment through comprehensive voluntary controls.	<ul style="list-style-type: none"> To continue meticulous operational management and facility management in an effort to reduce environmental impact from air emissions, etc.
	Comprehensive risk management procedures	To pursue systematic and deliberate efforts to reduce risks	<ul style="list-style-type: none"> To continue on-site environmental audits by the Head Office and expand audits to Group companies and affiliated companies in an effort to improve independent environmental management systems. To instill in overseas Group companies the same level of environmental management as in Japan and to improve risk management through such activities as on-site environmental inspections. 	
	Promoting environmental initiatives with full employee participation	To constantly improve the environmental awareness of all Kobe Steel Group employees.	<ul style="list-style-type: none"> To continue initiatives such as stratified training, e-learning, and environmental training for Group companies, and to encourage use of the KOBELCO Eco-Life Notebook (household eco-account book), in efforts to increase environmental awareness. 	
	VISION 2	Contributing to the environment through technologies, products, and services	To keep all product and technical development environmentally friendly, and to create environmentally sustainable products and new businesses.	<ul style="list-style-type: none"> To contribute to the creation of a low-carbon society through the efforts of the entire Kobe Steel Group by working on issues in the environment and energy fields, such as weight reduction of transportation vehicles, the creation of a hydrogen-based society, and the diversification of power sources.
VISION 3	Coexisting and cooperating with society	To promote coexistence and cooperation with local communities in regard to the environment.	<ul style="list-style-type: none"> To promote the KOBELCO Green Project, centered on the three key activities of the KOBELCO Forest Fairy Tale Prize, forest development, and environmental education outreach to children's centers, in an effort to cooperate and coexist in harmony with local communities. 	
	Disclosure of environmental information	To take active steps to disclose environmental information and improve communication with stakeholders.	<ul style="list-style-type: none"> To continue disclosing information in an effort to communicate with all stakeholders. 	

The Kobe Steel Group is committed to environmentally friendly business practices. We established the Fiscal 2016–2020 Medium-Term Environmental Management Plan and are implementing activities in the six key areas of our Basic Environmental Management Policy.

Self-Assessment ○: Progressing as planned ▲: Some issues remaining ✕: Plan not achieved

Fiscal 2017 Results	Initiatives for Fiscal 2018
<ul style="list-style-type: none"> In addition to initiatives for energy-saving investments to meet the Commitment to a Low Carbon Society objectives in each industry, we proceeded steadily with increased energy-saving efforts. 	<p>Evaluation ○</p> <ul style="list-style-type: none"> To continue with energy-saving initiatives under the Medium-Term Plan, carrying on from fiscal 2017. <p>→ P94</p>
<ul style="list-style-type: none"> Waste reduction plans established for each business proceeded smoothly, with positive prospects for meeting voluntary action plan objectives by fiscal 2020. Guidelines for the three production sites in the Iron & Steel Business were adhered to and carried out appropriately. 	<p>Evaluation ○</p> <ul style="list-style-type: none"> To engage in waste treatment plans established for each business. To carry out appropriate disposal in accordance with the Guidelines Related to Management of Iron and Steel Slag Products. <p>→ P94</p>
<ul style="list-style-type: none"> Disposal of transformers and other PCB waste proceeded according to plan. Regarding compliance with the Act on Rational Use and Proper Management of Fluorocarbons, we strove to carry out thorough alerts and on-site inspections for relevant business sites. 	<p>Evaluation ○</p> <ul style="list-style-type: none"> To address PCB waste according to plans, and to carry out thorough on-site inspections and other measures regarding appropriate disposal of fluorocarbons. <p>→ P95</p>
<ul style="list-style-type: none"> Continued to control air emissions and wastewater through their thorough management. Failed to meet voluntary targets (3t/km²/month) for dust fall at Kakogawa Works from April to July 2017. 	<p>Evaluation ▲</p> <ul style="list-style-type: none"> To continue meticulous operating management and facility management, with efforts to reduce the environmental impact from air emissions, etc. Install elevated water sprinklers in a bid to reduce dust fall levels. <p>→ P95</p>
<ul style="list-style-type: none"> Aimed to increase environmental management levels at production sites through use of environmental management systems and carried out environmental audits and other measures to confirm progress. Carried out on-site environmental surveys and other measures at Group companies in China, Malaysia, and Singapore to increase environmental management levels. 	<p>Evaluation ○</p> <ul style="list-style-type: none"> To increase environmental management levels through training of production site employees, implement environmental audits, and confirm progress. To carry out on-site environmental assessments for Group companies in the Netherlands and South Korea, and increase environmental management levels at each company. <p>→ P96</p>
<ul style="list-style-type: none"> Increased employees' environmental awareness and knowledge through environmental conferences, stratified training, and e-learning. Promoted environmental awareness at employees' homes through the KOBELCO Eco-Life Notebook. 	<p>Evaluation ○</p> <ul style="list-style-type: none"> To raise environmental awareness by continuing measures such as stratified training and environmental training for Group companies, as well as promoting use of the KOBELCO Eco-Life Notebook. <p>→ P96</p>
<ul style="list-style-type: none"> Mixed hydrogen derived from fossil fuel with hydrogen derived from renewable energy in an experiment to supply lower-carbon hydrogen to fuel cell vehicles. 	<p>Evaluation ○</p> <ul style="list-style-type: none"> To contribute to a low-carbon society through sales of technologies and services to promote the spread of hydrogen stations, increase sales of high-strength steel, and advance R&D in multi-materials to lighten the weight of transportation vehicles. <p>→ P97</p>
<ul style="list-style-type: none"> Collected submissions for fifth annual KOBELCO Forest Fairy Tale Prize, with backing from all municipalities in which our 12 domestic business sites are located, and received over 600 submissions. Environmental education outreach to children's centers was held in three locations, while forest development and activities to preserve countryside forests and agricultural land were conducted in three locations. 	<p>Evaluation ○</p> <ul style="list-style-type: none"> To promote the KOBELCO Green Project, which comprises three major initiatives—the KOBELCO Forest Fairy Tale Prize, forest development, and environmental education outreach to children's centers—and better coexist and cooperate with local communities. <p>→ P99</p>
<ul style="list-style-type: none"> Disclosed environmental information via the Sustainability Report, Company website, environmental monitors, and other sources. Introduced Group environmental technologies and products at exhibitions. 	<p>Evaluation ○</p> <ul style="list-style-type: none"> To continue disclosing information and enhance communication with all stakeholders. <p>→ P99</p>

Environmental Initiatives

VISION 1 Pursuing Environmentally Friendly Manufacturing

Environmentally Friendly Manufacturing

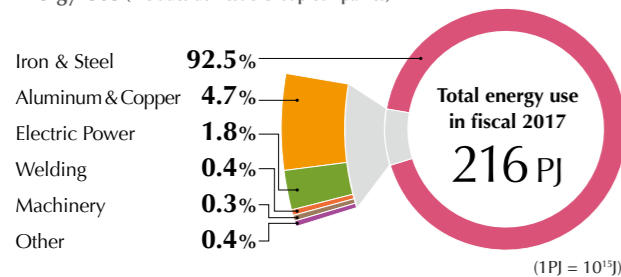
Measures against Global Warming

In response to global warming, the Kobe Steel Group promotes rationalization and R&D to reduce energy consumption throughout its operations in an effort to reduce greenhouse gas emissions. In fiscal 2017, actions were taken to conserve energy by installing inverters, upgrading to high-efficiency equipment, and switching to LED lights at business sites.

Energy Use in Manufacturing Processes

In fiscal 2017, the Kobe Steel Group used 216 PJ of energy (equivalent to 5.77 million kl of crude oil). Of that total, approximately 93% was used in the Iron & Steel Business and approximately 5% in the Aluminum & Copper Business.

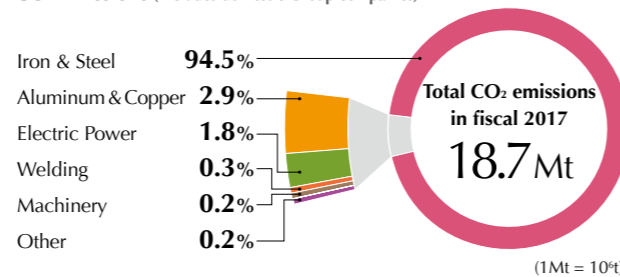
Energy Use (Includes domestic Group companies)



CO₂ Emissions

In fiscal 2017, total CO₂ emissions within the entire Kobe Steel Group were 18.7 Mt. Approximately 95% came from the Iron & Steel Business and approximately 3% came from the Aluminum & Copper Business.

CO₂ Emissions (Includes domestic Group companies)



* As emission factors from purchased power in fiscal 2017 have yet to be announced, the emission factors in fiscal 2016 were used.

Promoting Resource Recycling

In order to make effective use of limited resources, the Kobe Steel Group implements measures to control waste at its offices and plants. We add value to byproducts created during manufacturing processes, develop and introduce new applications for materials, and actively pursue recycling. Additionally, we promote recycling and reuse during shipping through changes to packaging methods. We are also working to reduce paper consumption at offices by proactively digitizing meeting materials and introducing IT solutions throughout the Group.

Controlling Waste Generation and Promoting Recycling

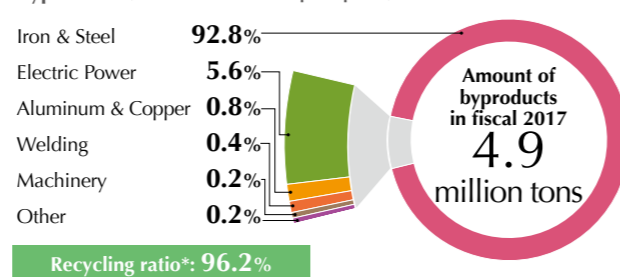
In fiscal 2017, a total of 4.9 million tons of byproduct materials were generated by the Kobe Steel Group, with approximately 93% coming from the Iron & Steel Business. At the steelworks, we strive to recycle and add value to items such as iron and steel slag (a secondary material produced during steelmaking) and dust.

In fiscal 2017, the overall recycling ratio for Kobe Steel was 96.7%, while the overall ratio for the Kobe Steel Group, including domestic companies, was 96.2%.

The Kobe Steel Group follows a fundamental policy of reducing the volume of waste generated by improving yields and reducing use of auxiliary materials. These policies are helping us reach new targets for fiscal 2020 based on voluntary action plans adopted in each industry (i.e., numerical targets for waste consigned to landfill and recycling).

The Kobe Steel Group, including domestic companies, disposed 150,000 tons of waste in landfills. We plan to continue reducing this number by controlling the amount of waste generated, increasing recycling, developing new recycling technologies, adding value to byproducts, and other such measures.

Byproducts (Includes domestic Group companies)



* Recycling ratio = Amount recycled / total amount of byproducts

Appropriate Management of Chemical Substances

The Kobe Steel Group appropriately manages the handling, emission, and disposal of chemical substances in accordance with laws and regulations.

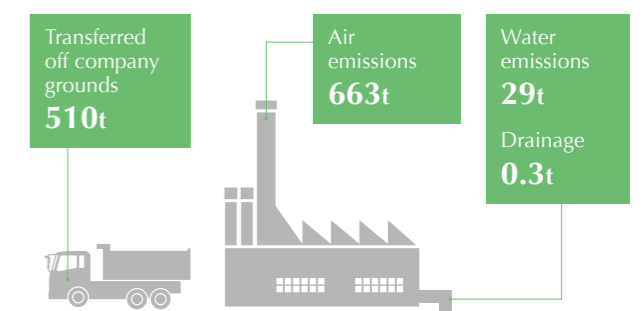
Compliance with Laws and Regulations, Reducing Use and Emissions

In addition to assessing the use, emission, and transfer of chemical substances covered under the PRTR Law^{*1} and Chemical Substance Control Law,^{*2} the Kobe Steel Group engages in initiatives to limit the use and emission of such substances.

As for total amounts it plans to report under the PRTR Law, the Kobe Steel Group handled 53 substances, with a total output^{*3} of 692 tons, and total transfer^{*4} of 510 tons.

In addition, the Kobe Steel Group properly stores and manages waste electrical equipment containing PCB and equipment containing CFC in accordance with the PCB Special Measures Law^{*5} and the Law Concerning the Discharge and Control of Fluorocarbons.^{*6}

Total Amounts to Be Reported under the PRTR Law (Includes domestic Group companies)



*1 Pollutant Release and Transfer Register (PRTR) Law: Based on the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof *2 Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. *3 Includes atmospheric and water emissions *4 Includes transfers of substances off company grounds and drainage *5 Law concerning Special Measures for Promotion of Proper Treatment of PCB Wastes (PCB Special Measures Law) *6 Act on Rational Use and Proper Management of Fluorocarbons

Reducing Environmental Impact

As part of its Basic Environmental Management Policy, the Kobe Steel Group is committed to “environmentally friendly manufacturing.” We pursue this commitment on a variety of fronts, including constant improvements to manufacturing processes, updates to equipment, introduction of efficient state-of-the-art equipment, and installation of pollution control equipment, in order to reduce environmental impact from air emissions and other sources. Going forward, we will continue working to restrict emissions.

Air Pollution Measures

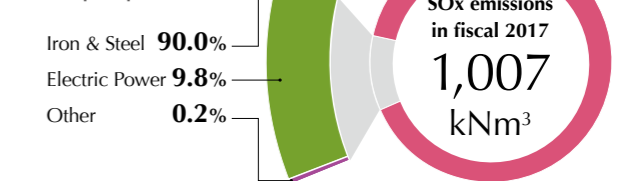
Air Emissions

We take measures to limit SOx (sulfur oxide) emissions during manufacturing processes, such as conserving energy to reduce fuel consumption, using low-sulfur fuels, and switching to city gas, while also implementing exhaust-related measures such as desulfurization.

Likewise, in order to reduce NOx (nitrogen oxide) emissions, we have implemented low NOx combustion technology and energy-saving measures.

In total for the Kobe Steel Group, emissions of SOx were 1,007 kNm³ and NOx were 4,815 kNm³.

SOx Emissions (Includes domestic Group companies)



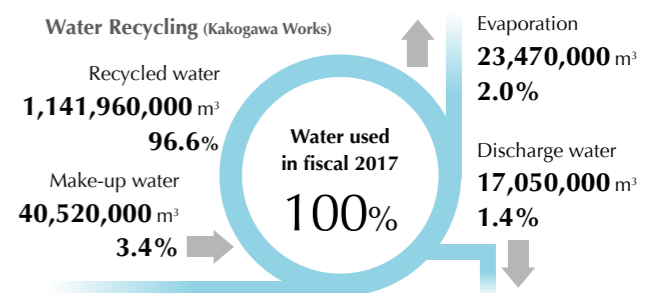
NOx Emissions (Includes domestic Group companies)



Water Pollution Measures

The Kobe Steel Group strives to conserve water through measures such as improvements to manufacturing processes and wastewater recycling. Additionally, by purifying drainage from manufacturing processes using specialized treatment systems, we reduce polluting substances in public water resources.

At steelworks, drainage from production processes undergoes coagulative precipitation, sand filtration, and other purification processes, and is reused on-site. As a result, approximately 97% of the water is recycled in the Iron & Steel Business.



Environmental Initiatives

VISION 1 Pursuing Environmentally Friendly Manufacturing

Comprehensive Risk Management Procedures

In addition to measures for identifying and reducing environmental risks related to business operations, the Kobe Steel Group also establishes daily procedures for appropriate management of these risks. Through environmental audits and other such measures, we continuously pursue thorough legal compliance and better environmental management.

Strengthening Environmental Management

Environmental management systems such as ISO 14001 have been introduced at Kobe Steel locations. We aim to strengthen environmental management systems through the application of PDCA cycles.

While identifying and reducing environmental risks at each business location, we periodically hold emergency drills, after which issues are identified in review meetings and put through the PDCA cycle.

Additionally, the Environmental Control & Disaster Prevention Department at the Head Office verifies compliance with laws and regulations at individual locations through document-based and on-site environmental audits.



On-site audit at Shinko Aluminum Wire Co., Ltd.



Oil leak prevention drill at Kobelco Construction Machinery Co., Ltd.

Risk Management Activities at Overseas Locations

Overseas Group companies are preparing to introduce environmental management systems similar to those at business locations and Group companies in Japan.

In fiscal 2017, local inspections were conducted at three manufacturing locations in Malaysia and Singapore in order to understand the current state of environmental management and identify issues. Based on the results of these inspections, the necessary measures were taken to solve these issues. We will continue this initiative in fiscal 2018 in a bid to strengthen environmental management at overseas business locations.



On-site environmental inspection in Malaysia

Promoting Environmental Initiatives with Full Employee Participation

All Kobe Steel Group employees participate in group meetings as well as ongoing environmental education and study to raise their level of environmental awareness and ensure that they always conduct themselves with the environment in mind.

Improving Environmental Awareness

The Kobe Steel Group Environmental Conference

The Kobe Steel Group Environmental Conference is held every year for the purpose of sharing environmental information and promoting cross-development of environmental initiatives. In fiscal 2017, participants shared useful examples of ways to reduce environmental burdens at their work locations, and reviewed changes to environmental laws and regulations.



Kobe Steel Group Environmental Conference

Environmental Training and Study

Since fiscal 2006, Kobe Steel has continually incorporated environmental training and study into its stratified (by office/facility organization) training program. Additionally, regular e-learning sessions are held via the company intranet so as to raise environmental awareness among employees and guarantee a thorough knowledge of environmental laws and regulations.

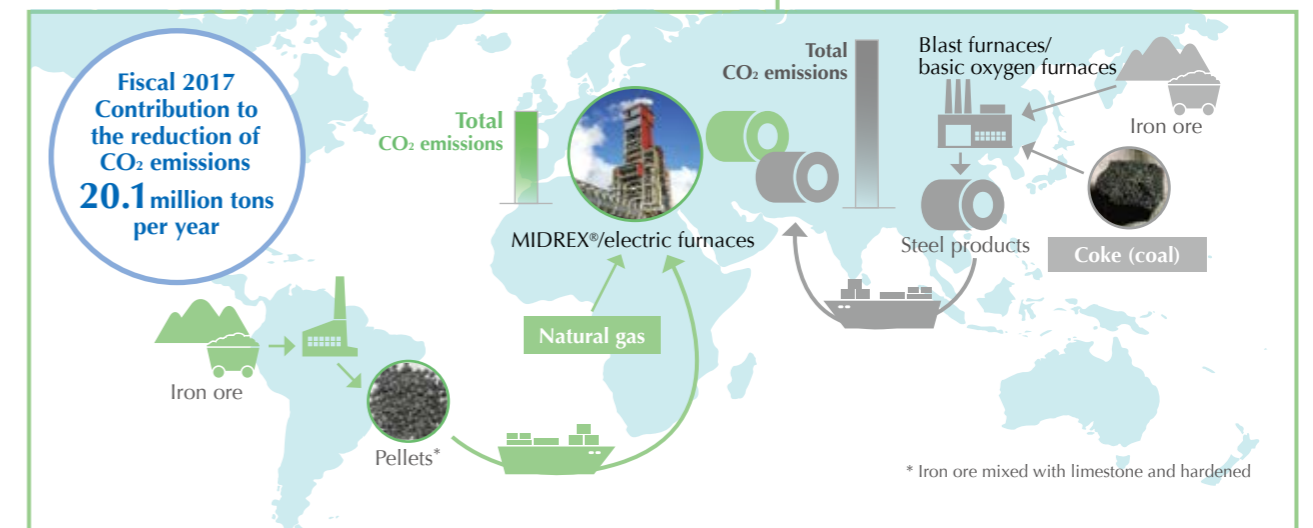
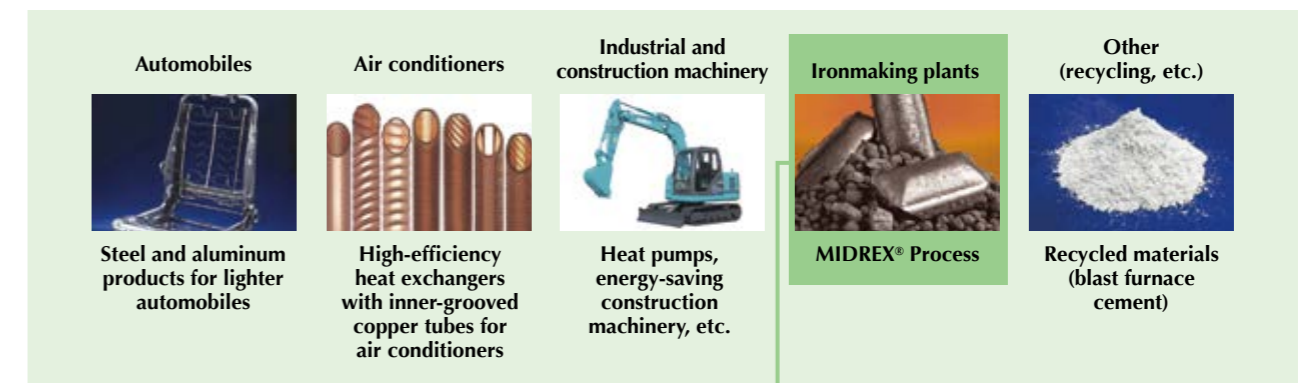
VISION 2 Contributing to the Environment through Technologies, Products, and Services

Contributing to the Environment through Technologies, Products, and Services

The Kobe Steel Group contributes to the environment by providing environmentally friendly technologies, products, and services that utilize its production technology, engineering technology, and know-how accumulated in a broad range of fields, including steel, aluminum, copper, and other materials, as well as machinery and engineering.

Reducing CO₂ Emissions through Technologies and Products

Through its proprietary technologies and products, the Kobe Steel Group contributes to the reduction of CO₂ emissions across a variety of sectors in society.



The MIDREX® Direct Reduction Process (hereinafter the “MIDREX® Process”) is an ironmaking process that utilizes natural gas to make direct reduced iron. The MIDREX® Process, along with electric arc furnaces, is widely used in regions that produce natural gas, such as the Middle East, Asia, and South America, with a majority of the plants supplied to the Middle East. In Asia, however, the blast furnace method is commonly used to make iron. In this method, iron ore is reduced using coke made by heating coal to a high temperature. The iron made in the blast furnace then goes to a basic oxygen furnace where it is turned into steel.

We calculated the amount of CO₂ emissions that is reduced with the MIDREX® Process by comparing CO₂ emissions from the manufacturing of steel products using the MIDREX® Process in the Middle East and emissions from the production of steel products

in Asia, which were then exported to the Middle East.

Our calculations assume average global process conditions in the previous fiscal year (scrap use ratio: 20%, CO₂ emission units for purchased electricity: world average value). The scope of our calculations is limited to the Middle East region, where the MIDREX® Process is the most widely used, starting from the procurement of raw materials and ending with the delivery of steel products to customers (scrap use ratio: 0%, CO₂ emission units for purchased electricity: Middle East value).

Our calculations also take into consideration the advice of Kiyotaka Tahara, laboratory leader of the Research Laboratory for IDEA at the Research Institute of Science for Safety and Sustainability of the National Institute of Advanced Industrial Science and Technology.

Please visit our website for more information on how our technologies, products, and services contribute to reducing CO₂ emissions.

Environmental Initiatives

VISION 2 Contributing to the Environment through Technologies, Products, and Services

Products That Help Reduce CO₂ Emissions

The following are two examples of how our products help reduce CO₂ emissions.

Emeraude-ALE Series Oil-Free Standard Air Compressors with World-Class Energy Savings and Low Noise Performance

Standard compressors are used widely across industrial sectors to supply compressed air for powering machinery as well as for painting and powder conveying. These compressors account for around 20% of energy consumption at a typical plant, so their ability to conserve energy is extremely important. Our newer models have very little energy loss. Kobe Steel's newest high-efficiency compressor boasts best-in-class efficiency in the world at 5.70 kW/(m³/min), an improvement of 3% from previous products. It is also important to reduce noise due to environmental considerations. With our latest noise suppression package, our compressors rate at 66 decibels, among the quietest in the world. Kobe Steel has started selling 120–275 kW compressors, and plans to expand its lineup in the future.



Emeraude-ALE

Energy-Saving, Environmental Regulation Compliant Nonstandard Screw Compressors for LNG Carriers

Ships need to reduce their CO₂ emissions. In recent years, high-efficiency, low-speed, dual-fuel two-stroke engines for ships with 10% better fuel efficiency have become mainstream in the market. Fuel gas compressors on LNG carriers compress gas vapor from LNG tanks and send it to the engines. For these engines, screw compressors are more efficient than centrifugal compressors. Kobe Steel has recently delivered the world's first screw compressor for these engines. Kobe Steel has the top global share in nonstandard screw compressors. Positioning products for LNG carriers, Kobe Steel aims to expand sales in this field.



LNG carrier



Nonstandard screw compressor

Contributing to the Environment through R&D

Demonstrations of renewable energy hydrogen fueling stations toward the realization of a hydrogen-based society.

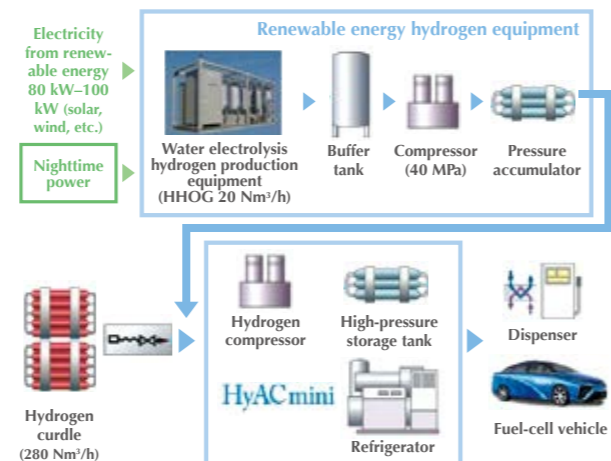
Construction of hydrogen fueling station networks and the use of hydrogen in FCVs (fuel cell vehicles) is now underway. In most cases, hydrogen is now produced from fossil fuel, but it is possible to supply lower-carbon hydrogen, while ensuring a reliable supply of hydrogen, by blending it with water electrolysis hydrogen derived from renewable energy. However, there were problems associated with achieving efficient production of hydrogen from renewable energy power sources, which have unreliable output, as well as the stable supply of hydrogen blended with renewable energy sourced hydrogen for FCVs. Kobe Steel set up demonstrations for reliably supplying hydrogen for FCVs with higher-efficiency water electrolysis hydrogen under conditions that included unreliable power sources (mimicking solar power generation) and intermittent hydrogen supply patterns (mimicking commercial deployment).

These demonstration tests were conducted as a part of the Ministry of the Environment's Low Carbon Technology Research, Development and Demonstration Program under the title "Hydrogen filling station using medium-scale (1.5 kg/h) water electrolyzer powered by renewable energy" during fiscal 2016–2017.

Basic Specifications of the Station

Average supply capacity: 300 Nm³/hour or greater, 5 kg x 3 minutes refueling, 6 vehicles/hour x 12 operating hours = 72 vehicles fueled/day
Renewable energy sourced hydrogen supply capacity: 20 Nm³/hour, 8 vehicles/day at 100% renewable energy, 72 vehicles/day at average of 12% renewable energy (producing hydrogen 24 hours/day)

Station Flowchart



VISION 3 Coexisting and Cooperating with Society

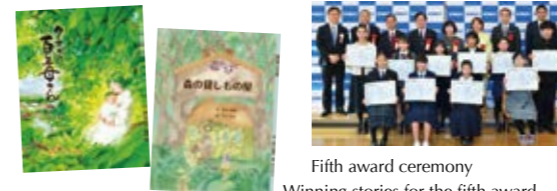
Coexisting and Cooperating with Society

The Kobe Steel Group aims to coexist and cooperate with society, including from an environmental angle. With the aim of taking care of the environment by working to preserve and maintain CO₂-absorbing forests, we implemented the KOBELCO Green Project in fiscal 2013 as a Groupwide program for contributing to the environment. Initiatives also include the KOBELCO Forest Fairy Tale Prize, designed to foster environmental awareness in children, forest development programs carried out by Group employees, and environmental education outreach to children's centers.

KOBELCO GREEN PROJECT

The Fifth KOBELCO Forest Fairy Tale Prize

The Kobe Steel Group collects stories about the forest from students in elementary, junior high, and high schools across Japan with the aim of raising a generation of children who will carry with them an appreciation for all the many blessings that forests



Fifth award ceremony
Winning stories for the fifth award

have to offer. Winning stories are transformed into picture books with illustrations by professional picture book authors.

The fifth annual award, held in fiscal 2017, garnered a total of 670 submissions. *Kunugi no Hyakunen Kasan* ("The 100-Year-Old Mother Oak Tree"), written by Rin Mori (Elementary School Division), and *Mori no Kashimonoya* ("The Forest Lender"), written by Mami Yoshikawa (Junior High and Senior High School Division), were selected as the grand prize winners.

Around 2,000 sets of the finished picture books were donated to elementary schools, junior high schools, high schools, special needs schools, and public libraries in jurisdictions supported by local governments.

Judge's Comments

"For the KOBELCO Forest Fairy Tale Prize, the most important element is the creative depiction of forests. In this context, the level of the writing has improved considerably in the five years I have handed out these awards. In these eloquent stories, I can tell how hard these students researched and studied forests, letting their imaginations soar with their writing, and how they can nimbly jump into the world of these stories. Everyone's stories were highly polished, and I was overjoyed to have the opportunity to read them and proud to be a judge in this contest."



Moe Nagata
Judging Panel Chairwoman

Forest Development

Forest development is carried out by volunteer employees at two locations within Hyogo Prefecture: the KOBELCO Forest in Miki City and the ECOWAY Forest in Kobe's Nada Ward. Also, we work to conserve countryside forests and agricultural land in the Zenihara district of Ibaraki, Osaka Prefecture.

As a result of tree thinning and cutting of undergrowth in these forests, sunlight has now started to reach further into the forest, which is gradually becoming healthier as a result.

Environmental Education Outreach to Children's Centers

Kobe Steel is a member of the Kobe Children's Eco Challenge 21 Club, sponsored by the city of Kobe. The club operates environmental education outreach programs to get children interested in the environment so that environmentally friendly activities will continue.

Kobe Steel provides a program on the topics of steel and electricity for children to learn about the importance of the environment and electricity and the convenience of steel in our lives. In fiscal 2017, the program was carried out at three locations (Kitaogi Jidokan, Karato Jidokan, and Shoei Jidokan), with 89 children participating.

Disclosure of Environmental Information

Disclosing Environmental Information via Public Monitors

Air emissions and other environmental data for Kakogawa Works and Kobe Works are disclosed in real-time via monitors installed at various locations.

	Location of Public Monitors
Locations of public monitors displaying environmental information for Kakogawa Works:	Kakogawa City Hall, Harima Town Hall, and local community centers in Befu and Onoe
Locations of public monitors displaying environmental information for Kobe Works:	Nadahama Science Square, Nadahama Garden Baden

Communicating with Local Communities

In order to gain the understanding of local residents in the area of Kakogawa Works and Kobe Works regarding its environmental conservation efforts, Kobe Steel held local information sessions, with a total of 127 persons attending.

Toll-free (within Japan) phone numbers have also been set up at Kakogawa Works and Kobe Works to answer questions related to the environment. Going forward, we will continue to value the opinions of people in local communities.

Global Locations of the Kobe Steel Group


Kobe Steel Group's Expanding World Presence

As a unified Group, we aim to grow globally and create new value in markets around the world.

For details about the Kobe Steel Group, please visit our website below.

Overseas and Domestic Locations
http://www.kobelco.co.jp/english/about_kobelco/kobesteel/locations/index.html

Kobe Steel Group Companies
http://www.kobelco.co.jp/english/about_kobelco/group/index.html



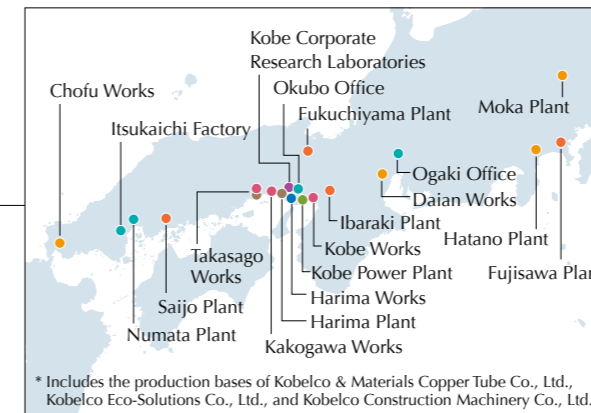
Europe and the Middle East

- Welding**
Kobelco Welding of Europe B.V. - The Netherlands
- Machinery**
Kobelco Machinery Europe GmbH - Germany
Kobelco Machinery Middle East FZE. - UAE
Quintus Technologies AB - Sweden
- Engineering**
Midrex UK Ltd. - UK
- Construction Machinery**
Kobelco Construction Machinery Europe B.V. - The Netherlands
Kobelco Construction Machinery Middle East & Africa FZCO. - UAE

Asia and Oceania

- Iron & Steel**
Kobelco Angang Auto Steel Co., Ltd. - Liaoning, China
Shinko Wire (Guangzhou) Sales Co., Ltd. - Guangdong, China
Kobelco Spring Wire (Foshan) Co., Ltd. - Guangdong, China
Kobe Wire Products (Foshan) Co., Ltd. - Guangdong, China
Kobe Special Steel Wire Products (Pinghu) Co., Ltd. - Zhejiang, China
Jiangyin Sugita Fasten Spring Wire Co., Ltd. - Jiangsu, China
Tesac Shinko Wire Rope Consulting (Shanghai) Co., Ltd. - Shanghai, China
Microfine Trading (Shanghai) Co., Ltd. - Shanghai, China
Kobelco Millcon Steel Co., Ltd. - Thailand
Kobe CH Wire (Thailand) Co., Ltd. - Thailand
Kobe Steel Asia Pte. Ltd. - Singapore
Mahajak Kyodo Co., Ltd. - Thailand
- Welding**
Kobe Welding of Shanghai Co., Ltd. - Shanghai, China
Kobe Welding of Tangshan Co., Ltd. - Hebei, China
Kobe Welding of Qingdao Co., Ltd. - Shandong, China
Kobelco Welding Asia Pacific Pte. Ltd. - Singapore
Kobelco Welding India Pvt. Ltd. - India
Kobelco Welding Marketing of Korea Co., Ltd. - Republic of Korea
Kobe MIG Wire (Thailand) Co., Ltd. - Thailand
Kobe Welding (Malaysia) Sdn. Bhd. - Malaysia
Kobe Welding of Korea Co., Ltd. - Republic of Korea
Thai-Kobe Welding Co., Ltd. - Thailand
- Aluminum & Copper**
Kobe Aluminum Automotive Products (China) Co., Ltd. - Jiangsu, China
Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd. - Tianjin, China
Suzhou Kobe Copper Technology Co., Ltd. - Jiangsu, China
Ulsan Aluminum, Ltd. - Republic of Korea
Kobe Electronics Material (Thailand) Co., Ltd. - Thailand
Kobe Precision Technology Sdn. Bhd. - Malaysia
Kobelco & Materials Copper Tube (M) Sdn. Bhd. - Malaysia
Kobelco & Materials Copper Tube (Thailand) Co., Ltd. - Thailand
Singapore Kobe Pte. Ltd. - Singapore
- Machinery**
Yiyang Yishen Rubber Machinery Co., Ltd. - Hunan, China
Kobelco Compressors Manufacturing (Shanghai) Corporation - Shanghai, China
Kobelco Machinery System Engineering Qingdao Co., Ltd. - Shandong, China
Shinwa Wood Works (Wuxi) Co., Ltd. - Jiangsu, China
Wuxi Compressor Co., Ltd. - Jiangsu, China
Kobelco Advanced Lube-system Asia Co., Ltd. - Republic of Korea
Kobelco Compressors India Pvt. Ltd. - India
Kobelco Compressors (Malaysia) Ltd. - Malaysia
Kobelco Compressors (Thailand) Ltd. - Thailand
Kobelco Compressors (Vietnam) Ltd. - Vietnam
Kobelco Machinery Asia Pte. Ltd. - Singapore
Kobelco Machinery India Pte. Ltd. - India
Kobelco Machinery Philippines Inc. - Philippines
L&T Kobelco Machinery Private Limited - India
- Engineering**
Midrex Metallurgy Technology Services (Shanghai) Ltd. - Shanghai, China
Kobelco Eco-Solutions Vietnam Co., Ltd. - Vietnam
Midrex Technologies India Pte. Ltd. - India

Main Domestic Locations*



North and South America

- Iron & Steel**
Grand Blanc Processing, LLC - Michigan, USA
Kobelco CH Wire Mexicana, S.A. de C.V. - Estado de Guanajuato, Mexico
PRO-TEC Coating Company, LLC - Ohio, USA
- Welding**
Kobelco Welding of America Inc. - Texas, USA
- Aluminum & Copper**
Kobe Aluminum Automotive Products, LLC - Kentucky, USA
Kobelco Aluminum Products & Extrusions Inc. - Kentucky, USA
- Machinery**
Kobelco Advanced Coating (America), Inc. - Illinois, USA
Kobelco Compressors America, Inc. - California, USA
Kobelco Compressors Manufacturing Indiana, Inc. - Indiana, USA
Kobelco Machinery do Brasil Servicos Empresariais Ltda. - Brazil
Kobelco Stewart Bolling, Inc. - Ohio, USA
- Engineering**
Midrex Technologies, Inc. - North Carolina, USA
- Construction Machinery**
Kobelco Construction Machinery U.S.A. Inc. - Texas, South Carolina, USA
- Other Businesses**
Kobe Steel International (USA) Inc. - New York, USA
Kobe Steel USA Holdings Inc. - Delaware, USA
Kobe Steel USA Inc. - Michigan, USA
Shinsho American Corporation - Michigan, USA

Corporate Data (As of March 31, 2018)

Corporate Profile

Name: Kobe Steel, Ltd.
(Japanese Name: Kabushiki Kaisha Kobe Seikoshu)
Group Brand: **KOBELCO**
Founded: September 1, 1905
Incorporated: June 28, 1911
Capital: 250.9 billion yen
Employees: 37,436 (consolidated)
11,191 (non-consolidated)

Stock Information

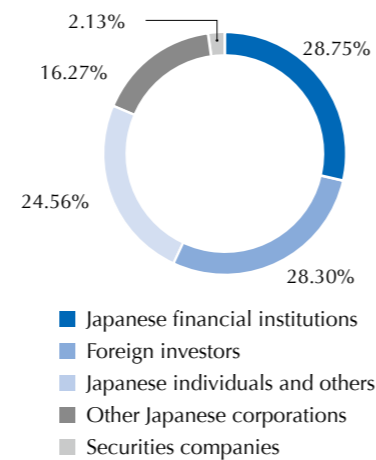
Authorized: 600,000,000 shares
Issued: 364,364,210 shares
Number of Shareholders: 189,496
Listing: Tokyo Stock Exchange, First Section (Ticker Code: 5406)
Nagoya Stock Exchange, First Section (Ticker Code: 54060)
Transfer Agent & Office: Mitsubishi UFJ Trust and Banking Corporation

Major Shareholders (10 largest shareholders)

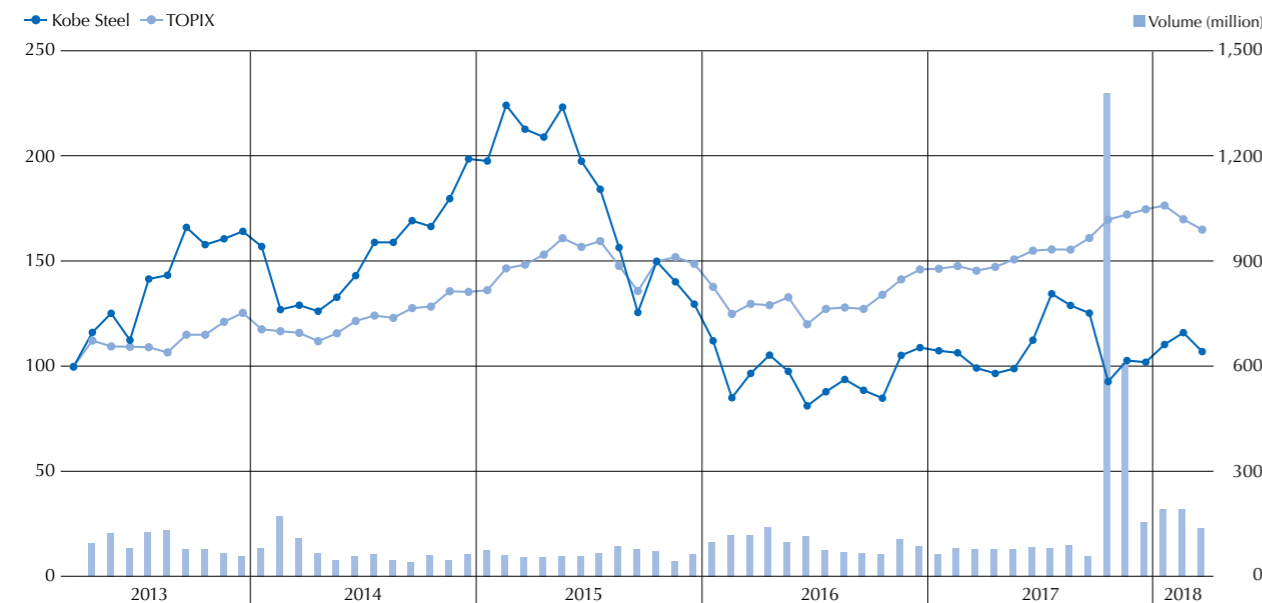
Name of Shareholder	Number of Shares Held	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,497	3.98
Japan Trustee Services Bank, Ltd. (Trust Account)	12,150	3.34
Nippon Steel & Sumitomo Metal Corporation	10,735	2.95
Nippon Life Insurance Company	10,119	2.78
Japan Trustee Services Bank, Ltd. (Trust Account 5)	6,906	1.90
Mizuho Bank, Ltd.	6,467	1.78
State Street Bank West Client-Treaty 505234	5,911	1.62
Mitsubishi UFJ Trust and Banking Corporation	5,233	1.44
Japan Trustee Services Bank, Ltd. (Trust Account 2)	5,133	1.41
Japan Trustee Services Bank, Ltd. (Trust Account 1)	5,077	1.39

Note: Kobe Steel holds 229 thousand of its own shares in treasury stock. Treasury stock is excluded in the calculation of the major shareholders' shareholding ratio in the Company.

Breakdown of Shareholders by Investor Type



Trends in Stock Price and Volume



*1 Kobe Steel's share price and TOPIX are indexed with closing prices in March 2013 equal to 100.

*2 The Company carried out a 1-for-10 reverse stock split of its shares on October 1, 2016. Per-share data has been recalculated as if the reverse stock split had been carried out at the beginning of fiscal 2013.

Head Offices/Branch Offices/Sales Offices

Kobe Head Office	2-4, Wakinohama-Kaigandori 2-chome, Chuo-ku, Kobe, Hyogo 651-8585, Japan	Tel: +81-78-261-5111	Fax: +81-78-261-4123
Tokyo Head Office	ON Building, 9-12, Kita-Shinagawa 5-chome, Shinagawa-ku, Tokyo 141-8688, Japan	Tel: +81-3-5739-6000	Fax: +81-3-5739-6903
Osaka Branch Office	Midosuji Mitsui Building, 1-3, Bingomachi 4-chome, Chuo-ku, Osaka, Osaka 541-8536, Japan	Tel: +81-6-6206-6111	Fax: +81-6-6206-6101
Nagoya Branch Office	Nagoya Prime Central Tower, 27-8, Meieki 2-chome, Nishi-ku, Nagoya, Aichi 451-0045, Japan	Tel: +81-52-584-6111	Fax: +81-52-584-6105
Hokkaido Sales Office	Nippon Seimei Kitamonkan Building, 1-3, Kita-Shijo Nishi 5-chome, Chuo-ku, Sapporo, Hokkaido 060-0004, Japan	Tel: +81-11-261-9331	Fax: +81-11-251-2533
Tohoku Sales Office	Sendai NS Building, 2-25, Ichibancho 1-chome, Aoba-ku, Sendai, Miyagi 980-0811, Japan	Tel: +81-22-261-8811	Fax: +81-22-261-0762
Niigata Sales Office	Nippon Seimei Niigata Building, 4-10, Higashiodori 2-chome, Chuo-ku, Niigata, Niigata 950-0087, Japan	Tel: +81-25-245-8681	Fax: +81-25-243-1645
Hokuriku Sales Office	Urban Place, 18-7, Ushijimacho, Toyama, Toyama 930-0858, Japan	Tel: +81-76-441-4226	Fax: +81-76-442-4088
Shikoku Sales Office	Takamatsu Kogin Building, 6-8, Bancho 1-chome, Takamatsu, Kagawa 760-0017, Japan	Tel: +81-87-823-7222	Fax: +81-87-823-7333
Chugoku Sales Office	Meiji Yasuda Seimei Hiroshima Building, 4-25, Fukuromachi, Naka-ku, Hiroshima, Hiroshima 730-0036, Japan	Tel: +81-82-258-5301	Fax: +81-82-258-5309
Kyushu Sales Office	Shinkansen Hakata Building, 1-1, Hakataeki Chuogai, Hakata-ku, Fukuoka, Fukuoka 812-0012, Japan	Tel: +81-92-431-2211	Fax: +81-92-432-4002
Okinawa Sales Office	Naha Shintoshin Media Building-West, 3-31, Omoromachi 1-chome, Naha, Okinawa 900-0006, Japan	Tel: +81-98-866-4923	Fax: +81-98-869-6185
Takasago Works	3-1, Araicho Shinhama 2-chome, Takasago, Hyogo 676-8670, Japan	Tel: +81-79-445-7111	Fax: +81-79-445-7231

Please refer to the website below for an introduction to Kobe Steel, Ltd.'s business locations in Japan.
http://www.kobelco.co.jp/english/about_kobelco/kobesteel/locations/domestic/index.html



Our Website

Please see the Company's website for more detailed information about activities in each segment, financial and non-financial data, and activities related to corporate social responsibility and governance.

Investor Relations

<http://www.kobelco.co.jp/english/ir/>



Corporate Social Responsibility

http://www.kobelco.co.jp/english/about_kobelco/csr/



Inquiries Corporate Communications Department, Kobe Steel, Ltd.