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

(Stock Exchange No.: 5406)
June 1, 2016

NOTICE OF 163RD ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders,

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

[Voting by mail]
Please indicate on the voting form enclosed herewith your approval or disapproval of the matters to be resolved, and return it to us.
[Voting via the Internet]
Please read the "Matters related to the exercise of voting rights" on page 3 and input your approval or disapproval of the matters to be resolved in accordance with the instructions on the website.

Yours faithfully,
Hiroya Kawasaki
Chairman, President, CEO and Representative Director
Kobe Steel, Ltd.
2-4, Wakinohama-Kaigandori 2-chome, Chuo-ku, Kobe, Hyogo

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

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

3. Meeting Agenda:

Matters to be reported:

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

Matters to be resolved:

Item 1: Partial amendments to the Articles of Incorporation

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

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

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

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

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

Item 7: Introduction of a stock compensation plan for Directors

Item 8: Consolidation of shares

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

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

5. Matters related to the exercise of voting rights

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

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

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

(b) You may exercise your voting rights from Wednesday, June 1, 2016 to 5:30 p.m., Tuesday, June 21, 2016 (JST (Japan Standard Time)). Please note that we suspend handling of the exercise of voting rights from 2:00 a.m. to 5:00 a.m. of each day.

(c) You may exercise your voting rights by means of either mail using the voting form or the voting exercise website. Please make sure not to exercise your voting rights via both means.

In the event that your voting rights are exercised via both mail and the Internet, the vote exercised by the Internet will be regarded as valid.

(d) In the event that multiple votes are exercised over the Internet, the last vote made will be regarded as valid.

(e) Any fees in accessing the Internet (ISP connection fees, telephone charges, etc.) will be borne by shareholders.

(2) Electronic voting platform [for institutional investors]

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

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

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

(4) Exercise of voting rights by proxy

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

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

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

Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation Tel.: 0120-173-027 (This toll-free number is available only within Japan.) (9:00 a.m. - 9:00 p.m.)

(ii) As for inquiries other than those covered in the item (i) above, please contact the following office:

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

NOTE:

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

Reference Documents for the General Meeting of Shareholders

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

2. Agenda Items and Reference Documents:

<Reference items applicable to Items 1 through 6>
Item 1 to Item 6 are related to the transition to a company with an Audit & Supervisory Committee.

Reason for Proposing the Transition to a company with an Audit & Supervisory Committee
To ensure the Kobe Steel Group's continued growth and improve its corporate value over the years, the Company has strengthened its corporate governance system with the appointment of more than one Independent Director and five Audit & Supervisory Board Members, in which the Companies Act stipulates that three or more Audit & Supervisory Board Members must be appointed. In December 2015, the Company has established the "Meeting of Independent Directors" which consists of Independent Directors as a forum where the Company conducts hearings of opinions with respect to appointment and/or remuneration of its executives from Independent Directors, and provides Independent Directors with information with respect to the management of the Company's business for the purpose of maximizing the roles of Independent Directors.
Furthermore, various considerations were made together with these efforts regarding the state of the design of the Company's systems, which resulted in the conclusion that, to further strengthen the corporate governance system and the supervisory function of the Board of Directors, and to accelerate decision-making with regard to management, transitioning to a company with an Audit & Supervisory Committee was appropriate. Accordingly, it is proposed that a transition from a company with Audit & Supervisory Board be approved.

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

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

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

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

(1) As the transition to a company with an Audit & Supervisory Committee requires certain amendments of Articles of Incorporation such as repealing of provisions relating to Audit & Supervisory Board Members and the Audit & Supervisory Board, establishing of new provisions relating to the Audit & Supervisory Committee, Item 1 will propose these necessary amendments to the Articles of Incorporation resulting from the transition to a company with an Audit & Supervisory Committee.

(2) The election of Directors in a company with an Audit & Supervisory Committee must distinguish between Directors (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members, and as such, Item 2 will propose the election of Directors (excluding Directors who are Audit & Supervisory Committee Members) while Item 3 will propose the election of Directors who are Audit & Supervisory Committee Members.

(3) Audit & Supervisory Committees must be composed of three or more Directors, and the majority of whom must be Outside Directors, and as such, to prepare for the case where the number of Directors who are Audit & Supervisory Committee Members falls below the number required by laws and regulations, Item 4 will propose the election of a Director who is a substitute Audit & Supervisory Committee Member.

(4) In order to secure the independence of Audit & Supervisory Committee Members' standpoints, in a company with an Audit & Supervisory Committee, the remuneration of Directors (excluding Directors who are Audit & Supervisory Committee Members) and the remuneration of Directors who are Audit & Supervisory Committee Members must separately be proposed and resolved at the General Meeting of Shareholders, and as such, Item 5 will propose the amount of remuneration, etc., for Directors (excluding Directors who are Audit & Supervisory Committee Members) and Item 6 will propose the amount of remuneration, etc., for Directors who are Audit & Supervisory Committee Members.

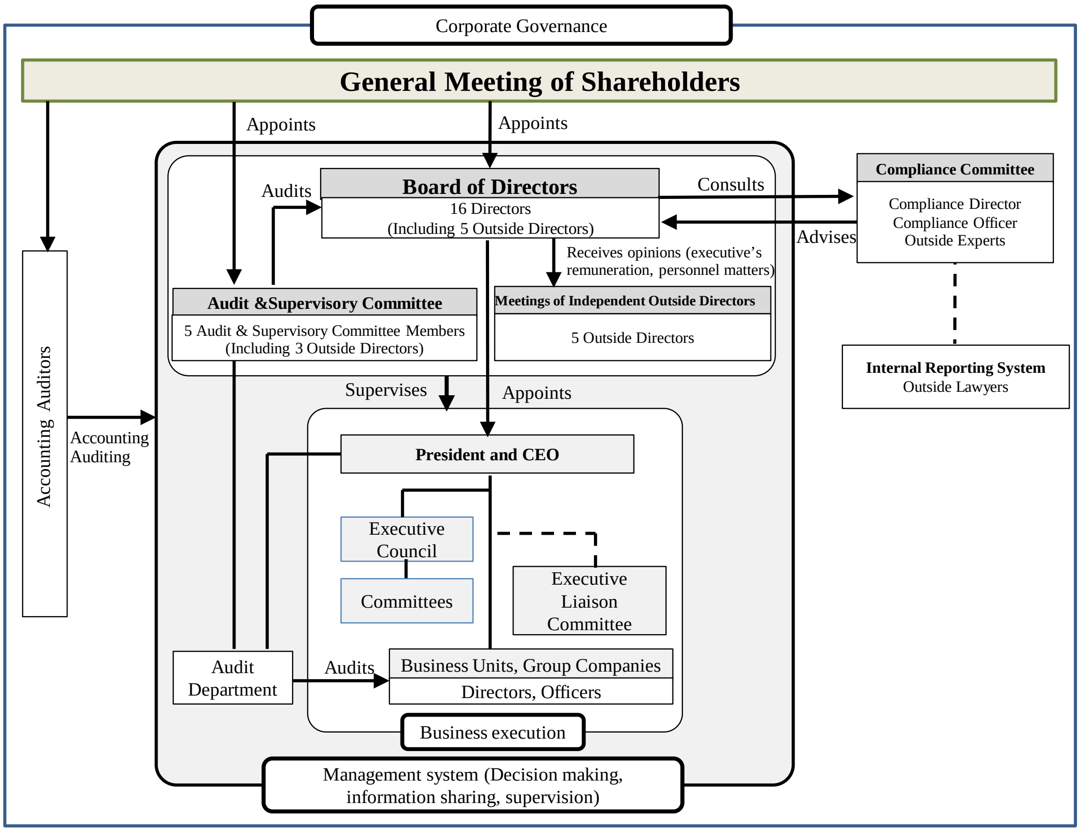
Structure After the Transition to a company with an Audit & Supervisory Committee

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

(Persons)

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

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



Item 1: Partial amendments to the Articles of Incorporation

(Reasons for partial amendments to the Articles of Incorporation)

(1) As the Company will transition from being a company with Audit & Supervisory Board to a company with an Audit & Supervisory Committee, deletion of provisions relating to Audit & Supervisory Board Members and an Audit & Supervisory Board, establishment of provisions relating to Audit & Supervisory Committee Members and an Audit & Supervisory Committee, establishment of supplemental provisions as transitional measures as a result of deleting provisions regarding liability exemption of Audit & Supervisory Board Members, and amendments to other provisions are proposed.
   - Deleting provisions relating to Audit & Supervisory Board Members and an Audit & Supervisory Board (Articles 29 to 36 of the current Articles of Incorporation).
   - Establishing provisions relating to Audit & Supervisory Committee and Audit & Supervisory Committee Members (Article 4 of the proposed amendments, the title of Chapter V of the proposed amendments, and Article 30 to Article 33 of the proposed amendments).
   - Establishing supplemental provisions as transitional measures resulting from the deletion of provisions regarding liability exemption of Audit & Supervisory Board Members (Supplemental provisions of the proposed amendments)
   - Other necessary amendments (Article 18, Article 19, Article 22, Article 23, Article 24, Article 25 and Article 28 of the proposed amendments).

(2) In order to further separate management supervision and business execution, a provision stating that when resolved by the Board of Directors, all or part of decisions of execution of important operation may be delegated to Director(s) is being proposed (Article 26 of the proposed amendments).

(3) In order to clarify the position and duties of Directors along with the Company’s transition to a company with an Audit & Supervisory Committee, a reconsideration of provisions relating to Directors with Special Titles is being proposed (Articles 20 and 21 of the proposed amendments).

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

The details of the amendments are as follows:

(Underlined portions are amended.)

Current Articles of Incorporation	Proposed amendments
Article 1. to Article 3. (Omitted)	Article 1. to Article 3. (Same as the present)
Article 4. Organizations	Article 4. Organizations
The Company shall have the following organizations in addition to the General Meetings of Shareholders and Directors: 1. Board of Directors; 2. Audit & Supervisory Board Members; 3. Audit & Supervisory Board; and 4. Accounting Auditors.	The Company shall have the following organizations in addition to the General Meetings of Shareholders and Directors: 1. Board of Directors; 2. Audit & Supervisory Committee; and (Deleted) 3. Accounting Auditors.
Article 5. to Article 17. (Omitted)	Article 5. to Article 17. (Same as the present)
CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS	CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS
Article 18. Number of Directors	Article 18. Number of Directors
The number of Directors of the Company shall be no more than fifteen (15).	The number of Directors (excluding Directors who are Audit & Supervisory Committee Members) of the Company shall be no more than fifteen (15).
(Newly established)	The number of Directors who are Audit & Supervisory Committee Members of the Company shall be no more than five (5).
Article 19. Election of Directors	Article 19. Election of Directors
The Directors shall be elected by resolution of a General Meeting of Shareholders.	The Directors shall be elected by resolution of a General Meeting of Shareholders. However, Directors who are Audit & Supervisory Committee Members shall be elected distinguishing from other Directors.
The Directors shall be elected by the affirmative vote of shareholders representing a majority of the shares held by the shareholders with voting rights present at such a meeting and the quorum requirement shall be not less than one-third (1/3) of the total number of voting rights of such shareholders. Provided, that cumulative voting shall not be used for the election of Directors.	The Directors shall be elected by the affirmative vote of shareholders representing a majority of the shares held by the shareholders with voting rights present at such a meeting and the quorum requirement shall be not less than one-third (1/3) of the total number of voting rights of such shareholders. Provided, that cumulative voting shall not be used for the election of Directors.
(Newly established)	The Company may elect Directors to be substitute Audit & Supervisory Committee Members at General Meetings of Shareholders the way of precaution against the cases where the number of Directors who are Audit & Supervisory Committee Members falls below the number required by laws and regulations.

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

Current Articles of Incorporation	Proposed amendments
Article 23. Remuneration, etc. of Directors Remuneration, bonuses and other financial interest paid to Directors by the Company as consideration for their performance of duties (hereinafter referred to as "Remuneration, etc.") shall be determined by resolution of General Meetings of Shareholders. (Newly established)	Article 23. Remuneration, etc. of Directors Remuneration, bonuses and other financial interest paid to Directors by the Company as consideration for their performance of duties (hereinafter referred to as "Remuneration, etc.") shall be determined by resolution of General Meetings of Shareholders. <u>However, Remuneration, etc., paid to Directors who are Audit & Supervisory Committee Members shall be determined by resolution of General Meetings of Shareholders distinguishing from other Director Remuneration, etc.</u>
Article 24. Notice for Convocation of Meetings of the Board of Directors Notice of a meeting of the Board of Directors shall be issued to each Director<u> and Audit & Supervisory Board Member</u> no later than three (3) days prior to the date of the meeting. Provided, however, that in case of urgency, such period may be shortened.	Article 24. Notice for Convocation of Meetings of the Board of Directors Notice of a meeting of the Board of Directors shall be issued to each Director no later than three (3) days prior to the date of the meeting. Provided, however, that in case of urgency, such period may be shortened.
Article 25. Person to convene and to Act as Chairman at Meetings of the Board of Directors The Chairman of the Board shall convene and act as Chairman of Meetings of the Board of Directors. If the office of the Chairman of the Board is vacant or he is unable to act, one of the Vice Chairmen of the Board in accordance with order previously established by resolution of the Board of Directors shall convene the meeting and/or act as chairman. If all the offices of the Vice Chairmen of the Board are vacant or all of them are unable to act, the President shall convene the meeting and/or act as chairman. If the President is unable to act, the Director next in line in accordance with the order previously established by resolution of the Board of Directors shall convene the meeting and/or act as chairman.	Article 25. Person to convene and to Act as Chairman at Meetings of the Board of Directors The Chairman of the Board shall convene and act as Chairman of Meetings of the Board of Directors<u> except as required by mandatory provisions of laws and regulations</u>. If the office of the Chairman of the Board is vacant or he is unable to act, one of the Vice Chairmen of the Board in accordance with order previously established by resolution of the Board of Directors shall convene the meeting and/or act as chairman. If all the offices of the Vice Chairmen of the Board are vacant or all of them are unable to act, the President shall convene the meeting and/or act as chairman. If the President is unable to act, the Director next in line in accordance with the order previously established by resolution of the Board of Directors shall convene the meeting and/or act as chairman.
(Newly established)	<u>Article 26. Delegation of Important Business Execution Decisions</u> <u>In accordance with Article 399-13, paragraph 6 of the Companies Act, the Board of Directors may resolve to delegate all or part of decisions of execution of important operations (excluding matters listed in each item of paragraph 5 of the same Article) to Director(s).</u>

Current Articles of Incorporation	Proposed amendments
Article 26. Method of Resolutions of Meetings of the Board of Directors (Omitted)	Article 27. Method of Resolutions of Meetings of the Board of Directors (Same as the present)
Article 27. Minutes of Meetings of the Board of Directors The summary of the proceedings at each meeting of the Board of Directors, the results thereof and other matters provided for by laws and regulations shall be recorded in the minutes and the Directors and Audit & Supervisory Board Members present shall affix their respective names and seal impressions on the minutes.	Article 28. Minutes of Meetings of the Board of Directors The summary of the proceedings at each meeting of the Board of Directors, the results thereof and other matters provided for by laws and regulations shall be recorded in the minutes and the Directors present shall affix their respective names and seal impressions on the minutes.
Article 28. Liability Exemption of Directors from the Company (Omitted)	Article 29. Liability Exemption of Directors from the Company (Same as the present)
CHAPTER V. AUDIT & SUPERVISORY BOARD MEMBERS AND AUDIT & SUPERVISORY BOARD	CHAPTER V. AUDIT & SUPERVISORY COMMITTEE
Article 29. Number of Audit & Supervisory Board Members The number of Audit & Supervisory Board Members of the Company shall be no more than five (5).	(Deleted)
Article 30. Election of Audit & Supervisory Board Members The Audit & Supervisory Board Members shall be elected by resolution of a General Meetings of Shareholders. The Audit & Supervisory Board Members shall be elected by the affirmative vote of shareholders representing a majority of the shares held by the shareholders with voting rights present at such a meeting and the quorum requirement shall be not less than one-third (1/3) of the total number of voting rights of such shareholders.	(Deleted)
Article 31. Term of Audit & Supervisory Board Members The term of office of Audit & Supervisory Board Members shall expire at the conclusion of the Ordinary General Meetings of Shareholders for the last business year that ends within four (4) years after their appointment. The term of office of Audit & Supervisory Board Members appointed to fill a vacancy shall be the same as the remainder of the term of office of the retired Audit & Supervisory Board Member.	(Deleted)

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

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

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

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

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

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

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

<table>
<tr><td>No. 1</td><td colspan="2">Hiroya Kawasaki
(Date of birth: August 4, 1954)</td><td>Reappointment/
Internal Director</td><td>Number of shares of the Company owned:
251,000 shares</td></tr>
<tr><td colspan="3">Career summary (positions)</td><td colspan="2">Duties and significant concurrent positions</td></tr>
<tr><td colspan="3">April 1980: Joined the Company
April 2007: Officer
April 2010: Senior Officer
April 2012: Executive Officer
June 2012: Senior Managing Director
April 2013: President, CEO and Director
April 2016: Chairman, President, CEO and Director (incumbent)</td><td colspan="2"></td></tr>
<tr><td colspan="2">Reasons for selecting the candidate</td><td colspan="3">Hiroya Kawasaki has abundant experience and knowledge in the fields of iron & steel technology and in operations in the Head Office, and we have concluded that he is well qualified to be a Director of the Company in light of the Company’s fundamental policy with regard to appointment of candidates for Directors (please see pages 31).</td></tr>
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<table>
<tr><td>No. 2</td><td>Yoshinori Onoe
(Date of birth: November 30, 1955)</td><td>Reappointment/
Internal Director</td><td>Number of shares of the Company owned:
146,000 shares</td></tr>
<tr><td colspan="2">Career summary (positions)</td><td colspan="2">Duties and significant concurrent positions</td></tr>
<tr><td colspan="2">April 1980: Joined the Company
April 2008: Officer
April 2010: Senior Officer
April 2012: Executive Officer
April 2014: Executive Vice President and Officer
June 2014: Executive Vice President and Director
April 2016: Executive Vice President and Director (incumbent)</td><td colspan="2">Head of the Iron & Steel Business</td></tr>
<tr><td>Reasons for selecting the candidate</td><td colspan="3">Yoshinori Onoe has abundant experience and knowledge in the field of iron & steel technology, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see pages 31).</td></tr>
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<table>
<tr><td>No. 3</td><td>Akira Kaneko
(Date of birth: November 3, 1954)</td><td>Reappointment/
Internal Director</td><td>Number of shares of the Company owned:
110,000 shares</td></tr>
<tr><td colspan="2">Career summary (positions)</td><td colspan="2">Duties and significant concurrent positions</td></tr>
<tr><td colspan="2">April 1979: Joined the Company
April 2009: Officer
April 2011: Senior Officer
April 2014: Executive Officer
June 2014: Senior Managing Director
April 2015: Executive Vice President and Director
April 2016: Executive Vice President and Director (incumbent)</td><td colspan="2">Head of the Aluminum & Copper Business</td></tr>
<tr><td>Reasons for selecting the candidate</td><td colspan="3">Akira Kaneko has abundant experience and knowledge in the field of aluminum business and in operations in the Head Office, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see pages 31).</td></tr>
</table>

<table>
<tr><td>No. 4</td><td>Naoto Umehara
(Date of birth: April 6, 1955)</td><td>Reappointment/
Internal Director</td><td>Number of shares of the Company owned:
122,000 shares</td></tr>
<tr><td colspan="2">Career summary (positions)</td><td colspan="2">Duties and significant concurrent positions</td></tr>
<tr><td colspan="2">April 1979: Joined the Company
April 2009: Officer
April 2011: Senior Officer
April 2014: Executive Officer
June 2014: Senior Managing Director
April 2015: Executive Vice President and Director
April 2016: Executive Vice President and Director (incumbent)</td><td colspan="2">Oversees the Audit Department, Secretariat & Publicity Department, General Administration Department, Legal Department, Human Resources Department, Corporate Planning Department (excluding the Transportation Materials Business Planning Section), IT Planning Department, Accounting Department, Finance Department, Marketing Planning Department, Civil Engineering & Construction Technology Department, Rugby Administration Office, Electric Power Business, domestic branch offices and sales offices (including Takasago Works), and overseas locations (under the head office). Oversees companywide compliance and companywide information systems.</td></tr>
<tr><td>Reasons for selecting the candidate</td><td colspan="3">Naoto Umehara has abundant experience and knowledge in the field of iron & steel business and in operations in the Head Office, and we have concluded that he is well qualified to be a Director of the Company in light of the Company’s fundamental policy with regard to appointment of candidates for Directors (please see pages 31).</td></tr>
</table>

<table>
<tr><td>No. 5</td><td>Shohei Manabe
(Date of birth: September 16, 1955)</td><td>Reappointment/
Internal Director</td><td>Number of shares of the Company owned:
117,000 shares</td></tr>
<tr><td colspan="2">Career summary (positions)</td><td colspan="2">Duties and significant concurrent positions</td></tr>
<tr><td colspan="2">April 1978: Joined the Company
April 2009: Officer
April 2011: Senior Officer
April 2015: Executive Officer
June 2015: Senior Managing Director
April 2016: Director, Senior Managing Executive Officer (incumbent)</td><td colspan="2">Head of the Engineering Business</td></tr>
<tr><td>Reasons for selecting the candidate</td><td colspan="3">Shohei Manabe has abundant experience and knowledge in the field of engineering business, and we have concluded that he is well qualified to be a Director of the Company in light of the Company’s fundamental policy with regard to appointment of candidates for Directors (please see pages 31).</td></tr>
</table>

<table>
<tr><td>No. 6</td><td>Fusaki Koshiishi
(Date of birth: August 29, 1954)</td><td>Reappointment/
Internal Director</td><td>Number of shares of the Company owned:
71,000 shares</td></tr>
<tr><td colspan="2">Career summary (positions)</td><td colspan="2">Duties and significant concurrent positions</td></tr>
<tr><td colspan="2">April 1984: Joined the Company
October 2010: General Manager, Technical Development Department and General Manager, Development Planning Section, Technical Development Department, Welding Business
July 2011: General Manager, Technical Development Department, Welding Business
April 2012: Officer
April 2014: Senior Officer
June 2015: Managing Director
April 2016: Director, Senior Managing Executive Officer (incumbent)</td><td colspan="2">Head of the Welding Business</td></tr>
<tr><td>Reasons for selecting the candidate</td><td colspan="3">Fusaki Koshiishi has abundant experience and knowledge in the field of welding business, and we have concluded that he is well qualified to be a Director of the Company in light of the Company’s fundamental policy with regard to appointment of candidates for Directors (please see pages 31).</td></tr>
</table>

<table>
<tr><td>No. 7</td><td>Kazuhide Naraki
(Date of birth: November 11, 1953)</td><td>Reappointment/
Internal Director</td><td>Number of shares of the Company owned:
224,000 shares</td></tr>
<tr><td colspan="2">Career summary (positions)</td><td colspan="2">Duties and significant concurrent positions</td></tr>
<tr><td colspan="2">April 1977: Joined the Company
April 2008: Officer
April 2010: Senior Officer
April 2012: Executive Officer
June 2012: Senior Managing Director
April 2014: Executive Vice President and Director
April 2016: Director of the Company (incumbent)
President, CEO and Director of Kobelco Construction Machinery Co., Ltd. (incumbent)</td><td colspan="2">President, CEO and Director of Kobelco Construction Machinery Co., Ltd.</td></tr>
<tr><td>Reasons for selecting the candidate</td><td colspan="3">Kazuhide Naraki has abundant experience and knowledge in the field of machinery business, and we have concluded that he is well qualified to be a Director of the Company in light of the Company’s fundamental policy with regard to appointment of candidates for Directors (please see pages 31).</td></tr>
</table>

<table>
<tr><td>No. 8</td><td>Takao Kitabata
(Date of birth: January 10, 1950)</td><td>Reappointment/
Outside Director/
Independent
Director/Auditor</td><td>Number of shares of the Company owned:
36,000 shares</td></tr>
<tr><td colspan="2">Career summary (positions)</td><td colspan="2">Duties and significant concurrent positions</td></tr>
<tr><td colspan="2">April 1972: Joined the Ministry of International Trade and Industry
June 2004: Director-General, Economic and Industrial Policy Bureau, the Ministry of Economy, Trade and Industry (METI)
July 2006: Vice-Minister of Economy, Trade and Industry
July 2008: Retired from METI
June 2010: Director of the Company (incumbent)
Outside Corporate Auditor of Marubeni Corporation
June 2013: Chairman of SANDA GAKUEN Junior High School－Senior High School (incumbent)
Outside Director of Marubeni Corporation (incumbent)
April 2014: Principal of SANDA GAKUEN Junior High School－Senior High School
June 2014: Outside Director of SEIREN CO., LTD. (incumbent)
Outside Director of Zeon Corporation (incumbent)</td><td colspan="2">Chairman of the board of SANDA GAKUEN Junior High School－Senior High School
Outside Director of Marubeni Corporation
Outside Director of SEIREN CO., LTD.
Outside Director of Zeon Corporation</td></tr>
<tr><td>Reasons for selecting the candidate</td><td colspan="3">Although Takao Kitabata has not participated in the management of a company in a position other than Outside Director or Outside Audit & Supervisory Board Member, he has abundant experience and deep insight as an administrative official, and we have concluded that he is well qualified to be an Outside Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors and standards for Independent Directors/Auditors (please see pages 31 through 33).</td></tr>
<tr><td colspan="2">Attendance at Board of Directors meetings during fiscal 2015:
15/15 meetings held (100%)</td><td colspan="2">Term of office as Outside Director of the Company: 6 years</td></tr>
</table>

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

No. 9	Hiroshi Ochi (Date of birth: January 5, 1946)	Reappointment/ Outside Director/ Independent Director/Auditor	Number of shares of the Company owned: 11,000 shares

Career summary (positions)		Duties and significant concurrent positions
April 1968:	Joined Chubu Electric Power Co., Inc.	
June 2001:	Director of Chubu Electric Power Co., Inc.	
June 2003:	Managing Director of Chubu Electric Power Co., Inc.	
June 2005:	Executive Vice President and Director of Chubu Electric Power Co., Inc.	
June 2007:	Director and Executive Vice President of Chubu Electric Power Co., Inc.	
June 2009:	Retired from Director and Executive Vice President of Chubu Electric Power Co., Inc. President and Director and Executive Officer of TOENEC CORPORATION	
June 2011:	President, Director and Chief Executive Officer of TOENEC CORPORATION	
June 2014:	Retired from President and Director and Chief Executive Officer of TOENEC CORPORATION Director of the Company (incumbent)	

Reasons for selecting the candidate	Hiroshi Ochi has abundant experience of company management and deep insight, and we have concluded that he is well qualified to be an Outside Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors and standards for Independent Directors/Auditors (please see pages 31 through 33).

Attendance at Board of Directors meetings during fiscal 2015: 15/15 meetings held (100%)	Term of office as Outside Director of the Company: 2 years

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

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

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

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

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

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

<table>
<tr><td>No. 1</td><td colspan="2">Hiroaki Fujiwara
(Date of birth: November 12, 1950)</td><td>New Appointment/
Internal Director</td><td>Number of shares of the Company owned:
142,000 shares</td></tr>
<tr><td colspan="3">Career summary (positions)</td><td colspan="2">Duties and significant concurrent positions</td></tr>
<tr><td colspan="3">April 1975: Joined the Company
April 2004: Officer
April 2006: Senior Officer
April 2009: Executive Officer
June 2009: Senior Managing Director
April 2011: Executive Vice President and Director
June 2014: Audit & Supervisory Board Member (incumbent)</td><td colspan="2"></td></tr>
<tr><td colspan="2">Reasons for selecting the candidate</td><td colspan="3">Hiroaki Fujiwara has abundant experience and knowledge in the field of iron & steel business and in operations in the Head Office, and we have concluded that he is well qualified to be a Director who is an Audit & Supervisory Committee Member of the Company in light of the Company’s fundamental policy with regard to appointment of candidates for Audit & Supervisory Board Members (please see pages 31 through 32), that is applied mutatis mutandis to this case. Additionally, he has considerable financial and accounting knowledge.</td></tr>
</table>

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

<table>
<tr><td>No. 2</td><td colspan="2">Yoshimasa Yamamoto
(Date of birth: November 19, 1951)</td><td>New Appointment/
Internal Director</td><td>Number of shares of the Company owned:
45,109 shares</td></tr>
<tr><td colspan="3">Career summary (positions)</td><td colspan="2">Duties and significant concurrent positions</td></tr>
<tr><td colspan="3">April 1976: Joined the Company
April 2010: General Manager, Nuclear & CWD Division and General Manager, Sales Department, Nuclear & CWD Division, Natural Resources & Engineering Business
April 2012: Technical Expert
June 2014: Audit & Supervisory Board Member (incumbent)</td><td colspan="2"></td></tr>
<tr><td colspan="2">Reasons for selecting the candidate</td><td colspan="3">Yoshimasa Yamamoto has abundant experience and knowledge in the field of engineering business, and we have concluded that he is well qualified to be a Director who is an Audit & Supervisory Committee Member of the Company in light of the Company’s fundamental policy with regard to appointment of candidates for Audit & Supervisory Board Members (please see pages 31 through 32), that is applied mutatis mutandis to this case.</td></tr>
</table>

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

<table>
<tr><td>No. 3</td><td>Takashi Okimoto
(Date of birth: November 14, 1950)</td><td>New Appointment/
Outside Director/
Independent
Director/Auditor</td><td>Number of shares of the Company owned:
50,000 shares</td></tr>
<tr><td colspan="2">Career summary (positions)</td><td colspan="2">Duties and significant concurrent positions</td></tr>
<tr><td colspan="2">April 1973: Joined The Dai-Ichi Kangyo Bank, Limited
June 2001: Executive Officer of The Dai-Ichi Kangyo Bank, Limited
April 2002: Executive Officer of Mizuho Corporate Bank, Ltd.
Oct. 2002: Managing Executive Officer of Mizuho Corporate Bank, Ltd.
April 2005: Deputy President of Mizuho Corporate Bank, Ltd.
April 2007: Retired from Deputy President of Mizuho Corporate Bank, Ltd.
Advisor of Orient Corporation
June 2007: Representative Director, Chairman and Corporate Officer of Orient Corporation
June 2008: Outside Director of Daiichi Sankyo Company, Limited
June 2011: Retired from Representative Director, Chairman and Corporate Officer of Orient Corporation
Audit & Supervisory Board Member of the Company (incumbent)
External Director of Fujitsu Limited
June 2012: Outside Director of FUJI ELECTRIC CO., LTD.
President and Representative Director, Chuo Real Estate Co., Ltd.
June 2013: Outside Audit & Supervisory Board Member of Shindengen Electric Manufacturing Co., Ltd. (incumbent)
Audit & Supervisory Board Member of Seiwa Sogo Tatemono Co., Ltd. (incumbent)
June 2015: Chairman and Representative Director, Chuo Real Estate Co., Ltd. (incumbent)</td><td colspan="2">Outside Audit & Supervisory Board Member of Shindengen Electric Manufacturing Co., Ltd.
Audit & Supervisory Board Member of Seiwa Sogo Tatemono Co., Ltd.
Chairman and Representative Director, Chuo Real Estate Co., Ltd.</td></tr>
<tr><td>Reasons for selecting the candidate</td><td colspan="3">Takashi Okimoto has abundant experience and deep insight in the financial sector, and we have concluded that he is well qualified to be an Outside Director who is an Audit & Supervisory Committee Member of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Audit & Supervisory Board Members, that is applied mutatis mutandis to this case and standards for Independent Directors/Auditors (please see pages 31 through 33). Additionally, he has considerable financial and accounting knowledge.</td></tr>
<tr><td colspan="2">Attendance at Board of Directors meetings during fiscal 2015:
14/15 meetings held (93%)</td><td colspan="2"></td></tr>
<tr><td colspan="2">Attendance at Audit & Supervisory Board meetings during fiscal 2015: 27/27 meetings held (100%)</td><td colspan="2"></td></tr>
</table>

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

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

- Orient Corporation, where Takashi Okimoto served as executive director, received administrative penalties (order for business improvement) from the Kanto Bureau of Economy, Trade and Industry in January 2014 in relation to installment sales finance business during the period that Takashi Okimoto was at office.
- Until April 2007, Takashi Okimoto was an executive person at Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.), a lender of the Company. However, as the Company makes transactions with a large number of financial institutions besides said bank, the amount of the Company's borrowings from said bank is less than 10% and not a large dependency, and Takashi Okimoto retired as an executive person of said bank more than 3 years ago. Therefore, the Company believes that Takashi Okimoto meets the Company's standards for Independent Directors/Auditors.
- The Company has transactional relationships with Orient Corporation, however the amount of these transactions totals less than 2% of the Company's consolidated net sales, and therefore it would not be classified as a "major business partner" and he meets the Company's standards for Independent Directors/Auditors. The Company does not have any transactional relationships with Chuo Real Estate Co., Ltd.
- The Company has entered into an agreement with Takashi Okimoto that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount stipulated in laws and regulations. If he is elected as Director who is an Audit & Supervisory Committee Member at the 163rd Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him.

<table>
<tr><td>No. 4</td><td colspan="2">Yoshiiku Miyata
(Date of birth: April 24, 1953)</td><td>New Appointment/ Outside Director/ Independent Director/Auditor</td><td>Number of shares of the Company owned:
0 shares</td></tr>
<tr><td colspan="3">Career summary (positions)</td><td colspan="2">Duties and significant concurrent positions</td></tr>
<tr><td colspan="3">April 1977: Joined Matsushita Electric Ind. Co., Ltd.
April 2007: Executive Officer, Matsushita Electric Ind. Co., Ltd.
April 2009: Managing Executive Officer, Panasonic Corporation
April 2011: Senior Managing Executive Officer, Panasonic Corporation
June 2011: Senior Managing Director, Member of the Board, Panasonic Corporation
June 2014: Corporate Advisor, Panasonic Corporation
March 2015: Outside Director, TonenGeneral Sekiyu K.K. (incumbent)
December 2015: Retired from Corporate Advisor, Panasonic Corporation</td><td colspan="2">Outside Director, TonenGeneral Sekiyu K.K.</td></tr>
<tr><td colspan="2">Reasons for selecting the candidate</td><td colspan="3">Yoshiiku Miyata has abundant experience and deep insight in industry, and we have concluded that he is well qualified to be an Outside Director who is an Audit & Supervisory Committee Member of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Audit & Supervisory Board Members, that is applied mutatis mutandis to this case and standards for Independent Directors/Auditors (please see pages 31 through 33).</td></tr>
</table>

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

<table>
<tr><td>No. 5</td><td colspan="2">Hidero Chimori
(Date of birth: May 24, 1954)</td><td>New Appointment/
Outside Director
Independent
Director/Auditor</td><td>Number of shares of the Company owned:
0 shares</td></tr>
<tr><td colspan="3">Career summary (positions)</td><td colspan="2">Duties and significant concurrent positions</td></tr>
<tr><td colspan="3">April 1983: Registered as Attorney at Law
May 2002: Representative Partner, Miyake & Partners (incumbent)
June 2002: Outside Audit & Supervisory Board Member, OMRON Corporation
June 2006 Outside Audit & Supervisory Board Member, DUSKIN CO., LTD.
June 2011: Outside Audit & Supervisory Board Member, NAITO Securities Co., Ltd. (incumbent)</td><td colspan="2">Representative Partner, Miyake & Partners
Outside Audit & Supervisory Board Member, NAITO Securities Co., Ltd.</td></tr>
<tr><td colspan="2">Reasons for selecting the candidate</td><td colspan="3">Although Hidero Chimori has not participated in the management of a company in a position other than Outside Audit & Supervisory Board Member, he has abundant experience and deep insight in the legal profession, and we have concluded that he is well qualified to be an Outside Director who is an Audit & Supervisory Committee Member of the Company in light of the Company’s fundamental policy with regard to appointment of candidates for Audit and Supervisory Board Members, that is applied mutatis mutandis to this case and standards for Independent Directors/Auditors (please see pages 31 through 33).</td></tr>
</table>

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

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

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

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

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

<table>
<tr><td colspan="2">Takao Kitabata
(Date of birth: January 10, 1950)</td><td>New Appointment/ Outside Director/ Independent Director/Auditor</td><td>Number of shares of the Company owned:
36,000 shares</td></tr>
<tr><td colspan="2">Career summary (positions)</td><td colspan="2">Duties and significant concurrent positions</td></tr>
<tr><td colspan="2">April 1972: Joined the Ministry of International Trade and Industry
June 2004: Director-General, Economic and Industrial Policy Bureau, the Ministry of Economy, Trade and Industry (METI)
July 2006: Vice-Minister of Economy, Trade and Industry
July 2008: Retired from METI
June 2010: Director of the Company (incumbent)
Outside Corporate Auditor of Marubeni Corporation
June 2013: Chairman of SANDA GAKUEN Junior High School ─ Senior High School (incumbent)
Outside Director of Marubeni Corporation (incumbent)
April 2014: Principal of SANDA GAKUEN Junior High School ─ Senior High School
June 2014: Outside Director of SEIREN CO., LTD. (incumbent)
Outside Director of Zeon Corporation (incumbent)</td><td colspan="2">Chairman of the board of SANDA GAKUEN Junior High School ─ Senior High School
Outside Director of Marubeni Corporation
Outside Director of SEIREN CO., LTD.
Outside Director of Zeon Corporation</td></tr>
<tr><td>Reasons for selecting the candidate</td><td colspan="3">Although Takao Kitabata has not participated in the management of a company in a position other than Outside Director or Outside Audit & Supervisory Board Member, he has abundant experience and deep insight as an administrative official, and we have concluded that he is well qualified to be an Outside Director who is a substitute Audit & Supervisory Committee Member of the Company in light of the Company’s fundamental policy with regard to appointment of candidates for Audit & Supervisory Board Members, that is applied mutatis mutandis to this case and standards for Independent Directors/Auditors (please see pages 31 through 33).
Additionally, while Takao Kitabata is a candidate for Director (excluding Directors who are Audit & Supervisory Committee Members) as proposed in Item 2, he is knowledgeable about the Company’s business as an Outside Director of the Company and it has been judged that he would quickly be able to meet the duties required of an Audit & Supervisory Committee Member in the case that the number of Directors who are Audit & Supervisory Committee Members falls below the number required by laws and regulations and has thus been made a candidate for Director who is a substitute Audit & Supervisory Committee Member.</td></tr>
<tr><td colspan="2">Attendance at Board of Directors meetings during fiscal 2015:
15/15 meetings held (100%)</td><td colspan="2">Term of office as Outside Director of the Company: 6 years</td></tr>
</table>

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

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

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

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

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

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

A) To be able to take care of the Company's stakeholders and fulfill the Company's social responsibility as well as make an effort to well understand and implement the Company's corporate vision and management vision to improve the Company's corporate value;
B) Based on his or her own career, to be capable to hold deep insight regarding the Company's business and his or her duties, and make flexible and balanced judgments to fully display the synergistic effects between the Company's various businesses, such as businesses in materials, machinery and electric power supply, in the case of determining important management issues including the distribution of management resources;
C) To be able to make prompt and decisive decisions under circumstances of hectic change; and
D) To be able to actively make proposals or suggestions to other Directors as a member of the Board of Directors.
E) The Company wants Outside Directors to be able to back up appropriate risk-taking and support the Company's medium- to long-term growth by reflecting outside persons' fair and neutral opinions on resolutions at the meetings of the Board of Directors. The Company requires Outside Directors to meet the following requirements in addition to requirements A) to D) above:
    a. To have extensive experience and deep insight to be able to make objective, fair and neutral judgment in light of his or her career;
    b. Especially, to have global insight necessary for the implementation of the Company's management vision or business plan or insight regarding the Company's business areas; and
    c. To meet the standards for Independent Directors/Auditors stipulated by the Company.

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

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

A) To well understand the characteristics of the Company's wide-ranging businesses and be able to audit and supervise the Company's business based on its duties and functions stipulated in the Companies Act;

B) To be able to consider appropriateness of management to improve corporate value, in addition to auditing the legality of management, and actively make statements at meetings of the Board of Directors;
C) At least one Audit & Supervisory Board Member with considerable knowledge of finance and accounting must be elected; and
D) The Company invites Outside Audit & Supervisory Board Members from the legal, financial and industrial circles in order to show the functions of auditing and supervising from various angles, wants them to be able to back up appropriate risk-taking and support the Company's medium- to long-term growth, and requires them to meet the following requirements in addition to requirements A) and B) above;
   a. To have extensive experience and deep insight to be able to make objective, fair and neutral judgment in light of his or her career; and
   b. To meet the standards for Independent Auditors stipulated by the Company.

The Company's standards for Independent Directors/Auditors

The Company's Outside Directors and Outside Audit & Supervisory Board Members are recognized as Independent Directors and Auditors as long as any of the following requirements are not applicable. Requirement "L" only applies to Outside Audit & Supervisory Board Members.

A) A person who currently executes or has executed businesses of the Group, which includes the Company and its subsidiaries (meaning executive directors, executive officers, officers and other employees, hereinafter the same shall apply).
B) A person who has a close relative (relative within the second degree of kinship, hereinafter the same shall apply) who currently executes or has executed businesses of the Group within the past five years.
C) A person who is currently or has been over the past three years a major shareholder of the Company (a shareholder who currently owns or has owned 10% or more of all voting rights of the Company) or who currently executes or has executed businesses of the shareholder company.
D) A major business partner of the Company (when the highest payment among payments by this partner to the Company accounts for more than 2% of the Company's annual consolidated net sales in the past three fiscal years) or a person who executes businesses thereof or has executed over the past three years businesses thereof.
E) A person who executes businesses thereof whose major business partner is the Company (when the highest payment among payments by the Company to the person accounts for more than 2% of the person's annual consolidated net sales in last three fiscal years) or a person who executes businesses thereof or has executed over last three years businesses thereof.
F) Persons who are or have been over the past three years financial institutions, other large creditors or those executives indispensable for the Company's financing and that the Company depends on to the degree there is no substitute.
G) A consultant, accountant or legal professional who has received a large sum of money or other financial gain in the past three years (the larger of 10 million yen or 100 thousand U.S. dollars or more in a year if the person is an individual, or the amount equal to or more than 2% of the party's annual consolidated net sales if the person is a party such as a company or an association) from the Company as an individual, excluding remuneration for Director/Auditor of the Company. (If a party including but not limited to a company or an association receives such financial gain, a person who belongs to those companies, excluding the person individually performing his or her duties without receiving any remuneration from those companies.)

H) Certified public accountants who are Accounting Auditors of the Company or those belong to the audit corporation which is Accounting Auditor of the Company
I) A representative person or the equivalent thereof of the company who receives a donation or aid (which exceeds the larger of 10 million yen, 100 thousand U.S. dollars or 30% of the total average annual cost of the company in a year) from the Company.
J) A person who executes businesses of the companies which mutually dispatch Outside Directors/Auditors. (The person who executes the business of the Kobe Steel Group is an Outside Directors/Auditors and the person who executes the business of such a company is an Outside Director/Auditor of the Company.)
K) A person who has a close relative who falls under any of the categories C through J above. (The person who executes a business of the Company is limited to Directors and executive officers and, regarding the person who belongs to a professional advisory firm such as a law firm, limited to a member or a partner of the firm.)
L) A person who has a close relative with the person who falls under either of the following categories a) through c).
    a) A person who is currently or has been over the past one year a non-executive director of a subsidiary of the Company.
    b) A person who is currently or has been over the past one year an accounting advisor of a subsidiary of the Company. (If the accounting advisor is a company, it is limited to a certified public accountant or a certified public tax accountant.)
    c) A person who over the past one year has been a non-executive director of the Company.

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

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

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

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

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

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

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

Furthermore, the above amount of Director remuneration does not include compensation for duties as an employee position performed by Directors who also hold an employee position. Additionally, the resolution of this Item shall become effective under the condition that Item 1: Partial amendments to the Articles of Incorporation takes effect, and in the case that Item 2 is approved as originally proposed, the number of Directors who will be eligible under this Item to be paid the fixed compensation is eleven (11) (including two (2) Outside Directors) and the number of Directors who will be eligible under this Item to be paid the performance-based compensation is eight (8).
*For the Company's approach to the Director remuneration system proposed in this General Meeting of Shareholders, please see page 40.

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

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

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

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

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

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

Item 7: Introduction of a stock compensation plan for Directors

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

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

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

Outline of the Plan, etc.

(1) Outline of the Plan

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

(2) Individuals Subject to the Plan

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

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

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

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

acquisition by the Trust of the aforementioned stock to the Trust of an additional 1.1 billion yen (of which 570 million yen is for the Company's Directors) as the upper limit. However, in the case when an additional contribution is made, the last day of the previous Covered Period when the aforementioned additional contribution is made, and when the remaining Company's shares (excluding Company's shares equivalent to the number of points provided to Directors, etc. on the last day of the Covered Period that have not been provided to the Directors, etc.) and money (hereinafter "Remaining Shares, etc.") are available, Remaining Shares, etc., will be allocated as principal for payments based on this system for future Covered Period, and the upper limit the Company can make as additional contributions in the applicable Covered Period will be the aforementioned limit approved in this Item after deducting an amount equal to the value of the Remaining Shares, etc. (the book value of the Company's shares on the last day of the previous Covered Period).
As a reference, on the assumption of acquiring shares of the Company at a closing price of 95 yen on April 1, 2016, with regard to the initial Covered Period, 11.578 million shares can be acquired from funds with the upper limit of funds which the Company can contribute to this trust as funds for the acquisition of the Company's shares to be paid to Directors, etc. of 1.1 billion yen.

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

(5) Specific Contents of Company Shares, etc. Granted to Directors, etc.
The Company shall provide Directors, etc. with points, the number of which is determined in response to the level of achievement, including their ranks and business performance, etc., based on the Director stock benefit rules.
Points granted to Directors, etc. shall be converted at 1 share of common stock for 1 point when providing Company Shares, etc. as described in (6) below. (However, following approval of the resolution of this proposal, the Company's shares in the event of a share split, an allotment of shares without contribution or a stock consolidation, etc. will undergo a rational adjustment using a conversion rate based on that ratio.)
Upon provision of the Company's shares, etc. described in (6) below, the number of points for the Directors, etc., which is the standard, is the total number of points granted to the Directors, etc. until the time when the beneficiary requirements are fulfilled.

(6) Timing of Distribution of Shares, etc. to Directors, etc.
In the case of Directors, etc. who meet the beneficiary requirements established under the Director stock benefit rules, the Directors, etc. concerned shall receive the Company's Shares, etc. according to the granted points equivalent to the accumulated number of shares from the Trust in principle every three years on a fixed date during the trust period, through established procedures for the designated beneficiaries. However, in the case when Directors, etc. retire, regardless of this fixed date, through established procedures for the designated beneficiaries, they shall receive the Company's Shares etc. from the Trust after the period necessary for benefit procedures following retirement.
In addition, in the case of Directors, etc. who meet the beneficiary requirements established under the Director stock benefit rules, Directors, etc. shall receive money in place of a certain portion of the Company's stock benefit converted at the market price. For this monetary benefit

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

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

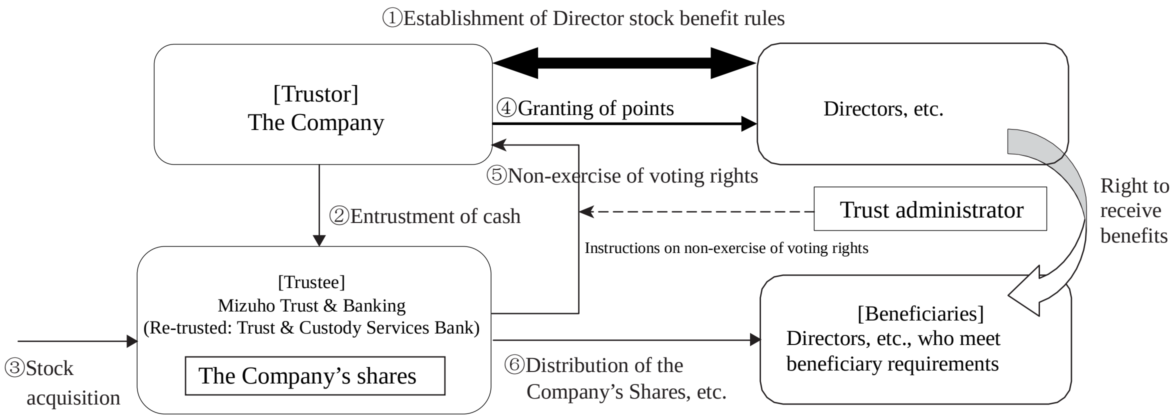
* With respect to the details of this Plan, please see the press release dated April 28, 2016, "Introduction of a stock compensation plan for Directors" on the Company's web site (http://www.kobelco.co.jp).

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

Outline of the Trust

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

Framework of the Plan



<Reference: Approach to the Director Remuneration System >
The approach to the Director remuneration system proposed in Items 5 through 7 is as follows.

Approach to Amount of Director Remuneration, Etc. and Decisions Involving its Method of Calculation
In order to improve medium- to long-term corporate value, the Company aims to have a system of remuneration that effectively acts as an incentive for its Directors to carry out their expected roles in their fullest capabilities and proposes the following Director remuneration system.

1) Fundamental Policy of Remuneration of the Company's Directors
   A) A system able to secure talented human resources who can be responsible for the Company's continued expansion and appropriately remunerate them.
   B) A system able to share values widely with stakeholders and promote not only short-term growth but also medium- to long-term growth.
   C) Creating a system that incentivizes the accomplishment of consolidated business result targets while sufficiently considering the characteristics of each business so that Directors can fully carry out their roles.
   D) Regarding the composition of the remuneration system and the necessity of its reevaluation, ensuring the objectivity and transparency of judgments regarding remuneration decisions by listening to and considering the opinions of Meeting of Independent Directors composed entirely of Independent Directors.
2) Remuneration Framework
   A) Remuneration for the Company's Directors (excluding Directors who are Audit & Supervisory Committee Members) will consist of fixed compensation, performance-based compensation linked to the achievement of business results targets during individual fiscal years, and medium- to long-term incentive compensation based on stock compensation with the goal of sharing values with shareholders. Taking into consideration their duties, part-time Internal Directors and Outside Directors will not be eligible for performance-based compensation, and Outside Directors will not be eligible for medium- to long-term incentive compensation.
   B) The standard amount of performance-based compensation for each rank will be at the level of 25 to 30% of fixed compensation, and the value of medium- to long-term incentives paid per fiscal year will be at the level of 25 to 30% of fixed compensation.
   C) The Company's Directors who are Audit & Supervisory Committee Members will only be paid fixed compensation as Director remuneration, taking into consideration their duties.
3) Performance-based systems
   A) The amount of performance-based compensation will be determined using net income attributable to owners of the parent (hereinafter "net income") and net income of each business division as evaluation indicators. Target standards used in evaluations will be based on the net income standard of the Company as a whole, which becomes "consolidated ROA of 5% or more" as stated in the medium-term management plan. Additionally, target standards for each business division will be based on the same net income standard for each business division of "ROA of 5% of more in each business division," and according to the accomplishment of these targets for both the Company as a whole and in each business division, a coefficient of 0-200% will multiplied to the base amount in order to determine the amount paid.
   B) For medium- to long-term incentive compensation, a system known as Board Benefit Trust will be adopted in order to raise the consciousness for contribution from Directors regarding continuously improving corporate value. Payments based on this system will use a base point number established for each rank and a number of points according to a coefficient of 0-100% will be provided each fiscal year based on whole-company net income and the state of dividend payment, and on a fixed date during each trust period

of three years, a number of the Company’s shares and a cash equivalent to the amount converted from the market price of the Company’s shares will be provided according to the number of points provided.

4) Method to Determine Remuneration Standard

   A) Director remuneration survey data from an external specialized agency will be used as a base to determine remuneration standards commensurate with the Company’s corporate scale and the duties expected of Directors.

5) Method to Determine and Examine the Policy regarding Remuneration

   A) The policy concerning remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) is determined by the Board of Directors, and the policy concerning remuneration for Directors who are Audit & Supervisory Committee Members is determined by all Audit & Supervisory Committee Members.

   B) The Company receives opinions from Meeting of Independent Directors comprised of all Independent Directors regarding ways for and necessity to revise the remuneration system. If it is necessary to revise the remuneration system, the Company will present a revised remuneration plan at a meeting of the Board of Directors and it will be resolved.

Item 8: Consolidation of shares

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

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

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

(1) Consolidation ratio

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

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

(2) Effective date of consolidation of shares

October 1, 2016

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

Six hundred million (600,000,000) shares

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

<Reference>

(1) Partial amendments to the Articles of Incorporation

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

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

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

(2) Effects on shareholders of the consolidation of shares

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

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

Attached Documents

Business Report

(From April 1, 2015 to March 31, 2016)

1. Status of the Corporate Group

(1) Progress and Results of Operations and Issues to Be Addressed

(a) Progress and Results of Operations

Japan's economy in fiscal year 2015 (April 1, 2015–March 31, 2016) has continued to gradually recover. Although sluggish domestic and overseas demand let to a worsening in business sentiment, public investments remained at a high level while on a decreasing trend, and corporate capital investments remained firm. In overseas market, the overall economic aspect has continued to face uncertain conditions due to the continued deceleration of economies in China and Southeast Asia, although the United States and Europe continued on a gradual recover trend.

In this economic environment, at the Kobe Steel Group the sales volume of steel products (in terms of tons sold) was at a similar level to the previous fiscal year, with demand remaining firm in the shipbuilding sector and demand declining in the automotive sector. The sales volume of aluminum rolled products increased, compared with the previous fiscal year, as demand for can stock for beverage cans was firm. The sales volume of copper rolled products decreased, compared with the previous fiscal year, due to lower demand for copper strips used in semiconductors. Unit sales of hydraulic excavators decreased, compared with the previous fiscal year, due to the considerable drop in demand in China and Southeast Asia, both largely affected by economic deceleration.

As a result, consolidated sales in fiscal year 2015 decreased 64.0 billion yen, compared with the previous fiscal year, to 1,822.8 billion yen, owing to a decline in steel sales price due to lower prices of primary raw materials. Operating income decreased 51.0 billion yen, compared with the previous fiscal year, to 68.4 billion yen. Due to the above and the posting of allowance for doubtful accounts in the construction machinery business in China and other factors, ordinary income* decreased 72.7 billion yen, compared with the previous fiscal year, to 28.9 billion yen. In addition, mainly due to the rapid worsening of the business environment in the construction machinery sector in China, the Company posted extraordinary losses of 39.5 billion yen in business losses from affiliate companies with regard to loss on the valuation of investment securities of affiliate companies and on provision for loss on guarantees. As a result, net income attributable to owners of the parent decreased 108.1 billion yen, compared with the previous fiscal year, to net loss attributable to owners of the parent of 21.5 billion yen.

While following a basic policy of paying dividends on a continuous and stable basis, the Company decides on the dividend after duly considering financial standing, business performance, the future capital needs and other factors. Based on this approach, the Company paid an interim dividend of 2 yen per share, but has decided to suspend the year-end dividend in light of the significant net loss attributable to owners of the parent and the need to make strategic investments in growth amid forecasts of continuing uncertainty in the economic environment. We appreciate all shareholders for their understanding of our position.

The business progress and results for each business segment of the Kobe Steel Group were as follows.

Iron & Steel Business

The sales volume of steel products was at a similar level to the previous fiscal year, as demand was firm in the shipbuilding sector, but domestic new car sales continued to fall below the previous fiscal year. Sales prices declined, compared with the previous fiscal year, due to lower primary raw material prices and a stagnant overseas market.

Sales of steel castings and forgings increased, compared with the previous fiscal year, owing to firm demand in the shipbuilding sector. Sales of titanium products increased, compared with the previous fiscal year, due to higher volume of titanium products to the aircraft sector. As for wholesale power supply, the Kobe Power Plant, which has a generation capacity of 1.4 million kW, continued stable operation, supplying electric power.

As a result, consolidated segment sales in fiscal year 2015 decreased 6.9 percent, compared with the previous fiscal year, to 742.5 billion yen. Ordinary income* decreased 25.1 billion yen, compared with the previous fiscal year, to 3.6 billion yen, due to a change in the sales mix of products from lower automotive demand in Japan and overseas, a worsening in inventory valuation due to a large decline in primary raw material prices, and the posting of a valuation loss on raw material interests and investments.

Welding Business

The sales volume of welding materials decreased compared with the previous fiscal year. Although domestic demand remained firm in the shipbuilding sector, demand recovery saw a delay in the construction sector. Overseas, demand in China, Southeast Asia and the United States decreased due to economic slowdown and low crude oil prices. Meanwhile, sales of welding systems increased, compared with the previous fiscal year, owing to continued firm demand.

As a result, consolidated segment sales in fiscal year 2015 decreased 2.4 percent, compared with the previous fiscal year, to 92.2 billion yen. Ordinary income* decreased 2.1 billion yen, compared with the previous fiscal year, to 8.1 billion yen.

Aluminum & Copper Business

The sales volume of aluminum rolled products increased, compared with the previous fiscal year, due to firm demand for can stock for beverage containers and efforts to expand sales, mainly exports, in the automotive sector. Sales of aluminum castings and forgings also increased, compared with previous fiscal year, owing to firm demand from the U.S. automotive sector.

The sales volume of copper rolled products decreased, compared with the previous fiscal year, due to lower demand for copper strips used in semiconductors.

As a result, consolidated segment sales in fiscal year 2015 increased 4.4 percent, compared with the previous fiscal year, to 345.4 billion yen. Ordinary income* was similar level to the previous fiscal year at 15.1 billion yen, due to a worsening in inventory valuation.

Machinery Business

Consolidated orders in fiscal year 2015 were similar level to the previous fiscal year at 140.4 billion yen. Although orders for compressors for the petroleum refining industry declined, in industrial machinery, orders were received for large plastic processing machinery used in the petrochemical field. The consolidated backlog of orders at the end of fiscal year 2015 stood at 133.8 billion yen.

Consolidated segment sales in fiscal year 2015 were similar level to the previous fiscal year at 159.0 billion yen, but ordinary income* decreased 3.6 billion yen, compared with the previous fiscal year, to 6.7 billion yen, due to decreased profits from intensified competition.

Engineering Business

Consolidated orders in fiscal year 2015 increased 100.2 percent, compared with the previous fiscal year, to 50.6 billion yen, owing to an order for a large direct reduction plant in Algeria. The consolidated backlog of orders at the end of fiscal year 2015 stood at 76.8 billion yen.

Consolidated segment sales in fiscal year 2015 were similar level to the previous fiscal year at 48.7 billion yen. Ordinary income* increased 0.2 billion yen, compared with the previous fiscal year, to 1.0 billion yen.

Kobelco Eco-Solutions

Consolidated orders in fiscal year 2015 increased 12.4 percent, compared with the previous fiscal year, to 78.5 billion yen, due to several large orders in the waste treatment-related business. The consolidated backlog of orders at the end of fiscal year 2015 was 44.5 billion yen.

Consolidated segment sales in fiscal year 2015 increased 21.8 percent, compared with the previous fiscal year, to 83.0 billion yen, as construction work progressed on previously ordered large projects in the waste treatment-related business. Ordinary income* increased 0.6 billion yen, compared with previous fiscal year, to 3.6 billion yen.

Kobelco Construction Machinery

Unit sales of hydraulic excavators in fiscal year 2015 decreased compared with the previous fiscal year. In addition to saturation of replacement demand in Japan, demand declined significantly in China and Southeast Asia, which were greatly impacted by the economic slowdown.

As a result, consolidated segment sales in fiscal year 2015 decreased 12.6 percent, compared with the previous fiscal year, to 271.7 billion yen. In addition to a decrease in unit sales due to reduced demand, Kobelco Construction Machinery posted a large allowance for doubtful accounts for accounts receivable in China, against the backdrop of a rapid worsening in the business environment. Consequently, ordinary income* decreased 35.5 billion yen, compared with the previous fiscal year, to ordinary loss* of 14.4 billion yen.

Kobelco Cranes

Unit sales of crawler cranes decreased, compared with the previous fiscal year. Although domestic demand was firm, demand declined in Southeast Asia, which was largely affected by the economic slowdown.

As a result, consolidated segment sales in fiscal year 2015 increased 2.4 percent, compared with the previous fiscal year, to 72.7 billion yen. However, due to higher expenses for the quality maintenance and improvement of products, ordinary income* decreased 2.7 billion yen, compared with the previous fiscal year, to 2.4 billion yen.

Other Businesses

At Shinko Real Estate Co., Ltd., the leasing businesses remained firm, while the residential property sales business saw a decrease in the number of handovers.

At Kobelco Research Institute, Inc.'s testing and research businesses, automotive-related demand remained firm.

Due to these conditions, consolidated segment sales in fiscal year 2015 decreased 2.0 percent, compared with the previous fiscal year, to 74.5 billion yen. Ordinary income* increased 0.2 billion yen, compared with the previous fiscal year, to 7.3 billion yen.

Definition of Ordinary Income (Loss)*

Ordinary income under accounting principles generally accepted in Japan (Japanese GAAP) is a category of income (loss) that comes after operating income (expense) and non-operating income (expense), but before extraordinary income and loss. It is also called "pretax recurring profit" or simply "pretax profit."

(b) Issues to Be Addressed

(i) Looking back at the Fiscal Year 2013-2015 Medium-Term Business Plan

Formulating the medium- to long-term business vision, **KOBELCO VISION “G”**, in April 2010, the Kobe Steel Group has been actively expanding overseas and working to create products and services that only the Kobe Steel Group can offer.

Formulating the second phase of **KOBELCO VISION “G”,** the Fiscal Year 2013-2015 Medium-Term Business Plan, launched in May 2013, served to start the rebuilding of the Company’s business base. In conformity with the plan, the Company has been working to strengthen profitability primarily in the steel business and improve the financial performance of the Group, as well as promoting reforms to the structure of its steel business, strategic expansion of the machinery businesses, and the growth of the electric power supply business, to establish a foundation for stable profits and business growth.

Rebuilding the Business Foundation	
Strengthening the profitability of the steel business	Improved profitability by 42.0 billion yen in fiscal year 2015 (compared with fiscal year 2012) through capital investments, cost cuts at the production site level and improvement in raw material costs, etc.
Improving financial performance	Created cash generation measures of 180.0 billion yen (cumulative total of fiscal year 2013-2015) by promoting asset sales, reducing inventories, and securitizing receivables, etc.
Laying a Foundation for Stable Profits and Business Growth	
Reforming the structure of the steel business	Decided the plan to consolidate upstream operations to Kakogawa Works to further strengthen competitiveness in the steel business and promoted the plan on schedule.
New investments in growth fields and regions in the materials businesses	· Established a joint venture in China to produce and sell automotive cold-rolled high strength steel sheet · Established a joint venture in Thailand to produce and sell special steel wire rod · Established a company in China to produce and sell aluminum sheet for automotive panels · Increased production capacity of aluminum forgings for automotive suspensions in the United States
Strategically expanding the machinery businesses	· Built a construction machinery factory to assemble hydraulic excavators in North America · Decided and promoted expansion of rotating machinery facilities (constructed a test facility for large-sized centrifugal compressors) · Built a comprehensive test center for hydrogen stations · Expanded overseas sales locations for compressors (Brazil, India, Thailand)
Expanding the power supply business	Promoted the construction of new power plants in Moka, Tochigi Prefecture and on the site of the blast furnace to be shutdown at Kobe Works

As for financial performance, Kobe Steel Group achieved ordinary income of 85.0 billion yen in fiscal year 2013 and 101.6 billion yen in fiscal year 2014, increasing more than originally planned. The D/E ratio, a measure of financial discipline, was 1.75 times at the end of fiscal year 2012. It improved to 0.88 times at the end of fiscal year 2014. However, in fiscal year 2015, the final fiscal year of the fiscal year 2013-2015 plan, the economies of China and other emerging countries slowed down more than expected, leading to a sharp decrease in profits. The Company realizes that it is necessary to further strengthen profitability.

(ii) Fiscal Year 2016-2020 Group Medium-Term Business Plan

Looking at the business environment surrounding the Kobe Steel Group, Japan’s economy is anticipated to recover gradually, but in countries overseas, there is concern over the prolonged deceleration of the economies of China and other emerging countries, and the future outlook remains uncertain.

Against this backdrop, in April 2016, Kobe Steel Group formulated the Fiscal Year 2016-2020 Group Medium-Term Management Plan and has started initiatives for a new medium-term management plan, **KOBELCO VISION “G+”** (pronounced “G plus”) that will establish a solid business enterprise. The new plan aims to further strengthen the three core business areas of the materials businesses, machinery businesses, and the electric power business.

Kobe Steel Group plans to focus its management resources in growing fields anticipated to expand over the medium to long term such as weight savings in transportation as well as energy and infrastructure. Kobe Steel Group plans to increase the original added value of the Kobe Steel Group. By achieving a strong competitive edge, Kobe Steel Group aims to expand and grow its businesses and contribute to society.

Fiscal Year 2016-2020 Group Medium-Term Management Plan Basic Policies		
1) Growth strategies for the three core business areas	Materials Businesses	Initiatives for weight savings in transportation
		Improving profitability in the iron & steel business
	Machinery Businesses	Initiatives in the energy and infrastructure fields
		Strengthening profitability in the construction machinery business
	Electric Power Business	Initiatives for stable profits
2) Strengthening the Business Base	i) Strengthening corporate governance	
	ii) Securing and developing human resources	
	iii) Strengthening technology development capabilities and manufacturing capabilities	
3) Financial Strategy	Maintaining financial discipline and undertaking cash generation measures	
Numerical Targets for Fiscal Year 2020		
◆ ROA (ordinary profit/total assets): 5% or more ◆ D/E Ratio (interest-bearing debt/equity): 1 time or less		

1) Growth Strategy for the Three Core Business Areas

[Materials Businesses]

< Initiatives for Weight Savings in Transportation>

With fuel consumption and CO_2 regulations becoming stricter in the automotive field, the need for lighter automobiles is anticipated to grow in the future, while enhanced safety requirements are increasing. Light-weight materials include high-strength steel sheet, aluminum, CFRP (carbon fiber reinforced plastics) and other materials. Kobe Steel Group will promote the strengthening of its competitiveness in high-strength steel sheet and aluminum products (sheet, extrusions and forgings), noted for their outstanding balance of weight savings and cost. In addition to that, Kobe Steel Group plans to expand its share of the global market and firmly secure growth in the automotive field, leveraged by its original solution technologies (the joining technology of dissimilar metals, etc.) for realizing the shift to multi-materials*.

* Shift to multi-materials is the use of various materials such as high-strength steel sheet and aluminum sheet, and extrusions in suitable combinations to ensure the right materials for the right location with making best use of each material’s outstanding properties, in order to help achieve the needed toughness and lightness at optimal cost.

In the aircraft field where the number of aircraft in service is expected to grow, the Company plans to strengthen the upstream operations (melting, casting and forging) of its titanium, aluminum, magnesium and other material businesses. The Company will also promote research and development and aims to entry and expansion into downstream operations (machining, surface treatment and painting).

At present, the global supply chain for some aircraft components is very complex. In the Asian region, the suppliers for large aircraft components are insufficient. Based on this environment, by establishing an integrated system for upstream and downstream operations, the Company will be able to build a simple supply chain to meet high user needs, and by doing so aims to become a supplier with a presence in Asia, a region that is especially anticipated to grow.

<Improving Profitability in the Steel Business >

By completing the consolidation of upstream operations to Kakogawa Works in fiscal year 2017, the Company plans cost reductions through improvements in the operating rate and a cutback in fixed costs to achieve benefits (+15.0 billion yen per year). In addition, the Company also plans to implement additional profit improvement measures (+30.0 billion yen per year), including capital investments and on-site cost reductions. Together with growth in the transportation field, these initiatives are expected to increase profits.

[Machinery Businesses]

< Initiatives in the Energy and Infrastructure Fields>

To expand the compressor business, the Company plans to open one of the world's largest test facilities for nonstandard compressors in April 2017 to enter the market for large-sized centrifugal compressors for which there is no supply source in the Asian region, and which are used in steelworks and other types of factories, and meet high user's needs. In addition, the Company plans to expand its standard compressor business through global development, strengthened product competitiveness and strengthened manufacturing infrastructure (improvement of production efficiency and reducing lead time through consolidation of production sites), aiming to establish a position as the top group in Asia.

In the hydrogen-related business, the Company aims to strengthen its competitiveness in the domestic and overseas markets and expand sales of units for hydrogen stations by constructing a comprehensive test center for hydrogen stations and carrying out demonstration tests on hydrogen stations using renewable energy to establish differentiated technologies.

< Strengthening Profitability in the Construction Machinery Business>

In the Chinese excavator business, Kobe Steel Group plans to take decisive action on structural change for strengthening profitability and to rebuild the business, including reviewing production capacity in response to demand and promoting active use as supply bases for machines and components to Japan, the United States and Southeast Asia (cross sourcing) regarding its two locations in China. In addition, in April 2016, the U.S. excavator factory started up, and plans are underway to expand sales in Europe and the United States, two markets that we reentered, and India, where demand is anticipated to improve. In addition, the merger of Kobelco Construction Machinery Co., Ltd. and Kobelco Cranes Co., Ltd. on April 1, 2016 Kobe Steel Group aims to establish a strong business base and a company with a presence in global market.

[Electric Power Business]

Kobe Steel Group plans to continue the stable operation of its ongoing Kobe Power Plant and proceed with two new power generation projects in Moka and Kobe. In fiscal year 2022, Kobe Steel Group will have a total power generation capacity of 3.95 million kW, to establish a stable profit base.

Scale of Power Generation Plants				
Already constructed	Kobe	1,400,000 kW	Supply all the electricity generated to The Kansai Electric Power Company, Incorporated	In stable operation
To be constructed	Moka	1,248,000 kW	Supply all the electricity generated to Tokyo Gas Co., Ltd.	Start-up in 2019
To be constructed	Kobe	1,300,000 kW	Supply all the electricity generated to The Kansai Electric Power Company Incorporated	Start-up in 2022
	Total	3,950,000 kW (approx.)		

In tandem with these projects, the Company established a new business segment called the Electric Power Business on April 1, 2016. In addition, to strengthen its competitiveness in the Construction Machinery Business, Kobelco Construction Machinery Co., Ltd. was merged with Kobelco Cranes Co., Ltd. It also included Kobelco Eco-Solutions Co., Ltd. in its Engineering Business to further cooperation and strengthen profitability.

Due to these changes, from fiscal year 2016 reporting business segments will be changed to seven segments of Iron & Steel, Welding, Aluminum & Copper, Machinery, Engineering, Construction Machinery and Electric Power.

2) Strengthening the Business Base

i) Strengthening Corporate Governance

The Company plans to transition to a company with an Audit & Supervisory Committee, review the members of the board of directors (nomination of a director delegated to serve as the President and CEO of Kobelco Construction Machinery Co., Ltd.), newly establish Meeting of Independent Directors, and take other steps to strengthen corporate governance.

ii) Human Resource Development

Promoting diversity and implementing changes in working styles, the Company will focus on creating a safe, employee-friendly working environment and aims to secure and cultivate employees who will drive growth in the Kobe Steel Group.

iii) Strengthening Technology Development Capabilities and Manufacturing Capabilities

The Company plans to undertake the creation of products and processes that provide customer value in the automotive, aircraft, energy and infrastructure fields and the creation of differentiated technologies that strengthen the competitiveness of major products. In addition, by strengthening product quality, on-site capabilities and data utilization including IoT (the Internet of Things), the Company plans to strengthen its production infrastructure and raise the level of its *monozukuri-ryoku* (manufacturing capabilities).

3) Financial Strategy

The basic policy is to finance strategic investments to grow the materials businesses and machinery businesses under the medium-term management plan and finance regular investments that support the business base by operating cash flows. In the event, cash flows should worsen due to changes in the business environment, Kobe Steel Group intends to maintain financial discipline while steadily carrying out growth investments. It will adopt cash generation measures, targeting a maximum of 100 billion yen, such as asset sales improvements in working capital, and the careful selection of investments.

The Kobe Steel Group recognizes that it cannot promote and achieve these business plans without thorough safety and compliance and harmoniously coexisting with society. The Kobe Steel Group in concert aims to increase sensitivity to safety and compliance, while participating in forest conservation activities, operating experience-based learning facilities, sponsoring the KOBELCO Forest Fairy Tale Prize, and undertaking a variety of other activities inside and outside the Group. At the same time, Kobe Steel Group will promote initiatives to strengthen its business base through its business growth strategy focused on the three core business areas of materials, machinery and electric power, while strengthening corporate governance. In these ways, Kobe Steel Group aims to establish a solid business enterprise and achieve its medium- to long-term business vision.

We appreciate the continued support and encouragement of our shareholders.

(c) Production Volume, Orders Received, and Net Sales and Ordinary Income by Business Segment

(i) Production Volume (In thousands of tons)

Category		162nd Business Term (Fiscal year 2014)	163rd Business Term (Current term) (Fiscal year 2015)
Iron & Steel Business	Crude steel	7,549	7,543
Aluminum & Copper Business	Aluminum rolled products	334	372
	Copper rolled products	141	133

(ii) Orders Received (In millions of yen)

Category			162nd Business Term (Fiscal year 2014)	163rd Business Term (Current term) (Fiscal year 2015)
Machinery Business	Orders	Domestic	45,652	53,237
		Overseas	95,704	87,228
		Total	141,356	140,466
	Backlog of orders	Domestic	33,372	37,713
		Overseas	100,005	96,184
		Total	133,378	133,897
Engineering Business	Orders	Domestic	18,929	6,312
		Overseas	6,355	44,308
		Total	25,284	50,621
	Backlog of orders	Domestic	46,577	39,038
		Overseas	21,694	37,783
		Total	68,271	76,821
Kobelco Eco-Solutions	Orders	Domestic	66,294	75,940
		Overseas	3,636	2,633
		Total	69,931	78,574
	Backlog of orders	Domestic	45,496	41,462
		Overseas	3,534	3,137
		Total	49,030	44,599

Note: The orders and the backlog of orders include amount of orders among the Company’s Groups.

(iii) Net Sales and Ordinary Income by Business Segment (In millions of yen)

Category	162nd Business Term (Fiscal year 2014)		163rd Business Term (Current term) (Fiscal year 2015)	
	Net sales	Ordinary income	Net sales	Ordinary income
Iron & Steel Business	797,814	28,797	742,549	3,683
Welding Business	94,483	10,266	92,252	8,128
Aluminum & Copper Business	330,838	15,183	345,463	15,121
Machinery Business	159,136	10,400	159,002	6,763
Engineering Business	49,063	785	48,750	1,073
Kobelco Eco-Solutions	68,133	3,004	83,005	3,624
Kobelco Construction Machinery	311,008	21,012	271,775	(14,495)
Kobelco Cranes	71,120	5,168	72,799	2,446
Other Businesses	76,062	7,075	74,528	7,356
Adjustment	(70,766)	(7)	(67,322)	(4,775)
Total [Of the above, overseas net sales]	1,886,894 [715,474]	101,688	1,822,805 [662,651]	28,927

(2) Capital Expenditures

Total capital expenditures on a construction (inspection and acceptance) base, is 109,900 million yen.

The major capital expenditures completed in fiscal year 2015 or ongoing as of the end of fiscal year 2015 are as follows:

Category	Facility Name
Completed	Kobelco Construction Machinery USA, Inc. Construction Machinery Plant in South Carolina, the United States (Kobelco Construction Machinery)
In progress	The Company Kakogawa Works and Kobe Works Strengthening equipment and distribution facilities etc. accompanying transfer upstream production to Kakogawa Works (Iron & Steel Business) The Company Kakogawa Works Relining Project of No. 3 Blast Furnace (Iron & Steel Business) Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd. Production plant of automotive body panels in Tianjin, China (Aluminum & Copper Business) Kobe Aluminum Automotive Products, LLC Melting and casting line, forging press etc. in Kentucky, the United States (Aluminum & Copper Business) Kobelco Aluminum Products & Extrusions Inc. (tentative name) Melting furnaces, extrusion presses, processing lines etc., in the United States (Aluminum & Copper Business) The Company Takasago Works Strengthening rotating machine plant facility (Machinery Business) KOBELCO POWER MOKA INC. Power Supply Plant (Company-wide) in Moka-shi, Tochigi-prefecture The Company Kobe Works Power Supply Plant (Company-wide)

(3) Financing Activities

The Group has issued a total of 80,000 million yen in unsecured bonds for funding for redemption of corporate bonds and repayments of borrowings, etc.

(4) Assets and Results of Operations

(a) Assets and Results of Operations of the Group

Category		160th Business Term (Fiscal year 2012)	161st Business Term (Fiscal year 2013)	162nd Business Term (Fiscal year 2014)	163rd Business Term (Current term) (Fiscal year 2015)
Net sales	(In millions of yen)	1,685,529	1,824,698	1,886,894	1,822,805
Operating income	(In millions of yen)	11,234	114,548	119,460	68,445
Ordinary income	(In millions of yen)	(18,146)	85,044	101,688	28,927
Net income attributable to owners of the parent	(In millions of yen)	(26,976)	70,191	86,549	(21,556)
Net income per share	(yen)	(8.98)	22.62	23.81	(5.93)
Total assets	(In millions of yen)	2,226,996	2,288,636	2,300,241	2,261,134
Net assets	(In millions of yen)	569,922	734,679	851,785	745,492
Net assets per share	(yen)	170.63	184.11	213.70	190.38

Note: In line with amendments to the Ordinance on Company Accounting, “net income” is expressed as “net income attributable to owners of the parent”.

(b) Assets and Results of Operations of the Company

Category		160th Business Term (Fiscal year 2012)	161st Business Term (Fiscal year 2013)	162nd Business Term (Fiscal year 2014)	163rd Business Term (Current term) (Fiscal year 2015)
Net sales	(In millions of yen)	933,879	993,743	1,028,146	979,085
Operating income	(In millions of yen)	(41,199)	46,171	35,297	21,006
Ordinary income	(In millions of yen)	(21,992)	58,355	46,600	26,690
Net income	(In millions of yen)	(6,882)	56,660	52,321	(6,217)
Net income per share	(yen)	(2.28)	18.23	14.37	(1.70)
Total assets	(In millions of yen)	1,455,669	1,463,443	1,432,210	1,478,036
Net assets	(In millions of yen)	380,046	511,758	556,645	514,575
Net assets per share	(yen)	126.43	140.64	152.98	141.30

(5) Major Businesses (As of March 31, 2016)

The major businesses carried out by the Kobe Steel Group are described below.

Category		Major Products and Businesses
Iron & Steel Business	Steel bar	Ordinary wire rod, Special wire rod, Specialty steel wire, Ordinary steel bar, Specialty steel bar
	Steel sheet Steel billet	Heavy plate, Medium plate, Sheet (hot-rolled, cold-rolled, surface treated)
	Processed product & pig iron, etc.	Steel castings and forgings (vessel parts, electronics parts, industrial machinery parts, etc.), Titanium and titanium alloys, Steel powder, Foundry pig iron, Pig iron for steelmaking, Slag products, Stainless steel tubes, Building materials, Specialty steel products, Steel wires
	Wholesale power supply	Wholesale power supply
Welding Business		Welding materials (covered welding electrodes, welding wire for automatic and semi-automatic welding, flux), Welding robots, Welding power sources, Welding robot systems, Welding-related testing, analysis and consulting
Aluminum & Copper Business	Aluminum rolled products	Aluminum can stock, Aluminum sheet for heat exchangers, Automotive aluminum sheet, Aluminum extrusions, Aluminum disk material for HDDs
	Copper rolled products	Copper sheet and strip for semiconductors, Copper sheet and strip for terminals, Leadframes, Condenser tubes, Copper tubes for air conditioners
	Aluminum castings and forgings, etc.	Aluminum-alloy and magnesium-alloy castings and forgings (parts for aircrafts and automobiles, etc.), Fabricated aluminum products (parts for automobiles, building materials, building temporary construction material, etc.)
Machinery Business		Equipment for energy and chemical fields, Equipment for nuclear power plants, Tire and rubber machinery, Plastic processing machinery, Ultra pressure press, Physical vapor deposition systems, Metalworking machinery, Compressors, Refrigeration compressors, Heat pumps, Plants (steel rolling, non-ferrous, etc.), Internal combustion engines
Engineering Business		Ironmaking plants (direct reduction), Other plants and equipment (pelletizing, petrochemical, etc.), Nuclear power-related plants, Erosion control and disaster prevention structures, Civil engineering, Advanced urban transit system
Kobelco Eco-Solutions		Water treatment plant, Waste treatment plant, Equipment for chemical and food fields
Kobelco Construction Machinery		Hydraulic excavators, Mini excavators, Wheel loaders
Kobelco Cranes		Crawler cranes, Rough terrain cranes, Work vessels
Other Businesses		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-pressured gas container manufacturing, Superconducting products, Operation of life care facilities for the elderly, General trading

(6) Major Offices and Plants (As of March 31, 2016)

Head offices		KOBE (Registered Head Office), TOKYO
Domestic branch offices		OSAKA, NAGOYA
Domestic sales offices		HOKKAIDO (Sapporo), TOHOKU (Sendai), NIIGATA (Niigata), HOKURIKU (Toyama), SHIKOKU (Takamatsu), CHUGOKU (Hiroshima), KYUSHU (Fukuoka), OKINAWA (Naha)
Overseas offices		NEW YORK, SINGAPORE, SHANGHAI
Research Laboratories		KOBE (Kobe)
Plants	Iron & Steel	KAKOGAWA (Hyogo), KOBE (Kobe), TAKASAGO (Hyogo)
	Welding	FUJISAWA (Kanagawa), IBARAKI (Osaka), SAIJO (Hiroshima), FUKUCHIYAMA (Kyoto)
	Aluminum & Copper	MOKA (Tochigi), CHOFU (Yamaguchi), DAIAN (Mie)
	Machinery Engineering	TAKASAGO (Hyogo), HARIMA (Hyogo)

Note 1: Overseas offices include locally incorporated companies.

Note 2: The locations of head offices of major subsidiaries are described in the following note "(7) Major Subsidiaries, etc."

(7) Major Subsidiaries, etc.

(Subsidiaries)

Company Name [Location of Head Offices]	Common Stock	Ratio of Voting Rights (%)	Major Businesses
Nippon Koshuha Steel Co., Ltd. [Tokyo]	15,669 million yen	51.85	Manufacture and sales of specialty steels
Kobe Special Tube Co., Ltd. [Shimonoseki, Yamaguchi]	4,250 million yen	100.00	Manufacture and sales of stainless steel tube and precision tube
Shinko Kenzai Ltd. [Amagasaki, Hyogo]	3,500 million yen	96.80	Manufacture and sales of products for civil engineering and construction work
Shinko Kobe Power Inc. [Kobe]	3,000 million yen	100.00	Wholesale power supply
Kobelco Logistics, Ltd. [Kobe]	2,479 million yen	97.68	Harbor transportation, coastal shipping, customs clearance, truck transportation, warehousing and contracting plant work
Shinko Bolt, Ltd. [Ichikawa, Chiba]	465 million yen	100.00	Manufacture and sales of bolts for construction and bridges
Sakai Steel Sheets Works, Ltd. [Sakai, Osaka]	320 million yen	80.00	Shearing and sales of steel sheets
Shinko Engineering & Maintenance Co., Ltd. [Kobe]	150 million yen	100.00	Design, manufacture, installation, piping and maintenance of plants and equipment
NI Welding Corporation [Osaka]	44 million yen	100.00	Sales of welding materials and equipment
Kobe Welding of Qingdao Co., Ltd. [China]	211,526 thousand yuan	90.00	Manufacture and sales of welding materials
Kobe Welding of Korea Co., Ltd. [Korea]	5,914 million won	91.06	Manufacture and sales of welding materials
Kobelco & Materials Copper Tube, Ltd. [Tokyo]	6,000 million yen	55.00	Manufacture and sales of copper tubes for air conditioners, construction and cold/hot water supply
Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd. [China] *1	454,000 thousand yuan	100.00	Manufacture and sales of aluminum sheets for automotive body panels
Kobe Aluminum Automotive Products (China) Co., Ltd. [China]	239,681 thousand yuan	60.00	Manufacture and sales of aluminum forgings for automotive suspensions
Kobe Aluminum Automotive Products, LLC [United States] *1	24,000 thousand U.S. dollars	60.00	Manufacture and sales of aluminum forgings for automotive suspensions
Kobe Precision Technology Sdn. Bhd. [Malaysia]	19,000 thousand Malaysian ringgit	100.00	Manufacture and sales of aluminum disk material for HDDs

Company Name [Location of Head Offices]	Common Stock	Ratio of Voting Rights (%)	Major Businesses
Kobelco Compressors Corporation [Tokyo]	450 million yen	100.00	Sales and servicing of compressors and refrigeration compressors
Shinko Engineering Co., Ltd. [Ogaki, Gifu] *1	388 million yen	100.00	Manufacture and sales of internal combustion engines, transmissions and testing machines, etc.
Kobelco Compressors Manufacturing (Shanghai) Corporation [China]	87,796 thousand yuan	100.00	Development and manufacture of compressors and related products Sales and servicing of products of the Company
Kobelco Compressors America, Inc. [United States] *1	5.8 thousand U.S. dollars	100.00	Manufacture and sales of compressor system for process gas, refrigeration compressor system and parts, etc.
Midrex Technologies, Inc. [United States] *1	1 thousand U.S. dollars	100.00	Design, manufacture and construction of direct reduction plants
Kobelco Eco-Solutions Co., Ltd. [Kobe] *1 *2	6,020 million yen	79.99	Design, manufacture, construction and maintenance of environmental plants Design, manufacture and maintenance of industrial machinery and equipment
Kobelco Eco-Maintenance Co., Ltd. [Kobe] *1	80 million yen	100.00	Operation of water treatment facilities and waste treatment facilities
Kobelco Construction Machinery Co., Ltd. [Tokyo]	16,000 million yen	100.00	Manufacture and sales of construction machinery
KOBELCO Construction Machinery (East Japan) Co., Ltd. [Ichikawa, Chiba] *1	490 million yen	100.00	Sales and servicing of construction machinery
KOBELCO Construction Machinery (West Japan) Co., Ltd. [Amagasaki, Hyogo] *1	490 million yen	100.00	Sales and servicing of construction machinery
Chengdu Kobelco Construction Machinery (Group) Co., Ltd. [China] *1	56,468 thousand yuan	56.32	Sales and servicing of construction machinery
Chengdu Kobelco Construction Machinery Co., Ltd. [China] *1	139,846 thousand yuan	88.74	Manufacture and sales of construction machinery
Hangzhou Kobelco Construction Machinery Co., Ltd. [China] *1	237,551 thousand yuan	50.67	Manufacture and sales of construction machinery
Chengdu Kobelco Construction Machinery Financial Leasing Ltd. [China] *1	437,994 thousand yuan	75.95	Leasing business
Thai Kobelco Construction Machinery Ltd. [Thailand] *1	560 million Thai baht	100.00	Manufacture and sales of construction machinery
Kobelco International (S) Co., Pte. Ltd. [Singapore] *1	11,113 thousand U.S. dollars	100.00	Sales of construction machinery
Kobelco Construction Machinery Europe B.V. [Netherlands] *1	3,300 thousand euro	100.00	Sales and servicing of construction machinery
Kobelco Construction Machinery USA, Inc. [United States] *1	2 thousand U.S. dollars	100.00	Sales and servicing of construction machinery
Kobelco Construction Equipment India Pvt. Ltd. [India] *1	2,000 million Indian rupees	95.00	Manufacture, sales and servicing of construction machinery
Kobelco Cranes Co., Ltd. [Tokyo]	6,380 million yen	100.00	Manufacture and sales of construction machinery
Shinko Real Estate Co., Ltd. [Kobe]	3,037 million yen	100.00	Real estate sales, brokering, remodeling and leasing
KOBELCO POWER MOKA INC. [Moka, Tochigi]	600 million yen	100.00	Wholesale power supply
Kobelco Research Institute, Inc. [Kobe]	300 million yen	100.00	Material analysis and testing, structural analyses Manufacture and sales of target material, semiconductor and inspection equipment
Kobelco (China) Holding Co., Ltd. [China]	1,265,939 thousand yuan	100.00	Holding company in China

Company Name [Location of Head Offices]	Common Stock	Ratio of Voting Rights (%)	Major Businesses
Kobe Steel USA Holdings Inc. [United States]	205 thousand U.S. dollars	100.00	Holding shares of companies in the United States

(Affiliated Companies)

Company Name [Locations of Head Offices]	Common Stock	Ratio of Voting Rights (%)	Major Businesses
OSAKA Titanium technologies Co., Ltd. [Amagasaki, Hyogo]	8,739 million yen	23.92	Manufacture and sales of titanium sponge, polycrystalline silicon and other titanium products
Shinko Wire Company, Ltd. [Amagasaki, Hyogo] *1	8,062 million yen	35.90	Manufacture and sales of secondary products of wire rod Contracting construction work of structures
Kansai Coke and Chemicals Co., Ltd. [Amagasaki, Hyogo]	6,000 million yen	24.00	Manufacture and sales of coke and other chemical products
Japan Aeroforge, Ltd. [Kurashiki, Okayama]	1,850 million yen	40.54	Manufacture and sales of large forgings
Tesac Wirerope Co., Ltd. [Kaizuka, Osaka]	450 million yen	42.10	Manufacture and sales of wire rope and wire rod
PRO-TEC Coating Company [United States] *1	123,000 thousand U.S. dollars	50.00	Manufacture and sales of galvanized steel sheet and cold-rolled, high-strength steel
Kobelco Angang Auto Steel Co., Ltd. [China] *1	700,000 thousand yuan	49.00	Manufacture and sales of cold-rolled, high-strength steel
Kobelco Spring Wire (Foshan) Co., Ltd. [China] *1	196,220 thousand yuan	50.00	Manufacture and sales of valve spring wire
Kobelco Millcon Steel Co., Ltd. [Thailand]	2,830 million Thai baht	50.00	Manufacture and sales of specialty steels and ordinary steel wire
Wuxi Compressor Co., Ltd. [China] *1	92,010 thousand yuan	44.35	Manufacture and sales of compressors
Shinsho Corporation [Osaka] *1 *2	5,650 million yen	35.08	Trading of iron & steel and nonferrous metal products and machinery, etc.

Note 1: *1 in the above table indicates that the shareholdings of subsidiaries are included in the amount.

Note 2: *2 in the above table indicates that shares held as part of a retirement benefits trust are included in the amount.

Note 3: In fiscal year 2015, Kobelco Construction Machinery Europe B.V., KOBELCO POWER MOKA INC., Kobelco Spring Wire (Foshan) Co., Ltd. and Kobelco Millcon Steel Co., Ltd. were newly added.

Note 4: SRT Australia Pty Ltd, which was included in the list in the previous fiscal year, is not included in the list from fiscal year 2015, since it no longer qualifies as a major affiliated company.

Note 5: In fiscal year 2015, the Company converted Kobelco Construction Machinery Co., Ltd. into a wholly-owned subsidiary through share exchange. Please note that as of April 1, 2016, Kobelco Construction Machinery Co., Ltd. was merged with Kobelco Cranes Co., Ltd., with Kobelco Construction Machinery as the surviving entity.

Note 6: On April 1, 2016, Kobe Special Tube Co., Ltd. changed its registered trade name to Kobelco Steel Tube Co., Ltd.

Note 7: On April 1, 2016, Shinko Kobe Power Inc. changed its registered trade name to KOBELCO POWER MOKA INC.

Note 8: On April 1, 2016, the Company transferred its 80% shareholdings in NI Welding Corporation to Shinsho Corporation, and, on the same day, it changed its registered trade name to SC WELDING CORPORATION.

Note 9: On May 12, 2016, the Company acquired shares in Kobelco Eco-Solutions Co., Ltd. that were held by a subsidiary and an affiliated company of the Company. As a result, the ratio of voting rights increased to 80.24%.

(8) Employees (As of March 31, 2016)

(a) Employees of the Group (Persons)

Category	Number of Employees
Iron & Steel Business	9,798
Welding Business	2,564
Aluminum & Copper Business	6,296
Machinery Business	3,664
Engineering Business	680
Kobelco Eco-Solutions	2,187
Kobelco Construction Machinery	6,287
Kobelco Cranes	904
Other Businesses or Corporate	3,958
Total	36,338

Note: The number of employees indicates the number of working employees.

(b) Employees of the Company

Number of Employees	Increase/Decrease from the Previous Fiscal Year-End	Average Age	Average Years of Service
10,833	+224	40.0 years old	17.3 years

Note 1: The number of employees indicates the number of working employees.
Note 2: The number of employees stated above does not include 1,164 seconded employees.

(9) Major Lenders and Amount of Borrowings (As of March 31, 2016)

Main Lenders	Balance of Loans (In millions of yen)
Mizuho Bank, Ltd.	60,627
Development Bank of Japan Inc.	46,355
Nippon Life Insurance Company	46,323
Sumitomo Mitsui Banking Corporation	31,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	30,025
Bank of Tokyo-Mitsubishi UFJ (China), Ltd.	25,083
Sumitomo Mitsui Trust Bank, Limited	24,099
Mizuho Bank (China), Ltd.	20,974
Mizuho Trust & Banking Co., Ltd.	20,842

Note: Other than stated above, there was a syndicate loan amounting to a total of 84,000 million yen with Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Sumitomo Mitsui Banking Corporation each as agent banks, however this is not included in the balance of loans of the respective lenders.

2. Shares of the Company (As of March 31, 2016)

(1) Total number of shares authorized to be issued 6,000,000,000 shares

(2) The aggregate number of the issued shares 3,643,642,100 shares

(3) Total number of shareholders 220,011

(4) Major shareholders (Top ten shareholders)

Name of Shareholders	Number of Shares Held (In thousands of shares)	Shareholding Ratio (%)	Shares Held in Major Shareholders	
			Number of Shares Held (In thousands of shares)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	127,110	3.49	–	–
The Master Trust Bank of Japan, Ltd. (Trust Account)	118,677	3.26	–	–
Nippon Steel & Sumitomo Metal Corporation	107,345	2.95	6,744	0.71
Nippon Life Insurance Company	101,189	2.78	–	–
Mizuho Bank, Ltd.	64,669	1.78	–	–
Mitsubishi UFJ Trust and Banking Corporation	52,329	1.44	–	–
Japan Trustee Services Bank, Ltd. (Trust Account 7)	46,477	1.28	–	–
STATE STREET BANK WEST CLIENT-TREATY 505234	45,533	1.25	–	–
Sojitz Corporation	45,016	1.24	2,024	0.16
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	43,148	1.18	–	–

Note 1: The Company holds 2,121 thousand shares in treasury stock. Treasury stock is excluded in the calculation of the major shareholders' ratio of shareholding in the Company.

Note 2: Mizuho Bank, Ltd. is a wholly owned subsidiary of the Mizuho Financial Group. Inc. The Company holds 16,161,453 shares of common stock in the Mizuho Financial Group. Inc. (shareholding ratio 0.06%).

Note 3: Mitsubishi UFJ Trust and Banking Corporation and The Bank of Tokyo-Mitsubishi UFJ, Ltd. are wholly owned subsidiaries of the Mitsubishi UFJ Financial Group, Inc. The Company holds 8,704,020 shares of common stock in the Mitsubishi UFJ Financial Group, Inc. (shareholding ratio 0.06%).

(5) Purchase, Disposal and Holding of Treasury Stock

(a) Shares Purchased

- Purchase of shares constituting less than one unit
  Common stock 122,015 shares
  Total amount of purchases 20,852,693 yen
- Purchase of treasury stock by resolution of the Board of Directors, based on Article 459, Paragraph 1 of the Companies Act and the Company's Articles of Incorporation.
  Common stock 9,000,000 shares
  Total amount of purchases 1,680,918,000 yen

(b) Shares Disposed of

- Disposal of shares by requests for supplementary purchase of shares constituting less than one unit
  Common stock 8,573 shares
  Total amount of disposal 1,188,385 yen

(c) Shares Held as of March 31, 2016
  Common stock 2,120,511 shares

Note: Note: On October 1, 2015, the Company converted Kobelco Construction Machinery Co., Ltd. into a wholly-owned subsidiary through share exchange. In the share exchange, the Company allotted 12,032,000 shares of treasury stock in place of a new stock issue.

3. Directors, Audit & Supervisory Board Members and Officers

(1) Directors and Audit & Supervisory Board Members (As of March 31, 2016)

Positions	Name	Duties & Significant concurrent positions
Chairman of the Board (Representative Director)	Hiroshi Sato	Member, Board of Directors (Outside) of Sumitomo Dainippon Pharma Co., Ltd.
President and CEO (Representative Director)	Hiroya Kawasaki	
Executive Vice President (Representative Director)	Kazuhide Naraki	Head of the Machinery Business
Executive Vice President (Representative Director)	Yoshinori Onoe	Head of the Iron & Steel Business
Executive Vice President (Representative Director)	Akira Kaneko	Head of the Aluminum & Copper Business
Executive Vice President (Representative Director)	Naoto Umehara	Oversees the Audit Department, Secretariat & Publicity Department, General Administration Department, Legal Department, Human Resources Department, Corporate Planning Department, Accounting Department, Finance Department, Marketing Planning Department, Civil Engineering & Construction Technology Department, Rugby Administration Office, Electric Power Project Division, domestic branch offices and sales offices (including Takasago Works), and overseas locations (under the head office). Oversees companywide compliance.
Senior Managing Director	Yasuaki Sugizaki	Oversees companywide technical development. Oversees the Environmental Control & Disaster Planning Department, MONODZUKURI (Production System Innovation) Planning & Promotion Department, and IT Planning Department. Oversees companywide information systems.
Senior Managing Director	Shohei Manabe	Head of the Engineering Business
Managing Director	Fusaki Koshiishi	Head of the Welding Business
Director	Takao Kitabata	Chairman of SANDAGAKUEN Junior High School ·Senior High School, Outside Director of Marubeni Corporation, Outside Director of SEIREN CO., LTD, Outside Director of Zeon Corporation
Director	Hiroshi Ochi	
Audit & Supervisory Board Member	Hiroaki Fujiwara	
Audit & Supervisory Board Member	Yoshimasa Yamamoto	
Outside Audit & Supervisory Board Member	Shigeo Sasaki	Outside Audit & Supervisory Board Member of Sekisui Jushi Corporation, Outside Director of IwaiCosmo Securities Co., Ltd., Governor (Outside) of Japan Exchange Regulation

Positions	Name	Duties & Significant concurrent positions
Outside Audit & Supervisory Board Member	Takashi Okimoto	Outside Audit & Supervisory Board Member of Shindengen Electric Manufacturing Co., Ltd., Audit & Supervisory Board Member of Seiwa Sogo Tatemono Co., Ltd., Chairman and Representative Director of Chuo Real Estate Co., Ltd.
Outside Audit & Supervisory Board Member	Shinya Sakai	Director of Hankyu Hanshin Holdings, Inc., Outside Director of Asahi Broadcasting Corporation and Sanyo Electric Railway Co., Ltd., Chairman of HANSHIN Tigers Baseball Club, Ltd. and Hanshin Electric Railway Co., Ltd.

Note 1: Directors Takao Kitabata and Hiroshi Ochi are outside directors under the Companies Act Article 2, item 15.

Note 2: Audit & Supervisory Board Members Shigeo Sasaki, Takashi Okimoto, and Shinya Sakai are outside audit & supervisory board members under the Companies Act, Article 2, item 16.

Note 3: The Company registered Directors Takao Kitabata, Hiroshi Ochi, Audit & Supervisory Board Members Shigeo Sasaki, Takashi Okimoto, and Shinya Sakai as independent directors/auditors with the financial instruments exchange.

Note 4: Audit & Supervisory Board Members Hiroaki Fujiwara, Takashi Okimoto, and Shinya Sakai have considerable financial and accounting knowledge, as evidenced below.

- Audit & Supervisory Board Member Hiroaki Fujiwara was an officer and the general manager of the Company’s Finance Department from April 2004 to March 2005, an officer responsible for the Finance Department from April 2005 to March 2009, and an officer responsible for the Finance and Accounting departments from April 2009 to June 2009, and a director overseeing the same departments from June 2009 to March 2014.
- Audit & Supervisory Board Member Takashi Okimoto worked for many years at the Dai-Ichi Kangyo Bank, Ltd. and at Mizuho Corporate Bank, Ltd. and engaged in banking operations as a director from April 2005 to April 2007.
- Audit & Supervisory Board Member Shinya Sakai worked in the accounting department at Hanshin Electric Railway Co., Ltd. for many years, and was a director in that department from June 2002 to June 2006.

Note 5: Although there are business relationships between the Company and Marubeni Corporation, Zeon Corporation, and Hanshin Electric Railway Co., Ltd., there are no special relationships that require disclosure.

Note 6: Except set forth above, there are no special relationships that require disclosure between the Company and entities in which outside directors concurrently served.

Note 7: The directors who retired this term are as follows:

Positions	Name	Resignation Date
Executive Vice President	Jun Tanaka	June 24, 2015
Senior Managing Director	Tsuyoshi Kasuya	June 24, 2015

Note 8: The new positions and duties of directors whose positions or duties have changed as of April 1, 2016 are as follows. Please note that on April 1, 2016, the presentation of positions in the following table was partially adjusted, to show more clearly the executive roles of directors.

Positions	Name	Duties
Chairman, President and CEO (Representative Director)	Hiroya Kawasaki	
Executive Vice President (Representative Director)	Yoshinori Onoe	Head of the Iron & Steel Business
Executive Vice President (Representative Director)	Akira Kaneko	Head of the Aluminum & Copper Business
Executive Vice President (Representative Director)	Naoto Umehara	Oversees the Audit Department, Secretariat & Publicity Department, General Administration Department, Legal Department, Human Resources Department, Corporate Planning Department (excluding the Transportation Materials Business Planning Section), IT Planning Department, Accounting Department, Finance Department, Marketing Planning Department, Civil Engineering & Construction Technology Department, Rugby Administration Office, Electric Power Business, domestic branch offices and sales offices (including Takasago Works), and overseas locations (under the head office). Oversees companywide compliance and information systems.
Director, Senior Managing Executive Officer	Yasuaki Sugizaki	Assistant to the President and CEO
Director, Senior Managing Executive Officer	Shohei Manabe	Head of the Engineering Business
Director, Senior Managing Executive Officer	Fusaki Koshiishi	Head of the Welding Business
Director (Senior Adviser)	Hiroshi Sato	
Director (part time)	Kazuhide Naraki	President, CEO and Representative Director of Kobelco Construction Machinery Co., Ltd.

Note 9: The Company has implemented an officer system, with the names and duties of officers as of April 1, 2016 as follows:

	Positions	Name	Duties
Head Office	Senior Managing Executive Officer	Takafumi Morichi	Responsible for the Secretariat & Publicity Department, General Administration Department, Human Resources Department (excluding occupational safety management and QC support activities), Marketing Planning Department, Civil Engineering & Construction Technology Department, Rugby Administration Office, branch offices and sales offices (including Takasago Works).
	Managing Executive Officer	Toshiya Miyake	Oversees companywide technical development. Oversees the Environmental Control & Disaster Prevention Department, Corporate Planning Department (the Transportation Materials Business Planning Section), and MONODZUKURI (Production System Innovation) Planning & Promotion Department. General Manager of the Technical Development Group.
	Managing Executive Officer	Kazuaki Kawahara	Responsible for the Accounting Department and Finance Department.
	Managing Executive Officer	Koji Yamamoto	Responsible for the Environmental Control & Disaster Prevention Department, Human Resources Department (occupational safety management and QC support activities), MONODZUKURI (Production System Innovation) Planning & Promotion Department, Technology Administration Department and Computer Systems Department in the Iron & Steel Business, and the Research & Development Laboratory in the same business.
	Executive Officer	Yasushi Okubo	Responsible for the Audit Department and Legal Department. Responsible for companywide compliance.
	Executive Officer	Yoshihiko Katsukawa	Responsible for the Corporate Planning Department (excluding the Transportation Materials Business Planning Section) and IT Planning Department. Responsible for companywide information systems. Responsible

	Positions	Name	Duties
			for overseas locations (under the head office).
Iron & Steel	Senior Managing Executive Officer	Yukimasa Miyashita	Responsible for the Sales Management & Administration Department and Purchasing Department. Responsible for overall sales.
	Senior Managing Executive Officer	Makoto Mizuguchi	Responsible for the Wire Rod & Bar Products Marketing & Technical Service Department, Plate Products Marketing & Technical Service Department, and Sheet Products Marketing & Technical Service Department.
	Senior Managing Executive Officer	Koichiro Shibata	Responsible for overall production of steel products. General Manager of Kakogawa Works
	Managing Executive Officer	Takashi Goto	Assistant to the Head of the Iron & Steel Business
	Managing Executive Officer	Hiroaki Matsubara	Responsible for the Processed Materials Planning Department, Responsible for the Steel Casting & Forging Division, Titanium Division, and Steel Powder Division.
	Managing Executive Officer	Yoshihiro Oka	Responsible for the Plate Products Sales Department and Sheet Products Sales Department. Responsible for overseas locations in the sheet products field.
	Executive Officer	Shoji Miyazaki	General Manager of Kobe Works
	Executive Officer	Hajime Nagara	Responsible for the Raw Materials Department. General Manager of the Planning & Administration Department.
	Executive Officer	Satoshi Nishimura	Responsible for the Wire Rod & Bar Products Sales Department. Responsible for overseas locations in the wire rod and bar products field.
Welding	Executive Officer	Akira Yamamoto	Responsible for the Production Center, General Manager of the Planning & Administration Department.
Aluminum & Copper	Managing Executive Officer	Hiroshi Kato	Responsible for the Planning & Administration Department and the Raw Materials Department. Responsible for the aluminum flat rolled products business.
	Managing Executive Senior Officer	Takumi Fujii	Responsible for the casting and forging business and extrusion business. Responsible for environmental control and disaster prevention and overall safety management.
	Executive Officer	Nobuaki Isono	Responsible for the Technology Control Department. Responsible for the copper flat rolled products business and the disk business.
Machinery	Senior Managing Executive Officer	Mitsugu Yamaguchi	Head of the Machinery Business
	Senior Managing Executive Officer	Takao Ohama	General Manager of the Compressor Division
	Executive Officer	Masamichi Takeuchi	General Manager of the Industrial Machinery Division
Engineering	Managing Executive Senior Officer	Kazuto Morisaki	Responsible for the SQE System Management Department and the Project Engineering Center. Responsible for the Nuclear & CWD Division.
	Managing Executive Senior Officer	Hiroshi Ishikawa	Responsible for the Iron Unit Division and Infrastructure Division. Responsible for the Business Development Section.
Electric Power	Managing Executive Senior Officer	Jiro Kitagawa	Head of the Electric Power Business. General Manager of the Planning & Administration Department

(2) Remuneration and Other Amounts to Directors and Audit & Supervisory Board Members

Category	Remuneration: Number of Payees (Persons)	Remuneration: Amount (In millions of yen)	
Directors (of which, Outside Directors)	13 (2)	548 (26)	Remuneration for this term includes payments to two Directors who retired in this term.
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	5 (3)	106 (39)	
Total	18	655	

Note 1: The 151st General Meeting of Shareholders held on June 25, 2004 passed a resolution to set the limit of remuneration to 63 million yen a month for Directors (does not include compensation for duties performed by directors who concurrently serves as an employee) and to 11 million yen a month for Audit & Supervisory Board Members.

Note 2: Directors' remuneration is determined based on the Company's performance-based compensation system. Adjusting base remuneration for each position based on the performance of the entire company and individual businesses that fiscal year makes outcome accountability clear for each business.
In view of this role that they assume, outside directors are not eligible for performance-based compensation.
Audit & Supervisory Board Members are remunerated based on their function in light of directors' remuneration and other factors.
Director and Audit & Supervisory Board Member remuneration is limited to amounts determined at each General Meeting of Shareholders.
As for the methods for determining these amounts, policy concerning directors' remuneration is determined by the Board of Directors while audit & supervisory board members' remuneration policy is determined by all Audit & Supervisory Board Members.

Note 3: The Company does not pay bonuses to Directors and Audit & Supervisory Board Members.

Note 4: Please note that in line with the planned transition to company with an Audit & Supervisory Committee at this General Meeting of Shareholders, amounts of remuneration for directors will be subject to re-approval, and a switch to a more performance-based remuneration system is planned. Additionally, we plan to introduce a medium- and long-term incentive-based remuneration system founded on share-based payment, with the aim of sharing with all shareholders the benefits of improved corporate value. For further details, please see pages X to X of the Reference Documents for the General Meeting of Shareholders annexed to the notice of convocation.

(3) Overview of Agreements Limiting Liability

The Company has entered into agreements limiting liability with Outside Directors and Audit & Supervisory Board Members as described in Article 427, Paragraph 1 of the Companies Act as well as the Company's Articles of Incorporation to limit the liabilities stipulated in Article 423, Paragraph 1 of the Companies Act. Limits on liability for damages under these agreements shall be the amount set forth by laws and regulations.

(4) Outside Directors and Audit & Supervisory Board Members

(a) Major Activities during the Current Fiscal Year

		Board of Directors Meetings Attended (Attendance Rate)	Audit & Supervisory Board Meetings Attended (Attendance Rate)	Advice Received at Board of Directors and Audit & Supervisory Board Meetings
Director	Takao Kitabata	15/15 meetings held (100%)	–	Provided advice and suggestions concerning corporate management from his extensive experience and insight as a government administrator.
Director	Hiroshi Ochi	15/15 meetings held (100%)	–	Provided advice and suggestions concerning corporate management from his extensive experience and insight as a corporate executive.
Audit & Supervisory Board Member	Shigeo Sasaki	15/15 meetings held (100%)	27/27 meetings held (100%)	Provided advice and suggestions concerning corporate management from his extensive experience and insight in the legal profession. He also actively shared his thoughts on matters related to compliance.
Audit & Supervisory Board Member	Takashi Okimoto	14/15 meetings held (93%)	27/27 meetings held (100%)	Provided advice and suggestions concerning corporate management from his extensive experience and insight in the financial profession. He also actively shared his thoughts on matters related to compliance.
Audit & Supervisory Board Member	Shinya Sakai	12/15 meetings held (80%)	26/27 meetings held (96%)	Provided advice and suggestions concerning corporate management from his extensive experience and insight in the world of industry. He also actively shared his thoughts on matters related to compliance.

4. Accounting Auditor

(1) Name of Accounting Auditor
KPMG AZSA LLC

(2) Remuneration and Other Amounts to Accounting Auditor

Category		Amount (In millions of yen)
(a)	Remuneration and other Amounts to be paid as payment to Accounting Auditor by the Company	105
(b)	Total amount of money and other financial interests to be paid by the Company and its subsidiaries	522

Note 1: The audit agreement between the Accounting Auditor and the Company does not separately stipulate and it is practically unable to distinguish between audit remunerations based on the Companies Act and the Financial Instruments and Exchange Act. Hence, the remuneration in (a) above states aggregate of these two types of payment.

Note 2: The Audit & Supervisory Board confirms that the scope and content of the Accounting Auditor's audit plan are reasonable, and that an appropriate and sufficient number of audit days and personnel are provided, with due consideration to ensuring audit quality and efficacy. At the same time, it receives from the directors and other parties explanations of audit remuneration-setting processes and of the basis for calculation, etc., of the remuneration estimate after scrutiny of the number of audit days and the audit unit price. It has verified appropriateness and reasonableness in light of actual past audit performance, and gives consent to the audit remuneration, etc. for the Accounting Auditor in accordance with Article 399, Paragraph 1 of the Companies Act.

Note 3: Among the major subsidiaries of the Company, subsidiaries located overseas are audited by auditing firms other than the Accounting Auditor of the Company.

(3) Description of Non-Auditing Services

The Company entrusts financial due diligence to the Accounting Auditor, which are services (non-auditing services) not included in the services under Article 2, Paragraph 1 of the Certified Public Accountants Act.

(4) Policy for Decisions on Dismissal and Non-Reappointment of Accounting Auditor

If the Company's Audit & Supervisory Board determines that any of the provisions of Article 340, Paragraph 1 of the Companies Act applies with respect to the Accounting Auditor, it shall dismiss the Accounting Auditor. Such dismissal shall require the unanimous agreement of all the Audit & Supervisory Board Members.

Moreover, if it is judged that the Accounting Auditor is incapable of appropriately executing the accounting audit, or if it is judged necessary for another reason, the Audit & Supervisory Board shall determine the details of a proposal for the dismissal or non-reappointment of the Accounting Auditor, and based on this, the Board of Directors shall submit it as an agenda item to the general meeting of shareholders.

5. The Company’s Systems and Policies

(1) The Company’s Corporate Governance System

The Company believes the basis of its corporate value is the promotion of its diversified businesses, composed of various segments with different demand fields, business environments, sales channels and business scales, and the leveraging of that synergy. The Company believes it is impossible to pursuit technical development and innovations, which form the foundation for the Company’s continued growth, without integrating discussions with the shop floor.

Furthermore, to advance its diversified businesses, 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 distribution of management resources, as well as flexibly audit business executions by the Board of Directors. It is desirable that members with the correct understanding regarding the business execution side attend the Board of Directors meetings, without completely separating auditing from execution.

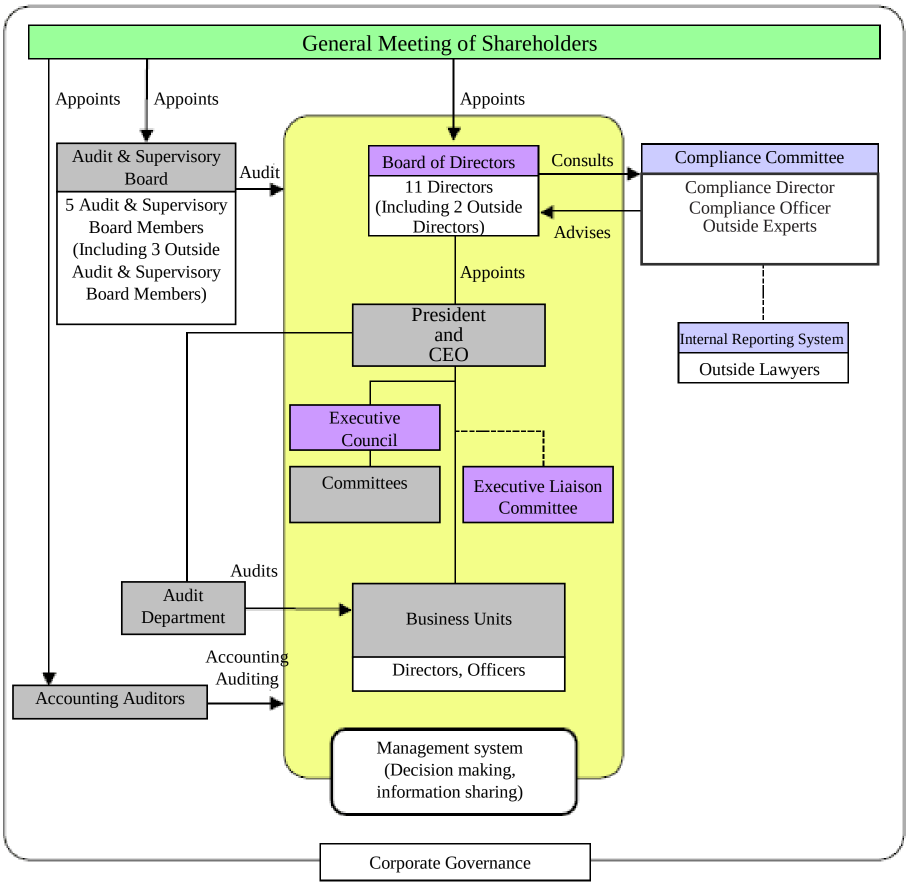
Under this policy the Company has adopted the “Company with Audit & Supervisory Board Members” governance model.

Appropriate numbers of Directors shall constitute the Board of Directors in light of ensuring Directors’ conducting substantial discussion at meetings of the Board of Directors as well as considering their diversity. The Board of Directors consists of the President and CEO and executive directors in charge of important posts in the head office division, business divisions or technical development department. In addition, to enhance active discussion, appropriate decision-making and supervision, the Company invites two or more Outside Directors because it is essential to reflect a fair and neutral viewpoint and the viewpoint of stakeholders such as minority shareholders. Currently, the Company appoints two (2) Outside Directors.

With regard to the Audit & Supervisory Board Members, the Companies Act requires companies to install three or more Audit & Supervisory Board Members, the half or more of whom are Outside Audit & Supervisory Board Members. The Company’s Audit & Supervisory Board consists of five (5) Audit & Supervisory Board Members, three (3) of whom are Outside Audit & Supervisory Board Members invited each from the legal, financial and industrial circles so that the supervisory function works with transparency and fairness.

* For more details of the Company’s basic approach to corporate governance systems and related matters, please see the corporate governance section in the corporate information section of our website (http://www.kobelco.co.jp). (Japanese language)

<Current Corporate Governance System>



At a meeting of the Board of Directors held on February 2, 2016, the Company resolved to transition from company with Audit & Supervisory Board Members to company with an Audit & Supervisory Committee, to further strengthen the supervisory function of the Board of Directors and to accelerate decision-making with regard to management. A proposal will be made at the Ordinary General Meeting of Shareholders, to partly amend the Articles of Incorporation to this effect.

(2) System for Ensuring the Propriety of Business Operations

The Company's basic policy concerning the system for ensuring the propriety of business operations (Internal Control System Basic Policy) is as follows:

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

The "Corporate Code of Ethics", which stipulates a specific corporate action guideline for compliance with laws and regulations, shall be the norms and criteria of compliance. The Company shall establish a Compliance Committee — an advisory organ to the Board of Directors that has outside committee members — at the Company and principal Group companies, and build a compliance structure that incorporates checks by outside experts, including the introduction of an internal reporting system, in which outside lawyers act as designated contact points.

(b) Establishment of systems for ensuring proper financial reporting

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

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

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

(d) Rules and other systems for risk management

The Company shall ensure appropriateness and efficiency of operation by establishing "Risk Management Regulations". These regulations are applied when each division extracts individual risk items concerning risks surrounding the business of the Company and formulates measures to prevent the extracted risk items and procedures for coping with the risks when they become evident. They also specify the system to monitor risk management. Details of the Risk Management Standards, stipulated in the Risk Management Regulations, shall be reviewed properly. The internal audit division shall verify the appropriateness and effectiveness of the systems for risk management.

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

The Company is a company with Audit & Supervisory Board Members. To realize a management structure for which transparency and fairness are further ensured, the Company shall elect outside Directors for the Company's Board of Directors, which is the core of the corporate governance function of the Company Group.

The Company also adopts the Business Unit System as a management system by which to fully show our group's total capability such as information sharing or cooperation between business units, in addition to "prompt" decision makings. Under this system, Directors shall supervise business execution in principal business divisions; and Officers, who are elected by the Board of Directors, shall execute business under the supervision of directors.

In addition, the Company shall hold meetings of the Group Executive Council and the Executive Council, where managerial Directions, including business strategies, and matters presented to the Board of Directors are discussed. The Company shall also establish an Executive Liaison Committees, comprised of directors, Officers and Technical Experts who execute business and the President and CEOs and Directors of affiliated companies designated by the President and CEO of the Company, to facilitate sharing of information on important matters relating to management.

(f) Systems for ensuring the proper operation of the Group, consisting of the Company and its subsidiaries

In accordance with the "Affiliated Company Management Regulations," the Company shall oblige affiliated companies to consult with the supervisory division and the head office division of the Company and report important matters when they make important decisions. The Company shall also strive to manage the Group as a whole by requiring affiliated companies to obtain prior approval of the Board of Directors and the President and CEO of the Company concerning disposal of assets that surpass a certain amount in value.

With respect to risks surrounding the Company's businesses, affiliated companies shall individually extract their risks, evaluate current situation of such extracted risks and draw suitable preventive maintenance policies in accordance with "Risk Management Regulations".

The Company shall dispatch its employees to its affiliated companies as directors and/or corporate auditors of such affiliated companies, make such directors and/or audit & supervisory board members attend the meetings of board of directors in these affiliated companies, and manage and control management of these affiliated companies.

Furthermore, the Company builds its group compliance system by requiring its affiliated companies to settle their corporate code of ethics or standards of corporate conduct which determine concrete principles of corporate conducts for the purpose to observe laws and regulations, establish these compliance committees and maintain these internal reporting systems.

However, with regard to listed companies, the Company shall try not to restrict the original judgment of the corporate managers of such companies, since it is necessary to ensure certain managerial independence of the companies from the Company.

(g) Matters regarding employees assisting duties of Audit & Supervisory Board Members, when Audit & Supervisory Board Members ask to appoint such employees, and matters regarding the independence of the said employees from Directors; and system to ensure the effectiveness of instructions from the Audit & Supervisory Board Members to the said employees

The Company organized the Audit & Supervisory Board Member Secretariat to support the duties of Audit & Supervisory Board Members. Personnel changes, performance appraisal, and other issues relating to the employees of the secretariat shall require prior discussions with audit & supervisory board members in order to ensure the independence of the employees from directors and the effectiveness of such instructions.

Employees of the Audit & Supervisory Board Member Secretariat mainly support the audits by Audit & Supervisory Board Members based on instructions by Audit & Supervisory Board Members in accordance with the "Rule regarding Audits by Audit & Supervisory Board Members." Directors, officers and employees shall avoid preventing such support activities by Audit & Supervisory Board Member Secretariat and cooperate to ensure the effectiveness of the audits by Audit & Supervisory Board Members.

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

Directors, Officers and employees shall periodically report the status of performance of duties, important committees, and other matters to the Audit & Supervisor Board or Audit & Supervisory Board Members, in addition to matters designated by law. They shall also report each time material risks occur in business activities and the status of response to them, as well as the design and operational effectiveness of internal systems for ensuring proper financial reporting.

Additionally, they shall report the current circumstances of their subsidiaries to Audit & Supervisory Board Members depending on the necessity to do so. The Audit & Supervisory Board Member Secretariat and the internal audit division (among departments in charge of audits regarding specific operations with high specialization or peculiarity) report to the Audit & Supervisory Board and Audit & Supervisory Board Members current situations regarding the Company's group compliance and risk management.

The Company stipulates prohibition to retaliate the informing employees through the internal reporting system and reporting employees to the Audit & Supervisory Board Members in "Corporate Code of Ethics" and dissemination this prohibition among the Company.

(i) Policies on prepaid expenses for the execution of the duties of the Audit & Supervisory Board Members, on expenses for procedures for repayment and the execution of other relevant duties, or on debt processing

If the Audit & Supervisory Board Members claim for payment of expenses or debts based on the Companies Act regarding the execution of their duties, the Company will pay for such expenses or debts except that the Company confirms such claims not necessary to execute duties of the Audit & Supervisory Board Members. Regarding the expenses necessary for the Audit & Supervisory Board Members to execute their duties, the Company will take appropriate budgetary steps to secure a certain amount that the Audit & Supervisory Board Members deem necessary each fiscal year.

(j) Other systems to ensure effective audits by Audit & Supervisory Board Members

To ensure the effectiveness of audits by Audit & Supervisory Board Members, explanations of annual audit policies and plans of the Audit & Supervisory Board shall be made at meetings of the Board of Directors and on other occasions. The Company shall improve the audit environment by holding periodic meetings between Audit & Supervisory Board Members and the President and CEO and through cooperation with the internal audit division.

Note: The above was put into practice during fiscal year 2015. Please note that if approval will be given for transit to company with an Audit & Supervisory Committee at the General Meeting of Shareholders, the Company will pass a new resolution concerning the Internal Control System Basic Policy.

(3) Operational Status of the System for Ensuring the Propriety of Business Operations

The Company is taking measures to develop the System for Ensuring the Propriety of Business Operations, and ensure its proper operation, in line with its basic policy on this system. A summary of the operational status of the system in fiscal year 2015 follows below.

(a) Compliance measures

In fiscal year 2015, the Compliance Committee met three times. Activities included formulation of compliance activity plan for fiscal year 2015, and monitoring the status of implementation of compliance activities.

Furthermore, based on compliance activity plans for fiscal year 2015, the Company implemented compliance training for executives of the Company and its group companies, and training and legal education separated by employment level for responsible persons and supervisors in each business segment, newly appointed managers, and newly hired persons, etc. Additionally, the Company also implemented legal compliance training toward group companies both within and outside of Japan, based on examples of past and current scandals.

(b) Risk management

The Company has been carrying out “Risk Management Activities” with the goal of achieving an organizational culture that is highly sensitive to compliance issues. This means that, in addition to compliance risks that are universal throughout the Company in light of legal and societal changes, after the divisions have identified and checked the risks within their individual businesses, they formulate an annual risk management plan while consulting internal company rules, manuals and other documentation as necessary (this constitutes the Plan stage of the PDCA). Every fiscal year, each business unit implements the Plan, Do, Check, Act cycle by implementing these plans (Do), reviewing the results (Check), and reflecting any improvements in the next fiscal year’s risk management plan (Act). To ensure effectiveness, the results of the fiscal year’s activities of each business unit are incorporated in plans for the next fiscal year and subsequent fiscal years after executive management has verified them. This system is proactively deployed at all Group companies.

(c) Measures for ensuring the efficient performance of duties by Directors

The Company shall hold meetings of the Group Executive Council and the Executive Council, where managerial directions including business strategies and matters presented to the Board of Directors are discussed. Members of these meetings actively discussed the agenda and considered executions of businesses regarding each business segment of the Company and the Group from various angles. The agenda discussed at the Executive Council was presented at meetings of the Board of Directors as an agenda to be resolved or reported.

Besides, the Executive Liaison Committee meetings were held to share information regarding important management issues and as study sessions, in order that attendees of this committee acquire information necessary for the Company Group’s integrated management and business execution and for appropriate updates thereof.

In order to establish the system that further improves the supervisory function and enable the Company to take appropriate risks, on the basis of the effects of changes in laws and regulations and settlement of the corporate governance code, the Company has decided on transitioning to a “company with an Audit & Supervisory Committee” as the governance system on February 2016.

Additionally, the Company has established the “Meeting of Independent Directors” from December 2015 as a forum where the Company conducts hearings of opinions with respect to appointment and/or remuneration of its executives from outside Directors, and provides outside Directors with information with respect to the management of the Company’s business for the purpose of maximizing the roles of outside directors.

(d) Status of measures to ensure the effective audits by audit & supervisory board members

Comprising five appointed audit & supervisory board members including three outside Audit & Supervisory Board Members with a high degree of independence, internal Audit & Supervisory Board Members in their capacity as full-time employees work to create a better auditing environment, and carry out routine auditing work, including attendance at important internal meetings of the Executive Council, etc., and routine *in situ* business site audits, as well as taking receipt of business reports as needed from subsidiaries in Japan and overseas. They report the status and results of routine audits to the Audit & Supervisory Board, and share information with other Audit & Supervisory Board Members. From their independent and neutral standpoint, the outside Audit & Supervisory Board Members also express their objective audit opinions to the Board of Directors, etc.

Including exchanges of opinion with the President and CEO, the Audit & Supervisory Board Members hold regular discussions with all Directors, and audit the performance of duties by Directors. With regard to joint audits by internal auditors and Accounting Auditor and to audits by audit & supervisory board members, Audit & Supervisory Board Members hold regular meetings with the Accounting Auditor, and maintain close relations with them through exchange of opinions on audit system, planning and implementation status, etc. In addition to *in situ* visits by Accounting Auditor as needed, reports regarding due progress in audit implementation are also received. Audit & Supervisory Board Members also get regular briefings on audit policy and planning from internal audit offices, and receive from both the internal audit department and internal control departments reports on the implementation status and outcomes of audits of compliance propriety, risk management and other internal control systems, so ensuring close relations and more effective auditing.

(4) Basic policy for parties affecting policy decisions of the Company's financial and business affairs ("Basic Policy on Corporate Control")

(a) Basic policy details

The Company, as a listed company, considers that any Large-Scale Purchase involving a change to its corporate control should be approved as a matter of course in cases where such purchase facilitates the protection and enhancement of its corporate value, and ultimately, the common interests of its shareholders in the course of open stock trading.

However, Japanese capital markets have recently witnessed a number of instances in which corporate shares have been rapidly purchased on a massive scale without adequate information being disclosed to public shareholders or investors. This type of large-scale purchase or proposals may cause irreparable harm to the Company or may not provide its shareholders with necessary information or time for the shareholders to determine whether to accept these large-scale purchases. These purchases may harm the Company's corporate value and ultimately, the common interests of its shareholders.

Particularly, the Company is engaged in various businesses, such as those in the materials sector and the machinery sector, and as these businesses have broad fields, there are various stakeholders and synergies to be borne by various businesses, and the Company considers that all of the above are sources of the Company's unique corporate value. It is the Company's understanding that the following actions will result in the Company fulfilling its corporate social responsibility in relationships with various stakeholders: promote efforts to lay "the Foundation for Stable Profits and Business Growth", which are described in the "Medium-Term Business Plan" prepared in May 2013 and consist of "structural reform of the steel business", "strategic expansion of the machinery business", and "expansion of the power supply business"; realize the Company's vision of "unique diversified management, where the power supply business is positioned as a stable profit base in addition to the two core businesses, which are the materials business and the machinery business"; and thereby enhance the Company's corporate value over the medium- and long-term.

For this reason, the Company believes that a party which will have an impact on its financial and business policy decisions must be one that fully understands the Company's management principles, the sources of its corporate value, and the relationships of mutual trust it shares with its stakeholders, which are necessary and indispensable for the enhancement of the corporate value and ultimately, the common interests of its shareholders. Such a party must also be able to protect and enhance the Company's corporate value and ultimately, the common interests of its shareholders as a result. In contrast, the Company views any party involved in the aforementioned large-scale purchases or proposals to be unsuitable as a party that will have an impact on its financial and business policy decisions.

Considering the business environment surrounding the Company, with the intensification of international competition, corporate acquisitions still actively occur, and the possibility of large-scale purchases of the Company's shares, which may influence the Company's management policy in the future, cannot be ignored.

On the other hand, regarding the tender offer system to be used upon such large-scale purchases, at least based on the current system, there may be cases where information and examination period to determine whether or not to accept the large scale purchases by the shareholders may not be sufficient.

In other words, by looking at large-scale M&A cases conducted in and outside Japan, even in cases of friendly transactions, there have been more than a few cases in which negotiations lasted for a considerable time before an agreement was reached. In order to facilitate the protection and enhancement of its corporate value, and ultimately, the common interests of its shareholders, it is necessary to ensure that the standard for information disclosure and evaluation period in large-scale purchases to be conducted without prior agreement with the management is equivalent to that of friendly transactions. Thus, the Company considers that it is necessary to establish a procedure to ensure that the above is achieved upon the shareholders' selection of parties affecting policy decisions of the Company's financial and business affairs.

With the above in mind, the Company believes it is necessary to establish rules where the Large-Scale Purchasers are required to provide to the Board of Directors necessary and sufficient information in connection with the Large-Scale Purchases in advance, and to commence the Large-Scale Purchases only after the expiry of a certain evaluation period by the shareholders and the Board of Directors.

(b) Special initiatives conducive to attaining the Company's Basic Policy on Corporate Control including the effective application of properties and the formation of an appropriate corporate group

(i) Initiatives to enhance corporate value by development of management strategies

The Kobe Steel Group has made various undertakings to attain a Medium-to Long-Term Business Vision: KOBELCO VISION "G" ~ Creating New Value, Aiming for Global Growth ~ formulated in April 2010. Furthermore, the Kobe Steel Group formulated the Fiscal Year 2016-2020 Group Medium-Term Management Plan, "KOBELCO VISION "G+" (pronounced "G plus") in April 2016. Under the Plan, the Kobe Steel Group aims to establish three core business areas with a stable profit base consisting of the materials businesses, the machinery businesses, and the electric power supply business. By further integrating the knowledge and technologies that only the Kobe Steel Group can offer, the Group aims to become a corporate group that:

* Has a presence in the global market;
* Maintains a stable profit structure and a strong financial foundation; and
* Prospers together with its shareholders, business partners, employees and society.

In achieving the group image above, the measures for safety and compliance shall first be thoroughly undertaken, and then the Kobe Steel Group aims to further strengthen the three core business areas and achieve stable earnings and sustainable growth.

* With respect to the details of Fiscal Year 2016-2020 Group Medium-Term Management Plan, "KOBELCO VISION "G+", please see the press release dated April 5, 2016, "The Kobe Steel Group's Fiscal Year 2016-2020 Medium-Term Business Plan" on the Company's web site (http://www.kobelco.co.jp).

(ii) Initiatives to enhance corporate value through stepped-up corporate governance

Based on highly effective internal control systems, the Company is putting full effort into the improvement of its corporate governance and the establishment of thorough compliance systems, and is dealing with the enhancement of corporate value.

* Information about the internal control system can be found on pages X through X.

(c) Initiatives to prevent unsuitable parties from having an impact on the Company's financial and business policy decisions in light of its Basic Policy on Corporate Control

The Company adopted the following plan that prescribes certain rules (hereinafter referred to as this "Plan") as an initiative to prevent unsuitable parties from having an impact on the Company's financial and business policy decisions. This Plan was approved by shareholders in the Ordinary General Meeting of Shareholders held on June 24, 2015.

The summary of this Plan

This Plan settles the following procedure in case someone engages in or aims to engage in Large-Scale Purchases.

(i) The Purpose and intent of this Plan

Upon the conduct of the (i) purchase and other acquisition of the Shares that result in a Shareholding Ratio of 20% or more, and (ii) tender offer of the Shares that results in a Shareholding Ratio of 20% or more (the "Large-Scale Purchase"), this Plan ensures that persons who are engaging in or aim to engage in Large-Scale Purchases (the "Large-Scale Purchaser") provide necessary and adequate information to the Company prior to the Large-Scale Purchase so that the shareholders may examine whether or not to accept such purchase. This Plan also prescribes an evaluation period during which the Board of Directors will review and evaluate such Large-Scale Purchase based on the information provided by the Large-Scale Purchaser, and ensures that such Large-Scale Purchase will not begin (a) until such evaluation period has elapsed, or (b) even after such period has elapsed, if a General Meeting to Confirm Shareholders' Intention (to be defined below) is convened, until a resolution regarding (among other matters) implementation of defensive measures is made at a general meeting of shareholders to confirm the shareholders' intentions as to (among other matters) whether or not to implement defensive measures (the "General Meeting to Confirm Shareholders' Intention").

(ii) Establishment of an Independent Committee

To prevent its Board of Directors from making arbitrary judgments and ensure that the procedures under this Plan remain objective, fair, and reasonable, the Company established an Independent Committee, which is a body independent of the Board of Directors. Members of the Independent Committee will be equal to or more than three (3) and elected from outside lawyers, certified public accountants, certified tax accountants, persons with relevant knowledge and expertise and outside executives as well as one (1) or more outside directors of the Company.

(iii) Provision of required information

The Large-Scale Purchaser are required to disclose the purpose of such acquisition, the basis for the calculation of the purchase price, the information substantiating that the Large-Scale Purchaser has sufficient funds to pay for the intended acquisition, their management policies after the acquisition and other information before the share purchasing so that shareholders, the Board of Directors and the Independent Committee are able to evaluate whether the proposals of the Large-Scale Purchasers enhances the corporate value and the common interests of shareholders.

However, the information to be provided to the Company by the Large-Scale Purchaser shall be limited to the extent necessary and sufficient to appropriately determine the question of the Large-Scale Purchases by the shareholders and the Board of Directors and the Independent Committee and the Independent Committee shall not engage in operations which deviate from the aim of the provision of required information, such as demanding of the Large-Scale Purchasers information disclosure exceeding the standards necessary to appropriately decide the question of the Large-Scale Purchases, or requiring provision of the required information to the Large-Scale Purchasers endlessly.

(iv) Evaluation

The Company has determined an evaluation period by the Board of Directors and the Independent Committee of the Large-Scale Purchase (hereinafter referred to as the "Evaluation Period") to be as follows, from the date that the Company discloses the fact that the Independent Committee determined that it has received the Required Information necessary and adequate for the decision on the question of the Large-Scale Purchase as set forth in hereinabove: (i) sixty (60) days, in the case of a tender offer with the consideration being only in cash in Japanese yen for all of the Shares, or (ii) ninety (90) days in the case of Large-Scale Purchase other than (i) above.

During this period, the Independent Committee will consider and judge the propriety of the Large-Scale Purchase, the exertion of defensive measures or convocation of a General Meeting to Confirm Shareholders' Intention, and based upon its evaluation, it will make a recommendation to the Board of Directors on whether or not defensive measures will be executed or a General Meeting to Confirm Shareholders' Intention will be held.

In the event of a recommendation by the Independent Committee to take defensive measures to the Board of Directors, the resolution of such recommendation requires at least one (1) affirmative vote from the committee member(s) who serve(s) as the outside director of the Company who attended the Independent Committee.

(If the Independent Committee reasonably decides that it is necessary to extend the Evaluation Period, the Company may extend the Evaluation Period for a period up to a maximum of thirty (30) days in addition to the initial period.)

(v) Implementation of defensive measures

The Board of Directors places the highest value on the Independent Committee's recommendations upon the decision of the implementation of the defensive measures in accordance with following standard:

a. If the Large-Scale Purchaser does not comply with the procedures prescribed in this Plan, the Board of Directors, as a general rule, will implement defensive measures.
b. If the Large-Scale Purchaser complies with the procedures prescribed in this Plan, the Board of Directors, even when it opposes the Large-Scale Purchase, may only express its dissenting opinion for the Large-Scale Purchases or offer alternatives, etc. The Board of Directors will not implement defensive measures against the Large-Scale Purchase as a general rule. However, the Board of Directors may implement defensive measures, if it believes the Large-Scale Purchase will irreparably harm the Company or materially damage the Company's corporate value.

However, if the Independent Committee decides that it is reasonable to confirm the intentions of the shareholders by holding a General Meeting to Confirm Shareholders' Intention as a condition for implementation of the defensive measures, the Independent Committee will recommend the convocation of a General Meeting to Confirm Shareholders' Intention to the Board of Directors. If the Independent Committee recommends that a General Meeting to Confirm Shareholders' Intention be convened, the Board of Directors of the Company shall place the highest value on such recommendation and, when considered reasonable, take steps to convene the General Meeting to Confirm Shareholders' Intention in order to confirm (among other matters) whether or not to implement the defensive measures, as soon as practically possible. The Company will comply with the decisions of the General Meeting to Confirm Shareholders' Intention.

(vi) Details of defensive measures

Defensive measures are distributing the share purchase warrants (hereinafter referred to as the "Share Purchase Warrants") with the terms and conditions set forth below, including the non-exercise of the share purchase warrants by the Large-Scale Purchaser. However, the Board of Directors shall not, as a condition of the Share Purchase Warrants, require that the Company deliver cash as consideration for the redemption of the Share Purchase Warrants held by the Large-Scale Purchasers.

(vii) The effective period of this Plan

The effective period of this Plan shall be up to the close of the first Board of Directors meeting to be held after the close of the Company's Ordinary General Meeting of Shareholders to be held in June 2017.

(With respect to the details of this Plan, please see the press release dated April 28, 2015, "Continuation of Kobe Steel, Ltd.'s Policy on Large-Scale Purchasing of its Shares (Anti-Takeover Measures)" on the Company's web site (http://www.kobelco.co.jp).

(d) Statements that the initiatives implemented by the management of the Company are in line with the Basic Policy on Corporate Control, do not undermine the common interests of its shareholders, and are not intended to preserve the personal status of its directors

The Kobe Steel Group's initiatives represent those of its current management to "protect and enhance the Company's corporate value and the common interests of its shareholders" in the Basic Policy on Corporate Control.

The Company's current corporate governance system and various initiatives implemented to strengthen it conform to the Basic Policy on Corporate Control because they ensure that the execution of directors' duties and responsibilities is supervised, they enhance the transparency of management, and they thereby serve to enhance the Company's corporate value and, ultimately, the common interests of its shareholders pursuant to the Companies Act.

This Plan is based on the fundamental principle that it is ultimately up to the shareholders to decide whether or not to accept the Large-Scale Purchase. The Company's procedures stipulated in this Plan have all been adopted as a means of having Large-Scale Purchasers furnish information necessary for the shareholders to decide whether or not to accept the relevant Large-Scale Purchase or of ensuring that the shareholders are presented with alternatives. Hence, it can be stated this Plan has been designed in line with Company's Basic Policy on Corporate Control.

Furthermore, the effectuation of this Plan is subject to the approval of the Company's shareholders at its general meeting of shareholders. As the term of validity of this Plan is clearly stipulated, the shareholders are entitled, by way of a resolution at the general meeting, to reject its renewal. It is also possible to abolish this Plan at any time via a resolution of the Board of Directors. Therefore, if the Company's shareholders determine that continuing this Plan would undermine their common interests, they are entitled to abolish it at any time by exercising their right to elect or dismiss the directors. Under this Plan, in case the Large-Scale Purchasers implement the Large-Scale Purchase without complying with the procedures of this Plan and an Independent Committee judges, as the condition to exert the defensive measures, the company should hold the General Meeting to Confirm Shareholders' Intention and, when considered reasonable, confirm the shareholders' intentions as to (among other matters) whether or not to implement defensive measures, the Board of Directors will, by placing the highest value on a recommendation made by the Independent Committee, directly confirm the intention of the shareholders with regard to whether or not to implement the defensive measures against the Large-Scale Purchases by the Large-Scale Purchasers (among other matters). In these ways, due consideration is given to ensuring that this Plan will not undermine the common interests of Company's shareholders.

The Board of Directors will take these defensive measures pursuant to the provisions of this Plan. Further, in evaluating and considering the Large-Scale Purchase and the decision in taking defensive measures therefor, the Board of Directors is required to seek the advice of outside experts, consult the Independent Committee comprised of those members who are independent of the management team engaged in the business execution of the Company, and place the highest value on the recommendations of said Committee. Thus, this Plan also incorporates procedures to protect the proper operation by the Board of Directors. Based on the foregoing, the Company believes this Plan is not aimed at preserving the personal status of its directors.

(5) Policy on decisions concerning such matters as dividends of surplus

The Company positions the return of profits to shareholders as a key issue for management and work to improve corporate value throughout the Group by operating businesses with a medium- to long-term perspective.

The Company decides on the dividend after duly considering financial standing of the Company, business performance, future capital needs and other factors. In determining dividend amounts, the Company looks at each period's business performance and payout ratio, with a focus on making continuous, stable dividend payments.

The Company makes allocations of retained earnings to purposes that include investments necessary for future growth in order to bolster earnings and improve the balance sheet.

For the time being, to conduct profit-sharing commensurate with business performance, the Company shall set the payout ratio to between 15% and 25% of consolidated net profit.

The Company's Articles of Incorporation stipulate that dividends of surplus shall be determined via a resolution of the Board of Directors in accordance with Article 459, Paragraph 1 and Article 460, Paragraph 1 of the Companies Act.

Dividends of surplus shall be distributed by a resolution of the Board of Directors twice a fiscal year on the record dates stipulated in the Articles of Incorporation: once at interim period and once at fiscal year end. Payment of dividends on other record dates shall be conducted after establishing the record date at a separate meeting of the Board of Directors.

Note: Amounts shown in this business report are rounded down to the nearest whole unit.

Consolidated Balance Sheets

(As of March 31, 2016)

(In millions of yen)

Item	Amount	Item	Amount
ASSETS		**LIABILITIES**	
Current Assets	**1,046,879**	**Current liabilities**	**813,665**
Cash and deposits	155,021	Notes and accounts payable	360,802
Notes and accounts receivable	323,849	Short-term borrowings	221,937
Lease receivables and investment assets	26,278	Lease obligations	7,038
		Bonds due within one year	35,000
Securities	31,000	Accounts payable - other	43,578
Merchandise and finished goods	168,383	Income and enterprise taxes payable	5,346
Work-in-process	125,044		
Raw materials and supplies	133,596	Deferred tax liabilities	325
Deferred tax assets	20,573	Provision for bonuses	19,325
Other	67,030	Provision for product warranties	11,316
Allowance for doubtful accounts	(3,899)	Provision for loss on construction contracts	7,217
Fixed assets	**1,214,255**		
Tangible fixed assets	**926,830**	Provision for loss on guarantees	9,901
Buildings and structures	281,105	Other	91,876
Machinery and equipment	390,887	**Long-term liabilities**	**701,975**
Tools, furniture and fixtures	14,034	Bonds and notes	176,000
Land	194,591	Long-term borrowings	356,492
Construction in progress	46,212	Lease obligations	24,066
Intangible fixed assets	**19,470**	Deferred tax liabilities	6,564
Software	13,583	Deferred tax liabilities on land revaluation	3,251
Other	5,886		
Investments and other assets	**267,954**	Net defined benefit liability	77,165
Investments in securities	155,913	Provision for environmental measures	1,061
Long-term loans receivable	7,087		
Deferred tax assets	28,193	Provision for structural reform related expenses	5,321
Net defined benefit asset	16,124		
Other	96,736	Provision for dismantlement related expenses	11,027
Allowance for doubtful accounts	(36,101)		
		Other	41,023
		Total liabilities	**1,515,641**
		NET ASSETS	
		Shareholders' equity	**707,651**
		Common stock	250,930
		Capital surplus	103,557
		Retained earnings	354,719
		Treasury stock, at cost	(1,556)
		Accumulated other comprehensive income	**(15,645)**
		Unrealized gains on securities, net of taxes	8,255
		Deferred gains (losses) on hedges	(7,929)
		Land revaluation differences, net of taxes	(3,406)
		Foreign currency translation adjustments	13,900
		Remeasurements of defined benefit plans, net of taxes	(26,465)
		Non-controlling interests	**53,486**
		Total net assets	**745,492**
Total assets	**2,261,134**	**Total liabilities and net assets**	**2,261,134**

(Amounts are rounded down to the nearest million yen.)

<u>Consolidated Statements of Income</u>

(From April 1, 2015 to March 31, 2016)

(In millions of yen)

Item	Amount	
Net sales		1,822,805
Cost of sales		1,548,384
Gross profit		**274,421**
Selling, general and administrative expenses		205,976
Operating income		**68,445**
Non-operating income		
Interest and dividend income	8,025	
Other	17,939	25,964
Non-operating expenses		
Interest expense	15,176	
Other	50,305	65,482
Ordinary income		**28,927**
Extraordinary loss		
Loss on business of subsidiaries and associates	37,363	
Loss on write-down of investment securities	2,183	39,547
Loss before income taxes and non-controlling interests		**10,619**
Income taxes - current	14,677	
Income taxes - deferred	8,385	23,062
Loss before non-controlling interests		**33,682**
Net loss attributable to non-controlling interests		12,126
Net loss attributable to owners of the parent		**21,556**

(Amounts are rounded down to the nearest million yen.)

Non-Consolidated Balance Sheets

(As of March 31, 2016)

(In millions of yen)

Item	Amount	Item	Amount
ASSETS		**LIABILITIES**	
Current Assets	**576,087**	**Current liabilities**	**445,657**
Cash and deposits	62,753	Notes payable	217,842
Notes receivable	1,207	Short-term borrowings	87,471
Accounts receivable	109,872	Lease obligations	101
Lease receivables	509	Bonds due within one year	35,000
Securities	31,000	Accounts payable - other	31,724
Merchandise and finished goods	72,480	Accrued expenses	20,994
Work-in-process	85,589	Income and enterprise taxes payable	631
Raw materials and supplies	85,368		
Advance payments - trade	4,163	Advances received	21,587
Prepaid expenses	3,213	Deposits received	7,578
Deferred tax assets	7,237	Unearned revenue	510
Short-term loans receivable	69,477	Provision for bonuses	8,069
Accounts receivable - other	33,023	Provision for product warranties	2,430
Other	10,196	Provision for loss on construction contracts	6,855
Allowance for doubtful accounts	(7)		
Fixed assets	**901,949**	Asset retirement obligations	214
Tangible fixed assets	**527,964**	Other	4,644
Buildings	95,176	**Long-term liabilities**	**517,803**
Structures	52,080	Bonds and notes	176,000
Machinery and equipment	273,173	Long-term borrowings	291,375
Vehicles	690	Lease obligations	128
Tools, furniture and fixtures	6,172	Provision for retirement benefits	22,011
Land	71,132	Provision for environmental measures	663
Construction in progress	29,539		
Intangible fixed assets	**10,168**	Provision for structural reform related expenses	5,321
Software	9,195		
Right of using facilities	954	Provision for dismantlement related expenses	11,027
Other	17		
Investments and other assets	**363,816**	Asset retirement obligations	933
Investments in securities	103,097	Other	10,340
Shares of subsidiaries and associates and investments in capital	184,390	**Total liabilities**	**963,461**
		NET ASSETS	
		Stockholders' equity	**515,863**
Long-term loans receivable	42,706	**Common stock**	**250,930**
Deferred tax assets	1,625	**Capital surplus**	**100,789**
Prepaid pension cost	24,849	Legal capital surplus	100,789
Other	8,508	**Retained earnings**	**164,737**
Allowance for doubtful accounts	(1,361)	Other retained earnings	164,737
		Reserve for special depreciation	2
		Reserve for overseas investment loss	11
		Reserve for advanced depreciation of fixed assets	2,770
		Retained earnings brought forward	161,952
		Treasury stock, at cost	**(593)**
		Valuation and translation adjustments	**(1,288)**
		Unrealized gains on securities, net of taxes	**4,932**
		Deferred gains (losses) on hedges	**(6,220)**
		Total net assets	**514,575**
Total assets	**1,478,036**	**Total liabilities and net assets**	**1,478,036**

(Amounts are rounded down to the nearest million yen.)

Non-Consolidated Statements of Income

(From April 1, 2015 to March 31, 2016)

(In millions of yen)

Item	Amount	
Net sales		979,085
Cost of sales		879,988
Gross profit		**99,096**
Selling, general and administrative expenses		78,090
Operating income		**21,006**
Non-operating income		
Interest and dividend income	29,161	
Other	20,518	49,679
Non-operating expenses		
Interest expense	6,371	
Other	37,623	43,995
Ordinary income		**26,690**
Extraordinary loss		
Loss on valuation of shares of subsidiaries and associates	31,927	31,927
Loss before income taxes		**5,237**
Income taxes - current	(2,301)	
Income taxes - deferred	3,282	980
Net loss		**6,217**

(Amounts are rounded down to the nearest million yen.)

Consolidated Statements of Changes in Net Assets

(From April 1, 2015 to March 31, 2016)

(In millions of yen)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity
Balance as of April 1, 2015	250,930	100,782	392,652	(2,996)	741,368
Amount of change					
Dividends of surplus			(14,536)		(14,536)
Net loss attributable to owners of the parent			(21,556)		(21,556)
Share exchanges			(1,855)	3,407	1,552
Purchase of treasury stock				(1,970)	(1,970)
Disposal of treasury stock			(1)	2	1
Changes in stockholders interest due to transaction with non-controlling interests		2,775			2,775
Decrease due to changes in scope of consolidation			(1)		(1)
Reversal of land revaluation			18		18
Net changes other than stockholders' equity					
Total changes	–	2,775	(37,932)	1,439	(33,717)
Balance as of March 31, 2016	250,930	103,557	354,719	(1,556)	707,651

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains on securities, net of taxes	Deferred gains (losses) on hedges	Land revaluation differences, net of taxes	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans, net of taxes	Total other comprehensive income		
Balance as of April 1, 2015	27,097	(2,415)	(3,560)	22,892	(8,891)	35,122	75,293	851,785
Amount of change								
Dividends of surplus								(14,536)
Net loss attributable to owners of the parent								(21,556)
Share exchanges								1,552
Purchase of treasury stock								(1,970)
Disposal of treasury stock								1
Changes in stockholders interest due to transaction with non-controlling interests								2,775
Decrease due to changes in scope of consolidation								(1)
Reversal of land revaluation								18
Net changes other than stockholders' equity	(18,841)	(5,514)	154	(8,991)	(17,574)	(50,768)	(21,806)	(72,574)
Total changes	(18,841)	(5,514)	154	(8,991)	(17,574)	(50,768)	(21,806)	(106,292)
Balance as of March 31, 2016	8,255	(7,929)	(3,406)	13,900	(26,465)	(15,645)	53,486	745,492

(Amounts are rounded down to the nearest million yen.)

(Reference) Summary of Consolidated Statements of Cash Flows

(From April 1, 2015 to March 31, 2016)

Item	Amount
	(In millions of yen)
Net cash provided by operating activities	97,933
Net cash used in investing activities	(104,618)
Net cash used in financing activities	93,883
Effect of exchange rate changes on cash and cash equivalents	(4,583)
Increase (Decrease) in cash and cash equivalents	82,613
Cash and cash equivalents at the beginning of fiscal year	101,654
Increase in cash and cash equivalents resulting from change in scope of consolidation	19
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	50
Cash and cash equivalents at the end of fiscal year	184,336

(Amounts are rounded down to the nearest million yen.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Important Matters Forming the Basis of the Preparation of Consolidated Financial Statements

1. Matters Concerning the Scope of Consolidation

Kobe Steel, Ltd. (the "Company") has 212 subsidiaries, of which 170 subsidiaries are included in the scope of consolidation (the "Kobe Steel Group"). Names of major consolidated subsidiaries are as follows.

Nippon Koshuha Steel Co., Ltd., Kobe Special Tube Co., Ltd., Shinko Kenzai, Ltd., Shinko Kobe Power Inc., Kobelco Logistics, Ltd., Shinko Bolt, Ltd., Sakai Steel Sheets Works, Ltd., Shinko Engineering & Maintenance Co., Ltd., NI Welding Corporation, Kobe Welding of Qingdao Co., Ltd., Kobe Welding of Korea Co., Ltd., Kobelco & Materials Copper Tube, Ltd., Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd., Kobe Aluminum Automotive Products (China) Co., Ltd., Kobe Aluminum Automotive Products, LLC, Kobe Precision Technology Sdn. Bhd., Kobelco Compressors Corporation, Shinko Engineering Co., Ltd., Kobelco Compressors Manufacturing (Shanghai) Corporation, Kobelco Compressors America, Inc., Midrex Technologies, Inc., Kobelco Eco-Solutions Co., Ltd., Kobelco Eco-Maintenance Co., Ltd., Kobelco Construction Machinery Co., Ltd., KOBELCO Construction Machinery (East Japan) Co., Ltd., KOBELCO Construction Machinery (West Japan) Co., Ltd., Chengdu Kobelco Construction Machinery (Group) Co., Ltd., Chengdu Kobelco Construction Machinery Co., Ltd., Hangzhou Kobelco Construction Machinery Co., Ltd., Chengdu Kobelco Construction Machinery Financial Leasing Ltd., Thai Kobelco Construction Machinery Ltd., Kobelco International (S) Co., Pte. Ltd., Kobelco Construction Machinery Europe B.V., Kobelco Construction Machinery USA, Inc., Kobelco Construction Equipment India Pvt. Ltd., Kobelco Cranes Co., Ltd., Shinko Real Estate Co., Ltd., KOBELCO POWER MOKA INC., Kobelco Research Institute, Inc., Kobelco (China) Holding Co., Ltd., Kobe Steel USA Holdings Inc.

For fiscal year 2015, six companies, including KOBELCO POWER MOKA INC., are newly consolidated and two companies, including Kobe Steel Sohar Project Construction & Company LLC are excluded from the scope of consolidation due to liquidation.

42 non-consolidated subsidiaries, including Shinkyo Kaiun Co., Ltd., are excluded from the scope of consolidation because the aggregated amounts of their total assets, sales, net income (corresponding to amount of equity interest), retained earnings (corresponding to amount of equity interest) and other indicators are insignificant compared to those of the consolidated companies.

2. Matters Concerning the Application of the Equity Method

Of the 42 non-consolidated subsidiaries and 56 affiliates, 43 companies are accounted for by the equity method. Names of major companies accounted for by the equity method are as follows.

OSAKA Titanium Technologies Co., Ltd., Shinko Wire Company, Ltd., Kansai Coke and Chemicals Co., Ltd., Japan Aeroforge, Ltd., Tesac Wirerope Co., Ltd., PRO-TEC Coating Company, Kobelco Angang Auto Steel Co., Ltd., Kobelco Spring Wire (Foshan) Co., Ltd., Kobelco Millcon Steel Co., Ltd., Wuxi Compressor Co., Ltd., Shinsho Corporation.

For fiscal year 2015, Kobelco Millcon Steel Co., Ltd. is newly accounted for by the equity method and two companies, including Clean Kobe Recycle Co., Ltd., are excluded from the application of equity method mainly due to liquidation.

42 non-consolidated subsidiaries, including Shinkyo Kaiun Co., Ltd., and 13 affiliates, including J&T Welding Supply Co., Ltd., are not accounted for by the equity method because the aggregated amounts of their net income (corresponding to amount of equity interest), retained earnings (corresponding to amount of equity interest) and other indicators are insignificant compared to those of the consolidated companies and companies accounted for by the equity method.

3. Matters Concerning Accounting Policies

(1) Basis and method for valuation of significant assets

A. Basis and method for valuation of securities

a) Held-to-maturity securities — Cost basis.

b) Available-for-sale securities

i) Securities with market quotations — Fair value basis, based on the market price etc. on the balance sheet date (with unrealized gains or losses, net of applicable taxes, stated in a separate component of net assets and cost of securities sold is primarily determined using the moving average method).

ii) Securities without market quotations — Cost basis, determined mainly using the moving average method.

B. Basis for valuation of derivatives

Fair value basis

C. Basis and method for valuation of inventories

Cost basis, determined principally by the average method for inventories in the Iron & Steel Business, Welding Business and Aluminum & Copper Businesses, and by the specific identification method for finished goods and work in progress in the Machinery Business, Engineering Business, Kobelco Eco-Solutions, Kobelco Construction Machinery and Kobelco Cranes (the book value on the balance sheet may be written down to market value due to decline in the profitability).

(2) Depreciation and amortization method for significant depreciable assets

a) Tangible fixed assets

i) Owned fixed assets — Primarily by the straight-line method.

ii) Leased assets

- Under finance leases that transfer ownership of the leased assets

By the same method as the owned fixed assets.

- Under finance leases that do not transfer ownership of the leased assets

By the straight-line method over the respective lease term (equal to estimated useful lives) with no residual value.

b) Intangible fixed assets — Primarily by the straight-line method. For software for internal use, by the straight-line method over the estimated internal use lives (primarily five (5) years).

(3) Basis for recognition of significant allowances and provisions

a) Allowance for doubtful accounts

To provide for potential losses on doubtful accounts, allowance is made at an amount based on the actual bad debt ratio in the past for normal accounts, and estimated uncollectible amounts based on specific collectability assessments for certain individual receivables, such as those with a possibility of default.

b) Provision for bonuses

To provide for employee bonus payments, provision is made based on the estimated amounts to be paid.

c) Provision for product warranties

To provide for the Company's after-sales warranty cost payments for industrial machinery of the Machinery Business, plants of the Engineering Business and cast and forged steel products of the Iron & Steel Business, provision is made at an estimated amount attributable to the fiscal year based on the actual warranty cost to sales ratio in the past, plus specifically estimated amount attributable to the fiscal year for certain individual cases. Certain consolidated subsidiaries provide for after-sales warranty cost payments for finished goods at an estimated amount attributable to the fiscal year based on the actual warranty cost to sales ratio in the past.

d) Provision for loss on construction contracts

To provide for future losses on construction contracts, provision is made based on an estimated loss on construction contracts outstanding at the end of the fiscal year.

e) Provision for loss on guarantees

Provision for future loss on guarantees is based on an estimate of total loss at the end of the fiscal year, considering the financial position, etc. of the guaranteed parties on a case- by- case basis.

f) Provision for environmental measures

For the cost of PCB waste treatment required by "Law Concerning Special Measure against Promotion of Proper Treatment of Polychlorinated Biphenyl (PCB) Waste", provision is made at an estimated amount at the end of the fiscal year.

g) Provision for structural reform related expenses

For expenses expected to arise related to structural reform of the steel business, provision is made at an estimated amount at the end of the fiscal year.

h) Provision for dismantlement related expenses

For expenses expected to arise from dismantlement of equipment, such as the blast furnace, in relation to construction of the power station at Kobe Works, provision is made at an estimated amount at the end of the fiscal year.

(4) Accounting method for retirement benefits

To provide for payments of retirement benefits to employees, the amount of retirement benefit obligation net of the amount of plan is established assets based on the amount expected at the end of the fiscal year.

In determining retirement benefit obligation, the benefit formula basis is adopted as the attribution method of the projected retirement benefit obligation.

Prior service costs are charged to income mainly using the straight-line method based on the average remaining service period of the employees.

Actuarial differences are charged to income from the period following the period in which it arises mainly using the straight-line method based on the average remaining service period of the employees.

Unrecognized prior service costs and unrecognized actuarial differences, net of applicable taxes, are stated in “Remeasurements of defined benefit plans, net of taxes” in accumulated other comprehensive income under net assets.

(5) Basis for recognition of revenue

For construction contracts of the Company’s Machinery Business and Engineering Business and of certain consolidated subsidiaries, revenues are recognized by applying the percentage of completion method where the outcome of the contract up to the end of the fiscal year can be estimated reliably (with the estimate of percentage of completion based on the cost-to-cost method), or in case of not being estimated reliably, by applying the completed contract method.

(6) Basis for translation of significant assets and liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates as of the consolidated balance sheet date, except for those hedged by foreign currency exchange contracts, with the resulting gains and losses recognized in income.

Assets and liabilities of consolidated foreign subsidiaries are translated into Japanese yen at the spot exchange rates as of the balance sheet date and revenues and expenses are translated into Japanese yen at average rates for the period, with the resulting gains and losses included in “Foreign currency translation adjustments” under net assets and “Non-controlling interests”.

(7) Principal method for hedge accounting

A. Method for hedge accounting — Deferred hedge method is applied.
Assigning method is applied to monetary receivables and payables denominated in foreign currencies that are specifically covered by foreign currency exchange contracts and qualify for such assigning.
Exceptional method is applied to interest rate swaps that meet specific matching criteria and qualify for such accounting.

B. Hedging instruments and hedged items

a) Hedging instruments — Foreign currency exchange contracts, interest rate swap contracts and commodity forward contracts

b) Hedged items — Assets and liabilities exposed to losses from market fluctuations related to foreign exchange rates, interest rates and trading of bare metal such as aluminum (including those expected from forecasted transactions).

C. Hedging policy and method for assessing the hedge effectiveness

The Company and its consolidated subsidiaries use hedge transactions to reduce the risks from market fluctuations and do not enter into hedge transactions for speculative purposes.
The Company assesses the hedge effectiveness in accordance with its internal rules.
The consolidated subsidiaries assess the hedge effectiveness in accordance with similar internal rules through the Company’s responsible division or the subsidiary’s own responsible division.

(8) Method for amortization of goodwill
Goodwill is amortized using the straight-line method (or immediately charged to income if immaterial) over the practically estimated effective periods where estimable during the period in which it arises, or otherwise, over five years.

(9) Method of treatment of deferred assets

Bond issuance cost is fully expensed as incurred.

(10) Accounting for consumption taxes
The tax-exclusion method is applied for the consumption tax and the local consumption tax.

(11) Application of consolidated taxation system
Consolidated taxation system is applied.

4. Changes in Presentation Method

The Company has applied Paragraph 39 in the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on September 13, 2013), the presentation of net income has been changed, and the presentation of minority interests has been changed to non-controlling interests.

Notes to Consolidated Balance Sheets

1. Assets Pledged as Collateral and Collateralized Debt

(1) Assets pledged as collateral

Cash and deposits	16,643 million yen	
Tangible fixed assets	67,066	
Other	16,886	
Total	100,597	*1

(2) Collateralized debt

Short-term borrowings	13,769 million yen	
Long-term borrowings	2,019	
Total	15,789	*1, *2

*1 Of the assets pledged as collateral, 2,184 million yen have been provided as revolving mortgages (capped at 76,280 million yen) related to bank transactions. As of the end of the fiscal year 2015, consolidated basis, there were no corresponding obligations.

*2 In addition to the above, 1,080 million yen in borrowings of other subsidiaries and affiliates are collateralized by assets pledged as collateral.

2. Accumulated Depreciation of Tangible Fixed Assets 2,411,028 million yen

3. Guarantee Liabilities

(1) Guarantees of loans from financial institutions are provided to companies other than consolidated companies.

Kobelco Angang Auto Steel Co., Ltd.	8,947 million yen
Japan Aeroforge, Ltd.	4,038
Sales agents of Chengdu Kobelco Construction Machinery (Group) Co., Ltd.	3,844
Kobelco Millcon Steel Co., Ltd.	3,241
Sichuan Chengdu Chenggong Construction Machinery Co., Ltd.	2,012
Other (13 companies and other)	3,384
Total	25,468

The above includes activities similar to guarantees (16 million yen).

Chengdu Kobelco Construction Machinery (Group) Co., Ltd., which is a consolidated subsidiary of the Company, sells construction machinery to customers through sales agents or leasing companies. Sales agents pledge guarantees to buy construction machinery, pledged as collateral at the amounts of the balance on bank loans or future minimum lease payments. Chengdu Kobelco Construction Machinery (Group) Co., Ltd. pledges reassurance for this guarantee. The balances of the reassurance were 46,829 million yen at the end of fiscal year 2015.

(2) Trade notes receivable discounted 63 million yen

(3) Trade notes receivable endorsed 603 million yen

Notes to Consolidated Statements of Income

Loss on business of subsidiaries and associates

The loss on business of subsidiaries and associates of 37,363 million yen is booked as provision for loss on valuation of shares, and for loans and guarantee obligations chiefly with regard to the Company's affiliate, operating the business of wheel loaders Sichuan Chengdu Chenggong Construction Machinery Co., Ltd., which has been affected by the rapid worsening of the business environment in the construction machinery sector in China.

These provisions comprise 14,120 million yen for the allowance for doubtful accounts, 10,348 million yen for provision for loss on guarantees, 9,751 million yen for loss on write-down of investment securities, 2,009 million yen for loss on impairment of fixed assets, and 1,132 million yen for other items.

Of the losses at the affiliate above, loss on impairment of fixed assets is as follows.

Use	Location and number of sites	Type and amount
Assets to be disposed	Sichuan Province, China (1)	Buildings and structures, etc. 2,009 million yen

As a rule, groupings are carried out by the Kobe Steel Group based on each individual business site, to recognize impairment losses.

With regard to the above, an impairment loss of 2,009 million yen has been recorded on a book value reduction to the recoverable amount, at a consolidated subsidiary in the crane business which has suspended production activities amid a worsening business environment and plans to dispose of or sell the fixed assets that it holds.

These comprise buildings and structures of 1,360 million yen, machinery and equipment of 434 million yen, tools, furniture and fixtures of 85 million yen and 128 million yen in intangible fixed assets.

Please note that with regard to recoverable amounts from assets to be disposed, calculations are based on net selling price. In cases where sale or conversion is difficult, the memorandum price is used.

Notes to Consolidated Statements of Changes in Net Assets

1. Type and Total Number of Shares Issued at the End of Fiscal Year 2015

   Common stock 3,643,642,100 shares

2. Matters Concerning Dividends

   (1) Dividends paid

Resolution	Type of stock	Total dividends	Dividends per share	Record date	Effective date	Source of dividends
May 15, 2015 Board of Directors' meeting	Common stock	7,277 million yen	2.0 yen	March 31, 2015	June 4, 2015	Retained earnings
October 30, 2015 Board of Directors' meeting	Common stock	7,259 million yen	2.0 yen	September 30, 2015	December 1, 2015	Retained earnings

   (2) Dividends with the record date in fiscal year 2015 and the effective date in fiscal year 2016

   Not applicable.

Notes on Financial Instruments

1. Matters Concerning Status of Financial Instruments

   The Kobe Steel Group raises long-term funds mainly by bank loans and issuance of bonds based on its capital budget as well as its investment and loan plan. For short-term capital needs, the Kobe Steel Group raises funds mainly by bank loans and commercial paper in relation to its projected income and working capital. The Kobe Steel Group invests temporary excess cash in secure financial assets.

   Notes and accounts receivable are exposed to the credit risks of customers. In order to manage these risks, the Company follows its internal credit management rules and the consolidated subsidiaries follow similar rules. Investments in securities consist principally of the shares of customers and are exposed to the risk of changes in quoted market prices, etc. Quoted market prices of securities are regularly monitored and reported to the Board of Directors.

   Notes and accounts payable and borrowings are exposed to liquidity risk related to financing. The Finance Department of the Company controls financial plans at the group level to manage the risk.

   Derivative transactions are utilized to avoid the risks from market fluctuations related to foreign exchange rates, interest rates and trading of aluminum bare metal etc. and the Group does not enter into derivative transactions for speculative purposes. In order to manage these risks, the Company follows its internal rules and the consolidated subsidiaries follow similar rules.

2. Matters concerning fair value of financial instruments

Carrying amount of financial instruments on the consolidated balance sheets, fair value and the difference as of March 31, 2016 are as follows.

(In millions of yen)

	Carrying amount *1	Fair value *1	Difference
(1) Cash and deposits	155,021	155,021	—
(2) Notes and accounts receivable - trade	323,849	323,849	—
(3) Securities			
Available-for-sale securities (negotiable certificates of deposit)	31,000	31,000	—
(4) Investments in securities			
a) Held-to-maturity debt securities	7	7	—
b) Securities of subsidiaries and affiliates	16,071	18,886	2,815
c) Available-for-sale securities	95,674	95,674	—
(5) Notes and accounts payable	(360,802)	(360,802)	—
(6) Short-term borrowings	(221,937)	(222,765)	(827)
(7) Bonds and notes due within one year	(35,000)	(35,429)	(429)
(8) Accounts payable-other	(43,578)	(43,578)	—
(9) Bonds and notes	(176,000)	(178,535)	(2,535)
(10)Long-term borrowings	(356,492)	(358,239)	(1,746)
(11)Lease obligations (long-term liabilities)	(24,066)	(25,571)	(1,504)
(12) Derivative transactions *2			
a) Hedge accounting not applied	164	164	—
b) Hedge accounting applied	(10,404)	(10,404)	—

*1 Liabilities are presented with parentheses ( ).

*2 Assets and liabilities arising from derivative transactions are presented after offsetting and with parentheses ( ) if the offset results in a liability.

Note 1: Methods used to determine fair value of financial instruments and matters concerning securities and derivative transactions

(1) Cash and deposits, (2) Notes and accounts receivable-trade and (3) Securities

The carrying amounts approximate fair values because of the short maturities of these instruments.

(4) Investments in securities

Based mainly on quoted market prices, etc.

(5) Notes and accounts payable, (6) Short-term borrowings and (8) Accounts payable-other

The carrying amounts approximate fair values because of the short maturities of these instruments.

The fair values of long-term borrowings due within one year which are included in short-term borrowings (with a carrying amount of 103,023 million yen) are determined using the same method as (10) Long-term borrowings.

(7) Bonds and notes due within one year and (9) Bonds and notes

Based mainly on quoted market prices.

(10) Long-term borrowings and (11) Lease obligations

The fair values are determined based on the present value by discounting the sum of principal and interest by the assumed rate which would be applied if a similar new borrowing or lease transaction were entered into. The fair values of floating rate long-term borrowings hedged by interest rate swaps that qualify for hedge accounting and meet specific matching criteria for an exceptional method, are calculated by discounting the sum of principal and interest, including the differential paid or received under the swap agreements, by the reasonably estimated rate which would be applied if a similar new borrowing were entered into.

(12) Derivative transactions

For foreign currency exchange contracts, the fair values are determined based on forward foreign exchange rate. For interest rate swaps, the fair values are determined based on quotes obtained from counterparty financial institutions. For commodity forward contracts, the fair values are determined based on commodity futures price.

For certain foreign currency exchange contracts for which the “assigning” method is applied, the fair values are included in the fair values of the hedged accounts receivable and accounts payable (see (2), (5) and (8) above).

For interest rate swaps for which the “exceptional” method is applied, the fair values are included in the fair values of the hedged long-term borrowings (see (10) above).

Note 2: Non-listed equity securities (with carrying amount of 44,160 million yen) are not included in (4) Investments in securities b) Securities of subsidiaries and affiliates and c) Available-for-sale securities, as it is extremely difficult to determine their fair value since there is no market price and future cash flows cannot be estimated .

Notes on Per Share Information

Net assets per share	190.38 yen
Net loss per share	5.93 yen

(Amounts are rounded down to the million yen.)

Non-Consolidated Statements of Changes in Net Assets

(From April 1, 2015 to March 31, 2016)

(In millions of yen)

	Stockholders' equity									
		Capital surplus		Retained earnings						
	Common stock	Legal capital surplus	Total capital surpluses	Reserve for special depreciation	Reserve for overseas investment loss	Reserve for advanced depreciation of fixed assets	Retained earnings brought forward	Total retained earnings	Treasury stock, at cost	Total stock-holders' equity
Balance as of April 1, 2015	250,930	100,789	100,789	3	88	2,880	184,375	187,347	(2,301)	536,765
Amount of change										
Adjustment due to change in tax rate				0	0	65	(65)	–		–
Reversal of reserve for special depreciation				(0)			0	–		–
Reversal of reserve for overseas investment loss					(76)		76	–		–
Reversal of reserve for advanced depreciation of non-current assets						(175)	175	–		–
Dividends of surplus							(14,536)	(14,536)		(14,536)
Net loss							(6,217)	(6,217)		(6,217)
Share exchanges							(1,855)	(1,855)	3,407	1,552
Purchase of treasury stock									(1,701)	(1,701)
Disposal of treasury stock							(1)	(1)	2	1
Net changes other than stockholders' equity										
Total changes	–	–	–	(0)	(76)	(110)	(22,423)	(22,610)	1,708	(20,902)
Balance as of March 31, 2016	250,930	100,789	100,789	2	11	2,770	161,952	164,737	(593)	515,863

	Valuation and translation adjustments			Total net assets
	Unrealized gains on securities, net of taxes	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance as of April 1, 2015	22,434	(2,554)	19,880	556,645
Amount of change				
Adjustment due to change in tax rate				–
Reversal of reserve for special depreciation				–
Reversal of reserve for overseas investment loss				–
Reversal of reserve for advanced depreciation of non-current assets				–
Dividends of surplus				(14,536)
Net loss				(6,217)
Share exchanges				1,552
Purchase of treasury stock				(1,701)
Disposal of treasury stock				1
Net changes other than stockholders' equity	(17,501)	(3,666)	(21,168)	(21,168)
Total changes	(17,501)	(3,666)	(21,168)	(42,070)
Balance as of March 31, 2016	4,932	(6,220)	(1,288)	514,575

(Amounts are rounded down to the nearest million yen.)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Matters concerning Significant Accounting Policies

1. Basis and Method for Valuation of Securities

(1) Held-to-maturity securities	Cost basis.
(2) Securities of subsidiaries and affiliates	Cost basis, determined using the moving average method.
(3) Available-for-sale securities	
Securities with market quotations	Fair value basis, based on the market price etc. on the balance sheet date (with unrealized gains or losses, net of applicable taxes, stated in a separate component of net assets and cost of securities sold is primarily determined using the moving average method).
Securities without market quotations	Cost basis, determined using the moving average method.

2. Basis for Valuation of Derivatives
   Fair value basis

3. Basis and Method for Valuation of Inventories
   Cost basis, determined by the average method for finished goods, semi-finished goods and work in progress in the Iron & Steel Business (except for Takasago Steel Casting and Forging Plant), Welding Business and Aluminum & Copper Business, raw materials and supplies, and by the specific identification method for finished goods and work in progress in the Takasago Steel Casting and Forging Plant, Machinery Business and Engineering Business (the book value on the balance sheet may be written down to market value due to decline in the profitability).

4. Depreciation and Amortization Method for Fixed Assets

(1) Tangible fixed assets	
a) Owned fixed assets	By the straight-line method.
b) Leased assets	
- Under finance leases that transfer ownership of the leased assets	By the same method as the owned fixed assets.
- Under finance leases that do not transfer ownership of the leased assets	By the straight-line method over the respective lease term (equal to estimated useful lives) with no residual value.
(2) Intangible fixed assets	By the straight-line method. For software for internal use, by the straight-line method over the estimated internal use lives (five (5) years).
(3) Long-term prepaid expenses	By the straight-line method.

5. Basis for Recognition of Allowances and Provisions

(1) Allowance for doubtful accounts

To provide for potential losses on doubtful accounts, allowance is made at an amount based on the actual bad debt ratio in the past for normal accounts, and estimated uncollectible amounts based on specific collectability assessments for certain individual receivables, such as those with a possibility of default.

(2) Provision for bonuses

To provide for employee bonus payments, provision is made based on the estimated amounts to be paid.

(3) Provision for product warranties

To provide for after-sales warranty cost payments for industrial machinery of the Machinery Business, plants of the Engineering Business and cast and forged steel products of the Iron & Steel Business, provision is made at an estimated amount attributable to the fiscal year based on the actual warranty cost to sales ratio in the past, plus specifically estimated amount attributable to the fiscal year for certain individual cases.

(4) Provision for loss on construction contracts

To provide for future losses on construction contracts, provision is made based on an estimated loss on construction contracts outstanding at the end of the fiscal year 2015.

(5) Provision for environmental measures

For the cost of PCB waste treatment required by “Law Concerning Special Measure against Promotion of Proper Treatment of Polychlorinated Biphenyl (PCB) Waste”, provision is made at an estimated amount at the end of the fiscal year 2015.

(6) Provision for structural reform related expenses

For expenses expected to arise related to structural reform of the steel business, provision is made at an estimated amount at the end of the fiscal year 2015.

(7) Provision for dismantlement related expenses

For expenses expected to arise from dismantlement of equipment, such as the blast furnace, in relation to construction of the power station at Kobe Works, provision is made at an estimated amount at the end of the fiscal year 2015.

(8) Provision for retirement benefits

To provide for payments of retirement benefits to employees, provision is made based on the retirement benefit obligation and the estimated amount of plan assets at the end of the fiscal year 2015.

Prior service costs are charged to income using the straight-line method based on the average remaining service period of the employees.

Actuarial differences are charged to income from the period following the period in which it arises using the straight-line method based on the average remaining service period of the employees.

6. Basis for Recognition of Revenue

For construction contracts of the Machinery Business and Engineering Business, revenues are recognized by applying the percentage of completion method where the outcome of the contract up to the end of the fiscal year can be estimated reliably (with the estimate of percentage of completion based on the cost-to-cost method), or in case of not being estimated reliably, by applying the completed contract method.

7. Basis for Translation of Assets and Liabilities Denominated in Foreign Currencies into Japanese Yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates as of the balance sheet date, except for those hedged by foreign currency exchange contracts, with the resulting gains and losses recognized in income.

8. Method for Hedge Accounting

(1) Method for hedge accounting

Deferred hedge method is applied.
Assigning method is applied to monetary receivables and payables denominated in foreign currencies that are specifically covered by foreign currency exchange contracts and qualify for such assigning.
Exceptional method is applied to interest rate swaps that meet specific matching criteria and qualify for such accounting.

(2) Hedging instruments and hedged items

Hedging instruments	Foreign currency exchange contracts, interest rate swap contracts and commodity forward contracts
Hedged items	Assets and liabilities exposed to losses from market fluctuations related to foreign exchange rates, interest rates and trading of bare metal such as aluminum (including those expected from forecasted transactions).

(3) Hedging policy and method for assessing the hedge effectiveness

The Company uses hedge transactions to reduce the risks from market fluctuations and does not enter into hedge transactions for speculative purposes.
The Company assesses the hedge effectiveness in accordance with its internal rules.

9. Method of treatment of deferred assets

Bond issuance cost is fully expensed as incurred.

10. Accounting for Retirement Benefits

Accounting method for unrecognized prior service costs and unrecognized actuarial differences for retirement benefits are different from that applied in preparing the consolidated financial statements.

11. Accounting for Consumption Taxes

The tax-exclusion method is applied for the consumption tax and the local consumption tax.

12. Application of Consolidated Taxation System

Consolidated taxation system is applied.

Notes to Non-consolidated Balance Sheets

1. Assets Pledged as Collateral and Collateralized Debt

(1) Assets pledged as collateral

Tangible fixed assets	6,906 million yen	
Securities of subsidiaries and affiliates	4,108	
Other	2,804	
Total	13,820	*1, *2

(2) Collateralized debt

Borrowings of subsidiaries and affiliates from financial institutions

14,893 million yen *1, *2

*1 Of the assets pledged as collateral, 1,090 million yen have been provided as revolving mortgages (capped at 76,280 million yen) related to bank transactions. As of the end of the fiscal year 2015, there were no corresponding obligations.

*2 Of the assets pledged as collateral, 12,711 million yen are the mortgages established for borrowings of 13,420 million yen from financial institutions to Shinko Kobe Power Inc., which is the primary operator of the wholesale power supply business.

2. Accumulated Depreciation of Tangible Fixed Assets 1,918,190 million yen

3. Guarantee Liabilities

Guarantees of borrowings from financial institutions are provided to other companies.

Kobelco Angang Auto Steel Co., Ltd.	8,947 million yen
Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd.	8,797
Japan Aeroforge, Ltd.	4,410
Kobe Aluminum Automotive Products, LLC	3,331
Kobelco Millcon Steel Co., Ltd.	3,241
Kobe Aluminum Automotive Products (China) Co., Ltd.	2,768
Other (18 companies and other)	11,565
Total	43,062

The above includes activities similar to guarantees (580 million yen).

4. Monetary Receivables and Payables to Subsidiaries and Affiliates

Short-term monetary receivables	139,488 million yen
Long-term monetary receivables	39,749
Short-term monetary payables	68,493
Long-term monetary payables	204

Notes to Non-consolidated Statements of Income

Transactions with Subsidiaries and Affiliates

Operating transactions	
Net sales	302,900 million yen
Purchases	511,402
Non-operating transactions	49,346

Notes to Non-consolidated Statements of Changes in Net Assets

Type and number of treasury stock at the end of fiscal year 2015

Common stock 2,120,511 shares

Notes on Tax Effect Accounting

Major causes for accrual of deferred tax assets are loss on write-down of equity securities and impairment loss.

Notes on Transactions with Related Parties

Category	Company name	Ownership of voting rights etc. (Ownership percentage)	Relationships with related parties	Description of transactions	Transaction amounts (million yen)	Account	Fiscal year-end balance (million yen)
Affiliates	Shinsho Corporation	13.33% directly and 0.19% indirectly (21.55%)	Sales of certain finished goods of the Company Purchase of raw materials Interlocking directors, etc.	Purchase of raw materials for iron and steel, other raw materials and materials for equipment	270,638	Trade accounts payable	17,368
	Kansai Coke and Chemicals Co., Ltd.	24.00% directly	Sales of coal, etc. Purchase of coke, etc. Interlocking directors, etc.	Sales of coal, etc.	52,131	Other accounts receivable	6,495
				Purchase of coke, etc.	59,978	Trade accounts payable	12,348

Note 1: The terms and conditions and policies for their determination:
The terms and conditions applicable to the above transactions are determined through price negotiations on an arm's length basis and with reference to normal market prices.

Note 2: Consumption taxes are not included in the amount of the transactions, but are included in the amount of fiscal year-end balances.

Note 3: The figure contained in parentheses is excluded from above number and represents the percentage of ownership with which the Company has received consent for exercise of voting rights.

Notes on Per Share Information

Net assets per share	141.30 yen
Net loss per share	1.70 yen

(Amounts are rounded down to the million yen.)